

**To the Mobile TeleSystems  
Public Joint-Stock Company Shareholders Meeting**

**OPINION ON THE MOBILE TELESYSTEMS PUBLIC JOINT-STOCK  
COMPANY'S  
BUSINESS AND FINANCIAL ACTIVITY BASED ON THE 2019 AUDIT  
RESULTS**

Date and place of drawing-up the Opinion: May 6, 2020, Moscow

**1. INTRODUCTION**

1.1. Pursuant to the Federal Law “On Joint-Stock Companies” No. 208-FZ dated December 26, 1995, the Auditing Commission of the Mobile TeleSystems PJSC (hereinafter referred to as “the Company”) audited the Company’s business and financial activities for 2019.

1.2. Composition of the Auditing Commission: Irina R. Borisenkova, Maxim A. Mamonov, Andrey A. Porokh.

1.3. The audit was held on April 6–30, 2020.

1.4. The main purpose of the audit was to make sure that:

a) the key financial results of the Company as included into the annual report, the annual accounting statements and other financial documents of the Company are reliable;

b) the Company’s and its shareholders’ interests were observed in the course of the business and financial activities of the Company in accordance with the requirements of the legislation of the Russian Federation;

c) decisions and orders of the Company’s collective management bodies were implemented, and essential business processes were carried out in compliance with all the applicable basic regulatory requirements;

d) the report on interested-party transactions concluded by the Company in 2019 contains true data;

e) the internal control of substantial risks was developed and applied with adequate efficiency.

1.5. In order to audit and draw-up the present Opinion of the Auditing Commission, the Company provided the following documents:

- Charter of the Company;
- 2019 Annual Report, including information on interested-party transactions concluded by the Company in the reporting year;
- Balance sheet of the Company as of December 31, 2019;
- Income statement for 2019;
- Appendices to Balance sheet and Income statement:
  - Statement of changes in equity for 2019;
  - Cash flow statement for 2019;
  - Other annexes to the Balance Sheet and Income Statement – explanations (in table and (or) text form) of the Company for 2019;
- Primary accounting documents, ledgers, other documents for 2019;
- Auditor's report on Company's Accounting Statements for 2019.

1.6. The Company's executive body is responsible for:

- the preparation and reliable presentation of the specified annual accounting statements in accordance with the Russian accounting rules;
- the development and operation of the effective internal control system in the Company, which management considers necessary for preparation of annual accounting statements;
- fulfillment of all necessary requirements and instructions of the Company's management;
- execution of financial and economic activities in accordance with the requirements of legal acts of the Russian Federation, while respecting the interests of the Company and its shareholders.

1.7. The obligation of the Auditing Commission was to conduct the audit to get reasonably assured that the main objectives of the audit were achieved and the audit conclusions were based on the most objective and adequate analysis of the information, data and documents that were submitted for this purpose.

1.8. The Auditing Commission has concluded that the information, data and documents submitted are a sufficient basis for preparing the audit conclusions and Opinion.

## **2. ANALYTICAL PART**

2.1. The audit, assessments and conclusions on the authenticity of the accounting statements of the Company were based on the requirements of the relevant accounting principles and standards of the Russian Federation used in reporting.

2.2. The assessment and analysis of the business and financial activities and conclusions about their compliance with the requirements were based on the provisions of the applicable legislation and internal regulatory and administrative documents of the Company.

2.3. The assessment of the effectiveness of creating and carrying out internal control measures was based on the requirements of the applicable legislation, internal regulatory and administrative documents of the Company in terms of risk management and internal control and on job descriptions of the Company's employees.

2.4. The audit procedures were created considering the legal form of the Company and the requirements of the legislation of the Russian Federation.

2.5. The audit method was based on carrying out sample inspection of business transactions, sample inspection of documents by material events in the audited period, interviews with employees of the Company and on the analysis of financial and economic indicators of the Company performance in 2019.

2.6. The authorized capital of the Company amounts to 199.8 million rubles.

2.7. The Shareholders of the Company are:

- Non-banking credit organization National Settlement Depository CJSC (nominee holder) – 70.70%;
- JSFC Sistema PJSC – 15.75%;
- Sistema Telecom Assets LLC – 11.03%;
- Sistema Finance S.A. – 0.37%;
- Other shareholders – 2.15%.

2.8. In the audited period, the President of the Company was Mr. A. V. Kornya. The Chief Accountant, Mr. A. V. Dvoretiskikh, was responsible for the Company's accounting.

2.9. The main activity of the Company in the audited period is the provision of telecommunications services in the areas specified in the licenses granted to the

Company by the authorized state power body; the provision of access to the Internet information and telecommunications network; the creation and operation of communication networks and communication facilities.

### **3. RESULTS OF BUSINESS AND FINANCIAL OPERATIONS**

3.1. The result of the Company's business and financial operations in 2019, based on accounting data, was the net income amounting to RUB 64,612.0 million, which increased by 7 times than the 2018 profit (by RUB 55,451 million). The increase in net profit was due to a fall in other expenses in 2019 by almost 10 times compared to 2018 due to the absence of negative exchange rate differences in 2019 and the creation of a reserve.

3.2. The revenue under customer contracts was received from provision of the following services: mobile communication services, fixed-line services, integration services, realization of products and other services. In 2019, the revenue increased year-over-year by RUB 10,887 million (3.2%) and amounted to RUB 342,123 million due to the growth in the use of data transmission services, as well as the growth of system integration services and other digital services: user applications, cloud services.

3.3. Profit before tax in 2019 increased by RUB 59,535 million compared to 2018 (3 times) and amounted to RUB 79,838 million. Current income tax increased by 6% and amounted to RUB 13,103 million.

3.4. The Company's net assets of as of December 31, 2019 amounted to RUB 108,406 million and exceed the equity capital significantly. Such ratio characterizes positively the financial standing and fully complies with statutory requirements for the amount of the Company's net assets. Herewith, it is necessary to note the increase of net assets by RUB 977 million (1%) for the year.

3.5. Borrowed funds decreased by RUB 33,890 million (7% decrease vs. 2018) and amounted to RUB 436,945 million, including long-term liabilities due after more than one year constitute 71% or RUB 311,321 million in the total amount of borrowed funds. At the same time, it should be noted that within the year, long-term liabilities over 1 year decreased by RUB 117,065 million (27%), and short-term liabilities increased by 3 times and amount to RUB 125,625 million.

3.6. Budget on Convergent business of Russia CAPEX (with respect to payments) in Russia was 100% completed for a total amount of RUB 69,700 million.

3.7. Based on the results of Q4 2019, MTS showed the quarter-to-quarter growth of the subscriber base by 0.3 million subscribers. The subscriber base of MTS increased by 1.1 million subscribers and amounts to 79.1 million subscribers in 2019.

3.8. The B2C subscriber base increased by 0.7% in 2019 compared with 2018 mainly due to ARPU categories of 500–800 rubles (in this category the growth was 18.5%). The number of subscribers with ARPU by over 1200 rubles decreased by 6.7%. The number of subscribers with ARPU 100–1200 rubles is growing.

#### **4. DATA FROM THE REPORT OF THE EXTERNAL AUDITOR**

4.1. The External Auditor of the Company is Deloitte & Touche CIS CJSC. The External Auditor audited the accounting statements of the Company prepared according to the Russian accounting rules for 2019 and issued the Auditor's Opinion on April 6, 2020.

4.2. The External Auditor expressed the opinion that in all material respects the accounting statements fairly represent the financial position of the Mobile TeleSystems Public Joint-Stock Company as of December 31, 2019, the results of its business and financial activities and its cash flows in 2019 in accordance with Russian Accounting Standards (RAS).

#### **5. CONCLUSION OF THE OPINION**

In accordance with the results of the Company's audit held on the basis of objective and fair analysis of all information and documents that were submitted for audit, taking into account the opinion of the External Auditor Deloitte & Touche CIS CJSC about the authenticity of statements of the Company, the Auditing Commission has reached the following conclusions:

5.1. The Auditing Commission has revealed no material breaches of accounting and reporting procedures set by the legal acts of the Russian Federation, procedure of accounting and submission of accounting statements, as well as by legal acts of the Russian Federation when performing business and financial activities of the Company.

5.2. The Auditing Commission confirms that the accounting statements of the Company for 2019 and the Annual Report on the Company's activities for 2019 in part of the accounting statements of the Company are valid, e.g. were prepared to ensure that in all material respects the assets and liabilities as of December 31, 2019 and the financial results of the Company's activities for 2019 are stated in compliance with applicable Russian legislation on accounting and reporting and accounting policies of the Company.

5.3. The Auditing Commission confirms that the data contained in the Annual Report on the activities of the Company for 2019 on the interested-party transactions concluded by the Company in the reporting year are reliable.

5.4. The Auditing Commission evaluates the overall status of internal control in the Company that influences achievement of business objectives of the Company and efficiency of its business, validity of reporting and compliance with requirements as satisfactory.

#### MTS PJSC Auditing Commission

Auditing Commission Member \_\_\_\_\_ I. R. Borisenkova

Auditing Commission Member \_\_\_\_\_ M. A. Mamonov

Auditing Commission Member \_\_\_\_\_ A. A. Porokh