

**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 2018 AUDIT RESULTS**

Date and place of drawing-up the Opinion: May 6, 2019, Moscow

1. INTRODUCTION

1.1. Pursuant to 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 in 2018.

1.2. Composition of the Auditing Commission: Irina R. Borisenkova, Maxim A. Mamonov, Anatoliy G. Panarin.

1.3. Audit terms: the audit was held on April 8 – 30, 2019.

1.4. Audit purpose: 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 financial statements and other financial documents of the Company are true to fact;
- b) the Company’s 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) report on transactions of interest made by the Company in 2018 contains true data;
- e) 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;
- 2018 Annual Report;
- Balance sheet of the Company as of December 31, 2018;
- Income statement for 2018;
- Appendices to Balance sheet and Income statement
 - Statement of changes in equity for 2018;
 - Cashflow statement for 2018;

- Other annexes to balance sheet and income statement – explanations (in table and (or) text form) of the Company for 2018;
 - Primary accounting documents, ledgers, other documents for 2018;
 - Auditor’s report on Company’s Financial (Accounting) statements for 2018.
- 1.6. The Company’s management is responsible for:
- the preparation and reliable presentation of the specified annual financial 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 financial 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 2018.

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

2.7. The Shareholders of the Company are:

- Non-banking credit organization National Settlement Depository CJSC (nominee holder) – 69.10%;
- JSFC Sistema PJSC – 15.75%;
- Sistema Telecom Assets LLC – 11.03%;
- Sistema Finance S.A. – 1.98%;
- Other shareholders – 2.14%.

2.8. In the audited period, from 01.01.2018 to 12.03.2018 the President of the Company was Mr. A.A. Dubovskov, from 13.03.2018 till present time – 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. In 2018, the Company changed its accounting policy, guided by Federal Accounting Standards taking into account the requirements of International Financial Reporting Standards (hereinafter - IFRS). The Company applied the provisions of IFRS to the accounting of investments in the authorized capital of subsidiaries and associated companies, recognition of revenue, and lease. As a result, the comparative indicators of the Company's accounting statements were adjusted in the current statements.

3.2. The result of the Company's business and financial operations in 2018, based on accounting data, was the net income amounting to RUB 9,160 million, which was 7.5 times lower than the 2017 profit (by RUB 59,903 million). The decrease in net profit was due to creation of a reserve in connection with the investigation of activities in Uzbekistan (RUB 55,752 million) and negative exchange differences (RUB 13,454 million).

3.3. The sales revenue was received from provision of the following services: cellular communication services, fixed-line services, lease of communication channels, and telematic services. In 2017, the revenue increased year-over-year by RUB 9,468 million (3%) and amounted to RUB 323,793 million. The revenue growth was mainly influenced by the increase

of consumption of Mobile Internet services, and also the maintenance of the level of operating expenses.

3.4. Profit before tax in 2018 decreased by RUB 61,797 million compared to 2017 (4 times) and amounted to RUB 20,302 million.

3.5. The Company's net assets of as of December 31, 2018 amounted to RUB 107,428 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 decrease of net assets by RUB 24,198 million (18%) for the year.

3.6. Borrowed funds increased by RUB 91,541 million (20% increase vs. 2017) and amounted to RUB 470,835 million, including long-term liabilities due after more than one year constitute 91% or RUB 428,386 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 increased by 137,802 million rubles 47%).

3.7. CAPEX (with respect to payments) in Russia increase in 2018 vs. 2017 by 22% and amounted to RUB 65.9 billion.

3.8. The active base of MTS is almost unchanged, CDR in the 4th quarter of 2018 — 53.4 million subscribers, which is only 0.7% lower than the CDR in the 4th quarter of 2017.

3.9. The plan for LTE site growth was not fulfilled by 24% (for 1,606 sites) due to the complications in search and design of parts and agreement of tenants for placement of sites.

4. DATA FROM THE REPORT OF THE EXTERNAL AUDITOR

4.1. The External Auditor of the Company is Deloitte & Touche CIS JSC. The External Auditor audited the accounting statements of the Company prepared according to the Russian accounting rules for 2018 and issued the Auditor's Opinion on March 31, 2019.

4.2. The External Auditor expressed the opinion that in all material respects the accounting statements fairly represent the financial position of the Company as of December 31, 2018, the results of its business and financial activities and its cash flows in 2018 in accordance with Russian accounting and reporting standards.

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 2018 and the Annual Report on the Company's activities for 2018 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, 2018 and the financial results of the Company's activities for 2018 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 2018 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.G. Panarin