

Mobile TeleSystems Public Joint-Stock Company

Financial Statements for 2020
and Independent Auditor's Report
(Translated from the original in Russian –
unofficial translation)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Mobile TeleSystems Public Joint-Stock Company:

Opinion

We have audited the accompanying financial statements of Mobile TeleSystems Public Joint-Stock Company (the "Company"), which comprise:

- Balance sheet as of 31 December 2020;
- Statement of financial results for 2020;
- Appendices to the balance sheet and statement of financial results:
 - Statement of changes in equity for 2020;
 - Statement of cash flows for 2020;
 - Notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for 2020 in accordance with Russian accounting and financial reporting standards ("RASs").

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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
Revenue recognition

The Company's revenue from telecommunication services consists of a significant volume of low-value transactions, sourced from multiple systems, databases, and other tools, including billing systems. The processing and recording of revenue is highly automated and is based on established tariff plans.

We identified the revenue recognition for telecommunications services as a key audit matter due to the complexity of information systems involved in the revenue recognition process and the risks associated with recognition and measurement of revenue, arising from the diversity and constant evolution of tariff plans, marketing offers and discounts provided to customers. The auditing of revenue required an increased extent of audit effort, including the need for us to involve professionals with expertise in information technology (IT), to identify, test, and evaluate the Company's systems, software applications, and automated controls.

See Notes 2, 16 and 18 to the financial statements.

How the matter was addressed in the audit

Our audit procedures related to the Company's revenue recognition for telecommunication services included the following, among others:

- We analysed the IT environment that secures proper functioning of billing and other IT systems related to accounting, including control procedures for monitoring changes and segregation of duties, as well as testing of these controls;
- We tested the design and operating effectiveness of internal controls over revenue recognition, including: recording and registration of phone calls, call duration, provision of data and value added services; authorization of changes in tariff plans and input of this information into the billing systems; and correctness of the application of incentive arrangements and discounts;
- We performed end-to-end testing of reconciliation of data on the duration and volume of provided telecommunication services from their initial registration by switching equipment to billing and other IT systems and then to accounting records, including testing of certain manual adjustments recorded when transferring data from billing and other IT systems to the general ledger;
- We used test calls to test the correctness of the details of connections, their duration and the tariff plans applied;
- We tested whether incentive arrangements and discounts were correctly accounted for in accordance with the relevant accounting policies of the Company; and
- We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans.

We evaluated the Company's accounting policy with respect to the recognition of revenue from the provision of services to subscribers to determine if the existing policy continues to be appropriate, and assessed the compliance of the disclosures in the financial statements with the requirements of IFRS 15, *Revenue from Contracts with Customers*.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p>Valuation of investments in subsidiaries and associates</p> <p>As disclosed in Notes 2 and 7 to the financial statements, the Company applies separate principles of equity method for accounting of its investments in subsidiaries and associates. In addition, the Company performs impairment tests with respect to its investments in subsidiaries and associates.</p> <p>We considered this matter as a key audit matter due to the material amount of investments in subsidiaries and associates for the financial statements and also due to the fact that the application of the separate principles of equity method, the determination of objective impairment indicators and, if necessary, impairment testing, requires performing complicated calculations and applying judgement.</p>	<p>We have obtained an understanding of the processes and controls of the Company over the recognition, accounting and valuation of impairment of investments in subsidiaries and associates.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Sample based verification of valuation of investments in subsidiaries and associates by the means of (1) comparing the initial cost of the investment at the date of acquisition with supporting documents, (2) comparing the Company's share in profit or loss and other comprehensive income of an investee with the financial statements of subsidiaries and associates for the reporting period, (3) verification of the correctness of the profit or loss and other comprehensive income included in the financial statements of subsidiaries and associates for the reporting period, (4) verification of the other changes in the carrying value of investments with the supporting documents as at the dates of operations; • Assessment of the correctness of the determination of objective impairment indicators of investments in subsidiaries and associates performed by management and verification of the impairment test calculation prepared by management for those investments where the impairment indicators was identified. The verification of the impairment calculation included a comparison of the fair value of the investment with the carrying value of the investment, as well as an analysis of the assumptions and judgments applied by management in determining fair value. <p>We also checked completeness and evaluated the compliance of the disclosures in the financial statements with the requirements of the applicable reporting standards.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for 2020 (the "Annual report") and the Issuer's report for the first quarter of 2021 (the "Issuer's report"), but does not include the financial statements and our auditor's report thereon. The Annual report and Issuer's report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

UNOFFICIAL TRANSLATION

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

The Russian original is signed by

Andrei Shvetsov
Engagement leader

31 March 2021

The following financial statements were prepared for use in the Russian Federation in accordance with accounting principles and financial reporting practices generally accepted in the Russian Federation and are not intended to present the financial position and results of operations of the audited entity in accordance with accounting principles and practices generally accepted in any other jurisdiction.

The Entity: Mobile TeleSystems Public Joint-Stock Company

Certificate of state registration № P-7882.16., issued by the State Registration Chamber under the Ministry of Justice of the Russian Federation on 1 March 2000.

Primary State Registration Number: 1027700149124

Certificate of registration in the Unified State Register № 1027700149124 of 2 September 2002, issued by Moscow Inspectorate of the Russian Ministry of Taxation.

Address: 4 Marksistskaya St., Moscow, 109147

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

**BALANCE SHEET
as at 31 December 2020**

Entity	Mobile TeleSystems Public Joint-Stock Company
Taxpayer identification number	
Type of activity	Telecommunications based on wireless technologies
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership
Measurement unit	RUB thousand
Address	4 Marksistskaya St., Moscow, 109147

Form No. 1 OKUD	CODES
Date (day, month, year)	0710001
OKPO	31/12/2020
INN	52686811
OKVED-2	7740000076
OKOPF/OKFS	61.20
OKEI	12247/34
	384

The financial statements is subject to obligatory audit
Audit Firm

Taxpayer identification number of the audit organization
Primary state registration number of the audit organization

<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
AO "Deloitte & Touche CIS"
TIN 7703097990
PSRN/PSRNSP 1027700425444

Item description	Note	31 December 2020	31 December 2019	31 December 2018
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets	4	19 090 789	15 283 208	13 420 696
Cost-to-obtain contracts with subscribers		17 539 906	17 504 898	16 798 187
Non-exclusive rights to use assets	4	53 213 077	49 205 810	44 871 037
Property, plant and equipment	5	206 675 728	185 382 978	173 851 033
Right-of-use assets	6	111 061 674	109 783 121	110 330 835
Construction-in-progress	5	25 479 869	18 118 201	21 744 865
Investments in subsidiaries and associates	7	302 822 284	276 387 373	278 743 160
Other investments	8	11 912 224	20 023 291	32 241 553
Other non-current assets	9	6 065 429	8 926 413	7 099 538
Total Section I		753 860 980	700 615 293	699 100 904
II. CURRENT ASSETS				
Inventories		914 524	545 152	459 948
Value-added tax receivable		7 825 953	7 303 923	4 893 699
Accounts receivable	10	29 515 917	31 384 574	30 501 637
Other investments (other than cash equivalents)	8	12 056 098	35 675 712	35 997 465
Cash and cash equivalents	11	46 844 624	8 759 649	69 147 465
Other current assets		82 751	121 666	131 172
Total Section II		97 239 867	83 790 676	141 131 386
TOTAL ASSETS		851 100 847	784 405 969	840 232 290
EQUITY AND LIABILITIES				
III. EQUITY AND RESERVES				
Share capital	12	199 838	199 838	199 838
Treasury shares		(111 535)	(4 120)	(4 120)
Additional paid-in capital (excluding revaluation)		7 389 185	7 388 568	7 348 938
Accumulated other comprehensive income / (loss)		12 470 710	10 969 433	445 952
Reserve capital		30 996	30 996	30 996
Retained earnings		87 177 441	82 990 541	94 827 137
Total Section III		107 156 635	101 575 256	102 848 741
IV. NON-CURRENT LIABILITIES				
Borrowings	13	461 829 240	311 320 629	428 385 695
Deferred tax liabilities	17	17 269 833	15 985 103	14 291 223
Provisions	15	4 788 824	4 565 679	2 572 865
Accounts payable	14	3 405 630	3 959 789	2 772 721
Lease obligations	6	113 026 810	109 680 256	107 888 539
Contract liabilities	16	548 389	327 302	195 687
Total Section IV		600 868 726	445 838 758	556 106 730
V. CURRENT LIABILITIES				
Borrowings	13	48 406 841	125 624 566	42 448 554
Accounts payable	14	61 230 806	82 944 458	52 985 224
Lease obligations	6	10 497 802	9 320 262	8 256 640
Contract liabilities	16	19 219 682	17 352 980	16 851 283
Deferred income		9 430	9 747	-
Provisions	15	3 710 925	1 739 942	60 735 118
Total Section V		143 075 486	236 991 955	181 276 819
TOTAL EQUITY AND LIABILITIES		851 100 847	784 405 969	840 232 290

The Russian original is signed by

V.K. Nikolaev
President of Mobile TeleSystems PJSC

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

31 March 2021

**STATEMENT OF FINANCIAL RESULTS
for 2020**

		CODES	
		Form No. 2 OKUD	0710002
		Date (day, month, year)	31/12/2020
Entity	Mobile TeleSystems Public Joint-Stock Company	OKPO	52686811
Taxpayer identification number		INN	7740000076
Type of activity	Telecommunications based on wireless technologies	OKVED-2	61.20
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership	OKOPF/ OKFS	12247/34
Measurement unit	RUB thousand	OKEI	384

Item description	Note	2020	2019
Revenue	18	358 081 393	342 122 949
Cost of sales	19	(171 011 407)	(161 966 153)
Gross profit		187 069 986	180 156 796
Selling expenses	19	(50 010 330)	(50 084 217)
Administrative expenses	19	(38 064 887)	(33 869 579)
Operating profit		98 994 769	96 203 000
Interest income		4 557 708	7 056 589
Interest expense	13	(32 938 837)	(37 289 699)
Interest expense – lease obligations	6	(10 312 276)	(10 320 433)
Share of the net profit of subsidiaries and associates	7	20 876 607	13 158 859
Other income	20	10 161 345	17 122 191
Other expenses	21	(23 428 825)	(8 333 980)
Profit before income tax		67 910 491	77 596 527
Income tax	17	(11 054 622)	(14 585 256)
current income tax	17	(8 937 279)	(13 103 138)
deferred income tax	17	(2 117 343)	(1 482 118)
Other	17	170 331	(640 432)
Net profit		57 026 200	62 370 839

ADDITIONAL INFORMATION

Result of other transactions not included in current year net profit		1 501 277	10 523 481
Comprehensive financial result for the period		58 527 477	72 894 320
Basic earnings per share, RUB	24	28.54	31.21
Diluted earnings per share, RUB	24	28.54	31.17

The Russian original is signed by

V.K. Nikolaev
President of Mobile TeleSystems PJSC
31 March 2021

A.V. Dvoretikh
Chief Accountant of Mobile TeleSystems PJSC

**STATEMENT OF CHANGES IN EQUITY
for 2020**

Entity	Mobile TeleSystems Public Joint-Stock Company	Form No. 4 OKUD	0710004
Taxpayer identification number		Date (day, month, year)	31/12/2020
Type of activity	Telecommunications based on wireless technologies	OKPO	52686811
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership	INN	7740000076
Measurement unit	RUB thousand	OKVED-2	61.20
		OKOPF/OKFS	12247/34
		OKEI	384

1. Changes in equity

Item description	Share capital	Treasury shares	Additional paid in capital	Accumulated other comprehensive income	Reserve capital	Retained-earnings	Total
Total as at 31 December 2018	199 838	(4 120)	7 348 938	445 952	30 996	94 827 137	102 848 741
Net profit	-	-	-	-	-	62 370 839	62 370 839
Dividends	-	-	-	-	-	(83 751 432)	(83 751 432)
Foreign currency translating reserve of foreign standalone division	-	-	(453)	-	-	-	(453)
Change in equity due to reorganization	-	-	-	-	-	-	-
Equity method effect for investments in subsidiaries and associates (Note 7)	-	-	-	10 523 481	-	9 543 997	20 067 478
Adjustment on initial application of new standards	-	-	-	-	-	-	-
Transactions under common control	-	-	40 083	-	-	-	40 083
Purchase of own stock	-	-	-	-	-	-	-
Total as at 31 December 2019	199 838	(4 120)	7 388 568	10 969 433	30 996	82 990 541	101 575 256
Net profit	-	-	-	-	-	57 026 200	57 026 200
Dividends	-	-	-	-	-	(58 939 757)	(58 939 757)
Foreign currency translating reserve of foreign standalone division	-	-	617	-	-	-	617
Equity method effect for investments in subsidiaries and associates (Note 7)	-	-	-	1 501 277	-	7 397 845	8 899 122
Purchase of own stock	-	(107 415)	-	-	-	-	(107 415)
Change in equity due to reorganization	-	-	-	-	-	(1 297 388)	(1 297 388)
Total as at 31 December 2020	199 838	(111 535)	7 389 185	12 470 710	30 996	87 177 441	107 156 635

2. Adjustments on changes of accounting policy

Item description	As at	Changes in equity for		As at
	31 December 2018	2019		31 December 2019
		Due to net profit	Due to other factors	
Equity - total				
Before adjustments	107 428 980	64 611 997	(63 644 324)	108 396 653
Adjustment on:				
Changes of accounting policy	(4 580 239)	(2 241 158)	-	(6 821 397)
After adjustments	102 848 741	62 370 839	(63 644 324)	101 575 256
thereof:				
Retained earnings:				
Before adjustments	99 407 376	64 611 997	(74 207 435)	89 811 938
Adjustment on:				
Changes of accounting policy	(4 580 239)	(2 241 158)	-	(6 821 397)
After adjustments	94 827 137	62 370 839	(74 207 435)	82 990 541

3. Net assets

Item description	31 December 2020	31 December 2019	31 December 2018
Net assets	<u>107 166 066</u>	<u>101 585 003</u>	<u>102 858 856</u>

The Russian original is signed by

V.K. Nikolaev
President of Mobile TeleSystems PJSC
31 March 2021

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

**STATEMENT OF CASH FLOWS
for 2020**

Entity	Mobile TeleSystems Public Joint-Stock Company
Taxpayer identification number	
Type of activity	Telecommunications based on wireless technologies
Legal status/ form of ownership	Public joint-stock company/ Joint private and foreign ownership
Measurement unit	RUB thousand

	CODES
Form No. 5 OKUD	0710005
Date (day, month, year)	31/12/2020
	52686811
OKPO	INN
	7740000076
OKVED-2	61.20
OKOPF/ OKFS	12247/34
OKEI	384

Item description	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows - total	309 540 520	296 406 936
including:		
Proceeds from customers	293 262 423	280 855 610
Interest received on cash equivalents	1 290 301	1 919 688
Other cash inflows	14 987 796	13 631 638
Cash outflows - total	(179 599 706)	(237 586 824)
including:		
Payments for acquired goods, services, raw materials and other current assets	(77 237 756)	(70 735 344)
Payments to employees	(37 808 400)	(33 871 823)
Interest paid	(43 122 756)	(47 261 161)
Income tax paid	(8 653 582)	(13 704 411)
Other taxes and duties paid	(12 761 071)	(13 321 495)
Other payments	(16 141)	(58 692 590)
Net cash flow from operating activities	129 940 814	58 820 112
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows - total	79 029 018	115 395 488
including:		
Proceeds from sales of property, plant and equipment and other non-current assets	440 979	327 132
Proceeds from disposal of financial investments in the authorized capital of subsidiaries and associates	2 450 000	26 732 149
Proceeds from sales of other financial investments	25 491 776	-
Dividends received	8 019 800	50 052 681
Interest received	5 623 496	3 317 327
Proceeds from repayment of loans given to other entities	36 724 597	22 966 199
Proceeds from reorganization of subsidiaries in the form of merger	278 370	-
Proceeds from repayment of deposits	-	12 000 000
Cash outflows - total	(148 690 209)	(147 743 523)
including:		
Deposit placement	(73 115)	(406)
Purchase of subsidiaries and associates and other financial investments	(27 653 333)	(37 106 292)
Cost to obtain contracts, paid	(10 438 440)	(9 399 543)
Purchase of property, plant and equipment (including investment property) and intangible assets	(87 688 442)	(72 898 044)
Loans issued to subsidiaries and associates	(22 836 879)	(28 339 238)
Net cash used in investing activities	(69 661 191)	(32 348 035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows - total	327 310 342	141 873 950
including:		
Proceeds from borrowings provided by other entities	327 310 342	141 873 950
Cash outflows - total	(349 790 753)	(226 748 083)
including:		
Repayment of borrowings (excluding interest)	(257 038 159)	(162 879 984)
Dividends paid (including withholding income tax)	(84 453 622)	(57 273 109)
Lease obligation principal paid	(8 298 972)	(6 594 990)
Net cash used in financing activities	(22 480 411)	(84 874 133)
Net cash flow for the reporting period	37 799 212	(58 402 056)
Cash and cash equivalents at the beginning of the reporting period	8 759 649	69 147 465
Cash and cash equivalents at the end of the reporting period	46 844 624	8 759 649
Effect of foreign exchange rate changes on cash and cash equivalents	285 763	(1 985 760)

The Russian original is signed by

V.K. Nikolaev
President of Mobile TeleSystems PJSC
31 March 2021

A.V. Dvoretiskikh
Chief Accountant of Mobile TeleSystems PJSC

**NOTES TO THE FINANCIAL STATEMENTS OF
Public Joint-Stock Company Mobile TeleSystems for 2020**

1. GENERAL MATTERS

Mobile TeleSystems Public Joint-Stock Company (“the Company” or “MTS PJSC”) provides mobile and fixed-line communication services on the territory of the Russian Federation (“RF”). The Company is one of the leading mobile operators in the RF.

State Registration Certificate No. P-7882.16 was issued by the State Registration Chamber under the Ministry of Justice of the RF on 1 March 2000.

Legal and actual address: Russian Federation, 109147, Moscow 4 Marksistskaya St.

MTS PJSC has branches and structural divisions registered in the following regions in the RF:

Moscow city, the Moscow Region; the Oryol Region, Oryol; the Belgorod Region, Belgorod; the Lipetsk Region, Lipetsk; the Kursk Region, Kursk; the Voronezh Region, Voronezh; the Bryansk Region, Bryansk; Tula Region, Tula; Smolenskiy Region, Smolensk; Ryazanskiy Region, Ryazan; Vladimirskiy Region, Vladimir; the Kaluzhskiy Region, Kaluga; the Yaroslavskiy Region, Yaroslavl; the Tverskoy Region, Tver; the Kostromskoy Region, Kostroma; the Ivanovskiy Region, Ivanovo; the Tambovskiy Region, Tambov; St.-Petersburg; the Pskovskiy Region, Pskov; the Komi Republic, Syktyvkar; the Arkhangelsk Region, Arkhangelsk; the Vologda Region, Vologda; the Kaliningrad Region, Kaliningrad; the Murmansk Region, Murmansk; the Novgorodskiy Region, Veliky Novgorod; the Republic of Karelia, Petrozavodsk; the Nizhny Novgorod Region, Nizhny Novgorod; the Kirov Region, Kirov; the Republic of Tatarstan, Kazan; the Udmurt Republic, Izhevsk; the Chuvash Republic, Cheboksary; the Republic of Mordovia, Saransk; the Mariy El Republic, Yoshkar-Ola; the Penzenskiy Region, Penza; the Samarskiy Region, Samara; the Saratovskiy Region, Saratov; the Orenburgskiy Region, Orenburg; the Ulyanovsk Region, Ulyanovsk; the Republic of Bashkortostan, Ufa; the Krasnodar Region, Krasnodar; the Krasnodar Region, Novorossiysk; the Krasnodar Region, Sochi; the Astrakhan Region, Astrakhan; the Volgograd Region, Volgograd; the Stavropol Region, Stavropol; the Rostov Region, Rostov on-Don; the Kabardino-Balkaria Republic, Nalchik; the Karachay-Cherkessia Republic, Cherkessk; the Republic of Ingushetia, Nazran; the Republic of North Osetia-Alania, Vladikavkaz; the Republic of Dagestan, Makhachkala; the Chechen Republic, Grozny; the Sverdlovsk Region, Ekaterinburg; the Perm Region, Perm; the Chelyabinsk Region, Chelyabinsk; the Kurgan Region, Kurgan; the Tyumen Region, Tyumen; the Khanty-Mansi Autonomous District, Surgut; the Yamalo-Nenets Autonomous District, Noyabrsk; the Novosibirsk Region, Novosibirsk; the Omsk Region, Omsk; the Kemerovo Region, Kemerovo; the Altai Region, Barnaul; the Krasnoyarsk Region, Krasnoyarsk; the Tomsk Region, Tomsk; the Republic of Khakassia, Abakan; the Altai Republic, Gorno-Altai; the Tyva Republic, Kyzyl; the Primorsky Region, Vladivostok; the Khabarovsk Region, Khabarovsk; the Amur Region, Blagoveshchensk; the Zabaikalskiy Region, Chita; the Republic of Sakha (Yakutia), Yakutsk; the Irkutsk Region, Irkutsk; the Kamchatka Region, Petropavlovsk-Kamchatskiy; the Magadan Region, Magadan; the Buryat Republic, Ulan-Ude; the Sakhalin Region, Yuzhno-Sakhalinsk.

MTS PJSC also has a representative office in the Republic of Belarus.

The average number of staff at the Company in 2020 and 2019 was 27 527 and 27 256, respectively.

The entity keeping record of title to securities is JSC Independent Registrar Company.

Company's information is published in the Attachment to the Newsletter of the Federal Financial Markets Service of Russia.

1.1. Primary source of the Company's revenue

The Company generates revenue primarily from rendering the following services:

- mobile communication services;
- lease of communication channels;
- fixed local, long-distance and international communication services;
- telematic services;
- other services.

1.2. Negative factors (risks) that affected the financial results of the Company's operations in the reporting year

Emerging markets, including the RF, are subject to diverse risks that differ from those of more developed markets, including economic, political, social, legal, and legislative risks. Laws and regulations affecting businesses in the RF may change rapidly and may be subject to arbitrary interpretations. The future economic direction of the RF is largely dependent upon fiscal and monetary measures undertaken by the government, together with legal, regulatory and political developments.

Since the RF produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the world oil and gas price movements.

In March 2020, world oil prices fell sharply by more than 40%, which led to an immediate depreciation of the Russian ruble against major currencies.

Starting from March 2014, the USA and the European Union imposed sanctions on a number of Russian officials, businessmen and organizations. International credit rating agencies downgraded the RF's long-term foreign currency sovereign rating. Currently there remains uncertainty with respect to the scale and timing of further sanctions.

The changes in the economic situation could significantly impact future performance and financial position of the Company.

Further turmoil in global financial markets or tightening and prolongation of sanctions against Russia may result in the reduced ability of Russian business to access the international capital and export markets, capital outflows, weakening of the Ruble and other adverse economic consequences, which could have a negative impact on the Company's business, including ability to obtain financing on commercially reasonable terms. Management believes it is taking the appropriate measures to support the sustainability of the Company in the current circumstances. MTS PJSC has a hedging strategy in place, which partly mitigates the variability of cash outflows as a result of changes in exchange rates of the ruble when making payments denominated in foreign currencies.

Outbreak of coronavirus infection COVID-19 - The coronavirus pandemic has led to a global economic crisis. Due to higher demand for certain telecommunications services the impact of the crisis felt less severely by the telecommunication industry and the Company than by other industries. The main effects on business activities and financial performance of the Company were as follows:

- A drop in international roaming revenue due to restrictions of the movement of subscribers;
- Increased costs for putting in place additional sanitation measures in the Company's offices;
- A reduction of selling expenses, travelling and trainings expenses, as well as administrative office maintenance costs.

In respect of trade and other receivables, the Company experienced very minor payment client defaults as a consequence of COVID-19, however, there is still great uncertainty surrounding the economic environment, so the Company will continue to monitor the risk of non-recovery of trade and other receivables on an ongoing basis.

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

1.3. Liquidity risk

Liquidity risk represents the risk of insufficient funds. In accordance with the Company's policy, the borrowings are made centrally through a combination of short-term and long-term credit facilities. These borrowings in conjunction with cash from operating activities are used to meet the estimated financing needs. The Company's management estimated the risk on its debt refinancing as low.

Management manages the liquidity risk on long-term debt liabilities supporting the loan portfolio with various periods of maturity and necessary amount of net debt, thus minimizing the risk of debt refinancing. The debt repayment periods vary from one to seven years.

As at 31 December 2020 the current liabilities exceeded the current assets by RUB 45 835 619 thousand. Management considers that the Company has access to sufficient amount of liquidity due to proceeds of cash from operating activities and credit lines in the amount of RUB 295 201 252 thousand (Note 13 Borrowings).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Company are prepared in accordance with the accounting and reporting requirements of the RF, accounting standards enacted on the territory of the RF by the Decree of the Government of the RF of 25 February 2011 №107, which approved the "Regulation on the recognition of International Financial Reporting Standards and Explanations of International Financial Reporting Standards for use in the Russian Federation".

The basis for the application of International Financial Reporting Standards (hereinafter IFRS) was the decree of the Ministry of Finance of Russia dated 28 April 2017 №69n, which amended certain provisions of the Accounting Regulations of PBU 1/2008 “Accounting Policy of the Organization”, approved by decree of the Ministry of Finance of Russia dated 6 October 2008 №106n.

This amendment allows entities that publish their financial statements in accordance with IFRS to use IFRS accounting policies for the preparation of their statutory financial statements. In particular, the entity may not apply the accounting and reporting requirements established by Federal Accounting Standards (“FSBU”) in case these requirements are not consistent with IFRS accounting policies.

The Company uses Oracle e-Business Suite as the principal software suite to maintain its financial and tax accounting records.

2.1. Going concern assumption

In preparation of the financial statements, the Company’s management assumed that the Company will continue as a going concern in the foreseeable future and has neither intention nor obligation to discontinue or significantly reduce its activities, and that therefore its obligations will be discharged in due course.

2.2. Chart of accounts

The Company applies working chart of accounts built on segregation of all accounting items into groups based on common characteristics shared by items.

The Company accounts for assets, liabilities and business transactions in accordance with the working chart of accounts.

The structure of a chart of accounts ensures the consistency of accounting data with the financial statements.

2.3. Stockcount

The procedure and timing of stockcount of assets and liabilities and the list of items subject to stockcount are determined by the Company’s management, except where there is a need to take an obligatory stockcount. Obligatory stockcount is prescribed by the Russian legislation and federal and industry standards.

A count of property, plant and equipment (“PP&E”) is performed for each PP&E group in different reporting periods, but at least once every 3 years for each PP&E group.

The count held as at 1 October 2020 included the following PP&E groups

- Buildings, including buildings for rent;
- Land and environmental facility;
- Constructions;
- Telecommunication equipment, including equipment for rent;
- Transport equipment, including equipment for rent;
- PPE with preservation status;
- Production and household inventory;
- Other technical equipment and machinery;

- Other PPE;
- Other production and household inventory for rent;
- Other equipment for rent;
- Improvements to leased PPE.

A count of intangible assets ("IA") is performed once every 3 years.

The last count was performed on 1 October 2020.

The count of other assets and liabilities was performed as at 1 October and 31 December 2020 (depending on the type of assets and liabilities) as scheduled by the Order of the President of MTS PJSC P On Performing Stockcount of Assets and Inspection of Liabilities Before Preparation of the Annual Financial Statements dated 21 August 2020 № 01/00303P.

2.4. Assets and liabilities denominated in foreign currencies

When accounting for foreign currency transactions, the Company uses the Central Bank of the RF official exchange rates of the Russian ruble ("RUB") against other currencies at the dates of the transaction (unless another exchange rate is agreed by the parties).

Assets and liabilities denominated in foreign currencies are translated into RUB as at:

- The transaction date; and
- The last day of the reporting period
- As of the maturity date of the assets (liabilities)

Advances are not subsequently adjusted for movements in exchange rates.

Foreign exchange differences are recognized in other income / expenses.

Foreign currency gains and losses are recognized on the net basis as other income or expenses in the statement of financial results.

2.5. Current and non-current assets and liabilities

Assets and liabilities classified in the financial statements as current are expected to be used (settled) within 12 months after the reporting date.

Other assets and liabilities are reported as non-current.

2.6. Accounting for property, plant and equipment

The historical cost of property, plant and equipment comprises:

- Purchase price (including import duties and non-refundable purchase taxes, less trade discounts);
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management;
- The initial estimate of dismantling costs and the cost of returning network infrastructure sites to their original condition;
- Capitalized borrowing costs.

The inclusion of borrowing costs in the historical cost of property, plant and equipment is mandatory for assets, which require a significant period of 6 months or more than 6 months to prepare for their intended use.

Surplus, which was mistakenly unaccounted or written off, is recorded on the balance accounts at the initial (historical) cost of acquisition, taking into account the actual technical condition of the property and its possible impairment.

Surplus assets, which is not possible to carry out a settlement in accounting, i.e. reflect the operation as a “correction of error” (for example, due to the lack of supporting primary documents) are recorded on the off-balance accounts (in the conditional assessment). If the Company has technical ability to organize surplus assets accounting, the operations is carried out on the balance accounts based on the close to zero cost of each unit.

If capital investments into real estate items have been already incurred but the title to such items has not been registered yet in the manner prescribed by the legislation, such real estate items are recognized as property, plant and equipment regardless of the fact of their state registration (except for land plots). Such items are depreciated in accordance with the general policy from the first day of the month following the month of recognition.

Changes in the historical cost of property, plant and equipment items may be made as a result of their major improvement that extends useful lives and/or enhancement of original performance parameters. Changes in the historical cost of a property, plant and equipment item may relate to:

- The additional construction, additional equipment, reconstruction, modernization while meeting common criteria (increase in the historical cost);
- The partial liquidation (decrease in the historical cost).

Repair, maintenance and day-to-day servicing costs are treated as expenses for the period and expensed as incurred.

Property, plant and equipment are not revalued.

Items of property, plant and equipment are depreciated starting from the first day of the month following the month in which items are recognized for accounting purposes and until items are depreciated in full or derecognized.

Depreciation is charged on a straight-line basis over the estimated useful life, whether the asset is used during this period or not.

Non-depreciable items of property, plant and equipment include those items, which do not change their consumer characteristics over time (for example, land plots).

Depreciation rates for property, plant and equipment are determined in accordance with the Company’s property, plant and equipment register.

Groups of property, plant and equipment	Useful lives (years)	
	From (minimum)	To (maximum)
Buildings	7	150
Constructions and transmission facilities	3	44
Machinery and equipment	2	20
Vehicles	2	10
Manufacturing and other tools	2	20
Land and natural resources	n/a	n/a
Other types of property, plant and equipment	2	25

Useful lives of property, plant and equipment are revised on an as-needed basis, but at least at the end of each reporting period. If the estimated useful life differs from previous estimates, the changes are accounted for in accordance with the procedures applied when accounting estimates are changed.

Component accounting is applied to complex items of property, plant and equipment. The components of such complex items may have different useful lives.

Depreciation of property, plant and equipment items ceases from the first day of the month following the month of item disposal.

2.7. Accounting for intangible assets

The Company recognizes intangible assets when they meet recognition criteria for intangible assets with useful lives of over 12 months.

Software costs with useful lives of less than 12 months in the amount of up to RUB 1,000 thousand are written off to current period expenses on a one-time basis. Expenses in the amount of over RUB 1,000 thousand are recognized on the straight-line basis during the period over which the right of use is made available.

Intangible assets acquired for consideration are initially measured at cost, including:

- Asset purchase price, including import duties and non-refundable purchase taxes, less any trade discounts;
- Any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

If the Company is provided with an installment plan for payment of intangible assets for a period of more than 1 year, the initial cost of such an asset is assumed to be equal to the price equivalent with immediate payment in cash, i.e. the present value of cash payments that the Company, under the terms of the contract, have to make to pay off the debt to the supplier.

Brands, mastheads, publishing titles, customer lists and items similar in substance that are internally generated are not recognized as intangible assets. Expenditure incurred after the recognition of an acquired intangible asset is recognized as an expense for the period. Certain expenses (for example, expenses related to the acquisition of updates, software development) may be accounted for on a stand-alone basis provided that the general criteria for recognition of an intangible asset is met.

Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization.

The Company determines whether the useful life of an intangible asset is finite or indefinite. Intangible assets with indefinite useful lives are not amortized. Such assets are subject to annual impairment review. Intangible assets with finite useful lives are amortized on a straight-line basis.

Useful lives of intangible assets are determined on the basis of dates specified in contractual documents or regulatory approvals. If the useful life is not specified by relevant document, it is determined on the basis of a technical expert's opinion.

In the absence of expert opinion or information on the useful life in purchase documents, the following depreciation periods apply (provided that the asset has finite useful life):

- Software – 1-25 years;
- Radio frequencies – 1-15 years;
- Licenses – 1-20 years;
- Trademarks (service marks) – 10 years;
- Rights to use number capacity of fixed and mobile communications – 2-15 years;
- Other intangible assets – 2 years.

Useful lives of intangible assets purchased under agreements with an option for prolongation are determined taking into account a possible extension of the agreement provided that the amount of estimated costs of the prolongation is insignificant (compared to the amounts of the agreement).

Useful lives of intangible assets are revised on an as-needed basis, but at least at the end of each reporting period.

2.8. Accounting for investments

Accounting for investments in share capitals of subsidiaries and associates

Since 2018 the Company has not applied accounting methods provided for by the Accounting Standard PBU 19/02, *Investments*, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards and applied IAS 28, *Investments in Associates and Joint Ventures*, to accounting for the investments in the share capitals of its subsidiaries and associates.

The Company departed from the following accounting methods provided for by the Accounting Standard PBU 19/02, *Investments*:

- The Company did not determine the current market value of the investments in the share capitals of its subsidiaries and associates, the current market value of which could be determined as prescribed by paragraph 20 PBU 19/02, and the value of such investments was not restated;
- The Company did not recognize the investments in the share capital of its subsidiaries and associates with indeterminable current market value as at the reporting date at historical cost.

As disclosed below, the Company recognized all investments in the share capitals of its subsidiaries and associates using the equity method in accordance with IAS 28, *Investments in Associates and Joint Ventures*.

Subsidiaries are entities that are controlled by the Company. Associates are entities the activities of which are not controlled by the Company, but the Company exercises significant influence over them. Significant influence is the power to participate in the financial and operating policy decisions of the organization but is not control or joint control of those decisions.

Investments in subsidiaries and associates are initially recognized in the balance sheet at cost and subsequently adjusted for the Company's share of profit or loss, other comprehensive income and changes in additional paid-in capital of subsidiaries and associates. If the Company's share of the losses of a subsidiary or associate exceeds the Company's share in that entity, the Company ceases to recognize its share of further losses. Additional losses are recognized only if the Company is obliged by law or in accordance with the rules of business to reimburse the corresponding share of the loss or if the Company has made payments on behalf of a subsidiary or associate.

Investments in subsidiaries and associates are accounted for using the equity method from the date the entity becomes a subsidiary or associate. The excess of the acquisition cost of the investment over the Company's share of the fair value of the identifiable assets and liabilities at the acquisition date forms goodwill included in the carrying amount of such investment. If the Company's share of the net fair value of identifiable assets and liabilities acquired exceeds the cost of the investment after revaluation, the excess is recognized immediately in profit or loss in the period in which the entity is acquired.

The Company's share in the profit or loss, other comprehensive income and additional paid-in capital of subsidiaries and associates is determined on the data from the financial statements of subsidiaries and associates prepared in accordance with IFRS.

The company presents the profit or loss from the activities of enterprises accounted for using the equity method in the line *Share in net income of subsidiaries and associates* in the statement of financial results. The company presents other comprehensive income and expenses from the activities of enterprises accounted for using the equity method in the line *Result from other transactions not included in current year net profit* of the statement of financial results and, accordingly, in the line *Accumulated other comprehensive income* of the balance sheet.

The Company does not present the share in the profits or losses of subsidiaries and affiliates from operations of enterprises with shares of the Company.

The Company does not present own shares held by a subsidiary or an associate in the Equity and Reserves in the line *Treasury shares* if the Company does not have intention to reduce its share capital by these shares through a merger of the subsidiary or associate with subsequent redemption of these shares, or in another way.

The Company does not present the share in the profits and losses of subsidiaries and affiliates in amount of excess of the value of the assets acquired by the Company from the enterprises over the cost of selling such assets.

The Company reduces the cost of investments in subsidiaries and associates by the amount of dividends at the moment of obtaining the right to receive them.

The occurrence of impairment of the Company's investments in subsidiaries and associates is determined in accordance with IAS 36. If necessary, the carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 in its entirety by comparing its recoverable amount (the higher of the value in use and fair value less costs of disposal) with its carrying amount. The recognized impairment loss is not attributed to any asset (including goodwill) that is included in the carrying amount of the investment. A reversal of an impairment loss is recognized in accordance with IAS 36 if the recoverable amount of the investment subsequently increases.

Impairment testing of financial investments is performed for every investment, if it was determined as a separate cash generating unit (CGU), or at the level of CGU identified in the preparation of the consolidated statements of MTS PJSC and its subsidiaries, prepared in accordance with IFRS, to which this investment is attributable.

Accounting for other investments, other than investments in share capital of subsidiaries and associates

The historical cost of investments acquired for consideration includes actual costs incurred net of value added tax and other recoverable taxes (unless otherwise prescribed by the legislation of the RF).

For debt securities for which no current market value can be determined, the difference between historical cost and par value according to the terms of their issue is recognized on a straight line basis over the life of the investments (as other income or expenses) in the statement of financial results.

Investments for which current market value can be determined are presented in the financial statements at market value as at the end of the reporting period through adjustment of their value as at the previous reporting date. The difference is recognized in other income/other expenses. Such revaluation is performed on a quarterly basis.

The other investments are reviewed for impairment on a regular basis (at least annually). The Company makes an allowance for the impairment of the investments if, after a review, there is an evidence of impairment of investments. The amount of the specified allowance is determined as the difference between the recorded and estimated value of the respective investments.

Accounting for acquisitions of property complexes classified as assets under common control

The company does not apply the accounting methods established by the Accounting Standard "Accounting of Fixed Assets" PBU 6/01 in relation to accounting for the acquisition of property complexes classified as assets from enterprises under common control, since such methods lead to inconsistencies with accounting policies applied by the Company in preparing its consolidated financial statements. The assets and liabilities acquired are recognized at the carrying values recorded previously in the counterparty's financial statements, with the resulting gain or loss recognized directly in equity.

2.9. Accounting for inventories

The following items are recognized as inventories:

- Raw materials and supplies;
- Merchandise; and
- Finished goods.

The cost of inventories acquired for consideration includes actual costs incurred by the Company for acquisition, net of value added tax ("VAT") and other recoverable taxes (unless otherwise prescribed by the Russian legislation).

Discounts/bonuses provided by suppliers form an integral part of the cost of inventories during their sale.

The cost of inventories denominated in foreign currency is translated as at the date of purchase/costs incurred.

Accounting for the acquisition of equipment, materials, and goods is performed using accounts 15 Procurement of inventories and 16 Variances in cost of inventories. Inventories are recognized in the inventories and equipment accounts at purchase price. Inventories are recognized at purchase price. If no price is specified in the purchase documents, the market value of acquired inventories is determined, based on the prices set by suppliers of similar inventories.

Variances between the standard cost of inventories and their actual purchase price are recognized in account 16 Variances in cost of inventories. At the end of the month, variances recognized in account 16 are transferred (or reversed in case of a negative variance) to the accounts used to expense respective inventories (cost of sales, selling expenses, overheads, shortages, etc.) pro rata to the cost of the inventories sold or used. The procedures for the valuation and write-off of inventories are set out in the Company's internal documents.

Upon input into operation or other disposal of inventories, they are measured at average cost, which is based on the estimation of inventory cost at the time of its disposal.

To reduce accounting effort, personal protective clothing and shoes are expensed upon distribution to the Company's staff.

Finished goods are recorded in account 43 Finished Goods at their actual production cost without using account 40 Production of Goods and Services.

Merchandise is recorded in account 41 Goods at book value.

At the end of each reporting month the Company measures inventories at the lower of:

- Actual cost, or
- Net realizable value.

If the actual cost of inventories exceeds their net realizable value the Company creates allowance for obsolescence of such inventories.

The write-down of inventories to net realizable value is recognized as an expense in the statement of financial results.

Inventories, which are obsolete, have fully or partially lost their original quality or which current market value has decreased, are reported in the balance sheet at the end of the reporting period net of the allowance for inventory obsolescence.

2.10. Accounting for cash and cash equivalents

Cash and cash equivalents comprise highly liquid investments with original maturities of less than three months that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value are disclosed in the Cash and cash equivalents of balance sheet.

2.11. Accounting for revenue

Based on the nature, conditions of receipt and type of operations, the Company's income is divided into:

- Revenue (income from operating activities);
- Other income.

Revenue (income from operating activities) includes:

- Revenue from communication services:
 - Subscription and time-based fees;
 - Connection fees;
 - Air-time revenue;
 - Fixed local, long-distance, and international communication services;
 - Data transmission services;
 - Pay-TV;
 - Additional services;
 - Roaming services;
 - Interconnection services;
 - Service provider fees;
 - Other income, including revenue from property lease; Revenue from trade and intermediary services;
 - Revenue from integration services.

Other income includes:

- Loan interest income and income from other similar contracts (other debt instruments, including securities);
- Share of net profit of subsidiaries and associates;
- Gains from operations related to disposal of financial assets;
- Gains from revaluation of financial assets accounted for at fair value, changes in which are recognized in profit or loss;
- Gains from financial instruments;
- Positive currency exchange gain;
- Other income from non-operating activities.

Revenue recognition

Since 2018, the Company has departed from the accounting methods provided for by Accounting Standard PBU 9/99, *Income of an Organization*, and Accounting Standard PBU 10/99, *Expenses of an Organization*, regarding revenue recognition, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards and applied IFRS 15, *Revenue from Contracts with Customers*, in full to its contracts with customers (revenue). The examples of such inconsistencies are as follows:

- On a number of contracts for provision of TV and audio content the Company did not recognize in full the revenue at the moment the services were provided to a customer as stipulated by p. 6 of PBU 9/99. As disclosed below, in accordance with IFRS 15 the Company recognizes its revenue in the amount of commission fee for rendering of services if it is an agent to the contract.
- The Company did not record dealer commission fees as selling and distribution expenses of the reporting year as stipulated by p. 9 of PBU 10/99. As disclosed below, in accordance with IFRS 15 the Company capitalizes its contract origination expenses including commissions paid to external dealers. Amortization expenses from commission capitalization are recorded on a straight line basis during the average subscriber's life.

IFRS 15, Revenue from Contracts with Customers, sets a single comprehensive approach to the recognition and measurement of revenue from contracts with customers. The core principle of IFRS 15 is that a company shall recognize revenue to depict the transfer of goods or services to customers as stipulated by the Contract in an amount equivalent to the consideration expected to be received by the company in exchange for those goods or services.

The Company recognizes revenue on supplied goods and rendered services on contracts with customers if the amount of revenue can be measured reliably and the receipt of future economic benefits from the transactions is probable. Revenue is the fair value of the consideration to the receipt less VAT and discounts.

In general the Company receives revenue from mobile and fixed-line communication (connection fees, air-time, message transfer, interconnection services, broadband and mobile internet services, TV and music content, roaming services). Goods and services can be sold either separately or within bundle offers. The major part of revenue comes from prepaid contracts.

Revenue from connection, air-time, message transfer, interconnection services, broadband and mobile internet services is recognized as the services are consumed and the amount of such revenue is calculated on the basis of the amount of used traffic (in minutes or units of transferred data) or duration of services provision (if there is month subscription). The revenue from prepaid services is deferred until a customer consumes them or the prepaid period for their usage expires.

Revenue from services on TV and music content provision is recognized as the content is provided to the customer either in full amount, or in the amount of the commission for the services depending on whether the Company is the principal or an agent to the contract.

For packaged offers, the Company recognizes separately the revenue for each unit of goods or services if the goods or the services are identifiable, i.e. give value to the customer on their own. The remuneration for the package is allocated between separate components of the package on the basis of the fair value of each item included into the package of goods or services. In this case the fair value shall be determined as the market selling price outside the package considering any possible volume-based discounts.

The Company provides retrospective volume-based discounts when rendering roaming services to international and local providers. For estimating the variable part of the remuneration for the specified discounts the Company uses forecasts based on historical data on traffic which are reviewed on a monthly basis considering all available information. The arising obligation on providing a discount is recognized as decrease in the revenue included into trade and other accounts receivable in the balance sheet.

The Company capitalizes certain incremental costs incurred in acquiring or fulfilling a contract with a customer if the management expects these costs to be recoverable.

Costs of acquiring a contract include commissions paid to a third-party distributors.

Costs to fulfill a contract include costs that were incurred as a result of signing a contract with the subscriber.

These costs are amortized on a straight-line basis over the average life of a long-lived subscriber.

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

2.12. Accounting for expenses

The Company divides the main types of expenses into the following expense functions:

- Cost of sales (communication services, goods sold);
- Administrative expenses;
- Selling expenses;
- Other operating expenses;
- Other expenses.

The cost of sales includes direct expenses attributable to rendering communication services, sale of subscriber equipment and accessories.

The cost of sales includes the following types of expenses:

- Interconnect cost;
- Lease of communication channels;
- Roaming expenses;
- Cost of subscriber equipment and accessories;
- Production personnel payroll;
- Lease of production resources;
- Repair and maintenance of communication equipment;
- Content-related expenses;
- Other direct expenses.

Selling, administrative and other operating expenses comprise:

- Advertising and marketing;
- Dealer commission fees;
- Payment processing fees;
- Administrative and selling personnel payroll;
- Repair and maintenance;
- Utilities (heating, electricity, water);
- Billing and data processing;
- Legal and notary services;
- Environmental expenses;
- Advisory services;
- Other employee expenses (training, material aid, gifts, corporate events, etc.);
- Universal Service Fund contributions;
- Property insurance;
- Taxes;
- Other expenses.

Expenses related to production, performance of work and provision of services are grouped by cost elements.

Other expenses include:

- Borrowing interest expense and expenses under other similar contracts (other debt obligations, including securities);
- Share of loss from subsidiaries and associates
- Loss from operations related to disposal of financial assets;
- Loss from revaluation of financial assets accounted for at fair value, changes in which are recognized in profit or loss;
- loss from discounting financial instruments;
- Foreign currency exchange losses;
- Other non-operating expenses.

2.13. Accounting for loans and borrowings

Loans and borrowings are initially recognized at cost net of significant borrowing costs (over RUB 1 000 thousand) directly attributable to the receipt, issue and placement of debt securities. Such costs in excess of RUB 1 000 thousand are charged to other expenses on a straight-line basis over the term of the loan or the loan agreement.

If borrowing costs are not significant (less than RUB 1 000 thousand) they are recognized as interest expense as incurred.

Long-term liabilities are reclassified to short-term liabilities when, under a loan agreement, their maturity is less than 365 days from the reporting date.

Interest payable to a lender is capitalized as part of the cost of the investment asset or interest payable on a straight-line basis regardless of the loan conditions.

2.14. Accounting for allowances and provisions

The Company creates the following allowances:

- Allowance for doubtful accounts (monthly);
- Allowance for impairment of investments (quarterly);
- Allowance for inventory obsolescence (monthly).

The Company recognizes the following provisions:

- Provision for unused vacations (included in accounts payable);
- Provision for performance bonuses (included in accounts payable);
- Provision for the forthcoming expenses for the restoration (reclamation) of land after works on dismantling fixed assets;
- Guarantee obligations;
- Stock options liability;
- Provision for litigation;
- Tax provisions;
- Other provisions meeting the recognition criteria.

Doubtful accounts are the Company's receivables which have not been repaid at the date specified in a contractual agreement and are not secured by related guarantees.

Accounts receivable may be deemed uncollectible (before expiry of the limitation period) based on the results of a Company investigation, provided that the specified procedures are performed, if costs required to collect these receivables exceed potential economic benefits. The company constantly monitors the current economic situation and the impact of the COVID-19 in relation to the risk of non-recoverability of receivables and the assessment of the provision for doubtful debts.

The allowance for impairment of investments in securities for which the current market value is not determinable is made at the end of the quarter in the amount of the excess of the recorded value over the estimated value of the investments, if there is an evidence of a sustained significant decline in investment value.

The allowance for inventory obsolescence is made in the amount of the difference between the net realizable value (estimated selling price of goods net of selling costs) and an actual cost of inventories, provided that the latter is higher than the net realizable value.

The Company recognizes provisions, if all of the following conditions are met:

- There is a present obligation (legal or constructive) arising as a result of a past event;
- It is highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Obligation amount can be reliably estimated.

The provision (allowance) is recognized at the end of the reporting period in the amount representing the best estimate of the consideration required to settle the present obligation.

Asset retirement obligations are calculated when the Company has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. Obligations of the Company relate primarily to the costs of removing its equipment from leased sites. The Company recorded the present value of its asset retirement obligations in its financial statements in the Provisions line item of Section IV, Non-current liabilities, of the balance sheet.

2.15. Income tax accounting

Income tax expense (income) is determined as the sum of current income tax and deferred income tax.

Current income tax is calculated based on information from the accounting data. The amount of the current income tax is equal to the amount of the calculated income tax reflected in the income tax declaration.

Deferred income tax is defined as the total change in deferred tax assets and deferred tax liabilities for the period, excluding the results of transactions that are not included in accounting profit (loss).

Deferred tax assets and deferred tax liabilities at the beginning and end of the period are determined based on temporary differences determined by comparing the carrying amount of assets and liabilities with their values which will be taken into calculating of income taxes.

Theoretical income tax expense is the amount calculated as the product of profit per accounting records and the income tax rate.

Permanent and temporary differences are formed in accounting records on the basis of primary accounting documents in estimates, in which they initially arose. Permanent differences are accounted differentially by types of income and expenses, temporary differences - by types of assets and liabilities, in estimates, in which temporary difference initially arose, and are recorded in accounting separately.

2.16. Leases

Since 2018, the Company has departed from the accounting methods provided for by the Accounting Standard PBU 10/99, *Expenses of an Entity*, in relation to the accounting for lease contracts, because such methods cause inconsistency between the Company's accounting policies and the requirements of International Financial Reporting Standards, and applied fully IFRS 16, *Leases*, to the accounting of lease contracts. An example of such inconsistencies was:

- The Company did not charge the expenses of leasing sites for telecommunications equipment (on land, towers, roofs or inside buildings), network infrastructure, as well as buildings and premises for administrative and technical needs within the cost, selling and administrative expenses of the reporting year, as prescribed by paragraph 9 of PBU 10/99. As disclosed below, in accordance with IFRS 16, the Company recognizes assets in the form of the right to use lease objects and the corresponding lease liabilities under all lease contracts, according to which the Company has the right to control the use of identified assets for a fee for a fixed period of time, except short-term lease contracts (up to 12 months).

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

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

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

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

Right-of-use assets are subsequently amortized on a straight-line basis over the expected lease term. The lease term corresponds to the non-cancellable period of each contract except in cases where the Company is reasonably certain of exercising renewal or termination options. When assessing the lease term, the Company considers all facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, such as useful life of the asset located on the leased site, sites replacement statistics, sequence of technology change, profitability of our retail stores as well as costs to terminate or enter into lease contracts.

The Company does not treat servitude contracts as lease agreements.

In accordance with current estimates, right-of-use assets are amortized over the following periods:

Sites for placement of network equipment and base stations inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Fiber-optic lines	not less than 2 years
Retail stores	Up to 8 years
Administrative offices, warehouses, parking garages	not less than 3 years
Vehicles	4 – 5 years

Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*.

2.17. Accounting for the costs to obtain and fulfill contracts with subscribers

The Company capitalizes certain incremental costs incurred in acquiring or fulfilling a contract with a customer if the management expects these costs to be recoverable.

Costs of acquiring a contract include commissions paid to a third-party distributors.

Costs to fulfill contracts include costs that are incurred as a result of contract between the Company and a subscriber.

These costs are amortized on a straight-line basis over the average life of a long-lived subscriber.

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

2.18. Reporting segments

Based on the current management structure, the Company believes that it operates within one operating segment. Thus, segment information is not disclosed.

3. CHANGE IN DISCLOSURE OF FINANCIAL INFORMATION

In the reporting year, the Company changed an order of disclosure of an information in the financial statement line items, and as a result of the change the comparative amounts of the Company's financial statements were restated to ensure comparability with the amounts as at 31 December 2020.

Adjustment on changes in accounting policy for investments in subsidiaries and associates:

In accordance with the paragraph IAS 28.28, when applying equity method accounting, an entity shall not recognize unrealized gains on transactions between a subsidiary and a parent.

In order to comply with the accounting policies used by the Company in preparing its consolidated financial statements in accordance with IFRS, the Company decides to retrospectively recognize unrealized profits as a reduction in investments in subsidiaries and associates accounted for using the equity method in accordance with IAS 28.

Balance sheet as at 31 December 2019, restated for the effects of the accounting treatment used in the reporting period:

31 December 2019	Initial amount	Amendment	Restated amount
I. NON-CURRENT ASSETS			
Investments in subsidiaries and associates	283 208 770	(6 821 397)	276 387 373
Total Section I	707 436 690	(6 821 397)	700 615 293
TOTAL ASSETS	791 227 366	(6 821 397)	784 405 969
III. EQUITY AND RESERVES			
Retained earnings	89 811 938	(6 821 397)	82 990 541
Total Section III	108 396 653	(6 821 397)	101 575 256
TOTAL EQUITY AND LIABILITIES	791 227 366	(6 821 397)	784 405 969
Net assets	108 406 400	(6 821 397)	101 585 003

Statement of financial results for 2019, restated for the effects of the accounting treatment used in the reporting period:

OTHER INCOME AND EXPENSES	Initial amount	Amendment	Restated amount
Share in net profit of subsidiaries and associates	15 400 017	(2 241 158)	13 158 859
Profit before income tax	79 837 685	(2 241 158)	77 596 527
Net profit	64 611 997	(2 241 158)	62 370 839
Basic earnings per share, RUB	32.33	(1.12)	31.21
Diluted earnings per share, RUB	32.29	(1.12)	31.17

Balance sheet as at 31 December 2018, restated for the effects of the accounting treatment used in the reporting period:

Item	Initial amount	Amendment	Restated amount
I. NON-CURRENT ASSETS			
Investments in subsidiaries and associates	283 323 399	(4 580 239)	278 743 160
Total Section I	703 681 143	(4 580 239)	699 100 904
TOTAL ASSETS	844 812 529	(4 580 239)	840 232 290
III. EQUITY AND RESERVES			
Retained earnings	99 407 376	(4 580 239)	94 827 137
Total Section III	107 428 980	(4 580 239)	102 848 741
TOTAL EQUITY AND LIABILITIES	844 812 529	(4 580 239)	840 232 290
Net assets	107 439 095	(4 580 239)	102 858 856

4. INTANGIBLE ASSETS AND NON-EXCLUSIVE RIGHTS TO USE ASSETS

4.1. Intangible assets

Movements in the historical cost of the main classes of intangible assets for 2020 and 2019, as well as accumulated amortization and net book value were as follows as at 31 December 2020, 2019 and 2018:

	(RUB thousand)				
	Exclusive rights for intellectual property	Rights to use radio frequencies and radio frequency channels	Licenses	Numbering capacity and other	Total
Historical cost as at 31 December 2018	5 022 620	8 913 157	8 085 366	2 056 971	24 078 114
Accumulated amortization as at 31 December 2018	<u>(1 685 200)</u>	<u>(4 862 617)</u>	<u>(2 249 500)</u>	<u>(1 860 101)</u>	<u>(10 657 418)</u>
Net book value as at 31 December 2018	<u>3 337 420</u>	<u>4 050 540</u>	<u>5 835 866</u>	<u>196 870</u>	<u>13 420 696</u>
Additions at historical cost	3 555 028	1 183 606	149	98 194	4 836 977
Disposals at historical cost	(25 862)	(614 461)	(119)	(240 666)	(881 108)
Historical cost as at 31 December 2019	8 551 786	9 482 302	8 085 396	1 914 499	28 033 983
Accumulated amortization as at 31 December 2019	<u>(2 813 161)</u>	<u>(5 102 425)</u>	<u>(3 010 384)</u>	<u>(1 824 805)</u>	<u>(12 750 775)</u>
Net book value as at 31 December 2019	<u>5 738 625</u>	<u>4 379 877</u>	<u>5 075 012</u>	<u>89 694</u>	<u>15 283 208</u>
Additions at historical cost	6 388 869	1 516 076	724	245 093	8 150 762
Disposals at historical cost	(98 611)	(225 030)	(49 612)	(94 745)	(467 998)
Historical cost as at 31 December 2020	14 842 044	10 773 348	8 036 508	2 064 847	35 716 747
Accumulated amortization as at 31 December 2020	<u>(5 255 666)</u>	<u>(5 812 771)</u>	<u>(3 717 916)</u>	<u>(1 839 605)</u>	<u>(16 625 958)</u>
Net book value as at 31 December 2020	<u>9 586 378</u>	<u>4 960 577</u>	<u>4 318 592</u>	<u>225 242</u>	<u>19 090 789</u>

4.1. Non-exclusive rights to use assets

Non-exclusive rights to use assets as at 31 December 2020, 2019 и 2018 comprised:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Software	52 648 721	48 728 524	44 414 150
Servitude	564 348	477 277	456 877
Trademark	8	9	10
Total	<u>53 213 077</u>	<u>49 205 810</u>	<u>44 871 037</u>

5. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

5.1. Property, plant and equipment

Movements in the historical cost of the key groups of property, plant and equipment for 2020 and 2019 as well as the historical cost, accumulated depreciation and net book value as at 31 December 2020, 2019 and 2018 comprise:

	(RUB thousand)								
	Buildings	Constructions and transmission facilities	Machinery and equipment	Vehicles	Manufacturing and other tools	Land and natural resources	Investment property	Other types of property, plant and equipment	Total
Historical cost as at 31 December 2018	12 371 026	83 096 098	373 069 280	2 496 045	924 227	735 996	2 692 024	277 499	475 662 195
Accumulated depreciation as at 31 December 2018	(3 534 384)	(39 681 387)	(255 819 453)	(2 002 705)	(566 530)	-	(16 075)	(190 628)	(301 811 162)
Net book value as at 31 December 2018	8 836 642	43 414 711	117 249 827	493 340	357 697	735 996	2 675 949	86 871	173 851 033
Additions at historical cost	1 615 033	7 570 242	43 166 532	380 944	190 985	96 680	-	16 233	53 036 649
Disposals at historical cost	(1 110)	(906 485)	(20 017 639)	(159 672)	(76 374)	(76)	(490 846)	(102 976)	(21 755 178)
Historical cost as at 31 December 2019	13 984 949	89 759 855	396 218 173	2 717 317	1 038 838	832 600	2 201 178	190 756	506 943 666
Accumulated depreciation as at 31 December 2019	(4 309 243)	(43 113 794)	(271 190 137)	(2 054 603)	(640 092)	-	(109 670)	(143 149)	(321 560 688)
Net book value as at 31 December 2019	9 675 706	46 646 061	125 028 036	662 714	398 746	832 600	2 091 508	47 607	185 382 978
Additions at historical cost	6 012 233	5 759 308	56 590 771	173 615	254 846	24 638	-	100 175	68 915 586
Disposals at historical cost	(106 259)	(1 350 104)	(34 424 377)	(162 493)	(118 871)	(10 031)	(91 847)	(3 240)	(36 267 222)
Historical cost as at 31 December 2020	19 890 923	94 169 059	418 384 567	2 728 439	1 174 813	847 207	2 109 331	287 691	539 592 030
Accumulated depreciation as at 31 December 2020	(4 966 044)	(46 362 268)	(278 426 231)	(2 071 256)	(718 041)	-	(188 109)	(184 353)	(332 916 302)
Net book value as at 31 December 2020	14 924 879	47 806 791	139 958 336	657 183	456 772	847 207	1 921 222	103 338	206 675 728

Additional information about property, plant and equipment as at 31 December 2020, 2019 and 2018 was as follows:

Item description	(RUB thousand)		
	31 December		
	2020	2019	2018
Changes in cost of property, plant and equipment as a result of completions, additions, reconstruction and partial liquidation	2 196 000	1 129 413	1 658 059
Non-depreciable property, plant and equipment	847 207	832 600	735 995
Property, plant and equipment transferred under lease agreement (at carrying amount)	171 720	174 692	185 715
Real estate property put into operation but under the process of state registration	3 751 670	2 429 753	2 599 334

5.1. Construction-in-progress

As at 31 December 2020, 2019 and 2018, construction-in-progress comprised the following:

Item description	(RUB thousand)		
	31 December		
	2020	2019	2018
Completed work and construction services	14 453 058	10 044 262	14 074 418
Equipment for installation	11 026 811	8 073 939	7 670 447
Total	25 479 869	18 118 201	21 744 865

The Company performed an analysis of idle equipment to determine the alternatives of its further usage. The stockcount and analysis resulted in identifying equipment, which was obsolete, unfit for operation or lacking in demand. As at 31 December 2020, 2019 and 2018 the following allowances were recognized:

- Allowance for unused equipment was recorded in the Equipment for installation line in the amount of RUB 205 548 thousand, RUB 171 845 thousand and RUB 1 060 928 thousand respectively;
- Allowance for obsolescence of completed work and construction services was recorded in the Completed work and construction services line in the amount of RUB 84 196 thousand, RUB 170 838 thousand and RUB 229 609 thousand, respectively.

6. RIGHT-OF-USE ASSETS

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

UNOFFICIAL TRANSLATION

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

	31 December		
	2020	2019	2018
Lease of:			(RUB thousand)
Network and base station equipment	93 089 853	92 234 229	93 656 942
Land and buildings	17 971 821	17 548 892	16 574 124
Office equipment, vehicles and other	-	-	99 769
Right-of-use assets, total	111 061 674	109 783 121	110 330 835

The depreciation of right-of-use assets, included in the expenses in the attached statement of financial results, was:

	(RUB thousand)	
	2020	2019
Depreciation of right-of-use assets of:		
Network equipment and base stations	10 324 091	10 019 410
Land and buildings	2 711 911	2 152 116
Depreciation charge, total	13 036 002	12 171 526

Additions of right-of-use assets during 2020 and 2019 amounted to RUB 8 426 071 thousand and 14 823 439 thousand, respectively.

The amounts recognized in the statement of financial results in respect of lease contracts in which the company acts as a lessee amounted to:

Item description	(RUB thousand)	
	2020	2019
Interest expense accrued on lease obligations	10 312 276	10 320 433
Depreciation of the rights-of-use assets	13 036 002	12 171 526
Variable lease payments not included on the measurement of lease liabilities	9 523 439	7 934 698
Expenses on short-term leases	165 914	1 741 007

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as at 31 December 2020 and 2019:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Minimum lease payments, including:			
Current portion (less than 1 year)	19 948 382	19 291 482	17 767 410
More than 1 to 5 years	75 196 870	70 883 037	66 396 162
Over 5 years	92 393 619	99 991 454	104 486 165
Total minimum lease payments	187 538 871	190 165 973	188 649 737
Less amount representing interest	(64 014 259)	(71 165 455)	(72 504 558)
Present value of net minimum lease payments, including:			
Current portion (less than 1 year)	10 497 802	9 320 262	8 256 640
More than 1 to 5 years	45 877 468	39 000 792	34 857 283
Over 5 years	67 149 342	70 679 464	73 031 256
Lease obligations	123 524 612	119 000 518	116 145 179
Current portion	10 497 802	9 320 262	8 256 640
Non-current portion	113 026 810	109 680 256	107 888 539

Total cash outflows for leases 2020 and 2019 amounted to:

Cash outflows for leases:	<u>2020</u>	<u>2019</u>
Interest paid	10 298 815	10 320 433
Lease obligation principal paid	8 298 972	6 594 990
Variable lease payments	<u>9 523 439</u>	<u>7 934 698</u>
Cash outflows for leases, total	<u><u>28 121 226</u></u>	<u><u>24 850 121</u></u>

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

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As of 31 December 2020, 2019 and 2018, the most significant subsidiaries and associates were as follows:

	Country of operations / registration	31 December		
		2020	2019	2018
PJSC MGTS	Russia, Moscow	94.7%	94.7%	94.7%
Allegretto Holding S.a.r.l.	Luxembourg	100%	100%	100%
LLC Stream Digital	Russia, Moscow	100%	100%	100%
Mobile TeleSystems B.V.	The Netherlands	100%	100%	100%
Mobile Telecom Holding S.a.r.l.	Luxembourg	-	-	100%
JSC Russian Telephone Company	Russia	100%	100%	100%
LLC Telecom Projects	Russia, Moscow	100%	100%	100%
Baggio Holding B.V.	The Netherlands	100%	100%	100%
Vostok Mobile B.V.	The Netherlands	100%	100%	100%
LLC MTS-Capital	Russia, Moscow	100%	100%	100%
MCT Sibi Corp.	The USA	-	-	100%
		99%	99%	99%
ES MTS-Turkmenistan	Turkmenistan	(100% with indirect control through Telecom Projects LLC)	(100% with indirect control through Telecom Projects LLC)	(100% with indirect control through Telecom Projects LLC)
LLC BASTION	Russia, Moscow	100%	100%	100%
Dega Retail Holding Limited	British Virgin Islands	100%	100%	100%
LLC STV	Russia, Moscow	100%	100%	100%
JLLC Mobile TeleSystems	Belarus	49%	49%	49%
OZON HOLDINGS LIMITED	Cyprus	-	-	18.7%
LLC MC Sistema Capital	Russia, Moscow	30%	30%	30%
			0.2%	1%
LLC Avantage	Russia, the Moscow Region	-	(100% with indirect control through Vostok Mobile B.V.)	(100% with indirect control through Vostok Mobile B.V.)
		45%	45%	45%
LLC Stream	Russia, Moscow	(100% with indirect control through LLC Stream Digital)	(100% with indirect control through LLC Stream Digital)	(100% with indirect control through LLC Stream Digital)
JSC Objedinennye Russkie Kinostudii	Russia, St. Petersburg	100%	100%	-
				6,5%
JSC Sibintertelecom	Russia, Chita	-	100%	(100% with indirect control through MCT Sibi Corp.)
JSC RIKT	Russia, Mezhdurechensk	-	100%	-

Movements in the investments in share capitals of subsidiaries and associates for 2020 and 2019 are presented as follows:

(RUB thousand)

	2019							31 December 2019	
	31 December 2018	Acquisitions	Share of the profit/(loss)	Impairment / Reversal of impairment	Dividends	Disposals	Other comprehensive income		Other changes
Investment in subsidiaries									
PJSC MGTS	77 410 748	-	14 133 205	-	(20 921 644)	-	-	397 709	71 020 018
Allegretto Holding S.a.r.l. ^{5, 7, 13}	31 589 846	-	(3 416 678)	-	(32 543 963)	-	11 558 584	13 699 733	20 887 522
LLC Stream Digital	34 983 428	-	(32 987)	-	-	-	-	4 227 518	39 177 959
Mobile TeleSystems B.V. ³	25 783 165	12 779 451	1 524 490	-	(3 338 268)	-	-	-	36 748 838
Mobile Telecom Holding S.a.r.l. ⁸	13 699 899	-	-	-	-	-	-	(13 699 899)	-
JSC Russian Telephone Company	16 257 132	-	(983 446)	-	-	-	-	-	15 273 686
LLC Telecom Projects	15 479 561	-	(12 064)	-	-	-	-	-	15 467 497
Baggio Holding B.V.	11 112 028	-	(513 212)	-	(4 196 488)	-	(393 787)	-	6 008 541
Vostok Mobile B.V. ⁴	11 670 645	2 498 347	(608 025)	-	-	-	(1 547)	-	13 559 420
MCT Sibi Corp. ⁹	9 008 495	-	(348 481)	-	-	-	-	(8 660 014)	-
LLC BASTION	15 128 811	15 000 000	(608 577)	-	-	-	-	4 905 485	34 425 719
Dega Retail Holding Limited ¹³	3 620 577	-	(1 030 654)	-	-	(4 299 661)	(19 525)	4 299 661	2 570 398
JSC Objedinennye Russkie Kinostudii ²	-	2 097 926	(19 852)	-	-	-	-	-	2 078 074
LLC STV	-	3 200 000	(2 526 120)	-	-	-	-	-	673 880
JSC RIKT ^{1,10}	-	369 999	5 289	-	-	-	-	-	375 288
Other	392 030	1 120 520	11 235	67 452	(78 365)	-	(29 690)	2 798	1 485 980
Total	266 136 365	37 066 243	5 574 123	67 452	(61 078 728)	(4 299 661)	11 114 035	5 172 991	259 752 820
Investment in associates and others									
JLLC Mobile TeleSystems	4 050 689	-	4 583 348	-	(3 717 664)	-	(413 830)	-	4 502 543
OZON HOLDINGS LIMITED ¹³	4 796 752	-	(497 091)	-	-	-	-	(4 299 661)	-
LLC MC Sistema Capital	391 220	-	36 587	-	(22 500)	-	-	-	405 307
LLC Stream	1 293 824	-	(254 309)	-	-	-	-	-	1 039 515
JSC Sibintertelecom ¹³	1 777 420	-	(127 833)	-	(356)	-	-	8 660 014	10 309 245
Other ⁸	296 890	75 026	6 878	-	(13 054)	-	-	12 203	377 943
Total	12 606 795	75 026	3 747 580	-	(3 753 574)	-	(413 830)	4 372 556	16 634 553
Total investments in subsidiaries and associates	278 743 160	37 141 269	9 321 703	67 452	(64 832 302)	(4 299 661)	10 700 205	9 545 547	276 387 373

(RUB thousand)

	2020							31 December 2020	
	31 December 2019	Acquisitions	Share of the profit/(loss)	Impairment / Reversal of impairment	Dividends	Disposals	Other comprehensive income		Other changes
Investment in subsidiaries									
PJSC MGTS	71 020 018	-	11 920 741	-	-	-	1 243	223 658	83 165 660
Allegretto Holding S.a.r.l. ^{5,7,8}	20 887 522	-	5 509 751	-	(4 699 497)	-	835 836	476 126	23 009 738
LLC Stream Digital	39 177 959	-	592 994	-	-	-	-	3 072 897	42 843 850
Mobile TeleSystems B.V. ³	36 748 838	-	1 269 531	-	-	-	-	-	38 018 369
JSC Russian Telephone Company	15 273 686	-	(63 571)	-	-	-	-	-	15 210 115
LLC Telecom Projects	15 467 497	-	(1 805 844)	-	-	-	-	24 129	13 685 782
Baggio Holding B.V.	6 008 541	-	(2 169 482)	-	-	-	839 820	-	4 678 879
Vostok Mobile B.V. ⁴	13 559 420	-	1 046 167	-	-	-	2 018	-	14 607 605
LLC BASTION	34 425 719	15 000 000	164 321	-	-	-	-	3 630 713	53 220 753
Dega Retail Holding Limited ¹³	2 570 398	-	1 301 539	-	-	-	-	-	3 871 937
JSC Objedinennye Russkie Kinostudii ²	2 078 074	60 000	(28 060)	(1 878 647)	-	-	-	-	231 367
LLC STV	673 880	-	(673 880)	-	-	-	-	-	-
JSC RIKT ^{1,13}	375 288	-	1 689	-	-	-	-	(376 977)	-
LLC MTS Venture Investments	10	300 000	1 251	-	-	-	-	-	301 261
ACHEMAR HOLDINGS LIMITED ⁸	-	1 045 593	69 156	-	-	-	-	(60 652)	1 054 097
Sistema-Rentnaya Nedvizhimost	-	483 791	70 686	-	-	-	-	-	554 477
LLC MTS Energo	-	530 000	(74 199)	-	-	-	-	-	455 801
Stopol Auto LLC ⁹	-	279 956	20 389	-	-	-	-	-	300 345
Other ¹¹	1 485 970	10 477 272	(1 047 431)	-	(32 503)	-	17 059	(10 204 606)	695 761
Total	259 752 820	28 176 612	16 105 748	(1 878 647)	(4 732 000)	-	1 695 976	(3 214 712)	295 905 797
Investment in associates and others									
JLLC Mobile TeleSystems	4 502 543	-	5 030 805	-	(4 214 108)	-	(194 699)	-	5 124 541
LLC MC Sistema Capital	405 307	-	56 495	-	(21 000)	-	-	-	440 802
LLC Stream	1 039 515	-	(85 788)	-	-	-	-	-	953 727
JSC Sibintertelecom ¹³	10 309 245	-	(236 150)	-	-	-	-	(10 073 095)	-
Other ⁶	377 943	-	5 497	-	(13 444)	-	-	27 421	397 417
Total	16 634 553	-	4 770 859	-	(4 248 552)	-	(194 699)	(10 045 674)	6 916 487
Total investments in subsidiaries and associates	276 387 373	28 176 612	20 876 607	(1 878 647)	(8 980 552)	-	1 501 277	(13 260 386)	302 822 284

In 2020 and 2019, the following operations took place related to the investments in share capital of subsidiaries, associated and other entities of MTS PJSC:

¹**Acquisition of JSC RIKT** – In June 2019, the Company acquired a 97.4% ownership interest in JSC RIKT (“RIKT”), a fixed-line operator in the Kemerovo region, for cash consideration of RUB 360 450 thousand. This acquisition allows the Company to increase its market share in Kemerovo region. In September 2019, the Company finalized the mandatory share repurchase from minority shareholders of RIKT and increased its share in RIKT to 100%. On July 31, RIKT JSC was merged with MTS PJSC.

²**Acquisition of JSC Objedinennye Russkie Kinostudii** – In April 2019, the Company acquired JSC Objedinennye Russkie Kinostudii (“Kinopolis”) from subsidiary of AFK Sistema PJSC, for total consideration of RUB 2 041 926 thousand. Kinopolis owns fully equipped movie complex in Saint-Petersburg. Acquisition of Kinopolis enables the company to develop its own entertainment content.

³**Acquisition of share in MTS Bank** - In 2018, MTS PJSC, through its subsidiary Mobile TeleSystems B.V. increased ownership share in the Company’s associate MTS Bank PJSC (“MTS Bank”) from 26.6% to 55.4% and obtained control over the entity. Consideration paid to AFK Sistema PJSC for additional share in MTS Bank PJSC amounted to RUB 8 273 152 thousand. In 2019, the Mobile TeleSystems B.V. increased the ownership share in MTS Bank through the participation in additional share issuance of MTS Bank PJSC for a total consideration of RUB 3 500 000 thousand. Also Mobile TeleSystems B.V. purchased the share in MTS Bank from AFK Sistema PJSC and LLC Sistema Telecom Active, the subsidiary of AFK Sistema PJSC for the consideration of RUB 12 855 104 thousand. As a result of all transactions mentioned above the share of the Company in MTS Bank with indirect control through Mobile TeleSystems B.V. were 99.53% as of December 31, 2019. In July 2020, the Company's share increased from 99.53% to 99.98735% due to a decrease in the authorized capital of MTS-Bank PJSC.

⁴**Acquisition of LLC Avantage** – In September 2018, MTS PJSC acquired from a group of private investors a 1% share in the capital of LLC Avantage and a 99% share in the capital of LLC Avantage through its subsidiary Vostok Mobile B.V. The total amount of consideration amounted to RUB 8 165 815 thousand (including net debt). LLC Avantage owns one of the largest data processing centers in Russia in the city of Lytkarino, Moscow Region. In April 2019, Vostok Mobile B.V. increased its share in LLC Avantage from 99% to 99.8%, whereas the share of MTS PJSC reduced from 1% to 0.2%, respectively. On July 31, LLC Avantage was merged with MTS PJSC.

⁵**Acquisition of share in YouDo** – In September 2018, MTS PJSC, through its subsidiary Allegretto Holdings S.a.r.l. acquired a 13.7% ownership interest in Youdo Web Technologies Limited (“YouDo”), a Russian online service provider matching freelance labor supply to demand for everyday and business tasks, for a cash contribution of USD 12 million (RUB 823 644 thousand). In 2019, the allocation 44 589 shares to Allegretto Holding S.a.r.l. was performed as a part of additional share issuance according to Subscription Agreement for shares dated September 14, 2018. As a result, the share of Allegretto Holding S.a.r.l. in YouDo increased from 13.68% to 15.45%.

⁶**Acquisition of SWIPGLOBAL Limited**– In December 2019 MTS PJSC acquired a 15.01% ownership interest in SWIPGLOBAL Limited (“SWIPGLOBAL”), a parent company of Smart Wallet LLC, Russian provider of authorization and payment solutions, for a cash contribution of RUB 75 026 thousand.

⁷ **Acquisition of additional share in Aramayo Investments Limited** – In August 2019 MTS PJSC through its subsidiary Allegretto Holding S.a.r.l purchased the remaining 20% stake in the share capital Aramayo Investments Limited according to the option agreement with non-controlling shareholders. As the result of the transaction the total share in Aramayo Investments Limited was 100%.

⁸ **Acquisition of ACHEMAR HOLDINGS LIMITED** – In February 2020, the Company completed the purchase of 51% of the Green Point group of companies, an operator of broadband Internet access and digital television in a number of regions of the Russian Federation.

⁹ **Acquisition of LLC Stopol Auto** – In June 2020, the Company acquired Stopol Auto LLC and Coagent Rus LLC. The companies will enter a new direction - MTS Automotive, which combines technologies and products for automotive electronics.

¹³ **Disposal of companies**

2020. In October 2020, the Company sold shares in NVision Group JSC to AFK Sistema PJSC. The Company's indirect participation in TelecomLogistic LLC, Serebryany Bor Complex LLC, SITRONICS IT LIMITED was terminated in connection with the sale of NVision Group JSC.

Reorganization of MTS PJSC – On July 31, 2020, the Company was merged with SIBINTERTELECOM JSC, Teleservice JSC, RIKT JSC, Progtech-Yug LLC, Avantage LLC, NVision-Consulting LLC.

2019. In November 2019 Allegretto Holding Sarl, a subsidiary of MTS PJSC, signed an agreement to sell its subsidiary Preludium BV, which owned 100% of the share capital of VF Ukraine PrJSC, PTT Telecom Kiev, VF Retail LLC and LLC VF Retail ITSF, companies, which carried out the activities in Ukraine. The transaction was completed on December 3, 2019.

In March 2019, MTS PJSC through its subsidiary Dega Retail Holding Limited disposed its 18.69% in OZON to AFK Sistema PJSC for a contribution in amount of RUB 7 901 501 thousand (of which RUB 3 000 000 thousand was paid in March 2019, RUB 2 450 000 thousand is due in July 2020 and RUB 2 451 501 thousand is due in July 2021). After the sale of shares, Dega Retail Holding Limited has retained no interest in OZON. As a result, a gain on disposal of the investment in sum of RUB 3 837 156 thousand was recognized in the line *Share in net profit of subsidiaries and associates*, the effect on other comprehensive income amounted to RUB 235 376 thousand.

Reorganization of Mobile Telecom Holding S.a.r.l. – In 2019 Mobile Telecom Holding S.a.r.l. was merged with Allegretto Holding S.a.r.l. Accordingly, the share of MTS PJSC in Mobile Telecom Holding S.a.r.l. changed from 100% to 0%.

Liquidation of MCT Sibi Corp. - In 2019 MCT Sibi Corp. was liquidated. As a result, the share of MTS PJSC in Sibintertelecom JSC increased to 100%.

The Company does not reflect own shares held by a subsidiary / associated company / joint venture in the Capital and Provisions in the line Treasury shares repurchased from shareholders. In respect of these shares the Company does not have intention to reduce its share capital by these shares through a merger of the subsidiary / associated company / joint venture with subsequent redemption of these shares, or in another way. As of December 31, 2020, the Company's own shares were held by subsidiaries LLC Bastion and LLC Stream Digital.

The cost of financial investments in the shares of MTS PJSC, which are accounted on the balances of the subsidiaries Stream Digital LLC and Bastion LLC, is shown below:

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	31 December		
	2020	2019	2018
Shares of MTS PJSC			
Purchase price of shares, RUB thousand	59 804 705	51 168 350	41 039 903
Market value of shares, RUB thousand	69 615 520	59 601 586	34 798 022
Number of shares	211 212 139	185 530 229	146 302 387
Market price per share, RUB	329.6	321.25	237.85
ADRs			
Purchase price of ADRs, RUB thousand	15 073 212	8 567 773	3 740 365
Market value of ADRs, RUB thousand	17 210 901	10 129 254	3 343 180
Number of ADRs	26 030 288	16 120 585	6 874 809
Market price per ADR, RUB	661.1875	628.34	486.29
Total purchase price of shares, RUB thousand	74 877 917	59 736 123	44 780 268
Total market value of shares, RUB thousand	86 826 421	69 730 840	38 141 202
Total number of shares	237 242 427	201 650 814	153 177 196

8. OTHER INVESTMENTS**8.1. Other long-term investments**

As at 31 December 2020, 2019 and 2018, the Company's other long-term investments comprised the following:

	31 December		
	2020	2019	2018
(RUB thousand)			
Loans receivable			
LLC MTS-Capital	9 345 000	9 345 000	-
LLC MTS Media	1 986 700	-	-
LLC MTS Energo	361 200	267 100	-
JSC SITRONICS	246 023	-	-
MTS II LLC	242 500	-	-
JSC Russian Telephone Company	-	6 230 000	5 876 000
LLC BASTION	-	1 551 000	-
PJSC Navigation Information Systems	-	1 296 000	1 262 000
MTS IT LLC	-	976 000	1 340 000
LLC Avantage	-	187 000	467 000
Oblachny Retail Plus LLC	-	-	1 763 800
Dega Retail Holding Ltd	-	-	1 441 272
LLC STV	-	-	805 000
JSC SITRONICS Telecom Solutions	-	-	137 000
JSC Telesevice	-	-	135 000
Other	92 001	158 020	215 145
Total	12 273 424	20 010 120	13 442 217
Allowance for impairment of long-term loans receivable (clause 7.3.)	(361 200)	(1 296 020)	(3 378 200)
Trust management agreement			
LLC MC Sistema Capital ¹	-	-	20 933 378
Total	-	-	20 933 378
Securities acquisition costs			
Advances for acquisition	1 391 935	1 309 191	1 244 158
Total	1 391 935	1 309 191	1 244 158
Allowance for impairment of purchase advances	(1 391 935)	-	-
Total long-term investments	11 912 224	20 023 291	32 241 553

¹ Eurobonds issued in June 2010 with 8.625% yield per annum and maturity in 2020. Issuer of bonds is a related party MTS International Funding Ltd. In 2017, the bonds and cash were transferred in trust management to LLC MC Sistema Capital, a subsidiary of AFK Sistema PJSC, with which the Company concluded a trust management agreement in May 2016 to obtain short-term income from securities sale and purchase transactions. As at the reporting date Eurobonds reclassified in short-term in accordance with the repayment schedule.

8.2. Other short-term investments

As at 31 December 2020, 2019 and 2018, the Company's other short-term investments comprised the following:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Bank deposits			
PJSC MTS Bank	71 184	-	-
PJSC Sberbank	-	-	12 000 000
Total	71 184	-	12 000 000
Loans receivable			
Oblachny Retail Plus LLC	1 872 084	1 878 400	-
PJSC Navigation Information Systems	1 262 000	-	-
Dega Retail Holding Ltd	580 674	8 599 286	6 233 600
LLC Sputnikivoe TV	515 000	-	-
JSC Russian Telephone Company	420 000	-	-
PRALISS ENTERPRISES LIMITED	243 790	146 717	-
JSC Metro-Telecom	213 201	223 201	233 201
MTS Corporate University LLC	127 500	-	-
Mr. Pierre and Mr. Moussa Fattouch	-	-	6 252 364
CJSC Kornet-AM	-	-	511 361
JSC SITRONICS Telecom Solutions ²	-	232 000	-
JSC Teleservice ³	-	135 000	-
Other	205 501	241 884	116 214
Total	5 439 750	11 456 488	13 346 740
Allowance for impairment of short-term loans receivable (clause. 7.3)	(3 884 076)	(2 852 652)	(1 331 785)
Debt securities			
JSC SITRONICS	-	219 690	219 690
Total	-	219 690	219 690
Trust management agreement			
LLC MC Sistema Capital ¹	10 313 373	26 852 186	11 762 820
Total	10 313 373	26 852 186	11 762 820
Other			
receivables assignment	115 867	-	-
Total	115 867	-	-
Total short-term investments	12 056 098	35 675 712	35 997 465

¹ Eurobonds issued in June 2010 with 8.625% yield per annum and maturity in 2020. Issuer of bonds is a related party MTS International Funding Ltd. In 2017, the bonds and cash were transferred in trust management to LLC MC Sistema Capital, a subsidiary of AFK Sistema PJSC, with which the Company concluded a trust management agreement in May 2016 to obtain short-term income from securities sale and purchase transactions. As at the reporting date Eurobonds reclassified in short-term in accordance with the repayment schedule.

² Merged with LLC MTS IT on November 20, 2020

³ Merged with PJSC MTS on July 31, 2020

8.2 Allowance for impairment of other investments

In accordance with the Company's accounting policy, the Company created an allowance for impairment of other long-term and short-term investments, which, as at 31 December 2020, 2019 and 2018, comprised the following:

Allowance for impairment of loans receivable and debt securities				(RUB thousand)
	As at 31 December 2018	Recognition of an allowance	Allowance release and other movements	As at 31 December 2019
CJSC Kornet-AM	(511 361)	-	511 361	-
JSC NVision Group	(80 400)	-	80 380	(20)
JSC Metro-Telecom	(233 201)	-	10 000	(223 201)
PJSC Navigation Information Systems	(1 279 000)	(254 000)	159 000	(1 374 000)
JSC SITRONICS Telecom Solutions	(137 000)	(95 000)	-	(232 000)
Mr. Pierre and Mr. Moussa Fattouch	(477 969)	-	477 969	-
Oblachny Retail Plus LLC	(1 763 800)	(114 600)	-	(1 878 400)
Other	(227 254)	(213 797)	-	(441 051)
Total	(4 709 985)	(677 397)	1 238 710	(4 148 672)

Allowance for impairment of loans receivable and debt securities				(RUB thousand)
	As at 31 December 2019	Recognition of an allowance	Allowance release and other movements	As at 31 December 2020
JSC Metro-Telecom	(223 201)	-	10 000	(213 201)
PJSC Navigation Information Systems	(1 374 000)	(261 000)	373 000	(1 262 000)
JSC SITRONICS Telecom Solutions	(232 000)	-	232 000	-
MTS Corporate University LLC	-	(127 500)	-	(127 500)
LLC MTS Energo	-	(361 200)	-	(361 200)
Oblachny Retail Plus LLC	(1 878 400)	-	6 316	(1 872 084)
PRALISS ENTERPRISES LIMITED	(146 717)	(97 073)	-	(243 790)
Other	(294 354)	(6 157)	135 010	(165 501)
Total	(4 148 672)	(852 930)	756 326	(4 245 276)

9. OTHER NON-CURRENT ASSETS

As at 31 December 2019, 2018 and 2017, other non-current assets comprised:

	(RUB thousand)		
	2020	31 December 2019	2018
Other non-current assets			
Advances given for acquisition of property, plant and equipment, software and construction services	2 976 760	3 446 749	4 319 580
Interest on loans receivable and deposits	542 043	1 445 189	2 402 345
Accounts receivable for sold OZON shares	(28 467)	(333 288)	(428 088)
Allowance for impairment of interest on loans receivable	-	2 642 231	-
Other non-current assets	2 575 093	1 725 532	805 701
Total	6 065 429	8 926 413	7 099 538

10. ACCOUNTS RECEIVABLE

Accounts receivable as at 31 December 2020, 2019 and 2018 comprised the following:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Accounts receivable			
Trade receivables	23 316 508	22 242 002	18 276 668
Allowance for trade receivables	(4 567 023)	(5 812 853)	(4 495 661)
Settlements on roaming discounts	662 107	1 092 251	6 553 358
Dividends receivable from PrJSC VF Ukraine ¹	-	-	5 759 268
Provision for dividends receivable from PrJSC VF Ukraine ¹	-	-	(5 759 268)
Dividends receivable from ES MTS-Turkmenistan ²	1 038 183	878 577	1 064 276
Provision for dividends receivable from ES MTS-Turkmenistan ²	(1 038 183)	(878 577)	(1 064 276)
Receivables from commercial representatives	178 389	200 198	234 196
Allowance for receivables from dealers	(178 145)	(191 690)	(209 046)
Advances paid	1 044 360	1 016 820	638 180
Allowance for advances paid	(51 445)	(26 518)	(27 059)
Interest on loans receivable and deposits	448 069	3 375 931	3 109 399
Allowance for interest on loans receivable	(141 571)	(196 134)	(90 452)
Settlements on taxes and duties	3 417 241	4 356 423	3 013 836
Settlements with the Social Security Fund	62 140	57 874	91 551
Other	5 368 957	5 329 235	3 490 732
Allowance for other receivables	(43 670)	(58 965)	(84 065)
Total	29 515 917	31 384 574	30 501 637

¹ In 2017, the Regulation of the Management Board of the National Bank of Ukraine, related to the prohibition to transfer dividends to foreign investors by Ukrainian companies, was amended in part of the permitted period to pay dividends and the amount of the monthly dividend payment. In July 2019 National Bank of Ukraine canceled the threshold for transferring dividends payable abroad (it was approved by Decision NBU №91 from 10 July 2019).

² On 29 September 2017, MTS PJSC announced the forced suspension of provision of communication services in Turkmenistan due to the fact that partnership agreements regulating the provision of services in Turkmenistan were not extended by the state telecommunication company Turkmentelecom. As at 31 December 2020, 2019, 2018, MTS PJSC charged an allowance for the full amount of dividends receivable as there is uncertainty related to receipt of dividends from «MTS-Turkmenistan».

11. CASH AND CASH EQUIVALENTS

As at 31 December 2020, 2019 and 2018, cash and cash equivalents comprised:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Cash and cash equivalents			
Deposits with initial maturity of less than 3 months	27 800 000	4 573 485	52 500 000
Current bank accounts	16 634 212	2 669 747	13 718 689
Cash in transit	2 408 736	1 513 572	2 927 482
Petty cash	1 676	2 845	1 294
Total	46 844 624	8 759 649	69 147 465

12. SHARE CAPITAL

As at 31 December 2020, 2019 and 2018, the Company's share capital comprised the following:

Types of shares	Par value, RUB	Including number of treasury shares acquired by subsidiaries and affiliates and the Company					
		Number of shares			and the Company		
		2020	2019	2018	2020	2019	2018
Ordinary shares	0.1	1 998 381 575	1 998 381 575	1 998 381 575	271 479 406	225 547 422	167 638 899
Total		1 998 381 575	1 998 381 575	1 998 381 575	271 479 406	225 547 422	167 638 899

The shareholder structure as at 31 December 2020, 2019 and 2018 comprised the following:

	% of ownership		
	2019	2019	2018
Non-banking credit organization JSC National Settlement Depository (nominal holder)	52.69	70.70	69.10
AFK Sistema PJSC	31.76	15.75	15.75
LLC Sistema Telecom Aktiv	11.03	11.03	11.03
Sistema Finance S.A.	-	0.37	1.98
Other shareholders	4.52	2.15	2.12
Total	100	100	100

The controlling owner of MTS PJSC is Vladimir Petrovich Evtushenkov.

13. BORROWINGS

Maturities of the main types of debt outstanding as at 31 December 2020 are presented as follows:

Borrowings	(RUB thousand)			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Loans	17 644 290	102 391 729	-	120 036 019
Bank loans	10 000 000	190 007 234	15 000 000	215 007 234
Notes	20 762 551	117 430 277	37 000 000	175 192 828
Total	48 406 841	409 829 240	52 000 000	510 236 081

A number of notes of the Company are subject to unconditional obligation to repurchase as the holders have the unilateral right to demand repurchase of the notes at par value prior to maturity. The notes in the accompanying financial statements are disclosed as maturing in the period, when put options may be exercised.

Some loan agreements contain provisions that limit the ability of the Company and its subsidiaries:

- Borrow funds;
- Enter into loan transactions with affiliates;
- Merge or consolidate with another entity;
- Transfer their property and assets to another entity;
- Sell or transfer any of the GSM licenses for license areas in Moscow, St. Petersburg, Krasnodar and Ukraine;
- Make certain types of reorganization or changes in the composition of the Company's shareholders.

If the Company fails to meet required covenants, after certain notice and cure periods, the creditors can accelerate the debt to be immediately due and payable.

A number of loan agreements contain provisions with regard to early repayment upon the creditor's demand in case of judgment against the Company and its subsidiaries requiring payment of money or recovery against property in an amount in excess of certain limits determined by the agreements and the continuance of any such judgment unsatisfied and in effect for any period of 60 consecutive calendar days without a stay of execution.

Loan agreements also contain cross default provisions with other loan agreements of MTS PJSC and its subsidiaries.

As at 31 December 2020, the Company was in full compliance with all covenants of notes and loan agreements.

Available credit facilities:

	(RUB thousand)			
	Up to 1 year	1 year to 5 years	Over 5 years	Total
Other loans	23 555 028	33 189 185	-	56 744 213
Bank loans	5 000 000	219 248 082	5 000 000	229 348 082
Notes	-	-	9 108 957	9 108 957
Total	28 555 028	252 537 267	14 108 957	295 201 252

The accrued expenses on loans and borrowings recognized in the Interest expense line item of the statement of financial results (interest and other additional expenses) for 2020 and 2019 amounted to RUB 32 938 837 thousand and RUB 37 289 699 thousand, respectively.

The debt issuance costs for 2020 and 2019 amounted to RUB 91 352 thousand and RUB 138 592 thousand, respectively, and are recognized in the *Borrowings* line item of the balance sheet.

Capitalized borrowing costs for 2020 and 2019 amounted to RUB 348 119 thousand and 378 205 thousand, respectively, and are recognized in the *Property, plant and equipment* line item of the balance sheet.

14. ACCOUNTS PAYABLE

As at 31 December 2020, 2019 and 2018, the Company's accounts payable comprised the following:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Long-term payables			
Interest on borrowings	3 175 201	3 639 985	2 376 581
Trade payables	230 429	319 804	396 140
Total long-term payables	3 405 630	3 959 789	2 772 721
Short-term payables			
Trade payables	40 907 378	34 000 555	25 065 290
Advances received ²	1 174 466	962 103	1 310 538
Wages and salaries payable	5 696 889	7 904 370	7 452 428
Interest on borrowings	4 467 936	5 296 660	6 915 890
Taxes and duties payable	6 280 847	8 309 092	5 796 024
Discounts provided on roaming services ¹	-	-	5 677 412
Social contributions payable	720 735	420 675	385 142
Consideration on acquisition of subsidiaries	3 412	25 518 902	-
Other	1 979 143	532 101	382 500
Total short-term payables	61 230 806	82 944 458	52 985 224

¹ Discounts on roaming services provided to JSC Sibintertelecom are recorded in Accounts payable line item of the balance sheet as being supported with documents. Those discounts provided on roaming services that are determined by the Company as accounting estimates as at the reporting date are recorded in the Provisions line item of the balance sheet (Note 15).

² In 2018, IFRS 15 was applied, as a result - advances received from subscribers were classified as a part of the Contract liabilities.

15. PROVISIONS

Movements in provisions for 2020 and 2019 comprised:

	(RUB thousand)				
	Discounts provided on roaming services	Asset retirement obligations	Provision related to investigations into former operations in Uzbekistan ¹	Other provisions	Total
Total as at 31 December 2018	1 548 310	2 572 866	59 050 010	136 797	63 307 983
Increase in provisions	1 262 341	2 245 071	-	150 729	3 658 141
Decrease in provisions	(1 548 310)	(21 396)	(59 050 010)	(40 787)	(60 660 503)
Total as at 31 December 2019	1 262 341	4 796 541	-	246 739	6 305 621
Increase in provisions	685 473	165 475	-	2 717 402	3 568 350
Decrease in provisions	(1 262 341)	(39 823)	-	(72 058)	(1 374 222)
Total as at 31 December 2020	685 473	4 922 193	-	2 892 083	8 499 749

¹ The Company provided a provision of USD 850 million (RUB 55.8 billion as of the date of accrual) in the financial statements for 2018. In March 2019, the Company paid the total penalty of USD 850 million (RUR 55.6 billion as of the payment date).

Maturities of provisions as at 31 December 2020, 2019 and 2018, are presented below:

Balance sheet line	(RUB thousand)		
	31 December		
	2020	2019	2018
Long-term provisions ¹	4 788 824	4 565 679	2 572 865
Short-term provisions ²	3 710 925	1 739 942	60 735 118
	8 499 749	6 305 621	63 307 983

¹ Long-term provisions include asset retirement obligations

² The short-term provisions include provision for discounts provided on roaming services, provision related to the investigation of activities in Uzbekistan, provision related to the SMS pricing and other provisions.

16. CONTRACT LIABILITIES

Contract liabilities represent amounts paid by customers to the Company before receiving the goods and/or services promised in the contract. Contract liabilities include advances received from customers, or amounts invoiced and paid for goods or services that are yet to be transferred.

The following table provides information about contract liabilities from contracts with customers:

	31 December 2020	31 December 2019	(RUB thousand) 31 December 2018
Contract liabilities	(19 768 071)	(17 680 282)	(17 046 970)
<i>Thereof:</i>			
<i>Mobile and fixed telecommunication services</i>	(19 674 343)	(17 421 551)	(16 762 835)
<i>Loyalty programme</i>	(93 728)	(258 731)	(284 135)
Total liabilities	(19 768 071)	(17 680 282)	(17 046 970)
Less current portion	19 219 682	17 352 980	16 851 283
Total non-current liabilities	(548 389)	(327 302)	(195 687)

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

	2020	(RUB thousand) 2019
Balance as of 1 January	<u>(17 680 282)</u>	<u>(17 046 970)</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	7 578 246	13 712 516
Increase due to cash received, excluding amount recognised as revenue during the period	<u>(9 666 035)</u>	<u>(14 345 828)</u>
Balance as of 31 December	<u>(19 768 071)</u>	<u>(17 680 282)</u>

The Company expects to recognize revenue related to performance obligations that were unsatisfied as of 31 December 2020 as follows:

	2021	2022-2026	(RUB thousand) Total
Mobile and fixed telecommunication service	(19 125 954)	(548 389)	(19 674 343)
Loyalty programme	(93 728)	-	(93 728)

17. INCOME TAX

Current income tax expense for 2020 and 2019 comprised:

	2020	(RUB thousand) 2019
Profit before income tax	67 910 491	77 596 527
Theoretical income tax expense	13 195 121	14 921 697
Permanent tax liabilities:		
Non-deductible expenses	1 031 405	1 616 377
Provision for contingent liabilities	-	-
Dividends received from foreign subsidiaries	3 348	5 193
Expenses in excess of allowable limits	-	-
Allowance for impairment of investments	-	-
Other	449 398	116 241
Total	<u>1 484 151</u>	<u>1 737 811</u>
Permanent tax assets:		
non-deductible income	(3 624 650)	(2 074 252)
Total	<u>(3 624 650)</u>	<u>(2 074 252)</u>
Increase/(decrease) in deferred tax assets:		
Property, plant and equipment, including due to:		
- different periods and methods of depreciation for accounting and tax purposes	7 369	9 088
- other operations with property, plant and equipment	87 783	(4 554)
Provisions	(1 137 125)	1 159 033
Difference in methods of revenue recognition	716 946	328 362
Allowance for doubtful debt	(613 901)	(1 235 891)
Lease	437 074	669 225
Other	(385 912)	(673 161)
Total	<u>(887 766)</u>	<u>252 102</u>
(Increase)/decrease in deferred tax liabilities:		
on prepaid services and capitalized borrowing costs	-	-
related to property, plant and equipment, due to:		
- different periods and methods of depreciation for accounting and tax purposes	(1 193 981)	(1 102 879)
- other operations with property, plant and equipment	(516 174)	(88 931)
Investments in associates and subsidiaries	-	-
Other	480 578	(542 410)
Total	<u>(1 229 577)</u>	<u>(1 734 220)</u>
Total current income tax	<u>8 937 279</u>	<u>13 103 138</u>

Deferred tax assets and liabilities are recorded on a net basis in the financial statements.

The Income tax and tax penalties of prior year's line item of the statement of financial results comprises the following:

	<u>2020</u>	<u>(RUB thousand) 2019</u>
Adjustments to income tax declarations for prior periods	(347)	409
Income tax arrears	(328)	(55)
Tax penalties of prior periods	(240 945)	68 135
Other tax penalties	71 289	571 943
Total	<u>(170 331)</u>	<u>640 432</u>

18. ВЫРУЧКА ПО ДОГОВОРАМ С ПОКУПАТЕЛЯМИ

Revenue for the years ended 31 December 2020 and 2019 is disclosed in the table below:

	<u>2020</u>	<u>(RUB thousand) 2019</u>
Revenue		
<i>Mobile services</i>	323 593 663	310 079 081
<i>Fixed line services</i>	25 346 042	23 742 806
<i>Integration services</i>	951 892	586 343
<i>Sales of goods</i>	1 563 515	981 455
<i>Other services</i>	6 626 281	6 733 264
Total revenue	<u>358 081 393</u>	<u>342 122 949</u>
Thereof:		
Recognised over time	356 517 878	341 141 494
Recognised at point of time	1 563 515	981 455
Total	<u>358 081 393</u>	<u>342 122 949</u>

19. OPERATING EXPENSES

Below is the summary of the Company's expenses on operating activities for 2020 and 2019:

	<u>2020</u>	<u>(RUB thousand) 2019</u>
OPERATING EXPENSES		
Depreciation and amortization	89 576 907	83 594 583
Payroll	28 688 414	27 130 481
Social contributions	7 301 000	6 824 802
Raw materials and supplies	3 462 335	2 720 000
Other expenses	130 057 968	125 650 083
Total	<u>259 086 624</u>	<u>245 919 949</u>

UNOFFICIAL TRANSLATION

Other expenses line within expenses on operating activities for 2020 and 2019 includes:

Other expenses	(RUB thousand)	
	2020	2019
Interconnection services	54 655 711	50 216 456
Dealers commission	17 083 827	19 412 659
Roaming expenses	7 037 934	9 139 359
Content expenses	3 979 170	4 694 168
Advertising and marketing expenses	9 636 951	9 506 112
Utilities	9 324 553	8 228 556
Technical support and maintenance of equipment	7 079 746	5 571 043
Taxes	3 900 229	4 286 596
Lease expense	4 008 624	3 109 314
Other expenses	13 351 223	11 485 820
Total	130 057 968	125 650 083

Depreciation and amortization line within expenses on operating activities for 2020 and 2019 includes:

	(RUB thousand)	
	2020	2019
OPERATING EXPENSES		
Depreciation and amortization of PPE and IA	67 638 217	62 864 305
Depreciation of right-of-use assets	13 036 002	12 171 526
Amortization of cost to obtain contracts	8 902 688	8 558 752
Total	89 576 907	83 594 583

20. OTHER INCOME

Other income for 2020 and ok2019 comprised:

	(RUB thousand)	
	2020	2019
Other income		
Gain from foreign exchange transactions with financial derivatives	7 254 483	-
Accounts payable written off as unclaimed	537 568	344 356
Gain from sale and disposal of other property	513 781	214 282
Gain from sale and disposal of property, plant and equipment	478 777	323 021
Gain from decrease in provisions	707	11 894
Foreign exchange gain and loss, net	-	8 558 274
Gain from the reversal of allowance for impairment of dividends	-	6 072 424
Gain from the reversal of allowance for impairment of other investments	1 027 886	767 622
Gain from revaluations of market value of other investments	-	379 106
Gain from the reversal of allowance for obsolescence of long-term inventories and other non-current assets	-	135 244
Insurance compensations	-	80 967
Gain from swaps	-	74 099
Other	348 143	160 902
Total	10 161 345	17 122 191

21. OTHER EXPENSES

Other expenses for 2020 and 2019 comprised:

	2020	(RUB thousand) 2019
Other expenses		
Foreign exchange gain and loss, net	11 043 464	-
Provision related to SMS pricing investigations (Note 31)	2 692 683	-
Impairment loss of investments in subsidiaries and associates	1 878 647	-
Loss from revaluations of market value of other investments	1 883 799	-
Allowance for doubtful accounts	1 075 837	3 129 017
Loss on sale and disposal of other property	510 182	238 749
Expenses related to charity activities	375 909	346 970
Loss from swaps	370 016	-
Write-off of value-added tax receivable	175 850	180 451
Allowance for obsolescence of long-term inventories and other non-current assets	126 928	-
Loss on sale and disposal of property, plant and equipment	116 805	131 991
Bank charges	94 518	156 301
Loss from sale of foreign currency	-	3 238 830
Allowance for impairment of other investments	2 251 496	677 397
Provisions	-	627
Other	832 691	233 647
Total	23 428 825	8 333 980

22. EXCHANGE RATES

The Central Bank of Russia's exchange rates set for the reporting dates are presented below:

Currency	31 December		
	2020	2019	2018
US Dollar	73.8757	61.9057	69.4706
EUR	90.6824	69.3406	79.4605

	2020	(RUB thousand) 2019
Foreign exchange gain from translation of assets and liabilities denominated in foreign currency and payable in foreign currency	10 564 543	8 068 033
Foreign exchange gain from translation of assets and liabilities denominated in foreign currency and payable in rubles	478 921	490 241
Total	11 043 464	8 558 274

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses off-balance sheet accounts to summarize information on the availability and movement of such instruments, recording the financial result in the statement of financial results after the transaction is completed.

The fair value of the Company's assets as at 31 December 2020, 2019 and 2018 was as follows (in rubles at the exchange rate as at the reporting date):

Derivative financial instruments	(RUB thousand)		
	2020	31 December 2019	2018
Swaps	4 508 273	(696 127)	3 610 044
Forwards	-	(339 963)	1 891 339
Total	4 508 273	(1 036 090)	5 501 383

In 2020 and 2019, loss from unrealized swap transactions amounted to RUB 370 016 thousand and RUB 74 099 thousand, respectively. Results from swaps transactions are included in the line *Other Expenses and Other Income* of the statement of financial results. The swaps mature in 2021-2024. In 2020 and 2019, gain and loss from realized financial derivatives transactions amounted RUB 7 254 483 thousand and RUB 3 238 830 thousand, respectively. Results from realized financial derivatives transactions are included in the line *Other Expenses and Other Income* of the statement of financial results, respectively.

The Company entered into deliverable currency forward agreements to minimize foreign currency risk exposure for operating activities. The contracts assumed purchase or sale of the agreed amount of currency at a specified exchange rate and date. The foreign exchange rate is determined by the market spot rate upon performance of a transaction.

Underlying assets related to deliverable currency forwards not settled as at 31 December 2020, 2019 and 2018 amounted to RUB nil, RUB 68 334 239 thousand and RUB 49 959 745 thousand, respectively.

24. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for 2020 and 2019 were as follows:

	2020 год	2019 год
Net profit, RUB thousand	57 026 200	62 370 839
Weighted average number of ordinary shares outstanding	1 998 105 456	1 998 363 911
Basic earnings per share, RUB	28.54	31.21
Diluted earnings per share, RUB	28.54	31.17

25. BOARD OF DIRECTORS

As at 31 December 2020, the Board of Directors consisted of the following members:

Name	Position	Period
Felix Vladimirovich Evtushenkov	Chairman of the Board of Directors	from 27 June 2019
Alexey Valeryevich Kornya	Member of the Board of Directors	from 28 June 2018
Regina von Flemming	Member of the Board of Directors	from 25 June 2015
Artem Ivanovich Zasursky	Member of the Board of Directors	from 29 June 2017
Valentin Borisovich Yumashev	Member of the Board of Directors	from 27 June 2019
Thomas Holtrop	Member of the Board of Directors	from 14 February 2013
Shaygan Kheradpir	Member of the Board of Directors	from 24 June 2020
Nadia Shurabura	Member of the Board of Directors	from 24 June 2020
Konstantin Lvovich Ernst	Member of the Board of Directors	from 24 June 2020
Alexey Borisovich Katkov	Member of the Board of Directors	from 28 June 2018 to 24 June 2020
Vsevolod Valerievich Rozanov	Member of the Board of Directors	from 27 June 2012 to 24 June 2020
Antonios Teodosiou Antoniou	Member of the Board of Directors	from 27 June 2019 to 24 June 2020
Ron Sommer	Member of the Board of Directors	from 25 June 2009 to 27 June 2019
Wolfgang Schüssel	Member of the Board of Directors	from 28 June 2018 to 27 June 2019
Stanley Miller	Member of the Board of Directors	from 24 June 2010 to 27 June 2019

The amount of compensation paid to the members of the Board of Directors in 2020 and 2019 amounted to RUB 524 655 thousand and RUB 408 934 thousand, respectively, including social contributions of RUB 45 775 thousand and RUB 36 749 thousand, respectively.

26. MANAGEMENT BOARD

As at 31 December 2020, the Management Board consisted of the following members:

Name	Position	Period
Alexey Valeryevich Kornya	President, Chairman of the Management Board	from 13 March 2018 to 12 March 2021
Inessa Vasilyevna Galaktionova	Member of the Management Board, First Vice President for Telecommunications	from 01 August 2019
Aleksandr Evgenyevich Gorbunov	Member of the Management Board, Vice President for Strategy and Development	from 01 August 2019
Ruslan Sultanovich Ibragimov	Member of the Management Board, Vice President for Government Relations and PR	from 01 August 2019
Andrey Mikhaylovich Kamenskiy	Member of the Management Board, Vice-President, Finance, Investment and Mergers and Acquisitions	from 01 August 2019
Igor Nikolaevich Mishin	Member of the Management Board, Vice President for MTS Media	from 24 March 2019
Vyacheslav Konstantinovich Nikolayev	Member of the Management Board, First Vice President for Customer Experience and Marketing	from 01 August 2019
Ilya Valentinovich Filatov	Member of the Management Board, Vice President for Financial services	from 01 August 2019
Dmitry Alexandrovich Khomchenko	Member of the Management Board, Vice President for Information Technology	from 01 August 2019
Tatyana Sergeevna Chernysheva	Member of the Management Board, Vice President for Human Resources	from 27 November 2019
Barsegyan Alexey Vizskopbovich	Member of the Management Board, Vice President, Corporate and legal issues	from 23 October 2020
Belyakov Sergey Sergeevich	Member of the Management Board, CEO of JSC RTC	from 01 July 2020
Alexander Alexandrovich Khanin	Member of the Management Board, CEO of MTS Artificial Intelligence Center	from 23 October 2020

Name	Position	Period
Dmitry Alexandrovich Halin	Member of the Management Board, Vice President , Cloud and Digital Solutions	from 01 January 2020
Valery Viktorovich Shorzhin	Member of the Management Board, Vice President for Digital Business Solutions	from 02 October 2018 to 31 December 2019
Mariya Nikolayevna Golyandrina	Member of the Management Board, Vice President for Human Resources	from 10 January 2018 to 27 November 2019
Kirill Aleksandrovich Dmitriev	Member of the Management Board, Vice President for Digital Solutions for home	from 05 March 2014 to 31 July 2019
Igor Alfridovich Egorov	Member of the Management Board, Director of Moscow Region	from 17 May 2016 to 31 July 2019
Andrei Gennadievich Smelkov	Member of the Management Board, Vice-President, Director of MTS Foreign Companies Business Unit	from 01 October 2016 to 30 April 2019
Andrei Eduardovich Ushatskiy	Member of the Management Board, Vice President, Information Technology	From 01 March 2013 to 31 July 2019

The amount of compensation paid to the members of the Management Board in 2020 and 2019 amounted to RUB 934 694 thousand and RUB 923 981 thousand, respectively, including social contributions of RUB 123 022 thousand and RUB 156 443 thousand, respectively.

27. DISTRIBUTION OF RETAINED EARNINGS

The annual meetings of shareholders which took place on 24 June 2020 and 30 September 2020 voted to distribute part of the profit retained by the Company in 2019, first half of 2020 to pay dividends to shareholders in the amount of RUB 41 106 346 thousand and RUB 17 841 928 thousand, respectively.

The annual meetings of shareholders which took place on 27 June 2019, 30 September 2019 and 30 December 2019 voted to distribute part of the profit retained by the Company in 2018, first half of 2019 and 9 months of 2019 to pay dividends to shareholders in the amount of RUB 39 927 311 thousand, RUB 17 345 799 thousand and RUB 26 478 322 thousand, respectively.

28. REORGANIZATION OF THE COMPANY

28.1. Reorganization of the Company in 2020

On July 31, 2020, the Company was merged with SIBINTERTELECOM JSC, Teleservice JSC, RIKT JSC, Progtech-Yug LLC, Avantage LLC, NVision-Consulting LLC.

Property, plant and equipment and intangible assets of the merged company were transferred to MTS PJSC at net book value; other assets and liabilities were transferred at carrying value at the date of the merger according to the transfer acts. The financial results of the merged companies are included in the financial statements of MTS PJSC from the date of their merger.

The financial result from the reorganization of MTS PJSC through the merger, not included in the net profit of the period, represented the effect of RUB 1 297 388 thousand (expense) and included the amount of net assets of the merged companies at the date of the merger of RUB 17 558 006 thousand, the amount of disposed investments of the Company in the merged companies at the date of the merger of RUB 19 148 378 thousand. The effect of the merger was recognized in the Change of equity due to reorganization was included in equity in the line *Change in equity due to reorganization*.

Adjusted amounts of the Company's statement of financial results for 2020 (unaudited)

The pro-forma financial indicators for 2020 reflect the merger of companies in 2020 as if it took place at the beginning of the reporting period.

Adjusted amounts	(RUB thousand)
	2020
Revenue	357 511 943
Operating profit	95 349 844
Net profit	56 706 540
Basic and diluted earnings per share, RUB	28.38

The pro-forma information is based on various assumptions and estimates. The pro-forma information is not necessarily indicative of the operating results that would have occurred if the Company acquisitions were completed as at 1 January 2020 and is also not necessarily indicative of future financial results. The pro-forma information does not reflect in any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual financial results of operations of these companies are included in the financial statements of the Company from the dates of merger.

28.2. Reorganization of the Company in 2019

In 2019, there were no reorganization through the merger in MTS PJSC.

29. RELATED PARTIES

Related parties of MTS PJSC are represented by its subsidiaries and associates, AFK Sistema PJSC, all the companies controlled by or significantly influenced by AFK Sistema PJSC, and key management personnel and other individuals or legal entities which have significant influence on the decisions concerning management of MTS PJSC and the above-mentioned companies through participation in their share capital and/or other circumstances.

29.1. Related party transactions**Sale of equipment, goods, work and services**

	2020	(RUB thousand)
		2019
PJSC MGTS, a subsidiary	6 511 130	3 974 473
JSC Russian Telephone Company, a subsidiary	3 640 330	4 464 035
MTS-Bank PJSC, a subsidiary	2 452 462	2 167 130
JSC Sibintertelecom, a former subsidiary	2 307 642	3 827 292
CJSC MTS Armenia, a subsidiary	263 344	454 061
PrJSC VF Ukraine, a former subsidiary	-	938 047
Other	1 927 624	1 367 352
Total	17 102 532	17 192 390

Purchase of equipment, goods, work and services

	2020	(RUB thousand) 2019
JSC Russian Telephone Company, a subsidiary	17 083 621	20 807 923
LLC MTS IT, a subsidiary	6 913 842	5 015 304
PJSC MGTS, a subsidiary	6 414 719	3 445 772
JSC NVision Group, a former subsidiary	5 049 342	7 382 512
LLC Stream, a subsidiary	3 756 934	1 986 553
LLC MTS Energo, a subsidiary	1 734 779	584 753
LLC Jooms Projects, a subsidiary	1 303 506	1 915 607
CJSC MTS Armenia, a subsidiary	503 582	872 064
JSC Navigation Information Systems, a subsidiary	497 487	209 529
JSC Sibintertelecom, a former subsidiary	375 818	603 202
JSC Metro-Telecom, a subsidiary	102 417	256 195
PrJSC VF Ukraine, a former subsidiary	-	942 002
Other	2 474 381	2 296 870
Total	46 210 428	46 318 286

Interest income on loans receivable

	2020	(RUB thousand) 2019
Dega Retail Holding Ltd, a subsidiary	714 383	1 207 821
JSC Russian Telephone Company, a subsidiary	105 365	350 272
LLC MTS IT, a subsidiary	55 458	132 583
Other	795 556	410 049
Total	1 670 762	2 100 725

Interest expense on borrowings

	2020	(RUB thousand) 2019
MTS International Funding Ltd, a subsidiary	3 933 903	5 806 542
PJSC MGTS, a subsidiary	1 293 859	1 887 520
Mobile TeleSystems B.V., a subsidiary	258 071	285 266
LLC Telecom Projects, a subsidiary	441 882	625 228
LLC BASTION, a subsidiary	355 915	138 379
LLC Stream Digital, a subsidiary	325 237	215 164
JSC Sibintertelecom, a former subsidiary	321 629	530 080
LLC Stream, a subsidiary	79 350	155 526
JSC MGTS-Nedvizhimost, a subsidiary	25 890	153 817
Baggio Holding B.V., a subsidiary	7 105	115 719
Other	448 831	170 261
Total	7 491 672	10 083 502

29.2. Amounts of outstanding balances with related parties**Loans payable, including interest payable**

	31 December			(RUB thousand) Period of settlement for 2020 operations
	2020	2019	2018	
	2020	2019	2018	
MTS International Funding Ltd, a subsidiary	37 096 888	77 615 507	87 100 152	2021-2023
PJSC MGTS, a subsidiary	33 041 095	21 237 283	27 760 444	2021-2023
Vostok Mobile B.V., a subsidiary	12 508 042	2 476 656	-	2021-2023
LLC Telecom Projects, a subsidiary	10 271 144	10 218 962	4 524 473	2021-2023
LLC Stream Digital, a subsidiary	9 164 659	4 963 422	2 208 858	2021-2022
LLC BASTION, a subsidiary	3 696 415	-	436 626	2023
Mobile TeleSystems B.V., a subsidiary	3 057 321	8 077 303	14 632 127	2022
CJSC MTS Armenia, a subsidiary	2 740 788	2 210 033	-	2021
LLC Stream, a subsidiary	2 731 106	2 139 755	2 739 229	2022
LLC TSTV, a subsidiary	1 858 156	712 840	-	2022
JSC Russian Telephone Company, a subsidiary	1 779 164	-	-	2021
LLC MTS IT, a subsidiary	1 575 161	-	1 550 849	2022-2023
JSC MGTS-Nedvizhimost, a subsidiary	706 964	490 074	3 036 257	2022
Baggio Holding B.V., a subsidiary	337 698	330 593	4 057 874	2021
JSC Sibintertelecom, a former subsidiary	-	10 345 798	5 109 968	-
LLC STV, a subsidiary	-	1 207 977	-	-
JSC NVision Group, a former subsidiary	-	694 646	-	-
PRELUDIUM B.V., a former subsidiary	-	-	167 269	-
Other	1 478 524	949 701	668 215	2021-2022
Total	122 043 125	143 670 550	153 992 341	

Loans receivable and other investments, including interest receivable

	31 December			(RUB thousand) Period of settlement for 2020 operations
	2020	2019	2018	
	LLC MTS-Capital, a subsidiary	9 834 703	9 362 602	
LLC MTS Media, a subsidiary	2 002 189	-	-	2022
LLC Oblachnyi Retail Plus, a subsidiary	1 966 881	1 973 197	1 858 597	2021
PJSC Navigation Information Systems, a subsidiary	1 262 000	1 374 003	1 281 682	2021
JSC Russian Telephone Company, a subsidiary	653 608	7 067 530	6 363 258	2021
Dega Retail Holding Ltd, a subsidiary	583 104	11 752 128	10 061 692	2021
LLC STV, a subsidiary	518 154	-	827 571	2021
LLC MTS Energo, a subsidiary	389 667	283 586	10 006	2024
JSC Sitronics, a subsidiary	253 535	309 439	283 076	2022
LLC MTS II, a subsidiary	243 113	-	-	2023
JSC NVision Group, a former subsidiary	3 326	333 308	413 688	2021
LLC BASTION, a subsidiary	-	1 664 427	-	-
LLC MTS IT, a subsidiary	-	1 098 425	2 296 154	-
JSC Sitronics Telecom Solutions, a subsidiary	-	232 000	137 000	-
LLC Avantage, a subsidiary	-	189 862	472 426	-
CJSC Kornet-AM, a subsidiary	-	-	570 565	-
Other	911 849	866 547	614 391	2021-2022
Total	18 622 129	36 507 054	25 190 106	

Accounts receivable

		(RUB thousand)		
		31 December		
Type of transaction		2020	2019	2018
PJSC MGTS, a subsidiary	Sale of goods, works, services	5 607 625	3 181 460	1 645 581
Dega Retail Holding Ltd, a subsidiary	Settlements on financial investment	2 836 870	5 282 844	-
ES MTS-Turkmenistan, a subsidiary	Dividends receivable	1 038 183	878 577	1 064 276
MTS Belarus, an associate	Settlement on due dividends	676 430	126 521	-
JSC Russian Telephone Company, a subsidiary	Sale of goods, works, services	400 440	774 475	632 580
MTS-Bank PJSC, a subsidiary	Sale of goods, works, services	316 453	446 541	391 386
JSC NVision Group, a former subsidiary	Sale of goods, works, services	272 162	416 850	768 533
CJSC MTS Armenia, a subsidiary	Sale of goods, works, services	252 463	123 783	257 113
LLC Yahont, under common control	Sale of goods, works, services	46 997	997 866	-
MTS Belarus, an associate	Discounts provided on roaming services	2 535	181 364	4 015 000
JSC Sibintelecom, a former subsidiary	Sale of goods, works, services	-	709 393	557 343
MTS Belarus, an associate	Sale of goods, works, services	-	366 918	-
PrJSC VF Ukraine, a former subsidiary	Sale of goods, works, services	-	-	45 709
JSC Sitronics Telecom Solutions, a former subsidiary	Sale of goods, works, services	-	1 049	1 495
PrJSC VF Ukraine, a former subsidiary	Dividends receivable	-	-	5 759 268
Other	Sale of goods, works, services	1 576 860	1 640 486	566 414
Other	Other services	-	2 306	53 160
Total		13 027 018	15 130 433	15 757 858

As at 31 December 2020, 2019 and 2018, the allowance for doubtful accounts from related parties and allowance for impairment of loans receivable from related parties (including interest receivable) comprised the following:

		(RUB thousand)		
		31 December		
		2020	2019	2018
LLC Oblachnyi Retail Plus, a subsidiary		1 966 881	1 973 197	1 859 000
PJSC Navigation Information Systems, a subsidiary		1 262 000	1 296 000	1 281 682
ES MTS-Turkmenistan, a subsidiary		1 061 498	878 577	1 064 276
JSC Metro-Telecom, a subsidiary		227 986	237 986	247 986
JSC NVision Group, a former subsidiary		3 326	333 308	413 688
PrJSC VF Ukraine, a former subsidiary		-	-	5 759 268
JSC Sitronics Telecom Solutions, a subsidiary		-	232 000	137 000
JSC Russian Telephone Company, a subsidiary		-	-	-
Other		958 745	607 237	806 957
Total		5 480 436	5 558 305	11 569 857

Accounts payable

		(RUB thousand)		
		31 December		
Type of transaction		2020	2019	2018
JSC Russian Telephone Company, a subsidiary	Purchase of goods, works, services	2 787 168	8 258 707	3 409 493
PJSC MGTS, a subsidiary	Purchase of goods, works, services	1 746 687	346 424	147 157
JSC NVision Group, a former subsidiary	Purchase of goods, works, services	1 214 746	849 876	550 915
LLC Yahont, under common control	Purchase of goods, works, services	888 058	314 987	-
LLC MTS IT, a subsidiary	Purchase of goods, works, services	848 659	1 204 458	671 672
AFK Sistema PJSC, parent company	Dividends payable	-	15 221 205	-
Sistema Telecom Activy, under common control	Dividends payable	-	10 659 838	-
LLC BASTION, a subsidiary	Dividends payable	-	1 507 778	-
LLC Stream Digital, a subsidiary	Dividends payable	-	1 322 503	-
Sistema Finance S.A., under common control	Dividends payable	-	545 887	-
MTS Belarus, an associate	Discounts provided on roaming services	-	161 543	675 000
PJSC MGTS, a subsidiary	Dividends payable	-	87 858	-
PrJSC VF Ukraine, a former subsidiary	Purchase of goods, works, services	-	-	56 153
JSC Sibintertelecom, a former subsidiary	Discounts provided on roaming services	-	-	5 677 412
JSC Sitronics Telecom Solutions, a former subsidiary	Purchase of goods, works, services	-	-	138 903
Other	Purchase of goods, works, services	1 839 510	1 841 310	709 000
Other	Other services	171 211	121 442	95 941
Total		9 496 039	42 443 816	12 131 646

Cash and cash equivalents

The Company has several bank accounts in MTS-Bank PJSC, a subsidiary of MTS PJSC. As at 31 December 2020, 2019 and 2018, the amount of cash placed in MTS-Bank PJSC as part of the line Cash and cash equivalents is RUB 2 735 938 thousand, RUB 1 955 087 thousand and RUB 13 558 000 thousand, respectively.

29.3. Cash flows with related parties

	(RUB thousand)	
	2020	2019
Cash flows from operating activities		
Proceeds from customers ¹	8 863 600	8 655 236
Other cash inflows	284 954	670 677
Payments for acquired goods, services, raw materials and other current assets	(24 369 030)	(17 231 379)
Interest paid	(6 006 193)	(8 844 620)
Other payments	(78)	(179)
Net cash outflow from operating activities	(21 226 747)	(16 750 265)
Cash flows from investing activities		
Dividends received	8 019 668	50 052 549
Proceeds from repayment of loans given to other entities	36 724 597	22 966 199
Proceeds from disposal of financial investments in the share capital of subsidiaries and associates	2 450 000	-
Proceeds from sales of securities and other financial instruments	-	26 732 149
Interest received	5 600 283	1 616 207
Purchase of financial investments in share capital of subsidiaries and associates and other financial investments	(27 653 333)	(37 138 269)
Purchase of property, plant and equipment (including investment property) and intangible assets	(19 007 254)	(15 282 807)
Cost to obtain contracts	(5 137 244)	(6 075 776)
Loans given to other entities	(22 836 879)	(28 337 288)
Net cash inflow/(outflow) from investing activities	(21 840 162)	14 532 964
Cash flows from financing activities		
Proceeds from sales of property, plant and equipment and other non-current assets	90 615	62 809
Proceeds from borrowings provided by other entities	76 722 277	65 810 481
Repayment of borrowings (excluding interest)	(102 448 413)	(56 900 796)
Dividends paid (including withholding income tax)	(30 530 589)	(17 008 290)
Lease obligation principal paid	(1 613 929)	(1 528 849)
Net cash outflow from financing activities	(57 780 039)	(9 564 645)

29.4. Right-of-use assets and lease obligations

Rights-of-use assets and lease obligations – The following table represents carrying value of right-of-use assets leased from related parties as of 31 December 2020, 2019 and 2018:

	(RUB thousand)		
	31 December		
Carrying value of right-of-use assets:	2020	2019	2018
PJSC MGTS, a subsidiary	13 417 703	12 544 416	14 073 000
JSC MGTS-Nedvizhimost, a subsidiary	269 715	316 333	431 000
JSC Business Nedvizhimost, under common control	221 599	267 827	135 752
Other related parties	488 460	817 691	373 248
Total carrying value of right-of-use assets	14 397 477	13 946 267	15 013 000

The following table presents summary of lease obligations which arose from lease arrangements with related parties as of 31 December 2020, 2019 and 2018:

	31 December		
	2020	2019	2018
Lease obligations:			(RUB thousand)
PJSC MGTS, a subsidiary	14 934 737	13 623 077	15 452 000
JSC MGTS-Nedvizhimost, a subsidiary	289 959	329 853	550 000
JSC Business Nedvizhimost, under common control	242 881	285 121	151 923
Other related parties	538 883	897 749	570 077
Total lease obligations	16 006 460	15 135 800	16 724 000

The amounts recognized in the statement of financial results in respect of lease contracts in which the company acts as a lessee amounted to:

	31 December	
	2020	2019
		(RUB thousand)
Interest expense accrued on lease obligations	1 303 778	1 420 976
Depreciation of the rights-of-use assets	2 086 868	1 688 952
Total amounts recognized in the statement of financial results	3 390 646	3 109 928

29.5. Joint operations

PJSC VimpelCom – On 22 October 2014, MTS PJSC and PJSC VimpelCom entered into an agreement on the provision of combined services related to planning, joint development and operation of LTE communication networks.

The term of validity of the agreement is seven years, during that period the operators will share base stations and sites exploitation, their infrastructure and transmission network. At the same time, the companies may be involved in the construction of the network on their own to develop LTE individual coverage.

Assets and liabilities recognized in the balance sheet

	31 December		
	2020	2019	2018
			(RUB thousand)
Property, plant and equipment (net book value)	4 974 581	4 385 064	2 027 880
Amounts due from / (to) customers under joint venture agreement	529 174	2 018 834	1 181 259

Result from operations recognized in the statement of financial results

	31 December	
	2020	2019
		(RUB thousand)
Depreciation	(1 189 509)	(899 572)
Compensated expenses	1 601 422	1 126 446
Property operating costs	(1 113 907)	(627 563)

29.6. Acquisitions of businesses under common control

Acquisition of MTS-Bank – In 2018 and 2019 MTS PJSC, through its subsidiary Mobile TeleSystems B.V., acquired ownership share in the MTS-Bank PJSC from AFK Sistema PJSC and Sistema Telecom Activy LLC (Note 7).

30. GUARANTEES ISSUED

Guarantees issued by the Company as at 31 December 2020 were as follows:

							(RUB thousand)
Debtor's name	Creditor's name	Date of issue	Date of expiry	Contractual currency	Contractual amount (in contractual currency)	Contractual amount (RUB thousand)	
MTS International Funding Ltd	Bondholders	30 May 2013	30 May 2023	US Dollar	502 153	37 096 888	
Dega Retail Holding Ltd	Deutsche Bank Aktiengesellschaft	25 November 2011	30 June 2021	US Dollar	125 000	9 234 462	
JSC Russian Telephone Company	LLC Samsung Electronics Rus Company	20 October 2016	Perpetual	RUB	7 000 000	7 000 000	
JSC Russian Telephone Company	Apple Rus LLLLC	23 October 2017	Perpetual	RUB	1 350 000	1 350 000	
JSC NVision Group	LLC Dell	16 April 2019	15 March 2022	US Dollar	1 000	73 876	
JSC NVision Group	EMC Computer Systems	16 April 2019	24 February 2021	US Dollar	1 000	73 876	
JSC NVision Group	MICROSOFT IRELAND OPERATIONS LIMITED	25 February 2020	25 February 2023	US Dollar	40 000	2 955 028	
JSC Russian Telephone Company	LLC "Vkusno 33"	01 December 2020	31 October 2021	RUB	3 520	3 520	
MTS-Bank PJSC	JSC Tinkoff Bank	18 February 2020	17 February 2025	RUB	499 000	499 000	
ES MTS-Turkmenistan	Nokia Siemens Networks Oy/ Nokia Siemens Networks GmbH&Co.KG	22 December 2012 года	Perpetual	US Dollar	1 010	74 648	
Total						58 361 298	

31. CONTINGENT LIABILITIES

Licenses – The Management believes that as of December 31, 2020 the Company complied with conditions of the licenses used.

Capital commitments – As of December 31, 2020, the Company had executed purchase agreements of approximately RUB 49 526 053 thousand to acquire property, plant and equipment, intangible assets and costs related thereto.

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

Antimonopoly proceedings – In August 2018, the Federal Antimonopoly Service of Russia ("FAS Russia") charged MTS PJSC and other federal operators with violation of antimonopoly laws in respect to establishing discriminatory terms and conditions for bulk SMS pricing for the banks with state-owned equity interest as compared to the terms and conditions for other banks and later – with establishing unreasonably high bulk SMS prices. In May 2019, FAS Russia considered that MTS PJSC 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 PJSC 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 PJSC filed a cassation appeal to the Arbitration Court of the Moscow District, which also upheld the position of FAS Russia. In December 2020, MTS PJSC cassation appeal was rejected by the Judicial Chamber of the Supreme Court. Management of the Company believes that as of December 31, 2020 it has adequately provided for charges imposed by FAS Russia and other related expenses.

Potential adverse effects of economic instability and sanctions in Russia – In 2014 political and economic sanctions targeting certain Russian economic sectors were introduced by the EU, US and other countries. Sanctions were subsequently extended and there is significant uncertainty regarding the extent and timing of further sanctions. Furthermore, the Russian Ruble has significantly depreciated against the U.S. Dollar and Euro and Ruble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17% in December, 2014. In 2018, due to Russia's ability to remain stable amid severe external shocks, Russia's sovereign credit ratings were increased from "stable" to "positive". The Central Bank of Russia has gradually decreased its key rate to 6.25% as of December 31, 2019 and further to 4.25% as of December 31, 2020.

These factors resulted in a lower cost of capital and a stable rate of inflation. However, in Russia there is an uneven growth dynamics, which could have a negative impact on the Company's business including ability to obtain financing on commercially reasonable terms. The management believes it is acting appropriately to support the sustainability of the Company's business in the current circumstances. The Company has a hedging policy in place, which partly mitigates the variability of cash outflows, denominated in foreign currencies.

In 2020 the government of Russia took actions and issued guidelines to protect public health during COVID-19 pandemic, which have affected Company's business and financial situation (as disclosed in Note 1.2 **Error! Reference source not found.**). It's currently impossible to reliably evaluate further implications of COVID-19 pandemic for the Company's business and financial situation.

Investigations into former operations in Uzbekistan – In March 2019, the Company 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 Company's former subsidiary in Uzbekistan.

The Company consented to the entry of an administrative cease-and-desist order (the "Order") by the SEC.

The United States District Court for the Southern District of New York approved a deferred prosecution agreement ("DPA") entered by the Group and a plea agreement entered into a subsidiary of the Company in Uzbekistan.

Under the agreements with the DOJ and SEC, the Company agreed to pay a total penalty of USD 850 million (RUR 59.1 billion as of December 31, 2018) to the United States, which was comprised of a criminal fine, criminal forfeiture and civil penalty. The Company provided a provision of USD 850 million (RUB 55.8 billion as of the date of accrual), which was recognized as a part of discontinued operations in the consolidated statements of profit or loss for the year ended December 31, 2018. In March 2019, the Company paid the total penalty of USD 850 million (RUR 55.6 billion as of the payment date).

Under the DPA and the Order, the Company agreed to appoint and in September 2019 appointed an independent compliance monitor. Pursuant to the DPA and the Order, the monitorship will continue for a period of three years starting from the appointment date, and the term of the monitorship may be terminated early or extended depending on certain circumstances, as ultimately determined and approved by the DOJ and SEC.

Class action complaint – In March 2019, a proposed class action complaint on behalf of Shayan Salim and all other persons similarly situated has been filed in the United States District Court for the Eastern District of New York against MTS PJSC and certain of its managers. On 1 March 2021, US District Judge of Eastern District Court of New York granted MTS PJSC's motion to dismiss with prejudice and dismissed the complaint in full.

Taxation – Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Although the Company's management believes that the accompanying financial statements reflect fairly the Company's tax liabilities, there is a risk that the interpretation of the legislation by the tax and customs authorities, as applied to the transactions and activities of the Company, may not coincide with that of the management. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years prior to the year of tax review. Under certain circumstances, reviews may cover longer periods.

Establishment of prices when selling goods and services between the companies of MTS PJSC is regulated by the transfer pricing rules.

Management believes that the allowances recorded in the financial statements are sufficient to cover tax liabilities. However, the risk remains that the relevant authorities could take a position that is different from the position of the management of MTS PJSC with regard to the issues subject to varying interpretations and the effect could be significant.

The Company has the following contingent liabilities on income tax and other taxes for which it determines the outflow of economic benefits as less than possible:

	(RUB thousand)		
	31 December		
	2020	2019	2018
Contingent liabilities on other taxes	231 198	47 222	354 156
Contingent income tax liabilities	96 483	77 377	917 000

32. SUBSEQUENT EVENTS

32.1. New Management Board

On 5 March 2021 the new Management Board was elected from 13 March 2021:

Nikolayev Vyacheslav Konstantinovich	President, Chairman of the Management Board
Galaktionova Inessa Vasilyevna	Member of the Management Board, Vice President, Telecommunication business
Gorbunov Aleksandr Evgenyevich	Member of the Management Board, Vice President, Strategy and Development
Ibragimov Ruslan Sultanovich	Member of the Management Board, Vice President, Government relations and PR
Kamenskiy Andrey Mikhaylovich	Member of the Management Board, Vice President, Finance
Mishin Igor Nikolaevich	Member of the Management Board, Vice President, Media
Barsegyan Alexey Vizskopbovich	Member of the Management Board, Vice President, Corporate and legal issues
Filatov Ilya Valentinovich	Member of the Management Board, Vice President, Financial services / Chairman of the Management Board of MTS-Bank PJSC
Halin Dmitry Alexandrovich	Member of the Management Board, Vice President, Cloud and Digital Solutions
Belyakov Sergey Sergeevich	Member of the Management Board, CEO of MTS retail (JSC RTC)
Khanin Alexander Alexandrovich	Member of the Management Board, Vice President, head of Artificial Intelligence Center
Khomchenko Dmitry Alexandrovich	Member of the Management Board, Vice President, Information Technology
Chernysheva Tatyana Sergeevna	Member of the Management Board, Vice President, Human Resources

32.1. Merger of subsidiaries

At the extraordinary shareholders meeting in February 2021 the decision about merging of the companies LLC STV, LLC Stream, LLC Oblachnyi Retail, LLC Oblachnyi Retail Plus, JSC RPA Progteh and LLC Multi-cable networks Balashiha with MTS PJSC was approved.

32.2. Change of President of PJSC MTS

On March 5, 2021, the Board of Directors of MTS PJSC has decided to terminate the powers of the President of MTS PJSC Kornya Alexey Valeryevich from March 12, 2021 and has appointed Nikolayev Vyacheslav Konstantinovich as President of MTS PJSC for a period of three years from March 13, 2021.

The Russian original signed by

President of Mobile TeleSystems PJSC
Chief Accountant of Mobile TeleSystems PJSC

V.K. Nikolaev
A.V. Dvoretiskikh

31 March 2021