

# **PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES**

## **Consolidated Financial Statements**

As of December 31, 2020, 2019 and  
for the Years Ended December 31, 2020,  
2019 and 2018

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019 (Amounts in millions of Russian Rubles)

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	21	284,804	265,479
Investment property		1,889	2,986
Right-of-use assets	26	130,503	138,817
Goodwill	22	38,041	38,675
Other intangible assets	24	90,103	79,729
Investments in associates and joint ventures	17	8,555	6,450
Other investments	18	9,488	11,195
Deferred tax assets	13	8,778	9,975
Accounts receivable, related parties	32	5,209	10,787
Trade accounts receivable	19	2,163	3,556
Bank deposits and loans to customers	31	63,992	53,472
Other financial assets	29	7,575	3,220
Other assets		5,749	4,981
<b>Total non-current assets</b>		<b>656,849</b>	<b>629,322</b>
CURRENT ASSETS:			
Inventories	20	15,204	15,515
Trade and other receivables	19	32,868	35,595
Accounts receivable, related parties	32	8,980	5,872
Bank deposits and loans to customers	31	52,676	39,370
Short-term investments	16	23,434	25,618
Advances paid and prepaid expenses		4,288	4,107
VAT receivable		8,877	9,350
Income tax assets		4,660	4,301
Assets held for sale		667	497
Cash and cash equivalents	15	85,405	38,070
Other financial assets	29	23,975	14,558
Other assets		1,320	1,735
<b>Total current assets</b>		<b>262,354</b>	<b>194,588</b>
<b>TOTAL ASSETS</b>		<b>919,203</b>	<b>823,910</b>

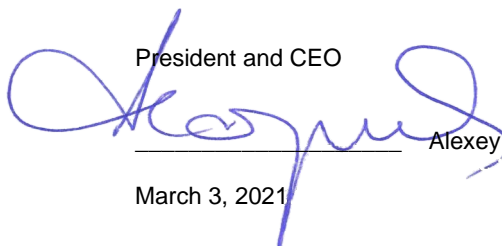
# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019 (CONTINUED) (Amounts in millions of Russian Rubles)

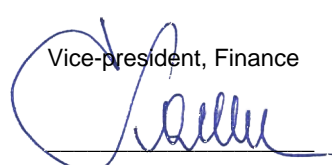
	Notes	December 31, 2020	December 31, 2019
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Common stock	33	200	200
Treasury stock	33	(74,990)	(59,748)
Additional paid-in capital		89	-
Retained earnings		94,391	85,249
Accumulated other comprehensive income	33	9,010	7,367
Equity attributable to owners of the Company		28,700	33,068
Non-controlling interests		3,990	3,326
<b>Total equity</b>		<b>32,690</b>	<b>36,394</b>
NON-CURRENT LIABILITIES:			
Borrowings	25	395,143	271,573
Lease obligations	26	134,637	140,080
Bank deposits and liabilities	31	1,883	1,805
Deferred tax liabilities	13	19,191	17,866
Provisions	28	5,128	4,761
Contract liabilities	7	717	589
Other financial liabilities	29	14	955
Other liabilities		1,186	1,430
<b>Total non-current liabilities</b>		<b>557,899</b>	<b>439,059</b>
CURRENT LIABILITIES:			
Trade and other payables		56,017	71,808
Accounts payable, related parties	32	3,146	558
Contract liabilities	7	21,125	20,718
Borrowings	25	34,125	71,746
Lease obligations	26	16,177	15,228
Bank deposits and liabilities	31	165,794	136,147
Income tax liabilities		753	784
Provisions	28	13,460	11,526
Other financial liabilities	29	1,109	1,424
Other liabilities		16,908	18,518
<b>Total current liabilities</b>		<b>328,614</b>	<b>348,457</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>919,203</b>	<b>823,910</b>

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

President and CEO

  
Alexey V. Kornya  
March 3, 2021

Vice-president, Finance

  
Andrey M. Kamensky

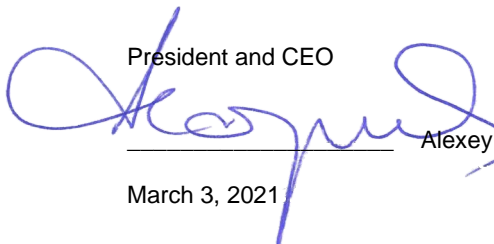
# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (Amounts in millions of Russian Rubles, except per share amounts)

	Notes	2020	2019	2018
Service revenue		425,448	406,478	382,387
Sales of goods		69,478	64,127	63,851
<b>Revenue</b>	6,7	<b>494,926</b>	<b>470,605</b>	<b>446,238</b>
Cost of services		121,943	114,057	104,143
Cost of goods	20	63,482	58,872	58,669
Selling, general and administrative expenses	8	87,983	89,933	82,482
Depreciation and amortization	6	100,234	96,195	95,316
Operating share of the profit of associates and joint ventures	17	(5,048)	(4,583)	(3,799)
Impairment of non-current assets	23	2,023	(148)	149
Impairment of financial assets		11,912	7,723	3,671
Other operating income		(496)	(7,021)	(4,637)
<b>Operating profit</b>	6	<b>112,893</b>	<b>115,577</b>	<b>110,244</b>
Finance income	9	(3,437)	(4,352)	(5,579)
Finance costs	9	42,084	47,366	36,985
Non-operating share of the profit of associates and joint ventures	17	(273)	(3,496)	909
Other non-operating (income)/expenses	10	(3,064)	7,821	(425)
<b>Profit before tax</b>		<b>77,583</b>	<b>68,238</b>	<b>78,354</b>
Income tax expense	13	16,126	15,667	15,345
<b>Profit for the year from continuing operations</b>		<b>61,457</b>	<b>52,571</b>	<b>63,009</b>
(Profit) / loss from discontinued operations	12, 35	(616)	(2,528)	55,177
<b>Profit for the year</b>		<b>62,073</b>	<b>55,099</b>	<b>7,832</b>
Profit for the year attributable to:				
Owners of the Company		61,412	54,241	6,848
Non-controlling interests		661	858	984
Earnings per share from continuing operations (basic and diluted), Russian Rubles:	14	34.53 and 34.51	29.04 and 28.99	33.11 and 33.07
Earnings per share from discontinued operations (basic and diluted), Russian Rubles:	14	0.35 and 0.35	1.42 and 1.42	(29.45) and (29.42)

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

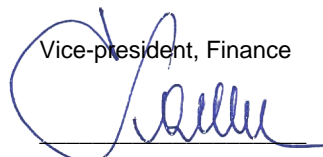
President and CEO



Alexey V. Kornya

March 3, 2021

Vice-president, Finance



Andrey M. Kamensky

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (Amounts in millions of Russian Rubles)

	2020	2019	2018
<b>Profit for the year</b>	<b>62,073</b>	<b>55,099</b>	<b>7,832</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Unrecognized actuarial gain	-	-	167
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Reclassification to profit and loss due to Disposal of VF Ukraine (Note 12)	-	7,947	-
Exchange differences on translating foreign operations	1,840	1,134	7,416
Net fair value (loss) / gain on financial instruments	-	(237)	(103)
Share of other comprehensive (loss) / income of associates			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations in associates	(196)	(413)	319
<b>Other comprehensive income for the year, net of income tax</b>	<b>1,644</b>	<b>8,431</b>	<b>7,799</b>
<b>Total comprehensive income for the year</b>	<b>63,717</b>	<b>63,530</b>	<b>15,631</b>
Total comprehensive income for the year attributable to:			
Owners of the Company	63,056	62,672	14,647
Non-controlling interests	661	858	984

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

President and CEO

Vice-president, Finance

Alexey V. Kornya

Andrey M. Kamensky

March 3, 2021

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (Amounts in millions of Russian Rubles, except share amounts)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated other comprehensive income / (loss)			Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total equity
	Shares	Amount	Shares	Amount		Financial instruments revaluation reserve	Foreign currency translation reserve	Remeasurements of the net defined benefit liability				
Balances at January 1, 2018	1,998,381,575	200	(86,339,156)	(22,644)	381	340	(9,697)	503	151,043	120,126	4,079	124,205
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	-	-	-	-	2,528	2,528	17	2,545
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	-	-	-	1,367	1,367	-	1,367
Adjusted balance at January 1, 2018	-	-	-	-	-	-	-	-	154,938	124,021	4,096	128,117
Profit for the year	-	-	-	-	-	-	-	-	6,848	6,848	984	7,832
Unrecognized actuarial gain	-	-	-	-	-	-	-	167	-	167	-	167
Currency translation adjustment	-	-	-	-	-	-	7,726	-	-	7,726	9	7,735
Net fair value (loss) / gain on financial instruments	-	-	-	-	-	(103)	-	-	-	(103)	-	(103)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(103)	7,726	167	6,848	14,638	993	15,631
Issuance of stock options	-	-	-	-	675	-	-	-	-	675	-	675
Exercise of stock options	-	-	1,369,303	403	(403)	-	-	-	-	-	-	-
Dividends declared by MTS	-	-	-	-	-	-	-	-	(48,921)	(48,921)	-	(48,921)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,165)	(1,165)
Purchase of own stock (Note 33)	-	-	(82,669,046)	(22,567)	(4)	-	-	-	-	(22,571)	-	(22,571)
Purchase of non-controlling interests	-	-	-	-	(97)	-	-	-	-	(97)	47	(50)
Acquisitions under common control	-	-	-	-	(2,471)	-	-	-	-	(2,471)	8,320	5,849
Reclass to retained earnings	-	-	-	-	1,919	-	-	-	(1,919)	-	-	-
Balances at December 31, 2018	1,998,381,575	200	(167,638,899)	(44,808)	-	237	(1,971)	670	110,946	65,274	12,291	77,565
Profit for the year	-	-	-	-	-	-	-	-	54,241	54,241	858	55,099
Disposal of VF Ukraine (Note 12)	-	-	-	-	-	-	7,947	-	-	7,947	-	7,947
Currency translation adjustment	-	-	-	-	-	-	721	-	-	721	-	721
Net fair value (loss) / gain on financial instruments	-	-	-	-	-	(237)	-	-	-	(237)	-	(237)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(237)	8,668	-	54,241	62,672	858	63,530
Issuance of stock options	-	-	-	-	872	-	-	-	-	872	-	872
Exercise of stock options	-	-	3,610,561	982	(1,060)	-	-	-	-	(78)	-	(78)
Dividends declared by MTS	-	-	-	-	-	-	-	-	(74,302)	(74,302)	-	(74,302)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,123)	(1,123)
Purchase of own stock (Note 33)	-	-	(61,519,084)	(15,922)	-	-	-	-	-	(15,922)	-	(15,922)
Purchase of non-controlling interests	-	-	-	-	(4,162)	-	-	-	-	(4,162)	(8,700)	(12,862)
Acquisitions under common control (Note 5)	-	-	-	-	(1,286)	-	-	-	-	(1,286)	-	(1,286)
Reclass to retained earnings	-	-	-	-	5,636	-	-	-	(5,636)	-	-	-
Balances at December 31, 2019	1,998,381,575	200	(225,547,422)	(59,748)	-	-	6,697	670	85,249	33,068	3,326	36,394

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (CONTINUED) (Amounts in millions of Russian Rubles, except share amounts)

					Additional paid-in capital	Accumulated other comprehensive income / (loss)			Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total equity
	Common stock		Treasury stock			Financial instruments revaluation reserve	Foreign currency translation reserve	Remeasurements of the net defined benefit liability				
	Shares	Amount	Shares	Amount								
Balances at December 31, 2019	1,998,381,575	200	(225,547,422)	(59,748)	-	-	6,697	670	85,249	33,068	3,326	36,394
Profit for the year	-	-	-	-	-	-	-	-	61,412	61,412	661	62,073
Disposal of VF Ukraine (Note 12)	-	-	-	-	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	1,644	-	-	1,644	-	1,644
Net fair value (loss) / gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	1,644	-	61,413	63,056	661	63,717
Issuance of stock options	-	-	-	-	560	-	-	-	-	560	-	560
Exercise of stock options	-	-	2,865,735	768	(767)	-	-	-	-	-	-	-
Dividends declared by MTS	-	-	-	-	-	-	-	-	(52,012)	(52,012)	-	(52,012)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	52	52
Purchase of own stock (Note 33)	-	-	(48,797,719)	(16,010)	-	-	-	-	-	(16,010)	-	(16,010)
Reclass to retained earnings and other	-	-	-	-	296	-	-	-	(258)	38	(49)	(11)
Balances at December 31, 2020	1,998,381,575	200	(271,479,406)	(74,990)	89	-	8,341	670	94,391	28,700	3,990	32,690

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



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (Amounts in millions of Russian Rubles)

	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit for the year	62,073	55,099	7,832
<b>Adjustments for:</b>			
Depreciation and amortization	100,205	106,948	104,588
Impairment of non-current assets	2,023	(148)	149
Impairment of financial assets	11,936	7,761	3,694
(Gain)/Loss from sale of Ukraine operations (Note 12)	(2,101)	5,499	-
Provision related to SEC investigation (Note 35)	-	-	55,752
Finance income	(3,439)	(4,805)	(5,981)
Finance costs	42,085	48,711	38,165
Income tax expense	17,191	17,671	16,969
Share of profit of associates and joint ventures	(5,321)	(8,079)	(2,890)
Net foreign exchange (gain) / loss and change in fair value of financial instruments	(4,330)	1,784	1,508
Inventory obsolescence expense	891	2,207	3,326
Change in provisions	1,492	305	(1,474)
Other non-cash items	(4,393)	(6,882)	(3,479)
<b>Movements in operating assets and liabilities:</b>			
(Increase)/Decrease in trade and other receivables and contract assets	1,904	(3,808)	438
Increase in bank deposits and loans to customers	(33,570)	(34,452)	(15,367)
(Increase) / decrease in inventory	(630)	3	(11,292)
(Increase) / decrease in advances paid and prepaid expenses	(6,507)	3,478	1,429
Decrease / (Increase) in VAT receivable	482	(2,522)	72
(Decrease)/Increase in trade and other payables, contract liabilities and other current liabilities	(1,104)	6,825	(58)
Increase in bank deposits and liabilities	27,172	27,823	4,100
Fines and penalties related to investigation into former operations in Uzbekistan (Note 35)	-	(55,607)	-
Dividends received	3,676	3,707	3,726
Income tax paid	(15,193)	(23,943)	(19,777)
Interest received	2,727	5,263	10,016
Interest paid, net of interest capitalized	(41,762)	(46,186)	(37,056)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>155,507</b>	<b>106,652</b>	<b>154,390</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of subsidiaries, net of cash acquired (Note 5)	(262)	(2,052)	(3,444)
Purchases of property, plant and equipment (including capitalized interest in the amount of RUB 426 million, RUB 550 million and RUB 460 million, respectively)	(66,256)	(68,465)	(64,731)
Purchases of other intangible assets	(31,153)	(23,016)	(21,751)
Purchase of Avantage	(429)	-	(7,559)
Purchase of 3G and 4G licenses in Armenia and Ukraine	-	(255)	(5,527)
Cost to obtain and fulfill contracts, paid	(5,442)	(4,651)	(4,764)
Proceeds from sale of property, plant and equipment and assets held for sale	6,678	6,536	5,905
Purchases of short-term and other investments	(10,054)	(22,714)	(18,754)
Proceeds from sale of short-term and other investments	16,012	47,139	38,596
Investments in associates and joint ventures (Note 17)	(1,460)	(75)	(3,871)
Cash (payments) and proceeds related to swap contracts	5,322	(2,459)	6,892
Proceeds from sale of subsidiaries, net of cash disposed (Note 12)	3,461	37,386	619
Proceeds from sale/liquidation of associates (Note 17)	2,450	3,067	-
Other investing activities	-	5	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(81,133)</b>	<b>(29,554)</b>	<b>(78,389)</b>

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (CONTINUED) (Amounts in millions of Russian Rubles)

	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of notes	(28,167)	(189)	(27,983)
Proceeds from issuance of notes	46,757	72,500	27,550
Notes and debt issuance cost paid	(107)	(111)	(39)
Lease obligation principal paid	(15,054)	(15,154)	(13,577)
Dividends paid	(74,923)	(52,505)	(50,054)
Acquisition of entities under common control, net of cash acquired	-	(15,312)	(13,242)
Proceeds from loans	194,645	62,415	95,000
Repayment of loans	(134,483)	(156,511)	(20,076)
Payments under credit guarantee agreement related to foreign-currency hedge (Note 30)	-	-	(981)
Repurchase of common stock	(16,028)	(15,922)	(22,655)
Other financing activities	-	341	133
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(27,360)</b>	<b>(120,448)</b>	<b>(25,924)</b>
Effect of exchange rate changes on cash and cash equivalents	385	(2,655)	3,412
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>47,399</b>	<b>(46,005)</b>	<b>53,489</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>38,070</b>	<b>84,075</b>	<b>30,586</b>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>85,469</b>	<b>38,070</b>	<b>84,075</b>
Less cash and cash equivalents within held for sale	(64)	-	-
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>85,405</b>	<b>38,070</b>	<b>84,075</b>

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

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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### 1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

Mobile TeleSystems Public Joint-Stock Company (“MTS PJSC”, or “the Company”) is a company incorporated under the laws of the Russian Federation and having its registered address at 4, Marksistskaya Street, 109147, Moscow, Russian Federation.

The consolidated financial statements of the Company and its subsidiaries (“the Group” or “MTS”) as of December 31, 2020 and 2019, and for the years ended 31 December 2020, 2019 and 2018 were authorized for issue by the President of the Company on March 3, 2021.

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

MTS completed its initial public offering in 2000 and listed its shares of common stock, represented by American Depositary Shares, or ADSs, on the New York Stock Exchange under the symbol “MBT”. Since 2003 common shares of MTS PJSC have been traded on the Public Joint-Stock Company “Moscow Exchange MICEX-RTS” (the “Moscow Exchange”).

The Group provides a wide range of telecommunications and digital services including voice and data transmission, internet access, pay TV, various value added services (“VAS”) through wireless and fixed lines, financial services, integration services as well as the sale of equipment, accessories and software. In June 2018 the Group entered the market of banking services through acquisition of controlling stake in PJSC MTS Bank. Upon disposal of its operations in Ukraine in December 2019 (Note 12), the Group primarily operates in Russia.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

**Basis of consolidation** – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in the consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group balances, income, expenses and cash flows are eliminated on consolidation.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	Accounting method	December 31, 2020	December 31, 2019
RTC	Consolidated	100.0%	100.0%
MTS Turkmenistan (Note 11)	Consolidated	100.0%	100.0%
MTS Armenia	Consolidated	100.0%	100.0%
MTS IT	Consolidated	100.0%	100.0%
Nvision Czech Republic	Consolidated	100.0%	100.0%
Sputnikovoe TV	Consolidated	100.0%	100.0%
Stream	Consolidated	100.0%	100.0%
Dega	Consolidated	100.0%	100.0%
Stream Digital	Consolidated	100.0%	100.0%
MTS Energo	Consolidated	100.0%	100.0%
MDTZK LLC (Ticketland) (Note 5)	Consolidated	100.0%	100.0%
IT Grad (Note 5)	Consolidated	100.0%	100.0%
Kinopolis (Note 5)	Consolidated	100.0%	100.0%
MTS Media	Consolidated	100.0%	100.0%
MTS Artificial Intelligence	Consolidated	100.0%	100.0%
Stopol (Note 5)	Consolidated	100.0%	-
Sibintertelecom <sup>1)</sup>	Consolidated	-	100.0%
RIKT <sup>1)</sup>	Consolidated	-	100.0%
Nvision Group <sup>2)</sup> (Note 12)	Consolidated	-	100.0%
Kulturnaya Sluzhba (Ponominalu) (Note 5)	Consolidated	100.0%	89.1%
MTS Bank (Note 5)	Consolidated	99.9%	99.9%
MGTS Group	Consolidated	94.7%	94.7%
Navigation Information Systems Group	Consolidated	94.7%	94.7%
Oblachny Retail LLC	Consolidated	50.8%	50.8%
MTS International Funding Limited <sup>3)</sup> ("MTS International")	Consolidated	SE	SE
"Zelenaya Tochka" Group (Note 5)	Equity	51.0%	-
MTS Belarus (Note 17)	Equity	49.0%	49.0%
Sistema Capital	Equity	30.0%	30.0%
Zifrovoe TV	Equity	20.0%	20.0%
YouDo Web Technologies (Note 17)	Equity	15.5%	15.5%
SWIPGLOBAL	Equity	15.0%	15.0%

<sup>1)</sup> Merged with PJSC MTS in 2020.

<sup>2)</sup> Disposed on October 30, 2020.

<sup>3)</sup> A company organized and existing as a private limited company under the laws of Ireland. The Group does not have any equity in MTS International. It was established for the purpose of raising capital through the issuance of debt securities on the Irish Stock Exchange followed by transferring the proceeds through a loan facility to the Group. In 2010 and 2013, MTS International issued USD 750 million 8.625% notes due in 2020 (fully repaid in June 2020) and USD 500 million 5.0% notes due in 2023, respectively (Note 25). The notes are guaranteed by MTS PJSC in the event of default. MTS International does not perform any other activities except those required for notes servicing. The Group bears all costs incurred by MTS International in connection with the notes' maintenance activities. Accordingly, the Group concluded that it exercises control over the entity.

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Amounts in millions of Russian Rubles unless otherwise stated)*

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

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

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

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

Group's statement of cash flows include both cash flows from continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are presented in Note 12.

**Functional currency translation methodology** – As of December 31, 2020, the functional currencies of Group entities were as follows:

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

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

For entities whose records are maintained in their functional currency, which is other than the reporting currency, all year-end assets and liabilities have been translated into U.S. Dollars ("USD") at the period-end exchange rate set by local central banks. Subsequently, U.S. Dollars balances have been translated into Russian Rubles at the period-end exchange rate set by the Central Bank of Russia. Revenues and expenses have been translated at the average exchange rate for the period using the cross-currency exchange rate via the U.S. Dollar as described above. Translation differences resulting from the use of these rates are reported as a component of other comprehensive income.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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### Standards, interpretations and amendments adopted in the financial year 2020

Amendments to Conceptual Framework	<i>Conceptual Framework in IFRS standards</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform and its Effects on Financial Reporting</i>
Amendment to IFRS 16	<i>COVID-19 Related Rent Concessions</i>

None of these interpretations and amendments had material effect on the Group's consolidated financial statements.

### Standards, interpretations and amendments in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS9, IAS39, IFRS7, IFRS 4 and IFRS16	<i>Interest Rate Benchmark Reform (Phase 2) <sup>1)</sup></i>
Amendments to IAS 37	<i>Onerous contracts – Cost of fulfilling a contract <sup>2)</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2)</sup></i>
Amendments to IFRS 3	<i>Reference to Conceptual Framework <sup>2)</sup></i>
Amendments to IFRS	<i>Annual Improvements to IFRSs (2018-2020 Cycle)<sup>2)</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current <sup>3)</sup></i>
IFRS 17 and amendments to IFRS17	<i>Insurance Contracts <sup>3)</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

(1) Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

(2) Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

(3) Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

(4) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

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

### 3. IMPACTS OF COVID-19

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

- A drop in international roaming revenue;
- A drop in revenue from event-ticketing;
- An increase in impairment loss of financial assets (bank deposits and loans to customers);
- Impairment of goodwill related to event-ticketing companies;
- Gain realized on termination of lease contracts as well as rent holidays in relation of the Group retail outlets;
- Increased costs for putting in place additional sanitation measures in offices and stores;
- A reduction of sales and marketing expenses (mainly payroll of retail employees), travelling, trainings as well as administrative office maintenance costs.

On June 30, 2020 the Group concluded a subsidized credit facility with VTB. The facility is a revolving credit line, which allows the Group to borrow up to RUB 1,702 million. The principal and interest accumulated under this credit facility could be partially or fully forgiven if the Group fulfills certain conditions (primarily to maintain fixed employment rate in retail business) as part of government support related to COVID-19.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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

The main effects of COVID-19 in respect of estimates required to prepare these consolidated financial statements concerned:

### *Impairment of financial assets:*

As a result of a higher expected credit risk due to COVID-19, the Group increased the allowance for expected credit losses (ECL) for bank deposits and loans to customers. Please refer to Note 23 for more details on the relating estimates and assumptions.

In respect of trade and other receivables, the Group experienced very minor payment defaults as a consequence of COVID-19 in the financial year 2020. However, there is still great uncertainty surrounding the economic environment, so the Group will continue to monitor the risk of non-recovery of trade and other receivables on an ongoing basis.

### *Impairment review:*

For the financial year ended December 31, 2020, the Group recognized impairment of goodwill related to event ticketing companies in the total amount of RUB 1,281 million. Key assumptions for impairment review are detailed in Note 23.

As of December 31, 2020 the main specific excess costs related to COVID-19 were as follows:

- Costs for putting in place sanitation measures in offices and stores (RUB 520 million)

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 Group operates, which in turn could impact consumer and business spending patterns and Group's operating results.

## **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

### **1. Depreciation and amortization of non-current assets**

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and management views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining licence period and the expected developments in technology and markets.

# **PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

***(Amounts in millions of Russian Rubles unless otherwise stated)***

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The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives.

The Group continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Notes 21 and 24 for further information.

### **2. Impairment of non-current assets**

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

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

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

See Note 23 for further information.

### **3. Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 29 for further information.

### **4. Provisions and contingencies**

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licences, tax positions and investments, where the outcomes are subject to significant uncertainty. In addition, significant uncertainty exists in relation to employee bonuses and other rewards, which depend on their individual performance and Group's results. The management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss or related expense. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable. See Notes 28 and Note 35 for further information.

### **5. Right-of-use assets and lease liabilities**

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease term corresponds to the non-cancellable period of each contract except in cases where the Group is reasonably certain of exercising renewal options. When assessing the lease term the management considers all facts and circumstances that create the economic incentive for the Group to exercise the option to extend the lease, such as the useful life of the asset located on the leased site,



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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statistics on sites replacement, sequence of technology change, profitability of the Group's retail stores as well as costs to terminate or enter into lease contracts. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's debt instruments in relation to zero-coupon yield curve for government securities.

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

See Note 26 for further information.

#### 6. Impairment of financial assets

The Group uses management's judgement to estimate allowance for expected credit losses (ECL) for financial assets at amortized costs. ECL are measured in a way that reflects the unbiased and probability-weighted amount, the time-value of money and reasonable and supportable information at the reporting date pertaining to past events, current conditions and forecasts of future economic conditions.

ECL are measured as probability-weighted present value of all cash shortfalls over the expected life of each financial asset. For receivables from financial services, ECL are mainly calculated using a statistical model based on three major risk parameters: probability of default, loss given default and exposure at default.

The estimation of these risk parameters incorporates all available relevant information, not only historical and current loss data, but also reasonable and supportable forward-looking information reflected by the future expectation factors. This information includes macroeconomic factors (unemployment rate, inflation rate) and forecasts of future economic conditions.

Significant changes in risk parameters could affect the estimated amount of ECL.

See Notes 19 and 31 for further information.

#### 5. BUSINESS ACQUISITIONS

Unless stated otherwise, all business combinations disclosed were accounted for by applying the acquisition method. Goodwill recognized as a result of the acquisitions is not expected to be deductible for income tax purposes.

##### Acquisitions in 2020

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

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

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

<sup>(1)</sup> The goodwill is attributable to the expected synergies resulted from the acquisition and allocated to the «Stopol» operating segment within «Other» category in reportable segments.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

### Acquisitions in 2019

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

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

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

<sup>(1)</sup> The goodwill is attributable to the expected synergies resulted from the acquisition and allocated to the “Russia Convergent” operating segment.

<sup>(2)</sup> Amortized over the average term of 12 years.

### Acquisitions under common control, accounted for directly in equity

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

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

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

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

#### Acquisitions in 2018

**Acquisition of Kulturnaya Sluzhba** – In January 2018, the Group acquired a 78.2% ownership interest in Kulturnaya Sluzhba LLC (“KS”), operating under the trademark Ponominalu.ru. The purchase price comprised a cash payment, a deferred payment, and a contingent consideration to be paid to the sellers if agreed upon financial targets are met by KS. The Group also entered into an option agreement with the non-controlling shareholders of the KS. Pursuant to the agreement, the Group has the right and obligation in the form of a call and put option, with the put option exercisable at the request of non-controlling shareholders, to acquire their shares at a price calculated based on the operating and financial results of KS. The option was exercised in 2020 for RUB 20 million.

**Acquisition of MDTZK** – In February 2018, the Group acquired a 100% ownership interest in Moskovskaya Direktciya Teatralno-Kontcertnyh i Sportivno-Zrelishchnyh Kass LLC (“MDTZK”), operating under the trademark Ticketland.ru. The purchase price comprised of both cash payment and deferred payment.

These acquisitions allow the Group to enter the event ticketing market, whilst also broadening the Group’s suite of digital services.

**Acquisition of ProgTech** – In August 2018, the Group acquired a 99% ownership interest in science and production association Progressivniye Technologii CJSC (“ProgTech”), a provider of fixed-line services in the cities of Zhukovskiy and Anapa. The acquisition of ProgTech allows the Group to strengthen its position in these local markets and benefit from the expected synergies. The purchase price comprised of cash payment and deferred payment.

**Acquisition of IT-Grad** – In December 2018, the Group acquired a 100% ownership interest in IT-Grad 1 Cloud LLC (“IT-Grad”), one of the largest cloud services providers on the Russian IaaS market. The acquisition allows the Group to strengthen its presence in the Russian cloud services market. The purchase price comprised of cash payment of RUB 1,515 million and a contingent consideration based on fulfillment of certain conditions, including the transfer of rights on tangible and intangible assets.

The fair values of the identifiable assets and liabilities of acquired companies as at the dates of acquisitions were the following:

	KS	MDTZK	ProgTech
<b>Goodwill</b>	<b>479</b> <sup>(1)</sup>	<b>2,033</b> <sup>(2)</sup>	<b>213</b> <sup>(3)</sup>
Customer base	37 <sup>(4)</sup>	727 <sup>(4)</sup>	123 <sup>(5)</sup>
Trademark	129 <sup>(4)</sup>	779 <sup>(4)</sup>	-
Other non-current assets	43	145	172
Current assets	117	202	15
Cash and cash equivalents	39	542	28
Current liabilities	(383)	(868)	(80)
Liability under put option agreement over non-controlling interests	(106)	-	-
Non-current liabilities	(34)	(370)	(76)
<b>Total consideration</b>	<b>321</b>	<b>3,190</b>	<b>395</b>
<b>Including:</b>			
Fair value of contingent consideration	54	-	3
Cash paid	267	3,190	392

<sup>(1)</sup> The goodwill is attributable to the market significance of the acquiree in the Russian event ticketing industry and expected synergies resulted from the acquisition and allocated to the “Ponominalu” operating segment.

<sup>(2)</sup> The goodwill is attributable to the market significance of the acquiree in the Russian event ticketing industry and expected synergies resulted from the acquisition and allocated to the “Ticketland” operating segment.

<sup>(3)</sup> The goodwill is attributable to the expected synergies resulted from the acquisition and allocated to the “Moscow fixed line” operating segment.

<sup>(4)</sup> Amortized over the term of 10 years.

<sup>(5)</sup> Amortized over the term of 15 years.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

The purchase price allocation of IT-Grad was not finalized as of the date the 2018 financial statements were authorised for issue as the Group had not completed the valuation of the individual assets of the company acquired. The Group's consolidated financial statements as of December 31, 2018 reflected the allocation of the purchase price based on a preliminary fair value assessment of the assets acquired and liabilities assumed. In 2019 the Group finalized the valuation of assets of IT-Grad and the acquisition date fair value of the assets changed since the preliminary calculations. The following table summarizes the purchase price allocation for IT-Grad as of December 31, 2019:

	Preliminary amounts	Measurement period adjustments	Final amounts
<b>Goodwill</b>	<b>1,877 <sup>(1)</sup></b>	-	<b>1,877 <sup>(1)</sup></b>
Customer base	643	(192)	451 <sup>(2)</sup>
Trademark	-	41	41
Other non-current assets	32	128	160
Current assets	44	-	44
Cash and cash equivalents	13	-	13
Current liabilities	(59)	(47)	(106)
Non-current liabilities	(128)	4	(124)
<b>Total consideration</b>	<b>2,422</b>	<b>(66)</b>	<b>2,356</b>
<b>Including:</b>			
Fair value of contingent consideration	907	(66)	841
Cash paid	1,515	-	1,515

<sup>(1)</sup> The goodwill is attributable to the market position obtained and expected synergies resulted from the acquisition and allocated to the "Russia Convergent" operating segment and reallocated to «Cloud» operating segment in 2020.

<sup>(2)</sup> Amortized over the term of 7 years.

#### **Acquisitions under common control, accounted for directly in equity**

**Acquisition of Dekart** – In October 2018, the Group acquired Dekart property complex from Sistema for a total consideration of RUB 5,242 million. The property complex comprises office facilities leased by the Group, subsidiaries of Sistema and other counterparties, parking premises and engineering networks and operates under management agreement with Business-Nedvizhimost, a subsidiary of Sistema. The acquisition enables the Group to optimize its rental expenses and enhance its investment property portfolio.

**Acquisition of MTS Bank** – In July 2018, the Group increased ownership share in the Group associate MTS Bank from 26.6% to 55.4% and obtained control over the entity. Consideration paid to Sistema for additional share in MTS Bank amounted to RUB 8,273 million.

In 2019 the Group increased its share in MTS Bank to 99.9% as of December 31, 2019 through participation in additional share issuance and purchase from Sistema. Consideration paid to Sistema for additional share in MTS Bank amounted to RUB 12,855 million.

**Acquisition of Serebryaniy Bor** – In December 2018, the Group acquired Serebryaniy Bor property complex from Sistema for a total consideration of RUB 1,711 million. The property complex comprises land, nonresidential buildings leased by the Group and other counterparties, and engineering networks.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

The details of acquisitions of subsidiaries under common control in 2018 are as follows:

Acquired company	Consideration paid net of cash acquired*	Cash acquired	Assets acquired other than cash	Liabilities assumed
Dekart	4,658	-	3,406	125
Serebryaniy Bor	1,711	-	383	-
MTS Bank	6,873	1,401*	126,180	128,165
<b>Total effect of acquisitions under common control</b>	<b>13,242</b>	<b>1,401</b>	<b>129,969</b>	<b>128,290</b>

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

According to the terms of the purchase agreements, deferred payments and contingent consideration payable by the Group could be reduced by the amount of any losses incurred by the Group in respect of any tax or other claims relating to the pre-acquisition period. In case the amount of the losses incurred exceeds the amount of deferred payment, the seller has indemnified the Group for the amounts in excess. The following table summarizes the movement in deferred payment and contingent consideration liabilities and related indemnification assets for the years ended December 31, 2020, 2019 and 2018:

Indemnification asset/ (Liability on deferred payment/ contingent consideration)	KS deferred payment	KS contingent considera- tion	MDTZK deferred payment	ProgTech deferred payment	IT-Grad contingent considera- tion	Stopol contingent considera- tion
<b>January 1, 2018</b>	-	-	-	-	-	-
Initial recognition of deferred payment/contingent consideration	(78)	(54)	(60)	(32)	(907)	-
Less: Provision for tax liabilities related to pre-acquisition period	134	-	125	29	-	-
Revaluation	-	-	-	-	-	-
Payment	-	54	-	-	-	-
<b>December 31, 2018</b>	<b>56</b>	<b>-</b>	<b>65</b>	<b>(3)</b>	<b>(907)</b>	<b>-</b>
Measurement period adjustment	-	-	-	-	66	-
Reversal of indemnity	(134)	-	(125)	-	-	-
Revaluation	(13)	-	(9)	-	(66)	-
Payment	91	-	69	3	-	-
<b>December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(907)</b>	<b>-</b>
Initial recognition of deferred payment/contingent consideration	-	-	-	-	-	(40)
Less: Provision for tax liabilities related to pre-acquisition period	-	-	-	-	-	26
Reversal of tax provision	-	-	-	-	-	(10)
<b>December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(907)</b>	<b>(24)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Pro forma results of operations** – The following pro forma financial data for the years ended December 31, 2020, 2019 and 2018 give effect to the business combinations as they had been completed at the beginning of the year.

		2019	2018
	2020	RIKT, Kinopolis, Narodnoje	MTS Bank, MDTZK, Kulturnaya Sluzhba, Progtech, Dekart, IT Grad, Serebryaniy Bor
Pro forma:	STOPOL		
Net revenues	495,273	476,257	463,110
Net income	62,079	55,101	8,194

The pro forma information is based on various assumptions and estimates. The pro forma information is neither necessarily indicative of the operating results that would have occurred if the Group acquisitions had been consummated as of January 1, 2018, 2019, or 2020, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of these companies are included into the consolidated financial statements of the Group only from the respective dates of acquisition and are presented as follows:

		2019	2018
	2020	RIKT, Kinopolis, Narodnoje	MTS Bank, MDTZK, Kulturnaya Sluzhba, Progtech, Dekart, IT Grad, Serebryaniy Bor
	STOPOL		
Net revenues	355	238	13,261
Net income/(loss)	25	(15)	615

## 6. SEGMENT INFORMATION

Management (chief operating decision maker) analyzes and reviews results of the Group's operating segments separately based on the nature of products and services, regulatory environments and geographic areas. Management of the Group evaluates the segments' performance of each segment based on revenue and operating profit, excluding depreciation and amortization measured on the basis consistent with IFRS consolidated financial statements. Management does not analyze assets or liabilities by reportable segments.

The Group identified the following reportable segments:

**Russia Convergent:** represents the results of mobile and fixed line operations, which encompasses services rendered to customers across the regions of Russia, including voice and data services, transmission, broadband, pay-TV and various value-added services and retail operations.

**Moscow Fixed Line:** represents the results of fixed line operations carried out in Moscow by the Group's subsidiary MGTS. MGTS is the only licensed public switched telephone network ("PSTN") operator in Moscow and is considered a natural monopoly under Russian antimonopoly regulations. Consequently, a substantial part of the services provided by MGTS are subject to governmental regulation.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Ukraine:** was ceased to be presented as a separate operating segment due to its disposal in December 2019 (Note 12). Presentation of segments' operating results was retrospectively corrected for the year ended December 31, 2018.

**MTS Bank:** represents the results of banking services rendered to customers across regions of Russia.

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

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

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

All figures in the tables below for 2019 and 2018 have been retrospectively restated to reflect all of three facts above.

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

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

Financial information by reportable segments is presented below:

#### Year ended December 31, 2020:

	<b>Russia Convergent</b>	<b>Moscow Fixed Line</b>	<b>MTS Bank</b>	<b>Total</b>	<b>Other</b>	<b>HQ and elimination</b>	<b>Consolidated</b>
<b>Revenue</b>							
External customers	409,078	34,437	33,652	477,167	17,667	92	494,926
Intersegment	10,073	5,993	2,449	18,515	7,254	(25,769)	-
<b>Total revenue</b>	<b>419,151</b>	<b>40,430</b>	<b>36,101</b>	<b>495,682</b>	<b>24,921</b>	<b>(25,677)</b>	<b>494,926</b>
Operating profit/(loss)	101,515	14,056	2,224	117,795	270	(5,172)	112,893
Depreciation and amortization	(88,072)	(9,315)	(1 248)	(98,635)	(3,957)	2,358	(100,234)
<b>Other disclosure:</b>							
Capital expenditures	99,428	8,350	2,407	110,185	3,795	-	113,980

#### Year ended December 31, 2019:

	<b>Russia Convergent</b>	<b>Moscow Fixed Line</b>	<b>MTS Bank</b>	<b>Total</b>	<b>Other</b>	<b>HQ and elimination</b>	<b>Consolidated</b>
<b>Revenue</b>							
External customers	390,066	34,598	29,304	453,968	16,543	94	470,605
Intersegment	9,295	4,253	1,881	15,429	7,645	(23,074)	-
<b>Total revenue</b>	<b>399,361</b>	<b>38,851</b>	<b>31,185</b>	<b>469,397</b>	<b>24,188</b>	<b>(22,980)</b>	<b>470,605</b>
Operating profit/(loss)	95,290	17,244	3,473	116,007	11,064	(11,494)	115,577
Depreciation and amortization	(83,980)	(9,506)	(1,082)	(94,568)	(3,855)	2,228	(96,195)
<b>Other disclosure:</b>							
Capital expenditures	75,569	9,100	2,414	87,083	3,928	-	91,011

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

Year ended December 31, 2018:

	Russia Convergent	Moscow Fixed Line	MTS Bank	Total	Other	HQ and elimination	Consolidated
<b>Revenue</b>							
External customers	385,818	34,348	11,534	431,700	14,416	122	446,238
Intersegment	6,258	4,498	538	11,294	6,409	(17,703)	-
<b>Total revenue</b>	<b>392,076</b>	<b>38,846</b>	<b>12,072</b>	<b>442,994</b>	<b>20,825</b>	<b>(17,581)</b>	<b>446,238</b>
Operating profit/(loss)	98,432	12,695	1,512	112,639	8,206	(10,601)	110,244
Depreciation and amortization	(82,456)	(10,867)	(547)	(93,870)	(3,551)	2,105	(95,316)
<b>Other disclosure:</b>							
Capital expenditures	67,523	6,306	683	74,512	13,936	-	88,448

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

Financial information by geographic area is presented below:

Revenue	2020	2019	2018
Russia	481,536	459,415	435,671
Other	13,390	11,190	10,567
<b>Total revenue</b>	<b>494,926</b>	<b>470,605</b>	<b>446,238</b>

	December 31,	
Non-current assets <sup>(1)</sup>	2020	2019
Russia	401,743	373,803
Other	11,205	10,080
<b>Total non-current assets:</b>	<b>412,948</b>	<b>383,883</b>

<sup>(1)</sup> Comprises property, plant and equipment, goodwill and other intangible assets.

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

### Disaggregation of revenue:

Year ended December 31, 2020:	Russia Convergent	Moscow Fixed Line	MTS Bank	Total	Other	HQ and elimination	Consolidated
<b>Revenue</b>							
Mobile services	322,762	2,184	-	324,946	6,235	92	331,273
Fixed line services	24,477	32,141	-	56,618	332	-	56,950
Finance services	-	16	33,652	33,668	-	-	33,668
Integration services	409	-	-	409	2,513	-	2,922
Sales of goods	61,430	96	-	61,526	7,952	-	69,478
Other services	-	-	-	-	635	-	635
External Customers	409,078	34,437	33,652	477,167	17,667	92	494,926
Intersegment	10,073	5,993	2,449	18,515	7,254	(25,769)	-
<b>Total revenue</b>	<b>419,151</b>	<b>40,430</b>	<b>36,101</b>	<b>495,682</b>	<b>24,921</b>	<b>(25,677)</b>	<b>494,926</b>
<b>Thereof:</b>							
Recognised over time	347,648	34,341	24,246	415,641	9,715	92	425,448
Recognised at point of time	61,430	96	9,406	61,526	7,952	-	69,478
	<b>409,078</b>	<b>34,437</b>	<b>33,652</b>	<b>477,167</b>	<b>17,667</b>	<b>92</b>	<b>494,926</b>



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Year ended December 31, 2019:	Russia Convergent	Moscow Fixed Line	MTS Bank	Total	Other	HQ and elimination	Consolidated
<b>Revenue</b>							
Mobile services	308,847	1,938	-	310,785	6,667	94	317,546
Fixed line services	23,085	32,543	-	55,628	376	-	56,004
Finance services	-	-	29,304	29,304	-	-	29,304
Integration services	457	-	-	457	3,166	-	3,623
Sales of goods	57,677	117	-	57,794	4,859	-	62,653
Other services	-	-	-	-	1,475	-	1,475
External Customers	390,066	34,598	29,304	453,968	16,543	94	470,605
Intersegment	9,295	4,253	1,881	15,429	7,645	(23,074)	-
<b>Total revenue</b>	<b>399,361</b>	<b>38,851</b>	<b>31,185</b>	<b>469,397</b>	<b>24,188</b>	<b>(22,980)</b>	<b>470,605</b>
<b>Thereof:</b>							
Recognised over time	332,389	34,481	21,996	388,866	11,684	94	400,644
Recognised at point of time	57,677	117	7,308	65,102	4,859	-	69,961
	<b>390,066</b>	<b>34,598</b>	<b>29,304</b>	<b>453,968</b>	<b>16,543</b>	<b>94</b>	<b>470,605</b>
<b>Year ended December 31, 2018:</b>	<b>Russia Convergent</b>	<b>Moscow Fixed Line</b>	<b>MTS Bank</b>	<b>Total</b>	<b>Other</b>	<b>HQ and elimination</b>	<b>Consolidated</b>
<b>Revenue</b>							
Mobile services	304,049	1,487	-	305,536	6,663	122	312,321
Fixed line services	22,939	32,739	-	55,678	377	-	56,055
Finance services	-	-	11,534	11,534	-	-	11,534
Integration services	350	5	-	355	872	-	1,227
Sales of goods	58,480	117	-	58,597	5,255	-	63,852
Other services	-	-	-	-	1,249	-	1,249
External Customers	385,818	34,348	11,534	431,700	14,416	122	446,238
Intersegment	6,258	4,498	538	11,294	6,409	(17,703)	-
<b>Total revenue</b>	<b>392,076</b>	<b>38,846</b>	<b>12,072</b>	<b>442,994</b>	<b>20,825</b>	<b>(17,581)</b>	<b>446,238</b>
<b>Thereof:</b>							
Recognised over time	327,338	34,231	8,264	369,833	9,161	122	379,116
Recognised at point of time	58,480	117	3,270	61,867	5,255	-	67,122
	<b>385,818</b>	<b>34,348</b>	<b>11,534</b>	<b>431,700</b>	<b>14,416</b>	<b>122</b>	<b>446,238</b>

## 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of value added taxes and discounts.

The Group obtains revenue from providing mobile and fixed telecommunication services (access charges, voice and video calls, messaging, interconnect fees, fixed and mobile broadband, tv and musical content and connection fees), financial services, integration services, cloud services, tickets distribution, as well as selling equipment, accessories and software. Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

Revenue for access charges, voice and video calls, rendering of cloud services, messaging, interconnect fees and fixed and mobile broadband is recognized as services are rendered. This is based upon either usage (minutes of traffic processed, volume of data transmitted) or passage of time (monthly subscription fees). Revenue from the sale of prepaid credit is deferred until such time as the customer consumes the services or the credit expires.

Revenue from the provision of TV and music content is recognized as the Group renders the service and is recorded either at the gross amount billed to the customers or in the amount of commission fee receivable by the Group.

Revenue from commission services for tickets distribution is recognized as services are rendered.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Amounts in millions of Russian Rubles unless otherwise stated)*

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

For bundled packages, the Group accounts for individual products and services separately if they are distinct, which means that a product or service, as well as the customer benefit, is separately identifiable from other items in the bundled package and a customer can benefit from it. The arrangement consideration is allocated to each separate product and service, based on its relative fair value. The determined fair value of individual elements is generally based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts.

The Group provides retrospective volume discounts under roaming agreements with international and local mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The resulting liability for the expected future discounts is recognized as a reduction of revenue within trade and other payables in the accompanying consolidated statement of financial position.

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

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

Revenue from integration services mainly relates to project type contracts and is determined by reference to the stage of completion of each respective projects. The stage of completion is calculated using the input method – based on the proportion of costs incurred for work performed to date to the estimated total contract costs. Revenue is recognized cumulatively as total revenue under the project multiplied by percentage of completion as at reporting date. When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

#### **Contract balances**

Contract balances include trade receivables related to the recognized revenue, contract assets and contract liabilities.

Trade receivables represent an unconditional right to receive consideration (primarily in cash).

Contract assets represent accrued revenues that have not yet been billed to customers due to certain contractual terms other than the passage of time. This is the case in a bundled offering which combines the sale of a mobile device and the provision of mobile services for a fixed-period, where the mobile device is invoiced at a reduced price leading to the reallocation of a portion of amounts invoiced for mobile communication services to the supply of the mobile phone. The excess of the amount allocated to the mobile phone over the price invoiced is recognized as a contract asset and is thus transferred to trade receivables as the service is invoiced. The other part of contract assets relates to the Group's rights to consideration for work completed but not yet billed for integration services projects.

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	December 31,	
	2020	2019
Receivables	31,452	35,019
Contract assets	53	149
<b>Total assets</b>	<b>31,505</b>	<b>35,168</b>
Less current portion	(29,342)	(31,612)
<b>Total non-current assets</b>	<b>2,163</b>	<b>3,556</b>
Contract liabilities:		
<i>Mobile and fixed telecommunication services</i>	(20,714)	(18,849)
<i>Other services</i>	(694)	(2,115)
<i>Loyalty programme</i>	(434)	(343)
<b>Total liabilities</b>	<b>(21,842)</b>	<b>(21,307)</b>
Less current portion	21,125	20,718
<b>Total non-current liabilities</b>	<b>(717)</b>	<b>(589)</b>

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

	2020	2019
<b>Balance as of January 1</b>	<b>(21,307)</b>	<b>(22,155)</b>
Revenue recognised that was included in the contract liability balance at the beginning of the period	17,531	19,951
Increase due to cash received, excluding amount recognised as revenue during the period	(18,438)	(22,659)
Disposal of VF Ukraine	-	3,556
Disposal of Nvision Group	372	-
Business combinations	-	-
<b>Balance as of December 31</b>	<b>(21,842)</b>	<b>(21,307)</b>

The Group expects to recognize revenue related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2020 as follows:

	2021	2022-2026	2027-2031	After 2031	Total
Mobile telecommunication services	19,997	709	8	-	20,714
Other services	694	-	-	-	694
Loyalty programme	434	-	-	-	434

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

	2021	2022-2026	2027-2031	After 2031	Total
Telecommunication services	2,394	751	406	305	3,856
Integration services	41	67	11	-	119

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### Cost to obtain and fulfill a contract

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

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

Costs of acquiring a contract include commissions paid to a third-party distributors as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer with the expected duration of more than twelve months. These costs are amortized on a straight-line basis over the average life of a long-lived subscriber.

Costs to fulfill a contract mainly relate to costs of equipment transferred to the subscribers required for the provision of services. These costs are amortized on a straight-line basis generally for the period of average subscriber life.

As of December 31, 2020 and 2019 the balances of cost to obtain and fulfill contracts capitalized by the Group amounted to:

	December 31,	
	2020	2019
<b>Cost to obtain contracts</b>		
Gross book value	14,268	13,635
Accumulated amortization	(6,600)	(6,394)
<b>Cost to fulfill contracts</b>		
Gross book value	4,081	2,918
Accumulated amortization	(1,628)	(1,221)

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

## 8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2020, 2019 and 2018 comprised the following:

	2020	2019	2018
Salaries and social contributions	48,865	50,451	44,312
Advertising and marketing expenses	10,652	10,930	9,286
General and administrative expenses	7,526	7,653	7,670
Universal service fund	3,670	3,587	3,535
Cash collection commission	3,645	3,504	3,660
Consulting expenses	3,418	2,626	1,961
Dealers commission	3,385	3,081	2,760
Utilities and maintenance	2,255	2,809	2,821
Taxes other than income tax	1,845	2,486	3,606
Other personnel expenses	1,546	1,664	1,613
Other	1,176	1,142	1,258
<b>Total</b>	<b>87,983</b>	<b>89,933</b>	<b>82,482</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

#### 9. FINANCE INCOME AND COSTS

Finance income and costs for the years ended December 31, 2020, 2019 and 2018 comprised the following:

	2020	2019	2018
<b>Interest expense:</b>			
– Loans and notes	28,174	30,105	25,589
– Amortization of debt issuance costs	97	489	415
– Lease obligations <sup>(1)</sup>	12,277	13,416	12,852
– Provisions: unwinding of discount	138	113	151
<b>Total interest expense</b>	<b>40,686</b>	<b>44,123</b>	<b>39,007</b>
Loss on financial instruments	373	780	1,008
Other finance costs	85	151	44
<b>Total finance costs</b>	<b>41,144</b>	<b>45,054</b>	<b>40,059</b>
Less: amounts capitalized on qualifying assets <sup>(2)</sup>	(426)	(550)	(460)
Debt modification/derecognition and other loss/(gain)	1,366	2,862	(2,614)
<b>Finance costs</b>	<b>42,084</b>	<b>47,366</b>	<b>36,985</b>
<b>Finance income on loans and receivables:</b>			
– Interest income on bank deposits	2,282	3,318	4,780
– Interest income on loans issued	17	91	357
– Other finance income	1,138	943	442
<b>Finance income</b>	<b>3,437</b>	<b>4,352</b>	<b>5,579</b>
<b>Net finance costs</b>	<b>38,647</b>	<b>43,014</b>	<b>31,406</b>

<sup>(1)</sup> Starting from January 1, 2018 the Group has applied IFRS 16, “Leases”.

<sup>(2)</sup> The annual weighted average capitalization rates of 6.9%, 8.1% and 8.2% were used to determine the amount of capitalized interest for the years ended December 31, 2020, 2019 and 2018, respectively.

#### 10. OTHER NON-OPERATING (INCOME)/EXPENSES

Other non-operating (income)/expenses for the years ended December 31, 2020, 2019 and 2018 comprised the following:

	2020	2019	2018
Net forex exchange (gain) / loss	10,380	(5,266)	5,438
Loss/(gain) arising on derivatives	(13,443)	8,297	(7,229)
Net gain/(loss) arising on financial assets measured at FVTPL	(1,893)	528	(285)
Net gain/(loss) arising on financial liabilities measured at FVTPL	(53)	1,197	241
Impairment of investments and loans given	1,392	616	478
Other	553	2,449	932
<b>Total</b>	<b>(3,064)</b>	<b>7,821</b>	<b>(425)</b>

#### 11. OPERATIONS IN TURKMENISTAN

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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The Group considered these facts as impairment indicators and consequently determined that all long-lived assets attributable to the Turkmenistan subsidiary were impaired. The Group also assessed the recoverability of the current assets and recorded a provision for those that were considered to be impaired. No indicators of impairment were identified in respect of cash and cash equivalents attributable to MTS-TM. Total impairment charges recognized in the Group's consolidated statement of profit or loss for the year ended December 31, 2017 were as follows:

Impairment of long-lived assets	3,204
Current provision for income tax	100
Provision for doubtful accounts	74
Other operating expenses	37
Taxes other than income tax	20
Deferred income tax	(69)
	<b>3,366</b>

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank's International Center for Settlement of Investments Disputes ("ICSID") in order to protect its legal rights and investments in Turkmenistan. As of December 31, 2020 the case is pending. The hearing is currently scheduled for July 2021.

In December 2018 the Group started dismantling its network equipment in Turkmenistan and accrued a dismantlement provision of RUB 228 million. In 2019 the dismantling of terminal network equipment was finalized.

## 12. DISCONTINUED OPERATIONS

### UKRAINE

On November 22, 2019, the Group entered into a sale agreement to dispose of Preludium B.V., 100% owner of PJSC "Vodafone Ukraine", "PTT Telecom Kyiv", LLC "VF Retail" and LLC "IT SmartFlex", which carried out the Group's operations in Ukraine and constituted 'Ukraine' reporting segment. The disposal was effected in order to concentrate on development of the Group's core Russian market. The disposal was completed on December 3, 2019, and the results of operations in Ukraine were reported as discontinued operations in the accompanying consolidated statements of profit or loss for 2019 and prior periods.

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Amounts in millions of Russian Rubles unless otherwise stated)*

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

Cash payment of USD 645 million (RUB 41,567 million as of December 3, 2019) was received in December 2019. In June, 2020, the Group and the purchaser agreed on the amount of adjustment to the cash payment based on finalized financial statements results as of disposal date and the Group recognized additional income in amount of USD 28 million (RUB 2,101 million as of payment date in September, 2020) in discontinued operations in the consolidated statement of profit or loss.

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

In the event the operations of discontinued operation achieve certain performance criteria for the periods starting 2019 and ending 2022 as specified in an 'earn out' clause of the sale agreement, additional contingent consideration will be receivable. As of December 3, 2019 the Group recognized contingent consideration receivable as a financial asset at fair value through profit or loss in the amount of RUB 2,045 million. The fair value of the financial asset amounted to RUB 2,013 million as of December 31, 2019 and RUB 2,631 million as of December 31, 2020.

The results of operations in Ukraine were reported as discontinued operations in the accompanying consolidated statements of profit or loss. The consolidated statements of financial position and consolidated statements of cash flows for all periods presented were not retrospectively restated on discontinued operations.

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

	For the year ended December 31,		
	2020	2019	2018
Revenue	-	36,675	28,826
Expenses	-	(28,564)	(22,094)
<b>Profit before tax</b>	<b>-</b>	<b>8,111</b>	<b>6,732</b>
Attributable tax expense	-	(2,018)	(1,575)
<b>Profit for the period</b>	<b>-</b>	<b>6,093</b>	<b>5,157</b>
Profit/(loss) on disposal	2,101	(5,499)	-
Currency revaluation gain/(loss) on deferred consideration	154	(30)	-
Earn-out revaluation - fair value measurement	645	48	-
Earn-out revaluation - Currency revaluation gain/(loss)	(27)	(80)	-
<b>Net income attributable to discontinued operations</b>	<b>2,873</b>	<b>532</b>	<b>5,157</b>

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

	For the year ended December 31,		
	2020	2019	2018
Net cash provided by operating activities	-	17,343	16,773
Net cash provided by/(used in) investing activities	2,998	(13,046)	(15,724)
Net cash used in financing activities	-	(1,114)	(1,057)

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

#### NVISION GROUP

On October 30, 2020, the Group entered into a sale agreement with Sistema to dispose of 100% share in JSC “Nvision Group”, which provided integration services, as well as the sales of software, and constituted “System Integrator” operating segment included in “Other” reportable segment. The disposal was completed on October 30, 2020, and is reported in the current period as discontinued operation.

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

Property, plant and equipment	95
Intangible assets	245
Other non-current assets	220
Other current assets	2,912
Cash and cash equivalents	285
Non-current liabilities	(98)
Current liabilities	(3,281)
Accumulated other comprehensive loss	3
<b>Total consideration</b>	<b>(369)</b>
Satisfied by:	
Cash and cash equivalents	(369)
<b>Loss on disposal*</b>	<b>11</b>
<b>Net cash inflow arising on disposal:</b>	<b>84</b>
Cash consideration received	369
Less: cash and cash equivalents disposed of	(285)

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

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

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

	Year ended December 31,		
	2020	2019	2018
Revenue	10,051	12,898	10,792
Expenses	(11,305)	(14,263)	(12,026)
<b>Loss before tax</b>	<b>(1,254)</b>	<b>(1,365)</b>	<b>(1,234)</b>
Attributable tax expense	(1,003)	(83)	(50)
<b>Loss for the period</b>	<b>(2,257)</b>	<b>(1,448)</b>	<b>(1,284)</b>
<b>Net loss attributable to discontinued operations</b>	<b>(2,257)</b>	<b>(1,448)</b>	<b>(1,284)</b>

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

	For the year ended December 31,		
	2020	2019	2018
Net cash (used in)/provided by operating activities	(1,466)	(55)	(645)
Net cash provided by/(used in) investing activities	664	347	(551)
Net cash provided by/(used in) financing activities	748	(372)	1,220



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

### 13. INCOME TAX

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

Significant components of income tax expense were as follows:

	2020	2019	2018
Current income tax charge	15,170	20,757	19,175
Prior period tax adjustments	(509)	(90)	(133)
<b>Total current income tax</b>	<b>14,661</b>	<b>20,667</b>	<b>19,042</b>
Deferred tax	1,465	(5,000)	(3,697)
<b>Income tax expense on continuing operations</b>	<b>16,126</b>	<b>15,667</b>	<b>15,345</b>

Income tax expense on continuing operations excludes the amounts from the discontinued operations of RUB (1,003) million, RUB 1,935 million and RUB 1,525 million for the years ended December 31, 2020, 2019 and 2018, respectively, which have been included in profit / (loss) from discontinued operations in the accompanying consolidated statements of profit or loss (Note 12).

The statutory income tax rates in jurisdictions in which the Group operates for 2020 were as follows: Russia – 20%, Armenia – 18%, Turkmenistan – 8%, Czech Republic – 19%, for 2019 and 2018 were as follows: Russia and Armenia – 20%, Turkmenistan – 8%, Czech Republic – 19%. The Russian statutory income tax rate of 20% reconciled to the Group's effective income tax rate for the years ended December 31, 2020, 2019 and 2018 as follows:

	2020	2019	2018
<b>Statutory income tax rate for the year</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>
Adjustments:			
Expenses not deductible for tax purposes	1.3	2.1	0.7
Prior periods tax effects	(0.7)	(0.1)	(0.2)
Different tax rate of subsidiaries	(0.8)	(0.4)	(0.2)
Withholding tax on distributed and undistributed profits	1.5	1.9	(0.5)
Change in fair value of derivative financial instruments	-	0.2	(0.1)
Derecognition of deferred tax assets	(0.1)	(0.5)	0.1
Other	(0.4)	(0.2)	(0.1)
<b>Effective income tax rate</b>	<b>20.8%</b>	<b>23.0%</b>	<b>19.7%</b>

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

	2020	2019
Deferred tax assets	8,778	9,975
Deferred tax liabilities	(19,191)	(17,866)
<b>Net deferred tax liabilities</b>	<b>(10,413)</b>	<b>(7,891)</b>

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

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

	December 31, 2019	Recognised in profit / loss	Recognised in other compre- hensive income	Effect of acquisitions	Effect of disposals	December 31, 2020
<b>Assets / (liabilities) arising from tax effect of:</b>						
Property, plant and equipment	(17,954)	(318)	19	-	3	(18,250)
Other intangible assets	(6,564)	314	-	-	(64)	(6,314)
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(2,430)	(42)	(34)	-	-	(2,506)
Licenses	(1,739)	47	(7)	-	-	(1,699)
Customer base	(576)	106	-	-	-	(470)
Capitalization of cost to obtain and fulfill contracts	(1,448)	(220)	-	-	-	(1,668)
Accrued expenses for services	7,929	(710)	5	-	(66)	7,158
Write-down of inventories	681	(211)	10	-	(67)	413
Allowance for ECL	2,947	(112)	3	-	(125)	2,713
Right-of-use assets and lease obligations	3,520	709	(2)	-	(3)	4,224
Loss carryforward	4,634	56	-	-	(729)	3,961
Contract liabilities	1,230	203	-	-	(3)	1,430
Debt modification	(433)	310	-	-	-	(123)
Hedge and other	2,312	(1,594)	-	-	-	718
<b>Net deferred tax liability</b>	<b>(7,891)</b>	<b>(1,462)</b>	<b>(6)</b>	<b>-</b>	<b>(1,054)</b>	<b>(10,413)</b>

Movements in the deferred tax assets and liabilities for the year ended December 31, 2019 were as follows:

	January 1, 2019	Recognised in profit / loss	Recognised in other compre- hensive income	Effect of acquisitions	Effect of disposals	December 31, 2019
<b>Assets / (liabilities) arising from tax effect of:</b>						
Property, plant and equipment	(16,238)	(1,168)	42	57	(647)	(17,954)
Other intangible assets	(6,080)	(448)	2	(5)	(33)	(6,564)
Potential distributions from/ to Group's subsidiaries/ associates and joint ventures	(4,019)	(462)	135	-	1,916	(2,430)
Licenses	(1,917)	154	24	-	-	(1,739)
Customer base	(706)	159	-	(29)	-	(576)
Capitalization of cost to obtain and fulfill contracts	(1,321)	(148)	(1)	-	22	(1,448)
Accrued expenses for services	7,005	1,193	14	-	(283)	7,929
Write-down of inventories	1,448	(761)	(6)	-	-	681
Allowance for ECL	1,438	1,722	10	-	(223)	2,947
Right-of-use assets and lease obligations	2,564	1,024	6	-	(74)	3,520
Loss carryforward	4,256	275	-	103	-	4,634
Provision for investment in Delta Bank in Ukraine	367	-	26	-	(393)	-
Contract liabilities	954	192	(6)	-	90	1,230
Debt modification	(1,075)	642	-	-	-	(433)
Hedge and other	75	2,172	58	-	7	2,312
<b>Net deferred tax liability</b>	<b>(13,249)</b>	<b>4,546</b>	<b>304</b>	<b>126</b>	<b>382</b>	<b>(7,891)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Group recognizes deferred income tax on future dividend distributions from subsidiaries/ associates and joint ventures which are based on the cumulative undistributed earnings of those subsidiaries in accordance with local statutory accounting regulations.

The Group recognizes deferred tax assets in respect of tax losses carried forward to the extent that realization of tax losses against future taxable profit is probable. Deferred tax assets related to tax losses of the Group's subsidiaries are recognized according to the fact that certain tax planning opportunities are available to these subsidiaries that will create taxable profit in the period in which the unused tax losses can be utilized. The amount of the deferred tax asset considered realizable, however, could be remeasured if estimates of future taxable income are changed.

Federal law 401-FZ dated November 30, 2016 cancelled the time limit of prior periods' tax losses carryforward, which had been previously restricted to 10 years. Furthermore, the law specified that for the years 2017-2020 prior periods' tax losses carried forward should not exceed 50% of the tax base.

Unused tax losses, for which deferred tax assets were not recognized in the consolidated statements of financial position as of December 31, 2020 and 2019 amounted to RUB 43,393 million and RUB 41,816 million, respectively.

The Group accrued RUB 595 million and RUB 825 million as of December 31, 2020 and 2019, respectively, as a component of income tax payable in relation to uncertain income tax positions.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

#### 14. EARNINGS PER SHARE

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

	2020	2019	2018
<b>Numerator:</b>			
Profit for the year from continuing operations attributable to the owners of the company	60,796	51,713	62,025
Profit / (loss) for the year from discontinued operations attributable to the owners of the company	616	2,528	(55,177)
<b>Denominator, in thousands:</b>			
Weighted-average ordinary shares outstanding	1,760,468	1,780,935	1,873,563
Employee stock options	1,310	2,682	2,158
<b>Weighted-average diluted shares outstanding</b>	<b>1,761,778</b>	<b>1,783,617</b>	<b>1,875,721</b>
<b>Earnings per share – basic, Russian Rubles</b>	<b>34.88</b>	<b>30.46</b>	<b>3.66</b>
Basic EPS from continuing operations	34.53	29.04	33.11
Basic EPS from discontinued operations	0.35	1.42	(29.45)
<b>Earnings per share – diluted, Russian Rubles</b>	<b>34.86</b>	<b>30.41</b>	<b>3.65</b>
Diluted EPS from continuing operations	34.51	28.99	33.07
Diluted EPS from discontinued operations	0.35	1.42	(29.42)

#### 15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand and in bank accounts, as well as short-term bank deposits, which have original maturities of less than three months. Other short-term highly liquid investments are treated as cash equivalents only if they are held for the purpose of meeting short-term cash commitments, are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

Cash and cash equivalents comprised the following:

	December 31,	
	2020	2019
<b>Cash and cash equivalents at banks and on hand in:</b>		
Russian Rubles	39,076	27,749
US Dollars	10,597	1,014
Euro	6,433	2,751
Turkmenian Manat	431	419
Ukraine Hryvna	43	224
Other	916	844
<b>Short-term deposits with an original maturity of less than 92 days:</b>		
Russian Rubles	27,857	4,859
Ukraine Hryvna	44	206
Euro	-	-
Other	8	4
<b>Total cash and cash equivalents</b>	<b>85,405</b>	<b>38,070</b>

## 16. SHORT-TERM INVESTMENTS

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

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

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

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

	Category	December 31,	
		2020	2019
Mutual funds (Notes 0)	At FVTPL	10,699	9,349
Assets in Sistema-Capital trust management (Notes 0)	At FVTPL	10,313	8,195
Notes / loans	At amortized cost	1,007	6,376
Deposits	At amortized cost	1,415	1,699
<b>Short-term investments, gross</b>		<b>23,434</b>	<b>25,619</b>
Allowance for ECL		-	(1)
<b>Total short-term investments</b>		<b>23,434</b>	<b>25,618</b>

## 17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities where the Group exercises significant influence, and they are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not equate to control or joint control over those policies. These entities are recognized at cost at the time of acquisition and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income. The carrying amount of the investment in such entities may include goodwill as the positive difference between the cost of the investment and Group's proportionate share in the fair-values of the entity's identifiable assets and liabilities.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group presents its share in profits or losses in associates and joint ventures within operating profit if those interests are viewed as part of Group's core operations. As of December 31, 2020, MTS Belarus, Zelenaya Tochka and Fancy Show were considered as part of the Group's core operating activity. Shares in profits and losses of other Group's associates and joint ventures were presented as non-operating items.

The Group's investments in associates and joint ventures comprised the following:

	Country of operations	Operating activity	December 31, 2020	December 31, 2019
MTS Belarus	Belarus	telecommunications	5,124	4,502
Zelenaya Tochka	Russia	telecommunications	1,260	-
YouDo	Russia	classifieds	724	724
		property investments		
Sistema-Rentnaya Nedvizhimost	Russia	mutual fund	636	658
Other unquoted companies	Russia		811	566
<b>Total investments in associates</b>			<b>8,555</b>	<b>6,450</b>

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

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Non-current assets	20,008	19,496
Current assets	12,705	11,536
<b>Liabilities</b>		
Non-current liabilities	(11,257)	(9,849)
Current liabilities	(10,999)	(11,995)
<b>Total identifiable net assets</b>	<b>10,457</b>	<b>9,188</b>
The Group's share in associate	49%	49%
The Group's share of identifiable net assets	5,124	4,502
<b>Carrying amount of the Group's interest</b>	<b>5,124</b>	<b>4,502</b>

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

	Year ended December 31,		
	2020	2019	2018
Revenue	36,121	32,593	27,695
Net profit for the year	10,267	9,354	7,752
<b>The Group's share of the profit of the associate for the year</b>	<b>5,031</b>	<b>4,583</b>	<b>3,799</b>
Other comprehensive income/(loss) for the year (currency translation adjustment)	(397)	(842)	648
Total comprehensive income for the year	9,870	8,512	8,400
<b>The Group's share of total comprehensive income of the associate for the year</b>	<b>4,836</b>	<b>4,171</b>	<b>4,116</b>
<b>Dividends received</b>	<b>(4,212)</b>	<b>(3,821)</b>	<b>(3,691)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### Joint ventures presented within operating profit

##### Zelenaya Tochka

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

##### Fancy Show

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

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

	Year ended December 31,		
	2020	2019	2018
Net income for the year	3	-	-
<b>The Group's share of the income of the joint venture for the year</b>	<b>17</b>	<b>-</b>	<b>-</b>
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	3	-	-
<b>The Group's share of total comprehensive income of the joint venture for the year</b>	<b>17</b>	<b>-</b>	<b>-</b>

#### Associates and joint ventures presented within non-operating items

##### YouDo

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

##### Sistema-Rentnaya Nedvizhimost

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### SWIPGLOBAL

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

#### OZON

In 2014, the Group acquired a 10.82% stake in OZON Holdings Limited (OZON), a leading Russian e-commerce company. The Group accounted for its investment under the equity method, as the Group's representation on the investee's board of directors and a number of veto rights provided it with a significant influence over the investee.

In 2018, the Group acquired additional equity interests in OZON through several transactions, which resulted in increase of the Group's share in OZON from 11.19% as of December 31, 2017 to 18.69% as of December 31, 2018. In March 2019, the Group disposed its 18.69% interest in OZON to Sistema for RUB 7,902 million (of which RUB 3,000 million was paid by Sistema in March 2019, RUB 2,450 million is due in July 2020 and RUB 2,452 million is due in July 2021). As of December 31, 2019 and 2020 the Group has retained no interest in OZON.

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

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

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

#### MTS Bank

In July 2018, the Group increased its ownership share in its associate MTS Bank from 26.6% to 55.4% and obtained control over the entity. The Group discontinued the use of the equity method for accounting of investment in MTS Bank and accounted for the acquisition as a transaction under common control directly in equity (Note 5).

The Group's share in the net losses of MTS Bank prior to discontinuing use of the equity method was included in the non-operating share of the loss of the associates in the accompanying consolidated statement of profit or loss for the year ended December 31, 2018 and is presented as follows:

	<b>2018</b>
Total interest income	(9,289)
Total interest expense	3,799
Net loss for the period	609
<b>The Group's share of the loss of the associate for the period</b>	<b>162</b>
Other comprehensive loss for the period	614
Total comprehensive loss for the period	1,223
<b>The Group's share of the total comprehensive loss for the period</b>	<b>326</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Year ended December 31,		
	2020	2019	2018
Net (income)/loss for the year	(1,048)	2,448	4,600
<b>The Group's share of the (income)/loss of the associate for the year</b>	<b>(273)</b>	<b>341</b>	<b>747</b>
Other comprehensive income for the year	-	-	-
Total comprehensive (income)/loss for the year	(1,048)	2,448	4,600
<b>The Group's share of total comprehensive (income)/loss of the associate for the year</b>	<b>(273)</b>	<b>341</b>	<b>747</b>

### 18. OTHER INVESTMENTS

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

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

Investments in shares of the companies over which the Group does not have control or an ability to exercise significant influence are accounted for at amortized cost.

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

Other investments of the Group comprised the following:

		December 31,	
		2020	2019
Debt securities	At amortized cost	8,764	9,381
Deposits	At amortized cost	-	124
Loans and unquoted notes	At amortized cost	328	36
Other	At amortized cost	400	1,656
<b>Other investments (Gross)</b>		<b>9,492</b>	<b>11,197</b>
Allowance for ECL		(4)	(2)
<b>Total other investments</b>		<b>9,488</b>	<b>11,195</b>

### 19. TRADE AND OTHER RECEIVABLES

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

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

MTS Group accounts for Receivables from handset sales financing as a part of current trade and other receivables and non-current other non-financial assets. These receivables are measured based on fair value basis using effective rate approach. Receivables from handset sales financing are written-off if past due for more than 720 days.



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Trade and other receivables current and non-current comprised the following:

	December 31,	
	2020	2019
Receivables from handset sales financing	15,785	16,845
Subscribers	12,704	10,980
Other trade receivables	4,954	4,427
Interconnect	1,794	1,624
Integration services	1,512	2,407
Roaming	1,072	1,912
Bonuses from suppliers	342	724
Dealers	158	268
Receivables from the sharing agreement	73	802
Receivables from sale of VF Ukraine	-	743
Other receivables	1,260	2,622
Allowance for ECL	(4,623)	(4,203)
<b>Trade and other receivables, total</b>	<b>35,031</b>	<b>39,151</b>
Less non-current portion	(2,163)	(3,556)
<b>Trade and other receivables, current</b>	<b>32,868</b>	<b>35,595</b>

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of December 31, 2020:

Receivables from subscribers and dealers and other trade receivables assessed for impairment based on provision matrix	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	3%	2,087	(62)	No
1 - 30 days past due	5%	9,029	(478)	No
31 - 60 days past due	41%	466	(190)	No
60 - 90 days past due	59%	384	(225)	No
More than 90 days past due	81%	896	(727)	Yes
<b>Total</b>	<b>13%</b>	<b>12,862</b>	<b>(1,682)</b>	

Receivables other than from subscribers and dealers and handset sales financing assessed for impairment based on individual basis	Weighted-average loss rate	Gross carrying amount	Loss allowance (individually assessed)	Credit-impaired
Current	3%	7,966	(227)	No
1 - 30 days past due	1%	825	(11)	No
31 - 60 days past due	2%	459	(11)	No
60 - 90 days past due	10%	227	(23)	No
More than 90 days past due	69%	1,530	(1,069)	Yes
<b>Total</b>	<b>12%</b>	<b>11,007</b>	<b>(1,341)</b>	

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of December 31, 2019:

**Receivables from subscribers and dealers and other trade receivables assessed for impairment based on provision matrix**

	Weighted-average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit-impaired
Current	-	21	-	No
1 - 30 days past due	4%	9,844	(395)	No
31 - 60 days past due	16%	522	(86)	No
60 - 90 days past due	38%	202	(77)	No
More than 90 days past due	64%	659	(421)	Yes
<b>Total</b>	<b>9%</b>	<b>11,248</b>	<b>(979)</b>	

**Receivables other than from subscribers and dealers and handset sales financing assessed for impairment based on individual basis**

	Weighted-average loss rate	Gross carrying amount	Loss allowance (individually assessed)	Credit-impaired
Current	1%	8,743	(77)	No
1 - 30 days past due	1%	2,020	(22)	No
31 - 60 days past due	2%	878	(14)	No
60 - 90 days past due	58%	1,581	(916)	No
More than 90 days past due	37%	2,039	(746)	Yes
<b>Total</b>	<b>12%</b>	<b>15,261</b>	<b>(1,775)</b>	

**Receivables from handset sales financing**

	Weighted-average loss rate	Gross carrying amount	Loss allowance (collectively assessed)	Credit-impaired
Current	2%	15,085	(261)	No
1 - 30 days past due	15%	396	(60)	No
31 - 60 days past due	47%	125	(59)	No
60 - 90 days past due	61%	99	(60)	No
More than 90 days past due	88%	1,140	(1,009)	Yes
<b>Total</b>	<b>9%</b>	<b>16,845</b>	<b>(1,449)</b>	

The following table summarizes changes in the allowance for expected credit losses for the year ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
<b>Balance, beginning of the year calculated under IAS 39</b>	-	-	(2,344)
Additional allowance required under IFRS 9	-	-	(233)
<b>Balance, beginning of the year, calculated under IFRS 9</b>	<b>(4,203)</b>	<b>(4,318)</b>	<b>(2,577)</b>
Allowance for ECL	(3,382)	(4,290)	(3,210)
Accounts receivable written off	2,719	4,276	2,948
Disposal/(Acquisition) of subsidiaries	243	129	(1,479)
<b>Balance, end of the year</b>	<b>(4,623)</b>	<b>(4,203)</b>	<b>(4,318)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### 20. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined using the weighted average cost method. Handsets and accessories held for sale are expensed when sold. The Group regularly assesses its inventories for obsolete and slow-moving stock.

Inventory and spare parts comprised the following:

	December 31,	
	2020	2019
Handsets and accessories	12,827	12,412
Spare parts for telecommunication equipment	110	984
Advertising and other materials	964	912
SIM cards and prepaid phone cards	726	700
TV equipment for resale	425	494
Software and equipment for installation and resale	152	13
<b>Total inventories</b>	<b>15,204</b>	<b>15,515</b>

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

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

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

For the years ended December 31, 2020, 2019 and 2018, cost of goods comprised the following expenses:

	2020	2019	2018
Amount of inventories recognized as an expense	62,587	56,761	55,278
Inventory obsolescence provision	1,465	2,564	3,803
Reversal of obsolescence provision	(570)	(453)	(412)
<b>Total cost of goods</b>	<b>63,482</b>	<b>58,872</b>	<b>58,669</b>

The reversal of the inventory obsolescence provision relates to handsets and accessories sold over the course of the Group's promotion campaigns. Inventories were sold with a positive margin.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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### 21. PROPERTY, PLANT AND EQUIPMENT

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

**Network and base station equipment:**

Network infrastructure	3-44 years
Other	3-20 years

**Land and buildings:**

Buildings	7-150 years
Leasehold improvements	the term of the lease

**Office equipment, vehicles and other:**

Office equipment	2-7 years
Vehicles	2-10 years
Other	2-25 years

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

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

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

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

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Balances of cost, accumulated depreciation, net book value as of December 31, 2020 and 2019 and movements of property, plant and equipment for the year ended December 31, 2020, 2019 and 2018 were as follows:

	Network and base station equipment	Land and buildings	Office equipment, vehicles and other	Construction in progress and equipment for installation	Total
<b>Cost</b>					
<b>January 1, 2018</b>	<b>566,358</b>	<b>25,024</b>	<b>47,830</b>	<b>19,494</b>	<b>658,706</b>
Additions	2,777	4,887	777	63,047	71,488
Transferred into use	48,780	1,807	5,939	(56,526)	-
Arising on business combinations	123	3,912	1,323	18	5,376
Transfer to assets held for sale	(752)	(1,656)	(36)	-	(2,444)
Disposal	(25,963)	(322)	(2,712)	26	(28,971)
Transfer of financial leasing	(10,124)	-	(110)	-	(10,234)
Other	(1,043)	(536)	(319)	-	(1,898)
Foreign exchange differences	12,977	718	1,595	162	15,452
<b>December 31, 2018</b>	<b>593,133</b>	<b>33,834</b>	<b>54,287</b>	<b>26,221</b>	<b>707,475</b>
Additions	4,162	39	1,117	64,398	69,716
Transferred into use	51,130	1,803	12,919	(65,852)	-
Arising on business combinations	484	32	177	4	697
Transfer to assets held for sale	(1,573)	555	-	-	(1,018)
Disposal	(26,870)	(428)	(3,091)	(186)	(30,575)
Disposal of VF Ukraine (Note 12)	(62,196)	(2,128)	(6,966)	(2,060)	(73,350)
Other	730	1,042	(1,125)	80	727
Foreign exchange differences	1,889	(188)	55	55	1,811
<b>December 31, 2019</b>	<b>560,889</b>	<b>34,561</b>	<b>57,373</b>	<b>22,660</b>	<b>675,483</b>
Additions	(173)	434	729	74,032	75,022
Transferred into use	53,005	1,317	12,286	(66,608)	-
Arising on business combinations	578	4	6	-	588
Disposal of NVISION GROUP (Note 12)	-	-	(314)	(18)	(332)
Transfer to assets held for sale	(2,890)	(475)	(34)	(3)	(3,402)
Disposal	(38,293)	(447)	(4,405)	(255)	(43,400)
Other	(4)	675	30	35	736
Foreign exchange differences	2,286	495	520	74	3,375
<b>December 31, 2020</b>	<b>575,398</b>	<b>36,564</b>	<b>66,191</b>	<b>29,917</b>	<b>708,070</b>
<b>Accumulated amortisation and impairment</b>					
<b>January 1, 2018</b>	<b>(348,759)</b>	<b>(9,421)</b>	<b>(36,699)</b>	<b>(764)</b>	<b>(395,643)</b>
Charge for the year	(50,056)	(941)	(4,126)	-	(55,123)
Arising on business combinations	(13)	(368)	(922)	-	(1,303)
Impairment	-	361	151	-	512
Transfer to assets held for sale	223	455	37	-	715
Disposal	25,116	175	2,464	-	27,755
Transfer of financial leasing	2,070	-	41	-	2,111
Other	553	22	309	-	884
Foreign exchange differences	(9,148)	(500)	(1,292)	-	(10,940)
<b>December 31, 2018</b>	<b>(380,014)</b>	<b>(10,217)</b>	<b>(40,037)</b>	<b>(764)</b>	<b>(431,032)</b>
Charge for the year	(47,905)	(1,148)	(5,064)	-	(54,117)
Arising on business combinations	(290)	(5)	(104)	-	(399)
Impairment	-	-	-	-	-
Transfer to assets held for sale	762	(76)	(1)	-	685
Disposal	26,163	256	2,709	-	29,128
Disposal of VF Ukraine (Note 12)	40,717	1,056	5,540	-	47,313
Other	(962)	(616)	628	-	(950)
Foreign exchange differences	(767)	174	(39)	-	(632)
<b>December 31, 2019</b>	<b>(362,296)</b>	<b>(10,576)</b>	<b>(36,368)</b>	<b>(764)</b>	<b>(410,004)</b>
Charge for the year	(43,220)	(1,153)	(5,696)	-	(50,069)
Disposal of NVISION GROUP (Note 12)	-	-	236	-	236
Transfer to assets held for sale	1,899	146	(7)	-	2,038
Disposal	33,058	343	4,165	-	37,566
Other	(5)	(133)	(34)	-	(172)
Foreign exchange differences	(1,968)	(397)	(496)	-	(2,861)
<b>December 31, 2020</b>	<b>(372,532)</b>	<b>(11,770)</b>	<b>(38,200)</b>	<b>(764)</b>	<b>(423,266)</b>
<b>Net book value</b>					
<b>December 31, 2019</b>	<b>198,593</b>	<b>23,985</b>	<b>21,005</b>	<b>21,896</b>	<b>265,479</b>
<b>December 31, 2020</b>	<b>202,866</b>	<b>24,794</b>	<b>27,991</b>	<b>29,153</b>	<b>284,804</b>

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The amount of the compensation from third parties for items of property, plant and equipment that were accidentally damaged during construction in Moscow for the years ended December 31, 2020, 2019 and 2018 totaled RUB 1,510 million, RUB 2,034 million and RUB 1,304 million, respectively. This was included in the accompanying consolidated statements of profit or loss as component of other operating income.

## 22. GOODWILL

Goodwill represents an excess of consideration transferred plus the fair value of any non-controlling interest ("NCI") in the acquiree at the acquisition date over the fair values of the identifiable net assets of the acquired entity. Goodwill is not amortized, but is tested for impairment (Note 23).

The change in the net carrying amount of goodwill for the years ended December 31, 2020 and 2019 by reportable segments was as follows:

	Russia Convergent	Moscow Fixed Line	Other	Total
<b>Balance at January 1, 2019</b>				
Gross amount of goodwill	32,124	1,377	11,112	44,613
Accumulated impairment loss	(1,466)	-	(4,040)	(5,506)
	<b>30,658</b>	<b>1,377</b>	<b>7,072</b>	<b>39,107</b>
Acquisitions (Note 5)	105	-	-	105
Reclassification	41	(41)	-	-
Disposal of VF Ukraine (Note 12)	-	-	(114)	(114)
Currency translation adjustment	-	-	(423)	(423)
<b>Balance at December 31, 2019</b>				
Gross amount of goodwill	32,270	1,336	10,575	44,181
Accumulated impairment loss	(1,466)	-	(4,040)	(5,506)
	<b>30,804</b>	<b>1,336</b>	<b>6,535</b>	<b>38,675</b>
Acquisitions (Note 5)	-	-	282	282
Reclassification (Note 6)	(1,877)	-	1,877	-
Impairment (Note 23)	-	-	(1,281)	(1,281)
Currency translation adjustment	-	-	365	365
<b>Balance at December 31, 2020</b>				
Gross amount of goodwill	30,393	1,336	13,099	44,828
Accumulated impairment loss*	(1,466)	-	(5,321)	(6,787)
	<b>28,927</b>	<b>1,336</b>	<b>7,778</b>	<b>38,041</b>

\* Accumulated impairment loss of Other segments consists of Armenia (RUB 3,516 million), Oblachnyi retail (RUB 524 million) and Ticketland and Ponominalu (RUB 1,281 million).

## 23. IMPAIRMENT REVIEW

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

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

For the purposes of impairment testing as of December 31, 2020 the Group has assessed the effects of COVID-19 pandemic on Group's business and financial situation (as disclosed in Note 23) for impairment indicators. The Group has adjusted estimations of future cash flows to reflect its estimates of impact of the pandemic factors. The impairment charge recognized and discussed below is based on expected cash flows after applying these adjustments.

#### ***Oblachniy Retail***

During the year ended December 31, 2018 the Group recognized impairment of RUB 677 million in respect of the goodwill and non-current assets of CGU "Oblachniy Retail".

CGU "Oblachniy Retail" operates as a retail software developer, cash register distributor and provider of integrated digital cash management solutions for business to business ("B2B") clients. The impairment in CGU "Oblachniy Retail" reflects lower operating performance and uncertainty in respect to the ability to meet its operational targets. The recoverable amount of CGU "Oblachny Retail" equaled to RUB 765 million as of December 31, 2018. The amount includes inventory stock measured at net realizable value and related tax balances.

During 2019 and 2020 there were no changes in factors relevant to the impairment review.

#### ***Nvision Czech Republic***

CGU "Nvision Czech Republic" tailors in-house software solutions, provides support and managed services to telecom operators, delivers electronic and mechanical manufacturing services.

During the year ended December 31, 2017 the Group recognized impairment of RUB 571 million in respect of the non-current assets of CGU "Nvision Czech Republic", whereas during the year ended December 31, 2018, RUB 507 million were reversed as a result of the improvement in its operating performance.

The recoverable amount of CGU "Nvision Czech Republic" was RUB 1,778 million as of December 31, 2018 compared to RUB 954 million as of December 31, 2017.

During 2019 and 2020, there were no changes in factors relevant to the impairment review.

#### ***Ticketland and Ponominalu***

Due to restrictive measures implemented by government in respect to mass events and gatherings ticket sales dropped significantly in 2020. Group management adjusted its expectations of Ticketland and Ponominalu operating performance to reflect significant reduction of business activities and time needed for recovery. The recoverable amount was in total equal to RUB 2,658 million as of June 30, 2020.

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As a result of impairment test the Group recognized impairment of goodwill related to Ticketland and Ponominalu in the aggregate amount of RUB 1,281 million for the year ended December 31, 2020.

#### **Kinopolis**

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

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

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

#### **MTS Turkmenistan**

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

Impairment losses and reversal of the impairment charges recognized during the years ended December 31, 2020, 2019 and 2018 are attributable to operating segments, reported as a part of the "Other" category (Note 6).

The total amount of impairment loss and reversal of impairment charges for the year ended December 31, 2020, 2019 and 2018 was allocated to the long-lived assets carrying amounts as follows:

	2020		2019		2018	
	Ticketland and Ponominalu	Kinopolis	MTS Turkmeni- stan	MTS Turkmeni- stan	Oblachniy Retail	Nvision Czech Republic
Goodwill	1,281	-	-	-	524	-
Property, plant and equipment	-	-	(66)	(114)	13	(505)
Investment property	-	807	-	-	-	-
Other intangible assets	-	-	-	(34)	140	(2)
<b>Total</b>	<b>1,281</b>	<b>807</b>	<b>(66)</b>	<b>(148)</b>	<b>677</b>	<b>(507)</b>

#### **Key assumptions used for value in use calculation:**

The table below presents OIBDA margin applied for value in use calculation of related CGUs:

CGU	December 31,	
	2020	2019
Russia Convergent	43.2%-44.3%	42.4%-43.5%
Armenia	51.8%-54.0%	46.9%-50.0%
Moscow Fixed Line	54.0%-57.2%	52.9%-56.6%
Nvision Czech Republic	3.5%-5.2%	3.2%-3.9%
Ticketland and Ponominalu	8.8%-32%	15.1%-38.2%
Cloud	41.3%-69.0%	n/a
Kinopolis	2.9%-3.9%	n/a



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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

CGU	December 31,	
	2020	2019
Russia Convergent	20.9%	19.2%
Armenia	22.2%	15.6%
Moscow Fixed Line	12.6%	19.8%
Nvision Czech Republic	1.2%	1.2%
Ticketland and Ponominalu	0.0%	nil
Cloud	15.4%	n/a
Kinopolis	31.2%	n/a

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

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

CGU	December 31,	
	2020	2019
Russia Convergent	1%	1%
Armenia	nil	nil
Moscow fixed line	1%	1%
Nvision Czech Republic	2%	2%
Ticketland and Ponominalu	1.5%	3%
Cloud	1%	n/a
Kinopolis	1%	n/a

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

CGU	December 31,	
	2020	2019
Russia Convergent	11.4%	14.1%
Armenia	13.3%	13.5%
Moscow fixed line	11.0%	14.1%
Nvision Czech Republic	6.1%	6.1%
Ticketland and Ponominalu	13.6%	16.7%
Cloud	13.2%	n/a
Kinopolis	14.3%	n/a

## 24. OTHER INTANGIBLE ASSETS

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

Balances of cost, accumulated amortization, net book value as of December 31, 2020 and 2019 and movements of other intangible assets for the year ended December 31, 2020, 2019 and 2018 were as follows:

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

	Licenses	Right to use radio frequencies	Billing and other software	Client base	Numbering capacity	Cost to obtain contracts	Other	Total
Useful life, years	1 to 20	1 to 15	1 to 25	4 to 31	2 to 15	2 to 5	1 to 10	
<b>Cost</b>								
<b>January 1, 2018</b>	<b>27,741</b>	<b>7,851</b>	<b>119,976</b>	<b>7,323</b>	<b>2,915</b>	<b>-</b>	<b>2,480</b>	<b>168,286</b>
Additions	7,479	19	20,884	-	10	3,961	401	32,754
Arising on business combinations (Note 5)	-	-	3,021	1,530	1	-	909	5,461
Effect on adoption of IFRS 15	-	-	-	-	-	19,197	-	19,197
Impairment	-	-	(168)	-	-	-	(20)	(188)
Disposal	(223)	(1,223)	(8,215)	(63)	(82)	-	(198)	(10,004)
Other	-	1	89	-	-	-	(46)	44
Foreign exchange differences	4,630	-	2,977	-	24	202	80	7,913
<b>December 31, 2018</b>	<b>39,627</b>	<b>6,648</b>	<b>138,564</b>	<b>8,790</b>	<b>2,868</b>	<b>23,360</b>	<b>3,606</b>	<b>223,463</b>
Additions	1,106	(38)	27,921	-	(2)	10,290	366	39,643
Arising on business combinations (Note 5)	-	-	6	(37)	2	-	61	32
Disposal of VF Ukraine (Note 12)	(19,149)	-	(15,770)	-	(136)	(1,826)	(692)	(37,573)
Impairment	-	(26)	-	-	-	-	-	(26)
Disposal	(84)	(865)	(11,564)	(2,823)	(64)	(18,281)	(208)	(33,889)
Other	4	(1)	93	-	-	-	(81)	15
Foreign exchange differences	201	(29)	718	-	9	92	44	1,035
<b>December 31, 2019</b>	<b>21,705</b>	<b>5,689</b>	<b>139,968</b>	<b>5,930</b>	<b>2,677</b>	<b>13,635</b>	<b>3,096</b>	<b>192,700</b>
Additions	1,466	(11)	35,277	-	15	10,390	1,941	49,078
Arising on business combinations (Note 5)	-	-	-	-	-	-	-	-
Disposal of NVISION GROUP (Note 12)	-	-	(311)	-	-	-	-	(311)
Reclassification into assets for sale	-	-	(184)	-	-	-	-	(184)
Impairment	-	43	(167)	-	-	-	(2)	(126)
Disposal	(108)	(172)	(28,035)	(73)	(24)	(9,758)	(1,033)	(39,203)
Other	25	30	(83)	-	-	-	(1)	(29)
Foreign exchange differences	913	-	386	-	-	-	4	1,303
<b>December 31, 2020</b>	<b>24,001</b>	<b>5,579</b>	<b>146,851</b>	<b>5,857</b>	<b>2,668</b>	<b>14,267</b>	<b>4,005</b>	<b>203,228</b>
<b>Accumulated amortisation and impairment</b>								
<b>January 1, 2018</b>	<b>(11,481)</b>	<b>(4,761)</b>	<b>(63,840)</b>	<b>(4,641)</b>	<b>(2,756)</b>	<b>-</b>	<b>(1,410)</b>	<b>(88,889)</b>
Charge for the year	(2,711)	(796)	(20,941)	(680)	(57)	(3,876)	(427)	(29,488)
Arising on business combinations (Note 5)	-	-	(1,785)	-	-	-	-	(1,785)
Effect on adoption of IFRS 15	-	-	-	-	-	(12,368)	-	(12,368)
Effect on assets impairment	-	-	44	-	-	-	6	50
Impairment	-	-	-	-	-	-	-	-
Disposal	193	971	7,994	63	82	-	180	9,483
Other	-	-	(70)	-	-	-	26	(44)
Foreign exchange differences	(2,114)	-	(2,187)	-	(23)	(99)	(37)	(4,460)
<b>December 31, 2018</b>	<b>(16,113)</b>	<b>(4,586)</b>	<b>(80,785)</b>	<b>(5,258)</b>	<b>(2,754)</b>	<b>(16,343)</b>	<b>(1,662)</b>	<b>(127,501)</b>
Charge for the year	(2,911)	(372)	(24,394)	(603)	(41)	(6,887)	(374)	(35,582)
Arising on business combinations (Note 5)	-	-	(2)	-	-	-	-	(2)
Disposal of VF Ukraine (Note 12)	5,155	-	12,657	-	129	1,208	301	19,450
Effect on assets impairment	-	-	-	-	-	-	-	-
Disposal	25	831	11,065	2,813	64	18,281	196	33,275
Other	(2)	-	(22)	-	-	(2,573)	17	(2,580)
Foreign exchange differences	664	29	(615)	-	(9)	(80)	(20)	(31)
<b>December 31, 2019</b>	<b>(13,182)</b>	<b>(4,098)</b>	<b>(82,096)</b>	<b>(3,048)</b>	<b>(2,611)</b>	<b>(6,394)</b>	<b>(1,542)</b>	<b>(112,971)</b>
Charge for the year	(1,266)	(367)	(25,146)	(431)	(27)	(9,964)	(345)	(37,546)
Arising on business combinations (Note 5)	-	-	-	-	-	-	-	-
Disposal of NVISION GROUP (Note 12)	-	-	77	-	-	-	-	77
Reclassification into assets for sale	-	-	5	-	-	-	-	5
Effect on assets impairment	-	-	-	-	-	-	2	2
Disposal	71	160	27,953	72	24	9,758	402	38,440
Other	(10)	(31)	76	-	-	-	-	35
Foreign exchange differences	(894)	-	(275)	-	-	-	2	(1,167)
<b>December 31, 2020</b>	<b>(15,281)</b>	<b>(4,336)</b>	<b>(79,406)</b>	<b>(3,407)</b>	<b>(2,614)</b>	<b>(6,600)</b>	<b>(1,481)</b>	<b>(113,125)</b>
<b>Net book value</b>								
<b>December 31, 2019</b>	<b>8,523</b>	<b>1,591</b>	<b>57,872</b>	<b>2,882</b>	<b>66</b>	<b>7,241</b>	<b>1,554</b>	<b>79,729</b>
<b>December 31, 2020</b>	<b>8,720</b>	<b>1,243</b>	<b>67,445</b>	<b>2,450</b>	<b>54</b>	<b>7,667</b>	<b>2,524</b>	<b>90,103</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Group was granted with GSM licenses by the Russian Ministry of Information Technologies and Communications to provide telecommunication services. In addition to the licenses received directly from the Russian Ministry of Information Technologies and Communications, the Group acquired access to telecommunication licenses through business combinations. In foreign subsidiaries, the licenses are granted by the local communication authorities.

Operating licenses contain several conditions specified by legislation which generally include the required date of services provision, territorial coverage and expiration date. Management believes that the Group is in compliance with all material terms of its licenses.

The Group's operating licenses do not provide for automatic renewal. All licenses covering the territories of the Russian Federation expired as of December 31, 2019 were renewed. The cost to renew the licenses was not significant. Weighted-average period until the next renewal of licenses in the Russian Federation is two and half years.

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

Contractual obligations to purchase intangible assets are disclosed in the Note 35.

## 25. BORROWINGS

Group's borrowings represent interest bearing bank loans and bonds issued in the capital markets. Borrowings are initially recorded at fair value plus transaction costs that are directly attributable to the issue of the financial liability and subsequently measured at amortized cost, using the effective interest rate method.

The Group's borrowings comprise the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Notes	208,155	183,935
Bank and other loans	221,113	159,384
<b>Total borrowings</b>	<b>429,268</b>	<b>343,319</b>
Less: current portion	(34,125)	(71,746)
<b>Total borrowings, non-current</b>	<b>395,143</b>	<b>271,573</b>

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

	Currency	Interest rate (actual at December 31, 2020)	December 31, 2020	December 31, 2019
MTS International Notes due 2023	USD	5.00%	33,091	27,712
MTS PJSC Notes due 2025	RUB	8.00%	14,987	14,984
MTS PJSC Notes due 2022	RUB	7.70%	14,980	14,969
MTS PJSC Notes due 2023	RUB	6.85%	14,971	14,961
MTS PJSC Notes due 2027	RUB	6.60%	14,971	-
MTS PJSC Notes due 2021	RUB	8.85%	9,999	9,995
MTS PJSC Notes due 2026	RUB	7.90%	9,998	9,998
MTS PJSC Notes due 2022	RUB	9.00%	9,998	9,995
MTS PJSC Notes due 2021	RUB	7.10%	9,997	9,992
MTS PJSC Notes due 2025	RUB	7.25%	9,990	9,988
MTS PJSC Notes due 2022	RUB	6.45%	9,988	9,973
MTS PJSC Notes due 2024	RUB	8.70%	9,986	9,982
MTS PJSC Notes due 2022	RUB	5.50%	9,984	-
MTS PJSC Notes due 2023	RUB	6.50%	9,860	9,351
MTS PJSC Notes due 2024	RUB	8.60%	7,488	7,485
MTS PJSC Notes due 2027	RUB	6.60%	6,980	-
MTS PJSC Notes due 2022	RUB	8.40%	4,994	4,991
MTS PJSC Notes due 2026	RUB	6.60%	4,990	-
MTS PJSC Notes due 2031	RUB	7.50%	891	891
Other			12	12
MTS International Notes due 2020	USD	8.625%	-	18,616
MTS PJSC Notes due 2020	RUB	7.90%	-	40
<b>Total notes</b>			<b>208,155</b>	<b>183,935</b>
Less: current portion			(20,813)	(27,937)
<b>Total notes, non-current</b>			<b>187,342</b>	<b>155,998</b>

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

MTS PJSC Notes due 2031

March 2021

The Group discloses these notes as maturing in 2021 (MTS PJSC Notes due 2031) in the aggregated maturities schedule as the noteholders have the unilateral right to demand repurchase of the notes at par value upon announcement of new coupons.

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

	Maturity	Interest rate (actual at December 31, 2020)	December 31, 2020	December 31, 2019
<b>RUB-denominated:</b>				
VTB	2024-2026	4.75%-5.50%	129,091	43,893
Sberbank	2021-2024	5.99%-10.00%	85,001	103,832
Subsidized loans <sup>1</sup>	2021-2025	1.75%-2.85%	1,845	-
Related party loans	2022-2024	4.25%-8.70%	1,803	688
Other			3,373	10,971
<b>Total bank and other loans</b>			<b>221,113</b>	<b>159,384</b>
Less: current portion			(13,312)	(43,809)
<b>Total bank and other loans, non-current</b>			<b>207,801</b>	<b>115,575</b>

<sup>1</sup> See Note 3 for further information

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

If the Group fails to meet these covenants, after certain notice and cure periods, the debtholders are entitled to demand accelerated principal repayment.

The Group was in compliance with all existing notes and bank loans covenants as of December 31, 2020.

**Available credit facilities** – As of December 31, 2020, the Group's total available unused credit facilities amounted to RUB 229,855 million and related to the following credit lines:

	Currency	Maturity	Interest rate	Available till	Available amount
Sberbank	RUB	2025	To be agreed	August 2025	130,000
Sberbank	RUB	2024	To be agreed	May 2024	65,000
Sberbank	RUB	2024	To be agreed	August 2024	20,000
VTB	RUB	2028	To be agreed	August 2028	5,000
Rosselhozbank	RUB/USD/EUR	2021	To be agreed	November 2021	5,000
			0.1 CBR key rate <sup>1</sup> +		
VEB	RUB	2025	2.42%	November 2023	4,348
Cisco	RUB	2023	To be agreed	January 2021	283
ZTV	RUB	2022	CBR key rate1	July 2022	224
<b>Total</b>					<b>229,855</b>

<sup>1</sup> CBR – Central Bank of Russia

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

The following table presents the aggregated scheduled maturities of principal and interests on notes and bank loans (gross of debt issuance costs) outstanding for the five years ending December 31, 2025 and thereafter:

	December 31, 2020	
	Notes	Bank loans and other debt
Payments due in the year ending December 31,		
2021	35,262	25,244
2022	62,453	52,944
2023	66,263	39,457
2024	22,845	36,005
2025	28,525	91,692
Thereafter	39,845	15,072
<b>Contractual undiscounted cash flows</b>	<b>255,193</b>	<b>260,414</b>
Less: unamortized debt issuance costs	(244)	-
Less: interest	(46,794)	(38,374)
Less: debt modification	-	(909)
Less: subsidized interest rate effect	-	(18)
<b>Total debt</b>	<b>208,155</b>	<b>221,113</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### 26. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

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

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

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

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

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

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

The table below summarises the estimated terms, over which the right-of-use assets are amortized:

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

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

	December 31,	
	2020	2019
Sites for placement of network and base station equipment	93,948	93,694
Land and buildings	36,468	45,020
Vehicles and other	87	103
<b>Right-of-use assets, net</b>	<b>130,503</b>	<b>138,817</b>

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Depreciation of the right-of-use assets for the years ended December 31, 2020, 2019 and 2018 included in depreciation and amortization expense in the accompanying consolidated statement of profit or loss was as follows, whereas RUB 3, RUB 1,644 and RUB 1,388 million, respectively were recognized as part of loss from discontinued operation in the accompanying consolidated statements of profit or loss:

	2020	2019	2018
Sites for network and base station equipment	6,903	6,900	7,784
Land and buildings	11,903	11,968	10,955
Vehicles and other	43	404	135
Exclusive rights for trademarks	-	693	694
<b>Depreciation charge, total</b>	<b>18,849</b>	<b>19,965</b>	<b>19,568</b>

Additions to the assets leased during the years ended December 31, 2020, 2019 and 2018 amounted to RUB 13,102, RUB 20,436 and RUB 22,572 million.

Interest expense accrued on lease obligations for the years ended December 31, 2020, 2019 and 2018 in the amount of RUB 12,277, RUB 13,416 and RUB 12,852 million, respectively, were included in finance costs, whereas RUB 1, RUB 1,246 and RUB 1,066 million, respectively were recognized as part of loss from discontinued operation in the accompanying consolidated statements of profit or loss.

For the years ended December 31, 2020, 2019 and 2018, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to:

	2020	2019	2018
Variable lease payments	9,542	8,522	1,934
Short-term leases	195	203	173
<b>Total</b>	<b>9,737</b>	<b>8,725</b>	<b>2,107</b>

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

	December 31,	
	2020	2019
<b>Minimum lease payments, including:</b>		
Current portion (less than 1 year)	27,094	27,650
More than 1 to 5 years	98,737	100,005
Over 5 years	93,520	106,411
<b>Total minimum lease payments</b>	<b>219,351</b>	<b>234,066</b>
Less amount representing interest	(68,537)	(78,758)
<b>Present value of net minimum lease payments, including:</b>		
Current portion (less than 1 year)	16,177	15,228
More than 1 to 5 years	66,784	63,016
Over 5 years	67,853	77,064
<b>Total present value of net minimum lease payments</b>	<b>150,814</b>	<b>155,308</b>
Less current portion of lease obligations	(16,177)	(15,228)
<b>Non-current portion of lease obligations</b>	<b>134,637</b>	<b>140,080</b>

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Total cash outflows for leases for the years ended December 31, 2020, 2019 and 2018 totaled to RUB 36,963, RUB 38,545 and RUB 29,368 million, of which RUB 12,173, RUB 14,666 and RUB 13,684 million was included in interest paid.

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

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



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#### 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

	December 31, 2019	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes <sup>1</sup>	December 31, 2020
Notes (Note 25)	183,935	18,590	-	-	7,674	-	-	-	(2,044)	208,155
Bank and other loans (Note 25)	159,384	60,055	-	26	-	-	-	-	1,648	221,113
Lease obligation (Note 26)	155,308	(15,054)	(12,173)	(145)	1,405	150	-	-	21,323	150,814
Payables related to repurchase of common stock (Note 33)	-	(16,028)	-	-	-	-	-	-	16,028	-
Dividends payable (Note 33)	23,080	(74,923)	-	-	-	-	-	52,012	(60)	109
Payables related to transactions under common control	22	-	-	-	-	-	-	-	(22)	-
Liability under put option agreement	73	-	-	-	-	-	(53)	-	42	62
Hedge asset (net)	955	-	(449)	-	(3,582)	-	-	-	(515)	(3,591)
<b>Total liabilities arising from financial activities</b>	<b>522,757</b>	<b>(27,360)</b>	<b>(12,622)</b>	<b>(119)</b>	<b>5,497</b>	<b>150</b>	<b>(53)</b>	<b>52,012</b>	<b>36,400</b>	<b>576,662</b>

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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	January 1, 2019	Financing cash flows	Operating cash flows	Acquisitions/ Disposals	Foreign exchange movement	Other comprehensive income	Change in fair value	Change in retained earnings	Other changes <sup>1</sup>	December 31, 2019
Notes (Note 25)	117,355	72,200	-	-	(5,668)	-	-	-	48	183,935
Bank and other loans (Note 25)	250,780	(93,640)	-	18	(1,057)	-	-	-	3,283	159,384
Lease obligation (Note 26)	160,552	(15,154)	(14,666)	(8,895)	(1,150)	493	-	-	34,128	155,308
Payables related to repurchase of common stock (Note 33)	-	(15,922)	-	-	-	-	-	-	15,922	-
Dividends payable (Note 33)	146	(52,505)	-	-	-	-	-	74,302	1,137	23,080
Payable related to purchase of noncontrolling interests	-	-	-	-	-	-	-	-	-	-
Payables related to transactions under common control	120	(15,312)	-	-	-	-	-	-	15,214	22
Liability under put option agreement (Note 34)	3,735	-	-	-	-	-	1,805	-	(5,467)	73
Receivables related to sale of own shares	-	-	-	-	-	-	-	-	-	-
Hedge asset (net)	(2,796)	(115)	(726)	-	3,299	296	-	-	997	955
<b>Total liabilities arising from financial activities</b>	<b>529,892</b>	<b>(120,448)</b>	<b>(15,392)</b>	<b>(8,877)</b>	<b>(4,576)</b>	<b>789</b>	<b>1,805</b>	<b>74,302</b>	<b>65,262</b>	<b>522,757</b>

<sup>1)</sup> Including accrual of liabilities related to repurchase of common stock, additions under lease agreements, dividends related to non-controlling interest, depreciation of debt issuance cost, modification gain, offsetting the liability under put option with the loan issued to the minority shareholders of MTS Armenia and other changes.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 28. PROVISIONS

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

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

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

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The following table summarizes the movement in provisions for the years ended December 31, 2020, 2019 and 2018:

	Tax provisions other than for income tax	Provision for decommissioning and restoration	Employee bonuses and other rewards	SEC provision (Note 35)	Litigation and Other provisions (Note 35)	Total provisions
<b>January 1, 2018</b>	<b>(310)</b>	<b>(1,049)</b>	<b>(10,157)</b>	<b>-</b>	<b>(645)</b>	<b>(12,161)</b>
Arising during the year	(374)	(1,912)	(14,259)	(55,752)	(941)	(73,238)
Utilised	336	18	13,873	-	393	14,620
Discount rate adjustment and imputed interest (change in estimates)	-	(223)	177	-	-	(46)
Unused amounts reversed	211	89	1,079	-	872	2,251
Arising due to acquisitions of subsidiaries	(113)	-	(984)	-	(1,165)	(2,262)
Other	(2)	(32)	(107)	(3,298)	(27)	(3,466)
<b>December 31, 2018</b>	<b>(252)</b>	<b>(3,109)</b>	<b>(10,378)</b>	<b>(59,050)</b>	<b>(1,513)</b>	<b>(74,302)</b>
Current portion	(252)	-	(10,096)	(59,050)	(1,513)	(70,911)
Non-current portion	-	(3,109)	(282)	-	-	(3,391)
<b>January 1, 2019</b>	<b>(252)</b>	<b>(3,109)</b>	<b>(10,378)</b>	<b>(59,050)</b>	<b>(1,513)</b>	<b>(74,302)</b>
Arising during the year	(410)	(2,341)	(16,896)	-	(208)	(19,855)
Utilised	19	19	16,055	55,607	527	72,227
Discount rate adjustment and imputed interest (change in estimates)	-	42	(12)	-	-	30
Unused amounts reversed	34	-	523	-	155	712
Arising due to acquisitions of subsidiaries	-	-	(9)	-	-	(9)
Disposal of VF Ukraine (Note 12)	50	760	672	-	126	1,608
Other	(4)	(159)	2	3,443	20	3,302
<b>December 31, 2019</b>	<b>(563)</b>	<b>(4,788)</b>	<b>(10,043)</b>	<b>-</b>	<b>(893)</b>	<b>(16,287)</b>
Current portion	(563)	(126)	(9,944)	-	(893)	(11,526)
Non-current portion	-	(4,662)	(99)	-	-	(4,761)
<b>January 1, 2020</b>	<b>(563)</b>	<b>(4,788)</b>	<b>(10,043)</b>	<b>-</b>	<b>(893)</b>	<b>(16,287)</b>
Arising during the year	(211)	(914)	(14,770)	-	(3,860)	(19,755)
Utilised	29	54	16,489	-	137	16,709
Discount rate adjustment and imputed interest (change in estimates)	1	(138)	67	-	-	(70)
Unused amounts reversed	8	513	(125)	-	114	510
Arising due to acquisitions of subsidiaries	-	-	-	-	-	-
Disposal of Nvision Group (Note 12)	115	-	245	-	9	369
Other	-	-	(62)	-	(2)	(64)
<b>December 31, 2020</b>	<b>(621)</b>	<b>(5,273)</b>	<b>(8,199)</b>	<b>-</b>	<b>(4,495)</b>	<b>(18,588)</b>
Current portion	(621)	(229)	(8,115)	-	(4,495)	(13,460)
Non-current portion	-	(5,044)	(84)	-	-	(5,128)

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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#### 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities;
- Level 3 – No observable pricing inputs in the market.

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

### 1. Financial assets of the Group

	December 31,	
	2020	2019
Cash and cash equivalents (Note 15)	85,405	38,070
Trade and other receivables (Note 19)	35,031	39,151
Accounts receivable, related parties (Note 32)	14,189	16,659
Other financial assets:		
<b>Financial assets at amortized cost:</b>		
Deposits and loans issued	118,594	94,757
Notes	9,583	15,957
Other	2,196	3,520
<b>Total financial assets at amortized cost</b>	<b>130,373</b>	<b>114,234</b>
<b>Financial assets at fair value through profit or loss:</b>		
Securities held by MTS Bank	21,824	13,273
Mutual funds	10,699	9,349
Assets in Sistema Capital trust management	10,313	8,195
Cross-currency swaps not designated as hedges	4,508	318
Contingent consideration (Note 12)	2,631	2,013
Embedded derivatives in a lease agreement	562	-
Assets under option agreements	228	-
Currency forwards, swaps and options not designated as hedges	2	52
<b>Total financial assets at fair value through profit or loss</b>	<b>50,767</b>	<b>33,200</b>
<b>Total other financial assets</b>	<b>181,140</b>	<b>147,434</b>
Total financial assets	315,765	241,314
Less current portion	(227,338)	(159,084)
<b>Total financial assets, non-current</b>	<b>88,427</b>	<b>82,230</b>

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

### 2. Financial liabilities of the Group

	December 31,	
	2020	2019
Trade and other payables	56,017	71,808
Accounts payable, related parties (Note 32)	3,146	558
Other financial liabilities:		
<b>Financial liabilities at amortized cost:</b>		
Bank and other loans (Note 25)	221,113	159,384
Notes (Note 25)	208,155	183,935
Bank deposits and liabilities (Note 31)	167,677	137,952
Lease obligations (Note 26)	150,814	155,308
<b>Total financial liabilities at amortized cost</b>	<b>747,759</b>	<b>636,579</b>
<b>Financial liabilities at fair value through profit or loss:</b>		
Contingent consideration and other liabilities	1,068	917
Liabilities under option agreements	55	73
Cross-currency swaps not designated as hedges	-	955
Currency forwards and swaps not designated as hedges	-	366
Interest rate swaps not designated as hedges	-	68
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,123</b>	<b>2,379</b>
<b>Total other financial liabilities</b>	<b>748,882</b>	<b>638,958</b>
Total financial liabilities	808,045	711,324
Less current portion	(276,368)	(296,911)
<b>Total financial liabilities, non-current</b>	<b>531,677</b>	<b>414,413</b>

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

The table below presents the fair value of financial instruments carried at fair value within the statement of financial position:

	Level of inputs	December 31,	
		2020	2019
<b>Assets</b>			
Securities held by MTS Bank	Level 1	21,824	13,273
Derivative instruments	Level 2	4,510	370
Cross-currency swaps		4,508	318
Currency forwards, swaps and options		2	52
Mutual investment funds, managed by Sistema Capital (Note 16)	Level 2	10,699	9,349
Assets in Sistema Capital trust management (Note 16)	Level 2	10,313	8,195
Embedded derivatives in a lease agreement	Level 2	562	-
Contingent consideration	Level 3	2,631	2,013
Assets under option agreements	Level 3	228	-
<b>Liabilities</b>			
Derivative instruments	Level 2	-	(1,389)
Cross-currency interest rate swaps		-	(955)
Currency forwards and swaps		-	(366)
Interest rate swaps		-	(68)
Contingent consideration	Level 3	(944)	(907)
Liabilities under option agreements	Level 3	(55)	(73)

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Net realized gains and losses of Level 3 assets and liabilities resulting from fair value measurements were included in the consolidated statements of profit or loss in the following amounts:

	For the years ended December 31,		
	2020	2019	2018
Net realized gains/(losses) of Level 3 assets	846	2,013	-
Net realized gains/(losses) of Level 3 liabilities	(39)	(1,813)	(719)
	<b>807</b>	<b>200</b>	<b>(719)</b>

No unrealized gains or losses of Level 3 liabilities resulting from fair value measurements were recognized during the years ended December 31, 2020, 2019 and 2018.

#### *Financial instruments at amortised cost*

The carrying value of the Group's financial instruments accounted for at amortized cost approximates their fair value due to their short-term nature and market interest rates, except for borrowings, gross of debt issuance cost, as disclosed in the table below:

	Level of inputs	December 31, 2020		December 31, 2019	
		Fair value	Carrying value	Fair value	Carrying value
Notes	Level 1	(200,198)	(191,142)	(180,824)	(174,165)
Unquoted notes	Level 3	(17,012)	(17,012)	(10,012)	(10,012)
Bank and other loans (Note 25)	Level 3	(221,113)	(221,113)	(159,384)	(159,384)
		<b>(438,323)</b>	<b>(429,267)</b>	<b>(350,220)</b>	<b>(343,561)</b>

The carrying value of the Group's bank and other loans approximates their fair value as of December 31, 2020 and 2019.

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

There were no transfers between levels of inputs within the hierarchy during the years ended December 31, 2020, 2019 and 2018.

There were no transfers between the accounting categories of financial instruments during the years ended December 31, 2020 and 2018.

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

### 30. FINANCIAL RISK MANAGEMENT

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



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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#### **Capital risk**

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

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

MTS Bank meets the requirements established by the CBR. As of December 31, 2020 and 2019, the capital adequacy ratio of MTS Bank in accordance with CBR requirements were:

- 12.82% and 13.7% for own capital;
- 9.95% and 9.89% for base capital;
- 8.22% and 7.78% for main capital, respectively.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The Group is primarily exposed to the following types of market risks: interest rate risk and currency exchange rates fluctuations. Financial instruments affected by market risk include loans and borrowings, deposits, accounts payable and accounts receivables denominated in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the financial position as of December 31, 2020 and 2019.

#### Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

#### Fixed interest rate risk

A part of the Group's notes denominated US Dollars bear fixed interest rates. To eliminate the exposure of changes in the value of debt obligations, the Group enters into fixed-to-variable cross-currency and interest rate swap agreements. In aggregate, the Group entered into fixed-to-variable cross-currency and interest rate swap agreements designated to manage the exposure of changes in value of the debt related to 7.4% and 5.8% of the Group's notes and bank loans with fixed rates outstanding as of December 31, 2020 and 2019.

The notional amounts of interest rate derivative instruments outstanding amounted to RUB 22,163 million and RUB 25,387 million as of December 31, 2020 and 2019, respectively.

#### Sensitivity analysis

A reasonably possible increase of 100 basis points in short term interest rates would have resulted in RUB 1,166 million, RUB 271 million and RUB 201 million future increases of interest expense for the years ended December 31, 2020, 2019 and 2018, respectively. The same decrease in short term interest rates would have resulted in RUB 1,166 million, RUB 271 million and RUB 201 million future decreases of interest expenses for the years ended December 31, 2020, 2019 and 2018, respectively. There will be no material impact on equity.

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

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#### Foreign currency risks

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

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

In aggregate the Group entered into cross-currency interest rate swap agreements designated to manage the exposure of changes in currency exchange rate for 66.7% and 40.0% of its USD-denominated notes and bank loans outstanding as of December 31, 2020 and 2019 respectively.

The notional amounts of currency derivative instruments amounted to RUB 22,163 million and RUB 18,572 million as of December 31, 2020 and 2019 respectively.

The Group has entered into currency forward and swaps agreements to minimize the foreign currency risk. The contracts assumed the purchase or sale of the agreed amount of currency at a specified exchange rate and on a specific date. The rate was determined by the market spot rate upon issuance. As the result of currency forward and swap agreements, unfulfilled as of December 31, 2020, 2019 and 2018, the Group recognized RUB 1,136 million loss, RUB 701 million gain and RUB 1,937 million gain the consolidated statement of profit and loss for the years ended December 31, 2020, 2019 and 2018, respectively.

The notional amounts of currency forward and swap instruments, unfulfilled as of December 31, 2020 and 2019, amounted to RUB 7,911 million and RUB 69,535 million, respectively.

In 2018-2019, several swap agreements were ceased to be hedge instruments due to the earlier redemption of hedged loans from Calyon, ING Bank N.V, Nordea Bank AB, Raiffeisen Zentralbank Osterreich AG, Citibank and subsequently several swap agreements were early terminated. Loans and swaps were due in 2019 - 2024. The amount of RUB 12 million and RUB 505 million, net of tax, was immediately reclassified from accumulated other comprehensive income to profit for the year during the years ended December 31, 2019 and 2018, respectively, and recognized as a part of other non-operating (income)/expenses in consolidated statement of profit or loss.

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

	<u>Change in rate, USD</u>	<u>USD - effect on profit before tax RUB mln</u>	<u>Change in rate, EUR</u>	<u>EUR - effect on profit before tax RUB mln</u>
2020	+10%	786	+10%	(682)
	-10%	(1,291)	-10%	682
2019	+5%	2,516	+1%	120
	-5%	(2,516)	-1%	(120)
2018	+1%	(176)	+1%	152
	-1%	176	-1%	(152)

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

There will be no material impact on equity.

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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*(Amounts in millions of Russian Rubles unless otherwise stated)*

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

#### **Liquidity risk**

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

The Group manages liquidity risk on long-term borrowings by maintaining a varied maturity profile and a required net debt position, therefore minimizing the refinancing risk. Long-term borrowings mature between one and 6 years.

Securities held by MTS Bank which are accounted for at fair value through profit and loss and investments at amortized cost are included in liquidity analysis on the basis of remaining maturity. Most of these securities are included in the CBR Lombard list and if required may be used to obtain Repurchase Agreement (REPO) financing from the CBR. MTS Bank's demand for medium-term liquidity is fully satisfied by the availability of interbank loans and customer deposits (obtaining new and prolongating existing deposits), secured loans and conclusion of REPO agreements. Analysis of the liquidity and interest rate risks of MTS Bank is presented in Note 31.

As at December 31, 2020, the Group's consolidated current liabilities exceeded current assets by RUB 66,315 million. The management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and the availability of committed credit facilities of RUB 229,855 million (Note 25).

#### **Credit risk**

Credit risk is the risk that the counterparty will not meet its obligations arising from entering into financial instrument, leading to a financial loss.

In accordance with IFRS 9 the Group records an allowance for expected credit losses (ECL) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows that the Group expects to receive. The shortfall is discounted at an approximation to the asset's original effective interest rate.

The expected credit-loss approach uses three stages for allocating impairment losses:

Stage 1: expected credit losses within the next twelve months

Stage 1 includes all contracts with no significant increase in credit risk since initial recognition and usually contains new contracts that are fewer than 31 days past due date. The portion of the lifetime expected credit losses resulting from default events possible within the next 12 months is recognized.

Stage 2: expected lifetime credit losses – not credit impaired

If a financial asset has a significant increase in credit risk since initial recognition but is not yet credit impaired, it is moved to stage 2 and measured at lifetime expected credit loss. This is defined as the expected credit loss that results from all possible default events over the expected life of the financial instrument.

In all cases, the Group considers that there has been a significant increase in credit risk when the contractual payment is more than 30 days past due.

Stage 3: expected lifetime credit losses – credit impaired

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If a financial asset is defined as credit impaired or in default, it is transferred to stage 3 and measured at lifetime expected credit loss. Objective evidence for a credit-impaired financial asset includes 91 days past due date as well as other information indicating significant financial difficulties of the borrower. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The determination of whether a financial asset has experienced a significant increase in credit risk is based on an assessment of the probability of default, which is made at least quarterly, incorporating external credit rating information as well as internal information on the credit quality of the financial asset. For debt instruments that are not receivables from financial services, a significant increase in credit risk is assessed mainly based on past-due information.

For contract assets, trade and other receivables, a simplified approach is applied whereby ECL are initially measured over the lifetime of the instrument.

The Group considers its exposure to credit risk as of December 31, 2020, and 2019 to be as follows:

	December 31,	
	2020	2019
Deposits and loans issued	118,594	94,757
Cash and cash equivalents	85,405	38,070
Trade and other receivables	35,031	39,151
Securities held by MTS Bank	21,824	13,273
Mutual funds	10,699	9,349
Assets in Sistema Capital trust management	10,313	8,195
Notes	9,583	15,957
Derivative financial instruments	5,072	370
Contingent consideration	2,631	2,013
Assets under option agreements	228	-
Other	2,196	3,520

Information on the Group's exposure to credit risk on guarantees issued and commitments on loans of MTS Bank is presented in Note 31.

In accordance with the provisions of the internal Group regulations on allocate of free funds, the aggregate credit risk exposure the Group may have to one counterparty is limited. The Group maintains a mixture of cash and cash equivalents, investments, derivatives and certain other financial instruments within various financial institutions. Those are approved as required by internal procedure related to selection of financial institutions to allocate funds. Credit rating assigned by international rating agencies is a main criteria to consider in the process of financial institutions selection.

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

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

### 31. BANK FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2020, COVID-19 constitutes a new factor that the Group has to take into account while assessing and managing credit risk. The updated assumptions used for the assessment of credit risk of different bank customers segments are presented below.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

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Loans to individuals, small and medium businesses:

- The Group introduced the concept of a technically overdue bucket that significantly improved differentiation of stage 2 loans by the respective probability of default;
- The Group included an additional macroeconomic adjustment in assessment of loss probability by different generations of loans that are less than 12 months of age, thereby improving the related behavioural assessment of each generation;
- Additionally the Group has recalibrated its macroeconomic model and updated the macroeconomic forecasts based on the most recent information available as of reporting date;
- Out of schedule stress testing of credit risk has been performed in light of the deterioration of the macroeconomic environment.

Loans to corporate customers:

- The Group has updated macroeconomic scenarios for PD (Probability of Default) model using the updated macroeconomic forecasts by CBRF (Central Bank of Russian Federation) and Oxford Economics; Out of schedule stress testing of credit risk has been performed in light of macroeconomic environment deterioration;
- Decrease of risk appetite caused by:
  - Enhancement of authorization procedures for new loans and tranches for existing lines of credit;
  - Review of new loan applications in light of stressful scenario of economic development according to budget and business plan;
  - Tendency to replace revolving and non-revolving lines of credit with products that have more preferable risk profile, like overdrafts and factoring;
  - Launch of enhanced monitoring of existing borrowers.

The weighted average provision rates increased from 7.77% as of December 31, 2019 to 12.46% as of December 31, 2020 for individuals, and decreased from 13.74% to 13.21% for corporate borrowers, taking into account the updated macroeconomic forecasts.

Magnitude of COVID-19 influence on the bank's operations largely depends on time duration of the pandemic and the extent of the virus influence on global and local economy.

#### ***Stress-testing***

Management considers the sensitivity of the ECL outcome against the economic forecasts as part of the ECL management process by recalculating the ECL under two scenarios described below for corporate borrowers, bonds held to maturity and individuals:

- Base forecast of CBRF dated July 24, 2020: crude oil price = USD 38 per barrel, GDP = -5.5% (bottom of the range);
- Negative scenario of CBRF: crude oil price = USD 19 per barrel, GDP = -11.15%.

According to the Group estimations probability of occurrence is 80% for scenario 1 and 20% for scenario 2.

Stress testing results show that capital adequacy ratios are within acceptable range\*.

\* According to conservative expert assumption that increase in ECL will lead to comparable increase in allowance booked as a result of Russian accounting standards ("RAS") application, because capital adequacy ratios are based on RAS numbers.

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ECL increase for Scenario 1 and 2 is equal to RUB 2.9 and 4.6 billion respectively:

- Scenario 1: corporate borrowers and bonds held to maturity – RUB 2.5 billion, individuals – RUB 0.4 billion
- Scenario 2: corporate borrowers and bonds held to maturity – RUB 3.4 billion, individuals – RUB 1.2 billion

As of the date of these financial statements, Management believes that the results of stress-testing performed in 2<sup>nd</sup> quarter of 2020 show the conservative approach and an update is not required due to improvements of macroeconomic parameters used in the mentioned stress-testing since 2<sup>nd</sup> quarter of 2020 up to date.

Interest rate shock scenario is used for assets and liabilities sensitive to changes in interest rate that is a one-time increase by 400 b.p. for all time ranges. Calculations showed moderate decline of net interest income that may negatively affect bank's equity only in combination with exceptional amount of losses (more than 25% of equity) caused by occurrence of other types of risks.

Stress testing of bank's sensitivity to interest rate risk factors in trading book is carried out for several scenarios among which the key scenario is parallel shift of yield curves by 500 b.p. leading to negative revaluation of bond portfolio that is significantly lower than 5% of bank's own funds.

Stress testing of bank's liquidity position is carried out according to three model scenarios provided for by internal policies: "short-term financial crisis", "long-term systematic crisis" and "reputational crisis of the bank of companies". Stress test model has composite nature and includes reduction of inflows from assets due to realization of credit risk, as well as significant outflows of outside funds (100%, 50% in rare cases, of conditionally stable level for current liabilities). Ultimate goal of the stress testing is assessment of bank's liquidity buffer adequacy including the assessment of the survival period of the bank compared to the minimum limits set by the Risk appetite declaration of PJSC MTS Bank. Results of the stress testing displayed that "survival period" is reached for all three base scenarios.

Considering that in current circumstances, caused by COVID-19, majority of governments globally have chosen ways of monetary and fiscal stimulation, as well as increased cash accessibility, mentioned hypothetical stress test scenarios that take into account sharp increase of interest rate and liquidity deficit on the market, adequately include possible pandemic influence on the Group.

#### Bank deposits and loans to customers

The table below represents the structure and amounts of current and non-current bank deposits and loans to customers as of December 31, 2020 and 2019.

	December 31,	
	2020	2019
Loans to customers	130,164	99,990
Due from banks	2,950	2,883
Allowance for ECL	(16,446)	(10,031)
<b>Total bank deposits and loans to customers, net</b>	<b>116,668</b>	<b>92,842</b>
Less: current portion	(52,676)	(39,370)
<b>Bank deposits and loans to customers, non-current</b>	<b>63,992</b>	<b>53,472</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of bank loans to customers as of December 31, 2020 and 2019 is presented in the table below:

	December 31,	
	2020	2019
<b>Loans to legal entities</b>		
Corporate borrowers	26,602	24,192
Medium-sized enterprises and small businesses	1,736	1,959
<b>Total loans to legal entities</b>	<b>28,338</b>	<b>26,151</b>
<b>Loans to individuals</b>		
Mortgage loans	14,384	11,164
Consumer loans	65,142	46,484
Credit cards	21,874	15,618
Other	426	573
<b>Total loans to individuals</b>	<b>101,826</b>	<b>73,839</b>
<b>Due from banks</b>		
Time deposits with banks	1,770	1,581
Obligatory reserves with the Central Bank of Russia	1,180	1,302
<b>Total due from banks</b>	<b>2,950</b>	<b>2,883</b>
<b>Total bank deposits and loans to customers</b>	<b>133,114</b>	<b>102,873</b>
Less: allowance for expected credit losses	(16,446)	(10,031)
<b>Total bank deposits and loans to customers, net</b>	<b>116,668</b>	<b>92,842</b>

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

	December 31,	
	2020	2019
Guaranties	17,200	11,448
Pledge of real estate	18,733	14,077
Securities	370	1,017
Pledge of equipment	100	495
Rights of claim, pledge of inventories or own promissory notes and by other collateral	156	44
Unsecured loans	93,605	72,909
Allowance for expected credit losses	(16,436)	(10,024)
<b>Total loans to customers, net</b>	<b>113,728</b>	<b>89,966</b>

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

Movements in the allowance for impairment losses attributable to bank deposits and loans to customers for the year ended December 31, 2020 and 2019 are presented in the table below:

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

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

	Loans to customers	Due from banks	Total
<b>Balance as at January 1, 2019</b>	<b>7,689</b>	<b>40</b>	<b>7,729</b>
Provision charge/release	3,551	(18)	3,533
Recovery of bad debt written-off	827	1	828
Bad debt written-off	(2,006)	(16)	(2,022)
Sale of loans	(40)	-	(40)
Foreign currency revaluation effect	3	-	3
<b>Balance as at December 31, 2019</b>	<b>10,024</b>	<b>7</b>	<b>10,031</b>

Movements in provision for expected credit losses on loans to legal entities for the year ended December 31, 2020 and 2019 were as follows:

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

	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at January 1, 2019</b>	<b>318</b>	<b>486</b>	<b>3,408</b>	<b>4,212</b>
- Transfer to stage 1	19	(18)	(1)	-
- Transfer to stage 2	(46)	47	(1)	-
- Transfer to stage 3	(55)	(496)	551	-
New financial assets originated or purchased	524	2	132	658
Change due to change of credit risk	(42)	56	(419)	(405)
Sale of loans	(40)	-	-	(40)
Write-offs	-	-	(863)	(863)
Recovery of previously written-off assets	-	-	392	392
Foreign exchange difference	3	-	-	3
<b>Balance as at December 31, 2019</b>	<b>681</b>	<b>77</b>	<b>3,199</b>	<b>3,957</b>



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Movements in provision for expected credit losses attributable to loans to individuals for the year ended December 31, 2020 and 2019 were as follows:

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

	Stage 1	Stage 2	Stage 3	Total
<b>Balance as at January 1, 2019</b>	<b>756</b>	<b>318</b>	<b>2,403</b>	<b>3,477</b>
- Transfer to stage 1	599	(465)	(134)	-
- Transfer to stage 2	(188)	236	(48)	-
- Transfer to stage 3	(2)	(1,228)	1,230	-
New financial assets originated or purchased	1,351	-	-	1,351
Change due to change of credit risk	(708)	2,062	593	1,947
Write-offs	-	-	(1,143)	(1,143)
Recovery of previously written-off assets	-	-	435	435
<b>Balance as at December 31, 2019</b>	<b>1,808</b>	<b>923</b>	<b>3,336</b>	<b>6,067</b>

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

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

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

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

<b>As of December 31, 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low to fair risk	66,506	138	-	66,644
Monitoring	-	2,801	49	2,850
Impaired	-	-	4,345	4,345
Loss allowance	(1,808)	(923)	(3,336)	(6,067)
<b>Total</b>	<b>64,698</b>	<b>2,016</b>	<b>1,058</b>	<b>67,772</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

As of December 31, 2019	Stage 1	Stage 2	Stage 3	Total
Low to fair risk	11,711	1,728	-	13,439
Monitoring	7,396	1,489	-	8,885
Impaired	-	-	3,826	3,826
Loss allowance	(681)	(77)	(3,199)	(3,957)
<b>Total</b>	<b>18,426</b>	<b>3,140</b>	<b>627</b>	<b>22,193</b>

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

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

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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Analysis by credit quality of loans to individuals outstanding as of December 31, 2019 is as follows:

As of December 31, 2019	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
<b>Collectively assessed</b>				
Not past due	66,506	(1,664)	64,842	3%
Overdue:				
up to 30 days	1,841	(472)	1,369	26%
31 to 60 days	519	(293)	226	56%
61 to 90 days	441	(282)	159	64%
91 to 180 days	1,110	(816)	294	74%
over 180 days	2,615	(2,043)	572	78%
<b>Total collectively assessed loans</b>	<b>73,032</b>	<b>(5,570)</b>	<b>67,462</b>	<b>8%</b>
<b>Individually impaired</b>				
Not past due	495	(380)	115	77%
Overdue:				
up to 30 days	48	(15)	33	31%
31 to 60 days	-	-	-	0%
61 to 90 days	1	-	1	0%
91 to 180 days	4	-	4	0%
over 180 days	259	(102)	157	39%
<b>Total individually impaired loans</b>	<b>807</b>	<b>(497)</b>	<b>310</b>	<b>62%</b>
<b>Total</b>	<b>73,839</b>	<b>(6,067)</b>	<b>67,772</b>	<b>8%</b>

Analysis by credit quality of loans to medium-sized enterprises and small businesses outstanding as of December 31, 2019 is as follows:

As of December 31, 2019	Gross loans	Provision for ECL	Net loans	Provision for ECL to gross loans
<b>Collectively assessed</b>				
Not past due	1,213	(19)	1,194	2%
Overdue:				
up to 30 days	29	(9)	20	31%
31 to 60 days	30	-	30	0%
61 to 90 days	-	-	-	0%
91 to 180 days	14	(3)	11	21%
over 180 days	672	(399)	273	59%
<b>Total collectively assessed loans</b>	<b>1,958</b>	<b>(430)</b>	<b>1,528</b>	<b>22%</b>

#### Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of December 31, 2020 and 2019.

	December 31,	
	2020	2019
Customer accounts	139,438	122,809
Due to banks and other financial institutions	24,644	12,305
Debt securities issued	1,840	1,421
Financial liabilities at fair value through profit or loss	2	297
Other financial liabilities	1,753	1,120
<b>Total bank deposits and liabilities</b>	<b>167,677</b>	<b>137,952</b>
Less: current portion	(165,794)	(136,147)
<b>Total bank deposits and liabilities, non-current</b>	<b>1,883</b>	<b>1,805</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

The structure and amounts of customer accounts of December 31, 2020 and 2019 are presented below:

	December 31,	
	2020	2019
<b>Legal entities</b>		
- Current/settlement accounts	13,163	10,005
- Term deposits	19,466	12,092
<b>Individuals</b>		
- Current/settlement accounts	18,219	14,915
- Term deposits	88,590	85,797
<b>Total customer accounts</b>	<b>139,438</b>	<b>122,809</b>

The structure and amounts of due to banks as of December 31, 2020 and 2019 are presented below:

	December 31,	
	2020	2019
Loans under repurchase agreements	20,540	11,994
Loans and term deposits from banks and other financial institutions	2,732	50
Correspondent accounts of other banks	1,372	261
<b>Total due to banks</b>	<b>24,644</b>	<b>12,305</b>

Loans under repurchase agreements were secured by the following collateral:

- Securities measured at fair value through profit/loss with the value of RUB 9,678 million as of December 31, 2020;
- Securities measured at amortized cost with the value of RUB 1,557 million and RUB 8,719 million as of December 31, 2020 and 2019 respectively;
- Federal Loan Bonds (OFZ) received from Deposit Insurance Agency (DIA) as a subordinated securities loan in the amount of RUB 6,374 million and RUB 3,518 million as of December 31, 2020 and 2019 respectively.

In November 2015, MTS Bank received a subordinated debt of RUB 7,246 million in the form of OFZ from the state corporation DIA with the date of maturity January 22, 2025. In accordance with the terms of the contract, MTS Bank should return the securities to the creditor at the end of the contract period. The Group does not recognize the securities and the obligation to return them to the creditor in the consolidated statement of financial position as of December 31, 2020 and 2019. In accordance with the contract, MTS Bank should comply with certain covenants with respect to capital, loan portfolio, employee benefits. If the above conditions are not met, DIA may apply penalties to MTS Bank. The contract also includes certain restrictions on sale or repledge of the securities by MTS Bank.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

An analysis of liquidity and interest rate risk inherent to bank assets as of December 31, 2020 and 2019 is presented in the following table. The maturity corresponds to the contractual terms. However, individuals are entitled to terminate their deposit agreement ahead of schedule.

As of December 31, 2020	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
<b>Financial assets</b>							
Financial assets at fair value through profit or loss	21,823	-	-	-	-	1	21,824
Due from banks	16,915	-	-	-	-	-	16,915
Loans to customers*	6,455	15,949	38,916	57,422	8,971	2,150	129,863
Investments in securities	15	166	643	8,760	-	-	9,584
<b>Total interest bearing financial assets</b>	<b>45,208</b>	<b>16,115</b>	<b>39,559</b>	<b>66,182</b>	<b>8,971</b>	<b>2,151</b>	<b>178,186</b>
Cash and cash equivalents	22,274	-	-	-	-	-	22,274
Due from banks	1,180	-	-	-	-	-	1,180
Currency forwards and options not designated as hedges	1	1	-	-	-	-	2
Other financial assets*	962	125	35	-	-	47	1,169
<b>Total non-interest bearing financial assets</b>	<b>24,417</b>	<b>126</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>24,625</b>
<b>Total financial assets</b>	<b>69,625</b>	<b>16,241</b>	<b>39,594</b>	<b>66,182</b>	<b>8,971</b>	<b>2,198</b>	<b>202,811</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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(Amounts in millions of Russian Rubles unless otherwise stated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<b>Financial liabilities</b>						
Due to banks and other financial institutions	(22,962)	-	(127)	-	-	(23,089)
Customer accounts*	(21,827)	(15,109)	(69,684)	(1,423)	-	(108,043)
Debt securities issued	(1,204)	-	(341)	(295)	-	(1,840)
Lease obligations*	(11)	(47)	(196)	(332)	-	(586)
<b>Total interest bearing financial liabilities</b>	<b>(46,004)</b>	<b>(15,156)</b>	<b>(70,348)</b>	<b>(2,050)</b>	<b>-</b>	<b>(133,558)</b>
Currency forwards and options not designated as hedges	(1)	(1)	-	-	-	(2)
Obligation to deliver securities	-	-	-	-	-	-
Due to banks and other financial institutions	(1,372)	-	-	-	-	(1,372)
Customer accounts*	(41,698)	-	-	-	-	(41,698)
Other financial liabilities*	(2,231)	(492)	(1,472)	-	-	(4,195)
<b>Total non-interest bearing financial liabilities</b>	<b>(45,302)</b>	<b>(493)</b>	<b>(1,472)</b>	<b>-</b>	<b>-</b>	<b>(47,267)</b>
<b>Total financial liabilities</b>	<b>(91,306)</b>	<b>(15,649)</b>	<b>(71,820)</b>	<b>(2,050)</b>	<b>-</b>	<b>(180,825)</b>
<b>Liquidity gap</b>	<b>(21,681)</b>	<b>592</b>	<b>(32,226)</b>	<b>64,132</b>	<b>8,971</b>	
<b>Stable sources of funding</b>	<b>42,378</b>	<b>1,823</b>	<b>30,814</b>	<b>(15,970)</b>	<b>(59,045)</b>	
<b>Net liquidity gap</b>	<b>20,697</b>	<b>2,415</b>	<b>(1,412)</b>	<b>48,162</b>	<b>(50,074)</b>	
<b>Cumulative liquidity gap</b>	<b>20,697</b>	<b>23,112</b>	<b>21,700</b>	<b>69,862</b>	<b>19,788</b>	
 * Including intercompany balances	 8,776	 (7,808)	 (4,361)	 (1,971)	 -	 (5,364)

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2019	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
<b>Financial assets</b>							
Financial assets at fair value through profit or loss	13,273	-	-	-	-	-	<b>13,273</b>
Due from banks	1,831	-	-	-	-	-	<b>1,831</b>
Loans to customers	4,366	12,334	33,371	49,138	6,187	1,783	<b>107,179</b>
Investments in securities	5	10	6,059	8,937	442	-	<b>15,453</b>
<b>Total interest bearing financial assets</b>	<b>19,475</b>	<b>12,344</b>	<b>39,430</b>	<b>58,075</b>	<b>6,629</b>	<b>1,783</b>	<b>137,736</b>
Cash and cash equivalents	26,244	-	-	-	-	-	<b>26,244</b>
Due from banks	466	128	697	9	-	-	<b>1,300</b>
Currency forwards and options not designated as hedges	-	26	-	-	-	-	<b>26</b>
Other financial assets*	683	57	57	-	-	21	<b>818</b>
<b>Total non-interest bearing financial assets</b>	<b>27,393</b>	<b>211</b>	<b>754</b>	<b>9</b>	<b>-</b>	<b>21</b>	<b>28,388</b>
<b>Total financial assets</b>	<b>46,868</b>	<b>12,555</b>	<b>40,184</b>	<b>58,084</b>	<b>6,629</b>	<b>1,804</b>	<b>166,124</b>

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(Amounts in millions of Russian Rubles unless otherwise stated)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<b>Financial liabilities</b>						
Due to banks and other financial institutions	(12,044)	-	-	-	-	(12,044)
Customer accounts*	(16,094)	(12,746)	(69,178)	(928)	-	(98,946)
Debt securities issued	(445)	(701)	(70)	(354)	-	(1,570)
Lease obligations*	-	(15)	(234)	(377)	-	(626)
<b>Total interest bearing financial liabilities</b>	<b>(28,583)</b>	<b>(13,462)</b>	<b>(69,482)</b>	<b>(1,659)</b>	<b>-</b>	<b>(113,186)</b>
Currency forwards and options not designated as hedges	-	(25)	-	-	-	(25)
Obligation to deliver securities	(272)	-	-	-	-	(272)
Due to banks and other financial institutions	(261)	-	-	-	-	(261)
Customer accounts*	(30,152)	-	-	-	-	(30,152)
Other financial liabilities	(1,987)	(550)	(1,534)	-	-	(4,071)
Debt securities issued	-	(8)	(64)	(323)	(463)	(858)
<b>Total non-interest bearing financial liabilities</b>	<b>(32,672)</b>	<b>(583)</b>	<b>(1,598)</b>	<b>(323)</b>	<b>(463)</b>	<b>(35,639)</b>
<b>Total financial liabilities</b>	<b>(61,255)</b>	<b>(14,045)</b>	<b>(71,080)</b>	<b>(1,982)</b>	<b>(463)</b>	<b>(148,825)</b>
<b>Liquidity gap</b>	<b>(14,387)</b>	<b>(1,490)</b>	<b>(30,896)</b>	<b>56,102</b>	<b>6,166</b>	
<b>Stable sources of funding</b>	<b>40,625</b>	<b>641</b>	<b>30,855</b>	<b>(14,270)</b>	<b>(57,852)</b>	
<b>Net liquidity gap</b>	<b>26,238</b>	<b>(849)</b>	<b>(41)</b>	<b>41,832</b>	<b>(51,686)</b>	
<b>Cumulative liquidity gap</b>	<b>26,238</b>	<b>25,389</b>	<b>25,348</b>	<b>67,180</b>	<b>15,494</b>	
 * Including intercompany balances	 6,802	 593	 (13,532)	 (2,960)	 -	 (9,097)



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Analysis of the liquidity and interest rate risks as of December 31, 2020 and 2019 is presented in the following table. The amounts in the table below represent future aggregate undiscounted cash flows.

As of December 31, 2020	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
<b>Interest bearing financial liabilities</b>								
Due to banks	4.4%	22,962	-	127	-	-	-	23,089
Customer accounts*	5.9%	22,046	15,352	71,255	1,458	-	-	110,111
Debt securities issued	4.0%	1,204	-	348	321	-	-	1,873
Lease obligations*	6.1%	10	48	204	377	-	-	639
<b>Total interest bearing financial liabilities</b>		<b>46,222</b>	<b>15,400</b>	<b>71,934</b>	<b>2,156</b>	<b>-</b>	<b>-</b>	<b>135,712</b>
<b>Non-interest bearing financial liabilities</b>								
Financial liabilities at fair value through profit or loss		-	-	-	-	-	-	-
Due to banks		1,372	-	-	-	-	-	1,372
Customer accounts*		41,968	-	-	-	-	-	41,968
Other financial liabilities*		2,231	492	1,472	-	-	-	4,195
<b>Total non-interest bearing financial liabilities and commitments</b>		<b>45,571</b>	<b>492</b>	<b>1,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,535</b>
<b>Total financial liabilities</b>		<b>91,793</b>	<b>15,892</b>	<b>73,406</b>	<b>2,156</b>	<b>-</b>	<b>-</b>	<b>183,247</b>
* Including intercompany balances		10,770	8	39	58	-	-	10,875

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

As of December 31, 2019	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
<b>Interest bearing financial liabilities</b>								
Due to banks	6.5%	12,064	-	-	-	-	-	12,064
Customer accounts*	5.9%	16,337	13,273	71,588	957	-	-	102,155
Debt securities issued	9.5%	458	707	71	354	-	-	1,590
Lease obligations*	6.8%	26	40	195	444	-	-	705
<b>Total interest bearing financial liabilities</b>		<b>28,885</b>	<b>14,020</b>	<b>71,854</b>	<b>1,755</b>	<b>-</b>	<b>-</b>	<b>116,514</b>
<b>Non-interest bearing financial liabilities</b>								
Financial liabilities at fair value through profit or loss		272	-	-	-	-	-	272
Due to banks		261	-	-	-	-	-	261
Customer accounts*		30,152	-	-	-	-	-	30,152
Other financial liabilities		1,987	550	1,534	-	-	-	4,071
Debt securities issued		-	9	64	323	463	-	859
<b>Total non-interest bearing financial liabilities and commitments</b>		<b>32,672</b>	<b>559</b>	<b>1,598</b>	<b>323</b>	<b>463</b>	<b>-</b>	<b>35,615</b>
<b>Total financial liabilities</b>		<b>61,557</b>	<b>14,579</b>	<b>73,452</b>	<b>2,078</b>	<b>463</b>	<b>-</b>	<b>152,129</b>
* Including intercompany balances		6,936	214	-	-	-	-	7,150

The Group has contingent liabilities (future period obligations) represented by bank guarantees in amount of RUB 9.8 million as at December 31, 2020 (RUB 5 million as at December 31, 2019). The Group is not subject to Credit risk on these obligations.

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

As of December 31, 2020	Stage 1	Stage 2	Stage 3	Total
Commitments on loans	21,410	1,729	56	23,195
Guarantees issued	21,426	2,084	247	23,757
Less provision	(340)	(33)	(213)	(586)
<b>Total commitments on loans and guarantees issued</b>	<b>42,496</b>	<b>3,780</b>	<b>90</b>	<b>46,366</b>
<b>As of December 31, 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Commitments on loans	18,890	4,909	13	23,812
Guarantees issued	18,204	1,398	244	19,846
Less provision	(339)	(17)	(47)	(403)
<b>Total commitments on loans and guarantees issued</b>	<b>36,755</b>	<b>6,290</b>	<b>210</b>	<b>43,255</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### 32. RELATED PARTIES

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

The aggregated impact of transactions with related parties to the Group's statements of financial position as of December 31, 2020 and 2019 and statements of profit or loss for the years then ended was the following:

	December 31,		
	2020	2019	
Statements of financial position:			
Advances given for property, plant and equipment	1,109	3,866	
Right-of-use assets	4,957	4,526	
Other investments	529	149	
Accounts receivable, non-current	5,209	10,787	
Bank loans to customers, non-current	2,856	4,150	
Accounts receivable, current	8,980	5,872	
Bank loans to customers, current	5,162	1,677	
Short-term investments	3	246	
Advances paid and prepaid expenses	1,526	-	
Cash and cash equivalents	321	282	
Loans receivable, non-current	11	-	
Lease obligations, non-current	4,878	5,160	
Bank deposits and liabilities, non-current	124	153	
Dividends payable	3	11,747	
Accounts payable, current	3,146	558	
Loans receivable, current	1,792	688	
Lease obligations, current	738	763	
Bank deposits and liabilities, current	52,248	41,198	
Statements of profit or loss	2020	2019	2018
Revenue	5,832	4,932	4,352
Cost of services	2,842	3,237	1,696
Selling, general and administrative expenses	2,694	3,188	2,948
Other operating income / (expense)	2,147	5,190	878
Other expense	278	-	-
Finance income / (loss)	1,289	1,662	1,398
Interest expenses under lease arrangements	442	447	135

**Terms and conditions of transactions with related parties** – Outstanding balances as of December 31, 2020 and 2019 were unsecured and settlements are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2020, the Group had no significant amounts of impairment relating to receivables owed by related parties as well as expenses recognized during the years ended December 31, 2020 and 2019 in respect to bad or doubtful debts from related parties.

The Group has neither the intent nor the ability to offset the outstanding accounts payable and accounts receivable with related parties under the terms of existing agreements.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

Balances of related parties' transactions as of December 31, 2020 and 2019 were as follows:

	December 31,	
	2020	2019
<b>Advances for property, plant and equipment:</b>		
Sistema's subsidiaries	1,096	2,501
Sistema's associates	13	1,365
<b>Total advances for property, plant and equipment, related parties</b>	<b>1,109</b>	<b>3,866</b>
<b>Carrying value of right-of-use assets:</b>		
Sistema's subsidiaries	4,845	4,386
Sistema's associates	93	108
The Group's associates	11	26
Other related parties	8	6
<b>Total carrying value of right-of-use assets, related parties</b>	<b>4,957</b>	<b>4,526</b>
<b>Other investments:</b>		
Sistema's subsidiaries	253	-
The Group's associates	74	-
<b>Total other investments, related parties</b>	<b>327</b>	<b>-</b>
<b>Other investments in shares:</b>		
Sistema's subsidiaries	117	149
The Group's associates	85	-
<b>Total investments in shares, related parties</b>	<b>202</b>	<b>149</b>
<b>Accounts receivable, non-current:</b>		
Sistema's subsidiaries	5,209	8,153
Sistema, parent company	-	2,634
<b>Total accounts receivable, non-current, related parties</b>	<b>5,209</b>	<b>10,787</b>
<b>Bank loans to customers, non-current:</b>		
Sistema's subsidiaries	1,480	1,277
Sistema's associates	1,376	2,873
<b>Total bank loans to customers, related parties, non-current</b>	<b>2,856</b>	<b>4,150</b>
<b>Accounts receivable, current:</b>		
Sistema's subsidiaries	4,571	2,652
Sistema, parent company	2,829	2,634
The Group's associates	1,397	562
Sistema's associates	57	22
Other related parties	126	2
<b>Total accounts receivable from related parties, current</b>	<b>8,980</b>	<b>5,872</b>
<b>Bank loans to customers, current:</b>		
Sistema's associates	2,819	105
Sistema, parent company	1,831	1,440
Sistema's subsidiaries	464	81
Key management personnel of the Group and its parent	48	51
<b>Total bank loans to customers, related parties, current</b>	<b>5,162</b>	<b>1,677</b>
<b>Short-term investments:</b>		
Sistema's subsidiaries	3	246
<b>Total short-term investments in related parties</b>	<b>3</b>	<b>246</b>
<b>Advances paid and prepaid expenses:</b>		
Sistema's subsidiaries	1,518	-
Other related parties	8	-
<b>Total advances paid and prepaid expenses, related parties</b>	<b>1,526</b>	<b>-</b>
<b>Loans receivable, non-current:</b>		
Sistema's subsidiaries	11	-
<b>Total loans receivable to related parties, non-current</b>	<b>11</b>	<b>-</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

	December 31,	
	2020	2019
<b>Lease obligations, non-current:</b>		
Sistema's subsidiaries	4,801	5,069
Sistema's associates	66	81
The Group's associates	4	5
Other related parties	7	5
<b>Total lease obligations, related parties, non-current</b>	<b>4,878</b>	<b>5,160</b>
<b>Bank deposits and liabilities, non-current:</b>		
Key management personnel	124	153
<b>Total bank deposits and liabilities, related parties, non-current</b>	<b>124</b>	<b>153</b>
<b>Dividends payable:</b>		
Sistema's subsidiaries	3	3,338
Sistema, parent company	-	8,409
<b>Total dividends payable, related parties</b>	<b>3</b>	<b>11,747</b>
<b>Accounts payable, current:</b>		
Sistema's subsidiaries	1,631	290
Sistema's associates	958	154
The Group's associates	553	114
Other related parties	4	-
<b>Total accounts payable to related parties, current</b>	<b>3,146</b>	<b>558</b>
<b>Loans receivable, current:</b>		
The Group's associates	1,776	688
Sistema's subsidiaries	16	-
<b>Total loans receivable to related parties, current</b>	<b>1,792</b>	<b>688</b>
<b>Lease obligations, current:</b>		
Sistema's subsidiaries	724	743
Sistema's associates	13	17
The Group's associates	1	3
<b>Total lease obligations, related parties, current</b>	<b>738</b>	<b>763</b>
<b>Bank deposits and liabilities, current:</b>		
Key management personnel of the Group and its parent	34,708	31,481
Sistema's subsidiaries	10,752	4,030
Sistema, parent company	3,218	242
Sistema's associates	2,689	2,502
The Group's associates	415	2,679
Other related parties	466	264
<b>Total bank deposits and liabilities, related parties, current</b>	<b>52,248</b>	<b>41,198</b>

**Operating transactions** – During the years ended December 31, 2020, 2019 and 2018 the Group provided the following services to related parties – electricity supply, software supplies, Internet and video/image transmission services, roaming, interconnect and other telecommunication services, banking and call center services.

At the same time the Group incurred security expenses, asset management expenses, interest expenses on bank accounts and deposits of the Group's key management personnel, telecommunication expenses, dismantling equipment expenses and income from scrap metal sales, rent, result of sale and leaseback transactions.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

	2020	2019	2018
<b>Revenues from related parties:</b>			
Sistema's subsidiaries	4,371	3,740	2,057
Sistema's associates	615	407	47
The Group's associates	418	550	2,098
Sistema, parent company	143	127	80
Other related parties	285	108	70
<b>Total revenues from related parties</b>	<b>5,832</b>	<b>4,932</b>	<b>4,352</b>
<b>Cost of services:</b>			
Key management personnel of the Group and its parent	1,830	1,973	705
Sistema's subsidiaries	599	507	441
Sistema, parent company	141	377	289
Sistema's associates	127	139	32
The Group's associates	126	135	120
Other related parties	19	106	109
<b>Total cost of services incurred on transactions with related parties</b>	<b>2,842</b>	<b>3,237</b>	<b>1,696</b>
<b>Selling, general and administrative expenses:</b>			
Key management personnel of the Group and its parent	2,003	2,372	1,370
Sistema's subsidiaries	625	672	316
The Group's associates	30	91	1,218
Sistema's associates	(2)	25	21
Other related parties	38	28	23
<b>Total selling, general and administrative expenses incurred on transactions with related parties</b>	<b>2,694</b>	<b>3,188</b>	<b>2,948</b>
<b>Other operating income / (expense):</b>			
Sistema's subsidiaries	2,160	5,203	865
Sistema's associates	(17)	(19)	1
The Group's associates	4	6	7
Sistema, parent company	-	-	5
<b>Total Other operating income / (expense) incurred on transactions with related parties</b>	<b>2,147</b>	<b>5,190</b>	<b>878</b>
<b>Other expense:</b>			
The Group's associates	278	-	-
<b>Total other expense from related parties</b>	<b>278</b>	<b>-</b>	<b>-</b>
<b>Finance income / (loss):</b>			
Sistema's subsidiaries	1,058	821	472
Sistema, parent company	295	367	4
The Group's associates	(64)	474	922
<b>Total finance income from related parties</b>	<b>1,289</b>	<b>1,662</b>	<b>1,398</b>
<b>Interest expense accrued on those finance lease obligations:</b>			
Sistema's subsidiaries	434	438	133
Sistema's associates	7	8	-
The Group's associates	1	1	2
<b>Total Interest expense accrued on those finance lease obligations, related parties</b>	<b>442</b>	<b>447</b>	<b>135</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

During the years 2020, 2019 and 2018, the Group acquired property, plant and equipment and intangible assets from related party in the amount of:

	2020	2019	2018
<b>Purchases of property, plant and equipment, intangible assets and other assets:</b>			
Sistema's associates	6,299	410	9
Sistema's subsidiaries	3,324	656	6,610
The Group's associates	127	178	28
Other related parties	112	-	-
<b>Total purchases of property, plant and equipment, intangible assets and other assets, related parties</b>	<b>9,862</b>	<b>1,244</b>	<b>6,647</b>

**MTS Bank** – On July 5, 2018 the Group acquired the controlling stake in MTS Bank and thus it ceased to be a related party to the Group since the acquisition date.

**East-West United Bank** – The Group maintains certain bank accounts with East-West United Bank, a subsidiary of Sistema. As of December 31, 2020 and 2019, the Group's cash position at East-West United Bank amounted to RUB 321 million and RUB 282 million, respectively.

**Business Nedvizhimost** – In 2015, the Group sold its 100% stake in Rent Nedvizhimost to Business Nedvizhimost, subsidiary of Sistema, for RUB 8,500 million in total. As of December 31, 2020 and 2019 the balance of related accounts receivable amounted to RUB 3,070 million and RUB 2,916 million, respectively. The amount as of December 31, 2020 is due before December 31, 2021 and bears an interest of CBR key rate + 1.5% p.a.

In December 2018, the Group sold its 40.26% stake in a mutual investment fund Sistema-Rentnaya Nedvizhimost to Business Nedvizhimost for RUB 450 million. The remaining investment in the joint venture amounted to RUB 636 million as of December 31, 2020 (Note 17).

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

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

**Sistema** – In March 2019, the Group disposed of its 18.69% interest in the Group's associate OZON to Sistema for RUB 7,902 million (Note 17). As of December 31, 2020 and 2019 the balance of accounts receivable amounted to RUB 2,829 million and RUB 5,267 million, respectively.

In October 2020, the Group disposed of 100% in Nvision Group to Sistema and since then it is considered to be a related party instead of subsidiary of the Group (Note 12).

**Yahont** – In October 2019, the Group entered into agreements with Yahont, an associate of Sistema, for the data storage systems and related services supply. The equipment purchased supports development of the Group network infrastructure, including implementation of the requirements of anti-terror laws (also known as "Yarovaya-Ozerov bundle of laws"), which became effective in Russia on July 1, 2018.

The amounts of equipment purchased during the years ended December 31, 2020 and 2019 were RUB 6,266 million and RUB 340 million, respectively.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Lease payments** – During the years ended December 31 2020, 2019 and 2018, the MTS Group made lease payments (capitalized in accordance with IFRS 16) in the amount of RUB 1,530 million, RUB 1,240 million and RUB 499 million, respectively, in favor of the Related Parties.

**Remuneration of key management personnel** – Key management personnel of the Group are members of the Board of Directors and Management Board. During the years ended December 31 2020, 2019 and 2018 their total remuneration amounted to RUB 1,309 million, RUB 1,574 million and RUB 816 million, respectively, including social contributions of RUB 214 million, RUB 219 million and RUB 75 million, respectively. These amounts comprised of RUB 690 million, RUB 917 million and RUB 504 million in base salaries and 619 RUB million, RUB 657 million and RUB 312 million in bonuses paid pursuant to a bonus plan, respectively (including social contributions).

The management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the years ended December 31 2020, 2019 and 2018 amounted to RUB 694 million, RUB 798 million and RUB 554 million, respectively, including social contributions amounted to RUB 79 million, RUB 53 million and RUB 72 million, respectively.

### 33. SHAREHOLDERS' EQUITY

**Common stock (ordinary shares)** – The Group had 1,998,381,575 authorized and issued ordinary shares with par value 0.1 RUB as of December 31, 2020 and 2019. Preferred shares have not been authorized and issued.

Shares of common stock repurchased by the Group are recorded at cost as treasury stock and reduce the shareholders' equity in the Group's consolidated financial statements. As of December 31, 2020, the total shares in treasury stock comprised 271,479,406 and 1,726,902,169 shares were outstanding. As of December 31, 2019, the total shares in treasury stock comprised 225,547,422 and 1,772,834,153 shares were outstanding.

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

	December, 31					
	2020		2019		2018	
	Shares	RUBm	Shares	RUBm	Shares	RUBm
Open market	26,038,847	8,525	32,589,740	8,472	37,399,328	10,332
Sistema Finance	22,758,872	7,485	28,929,344	7,450	45,269,718	12,235
<b>Total</b>	<b>48,797,719</b>	<b>16,010</b>	<b>61,519,084</b>	<b>15,922</b>	<b>82,669,046</b>	<b>22,567</b>

#### Nature and purpose of reserves

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

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

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

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

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



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

### Non-controlling interests

As of December 31, 2020 and 2019, MGTS and MTS Bank were the only subsidiaries of the Group, which had material non-controlling interests.

The summarized financial information of MGTS and MTS Bank is presented as follows:

<b>MGTS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Non-controlling interests opening balance</b>	<b>(3,328)</b>	<b>(3,649)</b>	<b>(4,180)</b>
Profit for the year attributable to non-controlling interests	(675)	(806)	(619)
Dividends to non-controlling interests	-	1,123	1,165
Other	(52)	4	(15)
<b>Non-controlling interests closing balance</b>	<b>(4,055)</b>	<b>(3,328)</b>	<b>(3,649)</b>

<b>MTS Bank</b>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Non-controlling interests opening balance</b>	<b>(53)</b>	<b>(8,698)</b>
Loss/ (profit) for the year attributable to non-controlling interests	2	(51)
Acquisitions under common control	7	-
Acquisition of additional ownership interests under common control	-	8,700
Other	41	(4)
<b>Non-controlling interests closing balance</b>	<b>(3)</b>	<b>(53)</b>

<b>MGTS</b>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current assets	17,052	16,271
Non-current assets	66,129	52,539
Current liabilities	(18,471)	(17,224)
Non-current liabilities	(19,881)	(19,641)

<b>MTS Bank</b>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Current assets	126,811	100,230
Non-current assets	59,178	52,668
Current liabilities	(180,50)	(148,288)
Non-current liabilities	(2,851)	(2,303)

<b>MGTS</b>	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenue, gross of intercompany	(41,103)	(39,479)	(39,375)
Profit for the year, gross of intercompany	(11,811)	(14,148)	(10,846)

<b>MTS Bank</b>	<b>Year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenue, gross of intercompany	(35,078)	(29,869)	(11,871)
Profit for the year, gross of intercompany	(1,121)	(1,318)	(468)

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions of Russian Rubles unless otherwise stated)

#### Dividends

As a leading telecommunications group with a home base in developing markets, the primary need of the Group is to maintain sufficient resources and flexibility to meet financial and operational requirements. At the same time, the Group continually seeks ways to create shareholder value through both its commercial and financial strategies, including organic and non-organic development as well as the Group's capital management practices.

The Group continues to include dividend payments as part of its commitment to maximizing shareholder value. Decisions on dividends are proposed by the Board of Directors and voted upon thereafter at a General Meeting of Shareholders. In determining the Company's dividend payout, the Board of Directors considers a variety of factors, including:

- Macroeconomic factors and levels of competitiveness in core markets,
- Cash flow from operations,
- The outlook for earnings growth,
- Capital expenditure requirements,
- Potential acquisition opportunities,
- The state of capital markets and
- The Group's liquidity position, and overall debt position.

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

The Group may take decisions on the dividend payout based not only on annual results but also on interim results for three, six or nine months of the fiscal year. Annual and interim dividend payments, if any, must be recommended by the Board of Directors and approved by the shareholders.

In accordance with Russian laws, earnings available for dividends are limited to profits determined under Russian statutory accounting regulations, denominated in Russian Rubles, after certain deductions.

The following table summarizes the Group's declared cash dividends for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Dividends declared (including dividends on treasury shares of 6,936, 9,449 and 3,037 respectively)	58,948	83,751	51,958
Dividends, RUB per ADS	59.00	83.82	52.00
Dividends, RUB per share	29.50	41.91	26.00

As of December 31, 2020 and 2019, dividends payable were RUB 108 million and RUB 23,079 million, respectively, and included in the trade and other payables within the consolidated statement of financial position.

#### 34. LIABILITY UNDER PUT OPTION AGREEMENT

Until August 2019, the Group owned an 80% stake in Aramayo Investments Limited, the 100% indirect owner of MTS Armenia and had a call and put option agreement to acquire the remaining 20% stake. According to the aforementioned option agreement, the price for the remaining 20% stake option was determined by a pre-agreed independent appraiser and the call option could have been exercised by the Group up to December 31, 2018.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

In December 2018 the Group served a call notice on the minority shareholders of MTS Armenia to purchase the remaining 20% stake in Aramayo Investments Limited (and indirectly in MTS Armenia). The call option was exercised by offsetting the amount of the liability under put option with the due amount of the loan issued to the minority shareholders of MTS Armenia.

The acquisition of a stake took place in August 2019, bringing the Group's total ownership share to 100%.

The amount of the liability under the option agreement was RUB 3,629 million as of December 31, 2018 (Note 29).

### 35. COMMITMENTS AND CONTINGENCIES

**Capital commitments** – As of December 31, 2020, the Group had entered into purchase agreements of approximately RUB 62,616 million to acquire property, plant and equipment, intangible assets and costs related thereto.

**Taxation** – Management believes that it has adequately provided for tax liabilities in the accompanying condensed consolidated financial statements. However, the risk remains that the relevant tax authorities could take different positions with regard to interpretive issues and the effect could be significant.

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

	December 31,	
	2020	2019
Contingent liabilities for additional taxes other than income tax	1,043	986
Contingent liabilities for additional income taxes	892	2,173

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

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

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Amounts in millions of Russian Rubles unless otherwise stated)*

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 Group's business including ability to obtain financing on commercially reasonable terms. The management believes it is acting appropriately to support the sustainability of the Group's business in the current circumstances. The Group 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 Group's business and financial situation (as disclosed in Note 3). It's currently impossible to reliably evaluate further implications of COVID-19 pandemic for the Group's business and financial situation.

**Investigations into former operations in Uzbekistan** – In March 2019, the Group reached a resolution with the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") relating to the previously disclosed investigation concerning the Group's former subsidiary in Uzbekistan.

The Group 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 Group in Uzbekistan.

Under the agreements with the DOJ and SEC, the Group agreed to pay a total penalty of USD 850 million (RUB 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 Group 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 Group paid the total penalty of USD 850 million (RUB 55.6 billion as of the payment date).

Under the DPA and the Order, the Group 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's motion to dismiss with prejudice and dismissed the complaint in full.

### 36. SUBSEQUENT EVENTS

**Disposal of STS-Ukraine** – In February 2021, the Group sold 100% stake in LLC "Sitronics Telecom Solutions Ukraine" ("STS-Ukraine") for RUB 52 million. The results of this transaction will be included in the financial statements of the Group for the year ended December 31, 2021. The Group classified the associated assets and liabilities as "held for sale" as of December 31, 2020 and measured at carrying value. Balances were attributable to "Other" category in reportable segments and comprised of:

Current assets	282
Non-current assets	50
<b>Total assets related to disposal group held for sale</b>	<b>332</b>
Current liabilities	275
Non-current liabilities	16
<b>Total liabilities related to disposal group held for sale</b>	<b>291</b>