

# **PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES**

**Interim Condensed Consolidated  
Financial Statements**  
For the Six Months Ended June 30, 2019  
(unaudited)

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## TABLE OF CONTENTS

---

	<b>Page</b>
Report on review of interim condensed consolidated financial statements	1
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED):	
Interim condensed consolidated statement of financial position	2-3
Interim condensed consolidated statement of profit or loss	4
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of changes in shareholders' equity	6
Interim condensed consolidated statement of cash flows	7-8
Notes to the interim condensed consolidated financial statements:	9-28
1. General information and description of business	9
2. Summary of significant accounting policies and new accounting pronouncements	9
3. Business acquisitions	10
4. Segment information	11
5. Operations in Turkmenistan	12
6. Short-term investments	12
7. Investments in associates and joint ventures	13
8. Property, plant and equipment and intangible assets	13
9. Borrowings	13
10. Rights-of-use assets and lease obligations	15
11. Fair value of financial instruments	16
12. Bank financial assets and liabilities	17
13. Stockholders' equity	19
14. Liability under put option agreement	20
15. Related parties	20
16. Commitments and contingencies	26
17. Subsequent events	28

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile TeleSystems Public Joint Stock Company and its subsidiaries (the "Group") as of June 30, 2019 and the related interim condensed consolidated statements of profit and loss, comprehensive income, changes in shareholders' equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

  
Vladimir Kozlyev  
Engagement partner

August 27, 2019



The Entity: Mobile TeleSystems PJSC

Certificate of state registration № P-7882.16, issued by the State Registration Chamber under the Ministry of Justice of the Russian Federation by 01.03.2000.

Primary State Registration Number: 1027700149124

Certificate of registration in the Unified State Register № 1027700149124 of 02.09.2002, issued by Moscow Department of the Russian Ministry of Taxation.

Address: 4 Marksistskaya st., Moscow, 109147, Russia

Audit Firm: AO Deloitte & Touche CIS

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

Primary State Registration Number: 1027700425444

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

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Amounts in millions of Russian Rubles)

	Notes	June 30, 2019 (unaudited)	December 31, 2018
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	276,530	276,443
Investment property		2,798	2,177
Right-of-use assets	10	149,530	149,007
Goodwill		38,939	39,107
Other intangible assets	8	95,008	95,962
Investments in associates	7	5,629	10,735
Other investments		15,576	16,873
Deferred tax assets		12,404	11,190
Accounts receivable, related parties	15	14,226	2,545
Trade accounts receivable		2,821	2,600
Bank deposits and loans to customers	12	39,954	30,653
Other financial assets		2,445	4,729
Other non-financial assets		4,910	5,038
<b>Total non-current assets</b>		<b>660,770</b>	<b>647,059</b>
CURRENT ASSETS:			
Inventories		14,622	18,654
Trade and other receivables		37,015	34,543
Accounts receivable, related parties	15	5,486	6,385
Bank deposits and loans to customers	12	35,933	32,385
Short-term investments	6	15,165	47,863
Advances paid and prepaid expenses		3,246	4,208
VAT receivable		9,335	7,415
Income tax assets		5,949	3,887
Assets held for sale		663	2,694
Cash and cash equivalents		51,243	84,075
Other financial assets		22,757	25,487
Other assets		1,433	1,338
<b>Total current assets</b>		<b>202,847</b>	<b>268,934</b>
<b>TOTAL ASSETS</b>		<b>863,617</b>	<b>915,993</b>


# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) (Amounts in millions of Russian Rubles)


	Notes	June 30, 2019 (unaudited)	December 31, 2018
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
	13		
Common stock		200	200
Treasury stock		(59,748)	(44,808)
Retained earnings		100,352	110,946
Accumulated other comprehensive loss		(4,082)	(1,064)
Equity attributable to owners of the Company		36,722	65,274
Non-controlling interests		3,816	12,291
<b>Total equity</b>		<b>40,538</b>	<b>77,565</b>
<b>NON-CURRENT LIABILITIES:</b>			
Borrowings	9	308,245	365,072
Lease obligations	10	147,722	144,740
Bank deposits and liabilities	12	2,930	2,633
Deferred tax liabilities		21,085	24,439
Provisions		5,187	3,391
Contract liabilities		478	558
Other non-financial liabilities		1,551	1,643
Other financial liabilities		706	481
<b>Total non-current liabilities</b>		<b>487,904</b>	<b>542,957</b>
<b>CURRENT LIABILITIES:</b>			
Trade and other payables		84,300	53,623
Accounts payable, related parties	15	909	1,301
Contract liabilities		22,687	21,597
Borrowings	9	68,739	3,063
Lease obligations	10	17,591	15,812
Bank deposits and liabilities	12	110,569	108,821
Income tax liabilities		1,564	1,792
Provisions	16	8,815	70,911
Other non-financial liabilities		18,197	13,903
Other financial liabilities		1,804	4,648
<b>Total current liabilities</b>		<b>335,175</b>	<b>295,471</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>863,617</b>	<b>915,993</b>

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

President and CEO

  
Alexey V. Kornya

Vice-president, Finance

  
Andrey M. Kamensky

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

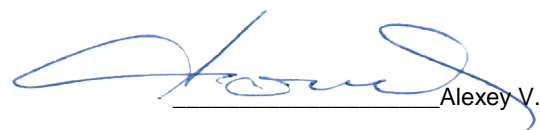
## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts in millions of Russian Rubles, except per share amounts)

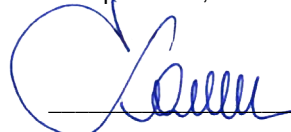
	Six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)
Service revenue	212,933	195,062
Sales of goods	30,241	27,209
<b>Revenue</b>	<b>243,174</b>	<b>222,271</b>
Cost of services	60,875	51,915
Cost of goods	28,317	24,799
Selling, general and administrative expenses	46,034	41,549
Depreciation and amortization	53,393	51,608
Operating share of the profit of associates	(2,202)	(1,835)
Impairment of financial assets	2,868	1,445
Other operating income	(4,064)	(1,615)
<b>Operating profit</b>	<b>57,953</b>	<b>54,405</b>
Finance income	(2,923)	(2,422)
Finance costs	23,736	18,680
Currency exchange (gain)/ loss	(1,903)	1,097
Non-operating share of the loss of associates	(3,355)	79
Change in fair value of financial instruments	5,579	(2,046)
Other expenses	1,954	467
<b>Profit before tax</b>	<b>34,865</b>	<b>38,550</b>
Income tax expense	7,615	8,597
<b>Profit for the period from continuing operations</b>	<b>27,250</b>	<b>29,953</b>
Gain from discontinued operations	3,443	-
<b>Profit for the period</b>	<b>30,693</b>	<b>29,953</b>
Profit for the period attributable to:		
Owners of the Company	30,301	29,704
Non-controlling interests	392	249
Earnings per share (basic and diluted), Russian Rubles:		
From continuing operations	15.01 and 14.98	15.51 and 15.48
From discontinued operations	1.92 and 1.92	-

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

President and CEO

  
 \_\_\_\_\_ Alexey V. Kornya

Vice-president, Finance

  
 \_\_\_\_\_ Andrey M. Kamensky

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*(Amounts in millions of Russian Rubles)*

	<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Profit for the period	<u>30,693</u>	<u>29,953</u>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Unrecognised actuarial gain	-	228
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(2,631)	5,307
Net fair value loss on financial instruments	(228)	(580)
<b>Share of other comprehensive income of associates and joint ventures</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations in associates and joint ventures	<u>(159)</u>	<u>244</u>
<b>Other comprehensive income for the period, net of income tax</b>	<b>(3,018)</b>	<b>5,199</b>
<b>Total comprehensive income for the period</b>	<b><u>27,675</u></b>	<b><u>35,152</u></b>
Total comprehensive income for the period attributable to:		
Owners of the Company	27,283	34,903
Non-controlling interests	392	249

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

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(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 owners of the Company	Non-controlling interests	Total equity
	Shares	Amount	Shares	Amount		Cash flow hedging reserve	Foreign currency translation reserve	Remeasurements of the net defined benefit liability				
	<b>Balances at January 1, 2018</b>	<b>1,998,381,575</b>	<b>200</b>	<b>(86,339,156)</b>		<b>(22,644)</b>	<b>381</b>	<b>340</b>				
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	-	-	-	-	-	3,943	3,943	22	3,965
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	-	-	-	1,949	1,949	-	1,949
<b>Adjusted balance at January 1, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156,935</b>	<b>126,018</b>	<b>4,101</b>	<b>130,119</b>
Profit for the period	-	-	-	-	-	-	-	-	29,704	29,704	249	29,953
Unrecognized actuarial gain	-	-	-	-	-	-	-	228	-	228	-	228
Currency translation adjustment, net of income tax	-	-	-	-	-	-	5,551	-	-	5,551	-	5,551
Change in fair value of derivatives, net of income tax	-	-	-	-	-	(580)	-	-	-	(580)	-	(580)
<b>Total comprehensive (loss) / income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(580)</b>	<b>5,551</b>	<b>228</b>	<b>29,704</b>	<b>34,903</b>	<b>249</b>	<b>35,152</b>
Exercise of stock options	-	-	1,369,303	403	(195)	-	-	-	-	208	-	208
Dividends declared by MTS	-	-	-	-	-	-	-	-	(44,120)	(44,120)	-	(44,120)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,165)	(1,165)
Purchase of own stock	-	-	(26,797,204)	(7,660)	-	-	-	-	-	(7,660)	-	(7,660)
Changes in ownership interest with no gain/loss of control	-	-	-	-	(81)	-	-	-	-	(81)	57	(24)
<b>Balances at June 30, 2018</b>	<b>1,998,381,575</b>	<b>200</b>	<b>(111,767,057)</b>	<b>(29,901)</b>	<b>105</b>	<b>(240)</b>	<b>(4,146)</b>	<b>731</b>	<b>142,519</b>	<b>109,268</b>	<b>3,242</b>	<b>112,510</b>
<b>Balances at January 1, 2019</b>	<b>1,998,381,575</b>	<b>200</b>	<b>(167,638,899)</b>	<b>(44,808)</b>	<b>-</b>	<b>237</b>	<b>(1,971)</b>	<b>670</b>	<b>110,946</b>	<b>65,274</b>	<b>12,291</b>	<b>77,565</b>
Profit for the period	-	-	-	-	-	-	-	-	30,301	30,301	392	30,693
Currency translation adjustment, net of income tax	-	-	-	-	-	-	(2,790)	-	-	(2,790)	-	(2,790)
Change in fair value of derivatives, net of income tax	-	-	-	-	-	(228)	-	-	-	(228)	-	(228)
<b>Total comprehensive (loss) / income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(228)</b>	<b>(2,790)</b>	<b>-</b>	<b>30,301</b>	<b>27,283</b>	<b>392</b>	<b>27,675</b>
Issuance of stock options	-	-	-	-	315	-	-	-	-	315	-	315
Exercise of stock options	-	-	3,524,392	959	(1,060)	-	-	-	-	(101)	-	(101)
Dividends declared by MTS	-	-	-	-	-	-	-	-	(35,423)	(35,423)	-	(35,423)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,119)	(1,119)
Changes in ownership interest with no gain/loss of control	-	-	-	-	(3,656)	-	-	-	-	(3,656)	(7,748)	(11,404)
Acquisition under common control	-	-	-	-	(1,071)	-	-	-	-	(1,071)	-	(1,071)
Purchase of own stock	-	-	(61,432,914)	(15,899)	-	-	-	-	-	(15,899)	-	(15,899)
Reclass to retained earnings	-	-	-	-	5,472	-	-	-	(5,472)	-	-	-
<b>Balances at June 30, 2019</b>	<b>1,998,381,575</b>	<b>200</b>	<b>(225,547,421)</b>	<b>(59,748)</b>	<b>-</b>	<b>9</b>	<b>(4,761)</b>	<b>670</b>	<b>100,352</b>	<b>36,722</b>	<b>3,816</b>	<b>40,538</b>

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



# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the period	30,693	29,953
<b>Adjustments for:</b>		
Depreciation and amortization	53,393	51,608
Finance income	(2,923)	(2,422)
Finance costs	23,736	18,680
Income tax expense	7,615	8,597
Currency exchange (gain) / loss	(5,346)	1,097
Share of the profit of associates	(5,557)	(1,756)
Change in fair value of financial instruments	5,579	(2,046)
Inventory obsolescence expense	944	1,568
Impairment of financial assets	2,868	1,445
Change in provisions	8,707	7,913
Other non-cash items	(3,426)	(797)
<b>Movements in operating assets and liabilities:</b>		
Increase in trade and other receivables	(4,859)	(2,357)
Increase in bank deposits and loans to customers	(14,444)	-
Decrease / (increase) in inventory	3,017	(8,812)
Decrease in advances paid and prepaid expenses	1,975	482
Increase in VAT receivable	(1,942)	(1,804)
Decrease in trade and other payables and other current liabilities	(9,532)	(10,811)
Increase in bank deposits and liabilities	3,160	-
Fines and penalties related to investigation into former operations in Uzbekistan (Note 16)	(55,607)	-
Dividends received	2,250	1,674
Income tax paid	(14,727)	(9,772)
Interest received	3,351	5,919
Interest paid, net of interest capitalized	(24,066)	(18,297)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,859</b>	<b>70,062</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Aquisition of subsidiaries, net of cash acquired	(2,030)	(3,093)
Purchases of property, plant and equipment	(27,513)	(27,753)
Purchase of 4G, 3G licenses in Ukraine and Armenia	(23)	(5,527)
Purchases of other intangible assets	(11,781)	(6,484)
Cost to obtain and fulfill contracts, paid	(2,307)	(2,085)
Proceeds from sale of property, plant and equipment and assets held for sale	2,903	2,289
Purchases of short-term and other investments	(11,812)	(29,404)
Proceeds from sale of short-term and other investments	37,959	24,112
Investments in associates	-	(2,101)
Proceeds from sale of associates	3,000	-
Cash payments and proceeds related to swap contracts	(740)	49
Other	5	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(12,339)</b>	<b>(49,997)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(CONTINUED)

(Amounts in millions of Russian Rubles)

	Six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of entities under common control, net of cash acquired	(13,520)	-
Repayment of notes	-	(8,305)
Proceeds from issuance of notes	22,500	27,550
Proceeds from loans	1,013	20,000
Repayment of loans	(10,525)	(19,170)
Payments under credit guarantee agreement related to foreign currency hedge	-	(981)
Notes and debt issuance cost paid	(51)	(39)
Lease obligation principal paid	(7,348)	(6,844)
Repurchase of own shares	(15,899)	(7,660)
Dividends paid	(2)	(2)
Other	-	123
<b>NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES</b>	<b>(23,832)</b>	<b>4,672</b>
Effect of exchange rate changes on cash and cash equivalents	(1,520)	1,969
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(32,832)</b>	<b>26,706</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>84,075</b>	<b>30,586</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b>51,243</b>	<b>57,292</b>

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

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

---

### 1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS

Public Joint-Stock Company Mobile TeleSystems (“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 Company and its subsidiaries are referred to as the “Group”.

**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.

The Group provides a wide range of telecommunications services including voice and data transmission, internet access, pay TV, various value added services (“VAS”) through wireless and fixed lines, financial services, banking services, integration services as well as the sale of equipment, accessories and software. The Group primarily operates in Russia, Ukraine and Armenia.

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”).

**Seasonality** – Whilst the Group does not view its business as highly seasonal as defined by IAS 34, *Interim Financial Reporting*, its financial results are impacted by seasonality through the calendar year. Higher consumption of roaming services in May-September and increased demand for handsets and accessories at the year-end before winter holidays enhance revenue from services and sales of goods for the second half of the year.

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

**Basis of preparation** – These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the annual consolidated statements of the Group for the year ended December 31, 2018.

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its 2018 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequently to the issuance of its annual consolidated statements of the Group for the year ended December 31, 2018.

Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the annual consolidated statements of the Group for the year ended December 31, 2018 and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments necessary to present fairly the Group’s financial position, financial performance and cash flows for the interim reporting period in accordance with IAS 34, *Interim Financial Reporting*. Results for the six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ended December 31, 2019.

These consolidated financial statements are 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 these consolidated financial statements are stated in millions of Russian Rubles, unless indicated otherwise.

These interim condensed consolidated financial statements for the six months ended June 30, 2019 were authorized for issue by the Company’s President on August 27, 2019.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

As at June 30, 2019, current liabilities exceeded current assets by RUB 132.3 bln. Management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and credit facilities.

**Significant accounting policies** – The accounting policies and method of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated statements of the Group for the year ended December 31, 2018.

None of interpretations and amendments to standards adopted by the Group on January 1, 2019 had significant effect on the Group's consolidated financial statements.

### 3. BUSINESS ACQUISITIONS

**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. The purchase price constituted a cash payment of RUB 360 million. This acquisition allows the Group to increase its market share in Kemerovo region. The business combination was accounted for by applying the acquisition method.

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

Cash and cash equivalents	6
Trade and other receivables	20
Other current assets	11
Property, plant and equipment	118
Goodwill	91
Other intangible assets	172
Other non-current assets	16
Current liabilities	(37)
Non-current liabilities	(37)
<b>Consideration transferred</b>	<b>360</b>
Cash	360
<b>Consideration transferred</b>	<b>360</b>

The excess of the consideration over the value of net assets acquired in the amount of RUB 91 million was allocated to goodwill which is attributable to the "Russia Convergent" operating segment.

The goodwill is attributable to the expected synergies resulted from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

Other intangible assets mainly include customer base, which are amortized over the average term of 12 years.

**Acquisition of JSC Objedinennye Russkie Kinostudii** - In April 2019, the Group acquired JSC Objedinennye Russkie Kinostudii ("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. The acquisition was accounted for as a transaction under common control directly in equity.

The following table summarizes the details of acquisition of Kinopolis under common control:

Consideration paid net of cash acquired*	Cash acquired	Assets acquired other than cash	Liabilities assumed
2,030	12	1,017	58

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

Since acquisition date, RIKT contributed revenue in the amount of RUB 10 million and zero net income to consolidated statement of profit or loss. Kinopolis contributed revenue in the amount of RUB 35 million and net loss of RUB 3 million to consolidated statement of profit or loss.

If the acquisitions had taken place at the beginning of the year, the Group's revenue and net profit would have been RUB 243,328 million and RUB 30,309 million, respectively.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

#### 4. 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. MTS Group's management evaluates the segments' performance of each segment based on revenue and operating profit, excluding depreciation and amortization. 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 PJSC MGTS (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.

**Ukraine:** represents the results of mobile and fixed line operations carried out across multiple regions of Ukraine.

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

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, System Integrator, Satellite TV 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:

#### Six months ended June 30, 2019:

	Russia convergent	Moscow fixed line	Ukraine	MTS Bank	Total	Other	HQ and elimination	Consoli- dated
<b>Revenue</b>								
Mobile services	149 893	898	16 198	-	166 989	3 192	47	170 228
Fixed line services	11 580	16 232	136	-	27 948	189	-	28 137
Finance services	-	-	-	12 368	12 368	-	573	12 941
Integration services	624	7	-	-	631	491	-	1 122
Sales of goods	25 133	33	843	-	26 009	5 050	(837)	30 222
Other services	35	-	-	-	35	489	-	524
External Customers	187 265	17 170	17 177	12 368	233 980	9 411	(217)	243 174
Intersegment	4 281	2 148	385	781	7 595	6 935	(14 530)	-
<b>Total revenue</b>	<b>191 546</b>	<b>19 318</b>	<b>17 562</b>	<b>13 149</b>	<b>241 575</b>	<b>16 346</b>	<b>(14 747)</b>	<b>243 174</b>
Operating profit / (loss), excluding depreciation and amortization	91 136	13 693	9 176	1 430	115 435	2 894	(6 983)	111 346

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

Six months ended June 30, 2018:

	Russia convergent	Moscow fixed line	Ukraine	Total	Other	HQ and elimination	Consoli- dated
<b>Revenue</b>							
Mobile services	149,258	662	12,817	162,737	3,059	52	165,848
Fixed line services	11,365	16,483	112	27,960	185	-	28,145
Integration services	121	-	-	121	512	-	633
Sales of goods	22,766	61	105	22,932	4,277	-	27,209
Other services	-	-	-	-	436	-	436
External customers	183,510	17,206	13,034	213,750	8,469	52	222,271
Intersegment	2,167	2,276	415	4,858	4,837	(9,695)	-
<b>Total revenue</b>	<b>185,677</b>	<b>19,482</b>	<b>13,449</b>	<b>218,608</b>	<b>13,306</b>	<b>(9,643)</b>	<b>222,271</b>

Operating profit / (loss), excluding depreciation and amortization	93,296	10,563	7,255	111,114	1,669	(6,770)	106,013
--	--------	--------	-------	---------	-------	---------	---------

Service revenue is recognized over time as the services are transferred to customers, while revenue from sales of goods is recognised at a point in time when goods are transferred.

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

#### 5. 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 servicing MTS clients. The license for the provision of telecommunication services on the territory of Turkmenistan was valid until the end of July 2018.

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.

In December 2018 the Group started dismantling of terminal network equipment in Turkmenistan and accrued a dismantlement provision in the amount of RUB 228 million in the Group's consolidated statement of profit or loss.

#### 6. SHORT-TERM INVESTMENTS

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

	Category	June 30, 2019	December 31, 2018
Assets in Sistema-Capital trust management (Note 15)	Financial asset at fair value through profit and loss	7,849	11,644
Loans/Promissory notes (Note 11)	At amortized cost	301	7,050
Notes	At amortized cost	4,604	15,191
Deposits	At amortized cost	2,412	14,388
Notes	Financial asset at fair value through other comprehensive income	-	70
<b>Short-term investments (Gross)</b>		<b>15,166</b>	<b>48,343</b>
Allowance for expected credit losses		(1)	(480)
<b>Total short-term investments</b>		<b>15,165</b>	<b>47,863</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

#### 7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates and joint ventures (all accounted for using the equity method) comprised the following:

	Country of operations	Operating activity	June 30, 2019	December 31, 2018
MTS Belarus	Belarus	Telecom- munications	3,797	4,051
OZON Holdings Ltd	Russia	e-commerce	-	4,797
Equity investments in other unquoted companies	Russia	digital TV, asset management, etc.	1,832	1,887
<b>Total investments in associates and joint ventures</b>			<b>5,629</b>	<b>10,735</b>

In March 2019, the Group disposed of its 18.69% interest in OZON Holdings Limited to Sistema for RUB 7,902 million (of which RUB 3,000 million was paid by Sistema in March 2019, RUB 2,450 million are due in July 2020 and RUB 2,452 million is due in July 2021). As of June 30, 2019 the Group has retained no interest in OZON Holdings Limited.

As a result of a transaction the Group recognized gain which was included in the non-operating share of the income of the associates in the accompanying consolidated statement of profit or loss. The gain was calculated as follows:

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

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

#### 8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Six months ended June 30,	
	2019	2018
<b>Property, Plant and Equipment</b>		
Additions	28,808	26,464
Disposals (net book value)	(577)	(399)
<b>Intangible assets</b>		
Additions	14,122	12,751
Disposals (net book value)	(106)	(23)

#### 9. BORROWINGS

The Group's borrowings comprised the following:

	June 30, 2019	December 31, 2018
Bank and other loans	241,937	250,780
Notes	135,047	117,355
<b>Total borrowings</b>	<b>376,984</b>	<b>368,135</b>
Less: current portion	(68,739)	(3,063)
<b>Total borrowings, non-current</b>	<b>308,245</b>	<b>365,072</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Notes** – The reconciliation between opening and closing balance of the Group's Notes for the six months ended June 30, 2019 was the following:

	<u>Currency</u>	<u>Interest rate (actual at June 30, 2019)</u>	<u>Carrying amount</u>
<b>Balance at January 1, 2019</b>			<b>117,355</b>
<b>New Notes</b>			
MTS PJSC Notes P07 due 2024	RUB	8.70%	10,000
MTS PJSC Notes P08 due 2022	RUB	8.40%	5,000
MTS PJSC Notes P09 due 2024	RUB	8.60%	7,500
<b>Currency exchange gain</b>			(4,791)
<b>Other movements</b>			(17)
<b>Balance at June 30, 2019</b>			<b>135,047</b>
Less: current portion			(29,378)
<b>Total notes, non-current</b>			<b>105,669</b>

**Bank and other loans** – The reconciliation between opening and closing balance of the Group's loans from banks and financial institutions for the six months ended June 30, 2019 was the following:

	<u>Currency</u>	<u>Interest rate (actual at June 30, 2019)</u>	<u>Carrying amount</u>
<b>Balance at January 1, 2019</b>			<b>250,780</b>
<b>New loans</b>			
CISCO Systems Finance	RUB	7.91%	1,013
External loans the acquired companies	RUB	various	25
<b>Repayments</b>			
Citibank	USD	LIBOR +0.9% (3.794 %)	(10,335)
Other			(76)
<b>Debt modification</b>			1,180
<b>Currency exchange gain</b>			(1,055)
<b>Other movements</b>			405
<b>Balance at June 30, 2019</b>			<b>241,937</b>
Less: current portion			(39,361)
<b>Total bank and other loans, non-current</b>			<b>202,576</b>

**Compliance with covenants** – Bank loans and notes of the Group are subject to certain covenants limiting the Group's ability to incur debt, carry on transactions with related parties, create liens on properties, dispose assets, including GSM and 3G licenses for several license areas, issue guaranties, grant loans to employees and entities, delist notes, delay coupon payments, merge or consolidate MTS PJSC with another entity or be a subject to a court decision to pay over USD 75 million (RUB 4,731 million as of the reporting date, which remains unsatisfied for more than 60 days) or be a subject to a court decision to pay over USD 250 million (RUB 15,769 million as of the reporting date, which remains unsatisfied for more than 180 days) without being appealed, discharged or waived.

The Group is required to comply with certain financial ratios and maintain ownership in certain subsidiaries.

The noteholders of MTS International Notes due 2020 and 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 accelerate the repayment of the debt.

The Group was in compliance with all existing notes and bank loans covenants as of June 30, 2019.



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Available credit facilities** – As of June 30, 2019, the Group's total available unused credit facilities amounted to RUB 22,987 million and related to the following credit lines:

	Currency	Maturity	Interest rate	Available till	Available amount
Sberbank	RUB	2024	To be agreed	May 2024	5,000
VTB	RUB	2028	To be agreed	August 2028	5,000
Rosselhozbank	RUB/USD/ EUR	2019	To be agreed	November 2019	5,000
Absolut Bank	RUB	2019	CBR <sup>1</sup> auction rate + 1.25%-1.8%	December 2019	3,000
SPB Bank	RUB	2020	To be agreed	March 2020	3,000
CISCO SFI UC	RUB	2019	To be agreed	August 2019	1,987
<b>Total</b>					<b>22,987</b>

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

In addition, the Group has a credit facility made available by Citibank at MosPrime + 1.50% interest rate 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 June 30, 2024 and thereafter:

	As of June 30, 2019	
	Notes	Bank loans and other debt
Payments due in the year ending June 30,		
2020	42,668	59,585
2021	18,043	114,074
2022	26,793	109,401
2023	53,036	36
2024	12,017	36
Thereafter	18,544	11
<b>Contractual undiscounted cash flows</b>	<b>171,101</b>	<b>283,143</b>
Less: unamortized debt issuance costs	(195)	-
Less: interest	(35,859)	(36,901)
Less: debt modification	-	(4,305)
<b>Total debt</b>	<b>135,047</b>	<b>241,937</b>

## 10. RIGHTS-OF-USE ASSETS AND LEASE OBLIGATIONS

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

Lease of:	June 30, 2019	December 31, 2018
Sites for placement of network and base station equipment	91,092	92,500
Land and buildings	55,899	53,792
Vehicles and other	1,455	1,210
Exclusive rights for trademarks	1,084	1,505
<b>Rights-of-use assets, net</b>	<b>149,530</b>	<b>149,007</b>

Depreciation of the rights-of-use assets for the six months ended June 30, 2019 and 2018 was as follows:

	Six months ended June 30,	
	2019	2018
Lease of sites for network and base station equipment	(3,656)	(4,229)
Lease of land and buildings	(5,719)	(5,346)
Lease of vehicles and other	(215)	(52)
Exclusive rights for trademarks	(364)	(332)
<b>Depreciation charge, total</b>	<b>(9,954)</b>	<b>(9,959)</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Additions to the assets leased during the six months ended June 30, 2019 and 2018 amounted to RUB 12,018 million and RUB 13,553 million, respectively.

Interest expense accrued on lease obligations for the six months ended June 30, 2019 and 2018 amounted to RUB 7,316 million and RUB 6,638 million, respectively.

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as at June 30, 2019:

	<u>June 30, 2019</u>
<b>Minimum lease payments, including:</b>	
Current portion (less than 1 year)	31,824
More than 1 to 5 years	113,896
Over 5 years	113,933
<b>Total minimum lease payments</b>	<b><u>259,653</u></b>
Less amount representing interest	(94,340)
<b>Present value of net minimum lease payments, including:</b>	
Current portion (less than 1 year)	17,591
More than 1 to 5 years	67,032
Over 5 years	80,690
<b>Total present value of net minimum lease payments</b>	<b><u>165,313</u></b>
Less current portion of lease obligations	(17,591)
<b>Non-current portion of lease obligations</b>	<b><u>147,722</u></b>

#### 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are represented by trade and other receivables and payables, cash and cash equivalents, investments, derivative instruments, notes and bank loans and put options over non-controlling interests.

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

	<u>Level of inputs</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>			
Sistema International Funding S.A. Bonds due in 2019 (related party) (Note 6, 15)	Level 1	-	70
Securities held by MTS Bank	Level 1	20,364	22,487
Derivative instruments	Level 2	1,414	6,074
<i>Currency forwards and options</i>		245	2,200
<i>Cross-currency interest rate swaps</i>		1,169	3,874
Assets in Sistema-Capital trust management (related party) (Note 6, 15)	Level 2	7,849	11,644
<b>Liabilities</b>			
Derivative instruments	Level 2	(1,509)	(350)
<i>Interest rate swaps</i>		(148)	(265)
<i>Cross-currency interest rate swaps</i>		(479)	-
<i>Currency forwards</i>		(882)	(85)
Liabilities under option agreements	Level 3	(83)	(3,735)
Contingent consideration	Level 3	(917)	(940)

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended June 30, 2019 and 2018, net realized gains and losses of Level 3 liabilities resulting from fair value measurements amounted to RUB 1,813 million loss and 363 million loss, respectively, and were recognized as a part of change in fair value of financial instruments' in the interim condensed consolidated statement of profit or loss.

The liability under put option agreement for redeemable non-controlling interests in MTS Armenia amounted to RUB 5,067 million and RUB 3,629 million as of June 30, 2019 and December 31, 2018, respectively, and measured at fair value using a discounted cash flow technique. The most significant quantitative inputs used to measure its fair value are presented in the table below:

<b>Unobservable inputs</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Post-tax discount rate	13%	13%
	0.5-3.4%	0.3-2.0%
Revenue growth rate	(av. 2.5%)	(av. 0.9%)
	42.2-43.6%	40.5-43.2%
OIBDA margin	(av. 42.8%)	(av. 41.5%)

The Group has a legally enforceable right and intends to exercise the option by offsetting the amount of the liability under put option with the due amount of the loan issued to the holders of 20% stake in MTS Armenia (Note 6). Therefore, these financial instruments are presented on a net basis in the consolidated statement of financial position as of June 30, 2019.

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:

	<b>Level of inputs</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
		<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>
Notes (Note 9)	Level 1	(137,480)	(135,243)	(115,698)	(117,534)
Bank and other loans (Note 9)	Level 3	(241,937)	(241,937)	(251,189)	(251,188)
		<b>(379,417)</b>	<b>(377,180)</b>	<b>(366,887)</b>	<b>(368,722)</b>

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 for the six months ended June 30, 2019 and 2018.

There were no transfers between the accounting categories of financial instruments during the six months ended June 30, 2019 and 2018.

## 12. BANK FINANCIAL ASSETS AND LIABILITIES

### 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 June 30, 2019 and December 31, 2018.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Loans to customers	81,872	68,132
Due from banks	2,791	2,635
Allowance for expected credit losses	(8,776)	(7,729)
<b>Total bank deposits and loans to customers</b>	<b>75,887</b>	<b>63,038</b>
Less: current portion	(35,933)	(32,385)
<b>Bank deposits and loans to customers, non-current</b>	<b>39,954</b>	<b>30,653</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The structure and amounts of bank loans to customers as of June 30, 2019 and December 31, 2018 is presented in the table below:

	June 30, 2019	December 31, 2018
<b>Loans to legal entities</b>		
Corporations	27,157	27,414
Medium-sized enterprises and small businesses	2,143	1,941
<b>Total loans to legal entities</b>	<b>29,300</b>	<b>29,355</b>
<b>Loans to individuals</b>		
Mortgage loans	11,440	11,668
Consumer loans	29,110	17,307
Credit cards	11,691	9,778
Other	331	24
<b>Total loans to individuals</b>	<b>52,572</b>	<b>38,777</b>
<b>Due from banks</b>		
Time deposits with banks	1,570	1,659
Obligatory reserves with the Central Bank of the RF	1,221	976
<b>Total due from banks</b>	<b>2,791</b>	<b>2,635</b>
<b>Total bank deposits and loans</b>	<b>84,663</b>	<b>70,767</b>
Less: allowance for expected credit losses	(8,776)	(7,729)
<b>Total bank deposits and loans</b>	<b>75,887</b>	<b>63,038</b>

Movements in the allowance for expected credit losses for the six months ended June 30, 2019 are presented in the table below:

	Loans to customers	Due from banks	Total
<b>Balance as at December 31, 2018</b>	<b>7 689</b>	<b>40</b>	<b>7 729</b>
Provision charge / (release)	1 343	(15)	1 328
Recovery of bad debt written-off	295	1	296
Bad debt written-off	(453)	(16)	(469)
Sale of loans with associated allowance for credit losses	(110)	-	(110)
Foreign currency revaluation effect	2	-	2
<b>Balance as at June 30, 2019</b>	<b>8 766</b>	<b>10</b>	<b>8 776</b>

#### Bank deposits and liabilities

The table below represents the structure and amounts of current and non-current bank deposits and liabilities as of June 30, 2019 and December 31, 2018.

	June 30, 2019	December 31, 2018
Customer accounts	106,938	100,209
Due to banks and other financial institutions	3,888	7,750
Debt securities issued	1,533	1,717
Financial liabilities at fair value through profit or loss	56	767
Other financial liabilities	1,084	1,011
<b>Total bank deposits and liabilities</b>	<b>113,499</b>	<b>111,454</b>
Less: current portion	(110,569)	(108,821)
<b>Total bank deposits and liabilities, non-current</b>	<b>2,930</b>	<b>2,633</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

The structure and amounts of customer accounts of December 31, 2018 are presented below:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Legal entities</b>		
- Current/settlement accounts	18,538	19,408
- Term deposits	6,324	8,188
<b>Individuals</b>		
- Current/settlement accounts	14,394	13,364
- Term deposits	<u>67,682</u>	<u>59,249</u>
<b>Total customer accounts</b>	<u><b>106,938</b></u>	<u><b>100,209</b></u>

The structure and amounts of due to banks as of December 31, 2018 are presented below:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Loans under repurchase agreements	2,308	5,315
Loans and term deposits from banks and other financial institutions	452	1,268
Correspondent accounts of other banks	<u>1,128</u>	<u>1,167</u>
<b>Total due to banks</b>	<u><b>3,888</b></u>	<u><b>7,750</b></u>

Loans under repurchase agreements were secured by the following collaterals:

- Securities received under reverse repurchase agreements in the amount of RUB 2,141 million and RUB 2,283 million as of June 30, 2019 and December 31, 2018 respectively;
- Federal Loan Bonds (OFZ) received from Deposit Insurance Agency (DIA) as a subordinated securities loan in the amount of RUB 320 million and RUB 3,539 million as of June 30, 2019 and December 31, 2018, 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 June 30, 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.

### 13. STOCKHOLDERS' EQUITY

#### Share capital (ordinary shares)

The Group had 1,998,381,575 authorized ordinary shares with par value 0.1 RUB as of June 30, 2019 and December 31, 2018. Preferred shares have not been issued.

As of June 30, 2019, there were 225,547,421 total shares in treasury stock and 1,772,834,154 shares were outstanding. As of December 31, 2018, there were 167,638,899 total shares in treasury stock and 1,830,742,676 shares were outstanding.

During six months ended June 30, 2019 the Group purchased 57,633,224 shares (including shares represented by ADSs) under the Repurchase Plan announced in 2018 at prices from RUB 249 to RUB 274 for a total cost of RUB 14,912 million.

# PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

### Dividends

As of June 30, 2019, the dividend policy approved by the Board of Directors for the calendar years 2019–2021 was effective, committing to a minimum cumulative dividend payout of RUB 28.0 per ordinary share through two semi-annual payments.

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.

In June 2019 the Group declared cash dividends for the calendar year 2018 in the amount of RUB 39,927 million, including dividends on treasury shares of RUB 4,504 million, which equals to RUB 19.98 per share or RUB 39.96 per ADS.

As of June 30, 2019 and December 31, 2018 dividends payable of RUB 36,702 million and RUB 146.2 million, respectively, were included in the trade and other payables within the statements of financial position.

### 14. LIABILITY UNDER PUT OPTION AGREEMENT

The Group owns an 80% stake in Aramayo Investments Limited, the 100% indirect owner of MTS Armenia, Armenia's mobile phone operator, and entered into 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 by the parties independent appraiser and the call option could have been exercised by the Group up to December 31, 2018. In December 2018 the Group served a call notice on the minority shareholders of MTS Armenia to purchase the remaining 20% stake in Aramayo (and indirectly in MTS Armenia).

The liability under the option agreement amounted to RUB 5,067 million and RUB 3,629 million as of June 30, 2019 and December 31, 2018 respectively (Note 11).

### 15. RELATED PARTIES

Related parties include entities under common ownership with the Group, affiliated companies and associated companies.

The aggregated impact of transactions with related parties to the Group's statements of financial position as of June 30, 2019 and December 31, 2018 and statements of profit or loss for the six months ended June 30, 2019 and 2018 was the following:

	June 30, 2019	December 31, 2018
<b>Statements of financial position</b>		
Dividends payable	17,713	-
Accounts receivable, non-current	14,226	2,545
Short-term investments	8,102	12,086
Accounts receivable, current	5,486	6,385
Right-of-use assets	4,797	1,359
Bank loans to customers, current	2,417	2,244
Advances for property, plant and equipment	2,312	1,380
Bank loans to customers, non-current	1,091	612
Cash and cash equivalents	672	938
Other investments	149	149
Bank deposits and liabilities, current	(39,116)	(42,642)
Lease obligations, non-current	(5,907)	(1,007)
Bank deposits and liabilities, non-current	(1,135)	(1,044)
Accounts payable	(909)	(1,301)
Lease obligations, current	(744)	(185)

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Statements of profit or loss</b>		
Revenue	(2,250)	(2,079)
Operating expenses / (income)	(2,148)	1,331
Finance (income) / expenses	(731)	(879)
Interest expenses under lease arrangements	238	78

**Terms and conditions of transactions with related parties** – Outstanding balances as of June 30, 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 June 30, 2019 and December 31, 2018, the Group had no impairment of receivables relating to significant amounts owed by related parties or expenses recognized during the six months ended June 30, 2019 and 2018 in respect to bad or doubtful debts from related parties.

Accounts receivable from and accounts payable to related parties were as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Accounts receivable</b>		
MTS Belarus, the Group's associate	2,417	4,095
Sistema, parent company	5,039	2
Business Nedvizhimost, a subsidiary of Sistema	9,431	2,561
Sitronics, a subsidiary of Sistema	1,429	1,107
Zifrovoe TV, the Group's associate	855	764
Other related parties	541	401
<b>Total accounts receivable, related parties</b>	<b>19,712</b>	<b>8,930</b>
Less non-current portion	(14,226)	(2,545)
<b>Accounts receivable, related parties – current</b>	<b>5,486</b>	<b>6,385</b>
<b>Accounts payable</b>		
MTS Belarus, the Group's associate	517	678
TelecomCapStroi, a subsidiary of Sistema	155	237
Business Nedvizhimost, a subsidiary of Sistema	95	34
Other related parties	142	352
<b>Total accounts payable, related parties</b>	<b>909</b>	<b>1,301</b>

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.

The Group makes advances for the purchase of property, plant and equipment, intangible assets and other assets to related parties which are summarized as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Advances given for property, plant and equipment:</b>		
TelecomCapStroi, a subsidiary of Sistema	1,853	1,317
Business Nedvizhimost, a subsidiary of Sistema	416	12
Other related parties	43	51
<b>Total advances given for property, plant and equipment</b>	<b>2,312</b>	<b>1,380</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Rights-of-use assets and lease obligations** – The following table represents carrying value of right-of-use assets leased from related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Carrying value of right-of-use assets:</b>		
Business Nedvizhimost, a subsidiary of Sistema	4,415	919
Kronshtadt, a subsidiary of Sistema	-	121
Other related parties	<u>382</u>	<u>319</u>
<b>Total carrying value of right-of-use assets</b>	<b><u>4,797</u></b>	<b><u>1,359</u></b>

The following table presents summary of lease obligations which arose from lease arrangements with related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Lease obligations:</b>		
Business Nedvizhimost, a subsidiary of Sistema	6,234	793
Kronshtadt, a subsidiary of Sistema	96	109
Other related parties	<u>321</u>	<u>290</u>
<b>Total lease obligations</b>	<b><u>6,651</u></b>	<b><u>1,192</u></b>
Less non-current portion	<u>(5,907)</u>	<u>(1,007)</u>
<b>Lease obligations, related parties – current</b>	<b><u>744</u></b>	<b><u>185</u></b>

Interest expense accrued on these lease obligations for the six months ended June 30, 2019 and 2018 amounted to RUB 238 million and RUB 78 million and was included in finance costs in the accompanying consolidated statements of profit or loss.

**Bank loans to customers, interbank loans due** – The following table presents loans given by MTS Bank to related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Bank loans due, related parties</b>		
Leader-Invest, an associate of Sistema	1,145	612
Sistema, parent company	791	254
Binnofarm, a subsidiary of Sistema	431	412
Kronshtadt, a subsidiary of Sistema	378	802
Kronshtadt Technology, a subsidiary of Sistema	360	440
Sistema-Finance, a subsidiary of Sistema	218	183
Detskii Mir, a subsidiary of Sistema	129	-
Technology for Aviation, a subsidiary of Sistema	<u>56</u>	<u>153</u>
<b>Total bank loans due, related parties</b>	<b><u>3,508</u></b>	<b><u>2,856</u></b>
Less non-current portion	<u>(1,091)</u>	<u>(612)</u>
<b>Bank loans due, related parties – current</b>	<b><u>2,417</u></b>	<b><u>2,244</u></b>



## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

**Bank deposits and liabilities** – The following table presents deposits in MTS Bank held by related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Bank deposits and liabilities:</b>		
Key management personnel of the Group and its parent	31,007	29,658
Sistema, parent company	2,382	4,610
Project Michurinskiy, a joint venture of Sistema	1,624	952
Zifrovoe TV, the Group's associate	936	536
TelecomCapStroi, a subsidiary of Sistema	523	238
UK LandProfit, a subsidiary of Sistema	463	599
Sistema Venture Capital, a subsidiary of Sistema	479	319
Sistema Capital, a subsidiary of Sistema	442	239
BF-Sistema, a not-for-profit entity	400	233
Business Nedvizhimost, a subsidiary of Sistema	386	226
East-West United Bank, a subsidiary of Sistema	184	-
Intourautoservice, a subsidiary of Sistema	126	128
Medsi Group, a subsidiary of Sistema	108	745
Sitronics, a subsidiary of Sistema	66	525
Sistema Telecom Activy, a subsidiary of Sistema	49	1,542
Leader-Invest, an associate of Sistema	34	433
Detskii Mir, a subsidiary of Sistema	21	113
Sistema-Invest, a subsidiary of Sistema	8	338
RTI, a subsidiary of Sistema	1	323
BashRES, a subsidiary of Sistema	-	309
MBI, a subsidiary of Sistema	-	138
Other related parties	1,012	1,482
	<u>40,251</u>	<u>43,686</u>
<b>Total bank deposits and liabilities</b>		
Less non-current portion	<u>(1,135)</u>	<u>(1,044)</u>
<b>Total bank deposits and liabilities – current</b>	<u>39,116</u>	<u>42,642</u>

**Investing transactions** – The Group holds certain investments in related parties which are summarized as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Short-term investments</b>		
Sistema Capital, a subsidiary of Sistema (asset management)	7,849	11,644
Promissory notes of Intellect Telecom, a subsidiary of Sistema	253	283
Other loans receivable	-	159
	<u>8,102</u>	<u>12,086</u>
<b>Total short-term investments in related parties</b>		
<b>Other investments in shares</b>		
Sistema Venture Capital, a subsidiary of Sistema	117	117
Other investments	32	32
	<u>149</u>	<u>149</u>
<b>Total investments in shares of related parties</b>		

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

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

**Dividends payable** – The following table presents dividends payable to related parties:

	<b>June 30, 2019</b>
<b>Dividends payable:</b>	
Sistema, parent company	12,681
Sistema Telecom Activy, a subsidiary of Sistema	4,405
Sistema-finance, a subsidiary of Sistema	627
<b>Total Dividends payable</b>	<b>17,713</b>

**Operating transactions** – For the six months ended June 30, 2019 and 2018, operating transactions with related parties were as follows:

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues from related parties</b>		
Segezha CBK, subsidiary of Sistema (sale of energy by MTS Energo)	626	1
Sitronics, subsidiary of Sistema (construction of a fiber optic lines)	505	547
MTS Belarus, the Group's associate (roaming and interconnect services)	179	175
Leader-Invest, an associate of Sistema (banking services)	106	13
Zifrovoe TV, the Group's associate (subscriber acquisition services)	104	120
Lesosibirskiy LDK, a subsidiary of Sistema (sale of energy by MTS Energo)	104	-
Detsky Mir, subsidiary of Sistema (telecommunication services)	63	58
Medsi Group, subsidiary of Sistema (telecommunication and call center services)	45	29
MTS Bank, the former Group's associate (telecommunication and call center services, bank cards distribution commission)	-	1,050
Other related parties	518	86
<b>Total revenues from related parties</b>	<b>2,250</b>	<b>2,079</b>
<b>Operating (income) / expenses incurred on transactions with related parties</b>		
Koncel, a subsidiary of Sistema (sale of scrap metal)	(1,876)	-
Business Nedvizhimost, a subsidiary of Sistema (rent and sale of real estate)	(1,694)	47
Key management personnel of the Group and its parent (interest expense)	964	-
Sistema, parent company (interest expense)	205	-
AB Safety, a subsidiary of Sistema (security services)	163	152
Jet Air Group, subsidiary of Sistema (transportation services)	73	69
MTS Belarus, the Group's associate (roaming and interconnect services)	51	58
MTS Bank, the Group's associate (commission related expenses)	-	982
Other related parties	(34)	23
<b>Total operating (income) / expenses incurred on transactions with related parties</b>	<b>(2,148)</b>	<b>1,331</b>

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

Finance income, which arose from investment transactions with related parties for the six months ended June 30, 2019 and 2018 was the following:

	Six months ended June 30,	
	2019	2018
<b>Finance income from related parties</b>		
Business Nedvizhimost, a subsidiary of Sistema	319	178
Sistema Capital, a subsidiary of Sistema (assets management)	261	214
Sistema, parent company	138	2
MTS Bank, the former Group's associate	-	389
Other related parties	13	96
<b>Total finance income from related parties</b>	<b>731</b>	<b>879</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 June 30, 2019 and December 31, 2018, the Group's cash position at East-West United Bank amounted to RUB 672 million and RUB 938 million, respectively.

**Business Nedvizhimost** – In February 2015 and further in May 2015, the Group sold its 100% stake in Rent Nedvizhimost to Business Nedvizhimost, a subsidiary of Sistema, for RUB 8,500 million in total. As of June 30, 2019 and December 31, 2018 the balance of accounts receivable amounted to RUB 9,431 million and RUB 2,561 million, respectively. The amount as of June 30, 2019 is due before December 31, 2021 and bears 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. At the reporting date the Group accounted for its share in the joint venture in the amount of RUB 683 million.

**Leaseback** – In March 2019, in order to optimize the processes of real estate management, the Group sold a number of buildings with a carrying value of RUB 1,479 million to Business Nedvizhimost for the consideration of RUB 7,247 million (including VAT). The consideration will be paid by installments for 10 years at 9% per annum with the collateral in the form of disposed buildings granted to 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.

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

**Sistema Capital** – In 2016 and 2017 the Group entered into trust agreements with the asset management company Sistema Capital. As of June 30, 2019 and December 31, 2018, the balance of assets under trust management amounted to RUB 7,849 million and RUB 11,644 million respectively (Note 6).

**Sistema** – In March 2019, the Group disposed of its 18.69% interest in the Group's associate OZON Holdings Limited to Sistema for RUB 7,902 million. As of June 30, 2019 the balance of accounts receivable amounted to RUB 5,039 million. Details of the disposal are disclosed in Note 7.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions of Russian Rubles unless otherwise stated)

**Remuneration of key management personnel** – Key management personnel of the Group are members of the Board of Directors and Management Board. During the six months ended June 30, 2019 and 2018 their total remuneration amounted to RUB 788 million and RUB 437 million, respectively. These amounts comprised of RUB 274 million and RUB 191 million in base salaries and 514 RUB million and RUB 246 million in bonuses paid pursuant to a bonus plan, respectively.

Management and directors are also entitled to cash-settled and equity-settled share-based payments. Related compensation accrued during the six months ended June 30, 2019 and 2018 amounted to RUB 310 million and RUB 223 million, respectively.

#### 16. COMMITMENTS AND CONTINGENCIES

**Capital commitments** – As of June 30, 2019, the Group had executed purchase agreements of approximately RUB 34,109 million to acquire property, plant and equipment, intangible assets and costs related thereto.

**Agreement with Apple** – In April 2017, the Group entered into an unconditional purchase agreement with Apple Rus LLC to buy 615 thousand iPhone handsets at list prices at the dates of respective purchases over a period ending June 30, 2019. Pursuant to the agreement the Group is also required to incur certain iPhone advertising and promotion costs. As of June 30, 2019 the Group fully completed total purchase installment outlined by the agreement.

**Taxation** – Management believes that it has adequately provided for tax liabilities in the accompanying 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:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Contingent liabilities for additional taxes other than income tax	1,248	730
Contingent liabilities for additional income taxes	2,037	2,051

**Licenses** – Management believes that as of June 30, 2019 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.

In August 2018, FAS Russia has charged MTS and other federal operators with violation of antimonopoly laws in respect to establishing discriminatory terms and conditions for SMS pricing for the entities with state-owned equity interest as compared to the terms and conditions for the other entities and later with establishing unreasonably high SMS prices. In May 2019, FAS Russia considered that MTS have breached the provisions of antimonopoly laws in respect to establishing discriminatory terms and conditions for SMS pricing and charging unreasonably high SMS prices and prescribed MTS to cease violations. MTS contests the decision and prescription of FAS Russia in the Moscow Arbitrate Court. It's currently impossible to measure possible implications of the case reliably.

**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 materially 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 7.25% as of June 30, 2019.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED 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.

**Political and economic crisis in Ukraine** – During the year ended December 31, 2014, a deterioration in the political environment of Ukraine has led to general instability, economic deterioration and armed conflict in eastern Ukraine. In 2014 The National Bank of Ukraine ("NBU") passed a decree prohibiting Ukrainian companies to pay dividends to foreign investors. The decree was extended several times and its edition effective as of June 30, 2019 allows payment of dividends for the FY 2018 and all preceding periods, subject to certain restrictions. Furthermore, since 2014 the Group established a provision in respect of cash balances in several Ukrainian banks, whose liquidity was affected by the economic downturn.

The Group believes that these circumstances, despite the recent improvement, combined with political and economic instability in the country, could result in further negative impact on the Group's business including financial position and results of operations.

As of June 30, 2019, the Group held RUB 3,704 million in current accounts and deposits in Ukrainian banks.

**Anti-terror law** – On July 7, 2016 a series of anti-terror laws (also known as "Yarovaya-Ozerov bundle of laws") was enacted by the signature of the President of Russia. In general terms, the laws mandate that operators store and record phone conversations, text messages of subscribers, images, sounds, video and other types of communications by telecommunications operators for defined periods of time. These requirements are effective starting July 1, 2018. Compliance with the laws require the construction of additional storage, processing and indexing centers. The Group expects the increase in related capital expenditures, which cannot be measured reliably.

**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 of 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, the Group agreed to pay a total criminal penalty of USD 850 million (RUR 59.1 billion as of December 31, 2018) to the United States. 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 total criminal penalty of USD 850 million (RUR 55.6 billion as of the payment date).

Under the DPA and the Order, the Group agreed to appoint an independent compliance monitor. Pursuant to the DPA and the Order, the monitorship will continue for a period of three years, 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. The complaint is alleging certain securities law violations relating to the recently announced resolution of US government investigations related to the Group's former operations in Uzbekistan. The Group is reviewing the allegations and intends to defend its interests. It's currently impossible to measure possible implications and amount of claim reliably.

## PJSC MOBILE TELESYSTEMS AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

---

#### 17. SUBSEQUENT EVENTS

**Ruble bonds placement** – In July 2019, MTS issued exchange-traded bonds totaling RUB 10 billion with a coupon rate of 7.9% and a maturity of 7 years and exchange-traded bonds totaling RUB 15 billion with a coupon rate of 8% and a maturity of 6 years.

**Dividends payment** – In August 2019, the Group completed payment of cash dividends for the calendar year 2018 in the amount of RUB 39,927 million, including dividends on treasury shares of RUB 4,504 million, which equals to RUB 19.98 per share or RUB 39.96 per ADS.

**Settlement of liability under put option agreement** – In August 2019, the Group exercised the call option to purchase the remaining 20% stake in MTS Armenia (Note 14). 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 holders of 20% stake in MTS Armenia (Note 6). Exercise price was determined by an independent appraiser as stipulated by the option agreement.