

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Mobile TeleSystems PJSC

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Mobile TeleSystems PJSC and subsidiaries (the “Group”) as of December 31, 2020 and 2019, the related consolidated statements of profit or loss, comprehensive income, changes in shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2021 expressed an unqualified opinion on the Group’s internal control over financial reporting.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Revenue Recognition — Refer to Note 7 to the consolidated financial statements

#### *Critical Audit Matter Description*

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

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

#### *How the Critical Audit Matter Was Addressed in the Audit*

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

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

- We tested whether incentive arrangements and discounts were correctly accounted for in accordance with the relevant accounting policies of the Group; and
- We agreed the information on active tariffs entered in the billing systems to the approved tariff orders and published tariff plans.

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

**Assessment and measurement of expected credit losses on loans to customers — Refer to Note 3 and Note 31 to the consolidated financial statements**

*Critical Audit Matter Description*

The Group applies an 'expected loss' model to determine the impairment of loans to customers of MTS Bank. As described in Note 31, *Bank financial assets and liabilities*, the Group reported an allowance for expected credit losses in respect of loans to customers of RUB 16,446 million at December 31, 2020 (2019: RUB 10,031 million). Due to the underlying assumptions and estimations, in particular in light of negative impact of Covid-19 on the loan portfolios and increased credit defaults, the determination of expected credit losses is one of the most significant management estimates.

Key areas of judgment and estimates related to the auditing of the allowance for expected credit losses on loans to customers included the following:

- determination of the impairment stage for loans assessed on an individual basis which is based on timely identification and appropriate evaluation of events indicating default or significant increases in credit risk;
- evaluation of the probability of default of loans assessed on an individual basis at the first and the second stages of impairment as well as loans assessed on a collective basis.

We identified this area as a critical audit matter because models and techniques used in identifying defaults and significant increases in credit risk and for calculating expected credit losses requires the use of data from both external and internal sources, as well as the application of complex and subjective judgments by management. Therefore, a high degree of auditor judgment and an increased extent of effort was required in this area, including the need to involve our actuarial specialists and to perform focused audit procedures to evaluate management judgements made in estimating the allowance for expected credit losses to customers.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the assessment and measurement of expected credit losses of loans to customers included the following, among others:

- We tested the design and the effectiveness of internal controls over classification of the loan portfolio between stages of credit risk and the use of key assumptions in the assessment of probability of default of customers;

- We evaluated compliance of the methodology, models and techniques, used by the Group management to determine the expected credit losses, with the requirements of IFRS 9, *Financial Instruments*;
- We tested the completeness and accuracy of data used in the estimation of expected credit losses, including historical data, using external and internal sources of information;
- For individually assessed loans, we obtained the Group's schedule of loans classified between stages of credit risk and testing, on a sample basis, the completeness of management's identification of events indicating customer default or significant increase in credit risk, based on information from internal and external sources, as well as evaluation of management assessment of such events, with a particular focus on the treatment of forbearance for customers operating in sectors that are significantly affected by the COVID-19 pandemic;
- For the evaluation of probability of default of individually assessed loans, with the involvement of our actuarial specialists, we obtained the validation report and tested the outcome of the model against observed losses; and
- For collectively assessed loans, with the assistance of actuarial specialists, we performed an analysis of the integrity and logic of the models and assessed the most critical underlying assumptions against historical data and recent trends of default ratios as well as evaluated judgements made by management when assessing the effect of restructuring of customer loans due to economic downturn on expected credit losses.

We also assessed the compliance of the disclosures in the consolidated financial statements with the requirements of IFRS 9, *Financial Instruments*.

*AO Deloitte & Touche CIS*

/s/ AO Deloitte & Touche CIS  
Moscow, Russia  
March 3, 2021

We have served as the Group's auditor since 2002.