

# **SISTEMA PJSFC AND SUBSIDIARIES**

Consolidated Financial Statements for 2020  
and Independent Auditor's Report

# SISTEMA PJSFC AND SUBSIDIARIES

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## SISTEMA PJSFC AND SUBSIDIARIES

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Sistema Public Joint Stock Financial Corporation and its subsidiaries (the "Group") as of 31 December 2020, and the results of its operations, cash flows and changes in equity for 2020, in compliance with International Financial Reporting Standards ("IFRSs").

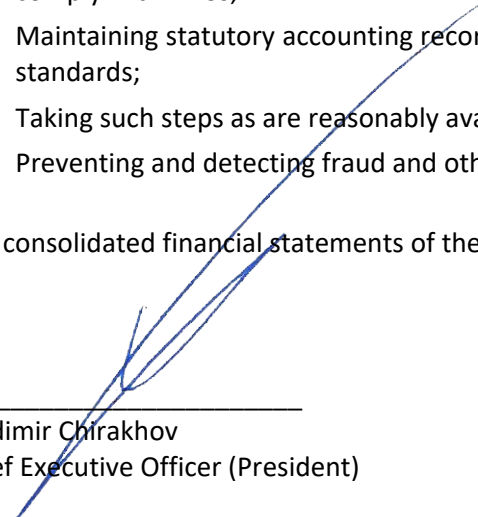
In preparing the consolidated financial statements, management is responsible for:


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making judgements and assumptions that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- Maintaining statutory accounting records in compliance with the Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for 2020 were approved by:

  
\_\_\_\_\_  
Vladimir Chirakhov  
Chief Executive Officer (President)

  
\_\_\_\_\_  
Vladimir Travkov  
Vice President for Finance (CFO)

6 April 2021

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Sistema Public Joint Stock Financial Corporation

### Opinion

We have audited the consolidated financial statements of Sistema Public Joint Stock Financial Corporation ("Sistema") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Why the matter was determined to be a key audit matter****How the matter was addressed in the audit**

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**Diversified structure of the Group**

Sistema is a holding company that owns mainly controlling stakes in its subsidiaries, whose results are included in the consolidated financial statements. The large number of entities of the Group and diversified nature of their operations require the Group's management to design and implement group wide controls, including monitoring and control activities to ensure timely, reliable and complete financial information received from its subsidiaries.

Audit procedures regarding the financial information of the subsidiaries included in the consolidated financial statements may be performed by us or by the auditors of those subsidiaries ("components") acting under our supervision. As the group auditor, we are fully responsible for conducting the audit and forming our audit opinion.

We focused on this matter because the diversified structure of the Group has a significant impact on our audit approach, and the nature and extent of our involvement in component auditors' work is significant.

We obtained an understanding of the group-wide controls over the consolidation process and the preparation of the consolidated financial statements, including instructions of the Group's management to its subsidiaries.

Our audit approach was developed considering the Group's diversified structure and associated risks of material misstatement of the consolidated financial statements. It included determination of necessary procedures and audit scope in relation to each component's financial information, depending on its significance for the Group and identification of risks of misstatement of their financial information. The nature and extent of our involvement in the component auditors' work was also dependent on our assessment of their professional competence in the context of allocated scope.

To obtain reasonable assurance of fair presentation of the components' financial information, we assessed risks and determined audit procedures performed by the component auditors, and evaluated the results of the procedures. This included a critical analysis of the component auditors' documentation, discussion of significant matters with the component auditors, component or Group management and, if applicable, designing and performing additional audit procedures.

We also performed procedures with respect to consolidation adjustments to the financial information of the subsidiaries in order to assess their nature, completeness and accuracy.

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**Significant non-routine transactions**

In light of its strategy, the Group regularly conducts complex acquisitions and disposals, debt restructurings and other significant non-routine transactions.

We focus on these matters because the appropriate accounting treatment of such transactions is often complex and requires exercise of significant judgement, in particular, in determining whether or not the Group has control over its investees, and whether or not the Group has assumed obligations to third-party investors.

Our procedures included reviewing legal documents to fully understand the terms and conditions of each transaction and therefore the associated accounting implications and evaluating documentation of management's positions on how IFRSs were applied to the transactions.

In relation to the previously mentioned specific transactions, we analysed legal documents and evaluated the appropriateness of management's conclusions on whether or not the Group has control over the investees in the context of investee's governance structure, size of the Group's shareholding relative to other shareholders, dispersion of other vote holdings and other factors

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**Why the matter was determined to be a key audit matter****How the matter was addressed in the audit**

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In the current period, this included, for example, the Group's investment in Megapolis-Invest and provision of equity financing for the acquisition of Real hypermarkets. See Note 17 and Note 38 to the consolidated financial statements.

relevant to determining whether the Group has current ability to direct relevant activities of the investees.

We also assessed other aspects of the mentioned transactions, evaluated management's conclusions on accounting for any financial assets and liabilities stipulated by transaction documents, and, where relevant, assessed the appropriateness of fair value measurements related to the investments in these investees.

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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report and quarterly report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report and quarterly report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

  
Vladimir Biryukov  
Engagement partner  
6 April 2021



The Entity: Sistema Public Joint Stock Financial Corporation

Certificate of state registration № 025.866, issued by the Moscow Registration Chamber on 16.07.1993

Primary State Registration Number: 1027700003891

Certificate of registration in the Unified State Register № 77 011222220 of 11.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 46

Address: building 1, 13 Mokhovaya st., Moscow, Russia, 125009

Audit Firm: AO Deloitte & Touche CIS

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

Primary State Registration Number: 1027700425444

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

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



# SISTEMA PJSFC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(In millions of Russian Rubles, except for per share amounts)

	Notes	2020	2019
<b>Continuing operations</b>			
Revenue	8	691,626	654,303
Cost of sales		(330,055)	(300,123)
Selling, general and administrative expenses		(134,176)	(128,418)
Depreciation and amortisation		(120,492)	(114,959)
Impairment of long-lived assets	9	(5,621)	(11,637)
Impairment of financial assets	10	(2,956)	(6,940)
Taxes other than income tax		(4,134)	(4,962)
Share of the profit or loss of associates and joint ventures, net	17	(405)	(4,425)
Profit on disposal of other assets	18	11,142	-
Other income		14,829	11,486
Other expenses		(10,354)	(7,497)
<b>Operating income</b>		<b>109,404</b>	<b>86,828</b>
Finance income		5,330	5,921
Finance costs		(71,468)	(77,560)
Currency exchange (loss)/gain		(18,643)	13,611
Changes in the fair value of financial instruments		21,883	(11,268)
<b>Profit before tax</b>		<b>46,506</b>	<b>17,532</b>
Income tax expense	11	(8,341)	(27,003)
<b>Profit/(loss) from continuing operations</b>		<b>38,165</b>	<b>(9,471)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations	5	3,122	67,079
<b>Net profit for the year</b>		<b>41,287</b>	<b>57,608</b>
Attributable to:			
Shareholders of Sistema PJSFC		10,216	28,597
Non-controlling interests		31,071	29,011
		<b>41,287</b>	<b>57,608</b>
Profit/(loss) per share (basic and diluted), in Russian Rubles:			
From continuing operations	30	0.91	(3.56)
From continuing and discontinued operations		1.09	3.02

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

\_\_\_\_\_  
Vladimir Chirakhov  
Chief Executive Officer (President)

\_\_\_\_\_  
Vladimir Travkov  
Vice President for Finance (CFO)

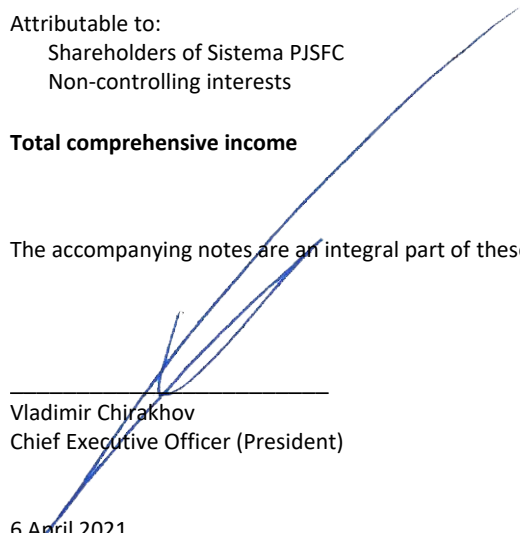
6 April 2021


## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (In millions of Russian Rubles)

	<u>2020</u>	<u>2019</u>
<b>Net profit for the year</b>	<b>41,287</b>	<b>57,608</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Effect on sale of VF Ukraine	-	7,947
Currency translation gain/(loss) on foreign operations in subsidiaries	12,320	(7,246)
Currency translation loss on foreign operations in associates and joint ventures	(98)	(207)
Net fair value loss on financial instruments	-	(197)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Unrecognised actuarial gain	-	211
Other comprehensive income, net of tax	<u>12,222</u>	<u>508</u>
<b>Total comprehensive income</b>	<b><u>53,509</u></b>	<b><u>58,116</u></b>
Attributable to:		
Shareholders of Sistema PJSFC	21,517	24,844
Non-controlling interests	<u>31,992</u>	<u>33,272</u>
<b>Total comprehensive income</b>	<b><u>53,509</u></b>	<b><u>58,116</u></b>

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

  
\_\_\_\_\_  
Vladimir Chirakhov  
Chief Executive Officer (President)

  
\_\_\_\_\_  
Vladimir Travkov  
Vice President for Finance (CFO)

6 April 2021

## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In millions of Russian Rubles)

	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	13	427,311	400,083
Investment property	14	12,649	13,660
Goodwill	15	57,204	55,388
Other intangible assets	16	99,749	91,138
Right-of-use assets	26	153,103	154,865
Investments in associates and joint ventures	17	73,856	79,917
Deferred tax assets	11	41,402	26,752
Other financial assets	19	158,629	116,973
Deposits in banks		22	82
Other assets		22,916	19,438
<b>Total non-current assets</b>		<b>1,046,841</b>	<b>958,296</b>
<i>Current assets</i>			
Inventories	21	46,449	45,329
Contract assets	8	6,306	6,474
Accounts receivable	22	56,458	54,703
Advances paid and prepaid expenses		15,302	14,038
Current income tax assets		5,449	4,711
Other taxes receivable		17,636	19,259
Other financial assets	19	104,573	87,138
Deposits in banks		1,755	1,659
Restricted cash	20	4,310	5,689
Cash and cash equivalents		113,693	63,669
Other assets		2,544	2,562
<b>Total current assets</b>		<b>374,475</b>	<b>305,231</b>
<b>Total assets</b>		<b>1,421,316</b>	<b>1,263,527</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(In millions of Russian Rubles)

	Notes	31 December 2020	31 December 2019
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	23	869	869
Treasury shares	23	(3,029)	(5,971)
Additional paid-in capital		75,279	75,045
Accumulated loss		(27,025)	(36,020)
Accumulated other comprehensive income	24	18,753	7,452
Equity attributable to shareholders of Sistema		64,847	41,375
Non-controlling interests		22,482	24,353
<b>Total equity</b>		<b>87,329</b>	<b>65,728</b>
<i>Non-current liabilities</i>			
Loans and borrowings	25	640,570	491,416
Lease liabilities	26	147,803	149,565
Bank deposits and liabilities	27	4,199	6,051
Deferred tax liabilities	11	34,769	36,172
Provisions	29	7,388	5,748
Other financial liabilities	28	3,745	3,526
Other liabilities		6,774	5,607
<b>Total non-current liabilities</b>		<b>845,248</b>	<b>698,085</b>
<i>Current liabilities</i>			
Loans and borrowings	25	83,391	129,454
Lease liabilities	26	17,772	16,060
Accounts payable		102,148	89,203
Bank deposits and liabilities	27	195,346	160,511
Income tax payable		1,029	921
Other taxes payable		15,540	16,065
Dividends payable		3,325	15,569
Provisions	29	16,612	14,910
Liability to Rosimushchestvo		-	7,231
Contract liabilities and other liabilities	8	49,844	46,321
Other financial liabilities	28	3,732	3,469
<b>Total current liabilities</b>		<b>488,739</b>	<b>499,714</b>
<b>Total equity and liabilities</b>		<b>1,421,316</b>	<b>1,263,527</b>

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

\_\_\_\_\_  
Vladimir Chirakhov  
Chief Executive Officer (President)

\_\_\_\_\_  
Vladimir Trávkov  
Vice President for Finance (CFO)

6 April 2021

## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In millions of Russian Rubles)

	Share capital	Additional paid-in capital	Treasury shares	Accumulated loss	Accumulated other comprehensive (loss)/income		Equity attributable to shareholders of Sistema	Non-controlling interests	Total equity
					Currency reserve	Other			
<b>1 January 2019</b>	<b>869</b>	<b>73,375</b>	<b>(4,759)</b>	<b>(63,572)</b>	<b>10,224</b>	<b>980</b>	<b>17,117</b>	<b>45,911</b>	<b>63,028</b>
Net profit for the period	-	-	-	28,597	-	-	28,597	29,011	57,608
Effect on sale of VF Ukraine	-	-	-	-	3,974	-	3,974	3,973	7,947
Other comprehensive (loss)/income, net of tax	-	-	-	-	(7,664)	(62)	(7,727)	288	(7,439)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,597</b>	<b>(3,690)</b>	<b>(62)</b>	<b>24,844</b>	<b>33,272</b>	<b>58,116</b>
Sale of own shares	-	(238)	430	-	-	-	193	-	193
Purchase of own shares	-	-	(1,642)	-	-	-	(1,642)	-	(1,642)
Acquisition and sale of subsidiaries	-	-	-	-	-	-	-	(410)	(410)
Settlements under long-term motivation programs	-	352	-	-	-	-	352	436	788
Capital transactions of subsidiaries (Note 7)	-	1,556	-	-	-	-	1,556	(14,655)	(13,099)
Dividends declared by Sistema PJSFC (Note 23)	-	-	-	(1,045)	-	-	(1,045)	-	(1,045)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(40,201)	(40,201)
<b>31 December 2019</b>	<b>869</b>	<b>75,045</b>	<b>(5,971)</b>	<b>(36,020)</b>	<b>6,534</b>	<b>918</b>	<b>41,375</b>	<b>24,353</b>	<b>65,728</b>
<b>1 January 2020</b>	<b>869</b>	<b>75,045</b>	<b>(5,971)</b>	<b>(36,020)</b>	<b>6,534</b>	<b>918</b>	<b>41,375</b>	<b>24,353</b>	<b>65,728</b>
Profit for the period	-	-	-	10,216	-	-	10,216	31,071	41,287
Other comprehensive income/(loss), net of tax	-	-	-	-	11,400	(99)	11,301	921	12,222
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,216</b>	<b>11,400</b>	<b>(99)</b>	<b>21,517</b>	<b>31,992</b>	<b>53,509</b>
Accrued compensation under long-term motivation programs	-	431	2,663	-	-	-	3,094	-	3,094
Settlements under long-term motivation programs	-	32	-	-	-	-	32	528	560
Capital transactions of subsidiaries (Note 7)	-	(229)	-	-	-	-	(229)	(8,194)	(8,423)
Sale of own shares	-	-	279	-	-	-	279	-	279
Dividends declared by Sistema PJSFC (Note 23)	-	-	-	(1,221)	-	-	(1,221)	-	(1,221)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(26,197)	(26,197)
<b>31 December 2020</b>	<b>869</b>	<b>75,279</b>	<b>(3,029)</b>	<b>(27,025)</b>	<b>17,934</b>	<b>819</b>	<b>64,847</b>	<b>22,482</b>	<b>87,329</b>

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

## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS (In millions of Russian Rubles)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Net profit for the year	<u>41,287</u>	<u>57,608</u>
<i>Adjustments for:</i>		
Depreciation and amortisation	120,492	135,070
Share of the profit or loss of associates and joint ventures, net	405	4,398
Profit from sales of stakes in associates and joint ventures	(3,368)	(828)
Finance income	(5,330)	(6,088)
Finance costs	71,468	83,516
Changes in the fair value of financial instruments	(21,798)	11,268
Income tax expense	8,341	28,227
Currency exchange loss/(gain)	18,621	(17,329)
Gain from discontinued operations	(2,880)	(53,986)
Profit on disposal of property, plant and equipment	(3,000)	(3,029)
Profit on disposal of other assets	(11,142)	-
Expected credit losses allowance on loans to customers	9,601	4,330
Non-cash compensation to employees	3,933	1,601
Impairment of long-lived assets	5,621	11,639
Impairment of financial assets	2,956	6,921
Other non-cash items	2,332	4,406
	<u>237,539</u>	<u>267,724</u>
<i>Movements in working capital:</i>		
Bank loans to customers and interbank loans due from banks	(36,748)	(33,778)
Bank deposits and liabilities	27,777	36,062
Restricted cash	(853)	2,925
Financial assets at fair value through profit or loss	(5,227)	4,125
Accounts receivable	(6,572)	(9,950)
Advances paid and prepaid expenses	(17,030)	781
Other taxes receivable	250	(1,337)
Inventories	(15,327)	(6,503)
Accounts payable	6,540	2,590
Subscriber prepayments	(143)	384
Other taxes payable	(195)	(2,652)
Advances received and other liabilities	34,607	9,830
Fines and penalties related to investigation into former operations in Uzbekistan	-	(55,607)
Interest paid	(70,302)	(83,064)
Income tax paid	(23,706)	(31,540)
Dividends received from associates and joint ventures	6,217	6,279
	<u>136,827</u>	<u>106,269</u>
<b>Net cash provided by operating activities</b>		

## SISTEMA PJSFC AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(In millions of Russian Rubles)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>		
Payments for purchases of property, plant and equipment	(94,123)	(92,178)
Proceeds from sale of subsidiaries, net of cash	2,988	59,328
Proceeds from sale of property, plant and equipment	6,661	6,598
Payments to obtain and fulfill contracts	(5,355)	(4,693)
Payments for purchases of intangible assets	(33,655)	(25,444)
Payments for businesses, net of cash acquired	(3,410)	(2,775)
Payments for investments in associates and joint ventures	(18,909)	(17,417)
Proceeds from sale of investments in affiliated companies	25,808	15,301
Payments for financial assets, long-term	(15,190)	(20,825)
Proceeds from sale of financial assets, long-term	7,236	5,367
Proceeds from disposal of other assets	5,104	-
Payments for financial assets, short-term	(5,294)	(10,436)
Proceeds from sale of financial assets, short-term	16,728	36,174
Interest received	4,338	5,354
Other	(982)	1,720
	<u>(108,055)</u>	<u>(43,926)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	412,392	310,672
Principal payments of loans and borrowings	(318,492)	(342,138)
Debt issuance costs	(113)	(138)
Principal payments of lease liabilities	(17,094)	(24,303)
Acquisition of non-controlling interests in existing subsidiaries	(17,169)	(22,751)
Proceeds from transactions with non-controlling interests	394	89
Dividends paid	(39,661)	(30,124)
Proceeds from sale of treasury shares	-	233
Repurchase of own shares	-	(1,642)
	<u>20,257</u>	<u>(110,102)</u>
<b>Net cash provided/(used in) by financing activities</b>		
Effect of foreign currency translation on cash and cash equivalents	995	(2,755)
	<u>50,024</u>	<u>(50,514)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the year	63,669	114,183
	<u>113,693</u>	<u>63,669</u>
<b>Cash and cash equivalents at the end of the year</b>		

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

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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#### 1. GENERAL

Sistema Public Joint Stock Financial Corporation or Sistema PJSFC (the “Company”, together with its subsidiaries, the “Group”) invests in, and manages a range of companies which operate in various sectors of economy, including telecommunications, retail, high technology, finance, pulp and paper, utilities, pharmaceuticals, healthcare, agriculture, real estate and tourism. The Company and the majority of its subsidiaries are incorporated in the Russian Federation (“RF”). The Company’s registered address is building 1, 13 Mokhovaya street, 125009, Moscow.

The controlling shareholder of the Company is Vladimir Evtushenkov. Minority holdings are held by certain top executives and directors of the Company. The shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (“GDRs”) and on the Moscow Exchange.

#### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on the assumption that the Group will continue to operate in the foreseeable future. As of 31 December 2020 short-term liabilities of the Group exceeded its current assets by RUB 114,264 million. The Group determines that it generates sufficient operating cash flow and has sufficient cash available to repay the Group’s current liabilities, including, if necessary, unused credit facilities of RUB 428,363 million. The cash flows forecast prepared by the management of the Group for a period of at least twelve months after the end of the reporting period demonstrates the Group’s ability to pay off current liabilities within the terms set by the contractual obligations.

These consolidated financial statements were approved by the Company’s Chief Executive Officer (President) and authorised for issue on 6 April 2021.

#### 3. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

This note sets out significant accounting policies that relate to the Group’s consolidated financial statements as a whole and describes the critical accounting judgements that management has identified as having a potentially material impact on the Group’s consolidated financial statements. When an accounting policy is generally applicable to a specific note to the accounts, the policy is described within that note.

##### **Summary of significant accounting policies**

**Basis of consolidation.** The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and their subsidiaries. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.



## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income is attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Non-controlling interests.** Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

**Functional currency.** Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Group and the majority of its subsidiaries operating in Russia is the Russian Ruble ("RUB"). The presentation currency of the consolidated financial statements of the Group is also the Russian Ruble.

#### **Sources of estimation uncertainty**

In the application of the Group's accounting policies management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Lease liabilities.** The Group uses management's judgement to estimate:

- **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 options. The Group also considers the cases where the Group is reasonably certain of not exercising early termination options. When assessing such options management assesses residual useful life of the asset located on the leased site, investment strategy of the Group and relevant investment decisions and duration of the renewal and early termination options.
- **Discount rate.** When calculating the present value of the lease payments the Group uses the incremental borrowing rate. Discount rate is determined for each asset based on the incremental borrowing rate for the respective company of the Group at the inception of the contract.

**Stage of completion of project type contracts.** The Group uses management's judgement to estimate stage of completion to recognize revenue under project type contracts. This estimate is based on costs forecasts and calculations and historical experience on similar projects.

**Impairment of financial assets.** The Group regularly reviews its financial assets to assess for impairment. The Group uses management's judgement to estimate allowance for Expected Credit Losses (ECL) for financial assets at amortised cost. 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 of 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.

**Impairment of long-lived assets.** IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment testing requires management to judge whether the carrying value of assets can be supported by the higher of the fair value of the asset or the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters.

Recoverable amount of cash-generating units is estimated based on value in use. In assessing value in use, the estimated future cash flows are discounted to their 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 asset for which the estimates of future cash flows have not been adjusted.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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The growth rate in the post-forecast period is determined on the basis of the nominal GDP growth rate for each country and adjusted for the specific risk inherent in each generating unit. The discount rate used to calculate value in use is the weighted average cost of capital, calculated on the basis of the average capital structure for the economic sector. The cost of equity is determined on the basis of the risk-free rate for long-term government bonds issued in the country in which the generating unit operates. These rates are adjusted for the risk premium reflecting the risk of investing in ordinary shares and the specific risk of each cash-generating unit.

**Deferred tax assets.** Deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The valuation of probability is based on management estimation of future taxable profit.

**Fair value measurements.** Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Where the fair value of assets and liabilities recorded in the consolidated 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. Information about assets and liabilities measured at fair value on recurring basis is disclosed in Note 33.

**Useful lives of property, plant 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 amortisation or depreciation charges. Technological developments are difficult to predict and management views on the trends and pace of development may change over time. The estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Provisions and contingencies.** The Group is subject to various legal proceedings, disputes, claims and regulatory reviews related to the Group's business, licenses, tax positions and investments, where the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable 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 29 and 38 for further information.

#### **Critical judgments in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

The Group regularly carries out complex structured transactions for the acquisition and disposal of shares in subsidiaries, debt restructuring and financing arrangements. Determining the accounting treatment of such transactions is often complex and requires management's judgment, in particular in determining whether or not the Group has control over the investees, and whether or not the Group has obligations to third-party investors. In 2020, transactions in respect of which management has made significant judgments in these areas include the Group's investment in Megapolis-Invest (Note 17) and a transaction to provide equity financing for the acquisition of Real hypermarkets (Note 38).

## SISTEMA PJSFC 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 current year

In 2020 the Group adopted the following standards, interpretations and amendments:

Amendments to References to the Conceptual Framework in IFRS Standards	Conceptual Framework in IFRS standards
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform and its Effects on Financial Reporting
Amendments to IFRS 16	Lease concessions related to the COVID-19 pandemic

These IFRS pronouncements do not have a material impact 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 IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Basic interest rate reform and its impact on the financial statements (Phase 2)) 1)
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract 2)
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use 2)
Amendments to IFRS 3	Reference to the conceptual framework 2)
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture 2)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current 3)
IFRS 17 and amendments to IFRS 17	Insurance Contracts 3)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 4)
Amendments to IAS 8	Definition of Accounting Estimate 3)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies 3)

1) Effective for annual reporting periods from 1 January 2021, early application permitted

2) Effective for annual reporting periods from 1 January 2022, early application permitted

3) Effective for annual reporting periods from 1 January 2023, early application permitted

4) The effective date is postponed indefinitely, early application is allowed

The Group does not expect that the adoption of these standards will have a material impact on the Group's financial statements in future periods.

#### 4. SEGMENT INFORMATION

As a diversified holding corporation, the Company invests in a range of businesses, which meet its investment and return criteria. The Company has determined that the chief operating decision maker ("CODM") is Management Board. Information reported to the Management Board for the purpose of resource allocation and the assessment of segment performance is focused on each individual business. No operating segments have been aggregated in arriving at the reportable segments of the Group. The Group's reportable segments are businesses that offer different products and services and are managed separately.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group's reportable segments are Mobile TeleSystems PJSC ("MTS"), Segezha Group JSC (formally Segezha Group LLC) ("Segezha Group"), Medsi Group JSC ("Medsi"), Ozon Holdings PLC ("Ozon") and Corporate. MTS is one of the leading telecommunications group in Russia and the CIS, offering mobile and fixed voice, broadband, internet access, pay TV, financial services, as well as content and entertainment services in Russia and Armenia. Segezha Group is a Russian vertically integrated forest industry holding that performs a full cycle of timber harvesting and advanced wood processing operations. Medsi is the largest federal private network of medical and preventive institutions in the country, providing a full range of services for the prevention, diagnosis and treatment of diseases, as well as rehabilitation services for children and adults. Ozon is one of the largest Russian e-commerce internet platforms. Corporate segment comprises the Company and entities, which hold and manage the Company's interests in its subsidiaries, joint ventures and associates. The Other category includes other operating segments including East-West United Bank (EWUB), Sitronics, RTI, Agroholding "Steppe" (Steppe), Sistema Venture Capital, Hospitality assets, Bashkirian Power Grid Company ("BPGC"), Business Nedvizhimost, Pharmaceutical assets (Alium JSC (formally OBL Pharm) and "Sintez"), Megapolis-Invest and Etalon Group, none of which meets the quantitative thresholds for determining reportable segments.

The Group revised the composition of reportable segments that do not meet individual quantitative thresholds. The segment information for previous periods has been adjusted retrospectively.

The accounting policies of the operating segments are the same as those described in the Significant accounting policies, judgements, estimates and assumptions (Note 3) and other relevant notes. The Group's CODM evaluates performance of the segments on the basis of operating income and OIBDA. OIBDA is defined as operating income before depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment for 2020 and 2019:

	External revenues		Inter-segment revenue		Segment operating income/(loss)	
	2020	2019	2020	2019	2020	2019
MTS	491,030	466,948	3,896	3,657	111,233	113,884
Segezha Group	68,982	58,428	5	67	11,185	8,333
Medsi	25,011	22,308	30	14	3,704	2,848
Ozon	-	-	-	-	(8,428)	(7,834)
Corporate	3,619	2,435	1,289	906	(14,262)	(18,781)
<b>Total reportable segments</b>	<b>588,642</b>	<b>550,119</b>	<b>5,220</b>	<b>4,644</b>	<b>103,432</b>	<b>98,450</b>
Other	102,984	104,184	8,799	3,005	7,530	(5,754)
	<b>691,626</b>	<b>654,303</b>	<b>14,019</b>	<b>7,649</b>	<b>110,962</b>	<b>92,696</b>
Inter-segment eliminations					(1,558)	(5,868)
<b>Operating income</b>					<b>109,404</b>	<b>86,828</b>
Finance income					5,330	5,921
Finance costs					(71,468)	(77,560)
Currency exchange (loss)/gain					(18,643)	13,611
Changes in the fair value of financial instruments					21,883	(11,268)
<b>Profit before tax</b>					<b>46,506</b>	<b>17,532</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The following is an analysis of the Group's depreciation and amortisation, additions to non-current assets (comprising property, plant and equipment, investment property, other intangible assets and right-of-use assets), impairment of certain long-lived assets and other non-cash items (comprising impairment of current assets and financial assets) by reportable segment:

	Additions to non-current assets		Depreciation and amortisation		Impairment of non-current assets		Other non-cash items	
	2020	2019	2020	2019	2020	2019	2020	2019
MTS	135,646	129,795	100,205	96,279	2,023	(148)	2,469	3,427
Segezha Group	16,805	5,681	6,273	5,660	20	(477)	119	32
Medsì	5,414	4,318	2,708	2,411	-	-	-	185
Corporate	1,651	213	200	399	-	2,624	(700)	136
Other	12,899	18,915	11,106	10,210	3,578	9,638	1,068	3,160
	<b>172,415</b>	<b>158,922</b>	<b>120,492</b>	<b>114,959</b>	<b>5,621</b>	<b>11,637</b>	<b>2,956</b>	<b>6,940</b>

The following is an analysis of the Group's segment assets and liabilities by reportable segment:

	31 December 2020	31 December 2019
<b>Segment assets</b>		
MTS	932,281	838,327
Segezha Group	88,572	75,597
Medsì	39,160	30,842
Corporate	182,515	153,675
<b>Total reportable segments</b>	<b>1,242,528</b>	<b>1,098,441</b>
Other	288,360	262,210
<b>Total segment assets</b>	<b>1,530,888</b>	<b>1,360,651</b>
Inter-segment eliminations	(109,572)	(97,124)
<b>Consolidated total assets</b>	<b>1,421,316</b>	<b>1,263,527</b>
<b>Segment liabilities</b>		
MTS	886,609	787,613
Segezha Group	80,549	61,998
Medsì	17,643	11,625
Corporate	213,340	215,741
<b>Total reportable segments</b>	<b>1,198,141</b>	<b>1,076,977</b>
Other	231,982	206,819
<b>Total segment liabilities</b>	<b>1,430,123</b>	<b>1,283,796</b>
Inter-segment eliminations	(96,136)	(85,997)
<b>Consolidated total liabilities</b>	<b>1,333,987</b>	<b>1,197,799</b>

As of 31 December 2020 and 2019 the carrying amount of investment in MTS Belarus, an associate of MTS, included in its reportable segment assets was RUB 5,124 million and RUB 4,502 million, respectively. The carrying amount of investment in Ozon, included in assets of Corporate, as of 31 December 2020 and 2019 was RUB 12,584 million and RUB 11,854 million, respectively. The carrying amount of investments in other associates and joint ventures representing separate operating segments are included in the assets of Corporate.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	2020	2019	31 December 2020	31 December 2019
Russia	615,900	581,399	741,297	709,365
Other	75,726	72,904	21,348	16,753
	<b>691,626</b>	<b>654,303</b>	<b>762,645</b>	<b>726,118</b>

## 5. DISCONTINUED OPERATIONS

The Group enters into transactions to sell shares of subsidiaries, which result in the Group losing control over its subsidiaries. The results of subsidiaries disposed of during the reporting period are included in the consolidated financial statements prior to the date of loss of control over subsidiaries. Information on the sale of shares in subsidiaries, representing separate major lines of business or geographical areas of operations, and their impact on the Group's results is provided below.

The amounts recognised in profit from discontinued operations are as follows:

	2020	2019
Gain/(loss) from disposal of VF Ukraine	2,101	(5,499)
Currency translation gain/(loss) on disposal of VF Ukraine	127	(62)
Change in the fair value of contingent consideration for VF Ukraine	645	-
VF Ukraine results prior to disposal date	-	6,093
Profit on Microelectronics assets disposal	-	4,144
Microelectronics assets results prior to disposal date	-	(355)
Gain on disposal of Leader Invest	-	20,248
Leader Invest results prior to disposal date	-	(317)
Currency translation gain on SEC penalties	-	3,443
Other disposals	249	(472)
Gain on disposal of Detsky Mir	-	35,094
Detsky Mir results before disposal date	-	4,762
<b>Profit from discontinued operations</b>	<b>3,122</b>	<b>67,079</b>
Attributable to:		
Shareholders of Sistema PJSFC	1,650	62,363
Non-controlling interests	1,472	4,716

**Leader Invest** – In February 2019, the Group sold 51% of the stake of JSC Leader Invest to Etalon Group for RUB 15.2 billion. In August 2019, an agreement was signed to sell the remaining 49% stake for RUB 14.6 billion. In February 2019, the Group acquired 25% stake in Etalon Group for USD 226.6 million. Given the governance structure of Etalon Group, the Group's share relative to other shareholders, its dispersion and other factors the Group does not have the ability to direct relevant activities of Etalon Group and thus does not have control over Etalon Group as of 31 December 2020 and 2019.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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**Detsky mir** – In November 2019, as a result of secondary public offering, Sistema PJSFC sold 18.7% of Detsky mir equity capital for RUB 12.5 billion. As a result of the transaction, the share of Sistema PJSFC in the authorized capital of the company derived to 33.4%. Given the governance structure of Detsky mir, the Group's share relative to other shareholders, its dispersion and other factors the Group did not have the ability to direct relevant activities of Detsky mir and thus Detsky mir was not controlled by the Group as of 31 December 2019. As of 31 December 2019 the remaining stake in Detsky mir was reflected in the Group financial statements as an investment in an associate. The carrying value of the investment at the end of 2019 amounted to RUB 21.8 billion.

During 2020 as a result of several transactions the Group sold its remaining share in Detsky mir (Note 17).

**VF Ukraine** – In November 2019, the Group signed an agreement to sell Preludium BV, which owned 100% of the authorized capital of VF Ukraine PrJSC, PTT Telecom Kiev, VF Retail LLC and ITSF LLC, which carried out the Group's activities in Ukraine. The deal took place in December 2019. The fair value of the consideration received amounted to RUB 44,386 million, including cash of RUB 41,567 million, contingent consideration of RUB 2,045 million in case of achievement of certain indicators in the periods from 2019 to 2022 and deferred payment of RUB 773 million no later than 1 September 2020, representing equivalent of USD 12 million as of the date of payment. The deferred consideration was settled in cash by the purchaser in September 2020 in amount of RUB 897 million. The fair value of the contingent consideration was RUB 2,631 million as at 31 December 2020. In June 2020, the Group and the buyer agreed on the amount of the additional cash payment calculated on the basis of the final financial statements at the date of sale, and the Group recognised additional income from the sale in the amount of USD 28 million (RUB 2,101 million at the date of receipt in September 2020) as part of profit from discontinued operations in the consolidated statement of profit or loss.

**Contribution of microelectronics assets into a joint venture** – In May 2019, the authorized capital of LLC Element was increased as a result of the contributions of assets by participants. RTI JSC contributed microelectronics assets with a fair value of RUB 8.3 billion.

The results of the companies are presented as part of discontinued operations in the accompanying consolidated profit and loss statement for all periods presented.



## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

The results of the disposed subsidiaries included in discontinued operations in the consolidated statements of profit or loss for 2020 and 2019 are as follows:

	Microelectronics					
	assets	Leader Invest	Detsky mir	VF Ukraine	Other	
	2019	2019	2019	2019	2020	2019
Revenue	4,461	1,444	111,221	36,675	1,223	2,558
Expenses	(4,800)	(1,794)	(105,756)	(28,564)	(1,033)	(3,034)
(Loss)/profit before income tax	(339)	(350)	5,465	8,111	190	(476)
Income tax (expense)/benefit	(16)	33	(703)	(2,018)	8	4
<b>Results for the period/up to disposal date</b>	<b>(355)</b>	<b>(317)</b>	<b>4,762</b>	<b>6,093</b>	<b>198</b>	<b>(472)</b>

Cash flows from discontinued operations included in the consolidated statements of cash flows for 2020 and 2019 are as follows:

	Microelectronics					
	assets	Leader Invest	Detsky mir	VF Ukraine	Other	
	2019	2019	2019	2019	2020	2019
Net cash provided by/(used in) operating activities	1,362	(180)	10,463	17,343	(318)	(311)
Net cash (used in)/provided by investing activities	(248)	-	(3,050)	(13,046)	15	-
Net cash provided by/(used in) financial activities	8,016	247	(9,362)	(1,114)	366	(320)
<b>Total net increase/(decrease) in cash and cash equivalents</b>	<b>9,130</b>	<b>67</b>	<b>(1,949)</b>	<b>3,183</b>	<b>63</b>	<b>9</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

#### 6. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, with the identifiable assets acquired and the liabilities assumed recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the acquisition occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which could be up to one year from the acquisition date, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

#### Business combinations in 2020

The information on business combinations which took place in 2020 is summarized below:

Acquiree	Principal activity	Date of acquisition	Interest acquired	Acquiring segment	Purchase price
Medsi Izhevsk	Healthcare services	March	100%	Medsi	130
Karelian Wood Company	Forest procurement	January	100%	Segezha	950
Other logging companies	Forest procurement	January-April	75.02%-100%	Segezha	74
Stopol LLC	Telecommunications	June	100%	MTS	321
Agriculture businesses	Agriculture	May	100%	Agroholding Steppe	4,736
<b>Total</b>					<b>6,211</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

The following table summarizes the amounts of the identifiable assets acquired and liabilities assumed relating to such acquisitions at the acquisition date:

	Medsi Izhevsk	Karelian Wood Company	Other logging companies	Stopol LLC	Agriculture businesses
<b>Total consideration satisfied by:</b>					
Cash consideration	130	829	74	312	2,111
Equity instruments of subsidiary	-	-	-	-	2,625
Fair value of contingent consideration arrangement	-	121	-	9	-
	<b>130</b>	<b>950</b>	<b>74</b>	<b>321</b>	<b>4,736</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>					
Property, plant and equipment	431	704	1	2	2,382
Lease rights	-	1,084	185	-	3,028
Other non-current assets	10	350	-	-	-
Other current assets	6	712	4	300	1,088
Current liabilities	(196)	(287)	(49)	(263)	(976)
Lease liabilities	-	(428)	(92)	-	(1,475)
Other non-current liabilities	(19)	(197)	-	-	(1,000)
<b>Net assets</b>	<b>232</b>	<b>1,938</b>	<b>49</b>	<b>39</b>	<b>3,047</b>
Non-controlling interest	-	-	4	-	-
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>282</b>	<b>2,425</b>
<b>Bargain purchase gain</b>	<b>(102)</b>	<b>(988)</b>	<b>-</b>	<b>-</b>	<b>(736)</b>

The excess of the consideration transferred over the value of the identifiable assets acquired and liabilities assumed was allocated to goodwill mainly arising from the following:

Stopol LLC	Ensuring the entry into the market of the smart multimedia systems for cars
Other logging companies	Expected synergy effect
Agriculture businesses	Market position, expected synergy effect

As a result of the acquisition of Karelian Wood Company, Medsi Izhevsk and Agricultural Businesses, the Group has received gain in the amount of RUB 1,826 million, which was recognised in other income in the consolidated statement of profit or loss.

The gain received from the acquisition of Karelian Wood Company is associated with a limited number of possible buyers, as well as with the underutilization by the previous owners of the potential of Karelian Wood Company in terms of both the volume of logging, and the volume of production and geography of shipments of lumber. In 2020, with no additional capital investment, the Group increased company's logging and sawn timber production, improving its operating profitability.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

The gain received from the acquisition of Medsi Izhevsk is related to the long-term development strategy of Medsi in the regions of the Russian Federation, and is due to the decision of the previous owner to sell non-core assets of his business in connection to disinterest in the development of this sector. Medsi by means of modern high-tech medical equipment, changes in medical and marketing programs will aim to attract additional patients to the clinics of the network and increase the efficiency of their work.

The gain received from the acquisition of individual Agriculture businesses is due to the general trend of price growth in the grain market in the reporting period. The terms of long-term lease agreements acquired under this transaction were recognised as favourable, and the right-of-use assets associated with the favorable terms of the lease agreements amount to RUB 772 million.

As of the reporting date, purchase price allocation of acquisitions of Medsi Izhevsk, Karelian Wood, Other logging companies, Stopol LLC and Agriculture businesses have been finalised.

#### Business combinations in 2019

In 2019 MTS, Segezha Group and Medsi acquired several companies related to their operating segments for RUB 360 million, RUB 140 million and RUB 41 million respectively.

The following table summarizes the final amounts of the identifiable assets acquired and liabilities assumed relating to such acquisitions at the acquisition date:

	<u>Rikt JSC</u>	<u>Severlesprom LLC</u>	<u>Klinika na petrogradskoj storone LLC</u>
<b>Total consideration satisfied by:</b>			
Cash consideration	360	140	41
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>			
Property, plant and equipment	118	-	86
Other intangible assets	172	-	-
Other non-current assets	14	219	3
Other current assets	27	23	14
Current liabilities	(37)	(14)	(45)
Non-current liabilities	(39)	(88)	(50)
<b>Net assets</b>	<u>255</u>	<u>140</u>	<u>8</u>
<b>Goodwill</b>	<u>105</u>	<u>-</u>	<u>33</u>

The excess of the consideration paid over the value of net assets was allocated to goodwill mainly arising from the following:

Rikt JSC	Expected synergy effect
Klinika na petrogradskoj storone LLC	Assembled workforce, market position, expected synergies

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

Pro forma financial information for 2020 and 2019 which gives effect to the acquisitions as if they had occurred as of 1 January 2020 is not presented because the effects of these business combinations, individually and in aggregate, were not material to the Group's consolidated results of operations.

Loss and revenue attributable to financial results of business acquired in 2020 is not material.

The following table summarises the details of purchase of subsidiaries, net of cash acquired, reported in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash consideration	3,456	541
Net of cash acquired	(46)	(2)
Payments for acquisitions of subsidiaries in previous periods	-	2,236
<b>Payments for businesses, net of cash acquired</b>	<b><u>3,410</u></b>	<b><u>2,775</u></b>

#### 7. CAPITAL TRANSACTIONS OF SUBSIDIARIES

The Group enters into transactions to acquire or dispose ownership interests in its existing subsidiaries that do not result in the Group losing control over the subsidiaries. Also, the entities of the Group enter into transactions with each other to transfer ownership interests in subsidiaries within the Group. Such transactions are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests ("NCI") are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity in additional paid-in capital ("APIC") and attributed to shareholders of the Company.

##### Transactions in 2020

The information on capital transactions of subsidiaries which took place in 2020 and their impacts on the Group's equity is summarised below:

	<u>(Decrease)/ Increase of additional paid-in capital</u>	<u>Decrease of non-controlling interests</u>
Purchase of own shares of MTS	(532)	(7,993)
Other	303	(201)
<b>Total impact</b>	<b><u>(229)</u></b>	<b><u>(8,194)</u></b>

**MTS Share Acquisition Program** – As a part of the implementation of the share acquisition plan approved in 2020, MTS acquired 48,797,719 ordinary shares, including acquisition of 22,758,872 ordinary shares from Sistema Finance S.A., the subsidiary of the Group, in the amount of RUB 7.49 billion.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

#### Transactions in 2019

The information on capital transactions of subsidiaries which took place in 2019 and their impacts on the Group's equity is summarised below:

	<u>(Decrease)/ Increase of additional paid-in capital</u>	<u>Decrease of non-controlling interests</u>
MTS shares tender offer	(527)	(7,949)
Purchase of own shares of Agroholding "Steppe"	66	(2,116)
Sale of additional stake of MTS Bank to MTS	2,328	(2,328)
The effect of the buyback of a minority stake in Binnopharm	(195)	(468)
Intragroup transactions effect	566	(566)
Other	(682)	(1,228)
<b>Total impact</b>	<b><u>1,556</u></b>	<b><u>(14,655)</u></b>

**MTS Share Acquisition Program** – As a part of the implementation of the share acquisition plan approved in 2018, MTS acquired 57,719,394 ordinary shares, including acquisition of 28,929,344 ordinary shares from Sistema Finance S.A., the subsidiary of the Group, in the amount of RUB 7.45 billion.

#### **Change in ownership interest in subsidiaries:**

- In February 2019, Sistema PJSFC and its 100% subsidiary Sistema Telecom Assets LLC sold a 39.5% stake in MTS Bank to Mobile TeleSystems BV, a 100% subsidiary of PJSC MTS for RUB 11.4 billion. As a result of the transaction, the effective ownership interest of MTS-Bank decreased to 52.4%.
- In December 2019, Sistema PJSFC sold a 4.5% stake in MTS Bank to Mobile TeleSystems B.V., a 100% subsidiary of MTS PJSC for RUB 1.4 billion. As a result of the transaction, Sistema JSFC completely withdrew from the shareholders of MTS-Bank PJSC.
- In March 2019, the Agroholding "Steppe" bought out its RUB 2 billion stake from a minority shareholder. As a result, the Group's share in the Agroholding "Steppe" increased to 92.8%.
- Sistema PJSFC increased its stake in Binnopharm from 74% to 89% as part of the creation of the joint pharmaceutical company Alium. Sistema's stake in Binnopharm increased as a result of the purchase of the stake from a minority shareholder as part of a planned transaction to merge OBL Pharm and Binnopharm.

## 8. REVENUE

Revenue from contracts with customers specific to the reporting segments of the Group is recognised in the following way.

**MTS** – Revenue for access charges, voice and video calls, rendering of cloud services, messaging, interconnect fees and fixed and mobile broadband is recognised 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). Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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The Group capitalizes costs of obtaining contracts (such as sales commissions) and costs of fulfilling contracts and amortises over the period expected to benefit from the contract. The Group used the practical expedient allowed by IFRS 15 whereby such costs may be expensed if the amortisation period is one year or less.

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

Revenue from providing financial services mainly relates to interest bearing assets of MTS Bank. Such revenue is recognised on an accrual basis using the effective interest method.

**Medsi** – Medsi recognises revenue from the provision of medical services when (or to the extent that) it fulfills the obligation to perform by transferring the promised good or service (i.e. asset) to the buyer. An asset is transferred when (or as) the buyer gains control of the asset.

The Group provides medical services under contracts for payment upon the provision of services and from advance contracts.

Under contracts that provide for payment upon the provision of services, the Group fulfills the obligation to perform at a certain point in time. Revenue is recognised at the time when the service is rendered in full.

Revenue from advance contracts (concluded in the usual practice for 1 year) that provide for the customer's right to receive a certain package of services during the term of the contract is recognised on a straight-line basis over the entire term of the contract.

In most cases, fitness services are provided on the basis of an advance payment form and are also recognised on a straight-line basis over the entire term of the contract.

As medical examination reports on services rendered to insurance companies are received with some delay, the Group recognises revenue less the provision for services rendered unwarranted, which is estimated based on historical data.

**Segezha Group** – Segezha Group receives revenue from the sale of goods (paper and packaging, lumber, plywood and other goods) and from the provision of finished goods delivery services to the buyer after the transfer of control over the goods. Sales are recognised at the time when control of goods is transferred, i.e. when the goods are delivered to the buyer in accordance with the terms of delivery (Incoterms 2010), the buyer has complete freedom of action with respect to the goods and when there is no unfulfilled obligation that may affect the acceptance of the goods by the buyer. Delivery is deemed to have been made when the goods have been delivered to a certain place, the risks of damage and loss passed to the buyer, and the buyer accepted the goods in accordance with the contract, the validity of the acceptance provisions has expired or the Group has objective evidence that all acceptance terms have been met.

## SISTEMA PJSC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

The following is analysis of the Group's revenue from continuing operations for 2020:

	Reportable segments					Total
	MTS	Segezha Group	Medsi	Corporate	Other	
<b>Type of goods/services</b>						
Mobile and fixed line services	384,327	-	-	-	-	384,327
Retail sale of goods	69,478	-	-	-	-	69,478
Works under specification	-	-	-	-	20,559	20,559
Production	-	68,982	-	-	36,951	105,933
Financial services	33,667	-	-	-	1,263	34,930
Other services	-	-	25,011	3,619	26,796	55,426
Other	3,558	-	-	-	17,415	20,973
	<b>491,030</b>	<b>68,982</b>	<b>25,011</b>	<b>3,619</b>	<b>102,984</b>	<b>691,626</b>
<b>Revenue from goods or services transferred to customers</b>						
At a point in time	69,478	68,982	23,771	3,619	78,350	244,200
Over time	421,552	-	1,240	-	24,634	447,426
	<b>491,030</b>	<b>68,982</b>	<b>25,011</b>	<b>3,619</b>	<b>102,984</b>	<b>691,626</b>

The following is analysis of the Group's revenue from continuing operations for 2019:

	Reportable segments					Total
	MTS	Segezha Group	Medsi	Corporate	Other	
<b>Type of goods/services</b>						
Mobile and fixed line services	370,140	-	-	-	-	370,140
Sale of goods	67,757	-	-	-	-	67,757
Works under specification	-	-	-	-	22,410	22,410
Production	-	58,428	-	-	31,043	89,471
Financial services	29,051	-	-	-	5,619	34,670
Other services	-	-	22,308	2,435	32,514	57,257
Other	-	-	-	-	12,598	12,598
	<b>466,948</b>	<b>58,428</b>	<b>22,308</b>	<b>2,435</b>	<b>104,184</b>	<b>654,303</b>
<b>Revenue from goods or services transferred to customers</b>						
At a point in time	69,537	58,428	20,839	2,435	82,498	233,737
Over time	397,411	-	1,469	-	21,686	420,566
	<b>466,948</b>	<b>58,428</b>	<b>22,308</b>	<b>2,435</b>	<b>104,184</b>	<b>654,303</b>

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

	2021	2022-2026	2027-2031	Total
Mobile and fixed telecommunication services	19,997	709	8	20,714
Other services	6,455	22,671	-	29,126
Loyalty programs	434	-	-	434
<b>Total</b>	<b>26,886</b>	<b>23,380</b>	<b>8</b>	<b>50,274</b>



## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

#### **Contract assets and liabilities**

Contract balances include trade receivables related to the recognised 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 payments terms.

Contract assets of MTS represent accrued revenue in a bundled offering which combines the sale of a mobile device and the provision of mobile services for a fixed-period. 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 recognised as a contract asset and thus transferred to trade receivables as the service is rendered.

Contract assets of MTS also relate to the MTS'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 or services promised in the contract. Contract liabilities consisted of advances received from customers and also amounts invoiced and paid for goods or services that are yet to be transferred.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of 31 December 2020 and 2019:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade accounts receivable	33,063	37,434
Contract assets	6,306	6,474
<b>Total assets</b>	<b>39,369</b>	<b>43,908</b>
Less: current portion	(37,206)	(40,351)
<b>Total non-current assets</b>	<b>2,163</b>	<b>3,557</b>
Contract liabilities	(32,395)	(30,361)
Thereof:		
Mobile and fixed telecommunication services	(21,780)	(20,964)
Project type works	(10,181)	(9,054)
Loyalty programs	(433)	(343)
<b>Total liabilities</b>	<b>(32,394)</b>	<b>(30,361)</b>
Less: current liabilities	31,305	21,527
<b>Total non-current liabilities</b>	<b>(1,089)</b>	<b>(8,834)</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

Changes in the contract assets and the contract liabilities balances during the 2020 and 2019 are as follows:

	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
<b>Balance as of 1 January</b>	<b>6,474</b>	<b>(30,361)</b>	<b>7,297</b>	<b>(33,014)</b>
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	21,174	-	24,865
Cash received, excluding amount recognised as revenue during the period	1,659	(23,208)	1	(25,768)
Transfer to assets held for sale	(96)	-	(21)	-
Effect of changes in estimates	(1,731)	-	(803)	-
Discontinued operations	-	-	-	3,556
<b>Balance as of 31 December</b>	<b>6,306</b>	<b>(32,395)</b>	<b>6,474</b>	<b>(30,361)</b>

#### ***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 and includes them in other intangible assets and other non-current assets, accordingly.

Costs of acquiring a contract include commissions paid to a third-party distributor as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer. These costs are amortised on a straight-line basis over the average subscriber life.

Costs to fulfil a contract mainly relate to costs of equipment transferred to the subscribers required for the provision of services. These costs are amortised on a straight-line basis for the shorter of equipment useful life or average subscriber life.

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cost to obtain contracts	7,549	7,241
Cost to fulfil contracts	2,506	1,846

As of 31 December 2020 and 2019 the accumulated amortisation expense related to cost to obtain and fulfil contracts amounted to RUB 8,228 million and RUB 7,615 million, respectively. Amortisation expense related to cost to obtain and fulfil contracts recognised for the year ended 31 December 2020 amounted to RUB 3,819 million (2019: RUB 3,940 million). There was no impairment loss relating to the costs capitalized.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 9. IMPAIRMENT OF LONG-LIVED ASSETS

Impairment of long-lived assets recognised in the consolidated statement of profit or loss for 2020, includes impairment of property, plant and equipment, investment property, goodwill and other intangible assets.

	<u>2020</u>	<u>2019</u>
Impairment of property, plant and equipment	3,027	4,736
Impairment of investment property	870	5,699
Impairment of intangible assets	202	1,034
Impairment of other non-current assets	241	-
Impairment of goodwill (Note 15)	<u>1,281</u>	<u>168</u>
<b>Total impairment of long-lived assets</b>	<b><u>5,621</u></b>	<b><u>11,637</u></b>

**Impairment of investment property** – As of 31 December 2020, the Group estimated the recoverable value of assets based on their value in use, taking into account the OIBDA margin in the range of 2.9% - 3.9%, the ratio of capital expenditures to revenue in the range of 31.2%, the growth rate in the post-forecast period of 1% and the discount rate before tax of 11.4%, and recognised an impairment loss of RUB 870 million in the consolidated statement of profit or loss for 2020.

As of 31 December 2019, the Group found evidence of impairment of investment property in the Corporate segment and, with the involvement of independent appraisers, assessed the recoverable amount of investment property. The valuation was performed in line with International Valuation Standards and was based on recent market transactions made on market terms with similar properties. As a result, the Group recognised an impairment loss of RUB 2,740 million in the consolidated statement of profit or loss for 2019.

As of 31 December 2019, the Group found evidence of impairment investment property in the Other segment. The valuation of the recoverable amount, carried out with the involvement of independent appraisers, was performed in line with International Valuation Standards and was based on recent market transactions made on market terms with similar real estate. As a result, the Group recognised an impairment loss of RUB 2,959 million in the consolidated income statement for 2019.

**Impairment of property, plant and equipment** – As of 31 December 2020 the Group estimated the recoverable amount of assets in the Other segment based on their value in use, taking into account the negative OIBDA margin in the range of (1.2)% - (25.1)%, the ratio of capital expenditures to revenue in the range of 2%-3%, the growth rate in the post-forecast period in the range of 2%-3% and the discount rate before tax of 13.45%, and recognised in the consolidated statement of profit or loss for 2020 an impairment loss of RUB 2,954 million.

As of 31 December 2019, the Group found evidence of impairment of the non-current assets in the Other segment based on their value-in-use. Future cash flows were estimated on the basis of the business plan until 2025 with the use of assumptions about a number of variables, including expectations for the following indicators: the return on OIBDA, the period and amount of future capital expenditures, the growth rate in the post-forecast period, and the discount rate reflecting the corresponding level of risk (16%). As a result, the Group recognised an impairment loss of RUB 2,422 million in the consolidated income statement for 2019.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

#### 10. IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for 2020 and 2019 comprise the following:

	<u>2020</u>	<u>2019</u>
Allowance for expected credit losses of accounts receivable	3,434	5,408
(Reversal)/impairment of loans carried at amortised cost	(424)	1,260
(Reversal)/impairment of other financial assets	<u>(54)</u>	<u>272</u>
<b>Total impairment of financial assets</b>	<b><u><u>2,956</u></u></b>	<b><u><u>6,940</u></u></b>

**Loans carried at amortised cost** – For the years ended 31 December 2020 and 2019, the Group recognised in the consolidated statement of profit or loss impairment of loans in the amount of RUB 520 million and RUB 1,260 million, respectively. At the same time, for the year ended 31 December 2020, the Group reversed the provision for loans issued in the amount of RUB 944 million.

#### 11. INCOME TAXES

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the countries where the Group and its subsidiaries operate, which may differ from IFRS.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax assets are not recognised when management believes that it is more than 50% probable that deferred tax assets or some portion of them will not be realized. At the same time, the Group takes into account all available evidence, including projected future taxable profit, tax planning strategies and recent financial transactions.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

The Group's income tax expense for 2020 and 2019 comprise the following:

	<u>2020</u>	<u>2019</u>
Current income tax expense	(23,507)	(27,994)
Deferred income tax benefit	<u>15,166</u>	<u>991</u>
<b>Total income tax expense recognised in the current year relating to continuing operations</b>	<b><u><u>(8,341)</u></u></b>	<b><u><u>(27,003)</u></u></b>

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Income tax expense calculated by applying the Russian statutory income tax rate to income from continuing operations before income tax differs from income tax expense recognised in the consolidated statements of profit or loss as a consequence of the following adjustments:

	<u>2020</u>	<u>2019</u>
<b>Profit before tax</b>	<b>46,506</b>	<b>17,532</b>
<b>Income tax expense calculated at 20%</b>	<b>(9,301)</b>	<b>(3,506)</b>
<i>Adjustments due to:</i>		
Earnings distribution from subsidiaries and associates	(6,598)	(5,548)
Decrease/(increase) of unrecognised deferred tax assets	5,966	(14,071)
Non-deductible expenses	(417)	(4,277)
Different tax rate of subsidiaries	692	331
Non-taxable income	630	191
Other	687	(123)
<b>Income tax expense</b>	<b><u>(8,341)</u></b>	<b><u>(27,003)</u></b>

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statements of financial position for 2020 and 2019:

<b>2020</b>	<u>Opening balance</u>	<u>Recognised in profit or loss</u>	<u>Recognised in OCI</u>	<u>Acquisitions / disposals</u>	<u>Closing balance</u>
<b>Deferred tax (liabilities)/assets in relation to:</b>					
Accrued expenses and accounts payable	5,800	716	-	-	6,516
Property, plant and equipment	(25,387)	(2,711)	628	119	(27,351)
Intangible assets	(8,949)	591	-	-	(8,358)
Cost capitalization	(1,448)	(220)	-	-	(1,668)
Deferred connection fees	1,230	200	-	-	1,430
Inventory obsolescence	88	347	-	-	435
Allowance for expected credit losses	(19)	2,695	-	-	2,676
Deferred revenues	1	-	-	-	1
Undistributed earnings of subsidiaries and joint ventures and associates	(5,887)	1,451	-	-	(4,436)
Right-of-use asset	3,428	814	-	-	4,242
Tax losses carried forward	16,713	15,612	(8)	148	32,465
Debt modification	(433)	310	-	-	(123)
Other	5,443	(4,639)	-	-	804
<b>Total</b>	<b><u>(9,420)</u></b>	<b><u>15,166</u></b>	<b><u>620</u></b>	<b><u>267</u></b>	<b><u>6,633</u></b>

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2019	Opening balance	Recognised in profit or loss	Recognised in OCI	Acquisitions / disposals	Closing balance
<b>Deferred tax (liabilities)/assets in relation to:</b>					
Accrued expenses and accounts payable	5,578	1,163	-	(941)	5,800
Property, plant and equipment	(20,774)	(2,792)	(1,216)	(605)	(25,387)
Intangible assets	(9,043)	161	(34)	(33)	(8,949)
Cost capitalization	(1,321)	(149)	-	22	(1,448)
Deferred connection fees	954	186	-	90	1,230
Inventory obsolescence	915	1	-	(828)	88
Allowance for expected credit losses	341	33	-	(393)	(19)
Deferred revenues	145	-	-	(144)	1
Undistributed earnings of subsidiaries and joint ventures and associates	(5,949)	(175)	237	-	(5,887)
Right-of-use asset	2,699	1,030	-	(301)	3,428
Tax losses carried forward	16,843	251	176	(557)	16,713
Debt modification	(1,075)	642	-	-	(433)
Other	3,174	644	521	1,104	5,443
<b>Total</b>	<b>(7,513)</b>	<b>995</b>	<b>(316)</b>	<b>(2,586)</b>	<b>(9,420)</b>

As of 31 December 2020 and 2019 the Group reported the following deferred income tax assets and liabilities in the consolidated statements of financial position:

	31 December 2020	31 December 2019
Deferred tax assets	41,402	26,752
Deferred tax liabilities	(34,769)	(36,172)
<b>Net deferred tax assets/(liabilities)</b>	<b>6,633</b>	<b>(9,420)</b>

In 2020 the Group recognised previously unrecognised unused tax losses carried forward of the Corporate segment in the amount of RUB 7 billion based on forecasts for possible assets sales.

As of 31 December 2020 and 2019 the tax losses carried forward, for which deferred tax assets were recognised, amounted to RUB 162,327 million and RUB 83,565 million, respectively.

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

Russian Federal law №401-FZ dated 30 November 2016 allowed for the indefinite carry forward of tax losses, whereas this was previously restricted to 10 years. Also, the law specified that the tax base for the years 2017-2021 may not be reduced by tax losses carried forward in an amount exceeding 50% of the base.

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The following table summarizes temporary differences, for which deferred tax assets were not recognised in the consolidated statements of financial position as of 31 December 2020 and 2019:

Jurisdiction	Carry-forward period	2020	2019
India	2021-2027	95,589	115,322
Russia	Unlimited	235,685	232,836
<b>Total</b>		<b>331,274</b>	<b>348,158</b>

#### 12. EMPLOYEE BENEFITS EXPENSES

Employee benefits expenses consist of salaries, bonuses and social security contributions.

Employee benefits expenses included in cost of sales, selling, general and administrative expenses and result from discontinued operations for 2020 and 2019 comprised RUB 141,823 million and RUB 142,100 million, respectively.

#### 13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost. Cost includes major expenditures for improvements and replacements, which extend useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance, including preventive maintenance, are charged to the consolidated statement of profit or loss as incurred.

The cost of major overhauls and replacements, which extend useful lives of the assets or increase their revenue generating capacity, are capitalised to the cost of the assets.

After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation for property, plant and equipment is computed under the straight-line method utilizing estimated useful lives of the assets as follows:

Buildings	7 – 150 years
Leasehold improvements	the term of the lease
Base stations	3 – 44 years
Other network equipment	3 – 20 years
Power and utilities	up to 60 years
Other	up to 15 years

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group considers a construction period of more than six months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing

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costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment, net of accumulated depreciation and impairment, as of 31 December 2020 and 2019 consisted of the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Carrying amount</b>		
Switches, transmission devices, network and base station equipment	219,038	212,735
Buildings and leasehold improvements	74,183	77,049
Power and utilities	29,893	29,117
Land	22,982	21,932
Other	81,215	59,250
<b>Total</b>	<b>427,311</b>	<b>400,083</b>

	<b>Switches, transmission devices, network and base station equipment</b>	<b>Buildings and leasehold improve- ments</b>	<b>Power and utilities</b>	<b>Land</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance as of 1 January 2019</b>	<b>609,235</b>	<b>114,946</b>	<b>45,277</b>	<b>21,710</b>	<b>133,201</b>	<b>924,369</b>
Additions	52,340	9,727	3,773	336	21,450	87,626
Disposals	(26,870)	(1,068)	(372)	(373)	(4,277)	(32,960)
Business combinations	484	61	-	180	249	974
Reclassified from investment property	-	3,328	-	114	1,132	4,574
Reclassified to/from assets held for sale	(1,573)	555	-	-	-	(1,018)
Currency translation adjustment	1,889	(1,702)	-	(26)	(158)	3
Reclassified to/from right-of-use assets	-	-	-	-	773	773
Disposal of subsidiaries	(62,196)	(15,634)	-	(158)	(19,599)	(97,587)
Other	702	711	167	149	319	2,048
<b>Balance as of 31 December 2019</b>	<b>574,011</b>	<b>110,924</b>	<b>48,845</b>	<b>21,932</b>	<b>133,090</b>	<b>888,802</b>
Additions	54,862	5,928	3,561	350	35,269	99,970
Disposals	(38,293)	(3,735)	(80)	(6)	(11,377)	(53,491)
Business combinations	578	1,519	-	686	1,323	4,106
Reclassified to assets held for sale	(2,890)	(475)	-	-	(37)	(3,402)
Currency translation adjustment	2,286	2,096	-	62	2,335	6,779
Sale of companies	-	(3,568)	-	(3)	(261)	(3,832)
Reclassified to/from right-of-use assets	-	-	-	-	459	459
Other	(4)	966	-	(39)	1,050	1,973
<b>Balance as of 31 December 2020</b>	<b>590,550</b>	<b>113,655</b>	<b>52,326</b>	<b>22,982</b>	<b>161,851</b>	<b>941,364</b>



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	Switches, transmission devices, network and base station equipment	Buildings and leasehold improve- ments	Power and utilities	Land	Other	Total
<b>Accumulated depreciation and impairment</b>						
<b>Balance as of 1 January 2019</b>	<b>(378,994)</b>	<b>(32,191)</b>	<b>(17,154)</b>	-	<b>(73,709)</b>	<b>(502,048)</b>
Disposals	26,163	377	34	-	3,172	29,746
Acquisitions of business	(290)	(5)	-	-	(104)	(399)
Disposals from sales of subsidiaries	40,717	6,596	-	-	11,389	58,702
Reclassified from assets held for sale	762	(76)	-	-	(1)	685
Depreciation expense	(47,905)	(6,190)	(2,608)	-	(13,628)	(70,331)
Currency translation adjustment	(767)	867	-	-	113	213
Reclassified to/from right-of-use assets	-	-	-	-	452	452
Impairment	-	(3,022)	-	-	(1,728)	(4,750)
Reclassified from investment property	-	(247)	-	-	(131)	(378)
Other	(962)	16	-	-	335	(611)
<b>Balance as of 31 December 2019</b>	<b>(361,276)</b>	<b>(33,875)</b>	<b>(19,728)</b>	-	<b>(73,840)</b>	<b>(488,719)</b>
Disposals	33,058	1,457	40	-	9,177	43,732
Disposals from sales of subsidiaries	-	1,466	-	-	168	1,634
Reclassified to assets held for sale	1,899	146	-	-	(7)	2,038
Depreciation expense	(43,220)	(4,659)	(2,745)	-	(14,133)	(64,757)
Currency translation adjustment	(1,968)	(806)	-	-	(1,205)	(3,979)
Reclassified to/from right-of-use assets	-	(246)	-	-	(169)	(415)
Impairment	-	(2,623)	-	-	(404)	(3,027)
Other	(5)	(332)	-	-	(223)	(560)
<b>Balance as of 31 December 2020</b>	<b>(371,512)</b>	<b>(39,472)</b>	<b>(22,433)</b>	-	<b>(80,636)</b>	<b>(514,053)</b>

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#### 14. INVESTMENT PROPERTY

Investment property primarily includes cottages, office and commercial space and business centers owned by the companies of the Group operating in real estate sector, mainly Business Nedvizhimost.

Investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation for investment property is recognised using the straight-line method based on the average estimated useful lives of the assets of 25 years. Accumulated depreciation as of 31 December 2020 and 2019 amounted to RUB 5,271 million and RUB 4,955 million, respectively.

	<u>2020</u>	<u>2019</u>
<b>Balance at the beginning of the year</b>	<b>13,660</b>	<b>23,310</b>
Reclassified from / (to) property, plant and equipment	168	(4,196)
Additions	554	1,202
Disposals	(683)	(469)
Depreciation expense	(501)	(481)
Impairment (Note 10)	(870)	(5,699)
As part of disposed companies	-	(329)
Other comprehensive income	498	-
Reclassified from/(to) inventories	(177)	322
<b>Balance at the end of the year</b>	<b><u>12,649</u></b>	<b><u>13,660</u></b>

Included in revenue is investment property rental income for 2020 of RUB 1,960 million (2019: 2,130 million). Operating expenses arising from the investment property that generated rental income during 2020 totalled RUB 1,486 million (2019: 538 million).

In estimating the fair value of the investment property, the Group classified the properties within Level 3 of the fair value hierarchy. As of 31 December 2020 and 2019 the Group determined the fair values of the investment property at RUB 40,136 million and RUB 42,182 million, respectively.

The fair values as of 31 December 2020 and 2019 were determined based either on discounted cash flows or by reference to market values of similar properties in the relevant region. The main inputs to the fair value measurement are the post-tax discount rate, revenue growth rates, OIBDA margin and adjustments to market values of similar properties. OIBDA is defined as operating profit, adjusted on depreciation and amortisation.

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#### 15. GOODWILL

Goodwill arising on an acquisition of a business is carried at cost recognised at the acquisition date less accumulated impairment losses, if any.

The carrying amounts of goodwill attributable to operating segments are as follows:

	MTS	Medsi	Steppe	Segezha Group	Other	Total
<b>Balance as of 1 January 2019</b>						
Gross amount of goodwill	55,396	664	6,927	3,760	13,921	80,668
Accumulated impairment loss	(7,570)	-	-	(241)	(13,369)	(21,180)
	<b>47,826</b>	<b>664</b>	<b>6,927</b>	<b>3,519</b>	<b>552</b>	<b>59,488</b>
Business combinations	105	33	-	-	-	138
Impairment	-	(168)	-	-	-	(168)
Currency translation adjustment	(423)	-	-	-	-	(423)
Disposal	(114)	-	-	-	(527)	(641)
Reclassified to right-of-use assets	-	-	-	(2,765)	-	(2,765)
Other	-	-	-	(306)	65	(241)
<b>Balance as of 31 December 2019</b>						
Gross amount of goodwill	54,964	697	6,927	689	13,459	76,736
Accumulated impairment loss	(7,570)	(168)	-	(241)	(13,369)	(21,348)
	<b>47,394</b>	<b>529</b>	<b>6,927</b>	<b>448</b>	<b>90</b>	<b>55,388</b>
Business combinations	282	-	2,425	21	-	2,728
Impairment	(1,281)	-	-	-	-	(1,281)
Currency translation adjustment	365	-	-	-	-	365
Disposal	-	-	-	-	-	-
Other	-	3	-	-	1	4
<b>Balance as of 31 December 2020</b>						
Gross amount of goodwill	55,611	700	9,352	710	13,460	79,833
Accumulated impairment loss	(8,851)	(168)	-	(241)	(13,369)	(22,629)
	<b>46,760</b>	<b>532</b>	<b>9,352</b>	<b>469</b>	<b>91</b>	<b>57,204</b>

The Group performs impairment test for the goodwill assigned to cash-generating units (CGUs) at least annually and when there are any indications that the carrying amount of the CGU is impaired. When the carrying amount of the CGU to which goodwill is allocated exceeds its recoverable amount, goodwill allocated to this CGU is impaired.

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**MTS** – For the purposes of impairment testing, goodwill attributable to the MTS segment is allocated to CGUs as follow:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Russia convergent	28,927	30,804
Moscow fixed line	1,336	1,336
Other	7,778	6,535
Unallocated	8,719	8,719
<b>Total</b>	<b>46,760</b>	<b>47,394</b>

The “Russia convergent” CGU represents mobile and fixed line operations, which encompasses services rendered to customers across regions of Russia, except for “Moscow fixed line”, which represents the results of fixed line operations carried out in Moscow by MGTS, a subsidiary of MTS. Russia convergent also includes sales of equipment and accessories. Goodwill allocated to these CGUs has arisen on acquisitions made by MTS. The Group does not allocate goodwill recognised as a result of its purchases of MTS shares by the Group to CGUs as it is monitored for internal management purposes at the level of the MTS segment as a whole. Unallocated amount of goodwill is tested for impairment with the reference to the market capitalisation of MTS.

The recoverable amounts of the CGUs are determined based on their value in use. In assessing 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.

Future cash flows calculations are based on a five-year operation plan. Estimation of future cash flows requires assumptions to be made in respect of uncertain factors, including management’s expectations of OIBDA margins, timing and amount of future capital expenditure, terminal growth rates and appropriate discount rates to reflect the risks associated.

In 2020 according to impairment test results, other CGU was impaired in amount of RUB 1,281 million.

As a result of the impairment test performed on 31 December 2019, none of the cash generating units was impaired.

The key assumptions used in the value in use calculations are as follows:

- OIBDA margin used for the CGU Russia convergent was in the range of 43.2% - 44.3%, CGUs located in Armenia – 51.8% - 54.0%, in the Czech Republic in the range of 3.5% - 5.2% (2019: in the Russian Federation 42.4% - 43.5%, Armenia 46.9% - 50.0%, in the Czech Republic 3.2% - 3.9%).
- Capital expenditure for calculation of operational value was used as a percentage of the revenue of the CGUs Russia convergent and located in Armenia in the range of 20.9% - 22.2%, in the Czech Republic 1.2% (2019: 15.6% - 19.8% and 1.2% respectively).
- The terminal growth rate was used according to the CGUs Russia convergent and located in Armenia in the range of 0.01% - 1%, in the Czech Republic - 2%. (2019: 0.01% - 1% and 2% respectively).
- Pre-tax nominal discount rate for CGUs Russia convergent – 11.4%, located in Armenia– 13.3%, in the Czech Republic – 6.1% (2019: 14.1%, 13.5% and 6.1 % respectively) was calculated with reference to the weighted average cost of capital and reflects management's assessment of the risks inherent in these production units.

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Management believes that no reasonably possible change in the current period any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

**Agroholding "Steppe"** – The recoverable amounts of the CGUs were determined based on their value in use. Cash flow models were prepared in Russian rubles. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business sector of the economy in which CGU operates.

Key assumptions used for value-in-use calculations are determined based on market analysis, which is performed regularly. The table below presents key assumptions used for value in-use calculations:

	<u>2020</u>	<u>2019</u>
Terminal cash flows growth rate	3.8%	4%
Discount rate	14%	14%
Range of average annual market price growth rate	3.8%-4%	4%-5%

Management believes that no reasonably possible change in the current period in any of the above key assumptions would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

#### 16. OTHER INTANGIBLE ASSETS

Other intangible assets are mainly represented by billing and telecommunication software and other software, operating licenses, acquired customer bases of MTS.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately.

All finite-life intangible assets are amortised using the straight-line method utilising estimated useful lives of the assets as follows:

Operating licenses	1-20 years
Billing and telecommunication software	1-20 years
Radio frequencies	1-15 years
Customer base	4-31 years
Cost to obtain contracts	2-5 years
Software and other	1-10 years

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

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Trademarks with indefinite contractual life are not amortised, but are reviewed, at least annually, for impairment.

Intangible assets other than goodwill as of 31 December 2020 and 2019 consisted of the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Carrying amounts of:</b>		
<i>Amortised intangible assets:</i>		
Billing and telecommunication software	65,179	55,560
Operating licenses	9,791	10,103
Radio frequencies	1,242	1,590
Acquired customer base	360	842
Software and other	9,085	9,377
Cost to obtain contracts	7,549	7,123
	<b>93,206</b>	<b>84,595</b>
<i>Unamortised intangible assets:</i>		
Trademarks	6,543	6,543
<b>Total</b>	<b>99,749</b>	<b>91,138</b>

**MTS operating licenses** – In connection with providing telecommunication services, the Group has been issued various GSM operating licenses by the Russian Ministry of Information Technologies and Communications (the “Ministry”). In addition to the licenses received directly from the Ministry, the Group has been granted access to various telecommunication licenses through acquisitions of subsidiaries. In foreign subsidiaries, the licenses are granted by the local communication authorities.

Operating licenses contain a number of requirements and conditions specified by legislation. The requirements generally include the start date of service, 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. As of 31 December 2020, all expired licenses covering the territories of the Russian Federation were renewed. The cost to renew the licenses was not significant. The weighted-average period until the next renewal of licenses in the Russian Federation is two and a half years.

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

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	Billing and telecom software	Licenses	Customer bases	Radio frequencies	Software and other	Trade - marks	Cost to obtain contracts	Total
<b>Cost</b>								
<b>Balance as of 1 January 2019</b>	<b>128,072</b>	<b>47,323</b>	<b>14,030</b>	<b>6,647</b>	<b>29,068</b>	<b>6,629</b>	<b>23,242</b>	<b>255,011</b>
Additions	27,921	1,119	-	(38)	2,451	-	10,290	41,743
Disposals	(11,564)	(84)	(2,879)	(865)	(411)	-	(18,281)	(34,084)
Business combinations	6	-	(37)	-	63	-	-	32
Disposal of subsidiaries	(15,770)	(19,150)	-	-	(5,318)	(80)	(1,842)	(42,160)
Currency translation adjustment	718	197	-	(29)	19	-	108	1,013
Reclassified to other non-current assets	-	-	-	-	(1,226)	-	-	(1,226)
Other	93	3	-	(1)	462	(6)	-	551
<b>Balance as of 31 December 2019</b>	<b>129,476</b>	<b>29,408</b>	<b>11,114</b>	<b>5,714</b>	<b>25,108</b>	<b>6,543</b>	<b>13,517</b>	<b>220,880</b>
Additions	35,277	1,492	-	32	4,045	-	10,390	51,236
Disposals	(28,035)	(117)	(73)	(172)	(3,491)	-	(9,758)	(41,646)
Disposal of subsidiaries	(356)	-	-	-	-	-	-	(356)
Currency translation adjustment	386	914	108	-	105	-	-	1,513
Reclassified to right-of-use assets	-	-	-	-	(1,157)	-	-	(1,157)
Other	(83)	25	-	30	(47)	-	-	(75)
<b>Balance as of 31 December 2020</b>	<b>136,665</b>	<b>31,722</b>	<b>11,149</b>	<b>5,604</b>	<b>24,563</b>	<b>6,543</b>	<b>14,149</b>	<b>230,395</b>
<b>Accumulated amortisation and impairment</b>								
<b>Balance as of 1 January 2019</b>	<b>(72,607)</b>	<b>(21,718)</b>	<b>(11,730)</b>	<b>(4,586)</b>	<b>(15,902)</b>	-	<b>(16,343)</b>	<b>(142,886)</b>
Disposals	11,065	25	2,813	831	354	-	18,281	33,369
Amortisation expense	(24,394)	(3,430)	(1,361)	(372)	(1,722)	-	(6,887)	(38,166)
Impairment	-	-	-	(26)	(1,008)	-	-	(1,034)
Disposal of subsidiaries	12,657	5,155	6	-	2,648	-	1,210	21,676
Currency translation adjustment	(615)	664	-	29	(5)	-	(82)	(9)
Other	(22)	(1)	-	-	(96)	-	(2,573)	(2,692)
<b>Balance as of 31 December 2019</b>	<b>(73,916)</b>	<b>(19,305)</b>	<b>(10,272)</b>	<b>(4,124)</b>	<b>(15,731)</b>	-	<b>(6,394)</b>	<b>(129,742)</b>
Disposals	27,953	74	72	160	2,281	-	3,069	33,609
Amortisation expense	(25,194)	(1,796)	(589)	(367)	(2,148)	-	(3,275)	(33,369)
Impairment	(167)	-	-	-	(35)	-	-	(202)
Disposal of subsidiaries	36	-	-	-	-	-	-	36
Currency translation adjustment	(275)	(894)	-	-	5	-	-	(1,164)
Reclassified to right-of-use assets	-	-	-	-	150	-	-	150
Other	77	(10)	-	(31)	-	-	-	36
<b>Balance as of 31 December 2020</b>	<b>(71,486)</b>	<b>(21,931)</b>	<b>(10,789)</b>	<b>(4,362)</b>	<b>(15,478)</b>	-	<b>(6,600)</b>	<b>(130,646)</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Additional investments in associates and joint ventures are added to the carrying amount of the equity-method investee without specific allocation to the underlying assets and liabilities of the investee. The additional ownership interest effectively increases the notional goodwill relating to the equity-method investee. After a transaction, the share of investee's profit or loss recognised by the Group is based on the new ownership interest.

Investments in associates and joint ventures as of 31 December 2020 and 2019 consisted of the following:

		2020		2019	
		Participating share	Carrying value	Participating share	Carrying value
Etalon Group (Note 5)	associate	25.58%	13,529	23.67%	13,342
Ozon	associate	33.78%	12,584	42.99%	11,854
Megapolis-Invest	joint venture	100.00%	11,002	-	-
Element LLC	joint venture	49.54%	9,566	50.00%	10,042
MTS Belarus	associate	49.00%	5,124	49.00%	4,502
Alium	joint venture	24.90%	4,344	26.26%	4,280
Michurinskiy project	joint venture	50.00%	4,229	50.00%	2,591
Real estate projects	associate	48%-50%	1,431	48%-50%	1,352
Sintez	joint venture	1.52%	216	1.54%	204
YouDo	associate	26.24%	1,140	26.24%	1,140
Zelenaya Tochka	joint venture	51.00%	1,260	-	-
Detsky mir (Note 5)	associate	-	-	33.38%	21,807
Other			9,431		8,803
			<b>73,856</b>		<b>79,917</b>

Participating share in profit or loss of associates and joint ventures is determined based on the percentage of the equity interest owned by the Group or on allocations of profits and losses between investors if designated by shareholders agreements.



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**Etalon Group** is one of the largest development and construction companies, includes companies in Russia and abroad. Carries out development projects in the markets of St. Petersburg and Moscow, the holding company is registered in the Republic of Cyprus.

Global depositary receipts of Etalon Group Plc are publicly traded. As of 31 December 2020 the carrying value of the investment in Etalon Group Plc exceeded the market quoted price based value which amounted to RUB 9.6 billion. Based on the available facts and information regarding the operating results of Etalon Group Plc, the ability and intention of the Group to hold the investment until recovery, and the trading volume of depositary receipts, the Group concluded that recognition of an impairment loss was not required.

**Ozon** is one of the largest players in the Russian e-commerce market, representing goods in various categories: electronics, household appliances, home goods and others. It has its own logistics network, operating marketplace technology, a developed web platform. Ozon Holdings PLC is registered in the Republic of Cyprus.

During 2020, Sistema continued to invest in Ozon. In November 2020, Ozon held an initial public offering (IPO) of its shares. Gross proceeds to the company, including the underwriters' overallotment option and the concurrent private placement, where Sistema participated and invested USD 67.5 million (RUB 5,095 million), amounted to approximately USD 1.25 billion. In December 2020, Sistema exercised its right to shares under a subscription agreement signed in Q1 2020 in the amount of RUB 3.1 billion and under the convertible loan agreement in amount of RUB 0.58 billion. As a result of these transactions, Sistema PJSCFC, together with its subsidiary Sistema Venture Capital JSC, owns 33.78% of the voting shares of Ozon as of 31 December 2020.

Global depositary receipts of Ozon Holding PLC are publicly traded. As of 31 December 2020 the market quoted price based value exceeded the carrying value of the investment in Ozon Holdings PLC and amounted to RUB 210.5 billion.

**Megapolis-Invest** – In December 2020, the Group and Sberbank Investments LLC (“SberInvest”), invested in authorized capital of Megapolis-Invest LLC (“Megapolis-Invest”) the amount of RUB 11.0 billion and RUB 3.5 billion, respectively. Additionally, SberInvest provided Megapolis-Invest with debt financing of RUB 10.2 billion. As at 31 December 2020, Megapolis-Invest received these cash funds, however the ownership of SberInvest in the company was not registered in Unified State Register. After the registration of the ownership in 2021, the Group's share in the authorized capital of the Megapolis-Invest amounted to 75.86%. In December 2020, Megapolis-Invest acquired a 64.37% share in Elektrozavod JSC and 100% in Elektrokombinat LLC (“Elektrozavod Group”) from certain private investors for RUB 24.7 billion.

Elektrozavod Group includes facilities for the production of transformer equipment in Moscow and Ufa, service units, research and design institutes, an engineering center, as well as land plots in the “Elektrozavodskaya” metro area in Moscow with an area of 19 hectares.

The Group and SberInvest signed the shareholders agreement and agreements granting Sistema the right to acquire in 2022-2023 and SberInvest the right to sell to the Group its stake in the equity capital of Megapolis-Invest in 2023 (hereinafter – Option agreements). The right of claim under loan agreement given by SberInvest to Megapolis-Invest shall be acquired by the Group in any of the events of execution under Option agreements. The fair value of the financial instruments arising from Option agreements is determined on the basis of the Black-Scholes model using the discounted cash flow method when calculating the cost of a stake in Megapolis-Invest. The fair value of the financial instruments as of 31 December 2020 is approximately nil.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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The Group does not have the exclusive right to manage the relevant activities of Megapolis-Invest and therefore the investment is accounted for under equity method.

**Element LLC** - A single national competence center in the field of microelectronic component base is being created on the basis of the joint venture. The company is registered and operates in the Russian Federation. In December 2020, Element JSC partially repurchased its share for a cash consideration of RUB 100 million. As a result, the Group's share decreased to 49.54%.

**"MTS Belarus"** is a telecommunications operator in the Republic of Belarus.

**Alium JSC** develops, manufactures and sells drugs and pharmaceutical substances, biotechnological genetically engineered drugs, including vaccines against hepatitis B. The Company and most of its subsidiaries are legal entities under the laws of the Russian Federation.

The Group together with VTB Bank and a consortium of investors comprising the Russian Direct Investment Fund (RDIF), the Russian-Chinese Investment Fund (RCIF) and several other funds (collectively, the "Investor Consortium") owns a share in "Alium" through Ristango Holding Limited, registered in the Republic of Cyprus.

The following agreements apply to the shares in Ristango Holding Limited held by partners:

- The "Investor Consortium" has the right to sell its stake in Ristango Holding Limited to the Group under certain conditions in January 2026 for amount up to RUB 5.4 billion, which will be reduced by the amount of dividends received by the "Investor Consortium" during the ownership period. The fair value of the financial instrument with the "Investor Consortium" is determined based on the Black-Scholes model using the discounted cash flow method when calculating the value of a stake in Ristango Holding Limited. As of 31 December 2020 and 2019, the fair value of the financial instrument is approximately nil.  
The Group has the right to buy a stake in Ristango Holding Limited until July 2022 at the price specified in the agreement.
- Agreement with VTB to acquire its stake in Ristango Holding Limited for RUB 6.7 billion in December 2021. The fair value of the VTB Bank forward is defined as the difference between the redemption price and the fair value of the stake in Ristango Holding Limited, defined by the discounted cash flow method. As of 31 December 2020 the fair value of the financial instrument is RUB 2.4 billion and as of 31 December 2019 is approximately nil. If the value of a stake in Ristango Holding Limited changes by 10%, the fair value of the financial instrument will change by RUB 1.5 billion.

According to the documents under the transaction, the Group has no exclusive right to manage the relevant activities of "Alium" and Ristango Holding Limited, and therefore the investment is accounted for under equity method as of 31 December 2020 and 2019.

**Project Michurinsky** carries out construction and sale of apartments, as well as construction of a medical center. The company is registered in the Russian Federation.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**Sintez** is engaged in the production and sale of medicines and medical devices. The companies belonging to the Sintez group of companies are registered and operate in the Russian Federation.

The Group, together with its financial partner, owns a stake in Sintez through Sinocom Investments Limited, a company registered in the Republic of Cyprus. The Group and the financial partner entered into agreement to acquire its stake in Sinocom Investments Limited in August 2022 for 8.1 billion rubles. Fair value is defined as the difference between the redemption price and the fair value of a stake in Sinocom Investments Limited, defined by the discounted cash flow method. As of 31 December 2020 the fair value of the financial instrument is RUB 1.8 billion and as of 31 December 2019 is approximately nil. If the value of a stake in Sinocom Investments Limited changes by 10%, the fair value of the financial instrument will change by RUB 1.3 billion.

In May 2020 as part of the mandatory offer to Sintez minority shareholders to acquire their common and preferred shares, Sinocom Investments Limited acquired 13,696 ordinary shares and 20,577 preferred shares of Sintez OJSC in the amount of approximately RUB 960 million. As a result, the share of Sinocom Investments Limited in the authorized capital of Sintez OJSC increased from 46.51% to 56.23%.

The percentage of voting rights of the Group in the holding company Sinocom Investment Limited as of 31 December 2020 and 2019 amounted 52.47% and 55.26%, respectively. The percentage of voting rights of Sinocom Investment Limited in Sintez as of 31 December 2020 and 2019 amounted 56.74% and 51.56%, respectively. The Group's share in the profit and loss of Sintez as of 31 December 2020 and 2019 of 1.52% and 1.54% respectively is calculated on the basis of the value of the participants' investments in Sinocom Investment Limited.

According to the transaction documents, the Group has no exclusive right to manage the relevant activities of Sintez and Sinocom Investments Limited and therefore the investment is accounted for investment under equity method as of 31 December 2020 and 2019.

**Purchase of share in the fixed-line operator Zelenaya Tochka (MTS)** – In February 2020, the Group acquired a 51% share in Achemar Holdings Limited and Clarika Holdings Limited, which own the operating companies of the Zelenaya Tochka Group, which provides fixed-line services in a number of regions of the Russian Federation. The purchase price includes a cash payment in the amount of RUB 1.37 billion. The acquisition of 51% of the shares was accounted for as an investment in a joint venture based on the terms of the shareholder agreement.

**Detsky mir** – In June and September 2020, the Group sold its residual 13.00% and 20.38% of the share capital of Detsky mir for RUB 8.93 billion and RUB 16.9 billion, respectively.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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**Other** – During 2020, the Group entered into the following investments in associates and joint ventures:

- *Loss of control over Galichles LLC and Galich Plywood Mill LLC (Segezha Group)* - In March 2020, Segezha Group structured project financing for the construction of a plywood mill in Galich, Kostroma Region, based on 100% of the Group's subsidiaries Galichles LLC and Galich Plywood Mill LLC (collectively, the "Companies"). The Group concluded that, in accordance with the Agreement signed with the bank on the Exercise of Corporate Rights, decisions regarding the relevant activities of the Companies require the unanimous consent of Segezha Group and the bank, and considers them as joint ventures with a 100% of share. The carrying amount of the investment as of 31 December 2020 is nil. Income from deconsolidation is approximate nil.
- *Fancy Show (MTS)* – In 2020, the Group formed a partnership with Fancy Show LLC for the purpose of organizing the production, performance, rental and promotion of the musical "Chess" in Russia. Under the terms of the agreement, the Group was entitled to a 36% share in the partnership's net profit and recognised the investment in the joint venture.
- *Purchase of share in Bionik-Medsi LLC (Medsi)* - In 2020, the Group acquired a 25% share in the associated company for a consideration of RUB 500 million, while the Group received an advance payment of RUB 500 million from Bionik-Medsi LLC for providing medical services to customers over the next 7 years. The rights and obligations arising from these transactions are different in nature, so the Group recognizes the investment in an associate under equity method and the obligation to provide services in the statement of financial position on gross basis.

The Group retained its ownership interests in the remaining projects and continues to account for them as investments in associates and joint ventures as at 31 December 2020.

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The financial position and results of operations of the largest associates and joint ventures (except of individually material joint ventures presented on the next page) as of and for the years ended 31 December 2020 and 2019 were as follows:

	MTS Belarus		Ozon		Real estate projects		Etalon Group		Sintez		Alium		Michurinskiy project	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-current assets	20,008	19,496	29,800	19,829	26,429	27,295	15,568	13,429	16,396	16,624	11,131	10,727	1,744	3,347
Current assets	12,705	11,536	124,808	18,902	3,874	3,458	170,951	158,949	7,959	7,333	7,663	5,969	15,978	12,587
<b>Total assets</b>	<b>32,713</b>	<b>31,032</b>	<b>154,608</b>	<b>38,731</b>	<b>30,303</b>	<b>30,753</b>	<b>186,519</b>	<b>172,378</b>	<b>24,355</b>	<b>23,957</b>	<b>18,794</b>	<b>16,696</b>	<b>17,722</b>	<b>15,934</b>
Non-current liabilities	(11,257)	(9,849)	(15,140)	(8,350)	(14,101)	(14,062)	(69,429)	(51,527)	(2,905)	(3,331)	(4,520)	(4,520)	-	(8,309)
Current liabilities	(10,999)	(11,995)	(60,211)	(29,688)	(7,193)	(6,606)	(66,017)	(67,447)	(4,870)	(4,060)	(6,556)	(4,792)	(7,802)	(981)
<b>Total liabilities</b>	<b>(22,256)</b>	<b>(21,844)</b>	<b>(75,351)</b>	<b>(38,038)</b>	<b>(21,294)</b>	<b>(20,668)</b>	<b>(135,446)</b>	<b>(118,974)</b>	<b>(7,775)</b>	<b>(7,391)</b>	<b>(11,076)</b>	<b>(9,312)</b>	<b>(7,802)</b>	<b>(9,290)</b>
Equity attributable to owners of the Company	<b>10,457</b>	<b>9,188</b>	<b>79,257</b>	<b>693</b>	<b>9,009</b>	<b>10,085</b>	<b>51,073</b>	<b>53,404</b>	<b>16,580</b>	<b>16,566</b>	<b>7,718</b>	<b>7,384</b>	<b>9,920</b>	<b>6,644</b>
The Group's share in the profit and loss	49.00%	49.00%	33.78%	42.99%	48%-50%	48.00%	25.58%	23.67%	1.52%	1.54%	24.90%	26.26%	50.00%	50.00%
Fair value adjustment on the date of acquisition	-	-	(14,189)	11,556	688	(172)	465	702	(36)	(52)	2,422	2,341	(731)	(731)
Accumulated impairment	-	-	-	-	(3,581)	(3,317)	-	-	-	-	-	-	-	-
<b>Carrying amount of the Group's interest</b>	<b>5,124</b>	<b>4,502</b>	<b>12,584</b>	<b>11,854</b>	<b>1,431</b>	<b>1,352</b>	<b>13,529</b>	<b>13,343</b>	<b>216</b>	<b>204</b>	<b>4,344</b>	<b>4,280</b>	<b>4,229</b>	<b>2,591</b>
Total revenues	36,121	32,593	104,350	60,038	7,862	2,391	78,655	74,809	12,965	4,366	8,336	7,568	11,184	9,039
Total profit/(loss) for the year	10,267	9,354	(22,264)	(21,585)	(5,726)	(1,387)	2,036	(802)	813	170	257	748	3,276	2,419
<b>The Group's share in profit/(loss)</b>	<b>5,031</b>	<b>4,583</b>	<b>(8,428)</b>	<b>(7,834)</b>	<b>(2,748)</b>	<b>(666)</b>	<b>529</b>	<b>(655)</b>	<b>12</b>	<b>3</b>	<b>64</b>	<b>194</b>	<b>1,631</b>	<b>1,210</b>
Total comprehensive income/(loss)	4,836	8,512	(22,264)	(21,585)	(5,726)	(1,387)	2,036	(802)	813	170	257	748	3,276	2,419
<b>The Group's share in comprehensive income/(loss) for the year</b>	<b>2,370</b>	<b>4,171</b>	<b>(8,428)</b>	<b>(7,834)</b>	<b>(2,748)</b>	<b>(666)</b>	<b>529</b>	<b>(655)</b>	<b>12</b>	<b>3</b>	<b>64</b>	<b>194</b>	<b>1,631</b>	<b>1,210</b>
<b>Dividends paid</b>	<b>(4,212)</b>	<b>(3,587)</b>	-	-	-	-	<b>(905)</b>	<b>(884)</b>	-	-	-	-	-	-

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The following is a summary of the financial information related to the material joint ventures of the Group as of 31 December 2020 and 2019:

	Element LLC		Megapolis-Invest
	31 December 2020	31 December 2019	31 December 2020
<b>Assets</b>			
Current assets, including:	20,148	21,276	7,456
Cash and cash equivalents	1,825	2,231	827
Restricted cash	2,170	3,378	-
Non-current assets	20,056	20,650	28,157
<b>Total assets</b>	<b>40,204</b>	<b>41,926</b>	<b>35,613</b>
<b>Liabilities</b>			
Current liabilities	9,418	10,689	6,405
Non-current liabilities	11,299	11,603	16,022
<b>Total liabilities</b>	<b>20,717</b>	<b>22,292</b>	<b>22,427</b>
Non-controlling interest	2,246	1,600	5,385
<b>Equity attributable to owners of the Company</b>	<b>17,241</b>	<b>18,034</b>	<b>7,802</b>
Group's ownership interest	50%	50%	100%
Fair value adjustment on the date of obtaining significant influence	945	1,025	3,200
<b>Carrying amount of the Group's interest</b>	<b>9,566</b>	<b>10,042</b>	<b>11,002</b>

	Element LLC	
	2020	June-December 2019
Revenue	23,138	14,365
Operating expenses, including:	(21,279)	(12,885)
Amortisation	(2,333)	(1,161)
<b>Operating income</b>	<b>1,859</b>	<b>1,480</b>
Non-operating (expenses)/income, including:		
Finance income	-	35
Finance costs	(989)	(695)
<b>Profit before tax</b>	<b>707</b>	<b>820</b>
Income tax expense	(517)	(256)
<b>Net profit for the period of ownership</b>	<b>190</b>	<b>564</b>
Attributable to:		
Owners of the company	(453)	418
Non-controlling interest	643	146
<b>The Group's share in (loss)/profit of Element LLC</b>	<b>(226)</b>	<b>225</b>
Total comprehensive income/(loss)	(476)	391
<b>The Group's share in comprehensive income/(loss) for the year</b>	<b>(226)</b>	<b>225</b>

The financial results of Megapolis-Invest from the date of establishment of the company to the reporting date are immaterial.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The following is a summary of the aggregated financial information of other associates and joint ventures that are not individually material:

	<u>2020</u>	<u>2019</u>
Group's share of profit/(loss) from continuing operations	3,730	(2,052)
Group's share of total comprehensive income/(loss)	6,328	(1,613)
Aggregate carrying amount of the Group's interests in these associates and joint ventures	11,831	9,942
Dividends paid	(1,100)	(1,808)

#### 18. PROFIT ON DISPOSAL OF OTHER ASSETS

In 2020, as a result of a series of transactions on the disposal of various assets and related liabilities, the Group made a profit of RUB 11,142 million. The assets sold are mainly represented by property, plant and equipment, receivables, advances issued and contract assets, the total carrying amount of which at the date of disposal was RUB 54,541 million. The total carrying amount of liabilities related to disposed assets at the date of disposal was RUB 46,611 million.

#### 19. OTHER FINANCIAL ASSETS

The Group's financial assets, other than cash and cash equivalents, deposits in banks and accounts receivable shown separately on the face of the consolidated statements of financial position, primarily comprise assets of MTS Bank and East-West United Bank, the Group's subsidiaries engaged in banking activities, and investments of the Corporate segment.

The Group applies expected credit losses model for impairment analysis of financial assets classified at amortised cost. The Group applies the simplified approach for its trade and other receivables which requires recognition of expected credit losses at a lifetime from initial recognition of trade receivables.

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

Financial assets are classified into the following categories depending on their nature and purpose: Financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), financial assets measured at amortised costs.

If the financial assets are held for collecting contractual cash flows in the form of principal and interest on the specified dates, they are classified as carried at amortised 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 selling the financial asset, 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.

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As of 31 December 2020 and 2019 financial assets, other than those shown separately on the face of the statements of financial position, less allowance for impairment losses, comprise:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Financial assets measured at fair value through profit or loss</b>		
Debt and equity securities	64,950	47,782
Contingent consideration	2,631	2,013
Option contracts	228	-
Derivatives embedded in lease agreements	562	-
Forwards and stock options	4,723	-
Cross-currency derivatives not designated as cash flow hedges	-	52
Currency rate swaps not designated as hedge instruments	4,508	318
	<u><b>77,602</b></u>	<u><b>50,165</b></u>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Debt and equity securities	14,557	8,999
	<u><b>14,557</b></u>	<u><b>8,999</b></u>
<b>Financial assets measured at amortised cost</b>		
Debt securities	21,949	26,695
Bank loans to customers	131,136	99,228
Interbank loans due from banks	3,386	5,723
Other loans	14,572	13,301
	<u><b>171,043</b></u>	<u><b>144,947</b></u>
<b>Total other financial assets</b>	<u><b>263,202</b></u>	<u><b>204,111</b></u>
Current	104,573	87,138
Non-current	158,629	116,973
<b>Total other financial assets</b>	<u><b>263,202</b></u>	<u><b>204,111</b></u>

The following table summarizes changes in loss allowance for financial assets other than for loan losses and accounts receivable for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<b>Balance as of 1 January calculated under IFRS 9</b>	<b>5,722</b>	<b>5,951</b>
Charge for the period	1	66
Amounts written off against the allowance	(661)	(258)
Currency translation adjustments	(374)	(37)
<b>Balance as of 31 December calculated under IFRS 9</b>	<u><b>4,688</b></u>	<u><b>5,722</b></u>



## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

As of 31 December 2020 and 2019, financial assets attributable to the Group's banking activities (MTS Bank and its subsidiaries, East-West United Bank) comprise:

	31 December 2020	31 December 2019
<b>Financial assets measured at fair value through profit or loss</b>		
Debt and equity securities	19,586	14,217
	<b>19,586</b>	<b>14,217</b>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Debt and equity securities	13,789	8,999
	<b>13,789</b>	<b>8,999</b>
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	35,540	38,777
Bank loans to customers	148,647	111,114
Interbank loans due from banks	3,386	5,723
Debt securities	21,812	25,386
	<b>209,385</b>	<b>181,000</b>
Less: allowance for loan losses	(17,511)	(11,886)
	<b>225,249</b>	<b>192,330</b>

The movement in the allowance for loan losses, attributable to the Group's banking activities, during 2020 and 2019 was as follows:

	2020	2019
<b>Allowance for loan losses, 1 January</b>	<b>11,886</b>	<b>9,862</b>
Charge for the period	8,385	3,533
Amounts written-off against the allowance	(3,281)	(2,022)
Disposal	(282)	(40)
Reversal of allowance written-off	565	829
Currency translation adjustment	238	(276)
<b>Allowance for loan losses, 31 December</b>	<b>17,511</b>	<b>11,886</b>

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 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 recognised.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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.

Stage 3: expected lifetime credit losses – credit impaired

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. 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).

Movements in impairment loss allowance on loans to legal entities for the year ended 31 December 2020 and 2019 were as follows:

	Stage 1	Stage 2	Stage 3	POCI*	Total
<b>Balance as of 1 January 2020</b>	<b>711</b>	<b>135</b>	<b>4,672</b>	<b>294</b>	<b>5,812</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	458	-	119	-	577
Change due to change of credit risk	(103)	46	38	-	(19)
Sales of financial assets	-	-	(279)	-	(279)
Write-offs	-	-	(513)	-	(513)
Recovery of previously written-off assets	-	-	(1,110)	-	(1,110)
Foreign exchange difference	57	22	205	67	351
<b>Balance as of 31 December 2020</b>	<b>1,028</b>	<b>221</b>	<b>3,209</b>	<b>361</b>	<b>4,819</b>
	Stage 1	Stage 2	Stage 3	POCI*	Total
<b>Balance as of 1 January 2019</b>	<b>356</b>	<b>605</b>	<b>5,126</b>	<b>255</b>	<b>6,342</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	537	2	-	119	658
Change due to change of credit risk	(45)	42	(374)	(28)	(405)
Sales of financial assets	(40)	-	-	-	(40)
Write-offs	(13)	(32)	(767)	(52)	(864)
Recovery of previously written-off assets	-	-	392	-	392
Foreign exchange difference	(2)	(15)	(254)	-	(271)
<b>Balance as of 31 December 2019</b>	<b>711</b>	<b>135</b>	<b>4,672</b>	<b>294</b>	<b>5,812</b>

## SISTEMA PJFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

Movements in impairment loss allowance attributable to loans to individuals for the year ended 31 December 2020 and 2019 were as follows:

	Stage 1	Stage 2	Stage 3	POCI*	Total
<b>Balance as of 1 January 2020</b>	<b>1,808</b>	<b>923</b>	<b>2,978</b>	<b>358</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	2,843	(230)	6,648
Write-offs	-	-	(1,631)	-	(1,631)
Recovery of previously written-off assets	-	-	382	-	382
<b>Balance as of 31 December 2020</b>	<b>3,099</b>	<b>1,446</b>	<b>8,019</b>	<b>128</b>	<b>12,692</b>
	Stage 1	Stage 2	Stage 3	POCI*	Total
<b>Balance as of 1 January 2019</b>	<b>756</b>	<b>318</b>	<b>2,005</b>	<b>398</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	-	-	(1,103)	(40)	(1,143)
Recovery of previously written-off assets	-	-	435	-	435
<b>Balance as of 31 December 2019</b>	<b>1,808</b>	<b>923</b>	<b>2,978</b>	<b>358</b>	<b>6,067</b>

\* POCI – financial assets purchased or originated credit-impaired

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.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

The table below summarizes information regarding the quality of loans to individuals as of 31 December 2020 and 2019:

#### 31 December 2020:

	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	88,058	-	-	-	88,058
Monitoring	-	3,816	306	-	4,122
Impaired	-	-	9,518	128	9,646
Loss allowance	(3,099)	(1,446)	(8,019)	(128)	(12,692)
<b>Total</b>	<b>84,959</b>	<b>2,370</b>	<b>1,805</b>	<b>-</b>	<b>89,134</b>

#### 31 December 2019:

	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	66,507	138	-	-	66,645
Monitoring	-	2,801	49	358	3,208
Impaired	-	-	3,987	-	3,987
Loss allowance	(1,808)	(923)	(2,978)	(358)	(6,067)
<b>Total</b>	<b>64,699</b>	<b>2,016</b>	<b>1,058</b>	<b>-</b>	<b>67,773</b>

The table below summarizes information regarding the quality of loans to legal entities as of 31 December 2020 and 2019:

#### 31 December 2020:

	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	27,066	2,947	-	-	30,013
Monitoring	6,106	5,868	-	-	11,974
Doubtful	-	-	877	-	877
Impaired	-	-	3,957	-	3,957
Loss allowance	(983)	(266)	(3,570)	-	(4,819)
<b>Total</b>	<b>32,189</b>	<b>8,549</b>	<b>1,264</b>	<b>-</b>	<b>42,002</b>

#### 31 December 2019:

	Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	19,314	1,728	-	-	21,042
Monitoring	7,396	2,472	-	-	9,868
Impaired	-	-	6,055	301	6,356
Loss allowance	(711)	(135)	(4,672)	(294)	(5,812)
<b>Total</b>	<b>25,999</b>	<b>4,065</b>	<b>1,383</b>	<b>7</b>	<b>31,454</b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

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

As of 31 December 2020	Gross loans	Impairment loss allowance	Net loans	Impairment loss allowance 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</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	34%
Overdue:				
up to 30 days	46	(12)	34	26%
31 to 60 days	7	-	7	0%
61 to 90 days	-	-	-	0%
91 to 180 days	6	-	6	0%
over 180 days	377	(240)	137	64%
<b>Total individually impaired</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 small and medium-sized enterprises outstanding as of 31 December 2020 is as follows:

As of 31 December 2020	Gross loans	Impairment loss allowance	Net loans	Impairment loss allowance 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	55%
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>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Loans collateralized by cash deposits	817	4,246
Loans collateralized by guaranties of legal entities	32,346	16,630
Loans collateralized by pledge of real estate	18,733	15,102
Loans collateralized by pledge of own promissory notes	-	27
Loans collateralized by pledge of equipment	100	496
Loans collateralized by securities	2,058	1,349
Loans collateralized by rights of claim	-	15
Loans collateralized by pledge of inventories	165	2
Unsecured loans	94,428	73,233
Impairment loss allowance	<u>(17,511)</u>	<u>(11,879)</u>
<b>Total loans to customers, net</b>	<b><u>131,136</u></b>	<b><u>99,221</u></b>

## 20. RESTRICTED CASH

According to the amendments to the law "On State Defence Orders", cash received under state defence orders has to be held on special accounts and its spending is restricted to activities related to these orders. As of 31 December 2020, RTI and other companies have RUB 4,310 million and as of 31 December 2019 RTI has RUB 5,689 million of cash on special accounts which are presented as restricted cash within current assets.

## 21. INVENTORIES

Inventory mainly include the retail network of MTS and raw materials of Segezha Group and material and technical product of RTI.

Inventory should be accounted at the lower of net realisable value and carrying amount. The Group periodically assesses its inventories for obsolete or slow-moving stock.

The cost of raw materials includes the cost of purchase, customs duties, transportation and handling costs. Work-in-progress and finished goods are stated at production cost which includes direct production expenses and manufacturing overheads.

Inventories as of 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Raw materials and spare parts	16,002	13,721
MTS finished goods and goods for resale	15,204	15,515
Other finished goods and goods for resale	5,760	6,983
Other work-in-progress	<u>9,483</u>	<u>9,110</u>
<b>Total</b>	<b><u>46,449</u></b>	<b><u>45,329</u></b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(amounts in millions of Russian Rubles, unless otherwise stated)*

The cost of inventories recognised as an expense during the year in respect of continuing operations was RUB 110,389 million (2019: RUB 90,211 million). The cost of inventories recognised as an expense includes RUB 2,174 million (2019: RUB 3,178 million) in respect of write-downs of inventory to net realisable value and has been reduced by RUB 674 million (2019: RUB 664 million) in respect of the reversal of such write-downs.

## 22. ACCOUNTS RECEIVABLE

Accounts receivable include amounts owed by the customers to the Group.

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.

Accounts receivable, net of allowances, as of 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable	63,547	61,250
Allowance for ECL	<u>(7,089)</u>	<u>(6,547)</u>
<b>Total</b>	<b><u>56,458</u></b>	<b><u>54,703</u></b>

Below is the age analysis of receivables that are past due but not impaired:

	<u>2020</u>	<u>2019</u>
60-90 days	1,064	1,396
more than 91 days	<u>2,709</u>	<u>2,775</u>
<b>Total</b>	<b><u>3,773</u></b>	<b><u>4,171</u></b>

Movement in the allowance is as follows:

	<u>2020</u>	<u>2019</u>
<b>Balance at the beginning of the year</b>	<b>(6,547)</b>	<b>(6,875)</b>
Charge for the period	(5,560)	(5,476)
Amounts written-off against allowance	4,847	4,633
(Acquisition)/disposal of subsidiaries	(13)	659
Allowance recovery	437	291
Currency exchange (loss)/gain	<u>(253)</u>	<u>221</u>
<b>Balance at the end of the year</b>	<b><u>(7,089)</u></b>	<b><u>(6,547)</u></b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 23. EQUITY

**Share capital** – As of 31 December 2020 and 2019, the Company had 9,650,000,000 voting common shares with a par value of RUB 0.09 issued, of which 9,506,184,291 and 9,378,196,750 shares were outstanding, respectively.

**Treasury shares** – Movement of treasury shares during 2020 and 2019 years in quantity was as follows:

	<u>2020</u>	<u>2019</u>
<b>Balance at the beginning of the year</b>	<b>271,803,250</b>	<b>170,829,468</b>
Purchase of own shares	-	120,643,171
Sale of own shares	(21,539,922)	(19,669,389)
Settlements under long-term motivation program	(106,447,619)	-
<b>Balance at the end of the year</b>	<b><u>143,815,709</u></b>	<b><u>271,803,250</u></b>

**Dividends** – Dividends declared to the holders of the Company's ordinary shares are included in the financial statements in the period in which the dividends are approved for distribution by the shareholders.

On 29 June 2020, an annual general meeting of shareholders approved the total dividend payment of RUB 1,254.5 million (including dividends on treasury shares of RUB 33.8 million) representing RUB 0.13 per ordinary share or RUB 2.6 per one global depository receipt. The dividends were paid in 2020.

#### 24. ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive income balance, net of taxes, as of 31 December 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cumulative effect of translation to the reporting currency	22,627	10,405
Unrecognised actuarial income	303	303
<b>Total accumulated other comprehensive income</b>	<b><u>22,930</u></b>	<b><u>10,708</u></b>
Less: attributable to non-controlling interests	(4,177)	(3,256)
<b>Total accumulated other comprehensive income, attributable to Shareholders of Sistema PJSFC</b>	<b><u>18,753</u></b>	<b><u>7,452</u></b>



## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

#### 25. LOANS AND BORROWINGS

The Group's borrowings primarily comprise bank loans and corporate bonds. The Group enters into variable-to-fixed interest rate swap agreements to manage exposure to changes in variable interest rates related to a portion of its obligations, as well as into cross-currency interest-rate swap agreements to mitigate the impact of both, interest rate and exchange rate fluctuations, for a certain portion of its USD- and Euro-denominated borrowings.

Borrowings are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance costs in profit or loss consist of interest expense for financial liabilities not classified as at FVTPL. In 2020, finance costs did not include borrowing costs that were included in the cost of qualifying assets in amount of RUB 581 million (2019: RUB 550 million).

At 31 December 2020 and 2019, the Group's borrowings comprised:

	<u>2020</u>	<u>2019</u>
Bank loans	367,769	349,964
Corporate bonds	346,204	266,616
Other	9,988	4,290
<b>Total</b>	<b><u>723,961</u></b>	<b><u>620,870</u></b>
Current	83,391	129,454
Non-current	640,570	491,416

**Bank loans** – As of 31 December 2020 and 2019, the Group's loans from banks and financial institutions consisted of the following:

	<u>Maturity</u>	<u>Interest rate (actual at 31 December 2020)</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>EUR-denominated:</b>				
		EURIBOR+1.5%		
ING Bank	2021-2027	(4.13%)	4,490	3,879
Alfa Bank	2021-2028	3.08%	18,136	13,868
Sberbank	2021-2024	2.92%-3.0%	12,792	5,529
Other			1,434	1,066
			<b><u>36,852</u></b>	<b><u>24,342</u></b>
<b>RUB-denominated:</b>				
Sberbank	2021-2028	5.99%-11.2% 7.00%; CB+0.5%- 4.8% (4.75%- 9.05%)	143,034	185,558
VTB	2021-2026	9.05%)	139,929	68,877
Rosselkhozbank			-	5,000
Gazprombank	2021-2025	6.85%-9.3%; CB+1.65% (5.9%) 9.25%-9.5%;	16,682	8,266
Otkrytie	2021-2025	CB+1.5% (5.75%) 8.20%-10.92%	4,020	17,524
Alfa Bank	2021-2030	CB+2% (6.25%)	25,932	28,931
Other			1,149	11,276
			<b><u>330,746</u></b>	<b><u>325,432</u></b>
<b>Other currencies</b>			171	190
<b>Total bank loans</b>			<b><u>367,769</u></b>	<b><u>349,964</u></b>

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

*Corporate notes* – As of 31 December 2020 and 2019, the Group's notes consisted of the following:

	Currency	Interest rate	31 December 2020	31 December 2019
MTS International 2023	USD	5.00%	32,596	27,394
MTS International 2020	USD	8.63%	-	18,616
MTS Notes 2025	RUB	8.00%	14,987	14,984
MTS Notes 2022	RUB	7.70%	14,980	14,969
MTS Notes 2023	RUB	6.85%	14,971	14,961
MTS Notes 2027	RUB	6.60%	14,970	-
Sistema PJSFC March 2027	RUB	8.90%	10,623	14,959
Sistema PJSFC May 2030	RUB	6.60%	14,723	-
MTS Notes 2026	RUB	7.90%	9,998	9,998
MTS Notes 2022	RUB	9.00%	9,998	9,995
MTS Notes 2021	RUB	8.85%	9,999	9,995
Sistema PJSFC July 2030	RUB	6.35%	9,218	-
Sistema PJSFC January 2028	RUB	10.00%	9,980	9,994
MTS Notes 2021	RUB	7.10%	9,997	9,992
MTS Notes 2022	RUB	6.45%	9,988	9,973
MTS Notes 2025	RUB	7.25%	9,816	9,820
MTS Notes 2024	RUB	8.70%	9,766	9,764
Sistema PJSFC February 2029	RUB	9.90%	3,800	9,661
Sistema PJSFC August 2030	RUB	6.70%	9,846	-
Sistema PJSFC November 2026	RUB	6.85%	9,694	9,650
Sistema PJSFC October 2029	RUB	7.85%	9,649	9,601
Sistema PJSFC March 2029	RUB	9.90%	9,626	9,527
Sistema PJSFC July 2029	RUB	9.40%	9,607	9,429
Sistema PJSFC October 2026	RUB	6.35%	6,171	6,123
Segezha Group JSC	RUB	7.10%	9,482	-
MTS Notes 2023	RUB	6.50%	9,860	9,351
MTS Notes 2022	RUB	5.50%	9,983	-
MTS Notes 2024	RUB	8.60%	7,488	7,485
MTS Notes 2027	RUB	6.60%	6,980	-
Sistema PJSFC November 2030	RUB	6.10%	4,750	-
MTS Notes 2022	RUB	8.40%	4,994	4,991
MTS Notes 2026	RUB	6.60%	4,990	-
Sistema PJSFC November 2030	RUB	6.75%	14,000	-
Sistema PJSFC September 2025	RUB	9.75%	4,207	4,196
Business Nedvizhimost 2024	RUB	7.90%	3,319	-
MTS Notes 2031	RUB	7.50%	891	891
Sistema PJSFC February 2028	RUB	9.25%	244	244
MTS Notes 2020			-	40
Other			13	13
<b>Total</b>			<b>346,204</b>	<b>266,616</b>

The Group has an unconditional obligation to repurchase certain notes at par value if claimed by the noteholders subsequent to the announcement of the sequential coupon. Such notes are disclosed maturing in the reporting period when the demand for repurchase could be submitted, irrespective of the Group's expectations about the intentions of the noteholders.

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The dates of the announcement for each particular note issue are as follows.

MTS Notes 2031	March 2021
Sistema PJSFC January 2028	January 2021
Sistema PJSFC February 2029	March 2022
Sistema PJSFC September 2025	April 2022
Sistema PJSFC March 2027	April 2022
Sistema PJSFC March 2029	October 2022
Sistema PJSFC November 2030	March 2023
Sistema PJSFC July 2030	April 2023
Sistema PJSFC July 2029	July 2023
Sistema PJSFC October 2026	November 2023
Sistema PJSFC November 2026	February 2024
Sistema PJSFC May 2030	May 2024
Sistema PJSFC February 2028	August 2024
Sistema PJSFC August 2030	September 2024
Sistema PJSFC October 2029	October 2024
Sistema PJSFC November 2030	June 2025

**Covenants** – Loans and notes payable by the Group are subject to various restrictive covenants and events of default, which permit lenders to demand accelerated repayment of debt. Such covenants and events include noncompliance with certain financial ratios, cancellation of principal telecom licenses, significant court rulings, encumbrances and confiscation of certain assets and other material adverse changes.

As of 31 December 2020 and 2019, the Group had long-term debt denominated in Russian rubles, presented as part of current liabilities in the consolidated statement of financial position for the following reasons:

	<u>2020</u>	<u>2019</u>
Violation of other non-financial restrictive conditions	-	11,312
Failure of subsidiaries to comply with a certain level of certain financial indicators	-	799
<b>Total</b>	<u>-</u>	<u>12,111</u>

**Assets pledged as security** – As of 31 December 2020 and 2019, land and buildings with carrying amounts of RUB 42,254 million and RUB 35,206 million, respectively, have been pledged to secure borrowings of the Group. The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. As of 31 December 2020 and 2019, other assets including inventories and deposits with carrying amounts of RUB 5,820 million, RUB 2,943 million respectively have been pledged to secure borrowings of the Group.

The following shares of the Group have been pledged to secure borrowings of the Group: 87% shares of RTI and 100% shares of certain subsidiaries of Segezha Group, Agroholding “Steppe”, Hospitality assets.

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

The Group assesses whether a contract is or contains a lease at inception of a contract. 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 lease term of 12 months or less). For these leases, the Group recognizes the lease payments as operating expense on a straight-line basis over the term of the lease. When identifying the lease, the Group uses practical expedient of IFRS 16 permitting the lessee not to separate non-lease components of the contract and, instead, to account for any lease and associated non-lease components as a single arrangement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate of the respective companies of the Group.

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Sites for placement of network and base station equipment	94,510	92,942
Land and buildings	58,378	60,422
Other	215	1,501
<b>Right-of-use assets, net</b>	<b><u>153,103</u></b>	<b><u>154,865</u></b>

Depreciation of the right-of-use assets for the year ended 31 December 2020 and 2019, included in the depreciation and amortisation of fixed assets, intangible assets and the right-of-use assets in the accompanying consolidated statement of profit or loss. Amounts of RUB 4 million and RUB 8 440 million, respectively, were recognised as part of the financial result from discontinued operations in the accompanying consolidated statement of profit or loss.

Depreciation of the right-of-use assets included in depreciation and amortisation expense in the accompanying consolidated statement of profit or loss was as follows:

	<u>2020</u>	<u>2019</u>
Sites for placement of network and base station equipment	7,224	6,900
Land and buildings	14,241	20,294
Other	70	1,466
<b>Depreciation charge, total</b>	<b><u>21,535</u></b>	<b><u>28,660</u></b>

Additions to right-of-use assets during the year ended 31 December 2020 amounted to 17,954 million and for the year ended 31 December 2019 amounted to RUB 28,976 million.

Interest expenses on lease obligations for the year ended 31 December 2020 and 2019, were included in finance expenses in the accompanying consolidated statement of profit or loss. Wherein amounts of RUB 2 million and RUB 3,600 million, respectively, were recognised as part of the financial result from discontinued operations in the accompanying consolidated statement of profit or loss.

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The following table presents expenses related to lease, recognised in the consolidated statement of profit or loss for:

	<u>2020</u>	<u>2019</u>
Depreciation of right-of-use assets	21,535	28,660
Interest expense on lease liabilities	14,471	18,866
Impairment	-	436
Expenses relating to variable lease payments not included in the measurement of the lease liability	9,641	8,522

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Minimum lease payments, including:</b>		
Less than 1 year	30,634	30,382
From 1 to 5 years	109,250	109,353
Over 5 years	127,510	140,368
<b>Total minimum lease payments</b>	<b><u>267,394</u></b>	<b><u>280,103</u></b>
Less amount representing interest	(101,819)	(114,478)
<b>Present value of net minimum lease payments, including:</b>		
Less than 1 year	17,772	16,060
From 1 to 5 years	70,833	67,636
Over 5 years	76,970	81,929
<b>Total present value of net minimum lease payments</b>	<b><u>165,575</u></b>	<b><u>165,625</u></b>
Less current portion of lease obligations	(17,772)	(16,060)
<b>Non-current portion of lease obligations</b>	<b><u><u>147,803</u></u></b>	<b><u><u>149,565</u></u></b>

Total cash outflows for leases for the year ended 31 December 2020 amounted to RUB 30,922 million (31 December 2019: RUB 42,809 million), including interest paid in amount of RUB 13,828 million (31 December 2019: RUB 18,507 million).

## 27. BANK DEPOSITS AND LIABILITIES

Liabilities of MTS Bank and EWUB primarily consist of customer accounts and deposits. These liabilities are initially measured at fair value, net of transaction costs. Liabilities are subsequently measured at amortised cost using the effective interest method and classified based on their contractual maturity.

Bank deposits and liabilities as of 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Customer accounts	170,273	151,419
Bank loans received	24,644	12,305
Debt securities issued	1,897	1,421
Other liabilities	2,731	1,417
	<b><u>199,545</u></b>	<b><u>166,562</u></b>
Less: amounts maturing within one year	(195,346)	(160,511)
<b>Total bank deposits and liabilities, net of the current portion</b>	<b><u><u>4,199</u></u></b>	<b><u><u>6,051</u></u></b>

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#### 28. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of 31 December 2020 and 2019 consisted of the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Obligations to pay for the share in the Element LLC	816	1,568
Factoring operations liability	920	1,264
Steppe subsidiaries repo transactions on shares	2,049	-
MTS liabilities related to hedging activities	-	955
Contingent obligation to pay purchase price	1,067	917
Forwards not designated as hedge instruments	-	366
MTS liabilities under put option agreement	55	73
Interest rate and cross-currency swaps not designated as hedging instruments	943	68
Other	1,627	1,784
Non-current	3,745	3,526
Current	3,732	3,469
<b>Total other financial liabilities</b>	<b>7,477</b>	<b>6,995</b>

#### 29. PROVISIONS

Provisions primarily consist of provisions related to employees' bonuses and other rewards, decommissioning and restoration obligations.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the management's 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.

Provisions as of 31 December 2020 and 2019 consisted of the following:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Employees' bonuses and other rewards	9,246	11,123
Provisions for decommissioning and restoration	5,273	4,788
Tax provisions other than for income tax	792	541
Litigations and other	8,689	4,206
<b>Total</b>	<b>24,000</b>	<b>20,658</b>
Current	16,612	14,910
Non-current	7,388	5,748

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	Employees' bonuses and other rewards	Provisions for decommissioning	Tax provisions other than income tax	Provision on SEC investigation	Other	Total
<b>Balance as of 1 January 2019</b>	<b>(11,624)</b>	<b>(3,109)</b>	<b>(252)</b>	<b>(59,050)</b>	<b>(3,577)</b>	<b>(77,612)</b>
Additional provisions recognised	(17,863)	(2,341)	(410)	-	(2,302)	(22,916)
Payments	16,796	19	41	55,607	1,529	73,992
Unwinding of discount and effect of changes in the discount rate	(12)	42	-	-	-	30
Unused amounts reversed	817	-	34	-	1,081	1,932
Transfer to financial liabilities	(303)	-	-	-	(803)	(1,106)
Transfer to liabilities held for sale	771	760	50	-	126	1,707
Currency translation adjustment	295	(159)	(4)	3,443	(260)	3,315
<b>Balance as of 31 December 2019</b>	<b>(11,123)</b>	<b>(4,788)</b>	<b>(541)</b>	<b>-</b>	<b>(4,206)</b>	<b>(20,658)</b>
Additional provisions recognised	(15,779)	(914)	(593)	-	(6,305)	(23,591)
Payments	17,776	54	333	-	1,100	19,263
Unwinding of discount and effect of changes in the discount rate	67	(138)	1	-	(74)	(144)
Unused amounts reversed	(125)	513	8	-	297	693
Currency translation adjustment	(62)	-	-	-	499	437
<b>Balance as of 31 December 2020</b>	<b>(9,246)</b>	<b>(5,273)</b>	<b>(792)</b>	<b>-</b>	<b>(8,689)</b>	<b>(24,000)</b>

### 30. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is the amount of earning/(loss) for the year attributable to ordinary shares of the Company divided by the weighted average number of ordinary shares outstanding during the year.

The earnings/(loss) and weighted average number of ordinary shares used in the calculation of basic and diluted earnings/(loss) per share are as follows.

	2020	2019
Earning for the year from discontinued operations attributable to shareholders of Sistema PJSFC	1,650	62,363
Earnings/(loss) for the year from continuing operations attributable to shareholders of Sistema PJSFC	8,566	(33,766)
<b>Earnings used in the calculation of basic and diluted earnings per share</b>	<b>10,216</b>	<b>28,597</b>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	9,394,766,486	9,473,323,272
<b>Earnings/(loss) per share – basic and diluted</b>	<b>1.09</b>	<b>3.02</b>
From continuing operations	0.91	(3.56)
From discontinued operations	0.18	6.58

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#### 31. CAPITAL AND FINANCIAL RISK MANAGEMENT

**Capital risk management** – The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net loans and borrowings (loans and borrowings offset by cash and cash equivalents) and equity of the Group.

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and adjusts it, in light of changes in economic conditions. The Group may sell assets to reduce debt, maintain or adjust the capital structure.

The Board of Directors monitors the net loans and borrowings to OIBDA ratio. Since these are not IFRS measures, the Group's definition of OIBDA and net borrowings may differ from that of other companies. The Group's net borrowings to OIBDA ratio was as follows:

	<u>2020</u>	<u>2019</u>
Net loans and borrowings	610,268	557,201
OIBDA	<u>229,896</u>	<u>201,787</u>
<b>Net loans and borrowings to OIBDA ratio</b>	<u><u>2.65</u></u>	<u><u>2.76</u></u>

The Group is subject to certain externally imposed capital requirements and restrictions that are incorporated into the management of capital.

**MTS Bank** – The CBR requires that banks comply with the minimum capital adequacy ratio of 8% calculated based on statutory standalone financial statements. MTS Bank met the requirements established by the CBR. As of 31 December 2020 and 2019, MTS Bank's capital adequacy ratio was 12.82% and 14.1% respectively.

**Financial risk management objectives** – The Board of Directors has overall responsibility for the establishment and ongoing management of the Group's risk management framework, and the implementation and operation of the Board's policies are handled by the Management Board.

The Management Board monitors and manages the financial risks relating to the operations of the Group through internal management reports, which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

**Foreign currency risk** – Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies and is primarily exposed to the US Dollar and Euro.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities denominated in Russian Ruble, US Dollar and Euro and by using certain derivative instruments (Note 32).



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The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (excluding hedged items) at the year-end are as follows:

	Liabilities		Assets	
	2020	2019	2020	2019
US Dollar	63,451	77,677	46,968	30,279
Euro	51,432	27,801	8,607	17,570

The table below details the Group's sensitivity to the strengthening of the US Dollar and Euro against the Russian Ruble. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis was applied to monetary items at the year-end denominated in the respective currencies.

	Increase in US Dollar and Euro	Decrease in profit before tax
2020	30%	17,792
2019	30%	17,289

The effect of a corresponding strengthening of the Russian Ruble against the US Dollar and EUR is equal and opposite.

**Interest rate risk** – Interest rate risk arises from the possibility that changes in interest rates will affect finance costs. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by using certain derivative instruments (Note 32).

A change of floating rates by 1% applied to the borrowings (excluding hedged items) would not significantly affect operations of the Group.

Fixed rate loan agreements often stipulate creditor's right to increase interest rates under certain circumstances, including increase of the key rate of the Central Bank of Russia. Therefore, in addition to the effect from changes in floating interest rates, the Group is also exposed to interest rate risk arising from these agreements.

**Other price risks** – Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. These changes may be caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The sensitivity analysis below has been determined based on the exposure to price risks at the end of the reporting period. Sensitivity analysis was prepared on pre-tax basis.

If prices of securities as of the year-end had been higher/lower:

	Increase in prices	Profit before tax increase	Other comprehensive income increase
2020	30%	9,311	3,309
2019	30%	6,841	2,160

The effect of a corresponding decrease in prices of securities is equal and opposite.

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**Liquidity risk** – Liquidity risk is the risk that the Group will not be able to settle all its liabilities as they fall due.

The Group's liquidity position is monitored and managed at the level of operating segments. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows, by matching the maturity profiles of financial assets and liabilities and by maintaining available credit facilities.

As of 31 December 2020, the schedule of repayments of financial liabilities (except for lease liabilities, which is presented in Note 26) of the Group for the next five years and thereafter was as follows:

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
Loans and borrowings	83,391	140,016	143,218	128,189	162,033	67,114
Accounts payable	102,148	-	-	-	-	-
Bank deposits and liabilities	195,346	2,939	630	420	210	-
Other financial liabilities	3,732	661	3,084	-	-	-
<b>Total financial liabilities</b>	<b>384,617</b>	<b>143,616</b>	<b>146,932</b>	<b>128,609</b>	<b>162,243</b>	<b>67,114</b>

For day to day liquidity requirements the Group had unused credit facilities of RUB 428,363 million as 31 December 2020 (31 December 2019: RUB 536,797 million).

**Credit risk** – Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group is exposed to credit risks on cash and cash equivalents, deposits, derivatives and certain other financial instruments with financial institutions, loans and receivables carried at amortised cost and debt securities.

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.

*Financial assets in financial institutions* – the Group maintains mixture of cash and cash equivalents, deposits, derivatives and certain other financial instruments in financial institutions. These financial institutions are located in different geographical regions and the Group's policy is designed to limit exposure to any one institution. As part of its risk management processes, the Group performs periodic evaluations of the relative credit standing of the financial institutions.

As of 31 December 2020 and 2019, the Group has a significant cash balances, cash equivalents and deposits in the following financial institutions:

	31 December 2020	31 December 2019
The Central bank of the Russian Federation	16,304	18,776
The Central bank of Luxemburg	9,240	12,819
VTB	17,797	5,148
Sberbank	10,673	3,852
<b>Total</b>	<b>54,014</b>	<b>40,595</b>

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*Bank loans to customers and interbank loans due to the banks* – MTS Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. 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. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical segments.

*Other loans and receivables carried at amortised cost* – Concentrations of credit risk with respect to loans and trade receivables are limited given that the Group's customer base is large and unrelated. Management believes there is no further credit risk provision required in excess of ECL allowance.

### 32. DERIVATIVE INSTRUMENTS

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 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.

Gain and losses from changes in the fair value are recorded immediately in profit or loss.

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

***Cross-currency interest rate swap agreements*** – The Group has entered into several cross-currency interest rate swap agreements. The contracts are designated to manage the exposure to changes in currency exchange rate. The contracts assumed periodic exchange of principal and interest payments from RUB-denominated amounts to USD- and Euro-denominated amounts at a specified rate. The 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 to changes in currency exchange rate for 43% of the Group's bank loans denominated in USD and EUR outstanding as of 31 December 2020 (2019: 26%).

The notional amounts related to currency derivative instruments amounted to RUB 29,663 million and 18,572 million as of 31 December 2020 and 2019 respectively.

The Group has entered into currency forward and swaps agreements to minimize the foreign currency risk exposure for operating activities. 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 31 December 2020 and 2019, the Group recognised RUB 1,136 million gain and RUB 701 million gain in the consolidated statement of profit or loss for the 2020 and 2019, respectively.

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

***Fixed-to-variable interest rate swap agreements*** – The Group's notes and bank loans denominated in Russian Rubles bear primarily fixed interest rates. To eliminate the exposure to changes in fair value of debt obligations, the Group enters into fixed-to-variable interest rate swap agreements. In aggregate the Group entered into fixed-to-variable interest rate swap agreements designated to manage the exposure to changes in value of the debt related to 5% of the Group's notes and bank loans with fixed rates outstanding as of 31 December 2020 (2019: 3%).

The notional amounts related to interest rate derivative instruments amounted to RUB 29,663 million and RUB 25,387 million as of 31 December 2020 and 2019, respectively.

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#### 33. FAIR VALUES

The following fair value hierarchy table presents information regarding Group's financial assets and liabilities measured at fair value on a recurring basis at 31 December 2020 and 2019. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 classification comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2 – from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; Level 3 – from unobservable inputs.

	31 December 2020				31 December 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>								
At fair value through other comprehensive income	13,789	-	768	14,557	8,999	-	-	8,999
Contingent consideration asset related to the sale of business	-	-	2,631	2,631	-	-	2,013	2,013
At fair value through profit or loss	31,035	14,587	29,349	74,971	22,804	7,800	17,547	48,151
	<b>44,824</b>	<b>14,587</b>	<b>32,748</b>	<b>92,159</b>	<b>31,803</b>	<b>7,800</b>	<b>19,560</b>	<b>59,163</b>
<b>Financial liabilities</b>								
Derivative instruments	-	(943)	-	(943)	-	(1,389)	-	(1,389)
Contingent considerations	-	-	(1,067)	(1,067)	-	-	(907)	(907)
Liabilities under put option agreements	-	-	(55)	(55)	-	-	(73)	(73)
	<b>-</b>	<b>(943)</b>	<b>(1,122)</b>	<b>(2,065)</b>	<b>-</b>	<b>(1,389)</b>	<b>(980)</b>	<b>(2,369)</b>

The fair value of financial assets and liabilities categorised into Level 3 is primarily measured using the discounted cash flows technique. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and jurisdiction in which the investee operates.

In 2020, the Group started to present Changes in the fair value of financial instruments separately from Finance income, Finance costs and Currency exchange (loss)/gain in the consolidated statement of profit or loss. The consolidated statement of profit or loss for 2019 was changed accordingly.

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There were no changes made during the year to valuation methods or the processes to determine classification and no transfers were made between the levels in the fair value hierarchy. Carrying value of the Group's financial instruments accounted for at amortised cost approximates their fair value due to their short-term nature and market interest rates, except for borrowings as disclosed in the table below:

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial liabilities</b>				
Loans and borrowings	723,961	734,919	620,870	629,374

The table below presents the change in fair value of financial assets and liabilities of Level 3 as of 31 December 2020 and 2019.

	Liabilities under put option agreements	Other financial assets	Other financial liabilities	Total
<b>Balance as of 1 January 2019</b>	<b>(3,735)</b>	<b>16,693</b>	<b>(936)</b>	<b>12,022</b>
Total gains/(losses):				
- in profit or loss	(1,805)	1,016	29	(760)
- in other comprehensive income	-	(781)	-	(781)
Disposals	-	(2,420)	-	(2,420)
Repayments	5,467	-	-	5,467
Business sale result	-	2,013	-	2,013
Purchases	-	3,039	-	3,039
<b>Balance as of 31 December 2019</b>	<b>(73)</b>	<b>19,560</b>	<b>(907)</b>	<b>18,580</b>
Total gains/(losses):				
- in profit or loss	53	9,909	(68)	9,894
- in other comprehensive income	-	2,746	-	2,746
Reclassifications to other categories	-	(97)	-	(97)
Disposals	-	(1,217)	-	(1,217)
Repayments	-	(112)	-	(112)
Purchases	(35)	1,959	(92)	1,832
<b>Balance as of 31 December 2020</b>	<b>(55)</b>	<b>32,748</b>	<b>(1,067)</b>	<b>31,626</b>

During 2020 and 2019, unrealized gains or losses were not recognised as a result of the assessment of Level 3 liabilities at fair value.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 34. RELATED PARTY TRANSACTIONS

The Group has a number of related parties including its controlling shareholder and entities under common control, associates and joint ventures, and key management personnel.

**Trading transactions** – The Group's trading transactions with related parties that are not members of the Group comprise sales and purchases of goods and services in the normal course of business. The counterparties for these transactions are predominantly associates and joint ventures.

During the year ended 2020 sales to related parties comprised RUB 1,234 million (2019: RUB 805 million), purchases from related parties comprised RUB 6,642 million (2019: RUB 744 million). As of 31 December 2020, trade balances receivable from and payable to related parties comprised RUB 5,626 million and RUB 2,083 million, respectively (31 December 2019: RUB 4,111 million and RUB 1,005 million). Bank loans to related parties as of 31 December 2020 are amounted to RUB 4,195 million (31 December 2019: RUB 2,877 million). Debt obligations to related parties as of 31 December 2020 are RUB 5,785 million (31 December 2019: RUB 688 million).

**Dividends received** – In 2020, the Group received dividends from MTS Belarus in the amount of RUB 4,212 million (2019: RUB 3,587 million), Etalon Group in the amount of RUB 905 million (2019: 884 million) and Detsky mir in the amount of RUB 452 million (2019: 1,248 million).

**Financial transactions** – The Group's financial transactions with related parties primarily comprise loans, deposits and other debt instruments issued to or by the Group entities. At 31 December 2020 and 2019, amounts owed by or to related parties under such arrangements are as follows:

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Controlling shareholder and entities under common control	20,919	13,594	30,483	24,159
Key management personnel		-	5,482	4,657
Other related parties		-	5,090	4,634

Finance costs related to such transactions with related parties and recognised in the consolidated statement of profit or loss in 2020 amounted to RUB 1,494 million (2019: RUB 1,653 million).

Turnover from other financial transactions with related parties for the twelve months ended 31 December 2020 amounted to RUB 9,184 million.

**Compensation of key management personnel** – In 2020 and 2019, the aggregate compensation for key management personnel, being the members of the Company's Board of Directors and Management Board was as follows:

	2020	2019
Short-term benefits	3,507	4,383
Share-based payments	2,857	-
	<b>6,364</b>	<b>4,383</b>

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#### 35. SUBSIDIARIES

Details of the Group's most material direct subsidiaries at the end of the year are as follows:

Significant entities	Short name	Principal activity	Beneficial ownership as of 31 December	
			2020	2019
Mobile TeleSystems PJSC	MTS	Telecommunications	50.02%	50.01%
Medsi Group JSC	Medsi	Healthcare services	95.49%	96.94%
Bashkirian Power Grid Company JSC	BPGC	Energy transmission	90.96%	90.96%
Segezha Group JSC	Segezha Group	Pulp and paper	98.33%	98.33%
Agroholding Steppe JSC	Steppe	Agriculture	92.82%	92.82%

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Principal place of business	Profit allocated to non- controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019
MTS	Russia	30,672	27,116	13,601	15,783

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. The consolidated financial information presented below is indicative of pre-exclusion of intra-group transactions.

	MTS	
	2020	2019
Current assets	262,354	194,589
Non-current assets	656,849	629,321
<b>Total assets</b>	<b>919,203</b>	<b>823,910</b>
Current liabilities	328,614	348,457
Non-current liabilities	557,899	439,060
<b>Total liabilities</b>	<b>886,513</b>	<b>787,517</b>
Equity attributable to shareholders of Sistema	15,100	17,285
Non-controlling interests	17,590	19,109
Revenue	494,926	476,105
Expenses	(432,852)	(421,007)
<b>Profit for the year</b>	<b>62,074</b>	<b>55,098</b>
Profit attributable to shareholders of Sistema	30,741	27,124
Profit attributable to the non-controlling interests	31,333	27,974
Other comprehensive income attributable to shareholders of Sistema	822	4,224
Other comprehensive income attributable to the non-controlling interests	822	4,207
<b>Other comprehensive income for the year</b>	<b>1,644</b>	<b>8,431</b>
Total comprehensive income attributable to shareholders of Sistema	31,563	31,348
Total comprehensive income attributable to the non-controlling interests	32,155	32,181
<b>Total comprehensive income for the year</b>	<b>63,718</b>	<b>63,529</b>



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	MTS	
	2020	2019
Dividends accrued to non-controlling interests	25,935	38,273
Net cash inflow from operating activities	155,507	106,653
Net cash outflow from investing activities	(81,133)	(29,554)
Net cash outflow from financing activities	(27,360)	(120,448)
<b>Net cash inflow/(outflow)</b>	<b>47,014</b>	<b>(43,349)</b>

### 36. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities, which are not, reflected in the consolidated statements of cash flows:

	2020	2019
Additions to right-of-use assets	17,954	27,951
Offsetting of counter-obligations	13,532	-
Equipment and licenses acquired under capital leases	12,701	674
Employee benefits	3,933	1,601
Exchange of shares	-	2,365
Acquisition of non-controlling interest	-	3,629
Fair value of consideration with subsidiary's equity instruments	2,625	-
Fair value of contingent consideration	-	(2,045)
Deferred payment	-	(775)

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2020	Cash flows	Cash flows	Non-cash changes			31 December 2020	
		from financial activities (i)	from operation activities (ii)	Disposal/ acquisition of subsidiaries (Note 5, 6)	Currency exchange	Equity changes		Other changes (iii)
Loans and borrowings	620,870	93,787	-	(1,477)	16,078	-	(5,297)	723,961
Liabilities for capital transactions of subsidiaries	-	(8,288)	-	-	-	7,864	424	-
Lease liability	165,625	(17,094)	(13,828)	1,795	1,529	-	27,547	165,574
Liability under agreement with Rosimuchestvo	7,232	(8,487)	-	-	1,285	-	(30)	-
Dividends payable	15,569	(39,661)	-	-	-	27,418	-	3,326
Other financial liabilities	6,995	-	-	-	-	(279)	760	7,476
<b>Total</b>	<b>816,291</b>	<b>20,257</b>	<b>(13,828)</b>	<b>318</b>	<b>18,892</b>	<b>35,003</b>	<b>23,404</b>	<b>900,337</b>

	1 January 2019	Cash flows	Cash flows	Non-cash changes			31 December 2019	
		from financial activities (i)	from operation activities (ii)	Disposal/ acquisition of subsidiaries (Note 5, 6)	Currency exchange	Equity changes		Other changes (iii)
Loans and borrowings	698,335	(31,604)	-	(34,695)	(12,998)	-	1,832	620,870
Liabilities for capital transactions of subsidiaries	-	(15,288)	-	-	-	12,320	2,968	-
Lease liability	207,367	(24,303)	(18,507)	(44,501)	(1,273)	-	46,842	165,625
Liability under agreement with Rosimuchestvo	16,210	(7,374)	-	-	(1,604)	-	-	7,232
Dividends payable	4,415	(30,124)	-	-	-	41,283	(5)	15,569
Other financial liabilities	11,377	(1,409)	-	-	-	1,450	(4,423)	6,995
<b>Total</b>	<b>937,704</b>	<b>(110,102)</b>	<b>(18,507)</b>	<b>(79,196)</b>	<b>(15,875)</b>	<b>55,053</b>	<b>47,214</b>	<b>816,291</b>

- (i) The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.
- (ii) The cash flows are represented by lease liability interest paid.
- (iii) Other changes include new lease agreements and interest accruals.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in millions of Russian Rubles, unless otherwise stated)

#### 38. CONTINGENCIES AND COMMITMENTS

**Capital commitments** – A capital commitment is a contractual obligation for future payments mainly for the acquisition of network infrastructure. These amounts are not recorded in the consolidated statement of financial position since the Group has not yet received goods or services from suppliers. As of 31 December 2020, the Group had capital commitments of RUB 78,797 million (31 December 2019: RUB 54,340 million), relating to the acquisitions of property, plant and equipment.

**Guarantees** – As of December 31, 2020, MTS-Bank and EWUB acted as guarantors for loans received by several companies in the amount of RUB 23,774 million (31 December 2019: RUB 19,799 million), and also had commitments to provide loans under open credit lines in the amount of RUB 24,206 million (31 December 2019: RUB 27,708 million). The Group will be required to make payments under these guarantees only if the respective debtors fail to meet their payment obligations. These guarantees would require payment by the Group in the event of default on payment by the respective debtor. Such guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of the amount of the expected credit losses allowance, and the amount initially recognised less, where appropriate, cumulative income recognised in accordance with the revenue recognition policies.

**Telecommunication licenses** – The management believes that as of 31 December 2020, the Group is in compliance with conditions of the used licenses.

**Restriction on transactions with the shares of BPGC** – In 2014, in the course of litigation, which the Group is not a party to, the court imposed restrictions on transactions with the shares of BPGC owned by the Group. The restrictions do not limit the Group's voting rights, rights to receive dividends or any other shareholders rights.

**Taxation** – Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances, reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have different interpretations, and the effects on the consolidated financial statements could be significant.

Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources, which will be required to settle such liabilities. 31 December 2020, provisions for additional taxes and customs settlements comprised RUB 1,216 million (31 December 2019: RUB 1,388 million).

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

	31 December 2020	31 December 2019
Contingent liabilities for additional taxes other than income tax	1,043	1,715
Contingent liabilities for additional income taxes	892	2,173

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In accordance with the rules on controlled foreign companies, undistributed profits of the Group foreign subsidiaries, qualifying as controlled foreign companies, should be included in the income tax base of the controlling entities in particular cases. The management of the Group does not expect any significant effect of these changes on the consolidated financial statements of the Group.

**Operating Environment** – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies. The impact of further economic and political developments on future operations and financial position of the Group might be significant.

At the beginning of 2020, a new coronavirus (COVID-19) began to spread very rapidly in the world. It led to the fact that the World Health Organization (WHO) announced the beginning of a pandemic in March 2020. In 2020, Russian government authorities adopted a number of decisions and measures aimed at protecting public health from the impact of the COVID-19 pandemic, which affected the Group's operations and financial position. Main effects of COVID-19 pandemic on the Group's revenues and operating expenses include decrease in sales of phones, accessories and software; drop in roaming revenues due to the restrictions on the customers' mobility; decrease in revenues from financial services; drop in sales of event ticketing services and revenues of hospitality assets. The Group developed plans of mitigation of COVID-19 impact on its business, and performed the analysis of the economic situation, available banking financing and possible consequences for its cash flows and liquidity. Additional effect from impairment of non-current assets of RUB 4.3 billion includes impairment of property, plant and equipment, including those in Hospitality assets segment, of RUB 3 billion and impairment of goodwill related to event ticketing companies of RUB 1.3 billion. The Group's credit risk increased as a result of the spread of COVID-19, which, in turn, led to an increase in the Group's allowance for expected credit losses on bank assets compared to 2019. Overall, the development of the COVID-19 situation remains uncertain and may further negatively affect the economy and financial markets of various regions of the world, including the countries where the Group operates, which, in turn, may affect the structure of public and business expenses and the results of the Group's operating activities.

**Legal proceedings** – In the ordinary course of business, the Group is a party to various legal proceedings, and subject to claims, certain of which relate to the developing markets and evolving regulatory environments in which the Group operates. At 31 December 2020, management estimates the range of possible losses, if any, in all pending litigations or other legal proceedings being up to RUB 7,295 million.

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.

## SISTEMA PJSFC AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 31 December 2020 it has adequately provided for charges imposed by FAS Russia and other related expenses.

***Investigation into former operations in Uzbekistan*** – In March 2019, MTS 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 former subsidiary in Uzbekistan.

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

Under the DPA and the Order, MTS 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. In 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.

***License fee and spectrum charges for 2002-2011 in India*** – In December 2019, SSTL received the Supreme Court of India judgment regarding license fee and spectrum charges for 2002-2011 in accordance with the definition and interpretation of Annual Gross Revenue (AGR) approved by the Supreme Court of India. The company calculated immaterial amount to be paid based on the aforementioned definition of AGR and considering the scheme of demerger with RCOM (which is currently undergoing bankruptcy procedures) of 2017. This amount was paid in February 2020. The Group does not expect any significant effect of this matter on the consolidated financial statements of the Group.

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***Commitment to provide equity financing for Real hypermarkets acquisition*** – In February 2020, the Group entered into an equity commitment agreement to provide financing in the amount of up to EUR 263 million in connection with the acquisition by a group of purchasers managed by SCP Group SARL, related party of the Group, of the German hypermarket chain Real from Metro AG and its subsidiaries (hereinafter – the “Transaction”). The Transaction was completed in June 2020, whereas the aforementioned equity financing in the amount of EUR 263 million, was provided by a group of investors (hereinafter – the “Investors”). Based on the terms of agreements with the Investors, upon completion of the Transaction the Group does not have any outstanding material exposure associated with the financing of the Transaction including material obligations towards the Investors in relation to guaranteed return of their respective investments, and, therefore, is neither exposed to significant risks nor entitled to significant rewards associated with the financing of the Transaction. As a result, no significant financial assets and/or financial liabilities related to the Transaction have been recognised on the Group’s balance sheet as of 31 December 2020. Upon completion of the Transaction, Group’s commitments entered into in February 2020 were fully discharged.

### 39. SUBSEQUENT EVENTS

***Purchase of assets of Novoeniseysky Lesokhimichesky Complex (hereinafter – NLHK)*** – In February 2021, the Group acquired the rights to claim loans and other liabilities of NLHK in the total amount of RUB 11.5 billion in various currencies, as well as the rights to enter into an option for 71% of NLHK's shares at an auction for the sale of assets related to NLHK which is one of the largest closed-cycle woodworking enterprises located in Lesosibirsk, Krasnoyarsk Krai, specializes in the production of lumber, MDF, chipboard, pellets, as well as joinery for the construction of residential and industrial premises. The cash consideration for the acquired assets, paid in February 2021, amounted to RUB 2,306 million. As a result of this acquisition, the Group did not obtain control over NLHK.

***Ruble bonds placement*** – In March 2021, MTS issued social corporate notes of RUB 4.5 billion, with a 3-year maturity and a coupon of 6.5%. The funds raised from the bonds placement will be used to connect 4,995 socially significant objects to the Internet in eight regions of the Russian Federation.

***Convertible bonds placement*** – In February 2021, Ozon issued convertible unsecured foreign currency bonds in the amount of USD 750 million, with a maturity until 2026 and a coupon of 1.875%.

***Acquisition of a stake in Elektrozavod JSC*** – In February 2021, Megapolis-Invest LLC signed an agreement to acquire an additional 29.64% share in Elektrozavod JSC from the third party for RUB 5.8 billion. As the result, upon the completion of the deal, the Megapolis-Invest LLC total ownership interest in Elektrozavod JSC will increase to 94.01% of the company's authorized capital. As the result of transaction, the Group did not obtain control over Elektrozavod JSC.

***Ruble bonds placement*** – In February 2021 Sistema closed the order book for corporate notes totaling RUB 17.5 billion. Maturity – 10 years from the date of placement, the annual coupon rate is 6.90% and 7.35% for the 001P-18 series and 001P-19 series, respectively.

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***Incorporation of a pharmaceutical holding company*** – In February 2021, the incorporation of a pharmaceutical holding company, Binnopharm Group was completed. In order to set up a single pharmaceutical holding, Sistema and its financial partner, VTB Group, have contributed a 56.2% stake in Sintez OJSC (including Biocom CJSC) to the capital of Binnopharm Group. At the same time, Sistema, VTB, and a consortium of investors including Russian-Chinese Investment Fund, contributed an 85.6% stake in Alium JSC (which includes Binnopharm JSC) to the capital of Binnopharm Group. As a result, the effective share of Sistema together with VTB in the holding company will be 79%, and the Consortium of Investors – 15.8%. The remaining 5.2% of the shares are distributed among the minority shareholders-individuals.

***Ruble bonds placement*** – In February 2021, Sistema completed a secondary placement of corporate notes totaling RUB 2.8 billion, RUB 2.4 billion of which the Corporation sold on the market, making a secondary placement at a price of 99.55% of the nominal value. The maturity date is 21 January 2028; the coupon rate is 6.9% per annum.

***Acquisition of a stake in OJSC Sintez (hereinafter – Sintez)*** – In March 2021, the Group (through a subsidiary Sistema Telecom Assets LLC) purchased a 32.39% stake of the authorized capital of Sintez (part of Binnopharm Group) from the JSC Nacimbio controlled by State Corporation Rostec.

***Share Repurchase Plan of MTS*** – In March 2021, MTS board of directors approved a buyback of ordinary registered uncertified shares and ADSs by means of a share repurchase plan (the “Repurchase Plan”) that authorizes open market transactions, accelerated repurchase transactions and/or privately negotiated transactions in the total aggregate amount of up to RUB 15 billion, which includes funds to be used for purchasing the MTS’s ordinary registered uncertified shares (including ADSs) proportionate to the number of the MTS’s shares purchased under the Repurchase Plan in each reporting month at the average price per share calculated for a relevant month, from MTS’s parent company Sistema PJSFC and two Sistema subsidiaries: Sistema Telecom Assets LLC and Sistema Finance S.A.

The Repurchase Plan will be carried out by the MTS’s wholly owned subsidiary Bastion LLC. Amount of RUB 15 billion is equal to approximately USD 198 million translated at the CBR’s exchange rate of RUB 75.83 to USD 1.00 as of 30 March 2021.

***MTS entered into a loan agreement of USD 300 million with New Development Bank*** – The credit facility is provided for seven years and can be used in one of three currencies - US Dollar, Euro or Chinese yuan. MTS intends to use the raised funds in further developing the company’s digital infrastructure, in particular including by expanding mobile network coverage in rural areas as well as investing in cloud computing capabilities.