

# **SISTEMA PJSFC AND SUBSIDIARIES**

Condensed Interim Consolidated  
Financial Statements  
for the Six Months ended 30 June 2020  
(unaudited)

# SISTEMA PJSFC AND SUBSIDIARIES

## TABLE OF CONTENTS

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	<b>Page</b>
Statement of management's responsibility for the preparation and approval of the condensed interim consolidated financial statements	1
Report on review of condensed interim consolidated financial statements	2
Condensed interim consolidated statement of profit or loss	3
Condensed interim consolidated statement of comprehensive income	4
Condensed interim consolidated statement of financial position	5-6
Condensed interim consolidated statement of changes in equity	7
Condensed interim consolidated statement of cash flows	8-9
Notes to the condensed interim consolidated financial statements	10-22
1. General	10
2. Basis of preparation	10
3. Significant accounting policies, judgements, estimates and assumptions	11
4. Segment information	11
5. Business combinations	12
6. Capital transactions of subsidiaries	13
7. Investments in associates and Joint ventures	13
8. Discontinued operations	14
9. Other financial assets	14
10. Dividends	15
11. Borrowings	15
12. Revenue	18
13. Fair values	19
14. Related party transactions	19
15. Contingencies and commitments	20
16. Events after the reporting date	22

## **SISTEMA PJSFC AND SUBSIDIARIES**

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Management is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of Sistema Public Joint Stock Financial Corporation and its subsidiaries (the "Group") as of 30 June 2020, and the results of its operations, cash flows and changes in equity for the six months then ended, in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.


In preparing the condensed interim 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 IAS 34 has been followed, subject to any material departures disclosed and explained in the condensed interim 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 condensed interim consolidated financial statements of the Group comply with IAS 34;
- 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 condensed interim consolidated financial statements of the Group for the six months ended 30 June 2020 were approved by:

  
\_\_\_\_\_  
Vladimir Chirakhov  
President and CEO

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

1 September 2020

## REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Sistema Public Joint Stock Financial Corporation and its subsidiaries (the "Group") as of 30 June 2020 and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### Scope of Review

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

### Conclusion

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

Vladimir Biryukov,  
Engagement Partner

1 September 2020



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, 125009, Russia

Audit Firm: AO Deloitte & Touche CIS

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

Primary State Registration Number: 1027700425444

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

Member of Self-regulated organization of auditors "Sodruzhestvo" (Association), ORNZ 12006020384.

## SISTEMA PJSFC AND SUBSIDIARIES

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in millions of Russian Rubles, except for earnings per share)

	Note	Six months ended	
		30 June 2020 (unaudited)	30 June 2019 (unaudited)
<b>Continuing operations</b>			
Revenue	12	313,370	304,774
Cost of sales		(143,498)	(137,602)
Selling, general and administrative expenses		(58,480)	(57,772)
Depreciation and amortisation		(59,121)	(56,459)
Impairment of long-lived assets		(2,602)	(174)
Impairment of financial assets		(2,265)	(1,592)
Taxes other than income tax		(2,158)	(2,268)
Share of the profit or loss of associates and joint ventures, net	7	(2,114)	(566)
Other income		5,116	4,060
Other expenses		(1,959)	(2,405)
		<b>46,289</b>	<b>49,996</b>
<b>Operating income</b>			
Finance income		2,966	3,782
Finance costs		(36,256)	(38,848)
Currency exchange (loss)/gain		(8,837)	8,918
Change of fair value of financial instruments, net		8,924	(7,464)
		<b>13,086</b>	<b>16,384</b>
<b>Profit before tax</b>			
Income tax expense		(11,289)	(8,116)
		<b>1,797</b>	<b>8,268</b>
<b>Profit from continuing operations</b>			
<b>Discontinued operations</b>			
Profit from discontinued operations	8	3,114	31,549
		<b>4,911</b>	<b>39,817</b>
<b>Profit for the period</b>			
Attributable to:			
Shareholders of Sistema PJSFC		(9,633)	23,179
Non-controlling interests		14,544	16,638
		<b>4,911</b>	<b>39,817</b>
(Loss)/Profit per share (basic and diluted), Russian Rubles:			
From continuing operations		(1.23)	(0.42)
From continuing and discontinued operations		(1.03)	2.44

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

\_\_\_\_\_  
Vladimir Chirakhov  
President and CEO

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

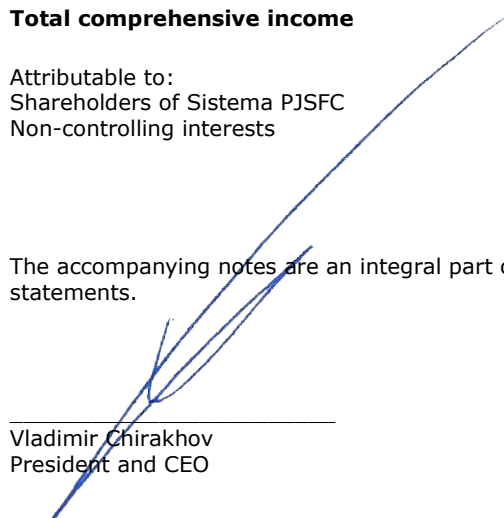
1 September 2020

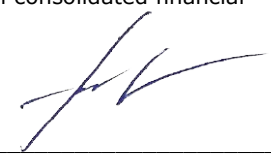
## SISTEMA PJSFC AND SUBSIDIARIES

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in millions of Russian Rubles)

	Six months ended	
	30 June 2020 (unaudited)	30 June 2019 (unaudited)
<b>Profit for the period</b>	<b>4,911</b>	<b>39,817</b>
<b>Other comprehensive income/(loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation gain/(loss) on foreign operations in subsidiaries	6,882	(8,503)
Currency translation loss on foreign operations in associates and joint ventures	-	(79)
Net loss on revaluation of financial instruments	-	(228)
Other comprehensive income/(loss), net of tax	6,882	(8,810)
<b>Total comprehensive income</b>	<b>11,793</b>	<b>31,007</b>
Attributable to:		
Shareholders of Sistema PJSFC	(3,752)	15,949
Non-controlling interests	15,545	15,058
	<b>11,793</b>	<b>31,007</b>

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

  
Vladimir Chirakhov  
President and CEO

  
Vladimir Travkov  
Vice President, Finance (CFO)

1 September 2020

## SISTEMA PJSFC AND SUBSIDIARIES

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

	Note	30 June 2020 (unaudited)	31 December 2019
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment		408,485	400,083
Investment property		13,885	13,660
Goodwill		55,697	55,388
Other intangible assets		92,573	91,138
Right-of-use assets		151,977	154,865
Investments in associates and joint ventures	7	68,855	79,917
Deferred tax assets		28,119	26,752
Other financial assets	9	136,581	116,973
Deposits in banks		8	82
Other assets		22,668	19,438
<b>Total non-current assets</b>		<b>978,848</b>	<b>958,296</b>
<i>Current assets</i>			
Inventories		53,668	45,329
Contract assets		7,685	6,474
Accounts receivable		57,622	54,703
Advances paid and prepaid expenses		15,253	14,038
Current income tax assets		4,469	4,711
Other taxes receivable		19,845	19,259
Other financial assets	9	90,705	87,138
Deposits in banks		1,355	1,659
Restricted cash		3,971	5,689
Cash and cash equivalents		128,418	63,669
Other assets		2,037	2,562
<b>Total current assets</b>		<b>385,028</b>	<b>305,231</b>
<b>Total assets</b>		<b>1,363,876</b>	<b>1,263,527</b>

## SISTEMA PJSFC AND SUBSIDIARIES

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

	Note	30 June 2020 (unaudited)	31 December 2019
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital		869	869
Treasury shares		(5,692)	(5,971)
Additional paid-in capital		74,737	75,045
Accumulated loss		(46,874)	(36,020)
Accumulated other comprehensive income		13,333	7,452
Equity attributable to shareholders of Sistema		36,373	41,375
Non-controlling interests		21,275	24,353
<b>Total equity</b>		<b>57,648</b>	<b>65,728</b>
<i>Non-current liabilities</i>			
Borrowings	11	607,701	491,416
Lease liabilities		148,358	149,565
Bank deposits and liabilities		9,052	6,051
Deferred tax liabilities		38,299	36,172
Provisions		6,263	5,748
Other financial liabilities		3,404	3,526
Other liabilities		6,260	5,607
<b>Total non-current liabilities</b>		<b>819,337</b>	<b>698,085</b>
<i>Current liabilities</i>			
Borrowings	11	99,411	129,454
Lease liabilities		17,772	16,060
Accounts payable		91,045	89,203
Bank deposits and liabilities		162,284	160,511
Income tax payable		2,218	921
Other taxes payable		17,704	16,065
Dividends payable	10	23,847	15,569
Provisions		11,885	14,910
Liability to Rosimushchestvo		8,312	7,231
Contract liabilities and other liabilities		47,781	46,321
Other financial liabilities		4,632	3,469
<b>Total current liabilities</b>		<b>486,891</b>	<b>499,714</b>
<b>Total equity and liabilities</b>		<b>1,363,876</b>	<b>1,263,527</b>

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

\_\_\_\_\_  
Vladimir Chirakhov  
President and CEO

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

1 September 2020



## SISTEMA PJSFC AND SUBSIDIARIES

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (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>
Profit for the period	-	-	-	23,179	-	-	23,179	16,638	39,817
Other comprehensive (loss)/income, net of tax	-	-	-	-	(7,069)	(160)	(7,229)	(1,581)	(8,810)
Total comprehensive (loss)/income	-	-	-	23,179	(7,069)	(160)	15,950	15,057	31,007
Business combinations and disposals of subsidiaries	-	-	-	-	-	-	-	(159)	(159)
Sale of treasury shares	-	(239)	430	-	-	-	191	-	191
Settlements under long-term motivation program of subsidiaries	-	384	-	-	-	-	384	158	542
Capital transactions of subsidiaries (Note 6)	-	1,901	-	-	-	-	1,901	(12,818)	(10,917)
Dividends declared by Sistema PJSFC (Note 10)	-	-	-	(1,062)	-	-	(1,062)	-	(1,062)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(20,553)	(20,553)
<b>30 June 2019</b>	<b>869</b>	<b>75,421</b>	<b>(4,329)</b>	<b>(41,455)</b>	<b>3,155</b>	<b>820</b>	<b>34,481</b>	<b>27,596</b>	<b>62,077</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/(Loss) for the period	-	-	-	(9,633)	-	-	(9,633)	14,544	4,911
Other comprehensive (loss), net of tax	-	-	-	-	5,929	(48)	5,881	1,001	6,882
Total comprehensive income/(loss)	-	-	-	(9,633)	5,929	(48)	(3,752)	15,545	11,793
Business combinations and disposals of subsidiaries	-	-	-	-	-	-	-	(4)	(4)
Settlements under long-term motivation program of subsidiaries	-	90	-	-	-	-	90	91	181
Capital transactions of subsidiaries (Note 6)	-	(398)	-	-	-	-	(398)	(375)	(773)
Effect of disposal of treasury shares	-	-	279	-	-	-	279	-	279
Dividends declared by Sistema PJSFC (Note 10)	-	-	-	(1,221)	-	-	(1,221)	-	(1,221)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(18,335)	(18,335)
<b>30 June 2020</b>	<b>869</b>	<b>74,737</b>	<b>(5,692)</b>	<b>(46,874)</b>	<b>12,463</b>	<b>870</b>	<b>36,373</b>	<b>21,275</b>	<b>57,648</b>

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

## SISTEMA PJSFC AND SUBSIDIARIES

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (in millions of Russian Rubles)

	Six months ended	
	30 June 2020 (unaudited)	30 June 2019 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Profit for the period</b>	4,911	39,817
Adjustments for:		
Depreciation and amortisation	59,121	67,187
Share of the profit or loss of associates and joint ventures, net	2,114	566
Profit from disposal of interests in associates and joint ventures	(124)	-
Finance income	(2,966)	(4,029)
Finance costs	36,256	42,022
Income tax expense	11,289	8,930
Currency exchange loss/(gain)	8,837	(12,151)
(Gain) from disposal of subsidiaries	(2,910)	(23,752)
Change of fair value of financial instruments, net	(8,924)	7,464
Profit on disposal of property, plant and equipment	(698)	(1,102)
Expected credit losses allowance on loans to customers	5,486	1,539
Dividends received from associates and joint ventures	716	1,990
Non-cash compensation to employees	403	541
Impairment of long-lived assets	2,602	146
Impairment of financial assets	2,265	1,613
Other non-cash items	(1,572)	(190)
	<u>116,806</u>	<u>130,591</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(9,460)	(13,191)
Bank deposits and liabilities	1,266	9,953
Restricted cash	1,719	1,245
Financial assets at fair value through profit or loss	(4,298)	5,170
Accounts receivable	1,220	(3,557)
Advances paid and prepaid expenses	(1,182)	47
Other taxes receivable	(433)	(2,667)
Inventories	(9,444)	(1,274)
Accounts payable	(1,428)	(14,826)
Subscriber prepayments	(675)	791
Other taxes payable	1,636	(207)
Advances received and other liabilities	(671)	3,749
Fees in connection with investigation in Uzbekistan	-	(55,607)
Interest paid	(34,699)	(41,784)
Income tax paid	(8,230)	(18,127)
<b>Net cash provided by operating activities</b>	<u><b>52,127</b></u>	<u><b>306</b></u>

## SISTEMA PJSFC AND SUBSIDIARIES

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) (in millions of Russian Rubles)

	Six months ended	
	30 June 2020 (unaudited)	30 June 2019 (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment and investment property	(41,063)	(36,774)
Proceeds from sale of subsidiaries, net of cash acquired	(38)	10,786
Proceeds from sale of property, plant and equipment	2,504	2,939
Payments to obtain and fulfill contracts	(2,337)	(2,207)
Payments for purchases of intangible assets	(13,846)	(12,800)
Payments for businesses, net of cash acquired	(3,030)	(2,689)
Payments for investments in associates and joint ventures	(2,010)	(16,288)
Proceeds from sale of investments in affiliated companies	8,930	524
Payments for financial assets, long-term	(7,510)	(9,848)
Proceeds from sale of financial assets, long-term	3,383	1,247
Payments for financial assets, short-term	(2,800)	(3,877)
Proceeds from sale of financial assets, short-term	12,798	28,019
Interest received	2,441	4,199
Other	(700)	1,105
<b>Net cash used in investing activities</b>	<b>(43,278)</b>	<b>(35,664)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	221,786	110,706
Principal payments on borrowings	(144,469)	(84,552)
Debt issuance costs	(114)	(50)
Principal payments of lease liabilities	(7,929)	(11,256)
Acquisition of non-controlling interests in existing subsidiaries	(860)	(14,156)
Proceeds from transactions with non-controlling interests	76	69
Dividends paid	(11,278)	(1,753)
Proceeds from sale of treasury shares	-	233
<b>Net cash provided by/(used in) financing activities</b>	<b>57,212</b>	<b>(759)</b>
Effect of foreign currency translation on cash and cash equivalents	(1,312)	(1,488)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>64,749</b>	<b>(37,605)</b>
Cash and cash equivalents at the beginning of the period	63,669	114,183
<b>Cash and cash equivalents at the end of the period</b>	<b>128,418</b>	<b>76,578</b>

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

## SISTEMA PJSFC AND SUBSIDIARIES

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

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#### 1. GENERAL

Sistema Public Joint Stock Financial Corporation (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, timber, woodworking, 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, Moscow, 125009.

The majority shareholder of the Company is Vladimir Evtushenkov. Minority holdings are partially held by certain senior executives of the Company and directors of the Company. The shares are listed on the London Stock Exchange in the form of Global Depository Receipts ("GDRs") and on the Moscow Exchange.

**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 2.6 billion includes impairment of hospitality assets of RUB 1.1 billion and impairment of goodwill related to event ticketing companies of RUB 1.3 billion. Additional allowance for expected credit losses with respect to the financial assets amounted to RUB 4.4 billion. At the moment, it is difficult to assess reliably the likelihood of further negative consequences of the COVID-19 pandemic for the Group's operations and financial position.

The risks and uncertainties associated with the pandemic could affect the Group's profit, cash flows and financial position. Accordingly, estimates made by the Group in the process of applying its accounting policies, which include assessing certain non-current assets and financial assets for impairment, may be subject to significant adjustments in the future.

#### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements have been prepared on the assumption that the Group will continue to operate in the foreseeable future. Current liabilities of the Group as of 30 June 2020 exceeded current assets by RUB 101 863 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 386 090 million.

## SISTEMA PJSFC AND SUBSIDIARIES

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

These financial statements do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2019 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

These unaudited condensed interim consolidated financial statements were approved by the Company's President and CEO and authorised for issue on 1 September 2020.

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

The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for 2019, except for presenting Change of fair value of financial instruments, net as a separate line item in the condensed interim consolidated statement of profit or loss profit or loss whereas previously respective net expenses were included in Finance costs.

None of interpretations and amendments to standards adopted by the Group on 1 January 2020 had significant effect on the Group's consolidated financial statements.

### 4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments for the six months ended 30 June:

	External revenues		Inter-segment revenue		Segment operating income/(loss)	
	2020	2019	2020	2019	2020	2019
MTS	235,422	224,107	1,917	1,890	51,708	54,966
Segezha Group	31,206	29,992	5	1	3,103	5,128
RTI	8,212	8,438	210	27	(1,499)	(1,582)
Ozon	-	-	-	-	(3,917)	(3,614)
Corporate	1,271	1,067	532	456	(4,939)	(2,777)
Total	276,111	263,604	2,664	2,374	44,456	52,121
Other	37,259	41,170	1,577	846	2,000	3,743
	313,370	304,774	4,241	3,220	46,456	55,864
Inter-segment					(167)	(5,868)
<b>Operating income</b>					<b>46,289</b>	<b>49,996</b>
Finance income					2,966	3,782
Finance costs					(36,256)	(38,848)
Change of fair value of financial instruments, net					8,924	(7,464)
Foreign currency exchange (loss)/gain					(8,837)	8,918
<b>Profit before tax</b>					<b>13,086</b>	<b>16,384</b>

Although operations of certain Group's subsidiaries and their financial results, historically, have been subject to certain seasonal trends between the first and second half of the financial year, the Group's consolidated financial results, historically, have not been subject to significant seasonal trends.

## SISTEMA PJSFC AND SUBSIDIARIES

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

#### 5. BUSINESS COMBINATIONS

The information on business combinations which took place during six months ended 30 June 2020 is summarised below:

Acquiree	Principal activity	Date of acquisition	Interest acquired	Acquiring segment	Purchase price
Medsi-Izhevsk	Healthcare services	March	100%	Medsi	135
Karelian Wood	Forest procurement	January	100%	Segezha	829
Other logging Companies	Forest procurement	January, April	75,02%-100%	Segezha	74
LLC Stopol	Telecommunications	June	100%	MTS	312
Agriculture businesses	Agriculture	January, May	100%	Agroholding Steppe	5,355
<b>Total</b>					<b>6,705</b>

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

	Medsi-Izhevsk	Karelian Wood	Other logging companies	LLC Stopol	Agriculture businesses
<b>Total consideration satisfied by:</b>					
Cash	135	829	74	312	2,051
Equity instruments of a subsidiary	-	-	-	-	3,304
Fair value of contingent consideration	-	-	-	9	-
	<b>135</b>	<b>829</b>	<b>74</b>	<b>321</b>	<b>5,355</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>					
Property, plant and equipment	471	660	1	2	5,357
Right-of-use assets	-	340	185	-	917
Investment property	14	-	-	-	-
Other non-current assets	8	1	-	-	-
Other current assets	5	655	4	299	1,096
Current liabilities	(139)	(486)	(49)	(264)	(999)
Lease liabilities	-	(341)	(92)	-	(917)
Non-current liabilities	(47)	-	-	-	(912)
<b>Net assets</b>	<b>312</b>	<b>829</b>	<b>49</b>	<b>37</b>	<b>4,542</b>
Non-controlling interest	-	-	4	-	-
<b>Goodwill/(excess of recognised amount of net assets acquired over consideration paid)</b>	<b>(177)</b>	<b>-</b>	<b>25</b>	<b>284</b>	<b>813</b>

In the first half of 2020, JSC Agroholding "Steppe" entered into a number of agreements on the purchase of shares in agricultural businesses from third parties. In May 2020, JSC Agroholding "Steppe" also sold 100% of its subsidiary Agro-Industrial Complex "Yuzhny" (Note 8).

At the date of these condensed interim consolidated financial statements, purchase price allocation was not finalised and has, therefore, only been provisionally determined, because the Group had not finalised valuation of identifiable assets and liabilities of acquired companies.

## SISTEMA PJSFC AND SUBSIDIARIES

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

Pro forma financial data reflecting the results of the Group as if acquisitions 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.

#### 6. CAPITAL TRANSACTIONS OF SUBSIDIARIES

The information on capital transactions of subsidiaries which took place during the six months ended 30 June 2020 and their impact on the Group's equity is summarised below:

	<b>Increase/ (Decrease) of additional paid-in capital</b>	<b>Decrease of non-controlling interests</b>
Purchase of own shares of the MTS	(316)	(544)
Other	(82)	169
<b>Total impact</b>	<b>(398)</b>	<b>(375)</b>

**MTS share acquisition program** – MTS acquired 1,555,644 ordinary shares in the amount of RUB 480 million, including 778,144 ordinary shares in the amount of RUB 240 million from Sistema Finance S. A., a subsidiary of the Group as part of the implementation of the share acquisition plan approved in 2020.

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

**Sale of a stake in Detsky Mir PJSC** – In June 2020, Sistema sold 13% interest in Detsky Mir for RUB 8.93 billion. As a result of the transaction, Sistema's share in the company's authorized capital as at 30 June 2020 was 20.38%, and the book value of the investment was RUB 12.7 billion.

**Purchase of the stake in the fixed-line operator Zelenaya Tochka (MTS)** – In February 2020, the Group acquired a 51% stake in Achemar Holdings Limited and Clarkia Holdings Limited, which own the operating companies of the Zelenaya Tochka group of companies providing fixed-line services in a number of regions in Russia. 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.

**Ozon** – As at 30 June 2020, PJSC Sistema, together with its subsidiary JSC Sistema venture capital, owns 43% of the voting shares of Ozon. The book value of the investment in Ozon at the end of June was RUB 7.9 billion. For the six months ended 30 June 2020 the Group's share in the loss of Ozon was RUB 3.9 billion.

**Purchase of Sintez shares as part of a mandatory offer** – In May 2020, Sinocom Investments Limited acquired 13,696 ordinary shares and 20,577 preferred shares of Open Joint-Stock Company Kurgan company of Medicines and Products "Sintez" for the amount of approximately RUB 960 million as part of a mandatory offer to minority shareholders to acquire their common and preferred shares. As a result, Sinocom's share in the authorized capital of Sintez increased to 56.23%.

**Loss of control over GalichLes LLC and Galich Plywood Mill LLC** – In March 2020, Segezha structured project financing for the construction of a plywood mill in the city of Galich, Kostroma Region on the basis of 100% of the Group's subsidiaries GalichLes LLC and Galich Plywood Mill LLC (hereinafter collectively "the Companies"). The Group concluded that, in accordance with the Agreement on the Exercise of Corporate Rights signed with the bank, decisions about the relevant activities of the Companies require the unanimous consent of Segezha and bank and recognized the investment as a joint ventures with a 100% participation interest.

As at 30 June 2020, in other projects, the Group retained its ownership interests and continues to account them as investments in joint ventures and associates.

## SISTEMA PJSFC AND SUBSIDIARIES

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

#### 8. DISCONTINUED OPERATIONS

Profit/(loss) from discontinued operations for the six month ended 30 June is summarized below:

	<u>2020</u>	<u>2019</u>
Profit on disposal of microelectronics assets	-	4,194
Results of microelectronics assets	-	(373)
Profit on disposal of Leader Invest	-	20,248
Results of Leader Invest before disposal date	-	(317)
Foreign currency exchange gain on fine related to investigation into former operations in Uzbekistan	-	3,443
Adjustment of the initial payment and the revaluation of delayed payment for VF Ukraine	2,236	-
Results of VF Ukraine	-	2,571
Profit on disposal of Agro-Industrial Complex "Yuzhny" (Note 5)	673	-
Results of Agro-Industrial Complex "Yuzhny" before disposal date (Note 5)	205	(152)
Results of Detsky Mir	-	1,935
	<u><b>3,114</b></u>	<u><b>31,549</b></u>

**VF Ukraine** – in November 2019, MTS Group signed an agreement to sell Preludium B. V., which owned 100% of the authorized capital of VF Ukraine, PTT Telecom Kiev, VF Retail LLC and ITSF LLC, which operated the Group in Ukraine. The deal closed on 3 December 2019. Consideration for the sale of Preludium B. V. consisted of a cash payment of RUB 41,567 million, a deferred payment of RUB 774 million and the contingent consideration of RUB 2,045 million.

As at 30 June 2020, the Group reached an agreement with the buyer on the amount of an adjustment payment to be paid in cash based on the financial statements at the date of sale and recognized additional revenue from the sale in the amount of USD 28 million (RUB 1,966 million as at 30 June 2020). Net profit from discontinued operations for the 6 months ended 30 June 2020 also includes income from changes in the fair value of contingent remuneration in the amount of RUB 174 million and income from exchange differences on contingent remuneration in the amount of RUB 96 million.

#### 9. OTHER FINANCIAL ASSETS

At 30 June 2020 and 31 December 2019, other financial assets, less allowance for impairment losses, comprise:

	<u>30 June 2020</u>	<u>31 December 2019</u>
<b>Financial assets measured at fair value through profit or loss</b>		
Debt and equity securities	55,855	47,782
Contingent consideration	2,187	2,013
Derivatives in lease contract	517	-
Currency derivatives not designated as hedge instruments	-	52
Currency rate swaps designated as cash flow hedges	3,421	318
	<u><b>61,980</b></u>	<u><b>50,165</b></u>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Debt and equity securities	10,113	8,999
	<u><b>10,113</b></u>	<u><b>8,999</b></u>
<b>Financial assets measured at amortized costs</b>		
Debt securities	26,790	26,695
Bank loans to customers	108,129	99,228
Interbank loans due from banks	3,150	5,723
Other loans	17,124	13,301
	<u><b>155,193</b></u>	<u><b>144,947</b></u>
<b>Total financial assets</b>	<u><b>227,286</b></u>	<u><b>204,111</b></u>
Current	90,705	87,138
Non-current	136,581	116,973
<b>Total financial assets</b>	<u><b>227,286</b></u>	<u><b>204,111</b></u>



## SISTEMA PJSFC AND SUBSIDIARIES

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

At 30 June 2020 and 31 December 2019, financial assets attributable to the Group's banking activities (MTS Bank and East-West United Bank) comprise:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Financial assets measured at fair value through profit or loss</b>		
Debt and equity securities	18,319	14,217
	<b>18,319</b>	<b>14,217</b>
<b>Financial assets measured at fair value through other comprehensive income</b>		
Debt and equity securities	9,091	8,999
	<b>9,091</b>	<b>8,999</b>
<b>Financial assets measured at amortized costs</b>		
Cash and cash equivalents	70,171	38,777
Bank loans to customers	123,539	111,114
Interbank loans due from banks	3,150	5,723
Debt securities	25,481	25,386
	<b>222,341</b>	<b>181,000</b>
Less: allowance for loan losses	(15,410)	(11,886)
	<b>234,341</b>	<b>192,330</b>

The movement in the allowance for loan losses during the six months ended 30 June 2020 and 2019 was as follows:

	<b>2020</b>	<b>2019</b>
<b>Allowance for loan losses, 1 January</b>	<b>11,886</b>	<b>9,862</b>
Charge for the period	4,879	1,328
Amounts written off against the allowance	(1,464)	(469)
Disposal	(253)	(110)
Recovery of bad debt written-off	190	281
Currency translation adjustment	172	(205)
<b>Allowance for loan losses, 30 June</b>	<b>15,410</b>	<b>10,687</b>

## 10. DIVIDENDS

On 29 June 2020, an annual general meeting of shareholders approved the total dividend distribution of RUB 1,254.5 million for 2019 (including dividends on treasury shares of RUB 33.5 million) representing RUB 0.13 per ordinary share or RUB 2.60 per one global depository receipt.

## 11. BORROWINGS

At 30 June 2020 and 31 December 2019, the Group's borrowings comprise:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Bank loans	388,687	349,964
Corporate bonds	313,563	266,616
Other	4,862	4,290
	<b>707,112</b>	<b>620,870</b>
Current	99,411	129,454
Non-current	607,701	491,416
	<b>707,112</b>	<b>620,870</b>

## SISTEMA PJSFC AND SUBSIDIARIES

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

At 30 June 2020, the schedule of repayments of borrowings for the next five years and thereafter is as follows:

Within one year	99,411
In one to two years	65,389
In two to three years	106,369
In three to four years	70,463
In four to five years	241,019
In more than five years	124,461
	<b>707,112</b>

**Bank loans** – As at 30 June 2020 and 31 December 2019, the Group's loans from banks and financial institutions consisted of the following:

	Maturity	Interest rate (actual at 30 June 2020)	30 June 2020	31 December 2019
<b>EUR-denominated:</b>				
		EURIBOR+1.5%		
ING Bank	2020-2027	(3.99%)	4,150	3,879
Alfa-Bank	2020-2028	3.92%	15,736	13,868
Sberbank	2020-2024	3.00%	9,127	5,529
Other			1,196	1,066
			<b>30,209</b>	<b>24,342</b>
<b>RUB-denominated:</b>				
Sberbank	2020-2025	7.7%-11.2% 9.85%;	153,781	185,558
VTB	2020-2026	ЦБ+0.5%-4.8% (5.0%-9.3%)	154,387	68,877
Russian Agricultural Bank	-	-	-	5,000
Gazprombank	2020-2025	8.2%-9.3%	13,226	8,266
Otkrytie Bank	2020-2025	7.90%-9.25%	4,420	17,524
		8.20%-10.92% ЦБ+2%		
Alfa Bank	2020-2028	(6.50%)	24,674	28,931
Other			7,741	11,276
			<b>358,229</b>	<b>325,432</b>
Other currencies			249	190
<b>Total bank loans</b>			<b>388,687</b>	<b>349,964</b>

## SISTEMA PJSFC AND SUBSIDIARIES

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

**Corporate notes** – As at 30 June 2020 and 31 December 2019, the Group's notes consisted of the following:

	<u>Currency</u>	<u>Interest rate</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
MTS International 2023	USD	5.00%	30,967	27,394
MTS International 2020	USD	8.63%	-	18,616
MTS Notes 2025	RUB	8.00%	14,985	14,984
MTS Notes 2022	RUB	7.70%	14,974	14,969
MTS Notes 2023	RUB	6.85%	14,966	14,961
MTS Notes 2027	RUB	6.60%	14,968	-
Sistema PJSFC March 2027	RUB	8.90%	14,962	14,959
Sistema PJSFC March 2030	RUB	6.60%	14,610	-
MTS Notes 2026	RUB	7.90%	9,998	9,998
MTS Notes 2022	RUB	9.00%	9,996	9,995
MTS Notes 2021	RUB	8.85%	9,997	9,995
Sistema PJSFC January 2028	RUB	10.00%	9,999	9,994
MTS Notes 2021	RUB	7.10%	9,995	9,992
MTS Notes 2022	RUB	6.45%	9,985	9,973
MTS Notes 2025	RUB	7.25%	9,815	9,820
MTS Notes 2024	RUB	8.70%	9,761	9,764
Sistema PJSFC February 2029	RUB	9.90%	9,878	9,661
Sistema PJSFC November 2026	RUB	6.85%	9,686	9,650
Sistema PJSFC October 2029	RUB	7.85%	9,587	9,601
Sistema PJSFC March 2029	RUB	9.90%	9,734	9,527
Sistema PJSFC July 2029	RUB	9.40%	9,416	9,429
LLC Segezha	RUB	7.10%	9,482	-
MTS Notes 2023	RUB	6.50%	9,821	9,351
MTS Notes 2022	RUB	5.50%	9,978	-
MTS Notes 2024	RUB	8.60%	7,487	7,485
MTS Notes 2027	RUB	6.60%	6,988	-
Sistema PJSFC October 2026	RUB	9.80%	6,163	6,123
MTS Notes 2022	RUB	8.40%	4,992	4,991
MTS Notes 2026	RUB	6.60%	4,989	-
Sistema PJSFC September 2025	RUB	9.75%	4,196	4,196
MTS Notes 2031	RUB	7.50%	891	891
Sistema PJSFC February 2028	RUB	9.25%	244	244
MTS Notes 2020	RUB	7.90%	40	40
Other			13	13
			<b>313,563</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 repurchased could be submitted disregarding the expectations of the Group about the intentions of the noteholders. The dates of the announcement for each particular note issue are as follows:

MTS PJSC Notes due 2031	March 2021
Sistema PJSFC Notes due March 2027	July 2020
Sistema PJSFC Notes due February 2029	July 2020
Sistema PJSFC Notes due October 2026	November 2020
Sistema PJSFC Notes due January 2028	January 2021
Sistema PJSFC Notes due September 2025	April 2022
Sistema PJSFC Notes due March 2029	September 2022
Sistema PJSFC Notes due July 2029	July 2023
Sistema PJSFC Notes due November 2026	February 2024
Sistema PJSFC Notes due May 2030	May 2024
Sistema PJSFC Notes due February 2028	August 2024
Sistema PJSFC Notes due October 2029	October 2024

**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 non-compliance with certain financial ratios, cancellation of telecom licenses, credit ratings downgrade, significant court decisions, encumbrances and confiscation of certain assets and other material adverse circumstances.

## SISTEMA PJSFC AND SUBSIDIARIES

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

As at 30 June 2020, the Group had RUB 11,312 million of long-term debt, which was presented within current liabilities in the condensed interim consolidated statement of financial position because of non-compliance by subsidiaries with certain non-financial covenants (31 December 2019: RUB 12,111 million).

#### 12. REVENUE

The following is analysis of the Group's revenue from continuing operations for the six months ended 30 June 2020:

	Reportable segments					Total
	MTS	Segezha Group	RTI	Corporate	Other	
<b>Type of goods/services</b>						
Mobile and fixed line services	186,657	-	-	-	-	186,657
Sale of goods	31,069	-	-	-	-	31,069
Works under specification	-	-	6,970	-	1,520	8,490
Production	-	31,206	1,136	-	7,576	39,918
Financial services	15,977	-	-	-	924	16,901
Other services	-	-	-	1,271	23,456	24,727
Other	1,719	-	106	-	3,783	5,608
	<b>235,422</b>	<b>31,206</b>	<b>8,212</b>	<b>1,271</b>	<b>37,259</b>	<b>313,370</b>
<b>Revenue from goods or services transferred to customers</b>						
At a point in time	31,069	31,206	1,200	1,271	33,223	97,969
Over time	204,353	-	7,012	-	4,036	215,401
	<b>235,422</b>	<b>31,206</b>	<b>8,212</b>	<b>1,271</b>	<b>37,259</b>	<b>313,370</b>

The following is analysis of the Group's revenue from continuing operations for the six months ended 30 June 2019:

	Reportable segments					Total
	MTS	Segezha Group	RTI	Corporate	Other	
<b>Type of goods/services</b>						
Mobile and fixed line services	180,309	-	-	-	-	180,309
Sale of goods	29,398	-	-	-	-	29,398
Works under specification	-	-	6,934	-	960	7,894
Production	-	29,992	1,330	-	10,212	41,534
Financial services	12,757	-	-	-	359	13,116
Other services	-	-	-	1,067	25,229	26,296
Other	1,643	-	174	-	4,410	6,227
	<b>224,107</b>	<b>29,992</b>	<b>8,438</b>	<b>1,067</b>	<b>41,170</b>	<b>304,774</b>
<b>Revenue from goods or services transferred to customers</b>						
At a point in time	29,398	29,992	1,462	1,067	38,462	100,381
Over time	194,709	-	6,976	-	2,708	204,393
	<b>224,107</b>	<b>29,992</b>	<b>8,438</b>	<b>1,067</b>	<b>41,170</b>	<b>304,774</b>

## SISTEMA PJSFC AND SUBSIDIARIES

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

#### 13. FAIR VALUES

The following fair value hierarchy table, used to determine fair value, presents information regarding Group's financial assets and liabilities measured at fair value on a recurring basis at 30 June 2020 and 31 December 2019:

	30 June 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	9,091	-	1,022	10,113	8,999	-	-	8,999
Contingent consideration asset related to the sale of business	-	-	2,187	2,187	-	-	2,013	2,013
At fair value through profit or loss	29,708	11,413	18,672	59,793	22,804	7,800	17,547	48,151
	<b>38,799</b>	<b>11,413</b>	<b>21,881</b>	<b>72,093</b>	<b>31,803</b>	<b>7,800</b>	<b>19,560</b>	<b>59,163</b>
<b>Financial liabilities</b>								
Contingent liability	-	-	(1,149)	(1,149)	-	(1,389)	-	(1,389)
Contingent considerations	-	-	-	-	-	-	(907)	(907)
Liabilities under put option agreements	-	-	(73)	(73)	-	-	(73)	(73)
	<b>-</b>	<b>-</b>	<b>(1,222)</b>	<b>(1,222)</b>	<b>-</b>	<b>(1,389)</b>	<b>(980)</b>	<b>(2,369)</b>

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:

	30 June 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial liabilities</b>				
Borrowings	707,112	731,597	620,870	629,374

Changes in the Level 3 financial assets were not significant for the six months ended 30 June 2020. There were no significant gains and losses of Level 3 liabilities for the six months ended 30 June 2020.

#### 14. RELATED PARTY TRANSACTIONS

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

**Trading transactions** – During the six months ended 30 June 2020, sales to related parties comprised RUB 367 million (2019: RUB 1,016 million), purchases from related parties comprised RUB 2,069 million (2019: RUB 364 million). As at 30 June 2020, trade balances receivable from and payable to related parties comprised RUB 6,465 million and RUB 1,158 million, respectively (31 December 2019: RUB 4,111 million and RUB 1,005 million). Bank loans to related parties as of 30 June 2020 are amounted to RUB 2,614 million (31 December 2019: RUB 2,877 million).

**Financial transactions** – At 30 June 2020, amounts owed by related parties and owed to related parties comprised RUB 21,504 million and RUB 40,106 million, respectively (31 December 2019: RUB 13,594 million and RUB 33,450 million).

Finance costs related to such transactions with related parties and recognised in profit and loss during the six months ended 30 June 2020 amounted to RUB 848 million (2019: RUB 776 million).

## SISTEMA PJSFC AND SUBSIDIARIES

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

Turnover from other financial transactions with related parties for the six months ended 30 June 2020 amounted to RUB 9,184 million.

**Compensation of key management personnel** – During the six months ended 30 June 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:

	<u>2020</u>	<u>2019</u>
Short-term benefits	436	468

#### 15. CONTINGENCIES AND COMMITMENTS

**Capital commitments** – At 30 June 2020, the Group had capital commitments of RUB 57,259 million (31 December 2019: RUB 54,350 million) relating to the acquisitions of property, plant and equipment.

**Licenses** – Management believes that as at 30 June 2020 the Group complied with conditions of the licenses used.

**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 of the Group could be significant.

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Contingent liabilities for additional taxes other than income tax	1,604	1,715
Contingent liabilities for additional income taxes	1,121	2,173

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.

**Anti-terror law** – On 7 July 2016, a series of anti-terror laws (also known as “Yarovaya-Ozerov packet of laws”) was enacted by the signature of the President of Russia. The laws provide for mandatory storage of recorded phone conversations, text messages of subscribers, images, sounds, video and other types of messages by telecommunications operators for certain periods of time. These requirements became effective since 1 July 2018. Compliance with laws may require construction of additional storage, processing and indexing centers. The Group expects the increase in related capital expenditures, which cannot be measured reliably.

## SISTEMA PJSFC AND SUBSIDIARIES

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

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**Legal proceedings** – In the ordinary course of business, the Group is a party to various legal proceedings, and subject to claims. As at 30 June 2020, the management estimates the range of possible losses in all pending litigations or other legal proceedings, being up to RUB 4 351 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. 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. The Court has scheduled to discuss the appeal in September 2020. As at 30 June 2020, the Group has provided for charges imposed by FAS Russia in total amount of RUB 188 million.

**Class action lawsuit** – In March 2019, a class action lawsuit was filed with the Shayan Salim and other individuals in a similar situation with the Eastern District of New York District Court of the United States of America against MTS PJSC and its individual leaders. The lawsuit alleges violations of securities laws related to the previously disclosed findings of an investigation by United States government authorities regarding the Group’s activities in Uzbekistan. The group examines the claims and intends to defend its position in the litigation. At the moment, it is not possible to assess the possible consequences and scope of claims for this lawsuit.

**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 taking into account the scheme of demerger with RCOM (which is currently undergoing bankruptcy procedures) in 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.

**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 recognized on the Group’s balance sheet as of 30 June 2020. Upon completion of the Transaction, Group’s commitments entered into in February 2020 were fully discharged.

## SISTEMA PJSFC AND SUBSIDIARIES

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

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#### 16. EVENTS AFTER THE REPORTING DATE

**Buy-back of MTS shares** – In August 2020, Sistema Finance S. A., a 100% subsidiary, sold 2,587,059 ordinary shares of MTS PJSC to its 100% subsidiary, Bastion LLC, as part of the MTS share repurchase program of up to RUB 15 billion. The transaction amount was approximately RUB 834 million.

**Creation of a holding company** – In July 2020, the Group announced the creation of the company ALIUM GROUP, which is manages the Company's shares in the pharmaceutical companies Sintez OJSC (owns Biocom JSC) and Alium JSC (combines the assets of Obolenskoye Pharmaceutical Enterprise JSC and Binnopharm JSC under the Alium brand).

**Recommendations for dividend payment** – In July 2020, the MTS Board of Directors recommended that the extraordinary General meeting of shareholders approve dividends for the first half of 2020 in the amount of 8.93 rubles per MTS ordinary registered share (17.86 rubles per ADR). The total amount of interim dividends for the first half of 2020 may amount to RUB 17.8 billion.

**Placement of ruble-denominated bonds (Corporate)** – In July 2020, the Company issued notes of the 001P-14 series in total amount of RUB 10 billion, with a coupon rate of 6.35% per annum and maturity period of 10 years.

**Placement of ruble-denominated bonds (Business Nedvizhimost)** – In August 2020, Business Nedvizhimost issued notes in total amount of RUB 4 billion, with a coupon rate of 7.9% and maturity period of 4 years.