

SISTEMA PJSFC AND SUBSIDIARIES

Condensed Interim Consolidated
Financial Statements
for the Six Months ended 30 June 2021
(unaudited)

SISTEMA PJSFC AND SUBSIDIARIES

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

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 at 30 June 2021, 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 2021 were approved by:



Vladimir Chirakhov
Chief Executive Officer (President)



Vladimir Travkov
Vice President for Finance (CFO)

27 August 2021

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 at 30 June 2021 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 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 condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Vladimir Biryukov
Engagement partner
27 August 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, 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.

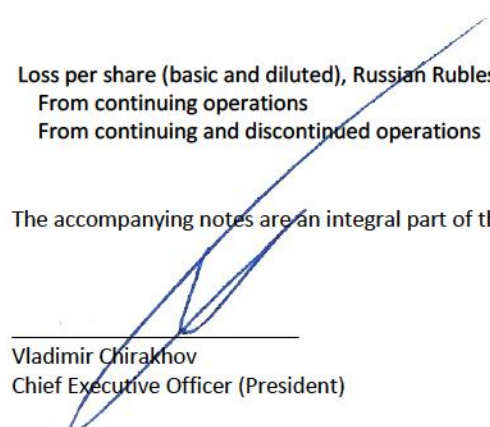
Member of Self-regulated organization of auditors "Sodruzhestvo" (Association), ORNZ 12006020384.

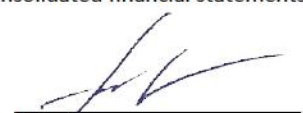
SISTEMA PJSFC AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (in millions of Russian Rubles, except for earnings per share)

	Note	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Continuing operations			
Revenue	12	351,544	313,370
Cost of sales		(166,482)	(143,498)
Selling, general and administrative expenses		(68,281)	(58,480)
Depreciation and amortisation		(63,733)	(59,121)
Impairment of long-lived assets		(80)	(2,602)
Impairment of financial assets		(542)	(2,265)
Taxes other than income tax		(2,377)	(2,158)
Share of the profit or loss of associates and joint ventures, net	8	(4,682)	(2,114)
Other income		8,674	5,789
Other expenses		(2,887)	(1,958)
Operating income		51,154	46,963
Finance income		3,180	2,965
Finance costs		(33,138)	(36,256)
Currency exchange gain/(loss)		355	(8,837)
Change of fair value of financial instruments, net		4,571	8,924
Profit before tax		26,122	13,759
Income tax expense		(14,514)	(11,289)
Profit from continuing operations		11,608	2,470
Discontinued operations			
Profit from discontinued operations		178	2,441
Profit for the period		11,786	4,911
Attributable to:			
Shareholders of Sistema PJSFC		(6,282)	(9,633)
Non-controlling interests		18,068	14,544
		11,786	4,911
Loss per share (basic and diluted), Russian Rubles:			
From continuing operations		(0.67)	(1.26)
From continuing and discontinued operations		(0.66)	(1.03)

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


Vladimir Chirakhov
Chief Executive Officer (President)


Vladimir Travkov
Vice President, Finance (CFO)

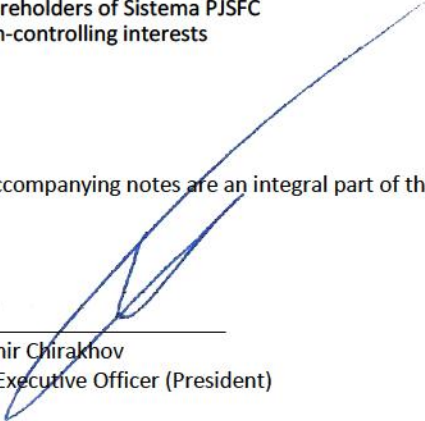
27 August 2021


SISTEMA PJSFC AND SUBSIDIARIES

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

	Six months ended	
	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Profit for the period	11,786	4,911
Other comprehensive income/(loss) <i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation (loss)/gain on foreign operations in subsidiaries	(785)	6,882
Currency translation loss on foreign operations in associates and joint ventures	(100)	-
Other comprehensive (loss)/income, net of tax	(885)	6,882
Total comprehensive income	10,901	11,793
Attributable to:		
Shareholders of Sistema PJSFC	(7,424)	(3,752)
Non-controlling interests	18,325	15,545
	10,901	11,793

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


Vladimir Chirakhov
Chief Executive Officer (President)


Vladimir Travkov
Vice President, Finance (CFO)

27 August 2021

SISTEMA PJSFC AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Russian Rubles)

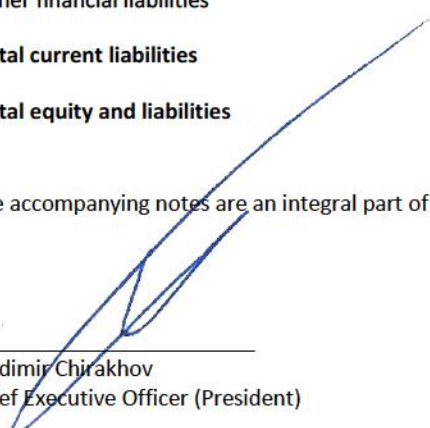
	Note	30 June 2021 (unaudited)	31 December 2020
Assets			
<i>Non-current assets</i>			
Property, plant and equipment		459,353	427,311
Investment property		11,909	12,649
Goodwill	5	81,619	57,204
Other intangible assets		106,644	99,749
Right-of-use assets		156,032	153,103
Investments in associates and joint ventures	8	66,012	73,856
Deferred tax assets		43,697	41,402
Other financial assets	9	184,250	158,629
Deposits in banks		26	22
Other assets		32,736	22,916
Total non-current assets		1,142,278	1,046,841
<i>Current assets</i>			
Inventories		63,778	46,449
Contract assets		5,893	6,306
Accounts receivable		73,545	56,458
Advances paid and prepaid expenses		19,237	15,302
Current income tax assets		2,748	5,449
Other taxes receivable		21,885	17,636
Other financial assets	9	116,166	104,573
Deposits in banks		1,082	1,755
Restricted cash		2,558	4,310
Cash and cash equivalents		84,103	113,693
Other assets		2,057	2,544
Total current assets		393,052	374,475
Total assets		1,535,330	1,421,316

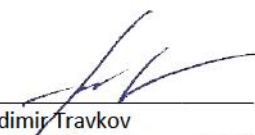
SISTEMA PJSFC AND SUBSIDIARIES

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

	Note	30 June 2021 (unaudited)	31 December 2020
Equity and liabilities			
<i>Equity</i>			
Share capital		869	869
Treasury shares		(3,466)	(3,029)
Additional paid-in capital		97,158	75,279
Accumulated loss		(44,002)	(27,025)
Accumulated other comprehensive income		17,611	18,753
Equity attributable to shareholders of Sistema		68,170	64,847
Non-controlling interests		28,909	22,482
Total equity		97,079	87,329
<i>Non-current liabilities</i>			
Borrowings	11	613,025	640,570
Lease liabilities		150,357	147,803
Bank deposits and liabilities		5,027	4,199
Deferred tax liabilities		37,149	34,769
Provisions		7,425	7,388
Other financial liabilities	5	19,537	3,745
Other liabilities		6,900	6,774
Total non-current liabilities		839,420	845,248
<i>Current liabilities</i>			
Borrowings	11	137,173	83,391
Lease liabilities		20,367	17,772
Accounts payable		107,379	102,148
Bank deposits and liabilities		201,256	195,346
Income tax payable		1,722	1,029
Other taxes payable		19,349	15,540
Dividends payable	10	28,563	3,325
Provisions		18,485	16,612
Contract liabilities and other liabilities		52,237	49,844
Other financial liabilities	5	12,300	3,732
Total current liabilities		598,831	488,739
Total equity and liabilities		1,535,330	1,421,316

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


 Vladimir Chirakhov
 Chief Executive Officer (President)


 Vladimir Travkov
 Vice President, Finance (CFO)

27 August 2021

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				
1 January 2020	869	75,045	(5,971)	(36,020)	6,534	918	41,375	24,353	65,728	
(Loss)/Profit for the period	-	-	-	(9,633)	-	-	(9,633)	14,544	4,911	
Other comprehensive income/(loss), net of tax	-	-	-	-	5,929	(48)	5,881	1,001	6,882	
Total comprehensive (loss)/income	-	-	-	(9,633)	5,929	(48)	(3,752)	15,545	11,793	
Business combinations and disposals of subsidiaries	-	-	-	-	-	-	-	(4)	(4)	
Settlements under long-term motivation programs	-	90	-	-	-	-	90	91	181	
Capital transactions of subsidiaries (Note 7)	-	(398)	-	-	-	-	(398)	(375)	(773)	
Sale of own 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)	
30 June 2020	869	74,737	(5,692)	(46,874)	12,463	870	36,373	21,275	57,648	
1 January 2021	869	75,279	(3,029)	(27,025)	17,934	819	64,847	22,482	87,329	
(Loss)/Profit for the period	-	-	-	(6,282)	-	-	(6,282)	18,068	11,786	
Other comprehensive (loss)/income, net of tax	-	-	-	-	(1,132)	(10)	(1,142)	257	(885)	
Total comprehensive (loss)/income	-	-	-	(6,282)	(1,132)	(10)	(7,424)	18,325	10,901	
Business combinations and disposals of subsidiaries (Note 5-6)	-	-	-	-	-	-	-	201	201	
Sale of own shares	-	-	387	-	-	-	387	-	387	
Purchase of own shares	-	-	(824)	-	-	-	(824)	-	(824)	
Effect of derivatives reclassification (Note 5)	-	-	-	(7,751)	-	-	(7,751)	-	(7,751)	
Accrued compensation under long-term motivation programs	-	2,579	-	-	-	-	2,579	-	2,579	
Settlements under long-term motivation programs	-	(207)	-	-	-	-	(207)	1,831	1,624	
Capital transactions of subsidiaries (Note 7)	-	19,507	-	-	-	-	19,507	8,424	27,931	
Dividends declared by Sistema PJSFC (Note 10)	-	-	-	(2,944)	-	-	(2,944)	-	(2,944)	
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(22,354)	(22,354)	
30 June 2021	869	97,158	(3,466)	(44,002)	16,802	809	68,170	28,909	97,079	

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 2021 (unaudited)	30 June 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	11,786	4,911
Adjustments for:		
Depreciation and amortisation	63,733	59,121
Share of the profit or loss of associates and joint ventures, net	4,682	2,114
Profit from disposal of interests in associates and joint ventures	-	(124)
Finance income	(3,180)	(2,965)
Finance costs	33,138	36,256
Income tax expense	14,514	11,289
Currency exchange (gain)/loss	(280)	8,837
Gain from disposal of subsidiaries	(178)	(2,910)
Change of fair value of financial instruments, net	(4,571)	(8,924)
Profit on disposal of property, plant and equipment	(1,556)	(698)
Expected credit losses allowance on loans to customers	4,695	5,486
Non-cash compensation to employees	4,686	403
Impairment of long-lived assets	80	2,602
Impairment of financial assets	542	2,265
Other non-cash items	(1,918)	(1,572)
	126,173	116,091
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(45,198)	(9,460)
Bank deposits and liabilities	9,236	1,266
Restricted cash	1,609	1,719
Financial assets at fair value through profit or loss	803	(4,298)
Accounts receivable	(9,539)	1,220
Advances paid and prepaid expenses	(3,574)	(1,182)
Other taxes receivable	(3,140)	(433)
Inventories	(9,797)	(9,444)
Accounts payable	2,579	(1,428)
Subscriber prepayments	(9)	(675)
Other taxes payable	2,994	1,636
Advances received and other liabilities	4,811	(671)
Interest paid	(35,266)	(34,699)
Income tax paid	(10,563)	(8,230)
Dividends received from associates and joint ventures	2,141	716
Net cash provided by operating activities	33,260	52,128

SISTEMA PJSFC AND SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in millions of Russian Rubles)

	Six months ended	
	30 June 2021 (unaudited)	30 June 2020 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(53,691)	(41,063)
Proceeds from sale of subsidiaries, net of cash acquired	1,336	(38)
Proceeds from sale of property, plant and equipment	2,660	2,504
Payments to obtain and fulfill contracts	(1,823)	(2,337)
Payments for purchases of intangible assets	(20,668)	(13,846)
Payments for purchases of subsidiaries, net of cash acquired	(10,603)	(3,030)
Payments for investments in associates and joint ventures	(9,895)	(2,010)
Proceeds from sale of investments in affiliated companies	-	8,930
Payments for financial assets, long-term	(14,281)	(7,510)
Proceeds from sale of financial assets, long-term	3,394	3,383
Payments for financial assets, short-term	(959)	(2,800)
Proceeds from sale of financial assets, short-term	3,864	12,798
Interest received	3,661	2,441
Other	(341)	(700)
Net cash used in investing activities	(97,346)	(43,278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	74,559	221,786
Principal payments on borrowings	(55,948)	(144,469)
Debt issuance costs	(174)	(114)
Principal payments of lease liabilities	(9,396)	(7,929)
Acquisition of non-controlling interests in existing subsidiaries	(11,198)	(860)
Proceeds from transactions with non-controlling interests	38,478	76
Dividends paid	(61)	(11,278)
Repurchase of own shares	(825)	-
Net cash provided by financing activities	35,435	57,212
Effect of foreign currency translation on cash and cash equivalents	(939)	(1,313)
Net (decrease)/increase in cash and cash equivalents	(29,590)	64,749
Cash and cash equivalents at the beginning of the period	113,693	63,669
Cash and cash equivalents at the end of the period	84,103	128,418

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)*

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 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.

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. 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. The measures taken by many countries to contain the spread of COVID-19 lead to significant operational difficulties for many companies and have an impact on global financial markets. 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. 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.

SISTEMA PJSFC AND SUBSIDIARIES

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

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 at 30 June 2021 exceeded current assets by RUB 205,779 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 459,330 million.

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 2020 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 Chief Executive Officer (President) and authorised for issue on 27 August 2021.

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 2020, except for new amendments to adopted standards.

In the first half of 2021 the Group adopted the following standards, interpretations and amendments:

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform (Phase 2)

Amendments to IFRS 16

Covid-19 Related Rent Concessions

None of these interpretations and amendments had material effect on the Group's 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)

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)	
	2021	2020	2021	2020	2021	2020
MTS	250,097	231,795	2,418	1,917	57,800	52,420
Segezha Group	42,671	31,206	1	5	9,786	3,103
Medsi	14,579	10,486	24	9	1,710	1,001
Ozon	-	-	-	-	(7,260)	(3,917)
Corporate	1,583	1,271	450	532	(10,289)	(4,939)
Total reportable segments	308,930	274,758	2,893	2,463	51,747	47,668
Other	42,614	38,612	4,627	1,778	(69)	(538)
	351,544	313,370	7,520	4,241	51,678	47,130
Inter-segment eliminations					(524)	(167)
Operating income					51,154	46,963
Finance income					3,180	2,965
Finance costs					(33,138)	(36,256)
Change of fair value of financial instruments, net					4,571	8,924
Foreign currency exchange gain/(loss)					355	(8,837)
Profit before tax					26,122	13,759

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.

5. BINNOPHARM GROUP

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 comprising the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (RCIF) established by the RDIF and China Investment Corporation, and leading Middle Eastern funds, 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 amounted to 79%, and the Consortium of Investors – 15.8%. The remaining 5.2% of the shares were distributed among the minority shareholders-individuals. The Group continued to account for investments in Ristango Holding Limited and Sinocom Investments Limited (holding companies through which investments in JSC "Alium" and OJSC "Sintez" were made) under equity method.

SISTEMA PJSFC AND SUBSIDIARIES

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

Acquisition of a stake in OJSC Sintez (hereinafter - Sintez) - In March 2021, Sistema (through a subsidiary Sistema Telecom Assets LLC) purchased a stake of 32.39% of the authorized capital of Sintez from the Holding Company Nacimbio controlled by State Corporation Rostec. The transaction amounted to RUB 6.9 billion. In May 2021, Sistema contributed the stake in OJSC Sintez acquired from JSC National Immunobiological Company to the capital of Binnopharm Group, as a result of which the share of Binnopharm Group in OJSC Sintez amounted to 88.6%. As at 30 June 2021, the Group's payables for this acquisition of RUB 4.6 billion are included in other financial liabilities.

Increase of stake in Ristango Holding Limited - In April 2021, the Group purchased a stake of 3.95% of the authorized capital of Ristango Holding Limited from minority shareholders for RUB 1.2 billion.

Obtaining control over Binnopharm Group – On 25 June 2021, amended and restated Shareholder Agreement was signed between the members of Ristango Holding Limited, as a result of which the Group has obtained control over the operating activities of Ristango Holding Limited, the owner of 100% of the authorized capital of Binnopharm Group. At the date of approval of these condensed interim consolidated financial statements, the purchase price allocation of Ristango Holding Limited was preliminary, as the Group had not finalised the assessment of the fair value of the acquired assets and liabilities of Binnopharm Group, the fair value of the previously held interests of the acquired company, and the fair value of financial instruments relating to the partners' interest (VTB Bank and the Consortium of Investors). The preliminary results of the purchase price allocation are mainly based on the book values of Ristango Holding Limited and Binnopharm Group at the date of acquisition. For the period from 1 January 2021 until the date of the Group's obtaining of control over Ristango Holding Limited, the preliminary gain on revaluation of financial instruments related to the partners' interest in Ristango Holding Limited amounted to RUB 5 billion.

Assets and liabilities associated with obtaining control over Ristango Holding Limited and Binnopharm Group are as follows:

	<u>Binnopharm Group</u>
Total consideration satisfied by:	
Fair value of previously held interests in the acquired company	13,236
	<u>13,236</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	9,306
Other non-current assets	5,643
Inventory	8,360
Cash	1,994
Other current assets	8,003
Loans and borrowings, short-term	(6,655)
Other current liabilities	(7,982)
Loans and borrowings, long-term	(3,928)
Other non-current liabilities	(1,458)
Net assets	<u>13,283</u>
Liabilities under the contracts over non-controlling interest	(19,742)
Non-controlling interests	<u>(201)</u>
Goodwill	<u>19,896</u>

After obtaining the control, financial instruments in respect of non-controlling interests are carried at the present value of the redemption amount of RUB 19,742 million within other financial liabilities.

SISTEMA PJSFC AND SUBSIDIARIES

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

Sale of a stake in Ristango Holding Limited to Nevsky Property Investments Limited – On 28 June 2021, Sistema Telecom Assets LLC, a 100% subsidiary of Sistema, sold an 11.2% stake in Ristango Holding Limited to Nevsky Property Investments Limited (controlled by VTB Capital) for RUB 7 billion. As a result of the transaction, the effective share of Sistema in Binnopharm Group together with its financial partner (VTB) amounted to 75.3%. The transaction was recognized directly in equity (Note 7).

Exercise of the contract to acquire VTB's share in Ristango Holding Limited after the reporting date – In July 2021, the Group exercised its right under the forward agreement with VTB and early purchased VTB's 20.97% share in Ristango Holding Limited for RUB 6.7 billion.

6. BUSINESS COMBINATIONS

The information on business combinations which took place during six months ended 30 June 2021 (in addition to the obtaining of control over Binnopharm Group disclosed in note 5) is summarised below:

Acquiree	Principal activity	Date of acquisition	Interest acquired	Acquiring segment	Purchase price
MTT	Telecommunications	June	100%	MTS	5,798
GreenBush	Telecommunications	June	100%	MTS	5,200
Other acquisitions of MTS	Telecommunications	April	100%	MTS	3,161
Total					14,159

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

	MTT	GreenBush	Other acquisitions of MTS
Total consideration satisfied by:			
Cash	3,680	5,200	1,512
Fair value of previously held interests in the acquired company	-	-	1,582
Deferred payment	-	-	7
Fair value of financial assets	1,958	-	-
Fair value of contingent consideration	160	-	60
	5,798	5,200	3,161
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	588	5,171	623
Other non-current assets	2,201	18	403
Other current assets	3,396	93	1,590
Current liabilities	(2,656)	(26)	(736)
Non-current liabilities	(715)	(56)	(118)
Net assets	2,814	5,200	1,762
Non-controlling interest	-	-	-
Goodwill	2,984	-	1,399

SISTEMA PJSC AND SUBSIDIARIES

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

Acquisition of MTT – In June 2021, MTS acquired a 100% ownership interest in OJSC Multiregional TransitTelecom (MTT), a provider of intelligent connectivity solutions for businesses, to expand its connectivity services portfolio. The purchase price constituted a cash payment of RUB 3,680 million paid in June 2021, transfer of financial assets offset against the purchase price of RUB 1,958 million and contingent consideration of RUB 160 million.

Acquisition of Energy Group – In June 2021, MTS acquired a 100% ownership interest in LLC GDTs Energy Group (GreenBush), the operator of the GreenBush data center in Technopolis special economic area, to use the facility's additional capacity to offer colocation and cloud solutions to customers as well as to facilitate the Group's own compute and storage needs. The purchase price constituted a cash payment of RUB 5,200 million paid in July 2021.

Acquisition of Credit Consulting – In April 2021, MTS acquired a 100% ownership interest in Credit Consulting LLC, a credit broker. The purchase price constituted a cash payment of RUB 10 thousand paid in May 2021 and contingent consideration at fair value of RUB 60 million, payable in 5-year period based on operating performance targets.

Acquisition of Zelenaya Tochka – In April 2021, MTS increased its stake in Achemar Holdings Limited, owner of the operational companies of Zelenaya Tochka Group, up to 100% and obtained control over the entity. Prior to the acquisition, the Group owned 51% in Achemar Holdings Limited and accounted for the investment as the investment in joint venture. As at the acquisition date the Group reassessed the previously held stake in Achemar Holdings Limited from RUB 1,166 million to fair value of RUB 1,582 million and recognized the revaluation gain of RUB 415 million in the share of the profit of the associates and joint ventures. The Group continued to account for its investment in other operational companies of Zelenaya Tochka, owned by Clarkia Holdings Limited, as investment in joint venture (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.

Pro forma financial data reflecting the results of the Group as if acquisitions had occurred as at 1 January 2021 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.

Acquisition of agriculture businesses in 2020 – As at 30 June 2020, the Group recorded the estimated amounts of acquired identifiable assets, among other factors based on their carrying amounts at the date of acquisition. The Group completed an independent appraisal of the assets and liabilities of the acquired agriculture businesses as part of the preparation of the 2020 consolidated financial statements, and the fair values of assets and liabilities at the acquisition date have changed. As a result, the comparative information for six months, ended 30 June 2020, has been revised.

SISTEMA PJSFC AND SUBSIDIARIES

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

7. CAPITAL TRANSACTIONS OF SUBSIDIARIES

The information on capital transactions of subsidiaries which took place during the six months ended 30 June 2021 and their impact on the Group's equity is summarised below:

	Increase/ (Decrease) of additional paid-in capital	Increase/ (Decrease) of non-controlling interests
Purchase of own shares by MTS	(2,807)	(7,668)
Initial Public Offering of Segezha Group	19,540	10,399
Sale of a stake in Ristango Holding Limited to Nevsky Property Investments Limited (Note 5)	5,219	1,482
Other	(2,445)	4,211
Total impact	19,507	8,424

Purchase of own shares by MTS – As part of the implementation of the share acquisition plan, MTS acquired 37,508,355 ordinary shares for RUB 12.3 billion, including acquisitions of 15,522,048 ordinary shares from Sistema PJSFC and Sistema Finance S.A., the subsidiary of the Group, for RUB 5 billion.

Additionally, as a result of MTS PJSC reorganization, MTS purchased 9,805,921 shares (RUB 3.2 billion) during six months ended 30 June 2021.

Initial Public Offering of Segezha Group – On 28 April 2021, Segezha Group carried out an initial public offering of 3.75 billion ordinary shares on the Moscow Exchange. As a result, Segezha Group has raised RUB 30 billion. The amount of expenses directly related to the issue and placement of shares amounted to RUB 1 billion. Subsequently, Sistema has exercised the option for additional placement of secondary shares as part of the initial public offering and listing of ordinary shares of Segezha Group on the Moscow Exchange. The total amount of Sistema's proceeds from the exercise of the option for the additional placement is approximately RUB 0.8 billion.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Information on investments in associates and joint ventures for the six months ended 30 June is summarised below:

	2021	2020
Carrying value		
As at 1 January	73,856	79,917
Acquisition of a stake in OJSC Sintez (Note 5)	6,915	-
Increase of stake in Ristango Holding Limited (Note 5)	1,182	-
Obtaining control over Binnopharm Group (Note 5)	(13,236)	-
Participation in SPO of Etalon Group	2,842	-
Other acquisitions	3,605	1,510
Obtaining control over Zelenaya Tochka (Note 6)	(1,582)	-
Sale of stake in Detsky mir	-	(8,930)
Share of the profit and loss	(5,097)	(2,038)
Dividends received	(2,141)	(716)
Other	(332)	(888)
As at 30 June	66,012	68,855

SISTEMA PJSFC AND SUBSIDIARIES

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

Increase of share in Etalon Group – In May 2021, Sistema, through its 100% subsidiary Capgrowth Investments Limited («Capgrowth»), participated in the subscription right offer to the existing holders of Etalon Group equity securities within the secondary public offering (SPO), in proportion to Capgrowth's share in the capital of Etalon Group - 25.6%. Capgrowth has subscribed for 22.63 million shares of the Company at a price of US 1.7 per ordinary share for a total amount of RUB 2.8 billion.

Sistema PJSFC has also entered into a Total Return Swap agreement with Alfa Bank JSC (the "Bank") in respect of Etalon Group's global depository receipts (the "GDRs" and the "TRS Agreement"), which envisages the transfer of exclusively property, but not voting rights to Sistema, under which the Bank acquired a total of 72.85 million GDRs for RUB 9.4 billion («Purchase price»). The TRS agreement was concluded for a period of 30 months, taking into account a various early termination provisions provided for by the TRS Agreement. TRS stipulates that any excess of the Purchase Price plus interest over the market value of underlying GDRs at completion of the agreement is to be paid by Sistema to the Bank and the other way round – any excess of the market value of underlying GDRs over the Purchase Price plus interest are to be paid by the Bank to Sistema.

Simultaneously with the TRS Agreement, an Option Agreement was signed between the Bank and Capgrowth, according to which (i) Capgrowth has the right to purchase all GDRs acquired by the Bank pursuant to the TRS Agreement (the "Call Option") and (ii) in the event that Capgrowth does not exercise the Call Option, the Bank has the right to sell the entire package of GDRs to a third party and, further, in the absence of an interested buyer, to Capgrowth, in each case within the terms and conditions provided for in the Option Agreement.

In June 2021, Capgrowth acquired 4.2% (16.16 million GDR's) from other investors and increased its share in the capital of Etalon Group up to 29.79%.

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

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 30 June 2021.

Ozon – As at 30 June 2021, PJSC Sistema, together with its subsidiary JSC Sistema venture capital, owns 33.57% of the voting shares of Ozon. The carrying value of the investment in Ozon at the end of June was RUB 5.3 billion. For the six months ended 30 June 2021 the Group's share in the loss of Ozon is RUB 7.3 billion.

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. The Group's share of profit for the six months ended 30 June 2021 is RUB 717 million.

SISTEMA PJSFC AND SUBSIDIARIES

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

9. OTHER FINANCIAL ASSETS

At 30 June 2021 and 31 December 2020, other financial assets, less allowance for impairment losses, comprise:

	30 June 2021	31 December 2020
Financial assets measured at fair value through profit or loss		
Debt and equity securities	61,010	64,950
Contingent consideration	1,575	2,631
Option contracts	112	228
Derivatives embedded in lease agreements	497	562
Forwards and stock options	67	4,723
Currency rate swaps not designated as hedge instruments	4,297	4,508
	<u>67,558</u>	<u>77,602</u>
Financial assets measured at fair value through other comprehensive income		
Debt securities	16,265	14,557
	<u>16,265</u>	<u>14,557</u>
Financial assets measured at amortized costs		
Debt and equity securities	22,652	21,949
Bank loans to customers	169,988	131,136
Interbank loans due from banks	3,713	3,386
Other loans	20,240	14,572
	<u>216,593</u>	<u>171,043</u>
Total other financial assets	<u>300,416</u>	<u>263,202</u>
Current	116,166	104,573
Non-current	184,250	158,629
Total other financial assets	<u>300,416</u>	<u>263,202</u>

At 30 June 2021 and 31 December 2020, financial assets attributable to the Group's banking activities (MTS Bank and East-West United Bank) comprise:

	30 June 2021	31 December 2020
Financial assets measured at fair value through profit or loss		
Debt and equity securities	19,030	19,586
	<u>19,030</u>	<u>19,586</u>
Financial assets measured at fair value through other comprehensive income		
Debt and equity securities	15,243	13,789
	<u>15,243</u>	<u>13,789</u>
Financial assets measured at amortized costs		
Cash and cash equivalents	26,836	35,540
Bank loans to customers	189,464	148,647
Interbank loans due from banks	3,713	3,386
Debt securities	22,492	21,812
	<u>242,505</u>	<u>209,385</u>
Less: allowance for loan losses	(19,476)	(17,511)
	<u>257,302</u>	<u>225,249</u>

SISTEMA PJSFC AND SUBSIDIARIES

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

The movement in the allowance for loan losses during the six months ended 30 June 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Allowance for loan losses, 1 January	17,511	11,886
Charge for the period	4,140	4,879
Amounts written off against the allowance	(2,845)	(1,464)
Disposal	(8)	(253)
Recovery of bad debt written-off	759	190
Currency translation adjustment	(81)	172
Allowance for loan losses, 30 June	<u>19,476</u>	<u>15,410</u>

10. DIVIDENDS

On 28 June 2021, an annual general meeting of shareholders approved the total dividend distribution of RUB 2,991.5 million for 2020 (including dividends on treasury shares of RUB 47.4 million) representing RUB 0.31 per ordinary share or RUB 6.20 per one global depository receipt.

11. BORROWINGS

At 30 June 2021 and 31 December 2020, the Group's borrowings comprise:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Bank loans	374,369	367,769
Corporate bonds	366,783	346,204
Other	9,046	9,988
	<u>750,198</u>	<u>723,961</u>
Current	137,173	83,391
Non-current	613,025	640,570
	<u>750,198</u>	<u>723,961</u>

At 30 June 2021, the schedule of repayments of borrowings for the next five years and thereafter is as follows:

Within one year	137,173
In one to two years	167,972
In two to three years	109,157
In three to four years	212,451
In four to five years	65,907
In more than five years	57,538
	<u>750,198</u>

SISTEMA PJSFC AND SUBSIDIARIES

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

Bank loans – As at 30 June 2021 and 31 December 2020, the Group's loans from banks and financial institutions consisted of the following:

	Maturity	Interest rate (actual at 30 June 2021)	30 June 2021	31 December 2020
EUR-denominated:				
ING Bank	2021-2027	EURIBOR+1.5% (4.13%)	3,986	4,490
Alfa-Bank	2021-2028	3.08%	17,241	18,136
Sberbank	2022	0.36%	4,187	12,792
Other			1,324	1,434
			26,738	36,852
RUB-denominated:				
Sberbank	2021-2031	5.99%-11.2%	133,145	143,034
VTB	2021-2031	6.8%-10.10%; CB+0.5%-4.8% (6.00%-10.30%)	142,454	139,929
Sovcombank	2021	6.2%	5,000	-
Raiffeisenbank	2021-2026	6.70%-8.30%	2,541	-
Gazprombank	2021-2026	6.85%-9.3%; CB+1.65% (7.15%)	19,509	16,682
Otkrytie Bank	2022	CB+1.5% (7.00%)	100	4,020
Alfa Bank	2021-2028	6.44%-10.92%; CB+2% (7.50%)	36,431	25,932
RDIF, IDF	2021-2022	1.00%-4.00%	2,458	-
Other			5,758	1,149
			347,396	330,746
Other currencies			235	171
Total bank loans			374,369	367,769

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 2021 and 31 December 2020, the Group’s notes consisted of the following:

	Currency	Interest rate	30 June 2021	31 December 2020
MTS International 2023	USD	5.00%	31,938	32,596
MTS Notes 2025	RUB	8.00%	14,988	14,987
MTS Notes 2022	RUB	7.70%	14,985	14,980
MTS Notes 2023	RUB	6.85%	14,976	14,971
MTS Notes 2027	RUB	6.60%	14,973	14,970
Sistema PJSFC March 2027	RUB	8.90%	10,614	10,623
Sistema PJSFC March 2030	RUB	6.60%	14,734	14,723
Sistema PJSFC February 2031	RUB	7.35%	12,035	-
Sistema PJSFC April 2031	RUB	8.20%	9,908	-
MTS Notes 2026	RUB	7.90%	9,998	9,998
MTS Notes 2022	RUB	9.00%	9,999	9,998
MTS Notes 2021	RUB	8.85%	-	9,999
Sistema PJSFC July 2030	RUB	6.35%	9,229	9,218
Sistema PJSFC January 2028	RUB	6.90%	9,931	9,980
MTS Notes 2021	RUB	7.10%	9,999	9,997
MTS Notes 2022	RUB	6.45%	9,991	9,988
MTS Notes 2025	RUB	7.25%	9,827	9,816
MTS Notes 2024	RUB	8.70%	9,821	9,766
Sistema PJSFC February 2029	RUB	9.90%	3,800	3,800
Sistema PJSFC August 2030	RUB	6.70%	9,853	9,846
Sistema PJSFC November 2026	RUB	6.85%	9,617	9,694
Sistema PJSFC October 2029	RUB	7.85%	9,674	9,649
Sistema PJSFC March 2029	RUB	9.90%	9,643	9,626
Sistema PJSFC July 2029	RUB	9.40%	9,845	9,607
Sistema PJSFC October 2026	RUB	6.35%	6,177	6,171
LLC Segezha	RUB	7.10%	9,677	9,482
MTS Notes 2023	RUB	6.50%	9,891	9,860
MTS Notes 2022	RUB	5.50%	9,989	9,983
MTS Notes 2024	RUB	8.60%	7,490	7,488
MTS Notes 2027	RUB	6.60%	6,981	6,980
Sistema PJSFC November 2030	RUB	6.10%	4,768	4,750
MTS Notes 2022	RUB	8.40%	4,996	4,994
MTS Notes 2026	RUB	6.60%	4,991	4,990
Sistema PJSFC November 2030	RUB	6.75%	14,000	14,000
Sistema PJSFC September 2025	RUB	9.75%	4,815	4,207
Sistema PJSFC February 2033	RUB	6.90%	4,814	-
Business-Nedvizhimost	RUB	7.90%	3,319	3,319
MTS Notes 2031	RUB	6.25%	78	891
Sistema PJSFC February 2028	RUB	9.00%	244	244
MTS Notes 2024	RUB	6.50%	4,161	-
Other			14	13
Total notes			366,783	346,204

SISTEMA PJSFC AND SUBSIDIARIES

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

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:

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

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.

As at 30 June 2021 and 31 December 2020 the Group did not have long-term debt, presented within current liabilities in the condensed interim consolidated statement of financial position because of non-compliance by subsidiaries with covenants.

SISTEMA PJSFC AND SUBSIDIARIES

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

12. REVENUE

The following is analysis of the Group's revenue from continuing operations for the six months ended 30 June 2021:

	Reportable segments					Total
	MTS	Segezha Group	Medsi	Corporate	Other	
<i>Type of goods/services</i>						
Mobile and fixed line services	193,049	-	-	-	-	193,049
Sale of goods	34,173	-	-	-	-	34,173
Works under specification	-	-	-	-	5,764	5,764
Production	-	42,671	-	-	13,705	56,376
Financial services	20,682	-	-	-	1,220	21,902
Other services	732	-	14,579	1,583	13,481	30,375
Other	1,461	-	-	-	8,444	9,905
	250,097	42,671	14,579	1,583	42,614	351,544
<i>Revenue from goods or services transferred to customers</i>						
At a point in time	34,173	42,671	13,906	1,583	33,466	125,799
Over time	215,924	-	673	-	9,148	225,745
	250,097	42,671	14,579	1,583	42,614	351,544

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	Medsi	Corporate	Other	
<i>Type of goods/services</i>						
Mobile and fixed line services	186,248	-	-	-	-	186,248
Sale of goods	27,777	-	-	-	3,292	31,069
Works under specification	-	-	-	-	8,490	8,490
Production	-	31,206	-	-	8,711	39,917
Financial services	15,977	-	-	-	924	16,901
Other services	409	-	10,486	1,271	12,970	25,136
Other	1,384	-	-	-	4,225	5,609
	231,795	31,206	10,486	1,271	38,612	313,370
<i>Revenue from goods or services transferred to customers</i>						
At a point in time	27,778	31,206	9,932	1,271	27,783	97,969
Over time	204,017	-	555	-	10,829	215,401
	231,795	31,206	10,487	1,271	38,612	313,370

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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 2021 and 31 December 2020:

	30 June 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
At fair value through other comprehensive income	15,243	-	1,022	16,265	13,789	-	768	14,557
Contingent consideration asset related to the sale of business	-	-	1,575	1,575	-	-	2,631	2,631
At fair value through profit or loss	30,546	13,369	22,068	65,983	31,035	14,587	29,349	74,971
	<u>45,789</u>	<u>13,369</u>	<u>24,665</u>	<u>83,823</u>	<u>44,824</u>	<u>14,587</u>	<u>32,748</u>	<u>92,159</u>
Financial liabilities								
Derivatives instruments	-	(1,429)	-	(1,429)	-	(943)	-	(943)
Contingent considerations	-	-	(461)	(461)	-	-	(1,067)	(1,067)
Liabilities under put option agreements	-	-	-	-	-	-	(55)	(55)
	<u>-</u>	<u>(1,429)</u>	<u>(461)</u>	<u>(1,890)</u>	<u>-</u>	<u>(943)</u>	<u>(1,122)</u>	<u>(2,065)</u>

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 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Borrowings	750,198	751,143	723,961	734,919

Changes in the Level 3 financial assets were not significant for the six months ended 30 June 2021. There were no significant gains and losses of Level 3 liabilities for the six months ended 30 June 2021.

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 2021, sales to related parties comprised RUB 669 million (2020: RUB 367 million), purchases from related parties comprised RUB 546 million (2020: RUB 2,069 million). As at 30 June 2021, trade balances receivable from and payable to related parties comprised RUB 7,298 million and RUB 723 million, respectively (31 December 2020: RUB 5,626 million and RUB 2,083 million). Bank loans to related parties as at 30 June 2021 are amounted to RUB 5,994 million (31 December 2020: RUB 4,195 million).

Dividends received – During the six months ended 30 June 2021, the Group received dividends of RUB 1,944 million from MTS Belarus (2020: RUB 607 million) and RUB 197 million from other related parties (2020: RUB 109 million).

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Financial transactions – At 30 June 2021, amounts owed by related parties and owed to related parties comprised RUB 22,225 million and RUB 40,812 million, respectively (31 December 2020: RUB 20,919 million and RUB 41,055 million). Debt obligations to related parties as at 30 June 2021 are RUB 7,206 million (31 December 2020: RUB 5,785 million).

Finance costs related to such transactions with related parties and recognised in profit and loss during the six months ended 30 June 2021 amounted to RUB 533 million (2020: RUB 848 million).

Turnover from other financial transactions with related parties for the six months ended 30 June 2021 amounted to RUB 0 million (2020: RUB 9,184 million).

Compensation of key management personnel – During the six months ended 30 June 2021 and 2020, the aggregate compensation for key management personnel, being the members of the Company's Board of Directors and Management Board, was as follows:

	<u>2021</u>	<u>2020</u>
Short-term benefits	1,316	436
Share-based payments	<u>2,143</u>	-
Total	<u><u>3,459</u></u>	<u><u>436</u></u>

15. CONTINGENCIES AND COMMITMENTS

Capital commitments – At 30 June 2021, the Group had capital commitments of RUB 98,177 million (31 December 2020: RUB 78,797 million) relating to the acquisitions of property, plant and equipment.

Licenses – Management believes that as at 30 June 2021 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.

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

	30 June 2021	31 December 2021
Contingent liabilities for additional taxes other than income tax	1,039	1,043
Contingent liabilities for additional income taxes	1,306	892
Total	2,345	1,935

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 2021, the management estimates the range of possible losses in all pending litigations or other legal proceedings, being up to RUB 5,571 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, 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 at 30 June 2021 it has adequately provided for charges imposed by FAS Russia and other related expenses.

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

In July 2018, the Group filed a Request for Arbitration against the Sovereign State of Turkmenistan with the World Bank’s International Center for Settlement of Investments Disputes (“ICSID”) in order to protect its legal rights and investments in Turkmenistan. As at June 30, 2021 the case is pending. The hearing is currently expected at the end of 2021.

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.

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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.

16. SUBSEQUENT EVENTS

Buy-back of MTS shares – In July 2021, Sistema sold 7,273,992 ordinary shares of MTS PJSC to a 100% subsidiary of MTS, Bastion LLC, as part of the MTS share buyback program with a volume of up to RUB 15 billion. The transaction amount was approximately RUB 2,487 million.

Placement of ruble-denominated bonds – In July 2021, Sistema issued notes of the 001P-21 series in the total amount of RUB 15 billion, with a coupon rate of 8.40% per annum and maturity period of 10 years.

Loan with Sberbank – In July 2021, MTS has concluded a RUB 30 billion loan agreement with Sberbank PJSC due in 2024. The interest rate on the loan is determined as the key rate set by the Central Bank of Russia plus a flat rate of 1.05% per annum. The loan was drawn from existing credit facility.

Acquisition of PIR Group – In July 2021, Steppe acquired a 100% stake in PIR Group, a leading producer of packaged cheese in Russia and one of the largest distributors of cheese, dairy products and plant-based alternatives.

Acquisition of Zarya LLC – In July 2021, the Group acquired a 49% stake in Zarya LLC. The company is operating in the fishing industry.