



MegaFon reports financial and operating results for Q2 2018

Press-release

Moscow, Russia (16 August 2018) - PJSC “MegaFon” (“MegaFon” or the “Company” and, together with its consolidated subsidiaries, the “Group”) (LSE: MFON), a pan-Russian operator of digital opportunities, announces its financial¹ and operating results for Q2 2018.

Key financial and operating highlights for Q2 2018²

- Revenue increased by 5.1% y-o-y³ to RUB 81,945 million
- OIBDA⁴ increased by 5.4% y-o-y to RUB 32,261 million
- OIBDA margin⁴ was 39.4% versus 39.3% in Q2 2017
- Net Profit⁵ increased by 11.5% y-o-y to RUB 6,154 million
- CAPEX increased by 23.5% y-o-y to RUB 16,227 million
- Free Cash Flow to Shareholders increased by 6.1% y-o-y to RUB 7,867 million
- Net Debt as of 30 June 2018 was RUB 214,743 million
- The number of mobile subscribers as of 30 June 2018 increased by 0.1% y-o-y to 77.5 million⁶

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1. Based on the interim unaudited condensed consolidated financial statements for 1H 2018 reviewed by JSC KPMG. As a result of the completion on 9 June 2018 of the transaction to create a joint venture with JSC Gazprombank, LLC Financial Investments (a subsidiary of USM Holdings) and LLC RT-Business Development (a subsidiary of Rostec), the Group has ceased to consolidate the financial position and the results of operations of its subsidiary, Mail.Ru Group Limited. For all the periods presented in the interim **unaudited consolidated income statement of the Group for 1H 2018 the results of Mail.Ru are presented net under “Discontinued operations” line**. Accordingly, all financial data in this press release refers to the financial data of the Group, exclusive of the **Mail.Ru results. Such data was previously reported as the results of the “telecom segment”** and now corresponds to results from continuing operations of the Group grossed up for the intragroup amounts between MegaFon Group and Mail.Ru Group.
 2. See Schedule 1 for definitions of the terms used and Schedule 2 for the reconciliation of Non-IFRS measures. Due to rounding actual numbers and calculations for financials and KPIs may differ from those set forth in this release.
 3. **Year over year (“y-o-y”) stands for the same periods in the current and previous year on either a quarterly or yearly basis**
 4. OIBDA and OIBDA margin are presented as reported, organic OIBDA and organic OIBDA margin amounted to 31,783 million and 38.8%, respectively. See Schedule 2 for the reconciliation of organic OIBDA and organic OIBDA margin.
 5. Net Profit is presented as reported Profit from continuing operations grossed up for the intragroup amounts between MegaFon Group and Mail.Ru Group. Organic Net Profit amounted to 5,772 million. See Schedule 2 for the reconciliation of organic Net Profit. Q2 2017 Net Profit is adjusted to exclude the non-cash impairment relating to the Euroset joint venture in the amount of RUB 15.9 billion.
 6. Subscriber data includes subscribers of the Company in Russia and the subscribers of its subsidiaries: “TT mobile” CJSC in the Republic of Tajikistan, “AQUAFON-GSM” CJSC in the Republic of Abkhazia and “OSTELEKOM” CJSC in the Republic of South Ossetia.



Sergey Soldatenkov, the Group's Chief Executive Officer, commented on the financial and operating results as follows:



Financial results

I am pleased to announce that we have had a good quarter and our key financial indicators demonstrated positive trends in Q2 2018 and were in line with our guidance. Our consolidated revenue is up by 5.1% y-o-y, our total service revenue is up by 6.2% y-o-y, our data revenue is up by 12.7% y-o-y, and our OIBDA is up by 5.4% y-o-y. All of this growth was achieved largely through the positive market response to our product development initiatives and continued development of our tariff offers such as **“Vkluchaisya!” (“Connect!”) and other innovative offers in line with our digital strategy.**

Digital services ecosystem development

We continue to streamline our existing products and develop new digital solutions combining them into a unified ecosystem. We provide new opportunities for our subscribers as well as our corporate and government clients which both increase their loyalty and achieve additional monetisation of our data transfer services.

We believe that personalised service is our future. In Q2 we launched a smart service that, based on Big Data analysis of the behavioural patterns of millions of our subscribers, selects from our product portfolio specific products for individual subscribers and offers them to the specific **subscriber. We also launched a “Roaming, goodbye” option, so now our subscribers can use internet, voice and SMS services at their home rates while travelling abroad.** At the same time we keep extending our portfolio of B2B products and are now shifting to a single window service model providing support to our B2B clients at all stages of their projects – from incorporating new entities to hiring personnel to setting up security systems.

The most mobile FIFA World Cup

From June to July Russia hosted the most significant sporting event in the world - the FIFA World Cup. Under a contract with National Centre of Informatisation, a subsidiary of state corporation Rostec, we provided the telecom infrastructure for wireless and wireline services at all of the event sites. We managed to build the best ecosystem of mobile communications for organisers, participants and fans of the event by developing a geographically dispersed, fully backed up network that enabled us to provide uninterrupted service. The colossal scale of the infrastructure that was built over just a one-year period could be compared to setting up a complete network for a small operator. We had our best people working on the project maintaining the 24/7 functioning of all equipment so that the World Cup visitors could call their relatives and friends and share their pictures and emotions.

The **FIFA World Cup made world records by becoming ‘the most mobile’ event in the history of major sporting events.** Over the duration of the championship fans at stadiums and fan-zones in all of the host cities spent 34 million minutes talking which is the equivalent of one subscriber talking non-stop for more than 65 years. Total Internet traffic reached more than 500 TB, but our infrastructure seamlessly coped with all the volumes.



5G leadership

Technological leadership are not simply words for MegaFon, it is our company's development philosophy. We continued leading the development of 5G in Russia and have already demonstrated the first examples of practical applications of the technology. One of these was a pilot 5G zone where MegaFon in partnership with KAMAZ demonstrated the use of 5G services for self-driving vehicles for the first time in Russia.

MegaFon also became the first in Russia to live air a football match in VR format using 5G technology, providing another example of a practical use of the technology.

In cooperation with Qualcomm Technologies Inc. (a subsidiary of Qualcomm Incorporated) and Nokia, we were the first in Russia to provide ready for commercial launch 5G equipment on our network in the 5G test-zone unveiled in Moscow, Saint-Petersburg and Kazan in the run-up to the FIFA World Cup.

We are also testing 5G technologies for developing the smart city ecosystem. Together with the Moscow city IT Department and Huawei, we presented innovative cross-industry telecom and healthcare solutions such as remote scan and online doctor consultations, demonstrated telecom solutions for city security forces and unveiled a unified platform for monitoring the ecological environment – all of which could only be possible with the use of the high-speed data networks.

The Board of Directors' strategic decision

On 15 July 2018 our Board of Directors, having evaluated the benefits of the Company remaining a public company with GDRs listed on the London Stock Exchange and ordinary shares listed on the Moscow Exchange, determined that remaining a public company is no longer a strategic priority for MegaFon.

The Board approved a programme for the purchase of up to 128,950,036 ordinary shares and GDRs of MegaFon (**representing 20.8% of the Company's issued and outstanding shares**) by way of a tender offer by MegaFon Investments (Cyprus) Limited, a wholly owned subsidiary of the Company ("MICL"), and the cancellation of the listing of GDRs on the London Stock Exchange following the completion of such tender offer.

The tender offer provides MegaFon's minority shareholders with an opportunity to sell their shares and GDRs at a premium to their market price at the time the tender offer announcement was made.

The Company is committed to proceed with the tender offer. Shareholder approval of the financing for the tender offer is scheduled for 17 August 2018.

Following completion of the tender offer, MegaFon will proceed with the GDR delisting, as also approved by the Board of Directors on 15 July 2018. No further repurchases of the GDRs in connection with the delisting are expected.

The tender offer will expire on 22 August 2018. Further information regarding the tender offer by MICL and applicable procedures can be found in the Tender Offer Memorandum and other materials available at the dedicated MICL website at www.mictenderoffer.com.





Financial results⁷ (In millions of RUB, except as indicated)

	Three Months			Six Months		
	Q2 2018	Q2 2017	Q2 2018/ Q2 2017	6m 2018	6m 2017	6m 2018/ 6m 2017
Revenue	81,945	77,955	5.1%	158,404	152,449	3.9%
Wireless Services	68,317	65,290	4.6%	132,705	128,004	3.7%
Including data revenue	24,682	21,908	12.7%	47,923	42,849	11.8%
Wireline Services	7,899	6,483	21.8%	14,350	12,560	14.3%
Sales of equipment & accessories	5,729	6,182	(7.3%)	11,349	11,885	(4.5%)
OIBDA	32,261	30,615	5.4%	62,827	59,646	5.3%
OIBDA Margin	39.4%	39.3%	0.1 p.p.	39.7%	39.1%	0.6 p.p.
Net Profit	6,154	5,521 ⁸	11.5%	12,191	9,361 ⁸	30.2%
Net Profit Margin	7.5%	7.1%	0.4 p.p.	7.7%	6.1%	1.6 p.p.
CAPEX	16,227	13,139	23.5%	24,718	21,286	16.1%
CAPEX / Revenue	19.8%	16.9%	2.9 p.p.	15.6%	14.0%	1.6 p.p.

Financial results, Russia only⁹ (In millions of RUB, except as indicated)

	Three Months			Six Months		
	Q2 2018	Q2 2017	Q2 2018/ Q2 2017	6m 2018	6m 2017	6m 2018/ 6m 2017
Revenue	80,735	76,933	4.9%	156,105	150,411	3.8%
Wireless Services	67,116	64,270	4.4%	130,424	125,979	3.5%
Including data revenue	24,212	21,570	12.2%	47,014	42,180	11.5%
Wireline Services	7,890	6,480	21.8%	14,333	12,548	14.2%
Sales of equipment & accessories	5,729	6,183	(7.3%)	11,348	11,884	(4.5%)
OIBDA	31,953	30,667	4.2%	62,223	59,628	4.4%
OIBDA Margin	39.6%	39.9%	(0.3 p.p.)	39.9%	39.6%	0.3 p.p.
Net Profit	6,721	6,067 ⁸	10.8%	13,084	10,557 ⁸	23.9%
Net Profit Margin	8.3%	7.9%	0.4 p.p.	8.4%	7.0%	1.4 p.p.

7. The amounts are presented as reported results from continuing operations grossed up for the intragroup amounts between MegaFon Group and Mail.Ru Group.

8. Net Profit is adjusted to exclude the non-cash impairment relating to the Euroset joint venture in the amount of RUB 15.9 billion in Q2 2017.

9. The amounts are presented as reported results from continuing operations grossed up for the intragroup amounts between MegaFon Group and Mail.Ru Group, and excluding mutual settlements with "TT mobile" CJSC, "AQUAFON-GSM" CJSC and "OSTELEKOM" CJSC.



Revenue

Total revenue in Q2 2018 increased by 5.1% y-o-y to RUB 81,945 million, as our service revenue continued to improve. Revenue from Russia remained the major component in this segment, accounting for approximately 98.5% of total revenue.

In Q2 2018 our wireless service revenue increased by 4.6% y-o-y to RUB 68,317 million, while mobile data revenue as the driver of this growth increased by 12.7% y o-y to RUB 24,682 million.

The wireless service revenue, and data revenue in particular, were boosted by our ‘bestseller’ tariff line “Vkluchaysya!” (“Connect!”) which was introduced to the market in Q2 2017. During the quarter we launched a tariff plan for B2X clients “Upravlyai!” (“Manage!”) which gives customers flexibility in picking the level and content of services for the same monthly fee. We also promoted our products for roamers that encourage travelers to use data services while abroad. All of these initiatives had a positive impact on our service revenue. Voice and data service consumption during the FIFA World Cup also contributed to the revenue growth.

Our VAS-services such as mobile finance, MegaFon.TV and others continued to show positive dynamics attracting new subscribers and driving VAS revenue up by 13.5% y-o-y in Q2 2018. The FIFA World Cup had a particular impact on MegaFon.TV whose traffic increased five times over the average during the period of the event.

In Q2 2018 wireline service revenue increased by 21.8% y-o-y to RUB 7,899 million. The revenue of approximately RUB 800 million from a B2G contract under which we provided telecom infrastructure for the FIFA World Cup boosted wireline revenue significantly. Even without this impact, wireline revenue demonstrated growth on the back of our further expanding service portfolio.

Revenue from sales of equipment and accessories in Q2 2018 decreased by 7.3% y-o-y to RUB 5,729 million due to a decline in the number of our retail outlets as a result of our decision taken in 2017 to reduce our distribution network.

OIBDA and OIBDA Margin

OIBDA in Q2 2018 increased by 5.4% y-o-y to RUB 32,261 million. This increase includes a positive impact from the adoption of IFRS 15 in the amount of RUB 478 million. Organic OIBDA in Q2 2018 increased by 3.8% y-o-y to RUB 31,783 million.

The increase in OIBDA was mainly driven by the 5.1% revenue increase. The increase in revenue was partly offset by a higher cost of revenues and advertising expenses, and higher employment expenses resulting from an increase in the number of staff and higher employee bonus accruals based on our improved performance.

In Q2 2018 our advertising expenses increased because of the promotion of new marketing initiatives and more active advertising campaigns.

OIBDA Margin in Q2 2018 increased by 0.1 p.p. y-o-y to 39.4%. Organic OIBDA Margin decreased by 0.5 p.p. y-o-y to 38.8% mainly due to an increase in employee costs as we are working on attracting and retaining highly skilled professionals to develop our services relating to our digital ecosystem programme, as well as higher employee bonus accruals.

Net Profit

Net Profit in Q2 2018 increased by 11.5% y-o-y to RUB 6,154 million. Eliminating the positive IFRS 15 impact of RUB 382 million, organic Net Profit increased by 4.5% y-o-y to RUB 5,772 million. The increase in OIBDA, as well as a RUB 651 million gain from the contribution of Euroset to Svyaznoy in exchange for a 25% interest in Svyaznoy, contributed to this growth, although this growth was partially offset by an increase in foreign exchange losses of RUB 912 million y-o-y due to adverse movements in exchange rates.



CAPEX

CAPEX in Q2 2018 increased by 23.5% to RUB 16,227 million.

The major investment projects in Q2 2018 were the continued roll-out of LTE and LTE-Advanced coverage, investment into equipment required to comply with Yarovaya (data storage) law, and the continued development of our billing platform.

Free Cash Flow to Shareholders

Free cash flow to shareholders in Q2 2018 increased by RUB 449 million y-o-y to RUB 7,867 million due to high operating cash flows that exceeded the increased CAPEX.

Net Debt

Net debt decreased by 7.4% from RUB 231,790 million as of 31 March 2018 to RUB 214,743 million as of 30 June 2018 due to lower total debt and increased bank deposits. Our leverage ratio was 1.72x.

EPS

Basic and diluted EPS for Q2 2018 remained flat y-o-y at RUB 10 per share.

New accounting standards

Starting from 1 January 2018 we adopted the new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments'. The adoption of IFRS 9 did not have a material impact on our financial statements. The key impact for us of the adoption of IFRS 15 was the capitalisation of costs incurred to acquire new customer contracts, which increased our Net Profit by RUB 382 million in 2Q 2018, net of tax of RUB 96 million (the effect on Net Profit for 1H 2018 amounted to RUB 832 million, net of tax of RUB 208 million). We adopted IFRS 15 using the modified retrospective method, i.e. we increased our deferred costs assets by RUB 1,707 million and increased our opening retained earnings by RUB 1,366 million, net of tax effect.

Outlook/Guidance¹⁰

We reiterate our guidance for 2018 announced earlier in the year: our service revenue growth to be flat to low single digits, our OIBDA to stay flat and our CAPEX to increase and to reach RUB 75-80 billion to comply with the Yarovaya data storage law.

10. Guidance is presented excluding the impact of IFRS 15 adoption.



Wireless subscribers in Russia as of

	30 June 2018	30 June 2017	Change
Number of wireless subscribers (K)	75,878	75,770	0.1%
of which data service users (K)	31,400	30,965	1.4%
Share of data service users	41.4%	40.9%	0.5 p.p.

Our Russian wireless subscriber base remained at the same level as last year with a slight increase of 0.1% y-o-y to 75.9 million as of 30 June 2018.

Our data service user base in Russia increased by 1.4% y-o-y to 31.4 million as of 30 June 2018 due to a push in marketing and promotion initiatives.

The increase in subscriber base is partially due to the one-off effect of SIM-card purchases by visiting World Cup fans.

Our share of data service users continued to grow and reached 41.4% of the overall subscriber base in Russia.

Data operating indicators

	Q2 2018	Q2 2017	Q2 2018/ Q2 2017	6m 2018	6m 2017	6m 2018/ 6m 2017
ARPDU (RUB)	258	233	10.7%	252	228	10.5%
DSU (MB)	8,777	6,029	45.6%	8,667	5,878	47.4%

ARPDU increased in Q2 2018 by 10.7% y-o-y to RUB 258 as a result of data revenue growth **supported mainly by our marketing initiatives and the impact of our tariff line “Vkluchaisya!” (“Connect!”)**.

DSU increased in Q2 2018 by 2.7 gigabytes, or 45.6% y-o-y, to 8.8 gigabytes, driven by the continued growth of smartphone penetration (currently, penetration of smartphones represents 67.4%) **and the extension of our tariff line “Vkluchaisya!” (“Connect!”) and other tariffs which stimulate data usage.** Data usage also increased in Q2 due to the one-off effect of the FIFA World Cup.



Conference call

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its results for the second quarter ended 30 June 2018 at 11.00 (New York time), 16.00 (London time), 18.00 (Moscow time)

Dial-in details:

Local – Moscow, Russia:	+7 495 646 9190
National free phone - Russian Federation:	810 800 2867 5011
Local – London, United Kingdom:	+44 (0) 33 0336 9411
National free phone - United Kingdom:	(0) 800 279 7204
Local - New York, United States of America:	+1 646 828 8156
National free phone - United States of America:	+1 888 609 5704
Access codes:	9139141# (Russian and English) 6703869# (English only)

Audiocast and slide presentation

<http://ir.megafon.com/>

The presentation file in PDF format will be available for download at least one hour before the event starts. Replay facilities will be available for 7 days.

For replay

National free phone - Russian Federation:	810 800 2702 1012
Local – London, United Kingdom:	+44 207 660 0134
National free phone - United Kingdom:	(0) 808 101 1153
Local - New York, United States of America:	+1 719 457 0820
National free phone - United States of America:	+1 888 203 1112
Access codes:	9139141# (Russian and English) 6703869# (English only)

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Notes to editors

MegaFon is a pan-Russian operator of digital opportunities, operating in all segments of the telecommunications markets in Russia, and in the Republics of Abkhazia, South Ossetia and Tajikistan. MegaFon is a recognised market leader in the provision of mobile data services, was the first operator in Russia to launch commercial operation of a third generation (3G) network and was the first operator in the world to launch commercial operation of an LTE-Advanced (4G) data network. MegaFon is traded on the Moscow Exchange and the London Stock Exchange under the symbol MFON. Additional information about MegaFon and the products and services provided by the Group can be found at <http://www.megafon.ru>.

Disclaimers, statement regarding inside information and forward looking statements

The above discussion and analysis should be read in conjunction with the Group's consolidated financial statements which are available for download on the Group's website at:

<http://corp.megafon.com/investors/>

Some of the information in this document may be inside information. The subject matter, the identity of the issuer, the identity of the persons making the notification and their titles, and the date and time of the notification are all as set forth above.

Certain statements and/or other information included in this document may not be historical facts and may constitute "forward looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 2(1)(e) of the U.S. Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate", "plans", "forecast", "project", "will", "may", "should" and similar expressions may identify forward looking statements but are not the exclusive means of identifying such statements. Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, the risks we face in our business and our response to them, our plans or goals relating to forecasted production, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, and other information that is not historical information, together with the assumptions underlying these forward looking statements. By their very nature, forward looking statements involve inherent risks, uncertainties and other important factors that could cause our actual results, performance or achievements to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the political, economic, social and legal environment in which we will operate in the future. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. We expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect actual results, changes in assumptions or in any other factors affecting such statements.



Schedule 1: Definitions

ARPDU (Average Monthly Revenue Per Data Services User) is calculated for a given period by **dividing the Group's data services revenues** for a given period by the average number of its data services users during that period, and further dividing the result by the number of months in that period.

Capital Expenditures (CAPEX) comprises the cost of purchases of new equipment, new construction, acquisition of new or upgrades to software, acquisition of spectrum and other intangible assets, and purchases of other long-term assets, together with related costs incurred prior to the intended use of the applicable assets, all accounted for as of the earliest time of payment or delivery. Long-term assets obtained through business combinations are not included in the calculation of capital expenditures.

Data service user is defined as a subscriber who has consumed any amount of data traffic within preceding month.

Diluted EPS is calculated by adjusting both numerator and denominator in the EPS calculation so as to reflect the effect of including the additional shares that would have been outstanding if all options and other rights to acquire shares had been converted into actual shares.

DSU (Monthly Average Data Services Usage per User) is calculated by dividing the total number of megabytes transferred by our network during a given period by the average number of data services users during such period and dividing the result by the number of months in such period.

EPS (Earnings per Share) **means an amount of the Group's profit allocated to one share of its stock**, and is calculated by dividing Net Profit for a reporting period by the weighted average number of shares outstanding during the period. No earnings are allocated to treasury shares.

Free Cash Flow to Shareholders means cash from operating activities, less cash paid for purchases of property, equipment and intangible assets and interest paid, increased by proceeds from sales of property and equipment and interest received. It is a financial measure which should be considered as supplementary but not as an alternative to the information provided in **the Group's financial statements**. A reconciliation of free cash flow and cash from operating activities is provided in Schedule 2.

Group means PJSC "MegaFon" together with its consolidated subsidiaries. Previously, the Group had consolidated the financial position and the results of operations of its subsidiary, Mail.Ru Group Limited ("Mail.Ru"), from the beginning of 2017. As of June 2018, the Group concluded that it no longer had the ability to direct relevant activities of Mail.Ru, and therefore no longer had control over that company. Accordingly, the Group has ceased to consolidate the financial position and the results of operations of Mail.Ru, with effect from the end of Q2 2018. Information relating solely to Mail.Ru can be found at <https://corp.mail.ru/en/investors/>.

LTV means lifetime value of a subscriber, i.e. the present value of the future cash flows attributed to the subscriber during his/her entire relationship with the Group.

Net debt position means the difference between (a) cash, cash equivalents, and principal amount of deposits and (b) principal amount of loans and borrowings less unamortised debt issuance fees. It is a financial measure which should be considered as supplementary but not as **an alternative to the information provided in the Group's financial statements**. A description of how the metric is calculated is provided in Schedule 2.

Net Profit is profit for the period from continuing operations attributable to equity holders of the Group grossed up for intragroup amounts between MegaFon Group and Mail.Ru Group.

Organic Net Profit is Net Profit excluding the impact of IFRS 15 adoption. Starting from 1 January 2018, **MegaFon has adopted new IFRS standards, namely: IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers"**. For convenience of use, throughout the financial year of 2018, MegaFon shall be presenting its financial results as reported, i.e. including impact



of IFRS 9 and IFRS 15, and organically, i.e. excluding the impact of adoption of the mentioned standards.

OIBDA (Operating Income Before Depreciation and Amortisation) is a financial measure not defined by IFRS, should be considered as supplementary and not as an alternative to the information provided in the financial statements of the Group. OIBDA margin means OIBDA as a percentage of revenue. OIBDA and OIBDA margin are widely used by investors, analysts and rating agencies as a measure to evaluate and compare current and future operating performance and to determine the value of companies within the telecommunications industry. However, the **Group's definition of OIBDA and OIBDA margin may not be directly comparable to similarly** named financial measures and disclosures by other companies. A reconciliation of OIBDA to operating profit is provided in Schedule 2.

Organic OIBDA is OIBDA net of the impact of IFRS 15 adoption.

Wireless Subscriber is defined as each SIM card that is activated in our billing system or has had at least one chargeable traffic event (that is, use of voice, VAS or data transfer services) within the preceding three months, whether chargeable to the subscriber or to a third party (for example, interconnection charges payable by other operators). Where an individual person holds more than one SIM card, each SIM card is included as a separate subscriber.



Schedule 2: Reconciliations of Non-IFRS financial measures¹¹ (In millions of RUB, except as indicated)

OIBDA

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating profit	15,052	17,369	12,517	14,790	15,973
Depreciation	13,474	13,786	14,086	12,227	12,229
Amortisation	2,040	2,070	2,020	3,658	3,914
Loss/(gain) on disposal of non-current assets	49	114	242	(109)	145
OIBDA	30,615	33,339	28,865	30,566	32,261
IFRS 15 effect	—	—	—	(562)	(478)
Organic OIBDA	—	—	—	30,004	31,783

OIBDA margin as percentage of revenue

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Operating profit	19.3%	20.5%	14.8%	19.3%	19.5%
Depreciation	17.3%	16.3%	16.6%	16.0%	14.9%
Amortisation	2.6%	2.5%	2.4%	4.8%	4.8%
Loss/(gain) on disposal of non-current assets	0.1%	0.1%	0.3%	(0.1%)	0.2%
OIBDA Margin	39.3%	39.4%	34.1%	40.0%	39.4%
IFRS 15 effect	—	—	—	(0.8%)	(0.6%)
Organic OIBDA Margin	39.3%	39.4%	34.1%	39.2%	38.8%

Net Profit and Net Profit margin

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Net Profit	5,521 ¹²	8,121	3,037	6,037	6,154
IFRS 15 effect	—	—	—	(450)	(382)
Organic Net Profit	5,521	8,121	3,037	5,587	5,772
Net Profit Margin	7.1%	9.6%	3.6%	7.9%	7.5%
IFRS 15 effect Margin	—	—	—	(0.6%)	(0.5%)
Organic Net Profit Margin	7.1%	9.6%	3.6%	7.3%	7.0%

11. The amounts are presented as reported results from continuing operations grossed up for the intragroup amounts between MegaFon Group and Mail.Ru Group.

12. Net Profit is adjusted to exclude the non-cash impairment relating to the Euroset joint venture in the amount of RUB 15.9 billion in Q2 2017.



Net debt as of

	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018
Cash and cash equivalents	19,880	13,653	20,776	24,345	14,553
Bank deposits (principal amount)	19,291	15,797	7,553	4,125	21,912
Loans and borrowings (principal amount) less unamortised fees and discounts	(265,160)	(262,562)	(262,846)	(260,260)	(251,208)
Net debt	(225,989)	(233,112)	(234,517)	(231,790)	(214,743)

Free cash flow to shareholders

	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Net cash flows from operating activities	25,489	30,240	31,403	24,213	25,363
Purchase of property, equipment and intangible assets	(11,558)	(14,187)	(12,599)	(19,426)	(11,522)
Proceeds from sale of property and equipment	166	35	250	373	341
Interest received	270	382	667	235	209
Interest paid	(6,949)	(5,650)	(6,722)	(5,548)	(6,524)
Free cash flow to shareholders	7,418	10,820	12,999	(153)	7,867



Schedule 3: Summarised H1 financial information of the Group (In millions of RUB, except as indicated)

Summarised income statement of the Group

	6m 2018	6m 2017
Revenue	158,396 ¹³	152,449
Operating expenses	(127,518) ¹³	(124,322)
Operating profit	30,878 ¹³	28,127
Non-Operating loss	(14,946)	(31,541)
Profit before tax from continuing operations	15,932 ¹³	(3,414)
Income tax expense	(3,696)	(2,988)
Profit from continuing operations, net of tax	12,236 ¹³	(6,402)
Profit from discontinued operations, net of tax	11,584	951
Profit for the period	23,820	(5,451)
Profit for the period attributable to equity holders of the Group	26,293	(6,404)
Basic and diluted, earnings per share for the period attributable to equity holders of the Group	44	(11)

Summarised financial position of the Group as of

	30 June 2018	31 December 2017
Non-current assets	399,618	462,602
Current assets	84,609	99,125
Total assets	484,227	561,727
Total equity	138,546	165,309
Non-current liabilities	268,697	259,988
Current liabilities	76,984	136,430
Total liabilities	345,681	396,418
Total equity and liabilities	484,227	561,727

Summarised cash flow information of the Group

	6m 2018	6m 2017
Net cash flows from operating activities	54,401	62,191
Net cash flows used in investing activities	(50,079)	(80,515)
Net cash flows (used in)/provided by financing activities	(28,818)	16,048
Net change in cash and cash equivalents	(24,496)	(2,276)

13. Amounts in the interim unaudited condensed financial statements of the Group are shown net of intragroup amounts between MegaFon Group and Mail.Ru Group, while financial results discussed in this press-release include intragroup amounts.