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MegaFon increased revenue and net profit in Q1 2021

The Company continues reducing its leverage, and demonstrated growth across key metrics

Key results for Q1 2021¹:

- Revenue grew by 2.0 % y-o-y to RUB 81.1 billion
- OIBDA was up 0.3% y-o-y to RUB 36.1 billion, while OIBDA margin was down 0.8 p.p. y-o-y to 44.5%
- CAPEX decreased by 38.3% y-o-y to RUB 7.1 billion
- Net profit increased by 46.1% y-o-y to RUB 7.6 billion
- Net debt decreased by RUB 3.3 billion q-o-q to RUB 306.3 billion

Revenue growth

Service revenue for Q1 2021 was up 0.9% y-o-y to RUB 74.1 billion driven by an increase in revenue from data and digital services, in particular, solutions for remote work and remote management of facilities, big data services and content services such as START.

Factors which negatively impacted service revenue continues to be mainly: falling international roaming revenues; an outflow of guest workers due to international travel restrictions amid the continued pandemic; and lower activity and reduced spending on services by subscribers.

However, customer activity and the retail market gradually improved during Q1 2021. Revenue from sales of equipment and accessories grew 14.4% y-o-y to RUB 7.0 billion, driven by strong sales of high-end smartphones and increased demand for in-store services.

Customer base

MegaFon's customer base in Russia (calculated using the new accounting system referred to below) remained flat year-on-year at 70.5 million.

Following the migration to a new billing model, completed in Q2 2020, MegaFon adjusted its customer base accounting system, imposing stricter requirements for monitoring customer activity. The new system will enable the Company to use its numbering capacity more effectively.

Performance management

In Q1 2021, OIBDA grew 0.3% y-o-y to RUB 36.1 billion, with OIBDA margin down 0.8 p.p. y-o-y to 44.5%, primarily due to increases in sales of low-margin equipment and in advertising expenses (which previously had been significantly reduced) in anticipation of a recovery in consumer activity.

The Company continues to manage its costs effectively and to deleverage its balance sheet. Net profit grew by 46.1% y-o-y to RUB 7.6 billion, largely driven by lower finance charges resulting from the deleveraging and optimisation of our credit portfolio and as a result of our successful management of our FX positions.

The best mobile network in Russia

The total number of base stations in Q1 2021 exceeded 196,500, with the advanced 4G/LTE segment showing year-on-year growth of 19.6%. Over 3,600 LTE and LTE Advanced base stations were put into operation during the quarter. CAPEX in Q1 2021 was RUB 7.1 billion, down 38.3% y-o-y.

1. Based on the unaudited IFRS interim condensed consolidated financial statements for Q1 2021 reviewed by JSC KPMG. Due to manual rounding, financial and operating results may differ from those presented here. All changes are shown for the same periods in the current and previous year on a quarterly or annual basis, unless otherwise indicated.



The major infrastructure investments which we have made over a number of years have ensured the high quality of our subscriber services, established the Company's leading position in data speed in Russia, and enabled the Company to actively develop its network at lower cost.

Financial results (in millions of RUB, except as indicated)

	Q1 2021	Q1 2020	Q1 2021/ Q1 2020
Revenue	81,132	79,552	2.0%
Service revenue	74,089	73,393	0.9%
Sales of equipment and accessories	7,043	6,159	14.4%
OIBDA	36,113	36,013	0.3%
OIBDA margin	44.5%	45.3%	(0.8 p.p.)
Net profit	7,555	5,172	46.1%
CAPEX	7,088	11,496	(38.3%)



For more information

Media:

pr@megafon.ru

+7 925 696-05-07

Investors:

ir@megafon.ru

+7 495 926-20-12

Notes to editors

PJSC “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. It focuses in particular on quality of service and providing Internet at top speeds to its subscribers. 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, the first operator in the world to launch commercial operation of an LTE Advanced (4G) data network and was the first operator in Russia to complete a 5G international videocall. 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/>

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

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.

Group means PJSC “MegaFon” together with its consolidated subsidiaries.

Net profit is profit for the period attributable to equity holders of the Group.

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 comparable with similarly titled performance measures used and disclosures made by other entities.

Net debt 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.