



26 August 2021

# MegaFon increased revenue by 7% y-o-y in Q2 2021

The Company demonstrates growth across all key financial metrics

## Key results for Q2 2021:<sup>1</sup>

- Revenue grew by 7.1% y-o-y to RUB 84.1 billion
- OIBDA was up 5.6% y-o-y to RUB 37.6 billion, while OIBDA margin was down 0.7 p.p. y-o-y to 44.7%
- CAPEX was up 4.6% y-o-y to RUB 13.7 billion
- Net profit tripled to RUB 12.7 billion y-o-y
- Net debt decreased by RUB 4.4 billion q-o-q to RUB 301.9 billion

## Revenue growth

Service revenue for Q2 2021 was up by 4.5% y-o-y to RUB 76.6 billion, evidencing a continued recovery from the negative impact of the pandemic. Key growth drivers included revenue from data services, content services (in particular from the START group), and digital services, where there is continued strong demand for analytical services using big data and innovative solutions to organise remote work and remote management of facilities. International roaming revenue also showed growth as border restrictions were eased.

Customer activity in the retail market continued to recover in the second quarter. Revenue from sales of equipment and accessories grew 44.6% y-o-y to RUB 7.5 billion, driven in part by stronger demand for high-end smartphones.

## Customer base

MegaFon's customer base in Russia (calculated using the new accounting system referred to below) grew 2.1% y-o-y to 72 million.

Following its migration to a new billing model, completed in 2H 2020, MegaFon has adjusted its system for accounting for its customer base. The new system not only imposes stricter requirements for monitoring customer activity, but will also enable the Company to use its numbering capacity more effectively.

## Performance management

In Q2 2021, OIBDA grew 5.6% y-o-y to RUB 37.6 billion, with OIBDA margin down 0.7 p.p. to 44.7% y-o-y, primarily due to increased advertising costs (spending in the prior year was reduced because of the pandemic and low consumer activity) as well as increases in sales of low-margin equipment.

Net profit tripled to RUB 12.7 billion y-o-y driven by effective cost management, deleveraging and successful hedging of our FX positions.

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1. Based on the IFRS interim condensed unaudited financial statements for Q2 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 best mobile network in Russia**

The total number of base stations in Q2 2021 exceeded 199,600, with the advanced 4G/LTE segment showing a 17.5% growth y-o-y.

In Q2 2021, CAPEX grew 4.6% y-o-y to RUB 13.7 billion, thereby ensuring the high quality of our subscriber services and helping the Company retain its leading position in the mobile data market. According to Ookla's Speedtest Intelligence analysis for 1H 2021, MegaFon has provided the fastest mobile internet in Russia for the fifth year running.

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

	3M			1H		
	Q2 2021	Q2 2020	Q2 2021/ Q2 2020	2021	2020	2021/ 2020
Revenue	84,129	78,543	7.1%	165,261	158,095	4.5%
Service revenue	76,629	73,357	4.5%	150,718	146,750	2.7%
Sales of equipment and accessories	7,500	5,186	44.6%	14,543	11,345	28.2%
OIBDA	37,631	35,625	5.6%	73,744	71,638	2.9%
OIBDA margin	44.7%	45.4%	(0.7 p.p.)	44.6%	45.3%	(0.7 p.p.)
Net profit	12,679	3,972	219.2%	20,234	9,144	121.3%
CAPEX	13,734	13,126	4.6%	20,822	24,622	(15.4%)



## For more information

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## 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.