

# **ROSTELECOM FINANCIAL AND OPERATING RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2021**

**9 NOVEMBER 2021**



## PRESS-RELEASE

MOSCOW, NOVEMBER 9, 2021

### ***Third quarter revenue increased by 5%, with OIBDA<sup>1</sup> up 9%***

**Moscow, Russia** – November 9, 2021 - Rostelecom PJSC (MOEX: RTKM, RTKMP; OTCQX: ROSYY), the largest digital service provider in Russia, today announces its consolidated financial results for the third quarter and nine months of 2021 prepared in accordance with IFRS.

#### **THIRD QUARTER 2021 KEY FINANCIAL HIGHLIGHTS**

- Revenue increased by 5% to RUB 141.2 billion compared to 3Q 2020;
- OIBDA up 9% to RUB 58.3 billion;
- OIBDA margin up 1.5 p.p. to 41.3%;
- Net profit of RUB 8.4 billion, compared to RUB 11.8 billion reported in 3Q 2020;
- CAPEX<sup>2</sup> excluding state programs increased by 1% year-on-year to RUB 24.6 billion (17.4% of revenue);
- FCF<sup>3</sup> of RUB 13.3 billion, compared to RUB 18.9 billion for the same period of 2020;
- Net Debt<sup>4</sup> (including lease liabilities) increased by 8% YTD, amounting to RUB 502.5 billion, resulting in a Net Debt (including lease liabilities)/OIBDA ratio of 2.3x.

#### **KEY FINANCIAL HIGHLIGHTS FOR NINE MONTHS OF 2021**

- Revenue increased by 7% to RUB 411.8 billion compared to the nine months of 2020;
- OIBDA increased by 13% year-on-year to RUB 169.7 billion compared to the nine months of 2020;
- OIBDA margin increased by 2.3 p.p. to 41.2% compared to the nine months of 2020;
- Net profit increased by 17% to RUB 31.4 billion compared to the nine months of 2020;
- CAPEX excluding state programs increased by 7% year-on-year to RUB 76.2 billion (18.5% of revenue);
- FCF improved by RUB 13.5 billion, to amount to RUB 16.6 billion.

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<sup>1</sup> Here and below, please refer to Attachment 1 of this statement for a full definition of OIBDA.

<sup>2</sup> Here and below, capital expenditure ("CAPEX") comprises cash spent on fixed assets and intangible assets.

<sup>3</sup> Here and below Free Cash Flow (FCF) is calculated as net cash from operating activity minus CAPEX, plus proceeds from selling fixed assets and intangible assets, plus interest received, plus subsidy from government.

<sup>4</sup> Here and below, Net Debt is calculated as total debt (including long-term and short-term lease liabilities) less cash, cash equivalents and short-term investments (other financial assets).

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### Key figures for 3Q 2021, RUB mln

RUB million	3Q 2021	3Q 2020	change, y-o-y
<b>Revenue</b>	<b>141,213</b>	<b>134,988</b>	<b>5%</b>
<b>OIBDA</b>	<b>58,323</b>	<b>53,678</b>	<b>9%</b>
<i>OIBDA margin %</i>	<i>41.3%</i>	<i>39.8%</i>	<i>-</i>
<b>Operating Income</b>	<b>21,228</b>	<b>23,423</b>	<b>(9%)</b>
<i>Operating margin %</i>	<i>15.0%</i>	<i>17.4%</i>	<i>-</i>
<b>Net Income</b>	<b>8,398</b>	<b>11,768</b>	<b>(29%)</b>
<i>% of revenue</i>	<i>5.9%</i>	<i>8.7%</i>	<i>-</i>
<b>Capital Expenditure excl. state programs</b>	<b>24,638</b>	<b>24,326</b>	<b>1%</b>
<i>% of revenue</i>	<i>17.4%</i>	<i>18.0%</i>	<i>-</i>
<b>Net debt (incl. lease liabilities)</b>	<b>502,487</b>	<b>501,593</b>	<b>0.2%</b>
<b>Net debt (incl. lease liabilities)/ OIBDA</b>	<b>2.3</b>	<b>2.6</b>	<b>-</b>
<b>FCF</b>	<b>13,339</b>	<b>18,939</b>	<b>(5,600)</b>

### Key figures for 9M 2021, RUB mln

RUB million	9M 2021	9M 2020	change, y-o-y
<b>Revenue</b>	<b>411,760</b>	<b>383,880</b>	<b>7%</b>
<b>OIBDA</b>	<b>169,698</b>	<b>149,559</b>	<b>13%</b>
<i>OIBDA margin %</i>	<i>41.2%</i>	<i>39.0%</i>	<i>-</i>
<b>Operating Income</b>	<b>65,698</b>	<b>61,670</b>	<b>7%</b>
<i>Operating margin %</i>	<i>16.0%</i>	<i>16.1%</i>	<i>-</i>
<b>Net Income</b>	<b>31,382</b>	<b>26,870</b>	<b>17%</b>
<i>% of revenue</i>	<i>7.6%</i>	<i>7.0%</i>	<i>-</i>
<b>Capital Expenditure excluding state programmes</b>	<b>76,192</b>	<b>70,977</b>	<b>7%</b>
<i>% of revenue</i>	<i>18.5%</i>	<i>18.5%</i>	<i>-</i>
<b>Net debt (incl. lease liabilities)</b>	<b>502,487</b>	<b>501,593</b>	<b>0.2%</b>
<b>Net debt (incl. lease liabilities)/ OIBDA</b>	<b>2.3</b>	<b>2.6</b>	<b>-</b>
<b>FCF</b>	<b>16,561</b>	<b>3,015</b>	<b>13,546</b>

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**Mikhail Oseevskiy, President of Rostelecom, commented:** *"In the third quarter of 2021, Rostelecom continued to grow steadily, having achieved its key financial and operational targets. Revenue grew by 5%, OIBDA increased by 9%, and the company continues to increase its free cash flow, which reached almost RUB 17 billion during the 9 months of 2021, which will support our plans to increase dividend payments for the current year (of RUB 6 per share) and beyond."*

*"A key strategic initiative for the period was the recent acquisition by Rostelecom of BFT, a leading public services digitisation provider. Our focus on identifying promising and fast-growing digital business segments is a significant part of our transformation."*



**Vladimir Kirienko, First Vice-President of Rostelecom, commented:** *"The development of our brand-new services and solutions helps us generate additional value through our segment & cluster management model.. Our main goal is to strengthen our digital leadership by providing innovative products that are rising in demand as well as to ensure stable growth and efficiency in our core business. This has enabled us to perform well across our key financial metrics in absolute terms as well as to post OIBDA margin increase by solid 1.5 p.p."*



**Sergey Anokhin, Senior Vice-President and Chief Financial Officer added:** *"The Company continued to demonstrate stable business growth and a high level of cost control during the third quarter, which ensured that we remain within our budget for 2021. The successful fulfilment of our plans during the 9 months of 2021, and the moderate macroeconomic risk outlook enables us to look more optimistically at our anticipated results for the whole Full Year. As a result of this, we are improving our previously published forecast for OIBDA growth in 2021 to **10-12% y-o-y**. In terms of revenue, the Company continues to plan for growth of at least 5% and we expect CAPEX in the range of 110-115 billion rubles (excluding the implementation of state programs)."*

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### KEY OPERATING HIGHLIGHTS

#### Fixed business

<i>Number of subscribers (million):</i>	<b>3Q 2021</b>	<b>3Q 2020</b>	<b>change, y-o-y</b>
Internet access	<b>13.5</b>	13.4	0.4%
B2C: Broadband	<b>12.4</b>	12.3	0.05%
B2B: Broadband + VPN	<b>1.1</b>	1.1	4%
Pay TV	<b>10.9</b>	10.7	2%
Incl. IPTV	<b>6.3</b>	5.9	7%
Hosted PBX	<b>0.198</b>	0.147	35%
Local telephony services	<b>12,9</b>	14,5	(11%)

<i>ARPU<sup>5</sup> (RUB):</i>	<b>3Q 2021</b>	<b>3Q 2020</b>	<b>change, y-o-y</b>
Internet access			
B2C: Broadband	<b>393</b>	390	1%
B2B: Broadband + VPN	<b>3,584</b>	3,566	1%
Pay TV (B2C)	<b>252</b>	245	3%
Incl. IPTV	<b>299</b>	298	1%
Hosted PBX	<b>945</b>	1,119	(16%)
Blended ARPU <sup>6</sup>	<b>551</b>	537	3%

#### Mobile business

	<b>3Q 2021</b>	<b>3Q 2020</b>	<b>change, y-o-y</b>
Data Traffic, incl. MVNO,Pb	<b>1,750</b>	1,351	30%
Churn, %	<b>(8.0%)</b>	(7.3%)	0.6 p.p.)
Growth of active mobile Internet users, %	<b>18.5%</b>	25.5%	(7.0 p.p.)

1. The total number of Internet subscribers among households grew to 12.4 million in the third quarter of 2021 compared to the corresponding period of last year. ARPU increased by 1% year-on-year to RUB 393;
2. The total number of Internet and VPN subscribers in B2B increased by 4% year-on-year to 1.1 million; ARPU increased by 1% year-on-year to RUB 3,584;
3. The number of pay-TV subscribers grew by 2% to 10.9 million users compared to the corresponding period of last year, with average ARPU of RUB 252 in B2C;
  - ✓ the number of IPTV subscribers increased by 7% to 6.3 million, and ARPU was RUB 299 in B2C;
4. The number of active mobile Internet users increased by 18.5% year-on-year during 3Q 2021. Year-on-year growth in mobile Internet data traffic reached 30% during the third quarter of 2021; while cellular customer base churn amounted to 8.0%/

<sup>5</sup> Average revenue per user

<sup>6</sup> Blended ARPU includes revenue from one user subscribed to a number of services simultaneously, including broadband, IPTV and digital cable TV



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### KEY EVENTS RELATING TO 3Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

#### **Business news**

- Rostelecom continues to develop and expand its range of products and services:
  - ✓ Digital OTT platform Wink:
    - A new "Wink+more.tv" package has been introduced, with over 170 TV-channels, 35k movies and series;
    - As part of partner integration with the VK Group Internet Holding, Wink is now offered within the VK Combo subscription offer;
    - Further upgrades to the Wink+ OTT box, including a new Bluetooth remote with Marusya-powered voice control (Marusya is Rostelecom's smart speaker)
    - By the end of the nine months of 2021, the number of Wink customers accessing videos on two or more devices increased to 2.5 million.
  - ✓ Rostelecom's "Key solution":
    - The mobile app now has a technical support omnichat; also alarm code functionality has been improved;
    - Rostelecom.Key now covers over 192k apartments, which contributes to the revenue growth by 45% by 3Q 2021;
  - ✓ "Smart Home" and home video surveillance services:
    - Added a Face Detection function as well as introduced a new scheduled recording function for cameras;
    - 3Q 2021 revenue grew by 35% compared to 2Q 2021.
  - ✓ Evolving B2B services:
    - A new system was introduced for signing service contracts remotely for SMEs;
    - [Predictive data science analytics to provide bespoke business solutions for SMEs](#) was integrated into Rostelecom's products;
    - Rostelecom has developed and pilot tested in VTB and SovkomBank branches a new solution. The new product "Videoanalytics Retail PRO" integrates computer vision and image understanding into cameras across bank branches for better analytics of customer experience, identification of gaps and shortfalls in business processes which helps improve sales performance and optimise staff workload and efficiency;
    - A new automatic QR code reading function has been added to the Complex Perimeter Security system for better management of entry restrictions for clients' visitors and employees, in order to meet a wide range of requirements including safety management procedures related to the pandemics;
    - Rostelecom's Hosted PBX service is now available to customers who have been contracted with other operators and are keeping their telephone numbers;
- Digital segment:

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- ✓ as part of the development of cloud and data center services:
  - CloudLine services added to Rostelecom Data Center in Novosibirsk;
  - All Rostelecom data centers are now fully certified with the PCI DSS<sup>7</sup> standard;
  - Russian Baikal-T and Baikal-M processors have been recognised as technically compatible with the TIONIX VDI software for virtual desktop infrastructures that are essential for remote work environments;
  - A new National Cloud Platform facility was put into operation in Rostelecom's Kurchatov Data Center in Moscow;
  - The Domain Coordination Center .RU/.РФ и MSK-IX has included a back-up domain registration system which enables an uninterrupted operation of domain areas;
  - Rostelecom [launched a new Tier III certified Data Center in Moscow](#) with a 207 racks capacity.

Rostelecom [was ranked first](#) by the number of data racks commissioned last year, according to CNews Analytics.

- ✓ Digital Region project:
  - Installation of 249 photo and video surveillance devices for better road traffic management, as well as three systems for transport weight-and-dimensional control;
  - Installation of 387 smart cameras in communal hallways and connection of 1,250 cameras to the city video surveillance platform;
  - External lighting systems modernised for four municipal entities.
- ✓ Cyber security services:
  - A new version of the DLP system Solar Dozor 7.5 has been introduced with an added function for macOS workstations monitoring;
  - A competence center for Solar MSS cyber security services has been launched in Samara;
  - Successful delivery of a large-scale project for integration of the Solar Dozor DLP system for Rostelecom's client Unipro;
  - Completed integration of the Solar appScreener code scanner for System Technologies, the largest bank, financial and industrial software provider in Belarus;
  - Solar appScreener was chosen by the Engineering Physics Institute to assess software compatibility with the IT security requirements of the Federal Service for Technical and Export Control (FSTEK), a federal executive body responsible for implementing the government policy for IT security.
- ✓ Rostelecom built a digital infrastructure for the Marchenkovskaya wind farm in the Rostov region;
- ✓ Rostelecom's federal platform for remote voting has been successfully deployed at the Single Voting Day on 17-19 September 2021.

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<sup>7</sup> The Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements intended to ensure that all companies that process, store, or transmit credit card information maintain a secure environment.

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- Operator business segment highlights include:
  - ✓ 8% year-on-year increase in O2O<sup>8</sup> project revenues during the nine months of 2021;
  - ✓ Rostelecom leased optical fiber spectrum at 17 sections of the highway network to ER-Telecom;
  - ✓ Provision of a Vladivostok to Tokyo channel for VimpelCom with a 10 Gbps capacity.
- Large projects undertaken include:
  - ✓ [An agreement with Russian Post](#) to provide communication services for Russia's largest corporate data network;
  - ✓ An agreement with VTB to expand lease services for racks and process rooms;
  - ✓ An agreement with Danon for supply and installation of thermal camera stations and other devices for employee and visitor management;
- Rostelecom's subsidiary, mobile operator Tele2, continues to strengthen its offering:
  - ✓ New features and offers for Tele2 customers include:
    - Yandex Pay express checkout;
    - Tele2 Disk information storage facility;
    - Access to Telegram and Viber messengers even on zero balance;
    - SIM-cards remote registration with non-qualified e-signature in the GosUslugi app (Russia's public services portal);
    - More attractive international roaming offers in Turkey;
    - SIM-cards are now sold in Moscow airports;
  - ✓ Tele2 Russia launched a new service "Kids Online" which offers access to thousands of movies and cartoons as well as Wink's e-learning programmes.
  - ✓ Together with Mobile Solutions, Tele2 has launched "Smart Parking" the first smart device in Russia for parking payments;
  - ✓ Tele2 Russia released an online mini-series on customer service based on real customer enquiries addressed to Tele2 HelpDesk;
  - ✓ On the sustainability front, Tele2 has launched a national awareness campaign to raise awareness among the youth of the plight of older people and the digital challenges they are facing.

### **Other news**

- Rostelecom [acquired a leading public services digitisation developer BFT Holding](#);

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<sup>8</sup> Operator to Operator





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- As part of the Bridging the Digital Divide Project 2.0, mobile coverage has been extended in 3Q 2021 to 209 new villages across 26 regions of Russia;
- Rostelecom [has achieved Resq1 or the highest ESG reporting score by Russia's ESG rating agency AK&M.](#)

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## OPERATING REVIEW

### Revenue analysis

#### Revenue structure by services

<i>RUB million</i>	<b>3Q 2021</b>	<b>3Q 2020</b>	<i>change, y-o-y</i>	<b>9M 2021</b>	<b>9M 2020</b>	<i>change, y-o-y</i>
Mobile	<b>49,604</b>	45,813	8%	<b>143,611</b>	129,683	11%
Broadband	<b>24,851</b>	22,565	10%	<b>72,691</b>	66,752	9%
Digital	<b>18,418</b>	19,322	(5%)	<b>50,457</b>	46,856	8%
TV	<b>9,870</b>	9,437	5%	<b>29,741</b>	28,212	5%
Wholesale services:	<b>19,083</b>	18,653	2%	<b>56,679</b>	54,646	4%
<i>Interconnect and traffic transit services</i>	<i>4,519</i>	<i>4,487</i>	1%	<i>13,447</i>	<i>13,210</i>	2%
<i>VPN</i>	<i>8,105</i>	<i>7,376</i>	10%	<i>23,743</i>	<i>21,506</i>	10%
<i>Rent of channels</i>	<i>2,444</i>	<i>2,599</i>	(6%)	<i>7,359</i>	<i>7,520</i>	(2%)
<i>Infrastructure services</i>	<i>4,015</i>	<i>4,191</i>	(4%)	<i>12,130</i>	<i>12,410</i>	(2%)
Fixed telephony	<b>12,030</b>	13,400	(10%)	<b>37,031</b>	41,264	(10%)
Other services	<b>7,358</b>	5,798	27%	<b>21,550</b>	16,467	31%
<b>Total</b>	<b>141,213</b>	<b>134,988</b>	5%	<b>411,760</b>	<b>383,880</b>	7%

In the third quarter of 2021, revenue increased year-on-year by 5% to RUB 141.2 billion, the dynamics was driven by the following factors:

- 8% increase in revenue from mobile, mainly due to a higher volume of mobile Internet data consumption and standard voice services;
- 10% growth in revenue from broadband due to a higher number of subscribers and higher ARPU for fibre optic tariff plans, as well as revenues from Internet connection contracts reflected in books;
- High base effect of 2020 related to certain digital services driven by few significant projects

In the nine months of 2021, revenue increased by 7% year-on-year to RUB 411.8 billion, as a result of the following factors:

- 11% increase in revenue from mobile, mainly due to a higher volume of mobile Internet data consumption and standard voice services;
- 9% growth in revenue from broadband due to a higher number of subscribers, growth in ARPU as well as revenues from Internet connection contracts;
- 8% increase in digital revenues mainly driven by with the development of platform solutions for e-government, the promotion of information security solutions, cloud services and data centre services.

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### Operating income analysis

#### Breakdown of operating expenses

<i>RUB million</i>	<b>3Q 2021</b>	<b>3Q 2020</b>	<i>change, y-o-y</i>	<b>9M 2021</b>	<b>9M 2020</b>	<i>change, y-o-y</i>
Personnel costs	<b>(31,482)</b>	(31,829)	(1%)	<b>(97,848)</b>	(96,086)	2%
Depreciation, Amortization and impairment losses of non-current assets	<b>(35,985)</b>	(29,252)	23%	<b>(100,631)</b>	(84,457)	19%
Interconnection charges	<b>(24,612)</b>	(24,204)	2%	<b>(71,702)</b>	(69,153)	4%
Materials, repairs and maintenance, utilities	<b>(10,865)</b>	(10,180)	7%	<b>(30,425)</b>	(27,920)	9%
Gain on the disposal of PPE and intangible assets	<b>2,199</b>	1,536	43%	<b>7,377</b>	3,841	92%
Impairment loss of financial assets measured at amortized cost	<b>(1,701)</b>	(669)	154%	<b>(1,788)</b>	(3,135)	(43%)
Other operating income	<b>6,543</b>	4,968	32%	<b>15,814</b>	15,280	3%
Other operating expenses	<b>(24,082)</b>	(21,936)	10%	<b>(66,859)</b>	(60,580)	10%
<b>Total operating expenses</b>	<b>(119,985)</b>	(111,566)	8%	<b>(346,062)</b>	(322,210)	7%

In the third quarter of 2021, operating expenses increased by 8% year-on-year, to amount to RUB 120.0 billion, largely due to the following factors:

- 23% increase (of RUB 6.7 bln) in depreciation, amortization and impairment losses for non-current assets, partly due to a decrease of useful lives of items of a number of objects and intangible assets;
- 10% increase (of RUB 2.1 bln) in other operating expenses, due to the formation of additional reserves as well as the advertising and marketing expenses;
- 154% growth (of RUB 1.0 bln) in impairment loss of financial assets measured at amortized cost, partly attributable to the growth of reserves related to advance payments;
- 43% increase (of RUB 0.7 bln) in gains from the disposal of PPE and intangible assets, mainly due to improving results associated with the disposal of Rostelecom's real estate portfolio.

Operating expenses for the nine months of 2021 increased by 7% year-on-year to RUB 346.1 billion, largely due to the following factors:

- 19% increase (of RUB 16.2 bln) in depreciation charges and impairment losses of non-current assets, due to an increase in depreciation charges for new items of fixed assets, intangible assets and leases;
- 10% increase (of RUB 6.3 bln) in other operating expenses, including due to the formation of additional reserves, the deployment of Digital Region projects and expenses relating to the advertising and promotion of the company's services;
- 4% increase (of RUB 2.5 bln) in interconnection charges, due to an increase in direct costs driven by higher traffic volumes;
- 9% increase (of RUB 2.5 bln) in expenses for materials, repairs and maintenance, partly due to an increase in utility bills;



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- 92% growth (of RUB 3.5 bln) in profit from disposal of PPE and intangible assets, mainly due to improving results associated with the disposal of Rostelecom's real estate portfolio.

Operating profit for the third quarter of 2021 decreased by 9% year-on-year to RUB 21.2 billion and increased by 7% to RUB 65.7 billion year-on-year during the nine months of 2021. The operating profit dynamics in the third quarter of 2021 was caused by higher growth in expenses.

OIBDA for 3Q 2021 increased by 9% to RUB 58.3 billion, and by 13% to year-on-year during the nine months of 2021 to RUB 169.7 billion. OIBDA dynamics were influenced by revenue growth and by the changes in operating expenses cited above. The OIBDA margin increased by 1.5 p.p. year-on-year to 41.3% during the third quarter of 2021 and was up 2.3 p.p. year-on-year to 41.2% during the nine months of 2021.

### **Net Income Analysis**

Profit before tax decreased by 20% year-on-year during the third quarter of 2021 to RUB 12.1 billion, rising by 19% during the nine months of 2021 to RUB 41.4 billion. The profit before tax dynamics in the third quarter of 2021 was due to the decrease in operating profit, a increase in finance costs and the absence of foreign exchange losses in 2021. The profit before tax dynamics in the nine months of 2021 was due to the increase in operating profit and the absence of foreign exchange losses in 2021.

Income tax in 3Q 2021 amounted to RUB 3.7 billion, compared to RUB 3.3 billion during the corresponding period of 2020. During 9M 2021, RUB 10.1 billion of income tax was paid, compared to RUB 7.9 billion during the nine months of 2020, which is mainly due to changes reported in profit before tax, as well as certain expenses that were not deducted for tax purposes.

Net profit decreased by 29% year-on-year during the third quarter of 2021 to RUB 8.4 billion. During the nine months of 2021, net profit increased by 17% year-on-year to RUB 31.4 billion.

### **Financial review**

Net operating cash flow for 3Q 2021 decreased by 14% year-on-year to RUB 39.1 billion, compared to the corresponding period of 2020. During the nine months of 2021, net operating cash flow grew by 21% year-on-year to RUB 93.1 billion.

At the end of the third quarter of 2021, cash outflow on investments in non-current assets, excluding state programmes, increased by 1% to RUB 24.6 billion (17.4% of revenue). Taking into account state programmes, this figure decreased by 2% to RUB 29.8 billion (21.0% of revenue). At the end of the nine months of 2021, cash outflow on investments in non-current assets, excluding state programs, increased by 7% to RUB 76.2 billion (18.5% of revenue). Taking into account state programs, this figure increased by 9% to RUB 91.3 billion (22.1% of revenue).

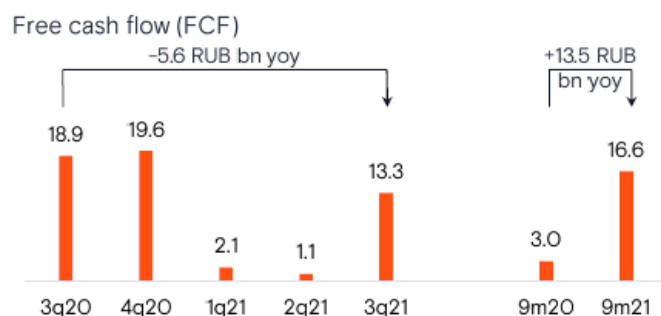
Free cash flow for 3Q 2021 amounted to RUB 13.3 billion, compared to RUB 18.9 billion in 3Q 2020. Free cash flow for the nine months of 2021 improved by RUB 13.5 billion to reach RUB 16.6 billion. Factors that contributed to higher free cash flow during the third quarter of 2021 include changes in the working capital, mostly caused by an increase in accounts receivable for the Bridging the Digital Divide Project, as well as the replacement of short-term liquidity controls with long-term financial instruments.

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The improvement in free cash flow during the nine months of 2021 was influenced by OIBDA growth, the dynamics of other assets and obligations item, as well as the uneven distribution of advance payments and project delivery within the calendar year.

### Free Cash Flow (RUB, billion)



As at September 30, 2021, the Group's total debt (including lease liabilities) increased by 7% and amounted to RUB 544.0 billion. The debt dynamics in the current year was due to higher lease liabilities stemming from the review of rental agreements' capitalisation terms. 100% of the Group's total debt remains rouble-denominated.

As at September 30, 2021, the Group's net debt (including lease liabilities) amounted to RUB 502.5 billion, an increase of 8% since the beginning of the year. The company's debt burden over the past 12 months has decreased from 2.6x to 2.3x net debt/OIBDA<sup>9</sup>.

<sup>9</sup> OIBDA for the last 12 months



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### **OTHER INFORMATION: CONFERENCE CALL**

Rostelecom's management will hold a conference call and webcast today at 4:00 PM (Moscow), 2:00 PM (CET), 1:00 PM (UK) and 8:00 AM (NYT). To participate in the conference call, please dial:

<b>UK/ International:</b>	<b>+44 203 984 9844</b>
<b>USA:</b>	<b>+1 718 866 4614</b>
<b>Russia:</b>	<b>+7 (495) 283 98 58</b>

<b>Confirmation Code (ENG):</b>	<b>539980</b>
<b>Confirmation Code (RUS):</b>	<b>619022</b>

A webcast of the conference call will only be available in English. To access the webcast please follow the link:  
<https://mm.closir.com/slides?id=539980>.

A replay of the conference call will be available on the Company's website  
[https://www.company.rt.ru/en/ir/results\\_and\\_presentations/financials/IFRS/2021/3/](https://www.company.rt.ru/en/ir/results_and_presentations/financials/IFRS/2021/3/).

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### **APPENDICES**

1. Reconciliation of OIBDA;
2. Statement of Comprehensive Income for 9M 2021;
3. Statement of Cash Flows for 9M 2021;
4. Statement of Financial Position for 9M 2021.

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### APPENDIX 1: RECONCILIATION OF OIBDA

OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company defines as operating income before depreciation and amortisation as well as some certain expenses. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt.

The following indicators are not taken into account in the calculation of OIBDA:

- Expenses related to the long-term management incentive programme, implying accruals in personnel costs line;
- Expenses related to non-government pension insurance.

<i>RUB million</i>	<b>3Q 2021</b>	<b>3Q 2020</b>	<i>change, y-o-y</i>	<b>9M 2021</b>	<b>9M 2020</b>	<i>change, y-o-y</i>
Operating income	<b>21,228</b>	23,423	(9%)	<b>65,698</b>	61,670	7%
Plus amortisation	<b>(35,985)</b>	(29,252)	23%	<b>(100,631)</b>	(84,457)	19%
Plus expenses related to the long-term management incentive programme	<b>(834)</b>	(716)	16%	<b>(2,501)</b>	(2,526)	(1%)
Plus expenses related to non-government pension insurance	<b>(276)</b>	(287)	(4%)	<b>(868)</b>	(906)	(4%)
<b>OIBDA</b>	<b>58,323</b>	53,678	9%	<b>169,698</b>	149,559	13%
<b>OIBDA margin, %</b>	<b>41.3%</b>	39.8%		<b>41.2%</b>	39.0%	

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### APPENDIX 2: Statement of Comprehensive Income for 9M 2021

	Nine-month period ended 30 September (unaudited)	
	2021	2020 (restated)
<b>Revenue</b>	<b>411,760</b>	<b>383,880</b>
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(97,848)	(96,086)
Depreciation, amortization and impairment losses	(100,631)	(84,457)
Interconnection charges	(71,702)	(69,153)
Materials, utilities, repairs and maintenance	(30,425)	(27,920)
Gain on disposal of property, plant and equipment and intangible assets	7,377	3,841
Impairment loss of financial assets measured at amortized cost	(1,788)	(3,135)
Other operating income	15,814	15,280
Other operating expenses	(66,859)	(60,580)
<b>Total operating expenses, net</b>	<b>(346,062)</b>	<b>(322,210)</b>
<b>Operating profit</b>	<b>65,698</b>	<b>61,670</b>
Share of net profit/(loss) of associates and joint ventures	(22)	448
Finance income	1,607	1,709
Finance costs	(27,915)	(27,861)
Other investing gain, net	1,924	470
Foreign exchange (loss)/gain, net	145	(1,716)
<b>Profit before income tax</b>	<b>41,437</b>	<b>34,720</b>
Income tax expense	(10,055)	(7,850)
<b>Profit for the period</b>	<b>31,382</b>	<b>26,870</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of foreign operations	96	526
Share of other comprehensive income of associates	55	—
<b>Other comprehensive income for the period, net of tax</b>	<b>151</b>	<b>526</b>
<b>Total comprehensive income for the period</b>	<b>31,533</b>	<b>27,396</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	30,044	26,084
Non-controlling interests	1,338	786
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Group	30,195	26,610
Non-controlling interests	1,338	786
Earnings per share attributable to equity holders of the Group – basic (in roubles)	8.94	8.50
Earnings per share attributable to equity holders of the Group – diluted (in roubles)	8.87	8.42





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### APPENDIX 3: Statement of Cash Flows for 9M 2021

	Nine-month period ended 30 September (unaudited)	
	2021	2020 (restated)
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>41,437</b>	<b>34,720</b>
<i>Adjustments to reconcile profit before tax to cash generated from operations</i>		
Depreciation, amortization and impairment losses	100,631	84,457
Gain on disposal of property, plant and equipment and intangible assets	(7,377)	(3,841)
Impairment loss of financial assets measured at amortized cost	1,788	3,135
Share of net profit/(loss) of associates and joint ventures	22	(448)
Finance income	(1,607)	(1,709)
Finance costs excluding finance costs on employee benefit obligations	27,890	27,827
Other investing gain, net	(1,924)	(470)
Foreign exchange loss/(gain), net	(145)	1,716
Share-based motivation program	2,364	2,586
Increase in accounts receivable and contract assets	(24,911)	(22,186)
Increase in employee benefits	247	574
Increase in inventories	(2,680)	(2,601)
Decrease in accounts payable, provisions and accrued expenses	(2,118)	(1,205)
Increase in contract costs, prepayments and other assets	(7,429)	(12,791)
Increase/(decrease) in other liabilities	1,524	(1,387)
<b>Cash generated from operations before income tax and interest paid</b>	<b>127,712</b>	<b>108,377</b>
Interest paid	(27,731)	(26,897)
Income tax refund	42	1,005
Income tax paid	(6,895)	(5,439)
<b>Net cash from operating activities</b>	<b>93,128</b>	<b>77,046</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(91,258)	(83,842)
Proceeds from sale of property, plant and equipment, intangible assets and assets held for sale	8,139	4,495
Acquisition of financial assets	(14,369)	(8,157)
Proceeds from disposals of financial assets	11,631	3,072
Interest received	837	494
Subsidy from Government	5,715	4,822
Dividends received	444	402
Purchase of subsidiaries and business, net of cash acquired	(983)	(115,131)
Distribution received from joint venture	399	—
Proceeds from disposal of subsidiaries, net of cash disposed	47	(74)
Acquisition of equity accounted investees	(252)	(125)
<b>Net cash used in investing activities</b>	<b>(79,650)</b>	<b>(194,044)</b>



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### Cash flows from financing activities

Issue of share capital	
(Purchase) of treasury shares	
Proceeds from bank and corporate loans	
Repayment of bank and corporate loans	
Proceeds from bonds	
Repayment of bonds	
Repayment of vendor financing payable	
Proceeds from other non-current financing liabilities	
Repayment of lease liabilities	
Acquisition of non-controlling interests	
Dividends paid to shareholders of the Group	
Dividends paid to non-controlling shareholders of subsidiaries	
<b>Net cash (used in) / from financing activities</b>	

Effect of exchange rate changes on cash and cash equivalents

### Net (decrease)/increase in cash and cash equivalents

Cash and cash equivalents at beginning of the period

### Cash and cash equivalents at the end of the period

Nine-month period ended 30 September (unaudited)	
2021	2020 (restated)*
–	66,000
(2,759)	–
459,527	701,971
(456,188)	(658,998)
14,934	40,000
(1,945)	(2,034)
–	(2)
–	(29)
(13,266)	(10,611)
–	(36)
(16,864)	(16,751)
(1,198)	(1,305)
<b>(17,759)</b>	<b>118,205</b>
(27)	(283)
<b>(4,308)</b>	<b>924</b>
31,215	19,955
<b>26,907</b>	<b>20,879</b>

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### APPENDIX 4: Statement of Financial Position for 9M 2021

	30 September 2021 (unaudited)	31 December 2020 (restated)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	586,136	575,558
Goodwill and other intangible assets	143,275	141,353
Right of use assets	111,871	95,733
Trade and other accounts receivable	6,248	6,317
Investments in associates and joint ventures	10,918	10,896
Other financial assets	781	815
Other non-current assets	14,242	12,975
Deferred tax assets	8,353	8,970
Contract assets	726	972
Contract costs	16,865	16,326
<b>Total non-current assets</b>	<b>899,415</b>	<b>869,915</b>
<b>Current assets</b>		
Inventories	13,474	10,792
Contract assets	15,725	6,710
Contract costs	816	674
Trade and other accounts receivable	67,635	50,166
Prepayments	7,404	8,953
Prepaid income tax	877	1,377
Other financial assets	14,579	11,482
Other current assets	8,365	7,892
Cash and cash equivalents	26,907	31,215
Asset classified as held for sale	545	831
<b>Total current assets</b>	<b>156,327</b>	<b>130,092</b>
<b>Total assets</b>	<b>1,055,742</b>	<b>1,000,007</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	95	95
Treasury shares	(11,761)	(14,374)
Retained earnings and other reserves	204,637	194,424
<b>Total equity attributable to equity holders of the Group</b>	<b>192,971</b>	<b>180,145</b>
Non-controlling interests	38,836	37,587
<b>Total equity</b>	<b>231,807</b>	<b>217,732</b>
<b>Non-current liabilities</b>		
Loans and borrowings	359,053	372,406
Lease liabilities	103,000	86,392
Employee benefits	6,917	6,670
Deferred tax liabilities	44,724	41,672
Accounts payable and accrued expenses	864	1,580
Contract liabilities	12,844	15,811
Provisions	5,473	5,848
Other financial liabilities	19,411	10,912
Other non-current liabilities	41,918	32,831
<b>Total non-current liabilities</b>	<b>594,204</b>	<b>574,122</b>
<b>Current liabilities</b>		
Loans and borrowings	62,460	32,535
Lease liabilities	19,460	17,399
Accounts payable and accrued expenses	83,222	96,033
Income tax payable	2,236	3,023
Contract liabilities	33,082	34,680
Provisions	12,260	9,413
Other financial liabilities	—	1,914
Other current liabilities	17,011	13,156
<b>Total current liabilities</b>	<b>229,731</b>	<b>208,153</b>
<b>Total liabilities</b>	<b>823,935</b>	<b>782,275</b>
<b>Total equity and liabilities</b>	<b>1,055,742</b>	<b>1,000,007</b>



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[PJSC Rostelecom](#) is the largest integrated digital services and products provider, operating in all segments of the telecommunications market in Russia. The Company serves millions of households, state and private enterprises across the country.

Rostelecom is Russia's undisputed market leader, providing high-speed Internet access and pay-TV. The total number of broadband users stands at over 13.5 mln users, it has more than 10.9 mln pay-TV customers, over 6.3 mln of which are subscribed to IPTV. Tele2 Russia, a Rostelecom subsidiary, is a major player in the mobile market with the industry leading NPS, a customer satisfaction benchmark. The joint mobile subscriber base is over 46.6 mln users.

Rostelecom is a key strategic innovator that provides solutions in the following fields: E-Government, cybersecurity, data-centres and cloud computing, biometry, healthcare, education and housing & utility services.

During the 9M 2021, the Group generated RUB 411.8 bln of revenues, RUB 169.7 bln of OIBDA (41.2% of revenue) and RUB 31.4 bln of net income.

Rostelecom is a key strategic innovator that provides solutions in the following fields: E-Government, cybersecurity, data-centres and cloud computing, biometry, healthcare, education and housing & utility services.

The Group's stable financial position is confirmed by its credit ratings. Rostelecom has been assigned 'BBB-' and 'BB+' international credit ratings by Fitch Ratings and Standard & Poor's respectively, and AA(RU) by ACRA.

\* \* \*

*Certain statements in this press release are forward-looking statements within the meaning of the U.S. federal securities laws and intended to be covered by the safe harbours created thereby.*

*Those forward-looking statements include, but are not limited to:*

- *Assessment of PAO Rostelecom's (the Company) future operating and financial results as well as forecasts of the present value of future cash flows and related factors;*
- *The Company's plans to take ownership stakes in other organisations;*
- *the Company's anticipated capital expenditures and plans to construct and modernize its network;*
- *the Company's expectations as to the growth in demand for its services, plans relating to the expansion of the range of its services and their pricing;*
- *the Company's plans with respect to improving its corporate governance practices;*
- *the Company's expectations as to its position in the telecommunications market and forecasts on the development of the market segments within which the Company operates;*
- *economic outlook and industry trends;*
- *the Company's expectations as to the regulation of the Russian telecommunications industry and assessment of impact of regulatory initiatives on the Company's activity;*
- *other statements regarding matters that are not historical facts.*

*Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include:*

- *risks relating to changes in political, economic and social conditions in Russia as well as changes in global economic conditions;*
- *risks relating to Russian legislation, regulation and taxation, including laws, regulations, decrees and decisions governing the Russian telecommunications industry, securities industry as well as currency and exchange controls relating to Russian entities and their official interpretation by regulatory bodies;*
- *risks relating to the Company, including the achievement of the anticipated results, levels of profitability and growth, ability to create and meet demand for the Company's services including their promotions, and the ability of the Company to remain competitive in a liberalized telecommunications market;*
- *technological risks associated with the functioning and development of the telecommunications infrastructure, technological innovations as well as the convergence of technologies;*
- *other risks and uncertainties. For a more detailed discussion of these and other factors, see the Company's Annual Report and the Company's other public filings.*

*Many of these factors are beyond the Company's ability to control or predict. Given these and other uncertainties, readers are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which are made as of the date hereof) to reflect events or circumstances upon the annual report publication or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.*