



26 November 2020

# MegaFon announces Q3 2020 financial results

The Company was able to increase its net profit and reduce leverage despite the continued impact of the pandemic

## Key results for Q3 2020:<sup>1</sup>

- Revenue decreased by 3.9% y-o-y to RUB 86.5 billion
- OIBDA was up 2.3% y-o-y to RUB 39.9 billion
- CAPEX decreased 5.5% y-o-y to RUB 11.0 billion
- Net profit increased by 308.7% y-o-y to RUB 13.1 billion
- Net debt decreased by RUB 16.3 billion by quarter-end to RUB 311.2 billion

## Revenue impact

Service revenue in Q3 was RUB 78.1 billion, down 1.0% y-o-y. This result demonstrates the q-o-q growth on the back of increase in mobile data revenue and digital revenue. Although falling international roaming revenue due to border closures still weighs on the Company's topline.

With lockdown lifted in a number of regions in Q3, MegaFon stores began to gradually reopen, although consumer spending has not yet returned to pre-lockdown levels despite a positive quarter-on-quarter trend. Revenue from sales of equipment and accessories in Q3 fell by 23.9% y-o-y to RUB 8.4 billion. The total number of visitors to MegaFon stores was down 24% y-o-y.

## Cost optimisation

Our cost management efforts have helped to offset the negative impact of falling revenue: MegaFon increased its OIBDA by 2.3% y-o-y to RUB 39.9 billion, primarily as a result of a reduction in sales of low-margin equipment and cuts in advertising budgets and general expenses.

Net profit grew to RUB 13.1 billion, driven by operational efficiency gains, lower finance charges due to continued deleveraging and active management of our credit portfolio, and gains on hedging instruments used to manage the Company's FX liabilities.

## The best mobile network in Russia

The Company invested heavily in supporting stable network operation and expansion in the face of increased network load, the reduction in CAPEX occurred mainly due to the postponement of non-critical projects not related to network quality. In Q3 2020, the number of base stations grew by 6.8% to 192,000, including more than 22% growth in 4G/LTE, with approximately 3,000 new base stations being added in LTE and LTE Advanced standards alone.

1. Based on the IFRS interim condensed unaudited consolidated financial statements for 9M 2020 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.

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

	Three months			Nine months		
	Q3 2020	Q3 2019	Q3 2020/ Q3 2019/	9m 2020	9m 2019	9m 2020/ 9m 2019
Revenue	86,522	89,991	(3.9%)	244,617	255,759	(4.4%)
Service revenue	78,084	78,906	(1.0%)	224,834	230,426	(2.4%)
Sales of equipment and accessories	8,438	11,085	(23.9%)	19,783	25,333	(21.9%)
OIBDA	39,853	38,970	2.3%	111,491	113,100	(1.4%)
Net profit	13,086	3,202	308.7%	22,230	8,326	167.0%
CAPEX	10,971	11,607	(5.5%)	35,593	35,994	(1.1%)

**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.