



25 March 2021

MegaFon announces Q4 2020 financial results

The Company was able to reduce its leverage, improve its operational efficiency and increase its net profit

Key results for Q4 2020:¹

- Revenue decreased by 6.1% y-o-y to RUB 87.5 billion
- OIBDA was down 5.8% y-o-y to RUB 36.3 billion, while OIBDA margin was up 0.2 p.p. y-o-y to 41.5%
- CAPEX decreased by 38.9% y-o-y to RUB 19.1 billion
- Adjusted net profit increased by 117.4% y-o-y to RUB 4.4 billion
- Net debt decreased by RUB 1.6 billion by quarter-end to RUB 309.6 billion

Revenue impact

Service revenue in Q4 was RUB 78.2 billion, down 2.7% y-o-y. This result demonstrates a slight q-o-q growth. However, negative y-o-y dynamics continue to be driven by falling international roaming revenues and an outflow of guest workers due to international travel restrictions, along with changes in consumer behaviour – lower activity and reduced spending on communication and value-added services during the pandemic.

The decrease was partly offset by an increase in revenue from mobile data and certain digital services, including information security services and cloud solutions, which proved particularly popular as many customers shifted to working from home.

Although severe lockdown restrictions on retail outlets were lifted in the second half of the year, consumer spending is recovering slowly and has not yet returned to pre-COVID levels. By end-2020, MegaFon's network comprised about 3,700 stores, down 300 stores as a result of reduced traffic and imposed restrictions. The total number of visitors to MegaFon stores in Q4 was down 28% y-o-y. Revenue from sales of equipment and accessories decreased by 27.1% y-o-y to RUB 9.3 billion.

After the migration to new billing mechanisms was completed in the second half of the year, MegaFon adjusted its customer base accounting system with stricter requirements for monitoring customer activity. The new accounting method showed 70.4 million subscribers in our Russian customer base in Q4 2020. If compared to 2019 levels using the same accounting method, the customer base remains unchanged year-on-year and does not show any negative trends. The new system will enable the Company to use its numbering capacity more effectively.

Cost optimisation

Lower revenue drove a 5.8% decrease in OIBDA to RUB 36.3 billion. Nevertheless, MegaFon was able to maintain its OIBDA margin flat and even show a slight increase of 0.2 p.p. to 41.5% due to cost control and performance management, in particular a reduction in sales of low-margin equipment and cuts in advertising budgets and certain general expenses.

Adjusted net profit grew by 117.4% y-o-y to RUB 4.4 billion, driven by operational efficiency gains and lower finance charges due to deleveraging and optimisation of our credit portfolio.

The best mobile network in Russia

Throughout the pandemic year of 2020, the Company focused on maintaining the high-quality of services offered to its customers. For the fourth year in a row MegaFon's mobile internet has been named by Ookla the fastest in Russia. During the pandemic, the Company continued to develop the network in

1. Based on the IFRS consolidated financial statements for 12M 2020 audited 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.



regions with increased demand for communications services while postponing projects not related to network quality. This development strategy was further pursued in Q4 2020. Such approach to investment enabled us to reduce CAPEX in Q4 by 38.9% y-o-y to RUB 19.1 billion, while total CAPEX for 2020 decreased by 18.7% y-o-y. In Q4, the number of our base stations reached 193,300, including a 20.5% y-o-y growth in 4G/LTE, with over 1,900 new base stations added in LTE and LTE Advanced standards alone.

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

	Three months			Year		
	Q4 2020	Q4 2019	Q4 2020/ Q4 2019/	2020	2019	2020/ 2019
Revenue	87,542	93,202	(6.1%)	332,159	348,961	(4.8%)
Service revenue	78,199	80,380	(2.7%)	303,033	310,806	(2.5%)
Sales of equipment and accessories	9,343	12,822	(27.1%)	29,126	38,155	(23.7%)
OIBDA	36,295	38,518	(5.8%)	147,786	151,618	(2.5%)
OIBDA margin	41.5%	41.3%	0.2 p.p.	44.5%	43.4%	1.1 p.p.
Adjusted net profit	4,396	2,022	117.4%	26,626	10,348	157.3%
CAPEX	19,126	31,307	(38.9%)	54,719	67,301	(18.7%)



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.

Adjusted net profit is profit for the period attributable to equity holders of the Group excluding revaluation of investment in an associate (non-monetary item).

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.