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Related party transactions of OJSC MegaFon in 2014

Governance body that approved transaction	Material terms of transaction	Related Parties
Extraordinary General Shareholders Meeting (Minutes dated 07.02.2014)	<p>Agreement (interrelated agreements) on purchase & sale of property between OJSC MegaFon ('Buyer') and Scartel LLC ('Seller').</p> <p>In accordance with the Property Sale and Purchase Agreement (Interrelated agreements) concluded as part of the business combination and network integration of OJSC MegaFon and Scartel LLC, Scartel LLC shall provide and OJSC MegaFon shall accept the equipment which is technologically and functionally used for provision of communication services, including Police Function equipment, Software and Hardware complex and other property.</p> <p>Total price of property (services) acquired by OJSC MegaFon under the Sale and Purchase Agreement (Interrelated agreements) shall not exceed RUB 18,000,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited
Extraordinary General Shareholders Meeting (Minutes dated 05.06.2014)	<p>Addendum to the Agreement dated 18.09.2013 between OJSC MegaFon, Garsdale Services Investment Limited Maxiten Co Limited and Kable Global Inc. on purchase of 4,000 shares which is 100% shares of Maxiten Co Limited ('Shares') as well as other agreements and documents directly connected with the Agreement.</p> <p>Parties: OJSC MegaFon (the 'Purchaser'), Garsdale Services Investment Limited ('Seller-1'), and Kable Global Inc. ('Seller-2' and together with Seller-1, the 'Sellers').</p> <p>The Agreement will be amended so as to allow the OJSC MegaFon to pay to the Sellers a portion of the Purchase Price in the amount of US\$ 1,060,000,000, together with the interest accrued as well as to provide for the possibility of making payments under the Agreement in US Dollars or in other currency, as may be agreed between the Parties. The remaining portion of the Purchase Price in the amount of US\$ 120,000,000, together with the interest accrued thereon under the Agreement shall be paid on the second anniversary of the Closing Date.</p> <p>In connection with the change of the term of the payment provided for in the Agreement, Garsdale Services Investment Limited shall give an undertaking to OJSC MegaFon, as security for the fulfillment of the obligations.</p> <p>Term of the fulfillment of the obligations: two years from the date of the Shares purchase transaction.</p> <p>Value of the transaction: US\$ 1,060,000,000 and 6% per annum, accrued from 01.10.2013 till the date of the actual payment.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Streshinsky V.Y.
Extraordinary General Shareholders Meeting (Minutes dated 22.09.2014)	<p>Novation agreement between OJSC MegaFon and MegaFon Investments (Cyprus) Limited.</p> <p>Parties: MegaFon ('Lender') and MegaFon Investments (Cyprus) Limited ('Borrower').</p> <p>Under the Novation Agreement OJSC MegaFon and MegaFon Investments (Cyprus) Limited agree to replace part of the original liability of MegaFon Investments (Cyprus) Limited to repay money to OJSC MegaFon under the Revolver Loan Agreement No. 10 dated 19.04.2012 in the amount RUB 25,888,980,400 and 17 kopecks with the liability of MegaFon Investments (Cyprus) Limited to transfer to OJSC MegaFon 2 000 ordinary shares at par value of 1 Euro each and 1,100 redeemable preferred stock at par value of US\$ 1 of Lefbord Investments Limited owned by MegaFon Investments (Cyprus) Limited that constitute 50% of the total number of issued outstanding shares of Lefbord Investments Limited Company with the value of US\$ 657,304,271.</p> <p>Term of the fulfillment of the obligations under the transaction: at the signature date of the Agreement.</p> <p>Value of the transaction: US\$ 657,304,271.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Sonera Holding B.V.

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 206 (270) dated 04.03.2014, Minutes № 215 (279) dated 25.08.2014)	<p>Revolver Loan Agreement between OJSC MegaFon ('Lender') and SMARTS-Volgograd CJSC ('Borrower').</p> <p>Loan amount: RUB 25,000,000.</p> <p>Loan maturity date: three years.</p> <p>Interest rate: up to 8% per annum.</p> <p>Purpose: financing of operational expenses under current activities of SMARTS-Volgograd CJSC.</p> <p>In August 2014, loan amount was increased up to RUB 75,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	<p>Master Agreement between OJSC MegaFon and Tele MIG LLC.</p> <p>OJSC MegaFon shall provide the following services to Tele MIG LLC:</p> <ul style="list-style-type: none"> • interconnection of telephone networks and traffic transit; • interconnection of data networks and traffic transit; • provision of communication channels; • Internet access; • long-distance national/international telecom services, <p>and other services, perform work, and transfer property (rights).</p> <p>Tele MIG LLC shall provide the following services, property (rights) to OJSC MegaFon:</p> <ul style="list-style-type: none"> • provision of communication channels; • provision of fiber optics; • interconnection of telephone networks and traffic transit; • lease of property; • sales and purchase of fiber optic communication lines; • maintenance engineering of universal communication services sites; • emergency recovery activities at Universal communication services sites, <p>and other services, perform works and transfer property (rights).</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Master Agreement shall not exceed RUB 134,860,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	<p>Interrelated agreements on temporary limited use of overhead power transmission lines between OJSC MegaFon ('User 3'), FSK EES OJSC ('User 1'), MTS OJSC ('User 2'), Torsion Telecom LLC ('Customer') and Lebedinsky GOK OJSC ('Owner').</p> <p>Lebedinsky GOK shall provide to OJSC MegaFon rights for temporary limited use of overhead power transmission lines owned by Lebedinsky GOK, for operation of telecom lines and relevant telecom networks of OJSC MegaFon.</p> <p>The period of temporary limited use of property shall be 27 years from the signature date of the certificate for provision of property for use.</p> <p>Total price of property (services) acquired by OJSC MegaFon under interrelated agreements shall not exceed RUB 507,900.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	<p>Lease agreement between OJSC MegaFon ('Lessor') and Scartel LLC ('Lessee').</p> <p>OJSC MegaFon shall lease to Scartel LLC the SORM equipment (system for support of investigations by law enforcement agencies in cellular, mobile and wireless networks), hardware & software and other equipment.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Lease Agreement shall not exceed RUB 5,000,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 186 (250) dated 31.12.2012, Minutes № 189 (253) dated 05.03.2013, Minutes № 196 (260) dated 07.08.2013, Minutes № 203 (267) dated 24.12.2013, Minutes № 206 (270) dated 04.03.2014, Minutes № 211 (275) dated 14.05.2014 Minutes № 214 (278) dated 30.07.2014, Minutes № 216 (280) dated 29.10.2014, Minutes № 219 (283) dated 23.12.2014)	Interrelated Lease and Sublease Agreements between OJSC MegaFon and MegaFon Retail OJSC.	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Future Media Limited
	OJSC MegaFon provides for temporary use by MegaFon Retail OJSC (lease/sublease) the non-residential premises owned or leased by OJSC MegaFon.	
	The tenor of the Interrelated Lease and Sublease Agreements shall be from 01.01.2013 till 31.12.2017 with possible prolongation.	
	Lease payment for premises shall be subject to annual adjustment due to changed market situation and in compliance with the agreement terms.	
Board Meeting (Minutes № 203 (267) dated 24.12.2013, Minutes № 206 (270) dated 04.03.2014, Minutes № 214 (278) dated 14.05.2014, Minutes № 214 (278) dated 30.07.2014, Minutes № 216 (280) dated 29.10.2014, Minutes № 219 (283) dated 23.12.2014)	Interrelated Lease and Sublease Agreements between OJSC MegaFon and NetByNet Holding LLC.	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Future Media Limited
	NetByNet Holding LLC provides for temporary use by OJSC MegaFon (lease, sublease) parts of non-residential premises owned by NetByNet Holding LLC based on lease rights.	
	OJSC MegaFon provides for temporary use by NetByNet Holding LLC (lease, sublease) parts of non-residential premises owned by OJSC MegaFon based on lease rights.	
	Lease payment for premises shall be subject to annual adjustment due to changed market situation and in compliance with the agreement terms.	
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	The tenor of the Interrelated Lease and Sublease Agreements shall be from 04.03.2014 till 31.12.2017 with possible prolongation.	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Future Media Limited
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Interrelated Lease and Sublease Agreement shall not exceed RUB 50,328,060.	
	Lease agreement between OJSC MegaFon ('Lessor') and SMARTS-Volgograd CJSC ('Lessee').	
	OJSC MegaFon shall provide for temporary use (lease) by SMARTS-Volgograd CJSC the non-residential premises owned by OJSC MegaFon for the office of SMARTS-Volgograd CJSC.	
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	The tenor of lease shall be from 04.03.2014 till 01.03.2016 with possible prolongation.	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Future Media Limited
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Lease Agreement shall not exceed RUB 169,280.	
	Lease Agreement between OJSC MegaFon ('Lessee') and Lebedinsky GOK OJSC ('Lessor').	
	Lebedinsky GOK OJSC shall provide for temporary use by OJSC MegaFon non-residential premises owned by Lebedinsky GOK OJSC for installation of communication equipment of OJSC MegaFon.	
Board Meeting (Minutes № 206 (270) dated 04.03.2014)	The tenor of lease shall be from 04.03.2014 till 31.12.2020 with possible prolongation.	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Lease Agreement shall not exceed RUB 1,015,340.	

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 206 (270) dated 04.03.2014, Minutes № 219 (283) dated 23.12.2014)	<p>Power supply agreement between OJSC MegaFon ('Consumer') and KMA-Energosbyt OJSC ('Supplier').</p> <p>KMA-Energosbyt OJSC is the only supplier of electric power in Zheleznogorsk town of Kursk region. KMA-Energosbyt OJSC supplies electric power to base stations of OJSC MegaFon located in Zheleznogorsk town of Kursk region.</p> <p>The tenor of power agreement shall be from 01.01.2013 till 31.12.2015 with possible extension.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 10,666,230.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Future Media Limited</p>
Board Meeting (Minutes № 208 (272) dated 11.04.2014)	<p>Interrelated agreements on assignment and novation agreement between OJSC MegaFon, Scartel LLC and counterparties of Scartel LLC.</p> <p>All the rights and duties in the framework of the interrelated assignment and novation agreements under agreements on location, operation, maintenance, support, power supply of telecom sites and data centers, lease and sub-lease of fiber optical communication lines, optical fibers and other telecommunication sites, provision of communication channels, agency agreements, sale & purchase agreements, billable service and work performance agreements, including construction contracts, and other agreements between Scartel LLC and counterparties of Scartel LLC related to assignment of the ownership rights for telecommunication network and other property shall be assigned to OJSC MegaFon in full scope, including reimbursement of expenses to Scartel LLC by OJSC MegaFon.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Interrelated agreements on assignment and novation agreement shall not exceed RUB 1,000,000,000.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>
Board Meeting (Minutes № 209 (273) dated 23.04.2014, Minutes № 215 (279) dated 25.08.2014)	<p>Master Agreement between OJSC MegaFon and SMARTS-Volgograd CJSC.</p> <p>OJSC MegaFon shall provide following services to SMARTS-Volgograd CJSC:</p> <ul style="list-style-type: none"> • colocation of equipment; • communication channels; • joint use of equipment; • interconnection and traffic transit services; • transit of signaling messages; • national roaming; • information & enquiry services; • lease of equipment, <p>and other services, perform work, and transfer property (rights).</p> <p>SMARTS-Volgograd CJSC shall provide following services to OJSC MegaFon:</p> <ul style="list-style-type: none"> • radio access infrastructure of LTE-1800 network of SMARTS-Volgograd CJSC; • interconnection and traffic transit services. <p>and other services, perform work, and transfer property (rights).</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Master Agreement shall not exceed RUB 144,350,000.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, Sonera Holding B.V., MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 213 (278) dated 30.07.2014, Minutes № 219 (283) dated 23.12.2014)	<p>Frame Agreement between OJSC MegaFon and NetByNet Holding LLC.</p> <p>In accordance with the following terms and conditions of the Frame Agreement OJSC MegaFon provides to NetByNet Holding LLC the following services and transfers property (rights):</p> <ul style="list-style-type: none"> • full range of agency services related to acquisition and care of customers of NetByNet Holding LLC; • assigning of digital identifier to services of NetByNet Holding LLC; • assignment of the right for accounts receivable of MegaFon's subscribers; • long distance national/international telephone communication; • roaming support; • interconnection of telecom networks and traffic transit; • interconnection of data networks and traffic transit; • provision of telecom channels for use; • sale/purchase of optical fibers; • supply of equipment; • colocation of equipment; • lease of property; • support of software; • shared use of telecom facilities, including switching systems and other telecom equipment, as well as maintenance operation and repair of such equipment; • provision of radio access infrastructure under business model of the Mobile Virtual Network Operator as well as other infrastructure for use; • access from subscriber terminal to the point of connection to equipment; • targeted marketing campaigns, <p>as well as provide other services, perform works and transfer property/rights/duties.</p> <p>NetByNet Holding LLC shall provide to OJSC MegaFon the following services, transfer property (rights), perform works:</p> <ul style="list-style-type: none"> • full range of agency services related to acquisition and care of customers of OJSC MegaFon; • collection of the accounts receivable from subscribers of OJSC MegaFon; • interconnection of telecom networks and traffic transit; • sale/purchase of optical fibers; • lease of property; • support of software; • designing and construction and installation works; • operation and maintenance of facilities for Universal Communication Services; • emergency recovery work for equipment of facilities for Universal Communication Services; • colocation of equipment; • access from subscriber terminal to the point of connection to equipment; • installation of telecom lines in cable ducts; • provision of telecom channels, <p>as well as provide other services, perform works and transfer property/rights/duties.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Frame Agreement shall not exceed RUB 1,790,416,250.</p>	<p>Related Parties: AF Telecom Holding LLC Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Bangorland Ventures Limited</p>

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 203 (267) dated 24.12.2013, Minutes № 211 (275) dated 14.05.2014)	<p>Interrelated transactions between OJSC MegaFon and NetByNet Holding LLC concluded in the framework of assets integration: contribution to the property of NetByNet Holding LLC and Frame Agreement.</p> <p>In accordance with terms and conditions of the interrelated transactions:</p> <p>OJSC MegaFon hands over fixed assets, including broadband access, as a contribution to property of NetByNet Holding LLC.</p> <p>Under the Frame Agreement: OJSC MegaFon provides to NetByNet Holding LLC the following services, performs work, transfers property/rights/obligations:</p> <ul style="list-style-type: none"> • lease of telecom equipment; • supply of telecom equipment; • technical support of telecom equipment; • use of billing system; • transfer of rights under accounts receivable of MegaFon's subscribers; • services of Call-center; • interconnection and traffic transit; • provision of telecom channels and virtual telecom channels; • provision fiber optical cable lines, optical fibers; • provision of cable ducts and poles; • transfer of rights and obligations under agreements for location, operation and maintenance of equipment, emergency recovery works, operation and maintenance service, recovery of expenses on power supply, location of equipment and communication facilities, providing communication services, <p>as well as provides other services, performs work, transfers property/ rights/ obligations.</p> <p>NetByNet Holding LLC provides to OJSC MegaFon the following services, performs work, transfers property /rights/ obligations:</p> <ul style="list-style-type: none"> • lease of telecom equipment; • supply of telecom equipment; • technical support of telecom equipment; • use of billing system; • services of Call-center; • interconnection and traffic transit; • collection of accounts receivable from MegaFon's subscribers; • provision of telecom channels and virtual telecom channels; • provision fiber optical cable lines, optical fibers; • provision of cable ducts and poles, <p>as well as provides other services, performs work, transfers property/ rights/ obligations.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Interrelated transactions shall not RUB 7,274,736,510.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Bangorland Ventures Limited</p>

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 211 (275) dated 14.05.2014)	<p>Frame Agreement between OJSC MegaFon and Regional Navigation Information Center of Kurgan Region OJSC.</p> <p>OJSC MegaFon shall provide to Regional Navigation Information Center of Kurgan Region OJSC the following services, perform work, transfer property (rights):</p> <ul style="list-style-type: none"> • supply of equipment; • long distance national/international telephone communication; • provision of telecom channels; • lease of fiber optics in FOCLs; • lease of technology equipment; • operation and maintenance of equipment; • technical support of software, information systems, <p>as well as provide other services, perform work, transfer property/rights/ obligations.</p> <p>Regional Navigation Information Center of Kurgan Region OJSC shall provide OJSC MegaFon the following services:</p> <ul style="list-style-type: none"> • lease of technology equipment; • operation and maintenance of equipment; • full range of services related to acquisition and support of corporate customers of OJSC MegaFon, <p>as well as provide other services, perform work, transfer property/rights/ obligations.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Frame Agreement shall not exceed RUB 15,535,780.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 211 (275) dated 14.05.2014)	<p>International communication service agreement between OJSC MegaFon and KazTransCom JSC.</p> <p>Under the agreement KazTransCom JSC shall provide international communication services to OJSC MegaFon for the routing of traffic out of/ into network of Kazakh telecom operator - KCell.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 40,000,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 211 (275) dated 14.05.2014)	<p>Fixed communication service agreement between OJSC MegaFon ('Contractor') and Ural Steel OJSC ('Customer').</p> <p>Under the agreement OJSC MegaFon shall provide fixed communication services to Ural Steel OJSC.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 1,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 216 (280) dated 29.10.2014)	<p>Interrelated agreements (contracts) on mobile communication service provision between OJSC MegaFon ('Contractor') and State Corporation in assistance in development, production and export of hi-tech industrial products Rostec ('Customer').</p> <p>Under the Interrelated agreements (contracts) OJSC MegaFon shall provide mobile communication services to State Corporation in assistance in development, production and export of hi-tech industrial products Rostec.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 37,100,000.</p>	Kulikov S.A.

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 214 (278) dated 30.07.2014)	<p>Agreement (contract) on telecom channel lease services between OJSC MegaFon ('Contractor') and State Corporation in assistance in development, production and export of hi-tech industrial products Rostec ('Customer').</p> <p>Under the Agreement (contract) OJSC MegaFon shall provide to State Corporation in assistance in development, production and export of hi-tech industrial products Rostec the services of telecom channel lease.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 2,000,000.</p>	Kulikov S.A.
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 219 (283) dated 23.12.2014)	<p>Mobile communication service agreement between OJSC MegaFon ('Contractor') and Voentelecom OJSC ('Customer').</p> <p>Under the agreement OJSC MegaFon shall provide mobile communication services to Voentelecom OJSC.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 47,000,000.</p>	Kulikov S.A.
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 219 (283) dated 23.12.2014)	<p>Service agreement on provision of intra-zonal and long-distance telecom channels and Internet access between OJSC MegaFon ('Contractor') and Voentelecom OJSC ('Customer').</p> <p>Under the agreement OJSC MegaFon shall provide intra-zonal and long-distance telecom channels and Internet access to Voentelecom OJSC.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 3,628,000.</p>	Kulikov S.A.
Board Meeting (Minutes № 211 (275) dated 14.05.2014, Minutes № 214 (278) dated 30.07.2014)	<p>Lease Agreement between OJSC MegaFon ('Lessee') and Voentelecom OJSC ('Lessor').</p> <p>Under the agreement Voentelecom OJSC shall provide to OJSC MegaFon for temporary use (lease) the space in cable & line facilities beneficially owned by Voentelecom OJSC.</p> <p>The tenor of lease shall be from 14.05.2014 till 31.12.2017 with possible prolongation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 63,420.</p>	Kulikov S.A.
Board Meeting (Minutes № 211 (275) dated 14.05.2014)	<p>Master Agreement between OJSC MegaFon and MegaLabs CJSC.</p> <p>Under the Master Agreement MegaLabs CJSC shall transfer to OJSC MegaFon within the Master Agreement the following hardware-software complexes: equipment (platforms and systems) and software rights for the purpose of provision of full range of VAS services and also plans to assign other property/rights/obligations, provide services, perform works.</p> <p>OJSC MegaFon shall provide to MegaLabs CJSC consultancy services, including implementation and maintenance of SAP system, location and technical support of equipment of MegaLabs CJSC and also plans to provide other services, perform works and assign property/rights/obligations.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 14,000,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited

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Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 212 (276) dated 28.05.2014)	<p>Service agreement on equipment colocation and performance of technical works, maintenance and repair of the equipment between OJSC MegaFon and Telia International Carrier Russia CJSC.</p> <p>Under this Agreement, Telia International Carrier Russia CJSC shall provide services of communication equipment colocation to OJSC MegaFon in the rack of Telia International Carrier Russia CJSC and perform technical works, maintenance and repair of the equipment of OJSC MegaFon.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed EUR 170,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 149 (213) dated 11.07.2011, Minutes № 200 (264) dated 12.11.2013, Minutes № 203 (267) dated 24.12.2013, Minutes № 214 (278) dated 30.07.2014)	<p>Revolver Loan Agreement between OJSC MegaFon ('Lender') and NetByNet Holding LLC ('Borrower').</p> <p>Loan amount: RUB 2,902,000,000.</p> <p>Loan maturity date: six years.</p> <p>Interest rate: up to 8% per annum.</p> <p>In August 2014 the loan amount was increased by RUB 1,710,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 203(267) dated 24.12.2013, Minutes № 214 (278) dated 30.07.2014)	<p>Revolver Loan Agreement between OJSC MegaFon ('Borrower') and MegaLabs CJSC ('Lender').</p> <p>Loan amount: RUB 900,000,000.</p> <p>Loan maturity date: six years.</p> <p>Interest rate: up to 8% per annum.</p> <p>In August 2014 the loan amount was increased by RUB 2,100,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, Sonera Holding B.V., ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 214 (278) dated 30.07.2014)	<p>Telecom Services Agreement on driving traffic between OJSC MegaFon and Mail.Ru LLC. Under the Agreement OJSC MegaFon shall pay to Mail.Ru LLC for services of traffic driving to MegaFon network using short numbers. MegaFon's subscribers shall send SMS to short numbers designated by Mail.Ru in response to messages from users of Mail.Ru Agent, online communication program.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 4,320,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 214 (278) dated 30.07.2014)	<p>Mobile communication service agreement between OJSC MegaFon and Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.</p> <p>Under the agreement OJSC MegaFon shall provide to NCP for Promotion of Navigation Technologies Development and Application mobile communication services.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 8,677,500.</p>	Serebryanikova A.A.
Board Meeting (Minutes № 214 (278) dated 30.07.2014)	<p>National GSM roaming agreement between OJSC MegaFon and Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.</p> <p>Under the Agreement OJSC MegaFon shall provide to the NCP for Promotion of Navigation Technologies Development and Application services of national GSM roaming for roaming subscribers of the NCP for Promotion of Navigation Technologies Development and Application.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 11,635,600.</p>	Serebryanikova A.A.

Statutory disclosure materials

Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 214 (278) dated 30.07.2014, Minutes № 219 (283) dated 23.12.2014)	Agreement on providing of data services based on Virtual Private Network between OJSC MegaFon and the Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.	Serebryanikova A.A.
	Under the Agreement OJSC MegaFon shall provide to NCP for Promotion of Navigation Technologies Development and Application data services based on Virtual Private Network.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 50,300,000.	
Board Meeting (Minutes № 214 (278) dated 30.07.2014, Minutes № 219 (283) dated 23.12.2014)	Service agreement on communication channels provision between OJSC MegaFon and Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.	Serebryanikova A.A.
	Under the Agreement OJSC MegaFon shall provide to NCP for Promotion of Navigation Technologies Development and Application services on communication channels provision.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 325,260,000.	
Board Meeting (Minutes № 214 (278) dated 30.07.2014)	Interrelated agreements on interconnection of telecom networks and their interaction between OJSC MegaFon and Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.	Serebryanikova A.A.
	Under the interrelated agreements OJSC MegaFon shall provide to NCP for Promotion of Navigation Technologies Development and Application services of interconnection of telecom networks and traffic transit services.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Interrelated agreements shall not exceed RUB 3,001,280.	
Board Meeting (Minutes № 214 (278) dated 30.07.2014, Minutes № 219 (283) dated 23.12.2014)	Service Agreement on Equipment Colocation at Technological Sites between OJSC MegaFon and Non-Commercial Partnership for Promotion of Navigation Technologies Development and Application.	Serebryanikova A.A.
	Under the agreement OJSC MegaFon shall provide to NCP for Promotion of Navigation Technologies Development and Application equipment colocation services at technological sites of OJSC MegaFon.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 30,560,000.	
Board Meeting (Minutes № 214 (278) dated 30.07.2014)	Agency Agreement between OJSC MegaFon ('Operator') and Voentelecom OJSC ('Agent').	Kulikov S.A.
	Under the Agency Agreement Voentelecom OJSC shall perform a full range of legal and other actions related to attraction of subscribers to OJSC MegaFon on behalf of and at the expense of OJSC MegaFon.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agency Agreement shall not exceed RUB 18,000,000.	
Board Meeting (Minutes № 200 (264) dated 12.11.2013, Minutes № 214 (278) dated 30.07.2014)	Agreement on information, consultancy and advertising services between OJSC MegaFon ('Customer') and Headhunter LLC ('Contractor').	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
	Under the agreement Headhunter LLC shall provide to OJSC MegaFon information, consultancy and advertising services related to staff recruitment.	
	Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 6,760,000.	

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 192 (256) dated 14.05.2013, Minutes № 216 (280) dated 29.10.2014)	<p>Interrelated agreements (multilateral agreement) on overdraft with total limit between OJSC MegaFon ('Borrower'), Sberbank of Russia OJSC ('Lender') and subsidiaries of OJSC MegaFon ('Borrowers').</p> <ul style="list-style-type: none"> • Total Overdraft Limit: up to RUB 3,000,000,000. • Term of Overdraft Credit: up to one year with possible extension for the same period subject to the Parties' approval. • Limit Availability Period: up to 31 calendar days. • Disbursement schedule: unfixed, when cash is not available or insufficient on the Borrower's account and there is a temporary gap in cash flow. • Repayment of credit: <ul style="list-style-type: none"> – daily at the end of each banking day, if there is a credit balance on the Main Pool Account that appears at the end of the banking day and a debt under Overdraft credit: in the amount of debt under Overdraft credit, but up to the specified credit balance; – on the final repayment day as set forth under the Agreement: in the amount of borrowed debt as of the final repayment date; – on the end date of the current Limit Availability Period: in the excess amount between the borrowed debt balance and the Total Overdraft Limit as set forth for the current Limit Availability Period; – no later than on the 30th calendar day of the Overdraft Continuous Use Period: in the amount of borrowed debt balance, provided that the Agreement stipulates full repayment of debt from time to time to be made as follows: <ul style="list-style-type: none"> o the Agreement sets forth Overdraft Continuous Use Periods (period when the Borrower's debt under the Agreement is not due and payable) of maximum 30 calendar days each that will be extendable during the Agreement term; o Overdraft Continuous Use Period shall start from the date when debt appears on the credit account, including the date when debt appears on the credit account after its complete repayment during the Agreement term, and shall end on the date of full repayment of debt on the credit account, but no later than on the 30th calendar day of the Overdraft Continuous Use Period; o on the 30th calendar day of the Overdraft Continuous Use Period the debt under Overdraft Credit will become due. • Interest for the first and subsequent periods shall be payable on the end date of the Limit Availability Period and on the final repayment date as set forth by the Agreement on overdraft with total limit. Maximum interest rate shall be 15% per annum. • Credit purpose: payments under settlement documents of the Pool Participants in MegaFon Group (Holding Company) and included in the Pool of Accounts 'Overdraft with Total Limit', if there is no or insufficient cash on accounts of these entities, using the Total Overdraft Limit that is set for the account of OJSC MegaFon. • Penalty for late repayment of credit and/or late interest payment and/or late payment of overdraft front-end fee: interest rate under the Agreement multiplied by 2 shall be charged on annual basis on the overdue payment amount for each day of delay from the date when the debt becomes due (excluding that date) till the date of complete repayment of overdue debt (including that date). • The Borrower must maintain positive net assets value as of each quarterly reporting date during the term of the Agreement. 	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Sonera Holding B.V.</p>

Statutory disclosure materials

Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Surety agreement between OJSC MegaFon ('Surety') and UniCredit Bank CJSC ('Lender') to security obligations of TT Mobile CJSC ('Borrower').</p> <p>The scope of the surety agreement is to provide surety by OJSC MegaFon for performance of obligations of TT Mobile CJSC to UniCredit Bank CJSC under the Loan Agreement dated 22 October 2014 between TT Mobile CJSC and UniCredit Bank CJSC.</p> <p>If the obligations of TT Mobile CJSC under the Agreement are assigned to any other entity where OJSC MegaFon has direct or indirect ownership of more than 50% of the charter capital, the Surety Agreement shall remain in effect under the conditions below.</p> <p>The term of the Surety Agreement: 30 months from the date of the Surety Agreement.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Surety Agreement shall not exceed US\$ 11,000,000.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Sonera Holding B.V., Vermishyan G.A., Frolov S.A.</p>
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Surety agreement between OJSC MegaFon ('Surety') and Samsung Electronics Rus Company LLC ('Supplier') to secure obligations of MegaFon Retail OJSC ('Distributor').</p> <p>The scope of the surety agreement is to provide surety by OJSC MegaFon for performance of obligations of MegaFon Retail OJSC to Samsung Electronics Rus Company LLC under the Distribution Agreement between MegaFon Retail OJSC and Samsung Electronics Rus Company LLC.</p> <p>The term of the Surety: one year from the commencement date of the Distributor's obligation to the Supplier with potential automatic prolongation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 1,000,000,000.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Sonera Holding B.V.</p>
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Agreement on substitution of parties in the obligation between OJSC MegaFon, Scartel LLC and State Corporation for Assistance in Development, Production and Export of High-Tech Industrial Products 'Rostec'.</p> <p>In compliance with the service agreement No. PT/118000-3136 Rostec Corporation provides to Scartel LLC services that enable Scartel LLC to locate and operate its radio access equipment on the roof of the building owned by Rostec Corporation located at the following address: 21 Gogolevsky Boulevard, buildings 1 and 2, Moscow.</p> <p>In 2014, due to acquisition of Scartel LLC by OJSC MegaFon the parties shall sign the Agreement on substitution of parties in the obligation, and under this agreement OJSC MegaFon shall undertake the rights and obligations of Scartel LLC under the service agreement No. PT/118000-3136.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 402,000.</p>	<p>Kulikov S.A., AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Agreement on mutual telecommunication services between OJSC MegaFon and KazTransCom JSC.</p> <p>Under the agreement OJSC MegaFon and KazTransCom JSC shall deliver mutual communication services of provision of digital communication channels, interconnection of data networks for Internet access as well as traffic transit.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 512,000,000.</p>	<p>Sonera Holding B.V.</p>

Statutory disclosure materials

Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Interrelated service agreements on installation and promotion of applications between OJSC MegaFon ('Contractor') and Mail.Ru LLC ('Customer').</p> <p>Under the interrelated agreements OJSC MegaFon provides services on installation of applications of Mail.Ru LLC (Widget Mail.Ru, Mail from Mail.Ru, News & Weather, etc.) into interface of mobile portable devices owned by OJSC MegaFon and intended for sale to unlimited group of people with the purpose of driving services usage via applications of Mail.Ru LLC, as well as services on installation and promotion of applications of Mail.Ru LLC in order to make then available to unlimited group of people at mobile portable devices.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 350,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 216 (280) dated 29.10.2014, Minutes №219 (283) dated 23.12.2014)	<p>Interrelated agreements on lease and sublease of non-residential premises between OJSC MegaFon and Scartel LLC.</p> <p>OJSC MegaFon shall provide for temporary use (sub-lease) by Scartel LLC non-residential premises leased by OJSC MegaFon.</p> <p>Lease payment for premises shall be subject to annual adjustment due to changed market situation and in compliance with agreement terms.</p> <p>Lease term: till 31.12.2017.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 17,015,570.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 216 (280) dated 29.10.2014)	<p>Participation of OJSC MegaFon in Scartel LLC.</p> <p>OJSC MegaFon acquired 92% share of the Charter capital of Scartel LLC with nominal value of RUB 719,943,700 ('Interest') by making a contribution to the Charter capital of Scartel LLC in the amount of up to RUB 3,800,000,000 and respective increase of the Charter capital of Scartel LLC by nominal value of OJSC MegaFon Share.</p> <p>Payment for the Interest shall be made by netting of MegaFon's claims to Scartel LLC under the loan agreements between OJSC MegaFon ('Lender') and Scartel LLC ('Borrower') dated 24.04.2012 and 02.10.2013.</p> <p>In to ensure compliance of net assets of Scartel LLC with the RF law, OJSC MegaFon as a participant of Scartel LLC and the owner of 92% share in the Charter capital of Scartel LLC made contribution to the assets of Scartel LLC in the amount RUB 800,000,000.</p> <p>Contribution to the assets was made in cash.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited
Board Meeting (Minutes № 138 (203) dated 30.12.2010, Minutes № 186 (250) dated 31.12.2012, Minutes № 219 (283) dated 23.12.2014)	<p>Revolver Facility Agreement between OJSC MegaFon ('Borrower') and Metrocom CJSC ('Lender') dated 11.05.2011.</p> <p>Loan amount: RUB 900,000,000.</p> <p>Tenor: by 16.05.2017 (inclusive).</p> <p>Interest rate: 8% per annum.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited, Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and AS EMT.</p> <p>Under the agreement AS EMT shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Estonia and OJSC MegaFon shall provide similar service to the subscribers of AS EMT in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 22,100,000.</p>	Sonera Holding B.V.

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement with FE COSCOM LLC.</p> <p>Under the agreement FE COSCOM LLC shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Uzbekistan and OJSC MegaFon shall provide same service to the subscribers of FE COSCOM LLC in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 20,700,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and Latvijas Mobilais Telefons SIA.</p> <p>Under the agreement Latvijas Mobilais Telefons shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Latvia and OJSC MegaFon shall provide similar service to the subscribers of Latvijas Mobilais Telefons in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 23,180,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and Indigo Tajikistan CJSC.</p> <p>Under the agreement Indigo Tajikistan CJSC shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Tajikistan and OJSC MegaFon shall provide similar service to the subscribers of Indigo Tajikistan CJSC in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 20,049,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and TeliaSonera Mobile Networks AB.</p> <p>Under the agreement TeliaSonera Mobile Networks AB shall provide international roaming services to OJSC MegaFon subscribers in Sweden and OJSC MegaFon shall provide similar service to the subscribers of TeliaSonera Mobile Networks AB in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 102,450,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and TeliaSonera Norge AS.</p> <p>Under the agreement TeliaSonera Norge AS shall provide international roaming services to OJSC MegaFon subscribers in Norway and OJSC MegaFon shall provide similar service to the subscribers of TeliaSonera Norge AS in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 20,930,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and Telia Nättjänster Norden AB.</p> <p>Under the agreement Telia Nättjänster Norden AB shall provide international roaming services to OJSC MegaFon subscribers in Denmark and OJSC MegaFon shall provide similar service to the subscribers of Telia Nättjänster Norden AB in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 20,525,000.</p>	Sonera Holding B.V.

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and Xfera Moviles S.A.</p> <p>Under the agreement Xfera Moviles S.A. shall provide international roaming services to OJSC MegaFon subscribers in Spain and OJSC MegaFon shall provide similar service to the subscribers of Xfera Moviles S.A. in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 20,100,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 88 (152) dated 27.06.2008, Minutes № 131 (195) dated 30.06.2010, Minutes № 219 (283) dated 23.12.2014)	<p>Frame International Roaming Agreement between OJSC MegaFon and UAB Omnitel.</p> <p>Under the agreement UAB Omnitel shall provide international roaming services to OJSC MegaFon subscribers in Lithuania and OJSC MegaFon shall provide similar service to the subscribers of UAB Omnitel in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed US\$ 22,310,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 219 (283) dated 23.12.2014)	<p>International Roaming Agreement between OJSC MegaFon and Belarusian Telecommunications Network CJSC.</p> <p>Under the agreement Belarusian Telecommunications Network CJSC shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Belarus and OJSC MegaFon shall provide similar service to the subscribers of Belarusian Telecommunications Network CJSC in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 4,027,000,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 219 (283) dated 23.12.2014)	<p>International Roaming Agreement between OJSC MegaFon and Astelit LLC.</p> <p>Under the agreement Astelit LLC shall provide international roaming services to OJSC MegaFon subscribers in the Republic of Ukraine and OJSC MegaFon shall provide similar service to the subscribers of Astelit LLC in the Russian Federation.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed EUR 18,200,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 219 (283) dated 23.12.2014)	<p>International Communication Services Agreement between OJSC MegaFon and Astelit LLC.</p> <p>Under the agreement OJSC MegaFon and Astelit LLC shall provide international voice traffic transit services (calls of network subscribers) in OJSC MegaFon network to Astelit LLC network and in Astelit LLC network to OJSC MegaFon network.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 6,800,000,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 219 (283) dated 23.12.2014)	<p>International Traffic Transit Service Agreement between OJSC MegaFon and Tellcom Iletisim Hizmetleri A.S.</p> <p>Under the agreement OJSC MegaFon and Tellcom Iletisim Hizmetleri A.S. shall provide traffic transit services to each of the parties and traffic delivery to the relevant network.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 3,080,000,000.</p>	Sonera Holding B.V.
Board Meeting (Minutes № 196 (260) dated 07.08.2013, Minutes № 219 (283) dated 23.12.2014)	<p>Advertising services agreement between OJSC MegaFon and VKontakte LLC.</p> <p>Under the agreement VKontakte LLC shall provide to OJSC MegaFon services on placement of information (advertising) materials of OJSC MegaFon in the targeted advertising system, advertising campaigns system, advertising records system in the Internet at VKontakte web-site (vk.com).</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 230,000,000.</p>	AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited

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Related party transactions of OJSC MegaFon in 2014 continued

Governance body that approved transaction	Material terms of transaction	Related Parties
Board Meeting (Minutes № 166 (230) dated 18.04.2012, Minutes № 219 (283) dated 23.12.2014)	<p>Master Agreement between OJSC MegaFon and Nakhodka Telecom LLC.</p> <p>In compliance with Master Agreement OJSC MegaFon shall provide the following services, perform works and transfer property (rights) to Nakhodka Telecom LLC:</p> <ul style="list-style-type: none"> • provision of telecom channels; • provision of virtual servers; • collocation of equipment in Data Center; • maintenance of billing system; • supply of telecom equipment; • operation and maintenance of equipment; • providing licenses for software; • maintenance of software, information system, <p>as well as provide other services, perform works and transfer property/rights/duties.</p> <p>Nakhodka Telecom LLC shall provide to OJSC MegaFon the following services, transfer property:</p> <ul style="list-style-type: none"> • full range of agency services related to acquisition and care of MegaFon's customers; • provision of telecom channels; • supply of telecom equipment; • providing equipment for use, <p>as well as provide other services, perform works and transfer property/rights/duties.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 166,500,000.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>
Board Meeting (Minutes № 192 (256) dated 14.05.2013, Minutes № 219 (283) dated 23.12.2014)	<p>Sublease agreement between OJSC MegaFon ('Sublessor') and Regional Navigation and Information Center of Kurgan Region OJSC ('Sublessee').</p> <p>OJSC MegaFon shall provide for temporary use (sublease) by Regional Navigation and Information Center of Kurgan Region OJSC non-residential premises leased by OJSC MegaFon.</p> <p>Lease payment for premises shall be subject to annual adjustment due to changed market situation and in compliance with agreement terms.</p> <p>Lease term: till 31.12.2017.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 651,400.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>
Board Meeting (Minutes № 203(267) dated 24.12.2013, Minutes № 219 (283) dated 23.12.2014)	<p>Lease Agreement between OJSC MegaFon ('Lessee') and Mikhailovsky GOK OJSC ('Lessor').</p> <p>Mikhailovsky GOK OJSC shall provide for temporary use by OJSC MegaFon non-residential premises owned by Mikhailovsky GOK OJSC for installation of mobile communication base stations in Zheleznogorsk.</p> <p>Lease payment for premises shall be subject to annual adjustment due to changed market situation and in compliance with agreement terms.</p> <p>Lease term: till 31.12.2016.</p> <p>Total price of property (services) acquired (disposed) by OJSC MegaFon under the Agreement shall not exceed RUB 2,384,750.</p>	<p>AF Telecom Holding LLC, Telecominvest Holdings Limited, MegaFon Investments (Cyprus) Limited, ANFIMAKO LIMITED, Bangorland Ventures Limited</p>

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Report on Compliance with Corporate Governance Code Principles and Recommendations

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
1	2	3	4

I. Rights and equitable treatment of shareholders in exercising their rights

1.1.	The Company shall ensure fair and equitable treatment of all shareholders in exercising their corporate governance rights. The system and practice of corporate governance shall provide fair treatment for all shareholders - owners of shares of one category (type), including minority shareholders and international shareholders, and their equal treatment by the Company.		
1.1.1.	<p>The Company shall have an approved internal document providing basic procedures for the preparation, convocation, and holding of the General Meeting of Shareholders in compliance with Corporate Governance Code Recommendations, including the obligation of the Company to:</p> <ul style="list-style-type: none"> inform shareholders of an upcoming General Meeting of Shareholders and ensure their access to the materials and, inter alia, place a notice and materials on the official website of the Company at least 30 days before the date of the General Meeting of Shareholders (unless a greater term is provided under the law of the Russian Federation); disclose information on the record date for the General Meeting of Shareholders at least seven days before such date; provide the General Meeting of Shareholders with additional information and materials concerning the items on the agenda of the General Meeting of Shareholders as recommended by the Corporate Governance Code. 	Partly in effect	<p>Basic procedures for the preparation, convocation, and holding of the General Meeting of Shareholders are set out in the Charter of the Company and Regulations on the General Meeting of Shareholders of the Company (approved by the resolution of the extraordinary General Meeting of Shareholders of OJSC MegaFon, Minutes dated 13 September 2013).</p> <p>When preparing for the General Meeting of Shareholders, the Company adheres to the principle of necessity to inform shareholders of an upcoming General Meeting of Shareholders and ensure their access to materials of the General Meeting of Shareholders at least 30 days before the expected date of the respective General Meeting of Shareholders. However, in actual practice the Company faces the necessity for critically urgent resolutions to be adopted by the General Meeting of Shareholders with respect to the matters of its current business operations. These cases force the Company to notify its shareholders of an upcoming General Meeting of Shareholders within 20 days of the date of the respective General Meeting of Shareholders.</p> <p>The Company provides additional information and materials concerning the items on the agenda of the General Meeting of Shareholders upon the request of shareholders as recommended by the Corporate Governance Code. Furthermore, additional information is published on the official website of the Company in the special section for shareholders and investors.</p> <p>The Regulations on the General Meeting of Shareholders of the Company provide an obligation for the Company to authorise its shareholders to make motions with respect to the items on the agenda of the General Meeting of Shareholders within 60 days after the end of the calendar year, as well as to properly state the reasons should a motion for placing items on the agenda of the General Meeting of Shareholders be denied.</p>

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
1.1.2.	The Company shall assume obligations to enable shareholders to address questions about business operations of the Company to members of the management and supervisory bodies, members of the Audit Committee, Chief Accounting Officer, Auditor of the Company as well as persons nominated for the positions in the management and supervisory bodies, when preparing for, and holding, the General Meeting of Shareholders. The above obligations shall be provided in the Charter or internal documents of the Company.	Applied in practice	<p>The Company has assumed obligations to enable shareholders to address questions concerning the items on the agenda of the General Meeting of Shareholders, as well as business operations of the Company, when preparing for, and holding, the General Meeting of Shareholders, and stated the same in the Regulations on the General Meeting of Shareholders of the Company.</p> <p>All questions addressed by shareholders to members of the management and supervisory body, members of the Audit Committee, Chief Accounting Officer, Auditor of the Company, as well as questions addressed to nominees for the positions in the management and supervisory bodies, are considered in due time and followed by complete and exhaustive responses.</p> <p>Where the General Meeting of Shareholders is held in the form of compresence, its time-limit provides additional time for shareholders to ask their questions. In that case, the General Meeting of Shareholders is attended by top management officers of the Company.</p>
1.1.3.	The Company shall assume obligations to adhere to the principle of inadmissibility of actions causing reallocation of corporate control (e.g., vote using quasi-treasury stock, adopt resolutions for the payment of dividends on preferred stock under the conditions of limited financial resources, adopt resolutions to pay no dividends on preferred stock as per the Charter while having sufficient resources for their payment). The above obligations shall be provided in the Charter or internal documents of the Company.	Applied in practice	<p>The subsidiary of the Company, holding a stock of shares of the Company (MegaFon Investments (Cyprus) Limited), does not vote on the matters of approving transactions to be settled by the Company should the majority shareholder be interested in the same.</p> <p>When voting at the General Meeting of Shareholders on the election of members of the Board of Directors, votes of MegaFon Investments (Cyprus) Limited are only cast in support of independent members of the Board of Directors.</p>
1.1.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
1.2.	Shareholders shall have equal and fair rights to share profits of the Company by receiving dividends.		
1.2.1.	<p>The Company shall have an approved internal document determining a dividend policy of the Company in compliance with the Corporate Governance Code Recommendations and establishing:</p> <ul style="list-style-type: none"> • procedure for defining a share of net profit (for issuers that prepare consolidated financial statements); • minimum share of the Company's net profit to be used for dividend payment, and conditions of their declaration; • minimum dividends on shares of the Company of different categories (classes); • obligation to publish a document determining its dividend policy, on the website of the Company. 	In effect	The Company has its Dividend Policy approved (Minutes of the Board of Directors 173(237) dated 8 June 2012) in compliance the requirements of the Corporate Governance Code.
1.2.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

II. Board of Directors of the Company

2.1.	The Board of Directors of the Company shall determine the key strategic business objectives for a long-term perspective, as well as key performance indicators of the Company, perform strategic management of the Company, determine principles and approaches for the organisation of risk management and internal control in the Company, establish the remuneration policy for the Company's Board of Directors and executive bodies and perform other key functions.		
2.1.1.	<p>The Company shall have a Board of Directors:</p> <ul style="list-style-type: none"> • determining the key strategic business objectives for a long-term perspective, as well as key performance indicators, of the Company; • controlling activities of the executive bodies of the Company; • determining principles and approaches for the organisation of risk management and internal control in the Company; • determining the policy of the Company in terms of remuneration payable to members of the Board of Directors, executive bodies and other key executives of the Company. 	In effect	<p>The Company has its Board of Directors formed in accordance with the Charter and Regulations on the Board of Directors (approved by resolution of the extraordinary General Meeting of Shareholders of OJSC MegaFon, Minutes dated 10 January 2013), acting to the extent of its competence and:</p> <ul style="list-style-type: none"> • determining the key strategic business objectives for a long-term perspective, as well as key performance indicators, of the Company; • controlling activities of the executive bodies of the Company, • determining principles and approaches for the organisation of risk management and internal control in the Company, • determining the policy of the Company in terms of remuneration payable to members of the Board of Directors and executive bodies.
2.1.2.	Other key criteria (recommendations) of the Corporate Governance Code related to mentioned corporate governance principle(s) according to the management of the Company.		None

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
2.2.	The Board of Directors of the Company shall be an efficient and professional management body of the Company capable of making objective, independent conclusions and taking decisions that comply with the interests of shareholders and the Company. The Chairman of the Board of Directors shall facilitate the best performance of assigned duties by the Board of Directors. Meetings of the Board of Directors, preparation for such meetings and participation of the members of the Board of Directors shall ensure efficient performance of the Board of Directors.		
2.2.1.	The Board of Directors shall be chaired by an independent director, or a senior independent Director shall be chosen from among the elected independent Directors to coordinate the activities of independent Directors and enable the interaction with the Chairman of the Board of Directors.	Not in effect	The Board of Directors is chaired by Soldatenkov S.V. (Chief Executive Officer of the Company from 2003 to 2012). The Company is of the opinion that Mr Soldatenkov's vast experience of work in telecommunications industry, his outstanding management skills, and intimate knowledge of all details and nuances of the Company's business from the time of its formation ensure the efficient operation of the Board of Directors and achievement of balance between the rights and interests of shareholders with due regard for the needs of business.
2.2.2.	Internal regulations of the Company shall provide a procedure for the preparation and holding of the Board meetings, enabling members of the Board of Directors to prepare for such meetings in a proper manner and providing the following: <ul style="list-style-type: none"> • deadlines for giving notices of an upcoming meeting to members of the Board of Directors; • deadlines for sending documents (voting ballots) and receiving completed documents (voting ballots) should a meeting be held in absentia; • option for providing and consideration of a written opinion of members of the Board of Directors failed to attend a meeting held in person; • option for discussion and voting via teleconferencing and videoconferencing. 	In effect	The Regulations on the Board of Directors of the Company (approved by resolution of the extraordinary General Meeting of Shareholders of OJSC MegaFon, Minutes dated January 10, 2013) provide a procedure for the preparation and holding of meetings of the Board of Directors, enabling members of the Board of Directors to prepare for such meetings in a proper manner, and make balanced decisions with respect to each of the items on the agenda of a meeting of the Board of Directors.
2.2.3.	The most important matters shall be dealt with at meetings of the Board of Directors held in person. The list of such matters is in compliance with the recommendations of the Corporate Governance Code. ¹	Partly in effect	The Board of Directors approves a schedule of meetings, including, inter alia, those to be held in person. Meetings of the Board of Directors held in person deal with the most important business matters of the Company, including approval of the key areas of the Company's business, as well as its Budget, Business Plan, and development strategy, consideration of the Company's performance results and financial statements, examination of major transactions of the Company, approval of top management bonus plans, and other such issues.
2.2.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

¹ Provided in Clause 168 part B of the Corporate Governance Code

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
2.3.	The Board of Directors of the Company shall include a sufficient number of independent Directors.		
2.3.1.	At least one-third of the total elected number of members of the Board of Directors shall be constituted by independent Directors.	Not in effect	As of 31 December 2014, the Board of Directors has two independent Directors (Lord Paul Myners and Jan Rudberg). The Company is of the opinion that the existing Board of Directors and its structure adequately ensure the balance of interests of shareholders, and guarantee both the impartiality and objectiveness of the decision-making process.
2.3.2.	Independent Directors shall fully comply with the independence criteria in the Corporate Governance Code.	In effect	According to the information provided by Jan Rudberg and Paul Myners, the Company assumes that independent Directors fully comply with the independence criteria in the Corporate Governance Code.
2.3.3.	The Board of Directors (Nomination Committee) shall evaluate whether the persons nominated for the Board of Directors meet the criteria of independence or not.	In effect	Once elected by the General Meeting of Shareholders of the Company, members of the Board of Directors are subject to a procedure for the remote evaluation of their compliance with the criteria of independence established by the Corporate Governance Codes of the Russian Federation and Great Britain. The final stage of the evaluation procedure consists of the examination of nominated independent Directors by the Board of Directors and adoption of a resolution approving the nominees as independent Directors of the Company.
2.3.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
2.4.	The Board of Directors shall set up Committees for preliminary consideration of the most important issues related to the business of the Company.		
2.4.1.	The Board of Directors shall set up an Audit Committee constituted by independent Directors. Functions of this Committee shall be set out in the internal documents of the Company, and meet the Corporate Governance Code Recommendations. ²	Partly in effect	<p>The Audit Committee has been established in the Company.</p> <p>Functions of the Audit Committee are set out in the Regulations on the Audit Committee of the Company (approved by resolution of the Board of Directors of the Company, Minutes No 177(241) dated 27 August 2012), and meet the provisions of clause 172 of the Corporate Governance Code Recommendations. The Audit Committee is chaired by Jan Rudberg, independent member of the Board of Directors, having a strong background in the field of business administration and international telecommunications, as well as profound knowledge of the preparation, analysis, evaluation and audit of accounting (financial) statements.</p> <p>The Company is of the opinion that the existing structure of the Committees distributes duties among members of the Board of Directors, takes into account the experience and knowledge of each member of the Board of Directors, ensures their ultimate involvement in the activities of the respective committee, and maintains the balance of shareholders' interests in the most optimal manner.</p> <p>In addition, when dealing with the most critical matters of the Company's business, we encourage all members of the Board of Directors to participate in meetings of the respective Committees.</p>

² Provided in Clause 172 part B of the Corporate Governance Code

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
2.4.2.	The Board of Directors shall establish the Remuneration Committee (which may be integrated with the Nomination (HR, appointments) Committee consisting of independent Directors. Functions of this Committee shall meet the Corporate Governance Code Recommendations. ³	Partly in effect	<p>The Remuneration and HR Development Committee has been established in the Company.</p> <p>Functions of the Committee are set out in the Regulations 'On the Remuneration and HR Development Committee' of the Company (approved by resolution of the Board of Directors, Minutes No 200(264) dated 12 November 2013), and meet the provisions of clause 180 of the Corporate Governance Code Recommendations.</p> <p>The Remuneration Committee is chaired by Lord Paul Myners, independent Director of the Board of Directors, having a strong background in telecommunications and knowledge of finance, politics and corporate governance.</p> <p>The Company is of the opinion that the existing structure of the Committees distributes duties among members of the Board of Directors, takes into account experience and knowledge of each member of the Board of Directors, ensures their ultimate involvement in the activities of the respective committee, and maintains the balance of shareholders' interests in the most optimal manner.</p> <p>In addition, when dealing with the most critical matters of the Company's business, we encourage all members of the Board of Directors to participate in meetings of the respective Committees.</p>
2.4.3.	The Board of Directors shall set up the Nomination (HR, appointments) Committee which may be integrated with the Remuneration Committee mostly consisting of independent Directors. Functions of this Committee shall meet the Corporate Governance Code Recommendations. ⁴	Partly in effect	<p>Functions of the Nomination Committee are discharged by the Remuneration and HR Development Committee, chaired by Lord Paul Myners, independent member of the Board of Directors.</p> <p>The Company is of the opinion that the existing structure of the Committees distributes duties among members of the Board of Directors, takes into account experience and knowledge of each member of the Board of Directors, ensures their ultimate involvement in the activities of the respective committee, and maintains the balance of shareholders' interests in the most optimal manner.</p>
2.4.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

³ Provided in Clause 180 part B of the Corporate Governance Code

⁴ Provided in Clause 186 part B of the Corporate Governance Code

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
2.5.	The Board of Directors shall ensure evaluation of the quality of work of the Board of Directors, its Committees and members of the Board of Directors.		
2.5.1.	Evaluation of the quality of work of the Board of Directors shall be carried out on a regular basis at least once a year. However, such evaluation shall be carried out with the participation of a third-party organisation (advisor) at least once every three years.	Not in effect	The quality of work of the Board of Directors was not evaluated in 2014. Due to a succession of changes in the Board of Directors in 2014, it was decided to evaluate the quality of work of the Board of Directors, its Committees and members of the Board of Directors in 2015.
2.5.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

III. Corporate Secretary of the Company

3.1.	The Corporate Secretary, or (business unit led by the Corporate Secretary) shall ensure efficient relations with shareholders, protection of rights and legal interests of shareholders, efficient performance of the Board of Directors.		
3.1.1.	The Corporate Secretary shall report to the Board of Directors, and shall be appointed or dismissed by resolution of the Board of Directors.	In effect	As provided by the Regulations on the Corporate Secretary of the Company approved by resolution of the Board of Directors, Minutes No 65 (129) dated 5 April 2007 and Corporate Governance Code Recommendations, the Corporate Secretary is accountable to the Board of Directors, and may be appointed or dismissed by resolution of the Board of Directors.
3.1.2.	The Company shall approve an internal document defining the rights and competencies of the Corporate Secretary (Regulations on the Corporate Secretary) in compliance with the Corporate Governance Code Recommendations. ⁵	Partly in effect	Functions and competence of the Corporate Secretary are set out in the Regulations on the Corporate Secretary of the Company (approved by resolution of the Board of Directors, Minutes No 65 (129) dated 5 April 2007).
3.1.3.	The Corporate Secretary shall not hold a position, which is in conflict with other duties discharged by him/her at the Company. The Corporate Secretary shall discharge his/her functions as provided by the Corporate Governance Code Recommendations. ⁶ The Corporate Secretary shall have adequate resources for the performance of his/her duties.	Partly in effect	The Corporate Secretary at the same time acts as an Inspector of the Company (to the extent provided by Federal Law No 224-FZ 'On Countering the Illegal Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation' dated 27 July 2010). The overlapping of these positions is approved by the Board of Directors of the Company.
3.1.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		

⁵ Provided in Clause 217 part B of the Corporate Governance Code

⁶ Provided in Clause 218 part B of the Corporate Governance Code

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
IV. Remuneration of members of the Board of Directors, executive bodies and other key executive officers of the Company			
4.1.	Remuneration payable by the Company shall be sufficient to attract, motivate, retain people with competencies and qualifications required by the Company. Remuneration payable to the members of the Board of Directors, executive bodies and other key executive officers of the Company shall be in compliance with the approved Remuneration policy of the Company.		
4.1.1.	The Company shall regulate all payments and fringe benefits of members of the Board of Directors, executive bodies and other key executive officers of the Company.	In effect	The Company has specified all payments, privileges and benefits granted to members of the Board of Directors, executive bodies and other key executive officers of the Company in accordance with the Corporate Governance Code, Charter of the Company, Regulations on the Management Board, and other such internal documents of the Company.
4.1.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None
4.2.	Remuneration system of members of the Board of Directors shall ensure alignment of financial interests of the Directors with long term financial interests of the shareholders.		
4.2.1.	The Company shall not apply any forms of financial remuneration to members of the Board of Directors, other than a fixed annual remuneration.	In effect	A fixed annual remuneration payable to members of the Board of Directors of the Company is determined by resolution of the General Meeting of Shareholders of the Company.
4.2.2.	The Company shall neither authorise members of the Board of Directors to participate in stock option plans, nor subject their rights to sell their respective shares of the Company to the achievement of certain performance indicators.	In effect	Members of the Board of Directors are not authorised to participate in stock option plans, and their rights to sell their respective shares of the Company are not subject to the achievement of certain performance indicators.
4.2.3.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None
4.3.	The Company shall consider its performance and the personal contribution of each officer to the achievement of such performance, when determining the amount of a fee payable to members of the executive bodies and other key executive officers of the Company.		
4.3.1.	The Company shall introduce a program of long-term motivation of members of the executive bodies and other key executive officers of the Company.	In effect	The Company has introduced a program of long-term motivation of members of the executive bodies and other key executive officers of the Company.
4.3.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
V. Risk management and internal control system			
5.1.	The Company shall have established an effective risk management and internal control system providing reasonable assurance in the achievement of the Company's objectives.		
5.1.1.	The Board of Directors shall determine the principles and approaches for the organisation of a risk management and internal control system at the Company.	Partly in effect	The Audit Committee of the Board of Directors and the Board of Directors regularly receive reports about risk management system and system for internal control of the accuracy of financial statements at the Company. The Audit Committee approves plans for the development of the risk management system.
5.1.2.	The Company shall have a separate unit for risk management and internal control.	Partly in effect	The Company has the Risk Management unit. A separate Internal Control unit has been only formed with respect to control of accuracy of financial statements.
5.1.3.	The Company shall have an anti-corruption policy developed and implemented providing measures for the formation of elements of corporate culture, organisational structure, and rules and procedures aimed at the prevention of corruption.	In effect	The Company applies the Anti-bribery Policy (approved by resolution of the Board of Directors No 185(249) dated 6 December 2012) which meets the requirements of the Corporate Governance Code. The Gifts and Hospitality Policy (approved by Order No 5-CEO-P08-43/13 of the Chief Executive Officer, dated 23 August 2013) was adopted within the scope of the aforesaid Policy.
5.1.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None
5.2.	The Company shall perform internal audit for the systematic independent assessment of the reliability and effectiveness of the risk management and internal control systems and corporate governance.		
5.2.1.	The Company shall have a separate unit, exercising duties of internal audit, functionally subordinated to the Board of Directors. The functions of this unit shall comply with Corporate Governance Code Recommendations, and these functions shall be as follows: <ul style="list-style-type: none"> • evaluate the efficiency of the internal control system; • evaluate the efficiency of the risk management system; • evaluate the corporate governance (if there is no corporate governance committee). 	In effect	As provided by the Regulations on the Internal Audit of the Company (approved by resolution of the Board of Directors No 180 (244) dated 19 September 2012), the Company has formed a special unit – Internal Audit, chaired by the Internal Audit Director. The Internal Audit Director reports to the Chief Executive Officer of the Company. This subordination is considered solely as administrative and does not influence the independence and objectiveness of internal auditors in the course of their activities. The Internal Audit is functionally managed by the Audit Committee of the Board of Directors. The Internal Audit functions are set out in the Regulations, which regulates its activities.
5.2.2.	The Internal Audit Director shall functionally report to the Board of Directors of the Company.	In effect	The Internal Audit Director reports to the Chief Executive Officer of the Company. This subordination is considered solely as administrative and does not influence the independence and objectiveness of internal auditors in the course of their activities. The Internal Audit is functionally managed by the Audit Committee of the Board of Directors.

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
5.2.3.	The Company shall approve internal audit policy (Regulations on internal audit) defining the objectives, purposes and functions of internal audit.	In effect	The Board of Directors has approved the Regulation 'On Internal Audit' (approved by resolution of the Board of Directors No 180 (244) dated 19 September 2012).
5.2.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

VI. Disclosure of information about the Company, information policy of the Company

6.1.	The Company and its business shall be transparent for shareholders, investors and other related parties.		
6.1.1.	The Company shall have the internal document defining the information policy in compliance with the Corporate Governance Code recommendations. The information policy of the Company shall include the following investor and related parties relation procedures: <ul style="list-style-type: none"> special website of the Company containing the most frequently asked questions by shareholders and investors, regularly updated calendar of the Company's corporate events and other useful information for shareholders and investors; regular meetings of members of the executive bodies and other key executive officers with analysts; regular presentations (including those in the form of teleconferences, webcasts) and meetings with the participation of members of the executive bodies and other key executive officers of the Company, including those supporting the publication of financial reports of the Company, or those related to key investment projects and strategic development plans of the Company. 	Applied in practice	The Company actively uses the methods of interaction with investors and other interested parties, provided for by the Corporate Governance Code. According to the Company, the formalisation of investor and related parties relation procedures is not required.
6.1.2.	The information policy of the Company shall be implemented by the executive bodies of the Company. The Board of Directors shall ensure proper disclosure of information and compliance with the information policy.	In effect	The Board of Directors, supervising proper disclosure of information with respect to the most essential business operation of the Company, each quarter considers a report of the management officers of the Company concerning financial and economic performance of the Company, as well as the most essential corporate events, before it is officially published and distributed via mass media. The Annual Report of the Company is examined by the Audit Committee and Board of Directors of the Company before it is officially published. The Annual Report of the Company is subject to pre-approval of the Board of Directors of the Company.
6.1.3.	The Company shall have established procedures providing coordination of all functions and departments of the Company related to information disclosure.	In effect	The Company adheres to the Regulations for Disclosure of Information ⁷ and Annual Report Preparation Regulation, both approved by the Order of the Chief Executive Officer, enabling the coordination of all units with respect to disclosure of information.
6.1.4.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

⁷ The Regulations for Disclosure of Information was approved by the Order of the CEO on 26 March 2015

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
6.2.	The Company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.		
6.2.1.	Where foreign participation in the capital of the Company is substantial, the Company shall ensure that information is disclosed in Russian, and the most essential information of the Company (including notices of an upcoming meeting of shareholders, Annual Report of the Company) is published in a foreign language generally accepted in financial markets.	In effect	As provided by the Regulations for Disclosure of Information, approved by the Order of the Chief Executive Officer, the most essential information of the Company is disclosed in English at the same time as its disclosure in Russian.
6.2.2.	The Company shall disclose not only the information about itself, but also information on its material subsidiaries and affiliates.	In effect	The Company discloses information on its material subsidiaries and affiliates.
6.2.3.	The Company shall disclose annual and interim (six months) consolidated or individual financial statements in accordance with the International Accounting Standards. Annual consolidated or individual financial statements shall be disclosed together with an auditor's opinion, while interim (six months) consolidated or individual financial statements must be disclosed together with a report of general audit results, or auditor's opinion.	In effect	The Company discloses its annual and interim financial statements drawn up in accordance with International Accounting Standards, on a quarterly basis. As provided by the International Accounting Standards, annual statements are disclosed accompanied by an auditor's opinion, and interim statements, with a report on general audit results.
6.2.4.	The Company shall disclose a special memorandum containing plans of the controlling entity of the Company. This memorandum shall be executed in compliance with the Company's Corporate Governance Code recommendations. ⁸	Not in effect	Plans of the entity controlling the Company are disclosed by the entity via mass media.
6.2.5.	The Company shall disclose detailed biographical information of members of the Board of Directors, including their independence status as well promptly disclosing information should a member of the Board of Directors lose his/her status as an independent director.	In effect	The Company annually discloses biographical information of members of the Board of Directors in its annual and quarterly reports.
6.2.6.	The Company shall disclose information on its capital structure as recommended by the Corporate Governance Code.	In effect	The Company discloses information on its capital structure as recommended by the Corporate Governance Code on the official website of the Company.

⁸ Provided in Clause 279 part B of the Corporate Governance Code

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Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
6.2.7.	<p>The annual report of the Company shall include additional information as recommended by the Corporate Governance Code:</p> <ul style="list-style-type: none"> • brief review of major transactions settled by the Company, including interrelated transactions settled by the Company and subsidiary of the Company over the last year; • report on the work of the Board of Directors (including committees of the Board of Directors) for the year, specifying the number of meetings held in person/in absentia, participation of each of members of the Board of Directors in the meetings, as well as describing the most significant matters and the most complex problems considered at the meetings of the Board of Directors and those of committees of the Board of Directors, together with key recommendations suggested by committees to the Board of Directors; • information on the Company's shares directly or indirectly owned by members of the Board of Directors and executive bodies of the Company; • information on conflicts of interest (if any) of members of the Board of Directors and members of the executive bodies (including those related to positions held by those persons in the executive bodies of competitors to the Company); • description of the system of remuneration of members of the Board of Directors, including the amount of individual remuneration payable to each member of the Board of Directors at year-end (broken down by base remuneration, additional remuneration payable for chairing of the Board of Directors, chairmanship/ membership in committees of the Board of Directors, extent of participation in a long-term incentive program, extent of participation of each member of the Board of Directors in a stock option plan, if any), compensation of costs incurred in connection with membership in the Board of Directors, as well as those costs incurred by the Company due to liability insurance for Directors as members of the executive bodies; 	Partly in effect	<p>The Annual Report of the Company, inter alia, specifies the major transactions (including interrelated transactions) settled by the Company, as well as stock of the Company directly or indirectly held by members of the Board of Directors and members of the executive bodies of the Company.</p> <p>The Annual Report of the Company discloses no information on major transactions settled by subsidiaries and/or affiliates of the Company. That information is disclosed by the Company as notices of material facts in accordance with applicable laws.</p> <p>Information on the work of the Board of Directors (including committees of the Board of Directors) over the year, as well information on the system of remuneration applied to members of the Board of Directors and members of the executive bodies is disclosed in a summarised manner.</p>

Statutory disclosure materials

Report on Compliance with Corporate Governance Code Principles and Recommendations continued

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	<ul style="list-style-type: none"> • information on the total annual remuneration: <ul style="list-style-type: none"> a) with respect to a group of at least five of the most well-paid members of the executive bodies and other key executive officers, broken down by each type of remuneration; b) with respect to all members of the executive bodies and such other key executive officers of the Company subject to the remuneration policy of the Company, broken down by each type of remuneration; • information on the total annual remuneration of the sole executive body that it received or shall receive from the Company (legal entity from the Company's group) providing details on each category of remuneration for performing functions of the sole executive body as well as other. 		
6.2.8.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None
6.3.	The Company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.		
6.3.1.	The Company's Information policy shall provide a procedure enabling shareholders that own equal number of voting shares to have equal access to materials and documents of the Company.	In effect	The procedure of providing shareholders with access to information and documents is set out in the Charter of the Company and Regulations on the General Meeting of Shareholders (approved by resolution of the extraordinary General Meeting of Shareholders of OJSC MegaFon, Minutes dated 13 September 2013).
6.3.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s)		None

Statutory disclosure materials

Report on Compliance with Corporate Governance Code Principles and Recommendations continued

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
VII. Significant corporate actions			
7.1.	Actions that significantly impact or may significantly impact the shareholders capital structure or financial condition of the Company and respectively, shareholders position (significant corporate actions) shall be fairly executed providing observance of rights and interests of shareholders and other related parties.		
7.1.1.	<p>The Charter of the Company shall provide a list of transactions, or other actions classified as significant corporate actions pertaining to the competence of the Board of Directors of the Company, including:</p> <ul style="list-style-type: none"> • Company reorganisation, acquisition of 30% and more of voting shares of the Company (in case of take-over), increase or decrease of the authorised capital of the Company, listing or delisting of the Company's stocks; • transactions of sale of stock (equity) of the material subsidiaries/affiliates, of the Company, as a result of which the Company loses control over such subsidiaries/affiliates; • transactions, including inter-related transactions, involving property of the Company, or of the Company, should the cost of such property be greater than its value stated in the Charter of the Company, or should such property be of key importance for the business operations of the Company; • incorporation of a subsidiary/affiliate of the Company being of key importance for business operations of the Company; • disposal of treasury and quasi-treasury stock by the Company. 	Partly in effect	Transactions, and/or actions mentioned in the Corporate Governance Code are not classified by the Charter of the Company as significant corporate actions, but they must still be considered by the Board of Directors of the Company and/or its Committees.
7.1.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

Statutory disclosure materials

Item	Corporate governance principle(s) or key criteria (recommendation)	Summary of non-compliance with key criteria or principle	Key reasons, factors and circumstances that lead to non-compliance or partial compliance, description of corporate governance alternative mechanisms and tools
7.2.	The Company shall execute significant corporate actions in such a way providing shareholders to timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.		
7.2.1.	<p>Internal documents of the Company shall ensure equal conditions for all shareholders when performing significant corporate actions with respect to the rights and legitimate interests of shareholders, as well as provide additional measures protecting the rights and legitimate interests of shareholders of the Company, set out in the Corporate Governance Code, including:</p> <ul style="list-style-type: none"> involvement of an independent appraiser, whose reputation and appraising skills are generally accepted at the market, or statement of reasons for the decision not to involve an independent appraiser for the purposes of evaluation of property disposed or acquired under a major or related-party transaction; evaluation of the price of stock of the Company (should those be acquired or redeemed) by an independent appraiser, whose reputation and appraising skills are generally accepted at the market, with due regard for the weighted average price of stock for a reasonable period of time, ignoring the effect of the respective transaction settlement by the Company (and, inter alia, ignoring fluctuations in the price of stock due to dissemination of information of the respective transaction settlement by the Company), and net of discount for the disposal of stock as a part of non-controlling interest; expansion of a list of reasons, by which members of the Board of Directors of the Company and other persons subject to applicable laws are considered as interested in transactions of the Company, so that actual relationship of the respective persons can be evaluated. 	Partly in practice	<p>The Company strictly ensures equal conditions for all shareholders of the Company, including those performing significant corporate actions.</p> <p>The Company's stock acquired or redeemed by the Company is evaluated by an independent appraiser having an impeccable reputation and appraising skills generally accepted at the market.</p> <p>When considering major or related-party transactions, the Board of Directors may recommend involving of an independent appraiser to evaluate the property acquired or alienated under the respective transaction.</p> <p>As provided by internal corporate documents, members of the Board of Directors must state their interest in transactions of the Company and abstain from the decision-making process with respect to such transactions.</p>
7.2.2.	Other key criteria (recommendations) of the Corporate Governance Code related to this corporate governance principle(s).		None

Scheduled of proposed actions and measures of OJSC MegaFon on improving the model and practice of corporate governance: For the purpose of compliance with the best corporate governance practices OJSC MegaFon intends to continue to improve its corporate governance system, including the following:

- Update Regulations on the Corporate Secretary;
- Update Regulations on the Audit Committee;
- Update Regulations on the Remuneration and HR Development Committee.