

Press Release

MEGAFON REPORTS STRONG REVENUE GROWTH, IMPROVED OIBDA AND SOLID CASH FLOW IN 2012

MOSCOW, Russia (February 28, 2013) - Open Joint Stock Company “MegaFon” (“MegaFon”, or the “Company”) (LSE: MFON), a leading Russian universal telecommunications operator, announces its consolidated financial results¹ for the fourth quarter (unaudited) and full year (audited) ended December 31, 2012.

Key Consolidated Financial Results for Q4 2012

- Consolidated revenue grew by 9.3% year-on-year (y-o-y), to RUR 71,539 million.
- OIBDA increased by 24.5% y-o-y, to RUR 31,418 million.
- OIBDA margin increased to 43.9% versus 38.5% in Q4 2011
- Net Income increased by 28.3% y-o-y, to RUR 12,406 million.

Key Consolidated Financial and Operational Results for the year 2012:

- Consolidated revenue grew by 12.4% y-o-y, to RUR 272,637 million.
- OIBDA increased by 16.4% y-o-y, to RUR 117,356 million.
- OIBDA margin increased to 43.0% versus 41.6% last year.
- Net Income decreased by 12.1% y-o-y, to RUR 38,306 million.
- CAPEX decreased by 37.8% y-o-y resulting in CAPEX/Revenue ratio of 16.2%
- Free Cash Flow increased by 174.8% to RUR 70,772 million.
- Net Debt as of December 31, 2012 was RUR 121,788 million.
- The number of active mobile subscribers as of December 31, 2012 was 64.6² million, an increase of 2.9% y-o-y.

¹ Based on US GAAP

² Consolidated data includes subscribers of the Company in Russia and subscribers of its subsidiaries: TT-mobile CJSC in the Republic of Tajikistan, Aquafon GSM CJSC in the Republic of Abkhazia and Ostelecom CJSC in the Republic of South Ossetia

CORPORATE HIGHLIGHTS FOR 2012

- In February the Company signed an agreement with Scartel LLC, which operates under the “Yota” brand and holds 4G/LTE frequencies, under which Scartel was given access for the Company’s network for development of its own services, and, in return, the Company became able to access Scartel’s network to provide 4G services to its own subscribers. In April MegaFon launched commercial 4G service in the city of Novosibirsk, becoming the first of the “Big 3” operators in Russia to do so, and, by the end of 2012, using the Scartel network, had launched 4G services in 76 towns and cities in 28 regions of the Russian Federation.
- In April, Sergey Soldatenkov stepped down as CEO and General Director, and was replaced by Ivan Tavrín, who had previously served as First Deputy CEO of the Company. Mr Soldatenkov was subsequently elected to the Company’s Board of Directors and appointed as its Chairman.
- Also in April, the Company declared its first ever dividend and, in connection with this, underwent a substantial reorganization of its shareholder base, including its re-purchase of approximately 14.4% of its own shares through a wholly-owned subsidiary, as a result of which the Alfa Group ceased to be a shareholder, while companies controlled by Mr Alisher Usmanov became the majority shareholder in the Company.
- In July, MegaFon was awarded its own license for the provision of 4G/LTE services throughout the Russian Federation for the period of ten years.
- In September, MegaFon acquired the VAS Media group of companies, which develops value added and related services, and which are being integrated with MegaLabs, MegaFon’s R&D subsidiary.
- In October the Company successfully placed ruble-denominated bonds on the Moscow Stock Exchange, marking its return to the public debt capital markets.
- In November MegaFon successfully completed an initial public offering of approximately 14.8% of its total issued shares on the Moscow Stock Exchange and on the London Stock Exchange (in the form of Global Depositary Receipts), at a price of US\$20 per share/GDR.
- In connection with the offering, the two principal shareholders of the Company, the TeliaSonera group of companies and AF Telecom, which is ultimately controlled by Mr Alisher Usmanov agreed upon a new structure for the Board of Directors, whereby, of the seven members, three are nominated by AF Telecom, two are nominated by TeliaSonera, and each of TeliaSonera and AF Telecom nominate an independent director. Mr Jan Rudberg has been nominated by TeliaSonera as an independent director and Lord Paul Myners was nominated as the AF Telecom independent director.
- Also in connection with the offering, our CEO, Mr Tavrín, announced that he would purchase a 1.25% interest in the Company from its holding of Treasury shares at the IPO price, and that he had been granted options to purchase up to an additional 3.75% interest over the period 2013-17 at the same price.
- In December the Company completed the acquisition of a 25.0% interest in the Euroset retail chain, the largest chain in Russia providing telecommunications goods and services. At the same time Garsdale, a company in the Usmanov group, acquired an additional 25.0% interest, and the Company entered into an agreement with Garsdale obligating MegaFon to acquire Garsdale’s 25.0% interest within the next three years for the amount invested by Garsdale plus an 8.0% return. At the same time an agreement was made with Vimpelcom, which owns the remaining 50.0% of Euroset and is one of the “Big 3” operators in Russia, regarding the governance of Euroset.

- Also In October and December both Standard & Poor's and Moody's Investor Services re-affirmed the Company's investment grade ratings at BBB- and Baa3 levels respectively.
- In December the Company prepaid approximately RUR 10,000 million of short-term debt from the IPO proceeds and operating cash flows, which also had the effect of decreasing its average cost of debt.

Ivan Tavrin, Chief Executive Officer of MegaFon, commented on the financial and operational results:

I am very pleased to announce today our financial results for 2012. It has been an exciting time for MegaFon. We have successfully completed a listing on the London Stock Exchange and the business is performing well.

We have achieved record revenues and strengthened our leadership position in the key growth segment of mobile data. Total revenues increased by 12.4% to RUR 272.6 billion, including an increase in mobile data revenue of 31.8% to RUR 36.6 billion.

During the year we continued to execute our new corporate strategy, focused on operating efficiency, cost control and returns for shareholders. Our focus on operating efficiency and cost control has already resulted in meaningful cost savings, whilst we have also implemented a number of measures to increase profitability, including successfully focusing on the acquisition of higher value subscribers. Our investment in Euroset, Russia's largest mobile retailer, in December 2012 will further reinforce our subscriber acquisition strategy.

In addition, with our network infrastructure now well established, our capital investment needs are declining, resulting in a reduction in consolidated CAPEX in 2012 of some 37.8 % to RUR 44.1 billion.

This combination of increasing revenues and management's intense focus on operating efficiency and cost control has generated record OIBDA of RUR 117.4 billion and an improved OIBDA margin of 43.0% for the full year.

In line with our track record of pioneering new telecom services in Russia, we became the first major operator to offer 4G services. The roll-out of our 4G coverage is moving strongly ahead, reaching 76 towns and cities by the end of 2012.

On the basis of the very strong results we have announced today, we intend to propose a dividend payment to shareholders in line with the policy adopted by our Board in June 2012. The exact amount will be announced after the decision is made by our Shareholders, with the first payment to be expected during the summer of 2013.

In 2013 we expect high single digit revenue growth, and OIBDA margin between the levels achieved in the years 2011 and 2012. In addition, we expect to spend RUR 55-60 billion on CAPEX.

Key Consolidated Financial Data (In millions of Rubles)

	Three Months			Year		
	Q4 2012	Q4 2011	Q4 2012/ Q4 2011	2012	2011	2012/ 2011
Revenue	71,539	65,462	9.3%	272,637	242,608	12.4%
OIBDA	31,418	25,232	24.5%	117,356	100,822	16.4%
OIBDA Margin	43.9%	38.5%	5.4 p.p	43.0%	41.6%	1.4 p.p.
Net Income	12,406	9,670	28.3%	38,306	43,579	(12.1%)
CAPEX	15,848	25,402	(37.6%)	44,074	70,871	(37.8%)
CAPEX / Revenue	22.2%	38.8%	(16.6 p.p.)	16.2%	29.2%	(13.0 p.p.)

Key Financial Data in Russia (In millions of Rubles)³

	Three Months			Year		
	Q4 2012	Q4 2011	Q4 2012/ Q4 2011	2012	2011	2012/ 2011
Revenue	70,708	64,850	9.0%	269,657	240,491	12.1%
Wireless Business	66,168	60,211	9.9%	251,728	225,297	11.7%
<i>Including data revenue</i>	<i>9,948</i>	<i>7,874</i>	<i>26.3%</i>	<i>36,126</i>	<i>27,628</i>	<i>30.8%</i>
Wireline Business	4,540	4,639	(2.1%)	17,929	15,194	18.0%
OIBDA	31,398	25,224	24.5%	117,276	100,425	16.8%
OIBDA Margin	44.4%	38.9%	5.5 p.p.	43.5%	41.8%	1.7 p.p.
Net Income	12,745	9,683	31.6%	39,397	44,048	(10.6%)
Net Income Margin	18.0%	14.9%	3.1 p.p.	14.6%	18.3%	(3.7 p.p.)

Revenues

Total consolidated revenue in 2012 in all countries in which we operate reached RUR 272,637 million, a 12.4%, increase y-o-y, with revenue in Russia accounting for over 98.9% of total revenue.

In Russia, total revenue increased by 12.1% y-o-y for the full year and by 9.0% y-o-y in the fourth quarter. The key driver of this growth was the increase in revenue from our wireless business, by 11.7% y-o-y, for the full year and 9.9% y-o-y in the fourth quarter, which was driven by an increase in the subscriber base, strong demand for airtime, increased usage of mobile data and value added services ("VAS") (in particular increased usage of content services and SMS), and significant growth in sales of handsets and accessories.

³ Excluding mutual settlements with TT-mobile CJSC, Aquafon-GSM CJSC and Ostelecom CJSC

The strong momentum in mobile data growth seen in previous quarters continued into the fourth quarter with revenues increasing by 26.3% y-o-y in the fourth quarter and by 30.8% y-o-y in the full year and this continued to be one of our fastest growing revenue streams. The rollout of nationwide 4G services progressed as planned and the Company aims to reinforce its market leadership position through further coverage and by providing high quality and superior services through its leading data network, thus stimulating even higher data usage among its customers.

Revenue from VAS in Russia increased by 20.2% y-o-y for the full year, and by 15.0% y-o-y in the fourth quarter, primarily due to an increased usage of content services, as well as an increase in revenues from SMS.

Revenue from our sales of handsets and accessories business in Russia increased by 58.3% y-o-y for the full year, and by 46.8% y-o-y in the fourth quarter. This significant growth was primarily due to an increase in the number of our own retail stores as well as an increase of the average price of devices sold throughout our entire distribution network due in part to our discontinuing subsidies for our 3G USB modems.

The significant increase in wireline revenue in Russia of 18.0% y-o-y for the full year was primarily due to the acquisitions made in the fourth quarter of 2011. However the slight decrease in the fourth quarter y-o-y of 2.1% was due to a decreased exposure to capital intensive B2O business.

OIBDA and OIBDA margin

The Company achieved a considerable improvement in operating profits and margins in 2012 as a result of the new strategy with its key focus on operating efficiency and cost control, coupled with the revenue growth referred to above. This led to growth in consolidated OIBDA of 16.4% y-o-y for the full year, and 24.5% in the fourth quarter y-o-y.

In Russia OIBDA grew by 16.8% y-o-y for the full year, and by 24.5% y-o-y in the fourth quarter. Besides the increase in revenues in absolute terms, the principal driver of the OIBDA growth for the year and for the fourth quarter was the reduction in subscriber acquisition costs as a result of switching our dealer compensation arrangements to revenue-sharing. Offsetting this were the growth in salary expense, rent and utilities resulting from the expansion of our network and retail infrastructures.

Consolidated OIBDA margin for the full year reached 43.0% vs. 41.6% in 2011. In Russia OIBDA margin grew by 1.7 p.p. y-o-y for the full year to 43.5% and by 5.5 p.p. y-o-y in the fourth quarter, reaching 44.4%.

Net income and tax rate

On a consolidated basis, net Income for the last three months of 2012 grew by 28.3% y-o-y, but declined by 12.1% y-o-y for the full year 2012.

Net income in Russia for the fourth quarter 2012 increased by 31.6% y-o-y driven primarily by a positive impact from growth in operating income.

For the full year, net income in Russia saw a 10.6% decline y-o-y, arising primarily from a combination of higher interest expense due to the increase in the Company's borrowings as a result of the shareholder restructuring and dividend payment in April 2012, and revaluation of the Company's U.S. dollar-denominated obligations as a result of the significant depreciation of the ruble against the U.S. dollar during the same quarter.

The Company's consolidated effective income tax rate for the year 2012 amounted to 23.1%, a rise of 1.1 p.p, y-o-y, largely due to an increase in non-deductible expenses and taxable gains from intragroup borrowings.

Cash flow from Operations

Consolidated net cash generated from operating activities increased by 12.5%, from RUR 97,295 million as of 31 December 2011 to RUR 109,440 million as of 31 December 2012. This change was primarily attributable to an increase in operating income as a result of an increase in total revenues and successful implementation of various cost-cutting initiatives.

Free Cash Flow

Consolidated free cash flow increased by 174.8%, from RUR 25,750 million as of 31 December 2011 to RUR 70,772 million as of 31 December 2012. This increase was primarily driven by an increase in cash from operating activities and lower capital expenditures.

CAPEX

Consolidated CAPEX for 2012 decreased by 37.8% to RUR 44,074 million as a result of the previously announced objective to reduce capital expenditure following a prolonged period of significant investment in the development of new and technologically advanced infrastructure. This led to a reduced CAPEX to Revenue ratio for the full year 2012 of 16.2%.

Net Debt

Consolidated net debt as of 31 December 2012 increased to RUR 121,788 million, compared to net cash of RUR 45,689 million as of 31 December 2011, primarily reflecting the increase in our borrowings as a result of the shareholder restructuring and dividend payments in April 2012.

In the last three months of 2012, consolidated net debt decreased from RUR 139,887 million as of 30 September 2012 to RUR 121,788 million as of 31 December 2012, which is attributable primarily to the repayment of debt in December, an increase in cash flow from operating activities in the fourth quarter, and the receipt of proceeds from our IPO in November 2012, offset in part by payments related to the Euroset investment.

Earnings per share

Consolidated basic and diluted EPS increased by RUR 7 per share or 43.8% y-o-y in the fourth quarter. The increase was primarily driven by the growth in net income for the period, as was discussed in the net income section above.

Consolidated basic and diluted EPS declined by RUR 2 per share, or 2.9% y-o-y for the full year, resulting from a decline in net income for the period, as discussed in the net income section above.

For the reconciliation of EPS, please refer to the Note 25 of the Company's Audited Consolidated US GAAP Financial Statements for the year ended December 31, 2012 available at: <http://english.corp.megafon.ru>

Dividends

We intend to propose a dividend payment to shareholders in line with the policy adopted by our Board in June 2012. The exact amount will be announced after the decision is made by our Shareholders, with the first payment to be expected during the summer of 2013.

Outlook / Guidance

In 2013 we expect high single digit revenue growth, and OIBDA margin between the levels achieved in the years 2011 and 2012. In addition, we expect to spend RUR 55-60 billion on CAPEX.

Key Operational Highlights

Wireless Business in Russia

	Three Months			Year		
	Q4 2012	Q4 2011	Q4 2012/ Q4 2011	2012	2011	2012/ 2011
Number of wireless subscribers (K)	62,568	61,631	1.5%	62,568	61,631	1.5%
of which data services users (K)	21,011	19,086	10.1%	21,011	19,086	10.1%
ARPU (RUR.)	330	313	5.4%	320	311	2.9%
MOU (min.)	309	293	5.5%	299	288	3.8%
ARPDU (RUR.)	161	143	12.6%	153	137	11.7%
DSU (mgb.)	1,244	832	49.5%	1,068	628	70.1%

Wireless subscribers

Despite increasing market saturation, the number of the Company's wireless subscribers continued to grow, reaching 62.6 million as of 31 December 2012, representing a 1.5% increase y-o-y. Wireless data services users accounted for 31.0% and 33.6% of the Company's total subscriber base as at 31 December 2011 and 31 December 2012, respectively. The provision of high quality services through our technologically advanced network, continuing expansion in capacity and coverage of our 3G network nationwide and rollout of 4G/LTE services contributed to the broadening of our wireless data services user base.

MOU

MOU increased by 11 minutes, or 3.8% y-o-y, for the full year, and for the fourth quarter by 16 minutes, or 5.5% y-o-y, primarily due to the launch of new regional tariffs aimed at stimulating traffic between users on our network, including intercity calls.

ARPU

ARPU grew by 9 rubles, or 2.9% y-o-y, for the full year, and by 17 rubles, or 5.4% y-o-y for the fourth quarter, driven by increased use of VAS and data traffic by our subscribers.

DSU

DSU increased by 440 megabytes, or 70.1% y-o-y, for the full year, and by 412 megabytes in the fourth quarter, representing a 49.5% y-o-y improvement. The increase in demand for data services has been driven by the continuing expansion in capacity and coverage of our 3G and 4G networks nationwide, accelerating sales of USB modems and tariff initiatives designed to stimulate demand for data transfer services. These factors also contributed to the considerable expansion of our data services user base, which in turn contributed to the growth

in data traffic. During 2012, approximately two-thirds of data traffic on our network was accounted for by USB modem usage by our subscribers.

ARPDU

ARPDU grew by 16 rubles, or 11.7% y-o-y, for the full year, and by 18 rubles, or 12.6% y-o-y, for the fourth quarter, due to growth in data traffic resulting from our tariff initiatives referred to above.

Conference call

Today MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its 2012 fourth quarter and full year performance.

Time: 09.00 (New York time), 14.00 (London time), 18.00 (Moscow time)

Dial-in details

Russia Toll Free 8 10 8002 4902044

Standard International Access +44 (0) 20 3003 2666

UK Toll Free 0808 109 0700

USA Toll Free 1 866 966 5335

Access Code: 9768473

Password: MegaFon

Audiocast and slide presentation

<http://english.corp.megafon.ru>

The presentation file in PDF format will be available to download at least one hour before the event starts

Replay facilities

+44 (0) 208196 1998 followed by Access Pin 9768473

Russia - Moscow Local Moscow 8 499 270 6352

Russia Toll Free 8 10 8002 4832044

Standard International Access +44 (0) 20 8196 1998

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Notes to Editors

MegaFon OJSC is a leading Russian universal telecommunication service provider, operating in all segments of the telecommunications markets in Russia. MegaFon was incorporated in June 1993 as CJSC “Northwest GSM” and renamed OJSC “MegaFon” in 2002. MegaFon was the first operator with a network covering all regions of Russia. The Company and its subsidiaries have licenses to operate in all of the Russian regions and in the Republics of Abkhazia, South Ossetia and Tajikistan. The Company was the first in Russia to launch 3G for commercial operations and is currently in the number one position among all operators in the provision of mobile Internet, and in the number two position as to the number of active subscribers in Russia.

In 2009, MegaFon was selected as the Mobile General Partner of the XXII Winter Olympic Games and XI Paralympic Games to be held in Sochi in 2014.

As a result of its acquisition of the Synterra Group, one of the leading Russian backbone operators, in June 2010, MegaFon substantially increased its fixed-line B2B and B2G businesses, as well as its provision of fixed broadband services. In July 2012 MegaFon was awarded one of four ten-year sets of licenses for the provision of 4G/LTE services throughout the entire Russian Federation and, through its MVNO arrangement with Yota, has already started providing these services in 76 towns and cities in 28 different regions. In September 2012 the Company acquired the VAS Media group of companies, which are now being integrated with MegaLabs, its R&D subsidiary. In December 2012 the Company acquired a 25% interest in the Euroset retail chain, the largest chain in Russia providing telecommunications goods and services, along with a requirement to acquire a further 25% within the next three years.

In November 2012 MegaFon successfully completed an initial public offering on the Moscow Stock Exchange and on the London Stock Exchange. As of December 31, 2012, MegaFon has two principal shareholders, companies in the AF Telecom group (50.0% + 100 shares) and the TeliaSonera group (approximately 25.1%), while the remaining shares are held by its CEO, Ivan Tavrin (1.25%) and by a wholly owned subsidiary of the Company (of which Mr. Tavrin has the right to acquire up to 3.75% at various times prior to 2017).

Disclaimer/ forward looking statements

The above discussion and analysis should be read in conjunction with the Company's Audited Consolidated US GAAP Financial Statements for the year ended December 31, 2012 available at: <http://english.corp.megafon.ru>.

Certain statements and/or other information included in this document may not be historical facts and may constitute “forward looking statements” within the meaning of Section 27A of the U.S. Securities Act and Section 2(1)(e) of the U.S. Securities Exchange Act of 1934, as amended. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plans”, “forecast”, “project”, “will”, “may”, “should” and similar expressions may identify forward looking statements but are not the exclusive means of identifying such statements. Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, our plans or goals relating to forecasted production, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, and other information that is not historical information, together with the assumptions underlying these forward looking statements. By their very nature, forward looking statements involve inherent risks, uncertainties and other important factors that could cause our actual results, performance or achievements to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the political, economic, social and legal environment in which we will operate in the future. We do not make any representation, warranty or prediction that the results anticipated

by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. We expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect actual results, changes in assumptions or in any other factors affecting such statements.

Schedule 1: Definitions

Wireless Subscriber is defined as each SIM card that is connected to the network and is “active”, that is, that has had at least one chargeable traffic event (that is, use of voice, VAS or data transfer services) within the preceding three months, whether chargeable to the Subscriber or to a third party (for example, interconnection charges payable by other operators). Where an individual person holds more than one SIM card, each SIM card is included as a separate Subscriber.

Data services user is defined as a Subscriber who has used any of the Company’s data transfer services within the preceding three months.

ARPU (Average Monthly Revenue Per User) is calculated for a given period by dividing the aggregate of the Company’s wireless revenues from local subscribers, revenues from data transfer services and revenues from VAS, revenues from interconnection charges and revenues from roaming charges to other operators for the same period by the average number of its Subscribers during that period, and further dividing the result by the number of months in that period.

ARPDU (Average Monthly Revenue Per Data Services User) is calculated for a given period by dividing the Company’s data services revenues for a given period by the average number of its data services users during that period, and further dividing the result by the number of months in that period

MOU (Monthly Average Minutes of Use per User) is calculated by dividing the total number of minutes of usage (including both outgoing and incoming calls) during a given period by the average number of our Subscribers during such period and dividing the result by the number of months in such period.

DSU (Monthly Average Data Services Usage per User) is calculated by dividing the total number of megabytes transferred by our network during a given period by the average number of data services users during such period and dividing the result by the number of months in such period.

OIBDA (Operating Income Before Depreciation and Amortization) is a non-US GAAP financial measure; it should be considered as supplementary but not as an alternative to the information provided in the financial statements of the Company. OIBDA margin means OIBDA as a percentage of revenue. The Company believes that OIBDA provides a better measure of the Company’s actual operational results including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While it does not take into account depreciation of property, plant and equipment and amortization of intangible assets, which are considered as operating expenses in US GAAP, these expenses primarily represent non-cash charges related to long-lived assets acquired or constructed in prior periods. OIBDA is widely used by investors, analysts and rating agencies as a measure to evaluate and compare current and future operating performance and to determine the value of companies within the telecommunications industry. A reconciliation of OIBDA to operating income, the most directly comparable US GAAP measure, is provided in Schedule 2.

Capital Expenditures (CAPEX) comprises the cost of purchases of new equipment, new construction, acquisition of new or upgrades to software and other intangible assets, and purchases of other long-term assets, together with related costs incurred prior to the intended use of the applicable assets, all accounted for as of the earliest time of payment or delivery. Long-term assets obtained through business combinations are not included in the calculation of capital expenditures.

Free Cash Flow means cash from operating activities, less cash paid for purchases of property, plant and equipment and intangible assets, increased by proceeds from sales of property, plant and equipment and interest paid. It is a non-US GAAP financial measure and should be considered as supplementary but not as an alternative to the information provided in the Company’s financial statements. This metric measures the Company’s ability to generate cash after accruals required to maintain and expand the

Company's assets. A reconciliation of free cash flow and cash from operating activities, the most directly comparable US GAAP measure, is provided in Schedule 2.

Net cash/ Net debt position means the difference between (a) cash, cash equivalents, short-term investments and long-term deposits and (b) total debt. It is a non-US GAAP financial measure and should be considered as supplementary but not as an alternative to the information provided in the Company's financial statements. The Company believes that this metric provides useful information as to the liquidity position of the Company after debt repayments. A description of how the metric is calculated is provided in Schedule 2.

Schedule 2: Reconciliations of non-US GAAP financial measures (unaudited data)

OIBDA (In millions of Rubles)

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Operating income	12,537	12,701	14,888	18,266	17,838
Depreciation	11,124	11,487	12,081	11,921	12,025
Amortization	1,571	1,349	1,294	1,951	1,555
OIBDA	25,232	25,537	28,263	32,138	31,418

OIBDA margin as percentage of Revenue

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Operating income	19.1%	20.2%	22.3%	25.6%	24.9%
Depreciation	17.0%	18.2%	18.1%	16.8%	16.8%
Amortization	2.4%	2.1%	1.9%	2.7%	2.2%
OIBDA margin	38.5%	40.5%	42.3%	45.1%	43.9%

Net cash/ (Net debt) position (In millions of Rubles)

	Dec31, 2011	Mar31, 2012	Jun30, 2012	Sep30, 2012	Dec31, 2012
Cash and cash equivalents	2,887	8,314	15,421	17,012	2,387
Short term financial investments	84,509	86,124	1,218	2,213	22,246
Long-term deposits ¹	2,002	4	3	2	1
Loans and borrowings	(43,709)	(40,825)	(172,607)	(159,114)	(146,422)
Net cash/ (Net debt) position	45,689	53,617	(155,965)	(139,887)	(121,788)

¹ Included in 'Other non-current assets' BS line item

Free Cash Flow (In millions of Rubles)

	12 months of 2011	12 months of 2012
Cash from operating activities	97,295	109,410
Purchase of property, plant and equipment and intangible assets	(73,332)	(46,674)
Proceeds from sale of property, plant and equipment	449	521
Interest paid	1,338	7,515
Free cash flow	25,750	70,772

