

MEGAFON ANNOUNCES SOLID SEQUENTIAL REVENUE GROWTH AND OIBDA MARGIN IN LINE WITH ITS 2014 GUIDANCE

MOSCOW, Russia (31 July 2014) - Open Joint Stock Company “MegaFon” (“MegaFon”, or the “Company”) (LSE: MFON), a leading Russian telecommunications operator, announces its unaudited consolidated financial results¹ for the second quarter ended 30 June 2014.

Key highlights of the Second Quarter of 2014²

- Consolidated revenue grew by 6.1% y-o-y³ to RUB 76,666 million
- OIBDA remained stable and totaled RUB 34,298 million
- OIBDA margin decreased by 2.8 p.p. y-o-y to 44.7%
- Net Profit of RUB 13,886 million was up 2.2% y-o-y
- CAPEX amounted to RUB 13,396 million
- Free Cash Flow decreased by 37.8 % y-o-y to RUB 14,043 million
- Net Debt as of 30 June 2014 was RUB 118,810 million
- The number of mobile subscribers as of 30 June 2014 was 70.2 million⁴, an increase of 6.4% y-o-y

Key highlights of the First Half of 2014

- Consolidated revenue grew by 8.3% y-o-y to RUB 151,542 million
- OIBDA increased by 0.2% y-o-y to RUB 66,801 million
- OIBDA margin decreased to 44.1% versus 47.6% in 2013
- Net Profit decreased by 19.4% y-o-y to RUB 21,114 million
- CAPEX amounted to RUB 21,749 million
- Free Cash Flow totaled RUB 27,595 million

¹ Based on the IFRS interim condensed consolidated financial statements reviewed by Ernst & Young LLC

² See Schedule 1 for definitions of the terms and Schedule 2 for the reconciliation of Non-IFRS measures

³ Year over year (“y-o-y”) stands for the same periods in the current and previous year on either a quarterly or half-yearly basis

⁴ Consolidated data includes subscribers of the Company in Russia and the subscribers of its subsidiaries: “TT mobile” CJSC in the Republic of Tajikistan, “AQUAFON-GSM” CJSC in the Republic of Abkhazia and “OSTELEKOM” CJSC in the Republic of South Ossetia

Corporate Highlights for the Second Quarter of 2014

Key corporate events

- The Annual General Meeting of Shareholders, held on 30 June 2014, approved a final dividend for the 2013 financial year in the amount of RUB 64.51 per ordinary share (or GDR). The final dividend is expected to be paid in August 2014. The aggregate amount of dividends for 2013, including the interim dividend previously paid in July 2013, amounted to RUB 74.85 per ordinary share (or GDR) with the dividend payout ratio for 2013 totaling c. 90 %⁵.
- Moody's Investors Service upgraded its outlook from "negative" to "stable", and affirmed the Company's investment grade rating at the "Baa3" level.
- On 24 June 2014 MegaFon prepaid 90% of the remaining purchase price for the acquisition of Scartel due to its shareholder, Garsdale Services Investment Limited ("Garsdale"), thereby eliminating both a USD 1.06 billion forex exposure and future interest expense.
- Immediately after the end of the quarter, the Company also completed the acquisition from Garsdale of its 50% interest in Lefbord, which owns 50% of Euroset, the largest retail chain in Russia, using, as permitted under the applicable agreements, treasury shares instead of cash, thereby eliminating a further USD 0.6 billion forex exposure and future interest expense.
- The Company's shares traded on the Moscow Exchange were upgraded to quotation list QL I, the highest category of listing, as a result of which a wider range of investors, including pension funds and state corporations, may purchase MegaFon shares.
- The Central Bank of Russia approved an increase in the maximum number of GDRs which may be issued under the Company's depositary receipts programme from 20% to 25% of the total number of ordinary shares outstanding.
- MegaFon extended international LTE-roaming coverage to 10 countries by the end of Q2 2014, including Brazil, Italy, Spain and Hong Kong.
- MegaFon signed a 7-year contract with Huawei for the purchase of equipment and software for 2G/3G/4G network construction and maintenance. The contract is based on the "Total Cost of Ownership" concept that covers all direct and indirect costs of construction and maintenance of assets over their entire life cycle and allows MegaFon to optimize network rollout costs and reduce maintenance expenses.

⁵ Total dividend for 2013 as a percentage of 2013 profit for the year attributable to equity holders of the Company

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



In Q2 2014, MegaFon's performance was in line with its guidance set for the year, despite the difficult macroeconomic environment. With a 6.4% increase in our subscriber base as compared to the same period last year, consolidated revenue grew by 6.1% to 76.7 billion rubles, and as a result of our commitment to keep a lid on costs, we achieved an impressive OIBDA margin of 44.7%, and increased our net profit by 2.2% to 13.9 billion rubles.

Our strong cash flow generation along with careful management of our cash position has allowed us to significantly decrease our foreign currency exposure. In June 2014 we prepaid 90% of what we still owed for the Scartel/Yota acquisition (in the amount of 1 060 million US dollars) and, at the beginning of July, we completed our agreement to acquire a further 25% interest in Euroset, Russia's largest mobile retailer, by settling the outstanding 0.6 billion US dollars due using treasury shares. We believe that these transactions represent a prudent approach to managing currency risks and safeguarding the Company's cash position in the current volatile forex and capital markets.

Our strong cash flow also permitted us to pay a final dividend for 2013 which, together with the earlier interim dividend, resulted in distributions for 2013 totaling approximately 90% of the Company's 2013 net profit.

Last quarter, MegaFon again confirmed its leading position in the mobile data market, with data traffic revenue up almost 40%. We expanded the reach of our 4G/LTE roaming to 10 countries as of the end of Q2 2014, as well as increasing to 58 the number of Russian regions covered by 4G/LTE.

Also, we continue to pay close attention to the quality of services we provide to our customers and subscribers. Starting from the second quarter, for our corporate customers, we are offering a number of new services and products, including an innovative Virtual Private LAN Service for creating a unified network between branches across the country and state-of-the-art "My Account" product for virtually managing services and contracts. For our individual subscribers we launched the "ELENA 24/7" virtual consultant service, the first of its kind in Russia, which can handle up to a million subscribers queries a year.

In the first half of the year, our revenues from voice services started to gradually decline while revenues from data services continued to show robust growth. This trend is common today for the telecoms markets in most developed countries, in part from moving towards bundled tariffs, and Russia starting to follow this path. As one of the leaders in data transmission services on the domestic market, we intend to continue actively developing this segment, and providing our subscribers with the best data-enabled devices, faster data transmission speeds and a high quality network.

Key Consolidated Financial Data (in Millions of Rubles)

	Q2 2014	Three Months		6m 2014	Six Months	
		Q2 2013	Q2 2014/ Q2 2013		6m 2013	6m 2014 / 6m 2013
Revenue	76,666	72,230	6.1%	151,542	139,954	8.3%
Wireless Services	66,308	63,570	4.3%	131,027	123,173	6.4%
Including data revenue	16,171	11,563	39.9%	32,337	22,697	42.5%
Wireline Services	5,390	4,673	15.3%	10,684	9,195	16.2%
Sales of equipment & accessories	4,968	3,987	24.6%	9,831	7,586	29.6%
OIBDA	34,298	34,302	0.0 %	66,801	66,683	0.2 %
OIBDA Margin	44.7%	47.5%	(2.8 p.p.)	44.1%	47.6%	(3.5 p.p.)
Net Profit	13,886	13,581	2.2%	21,114	26,205	(19.4%)
Net Profit Margin	18.1%	18.8%	(0.7 p.p.)	13.9%	18.7%	(4.8 p.p.)
CAPEX	13,396	8,343	60.6%	21,749	12,429	75.0%
CAPEX / Revenue	17.5%	11.6%	5.9 p.p.	14.4%	8.9%	5.5 p.p.

Key Financial Data in Russia (in Millions of Rubles)⁶

	Q2 2014	Three Months		6m 2014	Six Months	
		Q2 2013	Q2 2014/ Q2 2013		6m 2013	6m 2014 / 6m 2013
Revenue	75,768	71,456	6.0%	149,803	138,452	8.2%
Wireless Services	65,416	62,810	4.1%	129,303	121,700	6.2%
Including data revenue	15,880	11,411	39.2%	31,815	22,393	42.1%
Wireline Services	5,387	4,669	15.4%	10,677	9,187	16.2%
Sales of equipment & accessories	4,965	3,977	24.8%	9,823	7,565	29.8%
OIBDA	34,154	34,231	(0.2%)	66,541	66,542	0.0 %
OIBDA Margin	45.1%	47.9%	(2.8 p.p.)	44.4%	48.1%	(3.7 p.p.)
Net Profit	14,359	13,888	3.4 %	21,882	26,740	(18.2%)
Net Profit Margin	19.0%	19.4%	(0.4 p.p.)	14.6%	19.3%	(4.7 p.p.)

⁶ Excluding mutual settlements with "TT mobile" CJSC, "AQUAFON-GSM" CJSC and "OSTELEKOM" CJSC

Revenues

Our consolidated revenue demonstrated a healthy growth of 6.1% y-o-y in Q2 2014 reaching RUB 76,666 million. Revenue from Russia remained the major component accounting for over 98.8% of total consolidated revenue.

Consolidated wireless service revenue grew by 4.3% y-o-y to RUB 66,308 million, although the share of wireless service revenue decreased by 1.5 p.p. to 86.5% of total revenue. The increase in wireless revenue was the result of further additions to our subscriber base which reached 70.2 million subscribers as of the end of Q2 2014, and continued robust growth in data revenue.

Wireless voice revenue decreased by 4.4% y-o-y to RUB 41,265 million due to the migration of subscribers to bundled tariffs and price competition in general.

Expansion of our attractive tariff options, stimulating usage of heavier data-consuming products, including data usage outside the home network, on the back of the continued rollout of our 4G/LTE network and promotion of sales of data-enabled devices, resulted in a 39.9% growth in our consolidated data revenue, which reached RUB 16,171 million in Q2 2014.

VAS revenue remained at the level of Q2 2013 despite new regulatory changes requiring subscriber approval for any paid content and subscription-based products.

Sales of equipment and accessories increased by 24.6% y-o-y, driven by aggressive equipment sales through our controlled retail network, promoting our expanded customized product line of smartphones and other data-enabled devices and an increase in the sales of Apple products.

Wireline service revenues increased by 15.3% y-o-y, reaching RUB 5,390 million, mostly due to expansion of our B2G and B2B client base and further development of our DREAM (Diverse Route for European and Asian Markets) project, a fibre optic route of 8,700 km between Europe and Asia providing network capacity of up to 8 Tbit/sec.

OIBDA and OIBDA Margin

In Q2 2014 OIBDA stayed at the same level as in Q2 2013, namely, RUB 34,298 million. OIBDA margin declined by 2.8 p.p. y-o-y, to 44.7%, as a growing share of revenue is derived from the lower margin wireline and retail segments. In addition, general and administrative expenses increased y-o-y, driven by growth in rent and utilities and radio frequency fees, primarily as a result of the Scartel acquisition at the beginning of Q4 2013.

Net Profit

On a consolidated basis, net profit for Q2 2014 grew by 2.2% y-o-y, to RUB 13,886 million. Our significant foreign exchange loss in Q1 2014 on our net US dollar and Euro liability positions was partially recovered in Q2 2014, resulting in a foreign exchange gain, as the ruble strengthened against those currencies in Q2 2014.

Free Cash Flow

Consolidated free cash flow decreased by 37.8%, from RUB 22,563 million for Q2 2013 to RUB 14,043 million for Q2 2014. The decline reflects considerably higher CAPEX spending versus Q2 2013 and decreased cash flow from operating activities.

CAPEX

Consolidated CAPEX for Q2 2014 increased by 60.6% y-o-y reaching RUB 13,396 million, as compared with the lower level of CAPEX for Q2 2013 which was the result of tenders for a multi-year procurement programme only being completed in July 2013. CAPEX spending will continue to be directed towards our 4G network rollout and modernisation of our 2G and 3G networks as we continue to endeavor to improve the quality of our services. We expect our CAPEX spending for the balance of 2014 to be in line with our previous guidance.

Net Debt and Liquidity

Consolidated net debt increased from RUB 91,356 million as of 31 March 2014 to RUB 118,810 million as of 30 June 2014, primarily as a result of the RUB 37,925 million (including interest) Scartel prepayment in June 2014. Our strong cash flow generation in the first 6 months of 2014 allowed us to make this prepayment while still maintaining a satisfactory cash position of RUB 50,050 million as of 30 June 2014. We continued to diversify our currency exposure by creating substantial cash positions in alternative currencies. In order to protect the Company's liquidity we placed our cash holdings in short-term deposits with a limited number of reputable Russian and international banks.

Earnings per Share

Consolidated basic EPS for three months ended 30 June 2014 remained flat y-o-y at RUB 24, while consolidated diluted EPS increased by RUB 1 per share to RUB 24.

Outlook / Guidance

We maintain our previously announced guidance and reiterate revenue growth in the range of 6.0 to 8.0%. We continue to expect our OIBDA margin to remain at least 44.0% and capital spending of RUB 58-64 billion for 2014.

Key Operational Highlights

Wireless Business in Russia:

	Three Months			Six Months		
	Q2 2014	Q2 2013	Q2 2014/ Q2 2013	6m 2014	6m 2013	6m 2014 / 6m 2013
Number of wireless subscribers (K)	67,991	64,073	6.1%	67,991	64,073	6.1%
of which data services users (K)	26,149	22,400	16.7%	26,149	22,400	16.7%
ARPU (RUB)	322	333	(3.3%)	316	322	(1.9%)
MOU (min.)	340	360	(5.6%)	331	349	(5.2%)
ARPDU (RUB)	204	170	20.0%	206	167	23.4%
DSU (mgb.)	2,428	1,254	93.6%	2,458	1,264	94.5%

Wireless subscribers

Our continued focus on enhancement of customer satisfaction and loyalty programmes together with new B2C and B2B initiatives based on a pro-active marketing campaign to acquire new subscribers contributed to growth in our Russian wireless subscriber base, which reached 68.0 million as of 30 June 2014, representing a 6.1% increase y-o-y. Our data service user base expanded much faster than the overall subscriber base, representing 16.7% y-o-y growth, largely due to effective promotion of MegaFon data services in Q2 2014, a growing number of data-enabled devices on our network and the acquisition of Scartel in Q4 2013. Wireless data service users accounted for 38.5% of the total subscriber base as at 30 June 2014, up 3.5 p.p. from 30 June 2013.

ARPU

The significant increase in the number of our data service users, price competition in bundle tariffs and slow-down of VAS revenue affected our blended ARPU, which decreased by RUB 11, or 3.3% y-o-y in Q2 2014.

MOU⁷

MOU decreased by 20 minutes, or 5.6%, y-o-y in Q2 2014, largely due to the increase in the number of data service users as a percentage of the total number of subscribers used for the MOU calculation.

ARPDU

ARPDU in Q2 2014 grew by 34 RUB, or 20.0% y-o-y, due to the growth in data traffic usage attributable to the data user base expansion on back of the continued 4G/LTE rollout and to the acquisition of Scartel and increase in data usage in general.

⁷ The methodology for MOU calculation has been changed. Please see Schedule 1 for definition of MOU calculation and Schedule 3 for reconciliation of previously reported MOU and calculation using the new methodology

DSU

DSU increased by 1,174 Mb/month, or 93.6% y-o-y, in Q2 2014 as a result of the increase in demand for data services driven by the expansion in the capacity and coverage of our 4G/LTE network, and the promotion of attractive tariffs and terminal equipment for this technology. Acquisition of Scartel has also affected DSU due to the higher data usage by Scartel subscribers.

Conference Call

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its Q2 2014 performance.

Time: 10.00 (New York time), 15.00 (London time), 18.00 (Moscow time)

Dial-in details:

Russia — Local Moscow	+8 499 272 4337
Russia Toll Free	+8 10 800 2490 2044
Standard International Access	+44 (0) 20 3003 2666
UK Toll Free	0 808 109 0700
USA Toll Free	+1 866 966 5335
Access Code:	6625595
Password:	MegaFon

Audiocast and slide presentation

<http://ir.megafon.com/>

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

Replay facilities

(will be available for 7 days)

+44 (0) 20 8196 1998, followed by

Access Pin

6625595

Russia — Local Moscow	+8 499 270 6352
Russia Toll Free	+8 10 800 2483 2044
Standard International Access	+44 (0) 20 8196 1998
UK Local	+44 (0) 20 8196 1480
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Notes to Editors

MegaFon OJSC is a leading Russian telecommunication service provider, operating in all segments of the telecommunications markets in Russia. The Company and its subsidiaries have licences 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. In July 2012 MegaFon was awarded one of four ten-year licences for the provision of 4G/LTE services throughout the entire Russian Federation and has already started providing these services in 58 different regions. In October 2013 MegaFon completed the acquisition of a 100% interest in Scartel/Yota, which hold significant 4G/LTE licences, from Garsdale Services Investment Limited (“Garsdale”), its shareholder and a member of the AF Telecom group (see below). The Company is a leader in the provision of mobile Internet, and is number two in terms of the number of active subscribers in Russia.

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 September 2012 the Company acquired the VAS Media group of companies, which was integrated with MegaLabs, its R&D subsidiary.

In December 2012 the Company acquired a 25% interest (or 50% economic interest) in the Euroset retail chain, the largest chain in Russia providing telecommunications goods and services, and acquired a further 25% interest from Garsdale in July 2014.

In November 2012 MegaFon successfully completed an initial public offering on the Moscow Stock Exchange and the London Stock Exchange. MegaFon has two principal shareholders, companies in the AF Telecom group (approximately 53.65%) and the TeliaSonera group (approximately 25.17%). Additional shares are held by its CEO, Ivan Tavrín (approximately 2.54%) and by a wholly owned subsidiary of the Company (3.92%, of which Mr. Tavrín has the right to acquire up to 2.5% prior to 2017), while the public float represents approximately 14.71% of the outstanding shares.

MegaFon was the Mobile General Partner of the XXII Winter Olympic Games and XI Paralympic Games held in Sochi in 2014. The state-of-the-art communication system installed by the Company for the Games contributed significantly to the participants' enjoyment of the Games, and to the overall success of the Games.

Disclaimer/ Forward Looking Statements

The above discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements which are available for download on the Company's website at: <http://ir.megafon.com>

Certain statements and/or other information included in this document may not be historical facts and may constitute “forward looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 2(1)(e) of the U.S. Securities Exchange Act of 1934, as amended. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plans”, “forecast”, “project”, “will”, “may”, “should” and similar expressions may identify forward looking statements but are not the exclusive means of identifying such statements. Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, the risks we face in our business and our response to them, our plans or goals relating to forecasted production, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, and other information that is not historical information, together with the assumptions underlying these forward looking statements. By their very nature, forward looking statements involve inherent risks, uncertainties and other important factors that could cause our actual results, performance or achievements to be materially different from results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the political, economic, social and legal environment in which we will operate in the future. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. We expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect actual results, changes in assumptions or in any other factors affecting such statements.

Schedule 1: Definitions

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 services revenues from local subscribers, revenues from data transfer services and 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 charged per the tariff plan of a subscriber (including both outgoing and incoming calls) during a given period by the average number of subscribers during such period and dividing the result by the number of months in such period. As previously calculated, MOU was based on the actual number of minutes used; however, the Company has now opted to base its MOU calculations on the minutes charged pursuant to the provisions of the subscriber’s tariff plan, rather than on the minutes actually used.

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 Amortisation) is a financial measure which 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 and equipment, amortisation of intangible assets and gain/(loss) from disposal of non-current assets, which are considered as operating expenses in IFRS, 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 profit is provided in Schedule 2.

Net Profit is profit for the period attributable to equity holders of the Company.

EPS (Earnings per Share) means an amount of the Company’s profit allocated to one share of its stock, and is calculated by dividing Net Profit for a reporting period by the weighted average number of shares outstanding during the period. No earnings are allocated to treasury shares.

Diluted EPS is calculated by adjusting both numerator and denominator in the EPS calculation so as to reflect the effect of including the additional shares that would have been outstanding if all options and other rights to acquire shares had been converted into actual shares.

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, equipment and intangible assets, increased by proceeds from sales of property and equipment and interest paid. It is a financial measure which 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 is provided in Schedule 2.

Net debt position means the difference between (a) cash, cash equivalents, and principal amount of deposits and (b) principal amount of loans and borrowings less unamortised debt issuance fees. It is a financial measure which should be considered as supplementary but not as an alternative to the information provided in the 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-IFRS Financial Measures (Unaudited Data)

OIBDA (In millions of Rubles)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Operating profit	21,748	22,737	16,314	18,398	20,170
Depreciation	11,068	11,113	11,383	11,917	11,809
Amortisation	1,378	1,391	2,016	2,046	1,972
Loss from disposal of long-lived assets	108	146	809	142	347
OIBDA	34,302	35,387	30,522	32,503	34,298

OIBDA Margin as percentage of Revenue

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Operating profit	30.1%	29.3%	20.5%	24.6%	26.3%
Depreciation	15.3%	14.3%	14.3%	15.9%	15.4%
Amortisation	1.9%	1.8%	2.5%	2.7%	2.6%
Loss from disposal of long-lived assets	0.2%	0.2%	1.0%	0.2%	0.4%
OIBDA margin	47.5%	45.6%	38.3%	43.4%	44.7%

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

	30 Jun 2013	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014
Cash and cash equivalents	24,920	18,945	9,939	63,214	47,038
Bank deposits (principal amount)	47,832	38,802	37,863	1,110	3,012
Loans and borrowings (principal amount), less unamortised debt issuance fees	(149,419)	(148,555)	(151,037)	(155,680)	(168,860)
Net debt position	(76,667)	(90,808)	(103,235)	(91,356)	(118,810)

Free Cash Flow (In millions of Rubles)

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
Cash from operating activities	27,106	34,858	25,143	26,056	21,798
Purchase of property, equipment and intangible assets	(7,103)	(9,461)	(19,188)	(15,445)	(11,984)
Proceeds from sale of property and equipment	47	11 ⁸	87	450	76
Interest paid	2,513	2,629	2,782	2,491	4,153
Free cash flow	22,563	28,037	8,824	13,552	14,043

⁸ The amount is adjusted for the cash proceeds under the settlement in relation to the sale and purchase agreement for CJSC "Synterra"

Schedule 3: Reconciliations of previously reported and calculated using new methodology MOU⁹

	Q2 2013	Q3 2013	Q4 2013	Q1 2014
MOU (min.) previously reported	310	300	295	273
MOU (min.) new methodology	360	349	346	324

⁹ As previously calculated, MOU was based on the actual number of minutes used; however, the Company has now opted to base its MOU calculations on the minutes charged pursuant to the provisions of the subscriber's tariff plan, rather than on the minutes actually used.