Press Release

MEGAFON ANNOUNCES FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2013

MOSCOW, Russia (08 August 2013) - Open Joint Stock Company "MegaFon" ("MegaFon", or the "Company") (LSE: MFON), a leading Russian universal telecommunications operator, announces its (unaudited) consolidated financial results[1] for the second quarter ended 30 June 2013.

KEY CONSOLIDATED FINANCIAL AND OPERATIONAL RESULTS FOR THE SECOND QUARTER OF 2013

- Consolidated revenue grew by 8.4% year-on-year (y-o-y), to RUR 72,230 million
- OIBDA increased by 21.8% y-o-y, to RUR 34,302 million
- OIBDA margin increased to 47.5% versus 42.2% in Q2 2012
- Net Profit up 8-fold y-o-y, to RUR 13,581 million
- CAPEX amounted to RUR 8,343 million
- Free Cash Flow totaled RUR 22,563 million
- The number of active mobile subscribers as of 30 June 2013 was 66.0 million[2], an increase of 3.8% y-o-y

KEY CONSOLIDATED FINANCIAL AND OPERATIONAL RESULTS FOR THE FIRST HALF OF 2013

- Consolidated revenue grew by 8.0% year-on-year (y-o-y), to RUR 139,954 million
- OIBDA increased by 24.2% y-o-y, to RUR 66,683 million
- OIBDA margin increased to 47.6% versus 41.4% in H1 2012
- Net Profit increased by 139.9% y-o-y, to RUR 26,205 million
- CAPEX amounted to RUR 12,429 million
- Free Cash Flow totaled RUR 45,432 million
- Net Debt as of 30 June 2013 was RUR 76,667 million

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[1] *Based on IFRS*

[2] *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*

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CORPORATE HIGHLIGHTS FOR THE SECOND QUARTER OF 2013

- **Key corporate events**
  - The Company celebrated its 20th anniversary at the St. Petersburg International Economic Forum
  - Establishment of a global strategic partnership with Telefónica S.A. to exploit economies of scale in joint procurement and to exchange technological know-how
  - The CEO exercised his option under his long term incentive plan and made further purchases of the Company's shares in the market thus increasing his interest in MegaFon to 2.55%
- **First dividends as public company**
  - The Company declared dividends of RUR 64.51 per 1 ordinary share (or per 1 GDR), amounting to RUR 40Bn in total, which were paid in July 2013[3].
- **Development of mobile internet service remains a priority**
  - Launched MegaFon branded smartphone - "MegaFon Login" – at RUR 1,990 (c.US$ 60) to boost mobile data consumption
  - Continued pioneering 4G/LTE to support leadership in mobile data
    - Launched 4G/LTE for smartphones and allowed intranet roaming services for 4G users in Russia
    - By the end of Q2 2013 MegaFon had provided access to its 4G/LTE network in 30 regions and 27% of the population in the country
- **Further improvement of debt profile**
  - Concluded cross currency swap transaction to mitigate growing currency risk and to economically hedge c. 50% of MegaFon's total net open currency position

ACQUISITION OF SCARTEL / YOTA

To strengthen MegaFon's leading position in the 4G/LTE market in Russia, on 7 August 2013 the MegaFon's Board of Directors recommended that shareholders approve the acquisition of a 100% ownership interest in Scartel LLC ("Scartel") and "Yota" LLC ("Yota") from its controlling shareholder**.** More information regarding this transaction is provided in a separate release announcing the proposed acquisition, being issued simultaneously with this release.

3 Approximately RUR 3Bn of these dividends were paid to the Company's wholly-owned subsidiary MegaFon International Cyprus Limited, which holds the Company's treasury shares.

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

"In Q2 2013 MegaFon continued to demonstrate excellent performance achieving solid growth in all key performance indicators. Consolidated revenue grew by 8.4% y-o-y reaching RUR 72.2Bn with OIBDA increasing by 21.8% y-o-y to RUR 34.3Bn and OIBDA margin appreciating significantly to 47.5%, up 5.3 p.p. compared to the same period last year. This strong set of results was driven by top-line growth and the positive effects of our continuous cost optimisation initiatives.

All business segments have demonstrated growth, with data revenue again being the main driver of the total revenue uplift, increasing by 28.7% y-o-y. This strong data revenue growth was fueled by further expansion of our 4G/LTE network (by the end of Q2 2013 MegaFon provided access to the LTE network in 30 regions in Russia, covering 27% of the population in the country), as well as increases in smartphone sales, including our own branded equipment (in the second quarter we launched sales of "MegaFon Login", the most affordable smartphone on the Russian market, costing RUR 1,990).

We are happy to announce, that in Q2 2013 MegaFon declared, and in July 2013 paid, its first dividends as a public company of RUR 64.51 per ordinary share or GDR."

KEY CONSOLIDATED FINANCIAL DATA (N MILLIONS OF RUBLES)

	Three Months			Half Year		
	Q2 2013	Q2 2012	Q2 2013/ Q2 2012	H1 2013	H1 2012	H1 2013 / H1 2012
Revenue	**72,230**	**66,648**	**8.4%**	**139,954**	**129,608**	**8.0%**
Wireless Services	63,570	59,537	6.8%	123,173	115,285	6.8%
including data revenue	*11,563*	*8,984*	*28.7%*	*22,697*	*18,175*	*24.9%*
Wireline Services	4,673	4,407	6.0%	9,195	8,834	4.1%
Sales of equipment & accessories	3,987	2,704	47.4%	7,586	5,489	38.2%
OIBDA	**34,302**	**28,156**	**21.8%**	**66,683**	**53,691**	**24.2%**
OIBDA Margin	**47.5%**	**42.2%**	**5.3 p.p**	**47.6%**	**41.4%**	**6.2 p.p.**
Net Profit	**13,581**	**1,667**	**714.7%**	**26,205**	**10,925**	**139.9%**
Net Profit Margin	**18.8%**	**2.5%**	**16.3 p.p**	**18.7%**	**8.4%**	**10.3 p.p.**
CAPEX	**8,343**	**12,215**	**(31.7%)**	**12,429**	**21,919**	**(43.3%)**
CAPEX / Revenue	**11.6%**	**18.3%**	**(6.7 p.p.)**	**8.9%**	**16.9%**	**(8.0 p.p.)**

KEY FINANCIAL DATA IN RUSSIA (IN MILLIONS OF RUBLES)[4]

	Three Months			Half Year		
	Q2 2013	Q2 2012	Q2 2013 / Q2 2012	H1 2013	H1 2012	H1 2013 / H1 2012
Revenue	**71,456**	**65,990**	**8.3%**	**138,452**	**128,340**	**7.9%**
Wireless Services	62, 810	58,893	6.7%	121,700	114,033	6.7%
Including data revenue	*11,411*	*8,904*	*28.2%*	*22,393*	*17,981*	*24.5%*
Wireline Services	4,669	4,405	6.0%	9,187	8,832	4.0%
Sales of equipment & accessories	3,977	2,692	47.7%	7,565	5,475	38.2%
OIBDA	**34,231**	**28,265**	**21.1%**	**66,542**	**53,724**	**23.9%**
OIBDA Margin	**47.9%**	**42.8%**	**5.1 p.p.**	**48.1%**	**41.9%**	**6.2 p.p.**
Net Profit	**13,888**	**2,041**	**580.5%**	**26,740**	**11,485**	**132.8%**
Net Profit Margin	19.4%	3.1%	16.3 p.p.	19.3%	8.9%	10.4 p.p.

[4] *Excluding mutual settlements with "TT mobile" CJSC, "AQUAFON-GSM" CJSC and "OSTELEKOM" CJSC*

REVENUES

The Company's total consolidated revenue in Q2 2013 reflected positive growth in all business segments and reached RUR 72,230 million, an 8.4% increase y-o-y. Revenue from Russia remained the major component accounting for over 98.9% of total revenue.

Our long-term strategy aimed at strengthening our leadership position in the fast-growing segment of mobile data resulted in our consolidated data revenue reaching RUR 11,563 million in Q2 2013, an increase of 28.7% y-o-y. Some of our commercial initiatives in Q2 2013 are expected to drive further growth of data usage by our customers which will have a positive impact on our mobile data revenues.

In Russia, total revenue in Q2 2013 increased by 8.3% y-o-y, a higher rate of growth than the 3.2% y-o-y growth in our subscriber base. Although voice revenues continue to be the main contributor to the total revenues in Russia with a 59.7% share in Q2 2013, mobile data revenues demonstrated a significant increase of 28.2% y-o-y in Q2 2013, becoming the primary growth driver of our total revenue. Sales of equipment and accessories increased by 47.7% in Q2 2013 vs. Q2 2012, primarily due to increases in sales of MegaFon's customized equipment through franchisee channels and active sales of MegaFon branded smartphones (principally, "MegaFon Login") in Q2 2013 as well as the discontinuance of subsidies for 3G USB modems.

Revenue from VAS (excluding SMS / MMS) in Russia increased by 12.0% y-o-y in Q2 2013, driven by increased usage of content and other VAS services.

OIBDA AND OIBDA MARGIN

Our continuing focus on operating efficiency initiatives together with revenue growth led to another strong improvement in operating profits and margins with consolidated OIBDA reaching RUR 34,302 million in Q2, or growth of 21.8% y-o-y.

In Russia OIBDA in Q2 grew by 21.1% y-o-y. In addition to the increase in revenues, the principal driver of OIBDA growth for the quarter was the streamlining of operating expenses, including sales and marketing expenses, personnel costs and other general and administrative expenses.

NET PROFIT

On a consolidated basis, net profit for Q2 2013 grew 8-fold y-o-y, to RUR 13,581 million.

In Russia, net profit for Q2 2013 grew to RUR 13,888 million, an increase of 580.5% y-o-y. This increase was driven by the solid growth in operating income and greatly reduced foreign exchange losses.

FREE CASH FLOW

Consolidated free cash flow increased by 18.2%, from RUR 19,092 million for Q2 2012 to RUR 22,563 million for Q2 2013. This increase was driven by an increase in cash flow from operating activities and lower capital expenditures.

CAPEX

Consolidated CAPEX for Q2 2013 amounted to RUR 8,343 million and for H1 2013 amounted to RUR 12,429 million. Our relatively low CAPEX in H1 2013 was due principally to the fact that many projects were on hold while we completed negotiations for a multi-year procurement programme covering our future 3G and 4G network rollout and modernization of our 2G and 3G network. The tenders were completed in July 2013 and we expect an acceleration of our CAPEX in H2 2013, once all the terms of the agreements are finalized.

NET DEBT

Consolidated net debt decreased from RUR 100,761 million as of 31 March 2013 to RUR 76,667 million as of 30 June 2013. As part of our effort to continue to diversify and optimize our debt portfolio, we economically hedged approximately 50% of our net open currency position by entering into a structured cross-currency swap transaction for USD denominated debt, which allowed us to mitigate our exposure to rising currency risks.

In June MICEX registered our RUR 60 billion Exchange Bond programme which now provides us with an important potential pool of liquidity going forward and an opportunity to further diversify financing sources. In general we maintained a comfortable level of debt throughout Q2 2013, with a diversified lending base and an absence of short term refinancing risks.

EARNINGS PER SHARE

Consolidated basic and diluted EPS increased by RUR 21 to RUR 24 and by RUR 20 per share to RUR 23, respectively, or c.8-fold y-o-y, reflecting the significant growth in net profit for the period.

Outlook / Guidance

We reiterate our earlier provided guidance for 2013: we continue to expect high single digit revenue growth with OIBDA margin in the range of 42.5% – 44.0%, and anticipate spending RUR 55-60 billion on CAPEX.

KEY OPERATIONAL HIGHLIGHTS

Wireless Business in Russia:

	Three Months			Half Year		
	Q2 2013	Q2 2012	Q2 2013/ Q2 2012	H1 2013	H1 2012	H1 2013 / H1 2012
Number of wireless subscribers (K)	**64,073**	**62,061**	**3.2%**	**64,073**	**62,061**	**3.2%**
of which data services users (K)	**22,400**	**19,258**	**16.3%**	**22,400**	**19,258**	**16.3%**
ARPU (RUR)	**333**	**318**	**4.7%**	**322**	**308**	**4.5%**
MOU (min.)	**310**	**301**	**3.0%**	**302**	**294**	**2.7%**
ARPDU (RUR)	**170**	**154**	**10.4%**	**167**	**156**	**7.1%**
DSU (mgb.)	**1,254**	**970**	**29.3%**	**1,264**	**975**	**29.6%**

Wireless subscribers

Continued focus on improving customer service, an effective strategy of promoting data services including 4G/LTE and declining churn rates were the key factors driving the increase in the number of the Company's wireless subscribers to 64.1 million as of 30 June 2013, representing a 3.2% increase y-o-y. Wireless data services users accounted for 35.0% and 31.0% of the Company's total subscriber base as at 30 June 2013 and 30 June 2012, respectively, representing a growth of 16.3% y-o-y.

ARPU

ARPU in Q2 2013 grew by 15 rubles, or 4.7% y-o-y, driven by increased usage of VAS and data traffic by our subscribers.

MOU

MOU in Q2 2013 increased by 9 minutes, or 3.0% y-o-y, primarily due to launch of national tariff plan "Switch to Zero" stimulating on-net traffic and MegaFon's continued effort of switching our customers to federal tariffs in order to optimise product development and tariff management.

ARPDU

ARPDU in Q2 2013 grew by 16 rubles, or 10.4% y-o-y, due to an increase in subscriber data usage and growing smartphone and tablet penetration

DSU

DSU for Q2 2013 increased by 284 megabytes, or 29.3% y-o-y, as a result of continued 4G/LTE rollout and launch of attractive tariffs for this technology, along with the growth of smartphone and tablet penetration.

CONFERENCE CALL

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its 2013 second quarter performance and interim results.

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

Dial-in details

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: 4585717

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) 208196 1998, followed by
Access Pin 4585717

Russia - Moscow Local Moscow	+8 499 270 6352
Russia Toll Free	+8 10 800 2483 2044
Standard International Access	+44 (0) 20 8196 1998
UK Local	020 8196 1480
UK Toll Free	0800 633 8453
USA Toll Free	1 866 583 1035

FOR MORE INFORMATION

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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 licenses for the provision of 4G/LTE services throughout the entire Russian Federation and, through its MVNO arrangement with Scartel, has already started providing these services in 30 different regions by the end of June 2013. 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, and is committed 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 the London Stock Exchange. MegaFon has two principal shareholders, companies in the AF Telecom group (approximately 50.01%) and the TeliaSonera group (approximately 25.17%). Additional shares are held by its CEO, Ivan Tavrin (2.545%) and by a wholly owned subsidiary of the Company (7.57%, of which Mr. Tavrin has the right to acquire up to 2.5% at various times prior to 2017), while the public float represents approximately 14.705% of the outstanding shares.

DISCLAIMER/ FORWARD LOOKING STATEMENTS

The above discussion and analysis should be read in conjunction with the Company's Unaudited Interim Condensed Consolidated Financial Statements available for download on the Company's website at: http://ir.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 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 of usage (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.

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.

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 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 cash / Net debt position means the difference between (a) cash, cash equivalents, 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.

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Schedule 2: Reconciliations of Non-IFRS Financial Measures (Unaudited Data)

OIBDA (In millions of Rubles)

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Operating profit	14,927	18,364	17,740	19,611	**21,748**
Depreciation	11,412	11,441	11,512	11,287	**11,068**
Amortisation	1,276	1,917	1,506	1,346	**1,378**
Loss from disposal of long-lived assets	541	315	663	137	**108**
OIBDA	28,156	32,037	31,421	32,381	**34,302**

OIBDA Margin as percentage of Revenue

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Operating profit	22.4%	25.8%	24.8%	28.9%	**30.1%**
Depreciation	17.1%	16.1%	16.1%	16.7%	**15.3%**
Amortisation	1.9%	2.7%	2.1%	2.0%	**1.9%**
Loss from disposal of long-lived assets	0.8%	0.4%	0.9%	0.2%	**0.2%**
OIBDA margin	42.2%	45.0%	43.9%	47.8%	**47.5%**

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

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013
Cash and cash equivalents	15,421	17,012	2,387	3,119	**24,920**
Short-term deposits	1,218	2,213	22,246	41,033	**47,832**
Long-term deposits	3	2	1	1	**0**
Loans and borrowings (principal amount), less unamortised debt issuance fees	(171,427)	(157,859)	(145,234)	(144,914)	**(149,419)**
Net cash/ (Net debt) position	(154,785)	(138,632)	(120,600)	(100,761)	**(76,667)**

Free Cash Flow (In millions of Rubles)

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Cash from operating activities	28,754	30,641	27,240	27,586	**27,106**
Purchase of property, equipment and intangible assets	(11,580)	(8,721)	(13,085)	(7,270)	**(7,103)**
Proceeds from sale of property and equipment	145	88	227	70	**47**
Interest paid	1,773	2,606	3,114	2,483	**2,513**
Free cash flow	19,092	24,614	17,496	22,869	**22,563**