

# MEGAFON ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2014

MOSCOW, Russia (29 May 2014) - Open Joint Stock Company “MegaFon” (“MegaFon”, or the “Company”) (LSE: MFON), a leading Russian universal telecommunications operator, announces its unaudited consolidated financial results<sup>1</sup> for the first quarter ended 31 March 2014.

## Key highlights of the First Quarter 2014<sup>2</sup>

- Consolidated revenue grew by 10.6% y-o-y<sup>3</sup> to RUB 74,876 million
- OIBDA increased by 0.4% y-o-y to RUB 32,503 million
- OIBDA margin decreased to 43.4% versus 47.8% in Q1 2013
- Net Profit decreased by 42.7% y-o-y to RUB 7,228 million
- CAPEX increased by 104.4% y-o-y to RUB 8,353 million
- Free Cash Flow amounted to RUB 13,552 million
- Net Debt as of 31 March 2014 was RUB 91,356 million
- The number of active mobile subscribers grew by 7.5% y-o-y to 69.7 million<sup>4</sup> as of 31 March 2014

<sup>1</sup> Based on interim IFRS financial statements reviewed by Ernst & Young LLC

<sup>2</sup> See Schedule 1 for definitions of the terms and Schedule 2 for the reconciliation of Non-IFRS measures

<sup>3</sup> Year over year (“y-o-y”) stands for the same periods in the current and previous year on a quarterly basis

<sup>4</sup> Consolidated data includes subscribers of the Company and the subscribers of its subsidiaries in Russia and abroad: “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 First Quarter of 2014

### Key corporate events

- MegaFon lived up to its commitment as a Mobile Communications Partner for the Olympic and Paralympic Games in Sochi
  - We met all of our obligations for communications coverage and quality during the XXII Winter Olympic Games and XI Paralympic Games in Sochi, investing around RUB 10 billion in the Olympic project.
  - Our network operated seamlessly at all Olympic events, providing great communication service quality and highest data speed to all our subscribers with average speed of mobile Internet reaching up to 20 Mbit/sec on the 4G networks and 3Mbit/sec on the 3G networks.
  - During the Olympics and Paralympics our subscribers and visitors from over 70 countries talked for over 342 million minutes, sent over 92 million SMS and exchanged over 660 terabytes of internet traffic.
  - MegaFon-developed mobile applications, including “SMOTRI+” online broadcasting application, have registered over 2 million downloads; more than 600,000 users watched the competitions online and downloaded over 700 terabytes of traffic.
- Made further advances in 4G / LTE leadership
  - We became the first in the world to launch commercial operation of an LTE-Advanced data network – the newest standard of mobile Internet services. Our customers now have a unique opportunity to access the super high-speed mobile Internet with record speeds of up to 300 Mbit/sec.
  - We launched international 4G roaming, which allowed our subscribers abroad to load information faster and send video of higher definition in real time – all at the same price as for similar 3G services.
- Achieved superior customer satisfaction
  - MegaFon’s customer satisfaction index in Russia in Q1 2014 was the highest among the Big 3 mobile operators<sup>5</sup>.
- Signed direct agreement with Apple
  - MegaFon and LLC Apple Rus, a Russian affiliate of Apple Computer Inc., signed a 3 year agreement for the distribution of various iPhone models.

<sup>5</sup> According to the research conducted in Feb-Mar 2014 by the independent agency Ipsos

- Recommended final dividends for 2013
  - On 29 April 2014, based on the results for 2013, the MegaFon Board of Directors recommended a dividend in the total amount of RUB 40.0 billion<sup>6</sup>, equivalent to RUB 64.51 per ordinary share (or GDR), subject to approval by the Annual General Meeting of Shareholders (“AGM”) on 30 June 2014.
  - If approved by AGM, the total dividend payout for 2013 would amount to RUB 46.4 billion<sup>7</sup> (or RUB 74.85 per ordinary share or GDR), including the Q1 2013 interim dividend previously paid in July 2013, with the dividend payout ratio for 2013 of c. 90%<sup>8</sup>.
  - The Company will consider switching to semi-annual dividend payments onwards if the anticipated growth and results remain on track.
  
- Successful placement of exchange bonds
  - On 20 May 2014, MegaFon successfully placed its Series BO-04 10-year exchange bonds in the amount of RUB 15 billion. The coupon rate was set at a compelling level of 9.45% per annum for a period of 1 year, after which it will be subject to revision by the Company and a put option will be exercisable by bondholders. The Company intends to use the proceeds from the bonds to refinance its short-term foreign currency denominated liabilities in order to further reduce forex risks.
  
- Upgrade of MegaFon listing on the Moscow Exchange
  - On 25 April 2014, MegaFon’s ordinary share listing on the Moscow Exchange (“MOEX”) was upgraded from quotation list “B” to “A2”, allowing a broader range of investors, including Russian pension funds, to invest in our ordinary shares. This upgrade confirms MegaFon’s compliance with MOEX’s highest corporate governance standards.

<sup>6</sup> If approved, approximately RUB 3.0 billion of these dividends would be paid to the MegaFon’s wholly-owned subsidiary MegaFon Investments (Cyprus) Limited (“MICL”), which holds the Company’s treasury shares

<sup>7</sup> If approved, approximately RUB 3.6 billion of these dividends will have been paid to MICL, of which RUB 0.6 billion was paid in July 2013 as a part of Q1 2013 interim dividends

<sup>8</sup> Total dividend for 2013 as a percentage of 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:



We have completed the first quarter of 2014 with solid financial results. Our consolidated revenue increased by more than 10% compared to the first quarter of 2013 and amounted to RUB 74.9 billion. Excellent results achieved in 2013 enabled the Board of Directors to recommend a very attractive final dividend for 2013, which if approved by our shareholders, will raise our payout ratio for 2013 to 90%. We plan to switch to a semi-annual dividend payment schedule and remain focused on increasing shareholder value.

With the powerful infrastructure obtained through the acquisition of Scartel, we continue to maintain leadership in data transfer. Compared to Q1 2013, revenue in this segment increased by more than 45% and exceeded RUB 16 billion. During the reporting period we launched the world's fastest mobile data network LTE-Advanced (4G+), with mobile Internet speeds of up to 300 Mbit/sec, while we also signed a number of international agreements on 4G-roaming. In the first quarter we successfully completed the large-scale project of providing telecommunication services at the XXII Winter Olympic and XI Paralympic Games in Sochi. According to the Ipsos agency, the number of people willing to use MegaFon's services has increased by 22% after the Winter Olympics.

The results of the first quarter assure us that we have chosen the right growth strategy, and that our significant investments in the development of mobile internet services are paying off.

## Group | Financial highlights (in Millions of Rubles)

	Q1 2014	Q1 2013	Q1 2014 / Q1 2013
<b>Revenue</b>	<b>74,876</b>	<b>67,724</b>	<b>10.6%</b>
Wireless Services	64,719	59,603	8.6%
Including data revenue	16,166	11,134	45.2%
Wireline Services	5,294	4,522	17.1%
Sales of equipment & accessories	4,863	3,599	35.1%
<b>OIBDA</b>	<b>32,503</b>	<b>32,381</b>	<b>0.4%</b>
OIBDA Margin	43.4%	47.8%	(4.4 p.p.)
<b>Net Profit</b>	<b>7,228</b>	<b>12,624</b>	<b>(42.7%)</b>
Net Profit Margin	9.7%	18.6%	(8.9 p.p.)
<b>CAPEX</b>	<b>8,353</b>	<b>4,086</b>	<b>104.4%</b>
CAPEX / Revenue	11.2%	6.0%	5.2 p.p.

## Russia | Financial highlights (in Millions of Rubles)<sup>9</sup>

	Q1 2014	Q1 2013	Q1 2014 / Q1 2013
<b>Revenue</b>	<b>74,035</b>	<b>66,996</b>	<b>10.5%</b>
Wireless Services	63,887	58,890	8.5%
Including data revenue	15,935	10,982	45.1%
Wireline Services	5,290	4,518	17.1%
Sales of equipment & accessories	4,858	3,588	35.4%
<b>OIBDA</b>	<b>32,387</b>	<b>32,311</b>	<b>0.2%</b>
OIBDA Margin	43.7%	48.2%	(4.5 p.p.)
<b>Net Profit</b>	<b>7,523</b>	<b>12,852</b>	<b>(41.5%)</b>
Net Profit Margin	10.2%	19.2%	(9.0 p.p.)

<sup>9</sup> Excluding mutual settlements with “TT mobile” CJSC, “AQUAFON-GSM” CJSC and “OSTELEKOM” CJSC

## Revenues

Our total consolidated revenue in Q1 2014 increased by 10.6% y-o-y and reached RUB 74,876 million. Russian revenue comprised 98.9% of our total consolidated revenue.

Wireless service revenues growth was primarily driven by significant additions to our subscriber base (7.5% y-o-y, resulting in our having 69.7 million subscribers as of the end of Q1 2014), and continued outperformance of our data revenue and value-added services (“VAS”) revenue, as discussed below.

Wireless voice revenue decreased by 1.5% y-o-y to RUB 38,935 million due to our subscribers shift to bundled tariffs, on the back of growing price competition in the bundled tariff plans.

VAS revenue increased by 7.4% y-o-y and amounted to RUB 9,618 million, as a result of higher subscriber usage of high-margin content and financial services.

Data revenue demonstrated a robust 45.2% growth y-o-y, reaching RUB 16,166 million, and continued to be a key driver of our wireless revenue expansion, representing 25.0% of total wireless revenue in Q1 2014 as compared to 18.7% in Q1 2013. The data revenue increase resulted from further development of our 4G/LTE network and the acquisition of Scartel in Q4 2013, as well as extensive promotional activities which resulted in an increase in sales of data-enabled devices and subscriber usage of heavier data-consuming products.

Wireline service revenues increased by 17.1% y-o-y, reaching RUB 5,294 million, due to significant new contracts in the B2G segment and development of the high-speed data transit project “DREAM” (Diverse Route for European and Asian Markets), which was launched in Q3 2013.

Revenue from sales of equipment and accessories increased by 35.1% y-o-y, reaching RUB 4,863 million. This growth was primarily attributable to expansion of sales of affordable MegaFon branded devices which we promote in order to stimulate data consumption.

## OIBDA and OIBDA Margin

OIBDA remained stable in Q1 2014 y-o-y at RUB 32,503 million, while OIBDA margin declined by 4.4 p.p. to 43.4% y-o-y due to number of factors, including: growing share of lower margin sales of handsets and accessories; decreased profitability of services due to higher international interconnect termination rates affected by Ruble depreciation in Q1 2014; growing share of lower margin wireline revenue; additional sales and marketing expenses relating to the Sochi Olympics; and increased general and administrative expenses driven by growth in rent and utilities and radio frequency fees, primarily resulting from Scartel consolidation at the beginning of Q4 2013.

## Net Profit

While OIBDA remained flat, increased depreciation and amortisation, primarily linked to the Scartel acquisition, and foreign exchange losses due to the revaluation of foreign currency net liabilities (the losses are unrealised), resulted in consolidated net profit declining by 42.7% y-o-y, to RUB 7,228 million.

## Free Cash Flow

Consolidated free cash flow decreased by 40.7% y-o-y to RUB 13,552 million in Q1 2014 mostly due to the substantial increase in capital expenditures over Q1 2013, see below. Cash flows from operating activities decreased due to one-off Olympics-related expenses.

## CAPEX

Consolidated CAPEX for Q1 2014 amounted to RUB 8,353 million, up 104.4% y-o-y, as compared to the very low level of CAPEX for Q1 2013. We continue our 4G network rollout and modernisation of our 2G and 3G networks in accordance with our previously announced CAPEX plans for 2014.

## Net Debt

Our strong cash flow generation in Q1 2014 allowed for significant deleveraging. Consolidated net debt as of 31 March 2014 decreased by RUB 11,879 million y-o-y to RUB 91,356 million from RUB 103,235 million as of 31 December 2013, while our net debt/LTM OIBDA ratio decreased substantially to 0.69x in Q1 2014 from 0.81x in Q1 2013. We intend to continue to take a conservative approach to our leverage. To diversify our USD currency exposure we created substantial cash positions in HKD and EUR in Q1 2014 and placed our cash holdings in short-term deposits with a limited number of reputable Russian and international banks.

## Earnings per Share

Consolidated basic EPS in Q1 2014 decreased to RUB 13 per share from RUB 22 per share y-o-y, while consolidated diluted EPS in Q1 2014 decreased to RUB 12 per share from RUB 22 per share y-o-y, reflecting the decline in net profit for the period, as discussed in Net Profit section.

## Dividends

On 29 April 2014, the Board of Directors recommended payment of a final dividend in the amount of RUB 40.0 billion, or RUB 64.51 per ordinary share (or GDR), for 2013. Subject to AGM approval on 30 June 2014, the total dividend payout for 2013, including the interim dividend for Q1 2013 paid in July, would amount to RUB 46.4 billion or RUB 74.85 per ordinary share (or GDR), resulting in payout ratio of 90% for 2013.

## Outlook / Guidance

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

## Key Operational Highlights

### Wireless Business in Russia:

	Q1 2014	Q1 2013	Q1 2014/ Q1 2013
<b>Number of wireless subscribers (K)</b>	<b>67,627</b>	62,675	7.9%
of which data service users (K)	25,958	21,946	18.3%
<b>ARPU (RUB)</b>	<b>313</b>	314	(0.3%)
<b>MOU (min.)</b>	<b>273</b>	294	(7.1%)
<b>ARPDU (RUB)</b>	<b>207</b>	167	24.0%
<b>DSU (mgb.)</b>	<b>2,489</b>	1,301	91.3%

### Wireless subscribers

The customer service improvement efforts of our “Customer Satisfaction” programme resulted in further growth in our wireless Russian subscriber base as of 31 March 2014, reaching 67.6 million and representing a 7.9% increase y-o-y. Our data service user base grew much faster than the overall subscriber base, representing an 18.3% y-o-y growth, largely due to our active marketing campaign promoting MegaFon data services in Q1 2014 and the acquisition of Scartel. Wireless data service users accounted for 38.4% and 35.0% of the total subscriber base as at 31 March 2014 and 31 March 2013, respectively.

### ARPU

Blended ARPU remained relatively intact, decreasing by 1 Ruble, or 0.3%, y-o-y in Q1 2014, despite significant increase in the number of our data service users.

### MOU

While overall voice traffic<sup>10</sup> grew by 0.9% y-o-y in Q1 2014, MOU decreased by 21 minutes, or 7.1%, y-o-y in Q1 2014, largely due to a faster growth in the number of data service users, including those resulting from the Scartel acquisition, as a percentage of the total number of subscribers used for MOU calculation.

### ARPDU

ARPDU in Q1 2014 grew by 40 Rubles, or 24.0% y-o-y, due to the growth in data traffic usage attributable to the continued 4G/LTE rollout and the acquisition of Scartel.

### DSU

DSU increased by 1,188 Mb/month, or 91.3%, y-o-y in Q1 2014 as a result of the increase in demand for data services driven by the continuing expansion in capacity and coverage of our 4G/LTE network, promotion of tablets and smartphones, tariff initiatives designed to stimulate demand for data transfer services, and the acquisition of Scartel.

<sup>10</sup> Number of minutes of incoming and outgoing voice services during such period, including visitors' minutes



## Conference Call

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its Q1 2014 performance.

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

Dial-in details:

<b>Russia — Local Moscow</b>	+8 499 272 4337
<b>Russia Toll Free</b>	+8 10 800 2490 2044
<b>Standard International Access</b>	+44 (0) 20 3003 2666
<b>UK Toll Free</b>	0 808 109 0700
<b>USA Toll Free</b>	+1 866 966 5335
<b>Access Code:</b>	4629551
<b>Password:</b>	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

4629551

<b>Russia — Local Moscow</b>	+8 499 270 6352
<b>Russia Toll Free</b>	+8 10 800 2483 2044
<b>Standard International Access</b>	+44 (0) 20 8196 1998
<b>UK Local</b>	+44 (0) 20 8196 1480
<b>UK Toll Free</b>	0800 633 8453
<b>USA Toll Free</b>	+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. 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 50 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, 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 in the Euroset retail chain, the largest chain in Russia providing telecommunications goods and services, and is committed to acquire a further 25% by December 2015.

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 Tavrín (approximately 2.54%) and by a wholly owned subsidiary of the Company (7.57%, 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.

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

### 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 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 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.

**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)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Operating profit	19,611	21,748	22,737	16,314	<b>18,398</b>
Depreciation	11,287	11,068	11,113	11,383	<b>11,917</b>
Amortisation	1,346	1,378	1,391	2,016	<b>2,046</b>
Loss from disposal of long-lived assets	137	108	146	809	<b>142</b>
<b>OIBDA</b>	<b>32,381</b>	<b>34,302</b>	<b>35,387</b>	<b>30,522</b>	<b>32,503</b>

### OIBDA Margin as percentage of Revenue

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Operating profit	28.9%	30.1%	29.3%	20.5%	<b>24.6%</b>
Depreciation	16.7%	15.3%	14.3%	14.3%	<b>15.9%</b>
Amortisation	2.0%	1.9%	1.8%	2.5%	<b>2.7%</b>
Loss on disposal of non-current assets	0.2%	0.2%	0.2%	1.0%	<b>0.2%</b>
<b>OIBDA margin</b>	<b>47.8%</b>	<b>47.5%</b>	<b>45.6%</b>	<b>38.3%</b>	<b>43.4%</b>

### Net debt position (In millions of Rubles)

	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013	31 Mar 2014
Cash and cash equivalents	3,119	24,920	18,945	9,939	<b>63,214</b>
Bank deposits (principal amount)	41,034	47,832	38,802	37,863	<b>1,110</b>
Loans and borrowings (principal amount), less unamortised fees and discounts	(144,914)	(149,419)	(148,555)	(151,037)	<b>(155,680)</b>
<b>Net debt position</b>	<b>(100,761)</b>	<b>(76,667)</b>	<b>(90,808)</b>	<b>(103,235)</b>	<b>(91,356)</b>

### Free Cash Flow (In millions of Rubles)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Net cash flows from operating activities	27,586	27,106	34,858	25,143	<b>26,056</b>
Purchase of property, equipment and intangible assets	(7,270)	(7,103)	(9,461)	(19,188)	<b>(15,445)</b>
Proceeds from sale of property and equipment	70	47	11 <sup>11</sup>	87	<b>450</b>
Interest paid	2,483	2,513	2,629	2,782	<b>2,491</b>
<b>Free cash flow</b>	<b>22,869</b>	<b>22,563</b>	<b>28,037</b>	<b>8,824</b>	<b>13,552</b>

<sup>11</sup> The amount is adjusted for the cash proceeds under the settlement in relation to the sale and purchase agreement for CJSC "Synterra"