

MEGAFON DEMONSTRATED OUTSTANDING FINANCIAL PERFORMANCE RESULTING IN STRONG CASH FLOW IN 2013

MOSCOW, Russia (05 March 2014) - Open Joint Stock Company “MegaFon” (“MegaFon”, or the “Company”) (LSE: MFON), a leading Russian universal telecommunications operator, announces its audited consolidated financial results¹ for the full year ended 31 December 2013.

Key highlights of the Full Year 2013

- Consolidated revenue grew by 9.1% year-on-year (y-o-y)², to RUR 297,229 million
- OIBDA increased by 13.2% y-o-y, to RUR 132,592 million
- OIBDA margin increased to 44.6% versus 43.0% in 2012
- Net Profit increased by 16.3% y-o-y, to RUR 51,608 million
- CAPEX amounted to RUR 47,144 million, a 4.2% increase y-o-y
- Free Cash Flow totaled RUR 82,293 million, representing 16.3% growth y-o-y
- Net Debt as of 31 December 2013 was RUR 103,235 million
- The number of active mobile subscribers as of 31 December 2013 was 70.1 million³, an increase of 8.5% y-o-y

Key highlights of the Fourth Quarter 2013

- Consolidated revenue grew by 11.4% y-o-y, to RUR 79,732 million
- OIBDA declined by 2.9% y-o-y to RUR 30,522 million
- OIBDA margin decreased to 38.3% versus 43.9% in Q4 2012
- Net Profit decreased by 45.7% y-o-y to RUR 10,082 million
- CAPEX amounted to RUR 23,853 million, a 47.8% increase y-o-y
- Free Cash Flow amounted to RUR 8,824 million

¹ Based on IFRS

² Year over year (“y-o-y”) stands for the same periods in the current and previous year, either on an annual or a quarterly basis

³ 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 Fourth Quarter of 2013

Key corporate events

- We continued our focus on mobile data growth to maintain our leadership in 4G/LTE
 - Effective 1 October 2013 we completed the acquisition of a 100% interest in Scartel/Yota⁴ (“Scartel”), thereby strengthening our leading position in the 4G/LTE market in Russia
 - We had launched 4G/LTE services in 49 regions in Russia as of 31 December 2013, covering c. 35.9% of the population in the country
 - Our retail stores provided the widest range of innovative customized devices to stimulate data consumption, offering 29 models of smartphones, tablets, modems and routers, including 10 models of 4G/LTE enabled devices
- By the year-end 2013 we had completed construction of the communications infrastructure in the Coastal and Mountain clusters of the Olympic park in preparation for the XXII Winter Olympic and XI Paralympic Games in Sochi
 - Over 680 2G/3G base stations were set up to provide quality operation over the network
 - Over 270 4G base station were installed to support high-speed 4G services during the Games. The average mobile Internet speed over our 4G networks in the Bolshoi Ice Palace, which hosted the Channel One Cup in December 2013, was 35 Mb/s, with peak speed rates reaching 60 Mb/s
 - Over 220 km of fiber-optic communication lines were installed

CEO Long-Term incentive plan (“LTIP”)

- On 4 March 2014, based on the Company’s strong financial performance in 2013 and in recognition of the contribution made by Ivan Tavrín, our CEO, in reaching the strategic targets set for the Company for 2013, MegaFon’s Board of Directors voted in favor of the acceleration of the vesting date of the final LTIP option granted to the CEO in 2012 from May 2015 to May 2014, so that on 1 May of this year, Mr Tavrín will be in a position to exercise all of his remaining options, which represent a 2.5% interest in the Company. At the same time the Board also voted to remove a provision of the LTIP which restricted Mr Tavrín from holding more than 5.0% of the Company prior to May 2017.

⁴ MegaFon acquired from its shareholder Garsdale Services Investment Limited 100% interest in Maxiten Co Limited, which holds a 100% interest in Scartel and Yota

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



We are very pleased with our results for 2013. As a result of strong operational performance we have managed to demonstrate once again outstanding financial results. MegaFon's revenue in 2013 has grown by 9.1% y-o-y, significantly exceeding the average industry growth. Mobile data is still the biggest revenue generator and we expect this trend to continue in 2014. In 2013 the Company's OIBDA margin amounted to 44.6%, a result which clearly reflects our efforts to improve our business efficiency.

2013 was a year of ambitious projects for MegaFon. With the acquisition of Scartel we consolidated our leading position in mobile data, which constitutes a key advantage in a highly competitive telecommunications market and which will lead to considerable cash flow savings in network rollout and maintenance. MegaFon's industry leadership is premised on a strong technological foundation, which has allowed us to undertake successfully projects as different as the launch of the high-speed data highway "DREAM" and the implementation of mobile number portability. Our superior network has also equipped MegaFon for large-scale undertakings such as the recent commercial launch of a LTE-Advanced network with the world's highest mobile Internet access speeds and provision of state of the art communications during the Olympic Games in Sochi. We also substantially expanded the range of our customized equipment in 2013, which facilitates our customers taking full advantage of the capabilities of our advanced network.

We are pleased to report that all of MegaFon's stakeholders have benefited from our technological leadership which has translated into a high level of financial performance.

Group | Financial highlights (in Millions of Rubles)

	Three Months			Full Year		
	Q4 2013	Q4 2012	Q4 2013 / Q4 2012	2013	2012	2013 / 2012
Revenue	79,732	71,590	11.4%	297,229	272,336	9.1%
Wireless Services	69,109	62,818	10.0%	260,459	241,074	8.0%
Including data revenue	15,058	10,761	39.9%	50,387	39,104	28.9%
Wireline Services	4,812	4,544	5.9%	18,628	17,938	3.8%
Sales of equipment & accessories	5,811	4,228	37.4%	18,142	13,324	36.2%
OIBDA	30,522	31,421	(2.9%)	132,592	117,149	13.2%
OIBDA Margin	38.3%	43.9%	(5.6 p.p.)	44.6%	43.0%	1.6 p.p.
Net Profit	10,082	18,575	(45.7%)	51,608	44,393	16.3%
Net Profit Margin	12.6%	25.9%	(13.3 p.p.)	17.4%	16.3%	1.1 p.p.
CAPEX	23,853	16,136	47.8%	47,144	45,227	4.2%
CAPEX / Revenue	29.9%	22.5%	7.4 p.p.	15.9%	16.6%	(0.7 p.p.)

Russia | Financial highlights (in Millions of Rubles)⁵

	Three Months			Full Year		
	Q4 2013	Q4 2012	Q4 2013 / Q4 2012	2013	2012	2013 / 2012
Revenue	78,874	70,759	11.5%	293,920	269,356	9.1%
Wireless Services	68,261	62,003	10.1%	257,193	238,139	8.0%
Including data revenue	14,864	10,615	40.0%	49,683	38,644	28.6%
Wireline Services	4,805	4,540	5.8%	18,609	17,929	3.8%
Sales of equipment & accessories	5,808	4,216	37.8%	18,118	13,288	36.3%
OIBDA	30,504	31,401	(2.9%)	132,386	117,069	13.1%
OIBDA Margin	38.7%	44.4%	(5.7 p.p.)	45.0%	43.5%	1.5 p.p.
Net Profit	10,753	18,914	(43.1%)	53,247	45,484	17.1%
Net Profit Margin	13.6%	26.7%	(13.1 p.p.)	18.1%	16.9%	1.2 p.p.

⁵ Excluding mutual settlements with “TT mobile” CJSC, “AQUAFON-GSM” CJSC and “OSTELEKOM” CJSC

Revenues

Our Company demonstrated strong performance in the fourth quarter as well as throughout the full year of 2013 with continued growth in revenues across all business segments. Our consolidated revenue in 2013 was up 9.1% y-o-y and reached RUR 297,229 million, including fourth quarter y-o-y growth of 11.4%. The Russian market remains the core business for us with only 1.1% of consolidated revenue attributable to our subsidiaries from outside Russia.

We recorded an 8.0% y-o-y growth in wireless services revenues, which represented 87.6% of our total consolidated revenue in 2013. This growth was primarily driven by a significant increase in the subscriber base (8.5% y-o-y, resulting in 70.1 million subscribers as of the end of 2013), substantial growth in our data revenue and further take-up of other value-added services (“VAS”) revenue, as discussed below. The share of voice revenue in total consolidated wireless revenue decreased by 3.4 p.p. y-o-y in 2013 due to the fact that data revenues are growing more quickly. At the same time voice revenue demonstrated overall growth of 2.7% y-o-y in 2013, reaching RUR 172,738 million. VAS revenue amounted to RUR 37,334 million, with growth of 10.5% y-o-y which was due to increased usage of content and financial services.

Consolidated data revenue continued to perform strongly with a 28.9% growth y-o-y in 2013, amounting to RUR 50,387 million, as demand for data continued to grow. Our continuous development of our 4G/LTE network and the increase in our subscriber base (which was given an additional boost by our acquisition of Scartel), together with our marketing activities aimed at promoting data services through the promotion of affordable data-enabled devices, all drove the increase in mobile data revenue, which represented 45.3% of total revenue growth in 2013. Data-enabled devices represented 35.5% of all devices on the MegaFon network by the end of 2013.

In Russia mobile data was the fastest growing revenue stream, accounting for 19.3% of the total Russian wireless services revenue, versus 16.2% in 2012. Wireless services revenue in the fourth quarter 2013 increased by 40.0% y-o-y to RUR 14,864 million, as a result of both the Scartel acquisition and the success of our efforts to stimulate usage of our superior 4G/LTE services. Mobile data revenue in the fourth quarter 2013 reached a record RUR 49,683 million, up 28.6% y-o-y.

Revenue from sales of equipment and accessories for the full year 2013 increased by 36.2% y-o-y to RUR 18,142 million. The total number of smartphones sold in 2013 reached almost 2.2 million units, which is 2.8 times higher than in 2012. Smartphones now represent 50.2% of all handsets sold. The growth in sales and revenue was primarily driven by a significant expansion of sales of our affordable customized product line through the Company’s retail network. This product line consisted of 65 models, of which 29 models are data-enabled devices, 10 of which are 4G/LTE compatible. Sales of equipment and accessories contributed 19.4% to the overall revenue growth in 2013.

OIBDA and OIBDA Margin

The combination of increasing revenues and successful implementation of cost optimizing initiatives resulted in an increase of consolidated OIBDA in 2013 to RUR 132,592 million, up 13.2% y-o-y. The same factors allowed OIBDA margin to improve by 1.6 p.p. from 43.0% in 2012 to 44.6% in 2013.

In the fourth quarter of 2013 consolidated OIBDA decreased by 2.9% y-o-y, to RUR 30,522 million primarily due to the shift towards the year-end of sales and marketing expenses in connection with the Olympic Games in Sochi and other expenses related to preparation for the introduction of mobile number portability. The decrease between quarters was also driven by the consolidation of Scartel results from 1 October 2013. OIBDA margin declined by 5.6 p.p. to 38.3%.

Net Profit

Consolidated net profit for the full year 2013 increased by 16.3% y-o-y to RUR 51,608 million due to the increase in operating profit. Consolidated net profit for the fourth quarter of 2013 declined by 45.7% y-o-y to RUR 10,082 million primarily due to the fact that the fourth quarter of 2012 included a one-off non-cash gain in the amount of RUR 6,348 million, but also reflected the fact that higher interest expenses and revaluation of foreign currency net liabilities depressed earnings.

Free Cash Flow

Consolidated free cash flow increased by 16.3% y-o-y from RUR 70,772 million as of 31 December 2012 to RUR 82,293 million as of 31 December 2013. This increase was primarily attributable to an increase in operating profit, as well as our efficient management of capital expenditures.

CAPEX

Consolidated CAPEX for Q4 2013 amounted to RUR 23,853 million, up 47.8% y-o-y. The substantial growth of our capital expenditure in Q4 2013 resulted from the extension of our 3G and 4G footprint and modernization of our 2G and 3G network. Overall, our CAPEX increased by 4.2% in 2013 and reached RUR 47,144 million, representing 15.9% of total revenue for the full year of 2013.

Net Debt

Consolidated net debt as of 31 December 2013 decreased by 14.4% y-o-y to RUR 103,235 million from RUR 120,600 million as of 31 December 2012, attributable primarily to an improved cash position of RUR 47,802 million as compared to RUR 24,634 million 12 months earlier. In the last three months of 2013 consolidated net debt increased by 13.7% as a result of a RUR 15,483 million payment representing the first installment of the purchase price for the acquisition of Scartel.

Our strong cash flow generation throughout the year allowed for significant deleveraging in 2013, even after taking into account the payment of dividends and M&A activity such as Scartel, and without impairing our liquidity position. Our net debt/LTM OIBDA ratio significantly decreased to 0.78x in Q4 2013 versus 1.03x in Q4 2012. We further optimized our debt portfolio by extending the terms of our Sberbank facilities to 5 and 7 years, thus eliminating loan repayment spikes which would have occurred in 4 years time.

Earnings per Share

Consolidated basic and diluted EPS in the fourth quarter of 2013 was down from RUR 33 per share to RUR 18 and to RUR 17, respectively. The decrease was primarily driven by the increased number of shares outstanding following the completion of the IPO in November 2012 and the decline in net profit for the period, discussed in the net profit section above.

Consolidated basic EPS in 2013 increased by 15.2% y-o-y to RUR 91, and diluted EPS increased by 12.7% y-o-y to RUR 89, primarily due to the increase in net profit for 2013.

For a detailed computation and reconciliation of EPS, please refer to Note 13 of the Company's Audited Consolidated IFRS Financial Statements for the year ended December 31, 2013 available at: <http://ir.megafon.com>

Outlook / Guidance

In 2014 we expect revenue growth in the range of 6.0 to 8.0%, and anticipate our OIBDA margin to remain at least 44.0%. In addition, we project capital expenditures for 2014 to be in the range of RUR 58-64 billion.

Key Operational Highlights

Wireless Business in Russia:

	Three Months			Full Year		
	Q4 2013	Q4 2012	Q4 2013/ Q4 2012	2013	2012	2013 / 2012
Number of wireless subscribers (K)	68,129	62,568	8.9%	68,129	62,568	8.9%
of which data services users (K)	25,224	21,011	20.1%	25,224	21,011	20.1%
ARPU (RUR)	337	330	2.1%	328	319	2.8%
MOU (min.)	295	309	(4.5%)	296	299	(1.0%)
ARPDU (RUR)	201	168	19.6%	181	164	10.4%
DSU (mgb.)	2,342	1,244	88.3%	1,586	1,068	48.5%

Wireless subscribers

Our “Customer Satisfaction” programme focused on customer service improvement, introduction of new services, a c. 8% reduction in churn rate, and the acquisition of Scartel, all resulted in strong growth in our Russian subscriber base as of 31 December 2013, totaling 68.1 million and representing a 8.9% increase y-o-y. Our data service user base grew much faster than the overall subscriber base, representing a 20.1% y-o-y growth, largely due to our active marketing campaign for promoting MegaFon data services in Q4 2013 and the acquisition of Scartel.

ARPU

Blended ARPU reached 328 RUR per month, a y-o-y increase of 2.8%, largely due to a significant increase in the number of data users and the popularity of data services and VAS.

MOU

MOU (blended) for 2013 decreased by 3 minutes, or 1.0% y-o-y, largely due to much faster growth in the number of data subscribers compared to the total number of all subscribers, especially in Q4 2013 when Scartel was acquired.

ARPDU

ARPDU in 2013 grew by 17 rubles, or 10.4% y-o-y, and by 33 rubles, or 19.6% y-o-y, in Q4 2013. The growth was driven by a significant pick-up in data usage attributable to the continued 4G/LTE rollout and the acquisition of Scartel.

DSU

DSU ramped up by 48.5% y-o-y to 1,586 Mb/month (there was 88.3% growth y-o-y in Q4 2013), attributable to the promotion of attractive tariffs for our 4G/LTE network, the growth of smartphone and tablet penetration, and the acquisition of Scartel. Organic DSU growth was similar to the previous quarters of 2013.

Conference Call

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its 2013 fourth quarter and full year performance.

Time: 09.00 (New York time), 14.00 (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:	3404415
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

3404415

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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USA Toll Free	+1 866 583 1035

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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 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. 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 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 licenses, 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 in the number two position as to 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 September 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 Audited 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, 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, 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)

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Operating profit	17,740	19,611	21,748	22,737	16,314
Depreciation	11,512	11,287	11,068	11,113	11,383
Amortisation	1,506	1,346	1,378	1,391	2,016
Loss from disposal of long-lived assets	663	137	108	146	809
OIBDA	31,421	32,381	34,302	35,387	30,522

OIBDA Margin as percentage of Revenue

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Operating profit	24.8%	28.9%	30.1%	29.3%	20.5%
Depreciation	16.1%	16.7%	15.3%	14.3%	14.3%
Amortisation	2.1%	2.0%	1.9%	1.8%	2.5%
Loss on disposal of non-current assets	0.9%	0.2%	0.2%	0.2%	1.0%
OIBDA margin	43.9%	47.8%	47.5%	45.6%	38.3%

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

	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Cash and cash equivalents	2,387	3,119	24,920	18,945	9,939
Short-term bank deposits (principal amount)	22,246	41,033	47,832	38,802	37,863
Long-term deposits	1	1	0	0	0
Loans and borrowings (principal amount), less unamortised fees and discounts	(145,234)	(144,914)	(149,419)	(148,555)	(151,037)
Net debt position	(120,600)	(100,761)	(76,667)	(90,808)	(103,235)

Free Cash Flow (In millions of Rubles)

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net cash flows from operating activities	27,240	27,586	27,106	34,858	25,143
Purchase of property, equipment and intangible assets	(13,085)	(7,270)	(7,103)	(9,461)	(19,188)
Proceeds from sale of property and equipment	227	70	47	11 ⁶	87
Interest paid	3,114	2,483	2,513	2,629	2,782
Free cash flow	17,496	22,869	22,563	28,037	8,824

⁶ The amount is adjusted for the cash proceeds under the settlement in relation to the sale and purchase agreement for CJSC "Synterra"