

PRESS-RELEASE

MEGAFON ANNOUNCES FINANCIAL AND OPERATING RESULTS FOR Q2 2017 AND 1H 2017

MOSCOW, Russia (30 August 2017) - PJSC “MegaFon” (“MegaFon” or the “Company” and, together with its consolidated subsidiaries, the “Group”) (LSE: MFON), a leading Russian provider of integrated digital services, announces its financial¹ and operating results for Q2 2017 and 1H 2017

KEY FINANCIAL AND OPERATING HIGHLIGHTS OF THE GROUP FOR Q2 2017²

- Group revenue increased by 13.9% y-o-y³ to RUB 89,689 million; Group pro-forma⁴ revenue increased by c. 2.3%
- Group OIBDA increased by 15.8% y-o-y to RUB 34,236 million
- Group OIBDA margin was 38.2% versus 37.5% in Q2 2016
- Group Adjusted Net Profit⁵ decreased by 22.2% y-o-y to RUB 5,629 million
- Group CAPEX increased by 6.8% y-o-y to RUB 13,772 million
- Group Free Cash Flow to Shareholders increased by 100.5% y-o-y to RUB 9,935 million
- Group Net Debt as of 30 June 2017 was RUB 217,392 million
- Non-cash Euroset impairment in the amount of RUB 15,917 million
- The number of mobile subscribers as of 30 June 2017 grew by 1.0% y-o-y to 77.4 million

As previously reported, on 9 February 2017 the Group completed the acquisition of an interest representing 15.2% of the equity, translating to 63.8% of the voting rights in Mail.Ru Group Limited (“Mail.Ru”), a leading company in the Russian-speaking internet market. Based on the current set-up of the Board of Directors of Mail.Ru, the Group has concluded that it has the ability to direct relevant activities of Mail.Ru and therefore has control over that company. Accordingly, the Group has consolidated the financial position and the results of operations of Mail.Ru from the beginning of 2017. We refer to the business of the Group exclusive of Mail.Ru in this press release as the “telecom segment”. The summarised unaudited financial information for the telecom segment is set out on page 5 and in Schedule 3 of this press release. This press release

¹ Based on the interim unaudited condensed consolidated financial statements for 1H 2017 reviewed by JSC KPMG

² See Schedule 1 for definitions of the terms used and Schedule 2 for the reconciliation of Non-IFRS measures. Due to rounding manual calculations for financials and KPIs may differ from those displayed

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

⁴ Group pro-forma revenue is calculated on the basis that the Group consolidated the results of Mail.Ru in 2016

⁵ Adjusted Net Profit is Profit attributable to equity holders of the Company, excluding non-cash impairment of Euroset joint venture in the amount of RUB 15.9 billion

does not address or include the results of Mail.Ru for the second quarter of 2017, other than as mentioned in the key financial highlights of the Group above and in Schedule 4, which shows how the financial information of Mail.Ru, reported in the standalone financial statements of Mail.Ru, are reconciled to the financial information of Mail.Ru reported in the consolidated financial statements of the Group.

SERGEY SOLDATENKOV, THE GROUP'S CHIEF EXECUTIVE OFFICER, COMMENTED ON THE TELECOM SEGMENT'S FINANCIAL AND OPERATING RESULTS AS FOLLOWS:



Digital transformation of business

The second quarter was an important milestone for MegaFon. In May we announced our new strategy for the Company's development over the next three years, transforming us from a traditional telecom operator into an integrated digital services provider. Taking full advantage of our advanced technology and our new strategy we are the first in Russia to launch the special tariff offer "Vkluchaisya!". This tariff allows our digital customers to shape specific tariff offerings to match their consumption profile, so that they can communicate in social media on an unlimited basis, watch videos, listen to music, or take advantage of popular applications. Our partner VKontakte, the largest Russian social network, jointly with MegaFon launched a unique product "VK Mobile". This unique product is the first of its kind to include subscription for music content and unlimited communications in the social network. We believe this new product will enable us to attract more digital customers, retain the loyalty of our existing clients and increase the life-time value of all our customers.

Turnaround in financials

As to our financials, we have reached a turning point where we see signs of recovery in our overall mobile revenue which has been declining during the previous five quarters. Our revenue from mobile data and VAS services continues to be the principal drivers as customers continue to recognise the high quality of our 4G/LTE network, leading to an almost doubling of data usage. We also remained focused on increasing efficiency and improving margins and were able to increase our telecom segment OIBDA by 3.6% and OIBDA margin by 1.8 p.p. However, sustaining this positive trend will be challenging so long as market risks such as aggressive actions by industry players, further proliferation of independent MVNOs or the possibility of adverse regulatory action still prevail in the Russian mobile market.

Euroset

We are constantly working on improving the efficiency of our distribution channels while maintaining excellent customer service in our retail sector. Accordingly, in order to focus on strengthening MegaFon's retail strategy, in Q2 we reached an agreement with VEON to terminate our Euroset joint venture. VEON will acquire rights for half of Euroset's lease agreements for approximately 2,000 outlets free of equipment and inventories. MegaFon will acquire VEON's 50% interest in Euroset, resulting in MegaFon's owning 100% of Euroset which will remain an operating company. VEON will also pay cash consideration of RUB 1,250 million. Subject to satisfaction of certain conditions precedent, we plan to complete this transaction by the end of this year.

Infrastructure developments

MegaFon is recognised to be the leader in implementing cutting-edge technology. In June, during the Saint Petersburg Economic Forum, and together with Huawei, we demonstrated the operation of a 5G network at 35 GBps, achieving what was then the absolute record in Russia for mobile internet speed. Subsequently, using Massive

MIMO technology we reached a mobile internet speed of 851 MBps. The unique advantage of this technology is that it will allow us to offer the fastest mobile internet in Russia to our customers using our already existing frequencies.

In July MegaFon successfully fulfilled the agreement made with the National Center of Informatisation which required us to provide a full range of wireless and wireline services at all sites where the matches of the 2017 Confederations Cup were played. We provided additional indoor coverage at 80 venues of the event. We also rolled out a DWDM-network with geographically distributed network elements that allowed us to avoid potential jams and malfunctions of the network. Our subscribers at the stadiums at all times had full access to all communication services of the highest quality, even with the maximum load on the network. This evidenced once again that MegaFon is a reliable partner to support large-scale national and international events. The 2017 Confederations Cup became a perfect training camp for us prior to the main sports event of 2018 – the World Cup.

Membership in ANO “Digital economy”

The Board of Directors approved the membership of MegaFon in the autonomous non-profit organisation “Digital economy” whose mission is to coordinate the realisation of the Government’s programme “Digital economy of the Russian Federation” in 5 key areas:

- Statutory regulation
- Digital infrastructure
- Information security
- Staff and education
- Research and development.

Our technological base, developed infrastructure and experience in realisation of large-scale governmental and international projects in the Internet of Things and information and communication technologies give MegaFon the ability to become an active participant in the Government’s programme for the digitalisation of key areas of the economy.

FINANCIAL RESULTS OF THE TELECOM SEGMENT⁶

(Unaudited data, in millions of RUB, except as indicated)

	Three Months			Six Months		
	Q2 2017	Q2 2016	Q2 2017/ Q2 2016	6m 2017	6m 2016	6m 2017/ 6m 2016
Revenue	77,955	78,723	(1.0%)	152,449	153,873	(0.9%)
Wireless Services	65,290	65,305	0.0%	128,004	129,863	(1.4%)
Including data revenue	21,908	20,687	5.9%	42,849	41,335	3.7%
Wireline Services	6,483	6,309	2.8%	12,560	12,316	2.0%
Sales of equipment & accessories	6,182	7,109	(13.0%)	11,885	11,694	1.6 %
OIBDA	30,615	29,554	3.6%	59,646	59,801	(0.3%)
OIBDA Margin	39.3%	37.5%	1.8 p.p.	39.1%	38.9%	0.2 p.p.
Adjusted Net Profit	5,521	7,234	(23.7%)	9,361	16,071	(41.8%)
Adjusted Net Profit Margin	7.1%	9.2%	(2.1 p.p.)	6.1%	10.4%	(4.3 p.p.)
CAPEX	13,139	12,893	1.9%	21,286	27,191	(21.7%)
CAPEX / Revenue	16.9%	16.4%	0.5 p.p.	14.0%	17.7%	(3.7 p.p.)

FINANCIAL RESULTS OF THE TELECOM SEGMENT, RUSSIA ONLY⁷

(Unaudited data, in millions of RUB, except as indicated)

	Three Months			Six Months		
	Q2 2017	Q2 2016	Q2 2017/ Q2 2016	6m 2017	6m 2016	6m 2017/ 6m 2016
Revenue	76,933	77,604	(0.9%)	150,411	151,577	(0.8%)
Wireless Services	64,270	64,201	0.1%	125,979	127,595	(1.3%)
Including data revenue	21,570	20,382	5.8%	42,180	40,703	3.6%
Wireline Services	6,480	6,296	2.9%	12,548	12,293	2.1%
Sales of equipment & accessories	6,183	7,107	(13.0%)	11,884	11,689	1.7%
OIBDA	30,667	30,247	1.4%	59,628	60,441	(1.3%)
OIBDA Margin	39.9%	39.0%	0.9 p.p.	39.6%	39.9%	(0.3 p.p.)
Adjusted Net Profit	6,067	8,707	(30.3%)	10,557	18,363	(42.5%)
Adjusted Net Profit Margin	7.9%	11.2%	(3.3 p.p.)	7.0%	12.1%	(5.1 p.p.)

⁶ Telecom segment amounts are displayed excluding Mail.Ru results and mutual settlements

⁷ Excluding mutual settlements with "TT mobile" CJSC, "AQUAFON-GSM" CJSC and "OSTELEKOM" CJSC

Revenue

Our total revenue for the telecom segment decreased in Q2 2017 by 1.0% y-o-y to RUB 77,955 million, mainly due to a 13.0% decline in sales of equipment and accessories.

Revenue from Russia remained the major component in this segment, accounting for over 98.6% of total revenue.

Wireless service revenue, which totaled RUB 65,290 million, remained flat in Q2 2017 y-o-y. We are seeing signs of improvement in wireless service revenue from the previously reported five preceding quarters. This was due to introduction of unique commercial initiatives, including the launch of our innovative tariff offerings for digital customers “Vkluchaisya!” (“Connect!”).

Mobile data revenue increased in Q2 2017 by 5.9% y-o-y to RUB 21,908 million. The growth was driven by higher data usage on the back of MegaFon data initiatives, including the cancellation of unlimited tariffs, repricing of bundles and introduction of our new tariff line “Connect!”.

Wireline service revenue increased in Q2 2017 by 2.8% y-o-y to RUB 6,483 million due to further expansion of our B2B/B2G client base and service portfolio.

Revenue from sales of equipment and accessories decreased in Q2 2017 by 13.0% y-o-y to RUB 6,182 million as a result of a reduction in the number of our owned retail stores and a re-focus on a higher margin but lower volume handset portfolio in our retail chain.

OIBDA and OIBDA Margin

OIBDA of the telecom segment increased in Q2 2017 by 3.6% y-o-y to RUB 30,615 million due to:

- a shift in focus to higher margin segments of business, and a decrease in sales of handsets and accessories, traditionally a low margin segment;
- reduced channel rental cost due to a shift from expensive satellite communication channels to cheaper terrestrial networks;
- lower advertising expenses as compared to the higher expenses in Q2 2016 which were related to TV and cinema campaigns for a new brand positioning of the Company; and
- the fact that Q2 2016 included a significant tax charge accrual related to a tax audit in Tajikistan.

OIBDA margin increased by 1.8 p.p. y-o-y to 39.3%. due to the factors mentioned above.

CAPEX

CAPEX of the telecom segment in Q2 2017 increased by 1.9% y-o-y, amounting to RUB 13,139 million, which is in line with our technical plan for network development.

Free Cash Flow to Shareholders

Free cash flow to shareholders of the telecom segment increased in Q2 2017 by 49.7% y-o-y to RUB 7,418 million, mainly due to higher cash flows from operating activities.

Net Debt

Net debt of the telecom segment decreased by 1.5% from RUB 229,443 million as of 31 March 2017 to RUB 225,989 million as of 30 June 2017.

Impairment of Euroset

Due to the recent developments in the Russian mobile retail market, which have adversely impacted the profitability of Euroset, we impaired part of our investment in Euroset joint venture in the amount of RUB 15,917 millions. This is a non-cash, accounting write-off and does not affect MegaFon's current free cash flow and OIBDA.

Adjusted Net Profit

Adjusted Net Profit of the telecom segment decreased in Q2 2017 by 23.7% y-o-y to RUB 5,521 million mainly due to increased interest expense and forex loss.

Adjusted EPS

Adjusted basic and diluted EPS of the telecom segment decreased in Q2 2017 y-o-y from RUB 12 per share to RUB 10 per share, in line with the decrease in adjusted net profit.

Outlook/Guidance

We reiterate our service revenue growth in 2017 to be flat to low single digits and expect our OIBDA to be in the range of RUB 112 – 118 billion. We project MegaFon's capital expenditures for 2017 to be in the range of RUB 55 – 60 billion. This guidance represents standalone numbers for the telecom segment and does not include the financial results of Mail.Ru. This guidance also does not take into account strategic advantages from the Mail.Ru transaction.

WIRELESS SUBSCRIBERS IN RUSSIA

	30 June 2017	30 June 2016	Change
Number of wireless subscribers (K)	75,770	74,701	1.4%
of which data service users (K)	30,965	29,962	3.3%
Share of data service users	40.9%	40.1%	0.8 p.p.

Our Russian wireless subscriber base increased as of 30 June 2017 by 1.4% y-o-y to 75.8 million due to our new approach to subscriber acquisition in all of our customer segments. As previously announced, we have shifted our focus from gross additions to maximisation of the life-time value of our subscribers and an increase of contribution margin.

Our data service user base in Russia increased as of 30 June 2017 by 3.3% y-o-y to 31.0 million due to:

- intensive roll out of our high speed mobile data network coverage across our existing network footprint;
- increasing penetration of data-enabled devices (59.4% of all devices registered on the MegaFon network are now data-enabled devices); and
- more precise targeting of our digital subscribers.

Our data users currently represent 40.9% of the overall subscriber base in Russia.

DATA OPERATING INDICATORS

	Q2 2017	Q2 2016	Q2 2017/ Q2 2016	6m 2017	6m 2016	6m 2017/ 6m 2016
ARPDU (RUB)	233	229	1.7%	228	232	(1.7%)
DSU (MB)	6,029	3,951	52.6%	5,878	3,946	49.0%

ARPDU increased in Q2 2017 by 1.7% y-o-y to RUB 233 as a result of data revenue growth supported by our commercial initiatives aimed at update of our bundled tariff offerings.

DSU increased in Q2 2017 by 2,078 megabytes, or 52.6% y-o-y, to 6,029 megabytes, due to continued promotion of bundled tariffs with higher data allowances on the back of increased penetration of smartphones.

CONFERENCE CALL

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its results for Q2 2017 and 1H 2017 at 11.00 (New York time), 16.00 (London time), 18.00 (Moscow time)

Dial-in details:

Local - Moscow, Russia:	+7 495 705 9450
National free phone - Russian Federation:	810 800 500 9312
Local - London, United Kingdom:	+44 20 34 27 0503
National free phone - United Kingdom:	0 800 279 4977
Local - New York, United States of America:	+1 646 254 3365
National free phone - United States of America:	+1 877 280 1254
Access codes:	7611690# for original language (Rus&Eng) 2675971# for English

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

FOR REPLAY

Replay facilities will be available for 7 days:

National free phone - Russian Federation:	810 800 2702 1012
Local - London, United Kingdom:	+44 207 984 7568
National free phone - United Kingdom:	0 808 101 1153
Local - New York, United States of America:	+1 719-457-0820
National free phone - United States of America/Canada:	888-203-1112
Access codes:	7611690# for original language (Rus&Eng) 2675971# for English

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NOTES TO EDITORS

MegaFon PJSC is a leading Russian provider of integrated digital services, operating in all segments of the telecommunications markets in Russia, and in the Republics of Abkhazia, South Ossetia and Tajikistan. MegaFon is a recognised market leader in the provision of mobile data services, was the first operator in Russia to launch commercial operation of a third generation (3G) network and was the first operator in the world to launch commercial operation of an LTE-Advanced (4G) data network. In February 2017, MegaFon acquired a 15.2% equity interest (which represented 63.8% of the voting shares) in Mail.Ru, a leading company in the Russian-speaking internet market. MegaFon is traded on the Moscow Stock Exchange and the London Stock Exchange under the symbol MFON. Mail.Ru is traded on the London Stock Exchange under the symbol MAIL. Additional information about MegaFon and the products and services provided by the telecom segment can be found at <http://www.megafon.ru> and information related solely to Mail.Ru can be found at <http://www.mail.ru>.

DISCLAIMERS, STATEMENT REGARDING INSIDE INFORMATION AND FORWARD LOOKING STATEMENTS

The above discussion and analysis should be read in conjunction with the Group's consolidated financial statements which are available for download on the Group's website at:

<http://corp.megafon.com/investors/>

Some of the information in this document may be inside information. The subject matter, the identity of the issuer, the identity of the persons making the notification and their titles, and the date and time of the notification are all as set forth above.

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 activated in our billing system or 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 service user is defined as a subscriber who has consumed any amount of data traffic within preceding month.

ARPDU (Average Monthly Revenue Per Data Services User) is calculated for a given period by dividing the Group's telecom segment 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.

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 not defined by IFRS, should be considered as supplementary and not as an alternative to the information provided in the financial statements of the Group. OIBDA margin means OIBDA as a percentage of revenue. OIBDA and OIBDA margin are 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. However, the Group's definition of OIBDA and OIBDA margin may not be directly comparable to similarly named financial measures and disclosures by other companies. A reconciliation of OIBDA to operating profit is provided in Schedule 2.

Adjusted OIBDA is OIBDA before impairment charge. A reconciliation of Adjusted OIBDA to operating profit is provided in Schedule 2.

Adjusted Net Profit is profit for the period attributable to equity holders of the Group before non-cash impairment charge.

EPS (Earnings per Share) means an amount of the Group'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.

Adjusted EPS (Earnings per Share) is EPS based on Adjusted Net Profit.

Capital Expenditures (CAPEX) comprises the cost of purchases of new equipment, new construction, acquisition of new or upgrades to software, acquisition of spectrum 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 to Shareholders means cash from operating activities, less cash paid for purchases of property, equipment and intangible assets and interest paid, increased by proceeds from sales of property and equipment and interest received. It is a financial measure which should be considered as supplementary but not as an alternative to the information provided in the Group's financial statements. 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 Group's financial statements. A description of how the metric is calculated is provided in Schedule 2.

SCHEDULE 2: RECONCILIATIONS OF NON-IFRS FINANCIAL MEASURES

(Unaudited data, in millions of RUB, except as indicated)

Group OIBDA

	Q1 2017	Q2 2017
Operating profit	13,364	15,734
Depreciation	14,405	13,987
Amortisation	4,272	4,466
Disposal of long-lived assets	79	49
OIBDA	32,120	34,236

Group OIBDA margin as % of revenue

	Q1 2017	Q2 2017
Operating profit	15.5%	17.5%
Depreciation	16.6%	15.6%
Amortisation	5.0%	5.0%
Disposal of long-lived assets	0.1%	0.1%
OIBDA Margin	37.2%	38.2%

Telecom segment OIBDA and adjusted OIBDA

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Operating profit	14,199	16,686	10,639	13,075	15,052
Depreciation	13,111	13,370	12,729	13,936	13,474
Amortisation	2,013	1,981	2,020	1,941	2,040
Disposal of long-lived assets	231	248	265	79	49
OIBDA	29,554	32,285	25,653	29,031	30,615
Impairment of goodwill	—	—	3,400	—	—
Adjusted OIBDA	—	—	29,053	—	—

Telecom segment OIBDA and adjusted OIBDA margins as percentage of revenue

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Operating profit	18.0%	20.6%	13.1%	17.6%	19.3%
Depreciation	16.7%	16.5%	15.7%	18.7%	17.3%
Amortisation	2.6%	2.4%	2.5%	2.6%	2.6%
Disposal of long-lived assets	0.2%	0.3%	0.3%	0.1%	0.1%
OIBDA Margin	37.5%	39.8%	31.6%	39.0%	39.3%
Impairment of goodwill	—	—	4.1%	—	—
Adjusted OIBDA Margin	—	—	35.7%	—	—

Group Net debt as of

	31 Mar 2017	30 Jun 2017
Cash and cash equivalents	30,325	28,477
Bank deposits (principal amount)	9,727	19,291
Loans and borrowings (principal amount), less unamortised fees and discounts	(261,067)	(265,160)
Net debt	(221,015)	(217,392)

Telecom segment Net debt as of

	30 Jun 2016	30 Sep 2016	31 Dec 2016	31 Mar 2017	30 Jun 2017
Cash and cash equivalents	35,873	25,703	31,922	21,897	19,880
Bank deposits (principal amount)	7,287	20,621	5,052	9,727	19,291
Loans and borrowings (principal amount), less unamortised fees and discounts	(210,295)	(236,531)	(233,830)	(261,067)	(265,160)
Net debt	(167,135)	(190,207)	(196,856)	(229,443)	(225,989)

Group Free cash flow to shareholders

	Q1 2017	Q2 2017
Net cash flows from operating activities	33,364	28,827
Purchase of property, equipment and intangible assets	(20,269)	(12,492)
Proceeds from sale of property and equipment	14	166
Interest received	424	386
Interest paid	(5,266)	(6,952)
Free cash flow to shareholders	8,267	9,935

Telecom segment Free cash flow to shareholders

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Net cash flows from operating activities	20,644	27,481	29,042	27,915	25,489
Purchase of property, equipment and intangible assets	(11,425)	(14,137)	(15,330)	(19,022)	(11,558)
Proceeds from sale of property and equipment	149	477	50	14	166
Interest received	237	456	359	312	270
Interest paid	(4,651)	(3,558)	(7,393)	(5,254)	(6,949)
Free cash flow to shareholders	4,954	10,719	6,728	3,965	7,418

SCHEDULE 3: SUMMARISED FINANCIAL INFORMATION OF THE TELECOM SEGMENT

(Unaudited data, in millions of RUB, except as indicated)

Summarised income statement of the telecom segment for the six months ended 30 June

	2017	2016
Revenue	152,449	153,873
Operating expenses	(124,322)	(124,114)
Operating profit	28,127	29,759
Adjusted Non-Operating loss	(15,624)	(8,737)
Adjusted profit before tax	12,503	21,022
Income tax expense	(2,988)	(5,129)
Adjusted profit for the period	9,515	15,893
Adjusted profit for the period attributable to the equity holders of the segment	9,361	16,071
Basic and diluted, adjusted earnings per share for the period attributable to equity holders of the segment	16	27

Summarised financial position of the telecom segment as of

	30 June 2017	31 December 2016 (Audited)
Non-current assets	397,312	383,270
Current assets	83,339	78,513
Total assets	480,651	461,783
Total equity	97,825	124,123
Non-current liabilities	230,588	229,682
Current liabilities	152,238	107,978
Total liabilities	382,826	337,660
Total equity and liabilities	480,651	461,783

Summarised cash flow information of the telecom segment for the six months ended 30 June

	2017	2016
Net cash flows from operating activities	53,404	46,435
Net cash flows used in investing activities	(81,289)	(20,663)
Net cash flows received from/(used in) financing activities	17,039	(5,645)
Net change in cash and cash equivalents	(10,846)	20,127

SCHEDULE 4: RECONCILIATION OF MAIL.RU FINANCIAL INFORMATION

(Unaudited data, in millions of RUB, except as indicated)

As a result of certain differences in accounting policies adopted by Mail.Ru and the Company and due to the purchase price allocation of the Mail.Ru acquisition by the Company, there are differences in the way in which certain financial information of Mail.Ru is reported in the standalone financial statements of Mail.Ru and in the consolidated financial statements of the Group. The adjustments are noted in the tables below.

Summarised income statement of Mail.Ru for the six months ended 30 June 2017

	Per Group	Per Mail.Ru	Adjustments
Revenue	23,495	23,495	—
Other operating gain	—	565	(565)
Net loss on venture capital investments	—	(27)	27
Operating expenses	(16,789)	(17,740)	951
Amortisation and Depreciation	(5,739)	(4,360)	(1,379)
Finance costs	(15)	(15)	—
Finance income	234	234	—
Share of loss of associates and joint ventures	(229)	16	(245)
Impairment losses related to equity accounted associates	—	(245)	245
Foreign exchange gain, net	576	576	—
Gain on financial instruments, net	82	82	—
Other non-operating loss	(84)	(57)	(27)
Profit before tax	1,531	2,524	(993)
Income tax	(584)	(845)	261
Profit for the period	947	1,679	(732)

Summarised financial position of Mail.Ru as of 30 June 2017

	Per Group	Per Mail.Ru	Adjustments
Non-current assets	111,261	170,384	(59,123)
Current assets	15,788	15,788	—
Non-current liabilities	(13,538)	(7,119)	(6,419)
Current liabilities	(14,025)	(14,025)	—
Total equity:	(99,486)	(165,028)	65,542
Attributable to Equity holders	(44,157)	(164,959)	120,802
Attributable to NCI	(55,329)	(69)	(55,260)

Summarised cash flow information of Mail.Ru for the six months ended 30 June 2017

	Per Group	Per Mail.Ru	Adjustments
Net cash flows from operating activities	8,787	9,000	(213)
Net cash flows used in investing activities	(4,739)	(4,967)	228
Net cash flows used in financing activities	(991)	(976)	(15)
Net increase in cash and cash equivalents	3,057	3,057	—