MEGAFON

Condensed Consolidated Financial Statements
(Unaudited)

Three months ended March 31, 2012 and 2011
With Report of Independent Accountants

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Report of Independent Accountants

The Board of Directors and Shareholders
OJSC MegaFon

We have reviewed the condensed consolidated balance sheet of OJSC MegaFon and subsidiaries as of March 31, 2012, and the related condensed consolidated statements of comprehensive income and cash flows for the three months ended March 31, 2012 and 2011. This condensed financial information is the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial information referred to above for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of OJSC MegaFon and subsidiaries as of December 31, 2011, 2010 and 2009, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the years then ended (not presented herein); and in our report dated May 14, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Ernst & Young LLC

May 14, 2012

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Condensed Consolidated Balance Sheets

(In millions of Rubles)

	March 31, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	**8,314**	2,887
Short-term investments	**86,124**	84,509
Accounts receivable, net of allowances of 1,737 and 1,447	**9,055**	9,626
Inventory	**4,764**	4,551
Prepaid income taxes	**10,158**	6,957
VAT receivable	**2,080**	1,779
Deferred tax assets	**1,949**	1,972
Prepaid expenses and other current assets	**8,604**	8,012
Total current assets	**131,048**	120,293
Long-term bank deposits	**4**	2,002
Property, plant and equipment, net of accumulated depreciation of 173,877 and 164,765	**220,414**	223,718
Goodwill and intangible assets:		
Goodwill	**15,406**	15,393
Intangible assets, net of accumulated amortization of 25,918 and 24,817	**19,091**	19,672
Deferred tax assets	**738**	712
Deferred finance charges	**810**	729
Other non-current assets	**933**	949
Total assets	**388,444**	383,468

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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Condensed Consolidated Balance Sheets (continued)

(In millions of Rubles)

	Note	March 31, 2012 (Unaudited)	December 31, 2011
Liabilities			
Current liabilities:			
Accounts payable		**11,236**	9,997
Accounts payable to equipment suppliers		**4,679**	8,115
Current portion of liability for marketing related licenses		**431**	402
Current portion of liability for deferred and contingent consideration		**2,411**	2,550
Accrued compensation		**4,766**	5,360
Subscribers' prepayments		**6,756**	7,903
Taxes payable		**5,451**	3,056
VAT payable		**3,604**	2,965
Deferred revenue		**1,011**	954
Current portion of long-term debt	11	**6,998**	7,415
Other current liabilities		**1,663**	1,256
Total current liabilities		**49,006**	49,973
Debt, less current portion	11	**33,827**	36,294
Deferred tax liabilities		**10,588**	10,543
Asset retirement obligations		**5,045**	5,248
Liability for marketing related licenses, less current portion		**445**	621
Liability for deferred and contingent consideration, less current portion		**1,572**	1,829
Deferred revenue, less current portion		**1,459**	1,569
Other non-current liabilities		**558**	759
Total liabilities		**102,500**	106,836
Equity			
MegaFon shareholders' equity:			
Ordinary shares (par value of 10 Rubles, 6,200,002 shares outstanding)		**581**	581
Reserve fund		**17**	17
Additional paid-in capital		**13,852**	13,852
Retained earnings		**271,222**	261,950
Accumulated other comprehensive loss		**(270)**	(291)
Total MegaFon shareholders' equity		**285,402**	276,109
Noncontrolling interests		**542**	523
Total equity		**285,944**	276,632
Total liabilities and equity		**388,444**	383,468

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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MegaFon

Condensed Consolidated Statements of Comprehensive Income

(In millions of Rubles, except share and per share amounts)
(Unaudited)

	Note	Three months ended March 31, 2012	2011
Revenues	3	**63,104**	55,156
Cost of revenues	4	**16,301**	12,788
Sales and marketing expenses	5	**5,069**	3,680
Operating expenses	6	**16,197**	14,881
Depreciation		**11,487**	10,337
Amortization		**1,349**	1,224
Operating income		**12,701**	12,246
Other income/(expense):			
Interest expense		**(127)**	(335)
Interest income		**591**	820
Other gain/(loss), net		**(15)**	6
Loss on derivatives, net		**—**	(56)
Foreign currency exchange loss, net		**(1,440)**	(38)
Total other income/(expense), net		**(991)**	397
Income before income taxes and noncontrolling interests		**11,710**	12,643
Provision for income taxes		**2,441**	2,558
Net income		**9,269**	10,085
Net loss attributable to noncontrolling interests		**3**	6
Net income attributable to MegaFon		**9,272**	10,091
Weighted average number of ordinary shares outstanding – basic and diluted		**6,200,002**	6,200,002
Earnings per share – basic and diluted, Rubles		**1,495**	1,628
Other comprehensive income:			
Foreign currency translation adjustment		**87**	45
Change in fair value of derivatives, net of tax of nil	7	**(44)**	-
Other comprehensive income		**43**	45
Total comprehensive income		**9,312**	10,130
Comprehensive income attributable to noncontrolling interests		**(19)**	(5)
Comprehensive income attributable to MegaFon		**9,293**	10,125

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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MegaFon

Condensed Consolidated Statements of Cash Flows

(In millions of Rubles)
(Unaudited)

	Three months ended March 31,	
	2012	**2011**
Net cash provided by operating activities	**22,775**	23,338
Cash flows from investing activities:		
Purchases of property, plant and equipment and intangible assets	**(13,288)**	(17,592)
Proceeds from sale of property, plant and equipment	**61**	50
Change in short-term investments and long-term bank deposits	**(4,864)**	(8,484)
Net cash used in investing activities	**(18,091)**	(26,026)
Cash flows from financing activities:		
Proceeds from long-term debt	**1,644**	2,964
Repayments of long-term debt	**(464)**	(60)
Deferred finance charges paid	**(132)**	(71)
Payments of contingent consideration	**(55)**	(290)
Payments of liabilities for marketing related licenses	**(84)**	(91)
Net cash provided by financing activities	**909**	2,452
Effect of exchange rate changes on cash and cash equivalents	**(166)**	(453)
Net increase/(decrease) in cash and cash equivalents	**5,427**	(689)
Cash and cash equivalents at the beginning of the period	**2,887**	2,667
Cash and cash equivalents at the end of the period	**8,314**	1,978

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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1. Financial Presentation and Disclosures

Open Joint Stock Company MegaFon (the "Company" or "MegaFon") is a leading universal telecommunications operator in the Russian Federation ("Russia") and provides a broad range of voice, data and other telecommunication services to businesses, other telecommunication service providers and retail subscribers, with licenses to operate in all regions of Russia. The Company intends, wherever possible, to offer its integrated telecommunication services under the "MegaFon" brand, although some services still carry local brand names because of recent acquisitions. In addition to its operations in Russia, the Company provides mobile services through its subsidiaries in the Republic of Tajikistan ("Tajikistan"), the Republic of Abkhazia ("Abkhazia") and the Republic of South Ossetia ("South Ossetia").

In Russia, MegaFon has constructed and continues to operate a nationwide wireless communications network that operates on the dual band GSM 900/1800 standard. In May 2007, the Company was awarded a license that expires on May 21, 2017, for the provision of 3G wireless telephony services based on IMT-2000/UMTS standards throughout the entire territory of Russia. As of March 31, 2012, the Company is providing and expanding 3G services in almost all of the regions in which it operates throughout Russia.

The Company also holds licenses for local and long-distance telephony services, data transmission, broadband access services, and communication channels leasing covering the whole territory of Russia. The Company has its own land-line and leased satellite transmission network capacities.

The accompanying condensed financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial reporting and do not include all disclosures required by US GAAP. The Company omitted certain disclosures which would substantially duplicate the disclosures contained in its 2011 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Company has provided disclosures where significant events have occurred subsequent to the issuance of its 2011 audited consolidated financial statements. Management believes that the disclosures are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Company's 2011 audited consolidated financial statements and the notes related thereto. In the opinion of management, the financial statements reflect all adjustments of a normal and recurring nature necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for the interim periods. The results of operations for the three months ended March 31, 2012 are not indicative of the operating results for the full year (e.g. seasonality). These financial statements include information updated and subsequent events evaluated through May 14, 2012, the date these interim condensed consolidated financial statements were available to be issued.

2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Comparative Information

Certain prior year amounts have been reclassified to conform to the presentation adopted in the current year.

Recent Accounting Pronouncements

Fair Value Measurements. In May 2011, the FASB issued ASU 2011-04, "*Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs"*, which clarifies Topic 820, "*Fair Value Measurements and Disclosures*", but also includes some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed.

This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with US GAAP and International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS").

The amendment is effective for public entities for interim and annual periods beginning after December 15, 2011. The adoption of the guidance did not have a material impact on the Company's financial statements.

Receivables. In April 2011, the FASB issued ASU 2011-02, "*Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring"*, which provides additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The amendment is effective for public entities for the first interim or annual period beginning on or after June 15, 2011. The amendment did not have any impact on the Company's financial statements.

3. Revenues

Revenues for the three months ended March 31 are as follows:

	2012	**2011**
Wireless revenues	**55,892**	50,291
Wireline revenues	**4,427**	3,408
Sales of handsets and accessories	**2,785**	1,457
Total revenues	**63,104**	55,156

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4. Cost of Revenues

Cost of revenues for the three months ended March 31 are as follows:

	2012	2011
Cost of services	**13,385**	10,564
Cost of handsets, accessories and SIM-cards sold	**2,916**	2,224
Total cost of revenues	**16,301**	12,788

5. Sales and Marketing Expenses

Sales and marketing expenses for the three months ended March 31 are as follows:

	2012	2011
Advertising	**1,960**	1,364
Commissions to dealers for connection of new subscribers	**2,138**	1,374
Commissions to dealers for cash collection from subscribers	**971**	942
Total sales and marketing expenses	**5,069**	3,680

6. Operating Expenses

Operating expenses for the three months ended March 31 are as follows:

	2012	2011
Salaries and social charges	**6,455**	6,001
Rent and utilities	**3,866**	3,334
Operating taxes	**1,529**	1,369
Network repairs and maintenance	**1,175**	1,182
Radio frequency fees	**1,014**	855
Office maintenance	**445**	322
Bad debt expense	**479**	434
Professional services	**389**	368
Vehicle costs	**159**	140
Materials and supplies	**92**	58
Insurance	**22**	28
Other expenses	**572**	790
Total operating expenses	**16,197**	14,881

Rent represents expenses related to the lease of premises for offices, base stations and switches.

7. Cash flow hedges of interest rate risk

The Company's objective in using interest rate derivatives is to add certainty and stability to its interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying principal amount of long-term debt.

In 2011-2012, the Company entered into a number of interest rate swap agreements with total notional amount of 57 million Euros (2,233 at the exchange rate as of March 31, 2012) and $693 million (20,324 at the exchange rate as of March 31, 2012), of which all were designated as cash flow hedges of interest rate risk.

Interest rate swaps are recorded on the balance sheet at fair value (Level 2). The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in other comprehensive income/(loss) and is subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. For derivative instruments that are not designated as hedges or do not qualify as hedged transactions, the changes in the fair value are reported in the consolidated statement of comprehensive income.

As at March 31, 2012 the fair values of the Company's interest rate swaps were assets of 3 and liabilities of 47. The fair value of the swaps is based on a forward yield curve and represents the estimated amount the Company would receive or pay to terminate these agreements at the reporting date, taking into account current interest rates, creditworthiness, nonperformance risk, and liquidity risks associated with current market conditions.

8. Commitments, Contingencies and Uncertainties

Russian Environment and Current Economic Situation

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required for a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2011 and during the three months ended March 31, 2012 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis.

Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

8. Commitments, Contingencies and Uncertainties (continued)

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

Telecom licenses capital commitments

In May 2007, MegaFon was awarded a license that expires on May 21, 2017, for the provision of 3G wireless communications services for the entire territory of the Russian Federation. The 3G license was granted subject to certain capital and other commitments. The three major conditions were that the Company build a specified number of base stations that support 3G standards, start commercial exploitation of the 3G technology in each region of the Russian Federation over the period from May 2008 through May 2010, and also build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. As of May 14, 2012, the Company believes it is in full compliance with these license conditions, including constructing the number of base stations required at this time.

Taxation

Russian tax, currency and customs legislation are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to transactions and activities of the Company may be challenged by the relevant regional and federal authorities. Recent events within Russia suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may now be challenged. Therefore, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for the three calendar years preceding the current year. Under certain circumstances reviews may cover longer periods.

The Company's management believes that its interpretation of the relevant legislation is appropriate and is in accordance with the current industry practice and that the Company's tax, currency and customs positions will be sustained. However, the interpretations of the relevant authorities could differ. As of May 14, 2012, the Company's management estimated the possible effect of additional income taxes, fines and interest on these condensed consolidated financial statements, if the authorities were successful in enforcing different interpretations, in the amount of up to 910.

Litigation

The Company is not a party to any material litigation, although in the ordinary course of business, the Company and some of its subsidiaries may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which they operate. In the opinion of management, the Company's and its subsidiaries' liability, if any, in all pending litigation,

8. Commitments, Contingencies and Uncertainties (continued)

other legal proceedings or other matters, will not have a material effect on the financial condition, results of operations or liquidity of the Company.

Apple Commitment

In August 2008, the Company entered into a two-year fixed commitment with Apple Sales International ("Apple"), an Irish affiliate of Apple Computer Inc., to purchase a total of one million unlocked iPhone handsets over a two-year period for further resale in Russia. The Company fulfilled this requirement with respect to the fourth quarter of 2008, but due to the significantly reduced handset demand caused by the economic crisis in Russia, the Company experienced difficulty re-selling these iPhones.

While the Company placed several orders for iPhone handsets thereafter, none of these orders fulfilled the minimum quarterly requirement for the applicable quarters.

The contract with Apple terminated in August 2010 and, since such date, Apple has not asserted any claim against the Company with respect to any alleged non-fulfillment of its obligation to purchase iPhone handsets, and the Company has no basis to believe that any such claim will be asserted.

9. Scartel agreement

In February 2012, MegaFon entered into a mobile virtual network operator ("MVNO") agreement with Scartel LLC ("Scartel"), which operates under the "Yota" brand, for the joint development and provision of fourth-generation ("4G") technology networks under Long Term Evolution ("LTE") standard in Russia.

The MVNO agreement enables the Company to provide 4G services to its customers using the LTE network of Scartel and enables Scartel to use network infrastructure of MegaFon to provide voice services to its customers.

In March 2012, the Company prepaid Scartel an amount of $20 million (587 at the exchange rate as of March 31, 2012) for the provision of future interconnection services under the MVNO agreement. The amount of the advance was included in prepaid expenses in the accompanying consolidated balance sheets as at March 31, 2012. In April 2012, the Company paid an additional $30 million (880 at the exchange rate as of March 31, 2012) to Scartel under the agreement.

10. Segment Information

The Company conducts its business activities in three operating segments, which are wireless, wireline and retail, of which only the wireless segment meets quantitative thresholds as a reportable segment.

Less than 1% of the Company's revenues and results are generated by segments outside of Russia. No single customer represents 10% or more of the consolidated revenues.

11. Subsequent events

In April 2012, the Company's shareholders agreed to a series of transactions to permit the payment of the Company's first dividend and re-organize the shareholding structure. The principal impacts of these agreements on the Company's financial position were as follows:

- the special dividend, paid, on April 24, 2012, resulted in an aggregate distribution of 151,863 to the shareholders (or 24,494 Rubles per ordinary share);

- the Company re-purchased (through MegaFon Investments (Cyprus) Limited ("MICL"), a wholly-owned subsidiary of the Company) from Allaction Limited, part of the Alfa Group of companies, 892,797 (or 14.4%) of the Company's ordinary shares for $2,164 million (63,466 at the exchange rate as of March 31, 2012) on April 24, 2012.

The transactions described above were financed from the Company's existing cash and short-term investments, and additional borrowings of approximately $4,338 million, net of repayments (127,217 at the exchange rate as of March 31, 2012).

As a result of the payment of the dividend and the re-purchase of 14.4% of its ordinary shares, and the additional new borrowings described below, the Company has substantially depleted its working capital, including available cash and short-term investments. As of May 14, 2012, the Company believes it will continue to be able to generate significant operating cash flows and have access to undrawn lines of credit of approximately 96,000 that can be used to cover capital and operating expenditures. Additionally, the Company can defer capital expenditures if necessary in order to meet short-term liquidity requirements. Accordingly, management believes that cash flows from operating and financing activities will be sufficient for the Company to meet its obligations as they become due.

As a result of the above transactions and increases in indebtedness, the Company has initiated a number of activities in anticipation of further re-capitalizing the Company's financial position.

Planned Debt Transactions

In April 2012, the Company's Board of Directors approved the issuance of up to $3 billion (87,985 at the exchange rate as of March 31, 2012) in medium term notes in the international bond markets, terms to be determined immediately prior to the time of actual issuance.

In addition, in February 2012, the Company filed for registration, and in March 2012, the Federal Service on Financial Markets of the Russian Federation registered the issuance of up to 30 billion Rubles bonds.

11. Subsequent events (continued)

Other capital raising options

In April 2012, the Company's Board of Directors approved a number of capital raising options. While the Company believes that financing options will be available, the timing and ultimate completion of any financing will be dependent on a number of factors beyond its control. Accordingly, there is no guarantee that the Company will be able to obtain financing on favorable terms or otherwise.

Short-term and long-term debt transactions

(1) Eurobond Bridge Facility with Barclays Bank PLC, BNP Paribas and Citibank N.A., London branch ("Bridge Facility")

On April 17, 2012, the Company entered into a $2 billion (58,656 at the exchange rate as of March 31, 2012) Bridge Facility with Barclays Bank PLC, BNP Paribas and Citibank N.A., London branch to facilitate the payment of dividends and repurchase of the Company's shares described above. The Bridge Facility carries interest at a rate of LIBOR plus 1.5% which is increased by 0.5% every three months. The Bridge Facility matures on April 17, 2013 but is subject to mandatory earlier repayment upon the completion of certain debt or capital raising transactions. The availability period of the Bridge Facility ended on May 14, 2012.

A payment of $6 million (176 at the exchange rate as of March 31, 2012) as an arrangement fee was made for the Bridge Facility. The Company is required to make payments equal to 0.2% and 0.5% of the aggregate amount outstanding under the Bridge Facility as of the date which falls three and six months after the date of the agreement, respectively.

As of May 14, 2012, the date these condensed consolidated financial statements were available to be issued, the Company drew $1.5 billion (43,992 at the exchange rate as of March 31, 2012) under the Bridge Facility.

(2) VTB Credit Facility

On April 18, 2012, the Company entered into a revolving credit facility with VTB Bank ("VTB Credit Facility") for up to 30,000. The VTB Credit Facility carries varying interest rates depending on the loan tenor chosen by the Company.

As of May 14, 2012, the VTB Credit Facility was fully drawn for a one-year period subject to an interest rate of MosPrime3m plus 2.2% which is payable every three months.

(3) Gazprombank Credit Facility

On April 18, 2012, the Company and Gazprombank modified the terms of the existing revolving credit facility agreement ("Gazprombank Credit Facility") by increasing the debt limit on the facility from 15,000 to 30,000. The Gazprombank Credit Facility is subject to fees of 0.15% per annum on the amount of the unutilized balance.

11. Subsequent events (continued)

On April 18 2012, the Company drew the entire 30,000 at an interest rate of 9.05% per annum which is payable every three months. The interest rate can be changed by Gazprombank unilaterally in an event of revision of the refinancing rate by the Central Bank of Russia. The principal is due for repayment in September 2016. On April 25, 2012, the Company repaid 23,700.

(4) Sberbank Credit Facilities

On April 19, 2012, the Company entered into two credit facility agreements with Sberbank, one for up to $1 billion (29,328 at the exchange rate as of March 31, 2012) and the other for up to $1.5 billion (43,992 at the exchange rate as of March 31, 2012) (together, the "Sberbank Credit Facilities").

As of May 14, 2012, the Company has fully drawn the $1 billion Credit Facility and the $1.5 billion Credit Facility was drawn in the amount of $600 million (17,597 at the exchange rate as of March 31, 2012).

The principal purpose of the Bridge Facility, the VTB Credit Facility, the Gazprombank Credit Facility and the Sberbank Credit Facilities is the funding of the dividend payout and the re-purchase of shares by the Company. Any excess will be used to fund operating, investment and financial activities. The covenants of these Credit Facilities are substantially consistent with those which the Company has in its other existing loan agreements.

(5) Other

On April 6, 2012, the Company drew down and subsequently, on April 24, 2012, repaid in full 11,000 of the revolving credit facility with UniCredit Bank Moscow which carried interest at a rate of 8.87% per annum.

Also, on April 6, 2012, the Company drew down 5,500 under the agreement with Nordea Bank at MosPrime1m plus 2.95% per annum. On May 5, 2012, the Company repaid the amount borrowed under the agreement in full.

On April 11, 2012, the Company drew down $41 million (1,202 at the exchange rate as of March 31, 2012) under the credit facility agreement with Fortis Bank, Nordea Bank Finland and Skandinaviska Enskilda Banken at a rate of 1.92% per annum. This credit facility can only be used to purchase Nokia Siemens Networks ("NSN") equipment.

On April 16, 2012, the Company drew $50 million (1,466 at the exchange rate as of March 31, 2012) under the credit facility agreement with China Development Bank at a rate of LIBOR plus 2.4% per annum. This credit facility can only be used to purchase Huawei equipment.

11. Subsequent events (continued)

Voting Agreement

In accordance with a Voting Agreement executed between the Company's shareholders and MICL on April 24, 2012, TeliaSonera Group, one of the Company's shareholders, will direct the voting of the shares in the Company held by MICL on any issues other than the appointment or removal of the CEO and the planned redemption and cancellation by the Company from MICL of two shares held by MICL, until the first to occur of (a) the completion of an initial public offering ("IPO") of the Company, (b) the date at which the TeliaSonera Group or AF Telecom Group reduce their interest in the Company below 25% plus one share, or (c) December 31, 2014. In certain circumstances this period can be extended beyond this date.

Put and Call Option Agreement

On April 24, 2012, the shareholders of the Company signed an agreement (the "Put and Call Option Agreement") to the effect that, if an IPO of the Company has not been consummated by December 31, 2014, Sonera Holding B.V., a member of TeliaSonera Group, will have the right to sell to MICL (the "Put Option") and MICL will have the right to buy from Sonera Holding B.V. (the "Call Option") the lesser of (a) such number of shares in the Company as are equal to approximately 10.6% of the Company and (b) such number of shares in the Company by which the total number of shares in the Company that are directly or indirectly owned by the TeliaSonera Group in aggregate exceeds 25% plus one share of the entire issued share capital of the Company (the "Option Shares"). The price payable to exercise the Put and Call Options will be based on the fair value of the Company's shares as determined at the date of exercise. Telecominvest Holdings Limited, a company controlled by AF Telecom Group, at its sole discretion can elect to purchase any or all of the Option Shares under the Put and Call Options.

Sonera Holding B.V., Telecominvest Holdings Limited or MICL may only exercise the Put and Call Options during the period from January 1, 2015 to February 1, 2015.

The Company has given a guarantee to Sonera Holding B.V. of the performance of MICL's obligations under the Put and Call Option Agreement.

Unaudited Pro Forma Information

The unaudited pro forma financial information has been prepared on the basis of assumptions described below. The following unaudited pro forma consolidated balance sheet presents the Company's financial position as if each of the transactions specified below had been completed on March 31, 2012. The unaudited pro forma consolidated balance sheet has been prepared for informational purposes only and does not necessarily indicate the financial position that would have existed had the relevant transactions taken place on March 31, 2012, or which may result in the future.

11. Subsequent events (continued)

Pro Forma Adjustments:

A. Withdrawal of bank deposits
B. Debt financing, net of repayments. Facilities denominated in US Dollars are translated at the exchange rate as of March 31, 2012.

	Currency	Drawn	Fees Paid	Net proceeds
Short-term and current portion of long-term debt				
Bridge Facility	US Dollar	43,992	(176)	43,816
VTB	Ruble	30,000	-	30,000
Subtotal		**73,992**	**(176)**	**73,816**
Debt, less current portion				
Gazprombank	Ruble	6,300	-	6,300
Sberbank	US Dollar	46,925	(434)	46,491
Subtotal		**53,225**	**(434)**	**52,791**
Total		**127,217**	**(610)**	**126,607**

C. Payment of the special dividend
D. Re-purchase of the Company's ordinary shares.

11. Subsequent events (continued)

Unaudited Pro Forma Consolidated Balance Sheet at March 31, 2012

	March 31, 2012	(A)	(B)	(C)	(D)	Pro Forma Total
Assets						
Current assets:						
Cash and cash equivalents	8,314	84,635	126,607	(151,863)	(63,466)	4,227
Short-term investments	86,124	(84,635)				1,489
Accounts receivable, net	9,055					9,055
Inventory	4,764					4,764
Prepaid income taxes	10,158					10,158
VAT receivable	2,080					2,080
Deferred tax assets	1,949					1,949
Prepaid expenses and other current assets	8,604		176			8,780
Total current assets	131,048	—	126,783	(151,863)	(63,466)	42,502
Long-term bank deposits	4					4
Property, plant and equipment, net	220,414					220,414
Goodwill	15,406					15,406
Intangible assets, net	19,091					19,091
Deferred tax assets	738					738
Deferred finance charges	810		434			1,244
Other non-current assets	933					933
Total assets	**388,444**	**—**	**127,217**	**(151,863)**	**(63,466)**	**300,332**
Liabilities						
Current liabilities:						
Accounts payable	11,236					11,236
Accounts payable to equipment suppliers	4,679					4,679
Current portion of liability for marketing related licenses	431					431
Current portion of liability for deferred and contingent consideration	2,411					2,411
Accrued compensation	4,766					4,766
Subscribers' prepayments	6,756					6,756
Taxes payable	5,451					5,451
VAT payable	3,604					3,604
Deferred revenue	1,011					1,011
Current portion of long-term debt	6,998		73,992			80,990
Other current liabilities	1,663					1,663
Total current liabilities	49,006	—	73,992	—	—	122,998
Debt, less current portion	33,827		53,225			87,052
Deferred tax liabilities	10,588					10,588
Asset retirement obligations	5,045					5,045
Liability for marketing related licenses, less current portion	445					445
Liability for deferred and contingent consideration, less current portion	1,572					1,572
Deferred revenue, less current portion	1,459					1,459
Other non-current liabilities	558					558
Total liabilities	102,500	—	127,217	—	—	229,717
Equity						
MegaFon shareholders' equity:						
Common stock	581					581
Treasury stock	—				(63,466)	(63,466)
Reserve fund	17					17
Additional paid-in capital	13,852					13,852
Retained earnings	271,222			(151,863)		119,359
Accumulated other comprehensive loss	(270)					(270)
Total MegaFon shareholders' equity	285,402	—	—	(151,863)	(63,466)	70,073
Noncontrolling interests	542					542
Total equity	285,944	—	—	(151,863)	(63,466)	70,615
Total liabilities and equity	**388,444**	**—**	**127,217**	**(151,863)**	**(63,466)**	**300,332**

See report of independent accountants