

## Press-release

## MegaFon announces financial results for Q3 2016 and Nine months ended 30 September 2016

MOSCOW, Russia (9 November 2016) - PJSC "MegaFon" ("MegaFon", or the "Company") (LSE: MFON), a leading Russian integrated telecommunications operator, announces its unaudited consolidated financial results<sup>1</sup> for the three and nine months ended 30 September 2016.

### Key highlights of the Third Quarter 2016<sup>2</sup>

- Consolidated revenue decreased by 0.2% y-o-y<sup>3</sup> to RUB 81,115 million
- Revenue from wireless data services increased by 0.5% y-o-y to RUB 21,734 million
- OIBDA decreased by 10.7% y-o-y to RUB 32,285 million
- OIBDA margin was 39.8% versus 44.5% in Q3 2015
- Net Profit decreased by 52.3% y-o-y to RUB 6,346 million
- CAPEX decreased by 55.0% y-o-y to RUB 11,671 million
- Free Cash Flow increased by 61.0% and amounted to RUB 14,277 million
- Net Debt as of 30 September 2016 was RUB 190,207 million
- The number of mobile subscribers grew by 1.8% y-o-y to 77.3 million<sup>4</sup> as of 30 September 2016

### Key highlights of the Nine Months ended 30 September 2016

- Consolidated revenue increased by 1.5% y-o-y to RUB 234,988 million
- Revenue from wireless data services increased by 7.0% y-o-y to RUB 63,069 million
- OIBDA decreased by 10.5% y-o-y to RUB 92,086 million
- OIBDA margin decreased to 39.2% versus 44.4% in 2015
- Net Profit decreased by 33.5% y-o-y to RUB 22,417 million
- CAPEX decreased by 16.5% y-o-y to RUB 38,862 million
- Free Cash Flow totaled RUB 32,806 million

<sup>1</sup> Based on the IFRS interim condensed consolidated financial statements reviewed by JSC KPMG

<sup>2</sup> 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.

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

<sup>4</sup> Consolidated data includes subscribers of the Company in Russia and the subscribers of its subsidiaries: "TT mobile" CJSC in the Republic of Tajikistan, "AQUAFON-GSM" CJSC in the Republic of Abkhazia and "OSTELEKOM" CJSC in the Republic of South Ossetia

## Key corporate events

- Recommendation for interim dividend distribution in 2016
  - In October, MegaFon's Board of Directors recommended the payment of an additional interim dividend in the total amount of RUB 15 billion, equivalent to RUB 24.19 per ordinary share (or GDR), subject to approval by the Company's shareholders at an Extraordinary General Meeting ("EGM") to be held on 9 December 2016
- Changes in management team and organizational structure
  - In October, MegaFon announced changes in its organizational structure: the Company's principal operations have been reorganized into two new units - commercial and operational
  - Anna Serebryanikova, the former Legal Affairs and GR Director, will head the Operational unit which will encompass the infrastructure, procurement and logistics, legal and GR functions. Also, the Directors of all branches will henceforth report directly to her
  - Vlad Wolfson, the former Director for Corporate Business Development, will head the Commercial unit which will combine the Consumer Business Development and Corporate Business Development functions
  - Evgeny Chermashentsev, Chief Operating Officer, Konstantin Likhodedov, Director for Consumer Business, and Mikhail Zolotovitskiy, Chief Executive Officer of MegaFon Retail and Director for Sales and Customer Service at MegaFon, have announced their decisions to leave the Company
- Strategic agreement with Nokia on development of 5G Standard
  - In July, MegaFon and Nokia signed a memorandum of cooperation for the joint development of the next generation standard, known as 5G. The companies intend to study the technical aspects of development of the new standard and communicate with the Russian and international regulatory authorities on the parameters and requirements for its commercial implementation
  - The companies will conduct tests of new technical solutions, network equipment and mobile data transfer speeds. They will also consider construction of trial 5G clusters in the Russian stadiums where the matches of the FIFA World Cup 2018 will be hosted
  - As part of their cooperation, MegaFon and Nokia already conducted a mobile data transfer test in September, and managed to achieve a peak data download speed of 4.94Gbit/s by aggregating frequency bands and using Nokia network equipment from its commercial line AirFrame and AirScale
  - This result is another important step towards implementation of the next generation standard, which will allow MegaFon to offer a conceptually new level of client service, innovative products and services

- Strategic agreement with Huawei on implementation of IoT solutions
  - In July, MegaFon and Huawei signed a memorandum of cooperation for the implementation of Internet-of-things (IoT) solutions based on the new telecommunication standard Narrow Band IoT (NB-IoT). The companies were the first in the Russian market to demonstrate the capabilities of a fully integrated NB-IoT solution
- Launch of Voice-over-LTE services in Moscow region
  - In September, MegaFon launched its Voice-over-LTE (VoLTE) services in the Moscow region. This technology enables customers to access HD voice services while using mobile Internet on a 4G network and to set up a connection in less than two seconds
- Launch of new financial services
  - In August, MegaFon unveiled a unique new financial product – the MegaFon debit card. The product was launched in cooperation with MasterCard and Round bank. The card is fully integrated with a user’s mobile account. It provides payment functionality and loyalty programme, including cashbacks and interest accrual on cash balance of the mobile account. The MegaFon card was initially tested in Moscow and St. Petersburg, and in October it became available to subscribers in all regions of Russia
  - In August, MegaFon simplified its service of money transfer from a MegaFon user’s mobile account to subscriber accounts of all mobile operators. It introduced a short SMS command form - #<sum> to a mobile operator number
- Further development of FMC project with ER Telecom
  - In September, MegaFon expanded the scale and geographic reach of its partnership with ER-Telecom. A pilot project was initially launched in April 2016 in three large cities in Siberia and the project is now being extended to cover another 25 Russian cities, including St. Petersburg. MegaFon subscribers get access to fixed-line broadband internet services from ER-Telecom at a 20% discount
- EGM approval of spin-off of infrastructural assets
  - In September, MegaFon’s EGM approved a spin-off of MegaFon’s tower-related infrastructure, land plots, other auxiliary equipment, assets and liabilities to JSC “First Tower Company”, a wholly-owned subsidiary of MegaFon
  - This spin-off will allow MegaFon to focus on improving management of its tower portfolio and reducing operational and capital expenditures

## Sergey Soldatenkov, Chief Executive Officer of MegaFon, commented on the financial and operational results as follows:



In the third quarter, the Russian telecommunications industry continued to experience tough market conditions caused by increased competition and changes in consumer demand. Given these circumstances we were comfortable with the relatively insignificant 0.2% decrease y-o-y in total consolidated revenue. We see the continued trend of a shift in our revenue structure towards an increasing share of revenue from sales of equipment. However, we expect that these increased sales of equipment will translate into greater demand for mobile data services in the future.

Penetration of bundles in our subscriber base continues to grow as a result of our effective marketing of bundles to newly acquired subscribers as well as our proactive initiatives to stimulate migration to bundles by existing customers, all of which is being done to increase the loyalty of our subscribers and protect our market share. However, the downward revision in pricing of bundled tariffs, together with elimination of national roaming services charges in March 2016, both being responses to intensified competition, have put great pressure on our margins and profitability.

The increased competitive environment has caused us to look for new areas for market growth and new strategic directions that can ensure effective monetization of our current business under the new conditions and creation of new solutions and value over the longer term. MegaFon is currently actively involved in re-examining its overall strategy with these considerations in mind, and expects to be ready to present its conclusions in the beginning of the next year.

I would like to note that to support our review of strategy we have strengthened our organizational structure. The Company's principal operations have been reorganized into two new units - commercial and operational - to improve the overall effectiveness of all operations. The heads of these units will report directly to Chief Executive Officer. I believe that these management changes will enable MegaFon to cope with the market challenges which we face and strengthen its position in all key business segments.

I am also pleased to announce that the Company's Board of Directors has recommended to shareholders that they approve an additional interim dividend in the amount of 15 billion rubles (an action which was foreseen in April of this year when the first interim dividend for 2016 was proposed). We believe that a semi-annual payment schedule supports the stability and attractiveness of the level of dividends.

## Key Consolidated Financial Data (in Millions of Rubles)

	Three Months			Nine Months		
	Q3 2016	Q3 2015	Q3 2016/ Q3 2015	9m 2016	9m 2015	9m 2016/ 9m 2015
Revenue	81,115	81,279	(0.2%)	234,988	231,403	1.5%
Wireless Services	67,911	70,649	(3.9%)	197,774	201,562	(1.9%)
Including data revenue	21,734	21,625	0.5%	63,069	58,939	7.0%
Wireline Services	6,357	5,673	12.1%	18,673	16,500	13.2%
Sales of equipment & accessories	6,847	4,957	38.1%	18,541	13,341	39.0%
OIBDA	32,285	36,145	(10.7%)	92,086	102,846	(10.5%)
OIBDA Margin	39.8%	44.5%	(4.7 p.p.)	39.2%	44.4%	(5.2 p.p.)
Net Profit	6,346	13,306	(52.3%)	22,417	33,709	(33.5%)
Net Profit Margin	7.8%	16.4%	(8.6 p.p.)	9.5%	14.6%	(5.1 p.p.)
CAPEX	11,671	25,908	(55.0%)	38,862	46,537	(16.5%)
CAPEX / Revenue	14.4%	31.9%	(17.5 p.p.)	16.5%	20.1%	(3.6 p.p.)

Key Financial Data in Russia (in Millions of Rubles)<sup>5</sup>

	Three Months			Nine Months		
	Q3 2016	Q3 2015	Q3 2016/ Q3 2015	9m 2016	9m 2015	9m 2016/ 9m 2015
Revenue	79,872	79,958	(0.1%)	231,449	227,777	1.6%
Wireless Services	66,681	69,344	(3.8%)	194,276	197,976	(1.9%)
Including data revenue	21,394	21,296	0.5%	62,097	58,031	7.0%
Wireline Services	6,347	5,664	12.1%	18,640	16,473	13.2%
Sales of equipment & accessories	6,844	4,950	38.3%	18,533	13,328	39.1%
OIBDA	32,381	36,177	(10.5%)	92,822	102,644	(9.6%)
OIBDA Margin	40.5%	45.2%	(4.7 p.p.)	40.1%	45.1%	(5.0 p.p.)
Net Profit	7,686	14,430	(46.7%)	26,049	36,555	(28.7%)
Net Profit Margin	9.6%	18.0%	(8.4 p.p.)	11.3%	16.0%	(4.7 p.p.)

<sup>5</sup> Excluding mutual settlements with "TT mobile" CJSC, "AQUAFON-GSM" CJSC and "OSTELEKOM" CJSC

## Revenue

Our consolidated revenue for Q3 2016 decreased by 0.2% y-o-y to RUB 81,115 million, while our total consolidated revenue for nine months of 2016 increased by 1.5% y-o-y and reached RUB 234,988 million. Russian revenue remained the major component, accounting for over 98.5% of total consolidated revenue.

Our wireless service revenue in Q3 2016 decreased by 3.9% y-o-y to RUB 67,911 million due to decline in revenue from traditional voice services as a result of more subscribers opting for bundled tariffs, the increasing availability of free on-net calls, the introduction of free national roaming charges for bundled tariffs and a reduction in the number of subscribers travelling abroad due to sanctioned traditionally popular touristic destinations. While mobile data revenue continued to contribute substantially to the wireless revenue, its growth rate slowed down noticeably due to the increased number of subscribers choosing cheaper bundled tariffs with higher data allowances, which the Company has been introducing in response to competitive pressure. In addition to mobile data revenue, higher demand for MegaFon's value-added services also partially offset the overall decrease in wireless service revenue.

Wireline service revenue increased by 12.1% y-o-y to RUB 6,357 million as a result of further successful expansion of our B2B and B2G client base, development of an attractive product portfolio for our corporate clients, and the acquisition of GARS.

Revenue from sales of equipment and accessories increased by 38.1% y-o-y to RUB 6,847 million. We continue to experience the beneficial effect of our Q2 2016 initiative to address subscribers' greater appetite for more expensive high-end devices along with our attractive bundled offerings. While revenues from this segment increased, the overall growth rate of revenues from sales of equipment slowed as a result of reductions in the price of devices and other goods in our stores in connection with marketing initiatives to promote the purchase of data-enabled devices.

## OIBDA and OIBDA Margin

In Q3 2016, our OIBDA decreased by 10.7% y-o-y to RUB 32,285 million as a result of a higher cost of services in response to competitive pressures as discussed above and a shift in our revenue structure towards traditionally lower margin segments: wireline services and sales of equipment and accessories. Other factors contributing to increased costs included higher dealer commissions resulting from increases in the number of subscribers, and increased rent expenses driven by higher office rent costs and continued expansion of our network. At the same time, reduced employee benefit costs, due to revision of bonus accruals and related social charges, partially offset the increase in costs described above. OIBDA margin in Q3 2016 decreased by 4.7 p.p. to 39.8% y-o-y compared to 44.5% in Q3 2015.

## Net Profit

Consolidated net profit decreased by 52.3% y-o-y to RUB 6,346 million, as compared to RUB 13,306 million in Q3 2015, mainly due to the decrease in operating profit, the Company's share of loss of associates and tax accruals related to tax claims in Tajikistan.

## CAPEX

CAPEX decreased by 55.0% y-o-y to RUB 11,671 million compared to RUB 25,908 million in Q3 2015. Prioritizing of CAPEX projects, optimization of technical solutions along with smoother allocation of expenditures throughout the year allowed us to reduce capital expenditures while fully implementing our network development plan. CAPEX in the comparable quarter in 2015 also reflected the one-off purchase of the SMARTS spectrum in August 2015.

## Free Cash Flow

Our free cash flow increased by 61.0% y-o-y, from RUB 8,870 million for Q3 2015 to RUB 14,277 million for Q3 2016 due to reduced CAPEX spending. As already noted, the Q3 2015 CAPEX figure included the one-off capital expenditure related to the acquisition of frequency spectrum from SMARTS in August 2015.

## Net Debt

In Q3 2016, MegaFon implemented further steps to improve its credit portfolio by extending the maturities of two outstanding credit facilities with Sberbank and drawing RUB 30 billion under a new Sberbank credit facility. These actions are in line with MegaFon's strategic objective of keeping a predominant portion of its debt portfolio in rubles at compelling fixed rates, while extending maturities to reduce pressure on our cash flows. Also, the dividend payment in the amount of RUB 35 billion in July-August 2016 impacted the Net Debt.

Our net debt increased from RUB 167,135 million as of 30 June 2016 to RUB 190,207 million as of 30 September 2016.

## Earnings per Share

Consolidated basic and diluted EPS in Q3 2016 decreased y-o-y from RUB 22 per share to RUB 11 per share, in line with the decrease in net profit.

## Outlook/Guidance

We reiterate our revenue growth in 2016 to be flat to low single digits. Meantime, we revise our OIBDA guidance, to be not less than RUB 118 billion and we anticipate that our capital expenditures for 2016 will not exceed RUB 68 billion.

## Key Operational Highlights in Russia

### Wireless subscribers

	30 Sep 2016	30 Sep 2015	30 Sep 2016/ 30 Sep 2015
Number of wireless subscribers (K)	75,463	73,903	2.1%
of which data service users (K)	30,782	28,545	7.8%
Share of data service users	40.8%	38.6%	2.2 p.p.

Our Russian wireless subscriber base increased by 2.1% y-o-y to 75.5 million as of 30 September 2016 as a result of our active initiatives to acquire subscribers and rapid development of our Yota services.

Our data service user base increased by 7.8% y-o-y, due to ongoing promotion of MegaFon data services in Q3 2016 and higher sales of smartphones in our retail network as described in the revenue section. Our data users represent 40.8% of the overall subscriber base.

### Data operating indicators

	Q3 2016	Q3 2015	Q3 2016/ Q3 2015	9m 2016	9m 2015	9m 2016/ 9m 2015
ARPDU (RUB)	231	244	(5.3%)	231	232	(0.4%)
DSU (MB)	4,195	3,185	31.7%	4,027	3,164	27.3%

ARPDU in Q3 2016 decreased by 5.3% y-o-y to RUB 231 mainly due to decreased mobile data revenue on the back of growing penetration of bundled tariffs and downward revision of our tariff offerings as well as increases in the amount of traffic available in bundled tariffs.

DSU in Q3 2016 increased by 1,010 megabytes, or 31.7% y-o-y, to 4,195 megabytes, due to promotion of our recently improved bundles, designed to stimulate demand for data transfer.

## Conference Call

MegaFon will be hosting an analyst and investors conference call today with a simultaneous audiocast to discuss its Q3 2016 results.

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

### Dial-in details:

*To listen to the call in Russian, please dial:*

Access confirmation code: 9861503 (Russian)

*To listen to the call in English only, please dial:*

Access confirmation code: 6319395 (English)

Local - Moscow, Russia: +7 495 705 9451

Local (backup line) – Moscow, Russia: +7 495 213 0979

National free phone - Russian Federation: +8 800 500 9312

Local - London, United Kingdom: +44(0)20 3427 1908

National free phone - United Kingdom: 0 800 279 5004

Local - New York, United States of America: +1 646 254 3364

National free phone - United States of America: +1 877 280 2296

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.

Replay password 9861503 (Russian) followed by #

6319395 (English) followed by #

Russia Toll Free +8 10 800 2870 1012

UK Toll Free 0 800 358 7735

USA Toll Free +1 866 932 5017

Local – Moscow, Russia +7 495 705 9453

Local - London, United Kingdom: +44(0)20 3427 0598

Local - New York, United States of America: +1 347 366 9565

## For More Information

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## Notes to Editors

**MegaFon PJSC** is a leading Russian integrated telecommunication service provider, operating in all segments of the telecommunications markets in Russia, and in the Republics of Abkhazia, South Ossetia and Tajikistan. MegaFon is a recognized 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. MegaFon is traded on the Moscow Stock Exchange and the London Stock Exchange under the symbol MFON. Additional information about MegaFon and the products and services provided by MegaFon can be found at <http://www.megafon.ru>

## Disclaimers, Statement Regarding Inside Information and Forward Looking Statements

The above discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements which are available for download on the Company's website at: <http://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 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.

**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, 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** means cash from operating activities, less cash paid for purchases of property, equipment and intangible assets, increased by proceeds from sales of property and equipment and interest received. It is a financial measure which should be considered as supplementary but not as an alternative to the information provided in the Company's financial statements. This metric measures the Company's ability to generate cash after accruals required to maintain and expand the Company's assets. A reconciliation of free cash flow and cash from operating activities is provided in Schedule 2.

**Net debt position** means the difference between (a) cash, cash equivalents, and principal amount of deposits and (b) principal amount of loans and borrowings less unamortised debt issuance fees. It is a financial measure which should be considered as supplementary but not as an alternative to the information provided in the Company's financial statements. The Company believes that this metric provides useful information as to the liquidity position of the Company after debt repayments. A description of how the metric is calculated is provided in Schedule 2.

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

### OIBDA (In millions of Rubles)

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Operating profit	21,792	15,458	15,560	14,199	16,686
Depreciation	12,283	11,775	12,715	13,111	13,370
Amortisation	1,845	1,823	1,867	2,013	1,981
Loss from disposal of long-lived assets	225	455	105	231	248
<b>OIBDA</b>	<b>36,145</b>	<b>29,511</b>	<b>30,247</b>	<b>29,554</b>	<b>32,285</b>

### OIBDA Margin as percentage of Revenue

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Operating profit	26.8%	18.8%	20.7%	18.0%	20.6%
Depreciation	15.1%	14.4%	16.9%	16.7%	16.5%
Amortisation	2.3%	2.2%	2.5%	2.6%	2.4%
Loss on disposal of non-current assets	0.3%	0.6%	0.1%	0.2%	0.3%
<b>OIBDA margin</b>	<b>44.5%</b>	<b>36.0%</b>	<b>40.2%</b>	<b>37.5%</b>	<b>39.8%</b>

### Net debt (In millions of Rubles)

	30 Sep 2015	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016
Cash and cash equivalents	70,782	17,449	15,631	35,873	25,703
Bank deposits (principal amount)	3,838	20,210	18,747	7,287	20,621
Loans and borrowings (principal amount), less unamortised fees and discounts	(197,584)	(218,505)	(208,244)	(210,295)	(236,531)
<b>Net debt</b>	<b>(122,964)</b>	<b>(180,846)</b>	<b>(173,866)</b>	<b>(167,135)</b>	<b>(190,207)</b>

Free cash flow (In millions of Rubles)<sup>6</sup>

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Net cash flows from operating activities	31,885	31,387	25,791	20,644	27,481
Purchase of property, equipment and intangible assets	(23,438)	(18,279)	(17,000)	(11,425)	(14,137)
Proceeds from sale of property and equipment	76	42	33	149	477
Interest received	347	686	100	237	456
<b>Free cash flow</b>	<b>8,870</b>	<b>13,836</b>	<b>8,924</b>	<b>9,605</b>	<b>14,277</b>

<sup>6</sup> Due to the change in presentation of Interim Condensed Consolidated Cash Flows Statement some numbers may vary from those displayed earlier