

## Press Release

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### MegaFon Announces Price Range for Initial Public Offering

**MOSCOW, Russia (November 15, 2012)** - Open Joint Stock Company MegaFon (“MegaFon” or the “Company”) today announces the indicative price range for its initial public offering (“IPO” or “Offering”). The Offering will be in the form of ordinary shares (“Shares”) to investors in Russia and both Shares and global depository receipts (“GDRs”) outside of Russia. The Offering will comprise the sale of existing Shares held by Sonera Holding B.V., a subsidiary of TeliaSonera A.B. (“TeliaSonera”), and MegaFon Investments (Cyprus) Limited (“MIFC”), a wholly owned subsidiary of MegaFon (together the “Selling Shareholders”).

#### Highlights

- The indicative price range has been set at US\$20 to US\$25 per Share and per GDR, with each GDR representing an interest in one Share
- The IPO includes an offering of Shares in Russia and an offering of Shares and GDRs to institutional investors outside of Russia
- The Offering is expected to represent a minimum offer size of US\$1,691 million before exercise of the over-allotment option
- The Selling Shareholders will, pro rata to the number of Shares and GDRs being sold by each of them, grant the Joint Bookrunners an Over-Allotment Option to acquire up to an additional 10% of Shares and GDRs allocated in the Offering, at the offer price
- MegaFon’s post-money market capitalisation is valued at approximately US\$11.2 billion to US\$14.0 billion on the basis of the price range, assuming full exercise of the over-allotment option
- AF Telecom, a company controlled by Mr Alisher Usmanov, will continue to hold more than 50% of MegaFon’s issued share capital upon completion of the Offering. Depending on the final size of the Offering and its completion, TeliaSonera A.B. may own more than 25% of MegaFon’s issued share capital
- Institutional bookbuilding and the roadshow commence today and are expected to close on 27 November 2012

- Pricing and allocations are expected to be announced, and conditional dealings in the GDRs on the London Stock Exchange under symbol MFON as well as dealings in Shares on the MICEX Stock Exchange under the same symbol are expected to commence on 28 November 2012
- Following the Offering, the Company and the Selling Shareholders as well as certain other shareholders of the Company will be subject to a lock-up in respect of shares in the Company for a period of 180 days
- MegaFon expects to pay annual dividends at the higher of 50% of Net Profit or 70% of free cash flow, plus a value (which may be negative) corresponding to the maintenance of its net debt-to-adjusted OIBDA ratio between 1.2 and 1.5 times
- In due course following the IPO, a new Board structure is expected to be put in place, comprising three Directors representing AF Telecom, two Directors representing TeliaSonera (as long as it retains 25% plus one ordinary share after the completion of the Offering) and two Independent Directors.
- Morgan Stanley and Sberbank CIB are acting as Joint Global Coordinators and Joint Bookrunners and Citi, Credit Suisse and VTB Capital are acting as Joint Bookrunners

**Commenting on today's announcement, Ivan Tavrín, CEO of MegaFon, said:**

"I believe the level of interest we have seen in the investment community since announcing our planned IPO sets a strong backdrop to the announcement of our price range today and the commencement of the roadshow and institutional bookbuilding. We believe there is already a high regard for MegaFon and its track record of innovation and profitable growth as well as appetite for quality exposure to the Russian telecoms growth story. Our recently announced Q3 2012 results demonstrate continuing momentum with strong double-digit growth in revenue and OIBDA, the highest OIBDA margin of the last 8 quarters, increased cashflow and the highest ever quarterly net income in the Company's history. I now look forward to meeting prospective investors and sharing our plans to leverage our market leadership in mobile data to further drive continuing growth, cashflow and returns."

**Enquiries**

*OJSC MegaFon*

Peter Lidov

Tel: + 7 926 200 6699

[plidov@megafon.ru](mailto:plidov@megafon.ru)

Elena Alexandrova

Tel: + 7 926 442 5383

[ealexandrova@megafon.ru](mailto:ealexandrova@megafon.ru)

*Citigate Dewe Rogerson (London)*

Tel: +44(0)20 7638 9571

David Westover

Andrew Hey

Chris Barrie

Marina Zakharova

## Notes to editors

MegaFon believes that its key strengths are:

- Operating market: Russia is Europe's largest mobile telecommunications market, worth RUB1,607 bn in 2011 with over 227m subscribers as at 30<sup>th</sup> June 2012 (according to AC&M Consulting. Direct-INFO), underpinned by strong GDP growth and governed by what is at present a relatively benign regulatory framework.
- Market position: the Company is Russia's 2nd largest mobile operator in terms of subscribers with c.63m subscribers representing a market share of over 27% as of 30 September 2012, (according to AC&M) and the largest operator in the mobile data segment since 2008, a market which has grown at a CAGR of over 44% from 2009 to 2011 (according to Informa Telecoms and Media).
- Strong position in promising data and VAS market: The Russian mobile data market is forecast to grow at a CAGR of 21% from 2011-2015 (according to AC&M) with potential for low existing smartphone and 3G penetration to catch up with Western European levels. The Company believes it is well positioned to exploit the potential further growth of the Russian mobile data market as it operates the most extensive 3G network in Russia, offering high performance and service quality. It was the first of the Big Three to offer LTE/4G high-speed mobile broadband data services to its clients and expects to be in a position to offer its LTE/4G services in over 40 cities, including Moscow and St Petersburg, by the end of 2012. Similar room for growth exists in value added services, where the Company aims to develop innovative services and content.
- Strong growth record: the Company's consolidated total revenue and operating income before depreciation and amortisation (OIBDA) for the year 2011 amounted to, respectively, RUB 242.6bn and RUB 100.8bn, representing a 3 year CAGR of 15.5% and 6.9% respectively since 2009. Furthermore, MegaFon's Q3 2012 results demonstrate strong continuing momentum with consolidated total revenue and OIBDA growing, 12.3% and 21.1% respectively compared to Q3 2011, at an OIBDA margin of 45.1%, up 2.8 percentage points compared to the previous quarter.
- Strong focus on productivity and efficiency: MegaFon is focused on driving higher value data and services revenue growth, while continuing to benefit from lower expected capital intensity going forward, ongoing cost saving and capital efficiency initiatives to optimise potential for cash flow growth.
- Attractive shareholder remuneration policy: the Company has approved a dividend policy which sets annual dividends at the higher of (x) 50% of Net Profit or (y) 70% of free cash flow (as set out in its dividend policy), plus a value (which may be negative) corresponding to the net debt capacity of the company within the bounds of its optimal capital structure. This is a net debt-to-adjusted OIBDA ratio (where adjusted OIBDA means the amount of net profit (exclusive of the effect of non-cash items) for the relevant financial period, plus depreciation and amortisation) between 1.2 and 1.5 times.

- Highly experienced management team and strong sponsorship from incumbent shareholders: MegaFon's management is highly experienced with a strong industry track record. The Company further benefits from the expertise and insight of our strategic shareholders AF Telecom and TeliaSonera.

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