t2:
1Q14 results

30 May 2014

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1Q14 financial results
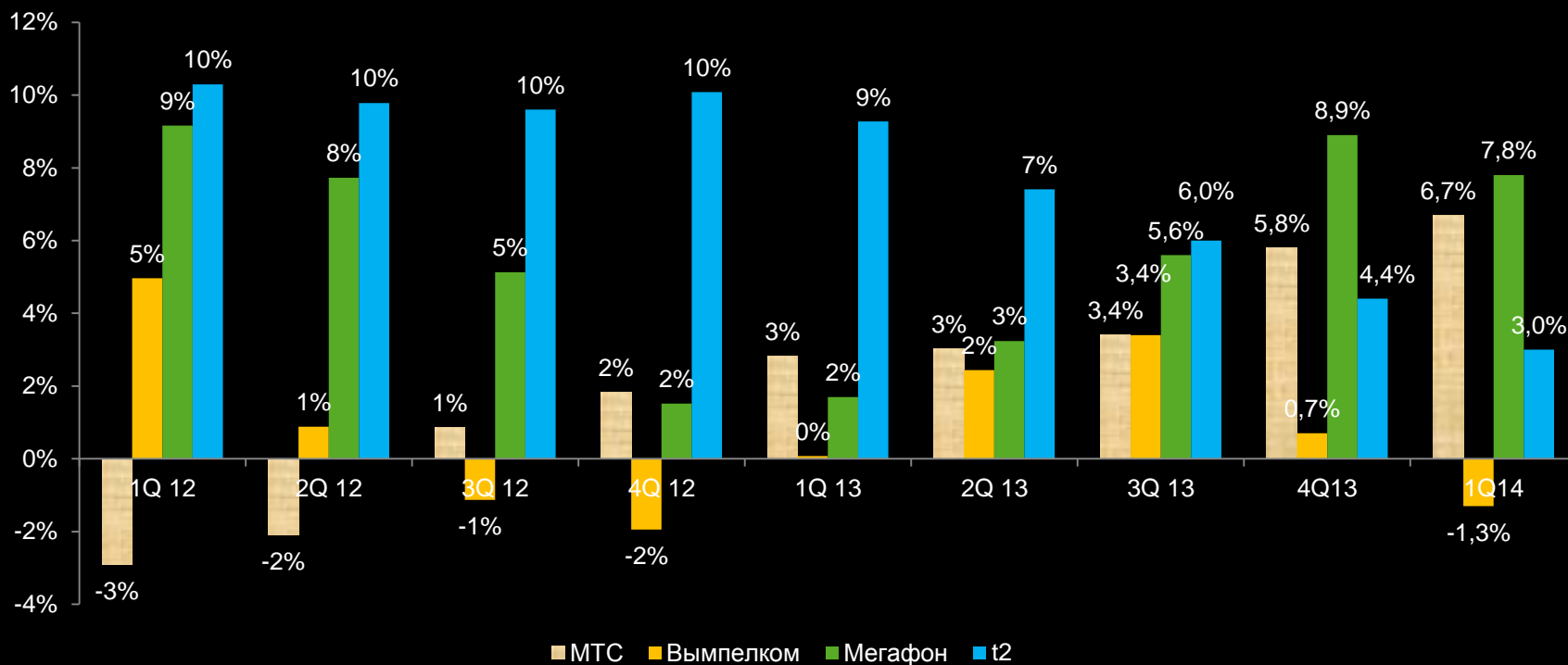
	I quarter 2013	I quarter 2014	Change
Subscribers (mn)	22 882	23 656	3%
Revenue (bn RUB)	15.4	15.5	1%
EBITDA (bn RUB)	5.6	6.1	8%
Margin	36.4%	39.1%	+270 bps
CapEx (bn RUB)	1.5	1.1	-25%
Free cash flow (after taxes)* (bn RUB)	2.3	2.4	5%
ARPU (RUB)	225	219	-3%
MOU (minutes)	259	261	1%

* EBITDA – CAPEX +Change in WC– Tax paid

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Stable growth of higher quality subscriber base

23.7 mn subscribers based on 1Q14 results   **3%** growth y-o-y

Subscriber base growth, y-o-y*

	MTC	Вымпелком	Мегафон	t2
1Q 12	-3%	5%	9%	10%
2Q 12	-2%	1%	8%	10%
3Q 12	1%	-1%	5%	10%
4Q 12	2%	-2%	2%	10%
1Q 13	3%	0%	2%	9%
2Q 13	3%	2%	3%	7%
3Q 13	3,4%	3,4%	5,6%	6,0%
4Q13	5,8%	0,7%	8,9%	4,4%
1Q14	6,7%	-1,3%	7,8%	3,0%

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Focus on higher quality subscriber base

**t2 is performing a stable low churn
4 years in a row**

2010	2011	2012	2013
29.9%	32.0%	31.6%	32%

t2 maintains low churn on seasonal factor

Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
7.9%	6.8%	7.5%	8.3%	7.7%

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1Q14 major events

- t2 and Rostelecom announce setting up a joint venture on t2 basis and creating a new federal operator (6 February 2014)

- t2 switches to a new macroregional structure. It consists of 9 macroregions including Moscow (26 March 2014)

- t2 and Rostelecom close the 1st stage of the deal on integration of Rostelecom mobile assets. Seven subsidiaries of Rostelecom come under operating and financial control of t2 (28 March 2014)

- A total number of PoS selling t2 SIMs exceeded 33 thou. A total number of operator's single-brand stores and counters reached 1200 (31 March 2014)

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t2 – new federal operator

Consolidated subscriber base

Commercial operations in over 60 Russian regions

2G,3G
LTE

All technological range of licenses on almost entire Russian territory including Moscow

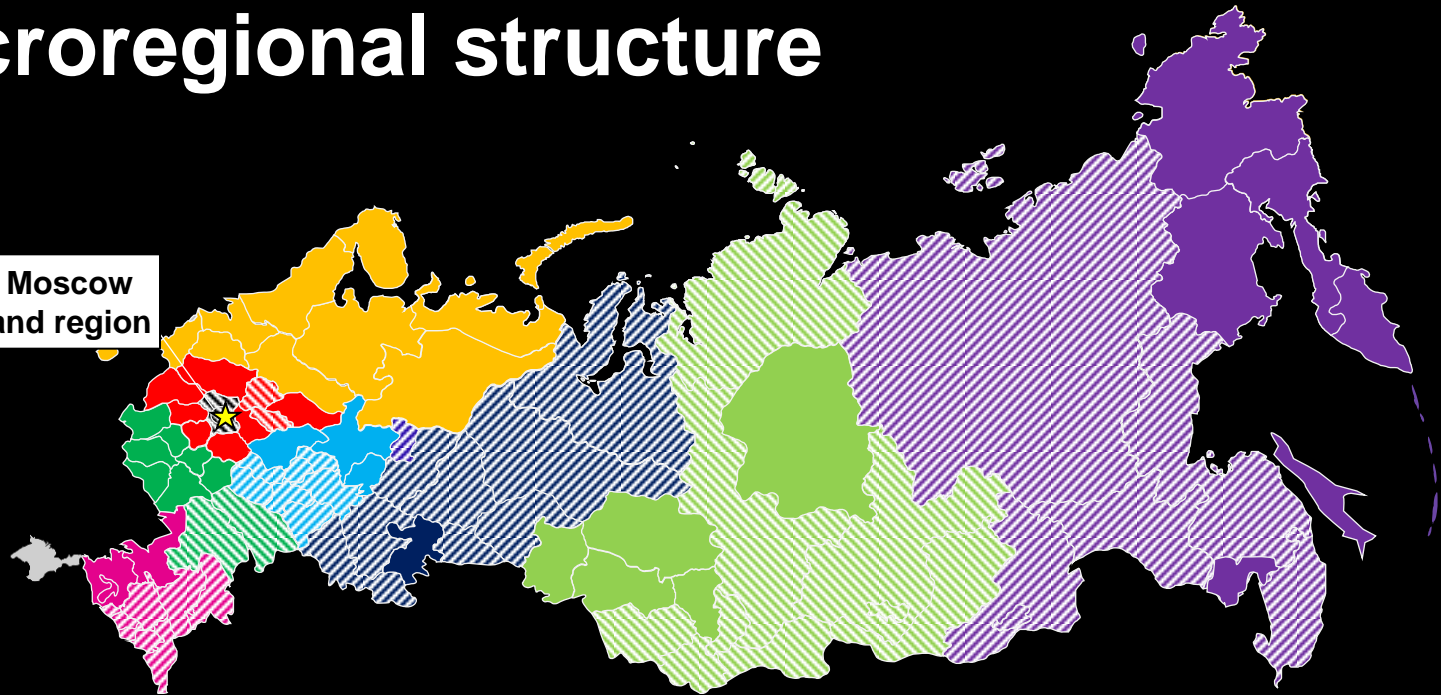Shareholders – VTB structures and its partners (at least 55%). Rostelecom's share will total up to 45%.

Unique business model of mobile discounter

t2 corporate culture and values (t2 Way) – efficiency and transparency

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Macroregional structure

Moscow and region

Centre (9)	Black Earth Belt (9)	South (12)	Northwest (11)	Volga (10)	Urals (9)	Siberia (11)	Far East (10)
Tula Region Tver Region Vladimir Region Ryazan Region Kaluga Region Smolensk Region Kostroma Region **+ Yaroslavl Region** **+ Ivanovo Region**	Voronezh Region Lipetsk Region Kursk Region Belgorod Region Bryansk Region Orel Region **+ Volgograd Region** **+ Saratov Region**	Rostov Region Krasnodar Territory Republic of Adygeya **+ Republic of Kalmykia** **+ Astrakhan Region** **+ Stavropol Territory** **+ Republic of Ingushetia** **+ Republic of Dagestan** **+ Republic of Karachay-Cherkessia** **+ Republic of Kabardino-Balkaria** **+ Republic of North Ossetia** **+ Chechen Republic**	St. Petersburg and Leningrad Region Novgorod Region Murmansk Region Arkhangelsk Region Nenets Autonomous Area Kaliningrad Region Pskov Region Republic of Karelia Vologda Region Republic of Komi	Nizhniy Novgorod Region Kirov Region Republic of Udmurtia **+ Penza Region** **+ Republic of Mordovia** **+ Ulyanovsk Region** **+ Chuvash Republic** **+ Republic of Tatarstan** **+ Samara Region** **+ Republic of Mari El**	Chelyabinsk Region **+ Kurgan Region** **+ Tyumen Region** **+ Sverdlovsk Region** **+ Khanty-Mansi Autonomous Area** **+ Yamalo-Nenets Autonomous Area** **+ Orenburg Region** **+ Republic of Bashkortostan** **+ Perm Territory**	Novosibirsk Region Omsk Region Tomsk Region Kemerovo Region **+ Krasnoyarsk Territory** **+ Irkutsk Region** **+ Republic of Buryatia** **+ Republic of Tyva** **+ Republic of Altay** **+ Altay Territory** **+ Republic of Khakassia**	Sakhalin Region Chukotka Autonomous Area Kamchatka Territory Magadan Region Jewish Autonomous Region **+ Maritime Territory** **+ Republic of Sakha (Yakutia)** **+ Amur Region** **+ Khabarovsk Territory** **+ Transbaykal Territory**

New regions added as a part of t2-Rostelecom deal

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Retail network development

- Development of single-brand retail network
  - **+36%** single-brand stores
  - **+23%** sales growth in single-brand stores
- Development of online channel
  - **+238%** SIM pickup points
  - **+35%** sales growth in online channel
- Course towards improving sales and customer service in all channels
- Effective ratio of additions in different channels

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t2 development plans

- Closing the 2nd stage of the deal with Rostelecom

- Efficient integration of Rostelecom's mobile assets

- 3G launch in t2 penetrated regions

- Launch of operations in new regions including Moscow

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