

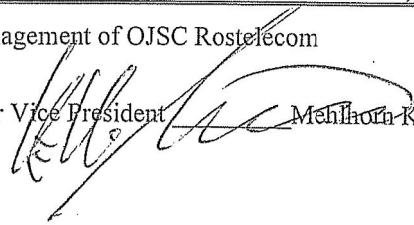
OJSC ROSTELECOM
UNAUDITED MANAGEMENT CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015
PREPARED IN ACCORDANCE WITH GROUP ACCOUNTING POLICY
BASED ON
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(In millions of Russian Roubles)

	31 March 2015 (unaudited)	31 December 2014
ASSETS		
Non-current assets		
Property, plant and equipment	322,819	328,266
Investment property	201	224
Goodwill and other intangible assets	58,851	58,420
Investments in associates	74,106	75,048
Other investments	146	110
Deferred tax assets	945	359
Other non-current assets	9,723	9,274
Total non-current assets	466,791	471,701
Current assets		
Inventories	4,440	4,827
Trade and other accounts receivable	53,401	45,056
Prepayments	3,175	4,363
Prepaid income tax	1,778	2,241
Other investments	1,945	1,934
Cash and cash equivalents	13,519	16,945
Other current assets	914	988
Total current assets	79,172	76,354
Held for sale assets	612	579
Total assets	546,575	548,634
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	97	97
Additional paid-in capital	726	819
Treasury shares	(82,025)	(82,023)
Retained earnings and other reserves	324,682	322,258
Total equity attributable to equity holders of the Group	243,480	241,151
Non-controlling interests	5,549	4,076
Total equity	249,029	245,227
Non-current liabilities		
Loans and borrowings	104,662	137,872
Employee benefits	6,021	5,965
Deferred tax liabilities	32,571	31,206
Accounts payable, provisions and accrued expenses	186	160
Other non-current liabilities	5,174	4,960
Total non-current liabilities	148,614	180,163
Current liabilities		
Loans and borrowings	82,062	52,142
Accounts payable, provisions and accrued expenses	58,662	62,253
Income tax payable	29	89
Other current liabilities	8,179	8,760
Total current liabilities	148,932	123,244
Held for sale liabilities	-	-
Total liabilities	297,546	303,407
Total equity and liabilities	546,575	548,634

These consolidated interim financial statements were approved by management of OJSC Rostelecom on 30 April 2015 and were signed on its behalf by:

President  Kalugin S.B.

CFO – Senior Vice President  Melnikov K.-U.

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
(In millions of Russian Roubles)

	Three-month period ended 31 March 2015 (unaudited)			
	Notes	Continuing operations	Effect from discontinued operations	Total
Revenue		71,710	-	71,710
Operating expenses				
Wages, salaries, other benefits and payroll taxes		(24,323)	-	(24,323)
Depreciation, amortization and impairment losses		(14,846)	-	(14,846)
Interconnection charges		(11,278)	-	(11,278)
Materials, utilities, repairs and maintenance		(5,920)	-	(5,920)
Gain / (loss) on disposal of property, plant and equipment and intangible assets		129	-	129
Bad debt expense		(540)	-	(540)
Other operating income		3,610	-	3,610
Other operating expenses		(9,237)	-	(9,237)
Total operating expenses, net		(62,405)	-	(62,405)
Operating profit		9,305	-	9,305
Income/(expense) from associates		(870)	-	(870)
Finance costs		(4,072)	-	(4,072)
Other investing and financial gains/(losses)		(909)	-	(909)
Foreign exchange loss, net		(196)	-	(196)
Profit before income tax		3,258	-	3,258
Income tax (expense)/benefit		(1,115)	-	(1,115)
Profit for the period		2,143	-	2,143
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit and loss:				
Exchange differences on translating foreign operations		15	-	15
Other comprehensive income for the period, net of tax		15	-	15
Total comprehensive income/(loss) for the period		2,158	-	2,158
Profit/(loss) attributable to:				
Equity holders of the Group		2,056	-	2,056
Non-controlling interests		87	-	87
Total comprehensive income/(loss) attributable to:				
Equity holders of the Group		2,055	-	2,055
Non-controlling interests		103	-	103
Earnings per share attributable to equity holders of the Group – basic (in Roubles)		0.91	-	0.91
Earnings per share attributable to equity holders of the Group – diluted (in Roubles)		0.90	-	0.90

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

(In millions of Russian Roubles unless otherwise stated)

	Three-month period ended 31 March 2014			
	Notes	Continuing operations	Effect from discontinued operations Note 1	Total
Revenue		72,612	7,794	80,406
Operating expenses				
Wages, salaries, other benefits and payroll taxes		(22,487)	(1,502)	(23,989)
Depreciation, amortization and impairment losses		(14,502)	(12)	(14,514)
Interconnection charges		(10,829)	(1,862)	(12,691)
Materials, utilities, repairs and maintenance		(6,303)	(619)	(6,922)
Gain / (loss) on disposal of property, plant and equipment and intangible assets		(69)	(23)	(92)
Bad debt expense		(899)	(112)	(1,011)
Other operating income		2,555	14	2,569
Other operating expenses		(9,403)	(2,370)	(11,773)
Total operating expenses, net		(61,937)	(6,486)	(68,423)
Operating profit		10,675	1,308	11,983
Income/(expense) from associates		11	-	11
Finance costs		(3,981)	(203)	(4,184)
Other investing and financial gains/(losses)		(966)	2,651	1,685
Foreign exchange loss, net		(162)	(96)	(258)
Profit before income tax		5,577	3,660	9,237
Income tax (expense)/benefit		(3,002)	657	(2,345)
Profit for the period		2,575	4,317	6,892
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit and loss:				
Exchange differences on translating foreign operations		78	-	78
Other comprehensive income for the period, net of tax		78	-	78
Total comprehensive income/(loss) for the period		2,653	4,317	6,970
Profit/(loss) attributable to:				
Equity holders of the Group		2,551	4,315	6,866
Non-controlling interests		24	2	26
Total comprehensive income/(loss) attributable to:				
Equity holders of the Group		2,640	4,315	6,955
Non-controlling interests		13	2	15
Earnings per share attributable to equity holders of the Group – basic (in Roubles)		1.10	1.85	2.96
Earnings per share attributable to equity holders of the Group – diluted (in Roubles)		1.10	1.85	2.96

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(In millions of Russian Roubles)

	Notes	Three-month period ended 31 March	
		2015 (unaudited)	2014
Cash flows from operating activities		3,258	9,237
Profit before income tax			
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>			
Depreciation, amortization and impairment losses		14,846	14,514
Loss on disposal of property, plant and equipment and intangible assets		(129)	92
Bad debt expense		540	1,011
Expense / (income) from associates		870	(11)
Finance costs excluding finance costs on pension and other long-term social liabilities		3,883	3,993
Other investing and financial loss/(gain)		909	(1,685)
Foreign exchange loss, net		196	258
Share-based motivation program		375	-
<i>-Changes in net working capital:</i>			
Increase in accounts receivable		(8,320)	(1,721)
Increase in employee benefits		55	81
(Increase)/decrease in inventories		294	(864)
Increase in accounts payable, provisions and accrued expenses		6,146	5,234
Decrease in other assets and liabilities		(1,428)	(2,074)
Cash generated from operations		21,495	28,065
Interest paid		(4,457)	(4,322)
Income tax paid		(355)	(1,036)
Net cash provided by operating activities		16,683	22,707
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(15,448)	(9,959)
Proceeds from sale of property, plant and equipment and intangible assets		383	290
Acquisition of financial assets		(102)	(121)
Proceeds from disposals of financial assets		157	1,508
Interest received		1	65
Purchase of subsidiaries, net of cash acquired		(1,733)	-
Acquisition of equity accounted investees		(13)	-
Net cash used in investing activities		(16,755)	(8,217)

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(In millions of Russian Roubles)

	Notes	Three-month period ended 31 March	
		2015 (unaudited)	2014
Cash flows from financing activities			
Sale of treasury shares		-	815
Purchase of treasury shares	(2)	(13,773)	(13,773)
Proceeds from bank and corporate loans		114,283	81,999
Repayment of bank and corporate loans		(117,512)	(85,273)
Proceeds from promissory notes		-	7
Repayment of promissory notes		-	(7)
Repayment of vendor financing payable	(2)	(2)	(2)
Repayment of other non-current financing liabilities	(1)	(2)	(2)
Repayment of finance lease liabilities	(2)	-	-
Dividends paid to shareholders of the Group		-	(10)
Net cash used in financing activities		(3,236)	(16,246)
Effect of exchange rate changes on cash and cash equivalents		(118)	46
Net decrease in cash and cash equivalents		(3,426)	(1,710)
Cash and cash equivalents at beginning of the period		16,945	7,960
Cash and cash equivalents at the end of the period		13,519	6,250

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(In millions of Russian Roubles)

	Equity attributable to shareholders of the Group											
	Share capital	Additional paid-in capital	Unrealized gain on available-for-sale investments	Translation of foreign operations	Treasury shares	Share options reserve	Remeasurements of defined benefit pension plans	Stock redemption reserve	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2015	97	819	(10)	817	(82,023)	1,850	6,483	-	313,118	241,151	4,076	245,227
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	2,056	2,056	87	2,143
Exchange differences on translating foreign operations (unaudited)	-	-	-	(1)	-	-	-	-	-	(1)	16	15
Total other comprehensive loss, net of tax (unaudited)	-	-	-	(1)	-	-	-	-	-	(1)	16	15
Total comprehensive income for the period (unaudited)	-	-	-	(1)	-	-	-	-	2,056	2,055	103	2,158
Transactions with shareholders, recorded directly in equity (unaudited)												
Dividends to shareholders of Combined entity	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares (unaudited)	-	-	-	-	(2)	-	-	-	-	(2)	-	(2)
Sale of treasury shares (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of non-controlling interest in disposed subsidiaries	-	-	-	-	-	-	-	-	-	-	1,274	1,274
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	375	-	-	-	375	-	375
Other changes in equity (unaudited)	-	(93)	-	-	-	-	-	-	(6)	(99)	96	(3)
Total transactions with shareholders (unaudited)	-	(93)	-	-	(2)	375	-	-	(6)	274	1,370	1,644
Balances at 31 March 2015 (unaudited)	97	726	(10)	816	(82,025)	2,225	6,483	-	315,168	243,480	5,549	249,029

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(In millions of Russian Roubles)

	Equity attributable to shareholders of the Group											
	Share capital	Additional paid-in capital	Unrealized gain on available-for-sale investments	Translation of foreign operations	Treasury shares	Share options reserve	Remeasurements of defined pension plans	Stock redemption reserve	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2014	97	1,658	(10)	(45)	(68,325)	-	3,452	(23,239)	282,809	196,397	3,359	199,756
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	6,866	6,866	26	6,892
Exchange differences on translating foreign operations (unaudited)	-	-	-	89	-	-	-	-	-	89	(11)	78
Total other comprehensive income, net of tax (unaudited)	-	-	-	89	-	-	-	-	-	89	(11)	78
Total comprehensive income for the period (unaudited)	-	-	-	89	-	-	-	-	6,866	6,955	15	6,970
Transactions with shareholders, recorded directly in equity (unaudited)												
Dividends to shareholders of Combined entity	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	(13,773)	-	-	23,169	-	9,396	-	9,396
Sale of treasury shares	-	28	-	-	787	-	-	-	-	815	-	815
Disposal of non-controlling interest in disposed subsidiaries	-	-	-	-	-	-	-	-	-	-	(24)	(24)
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-
Other change in equity	-	(62)	-	-	-	-	-	-	65	3	-	3
Total transactions with shareholders (unaudited)	-	(34)	-	-	(12,986)	-	-	23,169	65	10,214	(24)	10,190
Balances at 31 March 2014	97	1,624	(10)	44	(81,311)	-	3,452	(70)	289,740	213,566	3,350	216,916