

**PJSC Rostelecom and its subsidiaries  
(the “Group”)**

Unaudited management interim  
condensed consolidated financial statements

*for the three-month period ended 31 March 2017  
prepared in accordance with the Group’s accounting policy based on  
International Financial Reporting Standards*

# PJSC Rostelecom

## Interim consolidated statement of financial position

(In millions of Russian roubles unless otherwise stated)

	31 March 2017 (unaudited)	31 December 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	341,177	343,667
Investment property	184	181
Goodwill and other intangible assets	60,479	61,209
Investments in associates and joint ventures	67,327	68,352
Other financial assets	1,178	797
Deferred tax assets	675	606
Other non-current assets	12,054	11,998
<b>Total non-current assets</b>	<b>483,074</b>	<b>486,810</b>
<b>Current assets</b>		
Inventories	6,314	6,444
Trade and other accounts receivable	50,013	45,884
Prepayments	2,683	2,166
Prepaid income tax	1,654	1,957
Other financial assets	3,962	5,367
Cash and cash equivalents	5,828	4,257
Other current assets	2,428	2,151
<b>Total current assets</b>	<b>72,882</b>	<b>68,226</b>
Held for sale assets	733	646
<b>Total assets</b>	<b>556,689</b>	<b>555,682</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	93	93
Additional paid-in capital	90	90
Treasury shares	(67,034)	(67,034)
Retained earnings and other reserves	313,912	311,167
<b>Total equity attributable to equity holders of the Group</b>	<b>247,061</b>	<b>244,316</b>
Non-controlling interests	4,430	4,317
<b>Total equity</b>	<b>251,491</b>	<b>248,633</b>
<b>Non-current liabilities</b>		
Loans and borrowings	120,261	124,510
Employee benefits	4,975	5,217
Deferred tax liabilities	37,701	36,165
Accounts payable, provisions and accrued expenses	1,578	1,095
Other non-current liabilities	5,960	6,002
<b>Total non-current liabilities</b>	<b>170,475</b>	<b>172,989</b>
<b>Current liabilities</b>		
Loans and borrowings	69,534	62,595
Accounts payable, provisions and accrued expenses	58,384	64,072
Income tax payable	59	146
Other current liabilities	6,746	7,247
<b>Total current liabilities</b>	<b>134,723</b>	<b>134,060</b>
<b>Total liabilities</b>	<b>305,198</b>	<b>307,049</b>
<b>Total equity and liabilities</b>	<b>556,689</b>	<b>555,682</b>

These interim consolidated financial statements were approved by management of PJSC Rostelecom on *15 May* 2017 and were signed on its behalf by:

  
 President  
 Oseevskiy M.E.

  
 CFO – Senior Vice President  
 Mehlhorn K.-U.

# PJSC Rostelecom

## Interim consolidated statement of profit or loss and other comprehensive income

(In millions of Russian roubles unless otherwise stated)

	Three-month period ended 31 March (unaudited)	
	2017	2016
<b>Revenue</b>	<b>70,436</b>	<b>72,464</b>
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(23,923)	(23,927)
Depreciation, amortization and impairment losses	(13,470)	(15,632)
Interconnection charges	(10,775)	(12,811)
Materials, utilities, repairs and maintenance	(6,183)	(5,885)
Gain on disposal of property, plant and equipment and intangible assets	154	498
Bad debt expense	(656)	(456)
Other operating income	3,132	4,936
Other operating expenses	(10,622)	(10,685)
<b>Total operating expenses, net</b>	<b>(62,343)</b>	<b>(63,962)</b>
<b>Operating profit</b>	<b>8,093</b>	<b>8,502</b>
Loss from associates and joint ventures	(1,024)	(1,918)
Finance costs	(3,666)	(4,107)
Other investing and financial gain, net	481	551
Foreign exchange gain, net	123	741
<b>Profit before income tax</b>	<b>4,007</b>	<b>3,769</b>
Income tax expense	(857)	(767)
<b>Profit for the period</b>	<b>3,150</b>	<b>3,002</b>
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations, net of tax	(148)	(211)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(148)</b>	<b>(211)</b>
<b>Total comprehensive income for the period</b>	<b>3,002</b>	<b>2,791</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	3,046	2,890
Non-controlling interests	104	112
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Group	2,889	2,682
Non-controlling interests	113	109
Earnings per share attributable to equity holders of the Group – basic (in roubles)	1.36	1.29
Earnings per share attributable to equity holders of the Group – diluted (in roubles)	1.35	1.28

# PJSC Rostelecom

## Interim consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	Three-month period ended 31 March (unaudited)	
	2017	2016
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>4,007</b>	<b>3,769</b>
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	13,470	15,632
Gain on disposal of property, plant and equipment and intangible assets	(154)	(498)
Bad debt expense	656	456
Loss from associates and joint ventures	1,024	1,918
Finance costs excluding finance costs on pension and other long-term social liabilities	3,666	3,985
Other investing and financial gain, net	(481)	(551)
Foreign exchange gain, net	(123)	(741)
Share-based motivation program	(4)	406
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(4,662)	(6,018)
Decrease in employee benefits	(242)	(1)
Decrease in inventories	130	116
Increase in accounts payable, provisions and accrued expenses	3,094	5,886
Decrease in other liabilities	(1,538)	(1,482)
<b>Cash generated from operations</b>	<b>18,843</b>	<b>22,877</b>
Interest paid	(4,823)	(4,764)
Income tax refund	1,293	—
Income tax paid	(414)	(2,212)
<b>Net cash from operating activities</b>	<b>14,899</b>	<b>15,901</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(17,714)	(18,964)
Proceeds from sale of property, plant and equipment and intangible assets	506	635
Acquisition of financial assets	(1,484)	(2,767)
Proceeds from disposals of financial assets	2,477	3,251
Interest received	97	444
Dividends received	1	1
Purchase of subsidiaries, net of cash acquired	(64)	—
Proceeds from disposals of subsidiaries, net of cash disposed	—	(1)
Acquisition of equity accounted investees	—	(778)
<b>Net cash used in investing activities</b>	<b>(16,181)</b>	<b>(18,179)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank and corporate loans	112,899	160,301
Repayment of bank and corporate loans	(109,714)	(156,909)
Repayment of bonds	—	(2,734)
Repayment of vendor financing payable	(2)	(2)
Options settlement repayments	(103)	(125)
Repayment of finance lease liabilities	(12)	(1)
Dividends paid to non-controlling shareholders of subsidiaries	—	(12)
<b>Net cash used in financing activities</b>	<b>3,068</b>	<b>518</b>
Effect of exchange rate changes on cash and cash equivalents	(215)	(261)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,571</b>	<b>(2,021)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,257</b>	<b>7,165</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,828</b>	<b>5,144</b>

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Interim consolidated statement of changes in equity

(In millions of Russian roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Unrealized loss on available-for-sale investments	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasurements of defined benefit pension plans	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
<b>Balances at 1 January 2017</b>	<b>93</b>	<b>90</b>	<b>(10)</b>	<b>922</b>	<b>(67,034)</b>	<b>2,020</b>	<b>5,850</b>	<b>302,385</b>	<b>244,316</b>	<b>4,317</b>	<b>248,633</b>
<b>Profit for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,046</b>	<b>3,046</b>	<b>104</b>	<b>3,150</b>
Exchange differences on translating foreign operations (unaudited)	–	–	–	(157)	–	–	–	–	(157)	9	(148)
<b>Total other comprehensive (loss)/ income, net of tax (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(157)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(157)</b>	<b>9</b>	<b>(148)</b>
<b>Total comprehensive (loss)/income for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(157)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,046</b>	<b>2,889</b>	<b>113</b>	<b>3,002</b>
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>											
Employee benefits within share-based employee motivation program	–	–	–	–	–	(4)	–	–	(4)	–	(4)
Other change in equity	–	–	–	–	–	–	–	(140)	(140)	–	(140)
<b>Total transactions with shareholders (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>	<b>–</b>	<b>(140)</b>	<b>(144)</b>	<b>–</b>	<b>(144)</b>
<b>Balances at 31 March 2017 (unaudited)</b>	<b>93</b>	<b>90</b>	<b>(10)</b>	<b>765</b>	<b>(67,034)</b>	<b>2,016</b>	<b>5,850</b>	<b>305,291</b>	<b>247,061</b>	<b>4,430</b>	<b>251,491</b>

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Interim consolidated statement of changes in equity (continued)

(In millions of Russian roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Unrealized loss on available-for-sale investments	Translation of foreign operations	Treasury shares	Other capital reserves	Remeasurements of defined benefit pension plans	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
<b>Balances at 1 January 2016</b>	<b>93</b>	<b>87</b>	<b>(10)</b>	<b>1,385</b>	<b>(68,669)</b>	<b>2,120</b>	<b>6,153</b>	<b>304,589</b>	<b>245,748</b>	<b>3,916</b>	<b>249,664</b>
<b>Profit for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,890</b>	<b>2,890</b>	<b>112</b>	<b>3,002</b>
Exchange differences on translating foreign operations (unaudited)	–	–	–	(208)	–	–	–	–	(208)	(3)	(211)
<b>Total other comprehensive loss, net of tax (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(208)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(208)</b>	<b>(3)</b>	<b>(211)</b>
<b>Total comprehensive(loss)/income for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(208)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,890</b>	<b>2,682</b>	<b>109</b>	<b>2,791</b>
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>											
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	20	20
Disposal of non-controlling interest in disposed subsidiaries	–	–	–	–	–	–	–	9	9	(9)	–
Employee benefits within share-based employee motivation program	–	–	–	–	–	406	–	–	406	–	406
Other change in equity	–	3	–	–	–	–	–	(4)	(1)	–	(1)
<b>Total transactions with shareholders (unaudited)</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>406</b>	<b>–</b>	<b>5</b>	<b>414</b>	<b>11</b>	<b>425</b>
<b>Balances at 31 March 2016 (unaudited)</b>	<b>93</b>	<b>90</b>	<b>(10)</b>	<b>1,177</b>	<b>(68,669)</b>	<b>2,526</b>	<b>6,153</b>	<b>307,484</b>	<b>248,844</b>	<b>4,036</b>	<b>252,880</b>