

**PJSC Rostelecom**

**Unaudited management  
interim condensed consolidated financial statements**

*for the nine-month period ended 30 September 2015  
prepared in accordance with Group accounting policy  
based on International Financial Reporting Standards*

PJSC Rostelecom

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interim condensed consolidated financial statements  
for the nine-month period ended 30 September 2015

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Interim consolidated statement of financial position

(In millions of Russian roubles unless otherwise stated)

	30 September 2015 (unaudited)	31 December 2014
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	324,907	328,266
Investment property	111	224
Goodwill and other intangible assets	58,454	58,420
Investments in associates	74,061	75,048
Other investments	248	110
Deferred tax assets	992	359
Other non-current assets	9,808	9,274
<b>Total non-current assets</b>	<b>468,581</b>	<b>471,701</b>
<b>Current assets</b>		
Inventories	3,462	4,827
Trade and other accounts receivable	50,163	45,056
Prepayments	2,642	4,363
Prepaid income tax	694	2,241
Other financial assets	5,540	1,934
Cash and cash equivalents	12,466	16,945
Other current assets	911	988
<b>Total current assets</b>	<b>75,878</b>	<b>76,354</b>
Held for sale assets	831	579
<b>Total assets</b>	<b>545,290</b>	<b>548,634</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	97	97
Additional paid-in capital	87	819
Treasury shares	(83,975)	(82,023)
Retained earnings and other reserves	324,876	322,258
<b>Total equity attributable to equity holders of the Group</b>	<b>241,085</b>	<b>241,151</b>
Non-controlling interests	4,051	4,076
<b>Total equity</b>	<b>245,136</b>	<b>245,227</b>
<b>Non-current liabilities</b>		
Loans and borrowings	108,631	137,872
Employee benefits	6,112	5,965
Deferred tax liabilities	32,380	31,206
Accounts payable, provisions and accrued expenses	2,938	160
Other non-current liabilities	5,071	4,960
<b>Total non-current liabilities</b>	<b>155,132</b>	<b>180,163</b>
<b>Current liabilities</b>		
Loans and borrowings	84,274	52,142
Accounts payable, provisions and accrued expenses	53,295	62,253
Income tax payable	63	89
Other current liabilities	7,390	8,760
<b>Total current liabilities</b>	<b>145,022</b>	<b>123,244</b>
<b>Total liabilities</b>	<b>300,154</b>	<b>303,407</b>
<b>Total equity and liabilities</b>	<b>545,290</b>	<b>548,634</b>

These interim consolidated financial statements were approved by management of PJSC Rostelecom on 3 November 2015 and were signed on its behalf by:

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President  
Kalugin S.B.

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CFO – Senior Vice President  
Mehlhorn K.-U.

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Interim consolidated statement of profit or loss and other comprehensive income

(In millions of Russian roubles unless otherwise stated)

	Nine-month period ended 30 September (unaudited)	
	2015	2014
<b>Continuing operations</b>		
Revenue	216,336	220,007
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(68,511)	(66,820)
Depreciation, amortization and impairment losses	(44,461)	(43,740)
Interconnection charges	(34,395)	(34,778)
Materials, utilities, repairs and maintenance	(17,382)	(18,646)
Gain on disposal of property, plant and equipment and intangible assets	724	1,057
Bad debt expense	(1,978)	(2,491)
Other operating income	10,797	8,985
Other operating expenses	(31,802)	(31,192)
<b>Total operating expenses, net</b>	<b>(187,008)</b>	<b>(187,625)</b>
<b>Operating profit</b>	<b>29,328</b>	<b>32,382</b>
Loss from associates	(2,302)	(229)
Finance costs	(12,026)	(11,689)
Other investing and financial (loss)/gain, net	108	(279)
Foreign exchange loss	(802)	(6)
<b>Profit before income tax from continuing operations</b>	<b>14,306</b>	<b>20,179</b>
Income tax expense	(4,032)	(5,032)
<b>Profit for the period from continuing operations</b>	<b>10,274</b>	<b>15,147</b>
<b>Profit after tax for the period from discontinued operations</b>	<b>–</b>	<b>24,409</b>
<b>Profit for the period</b>	<b>10,274</b>	<b>39,556</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit and loss:</i>		
Exchange differences on translating foreign operations	257	169
<b>Other comprehensive income for the period, net of tax</b>	<b>257</b>	<b>169</b>
<b>Total comprehensive income for the year from continuing operations</b>	<b>10,531</b>	<b>15,316</b>
<b>Total comprehensive income for the year from discontinuing operations</b>	<b>–</b>	<b>(12)</b>
<b>Total comprehensive income for the period</b>	<b>10,531</b>	<b>39,713</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	9,924	39,334
Non-controlling interests	350	222
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the Group	10,157	39,503
Non-controlling interests	374	210
Earnings per share attributable to equity holders of the Group – basic (in roubles)	4.39	17.22
Earnings per share attributable to equity holders of the Group – diluted (in roubles)	4.33	17.16
Earnings per share attributable to equity holders of the Group – basic (in roubles) for continuing operations	4.39	6.54
Earnings per share attributable to equity holders of the Group – diluted (in roubles) for continuing operations	4.33	6.51

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Interim consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	Nine-month period ended 30 September (unaudited)	
	2015	2014
<b>Cash flows from operating activities</b>		
Profit before tax from continuing operations	14,306	20,179
Profit before tax from discontinued operations	–	27,145
<b>Profit before tax</b>	<b>14,306</b>	<b>47,324</b>
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	44,461	43,757
Gain on disposal of property, plant and equipment and intangible assets	(724)	(1,034)
Bad debt expense	1,978	2,666
Loss from associates	2,302	229
Finance costs excluding finance costs on pension and other long-term social liabilities	11,473	11,326
Other investing and financial gain	(108)	(24,431)
Foreign exchange loss, net	802	51
Share-based motivation program	938	1,388
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(6,919)	(15,174)
Increase in employee benefits	147	155
Decrease/(increase) in inventories	1,523	(779)
(Decrease)/increase in accounts payable, provisions and accrued expenses	(2,311)	3,511
Change in other assets and liabilities	(211)	(3,471)
<b>Cash generated from operations</b>	<b>67,657</b>	<b>65,518</b>
Interest paid	(12,590)	(12,326)
Income tax refund	2,260	–
Income tax paid	(2,653)	(2,884)
<b>Net cash from operating activities</b>	<b>54,674</b>	<b>50,308</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(43,383)	(36,157)
Proceeds from sale of property, plant and equipment and intangible assets	1,597	2,019
Acquisition of financial assets	(10,250)	(321)
Proceeds from disposals of financial assets	5,890	25,805
Interest received	705	347
Special dividends from disposed former mobile subsidiaries	–	7,003
Dividends received	5	13
Purchase of subsidiaries, net of cash acquired	(464)	(29)
Proceeds from disposals of equity accounted investees	322	–
Acquisition of equity accounted investees	(98)	–
<b>Net cash used in investing activities</b>	<b>(45,676)</b>	<b>(1,320)</b>
<b>Cash flows from financing activities</b>		
Sale of treasury shares	–	815
Purchase of treasury shares	(2,867)	(14,419)
Proceeds from bank and corporate loans	368,768	316,224
Repayment of bank and corporate loans	(376,378)	(345,842)
Proceeds from bonds	10,000	–
Repayment of bonds	(2,408)	(2,440)
Proceeds from promissory notes	–	12
Repayment of promissory notes	–	(12)
Repayment of vendor financing payable	(44)	(7)
Repayment of other non-current financing liabilities	(3)	(5)
Options settlement repayments	(448)	–
Repayment of finance lease liabilities	(56)	(2)
Acquisition of non-controlling interest	(2,079)	–
Dividends paid to shareholders of the Group	(7,676)	(7,294)
Dividends paid to non-controlling shareholders of subsidiaries	(287)	(305)
<b>Net cash used in financing activities</b>	<b>(13,478)</b>	<b>(53,275)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,479)</b>	<b>(4,236)</b>
Effect of exchange rate changes on cash and cash equivalents	1	51
<b>Cash and cash equivalents at beginning of the period</b>	<b>16,945</b>	<b>7,960</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>12,466</b>	<b>3,724</b>

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Interim consolidated statement of changes in equity

(In millions of Russian roubles unless otherwise stated)

	Equity attributable to shareholders of the Group							Total 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	Non-controlling interests
Balances at 1 January 2014	97	1,658	(10)	(45)	(68,325)	—	3,452	(23,239)	282,809	3,359	199,756
Profit for the period (unaudited)	—	—	—	—	—	—	—	—	39,334	222	39,556
Exchange differences on translating foreign operations (unaudited)	—	—	—	169	—	—	—	—	—	(12)	157
Total other comprehensive income, net of tax (unaudited)	—	—	—	169	—	—	—	—	—	(12)	157
Total comprehensive income for the period (unaudited)	—	—	—	169	—	—	—	—	39,334	210	39,713
Transactions with shareholders, recorded directly in equity (unaudited)	—	—	—	—	—	—	—	—	(7,294)	—	(7,294)
Dividends to shareholders of Combined entity	—	—	—	—	—	—	—	—	(7,294)	—	(7,294)
Dividends to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(305)	(305)
Acquisition of treasury shares	—	—	—	—	(14,419)	—	—	23,169	—	—	8,750
Sale of treasury shares	—	28	—	—	787	—	—	—	—	—	815
Disposal of non-controlling interest in disposed subsidiaries	—	—	—	—	—	—	—	—	—	(24)	(24)
Employee benefits within share-based employee motivation program (unaudited)	—	—	—	—	—	1,388	—	—	—	—	1,388
Other change in equity	—	(64)	—	—	—	—	—	—	64	—	—
Total transactions with shareholders (unaudited)	—	(36)	—	—	(13,632)	1,388	—	23,169	(7,230)	(329)	3,330
Balances at 30 September 2014 (unaudited)	97	1,622	(10)	124	(81,957)	1,388	3,452	(70)	314,913	3,240	242,799

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Interim consolidated statement of changes in equity (continued)

	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	Other capital reserves	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)	-	-	-	-	-	-	-	-	9,924	9,924	350	10,274
Exchange differences on translating foreign operations (unaudited)	-	-	-	233	-	-	-	-	-	233	24	257
Total other comprehensive income, net of tax (unaudited)	-	-	-	233	-	-	-	-	-	233	24	257
Total comprehensive income for the period (unaudited)	-	-	-	233	-	-	-	-	9,924	10,157	374	10,531
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	-	-	-	-	-	-	(7,676)	(7,676)	-	(7,676)
Dividends to shareholders of the Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(295)	(295)
Acquisition of treasury shares	-	-	-	-	(2,867)	-	-	-	-	(2,867)	-	(2,867)
Acquisition of non-controlling interest	-	-	-	-	-	(298)	-	-	281	(17)	(2,381)	(2,398)
Non-controlling interest in acquired subsidiaries	-	-	-	-	-	-	-	-	-	-	1,469	1,469
Employee benefits within share based employee motivation program	-	-	-	-	915	344	-	-	(321)	938	-	938
Other change in equity	-	(732)	-	-	-	(387)	-	-	518	(601)	808	207
Total transactions with shareholders (unaudited)	-	(732)	-	-	(1,952)	(341)	-	-	(7,198)	(10,223)	(399)	(10,622)
Balances at 30 September 2015 (unaudited)	97	87	(10)	1,050	(83,975)	1,509	6,483	-	315,844	241,085	4,051	245,136