

**PJSC Rostelecom
and its subsidiaries
(the "Group")**

**Unaudited management
interim condensed consolidated financial statements**

*for the three-month period ended 31 March 2016
prepared in accordance with the Group's accounting policy based on
International Financial Reporting Standards*

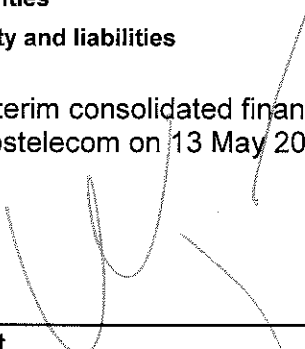
PJSC Rostelecom

Interim consolidated statement of financial position

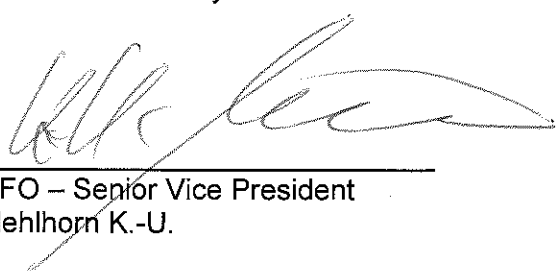
(In millions of Russian roubles unless otherwise stated)

	31 March 2016 (unaudited)	31 December 2015
Assets		
Non-current assets		
Property, plant and equipment	333,579	338,699
Investment property	103	107
Goodwill and other intangible assets	59,752	60,755
Investments in associates	73,347	74,474
Other financial assets	754	621
Deferred tax assets	744	627
Other non-current assets	8,675	8,241
Total non-current assets	476,954	483,524
Current assets		
Inventories	3,934	4,060
Trade and other accounts receivable	48,856	43,152
Prepayments	2,328	2,822
Prepaid income tax	5,203	927
Other financial assets	4,791	5,719
Cash and cash equivalents	5,144	7,165
Other current assets	3,729	2,600
Total current assets	73,985	66,445
Held for sale assets	1,647	1,351
Total assets	552,586	551,320
Equity and liabilities		
Equity attributable to equity holders of the Group		
Share capital	93	93
Additional paid-in capital	90	87
Treasury shares	(68,669)	(68,669)
Retained earnings and other reserves	317,330	314,237
Total equity attributable to equity holders of the Group	248,844	245,748
Non-controlling interests	4,036	3,916
Total equity	252,880	249,664
Non-current liabilities		
Loans and borrowings	141,205	126,620
Employee benefits	5,020	5,021
Deferred tax liabilities	33,329	30,238
Accounts payable, provisions and accrued expenses	3,356	3,545
Other non-current liabilities	4,519	5,543
Total non-current liabilities	187,429	170,967
Current liabilities		
Loans and borrowings	45,262	59,934
Accounts payable, provisions and accrued expenses	58,481	62,268
Income tax payable	54	215
Other current liabilities	8,480	8,272
Total current liabilities	112,277	130,689
Total liabilities	299,706	301,656
Total equity and liabilities	552,586	551,320

These interim consolidated financial statements were approved by management of PJSC Rostelecom on 13 May 2016 and were signed on its behalf by:



 President
 Kalugin S.B.



 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)	
	2016	2015 *
Revenue	72,464	71,710
Operating expenses		
Wages, salaries, other benefits and payroll taxes	(23,927)	(24,322)
Depreciation, amortization and impairment losses	(15,632)	(14,849)
Interconnection charges	(12,811)	(11,296)
Materials, utilities, repairs and maintenance	(5,885)	(5,920)
Gain on disposal of property, plant and equipment and intangible assets	498	129
Bad debt expense	(456)	(540)
Other operating income	4,936	3,609
Other operating expenses	(10,685)	(9,252)
Total operating expenses, net	(63,962)	(62,441)
Operating profit	8,502	9,269
Loss from associates	(1,918)	(870)
Finance costs	(4,107)	(4,073)
Other investing and financial gain/(loss), net	551	(909)
Foreign exchange gain/(loss)	741	(196)
Profit before income tax	3,769	3,221
Income tax expense	(767)	(1,122)
Profit for the period	3,002	2,099
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations, net of tax	(211)	15
Other comprehensive income for the period, net of tax	(211)	15
Total comprehensive income for the period	2,791	2,114
Profit attributable to:		
Equity holders of the Group	2,890	2,012
Non-controlling interests	112	87
Total comprehensive income attributable to:		
Equity holders of the Group	2,682	2,011
Non-controlling interests	109	103
Earnings per share attributable to equity holders of the Group – basic (in roubles)	1.29	0.89
Earnings per share attributable to equity holders of the Group – diluted (in roubles)	1.28	0.88

* Certain amounts do not correspond to the unaudited management interim consolidated statement of profit or loss and comprehensive income for the three-month period ended 31 March 2015 and reflect measurement period adjustments made to the provisional amounts of the SafeData Group acquisition as if the accounting for the business combination had been completed at the acquisition date.

PJSC Rostelecom

Interim consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	Three-month period ended 31 March (unaudited)	
	2016	2015*
Cash flows from operating activities		
Profit before tax	3,769	3,221
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	15,632	14,849
Gain on disposal of property, plant and equipment and intangible assets	(498)	(129)
Bad debt expense	456	540
Loss from associates	1,918	870
Finance costs excluding finance costs on pension and other long-term social liabilities	3,985	3,883
Other investing and financial (gain)/loss	(551)	909
Foreign exchange (gain)/loss, net	(741)	196
Share-based motivation program	406	375
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(6,018)	(8,319)
(Decrease)/increase in employee benefits	(1)	55
Decrease in inventories	116	294
Increase in accounts payable, provisions and accrued expenses	5,886	5,763
Change in other assets and liabilities	(1,482)	(1,387)
Cash generated from operations	22,877	21,120
Interest paid	(4,764)	(4,457)
Income tax paid	(2,212)	(355)
Net cash from operating activities	15,901	16,308
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(18,964)	(16,286)
Proceeds from sale of property, plant and equipment and intangible assets	635	383
Acquisition of financial assets	(2,767)	(102)
Proceeds from disposals of financial assets	3,251	157
Interest received	444	1
Dividends received	1	-
Purchase of subsidiaries, net of cash acquired	-	(430)
Proceeds from disposals of subsidiaries, net of cash disposed	(1)	-
Acquisition of equity accounted investees	(778)	(13)
Net cash used in investing activities	(18,179)	(16,290)
Cash flows from financing activities		
Purchase of treasury shares	-	(2)
Proceeds from bank and corporate loans	160,301	114,283
Repayment of bank and corporate loans	(156,909)	(117,548)
Repayment of bonds	(2,734)	-
Repayment of vendor financing payable	(2)	(2)
Repayment of other non-current financing liabilities	-	(1)
Options settlement repayments	(125)	-
Repayment of finance lease liabilities	(1)	(56)
Dividends paid to non-controlling shareholders of subsidiaries	(12)	-
Net cash used in financing activities	518	(3,326)
Net decrease in cash and cash equivalents	(2,021)	(3,426)
Effect of exchange rate changes on cash and cash equivalents	(261)	(118)
Cash and cash equivalents at beginning of the period	7,165	16,945
Cash and cash equivalents at the end of the period	5,144	13,519

* Certain amounts do not correspond to the unaudited management interim consolidated statement of cash flows for the three-month period ended 31 March 2015 and reflect measurement period adjustments made to the provisional amounts of the SafeData Group acquisition as if the accounting for the business combination had been completed at the acquisition date.

PJSC Rostelecom

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
Balances at 1 January 2016	93	87	(10)	1,385	(68,669)	2,120	6,153	304,589	245,748	3,916	249,664
Profit for the period (unaudited)	-	-	-	-	-	-	-	2,890	2,890	112	3,002
Exchange differences on translating foreign operations (unaudited)	-	-	-	(208)	-	-	-	-	(208)	(3)	(211)
Total other comprehensive income, net of tax (unaudited)	-	-	-	(208)	-	-	-	-	(208)	(3)	(211)
Total comprehensive income for the period (unaudited)	-	-	-	(208)	-	-	-	2,890	2,682	109	2,791
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	-	-	-	-	-	-	-	-	-
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)
Total transactions with shareholders (unaudited)	-	3	-	-	-	406	-	5	414	11	425
Balances at 31 March 2016 (unaudited)	93	90	(10)	1,177	(68,669)	2,526	6,153	307,484	248,844	4,036	252,880

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Interim consolidated statement of changes in equity (continued)

	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
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)	-	-	-	-	-	-	-	2,012	2,012	87	2,099
Exchange differences on translating foreign operations (unaudited)	-	-	-	(1)	-	-	-	-	(1)	16	15
Total other comprehensive income, net of tax (unaudited)	-	-	-	(1)	-	-	-	-	(1)	16	15
Total comprehensive income for the period (unaudited)	-	-	-	(1)	-	-	-	2,012	2,011	103	2,114
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Acquisition of treasury shares	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Non-controlling interest in acquired subsidiaries	-	-	-	-	-	-	-	-	-	1,469	1,469
Employee benefits within share based employee motivation program	-	-	-	-	-	375	-	-	375	-	375
Other change in equity	-	(93)	-	-	-	-	-	(6)	(99)	96	(3)
Total transactions with shareholders (unaudited)	-	(93)	-	-	(2)	375	-	(6)	274	1,565	1,839
Balances at 31 March 2015 (unaudited)	97	726	(10)	816	(82,025)	2,225	6,483	315,124	243,436	5,744	249,180

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