

## ROSTELECOM REPORTS IFRS CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2013

**Moscow** – May 21, 2013 – Rostelecom OJSC (the “Group” and the “Company”) (MICEX - RTS: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announced its unaudited IFRS consolidated financial results for the first quarter ended March 31, 2013.

### FIRST QUARTER FINANCIAL HIGHLIGHTS

When analysing our year-on-year performance for the first quarter, it is important to acknowledge the one-off income and expenditure (“the one off”) recorded during the first quarter of 2012.

- Consolidated revenue up 3% year-on-year to RUB 77.1 billion (excluding one-off);
- OIBDA<sup>1</sup> of RUB 28.8 billion with an OIBDA margin of 37.4% (36.9% in 2012);
- Net income of RUB 6.4 billion, which reflects the absence of Rostelecom’s equity share in Svyazinvest’s net profit;
- CAPEX<sup>2</sup> of RUB 24.9 billion, representing 32.3% of consolidated revenues, primarily due to contractual expenses in 2012, including those relating to building mobile networks;
- Net debt<sup>3</sup> of RUB 206.3 billion with a net debt / annualised OIBDA<sup>4</sup> ratio of 1.8x as of March 31, 2013.

Sergey Kalugin, President of Rostelecom, commented: “Our results for the first quarter of 2013 reflect the overall business development trends seen during the first two months of my tenure. Rostelecom leads the market when it comes to performance indicators such as the rate at which customers are subscribing to optic broadband networks and interactive TV services, which are the industry’s key areas of growth. We are also rolling out mobile data networks and are actively investing in network upgrades, however it is too early to talk about the impact new products are going to have on the dynamics of the Group’s revenue. Moreover, as the Company has already warned, these investments will impact profitability in the medium term, and this is already noticeable.

We are working on a number of initiatives which will substantially improve our competitive position and our investment case. We have the largest communications network in Russia, but it is in need of modernisation. We also need to introduce new products and services, and we plan to make significant improvements to our customer service practices. Much also needs to be done to improve operational efficiency, and we are assessing our corporate governance procedures. We also plan to change our corporate culture, and increase our employees’ engagement in Rostelecom’s common goal, which is to combine the most attractive packages possible, with high levels of customer service.”

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<sup>1</sup> Here and below, please refer to Attachment 1 of this statement for a full definition of OIBDA.

<sup>2</sup> Here and below, capital expenditure (“CAPEX”) comprises cash spent on the acquisition of fixed and intangible assets.

<sup>3</sup> Here and below, net debt is calculated as the sum of long-term loans and short-term borrowings minus cash and cash equivalents and short-term investments.

<sup>4</sup> OIBDA for the past 12 months.

RUB million	1Q 2013	1Q 2012	% change, y-o-y
<b>Revenue</b>	<b>77,067</b>	85,319	(10%)
OIBDA	<b>28,837</b>	34,408	(16%)
<i>OIBDA margin, %</i>	<b>37.4%</b>	40.3%	
Operating income	<b>11,482</b>	17,792	(35%)
<i>Operating margin, %</i>	<b>14.9%</b>	20.9%	
Net income	<b>6,413</b>	12,468	(49%)
<i>Net margin, %</i>	<b>8.3%</b>	14.6%	
<b>Capital expenditure</b>	<b>24,889</b>	20,426	22%
<i>% of revenue</i>	<b>32.3%</b>	23.9%	
<b>Net debt</b>	<b>206,304</b>	188,120	10%
<i>Net debt/annualised OIBDA<sup>5</sup></i>	<b>1.8</b>	1.5	

## KEY OPERATING HIGHLIGHTS

- Total broadband subscriber base up 12% year-on-year to 9.5 million. The number of subscribers connected via the fibre optic network increased 1.6 times year-on-year to 3.1 million (33% of the total subscriber base);
- Total pay TV subscriber base increased by 13% year-on-year to 6.8 million, of which the number of interactive TV subscribers nearly doubled to reach 1.6 million;
- Total number of mobile subscribers increased by 3% year-on-year to 13.6 million;
- 3G+ network has been built and tested in 24 Russian regions and has been commercially launched in 17 regions.

Number of Subscribers (millions):	% change, y-o-y			% change, y-o-y	
	1Q 2013	1Q 2012		4Q 2012	
Local telephony	<b>26.8</b>	28.1	(5%)	27.1	(1%)
Mobile	<b>13.6</b>	13.3	3%	13.6	0.1%
Broadband Internet access incl.	<b>9.5</b>	8.4	12%	9.2	3%
Residential	<b>8.8</b>	7.8	12%	8.5	3%
Corporate	<b>0.7</b>	0.6	8%	0.7	1%
Pay TV incl.	<b>6.8</b>	6.0	13%	6.6	2%
IPTV	<b>1.6</b>	0.8	88%	1.4	10%

## KEY EVENTS RELATING TO THE FIRST QUARTER OF 2013 AND AFTER THE REPORTING PERIOD

### Business News

- Sergey Kalugin appointed as President of Rostelecom;
- LTE networks tested in Krasnodar and Sochi;
- Seven regions selected as areas where LTE standard high-speed wireless networks will be constructed: Khanty-Mansiysk, Chukotka and Nenets Autonomous Areas, Khakassia, North Ossetia–Alania, Sakhalin Oblast and Mordovia;
- A bond placement of RUB 25 billion took place;
- 3G+ networks were commercially launched in 17 regions;
- Cloud services were launched for corporate customers;

<sup>5</sup> OIBDA for the past 12 months.

- The Board of Directors approved that the AGM will take place on 17 June 2013. In addition, the Board of Directors recommended that the AGM approves a 2012 dividend payment of RUB 8.17 billion, or 25% of the Company's net profit for 2012, in accordance with Russian Accounting Standards (RAS), which amounts to 23.18% of the net profit for 2012 according to International Financial Reporting Standards (IFRS), and consists of:
  - RUB 4.1022 per Class A preferred share (a total of 3.05% of 2012 net profit under RAS or 2.83% of 2012 net profit under IFRS will be distributed as a payment under this share class)
  - RUB 2.4369 per ordinary share (a total of 21.95% of 2012 net profit under RAS or 20.35% of 2012 net profit under IFRS will be distributed as a payment under this share class)

### **Reorganisation**

- The Board of Directors confirmed that the EGM relating to the Company's reorganisation will take place on 26 June 2013, with the record date being 15 May 2013;
- Prices at which Rostelecom's Board of Directors will buy-out shareholders who oppose the reorganisation has been set.

## **OPERATING REVIEW**

### **Revenue Analysis**

#### **Revenue structure by services**

<b>RUB million</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>% change, y-o-y</b>
Local telephony services	<b>21,399</b>	21,604	(1%)
Intra-zone telephony services	<b>4,194</b>	4,797	(13%)
DLD/ILD telephony services	<b>4,651</b>	5,471	(15%)
Interconnection and traffic transit services	<b>5,376</b>	4,889	10%
Broadband Internet	<b>13,354</b>	12,158	10%
Pay TV	<b>2,772</b>	2,055	35%
Mobile communication services	<b>9,503</b>	10,031	(5%)
Data services (VPN, data centres, wholesale internet sales)	<b>5,335</b>	4,995	7%
Rent of channels	<b>2,608</b>	2,894	(10%)
Other (including one-off earnings in 1Q12)	<b>7,875</b>	16,425	(52%)
<b>Total revenue</b>	<b>77,067</b>	85,319	(10%)

RUB million	1Q 2013	1Q 2012	% change, y-o-y
Revenue excl. one-off	77,067	74,894	3%

### Revenue structure by customer segments

RUB million	1Q 2013	1Q 2012	% change, y-o-y
Residential customers	40,806	41,081	(1%)
Corporate customers	17,287	16,364	6%
Governmental customers	10,378	18,965	(45%)
Operators	8,596	8,909	(4%)
Total revenue	77,067	85,319	(10%)
Revenue excl. one-off	77,067	74,894	3%

The Company reported a 10% year-on-year decrease in revenue to RUB 77.1 billion in the first quarter of 2013. This trend was influenced by the following factors:

- The one-off earnings in 1Q12;
- 10% revenue growth from broadband services, which increased by RUB 1.2 billion;
- 35% revenue growth from payTV services, which increased by RUB 0.7 billion;
- 10% revenue growth from interconnection and traffic transit services, which increase by RUB 0.5 billion, due to its replacement with mobile services and the business growth of other telecommunications operators.

An additional factor which contributed to the decline in revenue relates to the delivery of international, inter-city, intra-zone and local telephone network services, as a result of end users' changing preferences with regards to how they make calls, and the corresponding traffic migration to mobile operator networks. Revenues from mobile phone services were down due to a decrease in pricing for mobile voice services, which is linked to the lack of mobile data services in the first quarter of 2013. As of the end of March 2013, Rostelecom started to actively launch 3G+ networks in the regions where it provides mobile voice services. 3G+ networks have so far been developed and tested in 24 Russian regions, and have been commercially launched in 17 regions.

### Operating Profit Analysis

#### Operating expenses structure (excluding amortization)

RUB million	1Q 2013	1Q 2012	% change, y-o-y
Personnel costs	21,924	21,893	0%
Interconnection charges	10,168	11,334	(10%)
Materials, repairs and maintenance, utilities	5,949	7,264	(18%)
Other operating income	(2,483)	(2,597)	(4%)

<b>RUB million</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>% change, y-o-y</b>
Other operating expenses	<b>12,672</b>	13,017	(3%)
<b>Total</b>	<b>48,230</b>	<b>50,911</b>	<b>(5%)</b>

The Company's total operating expenses, excluding depreciation and amortisation, decreased by 5% year-on-year to RUB 48.2 billion in the first quarter of 2013, which was primarily due to the one-off expenses in 1Q12. It is not possible to separate the effect of these one-off expenses in the cost items.

The construction of 3G+ networks as part of the active development of Rostelecom's mobile business in the regions also had an effect on operating expenses in the first quarter of 2013. Due to their early phase of development, operating expenses in the mobile segment are going to be higher than the returns they generate.

The Company reported OIBDA of RUB 28.8 billion in the first quarter. The OIBDA margin in 1Q13 was 37.4%, which is higher than the margin of 36.9% for 2012 as a whole. This corresponds to the Company's forecast that OIBDA margins will decrease in the medium-term as a result of actively developing the mobile business, and increasing the share of rapidly growing segments, which are less cost efficient in the development stage than traditional segments are.

Depreciation and amortisation expenses increased by 4% year-on-year to RUB 17.4 billion in the first quarter of 2013, as a result of the commissioning of mobile data transfer networks and a review of the useful lifespan of the Oracle R11 software, which will lead to an upgrade to Oracle R12 software.

The Company reported an operating profit of RUB 11.5 billion in the first quarter, which amounts to 14.9% of revenue.

### **Net Income Analysis**

To provide an accurate reflection of the Company's financial position and performance in anticipation of the completion of the reorganisation, the Company has changed the way investments in Svyazinvest are reported. The key difference is that investments in Svyazinvest will no longer be recognised using the equity method, and Rostelecom's share in Svyazinvest's net profit will be presented in the financial statements starting from the earliest possible comparative period. Therefore, income from associated companies in 1Q13 includes OJSC Bashinformsvyaz and others but does not include Rostelecom's share in OJSC Svyazinvest's net profit.

The increase in financial expenses is mainly due to a 3% year-on-year growth of the total debt to RUB 211.4 billion.

In the first quarter of 2013, profit before tax amounted to RUB 8.2 billion, a 49% year-on-year decrease, mainly due to the one-off earnings in the first quarter of 2012, as well as an increase in interest expenses due to growth in total debt..

The Company's income tax contributions decreased by 49% year-on-year to RUB 1.7 billion in the first quarter of 2013, which reflected changes in profit before tax. The effective tax rate was 22% in the first quarter of 2013, compared to the level of 20% established by the Russian Tax Code.

Net income in the first quarter of 2013 totaled RUB 6.4 billion, mainly due to the following factors:

- The one-off earnings and expenses in 1Q12;
- The launch of 3G+ networks in the regions, which continues to put pressure on the Company's profitability in the short-term;

- An increase in depreciation and amortisation;
- An increase in interest expenses

## **FINANCIAL REVIEW**

It is essential to consider the one-off earnings and expenses recorded in 1Q12 when analysing the cash flow and balance sheet.

Net operating cash flow decreased by 12% year-on-year to RUB 21.3 billion in the first quarter of 2013.

Net cash used in investing activities increased by 20% year-on-year to RUB 24.7 billion in the first quarter. CAPEX increased by 22% year-on-year to RUB 24.9 billion. The increase in investment in the reporting quarter resulted predominantly from contract expenses in 2012, including building mobile phone networks.

The changes in net cash received from financing activities in the reporting quarter were related to the increase in cash flow from paying off corporate bonds and bank loans, as well as the decrease in cash flow from other issuers' bonds and bank deposits in the first quarter 2013.

As of 31 March 2013, the Group's total debt decreased by 1% year-on-year to RUB 211.4 billion. Nearly 99% of the Group's gross debt was rouble-denominated as of 31 March 2013.

As of 31 March 2013, the Group's net debt amounted to RUB 206.3 billion, equivalent to 1.8x annualised OIBDA.

## **OTHER INFORMATION**

### **Conference call**

Rostelecom's management will hold a conference call today at 4.00PM (Moscow), 2.00PM (CET), 1.00PM (UK) and 8.00AM (NYT). To participate in the conference call, please dial:

Russia: **+7 495 580 9543**

UK/ International: **+44 20 8515 2301**

US: **+1 480 629 9835**

A replay of the conference call will be available on the Company's website [http://www.rostelecom.ru/en/ir/results\\_and\\_presentations/financials/2013/](http://www.rostelecom.ru/en/ir/results_and_presentations/financials/2013/) in due course.

## **FOR MORE INFORMATION PLEASE CONTACT:**

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**ATTACHMENTS:**

1. Reconciliation of OIBDA;
2. Accounting policy specifics affecting Rostelecom's results for the first quarter of 2013;
3. Statement of Comprehensive Income for the first three months ended March 31, 2013;
4. Statement of Cash Flows for the first three months ended March 31, 2013;
5. Statement of Financial Position for the first quarter of 2013.

## ATTACHMENT 1

### RECONCILIATION OF OIBDA

OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company defines as operating income before depreciation and amortisation. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. OIBDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under U.S. GAAP or IFRS.

<i>RUB million</i>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>% change, y-o-y</b>
Operating income	<i>11,482</i>	<i>17,792</i>	<i>(35%)</i>
Add: Depreciation and amortisation	<i>17,355</i>	<i>16,616</i>	<i>4%</i>
<b>OIBDA</b>	<i>28,837</i>	<i>34,408</i>	<i>(16%)</i>
<b>OIBDA margin, %</b>	<i>37.4%</i>	<i>40.3%</i>	



## **ATTACHMENT 2**

### **ACCOUNTING POLICY SPECIFICS AFFECTING ROSTELECOM'S RESULTS FOR THE FIRST QUARTER OF 2013**

#### **Accounting for Rostelecom's share in Svyzinvest's net profit**

A number of important actions aimed at implementing Rostelecom's merger with Svyzinvest and 20 regional companies, have been carried out since the beginning of 2013 and the date of Rostelecom's first quarter 2013 report.

The Boards of Directors of Rostelecom and Svyzinvest have agreed the price at which shares will be exchanged once the reorganisation has been approved. The Board of Directors of Svyzinvest have approved the decision to buy Rostelecom's ordinary shares from Mobitel LLC, while the Board of Directors of Rostelecom has decided to convene the Extraordinary Meeting of Shareholders to discuss the reorganisation. The completion of these activities suggests that the reorganisation of Rostelecom is likely to take place in 2013. To provide stakeholders with clarity regarding the Company's financial position and performance in anticipation of the completion of the reorganisation, the Company has decided to change the way investments in Svyzinvest are reported.

Moving forward, the key difference is that investments in Svyzinvest will no longer be recognised using the equity method, and Rostelecom's share Svyzinvest's net profit, starting from the earliest possible comparative period will be presented in the financial statements. The balance-sheet value of the investments is no longer recognised as an asset, but is reflected as equity in the financial statements.

Following the reorganisation, Rostelecom's consolidated financials will include the results of the merged companies. Given that the reorganisation is reflected in the consolidated statements as a transaction under common control, in accordance with Rostelecom's current accounting policy, financial statements for the previous periods will be restated to reflect the impact of the reorganisation. The accounts will be restated going back to a date, no earlier than the date at which the companies participating in the reorganisation will come under Rostelecom's common control.

#### **Consolidation and inclusion of SKY Link CJSC financial results**

The acquisition of Sky Link CJSC ("Sky Link") is a transaction under common control. In accordance with the Company's accounting policy under IFRS, such transactions are accounted for as if the acquisition was completed at the beginning of the earliest period that is presented in the financial statements, but not earlier than the period in which Sky Link was acquired under common control of the Group's majority shareholder. The comparative information, which is presented in the current financial statements, has therefore been restated from the date that Sky Link was acquired by Svyzinvest on October 1, 2010.

**ATTACHMENT 3**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	Three-month period ended 31 March	
	2013 (unaudited)	2012 (restated)
<b>Revenue</b>	<b>77,067</b>	<b>85,319</b>
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(21,924)	(21,893)
Depreciation, amortization and impairment losses	(17,355)	(16,616)
Interconnection charges	(10,168)	(11,334)
Materials, utilities, repairs and maintenance	(5,949)	(7,264)
Loss on disposal of property, plant and equipment and intangible assets	(54)	(383)
Bad debt expense	(430)	(438)
Other operating income	2,483	2,597
Other operating expenses	(12,188)	(12,196)
<b>Total operating expenses, net</b>	<b>(65,585)</b>	<b>(67,527)</b>
<b>Operating profit</b>	<b>11,482</b>	<b>17,792</b>
Income from associates	169	182
Finance costs	(3,912)	(3,666)
Other investing and financial gain	585	991
Foreign exchange (loss)/gain, net	(142)	650
<b>Profit before income tax</b>	<b>8,182</b>	<b>15,949</b>
Income tax expense	(1,769)	(3,481)
<b>Profit for the period</b>	<b>6,413</b>	<b>12,468</b>
<b>Other comprehensive income/(loss)</b>		
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Revaluation gain/(loss) on available-for-sale investments	47	(109)
Revaluation gain on available-for-sale investments transferred to profit on sale	-	(749)
Exchange differences on translating foreign operations	(13)	(77)
Income tax relating to items that may be reclassified	(9)	172
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>25</b>	<b>(763)</b>
<b>Total comprehensive income for the period</b>	<b>6,438</b>	<b>11,705</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	6,435	12,308
Non-controlling interests	(22)	160
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Group	6,460	11,545
Non-controlling interests	(22)	160
<b>Earnings per share attributable to equity holders of the Group – basic (in Roubles)</b>	<b>2.23</b>	<b>4.21</b>
<b>Earnings per share attributable to equity holders of the Group – diluted (in Roubles)</b>	<b>2.22</b>	<b>4.16</b>

**ATTACHMENT 4**  
**STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	Three-month period ended 31 March	
	2013 (unaudited)	2012 (restated)
<b>Cash flows from operating activities</b>		
Profit before income tax	8,182	15,949
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	17,355	16,616
Loss on disposal of property, plant and equipment and intangible assets	54	383
Bad debt expense	430	438
Income from associates	(169)	(182)
Finance costs excluding finance costs on pension and other long-term social liabilities	3,725	3,429
Other investing and financing gain	(585)	(991)
Foreign exchange gain, net	142	(650)
Share-based payment expenses	-	41
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(3,737)	(14,036)
Increase in employee benefits	48	178
Decrease/(increase) in inventories	395	(1,046)
Increase in accounts payable, provisions and accrued expenses	3,304	10,872
Change in other assets and liabilities	(1,337)	(1,003)
<b>Cash generated from operations</b>	<b>27,807</b>	<b>29,998</b>
Interest paid	(3,962)	(3,529)
Income tax paid	(2,538)	(2,233)
<b>Net cash provided by operating activities</b>	<b>21,307</b>	<b>24,236</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(24,889)	(20,426)
Proceeds from sale of property, plant and equipment and intangible assets	316	49
Acquisition of financial assets	(161)	(3,578)
Proceeds from disposals of financial assets	76	4,296
Interest received	3	62
Dividends received	-	7
Purchase of subsidiaries, net of cash acquired	(21)	(986)
Acquisition of equity accounting investees	(5)	-
<b>Net cash used in investing activities</b>	<b>(24,681)</b>	<b>(20,576)</b>

Three-month period ended 31 March

	2013 (unaudited)	2012 (restated)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	499	1,338
Sale of treasury shares	-	(18,975)
Proceeds from bank and corporate loans	97,428	110,589
Repayment of bank and corporate loans	(125,159)	(80,557)
Proceeds from bonds	25,000	-
Repayment of bonds	(398)	(659)
Proceeds from promissory notes	-	7,650
Repayment of promissory notes	-	(2,250)
Repayment of vendor financing payable	(3)	(49)
Repayment of other non-current financing liabilities	(3)	(3)
Repayment of finance lease liabilities	(291)	(456)
Dividends paid to shareholders of the Group	(67)	(1)
Acquisition of non-controlling interest	-	(13,825)
<b>Net cash (used in)/provided by financing activities</b>	<b>(2,994)</b>	<b>2,802</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>6</b>	<b>(21)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,362)</b>	<b>6,441</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>10,370</b>	<b>7,380</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,008</b>	<b>13,821</b>

**ATTACHMENT 5  
STATEMENT OF FINANCIAL POSITION**

	31 March 2013 (unaudited)	31 December 2012 (restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	383,424	385,994
Investment property	254	274
Goodwill and other intangible assets	85,240	87,830
Investments in associates	5,354	5,179
Other investments	2,471	2,498
Deferred tax assets	2,935	2,694
Other non-current assets	5,285	5,413
<b>Total non-current assets</b>	<b>484,963</b>	<b>489,882</b>
<b>Current assets</b>		
Inventories	4,139	4,534
Trade and other accounts receivable	38,778	33,992
Prepayments	3,331	3,912
Prepaid income tax	3,608	2,921
Other investments	1,137	952
Cash and cash equivalents	4,008	10,370
Other current assets	1,325	1,258
<b>Total current assets</b>	<b>56,326</b>	<b>57,939</b>
<b>Total assets</b>	<b>541,289</b>	<b>547,821</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	106	106
Additional paid-in capital	7,119	7,119
Treasury shares	(35,445)	(36,615)
Retained earnings and other reserves	260,917	254,457
<b>Total equity attributable to equity holders of the Group</b>	<b>232,697</b>	<b>225,067</b>
Non-controlling interests	471	493
<b>Total equity</b>	<b>233,168</b>	<b>225,560</b>
<b>Non-current liabilities</b>		
Loans and borrowings	156,130	150,907
Employee benefits	11,045	10,997
Deferred tax liabilities	22,650	22,565
Accounts payable, provisions and accrued expenses	233	230
Other non-current liabilities	4,772	4,136
<b>Total non-current liabilities</b>	<b>194,830</b>	<b>188,835</b>
<b>Current liabilities</b>		
Loans and borrowings	55,319	63,499
Accounts payable, provisions and accrued expenses	49,402	59,889
Income tax payable	124	50
Other current liabilities	8,446	9,988
<b>Total current liabilities</b>	<b>113,291</b>	<b>133,426</b>
<b>Total liabilities</b>	<b>308,121</b>	<b>322,261</b>
<b>Total equity and liabilities</b>	<b>541,289</b>	<b>547,821</b>

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**Rostelecom** ([www.rostelecom.ru](http://www.rostelecom.ru)) is Russia's largest national telecommunications operator with presence in all Russian regions. The Group is a universal operator and undisputable leader of broadband and pay-TV markets in Russia with over 9.5 million fixed-line broadband subscribers and over 6.8 million pay-TV subscribers. As Rostelecom develops its mobile data networks, its position as a major mobile operator is growing with over 13.5 million currently subscribed to Rostelecom's mobile voice services. The Group is also an important innovator that provides solutions in the field of medicine, E-Government, cloud computing and education.

Rostelecom was assigned a 'BBB-' and 'BB+' international credit ratings by Fitch Ratings and Standard & Poor's respectively, both with a 'Stable' outlook. The Group generated RUB 77.1 billion of consolidated revenues, RUB 28.8 billion of OIBDA (37.4% of revenues) and RUB 6.4 billion of net income for the first three months ended March 31, 2013.

\* \* \*

*Certain statements in this press release are forward-looking statements within the meaning of the U.S. federal securities laws and are intended to be covered by the safe harbors created thereby.*

*Those forward-looking statements include, but are not limited to:*

- *Management's assessment of the Company's future operating and financial results as well as forecasts of the present value of future cash flows and related factors;*
- *the Company's anticipated capital expenditures and plans to construct and modernize its network;*
- *the Company's expectations as to the growth in demand for its services, plans relating to the expansion of the range of its services and their pricing;*
- *the Company's plans with respect to improving its corporate governance practices;*
- *the Company's expectations as to its position in the telecommunications market and the development of the market segments within which the Company operates;*
- *economic outlook and industry trends;*
- *the Company's expectations as to the regulation of the Russian telecommunications industry and assessment of impact of regulatory initiatives on the Company's activity;*
- *other statements regarding matters that are not historical facts.*

*Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include:*

- *risks relating to changes in political, economic and social conditions in Russia as well as changes in global economic conditions;*
- *risks relating to Russian legislation, regulation and taxation, including laws, regulations, decrees and decisions governing the Russian telecommunications industry, securities industry as well as currency and exchange controls relating to Russian entities and their official interpretation by regulatory bodies;*
- *risks relating to the Company, including the achievement of the anticipated results, levels of profitability and growth, ability to create and meet demand for the Company's services including their promotions, and the ability of the Company to remain competitive in a liberalized telecommunications market;*
- *technological risks associated with the functioning and development of the telecommunications infrastructure, technological innovations as well as the convergence of technologies;*
- *other risks and uncertainties. For a more detailed discussion of these and other factors, see the Company's Annual Report and the Company's other public filings.*

*Many of these factors are beyond the Company's ability to control or predict. Given these and other uncertainties, readers are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements (which are made as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.*