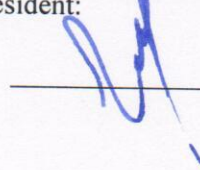


**OJSC ROSTELECOM**  
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012  
PREPARED IN ACCORDANCE WITH GROUP ACCOUNTING POLICY  
BASED ON  
INTERNATIONAL FINANCIAL  
REPORTING STANDARDS

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

	30 June 2012 (unaudited)	31 December 2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	339,559	327,971
Investment property	256	259
Goodwill and other intangible assets	67,245	68,187
Investments in associates	32,483	33,646
Other investments	13,824	14,616
Deferred tax assets	607	775
Other non-current assets	15,727	13,820
<b>Total non-current assets</b>	<b>469,701</b>	<b>459,274</b>
<b>Current assets</b>		
Inventories	4,829	4,490
Trade and other accounts receivable	39,692	29,377
Prepayments	3,789	2,409
Prepaid income tax	3,086	3,304
Other investments	2,939	3,926
Cash and cash equivalents	9,286	7,177
Other current assets	2,543	1,151
<b>Total current assets</b>	<b>66,164</b>	<b>51,834</b>
<b>Total assets</b>	<b>535,865</b>	<b>511,108</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	106	106
Additional paid-in capital	33,418	33,418
Treasury shares	(44,286)	(25,143)
Retained earnings and other reserves	248,422	251,758
<b>Total equity attributable to equity holders of the Group</b>	<b>237,660</b>	<b>260,139</b>
Non-controlling interests	363	7,787
<b>Total equity</b>	<b>238,023</b>	<b>267,926</b>
<b>Non-current liabilities</b>		
Loans and borrowings	129,852	84,527
Employee benefits	12,180	11,752
Deferred tax liabilities	19,703	18,662
Accounts payable, provisions and accrued expenses	96	85
Other non-current liabilities	4,045	3,675
<b>Total non-current liabilities</b>	<b>165,876</b>	<b>118,701</b>
<b>Current liabilities</b>		
Loans and borrowings	67,520	78,939
Accounts payable, provisions and accrued expenses	56,570	37,396
Income tax payable	91	242
Other current liabilities	7,785	7,904
<b>Total current liabilities</b>	<b>131,966</b>	<b>124,481</b>
<b>Total liabilities</b>	<b>297,842</b>	<b>243,182</b>
<b>Total equity and liabilities</b>	<b>535,865</b>	<b>511,108</b>

These consolidated financial statements were approved by management of OJSC Rostelecom on 30 August 2012 and were signed on its behalf by President:

  
 \_\_\_\_\_ A. Yu. Provotorov

OJSC Rostelecom  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(In millions of Russian Roubles unless otherwise stated)

	Notes	Six-month periods ended 30 June	
		2012 (unaudited)	2011 (unaudited)
<b>Revenue</b>	<b>1</b>	<b>159,915</b>	<b>143,598</b>
<b>Operating expenses</b>			
Wages, salaries, other benefits and payroll taxes		(41,417)	(40,227)
Depreciation, amortization and impairment losses		(30,636)	(27,228)
Interconnection charges		(21,812)	(18,065)
Materials, utilities, repairs and maintenance		(13,450)	(13,796)
Gain/(loss) on disposal of property, plant and equipment and intangible assets		173	(308)
Bad debt (expense) recovery		(942)	105
Other operating income		6,218	7,201
Other operating expenses		(23,946)	(22,467)
<b>Total operating expenses, net</b>		<b>(125,812)</b>	<b>(114,785)</b>
<b>Operating profit</b>		<b>34,103</b>	<b>28,813</b>
Income from associates		1,667	1,548
Finance costs		(7,331)	(6,647)
Other investing and financial gain		1,640	404
Foreign exchange (loss)/gain, net		(118)	741
<b>Profit before income tax</b>		<b>29,961</b>	<b>24,859</b>
Income tax expense		(6,580)	(5,747)
<b>Profit for the period</b>		<b>23,381</b>	<b>19,112</b>
<b>Other comprehensive (loss) / income</b>			
Revaluation (loss)/ gain on available-for-sale investments		(654)	268
Revaluation gain on available-for-sale investments transferred to profit on sale		(749)	-
Exchange differences on translating foreign operations		(44)	-
Share of other comprehensive income recognized by associates		(94)	11
Income tax in respect of other comprehensive loss/ (income) items		281	(54)
<b>Other comprehensive (loss)/ income for the period, net of tax</b>		<b>(1,260)</b>	<b>225</b>
<b>Total comprehensive income for the period</b>		<b>22,121</b>	<b>19,337</b>
<b>Profit attributable to:</b>			
Equity holders of the Group		23,341	19,088
Non-controlling interests		40	24
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Group		22,084	19,313
Non-controlling interests		37	24
<b>Earnings per share attributable to equity holders of the Group – basic (in Roubles)</b>		<b>8.20</b>	<b>6.53</b>
<b>Earnings per share attributable to equity holders of the Group – diluted (in Roubles)</b>		<b>8.11</b>	<b>6.43</b>

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

	<b>Six-month periods ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	29,961	24,859
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	30,636	27,228
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(173)	308
Bad debt expense / (recovery)	942	(105)
Income from associates	(1,667)	(1,548)
Finance costs excluding finance costs on pension and other long-term social liabilities	6,862	5,981
Other investing and financing gain	(1,640)	(404)
Foreign exchange loss/(gain), net	118	(741)
Share-based payment expenses	41	411
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(12,559)	(3,993)
Increase in employee benefits	428	474
Increase in inventories	(328)	(1,346)
Increase/(decrease) in accounts payable, provisions and accrued expenses	3,711	(3,220)
(Decrease)/increase in other assets and liabilities	(625)	2,693
<b>Cash generated from operations</b>	<b>55,707</b>	<b>50,597</b>
Interest paid	(7,062)	(6,204)
Income tax paid	(4,348)	(3,230)
<b>Net cash provided by operating activities</b>	<b>44,297</b>	<b>41,163</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(41,743)	(25,579)
Proceeds from sale of property, plant and equipment and intangible assets	147	628
Acquisition of financial assets	(3,509)	(4,054)
Proceeds from disposals of financial assets	5,513	6,006
Interest received	106	1,348
Dividends received	11	16
Purchase of subsidiaries, net of cash acquired	(1,175)	(29,967)
Proceeds from disposal of subsidiaries, net of cash disposed	81	-
Acquisition of equity accounting investees	-	(3,640)
<b>Net cash used in investing activities</b>	<b>(40,569)</b>	<b>(55,242)</b>

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

	<b>Six-month periods ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(21,367)	(6)
Sale of treasury shares	2,224	-
Proceeds from bank and corporate loans	245,873	92,618
Repayment of bank and corporate loans	(208,189)	(76,272)
Proceeds from bonds	-	12
Repayment of bonds	(3,377)	(3,706)
Proceeds from promissory notes	21,882	13,146
Repayment of promissory notes	(21,863)	(13,494)
Repayment of vendor financing payable	(70)	(228)
Repayment of other non-current financing liabilities	(6)	42
Repayment of finance lease liabilities	(747)	(1,484)
Dividends paid to shareholders of the Group	(362)	-
Dividends paid to non-controlling shareholders of subsidiaries	-	(116)
Acquisition of non-controlling interest	(15,628)	(250)
<b>Net cash provided by financing activities</b>	<b>(1,630)</b>	<b>10,262</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>11</b>	<b>(56)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,109</b>	<b>(3,873)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,177</b>	<b>12,627</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9,286</b>	<b>8,754</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In millions of Russian Rubles)

	Equity attributable to shareholders of the Group							Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
	Share capital	Additional paid-in capital	Unrealized gain on available-for-sale investments	Translation of foreign operations	Treasury shares	Share options reserve	Retained earnings			
<b>Balances at 1 January 2012</b>	106	33,418	802	-	(25,143)	4,141	246,815	260,139	7,787	267,926
Profit for the period (unaudited)	-	-	-	-	-	-	23,341	23,341	40	23,381
Revaluation loss on available-for-sale investments (unaudited)	-	-	(654)	-	-	-	-	(654)	-	(654)
Revaluation gain on available-for-sale investments transferred to profit on sale (unaudited)	-	-	(749)	-	-	-	-	(749)	-	(749)
Exchange differences on translating foreign operations (unaudited)	-	-	-	(41)	-	-	-	(41)	(3)	(44)
Share of other comprehensive income recognized by associates (unaudited)	-	-	(89)	(5)	-	-	-	(94)	-	(94)
Income tax in respect of other comprehensive income items (unaudited)	-	-	281	-	-	-	-	281	-	281
<b>Total other comprehensive income, net of tax (unaudited)</b>	-	-	(1,211)	(46)	-	-	-	(1,257)	(3)	(1,260)
<b>Total comprehensive income (unaudited)</b>	-	-	(1,211)	(46)	-	-	23,341	22,084	37	22,121
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>	-	-	-	-	-	-	(14,962)	(14,962)	-	(14,962)
Dividends to shareholders of the Group (unaudited)	-	-	-	-	-	-	-	-	(190)	(190)
Dividends to non-controlling shareholders of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	-	-
Non-controlling interests in acquired subsidiaries (unaudited)	-	-	-	-	-	-	-	-	54	54
Acquisition of non-controlling interest (unaudited)	-	-	-	-	-	-	(8,303)	(8,303)	(7,325)	(15,628)
Acquisition of treasury shares (unaudited)	-	-	-	-	(21,367)	-	-	(21,367)	-	(21,367)
Sale of treasury shares (unaudited)	-	-	-	-	2,224	-	-	2,224	-	2,224
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	(861)	879	18	-	18
Transactions with non-controlling interest recognised by associates (unaudited)	-	-	-	-	-	2	(2,173)	(2,171)	-	(2,171)
Other changes in equity (unaudited)	-	-	-	-	-	-	(2)	(2)	-	(2)
<b>Total transactions with shareholders (unaudited)</b>	-	-	-	(46)	(19,143)	(859)	(24,561)	(44,563)	(7,461)	(52,024)
<b>Balances at 30 June 2012 (unaudited)</b>	106	33,418	(409)	(46)	(44,286)	3,282	245,595	237,660	363	238,023

## OJSC Rostelecom

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(In millions of Russian Rubles)

	Equity attributable to shareholders of the Group							Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity
	Share capital	Additional paid-in capital	Unrealized gain on available-for-sale investments	Treasury shares	Share options reserve	Retained earnings	Total equity attributable to shareholders of the Group			
<b>Balances at 1 January 2011</b>	100	33,424	787	(25,410)	4,186	200,008	213,095	12	213,107	
Profit for the period (unaudited)	-	-	-	-	-	19,088	19,088	24	19,112	
Revaluation gain on available-for-sale investments (unaudited)	-	-	268	-	-	-	268	-	268	
Share of other comprehensive income recognized by associates (unaudited)	-	-	11	-	-	-	11	-	11	
Income tax in respect of other comprehensive income items (unaudited)	-	-	(54)	-	-	-	(54)	-	(54)	
<b>Total other comprehensive income, net of tax (unaudited)</b>	-	-	225	-	-	-	225	-	225	
<b>Total comprehensive income (unaudited)</b>	-	-	225	-	-	19,088	19,313	24	19,337	
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>										
Dividends to shareholders of the Group (unaudited)	-	-	-	-	-	(33)	(33)	-	(33)	
Dividends to non-controlling shareholders of subsidiaries (unaudited)	-	-	-	-	-	-	-	(276)	(276)	
Non-controlling interests in acquired subsidiaries (unaudited)	-	-	-	-	-	-	-	8,465	8,465	
Acquisition of non-controlling interest (unaudited)	-	-	-	-	-	-	-	(180)	(180)	
Acquisition of treasury shares (unaudited)	-	-	-	(6)	-	-	(6)	-	(6)	
Issue of share capital (unaudited)	6	(6)	-	-	-	-	-	-	-	
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	461	-	461	-	461	
Other changes in equity (unaudited)	-	-	-	-	-	21	21	-	21	
<b>Total transactions with shareholders (unaudited)</b>	6	(6)	-	(6)	461	(12)	443	8,009	8,452	
<b>Balances at 30 June 2011 (unaudited)</b>	106	33,418	1,012	(25,416)	4,647	219,084	232,851	8,045	240,896	

**OJSC Rostelecom****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of Russian Roubles)

**1. REVENUE**

Revenue comprised the following for the six months ended 30 June 2012 and 2011:

	Six-month periods ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Local telephone services	43,324	44,496
Intra-zone telephone services	9,517	10,976
DLD/ILD (including ILD traffic transit) telephone services	10,542	12,149
Interconnection and traffic transit services	10,359	9,267
Mobile communication services	18,384	17,368
Rent of channels	5,839	4,831
Broadband Internet	24,566	22,939
Pay TV	4,198	3,131
Data services (VPN, data centres, wholesale Internet sales)	10,050	8,739
Other	23,136	9,702
<b>Total revenue</b>	<b>159,915</b>	<b>143,598</b>

During six months ended 30 June 2012 and 2011 the Group generated revenue by the following major customer groups:

Customer Groups	Six-month periods ended 30 June	
	2012 (unaudited)	2011 (unaudited)
Residential customers	80,122	80,687
Corporate customers	33,417	32,485
Governmental customers	28,394	15,387
Interconnected operators	17,982	15,039
<b>Total revenue</b>	<b>159,915</b>	<b>143,598</b>