

OJSC ROSTELECOM
UNAUDITED MANAGEMENT CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013
PREPARED IN ACCORDANCE WITH GROUP ACCOUNTING POLICY
BASED ON
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In millions of Russian Roubles)

	30 June 2013 (unaudited)	31 December 2012 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	379,991	385,994
Investment property	216	274
Goodwill and other intangible assets	84,191	87,830
Investments in associates	5,420	5,179
Other investments	1,763	2,498
Deferred tax assets	3,192	2,694
Other non-current assets	4,456	5,413
Total non-current assets	479,229	489,882
Current assets		
Inventories	4,007	4,534
Trade and other accounts receivable	37,672	33,992
Prepayments	3,486	3,912
Prepaid income tax	3,363	2,921
Other investments	4,467	952
Cash and cash equivalents	10,761	10,370
Other current assets	1,386	1,258
Total current assets	65,142	57,939
Total assets	544,371	547,821
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	106	106
Additional paid-in capital	7,046	7,119
Treasury shares	(28,374)	(36,615)
Retained earnings and other reserves	229,203	254,457
Total equity attributable to equity holders of the Group	207,981	225,067
Non-controlling interests	206	493
Total equity	208,187	225,560
Non-current liabilities		
Loans and borrowings	150,744	150,907
Employee benefits	11,082	10,997
Deferred tax liabilities	22,541	22,565
Accounts payable, provisions and accrued expenses	224	230
Other non-current liabilities	4,864	4,136
Total non-current liabilities	189,455	188,835
Current liabilities		
Loans and borrowings	46,411	63,499
Accounts payable, provisions and accrued expenses	91,573	59,889
Income tax payable	35	50
Other current liabilities	8,710	9,988
Total current liabilities	146,729	133,426
Total liabilities	336,184	322,261
Total equity and liabilities	544,371	547,821

These consolidated interim financial statements were approved by management of OJSC Rostelecom on 15 August 2013 and were signed on its behalf by President:


 S.B. Kalugin

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

(In millions of Russian Roubles unless otherwise stated)

	Notes	Six-month period ended 30 June	
		2013 (unaudited)	2012 (restated)
Revenue	1	154,097	161,706
Operating expenses			
Wages, salaries, other benefits and payroll taxes		(42,496)	(41,797)
Depreciation, amortization and impairment losses		(33,403)	(32,109)
Interconnection charges		(22,305)	(22,647)
Materials, utilities, repairs and maintenance		(11,903)	(13,570)
Gain / (loss) on disposal of property, plant and equipment and intangible assets		40	(283)
Bad debt expense		(804)	(511)
Other operating income		5,242	6,322
Other operating expenses		(24,204)	(24,297)
Total operating expenses, net		(129,833)	(128,892)
Operating profit		24,264	32,814
Income from associates		316	296
Finance costs		(7,653)	(7,780)
Other investing and financial gain		855	1,208
Foreign exchange loss, net		(543)	(138)
Profit before income tax		17,239	26,400
Income tax expense		(3,551)	(6,450)
Profit for the period		13,688	19,950
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit and loss:			
Revaluation loss on available-for-sale investments		(658)	(654)
Revaluation gain on available-for-sale investments transferred to profit on sale		-	(749)
Exchange differences on translating foreign operations		48	(44)
Income tax relating to items that may be reclassified		-	150
Other comprehensive loss for the period, net of tax		(610)	(1,297)
Total comprehensive income for the period		13,078	18,653
Profit attributable to:			
Equity holders of the Group		13,779	19,915
Non-controlling interests		(91)	35
Total comprehensive income attributable to:			
Equity holders of the Group		13,165	18,621
Non-controlling interests		(87)	32
Earnings per share attributable to equity holders of the Group – basic (in Roubles)		4.74	6.86
Earnings per share attributable to equity holders of the Group – diluted (in Roubles)		4.74	6.79

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(In millions of Russian Roubles)

	<u>Six-month period ended 30 June</u>	
	<u>2013</u>	<u>2012</u>
	<u>(unaudited)</u>	<u>(restated)</u>
Cash flows from operating activities		
Profit before income tax	17,239	26,400
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	33,403	32,109
(Gain) / loss on disposal of property, plant and equipment and intangible assets	(40)	283
Bad debt expense	804	511
Income from associates	(316)	(296)
Finance costs excluding finance costs on pension and other long-term social liabilities	7,281	7,311
Other investing and financing gain	(855)	(1,208)
Foreign exchange loss, net	543	138
Share-based payment expenses	-	41
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(3,555)	(11,644)
Increase in employee benefits	85	186
Decrease/(increase) in inventories	527	(296)
Increase in accounts payable, provisions and accrued expenses	4,335	2,568
Change in other assets and liabilities	(1,572)	(276)
Cash generated from operations	57,879	55,827
Interest paid	(8,155)	(7,470)
Income tax paid	(4,503)	(4,348)
Net cash provided by operating activities	45,221	44,009
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(31,890)	(41,858)
Proceeds from sale of property, plant and equipment and intangible assets	666	147
Acquisition of financial assets	(3,718)	(3,509)
Proceeds from disposals of financial assets	395	5,513
Interest received	10	106
Dividends received	133	11
Purchase of subsidiaries, net of cash acquired	(21)	(1,175)
Proceeds from disposal of subsidiaries, net of cash disposed	-	81
Acquisition of equity accounting investees	(5)	-
Net cash used in investing activities	(34,430)	(40,684)

OJSC Rostelecom**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

(In millions of Russian Roubles)

	Six-month period ended 30 June	
	2013	2012
	(unaudited)	(restated)
Cash flows from financing activities		
Sale of treasury shares	8,234	2,224
Purchase of treasury shares	-	(21,367)
Proceeds from bank and corporate loans	172,778	247,216
Repayment of bank and corporate loans	(219,276)	(209,045)
Proceeds from bonds	30,000	-
Repayment of bonds	(1,215)	(3,377)
Proceeds from promissory notes	-	21,882
Repayment of promissory notes	-	(21,863)
Repayment of vendor financing payable	15	(70)
Repayment of other non-current financing liabilities	(6)	(6)
Repayment of finance lease liabilities	(501)	(923)
Dividends paid to shareholders of the Group	(427)	(362)
Dividends paid to non-controlling shareholders of the Group	(18)	-
Acquisition of non-controlling interest	-	(15,628)
Net cash used in financing activities	(10,416)	(1,319)
Effect of exchange rate changes on cash and cash equivalents	16	10
Net increase in cash and cash equivalents	391	2,016
Cash and cash equivalents at beginning of the period	10,370	7,380
Cash and cash equivalents at the end of the period	10,761	9,396

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(In millions of Russian Roubles)

	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	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2012, as previously reported	106	34,736	802	-	(17,161)	4,141	-	242,310	264,934	7,784	272,718
Impact of change in accounting policy	-	(26,000)	7	-	-	-	1,754	(4,719)	(28,958)	-	(28,958)
Balances at 1 January 2012 (restated)	106	8,736	809	-	(17,161)	4,141	1,754	237,591	235,976	7,784	243,760
Profit for the period (unaudited)	-	-	-	-	-	-	-	19,915	19,915	35	19,950
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)
Income tax in respect of other comprehensive income items (unaudited)	-	-	150	-	-	-	-	-	150	-	150
Total other comprehensive income, net of tax (unaudited)	-	-	(1,253)	(41)	-	-	-	-	(1,294)	(3)	(1,297)
Total comprehensive income for the period (unaudited)	-	-	(1,253)	(41)	-	-	-	19,915	18,621	32	18,653
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	-	-	-	-	-	(14,962)	(14,962)	-	(14,962)
Dividends to shareholders of the Group (unaudited)	-	-	-	-	-	-	-	-	-	(190)	(190)
Dividends to non-controlling shareholders of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	-	54	54
Non-controlling interests in acquired subsidiaries (unaudited)	-	-	-	-	-	-	-	(8,303)	(8,303)	(7,325)	(15,628)
Acquisition of non-controlling interest (unaudited)	-	-	-	-	(21,367)	-	-	-	(21,367)	-	(21,367)
Acquisition of treasury shares (unaudited)	-	-	-	-	2,224	-	-	-	2,224	-	2,224
Sale of treasury shares (unaudited)	-	-	-	-	-	-	-	-	-	-	-
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	(861)	-	879	18	-	18

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
(In millions of Russian Roubles)

	Equity attributable to shareholders of the Group							Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
	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			
Other changes in equity (unaudited)	-	-	-	-	-	-	-	2	-	2
Total transactions with shareholders (unaudited)	-	-	-	-	(19,143)	(861)	-	(22,384)	(7,461)	(42,388)
Balances at 30 June 2012 (restated)	106	8,736	(444)	(41)	(36,304)	3,280	1,754	235,122	355	212,564

OJSC Rostelecom
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

(In millions of Russian Roubles)

	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 of the Group	Total equity attributable to shareholders of the Group	Non-controlling interests	Total equity
Balances at 1 January 2013	106	7,119	(192)	(83)	(36,615)	3,093	2,052	-	249,587	225,067	493	225,560
Profit for the period (unaudited)	-	-	-	-	-	-	-	-	13,779	13,779	(91)	13,688
Revaluation loss on available-for-sale investments (unaudited)	-	-	(658)	-	-	-	-	-	-	(658)	-	(658)
Exchange differences on translating foreign operations (unaudited)	-	-	-	44	-	-	-	-	-	44	4	48
Total other comprehensive income, net of tax (unaudited)	-	-	(658)	44	-	-	-	-	-	(614)	4	(610)
Total comprehensive income for the period (unaudited)	-	-	(658)	44	-	-	-	-	13,779	13,165	(87)	13,078
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders of the Group	-	-	-	-	-	-	-	-	(8,169)	(8,169)	-	(8,169)
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(200)	(200)
Sale of treasury shares (unaudited)	-	(73)	-	-	8,241	-	-	-	-	8,168	-	8,168
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	(431)	-	-	431	-	-	-
Stock redemption reserve	-	-	-	-	-	-	-	(30,250)	-	(30,250)	-	(30,250)
Total transactions with shareholders (unaudited)	-	(73)	-	-	8,241	(431)	-	(30,250)	(7,738)	(30,251)	(200)	(30,451)
Balances at 30 June 2013 (unaudited)	106	7,046	(850)	(39)	(28,374)	2,662	2,052	(30,250)	255,628	207,981	206	208,187

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

(In millions of Russian Roubles)

1. REVENUE

Revenue comprised the following for the six months ended 30 June 2013 and 2012:

	Six-month period ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Local telephone services	42,659	43,323
Intra-zone telephone services	8,346	9,517
Domestic long-distance/International long-distance telephone services	8,857	10,541
Interconnection and traffic transit services (excluding Internet)	11,063	10,035
Mobile communication services	19,442	20,477
Rent of channels	5,246	5,812
Broadband Internet	26,680	24,544
Pay TV	5,458	4,198
Data services (VPN, data centres, wholesale Internet sales)	10,890	9,952
Cloud computing services	1,240	1,008
Other	14,216	22,299
Total revenue	154,097	161,706

During six months ended 30 June 2013 and 2012 the Group generated revenue by the following major customer groups:

Customer Groups	Six-month period ended 30 June	
	2013 (unaudited)	2012 (unaudited)
Residential customers	80,925	81,761
Corporate customers	34,712	33,520
Governmental customers	20,179	28,410
Interconnected operators	18,281	18,015
Total revenue	154,097	161,706

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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Other investments	4,467	952
Cash and cash equivalents	10,761	10,370
Other current assets	1,386	1,258
Total current assets	65,142	57,939
Total assets	544,371	547,821
EQUITY AND LIABILITIES		
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Total liabilities	336,184	322,261
Total equity and liabilities	544,371	547,821

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OJSC Rostelecom**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

(In millions of Russian Roubles)

	30 June 2013 (unaudited)	31 December 2012 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	379,991	385,994
Investment property	216	274
Goodwill and other intangible assets	84,191	87,830
Investments in associates	5,420	5,179
Other investments	1,763	2,498
Deferred tax assets	3,192	2,694
Other non-current assets	4,456	5,413
Total non-current assets	479,229	489,882
Current assets		
Inventories	4,007	4,534
Trade and other accounts receivable	37,672	33,992
Prepayments	3,486	3,912
Prepaid income tax	3,363	2,921
Other investments	4,467	952
Cash and cash equivalents	10,761	10,370
Other current assets	1,386	1,258
Total current assets	65,142	57,939
Total assets	544,371	547,821
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	106	106
Additional paid-in capital	7,046	7,119
Treasury shares	(28,374)	(36,615)
Retained earnings and other reserves	229,203	254,457
Total equity attributable to equity holders of the Group	207,981	225,067
Non-controlling interests	206	493
Total equity	208,187	225,560
Non-current liabilities		
Loans and borrowings	150,744	150,907
Employee benefits	11,082	10,997
Deferred tax liabilities	22,541	22,565
Accounts payable, provisions and accrued expenses	224	230
Other non-current liabilities	4,864	4,136
Total non-current liabilities	189,455	188,835
Current liabilities		
Loans and borrowings	46,411	63,499
Accounts payable, provisions and accrued expenses	91,573	59,889
Income tax payable	35	50
Other current liabilities	8,710	9,988
Total current liabilities	146,729	133,426
Total liabilities	336,184	322,261
Total equity and liabilities	544,371	547,821

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