

**PJSC Rostelecom  
and its subsidiaries (the “Group”)**

Unaudited management  
interim condensed consolidated financial statements

*for the nine-month period ended 30 September 2018  
prepared in accordance with the Group’s accounting policy based on  
International Financial Reporting Standards*

PJSC Rostelecom


Interim condensed consolidated statement of financial position

(In millions of Russian roubles unless otherwise stated)

	30 September 2018 (unaudited)	31 December 2017 (audited)*
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	351,303	348,430
Investment properties	160	159
Goodwill and other intangible assets	61,188	59,820
Right of use assets	20,005	-
Trade and other accounts receivable	7,619	8,352
Investments in associates and joint ventures	70,221	65,879
Other financial assets	1,797	1,600
Other non-current assets	6,008	4,352
Deferred tax assets	970	647
Contract assets	909	-
Contract costs	11,955	-
<b>Total non-current assets</b>	<b>532,135</b>	<b>489,239</b>
<b>Current assets</b>		
Inventories	7,114	6,169
Contract assets	12,911	-
Trade and other accounts receivable	50,799	47,813
Prepayments	5,108	3,455
Prepaid income tax	1,169	159
Other financial assets	6,622	5,963
Other current assets	3,235	2,619
Cash and cash equivalents	3,596	3,815
Held for sale assets	1,092	997
<b>Total current assets</b>	<b>91,646</b>	<b>70,990</b>
<b>Total assets</b>	<b>623,781</b>	<b>560,229</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	93	93
Additional paid-in capital	91	91
Treasury shares	(60,419)	(65,556)
Retained earnings and other reserves	310,506	311,494
<b>Total equity attributable to equity holders of the Group</b>	<b>250,271</b>	<b>246,122</b>
Non-controlling interests	3,312	3,242
<b>Total equity</b>	<b>253,583</b>	<b>249,364</b>
<b>Non-current liabilities</b>		
Loans and borrowings	174,575	166,660
Lease liabilities	17,888	-
Employee benefits	4,227	4,733
Deferred tax liabilities	38,332	35,681
Accounts payable, provisions and accrued expenses	2,823	2,233
Other non-current liabilities	14,696	6,383
<b>Total non-current liabilities</b>	<b>252,541</b>	<b>215,690</b>
<b>Current liabilities</b>		
Loans and borrowings	38,990	24,712
Lease liabilities	3,471	-
Accounts payable, provisions and accrued expenses	63,629	60,666
Income tax payable	101	1,162
Other current liabilities	11,466	8,635
<b>Total current liabilities</b>	<b>117,657</b>	<b>95,175</b>
<b>Total liabilities</b>	<b>370,198</b>	<b>310,865</b>
<b>Total equity and liabilities</b>	<b>623,781</b>	<b>560,229</b>

\* The Group initially adopted IFRS 15 and IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. The Group applied IFRS 9 from 1 January 2018 and has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

These interim condensed consolidated financial statements were approved by management of PJSC Rostelecom on 30 October 2018 and were signed on its behalf by:

  
 President  
 Oseevskiy M.E.

  
 CFO – Senior Vice President  
 Anokhin S.M.

PJSC Rostelecom

Interim condensed 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)	
	2018	2017*
<b>Revenue</b>	<b>232,982</b>	<b>221,216</b>
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(71,230)	(68,453)
Depreciation, amortization and impairment losses	(43,616)	(41,184)
Interconnection charges	(42,467)	(37,993)
Materials, utilities, repairs and maintenance	(18,405)	(17,660)
Gain on disposal of property, plant and equipment and intangible assets	2,341	1,481
Impairment loss of financial assets measured at amortized cost	(3,402)	(2,618)
Other operating income	10,615	9,588
Other operating expenses	(39,185)	(35,804)
<b>Total operating expenses, net</b>	<b>(205,349)</b>	<b>(192,643)</b>
<b>Operating profit</b>	<b>27,633</b>	<b>28,573</b>
Gain/(loss) from associates and joint ventures	722	(2,399)
Finance costs	(12,800)	(13,535)
Other investing and financial gain, net	1,411	1,074
Foreign exchange (loss)/gain, net	(325)	(4)
<b>Profit before income tax</b>	<b>16,641</b>	<b>13,709</b>
Income tax expense	(3,980)	(3,828)
<b>Profit for the period</b>	<b>12,661</b>	<b>9,881</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations, net of tax	282	(67)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>282</b>	<b>(67)</b>
<b>Total comprehensive income for the period</b>	<b>12,943</b>	<b>9,814</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	12,368	9,517
Non-controlling interests	293	364
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Group	12,669	9,446
Non-controlling interests	274	368
Earnings per share attributable to equity holders of the Group – basic (in roubles)	5.46	4.23
Earnings per share attributable to equity holders of the Group – diluted (in roubles)	5.36	4.19

\* The Group initially adopted IFRS 15 and IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. The Group applied IFRS 9 from 1 January 2018 and has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

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Interim condensed consolidated statement of cash flows

(In millions of Russian roubles unless otherwise stated)

	<b>Nine-month period ended 30 September (unaudited)</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit before tax	16,641	13,709
<i>Adjustments to reconcile profit before tax to cash generated from operations</i>		
Depreciation, amortization and impairment losses	43,616	41,184
Gain on disposal of property, plant and equipment and intangible assets	(2,341)	(1,481)
Impairment loss of financial assets measured at amortized cost	3,402	2,618
(Gain)/loss from associates and joint ventures	(722)	2,399
Finance costs excluding finance costs on pension and other long-term social liabilities	12,704	13,441
Other investing and financial gain, net	(1,411)	(1,074)
Foreign exchange loss/(gain), net	325	4
Share-based motivation program	2,645	1,381
<i>Changes in net working capital</i>		
Increase in accounts receivable and contract assets	(19,933)	(12,231)
(Decrease) in employee benefits	(507)	(169)
(Increase) in inventories	(932)	(345)
Increase/(decrease) in accounts payable, provisions and accrued expenses	7,070	(441)
(Decrease)/increase in other assets	(4,458)	(1,689)
Decrease in other liabilities	(632)	(591)
<b>Cash generated from operations</b>	<b>55,467</b>	<b>56,716</b>
Interest paid	(13,448)	(13,700)
Income tax refund	–	1,771
Income tax paid	(3,786)	(1,975)
<b>Net cash from operating activities</b>	<b>38,233</b>	<b>42,812</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(45,892)	(42,290)
Proceeds from sale of property, plant and equipment and intangible assets	3,906	2,580
Acquisition of financial assets	(5,283)	(9,575)
Proceeds from disposals of financial assets	4,353	5,423
Interest received	441	491
Subsidy from Government	10	–
Dividends received	48	6
Purchase of subsidiaries and business, net of cash acquired	(2,020)	(64)
Proceeds from disposal of subsidiaries, net of cash disposed	80	347
Acquisition of equity accounted investees	(3,582)	(30)
<b>Net cash used in investing activities</b>	<b>(47,939)</b>	<b>(43,112)</b>

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Interim condensed consolidated statement of cash flows (continued)

	<b>Nine-month period ended 30 September (unaudited)</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from financing activities</b>		
Sale of treasury shares	–	1
(Purchase) of treasury shares	–	(981)
Proceeds from bank and corporate loans	439,539	415,828
Repayment of bank and corporate loans	(414,848)	(391,919)
Proceeds from bonds	10,000	10,000
Repayment of bonds	(11,209)	(20,418)
Repayment of vendor financing payable	(13)	(7)
Repayment of other non-current financing liabilities	(1)	(5)
Options settlement repayments	–	(209)
Repayment of lease liabilities	(2,227)	(89)
Acquisition of non-controlling interest	–	(2,255)
Dividends paid to shareholders of the Group	(11,547)	(12,195)
Dividends paid to non-controlling shareholders of subsidiaries	(208)	(183)
<b>Net cash from/(used in) financing activities</b>	<b>9,486</b>	<b>(2,432)</b>
Effect of exchange rate changes on cash and cash equivalents	1	(182)
<b>Net decrease in cash and cash equivalents</b>	<b>(219)</b>	<b>(2,914)</b>
Cash and cash equivalents at beginning of the period	3,815	4,257
<b>Cash and cash equivalents at the end of the period</b>	<b>3,596</b>	<b>1,343</b>

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Interim condensed 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
<b>Balances at 1 January 2018</b>	93	91	(10)	806	(65,556)	2,710	6,286	301,702	246,122	3,242	249,364
Effect of application IFRS 9, 15, 16	–	–	–	–	–	–	–	392	392	–	392
<b>Balances at 1 January 2018, amended on effect of application IFRS 9, 15, 16</b>	93	91	(10)	806	(65,556)	2,710	6,286	302,094	246,514	3,242	249,756
<b>Profit for the period (unaudited)</b>	–	–	–	–	–	–	–	12,368	12,368	293	12,661
Exchange differences on translating foreign operations (unaudited)	–	–	–	301	–	–	–	–	301	(19)	282
<b>Total other comprehensive income/(loss), net of tax (unaudited)</b>	–	–	–	301	–	–	–	–	301	(19)	282
<b>Total comprehensive income for the period (unaudited)</b>	–	–	–	301	–	–	–	12,368	12,669	274	12,943
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>											
Dividends to shareholders of the Company	–	–	–	–	–	–	–	(11,547)	(11,547)	–	(11,547)
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(208)	(208)
Non-controlling interests in acquired subsidiaries	–	–	–	–	–	–	–	–	–	4	4
Employee benefits within share based employee motivation program	–	–	–	–	5,137	(123)	–	(2,369)	2,645	–	2,645
Other change in equity	–	–	–	–	–	–	–	(10)	(10)	–	(10)
<b>Total transactions with shareholders (unaudited)</b>	–	–	–	–	5,137	(123)	–	(13,926)	(8,912)	(204)	(9,116)
<b>Balances at 30 September 2018 (unaudited)</b>	93	91	(10)	1,107	(60,419)	2,587	6,286	300,536	250,271	3,312	253,583

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Interim condensed 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
<b>Balances at 1 January 2017</b>	<b>93</b>	<b>90</b>	<b>(10)</b>	<b>922</b>	<b>(67,034)</b>	<b>2,020</b>	<b>5,850</b>	<b>302,385</b>	<b>244,316</b>	<b>4,317</b>	<b>248,633</b>
<b>Profit for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,517</b>	<b>9,517</b>	<b>364</b>	<b>9,881</b>
Exchange differences on translating foreign operations (unaudited)	–	–	–	(71)	–	–	–	–	(71)	4	(67)
<b>Total other comprehensive (loss)/income, net of tax (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(71)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(71)</b>	<b>4</b>	<b>(67)</b>
<b>Total comprehensive (loss)/income for the period (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(71)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,517</b>	<b>9,446</b>	<b>368</b>	<b>9,814</b>
<b>Transactions with shareholders, recorded directly in equity (unaudited)</b>											
Dividends to shareholders of Combined entity	–	–	–	–	–	–	–	(12,195)	(12,195)	–	(12,195)
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(183)	(183)
Acquisition of treasury shares	–	–	–	–	(981)	–	–	–	(981)	–	(981)
Sale of treasury shares	–	–	–	–	1	–	–	–	1	–	1
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(995)	(995)	(1,260)	(2,255)
Disposal of non-controlling interest	–	–	–	–	–	–	–	(11)	(11)	11	–
Employee benefits within share-based employee motivation program	–	–	–	–	2,458	(233)	–	(844)	1,381	–	1,381
Other change in equity	–	–	–	–	–	6	–	(139)	(133)	–	(133)
<b>Total transactions with shareholders (unaudited)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,478</b>	<b>(227)</b>	<b>–</b>	<b>(14,184)</b>	<b>(12,933)</b>	<b>(1,432)</b>	<b>(14,365)</b>
<b>Balances at 30 September 2017 (unaudited)</b>	<b>93</b>	<b>90</b>	<b>(10)</b>	<b>851</b>	<b>(65,556)</b>	<b>1,793</b>	<b>5,850</b>	<b>297,718</b>	<b>240,829</b>	<b>3,253</b>	<b>244,082</b>