

ROSTELECOM REPORTS IFRS CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2012

Moscow – November 21, 2012 – Rostelecom OJSC (the “Group” and the “Company”) (MICEX - RTS: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announced its unaudited IFRS consolidated¹ financial results for the third quarter and nine months ended September 30, 2012.

NINE MONTHS FINANCIAL HIGHLIGHTS

- Consolidated revenues up 8% year-on-year to RUB 238.7 billion
- OIBDA² up 8% year-on-year to RUB 94.0 billion with an OIBDA margin of 39.4% compared to 39.2% for the same period of 2011
- Net income up 13% year-on-year to RUB 30.6 billion
- Capital expenditure³ of RUB 63.5 billion, representing 26.6% of consolidated revenues
- Net debt of RUB 197.6 billion with a net debt / annualised OIBDA ratio of 1.6x as at September 30, 2012.

THIRD QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues up 2% year-on-year to RUB 77.0 billion
- OIBDA of RUB 29.4 billion with an OIBDA margin of 38.2%
- Net income up 8% year-on-year to RUB 9.9 billion
- Capital expenditure of RUB 21.6 billion, representing 28.1% of consolidated revenues

KEY OPERATING HIGHLIGHTS

- Total number of households passed reached 33.4 million⁴, of which 15.7 million (47%) were passed using FTTx technology
- Total broadband subscriber base up 12% year-on-year to 8.9 million
- Total Pay TV subscriber base increased by 11% year-on-year to 6.4 million, of which 1.2 million are interactive TV subscribers.

Alexander Provotorov, President of Rostelecom, commented: “We continue to deliver on our strategy, which was approved by the Board in May 2011. During the third quarter, we were actively involved in the construction of our mobile networks in selected regions, primarily where Rostelecom already has mobile operations or uses frequency licences obtained through the acquisition of Sky Link, which was completed at the end of July. Following the test launch of our first 3G network in the Irkutsk region, the mobile data traffic in the region increased by 1.5 times. This clearly indicates that we are moving in the right direction to meet our clients’ needs. Our successful participation in the LTE licence tender process was also among the key developments of the third quarter”.

Anton Khozyainov, Senior Vice President of Rostelecom, added: “During the nine months to September 30, 2012, our top line grew 8% year-on-year to RUB 238.7 billion the, OIBDA margin increased to 39.4% and net income grew 13% year-on-year to RUB 30.6 billion. In addition, in early November, we

¹ Q1 2011 financial results include contributions from North-West Telecom OJSC, CenterTelecom OJSC, Southern Telecommunications Company OJSC, VolgaTelecom OJSC, Uralsvyazinform OJSC, Sibirtelecom OJSC, Far East Telecom OJSC (“RTOs”), and also Dagsvyazinform OJSC and Rostelecom OJSC (under RAS), which had been under common control of Svyazinvest OJSC and were merged with Rostelecom on April 1, 2011. Operating activities include contributions from Sky Link CJSC, which was acquired by Rostelecom from Svyazinvest on July 27, 2012

² Here and below, please refer to Attachment 1 of this statement for a full definition of OIBDA

³ Here and below, capital expenditure (“CAPEX”) comprises cash spent on purchase of property, plant and equipment and intangible assets

⁴ Calculated as the sum of total number of households passed by xDSL, FTTx and xPON technologies, excluding technology intersections.

increased the share of our long-term debt by placing bonds with a total value of RUB 10 billion. This was the first time the united Rostelecom has issued bonds since the start of the reorganisation process in 2011. Rostelecom's strong credit ratings and the high demand for our bonds from investors enabled us to achieve attractive terms for this offering and to set the coupon at 8.55% per annum."

CONSOLIDATION AND INCLUSION OF SKY LINK CJSC FINANCIAL RESULTS

The acquisition of Sky Link CJSC ("Sky Link") is the 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 Svyazinvest, i.e. Oct 4, 2010.

FINANCIAL SUMMARY

RUB million	3Q 2012	3Q 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Revenue	76,985	75,250	2%	238,691	221,838	8%
OIBDA	29,426	30,060	(2%)	93,972	86,858	8%
<i>OIBDA margin, %</i>	38.2%	39.9%		39.4%	39.2%	
Operating income	13,434	14,775	(9%)	45,871	41,779	10%
<i>Operating margin, %</i>	17.5%	19.6%		19.2%	18.8%	
Net income	9,902	9,203	8%	30,626	27,038	13%
<i>Net margin, %</i>	12.9%	12.2%		12.8%	12.2%	
Capital expenditure	21,602	15,902	36%	63,460	42,647	49%
<i>% of revenue</i>	28.1%	21.1%		26.6%	19.2%	
Net debt	197,593	147,226	34%	197,593	147,226	34%
<i>Net debt/annualised OIBDA</i>	1.6x	1.3x		1.6x	1.3x	

OPERATING REVIEW

Revenue structure by services⁵

RUB million	3Q 2012	3Q 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Local telephony services	21,125	21,615	(2%)	64,448	66,107	(3%)
Intra-zone telephony services	4,568	5,287	(14%)	14,085	16,261	(13%)
DLD/ILD telephony services	4,863	5,633	(14%)	15,404	17,782	(13%)
Interconnection and traffic transit services	5,418	5,635	(4%)	15,453	14,757	5%
Broadband Internet	12,367	11,391	9%	36,911	34,330	8%
Pay TV	2,394	1,716	40%	6,592	4,847	36%
Mobile communication services	10,512	10,284	2%	30,989	30,340	2%
Data services (VPN, data centres, wholesale Internet sales)	5,149	4,874	6%	15,101	13,597	11%
Rent of channels	3,014	2,746	10%	8,826	7,558	17%
Other	7,575	6,069	25%	30,882	16,259	90%
Total revenue	76,985	75,250	2%	238,691	221,838	8%

Revenue structure by customer segments

RUB million	3Q 2012	3Q 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Residential customers	40,163	40,700	(1%)	121,924	124,084	(2%)
Corporate customers	16,844	17,191	(2%)	50,364	49,630	1%
Governmental customers	10,191	8,101	26%	38,601	23,488	64%
Operators	9,787	9,258	6%	27,802	24,636	13%
Total revenue	76,985	75,250	2%	238,691	221,838	8%

The Company reported a 2% year-on-year increase in revenue to RUB 77.0 billion in the third quarter, which reflected:

- an increase in revenues from cloud and IT solutions and from infrastructure rental as part of other revenues
- broadband revenue growth which was in line with an increase in subscriber base
- Pay TV revenue growth reflecting an increase in subscriber base.

This growth was partially offset by a decline in revenues from Domestic Long Distance and International Long Distance and intrazonal telephony services, which primarily reflected on-going changes in usage patterns for traditional fixed-line services.

Rostelecom reported an 8% year-on-year increase in revenues to RUB 238.7 billion for the first nine months of 2012. The year-on-year growth primarily reflected an increase in revenues from cloud and IT solutions and infrastructure rental as part of other revenues, and higher revenues from broadband and Pay TV services driven by increases in their respective subscriber bases.

⁵ Effective from April 1, 2011, the methodological changes in the revenue structure include the following: 1) revenue from DLD/ILD traffic transit, which were previously included in the "DLD / ILD telephony services" reporting line, are now included in the "Interconnection and traffic transit services" reporting line; 2) revenue from mobile interconnection services, previously included in the "Interconnection and traffic transit services" reporting line, are now presented under "Mobile Communication Services"; 3) other methodological changes had no significant impact on the reporting structure.

Key operating indicators

Number of Subscribers (millions):					
	3Q 2012	3Q 2011	% change, y-o-y	2Q 2012	% change, y-o-y
Household passed incl	33.4	30.9	8%	33.1	1%
FTTx	15.7	11.9	32%	14.8	6%
Local telephony	27.5	28.8	(4%)	27.8	(1%)
Mobile	13.5	13.3	2%	13.5	0.4%
Broadband Internet access incl.	8.9	7.9	12%	8.6	3%
Residential	8.2	7.3	13%	8.0	3%
Corporate	0.6	0.6	8%	0.6	2%
Pay TV incl.	6.4	5.8	11%	6.2	3%
IPTV	1.2	0.5	120%	1.0	21%
Traffic, generated by residential and corporate subscribers ⁶ (billions of minutes)					
Intra-zone	2.3	2.7	(13%)	2.4	(5%)
DLD	1.1	1.2	(13%)	1.2	(7%)
ILD	0.1	0.1	(14%)	0.1	(4%)

The total broadband subscriber base grew by 12% year-on-year and by 3% quarter-on-quarter to 8.9 million users, while the total Pay TV subscriber base increased by 11% year-on-year and by 3% quarter-on-quarter to reach 6.4 million subscribers. This reflected an increase in IPTV subscriber base which more than doubled year-on-year and grew 21% quarter-on-quarter.

The number of mobile subscribers increased by 2% year-on-year to 13.5 million, when including Sky Link Group's subscribers. The year-on-year increase in subscriber base can be attributed to marketing and promotional activities related to Rostelecom's mobile offering. Rostelecom's total subscriber base for local telephony services decreased both year-on-year and quarter-on-quarter, as a result of ongoing changes in customer preferences towards mobile communications.

OPERATING EXPENSES⁷ STRUCTURE

RUB million						
	3Q 2012	3Q 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Personnel costs	19,327	18,371	5%	61,366	59,396	3%
Interconnection charges	11,812	11,521	3%	34,459	29,966	15%
Materials, repairs and maintenance, utilities	7,134	7,039	1%	20,998	20,605	2%
Other operating income	(4,023)	(2,961)	36%	(10,345)	(10,173)	2%
Other operating expenses	13,309	11,220	19%	38,241	35,186	9%
Total	47,559	45,190	5%	144,719	134,980	7%

The Company's total operating expenses, excluding depreciation and amortisation, increased by 5% year-on-year to RUB 47.6 billion in the third quarter of 2012. The increase primarily reflected:

- a 19% year-on-year increase in other operating expenses to RUB 13.3 billion, which is attributable to higher property tax and increased expenses attributable to SKY LINK prior to its acquisition by the Group.
- a 5% year-on-year increase in personnel costs to RUB 19.3 billion.

The Company's total operating expenses, excluding depreciation and amortisation, increased by 7% year-on-year to RUB 144.7 billion for the first nine months of 2012.

⁶ Excluding traffic, generated by other telecom operators

⁷ Excluding depreciation and amortisation

The Company reported OIBDA of RUB 29.4 billion in the third quarter and OIBDA of RUB 94.0 billion for the nine months of 2012, with OIBDA margins of 38.2% and 39.4%, respectively.

Depreciation and amortisation expenses increased by 5% year-on-year to RUB 16.0 billion in the third quarter and by 7% year-on-year to RUB 48.1 billion for the year-to-date. This was in line with expenditure requirements for the video surveillance project and the commissioning of new fixed assets.

Rostelecom's capital expenditure increased by 36% year-on-year to RUB 21.6 billion in the third quarter and by 49% year-on-year to RUB 63.5 billion for the nine months of 2012. The increase in CAPEX is the result of work carried out to upgrade and build channels for the video surveillance project, the modernisation of broadband networks and IT systems, as well as the launch of new services and the construction of Rostelecom's 3G infrastructure.

The Company reported an operating profit of RUB 13.4 billion in the third quarter and RUB 45.9 billion for the nine months of 2012, with operating margins of 17.5% and 19.2%, respectively.

Other expenses were flat year-on-year in the third quarter of 2012. The year-on-year increase in financial expenses which was attributable to an increase in total debt, was fully offset by an increase in the Group's equity participation in Svyazinvest and Bashinformsvyaz's earnings and a foreign exchange gain.

Profit before tax remained stable year-on-year at RUB 11.6 billion in the third quarter and increased by 12% year-on-year to RUB 39.3 billion for the nine months of 2012.

The Company's income tax contributions decreased by 28% year-on-year to RUB 1.7 billion in the third quarter and increased by 6% year-on-year to RUB 8.7 billion for the nine months of 2012, which reflected changes in profit before tax.

Rostelecom's effective tax rate was 14.9% in the third quarter and 22.1% for the nine months of 2012. The third quarter effective tax rate was lower than the statutory rate due to the recognition of a one-off deferred tax asset on Sky Link's losses.

The Company reported an 8% year-on-year increase in net income to RUB 9.9 billion in the third quarter and a 13% year-on-year increase to RUB 30.6 billion for the nine months of 2012.

FINANCIAL REVIEW

Net cash generated by operating activities increased by 16% year-on-year for the nine months of 2012 and amounted to RUB 73.2 billion.

Cash used in investing activities decreased by 21% year-on-year to RUB 58.2 billion for the nine months of 2012, mainly as a result of the acquisition of a 71.8% stake in NTK in the first quarter of 2011.

The year-on-year decrease in cash provided by financing activities as at the end of the first nine months of 2012 was mainly due to the acquisition of 3.86% of Rostelecom ordinary shares by Mobitel ("Mobitel") and the acquisition of a 28.2% stake in NTK.

The Group's total borrowings, including current and non-current obligations, amounted to RUB 201.6 billion as at September 30, 2012. Over 98% of the Group's total debt was ruble-denominated at the end of the third quarter.

The Group's net debt therefore amounted to RUB 197.6 billion, equivalent to 1.6x annualised OIBDA.

SIGNIFICANT EVENTS RELATING TO THE THIRD QUARTER OF 2012 AND AFTER THE END OF THE REPORTING PERIOD

Business news

- According to the results of a Roskomnadzor tender for the allocation of LTE-standard licences, Rostelecom was awarded licences within the 791-798.5MHz band and 832-839.5MHz band to roll-out its LTE network, which can be further modified to provide 4G services
- Rostelecom announced that over 8,000 base stations will be installed in 27 regions as part of the first stage of building a modern multi-standard mobile network. The network will offer all the advantages of existing technologies which are used to provide 2G, 3G and 4G wireless services
- Rostelecom launched its first 3G network in the Irkutsk region. Mobile data traffic has multiplied 1.5 times since the network's test launch
- Rostelecom commissioned an Oracle-based Hyperion unified budgeting solution, which will help draw new budgets and provide further control functions for its divisions in all 8 marco regions
- Rostelecom announced that its broadband subscriber base now exceeds 9 million users as at the beginning of November 2012. Rostelecom remains the leader of the Russian broadband market with a 40% market share⁸, which is almost 4 times more than its nearest competitor
- Rostelecom appointed CJSC "Sberbank CIB", VTB Capital CJSC and Gazprombank OJSC to organise the Group's potential bond placement. The issue is expected to raise a total nominal value of RUB 100 billion
- Rostelecom set the coupon for the Series 17 bonds at 8.55% per annum, with a period of 182 days. The bonds, totalling a nominal value of RUB 10 billion, have a three-year put option from placement and a maturity of 5 years.

Reorganisation

- An EGM of Svyazinvest shareholders passed a resolution on July 29, 2012, to increase the company's share capital by issuing additional shares, which was proposed by the company's Board. The shares were offered as part of a private placement to existing Svyazinvest shareholders. Rostelecom will pay cash for the additional shares, while the State, represented by the Federal Property Management Agency, will purchase its additional stake by transferring to Svyazinvest its ordinary shares in OJSC Bashinformsvyaz, JSC Ingushelektrosvyaz, JSC Chukotkasvyazinform, OJSC MMTS-9, as well as its ordinary and Class A preferred shares in JSC Central Telegraph
- Svyazinvest held an extraordinary general meeting of shareholders on October 10, 2012. The EGM approved an inter-party transaction agreement to purchase additional shares as stipulated between the Russian state represented by the Federal Property Management Agency and Svyazinvest
- Rostelecom's Board of Directors approved the acquisition of 140,315,416 additional ordinary nominal book-entry shares in Svyazinvest.

M&A

- Rostelecom completed the acquisition of a 100% stake in Sky Link. As part of the deal, Mobitel LLC, a subsidiary of Rostelecom, acquired a 50% stake in Sky Link from Svyazinvest in exchange for 1.91% of Rostelecom ordinary shares. As a result, Mobitel's effective ownership in

⁸ Source: ACM-Consulting

Sky Link now amounts to 100%. The 1.91% stake in Rostelecom was valued at RUB 9.4 billion, or RUB 167 per share

- Rostelecom Board of Directors approved selling Rostelecom's 2.95% stake in SMARTS ordinary shares back to SMARTS
- AMT CJSC and Westelecom JSC, wholly-owned subsidiaries of Rostelecom, acquired 100% shares in Chita-on-Line Ltd, one of the largest alternative operators in Chita, from private investors.

Other

- A consortium which includes the Russian Institute of Directors and rating agency Expert RA confirmed Rostelecom's national corporate governance rating at the level of "8", which corresponds to "Developed Corporate Governance Practice" on the National Corporate Governance Scale.
- A Russian rating agency "Reputation" assigned Rostelecom its first Corporate social responsibility rating of "AA (s)".

OTHER INFORMATION

Conference call

Rostelecom will host a conference call today at
7.00 AM (ET) / 12.00 PM (UK) / 1.00 PM (CET) / 4.00 PM (MOSCOW)

To participate in the conference call, please dial:

Russia	+7 495 580 9543
UK/ International:	+44 208 515 2319
US:	+1 480 629 9819

A replay of the conference call will be available on the Company's website http://www.rostelecom.ru/en/ir/results_and_presentations/financials/2012/ in due course.

FOR MORE INFORMATION PLEASE CONTACT:

IR department

Tel. +7 (499) 995-97-80

ir@rt.ru

ATTACHMENTS:

1. Reconciliation of OIBDA;
2. Statement of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011
3. Statement of Cash Flows for the nine months ended September 30, 2012 and 2011
4. Statement of Financial Position

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>	3Q 2012	3Q 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Operating income	13,434	14,775	(9%)	45,871	41,779	10%
Add: Depreciation and amortisation	15,992	15,285	5%	48,101	45,079	7%
OIBDA	29,426	30,060	(2%)	93,972	86,858	8%
OIBDA margin, %	38.2%	39.9%		39.4%	39.2%	

**ATTACHMENT 2
STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2012**

	Three -month periods ended September 30		Nine -month periods ended September 30	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Revenue	76,985	75,250	238,691	221,838
Operating expenses				
Wages, salaries, other benefits and payroll taxes	(19,327)	(18,371)	(61,366)	(59,396)
Depreciation, amortization and impairment losses	(15,992)	(15,285)	(48,101)	(45,079)
Interconnection charges	(11,812)	(11,521)	(34,459)	(29,966)
Materials, utilities, repairs and maintenance	(7,134)	(7,039)	(20,998)	(20,605)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(257)	(381)	(540)	(967)
Bad debt (expense) recovery	(521)	(494)	(1,166)	(462)
Other operating income	4,023	2,961	10,345	10,173
Other operating expenses	(12,531)	(10,345)	(36,535)	(33,757)
Total operating expenses, net	(63,551)	(60,475)	(192,820)	(180,059)
Operating profit	13,434	14,775	45,871	41,779
Income from associates	1,259	932	3,486	2,737
Finance costs	(4,398)	(3,497)	(12,164)	(10,265)
Other investing and financial gain	860	956	1,791	1,426
Foreign exchange (loss)/gain, net	479	(1,572)	324	(482)
Profit before income tax	11,634	11,594	39,308	35,195
Income tax expense	(1,732)	(2,391)	(8,682)	(8,157)
Profit for the period	9,902	9,203	30,626	27,038
Other comprehensive (loss) / income				
Revaluation (loss)/ gain on available-for-sale investments	502	(456)	(152)	(174)
Revaluation gain on available-for-sale investments transferred to profit on sale	9	-	(740)	-
Exchange differences on translating foreign operations	(24)	-	(68)	-
Share of other comprehensive income recognized by associates	31	(11)	(63)	(11)
Income tax in respect of other comprehensive loss/ (gain) income items	(103)	92	178	35
Other comprehensive (loss)/ income for the period, net of tax	415	(375)	(845)	(150)
Total comprehensive income for the period	10,317	8,828	29,781	26,888
Profit attributable to:				
Equity holders of the Group	9,817	9,381	30,506	27,192
Non-controlling interests	85	(178)	120	(154)
Total comprehensive income attributable to:				
Equity holders of the Group	10,237	9,006	29,666	27,042
Non-controlling interests	80	(178)	115	(154)
Earnings per share attributable to equity holders of the Group – basic (in Roubles)	3.13	3.27	10.55	9.48
Earnings per share attributable to equity holders of the Group – diluted (in Roubles)	3.11	3.21	10.45	9.32

**ATTACHMENT 3
STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND
2011**

	<u>Nine-month periods ended 30 September</u>	
	<u>2012 (unaudited)</u>	<u>2011 (unaudited)</u>
Cash flows from operating activities		
Profit before income tax	39,308	35,195
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	48,101	45,079
Loss on disposal of property, plant and equipment and intangible assets	540	967
Bad debt expense	1,166	462
Income from associates	(3,486)	(2,737)
Finance costs excluding finance costs on pension and other long-term social liabilities	11,464	9,263
Other investing and financing gain	(1,791)	(1,426)
Foreign exchange (gain)/ loss, net	(324)	482
Share-based payment expenses	41	513
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(10,046)	(3,854)
Increase in employee benefits	647	1,029
Increase in inventories	(542)	(1,287)
Increase/(decrease) in accounts payable, provisions and accrued expenses	5,098	(4,965)
<i>(Decrease)/increase in other assets and liabilities</i>	<i>(748)</i>	<i>2,664</i>
Cash generated from operations	89,428	81,385
Interest paid	(11,757)	(9,544)
Income tax paid	(4,495)	(8,995)
Net cash provided by operating activities	73,176	62,846
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(63,460)	(42,647)
Proceeds from sale of property, plant and equipment and intangible assets	1,225	752
Acquisition of financial assets	(3,764)	(5,456)
Proceeds from disposals of financial assets	7,991	8,041
Interest received	209	1,472
Dividends received	822	193
Purchase of subsidiaries, net of cash acquired	(1,287)	(32,285)
Proceeds from disposal of subsidiaries, net of cash disposed	81	-
Acquisition of equity accounting investees	-	(3,640)
Net cash used in investing activities	(58,183)	(73,570)

Nine-month periods ended 30 September

	2012 (unaudited)	2011 (unaudited)
Cash flows from financing activities		
Purchase of treasury shares	(21,928)	(6)
Sale of treasury shares	2,224	-
Proceeds from bank and corporate loans	380,463	167,438
Repayment of bank and corporate loans	(343,289)	(150,061)
Proceeds from bonds	-	12
Repayment of bonds	(6,436)	(8,398)
Proceeds from promissory notes	22,863	13,490
Repayment of promissory notes	(22,946)	(14,840)
Repayment of vendor financing payable	(124)	(323)
Repayment of other non-current financing liabilities	(9)	54
Repayment of finance lease liabilities	(1,185)	(2,398)
Dividends paid to shareholders of the Group	(12,808)	(113)
Dividends paid to non-controlling shareholders of subsidiaries	(190)	(303)
Acquisition of non-controlling interest	(15,628)	(366)
Net cash (used in)/ provided by financing activities	(18,993)	4,186
Effect of exchange rate changes on cash and cash equivalents	(11)	(15)
Net increase decrease in cash and cash equivalents	(4,011)	(6,553)
Cash and cash equivalents at beginning of the period	7,380	12,694
Cash and cash equivalents at the end of the period	3,369	6,141

ATTACHMENT 4 STATEMENT OF FINANCIAL POSITION

30 September 2012
(unaudited) 31 December 2011

	30 September 2012 (unaudited)	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	358,260	335,205
Investment property	186	259
Goodwill and other intangible assets	86,778	88,937
Investments in associates	34,726	34,746
Other investments	2,691	3,635
Deferred tax assets	510	1,127
Other non-current assets	14,549	13,562
Total non-current assets	497,700	477,471
Current assets		
Inventories	5,316	4,763
Trade and other accounts receivable	35,834	28,790
Prepayments	4,445	2,706
Prepaid income tax	1,753	3,309
Other investments	656	3,926
Cash and cash equivalents	3,369	7,380
Other current assets	2,838	1,276
Total current assets	54,211	52,150
Total assets	551,911	529,621
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	106	106
Additional paid-in capital	34,842	34,739
Treasury shares	(36,707)	(17,164)
Retained earnings and other reserves	253,529	247,928
Total equity attributable to equity holders of the Group	251,770	265,609
Non-controlling interests	438	7,784
Total equity	252,208	273,393
Non-current liabilities		
Loans and borrowings	127,655	90,806
Employee benefits	12,399	11,752
Deferred tax liabilities	21,067	20,699
Accounts payable, provisions and accrued expenses	124	85
Other non-current liabilities	4,014	3,689
Total non-current liabilities	165,259	127,031
Current liabilities		
Loans and borrowings	73,963	81,464
Accounts payable, provisions and accrued expenses	50,860	39,196
Income tax payable	937	242
Other current liabilities	8,684	8,295
Total current liabilities	134,444	129,197
Total liabilities	299,703	256,228
Total equity and liabilities	551,911	529,621

* * *

Rostelecom (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 million fixed-line broadband subscribers and over 6 million pay-TV subscribers. As Rostelecom develops its mobile data networks, its position as a major mobile operator is growing with over 13 million currently subscribed to Rostelecom's mobile voice services. The Company currently has approximately 28 million local fixed-line voice subscribers and it is the leader in the corporate and government services segment. 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 238.7 billion of consolidated revenues, RUB 94.0 billion of OIBDA (39.4% of revenues) and RUB 30.6 billion of net income for the nine months ended September 30, 2012.

* * *

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.