

PRESS RELEASE

ROSTELECOM ANNOUNCES ITS IFRS FINANCIAL AND OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2013

Moscow, Russia – November 20, 2013 – Rostelecom OJSC (MOEX: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announces its consolidated financial results for the third quarter and the first nine months of 2013 prepared in accordance with IFRS¹.

NINE MONTHS FINANCIAL HIGHLIGHTS

When comparing year-on-year performance, it is important to note the presence of substantial one-off revenues (“one-offs”) during the first nine months of 2012.

- Consolidated revenues up 2% year-on-year to RUB 232.3 billion (excluding the one-off revenues in the first quarter of 2012). Revenues decreased by 3% year-on-year after factoring in one-off revenues;
- OIBDA² amounted to RUB 87.1 billion with an OIBDA margin of 37.5%, higher than the OIBDA margin for full-year 2012 (36.9%) and the second quarter of 2013 (37.4%);
- Net income of RUB 24.2 billion, reflecting the absence of Rostelecom’s share in Svyazinvest’s³ net income;
- Capital expenditure⁴ of RUB 45.8 billion (19.7% of revenue);
- Net debt⁵ of RUB 208.3 billion as of 30 September, 2013 with a net debt/OIBDA⁶ ratio of 1.9x;
- Net cash from operating activities of RUB 63.0 billion with free cash flow of RUB 17.1 billion.

THIRD QUARTER FINANCIAL HIGHLIGHTS

- Consolidated revenues up 2% year-on-year to RUB 78.2 billion;
- OIBDA of RUB 29.4 billion with an OIBDA margin of 37.6%, compared to 36.9% for the full year 2012, and 37.4% for the second quarter of 2013;
- Net income up 12% year-on-year to RUB 10.5 billion;
- Capital expenditure of RUB 13.9 billion (17.8% of revenue).

Sergey Kalugin, Rostelecom’s President, commented: “Efforts taken to strengthen our market positions in key segments and improve on our internal efficiency led to positive results during the quarter. Not only do we continue to grow our broadband and pay-TV subscriber base, but we also increased our net income during the quarter. Furthermore, all the necessary corporate procedures associated with the reorganisation of Rostelecom have been successfully executed, with Svyazinvest and a range of subsidiaries now merged with Rostelecom. The Company now has a simplified shareholder base, cross-ownership has been eliminated and the state, together with the Bank for Development and Foreign Economic Affairs, hold direct ownership of more than 51% of Rostelecom’s voting shares.

All of these developments have contributed to significant levels interest in Rostelecom from high-profile investors, including the Russian Direct Investment Fund and Deutsche Bank. A further

¹ Unaudited data

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

³ In order 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 3Q13 includes OJSC Bashinformsvyaz and others but does not include Rostelecom’s share in OJSC Svyazinvest’s net profit.

⁴ Here and below, capital expenditure (“CAPEX”) comprises cash spent on purchase of property, plant and equipment and intangible assets

⁵ 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

⁶ OIBDA from the past twelve months

important step in the optimisation of our shareholder structure was taken through the recent repurchase of a significant minority shareholding.”

Kai-Uwe Mehlhorn, Vice-President - Chief Financial Officer, added: “The Company’s third quarter results are testament to the fact that it continues to actively develop its broadband and pay-TV segments and is successfully replacing stagnating income from fixed telephony with income from these promising segments. The focus on operating efficiency, which has seen us optimise relationships with vendors and contractors, is already having a positive effect on our financial performance, with improvements to procurement efficiency enabling savings of over RUB 12 billion over the past two reporting quarters.”

| RUB million | 3Q 2013 | 3Q 2012 | % change, y-o-y | 9M 2013 | 9M 2012 | % change, y-o-y |
|----------------------------------|----------------|---------|-----------------|----------------|---------|-----------------|
| Revenue | 78,220 | 76,985 | 2% | 232,317 | 238,691 | (3%) |
| OIBDA | 29,398 | 29,414 | (0%) | 87,065 | 94,335 | (8%) |
| <i>OIBDA margin, %</i> | 37.6% | 38.2% | | 37.5% | 39.5% | |
| Operating income | 13,257 | 13,422 | (1%) | 37,521 | 46,234 | (19%) |
| <i>Operating margin, %</i> | 16.9% | 17.4% | | 16.2% | 19.4% | |
| Net income | 10,544 | 9,385 | 12% | 24,232 | 29,333 | (17%) |
| <i>% of revenue</i> | 13.5% | 12.2% | | 10.4% | 12.3% | |
| Capital expenditure | 13,935 | 21,602 | (35%) | 45,826 | 63,460 | (28%) |
| <i>% of revenue</i> | 17.8% | 28.1% | | 19.7% | 26.6% | |
| Net debt | 208,293 | 197,593 | 5% | 208,293 | 197,593 | 5% |
| <i>Net debt/annualised OIBDA</i> | 1.9 | 1.6 | | 1.9 | 1.6 | |

KEY OPERATING HIGHLIGHTS

- The number of broadband subscribers grew by 10% year-on-year to 9.8 million, and the number of subscribers connected to the fibre optic network grew by 40% year-on-year to 3.5 million (36% of the subscriber base);
 - The B2C subscriber base grew by 11% to 9.1 million
 - The pay-TV subscriber base increased by 10% year-on-year to 7 million subscribers, of which the number of IPTV subscribers increased by nearly 1.5 times to 1.8 million.
- The number of mobile subscribers grew by 4% year-on-year to 14.1 million.

| <i>Number of subscribers (million)</i> | 3Q 2013 | 3Q 2012 | % change, y-o-y | 2Q 2013 | % change, y-o-y |
|--|---------|---------|-----------------|---------|-----------------|
| Local telephony services | 25.9 | 27.5 | (6%) | 26.4 | (2%) |
| Mobile communication services | 14.1 | 13.5 | 4% | 13.8 | 2% |
| Broadband Internet | 9.8 | 8.9 | 10% | 9.6 | 2% |
| Residential | 9.1 | 8.2 | 11% | 8.9 | 2% |
| Corporate clients | 0.7 | 0.6 | 6% | 0.7 | 1% |
| Pay-TV | 7.0 | 6.4 | 10% | 6.9 | 2% |
| IPTV | 1.8 | 1.2 | 49% | 1.7 | 8% |

SIGNIFICANT EVENTS RELATING TO THE THIRD QUARTER OF 2013 AND AFTER THE END OF THE REPORTING PERIOD

Business News

- In November 2013, the IPTV subscriber base reached 2 million;
- 3G networks were launched in Saint Petersburg and Novosibirsk;
- A project to reform contact centres got underway;
- An agreement on transit traffic between Europe and Asia was signed with China Telecom.

Reorganisation

- Rostelecom's Board of Directors has closed its order books on requests made to participate in the share buyback from those shareholders who did not agree to the Company's reorganisation (the merger of Svyazinvest and a range of subsidiary companies). The Company has acquired 6.5% of its ordinary shares and 17.5% of its preferred shares as part of the process.
- On 1 October 2013, the Company's reorganisation was essentially finalised by merging OJSC Svyazinvest and a range of other companies (either directly or indirectly controlled by Rostelecom and/or Svyazinvest) to OJSC Rostelecom, its parent company.

M&A News

- The Russian Direct Investment Fund (RDIF) and Deutsche Bank, one of the leading international banks, collectively acquired 72,187,366 Rostelecom ordinary shares. The investment amounted to RUB 7.674 billion.
- Rostelecom's subsidiary LLC Mobitel acquired 7.45% of Rostelecom's ordinary shares from OJSC Gazprombank in a transaction worth RUB 25.2 billion.

Other News

- Fitch affirmed Rostelecom's rating at the BBB- investment category with a stable outlook.

OPERATING REVIEW

Revenue Analysis

Revenue structure by services

| RUB million | 3Q 2013 | 3Q 2012 | % change, y-o-y | 9M 2013 | 9M 2012 | % change, y-o-y |
|---|---------------|---------|-----------------|----------------|---------|-----------------|
| Local telephony services | 20,497 | 21,125 | (3%) | 63,156 | 64,448 | (2%) |
| Intra-zone telephony services | 4,032 | 4,568 | (12%) | 12,378 | 14,085 | (12%) |
| DLD/ILD telephony services | 4,081 | 4,859 | (16%) | 12,938 | 15,400 | (16%) |
| Interconnection and traffic transit services | 6,558 | 5,418 | 21% | 17,621 | 15,453 | 14% |
| Broadband Internet | 13,326 | 12,381 | 8% | 40,006 | 36,925 | 8% |
| Pay-TV | 2,887 | 2,274 | 27% | 8,345 | 6,472 | 29% |
| Mobile communication services | 9,883 | 10,512 | (6%) | 29,325 | 30,989 | (5%) |
| Data services (VPN, data centres, wholesale Internet sales) | 5,451 | 4,891 | 11% | 16,341 | 14,843 | 10% |
| Rent of channels | 2,463 | 3,006 | (18%) | 7,709 | 8,818 | (13%) |
| Other (including one-off income in the first quarter of 2012) | 9,042 | 7,952 | 14% | 24,498 | 31,259 | (22%) |
| Total revenue | 78,220 | 76,985 | 2% | 232,317 | 238,691 | (3%) |
| Revenue without one-off expenses | 78,220 | 76,985 | 2% | 232,317 | 227,872 | 2% |

Revenue structure by customer segments

| RUB million | 3Q 2013 | 3Q 2012 | % change, y-o-y | 9M 2013 | 9M 2012 | % change, y-o-y |
|--------------------------------|---------------|---------|-----------------|----------------|---------|-----------------|
| Residential customers | 39,683 | 40,163 | (1%) | 120,608 | 121,924 | (1%) |
| Corporate customers | 18,732 | 16,844 | 11% | 53,444 | 50,364 | 6% |
| Governmental customers | 10,624 | 10,191 | 4% | 30,803 | 38,601 | (20%) |
| Operators | 9,181 | 9,787 | (6%) | 27,462 | 27,802 | (1%) |
| Total revenue | 78,220 | 76,985 | 2% | 232,317 | 238,691 | (3%) |
| Revenue without one-off | 78,220 | 76,985 | 2% | 232,317 | 227,872 | 2% |

| | | |
|-----------------|--|--|
| expenses | | |
|-----------------|--|--|

The Company reported a 2% year-on-year increase in revenue to RUB 78.2 billion. This trend was influenced by the following factors:

- 21% revenue growth from interconnection and traffic transit services having attracted additional volumes from other operators to Rostelecom's networks (an increase of RUB 1.1 billion);
- 14% increase in other income due to the active development of Intelligent Network Services, and also the provision of equipment and infrastructure for rent (an increase of RUB 1.1 billion);
- An 8% rise in revenue from broadband services due to an expanded subscriber base (an increase of RUB 0.9 billion).

Revenue from international, inter-town, intra-zonal and local telephony services continue to decline following changes to end-user preferences, and the migration of the corresponding traffic to mobile operators' networks. Revenue from mobile services fell due to a decrease in average ARPU, which relates to a widespread lack of mobile data services.

During the first nine months of 2013, the Group's consolidated revenue increased by 2% year-on-year to RUB 232.3 billion, excluding one-off income in the first quarter of 2012. This is largely due to growth in the broadband internet segment and pay-TV services.

Operating Income Analysis

Operating expenses structure (excluding amortization)

| RUB million | 3Q 2013 | 3Q 2012 | % change, y-o-y | 9M 2013 | 9M 2012 | % change, y-o-y |
|---|----------------|----------------|--------------------------------|-----------------|----------------|--------------------------------|
| Personnel costs | 20,157 | 19,206 | 5% | 62,653 | 61,003 | 3% |
| Interconnection charges | 12,533 | 11,812 | 6% | 34,838 | 34,459 | 1% |
| Materials, repairs and maintenance, utilities | 7,693 | 6,924 | 11% | 19,596 | 20,494 | (4%) |
| Other operating income | (5,394) | (4,023) | 34% | (10,636) | (10,345) | 3% |
| Other operating expenses | 13,833 | 13,652 | 1% | 38,801 | 38,745 | (0,1%) |
| Total | 48,822 | 47,571 | 3% | 145,252 | 144,356 | 1% |

In the third quarter of 2013, operating expenses excluding amortization grew by 3% year-on-year and amounted to RUB 48.8 billion mainly due to:

- A 5% year-on-year increase in personnel costs to RUB 20.2 billion, following more accurate planning and regular accruals of reserves for employee bonuses this year (in 2012 the principal sum of accruals took place in the fourth quarter);
- An 11% year-on-year increase in materials, repairs and maintenance expenses to RUB 7.7 billion, including those incurred through repairing cable line infrastructure and an increase in utilities tariffs;
- A 6% year-on-year increase in interconnection charges to RUB 12.5 billion including those owing to growth in corresponding income.

Operating expenses excluding amortization for the nine months of 2013 remained flat compared to the corresponding period of last year and amounted to RUB 145.3 billion.

OIBDA for the third quarter of 2013 reached RUB 29.4 billion and RUB 87.1 billion for the first nine months of 2013, with an OIBDA margin of 37.6% and 37.5% respectively.

Depreciation and amortisation expenses increased by 1% year-on-year to RUB 16.1 billion in the third quarter 2013, and rose by 3% year-on-year to RUB 49.6 billion in the nine months of 2013.

The Company's operating income amounted to RUB 13.3 billion in the third quarter of 2013 and to RUB 37.5 billion for the first nine months of 2013, which equates to 16.9% and 16.2% of revenue respectively.

Net Income Analysis

The decrease in financial expenses in the third quarter and first nine months of 2013 by 12% and 5% respectively is due to the more active capitalization of interest expenses relating to increasing construction expenses, as well as the optimisation of the interest expenses of subsidiary companies to more closely align them with Rostelecom's expenses.

Profit before tax in the third quarter of 2013 rose by 18% year-on-year and amounted to RUB 13.1 billion. For the nine months 2013, profit before tax decreased by 19% year-on-year to RUB 30.4 billion.

The Company's income tax contributions increased by 46% year-on-year in the third quarter of 2013, and decreased by 25% year-on-year for the nine months of 2013. This reflects changes in profit before tax. The effective income tax rate was 20% in the third quarter and nine months of 2013.

The Group's net income increased by 12% year-on-year to RUB 10.5 billion in the third quarter of 2013, and decreased by 17% year-on-year to RUB 24.2 billion for the first nine months of 2013

The following factors had an impact on Rostelecom's net income dynamics for the third quarter of 2013:

- An increase in income from broadband, pay-TV and interconnection and traffic transit services;
- Reduced income in the fixed telephony segments, and also in mobile services, due to a lack of widespread penetration of 3G services;
- Growth in other investing and financial income, including that associated with stopping the consolidation of subsidiary company Global Tel;
- An increase in other operating income mainly due to the receipt of bonuses from equipment suppliers (in the form of offset payments and refunds);
- A reduction in financial expenses largely due to the increase in capitalization of interest expenses relating to increasing construction expenses, as well as the optimisation of the interest expenses of subsidiary companies

Financial Review

Net operating cash flow for the first nine months of 2013 amounted to RUB 63.0 billion.

Net cash used in investing activities during the first nine months of 2013 decreased by 9% year-on-year to RUB 52.7 billion. CAPEX decreased by 35% year-on-year in the third quarter of 2013 and amounted to RUB 13.9 billion. The decrease in investments in the third quarter can be attributed to CAPEX being weighted more heavily in certain periods of the year than others and the active management of working capital (including the optimization of tender procedures and contractor payment terms).

The changes in net cash received from financing activities related to the repurchase of shares from shareholders who voted against the Company's reorganisation.

As of 30 September, 2013, the Group's total debt increased by 4% year-on-year to RUB 222.6 billion. Nearly 99% of the Group's total debt was rouble-denominated as of 30 September, 2013.

The Group's net debt amounted to RUB 208.3 billion as of 30 September, 2013, with a net debt / OIBDA ratio of 1.9x.

OTHER INFORMATION: CONFERENCE CALL

Rostelecom's management will hold a conference call today at 3.00PM (Moscow), 12.00PM (CET), 11.00 AM (UK) and 6.00 AM (NYT). To participate in the conference call, please dial:

Russia: +7 495 213 0979
UK/International: +44(0)20 3427 1904
USA: +1 646 254 3361
Access code: 3605895

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/ in due course.

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For more information please visit <http://www.rostelecom.ru/en/ir> or contact:

“**Rostelecom Investor Relations / Rostelecom IR**” application is now available to download for free from the Apple App Store and Google Play



Investor Relations Department

Tel. +7 (499) 995 97 80

ir@rt.ru

APPENDICES

1. Reconciliation of OIBDA;
2. Accounting policy specifics affecting Rostelecom's results for the third quarter and nine months of 2013;
3. Statement of Comprehensive Income for the third quarter and nine months of 2013;
4. Statement of Cash Flows for the nine months of 2013;
5. Statement of Financial Position as at 30.09.2013.

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 2013 | 3Q 2012 | % change, y-o-y | 9M 2013 | 9M 2012 | % change, y-o-y |
|------------------------------------|--------------------|--------------------|--------------------------------|--------------------|--------------------|----------------------------|
| Operating income | 13,257 | 13,422 | (1%) | 37,521 | 46,234 | (19%) |
| Add: Depreciation and amortisation | 16,141 | 15,992 | 1% | 49,544 | 48,101 | 3% |
| OIBDA | 29,398 | 29,414 | (0%) | 87,065 | 94,335 | (8%) |
| OIBDA margin, % | 37.6% | 38.2% | | 37.5% | 39.5% | |

ATTACHMENT 2

ACCOUNTING POLICY SPECIFICS AFFECTING ROSTELECOM'S RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2013

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

To provide stakeholders with clarity regarding the Company's financial position and performance with regards to its reorganisation through the merger with OJSC Svyazinvest and 20 other companies, the Company has decided to change 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, 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 starting from the earliest possible comparative period.

Following the reorganisation, from the fourth quarter of 2013 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 ultimate shareholder'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 Svyazinvest on October 1, 2010.

**ATTACHMENT 3
STATEMENT OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE MONTHS
OF 2013**

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|--|--|--------------------|---|--------------------|
| | 2013 (unaudited) | 2012 (restated) | 2013 (unaudited) | 2012 (restated) |
| Revenue | 78,220 | 76,985 | 232,317 | 238,691 |
| Operating expenses | | | | |
| Wages, salaries, other benefits and payroll taxes | (20,157) | (19,206) | (62,653) | (61,003) |
| Depreciation, amortization and impairment losses | (16,141) | (15,992) | (49,544) | (48,101) |
| Interconnection charges | (12,533) | (11,812) | (34,838) | (34,459) |
| Materials, utilities, repairs and maintenance | (7,693) | (6,924) | (19,596) | (20,494) |
| Gain / (loss) on disposal of property, plant and equipment and intangible assets | (167) | (257) | (127) | (540) |
| Bad debt expense | (911) | (655) | (1,715) | (1,166) |
| Other operating income | 5,394 | 4,023 | 10,636 | 10,345 |
| Other operating expenses | (12,755) | (12,740) | (36,959) | (37,037) |
| Total operating expenses, net | (64,963) | (63,563) | (194,796) | (192,455) |
| Operating profit | 13,257 | 13,422 | 37,521 | 46,236 |
| Income from associates | 138 | 120 | 454 | 416 |
| Finance costs | (3,837) | (4,348) | (11,490) | (12,128) |
| Other investing and financial gain | 3,536 | 1,485 | 4,391 | 2,693 |
| Foreign exchange (loss) / gain, net | 17 | 467 | (526) | 329 |
| Profit before income tax | 13,111 | 11,146 | 30,350 | 37,546 |
| Income tax expense | (2,567) | (1,761) | (6,118) | (8,211) |
| Profit for the period | 10,544 | 9,385 | 24,232 | 29,335 |
| Other comprehensive income/(loss) | | | | |
| Items that may be reclassified subsequently to profit and loss: | | | | |
| Revaluation loss on available-for-sale investments | 333 | 502 | (325) | (152) |
| Revaluation gain on available-for-sale investments transferred to profit on sale | - | 9 | - | (740) |
| Exchange differences on translating foreign operations | (9) | (24) | 39 | (68) |
| Income tax relating to items that may be reclassified | - | 147 | - | 147 |
| Other comprehensive loss for the period, net of tax | 324 | 484 | (286) | (813) |
| Total comprehensive income for the period | 10,868 | 9,869 | 23,946 | 28,522 |
| Profit attributable to: | | | | |
| Equity holders of the Group | 10,515 | 9,300 | 24,294 | 29,215 |
| Non-controlling interests | 29 | 85 | (62) | 120 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Group | 10,843 | 9,781 | 24,004 | 28,407 |
| Non-controlling interests | 25 | 88 | (58) | 115 |
| Earnings per share attributable to equity holders of the Group – basic (in Roubles) | 3.68 | 3.24 | 8.41 | 10.10 |
| Earnings per share attributable to equity holders of the Group – diluted (in Roubles) | 3.68 | 3.21 | 8.41 | 10.00 |

ATTACHMENT 4
STATEMENT OF CASH FLOWS FOR THE NINE MONTHS OF 2013;

| | <u>Nine-month period ended 30 September</u> | |
|---|---|------------------------|
| | 2013 (unaudited) | 2012 (restated) |
| Cash flows from operating activities | | |
| Profit before income tax | 30,350 | 37,546 |
| <i>Adjustments to reconcile profit before tax to cash generated from operations:</i> | | |
| Depreciation, amortization and impairment losses | 49,544 | 48,101 |
| (Gain) / loss on disposal of property, plant and equipment and intangible assets | 127 | 540 |
| Bad debt expense | 1,715 | 1,166 |
| Income from associates | (454) | (416) |
| Finance costs excluding finance costs on pension and other long-term social liabilities | 10,937 | 11,428 |
| Other investing and financing gain | (4,391) | (2,693) |
| Foreign exchange gain, net | 526 | (329) |
| Share-based payment expenses | - | 41 |
| <i>Changes in net working capital:</i> | | |
| Increase in accounts receivable | (8,897) | (10,046) |
| Increase in employee benefits | 58 | 284 |
| Decrease/(increase) in inventories | 606 | (542) |
| Increase in accounts payable, provisions and accrued expenses | 3,638 | 5,098 |
| Change in other assets and liabilities | (3,646) | (748) |
| Cash generated from operations | 80,113 | 89,430 |
| Interest paid | (12,466) | (11,757) |
| Income tax paid | (4,682) | (4,495) |
| Net cash provided by operating activities | 62,965 | 73,178 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (45,826) | (63,460) |
| Proceeds from sale of property, plant and equipment and intangible assets | 899 | 1,225 |
| Acquisition of financial assets | (10,147) | (3,764) |
| Proceeds from disposals of financial assets | 1,565 | 7,991 |
| Interest received | 132 | 209 |
| Dividends received | 669 | 822 |
| Purchase of subsidiaries, net of cash acquired | (21) | (1,287) |
| Proceeds from disposal of subsidiaries, net of cash disposed | (6) | 81 |
| Acquisition of equity accounting investees | (5) | - |
| Net cash used in investing activities | (52,740) | (58,183) |

Nine-month period ended 30 September

| | 2013 (unaudited) | 2012 (restated) |
|---|-------------------------|----------------------------|
| Cash flows from financing activities | | |
| Sale of treasury shares | 11,093 | 2,224 |
| Purchase of treasury shares | (30,299) | (21,928) |
| Proceeds from bank and corporate loans | 326,948 | 380,463 |
| Repayment of bank and corporate loans | (344,049) | (343,289) |
| Proceeds from bonds | 30,000 | - |
| Repayment of bonds | (1,613) | (6,436) |
| Proceeds from promissory notes | - | 22,863 |
| Repayment of promissory notes | - | (22,946) |
| Proceeds from / (Repayment of) vendor financing payable | 13 | (124) |
| Repayment of other non-current financing liabilities | (8) | (9) |
| Repayment of finance lease liabilities | (571) | (1,185) |
| Dividends paid to shareholders of the Group | (7,406) | (12,808) |
| Dividends paid to non-controlling shareholders of the Group | (200) | (190) |
| Acquisition of non-controlling interest | - | (15,628) |
| Net cash used in financing activities | (16,092) | (18,993) |
| Effect of exchange rate changes on cash and cash equivalents | (11) | (11) |
| Net decrease in cash and cash equivalents | (5,878) | (4,009) |
| Cash and cash equivalents at beginning of the period | 10,370 | 7,380 |
| Cash and cash equivalents at the end of the period | 4,492 | 9,396 |

ATTACHMENT 5
STATEMENT OF FINANCIAL POSITION AS AT 30.09.2013;

| | 30 September 2013 (unaudited) | 31 December 2012 (restated) |
|---|----------------------------------|--------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 375,462 | 385,994 |
| Investment property | 229 | 274 |
| Goodwill and other intangible assets | 82,744 | 87,830 |
| Investments in associates | 5,546 | 5,179 |
| Other investments | 2,088 | 2,498 |
| Deferred tax assets | 3,257 | 2,694 |
| Other non-current assets | 5,634 | 5,413 |
| Total non-current assets | 474,960 | 489,882 |
| Current assets | | |
| Inventories | 3,865 | 4,534 |
| Trade and other accounts receivable | 42,162 | 33,992 |
| Prepayments | 3,369 | 3,912 |
| Prepaid income tax | 2,691 | 2,921 |
| Other investments | 9,780 | 952 |
| Cash and cash equivalents | 4,492 | 10,370 |
| Other current assets | 1,481 | 1,258 |
| Total current assets | 67,840 | 57,939 |
| Total assets | 542,800 | 547,821 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Group | | |
| Share capital | 106 | 106 |
| Additional paid-in capital | 7,202 | 7,119 |
| Treasury shares | (56,078) | (36,615) |
| Retained earnings and other reserves | 271,160 | 254,457 |
| Total equity attributable to equity holders of the Group | 222,390 | 225,067 |
| Non-controlling interests | 946 | 493 |
| Total equity | 223,336 | 225,560 |
| Non-current liabilities | | |
| Loans and borrowings | 164,315 | 150,907 |
| Employee benefits | 11,055 | 10,997 |
| Deferred tax liabilities | 24,188 | 22,565 |
| Accounts payable, provisions and accrued expenses | 174 | 230 |
| Other non-current liabilities | 4,770 | 4,136 |
| Total non-current liabilities | 204,502 | 188,835 |
| Current liabilities | | |
| Loans and borrowings | 58,250 | 63,499 |
| Accounts payable, provisions and accrued expenses | 48,168 | 59,889 |
| Income tax payable | 196 | 50 |
| Other current liabilities | 8,348 | 9,988 |
| Total current liabilities | 114,962 | 133,426 |
| Total liabilities | 319,464 | 322,261 |
| Total equity and liabilities | 542,800 | 547,821 |

* * *

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 9.6 million fixed-line broadband subscribers and over 6.9 million pay-TV subscribers. As Rostelecom develops its mobile data networks, its position as a major mobile operator is growing with over 13.8 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 232.3 billion of consolidated revenues, RUB 87.1 billion of OIBDA (37.4% of revenues) and RUB 24.2 billion of net income for the first nine months ended September 30th, 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.