

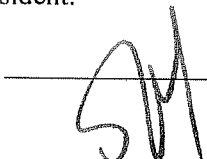
OJSC ROSTELECOM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012
PREPARED IN ACCORDANCE WITH GROUP ACCOUNTING POLICY
BASED ON
INTERNATIONAL FINANCIAL
REPORTING STANDARDS

A handwritten signature in black ink, consisting of a large, stylized initial 'O' followed by a horizontal line and a final flourish.

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

	31 March 2012 (unaudited)	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	330,060	327,971
Investment property	263	259
Goodwill and other intangible assets	68,302	68,187
Investments in associates	33,105	33,646
Other investments	14,055	14,616
Deferred tax assets	621	775
Other non-current assets	14,329	13,820
Total non-current assets	460,735	459,274
Current assets		
Inventories	5,610	4,490
Trade and other accounts receivable	43,286	29,377
Prepayments	2,948	2,409
Prepaid income tax	5,193	3,304
Other investments	4,159	3,926
Cash and cash equivalents	13,583	7,177
Other current assets	1,711	1,151
Total current assets	76,490	51,834
Total assets	537,225	511,108
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	106	106
Additional paid-in capital	33,418	33,418
Treasury shares	(42,780)	(25,143)
Retained earnings and other reserves	254,431	251,758
Total equity attributable to equity holders of the Group	245,175	260,139
Non-controlling interests	3,799	7,787
Total equity	248,974	267,926
Non-current liabilities		
Loans and borrowings	90,231	84,527
Employee benefits	12,047	11,752
Deferred tax liabilities	19,210	18,662
Accounts payable, provisions and accrued expenses	143	85
Other non-current liabilities	3,866	3,675
Total non-current liabilities	125,497	118,701
Current liabilities		
Loans and borrowings	106,984	78,939
Accounts payable, provisions and accrued expenses	46,166	37,396
Income tax payable	2,765	242
Other current liabilities	6,839	7,904
Total current liabilities	162,754	124,481
Total liabilities	288,251	243,182
Total equity and liabilities	537,225	511,108

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

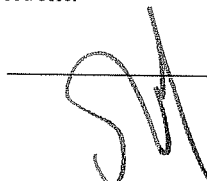


A. Yu. Provotorov

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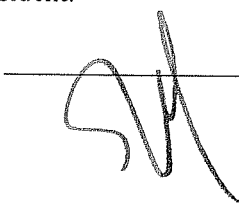
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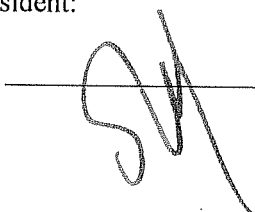


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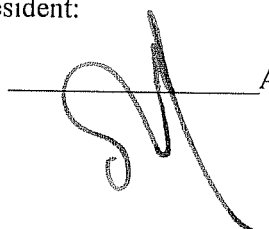


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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of Russian Roubles unless otherwise stated)

	Notes	Three-month periods ended 31 March	
		2012 (unaudited)	2011 (unaudited)
Revenue	1	84,437	72,366
Operating expenses			
Wages, salaries, other benefits and payroll taxes		(21,686)	(20,725)
Depreciation, amortization and impairment losses		(15,881)	(13,008)
Interconnection charges		(11,333)	(9,116)
Materials, utilities, repairs and maintenance		(7,035)	(7,068)
Gain/(loss) on disposal of property, plant and equipment and intangible assets		86	(5)
Bad debt expense		(512)	(86)
Other operating income		2,585	3,742
Other operating expenses		(11,750)	(12,238)
Total operating expenses, net		(65,526)	(58,504)
Operating profit		18,911	13,862
Income from associates		1,225	1,277
Finance costs		(3,420)	(3,241)
Other investing and financial gain		1,386	853
Foreign exchange gain, net		564	669
Profit before income tax		18,666	13,420
Income tax expense		(4,052)	(2,858)
Profit for the period		14,614	10,562
Other comprehensive (loss) / income			
Revaluation (loss)/ gain on available-for-sale investments		(109)	124
Revaluation gain on available-for-sale investments transferred to profit on sale		(749)	-
Exchange differences on translating foreign operations		(77)	-
Share of other comprehensive income recognized by associates		(62)	11
Income tax in respect of other comprehensive loss/ (gain) income items		172	(24)
Other comprehensive (loss)/ income for the period, net of tax		(825)	111
Total comprehensive income for the period		13,789	10,673
Profit attributable to:			
Equity holders of the Group		14,451	10,444
Non-controlling interests		163	118
Total comprehensive income attributable to:			
Equity holders of the Group		13,626	10,555
Non-controlling interests		163	118
Earnings per share attributable to equity holders of the Group – basic (in Roubles)		5.04	3.57
Earnings per share attributable to equity holders of the Group – diluted (in Roubles)		4.98	3.52

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

	Three-month periods ended	
	31 March	
	2012	2011
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before income tax	18,666	13,420
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation, amortization and impairment losses	15,881	13,008
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(86)	5
Bad debt expense	512	86
Income from associates	(1,225)	(1,277)
Finance costs excluding finance costs on pension and other long-term social liabilities	3,183	3,364
Other investing and financing gain	(1,386)	(853)
Other non-cash gain	-	(525)
Foreign exchange gain, net	(564)	(669)
Share-based payment expenses	41	-
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(14,857)	(7,320)
Increase/(decrease) in employee benefits	295	(74)
Increase in inventories	(1,109)	(419)
Increase/(decrease) in accounts payable, provisions and accrued expenses	11,697	(2,770)
(Decrease)/increase in other assets and liabilities	(1,265)	1,581
Cash generated from operations	29,783	17,557
Interest paid	(3,308)	(3,442)
Income tax paid	(2,233)	(2,677)
Net cash provided by operating activities	24,242	11,438
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(20,364)	(15,104)
Proceeds from sale of property, plant and equipment and intangible assets	49	325
Acquisition of financial assets	(3,578)	(2,793)
Proceeds from disposals of financial assets	4,296	705
Interest received	62	397
Dividends received	7	3
Purchase of subsidiaries, net of cash acquired	(986)	(29,967)
Acquisition of equity accounting investees	-	(103)
Net cash used in investing activities	(20,514)	(46,537)

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

	Three-month periods ended	
	31 March	
	2012	2011
	(unaudited)	(unaudited)
Cash flows from financing activities		
Purchase of treasury shares	(18,975)	(6)
Sale of treasury shares	1,338	-
Proceeds from bank and corporate loans	110,051	59,845
Repayment of bank and corporate loans	(80,201)	(24,712)
Proceeds from bonds	-	12
Repayment of bonds	(659)	(3,300)
Proceeds from promissory notes	7,650	12,050
Repayment of promissory notes	(2,250)	(12,050)
Repayment of vendor financing payable	(49)	(133)
Repayment of other non-current financing liabilities	(3)	-
Repayment of finance lease liabilities	(377)	(770)
Dividends paid to shareholders of the Group	(1)	-
Acquisition of non-controlling interest	(13,825)	-
Net cash provided by financing activities	2,699	30,936
Effect of exchange rate changes on cash and cash equivalents	(21)	(41)
Net increase/(decrease) in cash and cash equivalents	6,406	(4,204)
Cash and cash equivalents at beginning of the period	7,177	12,627
Cash and cash equivalents at the end of the period	13,583	8,423

OJSC Rostelecom
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions of Russian Rubles)

	Equity attributable to shareholders of the Group									
	Unrealized					Total equity attributable to shareholders of the Group				
	Share capital	Additional paid-in capital	gain on sale of investments	Translation of foreign operations	Treasury shares	Share options reserve	Retained earnings	shareholders of the Group	Non-interest	Total equity
Balances at 1 January 2012	106	33,418	802	-	(25,143)	4,141	246,815	260,139	7,787	267,926
Profit for the period (unaudited)	-	-	-	-	-	-	14,451	14,451	163	14,614
Revaluation loss on available-for-sale investments (unaudited)	-	-	(109)	-	-	-	-	-	-	(109)
Revaluation gain on available-for-sale investments transferred to profit on sale (unaudited)	-	-	-	-	-	-	-	-	-	(109)
Exchange differences on translating foreign operations (unaudited)	-	-	(749)	-	-	-	-	(749)	-	(749)
Share of other comprehensive income recognized by associates (unaudited)	-	-	-	(77)	-	-	-	(77)	-	(77)
Income tax in respect of other comprehensive income items (unaudited)	-	-	(54)	(8)	-	-	-	(62)	-	(62)
Total other comprehensive income, net of tax (unaudited)	-	-	172	-	-	-	-	172	-	172
Total comprehensive income (unaudited)	-	-	(740)	(85)	-	-	-	(825)	-	(825)
Transactions with shareholders, recorded directly in equity (unaudited)	-	-	(740)	(85)	-	-	14,451	13,626	163	13,789
Non-controlling interests in acquired subsidiaries (unaudited)	-	-	-	-	-	-	-	-	54	54
Acquisition of non-controlling interest (unaudited)	-	-	-	-	-	-	(9,620)	(9,620)	(4,205)	(13,825)
Acquisition of treasury shares (unaudited)	-	-	-	-	(18,975)	-	-	(18,975)	-	(18,975)
Sale of treasury shares (unaudited)	-	-	-	-	1,338	-	-	1,338	-	1,338
Employee benefits within share-based employee motivation program (unaudited)	-	-	-	-	-	(522)	540	18	-	18
Transactions with non-controlling interest recognised by associates (unaudited)	-	-	-	-	-	(2)	(1,350)	(1,352)	-	(1,352)
Other changes in equity (unaudited)	-	-	-	-	-	-	1	1	-	1
Total transactions with shareholders (unaudited)	-	-	-	-	(17,637)	(524)	(10,429)	(28,590)	(4,151)	(32,741)
Balances at 31 March 2012 (unaudited)	106	33,418	62	(85)	(42,780)	3,617	250,837	245,175	3,799	248,974

CONSOLIDATED 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	Treasury shares	Share options reserve	Retained earnings	Total equity attributable to shareholders of the Group	Non-controlling interest	Total equity	
Balances at 1 January 2011	100	33,424	787	(25,410)	4,186	200,008	213,095	12	213,107	
Profit for the period (unaudited)	-	-	-	-	-	10,444	10,444	118	10,562	
Revaluation gain on available-for-sale investments (unaudited)	-	-	124	-	-	-	124	-	124	
Share of other comprehensive income recognized by associates (unaudited)	-	-	11	-	-	-	11	-	11	
Income tax in respect of other comprehensive income items (unaudited)	-	-	(24)	-	-	-	(24)	-	(24)	
Total other comprehensive income, net of tax (unaudited)	-	-	111	-	-	-	111	-	111	
Total comprehensive income (unaudited)	-	-	111	-	-	10,444	10,555	118	10,673	
Transactions with shareholders, recorded directly in equity (unaudited)										
Non-controlling interests in acquired subsidiaries (unaudited)	-	-	-	-	-	-	-	8,465	8,465	
Acquisition of treasury shares (unaudited)	-	-	-	(6)	-	-	(6)	-	(6)	
Other changes in equity (unaudited)	-	-	-	-	-	46	46	-	46	
Total transactions with shareholders (unaudited)	-	-	-	(6)	-	46	40	8,465	8,505	
Balances at 31 March 2011 (unaudited)	100	33,424	898	(25,416)	4,186	210,498	223,690	8,595	232,285	

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

(In millions of Russian Roubles)

1. REVENUE

Revenue comprised the following for the three months ended 31 March 2012 and 2011:

	Three-month periods ended 31 March	
	2012 (unaudited)	2011 (unaudited)
Local telephone services	21,605	22,336
Intra-zone telephone services	4,797	5,516
DLD/ILD (including ILD traffic transit) telephone services	5,471	6,282
Interconnection and traffic transit services	5,043	4,934
Mobile communication services	9,021	8,596
Rent of channels	2,909	2,446
Broadband Internet	12,158	11,168
Pay TV	2,055	1,297
Data services (VPN, data centres, wholesale Internet sales)	5,004	4,581
Cloud computing services	10,854	121
Other	5,520	5,089
Total revenue	84,437	72,366

During three months ended 31 March 2012 and 2011 the Group generated revenue by the following major customer groups:

Customer Groups	Three month periods ended 31 March	
	2012 (unaudited)	2011 (unaudited)
Residential customers	40,298	40,789
Corporate customers	16,290	16,337
Governmental customers	18,957	7,363
Interconnected operators	8,892	7,877
Total revenue	84,437	72,366