
**ROSTELECOM REPORTS FIRST HALF 2010 RAS NET PROFIT OF RUB 2.23 BILLION;
OIBDA MARGIN AMOUNTED TO 20.3%**

Revenue for the first half of 2010 amounted to RUB 28,467.7 million

OIBDA¹ amounted to RUB 5,789.7 million

OIBDA margin amounted to 20.3%

Moscow – August 04, 2010 – Rostelecom (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY) (“Rostelecom” or the “Company”) today announces its unaudited results for the first half of 2010, in accordance with the Russian Accounting Standards (RAS).

Rostelecom’s first half 2010 revenue amounted to RUB 28,467.7 million, representing a decrease of 6.8% year on year, which was mainly due to a fall in revenues from a number of traditional segments.

However, through the continued diversification of the business, Rostelecom increased its revenues from the new state-of-the art services, and thus the segments proportional contribution to the total revenue, compared to the same period last year. During the period under review, data and intelligent network services (INS) amounted to 15.1% of Rostelecom’s total revenue while revenues from data transmission and telematic services (mainly Internet and VPN services) as a standalone entity increased by 46.3% year on year, amounting to RUB 3,715.1 million. Of particular note, revenue from VPN services amounted to RUB 1,275.1 representing an increase of 176% year on year. Revenue from INS increased by 11.1% year on year to RUB 580.4 million.

Rostelecom’s operating expenses for the reporting period amounted to RUB 25,258.3 million, a year-on-year decrease of 6.4%, which was largely due to a reduction in direct costs.

As a result, Operating Income before Depreciation and Amortization (OIBDA) remained relatively stable compared to the corresponding period a year ago, amounting to RUB 5,789.7 million – a year on year increase of 0.2%.

The Company’s OIBDA margin was 20.3% compared to 18.9% in the first half of 2009.

Depreciation for the first half of 2010 increased by 16.9% year on year to RUB 2,580.3 million, due to the increased level of investment into the development of the Company’s own IP/MPLS network.

In the first half of 2010, operating profit decreased by 10.1% year on year to RUB 3,209.4 million.

Other gains and losses for the first half of 2010 amounted to a net loss of RUB 342.5 million compared to a net loss of RUB 575.8 million a year ago. This decrease in overall net loss is mainly attributable to a foreign exchange loss.

Rostelecom’s first half 2010 net profit amounted to RUB 2,233.9 million, a decrease of 5.5% year on year.

¹ OIBDA is calculated as total revenues less operating expenses excluding depreciation.

Profit and Loss Statement, RUB Million			
	6mo 2010	6mo 2009	% change, y-o-y
Revenue	28,467.7	30,547.3	-6.8%
Operating expenses, incl.	(25,258.3)	(26,975.9)	-6.4%
<i>Depreciation</i>	(2,580.3)	(2,206.9)	16.9%
OIBDA	5,789.7	5,778.3	0.2%
Operating profit	3,209.4	3,571.4	-10.1%
Other gains & losses, incl.	(342.5)	(575.8)	-40.5%
<i>Foreign exchange (loss)</i>	(262.7)	(447.9)	-41.3%
<i>Provision for allowances</i>	(111.6)	(363.5)	-69.3%
Profit before tax	2,866.9	2,995.6	-4.3%
Profit tax	(633.0)	(631.2)	0.3%
Net Profit	2,233.9	2,364.4	-5.5%
Key ratios			
	6mo 2010	6mo 2009	
Operating margin, %	11.3%	11.7%	
OIBDA margin, %	20.3%	18.9%	
Net margin, %	7.8%	7.7%	

Balance Sheet, RUB Million			
	Jan. 01, 10	Jun. 30, 10	% change, y-o-y
ASSETS			
Non-current assets, incl.	44,781.1	46,155.2	3.1%
Intangible assets	0.4	0.4	0.0%
Fixed assets	26,239.5	27,840.7	6.1%
Construction in progress	8,491.3	8,802.4	3.7%
Investment in lease	342.9	288.7	-15.8%
Long-term financial investments	3,972.3	3,909.4	-1.6%
Deferred tax assets	-	-	<i>n.a</i>
Other non-current assets	5,734.7	5,313.6	-7.3%
Current assets, incl.	29,593.1	30,176.7	2.0%
Inventory	378.6	454.7	20.1%
VAT on obtained property	145.1	50.8	-65.0%
Accounts receivable	8,060.4	10,714.2	32.9%
Short-term financial investments	14,858.2	7,846.1	-47.2%
Cash and cash equivalents	6,150.5	11,110.7	80.6%
Other current assets	0.3	0.2	-33.3%
BALANCE	74,374.2	76,331.9	2.6%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	59,456.3	60,159.4	1.2%
Liabilities, incl.	14,917.9	16,172.5	8.4%
Long-term liabilities, incl.	6,097.0	6,323.5	3.7%
<i>Loans due more than in 12 months</i>	3,319.2	3,350.9	1.0%
Short-term liabilities, incl.	8,820.9	9,849.0	11.7%
<i>Loans due less than in 12 months</i>	549.0	543.3	-1.0%
BALANCE	74,374.2	76,331.9	2.6%

Rostelecom (www.rt.ru/en) is Russia's national telecommunications operator.

The Company owns and operates a nationwide network (about 160,000 km in length), enabling Rostelecom to handle the majority of long-distance and international voice traffic transmission as well as TV and radio broadcasting channels in Russia. The Company is a major provider of telecommunications services to state organizations and governmental agencies. Additionally, Rostelecom is the domestic market leader in the wholesale Internet services segment.

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 and 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.

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