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**ROSTELECOM REPORTS FIRST QUARTER 2010 RAS NET PROFIT OF RUB 1.03 BILLION**

- *Revenue for the first quarter of 2010 amounted to RUB 14,108.4 million*
- *OIBDA<sup>1</sup> amounted to RUB 2,963.6 million*
- *OIBDA margin amounted to 21.0%*

**Moscow – May 7, 2010 – Rostelecom** (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY) (“Rostelecom” or the “Company”) today announces its unaudited results for the first quarter 2010, in accordance with the Russian Accounting Standards (RAS).

Rostelecom’s first quarter 2010 revenue amounted to RUB 14,108.4 million, representing a decrease of 8.2% year on year, which was mainly due to a fall in revenues from a number of traditional segments.

However, through the continued diversification of its business, the Company increased revenues from new state-of-the art services, and thus their proportional contribution to the total revenue, compared to the same quarter last year. During the period under review, data and intelligent network services amounted to 12.6% of Rostelecom’s total revenue. Revenues from data transmission and telematic services, (mainly Internet and VPN services) as a standalone entity increased by 15.3% year on year, amounting to RUB 1,494.9 million.

Rostelecom’s operating expenses for the reporting period amounted to RUB 12,424.9 million, a year on year decrease of 5.1%, which was largely due to a reduction in direct costs.

Operating Income before Depreciation and Amortization (OIBDA) amounted to RUB 2,963.6 million, a year on year decrease of 12.3%.

The Company’s OIBDA margin was 21.0% compared to 22.0% in the first quarter of 2009.

Depreciation for the first quarter 2010 increased by 17.0% year on year to RUB 1,280.2 million, due to the rapid growth of investment into the development of the Company’s own IP/MPLS network.

In the first quarter of 2010, operating profits decreased by 26.3% year on year to RUB 1,683.4 million.

Other gains and losses for the first quarter 2010 amounted to a net loss of RUB 438.7 million compared to a net gain of RUB 197.6 million one year ago. This loss is largely attributable to a significant foreign exchange loss over the accounting period.

Rostelecom’s first quarter 2010 net profit amounted to RUB 1,028.9 million, a decrease of 48.0% year on year.

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<sup>1</sup> OIBDA is calculated as total revenues less operating expenses excluding depreciation.

Profit and Loss Statement, RUB Million			
	3mo 2010	3mo 2009	% change, y-o-y
<b>Revenue</b>	<b>14,108.4</b>	<b>15,375.1</b>	<b>-8.2%</b>
<b>Operating expenses, incl.</b>	<b>(12,424.9)</b>	<b>(13,089.6)</b>	<b>5.1%</b>
<i>Depreciation</i>	(1,280.2)	(1,094.1)	17.0%
<b>OIBDA</b>	<b>2,963.6</b>	<b>3,379.6</b>	<b>-12.3%</b>
<b>Operating profit</b>	<b>1,683.4*</b>	<b>2,285.5</b>	<b>-26.3%</b>
Other gains & losses, incl.	(438.7)	197.6	n.a.
<i>Foreign exchange (loss)/ gain</i>	(414.5)	419.1	n.a.
<i>Provision for allowances</i>	(85.2)	(226.0)	-62.3%
<b>Profit before tax</b>	<b>1,244.7</b>	<b>2,483.1</b>	<b>-49.9%</b>
Profit tax	(215.9)	(502.7)	-57.1%
<b>Net Profit</b>	<b>1,028.9*</b>	<b>1,980.4</b>	<b>-48.0%</b>
Key ratios			
	3mo 2010	3mo 2009	
Operating margin, %	11.9%	14.9%	
OIBDA margin, %	21.0%	22.0%	
Net margin, %	7.3%	12.9%	

\* The figure was reached by rounding the original number in RUB thousand, as opposed to summarising the rounded figures in this table.

<b>Balance Sheet, RUB Million</b>			
	<b>Jan. 01, 10</b>	<b>Mar. 31, 10</b>	<b>% change, y-o-y</b>
<b>ASSETS</b>			
<b>Non-current assets, incl.</b>	<b>44,781.1</b>	<b>44,723.9</b>	<b>-0.1%</b>
Intangible assets	0.4	0.4	0.0%
Fixed assets	26,239.5	26,383.7	0.5%
Construction in progress	8,491.3	8,539.1	0.6%
Investment in lease	342.9	315.8	-7.9%
Long-term financial investments	3,972.3	3,990.2	0.5%
Deferred tax assets	-	-	<i>n.a</i>
Other non-current assets	5,734.7	5,494.7	-4.2%
<b>Current assets, incl.</b>	<b>29,593.1</b>	<b>30,474.6</b>	<b>3.0%</b>
Inventory	378.6	387.5	2.4%
VAT on obtained property	145.1	66.3	-54.3%
Accounts receivable	8,060.4	8,500.6	5.5%
Short-term financial investments	14,858.2	12,128.2	-18.4%
Cash and cash equivalents	6,150.5	9,391.8	52.7%
Other current assets	0.3	0.2	-33.3%
<b>BALANCE</b>	<b>74,374.2</b>	<b>75,198.5</b>	<b>1.1%</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>59,456.3</b>	<b>60,485.0</b>	<b>1.7%</b>
<b>Liabilities, incl.</b>	<b>14,917.9</b>	<b>14,713.5</b>	<b>-1.4%</b>
Long-term liabilities, incl.	6,097.0	5,942.3	-2.5%
<i>Loans due more than in 12 months</i>	3,319.2	3,289.8	-0.9%
Short-term liabilities, incl.	8,820.9	8,771.2	-0.6%
<i>Loans due less than in 12 months</i>	549.0	547.3	-0.3 %
<b>BALANCE</b>	<b>74,374.2</b>	<b>75,198.5</b>	<b>1.1%</b>

**Rostelecom** ([www.rt.ru/en](http://www.rt.ru/en)) is Russia's national telecommunications operator.

The Company owns and operates a nationwide network (about 150,000 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.

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*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 on Form 20-F for its most recently completed fiscal year 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.*

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