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**ROSTELECOM REPORTS RAS RESULTS FOR THE FIRST NINE MONTHS OF 2010**

**Moscow** – November 9, 2010 – Rostelecom OJSC (“the Company”) (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announces its unaudited results for the first nine months of 2010 ended September 30, 2010, in accordance with the Russian Accounting Standards (RAS).

- **Revenue of RUB 43.5 bln**
- **OIBDA<sup>1</sup> of RUB 9.3 bln, OIBDA margin of 21.4%**
- **Net income of RUB 4.0 bln**
- **An EGM has been scheduled by the BoD for November 10, 2010 to vote on the dividend payment for the first nine months of 2010 which is to be paid to the shareholders on the Register as at September 21, 2010 and which amounts to:**
  - **0.000000411722654% of the Company RAS net profit for the first nine months of the 2010 financial year or RUB 1.6667 per preferred share, and**
  - **0.000000274519684% of the Company RAS net profit for the first nine months of the 2010 financial year or RUB 1.1113 per ordinary share**
- **Rostelecom acquired the 25%+1 share in the charter capital of Telecommunication Investment Joint Stock Company (“Svyazinvest”) for RUB 26.0 bln from Comstar Group using RUB 23.0 bln from the credit lines, opened by Sberbank with the weighted average interest rate of 7,89%, and RUB 3.0 bln of its own funds**
- **Net assets of RUB 56.1 bln**

Rostelecom’s reported revenue for the first nine months of 2010 of RUB 43.5 billion, while revenue for the third quarter alone amounted to RUB 15.1, a 1% increase compared to the same period last year due to the 100% increase in revenues from new and value-added services, mainly 44% increase in revenues from Internet and 366% increase in revenues from VPN services. Year on year revenue dynamics for the first nine months is attributable to the expected decrease in revenues from traditional long-distance services, which was partially offset by the increased revenues from new and value-added services in line with the continued diversification of the business.

Revenues from data transmission and telematic services, as well as intelligent network services (INS) increased 1.5 time year on year to RUB 7.1 billion and represented 16% of Rostelecom’s total revenue compared to 10% a year ago. Revenues from data transmission and telematic services (mainly Internet and VPN services) increased in 1.6 time year on year to RUB 6.2 billion, including revenue from VPN services of RUB 2.3 billion (3.3 time increase year on year). Revenue from INS increased by 18% year on year.

Rostelecom’s operating expenses decreased by 3% year on year to RUB 38.2 billion, largely due to a reduction in direct costs, including the decrease in expenses for termination and transit of international traffic and payments to national operators for traffic initiation and termination.

OIBDA remained flat year on year at RUB 9.3 billion, OIBDA margin increased to 21.4% from 20.6% a year ago.

Depreciation for the first nine months of 2010 increased by 19% year on year to RUB 4.0 billion in line with increased capital expenditures into the development of the Company’s own IP/MPLS network and other investments.

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

Operating profit for the first nine months of 2010 decreased 11% year on year to RUB 5.4 billion in line with revenue dynamics.

The Company reported other gains and losses for the first nine months of 2010 of RUB 220.5 million net loss, which decreased by 27 % year on year due to the decrease in foreign exchange losses in line with the differential of the Russian Ruble against US dollar.

Net income for the first nine months of 2010 decreased by 11% year on year to RUB 4.0 billion. An EGM has been scheduled by the BoD for November 10, 2010 to vote on the dividend payment for the first nine months of 2010 which is to be paid to the shareholders on the Register as at September 21, 2010 and which amounts to 0.0000000411722654% of the Company RAS net profit for the first nine months of the 2010 financial year or RUB 1.6667 per preferred share, and 0.0000000274519684% of the Company RAS net profit for the first nine months of the 2010 financial year or RUB 1.1113 per ordinary share

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**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 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.

**Appendices:**

1. P&L STATEMENT;
2. BALANCE SHEET.

**Appendix 1. P&L Statement**

<i>RUB mln</i>	<b>9m 2010</b>	<b>9m 2009</b>	<b>% change, y-o-y</b>
Revenue	<b>43,531.2</b>	45,405.9	(4%)
Operating expenses, incl.	<b>(38,166.2)</b>	(39,390.2)	(3%)
Depreciation	<b>(3,971.1)</b>	(3,344.0)	19%
OIBDA	<b>9,336</b>	9,359.6	(0.2%)
<i>OIBDA margin, %</i>	<b>21.4</b>	20.6	<i>n.a.</i>
Operating profit	<b>5,364.9</b>	6,015.6	(11%)
Operating margin, %	<b>12.3</b>	13.2	<i>n.a.</i>
Other gains & losses	<b>(220.5)</b>	(300.0)	(27%)
Net income	<b>4,048.1</b>	4,553.6	(11%)
<i>Net margin, %</i>	<b>9.3</b>	10.0	<i>n.a.</i>

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Appendix 2. Balance Sheet

<i>RUB mln</i>	September 30, 2010	January 01, 2010	% change, y-o-y
<b>ASSETS</b>			
<b>Non-current assets, incl.</b>	<b>73,084.0</b>	<b>44,781.1</b>	<b>63%</b>
Intangible assets	0.3	0.4	(25%)
Fixed assets	28,013.0	26,239.5	7%
Construction in progress	9,776.0	8,491.3	15%
Investment in lease	261.7	342.9	(24%)
Long-term financial investments	29,984.4	3,972.3	655%
Deferred tax assets	-	-	n.a.
Other non-current assets	5,048.8	5,734.7	(12%)
<b>Current assets, incl.</b>	<b>21,761.9</b>	<b>29,593.1</b>	<b>(26.5%)</b>
Inventory	536.1	378.6	42%
VAT on obtained property	53.8	145.1	(63%)
Accounts receivable	10,970.2	8,060.4	36%
Short-term financial investments	2,137.3	14,858.2	(86%)
Cash and cash equivalents	8,064.3	6,150.5	31%
Other current assets	0.2	0.3	(33%)
<b>BALANCE</b>	<b>94,846.2</b>	<b>74,374.2</b>	<b>27.5%</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>56,078.6</b>	<b>59,456.3</b>	<b>(6%)</b>
<b>Liabilities, incl.</b>	<b>38,767.6</b>	<b>14,917.9</b>	<b>160%</b>
Long-term liabilities, incl.	29,361.3	6,097.0	382%
<i>Loans due more than in 12 months</i>	26,324.5	3,319.2	693%
Short-term liabilities, incl.	9,406.3	8,820.9	7%
<i>Loans due less than in 12 months</i>	545	549	(0.7%)
<b>BALANCE</b>	<b>94,846.2</b>	<b>74,374.2</b>	<b>27.5%</b>

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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 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.*