
ROSTELECOM REPORTS CONSOLIDATED HALF YEAR 2010
IFRS FINANCIAL RESULTS

Moscow – October 08, 2010 – Rostelecom OJSC (“the Company”) (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announced its unaudited consolidated IFRS financial results for the first six months ended June 30, 2010.

HALF YEAR FINANCIAL HIGHLIGHTS

- Consolidated revenues of RUB 30.0 billion, of which revenues from new and value-added services of RUB 10.7 billion were up 6% year on year to 35.7% of the Company’s consolidated revenues;
- OIBDA¹ up 1% year on year to RUB 5.8 billion with an OIBDA margin of 19.4%;
- Net profit up 31% year on year to RUB 1.9 billion.

KEY STRATEGIC DEVELOPMENTS

- Rostelecom summarized the results of the public auction and chose Sberbank for the opening of non-revolving credit lines for a total amount of RUB 30.0 billion for periods between 24 and 36 months and with an interest rate range of 7.28% to 8.20%
- Rostelecom’s AGM approved the merger of Rostelecom with 7 interregional companies and Dagsvyazinform in 1Q2011 and also approved the applicable share swap ratios. The Company’s shareholders also approved the distribution of the net profit for 2009 under Russian Accounting Standards (RAS): RUB 3.6 billion, or 70% of the net profit is to go towards an increase in Company equity; RUB 1.5 billion or 30% of the net profit is to be distributed as dividends for the full year 2009 with the following weighting:
 1. 10% of total net profit for the full year 2009 is to be paid to holders of preferred shares
 2. 20% of total net profit for the full year 2009 is to be paid to holders of ordinary shares.
- The number of Rostelecom authorized ordinary shares increased to 5,900,000,000 from 905,330,221 for the purposes of the additional share issue related to the merger of the Company with seven interregional companies and Dagsvyazinform in 1Q2011

¹OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company defines as operating income before depreciation, amortization, loss from impairment of PP&E, goodwill and other intangible assets as well as loss on disposal of PP&E. 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.

- An EGM has been scheduled for November 10, 2010 to vote on the dividend payment for the first nine months of 2010, which amounts to:
 - 0.0000000411722654% of the Company RAS net profit for the first nine months of the 2010 financial year per preferred share, and
 - 0.0000000274519684% of the Company RAS net profit for the first nine months of the 2010 financial year per ordinary share
- Rostelecom & IRCs repurchased shares representing not more than 10% of the companies' net assets as at March 31, 2010. The shares were repurchased from shareholders who voted against or didn't vote on the merger.
- Rostelecom and Comstar Group completed a series of transactions involving the sale by Comstar Group to Rostelecom of the 25%+1 share in the charter capital of Svyazinvest OJSC. In conjunction with these transactions, Rostelecom transferred RUB 26 billion to Comstar Group.

RUR million	1H 2010	1H 2009	% change, y-o-y
Revenue	29,963	32,774	-9%
Operating expenses, incl.	-27,788	-30,797	-10%
OIBDA	5,809	5,735	1%
<i>OIBDA margin, %</i>	<i>19.4%</i>	<i>17.5%</i>	<i>n/a</i>
Operating income	2,175	1,977	10%
<i>Operating margin, %</i>	<i>7.3%</i>	<i>6.0%</i>	<i>n/a</i>
Net profit	1,875	1,431	31%
<i>Net margin, %</i>	<i>6.3%</i>	<i>4.4%</i>	<i>n/a</i>
Total comprehensive income	1,819	1,548	18%

Rostelecom generated RUB 30.0 billion of revenues in the first half of 2010, compared to RUB 32.8 billion for the corresponding period of 2009. The performance reflected growing revenues from new and value-added services (including data services, INS, leased lines and customer equipment services), offset by a decrease in revenues from traditional voice domestic and international long-distance (DLD/ILD) services.

Revenue from new and value-added services grew by 6% year on year to RUB 10.7 billion and accounted for 35.7% of the Company's consolidated revenues for the first six months of 2010. The increase reflected the mixed effect of the threefold year on year increase in revenues from data transmission services (including Internet access services for operators ("wholesale Internet") and corporate clients, as well as VPN

services) to RUB 5.5 billion, a 18% decrease in revenues from leased-line services to RUB 2.9 billion, mainly due to the construction of networks by other telecom operators, and a 12% increase in revenues from intelligent network services (INS) to RUB 583.0 million.

Revenues from traditional voice domestic and international long-distance (DLD/ILD) services decreased by 15% year on year to RUB 19.3 billion and accounted for 64.3% of the Company's consolidated revenue in the first half of 2010, compared to 69.4% in the corresponding period of 2009.

In the traditional voice telecom segments there were several key trends that impacted Rostelecom during the first half of 2010.

Revenues from international operators for incoming ILD telephone traffic transit and termination decreased by 19% year on year to RUB 2.8 billion in the first six months of 2010. Revenue from ILD services to Russian end-customers and operators decreased by 23% year on year to RUB 4.4 billion.

Revenues from domestic long-distance (DLD) services decreased by 11% year on year to RUB 12.1 billion.

The decrease in DLD and OILD traffic and revenue is primarily attributable to the global macroeconomic environment, the growing competition in the long-distance market as well as the continued migration of long-distance end-customer traffic from fixed-line to mobile networks.

Total operating expenses excluding depreciation and amortization for the first half of 2010 decreased by 10% year on year and amounted to RUB 27.8 billion primarily due to the 25% decrease in payments to international operators to RUB 3.8 billion in line with the decrease in international transit traffic, 8% decrease in payments to Russian operators to 11.4 billion, due to 10% decrease in employee costs to RUB 4.9 billion, due to implementation of the Company's business optimization initiatives and the streamlining of the organizational structure. Company's overall headcount decreased by 7% year on year to 20,550 employees as of June 30, 2010.

In the first half of 2010, OIBDA increased by 1% year on year to RUB 5.8 billion representing an OIBDA margin of 19.4%.

Depreciation and amortization remained flat year on year at RUB 3.8 billion.

Operating profit increased by 10% year on year to RUB 2.2 billion, with an operating margin of 7.3%, as a result of the optimization of operating expenses.

Other income for the first half of 2010 amounted to RUB 329.0 million compared to RUB 50.0 other expense in the first half of 2009.

In the first half of 2010, Rostelecom's consolidated net profit increased by 31% to RUB 1.9 billion, representing 6.3% of revenues.

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For more information please contact:

IR department

Masha Eliseeva

Tel. +7 (499) 995-97-80; +7 (985) 997 08 52

ir@rt.ru

Appendices:

1. CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
2. CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
3. CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Appendix I

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(In millions of Russian Rubles except for earnings per share)

RUB million	1H 2010	1H 2009	% change, y-o-y
Revenue from telephone traffic transmission:	19,276.0	22,734.0	-15.2%
DLD	12,140.0	13,679.0	-11.3%
Outgoing ILD	4,396.0	5,691.0	-22.8%
Incoming ILD (termination and transit)	2,740.0	3,364.0	-18.5%
Revenue from leased line services	2,891.0	3,519.0	-17.8%
Data transmission services	5,501.0	4,436.0	24.0%
Other revenue	2,295.0	2,085.0	10.1%
Total revenue	29,963.0	32,774.0	-8.6%
Payments to Russian operators	(11,440.0)	(12,496.0)	-8.5%
Payments to international operators	(3,749.0)	(4,966.0)	-24.5%
Wages, salaries, etc.	(4,893.0)	(5,405.0)	-9.5%
Taxes other than on income	(344.0)	(318.0)	8.2%
Bad debt expense / (recovery)	22.0	(55.0)	n.a.
Other operating expenses	3,750.0	(3,799.0)	-1.3%
Total operating expenses before depreciation and gain on disposal of PP&E	(24,154.0)	(27,039.0)	-10.7%
OIBDA	5,809.0	5,735.0	1.3%
OIBDA margin, %	19.4%	17.5%	n.a.
Depreciation	(3,755.0)	(3,786.0)	-0.8%
Gain on disposal of property, plant and equipment	121.0	28.0	332.1%
Total operating expenses	(27,788.0)	(30,797.0)	-9.8%
Operating profit	2,175.0	1,977.0	10.0%
Operating margin, %	7.3%	6.0%	n.a.
Gain / (loss) from associates	17.0	(5.0)	-440.0%
Other income / (loss), incl.	329.0	(50.0)	n.a.
Interest expense	(110.0)	(121.0)	-9.1%
Interest income	721.0	737.0	-2.2%
(Loss) on sale of investments	-	(82.0)	n.a.
Foreign exchange loss, net	(290.0)	(619.0)	-53.2%
Other non-operating income, net	8.0	35.0	-77.1%
Income before tax	2,521.0	1,922.0	31.2%
Current tax charge	(310.0)	(574.0)	-46.0%
Deferred tax benefit / (charge)	(336.0)	83.0	n.a.
Income tax expense	(646.0)	(491.0)	31.6%
Net income, attributable to:	1,875.0	1,431.0	31.0%
Equity holders of the parent	1,959.0	1,638.0	19.6%
Non-controlling interests	(84.0)	(207.0)	n.a.
Net margin, %	6.3%	4.4%	n.a.
Other comprehensive (loss) / income, net of tax, incl.	(56.0)	117.0	n.a.
Valuation (loss) / gain on available-for-sale investments	(70.0)	146.0	-147.9%
Valuation gain / (loss) on available-for-sale investments transferred to profit on sale	14.0	(29.0)	n.a.
Income tax relating to the components of other comprehensive income	14.0	(29.0)	n.a.
Total comprehensive income	1,819.0	1,548.0	17.5%

Appendix II

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(In millions of Russian Rubles)

	Six month periods ended	
	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
Cash flows from operating activities		
Profit before income tax	2,521	1,922
<i>Adjustments to reconcile net income before tax to cash generated from operating activities:</i>		
Depreciation and amortization	3,753	3,786
Impairment of property, plant and equipment	2	-
Bad debt (recovery)/ expense	(22)	55
(Gain)/ loss from associates	(17)	5
Gain on sale of property, plant and equipment	(121)	(28)
Loss on sale of investments	-	82
Net interest income	(611)	(616)
Other non-operating income	(8)	(35)
Foreign exchange loss, net	290	619
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(327)	(393)
Decrease in inventories	10	13
Decrease in payables and accruals	(1,388)	(197)
Cash generated from operations	4,082	5,213
Interest paid	(104)	(70)
Interest received	711	632
Income tax paid	(450)	(641)
Net cash provided by operating activities	4,239	5,134
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(4,553)	(2,086)
Proceeds from sale of property, plant and equipment	88	74
Purchase of financial assets, other than available-for-sale investments	(3,505)	(8,745)
Proceeds from sale of financial assets, other than available-for-sale investments, net of direct costs	8,486	6,863
Dividends received from associates	1	4
Net cash received from/ (used in) investing activities	517	(3,890)
Cash flows from financing activities		
Proceeds from interest bearing loans	133	49
Repayment of interest bearing loans and loan facilities	(207)	(187)
Repayment of lease obligations	(20)	(33)
Dividends paid	(2)	(212)
Net cash used in financing activities	(96)	(383)
Effect of exchange rate changes on cash and cash equivalents	13	(37)
Net increase in cash and cash equivalents	4,673	824
Cash and cash equivalents at the beginning of period	6,996	11,992
Cash and cash equivalents at the end of period	11,669	12,816

Appendix III

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In millions of Russian Rubles)

	June 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Non-current assets		
Property, plant and equipment	41,184	40,249
Goodwill and other intangible assets	3,649	3,743
Investments in associates	156	152
Long-term financial assets	2,396	1,037
Other non-current assets	64	117
Total non-current assets	47,449	45,298
Current assets		
Inventories	422	432
Accounts receivable	9,153	8,751
Prepaid income tax	440	321
Short-term investments	8,004	14,947
Cash and cash equivalents	11,669	6,996
Total current assets	29,688	31,447
Total assets	77,137	76,745
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	100	100
Retained earnings and other reserves	55,224	61,274
Total equity attributable to equity holders of the Company	55,324	61,374
Non-controlling interest	(261)	(177)
Total equity	55,063	61,197
Non-current liabilities		
Finance lease payable	-	436
Accounts payable, provisions and accrued expenses	259	213
Deferred tax liability	1,931	1,609
Total non-current liabilities	2,190	2,258
Current liabilities		
Accounts payable, provisions and accrued expenses	14,971	8,603
Finance lease payable	48	95
Taxes payable	863	692
Vendor financing payable	1,899	1,780
Current portion of long-term borrowings	1,955	1,980
Short-term borrowings	148	140
Total current liabilities	19,884	13,290
Total liabilities	22,074	15,548
Total equity and liabilities	77,137	76,745

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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.

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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.