



## **ROSTELECOM REPORTS COMBINED AND CONSOLIDATED IFRS FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2011**

**Moscow** – June 30, 2011 – Rostelecom OJSC (the “Group”) (MICEX: RTKM, RTKM-002D - RTKM-017D, RTKMP; RTS: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announced its unaudited combined and consolidated<sup>1</sup> IFRS financial results for the three months ended March 31, 2011.

### **FINANCIAL HIGHLIGHTS**

- Combined and consolidated revenues up 8% year on year to RUB 72.4 billion
- OIBDA<sup>2</sup> of RUB 27.2 billion and OIBDA margin of 37.6%
- Net income up 6% year on year to RUB 10.6 billion
- Capital expenditure<sup>3</sup> of RUB 15.1 billion represents 20.9% of combined revenues
- Net debt<sup>4</sup> of RUB 154.4 billion as at March 31, 2011, with net debt to annualized OIBDA ratio of 1.5x

### **OPERATING HIGHLIGHTS**

- Total local telephony subscriber base stable quarter-on-quarter and slightly down year on year to 29.2 million
- Total broadband internet subscriber base up 33% year on year to 7.4 million
- Total Pay-TV subscriber base up seven-fold year on year to 5.5 million

Alexander Provotorov, President and Chief Executive Officer commented: “Our results for the first quarter reflected the performance of the combined company for the first time, despite the fact that the merger was completed on April 1, after the end of the reporting period. The initiatives that we have implemented in order to drive the Group’s revenue growth, by providing our subscribers with a full spectrum of telecommunication services, have been further strengthened by the successful acquisition of companies like Teleset and Severen Telecom in 2010, and NTK in February 2011. The acquisition of NTK in particular has provided us with access to over 3.1 million Moscow households, and has enhanced our market positions in key cities such as St. Petersburg, Ekaterinburg and Novosibirsk.”

“The legal merger of the companies on April 1, 2011, and the approval of our development strategy for 2011-2015, have enabled us to launch a range of projects to increase the efficiency of the Company’s operations moving forward.”

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<sup>1</sup> Combination of consolidated financial statements of North-West Telecom OJSC, CenterTelecom OJSC, Southern Telecommunications Company OJSC, VolgaTelecom OJSC, Uralsvyazinform OJSC, Sibirtelecom OJSC, Far East Telecom OJSC (“RTOs”), Dagsvyazinform OJSC and Rostelecom OJSC, which had been under common control of Svyazinvest OJSC and were merged on April 1, 2011.

<sup>2</sup> Here and below, please refer to Attachment 1 to this statement for a full definition and reconciliation of OIBDA

<sup>3</sup> Here and below, capital expenditure (“CAPEX”) comprises cash spent on purchase of property, plant and equipment and intangible assets

<sup>4</sup> Here and below, Net debt is calculated as the sum of long-term loans and short-term borrowings minus cash and cash equivalents and short-term investments

## FINANCIAL SUMMARY

(RUB billion)	1Q2011	1Q2010	% change, y-o-y
<b>Revenue</b>	<b>72.4</b>	67.2	8%
OIBDA	27.2	27.8	(2%)
<i>OIBDA margin, %</i>	<b>37.6%</b>	41.3%	
Operating income	14.2	15.0	(5%)
<i>Operating margin, %</i>	<b>19.7%</b>	22.3%	
Net income	10.6	10.0	6%
<i>Net margin, %</i>	<b>14.6%</b>	14.8%	
<b>Capital expenditures</b>	<b>15.1</b>	9.2	64%
<i>% of revenue</i>	<b>20.9%</b>	13.7%	
<b>Net debt</b>	<b>154.4</b>	n.a.	n.a.
<i>Net debt/annualized OIBDA</i>	<b>1.5</b>	n.a.	n.a.

## OPERATING REVIEW

### Revenue structure

(RUB billion)	1Q2011	1Q2010	% change, y-o-y
Fixed Line			
Local telephony services	21.6	21.3	1%
Intra zone telephony services	5.3	5.9	(10%)
DLD/ILD (including ILD traffic transit) telephony services	8.8	9.6	(8%)
Interconnection and traffic transit services	4.0	3.5	13%
Broadband Internet	11.5	9.7	19%
Pay - TV	1.4	0.2	568%
Mobile communication services	7.2	7.3	(1%)
Data services (VPN, data centres, wholesale Internet sales)	5.3	3.9	37%
Rent of channels	3.1	2.5	25%
Other	4.0	3.3	22%
<b>Total revenue</b>	<b>72.4</b>	<b>67.2</b>	<b>8%</b>

Company revenues increased by 8% year on year to RUB 72.4 billion in the first quarter. The performance reflected:

- a 19% year on year increase in revenues from broadband internet services, in line with the broadband subscriber base growing by 33% year on year to 7.4 million
- a 37% year on year increase in revenues from data services, due to increased sales to the government sector (B2G)
- revenues from pay-TV services up more than six times year on year, reflecting the acquisition of NTK in February 2011

The growth was partially offset by an 8% year on year decline in revenues from Domestic Long Distance and International Long Distance (DLD/ILD) telephony services, which primarily reflected the ongoing changes in customer behavior patterns related to the use of traditional long distance services.

Revenues from local telephony services increased by 1% year on year, due to the increase in regulated tariffs, which affected five out of seven RTOs from February 1, 2011. During the first quarter of 2010, the regulated tariff increase was implemented across all the Group companies from January 1.

### **Key operating indicators**

	1Q2011	1Q2010	% change, y-o-y
<b>Number of Subscribers (millions):</b>			
Local telephony	29.2	29.6	(1%)
Mobile telephony <sup>1</sup>	12.4	15.2	n.a.
Broadband Internet access	7.4	5.6	33%
Pay - TV	5.5	0.8	605%
<b>Traffic (billions of minutes)</b>			
Intra zone	2.8	3.0	(9%)
DLD	2.1	1.8	22%
ILD	1.1	1.1	(4%)

Rostelecom's total subscriber base for local telephony services was stable quarter on quarter, and was slightly down year on year to 29.2 million. Both the broadband and pay-TV subscriber bases continued to grow, both on an organic basis due to the increased penetration of broadband and pay-TV services among local telephony subscribers, and as a result of the acquisition of telecom operators like NTK. The total broadband subscriber base was up 33% year on year to 7.4 million, while the total Pay-TV subscriber base increased more than seven fold year on year to 5.5 million. The number of mobile telephony subscribers was stable quarter on quarter. The year on year performance reflected the implementation of a new three month churn policy during the third quarter of 2010.

### **Structure of operating expenses<sup>2</sup>**

(RUB billion)	1Q2011	1Q2010	% change, y-o-y
Personnel costs	20.7	17.0	22%
Interconnection charges	9.1	9.0	1%
Materials, repairs and maintenance, utilities	7.1	6.1	17%
Other operating income	(3.7)	(3.3)	13%
Other operating expenses	11.9	10.6	12%
<b>Total</b>	45.1	39.5	14%

The Company's total operating expenses, before depreciation and amortization expenses, increased by 14% year on year to RUB 45.1 billion in the first quarter of 2011. The performance primarily reflected:

- a 22% year on year increase in personnel costs to RUB 20.7 billion, due to the increase in salaries in line with inflation during 2010; the regulated change in the social tax rate from January 1, 2011; the consolidation of NTK's expenses; as well as one-off bonus payments by

<sup>1</sup> Excluding Skylink Group. The year-on-year decrease is attributable to the change in the churn policy

<sup>2</sup> Excluding depreciation and amortization

regional companies, which were approved by its management before the reorganization and related to the completion of the reorganization

- a 16% year on year increase in other operating expenses to RUB 11.8 billion, due to the consolidation of NTK's expenses, as well as reorganization costs and an increase in taxes
- a 17% year on year increase in materials, repairs and maintenance, and utility costs to RUB 7.1 billion

The Company reported an OIBDA of RUB 27.2 billion in the first quarter, with an OIBDA margin of 37.6%.

Depreciation and amortization expenses increased by 2% year on year to RUB 13.0 billion. Company capital expenditure increased by 64% year on year to RUB 15.1 billion, and primarily comprised payments for projects that were completed in the fourth quarter of 2010; the launch of new projects to modernize broadband networks and IT systems; the launch of new services; the construction of data transmission networks.

The Company reported an operating profit of RUB 14.2 billion in the first quarter, with an operating margin of 19.7%.

The year on year increase in financial expenses reflected the payment of interest on the credit lines which were used for to acquire the 25% stake in Svyazinvest and 71.8% in NTK, but were offset by the decrease in interest expense related to the pension plans. The Group's equity participation in the earnings of Svyazinvest totaled RUB 1.3 billion in the first quarter.

Profit before taxes therefore increased by 7% year on year to RUB 13.4 billion, in line with the previously discussed decline in other expenses.

The Company's income tax increased by 11% year on year to RUB 2.9 billion, which reflected the increase in profit before tax. Rostelecom's effective tax rate was 21% in the first quarter, which exceeded the Russian Statutory Income tax rate of 20% due to certain expenses which were non-deductible for tax purposes.

The Company reported a 6% year on year increase in net income to RUB 10.6 billion for the first quarter.

## **FINANCIAL REVIEW**

Net cash generated by operating activities decreased by 41% year on year to RUB 11.4 billion in the first quarter, and reflected increased in working capital levels.

Cash used in investing activities increased year on year to RUB 46.5 billion due to the acquisition of 71.8% of NTK, as well as purchases of property, plant and equipment.

Cash provided by financing activities amounted to RUB 30.9 billion in the first quarter, and primarily comprised loans secured to finance the acquisition of NTK.

The Group's cash and cash equivalents were therefore reduced to RUB 8.4 billion at the end of the reporting period.

The Group's total borrowings, including current and non-current obligations, were up 24% during the quarter to RUB 170.7 billion, and comprised loans raised by the companies to acquire the 25% stake in Svyazinvest and the 71.8% stake in NTK, as well as the RUB 19.6 billion of RTOs' bonds. More than 95% of the Group's total debt was ruble denominated at the end of the first quarter. The Group's net debt therefore increased to RUB 154.4 billion. This was equivalent to 1.5x times annualized OIBDA,

and compared to 1.2x times at the end of 2010. The level of net debt was below the maximum level of 2x, which has been set by the Company's financial policy.

## **SIGNIFICANT EVENTS DURING THE FIRST QUARTER OF 2011 AND AFTER THE END OF THE REPORTING PERIOD**

- On February 4, 2011, the Group<sup>1</sup> completed the acquisition of a 71.8% stake in OJSC National Telecommunications ("NTK"), the largest independent cable TV operator and information provider in Russia. NTK's subscriber base comprised approximately 4.6 million Pay - TV subscribers (a 3% year on year increase) and 464 thousand broadband subscribers (up 1.5 times year on year at the) at the end of 2010.
- In March 2011 the Group signed a memorandum of understanding regarding the joint development of LTE networks on the basis of the infrastructure of Skartel LLC (Yota brand) with MTS OJSC, Vimpelcom OJSC, Megafon OJSC and Skartel LLC.
- On April 1, 2011, the RTOs and OJSC Dagsvyazinform were excluded from the Unified State Register of Legal Entities, following their merger with OJSC Rostelecom. The ordinary and preferred shares and bonds of the merged companies were exchanged for newly issued Rostelecom ordinary shares and bonds. This completed the legal process of creating an integrated Group based on Rostelecom.
- On May 12, 2011, Rostelecom's newly issued shares commenced trading on the CJSC Moscow Interbank Currency Exchange ("MICEX") as 16 separate issues
- On May 13, 2011, the Board of Directors of Rostelecom approved its development strategy for 2011-2015.
- On May 13, 2011, Standard & Poor's upgraded Rostelecom to 'BB+' with a 'stable' outlook
- On June 2, 2011, Rostelecom acquired 39.87% of the ordinary shares of OJSC Bashinformsvyaz, the largest telecoms operator in the Republic of Bashkortostan. As at the end of March 2011, Bashinformsvyaz had over one million fixed voice subscribers, 251 thousand broadband subscribers and 32 thousand IPTV subscribers.
- On June 9, 2011, the Company's Board of Directors approved changes to the employee long-term incentive programme by launching an additional stock option programme, amounting to RUB 3.5 billion. 39,554,794 Rostelecom preferred shares, comprising 16.3% of the total preferred shares or 1.2% of the total number of Rostelecom shares, which are currently held by Mobitel LLC, (a subsidiary of Rostelecom), will be used to implement this programme.
- On June 27, 2011, the Rostelecom AGM approved the payments of an annual dividend of RUB 105.5 million for the full year 2010, to be paid to holders of Rostelecom preferred shares as at the record date of May 10, 2011. The dividend, which amounts to a payment of RUB 0.4344 per preferred 'class A' share<sup>2</sup>, is due to be paid by October 31, 2011. The AGM also approved that no annual dividends be paid to holders of ordinary shares for the full year 2010.

<sup>1</sup> OJSC Rostelecom together with OJSC Uralsvyazinform and OJSC North-West Telecom

<sup>2</sup> The dividend payment per preferred share is calculated as 10% of Rostelecom's RAS net profit for the full year 2010, divided by 25% of the total number of shares.

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## OTHER INFORMATION

### **Conference call**

Rostelecom will host a conference call today at  
8.00 AM (ET) / 1.00 PM (UK) / 2.00 PM (CET) / 4.00 PM (MOSCOW).

Participants may access the call by dialling the following numbers:

UK/ International:   **+44 20 8515 2306**  
US:                   **+1 480 629 9645**

A replay of the conference call will be available on the Company's website [http://www.rt.ru/en/centr-invest/financial/IFRS/detail.php?SECTION\\_ID=1072](http://www.rt.ru/en/centr-invest/financial/IFRS/detail.php?SECTION_ID=1072) in due course.

### **FOR MORE INFORMATION PLEASE CONTACT:**

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### **ATTACHMENTS:**

1. Reconciliation of OIBDA;
2. Combined Statement of Comprehensive Income for the three months ended March 31, 2011
3. Combined Statement of Cash Flows for the three months ended March 31, 2011
4. Combined Statement of Financial Position as at March 31, 2011

## ATTACHMENT 1. RECONCILIATION OF OIBDA

OIBDA is a non-U.S. GAAP and non-IFRS financial measure, which the Company defines as operating income before depreciation and amortization. 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.

<b>(RUB million)</b>	<b>1Q2011</b>	<b>1Q2010</b>	<b>% change, y-o-y</b>
Operating income	14.2	15.0	(6%)
Add: Depreciation and amortization	13.0	12.8	(3%)
<b>OIBDA</b>	<b>27.2</b>	<b>27.8</b>	<b>(2%)</b>
<b>OIBDA margin, %</b>	<b>37.6%</b>	<b>41.3%</b>	

**ATTACHMENT 2.****Combined Statement of Comprehensive Income for the three months ended March 31, 2011**

(RUB million)	Three month period ended	
	31 March 2011 (unaudited)	31 March 2010 (unaudited)
<b>Revenue</b>	<b>72,366</b>	<b>67,222</b>
<b>Operating expenses</b>		
Wages, salaries, other benefits and payroll taxes	(20,725)	(17,007)
Depreciation and amortisation	(13,008)	(12,756)
Interconnection charges	(9,116)	(8,999)
Materials, utilities, repairs and maintenance	(7,068)	(6,057)
(Loss)/gain on disposal of property, plant and equipment	(5)	52
Bad debt expense	(86)	(450)
Other operating income	3,668	3,197
Other operating expenses	(11,806)	(10,189)
<b>Total operating expenses, net</b>	<b>(58,146)</b>	<b>(52,209)</b>
<b>Operating profit</b>	<b>14,220</b>	<b>15,013</b>
Income from equity accounted investees	1,277	57
Finance costs	(3,241)	(3,298)
Other investing and financial gains	495	660
Foreign exchange gain, net	669	110
<b>Profit before income tax</b>	<b>13,420</b>	<b>12,542</b>
Income tax expense	(2,858)	(2,567)
<b>Profit for the year</b>	<b>10,562</b>	<b>9,975</b>
<b>Other comprehensive income</b>		
Revaluation gain on available-for-sale investments	111	12
Income tax in respect of other comprehensive income (loss) items	(22)	(2)
<b>Other comprehensive income for the year, net of tax</b>	<b>89</b>	<b>10</b>
<b>Total comprehensive income for the year</b>	<b>10,651</b>	<b>9,985</b>
<b>Profit attributable to:</b>		
Equity holders of the Group	10,444	9,970
Non-controlling interests	118	5
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Group	10,533	9,980
Non-controlling interests	118	5
<b>Earnings per share attributable to equity holders of the Combined entity – basic and diluted (in RUB)</b>	<b>3.49</b>	<b>3.13</b>



**ATTACHMENT 3. Combined Statement of Cash Flows for the three months ended March 31, 2011**

(RUB million)	Three month period ended	
	31 March 2011, (unaudited)	31 March 2010, (unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	13,420	12,542
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>		
Depreciation and amortization	13,008	12,756
Loss/(gain) on disposal of property, plant and equipment	5	(52)
Bad debt allowance	86	450
Income from equity accounted investees	(1,277)	(57)
Finance costs excluding finance costs on pension and other long-term social liabilities	3,364	3,150
Other investing and financing gains	(495)	(660)
Other non-cash gain	(525)	-
Foreign exchange gain, net	(669)	(110)
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(7,320)	(6,275)
(Decrease)/increase in employee benefits	(74)	328
(Increase)/decrease in inventories	(419)	8
(Decrease)/increase in accounts payable, provisions and accrued expenses	(2,770)	3,838
Increase/(decrease) in other assets and liabilities	1,223	(1,584)
<b>Cash generated from operations</b>	<b>17,557</b>	<b>24,334</b>
Interest paid	(3,442)	(3,157)
Income tax paid	(2,677)	(1,916)
<b>Net cash provided by operating activities</b>	<b>11,438</b>	<b>19,261</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(15,104)	(9,222)
Proceeds from sale of property, plant and equipment	325	190
Acquisition of financial assets	(2,793)	(1,192)
Proceeds from disposals of financial assets	705	5,113
Interest received	397	368
Dividends received from associates	3	104
Purchase of subsidiaries, net of cash acquired	(29,967)	-
Acquisition of equity accounted investees	(103)	-
<b>Net cash used in investing activities</b>	<b>(46,537)</b>	<b>(4,639)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(6)	-
Proceeds from bank and corporate loans	59,845	11,696
Repayment of bank and corporate loans	(24,712)	(18,593)
Proceeds from bonds	12	-
Repayment of bonds	(3,300)	(1,883)
Proceeds from promissory notes	12,050	800
Repayment of promissory notes	(12,051)	(870)
Repayment of vendor financing payable	(133)	(454)
Repayment of other non-current financing liabilities	-	(12)
Repayment of finance lease liabilities	(770)	(1,250)

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Dividends paid to shareholders of the Group	-	(18)
<b>Net cash provided by/(used) in financing activities</b>	<b>30,936</b>	<b>(10,584)</b>
Net (decrease)/increase in cash and cash equivalents	(4,204)	3,851
Effect of exchange rate changes on cash and cash equivalents	(41)	(187)
Cash and cash equivalents at beginning of year	12,627	13,621
<b>Cash and cash equivalents at the end of year</b>	<b>8,423</b>	<b>17,472</b>

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**ATTACHMENT 4. Combined Statement of Financial Position as at March 31, 2011**

(RUB million)	31 March 2011, (unaudited)	31 December 2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	303,943	301,068
Investment property	292	356
Goodwill and other intangible assets	60,004	30,024
Investment in associates	28,789	27,517
Other investments	12,946	10,589
Deferred tax assets	1,127	530
Other non-current assets	6,883	3,645
<b>Total non-current assets</b>	<b>413,984</b>	<b>373,729</b>
<b>Current assets</b>		
Inventories	4,907	4,156
Trade and other accounts receivable	33,153	25,200
Prepayments	2,762	1,993
Prepaid income tax	2,929	1,745
Other investments	7,938	5,580
Cash and cash equivalents	8,423	12,627
Other current assets	2,580	1,781
<b>Total current assets</b>	<b>62,692</b>	<b>53,082</b>
<b>Total assets</b>	<b>476,676</b>	<b>426,811</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Group</b>		
Share capital	100	100
Additional paid-in capital	33,424	33,424
Treasury shares	(25,416)	(25,410)
Retained earnings and other reserves	215,582	204,981
<b>Total equity attributable to equity holders of the Group</b>	<b>223,690</b>	<b>213,095</b>
Non-controlling interests	4,600	12
<b>Total equity</b>	<b>228,290</b>	<b>213,107</b>
<b>Non-current liabilities</b>		
Loans and borrowings	119,208	87,941
Employee benefits	16,123	16,197
Deferred tax liabilities	16,609	12,281
Accounts payable, provisions and accrued expenses	125	202
Other non-current liabilities	2,469	1,574
<b>Total non-current liabilities</b>	<b>154,534</b>	<b>118,195</b>
<b>Current liabilities</b>		
Loans and borrowings	51,519	50,096
Accounts payable, provisions and accrued expenses	34,625	38,935
Income tax payable	282	45
Other current liabilities	7,426	6,433
<b>Total current liabilities</b>	<b>93,852</b>	<b>95,509</b>
<b>Total liabilities</b>	<b>248,386</b>	<b>213,704</b>
<b>Total equity and liabilities</b>	<b>476,676</b>	<b>426,811</b>

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**Rostelecom** ([www.rt.ru/en](http://www.rt.ru/en)) is Russia's national telecommunications operator and now also includes the regional incumbent telecommunications operators (CentreTelecom, SibirTelecom, Dalsvyaz, Uralsvyazinform, VolgaTelecom, North-West Telecom and Southern Telecommunications Company) and Dagsvyazinform. Rostelecom has the largest domestic backbone network (approximately 500 thousand km) and last mile connections to approximately 35 million households in Russia. The Company holds licences to provide a wide range of telecommunications services (telephony, data, TV and value-added solutions) to residential, corporate and governmental subscribers and third party operators across all regions of the Russian Federation. The Rostelecom brand is one of Russia's ten most trusted brands (source: Romir market research).

Rostelecom's ordinary and preferred shares are traded on the RTS (RTKM, RTKMP) and MICEX (RTKM, RTKM-002D - RTKM-017D, RTKMP) stock exchanges, and its depository receipts are traded over-the-counter in the United States on the OTCQX under the symbol 'ROSY'. Rostelecom is majority owned (53.2% of ordinary shares) by the Russian Government and has a free float of 44.1% of the outstanding ordinary shares and 71.1% of the outstanding preferred shares. Standard&Poor's has assigned Rostelecom a 'BB+' international credit rating with a 'Stable' outlook. Rostelecom had 29.2 million local fixed-line voice subscribers, 12.4 million mobile voice subscribers, 7.4 million fixed-line broadband subscribers and 5.5 million pay-TV subscribers at the end of the first quarter of 2011. The Group generated RUB 275.7 billion of combined and consolidated revenues, RUB 101.4 billion of OIBDA (36.8% of revenues) and RUB 31.3 billion of net income for the twelve months ended December 31, 2010.

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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.*