

PRESS RELEASE

ROSTELECOM BOARD OF DIRECTORS APPROVES THE ISSUE OF ADDITIONAL ORDINARY SHARES IN ROSTELECOM AS PART OF THE SECOND STAGE OF ITS REORGANISATION

Moscow – August 5, 2013 – Rostelecom, Russia's national telecommunications operator, today announced that its Board of Directors has approved the decision to increase the Company's share capital through the issue of an additional 1,582,234,000 ordinary shares¹. The decision was taken at a meeting of the Board of Directors, held on August 5th, 2013.

As a result of the second stage of the reorganisation 1,071,502,300 of the newly issued shares are planned to be placed in favour of Rosimuschestvo, a major Svyazinvest shareholder. The remaining shares will only be technically issued and will be cancelled in-line with legal requirements.

Once the reorganisation is complete, Rostelecom's share capital structure is expected to be divided into 2,669,204,301 issued ordinary shares and 242,831,469 issued preferred shares (following the cancellation of 1,345,556,268 ordinary shares currently held by Svyazinvest).

The additional share issue is being conducted to facilitate the merger of Svyazinvest and 20 other affiliate companies² with Rostelecom, which has been designed to eliminate the cross-ownership between Rostelecom and Svyazinvest.

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For more information please visit <http://www.rostelecom.ru/en/ir> or contact:

“**Rostelecom Investor Relations / Rostelecom IR**” application is now available to download for free from the Apple App Store and Google Play



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¹ Current structure of Rostelecom share capital: 2,943,258,269 issued ordinary shares, 242,831,469 issued preferred shares

² National Telecommunications OJSC, National Cable Networks OJSC, St. Petersburg Cable Television Company OJSC, ELKATEL CJSC, National Cable Networks – EuroAsia OJSC, Novosibirsk Antenna Cable Television Broadcasting CJSC, Teleset-Service CJSC, ELTELEKOR CJSC, Mosteleaset OJSC, Mostelecom OJSC, TELESET CJSC, TELESET INVEST CJSC, TNPKO OJSC, Simbirsky Telecommunications Systems CJSC, Svyazinvest CJSC, Russian Telecommunications Network OJSC, Novgorod Datacom CJSC, Parma-Inform CJSC, ENTER CJSC and Ingushelektrosvyaz OJSC.

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Rostelecom (www.rostelecom.ru) is Russia's largest national telecommunications operator with presence in all Russian regions. The Group is a universal operator and undisputable leader of broadband and pay-TV markets in Russia with over 9.5 million fixed-line broadband subscribers and over 6.8 million pay-TV subscribers. As Rostelecom develops its mobile data networks, its position as a major mobile operator is growing with over 13.5 million currently subscribed to Rostelecom's mobile voice services. The Group is also an important innovator that provides solutions in the field of medicine, E-Government, cloud computing and education.

Rostelecom was assigned a 'BBB-' and 'BB+' international credit ratings by Fitch Ratings and Standard & Poor's respectively, both with a 'Stable' outlook. The Group generated RUB 77.1 billion of consolidated revenues, RUB 28.8 billion of OIBDA (37.4% of revenues) and RUB 6.4 billion of net income for the first three months ended March 31, 2013.

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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.