PRESS RELEASE

ROSTELECOM REPORTS AUDITED CONSOLIDATED FULL YEAR 2007 IFRS OPERATING AND FINANCIAL RESULTS

TOP LINE GROWTH DRIVEN BY BUSINESS DIVERSIFICATION AND CONTINUED SUCCESS IN TRADITIONAL TELECOM SEGMENTS

Moscow - July 1, 2008: Rostelecom (NYSE: ROS; RTS, MICEX: RTKM, RTKMP), Russia's national telecommunications operator, today announced audited consolidated results for the full year ended December 31, 2007 in accordance with International Financial Reporting Standards (IFRS):

- Consolidated revenue for the full year 2007 increased by 4.9% to RUB 64,602.0 million;
- Domestic long-distance traffic rose 4.7% compared to 2006. Outgoing international traffic decreased by 5.8% year on year while incoming international traffic increased by 24.4%;
- Full year 2007 OIBDA[1] increased by 7.6% to RUB 11,110.0 million, representing an OIBDA margin of 17.2%;
- 2006 FY net profit amounted to RUB 2,806.0 million, representing a year-on-year increase of 92.7%.

Rostelecom's General Director Konstantin Solodukhin commented: *"In 2007 the Company continued its success, operating in what has become a highly competitive environment following the liberalization of the long-distance market. Our performance demonstrates Rostelecom's solid position in the traditional telecom segments and reflects our increased presence in new service markets.*

Proactive development and promotion of new products and services enabled the Company to deliver an impressive increase in revenues from data transmission services - one of the most promising growth segments for the Company. It has been a year since Rostelecom became actively engaged in the wholesale Internet services market, and during this time Rostelecom managed to attain 11% market share. We plan to substantially increase our presence in this segment in the coming years.

By leveraging our competitive advantages, we were able to maintain our solid position in traditional long-distance services to end-customers while building on our strong position in the international operators' market.

Effective collaboration with regional operators and the expansion of Rostelecom's own nationwide network of Customer Care Centers contributed to improved operating efficiency compared to the previous year.

In 2008, our primary objectives are to further diversify the business through the active expansion of our range of services while maintaining the Company's solid positions in traditional telecom segments."

[1]OIBDA 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.

Financial Highlights

RUR million	2007	2006	*% change, y-o-y*
Revenue	**64,602**	**61,559**	***4.9%***
Operating expenses, incl.	**61,573**	**60,254**	***2.2%***
Depreciation	7,613	8,418	*-9.6%*
Loss on disposal of property, plant and equipment	197	601	*-67.2%*
Impairment of goodwill and other intangible assets	271	-	*n.a.*
OIBDA	**11,110**	**10,324**	***7.6%***
OIBDA margin, %	*17.2%*	*16.8%*	*n.a.*
Operating income	**3,029**	**1,305**	***132.1%***
Operating margin, %	*4.7%*	*2.1%*	*n.a.*
Net profit	**2,806**	**1,456**	***92.7%***
Net margin, %	*4.3%*	*2.4%*	*n.a.*

Rostelecom's consolidated revenue for the full year 2007 increased by 4.9% to RUB 64,602.0 million. Domestic long-distance traffic grew by 4.7% year on year, while incoming international traffic was up 24.4%. Outgoing international traffic decreased by 5.8% compared to the previous year. In 2007, Rostelecom delivered an 8.6% increase in revenues from leased line services to RUB 7,725.0 million resulting from growing overall demand and an optimized tariff policy. Top-line growth was also driven by increased revenues from other business segments, including value-added and new services. Revenues from other business segments rose by 29.2% compared to 2006 and totaled RUB 6,877.0 million. This growth was primarily supported by the successful development and promotion of the Company's Internet access services for operators and corporates and intelligent network services coupled with rising customer demand for technical support & equipment servicing.

Operating expenses for the full year 2007 increased by 2.2% to 61,573.0 million.

2007 full year operating profit more than doubled from RUB 1,305.0 million in 2006 to RUB 3,029.0 million in 2007. This was mainly driven by an increase in overall revenues alongside a decrease in payments to Russian operators, supported by the development of direct business-to-client relationships with end-customers through Rostelecom's expanding network of Customer Care Centers across the country. Lower depreciation charges also contributed to the growth in operating profit.

OIBDA rose by 7.6% year on year to RUB 11,110.0 million representing an OIBDA margin of 17.2%.

Consolidated net income for the full year 2007 totaled RUB 2,806.0 million – almost double the previous year's figure.

In 2007, Rostelecom continued to invest in the modernization and expansion of its nationwide network as well as in the development of technical and IT infrastructure for the provision of new services. Full year capital expenditures decreased by 1.4% year-on-year to USD 280 million. Investments are planned to increase to approximately USD 300 million in 2008. The key objective of Rostelecom's investment program is to enable the Company to further diversify its business pursuing new avenues for growth while sustaining solid positions in major markets and in traditional segments.

Rostelecom's continuous focus on business process improvement and optimization of the organizational structure resulted in a 3.0% reduction in headcount of the Company and its subsidiaries compared to

2006. As of December 31, 2007 headcount amounted to 22.5 thousand employees. Overall, headcount reduction in network maintenance was partly offset by increased staff to support marketing, sales and customer service.

Domestic Long-Distance (DLD) Services

Increase in Traffic and Revenue from Russian Clients Underscores the Company's Solid Position in the DLD Market Despite Growing Competition

Rostelecom's 2007 DLD revenues increased by 1.9% to RUB 31,973.0 million. Domestic long-distance traffic amounted to 10,174.8 million minutes - a year-on-year increase of 4.7%.

The growth in DLD revenues was influenced by changes in the traffic mix as well as by the decrease in tariffs.

International Long-Distance (ILD) Services to Russian Subscribers and Operators

OILD Traffic and Revenues from International Long-Distance Services Impacted by Changes in Traffic Mix and Intensifying Competition

Outgoing ILD traffic for the full year 2007 totaled 1,820.1 million minutes – a year-on-year decrease of 5.8%, while revenues from ILD services to Russian subscribers and operators amounted to RUB 12,317.0 million, down 7.2% compared to the same period last year.

The decrease in traffic and revenues was primarily attributable to the increased competition for the most profitable destinations, mainly in the operators' market, as well as the changes in the traffic mix.

Incoming ILD Traffic Transit and Termination Services to International Operators

Steady Growth in Incoming International Traffic Volumes Underscores the Strength of the Company's Market Position

Successful cooperation with international operators along with the optimization of tariff policies enabled the Company to substantially increase incoming international traffic volumes. Incoming traffic from international operators rose 24.4% compared to 2006 to 3,062.2 million minutes.

Full year 2007 revenue from international operators for incoming ILD traffic transit and termination grew by 27.5% year on year to RUB 5,710.0 million.

Revenue from Leased Line Services

Increase in Revenue from Leased Lines on the Back of Optimized Tariff Policy and Growing Demand

Rostelecom's 2007 revenue from leased line services rose 8.6% year on year and totaled RUB 7,725.0 million.

Other Revenue

Active Development and Promotion of New Services Boosts Revenue Growth and Creates Diversification

The Company's revenue from other business segments increased by 29.2% year on year to RUB 6,877.0 million, reflecting the growth of value-added and new services. Rostelecom delivered solid increases in revenue from data transmission services for operators and corporate customers, intelligent network services (INS) and customer equipment servicing.

The Company's revenue from Internet access services for operators and corporates surged to RUB 1,143.0 million – a year-on-year increase of 5.3 times, while revenue from intelligent network services (INS) rose by 48.9% to RUB 1,133.0 million. Rostelecom's revenue from customer equipment servicing grew by 28.7% compared to 2006 to RUB 1,160.0 million.

Traffic and revenue dynamics

	2007	2006	% change, y-o-y
DLD traffic			
Traffic, mln min	**10,174.8**	**9,722.1**	**4.7%**
Revenue, RUB mln	**31,973.0**	**31,370.0**	**1.9%**
Outgoing ILD traffic			
Traffic, mln min	**1,820.1**	**1,932.8**	**-5.8%**
Revenue, RUB mln	**12,317.0**	**13,271.0**	**-7.2%**
International operators			
Traffic, mln min	**3,062.2**	**2,460.7**	**24.4%**
Revenue, RUB mln	**5,710.0**	**4,480.0**	**27.5%**
Leased line services			
Revenue, RUB mln	**7,725.0**	**7,116.0**	**8.6%**
Other			
Revenue, RUB mln	**6,877.0**	**5,322.0**	**29.2%**

Operating Expenses

Total operating expenses for the full year 2007 amounted to RUB 61,573.0 million, representing a year-on-year increase of 2.2% primarily attributable to the scheduled growth in staff costs, higher costs for implementation of marketing initiatives as well as other administration costs. However, the reduction in payments to Russian operators alongside lower depreciation charges and loss on the sale of PP&E slowed growth in Rostelecom's operating expenses.

Payments to Russian operators decreased by 5.1% year on year to RUB 27,860.0 million mainly due to the expansion of the Company's own Customer Care Centers, which enabled Rostelecom to save on agent fees. Payments to international operators rose 7.0% to RUB 7,817.0 million as a result of increase in volume of transit traffic.

Staff costs for the full year 2007 totaled RUB 8,763.0 million, a 22.6% increase year on year. This was a result of a scheduled increase in the salary budget as the Company retained the staff necessary to further support marketing, sales and customer service. This was partially offset by a staffing reduction in network maintenance. As mentioned, due to continuing business process optimization and streamlining of the organizational structure, the Company and its subsidiaries' headcount was reduced by 3.0% to 22.5 thousand employees as of December 31, 2007.

In 2007 the Company's expenses for bad debt provision amounted to RUB 815.0 million, up by two times year on year. In addition, the Company recognized in the statement of income a RUB 271.0 million loss from the impairment of goodwill and other intangible assets.

OIBDA increased by 7.6% year on year to RUB 11,110.0 million, representing the OIBDA margin of 17.2%.

Depreciation charges for the full year 2007 amounted to RUB 7,613.0 million – down 9.6% year on year.

Thus, full year 2007 operating profit grew by 2.3 times to RUB 3,029.0 million from RUB 1,305.0 million in 2006. Operating margin improved to 4.7%.

Other Income/Loss

Other income for the full year 2007 amounted to RUB 815.0 million, down 27.2% year on year. The decrease is due to higher interest expense in comparison with the previous year.

Income Tax

Income tax expense grew by 21.0% and amounted to RUB 1,194.0 million in 2007.

Consolidation

Full year 2007 consolidated financial statements include the results of operations of Rostelecom and its subsidiaries.

Net profit

In 2007 Rostelecom's consolidated net profit increased by 92.7% and totaled RUB 2,806.0 million. Net margin amounted to 4.3%.

Rostelecom will host a webcast of the full year 2007 results conference call on July 1, 2008 beginning at 9.30 AM (Eastern US) / 2.30 PM (London) / 5.30 PM (Moscow). The webcast will be available both live, and for replay purposes, on the Investor Center of Rostelecom's website at www.rt.ru/en/icenter.

Appendices:

1. Consolidated profit and loss statements for the full year ended December 31, 2007 and December 31, 2006 in RUB;
2. Condensed consolidated balance sheets as of December 31, 2007 and December 31, 2006 in RUB.

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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 with The U.S. Securities and Exchange Commission.*

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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Appendix I

Consolidated Profit and Loss Statements for the full year ended December 31, 2007 and December 31, 2006 in RUB

RUB million	2007	2006	% change, y-o-y
Revenue from telephone traffic transmission	***50,000.0***	***49,121.0***	***1.8%***
DLD	31,973.0	31,370.0	*1.9%*
Outgoing ILD	12,317.0	13,271.0	*-7.2%*
Incoming ILD (termination and transit)	5,710.0	4,480.0	*27.5%*
Revenue from leased line services	***7,725.0***	***7,116.0***	***8.6%***
Other revenue	***6,877.0***	***5,322.0***	***29.2%***
Total revenue	**64,602.0**	**61,559.0**	***4.9%***
Payments to Russian operators	(27,860.0)	(29,355.0)	*-5.1%*
Payments to international operators	(7,817.0)	(7,304.0)	*7.0%*
Wages, salaries, etc.	(8,763.0)	(7,147.0)	*22.6%*
Taxes other than on income	(703.0)	(621.0)	*13.2%*
Bad debt expense	(815.0)	(389.0)	*109.5%*
Other operating expenses	(7,534.0)	(6,419.0)	*17.4%*
Total operating expenses before depreciation, loss on disposal of PP&E and impairment of goodwill & other intangible assets	**(53,492.0)**	**(51,235.0)**	***4.4%***
OIBDA	**11,110.0**	**10,324.0**	***7.6%***
OIBDA margin, %	***17.2%***	***16.8%***	***n.a.***
Depreciation	(7,613.0)	(8,418.0)	*-9.6%*
Loss on disposal of property, plant and equipment	(197.0)	(601.0)	*-67.2%*
Impairment of goodwill and other intangible assets	(271.0)	-	*n.a.*
Total operating expenses	**(61,573.0)**	**(60,254.0)**	***2.2%***
Operating profit	**3,029.0**	**1,305.0**	***132.1%***
Operating margin, %	***4.7%***	***2.1%***	***n.a.***
Gain /(loss) from associates	***156.0***	***19.0***	***721.1%***
Other income /(loss), incl.	***815.0***	***1,119.0***	***-27.2%***
Interest expense	*(238.0)*	*(133.0)*	*78.9%*
Interest income	*907.0*	*900.0*	*0.8%*
Income from sale of investments		*52.0*	*n.a.*
Foreign exchange gain /(loss), net	*183.0*	*219.0*	*-16.4%*
Other non-operating income /(loss), net	*(37.0)*	*81.0*	*-145.7%*
Income before tax and minority interest	***4,000.0***	***2,443.0***	***63.7%***
Current tax charge	(1,854.0)	(2,411.0)	*-23.1%*
Deferred tax benefit	660.0	1,424.0	*-53.7%*
Income tax expense	***(1,194.0)***	***(987.0)***	***21.0%***
Net income, attributable to:	**2,806.0**	**1,456.0**	***92.7%***
Equity holders of the parent	2,805.0	1,458.0	*92.4%*
Minority interest	1.0	(2.0)	*n.a.*
Net margin, %	***4.3%***	***2.4%***	***n.a.***

Appendix II

Condensed consolidated balance sheets as of December 31, 2007 and December 31, 2006 in RUB

RUB million	**Dec. 31, 2007**	**Dec. 31, 2006**	***% change, y-o-y***
ASSETS			
Non-current Assets, incl.	**53,586**	**48,110**	***11.4%***
Property, plant and equipment	38,480	39,186	*-1.8%*
Current Assets, incl.	**19,858**	**20,388**	***-2.6%***
Accounts receivable, net	8,429	8,821	*-4.4%*
Short-term investments	6,920	8,496	*-18.5%*
Cash and cash equivalents	3,284	2,353	*39.6%*
Total Assets	**73,444**	**68,498**	***7.2%***
EQUITY AND LIABILITIES			
Shareholders' equity, incl.	**56,153**	**50,945**	***10.2%***
Minority interest	26	25	*4.0%*
Current liabilities, incl.	***12,335***	***12,696***	***-2.8%***
Current portion of long-term loans	2,585	3,005	*-14.0%*
Non-current liabilities, incl.	***4,956***	***4,857***	***2.0%***
Long-term loans - net of current portion	172	298	*-42.3%*
Deferred tax liabilities	4,119	3,444	*19.6%*
Total Liabilities	**17,291**	**17,553**	***-1.5%***
Total Equity and Liabilities	**73,444**	**68,498**	***7.2%***
Net debt[1]	**-7,447**	**-7,546**	***-1.3%***

[1] Net debt is calculated as the sum of long-term loans and short-term borrowings minus cash and cash equivalents and short-term investments.