

**ROSTELECOM RESULTS FOR THE FIRST THREE MONTHS OF 2010 UNDER IFRS:
INCREASED OIBDA MARGIN ON THE BACK OF THE DEVELOPMENT OF NEW SERVICES**

Moscow – June 18, 2010: Rostelecom (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY), Russia’s national telecommunications operator, today announced its unaudited consolidated financial results for the first quarter of 2010 in accordance with International Financial Reporting Standards (IFRS).

- Consolidated revenue for the first quarter of 2010 amounted to RUB 14.9 billion;
- OIBDA¹ amounted to RUB 2.7 billion, representing an OIBDA margin of 18.3%;
- Net profit amounted to RUB 0.6 billion;
- Revenues from new state-of-the-art services increased to RUB 2.8 billion and accounted for an increased proportion of the Company’s consolidated revenue at 18.4%.

For the first quarter of 2010, Rostelecom and its subsidiaries, (‘the Company’), delivered the following financial and operating results:

RUB million	3 mo 2010	3 mo 2009²	% change, y-o-y
Revenue	14,937.0	16,374.0	-8.8%
Operating expenses	14,100.0	15,477.0	-8.9%
OIBDA	2,732.0	2,811.0	-2.8%
<i>OIBDA margin, %</i>	<i>18.3%</i>	<i>17.2%</i>	<i>n/a</i>
Operating profit	837.0	897.0	-6.7%
<i>Operating margin, %</i>	<i>5.6%</i>	<i>5.5%</i>	<i>n/a</i>
Net profit	579.0	849.0	-31.8%
<i>Net margin, %</i>	<i>3.9%</i>	<i>5.2%</i>	<i>n/a</i>
Total comprehensive income	587.0	846.0	-30.6%

The Company's consolidated revenue for the first quarter of 2010 amounted to RUB 14,937.0 million, a decrease of 8.8% year-on-year, which was largely due to a reduction in revenues from traditional long-distance services. However, through the continued diversification of its business, the Company has increased overall revenues from new state-of-the-art services, primarily incorporating Internet access for both operators and corporates, VPN, Data Centre and intelligent network services, so they have now come to represent an increased cumulative share of 18.4% in the Company’s consolidated revenue.

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 / gain 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.

² This press release contains comparable IFRS figures for the first three months of 2009, which have not been previously published.

Data transmission services as a standalone, including Internet access services for operators ('wholesale Internet') and corporate clients, as well as VPN, Data Center and VoIP services, grew by 15.5% year-on-year to RUB 2,482.0 million.

The Company's positions in the traditional voice telecom segments during the first quarter of 2010 can be characterised as follows:

Domestic long-distance (DLD) revenues fell by 11.7% to RUB 6,039.0 million. Revenues from international long-distance (ILD) services to Russian end-customers and operators amounted to RUB 2,387.0 million, a fall of 10.8% year-on-year.

The decrease in DLD and OILD revenues is primarily attributable to the continued migration of long-distance end-customer traffic from fixed-line to mobile networks as well as a decreased volume of traffic from the 'Big Three' mobile operators through Rostelecom's network, as they are nearing completion in the construction of their own long-distance networks.

Total revenues from international operators for incoming ILD telephone traffic transit and termination dropped by 23.3% year-on-year to RUB 1,308.0 million. This was mainly due to the decrease in incoming ILD traffic that terminated in Russia as a result of increased competition from mobile operators.

Revenues from leased-line services fell by 20.3% year-on-year to RUB 1,472.0 million. This fall was mainly attributable to the fact that Russian mobile operators are coming close to completing the construction of their own networks, thus reducing their demand for channels. In addition, this has given these operators the opportunity to provide channels for rent, thus resulting in increased competition in the Russian leased line market.

Operating expenses

The Company's total operating expenses in the first quarter of 2010 decreased by 8.9% year-on-year to RUB 14,100.0 million. This decrease is primarily related to a reduction in direct costs – amongst other things, lower payments made to both Russian and international operators.

In the first quarter of 2010 there was also a decrease in staff costs – in particular, as a result of a reduction in staff at OJSC Rostelecom and its subsidiaries by 6% compared to last year. On March 31, 2010 the Company's headcount stood at 20,953 employees compared to 22,300 employees at March 31, 2009.

OIBDA, Operating Profit

In the first quarter of 2010, OIBDA dropped by 2.8% year-on-year to RUB 2,732.0 million, while an OIBDA margin increased to 18.3% compared to 17.2% for the same period last year. This increase reflects the increased share in the Company's consolidated revenue that new state-of-the-art services contribute to.

Depreciation charges for the first quarter of 2010 amounted to RUB 1,887.0 million, a year-on-year decrease of 1.2%.

The Company's first quarter 2010 operating profit fell by 6.7% year-on-year to RUB 837.0 million, with an operating margin of 5.6%.

Other Income/Loss, Profit before Income Tax

Other loss (net) for the first quarter of 2010 amounted to RUB 115.0 million compared to other income (net) of RUB 354.0 million in the same period a year ago (see Appendix I). This difference is mainly due to a significant foreign exchange loss over the accounting period.

The Company's profit before income tax for the first quarter of 2010 thus amounted to RUB 734.0 million, compared to RUB 1,268.0 million in the first quarter of 2009.

Net profit

The Company's first quarter 2010 consolidated net profit decreased by 31.8% compared to the same period in 2009 and amounted to RUB 579.0 million, with the net margin standing at 3.9%.

Consolidation

Consolidated numbers for the first quarter of 2010 include the results of the operations of OJSC Rostelecom and its subsidiaries: GlobalTel, Globus-Telecom, Zebra Telecom, MTs NTT, RTComm.RU and its subsidiaries and Westelcom, among others.

Appendices:

1. Condensed consolidated interim statement of comprehensive income for the first quarter ended March 31, 2010 and March 31, 2009 in RUB million;
2. Condensed consolidated interim statement of financial position as of March 31, 2010 and December 31, 2009 in RUB million;
3. Unaudited consolidated statements.

Appendix I

Condensed consolidated interim statement of comprehensive income for the first quarter ended March 31, 2010 and March 31, 2009 in RUB million

RUB million	3mo 2010	3mo 2009	% change, y-o-y
Revenue from telephone traffic transmission:	9,931.0	11,423.0	-13.1%
DLD	6,039.0	6,841.0	-11.7%
Outgoing ILD	2,387.0	2,677.0	-10.8%
Incoming ILD (termination and transit)	1,308.0	1,706.0	-23.3%
Local	197.0	199.0	-1.0%
Revenue from leased line services	1,472.0	1,847.0	-20.3%
Data transmission services	2,482.0	2,148.0	15.5%
Other revenue	1,052.0	956.0	10.0%
Total revenue	14,937.0	16,374.0	-8.8%
Payments to Russian operators	(5,532.0)	(6,302.0)	-12.2%
Payments to international operators	(1,981.0)	(2,389.0)	-17.1%
Wages, salaries, etc.	(2,674.0)	(2,918.0)	-8.4%
Taxes other than on income	(170.0)	(157.0)	8.3%
Bad debt expense	(87.0)	(124.0)	-29.8%
Other operating expenses	(1,761.0)	(1,673.0)	5.3%
Total operating expenses before depreciation, loss/gain on disposal of PP&E and impairment of PP&E, goodwill and other intangible assets	(12,205.0)	(13,563.0)	-10.0%
OIBDA	2,732.0	2,811.0	-2.8%
OIBDA margin, %	18.3%	17.2%	n.a.
Depreciation	(1,887.0)	(1,909.0)	-1.2%
Gain / (loss) on sale and disposal of property, plant and equipment	11.0	(5.0)	n.a.
Impairment of PP&E, goodwill and other intangible assets	(19.0)	-	n.a.
Total operating expenses	(14,100.0)	(15,477.0)	-8.9%
Operating profit	837.0	897.0	-6.7%
Operating margin, %	5.6%	5.5%	n.a.
Gain from associates	12.0	17.0	-29.4%
Other (loss) / income (net), incl.	(115.0)	354.0	n.a.
Interest expense	(54.0)	(35.0)	54.3%
Interest income	362.0	386.0	-6.2%
Loss on sale of investments	-	(1.0)	n.a.
Foreign exchange (loss) / gain, net	(412.0)	26.0	n.a.
Other non-operating income, net	(11.0)	(22.0)	-50.0%
Income before tax	734.0	1,268.0	-42.1%
Current tax charge	(156.0)	(449.0)	-65.3%
Deferred tax benefit	1.0	30.0	-96.7%
Income tax expense	(155.0)	(419.0)	-63.0%
Net income, attributable to:	579.0	849.0	-31.8%
Equity holders of the parent	570.0	1,124.0	-49.3%
Non-controlling interests	9.0	(275.0)	n.a.
Net margin, %	3.9%	5.2%	n.a.
Other comprehensive income, net of tax, incl.	8.0	(3.0)	n.a.
Valuation gain / (loss) on available-for-sale investments	10.0	(4.0)	n.a.
Income tax relating to the components of other comprehensive income	(2.0)	1.0	n.a.
Total comprehensive income	587.0	846.0	-30.6%

Appendix II

Condensed consolidated interim statement of financial position as of March 31, 2010 and December 31, 2009 in RUB million

RUB million	Mar. 31, 2010	Dec. 31, 2009	% change, y-o-y
ASSETS			
Non-current Assets, incl.	44,945.0	45,298.0	-0.8%
Property, plant and equipment	40,012.0	40,249.0	-0.6%
Current Assets, incl.	32,595.0	31,447.0	3.7%
Accounts receivable, net	9,393.0	8,751.0	7.3%
Short-term investments	12,274.0	14,947.0	-17.9%
Cash and cash equivalents	9,964.0	6,996.0	42.4%
Total Assets	77,540.0	76,745.0	1.0%
EQUITY AND LIABILITIES			
Shareholders' equity, incl.	61,784.0	61,197.0	1.0%
Non-controlling interests	-168.0	-177.0	-5.1%
Current liabilities, incl.	13,527.0	13,290.0	1.8%
Current portion of long-term borrowings	1,904.0	1,980.0	-3.8%
Short-term borrowings	160.0	140.0	14.3%
Non-current liabilities, incl.	2,229.0	2,258.0	-1.3%
Deferred tax liabilities	1,608.0	1,609.0	-0.1%
Total Liabilities	15,756.0	15,548.0	1.3%
Total Equity and Liabilities	77,540.0	76,745.0	1.0%
Net debt¹	-20,174.0	-19,823.0	1.8%

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.

Appendix III

Unaudited consolidated statements

ОАО РОСТЕЛЕКОМ

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(In millions of Russian Rubles)

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Non-current assets		
Property, plant and equipment	40,012	40,249
Goodwill and other intangible assets	3,653	3,743
Investments in associates	163	152
Long-term investments	989	1,037
Other non-current assets	128	117
Total non-current assets	44,945	45,298
Current assets		
Inventory	430	432
Accounts receivable	9,393	8,751
Prepaid income tax	534	321
Short-term investments	12,274	14,947
Cash and cash equivalents	9,964	6,996
Total current assets	32,595	31,447
Total assets	77,540	76,745
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	100	100
Retained earnings and other reserves	61,852	61,274
Total equity attributable to equity holders of the parent	61,952	61,374
Non-controlling interest	(168)	(177)
Total equity	61,784	61,197
Non-current liabilities		
Finance lease payable	426	436
Accounts payable, provisions and accrued expenses	195	213
Deferred tax liability	1,608	1,609
Total non-current liabilities	2,229	2,258
Current liabilities		
Accounts payable, provisions and accrued expenses	8,440	8,603
Finance lease payable	97	95
Taxes payable	1,168	692
Vendor financing payable	1,758	1,780
Current portion of long-term borrowings	1,904	1,980
Short-term borrowings	160	140
Total current liabilities	13,527	13,290
Total liabilities	15,756	15,548
Total equity and liabilities	77,540	76,745

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

	Three month periods ended	
	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
Revenue		
Telephone traffic	9,931	11,423
Rent of channels	1,472	1,847
Data transmission services	2,482	2,148
Other revenue	1,052	956
Total revenue	14,937	16,374
Operating expenses		
Wages, salaries, other benefits and payroll taxes	(2,674)	(2,918)
Depreciation and amortization	(1,887)	(1,909)
Impairment of property, plant and equipment, goodwill and other intangible assets	(19)	-
Charges by network operators – international	(1,981)	(2,389)
Charges by network operators – national	(5,532)	(6,302)
Administration and other costs	(1,567)	(1,480)
Taxes other than on income	(170)	(157)
Repairs and maintenance	(194)	(193)
Bad debt expense	(87)	(124)
Gain / (loss) on sale of property, plant and equipment	11	(5)
Total operating expenses	(14,100)	(15,477)
Operating profit	837	897
Gain from associates	12	17
Interest expense	(54)	(35)
Interest income	362	386
Loss on sale of investments	-	(1)
Other non-operating loss	(11)	(22)
Foreign exchange (loss)/ gain, net	(412)	26
Profit before tax	734	1,268
Current tax charge	(156)	(449)
Deferred tax benefit	1	30
Income tax expense	(155)	(419)
Profit for the period	579	849
Other comprehensive income, net of tax		
Valuation gain/ (loss) on available-for-sale investments	10	(4)
Income tax relating to valuation (gain)/ loss on available-for-sale investments	(2)	1
Other comprehensive income for the period, net of tax	8	(3)
Total comprehensive income for the period	587	846
Profit attributable to :		
Equity holders of the parent	570	1,124
Non-controlling interests	9	(275)
Total comprehensive income attributable to :		
Equity holders of the parent	578	1,121
Non-controlling interests	9	(275)
Earnings per share attributable to equity holders of the parent – basic and diluted (in Russian Rubles)	0.59	1.16

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

	Three month periods ended	
	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
Cash flows from operating activities		
Profit before income tax	734	1,268
<i>Adjustments to reconcile net income before tax to cash generated from operating activities:</i>		
Depreciation and amortization	1,887	1,909
Impairment of property, plant and equipment, goodwill and other intangible assets	19	-
Bad debt expense	87	124
Gain from associates	(12)	(17)
(Gain)/ loss on sale of property, plant and equipment	(11)	5
Loss on sale of investments	-	1
Net interest	(308)	(351)
Other non-operating loss	11	22
Foreign exchange loss/ (gain), net	412	(26)
<i>Changes in net working capital:</i>		
Increase in accounts receivable	(866)	(402)
Decrease in inventories	2	12
Increase/ (decrease) in payables and accruals	254	(280)
Cash generated from operations	2,209	2,265
Interest paid	(16)	(15)
Interest received	216	306
Income tax paid	(377)	(620)
Net cash provided by operating activities	2,032	1,936
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,433)	(999)
Proceeds from sale of property, plant and equipment	59	53
Purchase of financial assets, other than available-for-sale investments	(619)	(3,731)
Proceeds from financial assets, other than available-for-sale investments, net of direct costs	3,044	3,922
Dividends received from associates	-	4
Net cash received from/(used in) investing activities	1,051	(751)
Cash flows from financing activities		
Drawdown of interest bearing loan facilities	84	40
Repayment of interest bearing loans and loan facilities	(96)	(105)
Repayment of lease obligations	(11)	(19)
Dividends paid to equity holders of the parent	(2)	-
Net cash used in financing activities	(25)	(84)
Effect of exchange rate changes on cash and cash equivalents	(90)	571
Net increase in cash and cash equivalents	2,968	1,672
Cash and cash equivalents at the beginning of period	6,996	11,992
Cash and cash equivalents at the end of period	9,964	13,664

OAO ROSTELECOM
 CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
 (In millions of Russian Rubles)

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Share capital	Unrealized gain/ (loss) on available-for-sale investments	Asset revaluation surplus on acquisitions	Retained earnings	Total		
Balances at December 31, 2008	100	95	258	58,932	59,385	40	59,425
Valuation loss on available-for-sale investments, net of tax (unaudited)	-	(3)	-	-	(3)	-	(3)
Total other comprehensive income, net of tax (unaudited)	-	(3)	-	-	(3)	-	(3)
Profit for the period (unaudited)	-	-	-	1,124	1,124	(275)	849
Total comprehensive income (unaudited)	-	(3)	-	1,124	1,121	(275)	846
Dividends (unaudited)	-	-	-	-	-	-	-
Balances at March 31, 2009 (unaudited)	100	92	258	60,056	60,506	(235)	60,271
Balances at December 31, 2009	100	533	258	60,483	61,374	(177)	61,197
Valuation gain on available-for-sale investments, net of tax (unaudited)	-	8	-	-	8	-	8
Total other comprehensive income, net of tax (unaudited)	-	8	-	-	8	-	8
Profit for the period (unaudited)	-	-	-	570	570	9	579
Total comprehensive income (unaudited)	-	8	-	570	578	9	587
Dividends (unaudited)	-	-	-	-	-	-	-
Balances at March 31, 2010 (unaudited)	100	541	258	61,053	61,952	(168)	61,784

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.

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.

For further information please contact:
Rostelecom External Communication Department
Tel.: + 7 499 973 9920
Fax: + 7 499 972 8222
E-mail: ir@rt.ru; pr@rt.ru;
Web: www.rt.ru/en