

**ROSTELECOM REPORTS ITS AUDITED CONSOLIDATED
FULL YEAR 2009 RESULTS UNDER IFRS**

Moscow – May 31, 2010: Rostelecom (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY) today announced its audited consolidated financial results for the full year ended December 31, 2009 in accordance with International Financial Reporting Standards (IFRS).

Highlights

- Consolidated revenue for the full year 2009 amounted to RUB 65.5 billion;
- OIBDA¹ amounted to RUB 12.5 billion, representing an OIBDA margin of 19.1%;
- Net profit amounted to RUB 3.5 billion;
- Revenue from new state-of-the-art services increased by 1.5 times year-on-year to RUB 10.1 billion and accounted for 15.4% of Rostelecom's consolidated revenue.

Rostelecom and its subsidiaries, ('the Company'), delivered the following financial and operating results for the full year 2009:

RUB million	2009	2008	% change, y-o-y
Revenue	65,510	66,629	-1.7%
Operating expenses, incl.	61,246	59,809	2.4%
OIBDA	12,491	14,274	-12.5%
<i>OIBDA margin, %</i>	<i>19.1%</i>	<i>21.4%</i>	<i>n/a</i>
Operating income	4,264	6,820	-37.5%
<i>Operating margin, %</i>	<i>6.5%</i>	<i>10.2%</i>	<i>n/a</i>
Net profit	3,456	12,182	-71.6%
<i>Net margin, %</i>	<i>5.3%</i>	<i>18.3%</i>	<i>n/a</i>
Total comprehensive income	3,894	5,628	-30.8%

Revenue and Positioning in Major Markets

The Company's consolidated revenue for the full year 2009 amounted to RUB 65,510.0 million representing a decrease of 1.7% year-on-year, which is largely attributable to a reduction in revenues from a number of traditional segments (first of all, from domestic and international long-distance services). However, through the continued diversification of its business, the Company has increased its 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 now representing a greater cumulative share of 15.4% in Rostelecom'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 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.

Data transmission services as a standalone (Internet access services for operators ('wholesale Internet'), and corporate clients, as well as VPN, Data Center and VoIP services) rose substantially by 65.8% to RUB 9,014.0 million. By the end of 2009, the Company's share in the wholesale Internet services market reached 36%, while its share in the VPN services market surged to 46%.

The Company's positions in the traditional voice telecom segments during 2009 can be characterised as follows:

Domestic long-distance (DLD) revenues fell by 11.5% to RUB 26,212.0 million.

Revenues from international long-distance (ILD) services to Russian end-customers and operators amounted to RUB 11,334.0 million, a fall of 6.2% year-on-year.

Total revenues from international operators for incoming ILD telephone traffic transit and termination dropped by 3.3% year-on-year to RUB 6,236.0 million.

The decrease in DLD and ILD revenue is primarily attributable to the overall reduction in volume of the fixed-line long-distance market as a result of the weakened global macro-economic environment, growing competition as well as the continued migration of long-distance, end-customer traffic from fixed-line to mobile networks.

Nevertheless, at the end of 2009, the Company's share in the market of fixed-line DLD/ILD services to Russian residential & corporate end-customers remained relatively stable and amounted to more than 50%, compared to 2008. In the residential fixed-line DLD/ILD service market as a standalone, the Company continues to have a dominant position maintaining an 81% market share at the end of 2009.

Revenues from leased-line services fell by 9.8% year-on-year to RUB 6,958.0 million. This fall is mainly attributable to the fact that Russian operators (mobile and inter-regional) have a reduced demand for channels from the Company, as they are near completion in the construction of their own networks.

Operating Expenses

Total operating expenses for 2009 amounted to RUB 61,246.0 million, an increase of 2.4% year-on-year. This was primarily due to higher payments made to international operators (mostly as a result of the devaluation of the Russian Rouble).

OIBDA, Operating Profit

In 2009, OIBDA fell by 12.5% year-on-year to RUB 12,491.0 million representing an OIBDA margin of 19.1%.

Depreciation charges for 2009 amounted to RUB 7,580.0 million, rising 5.7% year-on-year, in part due to the rapid growth of investment into the development of Rostelecom's IP/MPLS network, as well as IT infrastructure for the provision of new state-of-the-art services.

The Company's full year 2009 operating profit fell by 37.5% year-on-year to RUB 4,264.0 million, with an operating margin of 6.5%.

Other Income/Loss, Profit before Income Tax

Other income for the full year 2009 amounted to RUB 409.0 million compared to RUB 9,324.0 million in 2008, (see Appendix I). This difference is largely attributable to the significant additional income realised following the sale of investments in 2008.

In February 2008, OJSC Rostelecom sold its stake in Golden Telecom, Inc. and the profit from this transaction before tax amounted to RUB 8,666.0 million.

The Company's profit before income tax for 2009 thus amounted to RUB 4,677.0 million, compared to RUB 16,073.0 million in 2008 (RUB 7,407.0 million - if the profit before tax from the abovementioned transaction is deducted).

Net profit

In 2009 the Company's consolidated net profit fell by 71.6% to RUB 3,456.0 million. Net margin stood at 5.3%.

Appendices:

1. Condensed consolidated statements of comprehensive income for the full year ended December 31, 2009 and December 31, 2008 in RUB million;
2. Condensed consolidated statements of financial position as of December 31, 2009 and December 31, 2008 in RUB million.

Appendix I

Condensed consolidated statements of comprehensive income for the full year ended December 31, 2009 and December 31, 2008 in RUB million

RUB million	2009	2008	% change, y-o-y
Revenue from telephone traffic transmission:	44,527.0	48,874.0	-8.9%
DLD	26,212.0	29,611.0	-11.5%
Outgoing ILD	11,334.0	12,082.0	-6.2%
Incoming ILD (termination and transit)	6,236.0	6,450.0	-3.3%
Local	745.0	731.0	1.9%
Revenue from leased line services	6,958.0	7,710.0	-9.8%
Data transmission services (incl. Internet access, VPN, Data Centers, VoIP)	9,014.0	5,437.0	65.8%
Other revenue	5,011.0	4,608.0	8.7%
Total revenue	65,510.0	66,629.0	-1.7%
Payments to Russian operators	(24,596.0)	(25,743.0)	-4.5%
Payments to international operators	(9,625.0)	(8,706.0)	10.6%
Wages, salaries, etc.	(10,197.0)	(9,473.0)	7.6%
Taxes other than on income	(649.0)	(618.0)	5.0%
Bad debt recovery	28.0	32.0	-12.5%
Other operating expenses	(7,980.0)	(7,847.0)	1.7%
Total operating expenses before depreciation, loss on disposal of PP&E and impairment of PP&E, goodwill and other intangible assets	(53,019.0)	(52,355.0)	1.3%
OIBDA	12,491.0	14,274.0	-12.5%
OIBDA margin, %	19.1%	21.4%	n.a.
Depreciation	(7,580.0)	(7,174.0)	5.7%
Loss on sale and disposal of property, plant and equipment	(647.0)	(65.0)	by a factor of 10.0
Impairment of PP&E, goodwill and other intangible assets	-	(215.0)	n.a.
Total operating expenses	(61,246.0)	(59,809.0)	2.4%
Operating profit	4,264.0	6,820.0	-37.5%
Operating margin, %	6.5%	10.2%	n.a.
Gain / (loss) from associates	4.0	(71.0)	n.a.
Other income (net), incl.	409.0	9,324.0	-95.6%
Interest expense	(234.0)	(268.0)	-12.7%
Interest income	1,568.0	1,646.0	-4.7%
(Loss) / gain on sale of investments	(81.0)	8,670.0	n.a.
Foreign exchange loss, net	(893.0)	(788.0)	13.3%
Other non-operating income, net	49.0	64.0	-23.4%
Income before tax	4,677.0	16,073.0	-70.9%
Current tax charge	(1,270.0)	(4,331.0)	-70.7%
Deferred tax benefit	49.0	440.0	-88.9%
Income tax expense	(1,221.0)	(3,891.0)	-68.6%
Net income, attributable to:	3,456.0	12,182.0	-71.6%
Equity holders of the parent	3,673.0	12,178.0	-69.8%
Non-controlling interests	(217.0)	4.0	n.a.
Net margin, %	5.3%	18.3%	n.a.
Other comprehensive income, net of tax, incl.	438.0	(6,554.0)	n.a.
Valuation gain / (loss) on available-for-sale investments	506.0	(412.0)	n.a.
Valuation gain on available-for-sale investments transferred to profit on sale	-	(8,666.0)	n.a.
Acquisition of subsidiaries	-	268.0	n.a.
Income tax relating to the components of other comprehensive income	(68.0)	2,256.0	n.a.
Total comprehensive income	3,894.0	5,628.0	-30.8%

Appendix II

Condensed consolidated statements of financial position as of December 31, 2009 and December 31, 2008 in RUB million

RUB million	Dec. 31, 2009	Dec. 31, 2008	% change, y-o-y
ASSETS			
Non-current Assets, incl.	45,298	43,982	3.0%
Property, plant and equipment	40,249	39,586	1.7%
Current Assets, incl.	31,447	32,721	-3.9%
Accounts receivable, net	8,751	10,133	-13.6%
Short-term investments	14,947	8,762	70.6%
Cash and cash equivalents	6,996	11,992	-41.7%
Total Assets	76,745	76,703	0.1%
EQUITY AND LIABILITIES			
Shareholders' equity, incl.	61,197	59,425	3.0%
Non-controlling interests	-177	40	n.a.
Current liabilities, incl.	13,290	14,867	-10.6%
Current portion of long-term borrowings	1,980	2,522	-21.5%
Short-term borrowings	140	13	by a factor of 10.8
Non-current liabilities, incl.	2,258	2,411	-6.3%
Long-term borrowings - net of current portion	-	117	n.a.
Deferred tax liabilities	1,609	1,590	1.2%
Total Liabilities	15,548	17,278	-10.0%
Total Equity and Liabilities	76,745	76,703	0.1%
Net debt¹	-19,823	-18,102	9.5%

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.

Rostelecom (www.rt.ru/en) is Russia's national telecommunications operator.

The Company owns and operates a nationwide network (about 150,000 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.

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