
ROSTELECOM REPORTS AUDITED FULL YEAR 2009 RAS OPERATING AND FINANCIAL RESULTS

- *Audited 2009 full year revenue amounted to RUB 61,223.5 million;*
- *OIBDA¹ amounted to RUB 12,089.3 million, representing an OIBDA margin of 19.7%;*
- *Net profit totaled RUB 5,101.6 million;*
- *Revenues from data transmission and telematic services amounted to RUB 5,079.5 million.*

Moscow – March 31, 2010 – Rostelecom (RTS, MICEX: RTKM, RTKMP; OTCQX: ROSYY) (“Rostelecom” or the “Company”), Russia’s national telecommunications operator today announced its audited full year 2009 results in accordance with the Russian Accounting Standards (RAS).

Rostelecom’s revenue for 2009 totaled RUB 61,223.5 million representing a decrease of 3.1% year on year, which is mainly due to a reduction in revenues from a number of traditional segments. However, through the continued diversification of its business, the Company substantially increased the revenue from data services. During 2009 the share of new services (data and intelligent network services) amounted to 10.0% of Rostelecom’s total revenue.

Domestic long-distance (DLD) traffic for the reporting period decreased 10.2% year on year to 9,186.1 million minutes. DLD & interconnection revenues for the reporting period totaled RUB 26,063.0 million, representing a year on year decrease of 11.8%.

Outgoing international long-distance (OILD) traffic saw a decrease of 13.5% year on year to 1,751.6 million minutes. ILD revenues from Russian operators and end-customers amounted to RUB 11,374.1 million, representing a decrease of 5.9% compared to the previous year.

The decrease in DLD and OILD traffic and revenue is primarily attributable to the weakened global macro-economic environment, the increasing competition in the Russian long-distance market as well as the continued migration of long-distance end-customer traffic from fixed-line to mobile networks. Additionally, in order to provide Rostelecom’s clients (end-customers /residential & corporate/ and Russian operators) with competitive tariffs, the Company followed a flexible pricing policy which also impacted the DLD and outgoing ILD revenues.

During the period under review, the total traffic from international operators (incoming ILD traffic) increased by 4.6% year on year to 3,458.2 million minutes. However, the incoming ILD traffic that terminated in Russia decreased by 4.7% year on year mainly due to the increased competition from the mobile operators as well as an increase in settlement rates to compensate for foreign currency devaluation during 2009. On the other hand, transit traffic from international operators saw a year-on-year increase of 29.7%, although the level of growth in traffic slowed during the second half of the year. This was primarily due to the focus on improving margins by stopping sales increases on the back of price reduction. As a result, the total revenues from international operators for incoming ILD traffic transit and termination decreased by 2.6% year on year to RUB 6,281.0 million.

In 2009 the Company delivered a 41.8% increase year on year in revenues from new services, including data and intelligent network services, to RUB 6,139.8 million. Revenues from data transmission and telematic services increased by 63.0% year on year totaling RUB 5,079.5 million.

Revenues from leased-line services decreased by 6.9% year on year to RUB 7,306.3 million. This decrease is mainly attributable to the fact that Russian operators (mobile and inter-regional) are nearing completion in the construction of their own networks, thus reducing their demand for channels. In addition, this allowed the operators the opportunity to provide channels for rent thus

¹ OIBDA is calculated as total revenues less operating expenses excluding depreciation.

resulting in increased competition in the Russian leased line market. Alongside these developments is the ongoing process of transitioning from analogue to digital lines which are less expensive to rent as well as the increase in demand from corporate clients for VPN services instead of renting channels.

Rostelecom's operating expenses for the reporting period amounted to RUB 53,710.4 million representing a year on year increase of 1.2%. In 2009, there were higher payments made to international operators as a result of the Russian Rouble devaluation and growth in international transit traffic. Additionally, there was also an increase in payments to regional operators for rented channels on the back of increased sales of Internet and VPN services. However, due to the decrease in DLD, outgoing ILD and incoming ILD traffic terminated in Russia, payments to national operators for traffic initiation and termination saw a significant decrease. This led to a decrease in telecom services expenses, and consequently limited the increase in Rostelecom's overall operating expenses.

Depreciation for the full year 2009 increased 9.5% year on year to RUB 4,576.2 million.

Operating Income before Depreciation and Amortization (OIBDA) amounted to RUB 12,089.3 million which is a year on year decrease of 15.5%. OIBDA margin amounted to 19.7% compared to 22.6% in the previous year.

Full year 2009 operating profit decreased by 25.9% year on year to RUB 7,513.1 million.

Other gains and losses for 2009 totaled a net loss of RUB 991.0 million compared to a net loss of RUB 576.3 million a year ago. This increase in loss was primarily due to the loss from the sale of investments compared to a RUB 445.6 million net gain (including the sale of Golden Telecom's shares) in of 2008, the increase in provision for allowances and finally the increase in foreign exchange loss year on year.

As a result, Rostelecom's full year 2009 net profit amounted to RUB 5,101.6 million, representing a decrease of 27.9% year on year.

Profit and Loss Statement, RUB Million			
	2009	2008	% change, y-o-y
Revenue	61,223.5	63,201.7	-3.1%
Operating expenses, incl.	(53,710.4)	(53,066.8)	1.2%
<i>Depreciation</i>	(4,576.2)	(4,177.9)	9.5%
OIBDA	12,089.3	14,312.8	-15.5%
Operating profit	7,513.1	10,134.9	-25.9%
Other gains & losses, incl.	(991.0)	(576.3)	72.0%
<i>(Loss)/ profit from the sale of financial investments</i>	(81.5)	445.6	n.a.
<i>Profit/ (loss) from revaluation of financial investments</i>	511.6	(669.1)	n.a.
Profit before tax	6,522.1	9,558.6	-31.8%
Profit tax	(1,420.5)	(2,486.6)	-42.9%
Net Profit	5,101.6	7,072.0	-27.9%
Key ratios			
	2009	2008	
Operating margin, %	12.3%	16.0%	
OIBDA margin, %	19.7%	22.6%	
Net margin, %	8.3%	11.2%	

Balance Sheet, RUB Million			
	Jan. 01, 09	Dec. 31, 09	% change, y-o-y
ASSETS			
Non-current assets, incl.	39,168.1	44,781.1	14.3%
Intangible assets	0.4	0.4	0.0%
Fixed assets	23,895.6	26,239.5	9.8%
Construction in progress	7,689.2	8,491.3	10.4%
Investment in lease	-	342.9	n.a.
Long-term financial investments	3,778.3	3,972.3	5.1%
Deferred tax assets	-	-	n.a.
Other non-current assets	3,804.6	5,734.7	50.7%
Current assets, incl.	31,564.7	29,593.1	-6.2%
Inventory	463.1	378.6	-18.2%
VAT on obtained property	226.9	145.1	-36.1%
Accounts receivable	10,541.5	8,060.4	-23.5%
Short-term financial investments	10,997.0	14,858.2	35.1%
Cash and cash equivalents	9,336.0	6,150.5	-34.1%
Other current assets	0.2	0.3	50.0%
BALANCE	70,732.8	74,374.2	5.1%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	56,480.6	59,456.3	5.3%
Liabilities, incl.	14,252.2	14,917.9	4.7%
Long-term liabilities, incl.	4,337.8	6,097.0	40.6%
<i>Loans due more than in 12 months</i>	3,822.8	3,319.2	-13.2%
Short-term liabilities, incl.	9,914.4	8,820.9	-11.0%
<i>Loans due less than in 12 months</i>	564.0	549.0	-2.7%
BALANCE	70,732.8	74,374.2	5.1%

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. Additionally, the Company 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 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.

For further information please contact:

Rostelecom PR and IR Department

Tel.: + 7 499 973 9920

Fax: + 7 499 972 8222

E-mail: ir@rt.ru; pr@rt.ru;

Web: www.rt.ru/en