



Rostelecom
More possibilities

Investor Presentation

August 2012





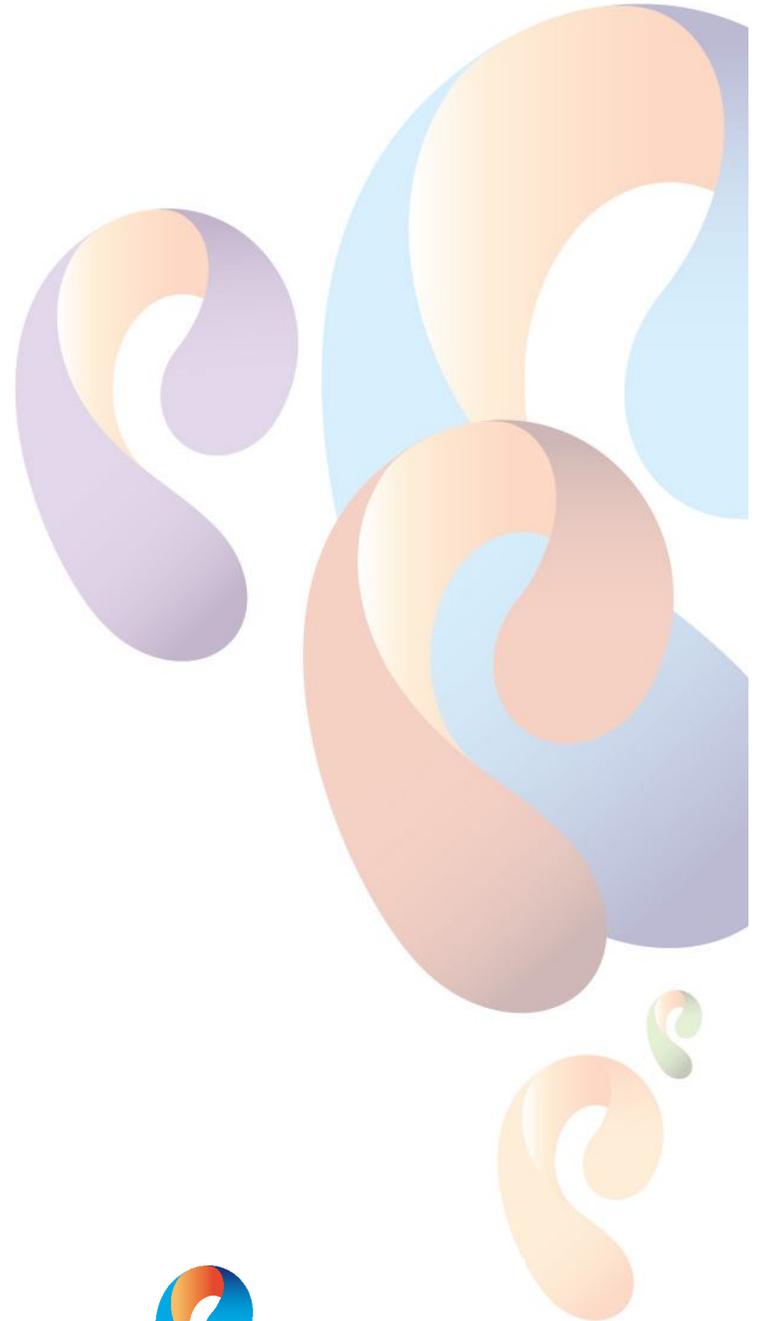
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Chapter 1 | Company overview

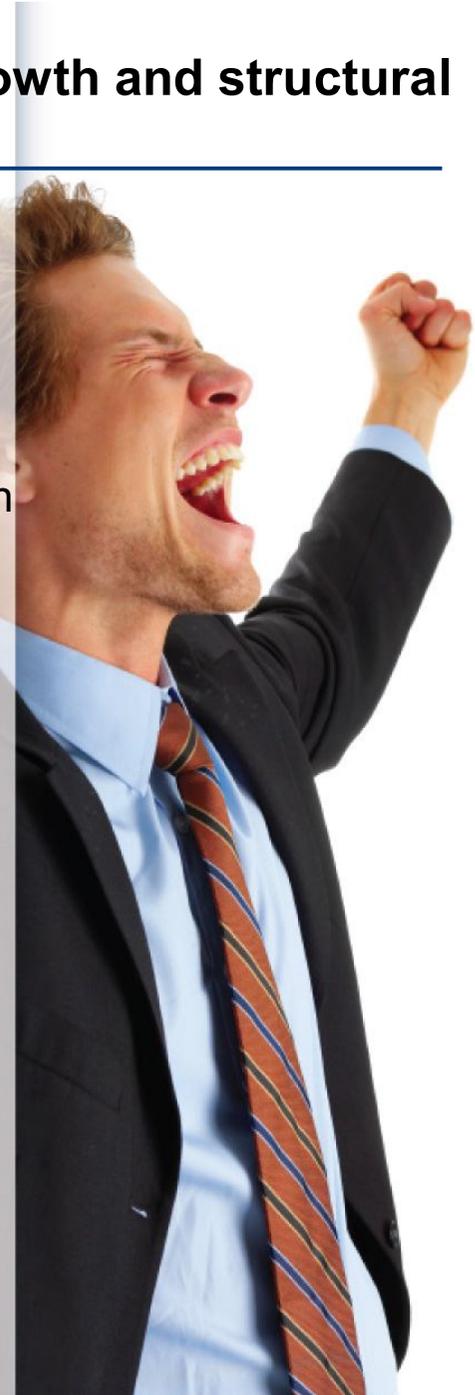


Clear outcome from structural changes

- LSE listing
- Elimination of cross – ownership with Svyazinvest and decrease of number of shares
- Svyazinvest’s assets consolidation (SkyLink, Central Telegraph, Bashinformsvyaz, etc.)
- Consider preferred shares and treasury shares questions

Capitalization Growth

- Universal Multistandard Network
- Full spectrum of packaged mobile and fixed telecom services
- Expanded service offer (including Cloud solutions, IT)



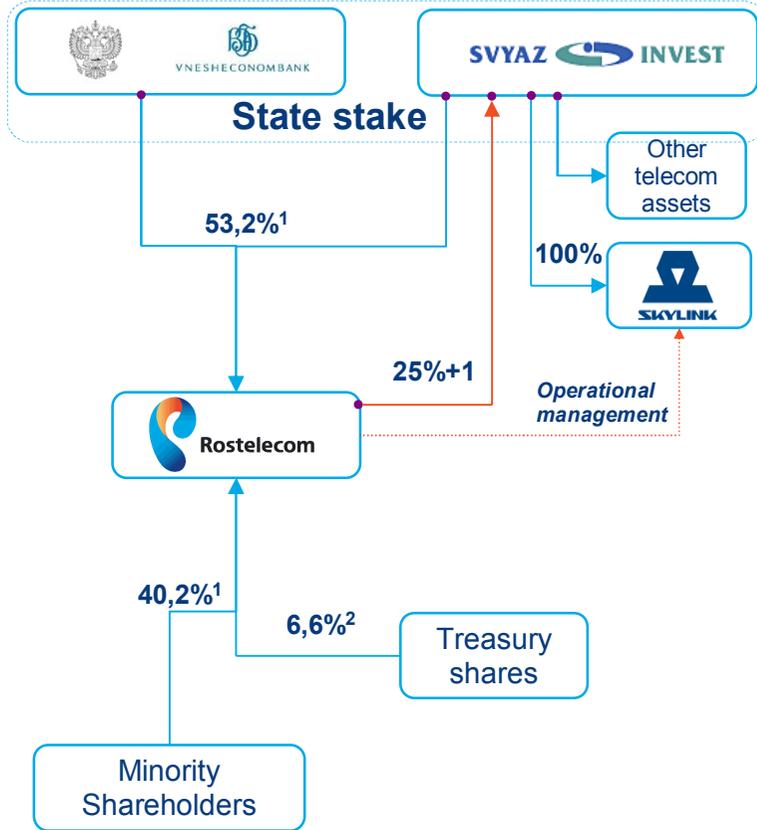


Key state interest in telecom industry	Rostelecom networks and services cover all Federal districts of Russia, including Moscow						
Unique infrastructure	~ 500,000 km of national backbone and unique “list mile” infrastructure with over 43 mln households passed						
Strong subscriber base	~ 28.1 mln fixed – line subs, ~ 8.4 mln broadband subs, ~ 6.0 mln pay-TV subs and ~ 14.1¹ mln mobile voice subs						
Positive Financial Results	<table border="0"> <tr> <td>Revenue₂₀₁₁ : RUR 296.0 bln</td> <td>Net Income₂₀₁₁ : RUR 46.1 bln</td> </tr> <tr> <td>OIBDA₂₀₁₁ : RUR 117.7 bln</td> <td>Cash CAPEX₂₀₁₁ : RUR 82.8 bln</td> </tr> <tr> <td>OIBDA margin₂₀₁₁ : 39.8%</td> <td>Net debt_{31.03.2012} : RUR 179.3 bln</td> </tr> </table>	Revenue ₂₀₁₁ : RUR 296.0 bln	Net Income ₂₀₁₁ : RUR 46.1 bln	OIBDA ₂₀₁₁ : RUR 117.7 bln	Cash CAPEX ₂₀₁₁ : RUR 82.8 bln	OIBDA margin ₂₀₁₁ : 39.8%	Net debt _{31.03.2012} : RUR 179.3 bln
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OIBDA ₂₀₁₁ : RUR 117.7 bln	Cash CAPEX ₂₀₁₁ : RUR 82.8 bln						
OIBDA margin ₂₀₁₁ : 39.8%	Net debt _{31.03.2012} : RUR 179.3 bln						
Strategic Goals 2015	<p>Revenue: High Single Digit CAGR OIBDA margin enhancement CAPEX: average 20% of revenues for the period 2011-2015</p>						
Clear Ownership Structure	<p>Government controls > 53% of ord. shares Treasury shares: ~ 7% of ordinary shares and ~13% of preferred shares Minority shareholders ~ 40%</p>						
Listing	<p>LSE listing is planned in the near future On September 01, 2011 Rostelecom was included in MSCI Large Cap. Current weight in MSCI Russia of 2.62%</p>						

1 - Including SkyLink, 100% subsidiary of Svyazinvest, under the management of Rostelecom

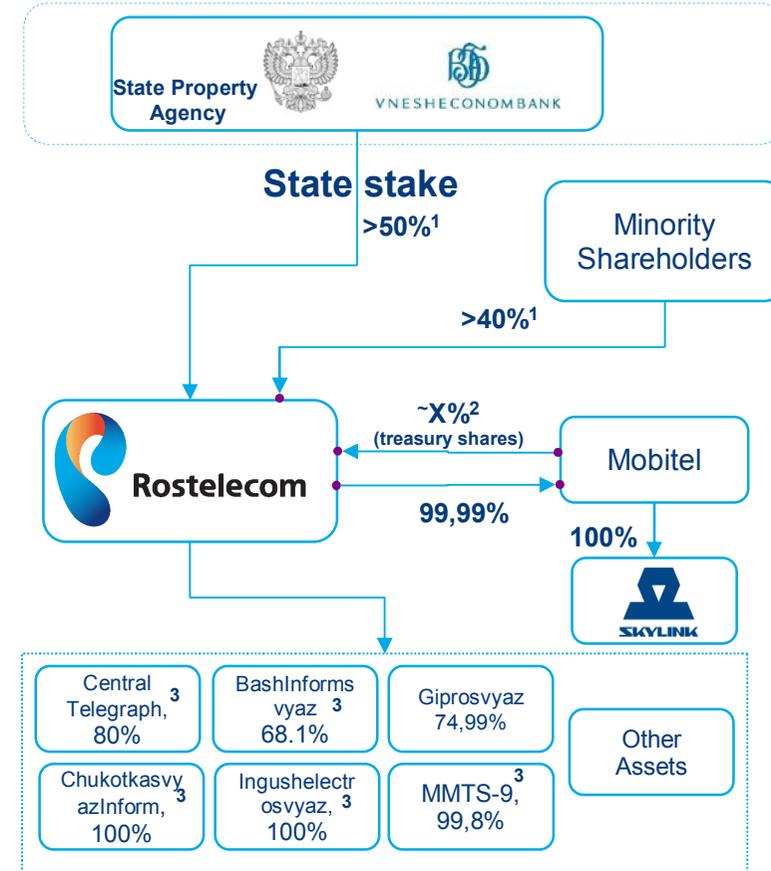


Current structure



1- Percentage of voting shares
 2 - X will depend on the valuation of Svyazinvest assets
 3 - only after State Property agency contributes the assets into Svyazinvest

Target structure



* - additionally the Company considers the possibility to merge some of its subsidiaries into Rostelecom at the time of merger with Svyazinvest



Rostelecom

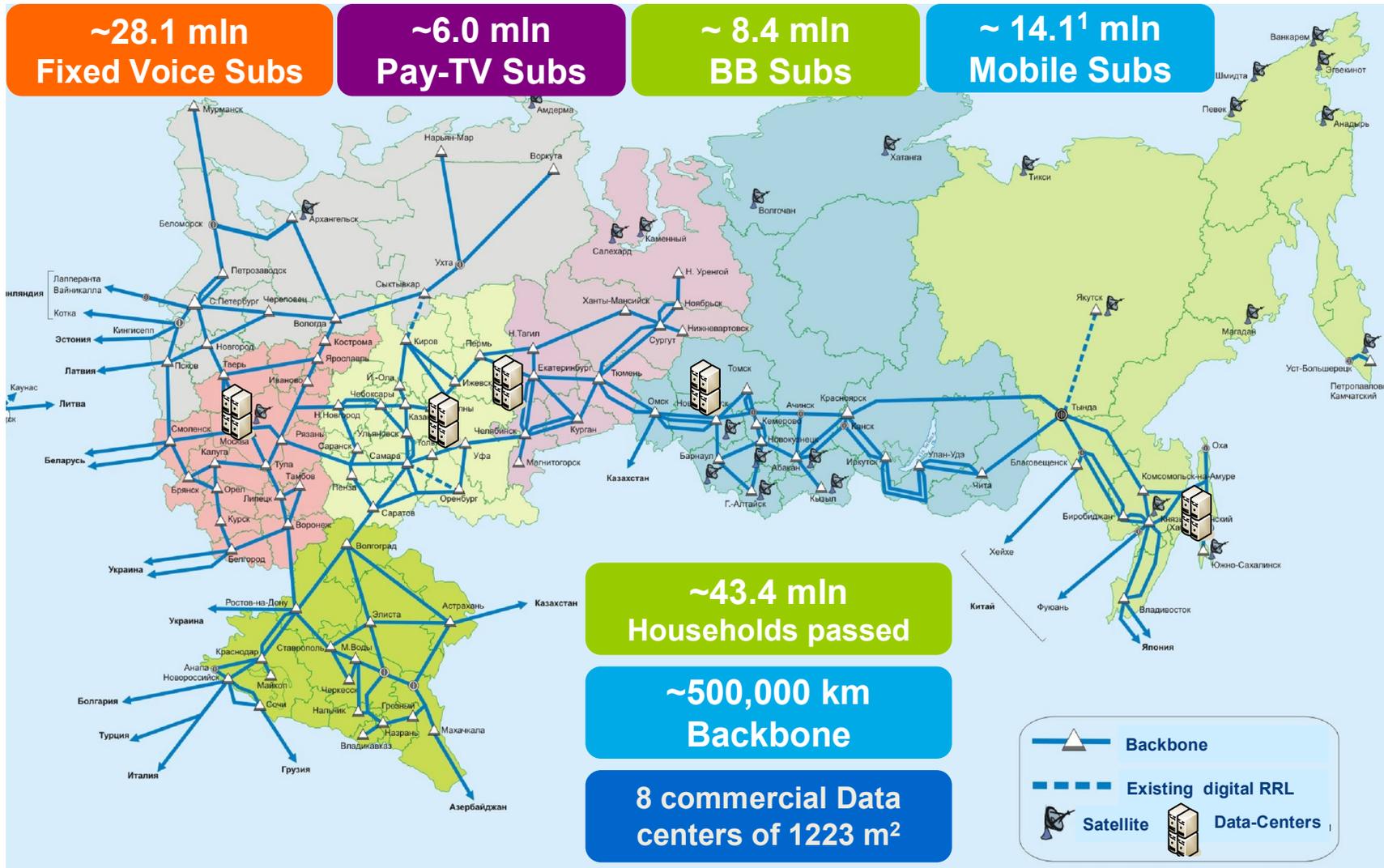
National Integrated Operator

~28.1 mln
Fixed Voice Subs

~6.0 mln
Pay-TV Subs

~ 8.4 mln
BB Subs

~ 14.1¹ mln
Mobile Subs



Competitive environment¹⁾

		 Rostelecom	 MTS	 VIP	 Megafon
Operational Data ²⁾					
Backbone	(000 km)	500	117	111	130
Fixed-Line subs	(mln. subs)	28,1	n/a	n/a	n/a
Total HH passed	(mln.)	43,4	11,4	n/a	n/a
BB Subs	(mln. subs)	8,4	2,2	2,1	0,5
Mobile Subs	(mln. subs)	14,1 ³⁾	69,4	55,6	61,6
Pay-TV Subs	(mln. subs)	6,0	3,0	0,6	n/a
Sales points	(000 units)	~2,5	2,5	~2,9 ⁴⁾	1,6
Free Float	(%)	40%	47%	18%	0%
Financials (1Q 2012) ⁵⁾					
Revenue	(RUR bln.)	84,4	78,7	65,3	62,6
OIBDA	(RUR bln.)	34,8	33,9	26,9	25,2
OIBDA margin	(%)	41,2%	43,1%	41,3%	40,3%
Net Income	(RUR bln.)	14,6	16,1	8,3	9,4
Net Income margin	(%)	17,3%	20,4%	12,6%	15,0%

Source: Companies' data

1) all data from Russian operations only

2) as at March, 31, 2012

3) including SkyLink

4) including franchise sales points

5) Consolidated

- As of March 31, 2012 Rostelecom was **by far the biggest** operator **by subscribers** and backbone network and **the best** in terms of **revenues and net income**.

- Future growth will be driven by:

- ✓ Fixed and mobile data

- ✓ Pay TV

- ✓ Cloud solutions

1. Electronic government

2. Cloud document management system for federal and regional governments

3. Electronic Medicine

4. Electronic Education – “School of the Future”

5. Housing services and Utilities

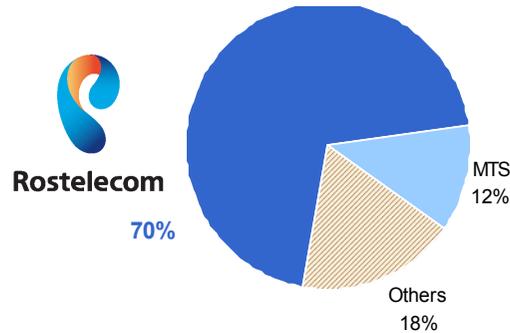
6. Virtual Office – cloud solution for small and mid-size enterprises

7. Safe city - #112 emergency service, ecological monitoring



Fixed line leader

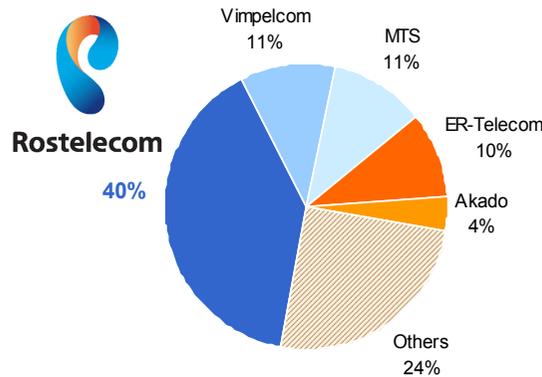
Market size in 2011 RUB 134 bln
 Penetration 75%
 Total lines 41.0 mln



Source: iKs-Consulting, 2011, by number of lines

Broadband leader

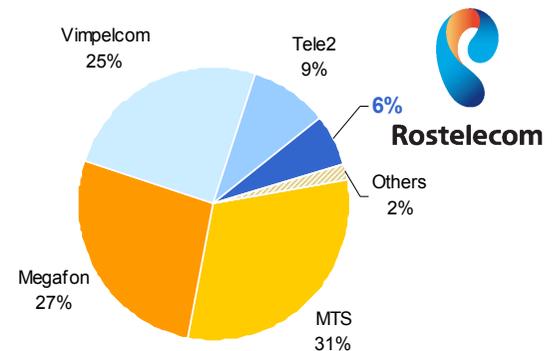
Market size 2011 (resid.) RUB 87 bln
 Penetration (per HH) 4Q '11 49%
 Total subscribers 4Q 2011 20.7 mln



Source: AC&M – Consulting, 2011, by residential subs

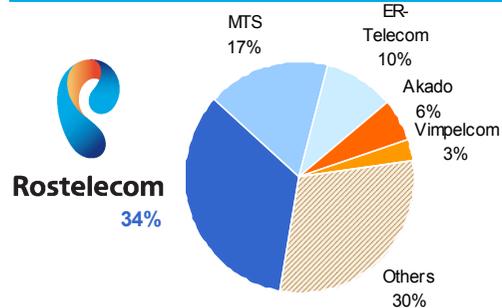
5th player on mobile voice market

Market size 2011 RUB 775 bln
 Penetration 4Q 2011 152%
 Total customers 4Q 2011 216.7 mln



Source: J'son & Partners Consulting, 2011, Rostelecom share includes SkyLink subs

Pay-TV leader



Source: iKs-Consulting, cable & IPTV, 2011

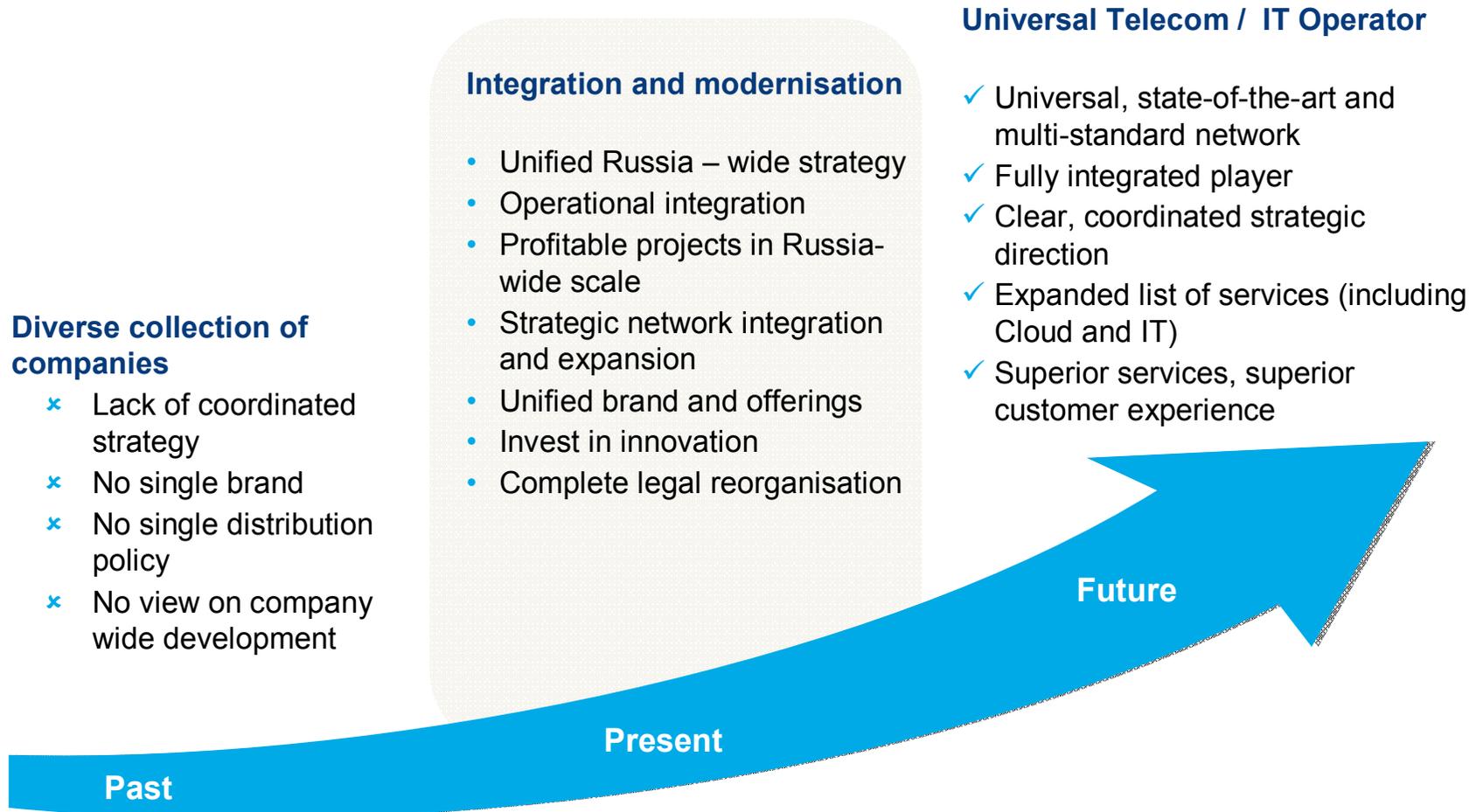
Largest broadband service provider - ownership of 90% of Russia's copper and fibre last-mile infrastructure as well as wireless services thanks to ownership of GSM, 3G, LTE and CDMA.

Focus on fixed and mobile broadband, pay-TV; and improving customer stickiness through offering other value-added services

Chapter 2

En route to a services company model: success on key strategic initiatives







- 1 Integration & cost optimization
- 2 Network modernization
- 3 Federal full-scale mobile coverage
- 4 Fixed Broadband
- 5 Cloud & IT services – new growth opportunities



Integrated infrastructure

- ✓ Fixed networks: migration to a single full IP network
- ✓ Mobile networks: upgrade of existing 2G networks and focus on development of universal 3G and LTE infrastructure
- ✓ Unified IT systems: billing, customer care and management

Integrated management

- ✓ Centralised group management structure
- ✓ Unified KPIs
- ✓ Unification of HR systems and new unified trade union contract
- ✓ Unified salaries and remuneration systems

Single brand

- ✓ New positive image
- ✓ Unification of over 50 brands in a single “Rostelecom” brand
- ✓ New brand well received by all target audiences
- ✓ Selected strong product brands will be kept during 2012-2013

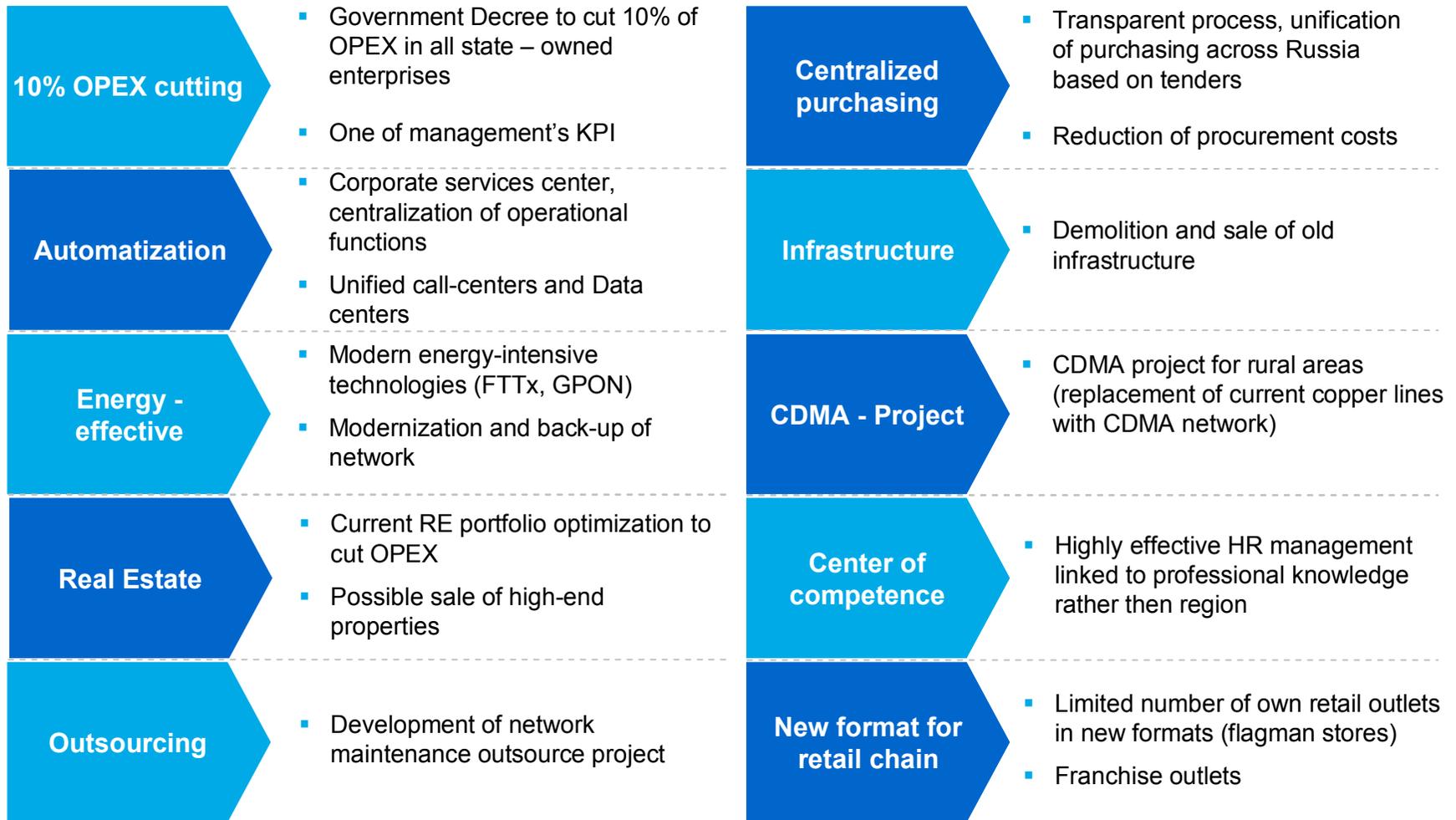
Cost management

- ✓ Effective real estate management
- ✓ Personnel expenses optimization
- ✓ Unification of procurement processes
- ✓ Outsourcing of maintenance functions
- ✓ Energy effective initiatives

Continuing cost optimization and synergies realization will help enhance the margins



Cost cutting possibilities



Infrastructure

- All-IP fixed network
- Backbone capacity increase
- Multi-standard mobile network development
- Access-migration to FTTx
- CATV migration to IPTV
- Rural network to CDMA 450
- Data centres

Products and services

- Unified federal packages
- Services Up-sell
- Mobile data offering and VoIP
- Unified portfolio of media services
- Development of advanced corporate services
- Cloud & IT services

Superior network infrastructure to achieve sustainable competitive advantage in the Russian ICT market

Key levers

Development of own infrastructure – **3G** networks licenses in 69 regions

+
MVNO agreement with Scartel and BIG3

+
Federal 4G spectrum obtained during July, 2012 auction

Data-focused

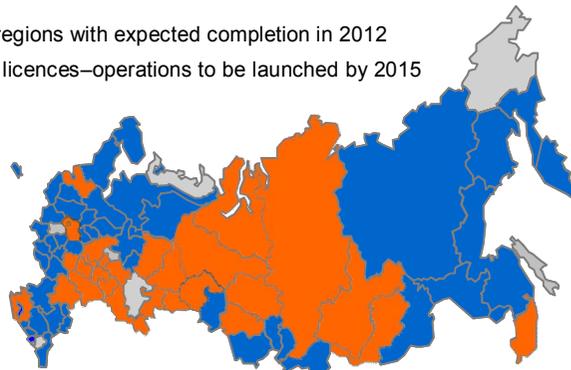
= federal

mobile

operator

3G network development

- 27 regions with expected completion in 2012
- 3G licences–operations to be launched by 2015



Source: Company information

Key terms of Rostelecom 4G auction lot

Spectrum allocated

791-798,5 / 832-839,5
727,5-735 / 768,5-776
2560-2570 / 2680-2690

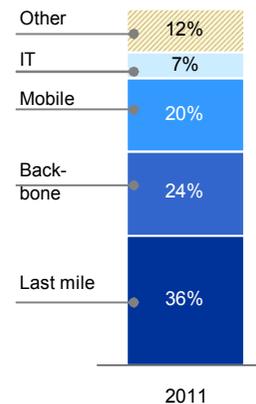
Number of regions to cover

01.12.2013	5
01.12.2014	10
01.12.2015	20
30.11.2016	30
30.11.2017	50
30.11.2018	60
30.11.2019	all areas

+ commitment to invest Rub 15 bln per year (includes refarming cost). All LTE –related CAPEX has been included in 2011-2015 CAPEX program.

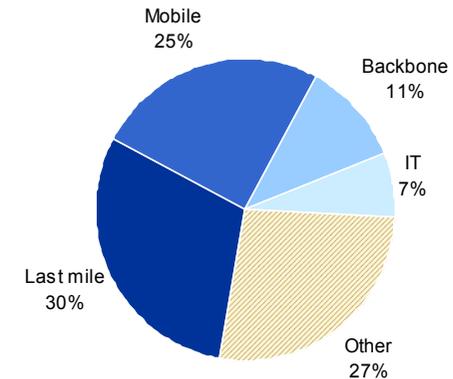
Capital expenditure by segment (2011-2015)

2011 breakdown



Total CAPEX RUB 82.8 bln
CAPEX / Sales 28.0%

2011-2015 breakdown



Source: Company information
Note: % of total CAPEX spent during 2011-2015

Today

- Strong position in B2C segment
- 22% penetration of fiber in our subscriber base
- Access to 24.4 mn households

Action Plan

- Launch of last mile modernization project to migrate xDSL customer to fibre
- Greenfield network development in smaller towns

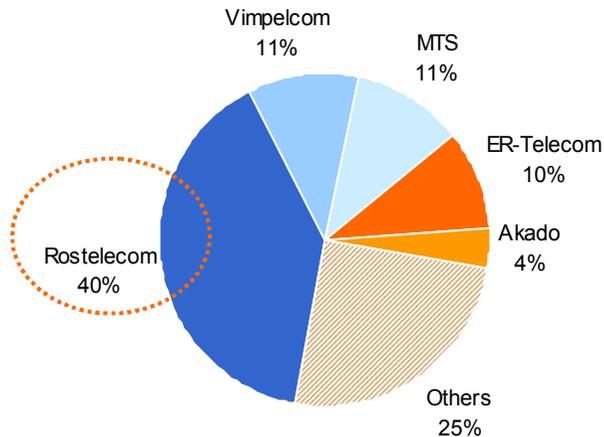
Tomorrow

- Ability to offer high speed broadband and exciting Pay-TV and other premium services
- Use of attractive bundled offering, cross-selling and up-selling initiatives

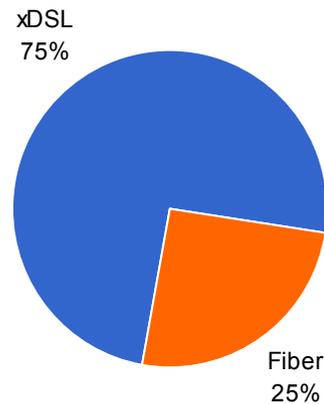
Long-term impact

- Enhanced customer loyalty
- Subscriber base growth
- Blended ARPU growth

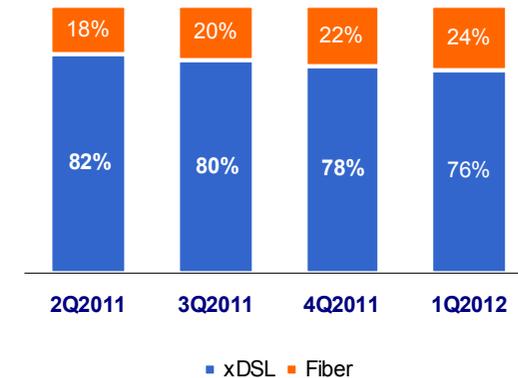
Broadband Leader...



... with over 43 mln HH passed...



... and proved growth in Fiber Subs





E-government

- ✓ United portal for public services
- ✓ Public services in e-format
- ✓ 70 out of 83 regions already subscribed (200K total in all levels)



O7. Medicine

- ✓ United electronic medical card
- ✓ E-front desk
- ✓ Medicine info systems



O7. Education

- ✓ E-School and E-Nursery
- ✓ Social network for school students
- ✓ Educational TV channel



O7. Housing

- ✓ Tariff and budget control
- ✓ Payments and financial assets
- ✓ Market potential - over 100K service companies



O7. City

- ✓ City infrastructure monitoring
- ✓ Predicting and prevention of emergency situations



O7. 112

- ✓ United contact number for admission and processing of messages
- ✓ Special services coordination



O7. DOC

- ✓ Office administration
- ✓ Document exchange

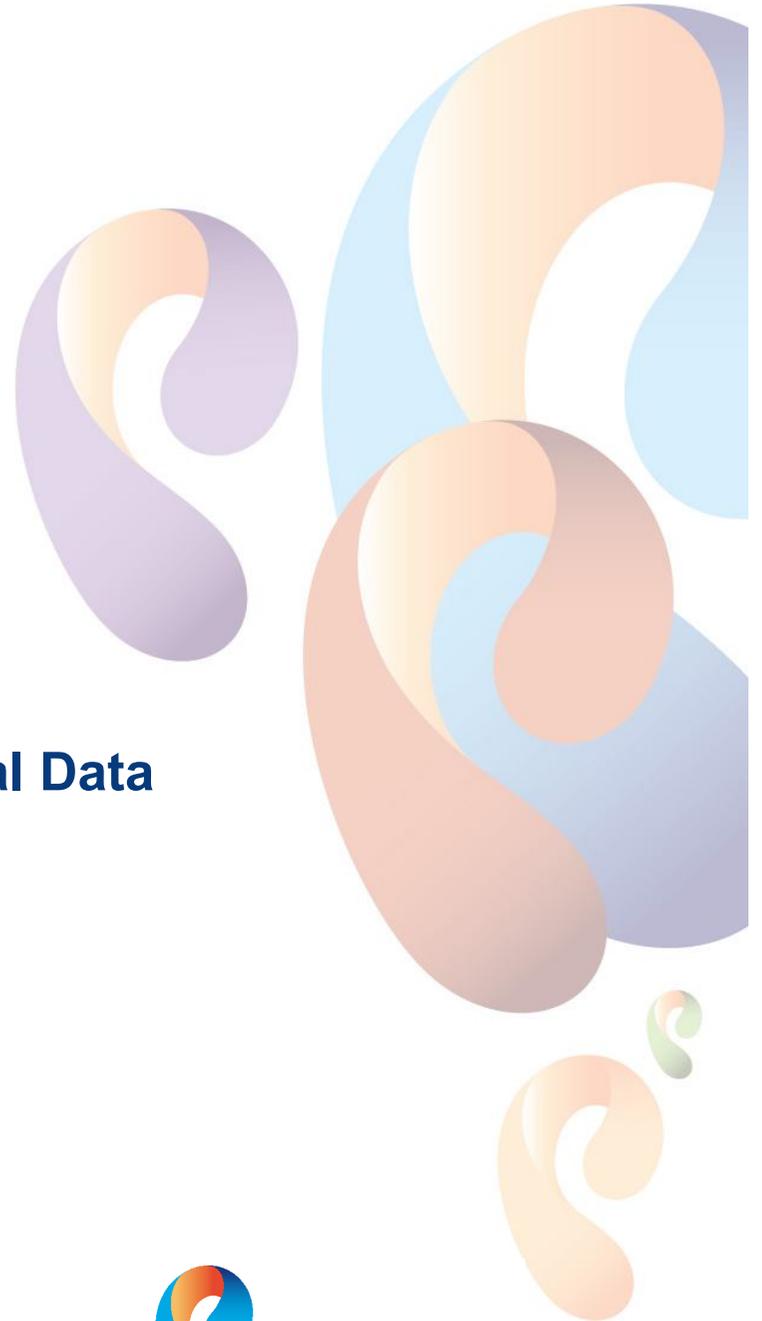


O7. Business

- ✓ Automation of key business processes
- ✓ Virtual office

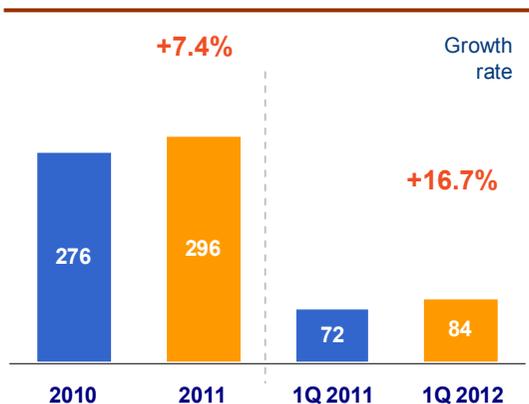
Chapter 3

Operational and Financial Data

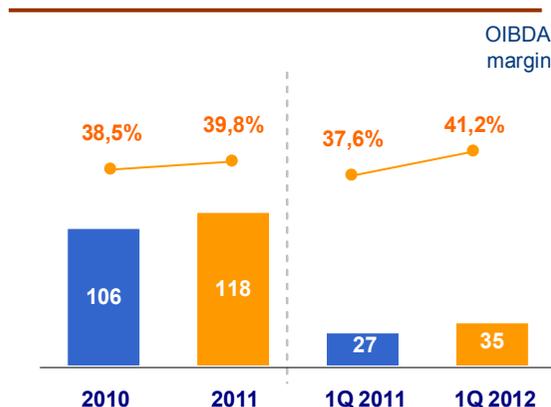


Key Financial and Operational data Q4 and full year 2011¹

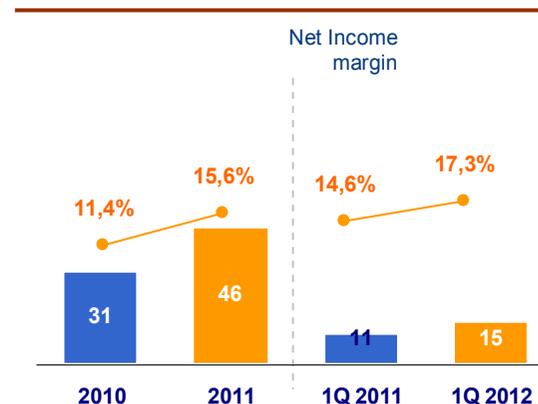
Revenue, RUB bln.



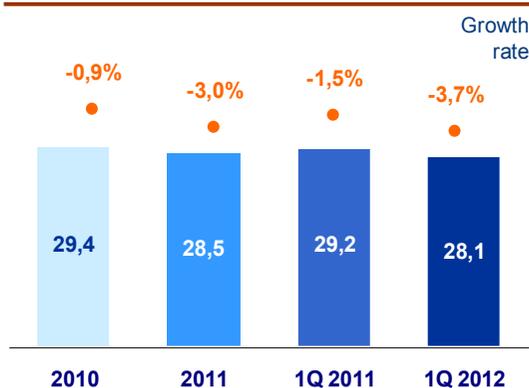
OIBDA, RUB bln.



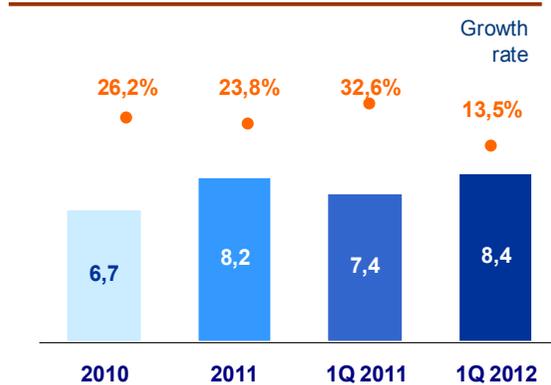
Net Profit, RUR bln.



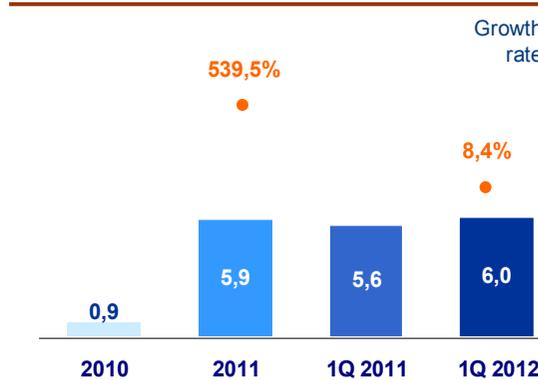
Local voice subscribers, mln



Broadband subscribers, mln

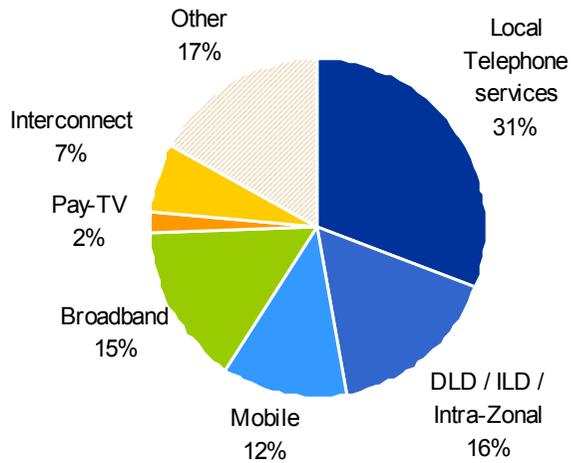


Pay-TV subscribers, mln

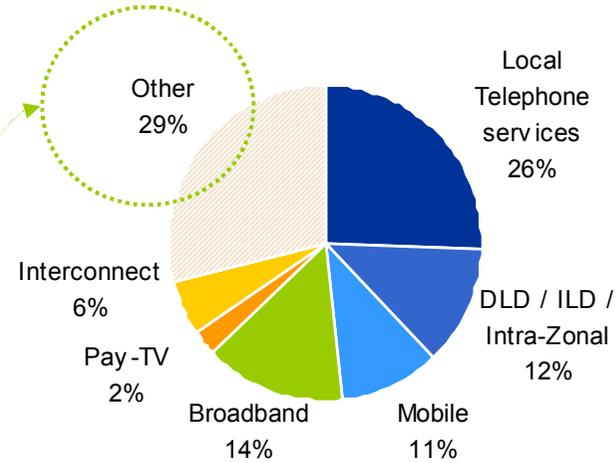




By services, 1Q2011



By services, 1Q2012



Revenues from Web Cameras Project substantially increased the share of other revenues



P&L	FINANCIALS							GROWTH RATES					
	1Q 2012	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2011	2010	1Q 11/12	1Q 10/11	2Q 10/11	3Q 10/11	4Q 10/11	10/11
Revenue (see breakdown below)	84,437	72,366	71,232	73,860	78,557	296,015	275,731	16,7%	7,7%	5,5%	7,7%	8,4%	7,4%
Operating Expenses		(58,146)	(56,640)	(58,573)	(58,990)	(232,348)	(225,451)		11,4%	5,8%	9,5%	-10,9%	3,1%
Wages, salaries, other benefits and payroll taxes		(20,725)	(19,502)	(18,038)	(16,574)	(74,839)	(74,417)		21,9%	7,1%	-1,0%	-21,0%	0,6%
<i>including stock option program</i>		0,000	(0,411)	(0,102)	1,101	0,588	(3,930)						
Depreciation and Amortization		(13,008)	(14,220)	(14,189)	(12,623)	(54,040)	(55,756)		2,0%	11,6%	18,4%	-30,9%	-3,1%
Interconnect Charges		(9,116)	(8,949)	(11,376)	(10,784)	(40,225)	(37,374)		1,3%	-4,1%	14,0%	18,9%	7,6%
Materials, utilities, repair and maintenance		(7,068)	(6,729)	(7,316)	(6,169)	(27,282)	(25,072)		16,7%	3,3%	14,7%	0,8%	8,8%
Other operating income		3,668	3,533	2,833	4,604	14,638	14,629		14,7%	-4,3%	-22,2%	12,3%	0,1%
Other operating expense, including:		(11,897)	(10,773)	(10,487)	(17,443)	(50,600)	(47,461)		12,4%	3,2%	-0,9%	10,0%	6,6%
<i>Impairment of property, plant & equipment (PPE)</i>		0,000		0,000	0,000	0,000	0,000						
<i>Loss on sale and disposal of PPE</i>		(0,005)	(0,303)	0,000	0,021	(0,287)	(0,933)						
Operating Profit	18,911	14,220	14,593	15,287	19,567	63,667	50,280	33,0%	-5,3%	4,5%	1,5%	213,8%	26,6%
Operating Profit margin	22,4%	19,6%	20,5%	20,7%	24,9%	21,5%	18,2%	14,0%	-12,0%	-1,0%	-5,8%	189,4%	17,9%
OIBDA	34,792	27,228	28,8	29,477	32,192	117,707	106,036	27,8%	-1,9%	7,9%	9,0%	31,3%	11,0%
OIBDA Margin	41,2%	37,6%	40,4%	39,9%	41,0%	39,8%	38,5%	9,5%	-8,9%	2,2%	1,2%	21,1%	3,4%
Income from equity accounted investees		1,277	0,271	0,983	0,907	3,438	0,239		2140,4%	577,5%	1538,3%	1006,5%	1338,6%
Finance costs		(3,241)	(3,406)	(3,131)	(2,695)	(12,473)	(11,798)		-1,7%	26,6%	19,4%	-15,4%	5,7%
Other Investing and financial gains		0,495	(0,091)	1,147	1,105	2,656	2,745		-25,0%	-114,2%	31,1%	93,4%	-3,2%
Foreign exchange loss, net		0,669	0,072	(1,064)	0,058	(0,265)	(0,087)		508,2%	-123,1%	475,1%	-80,7%	204,6%
Profit before income tax	13,420	11,439	13,222	18,942	57,023	41,379	41,379	7,0%	-1,7%	0,2%	373,1%	37,8%	
Income tax expense		(2,858)	(2,889)	(2,937)	(2,270)	(10,954)	(10,041)		11,3%	0,4%	-3,5%	46,3%	9,1%
Net Profit	14,614	10,562	8,550	10,285	16,673	46,069	31,338	38,4%	5,9%	-2,4%	1,3%	579,9%	47,0%
Net Profit margin	17,3%	14,6%	12,0%	13,9%	21,2%	15,6%	11,4%	18,6%	-1,6%	-7,5%	-5,9%	527,0%	36,9%
Earnings per share attributable to equity holders of the combined entity - basic and diluted		3,490		3,580		15,560	10,060		11,5%		9,1%		54,7%



Bln RUR Revenue / Breakdown	FINANCIALS							GROWTH RATES					
	1Q 2012	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2011	2010	1Q 11/12	1Q 10/11	2Q 10/11	3Q 10/11	4Q 10/11	10/11
By services:													
Local Telephone services	21,605	22,336	22,063	21,616	21,906	87,921	85,396	-3,3%	4,8%	3,3%	2,3%	1,4%	3,0%
Intra-Zonal	4,797	5,516	5,415	5,288	5,183	21,402	23,358	-13,0%	-6,6%	-11,2%	-10,5%	-4,7%	-8,4%
DLD / ILD	5,471	6,282	5,845	5,633	6,288	24,048	27,939	-12,9%	-15,8%	-14,7%	-16,4%	-8,6%	-13,9%
Interconnect and traffic transit	5,043	4,934	4,319	5,696	5,337	20,287	19,703	2,2%	-5,8%	6,2%	8,6%	3,6%	3,0%
Mobile communication services	9,021	8,596	9,313	9,163	8,931	35,560	33,872	4,9%	11,4%	5,7%	5,6%	3,0%	5,0%
Rent of channels	2,909	2,446	1,820	2,579	2,628	9,473	9,149	18,9%	-3,0%	-7,9%	17,1%	7,4%	3,5%
Broadband Internet	12,158	11,168	11,978	11,429	12,253	46,828	39,215	8,9%	14,9%	30,6%	17,2%	15,8%	19,4%
Pay-TV	2,055	1,297	1,599	1,905	1,975	6,776	1,102	58,4%	526,6%	402,8%	582,8%	562,8%	514,9%
Data services	5,004	4,581	4,239	4,957	5,276	19,053	17,191	9,2%	18,2%	6,5%	14,9%	5,1%	10,8%
Other	16,374	5,210	4,640	5,596	8,779	24,225	18,806	214,3%	59,7%	-4,4%	29,2%	38,0%	28,8%
% of total Revenues													
Local Telephone services	25,6%	30,9%	31,0%	29,3%	27,9%	29,7%	31,0%						
Intra-Zonal	5,7%	7,6%	7,6%	7,2%	6,6%	7,2%	8,5%						
DLD / ILD	6,5%	8,7%	8,2%	7,6%	8,0%	8,1%	10,1%						
Interconnect and traffic transit	6,0%	6,8%	6,1%	7,7%	6,8%	6,9%	7,1%						
Mobile communication services	10,7%	11,9%	13,1%	12,4%	11,4%	12,0%	12,3%						
Rent of channels	3,4%	3,4%	2,6%	3,5%	3,3%	3,2%	3,3%						
Broadband Internet	14,4%	15,4%	16,8%	15,5%	15,6%	15,8%	14,2%						
Pay-TV	2,4%	1,8%	2,2%	2,6%	2,5%	2,3%	0,4%						
Data services	5,9%	6,3%	6,0%	6,7%	6,7%	6,4%	6,2%						
Other	19,4%	7,2%	6,5%	7,6%	11,2%	8,2%	6,8%						
By customers:													
B2C	40,298	40,789	39,898	39,379	40,378	160,444	154,858	-1,2%	5,4%	6,4%	1,9%	1,0%	3,6%
B2B	16,290	17,350	16,852	17,694	17,878	69,774	62,106	-6,1%	14,1%	2,7%	10,2%	23,8%	12,3%
B2G	18,957	7,215	7,837	7,929	11,503	34,484	28,445	162,7%	22,9%	16,0%	16,9%	27,3%	21,2%
B2O	8,892	7,011	6,646	8,858	8,798	31,313	30,324	26,8%	-5,7%	-2,7%	25,1%	-2,0%	3,3%
B2C	47,7%	56,4%	56,0%	53,3%	51,4%	54,2%	56,2%						
B2B	19,3%	24,0%	23,7%	24,0%	22,8%	23,6%	22,5%						
B2G	22,5%	10,0%	11,0%	10,7%	14,6%	11,6%	10,3%						
B2O	10,5%	9,7%	9,3%	12,0%	11,2%	10,6%	11,0%						



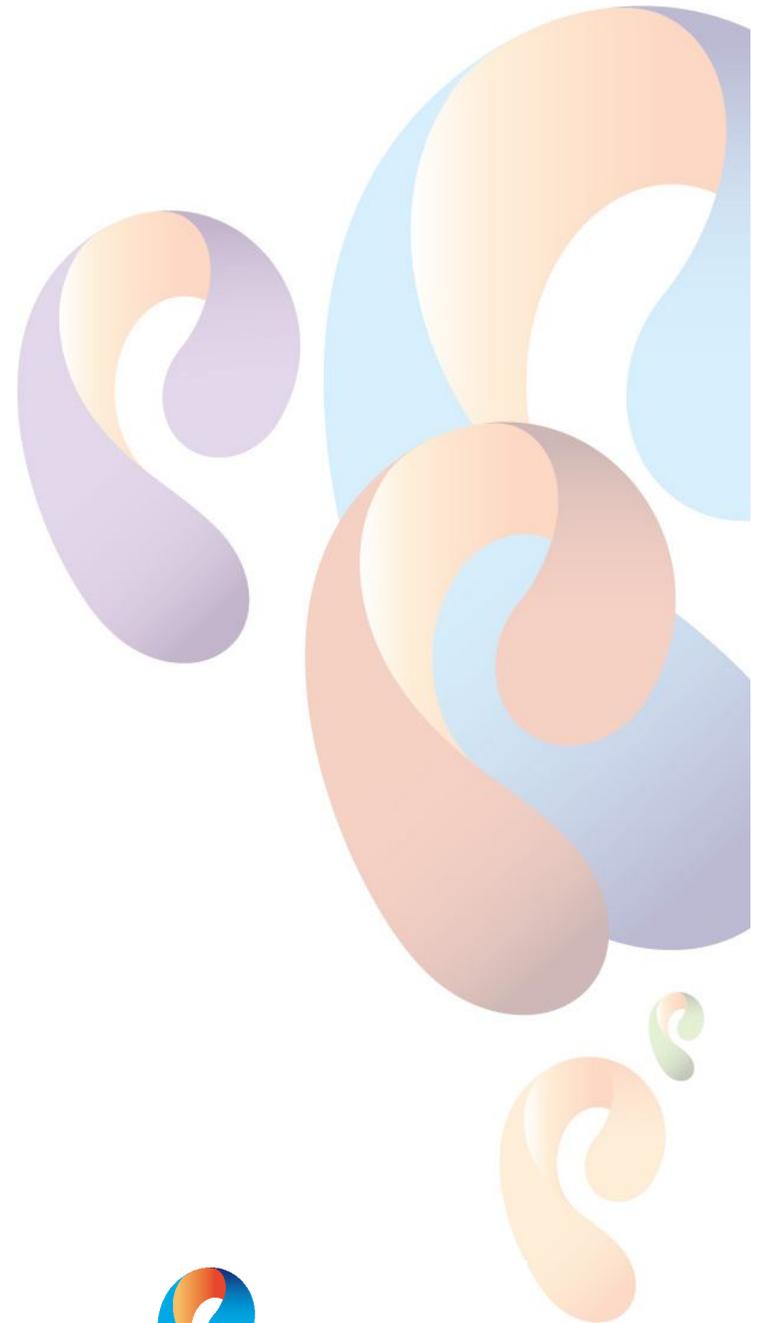
Bln RUR	FINANCIALS							
	31.03.2012	31.03.2011	30.06.2011	30.09.2011	31.12.2011	31.12.2010	31.12.2009	31.12.2008
BALANCE SHEET								
Assets								
Current Assets								
Cash & cash equivalents		8,423	8,754	6,051	7,177	12,627	13,621	19,627
Other investments		7,938	2,364	1,455	3,926	5,580	20,622	11,514
Prepayments		5,691	5,378	3,522	2,409	3,828	3,582	4,723
Prepaid income tax					3,304			
Inventories		4,907	5,725	5,954	4,490	4,156	3,789	4,144
Trade and other accounts receivable		33,153	30,876	31,378	29,378	25,611	22,243	23,588
Other current assets		2,580	1,303	1,102	1,151	1,095	2,101	3,456
Total current assets		62,692	54,400	49,462	51,834	52,897	65,958	67,052
Non-current assets								
PPE & Intangible assets		303,943	304,492	311,077	327,971	301,068	293,497	307,078
Investment property		0,292	0,309	0,333	0,259	0,356	0,330	0,094
Goodwill and other intangible assets		60,004	62,320	62,833	68,187	30,209	32,623	33,428
Investment in associates		28,789	32,759	32,759	33,645	27,517	1,197	1,087
Other investments					14,616			
Other non-current assets		20,956	20,145	19,582	14,595	14,764	9,575	5,864
Total non-current assets		413,984	420,025	426,584	459,275	373,914	337,222	347,551
Total assets		476,676	474,425	476,046	511,109	426,811	403,180	414,603
Liabilities								
Current Liabilities								
Accounts payable		34,625	37,994	37,050	37,398	38,935	34,960	39,908
Short-term loans and borrowings		51,519	48,117	67,234	78,939	50,096	49,104	64,172
Other current liabilities		7,708	10,389	6,615	8,146	6,478	6,101	6,168
Total current liabilities		93,852	96,500	110,899	124,483	95,509	90,165	110,248
Non-current Liabilities								
Shareholders equity		0,100	0,106	0,100	0,106	0,100	0,100	0,100
Treasury shares		(25,416)	(25,416)	(25,416)	(25,143)	(25,410)	(0,067)	(0,067)
Additional paid in capital		33,424	33,424	33,424	33,424	33,424	33,424	33,424
Retained earnings and other reserves		215,582	224,737	234,801	251,752	204,981	184,026	163,028
Non-controlling interest		4,600	8,045	7,836	7,787	0,012	(0,072)	1,648
Long-term loans		119,208	102,127	78,341	84,527	87,941	67,092	79,523
Employee benefits		16,123	16,671	17,226	11,753	16,197	15,578	14,732
Deferred tax liabilities		16,609	16,435	16,487	18,661	12,281	11,124	9,981
Other non-current liabilities		2,594	1,796	2,349	3,759	1,776	1,810	1,986
Total non-current liabilities		382,824	377,925	365,148	386,626	331,302	313,015	304,355
Total equity & liabilities			476,676	474,425	476,047	511,109	403,180	414,603
Net Debt	179,473	154,366	139,126	138,069	152,363	119,830	81,953	112,554
Net Debt / OIBDA	x 1,4	x 1,5			x 1,3	x 1,1	x 0,8	x 1,3



Bln RUR	FINANCIALS									
	2 008	2 009	1Q 2010	1H 2010	9M 2010	2 010	1Q 2011	1H 2011	9M 2011	2 011
CASH FLOW STATEMENT										
Cash flows from operating activities										
Profit before income tax	36,000	34,337	12,542	24,181	37,375	41,379	13,420	24,860	38,083	57,025
<i>Adjustments to reconcile profit before tax to cash generated from operations:</i>										
Depreciation and amortization	45,572	51,344	12,756	25,496	37,483	55,756	13,008	27,228	41,417	54,040
Loss on sale of property, plant and equipment	2,981	1,195	(0,052)	(0,112)	(0,033)	0,933	0,005	0,308	0,308	0,287
Impairment losses/(reversal of impairment losses)	2,027	0,000	0,000				0,000			
Finance costs excluding finance costs on pension and other It social liabilities	12,631	14,881	3,150	5,688	8,159	10,374	3,364	5,981	8,776	11,434
Other non-cash (gains) / loss			0,000	0,698			(0,525)	0,411		
Other investing and financing gains	(11,524)	(3,237)	(0,660)	(1,299)	(2,174)	(2,745)	(0,495)	(0,404)	(1,554)	(2,656)
Other cash flows from operating activities	6,245	3,569			0,979	0,530			(1,817)	(2,547)
Share-based payment expenses	-	-			2,774	3,930			0,513	0,588
<i>Changes in net working capital:</i>	3,094	6,019	(3,685)	(4,303)	(5,827)	(4,075)	(9,360)	(5,392)	(7,052)	(13,192)
Cash generated from operations	97,026	108,108	24,334	50,940	78,735	106,082	17,557	50,598	78,674	104,979
Interest paid	(11,910)	(16,412)	(3,157)	(5,328)	(8,525)	(11,356)	(3,442)	(6,204)	(9,212)	(11,234)
Income tax paid	(14,252)	(5,441)	(1,916)	(3,875)	(6,910)	(9,704)	(2,677)	(3,230)	(8,981)	(9,050)
Net cash provided by operating activities	70,864	86,255	19,261	41,737	63,300	85,022	11,438	41,164	60,481	84,695
Cash flows from investing activities										
Purchase of PPE and intangible assets	(66,681)	(45,352)	(9,222)	(21,187)	(35,128)	(51,845)	(15,104)	(25,579)	(40,940)	(82,776)
Proceeds from sale of property, plant and equipment	2,465	1,006	0,190	0,249	0,402	1,284	0,325	0,628	0,751	1,484
Acquisition of financial assets	(18,201)	(31,138)	(1,192)	(2,048)	(2,165)	(10,764)	(2,793)	(4,054)	(5,455)	(8,565)
Proceeds from disposals of financial assets	33,792	18,399	5,113	13,932	20,255	20,152	0,705	6,006	8,041	9,176
Purchase of subsidiaries, net of cash acquired	(2,532)	(0,496)	0,000	(3,686)	(3,757)	(4,548)	(29,967)	(29,967)	(32,285)	(32,281)
Other cash flows from investing activities	1,057	2,660	0,471			2,470	0,400			2,232
Acquisition of equity accounted investees	0,273	(0,002)	0,000	0,000	(26,001)	(26,000)	(0,103)	(3,640)	(3,640)	(3,640)
Net cash used in investing activities	(49,827)	(54,923)	(4,639)	(11,581)	(44,569)	(69,251)	(46,537)	(55,242)	(71,863)	(114,370)
Cash flows from financing activities										
Purchase of treasury shares	0,000	0,000	0,000	(0,666)	(25,156)	(25,343)	(0,006)	(0,006)	(0,006)	(1,486)
Sale of treasury shares										1,754
Proceeds from bank and corporate loans	51,535	44,384	11,696	32,987	87,811	123,353	59,845	92,618	163,848	289,469
Repayment of bank and corporate loans	(35,696)	(59,328)	(18,593)	(40,747)	(57,731)	(83,215)	(24,711)	(76,272)	(146,902)	(246,941)
Repayment of bonds	(15,099)	(19,712)	(1,883)	(4,608)	(9,767)	(11,077)	(3,300)	(3,706)	(8,398)	(13,932)
Proceeds from promissory notes	4,313	3,515	0,800	2,161	3,820	5,340	12,050	13,146	13,490	0,750
Repayment of promissory notes	(5,952)	(5,306)	(0,870)	(2,205)	(3,042)	(7,276)	(12,051)	(13,494)	(14,095)	(1,768)
Dividends paid to shareholders of the Group	(7,836)	(6,099)	(0,018)	(0,147)	(4,756)	(14,106)	0,000		(0,113)	(0,116)
Other cash flows from financing activities	(0,455)	5,175	(1,716)	(2,693)	(2,513)	(4,481)	(0,891)	(2,024)	(3,000)	(3,479)
Net cash used in financing activities	(9,190)	(37,371)	(10,584)	(15,918)	(11,334)	(16,805)	30,936	10,262	4,823	24,251
Net (decrease)/increase in cash and cash equivalents	11,847	(6,039)	4,038	14,001	7,061	(0,994)	(4,163)	(3,873)	(6,575)	(5,450)
Effect of exchange rate changes on cash and cash equivalents	(0,118)	0,033	(0,187)	(0,237)	(0,336)	0,000	(0,042)	(0,056)	(0,010)	0,000
Cash and cash equivalents at beginning of year	7,885	19,627	13,621	13,622	13,622	13,621	12,627	12,627	12,627	12,627
Cash and cash equivalents at the end of year	19,627	13,621	17,472	27,623	20,681	12,627	8,422	8,754	6,050	7,177

Appendix

Additional Information





NTK

- Consolidation of 100% of for the total of RUB 41.7 bln.
- Around 0.5 mln broadband subscribers (in 4 biggest cities) and 5% Moscow broadband market share
- ~ 4.5 mln pay-TV subscribers
- Fiber network
- Excellent product line with high – speed internet and unique IP-TV (Onlime TV card)



Though the acquisition we managed:

- get solid platform for further development in broadband and pay-TV segments
- to gain access to Moscow broadband market with 5% market share
- to become the second best in pay-TV segment with 25% market share

Bashinformsvyaz

- Acquisition of 39.87% for RUB 3.6 bln.
- The largest telecom operator in the Bashkortostan with fixed – line telephony, broadband and pay-TV services
- Over 1 mln voice, 0.3 mln broadband and 32 thou pay-TV subscribers



Volgograd - GSM

- Increase of stake to 100% for RUB 2.3 bln
- Mobile operator with 855 thou subscribers in Volgograd region (90% market share)

Orenburg - GSM

- Increase of stake to 100% for USD 4 mln
- Mobile operator in Orenburg region with 185 thou subscribers



- Dividends payable on the Preferred Shares are fixed by our charter in the amount of 10% of our net profits, based on the year-end RAS statutory accounting report, divided by the number of shares representing 25% of our outstanding shares.
- Dividends payable on Ordinary Shares must be equal to at least 20% of our net profit for the past fiscal year based on the year-end IFRS financial statements.
- On June 14, 2012 the AGM approved the following dividends payments: in the amount of RUB 15 bln or 45.95% of 2011 RAS net profit (32.48% of 2011 IFRS net profit), including:
 - 3.5% of 2011 RAS net profit (2.48% of IFRS 2011 net profit) on preferred shares
 - 42.45% of 2011 RAS net profit (30% of IFRS 2011 net profit) on all ordinary shares.

Total dividend paid

<i>RUB mln.</i>	2011		2010		2009		2008	
	ord	pref	ord	pref	ord	pref	ord	pref
Rostelecom	13 821	1 140	810	435	1 020	510	1 414	707
N-West			559	278	521	307	544	321
Center			798	532	759	506	388	259
South			339	226	277	185	84	56
Volga			661	322	639	426	443	295
Ural			911	607	610	407	402	268
Sibir			478	260	352	230	316	207
Far-East			326	155	326	214	260	221
Total	13 821	1 140	4 882	2 815	4 504	2 785	3 851	2 334
Grand Total	14 962		7 697		7 289		6 185	

Dividend per share	2011		2010		2009		2008	
	ord	pref	ord	pref	ord	pref	ord	pref
Rostelecom	4,70	4,70	1,11	1,79	1,40	2,10	1,94	2,91



<u>Corporate Action</u>	<u>Description</u>
Acquisition of SkyLink from SvyazInvest	Non – cash transaction for c. 1.91% of treasury shares held by Mobitel, 100% Rostelecom subsidiary (Governmental decree is needed).
Additional share issue of Svyazinvest	Svyazinvest issues additional shares (Governmental decree is needed), Rostelecom participates with cash, the State - with telecom assets
Valuation	Valuation of both entities is performed by an independent consultant, drafting of merger agreement
Shareholders Meeting	Both entities conduct shareholders meetings to approve the merger
Minority shareholders buy-out	Rostelecom spends up to 10% of NAV to buy-out shares from minority shareholders who vote against merger or don't vote at all
Additional share issue of Rostelecom	Rostelecom issues additional shares in favor of State Property Agency
Shares cancellation	Cancellation of treasury shares that appeared from cross –ownership with Svyazinvest
Rostelecom / Svyazinvest Merger completion	Merger completed. Rostelecom is over 50% owned by the Government via State Property Agency and Vnesheconombank. Additionally the Company considers the possibility to merge all the subsidiaries into Rostelecom.



Merger with Svyazinvest – Schedule¹

Event*	ноя.11	дек.11	январ.12	февр.12	мар.12	апр.12	май.12	июн.12	июл.12	авг.12	сен.12	окт.12	ноя.12	дек.12	январ.13	февр.13	мар.13	апр.13	май.13	июн.13	июл.13	авг.13	сен.13	окт.13
Stage 1. Svyazinvest to increase its authorised capital																								
Svyazinvest to estimate the market value of Svyazinvest shares for placing purposes		100%																						
Svyazinvest to estimate the market value of the assets that the State will exchange for Svyazinvest's additional share issue		100%																						
Svyazinvest to call a Board of Directors meeting to discuss additional share issue								100%																
Svyazinvest to hold its EGM								100%																
Svyazinvest to call a Board of Directors to discuss approval of share issue documents and transactions connected to additional share issue, including EGM																								
Svyazinvest to hold its EGM																								
Registration of share issue documents with FSFM																								
Rostelecom to hold a Board of Directors meeting																								
Rostelecom to purchase additional issue of Svyazinvest shares																								
Registration of the results of additional share issue with the FSFM																								
Stage 2. Svyazinvest to exchange Sky Link CJSC (Sky Link) shares for Rostelecom shares																								
Ernst & Young to conduct an independent valuation of the Sky Link shares which form part of the deal		100%																						
Avers Group to conduct an independent valuation of Rostelecom shares																								
Mobitel LLC (Mobitel) to obtain permission from FAS to purchase Sky Link shares		100%																						
Svyazinvest to hold a Board of Directors meeting to discuss:																								
a) the sale of Sky Link																								
b) the valuation of Rostelecom shares exchanged as part of the deal																								
c) the convening of an EGM to approve the transaction																								
d) the increasing of its stake in Rostelecom.																								
Svyazinvest EGM to vote on the acquisition of Rostelecom shares from Mobitel in exchange for Sky Link shares																								
Mobitel to obtain corporate approvals																								
Mobitel to exchange 1.91% of Rostelecom shares for Sky Link shares																								
Stage 3. Svyazinvest to purchase Rostelecom shares using proceeds from its additional share issue																								
Svyazinvest to estimate the market value of the Rostelecom shares which it will acquire at a later date																								
Both Mobitel and Svyazinvest to obtain respective corporate approvals																								
Svyazinvest to purchase Rostelecom shares using proceeds from its additional share issue																								
Stage 4. Completion of Svyazinvest's merger with Rostelecom																								
Rostelecom to conduct a valuation of Svyazinvest shares to establish the share buyback conversion ratio																								
Svyazinvest to conduct a valuation of Rostelecom shares to establish the share buyback conversion ratio																								
Svyazinvest to hold a Board meeting to discuss:																								
a) the convening of an EGM to seek approval for its merger with Rostelecom as part of the reorganisation, and to approve the conditions of the merger agreement and the transfer act																								
b) the price of the share buyback																								
c) to establish Svyazinvest's stance towards the reorganisation when voting at Rostelecom's EGM																								
Svyazinvest EGM to approve the reorganisation																								
Rostelecom to hold its Board meeting to discuss:																								
a) the convening of an EGM to vote on the merger with Svyazinvest as part of the reorganisation, including the approval of the merger agreement																								
b) the price of the share buyback																								
Rostelecom EGM to approve the reorganisation																								
Rostelecom to tender a mandatory buyback offer to their respective shareholders who voted against the reorganisation, or who did not participate in the vote																								
Rostelecom to hold a meeting of its Board of Directors to discuss:																								
a) the increasing of Rostelecom's authorised share capital by placing additional shares as part of the conversion of its old shares into new ones																								
b) the approval of documentation relating to the additional share issue																								
Rostelecom to register the additional share issue with the Russian Federal Service for Financial Markets (FSFM)																								
Rostelecom to execute the mandatory buyback from shareholders who voted against the reorganisation, or who did not participate in the vote																								
Rostelecom to convert Rosimushchestvo's stake in Svyazinvest into Rostelecom shares, cancellation of "ex-Svyazinvest" and treasury shares (from cross holding)																								
Rostelecom to register the results of the additional share issue with the FSFM																								

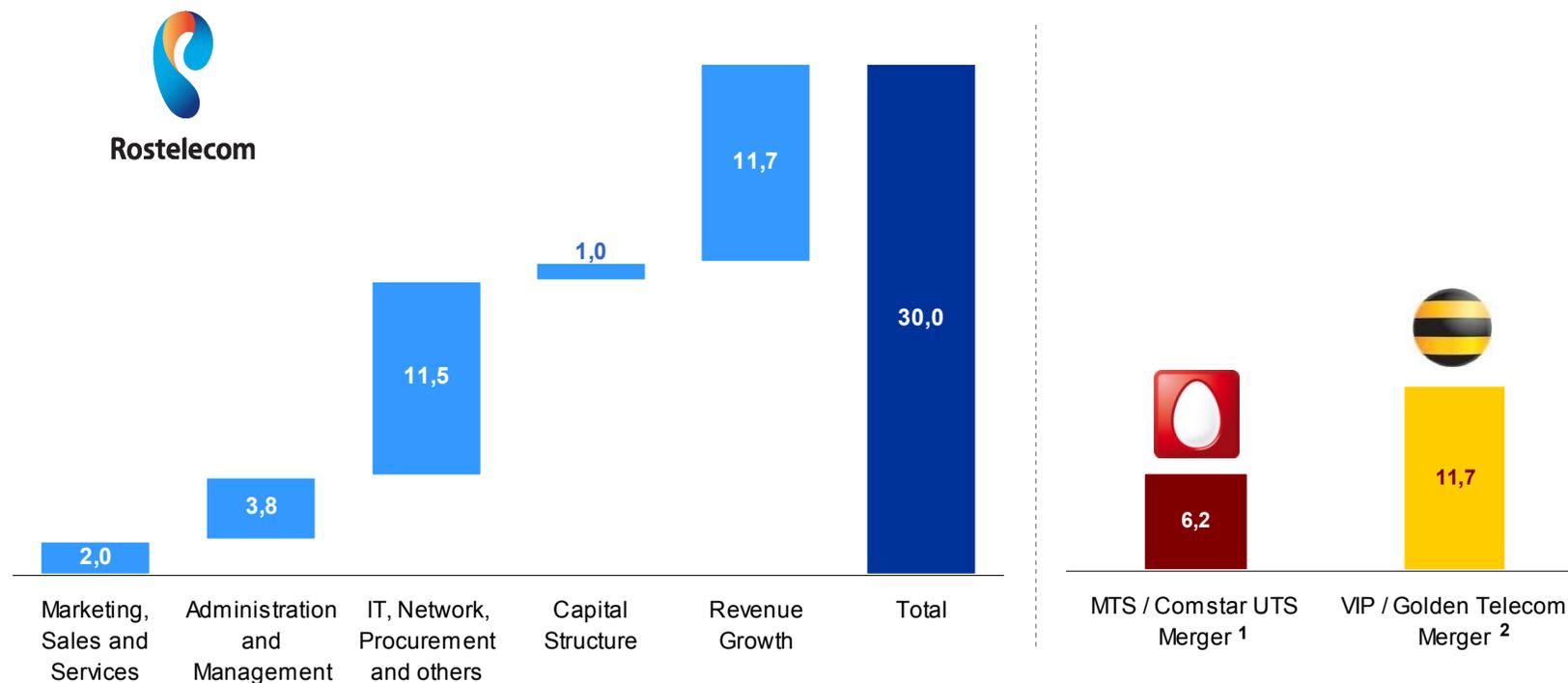
Assets to be obtained during the merger with Svyazinvest

From Svyazinvest			From State Property Agency via Svyazinvest ¹		
Name	Share	Description	Name	Share	Description
Central Telegraph	51%	Broadband provider in Moscow (Qwerty brand) with over 8% market share, CentralTelegraph building of over 20K m ² next to Kremlin	Central Telegraph	29%	Revenues in 2011 amounted to RUB 3.6 bln.
HyproSvyaz	74,99%	Leading engineering company in telecom sector	Bashinform svyaz	28.2%	Major fix-line provider in Bashkortostan with revenues of RUB 5.87 bln (2011). Good addition to current 39.8% acquired by Rostelecom in 2011
SkyLink	100%	CDMA operator with 1.5 mln mobile voice and 0.5 mobile data subs and 3G licenses for 69 regions	Chukotka Svyazinform	100%	Key telecom provider in Chukotka with reported revenues of over RUB400 mln in 2010
Kostroma GTS	37,29%	Telecom provider in Kostroma and Volgorechensk (fix voice, cable TV, VPN, broadband)	Ingushelectro svyaz	100%	Major telecom provider in Ingushetia
United Register Company	9.0%	Registrar	MMTS - 9	51%	Key collocation and hosting provider in Moscow with revenues of over RUB 471 mln in 2010. Good addition to 41.1% already owned by Rostelecom.

¹ – after State Property agency contributes the assets into Svyazinvest

Assessment of Key Synergy Sources

(RUB Bn, NPV)



Source: Roland Berger; McKinsey; AFK Sistema

¹Converted at FX on 29-Jan-2008 of 24.5952 RUB/US

²Converted at FX on 5-Aug-2009 of 31.0484 RUB/US



AGM	Annual General Shareholders Meeting
BB	Broadband
BoD	Board of Directors
CDMA	Code Division Multiple Access (3G)
CAPEX	Capital Expenditures
DLD	Domestic Long Distance
DTH	Direct To Home
FMC	Fixed/mobile convergence
FTTx	Fiber to the x
FX	Foreign Exchange
GSM	Global System for Mobile Communication (2G)
HH	Households
ILD	International Long Distance
IPTV	Internet Protocol Television
RTO	Interregional Company
LTE	Long Term Evolution (4G)
LTM	Last Twelve Month
MSCI	Morgan Stanley Capital International
MVNO	Mobile Virtual Network Operator
NGN	Next Generation Network
OIBDA	Operating Profit Before Depreciation and Amortization
RTCM	Rostelecom
SG & A	Selling, General and Administrative expenses
SME	Small and Medium – size Enterprise



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