

THE CHAIRMAN OF THE BOARD OF DIRECTOR'S LETTER

Dear shareholders and investors,

Rostelecom continued to add to its new offering in 2012, leading to results which are undoubtedly among the strongest in the Company's successful history.

As a result of the efforts of the Company's management and its staff, Rostelecom made significant progress in developing its services in a number of innovative new areas during 2012. We succeeded in advancing our interactive television services, our cloud-based technology products and progress has been made in the construction of Rostelecom's mobile data transfer networks. These operational developments were reinforced by a strong set of financial results for 2012, where all the key financial indicators rose.

In addition to our operational achievements, which include expanding our market presence and increasing our operational efficiency, the Company has also made significant headway in preparing to merge Rostelecom with OJSC Svyazinvest and a range of its subsidiary structures. We were able to complete a number of key steps before the end of last year by consolidating 'Sky Link' and acquiring shares in Svyazinvest's additional share offering.

By participating in Svyazinvest's additional issue, through which government share holdings of regional telecommunications companies contributed to Svyazinvest's capital, Rostelecom was able to secure its blocking stake of 25%+1 shares up until the merger. In order to complete the deal, the reorganisation, must now be approved at a shareholders' meeting and we must also go through a series of obligatory corporate procedures. The merger itself will clear up a complicated and entangled leadership structure, helping to increase transparency and facilitate the integration of its subsidiary businesses. The structural changes associated with the merger are expected to improve Rostelecom's investment case as it will lead to a more streamlined and transparent management structure, it will consolidate all of Svyazinvest's assets and subsidiary companies will be united.

As Chairman of the board of directors, I declare that Rostelecom supports the highest levels of corporate governance, worthy of global best practice. To this end, strict procedures are in place regarding the disclosure of information to the investment community to protect shareholders' legal interests. A strong internal audit service, which works within the internal control system, also exists, as well as a risk management service.

The pursuit of best practice has turned the Board of Directors in to a genuine working organ, whose sessions have evolved into effective forums for active debate and the resolution of important strategic tasks. When key topics need to be raised, they are provisionally discussed within specialist committees, created by the Board of Directors, so that third party experts can engage with stakeholders' representatives. For example, in December last year, a large number

of experts were called in, including representatives from the Ministry of Communications and the Federal Agency for State Property Management, to discuss how Rostelecom should realise its strategy. Suggestions were provided by Rostelecom's own staff on how its updated strategy should be executed, and it was agreed that Rostelecom will remain focused on developing services in fast-growing segments, including expanding our position on the mobile communications market.

Rostelecom is an exceptionally promising and interesting Russian company that enjoys a high level of investor interest and significant potential for growth. I have no doubt that Rostelecom has a great future ahead and it is fully capable of becoming a market leader if it continues to focus on its fast-growing markets and if it harnesses the talents of its strong management team and its loyal workforce.

Yours faithfully,

I. Rodionov

Chairman of the Board of Directors, OAO Rostelecom

