

PRESIDENT'S LETTER

Dear shareholders, investors, clients, partners and employees,

It is a great honour to have been given responsibility for leading one of the largest infrastructure companies in Russia, which has united regional telecommunications companies across the country and has absorbed the best traditions and experience of several generations of telecommunications operators. The Company forms the “backbone” of the national telecommunications infrastructure, providing us with a significant competitive advantage over other players in the market.

There is no doubt that the Company has achieved a great deal in recent years and its long-term development is built on solid foundations. Today, Rostelecom is the largest telecommunications group in Russia which provides services in all segments of the telecoms market across the country. Rostelecom is Russia's market leader, according to indicators such as the pace of growth in broadband and pay-TV subscriptions, all of which clearly demonstrate how these market segments are developing.

Despite our obvious strengths, there are challenges to address. Primarily, our communications network is in need of modernisation and we need to improve our customer offering. We are developing an unrivalled package of services, at attractive tariffs, and plans are also underway to make significant improvements to our customer service practices. A great deal of progress is also needed when it comes to improving business efficiency and corporate governance standards. We must also move away from our technocratic approach to solving business issues and crucially, as part of this, we must change our corporate culture. A major part of this task will be to increase our employees' sense of belonging and involvement in our common cause, which should help improve the quality of service offered to clients.

Many difficult tasks lie ahead of Rostelecom, but I am confident that we have all the required strengths and capabilities at our disposal to solve all of these issues.

Yours faithfully,

Sergey Kalugin

President of Rostelecom OJSC

