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ANNUAL REPORT

**FOR THE LONG-DISTANCE AND INTERNATIONAL TELECOMMUNICATIONS OPEN JOINT STOCK
COMPANY ROSTELECOM**

BASED ON YEAR 2011 RESULTS

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report for OJSC Rostelecom (hereafter referred to as Rostelecom or the company) summarizing the results of 2011 (hereafter referred to as the Annual Report) are so-called forward-looking statements.

Those forward-looking statements include, but are not limited to:

- The management's assessment of the company's future operation and financial results, as well as forecasts of the present value of future cash flows and related factors;*
- The company's plans to participate in the charter capital of other organizations;*
- The company's anticipated capital expenditures and plans to construct and modernize its network;*
- The company's expectations as to the growth of demand for its services and plans relating to the expansion of its range of 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 expected industry trends;*
- The company's expectations as to the regulation of the Russian telecommunication industry and assessment of the impact of regulatory initiatives on the company's activity;*
- Other statements regarding matters that are not of historical fact.*

Such forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ 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 the Russian Federation as well as changes in global economic conditions;*
- Risks relating to Russian legislation, legal control, and taxation, including laws, regulations, decrees and decisions governing the Russian telecommunication 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's operations, 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 Russian liberalized telecommunications market;*
- Technological risks associated with the functioning and development of telecommunication infrastructure, technological innovations, and the convergence of technologies;*
- Other risks and uncertainties. For a more detailed discussion of these and other factors, see this Annual Report and the company's other public documents.*

Most of these factors are beyond the company's control or prediction, 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 obligations 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.

OJSC ROSTELECOM AT A GLANCE

Now considered Russia's leading telecommunications provider, long-distance and international telecommunications Open Joint Stock Company Rostelecom (hereinafter referred to as OJSC Rostelecom, Rostelecom or the Company), was originally organized in the form of a national telecommunications company in Russia. .

The Company has existed in its current form since April of 2011, when national long-distance operator Rostelecom consolidated with interregional telecommunication companies OJSC Center Telecom, OJSC North-West Telecom, OJSC UTK, OJSC Volga Telecom, OJSC Uralsvyazinform, OJSC Sibirtelecom, OJSC Far East Telecom and OJSC Dagsvyazinform (hereinafter referred to as ITCs and Dagsvyazinform).

The newly merged company decided to continue operating under the brand Rostelecom, which, according to research holding ROMIR (www.romir.ru), is one of the most powerful brands in Russia and is rated in the top ten among brands that Russian customers trust.

Today OJSC Rostelecom is federally licensed to provide a wide range of telecommunication services in all regions of the Russian Federation. The Company has become the owner of the largest telecommunications network, spanning almost 500 thousand km, and has an unparalleled access (the so-called "last mile") to more than 35 million households and corporations.

The unique combination of powerful infrastructure and exclusive rights to the "last mile" is the guarantee both of the company's successful emergence as a world-class integrated operator rendering a wide scope of telecommunication services and of implementation of extensive marketing approaches in the rapidly developing regional telecommunications markets.

In order to provide its customers with easy access to the widest possible range possible of modern telecommunication services throughout the entirety of the Russian Federation, Rostelecom intends to actively engage in the further development and modernization of its infrastructure.

An aggressive introduction and implementation of innovative services assists in the formation and maintenance of the company's technological leadership.

Today, Rostelecom dominates both its traditional markets of local and long distance communications, as well as new prospective sectors, such as broadband Internet access, paid TV, etc.

The company also occupies a strong position in the regional mobile communication markets of the Urals, Siberia, the Volga region, and the Far East.

In addition, Rostelecom has become the undisputed market leader in the provision of telecommunications services for Russian government entities of all levels, government agencies, and organizations.

The company's securities are Russian "blue chips" with sound liquidity and a high investment potential. In September 2011, Rostelecom common shares were included in the MSCI Russia Index at a ratio of 3.43%.

The securities of OJSC Rostelecom are listed and traded on the major Russian exchange MICEX-RTS (ticker symbols: RTKM, RTKMP), as well as on the US electronic system OTCQX (ticker symbol: ROSYY). Furthermore, Rostelecom depository receipts can be traded in London (ticker symbols: RKMD), Frankfurt (ticker symbol: RTL) and on other foreign stock exchanges.

OJSC Rostelecom's largest shareholder is the government, which holds a 53% stake of ordinary voting shares in the Company through the OJSC Svyazinvest, the Federal Property Management Agency and Vnesheconombank.

Standard&Poor's gives the company a global credit rating of BB+ with a "stable" outlook.

THE CHAIRMAN'S STATEMENT

Dear Shareholders and Investors!

The year 2011 has undoubtedly become the turning point in the development of OJSC Rostelecom. Its integration with ITC and Dagsvyazyinform had transformed the communications service provider into a giant company on the national telecommunications market of Russia. Now, having augmented its prospects in numerous spheres, including investment, OJSC Rostelecom has become comparable with the largest telecommunication companies in the world.

The impetus for the reorganization was an irresistible desire to refresh the company and to deliver a powerful impulse for its further development. As the result of the reform, OJSC Rostelecom has turned into the largest infrastructure company in Russia, capable not only of working up to the standards of a competitive market, but also of occupying a leading role in the promotion of innovative solutions in the telecommunications sphere. After the company's integration, the cost of OJSC Rostelecom's assets grew dramatically, its investment potential increased considerably, and the entire business became significantly more stable.

Both minority shareholders and the principal shareholder (the government) benefited from the merger of assets, with everyone involved in the reorganization finding more prospects and objectives.

With the establishment of an integrated telecommunications operator, the state solved the problem of updating and upgrading the national network infrastructure where the company prevails. The consolidation has resulted in improved quality, the expansion of the range of communication services offered to residential customers, corporate customers, and the Russian Government, and an increase in the level of competition in the industry, a consequence of the appearance of a fourth major federal player.

As for minority shareholders, they received more liquid securities due to an increase in the number of Rostelecom's outstanding shares, trading volume, and its inclusion in the MSCI index.

After the merger, the company began to pay special attention to improving its corporate governance, with the adoption of a new edition of a company dividend policy becoming a significant event for investors and shareholders. The Board of Directors fixed the minimum size of dividend payments on ordinary shares to 20% of the company's net profit, as calculated in accordance with International Accounting Standards instead of the previously used Russian Accounting Standards. Use of the newly adopted standard corresponds to the best international practices and gives a more objective assessment of the Company's activity, as it takes into account the operating results of subsidiaries. In the future, we will continue working along the same lines with respect to preferred shares.

Another highlight for the company in the past year was the Board of Directors' acceptance of a strategic policy effective until 2015. Agreement as to major strategic objectives and the direction of development is the key to an operator's success in the future. Without a clear and reasonable vision of midterm goals, an operator is incapable of making any quality changes, transforming into a modern service company with a high level of business stability, or providing quality and diverse services offered by skillful and talented staff.

I am confident that the reorganization that OJSC Rostelecom experienced is just the beginning of a turn for the better. The company is capable of changing both itself and the competitive landscape, creating unique advantages for itself, setting the future direction of the market, and generating more opportunities for its customers, partners, employees, and shareholders.

Sincerely yours,

I.I. Rodionov
Chairman of the Board of Directors, OJSC Rostelecom

THE PRESIDENT'S MESSAGE

Dear shareholders, investors, customers, partners, and colleagues!

I am glad to inform you that the year 2011 was prolific for us. One of the largest transactions in the history of the domestic telecommunications market was performed in 2011, resulting not just in the creation of a separate legal entity, but in the appearance of a new leader, lighting the way in each segment of the Russian telecommunications industry. Having merged OJSC Rostelecom with eight Interregional Companies (IRCs), we successfully achieved the legal reorganization of the company. The key aspect of the reform was the transition to a single share, whose exchange was initiated in August of 2011. Almost immediately after trading began, the company's entire ordinary share issue became part of one of the global detectors of the condition of the stock market – of the reference point of the world's investment community.

Since last September, the company's securities have been included in the MSCI Russia index with a ratio of 3.43%. This was a remarkable event and a great achievement for us and our shareholders, as it allowed us to increase the share liquidity of Rostelecom.

In May 2011, we presented the company's five-year strategic policy to its Board of Directors. The policy's priority was to ensure the prosperity of OJSC Rostelecom, as well as the sustainable growth of its revenues and of its subscriber base. The strategy was adopted in response to obstacles in the market and changes in the competitive environment and was aimed at transforming the company into a universal operator, delivering a full range of telecommunication services and focusing on data transmission, broadband Internet access, and paid TV. The strategy also involves the transformation of OJSC Rostelecom into a modern service company, whose business diversification and promotion of products are based on "cloud" infrastructure.

One of the top strategic initiatives of the five-year development program was consolidating the aforementioned business and services under the brand Rostelecom, rebranding, and transitioning to a new corporate identity. In September 2011, guided by the strong expertise of leading advisors, we launched a rebranding campaign for our services and emphasized the strengthening of our brand in an event was recognized as outstanding across Russia.

An integral part of our new strategy is a review of our trade policy. Last year, the company began to introduce its promotional packages to the market and then successfully promote said packages to its clients. According to 2011 results, the number of subscribers using these "packages" exceeded five hundred thousand people. We also started a unified federal offer for broadband Internet access, which is now available throughout the country and provides customers with a higher level of control over cost.

A powerful and extensive network infrastructure gives the company a unique competitive advantage and allows a range of telecommunication services with a focus on providing mobile data transmission, broadband Internet access and paid TV. We are developing data transmission technology, modernizing the "last mile", creating a multi-standard mobile network, and investing capital to conduce a tenfold increase of our backbone capacity. Our mobile segment is gradually expanding on the market and, in the year 2012, we intend to introduce the third generation (3G) network in 27 regions of the Russian Federation. We are also keeping a watchful eye on the development of fourth generation (4G) technologies in both our country and in the world and closely monitoring the changing needs of clients, data transmission rates, and fourth generation telecommunication services in general. We strive to enter partnerships for 4G projects, so as to enter the market in time and enjoy commercial success in the future. We have signed an agreement with Yota involving the joint use of networks and development of 4G technologies. We believe that the future of the market is in the joint use of infrastructure. Our memorandum with MTS concerning the joint use of infrastructure can serve as evidence for this claim.

The past year was also full of events related to the sphere of mergers and acquisitions. In addition to the acquisition of National Telecommunications (NTK), the largest independent cable TV operator in Russia, which allowed us to increase our market share in this segment several-fold, we were also able to purchase a number of local operators who strengthened our position both on regional markets and on the markets of neighboring countries. We are achieving the anticipated benefits of our acquisitions and business combinations and are proud to have gained access to the telecommunications market of Armenia and have purchased the GNC-ALFA company. This transaction was performed through selective access to the markets of CIS countries and through the acquisition of operators with high traffic concentrations.

All this makes Rostelecom the incumbent provider of telecommunications services and the most appropriate partner to provide services to the state. A great achievement and bright example of the consolidated company's teamwork could be seen in the realization of the unprecedented state project relating to the organization of video surveillance during the presidential election of the Russian Federation. There are no parallel examples in the world and this success gives us the grounds to hope for more extensive cooperation with the state and further joint projects in this area. In 2012, the Russian government intends to invest 300 billion rubles in the modernization of health care and education and Rostelecom is determined to participate in tenders organized by the state related to this field.

Furthermore, we are working hard to realize the second stage of our reorganization. The President of the Russian Federation signed a decree concerning the reorganization of OJSC Rostelecom, initializing the second stage start of the company reform, which must be achieved within 12 months of the signing. The essence of the decree is Rostelecom's merger with Svyazinvest, as well as acquisition of the latter's residual assets, which would enable the state, alongside Vneshekonombank, to own more than 50% of Rostelecom's ordinary shares. We will do our best to perform this transaction within the timeframe specified by the state.

Now our company has gained a good pace and is moving steadily towards its goal of leadership in sales and in number of subscribers. The company is working in markets with great potential, which can be capitalized upon through the introduction of additional costs for our shareholders, independently of forecasts for the global economy.

In addition to the potential in our core business, we see three additional points of growth relating to:

- The merger with Svyazinvest, including a possible decrease in the number of shares and in the corresponding number of multipliers;
- The optimization of our property portfolio;
- Our business diversification, refusal of the classical model of telecommunications companies, and increase in information technology services and "cloud" projects.

We are determined to materialize our plans and we will keep our shareholders and investors informed about the progress of our strategic initiatives and projects.

Sincerely,

Alexander Provotorov

The President of OJSC Rostelecom

CALENDAR OF 2011 EVENTS**January**

- Rostelecom applied to the Federal Service for Financial Markets (FSFM of Russia) for the registration of an additional share issue as part of the establishment of an integrated telecommunications operator based on OJSC Rostelecom resulting from the merger with seven IRCs and Dagsvyazinform.

February

- Rostelecom, NWT, and Uralsvyazinform acquired 71.8% of shares owned by OJSC NTK.
- Rostelecom increased the trunk channel capacity of its Kaliningrad - Lithuania international network by 16 times from 2.5 Gbit/s to 40 Gbit/s with the possibility of further expansion.
- Russia's FSFM registered the additional issues of ordinary uncertified shares owned by Rostelecom as part of the establishment of integrated telecommunications operator based on OJSC Rostelecom.

March

- The Board of Directors of OJSC Rostelecom made the decision to establish 73 regional subsidiaries of the company.
- Those operators that merged with OJSC Rostelecom informed stock exchanges of the dates of the termination of their activity.

April

- Rostelecom reported the legal completion of the consolidation process for the establishment of its company.
- Rostelecom introduced its first offer to individuals and users of the company's telecommunications services, which led to the synergistic effect resulting from the merger of Rostelecom with IRCs.
- The launch of the high-speed transit trunk line construction called Transit Europe-Asia (BTMTEA) aimed at supporting the TEM project with the possibility of organizing 10G channels without redundancy.

May

- The Rostelecom Board of Directors approved the main course of development of the OJSC Rostelecom Group for the 2011 – 2015 period.
- Rostelecom signed an agreement relating to the use of "cloud" IBM technologies for the improvement of "electronic government infrastructure".
- The trade of newly issued Rostelecom shares initiated in quotation list "A" of the first level of the MICEX Stock Exchange.
- Standard & Poor's increased its rating for Rostelecom to BB + with a stable outlook.
- MICEX started trading OJSC Rostelecom-owned bonds.

June

- Rostelecom acquired a 39.87% stake of ordinary shares in Bashinformsvyaz.
- Rostelecom, alongside three foreign national operators, including Britain's Cable & Wireless, Iran's Telecommunications Infrastructure Company (TIC), and Oman Telecommunications Company (Omantel), became a co-founder of the international consortium for the realization of the fiber-optic cable system Europe - Persia Express Gateway (EPGE), which will connect Europe and the Middle East.

July

- For the first time, Rostelecom found a solution for the establishment and maintenance of regional multi-functional centers performing public and municipal services in the Russian Federation and created through the use of "cloud" computing technology.

August

- The MICEX Stock Exchange started trading the entire issued portion of Rostelecom ordinary shares under the unified ticker symbol RTKM.
- Rostelecom launched the wireless project "Rural Communications" which started in the settlements of the Kostroma region and involves modernizing the existing wired telephone communications system through the use of wireless telephones connected to CDMA-450 cellular base stations.
- The beginning of service sales for the segment "Population" through federal retailer CJSC Svyaznoy Logistika.

September

- Rostelecom increased its ownership ratio of shares in CJSC Volgograd – GSM and CJSC Orenburg – GSM to 100%.
- Rostelecom presented its new corporate brand, an indication that significant changes were happening within the company.
- Rostelecom and 1C signed a partnership agreement indicating their cooperation in the development of an “Information Society” program.
- The companies Microsoft and OJSC Rostelecom signed an agreement indicating their intent to cooperate in the construction of an innovative open platform in order to make “cloud” services possible in Russia.
- Rostelecom ordinary shares are included in the MSCI Global Standard Large Cap index and the MSCI Russia index with a ratio of 3.43%.

October

- In order to promote interactive television services, Rostelecom provided its subscribers with the opportunity of a free connection.

November

- Rostelecom launched a federal offer for broadband Internet access called “Residential Internet”. Its services can be selected from offered options through the mechanism of an “interactive designer”.

December

- Rostelecom and Yota signed an agreement regarding the shared use and development of a wireless 4G network.
- Rostelecom launched a federal campaign for subscribers of mass segments called “The long distance hour call as a gift”, in order to stimulate the expansion of services for subscribers of OTA by means of connecting broadband Internet services and IPTV.
- The Board of Directors of OJSC Rostelecom approved the new edition of the statute concerning the company’s dividend policy.

THE COMPANY'S POSITION IN THE INDUSTRY

OJSC Rostelecom has operated in the telecommunications industry since the day it became registered by the state on September 23, 1993.

Nowadays, the major players in the Russian telecommunications market are the “big four” operators: Rostelecom, MTS, VimpelCom, and Megaphone. These are companies that provide a full range of basic telecommunications services and account for over 80% of all revenue generated in the Russian telecommunications market. Despite the potential for the appearance of alternative operators, the four key players occupy the major share of the earnings in the industry as a result of geographic expansion, growth in the regions, and mergers and acquisitions transactions.

OJSC Rostelecom is the undisputed market leader in fixed-line services. In 2011, as a result of its reorganization, the company expanded the range of services it delivers and advanced to new market segments. In this way, the company essentially increased its shares and became the largest universal operator in the country.

In the past year, the consolidated company remained the dominant provider of telecommunication services in the traditional markets of local and long-distance communication. It also achieved sustainable growth and prosperity in high technology sectors, developing broadband Internet access and data transmission services, as well as interactive paid television, VPN, video conferencing, and Intelligent network services.

The company managed to attain key positions in the sector of telecommunication services provided to Russian government agencies, agencies and entities under direct and indirect control of the Russian Government, as well as other businesses.

Local telephony

OJSC Rostelecom holds a leading position in the sector of local telephony, having a market share of 70% in terms of number of subscribers. Local telephony services offered by Rostelecom are available to the majority of households in the country, small and medium businesses, large corporations, and government agencies and entities. The number of operating subscriber lines exceeds 28 million units.

Local telephony services are historically traditional for OJSC Rostelecom and constitute a considerable share of its business. Such key advantages as possession of a modern and widespread network, access to the last mile connection, and support from the public sector, allow Rostelecom to dominate the market of local telephony services. The table below illustrates the position of OJSC Rostelecom in this market and the shares of its major competitors as of December 31, 2011.

Local telephony operators	Market share by subscribers
Rostelecom	70%
MTS (including MGTS)	12%
Others	18%

Source: iKS-consulting

In the past three years, OJSC Rostelecom has successfully maintained a 70% share in the local telephony segment through its loyalty programs, solicitous attitude towards its subscribers, and churn control. However, taking into account the global trend of fixed voice stagnation, Rostelecom expects to replace its revenue from local telephony with revenue from providing services in the fast-growing segments of broadband Internet access, paid TV, and data transmission services.

Intra-zone telephony

Historically, OJSC Rostelecom occupies a dominant position on the market of intra-zone telephony. As of the end 2009, 2010, and 2011 the company had 72%, 71%, and 71%, respective shares on the intra-zone telephony market in terms of revenues. The company's principal competitors in this market are OJSC MTS, OJSC MegaFon, and OJSC VimpelCom.

Mobile operators create denser competition for OJSC Rostelecom on the local and intra-zone telephony market. Specific features of licensing allow mobile operators to tariff intra-zone calls at the price of local calls, which significantly reduces the cost of mobile services. The increasing mobility of the population, together with the need to stay connected, also promotes a growth in the use of mobile services. However, the majority of Russians still find the home telephone essential due to relatively cheap tariffs for unlimited local calls, which, in turn, support the demand for local and intra-zone telephony services.

Domestic and International Long-Distance Telecommunications

Until 2006, OJSC Rostelecom was a monopoly in the provision of ILD/DLD services in Russia. However, as a result of new legislation in effect since the January 1, 2006, the performance principles of operators that offered local, intra-zone, ILD/DLD telecommunication services were altered and greatly impacted. In accordance with the new legislation, the ILD/DLD segment was liberalized and other alternative fixed-line operators obtained licenses and started providing ILD/DLD services. As for subscribers, they gained the right to select their long-distance operator providing ILD/DLD services. This fact significantly increased competition in this segment. As of December 31, 2011, more than 40 operators, excluding Rostelecom, were licensed to perform ILD/DLD services. Among those operators there were seven leaders (apart from OJSC Rostelecom) in the provision of long-distance services, namely OJSC MTT, OJSC VimpelCom, CJSC TransTeleCom, LLC Equant, OJSC ARCTEL, CJSC Synterra, OJSC MTS. Despite the fundamental changes in the competitive environment of this market, OJSC Rostelecom was able to adapt to the new principles concerning the provision of telecommunication services and to retain its leading positions in the DLD and ILD telecommunications market, thus confirming its status as the number one domestic and international long-distance telecommunication operator in Russia. As of the end 2009, 2010 and 2011 the company's share in the ILD/DLD market in terms of revenue amounted to 71%, 68%, and 66%, respectively.

The company's principal competitors operating on the ILD/DLD market are OJSC MTS, OJSC MegaFon, OJSC VimpelCom, OJSC MTT, CJSC TTC, as well as providers of IP-telephony such as Skype, etc.

Traffic transit and interconnection

OJSC Rostelecom is a leader in the traffic transit and interconnection services market for Russian and foreign operators. As of the end 2009, 2010 and 2011 the company's market share in terms of revenue amounted to 52%, 48%, and 50%, respectively.

Points of interconnection to the Rostelecom network are located across the entirety of the Russian Federation. International points of presence are available on the largest traffic exchange platforms of London, Frankfurt, Stockholm, Helsinki, Hong Kong, Amsterdam, and New York.

OJSC Rostelecom has a competitive advantage in the traffic transit market by offering the possibility of transiting large amounts of information through the shortest transit traffic route between Europe and Asia via Russia called Transit Europe-Asia (TEA). The service is performed through Rostelecom's own DWDM-network and through the DWMD facilities of its European and Asia partners. As TEA is fully terrestrial, it provides a number of advantages: highly reliable service with low mean time to response values (MTTR). Bandwidth channels from N * 64 K up to STM-64 organized at the request of the client and permit the transmission of information in any format including voice, data, and video. The service contains a number of parameters for the transmission of time-sensitive information and is characterized by that which is most valuable in telecommunications products – reliability and high-quality service.

The company's principal competitors in the traffic transit and interconnection market are OJSC MegaFon, OJSC VimpelCom, OJSC MTT, and CJSC TTC.

Broadband Internet access (BIA)

OJSC Rostelecom is both a traditional market leader in the local and long distance telephony markets and an undisputed leader in the Russian Internet market, which is considered to be the most competitive of all of the markets in which the company operates. While the markets of Moscow and St. Petersburg markets have already reached a point of saturation with over 70% of the market being controlled by five major players, the regional markets broadband Internet markets are in the most active phase of their formation. In order to further strengthen its position in rapidly developing regional markets, OJSC Rostelecom focused its efforts on consolidating regional assets. The company's competitors in this market include major mobile players which recently merged with alternative fixed-line operators and regional providers. OJSC Rostelecom, however, has a significant advantage: its share of the market is nearly four times greater than that of its nearest competitor. OJSC Rostelecom intends to further strengthen its position and control half of the broadband Internet market by 2015.

The following table illustrates Rostelecom's position in the broadband Internet market as well as the shares of its major competitors as of December 31, 2011.

Broadband Internet access providers	Market share by subscribers
Rostelecom	36%
MTS	9%
VimpelCom,	9%
Er-Telecom	9%
Others	37%

Source: iKS-consulting

As of the end of 2009, 2010, and 2011 the company's share in the broadband Internet market in terms of number of subscribers amounted to 33%, 34%, and 36% respectively.

Pay-TV

One of the drivers of the telecommunications market is the Pay-TV segment. Having had a 22% share of the market by the end of 2011, OJSC Rostelecom is among the top three market leaders of paid TV services in terms of number of subscribers. As of the end of 2009 and 2010, the company's share amounted to 5% and 3%, respectively. In 2011, the company's share of the paid TV market increased by more than four times due to the acquisition of NTC Group in February 2011. As a result of this purchase, Rostelecom gained a substantial subscriber base of interactive television services.

Rostelecom's major competitors in the paid TV market are Tricolor and OJSC MTS. The following table represents the principal competitors of Rostelecom in the cable and IP-TV market as of December 31, 2011.

Pay-TV operators	Market share by subscribers
Tricolor	29%
Rostelecom	22%
MTS	11%
Er-Telecom	7%
Akado	4%
Others	27%

Source: iKS-consulting, based on information about number of cable, satellite, and IP-TV subscribers

Mobile Communications services

OJSC Rostelecom is one of the leaders of the mobile communications market, having a significant presence in certain regional markets. Through its subsidiaries and affiliated companies, the company provides GSM and CDMA-based mobile communications services to 35 Russian regions with a collective population of more than 63 million people. The company's mobile business is centered mainly in the Urals, Siberia, the Volga region, and the Far East. As of the ends of 2009, 2010, and 2011, Rostelecom's shares in the mobile communications market in terms of number of subscribers amounted to 8% and 6%, respectively. At present, the growth of the mobile communications market can mostly be attributed to the continued development of a newer, more innovative services market, particularly in the data transmission segment. Rostelecom can advance in mobile business by becoming a leader in the data transmission sector by means of transiting to 3G technologies and to a multi-standard network, as well as by cooperating with existing market players, and by jointly using infrastructure. By 2015, OJSC Rostelecom plans to occupy a 22% share of the data transmission services market.

Rostelecom's primary competitors on the mobile communications market are OJSC VimpelCom, OJSC MegaFon, OJSC MTS, and Tele2.

The table below illustrates the shares of Rostelecom's primary competitors in the mobile communications market in the Russian Federation as of December 31, 2011.

Mobile operators	Market share by subscribers
MTS	28%
Megaphone	28%
VimpelCom	26%
Tele2	10%
Rostelecom	6%
Others	2%

Source: J'son & Partners Consulting

Leased line services

OJSC Rostelecom is one of the leaders among Russian companies leasing channels to corporate customers and among telecommunications operators in Russia and abroad.

With 500,000 km worth of its own backbone network infrastructure and local networks of more than 2.6 million km in length covering the entirety of Russia, points of interconnection with the networks of over 190 operators in 70 of the world's countries, participation in 17 international cable systems, cooperation with 2,300 Russian and international operators and companies, and points of presence in London, Stockholm, Frankfurt, and Amsterdam, Rostelecom is a leader in the leased line services market. Its high quality service, meeting both Russian and international standards, allows Rostelecom to act as a reliable partner in this market sector.

Rostelecom's primary competitors on the leased line services market include CJSC TTC, OJSC MegaFon, OJSC MTS, and OJSC VimpelCom. As of the ends of 2009, 2010, and 2011, the company's share on the leased line services market in terms of revenue amounted to 41%, 38%, and 40%, respectively.

Cloud technologies

OJSC Rostelecom was among the first companies in Russia to appear in the "cloud" technologies market. "Cloud Technology" is a promising business model using information technology as a service. The main advantage of this model includes the absence of costs for the acquisition, installation, modernization, and support of expensive server hardware and software.

Having an enormous potential, the "cloud" products market is in its early stages of development and is opening up new prospects of long-lasting growth for the company.

OJSC Rostelecom has already become a key player in the “cloud” technology market. In accordance with a Russian government decree, OJSC Rostelecom is the only company that can regulate the activity of the Federal Target Program “Information Society (2011-2020)” in regards to the formation of the Russian national “cloud” computing platform.

The main objective of the national “cloud” computation platform is to increase the availability of key information and telecommunication services, which will produce their greatest socio-economic impacts in areas such as healthcare, education, housing, social security, property and land relations, culture, etc.

Nowadays, national “cloud” computation platform systems are located in DPC (data processing centers) in macroregional Rostelecom-affiliated companies (hereafter referred to as the MRAC) in Russian federal districts.

THE COMPANY AND THE BOARD OF DIRECTORS' REVIEW OF THE YEAR 2011

In 2011, Rostelecom focused its efforts on completing the reorganization process associated with its merger with seven Interregional Companies (IRCs) and OJSC Dagsvyazinform (IRC OJSC Svyazinvest) in an effort to establish a universal federal operator.

From a legal point of view, the creation of Rostelecom as a consolidated company was completed on April 1, 2011, when affiliated companies were excluded from the Unified State Register of Legal Entities and Rostelecom became the legal successor of all of the rights and liabilities of these companies. Simultaneously, the securities of affiliated companies were converted into the corresponding securities of Rostelecom.

The conclusion of the legal stage of reorganization has brought about both new sources and opportunities for the company's effective development, which, in turn, have allowed the merged operators to consolidate in terms of provision and types of services and have ensured the financial synergy of the merger, including a reduction of capital costs through the use of universal infrastructure and a reduction of administrative and management costs as a result of the scale of business activity.

In 2011, the merged company's management was especially focused on rapidly, efficiently, and operationally integrating Rostelecom and the IRC businesses. This effort included a number of measures aimed at transiting to universal business processes, information systems, as well as a universal network infrastructure in all functional directions of business. The main focus shifted towards trade activity so as to ensure a smooth and painless transition to universal standards of services as well as for the implementation of a segment-oriented model of sales and services.

In September 2011, aiming to strengthen the company's image as a modern national telecommunications operator, OJSC Rostelecom introduced a new corporate brand. This step represents the company's openness to dialogue and willingness to listen to the views of its consumers.

Consequently, the universal telecommunication operator established in the course of integration, received a unique opportunity to offer its clients the widest range of modern communication services in all regions of the country.

In 2011, in integrated telecommunications company, providing a full range of communication and data transmission services throughout the Russian Federation, was created in the process of the reorganization held on the basis of Rostelecom. This newly formed company is supposed to become a "national champion" in the telecommunications industry in spite of gradually intensifying competition from other telecommunications operators.

Major business initiatives were aimed at retaining Rostelecom's leadership position in the telecommunications industry through the use of the company's competitive advantages and the creation of a strong universal brand. In addition, the company directed all of its efforts at conserving its subscriber base in the mass segment and attracting more customers to the broadband Internet market. The aggregation of content aimed at providing of high-quality multimedia services became an important area of the company's development.

The company also had a priority to offer a diversity of product to corporate bodies and government institutions which in an attempt to retain loyal customers and attract new clients in all sectors of the national economy. Additionally, the company was also focused on the expansion of its geographical presence in international markets and on strengthening its position as a provider of the principal transit route between the countries of Europe, Asia, and the Middle East.

In addition, Rostelecom paid considerable attention to improving its own network infrastructure. In developing its potential, the company creates the foundation necessary to meet a growing demand for modern and high-quality telecommunication services and gives users the opportunity of access Rostelecom services in all regions of the country.

During the year 2011, the company did not receive any government support, including subsidies.

Following the results of 2010, the company's net profit, as agreed upon by the Annual General Shareholders Meeting on June 27, 2011, was broken down as follows:

Distribution of net profits received by the end of 2010				
RUB thou.	% to net profit			
Net income for the year of 2010 (in thousands of rubles)	3 459 752			
The directions of net profit use following the results of 2010				
	in 2010	in 2011	Total	
Payment of dividends (in thousands of Rubles), including:	1 139 049	105 486	1 244 535	35,97%
The federal budget	0	0	0	0,00%
The equity increase from retained earnings of 2010	0	2 215 217	2 215 217	64,03%
The sum sent to reserve fund	0	0	0	0,00%
The sum sent to other funds	0	0	0	0,00%
The sum sent to the implementation of investment projects (programs)	0	59 318 838	59 318 838	1 714,54%
Other use of the net profit	0	0	0	0,00%

GUARANTEE OF HIGH QUALITY COMMUNICATION SERVICES

When offering its communication services to clients and developing new telecommunications services, Rostelecom pays much attention to the quality of its products so as to ensure a competitive advantage in the market.

December 2011 was the first occasion after its reorganization when the company received conformity certificates from quality management systems (QMS) in accordance with the requirements of the GOST R ISO 9001-2008 Standard and the International ISO 9001:2008 Standard. The certificates were issued by the respected Russian certification body ANO Certification Center "Communication – Certificate" and foreign certification body - AFNOR Certification.

The spheres relevant to the certification are related to the quality management of the entire company, taking into consideration design, development, construction, and the provision of telecommunications and broadcasting services. For the first time, the additional spheres of preparation of project documentation, work on construction, reconstruction, and capital repairs affecting the safe construction of communication objects were also included in the certification.

The ISO 9000 family of standards are related not to the quality of provided services themselves but to the quality of management systems in order to ensure that organizations are designed in such a way to operate efficiently and provide satisfactory and high quality services to customers. At present, the ISO standards of this series are the most popular and widespread. They are recognized almost all over the world and adopted as national standards in more than 140 countries.

Having a ISO 9001:2008 certificate indicates that Rostelecom is capable of providing services that consistently match the increasing demands of consumers and promotes the effective and successful

development of business that is essential for a company in order to be a winner and to retain its leadership positions in various segments of the market.

Furthermore, in the reporting year, Rostelecom received a certificate of conformity from INTEREKOMS enterprises, a voluntary certifier in the field of information technology and quality systems for all basic services. The entire product line of Rostelecom, including traditional services (digital channels, traffic transit, etc.), data transmission services (data centers, virtual private network, traffic analysis and protection from DDoS-attacks) and its Intelligent network ("Free" call, IFS) have been evaluated, tested, and deemed reflective of the requirements of said regulatory document.

The fact that Rostelecom is a certified service provider gives additional confirmation that the company provides telecommunication services with a high quality guarantee that meets customer requirements and corresponds to technical norms and standards.

DEVELOPING RETAIL RELATIONSHIPS

In the reporting year, Rostelecom developed relations with corporate and residential customers through the expansion of its offer portfolio, provision of a full range of telecommunication services, and introduction of federal offers guaranteeing high parameters of services across the entirety of its network.

An extended network of sales and servicing that consists of over 2460 offices located regions throughout the Russian Federation allows the company to sell services efficiently, to provide customers with assistance in the use of services, as well as information on existing services.

To deliver more comprehensive service the company works hard so as to perfect remote sales and service channels.

To simplify the procedure of negotiating contract conditions, the company generated a universal agreement that permits subscribers to access information pertaining to all of the company's services within a single contract.

In order to cultivate longstanding relationships with corporate customers, the company made the introduction of universal standards for sales and service a special priority, in an effort to increase sale volumes and reduce churn. In 2011, the company launched a universal segment-oriented sales and service system, applying universally-accepted work principles in relation to federal corporate clients and to increase the efficiency of indirect sale channels while working with agents.

RUSSIAN OPERATORS MARKET

OJSC Rostelecom's traditional specialty is the provision of telecommunication services to Russian and foreign operators. Long-term experience as an operator, as well as the unique advantage of owning its own with extensive geographic coverage enable the company to provide high quality telecommunication services both in the Russian Federation and abroad.

Today OJSC Rostelecom has direct connection junctions with 190 networks in 70 countries. It provides telecommunication services to more than 600 fixed-line and mobile operators and Internet and content providers. OJSC Rostelecom's products portfolio includes options for voice, data, and video transmission and offers service at different levels corresponding to operators' individual requirements.

TRADITIONAL TELEPHONY SERVICES

Fixed-line telephony services are also a traditional venue for OJSC Rostelecom and constitute a considerable share of its business. After its merger, the company received a unique opportunity to provide its clients and integrated operators with fixed-line telephony services on all levels of connection in the telephone network, namely local, zonal, national, and international.

Of the company's revenue in 2011, 58% was collected from the provision of fixed-line telephony services:
In millions rubles.

Urban and rural telephony	66,961
Domestic and international long-distance calls *	35,333
Intrazone telephony *	22,099
Total	124,393

*Including the services of other operators on corresponding levels of connection

In the segment of corporate and residential clientele, the company directed its efforts to preserve the demand for and use of voice services within the existing subscriber base by undertaking a set of marketing initiatives. Therefore, from the day of the merger, i.e. April, 2011, the company introduced its federal promotional offer for residential subscribers called "A package of minutes as a gift", aimed at encouraging subscribers to switch to the local telephony "limitless" tariff option. The company also granted a monthly plan of minutes (this option being available until the end of 2011) for intrazone and long distance communication through the use of the public telephone network. The subscriber could regulate the quantity of minutes available in the plan on his own through the additional purchase of broadband Internet or IPTV services. More than 384.5 thousand service plans were activated as a result of to these programs.

Relations with Russian regional telecommunications operators continued to solidify in 2011. In particular, Rostelecom introduced new effective communication patterns for the provision of long distance and international calls to subscribers of these operators.

OJSC Rostelecom provides zonal and local service providers in all regions with a connection to its own backbone network infrastructure, thereby, creating unified national telecommunications network and providing an opportunity to its customers from the population to large corporations to use long distance and international calling services from any inhabited locality in the country. When a local telephony subscriber makes domestic and international long-distance calls, regional operators provide the company with services to initiate and complete telephone connections on the intrazonal and local level. In the event that payments to end users, as well as other issues related to customer service, are carried out by the agent, the company will also pay the agency fee.

The delivery of interconnection and voice traffic transit services has historically been a key specialty of OJSC Rostelecom. The company performs interconnection and voice traffic transit services on the local, zonal, national, and international levels, cooperating with more than 2,300 fixed and mobile communications operators.

In 2011, the company continued to strengthen its partnerships with foreign operators and telecommunications providers so as to retain its position on the international traffic market. In order to enter new geographic markets, the company created new transit routes: to Iran via Georgia and Armenia and to China via Kazakhstan.

OJSC Rostelecom came to an agreement with Mongolian operator Mobicom aimed at establishing a Russia-Mongolia border-crossing transmission line and at providing telecommunications services. It also opened a new international Kaliningrad-Poland transmission line to optimize costs when providing services to end users and operators in Kaliningrad.

DATA TRANSMISSION AND TELEMATIC SERVICES

When expanding the boundaries of its business in 2011, OJSC Rostelecom gave a special priority to the development of data transmission and telematic services, including Internet access and data-center services, as well as the establishment of virtual private networks.

Easy access to the high-speed Rostelecom network in all regions of the Russian Federation, flexible tariff systems, and a guarantee impeccable quality and reliability, all help to maintain the demand for data transmission services.

In 2011, Rostelecom's revenue from the provision of data transmission and telematic services amounted to 49,289 million rubles or 23.0% of Rostelecom's total revenue.

With the enormous capabilities of a powerful modern telecommunications network, the company has a unique opportunity to deliver data transmission services to various categories of customers, from residential consumers to large operators and content providers.

Rostelecom traditionally offers broadband Internet access services on the residential and corporate level. These services make up a significant share of the company's business. In 2011, revenue from broadband Internet services amounted to 32,525 million rubles (not including VAT), i.e. 15% of Rostelecom's total revenue.

Throughout the year, the company actively upgraded its network in order to introduce xDSL to FTTx and PON access to the service.

In November 2011, in order to improve its services in all sectors of its presence and to boost the demand for its services within the population segment, Rostelecom launched a federal program called "Home Internet" with a universal structure and tariff policy. For the first time while preparing a program and its tariff policy, Rostelecom applied the principle of "design" reflective of the needs of different customers, depending on their income level.

Rostelecom's provision of excellent service is evidenced by its Communication Quality Certificate of Compliance, awarded by a voluntary certification system evaluating services in the fields of Internet access, communication, facilities, and quality management systems of communication organization

One of the company's priority sectors is that **of interconnection and Internet traffic transit** based on IP-protocol for traffic transit and Internet access. Revenue received from the provision of these services in 2011 amounted to 4,242 million rubles or 2% of Rostelecom's total revenue. The company offers network connection services, including voice, VoIP, and signaling traffic transit to operators on the local, zonal, national, and international levels, cooperating with more than 2,300 Russian and foreign fixed and mobile communications operators. Network connection services include arranging of interaction between the Rostelecom network and various operators' communication networks in order to make possible the transit of traffic between them. Telecommunication devices owned by operators can be connected to the resources of Rostelecom both through dedicated channels and directly to the station port of cross-connect equipment. In order to perform interconnection, an operator is allowed to locate his equipment on Rostelecom's technological platforms. It is also possible to connect to the Rostelecom network through the use of technical facilities of other operators, which are affiliated with the company.

If we compare 2010 with 2011, we may find that the company increased its share in the backbone Internet market to 34%, including OJSC RTComm.RU share. Factors which stimulate significant growth in demand for Rostelecom services include an extensive high-speed data transmission network and excellent quality options provided by a direct connection to the world's leading Internet providers, as well as by the biggest traffic exchange platforms and content platforms both in Russia and abroad. One of Rostelecom's most relevant activities in 2011 turned out to be the further expansion of peering relationships with international

and local operators, aimed at improving network connectivity, as well as the quality of Internet access services, and to reduce the costs of purchasing Internet access.

A major stage in the development of both the international and Russian segment of the Rostelecom-owned MPLS network consisted in the increase of the European network capacity to 400 Gb at the end of the year and the establishment of regional peer-to-peer connections with the networks of most the significant national Tier-2 providers for traffic localization, aimed at the optimum routing economy of the backbone resources. The company set up a peer-to-peer connection with MTS, Vimpelcom, and Transtelecom with a total capacity of over 350 Gbit/s. By the end of the year, the total amount of peer-to-peer connections with Russian and foreign operators and content providers was increased to 800gbit/s.

Nowadays, the company is present at such points of the traffic exchange as LINX (London, UK), DE-CIX (Frankfurt, Germany), Kleyrex Internet Exchange (Frankfurt, Germany), MSK-IX (Moscow), Netnod (Stockholm, Sweden), and AMS-IX (Amsterdam, The Netherlands).

The project "Virtual City" was introduced by Rostelecom so as to further work on the localization of the Internet traffic. This project will allow for the minimization of expenses during the construction of backbone networks, the improvement in the quality Internet services, the reduction in the cost of traffic attributed to all purchases being from a universal supplier.

In 2011, the geographic area of international providers receiving IP-transit services from Rostelecom broadened significantly, with the company entering the new markets of Iran and Tajikistan.

In order to attract Internet providers from the Baltic States and Ukraine, who experience severe competition on the inter-operator level, Rostelecom worked out a special tariff plan in 2011, which guarantees the announcement of the operator's own networks only to its subscribers and peering partners (RuNet Rostelecom).

Rostelecom's corporate clients are mostly interested in the creation of virtual private networks (IP VPN). The capacity of its own IP/MPLS backbone network permits the company to offer services aimed at establishing private virtual networks (IP VPN) combining all distributed subsidiaries of the client to produce a protected corporate network with a universal information space, full range of communication services, and high reliability.

The safety of data transmission is ensured by the use of MPLS technologies, where each VPN- network of the client is separated from the networks of other clients. Complete protection from traffic from unauthorized access is, therefore, provided. In addition, Rostelecom's IP/MPLS network has been awarded a certificate of compliance of the packet commutation network reflective of the information security requirements of FSTEC of Russia, which guarantees a high degree of protection of provided services.

High reliability and the availability of services are achieved through the ring reservation of Rostelecom's backbone network, which is guaranteed by signing the Service Level Agreement (SLA), and also backed by round-the-clock network monitoring and user support.

Rostelecom can ensure L3 and L2 VPN/VPLS organization of any topology and any size (local, national, or international). The use of universal standards based on IP technology allowed to integrate various company services with the services of virtual private networks, such as International free call service (dialing code tel: 8-800), services of outgoing domestic and international long-distance calls through IP, Internet access, and server housing services . These universal standards permit Rostelecom to offer its clients more comprehensive services, providing convenience in utilization and saving time.

Fine quality, best performance and reliability of Rostelecom provided services in regards to the establishment of a virtual private network, are all evidenced by a certificate of compliance of the

INTEREKOMS Voluntary Certification system for services in the field of communication, information technologies, and quality enterprises systems.

In 2011, OJSC Rostelecom continued to advance **the carrier-grade service “Interconnection and traffic transit of virtual private networks (InterAS VPN)”**. Using it operators get the chance to expand the geography of their services aimed to spread a virtual private network to the entire data transmission network of Rostelecom.

Such inter-operator interaction allows the generation of a virtual private network (VPN) between offices located in the networks of different operators, with the networks possibly situated in different countries. Despite the remoteness of user networks, offices and regional units, IP VPN ensures complete connectivity, security, and the performance of any business application.

InterAS VPN service contains all of the advantages of the IP VPN service, including support of Service Quality Management (QoS), the possibility to materialize any VPN topology, the provision of high security data transmission, as well as reduced costs on equipment and network operation. The principles applied in the organization of the inter-network interface, including coordination of service classes (CoS) and inter-carrier service level (SLA), guarantee an excellent quality of IP VPN services from both parties.

The key competitive advantages of Rostelecom’s InterAS VPN service are considered to be the wide geographic coverage of its own backbone network, the optimization of money spent on costs by customers, flexible tariff plans, advanced technology and equipment, as well as its having been awarded a certificate of compliance for commutation networks in accordance with the information security requirements of the FSTEC of the Russia Federation. In 2011, the company reached an agreement with a leading Ukrainian operator Ukomlayn for the delivery of InterAS VPN services so as to realize the orders of special users in Sevastopol.

The arrangement of virtual private networks for service providers is a serious alternative to renting dedicated channels. OJSC Rostelecom offers operators the service of a virtual private network established on the basis of its own powerful IP/MPLS network with different topologies of L3 and L2 VPN/MPLS, on any level, whether it be local, federal, or international.

Services are intended to simplify the operator’s management of the network and minimize operational costs. In addition, in order to ensure its high standard of quality service, OJSC Rostelecom signs a Service Level Agreement (SLA) defining the quality of service with a user, as well as an additional service level agreement that extends the scope of guarantees to the area between the end devices (CE-CE).

Upgrading its IP /MPLS network in 2011, the Company satisfied the needs of operators in the virtual private network arrangement and increased its market share by 4% on the year in 2010, when it reached 15%.

Rostelecom’s data-center services are currently highly demanded by corporate clients and communication and content providers. As of the end of 2011, the Company owned 7 data-centers, located in Khabarovsk, Novosibirsk, Yekaterinburg, Kazan, and Moscow. In March 2012, the eighth data-center began to function in Kaliningrad. Rostelecom’s service based in data-centers allow customers to install their own server or telecommunications equipment or to rent a required configuration server from Rostelecom in order to obtain non-stop high-speed access to information resources located on servers throughout the Internet.

Data-center services allow OJSC Rostelecom customers to get high-speed access to data and information systems, allows users to be confident in the safety and integrity of stored data, as well as offer stable and continuously operating equipment and information systems. Rostelecom received a certificate of compliance from INTEREKOMS enterprises, a voluntary certifier in the fields of communication, information technologies, and quality data centers services. An additional guarantee of quality services is provided due to the use modern technologies and the legal and financial support of the Service Level Agreements (SLA).

In diversifying its business in 2011, Rostelecom aggressively advanced and promoted data-center services among hosting and content providers. Rostelecom's data-center services, such as the arrangement of one's own equipment in a data-center or renting a server with a specific configuration, are now widely-used by major federal and regional content providers.

OJSC Rostelecom prepared and implemented VoIP-transit service specifically to meet the needs of operators who offer IP-telephony services to end users for the purposes of interconnection and voice traffic transit according to IP-protocol. Connection to the Rostelecom network is exercised on technological platforms or traffic exchange points, as well as through public Internet. The service ensures reliable traffic transmission routes, with the threshold of the port's required speed depending on the traffic volume in the operators' capacity.

The Virtual Telephone Network service (Virtual Telephone Network - VTN) enables the organization of a corporate telephone network with a common system of short numbers and a distribution of incoming calls through IP-networking, without the need to purchase traditional automated office telephone stations. This service makes possible the use of more than 100 additional smart services of Rostelecom's IP-commutation center. It is notable that some of these services cannot be employed on the basis of traditional digital automated telephone stations.

With appropriate help via a special web interface, the customer can change the settings of its corporate telephone network and additional smart services. The technical administration of the corporate telephone network is outsourced to OJSC Rostelecom.

The **smartCall service** is an innovational service for corporate OJSC Rostelecom customers. This service offers DLD and ILD calls from mobile phones in domestic mobile operators' networks at reduced costs and the costs of national roaming.

A special application downloaded to a mobile device allows the customer to dial any number, including a contact number from the mobile device's phonebook.

A mobile application smaRTCall is compatible with advanced mobile devices including communicators and smart-phones.

No funds are debited from the mobile network account while the service is in use, even when the customer is in roaming across the nation. The customer pays for such calls according to the terms of their contract with OJSC Rostelecom. The mobile application can be downloaded and used free of charge by all customers.

MOBILE SERVICES

Rostelecom delivers mobile communication services to 35 Russian regions with a collective population of more than 63 million people. In some of the company's macroregional affiliates, such services constitute a significant share of its business.

In 2011, Rostelecom had a 10 898 million ruble revenue from the mobile market. This amounts to 5.1% of the company's revenue (excluding revenue received from subsidiaries and affiliated companies).

Rostelecom's mobile business is concentrated mainly in the Urals, Siberia, the Volga region, and the Far East. Last year, the company's macroregional affiliate Ural started to actively examine convergent services offers, linking the fixed and mobile voice services to a common account.

LEASED LINE SERVICES

In 2011, OJSC Rostelecom remained one of the leaders in leasing digital dedicated circuits to corporate customers and operators in the Russian Federation and abroad by leveraging its main competitive advantage: having the largest modern backbone telecommunication network in the Russian Federation.

In 2011, revenue from the provision of leased lines services amounted to 9,670 million rubles, or 4.5% of the company's total revenue.

OJSC Rostelecom leases 10 Gbit/s circuits of any size, on the local, intrazonal, national, and international levels. The service is provided on the basis of OJSC Rostelecom's own high-speed backbone network and on the basis of distributed local networks in all regions of Russia.

Leasing digital channels from OJSC Rostelecom gives a customer the opportunity to transmit large amounts of information of any kind, including data, voice and video traffic, without any restrictions. Customers can also use leased channels to organize corporate networks by uniting all regional branches in a single information space.

By leasing out its digital circuits, OJSC Rostelecom guarantees the security of transmitted information. Any internal information transmitted through communication circuits is protected against any external influence, as data transmission is carried out directly, bypassing the use of additional cross-connection equipment. This is particularly important for customer, who have a strong need for information security. Additionally, the company ensures round-the-clock use of a dedicated circuit with a guaranteed capacity, as well as the option to promptly increase the capacity of the circuit.

The quality of the services provided meets Russian and international standards, evidenced by a certificate of compliance from INTEREKOMS enterprises, a voluntary certifier in the field of information technology and quality systems pertaining to the service "leasing an ILD/DLD digital circuit". The provided service is highly reliable, as ensured through the use of the wavelength-division multiplex DWDM, the ring protection of network sections, as well as the signing of a Service Level Agreement with the customer.

New backbone networks put into operation by alternative operators and the subsequent migration of traffic to said new networks have substantially increased competition in the private digital circuit sector.

In order to increase its competitiveness in the sector of private digital circuits, OJSC Rostelecom has focused on strengthening its market position in this segment primarily by enlarging the zone of its geographical presence, designing flexible tariffs, and ensuring the high quality and reliability of its services. In the Russian Federation, OJSC Rostelecom offers its private circuit services on the basis of its outstanding backbone digital telecommunication network. Additionally, such services are offered in the CIS countries, as well as in Europe, Asia, the Americas and in any other part of the world cooperating with leading foreign operators.

Furthermore, OJSC Rostelecom offers several methods of payment, including that of One Stop Shopping, which allows a customer to order all of the necessary circuit elements both for the national and international segments, sign one contract, and pay for the entire range of services on the basis of a single invoice issued by OJSC Rostelecom.

By realizing international projects in 2011, the company strengthened gateways with neighboring states and opened new directions for further successful development of the leasing capacity of the Europe – Asia and Europe – the Middle East route for international operators.

To expand the geographic presence of its services, OJSC Rostelecom launched new global projects in close cooperation with international operators:

- High-speed transit line "Transit Europe-Asia" (BTM TEA) for strengthening the "Transit Europe-Asia" (TEA) project in order to develop high-speed 10G channels. In order to implement this project, the company

signed an agreement with KDDI and China Telecom and for the extension of the European segment to Stockholm, the company signed a contract with TeliaSonera;

– “Europe-Persia Express Gateway” (EPEG) - construction and operation of the new cable system from Frankfurt to Oman, so as to ensure traffic between Europe and the Middle East via a terrestrial route through Russia. The company reached an agreement on the EPEG project with the members of the consortium, i.e. the companies C&W, TIC, and OmanTel. The company also signed a memorandum of business expansion and strengthening of infrastructure through use of Rostelecom resources in Russia and Armenia, as well as the transit capacities of partners in Azerbaijan and Georgia, with provider TIC.

The company won a set of tenders and increased the sales of its services as a result of using reciprocal business schemes with international operators.

BROADCASTING AND TELEVISION

OJSC Rostelecom provides television and audio broadcasting program services in the Russian Federation for television and broadcasting companies using its transport networks, both analog and digital. The company also provides air services for television and audio programs broadcasting, that is – under its license for “Telecommunication services for air broadcasting”, Rostelecom arranges the delivery of television and radio broadcasting programs from various Russian cities and the CIS countries on the request of television and audio broadcasting companies.

Rostelecom’s 2011 revenue from television, broadcasting, satellite, and radio communications services amounted to 3,229 million rubles or 1.5% of total revenue.

In order to make possible its television and radio broadcasting services, OJSC Rostelecom maintains a Technical Center for Commutation of Domestic Long-Distance Television Programs in Moscow. This center is fitted out with commutation and switching equipment and is connected by means of fiber-optical cables to the largest air television operator (the Federal Governmental Unitary Enterprise (FGUE) Russian Television and Broadcasting Network), as well as with other leading tele- and radio broadcasting companies, the technical television center Ostankino, operators of space communications (FGUE Space Communication, JSC Gasprom space systems, JSC Geotelecommunication, JSC Global communication), Moscow cable TV operators, and telecom operators. OJSC Rostelecom owns a similar television commutation center in Saint Petersburg.

OJSC Rostelecom acts as the sole Program Booking Center (PBC Moscow), processing orders from television and radio broadcasting companies and providing programs upon the request of both Russian and foreign broadcasting companies, and communication administrations. Rostelecom ensures the prompt receipt of video recordings of the meetings of key state officials, as well as of sports, cultural, political, and other special events, for daily news blocks of programs such as “Vremya” (Perviy channel), “Vesti” (VGTRK), “Segodnya” (NTV), etc., as well as the efficient organization of direct tele- and radio bridges, broadcasting of sport events, concerts, festivals, etc.

Interactive television services (IPTV) belong to one of the fastest growing segments nowadays. In order to meet customer demand in all points of its presence along the network, the company developed a universal federal tariff line of offers with a minimum number of television channels (105 items), with the ability to purchase additional channel packages, including HD channels. In addition, reflective of the Triple Play concept, OJSC Rostelecom suggests that its customers use packages of services that include traditional telephony, Internet access, and television services.

INTELLIGENT NETWORK SERVICES

OJSC Rostelecom's proprietary communication network and intelligent platform enable the company to provide its customers with intelligent network services on local, intrazonal, federal, and international levels, offering high quality communication at low prices and huge opportunities to gather and handle statistical information.

In 2011, Rostelecom's revenue from the provision of intelligent network services amounted to 1,880 million rubles or 0.9% of the company's total revenue.

OJSC Rostelecom provides the following intelligent services on the basis of License no. 29777 issued by the Ministry of Communications and Information Technologies of the Russian Federation:

- Free call with the «800» dialing code;
- Premium rate communication services with the «809» dialing code (Premium Rate Service);
- International Free Call Service;
- Home Country Direct.

Last year, specifically for the "Free Call" service, the company used the voice menu (IVR) so as to process calls incoming on the intellectual numbers of subscribers. Additionally, for the premium rate service, the Company generated and implemented 13 new services, which allow customers to get access to information-and-reference, as well as entertainment content. Furthermore, in July 2011, the company introduced the service "Televoting" on an experiment basis.

In addition, we should note the reissuance of numbering resources in KDU 80x to OJSC Rostelecom. The resources have been formerly assigned to the interregional communication companies of the Svyazinvest Group (IRC). The reissuance significantly expanded the available amount of INS service numbers. (FAS solutions № № 55087-55097 from 08/18/2011).

COOPERATION WITH GOVERNMENT ENTITIES

OJSC Rostelecom occupies a special position in the Russian telecommunications market and traditionally supplies telecommunication services to government entities, including security services. The high quality and security of provided services, as well as the company's professionalism, have made it a trusted partner for such respected state bodies of the Russian Federation as the Federal Security Guard Service, the Supreme Arbitration Court, the Federal Custom Service, the Ministry of Home Affairs, the Pension Capital Fund, the Supreme Court, the Russian Post, the Federal Registration Service, the Ministry of Communications and Mass Media of the Russian Federation, the Federal Property Administration Agency, the Federal Information Center under the Central Election Commission, and many others.

The most significant events of 2011 concerning the provision of telecommunications services to government entities include the following:

- As a part of the State Council Presidium meeting of the Russian Federation on combating drug abuse, OJSC Rostelecom provided its video conference services between Moscow and Irkutsk. The council meeting was dedicated to the fight against drug addiction among young people. Head of the Federal Drug Control Service (FDCS) Viktor Ivanov and Governor of the Irkutsk Region Dmitry Mezentsev, as well as media representatives of Irkutsk, took part in this video conference which allowed its participants to discuss the situation with drug addiction among young people in Russia and to learn about methods of combating drug abuse and measures to be taken by the state in the near future in an effort to prevent drug trafficking.
- In February 2011, OJSC Rostelecom, in collaboration with the International multimedia Press Center RIA Novosti organized a multichannel video conference on the subject of "The Russian Interior Ministry troops in the national security, including participation in the fight against terrorism, protection of public order, re-equipment, and the realization of social programs." The videoconference

coincided with the 200th anniversary of the Russian Interior Ministry troops creation and united Rostelecom's centers in Khabarovsk, Novosibirsk, Yekaterinburg, Nizhny Novgorod, Rostov-on-Don, and Smolensk with the Moscow and St. Petersburg offices of the multimedia press center RAMI "RIA Novosti".

- OJSC Rostelecom offered a range of information and technology services for the lease of long-distance digital networks and communication channels, in order to guarantee the functioning of the the equipment involved in state automated system of the "Election" in the Russian Federation. This system permitted the automation of elections to the State Duma, the lower house of the Russian parliament, in December of 2011.
- Other significant events of 2011 are the following
- OJSC Rostelecom was the sole supplier of a range of communication services on the leasing the dedicated channels, as well as VPN, Internet, and operational maintenance services to the Russian Defense Ministry. Rostelecom also operated customer equipment;
- OJSC Rostelecom provided telecommunication services for the Federal Guard Service of the Russian Federation. These services include leasing dedicated channels, the creation of virtual private networks (Virtual Private Network, VPN), as well as the operation, maintenance, and provision of equipment and communication facilities.
- In 2011, OJSC Rostelecom signed a state contract with the Ministry of Communications and Mass Media of the Russian Federation on the provision of telecommunication services to assist the state system of issuing, processing, and controlling new generation passport and visa documents. The company delivered communication services to all objects in the state system intended for automated collection, storage, data processing, and transmission of personal registration of citizen, as well as other service information required for an application for or the issuance and control of new generation passport and visa documents.
- OJSC Rostelecom provided telecommunications services to the Federal Service for State Registration, Cadastral Records, and Cartography of the Russian Federation (Rosreestr) in more than four thousand objects. These services include the provision of Internet access, development of a technological data transmission network in the territorial bodies and subordinated institutions of Rosreestr, delivery of data-center to ensure that Rostelecom's federal universal information system of technological property functions, etc.
- In accordance with its state contract under the Supreme Court of the Russian Federation in support of the operation of "Justice", the Russian Federation's automated state system, the company increased the speed of its services for 210 objects and terminated the both the law department and the regular courts network connection. According to the contract. the telecommunication service was provided for 2900 objects in all regions of the Russian Federation. In 2011, OJSC Rostelecom signed it state contract with law department under the Armed Forces of the Russian Federation on the organization of a teleconference based on the system of group telecommunication. Two teleconferences based on the system of group telecommunication were held with 81 regions of Russia as a part of said state contract.

OJSC Rostelecom is a traditional leader on the Russian sector of the VPN-network, in use by the largest Russian and foreign enterprises, as well as by Russian governmental entities. Thus, OJSC Rostelecom:

- signed a state contract aimed at setting up a virtual private network (virtual private network, VPN) for the Federal Tax Service of the Russian Federation, which brings together more than 2.6 thousand units of FTS in all regions of Russia. Additionally, the company will provide telecommunication services necessary for its operation in 2012 and 2013.

- completed work on the construction and operation of a private data transmission network between the regional offices of the Federal Service for Environmental, Technological, and Nuclear Supervision. Within one month, the company performed work aimed at the organization of the data transmission network (84 objects), including the delivery of hub equipment to customer sites. All work was executed to be performed during the period starting from the signing of all required operational reports.
- provided a connection to the private data transmission network, containing 99 objects, located almost in all regions of the Russian Federation.

OJSC Rostelecom guarantees the high quality and reliability of its services through its long-term experience in the field of providing telecommunication services, its wide geographical network, and the use of the modern communication systems. Rostelecom has the confidence and of state bodies and authorities.

THE SOCHI 2014 OLYMPIC WINTER GAMES

In January 2009, OJSC Rostelecom won a tender organized by the Organizing Committee of the Sochi 2014 Olympic Winter Games. Together with OJSC Megafon, OJSC Rostelecom was designated General Partner of the Sochi 2014 Olympic Winter Games in the “telecommunications” sector and granted the title “telecommunications partner/telecommunications operator of XXII Sochi 2014 Olympic Winter Games” by the Organizing Committee.

It was not accidental that “telecommunications” was the first category in which general partners were chosen. The 2014 Sochi Olympic Winter Games were deemed by the organizers to be innovative games, and telecommunication is a sector of the economy that is directly associated with both infrastructure and innovation. As Russia’s national telecommunication operator, OJSC Rostelecom is well aware that the realization of large-scale projects should always start with the laying of a foundation in strong telecommunication. The key advantage of OJSC Rostelecom is its ability to ensure complete turn-key technological realization of the project. OJSC Rostelecom’s unique capabilities enable it to provide advanced telecommunication services in the south of Russia prior to, during, and after the Olympic Games.

OJSC Rostelecom’s experienced employees are currently undertaking a tremendous scope of work in order to prepare and establish the infrastructure for the upcoming Olympic Games. Key investment areas in the Southern Administrative District (SAD) involve the construction of a backbone network for the Integrated Information and Telecommunication Infrastructure of the 2014 Olympic Games, including the construction of the submarine segments of the network, as well as the extensive modernization of the existing digital backbone transmission infrastructure so as to expand the network by dozens of times, improve the network’s reliability, and optimize the backbone network’s performance.

The construction of the following fiber-optic communication lines are being carried out now: the line in the Mountain cluster on the “ring” topology, including the Mountain Media Center, the Ski and biathlon complex, the Ski Centre, the Freestyle Centre, the Snowboard Park, the Bobsleigh Track, as well as a set of springboards and the Mountain Olympic Village. The coastal cluster line, with the construction of telephone conduit in Imereti lowland (about 50 km), includes entry points to all sports objects (6 stadiums), the main press center, the operational control center in the Olympic Village, and the entire range of hotels to accommodate visitors during the Olympic Games. The 185 km “Veseloe - Sochi – Dzhubga” line was created to enable the reservation of the existing fiber optic communication line. OJSC Rostelecom also supervises a specialized center of information and communication technologies, including a data-center, a technology Center, a testing laboratory, and a network management center in Adler. Additionally, the company is in the process of creating a multi-service transport network, with 23 access points in the Mountain and Coastal clusters, an upgraded and equipped backbone network, as well as a modern and expanded telephone network in Sochi.

The volume of the core telecommunication services offered to the Autonomous Non-commercial Organization (ANO) the “Organizing Committee of Sochi 2014”, such as the DLD/ILD communications, local and intraregional telecommunication, allocated Internet access, IP/VPN and INS (Intelligent Network Services) services, have increased greatly.

The company’s specialists are working on constructing an IT-infrastructure for the Organizing Committee for the Olympic Games at Sochi 2014. In 2009 the Regional Center of Data Processing for the Olympic Games Organizing Committee (Phase 1) was put into operation in Moscow. In 2010, the OCS telephoning equipment was installed and wired in the offices of ANO, that is the “Organizing Committee of the Sochi 2014”, in Moscow and Sochi. Most of the equipment for the Regional Center of Data Processing (Phase 2) was also installed and set in Moscow.

In 2011, the new ANO “Organizing committee of Sochi 2014” office was connected to communication services in Adler. Moscow – Sochi based communication channels on VPN-L2 technology were put into service to set up a private virtual network between the new ANO “Organizing committee of Sochi 2014” office in Adler and the office in Moscow.

The company carried out a Russia-wide telephone voting campaign among TV viewers relating to the choice of the official Mascot of the 2014 Olympic Winter Games. The Rostelecom Intelligent Platform processed all incoming calls during the show broadcasted through the television signal system “Orbit” for different time zones, starting at 15:15 (GMT) for the residents of the Far East and ending at 23:15 (GMT) for the residents of the European part of Russia.

Together with JSC Megafon, OJSC Rostelecom designed the “Concept of creating an Integrated Information and Telecommunication Infrastructure for the 2014 Winter Olympic Games and the 2014 Winter Paralympic Games in Sochi”.

In 2011, OJSC Rostelecom prepared the telecommunications infrastructure for a mountain-skiing test competitions on the territory of Olympic ski resort in Sochi called “Rose Farm”. In a very short time, the construction of seven kilometers worth of fiber-optic communication lines from the mountain health resort “Alpika-service” (the Esto-Sadok village) to the mountain-skiing complex “Rosa Hutor” was completed and all necessary telecommunication equipment was put in operation. In addition, the company helped to realize a live broadcast of the even on the federal TV channel “Russia 2” (VGTRK) in a high definition television format (HD TV).

Investment in the “Sochi 2014” project amounted to 1 billion rubles in 2011.

Throughout the preparation for the 2014 Olympic Winter Games, particular attention is being paid to the protection of the environment of the alpine resorts area. In 2010, OJSC Rostelecom and ANO Organizing Committee of 2014 Sochi drew up and signed a “Memorandum of cooperation in the field of ecology and environmental protection in the initiatives of the Organizing Committee of “Sochi 2014” on sustainable development”.

The main goal of OJSC Rostelecom is to make the “This is our Olympics” motto relevant for each Russian citizen. The company’s aim is to bring this Olympics into each and every home. Television broadcasts from numerous venues, comprehensive information about athletes, coaches, and their achievements, and information regarding the specific features of different sports and sports equipment should reach any locality of the country, whatever its population. This will help Russian citizens see and “feel” the Olympics, at least as well as the spectator on the tribunes would see and feel, if not even better.

ELECTRONIC GOVERNMENT PROJECT

Since 2002, in an effort to improve the efficiency and performance of public agencies, the government of the Russian Federation has been realizing a federal special program called "Electronic Russia". The "Electronic Government" project, a part of this federal program, ensures the rights of citizens and organizations to get unrestrained access to public services and information about the responsibilities and organizational structures of governmental authorities and public institutions.

The federal target program "Information Society" (2011-2020) appeared as a supplement to the program "Electronic Russia" and was approved by the government of the Russian Federation. The program is aimed at providing citizens and organizations with the advantages of using information and telecommunication technologies. OJSC Rostelecom was selected as the sole national telecommunication operator involved in the realization of this program.

As a part of the "Information Society" program, OJSC Rostelecom helped to realized the following major projects on the federal level in 2011:

- The state information system "Unified portal for state and municipal services" (functions) was further developed. It allowed 33 federal government agencies and more than 1000 regional services to offer 152 state services in electronic format in the interests of both individual and legal entities.
- Mobile device access to "Electronic Government" services was established.
- A sample of the state electronic postal system integrated with the "a personal profile of the individual" and "a personal profile of the legal entity" systems was prepared.
- An information system for certification centers in the united trust area was advanced. Digital signatures were issued to citizens with the possibility of performing legal actions from the portal.
- A state automated "management" system as well as organizational and technological infrastructure for electronic payments for state services were developed.
- The monitoring system of government commission orders, intended to introduce information technologies into the activity of state authorities and local governments and a prototype of "electronic registry office" system. was created.
- A range of measures were undertaken in an attempt to coordinate the budget spending of public authorities and the use of information technologies.
- The national platform for the processing of distributed data, in which computer resources and capacities are presented to the user as an Internet service, was prepared and generated.
- A "unified system of directories and qualifiers" for state and municipal information systems was further developed.
- In 2011, the commercial operation of 11 information systems, belonging to electronic government infrastructure, was executed.
- User information support in the unified portal for state and municipal services and the portal of sales was provided.
- The integration of the regional and the federal segment of «Electronic Government» infrastructure was further progressed.

In 2011, OJSC Rostelecom realized the following regional projects of "Information Society":

- A unified solution was accepted for the regional segment of electronic government infrastructure. Ownership was registered on its 8th component (ownership certificate).
- Regional infrastructure on the basis of 7 KTsoD for 83 regions was expanded and put into experiment and commercial operation; certification on IS was carried out; 55 regions (on the basis of existing and executed state contracts) were connected to said regional infrastructure.
- The main products of “complex service of the region”, standard processes of providing electronic services on the system of regulation implementation (SIR) according to orders of the Government of the Russian Federation No. of 1506-R and No. of 1993-R (41 state and municipal services), were worked out.
- A survey of 70 subjects of the Russian Federation was taken, more than 1,200 regional state and municipal services were transferred to an electronic format in 55 regions, 20 service state contracts were signed, 10 pilot municipal projects on the electronic transfer of services were initiated.
- More than 70 industry partner solutions were expertly evaluated. Offers were made to subjects and municipal corporations on the basis of 34 approved industry partner solutions.
- Test samples of 10 applied cloud services were developed, their pilot introduction in the regions and municipal corporations was performed (7 regions and 1 MO), 5 pilot implementations of partner solutions within the program “electronic region” were realized.

In June 2011, the Board of Directors of OJSC Rostelecom approved a **program of innovative development (hereafter referred to as the program)** for 2011-2015.

The purpose of the program is to ensure the conversion of the company from an infrastructure player to a universal telecommunications provider and to provide conditions for Rostelecom’s further transformation into a global service provider by arming it with necessary tools for the realization of the general company strategy adopted for the period up to 2015.

In 2011, the following key results were achieved as a result of the “Program for Innovative Development for 2011-2015”:

- A test sample of the regional segment of the unified state information system in healthcare was introduced.
- A service aimed at ensuring the provision of state and municipal services in education and at executing the functions of educational institutions and educational bodies was adopted.
- Diverse commercial accounting and billing systems were integrated in housing and communal sector as an additional to regional electronic government infrastructure.
- A test sample of the hardware and software system called “System-112” was prepared. It permits making an emergency call according to the “one window” principle and ensures the organization of the workplace so as to enable emergency service managers (i.e., 01, 02, 03, 04).
- A universal multiplex-top box was established, allowing universal access to a great number of Rostelecom services, including IPTV, OTT, digital terrestrial TV (DVB), Internet access, Wi-Fi, access to public services with the support of EDS, TEC use records, “smart” home and service payment functions.
- The possibility of increasing the transport network capacity to a total speed of up to 20 Tbit /s per fiber was investigated.
- Rostelecom’s energy saving and power efficiency increase program for 2012-2015, as well as its 2012-2015 ecological policy, were developed.

– Standard solutions aimed at creating a multi-standard network of mobile radiotelephone communication on the basis of the GSM/UMTS/LTE/CDMA standards were worked out.

In 2011, the company paid special attention to the national cloud platform. OJSC Rostelecom undertook the following measures so as to create the platform:

- Approaches aimed to create a system of distributed data processing were investigated.
- The concept behind and the general approaches to the creation of the national cloud platform were created, based upon the “infrastructure as a service”, “a platform as a service”, and “the software as a service” models.
- The general principles of and approaches to “cloud computing” technologies in the activities of public authorities were defined.
- Approaches to the provision of information security during the construction and the use of the national cloud platform were elaborated upon.
- The national cloud platform was built.
- Design, creation, and deployment of the basic version of the national cloud platform were carried out.
- Composition of legal documents ensuring the creation and implementation of the national cloud platform.
- Certification of compliance awarded to the basic version of the national cloud platform , which was deemed representative of the requirements of information security.
- Five cloud services on the basis of “software as a service” model were founded.

In 2012, OJSC Rostelecom intends to **further develop the state program “Information society”** in the following main directions:

- Execution of research, development, and other work for the state program “Information Society”.
- Provision of operating information systems, created during the period 2009-2011, and belonging to the electronic government infrastructure.
- Improvement of the regional segment of the electronic government infrastructure as part of the company’s investment program.
- Advancement of the National cloud platform.
- Provision of innovative activity.

OPERATING AND FINANCIAL RESULTS

Major economic indicators

Item	2009 RUB thou.	2010 RUB thou.	2011/2010 %
Revenue from sales of goods, products, works, services	60 527 413	214 607 158	254,6
including revenue from telecommunication services	56 481 946	200 914 796	255,7
Costs	54 566 360	176 098 119	222,7
Operating profit	5 961 053	38 509 039	546,0
Profit before taxes	4 428 863	40 826 999	821,8
Net profit	3 459 752	32 561 040	841,1

Revenue

Type of services	2010	2011
Local and Rural telecommunication	145 579	66 960 707
Domestic and International Long-Distance telecommunication	38 228 317	35 333 308
Data Transmission and Telematic Services	9 223 528	49 289 147
Operators' intrazone traffic transfer and Intrazone telecommunication services provided to users	350 311	22 098 731
Mobile telecommunication services	-	10 898 463
Leased line services	6 898 881	9 669 654
Radio telecommunication, broadcasting, TV and satellite telecommunication	218 169	3 229 286
Intelligent Network Services	1 314 649	1 880 659
Other telecommunication services (major activities)	102 512	1 554 841
Total	56 481 946	200 914 796
Rent of property	504 072	5 102 095
Accommodation, operating and maintenance and support of operations services provided to External Parties	1 978 558	3 835 484
Other revenues (non-core activities)	1 562 837	4 754 783
Total revenues from non-core activities	4 045 467	13 692 362
Total	60 527 413	214 607 158

Expenditure

Item	2010		2011	
	RUB thou.	%	RUB thou.	%
Telecommunications operators	31 466 718	57,7	40 706 062	23,1
Payroll	7 457 452	13,7	41 327 760	23,5
Fringe benefit expenses	1 518 617	2,8	11 527 605	6,5
Depreciation	5 394 483	9,9	30 621 753	17,4
Material costs	831 265	1,5	6 540 473	3,7
Other	7 897 825	14,4	45 374 466	25,8
TOTAL	54 566 360	100,0	176 098 119	100,0

Efficiency Indicators

Item	Measurement unit	2010	2011	2011/2010 %
Operating margin	%	9,8	17,9	-
Net margin	%	5,7	15,2	-
Costs per 100 RU of	RUB	90,2	82,1	-8,1

revenue				
OIBDA	RUB, thou.	11 355 536	72 023 259	534,3
OIBDA margin	%	18,8	33,6	-
Revenue per employee*	RUB, thou.	3 312,5	1 285,6	-61,2
Ner profit per employee*	RUB, thou.	189,3	195,1	3,0

* Average number of employees on payroll over the reporting period including part-time workers were considered

Net Assets

Item	As of December 31, 2011 RUB thou.
Net assets	277 278 165
Charter capital	7 965
Reserve fund	364
Net assets to charter capital ratio	34 812
Net assets to charter capital and reserve fund ratio	33 291

ENERGY RESOURCES USED

The use of energy resources in 2011

1. Fuel and technologic liquids

Energy resources	Measurement unit	Consumption	Cost, RUB thou.
1. Fuel and technologic liquids			1 103 357
For boilers			119 551
Other	thou. m3	5	5 812
	ton	2	
Coal	ton	13 912	24 965
Diesel fuel/Oil	thou. Liters	773	50 760
	ton	1 265	
Gas (including gas condensate)	ton	5 714	36 553
	thou. m3	17 064	
Black oil fuel	-	0	0
Kerosene	ton	59	1 461
For transport and mechanisms			902 830
Fuel	ton	11 565	859 633
	thou. Liters	29 467	
Oil and technological liquids	ton	285	43 197
	thou. Liters	348	
For technological equipment	ton		80 977
Fuel	ton	2 883	73 691
	thou. Liters	1 431	
Oil and technological liquids	ton	194	7 270
	thou. Liters	222	
Propane	thou. Liters	1	16

2. Communal services

Electric power supply	thou. kWh	1 162 541	3 837 768
Heating	Gkal	808 500	957 348
	ton	12 229	

COMPANIES WITHIN THE ROSTELECOM GROUP

As a result of its reorganization, OJSC Rostelecom became the shareholder of 89 economic entities, 49 of which are its subsidiaries and 15 of which are dependent. Balance cost of financial investments amounts to more than 93 billion rubles. Dividends received in 2011 amounted to more than 690 million rubles.

In 2011, the Board of Directors (according to protocol № 23 from 12.08.2011) approved the company's non-core assets realization program. In an attempt to eliminate non-core and non-operating assets during 2011, OJSC Rostelecom discontinued its participation in six companies:

1. OJSC Stavtelekom of V. I. Kuzminova – exclusion from the USRLE (Unified State Register of Legal Entities- USRLE) 31.05.2011.
2. LLC Yug-Giprosvyaz - exclusion from the USRLE 30.06.2011.
3. CJSC Yugsvyazstroy - exclusion from the USRLE 16.12.2011.
4. CJSC NOVOKOM - exclusion from the USRLE 09.08.2011.
5. CJSC Nalchinskaya sotovaya svyaz - exclusion from the USRLE 04.10.2011.
6. JSCB ENO (OJSC) – the share in the company was realized on 06.12.2011 (protocol No. 5 of the Board of Directors of JSC Rostelecom from 02.09.2011).

Information about all forms of Rostelecom's participation in commercial and non-profit organizations is presented in Appendix No. 4 to the present Annual report and is its integral part.

Below is information regarding signed agreements on the sale and purchase of shares, the equity interests of business partnerships and companies, including data on the parties, the subject matter, prices, and other conditions of these agreements:

Companies acquired in 2011:

Acquisition of a share in OJSC National Telecommunications (JSC NTK)

On February 04, 2011, the company, together with JSC Uralsvyazyinform and JSC SZT purchased 71.77 % of ordinary shares of JSC NTK from CJSC National Media Group, JSC Surgutneftegaz, and the Raybrook Limited company. The price of the transaction amounted to 27,907 million rubles. After the reorganization, which was carried out in April 2011, Rostelecom's share in JSC NTK constituted 71.77 %.

Acquisition of a share in OJSC Bashinformsvyaz

On June 02, 2011, the Company acquired 39,87 % of the ordinary shares of JSC Bashinformsvyaz from LLC Bashtelekominvest. The price of the transaction amounted to 3,640 million rubles. As a result, Rostelecom now has a 39.87 % stake in JSC Bashinformsvyaz.

Acquisition of a share in CJSC Volgograd-GSM

On August 31, 2011, the Company purchased a 50.00 % stake in CJSC Volgograd-GSM from the SMARTS group of companies. The price of the transaction amounted to 2,322 million rubles or 80.5 million US dollars. As a result, Rostelecom has a 100.00% stake in CJSC Volgograd-GSM.

Acquisition of a share in CJSC Orenburg-GSM

On September 02, 2011, the Company acquired a 49.00 % stake in CJSC Orenburg-GSM from SMARTS group of companies. The price of the transaction amounted to 4 million US dollars or 115,6 million rubles. As a result, Rostelecom has a 100.00% stake in CJSC Orenburg-GSM.

Acquisition of the share in CJSC SK Kostars

On November 29, 2011, the company purchased 500 ordinary shares of CJSC SK Kostars (0,08 % of authorized capital) from the Russian Federal Agency for State Property Management, increasing its share in authorized capital to 96,08 %. The transaction amounted to 3,130 rub.

The companies sold in 2011:***Sale of the company's share in JSCB ENO (OJSC)***

On December 6, 2011, the Company sold 90 ordinary shares (0,0086 % of authorized capital) of JSCB ENO (OJSC) to this company. The price of the transaction amounted to 9,000 rub. As a result, the Company withdrew from the shareholders of JSCB ENO (OJSC).

THE COMPANY'S DEVELOPMENT PRIORITIES AND PLANS

OJSC Rostelecom's strategy for the period of 2011-2015, as approved by the Board of Directors on May 13, 2011 (The Protocol no. 11 of May 16, 2011), consists of developing a universal telecommunication operator that would provide the widest range of telecommunication services possible to retail customers, businesses, and state agencies throughout the Russian Federation.

The strategic goal of the Company is to become a leader in the Russian telecommunications market in terms of income, while increasing the efficiency of the business at the same time. Achieving this would result in an increase of the company's capitalization, the main asset in the telecommunication industry.

The general strategic initiatives of the merger Company are:

- The development of wire broadband Internet access services in the mass-market segment.

The development of this service is carried out through the promotion of a common federal product ("Home Internet"), as well as broadband Internet access services as a single package of services.

The further development of the sales channels and maintenance services and the provision of the best practices in user support, including the establishment of the Integrated Call-Center and increasing the efficiency of direct sales, will also strengthen the company's competitiveness in this sector.

Moreover, the high reliability, of connectivity (including the key Internet content resources) and the insurance that the data communications network is reservable and of sufficient capacity, are undoubtedly the competitive advantages of OJSC Rostelecom.

- Development of Pay-TV services.

Here the priority for the company is the development of technologies related to Internet-television (including IPTV). It is expected that the integrated structure of the channel packages will be designed as a service, as is the integrated content library, which includes a "video upon request" option as well as an integrated portfolio of services. The integrated content portal will be launched in the first half of 2012.

- Completing the transition to a single brand.

The merged companies now operate under the single brand OJSC Rostelecom, which is one of the strongest national brands and is among the top-10 brands in terms of high loyalty and trust from Russian citizens according to a research by the "ROMIR" holding company (www.romir.ru).

Recognition of the OJSC Rostelecom brand throughout the Russian Federation will attract and maintain customer loyalty for the whole range of telecommunication services offered as a result of the company's merger, as well as create and sustain the image of a competent and reliable telecommunication provider for end users.

- Development of mobile communication service.

Establishing a proper federal mobile business as part of the reorganization of the mobile assets of the OJSC Rostelecom groups of companies is another natural strategic step. Mobile business can, for example, engage in providing mobile communication services and wireless broadband Internet access. Additionally, the reorganization of mobile assets will ensure certain reductions on investment thanks to the integrated technical policy, as well as the synergic implication drawn from the union of stationary and mobile businesses.

- Protection of existing stationary business in the mass market segment.

OJSC Rostelecom plans to carry out a number of measures pointed at the non-admission of revenue stagnation, such as holding a balanced tariff policy, service packaging, and the implementation of new payment systems for zonal and DLD/ILD communications.

- Strengthening of its position in the corporate segment of the market.

The Company is planning to further strengthen its position in the corporate customers and government bodies market segment, first of all, by increasing sales efficiency and by making innovative decisions on the basis of the Integrated Data Processing Center.

The introduction and development of the software production platform as a service (SaaS) will allow Rostelecom to provide electronic state services to citizens as well as large corporate customers and to establish a partner business-models of providing services to medium and small business.

The Company plans to create and provide “Electronic Region” solutions for regional authorities as part of the “Electronic Government” service.

- Optimizing business in the provider market segment.

One of Rostelecom’s main goals in this segment is to provide high quality IP-traffic transmission, as well as to encourage more content providers to use the hosting services offered by OJSC Rostelecom.

Additionally, the company is hoping to develop trans-border IP-transit services for foreign partners and to realize projects along various transit routes, including those of “Europe to Asia” and “ North to South”.

- Developing the Moscow market.

In this domain the main goal of Rostelecom is to promote wire broadband Internet access and Pay-TV services by leveraging the “National Telecommunication” group of companies, primarily by keeping at constructing the fiber-optic transmission systems (FOTS).

TELECOMMUNICATIONS NETWORK OF OJSC ROSTELECOM

TELECOMMUNICATION NETWORK DEVELOPMENT DUE TO THE REORGANIZATION

The transport and multiservice networks of OJSC Rostelecom grew considerably as a result of the merger. The number of SDH/DWDM equipment increased significantly and the number of management system complexes to control said equipment increased dramatically, as well. As a result of the integration, the total length of Rostelecom's fiber-optic communication lines (including backbone, intrazone, and connecting line) increased substantively, as well.

Rostelecom's multiservice communication network also grew thanks to an increase in the number of data switching centers as well as to the introduction of additional data transmission and broadband Internet access equipment to the network from the consolidated companies.

The main criteria of Rostelecom's installed communication network capacities are represented in the table below:

Indicator	Measurement unit	2010	2011
Capacity of fixed-line communication	thous. num.	36	33,667
Capacity of broadband Internet access	Thous. ports	1,647	12,544
Capacity of mobile communication	thous. num.	0	6,926
Mobile base stations	units	0	3,848
Intra zone transmission lines	km	681,2	123,76
Terrestrial satellite communication stations	units	14	3,957
Capacity of transit long-distance and zone communication centers	thous.ch.	599	1,667

The following events were held as a result of Rostelecom's merger with IRC and Dagsvyazyinform in 2011:

- Auditing events:
 - Transport and multiservice networks concerning the acquisition and analysis of data installed on the networks of IRC equipment, the availability of spare parts and post-warranty service and maintenance contracts, as well as equipment management systems aimed at transforming the integrated company into a universal network;
 - Measurement of the operational equipment of the newly merged transport networks and IRCs affiliates, as well as the exploration of different opportunities for their expertise;
 - Installation of fire-protective equipment and labor protection facilities for the integrated company.
- Reissuing of documents indicating approval (licenses, frequency assignments, numbering resources, certificates of accreditation).
- Preparation and approval of a strategy, i.e. of the company's technical policy.
- Implementation of the processes necessary in the integration of existing backbone transport, multiservice, and intelligent networks in order to optimize capital intake and minimize operating costs.

In an effort to efficiently integrate Rostelecom's transport networks and those of the consolidated companies, an analysis of regional networks was performed to define backbone directions and some fiber-optic lines were transferred to backbone transport networks;

- In 2012, Rostelecom intends to complete the creation of its centralized management systems through the company's digital transport networks. This will allow:

- A reduction in the number of hardware and software management systems from 179 to 12 units, which will essentially reduce the company's operating costs, by cutting expenses spent on upgrading, training staff, servicing, and technical support;
- An increase of the flexibility and reliability of Rostelecom's communication networks's operational management systems;
- The simplification of integration issues with upper level OSS systems, including FM, NRI, and others.

By creating an incorporated multiservice communication network, Rostelecom approved the layout of the backbone level's data transmission circuit, the layout of data transmission circuit for the admission of voice traffic, and the layout of data transmission circuit for the admission of transit voice traffic (VOIP).

COMMUNICATION NETWORK

Transport network

The total length of Rostelecom's communication network is about 500 thousand kilometers.

The main components of the backbone network are powerful fiber-optic communication lines connecting Moscow and Novorossiysk, Moscow and St. Petersburg and Moscow and Khabarovsk. The basis of a transport regional network is composed of communication lines connecting large settlements and regional towns with access to the backbone network.

The transport communication network of the Company is constructed on the basis of SDH/DWDM equipment which is produced by six global manufacturers: Alcatel-Lucent (CJSC Alkatel-Lusent), HUAWEI TECHNOLOGIES Co. LTD. (LLC Technical Company Huavey), NEC Corporation (CJSC NEK Neva Communication Systems), IRE-Polyus (LLC T8), ECI (LLC ECI Telecom 2005), and Nokia Siemens Networks (LLC Nokia Siemens Networks).

The total amount of installed SDH/DWDM equipment as a result of merger with IRC is about 9,000 units. The total volume of the company's management system complexes supervising the SDH/DWDM equipment exceeds 180 units, most of them being on the regional level.

Regarding the international segment of Rostelecom's backbone transport network, the strategy of technical progress is inseparably linked with the technical and technological development plan of for Rostelecom's infrastructure and is intended for the realization of various telecommunication projects connected with strengthening the company's position and advancing its new services on the international market and promoting the company's international infrastructure in order to boost services on the Russian market.

OJSC Rostelecom set up international fiber-optic communication lines providing access to Finland, Turkey, Italy, Bulgaria, Japan, China, Estonia, Latvia, Kazakhstan, Ukraine, Azerbaijan, Georgia, and Belarus. The company's international points of presence are in Stockholm, Frankfurt, Amsterdam, and London. The company also offers high-speed transit services from Europe to Asia via the territory of the Russian Federation.

In order to minimize the risk of traffic loss and the consequences of emergency traffic interruptions on backbone and regional communication lines and for the purposes of improving the quality of service for Russian and foreign customers, Rostelecom undertakes special measures to plan and to offer reservations for traffic transmission, both in terms of geographical diversity and international telecommunication network transitions and jump-joints construction, with two or three independent foreign operators occupying each international direction. All of Rostelecom's backbone communication lines function with 100% reservation.

In the process of constructing new digital communication lines, Rostelecom takes its analogous communication lines out of service. For the period from January 31, 2001 to January 31, 2011 about 127,215 kilometers worth of analogous communication lines were eliminated from the operation, with 8,945 km worth of analogous lines being withdrawn from the use in 2011 itself.

Multiservice network

As the national operator of the Russian Federation, OJSC Rostelecom offers the following services in Russia:

- Local telecommunication;
- Zonal telecommunication
- Domestic and international long-distance telecommunication;
- Connection and traffic transit on the local, zonal, national, and international levels;
- Signal traffic transit;
- Audio and video conferencing;
- ISDN and intelligent network services;
- Interconnection and Internet traffic transit;
- Dedicated broadband Internet access;
- IPTV;
- VPN (Virtual Private Network), including L2 VPN, L3 VPN, VPLS, and interoperator VPN;
- Data-Center Services.

The international digital transit telephone network is based on ten international transit and communication centers and six combined communication centers. The total installed capacity of the zonal network by the end of 2011 constituted 1100.6 thousand channels. The level of international communication centers digitalization constituted 100%.

Rostelecom's long-distance digital transit telephone network functions on the basis of 130 long-distance transit communication centers. The total installed capacity of the long-distance network by the end of 2011 amounted to 614.6 thousand channels.

Rostelecom's zone digital transit telephone network functions on the basis of 127 transit zone communication centers. The total installed capacity of the company's zone network by the end of 2011 amounted to 1026.5 thousand channels. The level of the zone communication centers digitalization constituted 100%.

Rostelecom's local digital transit telephone network is functions on the basis of 28,880 automatic telephone stations. The total installed capacity of the local network by the end of 2011 amounted to 34,797.7 thousand subscriber lines. The level of local communication centers digitalization constituted 77%.

Nowadays, the company offers video conferencing services in the regions where there is a high demand for them. Access to national and international videoconferencing is open to the clients of 78 regions of the Russian Federation. Clients in 177 Russian cities have their audio and video terminals connected to the videoconferencing network . With 414 studios executing the video conferencing connection.

The "Free call", "Televoting", "Premium Rate" services based on the Intelligent Platform are provided to customers in all regions of Russia and in a number of networks owned by commercial communication providers. The company delivers "Free International call" services from the territory of foreign states. Additionally, region-based services on intelligent platforms are also provided to clients.

Rostelecom's IP/MPLS data transmission network used to perform communication services on the basis of package technologies, includes the backbone data transmission network, regional data transmission networks, as well as the international segment represented by foreign communication centers located in Stockholm, Frankfurt, London, Amsterdam, and Yerevan.

As of the end of 2011, the total capacity of the IP/MPLS network amounted to more than 2.19 Tbit/s and, as a result of Rostelecom's merger with the IRCs and Dagsvyazinform, the total volume of equipment for the IP/MPLS data transmission network constituted about 34,000 units.

In order to lease out it N_h64 kbit/s digital channels to clients, the company built networks of leasable national and international digital circuits using the following flexible multiplex equipment:

- Luhezar (MartisDXX) and UMUX equipment, consisting of 223 communication centers, located in 125 cities;
- MainStreet equipment, including 17 communication centers situated in 5 cities.

Submarine cables

As a part of its program to expand and upgrade its international telecommunications capacity, OJSC Rostelecom uses modern submarine cables to establish communication circuits between Russia and other countries. The company is both the end party and the owner of main capacities in four international

submarine fiber-optic cable systems, including those of Italy-Turkey-Ukraine-Russia, Georgia-Russia, the Black Sea fiber-optic cable system, and Russia-Japan, in which Rostelecom occupies approximately 30%, 67%, 9.4%, and 50% respectively. The remaining portions of these cable systems are owned by various international providers.

To provide access to these systems and to establish high-quality direct international circuits in remote areas of the world, OJSC Rostelecom participates in the construction of a number of international cable systems and subsequently acquires capacities in them.

As of the end of 2011, the company had shares or the indefeasible right to use 16 cable systems, including such global cable systems projects as "Fiber Line Around the Globe" ("the fiber-optic line around the globe"), the UK-Middle East-Japan system, the Canadian transatlantic system, the Trans-Pacific cable system (China-USA), the South-East Asia-Middle East system, and the Western Europe and the Trans-Atlantic systems.

Satellite communication

The incorporated network of satellite communication, belonging to OJSC Rostelecom, is based on two technologies:

- Own and leased circuits employing the space segment of the C-and Ku- frequency spans. Rostelecom owned channels are arranged in a leased capacity with the use of 163 satellite earth stations. The leased circuits are purchased on a turnkey basis from such operators as FSUE (Federal State Unitary Enterprise) Satellite Communications, Zond Holding, Satis-TL-94, Svyazkontaktinform, and Yamaltelekom.
- Own and leased VSAT-networks with shared access use the space segment of the Ku- frequency span. Rostelecom owned VSAT-networks are constructed in a leased capacity with the use of central VSAT-stations located in the macroregional branches called "Center", "Siberia", "Ural", "Far East".

Leased VSAT-networks (or individual channels) are purchased as a general redistributed resource from such providers as RTComm.RU, Stek.kom, Synterra, Spark, VMS, and FSUE Satellite Communications.

In order to ensure the operation of integrated satellite communications networks, OJSC Rostelecom turns to FSUE Satellite Communications for the provision of services aimed at leasing capacities for "Express" satellites. Rostelecom decided upon the structure and location of satellite earth stations on the basis of secondary network needs, as well as the likelihood of accessing the digital backbone network.

Lines and communication channels of other operators in use by Rostelecom:

In the course of its business activity, OJSC Rostelecom involves other communication operators to deliver services involved in lines and communication circuits. The main purposes of using these services is to reserve the company's existing technological network infrastructure and to provide services to end users in the event that Rostelecom's own resources are lacking. In the latter event, network resources are purchased based upon the term of the contract signed with the end user and in compliance with Rostelecom's marginality policy.

Rostelecom's early termination or non-renewal of current agreements with communication operators leasing lines and communication circuits is considered to be unlikely. Taking into account the dense competition in the segment of leased lines and the significant number of telecommunications operators providing such services, there is no reason to believe that Rostelecom's demand for these services will not be satisfied.

REALIZATION OF INVESTMENT PROGRAMS

Indicators	Measurement units	2011 (fact.)	2012 (plan.)
Investment in fixed assets	RUB, million	59 319	110 105
The main areas of investment:			
Traditional telephony	RUB, million	3 126	1 985
New services and other services apart from traditional telephony	RUB, million	30 391	59 458
communication infrastructure			
Facilities	RUB, million	715	4 075
Acquisition, construction and reconstruction of buildings, structures, etc	RUB, million	1 028	1 124
Investment in IT	RUB, million	2 876	6 601
Transmission lines and communication infrastructure facilities	RUB, million	14 434	27 926
Other infrastructure	RUB, million	5 180	5 290
Special	RUB, million	8,4	42
Trunk feeders, objects of domestic and international long distance telecommunications	RUB, million	1 560	3 604
Operational fixed assets	RUB, million	57 217	109 487

Major and strategically important investment projects of 2011:

- Expansion of the OJSC Rostelecom owned IP/MPLS data transmission network for the purposes of increasing the capacity of and upgrading the IP/MPLS network so as to completely meet the demand of clients across all segments.
 - Refitting of the Rostelecom transport network through the establishment of additional 10/40 Gbit/s optical channels with the of transponders on existing DWDM systems.
 - Implementation of a number of new DWDM systems.
 - Additional equipment of management systems, and hardware and software complexes.
 - Creation of 11 trunk transit communication centers, 34 regional communication centers, and 15 points of access.
- Construction of the Vologda-Kotlas-Sykytykar fiber-optic line in order to increase network resources, set up digital output to Sykytykar, and provide new services (Internet, VPN) the following measures were accepted within the project:
 - Construction of the 0.6 km length binding from PPC or MCC Sykytykar to UD Sykytykar.
 - Additional equipment of the current transport network of the segment Gryazovets - Luban.
 - Reconstruction of the external and standby electrical power system of UD Sykytykar.
 - Establishment of a level transmission system with the use of DWDM equipment on the Gryazovets-Sykytykar (GE and STM-4 client interface) segment for connection of the current SDH equipment to the equipment of a multiservice network.
- The establishment of a Rostelecom point of presence in Armenia and Georgia,
- The company finished the first phase of construction of two start-up facilities for the expansion of an international transport network to Azerbaijan and also the additional equipment of national network segments in the MRF Center, Volga, South (1 PC on theKotluban-Derbent segment, 10 K STM-64; 2 PC on the Moscow-Dzhubga segment, 2 OK STM-64; on the Moscow-Elista segment, 1OK STM-64) responsibility areas.
- Modernization of a current multiservice network for the additional equipment of the Center, Volga, and South MTU MRF routing devices.
- The company also realized the second stage of construction of two start-up facilities, which involved the creation of a SDH/DWDM ring structure of the STM-64 level on the TrP6 Sochi -RRS44, Sochi-MSS94, Sochi- TrP6 segments, with the additional equipment of the Dzhubga OP5 - TrP6 Sochi (1PC) segment and the installation of DWDM equipment to strengthen the OP5 Dzhubga - TRP6 Sochi-Poti (Georgia) network segment (2PC).

- Modernization of the Rostelecom data transmission network for the connection of content providers. The Rostelecom data transmission network was renovated so as to improve the technological connection capacity of major content providers in order to improve network connectivity and to optimize the routing of Internet traffic.

Reconstruction of the RRL-18 on the Yakutsk-Mirny-Lensk segment. For this project, the company reconstructed the existing analogous RRL-18 (Yakutsk-Mirny -Lensk, 1PC) 1,216 km in length transmission lines.

- OJSC Rostelecom also provided universal information and telecommunication infrastructure-based communication services for the state system of issuing and controlling new generation passport and visa documents.
- In 2011, the company provided 284 governmental entities (FSB, MoD, FMS, Navy etc.) with a connection to the IP VPN network in order to deliver communications service for the state system of issuing and controlling new generation passport and visa documents. These services involved the equipment of a number of access points and the construction or establishment of digital “last mile” connections.
- The delivery of services to the Ministry of Defense of the Russian Federation in order to connect the binding line facilities owned by the Ministry of Defense to Rostelecom’s digital network. In order to further expand its range of services (digital channels and paths, VPN- service , Internet access), the company set up twenty-five digital channels for six customer facilities between military unit MoD RF communication centers and provided IP VPN service with a capacity of 2048 kbit/s based on the Rostelecom transport and IP MPLS networks.
- The modernization Rostelecom’s data-center infrastructure in order to increase the range of services provided on the territory of Siberia and Urals. This project includes the installation of head-end equipment in the data-center for the “leasing of a dedicated server” service.
- The implementation of the technical ERP architecture
- The commercial launch of the mobile Data Center (MDC), which consists of separate modules created on the basis of standard 40-foot shipping containers that can quickly be deployed and connected to Rostelecom communication channels. At the same time, MDC allows data storage and processing, as well as the delivery of a wide range of services with high reliability, fault tolerance, and performance.
- The construction of FOCL Selikhino –De- Castries -Cape Lazarev -Nikolaevsk-on-Amur.
- The launch of the fiber-optic communication line (FOCL) Selikhino -De Castries–Nikolaevsk-on-Amur. The construction of fiber-optic communication lines along the lower Amur is a unique project. The line passed through the taiga areas, crossed many water obstacles and trails. The capacity of optical lines in Nikolaevsk-on-Amur is equal to 1 Gbit / s. Earlier the Internet access in Nikolaevsk-on-Amur was carried out through the satellite channel. The optical trunk will allow:
 - High-speed internet access with unlimited plans and “Interactive TV” with the option of over 100 channels in digital quality.
 - The integration of the northern districts of the Khabarovsk region with OJSC Rostelecom’s universal telecommunications network.
- The provision of communication services along the federal highway “Amur” Chita-Khabarovsk
- The establishment of 10GE transmission systems through the use of K-708 free optical fibre in order to provide:
 - the necessary capacity to connect the base stations of mobile operators (butting over Ethernet) and infrastructure facilities along the road.
 - the prospect of development.
- The introduction of TsRRL R-608 transmission, which brought the maximum transmission capacity to 144 Mbit/s.
- The construction of the Arseniev-Mikhaylovka intrazone fiber-optic communication line.

- The launch of the fiber-optic communication line (FOCL) in order to ensure:
 - The quality and reliability of telecommunications services.
 - Interactive “Home Television” services and high-speed broadband Internet access with unlimited tariffs for inhabitants of applicable areas.
 - The provision of communication services to private enterprises and government entities on a whole new level.

The approximately 250 km long fiber-optic communication line runs through twenty-two settlements, including Otradnoye, Nikolaevka, Anuchino, Ivanovka, Osinovka, Arseniev, and others. The line has a capacity of 1 Gb/sec., one hundred times greater than previous lines of communication.

RISK MANAGEMENT

A risk-oriented approach to business

OJSC Rostelecom's business operations are subject to various risks that may adversely affect the achievement of the company's objectives.

In order to manage possible risks, the company has implemented and continues to develop a risk-oriented business management approach designed to ensure the efficient adoption of the most effective decisions decided upon by the company's management under conditions of uncertainty, and to effectively identify opportunities for achieving OJSC Rostelecom's goals and objectives.

Rostelecom's Board of Directors annually approves the company's program on risk management, which involves regular risks update and the development and subsequent monitoring of any response measures taken to reduce any negative consequences to an acceptable level. In the course of the development and implementation of operational business decisions, the company also assesses inherent risks through discussions at Board of Director, Auditing Committee, Management Committee, and Internal Control Committee meetings, as well as various working groups and conferences.

Listed below are the risks that may significantly affect OJSC Rostelecom's operation. However, the company cannot rule out the existence of other risks, including risks of which the company is currently unaware or which the company currently considers insignificant.

Industry risks

Risks connected with an increase in competition in the telecommunications industry.

An increase in the level of competition in the telecommunications industry, including the emergence of new operators and the development of services which replace traditional communication services, may decrease the company's market share and, as a result, adversely affect its revenue from providing such services.

Local market:

After its merger with IRCs (Interregional telecommunication companies), legally completed on April 1, 2001, Rostelecom became a provider of a full range of services, including those of fixed-line and mobile communication, Internet access and paid television in some regions where the level of competition is very high.

As a result of demonopolization on the DLD and ILD communication market, more than 40 (new) companies were licensed in 2011 to provide DLD and ILD communication services, among which were the following operators (other than OJSC Rostelecom): MTT, VimpelCom, TransTelecom, Equant, Arktel, Sinterra, and MTS.

Additionally, the fast growth of mobile communications facilities provides communication operators with wide access to end users of telecommunication services throughout the country. Mobile operators have the technical capabilities to provide DLD and ILD services on the national, international, zonal, and local levels using both Rostelecom's network and the networks of competing operators.

The active development of IP-telephony may also significantly enhance competition in the Russian voice communication services market. IP-technology allows the provision of a more optimized cost structure compared with the costs of the operators of public service telephone lines. Moreover, the development of broadband Internet in the Russian Federation and throughout the world makes IP-telephony services an attractive alternative to the more expensive communication services offered by common and mobile operators.

The competition, which is deepened by the operators, offering the IP-telephony services, can have an adverse affect on Rostelecom's capability to attract new clients and to preserve current clients. It can also lead to a decrease in the margin of operating profit and a decrease in the company's market share.

Intending to lower this risk, Rostelecom continuously monitors the operations of its competitors, including the (non)compliance of their operations with legislation. The Company is focused on designing new services and competitively developing existing services and, if necessary, devising necessary countermeasures.

External market:

Industry changes on the external market do not have a significant impact on Rostelecom's business due to the inconsiderable number of operations performed there.

Risks connected with possible alteration in the prices of raw materials and services used by the Company in its activities.

Local market:

Growth of expenses for regulated communications services without corresponding tariffs adjustments may lead to lower profitability, which could have a negative impact on the company's financial results. The company believes that the influence of this risk on the performance of securities obligations is not definite.

To reduce this risk, the company takes steps to optimize the cost of provided services and increase operational efficiency.

External market:

Tariffs for services used by Rostelecom on the external market (leasing of ILD-channels, ILD-traffic transfer) remain generally stable, and the risks associated with their change, are estimated as minute.

Risks relating to possible changes in prices and tariffs for the company's products or services.

Local market:

Due to the fact that OJSC Rostelecom is included in the Register of Natural Monopolies, the company's operations are subject to the regulation of the Federal Tariff Service (FTS). Presently, the FTS regulates the company's tariffs for DLD communication services throughout the whole of the Russian Federation, as well as for its local and regional telecommunication services. The regulation of the company's tariffs allows the federal service to fix competitive and economical tariffs in general. The company believes that the impact of this risk on the performance of securities obligations is insignificant.

To reduce this risk, the company cooperates with regulating authorities on setting optimal tariffs.

External market:

The company's tariffs in the foreign markets (leasing of ILD-channels, ILD-traffic transfer) are generally stable and the risks related to any fluctuations in this area are not fundamental.

The impact of the abovementioned risks on the company's activity is not very significant and cannot have an adverse effect on the performance of the company's securities obligations.

Country and regional risks

Risks relating to political and economic situation in the country and the regions where the company carries out its core activity.

The company is a registered taxpayer in the city of Saint Petersburg, where the Board of Sole Executive Body, the collegial executive body of the company's management, is situated. The company's presidium is located in Moscow.

The company carries out its core activity in all federal districts of the Russian Federation on the basis of seven macroregional branches, including those in Central Russia, Northwestern Russia, Volga, South Urals, Siberia, and the Far East. Rostelecom main activity in each of them (except for the macroregional branch of the Far East) generates more than 10 percent of the company's income. All of these specified regions are characterized by the risks associated with the political and economic situation in the country as a whole.

The stability of the Russian economy depends mostly on economic reforms, development of legal, tax, and administrative infrastructure, and the efficiency of measures taken by the Government of the Russian Federation in the financial and monetary policy fields.

Presently the political situation in the country is stable; nevertheless, the Russian economy is subject to fluctuation in response to the world economy.

In many ways, the Russian economy is dependent on the oil prices. An increase in the price of oil leads to an influx of foreign investment into Russia, as well as to manufacturing recovery, a reduction of unemployment, growth of income per household, and the replenishment of the country's gold and currency reserves.

In spite of the measures taken by the government of the Russian Federation aimed at ensuring the liquidity and refinancing of foreign loans to Russian banks and companies, some uncertainty remains regarding the possibility of access to capital resources and the cost of capital for the company and its contractors. This may influence the company's financial position, as well as the outcomes of its operations and its economic prospects. The instability of capital markets may lead to a significant worsening of liquidity in banking sector and a subsequent stiffening of the terms of credit in the Russian Federation.

As a whole, the company cannot produce any significant impact on the economic situation in the country. Nevertheless, the company will take all the possible measures to reduce the occurrence of negative results that may compromise its ability to fulfill its security obligations, including portfolio diversification, should there be any negative results in the country or in the particular regions in which the company is a registered taxpayer and conducts its business.

In the future, Rostelecom intends to use advanced energy saving technologies to minimize operational costs, so as to direct all available money funds to meet its debt obligations.

Risks relating to possible military conflicts, states of emergency, and strikes in the country and the regions, in which the company carries out its core activity:

The risk of military conflicts, national emergencies and/or strikes in the country and the regions in which the company is a registered taxpayer and conducts its business are evaluated as insufficient to be considered influential on the company's business. To prevent strikes on its part, the company creates favorable working conditions and fulfills all of its obligations to the employees. To minimize the risk of terrorist attacks, the company takes additional measures for security protection.

Risks relating to the geographical peculiarities of the Russian Federation and the regions in which the company is a registered taxpayer conducts its business, including an increased danger of natural disasters, possible stoppages of transport connections due to remoteness and difficult to access localities, etc. are considered insignificant:

Financial Risks

The risks relating to changes in interest rates of the financial market.

At the moment, the company has loan capital with a floating interest rate. In this respect, an increase of interest rates in the market may potentially raise the company's expenses related to meeting its debt obligations as well as increase the costs of taking out a new loan. This can have a negative effect on the company's financial performance and increase the cost of the project(s) financed through such loans.

Intending to reduce this risk, the company monitors the market conditions and, if necessary, refinances its liabilities and manages the risks relating to floating interest rate under credit commitments.

Such indicators of the company's financial performance as the payable gross interest rate and loaning and borrowing debts accrued, which may rise up in case the risk is realized, are the most vulnerable. Given the company's stable credit rating, the probability of this risk is above all related to an increase in the interest rate of the new loans following any changes in the money market.

The risks relating to changes in foreign currency exchange rates.

As a result of currency fluctuations, the part of the company's financial performance based on foreign currency transactions, as well as money denominated in foreign currency, may be negatively reevaluated.

A significant share of the company's revenue, as well as costs and liabilities, including capital expenditures and borrowings, are denominated in foreign currencies, whilst the major part of its operational earnings is in rubles. Immediately after 2011, the ruble had a 5% devaluation against the US dollar (the exchange rate as of December 31, 2011 was 32,1961 RUB/USD compared with 30,4769 RUB/USD as of December 31, 2010). The ruble exchange rate decreased by 3% against the euro (exchange rate as of December 31, 2011 was 41,6714 RUB/EUR, compared with 40,3331 RUB/EUR as of December 31, 2010).

Since the probability of the ruble's devaluation remains, the company's expenditures and liabilities may increase considerably in ruble, which, in turn, would adversely affect the profitability and the results of the company's operations. Additionally, fluctuations in the ruble's exchange rates may lead to losses related to the reevaluation of the company's foreign currency assets and liabilities, which may produce a negative effect on the company's financial results. At the same time, the currency risk should not significantly impact liquidity and the company's sources of finance, taking into account the fact that the major part of its assets and liabilities are denominated in rubles.

To reduce this risk, the company monitors currency exchange rate dynamics closely, assesses its currency position, and maintains well-balanced money reserves, including those identified as currency liabilities, in addition to loans and investment.

Such indicators of the company's financial performance as the money funds, receivables and payables, loaning and borrowing debts accrued, which may fall (assets) or rise (liabilities) in case the risk is realized, are most vulnerable to this kind of risk. The risk is, above all, related to changes in global currency markets and in government regulation relating to currency exchange rates.

Risks relating to inflation.

The Russian economy is still characterized by a relatively high inflation rate. In 2008 and 2009, the inflation level was 13.3% and 8.8% respectively. In 2010, the inflation rate amounted to 8.8%. By the end of 2011, the inflation rate amounted to 6.1%, or 2.7 percentage points lower than for the same period in 2010. In addition, the level of inflation for 2011 is the lowest since 1991. In spite of some stability of the inflation rate during the last two years, the predicted inflation rate in Russia remains fairly high. In the company's opinion, the critical inflation rate would be such that significantly exceed the official predictions for 2012 and cannot be precisely forecasted.

As some of the company's expenses are subject to inflation, a rising general price level may increase the nominal value of the company's costs, while the increasing competition between telecommunication operators may prevent the company from increasing, at its own discretion, its tariffs up to a level sufficient to sustain the required minimum profitability of its operations.

To reduce this risk, the company allocates available funds to income-bearing financial instruments and optimizes the cost of the services it provides.

Indicators of the company's financial performance such as funds that are subject to potential devaluation and investment costs that may rise in case the risk is realized are most vulnerable to this kind of risk. The probability of the risk is, above all, related to government regulation of money in circulation and of prices and tariffs.

Risks relating to failure of the company's customers and other counterparties to meet their payment obligations and their inability to recover the debt.

On occasion both in the past and presently, OJSC Rostelecom has experienced delays in receiving payments from organizations, individuals, government bodies, and international operators. Delayed payments may cause cash shortages that may force the company to borrow funds to compensate for them and consequently pay interest rates for the use of said borrowed funds.

In addition, the company allocates available cash to short-term promissory notes and other financial instruments. Faced with the instability of the financial system in Russia, especially amid a possible "second wave" of the global financial crisis, the company risks failing to retrieve the deposits or receiving repayments of deposit certificates, as well as to repay its debt obligations.

To reduce this risk, the company optimizes working procedures to recover receivables, including cases when debt collection agencies are engaged.

Indicators of the company's financial performance such as the debts payable are most vulnerable to this kind of risk. The probability of the risk is, above all, related to the solvency of the company's contractors and the general economic climate in the country.

Risks relating to insufficient asset liquidity of the company.

While OJSC Rostelecom timely repays its own obligations, the company may be exposed to liquidity risks; in the event that the company's contractors demand due payments from the Company, it may face difficulties and even incur losses due to the insufficiency or lack of funds required to repay such obligations and due to the need to dispose of its liquid and other assets in a discounted manner.

On May 13, 2011, the international rating agency Standard&Poor's declared the company's credit rating as having increased to a BB+ level with a "stable" outlook (before the revision – the company had a BB credit rating with a "stable" outlook). The growth of a rating reflects changes in the approach to analyzing OJSC Rostelecom as a state connected company, agency analysts take into consideration the reasonable probability of state support being given to the company in the event of its financial difficulties. The stable outlook is associated with the expectation of sufficient cash flow coming from the company's traditional business, which will be enough to finance the growth of business in other segments, such as broadband Internet access.

Indicators of the company's financial performance such as financial investments, payables and loaning and borrowing debts accrued, are most vulnerable to this kind of risk, as they are subject to increases, as are the penalties, charges and forfeits, in case the risk is realized. The probability of the risk is, first above all, related to the company's financial investments.

Legal Risks

The legal risks relating to the company's activity.

Local market:

Presently, the company's main legal risks are defined by changes in legal regulation relating to specific services and requirements of business operation in the telecommunications industry in view of the amendments to federal law no. 126-FL "On Telecommunication" dated July 7, 2003, approving a series of legal acts regulating different operational fields in telecommunication (Rules on providing local, intrazonal, DLD, and ILD telecommunication services, rules on telecommunication networks connection and interaction, rules on providing telegraph communication services, rules on providing mobile communication services, etc.) and bringing existing relations in line with the requirements of the legal acts in force, including the undue adoption of bylaws.

External market:

Legal risks relating to activity on the external market do not have a substantial influence on the company as only a small amount of its operations are performed in this sphere.

Risks relating to changes in the exchange regulation:

Local market:

Risks related to changes in the exchange regulation are presently considered insignificant by the company. In view of the liberalization of the current exchange regulations, the risks here are deemed low.

The Russian legislation regulating foreign investments in no way forbids or limits foreign investment into the telecommunication industry. However, there is no unanimity as to what level of government regulation in the telecommunication industry is optimal. Since the telecommunication industry is a strategic industry for the Russian Federation, government regulation may increase and foreign investment may be limited. Any strengthening of governmental control or restrictions on foreign investment may prevent the ease of access to additional capital.

External market:

Legal risks relating to changes in the exchange regulation on the external market do not assert any substantial influences as only a small amount of the company's operations are performed in this sphere.

Risks relating to changes in tax legislation:

Local market:

Russian tax legislation is subject to variable interpretations and regular additions and amendments. The company monitors ongoing changes in tax legislation and pays particular attention to workshops and meetings with leading experts in this field.

Recent developments indicate that Russian tax authorities may take up a tougher position on the interpretation of tax legislation and tax calculations. As a result, tax authorities may lodge claims to those transactions and accounting methods which were not subjects to said claims before. Consequently, tax authorities may impose additional taxes, penalties and fines, which could be significant. The company is subject to review by tax authorities over three calendar years of its operations preceding the year of current review, and under certain circumstances such reviews may cover even longer periods.

External market:

Legal risks relating to changes in tax legislation on the external market have a substantial impact as only a small amount of the company's operations are performed in this sphere.

Risks associated with changes in customs regulations.

Part of the company's equipment required for the construction of communication links and/or providing telecommunication services is imported and/or manufactured from components produced abroad. Any changes in customs and custom duties regulations may lead to increases in the costs of acquired basic asset and an increased delivery period related to necessary equipment and/or spare parts, which may in return inflict additional costs on the company, as well as increase the likelihood of network failures.

Risks associated with changes in licensing requirements of the company's main operations or licensing of the rights to use objects with limited circulation.

Local market:

Rostelecom's main operations are subject to licensing according to the current legislation.

The list of licensing requirements according to the Federal Law no. 126-FZ "On telecommunication" dated July 7, 2003, formulated by the Government of the Russian Federation. In view of the Government's decree of the Russian Federation no. 87 dated February 18, 2005, "On approving the list of telecommunication services to be licensed and the list of licensing requirements" came into effect (with amendments altered by the Government decree of the Russian Federation no. 837 dated December 29, 2005). Company took actions to change its earlier (actual) licenses. All of the necessary amendments to licenses were completed.

Changes in licensing requirements in the telecommunication industry may lead to delays in renewing the company's main licenses for providing telecommunication services or in a failure to obtain new licenses, which may negatively affect the company's financial performance.

In addition, the company has no absolute guarantee that, by the expiration of its validity, the license will be renewed and a subsequent growth in liabilities and/or a reduction in the rights granted under the terms of prolonged licenses will not occur. All this may result in increased costs, as well as limit the provision of telecommunication services. If the company is unable to prolong the license or to obtain a new license that meets the current requirements, it will be forced to cut the range of services performed, which, in turn, will result in a decrease in the number of subscribers.

Rostelecom takes all of the steps necessary to fully comply with licensing requirements, therefore the forecast concerning the company's license renewal for the delivery of certain services is thought to be positive and the risks associated with an inability to prolong the company's license is considered to be minimal.

External market:

Legal risks relating to changes in licensing requirements on the external market exert no material influence on the company's activity as only a small portion of its operations are performed in this sphere.

Risks associated with changes in court practices regarding the issues inherent in the company's operations (including licensing issues).

Local market:

Even though there is no case law in the Russian Federation, court practices play an important role in the system of law enforcement. Judicial acts, not being sources of the legal system in the proper sense, in certain cases imply compulsory interpretation of legal norms subject to enforcement. In practice, the following regulations are mandatory for legal agencies to refer to:

- Decrees of the Plenum of Supreme Court;
- Decrees of the Plenum of the Supreme Arbitration Court of the Russian Federation;
- Rulings by the Constitutional Court of the Russian Federation.

The company operates in exact accordance with current legislation. The negative consequences of changes in the judicial practice are only possible in the event of changes in the stand of regulatory authorities or if the company exercises its operations in breach of the existing legislation.

The external market:

Legal risks relating to changes in court practices on the external market exert no material influence on the company's activity as the company performs only a small amount of its operations in this sphere.

Risks associated with the company's operations.

Risks associated with current judicial processes in which the company is involved.

The legal actions in which the company is involved in one way or another as of December 31, 2011, are noted below and may dramatically affect the company's business operation and financial performance. In case the court does not rule in the company's favor, the company will incur significant expenses which will negatively affect its financial statement.

In February 2010, the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 executed a complex tax inspection of the company for the 2007-2008 period and produced Judgment no. 3 dated April 2, 2010, stating a tax offence committed and a corresponding total charge of additional taxes, penalties and charges worth 714,727,286.03 rubles. The company appealed the Judgment to the Federal Tax Service of the Russian Federation. The Federal Tax Service of the Russian Federation in its decision no. AS-37-9/11482@ dated September 17, 2010 (received by the company in September 28, 2010), partially disallowed the Judgment no.3 dated April 2, 2010, of the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7, that is – invalidated the following charges: profit taxes of 14,793,081.00 rubles with respective penalties and charges; VAT of 352,475,816.80 rubles with respective penalties and charges; profit tax penalties of 4,983.59 rubles; land tax of 77,472.00 rubles; water tax of 83,308.00 rubles with penalties of 14,838.04 rubles and charges of 10,850.00 rubles; charges on personal income tax of 251.07 rubles. As for the rest, the Judgment dated April 2, 2010, of the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 was confirmed. The company filed a case in the Moscow Arbitration Court, seeking to declare the Judgment invalid to the extent concerning the invalidation of additional charges totaling 305,387,512.00 rubles (including 279 779 309, 69 rubles of taxes). The Moscow Arbitration Court initiated proceedings on the case, numbered A4100845/10-4-498. The Judgment of the Moscow Arbitration Court dated June 10, 2011, completely satisfied the company's requests. The Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 addressed an appeal petition to the Ninth Arbitration Court of Appeals.

According to the Judgment of the Ninth Arbitration Court of Appeals no.09AP-20115/2011-AK dated October 21, 2011, the judgment of the Moscow Arbitration Court on the case was declared invalid. The Ninth Arbitration Court of Appeals evaluated the case under the rules established for legal investigation in an arbitration court of primary jurisdiction and adopted a new court decree according to which:

- the company abandoned its appeal of section 1.8 challenging the decision made by the tax authority bringing the company to tax liability for tax offenses in the form of additional charges on profit amounting to 14 025 967.68 rubles;

- The sections the company declared invalid, including section 1.1 (an unauthorized inclusion of intangible value into the costs taken into account when forming the taxable base for the income tax), (on exclusive rights to commercial usage of an audiovisual work), section 1.10 (on understatement of tax base for VAT in connection with illegal exploitation of section 5 Art. 157 of the Tax Code and the principles of the international Telecommunication Regulations dated September 12, 1998 in the course of international communication channels leasing provided to foreign operators), section 1.66 (on the estimation of water tax delivered by the Territory regional directorate no. 5 of the Rostelecom Central branch) of the disputed decision made by the tax authority, were satisfied (concerning additional tax charges totaling 240,374,426, 89 rubles.)

-The company was denied its remaining requirements (tax charges totaling 39 404 882.79 rubles.)

The company, and the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 addressed cassation appeals to the Federal Arbitration Court of Moscow District. The Judgment of the FAC dated March 16, 2011 on case no. A40-100845/10-4-498 cancelled the judgment of the Ninth Arbitration Court of Appeals dated October 21, 2011 on case no. A40-100845/10-4-498 concerning the failure to meet the company's requests in the following parts:

- Additional income tax charges according to section 1.7 of the tax authorities' decision on the indebtedness of Pacific Gateway Exchange Inc., which amounted to 11,578,166.96 rubles.;

- Additional VAT charges according to section 1.16 of the decision connected with the failure to accept the tax rebate, which amounted to 1,973,294.55 rubles.;

- Tax liability for the incomplete payment of income taxes, VAT and UST, as well as penalties for the undue payment of the abovementioned taxes.

Above all, the court invalidated the decision of Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 dated April 02, 2010, no. 3 relating to additional VAT charges according to section 1.16 of the decision connected with the failure to accept the tax rebate amounting to 1,973,294.55 rubles.

1. The case regarding section 17 of the decision on Pacific Gateway Exchange Inc.'s debt amounting to 11,578,166.96 rubles, as well as the tax liability for the incomplete payment of income taxes, VAT, and UST, and penalization, was directed to a new consideration in the Ninth Arbitration Court of Appeals.

2. On January 06, 2010, Open Joint Stock Company "Central Telecommunications Company" appealed to the Moscow Arbitration Court to invalidate the June 30, 2010 decision of the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers concerning bringing the company to responsibility for tax offenses. The resolution was made by the tax authority based on field tax auditing of the company's activity from 2007 to 2008. The company disputed the additional VAT charges amounting to 34,394,013.36 rubles, additional income tax charges amounting to 3,872,772.15 rubles, as well as fines and penalties amounting to 69,044 rubles and 31 936, 61 rubles, respectively. Taking this statement into account, the Moscow Arbitration Court filed case no. A40-144303/10-90-850. In the course of proceedings in connection with the reorganization of OJSC Center Telecom in the form of merger with OJSC Rostelecom, the Moscow Arbitration Court replaced the applicant party (Center Telecom) with Rostelecom in the abovementioned arbitration case. According to the Moscow Arbitration Court's judgment on case no. A40-144303/10-90-850 dated November 24, 2011, the company's requests in this case were met in their entirety. According to the Ninth Arbitration Court of Appeals' judgment on case no. 09AP-37096/2011-AK dated February 2, 2012, the resolution of the arbitration court of primary jurisdiction was kept in force and the appeal of the tax authority was not accepted. Currently, the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 appealed to the Moscow district FAS with a cassational appeal. The company has no information regarding the status of this appeal,

3. The Limited Liability Company Sovintel appealed to the Federal Antimonopoly Service with a statement for antitrust offenses committed by OJSC Central Telecommunication Company, which was accused of imposing contracts unfavorable conditions in the merger of the LLC Sovintel network (hereafter CJSC Sovintel) with the OJSC Center Telecom network on the local level in the cities of Tula, Orel, and Voronezh, namely section 2.2.9 of the contract obliging LLC Sovintel to transit traffic on the applicant's network only from the numbers of numbering scheme range, fixed in accordance with established regulations for the operator network (LLC Sovintel), as well as networks that are consolidated to the network of this operator and specified in the license. The applicant requested that the FAS of Russia pass a judgment which would oblige OJSC Center Telecom to change the interconnection agreements signed with the LLC Sovintel network at the local level in these cities regarding fixation in the matrix of traffic transmission, in the

specification connection requirements of the possibility of traffic transit on the Center Telecom network, coming the range fixed for the mobile communications operator JSC VimpelCom, whose networks were connected to the LLC Sovintel network. In addition, LLC Sovintel substantiated its claims with the need to route all calls from the communication center of the local telephone network allegedly connected to the Tula operator, Open Joint Stock Company "The Central Research Institute of Management Systems" (OJSC AK CRloMS). Meanwhile, the network of this operator was not connected to the networks of the applicant. According to the judgment of the FAS dated October 19, 2009, JSC Center Telecom violated the accepted standards of the Federal Law "Concerning the Protection of Competition" by refusing to amend the network interconnection agreement relating to the removal of restrictions on the traffic transmission from the LLC Sovintel network involving the strictly defined numbering scheme resource. The FAS also denied traffic transmission of OJSC AK CRloMS via the LLC Sovintel network on the applicant's network on the basis of the interconnection agreement. The company was given all the necessary instructions. According to the Arbitration Court of Moscow dated May 5, 2010 no. A40-6002/10-154, by the request of JSC Center Telecom the resolution and instructions of the FAS were declared illegal. According to the resolution of the Ninth Arbitration Court of Appeals dated September 23, 2010, on the appeals of FAS and Sovintel the judgment of the arbitral court was kept in force and the appeals of applicants were left without satisfaction. The Federal Arbitration Court of Moscow District accepted the resolution dated January 17, 2011 to dismiss the appeal of the FAS, leaving these judicial acts without changes. At the same time, the FAS of Moscow District sustained a motion of VimpelCom (third party) on procedural legal succession of Sovintel on the grounds that on November 24, 2010 JSC Sovintel was reorganized through its merger with JSC VimpelCom. The FAS and JSC VimpelCom made an application for supervision in the Supreme Arbitration Court. The case was directed for consideration to the Presidium of the Supreme Arbitration Court of the Russian Federation. The proceedings of the case in the Presidium of the Supreme Arbitration Court were scheduled on September 06, 2011. During these proceedings the Presidium of SAC replaced the applicant (Center Telecom) in the abovementioned arbitration case against Rostelecom in connection with the reorganization of JSC Center Telecom in the form of a merger into OJSC Rostelecom. As a result of the proceedings, the Presidium of SAC kept in force the resolution of the Arbitration Court of Moscow dated May 05, 2010 on case no. A40-6002/10-154-15, the judgment of the Ninth Arbitration Court of Appeal dated September 23, 2010 and the decree of the Federal Antimonopoly Service dated January 17, 2011 on the same case. The claim of VimpelCom (the legal successor of CJSC Sovintel) and the Federal Antimonopoly Service was left unsatisfied.

4. On January 09, 2010 the Company appealed to the Arbitration Court of the Samara region with an application to nullify Order no. 480 dated September 09, 2010 issued by the Office of the Federal Antimonopoly Service in Samara Region "Regarding amendments inserted into the Register of economic entities with a market share of certain goods in the amount of more than 35 % and dominant in this market, if there is a dominant position for economic entities in this market which is recognized by the federal laws and to exclude Rostelecom from this Register. On June 14, 2011, the hearing on case no. A55-25947/2010 was held and resulted in a judgment which satisfied the asserted claims completely.

5. On December 07, 2010, JSC UTK filed a lawsuit in the Moscow Arbitration Court with the demand to recognize partially invalid the resolution of tax authority no. 10 dated June 24, 2010 "Concerning the prosecution for tax offenses based on the results of field tax auditing for the period from January 01, 2007 to December 31, 2008". According to this resolution, JSC UTK was assessed with additional taxes in the amount of 8,470,135, 47 rubles, fines equal to 1,858,332.38 rubles and a penalty which accounted for 1 566 330.91 rubles. The total amount payable under the appropriate decree no. 10 constituted 11 894 798.76 rubles. The court of first instance completely satisfied the claims of UTK. The court of appeal upheld the judgment of the Court of First Instance, the complaint of the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 was left without satisfaction. According to the judgment of the cassation court, the decree of the Court of First Instance and the ruling of the court of appeal were kept in force, the cassational appeal of the tax inspectorate was dismissed.

6. The company is a plaintiff in the case for invalidating decree no. 22 dated December 30, 2009, pronounced by the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7, on the basis of tax auditing of JSC Dalsvyaz's economic activity for the period 2006 – 2008. (The Company is a legal successor of OJSC Dalsvyaz as a result of reorganization conducted in the form of the merger of Dalsvyaz into Rostelecom). In accordance with the abovementioned decision the tax authority believes that JSC Dalsvyaz did not indicate the revenues coming from free use of the copyright items in the non-operating income, as well as the amount of remuneration paid to members of its board of directors, unreasonably included in the expenses for tax purposes. The total amount of tax claims, including the amount of tax, penalties and fines accounted for 14,806,397 rubles. The Company did not agree with the tax order equal to 14,569,492, 26 rubles, from this sum the tax constituted 13353897, 18 rubles, fines accounted for 539 258, 38 rubles and penalties amounted to 676,336.70 rubles. Therefore, the company disputed the decision of the

tax authority in the Moscow Arbitration Court. According to the ruling of the Arbitration Court of Moscow dated January 19, 2011 the claim was partially sustained, namely the decision of the tax authority was found to be unlawful concerning additional income tax charges equal to 4,915,117 rubles and the corresponding sum of charged tax penalties and fines. The other part of the claim was denied. According to the resolution of the Ninth Arbitration Court of Appeal dated May 16, 2011 the ruling of the Moscow Arbitration Court was changed and the claims of the Company were completely satisfied. According to the decree of the Federal Arbitration Court of Moscow District dated September 06, 2011 the judgment of the court of appeal was upheld.

7. In July 2010 the Interregional Inspectorate of the Federal Tax Service for Large Taxpayers No.7 completed the repeated field tax auditing on the updated declarations of income tax for the period of 2006 and 2007. According to its results the Tax Inspectorate issued a pronouncement to refuse the prosecution for tax offenses dated September 06, 2010 no.13. On its basis JSC NWT was requested to pay income tax arrears in the amount of 12,356,000 rubles, and income tax penalties equal to 388,000 rubles. OJSC "North-West Telecom" in the established art. 101.2. of the Tax Code disputed the decision of the Tax Inspectorate to a higher authority agency, namely the Federal Tax Service. With the help of the ruling on the appeal petition dated October 28, 2010 no. AS-37-9/14409 the Federal Tax Service cancelled the judgment of the Tax Inspectorate concerning the income tax penalty charges for the amount of 223,000 rubles, leaving the other part of the judgment without change, namely the total amount of 12.521 million rubles. In 2011 the Company filed a case in the Moscow Arbitration Court relating to the annulment of the decision dated September 06, 2010 no. 13. According to the decree of the Moscow Arbitration Court on case no. A40-13778/11-90-61 dated November 30, 2011, the Company's claims were completely satisfied. According to the resolution of the Ninth Arbitration Court of Appeal dated February 02, 2012, no. 09AP-810/2012 the decision of the arbitration court of primary jurisdiction was upheld, the appeal petition of the tax authority was left without satisfaction. Tax Inspectorate no. 7 lodged a cassational appeal to the FAS of Moscow District. The Company knows nothing about its consideration.

Risks associated with the Company's possible liability for third-party debts, including those of the affiliates of the Company.

The Company occasionally bears the risks associated with the possible liability for debts of a third party in the amount of provided assets.

In case of nonperformance or improper performance by the debtors warranted by the Company, the Company shall bear shared responsibility with their creditors.

The company's management team does not expect to incur any significant payables associated with backing up such debtors. The probability of occurrence of the factors which may lead to the nonperformance or improper performance with respect to liabilities is minimal.

The risks associated with the possible loss of the single customers who turn over at least 10% of the total sales income of the company (sales of work and services).

Risks are non-existent, since presently there are no single customers that turn over at least 10% of the total revenue of the company.

Risks associated with the integration of the interregional communication companies and JSC Dagsvyazinform consolidated to the company.

On April 1, 2011, OJSC Center Telecom, OJSC Sibirtelecom, OJSC Dalsvyz, OJSC Uralsvyazinform, OJSC Volga Telecom, OJSC North-West Telecom, OJSC UTK and OJSC Dagsvyazinform were excluded from the Uniform State Register of Legal Entities in connection with the merger, which became the legal successor of all rights and liabilities of these companies.

The reorganization of the entity the size of Rostelecom involves risks associated with the inefficient integration of business processes and systems of the merged company. Inefficient performance of business processes may be associated with the conflict of roles, duplication of functions, time-consuming process of document coordination, gaps in business processes management, demotivation of staff, changing the terms of set tasks, etc. In turn, the specified risks can lead to an increase in operating expenses, a decrease in the quality service and customer outflows, a reduction of revenue and a worsening of the company's reputation. To reduce this risk, the company established agencies to coordinate the integration process, develop and implement a comprehensive integration plan that covers all of the company's business processes, and carry out the regular monitoring of its execution and updating taking into account current changes.

Risks associated with the company's rebranding.

One of the strategic objectives of the company's 2011-2015 development includes the transition to a single brand. Some current brands of affiliated companies and subsidiaries are strong enough in their regions, thus there is a risk of losing customers when moving to a single brand. In addition, the failure to start a single brand may negatively impact the company's ability to attract new customers. To reduce the consequences of this risk, the company intends to introduce the new brand gradually, paying much attention to the positions of current brands in different regions.

Risks associated with the integration of the company's mobile business.

The company currently provides mobile services based on MRF "Ural" (under the name U-tel) and seven subsidiaries. In addition, through participation in boards of directors and the companies' managements, Rostelecom substantially determines the activity of the JSC Svyazinvest owned "Sky Link" group (which includes 23 companies). Therefore, the current structure of the mobile assets is characterized by the fragmentation of terms of development directions, range of frequencies (GSM 900/1800, CDMA 450, UMTS 2100, 4G 2300-2400), technological resources, and marketing priorities. In addition, the company has no direct control over CJSC Skylink. It impedes the management of this asset.

The lack of a consolidated model of mobile business management in conditions of dense competition with mobile operators can cause a decrease in operation efficiency, a reduction of market share, and a failure to become a federal mobile operator. To lower this risk, the company prepared and realized a plan to integrate mobile business, taking into account available frequencies, network resources, the company's market position, and the prospects of regional markets.

Risks associated with the lack of demand for current and emerging products and company services.

Presently, the company's revenue is primarily generated by traditional services, such as DLD and ILD telecommunication and leased line services. Lately, the company has been developing and promoting new advanced communications products and services, including intelligent platforms, VPN services, high speed Internet access based on fibre-optic lines, data centers, etc.

In conditions of continued decrease in demand for traditional voice services which may not be compensated for by the consumption of new services offered by the company, this risk may negatively affect the company's financial performance and prospects.

Risks associated with a complete failure to fulfill obligations to customers or clients on major projects or a failure to fulfill obligations in a timely manner:

At the current time, OJSC Rostelecom is in the process of realizing several complicated projects (including federal projects), involving the operation of high tech equipment, significant costs, and long realization periods. The success of such projects calls for a high level performance at all stages of realization, including those of planning, cooperation with subcontractors and public authorities, financing, and execution. Poor quality or delayed performance realizers of these projects, including failures arising as a result of force-majeure, may incur significant financial and reputational damage. In some projects, such as "Sochi 2014" and the "Electronic Government", the realization of a project is directly linked to questions of national or strategic importance and can have significant social implications.

If the company fails completely or in part to fulfill its obligations to customers on large projects or clients and/or fails to fulfill obligations on large projects within a predetermined framework, it may incur significant financial and reputational damages. Additionally, any delayed implementation of these projects may reduce the pay-off and, as a result, worsen the financial results of the company.

To reduce these risk, the most important projects have been specified within the company and bodies have been created to continuously coordinate the company's operations and its contractors with the projects' schedules.

Risks associated with a lack of capacity, insufficient network capabilities, and a possible decrease in returns on investment in the communications network.

Active development of the data network-based services is becoming one of the main drivers of growth in the telecommunications market. To guarantee this development, it is necessary to significantly expand the data network capacity and, subsequently, of its functionality and features. In order to reduce this risk, OJSC Rostelecom invests a lot into the development of the existing data network. However, if the company's predictions on the growth of demand for these services turn out to be incorrect, or if the company fails to develop the data network on time, the growth in revenue derived from these services may be limited.

Significant increases in the volume of data traffic in the network call for investment in the data network's development and are expected to naturally lead to falling rates per traffic volume unit for end users. In this context, there is a risk of falling returns on investment made into the data network, as the per traffic unit rates decline further and the data service market becomes saturated.

In addition, to ensure the company's presence in the wireless broadband Internet access segment, it is necessary to expand the network on the basis of available frequencies and to obtain additional frequencies in LTE standard. Despite the fact that the company has won frequency competitions in the 2.3-2.4 GHz range, the provision of services on these frequencies have not yet been initiated due to the seizure of the spectrum. Therefore, it is possible that the company may fail to successfully launch the network on the basis of these frequencies.

In order to reduce the risk of frequency shortage for the development of promising services in LTE standard, the company carries out consultations with the Ministry of Defense concerning the release of new frequencies. It also seeks alternative decisions, particularly the co-utilization of frequencies of the operator Scartel (brand Yota), as well as considers using the frequency spectrum of the Union of LTE network operators.

Risks associated with changes in existing technology services and the initiation of new technology services in the communications industry.

Many of the services delivered by Rostelecom (Internet access, IPTV, IP VPN, etc.) include a variety of technological components subjected to rapid and substantial changes. The emergence of new technologies or significant modifications of existing technologies can weaken the company's and render it noncompetitive and requiring of additional investment for further improvement and a guarantee of marketability.

In addition, investment in new technologies in which the company has neither implementation skills nor experience can be commercially unreasonable. Such technologies can demand more time for their introduction or additional expenditures that were not originally anticipated.

These changes may adversely affect the company's financial results and the initiation of new products and services. To decrease this risk, the company has established an internal body that continuously monitors technological innovations. The company also takes measures aimed at developing and deploying new products and services based on the optimal practices in each corresponding area.

Risks associated with possible claims made by the Federal Antimonopoly Service against the Company.

The company is included in the register natural monopoly entities. In addition, the range of the company's activity continues to grow both through integration of interregional telecommunications operators and through acquisitions, which require the preliminary coordination with the Federal Antimonopoly Service (FAS). In view of obscure rules of antimonopoly regulation, unfair and disputable complaints against the company to the FAS by competitors, as well as the objective growth of the company's presence in some markets due to its transition to the sphere of universal telecommunications provider, FAS proceedings against the company may occur unexpectedly and adversely affect both the company's market position and its financial performance and reputation. To lower this risk, the company does its best to meet the requirements of the FAS and, if necessary, to defend its position in court proceedings.

CORPORATE GOVERNANCE

The development of sound corporate governance practices is one of the key priorities for the management of OJSC Rostelecom. The principles behind the company's corporate governance policies promote transparency to help ensure the stable balance between the economic and social objectives and the interests of the Company, its shareholders, and other stakeholders.

In its corporate governance practices, OJSC Rostelecom adheres to the best domestic and international practices and standards and, in many cases, implements the recommendations of independent rating agencies and consultants to improve these practices. Following the highest recognized standard of corporate governance helps to create an atmosphere of trust and confidence among the company's employees, as well as increase the efficiency of management decisions and assists the growth of the company's investment appeal in the long run.

Governance Structure of OJSC Rostelecom

Pursuant to the Charter of OJSC Rostelecom, the Company is governed by:

- the General Shareholders' Meeting – the Company's supreme governing body;
- the Board of Directors elected by the shareholders of the Company in the General Shareholders' Meeting responsible for the strategic management of the Company;
- the President and the Management Board appointed by the Board of Directors for ensuring management of the daily operations of the Company.

Corporate Governance Standards

OJSC Rostelecom has implemented its Corporate Governance Code and the Code of Ethics to ensure that its shareholders have equal access to transparent, comprehensive corporate information and to guarantee the company's compliance with the highest ethical standards. These codes also consolidate internationally recognized high standards of corporate practices and regulate such matters as conflicts of interest, prohibition of abuse of official powers or insider information, as well as procedures for preparing and disclosing information on operational performance.

The Corporate Governance Code and the Code of Ethics were developed by the company in accordance with the requirements and recommendations of the New York Stock Exchange, the US Securities and Exchange Commission, and the recommendations of the Federal Financial Markets Service of Russia. Compliance with these guidelines is a pre-condition for maintaining a listing of the company's securities on the Russian and foreign stock exchanges.

OJSC Rostelecom's Codes are based on the following corporate governance principles recognized in Russia and worldwide:

- observing shareholders' rights and interests as stated by applicable legislation, norms and requirements, as well as ensuring the long-term growth of the shareholder value through improved corporate practices, openness, and transparency;
- ensuring transparent and efficient management mechanisms and structures, as well as ensuring that senior management undertake their duties competently and in good faith, in accordance with the high corporate governance and business ethics standards;
- maintaining an efficient internal control and auditing system;
- active cooperation with all of the stakeholders in the interest of ensuring the company's long-term sustainable development.

In the reporting year, the company also approved the regulation on access to insider information, rules of its confidentiality protection, and control over compliance with the requirements of insider information legislation, which fixes the equivalence of rights of all shareholders to have access to information that may affect the value of securities owned by the company and limits the possibility of manipulating the stock market and other financial company instruments.

Corporate Governance Rating

According to the results of the monitoring Rostelecom's corporate governance practices, held during from December 2010 to April 2012, the Consortium of the Russian Institute of Directors and the "Expert RA" rating agency (hereafter referred to as the Consortium "Expert RA") gave the company a rating of "8" in April 2012 according to the scale of the National Rating of Corporate Governance.

Therefore, according to the consortium "Expert RA", OJSC Rostelecom is one of the leaders among Russian companies in terms of quality of corporate governance. OJSC Rostelecom has low corporate governance risks. The company complies with the requirements of the Russian legislation concerning corporate governance, follows the Russian Code of Corporate Conduct in most cases as well as the separate recommendations of the international best practices in corporate governance.

Compliance with the Code of Corporate Conduct of FCSM of Russia

On November 28, 2001, the Russian Government approved the Code of Corporate Conduct. In the course of improving its corporate governance standards, OJSC Rostelecom took the recommendations of the Code and embedded them into its own Charter and other internal regulations of the company in accordance with the current legislation of the Russian Federation.

Information on OJSC Rostelecom's compliance with the recommendations of the Corporate Conduct Code of the Federal Commission for Securities Market of the Russian Federation is provided and constitutes an integral part of Appendix 1 to this Annual Report.

SHARE CAPITAL

As of December 31, 2010, OJSC Rostelecom's Charter Capital comprised 2,428,819,4725 rubles.

By the end of 2010, the company admitted 971,527,789 shares, including 728,696,320 ordinary shares (state registration number 1-01-00124-A dated September 9, 2003) and 242,831,469 preference shares, A Type (state registration number 2-01-00124-A dated September 9, 2003), with par value of 0.0025 rubles each.

On February 17, 2011, FFMS registered 16 additional issues of ordinary shares of the Company (state registration numbers from 1-01-00124-A-002D to 1-01-00124-A-017D dated February 17, 2011). They were issued in the course of the reorganization of the company conducted in the form of a merger with OJSC Volga Telecom, OJSC Dagsvyazinform, OJSC Dalsvyz, OJSC North-West Telecom, OJSC Sibirtelecom, OJSC Uralsvyazinform, OJSC Center Telecom, and OJSC UTK. Admission of securities was executed simultaneously with the exclusion of the integrated companies from the Unified State Register of Legal Entities on April 1, 2011. Reports on the results of the specified issues were registered in FFMS (Federal Financial Markets Service) on April 28, 2011. According to the registered reports on the results of the additional issue, the company listed 2,214,561,949 ordinary shares of par value 0.0025 rubles each. On June 2, 2011, the company inserted appropriate amendments regarding the amount of Charter Capital in the Charter. According to the FFMS resolution dated August 4, 2011, the state registration numbers of additional issues were canceled and the specified additional issues were merged with the main issue of 1-01-00124-A ordinary shares.

As of December 31, 2011, OJSC Rostelecom's Charter Capital comprised 7,965,224,3450 rubles.

By the end of 2011, the company had 3,186,089,738 shares, including 2,943,258,269 ordinary shares (state registration number 1-01-00124-A dated September 9, 2003) and 242,831,469 preference shares, A Type (state registration number 2-01-00124-A dated September 9, 2003), with par value of 0.0025 rubles each.

According to OJSC Rostelecom's Charter, effective from December 31, 2011, the company may additionally issue 3,685,438,051 authorized shares and 531 preference shares, A Type, with a par value of 0,0025 rubles each.

OJSC Rostelecom's Share Capital Structure as of December 31, 2011

The shareholders who own 2% or more of Charter Capital or ordinary (voting) shares of the Company (including nominal holders):

	Share in Charter capital		Share in Ordinary shares	Share in Preference shares
	RUB.	%	%	%
Shareholders				
JSC Svyazinvest	3,191,561,1725	40.07%	43.37%	0,00%
The Russian Federation represented by Federal Property Management Agency	546,551,4925	6.86%	7.43%	0,00%
Vneshekonombank	180,032,7625	2.26%	2.45%	0,00%
LLC Mobitel	273,958,2200	3.44%	2.69%	12,55%
Nominal holders				
NPO CJSC NRD	1,035,607,5100	13,00%	11,50%	31,23%
CJSC DKK	1,024,858,9450	12,87%	12,69%	15,03%
CJSC ING Bank (Eurasia)	384,098,7025	4,82%	4,87%	4,23%
CJSC UBS Nominees	265,374,5150	3,33%	3,61%	0,00%
OJSC Sberbank of Russia	180,457,2250	2,27%	2,41%	0,46%

As of December 31, 2011 Russian Federation represented by Federal Property Management Agency owns 218,620,597 ordinary shares of the Company. The Russian Federation does not have a special right ("golden share") to participate in the management of the Company.

The category structure of the shareholders of the Company:

	Share in Charter capital	Share in ordinary shares	Share in Preference shares
Legal entities, including:	93,52%	94,34%	83,64%
Resident companies	93,45%	94,26%	83,62%
Non-resident companies	0,07%	0,08%	0,01%
Individuals, including:	6,48%	5,66%	16,36%
Residents	6,46%	5,65%	16,32%
Non-residents	0,02%	0,01%	0,04%

The number of registered shareholders:

Legal entities, including:	772
Nominal holders	52
Resident companies	571
Non-resident companies	99
Individuals, including:	160 544
Residents	160 319
Non-residents	225
Total amount of shareholders	161 316

The Dividend Policy:

The company shall pay dividends in accordance with the OJSC Rostelecom Charter. In clause 10.3 of the Charter, the minimal total value payable as a dividend on preference shares is fixed at ten percent of the company's net profit, defined in accordance with Russian legislation (Russian Accounting Standards) concerning the results of the last accounting period divisible by the number of shares constituting twenty-five percent of the company's Charter Capital.

In December 2011, the Board of Directors approved the new second edition of the Regulation on Dividend Policy. According to accepted regulation, the minimal total value payable as a dividend on ordinary shares should constitute no less than twenty percent of the company's total net profit, determined in accordance with International Accounting Standards (IAS). Earlier, the dividend policy defined the minimal total value payable as a dividend on ordinary shares on the basis of the company's net profit of according to Russian Accounting Standards.

The company's Annual General Shareholders' Meeting held on June 27, 2011, resolved to pay the following dividends based on the 2010 year results:

- dividends on preference shares, A Type, in the amount of 0.4344 rubles per share;
- not pay dividends on ordinary 2010 shares.

The extraordinary General Shareholders' Meeting held on November 10, 2010, resolved to pay the following dividends for the 9 months of 2010:

- dividends on preference shares, A Type, in the amount of 1.6667 rubles per share;
- dividends on ordinary shares in the amount of 1.1113 rubles per share.

Thus, the total amount of the dividends paid on preference shares exceeded 434 million rubles and accounted for 12.57% of the company's net profit of for 2010. The total amount of dividends paid on ordinary shares exceeded 809 million rubles, or 23.40% of the company's 2010 net profit.

In the 2011 reporting year, the company did not accrue dividends to the federal budget. Therefore, the company has no indebtedness on payments of dividends to the federal budget.

As of December 31, 2011, following the payment of dividends for nine months of 2010 and for 2010, the company's debts to shareholders amount to approximately 0.83% and 2.65% of the total dividends accrued to the holders of ordinary and preference shares of OJSC Rostelecom for the corresponding periods.

The key reason behind the non-payment is the shareholders' failure to submit information on certain changes in their personal data to the register of the company's securities holders in accordance with the payment method they had selected. These changes included:

- Changes in the shareholder's residential location, for those opting to receive dividends by mail transfer;
- A lack of details, indication of incorrect bank details and/or changes in bank details for those opting to receive dividends by bank transfer;
- Changes in shareholders' passport details (this being applicable to any payment method)

OJSC Rostelecom complies with the resolutions of the Annual General Shareholders' Meetings and fully performs its obligations pertaining to the remittance of dividends to persons entitled to receive them.

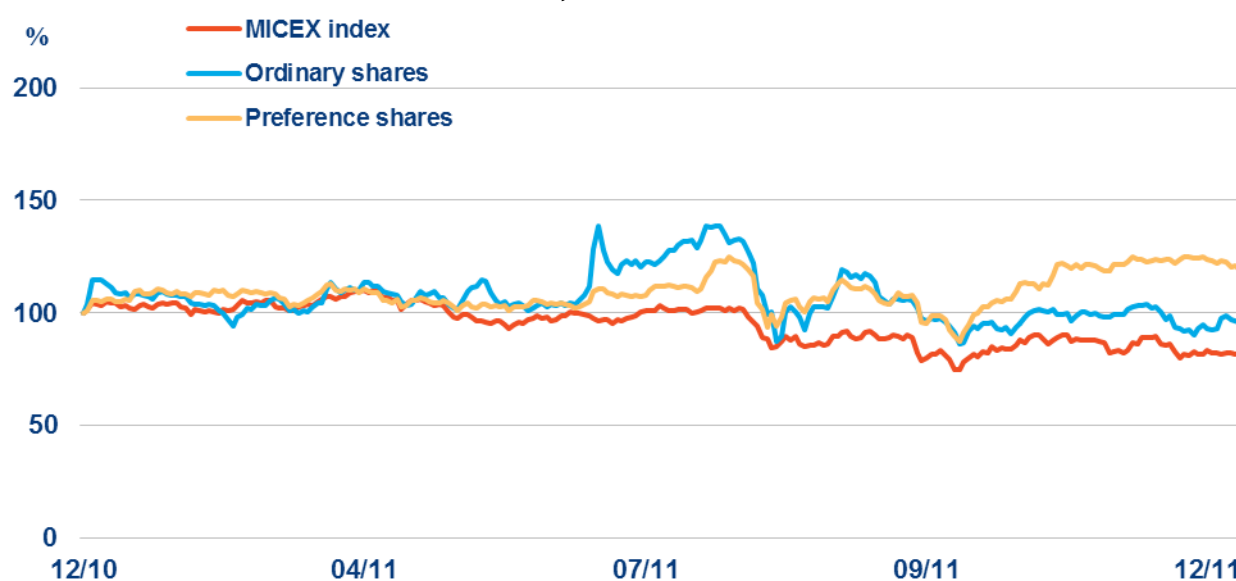
Moreover, pursuant to clause 5 of Article 44 of the Federal law No.208-FZ "On Joint-Stock Companies" as of October 31, 2002, and clause 13.3 of Article 13 of the OJSC Rostelecom Charter, a shareholder shall advise the Company's Registrar in a timely manner on any changes in his/her personal details. In case of a shareholder's failure to provide information on changes in his/her details (on time), OJSC Rostelecom and the registrar shall not be held liable for his/her losses inflicted in connection therewith.

It is important to note that upon the expiry of the dividend payout period set by the General Meeting of Shareholders, the company monitors the shareholder register on a monthly basis and pays outstanding dividends to the shareholders which have made requisite changes to the register of the company.

The Company's Shares on the Russian Market

As of December 31, 2011 the company's ordinary and preference shares (RTKM, and RTKMP tickers) are currently listed as level A1 securities on the MICEX Stock Exchange. The listing on the MICEX as well as the inclusion of OJSC Rostelecom's securities in the calculation of exchanges' indices demonstrates the ample liquidity of the company's securities and ensures the observance of rights and interests of shareholders and investors in accordance with listing requirements.

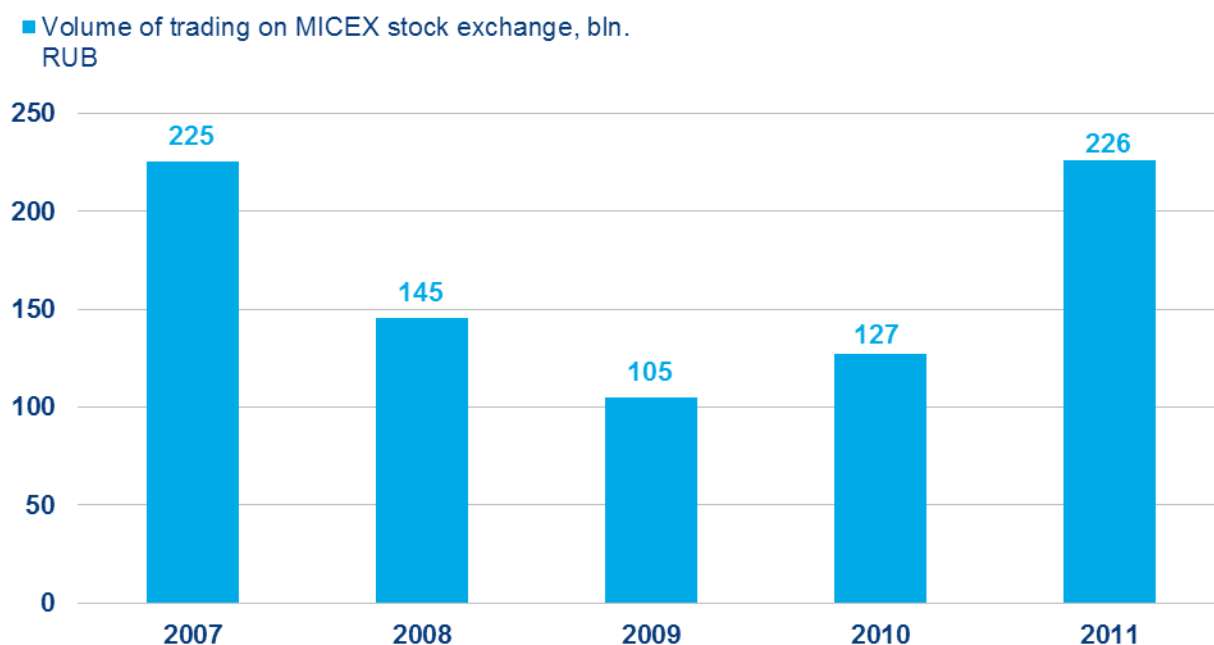
Performance of OJSC Rostelecom's Shares, MICEX Index



* Prices of OJSC Rostelecom's ordinary and preference shares and the MICEX index were assumed to be equal to 100 base points as of December 31, 2010

** The MICEX weighted average prices for OJSC Rostelecom's ordinary and preference shares are used

Volume of OJSC Rostelecom's Shares Traded on MICEX



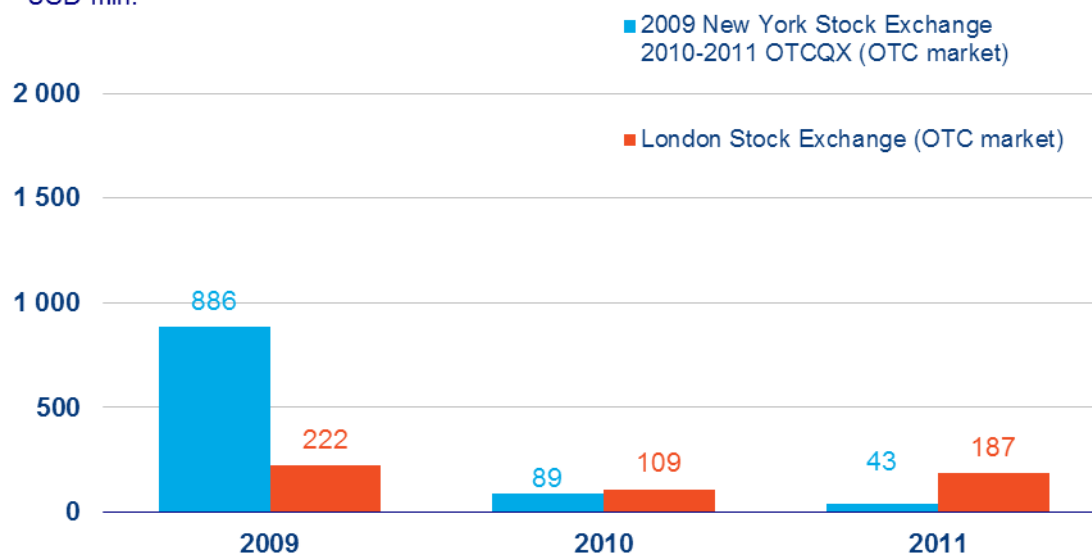
Foreign Market for the Company's Securities

The ADRs of OJSC Rostelecom were listed on the New York Stock Exchange (NYSE) from February 1998 to December 2009. In December 2009, the Board of Directors thoroughly reviewed the Level II ADR Program and decided to delist the ADRs from the NYSE and to deregister them with the U.S. Securities and Exchange Commission. The main reason for this was that the need to comply with the reporting requirements under the U.S. Exchange Act was associated with substantial expenses, while the major market for OJSC Rostelecom's securities was by far and large the Russian securities market.

After the delisting from the NYSE the ADR Program was transferred to Level I and JSC Rostelecom's ADRs had begun trading in the U.S. over-the-counter (OTC) market by means of the "Pink Sheets" electronic system. In March 2010, to maintain a high level of transparency and disclosure in line with the best global practices, OJSC Rostelecom's ADRs were listed on the OTCQX International Premier – the highest tier of the U.S. OTC market. The Company's ADRs are also traded outside of listing at the London, Frankfurt and other foreign stock exchanges. As of December 31, 2011, 2,22% of the Company's ordinary shares circulated outside the Russian Federation in the form of ADRs.

Volume of OJSC Rostelecom's Shares (ADR) Traded on Foreign Stock Exchanges

USD mln.



GENERAL MEETING OF SHAREHOLDERS

Pursuant to the Charter of OJSC Rostelecom the General Shareholders' Meeting is the Company's supreme governing body.

The extraordinary General Shareholders' Meeting held on January 22, 2012, considered the following issues ((The protocol No. 1 dated January 26, 2011):

1. Early termination of the powers of the Board of Directors
2. Election to the Board of Directors
3. Amendments to the company's charter

The company's Annual General Shareholders' Meeting held on June 27, 2011 on the results of 2010, considered the following issues ((The protocol No.1 dated June 30, 2011):

1. Approval of the company's annual report and annual financial statements, including profit and loss statements (income and expenditure account), according to the results of the 2010 financial year.
2. The company's profit distribution (including payment of dividends), according to the results of the 2010 financial year.
3. Election of the members of the Board of Directors.
4. Election of the members of the Auditing Commission.
5. Approval of the auditor of the Company for 2011.
6. Approval of the new edition of the company's Charter.
7. Approval of the Statute on the Board of Directors of the Company in the new edition.
8. Approval of Regulation on the President of the Company in the new edition.
9. Approval of the Regulation on the Management Board of the Company in the new edition.
10. Approval of interrelated transactions with the subject consisting of property with the price (the offer price of acquired property) constituting more than two percent of the book value of the company's assets, according to the company's financial statements for the last reporting date, namely an additional agreement between OJSC Rostelecom and OJSC JSCB Svyaz-Bank on the arrangement of credit in the form of "overdraft" agreement, dated March 28, 2001 and numbered 004/01-058R, an additional agreement between JSC Rostelecom and OJSC JSCB Svyaz-Bank on the arrangement of credit in the form of "overdraft" agreement, dated 25 October 2006 and numbered 1558/1345- 06-20, an additional agreement between JSC Rostelecom and JSCB Svyaz-Bank OJSC on the arrangement of credit in the form of "overdraft" agreement, dated October 25, 2006 and numbered 400 610, an additional agreement between JSC Rostelecom and JSCB Svyaz-Bank OJSC on the arrangement of credit in the form of "overdraft" agreement, dated October 25, 2006 and numbered 1558/1344-06-20.
11. The company's membership in the Union of LTE communication operators.
12. Remuneration of the company Board of Directors members for the performance of their duties in the form of reward and compensation of expenses.

THE BOARD OF DIRECTORS

Pursuant to the Charter of OJSC Rostelecom, the Board of Directors is a governing collective executive body responsible for the general management of the company in between the General Shareholders' Meetings, and consists of 11 members. In its activity, the Board of Directors is guided by the Charter of the Company and the Statute of the Board of Directors of the Company. The new edition No. 10 of the abovementioned Statute was approved by the company's Annual General Shareholders' Meeting held on June 27, 2011, the Protocol No. 1 dated June 30, 2011.

The current members of the Board of Directors were elected on June 27, 2011 at the Annual General Meeting of Shareholders. The persons listed below were in the Board of Directors of the Company during 2011 as well as 2012 until the date of the company's Annual General Shareholders' Meeting:

Surname, First letter of Patronymic, First name of Board of Directors members active from 22.01.2011 until 27.06.2011

BoD Member	22.01.2011	27.06.2011
1. Anatoliy B. Ballo		
2. Vladimir N. Bondarik (chairman of the board until June 26, 2011))		
3. Anton A.Zlatopolsky		
4. Yuriy A. Kudimov		
5. Sergey I. Kuznetsov		
6. Mikhail A. Leshchenko		
7. Aleksey A. Lokotkov		
8. Konstantin V. Malofeev		
9. Anatoly A. Miliukov		
10. Alexander N. Pertsovsky		
11. Mikhail I. Poluboyarinov		
12. Sergey V. Pridantsev		
13. Aleksander Yu. Provorotov		
14. Ivan I. Rodionov (chairman of the board since July 18, 2011)		
15. Victor D. Savchenko		
16. Vadim V. Semenov		
17. Anatoliy V. Tikhonov		
18. Yelena V. Umnova		
19. Evgeny V. Yurchenko		
20. Igor O. Shchegolev ¹		

Brief biographies of the members of OJSC Rostelecom's Board of Directors are set out in Appendix No.2 "Company Management and Controlling Bodies" of this Annual Report and substitute an integral part thereof.

Activities of the Board of Directors and its Committees in 2011

During 2011, OJSC Rostelecom's Board of Directors held 47 meetings, nine of which were in praesentia and 38 of which were held in absentia. The decision to hold meetings in praesentia or in absentia is based on the factors such as the speed with which decisions need to be made, the amount of information to be reviewed

¹ In accordance with his own statement, Schegolev I.O was not informed about meetings and/or voted in absentia of the Board of Directors, the materials of the Board of Directors were not sent out to him. He did not participate in the activity of the Board of Directors.

by the members of the Board of Directors and the extent of discussion required in each particular case regarding the Company's general development. Information on the meetings of the Board of Directors of the Company is represented in Appendix no. 5 of this Annual Report and substitutes its integral part.

Major Resolutions Adopted by the Board of Directors

In 2011, in accordance with the resolution accepted by the shareholders at the Company's Annual General Shareholders' Meeting following the results of 2009, the reorganization of the Company was performed in the form of integration with OJSC "Volga Telecom", OJSC "Dalsvyz", OJSC "North-West Telecom", OJSC "Sibirtelecom", OJSC "Uralsvyazinform", OJSC "Center Telecom", OJSC "UTK" and OJSC "Dagsvyazinform". In this regard, a substantial part of the activity of the Board of Directors in 2011 was focused on establishment and most effective business progress of the consolidated company, and all aspects of its work - both corporate and operational.

In March 2011, the Board of Directors approved regulations on seven macroregional affiliates of the Company, and adopted a decision to set up branches within their structure.

In May 2011, the Board of Directors approved the main directions of growth of the Rostelecom Group for 2011-2015, and in June 2011 it upheld the Program of Innovation Development of the Company.

In the second half of 2011, the Board of Directors considered the program aimed at realization of non-core assets of the Company and the concept of sales network and the Company service improvement.

In December 2011, the Board of Directors maintained the Statute Concerning Dividend Policy in the new second edition.

According to the Federal Property Management Agency in December 2011, the Board of Directors approved calculation methodology of the cost cutting index for acquisition of goods (works, services) per one product unit.

Additionally, in December the dividend policy of the company, in which the Board of directors fixed the minimum threshold of dividend payments on ordinary shares, was accepted. In addition, the Board of directors acknowledged the calculation of dividend payments taking the financial statements on IAS instead of RAS as a base.

At the end of 2011, the Board of Directors adopted a decision to purchase the outstanding shares of Rostelecom within 3.87% of ordinary shares of the company.

In the course of its activity, the Rostelecom Board of Directors was also guided by the need to further expand the merged company. During the whole 2011 the Board of Directors of the Company supported Rostelecom's management offers to acquire communication operators in different regions of the country. Therefore, the Board of Directors approved the company's participation in OJSC NATIONAL TELECOMMUNICATIONS, which is the largest independent operator of fixed telephony and cable television in Russia (January 2011), OJSC "Bashinformsvyaz", which is the main operator of fixed telephony in the telecommunication market of the Republic of Bashkortostan (May 2011), the major alternative operator in the Moscow region, specializing in the provision of cable television and broadband Internet services, (December 2011). In August 2011 the Board of Directors came to a determination to increase the number of owned by the Company shares of mobile operators CJSC Volgograd - GSM and CJSC Orenburg - GSM to 100% of charter capital.

In the accounting period, the Board of Directors approved the Company's budget for 2012 and has been regularly attending to the issues of fulfilling the budget estimations and controlling the receivables.

Additionally, the Board of Directors regularly reviewed issues pertaining to the approval of related party transactions under the Federal law "On Joint-Stock Companies". In 2011, the Board also made decisions related to the preparation and execution of the General Shareholders' Meeting on the year 2010 results.

Committees of the Board of Directors

To improve the Company's efficiency, the Board of Directors maintains the Strategy Committee, the HR and Remuneration Committee, the Auditing Committee, and the Corporate Governance Committee. These committees are elected on an annual basis. As initiatives are proposed, each Committee carries out a detailed analysis from the perspective of its own area of expertise and presents its recommendations to the

Board. This ensures that each decision made by the Board of Directors is well-researched and sufficiently informed. Information on the meetings of Committees of the Board of Directors of the Company is presented in Appendix no. 5 of this Annual Report and composes its integral part.

The Strategic Committee

In its activity the Strategic Committee is motivated by the Regulations on the Strategy Committee of the Board of Directors of the company. Its new second edition was approved by the Board of Directors in 2009 (The protocol No. 5 dated June 24, 2009).

In 2011 the Strategic Committee focused on the items connected with further advance of operational and investment activities of the Company, budgeting issues and investment priorities for 2011, and the management of OJSC Rostelecom's assets.

The Committee also closely monitored the company's performance against budget targets and put great effort into the finalization of the budget for 2012.

Members of the Strategic Committee until June 27, 2011:

- Sergei I. Kuznetsov;
- Yuri A. Kudimov;
- Konstantin V. Malofeev;
- Mikhail A. Leshchenko;
- Sergey V. Pridantsev;
- Aleksander Yu.Provotorov;
- Vadim V. Semenov;
- Anatoly V. Tikhonov.

Members of the Strategic Committee from August 05, 2011:

- Yuriy A. Kudimov;
- Sergei I. Kuznetsov;
- Anatoly A. Miliukov;
- Aleksander Yu.Provotorov;
- Ivan I. Rodionov;
- Vadim V. Semenov;
- Anatoly V. Tikhonov.

The Human Resources and Remuneration Committee

In the course of the company's activity, the Human Resources and Remuneration Committee has been ruled by the Regulations on the Human Resources and Remuneration Committee of the Rostelecom Board of Directors. Its new edition no. 1 was approved by the Board of Directors in 2009 (The protocol No. 11 dated September 21, 2009).

Last year, the basic responsibilities of the Human Resources and Remuneration Committee were to assess candidates to the Board of Directors, the Management Board, the Auditing Commission and for managerial positions. The Committee also reviewed and revised remuneration policies for the Board of Directors and the Management Board, for senior management and middle management, and approved the essential terms and conditions of employment contracts with members of the Management Board.

Members of the Human Resources and Remuneration Committee till June 27, 2011:

- Vladimir N. Bondarik ;
- Mikhail I. Poluboyarinov;
- Sergey V. Pridantsev;
- - Ivan I. Rodionov;
- Vadim V. Semenov;

Members of the HR and Remuneration Committee from August 05, 2011:

- Vladimir N. Bondarik ;
- Anton A. Zlatopolsky;

- Anatoly A. Miliukov;
- Alexander N. Pertsovsky.

The Auditing Committee

In the course of the company's, the Auditing Committee has guided by the Regulations on the Auditing Committee of the Rostelecom Board of Directors. Its new second edition was approved by the Board of Directors in 2009 (The protocol No. dated September 21, 2009).

In 2011, the Auditing Committee focused on controlling the quality and integrity of information included in the Company's financial (accounting) statements. The Committee regularly reviewed and evaluated the opinions of the Auditing Commission and the independent external auditor, monitored the company's auditing practices and examined draft auditing services agreements.

Also, 2011 became a year when the committee had to pay special attention to improving the company's risk management program.

Members of the Auditing Committee until June 27, 2011:

- Yuriy A. Kudimov;
- Vladimir N. Bondarik;
- Konstantin V. Malofeev;
- Ivan I. Rodionov.

Members of the Auditing Committee from August 05, 2011:

- Yuriy A. Kudimov;
- Alexander N. Pertsovsky;
- Vadim V. Semenov;
- Ivan I. Rodionov.

The Corporate Governance Committee

In its activity, the Corporate Governance Committee is motivated by the Regulations of the Corporate Governance Committee of the Board of Directors of the Company, the renewed second edition of which was approved by the Board of Directors in 2009 (The protocol No. 11 dated September 21, 2009).

In 2011, the Corporate Governance Committee of OJSC Rostelecom focused primarily on bringing strong corporate governance practices to the company and its subsidiaries.

In 2011, the committee also played an important role in the preparation and adoption of the agenda and materials for OJSC Rostelecom's Annual General Shareholders' Meeting on 2010 results.

Members of the Corporate Governance Committee till June 27, 2011:

- Anatoliy B. Ballo;
- Valentina F. Veremyanina, Director of the Corporate Governance and Legal Department of JSC Svyazinvest.
- Sergei I. Kuznetsov;
- Mikhail A. Leshchenko;
- Pavel A. Nezhutin, Corporate Secretary of OJSC Rostelecom
- Mikhail I. Poluboyarinov.

Members of the Corporate Governance Committee from August 05, 2011:

- Vladimir N. Bondarik;
- Anton A. Zlatopolsky;
- Sergei I. Kuznetsov;
- Aleksander Yu. Provotorov.

Remuneration of the Board of Directors

Pursuant to clause 2 of Article 64 of the Federal law "On Joint Stock Companies", the amount of remuneration payable to the members of the Board of Directors shall be set by resolution at the General Shareholders' Meeting. In compliance with the requirements of the Russian legislation, the Annual General Shareholders' Meeting held on June 27, 2011, approved a new revised version of the Regulations on the Board of Directors of OJSC Rostelecom, which stipulates the manner of payment to the members of the Board of Directors; the decision was also made regarding the "Compensation to the members of the Board of Directors for their duties as members of the Company's Board of Directors".

The remuneration of the members of the Board of Directors consists of quarterly and annual payments. The quarterly remuneration to each member of the Board of Directors shall be equal to 1,500,000 rubles. The Chairman of the Board of Directors shall receive remuneration of 1.3 times the remuneration of individual board members. The quarterly remuneration of a member of Board of Directors may be reduced by:

- 10%, in case of absence in 25 or less percent (inclusive) of the Board of Directors meetings and absentee meetings held;
- 30%, in case of absence in more than 25 yet less than 50 percent (inclusive) of the Board of Directors meetings and absentee meetings held;
- 100%, in case of absence in more than 50 percent of the Board of Directors meetings and absentee meetings held.

If during the quarter, there were changes in the composition of the Board of Directors and/or changes in the conditions of performance (commercial/non-commercial) of functions by a member of the Board of Directors, the remuneration shall accrue and be paid in proportion to the period of time during which the member of the Board of Directors performed their functions in accordance with commercial standards.

The annual remuneration for all members of the company's Board of Directors shall be set by resolution of the Annual General Shareholders' Meeting as a percentage of OIBDA upon the completion of the financial statements for the next reporting financial year.

In 2011, the Statute concerning the Board of Directors of the Company in a new revised version no. 9 was in force until the Annual General Shareholders' Meeting was held on the results of the 2010. According to this Statute the specified index of the OIBDA could not exceed 0.26%.

At the Annual General Shareholders' Meeting held on the results of the 2010, the shareholders approved the Regulations on the Board of Directors of the Company in a new edition no. 10, according to which the annual remuneration for the entire composition of Board of Directors is established by the resolution of the Annual General Shareholders' Meeting as a percentage of OIBDA based on the results of the Russian financial statements for the next reporting financial year. It may not exceed 0.13% and is used to determine the remuneration of persons who perform the functions of members of the Board of Directors starting from the moment when the Annual General Shareholders' Meeting was held on the results of the reporting year until the next Annual General Shareholders' Meeting.

Annual remuneration for a member of the Board of Directors shall be determined according to the following calculation method: the value described above divided by the number of persons elected to the Board of Directors. The annual remuneration of the Chairman shall be 1.3 times this number. Annual remuneration of a member of the Board of Directors shall be reduced by 50% in the event of his/her participation in less than half of the Board of Directors meetings held over his/her term of office.

If during the period starting from the election of the Board of Directors by the Annual General Shareholders' Meeting until the next Annual General Shareholders' Meeting there were changes in the composition of the Board of Directors and/or changes in the conditions of performance (commercial/non-commercial) of functions by a member of the Board of Directors the remuneration shall accrue and be paid in proportion to the period of time during which the member of the Board of Directors performed their functions on a commercial basis.

The annual remuneration to each member of the Board of Directors shall be paid no later than 3 months after its approval at the Annual General Shareholders' Meeting.

Members of the Board of Directors of OJSC Rostelecom who are also members of the Auditing Committee will receive an additional quarterly payment amounting to 150,000 rubles for fulfilling these duties. The payment to the Chairman of the Audit Committee shall be 1.25 times this number.

A member of the Board of Directors also serving as a member on other Board committees will receive an additional quarterly payment amounting to 126,000 rubles for serving as a member of the Board committee. The payment to the Chairman of each committee shall be 1.25 times this number (for participation in each committee).

The quarterly remuneration of a member of a Committee of the Board of Directors may be reduced by:

- 10%, in case of absence in 25 or less percent (inclusive) of the Board of Directors meetings and absentee meetings held;
- 30%, in case of absence in more than 25, yet less than 50 percent (inclusive), of the Board of Directors meetings and absentee meetings held;
- 100%, in case of absence in more than 50 percent of the Board of Directors meetings and absentee meetings held.

OIBDA is calculated as the sum index of operating income, depreciation, and amortization and expenses on property leasing on the leaser's balance. Profit and loss statement data are a corresponding period of time is used for the calculation of this index.

If during the quarter there were changes in the composition of the Committee, the remuneration to the former or new Committee member shall accrue and be paid in proportion to the period of time during which the member of the Committee performed his/her functions.

Members of the Board of Directors who are simultaneously employed by the state shall perform their duties on an unpaid basis.

Members of the Board of Directors do not receive any additional remuneration or compensation for any expenses incurred during the execution of their duties aside from those agreed upon by the Regulations on the Board of Directors or by the decision at the Annual General Shareholders' Meeting in other form.

Total Board of Directors' remuneration (including bonuses, commission fees, benefits and/or compensation for expenses, as well as other property distributions) amounted to 117,589,039 rubles for 2011.

THE PRESIDENT AND THE MANAGEMENT BOARD

According to the Charter of OJSC Rostelecom, the Management Board is a governing collective executive body of the company responsible for its day-to-day management. The number of members and the personnel composition of the Management Board is determined by the Board of Directors. Management Board members are elected by the Board of Directors excluding the Chairman of the management Board. According to the Federal law "On Joint Stock Companies", the authority of the Chairman of the Management Board is vested with the President.

Starting from July 14, 2010, the President of the Company is Alexander Provotorov. According to the current labor agreement the term of his office expires on July 13, 2015.

In 2011 and 2012, the Management Board of OJSC Rostelecom consisted/consists of the following members:

Management Board Member	25.02. 2011	15.06. 2011	01.08. 2011	25.11. 2011	28.01. ² 2012
1. Aleksander Yu.Provotorov					
2. Vladimir A. Akulich					
3. Yevgeny V. Gerasimov					
4. Pavel A. Zaytsev					
5. Ivan I. Zima					
6. Victor V. Iudin					
7. Sergey A. Lukash					
8. Vahagn A.Martirosyan					
9. Vladimir K. Mironov					
10. Alexey S. Naschekin					
11. Alexsey N. Nichiporenko					
12. Alexander M. Rogovoy					
13. Galina V. Rysakova					
14. Olga N. Rummyantseva					
15. Vadim V. Semenov					
16. Victor V. Strelkov					
17. Vladimir V. Terekhov					
18. Roman A. Frolov					
19. Anton A. Khozyainov					

Brief biographies of the President and the members of OJSC Rostelecom's Management Board are set out in Appendix No.2 titled "Company Management and Controlling Bodies" to this Annual Report and are an integral part thereof.

Activities of the Management Board and its Committees in 2011

The Management Board of the Company held 53 meetings in 2011, 14 meetings in praesentia and 39 meetings in absentia.

In 2011, the Management Board monitored the company's operational activities with a specific focus on how current plans are formulated and what decision-making processes are employed in pursuance of the company's goals. The Management Board also reviewed budget performance reports and regularly monitored progress on the realization of marketing and advertising plans.

² Supplemental information

In order to improve operational efficiency, the Management Board adopted certain resolutions in 2011 on the decommissioning of analogue communication lines and facilities. The Management Board has focused on optimizing the structure of Rostelecom's branches.

Moreover, to ensure an efficient decision-making process, the Management Board thoroughly examined materials and issues prior to their submission to the Board of Directors for consideration, and provided preliminary approval services of related party transactions.

Constantly working to improve the company's corporate governance standards and internal control procedures, the Management Board paid particular attention to OJSC Rostelecom's risk management program during 2011. The Management Board also drove the company's social responsibility initiatives, undertaking numerous charitable and sponsorship initiatives on behalf of the company in 2011.

The Committees of the Management Board

In 2011, several committees were in place to improve the efficiency of and support the general activities of the Management Board: the Budget and Investment Committee, the Tender Committee, the Compensations Committee, the Information Disclosure Committee, the Internal Control Committee, the Information Security Committee, and the Beneficence Committee of the Management Board of OJSC Rostelecom.

The Budget & Investment Committee

In 2011, the Budget & Investment Committee analyzed, assessed, and made investment decisions related to projects and programs planned for 2011 and 2012. In addition, the Committee completed a thorough review of the 2012 budget for structural subdivisions and branches in order to devise a 2012 Consolidated Budget for the merged company.

The Tender Committee

In 2011, the Tender Committee reviewed commercial offers submitted by suppliers and contractors tendering for various projects, including those associated with the construction of communication lines and facilities, in order to find the most viable contractor for the company's business. In addition, the committee provided guidance, coordination and technical management on the procurement of goods, services and labor side of things on the tender basis.

The Compensation Committee

The Compensation Committee focused on making improvements to the company's efficiency by ensuring the employees are highly-qualified personnel stimulated to achieve the common goals. The Committee took decisions and implemented programs associated with compensation and motivation schemes for the company's employees

The Information Disclosure Committee

In 2011, the Information Disclosure Committee approved the procedures and conditions of disclosing information deemed important by the company to any third party in order to prevent the non-uniformity and factual divergence of information reported about OJSC Rostelecom.

The Internal Control Committee

The objective of the Internal Control Committee is to review issues concerning risk management and development, implementation, operation, and improving the internal control systems of Rostelecom's operational and financial performance.

In 2011, the Internal Control Committee devoted its attention primarily to the optimization of the company's risk management system.

The Information Security Committee

In the reporting year, the Information Security Committee focused on operational decision-making regarding issues related to information and data and the protection of OJSC Rostelecom data and informational resources.

The Committee was also responsible for ensuring Rostelecom's compliance with information security requirements defined by laws and regulations, while still advancing the goals and objectives of the Company.

The Beneficence Committee

The Beneficence Committee is engaged in reviewing appropriate issues and making decisions on the company's charitable donations and participation in social projects.

Remuneration of the President and of the Management Board

Pursuant to the Regulation on the General Director (President) of OJSC Rostelecom, the remuneration of the President is defined in a written agreement between the President and the company, which represented by the Board of Directors. In addition, according to the resolution of the Board of Directors, the President is paid:

- A quarterly bonus based upon the results of quarterly budget indicators and accrued for the faithful fulfillment of employment duties.
- An annual bonus based upon the annual performance efficiency rate results as approved by the Board of Directors and accrued for the faithful fulfillment of employment duties.

Remuneration for members of the company's Management Board is determined by the Board of Directors, according to internal documents approved by the Board of Directors. At present, a member of the Management Board receives remuneration based on the performance of his/her functions on a quarterly basis.

Quarterly remuneration of a Management Board member cannot exceed 733,000 rubles, and quarterly remuneration of the Chairman cannot exceed 879,600 rubles. Quarterly remuneration is subject to approval by the Board of Directors with regard to the fulfillment of target goal

When evaluating the quality of materials prepared for Board of Directors meetings, the Board of Directors takes into account the due arrangement and timely delivery of materials and solutions, their compliance with the current legislation, the Charter and the internal documents of the Company, as well as accepted standards.

For 2011, the overall remuneration of the Management Board members for their duties pursuant to the Regulations on the Management Board amounted to 30,167,487 rubles. Other payments to the persons acting as members of the Management Board during 2011, including the President, (including salaries, bonuses, commissions, benefits and/or compensation of expenses, as well as other payouts in the form of property under the Labor Code of the Russian Federation and the employment agreements) amounted to 152,664,058 rubles for 2011.

Total remuneration of the President and the Management Board members is published as a part of quarterly reports.

THE AUDITING COMMISSION

Pursuant to the Charter of OJSC Rostelecom, the Auditing Commission is an independent authority within the company responsible for overseeing the company's financial and operational activities during the periods between the Annual General Shareholders' Meetings.

On June 27, 2011, at the Annual General Shareholders' Meeting, the company elected five individuals to act as members of the Auditing Commission, reflective of 2010 results:

- Svetlana N. Bocharova;
- Valentina F. Veremianina;
- Bogdan I. Golubitsky;
- Olga G. Koroleva;
- Vyacheslav G. Ulupov.

During 2011, Mikhail V. Batmanov also performed the functions of a OJSC Rostelecom Auditing Commission member.

Brief biographies of the President and the members of OJSC Rostelecom's Management Board are set out in Appendix No.2 titled "Company Management and Controlling Bodies" to this Annual Report and are an integral part thereof.

The Auditing Commission's Activities in 2011

During 2011, the Auditing Commission conducted a review of the company's financial and operational activities. The Auditing Commission used selective inspection techniques in sampling a bit of every financial and operational field of the company's transactions. The review was based on documents such as accounting and taxation records, as well as registers and statements incorporated by the company's management.

The Auditing Commission also reviewed the disclosure and accounting procedures used by OJSC Rostelecom in reporting its performance, as well as the company's accounting methods and principles, and procedures used to prepare the company's financial statements and annual reports.

Remuneration of the Auditing Commission members

The amounts of remuneration payable to members of the Auditing Commission and compensation for expenses are substantiated in the Regulations on the Auditing Commission. The members of the Auditing Commission are compensated for all proven expenses incurred while executing their duties.

Each member of the Auditing Commission is to receive quarterly remuneration amounting to 350,000 rubles. The quarterly remuneration to the Chairman of the Audit Commission is 1.3 times this number.

During the quarter when the Auditing Commission is being reelected or in the event that a committee member resigns as stipulated by the paragraph 8 of the Regulations on the Audit Commission, quarterly remuneration will be paid in proportion to the term such member(s) performed all applicable duties.

The overall remuneration to the members of the Auditing Commission for 2011 (including salaries, bonuses, commissions, benefits and/or compensation of expenses, as well as other payouts in the form of property) amounted to 7,420,000.00 rubles.

SOCIAL RESPONSIBILITY

Management of social, charitable and sponsorship initiatives

In 2011, the Management Board created, adopted, and implemented a universal external social policy and a number of other documents regulating charity work of the consolidated company on the level of the Corporate Center and its affiliates.

External social policy defines the principles, priorities, and key directions of the company's activities in the realization of social projects and programs. It is not only a tool for the management of the company's reputation, but also means of strategic social factor for the management of its sustainable development, as well as management of solutions to socially significant problems.

The following programs operate within the company's external social policy framework: "Education", "Sports", "Care", "Ecology", "Cultural heritage".

The program called "Education".

Support of specialized education

In 2011, the company assisted specialized higher education institutions and education institutions of specialized secondary education such as Moscow Technical University of Communications and Informatics, St. Petersburg State University of Telecommunications in the name of Professor Bonch-Bruевич, Siberian State University of Telecommunications and Informatics, (SibSUTI), College of Telecommunications and Informatics.

Support of specialized education institutions above all includes the improvement of the material and technical foundation of these education institutions, the promotion of student initiatives and unions, the payment of scholarships, the organization of practical trainings for students in the company's departments.

The application of modern technologies for education and children's crafts

In February 2011, within the framework of the IV International Winter Arts Festival in Sochi, OJSC Rostelecom offered a unique master class to young musicians with world famous violist and conductor, titled Russian Artist of the People, Yuri Bashmet, in four Russian cities simultaneously, including Sochi, Yaroslavl, Perm, and Novokuibyshevsk (Samara region.)

This event was made possible through the organization of a multichannel video conference, which united the Chamber Music Hall in Sochi and other music venues in said cities, equipped with special advanced systems for video conferencing. As a result, young musicians and their teachers had the unique opportunity to "visit" the great maestro's lesson and to ask him questions about the secrets of mastering musical instruments in real time.

In May 2011, Rostelecom provided a webcast for a competitive program called "Art. Youth. Talent.", a part of the Tenth Youth Delphic Games in Russia. For the first time in the history of the Games, spectators included not only participants and guests, but all users of the Internet: Rostelecom offered a live broadcast of all of the Games' events and its award ceremony from 12 different platforms on its website for the entire duration of the Games.

The Online Generation

The "Online Generation" project has been one of the company's largest social projects in the past several years. This extensive program is aimed at improving computer literacy among the elderly. Program participants learn the basics of operating a personal computer, acquire the skills that are necessary to finding specific information in the Internet and to working with e-mail, study how to use popular applications for Internet communication (ICQ, Skype), as well as social networks, etc.

In 2011, the Company added one more unit to its traditional program package, that is training pensioners to work with public services portal (www.gosuslugi.ru) and to obtain the necessary public services via the Internet.

Youth academic competitions and contests

In addition to supporting specialized education projects in the regions, the company helps to promote a variety of competitions aimed at bringing to life a creative interest in modern computer technology in both pupils and students, and encouraging them to apply practical uses of Internet technology and computer graphics.

The active promotion of the academic IT competition “Volga IT-2011” held in the Volga region can serve as a bright example of the company’s work in this field in 2011.

The program called “Sports”

Social initiatives in partnership with the Organizing Committee of “Sochi 2014”

Starting from 2009, OJSC Rostelecom has been a general partner of the 2014 Winter Olympic Games in Sochi and a participant in the Olympic project, guided by the principle of “Olympic Games for everyone!”.

Within the framework of this partnership, the company participated in several social initiatives of the “Sochi 2014”, Organizing Committee in 2011, aimed at the promotion and popularization of the Olympic values in the regions of Russia.

On the day of the celebration commemorating of the 1000 day countdown to the Olympic Games, Rostelecom, with the support of the “Sochi 2014” Organizing Committee, arranged competitions for young athletes under the slogan “1000 days before the Games - 1000 cheerful starts!”. The rally was held in 42 cities across Russia. Olympic athletes, medalists, and winners of competitions in various sports took an active part in the program, and the numerous locals who visited these merry competitions became guests and fans.

In the days of the beginning of the new 2011-2012 academic year, the company carried out a series of educational activities united under the title “Olympic day of knowledge with Rostelecom”. Their participants were about 5,000 pupils from sponsored comprehensive schools, boarding schools, and orphanages in more than 60 cities throughout Russia.

The aim of this Olympic Day was to give schoolchildren knowledge about the Olympic movement, to promote a healthy lifestyle, and to assist children with disabilities and socially disadvantaged teenagers in socializing.

Cooperation with the Figure Skating Federation of Russia

Starting from 2009, OJSC Rostelecom has been a general partner of the Figure Skating Federation of Russia. The company annually sends financial aid directed at the organization and to realization of federation events to train athletes of the Russian team national for the Olympic Games, European Championships, World Championships, the final ISU Grand Prix, etc.

In December 2011, during the World Championship of figure skating which took place in Saransk, Rostelecom and Figure Skating Federation launched a joint program of master classes called “Star Track of Rostelecom”.

In 2012, the events of the program will be held in major cities of European Russia, Siberia, and the Far East. The program is intended for searching for talented people in the regions of our country. In the course of master classes, big-time sports stars will share the secrets of their professional skills with young figure-skaters, and young athletes will have a unique opportunity to show their abilities to well-known coaches.

The program called “Care”

Help to sponsored child care centers

Rostelecom provides a number of social institutions, such as hospitals and orphanages, with extensive assistance.

The company buys medical equipment and pays for urgent medical operations, allocates funds to repair buildings and to purchase living essentials, helps to organize holidays for children from orphanages and meetings between children and dedicated experts and psychologists, and provides channels of communication for children’s distance learning.

Help is offered both in the event of the onetime appeal of an institution and on a constant basis. Many of these institutions are sponsored organizations for the macroregional affiliates of the Company.

New opportunities for disabled children

OJSC Rostelecom traditionally helps people with disabilities and, in particular, children with disabilities, to integrate into society. Rostelecom, both at the corporate center and macroregional affiliate levels, realizes distance learning programs for disabled children, both at home and in specialized institutions.

For example, in 2011, in many regions of its presence, Rostelecom participated in the implementation of distance learning programs. In the framework of these programs, the company provides disabled children with unlimited access to the Internet, as well as delivers and installs all necessary equipment.

Promoting the fight against drugs

In 2011, OJSC Rostelecom took part in a number of public events devoted to the problem of drug distribution and drug addiction in Russia. Rostelecom arranged video conferencing between Moscow and Irkutsk within the State Council Presidium meeting on combating drug abuse, as well as the “St. Petersburg-Vienna-Perm” video conference for the international TV project “Right to Life”, which was initiated by the management of the United Nations (UN) to combat drugs and crime.

Support of the veterans

OJSC Rostelecom and its Zebra Telecom subsidiary held their traditional meetings with the Russian Committee of the Veterans of War and Military Service. In 2011, the veterans received new universal calling cards from Zebra Telecom, allowing them to make free calls to other cities not only from landlines, but from mobile phones as well.

As part of the May 9th celebration commemorating victory in World War II, OJSC Rostelecom organized a multichannel video conference titled “Relay Race of Generations”, which connected World War II veterans, military men, and cadets from Moscow with their colleagues, friends, and compatriots from the CIS countries of Belarus, Ukraine, Moldova, and Kazakhstan.

There are, of course, other dates from World War II that are to be remembered, so OJSC Rostelecom organized a series of multichannel video conferences for veterans, in honor of such event as the 66th anniversary of the end of the Leningrad blockade, the 67th anniversary of the Stalingrad victory, and the 65th Anniversary of Japan’s surrender in World War II.

The program called “Ecology”

Conservation of Ecosystems

In its activity, OJSC Rostelecom seeks not only to avoid having a negative impact on the environment, but also tries to minimize all adverse effect on nature.

Telecommunications infrastructure in itself produces no harmful emissions and introduces no industrial waste into the environment. However, new constructions can have short-term negative influences on ecology. Therefore, during the construction of telecommunications infrastructure, Rostelecom constantly carries out environmental inspections, ensuring the minimization of emissions into the atmosphere, and the preservation of soil and water. The company also arranges obligatory biological and technical land reclamation.

In addition, Rostelecom volunteers regularly participate in federal and regional events aimed at nurturing respect and careful attitudes towards nature by creating so-called “ecological landings” that clean the environment from garbage and waste.

The program called “Cultural Heritage”

Supporting national art

Since 2008, the representatives of OJSC Rostelecom have been members of the Board of Guardians of the Russian State Academic Theatre titled the Bolshoi Theatre.

The Board of Guardians is responsible for raising resources outside of the theatre's budget, to assist the Bolshoi Theatre in new staging, in tour organization, in attracting stars and young talent, as well as in improving the theater's management system, in addition to its financial and business operation.

Thanks to Rostelecom, thousands of spectators in Moscow and other Russian cities can personally take in the talent of both experienced and novice masters of the world-renowned Russian ballet, starring on the newly renovated historical stage (reopened in 2011) of the Bolshoi Theatre, which was being reconstructed for a long period of time.

In 2011, OJSC Rostelecom provided considerable support to the XIV International P.I. Tchaikovsky Competition, which was held in Moscow and St. Petersburg. Over a three week period, Rostelecom provided unprecedented global webcast of the competition events. These webcasts were held in real time from seven platforms simultaneously. To make this event possible, Rostelecom used its unique and innovative Content Delivery Network (CDN) platform, a geographically distributed network infrastructure that allows Internet users to receive "heavy" content in the same high quality worldwide.

Rostelecom also organized the webcast of the Sochi Winter Arts Festival events, the art director of which is U.A. Bashmet, as well as a webcast of productions of the Moscow theater called "New Opera" in the name of E.V. Kolobov.

Support of museum branches

For many years, OJSC Rostelecom has been cooperating with the Russian Fund for Communication History. Its annual program offerings include the promotion and development of the Central Museum of Communications named for A.S. Popov in St. Petersburg.

The museum is one of the oldest science and technology museums in the world. A unique collection of the museum, dedicated to the history of communication, consists of exhibits on the history of postal, telegraphic and telephone communications, radio communications and radio broadcasting, television, mobile, and space and satellite communications. In 2011, Rostelecom charitably offered its traditional help to the development of museum exhibits.

Additionally, macroregional branches of Rostelecom provide annual support to regional communication museums- both those on the branches' and municipal levels and those organized by enthusiasts at their own expense. The company and its affiliates arrange excursions to the museums, replenish them with new exhibits, and encourage scientific investigation.

The revival of cultural traditions

OJSC Rostelecom traditionally assists objects of the Russian Orthodox Church in Russia and abroad.

On September 21, 2011, Rostelecom carried out a webcast portraying ordinary wooden church constructions for the project "Seven churches in seven cities in one day". The broadcast took place on Rostelecom's website and united seven major Russian cities , including Tver, Kaliningrad, Ufa, Sochi, Yekaterinburg, Irkutsk, and Yuzhno-Sakhalinsk.

In November 2011, Rostelecom, as the largest high-tech company in the Russian Federation, provided technological support and a wide range of multimedia services to the organizers of the exhibition "Orthodox Russia", which opened in Moscow on the National Day of Unity and Accord, and was timed to coincide with the twentieth anniversary the revival of Orthodoxy in Russia.

The Company's Personnel

Rostelecom's highly efficient and constantly progressing staff is one of the factors determining the success of the company's operation in the modern telecommunication market. In accordance with the requirements of company merger realized in 2011, key activities in the field of personnel management include the optimization of the consolidated company organizational structure in order to ensure the prolific execution of management functions, create conditions for the permanent and high quality professional development of employees, and to generate social projects.

The key measures realized in 2011 were:

- Reorganization of the transport network operational process through the integration of technical operation telecommunications centers, which provided the services of Rostelecom's primary network during the reorganization into regional production units.
- Optimization and automation of work flows within the structural units of the MYFF, reduction of management layers, and elimination of overlapping functions.

All activities associated with the optimization of personnel capacities were planned, coordinated, and executed in accordance with applicable laws, solutions of the competent Rostelecom authorities, and the company's internal regulations.

The average number of Rostelecom employees in 2011 who were integrated during the reorganization campaigns, including foreign part-time workers and civil law contractors, amounted to 166,933 persons. The average monthly wage of company employees increased from 2010 by 6.25% and amounted to 26,702 rubles.

Data with a view to integrated companies	2007	2008	2009	2010	2011
Average number of employees, per.	238 420	206 000	185 576	177 335	166 933
Average monthly salary (rub)	16 453	20 202	21 566	25 132	26 702

The need to implement a number of key business initiatives, approved by the company's Board of Directors within the development strategy until 2015, in particular, the promotion of new business segments, shows brand new demands in expertise and skill level of employees. In this regard, in 2011, for the purpose of advancing corporate-wide and professional competence, the company continued to offer its personnel full-time and distance learning. More than 71 thousand company employees upgraded their qualifications or attended additional training courses over the past year. Over 13,000 company participated in learning programs on sales organization, public speaking and oratorical skills, stress management, customer support, successful communication in negotiations, and other topics in the in-House Training Institute.

An important aspect of working with the company personnel is organizing programs aimed at employee retention and welfare protection. In order to perfect partnership social principles and create conditions for constructive dialogue between employees and the company as an employer in 2011, the first collective labor agreement of the newly consolidated Rostelecom was created. In accordance with this agreement, the company's employees are provided with a variety of social benefits and social safeguard.

Nowadays, the system of non-state pension provision and the Voluntary Health Insurance Program operate for those staff members whose primary place of employment is Rostelecom.

One of the most popular upcoming trends of personnel development in 2011 turned out to be the formation of a universal Rostelecom corporate culture. In order to generate an integrated culture, in which both values close to staff members from different regions and the logic of changes that occurred since the merger are reflected, a special long-term project was realized by the organization development unit and by the human resource management. The operating cultures of integrated companies were thoroughly examined, structural elements serving as the basis for integration were selected, a large-scale investigation was carried out and focus groups were formed in the framework of the 2011 project. The values which were formulated on the basis of research results and analysis of the strategic development of Rostelecom will be broadcasted in the company in the form of sharply defined models for desirable employee behavior in 2012 (in the form of values, operational principles, and competencies).

The further creation of new procedures connected with the formation and support of Rostelecom's corporate culture, as well as the localization and setup of existing human resources processes to comply with new requirements and values in the company are being planned for the future.

Much attention was paid to backing up the company's corporate culture. Its macroregional branches held mass sporting events, company-picked were involved in industry mini-football, volleyball, cross country skiing, and table tennis competitions. During the year, the company arranged events tied to the Day of Radio, Victory Day, Health Day, International Children's Day, the Day of Knowledge, Day for the Elderly, and other holidays. Additionally, the company's macroregional affiliates organized traditional tourist meetings as well and organized of professional skills among experts of different fields, including operators, applications engineers, etc. aimed at improving professional knowledge and experience and at promoting jobs and

maintaining traditional cultural and educational activities, including: drawing for children, photo and song contests, etc.

In the realization of health improvement programs, the children of Rostelecom employees went on vacation to various Russian children's health-centers, including the Pan-Russian "Orlyonok" Children's Center on the coast of the Black Sea.

For this reporting period, 280 Rostelecom staff members were awarded with the "Master of Communication" title and 46 staff members were awarded the "The honorable radio operator" badge.

Labor protection

All 2011 Rostelecom labor protection initiatives were carried out in accordance with the requirements of the Labor Code of the Russian Federation and other laws and regulations.

In 2011, the company spent about 616 million rubles (3.7 thousand rubles per one employee) on activities aimed at improving conditions and at providing personnel with labor protection.

Staff members are provided with all necessary clothing and protective equipment in accordance with industry standards. Moreover, the company regularly organizes professional medical examinations of its employees engaged in hazardous production work, gives courses on labor protection, and performs workplace labor conditions compliance certification.

In April 2011, the company's Corporate Center held a meeting with the heads of the work safety service, where the major directions of the merged company's labor protection policy were defined.

As a result of work aimed at ensuring occupational safety in 2011, the company (with a view to integrated IRCs) significantly reduced the level of occupational accidents in comparison with 2010 by 33% (there were 72 accidents in 2011, compared with 109 accidents in 2010.)

THE COMPANY'S SIGNIFICANT TRANSACTIONS

Related Party Transactions

In 2011, the company participated in a number of related party transactions. Information on these transactions, as well as information on their preliminary approval by the OJSC Rostelecom's Board of Directors, is provided in Annex No.3 of this Annual Report and is an integral part hereof.

Major Transactions

In 2011, the company did not participate in transactions deemed significant by the federal law "On Joint Stock Companies".

DATA ON THE ACTUAL EXECUTION RESULTS OF LAWS AND REGULATIONS OF THE PRESIDENT AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

Information regarding the establishment of specialized committees by the company's Board of Directors (supervisory board) in approval of the KPI system, development and adoption of regulations on management and board member remuneration (based on the KPI system) (according to the regulation of the Government of the Russian Federation dated July 23, 2009 No. VZ-P13-6294, the letter of the Federal Property Management Agency dated August 18 2009 No. GN-13/20732).

Information regarding the formation of specialized committees by the Rostelecom Board of Directors, as well as the remuneration of the members of the board is presented in the "Board of Directors" sub-section of the "Corporate Governance" section of this Annual Report.

In 2012, the company will implement a new system of incentive and compensation. The basis of the remuneration of employees is a balanced system of key performance indicators (hereafter referred to as KPI), which motivate the staff to ensure a more effective fulfillment of the company's strategic objectives.

The KPI system represents a pyramid with corporate KPI indicators at the top characterizing the general performance of the company and the strategies for future. Corporate KPIs can be broken down into business KPIs defining the operation of departments and personnel at all levels of management. When giving bonuses to employees of all levels, corporate KPIs and business KPIs are used. The weight of corporate KPIs decreases in as one descends down the staircase of management hierarchy. Such a cascading mechanism guide experts of different spheres, enables them to perform universal duties, and provides coherence and coordination in the implementation of cross-functional processes.

Information concerning payment (remuneration) of the company's managerial personnel including the sole executive body/the chairman of the collective executive body, the deputy of the sole executive body/members of the collective executive body, heads of departments, and members of the Board of Directors (Supervisory Board) (the regulation of the Government of the Russian Federation dated April 08, 2010 no. ISH-P13-2232, the letter of the Federal Property Management Agency dated April 27, 2010 no. YUM-13/10638, the factorgrams of the Federal Property Management Agency dated July 5, 2010 no. 81 and dated August 4, 2010 no. 93).

Information on payment (remuneration) of the company's managerial personnel is presented in the "The Board of Directors" and "The President and the Management Board" sub-sections of the "Corporate Governance" section of this Annual Report.

Information on the realization of investment programs (Regulation of the First Deputy Chairman of the Russian Federation dated September 18, 2009 no. ISH-P13-5361, the factorgram of the Federal Property Management Agency dated April 1, 2011 no. GN-15/8808)

Information on the realization of investment programs is presented in the "Telecommunications Network" section of this Annual Report.

Information on the realization of the joint-stock company strategy in the field of energy saving and efficiency (paragraph 8 of the Regulation of the Russian Federation Government dated June 18, 2008 No. ISH-P9-3772 about the implementation of the Decree of the President of the Russian Federation dated June 04, 2008 No. 889 "On some measures aimed to increase the energetic and ecological efficiency of the Russian economy", from a Federal Property Management Agency letter dated November 27, 2008 No. GN-13/28934).

Activities aimed at creating draft programs for Rostelecom's energy conservation, energy efficiency, and environmental policy for 2012 – 2015 were performed in 2011. In the process of research, the methodological part of the Energy Saving Program was carried out and instructional guidelines on energy inspection and installation of meters for the company's objects were developed.

The investigation methodology employed was a comprehensive efficiency analysis of energy supply systems of company objects and a review of energy efficiency and the creation of environmental safety programs on its basis.

Cost-effectiveness is the transition to modern energy-saving technologies and information products, which ensure the improvement of the quality and reliability of existing services. The realization of the program will significantly reduce energy consumption and increase the company's competitiveness in providing services.

Information on the procurement of products of Russian origin (the letter of the Federal Property Management Agency dated April 03, 2009 no. GN-13/7796).

Products of Russian origin constitute a 29.3% share of all 2011 deliveries.

Information on the preparation of the company's midterm development strategy and of its innovative development program (minutes of the meeting at the Prime Minister's dated August 3, 2010 no. 4).

The program of innovative development of JSC Svyazinvest (Rostelecom) was approved by Rostelecom's Board of Directors on June 9, 2011 (Minutes no. 13 dated June 14, 2011).

Information on measures aimed at the restructuring of joint stock company-owned (with government participation) assets under Section 8 of the minutes of the meeting headed by the Prime Minister, dated October 20, 2010, no.VP-P13-56pr (the letter of the Federal Property Management Agency dated January 24, 2011 no. GN-13/1359), including data about reviewing at the Boards of Directors (supervisory boards) meetings of public companies the issues of non-core asset alienation in both parent organizations and their subsidiaries and affiliates and the approval of programs aimed at the use of said assets.

Information about the alienation of shares in non-core companies is provided in the "Rostelecom Group of Companies" section of this Annual Report.

As part of activities aimed at the realization of non-core property items in 2011, about 599 items retired with the residual cost of 208 475.30 rubles. Revenue from their implementation amounted to 1,150,806.73 rubles, excluding VAT.

Information on purchases carried out electronically, and on regulations governing the procedures of goods, work and services procurement. It is important to disclose the results of the Board of Directors meeting on procurement as specified by the Regulation of the Government of the Russian Federation dated December 17, 2010 no. ISH-P13-8685, the letter of the Federal Property Management Agency dated January 25, 2011 no. GN-13 / in 1416.

In 2011, preparation took place for the disclosure of information regarding procurement activities, in accordance with the general principles of goods, work, and services procurement, described in the federal law «On the procurement of goods, work, services performed by certain legal entities» dated July 18, 2011 No. 223-FZ . In particular, legislature on the procurement of OJSC Rostelecom goods, work, and services was created, having been deliberated and subsequently approved by the Board of directors on February 29, 2012 (Minutes No. 39 dated March 05, 2012).

According to the legislation, OJSC Rostelecom is guided by the following principles when procuring goods, work, and services:

- disclosure of information on procurement;
- equality, justice, non-discrimination, and unreasonable restrictions of competition in relation to entities participating in procurement
- targeted and cost-effective expenditure of funds on acquisition of goods, work, and services (including, if necessary, lifecycle costs of purchased products) and the implementation of measures aimed at reducing the expenses of the company;

There is no limit to participation in procurement due to the establishment of unbearable requirements to procurement participants.

This regulation imposes obligations for placing the following information on the company's website (and from July 1, 2012 on the official site zakupki.gov.ru):

- Plan for the procurement of goods and services (for a period not less than one year);
- Information on current tender procedures (publication of the notice and documentation of procurement, including the draft contract);
- Monthly information on signed contracts:

- the number and total value of contracts signed as a result of purchasing goods, works, and services;
- the number and total value of contracts signed as the result of the purchases of a single supplier (performer, contractor);
- the number and total value of contracts signed by the customer based on strategic purchases, the details of which constitute a state secret or about which the government of the Russian Federation has adopted a non-disclosure policy on its official site.

Additionally, in 2012, OJSC Rostelecom intends to gradually increase proportion of its purchases carried out electronically.

Information on decisions aimed at improving the compensation system for employees of the joint-stock company (Order of the Government of the Russian Federation, dated December 4, 2010 no. P13-CA-8297; letter of the Federal Property Management Agency dated February 15, 2011 no. GN-13/3802).

As part of the company reorganization of 2011, the following steps were undertaken to realize a universal system of motivation and remuneration of employees:

- A common grading system was introduced, with each position in the company having been thoroughly evaluated in accordance with universal assessment standards and a common scale of factors indicated by STRATA methodology;
- Intervals of remuneration for each "grade" were defined on the basis of common principles for the entire company, taking into account the company's economic capacities and terms of payment for labor on the labor market;
- A standard regulation on remuneration for employees of Rostelecom was adopted. On its basis, regulations on remuneration for employees of macroregional branches of Rostelecom were also developed and approved;
- In accordance with the KPI system, that is a pyramid with corporate KPIs at the top, criteria characterizing the performance of company employees were determined and strategies for future success were developed. These criteria were used as the basis for KPIs for managerial personnel and then for KPIs of all other employees.

The common system of a motivation and remuneration is be in effect starting from July 2012.

Information concerning activities aimed at the creation of innovative development programs in joint stock companies on the list of organizations that produce such programs, as approved by the resolution of the Government Commission for Advanced Technology and Innovation dated August 3, 2010, Minutes no. 4 (the letter of the Federal Property Management Agency dated October 29, 2010, no. GN-13/32160, dated October 29, 2010 no. GN-13/32156):

A number of key activities must be performed in order to realize innovative development programs. A list of these activities, as well as their completion status as of the end of 2011 is provided below:

Activity	Status
Formation of the company's innovative development unit	Done
Budgeting of innovative development	Done
Formation of innovation management systems (innovative lift)	Done, I stage
Development of interaction patterns with universities and research institutions	Done
Signing of partnership agreements with supporting universities and research institutions, venture capital funds, technology parks, etc.	Done
Development of criteria for evaluating the interaction with universities and research institutions	Done, I stage
Development/upgrading of the company's innovation management regulations	Done, I stage
Development/upgrading of the company's innovation management tools	Done, I stage
Development of partnerships with various participants of the innovation market, including innovative small and medium businesses	Done
Involvement of employees and customers in the process of innovative services testing and the formation of feedback mechanisms	Done, I stage

Activity	Status
Participation in the activity of technical committees and international communication institutions	Done
Creation of a standardization system and corporate standards	Done, I stage

Paragraph “E”, clause 1 of the List of regulations of the President of the Russian Federation on the implementation of priority measures aimed at improving the investment climate in the Russian Federation, dated April 2, 2011 no.Pr-846, according to which it is necessary to provide information on the adoption of solutions to reduce the expenses on acquisition of goods (work, services) per one unit of production by at least ten percent per year, within three years in real terms in government-controlled companies (joint stock companies), where the share of the Russian Federation in the charter capital constitutes more than 50% (hereafter - OJSC) (letters of the Federal Property Management Agency dated September 14, 2011 no. GN-15/27795, dated September 16, 2011 no. GN-15/28326 and dated September 14, 2011 no. GN15/27797 as well as dated September 14, 2011 no. GN-15 / 27 797, dated September 16, 2011 no. GN-15/28327, dated July 14, 2011 no. DP-15/20610).

The company's Board of Directors approved the indicator's calculation methodology (rate of expenses change for acquisition of goods (work, services) per one unit of production in the company (Minutes no. 29 dated December 29, 2011), including for purposes of determining the size of the reward to the President of the Company). In 2011, the company's expenses on the acquisition of goods (work, services) per one unit of production decreased by 12.7% per one unit of production.

In 2012, with its new system of incentive and remuneration, OJSC Rostelecom introduced the key performance indicators (KPI) system to assess the activity of the company and the company staff, including KPIs for managerial personnel, functioning for the KPI efficiency of the company, so as to achieve the target of reducing expenses in the acquisition of goods (work, services) per one unit of production.

Information on the liability insurance of independent directors –public interest representatives in the management of joint stock companies (Regulation of the President dated August 3, 2011 no. Pr-2206, the letter of the Federal Property Management Agency dated 29 November 2011. No. GN-15/36784).

In May 2011, the liability insurance contract of officers and members of the Rostelecom Board of Directors was signed with a liability limit of 250 million U.S. dollars. This contract received a preliminary approval by the Board of Directors (Minutes no. 12 dated May 30, 2011).

Information on proposals and recommendations aimed at promoting the development of mechanisms for environmental liability according to international standards, including financial statements and the system of voluntary certification and labeling, subject to independent verification and certification (paragraphs "I" clause 1 of the list of the regulations of the President of Russian Federation dated June 6, 2010 no. Pr-1640, the letter of the Federal Property Management Agency dated December 5, 2011 no. GN-13/37524)

Activities aimed at the development of Rostelecom's environmental policy for 2012-2015 were carried out in 2011. The company's environmental policy includes environmental performance in dynamic economic growth, which provides the most efficient use of natural resources and the preservation of favorable environmental conditions for future generations.

The aim is reached by implementing the following principles:

A reduction of the company's impact on the environment through the implementation of the best environmental management methods currently available and the development of environmental management system in accordance with international standards.

A consistent improvement of the company's environmental management system with the help of the timely development and updating of corporate regulations in the field of environmental protection and ecological safety.

Compliance of company activities with legislative and other requirements in the field of ecological safety and environmental protection.

Continuous perfection of the company's image as an ecologically-oriented company.
Support of available information regarding the company's activities in the fields of environmental protection and ecological safety and efficient society outreach.

The company's ecological policy is expected to be approved in the 2nd quarter of 2012.

CONTACT INFORMATION**OJSC ROSTELECOM****Full company name:**

Open Joint Stock Company for Long-Distance and International Telecommunications Rostelecom

Abbreviated company name:

OJSC Rostelecom

Registration number and date of issuance of State Registration Certificate:

Data on the original state registration: No.021.833 dated September 23, 1993

Data on the registration of the legal entity: OGRN No. 1027700198767 September 9, 2002

Legal address:

15 Dostoyevskogo street, Saint Petersburg, 191002, Russian Federation

Mailing address:

14 Pervaya Tverskaya-Yamskaya street, Moscow, 125047, Russian Federation

Main activity:

The code ARCEA (All-Russia Classifier of Economic Activities) 64.20 - Activity in the field of telecommunications

Information regarding shortlisting of strategic joint-stock companies:

OJSC Rostelecom is included in the list of strategic joint-stock companies, as it performs the following kinds of activity specified in paragraphs 12-14 and 37 of Art. 6 of the Federal Law of 29.04.2008 № 57-FZ "Concerning the Procedure for Foreign Investment in Business Companies which are of Strategic Importance for National Defense and State Security":

- Activity relating to the distribution of cryptographic equipment;
- Maintenance of cryptographic equipment;
- Provision of services in the field of data encryption;
- Activity of the economic entity listed in accordance with Article 23 of the Federal Law of 26.07.2006 № 135-FZ "Concerning the Protection of Competition" register, and occupying the dominant position in the communication services market of the geographic boundaries of the Russian Federation (excluding the sector of "Internet" services).

Contact phone/fax:

+7 (499) 972 8283 / +7 (499) 972 8222

Website:

www.rt.ru – for product and service descriptions

www.rostelecom.ru – for information disclosure

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Director of corporate governance

Pavel A. Nezhutin

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Branches and Addresses:

Central Macroregional Branch

Address: 6 Degtyarny Lane, Moscow, 125993 CEDEX -3

North-Western Macroregional Branch

Address: 14/26 Gorokhavaya street, Saint Petersburg, 191186

Volga Macroregional Branch

Address: Telecommunication building, M. Gorky square, Nizhniy Novgorod, 603000

Southern Macroregional Branch

Address: 59 Krasnaya street, Krasnodar, 350000

Ural Macroregional Branch

Address: 11 Moskovskaya atreet, Yekaterinburg, 320014

Siberian Macroregional Branch

Address: 53 M. Gorkogo street, Novosibirsk, 630099

Far-Eastern Macroregional Branch

Address: 57 Svetlanskaya street, Vladivostok, 690091

Training Center

Address: Bekasovo, Naro-Fominsk District, 143380

Representative Offices in Geneva

Address: 94 Rue de Lausanne, 1202 Geneva, Switzerland

THE REGISTRAR

Name:

Open Joint Stock Company "United Registration Company" (JSC URC)

Legal address:

19 Leninskaya sloboda street, Moscow, Russian Federation

Mailing address:

115280, Moscow, P.O. Box 151 (for "Obyedinennaya Registratsionnaya Kompaniya")

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Contact phones/fax:

+7 (495) 775 1820

License:

Russian FCSM perpetual License for exercising registrar's activities No.10-000-1-00314 dated March 30, 2004

E-mail address:
ork@ork-reestr.ru

Website:
www.ork-reestr.ru

THE INDEPENDENT AUDITOR

Name:
JSC KPMG

Legal address:
18/1 Olympiysky avenue, Room 3035, Moscow, Russian Federation, 129110

Mailing address:
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+7 (495) 937-44-77 / +7 (495) 937-44-00/99

Member of selfregulated auditor organization:
Member of Non-profit partnership "Auditing Chamber of Russia". The general registration number in the state register of auditors and auditing organizations is 10301000804.

E-mail address:
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APPENDIX NO.1

"INFORMATION ON COMPLIANCE WITH RECOMMENDATIONS CONTAINED IN THE CODE OF CORPORATE CONDUCT OF FCSM OF RUSSIA"

No.	Provision of FCSM's Corporate Conduct Code	Compliant or Non-Compliant	Notes
General Shareholders' Meeting			
1.	Notice to shareholders on intent to convene a General Shareholders' meeting no less than 30 days before the meeting date regardless of the agenda items unless the law determines a larger notice period.	Compliant	Article 18.4. of Rostelecom's Charter ¹ .
2.	Opportunity for shareholders to study the list of persons entitled to participate in a General Shareholders' meeting beginning from the day of the notice until the in-presence general shareholders meeting is closed. In case of an in-absentia general shareholders meeting - until the end of voting bulletin acceptance period.	Compliant	Article 35.3. of Rostelecom's Charter ¹ .
3.	Opportunity for shareholders to study information (materials) relevant to the General Shareholders' meeting by means of electronic telecommunications, including the Internet.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Participation of Shareholders in the Management of the Company").
4.	Opportunity for shareholders to put issues on the general meeting agenda or request a convocation of a general shareholders meeting without a statement from the shareholders' register, if such shareholder's title to the shares is attested by a shareholders' register. Where the shareholder's title to the shares is attested by a DEPO account, a statement from the DEPO account will suffice in order to exercise the above rights.	Compliant	Clause 3.1 and Clause 3.6. of the Regulations on Rostelecom's General Shareholders' Meeting ³ .
5.	Stipulation of provisions in the Company's Charter or internal documents requiring the presence at a shareholders meeting of the General Director, Management Board members, Board of Directors members, Audit Commission members, as well as an auditor of the Company.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Participation of Shareholders in the Management of the Company").
6.	Mandatory presence of candidates at a General Shareholders meeting when election of the Board of Directors and Audit Commission members, as well as approval of the Company's auditor are considered.	Compliant	This provision is set in Rostelecom's Corporate Governance Code ² (see section "Participation of Shareholders in the Management of the Company").
7.	Stipulation in the Company's internal documents of a procedure regulating registration of participants to a General Shareholders' meeting.	Compliant	Article 9. of the Regulations on Rostelecom's General Shareholders' Meeting ³ .
Board of Directors			
8.	Stipulation in the Company's Charter of the Board of Directors' authority to approve the Company's financial and economic plan (budget) on an annual basis.	Compliant	Clause 23.3.1. of Article 23 of Rostelecom's Charter ¹ .
9.	Existence of a risk management procedure approved by the Board of Directors.	Compliant	Risk Management Policy approved by Minutes No.12 of the absentee voting of Rostelecom's Board of Directors dated March 20, 2007.
10.	Stipulation in the Company's Charter of the Board of Directors' right to decide on suspension of powers of the General Director appointed at a General Shareholders' meeting.	Non-Applicable	According to Article 23.3.18. of Rostelecom's Charter ¹ , the Board of Directors has the right to decide on appointment and early dismissal of the President.
11.	Stipulation in the Company's Charter of the Board of Directors' right to establish criteria for qualification and the size of remuneration of the General director, Management Board members, and heads of the Company's main	Compliant	Articles 23.3.23., 23.3.24. of Rostelecom's Charter ¹ , as well as Rostelecom's Corporate Governance Code ² (see section "Selection,

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	divisions.		Evaluation and Retention of the CEO and members of the Management Board”).
12.	Stipulation in the Company’s Charter of the Board of Directors’ right to approve agreements with the General Director and members of Management Board.	Compliant	Articles 23.3.23. and 23.3.24 of Rostelecom’s Charter ¹ .
13.	Stipulation in the Company’s Charter or internal documents of the requirement that while approving agreements with the General Director (managing company or manager) and members of the Management Board, votes of the Board of Directors members, who also serve as the General Director and the Management Board members, are not taken into consideration.	Compliant	This provision is set forth in Rostelecom’s Corporate Governance Code ² (see section “Selection, Evaluation and Confirmation Engagement of the CEO and members of the Management Board”).
14.	Presence on the Board of Directors of at least three Independent Directors who qualify for requirements of the Corporate Conduct Code.	Compliant	During 2011 at least three members of Rostelecom’s Board of Directors qualified for requirements of the Corporate Conduct Code.
15.	No persons on the Board of Directors found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations in business, finance, taxes and levies, or securities market.	Compliant	Observed in practice. This provision is set forth in Rostelecom’s Corporate Governance Code ² (see section “Composition of the Board of Directors”).
16.	No persons on the Company’s Board of Directors, being participants, general directors (top managers), members of governing bodies, or employees of any entity that is competing with the Company.	Compliant	Observed in practice. This provision is set forth in Rostelecom’s Corporate Governance Code ² (see section “Composition of the Board of Directors”).
17.	Stipulation in the Company’s Charter of a requirement for election of members of the Board of Directors by cumulative vote.	Compliant	Article 24.3. of Rostelecom’s Charter ¹ .
18.	Stipulation in the Company’s internal documents of an obligation of members of the Board of Directors to refrain from actions that will lead or might potentially lead to conflicts between their interests and the Company’s interests; and should such conflicts of interest arise - an obligation to inform the Board of Directors of such conflicts.	Compliant	This provision is contained in OJSC Rostelecom Corporate Governance Code ² (Section titled Responsibility of Members of the Board of Directors) and Code of Ethics ⁴ .
19.	Stipulation in the Company’s internal documents of an obligation of members of the Board of Directors to notify the Board of Directors in writing about intentions to make transactions with securities of the corporation, in which they are members of the Board of Directors or of its subsidiaries (affiliates), as well as to disclose information about transactions they made with such securities.	Compliant	This provision is set forth in Corporate Governance Code ² (see section “Responsibility of Directors”) and in the Insider Trading Policy 5.
20.	Stipulation in the Company’s internal documents of a requirement for hold meetings of the Board of Directors at least once every six weeks.	Compliant	This provision is set forth in Rostelecom’s Corporate Governance Code ² (see section “Organization of Board of Directors Activity”).
21.	Holding meetings of the Board of Directors’ during the year, for which the Company’s annual report is prepared, at least once every six weeks.	Compliant	Observed in practice (47 meetings altogether during 2011).
22.	Stipulation in the Company’s internal documents of a procedure of holding meetings of the Board of Directors.	Compliant	Article 26 of Rostelecom’s Charter ¹ and Article 6 of the Regulations on Rostelecom Board of Directors ⁶ .
23.	Stipulation in the Company’s internal documents of the necessity for the Board of Directors to approve all Company transactions worth more than 10 percent of the Company assets, except for deals made in the ordinary course of business.	Compliant	This provision is set forth in Rostelecom’s Corporate Governance Code ² (see section “Management Board Responsibility”) and Article 31.6. of Rostelecom’s Charter ¹ . Also pursuant to Article 31.6 of Rostelecom’s Charter ¹ transactions amounting to 1 to 25 percent of the Company assets shall be preliminarily approved by the Board of Directors.

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24.	Stipulation in the Company's internal documents of the Board of Directors' right to obtain from the executive bodies and heads of the Company's major divisions information required to assist the Board of Directors in fulfilling its duties, as well as responsibility for a failure to submit such information.	Compliant	This requirement is contained in paragraph 3.4. of the Regulations on the Board of Directors of the Rostelecom ⁶ . This provision is also set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board Responsibility").
25.	Existence of the Board of Directors' committee on strategic planning or assignment of the functions of this committee to another committee (excluding the Audit Committee and the Personnel and Compensation Committee).	Compliant	The Board of Directors established the Strategy Committee on September 16, 2003. Current members of the Strategy Committee were elected on August 05, 2011 (according to Minutes of the Board of Directors No. 04 dated August 09, 2011).
26.	Existence of a committee of the Board of Directors' (the Audit committee), which advises the Board of Directors on selection of an auditor for the Company and cooperates with the auditor and the Company's Audit Committee.	Compliant	The Board of Directors established the Audit Committee on December 21, 2004. Current members of the Audit Committee were elected on August 05, 2011 (according to Minutes of the Board of Directors No.04 dated August 09, 2011).
27.	Presence of independent and Non-Executive directors only on the Audit Committee.	Compliant	This requirement is contained in paragraph 3.2. of the Regulations on Board of Directors' Audit Committee of Rostelecom ⁷ ; decision on item 9 of Minutes of the Board of Directors No. 04 of August 09 2011.
28.	An Independent director's chairmanship of the Audit Committee.	Compliant	Decision on item 9 of Minutes of the Board of Directors No. 04 dated August 09 2011.
29.	Stipulation in the Company's internal documents of the right of all Audit Committee members to have access to any of the Company's documents and information on a non-disclosure basis.	Partially Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Board of Directors' Audit Committee") and Article 4.15 of the Regulations on the Audit Committee of Rostelecom's Board of Directors ⁷ .
30.	Establishment of the Board of Directors' Committee (Nomination and Remuneration committee), which will develop selection criteria for candidates to the Board of Directors and develop the Company's remuneration policy.	Compliant	The Board of Directors established the Nominations and Remuneration Committee on September 16, 2003. Current members of the Nominations and Remuneration Committee were elected on August 05, 2011 (according to Minutes of the Board of Directors No.04 dated August 09, 2011)
31.	An Independent director's chairmanship of the Personnel and Compensation Committee.	Compliant	From September 16, 2003 and up to now the Chairman of Nominations and Remuneration Committee is an Independent Director; decision on item No.7 of Minutes of the Board of Directors No.04 dated August 09, 2011
32.	No Company's executives in the Nomination and Remuneration Committee.	Compliant	The provision is embodied in Article 3 of the Regulations on Nominations and Remuneration Committee of the Board of Directors of Rostelecom ⁸ ; decision on item 7 of Minutes of the Board of Directors No.3 dated August 09, 2011.
33.	Establishment of the Board of Directors' Committee for risks or assignment of this Committee's functions to another committee (excluding the Audit committee and the	Non-Compliant	The Audit Committee of the Board of Directors of Rostelecom is charged with performing this function ⁷ .

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	Nomination and Remuneration committee).		
34.	Establishment of the board of directors' committee for corporate conflict settlement or assignment of this committee's functions to another committee (excluding the audit committee and the nomination and remuneration committee).	Compliant	The Corporate Governance Committee of OJSC Rostelecom Board of Directors is charged with performing this function. See Article 2 of the Regulation on the Corporate Governance Committee of OJSC Rostelecom Board of Directors ⁹ .
35.	No Company's executives on the Committee for Corporate conflict settlement.	Non-compliant	On August 05, 2011, the Board of Directors appointed members of the Corporate Governance Committee of OJSC Rostelecom Board of Directors (Minutes of the Board of Directors No. 04 as of August 09, 2011), including Rostelecom President Alexander Provotorov.
36.	An Independent director's chairmanship of the Committee for Corporate Conflict settlement.	Partially - Compliant	During 2011 the Corporate Governance Committee of Rostelecom the Board of Directors was chaired by non-executive and independent directors.
37.	Existence of the Company's internal documents approved by the Board of Directors, providing for the procedure of creation and functioning of the Board of Directors' committees.	Compliant	On September 18, 2009, the Board of Directors approved Regulations on the Audit Committee ⁷ , Nominations and Remuneration Committee ⁸ and Corporate Governance Committee ⁹ . On July 23, 2009, the Board of Directors approved Regulations on the Strategy Planning Committee ¹⁰ .
38.	Stipulation in the Company's Charter of a procedure for designation of the Board of Directors' quorum, which will provide for mandatory participation of Independent directors in the Board of Directors' meetings.	Non-compliant	
Executive Bodies			
39.	Existence of the Company's collective executive body (Management Board).	Compliant	Article 27.1. of Rostelecom's Charter.
40.	Stipulation in the Company's Charter or internal documents of mandatory approval of real estate transactions and loan agreements by the Management Board, if these deals are not considered as major ones and do not belong to day-to-day business of the company.	Partially compliant	Regulation on operations documenting and control procedures with respect to fixed assets accounting of Rostelecom stipulates the procedure of taking decision on acquisition and retirement of assets, including real estate, and the necessity to approve these transactions by the Management Board.
41.	Stipulation in the Company's internal documents of the procedure of coordinating transactions which are beyond the scope of the Company's financial and economic plan.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board Responsibility").
42.	No persons in executive bodies, being participants, general directors (top managers), management body members or employees of any legal entity that is competing with the Company.	Compliant	Conformed to in practice. This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board and Its Committees").
43.	No persons in executive bodies found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations with business, finance, taxes and duties or securities market. If the sole executive body's functions are fulfilled by a management company or a manager, the General Director and Management Board members of the management company or the manager must meet the requirements set for the General Director and Management Board members	Compliant	Conformed to in practice. This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board and Its Committees").

	of the Company.		
44.	Stipulation in the Company Charter or internal documents of a ban on a management company (manager) to perform similar functions in a competing company, as well as to establish other property relations with the Company except for provision of services of a management organization (manager).	Non-Applicable	
45.	Stipulation in the Company's internal documents of an obligation of executive bodies to refrain from actions that will lead or can potentially lead to conflicts between their interests and the Company's interests; and should such conflicts of interest arise - an obligation to inform the Board of Directors of such conflicts.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board and Its Committees").
46.	Stipulation in the Company's Charter or internal documents of the criteria for selection of a management company.	Non-Applicable	
47.	Monthly reports of executive bodies on their deliverables to the board of directors.	Partially compliant	The Company's Board of Directors deems it reasonable to consider at its meeting quarterly reports of the Management Board.
48.	Stipulation in agreements between the Company and the General Director (management company, manager), as well as between the Company and Management Board members of the responsibility for violating regulations on confidential and insider information use.	Compliant	Conformed to in practice. This norm is embodied in Corporate Governance Code of Rostelecom ² (Section "Management Board and its Committees"), in contract with Rostelecom's President and in contracts with members of the Company's Management Board.

Company Secretary

49.	Existence in the Company of a special official (the Company corporate secretary), whose task is to facilitate adherence by the Company bodies and executives to requirements that guarantee exercise of rights and legal interests of the Company.	Compliant	Regulations on Corporate Secretary and Corporate Secretary's office of Rostelecom ¹¹ .
50.	Stipulation in the Company's Charter or internal documents of the procedure of appointing (electing) the Company secretary and establishing the secretary's duties.	Compliant	Article 23.3.29. of Rostelecom's Charter ¹ . Section 2 of Regulations on Corporate Secretary of Rostelecom ¹¹ .
51.	Stipulation in the Company's Charter of requirements for secretary candidates.	Partially compliant	Article 27.11. of Rostelecom's Charter ¹ designates a special person to assure compliance by the Company's executive bodies with applicable regulations and procedures aimed to protect legal rights and interests of the shareholders. Requirements to the candidacy for Rostelecom's Corporate Secretary are contained in Section 2 of Provision on Corporate Secretary of Rostelecom ¹¹ .

Major Corporate Activities

52.	Stipulation in the Company's Charter or internal documents of a requirement to approve large deals (worth 25-50 percent of the Company assets value) before they are made.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Major Corporate Activities").
53.	Mandatory engagement of an independent appraiser to appraise the market value of property that is the subject of large deals.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Major Corporate Activities").
54.	Stipulation in the Company's Charter of a ban on taking any measures, when acquiring major stakes in the Company (acquisition), aimed at protection of interests of executive bodies (members of executive bodies) and members of the Company Board of Directors, and worsening the shareholders' positions as compared to their	Non-Compliant	Rostelecom's Charter ¹ does not contain provisions aimed to protect the interests of executive bodies (members of executive bodies) and board of directors members, when acquiring major stakes in the

	current positions (in particular, a ban for the Board of Directors to make decisions, prior to the assumed end date of share purchase, on issue of securities convertible into shares or securities that grant the right to acquire the Company shares even if the right to make such a decision is stipulated in the Charter).		This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Major Corporate Activities").
55.	Stipulation in the Company's Charter of a requirement for mandatory engagement of an independent appraiser to appraise the current market value of shares and possible changes in their market value as a result of acquisition of the Company.	Non-applicable	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Major Corporate Activities").
56.	No release in the Company's Charter of purchasers from an obligation to offer shareholders an opportunity to sell their ordinary shares of the Company (securities convertible into ordinary shares) upon acquisition.	Compliant	This provision is missing in the Company's Charter ¹ .
57.	Stipulation in the Company's Charter or internal documents of a requirement for mandatory engagement of an independent appraiser to determine the share conversion ratio in the Company reorganization.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Major Corporate Activities").
Information Disclosure			
58.	Existence of a document approved by the Board of Directors that makes the rules for and approaches to disclosure of information about the Company (the Information Policy Regulations).	Compliant	The Board of Directors approved the Information Disclosure Policy (new version No.1) on December 29, 2008 ¹² .
59.	Stipulation in the Company's internal documents of a requirement for disclose of information about the purpose of placing shares, about persons who intend to buy these shares, including a large stake, as well as about intentions of Company executives to buy the Company shares to be placed.	Non-compliant	
60.	Stipulation in the Company's internal documents of a list of documents, materials and other information to be submitted to the shareholders for solving issues put on the agenda of a general shareholders meeting.	Compliant	Article 18.5. of Rostelecom's Charter ¹ .
61.	Existence of the Company's of an Internet website and regular publication of information about the Company on the website.	Compliant	www.rostelecom.ru
62.	Stipulation in the Company's internal documents of a requirement for disclose of information about the Company's deals with persons who, according to the Charter, are the Company's top executives, as well as about the Company's deals with organizations, in which the Company top executives directly or indirectly hold 20 percent or larger stakes, or on which these executives are able to exert essential influence.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section on Company Information Policy) and Insider Trading Policy of OJSC Rostelecom ⁵ .
63.	Stipulation in the Company's internal documents of a requirement for disclosure of information about all deals, which may influence the market value of the Company shares.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section on the Company Information Policy).
64.	Existence of an internal document approved by the Board of Directors that describes how to use essential information about the Company's activity, shares and other securities, and also about transactions with them, which is not publicly accessible and the disclosure of which may essentially influence the market value of the Company shares and other securities.	Compliant	Insider Trading Policy of OJSC Rostelecom ⁵ . Regulations on Provision of Access to Insider Information, Safeguarding Its Confidentiality and Exercising Control Over the Law Requirements with Regard to Insider Information ¹⁶ .
Financial and Business Control			
65.	Existence of procedures approved by the Board of Directors for internal control over the Company's financial and economic activities.	Partially compliant	Internal control over financial and economic activities of Rostelecom is performed including, but not limited to, a relative system of business processes (Internal control system). It was not however approved by the Board of Directors.

COMPLIANCE WITH RECOMMENDATIONS ISSUED BY FCSM (FFMS) OF RUSSIA

66.	Existence of a special division in the Company that facilitates adherence to the procedures of internal control (control and auditing service).	Compliant	Internal Audit Department; Regulations on Internal Audit Department ¹³
67.	Stipulation in the Company's internal documents of the control and auditing service's obligation to inform the Audit committee about irregularities found, as well as an obligation of the service head to regularly report to the Audit Committee on implementation of the Company's financial and economic plan and deviations from the plan.	Compliant	This provision is contained in the Regulations on Internal Audit Department ¹³ .
68.	No persons in the Company control and auditing service found guilty of economic crimes or crimes against government or local authorities, government interests, or persons who were administratively liable for crimes related to violations with business, finance, taxes and duties or securities market.	Compliant	Observed in practice.
69.	No persons in the control and auditing service, being members of the Company executive bodies, as well as being participants, general directors (top managers), management body member or employees of any legal entity that is competing with the Company.	Compliant	Observed in practice.
70.	Stipulation in the Company's internal documents of a period for submitting documents and materials to the control and auditing service, required for assessing a financial and economic transaction made, as well as responsibility of the Company executives and employees for failure to submit the above papers prior to the deadline.	Compliant	These provisions are set out in the Regulations on Internal Audit Department of OJSC Rostelecom and Regulations on the Audit Commission of OJSC Rostelecom ¹⁴ .
71.	Stipulation in the Company's internal documents of the control and auditing service's obligation to inform the Audit Committee (or in its absence, the Board of Directors) about irregularities.	Compliant	These provisions are set out in the Regulations of Internal Audit Department of OJSC Rostelecom and Regulations on the Audit Commission of OJSC Rostelecom ⁵
72.	Stipulation in the Company's Charter of a requirement for a control and auditing service to assess advisability for making transactions (nonstandard transactions) that are not included in the Company's financial and economic plan.	Non-compliant	Assessment of practicability of performed operations not provided for in the Rostelecom's year budget shall be made by the Board of Directors and Management Board of the Company. This provision is set out in the Corporate Governance Code ² (Section "Responsibility of the Management Board").
73.	Stipulation in the Company's internal documents of a procedure of coordinating nonstandard transactions with the Board of Directors.	Compliant	This provision is set forth in Rostelecom's Corporate Governance Code ² (see section "Management Board Responsibility").
74.	Existence of an internal document approved by the Board of Directors that describes the procedure of auditing the Company's financial and economic activity by the Audit Commission.	Not applicable	This requirement is in conflict with Federal Law No.208-FZ on Joint-stock Companies of December 26, 1995. In accordance with this law Regulations on the Audit Commission of Rostelecom ¹⁴ are approved by the annual General Meeting of Shareholders of OJSC Rostelecom.
75.	Review by the Audit Committee of the auditors' opinion prior to presentation thereof to the shareholders at a general meeting.	Compliant	This requirement is included in the Regulations on the Audit Committee of the Board of Directors ⁷ .
Dividends			
76.	Existence of an internal document approved by the Board of Directors, based on which the Board of Directors passes recommendations for the size of dividends (the Dividend Policy Regulations).	Compliant	Rostelecom's Dividend Policy ¹⁵
77.	Stipulation in the Dividend Policy Regulations on the procedure of determining a minimum amount of the Company's net profits allocated for dividend payment, and conditions, under which dividends are fully or partially paid on preferred shares; the size of dividends on these	Compliant	Rostelecom's Dividend Policy ¹⁵ .

preferred shares is set out in the Company's Charter.

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| 78. | Publication of information about the Company's Dividend Policy and changes therein in a bulletin stipulated in the Company's Charter for publication of statements about general shareholders meetings, as well as publication of this information on the Company's website. | Compliant | The required information is placed in the Internet-site www.rostelecom.ru |
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- ¹ Charter of OJSC Rostelecom (restated version No.11) approved by the Annual General Meeting of Shareholders of OJSC Rostelecom on June 27, 2011 (pursuant to Minutes No.1 as of June 30, 2011)
 - ² Corporate Governance Code of OJSC Rostelecom approved by the Board of Directors of OJSC Rostelecom on December 27, 2007 (pursuant to Minutes No.12 as of December 29, 2007)
 - ³ Regulations on the General Shareholders' Meeting of OJSC Rostelecom (restated version No.4) approved by the Annual General Meeting of Shareholders of OJSC Rostelecom on June 26, 2010 (pursuant to Minutes No.1 as of June 30, 2010)
 - ⁴ Code of Ethics of OJSC Rostelecom approved by the Board of Directors of OJSC Rostelecom on December 27, 2007 (pursuant to Minutes No.12 as of December 29, 2007)
 - ⁵ Insider Trading Policy of OJSC Rostelecom (restated version No.1) approved by the Board of Directors of OJSC Rostelecom on December 29, 2008 (pursuant to Minutes No.14 as of December 30, 2008)
 - ⁶ Regulations on the Board of Directors of OJSC Rostelecom (restated version No.10) approved by the Annual General Meeting of Shareholders of OJSC Rostelecom on June 27, 2011 (pursuant to Minutes No.1 as of June 30, 2011)
 - ⁷ Regulations on the Audit Committee of OJSC Rostelecom Board of Directors (restated version No.2) approved by the Board of Directors of OJSC Rostelecom on September 18, 2009 (pursuant to Minutes No.11 as of September 21, 2009)
 - ⁸ Regulations on the Nominations and Remuneration Committee of OJSC Rostelecom Board of Directors (restated version No.1) approved by the Board of Directors of OJSC Rostelecom on September 18, 2009 (pursuant to Minutes No.11 as of September 21, 2009))
 - ⁹ Regulations on the Corporate Governance Committee of OJSC Rostelecom Board of Directors (restated version No.2) approved by the Board of Directors of OJSC Rostelecom on September 18, 2009 (pursuant to Minutes No.11 as of September 21, 2009)
 - ¹⁰ Regulations on the Strategy Committee of OJSC Rostelecom Board of Directors (restated version No.2) approved by the Board of Directors of OJSC Rostelecom on July 23, 2009 (pursuant to Minutes No.5 as of July 24, 2009)
 - ¹¹ Regulations on Corporate Secretary and Corporate Secretary's office approved by the Board of Directors of OJSC Rostelecom on June 15, 2011 (pursuant to Minutes No.14 as of June 17, 2011)
 - ¹² Information Disclosure Policy of OJSC Rostelecom (restated version No.1) approved by the Board of Directors of OJSC Rostelecom on December 29, 2008 (pursuant to Minutes No.14 as of December 30, 2008)
 - ¹³ Statute of OJSC Rostelecom Internal Audit Department (version No.4) approved by the Board of Directors of OJSC Rostelecom on March 31, 2011 (pursuant to Minutes No.07 as of April 04, 2011)
 - ¹⁴ Regulations on the Audit Commission of OJSC Rostelecom (restated version No.2) approved by the Annual General Meeting of Shareholders of OJSC Rostelecom on June 9, 2008 (pursuant to Minutes No.1 as of June 24, 2008)
 - ¹⁵ Dividend Policy of OJSC Rostelecom (restated version No.2) approved by the Board of Directors of OJSC Rostelecom on December 26, 2011 (pursuant to Minutes No.29 as of December 29, 2011).
 - ¹⁶ Regulations on Provision of Access to Insider Information, Safeguarding Its Confidentiality and Exercising Control Over the Law Requirements with Regard to Insider Information Approved by an Order of OJSC Rostelecom # 476 of August 09, 2011.

APPENDIX NO.2

COMPANY MANAGEMENT AND CONTROLLING BODIES

BOARD OF DIRECTORS

Anatoly Ballo, Member of the Board of Directors until June 26, 2011 (inclusive)

Mr. Ballo was born in 1961. He graduated from Moscow Finance Institute where he specialized in international financial relations and obtained a qualification of Economist.

The table below provides the list of offices Mr. Ballo held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2007	USSR Vnesheconombank	Director of Structure Financing Department, Invest-Banking Director
2006 – 2008	CJSC "Hotel Development"	Member of the Board of Directors
2006 – 2010	OJSC "IFC"	Member of the Board of Directors
2007 – 2010	OJSC "North-West Metallurgical Works"	Member of the Board of Directors
2007 – 2010	"PETROL" A.D.	Chairman of the Supervisory Board
2007 – 2010	RAFINERIJA UNJA MODRICA» A.D.	Chairman of the Supervisory Board
2007 – 2010	"RAFINERIJA NAFTE" A.D.	Chairman of the Supervisory Board
2007 – current	State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"	Member of the Management Board – Deputy Chairman
2007 – current	OJSC "Euraziysky"	Chairman of the Board of Directors
2007 – current	CJSC "Kraslesinvest"	Chairman of the Board of Directors
2007 – current	OJSC "NK Severnoe Siyanie"	Member of the Board of Directors
2007 – current	OJSC "Household Appliances Works"	Member of the Board of Directors
2008 – 2010	Eco Telecom Limited	Member of the Board of Directors
2008 – current	Malev Zrt.	Chairman of the Supervisory Board
2008 – current	OJSC "Corporation for Krasnoyarsk Region Development"	Member of the Board of Directors
2008 – current	OJSC "VEB-Leasing"	Chairman of the Board of Directors
2008 – current	OJSC "RusHydro"	Member of the Board of Directors
2009 – current	OJSC "Russian Agricultural Bank"	Member of the Supervisory Board
2009 – current	CJSC "GlobexBank"	Member of the Board of Directors
2009 – current	LLC "VEB-Invest"	Chairman of the Board of Directors
2009 – current	OJSC "Corporation for Samara Region Development"	Member of the Board of Directors
2009 – current	OJSC "OGK-1"	Member of the Board of Directors
2010 – current	LLC "VEB-Capital"	Member of the Supervisory Board
2010 – current	LLC "VEB-Engineering"	Member of the Board of Directors
2010 – current	Machinery & Industrial Group N.V.	Member of the Board of Directors
2010 – current	OJSC "Angstrom"	Member of the Board of Directors
2010 – current	OJSC "Angstrom-T"	Member of the Board of Directors
2010 – current	OJSC "Angstrom-M"	Member of the Board of Directors
2010 – current	OJSC "Ammonium"	Member of the Board of Directors
2010 – current	OJSC "Rostelecom"	Member of the Board of Directors
2010 – current	OJSC "RusHydro"	Chairman of the Investments Committee of the Board of Directors
2011 – current	LLC "Resad"	Member of the Board of Directors

As of December 31, 2011, Mr. Ballo had no interest in charter capital of the Company . In 2011, Mr. Ballo made no transactions with the Company's securities .

Vladimir Bondarik, Chairman of the Board of Directors until June 26, 2011 (inclusive)

Mr. Bondarik was born in 1957. In 1980 he graduated from Moscow Institute of Physics and Technology where he specialized in radioelectronic devices and obtained a qualification of Engineer-Physicist.

The table below provides the list of offices Mr. Bondarik held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2008	LLC “RoilSystems”	Deputy General Director, Managing Director, General Director
2008 – 2009	LLC “Roilcom”	General Director
2009 – current	OJSC “Rostelecom”	Member of the Board of Directors
2009 – 2011	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2009 – current	Ministry of Communications and Mass Media of Russian Federation	Advisor to Minister on a voluntary basis
2010 – 2011	OJSC “Svyazintech”	Member of the Board of Directors
2010 – 2011	OJSC “RTcomm.RU”	Member of the Board of Directors
2010 – 2011	OJSC “Rostelecom”	Chairman of the Board of Directors
2010 – current	OJSC “Vitanet”	Chairman of the Board of Directors
2011 - current	OJSC “Giprosvyaz”	General Director, Chairman of the Board of Directors

As of December 31, 2011, Mr. Bondarik had no interest in charter capital of the Company . In 2011, Mr. Bondarik made no transactions with the Company’s securities .

Anton Zlatopolsky, Member of the Board of Directors from June 27, 2011

Mr. Zlatopolsky was born in 1966, Moscow. In 1988 he graduated from Lomonosov Moscow State University where he specialized in jurisprudence. Mr. Zlatopolsky is PhD in law.

The table below provides the list of offices Mr. Zlatopolsky held in the recent 5 years and his current position:

Period	Organization	Office
2006 – current	Branch of FGUP “VGTRK” “TV-channel “Rossiya”	Director
2011 – current	OJSC “Rostelecom”	Member of the Board of Directors

As of December 31, 2011, Mr. Zlatopolsky had no interest in charter capital of the Company . In 2011, Mr. Zlatopolsky made no transactions with the Company’s securities .

Yuri Kudimov

Mr. Kudimov was born in 1953. In 1979 he graduated from Lomonosov Moscow State University where he specialized in journalism. In 1998 Mr. Kudimov graduated from Dauling College (USA) where he obtained a degree of Master of Banking and International Financial Systems.

The table below provides the list of offices Mr. Kudimov held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2008	OJSC NRBank	President, Chairman of the Management Board
2008 – 2009	OJSC NRBank	Chairman of the Board of Directors
2006 - current	CJSC BaltAvtoSearch	Member of the Board of Directors
2010 – current	LLC VEB-Capital	General Director
2010 – current	OJSC Rostelecom	Member of the Board of Directors
2011 – current	OJSC Svyazinvest	Member of the Board of Directors

As of December 31, 2011, Mr. Kudimov had no interest in charter capital of the Company . In 2011, Mr. Kudimov made no transactions with the Company’s securities .

Sergey Kuznetsov, Member of the Board of Directors until June 27, 2011

Mr. Kuznetsov was born in 1953. He graduated from North-Western Polytechnics Institute where he specialized in computer technologies and obtained a qualification of Engineer. Mr. Kuznetsov was trained in Columbia University business school and completed a business administration course at Duke University's Fuqua School of Business.

The table below provides the list of offices Mr. Kuznetsov held in the recent 5 years and his current position:

Period	Organization	Office
2004 – 2006	OJSC Svyazinvest	First Deputy General Director, Member of the Management Board
2004 – 2006	OJSC Telecominvest	Member of the Board of Directors
2005 – 2006	OJSC Southern Telecommunication Company	Chairman of the Board of Directors
2005 – 2006	OJSC Central Telegraph	Chairman of the Board of Directors
2005 – 2006	OJSC SibirTelecom	Chairman of the Board of Directors
2005 – 2006	OJSC Dalsvyaz	Chairman of the Board of Directors
2005 – 2006	OJSC Uralsvyazinform	Chairman of the Board of Directors
2005 – 2006	OJSC VolgaTelecom	Member of the Board of Directors
2005 – 2009	OJSC Rostelecom	Member of the Board of Directors
2005 – 2009	OJSC CenterTelecom	Member of the Board of Directors
2006 – 2009	OJSC VolgaTelecom	Chairman of the Board of Directors
2006 – 2009	OJSC SibirTelecom	Member of the Board of Directors
2007 – current	CJSC BaltAutoSearch	Chairman of the Board of Directors
2007 – current	Russian Union of Industrialists and Entrepreneurs	Member of the Independent Directors' National Register
2009 – 2010	OJSC Rostelecom	Member of the Board of Directors
2011 - current	OJSC Rostelecom	Member of the Board of Directors

As of December 31, 2011, Mr. Kuznetsov had no interest in charter capital of the Company . In 2011, Mr. Kuznetsov made no transactions with the Company's securities .

Mikhail Leshchenko, Member of the Board of Directors from January 22, 2011 until June 26, 2011 (inclusive)

Mr. Leshchenko was born in 1975. In 1997 he graduated from St. Petersburg State Economics and Finance Institute where he specialized in world economy and obtained a qualification of Economist.

The table below provides the list of offices Mr. Leshchenko held in the recent 5 years and his current position:

Period	Organization	Office
2006 – 2006	LLC Marshall Capital	Deputy General Director
2007 – 2008	LLC Marshall Consulting	Deputy General Director
2008 – 2009	Ministry of Communications and Mass Media of Russian Federation	Advisor to Minister of Communications and Mass Media of Russian Federation
2009 – 2009	OJSC Svyaz-Bank	Member of the Board of Directors
2009 – 2010	OJSC Rostelecom	Member of the Board of Directors
2009 – 2010	OJSC North-West Telecom	Member of the Board of Directors
2009 – 2010	OJSC Uralsvyazinform	Member of the Board of Directors
2009 – 2010	OJSC CenterTelecom	Member of the Board of Directors
2009 – 2010	OJSC SibirTelecom	Member of the Board of Directors
2009 – 2010	OJSC Dalsvyaz	Member of the Board of Directors
2009 – 2010	OJSC Central Telegraph	Member of the Board of Directors
2009 – 2010	OJSC Svyazinvest	Member of the Board of Directors
2009 – 2011	OJSC VolgaTelecom	Member of the Board of Directors
2009 – 2011	OJSC Southern Telecommunication Company	Member of the Board of Directors

2009 – current	OJSC Giprosvyaz	Member of the Board of Directors
2009 – current	OJSC Svyazinvest	Deputy General Director
2009 – current	OJSC Svyazinvest	Member of the Management Board
2009 – current	CJSC BaikalWestCom	Chairman of the Board of Directors
2010 – 2010	CJSC Stack GSM	Chairman of the Board of Directors
2011 – 2011	OJSC North-West Telecom	Member of the Board of Directors
2011 – 2011	OJSC Uralsvyazinform	Member of the Board of Directors
2011 – 2011	OJSC CenterTelecom	Member of the Board of Directors
2011 – 2011	OJSC SibirTelecom	Member of the Board of Directors
2011 – 2011	OJSC Dalsvyaz	Member of the Board of Directors
2011 – 2011	OJSC Rostelecom	Member of the Board of Directors
2011 – current	LLC Southern-Ural Telephone Company	Member of the Board of Directors
2011 – current	OJSC NTC	Member of the Board of Directors

As of December 31, 2011, Mr. Leshchenko had no interest in charter capital of the Company . In 2011, Mr. Leshchenko made no transactions with the Company's securities .

Alexey Lokotkov, Member of the Board of Directors until January 22, 2011 (inclusive)

Mr. Lokotkov was born 1950. In 1977 he graduated from All-Union Extramural Construction Engineering Institute with a degree in Construction Engineering. Candidate of technical science, associate professor.

The table below provides the list of offices Mr. Lokotkov held in the recent 5 years and his current position:

Period	Organization	Office
2000 – 2006	OJSC CenterTelecom	First Deputy General Director – Financial Director
2007 – 2008	OJSC Soyuz-TelephoneStroy	First Deputy General Director
2009 – 2010	OJSC Svyazintech	Chairman of the Board of Directors
2009 – 2010	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2009 - 2011	OJSC Rostelecom	Member of the Board of Directors
2009 - 2010	OJSC Dagsvyazinform	Member of the Board of Directors
2009 – current	Russian Foundation for the History of Telecommunications	Member of the Management Board
2010 – current	OJSC Svyaintech	Member of the Board of Directors

As of December 31, 2011, Mr. Lokotkov had 0.00432% interest in charter capital and 0.00467% interest in ordinary shares of the Company. In 2011, Mr. Lokotkov made no transactions with the Company's securities.

Konstantin Malofeev, Member of the Board of Directors until June 26, 2011 (inclusive)

Mr. Malofeev was born in 1974. In 1996 he graduated from Lomonosov Moscow State University with a degree in Law.

The table below provides the list of offices Mr. Malofeev held in the recent 5 years and his current position:

Period	Organization	Office
2006 – 2008	LLC Marshall Capital	Advisor to General Director
2007 – 2010	OJSC NUTRINVESTHOLDING	Deputy Chairman of the Board of Directors
2007 – current	Autonomous Noncommercial Educational Organization "Saint Vasily Veliky Gymnasium"	Chairman of the Supervisory Board
2009 – 2011	OJSC Svyazinvest	Member of the Board of Directors
2009 – current	MarCap Advisors Limited	Managing Partner
2009 – 2011	OJSC Rostelecom,	Member of the Board of Directors
2010 – current	OJSC NUTRINVESTHOLDING	Chairman of the Board of Directors

As of December 31, 2011, Mr. Malofeev had no interest in charter capital of the Company . In 2011, Mr. Malofeev made no transactions with the Company's securities .

Anatoly Milukov, Member of the Board of Directors from June 27, 2011

Mr. Milukov was born in 1972, Moscow. In 1994 he graduated from Lomonosov Moscow State University where he specialized in international economy and in 2001 MBA school of the Harvard University.

The table below provides the list of offices Mr. A. Milukov held in the recent 5 years and his current position:

Period	Organization	Office
2001 – 2006	Managing Company Alfa-Capital	Chief Managing Director
2006 – current	Managing Company CJSC Gazprombank-assets management	Member of the Board of Directors
2006 – current	OJSC Gazprombank	Executive Vice-President
2007 – current	GBP Asset Management S.A. (Luxemburg)	Member of the Board of Directors
2008 – current	CJSC New Instrumental Solutions	Member of the Board of Directors
2010 - 2010	OJSC Uralsvyainform	Member of the Board of Directors
2011 - 2011	OJSC Southern Telecommunication Company	Member of the Board of Directors
2011 - current	OJSC Rostelecom,	Member of the Board of Directors
2011 - current	OJSC NTC	Member of the Board of Directors

As of December 31, 2011, Mr. Milukov had no interest in charter capital of the Company . In 2011, Mr. Milukov made no transactions with the Company's securities .

Alexander Pertsovsky, Member of the Board of Directors from June 27, 2011

Mr. Pertsovsky was born in 1968. In 1991 he graduated from Moscow Institute of Radio-Engineering, Electronics and Automation where he obtained a qualification and Columbia Business School (MBA), New York

The table below provides the list of offices Mr. A. Milukov held in the recent 5 years and his current position:

Period	Organization	Office
2000 - current	OJSC RTC	Member of the Board of Directors
2002 – current	Renaissance Group	Chairman of the Board
2002 – current	Renaissance Capital	Chairman of the Board
2011 – current	OJSC Svyazinvest	Member of the Board of Directors
2011 – current	OJSC Rostelecom,	Member of the Board of Directors

As of December 31, 2011, Mr. Pertsovsky had no interest in charter capital of the Company . In 2011, Mr. Pertsovsky made no transactions with the Company's securities .

Mikhail Poluboyarinov, Member of the Board of Directors until June 26, 2011 (inclusive)

Mr. Poluboyarinov was born in 1966. In 1983 he graduated from Moscow Finance Institute (Financial Academy under the Government of the Russian Federation), faculty of credit and economics and obtained the qualification of Economist. In 1998 Mr. Poluboyarinov graduated from Plekhanov Russian Economic Academy postgraduate study and obtained a Ph.D. in Economics.

The table below provides the list of offices Mr. Poluboyarinov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2009	OJSC Aeroflot – Russian Airlines	Deputy General Director on Finance and Planning
2006 – 2010	OJSC Terminal	Chairman of the Board of Directors
2009 – current	State Corporation “Bank for Development and Foreign Economic Affairs” (Vnesheconombank)»	Director of Infrastructure Department
2010 – current	OJSC Northern Caucasus Resorts	Member of the Board of Directors

2010 – current	OJSC Rostelecom	Member of the Board of Directors
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As of December 31, 2010, Mr. Poluboyarinov had no interest in charter capital of the Company . In 2010, Mr. Poluboyarinov made no transactions with the Company's securities .

Sergey Pridantsev, Member of the Board of Directors from January 22, 2011 until June 26, 2011 (inclusive)

Mr. Pridantsev was born in 1967. In 1993 he graduated from Moscow State Automobile & Road Technical University (MADI).

The table below provides the list of offices Mr. Pridantsev held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2006	OJSC Central Telecommunications Company	Deputy General Director, Commercial Director
2006 – 2007	OJSC Central Telecommunications Company	General Director
2007 – 2011	OJSC Comstar-OTC	President, Chairman of the Board of Directors
2003 – 2006	CJSC CenterTelecomService	Member of the Board of Directors
2003 – 2007	CJSC CenterTelecomService	Member of the Management Board
2004 - 2005	CJSC Chernozem'e Cellular communications	Member of the Board of Directors
2004 - 2015	CJSC Ryazan Cellular communications	Member of the Board of Directors
2004 - 2006	OJSC RTC	Member of the Board of Directors
2007 - 2011	OJSC Comstar-OTC	Member of the Board of Directors
2007 - 2009	OJSC MTT	Chairman of the Board of Directors
2008 - 2011	OJSC MGTS	Chairman of the Board of Directors
2008 - 2010	OJSC Svyazinvest	Member of the Board of Directors
2008 - current	OJSC SMM	Member of the Board of Directors
2009 - 2009	CJSC Stream-TV	Chairman of the Board of Directors
2010 - current	OJSC NIS	Member of the Board of Directors
2010 - 2011	OJSC Rostelecom	Member of the Board of Directors

As of December 31, 2010, Mr. Pridantsev had no interest in charter capital of the Company . In 2010, Mr. Pridantsev made no transactions with the Company's securities .

Alexander Provotorov, Member of the Board of Directors, Deputy Chairman of the Board of Directors until May 28, 2010

Mr. Provotorov was born in 1974. In 1996 he graduated from Lomonosov Moscow State University with a degree in Law, qualification "lawyer"

The table below provides the list of offices Mr. Provotorov held in the recent 5 years and his current position:

Period	Organization	Office
2006 – 2008	LLC Marshall Capital	General Director
2009 – 2009	MarCap Advisors Limited, Moscow branch	Senior Managing Director
2009 – 2009	CJSC PTT	Member of the Board of Directors
2009 – 2010	OJSC MGTS	Member of the Board of Directors
2009 – 2010	CJSC AKOS	Chairman of the Board of Directors
2009 – 2010	LLC MobiTel	Member of the Board of Directors
2009 – 2010	OJSC Svyazinvest	First Deputy General Director
2009 – 2010	CJSC NCC	Chairman of the Board of Directors
2010 - 2011	CJSC NCC	Member of the Board of Directors
2009 – 2011	OJSC CenterTelecom	Member of the Board of Directors
2009 – 2011	OJSC Uralsvyazinform	Member of the Board of Directors
2009 – 2011	OJSC North-West Telecom	Member of the Board of Directors
2009 – current	OJSC Svyazinvest	Member of the Management Board

2009 – current	OJSC Rostelecom	Member of the Board of Directors
2009 – current	OJSC Central Telegraph	Member of the Board of Directors
2009 – current	OJSC Rosinfocominvest	Member of the Board of Directors
2009 – 2010	OJSC Giprosvyaz	Chairman of the Board of Directors
2010 – current	CJSC AKOS	Member of the Board of Directors
2011 – current	OJSC Svyazinvest	Member of the Board of Directors
2011 – current	OJSC NTC	Chairman of the Board of Directors
2010 - current	Non-State pension fund Telecom-Soyuz	Member of the Board of the Fund
2010 - current	OJSC Rostelecom	General Director, President, Chairman of the Board of Directors

As of December 31, 2011, Mr. Provotorov had no interest in charter capital of the Company . In 2011, Mr. Provotorov made no transactions with the Company's securities .

Ivan Rodionov, Member of the Board of Directors from July 18, 2011

Mr. Rodionov was born in 1953. In 1978 he graduated from Lomonosov Moscow State University where he specialized in national economy planning and obtained a qualification of Economist of synthetical planning.

The table below provides the list of offices Mr. Rodionov held in the recent 5 years and his current position:

Period	Organization	Office
1997 – 2006	AIG-Brunswick Capital Management	Managing Director
2000 – current	OJSC IBS Group Holding	Member of the Board of Directors
2001 – 2011	OJSC North-West Telecom	Member of the Board of Directors
2003 – current	State University Higher School of Economics	Professor of Economics and Enterprise Finance Department
2004 – 2006	AIG-Interros RCF Advisor	Managing Director
2004 – current	OJSC FosAgro	Member of the Board of Directors
2005 – 2007	OJSC MGTS	Member of the Board of Directors
2005 – current	OJSC Energo – Machine-building Alliance	Member of the Board of Directors, Chairman of the Board of Directors
2006 – current	Russian State University of Humanities	Professor of Finance and Credit Department
2009 – 2010	OJSC Rostelecom	Member of the Board of Directors
2009 – current	OJSC Svyazinvest	Member of the Board of Directors
2009 – current	OJSC IC Rusinvest	Member of the Board of Directors
2011 – current	OJSC Rostelecom	Chairman of the Board of Directors

As of December 31, 2011, Mr. Rodionov had no interest in charter capital of the Company . In 2011, Mr. Rodionov made no transactions with the Company's securities .

Viktor Savchenko, Member of the Board of Directors until January 22, 2011 (inclusive)

Mr. Savchenko was born in 1960. In 1986 he graduated from Lomonosov Moscow State University with a degree in Law.

The table below provides the list of offices Mr. Savchenko held in the recent 5 years and his current position:

Period	Organization	Office
2001 – 2006	OJSC Svyazinvest	Head of Legal Department
2003 – 2006	OJSC Central Telegraph	Member of the Management Board
2004 - 2005	LLC SouthUral cellular telephone	Member of the Board of Directors
2004 - 2005	OJSC VolgaTelecom	Member of the Board of Directors
2005 – 2006	OJSC Svyazinvest, OJSC CenterTelecom	Member of the Management Board
2005 – 2006	OJSC Svyazintech	Member of the Board of Directors
2006 – 2006	OJSC Svyazinvest	Executive Director – Director of Legal Department

2006 – 2009	OJSC Svyazinvest	Executive Director, Director of corporate governance and legal department
2006 – 2009	OJSC CenterTelecom	Member of the Board of Directors
2002 - 2010	OJSC MGTS	Member of the Board of Directors
2006 - current	OJSC VolgaTelecom	Member of the Board of Directors
2008 – current	OJSC RTcomm.RU	Member of the Board of Directors
2009 – 2010	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2009 – 2010	OJSC Dagsvyazinform	Member of the Board of Directors
2009 – 2011	OJSC Rostelecom	Member of the Board of Directors
2010 – 2011	OJSC CenterTelecom	Member of the Board of Directors

As of December 31, 2011, Mr. Savchenko had 0.00004% interest in charter capital and 0.00004% interest in ordinary shares of the Company. In 2011, Mr. Savchenko made transactions with 366,000 ordinary shares of the Company.

Vadim Semenov, Member of the Management Board from January 22, 2011

Mr. Semenov was born in 1965 in Leningrad. In 1987 he graduated from the St. Petersburg A.A. Zhdanov State University with a degree in Law.

The table below provides the list of offices Mr. Semenov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2009	OJSC MegaFon	Head of Legal section, Head of legal Department, Director for Legal Affairs, Deputy Director for Legal Affairs
2009 – 2009	OJSC Gazprom, Subsidiary ElectroGaz	Deputy General Director for Legal Affairs and Corporate Relations
2009 – 2010	OJSC Rostelecom	Advisor to General Director, Deputy General Director for Corporate Development, Vice President for Legal Affairs and Corporate Development
2009 – 2011	OJSC Rostelecom	Member of the Management Board
2010 – 2011	CJSC Westelcom	Member of the Board of Directors
2010 – 2011	CJSC GlobalTel	Member of the Board of Directors
2010 – current	CJSC INCOM	Chairman of the Board of Directors
2010 – current	Malachite Resort	Member of the Board of Directors
2010 – current	OJSC Svyazinvest	General Director, Chairman of the management Board
2010 – current	CJSC Sky Link	Chairman of the Board of Directors
2011 – current	OJSC MMTS-9	Chairman of the Board of Directors
2011 – 2011	OJSC Central Telegraph	Chairman of the Board of Directors
2011 – 2011	CJSC DeltaTelecom	Chairman of the Board of Directors
2011 - 2011	OJSC MSS	Chairman of the Board of Directors
2011 – 2011	OJSC CenterTelecom	Chairman of the Board of Directors
2011 - 2011	OJSC North-West Telecom	Chairman of the Board of Directors
2011 – 2011	OJSC Southern Telecommunication Company	Chairman of the Board of Directors
2011 – 2011	OJSC SibirTelecom	Chairman of the Board of Directors
2011 – 2011	OJSC Uralsvyazinform	Chairman of the Board of Directors
2011 – 2011	OJSC Dalsvyaz	Chairman of the Board of Directors
2011 – 2011	OJSC VolgaTelecom	Chairman of the Board of Directors
2011 – 2011	OJSC RTcomm.RU	Member of the Board of Directors
2011 - 2011	CJSC NSS	Member of the Board of Directors

2010 - current	Non-State pension fund Telecom-Soyuz	Member of the Board of the Fund
2011 - current	OJSC Svyazinvest, OJSC Bashinformsvyaz	Member of the Board of Directors
2011 - current	OJSC Rostelecom	Member of the Management Board
2011 – current	CJSC Giprosvyaz	Chairman of the Board of Directors

As of December 31, 2011, Mr. Semenov had no interest in charter capital of the Company . In 2011, Mr. Semenov made no transactions with the Company's securities

Anatoly Tikhonov, Member of the Board of Directors

Mr. Tikhonov was born in 1969. He graduated from Lomonosov Moscow State University with a degree in Law.

The table below provides the list of offices Mr. Tikhonov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2008	Administration of Krasnoyarsk Region	Deputy Governor – Head of External Relations and Investments Department
2006 – 2008	OJSC Corporation for Krasnoyarsk Region Development	Member of the Board of Directors
2008 – 2008	Government of Krasnoyarsk Region	Deputy Governor –Deputy Chairman of Government
2008 – 2009	OJSC Corporation for Samara Region Development	Member of the Board of Directors
2008 – current	State Corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)»	Member of the Management Board – Senior Deputy Chairman
2009 – current	United Company RUSAL Limited	Member of the Board of Directors
2009 – current	OJSC Sheremetievo International Airport	Member of the Board of Directors
2009 – current	LLC VEB-Engineering	Member of the Board of Directors
2009 – current	CJSC ALROSA	Member of the Supervisory Board
2009 – current	OJSC Svyaz-Bank	Chairman of the Board of Directors
2010 – current	OJSC Rostelecom	Member of the Board of Directors
2010 – current	OJSC Corporation for Northern-Caucasus Development	Member of the Board of Directors

As of December 31, 2011, Mr. Tikhonov had no interest in charter capital of the Company . In 2011, Mr. Tikhonov made no transactions with the Company's securities .

Yelena Umnova, Member of the Board of Directors until January 22, 2011 (inclusive)

Ms. Umnova was born in 1954. In 1976 she graduated from Voronezh Polytechnic Institute with a degree in Economics and Engineering Industry.

The table below provides the list of offices Ms. Umnova held in the recent 5 years and her current position:

Period	Organization	Office
2004 - 2005	OJSC CenterTelecom	Member of the Board of Directors
2004 - 2005	OJSC JSCB Svyazbank	Member of the Audit Commission
2004 - 2005	OJSC North-West Telecom	Member of the Management Board
2005 – 2007	OJSC Comstar-UTS	Head of Business Integration and Subsidiaries Governance Division; Deputy Head of Corporate Governance Department, Director of the Department for Governance of Regional Development of the Corporate Center
2005 – 2007	OJSC Tumenftegazsvyaz, CJSC Konversia-Svyaz, LLC Astelit, CJSC Port Telecom	Member of the Board of Directors

2007 – 2008	OJSC Etalon Factory	Financial Director
2008 – 2009	Sberbank, Tambov branch	Deputy Managing Director
2009 – 2010	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2009 – 2011	OJSC Rostelecom	Member of the Board of Directors
2010 – current	OJSC Svyazintech	Chairman of the Board of Directors

As of December 31, 2011, Ms. Umnova had no interest in charter capital of the Company . In 2011, Ms. Umnova made no transactions with the Company's securities .

Yevgeny Yurchenko, Member of the Board of Directors until January 22, 2011 (inclusive)

Mr. Yurchenko was born in 1968. In 1994 he graduated from Voronezh State University with a degree in Accounting and analysis of enterprises business operations.

The table below provides the list of offices Mr. Yurchenko held in the recent 5 years and his current position:

Period	Organization	Office
2004 – 2005	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2004 - 2005	CJSC RTK-Invest, OJSC "RTcomm.RU", OJSC CB Svyaz-Bank, CJSC Registar-Svyaz, OJSC CenterTelecom, OJSC Central Telegraph	Member of the Board of Directors
2004 - 2005	OJSC Sibirnelecom, OJSC Dalsvyaz, OJSC VolgaTelecom	Chairman of the Board of Directors
2004 - 2005	Non-State pension fund Telecom-Soyuz	Member of the Board of the Fund
2005 – 2007	OJSC Comstar-UTS	Deputy General Director for Investments and Regional Development
2005 – 2007	OJSC Tumeneftegazsvyaz, CJSC Konversia-Svyaz, LLC TC Overta	Chairman of the Board of Directors
2005 – 2007	CJSC Konversia-Svyaz	Chairman of the Board of Directors
2007 – 2009	Sberbank, Tambov branch	Managing Director
2009 – 2010	OJSC Svyazinvest	General Director, Chairman of the Management Board
2009 – 2010	OJSC Rostelecom, OJSC North-West Telecom, OJSC VolgaTelecom, OJSC Southern Telecommunication Company, OJSC Uralsvyazinform, OJSC Central Telegraph	Chairman of the Board of Directors
2009 – 2010	OJSC MGTS	Member of the Board of Directors
2009 – 2011	OJSC CenterTelecom, OJSC Dalsvyaz, OJSC Sibirnelecom, OJSC Uralsvyazinform, OJSC Central Telegraph	Chairman of the Board of Directors
2009 - current	Non-State pension fund Telecom-Soyuz	Member of the Board of the Fund
2010 – 2011	OJSC Rostelecom	Member of the Board of Directors

As of December 31, 2011, Mr. Yurchenko had no interest in charter capital of the Company . In 2011, Mr. Yurchenko made no transactions with the Company's securities .

Igor Shchegolev, Member of the Board of Directors from June 27, 2011

Mr. Shchegolev was born in 1965. In 1988 he graduated from the Translators' Faculty of the Moscow State Institute of Foreign Languages named after M. Thorez and the Germanic faculty of Leipzig University.

The table below provides the list of offices Mr. Yurchenko held in the recent 5 years and his current position:

Period	Organization	Office
2002 - 2008	Presidential Administration	Head of the RF Presidential Department of Protocol
2008 - current	Ministry of Telecom and Mass Communications	Minister
2010 - 2011	OJSC Svyazinvest	Member of the Board of Directors
2011 –current	OJSC Rostelecom	Member of the Board of Directors

As of December 31, 2011, Mr. Shchegolev had no interest in charter capital of the Company . In 2011, Mr. Shchegolev made no transactions with the Company's securities .

No members of the Board of Directors of the Company have been brought to administrative responsibility for breaches of law in the spheres of finance, taxes and levies, securities market, or to criminal responsibility (no members of the Board of Directors of the Company have had any previous conviction record) for crimes in the sphere of economics or for crimes against the state authority, and among the members of the Board of Directors of the Company there are no persons who held any positions in managing bodies of entities over the period when bankruptcy proceedings were initiated against, and/or any bankruptcy procedures were applied in respect of such entities pursuant to the Russian laws and regulations.

PRESIDENT AND MANAGEMENT BOARD

Alexander Provotorov, President, Chairman of the Management Board

For information on A. Provotorov please refer to section Board of Directors of this Exhibit.

Vladimir Akulich, Member of the Management Board from June 15, 2011 until August 01, 2011

Mr. Akulich was born in 1956. In 1978 he graduated from The Bonch-Bruevich Leningrad State University of Telecommunications where he specialized in automatic telecommunications.

The table below provides the list of offices Mr. Gerasimov held in the recent 5 years and his current position:

Period	Organization	Office
2004 – 2011	OJSC North-West Telecom	General Director
2011 – current	OJSC Rostelecom	Vice-President, Director of Macro-Regional Branch North-West
2011 – current	CJSC Severen-Telecom	Member of the Board of Directors
2011 – current	CJSC NTK	Member of the Board of Directors

As of December 31, 2011, Mr. Akulich had no interest in charter capital of the Company . In 2011, Mr. Akulich made no transactions with the Company's securities .

Yevgeny Gerasimov, Member of the Management Board until June 15, 2011

Mr. Gerasimov was born in 1965 in the Vologda region. In 1987 he graduated from the Leningrad State University of Telecommunications where he specialized in Radio Communications and Broadcasting.

The table below provides the list of offices Mr. Gerasimov held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2010	OJSC Rostelecom	Deputy General Director – North-West Branch Director
2006 – 2011	OJSC Rostelecom	Member of the Management Board
2010 – current	CJSC Rosmedia	Chairman of the Board of Directors
2010 – current	OJSC Rostelecom	Vice-President – North-West Branch Director

As of December 31, 2011, Mr. Gerasimov had no interest in charter capital of the Company . In 2011, Mr. Gerasimov made no transactions with the Company's securities .

Pavel Zaitsev, Member of the Management Board

Mr. Zaitsev was born in 1977. In 2000 he graduated from Ural State Technical University with a degree in Informational systems in Economics.

The table below provides the list of offices Mr. Zaitsev held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2007	CJSC Uraltelecomservice	General Director
2007 – 2008	OJSC Uralsvyazinform	Advisor to Yekaterinburg Branch Director
2008 – 2009	CJSC Uraltelecomservice	General Director
2009 – 2010	OJSC Uralsvyazinform	Member of the Management Board
2009 – 2010	OJSC Uralsvyazinform	Deputy General Director – Commercial Director
2010 – current	LLC Southern-Urals Telephone Company	Member of the Board of Directors
2010 – current	OJSC Rostelecom	Vice-President – Commercial Director, Member of the Management Board

2010 – 2011	CJSC Westelcom	Member of the Board of Directors
2011 – current	CJSC Westelcom	Chairman of the Board of Directors
2011 - current	CJSC GlobalTel	Chairman of the Board of Directors
2011 – current	OJSC NTC	Member of the Board of Directors
2011 - current	CJSC Severen-Telecom	Member of the Board of Directors
2011 - current	CJSC AKOS	Member of the Board of Directors
2011 - current	CJSC BIT	Member of the Board of Directors
2011 - current	CJSC NCC	Chairman of the Board of Directors
2011 - current	OJSC MMTC-9	Member of the Board of Directors
2011 - current	CJSC Baikalvestcom	Member of the Board of Directors
2011 - current	CJSC Eniseytelecom	Member of the Board of Directors
2011 - current	OJSC RTC	Member of the Board of Directors
2011 - current	CJSC Orenburg-GSM	Chairman of the Board of Directors
2011 - current	CJSC Volgograd-GSM	Member of the Board of Directors

As of December 31, 2011, Mr. Zaitsev had no interest in charter capital of the Company . In 2011, Mr. Zaitsev made no transactions with the Company's securities .

Ivan Zima, Member of the Management Board from January 28, 2012

Mr. Zima was born in 1971. In 1994 he graduated from Irkutsk State Technical University where he specialized in Radiotechnics.

The table below provides the list of offices Mr. Zima held in the recent 5 years and his current position:

Period	Organization	Office
2006 – 2010	OJSC Rostelecom, Far-East branch	Deputy General Director – Director of Far-East branch
2010 – 2011	OJSC Rostelecom, Far-East branch	Vice-President- Director of Far-East branch
2011 – 2011	OJSC Rostelecom	Director for Network Planning and Development
2011 – 2012	OJSC Rostelecom	Member of the Management Board, Vice-President, Technical Director

As of December 31, 2011, Mr. Zima had no interest in charter capital of the Company . In 2011, Mr. Zima made no transactions with the Company's securities .

Viktor Iudin, Member of the Management Board

Mr. Iudin was born in 1967 in Shatur district, Moscow region. In 1988 he graduated from Moscow Railway Engineering Institute.

The table below provides the list of offices Mr. Iudin held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2009	OJSC Rostelecom	Deputy General Director – Central Branch Director
2009 – 2010	OJSC Rostelecom	First Deputy General Director, Member of the Management Board
2009 – current	CJSC Globus-Telecom	Chairman of the Board of Directors
2011 - current	OJSC RTcomm.RU	Member of the Board of Directors
2011 - current	CJSC Novgorog DataCom	Member of the Board of Directors
2011 - current	CJSC CentreTelecomService	Member of the Board of Directors
2011 - current	CJSC NCC	Member of the Board of Directors
2011 -current	OJSC RTC	Member of the Board of Directors

2010 – current	OJSC Rostelecom	Member of the Management Board
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As of December 31, 2011, Mr. Iudin had 0.00006% interest in charter capital and 0.00007% interest in ordinary shares of the Company. In 2011, Mr. Iudin made no transactions with the Company's securities .

Sergey Lukash, Member of the Management Board from September 29, 2010

Mr. Lukash was born in 1957, Rubtsovsk, the Altai territory. In 1976 he graduated from Alma-Ata communications technical school, in 1986 - All-Union Extramural Electrotechnical Institute with a degree in Radio and Broadcasting. In 1997 Mr. Lukash graduated from Russian Academy of Civil Service with a degree in State and Municipal Management.

The table below provides the list of offices Mr. Lukash held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2006	Ministry of Justice of Russian Federation	Minister Assistant
2006 – 2006	Russian Prosecutor General's Office	Senior Assistant to Prosecutor General
2008 – 2009	Federal Unitary Enterprise Communication-Security	First Deputy General Director, Acting General Director
2009 – 2010	OJSC Svyazinvest	Deputy General Director, Member of the Management Board
2010 – 2011	OJSC Uralsvyazinform	General Director, Chairman of the Management Board, Member of the Board of Directors
2011 – 2011	OJSC Rostelecom	Director of Ural Macroregional Branch
2010 – current	OJSC Svyazinvest	Vice-President, Member of the Board of Directors
2011 - 2011	OJSC Svyazinvest	Member of the Board of Directors
2011 – 2011	OJSC NTC	Member of the Board of Directors

As of December 31, 2011, Mr. Lukash had no interest in charter capital of the Company . In 2011, Mr. Lukash made no transactions with the Company's securities .

Vaagn Martirosyan, Member of the Management Board from August 01, 2011

Mr. Martirosyan was born in 1951. In 1974 he graduated from Erevan Polytechnic Institute where he specialized in automatic and telemechanical devices.

The table below provides the list of offices Mr. Martirosyan held in the recent 5 years and his current position:

Period	Organization	Office
2002 – 2007	OJSC Central Telegraph	General Director, Chairman of the Management Board, Member of the Board of Directors
2002 – 2008	CJSC ROSTELEGRAPH	Chairman of the Board of Directors
2004 – 2009	CJSC Centel	Chairman of the Board of Directors
2007 – 2008	Non-commercial partnership Center for research of telecommunications development challenges	Member of the Board of the Partnership
2007 – 2011	OJSC CentreTelecom	General Director, Chairman of the Management Board
2011 – 2011	OJSC Rostelecom	Vice-President, Director of Centre Macroregional Branch
2011 – current	OJSC Rostelecom	Senior Vice-President, Member of

		the Board of Directors
2007 - current	CJSC CentreTelecomService	Chairman of the Board of Directors, Member of the Board of Directors
2008 – current	OJSC RTC	Chairman of the Board of Directors, Member of the Board of Directors
2010 - current	OJSC KGTC	Member of the Board of Directors

As of December 31, 2011, Mr. Martirosyan had 0.00234% interest in charter capital and 0.00253% interest in ordinary shares of the Company. In 2011, Mr. Martirosyan made no transactions with the Company's securities .

Vladimir Mironov, Member of the Management Board from August 01, 2011

Mr. Mironov was born in 1956 in Leningrad. He graduated from the Leningrad Railway Engineering Institute with a degree in Electrical engineering.

The table below provides the list of offices Mr. Mironov held in the recent 5 years and his current position:

Period	Organization	Office
2002 – current	OJSC Rostelecom	Deputy General Director , Vice-President, Member of the Management Board
2010 – 2010	CJSC Globus-Telecom	Member of the Board of Directors
2010 – current	CJSC INCOM	Member of the Board of Directors

As of December 31, 2011, Mr. Mironov had no interest in charter capital of the Company . In 2011, Mr. Mironov made no transactions with the Company's securities .

Aleksey Nashchekin, Member of the Management Board from November 25, 2011

Mr. Nashchekin was born in 1976. In 1999 he graduated from Ivanov State Power Engineering University named after Lenin where he obtained a qualification Engineer-Physicist, in 2006 he graduated from the State Academy of Vocational Training and Improvement of Professional Skills of Executives and Experts of Investment Sphere (GASIS) where he obtained a qualification Finance and Credit; PhD in Technical Sciences.

The table below provides the list of offices Mr. Nashchekin held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2006	Federal Unitary Enterprise “Russian State Corporation for production of electric and thermal energy in nuclear power plants” (Rosenergoatom)	Deputy Executive Director, head of IT Department
2006 – 2007	Federal Unitary Enterprise “SKC Rosatom”	Advisor to Director on IT technologies and development
2007 – 2010	CJSC Invision Group	Deputy General Director for development of power-generating sector, Deputy General Director for development, General Director
2010 - current	OJSC Rostelecom	Adviser to General Director, Deputy General Director on federal programmes, Vice-President on federal programmes, Vice-President on innovative development, Member of the management Board

As of December 31, 2011, Mr. Nashchekin had no interest in charter capital of the Company . In 2011, Mr. Nashchekin made no transactions with the Company's securities .

Alexey Nichiporenko, Member of the Management Board until January 28, 2012

Mr. Nichiporenko was born in 1966, Krasnoe Selo, Leningrad region. In 1988 he graduated from Leningrad Higher Marine Engineering Academy with a degree in Radio Engineering. In 1999 Mr. Nichiporenko graduated from St. Petersburg International Institute of Management with a degree in Management.

The table below provides the list of offices Mr. Nichiporenko held in the recent 5 years and his current position:

Period	Organization	Office
2004 – 2009	OJSC MegaFon	Senior Deputy General Director
2008 – 2009	CJSC MegaFon International	General Director
2009 – 2010	OJSC Svyazinvest	Advisor to General Director
2010 – 2010	OJSC Rostelecom	Senior Deputy General Director
2010 – 2010	CJSC Stack GSM	Member of the Board of Directors
2010 – 2010	OJSC Altaisvyaz	Member of the Board of Directors
2009 – 2011	CJSC NSS	Member of the Board of Directors
2011 - 2011	CJSC NSS	Chairman of the Board of Directors
2009 – 2011	CJSC BaikalWestCom	Member of the Board of Directors
2011 - 2011	CJSC BaikalWestCom	Chairman of the Board of Directors
2009 – 2011	CJSC Eniseitecom	Member of the Board of Directors
2011 - 2011	CJSC Eniseitecom	Chairman of the Board of Directors
2009 – 2011	CJSC AKOS	Member of the Board of Directors
2011 - current	CJSC AKOS	Chairman of the Board of Directors
2009 – 2011	CJSC Volgograd GSM	Member of the Board of Directors
2011 - current	CJSC Volgograd GSM	Chairman of the Board of Directors
2010 – current	OJSC Rostelecom	Senior Vice-President, Member of the Management Board
2010 – current	CJSC Orenburg GSM	Member of the Board of Directors
2010 – 2011	CJSC NTC	Member of the Board of Directors
2010 - current	LLC Mobitel	Member of the Board of Directors
2010 – current	CJSC BIT	Member of the Board of Directors
2011 – current	OJSC NTC	Member of the Board of Directors
2011 - 2011	CJSC Delta Telecom	Member of the Board of Directors
2011 - 2011	CJSC MCC	Member of the Board of Directors

As of December 31, 2011, Mr. Nichiporenko had no interest in charter capital of the Company . In 2011, Mr. Nichiporenko made no transactions with the Company's securities .

Alexander Rogovoy, Member of the Management Board from February 25, 2011

Mr. Rogovoy was born in 1979. In 2001 he graduated from Moscow State Law Academy.

The table below provides the list of offices Mr. Rogovoy held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2009	OJSC MegaFon	Head of legal department
2009 – 2010	OJSC Hlebprom	Director for legal issues and corporate development
2009 – 2010	OJSC Melas	Head of legal department
2010 – current	OJSC Rostelecom	Director for legal issues and corporate development

2011 - current	OJSC Rostelecom	Member of the Management Board
2010 - current	CJSC WESTELECOM	Member of the Board of Directors
2011 – 2011	CJSC ZEBRA TELECOM	Member of the Board of Directors
2011 – current	CJSC GLOBUS-TELECOM	Member of the Board of Directors
2011 - 2011	CJSC Global Tel	Member of the Board of Directors
2011 - 2011	OJSC NTK	Member of the Board of Directors
2011 - current	CJSC AKOS	Member of the Board of Directors
2011 - current	CJSC INCOM	Member of the Board of Directors
2011 - current	CJSC CentreTelecom Service	Member of the Board of Directors
2011 - 2011	CJSC Severen Telecom	Member of the Board of Directors

As of December 31, 2011, Mr. Rogovoy had no interest in charter capital of the Company . In 2011, Mr. Rogovoy made no transactions with the Company's securities .

Galina Rysakova

Ms. Rysakova was born in 1967, Lobnya, Moscow region. In 1999 she graduated from the Lomonosov Moscow State University with a degree in Law.

The table below provides the list of offices Ms. Rysakova held in the recent 5 years and her current position:

Period	Organization	Office
2003 – 2006	OJSC Rostelecom	Deputy General Director – Director for Organizational Development and Human Resources Management
2003 – current	OJSC Rostelecom	Member of the Management Board
2005 – current	CJSC Insurance Company Costars	Member of the Board of Directors
2006 – 2011	OJSC Rostelecom	Director of Department of Organizational Development and Human Resources Management
2008 – 2009	OJSC RTcomm.RU	Member of the Board of Directors
2010 – current	Malachite Resort	Member of the Board of Directors
2011 - current	CJSC Svyazist	Member of the Board of Directors
2011 - current	OJSC OK Orbita	Member of the Board of Directors
2011 - current	OJSC Rostelecom	Executive Director, Director for Organizational Development and Human Resources Management

As of December 31, 2011, Ms. Rysakova had no interest in charter capital of the Company . In 2011, Ms. Rysakova made no transactions with the Company's securities .

Olga Rumyantseva, Member of the Management Board from November 25, 2011

Ms. Rumyantseva was born in 1973. In 1996 she graduated from Moscow State technological University "Stankin" where she specialized in automated design.

The table below provides the list of offices Ms. Rumyantseva held in the recent 5 years and her current position:

Period	Organization	Office
2004 – 2004	OJSC Rostelecom	Head of Carrier Business Department
2004 – 2005	OJSC Rostelecom	Deputy Commercial Director, Head of Marketing Department
2005 – 2006	OJSC Rostelecom	Commercial Director
2006 – 2008	OJSC Rostelecom	Director of Sales and Client

		Support Department
2008 – 2009	OJSC Rostelecom	Director of Mass Segment and Intraregional Companies Relations
2010 – 2011	OJSC Rostelecom	Director of Corporate Clients Sales
2011 - current	OJSC Rostelecom	Executive Director, Director of Corporate Clients Sales

As of December 31, 2011, Ms. Rumyantseva had no interest in charter capital of the Company . In 2011, Ms. Rumyantseva made no transactions with the Company's securities

Vadim Semenov, Member of the Management Board until February 25, 2011

Mr. Semenov was born in 1965 in Leningrad. In 1987 he graduated from the St. Petersburg A.A. Zhdanov State University with a degree in Law.

The table below provides the list of offices Mr. Semenov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2009	OJSC MegaFon	Head of Legal section, Head of legal Department, Director for Legal Affairs, Deputy Director for Legal Affairs
2009 – 2009	OJSC Gazprom, Subsidiary ElectroGaz	Deputy General Director for Legal Affairs and Corporate Relations
2009 – 2010	OJSC Rostelecom	Advisor to General Director, Deputy General Director for Corporate Development,
2009 – 2011	OJSC Rostelecom	Member of the Management Board
2010 – 2010	CJSC Westelcom	Member of the Board of Directors
2010 – 2011	CJSC GlobalTel	Member of the Board of Directors
2010 – current	CJSC INCOM	Chairman of the Board of Directors
2010 – current	OJSC MMTS-9	Chairman of the Board of Directors
2010 – current	Malachite Resort	Member of the Board of Directors
2010 – current	OJSC Svyazinvest	General Director, Chairman of the management Board
2010 – current	CJSC Sky Link	Chairman of the Board of Directors
2011 – 2011	OJSC Central Telegraph	Chairman of the Board of Directors
2011 – 2011	OJSC CenterTelecom	Chairman of the Board of Directors
2011 - 2011	OJSC North-West Telecom	Chairman of the Board of Directors
2011 – 2011	OJSC Southern Telecommunication Company	Chairman of the Board of Directors
2011 – 2011	OJSC SibirTelecom	Chairman of the Board of Directors
2011 – 2011	OJSC Uralsvyazinform	Chairman of the Board of Directors
2011 – 2011	OJSC Dalsvyaz	Chairman of the Board of Directors
2011 – 2011	OJSC VolgaTelecom	Chairman of the Board of Directors
2011 – 2011	OJSC RTcomm.RU	Member of the Board of Directors

As of December 31, 2011, Mr. Semenov had no interest in charter capital of the Company . In 2011, Mr. Semenov made no transactions with the Company's securities

Viktor Strelkov,

Mr. Strelkov was born in 1968 in Moscow. In 1991 he graduated from Moscow University of Aerospace Technology with a degree in applied mathematics.

The table below provides the list of offices Mr. Strelkov held in the recent 5 years and his current position:

Period	Organization	Office
1995 – 2006	CJSC Hewlett Packard	Trainee, Consultant, Senior Consultant, Head of Consultation Group, Head of Project Management Group
2006 – 2007	LLC Intelotec Group	General Director
2007 – 2009	CJSC Sitronics Telecom Solutions	Head of Marketing Department
2009 – 2009	OJSC Sitronics	Chief Architect
2009 – 2010	OJSC Rostelecom	Advisor to General Director
2009 – current	OJSC Rostelecom	Head of Information Technologies Department, Executive Director-IT Director, Member of the Management Board
2010 – current	CJSC Zebra Telecom	Member of the Board of Directors
2011 – current	OJSC Svyazintech	Member of the Board of Directors
2011 - current	OJSC AK Mobltelecom	Member of the Board of Directors
2010 - current	OJSC RINET	Member of the Board of Directors

As of December 31, 2011, Mr. Strelkov had no interest in charter capital of the Company . In 2011, Mr. Strelkov made no transactions with the Company's securities .

Vladimir Terekhov, Member of the Management Board until June 15, 2011

Mr. Terekhov was born in 1958 in Kherson. In 1981 he graduated from the Kiev Higher Military Engineering Telecommunications College with a diploma in radio communications, and in 1990, continued his studies at the Military Telecommunications Academy.

The table below provides the list of offices Mr. Terekhov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2008	OJSC Rostelecom	Senior Deputy General Director
2003 – 2011	OJSC Rostelecom	Member of the Management Board
2004 – 2008	OJSC RTcomm.RU	Member of the Board of Directors
2005 – 2008	CJSC GlobalTel	Member of the Board of Directors
2004 – 2007	CJSC RusTel	Member of the Board of Directors
2008 – 2009	OJSC Rostelecom	Deputy General Director for Network Operations
2009 – 2010	OJSC Rostelecom	Deputy General Director – Technical Director
2009 – 2010	OJSC MMTS-9	Member of the Board of Directors
2010 – current	OJSC Rostelecom	Advisor to President

As of December 31, 2011, Mr. Terekhov had no interest in charter capital of the Company . In 2011, Mr. Terekhov made no transactions with the Company's securities .

Roman Frolov

Mr. Frolov was born in 1976. In 1997, he graduated from Plekhanov Russian Economic Academy, where he specialized in Finance and Credit, and in 2000 he completed the Post-Graduate Program at this Academy.

The table below provides the list of offices Mr. Frolov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2006	OJSC Rostelecom	Deputy Chief Accountant
2006 – current	OJSC Rostelecom	Chief Accountant, Member of the Management Board

As of December 31, 2011, Mr. Frolov had no interest in charter capital of the Company . In 2011, Mr. Frolov made no transactions with the Company's securities .

Anton Khozyainov

Mr. Khozyainov was born in 1974. In 1997 he graduated from Moscow Electronics and Mathematics Institute (Technical University) with a degree in Applied Mathematics.

The table below provides the list of offices Mr. Khozyainov held in the recent 5 years and his current position:

Period	Organization	Office
2005 – 2008	LLC Marshall Capital Partners	Financial Director
2009 – 2009	CJSC MTs NTT	Adviser to General Director
2009 – 2010	OJSC Rostelecom	Deputy General Director – Financial Director
2009 – 2010	CJSC Zebra Telecom	Member of the Board of Directors
2009 – 2011	OJSC MMTS-9	Member of the Board of Directors
2009 – current	OJSC RTcomm.RU	Member of the Board of Directors
2009 – current	CJSC GLOBUS-TELECOM	Member of the Board of Directors
2009 – 2011	OJSC Rostelecom	Member of the Management Board
2009 - 2011	CJSC Global Tel	Member of the Board of Directors
2009 – 2011	CJSC MTs NTT	Chairman of the Board of Directors
2010 – current	OJSC Rostelecom	Vice-President for Economics and Finance, Senior Vice-President
2010 – current	Malachite Resort	Member of the Board of Directors
2011 – 2011	OJSC NTC	Member of the Board of Directors
2011 - current	CJSC Severen-Telecom	Member of the Board of Directors
2011 - current	CJSC AKOS	Member of the Board of Directors
2011 - current	CJSC NCC	Member of the Board of Directors
2011 - current	CJSC Baikalvestcom	Member of the Board of Directors
2011 - current	CJSC Eniseitelecom	Member of the Board of Directors
2011 - current	CJSC Volgograd-GSM	Member of the Board of Directors
2011 - current	CJSC Orenburg-GSM	Member of the Board of Directors
2011 - current	OJSC RTC	Member of the Board of Directors
2011 - 2011	CJSC Delta Telecom	Member of the Board of Directors
2011 - 2011	CJSC MCC	Member of the Board of Directors

As of December 31, 2011, Mr. Khozyainov had no interest in charter capital of the Company . In 2011, Mr. Khozyainov made no transactions with the Company's securities .

No members of the Management Board of the Company have been brought to administrative responsibility for breaches of law in the spheres of finance, taxes and levies, securities market, or to criminal responsibility (no members of the Management Board of the Company have had any previous conviction record) for crimes in the sphere of economics or for crimes against the state authority, and among the members of the Management Board of the Company there are no persons who held any positions in managing bodies of profit-making entities over the period when bankruptcy proceedings were initiated against, and/or any bankruptcy procedures were applied in respect of such entities pursuant to the Russian laws and regulations.

AUDIT COMMISSION

Svetlana Bocharova, Member of the Audit Commission

Ms. Bocharova was born in 1970. She graduated from the Moscow State University with qualification of a lawyer. She holds a Candidate's degree in Law.

The table below provides the list of offices Ms. Bocharova held in the recent 5 years and her current position:

Period	Organization	Office
2003 – current	OJSC Svyazinvest	Deputy Chief Account (as of end of 2011), Head of Tax Division of General, Tax and Statistic Accounting Department
2004 – 2006	OJSC Uralsvyazinform	Member of the Audit Commission
2005 – 2006	OJSC CenterTelecom	Member of the Audit Commission
2005 – 2007	OJSC Svyazintech CJSC Penza Mobile	Member of the Audit Commission
2006 – 2007	OJSC Rostelecom	Member of the Audit Commission
2006 – 2007	CJSC Samara Telecom	Member of the Audit Commission
2006 – 2007	CJSC MTs NTT	Member of the Audit Commission
2006 – 2007	LLC BIT	Member of the Audit Commission
2006 – 2008	OJSC Uralsvyazinform	Head of the Audit Commission
2006 – 2008	OJSC Dalsvyaz	Member of the Audit Commission
2007 – 2008	OJSC North-West Telecom	Member of the Audit Commission
2007 – 2008	OJSC Cellular Communications of Nizhny Novgorod	Member of the Audit Commission
2008 – 2009	OJSC North-West Telecom	Head of the Audit Commission
2008 – 2011	OJSC VolgaTelecom	Member of the Audit Commission
2008 – current	OJSC Rostelecom	Member of the Audit Commission
2009 – 2010	OJSC North-West Telecom	Member of the Audit Commission
2010 – 2011	OJSC North-West Telecom	Head of the Audit Commission
2011 – 2011	CJSC Severen-Telecom	Member of the Audit Commission
2011 – current	OJSC Central Telegraph	Member of the Audit Commission
2011 – current	CJSC Delta Telecom	Member of the Audit Commission

As on December 31, 2011, Ms. Bocharova had no interest in charter capital of the Company . In 2011, Ms. Bocharova made no transactions with the Company's securities .

Valentina Veremyanina, Member of the Audit Commission

Ms. V. Veremyanina was born in 1966. In 1988 she graduated from Voronezh State University with a degree in law.

The table below provides the list of offices Ms. V. Veremyanina held in the recent 5 years and her current position:

Period	Organization	Office
2006 – currently	OJSC Svyazinvest	Executive Director, Director of Corporate Governance and Legal Department. Director of Corporate Governance and Legal Department. Deputy Director of Corporate Governance and Legal Department.
2010 – currently	OJSC Svyazinvest	Member of the Management Board
20085 – 2011	OJSC Uralsvyazinform	Member of the Audit Commission
2007 – 2010	OJSC Dalsvyaz	Member of the Audit Commission
2011 – currently	OJSC Giprosvyaz	Member of the Board of Directors
2011 – currently	OJSC Central Telegraph	Member of the Board of Directors
2011 – currently	CJSC Sky Link	Member of the Board of Directors
2005 – 2007	OJSC Southern Telecommunication Company	Member of the Board of Directors
2008 – 2011	OJSC Southern Telecommunication Company	Member of the Board of Directors

2005 – 2007	OJSC North-West Telecom	Member of the Board of Directors
2009 – 2011	CJSC Cellular Communications of Nizhny Novgorod	Member of the Board of Directors
2009 – 2011	CJSC Eniseitelecom	Member of the Board of Directors
2011 – currently	OJSC Rostelecom	Member of the Audit Commission
2009 – 2011	OJSC ORK	Member of the Board of Directors
2011 – 2011	CJSC MTs NTT	Member of the Board of Directors
2011 – 2011	OJSC OK Orbita	Member of the Board of Directors
2011 – 2011	CJSC RPK Svyazist	Member of the Board of Directors

As on December 31, 2011 Ms. V. Veremyanina had no interest in charter capital of the Company . In 2011 Ms. V. Veremyanina made no transactions with the Company's securities .

Bogdan Golubitsky, Member of the Audit Commission

Mr. B. Golubitsky was born in 1979. In 2000 he graduated from Moscow Technical University of Communications and Informatics with a degree in Economics.

The table below provides the list of offices Mr. Golubitsky held in the recent 5 years and his current position:

Period	Organization	Office
2000 – currently	OJSC Svyazinvest	Executive Director - Director of Economics and Finance Department (as of end of 2011), Executive Director – Director of Economic Planning and Budgeting Department, Director of Economic Planning and Budgeting Department (before 2008 – Specialist, Senior Specialist, Chief Specialist, Head of Division, Deputy Department Director)
2005 – 2006	CJSC Urals Telephone Company	Member of the Audit Commission
2005 – 2007	OJSC VolgaTelecom	Member of the Audit Commission
2005 – 2008	OJSC Uralsvyazinform	Member of the Audit Commission
2006 – 2007	CJSC NSS	Member of the Audit Commission
2006 – 2007	OJSC Giprosvyaz	Member of the Board of Directors
2007 – 2009	OJSC Central Telegraph	Member of the Board of Directors
2008 – 2009	OJSC Dalsvyaz	Member of the Board of Directors
2008 – 2009	OJSC Southern Telecommunication Company	Head of the Audit Commission
2009 – 2009	OJSC Dalsvyaz	Chairman of the Board of Directors
2009 – 2011	OJSC RTcomm.RU	Member of the Board of Directors
2009 – 2011	OJSC SibirTelecom	Member of the Board of Directors
2009 – currently	OJSC Rostelecom	Member of the Audit Commission
2010 – currently	CJSC Sky Link	Member of the Board of Directors
2010 – currently	CJSC Urals Telephone Company	Member of the Board of Directors+
2010 – currently	OJSC Svyazinvest	Member of the Management Board
2011 – currently	OJSC Giprosvyaz	Member of the Board of Directors
2011 – currently	CJSC ZEBRA TELECOM	Member of the Board of Directors
2011 – 2011	CJSC BIT	Member of the Board of Directors
2011 – currently	Not-for-Profit Partnership Russian Svyasists Club	Member of the Management Board
2011 – currently	Foundation Russian Fund of Telecommunications History	Member of the Management Board

As of December 31, 2011 Mr. B. Golubitsky had 0.00326% interest in charter capital and 0.00217% interest in ordinary shares of the Company. In 2011 Mr. Golubitsky made no transactions with the Company's securities .

Olga Koroleva, Chairman of the Audit Commission

Ms. O. Koroleva was born in 1950. She graduated from Tomsk State University where she specialized in economy. She holds a candidate degree in Economic sciences. In 1985 she got a post-graduate education at All-USSR Extramural Financial and Economic Institute.

The table below provides the list of offices Ms. O. Koroleva held in the recent 5 years and her current position:

Period	Organization	Office
2005 – 2006	OJSC GIPROSVYAZ	Head of the Audit Commission
2005 – 2006	CJSC MTs NTT	Head of the Audit Commission
2005 – 2006	OJSC Uralsvyazinform	Head of the Audit Commission
2005 – 2007	OJSC Central Telegraph	Head of the Audit Commission
2005 – 2011	OJSC VolgaTelecom	Head of the Audit Commission
2005 – 2011	OJSC Dalsvyaz	Head of the Audit Commission
2005 – current	OJSC Svyazinvest	Chief Accountant
2006 – 2007	CJSC BaikalWestCom	Head of the Audit Commission
2006 – 2011	OJSC CenterTelecom	Head of the Audit Commission
2006 – 2011	OJSC SibirTelecom	Head of the Audit Commission
2006 – 2011	OJSC Uralsvyazinform	Member of the Board of Directors
2006 – current	OJSC Rostelecom	Head of the Audit Commission
2007 – 2008	CJSC Eniseitelecom	Member of the Audit Commission
2007 – 2009	OJSC North-West Telecom	Member of the Board of Directors
2009 – 2009	OJSC North-West Telecom	Chairman of the Board of Directors
2009 – 2010	OJSC North-West Telecom	Head of the Audit Commission
2011 – currently	OJSC GIPROSVYAZ	Member of the Board of Directors
2011 – currently	OJSC Central Telegraph	Head of the Audit Commission

As of December 31, 2011 Ms. O. Koroleva had 0.00019% interest in charter capital and 0.00020% interest in ordinary shares of the Company. In 2011 Ms. O. Koroleva made no transactions with the Company's securities .

Vyacheslav Ulupov

Mr. V. Ulupov was born in 1952. In 1979 he graduated from Lomonosov Moscow State University with a degree in Economics.

The table below provides the list of offices Mr. Ulupov held in the recent 5 years and his current position:

Period	Organization	Office
2003 – 2007	USSR Vnesheconombank	Head of Internal Check and Audit
2007 – currently	State Corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)»	Head of Internal Check Service of Vnesheconombank
2009 – currently	OJSC Rostelecom	Member of the Audit Commission

As of December 31, 2011 Mr. Ulupov had no interest in charter capital of the Company . In 2011 Mr. Ulupov made no transactions with the Company's securities .