
ROSTELECOM REPORTS FIRST QUARTER 2006 REVENUE GROWTH OF 52.3% TO RUR 14,585.4 MILLION

- *Revenue for the first quarter of 2006 increased by 52.3% to RUR 14,585.4 million.*
- *Domestic long-distance traffic rose 4.1%¹ year on year. Outgoing international traffic grew by 17.4 % and incoming international traffic increased 26.1%.*
- *EBITDA² decreased to RUR 3,070.0 million compared to RUR 3,815.3 last year, representing an EBITDA margin of 21.0%, due to significantly higher payments to operators under the new settlement system.*
- *First quarter 2006 net profit was RUR 2,055.4 million compared to RUR 2,411.4 million a year ago.*

Moscow – May 4, 2006 – Rostelecom (NYSE: ROS; RTS, MICEX: RTKM, RTKMP), Russia's national long-distance telecommunications operator, today announced unaudited first quarter 2006 results in accordance with Russian accounting legislation (RAS).

First quarter 2006 revenues amounted to RUR 14,585.4 million - a year-on-year increase of 52.3%. The increase is primarily attributable to higher DLD and outgoing ILD revenues as a result of the transition to the new system of interaction with Russian operators and subscribers for the provision of domestic and international long-distance services, which came into effect on January 1, 2006.

Domestic long-distance (DLD) traffic for the first three months 2006 amounted to 2,417.3 million minutes – a 4.1% increase year on year. First quarter 2006 DLD revenues grew 77.8% and totaled RUR 7,858.1 million.

Outgoing international long-distance (ILD) traffic rose 17.4% to 451.5 million minutes. ILD revenues from Russian operators and subscribers increased by 45.2% over the first quarter 2005 and totaled RUR 3,198.8 million.

First quarter 2006 incoming ILD traffic totaled 523.1 million minutes - a year-on-year increase of 26.1%. Rostelecom increased its share of incoming international traffic, underscoring the strength of the Company's market position. Revenues from international operators for incoming ILD traffic transit and termination rose 4.9% year on year to RUR 1,014.2 million.

Revenue from other business segments increased by 25.8% compared to Q1 2005 to RUR 2,514.3 million, reflecting the growth of new products and services. Rostelecom delivered solid increases in revenues from leased lines, intelligent network services and customer equipment servicing. For the first three months of 2006, revenues from leased line services grew 29,6% to RUR 1,733.0 compared to the same period last year.

Rostelecom's operating expenses for the first quarter 2006 amounted to RUR 12,284.5 million. The 92.3% increase compared to last year was driven mainly by higher payments to Russian operators which increased by a factor of 3.5 times mainly as a result of the new interaction system.

Depreciation increased 23.3% year on year to RUR 769.0 million for the first three months of 2006 as a result of significant additions of property, plant and equipment in 2005.

¹ All traffic data provided in the press release is preliminary.

² EBITDA is calculated as total revenues less operating expense excluding depreciation.

As a result of higher operating costs, EBITDA for the first quarter 2006 totaled RUR 3,070.0 million down 19.5% year on year, representing an EBITDA margin of 21.0%.

Operating profit amounted to RUR 2,300.9 million, down 27.9% compared to last year.

The result from other operating activities for the first three months 2006 totaled RUR 332.2 million compared to RUR 151.5 million a year ago. The increase is mainly driven by a revaluation of the Company's financial investments. Rostelecom recorded a RUR 368.1 million net revaluation gain for the first quarter 2006 compared to RUR (58.9) million net revaluation loss a year ago. First quarter 2006 net interest income increased by 19.9% over the same period last year, totaling RUR 163.9 million.

The result from other non-revenue activities for the first quarter 2006 amounted to RUR 61.6 million compared to RUR (153.3) million a year ago.

Rostelecom's net profit for the first quarter 2006 totaled RUR 2,055.4 million compared to RUR 2,411.4 million a year ago.

Profit and Loss Statement, RUR Million			
	3mo 2006	3mo 2005	% change, y-o-y
Revenue	14,585.4	9,579.1	52.3%
Operating expenses	(12,284.5)	(6,387.6)	92.3%
<i>Depreciation</i>	<i>(769.0)</i>	<i>(623.8)</i>	<i>23.3%</i>
EBITDA	3,070.0	3,815.3	-19.5%
Operating profit	2,300.9	3,191.4	-27.9%
Results from other operating activities	332.2	151.5	119.3%
<i>Profit (loss) from revaluation of financial investments</i>	<i>368.1</i>	<i>(58.9)</i>	<i>n/a</i>
Results from other non-sales activities	61.6	(153.3)	n/a
Profit before tax	2,694.8	3,189.6	-15.5%
Profit tax	(641.0)	(778.2)	-17.6%
Extraordinary items	1.7	0.0	n/a
Net Profit	2,055.4	2,411.4	-14.8%
Key ratios			
	3mo 2006	3mo 2005	
Operating margin, %	15.8%	33.3%	
EBITDA margin, %	21.0%	39.8%	
Net margin, %	14.1%	25.2%	

Balance Sheet, RUR Million			
	Jan. 01, 06	Mar. 31, 06	% change, y-o-y
ASSETS			
Non-current assets, incl.	30,201.9	31,222.7	3.4%
Intangible assets	0.0	0.0	-
Fixed assets	19,477.8	19,202.5	-1.4%
Construction in progress	4,603.3	4,931.7	7.1%
Long-term financial investments	3,888.1	4,256.3	9.5%
Deferred tax assets	0.0	0.0	-
Other non-current assets	2,232.7	2,832.2	26.9%
Current assets, incl.	22,706.8	30,306.6	33.5%
Inventory	878.2	1,357.0	54.5%
VAT on obtained property	1,289.0	992.3	-23.0%
Accounts receivable	6,216.2	14,471.7	132.8%
Short-term financial investments	12,232.3	11,133.0	-9.0%
Cash and cash equivalents	2,090.9	2,352.5	12.5%
Other current assets	0.2	0.2	-
BALANCE	52,908.6	61,529.3	16.3%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	39,084.1	41,120.5	5.2%
Liabilities, incl.	13,824.6	20,408.8	47.6%
Long-term liabilities	6,306.1	6,753.3	7.1%
<i>Loans due more than in 12 months</i>	5,542.6	5,373.0	-3.1%
Short-term liabilities	7,518.5	13,655.5	81.6%
<i>Loans due less than in 12 months</i>	711.7	767.8	7.9%
BALANCE	52,908.6	61,529.3	16.3%

Certain statements in this press release are “forward looking statements” within the meaning of the U.S. federal securities laws and are intended to be covered by the safe harbors created thereby.

These forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

These risks include the risk of changes the Company’s operations and business prospects, the general financial and economic circumstances, relating to regulation of the Russian telecommunications industry and the Russian legislation; the competition and other risks.

For a more detailed discussion of these and other factors, see the Company’s Annual Report on Form 20-F for its most recently completed fiscal year and the Company’s other public filings with The U.S. Securities and Exchange Commission. Many of these factors are beyond the Company’s ability to control or predict. Given these and other uncertainties, the Company cautions not to place undue reliance on any of the forward-looking statements contained herein or otherwise.

The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as maybe required under applicable the U.S. federal securities laws.

***For further details please contact
Rostelecom IR Team
Tel.: + 7 495 973 9920
Fax: + 7 495 973 9977
E-mail: rostelecom@rostelecom.ru***