
ROSTELECOM REPORTS FIRST QUARTER 2007 NET PROFIT GROWTH OF 41.1% TO RUR 2,899.3 MILLION

- Revenue for the first quarter of 2007 increased by 4.3% to RUR 15,206.2 million.
- Domestic long-distance traffic rose 3.1%¹ year on year. Outgoing international traffic grew by 2.5 % and incoming international traffic increased 26.7%.
- EBITDA² rose by 27.4% to RUR 3,910.6 million, representing an EBITDA margin of 25.7%.
- Net profit for the first three months of 2007 amounted to RUR 2,899.3 million, a year-on-year increase of 41.1%.

Moscow – May 3, 2007 – Rostelecom (NYSE: ROS; RTS, MICEX: RTKM, RTKMP), Russia's national long-distance telecommunications operator, today announced unaudited first quarter 2007 results in accordance with Russian accounting legislation (RAS).

In total, Rostelecom's first quarter 2007 revenues amounted to RUR 15,206.2 million - a year-on-year increase of 4.3%.

Domestic long-distance (DLD) traffic for the first three months 2007 grew by 3.1% to 2,491.8 million minutes. First quarter 2007 DLD revenues decreased by 2.1% and totaled RUR 7,693.7 million.

Outgoing international long-distance (ILD) traffic rose 2.5% to 462.8 million minutes. ILD revenues from Russian operators and subscribers amounted to RUR 3,113.7 million down 2.7% year on year.

First quarter 2007 incoming ILD traffic totaled 662.9 million minutes - a year-on-year increase of 26.7%. 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 19.6% year on year to RUR 1,213.3 million.

Revenue from other business segments increased by 26.7% compared to Q1 2006 to RUR 3,185.5 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 2007, revenues from leased line services grew 13,9% to RUR 1,973.5 compared to the same period last year.

Rostelecom's operating expenses for the first quarter 2007 amounted to RUR 12,222.2 million down 0.5% year on year.

Depreciation for the first three months of 2007 amounted to RUR 926.6 million. The increase of 20.5% compared to the same period last year is a result of significant additions of property, plant and equipment in 2006.

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

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

Thus, EBITDA for the first quarter 2007 grew 27.4% year on year to RUR 3,910.6 million, representing an EBITDA margin of 25.7%.

Operating profit amounted to RUR 2,984.0 million, up 29.7% year on year.

The result from other activities for the first three months 2007 totaled RUR 902.9 million compared to RUR 395.5 million a year ago. The increase is mainly driven by a revaluation of the Company's financial investments. Rostelecom recorded a RUR 848.4 million net revaluation gain for the first quarter 2007 compared to RUR 368.1 million net revaluation gain for the same period last year.

Rostelecom's net profit for the first quarter 2007 grew 41.1% and totaled RUR 2,899.3 million compared to RUR 2,055.4 million a year ago.

Profit and Loss Statement, RUR Million			
	3mo 2007	3mo 2006	% change, y-o-y
Revenue	15,206.2	14,585.4	4.3%
Operating expenses	(12,222.2)	(12,284.5)	-0.5%
<i>Depreciation</i>	<i>(926.6)</i>	<i>(769.0)</i>	<i>20.5%</i>
EBITDA	3,910.6	3,070.0	27.4%
Operating profit	2,984.0	2,300.9	29.7%
Results from other activities, incl.	902.9	395.5 ¹	128.3%
<i>Profit (loss) from revaluation of financial investments</i>	<i>848.4</i>	<i>368.1</i>	<i>130.5%</i>
Profit before tax	3,886.9	2,696.4²	44.2%
Profit tax	(987.6)	(641.0)	54.1%
Net Profit	2,899.3	2,055.4	41.1%
Key ratios			
	3mo 2007	3mo 2006	
Operating margin, %	19.6%	15.8%	
EBITDA margin, %	25.7%	21.0%	
Net margin, %	19.1%	14.1%	

¹ To ensure comparability of data for the first quarter 2006 and the first quarter 2007, other operating revenues and expenses, other non-operating revenues and expenses as well as extraordinary items for the first quarter 2006 are included in the results from other activities.

² First quarter 2006 profit before tax has been restated due to inclusion of extraordinary gains into other income and expenses as required by changes in the Russian accounting legislation.

Balance Sheet, RUR Million			
	Jan. 01, 07	Mar. 31, 07	% change, y-o-y
ASSETS			
Non-current assets, incl.	38,555.1	40,252.9	4.4%
Intangible assets	0.0	0.0	n/a
Fixed assets	21,177.7	20,685.0	-2.3%
Construction in progress	5,925.3	7,265.1	22.6%
Long-term financial investments	7,809.1	8,650.7	10.8%
Deferred tax assets	-	-	n/a
Other non-current assets	3,643.0	3,652.1	0.2%
Current assets, incl.	21,903.1	23,284.9	6.3%
Inventory	472.9	459.3	-2.9%
VAT on obtained property	666.7	498.1	-25.3%
Accounts receivable	10,418.1	11,116.5	6.7%
Short-term financial investments	9,269.2	8,599.0	-7.2%
Cash and cash equivalents	1,076.0	2,611.8	142.2%
Other current assets	0.2	0.2	0.0%
BALANCE	60,458.2	63,537.8	5.1%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	44,068.5	46,950.3	6.5%
Liabilities, incl.	16,389.7	16,587.5	1.2%
Long-term liabilities	6,172.5	6,382.9	3.4%
<i>Loans due more than in 12 months</i>	4,711.2	4,658.5	-1.1%
Short-term liabilities	10,217.2	10,204.6	-0.1%
<i>Loans due less than in 12 months</i>	580.8	600.4	3.4%
BALANCE	60,458.2	63,537.8	5.1%

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.

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