

---

**ROSTELECOM REPORTS REVENUE GROWTH  
OF 47.0% TO RUR 43,757.1 MILLION FOR THE FIRST NINE MONTHS OF 2006**

- *Revenue for the first nine months of 2006 increased by 47.0% to RUR 43,757.1 million.*
- *Domestic long-distance traffic for the first nine months of 2006 rose 4.5%<sup>1</sup> year on year. Outgoing international traffic grew by 10.4 % and incoming international traffic increased 32.9%<sup>2</sup>.*
- *EBITDA<sup>3</sup> decreased to RUR 9,069.4 million compared to RUR 11,618.6 last year, representing an EBITDA margin of 20.7%, due to significantly higher payments to operators under the new settlement system.*
- *Net profit for the first nine months of 2006 was RUR 5,004.6 million compared to RUR 7,843.8 million a year ago.*

**Moscow – November 2, 2006 – Rostelecom** (NYSE: ROS; RTS, MICEX: RTKM, RTKMP), Russia's national long-distance telecommunications operator, today announced unaudited results for the first nine months of 2006 in accordance with Russian accounting legislation (RAS).

In total, Rostelecom's revenues for the first nine months of 2006 amounted to RUR 43,757.1 million - a year-on-year increase of 47.0%. 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 nine months of 2006 amounted to 7,353.8 million minutes – a 4.5% increase year on year. First nine months 2006 DLD revenues grew by 72.3% and totaled RUR 23,003.5 million.

Outgoing international long-distance (ILD) traffic rose 10.4% to 1,425.7 million minutes. ILD revenues from Russian operators and subscribers increased by 40.6% over the first nine months of 2005 and totaled RUR 9,730.9 million.

First nine months 2006 incoming ILD traffic totaled 1,780.5 million minutes - a year-on-year increase of 32.9%. 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 5.4% year on year to RUR 3,250.4 million.

Revenue from other business segments increased by 21.3% compared to the first nine months of 2005 to RUR 7,772.4 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 quarters of 2006, revenues from leased line services grew 21,0% to RUR 5,265.7 compared to the same period last year.

Rostelecom's operating expenses for the accounting period amounted to RUR 37,065.1 million. The 84.6% increase compared to last year was driven mainly by higher payments to Russian operators which increased by a factor of 3 times mainly as a result of the new interaction system.

Depreciation increased 22.8% year on year to RUR 2,377.4 million for the first nine months of 2006 as a result of significant additions of property, plant and equipment in 2005.

---

<sup>1</sup> All traffic data provided in the press release is preliminary.

<sup>2</sup> Incoming ILD traffic for the first nine months of 2005 has been revised.

<sup>3</sup> EBITDA is calculated as total revenues less operating expense excluding depreciation.

---

As a result of higher operating costs, EBITDA for the first nine months of 2006 totaled RUR 9,069.4 million down 21.9% year on year, representing an EBITDA margin of 20.7%.

Operating profit amounted to RUR 6,692.0 million, down 30.9% compared to last year.

The result from other operating activities for the first three quarters of 2006 totaled RUR 42.6 million compared to RUR 1,418.6 million a year ago. The decrease is mainly driven by a revaluation of the Company's financial investments and a decrease in gains from the sale of investments. Rostelecom recorded a RUR 409.9 million net revaluation gain for the first nine months of 2006 compared to RUR 780.5 million net revaluation gain a year ago. Net result from the sale of investments for the first three quarters of 2006 was RUR (40.4) million compared to RUR 473.2 million for the first three quarters of 2005. The decrease is primarily attributable to the sale of Rostelecom's interest in Telmos in 2005.

The result from other non-operating activities for the first nine months of 2006 amounted to RUR (28.5) million compared to RUR (579.2) million a year ago.

Rostelecom's net profit for the first nine months of 2006 totaled RUR 5,004.6 million compared to RUR 7,843.8 million a year ago.

Profit and Loss Statement, RUR Million			
	9mo 2006	9mo 2005	% change, y-o-y
<b>Revenue</b>	<b>43,757.1</b>	<b>29,762.2</b>	<b>47.0%</b>
<b>Operating expenses</b>	<b>(37,065.1)</b>	<b>(20,079.5)</b>	<b>84.6%</b>
<i>Depreciation</i>	(2,377.4)	(1,935.9)	22.8%
<b>EBITDA</b>	<b>9,069.4</b>	<b>11,618.6</b>	<b>-21.9%</b>
<b>Operating profit</b>	<b>6,692.0</b>	<b>9,682.8</b>	<b>-30.9%</b>
Results from other operating activities	42.6	1,418.6	-97.0%
<i>Profit (loss) from revaluation of financial investments</i>	409.9	780.5	-47.5%
<i>Net income from the sale of investments</i>	(40.4)	473.2	n/a
Results from other non-operating activities	(28.5)	(579.2)	-95.1%
<b>Profit before tax</b>	<b>6,706.0</b>	<b>10,522.1</b>	<b>-36.3%</b>
Profit tax	(1,703.5)	(2,678.7)	-36.4%
Extraordinary items	2.1	0.3	by a factor of 7
<b>Net Profit</b>	<b>5,004.6</b>	<b>7,843.8</b>	<b>-36.2%</b>
Key ratios			
	9mo 2006	9mo 2005	
Operating margin, %	15.3%	32.5%	
EBITDA margin, %	20.7%	39.0%	
Net margin, %	11.4%	26.4%	

Balance Sheet, RUR Million			
	Jan. 01, 06	Sep. 30, 06	% change, y-o-y
<b>ASSETS</b>			
<b>Non-current assets, incl.</b>	<b>30,202</b>	<b>34,663</b>	<b>14.8%</b>
Intangible assets	0	0	n/a
Fixed assets	19,478	19,322	-0.8%
Construction in progress	4,603	7,075	53.7%
Long-term financial investments	3,888	5,809	49.4%
Deferred tax assets	0	0	n/a
Other non-current assets	2,233	2,457	10.1%
<b>Current assets, incl.</b>	<b>22,707</b>	<b>24,706</b>	<b>8.8 %</b>
Inventory	878	1,635	86.1%
VAT on obtained property	1,289	754	-41.5%
Accounts receivable	6,216	11,398	83.4%
Short-term financial investments	12,232	9,499	-22.3%
Cash and cash equivalents	2,091	1,420	-32.1%
Other current assets	0	0	n/a
<b>BALANCE</b>	<b>52,909</b>	<b>59,369</b>	<b>12.2%</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<b>39,084</b>	<b>41,965</b>	<b>7.4%</b>
<b>Liabilities, incl.</b>	<b>13,825</b>	<b>17,403</b>	<b>25.9%</b>
Long-term liabilities	6,306	6,539	3.7%
<i>Loans due more than in 12 months</i>	5,543	5,224	-5.7%
Short-term liabilities	7,518	10,865	44.5%
<i>Loans due less than in 12 months</i>	712	205	-71.3%
<b>BALANCE</b>	<b>52,909</b>	<b>59,369</b>	<b>12.2%</b>

---

*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.: + 7 499 973 9920***

***Fax: + 7 499 973 9977***

***E-mail: [rostelecom@rostelecom.ru](mailto:rostelecom@rostelecom.ru)***