

**Moscow, August 2, 2002:** Rostelecom 2002 half-year results in accordance with Russian Accounting Standards.

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- *During the first six months of 2002 domestic long-distance traffic volume grew by 13.3%, international outgoing – by 10.4% compared to the same period a year ago;*
  - *Revenue\* was up 10.4%\*\* , reaching Rbl 9 963 mn;*
  - *Growth in operating profit was 72% over a year ago, with operating profit amounting to Rbl 4 073 mn;*
  - *Net profit amounted to Rbl 1 584 mn or 53% higher than in the first half of 2001.*
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Domestic long-distance traffic was up 13.3% versus H1 2001, reaching 3 302.4 million minutes. DLD revenues increased by 43.4%, with revenues from regional operators growing by 92.3%.

Growth in international outgoing traffic was 10.4% over a year ago with traffic reaching 580.8 million minutes. Rostelecom revenues for ILD services offered to end-users and operators in Russia were up 1.2% compared to the same period a year ago.

The key constraint of ILD revenues growth was a decline in international traffic volumes from end-users in Moscow. At the same time, the Company saw steady growth in international traffic from Russian operators – by 28.3% over a year ago. ILD revenues from local operators increased by 22%.

Total revenue reached Rbl 9 963 mn, which is 10.4% higher than last year.

Operating costs during the first six month of 2002 declined by 11.5%, amounting to Rbl 5 890 mn. Depreciation decreased by 17%, EBITDA was up 21.5% or Rbl 6 652 mln.

Operating profit reached Rbl 4 073 mn increasing by 72% over a year ago.

As the Company introduced a more conservative approach towards bad debts, provision for bad debts was formed in the amount of over Rbl 500 mn in H1 2002 RAS financial statements.

This fact accompanied by foreign exchange loss on the Company JPY-denominated debt led to a slower net profit growth. Net profit for the first six months of 2002 increased by 53% compared to the same period a year ago and amounted to Rbl 1 584 mn.

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\* Excluding VAT

\*\* Not adjusted for inflation

Balance Sheet, Rbl '000			
	31.12.2001	30.06.2002	Change, %
<b>ASSETS</b>			
<b>Non-current assets, incl.</b>	<b>23 555 048</b>	<b>22 108 097</b>	<b>-6,1%</b>
Intangible assets	23	21	-8,7%
Fixed assets	19 550 604	18 215 917	-6,8%
Incomplete installations	2 950 952	2 897 006	-1,8%
Long-term financial investments	1 053 469	995 153	-5,5%
<b>Current assets, incl.</b>	<b>13 419 184</b>	<b>14 558 541</b>	<b>8,5%</b>
Inventories	1 167 248	1 115 102	-4,5%
VAT on obtained property	2 337 482	2 020 189	-13,6%
Accounts receivable	7 250 612	7 104 374	-2,0%
Short-term financial investments	1 129 842	970 042	-14,1%
Cash and cash equivalents	1 534 000	3 348 834	118,3%
<b>BALANCE</b>	<b>36 974 232</b>	<b>36 666 638</b>	<b>-0,8%</b>
<b>SHAREHOLDER EQUITY AND LIABILITIES</b>			
<b>Shareholder equity</b>	<b>16 298 968</b>	<b>17 490 487</b>	<b>7,3%</b>
<b>Liabilities, incl.</b>	<b>20 675 264</b>	<b>19 176 151</b>	<b>-7,3%</b>
Long-term liabilities	9 338 977	8 131 346	-12,9%
Short-term liabilities	11 336 287	11 044 805	-2,6%
<b>BALANCE</b>	<b>36 974 232</b>	<b>36 666 638</b>	<b>-0,8%</b>

**Profit and Loss Statement, Rbl '000**

	6 months ended		
	30.06.2001	30.06.2002	Change, %
<b>Revenue</b>	<b>9 023 799</b>	<b>9 962 752</b>	<b>10,4%</b>
Operating costs	-6 657 631	-5 890 149	-11,5%
<b>Operating profit</b>	<b>2 366 168</b>	<b>4 072 603</b>	<b>72,1%</b>
Results of other operating activities	-597 036	-1 041 290	74,4%
Results of other non-sales activities	102 902	-913 639	n/a
<b>Profit before tax</b>	<b>1 872 034</b>	<b>2 117 674</b>	<b>13,1%</b>
Profit tax	-835 920	-534 085	-36,1%
Extraordinary expenses	-1 183		
<b>Net profit</b>	<b>1 034 931</b>	<b>1 583 589</b>	<b>53,0%</b>

**Key Ratios**

	6 months ended	
	30.06.2001	30.06.2002
Operating margin, %	26,22%	40,88%
EBITDA margin, %	60,69%	66,77%
Net margin, %	11,47%	15,90%
	<b>31.12.2001</b>	<b>30.06.2002</b>
Absolute liquidity ratio	0,24	0,41
Financial independence ratio	0,44	0,48

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