
ROSTELECOM REPORTS FIRST HALF 2003 RAS UNAUDITED
NET PROFIT INCREASE OF 102.4% TO RUR 3,204.4 MILLION

- *Revenue for the first half 2003 amounted to RUR 12,942.6 million, an increase of 29.9% versus first six months 2002*. Based on the adjusted first half 2002 numbers, revenue growth was 4.2%;*
- *Domestic long-distance traffic** was up 20.7% year-on-year;*
- *Outgoing international traffic grew by 3.5%, while incoming international traffic surged 29.5% compared to the first half 2002;*
- *Operating profit for the first six months 2003 increased 3.6% to RUR 4,217.9 million, while compared to adjusted operating profit for the first half 2002 it increased 6.0%;*
- *Net profit increased by 102,4% to RUR 3,204.4 million.*

Moscow – July 31, 2003 – Rostelecom (NYSE: ROS; RTS: RTKM), Russia's national long-distance telecommunications operator, today announced unaudited results for the first six months 2003 in accordance with Russian accounting legislation - RAS.

Domestic long-distance (DLD) traffic for the first half 2003 totaled 4,014.8 million minutes, a year-on-year increase of 20.7%. DLD revenues increased year-on-year by 13.2% to RUR 4,724.3 million.

Outgoing international long-distance (ILD) traffic in the first six months grew to 624.9 million minutes, a 3.3% increase over the first half 2002. ILD revenues from Russian operators and subscribers declined by 4.5% to RUR 3,772.9 million.

Incoming international traffic surged 29.5% year-on-year to 551.8 million minutes. Revenues from international operators (only for telephone traffic termination) totaled RUR 1,968.4 million, representing a 2.7% decline compared to the first half 2002. The revenue decline is due to Rostelecom's efforts to decrease settlement rates with international operators throughout 2002.

Total revenues for the first half 2003 were RUR 12,942.6 million, up 29.9% year-on-year. As previously reported, the Company has moved to a new method of accounting for operations with international operators in its RAS financial statements, which takes into account the total amounts of both revenues from and payments to international operators. Based on the adjusted 2002 first half number, revenue growth was 4.2%.

* Officially reported first half 2002 P&L numbers are not adjusted for the effects of the new method of accounting for operations with international operators. For your convenience, adjusted data for the first half 2002 is provided in the P&L statement attached to this press-release.

** All the traffic data provided in the press-release is preliminary.

First half 2003 operating costs amounted to RUR 8,724.7 million, a 48.1% increase versus the first six months of 2002. Operating costs, compared to the adjusted first half 2002 number, increased by 3.3%.

The increase in operating costs is primarily explained by the following factors: higher staff costs due to increases in payrolls and redundancy payments, an increase in payments to operators, higher public utilities prices, and growth in insurance costs as Rostelecom insured its production equipment in early 2003.

Depreciation charges declined by 29.1% to RUR 1,829.3 million as a number of Rostelecom's leased assets were fully depreciated in the second half of 2002.

EBITDA was RUR 6,047.2 million, representing a 9.1% decline year-on-year. However, if compared to EBITDA of the first half 2002 adjusted for the new accounting method, the decline was 7.8%. This decline reflects growth in some of the operating costs as described above.

Operating profit grew by 3.6% to RUR 4,217.9 million, while compared to adjusted operating profit for the first half 2002 it increased 6.0%.

The results from other operating activities amounted to RUR -515 million compared to RUR -1,041.3 million for the first six months of 2002. The improvement is primarily due to growth in interest income (by RUR 30.0 million), decrease in interest expenses (by RUR 101.9 million), lower bad debt expense (by RUR 183.1 million) as well as higher gains from sale of financial instruments.

Results from other non-sales activities amounted to RUR 629.7 million compared to RUR -913.6 million in the first half of 2002. The improvement is explained by foreign exchange gains as well as income from the restructuring of Rostelecom's debt to the Ministry of Finance.

As a result, first half 2003 net profit increased by 102.4% year-on-year to RUR 3,204.4 million.

Balance Sheet, RUR '000			
	31.12.2002	30.06.2003	Change Y-o-Y, %
ASSETS			
Non-current assets, incl.	22,909,612	22,420,800	-2.1%
Intangible assets	21	20	-4.8%
Fixed assets	17,143,830	15,520,525	-9.5%
Construction in progress	2,863,205	4,064,037	41.9%
Long-term financial investments	2,517,331	2,414,320	-4.1%
Other non-current assets	385,225	421,898	9.5%
Current assets, incl.	18,039,517	20,434,739	13.3%
Inventory	690,868	827,248	19.7%
VAT on obtained property	1,988,908	2,012,831	1.2%
Accounts receivable	9,808,766	11,122,647	13.4%
<i>Bad debt provision</i>	<i>- 1,956,012</i>	<i>- 2,328,522</i>	19.0%
Short-term financial investments	4,259,058	2,952,426	-30.7%
Cash and cash equivalents	1,291,917	3,519,587	172.4%
BALANCE	40,949,129	42,855,539	4.7%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	19,296,556	21,744,812	12.7%
Liabilities, incl.	21,652,573	21,110,727	-2.5%
Long-term liabilities	7,291,882	8,360,134	14.6%
<i>Incl. loans due more than in 12 months</i>	<i>847,687</i>	<i>2,881,230</i>	239.9%
<i>Incl. leasing obligations</i>	<i>6,397,059</i>	<i>5,352,054</i>	-16.3%
Short-term liabilities	14,360,691	12,750,593	-11.2%
<i>Incl. loans due less than in 12 months</i>	<i>3,667,780</i>	<i>1,578,526</i>	57.0%
<i>Incl. leasing obligations</i>	<i>2,655,634</i>	<i>2,148,845</i>	-19.1%
BALANCE	40,949,129	42,855,539	4.7%

Profit and Loss Statement, RUR '000			
	H1 2002	H1 2003	Change Y-o-Y, %
Revenue	9,962,752	12,942,645	29.9%
<i>Including effects of the new method of accounting for operations with international operators</i>	12,426,901	12,942,645	4.2%
Operating expenses	- 5,890,149	- 8,724,739	48.1%
<i>Including effects of the new method of accounting for operations with international operators</i>	- 8,447,228	- 8,724,739	3.3%
Depreciation	- 2,579,629	- 1,829,343	-29.1%
EBITDA	6,652,232	6,047,249	-9.1%
<i>Including effects of the new method of accounting for operations with international operators</i>	6,559,302	6,047,249	-7.8%
Operating profit	4,072,603	4,217,906	3.6%
<i>Including effects of the new method of accounting for operations with international operators</i>	3,979,673	4,217,906	6.0%
Results from other operating activities	- 1,041,290	- 515,031	-50.5%
<i>Bad debt expense</i>	- 555,371	- 372,510	-32.9%
Results from other non-sales activities	- 913,639	629,707	n/a
Profit before tax	2,117,674	4,332,582	104.6%
Profit tax	- 534,085	- 1,121,032	109.9%
Extraordinary items	0	- 7,143	n/a
Net Profit	1,583,589	3,204,407	102.4%
Key Ratios			
	H1 2002	H1 2003	
Operating margin, %	40.88%	32.59%*	
EBITDA margin, %	66.77%	46.72%*	
Net margin, %	15.90%	24.76%	
	31.12.2002	30.06.2003	
Current liquidity ratio	1.29	1.80	
Financial independence ratio	0.47	0.51	

* EBITDA and Operating margins decline is explained primarily by the growth in revenue resulting from the new method of accounting for operations with international operators

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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