
**ROSTELECOM REPORTS FIRST HALF 2004 RAS NET PROFIT INCREASE OF
37.8% TO RUR 4,415.9 MILLION**

- *Revenue for the first half of 2004 increased by 39.2% to RUR 18,011.3 million. Excluding the effect of the introduction of the new settlement system revenue grew by 17.1%¹ to RUR 15,159.4 million.*
- *Domestic long-distance traffic rose 10.7%², while outgoing international traffic grew by 16.5% and incoming international traffic increased 34.4%.*
- *Operating profit totaled RUR 6,286.8 million – a year-on-year surge of 49.1%.*
- *Net profit increased by 37.8% to RUR 4,415.9 million.*

Moscow – August 2, 2004 – Rostelecom (NYSE: ROS; RTS, MICEX: RTKM, RTKMP), Russia's national long-distance telecommunications operator, today announced unaudited results for the first half of 2004 in accordance with Russian accounting legislation (RAS).

Domestic long-distance (DLD) traffic grew by 10.7% year-on-year and amounted to 4,422.5 million minutes. DLD revenues surged 79.3% compared to first half 2003 and totaled RUR 8,471.2 million. Excluding the effect of the introduction of the new settlement system, DLD revenues increased by 18.9% year on year to RUR 5,619.3 million.

Outgoing international long-distance (ILD) traffic rose 16.5% to 733.5 million minutes. ILD revenues from both Russian operators and subscribers for the first six months 2004 increased by 14.4% year-on-year and totaled RUR 4,317.4 million.

First half 2004 incoming ILD traffic grew by an impressive 34.4% year-on-year to 741.4 million minutes, as Rostelecom increased its share of the international operators market. Revenues from international operators for incoming ILD traffic termination increased 2.9% year on year to RUR 2,025.8 million.

Total revenues from Moscow subscribers for the first six months of 2004 increased 5.8% year on year. Traffic grew 2.2%, thanks mainly to the competitive new tariffs introduced last year.

Total revenues for the first half of 2004 amounted to RUR 18,011.3 million - a year-on-year increase of 39.2%. Excluding the effect of the introduction of the new settlement system, revenue grew by 17.1% to RUR 15,159.4 million.

Operating expenses for the first six months of 2004 amounted to RUR 11,724.5 million. The 34.4% increase compared to the same period last year was driven by higher payments to local operators. Excluding the effect of the introduction of the new settlement system, operating expenses rose by 1.7% to RUR 8,872.6 million.

As a result EBITDA³ rose 21.1% year-on-year totaling RUR 7,322.6 million.

Depreciation declined 43.4% year on year to RUR 1,035.8 million. Rostelecom took ownership of several assets it had previously leased, and as a consequence ceased to apply accelerated depreciation methods on these.

Operating profit amounted to RUR 6,286.8 million, a 49.1% increase versus the first six months 2003.

The result from other operating activities for the first half 2004 totaled RUR (149.4) million compared to RUR (515.0) million a year ago, as Rostelecom substantially reduced its expenses on bad debt

¹ Rostelecom financial results for the first six months 2004 take into account the introduction of the new settlement system for domestic long-distance traffic transit from August 1, 2003. In order to ensure comparability, this press-release also contains figures for the first six months 2004 in accordance with the old settlement system.

² All traffic data provided in the press-release is preliminary.

³ EBITDA is calculated as total revenues less operating costs excluding depreciation.

provisions. Additionally, the Company reported a robust increase in net interest income and income from associates. In the second quarter of 2004 Rostelecom received a dividend contribution from Golden Telecom, Inc. in the amount of RUR 45.3 million. The result from other operating activities involves the amount of revaluation of financial instruments including RUR 639.7 million gain for the first quarter of 2004 and RUR 620.7 loss for the second quarter of 2004.

The result from other non-sales activities amounted to RUR (255.0) million compared to RUR 629.7 million for first half 2003 when Rostelecom restructured its debt to the Ministry of Finance and consequently reported an additional RUR 751.7 million profit from non-sales activities.

The Company's first half 2004 net profit totaled RUR 4,415.9 million, an increase of 37.8% compared to the same period last year.

Profit and Loss Statement, RUR Million			
	6mo 2003	6mo 2004	% change, y-o-y
Revenue	12,942.6	18,011.3	39.2%
<i>Revenue (excluding the effect of the new settlement system)</i>	<i>12,942.6</i>	<i>15,159.4</i>	<i>17.1%</i>
Operating expenses	(8,724.7)	(11,724.5)	34.4%
<i>Operating expenses (excluding the effect of the new settlement system)</i>	<i>(8,724.7)</i>	<i>(8,872.6)</i>	<i>1.7%</i>
Depreciation	(1,829.3)	(1,035.8)	-43.4%
EBITDA	6,047.2	7,322.6	21.1%
Operating profit	4,217.9	6,286.8	49.1%
Results from other operating activities	(515.0)	(149.4)	-71.0%
<i>Bad debt expense</i>	<i>(372.5)</i>	<i>(15.4)</i>	<i>-95.9%</i>
Results from other non-sales activities	629.7	(255.0)	n/a
Profit before tax	4,332.6	5,882.4	35.8%
Profit tax	(1,121.0)	(1,466.2)	30.8%
Extraordinary items	(7.2)	(0.3)	-95.8%
Net Profit	3,204.4	4,415.9	37.8%
Key ratios			
	6mo 2003	6mo 2004	
Operating margin, %	32.6%	34.9%	
EBITDA margin, %	46.7%	40.7%*	
Net margin, %	24.8%	24.5%	

* EBITDA margin decline was mainly due to the introduction of the new settlement system.

Balance Sheet, RUR Million			
	01.01.2004	30.06.2004	% change, y-o-y
ASSETS			
Non-current assets, incl.	24,029.1	24,719.0	2.9%
Intangible assets	0.019	0.019	0.0%
Fixed assets	15,143.3	15,183.9	0.3%
Construction in progress	4,515.4	5,171.8	14.5%
Long-term financial investments	3,971.4	3,970.1	-0.03%
Deferred tax assets	-	-	n/a
Other non-current assets	399.0	393.2	-1.4%
Current assets, incl.	19,889.8	18,628.4	-6.3%
Inventory	730.2	786.8	7.8%
VAT on obtained property	1,870.2	1,240.1	-33.7%
Accounts receivable	8,826.8	8,991.5	1.9%
Short-term financial investments	6,627.5	3,976.9	-40.0%
Cash and cash equivalents	1,835.1	3,631.7	-97.9%
Other current assets	0.022	1.369	by a factor of 62
BALANCE	43,918.9	43,347.4	-1.3%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	26,463.8	29,397.8	11.1%
Liabilities, incl.	17,455.1	13,949.6	-20.1%
Long-term liabilities	5,201.0	4,290.9	-17.5%
<i>Loans due more than in 12 months</i>	<i>2,124.0</i>	<i>3,533.4</i>	<i>66.4%</i>
<i>Leasing obligations</i>	<i>2,350.2</i>	-	-
Short-term liabilities	12,254.1	9,658.7	-21.2%
<i>Loans due less than in 12 months</i>	<i>1,715.7</i>	<i>1,362.2</i>	<i>-20.6%</i>
<i>Leasing obligations</i>	<i>3,768.5</i>	-	-
BALANCE	43,918.9	43,347.4	-1.3%

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.

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