
**ROSTELECOM REPORTS 37.8% GROWTH IN RAS NET PROFIT FOR THE
FIRST NINE MONTHS OF 2004**

- *Revenue for the first nine months of 2004 increased by 33.2% to RUR 27,645.4 million. Excluding the effect of the introduction of the new settlement system, revenue grew by 16.1%¹ to RUR 23,270.9 million.*
- *Domestic long-distance traffic rose 10.1%², while outgoing international traffic grew by 17.0% and incoming international traffic increased 29.4%.*
- *EBITDA for the first nine months of 2004 was RUR 11,054.9 million, a 15.8% increase compared to the same period last year.*
- *Operating profit totaled RUR 9,465.6 million – a year-on-year surge of 38.0%.*
- *Net profit increased by 37.8% to RUR 6,590.7 million.*

Rostelecom's CEO Dmitry Yerokhin commented: *Rostelecom's double-digit growth for the first nine months of 2004 is the result of the improving revenue dynamics of the Russian telecoms market and enhanced efficiency. Rostelecom delivered good traffic and revenue performance in both domestic and international markets, particularly from regional and alternative operators. Revenues excluding the effect of the introduction of the new settlement system grew 16.1% while net profit increased 37.8%.*

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

Domestic long-distance (DLD) traffic grew by 10.1% year-on-year and amounted to 6,670.1 million minutes. DLD revenues surged 61.0% compared to the same period last year and totaled RUR 12,799.9 million. Excluding the effect of the introduction of the new settlement system, DLD revenues increased by 16.3% year-on-year to RUR 8,425.4 million.

Outgoing international long-distance (ILD) traffic rose 17.0% to 1,140.7 million minutes. ILD revenues from both Russian operators and subscribers for the first nine months of 2004 increased by 13.9% year-on-year and totaled RUR 6,667.8 million.

Nine months 2004 incoming ILD traffic grew by 29.4% year-on-year to 1,135.3 million minutes, as Rostelecom increased its share of the international operators market. Revenues from international operators for incoming ILD traffic termination increased 4.1% year-on-year to RUR 3,157.8 million.

Total revenues from Moscow subscribers for the first nine months of 2004 increased 3.2% year on year due mainly to the competitive new tariffs introduced last year, while traffic remained stable (up 0.5% compared to the same period last year).

Total revenues for the first nine months of 2004 amounted to RUR 27,645.4 million - a year-on-year increase of 33.2%. Excluding the effect of the introduction of the new settlement system, revenue grew by 16.1% to RUR 23,270.9 million.

Operating expenses for the first nine months of 2004 amounted to RUR 18,179.8 million. The 30.9% 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 Rostelecom financial results for the first nine 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 revenues and operating expenses for the first nine months 2004 in accordance with the old settlement system.

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

5.9% to RUR 13,805.3 million due to higher payments to international operators as well as scheduled increases in staff costs.

As a result EBITDA³ rose 15.8% year-on-year totaling RUR 11,054.9 million.

Depreciation declined 40.8% year on year to RUR 1,589.3 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 9,465.6 million, a 38.0% increase versus the first nine months 2003.

The result from other operating activities for the first nine months 2004 totaled RUR (295.3) million compared to RUR (757.9) million a year ago, as Rostelecom substantially reduced its expenses on bad debt provisions. Additionally, the Company reported a robust increase in net interest income (RUR 142.7 million versus RUR 8.2 in the first nine months 2003). The result from other operating activities includes the amount of revaluation of financial instruments. The net revaluation gain for the first three quarters 2004 totaled RUR 89.9 million.

The result from other non-revenue activities amounted to RUR (398.0) million compared to RUR 258.6 million for first nine months 2003 when Rostelecom restructured its debt to the Ministry of Finance and consequently reported an additional RUR 751.7 million profit from non-revenue activities.

The Company's first nine months 2004 net profit totaled RUR 6,590.7 million, an increase of 37.8% compared to the same period last year.

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

Profit and Loss Statement, RUR Million			
	9mo 2003	9mo 2004	% change, y-o-y
Revenue	20,749.0	27,645.4	33.2%
<i>Revenue (excluding the effect of the new settlement system)</i>	20,041.0	23,270.9	16.1%
Operating expenses	(13,889.4)	(18,179.8)	30.9%
<i>Operating expenses (excluding the effect of the new settlement system)</i>	(13,039.4)	(13,805.3)	5.9%
<i>Depreciation</i>	(2,686.7)	(1,589.3)	-40.8%
EBITDA	9,546.3	11,054.9	15.8%
Operating profit	6,859.6	9,465.6	38.0%
Results from other operating activities	(757.9)	(295.3)	-61.0%
<i>Bad debt expense</i>	(461.5)	(107.0)	-76.8%
Results from other non-sales activities	258.6 ¹	(398.0)	n/a
Profit before tax	6,360.3	8,772.3	37.9%
Profit tax	(1,571.0)	(2,181.5)	38.9%
Extraordinary items	(7.7)	(0.1)	-98.7%
Net Profit	4,781.6	6,590.7	37.8%
Key ratios			
	9mo 2003	9mo 2004	
Operating margin, %	33.1%	34.2%	
EBITDA margin, %	46.0%	40.0% ²	
Net margin, %	23.0%	23.8%	

¹ According to the requirements of the Russian accounting legislation (RAS) tax penalties as well as other similar payments for the first nine months 2003 in the amount of RUR (2.0) are included in the other non-revenue expenses item.

² EBITDA margin decline was mainly due to the introduction of the new settlement system.

Balance Sheet, RUR Million			
	01.01.2004	30.09.2004	% change, y-o-y
ASSETS			
Non-current assets, incl.	24,029.1	25,087.2	4.4%
Intangible assets	0.0	0.0	n/a
Fixed assets	15,143.3	15,254.5	0.7%
Construction in progress	4,515.4	5,388.0	19.3%
Long-term financial investments	3,971.4	4,043.4	1.8%
Deferred tax assets	-	-	n/a
Other non-current assets	399.0	401.3	0.6%
Current assets, incl.	19,889.8	19,279.6	-3.1%
Inventory	730.2	793.6	8.7%
VAT on obtained property	1,870.2	1,287.7	-31.1%
Accounts receivable	8,826.8	7,906.5	-10.4%
Short-term financial investments	6,627.5	6,671.9	0.7%
Cash and cash equivalents	1,835.1	2,619.6	42.7%
Other current assets	0.0	0.3	by a factor of 12
BALANCE	43,918.9	44,366.8	1.0%
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	26,463.8	31,519.3	19.1%
Liabilities, incl.	17,455.1	12,847.5	-26.4%
Long-term liabilities	5,201.0	4,403.1	-15.3%
<i>Loans due more than in 12 months</i>	<i>2,124.0</i>	<i>3,643.2</i>	<i>71.5%</i>
<i>Leasing obligations</i>	<i>2,350.2</i>	-	-
Short-term liabilities	12,254.1	8,444.4	-31.1%
<i>Loans due less than in 12 months</i>	<i>1,715.7</i>	<i>1,277.0</i>	<i>-25.6%</i>
<i>Leasing obligations</i>	<i>3,768.5</i>	-	-
BALANCE	43,918.9	44,366.8	1.0%

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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