
ROSTELECOM REPORTS FIRST QUARTER 2003 RAS UNAUDITED
NET PROFIT INCREASE TO RUR 1,248 MILLION

- *Revenue for the first quarter 2003 amounted to RUR 6,362.8 million, an increase of 27.6% versus first quarter 2002*. Based on the adjusted first quarter 2002 numbers, revenue growth was 2.6%;*
- *Domestic long-distance traffic** was up 21% year-on-year;*
- *Outgoing international traffic grew by 2.6%, while incoming international traffic surged 25.1% compared to the first quarter 2002;*
- *Operating profit for the first quarter 2003 increased 7% to RUR 2,217.5 million, while compared to adjusted operating profit for the first quarter 2002 it increased 11.5%;*
- *Net profit increased by 3.1% to RUR 1,248 million.*

Moscow – May 16, 2003 – Rostelecom (NYSE: ROS; RTS: RTKM), Russia's national long-distance telecommunications operator, today announced unaudited results for the first quarter 2003 in accordance with Russian accounting legislation - RAS.

Domestic long-distance (DLD) traffic for the first quarter totaled 1,984.6 million minutes, a year-on-year increase of 21%. DLD revenues increased year-on-year by 13.5% to RUR 2,330.5 million.

Outgoing international long-distance (ILD) traffic in the first quarter grew to 307.2 million minutes, a 2.6% increase over the first quarter 2002. ILD revenues from Russian operators and subscribers declined by 6.9% to RUR 1,864.7 million.

Incoming international traffic surged 25.1% year-on-year to 264.5 million minutes. Revenues from international operators (only for telephone traffic termination) totaled RUR 939.8 million, representing a 7.7% decline compared to the first quarter 2002. The revenue decline is due by Rostelecom's efforts to decrease settlement rates with international operators throughout 2002.

Total revenues for the first quarter 2003 were RUR 6,362.8 million, up 27.6% year-on-year. As already 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 quarter number, revenue growth was 2.6%.

* Officially reported first quarter 2002 P&L numbers are not adjusted for the effects of the new method of accounting for operations with international operators.

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

First quarter 2003 operating costs amounted to RUR 4,145.2 million, a 42.2% increase versus first quarter 2002. Operating costs, compared to the adjusted first quarter 2002 number, decreased by 1.5%.

The main reason for the decrease in operating costs was the 28.4% decline in depreciation to RUR 931.3 as a number of Rostelecom's leased assets were fully depreciated in the second half of 2002.

At the same time, staff costs increased by 14.9% to RUR 639.9 million due to increases in payrolls to keep up with inflation and one-off redundancy payments. There was a RUR 40 million increase in insurance costs associated with the fact that Rostelecom insured its production equipment in 2003. Expenses related to public utilities services increased by 29% to RUR 133 million as the natural monopolies' prices continued to grow. A 31% growth in payments to Russian operators (to RUR 378 million) is explained by the late recognition of such payments in the first half 2002 – some of the payments related to the first and second quarters were recognized only in the third quarter 2002.

EBITDA was RUR 3,148.8 million, representing a 6.6% decline year-on-year. However, if compared to EBITDA of the first quarter 2002 adjusted for the new accounting method, the decline was 4.3%. This decline reflects growth in some of the operating costs as described above.

Operating profit grew by 7% to RUR 2,217.5 million, while compared to adjusted operating profit for the first quarter 2002 it increased 11.5%.

The results from other operating activities amounted to RUR -443.1 million. The negative result is primarily due to the more conservative method of dealing with bad debt provisions. First quarter 2003 bad debt expense was RUR -326,5 million, while there was no bad debt expense in the first quarter of 2002. Additionally, taxes other than on income totaled RUR (77.4) million.

Results from other non-sales activities amounted to RUR 19.4 million.

First quarter 2003 net profit increased by 3.1% year-on-year to RUR 1,248 million.

Balance Sheet, RUR '000			
	31.12.2002	31.03.2003	% change y-o-y
ASSETS			
Non-current assets, incl.	22,909,612	22,717,972	-0.8%
Intangible assets	21	20	-4.8%
Fixed assets	17,143,830	16,273,305	-5.1%
Construction in progress	2,863,205	3,363,674	17.5%
Long-term financial investments	2,517,331	2,543,210	1.0%
Other non-current assets	385,225	537,763	39.6%
Current assets, incl.	18,039,517	19,210,416	6.5%
Inventory	690,868	981,326	42.0%
VAT on obtained property	1,988,908	1,951,477	-1.9%
Accounts receivable, incl.	9,808,766	10,397,708	6.0%
<i>Accounts receivable from international operators</i>	3,911,015	4,458,205	14.0%
<i>Bad debt provision</i>	-1,956,012	-2,282,496	16.7%
Short-term financial investments	4,259,058	3,254,834	-23.6%
Cash and cash equivalents	1,291,917	2,625,071	103.2%
BALANCE	40,949,129	41,928,388	2.4%
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity	19,296,556	20,521,457	6.3%
Liabilities, incl.	21,652,573	21,406,931	-1.1%
Long-term liabilities, incl.	7,291,882	6,908,000	-5.3%
<i>Loans due more than in 12 months</i>	847,687	865,978	2.2%
Short-term liabilities, incl.	14,360,691	14,498,931	1.0%
<i>Accounts payable to international operators</i>	3,667,780	3,720,848	1.4%
<i>Loans due less than in 12 months</i>	4,389,150	4,771,418	8.7%
BALANCE	40,949,129	41,928,388	2.4%

Profit and Loss Statement, RUR '000			
	Q1 2002	Q2 2003	% change y-o-y
Revenue	4,986,056	6,362,770	27.6%
<i>Revenue adjusted for the new method of accounting for operations with international operators</i>	6,199,030	6,362,770	2.6%
Operating expenses	2,914,483	4,145,247	42.2%
<i>Operating expenses adjusted for the new accounting method</i>	4,210,349	4,145,247	-1.5%
Depreciation	1,301,437	931,280	-28.4%
EBITDA	3,373,010	3,148,803	-6.6%
<i>EBITDA adjusted for the new accounting method</i>	3,290,118	3,148,803	-4.3%
Operating profit	2,071,573	2,217,523	7.0%
<i>Operating profit adjusted for the new accounting method</i>	1,988,681	2,217,523	11.5%
Results from other operating activities	-295,251	-443,102	50.1%
<i>Bad debt expense</i>	0	-326,484	n/a
<i>Taxes other than on income</i>	-84,664	-77,399	-8.58%
Results from other non-sales activities	-138,992	19,368	n/a
<i>FX gains/losses</i>	8,616	66,564	672.6%
Profit before tax	1,637,330	1,793,789	9.6%
Profit tax	427,193	538,758	26.1%
Extraordinary items	0	7,045	n/a
Net profit	1,210,137	1,247,986	3.1%
Key Ratios			
	Q1 2002	Q2 2003	
Operating margin, %	41.55%	34.85%	
EBITDA margin, %	67.65%	49.49%*	
Net margin, %	24.27%	19.61%	
	31.12.2002	31.03.2003	
Current liquidity ratio	1.29	1.36	
Financial independence ratio	0.47	0.49	

* EBITDA margin decline is explained primarily by the growth in revenue resulting from the new method of accounting for operations with international telecom 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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