

Annual General Shareholders Meeting

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June 15, 2003



Disclaimer

Certain statements in this presentation 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.

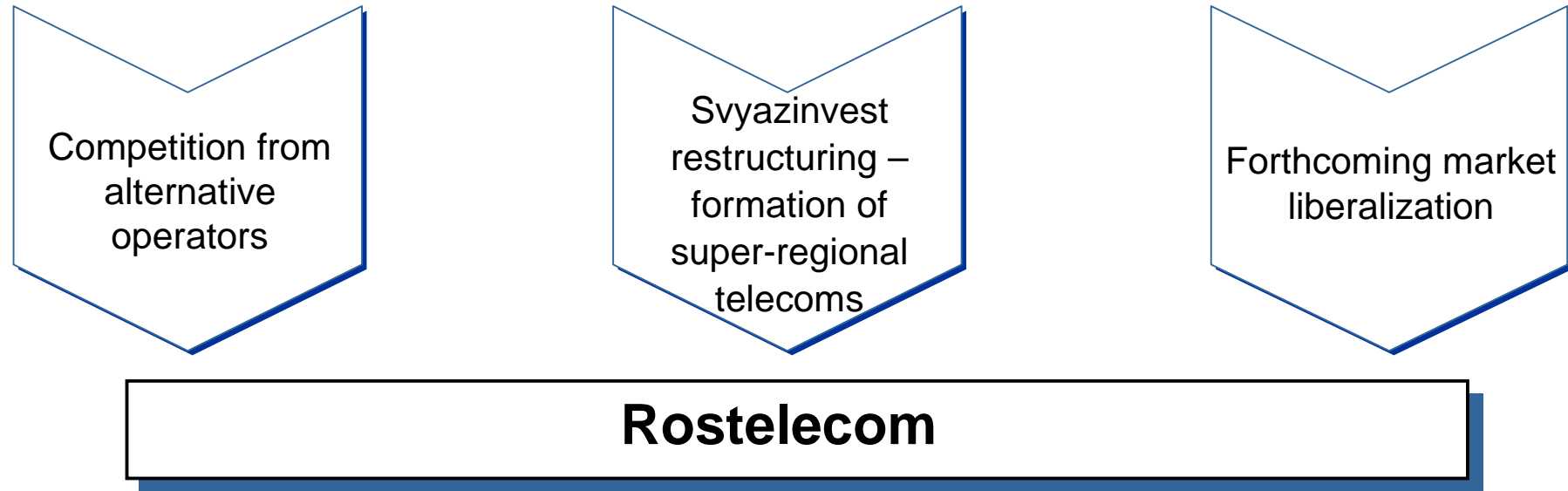
For a more detailed discussion of these and other factors, see the Company’s Annual Report on Form 20-F for its most recently completed fiscal year and the Company’s other public filings with The U.S. Securities and Exchange Commission. Many of these factors are beyond the Company’s ability to control 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.

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Agenda

- ✓ **Main tasks faced by the management**
- ✓ Management's review of 2002 achievements
 - ✓ Efficiency improvement and cost optimization
 - ✓ Commercial activity optimization
 - ✓ Debt reduction
 - ✓ 2002 major investment projects
 - ✓ Improved financial performance
 - ✓ Growth in market capitalization
 - ✓ Social program implementation
- ✓ Tasks for 2003

Trends in the Russian telecommunication sector lead to stronger competition



Management's key aim:
prepare Rostelecom for competition by creating an efficiently-run competitive business

Tasks faced by Rostelecom management

Key problems that have to be solved before the market can be liberalized

- ✓ Elimination of cross-subsidy
 - gradual increase in local tariffs to economically justifiable levels
 - gradual increase in Rostelecom's share in DLD tariffs
 - rebalancing of tariffs for budget-funded organizations/households and commercial companies
- ✓ Disposal of unprofitable assets
- ✓ Company restructuring aimed at enhancement of efficiency and creation of competitive client-oriented business

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Key areas of Rostelecom restructuring in 2002

- ✓ Formation of a new management team
- ✓ Reform of the organizational structure
- ✓ Optimization of business portfolio
- ✓ Redevelopment and introduction of business processes

Formation of a new management team

- ✓ Management structure of the Company was entirely reorganized and transformed into a vertically integrated one with clear distribution of responsibilities
- ✓ New management team was formed
- ✓ Rostelecom's executives – professionals with vast industry experience and track record of success in other Russian and Western telecommunications businesses

Organizational structure reform

- ✓ Structure of business units was optimized through forming 7 regional and 3 operating business units instead of 24 units at the beginning of 2002
- ✓ Reorganization enabled Rostelecom to:
 - reduce headcount due to administrative and management redundancies
 - increase management efficiency and functional transparency of business units
 - optimize management and operation of Rostelecom's network

Optimization of business portfolio

- ✓ Major priority with respect to subsidiaries – optimization of business portfolio through disposal of non-core and underperforming assets
- ✓ The number of subsidiaries has been reduced
- ✓ Agreements between Rostelecom and subsidiaries were reviewed with the purpose of strengthening financial controls and adding value to Rostelecom's core activities
- ✓ Main transactions:
 - Acquisition of 100% control over CJSC Westelcom
 - Sale of 50% stake in Sovintel to the holding company Golden Telecom

Redevelopment and introduction of business processes

- ✓ Enterprise resource planning system introduced
- ✓ Unified accounting policy and budgeting system introduced
- ✓ Separate cost accounting system (ABC cost accounting) on the basis of a study by McKinsey & Company on Calculation of Economically Justified Expenses and Normative Profit for Regulated Telecommunications Services introduced

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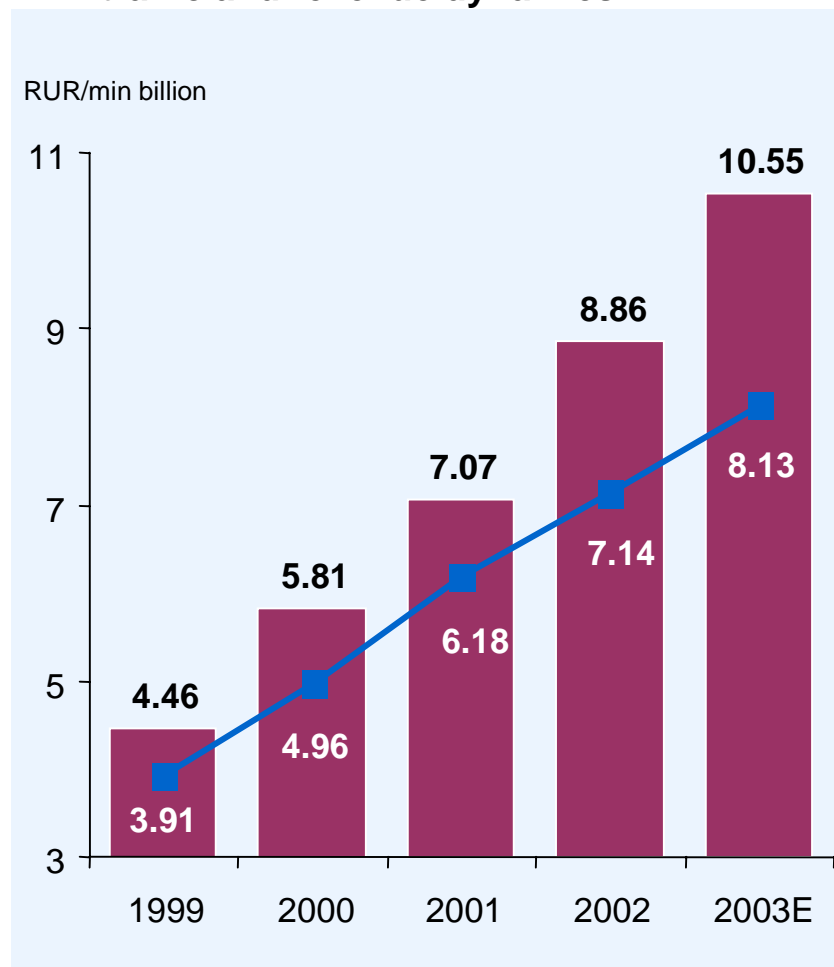
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Commercial activity optimization

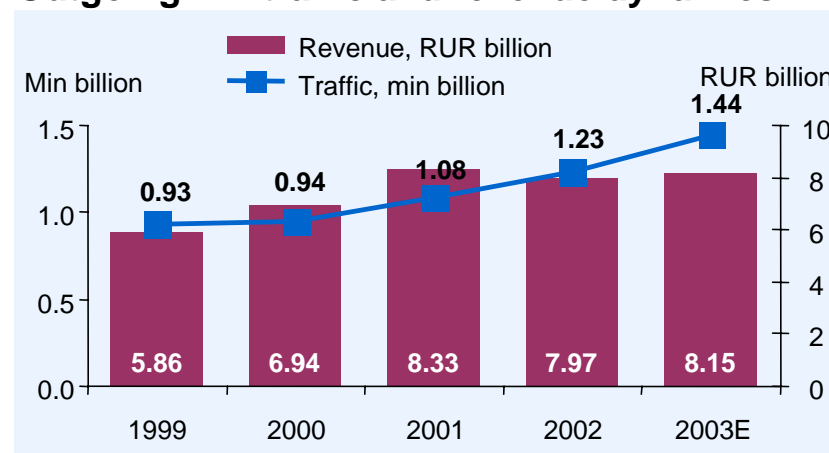
- ✓ Level of cross-subsidization of regional operators was reduced through increases in Rostelecom's share in ultimate DLD tariff from 12% to 18% on average
- ✓ Long-distance tariff rebalancing on the Moscow market was realized: the difference between tariffs for households/budget funded organizations and tariffs for commercial companies was reduced, the difference between tariffs to more and less distant zones was reduced, the imbalance between long-distance tariffs during peak and off-peak hours was decreased
- ✓ In 2002 strong commercial teams to work with operators were formed
- ✓ Leased lines pricing policy for operators was changed – tariffs for leased lines were changed to match the price level of substitution service (traffic transit)
- ✓ Work with international operators was activated. It reversed past declines in incoming ILD traffic – for the first time for several years 2002 incoming ILD traffic increased by 12%
- ✓ In 2002 we began forming the new management team of our Moscow business unit - MMT

Traffic and revenue dynamics

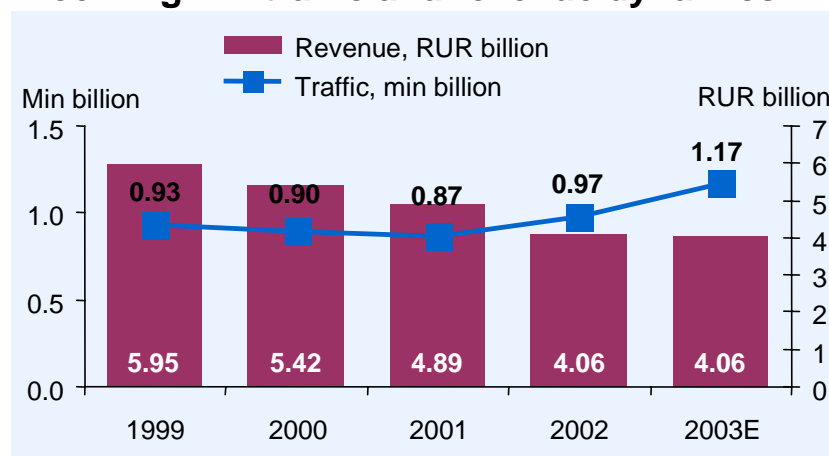
DLD traffic and revenue dynamics*



Outgoing ILD traffic and revenue dynamics*



Incoming ILD traffic and revenue dynamics*



* In accordance with Russian Accounting Standards

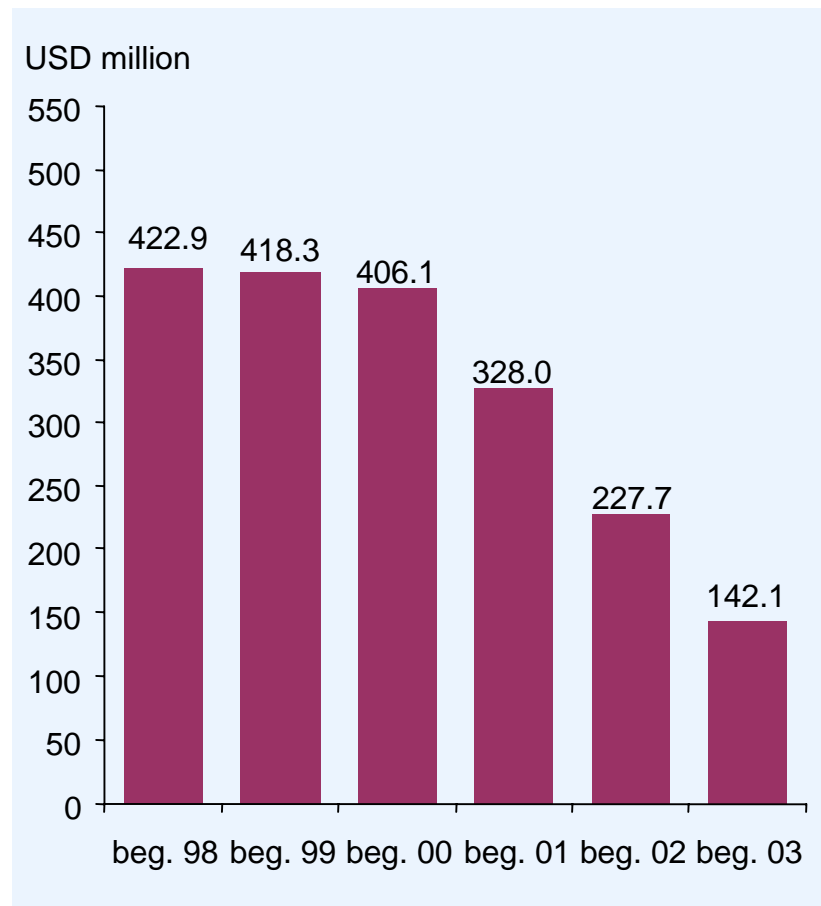
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Debt reduction

- ✓ Rostelecom continued to reduce debt in 2002
- ✓ Rostelecom debt was reduced from USD 227.7 million at the beginning of 2002 to USD 142.1 million at the end of 2002 – almost by 40%
- ✓ A number of loans in the total amount of about 80 mln. USD were repaid ahead of schedule

Debt dynamics*



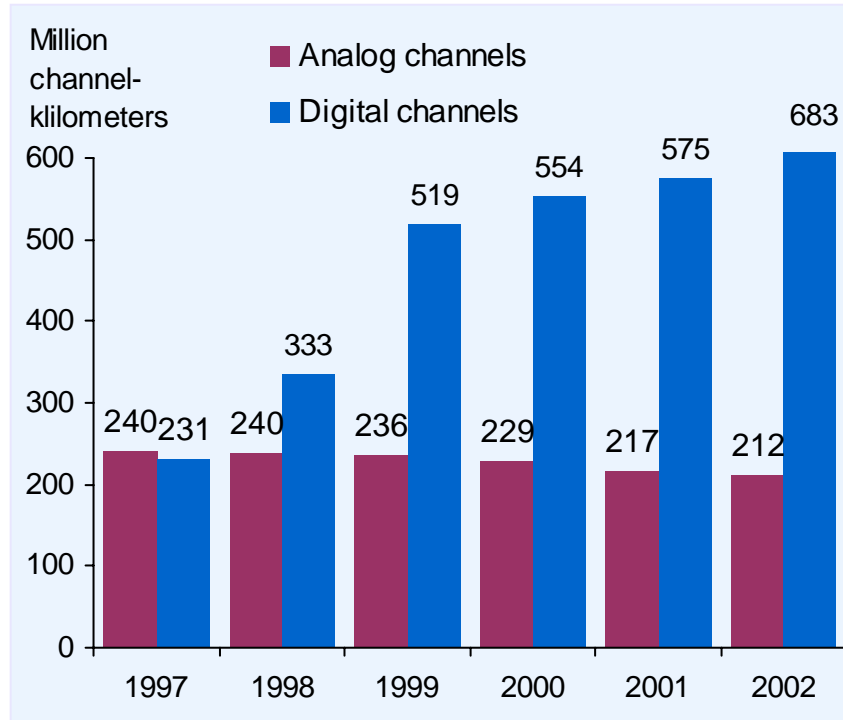
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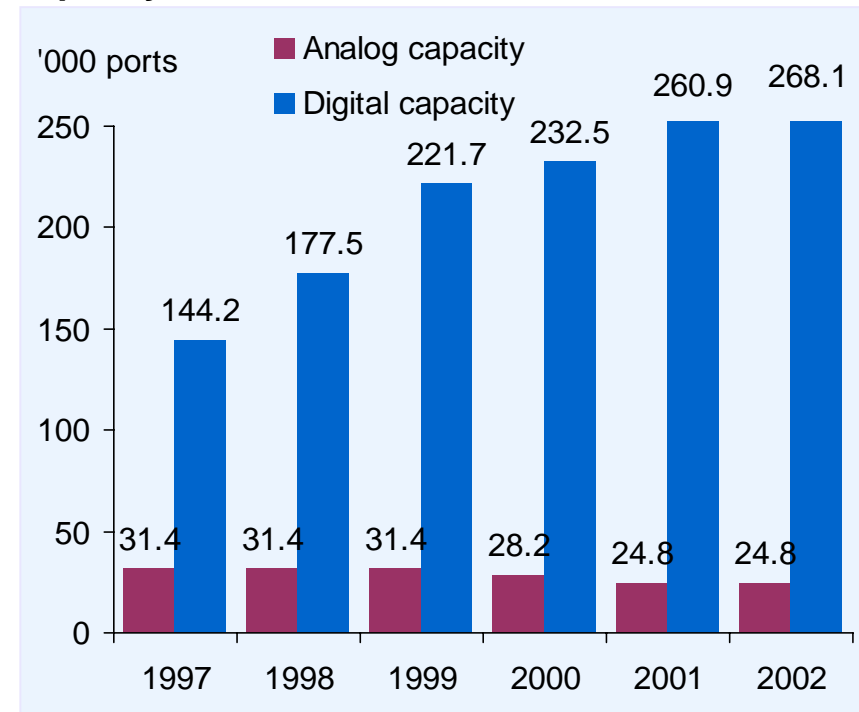
Rostelecom trunk network development

Development dynamics of the primary network



- ✓ Level of network digitalization in channel-kilometers – 76.3%

Development dynamics of switching capacity



- ✓ Level of switching capacity digitalization – 91.5%

2002 Major Investment Projects

- ✓ Modernization and enhancement of the throughput capacity of the Moscow – St. Petersburg line using DWDM technology as part of the Baltic Cable System project
- ✓ Beginning of projects to expand the throughput capacity of the Moscow – Novosibirsk and Moscow – Novorossiisk lines using DWDM technology
- ✓ Construction of a new fiber-optic line between Russia and Kazakhstan
- ✓ Construction of modern flexible multiplexers network
- ✓ Capital expenditure in 2002 amounted to USD 70 million

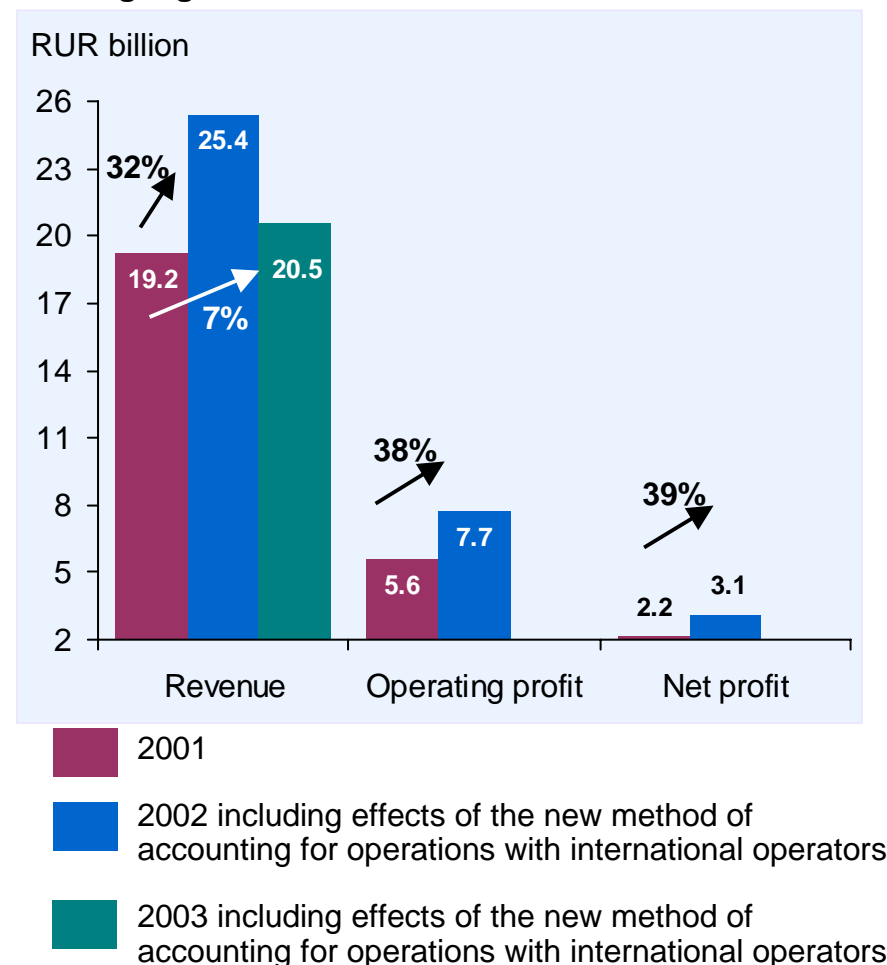
Project	Constructed/Installed in 2002
Fiber-optic lines (km)	455.97
Russia-Kazakhstan fiber-optic line, stage 1	417.35
Russia-Kazakhstan fiber-optic line, stage 2	38.62
Trunk exchanges (channels)	5,910

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Improved Financial Performance

P&L Highlights*



Balance Sheet Highlights*

RUR '000

	31.12.2001	31.12.2002
ASSETS		
Non-current assets	23 555 048	22 909 612
Current assets	13 419 184	18 039 517
BALANCE	36 974 232	40 949 129
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholders equity	16 298 968	19 296 556
Liabilities, incl.	20 675 264	21 652 573
Long-term liabilities	9 338 977	7 291 882
Short-term liabilities	11 336 287	14 360 691
BALANCE	36 974 232	36 974 232
Net assets	16 708 903	19 607 172

- ✓ Current liquidity ratio at the end of 2002 was 1.29, or 0.1 higher than in 2001
- ✓ Independence ratio was 0.47, 0.03 higher year-on-year

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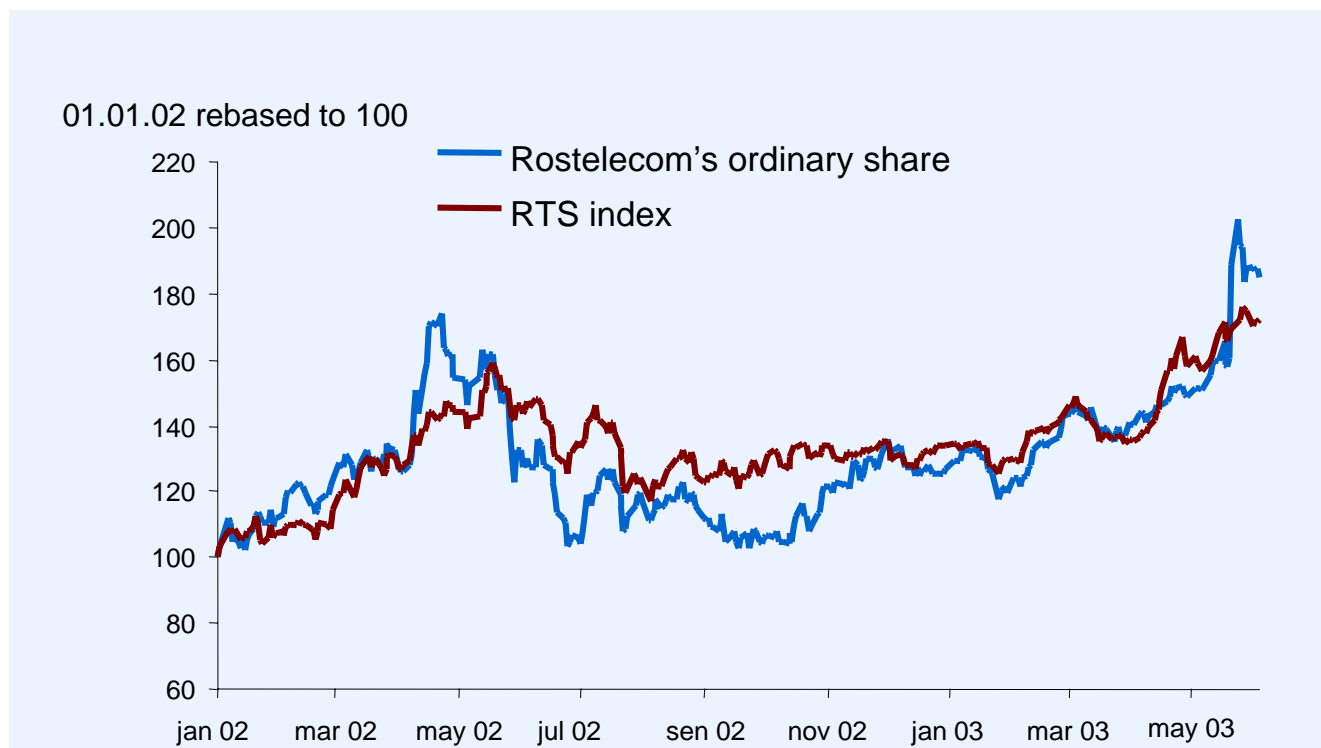


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Growth in market capitalization

Ordinary share price performance relative to RTS index



Since January 2002 Rostelecom's capitalization has almost doubled, exceeding USD 1.5 billion

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Personnel – the key factor of the Company's successful development

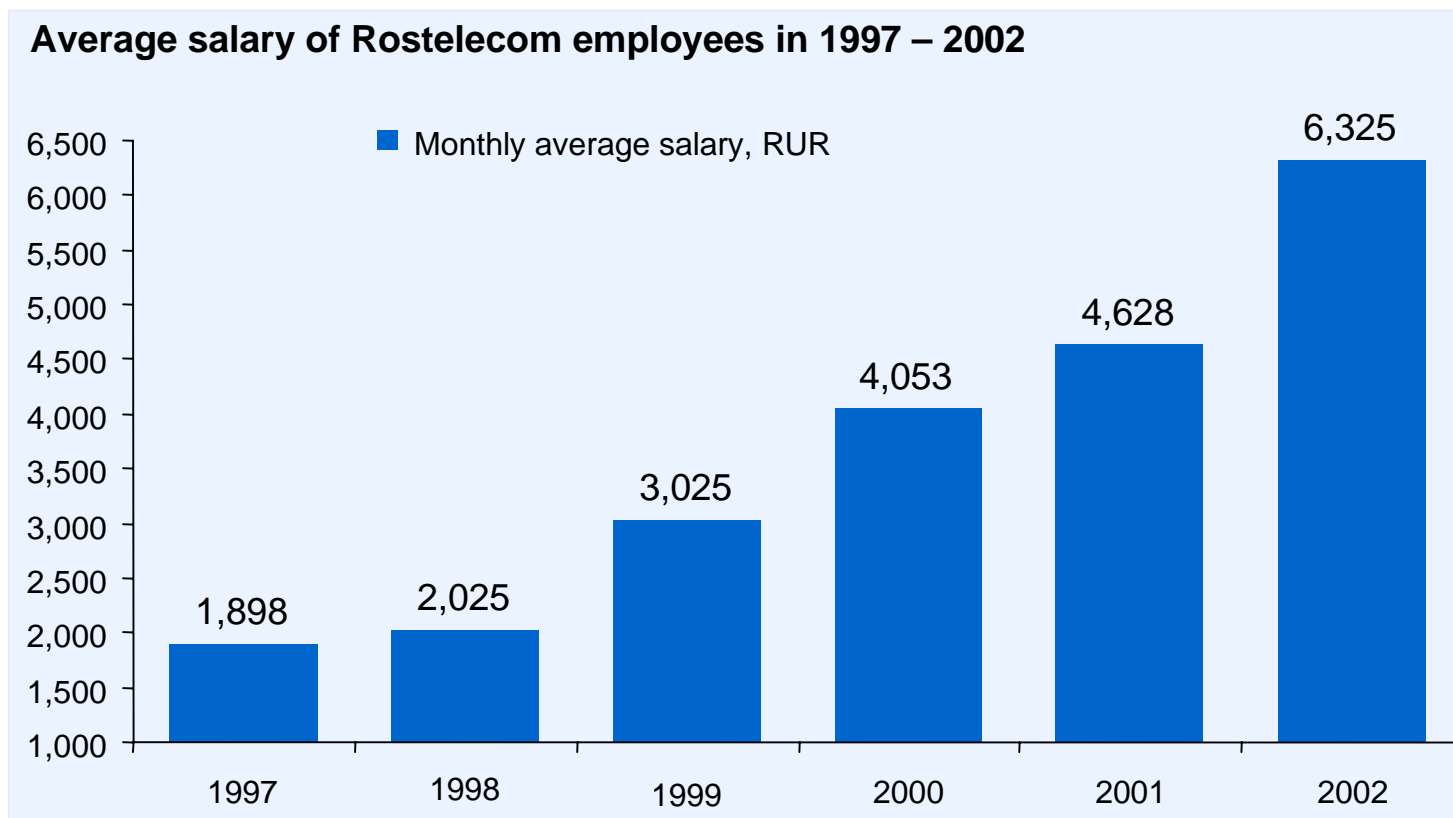
In the context of building HR management system the following projects were implemented in 2002:

- ✓ Rostelecom's Corporate University was launched
- ✓ Training system was created
- ✓ Staff number optimization continued
- ✓ Unified compensation system was developed
- ✓ Social programs' optimization began

Development of HR management system in 2003 will focus on:

- ✓ Building staff development system
- ✓ Increasing motivation system efficiency
- ✓ Introducing the program of effective staff recruitment and rotation
- ✓ Continuing optimization of staff numbers

Social program implementation



- ✓ In 2002 average salary (including payments due to regional regulation of salaries) was increased by 37%. Growth in salary was mainly due to organizational structure and staff number optimization

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Further directions of Rostelecom's development

Efficiency enhancement and cost optimization

- ✓ Further staff reductions
- ✓ Fine-tuning of internal business procedures
- ✓ Spin-off of analogue assets

Solving the problem of revenue stagnation

- ✓ Reform of settlement system with regional operators
- ✓ Stabilization of the situation in the Moscow market
- ✓ Optimization of settlement rates with international operators
- ✓ Europe – Asia traffic transit market entry

Capital expenditure priorities are determined by commercial needs

Construction of new fiber-optic lines

- Access to key international directions
- Digital links to key cities
- Back up capacity

Capacity enhancement

- DWDM technology
- Increased backbone network transmission and switching capacity

Secondary network modernization, new service development

- Construction of a multi-service network

2003 capex is planned at around USD 170 million

Thank you!