

ROS
LISTED
NYSE

Investor meetings, February 2004

Rostelecom Investor Presentation



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.

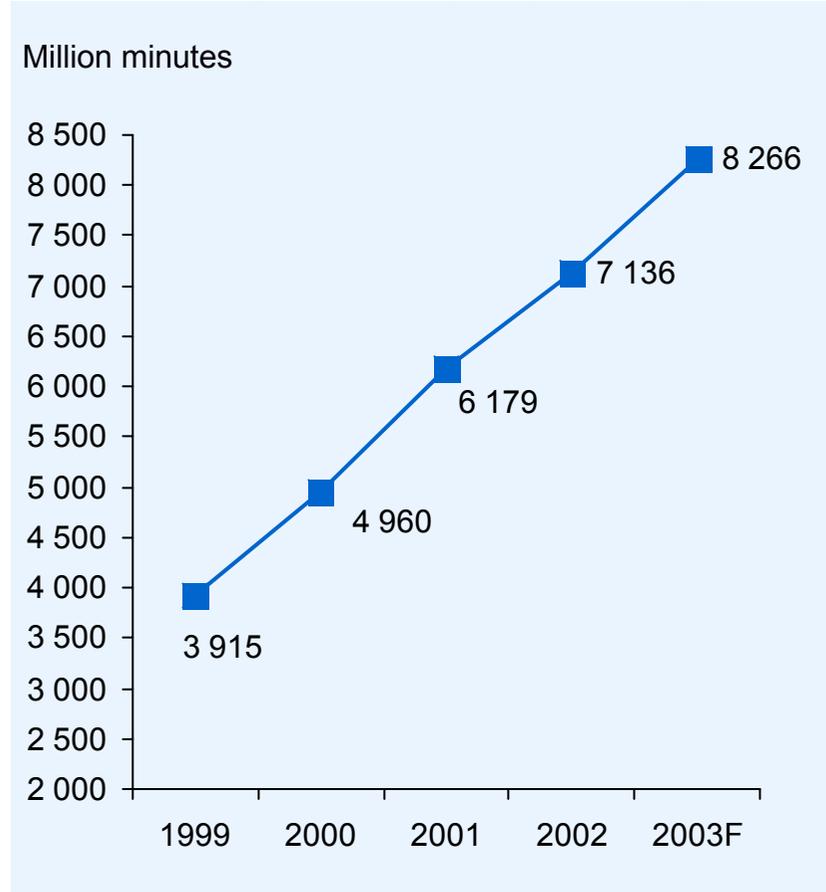
The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as maybe required under applicable the U.S. federal securities laws.

Presentation Highlights

- ✓ Russia's telecommunications market continues rapid traffic growth
- ✓ Rostelecom's top-line growth strategy is yielding results
- ✓ New settlement system benefiting Rostelecom's position
- ✓ Corporate objectives to drive further performance improvements

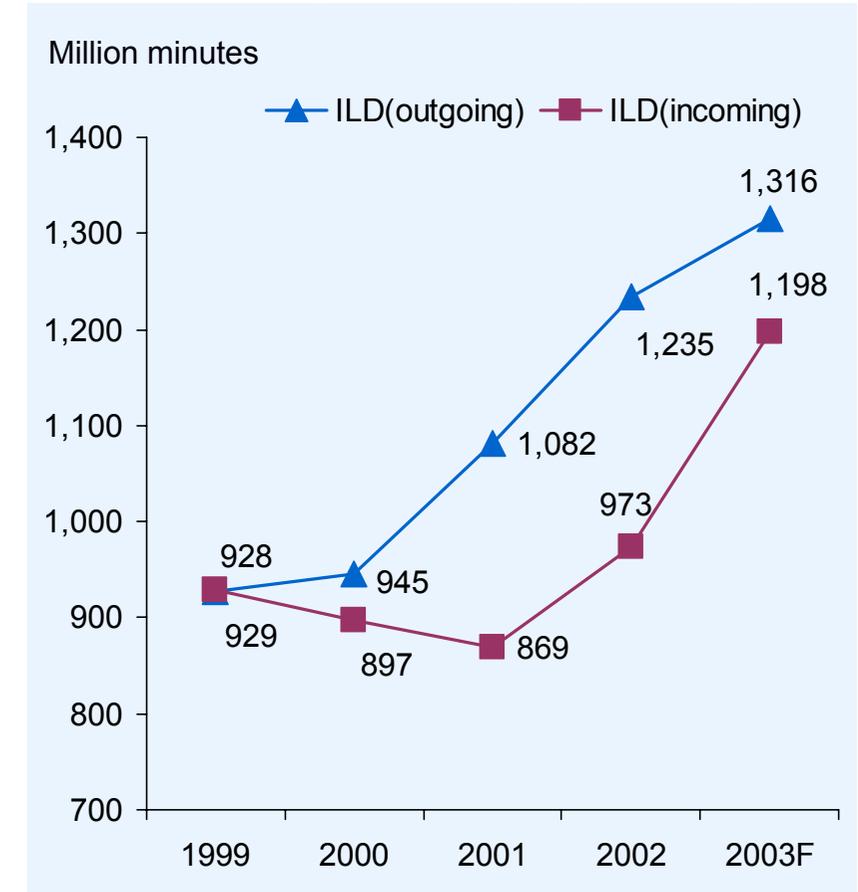
Russian Market Continues Strong Traffic Growth

Domestic long-distance (DLD) traffic dynamics



- ✓ DLD traffic volume growth at 15-20% per annum

International long-distance (ILD) traffic dynamics

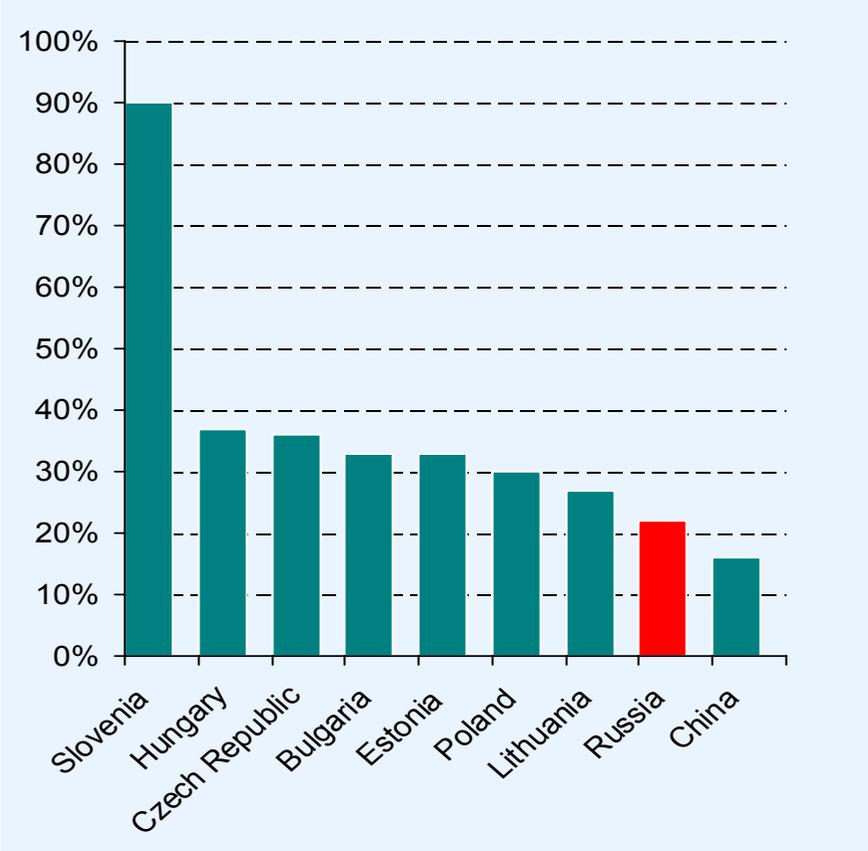


- ✓ Incoming ILD traffic volume growth at >15% per annum, outgoing ILD >5%

Low Penetration Rates Underpin Growth Potential

Russia added an estimated 3m new lines in 2003

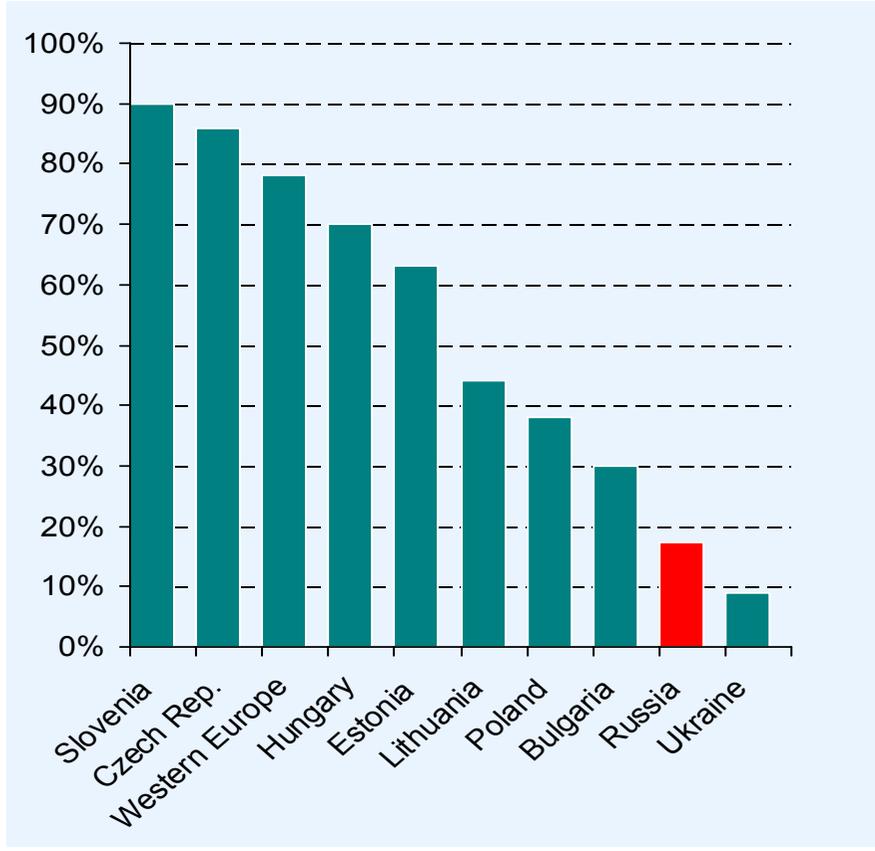
International fixed-line penetration rates



Source: World Bank, UFG Research estimates

Russia added an estimated 18m mobile subscribers in 2003

International mobile penetration rates

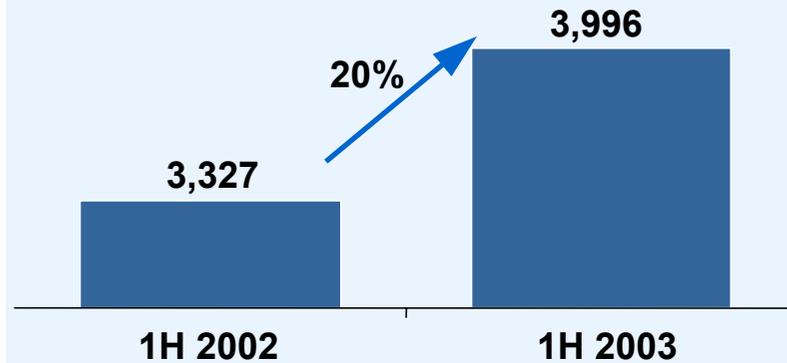


Source: World Bank, UFG Research estimates

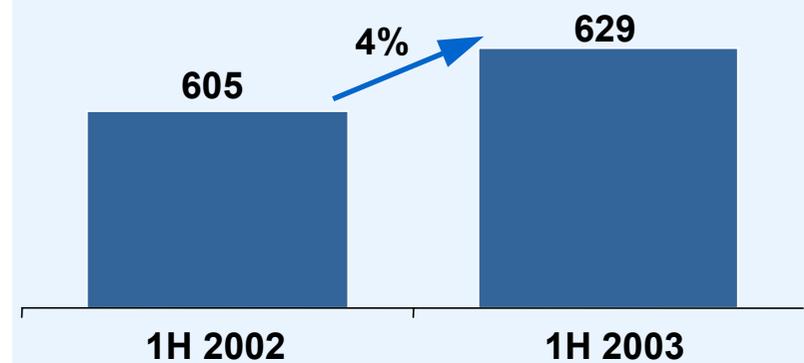


Positive Market Trends Impact Rostelecom Results

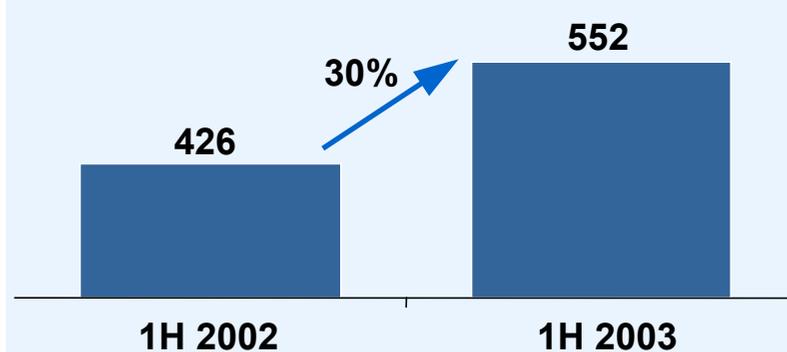
DLD traffic, million minutes



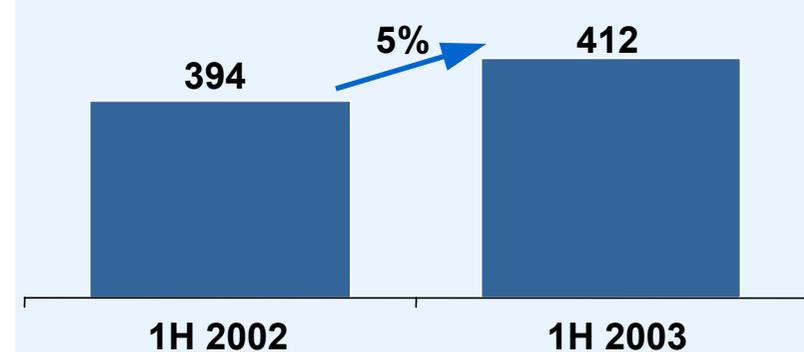
Outgoing ILD traffic, million minutes



Incoming ILD traffic, million minutes



Non-consolidated revenue, USD million

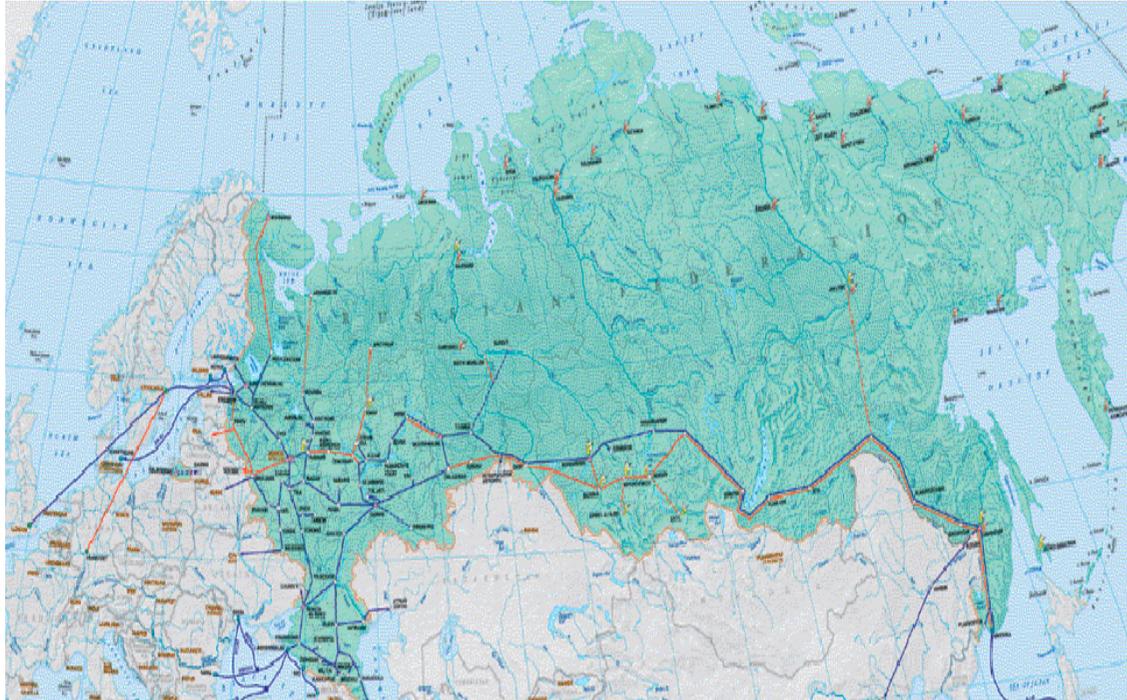


Unique Network Advantage in Russia

- ✓ Monopoly in Russian transit (“wholesale”) long-distance market

- ✓ Only countrywide up-to-date network in Russia

- ✓ Points of presence in virtually every large Russian city



- ✓ 200,000 km. of trunk lines

- ✓ Transmission capacity digitalization level – 76.3%

- ✓ 8 powerful automatic switching nodes

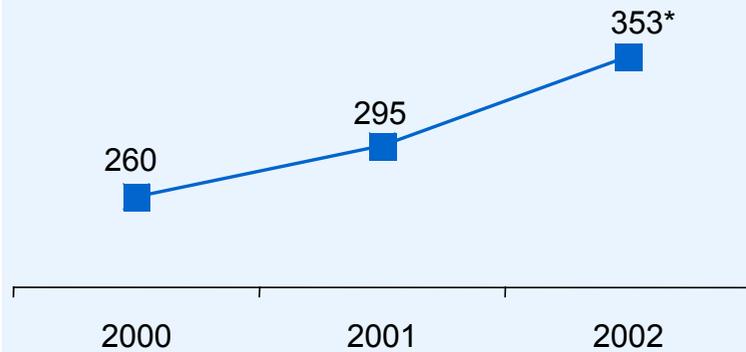
- ✓ 11 international switching centers
- ✓ Over 90% of switching capacity is digital

- ✓ Direct international connections with >100 operators in 72 countries

- ✓ Participation in 30 international cable systems

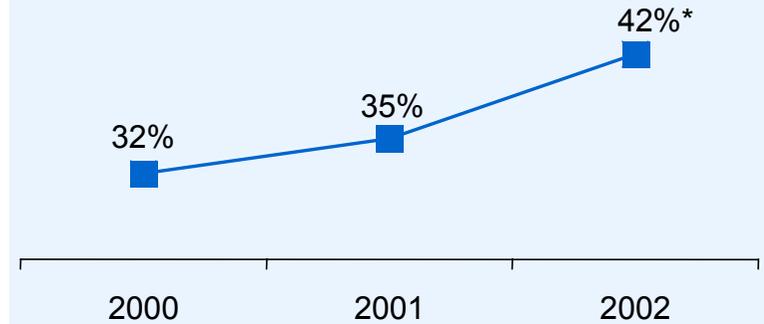
Corporate Restructuring Built Strong Foundation

EBITDA, USD million



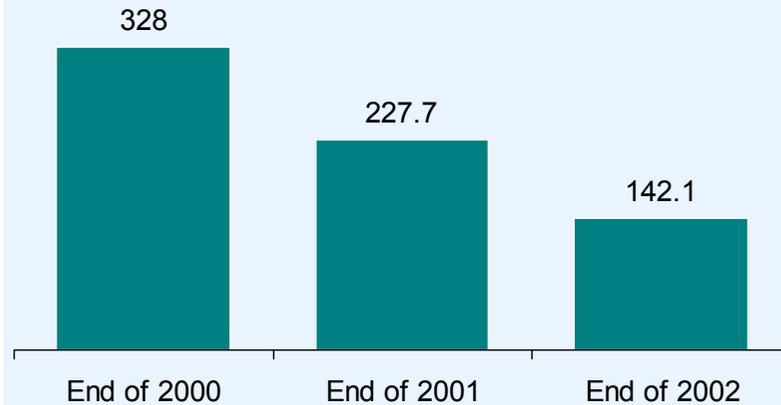
**excluding one-off non-cash items*

EBITDA margin, %

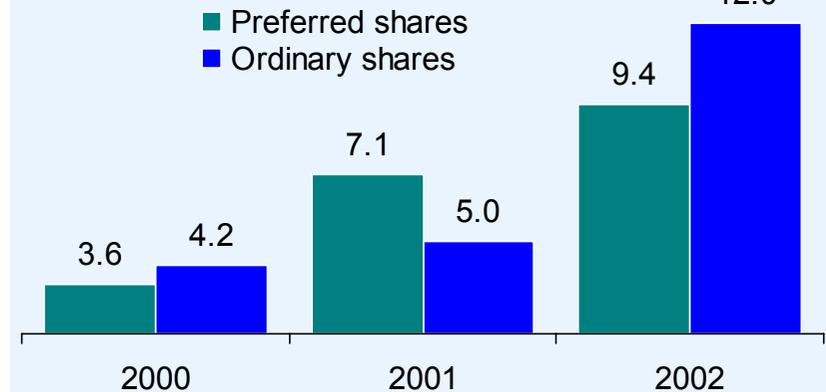


**excluding one-off non-cash items*

Non-consolidated debt, USD million



Dividends, USD million



Today's Priorities Focus on Growth and Efficiency

Top line performance improvement

- Strengthening competitive position in Moscow
- Building on leadership in the regions
- Further improvement in market share in the incoming ILD traffic market & entering transit market

Active participation in sector reform

- Elimination of cross-subsidy system
- Discontinue social burden
- Interconnect system reform

Further operational efficiency enhancement

- Further headcount reduction
- Dispense with underperforming assets
- Further improvement of business portfolio and debt structure

Management's key goal – prepare Rostelecom for market liberalization by creating an efficiently- run and competitive business

Revenue Growth Pursued Through...



Clear Business Objectives in Each Market

Leadership in Regions

- **15% DLD and 10% ILD traffic growth**
- **Revenue growth in line with sector**

Moscow Position

- **Stable revenue**
- **Gain market share**

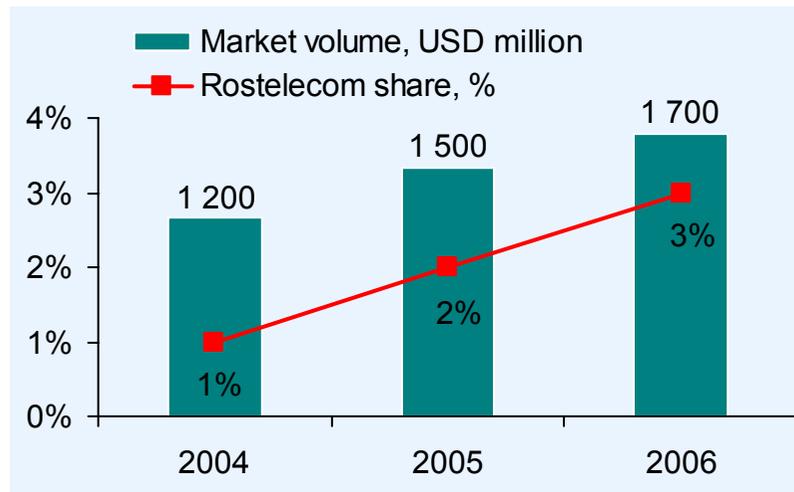
Incoming ILD Market

- **Revenue stabilization**
- **Further growth in market share**

Entry into Europe–Asia Transit Market Will Add to Future Potential

Opportunities

- ✓ A more than 10-fold increase in traffic between Europe and Asia is expected by 2007
- ✓ Existing undersea lines will not be able to accommodate growing capacity needs
- ✓ Undersea lines have certain drawbacks, including limited capacity, large length, poor quality & reliability



Source: OVUM, Rostelecom estimates

Rostelecom strengths

- ✓ Unique geographical location – shortest route between Europe and Asia
- ✓ Rostelecom already has fiber-optic backbone in place
- ✓ Better quality and reliability of routing
- ✓ Competitive pricing
- ✓ Agreements on cooperation in principle reached with operators of China and Kazakhstan
- ✓ Capacity expansion of Rostelecom's network to Chinese border underway

Restructuring Continues

Headcount Reduction

Rostelecom's headcount was reduced by 13% in 2003

Decommissioning underperforming assets

- Decommissioning tropospheric radio lines will save USD 3-4 million annually
- Phasing out 20,000 km of analogue lines p.a.

Debt Restructuring

USD 24 million profit in 2003

Sale of RTC-Leasing

- Debt and credit-risk reduction
- Transparency improvement

New Settlement System Benefits Rostelecom

DLD revenue from regional operators grow by the amount of termination payment

Payments to operators grow by the amount of termination payment

- ***Positive impact on revenues***
- ***No direct effect on EBITDA***
- ***EBITDA margin will decrease***

H1 2003 operating and financial highlights

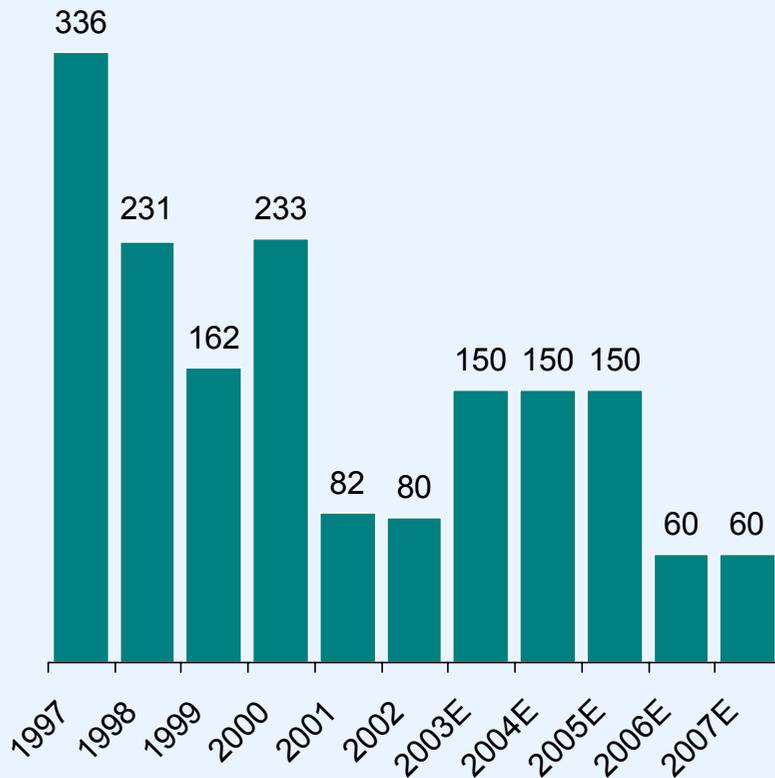
	H1 2003	H1 2002	% change y-o-y
<i>min mn</i>			
DLD	3,996	3,327	20%
Outgoing ILD	629	605	4%
Incoming ILD	552	426	30%
<i>USD mn</i>			
Revenue	440	398	11%
EBITDA	176	173	2%*
<i>EBITDA Margin, %</i>	40%	43%	
Operating profit	36	65	-45%**
<i>Operating Margin, %</i>	8%	16%	
Net profit	30	21	43%
<i>Net Margin, %</i>	7%	5%	

* Due to increased staff costs (as expected), higher payments to operators and a non-cash loss on disposal of PP&E

** Due to above mentioned factors and higher depreciation

Capital Expenditure Dynamics and Priorities

USD million



- ✓ Construction of new fiber-optic lines
- ✓ Capacity expansion
- ✓ Secondary network modernization, new service development

Outlook Highlights Improving Competitive Position and Strong Traffic Growth

- ✓ Improving top-line performance:
 - Moscow revenue decline halted, accompanied by traffic growth
 - Slowing decline in incoming ILD revenue from international operators
 - Traffic and revenue from regional operators growing steadily
- ✓ Pressure on operating costs due to:
 - Higher depreciation charges and loss on sale of PP&E (both non-cash)
 - Higher staff costs and payments to operators
- ✓ Benefits of sector reform are taking hold

Contact information

Investor & Public Relations

Anna Kareva
Director
Tel. + 7 095 973 9920
Fax + 7 095 787 2850
E-mail: kareva@hq.rt.ru

Securities Department

Olga Mokhoreva
Head of Department
Tel. + 7 095 973 9940
Fax + 7 095 787 2850
E-mail: mokhoreva@hq.rt.ru

Company Headquarters

14, 1st Tverskaya-Yamskaya Street
Moscow, 125047 Russia
Tel. + 7 095 972 8283
Fax + 7 095 787 2850
E-mail: rostelecom@hq.rt.ru

WWW.RT.RU/EN/

ADR Program Administration

JPMorgan
Tel. + 1 800 428 4237
(Free Phone in the US)
Tel. + 1 781 575 4328
E-mail: adr@jpmorgan.com
WWW.ADR.COM