

Annual General Shareholders Meeting

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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.

Agenda

I. Main tasks faced by management in 2003

II. Management's review of 2003 achievements

- ✓ Strengthening competitive position and enhancing efficiency
- ✓ Optimizing business portfolio and debt structure
- ✓ Improving financial performance
- ✓ 2003 key investment projects
- ✓ Improving corporate governance standards
- ✓ Increasing market capitalization
- ✓ Social program implementation

III. Tasks for 2004

Main tasks faced by management in 2003

Strengthening competitive position

- ✓ Further traffic and revenue growth
- ✓ New services development
- ✓ DLD traffic settlement system reform

Enhancing efficiency

- ✓ Cost saving program
- ✓ Further headcount reduction
- ✓ Disposal of underperforming and non-core assets
- ✓ Corporate debt reduction

Expanding and modernizing the company's network

- ✓ New fiber-optic lines construction
- ✓ Network capacity expansion
- ✓ Disposal of depreciated equipment

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III. Tasks for 2004

Aggressive market policy resulted in...

2003 key market activities

**DLD tariffs
rebalancing in the
Moscow market**

- More competitive tariffs for Moscow subscribers
- Disparity between DLD tariffs during peak and off-peak hours reduced
- Disparity between DLD tariffs on calls to near and distant regions of Russia reduced
- Traffic volume discounts on DLD tariffs offered

**New settlement system
for DLD traffic transit**

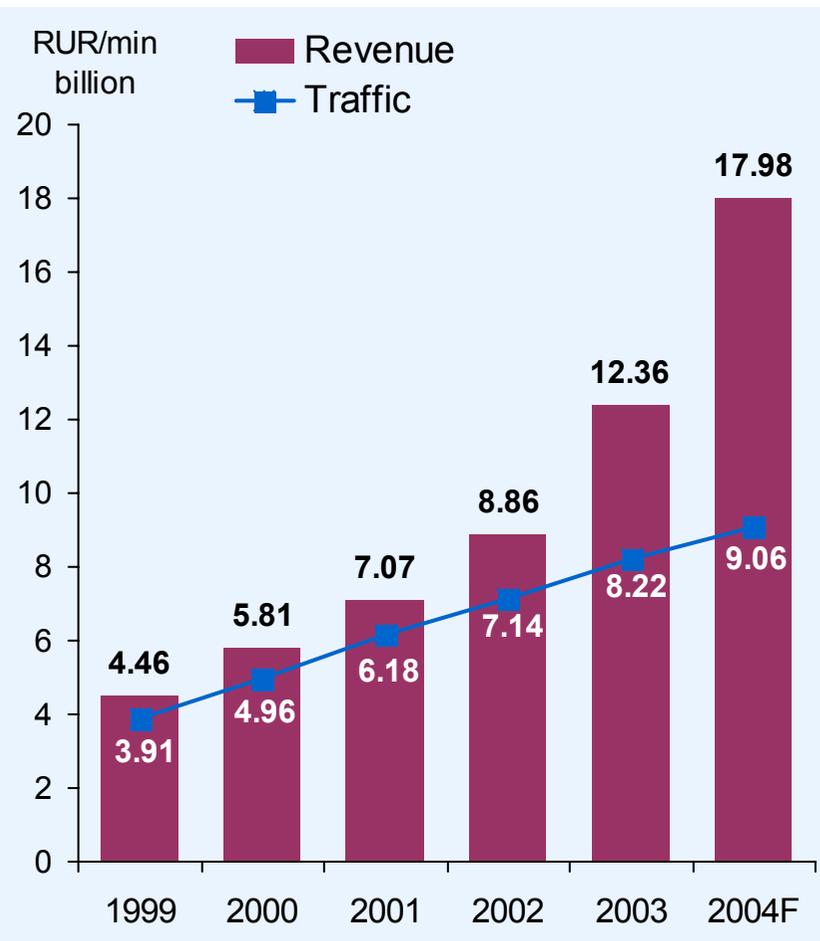
- Settlements introduced based on actual terminated minutes of traffic
- The share of traffic volumes passing through Rostelecom's network positively impacted
- Equal terms ensured for all operators interconnected to Rostelecom's network on the trunk level

**New tariff system for DLD
calls from fixed-line to
mobile subscribers**

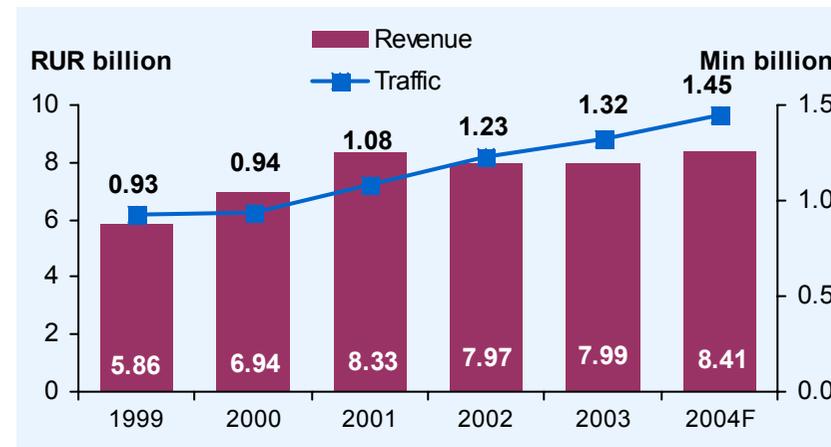
- Transparency of DLD traffic transit settlements increased
- Tariff imbalances between fixed-line and mobile operators eliminated

... robust growth in traffic and revenue

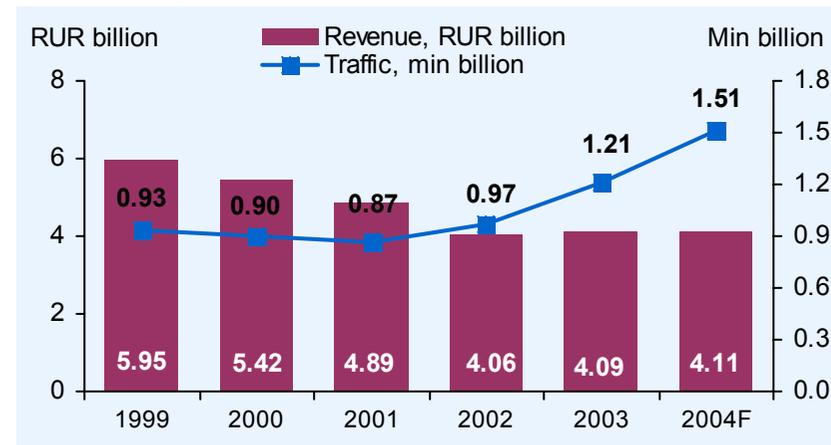
Domestic long-distance traffic and revenue*



Outgoing international traffic and revenue*



Incoming international traffic and revenue*



* According to Russian Accounting Standards

Operational efficiency enhancement

✓ **Phasing out analogue lines and other underperforming assets**

- In 2003 Rostelecom launched a program to decommission analogue lines and other underperforming assets
- The Company phased out its old tropospheric lines in the north and northeastern parts of Russia
- This move is expected to generate annual cost savings of USD 3-4 million

✓ **Further headcount reduction**

- Rostelecom continues to optimize its headcount. In 2003 the number of employees decreased to 27,000 as of December 31, 2003
- The decommissioning of analogue lines and the optimization of business processes made this reduction possible

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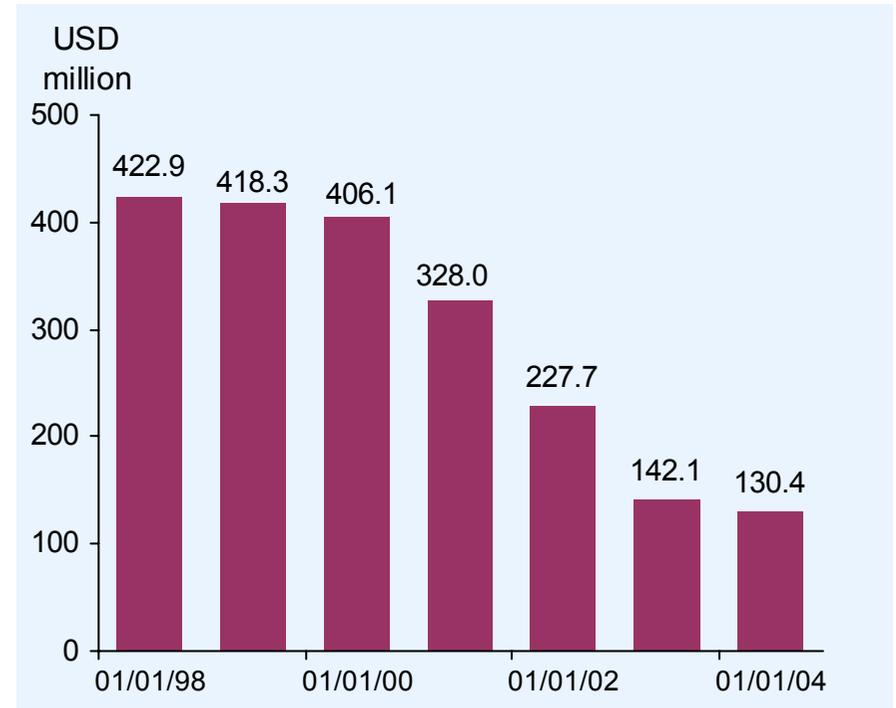
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Debt restructuring and repayment

- ✓ In 2003 Rostelecom continued to reduce its corporate debt
- ✓ Rostelecom's non-consolidated debt was reduced by 8% to USD 130.4 million as of December 31, 2003
- ✓ The Company restructured its overdue Yen-denominated debt totaling an equivalent of approximately USD 100 million to the Ministry of Finance. The restructuring resulted in a write-off of penalties and fines, which was reported as a RUR 752 million profit in the Company's financial statements

Non-consolidated debt*



* According to Russian Accounting Standards

In November 2003, Standard & Poor's raised its long-term corporate credit rating on Rostelecom from "B-" to "B" with a positive outlook

Business portfolio optimization

✓ **The Company sold its 27.06% stake in RTC-Leasing**

- The amount of the transaction totaled RUR 790 million. The stake was sold to Raiffeisenbank Austria, acting as a broker
- RTC-Leasing met in full its third-party obligations secured by Rostelecom's guarantees and pledges
- Ownership rights on assets reported on Rostelecom's balance sheet but previously owned by RTC-Leasing were transferred to Rostelecom
- The RTC-Leasing transaction enabled Rostelecom to reduce its debt and credit risk as well as sell a non-core asset on favorable terms

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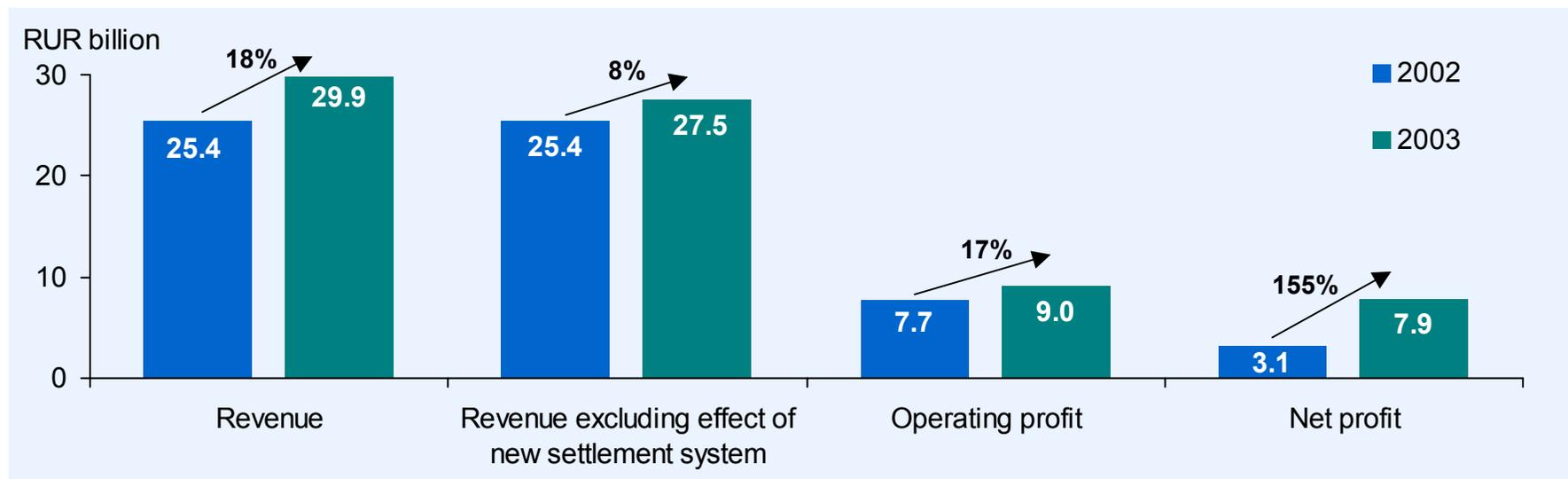
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Improvements in Financial Performance

- ✓ 2003 full year revenue increased by 17.8% and totaled RUR 29,928 million. Excluding the effect of the introduction of the new settlement system, revenue grew by 8.2% to RUR 27,484 million
- ✓ Operating profit increased by 17% and amounted to RUR 9,029 million
- ✓ Net profit totaled RUR 7,899 million, an increase of 155.2% year-on-year

Key financial highlights*



* According to Russian Accounting Standards

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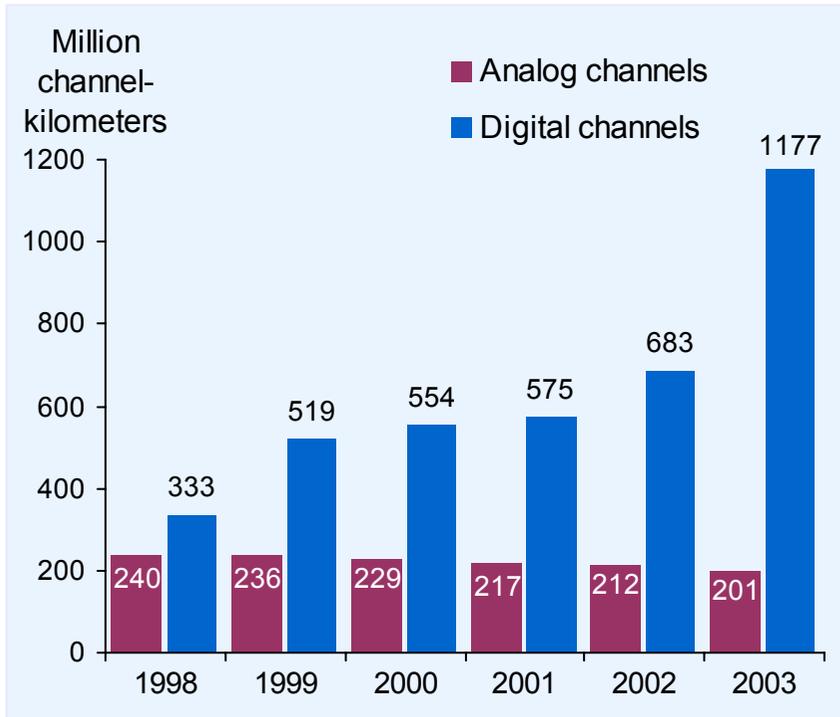
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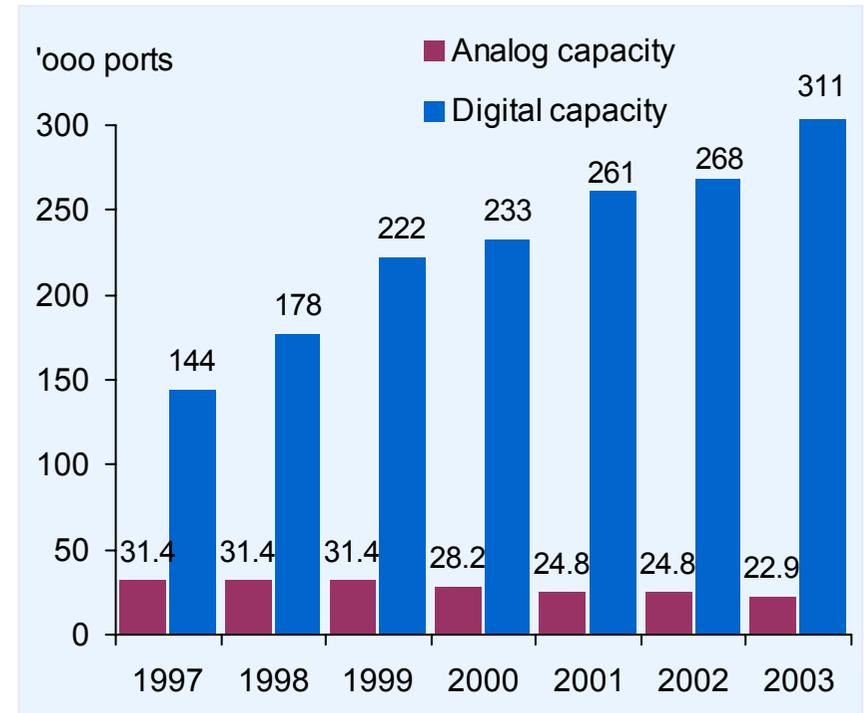
Rostelecom trunk network development

Primary network development



- ✓ Level of network digitalization in channel-kilometers – 85%

Switching capacity development



- ✓ Level of switching capacity digitalization – 100%

Commercial needs determine capital expenditure priorities

Construction of new fiber-optic lines

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

Capacity expansion

- DWDM technology
- Increased backbone network transmission and switching capacity

Network modernization

- Multi-service network construction

Rostelecom capital expenditures amounted to USD 100 million in 2003. Investments are projected to increase to USD 170 million in 2004

2003 Key Investment Projects

- ✓ Modernization and expansion of throughput capacity of the fiber-optic lines from Moscow to Samara and from Samara to Novosibirsk using DWDM equipment
- ✓ Construction of international fiber-optic line from Russia to Azerbaijan
- ✓ Modernization and expansion of secondary network
- ✓ Development of flexible multiplexers network

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Improving Corporate Governance Standards

- ✓ **In April 2004 Rostelecom's Board of Directors adopted**
 - The Code of Corporate Governance
 - The Code of Ethics
- ✓ **The Code of Corporate Governance key statements :**
 - Compliance with the rights and interests of shareholders as laid down under all applicable laws, rules and regulations
 - Compliance with high standards of corporate governance in line with the best principles of corporate governance accepted both in Russia and internationally
 - Fostering the creation of durable shareholder value

In January 2004 Rostelecom was awarded a corporate governance score of 6.4 by Standard & Poor's - the second highest corporate governance score among Russian companies and the highest assigned by S&P to any company within the Svyazinvest group

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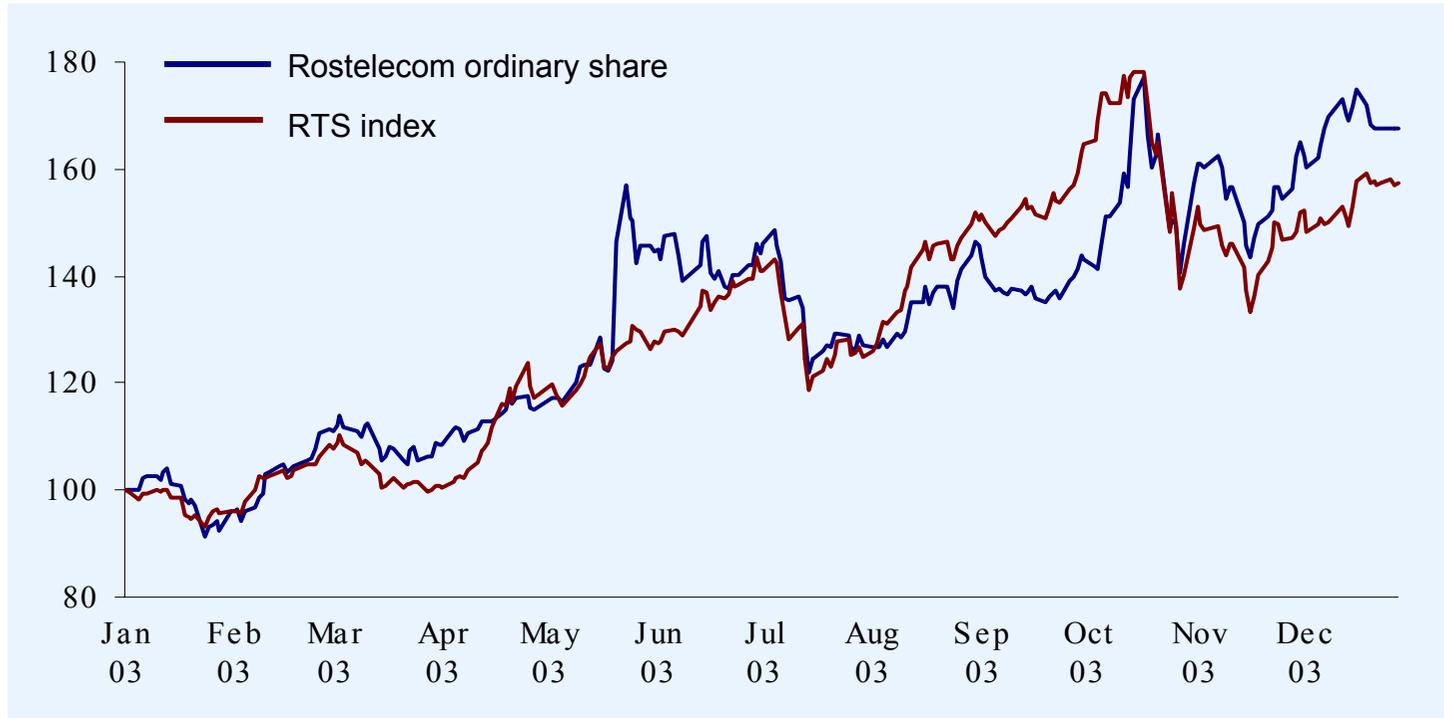
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- ✓ **Increasing market capitalization**
- ✓ Social program implementation

III. Tasks for 2004

Growth in market capitalization

Ordinary share price performance relative to RTS index



During 2003 Rostelecom's market capitalization grew by more than 70% to USD 1.9 billion

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- ✓ **Social program implementation**

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Social Program Implementation

Rostelecom signed General Labor Agreement for the years 2003-2005

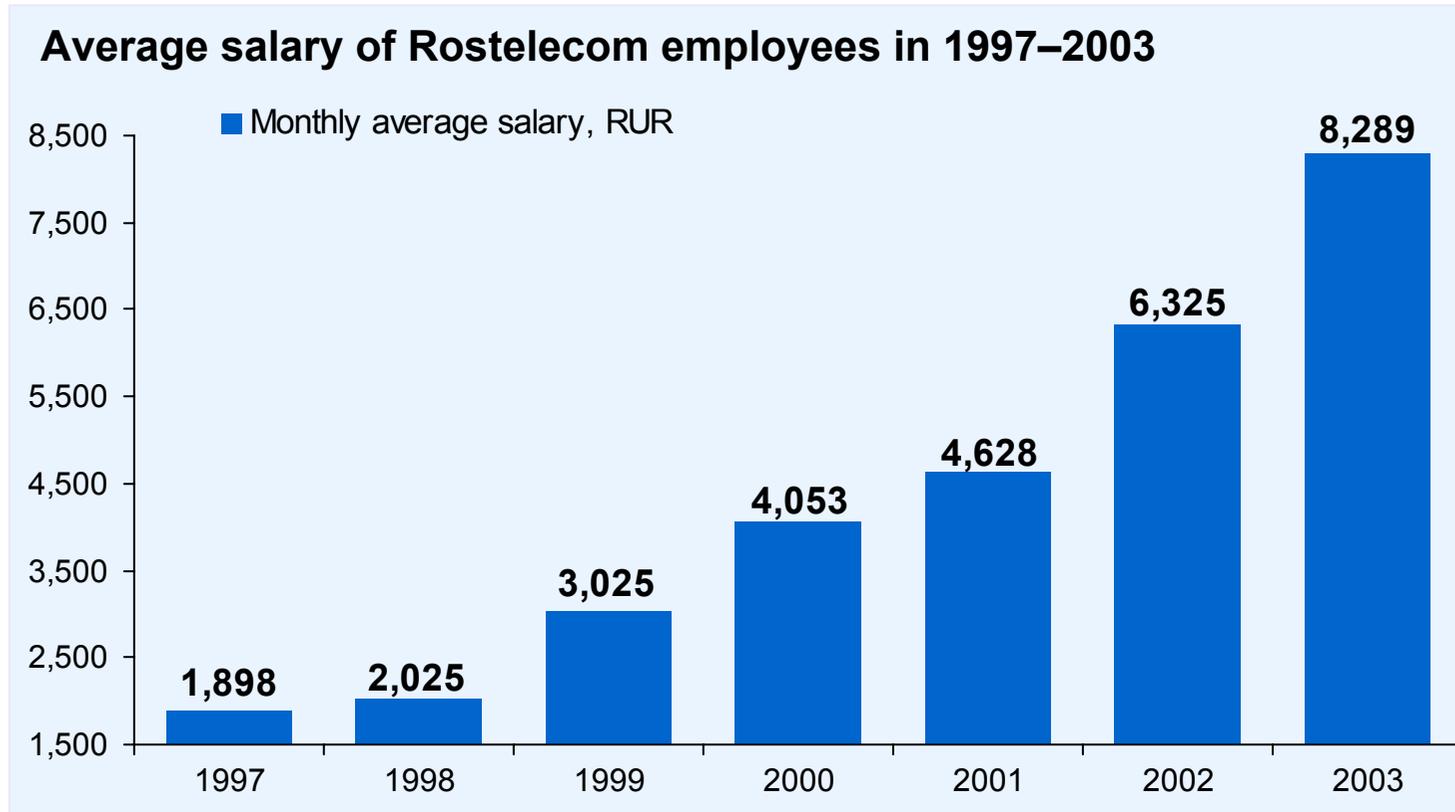
In February 2003 Rostelecom signed the General Labor Agreement with its staff. This enabled the Company to:

- ✓ grant legally equal rights and guarantees to all Rostelecom's employees
- ✓ unify the system of fringe benefits and welfare payments provided to the Company's staff
- ✓ tighten control and optimize expenditures to social needs

Intensification of cooperation with state off-budget funds

- ✓ In 2003 the Company managed to obtain direct assignments to social needs from state off-budget funds

Social Program Implementation



- ✓ In 2003 average salary (including payments due to regional regulation of salaries) increased by 31%. Growth in salary was mainly due to headcount reduction

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2004 – Moving Ahead

Strengthening competitive position and improving revenue dynamics

- ✓ Revenue growth of 11%
- ✓ Over 10% DLD and outgoing ILD traffic growth, over 20% incoming ILD traffic growth
- ✓ Further strengthen Rostelecom's position in the Moscow market and increase market share of the incoming ILD traffic
- ✓ Enter Europe-Asia transit market

Further operational efficiency enhancements

- ✓ Further headcount reduction
- ✓ Phase out analogue lines and other underperforming assets

Active participation in sector reform

- ✓ Active work with regulatory authorities to eliminate cross-subsidies in the sector
- ✓ Further settlement system reform

Thank you!