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Investor meetings, July 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.

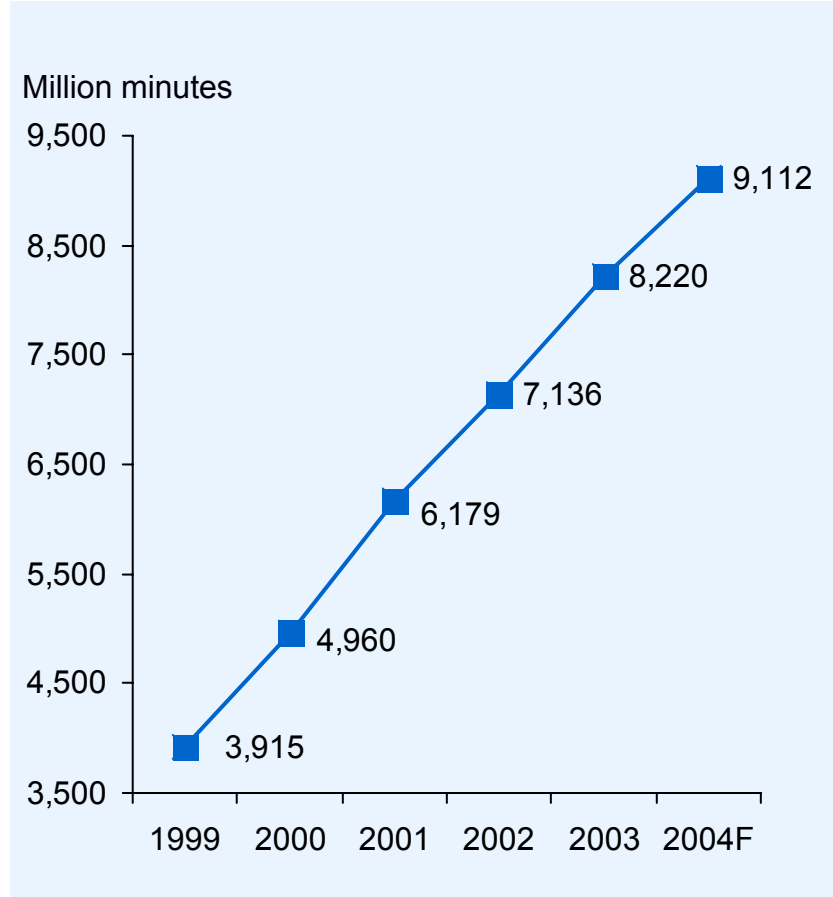
The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as maybe required under applicable the U.S. federal securities laws.

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

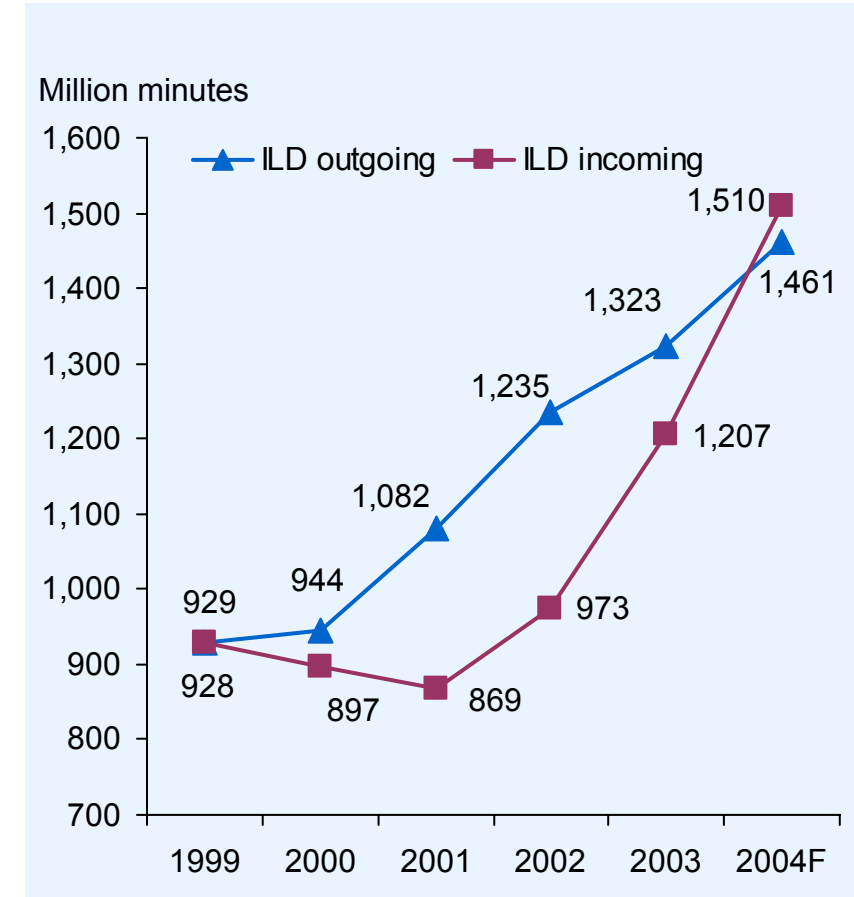
Russian Market Continues Strong Traffic Growth

Domestic long-distance (DLD) traffic dynamics



✓ DLD traffic growth of 10% p.a.

International long-distance (ILD) traffic dynamics

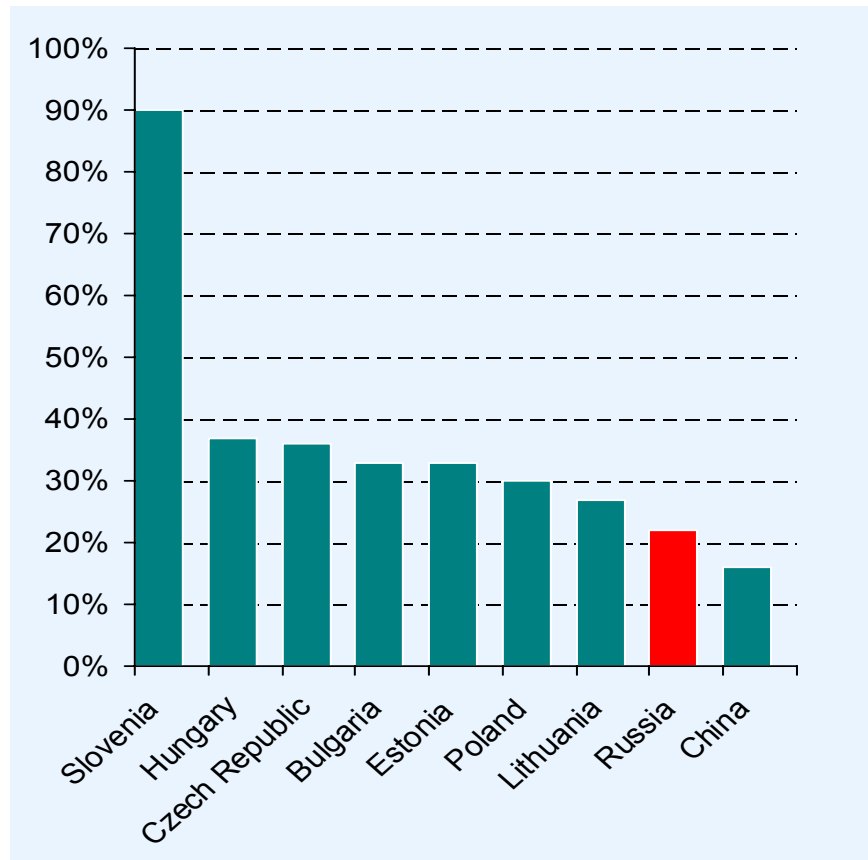


✓ Incoming ILD traffic growth at 20%,
outgoing ILD – at 10%

Low Penetration Rates Underpin Growth Potential

Russia added an estimated 1.5m new lines in 2003

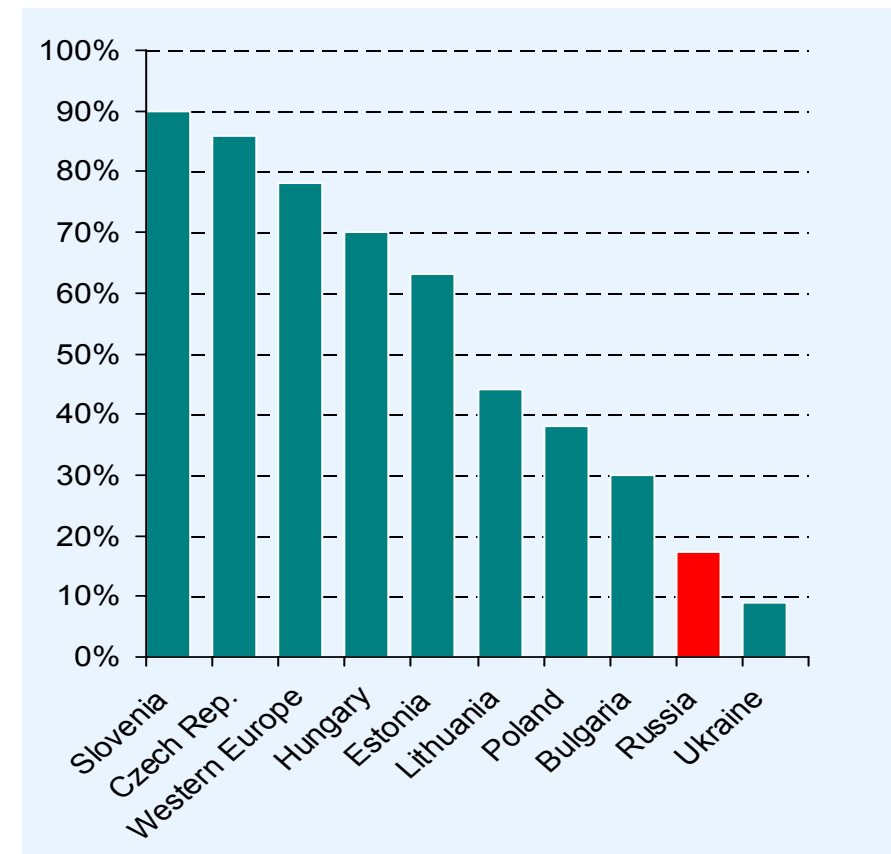
International fixed-line penetration rates



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

Rostelecom's Network Has Unique Scale in Russia

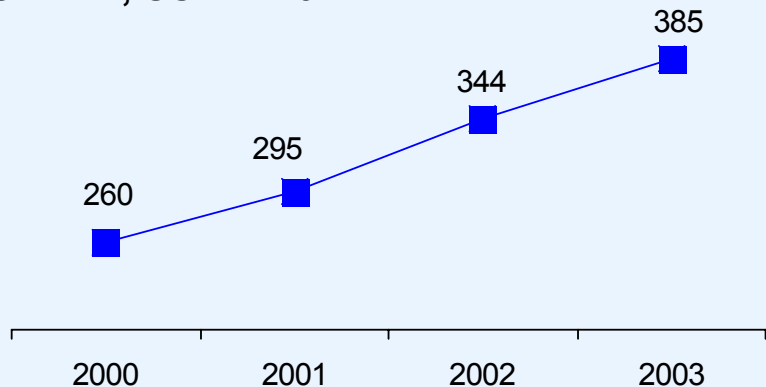
- ✓ Almost 200,000 km of trunk lines
- ✓ Transmission capacity digitalization level – 85%

- ✓ 12 international switching centers
- ✓ Eight powerful automatic switching nodes
- ✓ 100% of switching capacity is digital

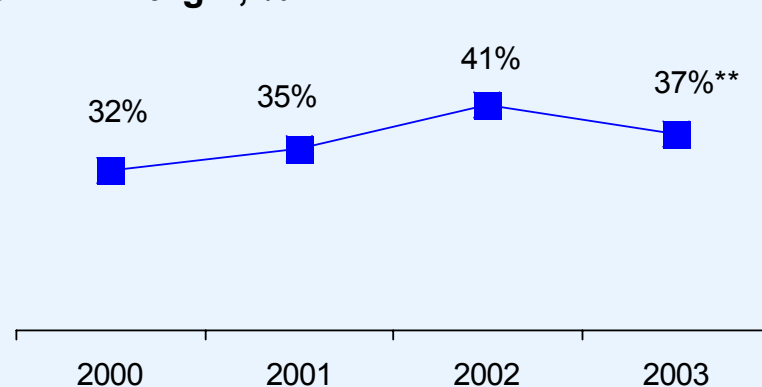
- ✓ Direct international connections with more than 100 operators in 72 countries
- ✓ Participation in 30 international cable systems
- ✓ Relationships with around 400 international operators and companies

Corporate Restructuring Built Strong Foundation

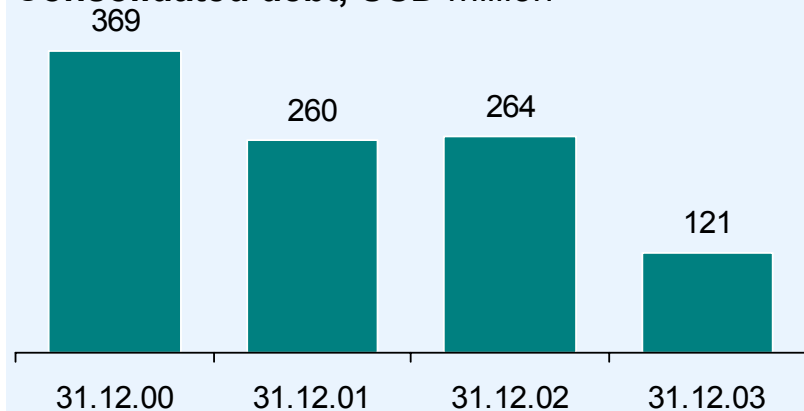
OIBDA*, USD million



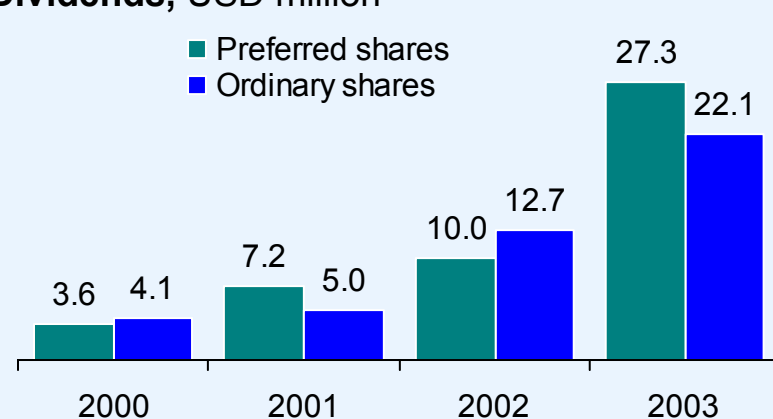
OIBDA margin, %



Consolidated debt, USD million



Dividends, USD million



* OIBDA is a non-U.S. GAAP financial measure, which the Company defines as operating income before depreciation, amortization and loss on disposal of PP&E.

** Decline in OIBDA margin is explained by the new settlement system

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
- Disposal of 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

- **Over 10% DLD and outgoing ILD traffic growth**
- **Revenue growth of 11%**

Moscow Position

- **Positive revenue dynamics**
- **Gain market share**

Incoming ILD Market

- **Over 20% traffic growth and revenue stabilization**
- **Further growth in market share**

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

Opportunities

- ✓ Europe-Asia traffic is expected to continue its 20 to 30% annual growth trend, tripling by 2010
- ✓ 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

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

2003 operating and financial highlights

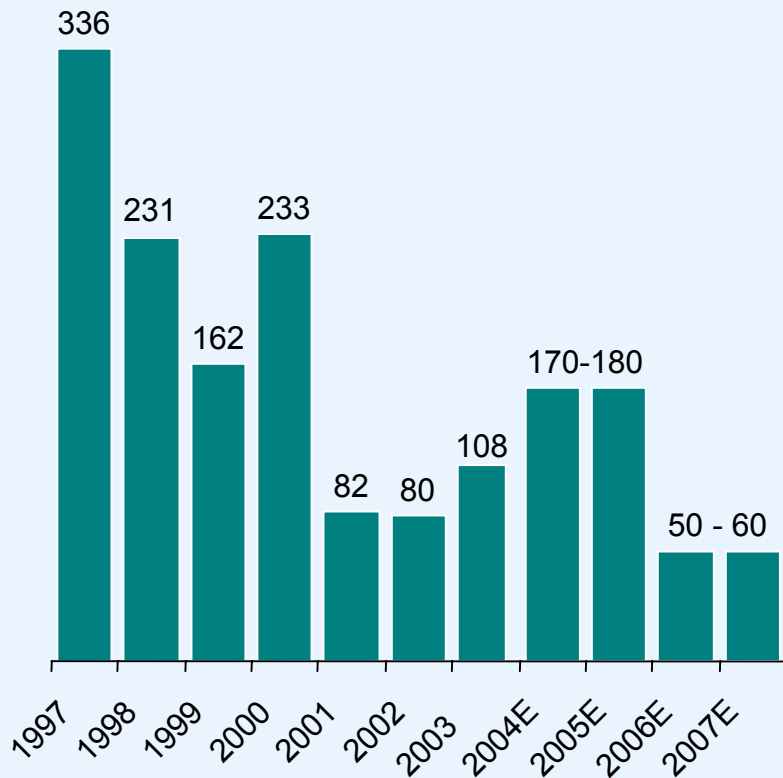
	2003	2002	% change y-o-y
min mn			
DLD	8,220	7,136	15.2%
Outgoing ILD	1,323	1,235	7.2%
Incoming ILD	1,207	973	24.1%
USD mn			
Revenue	1,039	837	24.1%
<i>Revenue, excluding effect of new settlement system</i>	942	837	12.6%
OIBDA*	385	344	11.9%
<i>OIBDA Margin, %</i>	37%	41%	
Operating income	109	80	36.8%
<i>Operating Margin, %</i>	10.5%	9.5%	
Net loss from discontinued operations, net of tax**	(101)	(68)	49.9%
Net profit	41	37	9.2%
<i>Net Margin, %</i>	3.9%	4.4%	

* OIBDA is a non-U.S. GAAP financial measure, which the Company defines as operating income before depreciation, amortization and loss on disposal of PP&E.

** According to IFRS No. 5, adopted by the Company in 2003, the results of discontinued operations are to be reported separately in the profit and loss statements, including respective amounts for prior periods presented. Therefore results of RTC-Leasing and its subsidiaries, which represent leasing, and banking & investing segments are shown separately as "Net loss from discontinued operations, net of tax"

Capital Expenditure Dynamics and Priorities

USD million



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

Contact information

Investor & Public Relations

Anton Klimenko

Director

Tel. + 7 095 973 9920

Fax + 7 095 787 2850

E-mail: AKlimenko@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