

ROS  
LISTED  
NYSE

*Investor meetings, February 2005*

---

# 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.*

# Rostelecom - Company Profile

---

- Russia's national long-distance telecommunications operator
  - ✓ 79% DLD market share
  - ✓ 65% outgoing ILD market share
  - ✓ 60% incoming ILD market share
- Nationwide digital trunk network – over 200,000 km in length
- Solid financial performance
  - ✓ revenue: USD 1039 mln in 2003 (+24%)
  - ✓ low capex/sales ratio, strong cash flow, solid balance sheet
- 38% of total shares owned by the state-controlled holding company Svyazinvest
- NYSE listing since 1998

# Rostelecom - Investor Profile

---

- **Listings:**

NYSE, LSE, RTS, MICEX

- **Free float:**

62% (49% ORD and 100% PREF)

- **Market capitalization:**

USD 1.95 bn

- **Recent stock price (21/02/2005):**

ORD: USD 2.15 (52 WK HI/LO: USD 2.64 / 1.68)

PREF: USD 1.60 (52 WK HI/LO: USD 1.81 / 1.27)

- **2003 Dividend yield:**

1.6% (ORD) / 7.1% (PREF)

- **Dividend policy**

PREF: 10% of the full financial year RAS profit

ORD: recommended by the Board of Directors

- ✓ **“B+” credit rating from S&P, outlook stable**
- ✓ **Corporate Governance Code and Code of Ethics in place**
- ✓ **IFRS reporting**
- ✓ **Rated #1 among Russian companies for transparency and disclosing by S&P in 2004**

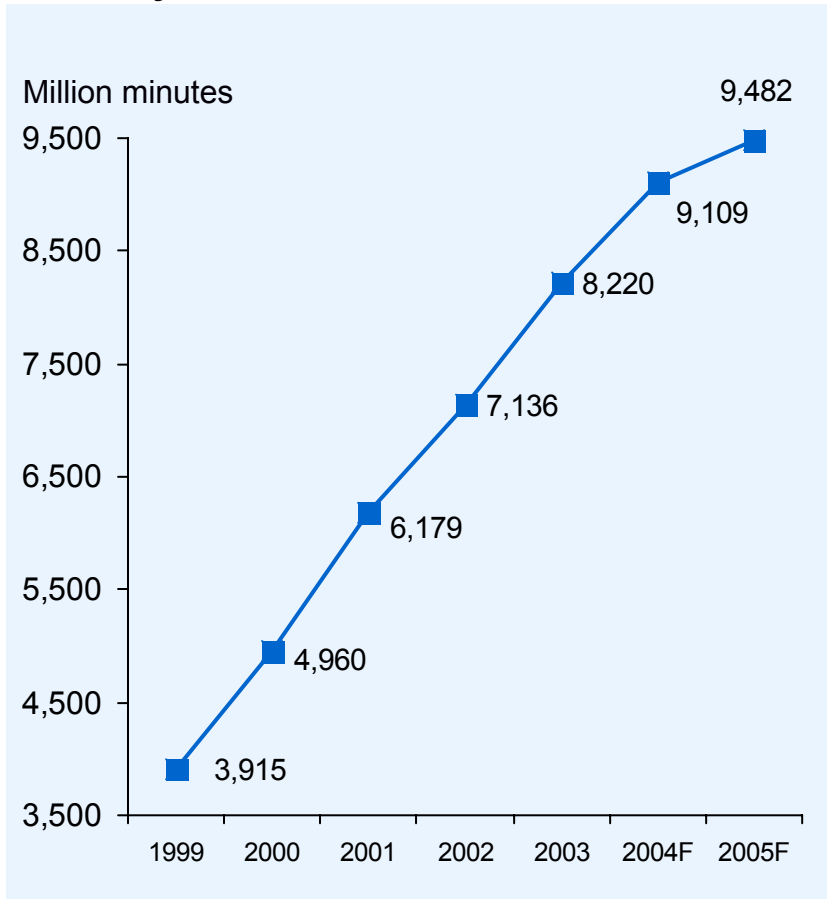
# Presentation Highlights

---

- ✓ Russia's telecommunications market continues rapid traffic growth
- ✓ Rostelecom's top-line growth strategy is yielding results
- ✓ The Company is reaping the rewards of corporate restructuring and efficiency measures
- ✓ Corporate objectives to drive further performance improvements

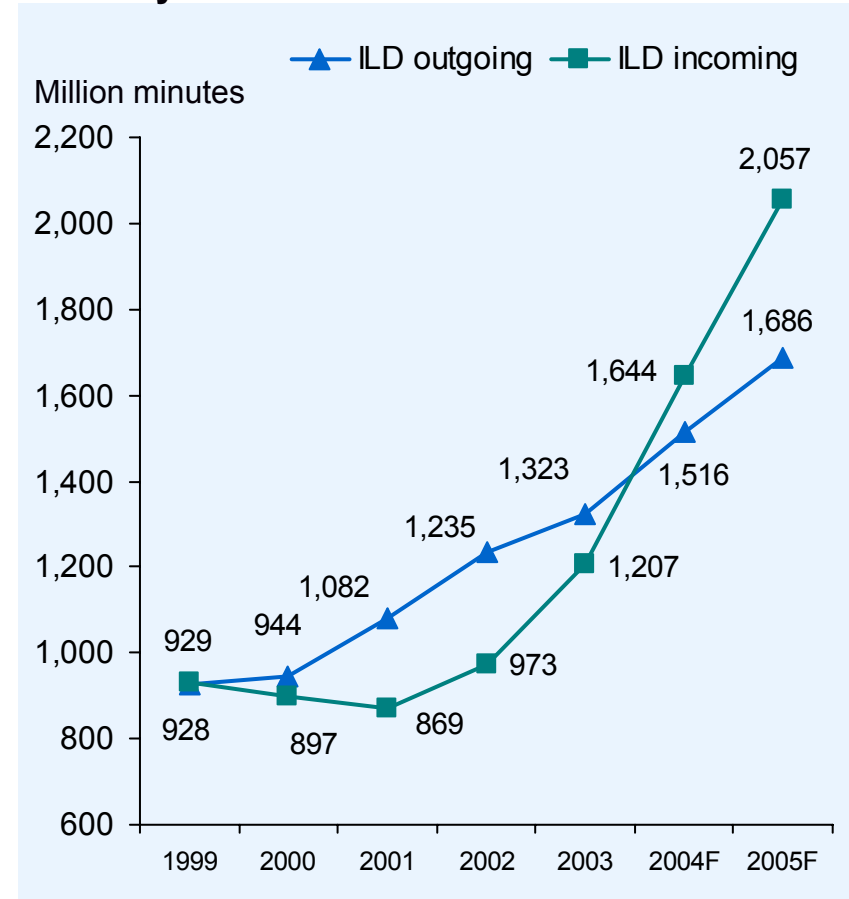
# Russian Market Continues Strong Traffic Growth

Rostelecom's domestic long-distance (DLD) traffic dynamics



✓ DLD traffic growth of 10% p.a.

Rostelecom's international long-distance (ILD) traffic dynamics

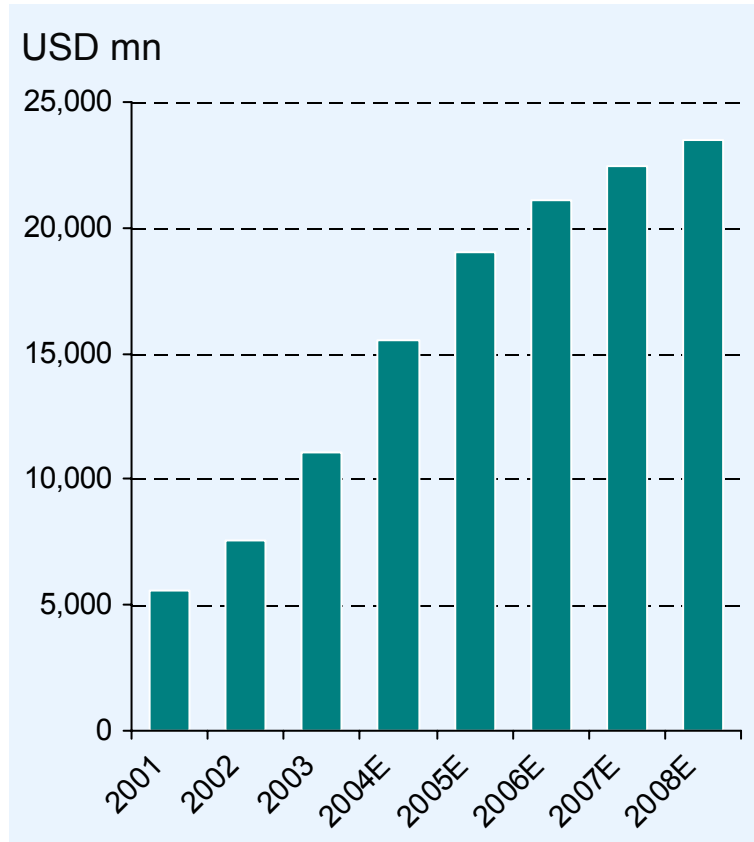


✓ Incoming ILD traffic growth at 20% p.a., outgoing ILD – at 10% p.a.

# Low Penetration Rates and Increasing Consumer Spending Generate High Growth Potential

Telecommunications industry in Russia is likely to grow at a **13% CAGR** in 2004-2008, generating USD 23.5 billion in revenues by the end of 2008

Russian total telecom sector revenues



Source: Renaissance Capital estimates

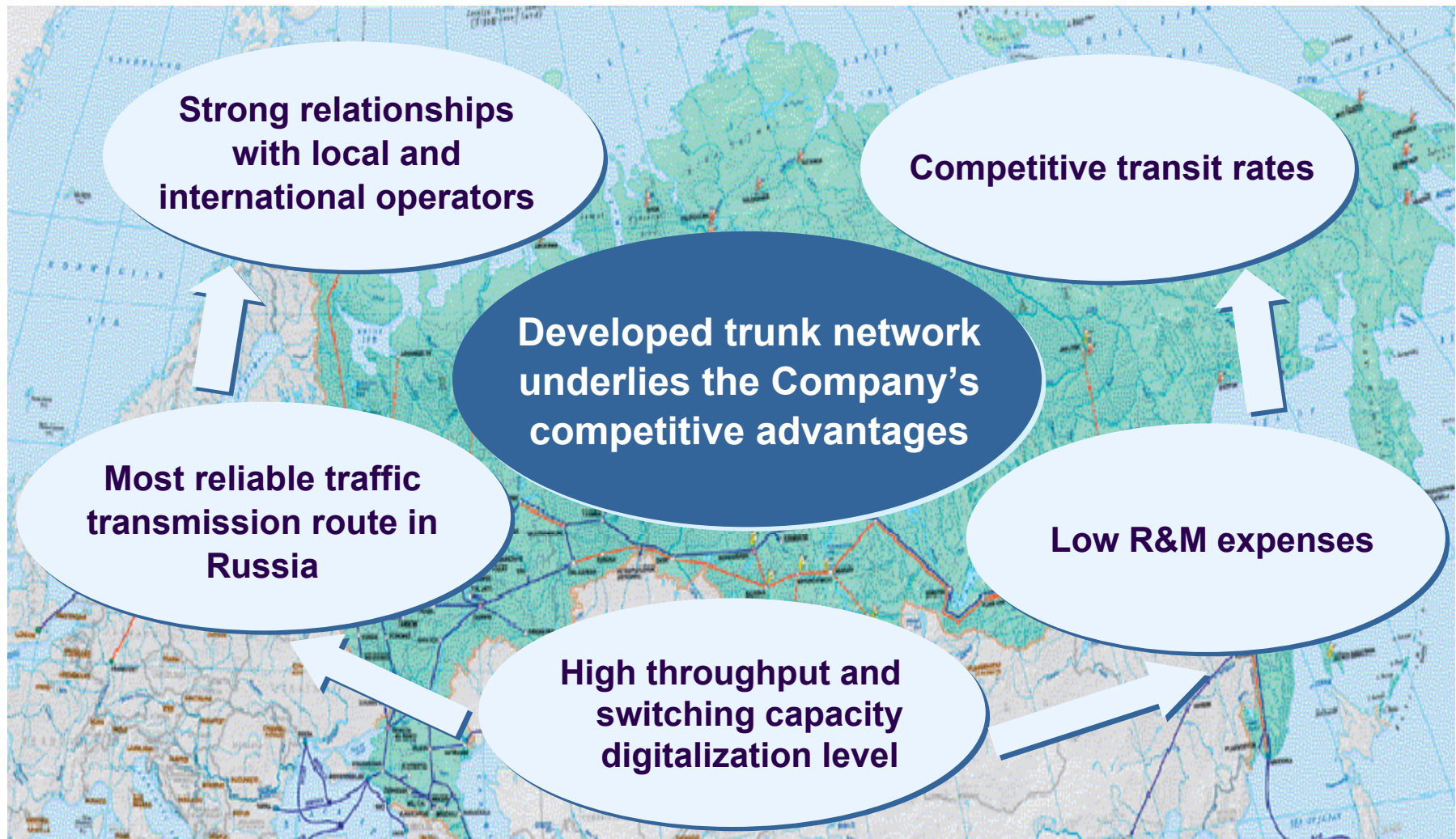
Russian telecom sector key indices forecast\*

	2003	2008E
Disposable income, USD	1,792	4,230
Telecom revenues as % of disposable income	4.3%	5.0%
Consumer spending, USD	1.686	3.714
Telecom revenues as % of consumer spending	4.5%	7.0%
Telecom revenue per capita, USD	76	212
Fixed-line incumbent revenue, USD bn	2.4	3.5
ARPU of fixed-line incumbents services, USD	6	8
Fixed line penetration	23%	28%
Mobile penetration	25%	71%

\* Conservative case

Source: Renaissance Capital estimates

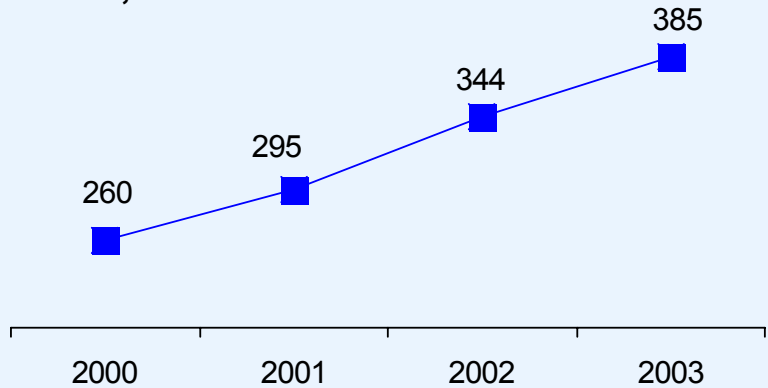
# Nationwide Network Underpins Rostelecom's Competitive Market Position



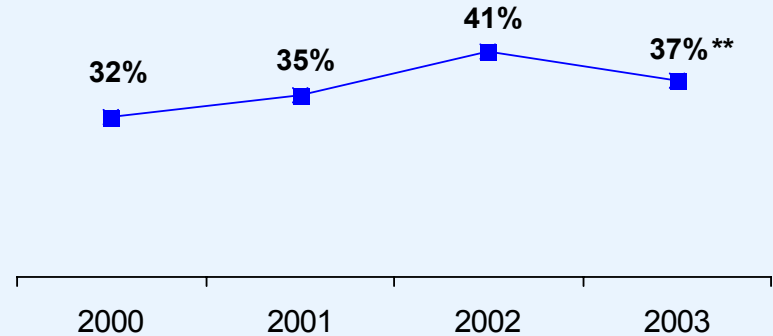


# Corporate Restructuring Has Made Rostelecom Financially Strong and Efficient

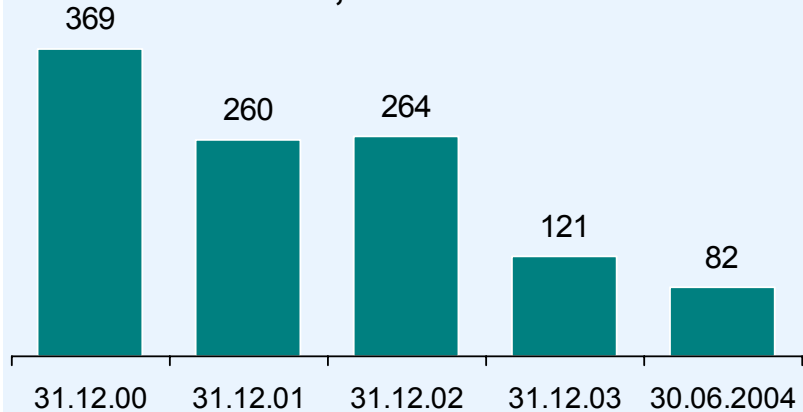
OIBDA\*, USD million



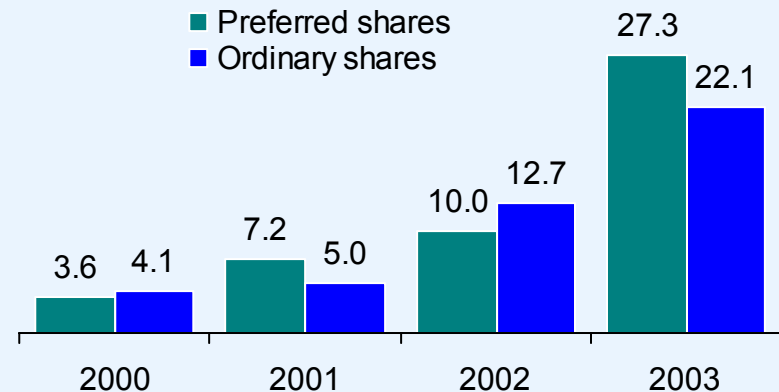
OIBDA margin, %



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

## Strengthening competitive position

- ✓ 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

## Further operational efficiency enhancement

- ✓ Further headcount reduction
- ✓ Disposal of underperforming assets
- ✓ Further improvement of business portfolio and debt structure

## Active participation in sector reform

- ✓ Elimination of cross-subsidy system

**Management's key goal – prepare Rostelecom for market liberalization by strengthening the Company's productivity and competitive drive**

# Clear Business Objectives in Each Market

## Leadership in Regions

- ✓ Over 10% DLD and outgoing ILD traffic growth
- ✓ Revenue growth of at least 15%

## Moscow end-users market

- ✓ Positive revenue dynamics
- ✓ Strengthening competitive position

## Incoming ILD Market

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

## New markets

- ✓ Entering Europe-Asia transit market
- ✓ Further VAS revenue growth

# Entry into Europe–Asia Transit Market Will Strengthen Competitive Potential in the Medium Term

---

## 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

# Capital Expenditure Programs to Enhance Rostelecom's Competitive Advantages



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

# 2003 operating and financial highlights

	2003	2002	% change y-o-y
<b>min mn</b>			
DLD	8,220	7,136	15.2%
Outgoing ILD	1,323	1,235	7.2%
Incoming ILD	1,207	973	24.1%
<b>USD mn</b>			
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"

# H1 2004 operating and financial highlights

	H1 2004	H1 2003	% change y-o-y
<b><i>min mn</i></b>			
DLD	4,420	3,996	10.6%
Outgoing ILD	733	630	16.5%
Incoming ILD	741	552	34.4%
<b><i>RUR mn</i></b>			
Revenue	17,958	13,462	33.4%
<i>Revenue, excluding effect of new settlement system</i>	15,096	13,462	12.1%
OIBDA	6,547	5,647	15.9%
<i>OIBDA margin, %</i>	36.5%	41.9%	
<i>OIBDA margin excluding effect of new settlement system, %</i>	43.4%	41.9%	
Operating income	2,825	1,072	163.5%
<i>Operating margin, %</i>	15.7%	8.0%	
Net loss from discontinued operations, net of tax	-	(593)	
Net profit	2,415	792	204.9%
<i>Net margin, %</i>	13.4%	5.9%	

# Contact information

---

## Investor & Public Relations

Anton Klimenko

Director

Tel. + 7 095 973 9920

Fax + 7 095 787 2850

E-mail: [AKlimenko@hq.rt.ru](mailto: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](mailto:mokhoreva@hq.rt.ru)

## Company Headquarters

14, 1<sup>st</sup> Tverskaya-Yamskaya Street

Moscow, 125047 Russia

Tel. + 7 095 972 8283

Fax + 7 095 787 2850

E-mail: [rostelecom@hq.rt.ru](mailto:rostelecom@hq.rt.ru)

[WWW.RT.RU/EN/](http://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](mailto:adr@jpmorgan.com)

[WWW.ADR.COM](http://WWW.ADR.COM)