

Investor Meetings, August 2009

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Rostelecom Investor Presentation

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 **ROSTELECOM**

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.

Those forward-looking statements include, but are not limited to:

- Management's assessment of the Company's future operating and financial results as well as forecasts of the present value of future cash flows and related factors;*
- the Company's anticipated capital expenditures and plans to construct and modernize its network;*
- the Company's expectations as to the growth in demand for its services, plans relating to the expansion of the range of its services and their pricing;*
- the Company's plans with respect to improving its corporate governance practices;*
- the Company's expectations as to its position in the telecommunications market and the development of the market segments within which the Company operates;*
- economic outlook and industry trends;*
- the Company's expectations as to the regulation of the Russian telecommunications industry and assessment of impact of regulatory initiatives on the Company's activity;*
- other statements regarding matters that are not historical facts.*

Such 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, uncertainties and other factors include:

- risks relating to changes in political, economic and social conditions in Russia as well as changes in global economic conditions;*
- risks relating to Russian legislation, regulation and taxation, including laws, regulations, decrees and decisions governing the Russian telecommunications industry, securities industry as well as currency and exchange controls relating to Russian entities and their official interpretation by regulatory bodies;*
- risks relating to the Company, including the achievement of the anticipated results, levels of profitability and growth, ability to create and meet demand for the Company's services including their promotions, and the ability of the Company to remain competitive in a liberalized telecommunications market;*
- technological risks associated with the functioning and development of the telecommunications infrastructure, technological innovations as well as the convergence of technologies;*
- other risks and uncertainties. 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, readers are cautioned 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 (which are made as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under applicable laws.

Key Facts

Revenue Breakdown



Rostelecom owns and operates nationwide digital trunk network



Rostelecom primarily provides fixed-line DLD and ILD services to end-customers throughout Russia, diversifying business by expanding into new services



Rostelecom is a major provider of telecommunications services for state organizations and governmental agencies, television and radio broadcasters



51% of voting shares owned by the state controlled holding company Svyazinvest

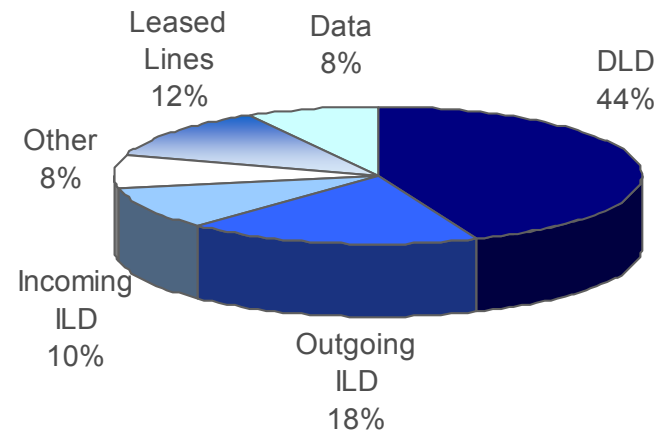


Shares traded on NYSE, LSE, FWB, RTS, MICEX



Market capitalization: USD 4.12 billion

Revenue breakdown by service*



* In accordance with FY 2008 IFRS results

Technologically Advanced Nationwide Network Underpins Rostelecom's Competitive Market Position

Developed backbone network underlies the Company's competitive advantages

Most extensive and sophisticated network infrastructure among Russian operators

- ✓ about 150,000 km in length
 - ✓ points of presence across entire Russian Federation
 - ✓ points of presence in London, Stockholm, Frankfurt, Helsinki, New York, Tokyo and Hong Kong
 - ✓ 99% digitalized in channel-kilometers
 - ✓ 100% digitalized in switching capacity
- ✓ Rostelecom has established direct international connections with more than 150 operators in 68 countries, participates in 25 cable systems and cooperates with approximately 600 fixed-line and mobile operators inside and outside of Russia

Most reliable traffic transmission route in Russia

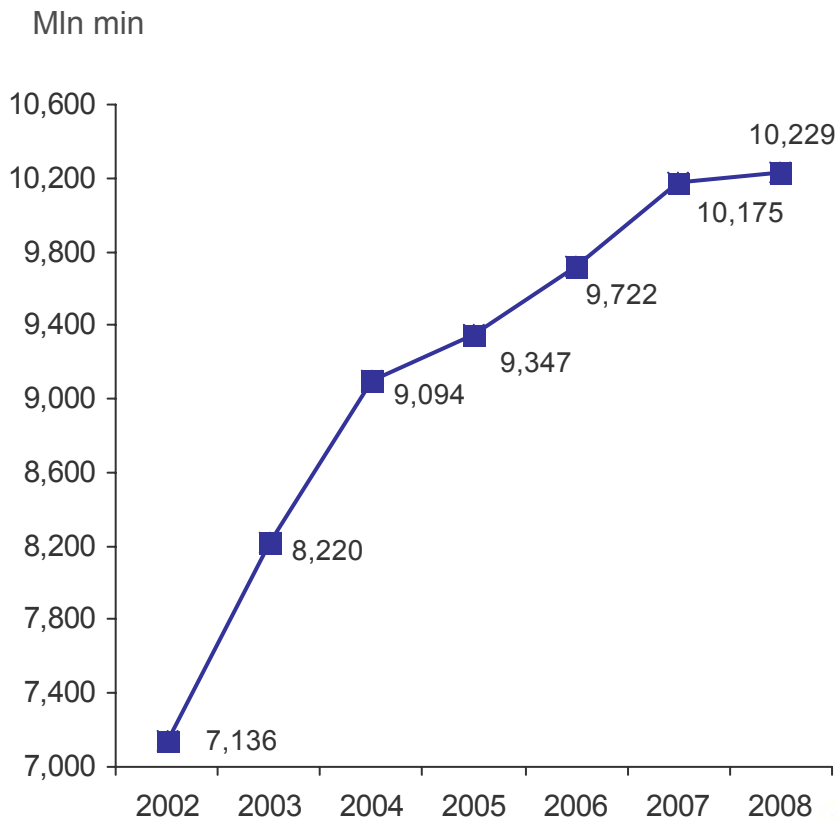
Low Repair & Maintenance expenses

High service recognition from operators and end-customers

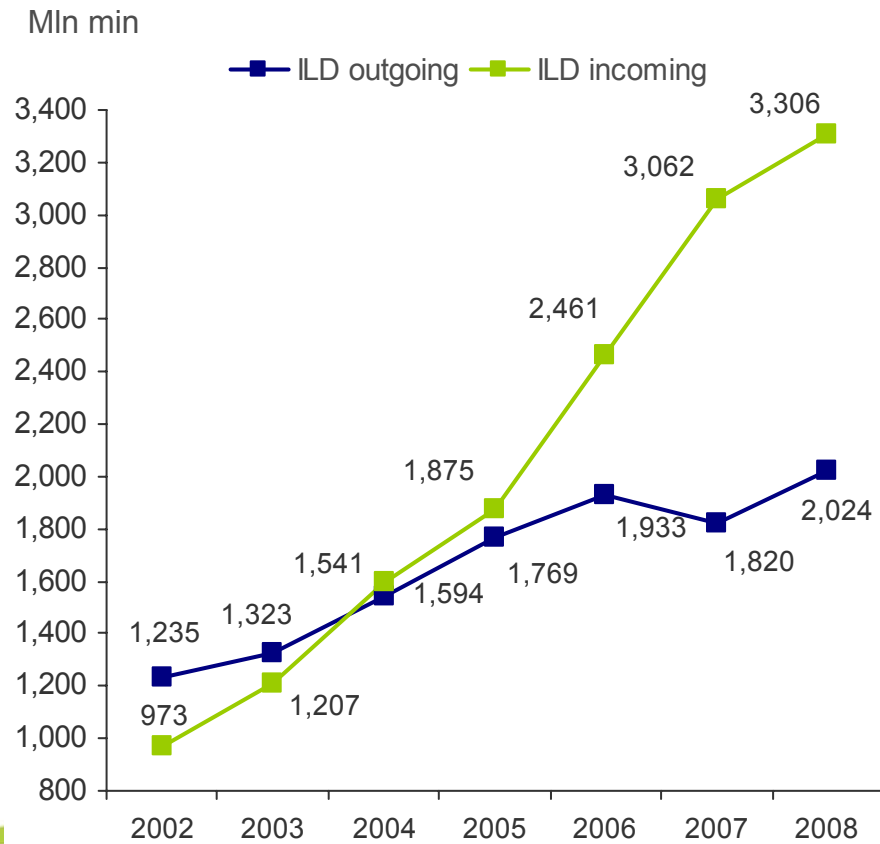
Competitive transit rates

Rostelecom has built the most advantageous technological position for providing a growing range of telecommunications services in the competitive environment

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



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



Offering State-of-the-art Services for Every Customer Segment

	Voice services	Data transmission	Intelligent network services (INS)
Residential customers	<ul style="list-style-type: none"> DLD and ILD services 	<ul style="list-style-type: none"> Internet access (from Zebra Telecom - Rostelecom's subsidiary) 	<ul style="list-style-type: none"> Home country direct (HCD) Inbound Premium rate Freephone – under the Tet-a-tel brand (from Zebra Telecom - Rostelecom's subsidiary)
Corporate customers	<ul style="list-style-type: none"> DLD and ILD services Videoconferencing Audioconferencing Local telephone services Additional premium services for local telephony (Voice&IP Centrex, etc.) 	<ul style="list-style-type: none"> Leased lines Internet access IP VPN Data Center services 	<ul style="list-style-type: none"> Freephone, International Freephone (IFS) Premium rate Televoting
Operators	<ul style="list-style-type: none"> Traffic transit and termination services, incl. mobile transit IP transit 	<ul style="list-style-type: none"> Leased lines (Domestic PLC, International PLC; Europe-Asia transit /TEA/) Internet traffic transit IP VPN 	<ul style="list-style-type: none"> Home country direct (HCD) Outbound International Freephone (IFS) Outbound

Through the continued diversification of the business in 2008, Rostelecom increased the share of data transmission and intelligent network services (INS) to 10% of the Company's consolidated revenue

Data transmission services

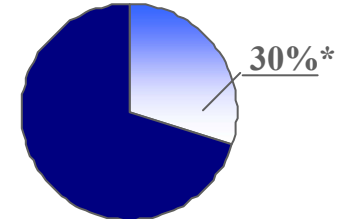
- Internet access
- IP VPN
- Data Center services
- VoIP

Intelligent network services

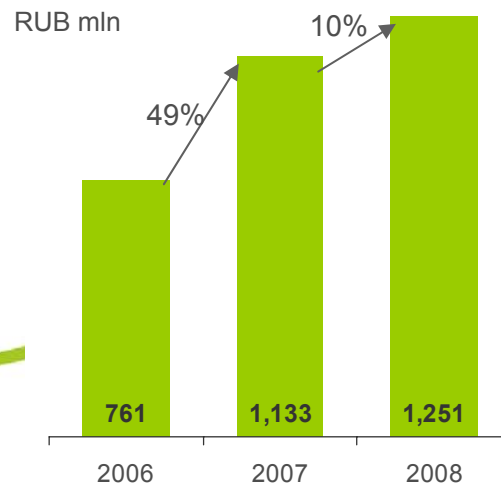
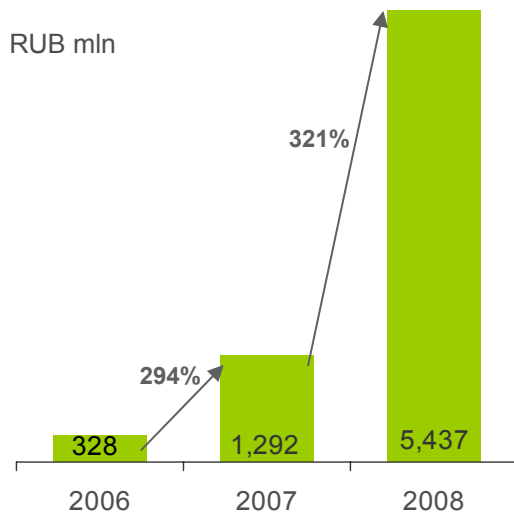
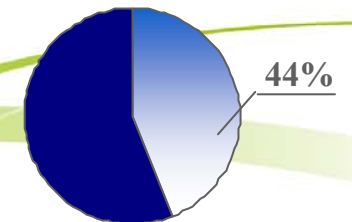
- Freephone
- International Freephone (IFS)
- Premium rate
- Televoting

Market share 2008

Wholesale Internet



INS



* Includes consolidation of RTComm.RU

Data Transmission Market: Seizing Significant Opportunities in a Fast Growing Market

Following the launch of wholesale Internet services in 2006, Rostelecom's market share reached 11% in 2007, 30% - in 2008* with a targeted 41% in 2013

Expansion of Rostelecom's IP/MPLS network

- ✓ 2005 – Began construction.
- ✓ 2007 – Rostelecom's IP/MPLS network – the most technologically advanced in Russia with high capacity and reliability:
 - cutting-edge technologies and equipment;
 - certified information security.
- ✓ 2008-2009 – further network upgrades in Russia and abroad:
 - over 100 regional nodes;
 - launch and expansion of data centers across Russia;
 - additional presence in key international traffic exchange points.

Further development of Internet and IP VPN services aimed at both operators and corporates

- ✓ Active development of services on the back of Rostelecom's IP/MPLS network – new growth opportunities to counteract any future decreases in market shares in traditional telecom segments.
- ✓ A wide range of services (Internet, IP VPN, Data Centers) aimed at both operators and corporates underpinned by continuing growth of the Russian data transmission market.
- ✓ Rostelecom's priorities:
 - development of bundled data transmission services for Russian businesses and operators;
 - launch of offerings aimed at international operators such as the Europe-Asia Internet traffic transit and IP-based services.

* Includes consolidation of RTComm.RU

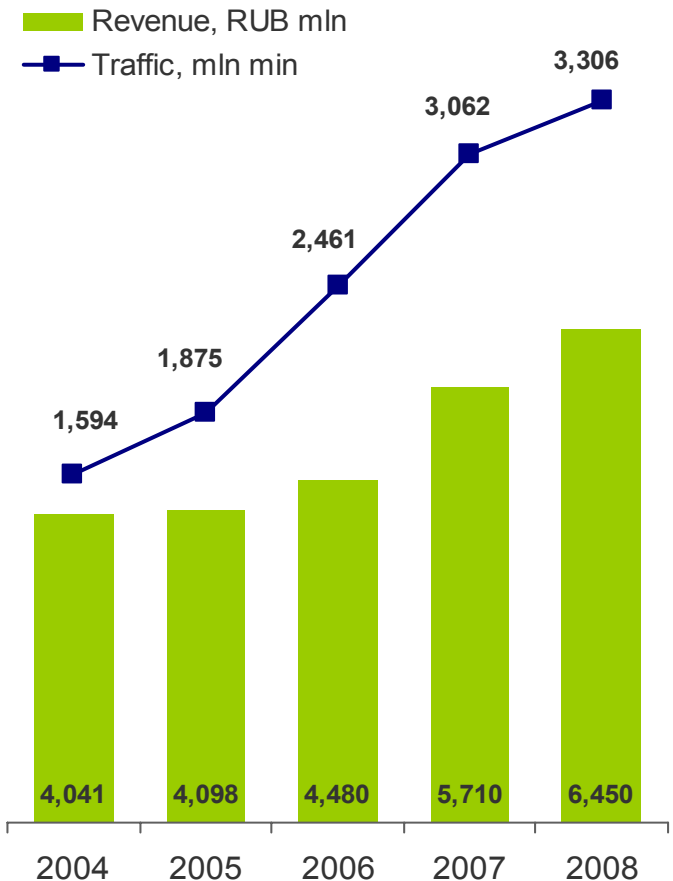
International Market: Stable Revenues on the Back of Sustained Traffic Growth

Solid relationships with international operators underpin Rostelecom's strong position in the international market

- ✓ Active cooperation with international operators
- ✓ Incoming ILD settlement rates optimization

✓ Continued growth in traffic volumes and positive revenue dynamics

Traffic and revenue from international operators



Key Strengths in the Leased Line Market: High Quality Service and Unique Network Advantages

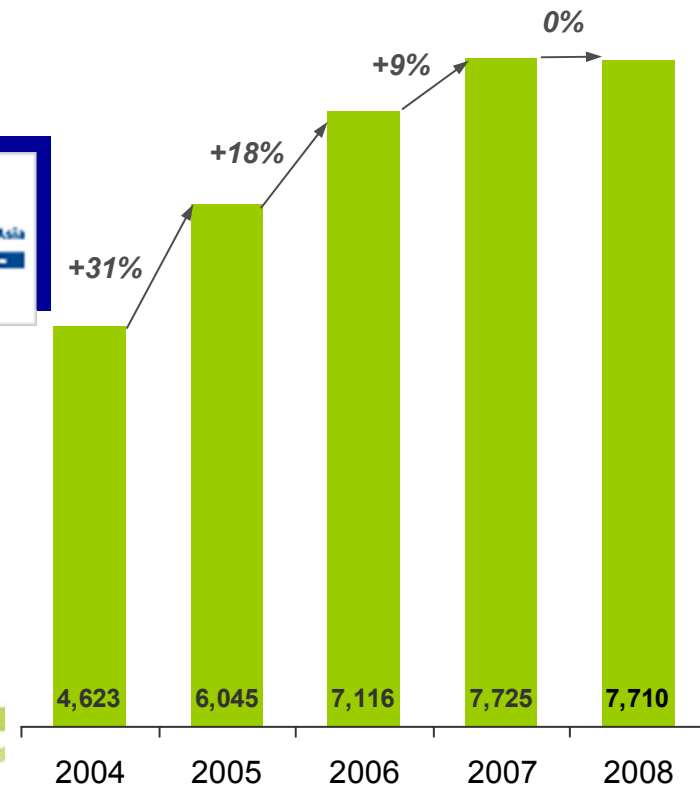
Rostelecom remains highly competitive in this segment on the back of continued optimization of the tariff policy. This coupled with the increase in channel capacity as well as the expanding geographic reach, throughput capacity and reliability of the Company's trunk network ensures Rostelecom stays ahead of its peers.

- ✓ Unique scale and capacity of Rostelecom's advanced nationwide network
- ✓ Ongoing demand for leased line services from operators and businesses across Russia – despite the fact that Russian operators are actively constructing their own networks, which has slowed the growth rate
- ✓ Domestic & International Private Leased Circuits (IPLC & DPLC) for rent: Includes Europe-Asia transit (TEA) services – offering international operators the shortest and most reliable route for traffic transmission between the two continents via Rostelecom's terrestrial network
- ✓ High quality of service and brand awareness



Revenue from leased line services

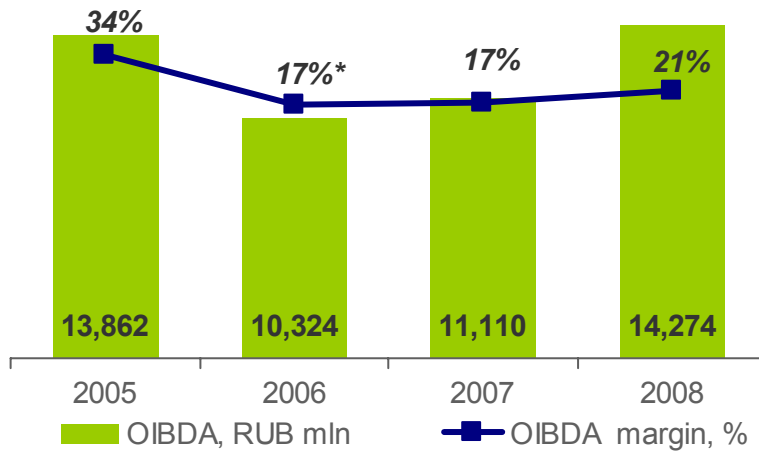
RUB mln



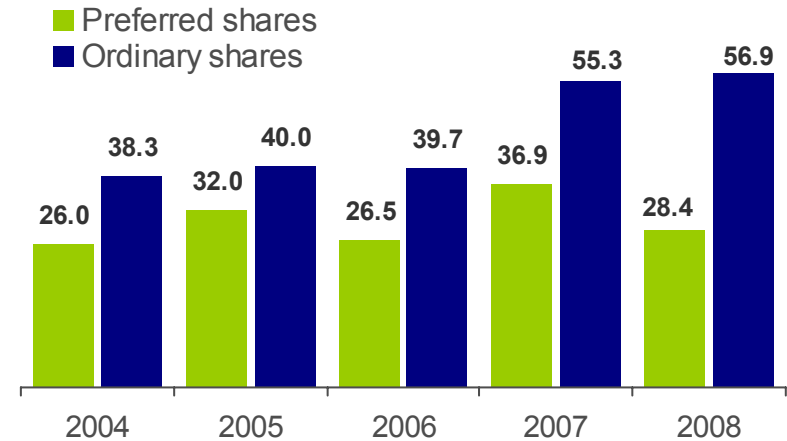
- ✓ Rostelecom enjoys sustained position in the leased line market with a market share of about 40%
- ✓ Revenues from leased line services to remain stable

Stable Dividend Payments despite Impact of the New Interaction System

OIBDA and OIBDA margin



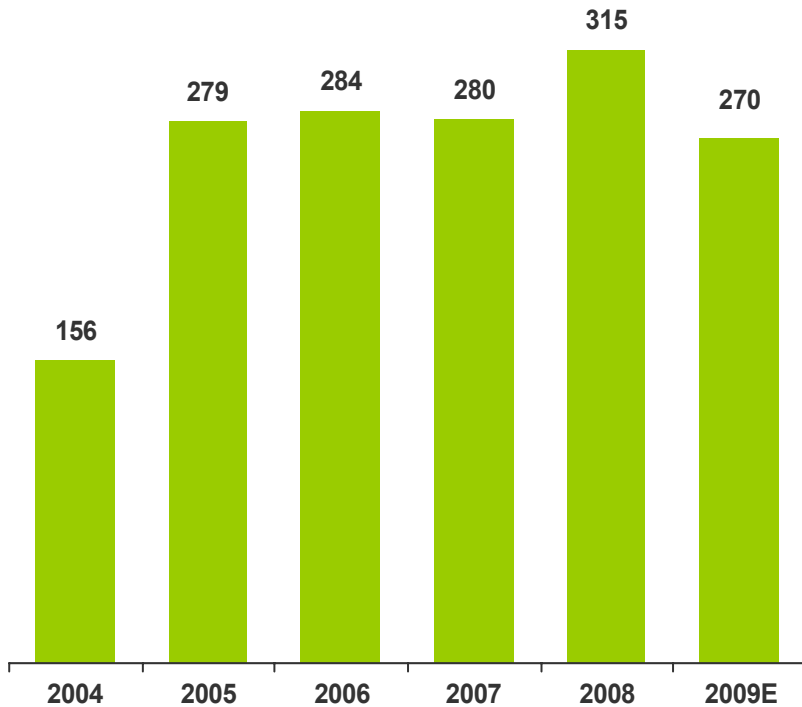
Dividends, USD million



**Decline in OIBDA margin is due to the transition to the new system of interaction with Russian operators and subscribers for the provision of domestic and international long-distance services effective from January 1, 2006*

Capital Expenditure Program to Enhance Rostelecom's Competitive Advantages

USD mln



Investment priorities

Capacity expansion (incl. IP/MPLS network)

Construction of new fiber-optic lines

Network modernization, ring back-up system construction, development of new services

Building last mile infrastructure

Rostelecom Mission

TO HELP FOSTER THE ADVANCEMENT OF SOCIETY BY CONNECTING OUR CUSTOMERS ANYWHERE, AT ANY TIME THROUGH THE MOST ADVANCED, HIGHEST QUALITY TELECOMMUNICATIONS SERVICES.

Rostelecom Strategic Objective for 2009-2013

TO BECOME A SINGLE-SOURCE PROVIDER OF COMPREHENSIVE TELECOM AND INFOCOMMUNICATION SERVICES TO CUSTOMERS AND OPERATORS THROUGHOUT RUSSIA AND BEYOND.

** As defined in Rostelecom's objectives and strategy for 2009-2013 confirmed by the Company's Board of Directors in the end of October 2008.*

Strategic Summary: Geographic Expansion and Innovation in Key Segments*

Expand geographic presence:

- Infrastructure deployment, including access networks
- Partner programs

Develop new, innovative services and improve existing services:

- Product line expansion and service customization
- Create comprehensive system to improve customer service, support and enhance loyalty

Cooperate with Svyazinvest Intra-Regional Telecom Companies (IRCs):

- Minimize cross-competition: Complement IRC efforts – to increase the aggregate market share of Svyazinvest companies in the Russian telecom market

Residential segment

- Secure solid position in the retail DLD/ILD market
- Enter broadband market (ETTH, wireless broadband access) in target regions/cities
- Expand product offering through the development of innovative services

Small and Medium Businesses

- Expand the product portfolio
- Develop partnerships to sell services
- Consolidate position in the Moscow market
- Provide bundled packages through partnerships with IRCs

Federal Customers

- Provide comprehensive services from Svyazinvest companies (“One Stop Shop”)
- Participate in governmental projects
- Implement CRM system
- Expand the range of services

Operators

- Maintain leadership in the Russian wholesale telecom market
- Aggressively develop data transmission services, leveraging the acquisition of RTComm.RU
- Implement VNE model (Virtual Network Enabler)

International market

- Implement wholesale (voice & data transit, capacity lease) and retail (fixed-line voice, Internet & data, mobile services, INS, data centers, call-centers, etc.) strategies to capitalize on strong international market growth potential
- Priority regions – CIS; China, India, Japan; Europe, Middle East, Asia-Pacific

Organic growth

Mergers & Acquisitions

* As defined in Rostelecom’s objectives and strategy for 2009-2013 confirmed by the Company’s Board of Directors in the end of October 2008.

APPENDIX – 1:

Financials

2008 FY IFRS Financial Highlights

RUB mln

Telephone traffic

DLD

Outgoing ILD

Incoming ILD (termination and transit)

Leased line services

Other

Total revenue

Operating expenses before depreciation, loss on disposal of PP&E and impairment of PP&E, goodwill and other intangible assets

OIBDA

OIBDA margin, %

Depreciation

Loss on sale of property, plant and equipment

Impairment of PP&E, goodwill and other intangible assets

Total operating expenses

Operating profit

Gain / (loss) from associates

Other income (incl. net result from financial activities)

Income before tax and minority interest

Income tax expense

Net income

	2008	2007	Change, %
Telephone traffic	48,143	50,000	-3.7
DLD	29,611	31,973	-7.4
Outgoing ILD	12,082	12,317	-1.9
Incoming ILD (termination and transit)	6,450	5,710	13.0
Leased line services	7,710	7,725	-0.2
Other	10,776	6,877	56.7
Total revenue	66,629	64,602	3.1
Operating expenses before depreciation, loss on disposal of PP&E and impairment of PP&E, goodwill and other intangible assets	(52,355)	(53,492)	-2.1
OIBDA	14,274	11,110	28.5
OIBDA margin, %	21.4	17.2	n.a.
Depreciation	(7,174)	(7,613)	-5.8
Loss on sale of property, plant and equipment	(65)	(197)	-67.0
Impairment of PP&E, goodwill and other intangible assets	(215)	(271)	-20.7
Total operating expenses	(59,809)	(61,573)	-2.9
Operating profit	6,820	3,029	125.2
Gain / (loss) from associates	(71)	156	n.a.
Other income (incl. net result from financial activities)	9,324	815	by a factor of 11.4
Income before tax and minority interest	16,073	4,000	301.8
Income tax expense	(3,891)	(1,194)	225.9
Net income	12,182	2,806	334.1

Condensed Consolidated Balance Sheet

RUB mln	Dec. 31, 2008	Dec. 31, 2007	Change, %
Non-current assets, incl.	43,982	53,586	-17.9
Property, plant and equipment	39,586	38,480	2.9
Current assets, incl.	32,721	19,858	64.8
Accounts receivable, net	10,133	8,429	20.2
Short-term investments	8,762	6,920	26.6
Cash and cash equivalents	11,992	3,284	265.2
Total assets	76,703	73,444	4.4
Total equity	59,425	56,153	5.8
Non-current liabilities, incl.	2,411	4,956	-51.4
Borrowings, net of current portion	117	172	-32.0
Deferred tax liability	1,590	4,119	-61.4
Current liabilities, incl.	14,867	12,335	20.5
Accounts payable, provisions and accrued expenses	9,495	7,445	27.5
Current portion of long-term borrowings	2,522	2,585	-2.4
Total liabilities	17,278	17,291	-0.1
Total equity and liabilities	76,703	73,444	4.4
<i>Net debt*</i>	<i>-18,115</i>	<i>-7,447</i>	<i>143.3</i>

* Net debt is calculated as the sum of long-term loans (current & non-current portions) minus cash and cash equivalents and short-term investments

	6 mo 2009	6 mo 2008	Change, %
Million minutes			
Domestic long-distance traffic	4,758	5,007	-5.0
Outgoing international traffic	863	936	-7.9
Incoming international traffic	1,728	1,544	12.0
RUB million			
Revenue	30,547	30,588	-0.1
Operating expenses, incl.	(26,976)	(24,273)	11.1
Depreciation	(2,207)	(2,139)	3.2
OIBDA	5,778	8,454	-31.6
OIBDA margin, %	18.9	27.6	n.a.
Operating profit	3,571	6,315	-54.8
Other gains & losses, incl.	(576)	311	n.a.
Profit (loss) from the sale of financial investments	(78)	440	n.a.
Profit (loss) from revaluation of financial investments	146	(237)	n.a.
Profit before tax	2,996	6,626	-54.8
Profit tax	(631)	(1,642)	-61.6
Net profit	2,365	4,984	-52.6

A P P E N D I X – 2:

New system of interaction with Russian operators and subscribers for the provision of domestic and international long-distance services effective from January 1, 2006

Evolving Rostelecom's Business Model to Seize Opportunities in Liberalized Market Environment

Getting direct access to end-users across Russia from January 1, 2006 :

	Until 2006	From 2006
Main contributor to top-line	LD traffic transit services to operators	LD calls provision to subscribers of local network operators
Revenue recognition	Transit and termination rate from operators The whole amount of end-user tariff in Moscow	The whole amount of end-user tariff across Russia
Billing and customer service	<ul style="list-style-type: none"> B2B (in-house) B2C in Moscow (in-house) 	<ul style="list-style-type: none"> B2B (in-house) B2C in Moscow (in-house) B2C (outsourced in regions)

New interaction system effective from January 1, 2006 – expanded customer base and change in traffic split

Rostelecom's market presence:
 until 2006: primarily wholesale LD operator → from 2006: major Russian LD retail operator

End-users market	<ul style="list-style-type: none"> Provider of DLD and ILD services to Moscow subscribers only Provider of channel capacity to Russian corporate clients 	<ul style="list-style-type: none"> Provider of DLD and ILD services to subscribers of local network operators throughout Russia Provider of channel capacity to Russian corporate clients
Russian operators' market	<ul style="list-style-type: none"> Primarily provider of DLD and outgoing ILD traffic transit service to operators Provider of channel capacity to operators 	<ul style="list-style-type: none"> Provider of traffic transit services to operators Provider of channel capacity to operators
International operators' market	Provider of incoming ILD traffic transit and termination, non-switched international traffic transit services and channel capacity	
Other markets	Provider of intelligent network services, data transmission services, customer equipment servicing (third party telecom equipment & facilities support and maintenance) etc.	

New Interaction System Effects on Rostelecom's Profit & Loss Statement

Upward effect on revenues

- ✓ Rostelecom recognizes as revenue the total amount of the end-user tariff
- ✓ Changes in revenue composition: decrease in revenues from local operators and increase in revenues from subscribers

Upward effect on operating expenses

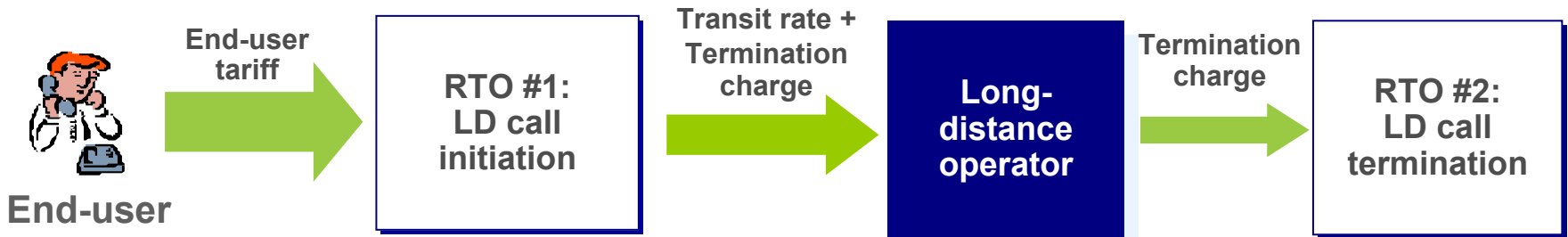
- ✓ Rostelecom's payments to local operators increase:
 - initiation charge
 - termination charge
 - additional service charges to local operators
- ✓ Additional tax expense in the form of the Universal Service Fund tax (1.2% of revenues, collected from subscribers for LD services)

Effect on margins

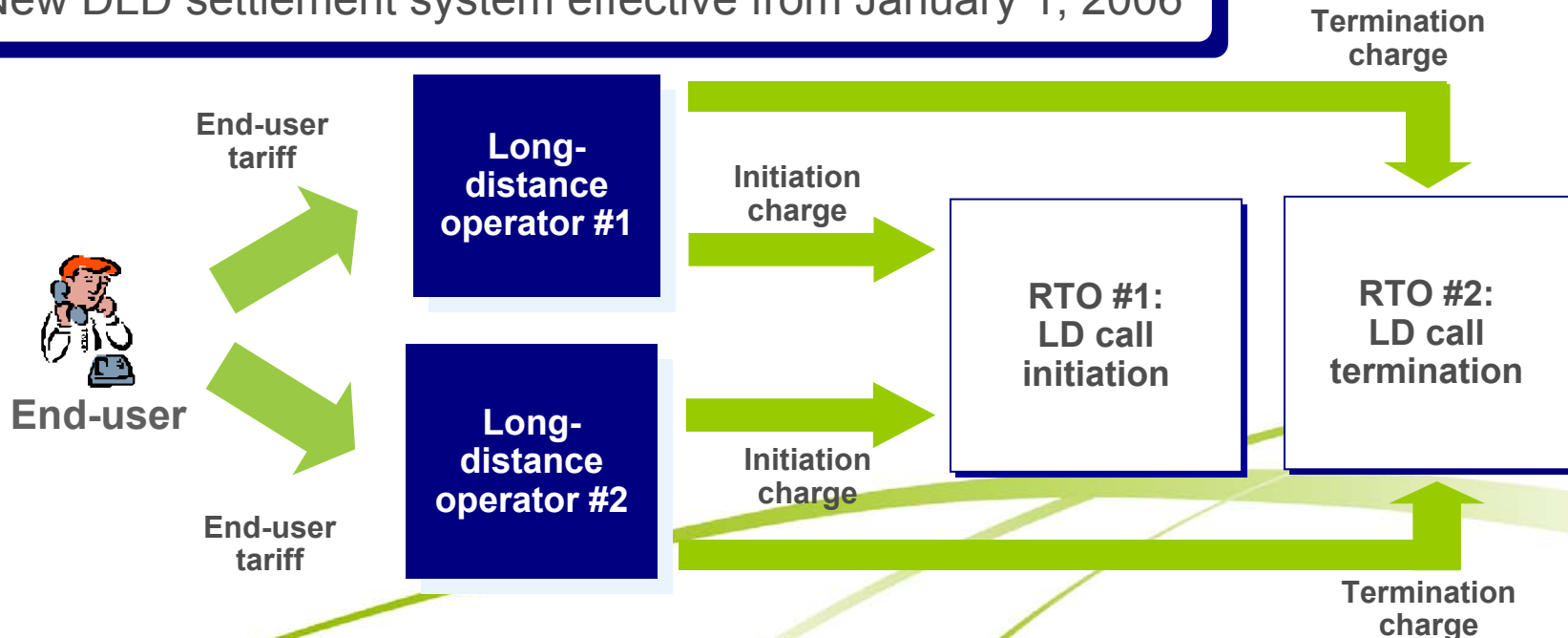
- ✓ Negative effect on EBITDA (OIBDA) margin

Main Effect of the New Interaction System – Direct Revenue Recognition from End-Users

Old DLD settlement system

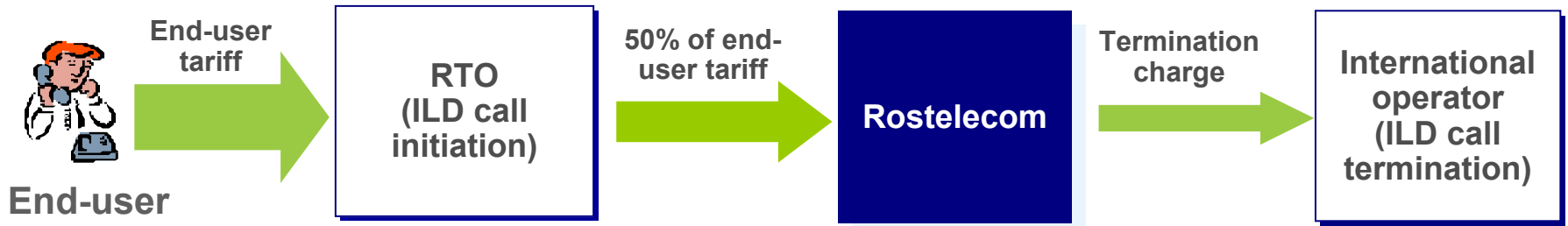


New DLD settlement system effective from January 1, 2006



Old settlement system

International LD services to Russian end-users

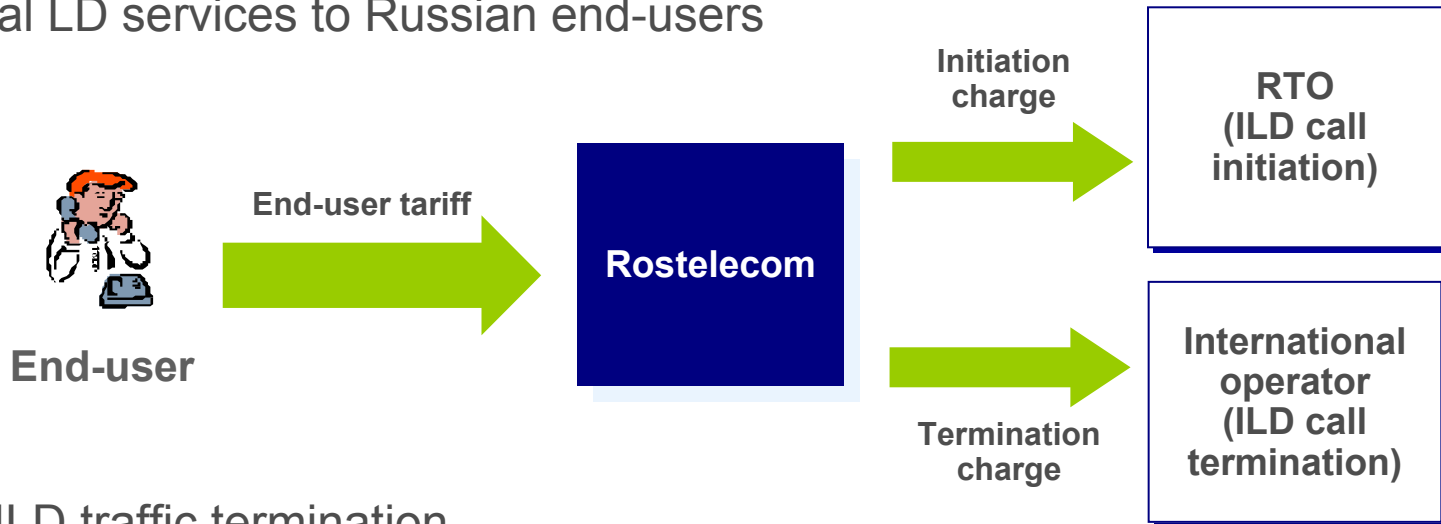


Incoming ILD traffic termination



New settlement system

International LD services to Russian end-users



Incoming ILD traffic termination



- **Listings:**

NYSE, RTS, MICEX

- **Free float:**

62% (49% ORD and 100% PREF)

- **Market capitalization:**

USD 4.12 billion

- **Recent stock price (07/08/2009):**

ORD: USD 5.15 (52 WK HI/LO: USD 12.02 / 4.65)

PREF: USD 1.52 (52 WK HI/LO: USD 1.70 / 0.36)

ADR: USD 30.68 (52 WK HI/LO: USD 70.14 / 21.84)

- **2008 Dividend yield**

0.8% (ORD) / 19.8% (PREF)

- **Dividend policy**

PREF: 10% of the full financial year net profit under RAS

ORD: recommended by the Board of Directors

- ✓ **“BB” credit rating from S&P, outlook stable**
- ✓ **Corporate Governance Code and Code of Ethics in place**
- ✓ **IFRS reporting**

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