

November 2002

Rostelecom:

**Achievements so far &
challenges ahead**



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.

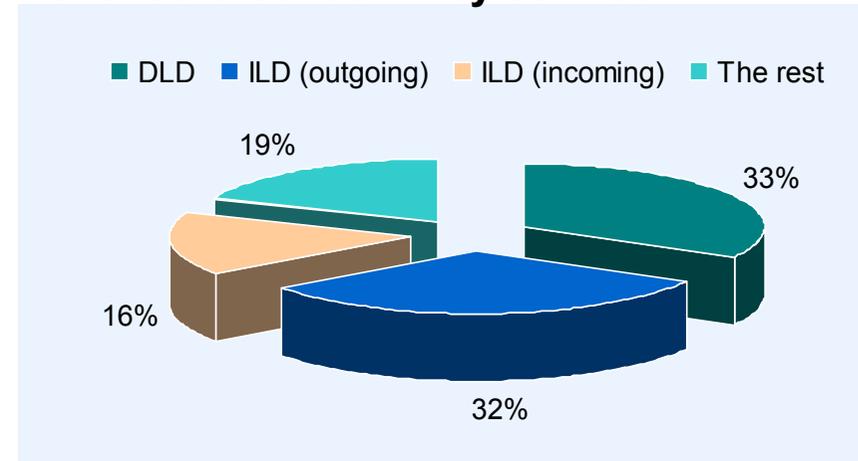
For a more detailed discussion of these and other factors, see the Company’s Annual Report on Form 20-F for its most recently completed fiscal year and the Company’s other public filings with The U.S. Securities and Exchange Commission. Many of these factors are beyond the Company’s ability to control 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.

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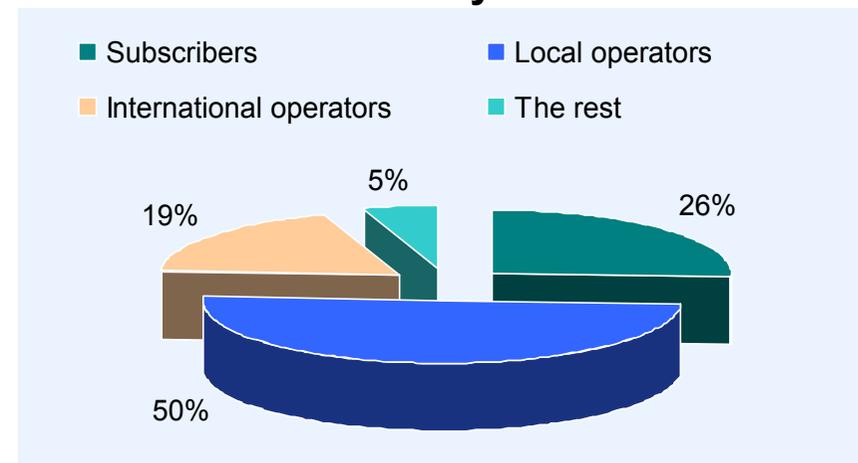
Rostelecom at a glance

- ✓ Operator of the national trunk network in a position to offer long-distance services throughout the country
- ✓ Operators' operator satisfying operators' needs in trunk network and interconnecting operators' networks into a unified transnational network
- ✓ National operator of full-scale international network providing operators with access to the international markets

Revenue breakdown by service



Revenue breakdown by clients



Rostelecom network

Digital Lines

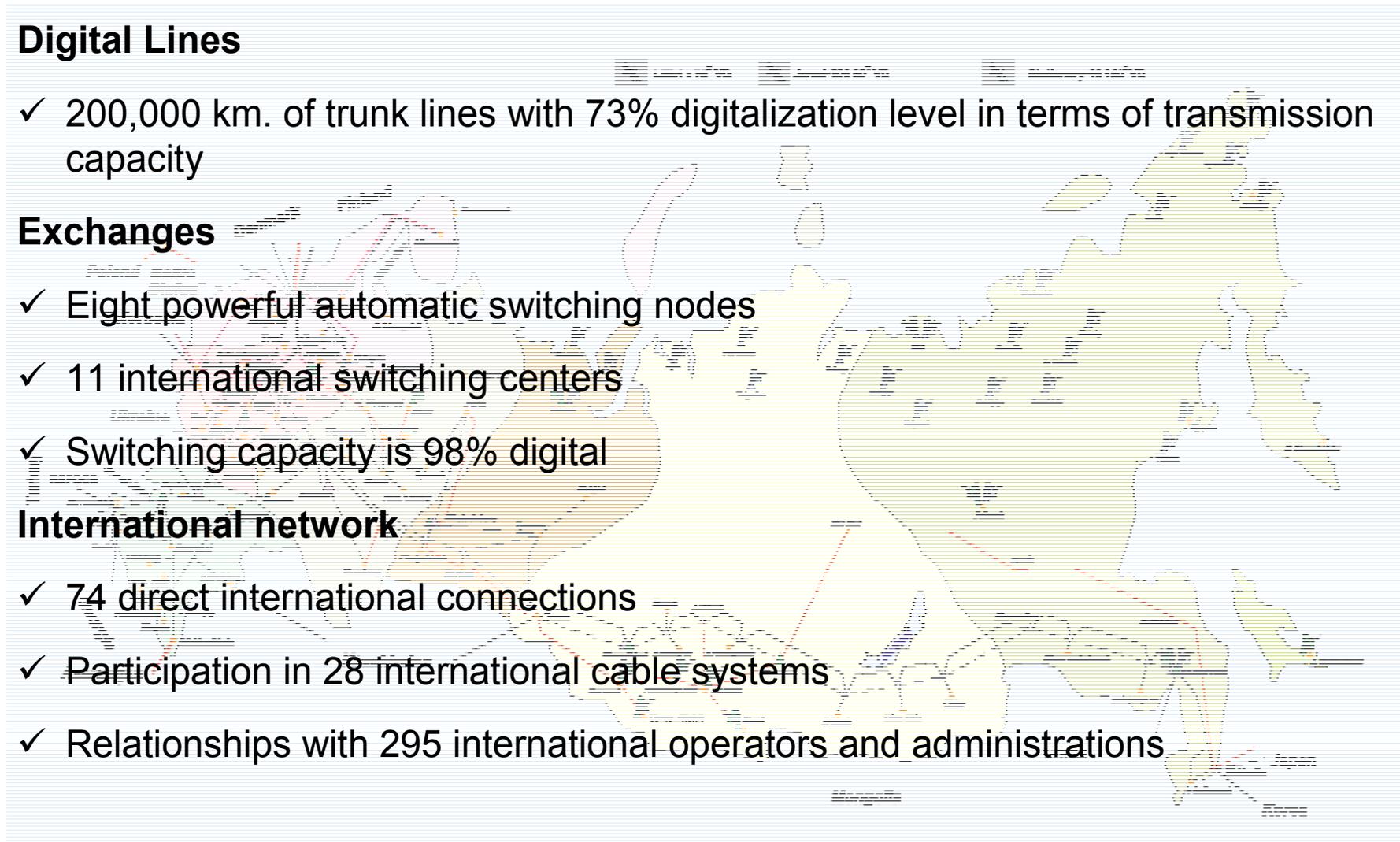
- ✓ 200,000 km. of trunk lines with 73% digitalization level in terms of transmission capacity

Exchanges

- ✓ Eight powerful automatic switching nodes
- ✓ 11 international switching centers
- ✓ Switching capacity is 98% digital

International network

- ✓ 74 direct international connections
- ✓ Participation in 28 international cable systems
- ✓ Relationships with 295 international operators and administrations



Rostelecom story

- ✓ Emphasis on technological development
- ✓ Complete lack of commercial approach
- ✓ Market share starts declining despite formal monopoly status

- ✓ Restructuring continues
- ✓ Cost-cutting program is delivering results
- ✓ Strong commercial teams are formed to deal with operators
- ✓ Work with local & international operators is activated

- ✓ Leadership in the regional market strengthened by strategic alliances with super-regionals to win corporate clients and alternative operators business in the regions
- ✓ Leadership in the incoming ILD and transit markets
- ✓ Positive dynamics of Moscow revenues

1993 - 2000

2001

2002

2003

2004 and further

- ✓ New management team
- ✓ Restructuring program developed and implementation starts
- ✓ Emphasis on efficient management and cost-cutting
- ✓ DLD Settlement rates with regional operators raised by total of 56%

- ✓ Restructuring is finalized
- ✓ Top-line performance is a priority
- ✓ Strong commercial team to deal with end-users in Moscow
- ✓ Focus on stabilization of market share in Moscow
- ✓ Active work with operators continues

2001&2002 restructuring...

Organizational
structure changed

- ✓ Management structure completely reorganized into a vertically integrated one with clear determination of responsibilities
- ✓ Branch network optimized by forming 7 regional branches
- ✓ Staff number decreased from 37 to 30 thousand people

Business procedures
introduced from scratch

- ✓ Unified budgeting & accounting policies
- ✓ Billing system for operators
- ✓ ABC-cost accounting
- ✓ ERP system to become operational by the end of the year

...the way to efficient management...

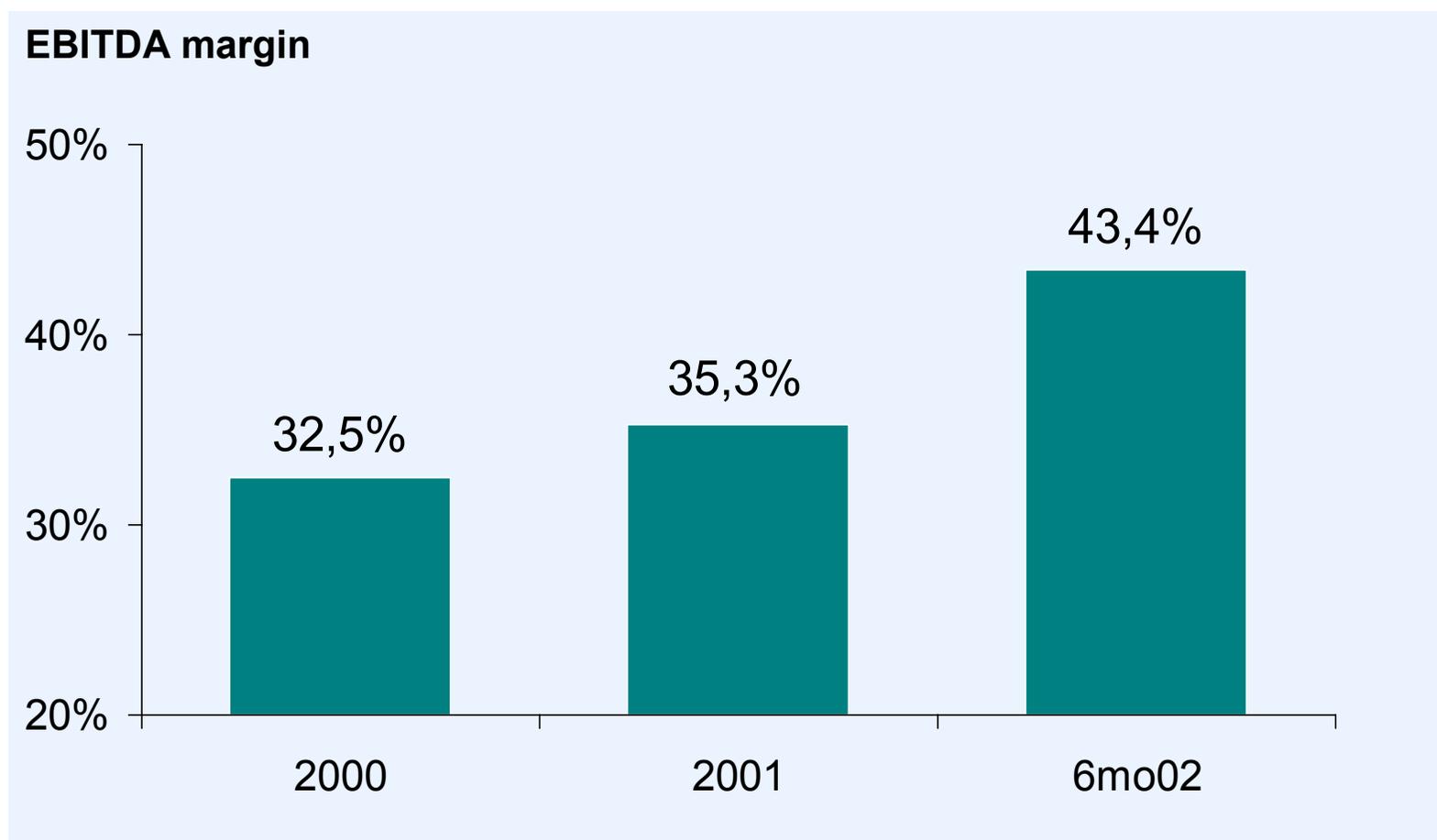
Relationships with subsidiaries reviewed

- ✓ Reduced number of subsidiaries
- ✓ All intercompany agreements reviewed to concentrate value in Rostelecom
- ✓ Significant transactions:
 - Restructuring of obligations to RTC-Leasing
 - Westelcom acquisition

Some of commercial issues addressed

- ✓ Level of cross-subsidy in the sector reduced by raising Rostelecom share in the end-user DLD tariff from 12% to 18% on average
- ✓ Tariffs rebalanced: difference between tariffs for budget organizations/ households and commercial companies reduced in Moscow
- ✓ Activation of work with international operators led to a change in trend: if in the past several years Rostelecom's incoming ILD traffic was decreasing at 7% p.a. on average, 6mo 2002 saw a growth of 3.5%

...and sustainable EBITDA margin growth



6 months 2002 operating and financial highlights

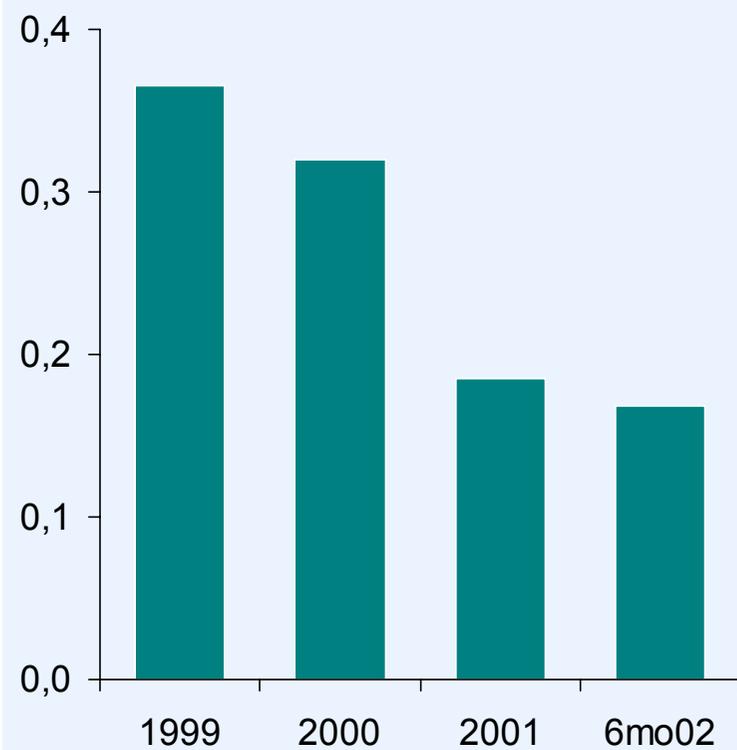
	1 H 2001	1 H 2002	% chnge YoY
<i>min mn</i>			
DLD	2,915	3,332	14.3%
Outgoing ILD	526	583	10.7%
Incoming ILD	411	426	3.5%
<i>USD mn</i>			
Revenue	385.75	403.47	4.6%
EBITDA	146.68	175.20	19.4%
<i>EBITDA Margin, %</i>	38%	43%	
Operating profit	39.85	61.61	54.6%
<i>EBIT Margin, %</i>	10%	15%	
Net profit	54.93	24.56	-55.3%*
<i>Net Margin, %</i>	14.2%	6.1%	
Dividends			
	2000	2001	% chnge YoY
Preferred shares	3.6	7.6	109%
Ordinary shares	4.2	5.3	26 %

*primarily due to foreign exchange losses and deferred taxation

Strong Balance Sheet

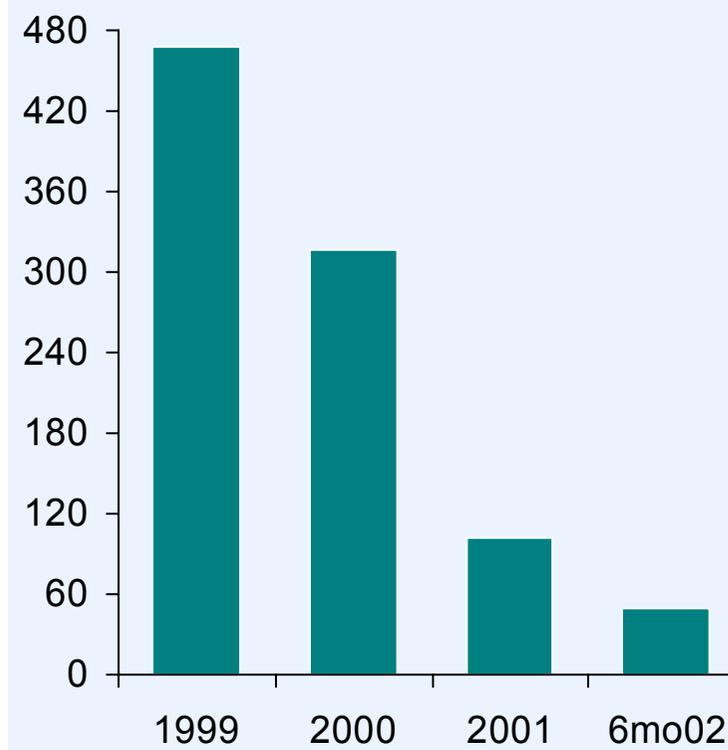
Debt/Equity

(x)



Net debt

(USD mn)



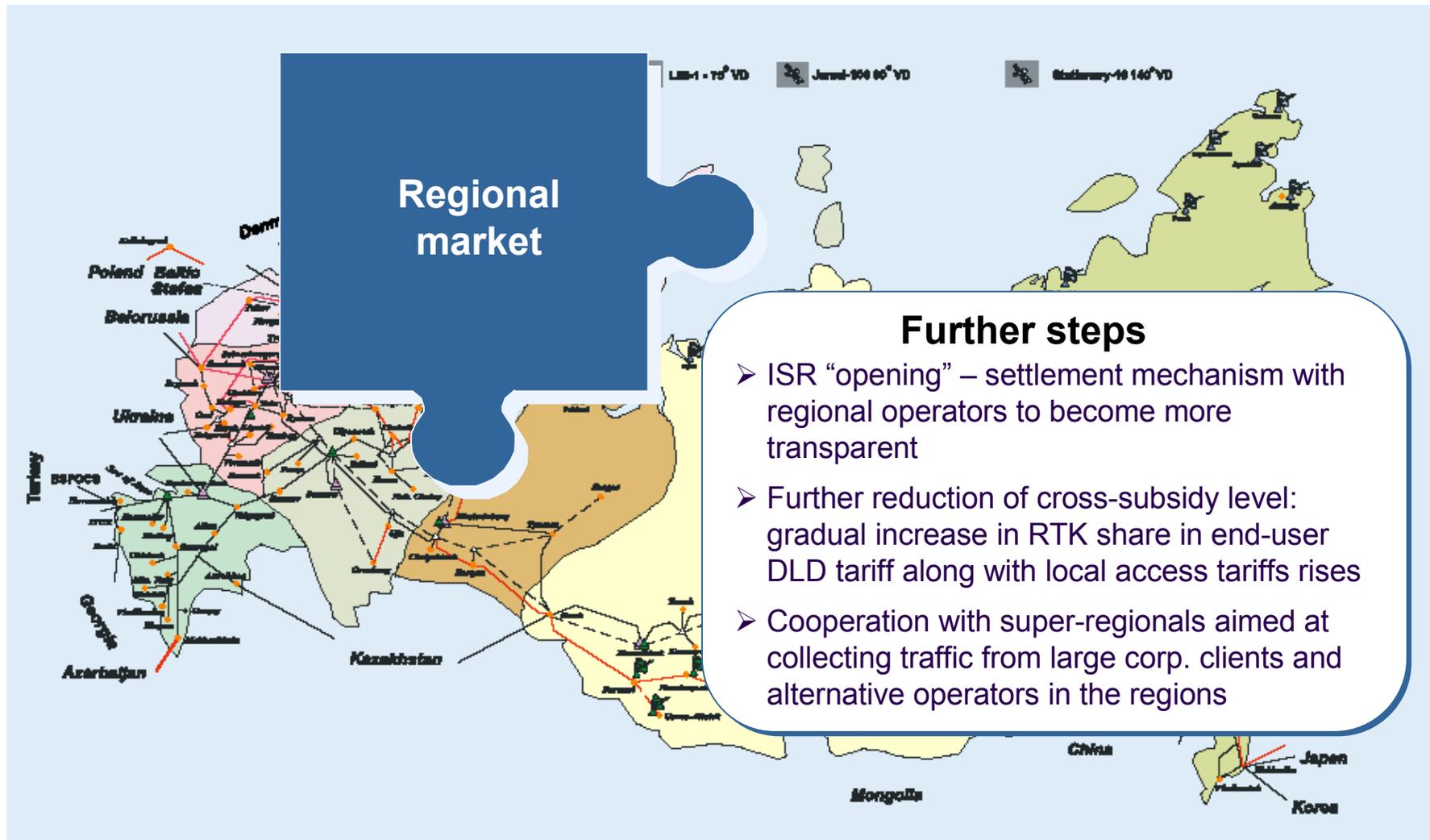
Revenue – key investor concern...

...and management's top priority task for 2003 and further



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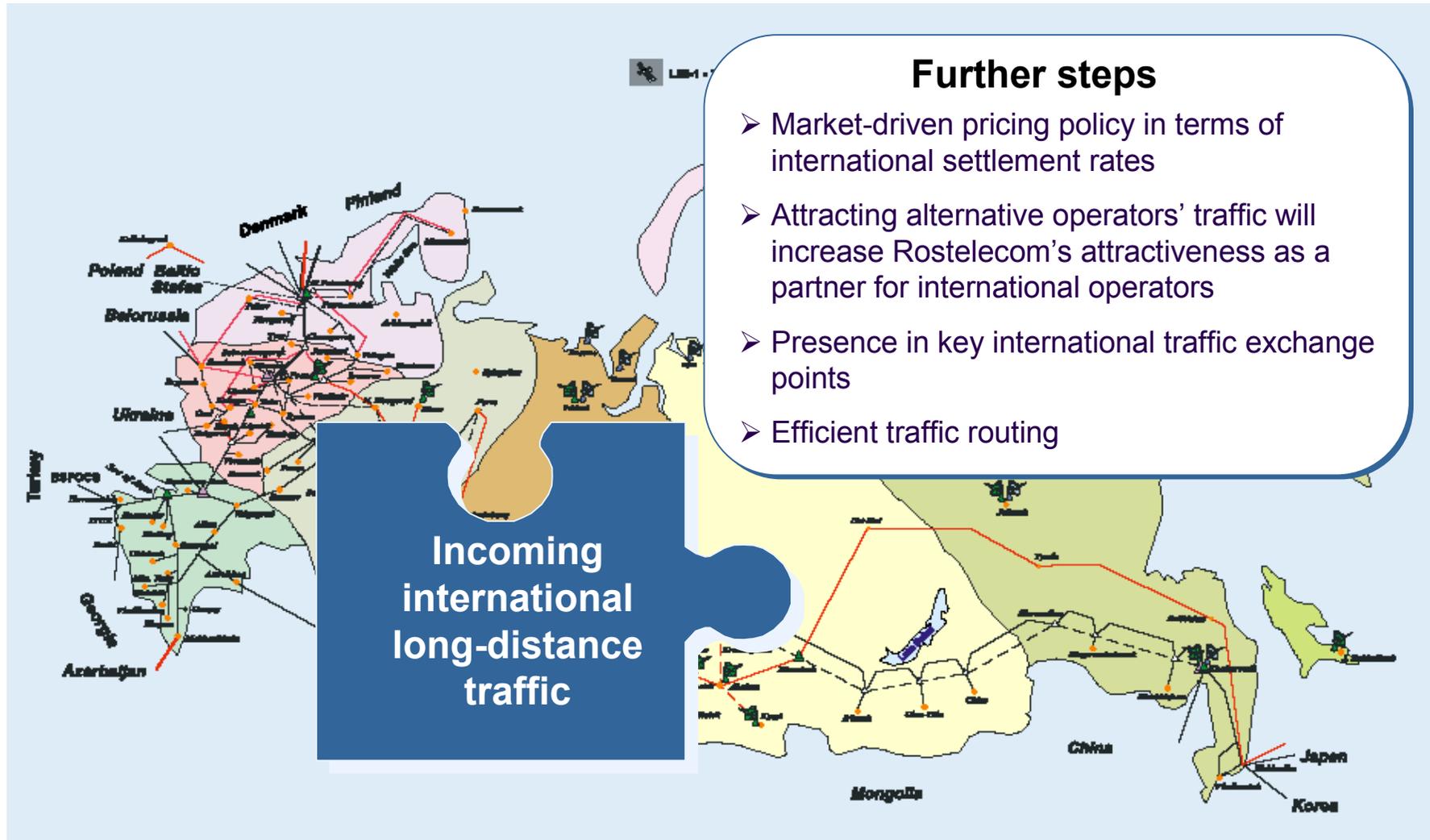


Further steps

- Creation of a strong sales, marketing, client-servicing departments in the Moscow branch – MMT
- Introduction of a variety of tariff plans
- Concentration on corporate clients – winning back strategy

Revenue – key investor concern...

...and management's top priority task for 2003 and further

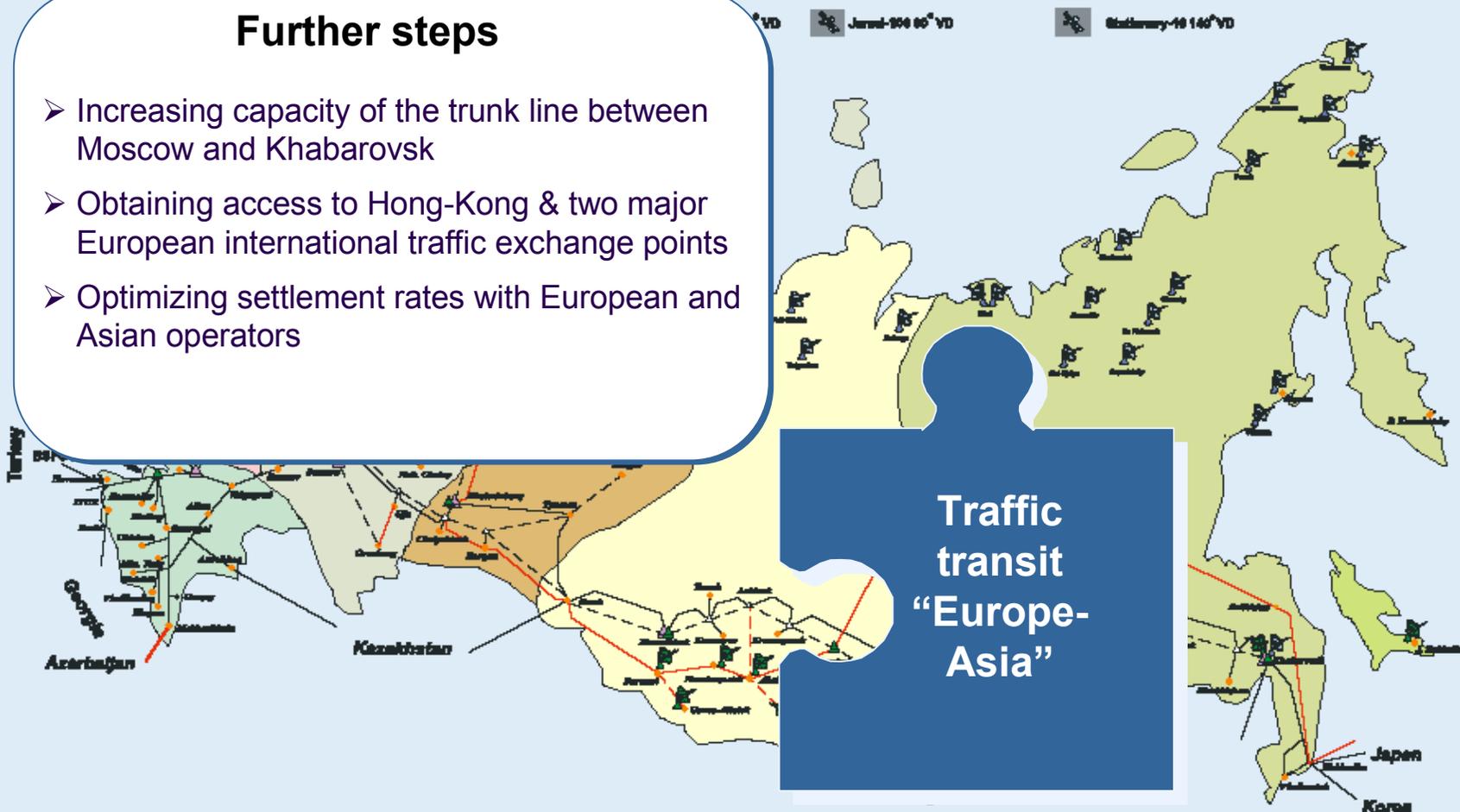


Revenue – key investor concern...

...and management's top priority task for 2003 and further

Further steps

- Increasing capacity of the trunk line between Moscow and Khabarovsk
- Obtaining access to Hong-Kong & two major European international traffic exchange points
- Optimizing settlement rates with European and Asian operators



Capital expenditure priorities ...

Construction of new fiber-optic lines

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

Capacity enhancement

- DWDM technology
- Increased backbone network capacity

Secondary network modernization, new services development

- Construction of a multi-service network

Actual capex in 2002 will be around USD 70 mn out of planned USD 130 mn with USD 60 mn being transferred to 2003 with overall 2003 capex at around USD 150 mn

Rostelecom is undervalued compared to peers

Company	Country	Price USD	Market Cap USD mn	EV/EBITDA		P/E	
				2001	2002F	2001	2002F
Rostelecom	Russia	1.130	908	3.7	2.8	7.4	7.1
ordinary		1.130		4.1	3.1	8.3	7.9
preferred		0.650		2.5	1.8	4.8	4.5
EM Wireline							
Philippine LD							
Telephone	Philippines	4.33	733	5.2	4.8	10.8	8.8
Telmex, Class L	Mexico	1.53	12 840	4.3	4.3	8.4	8.9
TT&T	Thailand	0.06	160	10.6	9.2	neg	neg
Cesky Telecom	Czech Republic	7.30	2 350	4.3	3.6	12.5	13.7
TPSA	Poland	3.42	4 782	5.8	4.7	105.5	15.0
Matav	Hungary	3.12	3 237	5.8	5.3	10.1	11.2
Telecom Asia	Thailand	0.13	364	8.3	6.9	neg	neg
Average				6.0	5.3	29.5	11.5

Source: Rostelecom, UFG

