

A stylized world map composed of white dots on a blue background, with some dots highlighted in green. The map is positioned in the upper left corner of the slide.

Investor Meetings, May 2008

• [www.rt.ru](http://www.rt.ru)

# *Rostelecom Investor Presentation*

ROS  
LISTED  
NYSE

The Rostelecom logo consists of a stylized blue 'S' shape followed by the word 'ROSTELECOM' in a bold, blue, sans-serif font.

**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.*

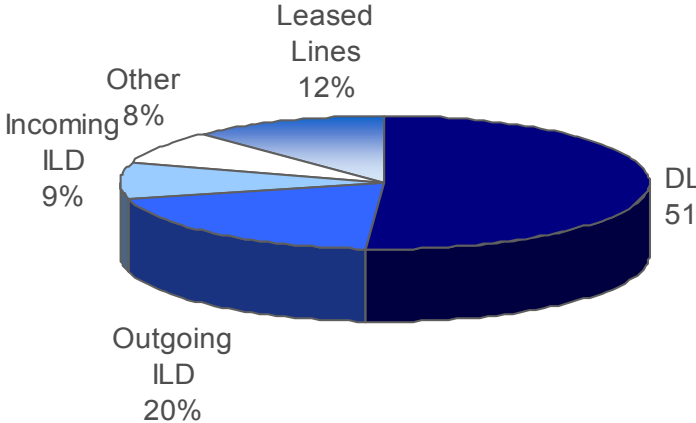
*Those forward-looking statements include, but are not limited to:*

- 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													
✓	In all Russian regions Rostelecom primarily provides fixed-line DLD and ILD services to end-customers while further offering new products and services													
✓	Rostelecom is a major provider of telecommunications services for state organizations and governmental agencies, television and radio broadcasters	<p data-bbox="1309 479 1801 508"><b>Revenue breakdown by service*</b></p>  <table border="1" data-bbox="1182 622 1900 1043"> <caption>Revenue Breakdown by Service</caption> <thead> <tr> <th>Service</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>DLD</td> <td>51%</td> </tr> <tr> <td>Outgoing ILD</td> <td>20%</td> </tr> <tr> <td>Leased Lines</td> <td>12%</td> </tr> <tr> <td>Incoming ILD</td> <td>9%</td> </tr> <tr> <td>Other</td> <td>8%</td> </tr> </tbody> </table>	Service	Percentage	DLD	51%	Outgoing ILD	20%	Leased Lines	12%	Incoming ILD	9%	Other	8%
Service	Percentage													
DLD	51%													
Outgoing ILD	20%													
Leased Lines	12%													
Incoming ILD	9%													
Other	8%													
✓	51% of voting shares owned by the state controlled holding company Svyazinvest													
✓	Shares traded on NYSE, LSE, FWB, RTS, MICEX													
✓	Market capitalization: USD 8.89 billion													

\* In accordance with FY 2007 RAS results

# Nationwide Network Underpins Rostelecom's Competitive Market Position

## Developed trunk network underlies the Company's competitive advantages

### Most extensive and sophisticated network infrastructure among Russian operators

- ✓ about 145,000 km in length
  - ✓ points of presence across entire Russian Federation
  - ✓ points of presence in London, Stockholm, Frankfurt, Helsinki, New York and Hong Kong
  - ✓ 97% digitalized in channel-kilometers
  - ✓ 100% digitalized in switching capacity
- ✓ Rostelecom has established direct international connections with 142 operators in 68 countries, participates in 25 cable systems and cooperates with more than 450 international operators and companies outside Russia

**Most reliable traffic transmission route in Russia**

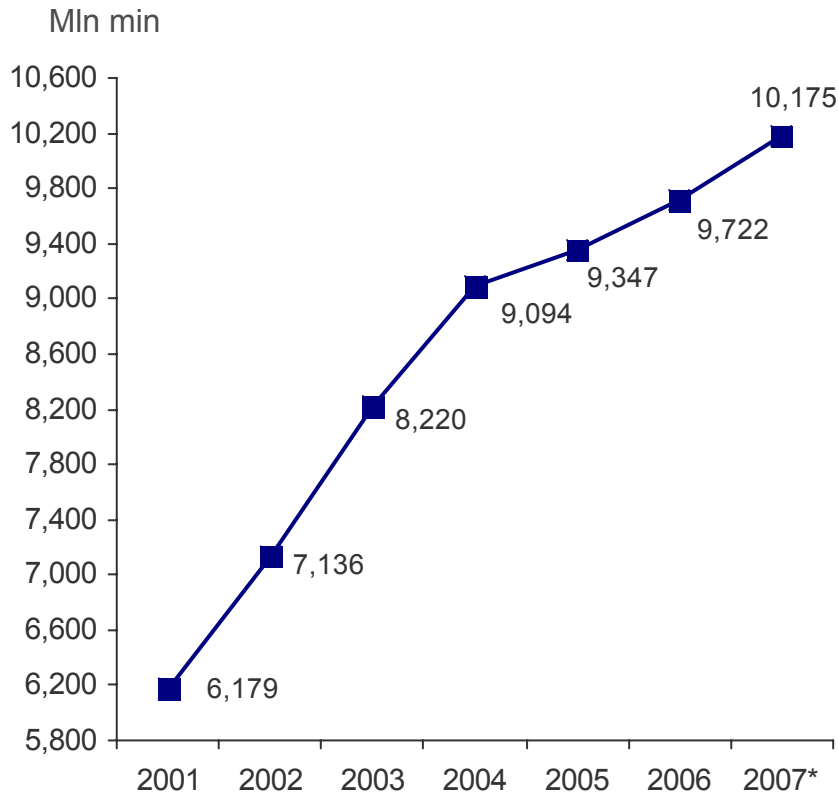
**Low Repair & Maintenance expenses**

**High service recognition from operators and end-customers**

**Competitive transit rates**

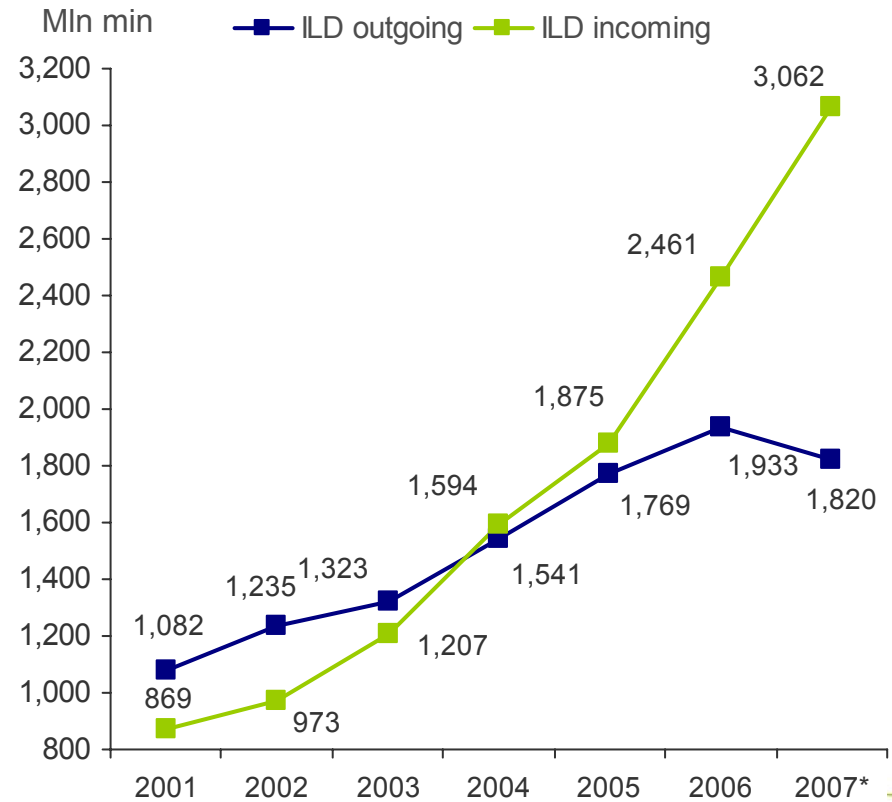
**Rostelecom has built the most advantageous technological position for providing a growing range of telecommunications services in the competitive environment**

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



\* In accordance with FY 2007 RAS results

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



\* In accordance with FY 2007 RAS results

✓ **DLD traffic to grow 2-5% p.a. over the next 2 – 3 years**

✓ **Incoming ILD traffic to grow 10-15% p.a., outgoing ILD at 4-8% p.a. over the next 2 - 3 years**

# 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"> <li>DLD and ILD services</li> </ul>		<ul style="list-style-type: none"> <li>Freephone</li> </ul> <p><i>To be launched:</i></p> <ul style="list-style-type: none"> <li>Universal access number (UAN)</li> </ul>
Corporate customers	<ul style="list-style-type: none"> <li>DLD and ILD services</li> <li>Videoconferencing</li> </ul> <p><i>To be launched:</i></p> <ul style="list-style-type: none"> <li>Local telephone services</li> <li>Audioconferencing</li> </ul>	<ul style="list-style-type: none"> <li>Leased lines</li> <li>Dedicated Internet access</li> <li>IP VPN</li> </ul> <p><i>To be launched:</i></p> <ul style="list-style-type: none"> <li>Data Center services</li> </ul>	<ul style="list-style-type: none"> <li>Freephone, International Freephone (IFS)</li> <li>Premium rate</li> <li>Televoting</li> </ul> <p><i>To be launched:</i></p> <ul style="list-style-type: none"> <li>Universal access number (UAN)</li> <li>IVR &amp; Contact Center</li> </ul>
Operators	<ul style="list-style-type: none"> <li>Traffic transit and termination services</li> <li>IP transit</li> </ul>	<ul style="list-style-type: none"> <li>Leased lines (LD, International; Europe-Asia transit /TEA/)</li> <li>Internet traffic transit</li> </ul> <p><i>To be launched:</i></p> <ul style="list-style-type: none"> <li>IP VPN</li> <li>Data Center services</li> </ul>	

## 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 and with a targeted 30% share in 2010.

### 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 – further network upgrades in Russia and abroad:
  - over 100 regional nodes;
  - launching a number of data centers;
  - 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 Center) 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.

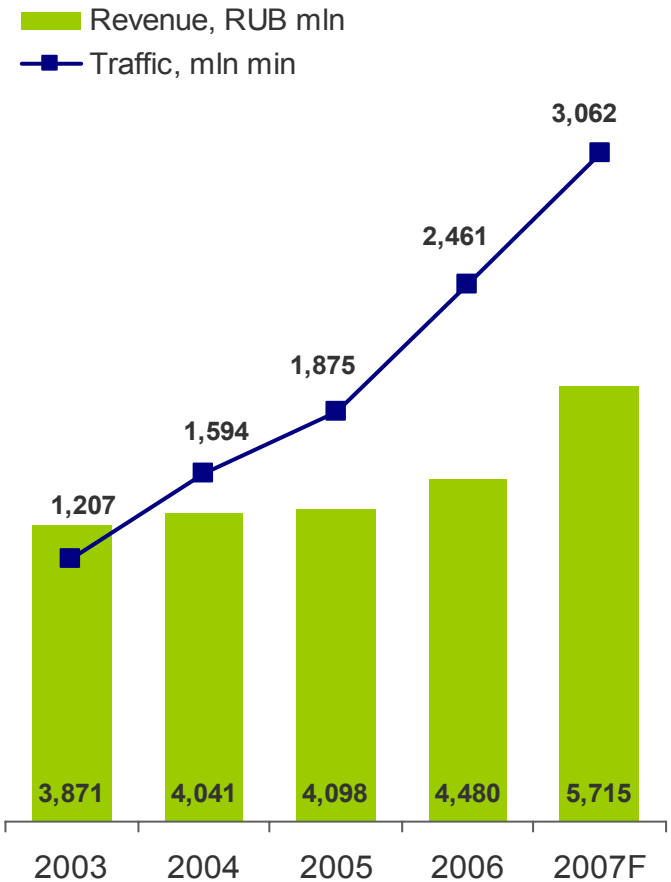
# International Market: Stable Revenues on the Back of Sustained Traffic Growth

Strong relationships with international operators underpin Rostelecom's leading 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





# Leased Line Market: High Quality Service and Unique Network Advantages are Rostelecom's Key Strengths

Growing overall demand, strong relationships with operators and businesses and an optimized tariff policy support steady revenue growth from leased line services

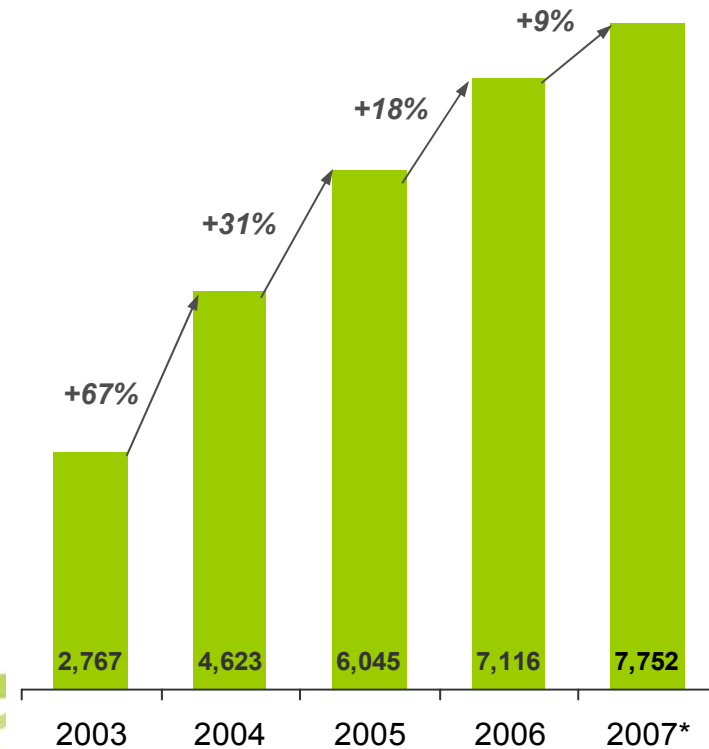
- ✓ Unique scale and capacity of Rostelecom's advanced nationwide network
- ✓ Increase in demand for leased line services from operators and businesses across Russia
- ✓ DLD and ILD channels for rent: Includes Europe-Asia transit (TEA) services – offering international operators the shortest and most reliable route for traffic transmission between the two continents via Rostelecom's terrestrial network
- ✓ High quality of service and brand awareness



- ✓ Rostelecom enjoys strong position in the leased line market
- ✓ Sustained growth in revenues

Revenue from leased line services

RUB mln



\* In accordance with FY 2007 RAS results

# Value Added Services: Catering to Corporate Customers' New Needs Creates Competitive Edge

✓ **Effective promotion of existing Intelligent Network Services (INS):**

- Free-phone (8-800-200; 8-800-100)
- Premium rate (8-809-200)
- Televoting

✓ **Active development of new services:**

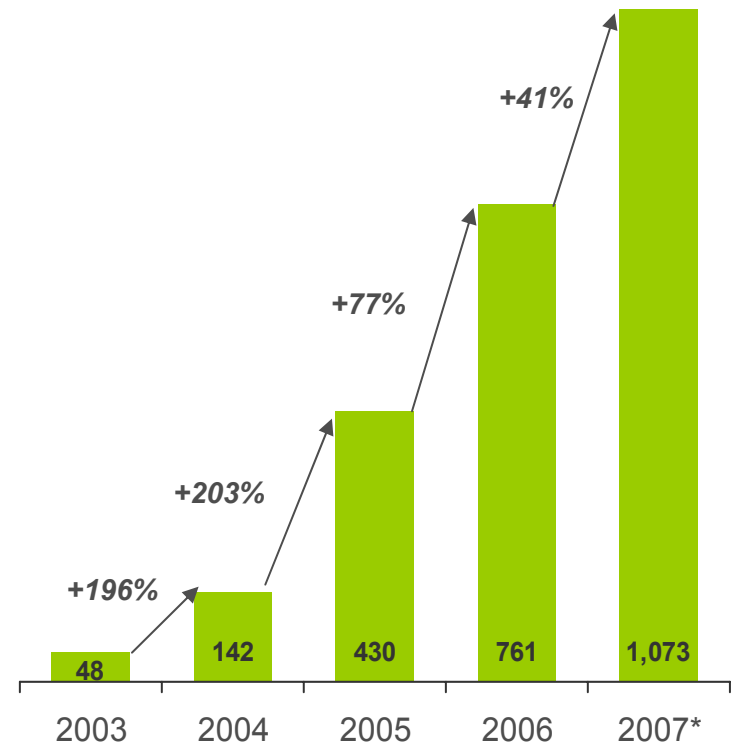
- UAN (8-804) service to be launched

✓ **Rostelecom – competitive player in the VAS market**

✓ **Strong growth in INS revenues**

Revenue from Intelligent Network Services (INS)

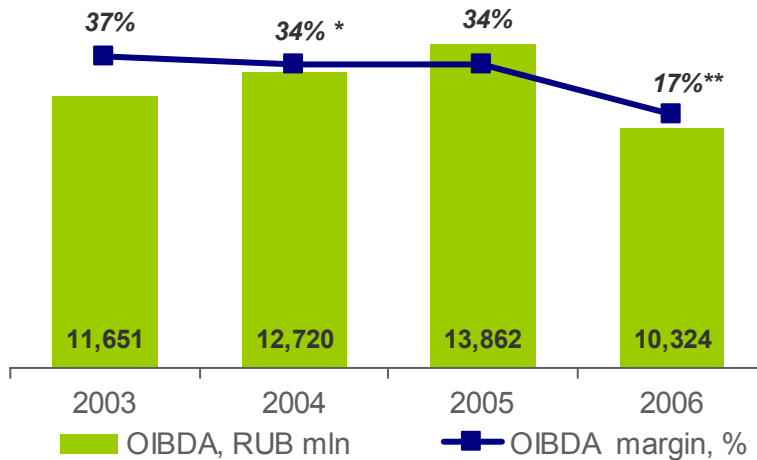
RUB mln



\* In accordance with FY 2007 RAS results

# Stable Dividend Payments despite Impact of the New Interaction System

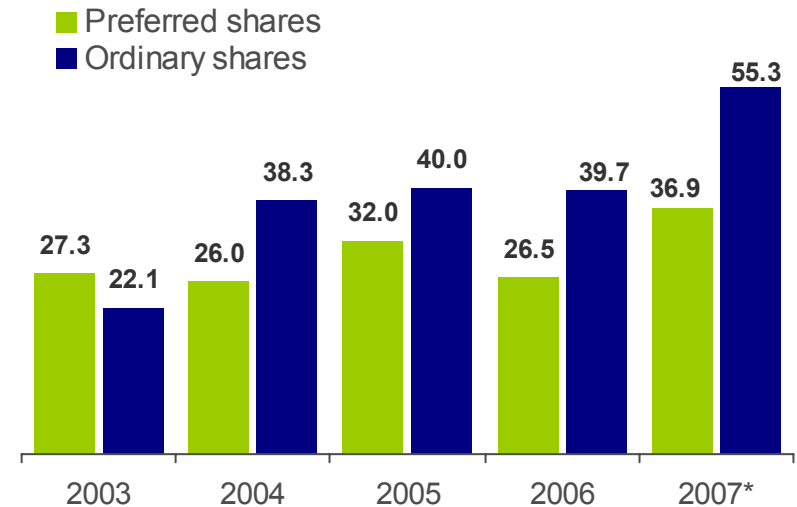
OIBDA and OIBDA margin



\*Decline in OIBDA margin is due to the introduction of the new settlement system for DLD traffic transit in August 2003

\*\*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

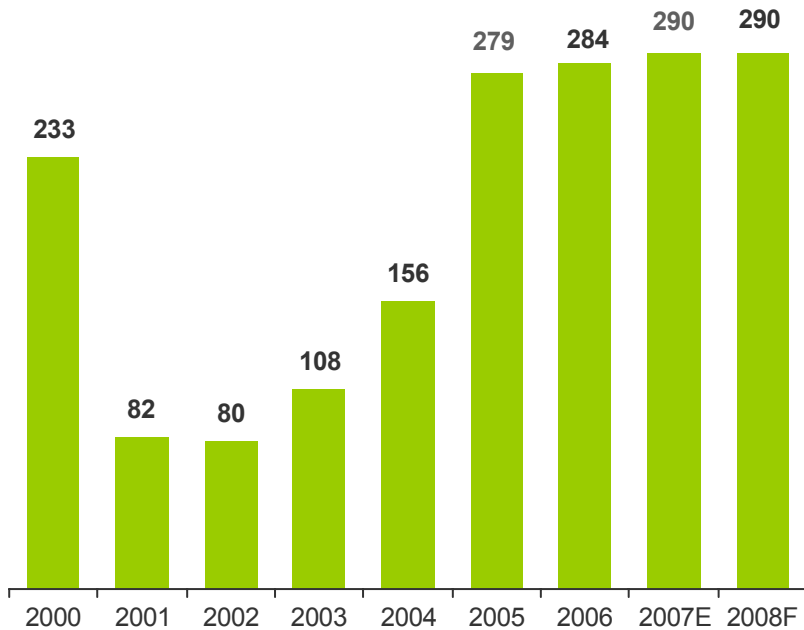
Dividends, USD million



\*As recommended by the BOD

# Capital Expenditure Program to Enhance Rostelecom's Competitive Advantages

USD mln



## Investment priorities

Capacity expansion

Implementation of unified billing system

Construction of new fiber-optic lines

Secondary network modernization, development of new services

## Today's Priorities Focus on Competitive Strength and Efficiency

### Traditional LD voice services to end-customers

- ✓ Further growth in traffic in the Russian market through tariff optimization.
- ✓ Securing leadership by active marketing efforts and enhanced cooperation with regional operators – Rostelecom's agents.

### Advanced solutions for corporate clients

- ✓ Development and promotion of new, unregulated, services (intelligent network services, IP VPN and Internet services).
- ✓ Launch of bundled packages (DLD/ILD, local telephone, data transmission services).

### Operators' market

- ✓ Active promotion of wholesale Internet services and mobile operators' traffic transit services.
- ✓ Continually capitalize on Rostelecom's strong position in the international market.

### Further operational efficiency enhancement

- ✓ Streamline network maintenance costs.
- ✓ Optimize business processes and organizational structure.
- ✓ Carefully control expenses related to customer service.

### Rostelecom's key objectives:

- Securing the Company's solid position in traditional telecom segments
- Diversifying business by actively expanding in the new services markets

# APPENDIX – 1:

## Financials

RUB mln	H1 2007	H1 2006	Change, %
<i>Telephone traffic</i>	24,955	23,765	5.0
DLD	16,096	15,323	5.0
Outgoing ILD	6,289	6,377	-1.4
Incoming ILD (termination and transit)	2,570	2,065	24.5
Leased line services	3,922	3,472	13.0
Other	2,865	2,110	35.8
<b>Total revenue</b>	<b>31,742</b>	<b>29,347</b>	<b>8.2</b>
Operating expenses before depreciation and loss on disposal of PP&E	(24,859)	(24,526)	1.4
<b>OIBDA</b>	<b>6,883</b>	<b>4,821</b>	<b>42.8</b>
OIBDA margin, %	21.7	16.4	n.a.
Depreciation	(3,931)	(4,341)	-9.4
Loss on sale of property, plant and equipment	(22)	(458)	-95.2
<b>Total operating expenses</b>	<b>(28,812)</b>	<b>(29,325)</b>	<b>-1.7</b>
<b>Operating profit</b>	<b>2,930</b>	<b>22</b>	<b>By a factor of 133.2</b>
Gain / (loss) from associates	121	(2)	n.a.
Other income (incl. net result from financial activities)	406	690	-41.2
<b>Profit before tax</b>	<b>3,457</b>	<b>710</b>	<b>386.9</b>
Income tax expense	(912)	(249)	266.3
<b>Net profit</b>	<b>2,545</b>	<b>461</b>	<b>452.1</b>

## Condensed Consolidated Balance Sheet

RUB mln	Jun. 30, 2006	Dec. 31, 2006	Change, %
<b>Non-current assets</b>	<b>47,737</b>	<b>48,110</b>	<b>-0.8</b>
<b>Current assets</b>	<b>22,545</b>	<b>20,388</b>	<b>10.6</b>
Accounts receivable, net	8,672	8,821	-1.7
Short-term investments	7,670	8,496	-10.3
Cash and cash equivalents	5,463	2,353	132.2
<b>Total assets</b>	<b>70,282</b>	<b>68,498</b>	<b>2.6</b>
<b>Total equity</b>	<b>52,318</b>	<b>50,945</b>	<b>2.7</b>
<b>Non-current liabilities</b>	<b>6,647</b>	<b>4,857</b>	<b>36.9</b>
Long-term loans, net of current portion	2,353	298	By a factor of 7.9
Deferred tax liability	3,363	3,444	-2.4
<b>Current liabilities</b>	<b>11,317</b>	<b>12,696</b>	<b>70.0</b>
Accounts payable, provisions and accrued expenses	8,477	7,372	15.0
Current portion of long-term loans	817	3,005	-72.8
<b>Total liabilities</b>	<b>17,964</b>	<b>17,553</b>	<b>2.3</b>
<b>Total equity and liabilities</b>	<b>70,282</b>	<b>68,498</b>	<b>2.6</b>



	3mo 2008	3mo 2007	Change, %
<b>Million minutes</b>			
Domestic long-distance traffic	2,545	2,492	2.1
Outgoing international traffic	445	463	-3.9
Incoming international traffic	749	663	13.0
<b>RUB million</b>			
<b>Revenue</b>	<b>15,356</b>	<b>15,206</b>	<b>1.0</b>
Operating expenses, incl.	(11,782)	(12,222)	-3.6
Depreciation	(1,072)	(927)	15.7
<b>OIBDA</b>	<b>4,646</b>	<b>3,911</b>	<b>18.8</b>
OIBDA margin, %	30.3	25.7	n.a.
<b>Operating profit</b>	<b>3,574</b>	<b>2,984</b>	<b>19.8</b>
Other gains & losses, incl.	88	903	-90.3
Profit (loss) from revaluation of financial investments	(242,5)	848	n.a.
<b>Profit before tax</b>	<b>3,662</b>	<b>3,887</b>	<b>-5.8</b>
Profit tax	(906)	(988)	-8.2
<b>Net profit</b>	<b>2,756</b>	<b>2,899</b>	<b>-5.0</b>

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

**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

<b>End-users market</b>	<ul style="list-style-type: none"> <li>Provider of DLD and ILD services to Moscow subscribers only</li> <li>Provider of channel capacity to Russian corporate clients</li> </ul>	<ul style="list-style-type: none"> <li>Provider of DLD and ILD services to subscribers of local network operators throughout Russia</li> <li>Provider of channel capacity to Russian corporate clients</li> </ul>
<b>Russian operators' market</b>	<ul style="list-style-type: none"> <li>Primarily provider of DLD and outgoing ILD traffic transit service to operators</li> <li>Provider of channel capacity to operators</li> </ul>	<ul style="list-style-type: none"> <li>Provider of traffic transit services to operators</li> <li>Provider of channel capacity to operators</li> </ul>
<b>International operators' market</b>	Provider of incoming ILD traffic transit and termination, non-switched international traffic transit services and channel capacity	
<b>Other markets</b>	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

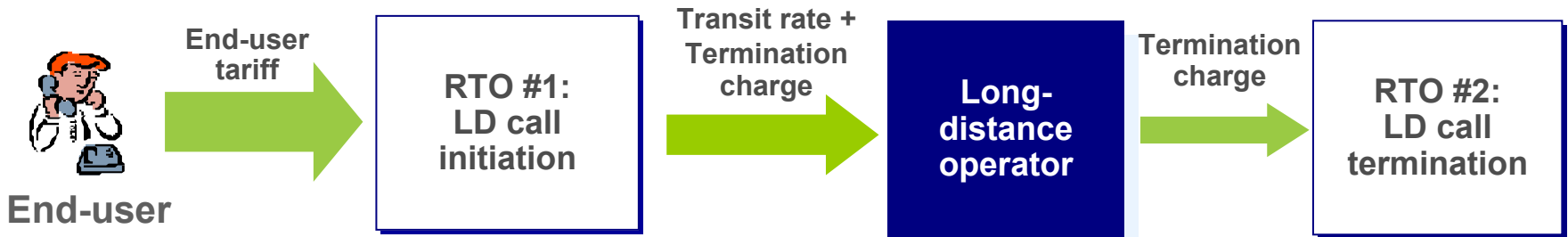
- ✓ Rostelecom's payments to local operators increase:
  - initiation charge
  - termination charge
  - additional service charges to local operators
- ✓ Additional tax expense in the form of the Universal Service Fund tax (1.2% of revenues, collected from subscribers for LD services)

### Effect on margins

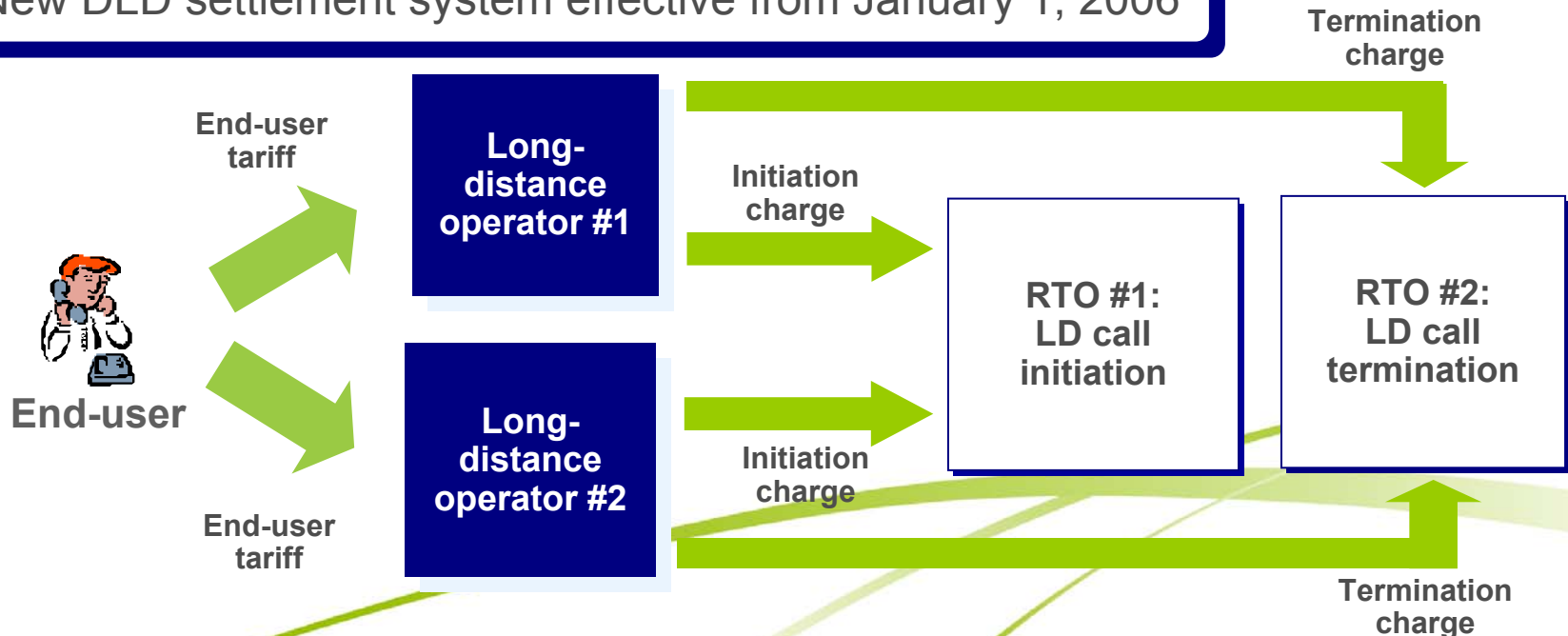
- ✓ Negative effect on EBITDA (OIBDA) margin

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

## Old DLD settlement system

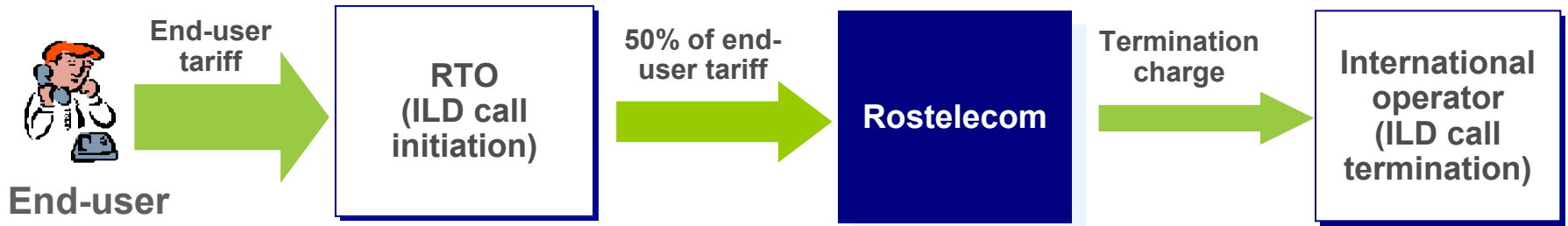


## New DLD settlement system effective from January 1, 2006



## Old settlement system

International LD services to Russian end-users

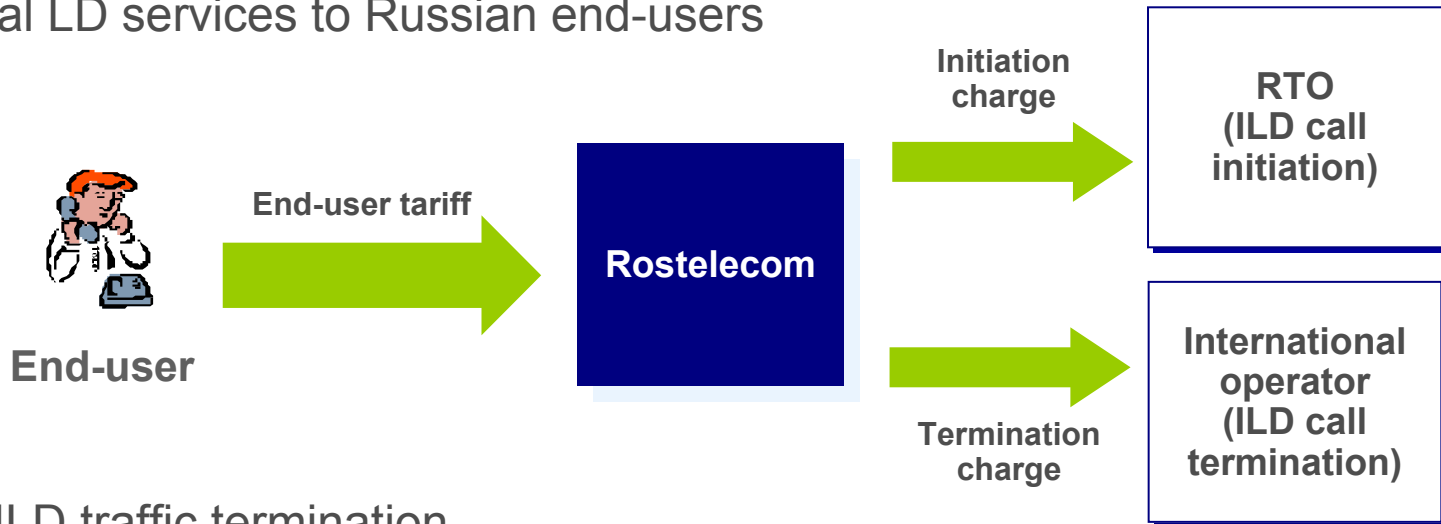


Incoming ILD traffic termination



## 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 8.89 bn

- **Recent stock price (06/05/2008):**

ORD: USD 11.49 (52 WK HI/LO: USD 12.49 / 8.34)

PREF: USD 2.16 (52 WK HI/LO: USD 3.33 / 1.91)

ADR: USD 69.10 (52 WK HI/LO: USD 74.99 / 51.67)

- **2007 Dividend yield (as recommended by the BOD)**

0.7% (ORD) / 5.5% (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 positive**
- ✓ **Corporate Governance Code and Code of Ethics in place**
- ✓ **IFRS reporting**



### Investor Relations

Svetlana Samoylova

Tel. + 7 499 973 9920

Fax + 7 499 972 8222

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

### Company Headquarters

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

Moscow, 125047 Russia

Tel. + 7 499 972 8283

Fax + 7 499 972 8222

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

[www.rt.ru/en](http://www.rt.ru/en)

### Corporate Secretary

Pavel Nezhutin

Tel. + 7 499 973 9940

Fax + 7 499 972 8222

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

### 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)