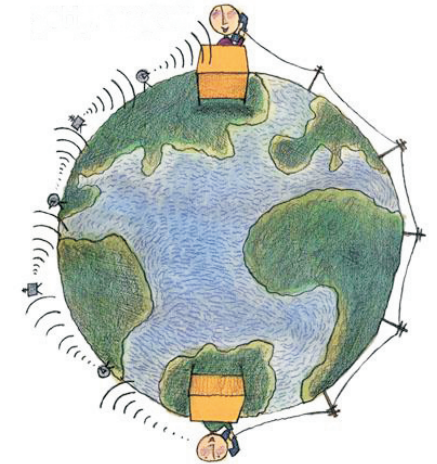


Uralsvyazinform (trademark Utel),  
the largest provider of fixed-line, GSM and data  
transmission services in the Urals region, Russia



> MANAGEMENT  
PRESENTATION



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Anatoly Ufimkin  
General Director

Valery Chernyshev  
Deputy General Director &  
CFO

Merrill Lynch EMEA  
Telecoms & Media Forum  
24-25th April 2007



Part 1 - Overview. Main Growth Segments

Part 2 - Financial Review

Part 3 - Strategy and Forecasts

Certain statements in this presentation are forward-looking statements. 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 in 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.

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 may be required under applicable Russian federal securities laws.

# Key Facts & Figures

## > The Urals - one of the richest regions of Russia

Population - 15.4 million

Regional telecom market's turnover in 2006 - \$2.3 bln

Telephone penetration

- Fixed telephony - 28%
- Mobile telephony - 98%

Average monthly public incomes in 2006 - \$527 (34% higher than Russian average)

RGP per capita in 2005 - \$7,380 (88% higher than Russian average)

## Leadership in key business segments

Market share as of 2006

- Fixed-line services - 81%
- Mobile services - 43%
- Internet - 49%

Integration of fixed and mobile services

- Consolidation of mobile and data subsidiaries - June 2005
- 3.7 mln subscribers in fixed telephony
- 4.5 mln subscribers in GSM (Utel)

Optimization of staff numbers

- Number of employees as of 2006 - 28,130 (down 17% for the year)

## Stable financial performance (IAS 2006 Estimated)

Revenue - \$1,240 mln

OIBDA margin - 30%

EBIT margin - 16%

Market cap - \$2.6 bln

# Shares

## Shares are traded on

- Russian Trading System (RTS) - Level 1 Quotation List
- MICEX - A1 Level Quotation List

## Level 1 ADRs for ordinary and preferred shares

- Traded in Open Market segment of Berlin and Frankfurt Stock Exchanges

## Credit ratings

- Standard&Poor's - BB-, Stable
- Fitch Ratings - B+, Stable
- Fitch Ratings - A-(rus) (National)

## Ordinary shares are included in MSCI Russia index

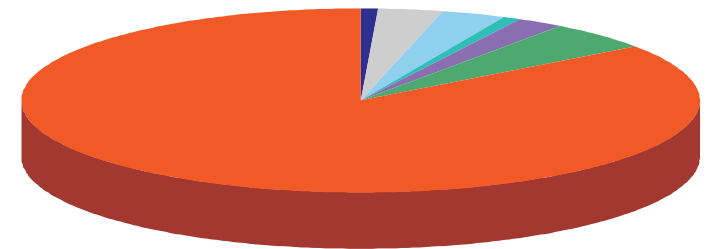
## Liquidity

- Average daily volume for the last 12 months - \$ 35.9 mln

## ORD shares (URSI) vs RTS Index, October 02 - April 07



## Liquidity (RTS and MICEX)



## Trade volumes, as a percentage of MRTs total, January - March 2007

- Uralsvyazinform (85.1%)
- Dalsvyaz (0.9%)
- Volgatelecom (4.8%)
- Centertelecom (2.9%)
- South Telecom (0.9%)
- North West Telecom (2.2%)
- Sibirtelecom (3.2%)

# Ownership Structure

As of 01/04/2007

## Shares outstanding

Number of shares - **40 134 723 306**

including:

ordinary shares - 80 %

preferred shares - 20 %

**52-week min/max (RTS):**

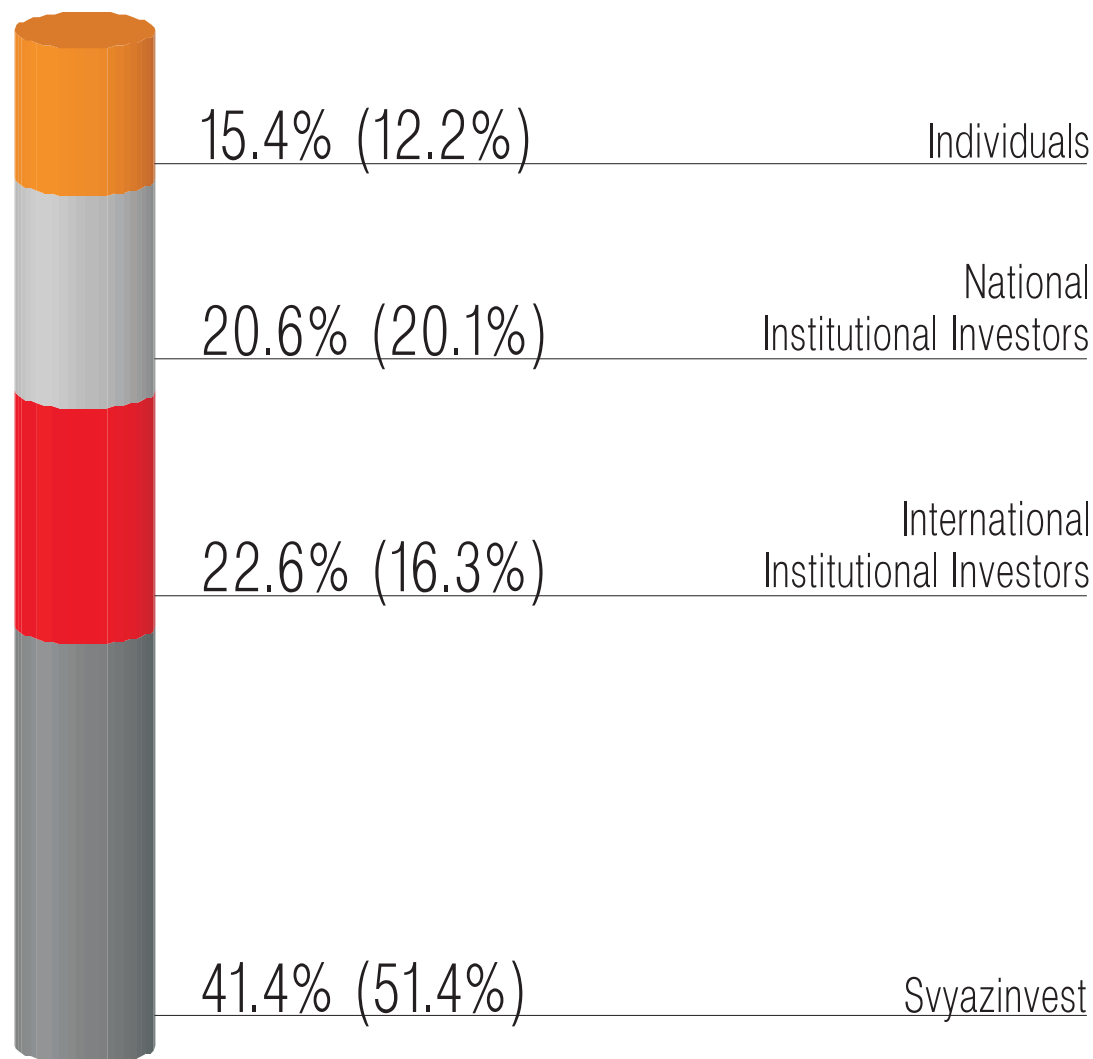
ordinary - \$0.0321/0.0728

preferred - \$0.0240/0.046

**Free float (ORD) - 45 %**

**4.6% state-owned stake (ORD) sold**

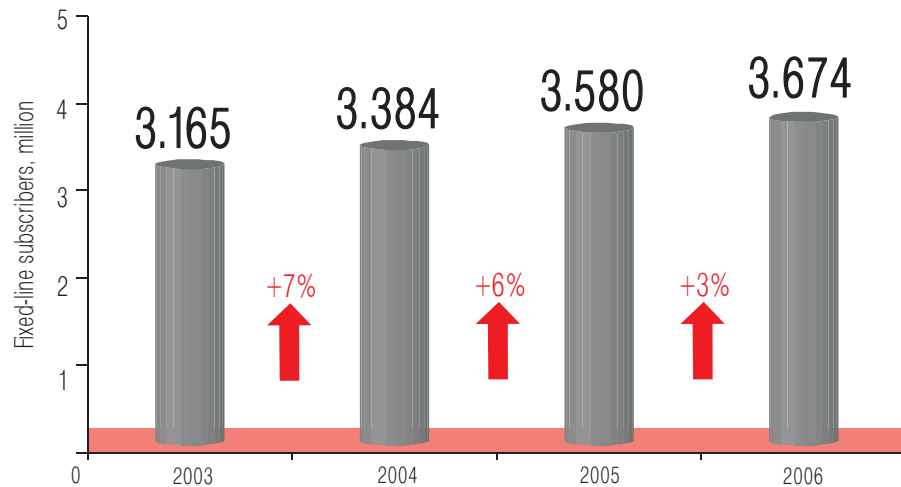
at an auction in the end of February 2007



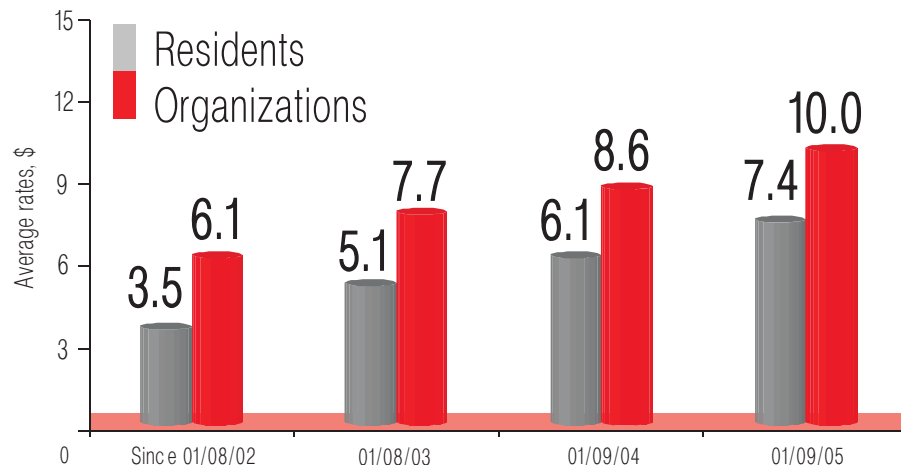
\*In (brackets) - share in voting stock

# Fixed-Line Services - Revenue Growth ...

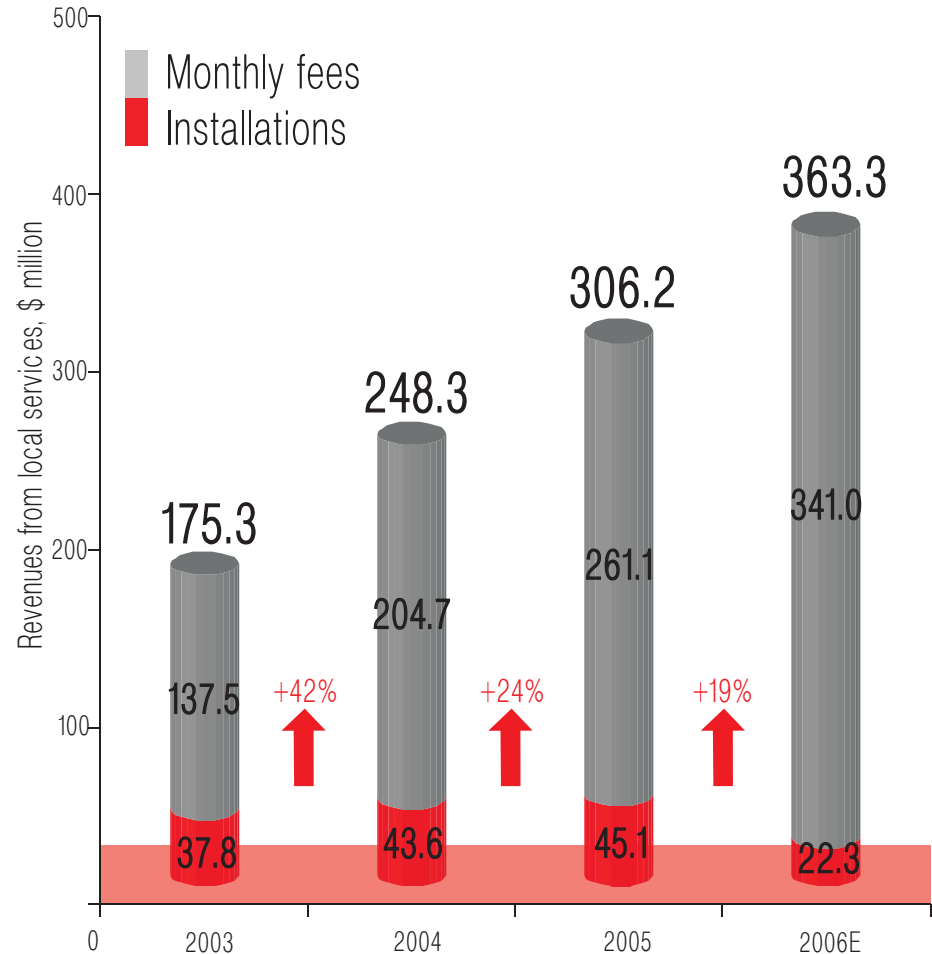
> Main growth drivers: Stable demand for fixed-line services ...



... And positive effect of re-balanced tariffs ...



Resulted in sustained revenue growth from voice services ...

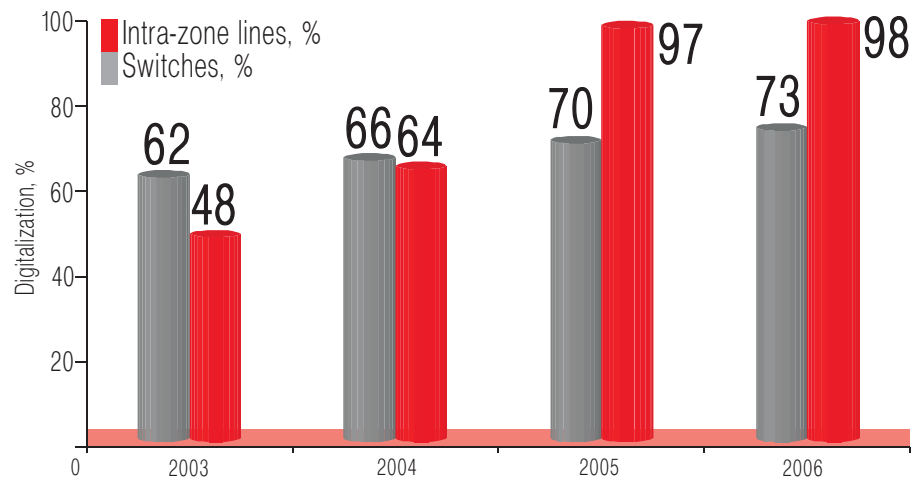


However, the growth potential of voice services will soon be used up ...

Revenue 06-11, CAGR +3-4%

# ... Focus on Higher Efficiency ...

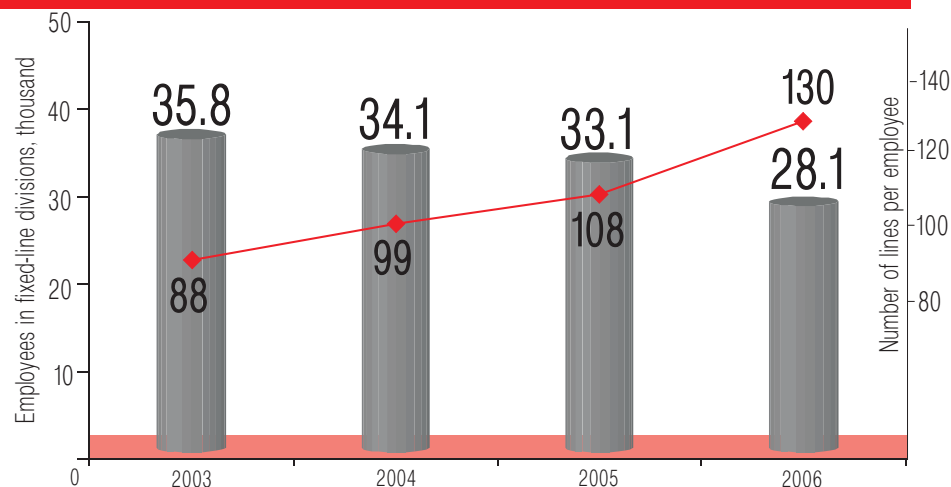
## Higher digitalization ...



## The goal: EBITDA margin at no less than 33%

- 20% staff reduction by 2009
- Streamline materials, repairs and maintenance
- Strict control of administrative and other expenses
- Control of receivables and lower bad debt reserve
- Lower costs on external Internet traffic
- Optimize sales and customer service costs through service bundling and outsourced functions

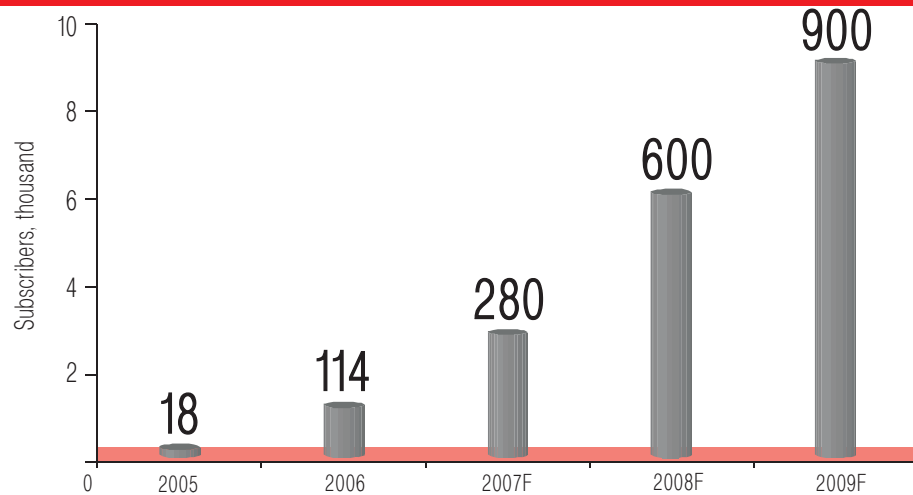
## ... Optimized headcount



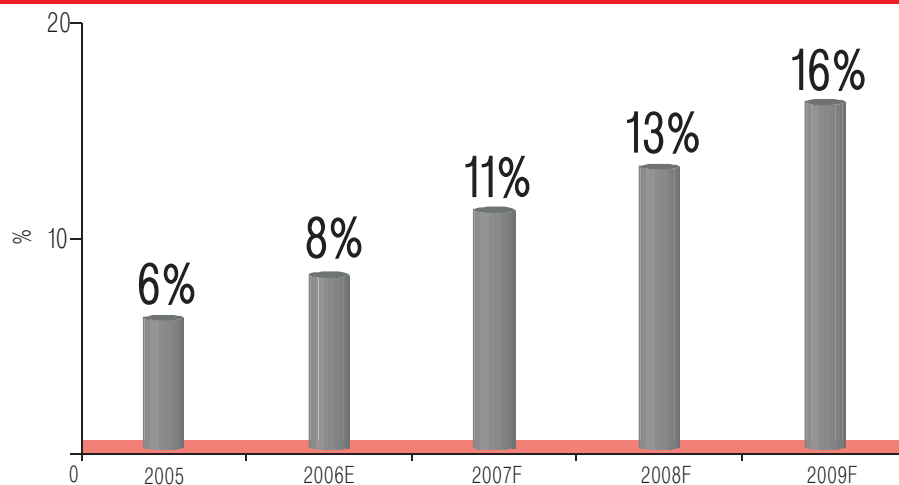
# ... and Non-Voice Services

>

## Subscribers of broadband services (xDSL)



## Share of new services in revenue



## Growth Components

Strong position in the regional data market - market share of about 50%

Public incomes are growing while the market has huge potential

- Internet penetration has not exceeded 15% of households, PC penetration about 25% of households

Broadband services are likely to surge to 20-30% of households in the next few years

Main competition comes from localized urban-area providers, but xDSL has a number of unquestioned advantages

- High speed (up to 8 Mbps)
- Low cost (from \$0.04 per 1 Mb)
- Individual channel
- Easy installation and setup

Flexible tariffs and tariff packages

ARPU in broadband services is about \$40

Revenue 06-11, CAGR +30-40%



# Tariff Packages

Tariff packages are USI's unique offering in the regional market

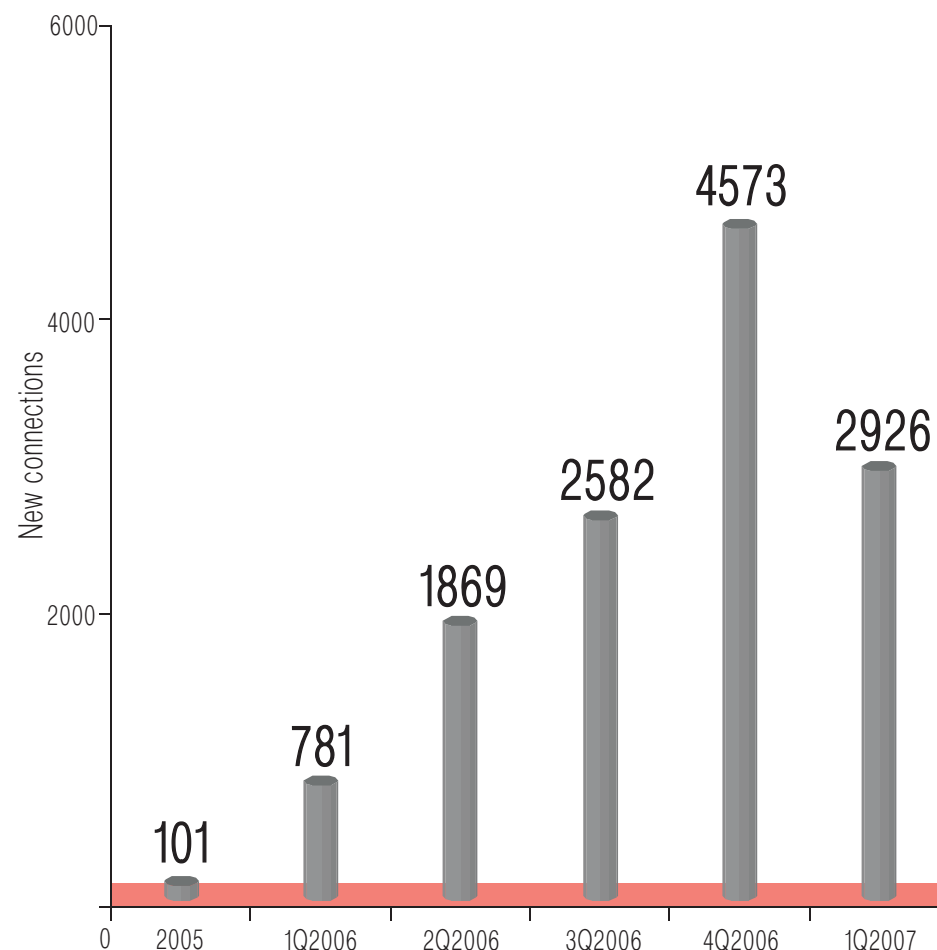
The tariff packages are marketed as:

- A service under a single brand;
- Relying on available last mile (accessing end-users via fixed-line and mobile channels);
- Across the customer mix, with special focus on middle income, corporate and VIP clients

Since 2006 USI has offered 6 types of packages:

- Fixed-line telephone + ADSL Internet connection;
- Fixed-line telephone + mobile contract;
- Fixed-line telephone + ADSL + mobile contract;
- ADSL + mobile contract;
- ADSL + cable TV
- Fixed-line telephone + CDMA

## Sales of tariff packages - on the growth



**12.7 thousand packages sold since 2006, sales totaled about \$1.8 million**

# Tariffs in Effect since February 01, 2007

On November 14, 2006 Federal Tariff Service set marginal tariffs for the provision of local telephone services by Uralsvyazinform. Following this decision the company is introducing three tariff plans beginning with February 1, 2007 for about 2.6 million of its fixed-line subscribers. As of March 01, 2007 about 67% of subscribers have chosen one of the three tariff plans (where technically possible).

## Installation fee

\$165  
(\$220 until Feb01/06)

## Monthly charges

- Fixed charges (line rentals) - \$4.8 (Urals) / \$6.7 (North)
- Variable charges (local calls) - see table below

Variable charges	Time-billed	Combined	Unlimited
Current subscriber base distribution, %	46%	17%	37%
Line rentals	0	\$3.3	\$6.1
Pre-paid minutes	-	360	unlimited
Charge per 1 minute	¢ 0.9	¢ 0.7	-
Total monthly charges			
Urals	\$4.8 + ¢0.9 per 1 min	\$8.1 + ¢0.7 per 1 min	\$10.9
Northern regions	\$6.7 + ¢0.9 per 1 min	\$10.0 + ¢0.7 per 1 min	\$12.7

Unlimited tariff to amount \$8.5 on average if per-minute billing is unavailable

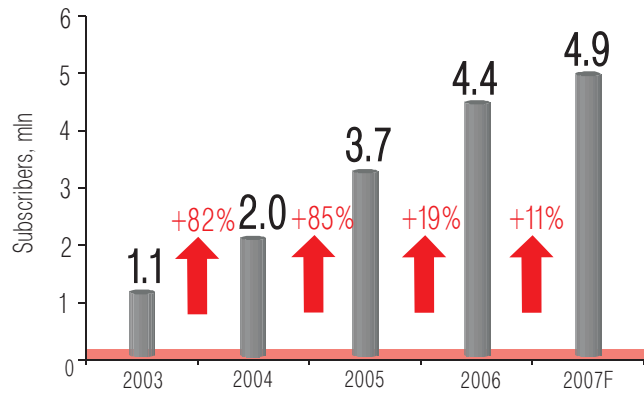
## Organizations

- Fixed charges (line rentals) - \$6.3 (Urals) / \$8.9 (North)
- Call charges - ¢0.9 per 1 min (Urals) / ¢1.4 per 1 min (North)
- Unlimited tariff to amount \$11.1 on average where per-minute capability is unavailable

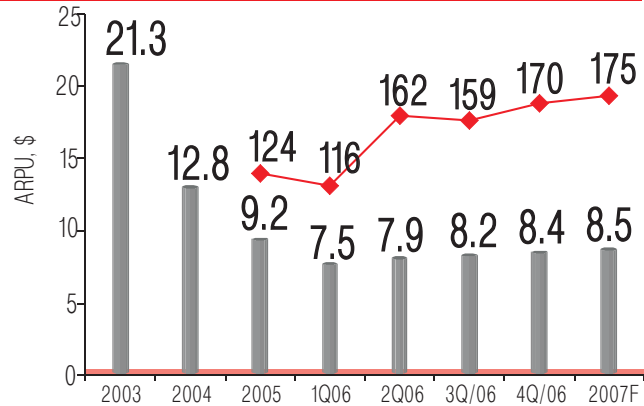
# Mobile Business - Continued Leadership

>

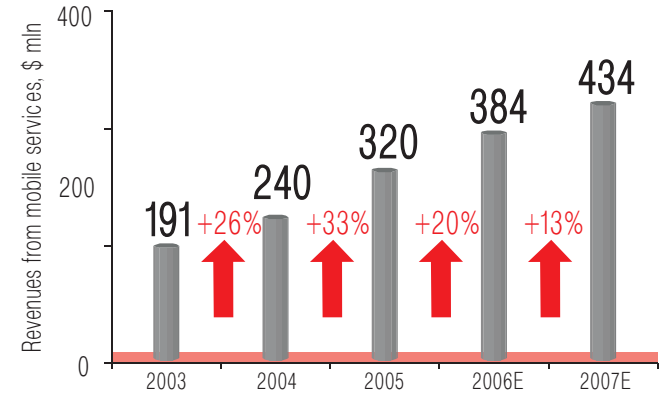
## Number of subscribers, mln



## ARPU & MOU



## Revenues, \$ mln



## Sustainable market share despite competition

### Market share, Urals region, %

	2003*	2004*	2005*	2006*	2006**
<b>Utel</b>	38	30	29	29	44
<b>MTS</b>	33	30	28	28	20
<b>MegaFon</b>	20	20	17	16	18
<b>Vimpelcom</b>	3	14	20	20	11
<b>Motiv</b>	6	6	6	7	7

\* In terms of subscriber numbers, ICM Consulting, Company data  
 \*\* In revenue terms, Company data

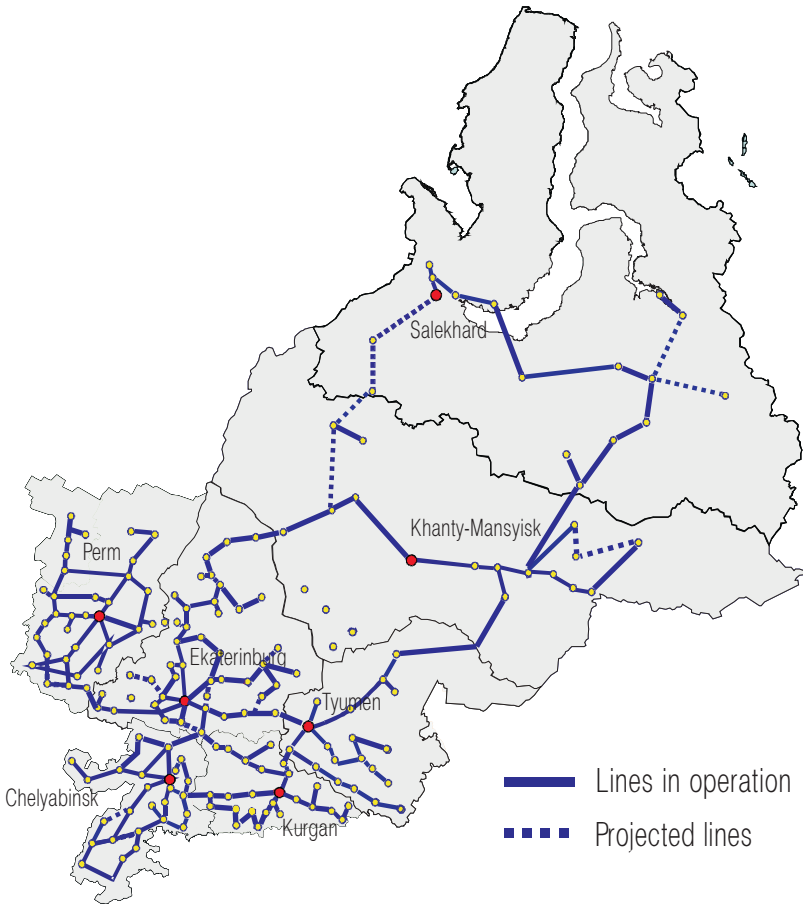
Regional mobile market is almost fully saturated. Mobile phone penetration is about 100%  
 Strong financial performance. EBITDA margin at about 45%, revenue up 20% vs 2005  
 Re-branding (August 2005) helped retain market share and efficiencies

Revenue 06-11, CAGR +14-16%



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# High Level Digitalization - An Important Competitive Strength



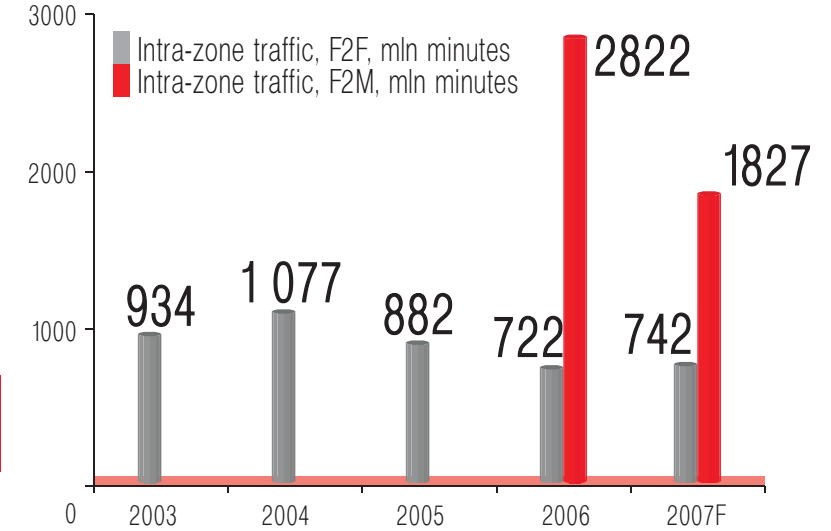
- Intra-zone market is driven by growing traffic exchange between mobile and fixed networks

**Revenue 06-11, CAGR +6-7%**

## Network development

	2002	Capacity installed					2003-07	Total
	In operation	2003	2004	2005	2006	2007F	Plan	2007F
<b>Intra-zone lines</b> <small>Thous. Km</small>	5.0	+4.5	+5.1	+1.7	+0.5	+0.4	+12.2	17.2

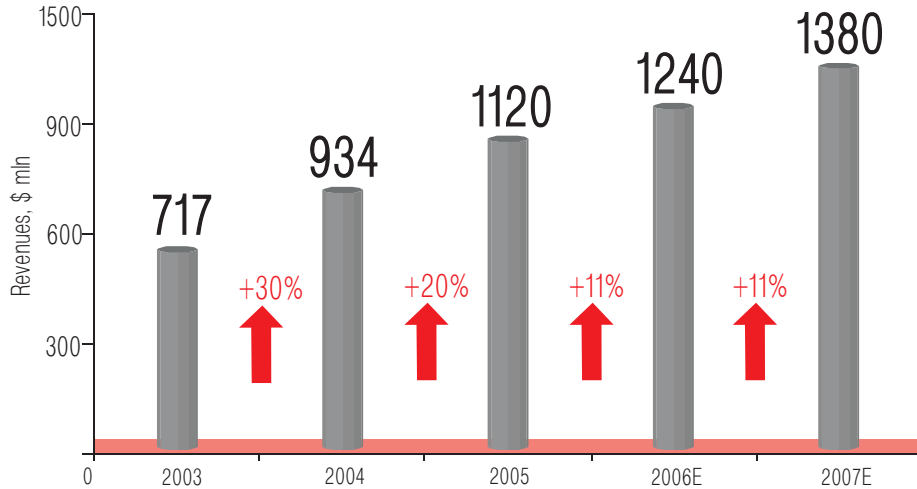
## Intra-zone traffic, million minutes



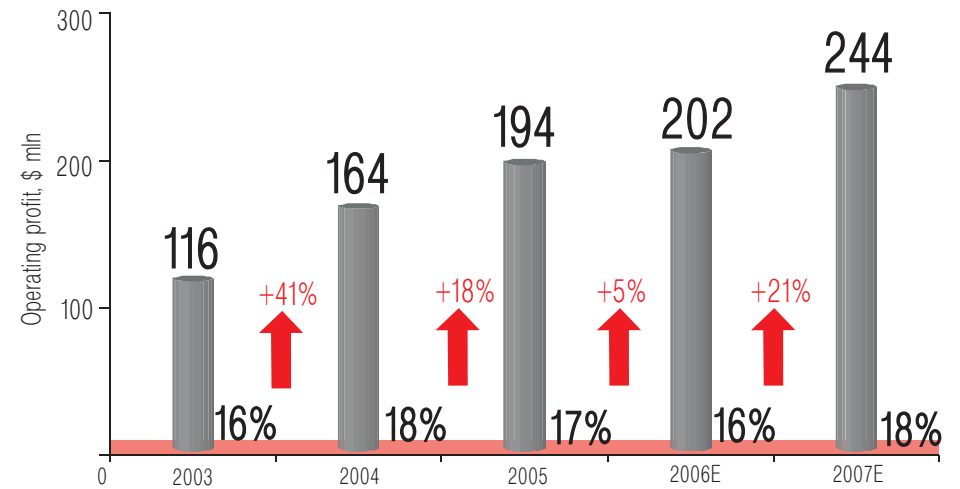
# Financial Performance, 2003-2006

According to IAS

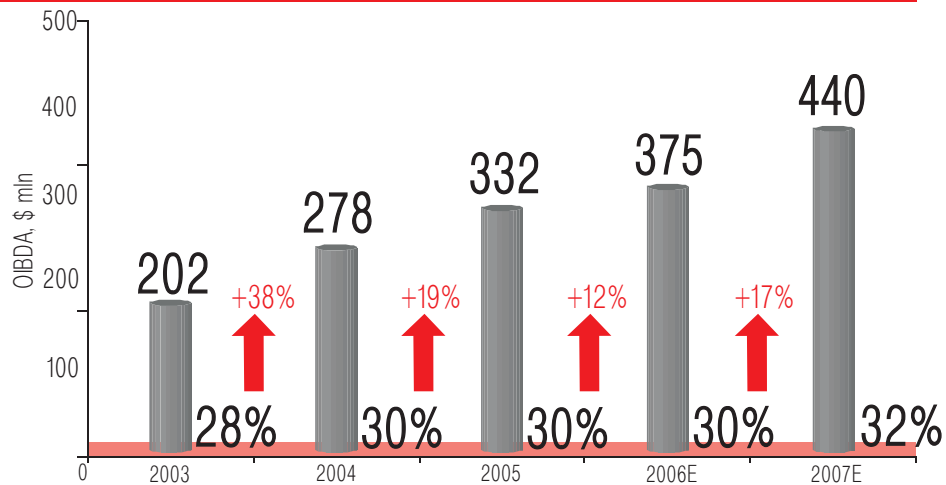
## Revenues



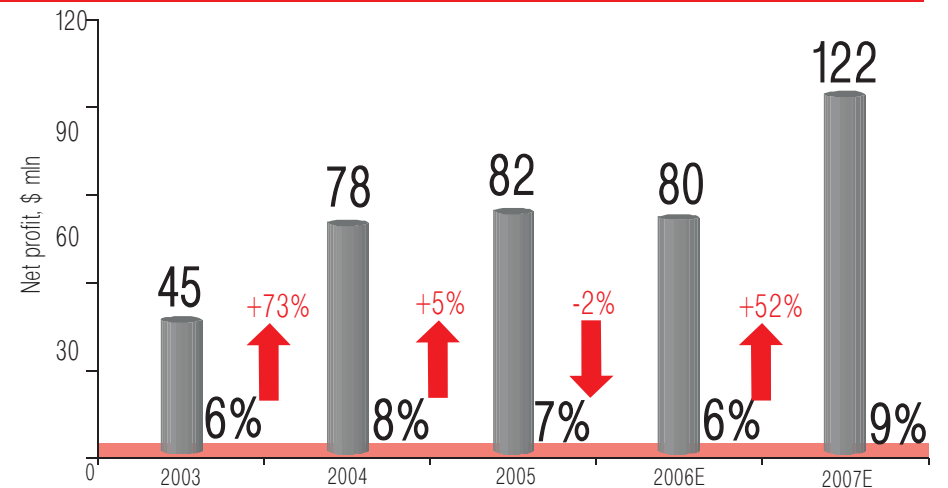
## Operating profit, EBIT margin



## OIBDA, OIBDA margin



## Net profit, Net margin

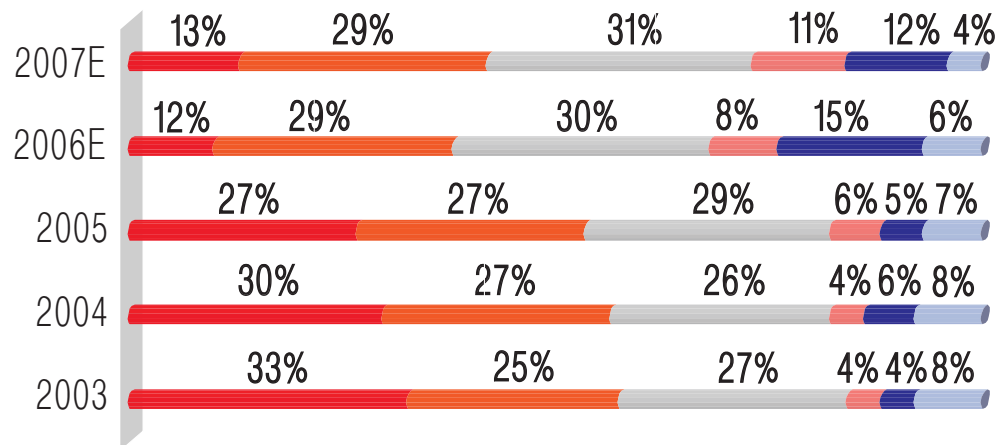


WWW.USI.RU  
WWW.U-TEL.RU

\* Solely for information purposes, all items are re-calculated in US dollars at the following rates: 2003 - RUR 30.7, 2004 - RUR 28.8, 2005 - RUR 28.3, 2006 - RUR 27.1, 2007 - RUR 27.0

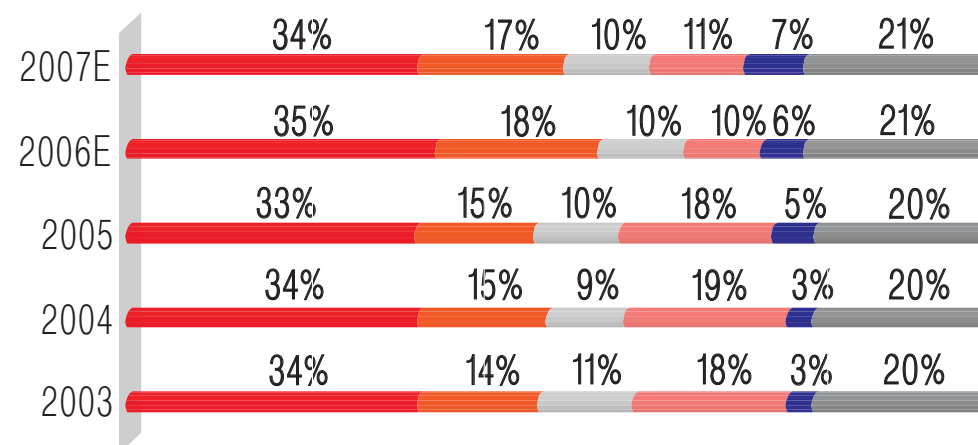
# Key Financial Data

## Revenue structure



- Long distance services
- Local telephone services
- Mobile services
- New services
- Revenues from national operators
- Other

## Expenses structure



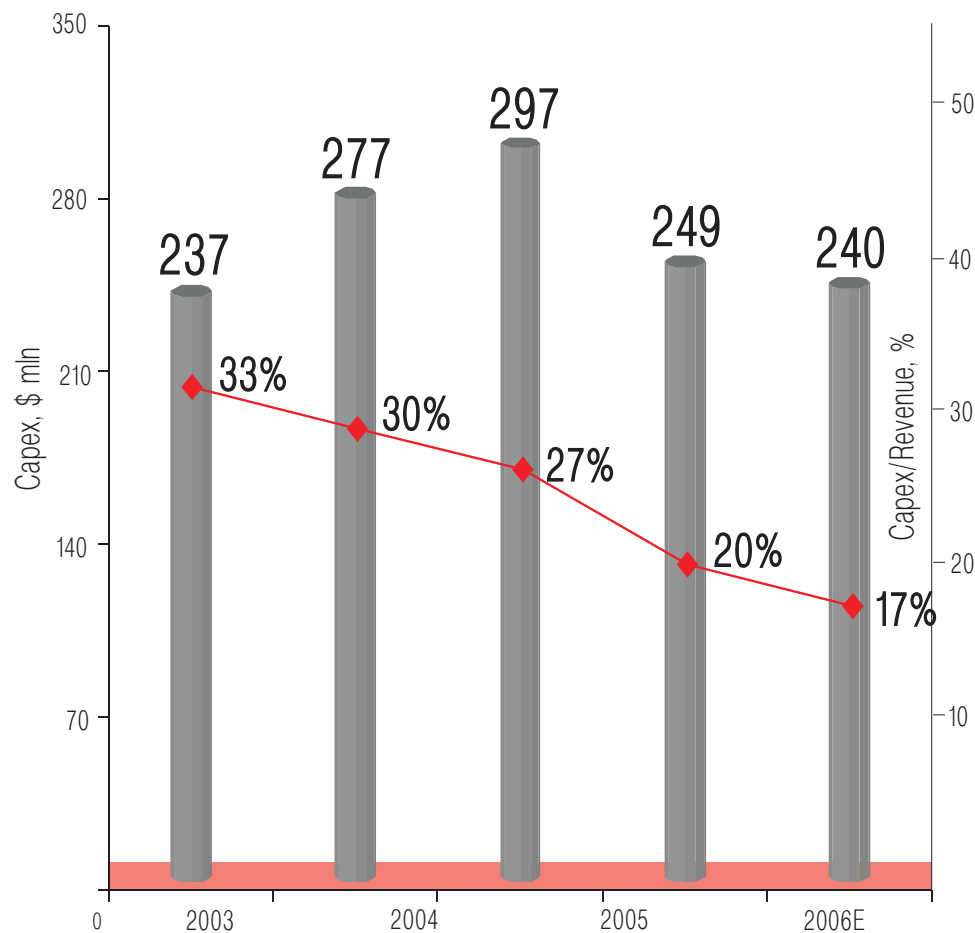
- Wages, salaries and other employee benefits
- Depreciation and amortization
- Materials, repairs and maintenance
- Interconnection charges
- Agency fees
- Other expenses, including

(As of 1H 2006)

- Taxes - 3%;
- Lease of premises - 2%;
- Advertising - 2%;
- Fire insurance and other security services - 2%;
- Insurance - 1%;
- Charitable contributions - 1%;
- Other expenses - 10%

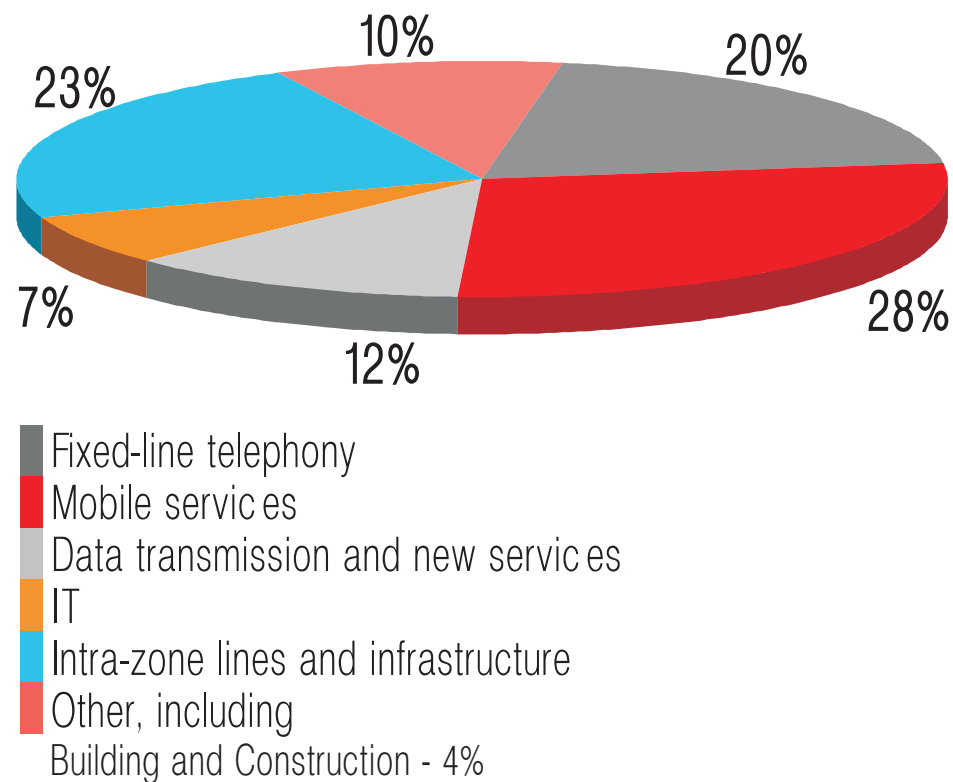
# Optimization of Capex

## Capex and Capex/Revenue



The planned **Capex** for the next 2 years (2008-2009) is about \$ 500 mln (\$ 250 mln annually). We expect **Capex/Revenue** at 15-16% by 2009.

## Structure of Capex, 2006





# Telecom Market

## Market segmentation

	2006	2007	2008	2009	2010	2011
Local services	20%	18%	17%	16%	15%	14%
Long-distance/intra-zone services	18%	17%	15%	14%	13%	12%
Mobile services	42%	45%	48%	48%	49%	51%
Internet and data transmission	8%	9%	10%	11%	13%	14%
Interconnection and termination	7%	5%	5%	4%	4%	4%
Other	5%	5%	6%	6%	6%	6%
TOTAL, RUR billion	61,8	70,7	81,9	91,7	101,1	110,6

## Market share of Uralsvyazinform

	2006	2007	2008	2009	2010	2011
Local services	80%	82%	80%	77%	74%	74%
Long-distance/intra-zone services	34%	44%	43%	42%	41%	41%
Mobile services	43%	39%	40%	41%	42%	42%
Internet and data transmission	49%	58%	60%	69%	70%	69%
Interconnection and termination	96%	96%	95%	94%	93%	92%
Other	29%	20%	17%	14%	16%	17%
TOTAL, market share	52%	52%	50%	51%	51%	50%

By 2011 mobile services are expected to become the main driver in the telecom market. Internet and local services are likely to have equal shares although with inverse growth trends. Therefore, in 2007-11's the company will mainly invest in mobile communications and converged networks.





## Industry trends

Overall subscriber base of about 8.6 mln

Increased competition

Substitution of local and intra-zone services with mobile and VoIP

Subscribers migrate from localized services to services on-the-move

## Outlook and market positioning

Strategy to widen the range of services and encourage usage by existing customers

Step-by-step network upgrades toward an enhanced IMS architecture and real-time billing systems

Convergence of networks of all types aimed at offering customers a single interface for all services, with special focus on mobility

## Business model

Uralsvyazinform is a versatile operator with all types of last mile in hand. USI covers all customer segments of the telecom market.

Subscribers are not “tied down” to the specific operator they have contracted with

Subscribers are in a state of “permanent roaming” and are free to select a network which will match their demands in terms of quality, price and services range at a given place and time

It is operators who will run mutual settlements

# Strategic Initiatives

## Retain market share of 50%

Develop broadband networks through:

- Usage of up-to-date technology (FTTx, xDSL, Wi-Fi, WiMAX)
- Migration toward IMS-architecture
- Dynamic service bundling
- Increasing services range with IPTV

Increase subscriber base of Broadband through:

- Optimized pricing
- Offering higher bandwidth and
- New technology (VDSL2, Wi-Fi, WiMAX, ADSL2)

Add subscribers in mobile services

Encourage usage of service packages

## Increase operational efficiencies

- Reduce staff numbers
- Reduce costs for external Internet traffic
- Streamline material expenses, repairs and maintenance costs, and security
- Optimize sales costs through bundling and outsourcing

## Reduce debt

- Effectively use property through leasing and sale
- Reorganization of subsidiaries

by 2011



Retain market share of traditional services and increase the share of Broadband market



EBITDA margin not less than 36% (30% in 2006)  
Net margin not less than 11% (6% in 2006)  
ROIC - 16% (11% in 2006)



Debt/Equity at - 74%  
(172% in 2006)

# Strategy - Fixed & DATA

>

## Services

NGN services, incl:

- Call management
- Single Number service
- Videoconferencing
- Content servers

Service bundling and new tariff plans

DSL Internet

IP TV roll-up

Content services

## Customers benefit from

**New offers for  
corporate sector**

**Unified billing and  
customer service**

**Launching new services on the mass  
market will make them affordable  
for the general public and help to streamline  
the costs for providing them**

**Retain the current market share of traditional services  
while aiming to increase the share of broadband services to 70%**

# Strategy - Mobile Services

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## Focus

Mobile and fixed synergy

- Single brand
- Development of service packages
- Integrated client base and CRM systems
- Integrated distribution networks
- Development of NGN platform

Encourage usage

- New tariff plans and packages
- Coverage extension

Cost control

Development of value-added services

## Effects

Increased profitability

Optimized Capex

Sustained leadership

Better customer loyalty  
and retention

Increased segment efficiency and  
protection of market share in a highly saturated market

# Public Targets and Forecasts

	2007	2009
Revenue	About \$ 1.4 bln	Not less than \$ 1.7 bln
OIBDA margin	32%	Not less than 35%
Mobile services subscribers	4.9 mln	5.6 mln
Market share of mobile services*	40%	Not less than 40%
Market share of new services*	58%	Not less than 50%
Share of new services in total revenue	11%	About 16%
Broadband Internet subscribers	280 thous	About 900 thous

\*Market share in revenue terms



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Ticker symbols  
RTS - URSI/URSIP  
ADR - UVYZY/UVYPY

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