



Uralsvyazinform (mobile trademark **Utel**)

the largest provider of fixed-line, GSM
and data transmission services in the
Urals region, Russia

> INVESTOR PRESENTATION

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Disclaimer

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.

Part 1 – Overview

Part 2 - Company today

Part 3 - Company tomorrow



> REGION

Population - 15,4 million

Telephone penetration:

- Fixed-line - 26%
- Mobile - 83%

Regional telecommunications market is estimated at US \$1,8 billion (2005)

> BUSINESS

Subscriber base:

3.6 mln fixed-line subs
3.8 mln mobile subs

Employees - 33,7 thous.

> FINANCIAL 2005 (IAS, Estimate)

Audited IAS financial statements for the last 3 years (2002-2004)

Revenues - \$1.1 bln

OIBDA - \$323 mln

Net profit - \$75 mln

Market capitalization - \$1.5 billion

Urals region

> Natural resources

Oil - 65% of national reserves (6% of world reserves)

Gas - 95% of national reserves (26%)

Iron and manganese ore, copper, gold



> Welfare

Regional industrial output per capita exceeded US\$ 5,900 as of 1H 2005

(the highest level among Russian federal districts), or 18% of Russia's industrial output

Monthly incomes per capita - US\$ 493 (as of Dec 2005)

(second midst federal districts)



Market share

	2005	2006 (forecast)
Local services %	81	82
Long-distance services* %	75	18
Mobile services %	42	43
New services %	44	46

*According to the new regulations under Telecoms Law, USI's long-distance revenues will comprise revenues from intra-zone calls and outbound DLD and ILD calls from payphones starting with 2006

Major events in 2005 - 1Q 2006

April

Successful placement of the 5th series bond issue worth RUR 2 bln. The coupon rate fixed at 9,19% p.a.


May

Successful implementation of the telecommunications network development project based on NGN technology (Nortel) in Chelyabinsk

June

The completion of mobile and Internet subsidiaries' consolidation

August

Presentation of a new mobile trademark -  3 millionth GSM subscriber

September

New tariffs on local and long-distance calls

November

Successful placement of 06 series bonds worth \$2.0 billion. Coupons are 8.20% pa.

January

New principles of interaction between local, intra-zone and LD operators

Listing of ADRs for preferred shares at Frankfurt SE

March

Placement of 07 series bonds worth \$2.0 billion. Coupons are 8.40% pa.

Ownership structure

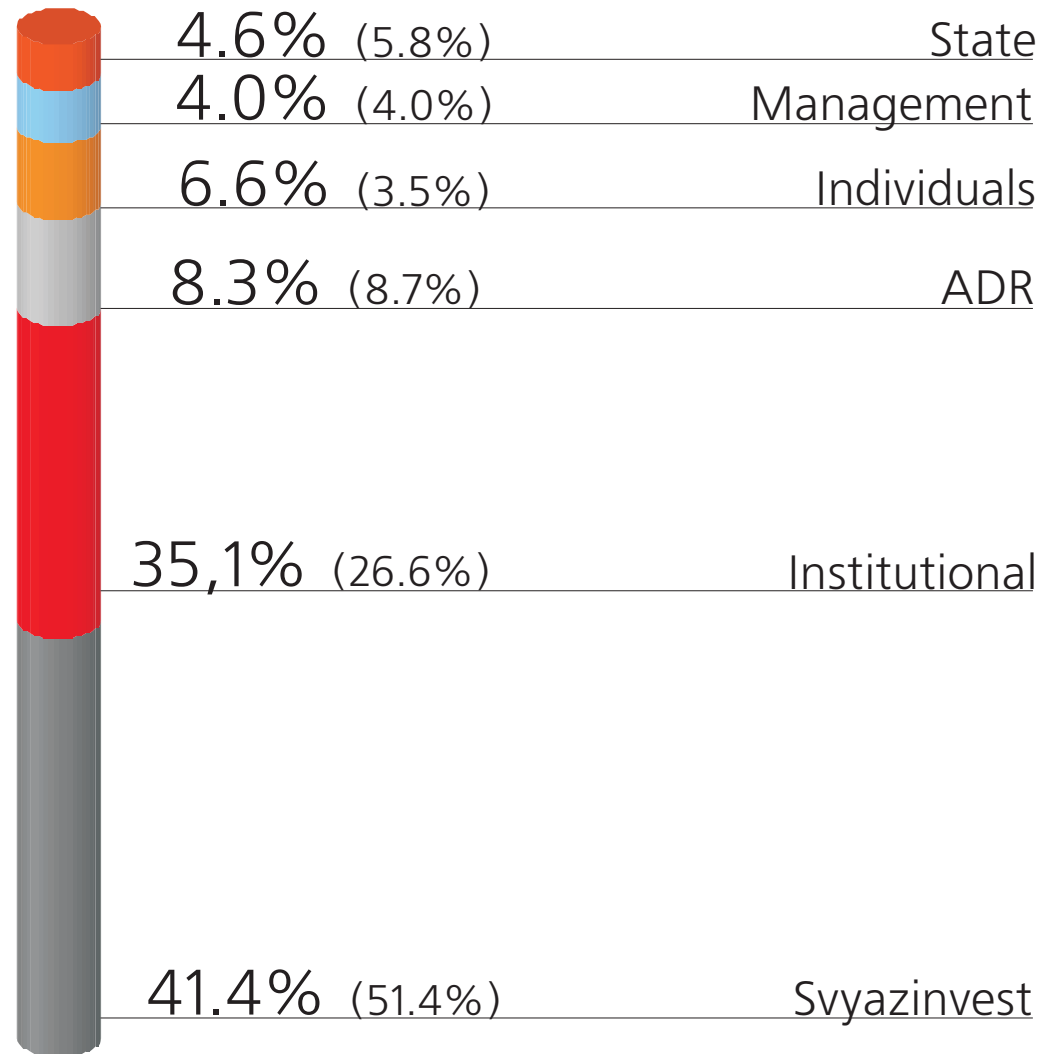
as of April 1, 2006

> Capital stock

Number of shares - 40,134,723,306
of which:
common - 80 %
preferred - 20 %

52-week min/max (RTS):
common - \$0.0329/0.0438
preferred - \$0.0220/0.0367

Free float - 40 %

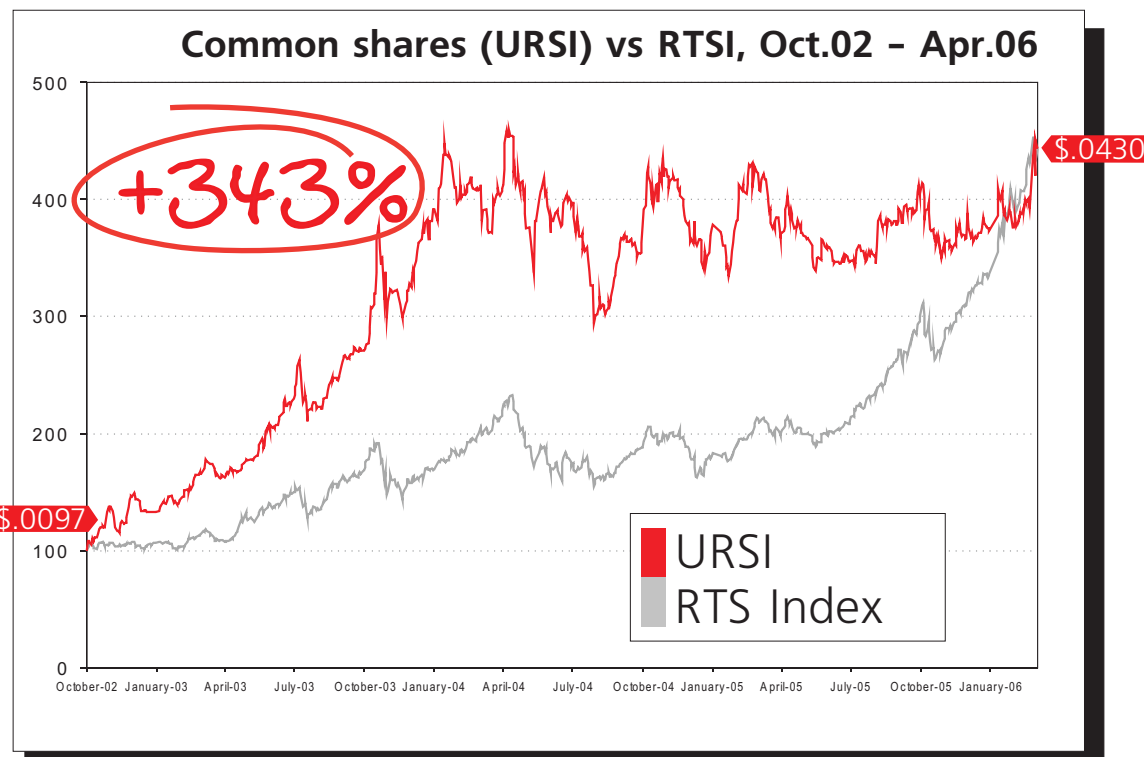


*Voting stock in brackets



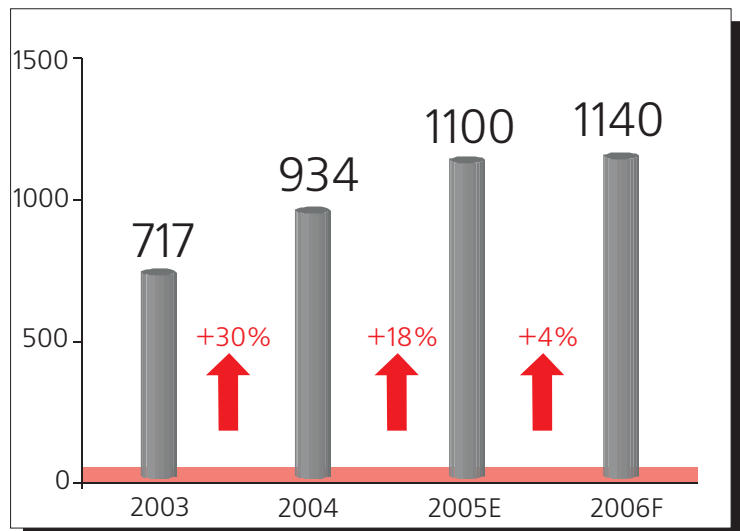
Shares

- **Shares are traded on:**
 - Russian Trading System (RTS) - RTS A1-Level Quotation List
 - Moscow Interbank Currency Exchange - MICEX A1-Level Quotation List
- **Level 1 ADR program**
for common and preferred shares
Traded in Open Market segment of Berlin and Frankfurt Stock Exchanges
- **Ratings**
Standard&Poor's - B+/ Stable
Fitch Ratings - B+/Stable
Fitch Ratings - A-(rus), National
S&P Corporate governance score - 5.0
- **Four committees were established in the Board of Directors**
Corporate Governance Committee
Committee for Strategic Development
Personnel and Remuneration Committee
Audit Committee
- **Liquidity**
Average daily trading volume for the last 6 months - **\$ 9.63 mln**
- Shares are included in **MSCI Russia index**

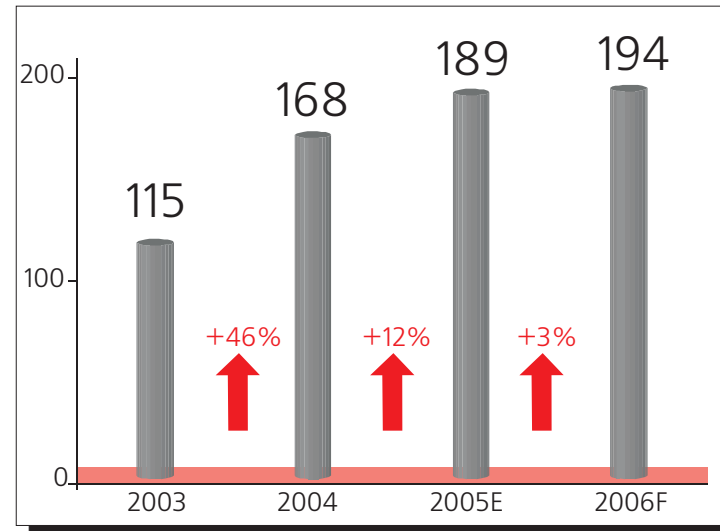


Financial Highlights under IAS

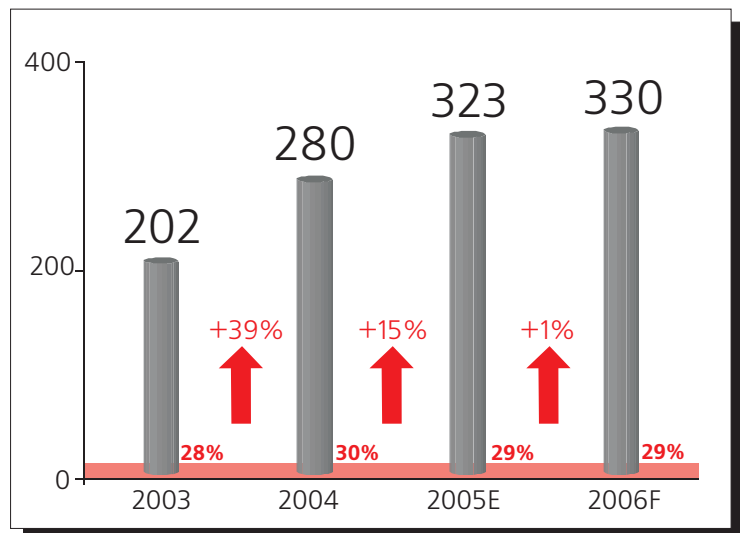
> Revenues, \$ mln



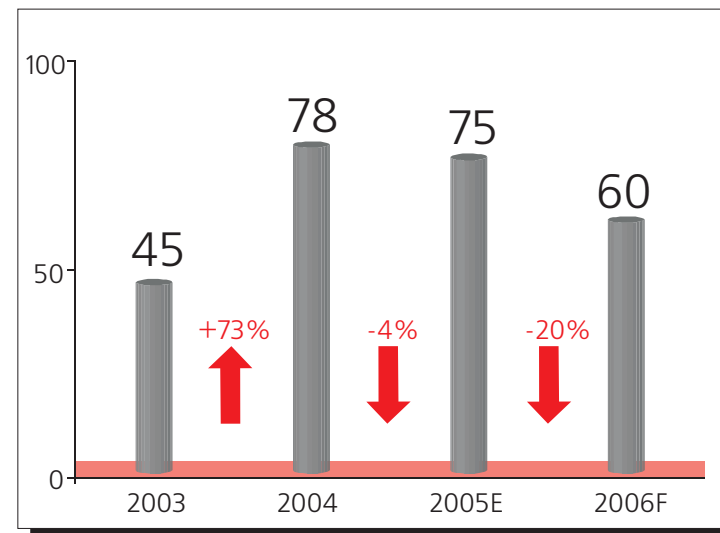
> Operating profit, \$ mln



> OIBDA, \$ mln, OIBDA margin



> Net profit, \$ mln



USD exchange rates as given here and henceforth:

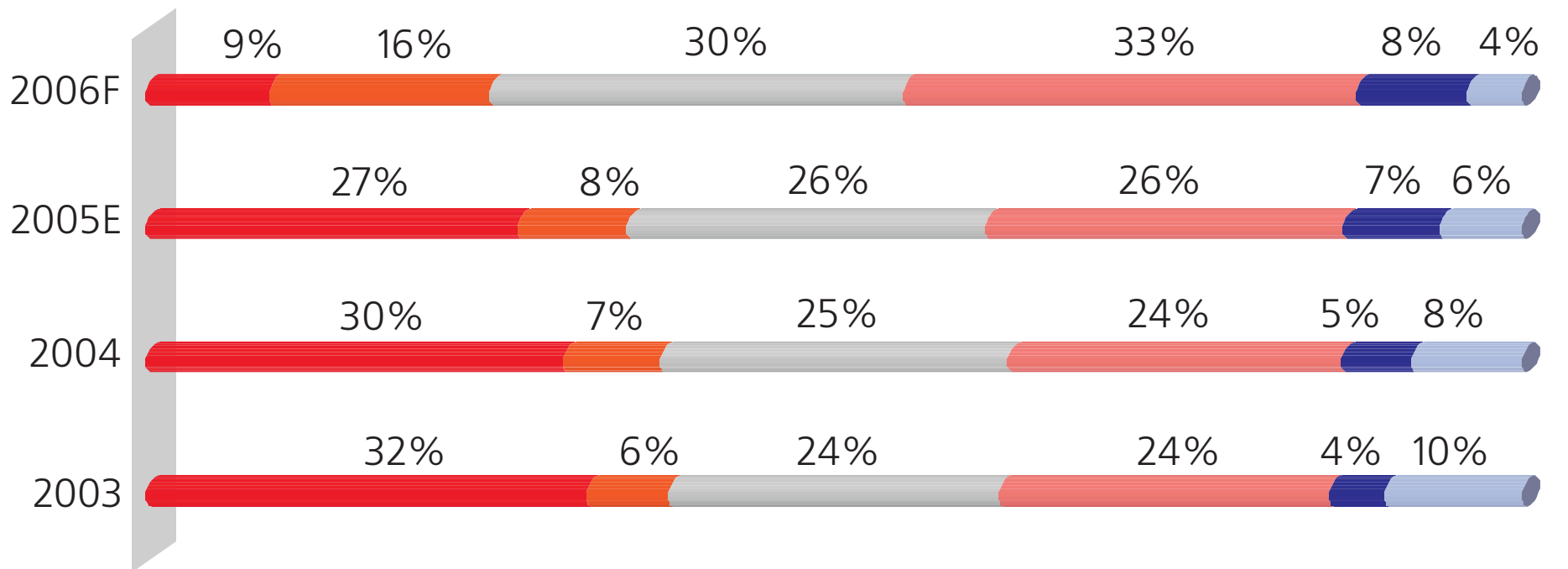
2002 - RUR31.4 / 2003 - RUR30.7 / 2004 - RUR28.8 / 2005 - RUR28.3 / 2006F - 28.4

*2006 forecast is according to the 2006-2008 Social and Economic Development Forecast provided by the Ministry of Economic Development and Trade

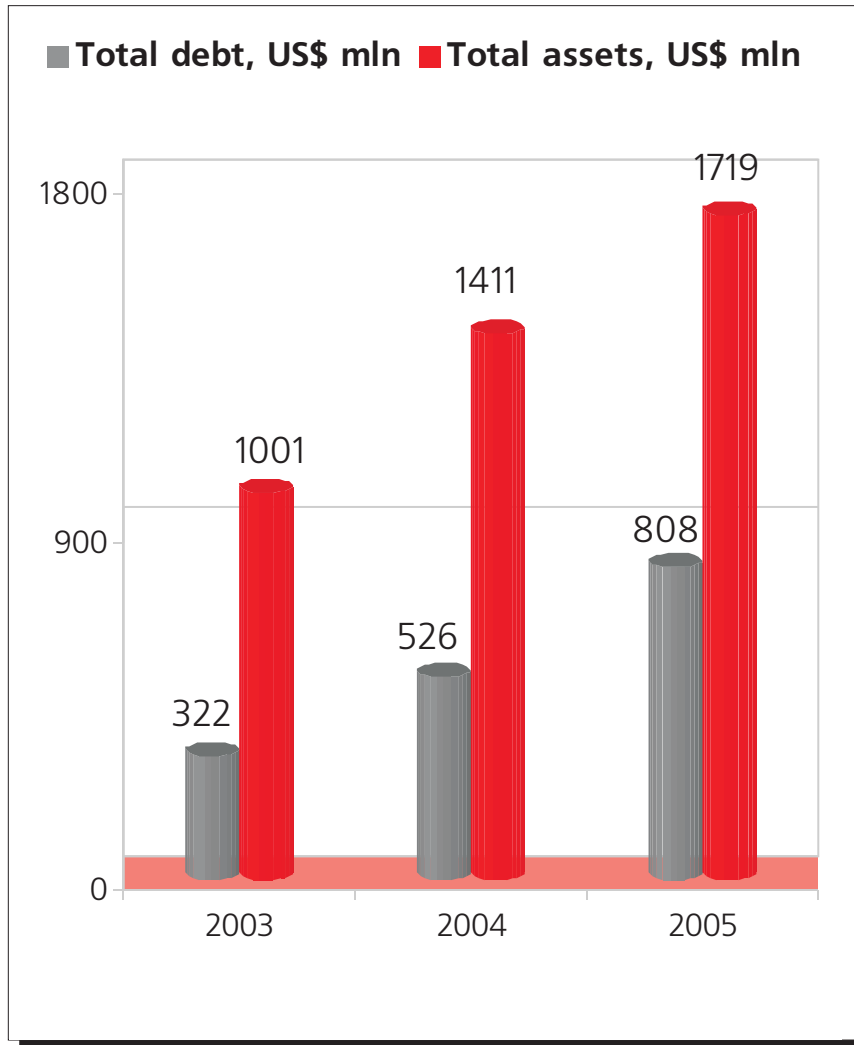


Revenue structure

In compliance with International Accounting Standards



- Long-distance services
- Revenues from operators
- Local services
- Mobile services
- New services (Internet, data transmission, DSL, ISDN, Intelligent networks)
- Other (Radio and TV broadcasting, telegraph etc)

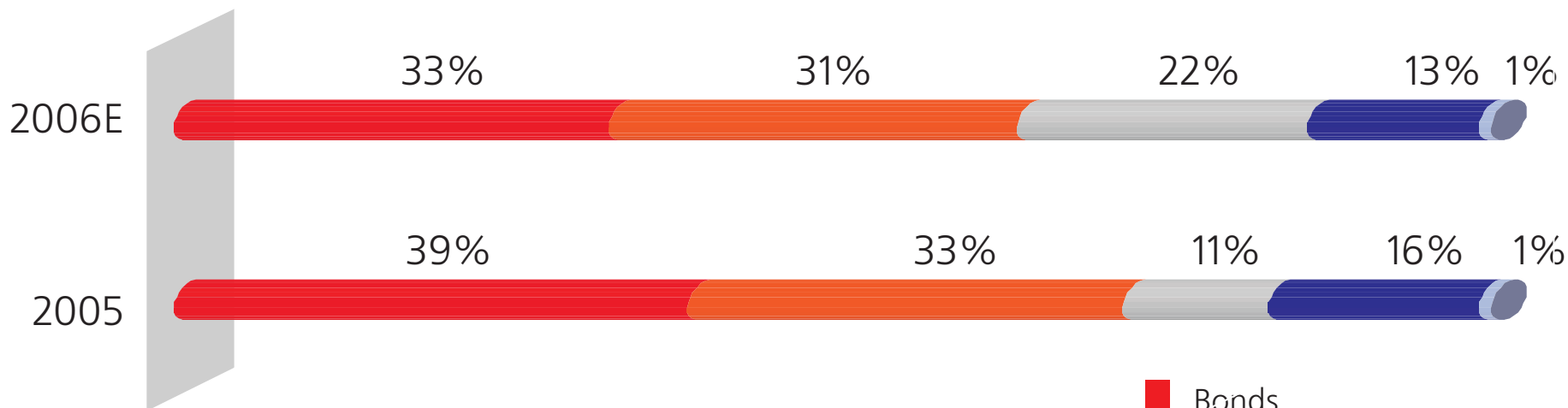


> US\$ mln / RAS

	2005	2004	2003
Cash and cash equivalents	17,9	19,1	16,6
Total debt	808,2	525,8	321,6
Short-term debt	390,5	134,0	73,8
Long-term debt	417,7	391,9	247,8
Net debt	790,3	506,7	305,0
Total assets	1 718,9	1 410,6	1 001,0
OIBDA	323,0	280,0	202,0
Net debt/assets	0,5	0,4	0,3
Net debt/OIBDA	2,4	1,8	1,5

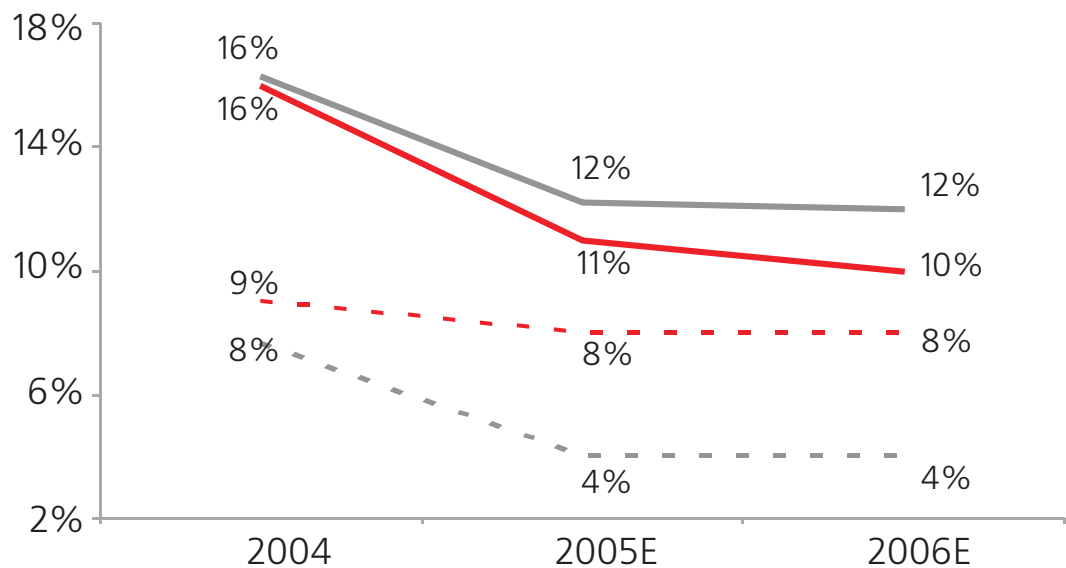


Debt structure



- Bonds
- Long-term credits
- Short-term credits
- Leasing
- Vendor finance

> Average interest rates, %



- Long-term credits, nominated in RUR
- - - Long-term credits, foreign currency
- Short-term credits, RUR
- - - Short-term credits, FC

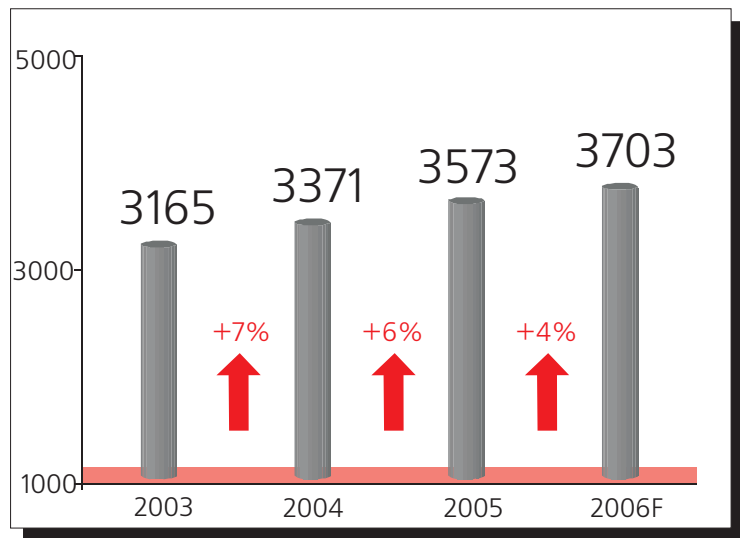
Part 1 - Overview

Part 2 - Company today

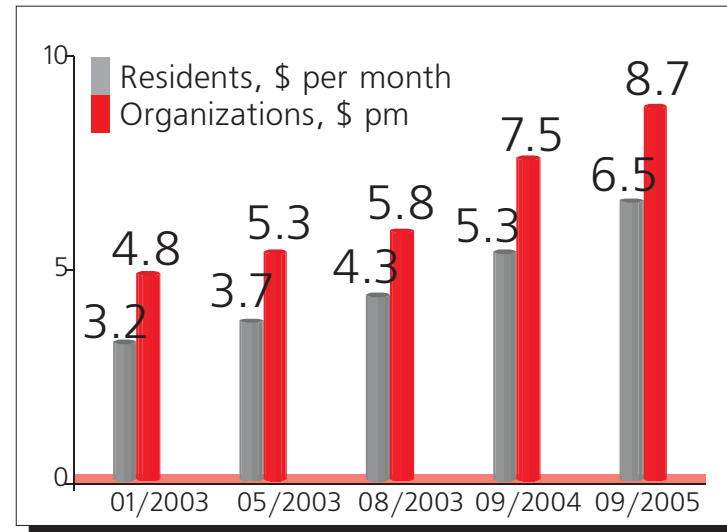
Part 3 - Company tomorrow

Local services

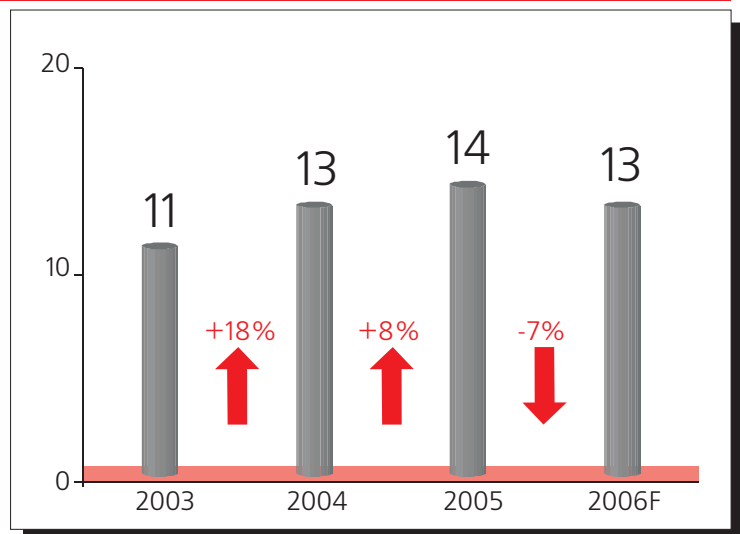
> Subscribers, mln



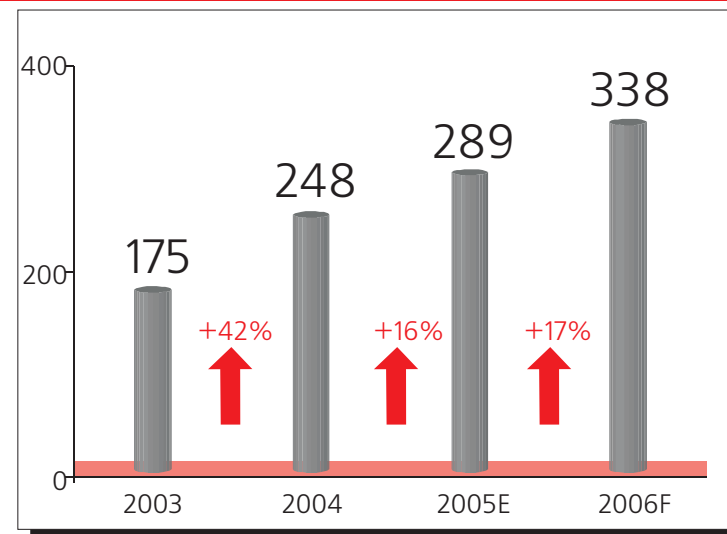
> Tariffs, \$



> ARPU, \$ (incl. LD & new serv.)

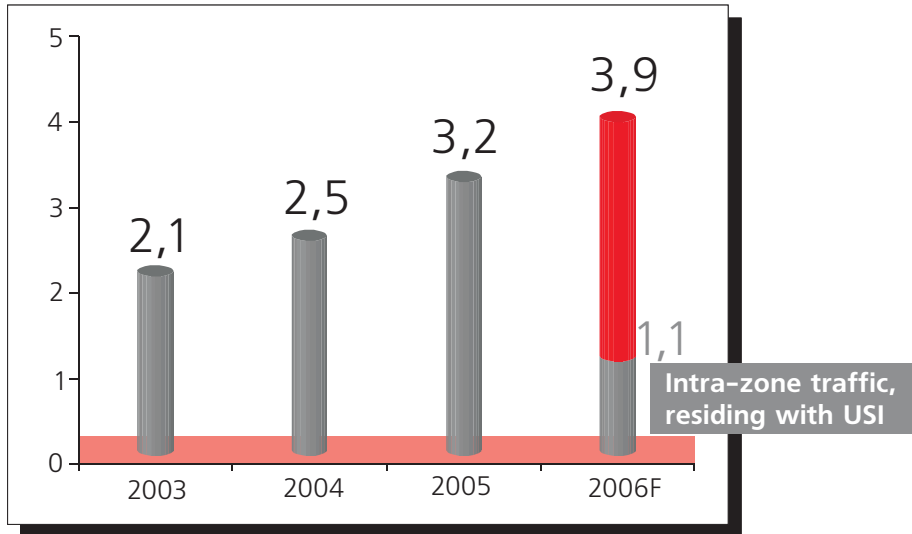


> Revenues, \$ mln

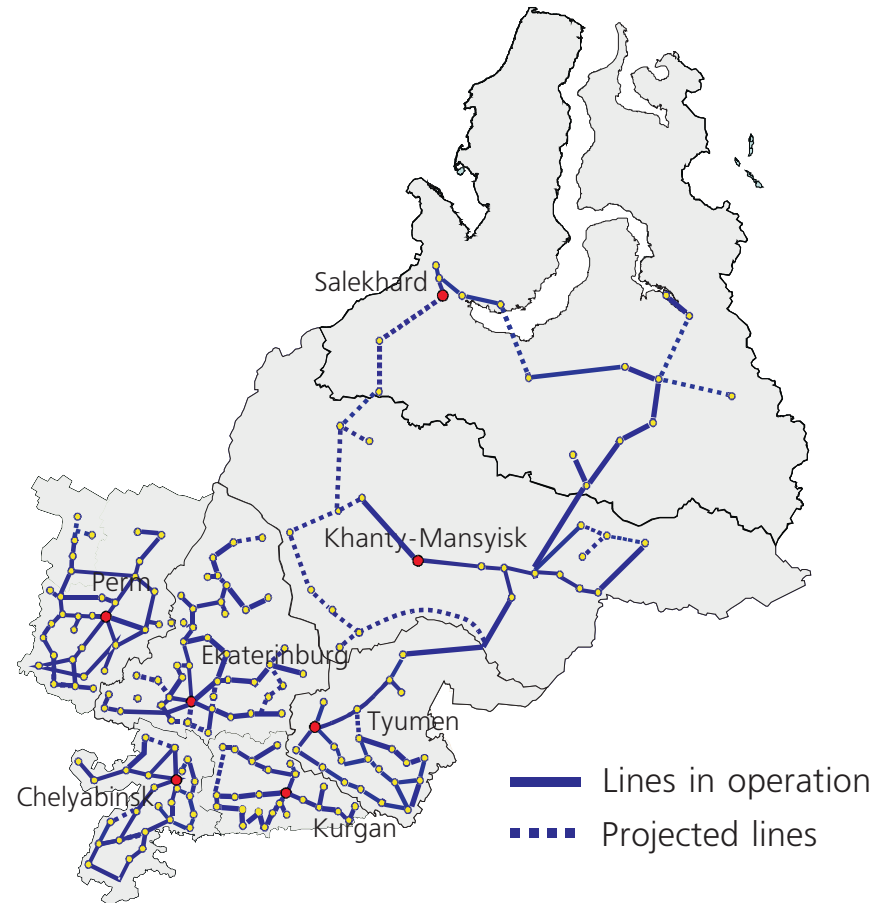
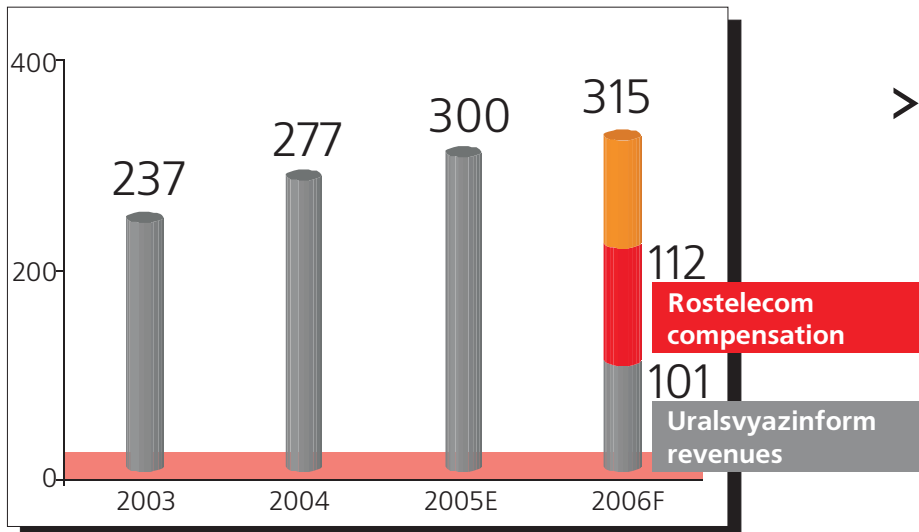


Long-distance services

> LD traffic, mln minutes



> Revenues, \$ mln



> Network extension

	2002 Capacity installed					2003-06 Plan	Total
	2003	2004	2005	2006F	By 2007		
Intra-zone fiber optic & microwave lines	5.0	+4.5	+5.1	+1.7	+0.5	+11.8	16.8
	Thous km						

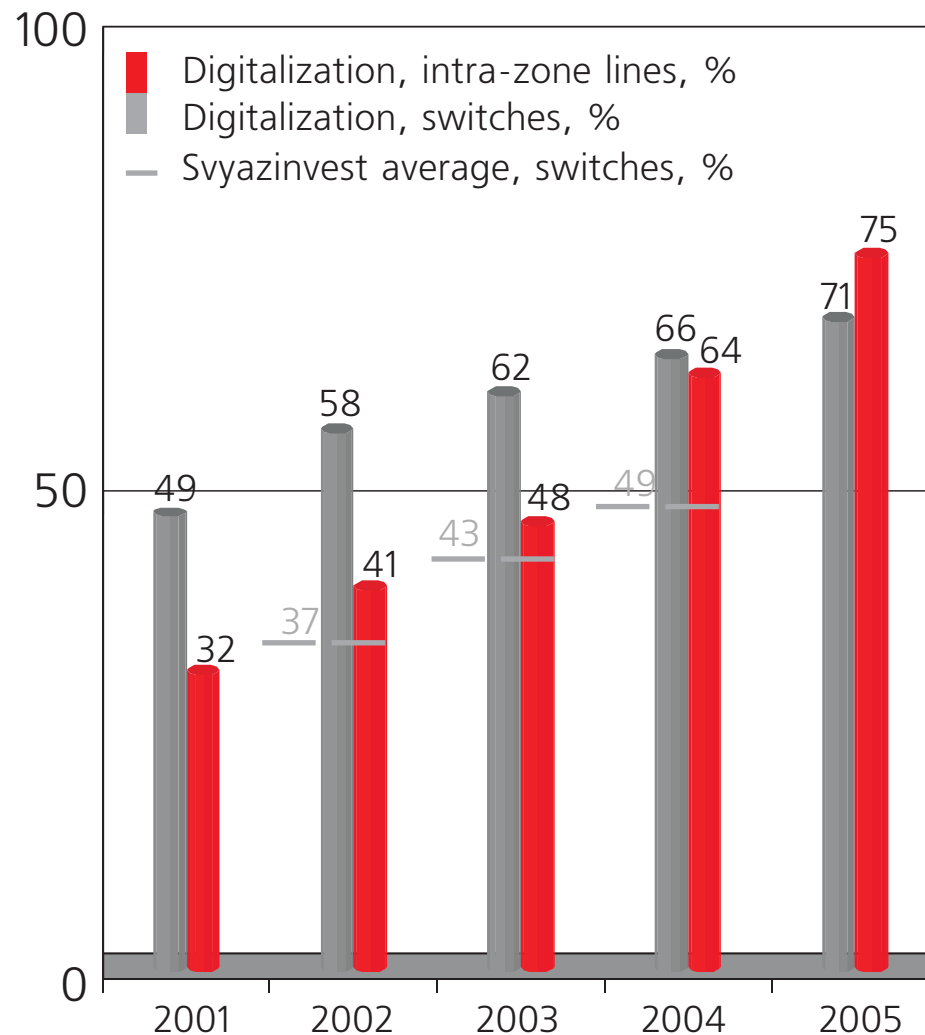


New services

> 2006 objectives

- Focus on new service types
 - Broadband Internet
 - Easily accessible web-center for media
 - Step-by-step roll-up of IP TV
 - Videoconferencing
- Target dial-up users
 - Entry-level service bundles are best suited for dial-up and initial users

> Digitalization



New services (continued)

> Broadband customers	2005	2006F	2007F	2008F	2006-08F
Thous	52	+240	+240	+250	730

■ Market update, 2006

- Fixed-line subscribers **3,703 thous**
- Dial-up customers, Uralsvyazinform **391 thous**
- Dial-up customers, other operators **290 thous**

- Re-connection of Uralsvyazinform's subscribers to broadband lines **196 thous**
- Customers re-connected using xDSL technologies **88 thous**
- Additions from new fixed-line installations **62 thous**
- Estimated xDSL subscribers by 2007 **343 thous**

- Uralsvyazinform xDSL subscriber base, as estimated **258 thous**

- Broadband penetration, by households **6.7%**

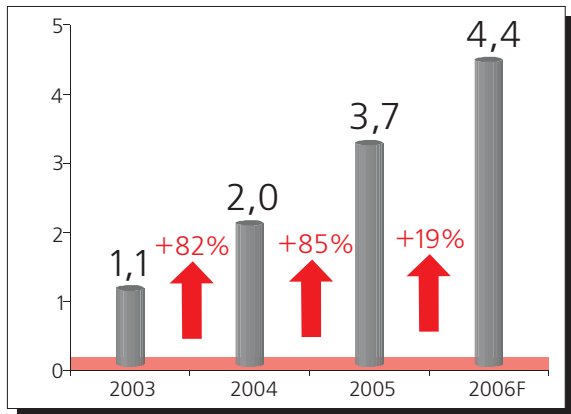


New services (continued)

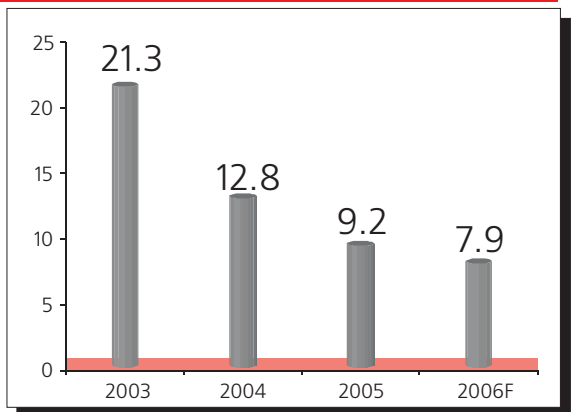
- The company has all the necessary for a technological upsurge that will bring the customers new services, which will balance the losses ensuing from market liberalisation
- Broadband services are expected to generate about 5-6% of total revenue (about \$65-70 million) in 2006
- New services will contribute no less than 20-25% by 2009
- Up to \$170-180 mln in investment within 3 years, overall
- Our aim is to win and protect a sustainable market share of 65% by 2009 in broadband segment

Mobile business - GSM 900/1800

> Number of subscribers, mln



> ARPU, \$



Market share*, Urals region, %

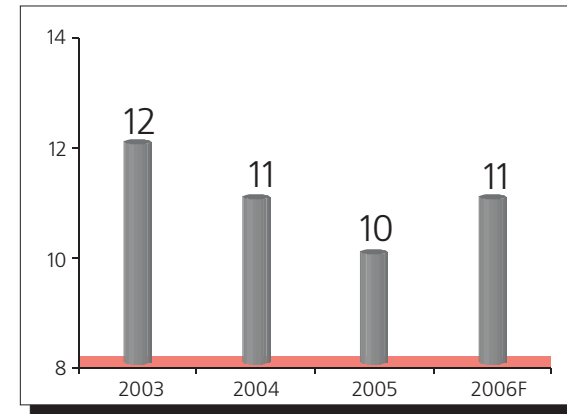
	2003	2004	2005
Utel	38	30	29
MTS	33	30	28
MegaFon	20	20	17
VimpelCom	3	14	20
ECC	6	6	6

*In terms of subscriber numbers

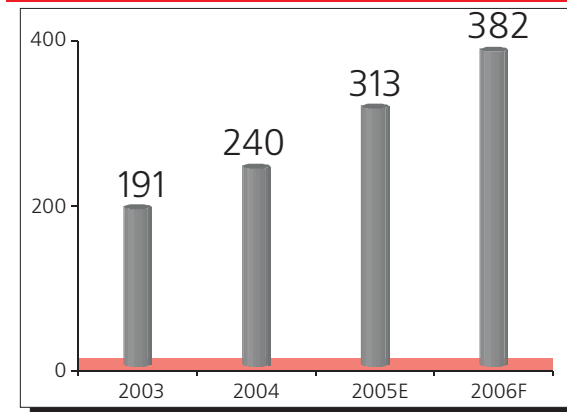
Source: ICM Consulting, at year-end

- Subscriber base as of April 1, 2006 - 3.8 mln (up 90% since 01/01/2005)
- As of July 1, 2005 subsidiary mobile operators are consolidated into Uralsvyazinform
- As of August 1, 2005 - single brand, Utel

> SAC, \$



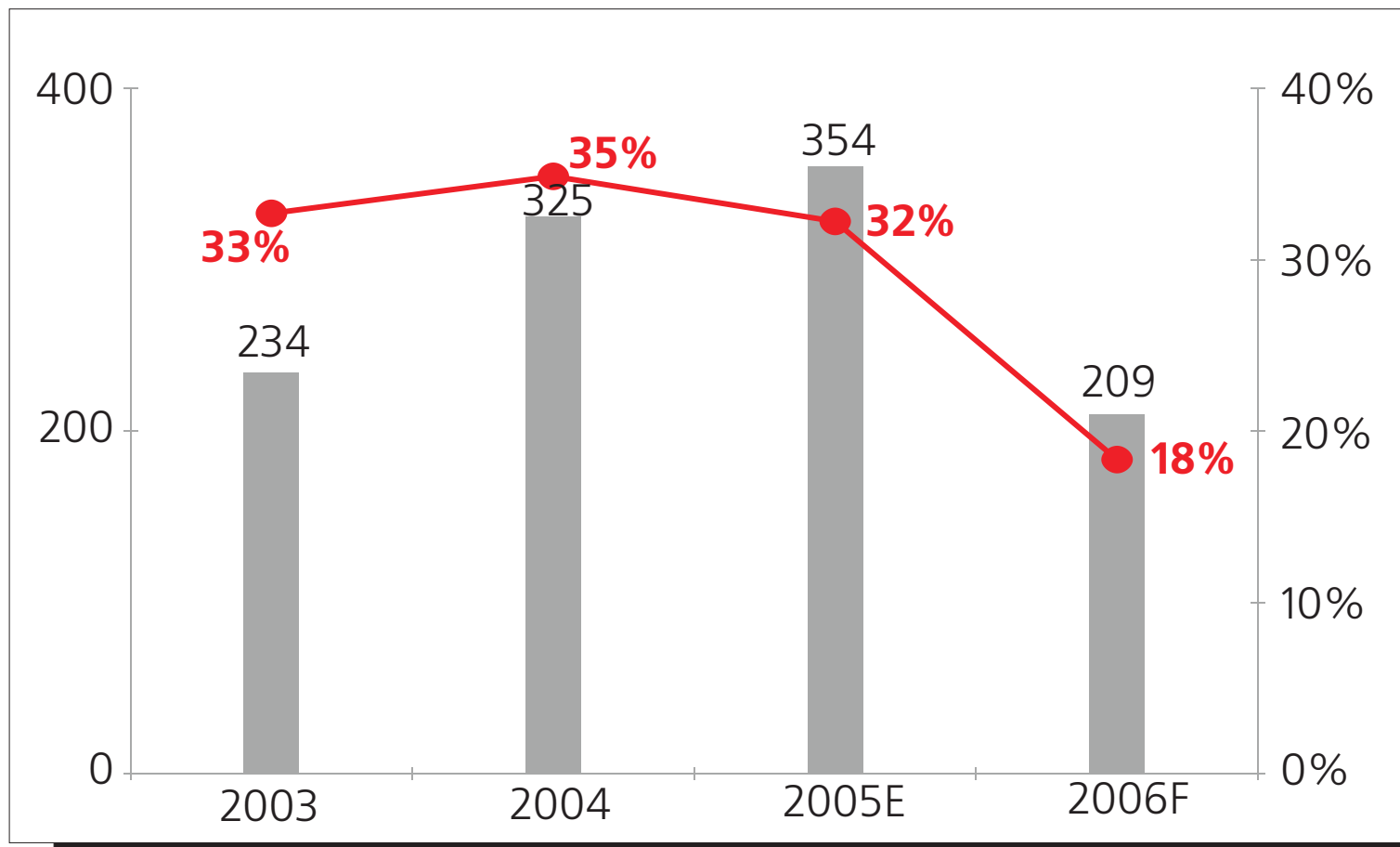
> Revenues, \$ mln





Capex

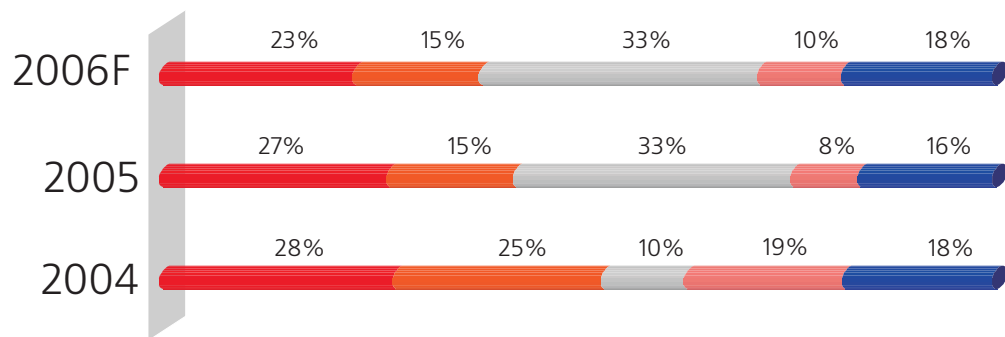
> Capex, \$ mln



■ Capex, \$ mln
● Capex/Revenue, %

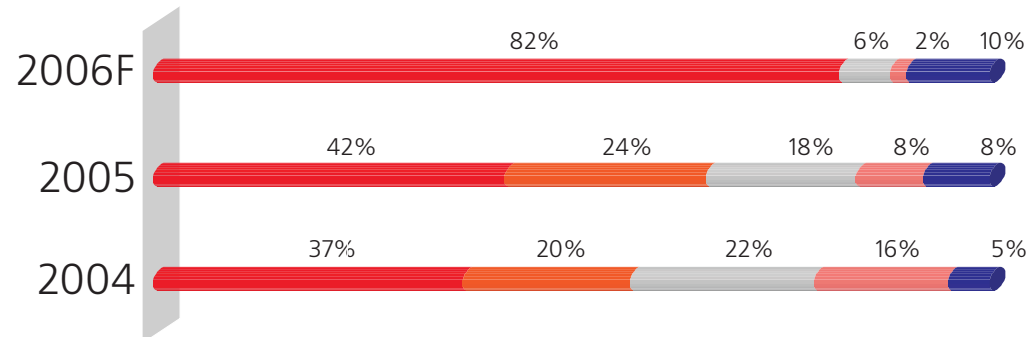
Investment priorities

> Investments by business segments



- Fixed-line telephony
- Data transmission networks & infrastructure
- Mobile telephony
- New services
- Other (Repairs and construction, distribution channels, IT)

> Investments sources



- Internal finance
- Bank credits
- Vendor finance
- Leasing
- Bonds

Part 1 - Overview

Part 2 - Company today

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Regulatory environment in 2006

> Liberalisation of DLD/ILD market

- The authorities have issued 17 licenses for provision of long-distance telecommunications services
- In 2006, there will be 3 players in the market - Rostelecom, MTT and Golden Telecom. GT is expected to enter the market in mid-2006
- DLD/ILD services to end-users are provided by long-distance operators, who are connected to intra-zone operators
- As local incumbent, Uralsvyazinform cannot refuse to connect other operators

> CPP principle

- The Caller Party Pays principle is expected to take effect since July 1, 2006 as State Duma validated the respective amendments to the Telecom Law on the charge-free incoming calls.

> MNP (mobile number portability)

- The draft document has been published, although the respective approvals are likely to be lengthy. NMP principles will be effective in 4Q 2006 at the earliest.

> Universal services

- The auctions to designate Universal Service Operators have been completed in the Far East region. We expect these auctions to take place during 2006 in the remaining regions of Russia. In 2005, USI contributions to Universal Service Fund totaled RUR 219 mln (US\$ 7.7 mln)

The impact of the regulatory changes may be considered as mixed, for both fixed-line and mobile operators. Overall, the change was positive in terms of transparency of settlements and telecom market in general.



Strengths and weaknesses

> Strengths

- The company enjoys all types of “last mile” in hand and a subscriber base of 7 mln, altogether
- Extensive network infrastructure, including regional networks across Urals and Western Siberia
- Sale of services in bundles
- Service packages may have a dominating service
- Capability to capture up to 80% of local traffic inside own networks
- Well-developed distribution network
- Well-established connections with suppliers
- Long time in harmony with state authorities

> Weaknesses

- As local incumbent, USI may not take advantage of niche pricing for both regulated and non-regulated services
- The company is insufficiently client-oriented
- There is a shortage of service servers
- Our “last mile” is not fully equipped with content services
- Under-developed sales policy
- Uncertainties relating to telecom industry regulatory environment



Marketing initiatives

- Sale of bundled services based on contracts with flexible service composition

Since 2006, we have launched 3 types of “tariff bundles”:

- Fixed-line telephone + ADSL Internet connection;
- Fixed-line telephone + mobile contract;
- Fixed-line telephone + ADSL + mobile contract

- The pool of USI’s services to be made open for third-party telecom operators and other service providers through long-term alliances
- Promotion of services through bundling with core services
- Sales focus on broadband services, primarily DSL
- Outsourced sales and customer service (including toll-free directory services) across the core lines of the business: mobile, fixed-line, data transmission, intelligent networks, with strategic controls residing with the company through General Agent mechanisms

Targets and estimates for 2005-2007 under IAS

		2006E	2008F
Revenues	US\$ mln	Not less than US\$ 1.1 bln	Not less than US\$ 1.3 bln
OIBDA margin	%	29-30%	32%
Investment/Revenues	US\$ mln	18-20%	14-16%
Subscribers of mobile services	Mln	4.4 mln	5.2 mln
Market share of mobile services*	%	Not less than 40%	
Market share, total*	%	Not less than 60%	Not less than 65%
Subscribers of broadband Internet	Thous.	Not less than 250	Not less than 700

*In revenue terms



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

You may find additional information and updates on our corporate web-site at www.uralsviazinform.com, or on the companys Bloomberg page URSI_RU



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