



*Mobile*



*Fixed*



*Internet*



*Cable TV*

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## **2004 Operational and Financial Results under IAS - Reaching the Targets and Increasing Efficiency**

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2004 IAS Financial and Operational Results Conference Call and Webcast  
June 30, 2005

Anatoly Ufimkin  
General Director and CEO

Valery Chernyshev  
Deputy General Director and CFO

# URSI - Key Facts

## General

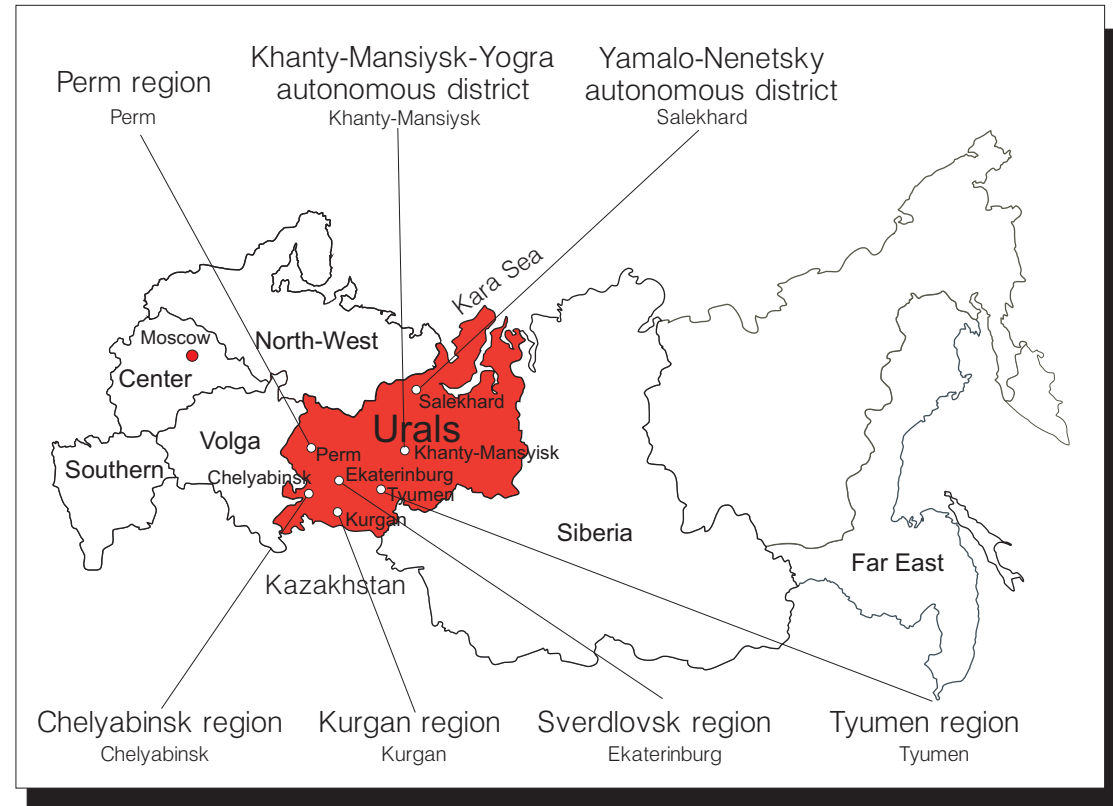
- Major telecommunications carrier in Urals region
- Integration of fixed-line, mobile and Internet services
- As of Jan 1, 2005
  - fixed-line subscriber numbers - 3.4 mln,
  - GSM subscriber numbers\* - 2.04 mln
  - internet users - 0.4 mln
- Staff - 35,000

## Financial 2004/IAS

- Revenue - RUR 26.9 bln (US\$ 934 mln)
- OIBDA - RUR 8.0 bln (US\$ 278 mln)
- Net profit - RUR 2.3 bln (US\$ 78 mln)
- Capitalization (as of 01/01/2005) - US\$ 1.4 bln

USD exchange rates as given here and henceforth:

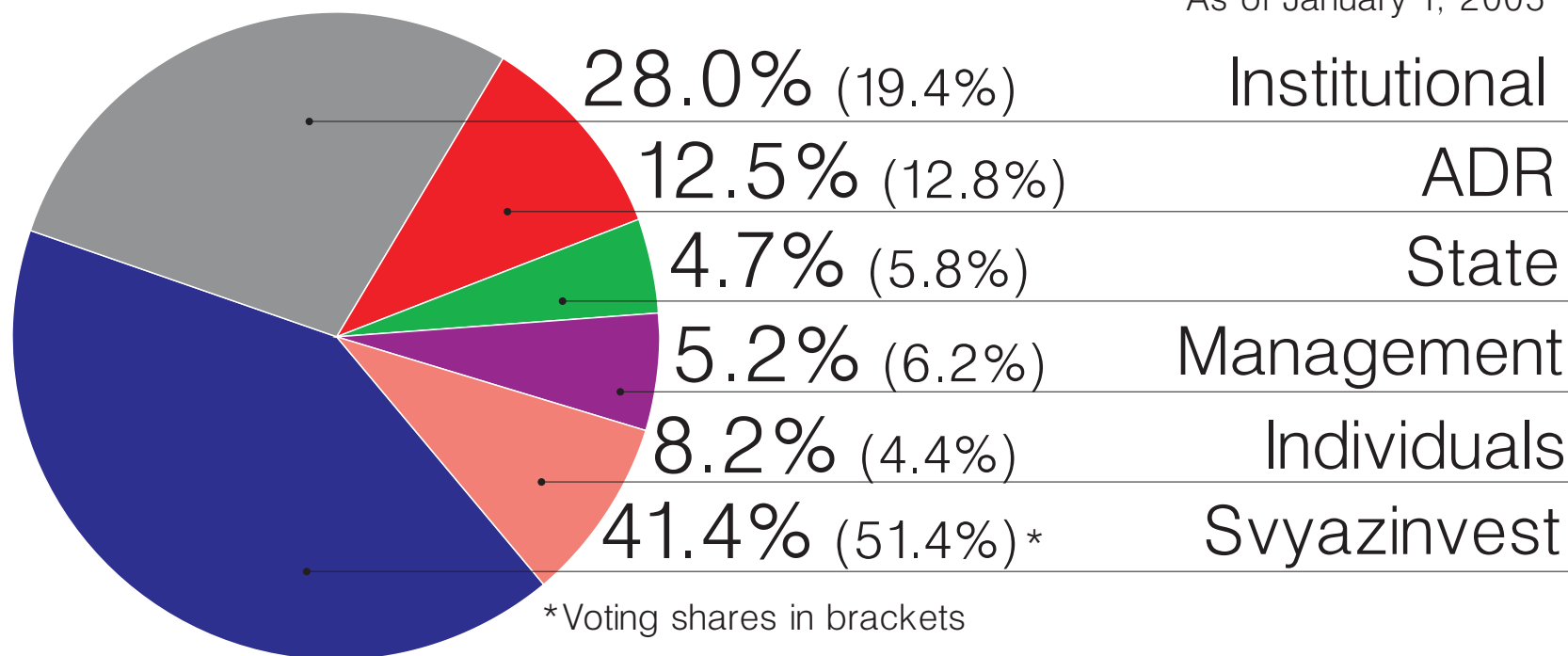
2001 - RUR29.5 / 2002 - RUR31.4 / 2003 - RUR30.7 / 2004 - RUR28.8 / 2005F - RUR30.0



# Ownership Structure

- Shareholders capital - USD163 mln
- Number of shares - 40 134 723 306 of which:  
 common - 80.5 %  
 preferred - 19.5 %

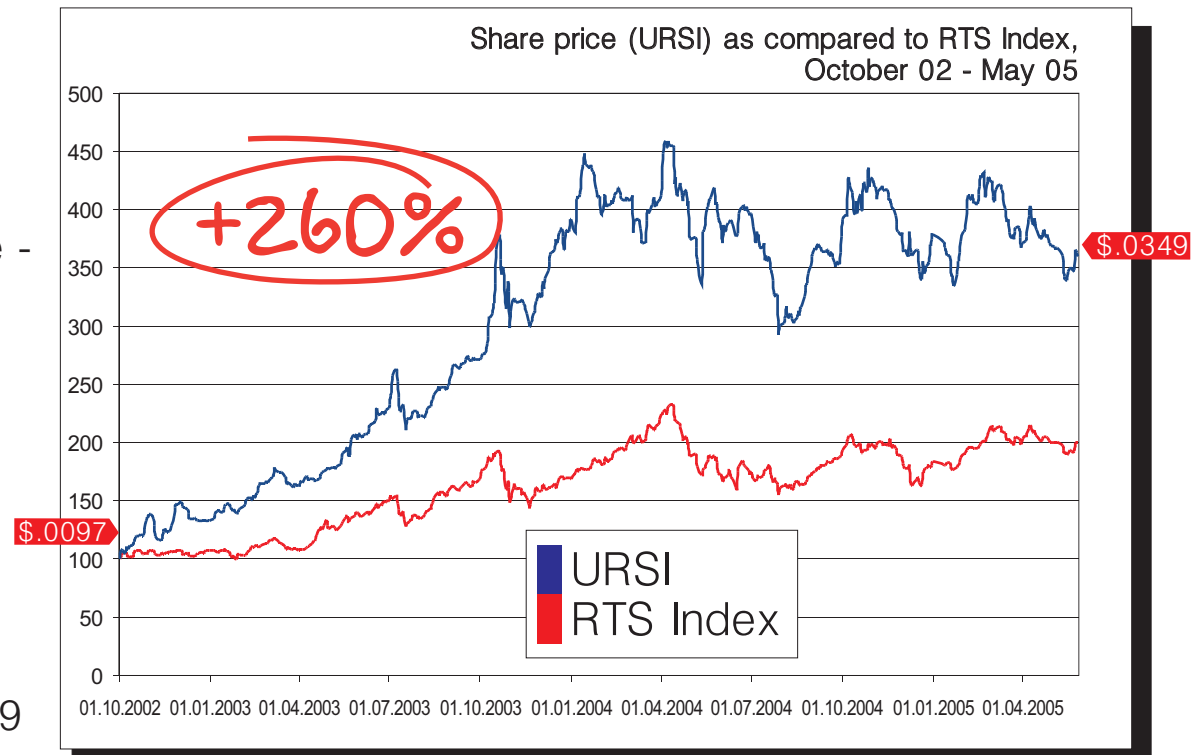
As of January 1, 2005



- Freefloat - 40 %

# Stock performance

- 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
- Ratings  
Standard&Poor's - B+, Stable  
Fitch Ratings - BB-, Stable  
Fitch Ratings - A+(rus), National  
S&P Corporate governance score - 4,9
- Highly commended as IR Magazine Russia Awards 2004 nominee for the best overall Investor relations (small and mid-cap)
- Four committees were established in the Board of Directors
  - Corporate Governance Committee;
  - Committee for Strategic Development;
  - Personnel and Remuneration Committee;
  - Audit Committee.
- Shares are included in MSCI Russia index



# Uralsvyazinform retains strong position in the growing telecom market of Urals

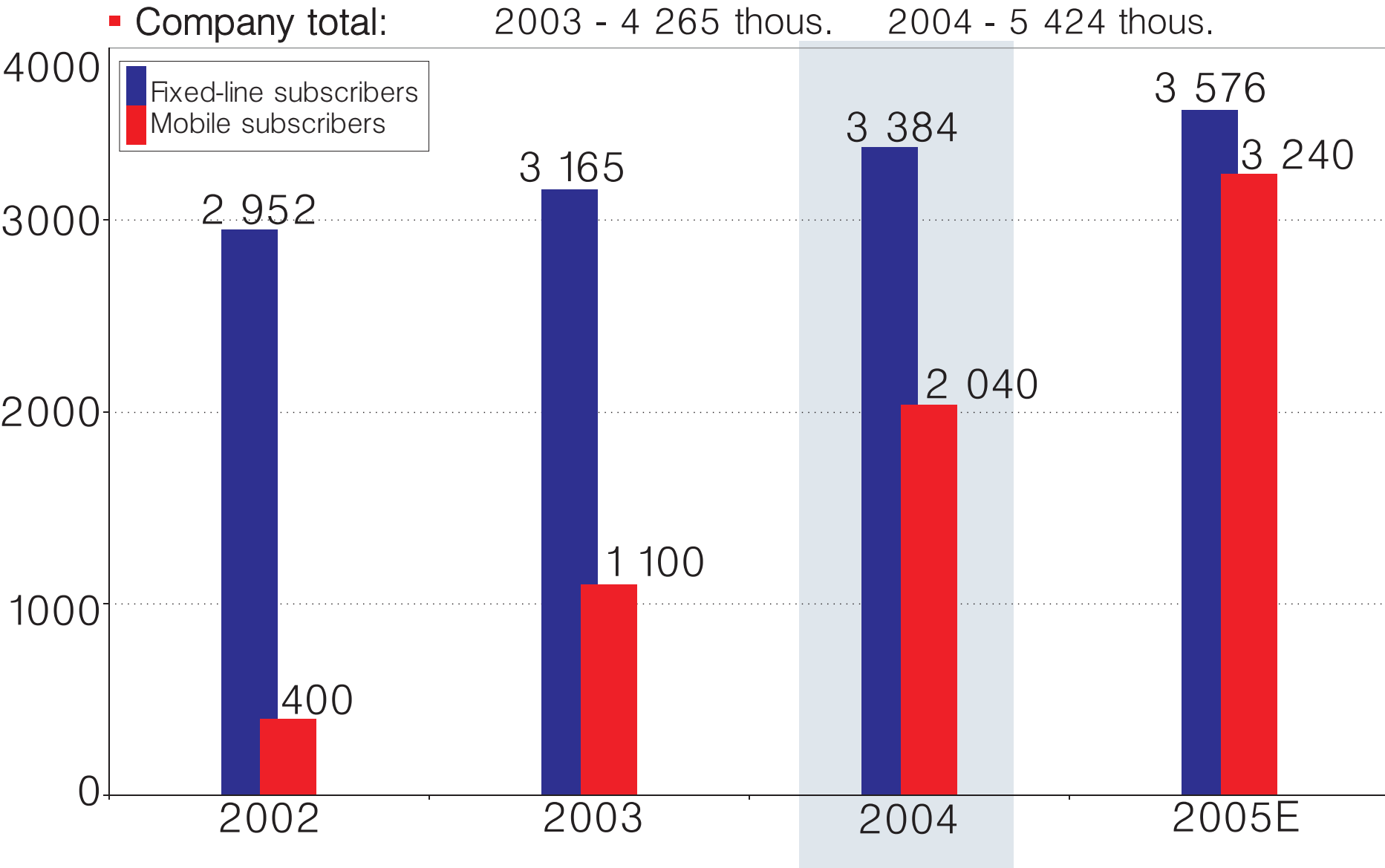
- Uralsvyazinform market share, Urals region, 2004

	Regional market, US \$ mln	USI market share, US \$ mln	USI market share, %
Services			
Local services	339	291	86%
Long-distance services	426	342	80%
Mobile services	563	235	41 %
Data transmission and Internet	76	33	43%
New services (TV, cable TV, Intelligent networks )	23	5	23%
Total	1 463	925	63%

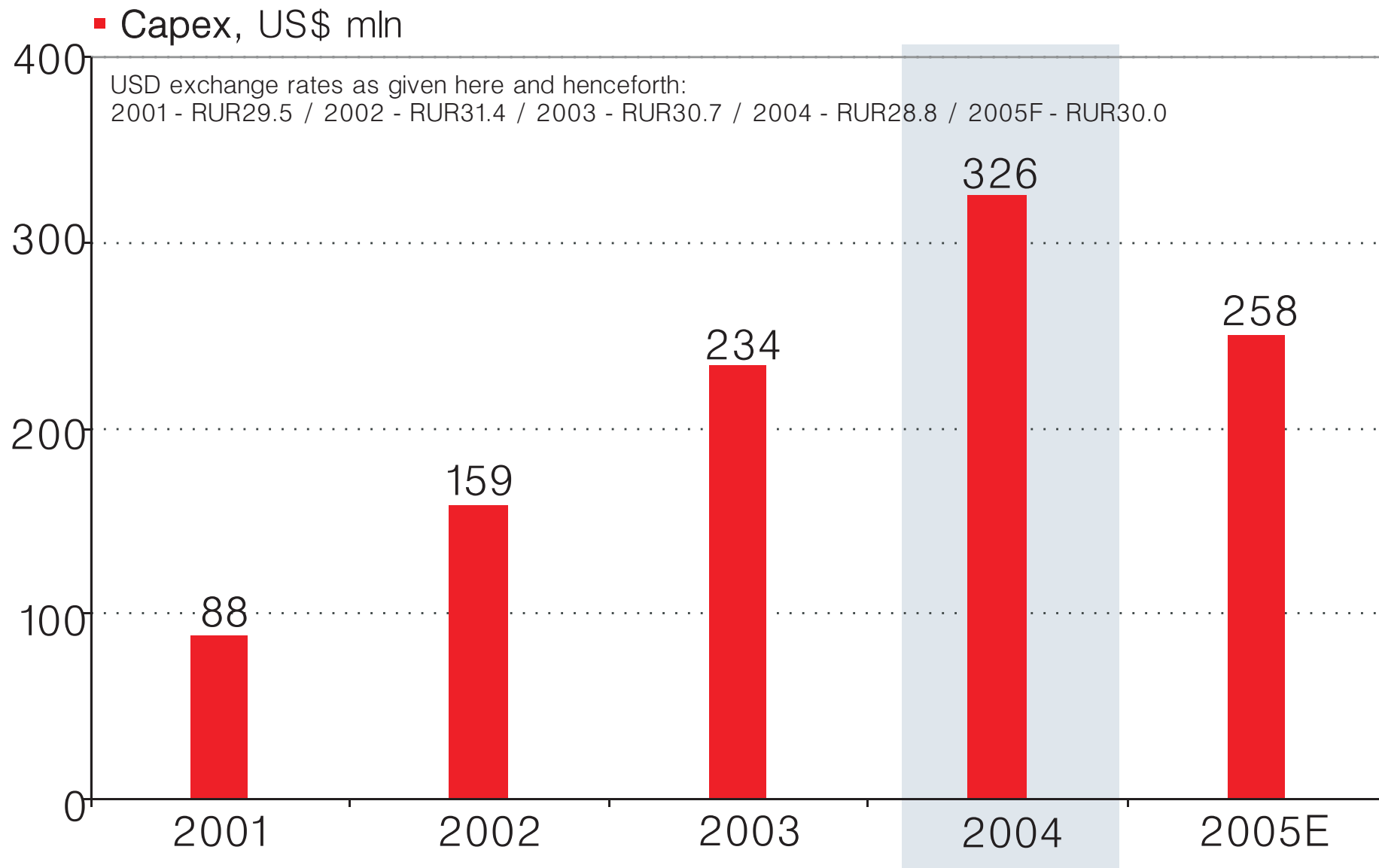
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# Subscriber base



# Capex



- Main investment areas include Sverdlovsk region, Tyumen region, Khanty-Mansy and Yamalo-Nenets ADs

# Aggressive investments into new technologies - the key to successful business

- Capacity expansion and network upgrade
  - Packet switching network
  - Optical broadband access networks
  - Intrazone optical and microwave transport networks
  - Wireless radio access
  
- Mobile telephony using GSM 900/1800 standard
  
- New services
  - Internet
  - Intelligent networks
  - Digital TV & Cable TV



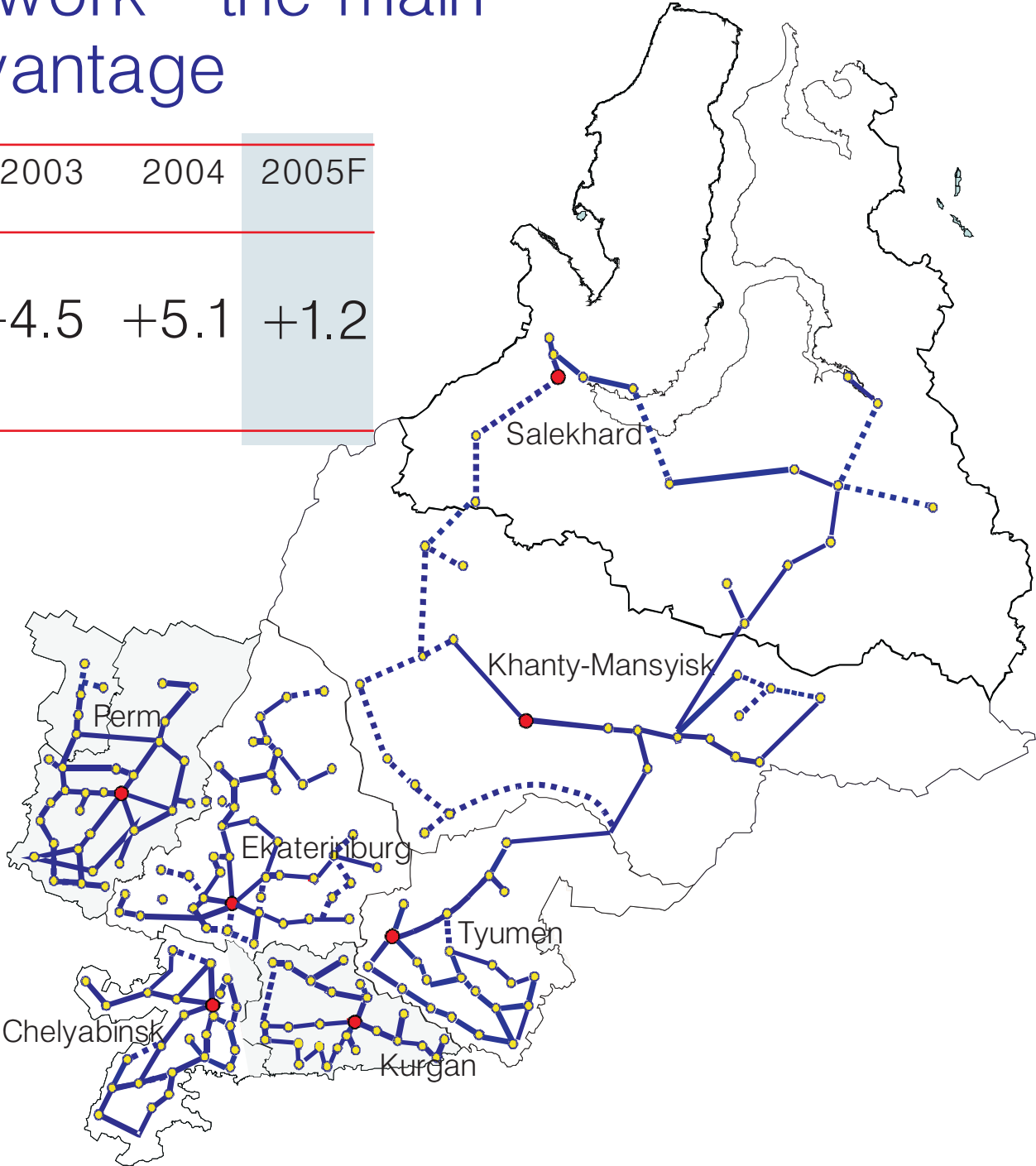
# Rapid growth

		2002 Implemented	Installed capacity			2003-05 Plan
			2003	2004	2005F	
Fixed-line	'000 lines	3,316	+380	+383	+255	+1,018
Mobile* (GSM)	'000 lines	536	+629	+1,790	+1,700	+4,119
Intrazone fiber optics	'000 Km	2.9	+3.2	+4.1	+0.9	+8.2
Intrazone radio microwave	'000 Km	2.07	+1.3	+1.0	+0.3	+2.6

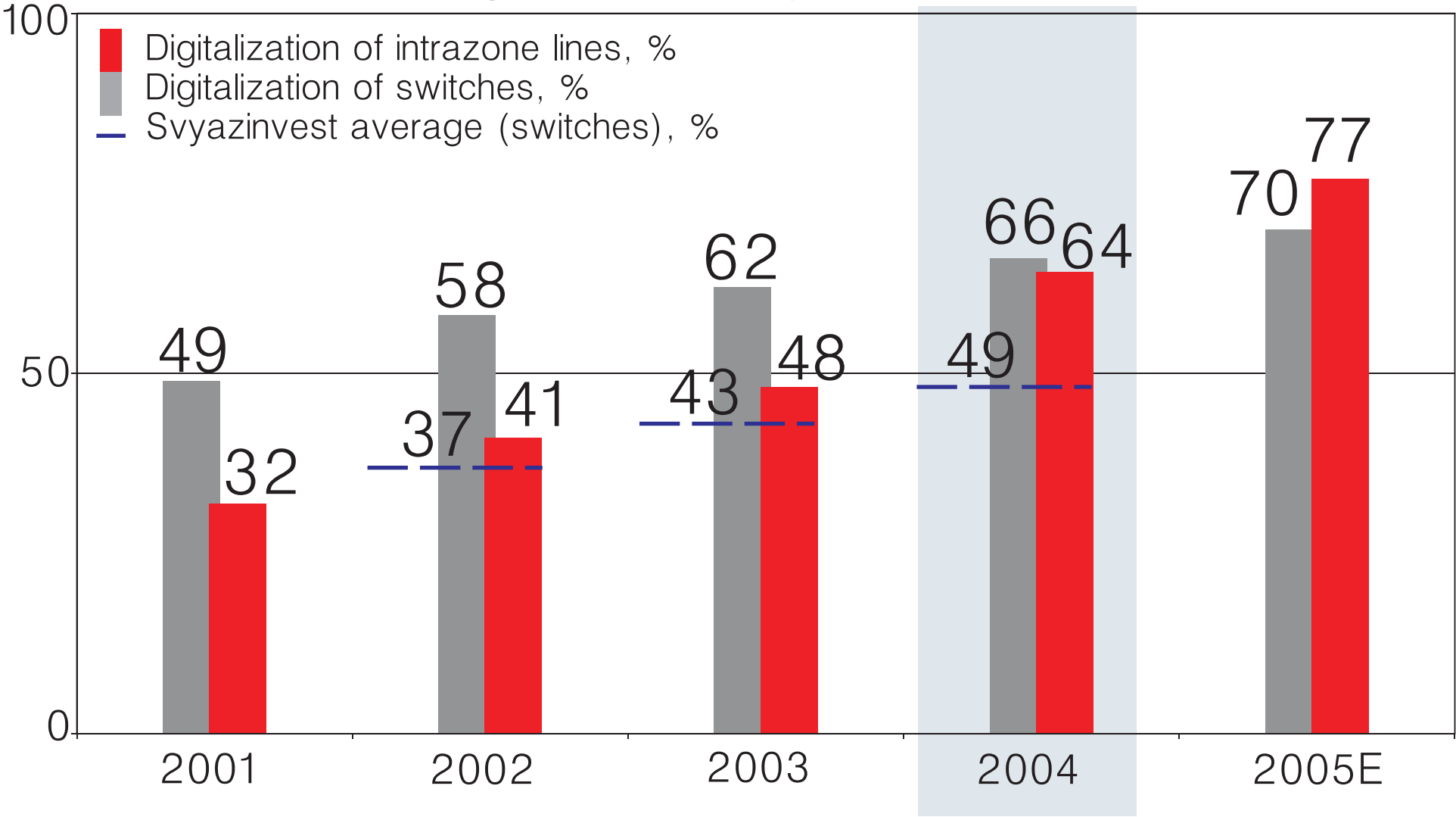
# Own Digital Network - the main competitive advantage

	2002	2003	2004	2005F
Implemented				
Intrazone fiber optics and radio microwave lines '000 km	5.0	+4.5	+5.1	+1.2

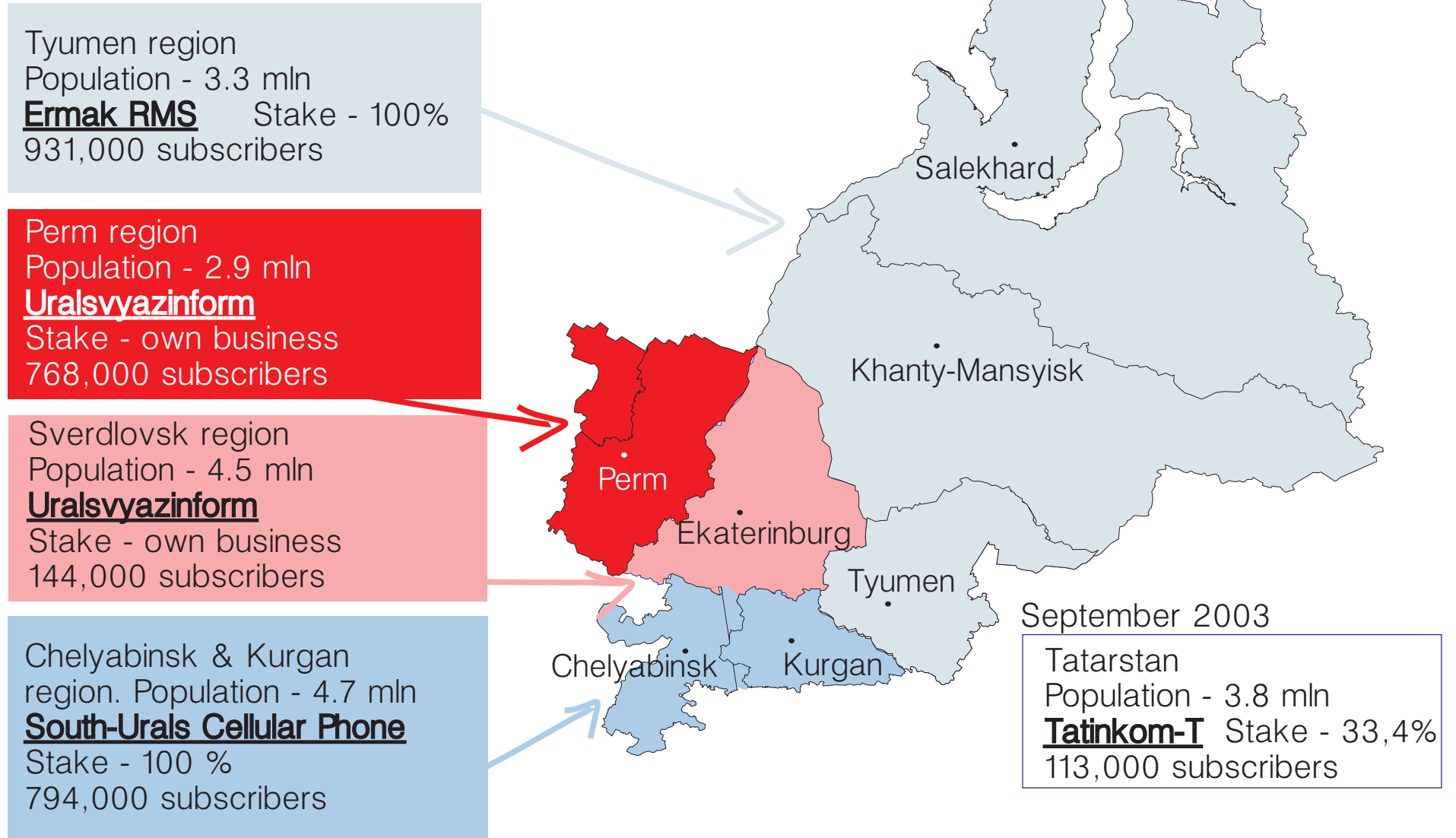
- Existing lines
- - - Projected



# High Level Digitalization - A Basis For New Services & Higher Quality



# Mobile business - GSM 900/1800

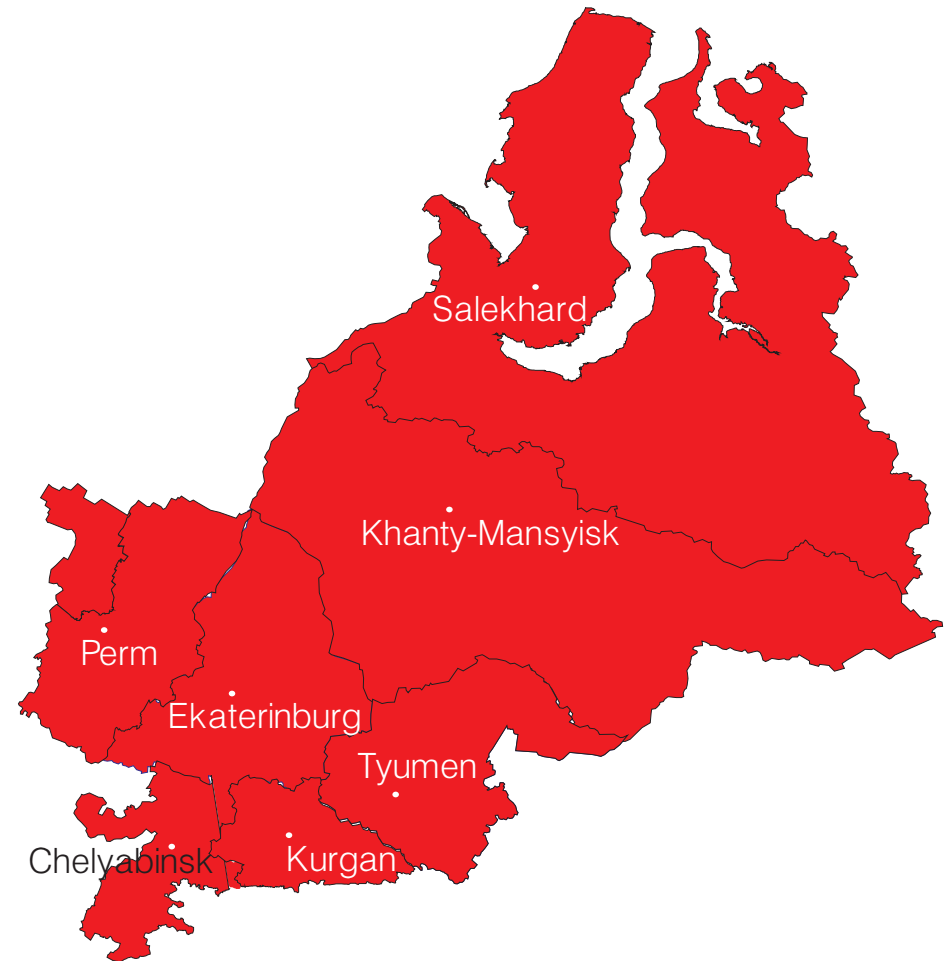


- Total subscribers as of 01/06/05 - 2.64 mln (up 30% since 01/01/2005)
- End 3Q 2005 - consolidation of mobile business under a single brand

# Mobile business - GSM 900/1800

As of July 1, 2005

- Population - 15.4 mln
- Single brand
- Single license
- Single roaming-free area
- Market share of 40-45% (in revenue terms)



# Integration of fixed-line and mobile services is a unique competitive advantage

- Fixed-line services
- Mobile services
- New services /  
Data transmission



Integration  
of products  
and services

- Promotion of service packages
- Introduction of new products
- A single marketing and sales strategy
- A unified brand



Integrated  
operations

- Unified service centers
- Integrated call-centers
- Joint back-offices



Integrated  
networks

- A uniform strategy to develop the networks
- Software compatibility
- Integration of billing systems and IT functions
- Uniform equipment

Increasing competitiveness

Fixed-line, mobile and new services synergies

Uralsvyazinform is able to retain 63% market share in a highly competitive environment

## Uralsvyazinform strengths

The company enjoys all types of "last mile" in hand and a subscriber base of 6.5 mln, altogether

Extensive network infrastructure, including global networks across Urals and Western Siberia

Capability to offer bundled services

Service packages may have a dominating service

Capability to capture up to 80% of local traffic inside own networks

Uralsvyazinform is able to retain 63% market share in a highly competitive environment

## Uralsvyazinform assets

Management keeps up with current market trends

Subscriber attraction and customer service may be outsourced

Strong growth potential thanks to high-income subscribers in Khanty-Mansy, Yamalo-Nenets ADs, Sverdlovsk region

Higher level of incomes and stronger demand for telecom services

Numerous offers to cooperate from investors



... 2005 sees a new stage of corporate restructuring underway, as market challenges faced

- The first stage involves setting up a network of general agents to take up customer services functions, without the spin-off of subscriber bases
- On the second stage the system of virtual operators will be developed, including those founded by Uralsvyazinform, with subsequent wholesale of service packages through these operators.

## Uralsvyazinform

On the 1st stage, the company will delegate VNOs with a number of functions:

Sales, customer services

Niche marketing, customer services development

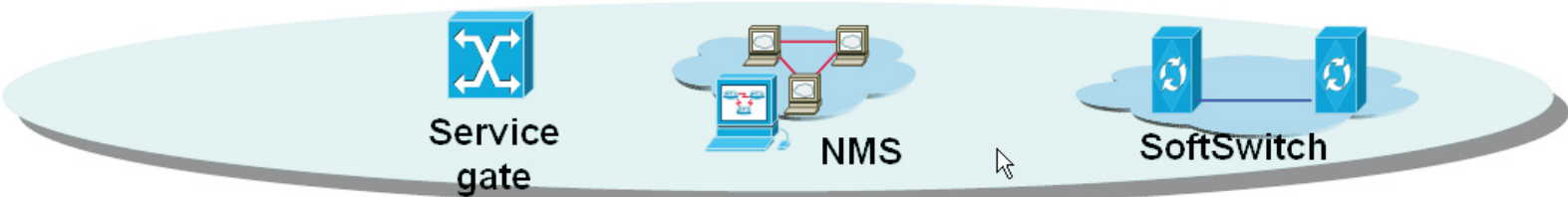
"Last mile" roll-up and support

# New network architecture

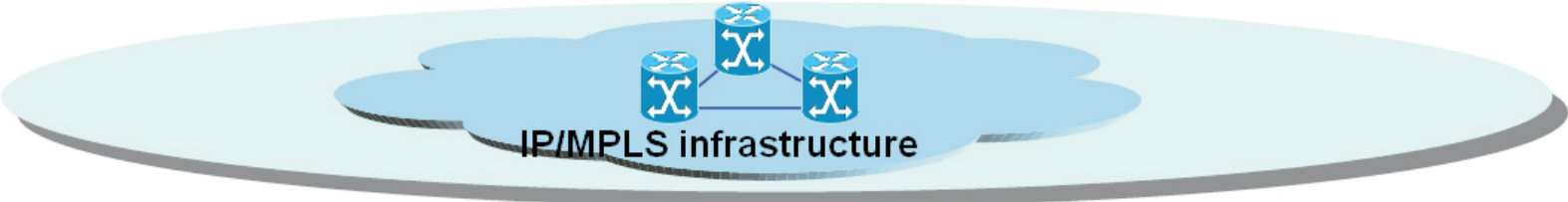
Services



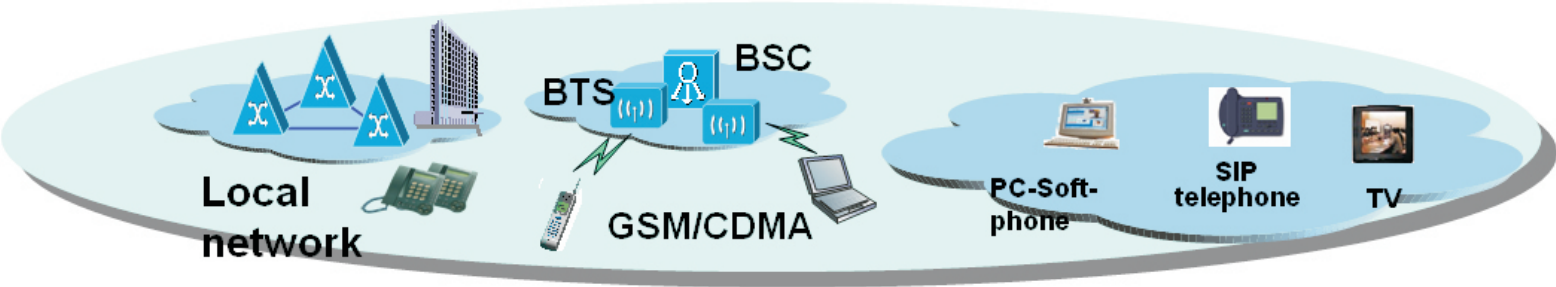
Network administration



Transport and switching



Access level



# New architecture offers new services

- Residential sector
  - Broadband Internet services
  - Video-on-demand (VOD)
  - Internet TV (IPTV)
  
- Corporate sector
  - Virtual private networks (VPN)
  - Virtual leased lines (VLL)
  - IP-Centrex - virtual private VoIP networks
  - video and audio conferencing
  - IP contact centers

# 2005 objectives

- Complete digitalization of urban centers in line with 2005 investment plan (Sverdlovsk, Kurgan regions)
- Consolidation of mobile business under a single brand
- Intensified roll-up of NGN-based cable TV networks, in line with 2005 investment plan
- Increased market share of traditional services and retained market share of mobile services
- Establishment of beta-centers for tele-medicine within the service region
- Integration of fixed-line and mobile services in progress, sales using bundled services
- Use of previously installed capacities
- Higher efficiency in asset management

# Thank you

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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.uralsvyazinform.com](http://www.uralsvyazinform.com), or on the companys Bloomberg page URSI\_RU



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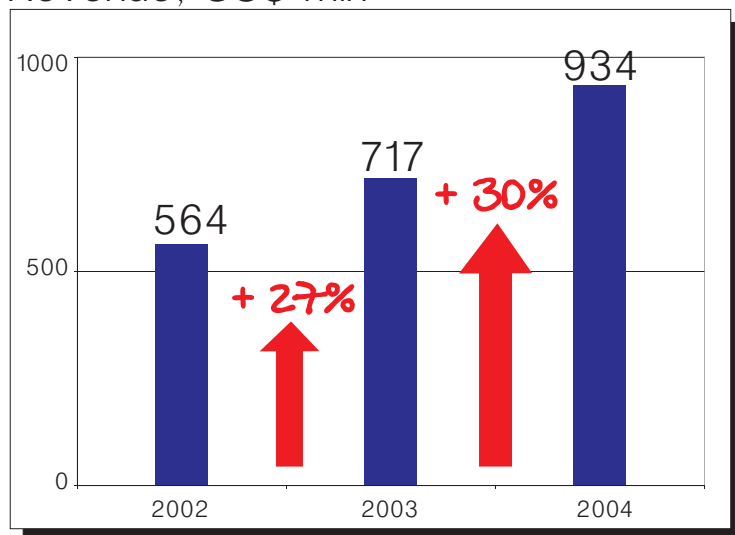
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## **Overview of 2004 Financial Results under IAS**

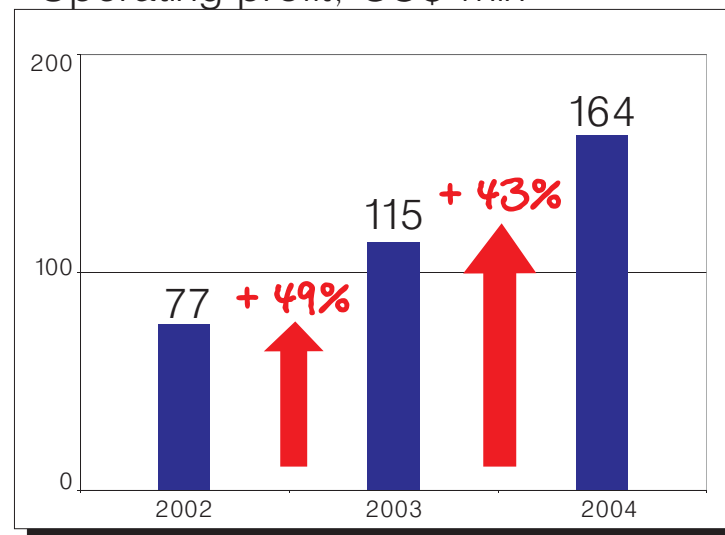
Valery Chernyshev  
Deputy General Director and CFO

# Financial Highlights

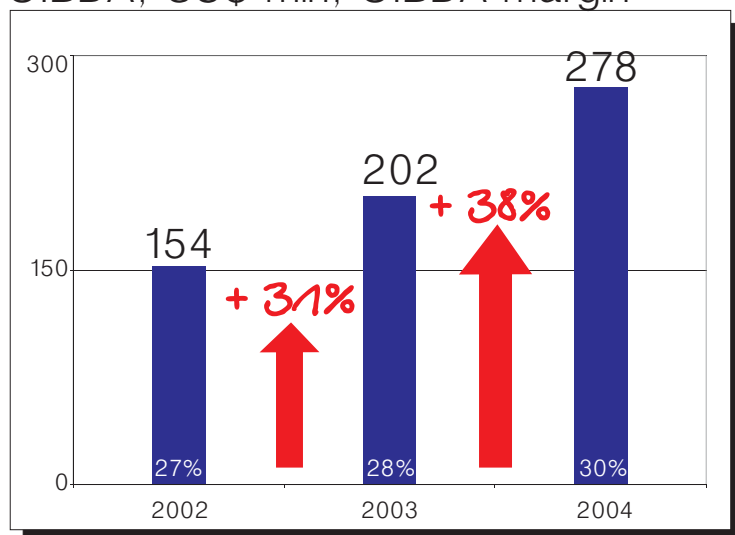
Revenue, US\$ mln



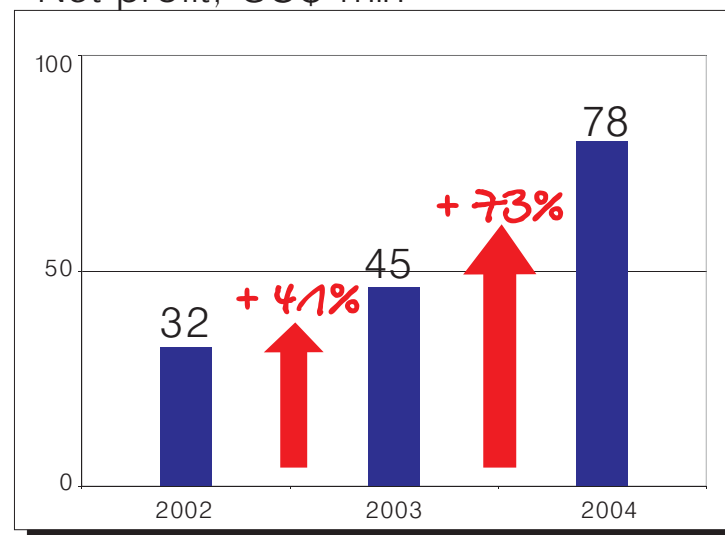
Operating profit, US\$ mln



OIBDA, US\$ mln, OIBDA margin



Net profit, US\$ mln



USD exchange rates as given here and henceforth:

2001 - RUR29.5 / 2002 - RUR31.4 / 2003 - RUR30.7 / 2004 - RUR28.8 / 2005F - RUR30.0

# FCF and Capex

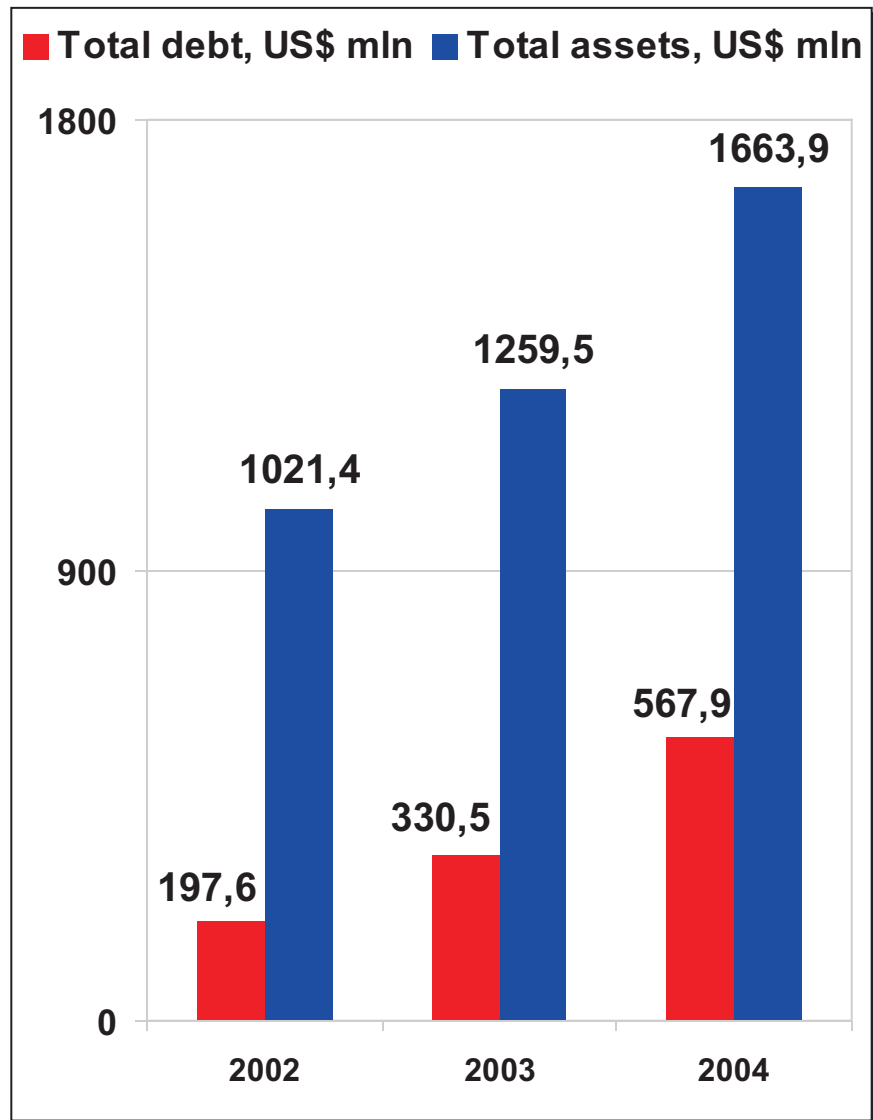
- US\$ mln / RUR mln

	2004	2003
<b>Net cash flows from operating activities</b>	<b>178</b>	<b>151</b>
	5 129,9	4 645,6
<b>Net cash flows used in investing activities</b>	<b>(267)</b>	<b>(244)</b>
	(7 949,5)	(7 510,2)
including		
Purchase of property, plant and equipment	<b>(253)</b>	<b>(236)</b>
	(7 281,2)	(7 240,9)
Purchase of intangible assets	<b>(24)</b>	<b>(0,9)</b>
	(691,4)	(27,2)
<b>Net cash flows, total</b>	<b>(98)</b>	<b>(0,3)</b>
	(2 819,6)	(2 864,6)

USD exchange rates as given here and henceforth:  
 2001 - RUR29.5 / 2002 - RUR31.4 / 2003 - RUR30.7 / 2004 - RUR28.8 / 2005F - RUR30.0



# Debt



■ US\$ mln / RUR mln

	2002	2003	2004
Cash and cash equivalents	15,8	22,3	27,4
Short-term investments	495,9	684,8	789,9
Total debt	2,2	2,3	2,4
Short-term debt	69,8	71,4	67,9
Long-term debt	197,6	330,5	567,9
Net debt	6 205,9	10 146,3	16 356,6
Shareholders' equity	126,0	52,6	117,4
Total assets	3 955,1	1 614,3	3 381,5
Net debt / assets	71,7	277,9	450,5
Net debt / equity	2 250,9	8 531,9	12 975,1
Net debt / OIBDA	179,6	305,9	538,2
OIBDA	5 640,2	9 390,1	15 498,8
Net debt / assets	546,5	590,6	687,8
Net debt / equity	17 161,1	18 130	19 809,2
Net debt / OIBDA	1 021,4	1 259,5	1 663,9
OIBDA	32 071,1	38 665,4	47 919,1
Net debt / assets	153,7	201,6	278,5
Net debt / equity	4 825,9	6 189,5	8 019,9
Net debt / OIBDA	0,18	0,24	0,32
Net debt / equity	0,33	0,52	0,78
Net debt / OIBDA	1,17	1,48	1,88

USD exchange rates as given here and henceforth:

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# Main Financial Results

■ US\$ mln / RUR mln

	<b>2004</b>	<b>2003</b>
	<b>934</b>	<b>717</b>
<b>Revenues, total</b>	26 902,0	22 006,3
Long distance telephone services - national;	24,7%	27,1%
Long distance telephone services - international;	5,0%	5,9%
Local telephone services;	21,9%	19,2%
Installation and connecting fees;	4,7%	5,3%
Documentary services;	0,3%	0,3%
Mobile telecommunications services;	25,8%	26,6%
Radio and TV broadcasting;	1,5%	1,6%
Data transfer and telematic services;	1,4%	2,0%
New services;	3,0%	2,2%
Rent of telephone channels;	0,9%	0,4%
Revenues from national telephone operators.	6,0%	3,9%
Other telecommunications services	2,0%	1,9%
Other revenue	2,9%	3,7%
	<b>770</b>	<b>601</b>
<b>Expenses, total</b>	22 174,5	18 461,3
Wages, salaries, other employee benefits and payroll taxes	34,4%	33,9%
Depreciation and amortization	14,8%	14,3%
Materials, repairs and maintenance, utilities	9,2%	10,9%
Interconnection charges, including	18,8%	18,2%
Rostelecom interconnection charges	13,0%	10,8%
Other operating expenses	22,9%	22,7%

USD exchange rates as given here and henceforth:

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