



URALSVYAZINFORM

**Uralsvyazinform  
Year 2002  
Financial & Operational Results  
Management Presentation**

**Conference Call  
Moscow, London, New York  
September 18, 2003**

# Presentation Team

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*Commercial Director*
  -  **Lidia Onuchina**  
*Chief Accountant*
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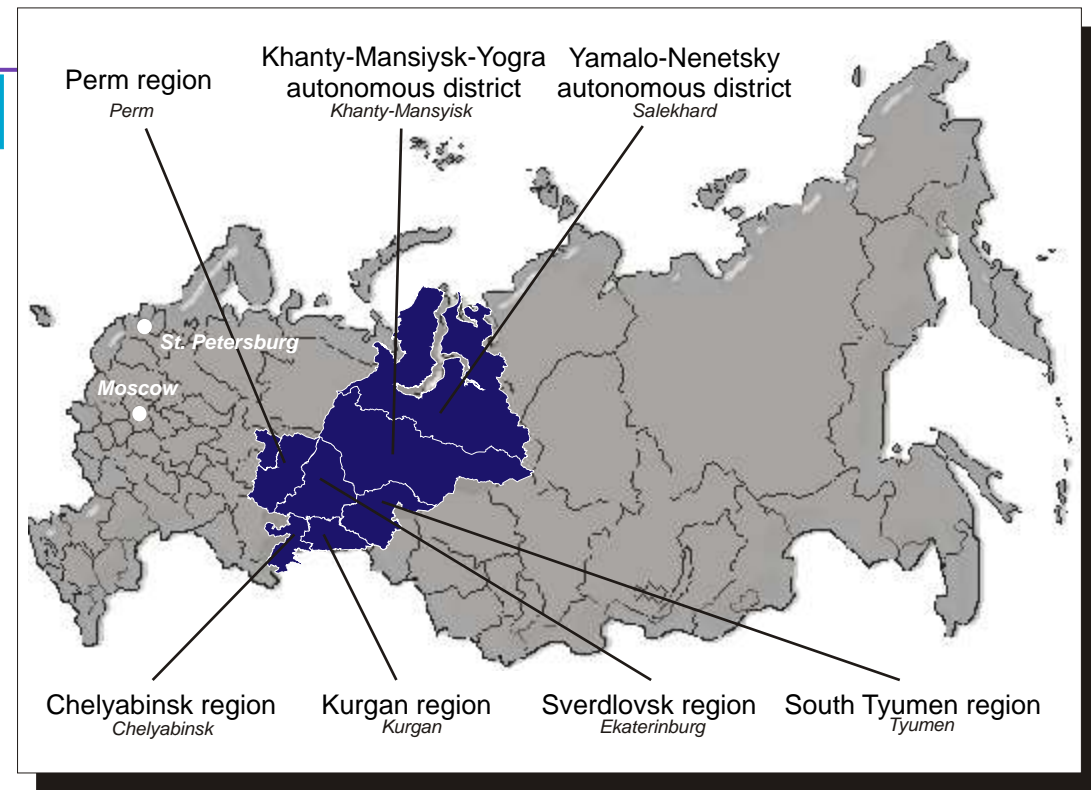
# Consolidation

## Economic indicators

- Territory - 1,9 mln sq. km
- Population - 15,5 mln  
(9 % of overall population of Russia)
- Urban population - 80 %
- Industrial output in 2002 - USD39,4 bln (18 % of Russia's overall industrial output)

## Natural resources

- Oil (65 % of national reserves / 6 % of world resources)
- Gas (95 % of national reserves / 26 % of world resources)
- Iron (21 %) and manganese (9 %) ore, copper, gold, silver, diamonds



The service region is one of Russia's most developed regions characterized by high level of welfare and demand for telephony and HVA services both from residents and fast-growing businesses

## 2001

7 companies  
servicing Urals  
region

Risk to lose mobile  
segment of business

Overall market cap of  
Urals operators equaled  
\$272 mln

## Today

Unified telecommunication  
company servicing  
Urals region with population  
of 15 mln.

3,9 mln active subscribers,  
including 824 thousand  
mobile subs

Market cap as of  
Sept. 17, 2003 - \$1 032 mln

## 2001

7 different business strategies

Overall annual volume of investments at around RUR2,6 bln.

## Today

Unified mission, strategy, budget, unified investment and purchase policies.

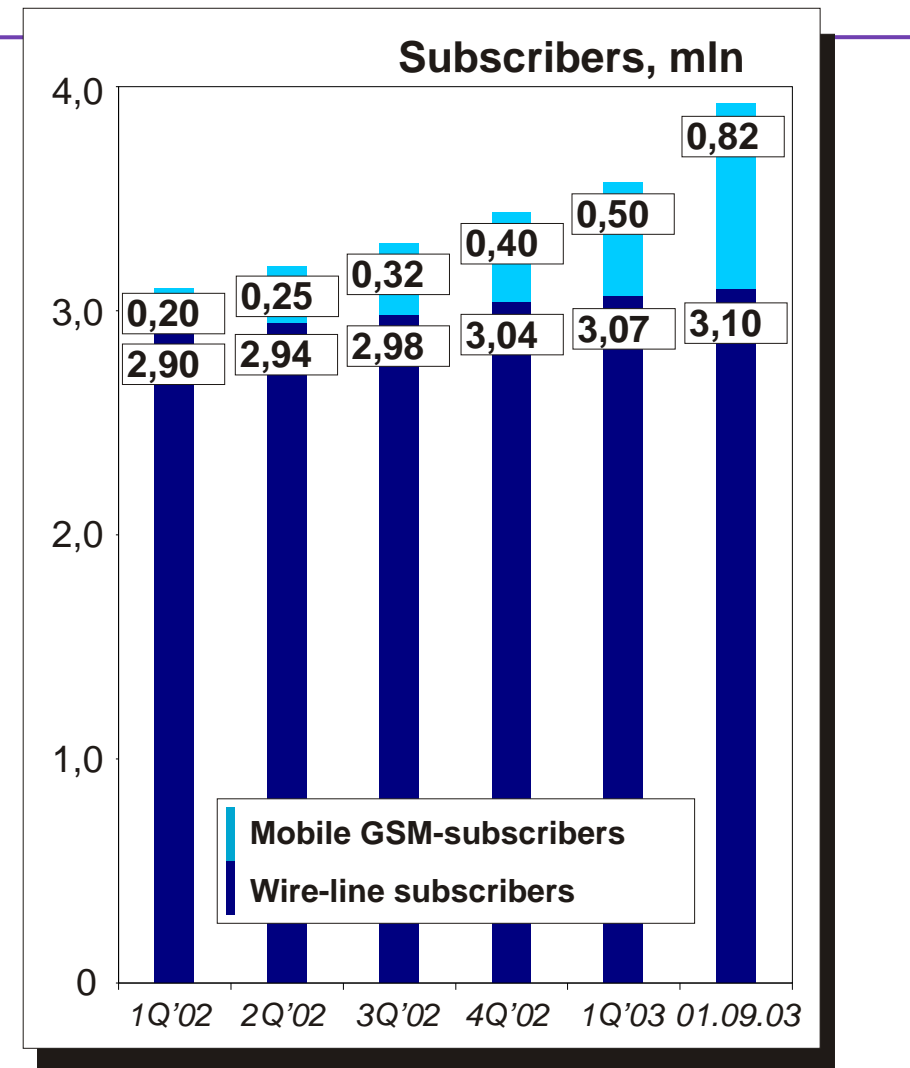
Volume of investments as of 2002 - RUR4,0 bln.

## Main results of 2002

- ➔ An interregional telecommunication company Uralsvyazinform was established as a results of the merger of 7 operators in Urals region
  - ➔ New marketing policy focused on total consumer satisfaction
  - ➔ Additions to mobile customer base totaled nearly 250 thousand mobile subs of GSM standard. The demand continues
  - ➔ A new investment policy is shaped to concentrate on high value added services
  - ➔ Market cap grew by 76% in the last year
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# Market performance

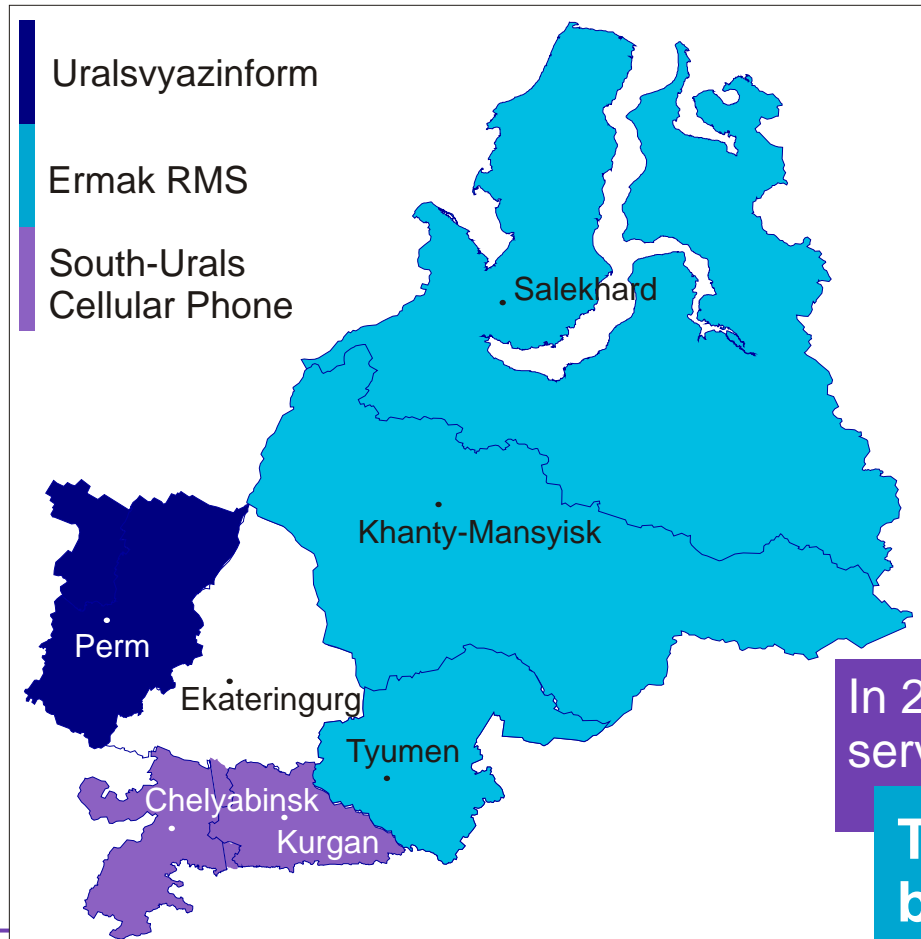
|                                      | Market share '02 |
|--------------------------------------|------------------|
| <b>Local telephony*</b>              |                  |
| Uralsvyazinform                      | 87               |
| Alternative & departmental operators | 13               |
| <b>DLD/ILD telephony*</b>            |                  |
| Uralsvyazinform                      | 71               |
| Alternative & departmental operators | 29               |
| <b>Mobile telephony*</b>             |                  |
| Uralsvyazinform                      | 55               |
| MTS                                  | 26               |
| MegaFon                              | 17               |
| Other                                | 2                |



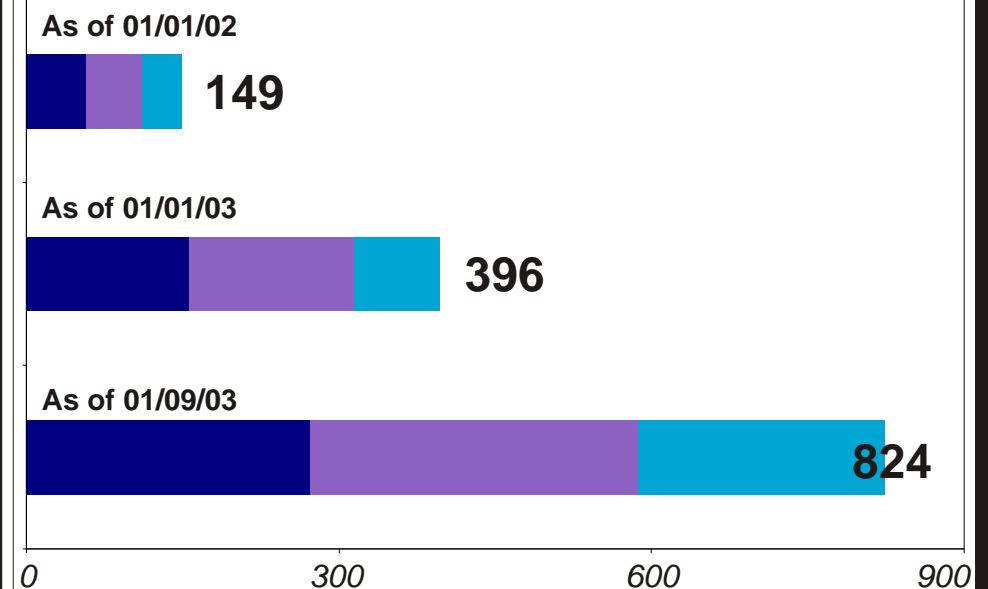
\* As a percentage of total subscriber number

# GSM900/1800 - the “heart” of HVA-services

GSM900/1800 mobile business



Number of active subscribers, thousand



In 2002 the customer base of mobile services increased by 2,7 times

The number of subs has yet multiplied by 2,1 over the last 8 month of 2003



# Investments



## Capacity extension and network upgrade

*packet switching network based on multiservice network*



*optical broadband and narrowband access networks*

*intrazone optical and radio microwave transport networks*

*radio access systems*



## Mobile telephony of GSM-900/1800 standard

### Internet



## Intelligent network

### Cable TV



## Broadband access

# Investments

|                                 |              | 2001  | 2002  | 2003F |
|---------------------------------|--------------|-------|-------|-------|
| Wire-line                       | Thous. Lines | 3 112 | +338  | +356  |
| Mobile/GSM                      | Thous. Lines | 261   | +275  | +804  |
| Intrazone fiber optical links   | Thous. Km    | 1,4   | +1,5  | +2,1  |
| Intrazone radio microwave links | Thous. Km    | 2,0   | +0,07 | +1,1  |

## 2003 Business plan, RAS

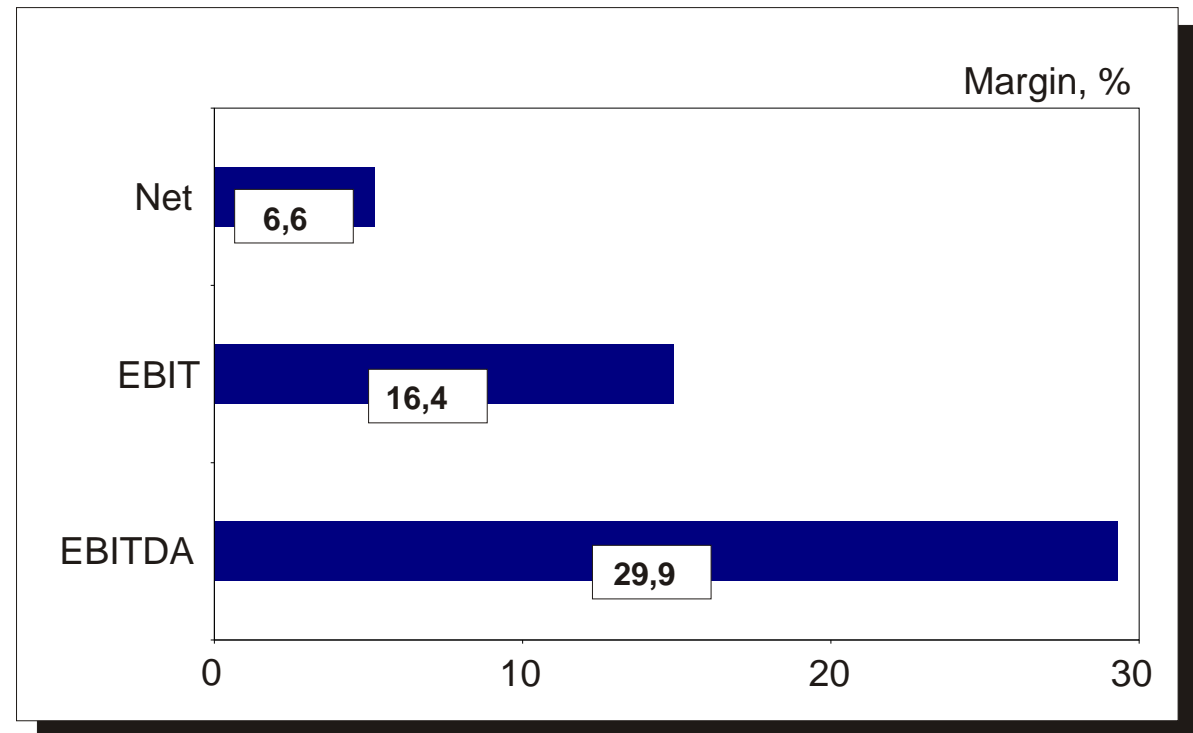
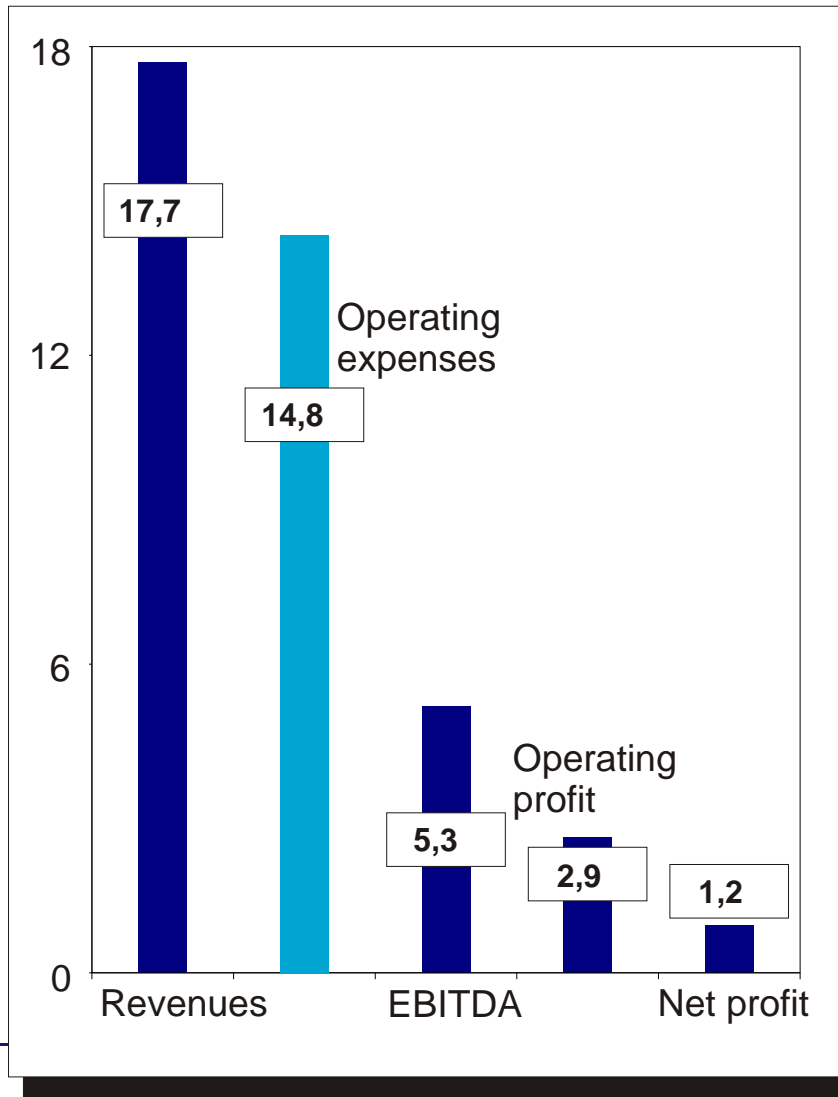
- ➔ Fixed-line network capacity to be extended by 356 thousand lines. Fixed-line subs as of year end - 3,2 mln.
- ➔ 222 GSM base stations to be installed providing additional capacity of 804 thousand lines. GSM subs at the end of 2003 - 980 thous.
- ➔ Investments' volume\* - \$182 mln.
- ➔ GSM markets of Ekaterinburg and Sverdlovsk region to be reached in 2003
- ➔ Lower level of cross-subsidization
- ➔ Annual revenue\* - \$616 mln, EBITDA\* - \$246 mln.
- ➔ Operating margin\* - 29,7%, net margin\* - 8,6%

\* According to Russian Accounting Standards (RAS)

**Consolidated financial statements  
of Uralsvyazinform as of January 1, 2003  
prepared in compliance with  
International Accounting Standards**

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# Financial highlights'02, IAS



# Profit and loss statement, IAS

| RUR bln                             | 2002 | 2002<br>RAS |
|-------------------------------------|------|-------------|
| Revenues                            | 17,7 | 14,8        |
| Operating expenses                  | 14,8 | 10,9        |
| Income from operations              | 2,9  | 3,9         |
| Income before tax                   | 2,0  | 1,4         |
| Income tax                          | 0,8  | 0,5         |
| Net income before minority interest | 1,2  | -           |
| Net income                          | 1,2  | 0,9         |

# Revenue structure, IAS

## Revenues from subscribers

|  | <i>RUR bln.</i> | <i>%</i>    |
|--|-----------------|-------------|
| <b>Local telephony including:</b>            | <b>4,822</b>    | <b>29,3</b> |
| Installation fees                            | 0,971           | 5,9         |
| Monthly subscription fees for local services | 3,239           | 19,7        |
| Domestic timed calls                         | 0,612           | 3,7         |
| <b>DLD services</b>                          | <b>5,314</b>    | <b>32,3</b> |
| <b>ILD services</b>                          | <b>1,305</b>    | <b>8,0</b>  |
| <b>Wireless services</b>                     | <b>3,699</b>    | <b>22,5</b> |
| <b>Data transmission services</b>            | <b>0,168</b>    | <b>1,0</b>  |
| <b>Networks services</b>                     | <b>0,443</b>    | <b>2,7</b>  |
| <b>Radio and TV broadcasting</b>             | <b>0,381</b>    | <b>2,3</b>  |
| <b>Telegraph services</b>                    | <b>0,214</b>    | <b>1,3</b>  |
| <b>Other telecommunication services</b>      | <b>0,100</b>    | <b>0,6</b>  |
| <b>TOTAL</b>                                 | <b>16,446</b>   | <b>100</b>  |

$$\begin{array}{c}
 \text{Other revenues} \\
 \boxed{1,252}
 \end{array}
 +
 \begin{array}{c}
 \text{REVENUES} \\
 \boxed{17,698}
 \end{array}
 =
 \boxed{17,698}$$

# Expenditure structure, IAS

## Operating expenses

|   | <i>RUR bln</i> | <i>%</i>   |
|---|----------------|------------|
| Wages, salaries, other benefits and payroll taxes | 5,339          | 36,1       |
| Loss on disposal of property, plant and equipment | 0,116          | 0,8        |
| Depreciation and amortization                     | 2,401          | 16,2       |
| Materials, repairs, maintenance and utilities     | 1,453          | 9,8        |
| Taxes other than on income                        | 0,537          | 3,6        |
| Interconnection charges                           | 2,322          | 15,7       |
| Bad debt expense                                  | 0,086          | 0,6        |
| Other operating expenses                          | 2,546          | 17,2       |
| <b>TOTAL</b>                                      | <b>14,800</b>  | <b>100</b> |

## Including

### Other operating expenses

|                               | <i>RUR bln</i> |
|-------------------------------|----------------|
| General and administrative    | 0,903          |
| Cost of goods sold            | 0,444          |
| Advertizing                   | 0,182          |
| Rent (excluding channel rent) | 0,167          |
| Business trips                | 0,051          |
| Other                         | 0,799          |



# Cash flows, IAS

RUR bln.

2002

Cash flows from operating activities

**3,012**

Cash flows from investing activities

**(4,565)**

Cash flows from financing activities

**1,609**

Net cash flows

**0,056**

# Balance sheet, IAS

RUR bln

2002

## Assets

32,250

Non-current assets

27,263

Current assets

4,987

## Shareholders' Equity and Liabilities

32,250

Shareholders' equity

17,707

Liabilities

14,361

*Non-current liabilities*

5,886

*Current liabilities*

8,475

Minority interest

0,182

# Investments in subsidiaries

The consolidated financial statements include the financial statements of OAO “URALSVYAZINFORM” and the significant subsidiaries listed in the following table:

| Company name   | Main activity                    | Voting shares 2002 |
|--|----------------------------------|--------------------|
| OOO “Perminform”   | Data networks                    | 100%               |
| OOO “Uralinform TV”  | Broadcasting                     | 100%               |
| ZAO “Infinvest”  | Maintenance of telecom equipment | 100%               |
| ZAO “Svyazinformkomplekt”  | Trading                          | 100%               |
| OOO “TyumentelecomInvest”  | Financial markets                | 100%               |
| ZAO “Center vnedreniya spetsializirovannih system”<br>(Specialized Systems Integration Center) | Systems development              | 100%               |
| OOO “Yuzhno-Uralskiy sotovyi telefon”<br>(South-Urals Cellular Phone)                          | Wireless communications          | 100%               |

# Investments in subsidiaries

All the above-mentioned companies are Russian legal entities registered in accordance with Russian regulations

| Company name            | Main activity           | Voting shares 2002 |
|-------------------------|-------------------------|--------------------|
| ZAO "Radiotelefon-G"    | Wireless communications | 100%               |
| ZAO "Mobilniy Servis"   | Wireless communications | 100%               |
| ZAO "Ermak RMS"         | Wireless communications | 90%                |
| Pension Fund «Svyazist» | Pension plans           | 63%                |
| ZAO "AKIB Pochtabank"   | Banking                 | 63%                |
| ZAO "VSNET"             | Internet                | 52%                |
| OAO "Uralvestkom"       | Wireless communications | 51%                |
| ZAO "Tyumenruscom"      | Wireless communications | 51%                |

# Independent Auditors' opinion

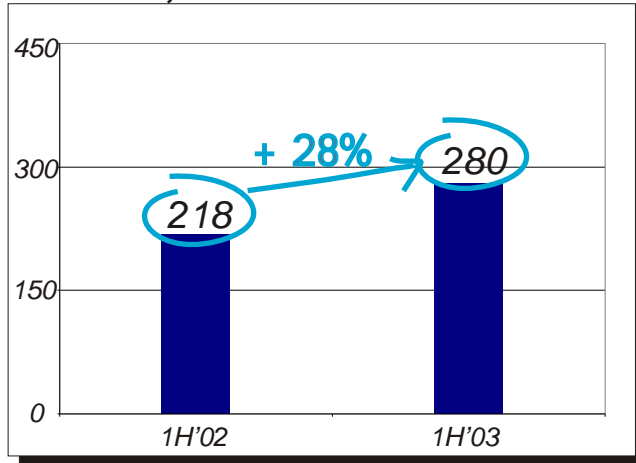
**Following the independent Auditors' opinion dated August 8, 2003:**

**“The financial statements referred to above present fairly, in all material respects, the financial position of OAO “Uralsvyazinform” as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards”.**

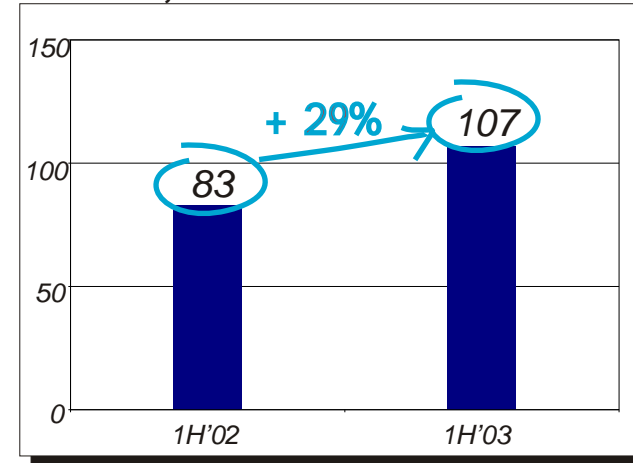
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# 1H'03 Financial Highlights, RAS

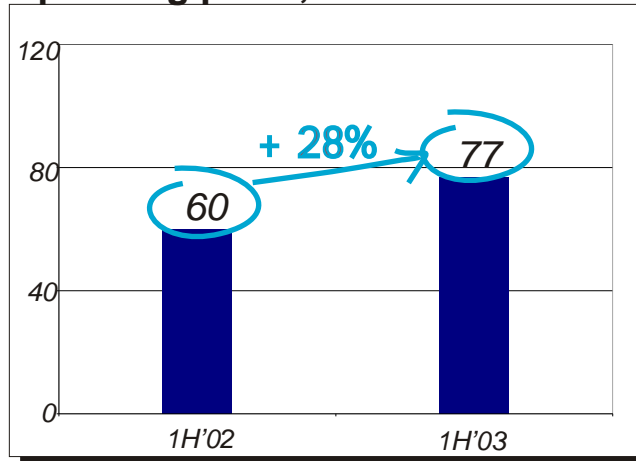
Revenue, USD mln.



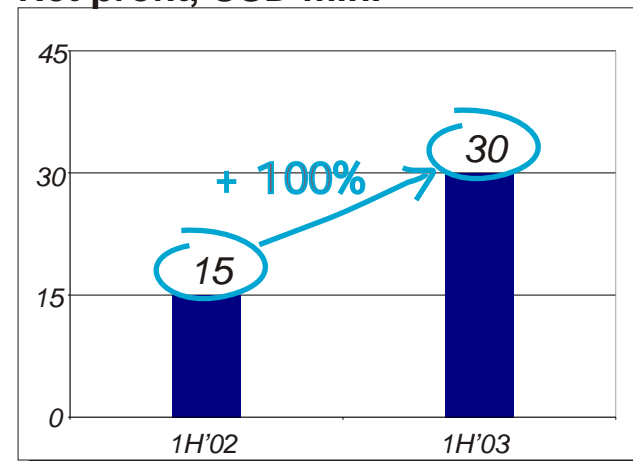
EBITDA, USD mln.



Operating profit, USD mln.



Net profit, USD mln.



# Outlook

**The operating indicators as of 1H 2003 evidence the positive dynamics of company's development and reflect the growth of its operating and economic metrics.**

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