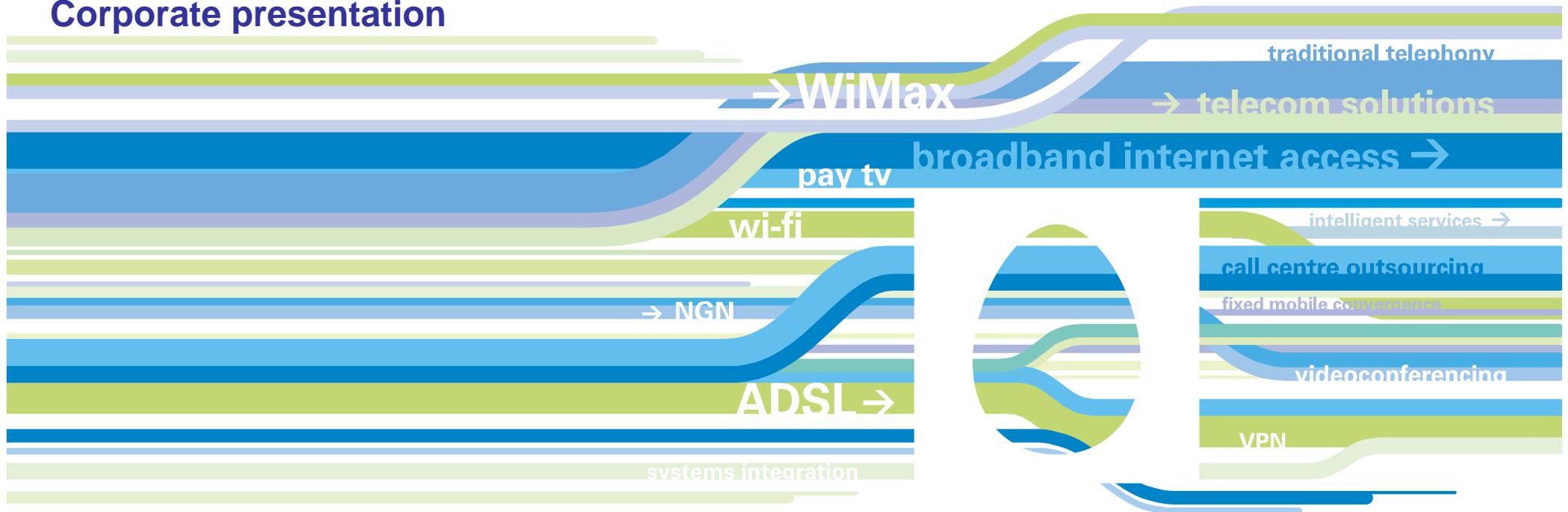


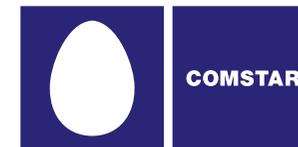


# Comstar-UTS

## Corporate presentation



Based on 2Q2008 results



# Disclaimer

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events revenues or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “predict,” “could”, “plan”, “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, growth in demand for our products; economic outlook and industry trends; developments of our markets; legal trends and the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of revenues, profitability and growth, cost and synergy of our recent acquisitions and restructuring, the timely development and acceptance of new products, the impact of competition and competitive pricing, the ability to obtain necessary regulatory approvals and the ability to fund our future operations and capital needs through borrowing or otherwise, the ability to successfully implement any of our business strategies, the ability to integrate our business and to realize anticipated cost savings and operational benefits from such integration, our expectations about growth in demand for our products and services, the effects of inflation, interest rate and exchange rate fluctuations, and our success in identifying other risk to our business and managing the risk of the aforementioned factors, the condition of the economy and political stability in Russia and the other markets of operations and the impact of general business and global economic conditions.

Neither we, nor any of our respective agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this presentation.

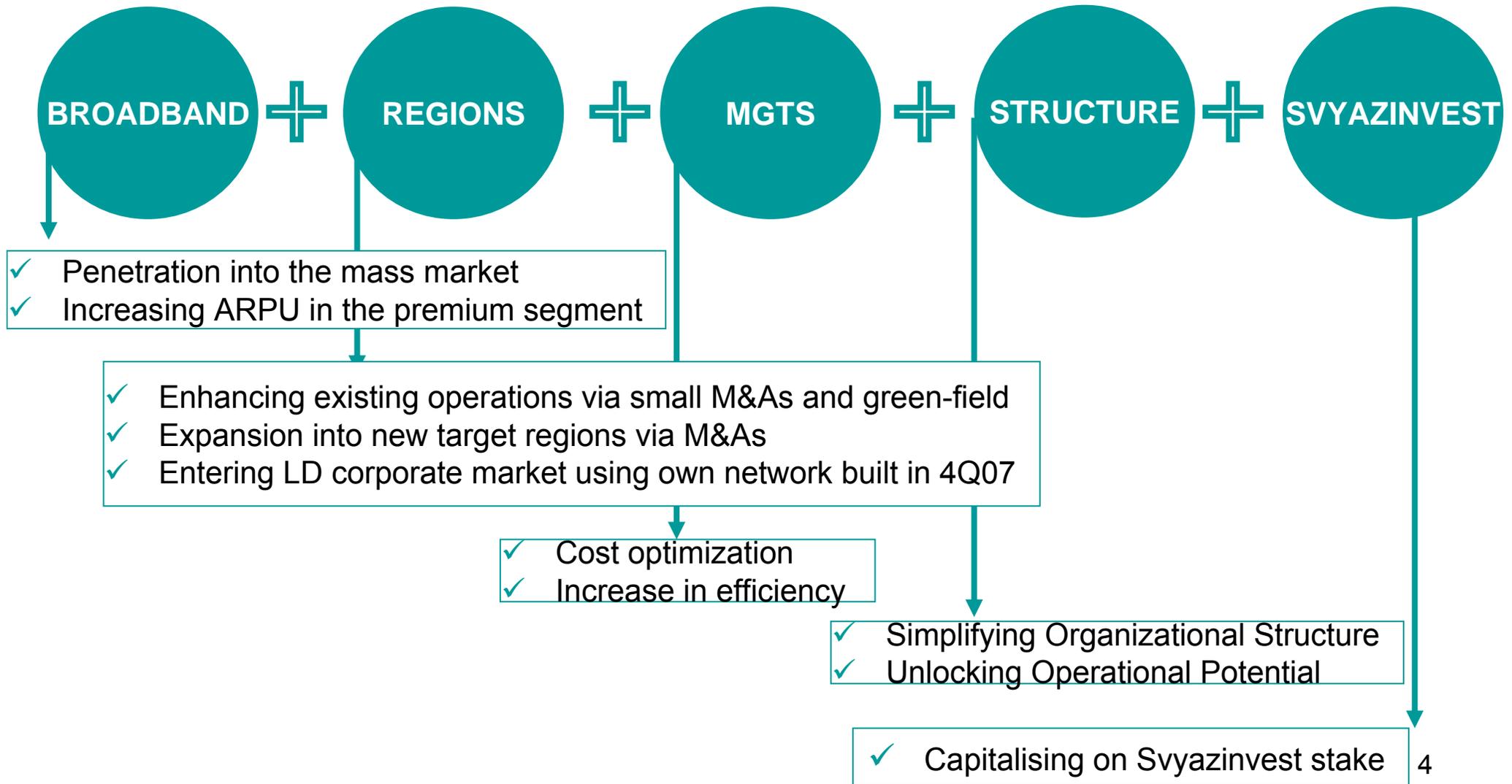
The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice.



## Comstar at a Glance

- Operations in **67\*** Russian cities with combined population of over **48 mln** people
- The leading national broadband provider: over **1\* mln** residential broadband subs + over **2\* mln** residential pay-TV subs
- The leading integrated fixed-line telecommunications provider for corporates – over **1 mln** active lines
- Owner of **25% + 1** share in state-owned Svyazinvest national fixed line incumbent
- 2008 Guidance : **15 – 20%** organic revenue growth, **38 – 40%** OIBDA margin

# Value Drivers

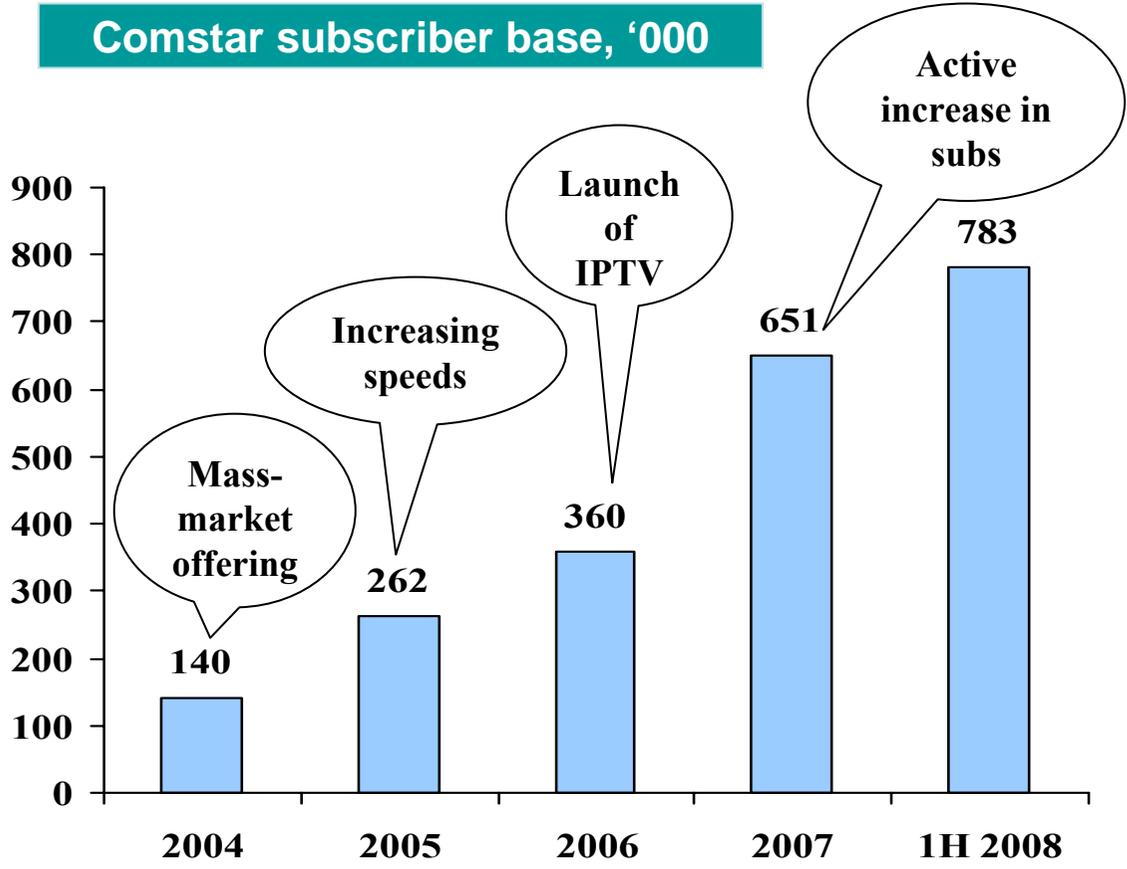


Based on 2Q2008 results

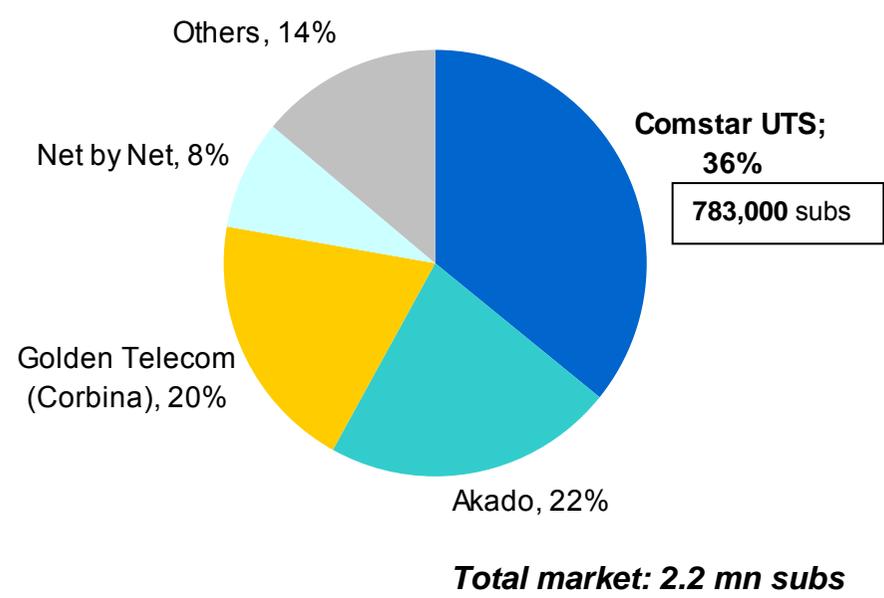


# BB In Moscow- impressive subscriber base- platform for VAS

**Comstar subscriber base, '000**



**Moscow Residential BB Market, 1H2008\***



**Objective in Moscow is to have > 33% of MGTS voice customers (~3.6 million) connected to BB by the end of 2011 (~50% market share)**



# Moving to the 2nd step of revised Broadband Strategy in Moscow



Broadband market in Moscow is close to saturation  
Integration of Comstar-Direct into Comstar



- Broadband Internet + pay-TV
- VAS : mobile WiMax + WiFi + HD TV
- Focus on higher tariffs and speeds (up to 24 Mb/sec)
- Premium class service

- One Bill : voice + broadband internet
- Post-paid tariffs
- Mass-market tariffs
- Servicing mass market segment
- Massive subscription to broadband Internet using IMS technology

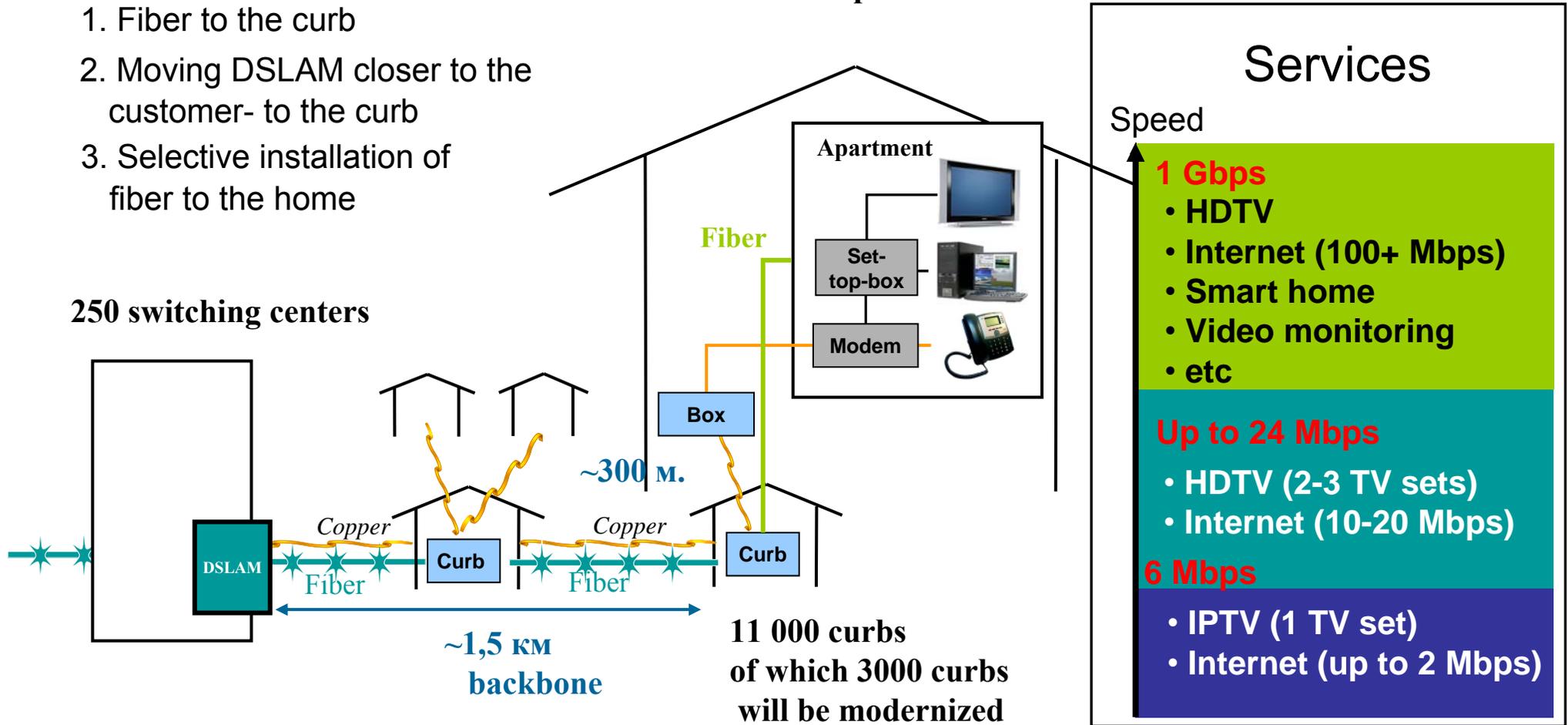
**Increase in ARPU**

**Increase in subscriber base**

# Modernization of the "Last mile"

1. Fiber to the curb
2. Moving DSLAM closer to the customer- to the curb
3. Selective installation of fiber to the home

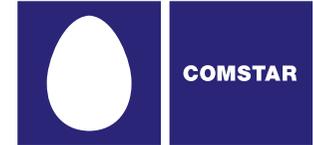
35 000 apartment blocks



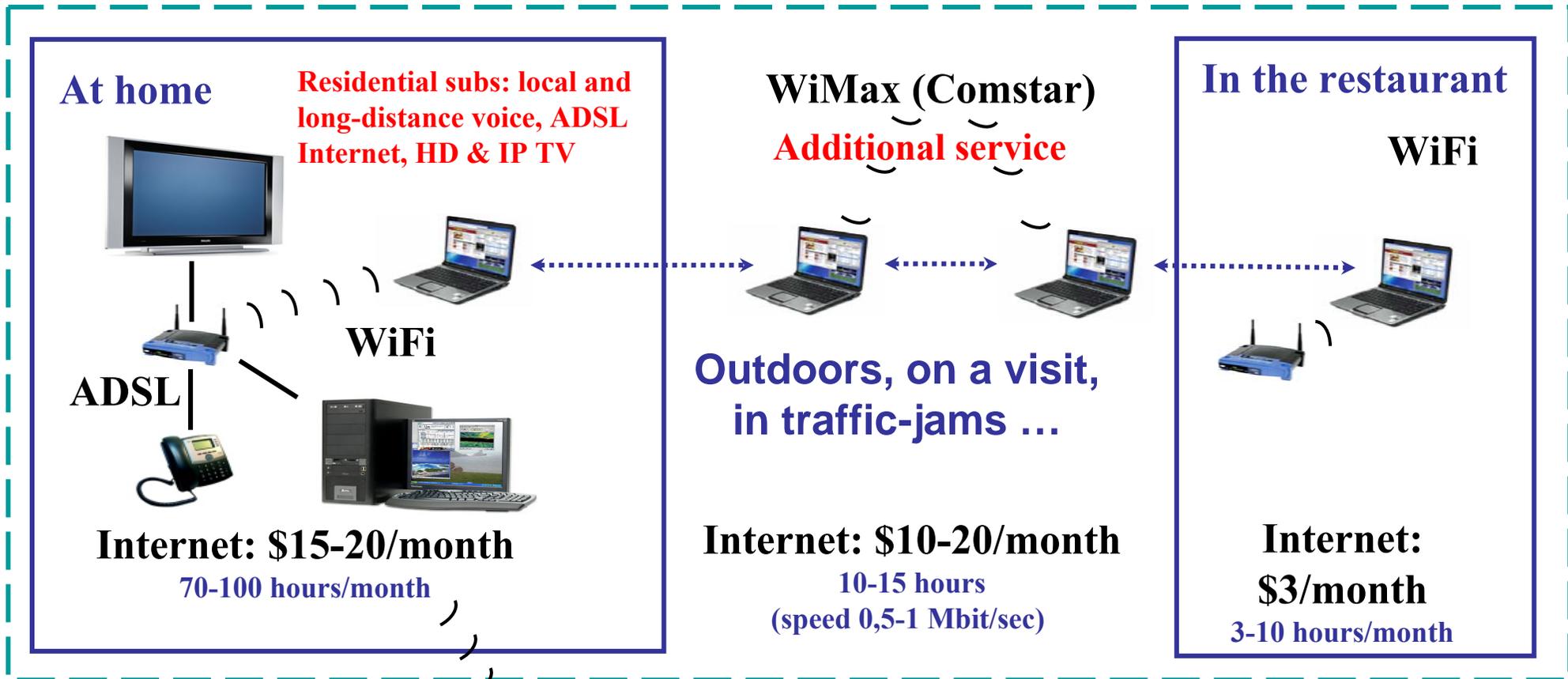
CAPEX of up to \$100 million (2008-2009)

70-80% of the "last mile" is to be "Speed Up" from 6 Mbps to 24 Mbps by 2010

Based on 2Q2008 results



## Combination of Wire-line + Wire-less Internet

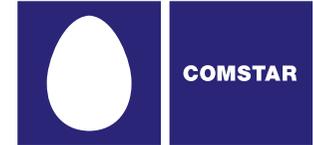


**Separate service**



**Growing number of ADSL subscribers, already using WiFi access at home, will get access to the Internet everywhere from Comstar**

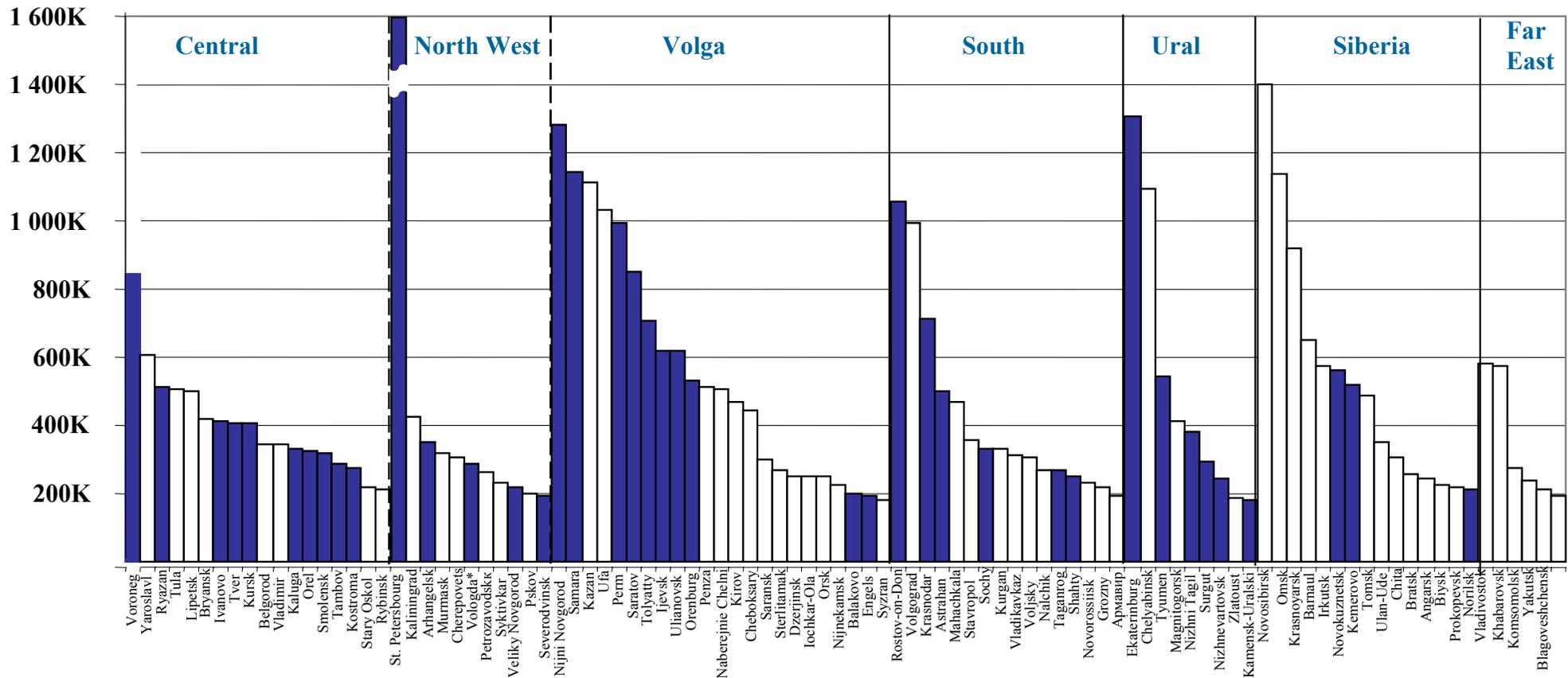
Based on 2Q2008 results



# Comstar Regions of Presence in Russia

Cities with population, more than 200k

Regions



Regional operations cover 66 cities with combined population exceeding 30 mln people



## Consolidation of Stream-TV

- Stream-TV Group - the largest pay-TV operator in Russia (17% market share)
  - ▶ 3.6 million households passed
  - ▶ **1.8 million active pay-TV subscribers**
  - ▶ **200 thousand broadband subscribers**
  - ▶ 30% of the network has already been modernized to enable the provision of triple-play services (VoIP, internet and pay-TV)
  - ▶ Revenues in 2007 US\$ 89.8 million
  - ▶ OIBDA margin in 2007 24.6%

**Step 1** - Comstar takes STREAM-TV under management control from September 4, 2008

**Step 2** - independent valuation by E&Y

**Step 3** - acquisition of STREAM-TV

**Step 4** - integration of STREAM-TV into Comstar's regional branches



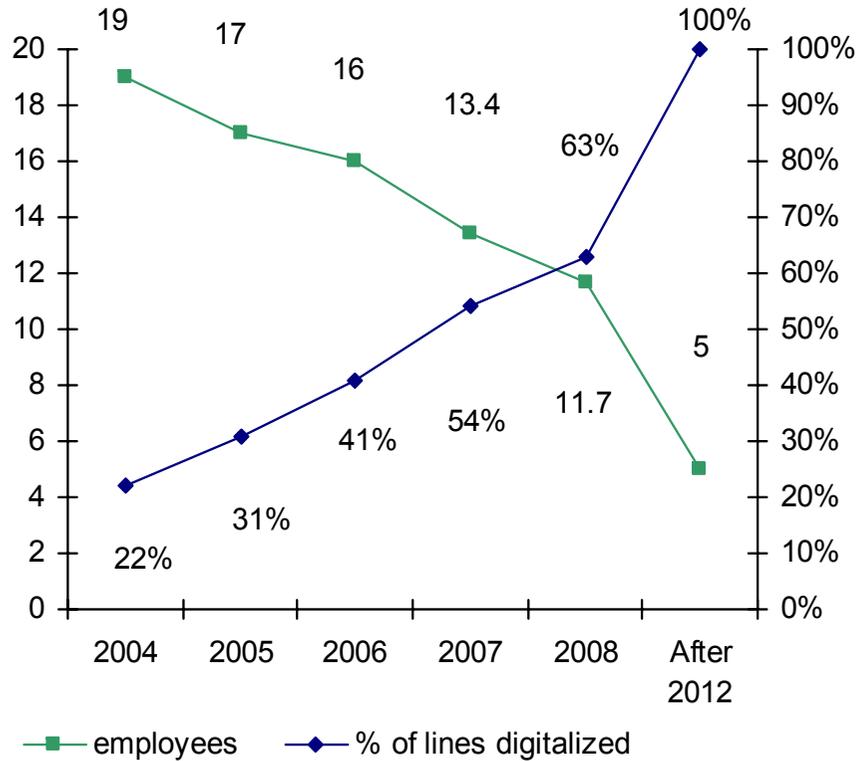
**Comstar total broadband base increased to over 1 mln residential subs,  
Pay - TV – to over 2 mln residential subs**

Based on 2Q2008 results

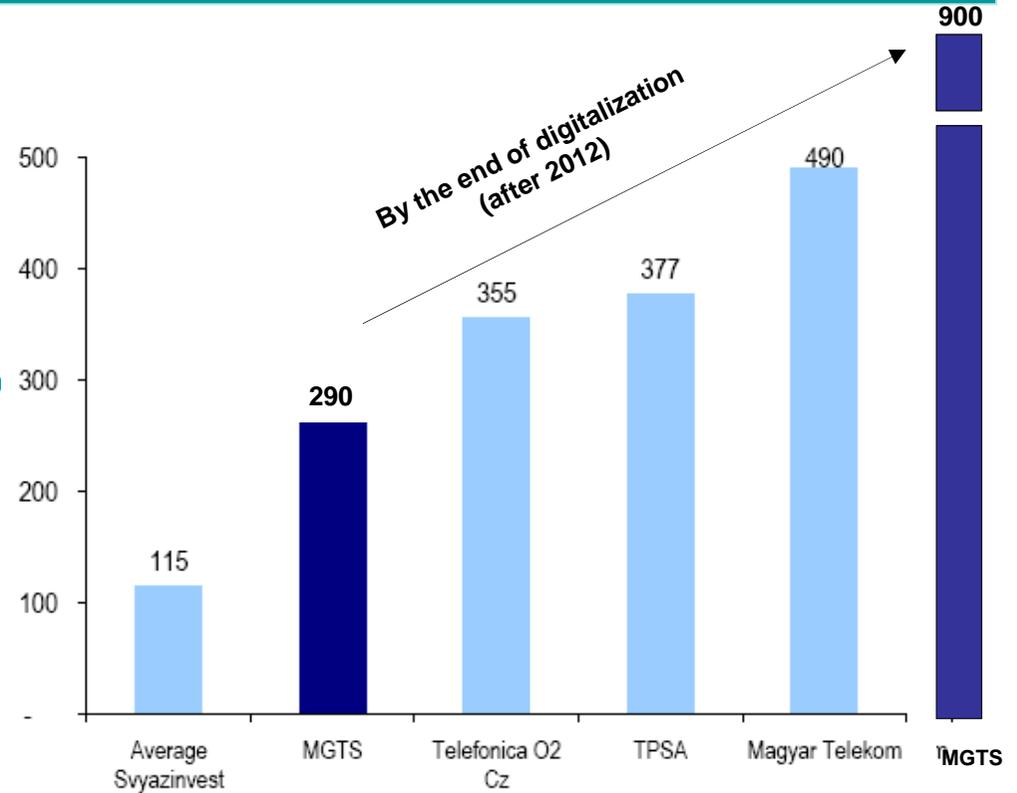


# Unlocking Operational Potential

Number of MGTS Employees, 000\*



Lines / Employees\*\*



Potential for Significant headcount reduction

\* End of period

\*\*Source: Analysts reports, Company data FY2007



Based on 2Q2008 results

BROADBAND

REGIONS

MGTS

STRUCTURE

SVYAZINVEST



**SVYAZ**  **INVEST**

- 7 ILECs + Rostelecom + Central Telegraph
- Owner of the “last mile” in the regions
- >35 million installed lines covering 90% of Russia
- In Dec. 2006 Comstar acquired 25% +1 share in Svyazinvest from Access Industries for US\$ 1.3 billion + call & put option for 11% of Comstar shares held by MGTS Finance
- Call was exercised in Dec. '07 and Comstar received US\$ 322 mln in cash; Access Industries became the owner of 11% of Comstar shares
- Put was exercised in August '08 and Comstar will pay US\$460 mln by mid Nov. 2008; MGTS Finance will become the owner of 11% of Comstar shares



## Use of cash in the 2H2008

### 6 months ended June 30, 2008

- US\$ **274.2** mln operating cash flow
- US\$ **672.7** mln cash and cash equivalents + bank deposits
- US\$ **967.6** mln total debt
- ~ US\$ **180** mln under Sberbank credit facility remains undrawn

### 6 months ended December 31, 2008

- ~ US\$ **460** mln payment under put option execution
- Completion of acquisition of STREAM-TV
- CAPEX projects have been prioritized (US\$ **135.8** mln in the 1H2008)
- No debt repayments in the 4Q2008



## Investment Case

- National fixed-line provider with operations in 67 cities of Russia with combined population of >48 mln people
- Unique combination of
  - ▶ incumbent and alternative service provider
  - ▶ broadband growth potential and expansion into the regions
  - ▶ balancing double digit growth & 38-40% profitability



## Contacts

**For additional information please visit**

**[www.comstar-uts.com](http://www.comstar-uts.com)**

**or contact Masha Eliseeva  
Head of Investor Relations**

**Phone: +7 985 997 08 52**

**E-mail: [ir@comstar-uts.ru](mailto:ir@comstar-uts.ru)**

Based on 2Q2008 results



# Appendix



# Income Statement

(US\$ Million)	2006**	2007**	1H2007	1H2008
<b>Revenues</b>	1,120.2	1,562.4	708.0	834.2
<i>Y-o-Y Growth</i>	23.4%	39.5%	32.0%	17.8%
<b>OIBDA</b> (excl. Stock Bonus Awards)	428.6	663.2	303.6	329.6
<i>Margin</i>	38.3%	42.5%	42.9%	39.5%
<b>Operating Income</b> (excl. Stock Bonus Awards)	297.7	485.3	228.5	228.4
<i>Margin</i>	26.6%	31.1%	32.3%	27.4%
<b>Net Income</b> (excl. Stock Bonus Awards and change in fair value of call and put option less minority share)	178.1	125.1	75.3	74.2
<i>Margin</i>	15.9%	8.0%	10.6%	8.9%
<b>Capex</b>	306.5	345.4	142.8	135.8
<i>% of Revenues</i>	27.4%	22.1%	20.2%	16.3%

## 1H 2008 Highlights

- 17.8% year on year revenue growth
- 39.5% OIBDA margin
- US\$ +9.8 million change in fair value of call and put option less minority share

\*Excluding US\$ 62.1 million non-recurring stock bonus awards in the 4Q2006

\*\*In accordance with old accounting policy in respect of acquisitions. New policy was adopted effective January 1, 2008



## Segmental Breakdown

Revenue (US\$ Million)	FY 2006 **	Q1 2007	Q2 2007	Q3 2007**	Q4 2007**	FY 2007 **	Q1 2008	Q2 2008
Traditional segment in Moscow (MGTS)	<b>802.2</b>	247.3	291.4	278.5	295.2	<b>1,112.5</b>	289.2	292.5
Alternative segment in Moscow (Comstar & Comstar-Direct)	<b>388.6</b>	101.1	107.6	113.1	130.7	<b>452.5</b>	127.8	127.2
Alternative segment in the regions & CIS (Comstar)	<b>39.2</b>	11.6	11.6	11.8	92.7	<b>127.7</b>	36.3	38.6
Intersegment Sales	<b>-109.7</b>	-31.1	-31.5	-31.2	-36.5	<b>-130.3</b>	-36.3	-41.1
<b>Total Revenue, net of intersegment transactions</b>	<b>1,120.2</b>	328.9	379.2	372.2	482.1	<b>1,562.4</b>	417.0	417.3
<b>OIBDA (US\$ Million)</b>								
Traditional segment in Moscow (MGTS)	<b>356.0</b>	114.4	151.1	139.9	145.9	<b>551.3</b>	136.4	130.7
Alternative segment in Moscow (Comstar & Comstar-Direct) *	<b>74.7</b>	17.1	22.4	20.1	16.8	<b>76.1</b>	25.0	16.7
Alternative segment in the regions & CIS (Comstar)	<b>4.0</b>	0.7	1.4	1.2	36.8	<b>40.2</b>	10.9	13.7
Effect of eliminations and other consolidation adjustments	<b>-6.1</b>	-1.9	-1.8	-1.5	-2.2	<b>-7.6</b>	-2.0	-1.8
<b>Total OIBDA *</b>	<b>428.6</b>	130.4	173.2	159.7	200.0	<b>663.2</b>	170.2	159.3

\*Excluding US\$ 62.1 million non-recurring stock bonus awards in the 4Q2006

\*\*In accordance with old accounting policy in respect of acquisitions. New policy was adopted effective January 1, 2008

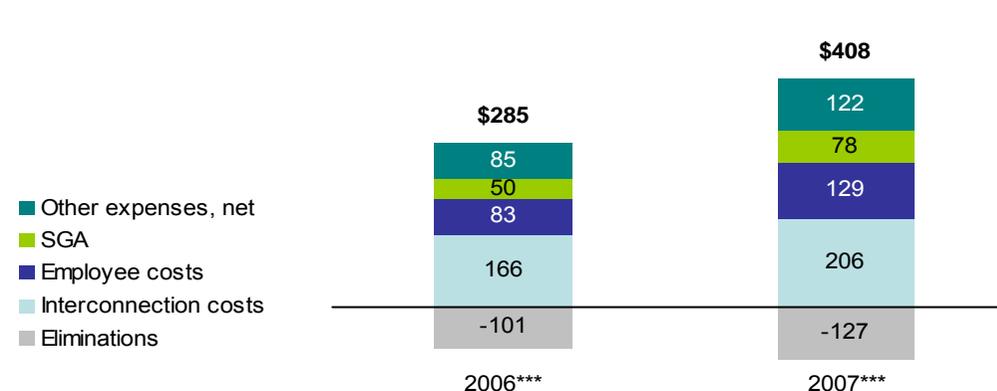
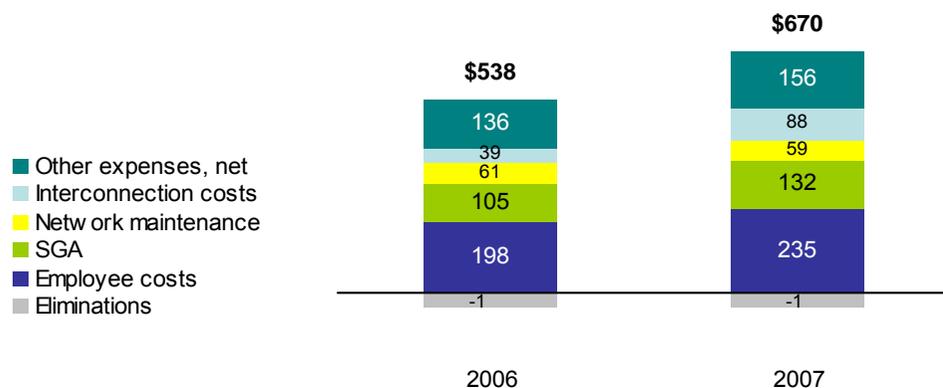


# Segmental Operating Expenses\* & Employees

	2006***	1Q2007	2007***	1Q2008	2Q2008
<b>#Employees **</b>					
Traditional segment	15,621	15,532	13,777	12,970	12,459
Alternative segment in Moscow	2,353	2,189	2,154	2,109	2,098
Alternative segment in the regions & CIS	1,181	1,327	1,084	2,257	2,246
<b>Average salary</b>					
Traditional segment	\$ 787	\$ 1,248	\$ 956	\$ 1,246	\$ 1,164
Alternative segment in Moscow	\$ 1,896	\$ 2,704	\$ 2,179	\$ 2,725	\$ 2,842
Alternative segment in the regions & CIS	\$ 762	\$ 1,139	\$ 1,340	\$ 1,146	\$ 1,034
<b>Revenues per Employee</b>					
Traditional segment	\$ 51,352	\$ 15,922	\$ 80,749	\$ 22,298	\$ 23,479
Alternative segment in Moscow	\$ 165,159	\$ 46,166	\$ 210,076	\$ 60,583	\$ 60,652
Alternative segment in the regions & CIS	\$ 33,222	\$ 8,729	\$ 117,819	\$ 16,067	\$ 17,204

## Traditional Segment (\$m)

## Alternative Segment (\$m)



\* Excluding US\$ 62.1 million Stock Bonus Awards

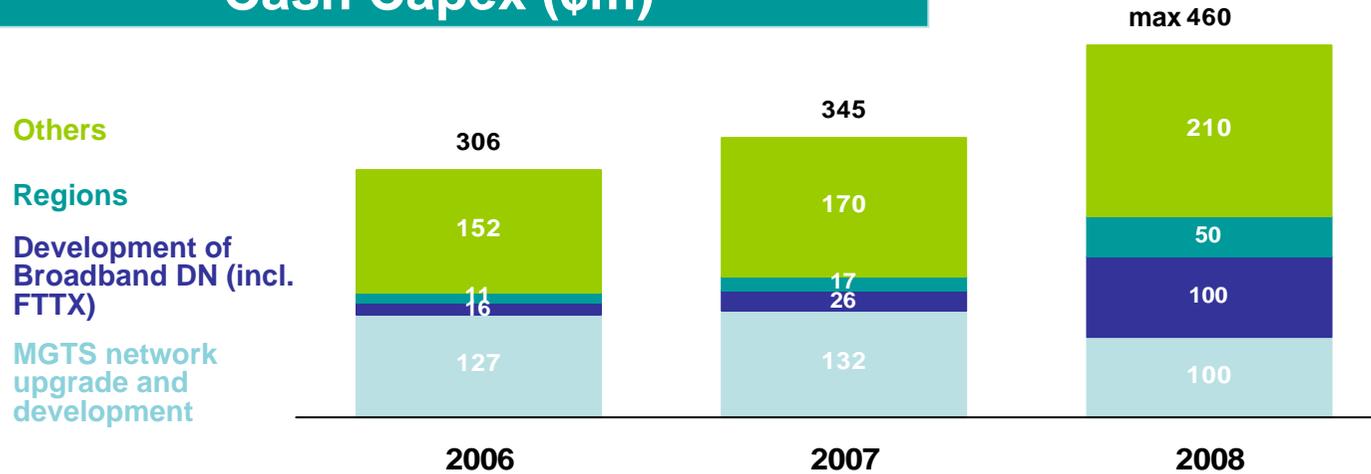
\*\* At the end of period

\*\*\* In accordance with old accounting policy in respect of acquisitions. New policy was adopted effective January 1, 2008



# Capital Expenditure Development

## Cash Capex (\$m)



### Comments

- Modernization of the last mile is expected to be completed by the end of 2009
- Long-distance network development has been completed in the 4Q of 2007
- Starting from 2007 network development reconstruction is based on NGN Technology, thus leapfrogging one generation in technology
- In the 2H2008 capex projects have been prioritized

## Capex to Sales Ratio (%)\*



\*Excluding US\$ 36.6 million and US\$ 26 million compensation from the budget in 2007 and 2006 respectively



## Cash Flow Statement

<b>(US\$ Million)</b>	<b>2006</b>	<b>2007</b>	<b>1H2007</b>	<b>1H2008</b>
Net cash provided by operations	288.7	488.4	201.5	274.2
Net cash provided by investing activities	-1,767.0	-859.9	-81.7	34.9
Net cash provided by / (used in) financing activities	1,550.9	403.6	-24.9	-92.1
Effects of foreign currency translation of cash and cash equivalents	2.0	11.2	0.6	11.8
Cash and cash equivalents at the beginning of the period	62.0	136.6	136.6	179.8
Cash and cash equivalents at the end of the period	136.6	179.8	232.1	408.5
<b>FCF</b>	<b>-17.7</b>	<b>142.9</b>	<b>58.6</b>	<b>138.4</b>



## Balance Sheet

<b>(US\$ Million)</b>	<b>2006</b>	<b>2007</b>	<b>1Q2008</b>	<b>2Q2008</b>
<b>Assets</b>	<b>3,537.6</b>	<b>4,630.3</b>	<b>4,971.5</b>	<b>4,975.0</b>
<i>Current Assets</i>	<i>445.1</i>	<i>941.7</i>	<i>1,114.9</i>	<i>1,056.9</i>
<i>Long-term assets</i>	<i>3,092.5</i>	<i>3,688.7</i>	<i>3,856.6</i>	<i>3,918.2</i>
<b>Liabilities</b>	<b>1,470.6</b>	<b>1,774.4</b>	<b>1,886.5</b>	<b>1,837.5</b>
<i>Current Liabilities</i>	<i>1,140.9</i>	<i>465.3</i>	<i>521.0</i>	<i>461.5</i>
<i>Long-term liabilities</i>	<i>329.7</i>	<i>1,309.1</i>	<i>1,365.5</i>	<i>1,376.0</i>
<b>Minority Interests</b>	<b>496.7</b>	<b>765.0</b>	<b>845.3</b>	<b>865.3</b>
<b>Shareholder's equity</b>	<b>1,570.2</b>	<b>2,090.9</b>	<b>2,239.7</b>	<b>2,272.2</b>

### ● 1H 2008 Highlights

- Cash and cash equivalents of US\$ 408.5 million
- Short-term investments of US\$ 264.2 million
- Total debt of US\$ 967.6 million
- Net debt of US\$ 559.1 million
- Net debt minus short-term investments of US\$ 294.9 million
- Total debt/OIBDA of 1.48
- Net debt/OIBDA of 0.86



## Comstar Debt as of 31.12.2007 & Debt repayments schedule

	Currency	% rate	Milions US\$
MGTS Bonds 5th issue	RUR	7.10%	29
MGTS Bonds 4th issue	RUR	7.10%	60
Sberbank credit line facility	RUR	9.50%	878
MBRD	Euro	EURIBOR + 2.75% (7.46%)	2
VTB	Euro	various	19
Commerzbank	Euro	4.00%	2
Vendor financing	various	various	3
Other	various	various	1
<b>Total debt</b>			<b>995</b>
Less: amounts maturing within one year			-103
<b>Debt, net of current portion</b>			<b>891</b>

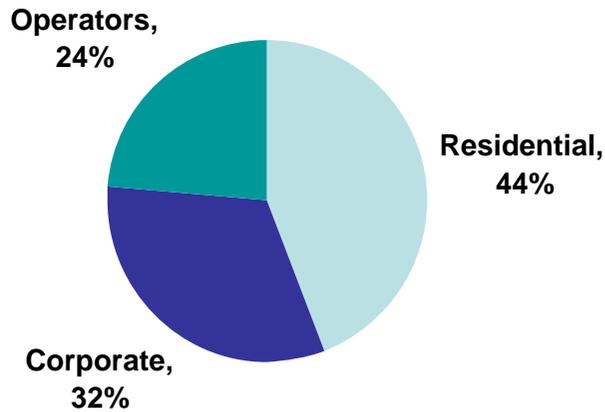
### *Debt Repayments Schedule as of December 31, 2007*

Year ended December 31,	Milions US\$
2008	103
2009	151
2010	297
2011	295
2012	148

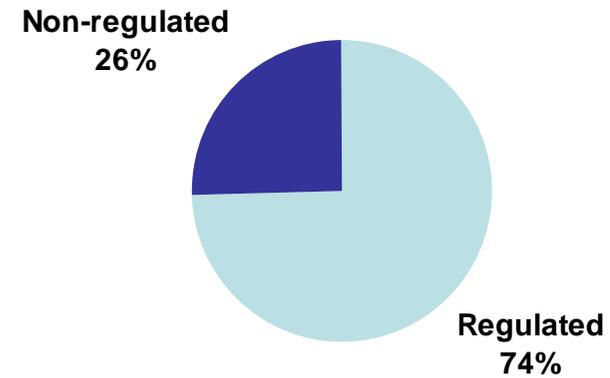


# Revenue Composition, 2007

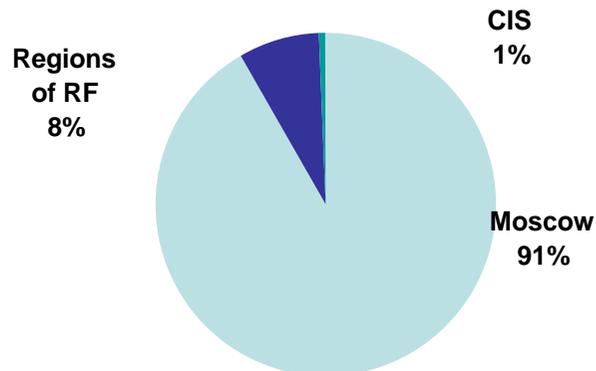
## By customer segments



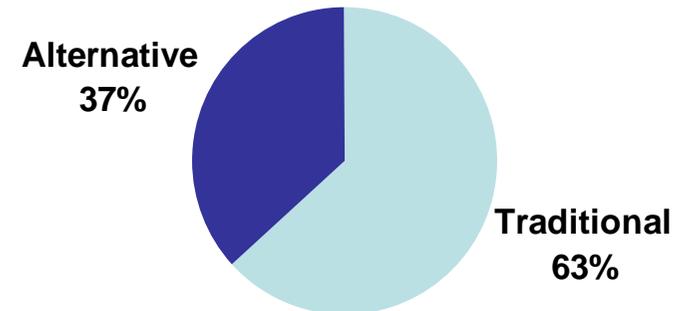
## Regulated/non-regulated



## Geographical



## Traditional / Alternative

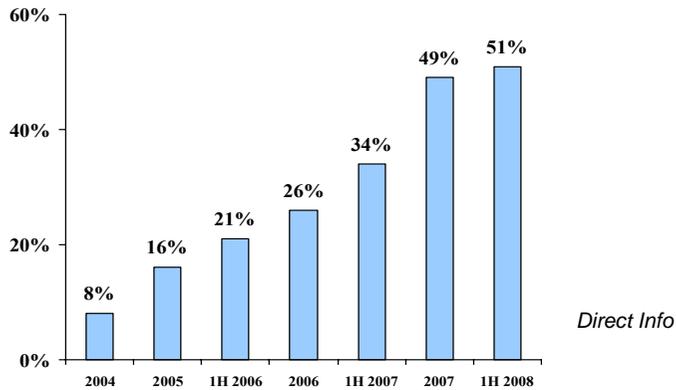


Based on 2Q2008 results

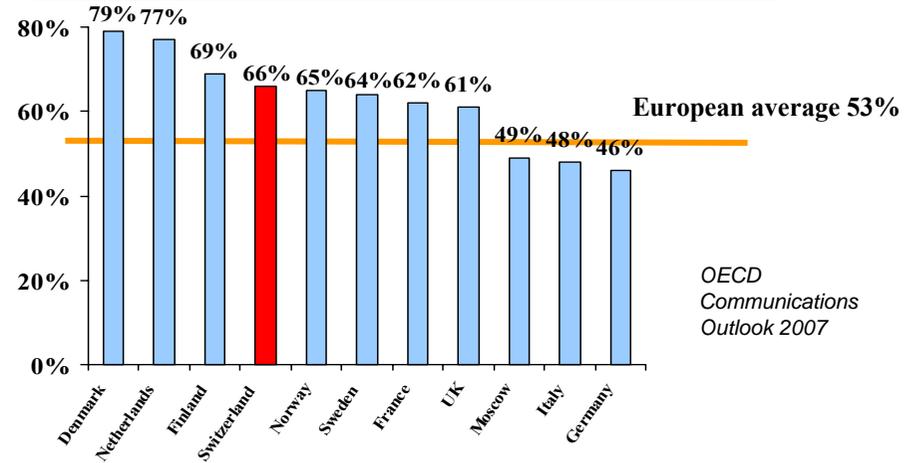


# Broadband In Moscow- impressive growth in subscriber base

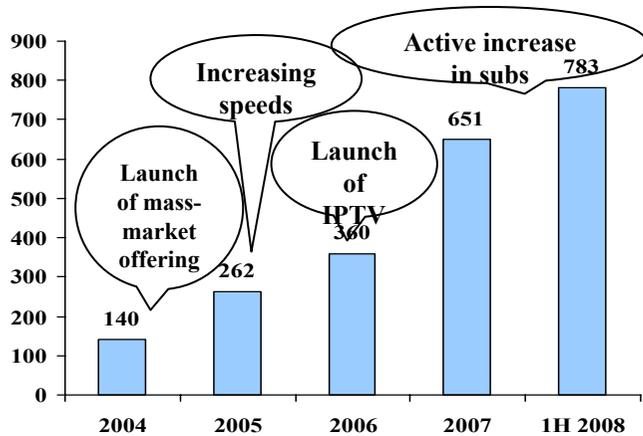
Broadband penetration in Moscow, %



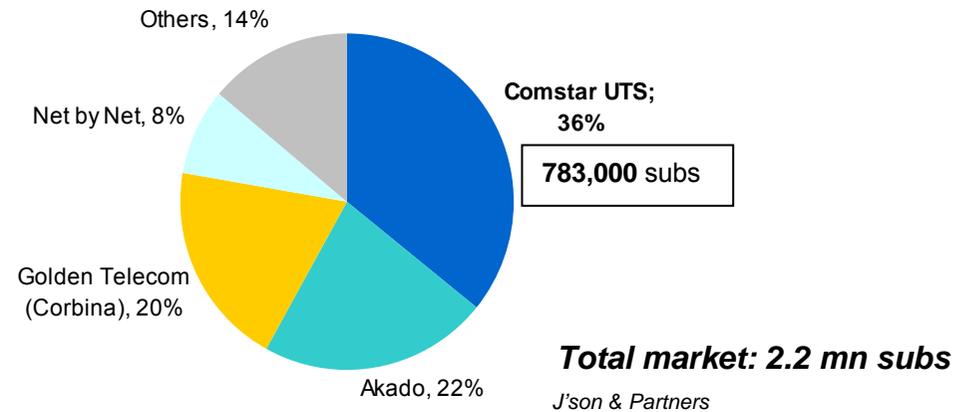
Broadband penetration in Europe 2007, %



Comstar subscriber base, '000



Moscow Residential BB Market, 1H2008



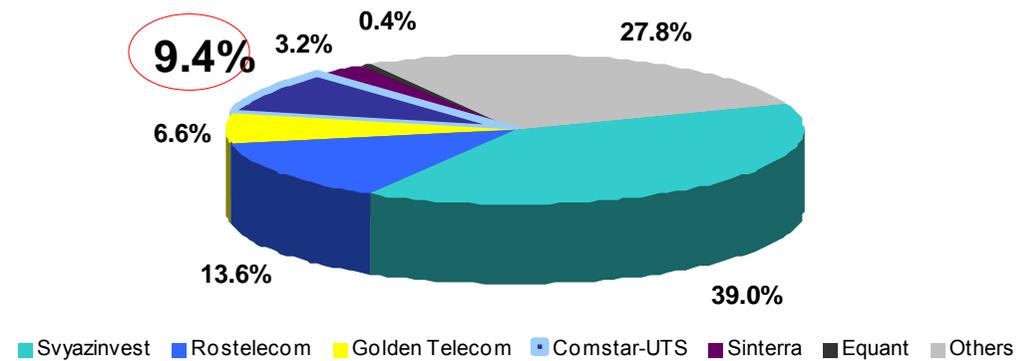
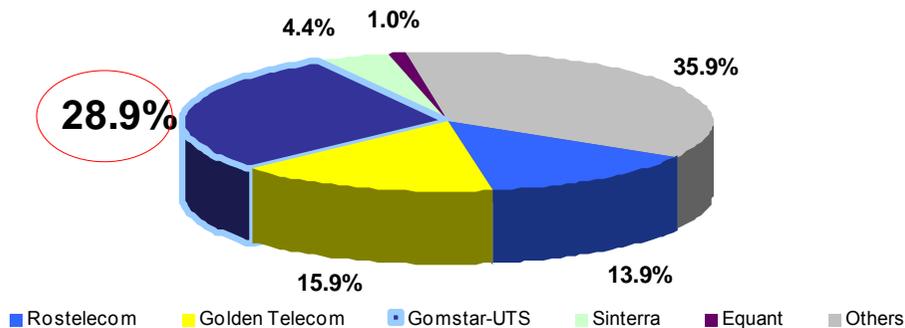
**Objective in Moscow is to have > 33% of MGTS voice customers (~3.6 million) connected to BB by the end of 2011 (~50% market share)**



# Comstar's position on telecom market

Comstar share on Moscow fixed-line market, in revenue terms, 2007

Comstar share on Russian fixed-line market (incl. Moscow), in revenue terms, 2007



**Comstar-UTS is the leading fixed-line operator in Moscow with 28.9% market share**  
**52.6% of the fixed-line market in Russia is controlled by Svyazinvest (incl. Rostelecom)**