

OJSC VolgaTelecom

FINANCIAL AND OPERATING RESULTS  
FOR 1H 2010 (IFRS)

September 2010



**VOLGATELECOM**



<i>RUB, mln</i>	<i>1H 2010</i>	<i>1H 2009</i>	<i>1H 2010 / 1H 2009</i>
Sales revenue	17,095	16,112	106.1%
Operating expenses, net	12,975	12,685	102.3%
Operating profit	4,120	3,427	120.2%
EBITDA	7,705	7,054	109.2%
EBITDA margin, %	45.1	43.8	+1.3 percentage point
OIBDA	7,694	7,139	107.8%
OIBDA margin, %	45.0	44.3	+0.7 percentage point
Net profit for the reporting period	2,816	1,845	152.6%
Net profit margin, %	16.5	11.5	+5.0 percentage point

# Revenues Structure



**VOLGATELECOM**

<i>RUB, mln</i>	<i>1H 2010</i>	<i>Weight, %</i>	<i>1H 2009</i>	<i>Weight, %</i>	<i>1H 2010 / 1H 2009</i>
Local telephony services	6,210	36.3	5,673	35.2	109.5%
Telegraphy, data transmission network and telematic services (the Internet)	3,202	18.7	2,928	18.2	109.4%
Mobile services	2,341	13.7	2,201	13.7	106.3%
Intrazonal telephony services	2,170	12.7	2,271	14.1	95.6%
Interconnect and traffic transit services	2,031	11.9	2,029	12.6	100.1%
Mobile radio telephony, wire broadcasting, radio broadcasting and TV services	377	2.2	370	2.3	101.7%
Assistance and agency services	248	1.5	255	1.6	97.2%
Other services	34	0.2	35	0.2	96.7%
Revenue from other sales	482	2.8	350	2.2	138.0%
<b>Total revenues</b>	<b>17,095</b>	<b>100.0</b>	<b>16,112</b>	<b>100.0</b>	<b>106.1%</b>

## Expenses Structure



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<i>RUB, mln</i>	<i>1H 2010</i>	<i>Weight, %</i>	<i>1H 2009</i>	<i>Weight, %</i>	<i>1H 2010 / 1H 2009</i>
Staff costs	4,525	32.7	4,341	32.4	104.3%
Depreciation and amortization	3,574	25.8	3,713	27.8	96.3%
Operators' services costs	1,852	13.4	1,770	13.2	104.6%
Materials, repair and maintenance, public utility services	1,433	10.4	1,269	9.5	112.9%
Other operating expenses	2,454	17.7	2,284	17.1	107.4%
<b>Total operating expenses</b>	<b>13,838</b>	<b>100.0</b>	<b>13,377</b>	<b>100.0</b>	<b>103.4%</b>
Other operating revenues	863		692		124.7%
<b>Total operating expenses, net</b>	<b>12,975</b>		<b>12,685</b>		<b>102.3%</b>



<i>RUB, mln</i>	<i>June 30, 2010</i>	<i>December 31, 2009</i>
Interest debt*	13,359	10,404
Net debt**	10,389	8,371
Net debt / Shareholders' equity	0.32	0.27
Net debt / Assets	0.18	0.16

\* The Company's debt is calculated as the sum of liabilities under long-term and short-term loans and borrowings

\*\* Net debt is calculated as the sum of long-term and short-term loan obligations adjusted for the amount of cash and cash equivalents, as well as for the amount of promissory notes and bonds available for sale

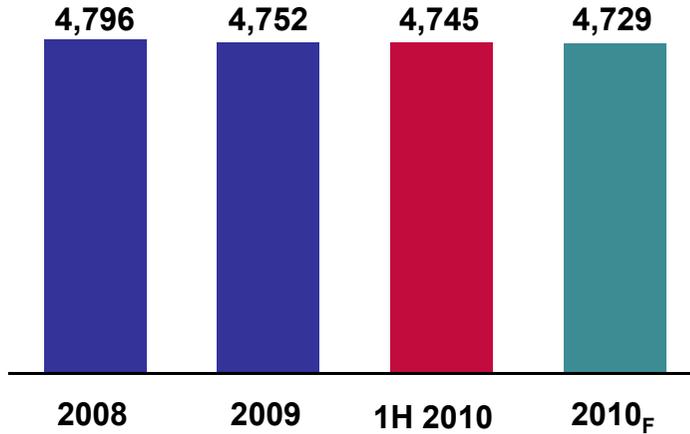
# Traditional Fixed-Voice Services



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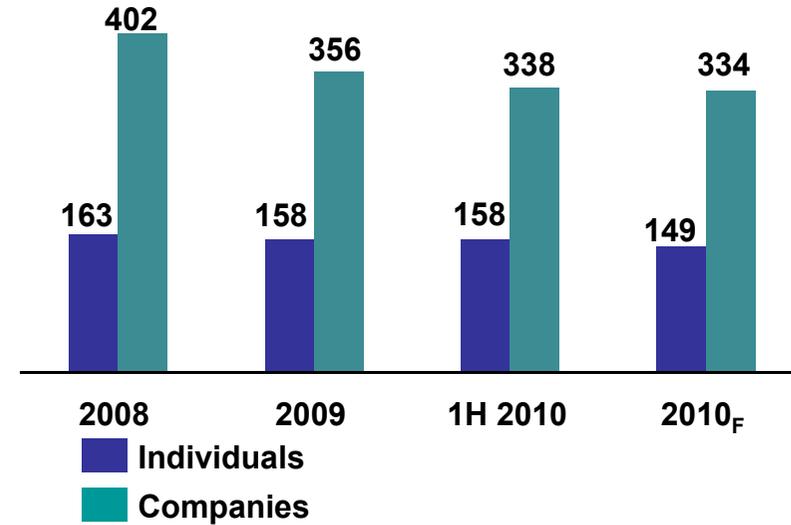
## Number of Subscribers

Ths



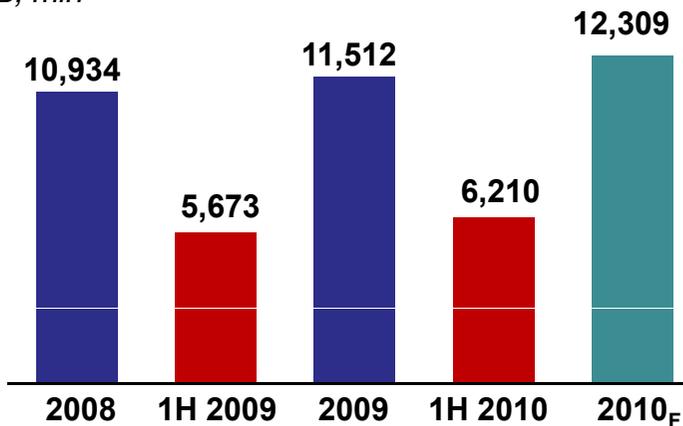
## MOU

Min



## Revenues from Local Telephony

RUB, mln



Traditional fixed-voice services retain earning power, however the market is saturated and lacks upside potential

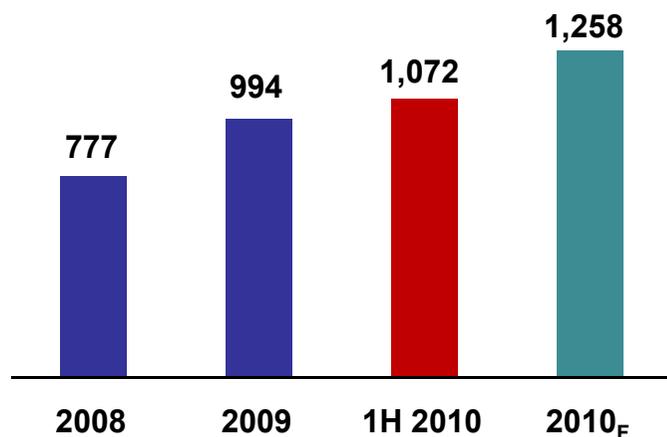
# Broadband Internet – Major Growth Driver



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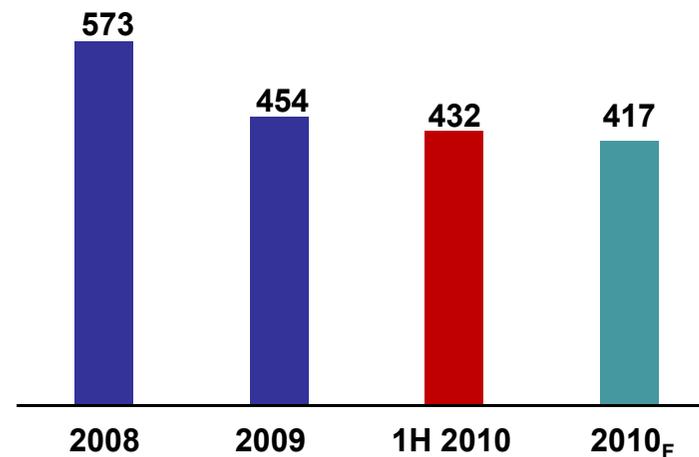
## Number of Subscribers

*Ths*



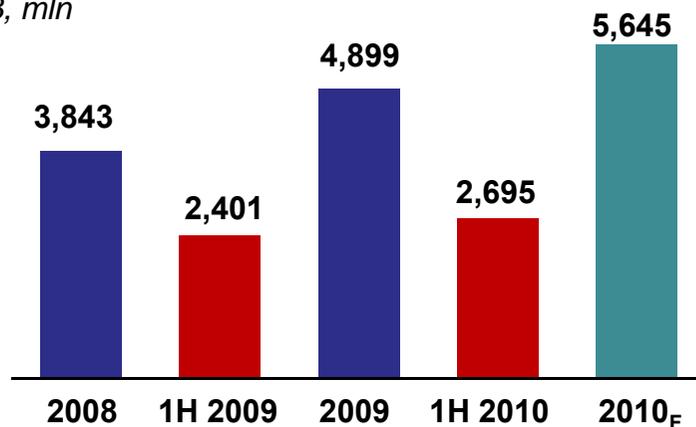
## ARPU

*RUB per month*



## Revenues from Broadband Internet

*RUB, mln*



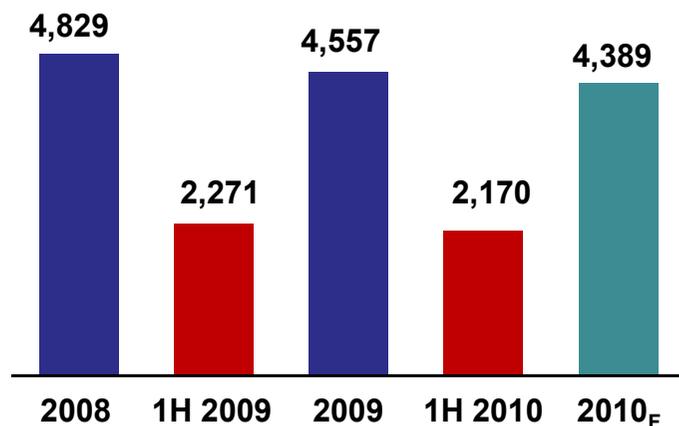
## Prospects

- High-speed Internet using FTTP technology, in lieu of xDSL
- MultiPlay services development
- Use of wireless network in rural areas
- Convergence of fixed and cellular services
- IP TV services development

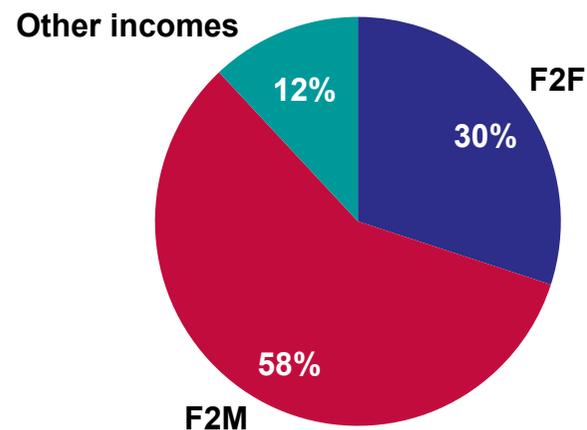


### Revenues from Intrazonal Telephony

RUB, mln



### Revenues Structure



	2008	1H 2009	2009	1H 2010	2010 <sub>F</sub>
Intrazonal traffic, mln min, including	2,428	1,130	2,282	1,079	2,199
F2F	707	320	634	301	583
F2M	1,721	810	1,647	778	1,616

### Prospects

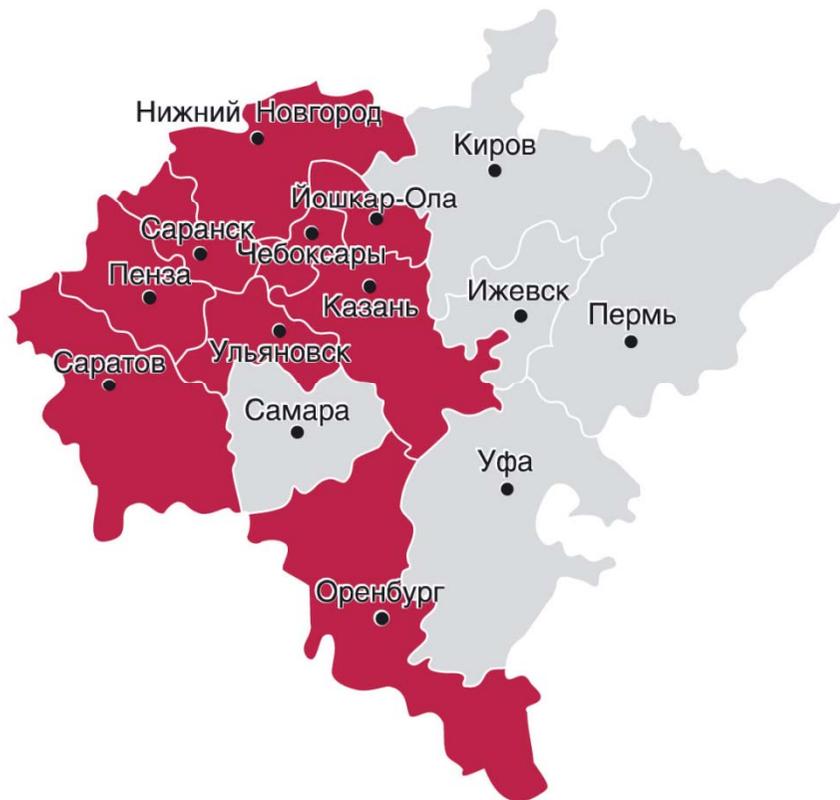
- Use of unlimited tariffs
- Services' packaging

# Cellular Services



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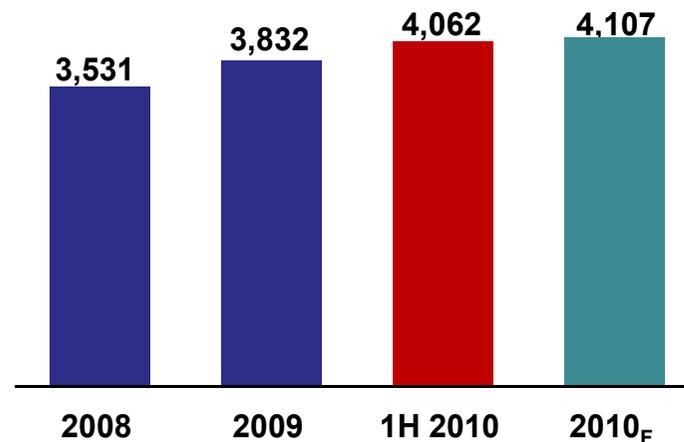
**■ Territories where VolgaTelecom has GSM mobile assets**



**9 regions of VFD**  
**517.3 ths square km**  
**14.7 mln inhabitants**

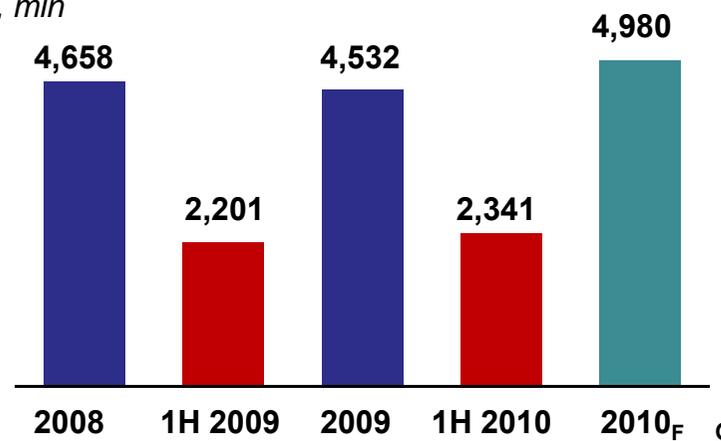
## Number of subscribers

*Ths*



## Revenue

*RUB, mln*





### Market share

<i>Operator</i>	<i>VolgaTelecom's share in the shareholders equity</i>	<i>Regions of operating activity</i>	<i>Market share on the territory of operating activity*</i>
<b>NCC</b>	<b>100%</b>	<b>Nizhny Novgorod oblast</b>	<b>30.7%</b>
		<b>Ulyanovsk oblast</b>	<b>28.3%</b>
		<b>Mordovia Republic</b>	<b>14.3%</b>
		<b>Tatarstan Republic</b>	<b>13.4%</b>
		<b>Saratov oblast</b>	<b>7.5%</b>
		<b>Chuvashia Republic</b>	<b>6.1%</b>
		<b>Penza oblast</b>	<b>4.3%</b>
<b>Orenburg-GSM</b>	<b>51%</b>	<b>Orenburg oblast</b>	<b>6.6%</b>

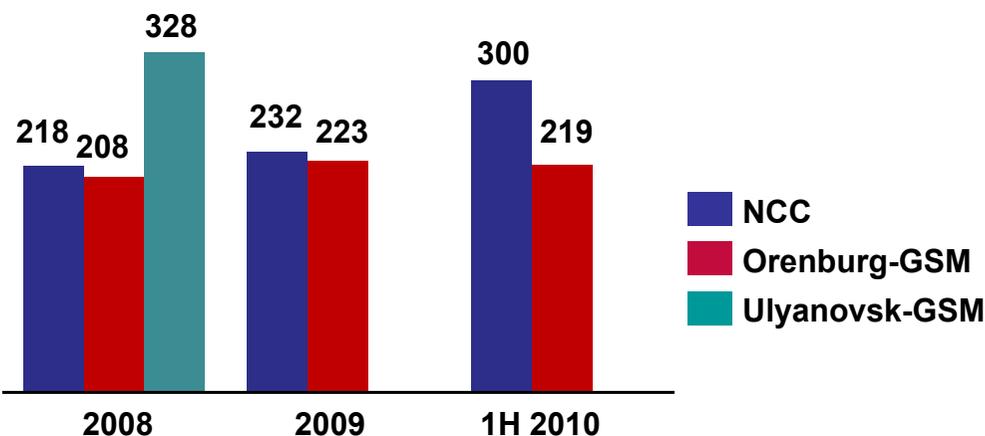
### Competitive Environment

<i>Company</i>	<i>Market share</i>
<b>VolgaTelecom</b>	<b>16.0%</b>
<b>MEGAFON</b>	<b>27.1%</b>
<b>MTS</b>	<b>25.1%</b>
<b>Vimpelcom</b>	<b>23.9%</b>
<b>SMARTS</b>	<b>4.1%</b>
<b>TELE2</b>	<b>3.6%</b>
<b>Other operators</b>	<b>less than 1%</b>



### MOU\*

Min

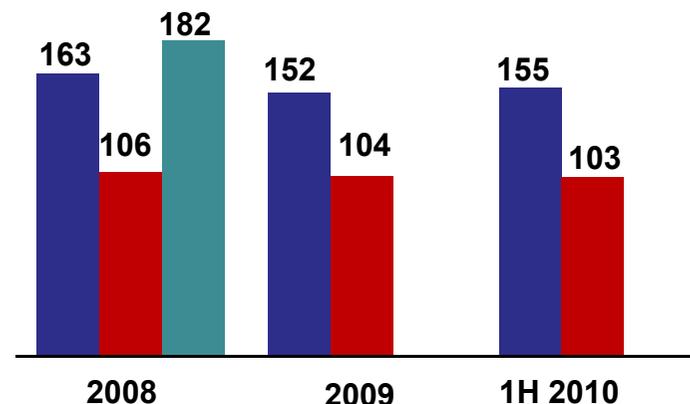


### Market Trends

- ❑ Creation of transnational telecommunication corporations by consolidating cellular companies with retailers and Internet providers and entrance to the foreign markets
- ❑ Decrease in the market growth rates as a result of saturation and economic crisis
- ❑ Fast development of mobile Internet access services

### ARPU\*

RUB



### Company's Initiatives

- ❑ Carrying a position of "Price Leader"
- ❑ Development of alternative marketing channels
- ❑ Convergence of fixed and mobile telephony

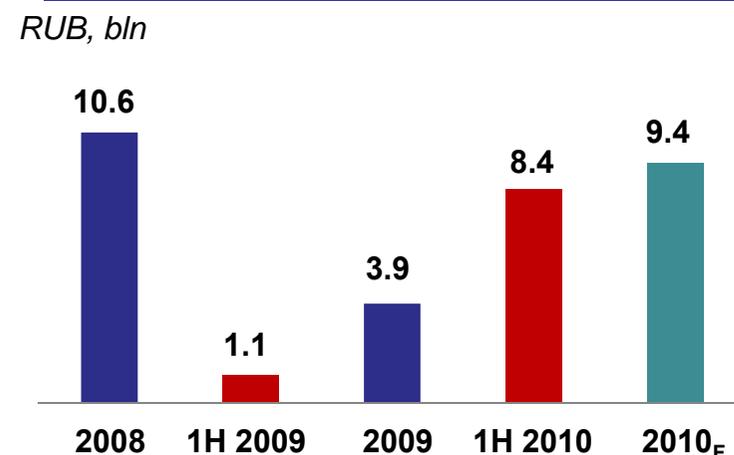
\*CJSC Ulyanovsk-GSM merged into CJSC NCC in 2009



### Major Investment Projects

- Construction of intra-regional data transmission network
- Arrangement of Internet access on the basis of xDSL, Ethernet and FTTx technologies
- Development of data transmission network infrastructure
- NGN-based network development

### Investments



### Investment Structure

	%	2008	1H 2009	2009	1H 2010	2010 <sub>F</sub>
Traditional telephony		29.1	1.9	5.8	0.8	5.1
New services (Internet, IP-TV, NGN etc.)		29.1	28.2	26.7	19.5	34.8
Cellular services		20.8	33.5	22.4	4.7	25.2
IT		8.8	22.9	15.4	2.8	12.1
Data transmission network		6.6	9.9	5.8	3.6	9.1
Other investments		5.6	3.6	23.9	68.6	13.7



<i>RUB, mln</i>	<i>2009</i>	<i>2010F</i>	<i>2010F/2009</i>
Revenues	32,759	34,379	104.9%
Operating profit	6,971	7,124	102.2%
EBITDA	14,411	14,419	100.1%
EBITDA margin, %	44.0	41.9	-2.1 percentage point
OIBDA	14,474	14,428	99.7%
OIBDA margin, %	44.2	42.0	-2.2 percentage point
Net profit	4,181	4,530	108.3%
Net profit margin, %	12.8	13.2	+0.4 percentage point



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