



# URALSVYAZINFORM: FIXED & MOBILE IN ONE «FIST»

May 2004

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Chief Financial Officer

# 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 the Companys 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 Companys 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 maybe required under applicable Russian federal securities laws.

# URSI - Key Facts

## General

- Major telecommunications carrier in Urals region
- Overall installed capacity - 5.2 mln lines, including mobile telephony - 1.5 mln lines
- Fixed-line subscriber numbers - 3.3 mln, GSM - 1.4 mln
- Number of employees - 36,000

## Financial/RAS

- Revenue 2003 - USD635 mln
- EBITDA 2003 - USD241 mln
- Capitalization (as of 26/05/04) - USD1.4 bln (up 190% since of 01/01/03)

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

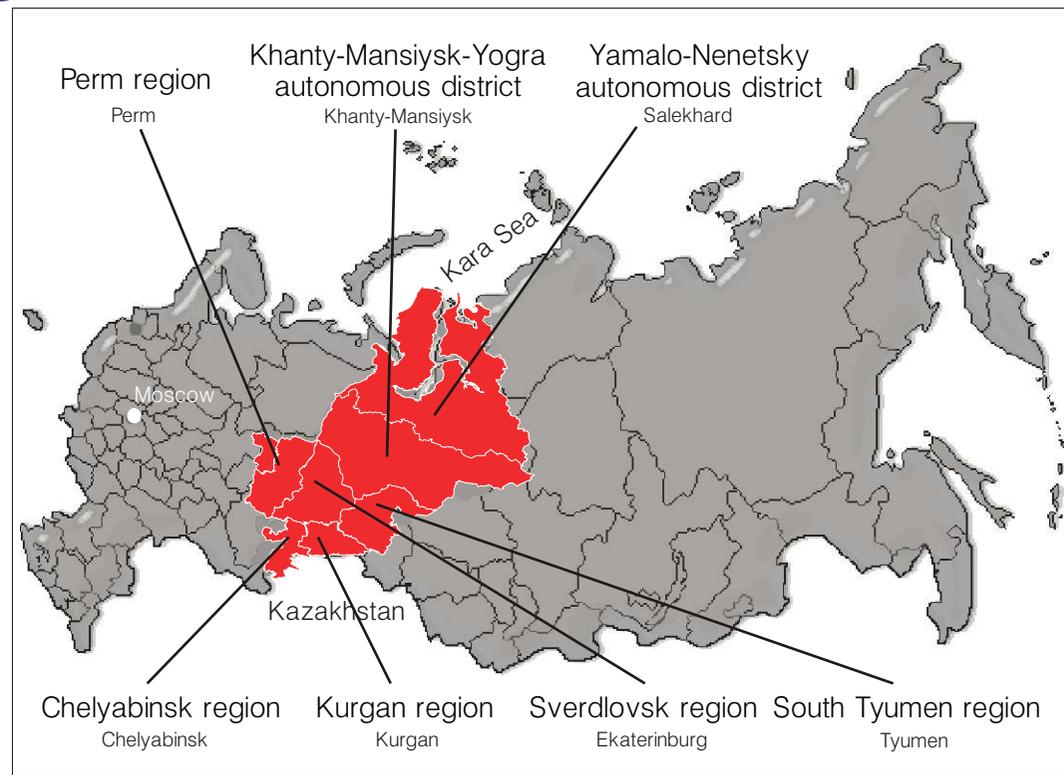
# Urals - a Strategic Region of Russia

## Description

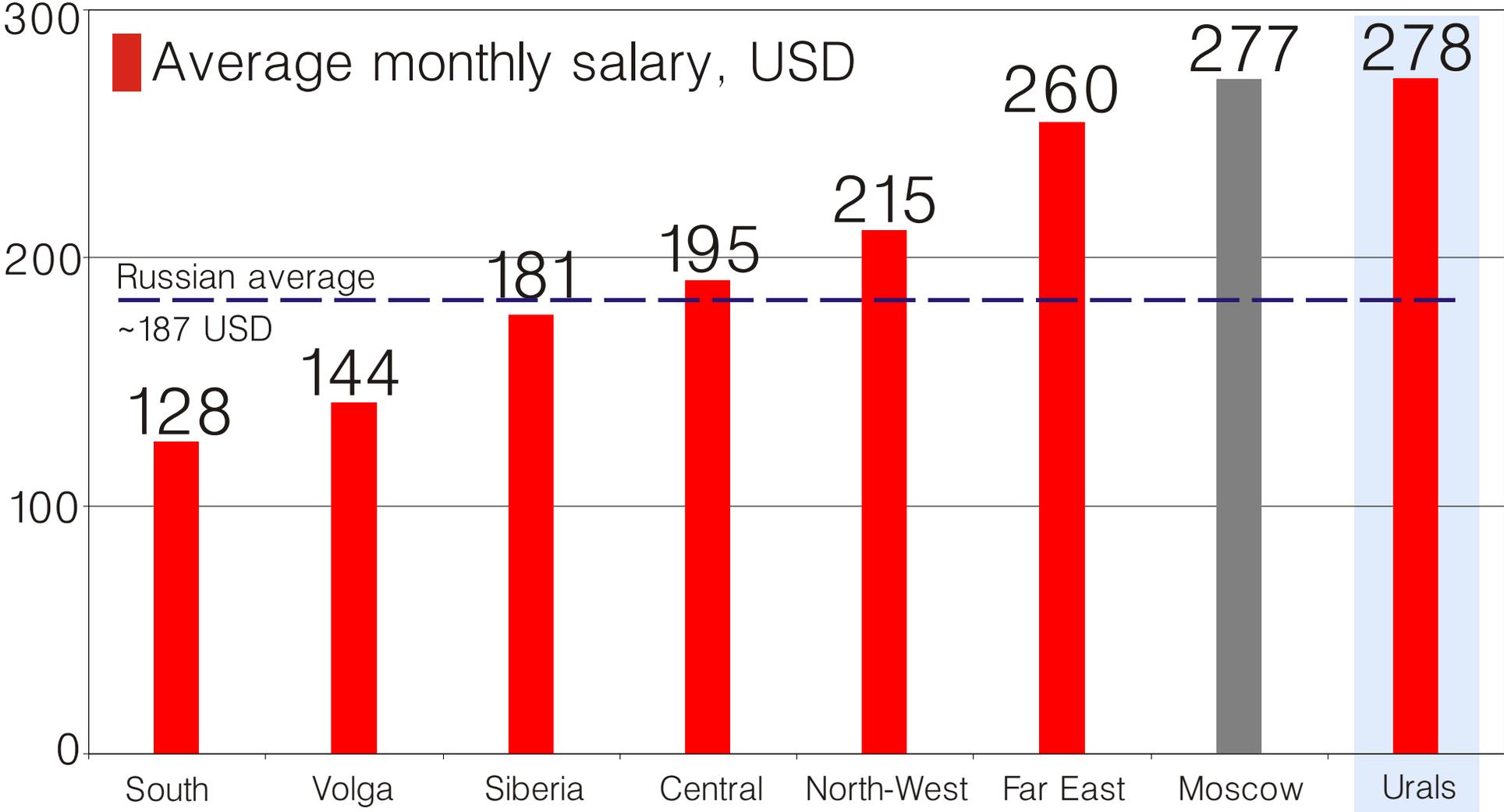
- Territory - 1.9 mln sq. km
- Population - 15.5 mln (9% of overall population of Russia)
- Urban population - 80 %

## Economic indicators

- Industrial output in 2002 - USD39.4 bln (18% of Russia's overall industrial output)
- 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



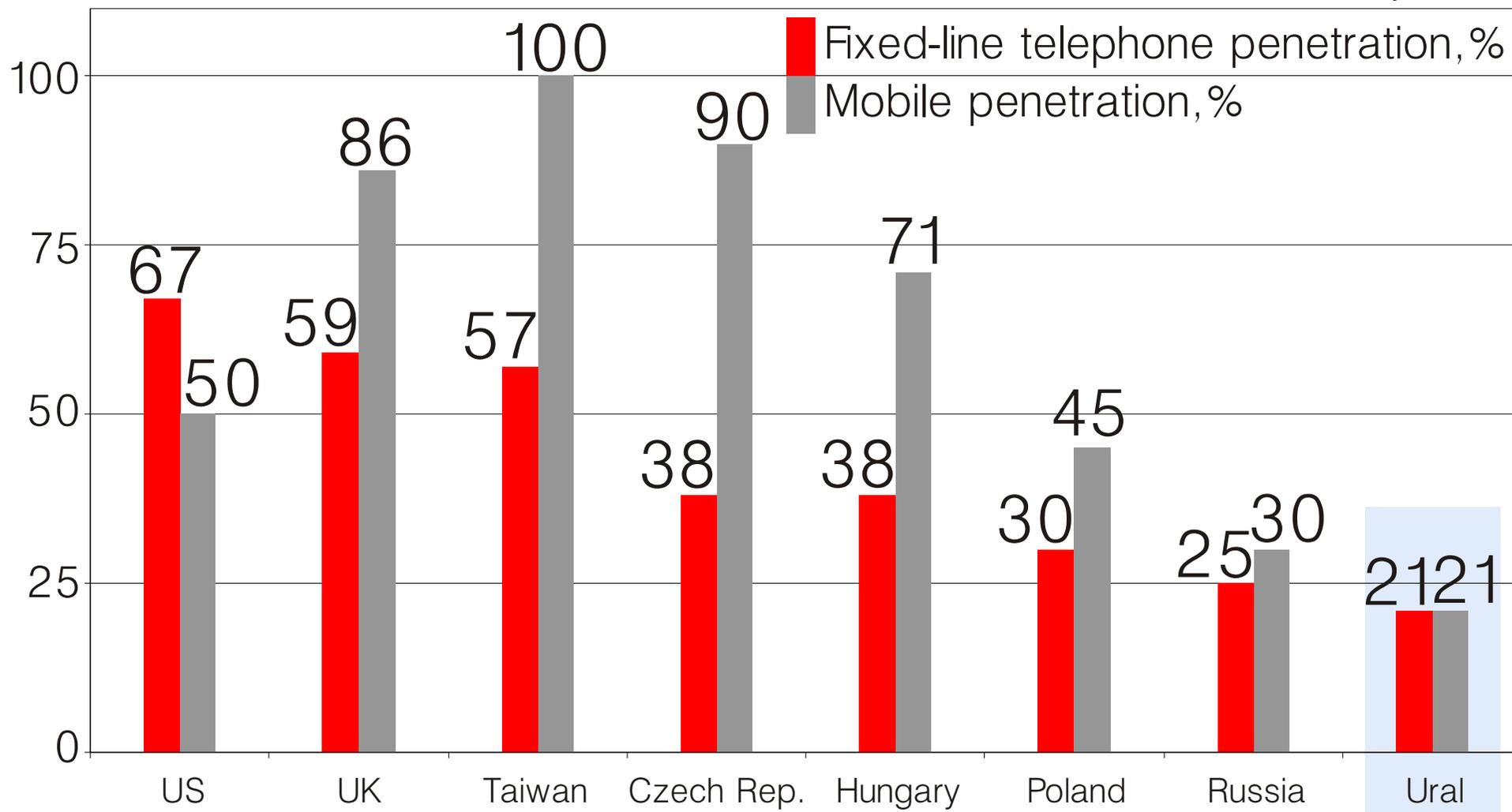
# Wealthy Customer Base



According to Goskomstat (State Statistics Committee) data as of December 2003

# Fixed & Mobile Services - Great Growth Opportunity

as of January 1, 2004

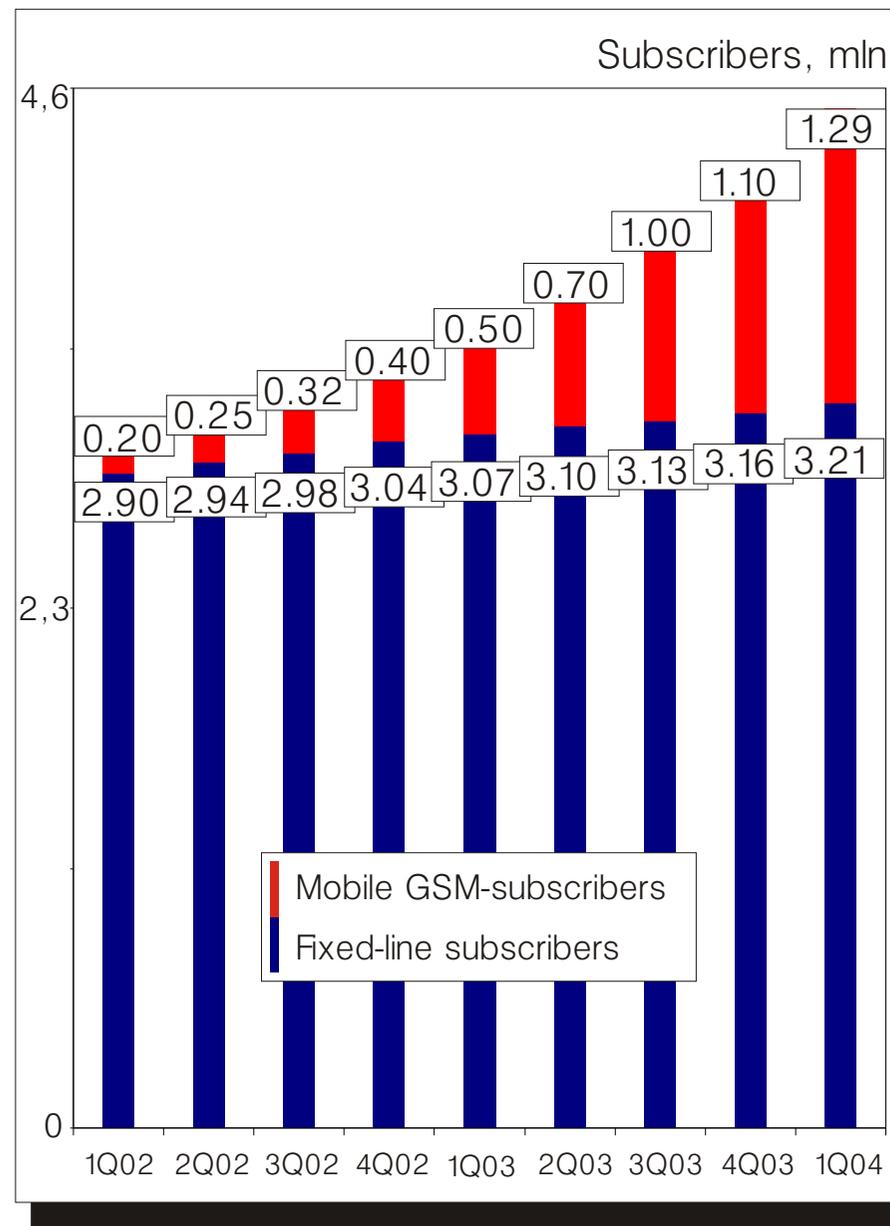


- Waiting list: April 1, 2004 - 444 000, 90% of which are urban.

# URSI's Market Share

	%	
	2002	2003
Local telephony	87	90
DLD/ILD telephony	71	76
Mobile telephony/GSM <small>Including Sverdlovsk region</small>	55	45
Mobile telephony/GSM <small>Excluding Sverdlovsk region</small>	62	65
Internet	31	39

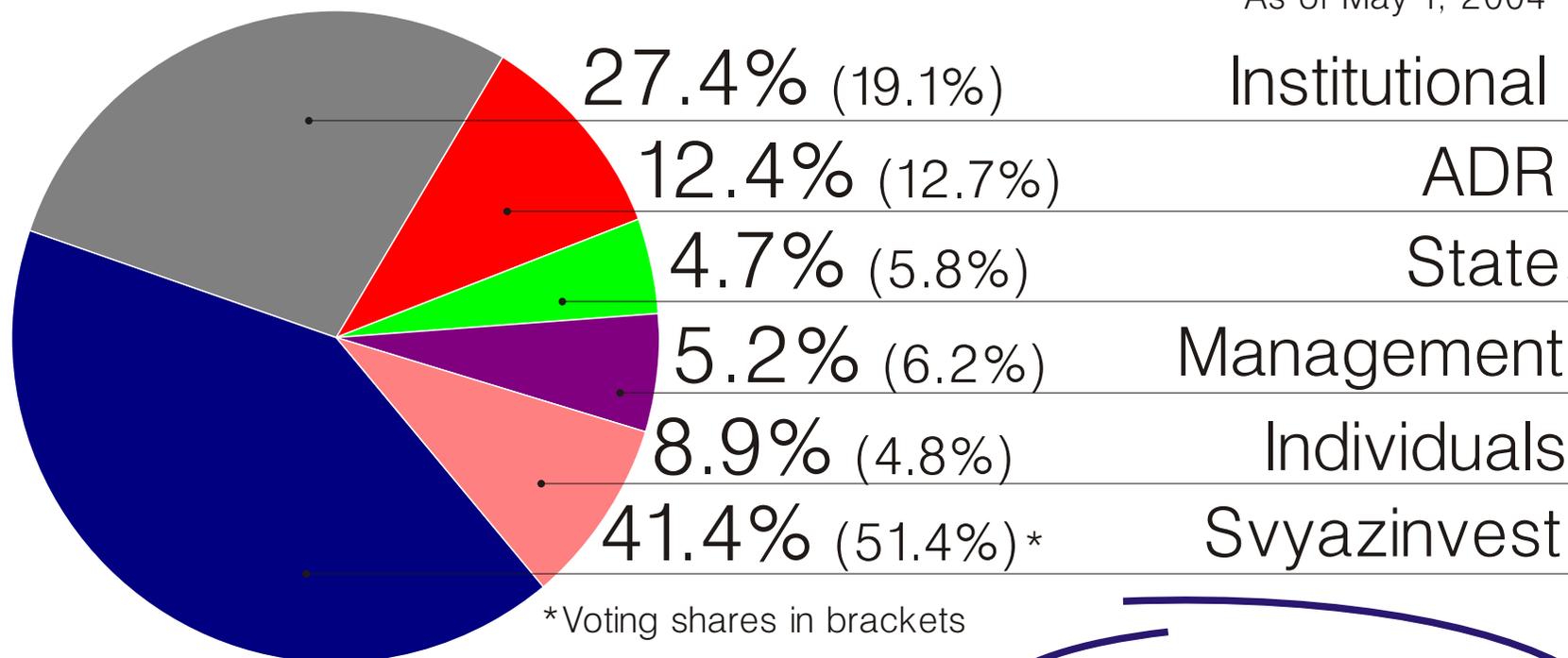
As of 01/01/04, % in revenue terms.



# Ownership Structure

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

As of May 1, 2004



- Free float - 40 %

The state-owned shares of the Company are expected to be sold in 2004

## 2003 - First results of merger

- Management functions centralized
- Tariff rebalancing
- Beginning of integration of Oracle ERP platform
- Aggressive network expansion
- Increased market share
- GSM subs surpassed 1 million
- GSM-900/1800 license acquired for Sverdlovsk region
- Passing 1 billion market cap benchmark

# Tariff policy

- Introduction of time-based billing for local calls across the territory of Urals region
- Flat tariff for long-distance calls within the region
- Flat tariff for local and long-distance calls between categories of subscribers (residents, businesses, budgetary organizations)  
Stage 1 (2003): Businesses & Budgetary organizations
- General reduction of long-distance tariffs in parallel with an increase of tariffs for local calls.  
Reduction of cross-subsidy effects
- Adoption of unified tariff policy by alternative operators, including mobile telephony carriers

# Components Of Profitability Rise

- Broader range of services
- Enhancement of existing networks
- Highly profitable services growth
- Reducing costs through introduction of up-to-date technologies, rationalisation of management structure and number of employees
- Development of viable tariff policy
- Following Total Customer Satisfaction policy

# Aggressive investments into new technologies - the keystone to success

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

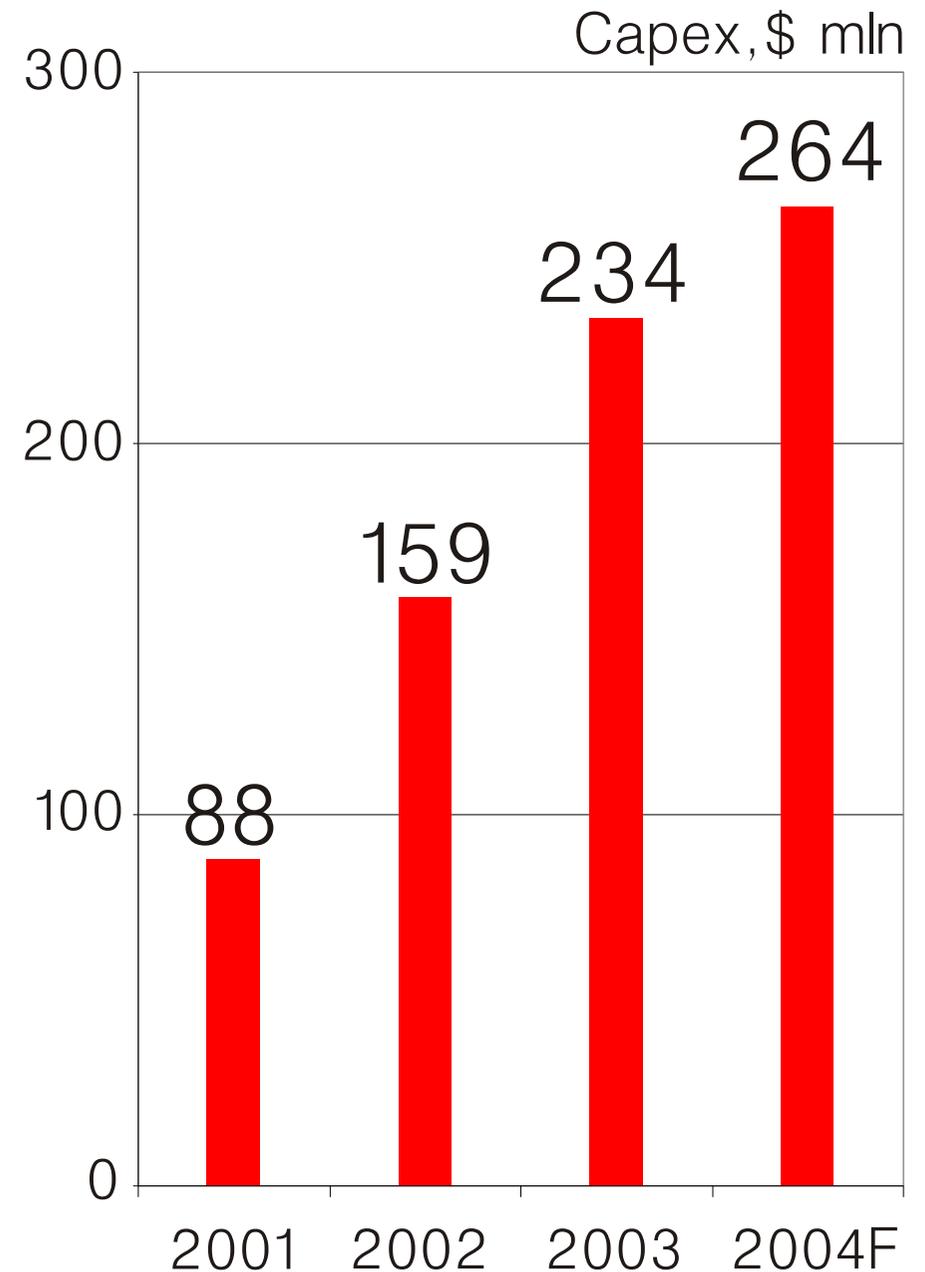
# Rapid Growth

		2002 Implemented	2003	2004F	2005F	2003-05 Plan
Fixed-line	'000 lines	3,316	+370	+323	+360	+1,053
Mobile* (GSM)	'000 lines	536	+629	+1,420	+500	+2,549
Intrazone fiber optics	'000 Km	2.9	+3.2	+3.2	+2.1	+8.5
Intrazone radio microwave	'000 Km	2.1	+1.3	+1.0	+1.3	+4.1

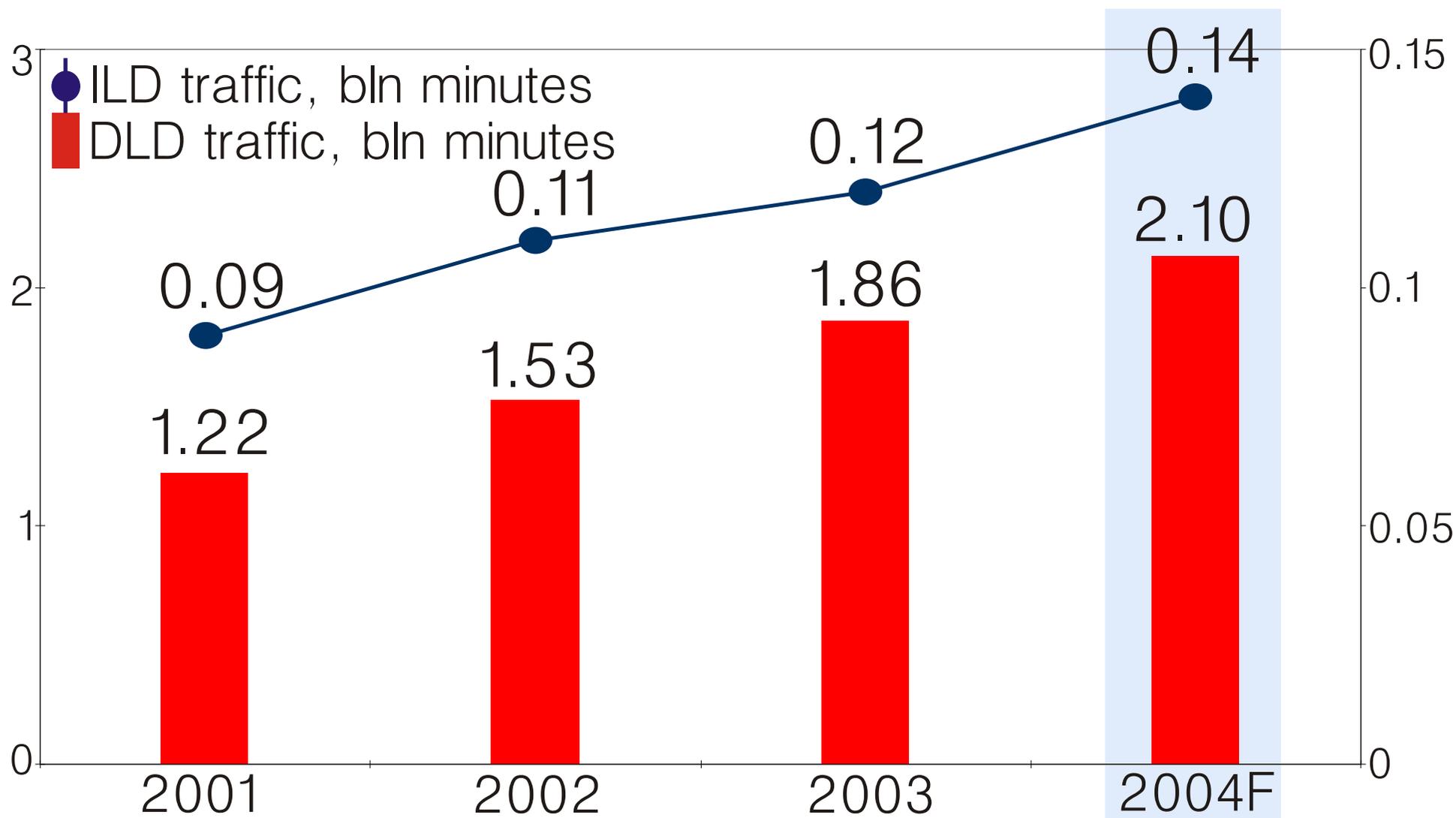
\* including subsidiaries

# Capex breakdown

	%
Fixed-line services	19
New services	34
Data transmission networks and other telecommunications infrastructure	21
Acquisition, repair and maintenance of buildings and constructions	10
Information technologies	8
Distribution channels	1
Other infrastructure	5
Social welfare	3



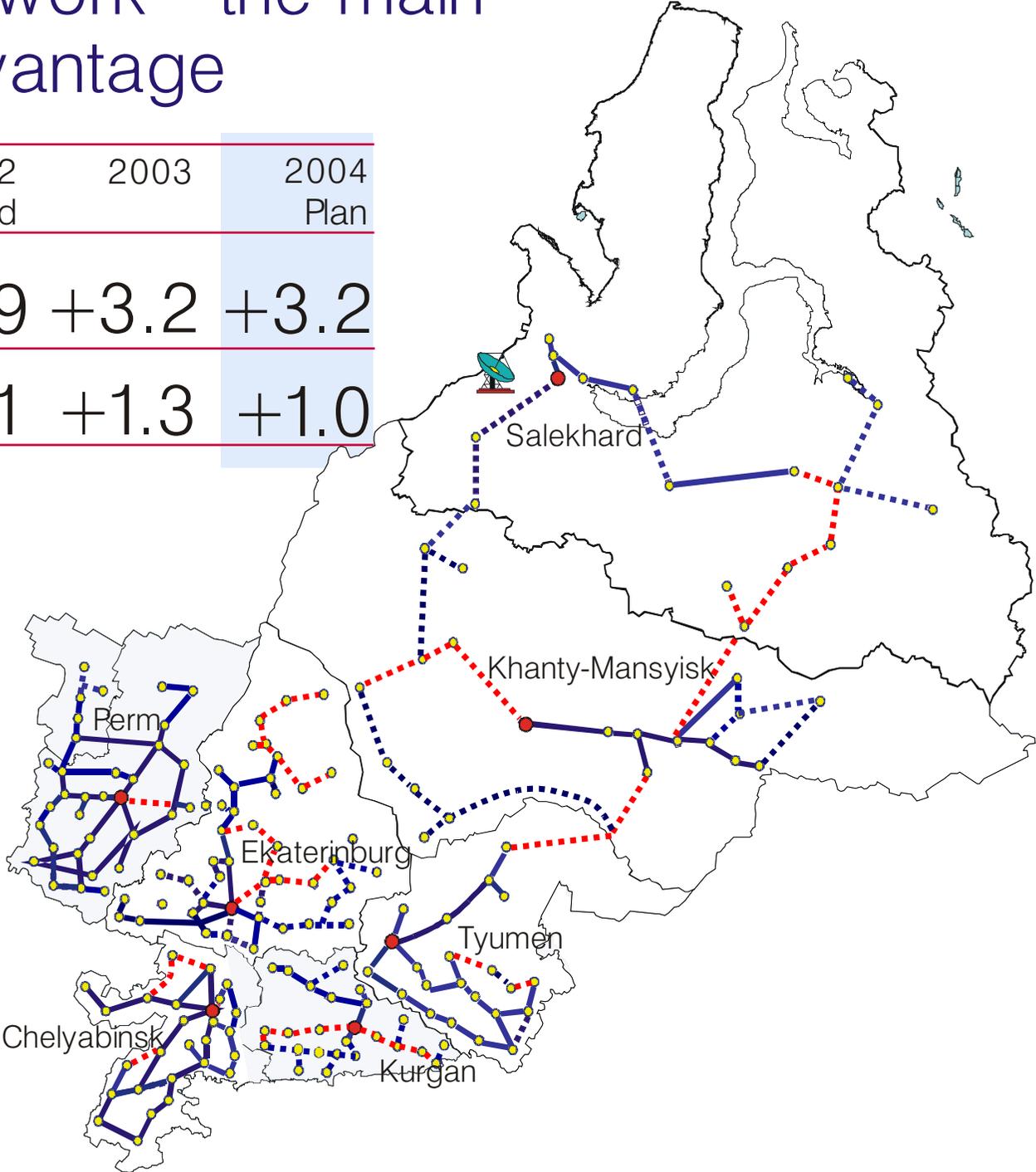
# Strong DLD/ILD Traffic Growth



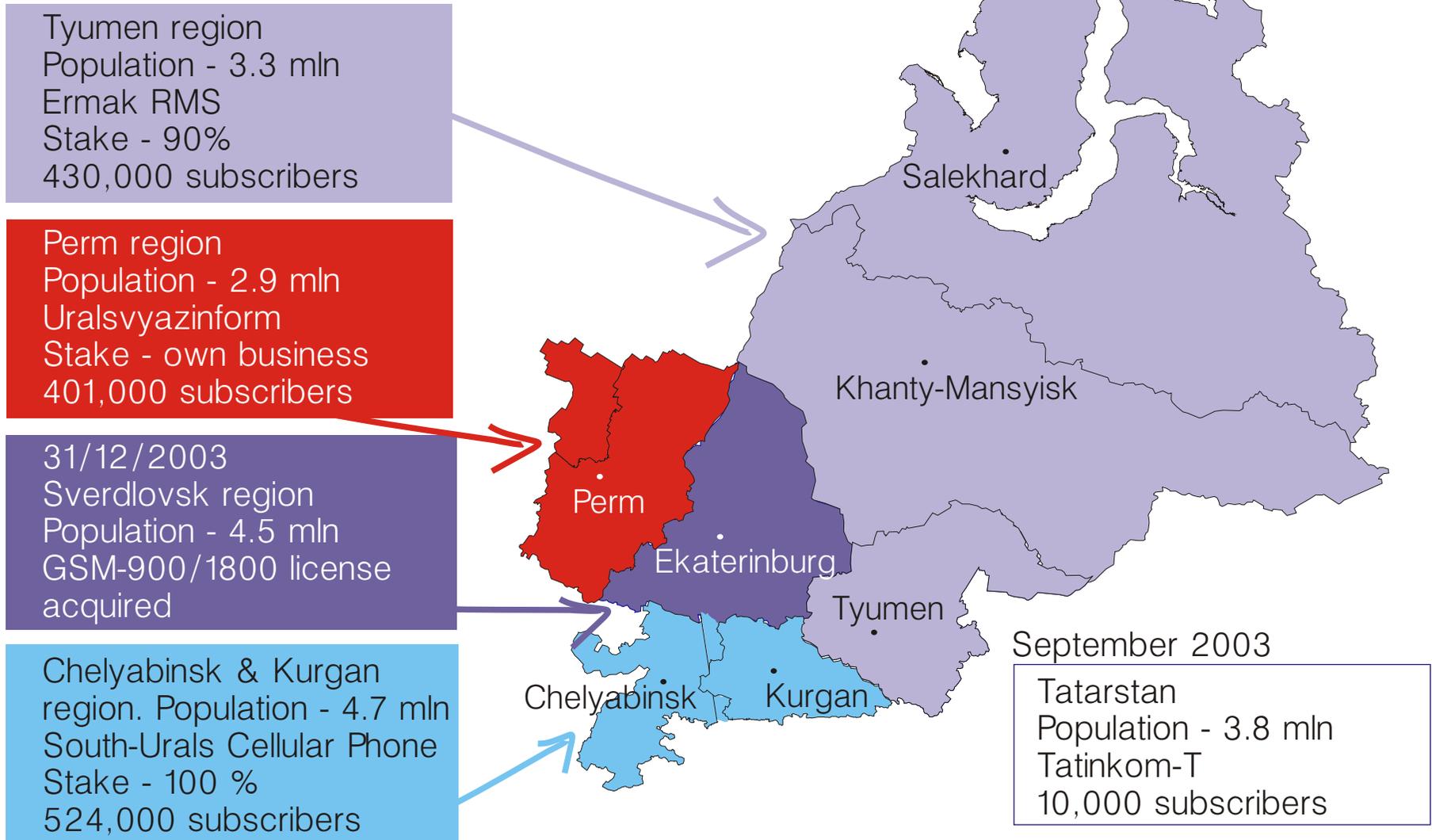
# Own Digital Network - the main competitive advantage

	2002 Implemented	2003	2004 Plan
Intrazone fiber optics '000 km	2.9	+3.2	+3.2
Intrazone radio microwave '000 km	2.1	+1.3	+1.0

- Existing lines
- - - Projected
- - - Planned for 2004



# Mobile business - GSM 900/1800



- Total subscribers as of 01/05/04 - 1.36 mln (up 23% since 01.01.04)
- Plan - consolidation of mobile businesses under one brand

\* According to ACM Consulting

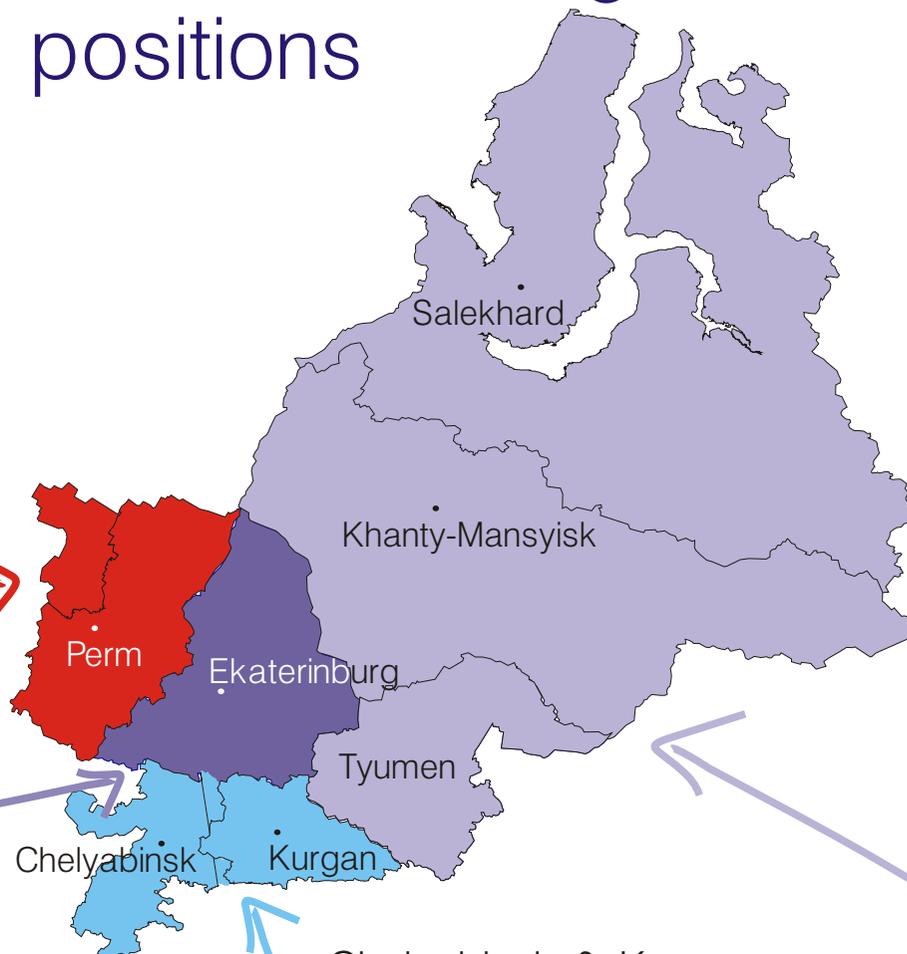
# GSM Market Share - Strong competitive positions

## Perm region

Uralsvyazinform - 69%  
MTS - 28%  
MegaFon - 3%

## Sverdlovsk region

Uralsvyazinform - license obtained  
MTS - 48%  
Vimpelcom - 1%  
MegaFon - 32%  
Ekaterinburg CC - 19%



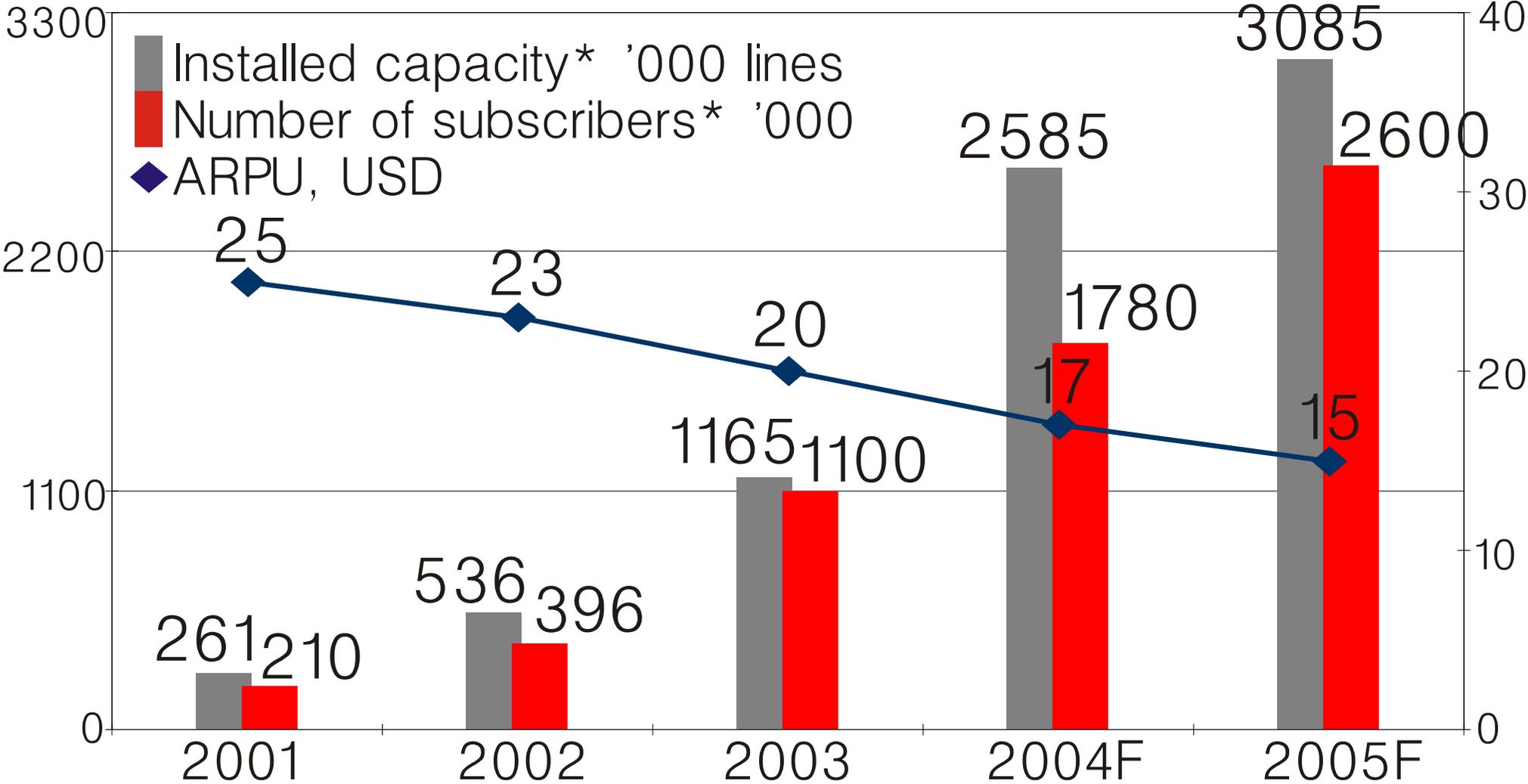
## Tyumen region

Uralsvyazinform - 59%  
MTS - 13%  
MegaFon - 28%

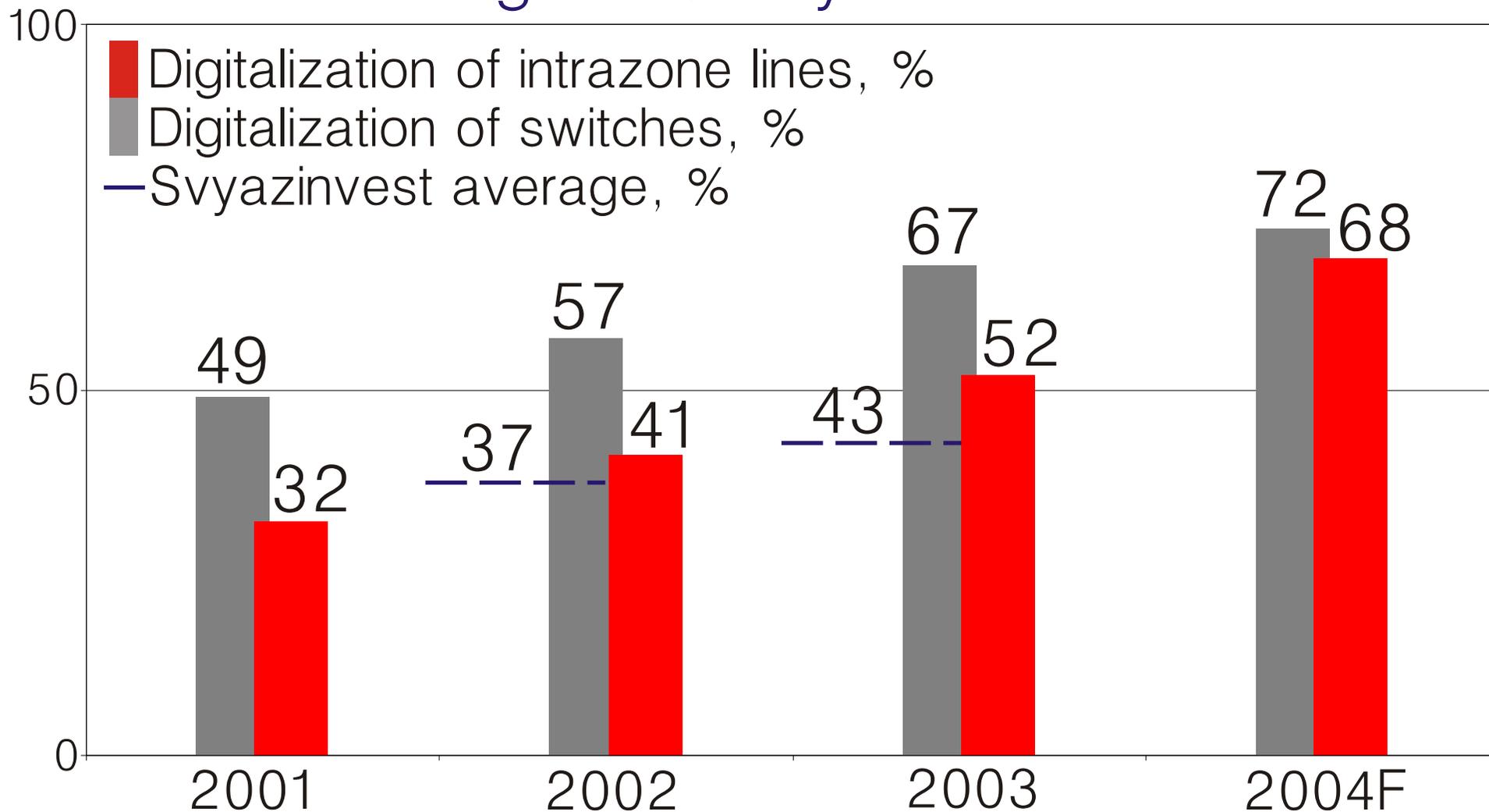
## Chelyabinsk & Kurgan

Uralsvyazinform - 62%  
MTS - 31%  
Vimpelcom - <1%  
MegaFon - 7%

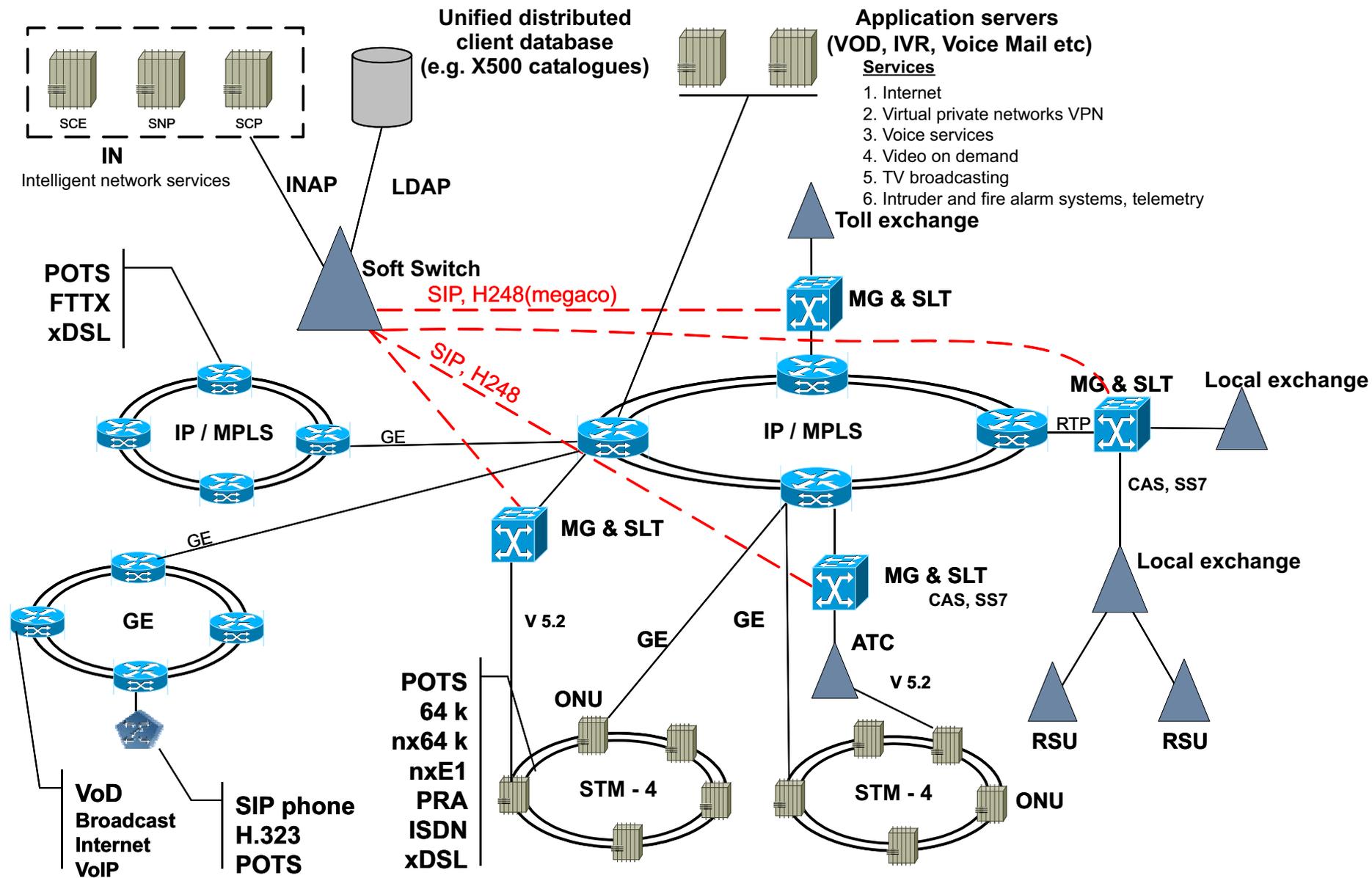
# Development of GSM 900/1800 Mobile Services



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



# Next Generation Networks - Basis Of The Business

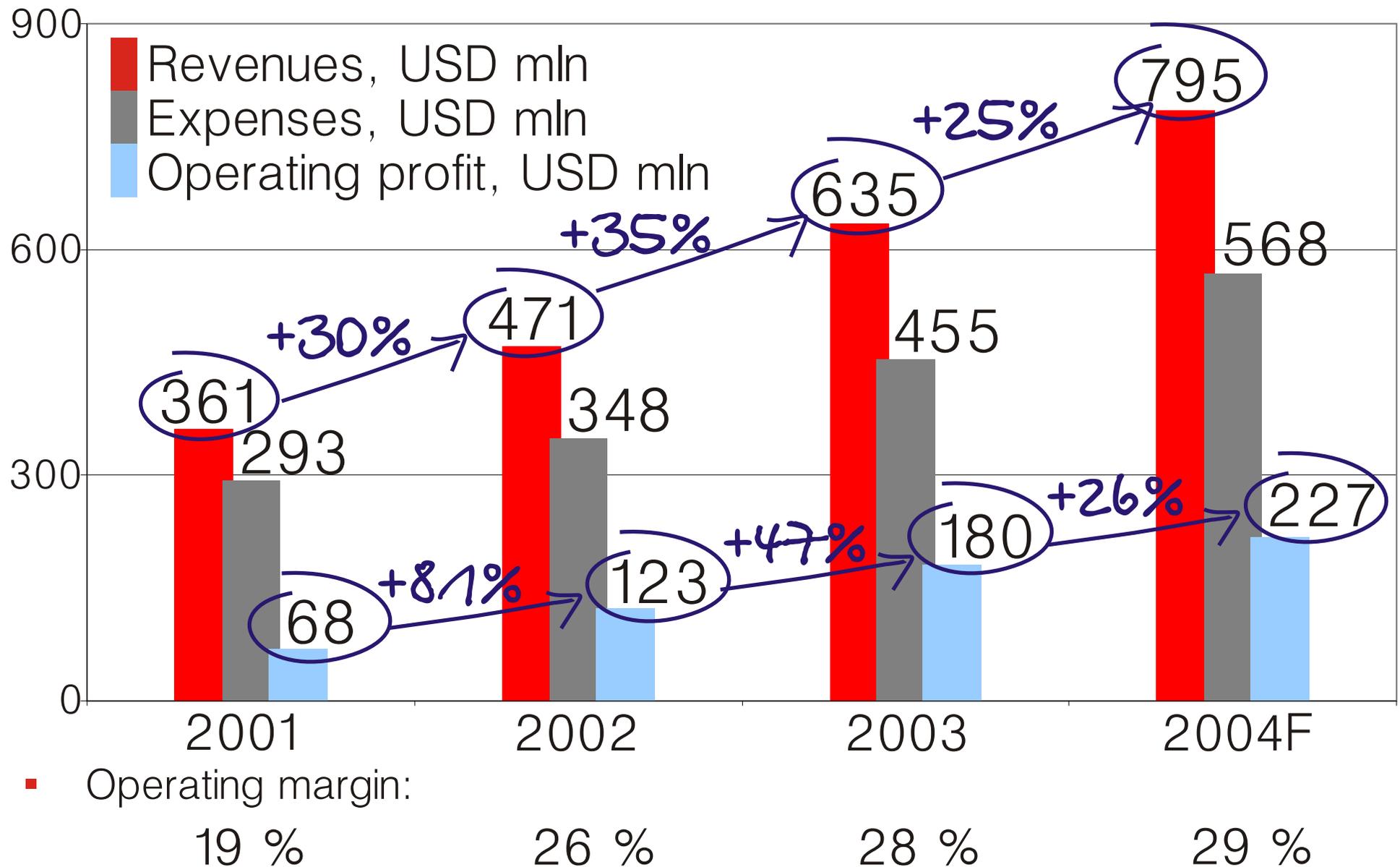


# Fixed & Mobile Integration

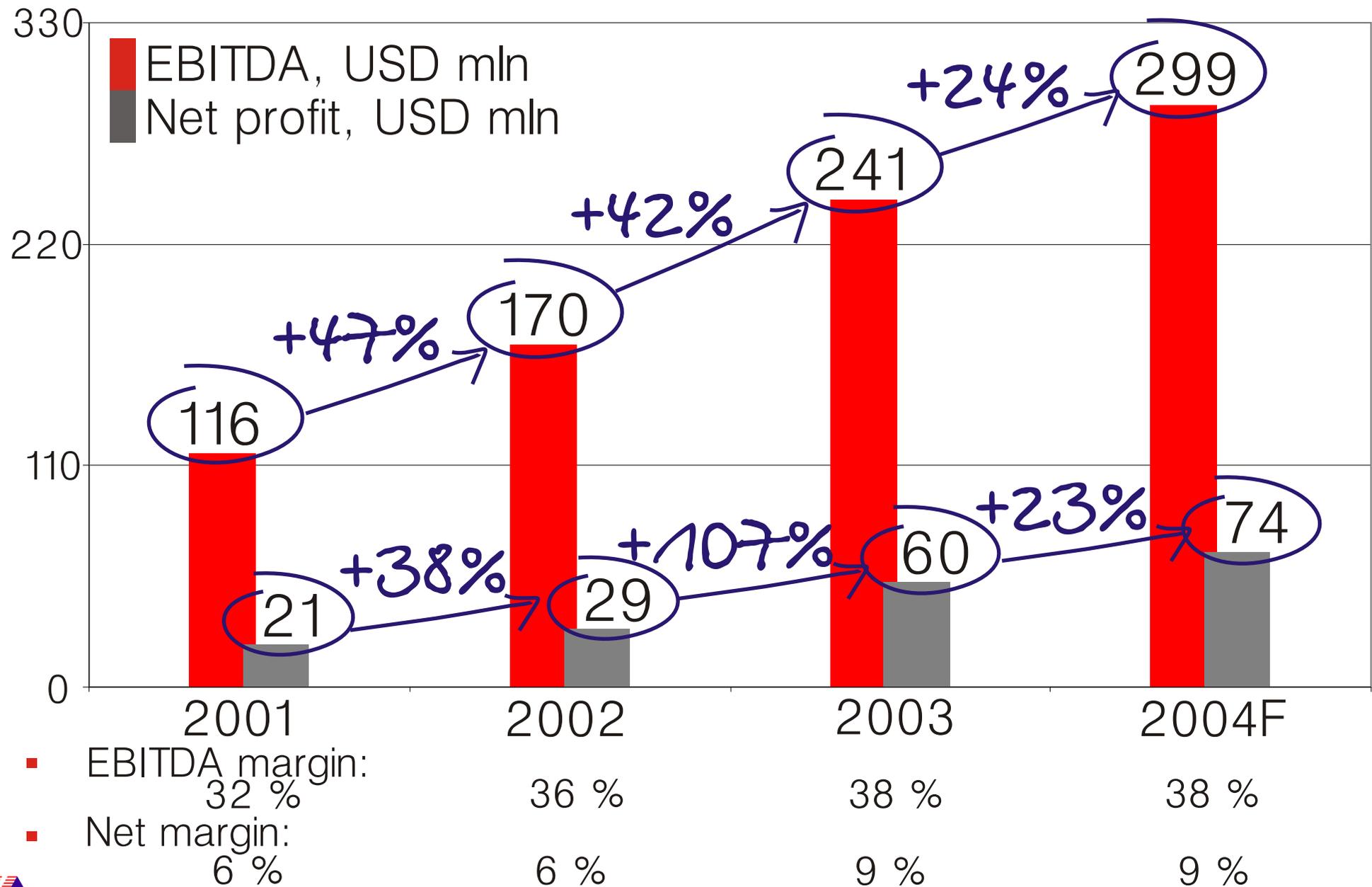
## Competitive advantages

- Long experience in providing telecommunications services and constructing communications networks in Urals
- Awareness of geographic, economic and social features of the regional communications market
- Own (geographically extensive) digital transport network generating both fixed-line and mobile traffic
- Existing of a built-up infrastructure in all regions. Its own resources (premises and facilities) are used when promoting new services and sellings old ones allowing to reduce expenses and final product costs
- The company has its branches in all regions of Urals reaching full coverage of the region with its own sales network
- Large fixed-line customer base - potential users of mobile services
- Being a universal operator the company offers a package of services. It allows to make its tariff policy for non-regulated services (mobile, internet) as flexible as possible

# Dynamic growth of revenues & operating profit

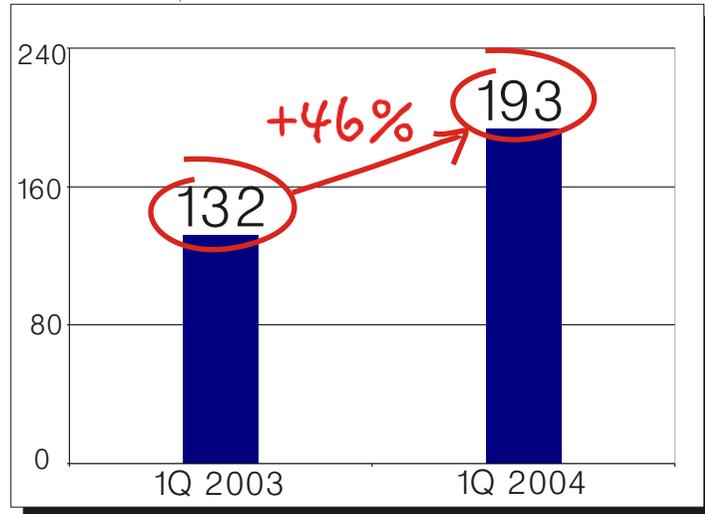


# Strong profitability

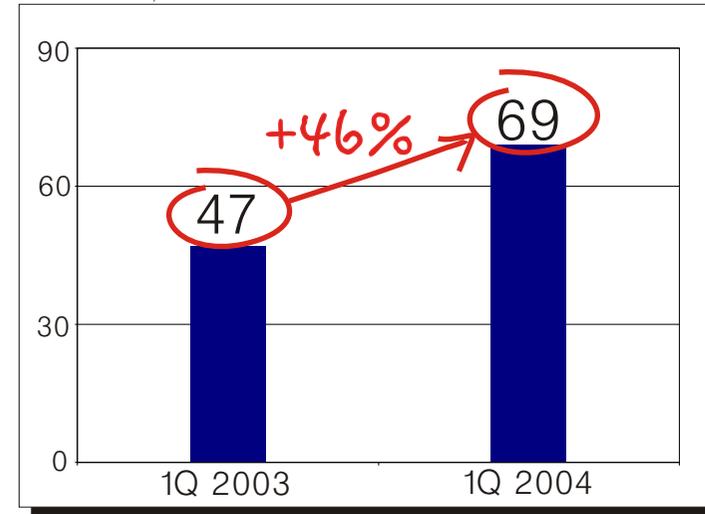


# A Confident Start To 2004

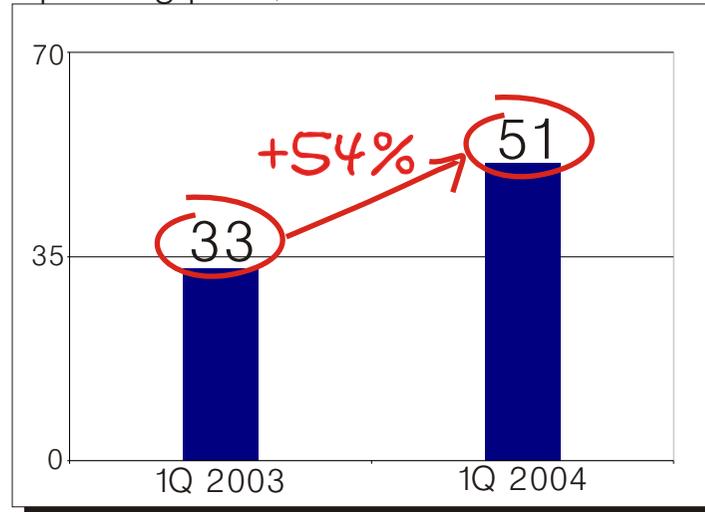
Revenues, USD mln



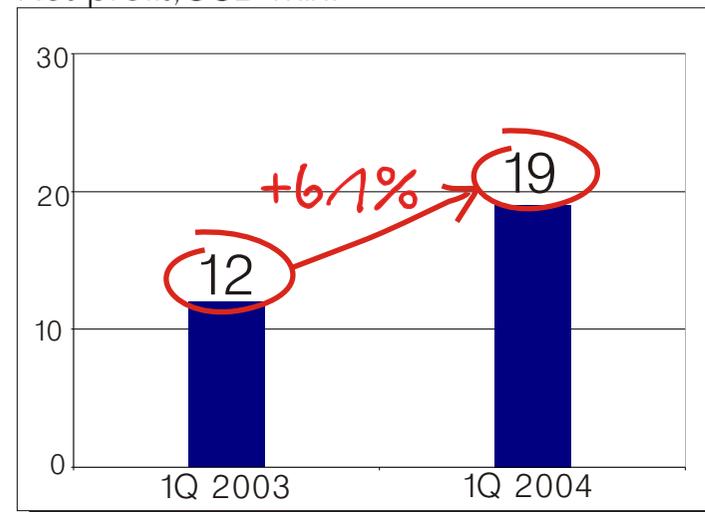
EBITDA, USD mln.



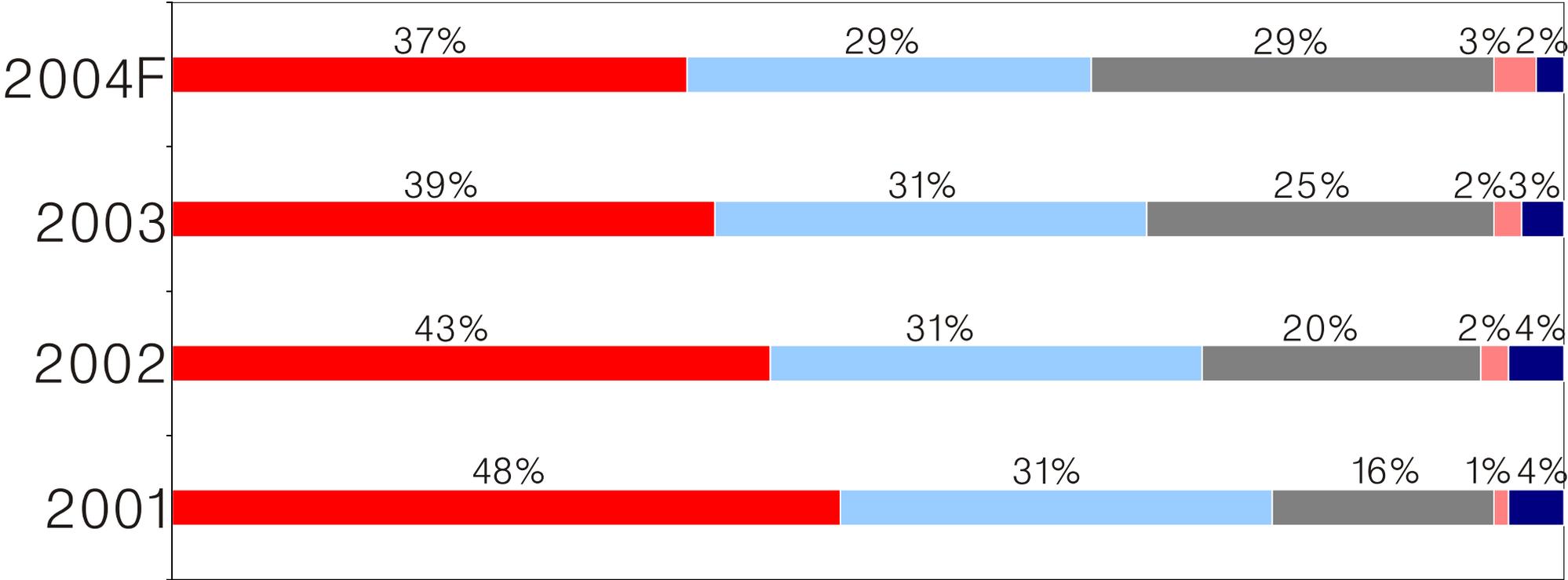
Operating profit, USD mln.



Net profit, USD mln.

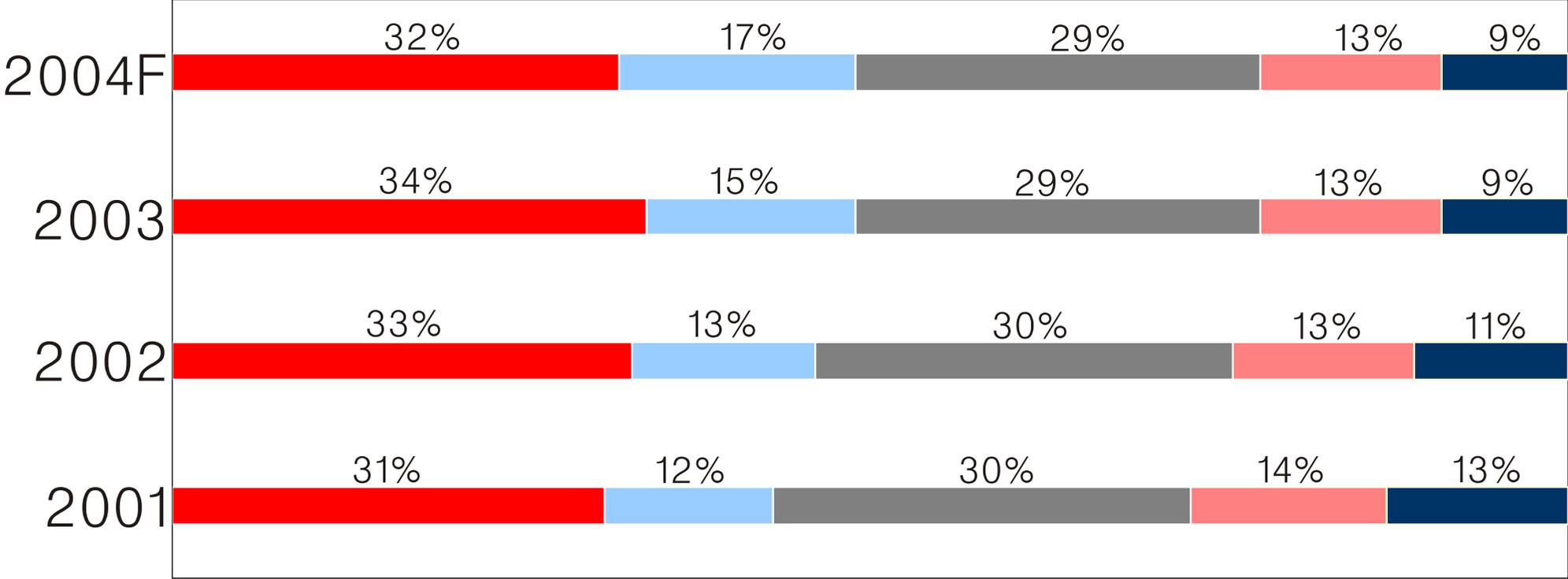


# Consolidated Revenue Breakdown



- DLD/ILD Telephony
- Local Telephony
- Mobile Telephony (including subsidiaries)
- New services (Internet, Data transmission, DSL, ISDN, Intelligent network)
- Other (TV&Radio, Telex&Telegraph)

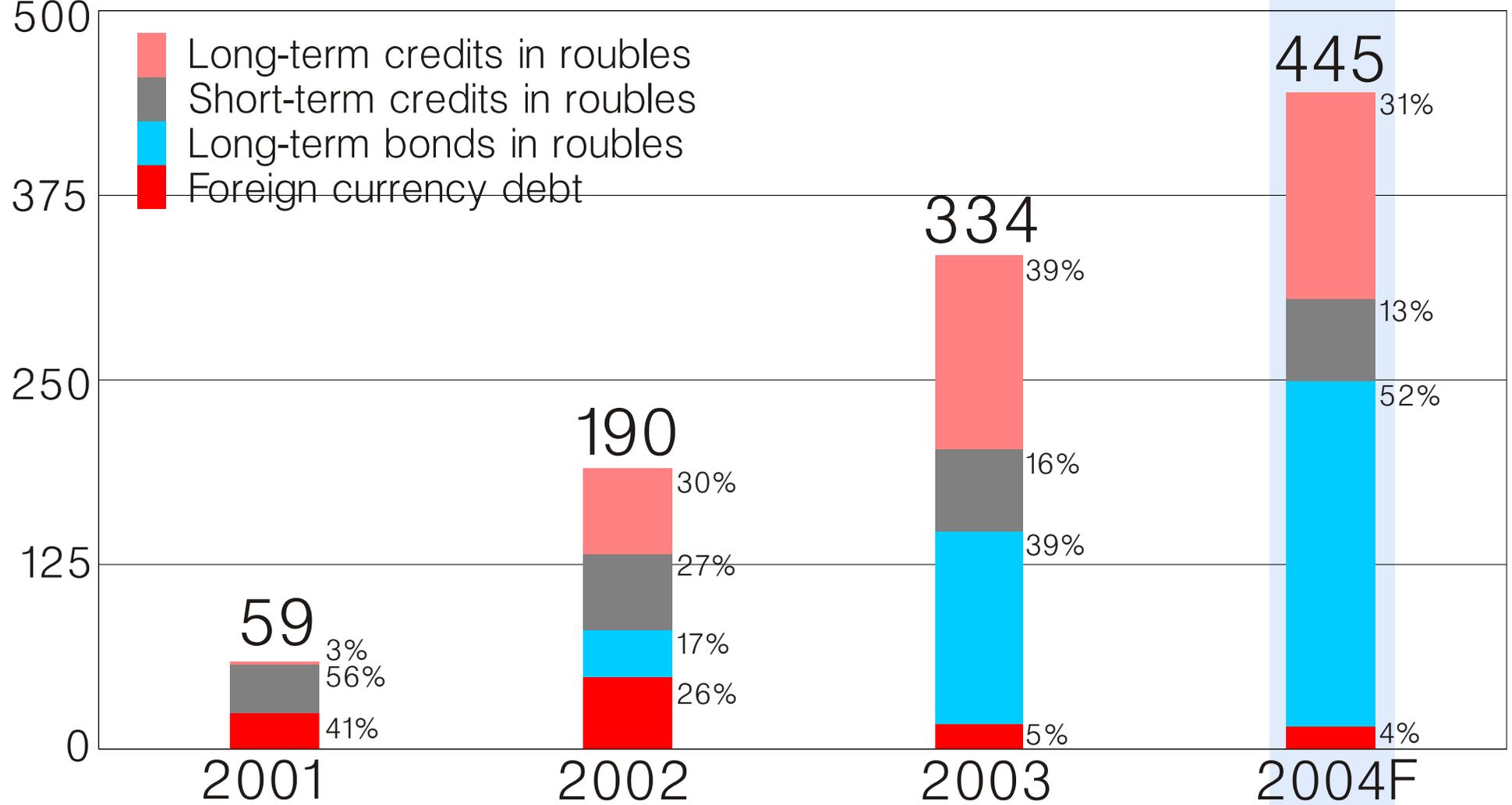
# Cost Breakdown / RAS



- Other expenses
- Rostelecom fees
- Wages
- Depreciation
- Taxes & Deductions

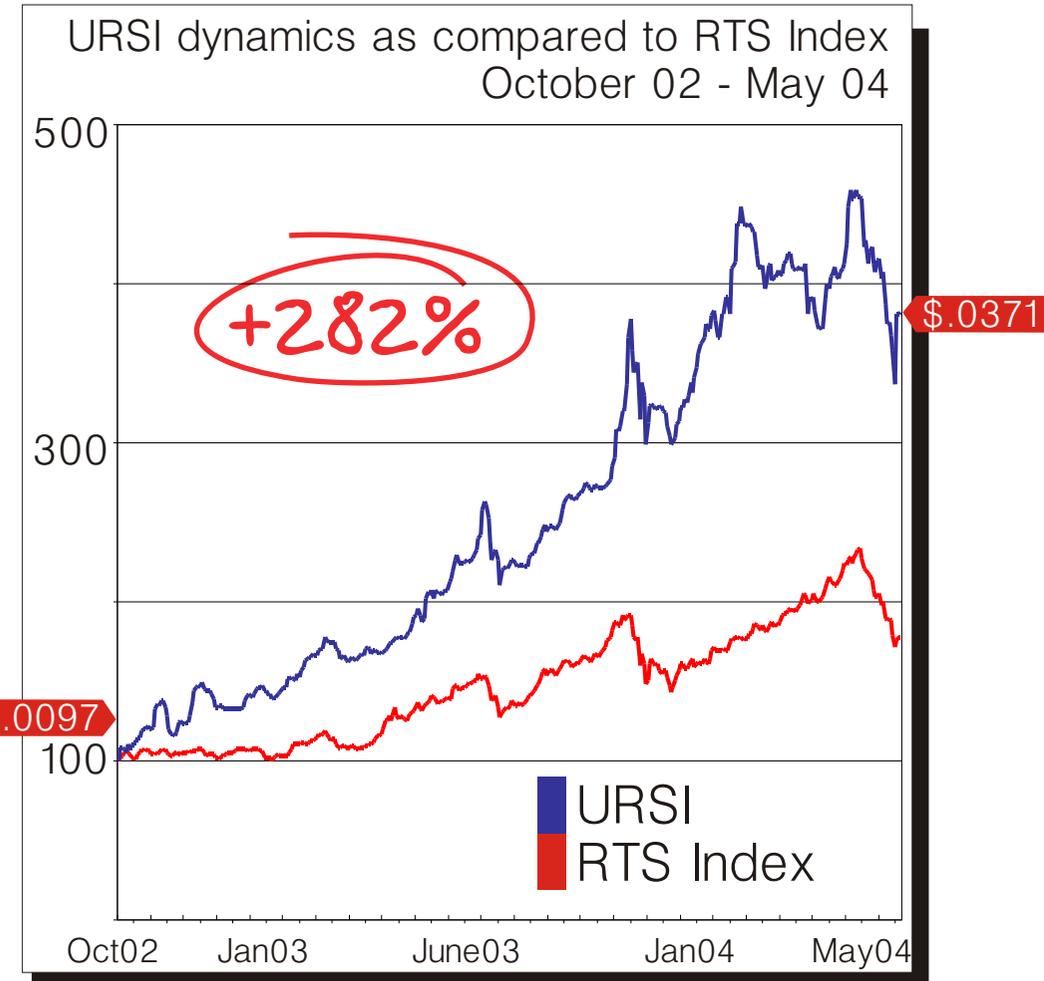
# Debt

In USD mln



# 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
- Credit ratings:  
Standard&Poors - B, Stable  
Fitch Ratings - BB-, Stable
- Corporate governance score:  
Standard&Poors - 6,1
- Highly commended as IR Magazine  
Russia Awards 2004 nominee for  
the best overall Investor relations  
(small and mid-cap)



MSCI Indices:  
Since May 30, 2003 shares are included in  
MSCI Russia and MSCI Telecommunications  
indices

# Dividend policy

- The Provision on Dividend Policy was approved by the Board of Directors on February 25, 2004
- Total amount of dividends on each preferred share shall be at the rate of 10 percent of the Company net profit of the last fiscal year divided by the number of shares which shall be 25 per cent of the Company Charter Capital
- Total amount of dividends on each common share shall be not less than at the rate of 10 percent of the Company net profit of the last fiscal year divided by the number of shares.

	2001	2002	2003F
Total dividend, RUR mln	132,0	198,6	467,8
• Common shares	80,0	127,3	323,0
• Preferred shares	52,0	71,3	144,8
% of net profit	19,4	21,8	25,2

# Annual General Meeting 2003

- The Annual General Meeting 2003 is convened for June 25, 2004 in Ekaterinburg
  
- Agenda of the AGM includes:
  - Approval of the Annual report, Annual Accounting Statements, including Profit and Lost Statement, Distribution of Profit and Losses as of 2003
  - Election of Members of the Board of Directors
  - Election of Members of the Audit Commission
  - Dividend payment for 2003
  - Approval of the company's Auditor for 2004

# Why URSI

- Well-positioned existing regional business
- Services with strong growth potential
- Highly profitable non-regulated tariff business prospects
- Own mobile business and promotion of HVA-services
- Further restructuring potential - Russian telecom sector is attractive
- Experienced management team
- Strong financial results

## Contact details

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Ticker symbols

Russian Trading System - 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 company's Bloomberg page URSI\_RU