



**Corporate presentation**

**February 2007**



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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.

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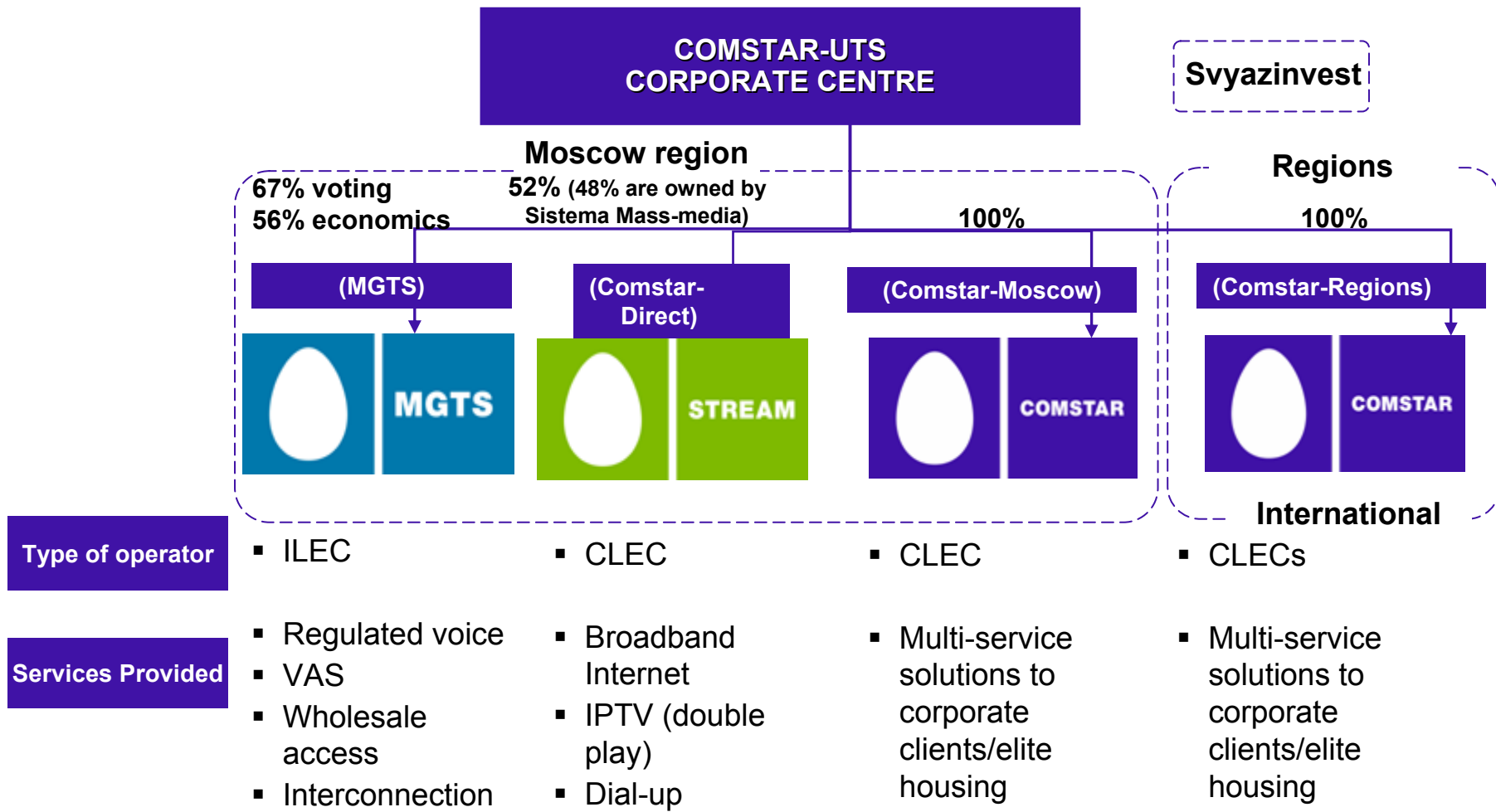
# Company Overview

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- **The leading telecommunications company in Moscow**
- **Dominant market position in residential telephony and broadband Internet**
- **Market leader in corporate and operator customer segments**
- **The only telecom operator with "last mile" access to 98% households in Moscow**
- **Regional growth through established presence in 5 regions of Russia**
- **International opportunities in Ukraine, Armenia and Greece**
- **Unique convergence possibilities within Sistema-Telecom group**
- **Strategic ownership of a blocking stake in Svyazinvest paves the way for the key role in the Svyazinvest privatization**

# Business structure- unique combination of operators

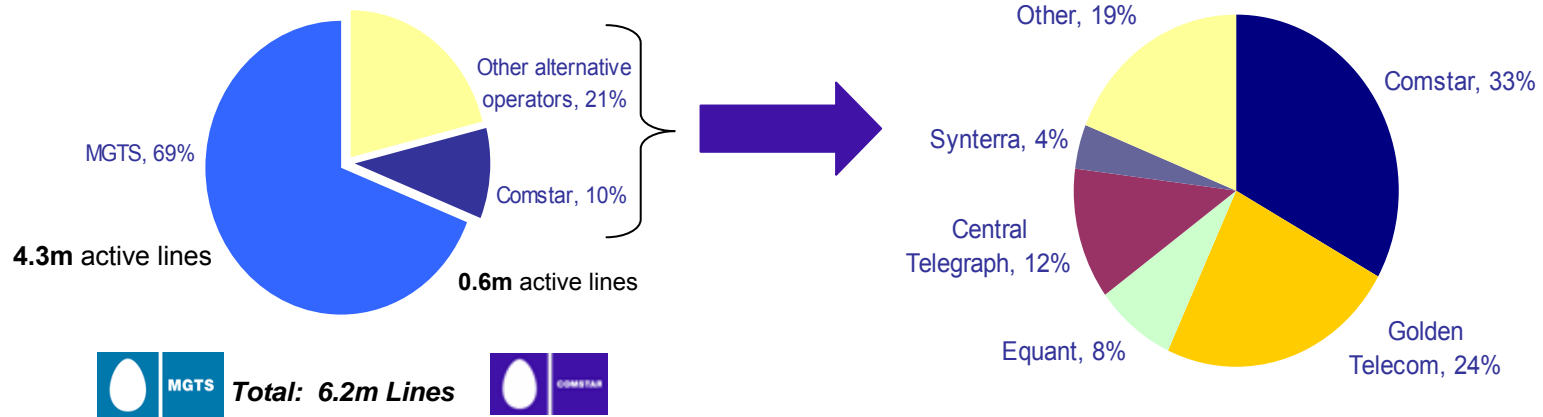


**Operations are clearly divided by four business units with their own P&L responsibilities**

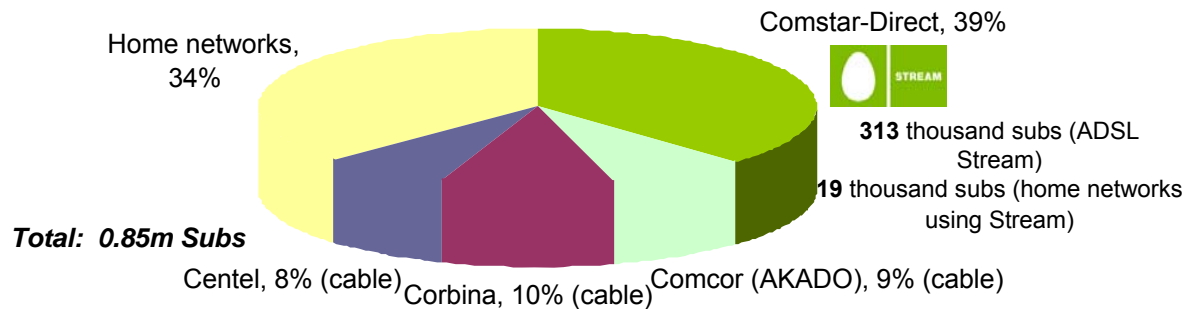
# Markets and customers overview



## Moscow Fixed-line Market: Active Lines (By number of lines, 3Q 2006)



## Moscow Residential Broadband Segment (By number of subscribers, 3Q 2006)



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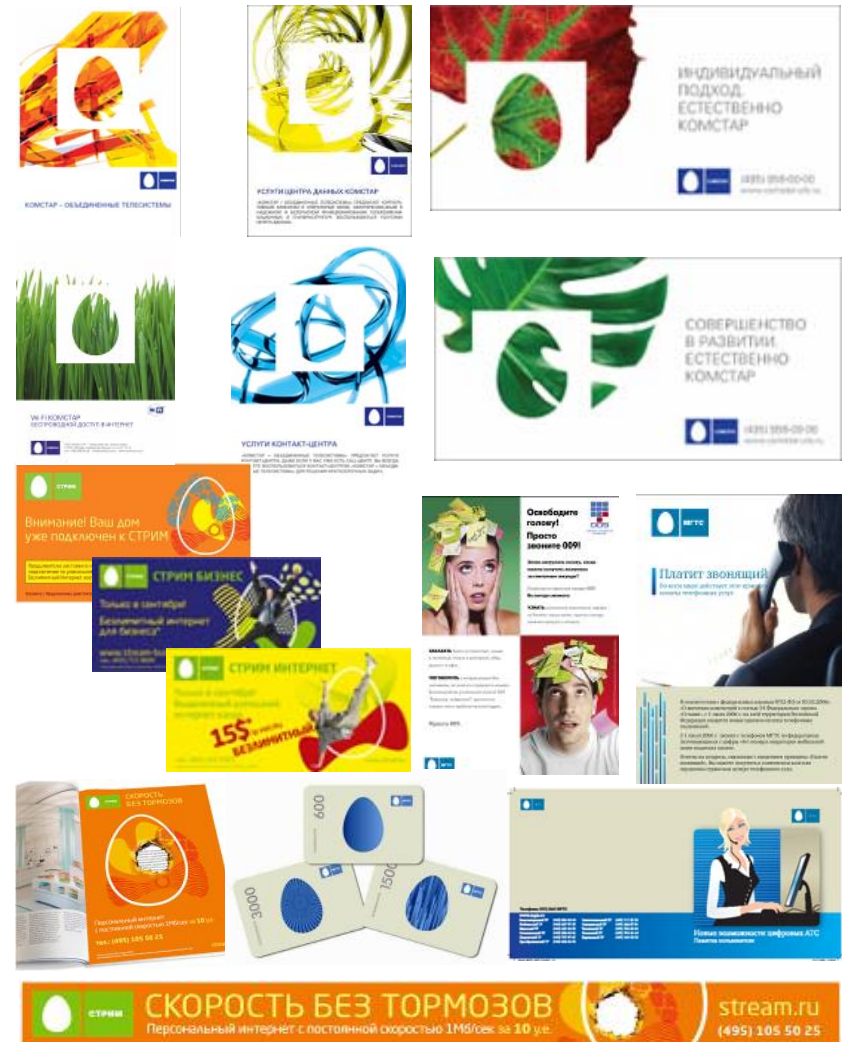
**# 1 in residential broadband users, alternative corporate segment & by number of lines in Moscow**

# Strong Brands And Marketing Expertise

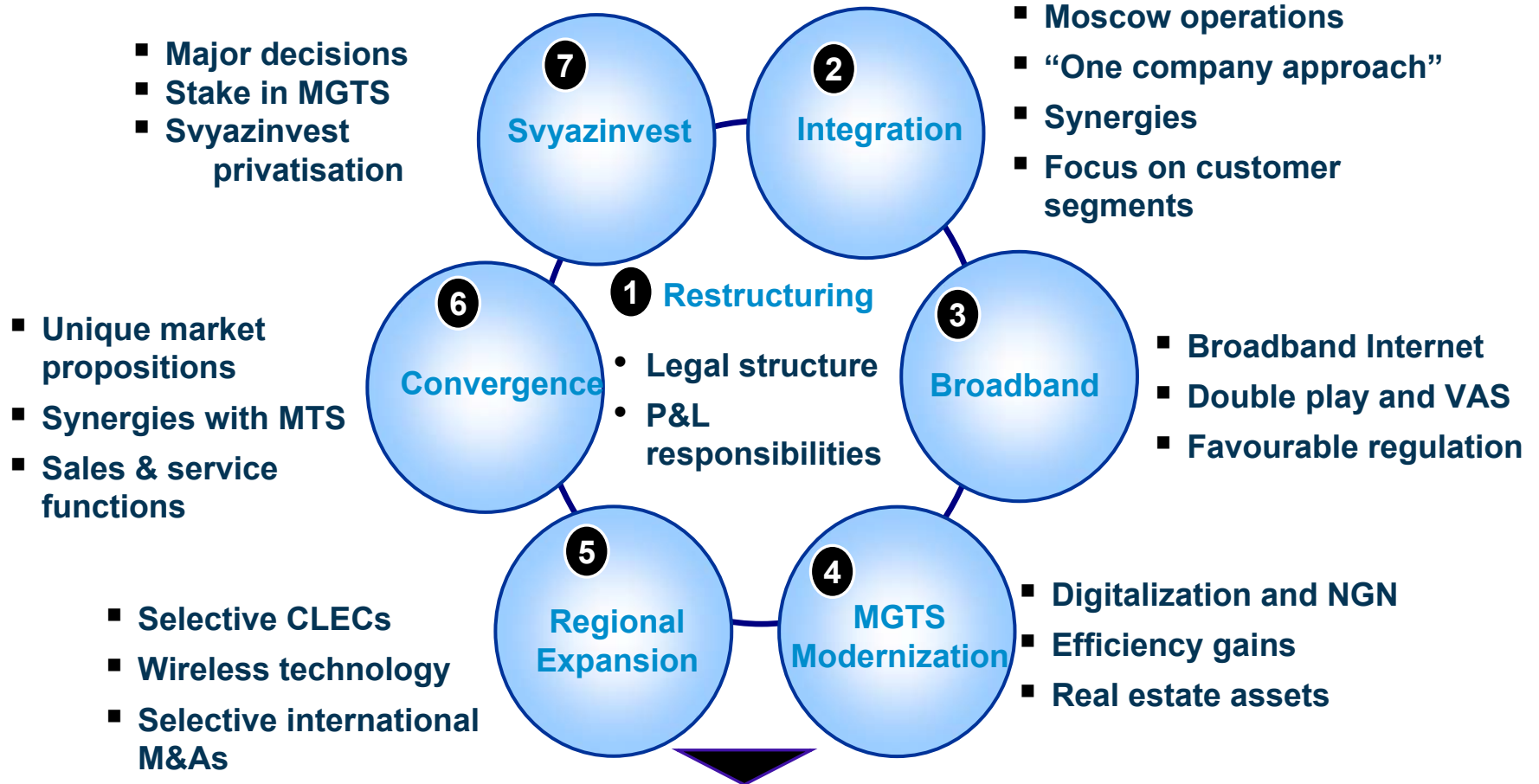


## Marketing Strategy and Marketing Expertise

- Diversified and developed brands, targeting of different client segments
- Historically high client loyalty
- Experienced product promotion
- Different sales mechanisms: new tariffs, special offers, price discounts, “package solutions”
- Use of various communication channels to achieve marketing goals: print media, the Internet, radio, reference books, outdoor advertising, advertising in the subways, exhibitions, special promotions, direct marketing, cross-promotion
- Creation of special “hotlines” for a range of products
- Sponsorship of various cultural, sports and other activities, improving company image

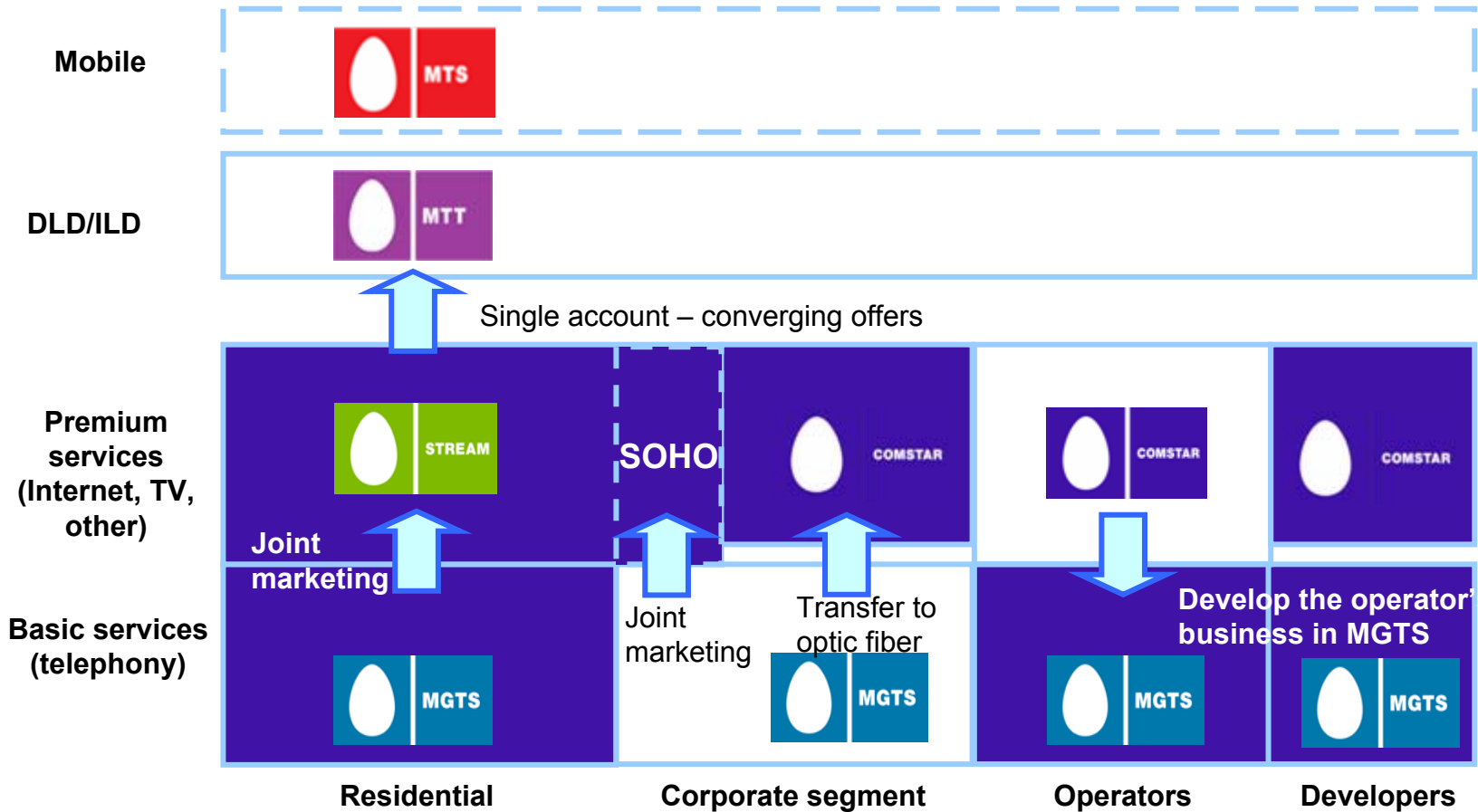


**Comstar UTS utilises its strong brand perception and marketing expertise in an effort to grow revenues and cross-sell bundled products and services**



**A world-class combined telecommunication operator,  
market leader in all major segments in Moscow  
with growing share of regional operations  
offering convergence services**

# Integration



Target business (Moscow)

**Integration is aimed at maximizing available synergies in marketing, sales & technologies**



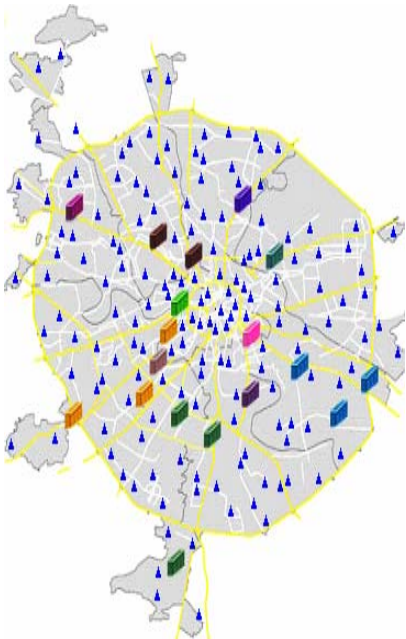
# Integration: joint technologies and NGN

**Comstar UTS Standalone Backbone Network**

**MGTS Standalone Backbone Network**



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**NGN Network of the Group**

Fiber optic – 6,250 km  
Copper pair – 590 km

Fiber optic – 5,300 km  
Copper pair – 95,000 km

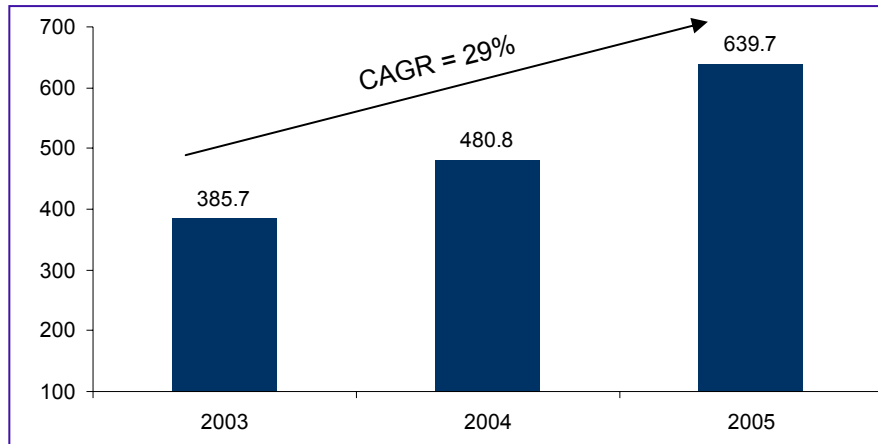
**Integration of the companies will lead to optimized technological resources**

# Segmental overview

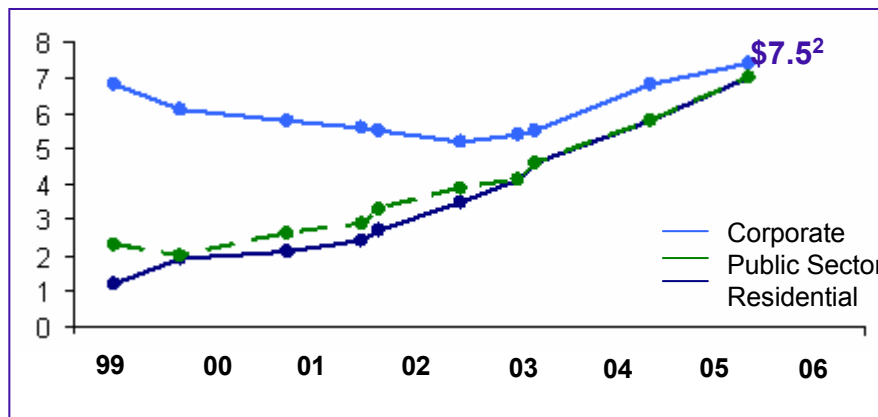


# MGTS: Fixed Line Incumbent in Moscow

## Total MGTS Revenue (US\$ million)<sup>1</sup>



## Historical Tariff Growth (in US\$)



<sup>1</sup> Source: Company data

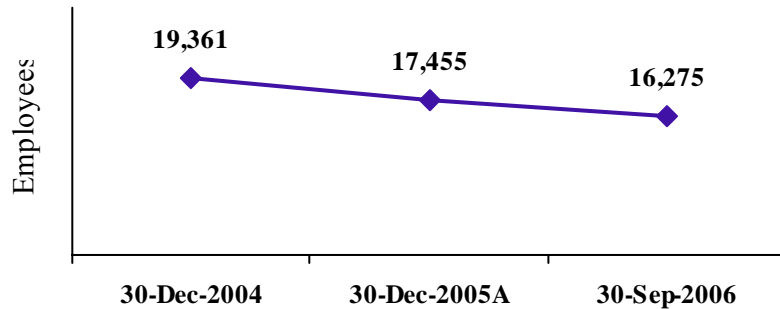
<sup>2</sup> Before the introduction of per minute tariffs

<sup>3</sup> All tariffs include VAT

- 98% share of Residential Installed Access Lines in Moscow
- Growth in regulated tariffs
- Market deregulation: first step - introduction of per minute billing- from Feb.1, 2007; followed by active marketing initiatives:
  - Unlimited tariff= 380 RuR<sup>3</sup>
  - Time-based tariff=125 RuR+ 0.28 RuR per minute
  - Combined tariff= 229 RuR for 370 min+0.23 RuR per minute when the limit is exceeded
- Introduction of CPP – additional source for revenue growth (total revenue for MGTS and Comstar US\$15.7 million in 3Q'06); redistribution of traffic from mobile operators
- Last mile 3.6 million households
- No local loop unbundling in the mid-term
- Budget reimbursement – received US\$ 25.8 million in 2006.
- Disposal of MGTS property – US\$ 7.6 million gain from sale of switch center in 2Q'06. The program is expected to last through 2012 (1.1 mln. square meters)

# MGTS: Focus on Increasing Efficiency

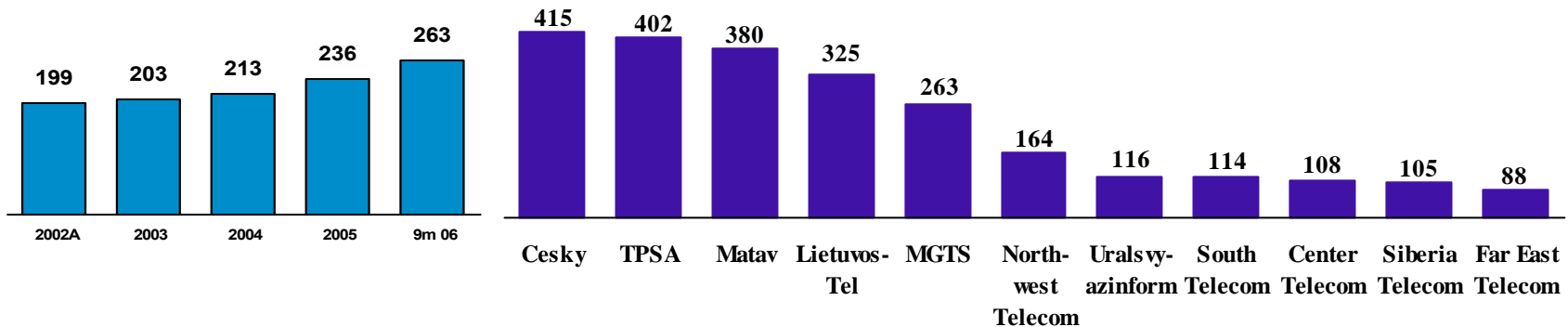
## Number of Employees



## Creating Results-Oriented HR Management Approach

- As part of its programme of operational efficiencies aimed at reducing the cost base, MGTS will focus on reducing direct labour force
  - Network digitalisation efficiencies
  - Bonus incentivisation, linked to the achievement of performance targets
  - Outsourcing

## MGTS Lines Per Employee



## 9m 06 Lines per Employee<sup>1</sup>

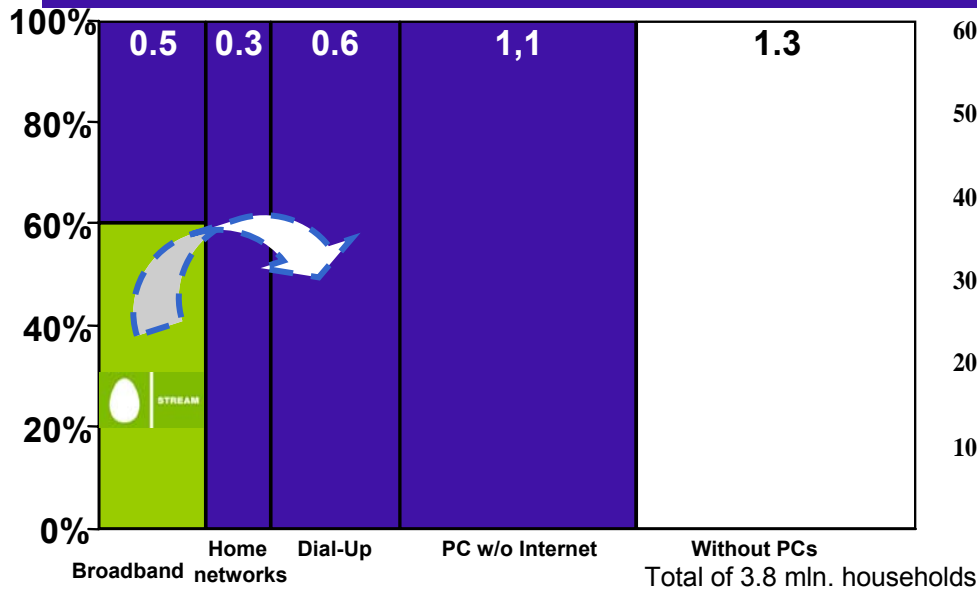
<sup>1</sup> All numbers 31 Sept. 2006 except for Cesky, TPSA (December 2005), and Matav (30 June 2006)

**MGTS has more lines/employees than its Russian peers due to the efficiencies of its urban-only network – MGTS has a plan to further reduce headcount through digitalisation and increased efficiency improvements**

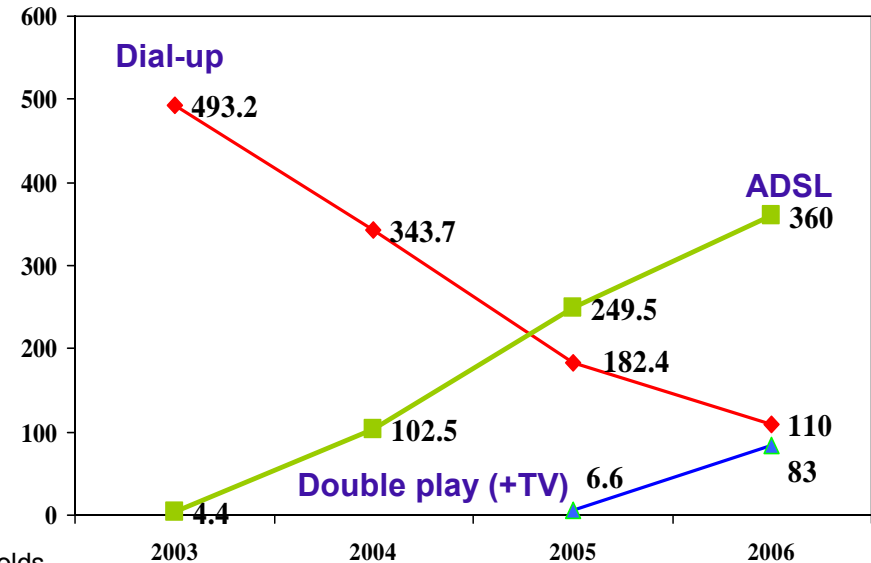
# Clear leader on the broadband market



Market structure of Broadband access in Moscow, 2Q06



Dynamics of STREAM Broadband subscribers



## Promotion of specific products :

- Target Dial-up users with attractive tariff plans for broadband Internet
- Increase PC penetration – through partnership with PC sellers
- Increase Internet penetration within existing PC users through single invoices for broadband Internet and MGTS voice services and direct mailing
- Target users of home networks with reliable solutions & additional services

**Aggressive development of broadband access will form the basis for other value added services**

# Current Broadband Offering (February 2007)

## Internet

- Tariff plan for dial-up subs: \$ 8/month (128 kbs)+ free ADSL model in exchange of dial-up modem
- Mass market plans from \$10/month<sup>1</sup> (1024 kbs) to \$45 (7500 kbs)<sup>2</sup>
- Modems from \$3/month

## Double play

- Internet + TV offerings from \$21/month (640 kbs & 50+ TV channels)<sup>3</sup> to \$55/month (7500 kbs & 80+ TV channels)<sup>2</sup>
- Set-Top-Box for lease at \$3/month

## VAS

- Video-On-Demand
  - \$1.95/\$1.45 per movie
- STREAM-Arena
  - game portal
- STREAM-Photo
  - photo storage and printing services



<sup>1</sup> 500 megabite/month includes

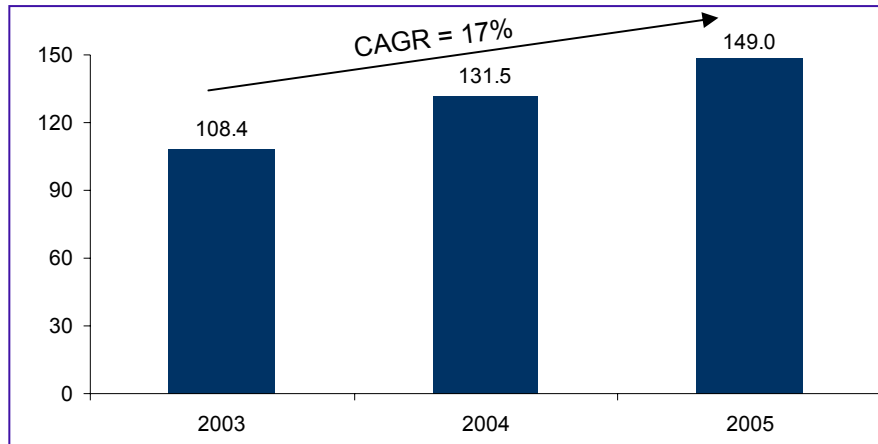
<sup>2</sup> 7000 megabite/month included

<sup>3</sup> Unlimited

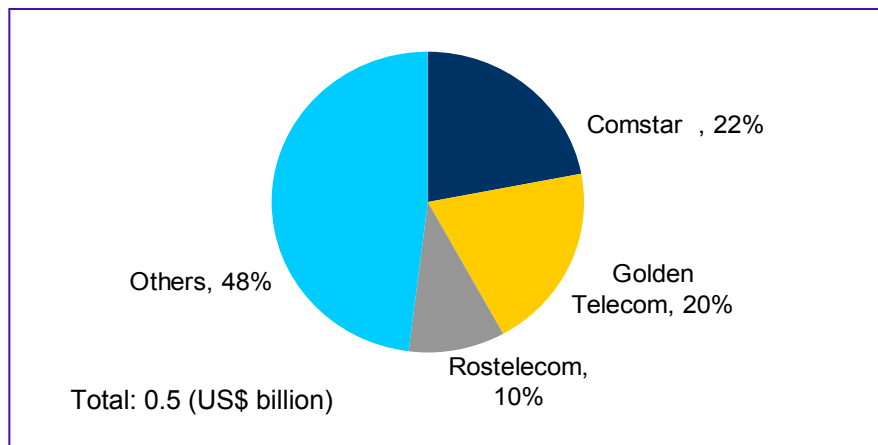
# Comstar-Moscow - Leading Alternative Provider in Corporate Market



## Corporate Revenues of Alt. segment (US\$ million)



## Corporate Market in Moscow (3Q 2006) <sup>1</sup>



- 22% share on the Moscow corporate market
- Diversified customer base
- Full spectrum of integrated services (voice, data and internet) with a primary focus on high margin Corporate customers. The Company's business has seen significant growth in Corporate data and Internet
- The strategy aims at organically growing customer base simultaneously at attractive ARPUs while optimising costs
- Key drivers in organic development include Corporate market and commercial real estate (business centres, etc.) which show good growth potential
- Introducing new products, such as IP-VPN, "Hybrid" VPN and Logic Line, lead to better ARPUs
- Cost efficiency targets are:
  - optimisation of existing network and administrative expenses such as office rent
  - network expansion to meet customer demand while benefiting from MGTS infrastructure synergies

<sup>1</sup> Source: Direct Info (by revenue), Comstar market share includes MGTS (14%) and Comstar-Moscow (8%) corporate clients

# Regional development

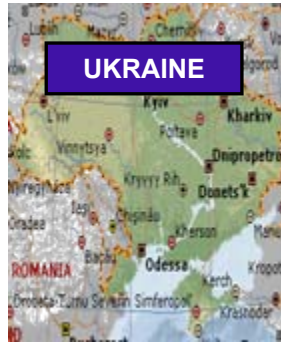


## Presence In Russia



- Focus on priority regions
- Cooperation with regional ILECs through 25%+1 stake in Svyazinvest
- Selective M&As with further consolidation in core regional centers in accordance with regional ILECs
- Utilize wireless technologies to expand in the regions of presence and selective green field projects
- Use MTS infrastructure where possible and economically available

## International



- Focused on metropolitan areas
- Selective M&A
- UMC/MTS broad cooperation



- Leading CLEC is acquired in 2006
- Unique WiMAX license for the entire country



- Acquisition of a leading ISP in 2006
- Extremely low broadband penetration
- Strong local partners

Focus on CIS and CEE

**In light of the acquisition of a blocking stake in Svyazinvest we refocused our regional strategy and confirmed our strategy to develop outside Russia**



## Recent acquisitions

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### Callnet/Cornet, Armenia (75% stake)

- CallNet- transit operator (one of four operators in Armenia)
- Cornet- Internet Service Provider
- Subscribers: 76% of banking sector
- Exclusive provider of WiMax services
- Revenue: \$4.3 million in 2005

### DG Tel/Technologic Systems, Ukraine (100% stake)

- Purchase price: \$4.7 million
- DG Tel: integrated services provider to corporate customers (broadband, dial-up, trunk rentals, telematic services, hosting, collocation)
- Network: 90 km of fiber optic cables in Kiev
- Licenses: for local and LD voice in six largest cities with total population of over 8 million
- 15% of numbering capacity is utilized
- Technologic Systems: Internet Services Provider
- Licenses: holds one of eight licenses for VoIP, 3 regional licenses for provision of WiMax-based services in the range of 5.4 – 5.7 GHz in Kiev, Kiev region, Odessa and Odessa region
- Subscribers: 80% are corporates

### Hellas on Line, Greece (51% stake)

- Purchase price: €47.9 million to be paid in 1Q 2007 (the closing of the transaction is subject to certain conditions)
- Network: 90 km of fiber optic cables in Athens
- Subscribers: 35,000 residential broadband and 70,000 dial-up subscribers
- Revenue: €25.6 million in 2005, representing 46% growth year on year. 40% of revenue is derived from services to residential customers
- Market share: third largest broadband provider with 14% of broadband market in Greece

# Svyazinvest- strategic development



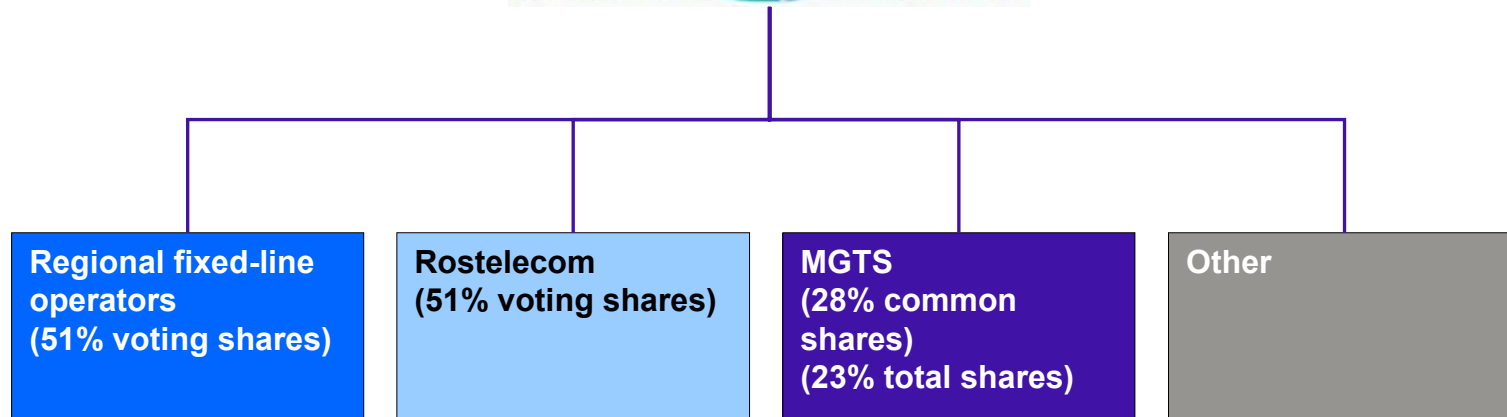
# Acquisition of a 25%+1 stake in Svyazinvest



## ■ Details of the deal:

25% plus one share stake for \$1.3 bln (Comstar acquired 17.3%+ MGTS Finance acquired 7.7%) in December 2006

Call (by December 2007) and put (two year) options on 11% of Comstar shares currently held by MGTS Finance signed with the Seller



## ■ Svyazinvest profile<sup>1</sup>:

- 7 regional ILECS+ Rostelecom
- Sales: 6.5 bln ► EBITDA: 2.1 bln ► Net income: 0.2 bln

## Short Term

### Financial investment

- Representation on the BoD
- Changes to the charter
- Dividends
- Key strategic decisions
- Improved reporting

## Medium Term

### Operating synergies

- Increased efficiency
- Broadband development in the regions
- Negotiate access to the regional infrastructure

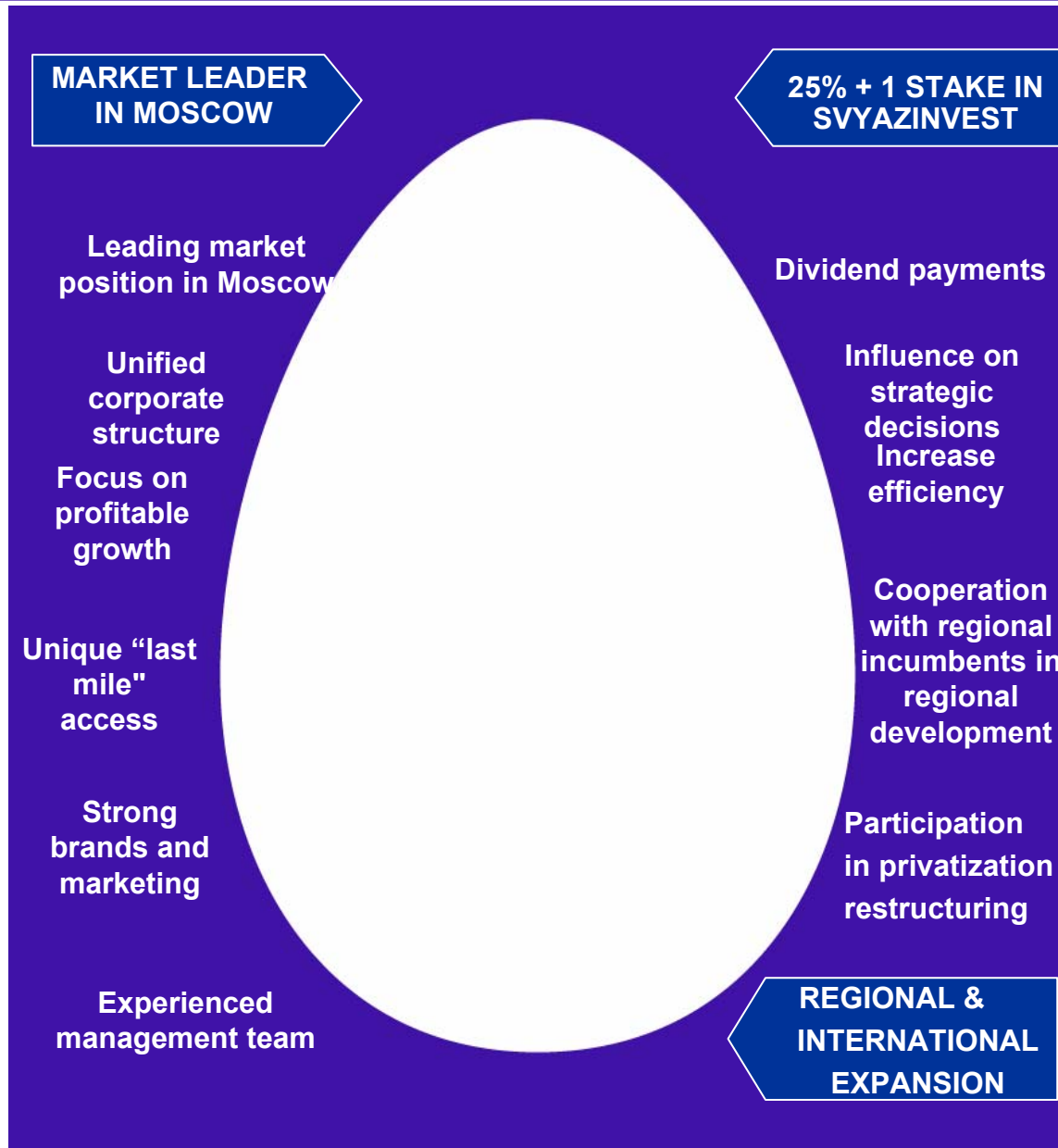
## Long Term

### Strategic investment

- Privatization / restructuring

**Acquisition of Svyazinvest stake is both a “strategic bet” and attractive investment with opportunities to realize additional synergies**

# Investment case- conclusion

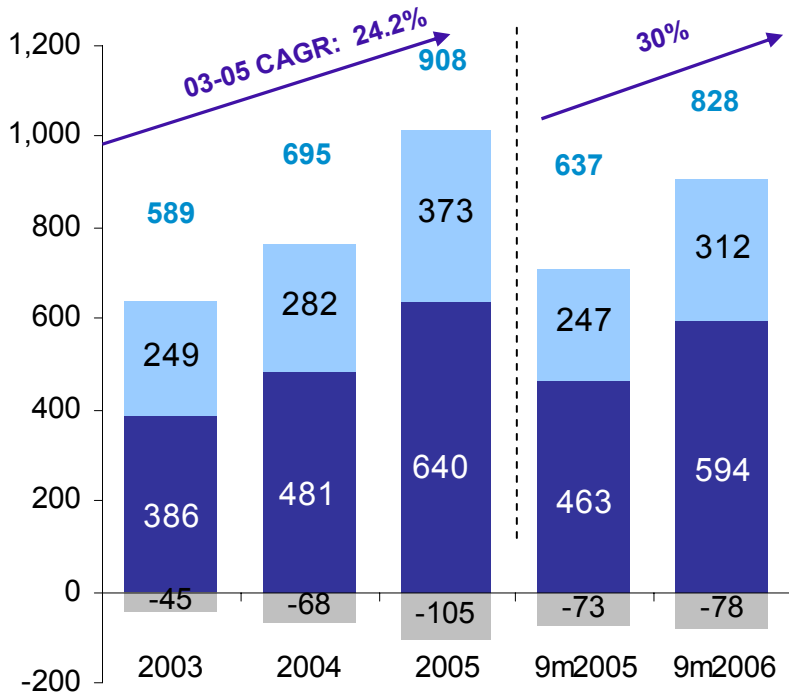


# Appendices

# Proven Track Record Of Delivering Results

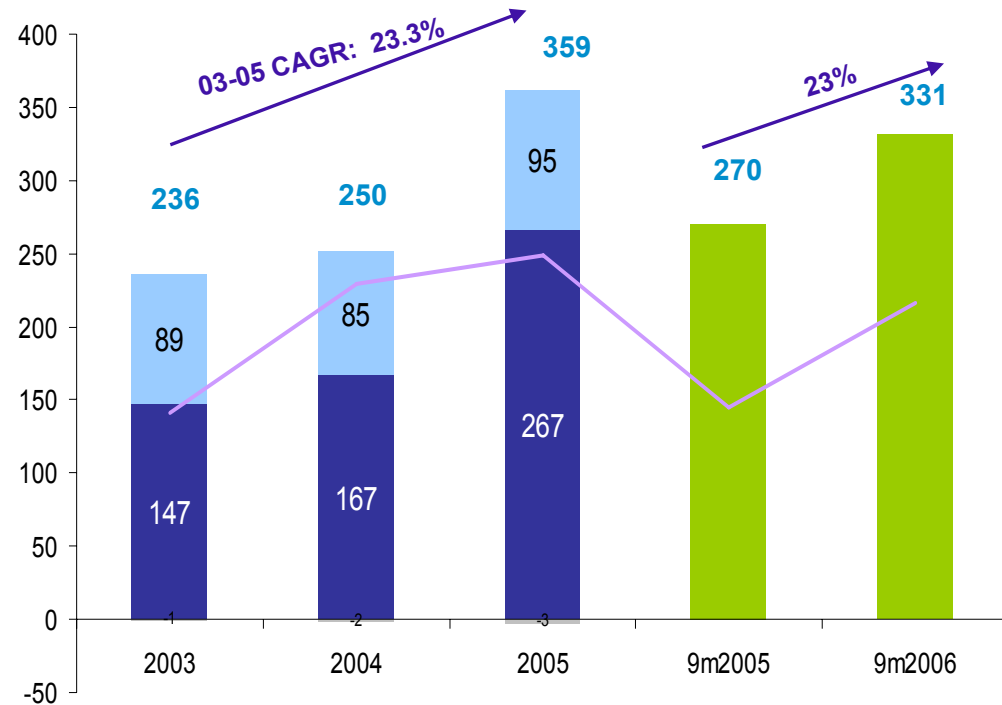


Revenues (US\$ in mln)



■ Traditional Fixed Line ■ Alternative Fixed Line ■ Eliminations

OIBDA (US\$ in mln)



■ Traditional Fixed Line ■ Alternative Fixed Line ■ Eliminations — Capex

# Profit and Loss Statement: Selected Items

(US\$ million)	2004	2005	9m 2005	9m 2006
<b>Revenues</b>	695.1	907.6	636.8	828.2
<i>YoY% Growth</i>	18.0%	30.6%	24.7%	30.1%
<b>OIBDA</b>	249.9	358.8	269.7	331.2
<i>% Margin</i>	35.9%	39.5%	42.3%	40.0%
<b>Operating Income</b>	173.7	268.4	200.8	240.0
<i>% Margin</i>	25.0%	29.6%	31.5%	29.0%
<b>Net Income</b>	76.1	105.9	83.8	145.6
<i>% Margin</i>	11.0%	11.7%	13.2%	17.6%
<b>Capex</b>	229.1	249.3	144.5	216.3
<i>% in revenues</i>	33.0%	27.5%	22.7%	26.1%

- 30% revenue growth in 9m 2006
- 40% OIBDA margin in 9m 2006



# Revenue breakdown

(US\$ million)	9m 2005	9m 2006	Growth
<b>Traditional segment</b>			
Residential	175.3	248.4	42%
Corporate	135.6	162.2	20%
Operators	152.0	183.1	20%
Intersegment revenue	(72.5)	(77.2)	6%
<b>Total</b>	<b>390.4</b>	<b>516.5</b>	<b>32%</b>
<b>Alternative segment</b>			
Residential	49.6	67.8	37%
<i>Of which broadband</i>	<b>34.0</b>	<b>55.8</b>	<b>67%</b>
Corporate	107.2	119.6	12%
Operators	82.1	84.4	3%
Regions	3.8	30.8	711%
Other revenue	4.6	10.0	117%
Intersegment revenue	(0.9)	(0.9)	0%
<b>Total</b>	<b>246.4</b>	<b>311.7</b>	<b>27%</b>

- Traditional segment: 32% revenue growth in 9m 2006
- Alternative segment: 27% revenue growth in 9m 2006
- Broadband: 67% revenue growth in 9m 2006
- Regions: 8 fold revenue growth in 9m 2006
- CPP added US\$15.7 million to the Group's revenue

# Cash Flow Statement: Selected Items

(US\$ million)	2004	2005	9m 2005	9m 2006
<b>Net cash provided by operations</b>	225.8	288.1	218.0	249.0
<b>Net cash used in investing activities</b>	(187.9)	(272.2)	(206.3)	(699.7)
<b>Net cash provided by / (used in) financing activities</b>	(19.5)	(20.3)	(2.2)	912.0
<b>Effects of foreign currency translation of cash and cash equivalents</b>	2.0	(1.0)	(0.8)	2.5
<b>Cash and cash equivalents at the beginning of the period</b>	47.0	67.4	67.4	62.0
<b>Cash and cash equivalents at the end of the period</b>	67.4	62.0	76.1	525.8

- CFs from Operations of US\$ 249 million in 9m 2006
- US \$ 976 million raised during the IPO in February 2006 (net of respective costs)

## Balance Sheet: Selected Items

(US\$ million)	2004	2005	9m 2006
<b>Assets</b>	1,418.4	1,641.4	2,826.1
<i>Current assets</i>	335.6	405.2	1,272.2
<i>Long-term assets</i>	1,082.8	1,236.2	1,553.9
<b>Liabilities</b>	586.4	645.8	653.3
<i>Current liabilities</i>	223.2	274.4	308.5
<i>Long-term liabilities</i>	363.2	371.4	344.8
<b>Minority interests</b>	450.6	516.1	545.3
<b>Shareholders' equity</b>	381.4	479.5	1,627.5

- 9m2009: low leverage- aim to optimize BS and capital structure
- In December 2006 Comstar arranged a US\$ 675 mln six month loan facility with ABN AMRO Bank N.V. The interest rate was fixed at 1.2% above LIBOR. The term of the loan can be extended to twelve months

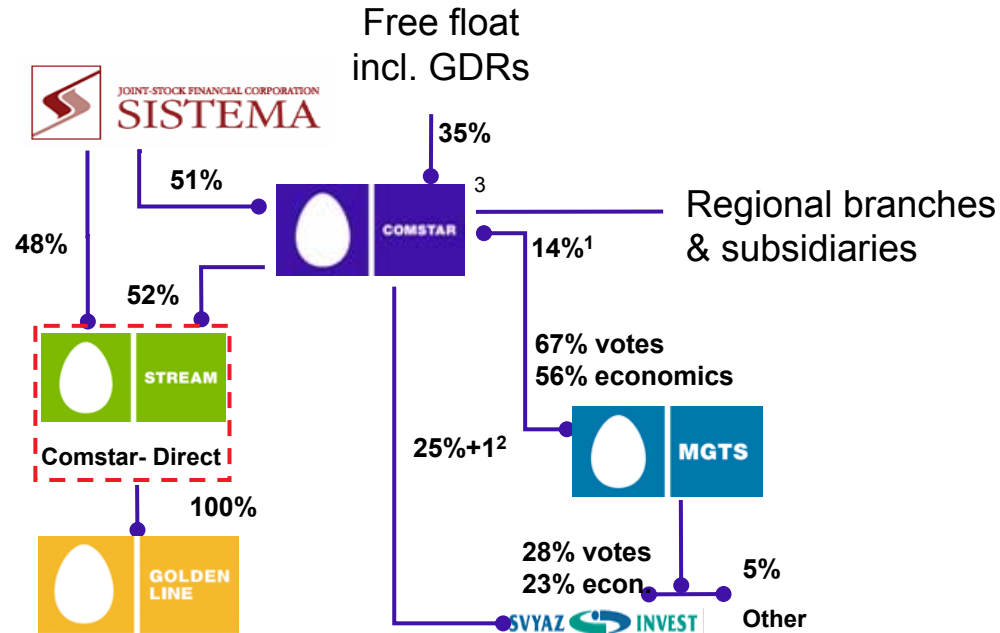
# 4Q KPIs



	December 31, 2006	December 31, 2005	Growth 4Q'06 vs. 4Q '05	September 30, 2006	Growth 4Q'06 vs. 3Q '06
<b>Traditional segment subscribes</b>					
Residential	3,571,639	3,537,128	1%	3,560,620	0%
Corporate	72,639	77,324	(6%)	74,636	(3%)
Operators	254	232	10%	215	18%
<b>Total</b>	<b>3,644,532</b>	<b>3,614,684</b>	<b>1%</b>	<b>3,635,471</b>	<b>0%</b>
<b>Alternative segment subscribes</b>					
Residential, incl.	475,119	437,077	9%	443,443	7%
<i>Broadband subscribers</i>	<b>359,895<sup>1</sup></b>	<b>249,542</b>	<b>44%</b>	<b>313,189</b>	<b>15%</b>
<i>Dial-up subscribers</i>	<b>109,589</b>	<b>182,351</b>	<b>(40%)</b>	<b>124,683</b>	<b>(12%)</b>
Corporate	33,671	31,159	8%	33,467	0%
Operators	356	380	(6%)	355	0%
<b>Total</b>	<b>509,146</b>	<b>468,616</b>	<b>9%</b>	<b>477,265</b>	<b>7%</b>
<b>Regions segment subscribers</b>					
Residential	84,728	81,452	4%	83,915	1%
Corporate	9,814	6,853	43%	8,271	19%
Operators	47	45	4%	46	2%
<b>Total</b>	<b>94,589</b>	<b>88,350</b>	<b>7%</b>	<b>92,232</b>	<b>3%</b>

[1] Includes 3,605 subscribers who signed contracts but were not connected to the service as at December 31, 2006

# Shareholder Structure



Optimization of ownership structure:

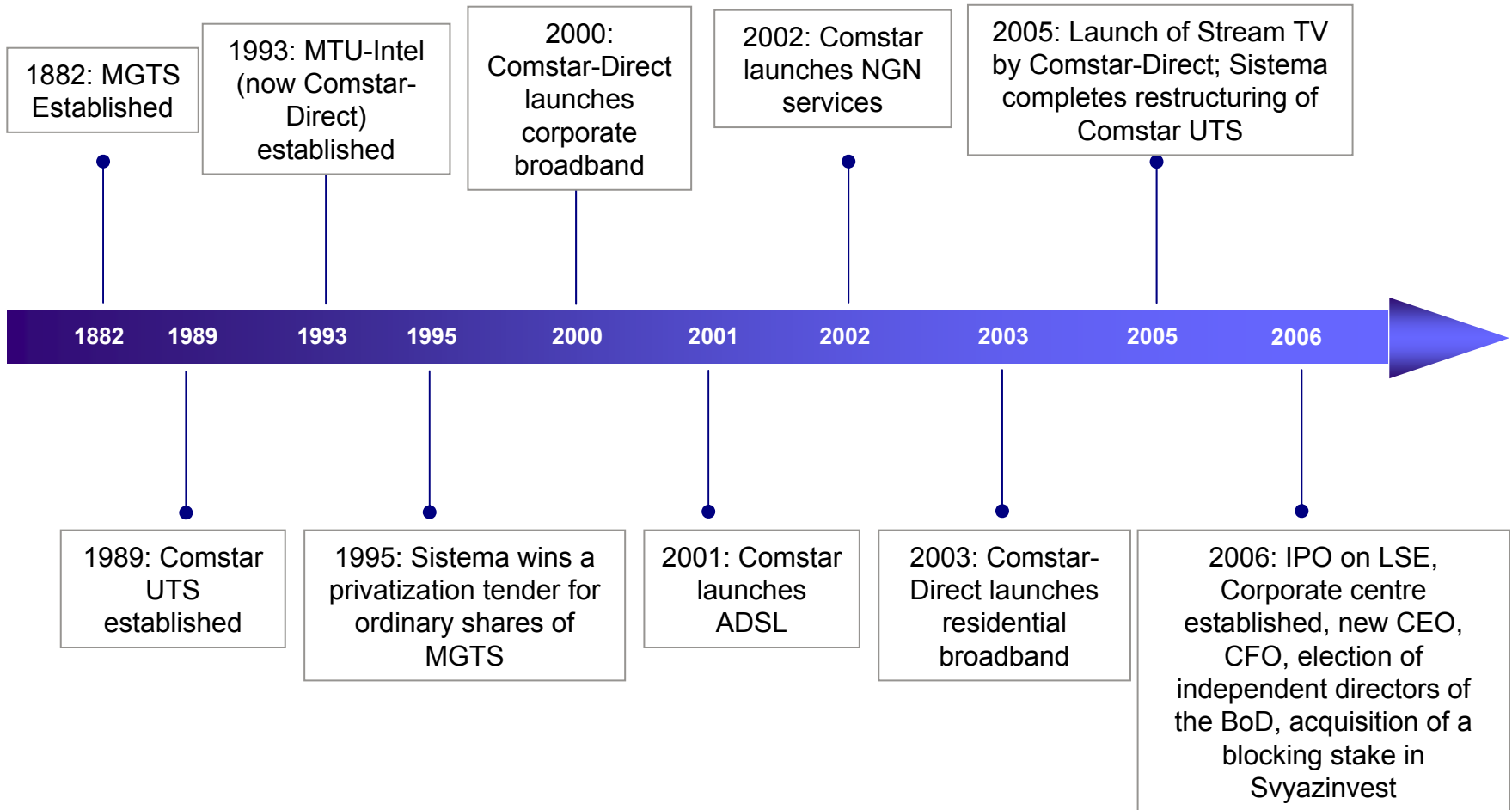
- Integration of Golden Line into Comstar
- Turn 100% owned subsidiaries into branches

<sup>1</sup> MGTS owns 14% of Comstar, as of Dec.12,2006

<sup>2</sup> Including 7.7% owned by MGTS Finance

<sup>3</sup> Includes Telmos and MTU-Inform that is expected to be completely merged with Comstar by the end of 2007

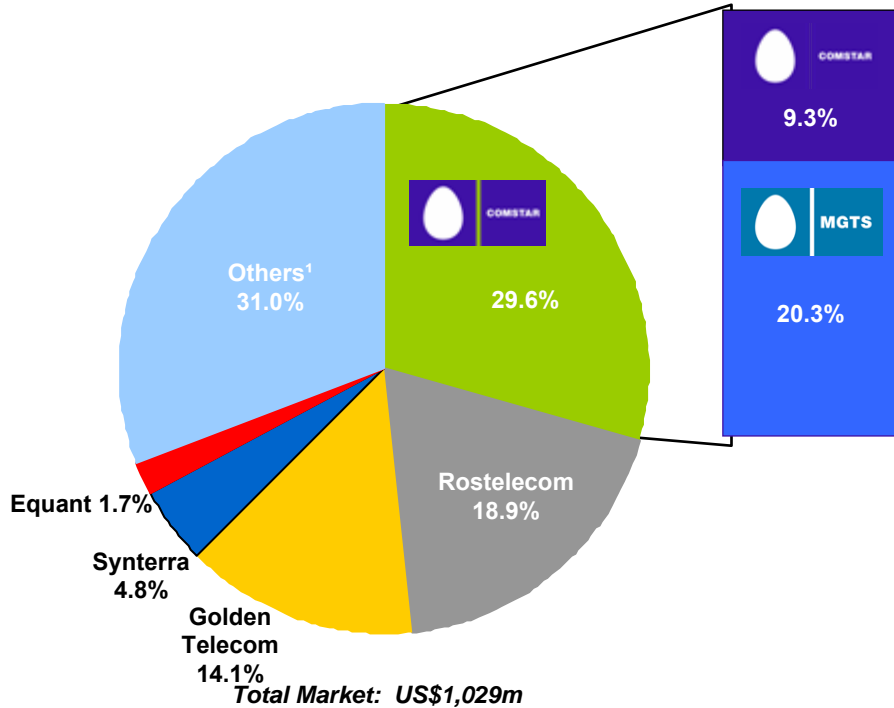
# Company History



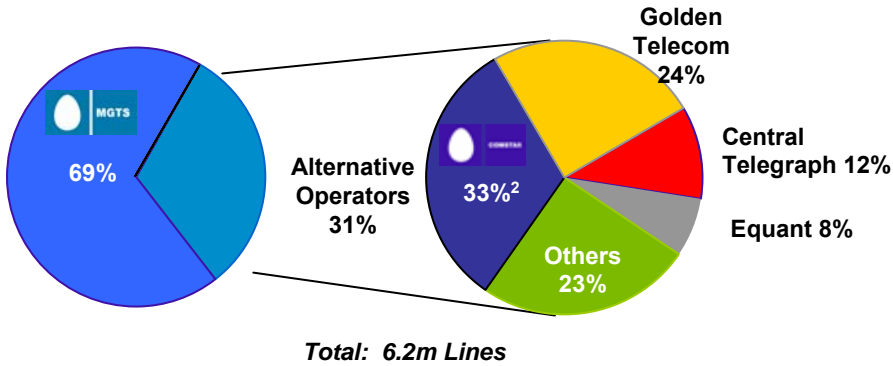


# Leading Market Position In Moscow

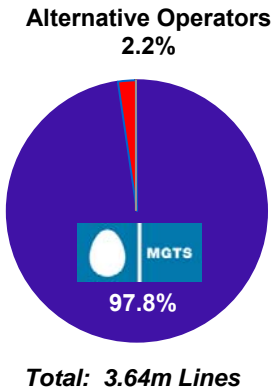
3Q 2006A Share of Telecom Revenues (Moscow)



3Q 2006A Share of Lines (Moscow)



3Q 2006A Share of Residential Installed Access Lines (Moscow)



Source: Direct INFO

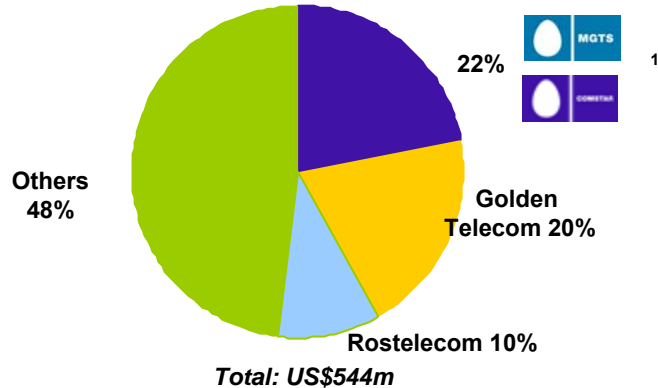
\* 39% including subs of home networks (2%) who connect up to Internet using Comstar UTS channels

**Comstar UTS is the leader in fixed-line telecoms in Moscow**

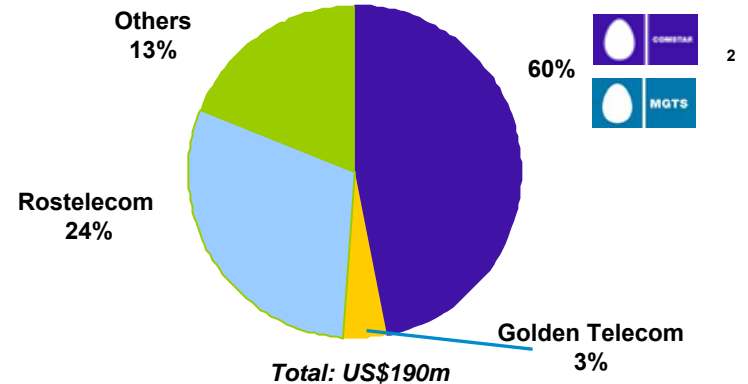
# Strong Positions In All Client Segments



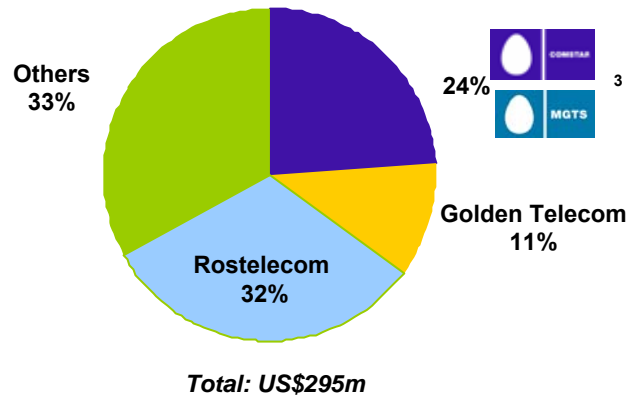
## Moscow Corporate Segment (by Sales in 3Q 2006A)



## Moscow Residential Segment (by Sales in 3Q 2006A)



## Moscow Operators Segment (by Sales in 3Q 2006A)



Source: Direct INFO

1. Includes MGTS at 14% and Comstar UTS at 8%

2. Includes MGTS at 48% and Comstar UTS at 12%

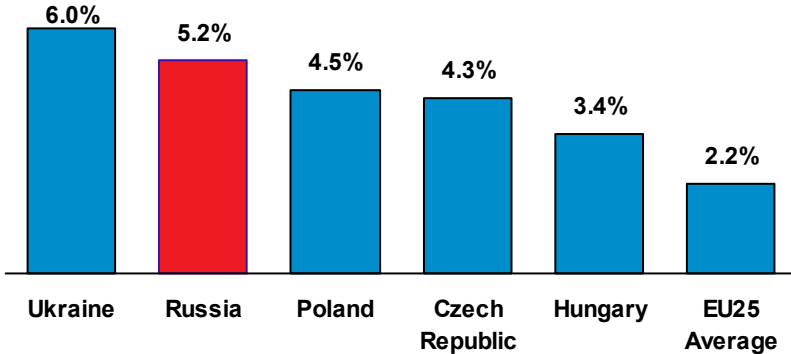
3. Includes MGTS at 14% and Comstar UTS at 10%

**Comstar UTS is a leader in residential and in corporate telecoms in Moscow**



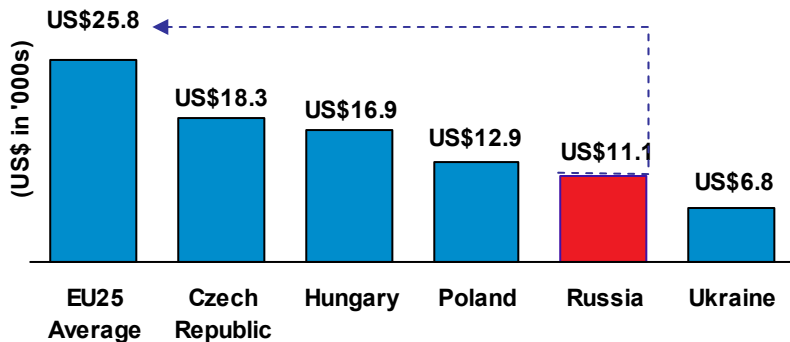
# Solid Macroeconomic Fundamentals

## Real GDP Growth Forecasts (2005A-2011E CAGR)



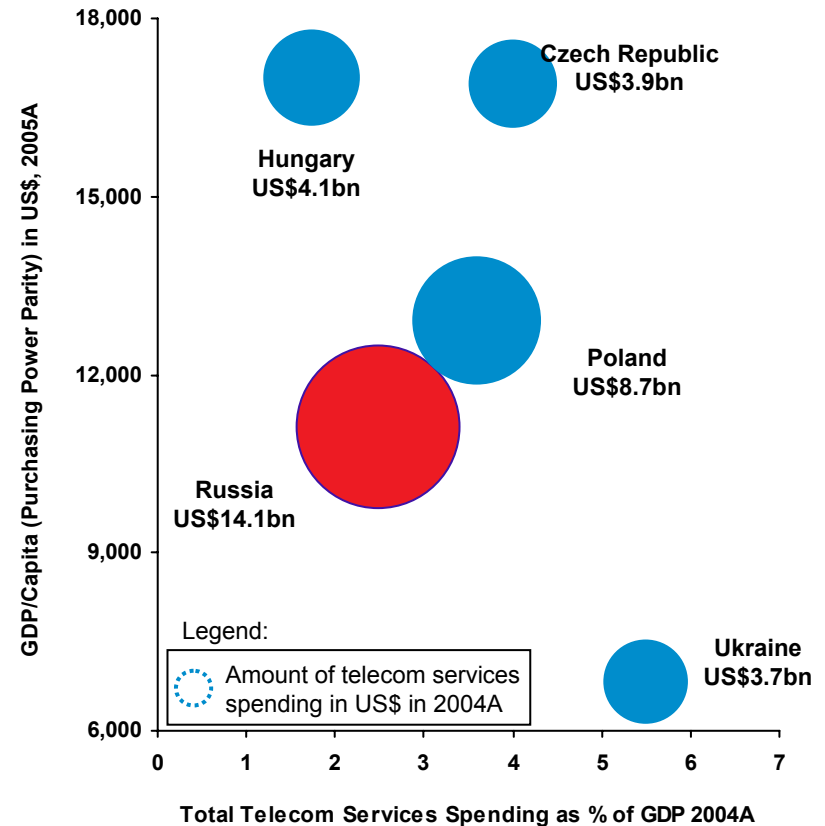
Source: EIU, January 2007

## GDP/Capita (Purchasing Power Parity) 2005A



Source: EIU, January 2007

## Telecom Spending Growth Opportunity



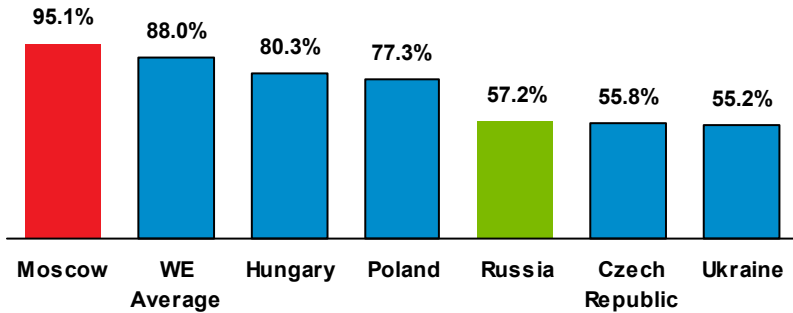
Source: Pyramid Research (November 2005)

**The Russian market provides high growth potential given expected real GDP growth and a relatively under-penetrated telecoms market**

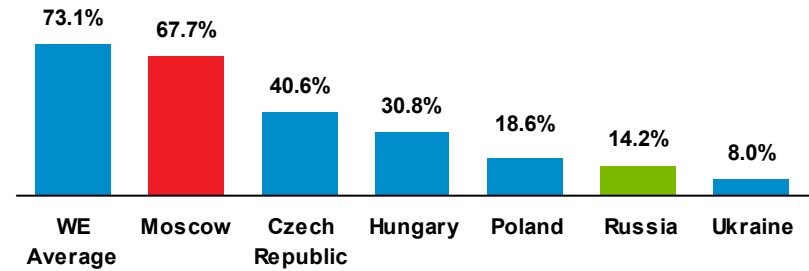
# Attractive Market Potential



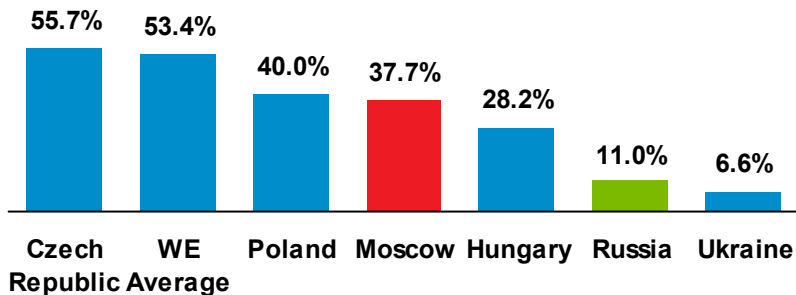
## Fixed Voice Penetration (3Q 2006)



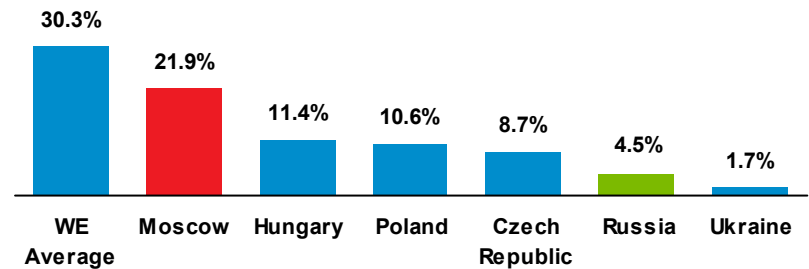
## PC Penetration (3Q 2006)



## Internet Penetration (3Q 2006)



## Broadband Penetration (3Q 2006)



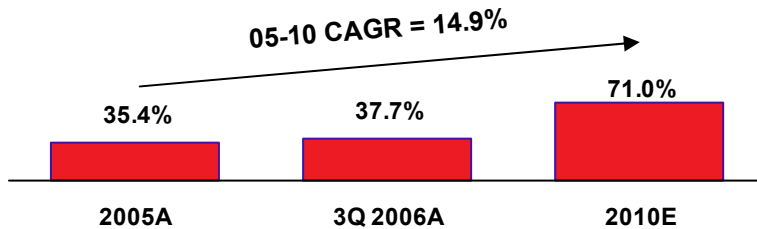
Note: Penetration in all charts calculated as % of households  
 Source: Company data, Direct INFO

**Well positioned in favourable Market Conditions**

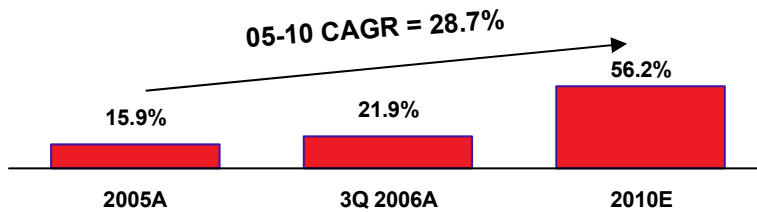
# Ample Opportunities In Broadband And Pay TV

## Moscow

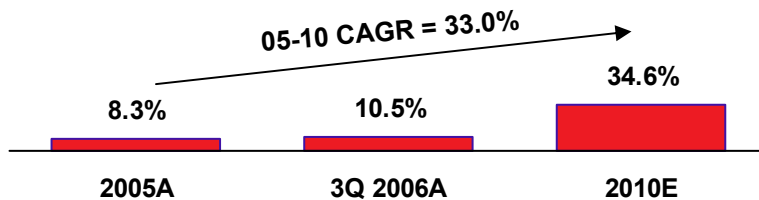
### Internet Penetration



### Broadband Penetration

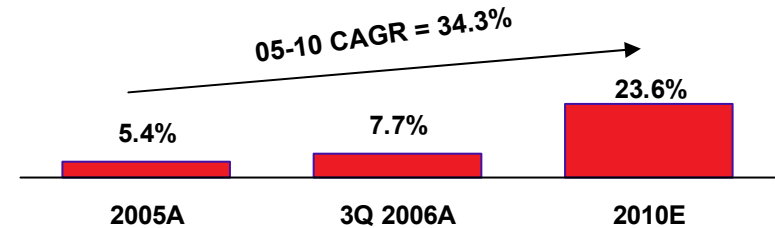


### Pay-TV Penetration

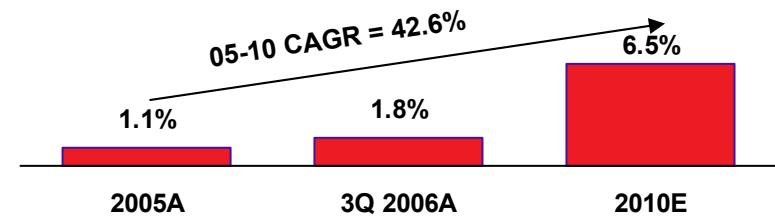


## Russia (ex-Moscow)

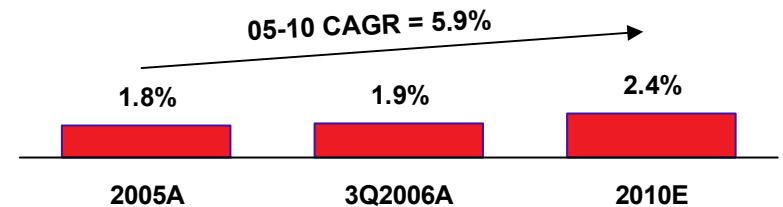
### Internet Penetration



### Broadband Penetration



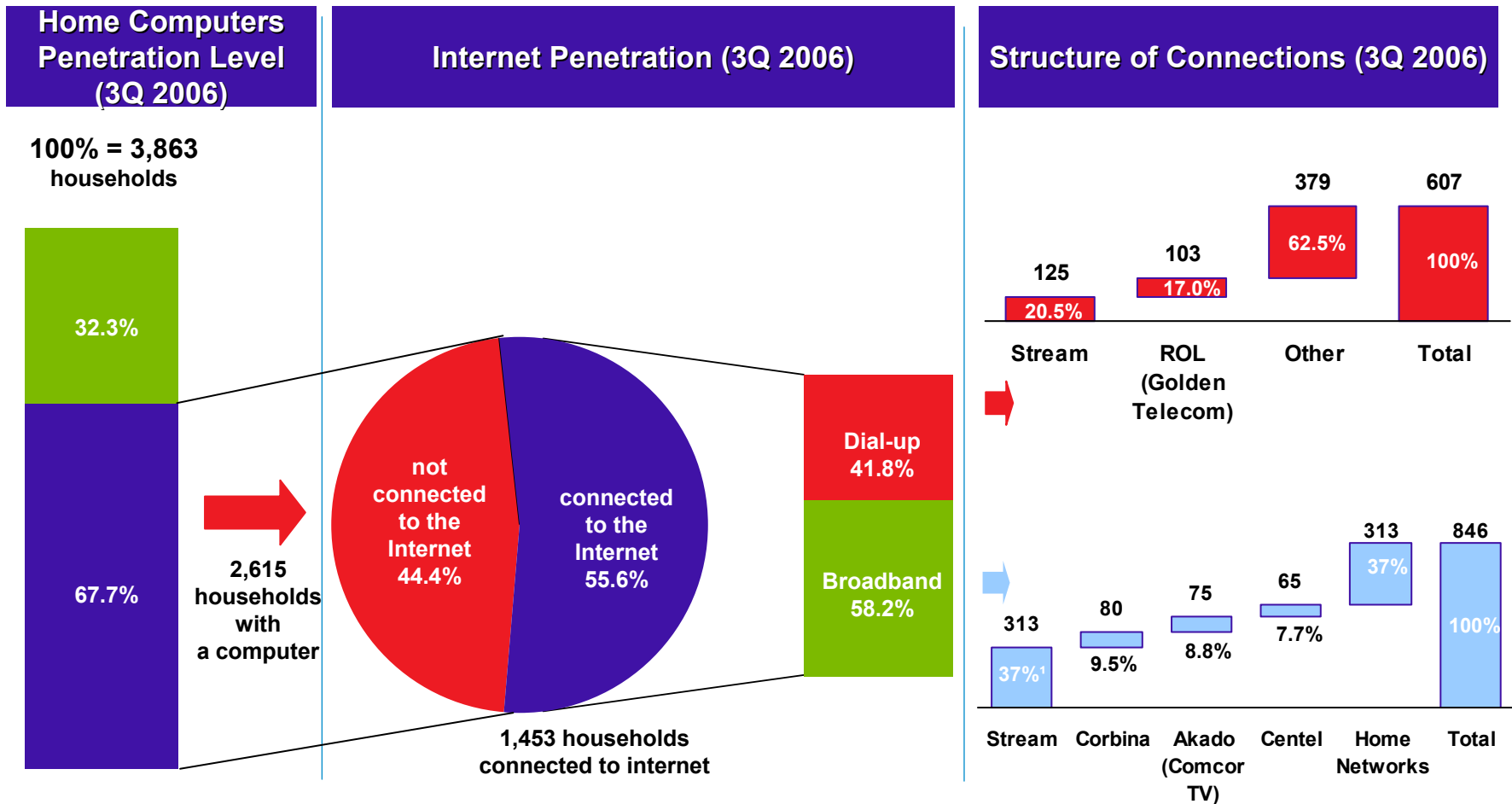
### Pay-TV Penetration



Source: Company data, Direct INFO, Pyramid Research  
 Note: CAGR represents growth in projected users. Penetration calculated as % of households

**Significant growth potential in the Residential Broadband and Pay-TV markets**

# Moscow Internet Market In 3Q 2006



Source: Direct INFO

Note: All household data in 000's

<sup>1</sup> Number excludes subs of homenetworks who connect up to internet using Comstar-UTS channels (this would account for additional 2%)

**In 3Q 2006 almost 1.5m households in Moscow are connected to the Internet.  
More than a half of them use Broadband Internet**

# Regulatory Changes



<b>Effective from</b>	<b>Change</b>	<b>Applicable to</b>
January 1, 2006	Rules for Traffic Routing in the Public Telephone Network	Long-distance voice services
October 19, 2005	Tariffs for Interconnect and Traffic Exchange	Operators with Substantial Positions in the Public Network (MGTS, Comstar-UTS)
July 1, 2006	'Calling party pays' ("CPP") principle	Local calls from fixed to mobile networks
July 1, 2006	Rules of rendering of data transmission services	Data transmission services
January 1, 2007	The Russian system and the plan of numbering	Fixed and mobile telephone networks
January 1, 2007	The particularity of providing telecommunication services for State defense, Security and Legal order providing	Telecommunication operators providing telecommunication services for State defense, Security and Legal order providing

**Recent and foreseeable changes have no adverse impact on the fundamentals of Comstar's business**

**For additional information please visit**

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

**or contact Masha Eliseeva**

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

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