

I N V E S T O R R E P O R T

SVYAZINVEST

1/2006

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**RUSSIAN TELECOMS 2005:
BENCHMARK GROWTH**

**EKATERINA EROFTEEVA
LIBERALIZATION OF THE LD
MARKET: NEW RULES
OF THE GAME**

**ANTON ALEXEYEV:
THE FAR EAST IS AN AREA
FOR EFFICIENT BUSINESS
OPERATIONS**

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SVYAZINVEST IS THE LARGEST TELECOM GROUP IN RUSSIA

Open Joint Stock Company Telecom Investment Company (Svyazinvest) was registered on September 18, 1995. The holding was established through a consolidation of controlling stakes in 85 regional telecom operators.

Svyazinvest's subsidiaries and affiliates own over 80% of Russia's telecom infrastructure. Telecom networks of the group's entities used to provide telecom services to more than 92% of the Russian population.

In 2000-2003 Svyazinvest implemented an unprecedented reform in the national fixed-line system by merging 72 regional operators into seven super regional telecom operators (RTOs), with each of them comparable to leading European telecom carriers in terms of lines serviced and the scope of operations performed.

Svyazinvest's core assets are controlling stakes in the following companies:

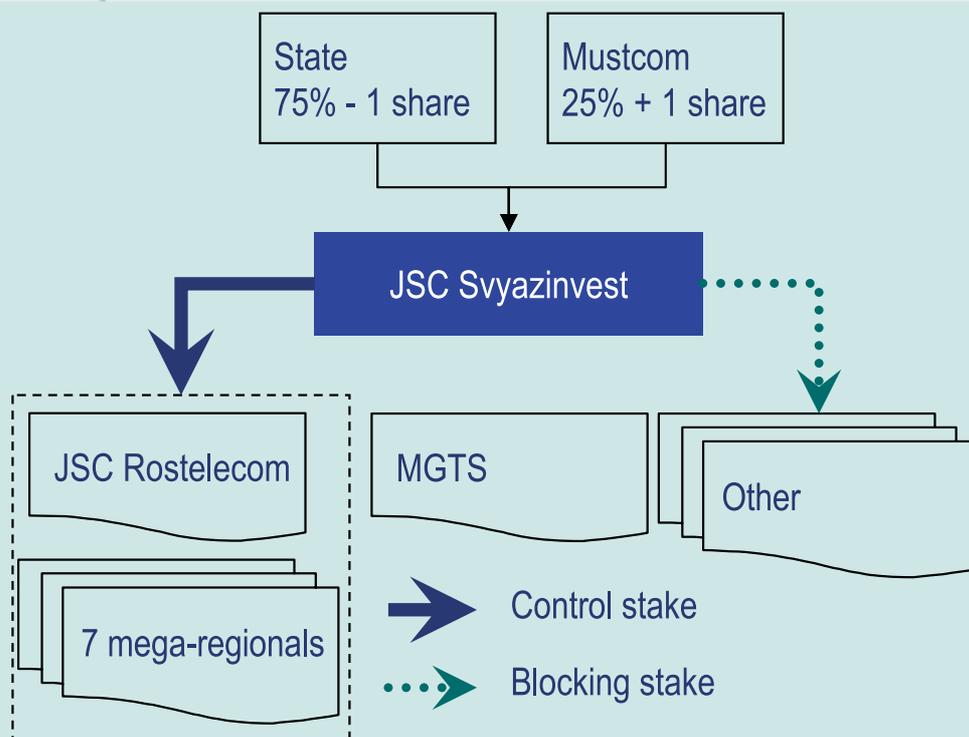
- LD operator Rostelecom;
- CenterTelecom;
- North-West Telecom;

- VolgaTelecom;
- South Telecom;
- Uralsvyazinform;
- Sibirtelecom;
- Far East Telecom (Dalsvyaz);
- Sector Research Institute Gyprosvyaz.

Svyazinvest holds large equity positions in four regional telecom operators (Central Telegraph, Dagsvyazinform, MGTS and Kostroma GTS).

The telecom carriers controlled by Svyazinvest Group are public network operators with 35,9 mln lines in service. Svyazinvest's subsidiaries and affiliates are licensed to provide local voice, inter-zonal, data transmission, Internet access, ISDN, wireless subscriber access and mobile services. Rostelecom renders DLD/ILD services.

Svyazinvest's operations are considerably impacted by the state through ownership of the holding's controlling stake, participation in its management via representatives of federal executive authorities, regulation of its DLD/ILD and local voice tariffs and its license policy.



news

Svyazinvest

By December 2005 all seven super regional telecom operators, part of Svyazinvest Group, wrapped up the primary introduction phase of the first release master system aimed at adjusting the master system to the client's requirements: project planning, analysis, design, development and testing of the application. Upon completion of this phase the first release will be considered as introduced and customers will be able to operate the master system based on Oracle e-Business Suite. Open Technologies acts as general contractor for the phase-in of the ERP system at the group of Svyazinvest companies.

US Amdocs and Svyazintek reported that upon the successful implementation of Phase One of the Billing Transformation Program Amdocs launched Phase Two as part of a new agreement on the introduction of the single automated billing system (ABS) at the group of Svyazinvest companies, including seven super regional telecom operators (RTOs) and LD operator Rostelecom. In 2006 Amdocs plans to develop and phase in as part of a pilot project at CenterTelecom a system based on the portfolio of Amdocs products which will improve the quality of customer services and boost subscriber loyalty, which is presently required of telecom providers on the rapidly growing and competitive telecom market of the Russian Federation.

Rostelecom

Rostelecom took part in a Russian-Japanese economic cooperation forum held in Tokyo during Vladimir Putin's visit to Japan. General Director of Rostelecom Dmitry Erokhin delivered at a plenary session a report on the prospects of Russian-Japanese cooperation in the Transit Europe – Asia (TEA) project. The transcontinental TEA project provides for the construction of the shortest and most reliable ground route to terminate major traffic between the East and the West. Rostelecom traditionally maintains business relations with Japanese firms, providers and telecom equipment manufacturers, in particular. During the forum the delegation of Rostelecom representatives held negotiations with Japanese operators Japan Telecom and KDDI over arranging traffic transit from Europe through Russia to Southeastern Asia as part of the TEA project at a technologically new level. Talks were also held with top executives of NEC, one of Japan's largest telecom equipment producers.

South Telecom

The Stavropol branch of South Telecom entered into service a 75-km fiber optic line which runs through Mineralnye Vody, Aleksandrovskoye, Blagodarny, Svetlograd, Stavropol and Nevinnomyssk. What's more, a new STM-16 grade link of the trunk line was built on the section of the fiber optic line between Mineralniye Vody and Aleksandrovskoye settlement. As a result, the number of digital traffic flows running through these areas has risen from 252 to 1,008.

Effective December 1, 2005 South Telecom has been providing value-added service to Krasnodar region-based ADSL2 subscribers – digital television provided under the DiSEL-TV brand. The DiSEL-TV package includes 33 television channels with the digital image and sound quality. In the future, South Telecom plans to broaden the list of television channels for TV viewers and also offer video-on-demand services.

Uralsvyazinform

Governor of the Chelyabinsk region Pyotr Sumin held a meeting with Uralsvyazinform's general director Anatoly Ufimkin. At issue was a cooperation agreement to be signed between Uralsvyazinform and the Chelyabinsk region. Joint work will be continued as part of the agreement to phase in advanced telecom technologies in the region. At issue, above all, is the roll-out of telecom, Internet access and television services. According to Anatoly Ufimkin, the company plans to achieve 100% fixed-line penetration in the Chelyabinsk region and all its remote districts in 2008. In 2006-2007 the Chelyabinsk region will be the launch pad for implementation of two projects – TV medicine and 4 new television channels.

North-West Telecom

The Board of Directors of North-West Telecom greenlighted the telecom operator's 2006 investment program. A total of Rub 3,847 mln (\$134.9 mln) against Rub 5,136 mln (\$180.2 mln) is to be allocated to these purposes in 2006. The investment program's structure was considerably improved by a greater number of projects with short payback periods: 34% of the projects have payback periods of less than 3 years (7% in 2005), while the payback period for 47% of the projects vary from 3 to 7 years. In 2006

North-West Telecom plans to spend over Rub 1 bln (\$35 mln) on rolling out value-added services, or 3.5 times more than in 2005. It should be noted that the operator intends to put into service 74,000 DSL ports, 60,000 fixed lines (149,000 this year) and the digitalization rate should reach 55%. From the viewpoint of financing sources, North-West Telecom's 2006 investment program is not aggressive. The telecom carrier remains committed to pursuing a well-thought-out investment program and allocating about 20% of its revenue to expansion every year.

On December 30, 2005, the final trading session of 2005, North-West Telecom's market cap exceeded \$1 bln for the first time and reached \$1.006 bln by the closing bell on RTS. All in all, in 2005 North-West Telecom's market capitalization* rocketed 81%, common shares surged 76% and preferred stocks soared 104%. Since trading was launched in the merged company's shares in October 2002 North-West Telecom's capitalization has climbed by more than 5-fold. The year 2005 can be called a "breakthrough" in North-West Telecom's share liquidity growth. Since the beginning of the year the number of exchanges, on which investors can purchase the operator's stocks and ADRs, has reached five – MICEX, non-commercial partnership RTS, RTS Stock Exchange, Frankfurt and Berlin Stock Exchanges. As a result, the telecom provider's annual volume of common shares tripled to 81 mln shares, while the preferred volume doubled to 45 mln shares. Meanwhile, domestic trading has evened out, with 50% of the transactions, executed with the telecom operator's shares, falling to MICEX and the other 50% to RTS.

Sibirtelecom

On December 2, 2005 international rating agency Fitch Ratings affirmed Sibirtelecom's senior unsecured rating at B+, with a stable outlook, and short-term rating at B.

According to the press release issued by Fitch Ratings on December 2, 2005, the ratings reflect Sibirtelecom's dominant market positions in the area of its operations and in the considerable part of West Siberia. The ratings also factor in the impact exerted by Svyazinvest, which holds a controlling interest (50.7%), on the telecom operator's strategic decision-making process. The stable outlook is attributable to expectations that on the whole the telecom provider will retain its market share in the local voice services segment and increase its share in wireless and VAS segments.

* Based on RTS data

On January 19, 2006 Sibirtelecom and the government of the Kemerovo region entered into an agreement in Kemerovo on mutual relations and cooperation in a bid to ensure stable operations and sustainable development of information and telecom infrastructures in the Kemerovo region. The scope of the agreement determines strategic cooperation and fundamental issues related to the efficient roll-out of information and telecom technologies in the Kemerovo region.

VolgaTelecom

Alcatel announced the successful completion of a project implemented with RTO VolgaTelecom, whereby Alcatel delivered an integrated solution for the expansion of the operator's broadband access network in the Volga Federal District. VolgaTelecom's General Director Sergey Omelchenko commented on this event as follows: "It has already been the second agreement signed with Alcatel on broadband access services. By promoting these services, VolgaTelecom is not simply pursuing a target of meeting demands of the telecom market, but is also investing in the future and laying the groundwork for the successful roll-out of Triple Play services".

Dalsvyaz

Dalsvyaz has put into service a New Generation Network (NGN) in Magadan. The project is valued at more than \$15 mln, with the estimated payback period of 5 years. The decision on the network's construction was made two years ago. At present, Magadan is the first Russian city where the urban fixed-line networks will be fully switched over to a new technology. The project is scheduled for completion in May 2006.

MGTS

MGTS held an extraordinary shareholders meeting on January 14, 2006 to elect a new board of directors. Four representatives of Svyazinvest and eight spokespersons from Comstar-UTS were appointed to the telecom operator's new BoD. The company's previous board was represented by four Svyazinvest officials and seven executives from Comstar-UTS. Sistema Telecom's general director Vladimir Lagutin was reelected as BoD chairman.

SVYAZINVEST – 2005

JANUARY

The Upper Volga branch of CenterTelecom, established in line with the company's BoD decision, commenced operations. At the same time, Yaroslavl, Ivanovo and Kostroma branches ceased to exist.

Svyazinvest and the Association for the Protection of Investor Rights formed a supervisory board to jointly discuss issues related to the expansion of the holding's subsidiaries.

FEBRUARY

The Russian Directors Institute and Expert Rating Agency announced the results of the 2004 National Corporate Governance Rating. A-class ratings were assigned to five Russian companies, with four of them representing Svyazinvest Group – Rostelecom, North-West Telecom, Uralsvyazinform and CenterTelecom.

North-West Telecom and Rostelecom took part in the 12th International Specialized Exhibition Norvecom-2005.

MARCH

South Telecom was the first in the Russian Federation to obtain a certificate to build a MPLS multi-service network. Sibirtelecom and Alcatel signed a cooperation agreement as part of a visit made by French Ambassador to Russia Jean Cadet to Novosibirsk.

Dalsvyaz and MegaFon signed a mutually beneficial cooperation agreement.

Dalsvyaz was the first among Russian telecom operators that provided access to its mobile network as a Mobile Virtual Network Operator (MNVO).

North-West Telecom became the pioneer among Russian fixed-line operators which is compliant with international standards when building information security networks and registered with the Global Object Identifier Tree.



APRIL



Moscow hosted the 5th International Conference "Telecommunications and Investments in Russia".

CenterTelecom was awarded an international certificate for compliance with ISO-9001:2000.

Rostelecom provided TV channels to the Volga Aerospace Educational Center attached to the Education and Science Ministry of the Nizhny Novgorod region to hold a session with the astronauts who are onboard of the International Space Station.

CenterTelecom signed an agreement with Lucent Technologies and Juniper Networks, Inc. on the roll-out of a new generation packet-based IP network in the Central Federal District.

MAY

Uralsvyazinform implemented a new project in the Chelyabinsk region – a switched packet-based network based on NGN technologies.

The telephone network of Chelyabinsk was switched to 7-digit codes.

Rostelecom signed an agreement with Alcatel on the upgrade of its fiber optic network in southern Russia.

First TV medicine centers were opened in the Kaliningrad region.

CenterTelecom commenced the provision of base-to-office services.



JUNE

Nizhny Novgorod Cellular Services, the first GSM operator in Russia, marked its 10-year anniversary.

Uralsvyazinform's branch in the Yamal-Nenets Autonomous District launched the construction of multi-purpose access networks in Salekhard and Noyabrsk.

The first campaign got under way to advertise Internet access services using ADSL technology under South Telecom's DiSEL brand.

JULY

Rostelecom and the Japanese Bank for Reconstruction and Development entered into a loan agreement.

Dalsvyaz began the implementation of a program to phase in a customer relations system targeting VIP clients.

AUGUST

A video conference dedicated to the roll-out of telecom services in the Urals Federal District was held.

The New Technology Center was opened in the Primorie region.

The takeover of cellular subsidiaries South Urals Cellular Phone and Ermak RMS by Uralsvyazinform was completed. The subscriber base of Uralsvyazinform's GSM operator reached the 3-million mark.

North-West Telecom upgraded its information and billing system in St. Petersburg.



SEPTEMBER

Svyazinvest marked its 10-year anniversary.

The Scientific and Technical Council was formed to jointly discuss and work out Svyazinvest's technical policy.

The group of Svyazinvest companies took part in the International Exhibition Forum InfoCom-2005, held in five Russian cities. Svyazinvest's operators acted as co-organizers of some exhibition events.

Rostelecom made its LD network available to hold a direct link conference with the participation of the Russian President and a teleconference bridge with Russian cities, towns and settlements.

Rostelecom put into service a new Ufa-Orenburg hi-speed fiber optic telecommunications line.

Dalsvyaz commissioned a new generation network in Magadan.



OCTOBER

Sibirtelecom unified the corporate names of its branches.

The subscriber base of Nizhny Novgorod Cellular Services

reached the 1-million mark

Uralsvyazinform's board of directors approved the company's rebranding concept according to which a single brand (Utel) is to be introduced for wireless and value-added services, including Internet access.

South Telecom upgraded its trunk data transmission network in the Stavropol region.

NOVEMBER

The delegation which represented the group of Svyazinvest companies took part in the Russian-Japanese economic cooperation forum.

The joint project of VolgaTelecom and Alcatel, which provides for the delivery of an integrated solution for the expansion of the operator's broadband connection network in the Volga Federal District, was completed.

Uralsvyazinform put into service a content traffic management center for its Utel wireless network.

DECEMBER

LD codes of 19 Russian regions were changed.

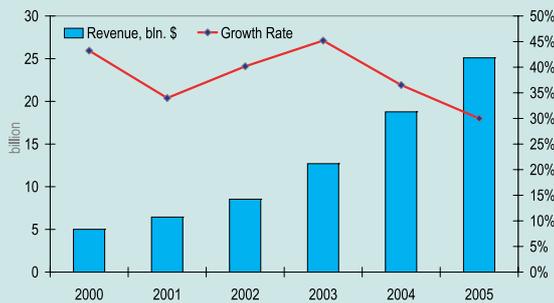
Uralsvyazinform commenced the provision of a unique package of telecom services (fixed line + cellular + Internet access using ADSL technology) for the Russian telecom market under the Utel brand.

RUSSIAN TELECOMS 2005: BENCHMARK GROWTH

In 2005, the Russian telecom market showed 30% growth and reached almost \$25 bln. Although the domestic market still lags behind the largest telecom markets in the world (the value of the American market is 10 times greater, and the German market – 3 times), it remains one of the most dynamic with CGAR at 35%.

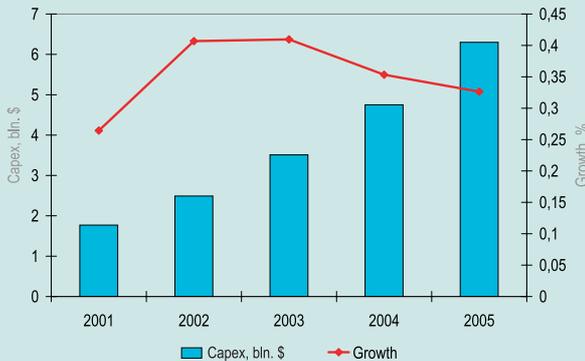
The Russian telecom industry continues to grow faster than the Russian economy. As a result, the contribution of the telecom industry to the Russian economy continues to increase – from 1.5% in 2001 to 3.3% in 2005. Nonetheless, telecom’s contribution to the Russian economy is still lower than in Western Europe or the US with a 5-6% share.

Russian Telecom Revenue Growth, 2000-2005



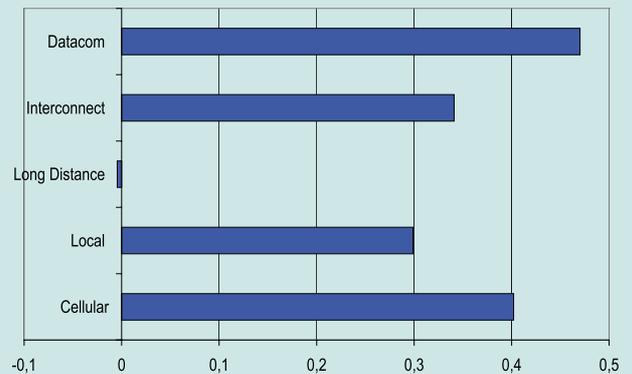
It’s noteworthy that in 2005 growth rates slowed down slightly – from 40% in 2003-2004 to 30% in 2005. In our opinion, this is not a sign of market saturation since operators are moving to the next qualitative step in their business development which is characterized by a decrease in growth rates, EBITDA and capex.

Capex of the Russian Telecom Operators



In any case, 8% annual growth of disposable income on the back of strong commodity prices keeps consumption on the rise in the telecommunications sector, especially in the household segment. The main 2005 market growth drivers in Russia were cellular communications and datacom. The segments grew 33% and 40% correspondingly. And while datacom is still small, since it contributed only 8% to the total telecom market, its future potential is quite promising in the technological trend of transiting to IP-based services.

2005 Telecom Service Dynamics



In general, the structure of the 2005 Russian telecom market showed no significant changes –

- The share of revenue from private users remained unchanged at the level of almost 53%;
- The wireline segment is still the largest (about 46%), although it gradually kept decreasing from 68% in 1998. The decrease was mostly due to dynamic growth of the Russian cellular market the proportion of which grew from 14% in 1998 to almost 42% in 2005.
- Moscow is the largest telecom market in Russia with a 38% share followed by Saint Petersburg (almost 8%). The regional structure is changing very slowly with Moscow still in a dominant position although its market share is gradually being eroded in favor of the regions.
- The contribution of incumbents to the total telecom market keeps decreasing. Although generally acting as monopolists in the regional wireline market, by year-end 2005, ILECs’ share in the total telecom market decreased to 40%.

The fixed-line market remained the largest and core segment of the entire Russian telecom industry, accounting for almost 47% of total telecom revenue. In 2005, it

grew 23% reaching \$11 bln. The growth drivers in the segment were tariff hikes (15% in average), IP-based services and growth of subscriber base. According to iKS-Consulting, average lines in use grew almost 6% exceeding 40 mln with the share of Svyazinvest's regional operators amounting to 83%. The fixed-line penetration rate grew 1.5% to 28%. The number of new fixed lines increased by 5.6% y-o-y to 40.3 mln. This is lower than in 2004 due to a reduction in Svyazinvest's capex (\$1.5 bln in 2005 vs. \$1.8 bln in 2004).

Russian Telecom Market Structure by Services

	2005	2004	2000
Post	6%	6%	8%
ILD/DLD	12%	15%	32%
Local Communications	16%	17%	23%
Datacom	8%	7%	6%
Cellular Communications	42%	41%	26%
Interconnect	11%	10%	–
Other	6%	4%	5%

Russian Average Consumption of Telecom Services, 2005

Indicator	Value
ARPU	\$8.7
ARPL	\$14
ILD traffic, bln. minutes	1.5
DLD traffic, bln. minutes	37.5
Wireline penetration	28%
Cellular penetration	86.9%
Internet penetration (regular weekly audience)	7.2%

Source: iKS-Consulting

Fixed-line services are divided into 4 groups. The largest share still falls to local voice (35%). It is followed by ILD and LD (26%), interconnect and traffic transit services (22%) and datacom (17%).

Local services dominated the fixed-line revenue mix, with 15% of the total telecom in 2005, and were up 25% y-o-y in dollar terms and 22% in rubles terms.

LD share continues to decrease and the 2005 slow-down of Svyazinvest's ILD/DLD traffic growth was the lowest (only 1%) due to fierce competition from IP and

cellular operators. The 2005 total LD traffic of fixed-line and cellular operators accounted for approximately 39 bln minutes, 47% more than in 2004.

Additional growth of the fixed line market highly depends on further tariff increase and the initial results of LD market liberalization. Starting from 2006 new rules were also phased into the segment of interconnect services.

The key driver of the Russian telecom market is the **cellular industry**. Its contribution to the Russian telecom market is critical as the segment accounts for nearly 42% of total telecom revenue. This type of domination is common for developing telecom market models (with the exception of some countries where the wireline segment has very strong position due to a high level of competition (as in Poland) or due to historical factors (as in Turkey)).

In 2005, Russian cellular operators attracted over 51.4 million new subscribers, 88%, 45.4 million of which live outside the Moscow Licensed Area. In 2005, the total number of Russian subscribers surged 69% and reached 126.2 million. The cellular penetration rate increased from 51.5% to 86.9% compared with YE2004.

Cellular services fetched operators \$10.5 bln, which accounts for about 42% of the total Russian telecommunications revenues. The Russian mobile segment demonstrated 33%-growth y-o-y in dollar terms in FY2005. In addition, 67% of \$10.5 bln was earned outside the Moscow Licensed Area.

According to all market players and analysts, 2005 was the last year of substantial subscriber growth in Russia which fed growth of revenues. To support further growth, in 2006 Russian operators will have to focus on expansion outside of Russia, and accelerate their efforts in developing value-added services (VAS).

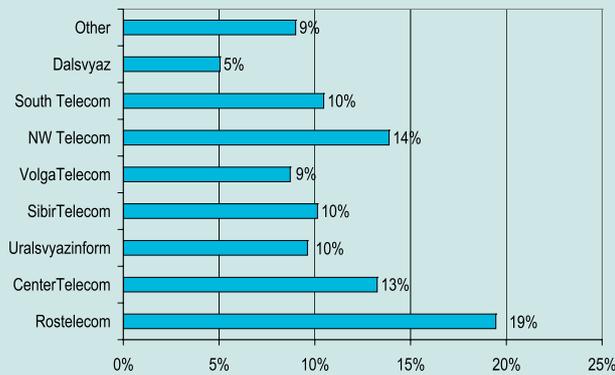
In 2005, 13.1% of all cellular revenues were generated by VAS (messaging, mobile internet, content, etc.). Russia's VAS market value grew 40% compared with 2004 and approached \$1.38 bln.

In 2005, ARPU continued to decrease. Average Russian ARPU dropped from \$11.90 [FY2004] to \$8.70. A typical regional subscriber spent \$7.30 in 2005 or half as much as in Moscow.

OVERVIEW OF SVYAZINVEST'S 2005 PERFORMANCE, RAS

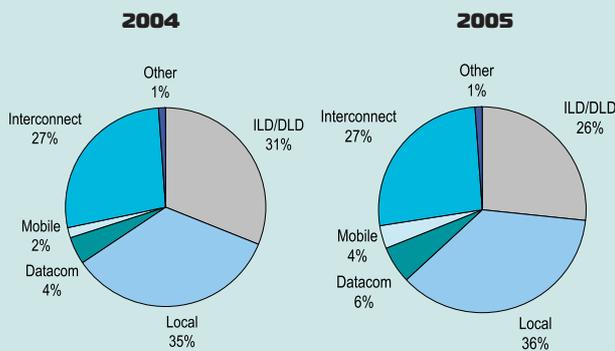
Svyazinvest remains the largest telecom holding in Russia and in 2005 it contributed almost 29% to Russia's telecom industry revenue. In 2005 service revenue of Svyazinvest reached \$7.4 billion, i.e. 13% growth y-o-y in ruble terms. The largest contribution was made by Rostelecom which generated 19% of Svyazinvest's total revenue. Net profit rose 22% to \$75 mln.

Revenue Breakdown of Svyazinvest's Regional Telecom Operators*, 2005



Svyazinvest's share of the Russian telecom market continues to decline, falling from 45% in 2002, to nearly 37% in 2003 and 33% in 2004. The decrease was mostly attributable to the rapid growth of the overall market, since in 2005 it increased 28%, while Svyazinvest's revenue growth was only 15% in ruble terms.

Revenue Breakdown by Services**



*Hereinafter, the data is based on RAS

**Excluding subsidiaries

In 2005 traditional telephony and interconnect services generated 90% of Svyazinvest's revenue – compared to 93% in 2004. The decrease is due to a decline in LD revenues and rapid growth of datacom and mobile communication services.

Increasing competition caused stagnation of Svyazinvest's revenues in the LD market. ILD/DLD traffic generated by the holding in 2005 grew 0.8% to 16.1 bln minutes, while revenue fell 2% in ruble terms. As a result, the share of LD segment fell from 31% in 2004 to 26% in 2005.

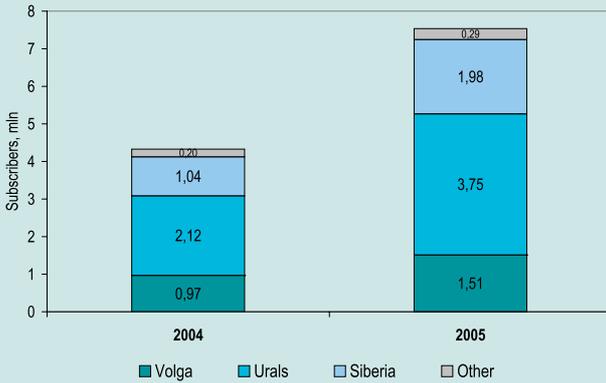
Local telephony remains the largest source of revenue, accounting for 36% of the market. The share of local telephony is stable as local telephony services provided by ILECs are regulated by the government and initially low tariffs are raised each year. Due to tariff hikes and 4% growth in ALIS, revenue from local services surged 21% in 2005.

Svyazinvest retains its status as monopoly holder in local telephony markets in most of the Russian regions. Its wireline subscriber base numbers 33 mln, i.e. 83% of the total wireline subscribers in Russia. As of year-end 2005, the digitalization rate had reached 55.6%.

Datacom is among the most dynamic of Svyazinvest's markets. The share of datacom services in the holding's total revenue mix reached 6% in 2005 compared to 4% in 2004, as it rose 49% y-o-y in ruble terms. In 2005, regional telecom operators (RTOs) remained the leaders in Russian dialup market, and at the same time promoted broadband Internet among businesses and private users. As a result, revenue from Internet access in total datacom revenue increased over 54% amounting to \$245 mln.

In 2005 Svyazinvest's revenue from mobile services grew 148% to \$261 mln. The dramatic rise is due to the consolidation of a number of mobile subsidiaries in the Ural region into the parent company, Uralsvyazinform. By YE2005, Svyazinvest's subsidiaries and branches were providing cellular services to more than 7.5 mln subscribers, 97% of which used GSM. Over 96% of all cellular subscribers of the Company live in the Volga, Urals, or Siberia Macro-Regions.

Svyazinvest's Cellular Subscriber Base Breakdown, 2004-2005



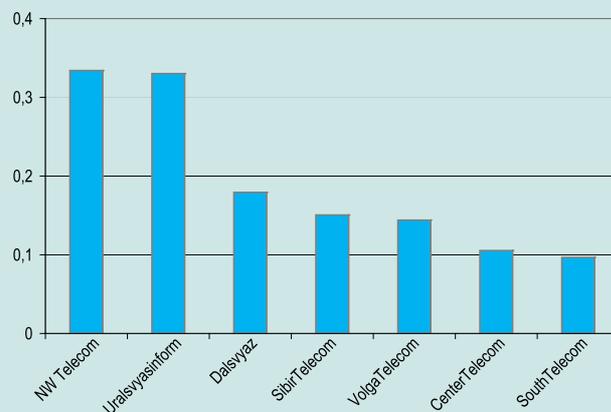
In 2005, Svyazinvest's total cellular subscriber base (including all standards) rose 74% compared to 69% for aggregate Russian subscriber base growth. Svyazinvest's share of the Russian cellular market remains quite stable and accounts for about 6% of all subscribers nationwide.

The most dynamic RTOs were North-West Telecom and Uralsvyazinform in 2005 with revenue growth of 33% each. Uralsvyazinform also ranks as the largest RTO in terms of revenue and investments.

In 2006 Svyazinvest expects its revenue to grow 3% and reach \$7.65 bln. At the same time, the cost side will grow 9% faster and as a result net profit will fall 33% to 502 mln. Investments of RTOs and Rostelecom

are expected to decrease 12% from \$1.5 bln in 2005 to \$1.3 bln in 2006.

Growth Rates of Regional Telecom Operators of Svyazinvest, 2005 y-o-y



The number of ALIS will rise 2.4% to 33.8 mln, and the digitalization rate will reach 59% by YE2006. Local telephony will remain the largest market segment, as tariffs are expected to increase by 13% on the average. Revenue from LD services could continue to decline due to growing competition from alternative LD operators. The holding will remain committed to its policy of rolling out value-added services (VAS), including broadband internet access and mobile telephony.

Regional Telecoms 2005 Highlights, RAS (\$mln)

	NW Telecom	Uralsvyazinform	Dalsvyaz	SibirTelecom	VolgaTelecom	CenterTelecom	SouthTelecom
Revenue	697	1 006	366	759	735	961	632
Investments	182	355	66	222	188	n/a	115
Access Lines, mln	4.3	3.6	1.3	4.1	4.6	6.4	4.0
LD calls, mins per line	442	768	537	500	442	469	466
Revenue per Line, \$ per month	13	23	23	16	13	13	13

LIBERALIZATION OF THE LD MARKET: NEW RULES OF THE GAME

The resolutions, adopted by the Russian government, which regulate interconnect among telecom operators on the free LD market, spell radical changes to the rules of the game on the Russian telecom market effective January 1, 2006. What changes can operators, controlled by the group of Svyazinvest's companies, expect to see in light of the upcoming liberalization of the LD market? These and other topical questions are addressed to deputy director of Svyazinvest's Economy and Tariff Policy Department Ekaterina Erofteeva.



STATUTORY FRAMEWORK

What statutory acts govern the new rules for operations on the Russian telecom market?

In addition to the new Federal Law "On Telecommunications", a number of resolutions were approved, pursuant to which operators will have to revise their interconnect rules and make the appropriate amendments to contracts with both interconnected operators and subscribers. Specifically, in the first half of 2005 the Russian government passed the following: Resolution #87 dated February 18, 2005 "On

Approving the List of Telecom Services to Be Reflected in Licenses and the List of License Requirements", Resolution #161 dated March 28, 2005 "On Approving the Rules for Interconnect of Telecom Networks and Their Interaction" and Resolution #310 dated May 18, 2005 "On Approving the Rules for the Provision of Local Voice, Inter-Zonal, DLD and ILD Telecom Services". The last two documents will become effective on January 1, 2006. In addition, recently the RF government approved new Resolutions #627 dated October 19, 2005 "On the State Regulation of Tariffs for Interconnect and Traffic Termination Services Rendered by Majors in Public Telecom Networks" and Resolution #637 dated October 24, 2005 "On the State Regulation of Tariffs for Public Telecom and Postal Services".

What changes will statutory amendments entail for RTOs?

Above all, changes will be made to license requirements relative to the provision of DLD/ILD services. All operators have already received a letter from the Russian Federal Service for Supervision in the Telecom Industry which contains a proposal to bring their licenses into compliance with the newly-approved statutory documents, in particular Resolution #87 "On Approving the List of Telecom Services to Be Reflected in Licenses and the List of License Requirements". From now on, RTOs will be licensed to provide only local voice and inter-zonal services.

In accordance with the orders issued by the RF Telecom Ministry which regulate in detail the business activities of telecom operators, the zonal operator is required to be interconnected to all LD carriers which operate on the market. Thus, RTOs should be interconnected to all DLD and ILD providers in order to ensure the subscriber's right to choose an LD operator. Currently, the interconnect rules are being amended, as a result of which the zonal operator or RTOs themselves will be able to inter-

connect with the LD operator and vice versa, so that the LD operator can gain access to the zonal operator. In other words, mutual interconnect is possible.

Network upgrade is a large-scale objective both in terms of technical operations and financial costs. Why is it necessary to upgrade telecom networks? First, RTOs will be required to reconnect operators in order to bring their networks into compliance with the requirements of the Rules, and, second, to ensure the subscriber's right to choose an LD operator.

Another aspect is a campaign aimed at signing agreements with subscribers and interconnected operators. As regards customer agreements, the first wave will mainly affect Rostelecom. Effective agreements signed by RTOs and subscribers assume that DLD/ILD services are rendered by the super regional operator. Now, it will be necessary for Rostelecom to enter into agreements with subscribers for the provision of LD services. The plan is for RTOs to be involved in these operations, since they know their customers better and can more easily work with them.

What requirements does the Federal Service for Supervision in the Telecom Sector make of LD operators?

An LD operator should have points of presence in every constituent entity of the Russian Federation and there are over 80 of them right now all across the country. A company should be awarded the status of an LD operator only by having points of presence in every constituent entity. In addition to this, the operator should have one switching unit in each federal district, i.e. at least seven units, as Rostelecom currently has. After having obtained a license and depending on the level of preparation of their networks, operators should present them to the Federal Service for Supervision in the Telecom Sector, which should approve them for commercial operations. After that the operator will be entitled to render LD services.

According to our data, the LD network of Interregional TransitTelecom has already been approved for the provision of services and there is only a shortage of codes issued. The network of TransTeleCom is nearly ready for operations, but the company's LD license will take effect only on December 1, 2007.

Who will determine interconnect tariffs and traffic termination services?

Resolution #627, which lays down the rules for operators' tariffs, states that tariffs of telecom majors are set by the Federal Service for Supervision in the Telecom Sector. The resolution also describes the tariff formation principle – on the basis of economically justified costs. The RF Telecom Ministry is required to work out the methodology for calculation of such costs within two months, i.e. it should be ready for use by January. Presently, in view of imbalances in the tariffs set by Svyazinvest there are big distortions in traffic and profit margins from interconnect services. LD traffic leaves the area where the tariff is fairly high to those where it can be charged at lower levels. This situation is common countrywide and impacts operators' competitive environment. We will try to determine balanced tariffs and eliminate instances involving cannibalization of traffic using economic methods.

SUBSCRIBERS

What changes can subscribers expect to see?

Since liberalization of the LD market is already under way, not one, but several telcos will be operating on this market. The Telecom Ministry has granted about 9 LD licenses so far. Depending on the readiness of their LD networks, operators will begin providing the respective services. That is, the subscriber will have the opportunity to choose an LD operator which offers more attractive and interesting tariffs. Every LD operator will have its own LD code whereby the subscriber will gain access to LD services rendered by one or another operator.

I'd also like to mention another change. After Resolution #627 takes effect the subscriber will have the right to opt for one of two payment systems – per-minute billing or monthly line rental fees – by choosing tariff plans. The selection principle (monthly line rental fee or per-minute billing) has been built into the Federal Law "On Telecommunications", while measures for its practical implementation are laid down in this Resolution. According to the statutory act, the operator is required to offer the subscriber three tariff plans: monthly line rental fees, per-minute billing and a combined tariff plan which provides for a permanent component,

including a definite number of minutes. If a subscriber exceeds the established limit, he will be required to pay for above-limit traffic as per minute telephone calls.

How will it be possible to ensure a subscriber's right to choose a DLD/ILD operator?

There are two options: preliminary selection of the LD operator (preselect) and the selection of the operator for each call (hot choice). After deciding, the subscriber should notify its local voice operator of the choice. As a matter of fact, Resolution #310 contains a provision that services agreements should be signed by subscribers and RTOs only provided that the subscriber specifies in the services agreement which option – preselect or hot choice – he prefers. Thus, if the subscriber decides to use the services of any specific LD operator, then the service agreement is signed with that operator, he comes to any sales office of RTOs and says that he has chosen this particular LD operator, signed a service agreement and requests provision of direct access to that operator. And RTOs should provide him with this opportunity. If the subscriber plans to use LD services rendered by different operators depending on the terms each of them provides during a certain period of time, the subscriber will simply need to dial the number and long-distance code of the specific company to access the LD operator he has chosen.

RTO

Analysts project a decline in revenues at RTOs which will cease to render LD services...

On the one hand, RTOs will no longer generate revenues from DLD/ILD services and they will be recorded only in Rostelecom's financial statements. On the other hand, revenues from traffic transmission (initiating and terminating calls) services rendered to Rostelecom will take a substantial jump. Apart from this, in line with Resolution #627 a compensatory surcharge is to be made for call initiation services which should cover any cash shortage that could arise when state-regulated local voice services are provided. At present, this shortage is offset by cash from profitable LD services, i.e. via cross subsidization which the Russian telecom industry cannot get rid of. Despite the fact that cross subsidization mechanisms will remain, it is necessary for RTOs to set new priorities not related to state-regulated services. Right now, the major competitive advantage of RTOs is the fact that they are zonal operators

which, except for cellulars, will most likely be the only ones all across Russia. It's no easy task to gain the status of a zonal operator, since the telecom provider is required to have in the territory of the Russian Federation points of presence in every municipal district of this constituent entity. Thus, all traffic which comes from customers should certainly flow through RTO networks. And our objective is to offer such terms (including tariff-related ones) to operators which, on the one hand, offer no incentives for the formation of major networks (especially zonal ones) – our direct competitors, but, on the other hand, to ensure growth of in-house revenues from interconnect services. In addition, RTOs possess another major competitive advantage – last-mile access. It can be obtained by providing the subscriber with a package of services (including high-tech value added services) and offering top-notch service in the course of operations.

What a principle will be used to make settlements among RTOs and alternative operators?

Fixed-line subscribers will be required to pay for calls made from their networks to lines operated by cellular providers, since according to the new interconnect rules all RTOs, local altnets and mobile providers turn into zonal operators. If operators are located in the territory of one constituent entity of the Russian Federation, all traffic between their networks will be classified as inter-zonal calls, and as DLD calls if they fall within different constituent entities. Tariffs will definitely depend on the costs which operators incur when providing services.

Are the group's companies technically capable of providing the subscriber with the right to choose an LD operator?

Naturally, the ability to exercise this right can only be ensured if RTOs have the technical capabilities. In reality, assessing the situation at the present time it should be noted that the right to choose might not always be available in the initial phase, since some telephone exchanges are not designed for these purposes. A number of technical solutions can be used to solve this problem and some of them are presently under review. Let's wait to see what the Telecom Ministry will eventually come to. As far as I know, North-West Telecom has established a pilot zone to test a solution that should enable subscribers to exercise this right.

The question arises as to who will pay for this kind of a solution?

At present, this issue (at whose expense and how it should be phased in) is not regulated by statutory acts. In our opinion, if the subscriber comes to the RTO sales office in order to change the procedure for selecting an LD operator (from hot choice to preselect or vice versa) or change the preliminarily chosen operator, it should be regarded as the provision of paid services.

You said that RTOs should upgrade their networks. What changes are to be made?

Effective January 1, 2006 all settlements between operators should be made for traffic termination, i.e. for every minute of actually rendered services. Therefore, it is necessary to upgrade networks and equip access points with traffic recording equipment so that settlements can be made with operators. Apart from this, billing systems should make it possible to identify tariffs and draw up bills for services provided not only to customers, but also to all interconnected operators.

Will super regional telecom operators encounter difficulties when it comes to signing services agreements?

As I have already pointed out, it will be necessary to resign contracts with subscribers for the provision of local voice, zonal, DLD and ILD services, but, above all, in the case of LD services. As regards local voice and zonal services, we will try to work out an arrangement with the Telecom Ministry in order to avoid a countrywide contract signing campaign with all Russian telecom users. We need to be realistic. First, not all subscribers will come to a sales office to go through this procedure, even if we kindly request them to do so. Second, there is no point in doing it right now. Gradual measures will be taken to sign contracts with new subscribers in the form required by new statutory acts and gradually have the old ones resigned.

As for interconnect contracts, they should be resigned already now, i.e. all RTOs should resign all contracts with all interconnected operators. The point is that RTOs are classified as telecom majors and in accordance with the law they are required to have a standard public contract for the provision of services which will be coordinated with the Federal Service for Supervision in the Telecom Sector.

ROSTELECOM

What changes can Rostelecom expect to see?

The most notable change is the emergence of a fierce competitive environment. Earlier, Rostelecom was, so to speak, the only recognized LD operator. Now, hard times have come, especially during the transition period. It will not be easy for Rostelecom to adapt to the new competitive market since the operator is on the list of natural monopolies and its LD tariffs are state-regulated.

On the other hand, Rostelecom will generate profits from LD services. But as more new players enter the LD market it may safely be assumed that the profit margins from these services will be eroded. As international experience on LD market liberalization has shown, LD tariffs will drop in the event that a competitive environment is formed, while profits of the entire market tend to become "diluted" among all operators.

Rostelecom will be snowed under with a pile of work with its subscribers. Until now, this company has been "the operator for operators". Now, the focus is shifting and Rostelecom should become "an operator for subscribers". To notify customers of LD tariffs and how they can interact with this particular operator, Rostelecom should announce a public offer, as required by the new rules. As far as I know, the company plans to take a number of actions to notify subscribers of upcoming changes.

Aside from contractual work with subscribers, Rostelecom will be required to draw up invoices, record calls, settle debt issues and perform other operations. Sometimes Rostelecom takes the appropriate actions on its own, but mainly outsources these issues to RTOs so they can get used to them. Rostelecom and RTOs have already signed agency agreements on the performance of these activities.

Furthermore, it will be necessary for Rostelecom to resign all interconnect contracts, bring them into compliance with statutory acts, enter into and execute supplementary agreements (agency contracts, etc.) on new terms. Apart from RTOs, a myriad of other zonal and local voice providers operate on the telecom market. A lot of work still needs to be done, which I'd say is quite difficult and time-consuming.

ALEXEY YAKOVITSKY: WHAT'S IN STORE FOR THE RUSSIAN TELECOM MARKET IN 2006?



Alexey Yakovitsky,
senior telecom analyst, co-director of the Equity
Research Department at UFG

Fixed-line segment

This year the expansion of the Russian fixed-line sector will dominate, in our view, due to two factors: the scheduled liberalization of the LD market and the privatization of Svyazinvest.

While the likelihood that the LD market will be liberalized one way or another as early as 2006 is quite strong, the timeframe for the state holding's privatization remains unclear. Despite market expectations the key decisions (among which, the presidential decree delisting Svyazinvest as a strategic enterprise, is no doubt the most important) have ultimately not been made. And although the Russian government has made serious headway in preparing the holding for the privatization, market participants are doubtful about the timeframe or even the likelihood that Svyazinvest will be

released into private hands prior to the presidential elections in 2008. We remain upbeat and still believe that the holding will be auctioned off in 2006. In our viewpoint, the market overestimates both objections by specific business groups to the privatization idea and alleged "opposition" on the part of "power" ministries and agencies. Meanwhile, the scope of impact exerted by routine bureaucratic inertia and inefficient procedures on the decision-making process relative to the sale of Svyazinvest has clearly been underestimated.

"Fortune-telling" in the investment business is an unrewarding (albeit somehow) inevitable endeavor, as a result of which we will not make an in-depth analysis of what stands behind our upbeat sentiments over the prospects of Svyazinvest's privatization. We would only like to point out that the sale of the state-run holding to private investors will be an equity growth driver for Svyazinvest's subsidiaries. This should occur both thanks to large-scale restructuring of their business and radical improvements in cost management as well as sweeping changes in telecom operators' strategies aimed at raising revenues from the provision of new non-regulated services, such as broadband Internet access and paid television services. It should also be noted that a priority target of the new owner (owners) of Svyazinvest's assets will most likely be large-scale cost reduction, since the roll-out of value-added services will hardly be efficient without slashing the cost side. It's noteworthy that the scale of possible economy is viewed as substantial. Super regional telecom operators are notorious for their insufficiently high operating efficiency. To a large extent, this state of affairs is attributable to insufficient network digitalization in the past, as a result of which telecom providers were overstaffed. Coupled with low tariffs for local voice services, this translated into soft

profit margins. Over the past two or three years tariffs for local voice services have been hiked at a pace which has exceeded inflation by more than 100%, and the proportion of digital lines has increased considerably thanks to a substantial rise in capital investments. However, these measures failed to push up profit margins at telcos. Wage hikes fueled higher payroll expenses. The situation was aggravated by the fact that RTOs loosened control over SG&A costs, which we are inclined to explain by deterioration in corporate governance standards at RTOs in the run-up to privatization of the telecom holding.

LD segment

As for liberalization of the LD market, in our view, real changes in the LD sector could initially turn out to be less radical than anticipated by many market participants.

In our view, the main peculiarity of the liberalization process is that it is being performed prior to the liquidation of the system where loss-making local voice services are cross-subsidized by LD tariffs. For this reason, it becomes practically inevitable that after LD market liberalization all LD operators will be required to make compensatory payments to regional telcos, which will be built into call origination fees in order to subsidize loss-making local voice services. Participation of Rostelecom’s potential rivals in the current cross subsidization system is one of the primary factors on which we base our positive assessment of this operator’s investment appeal. Such compensatory payments will limit tariff reduction opportunities as long as cross subsidization persists in the telecom sector. Thus, future competitors of Rostelecom will not be able to pursue overly aggressive pricing policies unless they are willing to operate in the red. The inevitable reduction in LD tariffs once subsidization is reduced or outright eliminated (although the process will most likely be a gradual one) will be offset by the positive effect from a shift in tariffs (i.e. elimination of compensatory payments as such).

In our view, the gradual erosion of Rostelecom’s LD market share will be facilitated by the fact that telecom subscribers will not be automatically able to choose any LD operator they like on the first very day after the official announcement of LD market deregulation. In order

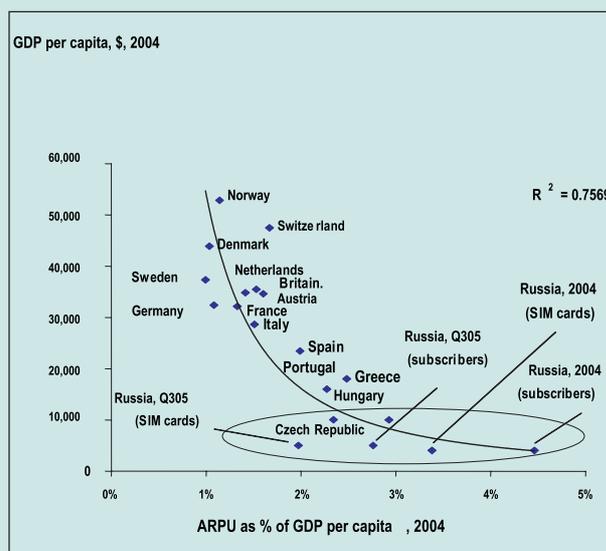
to gain access to services offered by another LD operator, the subscriber should go to the retail office of the regional telecom operator which acts as an LD agent and accepts subscriber payments. Otherwise, Rostelecom will remain the only possible LD operator. In our view, this factor, which seems purely technical at first sight, will substantially squeeze Rostelecom’s market share, especially in the short-term outlook.

Mobile segment

Let’s focus on the development prospects for the mobile services market in 2006.

In 2005 the Russian Federation again saw impressive growth in cellular penetration. As of late 2005 the penetration rate was approaching 90% and could top 110% this year. However, the difference between the current situation and previous periods of impressive growth is a steeper-than-expected decline in the monthly average revenue per user (ARPU). The industry’s views about a marked contraction in ARPU figures are partially related to the spread of the so-called phenomenon known as double SIM cards when one subscriber has several active SIM cards.

ARPU as % of per capita GDP



Source: Deutsche Bank, UFG

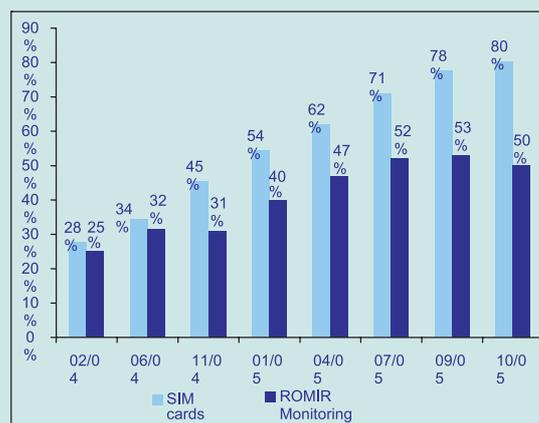
Actual penetration of cellular networks in Russia is much lower than the assumed number of SIM cards sold. Although many investors are concerned about artificially inflated subscriber bases which are calculated on the basis of SIM card sales, we are inclined to be upbeat about the trend whereby several SIM cards are used simultaneously by a single subscriber, since a much lower real penetration rate means that the market holds stronger growth potential than projected on the basis of current stock valuations of wireless operators

From this angle, it becomes clear why monthly ARPU figures in Russia are much lower than those in the countries with a comparable level of consumer spending and per capita GDP.

There are two viewpoints on the trend of ARPU in Russia and its absolute levels. The first one attributes current low ARPU figures to explosive growth in the number of wireless users in Russia, as a result of which cellular providers that make concerted efforts to increase their market shares are prepared to generate lower profits. The more pessimistic version of this explanation points to lower purchasing power of Russian citizens which cellular providers have to take into account. However, ARPU trends can also be given a different reading, assuming that mobile operators have not yet exhausted a considerable part of their available price potential. Meanwhile, actual ARPU showings are much higher, since the real number of wireless users is far lower than the number of SIM cards sold. We believe that the second viewpoint better reflects the real state of affairs on the market. Consequently, our long-term forecasts for upside on the mobile services market could turn out to be overly conservative.

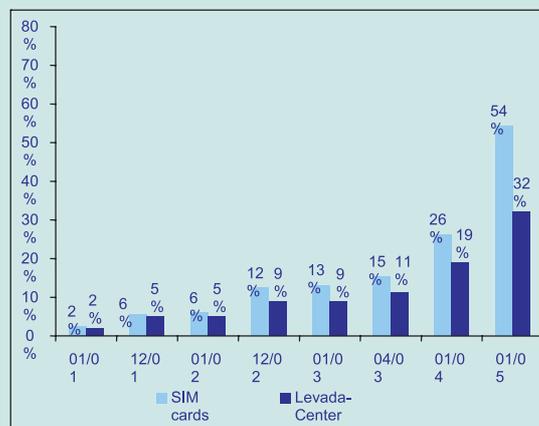
This argument is underpinned by data from social studies. The charts below show the results of two polls conducted by two competent sociological agencies: ROMIR Monitoring and Levada-Center. They point to a serious gap between the actual and generally accepted wireless penetration rates in Russia (based on the number of SIM cards sold). According to these polls, at the end of 2005

Cellular penetration in Russia: number of SIM cards and poll results of ROMIR Monitoring¹



Sources: ROMIR Monitoring, UFG

Cellular penetration: number of SIM cards and poll results of Levada-Center²



Sources: Levada-Center, UFG

only 35% of the Russian population was wireless users, and not 51% as projected on the basis of SIM card sold. At present, real penetration is therefore 50%, not 80% (based on SIM card sales).

¹Poll results were provided by independent market research holding ROMIR Monitoring. The poll covered 1,600 respondents above age 18 in more than 100 cities and settlements of Russia. This cross-section of the population is representative for Russian adults (accuracy is ±3%).

²The results of this poll were presented by independent analytical center of Yury Levada (Levada-Center). The poll covered 2,407 Russian citizens above age 16.

For a certain period of time investors may overlook the fact that the Russian wireless market is bigger than it seems (in terms of penetration and accessibility), but eventually this should become a key upside driver for MTS and VimpelCom. We expect to see investors' sentiments turn around as early as this year.

Looking at the problem of a continuing decline in ARPU owing to the availability of cellular services, one can safely venture to say that this metric has already fallen to a very low level. Our analysis of per capita income shows that the decline in ARPU in Russia is largely the result of a competitive struggle, not the real need to lower tariffs in order to attract as many subscribers as possible. Thus, ARPU trends will depend on the competitive environment and wireless providers' strategies. We believe that macroeconomic conditions in the country will be conducive to any attempts by Russian mobile firms to restore ARPU indicators.

European experience shows that ARPU decreases at a slower pace once the market reaches saturation. At the same time, US experience shows that it is possible to avoid a drop in ARPU even in the event of rapid market growth. This is possible if the regulatory environment promotes the narrowing of tariffs for fixed-line and wireless services, which results in a sharp rise in cellular traffic. And finally, Polish experience confirms that ARPU stability can be ensured by focusing on the contract segment rather than the prepaid segment. All these three examples are of interest in assessing the prospects for the Russian wireless market.

First, Russian experience also shows that ARPU tends to fall at a slower pace (and ceases in a number of cases). At issue are saturated sub-segments of the market such as contract-based subscribers (all across Russia) or the Moscow region (including prepayment subscribers). Hopefully we will witness a similar trend on the Russian market as a whole after growth on the wireless services market slows down.

Second, although the Russian wireless market has experienced dynamic growth, ensured by prepayment tariff plans followed by a drop in ARPU, and is consistent with the European model, we believe that in the future the Russian market will look increasingly more like the

US market. For example, a narrower gap between fixed-line and wireless tariffs and the active roll-out of packaged tariff plans, include a certain number of services at a fixed price, have led to a strong rise in traffic and stable ARPU.

Third, we see no hurdles that would prevent Russian operators from opting for operational strategies aimed at offering incentives for prepayment subscribers to switch over contract-based tariff plans, as European providers are doing. Such a migration among subscribers will help operators expand their traffic growth potential, which our analysis of price elasticity of the Russian cellular market points to.

According to our forecasts, over the next 10 years the average traffic of Russian wireless subscribers will nearly double, which will offset a decline in tariffs and push up ARPU figures at VimpelCom and MTS by 16% and 14%, respectively, from 2006 through 2014. The increase in ARPU should also be promoted by ruble appreciation and a jump in real disposable income per capita. In line with our estimates, over the next 10 years Russia's GDP per capita could reach more than \$12,000 in nominal terms up from \$4,000 in 2004. As a result, relative wireless service expenses of Russian citizens will turn out to be among the lowest in Europe.

And finally, we expect the competitive struggle will lose some of its intensity this year due to the privatization of Svyazinvest and the ensuing disappearance of powerful "independent" regional players. In our view, MegaFon will hardly become a destabilizing force on the market. This cellular firm, which controls about 20% of the market, has displayed the highest ARPU among the Big 3 wireless operators, with EBITDA margin topping 40%. Meanwhile, MegaFon plans to launch an IPO this year. All this leads us to assume that "rocking the boat" is clearly not in the best interests of MegaFon. It is quite logical to expect more aggressive marketing campaigns from Russia's No. 3 wireless provider. However, MegaFon has already shown itself to be a more low-key market participant than MTS and VimpelCom. The company has decided not to get involved in wars over market shares, but at the same time it has turned out to be more successful in traffic management and ARPU control.

JSC SOUTH TELECOM COMPANY

Branches: Kubanelectrosvyaz, Svyazinform of the Astrakhan region, Sevostinelectrosvyaz, Volgogradelectrosvyaz, Electrosvyaz of the Republic of Kalmykia, Electrosvyaz of the Republic of Adygeya, Electrosvyaz of the Stavropol region, Karachaevo-Cherkesskelectrosvyaz, Rostovelectrosvyaz, KabBalktelecom, Yugtaksophon, New Technologies, Training and Production Center.

JSC South Telecom Company (South Telecom) is the largest fixed-line operator in the South Federal District (SFD) of the Russian Federation. The provider's branches are located in all constituent entities of SFD, except for Dagestan, Ingushetia and Chechnya republics. The company's area of operations is home to 18.6 mln people.

SFD is involved in the agricultural sector, as well as coal mining and travel activities. The company takes into account such peculiarities of SFD as low density of city dwellers (60.9%) and the resort-oriented nature of the region which determines seasonality in the provision of telecom services.

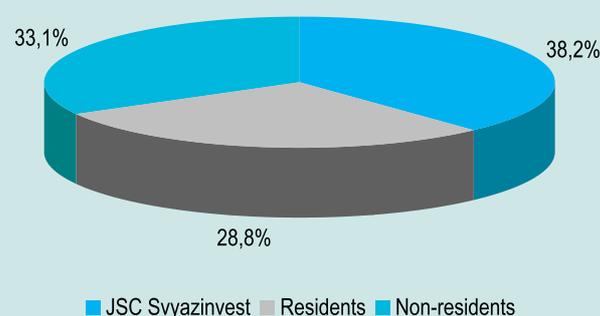
The company's share of the local voice market is 93%. The company actively operates on the regional value-added services market and commands approximately 48% of this market.

The company has launched a level-1 ADR program for its common shares. The operator's custodian bank is J.P. Morgan Chase. South Telecom's ADRs trade on the US OTC market (STJSY) and are listed on OTS markets in Berlin, Frankfurt (KUE) and NEWEX (KUE).

The company's corporate governance rating assigned by international rating agency Standard & Poor's (S&P) is 4+ based on the international scale (CGR-4.6 based on the national scale).

S&P assigned South Telecom a CCC+ international credit rating with a stable outlook.

South Telecom shareholders structure (% of the authorized capital)

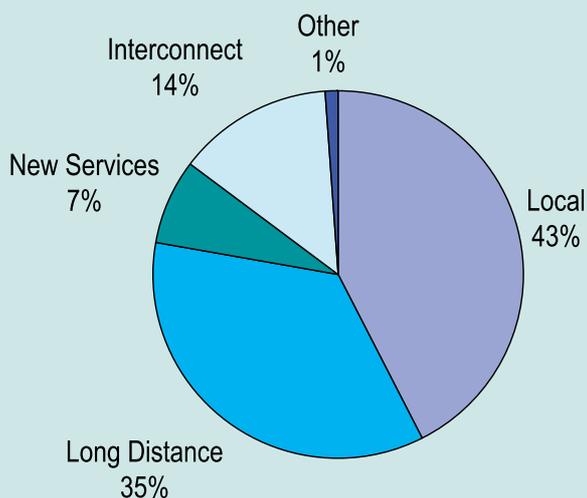


	2005	2004	Change, %
Revenue, \$ 000	640 438	581 609	10,0%
Operating expense, \$ 000	492 779	463 792	6,0%
Operating income, \$ 000	147 658	117 817	25,0%
Net profit, \$ 000	10 639	9 605	11,0%
Installed capacity, 000	3 996	3 761	6,3%
DLD traffic per line, min	440	517	-11,6%
ILD traffic per line, min	28,0	30,0	-7,4%
Revenue from Internet business, \$ 000	30 792	18 289	67,7%
Revenue from cellular business, \$ 000	–	–	–
Number of employees	37 659	39 339	-4,3%
Revenue per line, \$	160	155	3,2%
Lines per employee	106	96	10,4%

SOUTH TELECOM'S INTERIM 2005 RESULTS: SIGNS OF IMPROVEMENT ARE VISIBLE

Russian regional fixed-line operator South Telecom Company (STC) is the largest market player in southern Russia. According to iKS-Consulting, by year-end 2005 it controlled about 93% of the ALIS in the area of its presence (10 regions) and about 90% of the total revenue generated by local and LD services. Its market capitalization reached \$417 mln by the end of the year. In 2005, the company's revenue grew 9% and reached \$632 mln. In 2005, South Telecom showed net income of \$10.6 mln.

South Telecom Revenue Breakdown



The 2005 business plan focused mainly on stabilizing its financial position by tapping the company's internal reserves and improving its efficiency. The financial stabilization program had brought some signs of improvement already by year-end 2005. The company proved that it is able to control operating and investment costs.

Due to the saving program South Telecom's 2005 operating expenses rose only 3% y-o-y, below the 9% revenue growth. It resulted in y-o-y EBIDTA growth of 13%. The operating margin improved to 23% from 20% in 2004. In 2005, South Telecom managed to reduce payroll and social expenses (6% y-o-y), and material costs (40% y-o-y). As a result of 9M2005 cost-saving program, the cost of production per 100 rubles decreased 6.8% down to 75 rubles.

The operator also decreased its investment program since in 2005 capex was only \$125 mln almost 3 times less than in 2004, resulting in an improvement of the capex/revenue ratio (20% in 2005 against 57% in 2004).

Although South Telecom's growth was quite impressive in absolute terms, the growth rate was among the lowest posted by Svyazinvest's regional telecoms. The main reason for the unimpressive top line trend was soft performance of long-distance traffic and other low-margin services (radio and TV broadcasting, paging, satellite communications, etc.). In 2004-2005, the company had high exposure to long distance traffic from IP and cellular operators. In particular, in 2005 the company's LD traffic decreased almost 8% from 2.06 bln minutes in 2004 to 1.9 bln in 2005, resulting in a 6% decrease in LD revenue. The impact of a 20% decline in other services did not materially impact company's financial results.

The main 2005 revenue growth drivers were IP-based services. In 2005, the company made some efforts to roll out its broadband Internet services when the first promotion of ADSL-services was launched under the unified DiSel brand in June 2005. The main DiSel solution, DiSel Traffic is available in nearly all regions of southern Russia. By the end of the year the company had installed almost 45,000 ADSL ports. In 2005, a new branded value-added service DiSeL-TV was also offered to broadband Internet users in Krasnodar region. Currently 33 TV channels are available. The company plans to increase the number of channels and to provide VoD services.

South Telecom's 2005 performance in the IP-based service segment is quite impressive, as revenue from Internet services surged more than 73% up \$52 mln, the number of broadband users reached almost 32,000, and IP-traffic increased twice up to 620 Tb. The company managed to strengthen its position on the Internet market and boosted its market share to almost 40%.

A tougher investment and expense policy helped the company to improve its shareholder value and improve its key performance indicators (KPI).

GROWTH IN VALUE-ADDED SERVICES IS A GUARANTEE OF THE COMPANY'S FINANCIAL STABILITY

In 2005 South Telecom was a trailblazer among regional telecom operators of state-owned telecom holding Svyazinvest in rolling out value-added services. To gain a better understanding of the telecom operator's development prospects we interviewed South Telecom CEO Georgy Romsky.

In 2005 South Telecom announced its aspiration to boost value-added service earnings. Which of them do you view as a top priority and the most profitable?

First and foremost, we would like to note high growth in revenues derived from Internet access services, especially broadband connection, which the company has been offering its clients under the DiSeL brand. The number of hi-speed web surfers nearly doubled in H1 2005, while earnings almost tripled. At the end of 2005 South Telecom began to provide DiSeL-TV services in Krasnodar and plans to form on their basis a single package of voice, data and video services. We believe that this service will be in demand thanks to both attractive tariffs and broad recognition of the DiSeL brand. Last year South Telecom enlarged its coverage area for Internet access services on a credit basis in the Volgograd and Astrakhan region, as well as the Kalmykia and Karachaevo-Cherkessia republics. In the near future we will offer our clients new tariff credit plans and bonus programs.

I would like to note that South Telecom's rapid promotion of value-added services has been facilitated by its telecom network, which required sizeable investments to upgrade. According to the operator's 2005 budget, a total of Rub 3.7 bln is projected for investments, or only 29% of the 2004 figure. These funds were mainly spent on completing earlier launched projects with payback periods of no more than 3 years.

What are South Telecom's current positions on the regional telecom market percentage wise?

In 2005 we were pleased to note a rise in the company's market share. For example, as regards Internet access South Telecom commands 52% of the market and 68% when it comes to broadband connection.

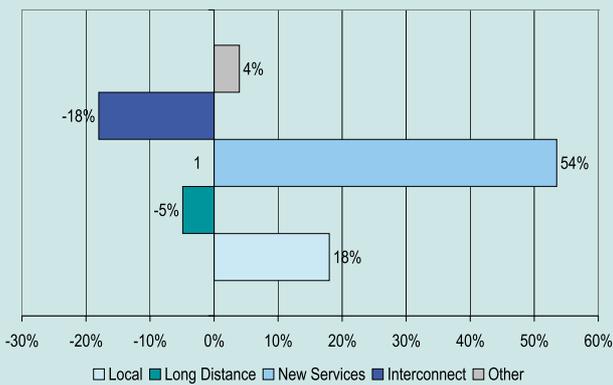


South Telecom still remains the main fixed-line operator in the South Federal District, retaining its positions on the local voice and LD markets. And I'd say this is a pretty good result. It's also noteworthy that the pace of growth in household income in the South Federal District and industrial production in the region outstrips the Russian average.

The ultimate goal which the company pursued in 2005 was to stabilize its financial standing. And we were largely successful in this regard. Based on H1 2005 data, we managed to halt the contraction in liquidity indicators, stabilize debts and considerably slow the

pace of growth in the cost side. During this period expenses rose only 3.8%, while revenue jumped 10.9%, and cost control efforts resulted in a 46% upsurge in the company's EBITDA (against 27% in the first six months of 2004). The results achieved show that the investments made using capital financing have enabled the operator to roll out value-added services. Therefore, at present one should view South Telecom's heavy debt burden as a result of its network upgrade, and not as a difficult situation for the company.

SouthTelecom Revenue Growth by Segment



The upgrade of the company's credit rating confirms the stabilization of its financial performance. Standard & Poor's revised upward its forecast for South Telecom's credit rating to stable.

What targets does South Telecom's mid-term investment program pursue and how is the company's debt policy currently structured?

Approximately 80% of the operator's total investments go towards projects which offer financial returns. Needless to say, these are mainly projects aimed at rolling out value-added services which is driven by the high profits they generate. Currently, South Telecom pours cash mainly into projects which make it possible to gain the highest returns within the shortest period of time, as I said before, with a 3-year payback periods at longest. But South Telecom has not forgotten about traditional voice services. As opposed to previous years,

investment projects within the company's mid-term development program are formed on the basis of marketing surveys conducted to estimate demand which makes it possible to justify costs and recoup them within the scheduled timeframe. I would like to emphasize that South Telecom remains committed to building and upgrading its traffic transmission networks. These projects as a rule are local and aim to eliminate the imbalance between the traffic transmission network and switching facilities. I am confident that such an approach towards the company's mid-term investment program will allow us to broaden the range of value-added services for all groups of our customers.

As for the company's debt policy, here we can talk about STC's debt management policy. A few irregularities in the company's debt repayment schedule are primarily related to both the payback of bank loans and call options on three bond issues. Therefore, debt management procedures aim to even out peak periods and streamline the company's loan repayment schedule. In the first place, we plan to prematurely pay back loans with high interest rates which will slash debt servicing costs in the future and drive up our liquidity indicators.

To restructure the operator's debt, the board of directors decided to launch a fourth Rub 5 bln bond.

This bond issue differs radically from the provider's three previous placements, as it provides for put options and gradual redemption, in other words it offers depreciation leverage. From our point of view, this fixed-income instrument will be convenient for both the company and investors, since the Rub 5 bln bonded loan will offer investors abundant liquidity on the secondary market. I believe the placement of the fourth bond issue will turn out to be the most profitable flotation for South Telecom. This reflects positive changes in the company's credit rating, objective improvements in its financial standing and also a more upbeat environment on the domestic fixed income market.



JSC FAR EAST TELECOM

Branches: Primorie, Khabarovsk, Amur, Magadan, Kamchatka and Sakhalin.

JSC Far east telecom (Dalsvyaz) is the biggest telecom operator in the Far East Federal District (FEFD). The company's branches are located in all constituent entities of FEFD, except for the Republic of Sakha (Yakutia) and the Chukotka Autonomous District. The company's area of operations is home to 6.1 mln people.

The economy of FEFD is closely linked with natural resources extracted in the region. Non-ferrous metallurgy is the core industry in the Amur and Magadan regions. The Kamchatka, Sakhalin and Primorie regions are involved in the fishing industry. Several major oil-fields are being developed in the Sakhalin region, while machine engineering plays a significant role in the economy of the Khabarovsk region.

Dalsvyaz owns the region's main telecom infrastructure and offers direct access to end consumers. The company has the largest customer base in the region. Dalsvyaz's market share totaled 51% in FEFD.

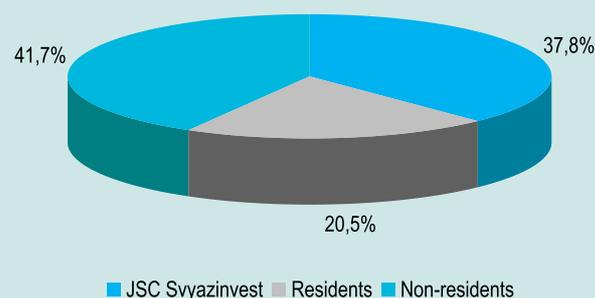
The company has launched a level-1 ADR program for its common shares, with J.P. Morgan Chase acting as custodian bank.

The operator's stocks trade on RTS and MICEX, while level-1 ADRs are traded on the Frankfurt and Berlin Stock Exchanges, and also on the US OTC market.

The company's corporate governance rating assigned by international rating agency Standard & Poor's (S&P) is 4.8 with a developing outlook.

Dalsvyaz's credit rating assigned by Fitch Ratings is B with a stable outlook.

Dalsvyaz shareholders structure (% of the authorized capital)



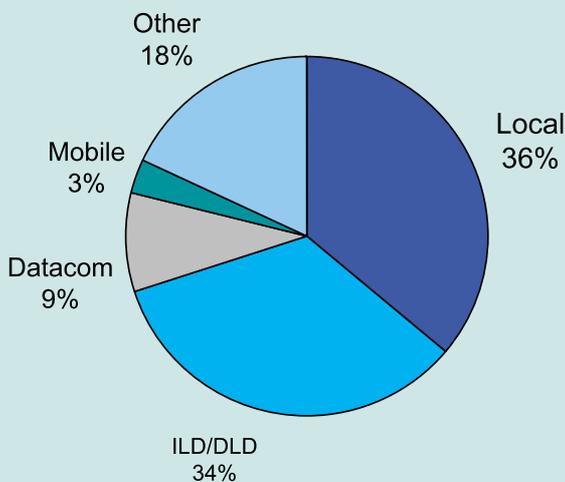
	2005	2004	Change, %
Revenue, \$ 000	371 296	310 321	20,0%
Operating expense, \$ 000	309 658	269 083	15,0%
Operating income, \$ 000	61 638	41 239	49,0%
Net profit, \$ 000	30 532	39 723	-23,0%
Installed capacity, 000	1 334	1 210	10,3%
DLD traffic per line, min	504	490	3,0%
ILD traffic per line, min	27,0	30,0	-8,9%
Revenue from Internet business, \$ 000	27 547	16 932	62,8%
Revenue from cellular business, \$ 000	10 845	11 515	-5,8%
Number of employees	17 365	18 153	-4,3%
Revenue per line, \$	278	256	8,6%
Lines per employee	77	67	14,9%

DALSVYAZ: 2005 RAS RESULTS

Dalsvyaz is the dominant wireline operator in the Far Eastern Federal Macro-region. The company commands 89% of fixed-line services in the region and controls about 90% of access lines (1.3 mln). In 2005, its total telecom revenue grew 18% y-o-y in ruble terms and exceeded \$366 mln. While ranking last in terms of revenue the company comes second after Uralsvyazinform in terms of growth rates based on RAS results.

The company's largest segments are local voice and LD services (36% and 34%, respectively). Thus, the share of regulated services in the Company's revenue decreased to 70% which is 2% less than targeted by the Company. The fastest growing service – datacom - accounts for 9% of the company's total revenue mix. In addition, 81% of all data earnings were generated by Internet access services.

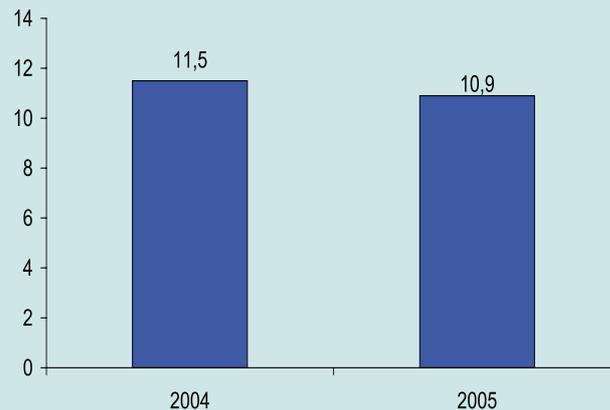
Dalsvyaz's Revenue Breakdown, 2005



The mobile segment remains very small and accounts for only 3% of the company's total revenues. It decreased 7% compared to 2004 to \$11 mln.

The operator has consolidated only a small portion of its cellular business to RAS, i.e. 2 subsidiaries and 2 branches of Dalsvyaz provide cellular services in 4 out of 9 Far East regions. In 2005, Dalsvyaz acquired AKOS (which provides AMPS and GSM services in Primorsky Krai) and BIT (holds licenses for Sakhalin Oblast and

Cellular Revenues of Dalsvyaz, \$ mln



Chukotka AO, and provides GSM services in the Sakhalin region).

By the end of 2005, Dalsvyaz and its subsidiaries provided cellular services to 154,000 subscribers, nearly 102,000 of which are located in Primorsky Krai. In 2005 the total number of subscribers of the operator's subsidiaries and branches rose 110%. Cellular subscribers generated \$25.3 mln for the company (of which only \$10.9 mln were consolidated revenues).

The company's FY05 performance features 43% y-o-y revenue growth from datacom services, 19% y-o-y growth of local voice and 9% from LD services. IPS was the major growth driver for datacom, as this subsegment surged 60% y-o-y. Local revenue growth was mainly attributable to a rise in the number of lines in service (6% y-o-y increase in main telephone lines) and local tariff hikes. In 2005, Dalsvyaz invested about \$66 mln and plans to boost this figure to \$70 mln in 2006.

In 2005 the company managed to contain COGS at 11%, which resulted in a 42% increase in sales revenue. However, net income for 2005 amounted to just \$29.6 mln, which is 27% less than it was in 2004. The company plans to cut costs for unprofitable business segments and continue to optimize its direct costs. Staff reduction will be carried out as a result of centralization, organizational structure improvement, and outsourcing.

ANTON ALEXEYEV: THE FAR EAST IS AN AREA FOR EFFICIENT BUSINESS OPERATIONS

Dalsvyaz is the biggest telecom operator in the Far East Federal District of the Russian Federation. Its branches are located in the Primorie, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and the Jewish Autonomous Region. The operator owns the region's primary telecom infrastructure, has access to end telecom users and the largest subscriber base. Dalsvyaz commands 51% of the telecom market in the Far East Federal District. A year ago Anton Alexeyev, one of the youngest top managers in the Russian telecom industry, was named CEO of the company. Today, Dalsvyaz's general director is interviewed by Svyazinvest's Investor Publication.



Mr. Alexeyev, to what extent was the year 2005 successful for the company? What 2005 programs are especially significant for Dalsvyaz?

First of all, I'd like to point out that the company began to implement a 3-year development program. The year 2005 was a time of organizational and technical advances at the company. Dalsvyaz successfully completed restructuring processes and the corporate struc-

ture was brought in compliance with its business processes. The company turned into a single mechanism on whose performance the company's general results depend. All efforts made by the company's staff were aimed at boosting the company's operating efficiency and ensuring financial stability.

What's more, 2006 was announced to be the year of sales and active steps are being taken to work out a simple and efficient system for marketing telecom services on retail and wholesale markets and our 2007 efforts will focus on improving the quality of customer services.

What was the highlight of 2005 and what were the main trends in the company's development?

For the first time in its history the company's earnings grew at a faster pace than the cost side. We performed a thorough analysis of the corporate business processes and broke down the income and expenditure structure into business activities. For example, Dalsvyaz's primary cost item (around 50%) is payroll expenses. The company was overstaffed in loss-making divisions and had insufficient personnel in high-yield business segments. The operator embarked upon a staff reduction program in 2005 which aims to improve the quality of its operations.

I would like to point out that we're trying to tap hidden reserves not only in HR activities. For example, we are abandoning leased line procedures and divesting assets which do not deliver financial or other returns.

Which projects stand out most in your mind?

The major project is to build a multi-purpose data transmission line which will make it possible to unite five constituent entities of the Russian Federation: the Jewish Autonomous District, Amur, Khabarovsk, Sakhalin and Primorie regions. The project should be completed in three years. Capital works were performed in 2005 and the line's construction is slated for completion in 2006. The project's objective is to optimize costs and boost earnings. We intend to phase out leased line schemes and we'll be able to sell free resources. The company has already begun to do brisk business on the wholesale telecom market and positions itself not only as a retail services provider.

Last September Dalsvyaz put into service a new generation network (NGN) in Magadan and began to switch subscribers to the new facilities. Before the phase-in of NGN the telecom operator spent a lot on servicing the city's public switched telecom network. The shift to the new technology will make it possible to cut network maintenance costs and actively roll out Triple Play services. At present, Dalsvyaz is taking steps to launch construction of NGN facilities in the Primorie region and Vladivostok.

The launch of a cellular network in the Sakhalin region can also be rightfully regarded as one of the company's major projects in 2005. BIT LLC (100%-owned by Dalsvyaz – editor's comment) entered into service a GSM-900 network in Yuzhno-Sakhalinsk and neighboring districts under the Dalsvyaz GSM brand. There are plans to increase the network's coverage during the first quarter of 2006. Mobile services under the Dalsvyaz brand will be offered to inhabitants of Korsakov, Nevelsk, Kholmsk and Dolinsk. The Dalsvyaz GSM network will be put into operation in the Chukotka Autonomous District sometime during the first half of 2006.

What difficulties did the operator face? Have you pinpointed the problem areas?

I'd rather about problems or difficulties, but challenges. The company has been trying to identify a number of such areas that can be turned to its advantage.

What are the company's unique features?

Actually I would prefer not to compare Dalsvyaz with other subsidiaries of Svyazinvest, since this would not be correct. All these companies are basically involved in one and the same business, but geographic and regional peculiarities enter into play and it's especially important to factor in such an indicator as population density. On the other hand, relative indicators, which show business efficiency, are more susceptible to comparison. In recent months, Dalsvyaz has been delivering very strong results, for example, the share of the company's revenues derived from non-regulated services is on the rise. The company is striving to optimize its costs, and to make its business more versatile and sustainable. While earlier the operator was treated as a "lame duck", recently we've been hearing more frequently that "Dalsvyaz is small, but very strong"...

Are there any waiting lists in the region for people who need fixed-line network connectivity?

There is a waiting list and Dalsvyaz is doing its utmost to provide customers with access to its wireline network. However, today we're focus on boosting ARPU from lines already in service by delivering value-added services and offering additional telecom solutions.

What about the company's positions on the cellular service market?

Dalsvyaz has cleared the deregulation process in the cellular segment with minimal losses. The operator saw a sharp decline in its revenues derived from mobile services with the entry of Big 3 cellular operators into the markets of the Magadan, Kamchatka, Sakhalin and Primorie regions. ARPU per line still remains high and our subscriber base continues to balloon. Dalsvyaz has retained its market niche and has no intention of getting involved in a fierce competitive struggle with federal wireless operators.

Currently, the company provides wireless services under the Dalsvyaz GSM brand in the Magadan, Sakhalin and Kamchatka regions. Dalsvyaz holds a 92.26% stake in Akos which operates in the Primorie region.

Are there any plans to merge cellular assets?

We see no point in doing this so far. We view the mobile business as a generator of earnings and profits.

Is the competitive struggle tough on the regional cellular service market?

Yes, it is, but we're trying to find mutually beneficial solutions. For example, last year Dalsvyaz and MegaFon signed a cooperation agreement. Our company is the first telecom operator in the Russian Federation to have provided its wireless networks to another provider as a Mobile Virtual Network Operator (MVNO). MegaFon decided not to invest extra cash in the region's wireless infrastructure and Dalsvyaz derives profits from uncommitted resources.

What is the company's policy in the value-added service segment?

Dalsvyaz remains committed to its tacit slogan "Provide Everyone with Internet Access in the Far East". In 2005 the operator actively prepared its technical base to have sufficient capacity to provide subscribers with Internet connection using the DSL technology.

We focus on the roll-out of interactive entertainment services (broadband connection, video-on-demand, a broad range of online games).

At the beginning of this year the company began to provide new services in the Primorie and Khabarovsk region. By the end of the year the operator intends to attract over 10,000 users of Triple Play services and more than 70,000 DSL subscribers.

Is the regional population interested in value-added services offered by the company? Is it possible to promote these services without launching a focused marketing campaign?

Dalsvyaz is working on hi-speed Internet solutions. In 2005 the number of the company's subscribers who used these services rose several times and growth potential is still enormous. Perhaps strong demand is attributable to the Far East region's geographical remoteness from

Europe and Central Russia. The worldwide web makes it possible to do active business and carry on personal correspondence, receive the latest news on a real-time basis and stay abreast of all major developments taking place in the country.

Deregulation of the LD market got under way this year...

We welcome the deregulation process. Fixed-line operators have never really impacted the LD market and acted as a transit segment in this business, i.e. providing their subscribers with access to DLD/ILD networks.

Since the new interconnect rules have come into effect, revenues from DLD/ILD services will no longer be recorded in the company's financial statements and will flow into Rostelecom, but at the same time the company will reduce its expenses. The new rules will not affect the company's revenue items and, what's more, the operator intends to boost it and offset the drop in revenues by rolling out value-added services. Liberalization of the LD market is expected to raise traffic as a result of the competitive struggle for subscribers among LD operators. All in all, all parties concerned should benefit from the deregulation process.

Is the company's network technically prepared to let users choose their LD operators?

Dalsvyaz has been taking preparatory measures and will soon be ready to provide its customers with such an opportunity.

What changes could Dalsvyaz see in 2006?

The year 2006 will be a difficult, but interesting one, which, as you may agree, is better than being just easy and dull. We have targets to look forward to. But I would like to say in all seriousness that the company is eager to achieve the level of Russian wireless majors in terms of organization of business processes and customer services. Dalsvyaz remains committed to becoming an efficient company which is capable of expanding successfully. We'll be working hard to please our shareholders with our performance and become a reliable and loyal partner in the eyes of our customers.

HIGHLIGHTS OF SVYAZINVEST 2005 OPERATING AND FINANCIAL RESULTS

	North-West Telecom	Center Telecom	Volga Telecom	South Telecom	Ural-svyaz-inform	Sibir-telecom	Dalsvyaz	Consolidated companies, total/average	Rostelecom	Svyazinvest, total/average
Revenues, \$ 000	719 861	974 570	753 997	640 438	1 069 972	773 716	371 296	5 303 850	1 427 014	7 477 202
Ch. y-o-y	17%	12%	17%	10%	28%	17%	20%	17%	10%	16%
Operating costs, \$ 000	585 634	745 850	541 543	492 779	808 097	666 925	309 658	4 150 487	993 024	5 663 871
Ch. y-o-y	18%	9%	18%	6%	32%	19%	15%	17%	12%	16%
Operating profit, \$ 000	134 227	228 720	212 454	147 658	261 875	106 791	61 638	1 153 364	433 991	1 813 331
Ch. y-o-y	10%	25%	15%	25%	17%	5%	49%	18%	5%	17%
Operating margin	19%	23%	28%	23%	24%	14%	17%	22%	30%	24%
Net profit, \$ 000	65 453	33 436	79 868	10 639	76 816	25 010	30 532	321 753	334 542	973 491
Ch. y-o-y	34%	142%	12%	11%	4%	12%	-23%	15%	33%	62%
LT debt, \$ mn	323	540	318	437	621	350	76	2 665	227	3 076
Ch. y-o-y	98%	-7%	54%	-22%	20%	43%	-13%	13%	56%	15%
* DLD traffic per line, min	408	436	421	440	472	468	504	444	-	426
Ch. y-o-y	95,2%	96,0%	81,3%	88,4%	90,3%	96,1%	103,0%	92%	-	93,2%
* ILD traffic per line, min	39	29	18	28	26	24	27	27	-	34
Ch. y-o-y	99,3%	91,7%	91,8%	92,6%	87,7%	94,9%	91,1%	92,6%	-	91,2%
* Internet revenues, \$ 000	33 161	38 248	40 854	30 792	34 320	33 433	27 547	238 356	181	244 493
Ch. y-o-y	146,4%	151,5%	167,7%	167,7%	145,0%	142,7%	162,8%	154,1%	103,4%	151,8%
* Cellular revenues, \$ 000	154	8 670	8 511	-	208 423	24 221	10 845	260 822	-	260 822
Ch. y-o-y	23,0%	83,1%	119,4%	-	145,1%	163,5%	94,2%	138,6%	-	138,6%
* Average employees	31 646	64 358	46 449	37 659	33 197	42 528	17 365	273 201	23 815	318 733
Ch. y-o-y	92,4%	95,7%	97,3%	95,7%	96,4%	92,5%	95,7%	95,2%	93,2%	94,9%
* Average lines (000)	4 290	6 465	4 636	3 996	5 515	4 122	1 334	30 359	24	35 070
Ch. y-o-y	102,4%	104,6%	107,4%	106,3%	126,0%	108,7%	110,3%	109,1%	96,9%	108,2%
Revenue per line, \$	168	151	163	160	194	188	278	175	-	213
* Lines per employee	136	100	100	106	166	97	77	111	-	110

Information is presented on the basis of current statistical reports. ZAO Ermak RMS, OOO South-Urals cellular telephone, OOO Tyumenruskom, OOO Uralkom and ZAO VSNET into OAO Uralsvyazinform.

* - NOTE: Comparison of metrics for 2005 and 2004 reporting periods is provided in comparable conditions, i.e. including consol

CALENDAR OF EVENTS*

DATE	SVYAZINVEST	ROSTELECOM	CENTERTELECOM	NORTH WEST TELECOM
MARCH 2006				
APRIL 2005	Conference «Telecommunications and Investments in Russia» JSC Svyazinvest 1Q06 results (RAS)	Conference «Telecommunications and Investments in Russia» Rostelecom 2005 results (RAS)	Conference «Telecommunications and Investments in Russia» CenterTelecom 2005 results (RAS)	Conference «Telecommunications and Investments in Russia» NWT 2005 results (RAS) 1Q06 results (RAS)
MAY 2005	Annual Board of Directors Svyazinvest Group 2005 draft consolidated financial statements (IAS)	Annual Board of Directors 1Q06 results (RAS)	Annual Board of Directors 1Q06 results (RAS)	Annual Board of Directors
JUNE 2005	Annual General Meeting International Economic Forum, St. Petersburg	Annual General Meeting 2005 results (IAS) International Economic Forum, St. Petersburg	Annual General Meeting 2005 results (IAS)	Annual General Meeting International Economic Forum, St. Petersburg 2005 results (IAS)
JULY 2005	JSC Svyazinvest 1H06 results (RAS)			1H05 results (RAS) Credit rating (S&P)
AUGUST 2005	Svyazinvest Group IH06 aggregate accounts (RAS)	1H05 results (RAS)	1H05 results (RAS)	Corporate governance rating (S&P)
SEPTEMBER 2005	International Exhibition-Forum «Infocom-2006», Moscow Svyazinvest Group 2005 consolidated financial statements (IAS)	International Exhibition-Forum «Infocom-2006», Moscow	International Exhibition-Forum «Infocom-2006», Moscow Road-show, London	International Exhibition-Forum «Infocom-2006», Moscow
OCTOBER 2005	JSC Svyazinvest 3Q06 results (RAS)	3Q05 results (RAS)	1H06 results (IAS)	3Q06 results (RAS) Corporate governance rating (S&P) 1H06 results (IAS)
NOVEMBER 2005	Svyazinvest Group 3Q06 aggregate accounts (RAS)	1H06 results (IAS)	3Q06 results (RAS)	
DECEMBER 2005	2007 business plan Svyazinvest Group IH05 consolidated financial statements (IAS)	2007 business plan	2007 business plan	2007 business plan

VOLGATELECOM	SOUTHTELECOM	URALSVYAZINFORM	SIBIRTELECOM	DALSVYAZ
			Sibirtelecom 2005 results (RAS)	Dalsvyaz 2005 results (RAS) «Days of Dalsvyaz in Moscow»
Conference «Telecommunications and Investments in Russia» VolgaTelecom 2005 results (RAS) 1Q06 results (RAS)	SouthTelecom 2005 results (RAS) Conference «Telecommunications and Investments in Russia»	Conference «Telecommunications and Investments in Russia» Uralsvyazinform 2005 results (RAS)	Conference «Telecommunications and Investments in Russia» 1Q06 results (RAS)	Conference «Telecommunications and Investments in Russia» 1Q06 results (RAS)
Annual Board of Directors	Annual Board of Directors 1Q06 results (RAS)	Annual Board of Directors 1Q06 results (RAS)	Annual Board of Directors	Annual Board of Directors
Annual General Meeting 2005 results (IAS)	Annual General Meeting	Annual General Meeting 2005 results (IAS)	Annual General Meeting 2005 results (IAS)	Annual General Meeting Merrill Lynch Conference, Los-Angeles
	2005 results (IAS)		1H05 results (RAS)	1H05 results (RAS)
1H05 results (RAS) Corporate governance rating (S&P)	1H05 results (RAS)	1H05 results (RAS)	Corporate governance rating (S&P)	2005 results (IAS) «Days of Dalsvyaz in Moscow» – presentation of 2006 IFRS results UFG Conference
International Exhibition-Forum «Infocom-2006», Moscow	International Exhibition-Forum «Infocom-2006», Moscow Brunswick UBS: «Russia 1:1», Moscow»	International Exhibition-Forum «Infocom-2006», Moscow	International Exhibition-Forum «Infocom-2006», Moscow	International Exhibition-Forum «Infocom-2006», Moscow 1H06 results (IAS) Brunswick UBS: «Investing in Russia's Economy: key to success», Moscow
3Q06 results (RAS)			3Q06 results (RAS) 1H06 results (IAS)	3Q06 results (RAS)
Exhibition «Russia is one»	3Q06 results (RAS) 1H06 results (IAS)	3Q06 results (RAS)	Credit rating (S&P)	
2007 business plan	2007 business plan Corporate governance rating (S&P)	2007 business plan	2007 business plan	2007 business plan

* All dates are subject to further confirmation

OJSC Svyazinvest

55, bld.2 Plyuschikha str.,
Moscow 119121 Russia
www.svyazinvest.ru

General Director

Valery Yashin
tel. +7 495 727 0402

INFORMATION DEPARTMENT**Director**

Oleg Mikhaylov
tel. +7 495 727 0418
fax. +7 495 727 0475
om@svyazinvest.ru

INVESTOR RELATIONS DEPARTMENT**Head of Department**

Juliana Sokolenko
tel. +7 495 727 0472
fax. +7 495 727 0475
jsokolenko@svyazinvest.ru

Senior Expert

Ekaterina Tselishcheva
tel. +7 495 727 0471
fax. +7 495 727 0475
ETselishcheva@svyazinvest.ru

EQUITY CAPITAL DEPARTMENT**Director**

Sergey Chernogorodsky
tel. +7 495 727 0485
fax. +7 495 248 0641
schernog@svyazinvest.ru