SVYAZINVEST: INVESTMENT PRIORITIES AND POSSIBILITIES INTERNATIONAL COOPERATION
SVYAZINVEST: STRUCTURE AND COVERAGE

Svyazinvest

- State 75% - 1 share
- Mustcom LTD 25% + 1 share

Rostelecom
- 7 telcos
- Controlling interest
- Blocking interest

MGTS

Other

Controlling interest

Blocking interest

North-West Telecom
- 4.4 mln lines in service
- Market cap equals $1,594 mln

Uralsvyazinform
- 7.5 mln lines in services
- Market cap stands at $2,409 mln

CenterTelecom
- 6.6 mln lines in service
- Market cap is $1,404 mln

Volga Telecom
- 4.9 mln lines in service
- Market cap is $1,771 mln

South Telecom Company
- 4 mln lines in service
- Market cap is $620 mln

Sibirtelecom
- 4.4 mln lines in service
- Market cap is $1,562 mln

Dalsvyaz
- 1.4 mln lines in service
- Market cap totals $499 mln

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1. Foundation of Svyazinvest – September 18, 1995
2. Sale of the company’s shares to Mustcom – July 1997
3. Corporate integration: 72 telecom entities were consolidated into 7 concerns throughout 2000-2002

Rostelecom owns a powerful backbone network spreading all across Russia. The company’s network is around 200,000 km long and the company’s market capitalization is $6,242 mln.

At present, the estimated capitalization of Svyazinvest is some $8 bln.
KEY ECONOMIC INDICATORS – STABLE GROWTH

REVENUE AND OPERATING EXPENSES *, USD bln

OPERATING INCOME, USD bln

EBITDA, USD bln

NET PROFIT, USD mln

* data exclude JSC MGTS and JSC KGTS
TRENDS ON THE TELECOMMUNICATIONS MARKET

Trends in GDP per capita and telecom expenses

Foreign investments in the industry, $ bln

Earnings of Russian telecom industry, $ bln

Trends in fixed-line and mobile customer bases

Fixed-line penetration depending on macroeconomic environment
BALANCED INVESTMENT POLICY

CAPEX, USD bln

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional telephony</th>
<th>Development of infrastructure</th>
<th>VAS and IT technologies</th>
<th>Other</th>
</tr>
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<tbody>
<tr>
<td>2003</td>
<td>1.4</td>
<td>0</td>
<td>2</td>
<td>3.0</td>
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<tr>
<td>2004</td>
<td>1.96</td>
<td>232 (12%)</td>
<td>354 (24%)</td>
<td>252 (12%)</td>
</tr>
<tr>
<td>2005</td>
<td>1.53</td>
<td>452 (23%)</td>
<td>413 (29%)</td>
<td>349 (23%)</td>
</tr>
<tr>
<td>2006 (estimate)</td>
<td>1.5</td>
<td>1,042 (53%)</td>
<td>392 (28%)</td>
<td>448 (23%)</td>
</tr>
</tbody>
</table>

STRUCTURE OF 2004 INVESTMENTS, USD mln

- Traditional telephony: 413 (29%)
- Development of infrastructure: 232 (12%)
- VAS and IT technologies: 452 (23%)
- Other: 237 (12%)

STRUCTURE OF 2005 INVESTMENTS, USD mln

- Traditional telephony: 392 (28%)
- Development of infrastructure: 199 (13%)
- VAS and IT technologies: 349 (23%)
- Other: 599 (40%)

STRUCTURE OF 2006 INVESTMENTS, USD mln

- Traditional telephony: 160 (11%)
- Development of infrastructure: 413 (29%)
- VAS and IT technologies: 392 (28%)
- Other: 448 (23%)
According to our estimates, VAS earnings are projected to surge 48% in 2006.
New conditions and challenges:
- Liberalization of the LD market
- New interconnect regulations (incl. tariff regulation)
- CPP introduction

Major risks and threats:
- Loss in market share
- Decline in telecom tariffs
- Subscribers switching from fixed-line operators

Operators show competitive edge in new conditions

RTOs’ revenue from traffic merger and transmission, Rb bln

RTOs’ traffic transmission services, th min

Additional opportunities from introduction of CPP:
- RTOs’ incremental revenue from zonal services, July 01–December 31, 2006
  ESTIMATE: $219 mln
- RTOs’ incremental financials, July 01–December 31, 2006
  ESTIMATE: $ 80 mln
TRANSPARENT CONDITIONS OF OPERATIONS ON THE TELECOM MARKET: RELATIONS IN EQUIPMENT SUPPLIES

**Cooperation with Japanese equipment suppliers**

**Suppliers**
- Sumitomo
- NEC Corporation
- FUJITSU

**Operators**
- Rostelecom
- Center Telecom
- Volga Telecom
- Uralsvyazinform
- NWT
- Siberia Telecom
- STC
- Far East Telecom

**TVT compliance**
**GATS compliance**

**INTEGRITY AND STABILITY of operations carried out via Svyazinvest Group’s networks**
Rostelecom offers high-speed connections to Europe with points of presence in London, Stockholm and Frankfurt.

In 2004 Rostelecom completed the upgrade of its backbone network – Moscow-Khabarovsk and Moscow-Novorossiysk.

The operator paved the way for transiting heavy traffic between Europe and Asia using Rostelecom’s network Transit between Europe and Asia (TEA).

Traffic exchange with KDDI and Japan Telecom was organized through FFOTL Russia-Japan-Korea (RJK).
In 2006, a trilateral agreement was signed between Rostelecom, KDDI and NEC Corporation.

Building an optic underwater cable system on the route Nakhodka-Haoetsu (Japan).

The total length of underwater cable is 1,800 km (900km x 2 routes).

Transmission capacity is - 640 Gb/sec.

The system is based on DWDM 10 Gb/sec technology.

Commercial service is to be launched in Q108.
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