

# Comstar-UTS

Corporate presentation. 2Q 2010 results.

Integration

Expansion

Traditional segment

# Disclaimer

Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events revenues or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “predict”, “could”, “plan”, “project,” “will,” “may,” “should” and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, growth in demand for our products; economic outlook and industry trends; developments of our markets; legal trends and the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control and we may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of revenues, profitability and growth, cost and synergy of our recent acquisitions and restructuring, the timely development and acceptance of new products, the impact of competition and competitive pricing, the ability to obtain necessary regulatory approvals and the ability to fund our future operations and capital needs through borrowing or otherwise, the ability to successfully implement any of our business strategies, the ability to integrate our business and to realize anticipated cost savings and operational benefits from such integration, our expectations about growth in demand for our products and services, the effects of inflation, interest rate and exchange rate fluctuations, and our success in identifying other risk to our business and managing the risk of the aforementioned factors, the condition of the economy and political stability in Russia and the other markets of operations and the impact of general business and global economic conditions.

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# Overview



## Strategy

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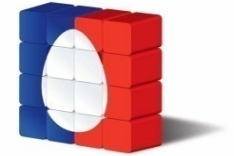
Traditional segment

# Comstar at a Glance

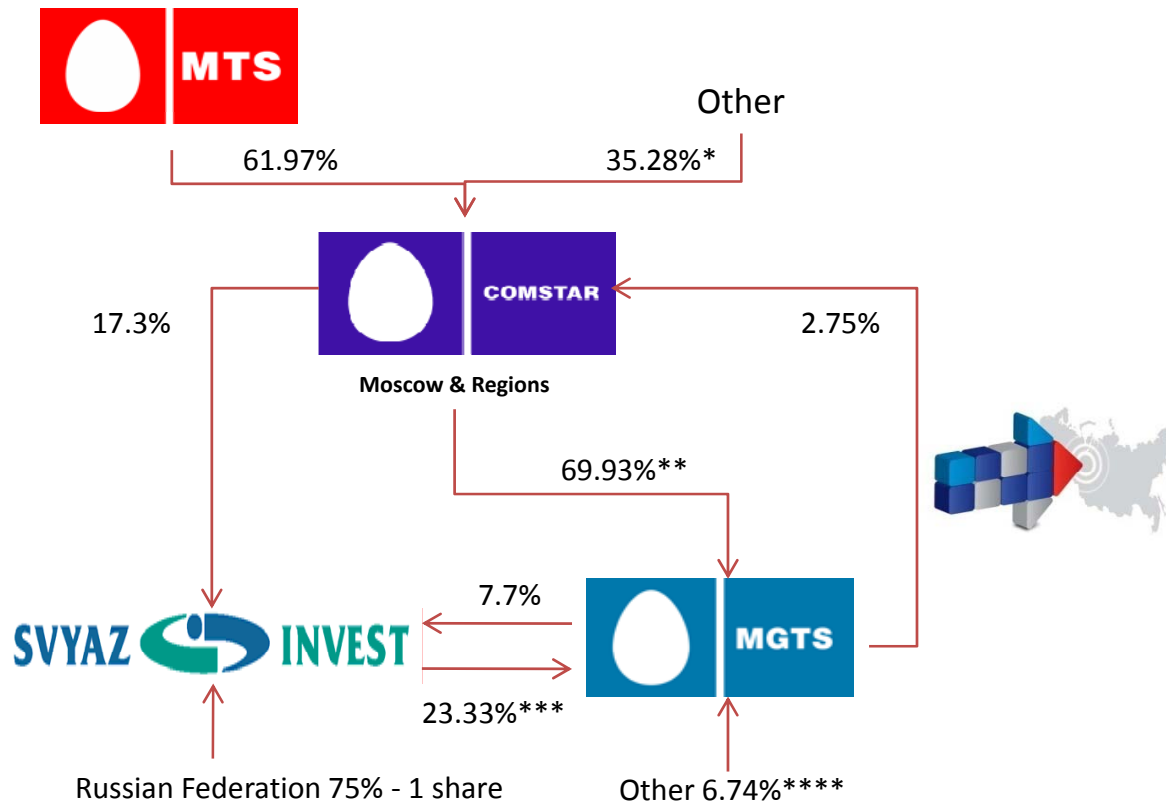


- Part of MTS Group (62%)
- Operations in 84 Russian cities with combined population of over 48 mln people
- Revenue<sub>2009</sub> – US\$ 1,484.8 mln, OIBDA margin<sub>2009</sub> – 39.9 %
- Revenue<sub>1H2010</sub> – US\$ 818.1 mln, OIBDA margin<sub>1H2010</sub> – 41.9 %
- Over 7.9 million households passed, of which 6.3 million are active subscribers
- The leading national broadband provider: ~ 1.4 mln residential broadband subs + over 2.2 mln residential pay-TV subs
- The leading fixed-line telecommunications provider for corporates – over 1.0 mln active lines
- >90% of revenues & opex, >80% of capex and 99% of total debt are RUR-denominated
- > 1 mln m<sup>2</sup> of real estate in Moscow
- Owner of 25% + 1 share in state-owned Svyazinvest national fixed line incumbent

# Ownership Structure



Comstar becomes part of MTS Group and simplifies its own structure



- On October 12, 2009 MTS acquired 51% stake in Comstar from Sistema
- On December 23, 2009 Comstar increases shareholding in MGTS to 69.93% and reduces cross ownership with MGTS to 2.75%, MTS increases its shareholding in Comstar to 61.97%
- The Boards of MTS and Comstar announced and recommended the merger of MTS and Comstar on June 25th and this was followed by the launch of a voluntary tender offer by MTS for up to 9% of our ordinary shares on July 13th, which our Board then recommended on July 15th
- The merger is subject to approval by 75% of the shareholders present at each company's EGMs, which have been scheduled for December 23rd with a record date of November 3rd

**COMSTAR-UTS: total number of shares 417,940,860 (100% ordinary shares)**

**MGTS: total number of shares 95,795,050 (79,829,200 ordinary shares +15,965,850 preferred shares)**

*\*incl. free float and 0.5% treasury shares*

*\*\*69.96% of ordinary shares + 69.75% of preferred shares*

*\*\*\* 28.00% of ordinary shares*

*\*\*\*\* 1,7% in the form of ordinary shares + 5% in the form of preferred shares*

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# Operational Structure



## Traditional segment in Moscow (MGTS)

57% of Group revenues  
72% of Group OIBDA

>4.9 mln installed lines:

- 3.6 mln residential lines, (incl.293 th. voice+BB users)
- 786 th. corporate lines(69 th. accounts)

>90% of lines are ADSL compatible (6 Mb/sec)

~80% of BB users can get 20 Mb/sec

>63% of voice lines are digital

>11 000 km fiber backbone

## Alternative segment in Moscow

26% of Group revenues  
14% of Group OIBDA

>659 th. installed lines

- 568 th. residential accounts (incl. 574 th. premium BB users, service provided on MGTS infrastructure)

- 28 th. corporate accounts

## Alternative segment in regions and CIS

18% of Group revenues  
14% of Group OIBDA

>4.3 mln households passed (59% BB ready)

- 2.7 mln residential subs:
  - 2.0 mln pay-TV users
  - 495 th. BB users

- 61 th. corporate accounts

- >6 000 km fiber backbone



STATE HOLDING  
Comstar owns 25%+1 share

- 7ILECs + Rostelecom + Central Telegraph + 23% in MGTS

- Owner of the “last mile” in the regions

- >35 million installed lines covering 90% of Russia

# 2Q2010 results



	(RUR Million)								
	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	1H 2010	1H 2009	Growth	
<b>Revenues</b>	<b>12,422</b>	11,702	6%	12,167	2%	<b>24,589</b>	23,045	7%	
<b>OIBDA</b>	<b>4,965</b>	4,803	3%	5,337	(7%)	<b>10,302</b>	9,094	13%	
<i>Margin (%)</i>	<b>40.0%</b>	41.0%		43.9%		<b>41.9%</b>	39.5%		
<b>Operating Income</b>	<b>3,490</b>	3,378	3%	3,881	(10%)	<b>7,371</b>	6,176	19%	
<i>Margin (%)</i>	<b>28.1%</b>	28.9%		31.9%		<b>30.0%</b>	26.8%		
<b>Net income/(loss) attributable to Comstar UTS' shareholders</b>	<b>1,460</b>	958	52%	1,794	(19%)	<b>3,254</b>	1,452	124%	
<b>Cash Capex</b>	<b>1,232</b>	500	146%	495	149%	<b>1,727</b>	2,524	(32%)	
<i>% of Revenues</i>	<b>9.9%</b>	4.3%		4.1%		<b>7.0%</b>	11.0%		
<b>Free CF</b>	<b>1,474</b>	2,808	(48%)	3,925	(62%)	<b>5,399</b>	4,244	27%	

## 1H2010 Highlights

- 7% year on year revenue growth in RUR
  - Growing DLD/ILD and fixed-to-mobile traffic, increase in MGTS BB subscriber base
  - Ongoing up-selling of regional pay-TV subscribers to broadband Internet services
  - Increase in RUR prices
- 13% year on year OIBDA growth in RUR
- 124% year on year Net Income attributable to Comstar-UTS' shareholders growth in RUR
- 27% year on year Free Cash Flow growth in RUR

Integration

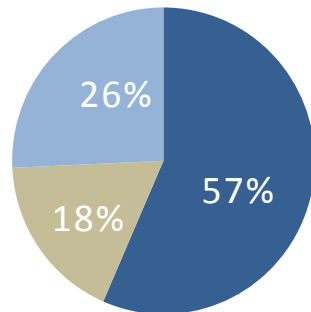
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# High profitability and revenue growth

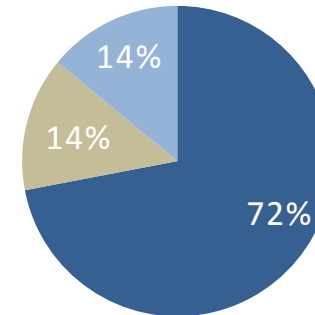


Breakdown of revenues, 1H2010

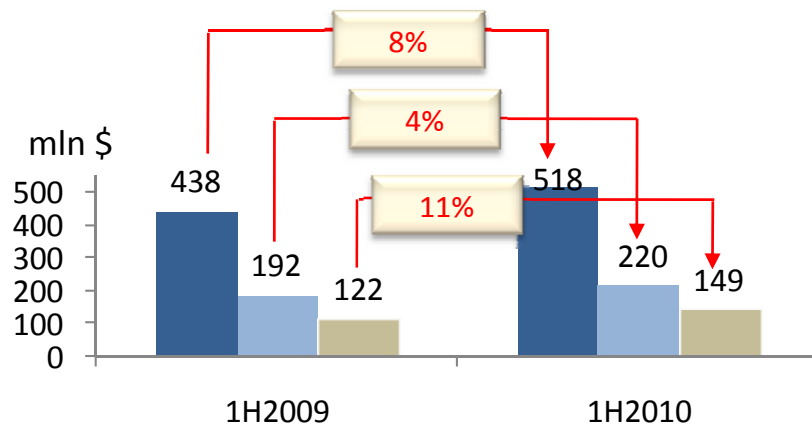


- Comstar-UTS
- Traditional
- Alternative in the regions
- Alternative in Moscow

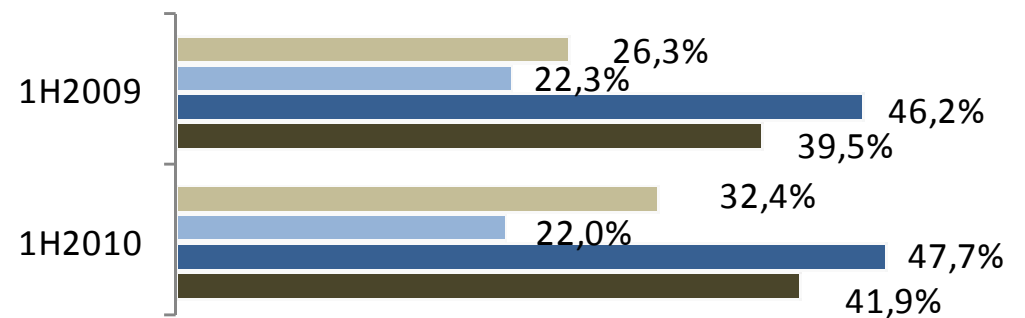
Breakdown of OIBDA, 1H2010



Revenue growth \*



RUR OIBDA margin dynamics, %



\*Revenue in US\$ millions, growth in rubles

Stable traditional MGTS business provides sustainable cash flows and high profitability, regions drive revenue growth

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# Liquidity



## 6 months ended June 30, 2010

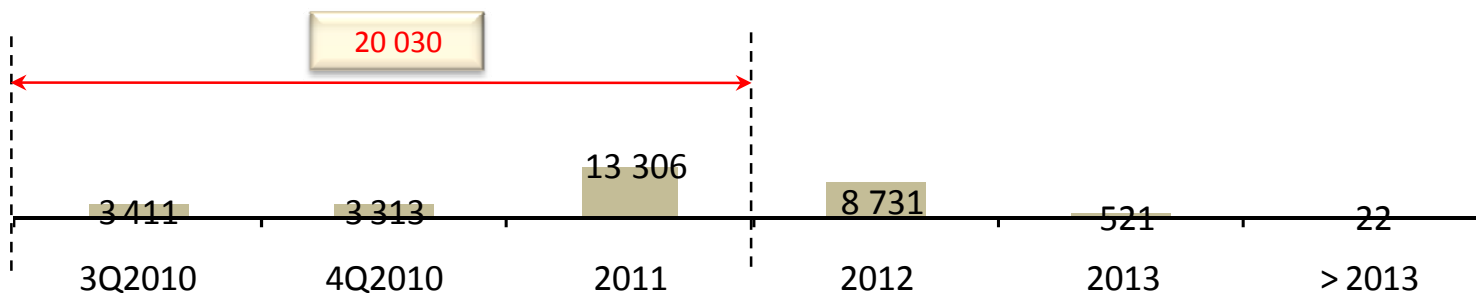
- Operating cash flow RUR 7.1 bln (US\$ 238 mln)
- Cash, cash equivalents & short-term investments RUR 17.2 bln (US\$ 552 mln)
- Cash CAPEX RUR 1.7 bln (US\$ 57.3 mln)
- Free cash flow RUR 5.4 bln (US\$ 180 mln)
- Total debt RUR 29.3 bln (US\$ 939 mln)
- Total RUR debt/OIBDA 1.5
- Net debt RUR 12.1 bln (US\$ 388 mln)
- RUR Net debt/OIBDA of 0.6

## Debt structure as of June 30, 2010

Debt by currency	US\$ million
Russian Ruble	933
Euro	2
US Dollar	5
<b>Total debt *</b>	<b>940</b>

	In the currency of debt, mln		US\$, mln
Sberbank credit line facility	26,000	RUR	833
MTS	1,815	RUR	58
Vendor financing	404	RUR	13
Others		various	35
<b>Total debt *</b>			<b>940</b>

## Debt repayments schedule \*, mln RUR



\* RUR/\$ = 31.1954 as at June 30, 2010

Integration

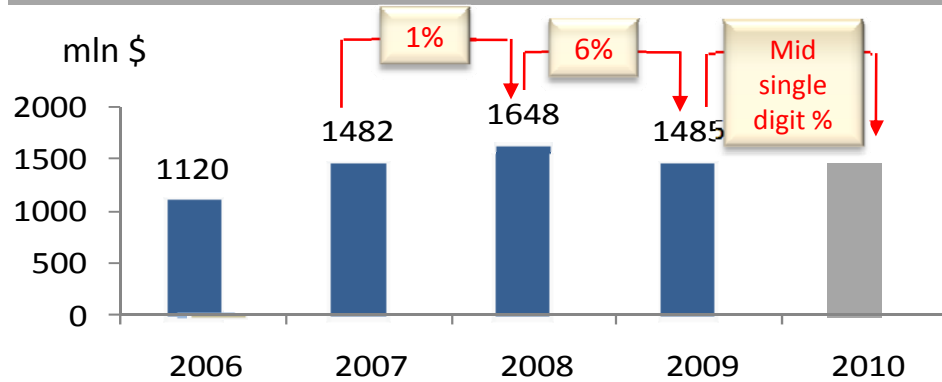
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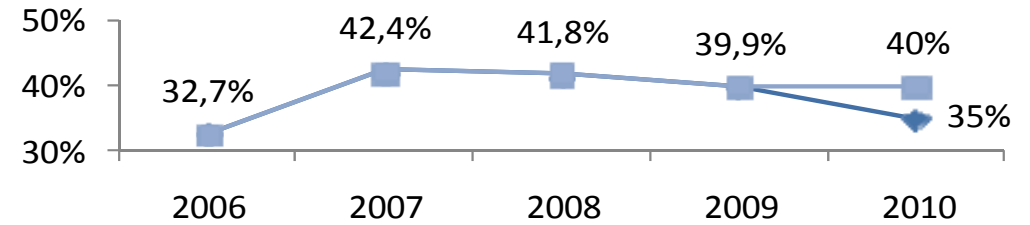
# Outlook for 2010



Revenue \*

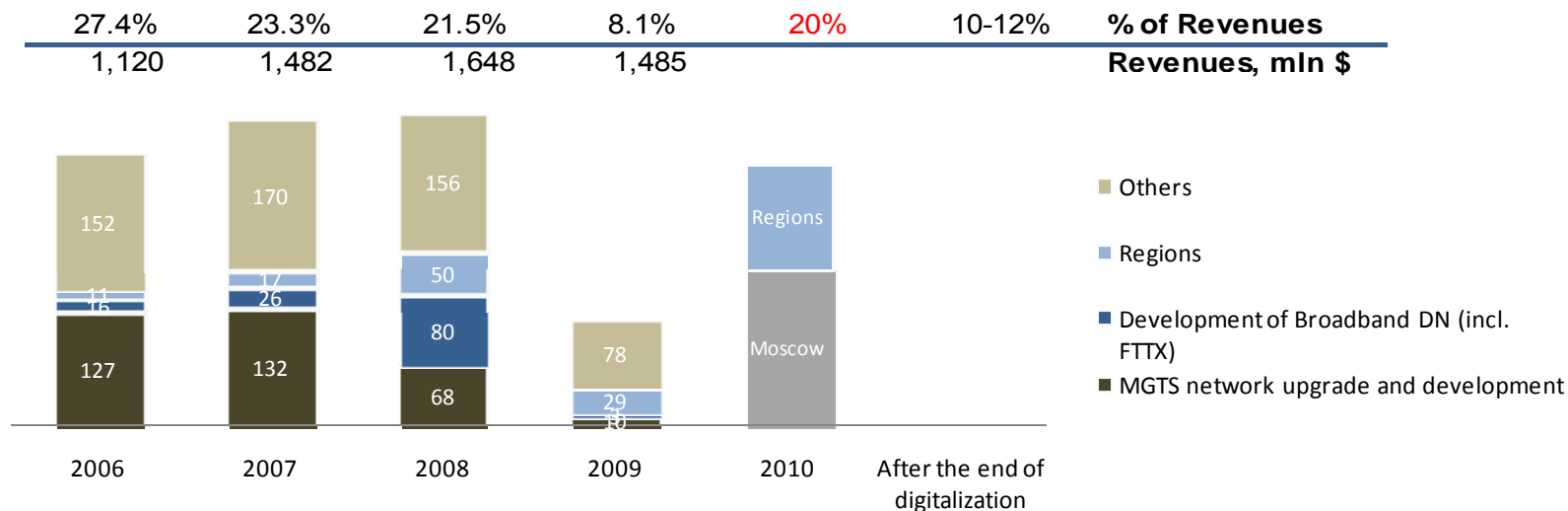


USD OIBDA margin, %



\*Revenue in US\$ millions, organic growth in rubles

Cash CAPEX, mln US\$

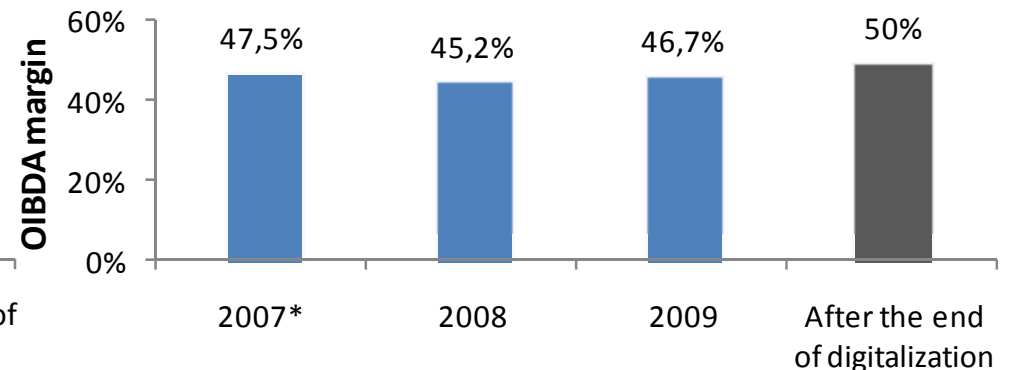
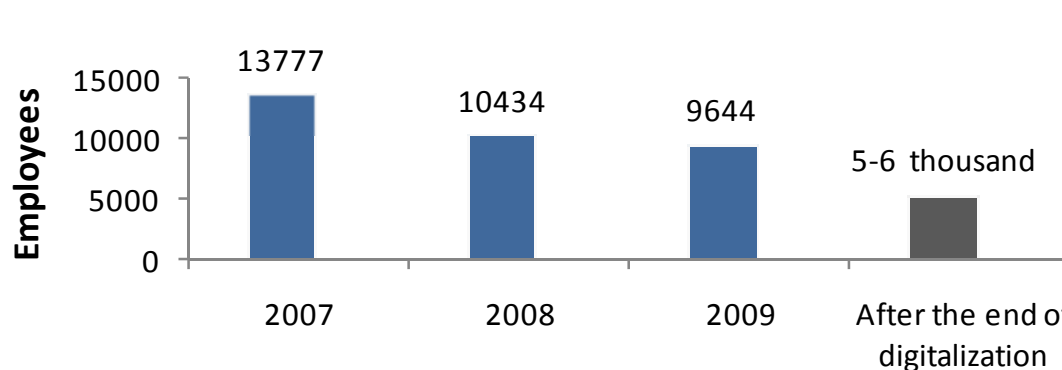
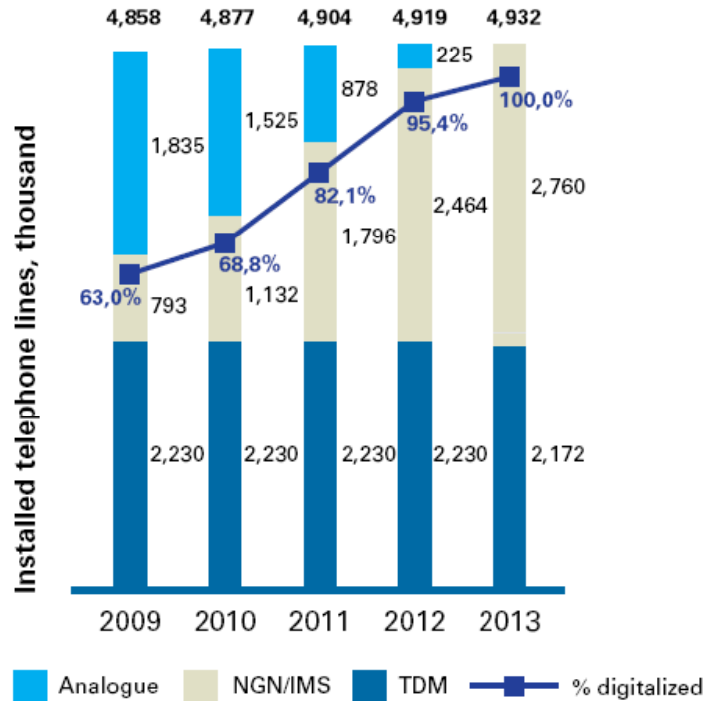


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# Re-launch of MGTS digitalization



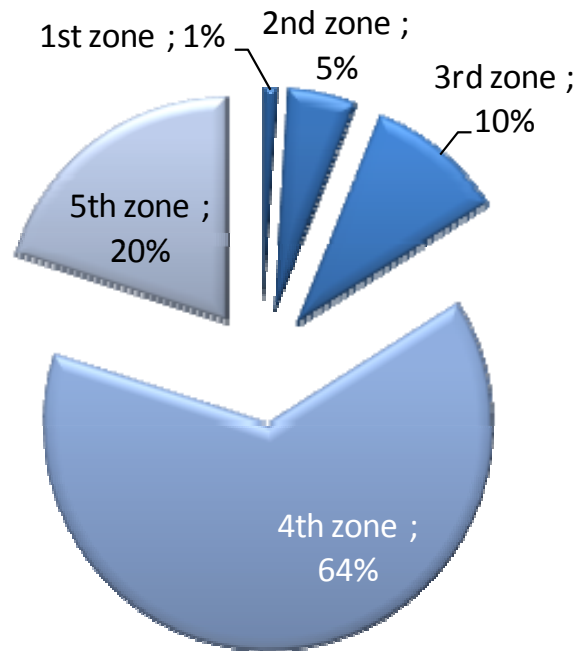
In 2010 Comstar launches digitization by IMS technology which builds new mass platform for various services

\* Excl. US\$ 36.5 million compensation from the budget received in 2007

# MGTS real estate potential



## Location of the real estate



- 1st zone - Boulevard Ring
- 2nd zone - Garden Ring Road
- 3rd zone - Third Ring Road
- 4th zone - Moscow Ring Road
- 5th zone - outside Moscow Ring Road

- 1.1 mln m<sup>2</sup> in Moscow
- 5000 m<sup>2</sup> – average size of the building
- 80 hectares – total land
- > 50% will be freed up after the end of digitalization
- ~ US\$ 1000 – current selling price/1m<sup>2</sup> (office space class B/C)
- ~ US\$ 430 – current rental rate/1m<sup>2</sup>

After the end of digitalization significant real estate potential will be unlocked

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Appendixes

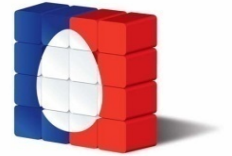
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# Strategy: “5 Angles of Attack” (2008)



- ✓ Penetration into the mass market in Moscow
- ✓ Increasing ARPU in the premium segment
- ✓ 3K: Comstar → Client → Quality
- ✓ BB development in the regions

- ✓ Restructuring of regional operations
- ✓ 2 legal entities : Comstar & MGTS



- ✓ Integration of Stream-TV
- ✓ Enhancing existing operations via strategic M&As

- ✓ Cost optimization & increase in efficiency
- ✓ Regulated tariff increases

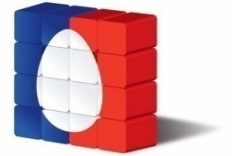
- ✓ Capitalizing on Svyazinvest stake

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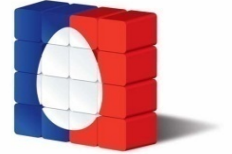
# Priorities in crisis (2009)



In tough market environment our strategic priorities moved from active expansion towards maximizing cash flows and integration of the assets

	Actions	2009 results
<p>1</p> <p>Ensure financial stability</p>	<ul style="list-style-type: none"> <li>• Maximizing cash flows</li> <li>• Optimization of capital investments</li> <li>• Service the debt</li> <li>• Reduction of debt level</li> </ul>	<ul style="list-style-type: none"> <li>• RUR 10.8 bln free cash flow</li> <li>• Cash CAPEX of 8.1% of revenues</li> <li>• Timely payment of interest</li> <li>• Restructuring of terms of Sberbank loan repayment</li> </ul>
<p>2</p> <p>Refocus from expansion to optimization</p>	<ul style="list-style-type: none"> <li>• Keep and develop the existing subscriber base</li> <li>• 3K programme of quality enhancement</li> <li>• Selective up-sell of existing subscribers to VAS</li> </ul>	<ul style="list-style-type: none"> <li>• 40% y-o-y total BB subs growth with no promo</li> <li>• 9% y-o-y residential BB RUR ARPU growth in Moscow</li> </ul>
<p>3</p> <p>Strategic M&amp;A &amp; restructuring</p>	<ul style="list-style-type: none"> <li>• Acquisition of regional operators</li> <li>• Restructuring of ownership in Svyazinvest</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in ownership in MGTS to 70% from 56%</li> <li>• Decrease in cross-ownership with MGTS to 3% from 14%</li> <li>• Restructuring of ownership in Svyazinvest - in progress, already reflected in 2009 financials</li> </ul>
Integration	Expansion	Traditional segment

# Priorities for 2010



Integration with MTS in order to extract synergies

- 1) Re-branding in alternative segment
- 2) Cross-sales
- 3) Convergent offering for the mass-market
- 4) Optimization of expenses through intercompany outsourcing
- 5) Streamlining of business-processes



Aggressive expansion on the Russian market, revenue growth

- 1) Leadership through consolidation of cable-TV and BB assets
- 2) Green-field
- 3) Leadership in corporate segment (excl. SVI)
- 4) Aggressive development on the long-distance market
- 5) Development of innovative business-models to create growth potential

Managing traditional segment (MGTS+SVI) to ensure stable free cash flow generation

- 1) Increase in ownership in MGTS/completion of SVI ownership restructuring
- 2) Completion of digitalization/IT optimization
- 3) Strengthen leadership position on the mass-market broadband
- 4) Optimization and stabilization of revenues from infrastructure

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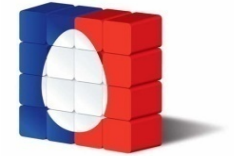
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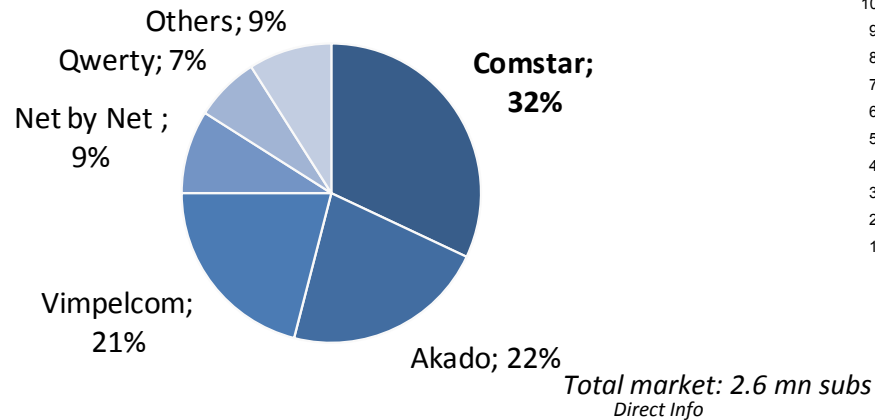
Traditional segment

# Residential BB market In Moscow

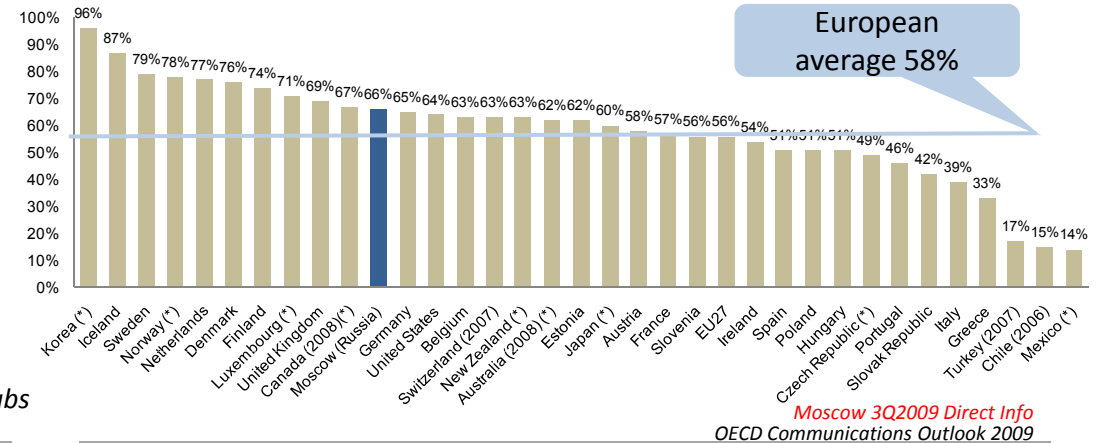


Growth in subscriber base is driven by the mass-market segment (MGTS),  
ARPU development is driven by the premium segment (Comstar)

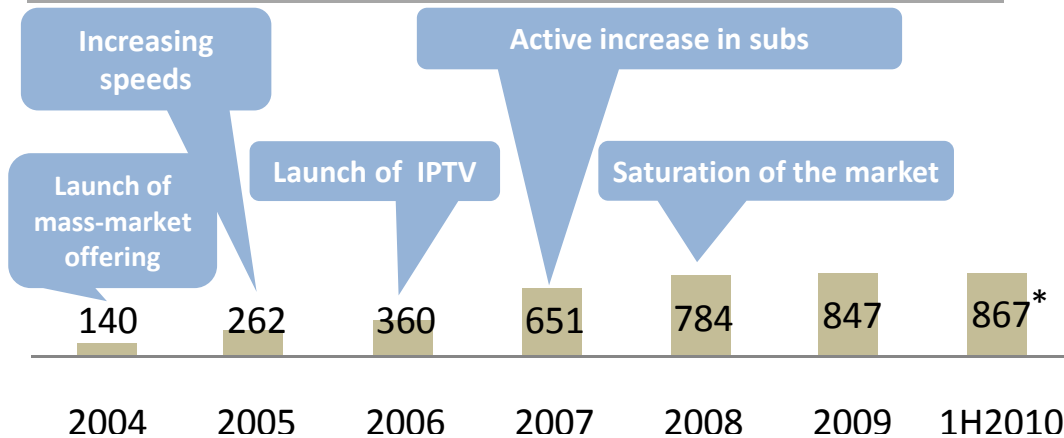
Moscow Residential Fixed-line BB Market, 2009



Broadband penetration, %

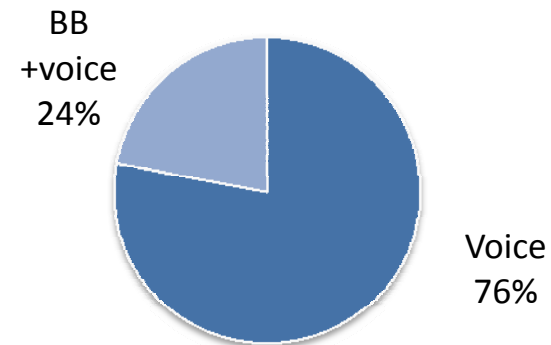


Comstar residential subscriber base, '000



\* incl. 574 thousand premium segment subs and 293 thousand mass-market segment subs

Penetration of BB among MGTS subscriber base, %

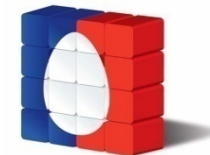


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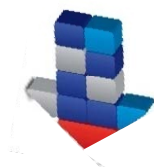
# Rationalization of BB model in Moscow



Premium segment

Mass-market segment

Current



Future



Mobile voice is the main service in the bundle

- Mobile voice + ADSL BB+VAS from MTS
- One bill from MTS
- Mostly pre-paid
- Mono-brand shops and dealers

Fixed voice is the main service in the bundle

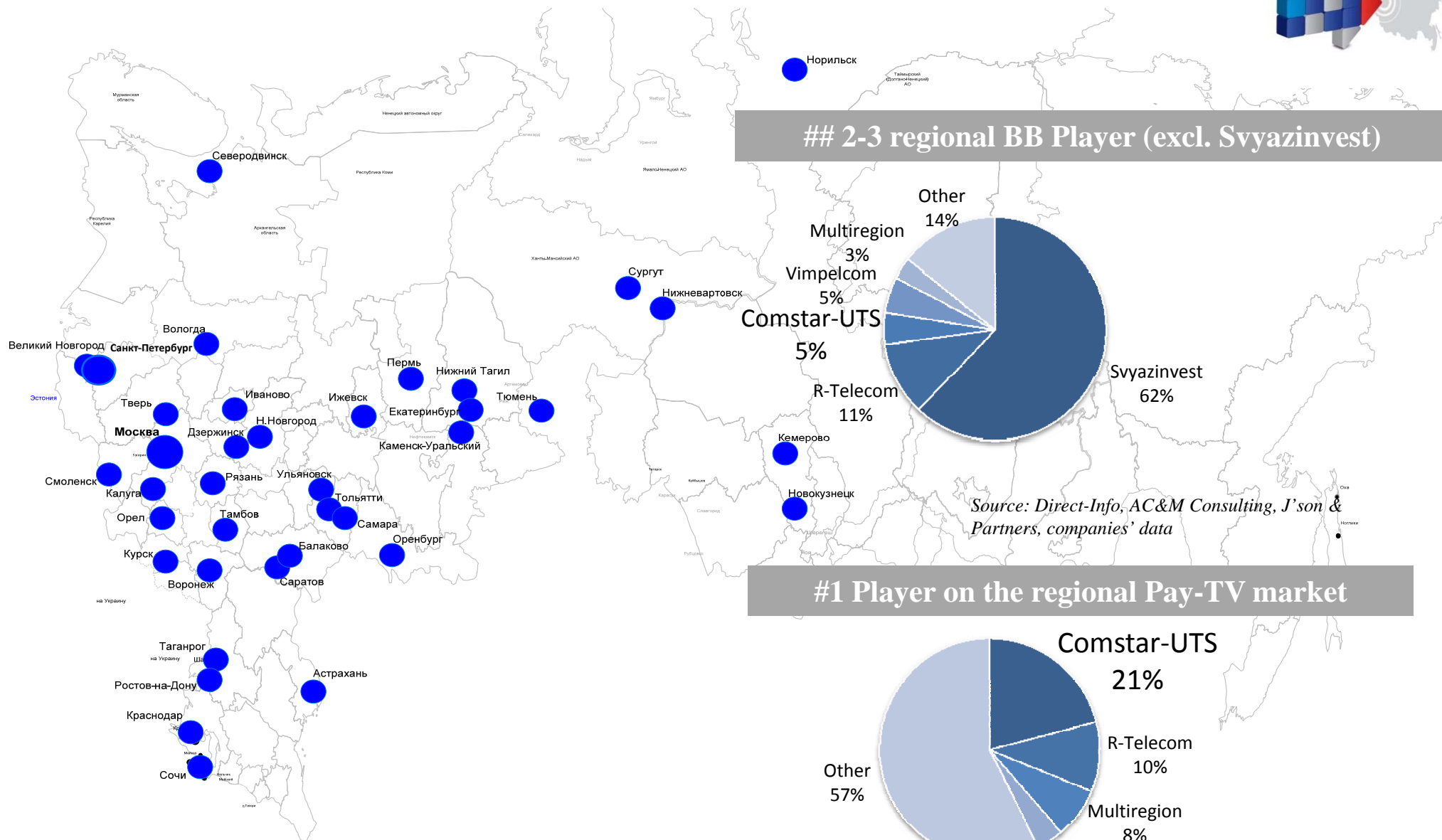
- Fixed voice+BB from MGTS + VAS from Comstar and MTS (DLD/ILD, IPTV, Wi-Fi, WiMAX, 3G, mobile voice etc)
- One bill from MGTS (96% of households in Moscow)
- Post paid
- Direct marketing via MGTS bills
- MGTS will start selling 3Mb/sec+
- MGTS will launch premium service

Integration

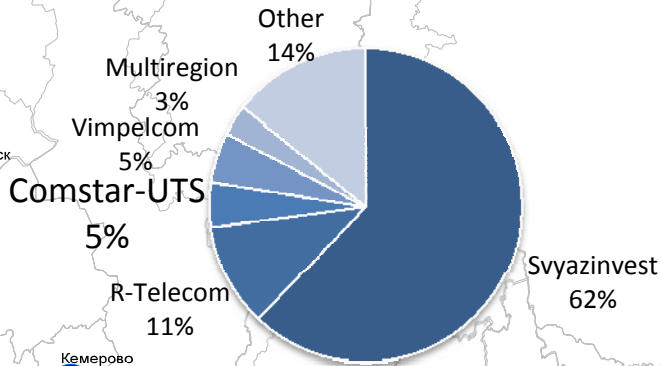
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# Scale of regional development

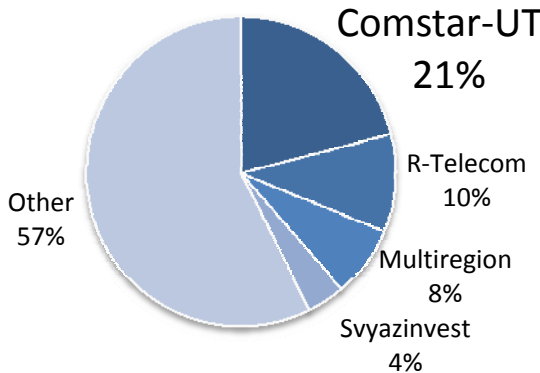


**## 2-3 regional BB Player (excl. Svyazinvest)**



Source: Direct-Info, AC&M Consulting, J'son & Partners, companies' data

**#1 Player on the regional Pay-TV market**



Excl. satellite TV

Integration

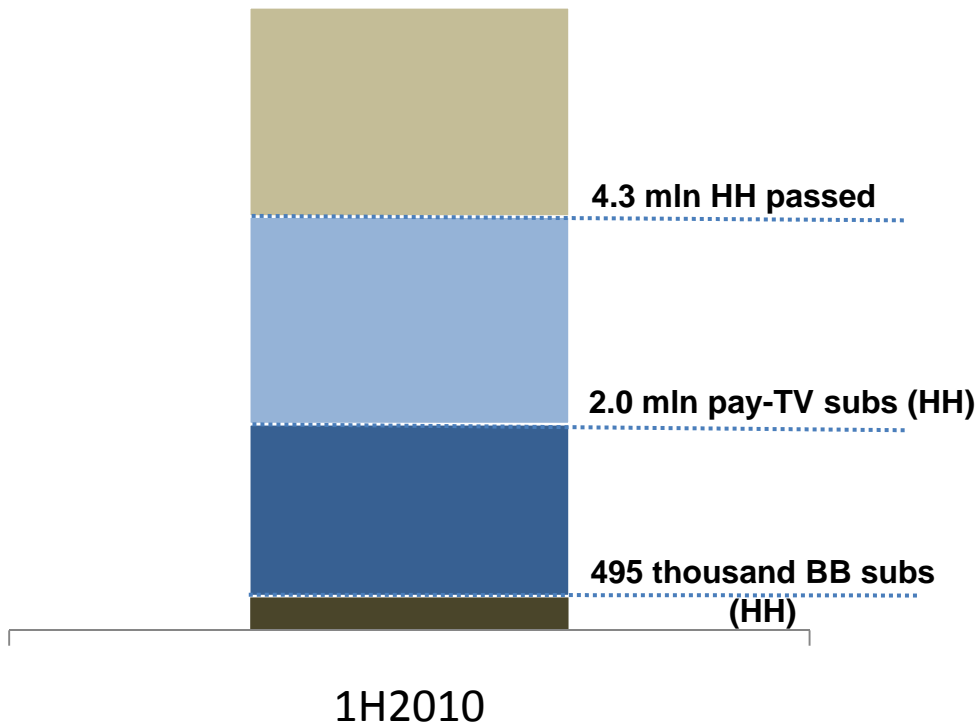
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# Regional BB development



Comstar's regional cities of presence – total of 5.9 mln households (HH)\*



\* Cities where Comstar has the last mile to the homes

- 59% of HH passed are BB ready
- Network modernization will increase the capacity of BB networks to 80% of HH passed
- Green field will allow to cover a significantly higher number of cities
- Reasonable in parallel with M&A with business case developed for each target market to identify comparative economics
  - In Feb. 2010 Comstar acquired Tenzor Telecom in Central Federal District for US\$ 7.3 mln (2009 EV/OIBDA: 4.65x):
    - #1 alternative BB provider
    - 23 000 subscribers
  - In June 2010 Comstar acquired Penza Telecom in Central Federal District for US\$ 19.9 mln incl. debt:
    - #1 Internet & Pay-TV provider in Penza
    - 47 000 BB subscribers
    - 42 000 Pay-TV subscribers
    - 1 500 voice subscribers

Network modernization increases the BB networks capacity. M&A and 'green field' activities will allow us to reach maximum coverage

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# Investment Case



- National fixed-line provider with operations in 83 cities of Russia with combined population of >48 mln people
- Low exposure to forex risks – all business in RUR
- Unique combination of
  - Regulated and non-regulated business
  - High profitable incumbent business and growing altnet business
  - Wire-line and wire-less technologies creating seamless telecommunication space
  - Balanced mix of customer types (residential, corporates, operators)
- Sell SI stake/Increase the stake in MGTS

After MTS/SSA deal:

- + Branding
- + Backbone
- + Bundling

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# Contacts

For additional information please visit

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

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# Appendix. Income Statement



	(RUR Million)				(US\$ Million)			
	Q2 2010	Q2 2009	1H 2010	1H 2009	Q2 2010	Q2 2009	1H 2010	1H 2009
<b>Revenues</b>	<b>12,422</b>	11,702	<b>24,589</b>	23,045	<b>411.1</b>	363.6	<b>818.1</b>	698.0
<i>Y-o-Y Growth</i>	<b>6%</b>	10%	<b>7%</b>	8%	<b>13%</b>	(19%)	<b>17%</b>	(22%)
<b>OIBDA</b>	<b>4,965</b>	4,803	<b>10,302</b>	9,094	<b>164.5</b>	149.3	<b>343.3</b>	275.7
<i>Margin (%)</i>	<b>40.0%</b>	41.0%	<b>41.9%</b>	39.5%	<b>40.0%</b>	41.0%	<b>41.9%</b>	39.5%
<b>Adjusted OIBDA</b>	<b>4,965</b>	4,849	<b>9,733</b>	9,174	<b>164.5</b>	150.6	<b>324.3</b>	278.0
<i>Margin (%)</i>	<b>40.0%</b>	41.4%	<b>39.6%</b>	39.8%	<b>40.0%</b>	41.4%	<b>39.6%</b>	39.8%
<b>Operating Income</b>	<b>3,490</b>	3,378	<b>7,371</b>	6,176	<b>115.7</b>	105.1	<b>245.8</b>	187.3
<i>Margin (%)</i>	<b>28.1%</b>	28.9%	<b>30.0%</b>	26.8%	<b>28.1%</b>	28.9%	<b>30.0%</b>	26.8%
<b>Net income/(loss) attributable to Comstar</b>								
<b>UTS' shareholders</b>	<b>1,460</b>	958	<b>3,254</b>	1,452	<b>48.8</b>	30.0	<b>109.0</b>	42.6
<b>Adjusted net income attributable to</b>								
<b>Comstar UTS' shareholders</b>	<b>1,460</b>	995	<b>2,832</b>	1,516	<b>48.8</b>	31.0	<b>94.9</b>	44.5
<b>Cash Capex</b>	<b>1,232</b>	500	<b>1,727</b>	2,524	<b>40.7</b>	15.5	<b>57.3</b>	75.2
<i>% of Revenues</i>	<b>9.9%</b>	4.3%	<b>7.0%</b>	11.0%	<b>9.9%</b>	4.3%	<b>7.0%</b>	10.8%

Integration

Expansion

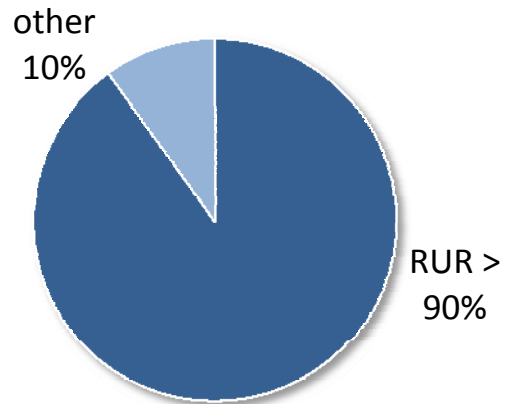
Traditional segment



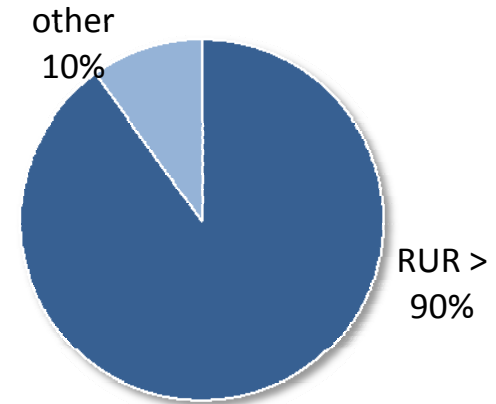
# Appendix. Resilience to FX movements



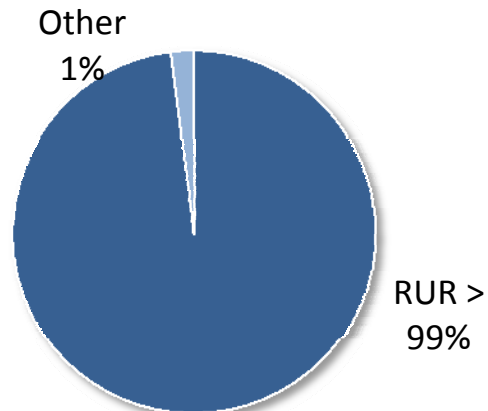
Revenue breakdown



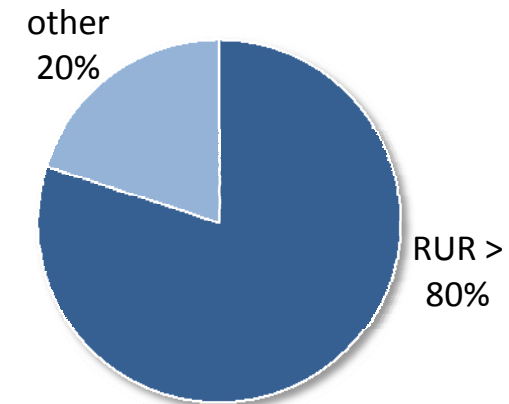
Operating expenses breakdown



Total debt breakdown



CAPEX breakdown



Integration

Expansion

Traditional segment

# Appendix. Segmental Breakdown



	(RUR Million)				(US\$ Million)			
	Q2 2010	Q2 2009	1H 2010	1H 2009	Q2 2010	Q2 2009	1H 2010	1H 2009
<b>Revenue</b>								
Traditional segment in Moscow (MGTS)	7,845	7,304	15,561	14,456	259.6	226.9	517.8	437.8
Alternative segment in Moscow (Comstar & Comstar-Direct)	3,328	3,273	6,623	6,350	110.1	101.7	220.4	192.4
Alternative segment in the regions & CIS (Comstar)	2,287	2,033	4,473	4,017	75.7	63.2	148.8	121.7
Intersegment Sales	(1,038)	(908)	(2,069)	(1,778)	(34.3)	(28.2)	(68.8)	(53.9)
<b>Total Revenue</b>	<b>12,422</b>	<b>11,702</b>	<b>24,589</b>	<b>23,045</b>	<b>411.1</b>	<b>363.6</b>	<b>818.1</b>	<b>698.0</b>
<b>OIBDA</b>								
Traditional segment in Moscow (MGTS)	3,703	3,488	7,419	6,668	122.6	108.3	246.9	202.1
Alternative segment in Moscow (Comstar & Comstar-Direct)	528	822	1,457	1,404	17.6	25.7	48.8	42.9
Alternative segment in the regions & CIS (Comstar)	742	505	1,447	1,065	24.6	15.7	48.2	32.0
Effect of eliminations and other consolidation adjustments	(8)	(12)	(21)	(43)	(0.3)	(0.3)	(0.7)	(1.3)
<b>Total OIBDA</b>	<b>4,965</b>	<b>4,803</b>	<b>10,302</b>	<b>9,094</b>	<b>164.5</b>	<b>149.3</b>	<b>343.3</b>	<b>275.7</b>

Integration

Expansion

Traditional segment

# Appendix. Operating highlights



	Q2 2010	Q2 2009	Growth	Q1 2010	Growth	6m 2010	6m 2009	Growth
<i>Traditional segment in Moscow (MGTS)</i>								
<b>Residential</b>								
Number of subscribers / active lines (000s)	<b>3,607</b>	3,600	0%	3,609	0%	<b>3,607</b>	3,600	0%
<i>incl. BB subscribers</i>	<b>293</b>	182	61%	276	6%	<b>293</b>	182	61%
ARPU (RUR)	<b>356</b>	326	9%	349	2%	<b>352</b>	318	11%
<b>Corporates</b>								
Number of subscribers (000s)	<b>69</b>	70	-1%	70	-2%	<b>69</b>	70	-1%
<i>incl. BB subscribers</i>	<b>30</b>	30	-1%	30	-1%	<b>30</b>	30	-1%
ARPU (excl. revenue from points of interconnect) (RUR)	<b>6,891</b>	5,442	27%	6,468	7%	<b>6,679</b>	4,914	36%
<i>Alternative segment in Moscow</i>								
<b>Residential subscribers</b>								
Number of subscribers (000s)	<b>568</b>	632	-10%	583	-3%	<b>568</b>	632	-10%
<i>incl. BB subscribers</i>	<b>574</b>	609	-6%	583	-2%	<b>574</b>	609	-6%
ARPU (RUR)	<b>570</b>	416	37%	527	8%	<b>548</b>	391	40%
<b>Corporate subscribers</b>								
Number of subscribers (000s)	<b>28</b>	29	-2%	27	2%	<b>28</b>	29	-2%
<i>incl. BB subscribers</i>	<b>15</b>	17	-14%	15	-1%	<b>15</b>	17	-14%
ARPU (RUR)	<b>13,495</b>	13,555	0%	13,668	-1%	<b>13,580</b>	12,746	7%
<i>Alternative segment in the regions &amp; CIS</i>								
<b>Residential subscribers</b>								
Number of subscribers (000s)	<b>2,730</b>	2,528	8%	2,630	4%	<b>2,730</b>	2,528	8%
<i>incl. pay-TV subscribers</i>	<b>2,055</b>	1,951	5%	1,997	3%	<b>2,055</b>	1,951	5%
<i>incl. BB subscribers</i>	<b>495</b>	316	57%	426	16%	<b>495</b>	316	57%
ARPU (RUR)	<b>162</b>	149	8%	158	2%	<b>160</b>	150	6%
<b>Corporate subscribers</b>								
Number of subscribers (000s)	<b>61</b>	53	15%	58	4%	<b>61</b>	53	15%
<i>incl. BB subscribers</i>	<b>30</b>	27	10%	28	6%	<b>30</b>	27	10%
ARPU (RUR)	<b>3,232</b>	3,698	-13%	3,299	-2%	<b>3,265</b>	3,614	-10%
<b>Total number of households passed (000s)</b>	<b>7,942</b>	<b>7,213</b>	<b>10%</b>	<b>7,756</b>	<b>2%</b>	<b>7,942</b>	<b>7,213</b>	<b>10%</b>
<b>Total number of broadband internet subscribers (000s)</b>	<b>1,437</b>	<b>1,182</b>	<b>22%</b>	<b>1,359</b>	<b>6%</b>	<b>1,437</b>	<b>1,182</b>	<b>22%</b>
<b>Total number of pay-TV subscribers (000s)</b>	<b>2,176</b>	<b>2,083</b>	<b>4%</b>	<b>2,122</b>	<b>3%</b>	<b>2,176</b>	<b>2,083</b>	<b>4%</b>

Integration

Expansion

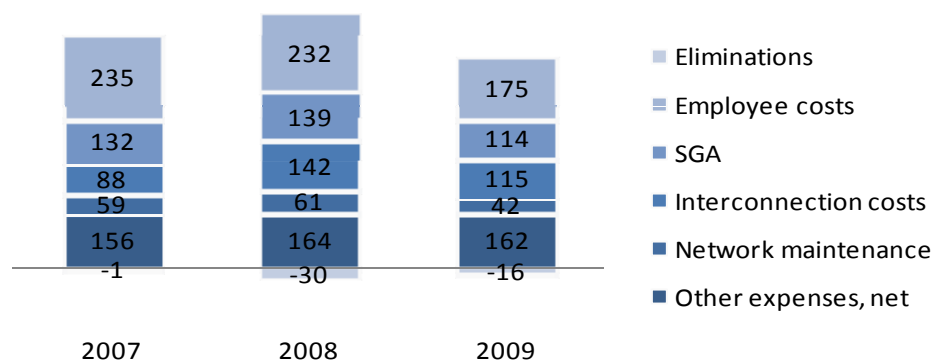
Traditional segment

# Appendix. Segmental Operating Expenses & Employees

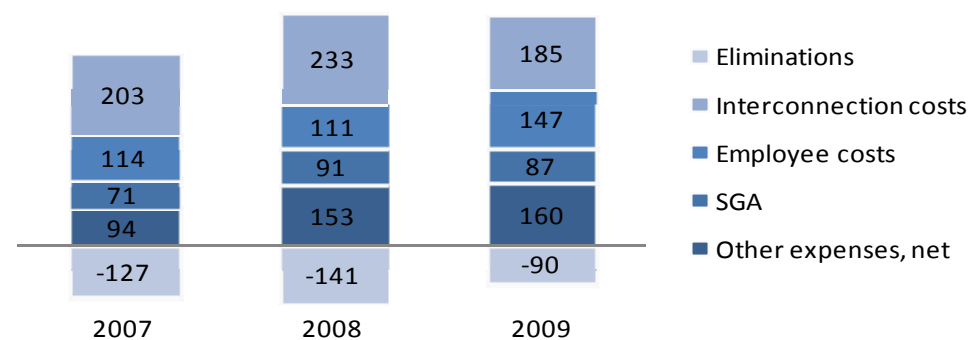


	2007	2008	2009	2Q2010
<b>#Employees *</b>				
Traditional segment	13,777	10,434	9,644	9,513
Alternative segment in Moscow	2,154	2,231	2,041	2,023
Alternative segment in the regions & CIS	1,084	2,878	5,595	5,841
<b>Average salary</b>				
Traditional segment	\$ 956.0	\$ 1,257.5	\$ 1,131.5	\$ 1,335.5
Alternative segment in Moscow	\$ 2,179.5	\$ 2,583.4	\$ 2,233.9	\$ 2,812.4
Alternative segment in the regions & CIS	\$ 1,340.0	\$ 1,099.3	\$ 880.6	\$ 946.2
<b>Average monthly revenue per Employee</b>				
Traditional segment	\$ 6,729.1	\$ 9,071.4	\$ 8,017.5	\$ 9,097.0
Alternative segment in Moscow	\$ 17,506.3	\$ 19,404.7	\$ 17,039.5	\$ 18,149.6
Alternative segment in the regions & CIS	\$ 3,601.9	\$ 4,774.8	\$ 3,880.3	\$ 4,317.7

Traditional Segment, mIn US\$



Alternative Segment, mIn US\$



Integration

Expansion

Traditional segment

# Appendix. CF Statement & BS



	(RUR Million)				(US\$ Thousand)			
	Q2 2010	Q2 2009	1H 2010	1H 2009	Q2 2010	Q2 2009	1H 2010	1H 2009
Net cash provided by operations	<b>2,706</b>	3,308	<b>7,126</b>	6,768	<b>89,634</b>	102,186	<b>237,719</b>	201,366
Net cash (used in)/provided by investing activities	<b>(2,723)</b>	(217)	<b>(9,596)</b>	6,682	<b>(90,004)</b>	(6,726)	<b>(319,972)</b>	195,784
Net cash used in financing activities	<b>218</b>	(663)	<b>(201)</b>	(9,952)	<b>7,186</b>	(20,599)	<b>(6,843)</b>	(291,595)
Effects of foreign currency translation of cash and cash equivalents	-	(12)	-	26	<b>(9,665)</b>	9,856	<b>(4,112)</b>	3,271
Cash and cash equivalents at the beginning of the period	<b>4,645</b>	2,929	<b>7,517</b>	1,821	<b>158,183</b>	86,114	<b>248,542</b>	62,005
Cash and cash equivalents at the end of the period	<b>4,846</b>	5,345	<b>4,846</b>	5,345	<b>155,334</b>	170,831	<b>155,334</b>	170,831
<b>FCF (Net cash provided by operations less Cash Capex)</b>	<b>1,474</b>	2,808	<b>5,399</b>	4,244	<b>48,901</b>	86,689	<b>180,438</b>	126,205

	(RUR Million)		(US\$ Million)	
	30-Jun-10	31-Dec-09	30-Jun-10	31-Dec-09
<b>Assets</b>	<b>114,963</b>	<b>109,382</b>	<b>3,685.3</b>	<b>3,616.6</b>
<i>Current Assets</i>	26,294	20,753	842.9	686.2
<i>Long-term assets</i>	88,669	88,629	2,842.4	2,930.4
<b>Liabilities</b>	<b>50,511</b>	<b>49,065</b>	<b>1,619.2</b>	<b>1,622.3</b>
<i>Current Liabilities</i>	23,553	16,205	755.1	535.8
<i>Long-term liabilities</i>	26,958	32,860	864.2	1,086.5
<b>Equity</b>	<b>64,452</b>	<b>60,317</b>	<b>2,066.1</b>	<b>1,994.3</b>

Integration

Expansion

Traditional segment

# Appendix. Glossary

ADSL.....	Asymmetric digital subscriber line
ADSL2+.....	ADSL technology using the ITU G.992.5 standard. Allows for downstream speed of up to 24 Mbps.
Docsis.....	Data Over Cable Service Interface Specifications
Ethernet.....	Packet based transmission protocol primarily used in LANs
FTTB.....	Fiber-to-the-Building
HFC.....	Hybrid Fiber-Coaxial
MMDS.....	Microwave Multipoint Distribution System