

URALSVYAZINFORM: 1H 2008 RESULTS

Ekaterinburg – August 11, 2008 – Uralsvyazinform (RTS: URSI/URSIP, ADR: UVYZY/UVYZYP), the leading carrier of fixed-line and mobile services in the Urals region, Russia reports the unconsolidated financial and operational results for the 1H 2008 prepared under Russian Accounting Standards (RAS).

- Revenues increased by 14.6% on 1H 2007 and totaled US\$ 834.5 mln. The revenue growth is mainly due to the gains in:
 - Mobile services (up 19.2%).
 - New services (up 65.7%);
- EBITDA[1] increased by 9.9% on 1H 2007. EBITDA margin amounted to 34.4%. Operating margin – 19.7%.
- Net profit decreased by 21.0% and amounted to US\$ 68.2 mln. Net margin amounted to 8.2%.
- Subscriber base totaled 9.1 mln., including 5.4 mln. GSM mobile subscribers.

Financial and operational highlights:

	<i>1H2008</i>	<i>1H2007</i>	<i>Change, %</i>
<i>Financial</i>			
Revenues, US\$ mln.	834,5	728,0	+14,6%
Costs, US\$ mln.	669,7	545,5	+22,8%
EBITDA, US\$ mln.[1]	286,8	261,1	+9,9%
EBITDA margin	34,4%	35,9%	-
Operating profit, US\$ mln.	164,8	182,5	-9,7%
Operating margin	19,7%	25,1%	-
Pre-tax profit, US\$ mln.	98,1	124,8	-21,4%
Net profit, US\$ mln.	68,2	86,3	-21,0%
Net margin	8,2%	11,9%	-
<i>Operational</i>			
	<i>01/07/2008</i>	<i>01/07/2007</i>	<i>Change, %</i>
Subscriber base:			
Fixed-line subscribers, mln.	3.7	3.7	+0.0%
Mobile (GSM) subscribers, mln.	5.4	4.6	+17.4%
Broadband subscribers, thous.	392.2	192.4	+103.8%
Digitalization of local fixed-line networks, %	74.9%	73.7%	+1.6%
Penetration:			
Fixed lines, %	28%	28%	
Mobile, %	>100%	>100%	
Number of employees	24,073	26,873	-10.4%

* Here and henceforth currency conversions are based on average exchange rates:

1H 2008 – RUR 23.9, 1H 2007 – RUR 26.1

[1] EBITDA is calculated as a sum of pre-tax profit, interest payable, depreciation & amortization, leasing payments less interest receivable.

Complete accounting statements of Uralsvyazinform as of 1H 2008 may be found in the [«Investors»](http://www.usi.ru/en/) section at www.usi.ru/en/.

For additional information, please contact IR department on tel. (007 343) 379-12-19, 379 1859 or e-mail: investor@gd.usi.ru.

The most recent company information is also available at www.usi.ru/en/, www.skrin.ru (complex disclosure information system) or URSI_RU page in Bloomberg system and URSI.RTS page in Reuters system.

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OVERVIEW OF BUSINESS

Local services

	<i>01/01/2008</i>	<i>01/01/2007</i>	<i>Change, %</i>
Installed capacity, thous. lines	4,111.0	4,045.8	+1.6%
	<i>1/07/2008</i>	<i>1/07/2007</i>	<i>Change, %</i>
Subscriber base, thous. lines, <i>including</i>	3,707.3	3,680.4	+0.7%
<i>Residents</i>	3,157.8	3,152.6	+0.2%
<i>Organizations</i>	549.5	527.7	+4.1%

In 1H of 2008 Uralsvyazinform added 8.6 thousand fixed-line subscribers.

Revenues from local services increased by 6.6% on 1H 2007 and totaled US\$ 213.4 mln. Revenues from local calls increased by 6.1%, including +US\$ 1.3 mln due to subscriber additions and -US\$ 6.4 mln due to changes in tariffs for local calls since February 01, 2007.

The local revenues by types of services (including radio access CDMA, DECT), US\$ thous:

	1H 2008	1H 2007
Line installation	6,154.4	6,754.6
Local calls provision (monthly payment and call charges), <i>including:</i>	185,036.4	174,439.0
<i>Line charge</i>	109,616.2	86,805.3
<i>Unlimited call charge</i>	39,380.4	57,447.0
<i>Time-based billing</i>	24,751.2	18,564.7
<i>Combined charges</i>	11,288.6	11,622.1
Other local services (contracts redrawn, etc)	10,393.8	9,263.2
Line and cabling rentals	11,656.5	9,520.2
Payphone calls	146.3	211.0
Total	213,387.4	200,187.9

Revenues from line installation dropped by 8.9% on 1H 2007 (- US\$ 0.6 mln.). The drop is due to decrease in the number of installations.

The revenues from local services in terms of customer mix:

- residents – 72 % (73 % as of 1H 2007);
- organizations – 28% (27%).

Internet

	<i>1H 2008</i>	<i>1H 2007</i>	<i>Change, %</i>
Traffic, mln. min.	842.6	1,012.8	-16.8%
Traffic, Tbytes	6,664.9	1,025.8	+549.7%
Revenues from Internet, US\$ mln.	78.6	45.7	+72.0%

Intrazone services

<i>Outbound traffic, Mln.min.</i>	<i>1H 2008</i>	<i>1H 2007</i>	<i>Change, %</i>
Intrazone calls, including	1,172.5	1,204.2	-2.6%
<i>Fixed-to-fixed</i>	278.5	311.3	-10.5%
<i>Fixed-to-mobile</i>	894.0	892.9	+0.1%

The drop in intrazone traffic (fixed-to-fixed calls) is accounted for by development of mobile services.

Revenues from fixed-to-mobile calls totaled US\$ 63.5 mln.

Revenues from intra-zone services totaled US\$ 106.0 mln (+8.8% on 1H 2007).

The long distance revenues in terms of customer mix:

- Residents – 42% (45 % as of 1H 2007);
- Organizations – 58% (55%).

The digitalization of intra-zone LD lines (in extension terms) as of July 01, 2008 was 99.9% (98.8 % as of July 01, 2007).

GSM mobile services

	<i>01/07/2008</i>	<i>01/01/2008</i>	<i>01/07/2007</i>
Number of subscribers	5,381,992	5,114,729	4,618,801

Revenues from mobile services increased by 19.2% on 1H 2007 and totaled US\$ 268.7 mln.

As of 1H 2008 and 1H 2007, ARPU totaled US\$ 8.5 and US\$ 8.3 correspondingly.

Generally, as of July 01, 2008 Uralsvyazinform (Utel - trademark) had 5.4 million GSM subscribers occupying about 33% of regional market in subscriber terms and 41% in revenue terms.

REVENUES AND EXPENSES REVIEW

Generally, as of 1H 2007 revenues totaled US\$ 834.5 mln. (+14.6% on 1H 2007), revenues from telecom services reached US\$ 810.0 mln. (+17.3%).

The structure of revenues from telecommunications services in 1H 2008:

<i>Item, US\$ mln.</i>	<i>1H 2008</i>	<i>Weight in revenues</i>	<i>1H 2007</i>	<i>Weight in revenues</i>	<i>Change (1H2008 / 1H2007), %</i>
Revenues from telecom services, including	810.0	100.0%	690.7	100.00%	+17.3%
Intrazone services	106.0	13.1%	97.5	14.1%	+8.8%
Local urban services	193.7	23.9%	182.1	26.4%	+6.4%
Local rural services	19.8	2.4%	17.8	2.6%	+11.0%
Documentary services	3.5	0.4%	3.3	0.5%	+6.7%
Wired radio	5.6	0.7%	5.7	0.8%	-2.3%
Radio communication, radio and TV broadcasting	4.7	0.6%	3.8	0.6%	+24.2%
Mobile services	268.7	33.2%	225.4	32.6%	+19.2%
Internet and non-regulated data transmission services	97.8	12.1%	59.0	8.5%	+65.7%
<i>Including Internet</i>	78.6	9.7%	45.7	6.6%	+72.1%
Interconnection and traffic transmission services	109.9	13.6%	95.5	13.8%	+15.0%
Other revenues from core activities	0.2	0.0%	0.5	0.1%	-71.1%

Revenue gains were mostly in connection with:

- Increased revenues from mobile services as a result of GSM subscriber additions.
- Increased revenues from Internet and non-regulated services due to increased number of subscribers and higher usage of Internet and data transmission services. As of 1H 2008, revenues from Internet amounted to US\$ 78.6 mln (+72.1% on 1H 2007). Revenues from broadband connections amounted to US\$ 65.2 mln (+105.7% on 1H 2007). Revenue from dial-up services totaled US\$ 13.4 mln. Revenue from VoIP services amounted to US\$ 3.3 mln.

Revenue from interconnection and traffic transmission services amounted to US\$ 109.9 mln (+15.0% on 1H 2007). Revenue from interconnection services totaled US\$ 2.6 mln, including organization and maintenance of access points. Revenue from traffic transmission services totaled US\$ 107.3 mln.

As of 1H 2008, revenues from non-core activities totaled US\$ 25.1 mln, including US\$ 1.8 mln from agency agreements.

Operating expenses amounted to US\$ 670.2 mln. (+23.0% on 1H 2007). The expenditure structure is as follows:

<i>Item, US\$ mln.</i>	<i>1H 2008</i>	<i>Weight in expenses</i>	<i>1H 2007</i>	<i>Weight in expenses</i>	<i>Change (1H 2008 / 1H 2007), %</i>
Wages	146.2	21.8%	129.5	23.8%	+12.9%
Social tax expense	33.3	5.0%	29.0	5.3%	+14.6%
Depreciation and amortization	106.7	15.9%	80.7	14.8%	+32.2%
Telecom operators' services	116.9	17.4%	89.0	16.3%	+31.4%
Materials	43.5	6.5%	37.6	6.9%	+15.8%
Third party services	60.4	9.0%	49.6	9.1%	+21.8%
Other expenses, including	163.2	24.4%	129.4	23.8%	+26.1%
<i>Agency commissions</i>	43.8	6.5%	46.5	8.5%	-5.8%
<i>Contributions to Universal Service Fund</i>	8.3	1.2%	7.1	1.3%	+16.2%
<i>Rental payments</i>	57.6	8.6%	32.2	5.9%	+79.0%
TOTAL	670.2	100.0%	544.9	100.0%	+23.0%

Depreciation and amortization increased by US\$ 26.0 mln as of 1H 2008 due to the putting into operation of new assets worth US\$ 58.1 mln.

Considerable growth of expenses for Telecom operators' services was caused by increased subscriber base of mobile and new services.

Repairs and maintenance (categorized under Third party services) amounted to US\$ 28.4 mln (+33.3% on 1H 2007).

Other expenses were mainly impacted by rental payments (+79.0% on 1H 2007) due to increased leasing payments.

Therefore, as of 1H 2008 EBITDA totaled US\$ 286.8 mln. (+9.9%), operating profit – US\$ 164.8 mln. (-9.7%), pre-tax profit – US\$ 98.1 mln. (-21.4%), net profit – US\$ 68.2 mln (-21.0%).

INVESTMENTS

The investments as of 1H 2008 amounted to US\$ 133.1 mln.