

2008 FINANCIAL & OPERATIONAL RESULTS (RAS)

Ekaterinburg – April 2, 2009 – 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 year ended December 31, 2008 prepared under Russian Accounting Standards (RAS).

- Revenues increased by 6.5% on 2007 and totaled US\$ 1.6 bln. The revenue growth is mainly due to revenue gains in new services (+ 52.6%) and mobile services (+7.9%):
- EBITDA^[1] increased by 3.6% on 2007. EBITDA margin totaled 32.8%. Operating margin – 17.6%.
- Net profit decreased by 25.4% to US\$ 107.7 mln. Net margin totaled 6.6%.
- Subscriber base totaled 9.4 million including 5.7 million in mobile/GSM.

Financial and operational highlights:

	2008	2007	Change, %
<i>financial</i>			
Revenues, US\$ mln.	1,631.5	1,532.3	+6,5%
Costs, US\$ mln.	1,345.0	1,193.8	+12.7%
EBITDA, US\$ mln.	535.4	516.9	+3.6%
EBITDA margin	32.8%	33.7%	-
Operating profit, US\$ mln.	286.4	338.5	-15.4%
Operating margin	17.6%	22.1%	-
Pre-tax profit, US\$ mln.	166.7	217.1	-23.2%
Net profit, US\$ mln.	107.7	144.2	-25.4%
Net margin	6.6%	9.4%	-
<i>operational</i>			
	31/12/2008	31/12/2007	Change, %
Subscriber base:			
Fixed-line subscribers, mln.	3.72	3.70	+0.6%
Mobile (GSM) subscribers, mln.	5.7	5.1	+11.8%
Broadband subscribers, thous.	541.2	294.6	+83.7%
Digitalization of local fixed-line networks, %	77.2	74.5	
Number of employees	23,520	26,218	-10,3%

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

2008 – RUR 24.9, 2007 – RUR 25.6

^[1] For information:

EBITDA is calculated as a sum of pre-tax profit, interest payable, depreciation of fixed assets, leasing payments less interest receivable.

Complete accounting statements of Uralsvyazinform as of 2008 under Russian Accounting Standards are available from www.usi.ru/en/.

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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.

OVERVIEW OF BUSINESS

Local services

	01/01/2009	01/01/2008	Change, %
Installed capacity, thous. lines	4,288.4	4,111.3	+4.3%
Subscriber base, thous. lines, <i>including</i>	3,722.6	3,698.6	+0.6%
<i>Residents</i>	3,167.7	3,158.6	+0.3%
<i>Organizations</i>	554.9	540.0	+2.8%

As of 2008 Uralsvyazinform added 24.0 thousand fixed-line subscribers.

Revenues from local services increased by 1.1% on 2007 and totaled US\$ 410.7 mln. Revenues from local calls increased by 1.4% (+US\$ 5.0 mln.).

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

	2007	2006
Line installation	11.4	14.3
Local calls provision (monthly payment and call charges), <i>including:</i>	357.5	352.5
<i>Line charge</i>	210.8	190.2
<i>Unlimited call charge</i>	79.3	96.1
<i>Time-based billing</i>	46.2	42.3
<i>Combined charges</i>	21.3	23.8
Other local services (contracts redrawn, etc)	19.4	18.9
Line and cabling rentals	22.1	20.2
Payphone calls	0.2	0.4
Total	410.7	406.3

The revenues from local services in terms of customer mix:

- residents – 72.2% (73.0 % as of 2007);
- organizations – 27.8% (27.0%).

Internet

	2008	2007	Change, %
Traffic, mln. min.	1,328.3	1,795.6	-26.0%
Traffic, Tbytes, incl	23,182.9	3,702.7	+526.1%
<i>dedicated channels</i>	22,824.2	3,335.3	+584.3%
<i>xDSL</i>	22,370.9	2,696.3	+729.7%

Revenues from internet services and data transmission, US\$ mln:

	2008	2007	Change, %
Revenues from Internet services, incl	163.3	103.4	57.9%
<i>Dial-up services</i>	22.1	26.2	-15.7%
<i>Broadband, incl</i>	141.2	77.2	82.9%
<i>xDSL</i>	135.1	70.6	91.2%
Data transmission	33.4	23.3	43.0%
VoIP	6.2	6.1	0.9%
Total	202.9	132.9	52.6%

Intrazone services

Outbound traffic, million minutes	2008	2007	Change, %
Intrazone calls, including	2,292.5	2,429.5	-5.6%
Fixed-to-fixed	545.5	620.2	-12.0%
Fixed-to-mobile	1,747.0	1,809.3	-3.4%

Revenues from intra-zone communications services, US\$ mln:

	2008	2007	Change, %
Revenues from intra-zone services, including	202.1	202.2	0.0%
<i>Fixed-to-fixed calls</i>	<i>56.4</i>	<i>60.5</i>	<i>-6.8%</i>
<i>Fixed-to-mobile calls</i>	<i>120.1</i>	<i>120.2</i>	<i>-0.1%</i>

The intra-zone revenues in terms of customer mix:

- Residents – 39.6% (43.5 % as of 2007);
- Organizations – 60.4% (56.5%).

GSM mobile services

Subscriber base	01.01.2009	01.07.2008	01.01.2008	01.07.2007	01.01.2007
Total	5 655 780	5 381 992	5 114 729	4 618 801	4 411 987

Revenues from mobile services increased by 7.9% and totaled US\$ 526.8 mln.

As of 2008 ARPU totaled US\$ 8.1 (US\$ 8.6 as of 2007).

Generally, as of January 01, 2009 Uralsvyazinform (Utel - trademark) had 5.7 mln. GSM subscribers, and a regional market share of 30% of in subscriber terms and 36% in revenue terms.

REVENUES AND EXPENSES REVIEW

Generally, as of 2008 revenues totaled US\$ 1,635.1 mln. (+6.5% on 2007), revenues from telecom services reached US\$ 1,579.1 mln. (+7.8%).

The structure of revenues from telecommunications services in 2008:

<i>Item, US\$ mln.</i>	<i>2008</i>	<i>Weight in revenues</i>	<i>2008</i>	<i>Weight in revenues</i>	<i>Change (2008/2007), %</i>
Revenues from telecom services, including	1,579.1	100.0%	1,465.4	100.0%	+7.8%
Intrazone services	202.1	12.8%	202.2	13.8%	0.0%
Local urban services	372.5	23.6%	369.7	25.2%	+0.8%
Local rural services	38.2	2.4%	36.7	2.5%	+4.2%
Documentary services	6.9	0.4%	6.7	0.5%	+3.0%
Wired radio	10.5	0.7%	11.2	0.8%	-6.1%
Radio communication, radio and TV broadcasting	9.4	0.6%	7.9	0.5%	+19.1%
Mobile services	526.8	33.4%	488.4	33.3%	+7.9%
Internet and non-regulated data transmission services	202.9	12.8%	132.9	9.1%	+52.6%
<i>Including Internet</i>	163.3	10.3%	103.4	7.1%	+57.9%
Revenues from interconnection and transfer of traffic	209.5	13.3%	208.5	14.2%	+0.5%
Other revenues	0.3	0.0%	1.2	0.1%	-76.6%

Revenue gains were mostly in connection with:

- Increased revenues from mobile services as a result of GSM subscriber additions and improved ARPU.
- Increased revenues from new services (*Internet, data transmission, VoIP*) due to increased number of subscribers and higher usage of Internet and data transmission services.

Operating expenses amounted to US\$ 1,345.0 mln. (+12.7% on 2007). The expenditure structure is as follows:

<i>Item, US\$ mln.</i>	<i>2007</i>	<i>Weight in expenses</i>	<i>2006</i>	<i>Weight in expenses</i>	<i>Change (2007/2006), %</i>
Wages	295.3	22.0%	282.4	23.7%	+4.6%
Social tax expense	59.3	4.4%	55.1	4.6%	+7.7%
Depreciation	211.2	15.7%	172.4	14.4%	+22.5%
Telecommunication operators' services	234.7	17.5%	204.2	17.1%	+14.9%
<i>including Rostelecom</i>	6.6	0.5%	5.5	0.5%	+18.9%
Materials	88.4	6.6%	79.3	6.6%	+11.5%
Third party services	132.0	9.8%	109.9	9.2%	+20.1%
Other expenses, <i>including</i>	324.0	24.0%	290.5	24.4%	+11.5%
<i>Agents' commissions</i>	87.8	6.5%	99.2	8.3%	-11.5%
<i>Universal service fund expense</i>	16.3	1.2%	15.1	1.3%	+7.8%
<i>Rental payments</i>	108.0	8.0%	81.7	6.8%	+32.1%
TOTAL	1,345.0	100.0%	1,193.8	100.0%	+12.7%

As of 2007, expenses structure is characterized by lower share of personnel expenses, decreased agents' commissions, increased A&D, increased expenses on operators' services in connection with call termination and provision of Internet services, and higher share of leasing payments.

Wages increased by 4.5% and contributed 22.0% (23.7% as of 2007).

An increase in depreciation of US\$ 38.8 mln is due to the putting in operation of fixed assets.

Considerable growth of expenses for Telecommunication operators services was caused by increased subscriber base of mobile and new services. Besides, expenses for Other operators' services were influenced by changes to the "Telecoms Law" (Article 54) and "Interconnection Rules" (approved by Government Decree # 161 as of 28/03/2005) in effect since July 01, 2006.

Telecommunication operators' services expense increased by US\$ 30.5 mln (+14.9% on 2007).

Repairs and maintenance (categorized under Third party services) totaled US\$ 58.2 mln.

Other expenses were mainly driven by Universal service fund expense (+7.8%), and Rental payments (+32.1%).

Thus, as of 2008, EBITDA totaled US\$ 535.4 mln (+3.6%), operating profit – US\$ 286.4 mln (-15.4%), pre-tax profit – US\$ 166.7 mln (-23.2%), net profit – US\$ 107.7 mln (-25.4%).

INVESTMENTS

The investments as of 2007 amounted to US\$ 401.2 mln. (+44.2% on 2007).

Capex structure is as follows:

<i>Item</i>	<i>2008</i>	<i>2007</i>
Investments, US\$ million	401,2	278,2
Fixed-line telephony	22%	13%
New services	37%	46%
Data transmission network and infrastructure	20%	17%
Information technology	8%	15%
Other, including	13%	9%
<i>Repairs and construction of buildings and constructions</i>	<i>5%</i>	<i>4%</i>
TOTAL	100%	100%