

## **I QUARTER 2009 FINANCIAL & OPERATIONAL RESULTS (RAS)**

*Ekaterinburg – May 13, 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 1<sup>st</sup> quarter 2009, prepared under Russian Accounting Standards (RAS).*

- Revenues increased by 1.5% in comparison with the 1<sup>st</sup> quarter 2008 and totaled RUR 10 bln. The revenue growth is mainly due to revenue gains in local services (+2.3%) and Internet services&data transmission (+34.2%).
- EBITDA<sup>[1]</sup> increased by 14.1% compared with the level of 1<sup>st</sup> quarter 2008. EBITDA margin totaled 38.7%. Operating margin – 22.3%.
- Net profit increased by 22.6% and amounted RUR 1 bln. Net margin totaled 9.8%.
- Subscriber base reached 9.5 million benchmark including 5.8 million in mobile/GSM.

### ***Financial and operational highlights:***

	<i>1<sup>st</sup> quarter 2009</i>	<i>1<sup>st</sup> quarter 2008</i>	<i>Change, %</i>
<i>financial</i>			
Revenues, RUR mln.	10 024.9	9 879.9	+1.5%
Costs, RUR mln.	7 790.0	7 709.2	+1.0%
EBITDA, RUR mln.	3 881.2	3 401.8	+14.1%
EBITDA margin	38.7%	34.4%	
Operating profit, RUR mln.	2 234.9	2 170.8	+3.0%
Operating margin	22.3%	22.0%	
Pre-tax profit, RUR mln.	1 303.0	1 174.5	+10.9%
Net profit, RUR mln.	981.0	800.4	+22.6%
Net margin	9.8%	8.1%	
<i>operational</i>			
	<i>01.04.2009</i>	<i>01.04.2008</i>	<i>Change, %</i>
Subscriber base:			
Fixed-line subscribers, mln.	3.7	3.7	+0.5%
Mobile (GSM) subscribers, mln.	5.8	5.2	+11.5%
Broadband subscribers, thous.	589.5	343.4	+71.7%
Digitalization of local fixed-line networks, %	77.2	74.5	
Number of employees	22 263	24 405	-8.8%

<sup>[1]</sup> 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 the 1<sup>st</sup> quarter 2009 under Russian Accounting Standards are available from [www.usi.ru/en/](http://www.usi.ru/en/).

For additional information, please contact IR department on tel. (007 343) 379-12-17, 379-18-59 or e-mail: [investor@gd.usi.ru](mailto:investor@gd.usi.ru).

The most recent company information is also available at [www.usi.ru/en/](http://www.usi.ru/en/), [www.skrin.ru](http://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

	<b>01.01.2009</b>	<b>01.01.2008</b>	<b>Change, %</b>
Installed capacity, thous. lines	4 288.4	4 111.3	+4.3%
	<b>01.04.2009</b>	<b>01.04.2008</b>	<b>Change, %</b>
Subscriber base, thous. lines, <i>including</i>	3 724.5	3 702.6	+0.6%
<i>Residents</i>	3 171.7	3 157.5	+0.4%
<i>Organizations</i>	552.8	545.1	+1.4%

As of the 1<sup>st</sup> quarter 2009 Uralsvyazinform added 1.9 thousand fixed-line subscribers.

Revenues from local services increased by 2.3% as compared with the 1<sup>st</sup> quarter 2008 and totaled RUR 2 626.1 mln. Revenues from local calls increased by 3.7% (RUR 83.3 mln), including RUR 13.7 mln for OTA and RUR 69.6 mln for change of the average payment on local services (subscriber fee and connection charges).

*The local revenues by types of services (including radio access CDMA, DECT), RUR mln:*

	<b>1st quarter 2009</b>	<b>1st quarter 2008</b>	<b>Change, %</b>
Line installation	45.8	76.7	-40.3%
Local calls provision (monthly payment and call charges), including:	2 314.5	2 231.2	+3.7%
<i>Line charge</i>	1 342.3	1 310.5	+2.4%
<i>Unlimited call charge</i>	524.7	472.1	+11.1%
<i>Time-based billing</i>	312.8	310.0	+0.9%
<i>Combined charges</i>	134.7	138.6	-2.8%
Other local services (contracts redrawn, etc)	122.1	116.8	+4.5%
Line and cabling rentals	143.2	141.8	+1.0%
Payphone calls	0.5	2.0	-75.0%
<b>Total</b>	<b>2 626.1</b>	<b>2 568.5</b>	<b>+2.3%</b>

The revenues from local services in terms of customer mix:

- residents – 73.1% (72.2% as of the 1<sup>st</sup> quarter 2008);
- organizations – 26.9% (27.8%)

### Internet

	<b>1<sup>st</sup> quarter 2009</b>	<b>1<sup>st</sup> quarter 2008</b>	<b>Change, %</b>
Traffic, mln. min.	233.3	469.4	-50.3%
Traffic, Tbytes, incl	17 008.4	2 503.3	+579.4%
<i>dedicated channels, incl</i>	<i>16 979.6</i>	<i>2 371.4</i>	<i>+616.0%</i>
<i>xDSL</i>	<i>16 848.2</i>	<i>2 274.1</i>	<i>+640.9%</i>

*Revenues from internet services and data transmission, RUR mln:*

	<b>1<sup>st</sup> quarter 2009</b>	<b>1<sup>st</sup> quarter 2008</b>	<b>Change, %</b>
Revenues from Internet services, incl	1 241.5	910.0	+36.4%
<i>Dial-up services</i>	<i>95.2</i>	<i>172.8</i>	<i>-44.9%</i>
<i>Broadband, incl</i>	<i>1 146.3</i>	<i>737.2</i>	<i>+55.5%</i>
<i>xDSL</i>	<i>1 120.8</i>	<i>699.7</i>	<i>+60.2%</i>
Data transmission	246.8	190.5	+29.6%
VoIP	40.9	39.3	+4.1%
<b>Total</b>	<b>1 529.2</b>	<b>1 139.8</b>	<b>+34.2%</b>

### Intrazone services

<b>Outbound traffic, million minutes</b>	<b>1<sup>st</sup> quarter 2009</b>	<b>1<sup>st</sup> quarter 2008</b>	<b>Change, %</b>
Intrazone calls, including	505.7	591.5	-14.5%
<i>Fixed-to-fixed</i>	<i>122.6</i>	<i>144.0</i>	<i>-14.9%</i>
<i>Fixed-to-mobile</i>	<i>383.1</i>	<i>447.5</i>	<i>-14.4%</i>

### Revenues from intra-zone communications services, RUR mln:

	<b>1<sup>st</sup> quarter 2009</b>	<b>1<sup>st</sup> quarter 2008</b>	<b>Change, %</b>
Revenues from intra-zone services, including	1 178.3	1 257.7	-6.3%
<i>Fixed-to-fixed calls</i>	<i>315.4</i>	<i>364.1</i>	<i>-13.4%</i>
<i>Fixed-to-mobile calls</i>	<i>671.0</i>	<i>757.5</i>	<i>-11.4%</i>

The intra-zone revenues in terms of customer mix:

- Residents – 38.7% (43.4 % as of the 1<sup>st</sup> quarter 2008);
- Organizations – 61.3% (56.6%).

### GSM mobile services

<b>Subscriber base</b>	<b>01.04.2009</b>	<b>01.01.2009</b>	<b>01.04.2008</b>	<b>01.01.2008</b>	<b>01.04.2009</b>
<b>Total</b>	<b>5 813 160</b>	<b>5 655 780</b>	<b>5 249 226</b>	<b>5 114 729</b>	<b>5 813 160</b>

Revenues from mobile services decreased by 0.8% as compared with the 1<sup>st</sup> quarter 2008 and totaled RUR 3 081.6 mln.

ARPU totaled RUR 178 as of the 1<sup>st</sup> quarter 2009 and RUR 198 as of the 1<sup>st</sup> quarter 2008.

Generally, by April 01, 2009 Uralsvyazinform (Utel - trademark) had 5.8 mln. GSM subscribers and a regional market share of 30% in subscriber terms and 42% in revenue terms.

## REVENUES AND EXPENSES REVIEW

Generally, as of the 1<sup>st</sup> quarter 2009 revenues totaled RUR 10 024.9 mln (+1.5% as compared with the 1<sup>st</sup> quarter 2008), revenues from telecom services reached RUR 9 743.1 mln (+1.9%).

The structure of revenues from telecommunications services in the 1<sup>st</sup> quarter 2009:

<i>Item, RUR mln.</i>	<i>1 quarter 2009</i>	<i>Weight in revenues</i>	<i>1 quarter 2008</i>	<i>Weight in revenues</i>	<i>Change (1Q 2009/1Q 2008), %</i>
<b>Revenues from telecom services, including</b>	9 743.1	100.0%	9 564.8	100.0%	+1.9%
Intrazone services	1 178.3	12.1%	1 257.7	13.1%	-6.3%
Local urban services	2 378.3	24.4%	2 331.8	24.4%	+2.0%
Local rural services	247.9	2.5%	236.8	2.5%	+4.7%
Documentary services	39.0	0.4%	42.8	0.4%	-8.9%
Wired radio	65.1	0.7%	66.9	0.7%	-2.7%
Radio communication, radio and TV broadcasting	65.0	0.7%	56.9	0.6%	+14.2%
Mobile services	3 081.6	31.6%	3 106.2	32.5%	-0.8%
Internet and non-regulated data transmission services	1 529.2	15.7%	1 139.8	11.9%	+34.2%
<i>Including Internet</i>	<i>1 241.5</i>	<i>12.7%</i>	<i>910.0</i>	<i>9.5%</i>	<i>+36.4%</i>
Revenues from interconnection and transfer of traffic	1 156.7	11.9%	1 323.6	13.8%	-12.6%
Other revenues	2.0	0.0%	2.3	0.1%	-13.0%

Revenue gains were mostly in connection with:

- Increased revenues from local services at the expense of the average payment change on local services (subscriber fee and connection charges).
- Increased revenues from new services (*Internet, data transmission, VoIP*) due to increased number of subscribers and higher usage of Internet and data transmission services.

Incomes from traffic admission made up RUR 1 156.7 mln (-12.6% as compared with the level of the 1<sup>st</sup> quarter 2008). Incomes from traffic admission in the 1<sup>st</sup> quarter 2009 totaled RUR 3.3 mln (-94.2% as compared with the level of the 1<sup>st</sup> quarter 2008), including incomes from a point of admission – RUR 3.3 mln. Based on the Governmental order of the Russian Federation dated October 12, 2007, «About modification of the acts of the Government of the Russian Federation concerning communication». Beginning with March 01, 2008 the charges for a point of admission were cancelled. Incomes from traffic admission in the 1<sup>st</sup> quarter 2009 totaled RUR 1 153.4 mln (-8.9 % as compared with the level of the 1<sup>st</sup> quarter 2008).

Incomes from non-core activity in the 1<sup>st</sup> quarter 2009 amounted RUR – 281.8 mln. (-10.6 % as compared with the level of the 1<sup>st</sup> quarter 2008). Including the sum of incomes under contracts for assistance and agency for the 1<sup>st</sup> quarter 2009 RUR – 14.3 mln.

Operating expenses amounted to RUR 7 790.0 mln. (+1.0% as compared with the 1<sup>st</sup> quarter 2008). The expenditure structure is as follows:

<i>Item, RUR mln.</i>	<i>1 quarter 2009</i>	<i>Weight in expenses</i>	<i>1 quarter 2008</i>	<i>Weight in expenses</i>	<i>Change (1Q 2009/1Q 2008), %</i>
Wages	1 424.1	18.3%	1 608.4	20.9%	-11.5%
Social tax expense	353.8	4.5%	397.8	5.2%	-11.1%
Depreciation	1 532.3	19.7%	1 273.8	16.5%	+20.3%
Telecommunication operators'	1 407.4	18.1%	1 333.8	17.3%	+5.5%

services					
Materials	494.2	6.3%	522.4	6.8%	-5.4%
Third party services	624.6	8.0%	636.1	8.3%	-1.8%
Other expenses, <i>including</i>	1 953.7	25.1%	1 936.7	25.1%	+0.9%
<i>Agents' commissions</i>	589.8	7.6%	534.5	6.9%	+10.4
<i>Universal service fund expense</i>	101.9	1.3%	97.3	1.3%	+4.7%
<i>Leasing payments</i>	439.5	5.6%	514.5	6.7%	-14.6%
<b>TOTAL</b>	<b>7 790.0</b>	<b>100.0%</b>	<b>7 709.2</b>	<b>100.0%</b>	<b>+1.0%</b>

Wages decreased by 4.5% and contributed 18.3% in the 1<sup>st</sup> quarter 2009 (11.5% and 20.9% as of the 1<sup>st</sup> quarter 2008 respectively). The reason for decrease in expenses is the personnel optimization.

An increase in depreciation of RUR 258.5 mln is due to the putting in operation of fixed assets. Fixed assets put in operation made up RUR 9 980 mln in 2008.

Considerable growth of expenses for Telecommunication operators services was caused by increased subscriber base of mobile and new services. Expenses growth for Telecommunication operators services amounted RUR 73.6 mln (+ 5.5% as compared with the 1<sup>st</sup> quarter 2008) and also expenses increase of the admission to the Internet services increased by RUR 82.8 mln.

Repairs and maintenance (categorized under Third party services) totaled RUR 314.8 mln, increased by +4.5% in the 1<sup>st</sup> quarter 2009 due to expenses growth of the post – guarantee maintenance of the equipment, which was caused by increase in the exchange rates.

**Thus, as of the 1<sup>st</sup> quarter 2009, EBITDA totaled RUR 3 881.2 mln (+14.1%), operating profit – RUR 2 234.9 mln (+3.0%), profit before tax – RUR 1 303.0 mln (+10.9%), net profit – RUR 981.0 mln (+22.6%).**

## **INVESTMENTS**

The investments as of the 1st quarter 2009 amounted to RUR 288.1 (+37.2 as compared with the 1<sup>st</sup> quarter 2008).

Capex structure is as follows:

<i>Item</i>	<b>1<sup>st</sup> quarter 2009</b>	<b>1<sup>st</sup> quarter 2008</b>
<b>Investments, RUR million</b>	<b>774.8</b>	<b>288.1</b>
Fixed-line telephony	10.6%	6.1%
New services	57.0%	23.8%
Data transmission network and infrastructure	12.1%	44.8%
Information technology	7.7%	0.2%
Other, including	12.6%	25.1%
<i>Repairs and construction of buildings and constructions</i>	2.6%	14.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>