

## URALSVYAZINFORM: 2008 FINANCIAL RESULTS UNDER IFRS

Ekaterinburg – July 15, 2009 – Uralsvyazinform (RTS: URSI/URSIP) the leading carrier of fixed-line and mobile services in the Urals region, Russia presents the audited consolidated financial statements for the year ended December 31, 2008 prepared under International Financial Reporting Standards (IFRS). The financial statements were audited by KPMG (ZAO).

Revenue increased by 3.9% as compared to 2007 and amounted to RUB 40.7 bln. For most, revenues were driven by mobile services and data/Internet services.

- Revenue from mobile services totaled RUB 13.2 bln. (+5.5% on 2007), being 32.2% of overall revenues.
- Revenues from telegraph services, data transmission and Internet amounted to RUB 5.2 bln (+49.6%), climbing 12.9% of overall revenues.

Operating expenses increased by 6.2% and totaled RUB 35.9 bln, mainly due to the growth in interconnection charges (+11.4%), and depreciation and amortization (+17.8%). Wages and salaries expense decreased by 0.7% as a result of staff reduction and structural developments.

Operating profit amounted to RUB 6.5 bln (+3.6% on 2007). EBITDA increased by 6.4%. EBITDA margin increased from 33.1% to 33.9%. Net profit totaled RUB 2.5 bln (+10.4%).

### Financial highlights 2008-2007, RUB million:

	2008	2007*	Change, %
Revenues, RUB mln	40,691	39,147	+3.9%
EBITDA, RUB mln[1]	13,792	12,961	+6.4%
EBITDA margin	33.9%	33.1%	-
Operating profit, RUB mln	6,481	6,257	+3.6%
Operating margin	15.9%	16.0%	-
Net profit, RUB mln	2,535	2,297	+10.4%
Net margin	6.2%	5.9%	-
Net debt, RUB mln	26,596	25,883	+2.8%

\* as adjusted

[1] EBITDA is calculated as a sum of profit before income tax less depreciation & amortization and interest payable (net).

[2] Margins are calculated as respective indicator divided by revenue

[3] Net debt is calculated as a sum of long-term and current financial lease obligations less cash & cash equivalents.

Complete accounting statements of Uralsvyazinform as of 2008 may be found on the corporate web-site at [www.usi.ru/en/](http://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](mailto:investor@gd.usi.ru).

The most recent company information is also available at [www.uralsviazinform.com](http://www.uralsviazinform.com), [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.

## FINANCIAL REVIEW

### *Revenues*

In general revenue as of 2008 totaled RUB 40,691 mln (+3.9% on 2007).

The revenue structure for the reporting period is as follows (*in Ruble million*):

<i>Revenues</i>	<i>2008</i>	<i>Weight in revenues</i>	<i>2007</i>	<i>Weight in revenues</i>	<i>Change. y-o-y. %</i>
Cellular services	13,156	32.3%	12,471	31.9%	+5.5%
Local telephone services	10,218	25.1%	10,413	26.6%	-1.9%
Telegraph, data transfer and telematic services (Internet)	5,239	12.9%	3,502	8.9%	+49.6%
Interconnection and traffic transmission services	5,229	12.9%	5,317	13.6%	-1.7%
Intrazone telephone services	5,026	12.4%	5,165	13.2%	-2.7%
Other telecommunications services	1,223	3.0%	1,147	2.9%	+6.6%
Mobile and wireline radio and television	495	1.2%	488	1.2%	+1.4%
Assistance and agents services	86	0.2%	562	1.4%	-84.7%
Other revenues (non-core activities)	19	0.0%	82	0.2%	-76.8%
<b>Total</b>	<b>40,691</b>	<b>100.0%</b>	<b>39,147</b>	<b>100.0%</b>	<b>+3.9%</b>

As of 2008, revenues from mobile services increased by 5.5% to RUB 13,156 mln due to subscriber additions. GSM subscriber base increased by 12% (from 5.1 mln as of December 31, 2007 to 5.7 mln as of December 31, 2008). Average revenue per subscriber (ARPU) as of 2008 and 2007 amounted to RUB 202 and RUB 221 respectively.

The share of mobile services in the overall revenues increased from 31.9% to 32.3%.

Revenues from Telegraph, data transfer and telematic services (Internet) amounted to RUB 1,737 mln (+49.6% on 2007) due to increased number of customers and higher usage of services. The number of subscribers of broadband services increased by 83.7% versus the previous year from 295,000 to 541,000. Internet traffic amounted to 23,392 TBytes (x6.3 on 2007). As of 2008, the segment added 12.9% to the revenue mix as compared to 8.9% in 2006.

Thus, unregulated services generated 45.2% of overall revenue as of reported year, as compared to 40.8% in 2007.

The revenue structure of customer groups in 2008 is as follows, %:

<i>Subscriber groups</i>	<i>2008</i>	<i>2007</i>
Residential customers	58.4%	57.3%
Corporate customers	22.4%	20.9%
Telecommunication operators	13.2%	16.4%
State-sponsored customers	6.0%	5.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

## Operating expenses

Operating expenses totaled RUB 35,930 mln (+6.2% on 2007).

(in Ruble million)

<i>Operating expenses</i>	<i>2008</i>	<i>Weight in expenses</i>	<i>2007</i>	<i>Weight in expenses</i>	<i>Change. y-o-y. %</i>
Wages, salaries, other benefits and payroll taxes	9,243	25.7%	9,307	27.5%	-0.7%
Depreciation and amortization	7,675	21.4%	6,514	19.3%	+17.8%
Interconnection charges	5,845	16.3%	5,245	15.5%	+11.4%
Materials, repairs and maintenance, utilities	3,526	9.8%	3,223	9.5%	+9.4%
Other operating expenses, including	9,641	26.8%	9,546	28.2%	+1.0%
<i>Management-related services of third-party organizations</i>	2,229	6.2%	1,870	5.5%	+19.2%
<i>Agent fees</i>	2,190	6.1%	2,550	7.5%	-14.1%
<i>Taxes other than income tax</i>	1,034	2.9%	935	2.8%	+10.6%
<i>Rent of premises</i>	753	2.1%	650	1.9%	+15.8%
<b>Total operating expenses</b>	<b>35,930</b>	<b>100.0%</b>	<b>33,835</b>	<b>100.0%</b>	<b>+6.2%</b>

Expenses continued to decrease during 2008. This included lower personnel expenses (-0.7% on 2007), and their respective share of 25.7% versus 27.5% in 2007; due to optimization of staff numbers.

Considerable growth of Interconnection charges was caused by increased number of subscribers in mobile and new services. Interconnection charges increased by RUB 600 million (+11.4 on 2007).

The increase of RUB 1,161 mln in depreciation and amortization is due to new assets being commissioned during 2008. As of 2008, the company commissioned RUB 10,797 million worth of fixed assets.

**SUMMARY** The company ended FY2008 with EBITDA at RUB 13,792 million (+6.4%), operating profit at RUB 6,481 million (+3.6%), profit before income tax at RUB 3,334 million, and net profit at RUB 2,535 million (+10.4%).

Equities and IR Department  
Tel.: (343) 379-1326  
IR Department  
Tel.: (343) 379-1217  
(343) 379-1219  
Fax: (343) 379-1986  
[investor@gd.usi.ru](mailto:investor@gd.usi.ru)