

## URALSVYAZINFORM: 1H 2009 RESULTS

Ekaterinburg – August 07, 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 6 months of 2009 prepared under Russian Accounting Standards (RAS).

- Revenues increased by 0.7% on 1H 2008 and totaled RUR 20.1 billion driven by revenue gains in:
  - Local telephone services (+2.8%);
  - Internet and unregulated data transmission services (+33.2%).
- EBITDA[1] increased by 12.2% on 1H 2008. EBITDA margin[2] amounted to 38.1%. Operating margin – 20.4%.
- Net profit increased by 17.7% and amounted to RUR 1.9 billion. Net margin amounted to 9.6%.

### *Financial and operational highlights:*

	<i>1H 2009</i>	<i>1H 2008</i>	<i>Change, %</i>
<i>Financial</i>			
Revenues, RUR mln.	20,103.4	19,958.4	+0.7%
Costs, RUR mln.	16,004.6	16,017.9	-0.1%
EBITDA, RUR mln. [1]	7,666.1	6,833.2	+12.2%
EBITDA margin	38.1%	34.2%	
Operating profit, RUR mln.	4,098.7	3,940.5	+4.0%
Operating margin	20.4%	19.7%	
Pre-tax profit, RUR mln.	2,523.9	2,347.5	+7.5%
Net profit, RUR mln.	1,920.8	1,631.7	+17.7%
Net margin	9.6%	8.2%	
<i>Operational</i>			
	<i>30/06/2009</i>	<i>30/06/2008</i>	<i>Change, %</i>
Subscriber base:			
Fixed-line subscribers, mln.	3.7	3.7	+0.5%
Mobile (GSM) subscribers, mln.	5.7	5.4	+5.6%
Broadband subscribers, thous.	633.3	392.2	+61.4%
Digitalization of local fixed-line networks, %	77.2%	74.9%	
Number of employees	22,051	24,073	-8.4%

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

[2] EBITDA margin, Operating margin, Net margin represent EBITDA, Operating profit, and Net profit expressed as a percentage of revenue.

Complete accounting statements of Uralsvyazinform as of 1H 2009 are available from Uralsvyazinform [web-site](#).

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.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*

	30/06/2009	30/06/2008	Change, %
Subscriber base, thous. lines, <i>including</i>	3,724.6	3,707.3	+0.5%
<i>Residents</i>	3,173.5	3,157.8	+0.5%
<i>Organizations</i>	551.1	549.5	+0.3%

### *Subscriber distribution per tariff plans, residents*

	30.06.2009	30.06.2008
Residential subscribers, total (thousand), incl	3,174	3,158
Technically enabled for tariff selection (thousand)	2,986	2,961
<i>Subscribers now using the tariff:</i>		
<i>Time billed</i>	56%	53%
<i>Unlimited</i>	28%	31%
<i>Combined (incl additional options)</i>	16%	16%

As of 1H 2009 Uralsvyazinform added 2,000 fixed-line subscribers.

Revenues from local services increased by 2.8% on 1H 2008 and totaled RUR 5,245.2 mln. Revenues from local calls increased by 5.0%, including RUR 25.3 mln in subscriber additions and RUR 195.0 mln due to changes in tariffs for local calls (monthly payments and call charges).

*Revenue from local services, by types (including radio access CDMA, DECT), RUR million:*

	1H 2009	1H 2008
Line installation	86.0	147.2
Local calls provision (monthly payment and call charges), <i>including:</i>	4,645.9	4,425.7
<i>Line charge</i>	2,732.6	2,621.8
<i>Unlimited call charge</i>	1,033.7	941.9
<i>Time-based billing</i>	612.4	592.0
<i>Combined charges</i>	267.2	270.0
Other local services (contracts redrawn, etc)	235.9	248.6
Line and cabling rentals	276.6	278.8
Payphone calls (including 'universal services')	0.8	3.5
<b>Total</b>	<b>5,245.2</b>	<b>5,103.8</b>

The revenues from local services in terms of customer mix:

- residents – 73.4% (71.9% as of 1H 2008);
- organizations – 26.6% (28.1%).

### *Internet*

#### *Network development*

	1H 2009	1H 2008	Change, %
Dial-up traffic, mln minutes	383.7	843.5	-54.5%
Traffic, Tbytes	37,335.1	6,481.9	+476.0%
<i>via broadband channels, incl</i>	<i>37,294.2</i>	<i>6,271.7</i>	<i>+494.6%</i>
<i>using xDSL technology</i>	<i>37,187.6</i>	<i>6,072.2</i>	<i>+512.4%</i>

*Revenue from Internet and unregulated data transmission services, RUR million*

	<i>1H 2009</i>	<i>1H 2008</i>	<i>Change, %</i>
Internet	2,526.2	1,880.0	+34.4%
<i>incl dial-up services</i>	<i>172.9</i>	<i>320.0</i>	<i>-46.0%</i>
<i>broadband services</i>	<i>2,353.3</i>	<i>1,560.0</i>	<i>+50.9%</i>
<i>incl using xDSL</i>	<i>2,293.8</i>	<i>1,476.7</i>	<i>+55.3%</i>
Data transmission	491.7	379.2	+29.7%
VoIP services	97.4	79.3	+22.8%
<b>Revenue from Internet and unregulated data transmission services, total</b>	<b>3,115.3</b>	<b>2,338.5</b>	<b>+33.2%</b>

*Intrazone services*

*Traffic*

<i>Outbound traffic, mln minutes</i>	<i>1H 2009</i>	<i>1H 2008</i>	<i>Change, %</i>
Intrazone calls, including	1,030.6	1,172.4	-12.1%
<i>Fixed-to-fixed</i>	<i>248.1</i>	<i>279.3</i>	<i>-11.2%</i>
<i>Fixed-to-mobile</i>	<i>782.5</i>	<i>893.1</i>	<i>-12.4%</i>

*Revenue from intrazone services, RUR million*

	<i>1H 2009</i>	<i>1H 2008</i>	<i>Change, %</i>
Revenue from intrazone services, incl:	2,308.7	2,533.6	-8.9%
<i>Fixed-to-fixed</i>	<i>616.6</i>	<i>710.8</i>	<i>-13.3%</i>
<i>Fixed-to-mobile</i>	<i>1,341.8</i>	<i>1,517.3</i>	<i>-11.6%</i>
<i>Channel rent</i>	<i>310.1</i>	<i>267.0</i>	<i>+16.1%</i>
<i>Others</i>	<i>40.2</i>	<i>38.5</i>	<i>+4.4%</i>

Revenue from intrazone services per customer categories:

- residents – 38.3% (43.1% as of 1H 2008);
- organizations – 61.7% (56.9%).

*Mobile services (GSM)*

Revenues from mobile services decreased increased by 2.9% on 1H 2008 and totaled RUR 6,238.4 mln. As the same time, as of 2Q 2009 segment revenue increased by 2.4% as compared to 1Q 2009.

As of 1H 2009 and 1H 2008, ARPU totaled RUR 180 and RUR 203, respectively.

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## **REVENUES AND EXPENSES REVIEW**

Generally, as of 1H 2009 revenues totaled RUR 20,103.4 mln (+0.7% on 1H 2008), while revenues from telecom services reached RUR 19,532.6 mln. (+0.9%).

Revenues from telecommunications services as of 1H 2009:

<i>Item, RUR mln.</i>	<i>1H 2009</i>	<i>Weight</i>	<i>1H 2008</i>	<i>Weight</i>	<i>Change (1H2009 / 1H2008), %</i>
<b>Revenues from telecom services, including</b>	<b>19,532.6</b>	<b>100.0%</b>	<b>19 358.5</b>	<b>100.0%</b>	<b>+0.9%</b>
Intrazone services	2,308.7	11.8%	2,533.6	13.1%	-8.9%
Local urban services	4,749.7	24.3%	4,630.3	23.9%	+2.6%
Local rural services	495.5	2.5%	473.5	2.4%	+4.6%
Documentary services	77.2	0.4%	82.9	0.4%	-6.9%
Wired radio	137.0	0.7%	133.8	0.7%	+2.4%
Radio communication, radio and TV broadcasting	129.8	0.7%	113.2	0.6%	+14.7%
Mobile services	6,238.4	31.9%	6,422.8	33.2%	-2.9%
Internet and non-regulated data transmission services	3,115.3	16.0%	2,338.5	12.1%	+33.2%
<i>Including Internet</i>	<i>2,526.2</i>	<i>12.9%</i>	<i>1,878.7</i>	<i>9.7%</i>	<i>+34.5%</i>
Interconnection and traffic transmission services	2,276.2	11.7%	2,626.3	13.6%	-13.3%
Other revenues from core activities	4.8	0.0%	3.6	0.0%	+33.3%

For most, revenues were driven by:

- Revenue gains in Internet and non-regulated services due to increased number of subscribers and higher usage of Internet and data transmission services.
- Revenues gains in local telephone services as a result of changes in average rates (monthly charges and call charges).

Revenue from interconnection and traffic transmission services amounted to RUR 2,276.2 mln (-13.3% on 1H 2008). The Company's interconnection revenues comprise revenues for setting up access points which amounted to RUR 7.1 mln as of 1H 2009 (-88.4% on 1H 2008). The charges for maintenance of access points were canceled from 01/03/2008 following the RF Government Decree 'On revision of certain Acts adopted by the Government of Russian Federation' dated 12/10/2007. Revenue from traffic transmission services amounted to RUR 2,269.1 mln (-11.5% on 1H 2008).

As of 1H 2008, revenues from non-core activities totaled RUR 570.8 mln (-4.9% on 1H 2008), including RUR 26.6 mln from assistance agreements and agent fees.

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Operating expenses amounted to RUR 16,004.6 mln. (-0.1% on 1H 2008).

<i>Item, RUR mln.</i>	<i>1H 2009</i>	<i>Weight</i>	<i>1H 2008</i>	<i>Weight</i>	<i>Change (1H 2009 / 1H 2008), %</i>
Wages	3,044.9	19.1%	3,494.1	21.8%	-12.9%
Social tax expense	722.7	4.5%	795.4	5.0%	-9.1%
Depreciation and amortization	3,062.8	19.1%	2,550.1	15.9%	+20.1%
Telecom operators' services	2,882.9	18.0%	2,793.6	17.4%	+3.2%
Materials	981.2	6.1%	1,039.9	6.5%	-5.7%
Third party services	1,313.2	8.2%	1,443.8	9.0%	-9.0%
Other expenses, including <i>Contributions to Universal Service Fund</i>	3,996.9	25.0%	3,901.0	24.4%	+2.5%
<i>Leasing</i>	204.7	1.3%	198.4	1.2%	+3.2%
<b>TOTAL</b>	<b>16,004.6</b>	<b>100.0%</b>	<b>16,017.9</b>	<b>100.0%</b>	<b>-0.1%</b>

Wages expense decreased by 12.9% as compared to 1H 2008, while their share of total expenditure decreased from 21.8% as of 1H 2008 to 19.1%. Lower expense was due to the optimization of staff numbers.

Depreciation and amortization increased by RUR 512.8 mln as of 1H 2009 due to the putting into operation of new assets worth RUR 58.1 mln. As of 2008 the company put into operation RUR 9,980 mln worth of fixed assets.

Considerable growth of expenses for Telecom operators' services was caused by increased number of subscribers and increased usage of Internet and data transmission services. The item's expense increased by RUR 89.3 mln (+3.2% on 1H 2008), including the expense for provision of Internet services, which increased by RUR 172.5 mln.

Repairs and maintenance (categorized under Third party services) amounted to RUR 675.7 mln (+2.8% on 1H 2007), including increased spending on post-guarantee maintenance due to changes in foreign currency rates.

**Generally, as of 1H 2009 EBITDA totaled RUR 7,666.1 mln. (+12.2%), operating profit – RUR 4,098.7 mln. (+4.0%), pre-tax profit – RUR 2,523.9 mln. (+7.5%), net profit – RUR 1,920.8 mln (+17.7%).**

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## **LIABILITIES AND CURRENT ASSETS**

	<b>30.06.2009</b>	<b>01.01.2009</b>
Credits and loans, including	23 769,0	23 924,2
<i>Long-term</i>	<i>13 223,7</i>	<i>15 363,4</i>
<i>Short-term</i>	<i>10 545,3</i>	<i>8 560,8</i>
Cash and cash equivalents and short-term financial investments*	4 388,1	2 561,0

\* Short-term financial investments include mainly promissory notes issued by banks, used by the Company to derive financial proceeds.

## **INVESTMENTS**

The investments as of 1H 2008 amounted to RUR 1,149.6 mln (36.1% of this used in 1H 2008).

Investment structure:

	<b>1H 2009</b>	<b>1H 2008</b>
<b>Investments, total, RUR million</b>	<b>1,149.6</b>	<b>3,182.4</b>
Traditional (fixed-line) telephony	3.9%	12.4%
New services, incl mobile services	40.9%	52.0%
Data transmission network and infrastructure	44.5%	14.5%
IT	0.5%	7.9%
Others, incl	10.2%	13.2%
<i>Repair and maintenance of buildings and constructions</i>	<i>5.2%</i>	<i>4.4%</i>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>