

URALSVYAZINFORM: 2007 FINANCIAL RESULTS UNDER IFRS

Ekaterinburg – July 09, 2008 – 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, 2007 prepared under International Financial Reporting Standards (IFRS). The financial statements were audited by OOO “Ernst and Young”.

Revenue increased by 22.4% as compared to 2006 and amounted to US\$ 1.5 bln. Revenue gains in mobile services, new services and intra-zone services were the main growth drivers.

Revenue from mobile services totaled US\$ 487.1 mln. (+30.3% on 2006). The segment contributed 31.9% of overall revenues.

Revenues from new services (Internet and data transmission) amounted to US\$ 136.8 mln (+44.9%). The segment contributed 8.9% of overall revenues.

Operating expenses in 2007 increased by 15.9% and totaled US\$ 1,293.8 mln., mainly due to the growth in interconnection charges (+53.9%), agency fees (+63.5%), and depreciation and amortization (+23.5%). Wages and salaries expense decreased by 2.7% as a result of staff reduction and structural developments.

Operating profit amounted to US\$ 235.3 mln (+77.9% on 2006). OIBDA increased by 44.8%. OIBDA margin increased from 27.1% to 32.0%. Net profit as of 2007 totaled US\$ 89.7 mln, being x3.2 increase on 2006.

Financial highlights 2007-2006, US\$ million:*

	2007	2006**	Change, %
Revenues, US\$ mln	1,529.2	1,249.1	+22.4%
OIBDA. US\$ mln[1]	489.8	338.3	+44.8%
<i>OIBDA margin</i>	32.0%	27.1%	-
Operating profit. US\$ mln	235.3	132.3	+77.9%
<i>Operating margin</i>	15.4%	10.6%	-
Profit before income tax. US\$ mln	148.4	45.6	+225.7%
Net profit. US\$ mln	89.7	28.0	+220.6%
<i>Net margin</i>	5.9%	2.2%	-
EPS	0.0022	0.0007	+220.4%

* Here and henceforth currency conversions are based on average exchange rates:
 2007 – RUR 25.6. 2006 – RUR 27.1

** as adjusted

[1] OIBDA is calculated as a sum of operating profit and depreciation & amortization.

Anatoly Ufimkin. CEO comments the results of the year: *“In 2007, Uralsvyazinform demonstrated solid performance, mobile and broadband internet again being the major growth drivers, with revenue gains of 30% and 45%, respectively. All-in-all, unregulated services delivered 41% of overall sales. We also strengthened our market position in a competitive internet market, with our market share now being 56%. On the other hand, we retained our 42%*

market share of mobile services (in revenue terms). Thus in 2007, Uralsvyazinform continued to develop as a versatile operator that seeks to offer the most efficient and up-to-date communication solutions.

We also performed well from the expenses perspective, and maintained outrunning growth of revenues versus expenses (22% versus 16%); most notably, salaries and wages decreased by 3%. As of 2007 Uralsvyazinform received a substantial reimbursement of its expenses on the universal services (about US\$ 30 mln), which is another positive factor in terms of efficiency. All-in-all, financially as of 2007 our main achievements included an increase of OIBDA at 45% and net profit at x3.2”.

Complete accounting statements of Uralsvyazinform as of 2007 may be found on the corporate web-site at www.usi.ru/en/.

The senior management of Uralsvyazinform would like to invite you to take part in a **conference call and webcast on Thursday, July 10, 2008**. Executives at Uralsvyazinform will give a conference call on Uralsvyazinform 2007 year-end IFRS results followed by Q&A session at **3.00 p.m. Moscow time (12.00 a.m. London time)**. The management team will be represented by Valery Chernyshev, Deputy General Director & CFO. To view participation details please scroll down to the end of document.

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.uralsviazinform.com, 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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FINANCIAL REVIEW

Revenues

In general revenues as of 2007 totaled US\$ 1.529.2 mln (+22.4% on 2006).

The revenue structure for the reporting period is as follows (*US\$ million*):

<i>Revenues</i>	<i>2007</i>	<i>Weight in revenues</i>	<i>2006</i>	<i>Weight in revenues</i>	<i>Change. y-o-y. %</i>
Cellular services	487.1	31.9%	373.8	29.9%	+30.3%
Local telephone calls	392.5	25.7%	341.8	27.4%	+14.8%
Interconnection and traffic transmission services	207.7	13.6%	179.9	14.4%	+15.5%
Intrazone telephone services	186.1	12.2%	134.3	10.7%	+38.6%
Data transfer and telematic services (Internet)	136.8	8.9%	94.4	7.6%	+44.9%
Assistance and agents services	22.0	1.4%	32.9	2.6%	-33.2%
Mobile and wireline radio and television	19.1	1.2%	20.2	1.6%	-5.4%
Rent of channels	15.6	1.0%	25.2	2.0%	-38.0%
Installation and connection fees	14.3	0.9%	12.0	1.0%	+19.2%
Other telecommunications services	3.2	0.2%	1.0	0.1%	+212.5%
Other revenues (non-core activities)	44.8	2.9%	33.6	2.7%	+33.2%
Total	1,529.2	100.0%	1,249.1	100.0%	+22.4%

Revenues from mobile services in 2007 increased by 30.3% to US\$ 487.1 mln due to subscriber additions and increased ARPU. GSM subscriber base increased by 16% (from 4.4 mln as of Jan 1, 2007 to 5.1 mln as of Jan 1, 2008). Average revenue per subscriber (ARPU) as of 2007 and 2006 amounted to US\$ 8.6 and US\$ 7.7 respectively.

The share of mobile services in the overall revenues increased from 29.9% to 31.9%.

The company continually develops and puts in commercial use new services related to Internet and data transfer. Revenues from Internet and data transmission increased by 44.9% on 2006, due to increased number of customers and upgrades in the range of services. The number of broadband ports as of 2007 increased by 2.6 times from 115 thous. to 295 thous. Internet traffic amounted to 3,531.6 TBytes (+291.7% on 2006). As of 2007, new services contributed 8.9% to the revenues as compared to 7.6% in 2006.

Thus, unregulated services generated 40.8% of overall revenue as of reported year, as compared to 37.5% in 2006.

Revenues from intrazone services were due to introduction of "Calling Party Pays" principle (CPP) on July 01, 2006 specifying that fixed-to-mobile calls are categorized as intrazone calls; Revenues from fixed-to-mobile calls totaled US\$ 119.9 mln (+83% on 2006).

Revenues from local services as of 2007 increased by US\$ 50.7 mln. (+14.8% on 2006). Both subscriber additions (+25.8 thous as of 2007) and the tariff reform which enabled the tariff plans (time-billed, combined and unlimited) effective since February 1, 2007 are among the growth drivers in the segment.

Residential subscriber distribution as at end-2007:

Residential subscribers, total: 3,159,000

Including technically enabled for selection of billing system: 2,948,000 (93%);

Time based tariff – 52%;

Combined tariff – 16%;

Unlimited tariff – 32%.

The revenue structure of customer groups in 2007 is as follows. US\$ mln.:

<i>Subscriber groups</i>	2007	2006
Residential customers	876.9	702.7
Corporate customers	318.9	231.4
Other operators	250.4	243.8
Government customers	82.9	71.1
Tariff compensation from the state budget	0.02	0.2
TOTAL	1,529.2	1,249.1

Operating expenses

Operating expenses totaled US\$ 1.293.8 mln (up 15.9% on 2006).

Expenses. (US\$ million)

<i>Operating expenses</i>	2007	<i>Weight in expenses</i>	2006	<i>Weight in expenses</i>	<i>Change. y-o-y. %</i>
Wages, salaries, other benefits and payroll taxes	(372.7)	28.8%	(383.0)	34.3%	-2.7%
Depreciation and amortization	(254.5)	19.7%	(206.0)	18.4%	+23.5%
Materials, repairs and maintenance, utilities	(124.1)	9.6%	(114.2)	10.2%	+8.7%
Taxes other than income tax	(36.5)	2.8%	(33.5)	3.0%	+9.1%
Interconnection charges	(204.9)	15.8%	(133.1)	11.9%	+53.9%
Provision for impairment of receivables	(3.6)	0.3%	1.1	0.1%	-426.7%
Loss on disposal of property, plant and equipment and other assets	(15.6)	1.2%	(7.3)	0.7%	+114.1%
Agent fees	(99.6)	7.7%	(61.0)	5.5%	+63.5%
Rent of premises	(25.4)	2.0%	(20.6)	1.8%	+23.1%
Advertising	(22.1)	1.7%	(18.5)	1.7%	+19.8%
Reimbursement on losses on provision of universal services	29.6	-2.3%	-		
Other operating expenses	(164.5)	12.7%	(140.9)	12.6%	+16.8%
Total operating expenses	(1.293.8)	100.0%	(1.116.8)	100.0%	+15.9%

As opposed to 2006, expenses structure as of 2007 is characterized by lower share of personnel expenses, increased expenses on operators' services in connection with call termination and provision of Internet services, and higher agency fees.

Wages, salaries and other personnel expenses decreased by US\$ 10.3 mln (-2.7% on 2006), its share of total expenses being 28.8% versus 34.3% as of 2006. Expenses decreased due to optimization of staff numbers and outsourcing of sales and customer service. The latter on the other hand affected the agency fees' expense.

Considerable growth of Interconnection charges was caused by increased number of subscribers in mobile and new services. Besides, Interconnection charges 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. Interconnection charges increased by 53.9% as compared to 2006.

Other operational expenses increased by US\$ 23.6 mln (+16.8%), including contributions to universal services fund at US\$ 15.1 mln.

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Invitation to Uralsvyazinform webcast on the 2007 year-end IFRS results

The senior management of Uralsvyazinform would like to invite you to take part in a conference call and webcast on Thursday, July 10, 2008. Executives at Uralsvyazinform will give a conference call on Uralsvyazinform 2007 year-end IFRS results followed by Q&A session at **3.00 p.m. Moscow time (12.00 a.m. London time)**. The management team will be represented by Valery Chernyshev, Deputy General Director & CFO.

The conference will be held in Russian.

Dial-in number to access the conference call is as follows:

+44 (0)20 7806 1953 (UK Toll)

+7 (495) 789 8156 (Russia Toll)

Please, quote Confirmation code: 9445841

Participants will have to quote the above code when dialing into the conference.

To help ensure the conference begins in a timely manner, we kindly ask all participants to dial in 5 to 10 minutes prior to the scheduled start time.

The webcast will be available live and in 1 hour after the conference call at:

www.thomson-webcast.net (shortened for convenience)

Shortly after the conference, the webcast recording along with the presentation slides will be available for downloading on Uralsvyazinform website: www.usi.ru/en/