

1H 2005: MOBILE BUSINESS CONSOLIDATION COMPLETED

Ekaterinburg – August 5, 2005 – Uralsvyazinform (RTS: URSI/URSIP), the leading carrier of fixed-line and mobile services in the Urals region, Russia reports the unconsolidated unaudited 1H 2005 financial and operational results under Russian accounting standards (RAS).

- **Revenue growth was 19% compared to 1H 2004 mainly due to the increase in DLD and ILD traffic, rise in local tariffs, and growth of fixed-line and GSM subscriber bases;**
- **OIBDA increased by 20% vs. 1H 2004, OIBDA margin remained 35%;**
- **Fixed-line segment delivered 20% revenue growth;**
- **Mobile revenues increased by 36%;**
- **Long-distance revenues increased by 11%;**
- **Internet and data transmission revenues increased 75%**
- **Total subscriber number reached 6.3 mln, including 2.8 mln GSM subscribers;**
- **As of July 23, 2005 the AGM took place. The AGM selected new Board composition, approved distribution of profits for 2004 and amendments to the Charter completing the legal process of affiliation of the mobile service subsidiaries to Uralsvyazinform.**

Operational and financial highlights:

	30.06.2005	30.06.2004	Change, %
<i>Financial</i>			
Revenues, RUR mln.	13 408,2	11 266,7	+19%
Costs, RUR mln.	10 073,8	8 433,5	+19%
OIBDA, RUR mln.	4 679,0	3 891,5	+20%
OIBDA margin	35%	35%	-
Operating profit, RUR mln.	3 334,4	2 833,2	+18%
Operating margin	25%	25%	-
Pre-tax profit, RUR mln.	1 333,5	1 485,7	-10%
Net profit, RUR mln.	790,3	946,5	-16%
Net margin	6%	8%	-
<i>Operational</i>			
Subscriber base:			
Fixed-line subscribers, mln	3,5	3,3	+6%
Mobile (GSM) subscribers, mln*	2,8	1,5	x1,9
Digitalization of local fixed-line networks, %	66,9%	62,4%	-
Penetration:			
Fixed lines (Uralsvyazinform), %	22,9	21,6	-
Mobile, %	61,5	28,0	-
Number of employees by segments of business:			
Fixed line services, thous.	33,1	34,8	-5%
Mobile services, thous.*	1,10	1,15	-5%

* Including subsidiary businesses

Anatoly Ufimkin, CEO, commented the results of the six months: “The major event of the first six months is the completion of our mobile and internet subsidiaries’ consolidation. The joining of five subsidiaries and the consolidation of their figures in the Uralsvyazinform’s accounts, starting with July 1, 2005, will make our business clear and transparent for stockholders and investors will enable to increase the efficiency of mobile and Internet assets as well as cut the expenses due to the saving on the commercial scale.

As for financial figures of the first six months, they meet our expectations and even exceed our initial forecasts planned in the budget, including net profit. Therefore, we do not alter our financial forecast for 2005”.

Complete accounting statements of Uralsvyazinform as of 1H 2005 may be found on the corporate web-site at www.uralsviazinform.com

For additional information, please contact IR department on tel. +7 (343) 379 1217 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 - SKRIN) or URSI_RU page in Bloomberg system.

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OVERVIEW OF BUSINESS

Local services

	01.01.2005	01.01.2004	Change, %
Capacity installed, '000 lines	3 779,7	3 591,6	+5%
	30.06.2005	30.06.2004	Change, %
Subscribers' 000 <i>including</i>	3 449,6	3 260,5	+6%
Residents	2 968,3	2 801,9	+6%
Organizations	481,3	458,6	+5%
Digitalization of urban networks, %	70,6	66,3	-
Digitalization of rural networks, %	31,4	21,3	-

The growth of fixed-line subscriber base over 1H 2005 totaled 78.9 thous.

Revenues from local services were RUR 4 604,4 mln, a 20.4% up on 1H 2004. Revenues from monthly rentals grew by RUR 650,6 mln, driven by the growth of subscriber base (RUR 171,3 mln), and growth of average rates (RUR 479,3 mln). Growing average rates were supported by the increase of local tariffs as of Sept 1, 2004 by an average 24%. Revenues from other local services increased by RUR 128,2 mln compared to 1H 2004 mainly due to higher revenues from affiliated operators. Operating profit to costs ratio in the segment was 15%

The revenues from local services by client categories:

- residents – 65,4 % (67,1% as for 1 H 2004 r.),
- organizations – 34,6% (32,9%).

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

Line installation	11,2%
Monthly rentals	68,6%
Per-minute payments (Time-billed calls)	1,8%
Other local services (contracts redrawn etc)	5,6%
Revenues from affiliated operators	8,7%
Line and cabling rentals	3,6%
Payphone calls	0,5%

Internet

	1H 2005	1H 2004	Change, %
Traffic, '000 min.	702 849,0	446 349,4	+57,5%
Traffic, Gb	187 676,9	121 354,1	+54,7%
Revenues from Internet, RUR thous	412 046,6	250 404,4	+64,6%

DLD/ILD telephony

Outgoing traffic, mln min	1H 2005	1H 2004	Change, %
Total, including	1 234,7	1 145,0	+7,8%
Domestic	1 162,9	1 080,9	+7,6%
International	71,7	64,2	+11,8%

Revenues from long-distance services increased by 10.6% as compared to 1H 2004 and totaled RUR 5 194,8 mln. Revenues from DLD/ IDL services increased by RUR 220.9 mln, including increase of out-going chargeable exchange by RUR 321.5 mln and decrease of aggregated

average rate from RUR 3.59 as compared to 1H 2004 to RUR 3.51 in 1H 2005, revenue decrease was RUR 100.6 mln. Revenues from other DLD/ IDL services increased by RUR 277.4 mln, mainly due to the affiliated operators. Operating profit to costs ratio in the segment was 56%.

Revenue structure of long-distance services, by client categories:

Residents – 44,7% (46,6% as for 1H 2004 г.),

Organizations - 55,3% (53,4).

The decrease of long-distance tariffs in the intra-zone segment by 5% on average translated into the decrease of the average per-minute rates – from RUR 3.14 in 1H 2004 to RUR 3.06 in 1H 2005.

The average rate per one minute of ILD calls totaled RUR 10.7 (down 4% on 1H 2004).

The intra-zone long-distance lines (in extension terms) were 70.1% digitalized as of Jan 1, 2005 (compared to 56.2% as of Jan 1, 2004).

Mobile GSM telephony

	01.07.2005 г.	01.07.2004 г.	Изменение, %
Uralsvyazinform (Perm region)			
Subscribers	797 370	442 164	+80%
Uralsvyazinform (Sverdlovsk region)			
Subscribers	161 707	0	-
Ermak RMS (Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs)			
Subscribers	979 290	468 082	x2,1
South Urals Cellular Phone (Chelyabinsk and Kurgan regions)			
Subscribers	863 459	590 628	+46%

The financial statements of Uralsvyazinform as presented under Russian accounting standards incorporate solely the results of the company's divisions, which provide mobile services on the territory of Perm and Sverdlovsk regions. The results of the two subsidiary mobile operators – Ermak RMS and South Urals Cellular Phone where Uralsvyazinform holds 100% stakes are only consolidated under International Accounting Standards (IAS). The statements presented here and henceforth with regard to mobile business, shall be therefore regarded as statements that do not consolidate results of subsidiary businesses and reflect exclusively the metrics of the company's divisions acting on the territory of Perm and Sverdlovsk regions.

As of July, 2005, due to the company reorganization by affiliating mobile businesses, Uralsvyazinform reporting will include affiliated companies' results, in accordance with RAS.

The revenues generated by mobile business in 1H 2005 were RUR 1 122,3 mln, a 36.5% up on 1H 2004. The main catalyst to the revenue growth was x2.2 growth in the subscriber number in Perm and Sverdlovsk regions compared to 1H 2004 (959.1 thous. as of 01.07.2005). The segment's operating profit to costs ratio as of 2004 was 27.3%.

Value-added services (SMS, MMS, and GPRS) contribute approx. 11% to the overall revenues from mobile services (1H 2004 – 8%).

The company retained about 30% of the mobile market in the Urals region. Since September 28, 2004 Uralsvyazinform started its GSM900/1800 mobile services in Sverdlovsk region and Ekaterinburg, where its market share is currently about 5%. Together with its subsidiaries Uralsvyazinform had 2.9 mln subscribers as of August 1, 2005. The subscriber growth for the 8 months of 2005 amounted to 40%.

REVENUES AND EXPENSES REVIEW

Generally, the company's revenues in 1H 2005 totaled RUR 13 408,2 mln. (up 19.0% on 1H 2004), where revenues from telecommunications were RUR 11 838,3 mln (+18.2%).

The structure of revenues from telecommunications services in 1H 2005, RUR mln.

Items	1H 2005	Share in the revenues	1H 2004	Share in the revenues
Revenues from telecommunications services, including	11 838,3	100,0%	10 015,8	100,0%
Domestic long-distance services	4 424,2	37,4%	3 977,4	39,7%
International long-distance services	770,6	6,5%	719,2	7,2%
Telegraph, telefax services	157,2	1,3%	159,2	1,6%
Local urban services	4 222,4	35,7%	3 532,8	35,3%
Local rural services	382,0	3,2%	292,8	2,9%
Radio communication, radio and TV broadcasting, satellite communications	63,0	0,5%	53,9	0,5%
Wired radio	149,1	1,3%	145,0	1,4%
Mobile services and paging	1 122,3	9,5%	822,5	8,2%
New services	547,6	4,6%	313,0	3,1%
<i>incl. Internet</i>	<i>412,0</i>	<i>3,5%</i>	<i>250,4</i>	<i>2,5%</i>

Operating expenses amounted to RUR 10 073,8 mln. (up 19.4% as compared to 1H 2004).

The expenditure structure is as follows, RUR thousand:

Items	1H 2005	Share in the expenses	1H 2004	Share in the expenses
Depreciation	1 345,1	13,4%	1 058,4	12,5%
Wages	3 003,2	29,8%	2 561,5	30,4%
Social tax expense	678,3	6,7%	743,2	8,7%
Rental expenses	173,1	1,7%	114,0	1,4%
Rostelecom interconnect fee	1 581,7	15,7%	1 388,9	16,5%
Other operators' services	446,3	4,4%	328,2	3,9%
Materials	559,9	5,6%	501,3	5,9%
Leasing repayments	166,1	1,6%	130,8	1,6%
Taxes and deductions included in expenses on main operations	14,8	0,1%	34,7	0,4%
Third party services, including	1 270,3	12,6%	897,1	10,6%
<i>Repairs and maintenance</i>	<i>261,2</i>	<i>2,6%</i>	<i>263,1</i>	<i>3,1%</i>
<i>Power and electricity</i>	<i>130,9</i>	<i>1,3%</i>	<i>114,5</i>	<i>1,4%</i>
<i>Heat power</i>	<i>73,4</i>	<i>0,7%</i>	<i>68,0</i>	<i>0,8%</i>
<i>Other utilities</i>	<i>15,6</i>	<i>0,2%</i>	<i>15,5</i>	<i>0,2%</i>
<i>Labor costs</i>	<i>34,2</i>	<i>0,3%</i>	<i>28,9</i>	<i>0,3%</i>
<i>Transport</i>	<i>16,9</i>	<i>0,2%</i>	<i>18,6</i>	<i>0,2%</i>
<i>Security</i>	<i>195,4</i>	<i>1,9%</i>	<i>146,6</i>	<i>1,7%</i>
<i>Consulting, information and audit services</i>	<i>88,2</i>	<i>0,9%</i>	<i>43,4</i>	<i>0,5%</i>
<i>Agent commissions</i>	<i>454,4</i>	<i>4,5%</i>	<i>198,5</i>	<i>2,4%</i>
Other expenses	840,4	8,3%	681,3	8,1%
TOTAL	10 073,8	100,0%	8 433,5	100,0%

The growth of expenses on services of other operators reflects the growing use of Internet and mobile services.

The increase of Agent commissions is due to the growth of sales of mobile contracts by the dealers.

The increase of the amount of short-term and long-term debt (credits and loans) by 46% as compared to 1H 2004, which totaled RUR 17.2 bln as of July 1, 2005, translated into higher interests, which increased by 35.4%. The overall debt has increased by RUR 2.1 bln over the 1H of 2005 (up 13.7%).

The increase of extraordinary charges in more than 2 times is related to the increase of expenses (RUR 160.0 mln) of the last years, displayed in the financial year.

Generally, as of 1H 2005 OIBDA amounted to RUR 4.7 bln (up 20.1%), operating profit – RUR 3.3 bln, (up 17.7%), pre-tax profit – RUR 1.3bln (down 10.2%), net profit – RUR 0.8 bln (down 16.5%).

INVESTMENTS

The investments as of 1H 2005 totaled RUR 2 986,4 mln (up 17.7% on 1H 2004).