

9M 2006 RESULTS: REVENUE UP 18%, OIBDA UP 25%

Ekaterinburg – November 8, 2006 – 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 9M 2006 prepared under Russian Accounting Standards (RAS).

- **Revenues increased by 18% over 9M 2005 driven by revenue gains in:**
 - Local services – up 15%;
 - Mobile services – up 123%;
 - New services – up 77%;
 - Services for national operators – up 68%.
- **OIBDA increased by 25% compared to 9M 2005. OIBDA margin amounted to 37.4%, Operating margin – 25.9%**
- **Overall subscriber base totaled 7.9 million, including 4.2 million in GSM.**

Financial and operational highlights:

	9M 2006	9M 2005	Change, %
<i>Financial</i>			
Revenues, US\$ mln.*	895.8	758.0	+18.2%
Costs, US\$ mln.	663.4	564.9	+17.4%
OIBDA, US\$ mln.	335.0	268.5	+24.8%
OIBDA margin	37.4%	35.4%	-
Operational profit, US\$ mln.	232.5	193.2	+20.3%
Operating margin	25.9%	25.5%	-
Pre-tax profit, US\$ mln.	130.6	81.7	+59.8%
Net profit, US\$ mln.	90.3	50.3	+79.7%
Net margin	10.1%	6.6%	-
<i>Operational</i>			
	01.10.2006	01.10.2005	Change, %
Subscriber base:			
Fixed-line subscribers, mln.	3.7	3.5	+4.3%
Mobile (GSM) subscribers, mln.	4.2	3.2	+32.6%
Digitalization of local fixed-line networks, %	72.7%	70.2%	-
Penetration:			
Fixed lines, %	27%	25%	-
Mobile, %	89%	72%	-
Number of employees	31,644	33,753	-6.0%

* Here and henceforth currency conversions are based on average exchange rates:
 9M 2006 – RUR 27.3, 9M 2005 – RUR 28.2

Anatoly Ufimkin, CEO comments on 9M 2006 results: *'In 9M 2006 we showed good performance with mobile and new services proving the main growth catalysts again, together with services for operators. In new services, broadband access using DSL technology is increasingly important from revenue perspective. From January to September this year the number of DSL subscribers more than tripled (x3.6) at 60 thousand. Net profit increased substantially (up 80%) as a result of organic growth of the business and efficiencies, and our continued efforts to collect compensation from federal budget for state-subsidized client categories (as of 3Q 2006 the compensation received by Uralsvyazinform totaled US\$ 10 million).*

Besides, the 'Caller Party Pays' principle that came into force on June 1, 2006 had positive impact on revenues and operating profit as of 3Q 2006. The new regulations specify that fixed-to-mobile calls are categorized as intra-zone calls and are now charged in separate. As of 3Q

2006 fixed-to-mobile traffic amounted to 539 mln minutes, which translates into US\$ 28 million of additional cash of which over US\$ 19 million went to mobile operators for call termination'.

Complete accounting statements of Uralsvyazinform as of 9M 2006 may be found in the [Financials section](http://www.uralsviainform.com) at www.uralsviainform.com

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.uralsviainform.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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OVERVIEW OF BUSINESS

Local services

	<i>01.01.2006</i>	<i>01.01.2005</i>	<i>Change, %</i>
Capacity installed, '000 lines	3,966.2	3,779.7	+4.9%
	<i>01.10.2006</i>	<i>01.10.2005</i>	<i>Change, %</i>
Subscribers '000			
<i>including</i>			
<i>Residents</i>	3,650.9	3,501.7	+4.3%
<i>Organizations</i>	3,137.3	3,014.6	+4.1%
	513.6	487.1	+5.4%

For 9 months of 2006 Uralsvyazinform added 70.9 thousand fixed-line subscribers.

Revenues from local services totaled US\$ 265.7 mln, 14.9% up on 9M 2005 driven by increased local tariffs in effect since September 1, 2005 and subscriber additions of 149.2 thousand.

The revenues from local services in terms of customer mix:

- residents – 72.4 % (72.2% as of 9M 2005)
- organizations – 27.6% (27.8%).

The local revenues by types of services (including radio access CDMA, DECT), US\$ thous:

Line installation	18,352.7
Monthly rentals	189,214.8
Per-minute payments (time-billed calls)	34,508.2
Other local services (contracts redrawn, etc)	15,020.0
Line and cabling rentals	8,070.7
Payphone calls	554.8

Internet

	<i>9M 2006</i>	<i>9M 2005</i>	<i>Change, %</i>
Traffic, mln min	1,624.6	1,392.3	+16.7%
Traffic, Tbytes	593.1	397.2	+49.3%
Revenues from Internet, US\$ thous.	42,044.2	22,687.3	+85.3%

Intra-zone services

<i>Outbound traffic, mln min</i>	<i>9M 2006</i>	<i>9M 2005</i>	<i>Change, %</i>
Intra-zone traffic, <i>including</i> *	2,865.9	646.5	+343.3%
Fixed-to-fixed calls	603.5	646.5	-6.6%
Fixed-to-mobile calls	2,262.3	n/a	-
For information**			
<i>DLD traffic</i>	793.2	650.1	+22.1%
<i>ILD traffic</i>	95.2	96.9	-1.8%

* Since January 1, 2006 intra-zone traffic comprises the outbound calls initiated by fixed-line subscribers to mobile subscribers within the boundaries of a single inhabited locality.

** The volume of DLD/ILD traffic generated by the subscribers of long-distance operators and transferred by a zonal agent – OJSC “Uralsvyazinform”.

Revenues from intra-zone services as of 9M 2006 amounted to US\$ 88.3 mln. Since January 1, 2006 Uralsvyazinform has not been licensed to provide long-distance services following the changes in legislation and new Interconnection Rules.

The long distance revenues in terms of customer mix:

- residents – 47.7% (58.8% as of 9M 2005),
- organizations – 52.3% (41.2%).

The digitalization of intra-zone LD lines (in extension terms) was 98.8% as of October 1, 2006 (compared to 72.6% as of October 1, 2005).

Mobile services GSM

Number of subscribers	01.11.2006	01.10.2006	01.07.2006	01.01.2006	01.10.2005
<i>Perm region</i>	1 327 137	1 302 047	1 228 216	1 078 766	935 630
<i>Sverdlovsk region</i>	401 489	393 736	371 863	290 072	223 414
<i>Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs</i>	1 531 225	1 504 070	1 438 197	1 271 411	1 122 846
<i>Chelyabinsk and Kurgan regions</i>	1 063 533	1 050 724	1 013 597	1 033 992	924 455
Total	4 323 384	4 250 577	4 051 873	3 674 241	3 206 345

As presented under Russian Accounting Standards (RAS), the Uralsvyazinform reporting in mobile segment before June 30, 2005 incorporated solely the results of the company's divisions, which provide mobile services on the territory of Perm and Sverdlovsk regions. The results of the 3 subsidiary mobile operators - Ermak RMS, South Urals Cellular Phone, Tyumenruscom, which provide mobile services in Kurgan, Chelyabinsk and Tyumen (including Khanty-Mansyisk and Yamalo-Nenetski ADs) regions, were only consolidated under International Accounting Standards (IAS).

Since July 1, 2005, due to reorganization (consolidation) of the subsidiary mobile operators (Ermak RMS, South Urals Cellular Phone, Tyumenruscom), and formation of the united interregional mobile division of OAO "Uralsvyazinform", the financial results of the mobile division have been included in the financial statements of the company.

As of 9M 2006, revenues from mobile services totaled US\$ 271.7 mln, up 123.4% on 9M 2005.

Value-added services (SMS, GPRS, MMS, and WAP) contributed approx. 12% (14% as of 9M 2005) to the overall mobile revenues.

As of 9M 2006 and 3Q 2006, ARPU of mobile services amounted to US\$ 8.1 and US\$ 8.5, respectively*.

* US\$ exchange rate used for 9M 2006 – RUR 27.3, 3Q 2006 – RUR 26.8.

For the reporting period, Uralsvyazinform (mobile trademark - Utel) retained around 30% of regional mobile market in subscriber terms, and 45% in revenue terms. Overall, as of November 1, 2006 Uralsvyazinform had 4.3 mln GSM subscribers across the Urals region. The company added 18% to its subscriber base between January-October 2006.

REVENUES AND EXPENSES REVIEW

On the whole, the company's revenues as of 9M 2006 totaled US\$ 895.8 mln. (+18.2% on 9M 2005), including revenues from telecommunications services at US\$ 851.0 mln (+21.9%).

The structure of revenues from telecommunications services as of 9M 2006, US\$ million:

<i>Item, US\$ mln.</i>	<i>9M 2006</i>	<i>Weight</i>	<i>9M 2005</i>	<i>Weight</i>	<i>Change, %</i>
Revenues from telecommunications services, including:	851.0	100.0%	698.2	100.0%	+21.9%
Intra-zone services	88.3	10.4%	169.5	24.3%	-47.9%
International long-distance services	-	-	36.6	5.2%	-
Telegraph, telefax services	5.3	0.6%	6.0	0.9%	-11.6%
Local urban services	239.7	28.2%	210.1	30.1%	+14.1%
Local rural services	26.0	3.1%	21.1	3.0%	+23.4%
Radio communication, radio and TV broadcasting	4.5	0.5%	3.5	0.50%	+29.0%
Wired radio	8.9	1.0%	8.3	1.2%	+7.2%
Mobile services	271.7	31.9%	121.6	17.4%	+123.4%
New services	55.8	6.6%	31.6	4.5%	+76.7%
<i>incl. Internet</i>	42.0	4.9%	22.7	3.2%	+85.3%
Revenues from operators	150.7	17.7%	89.8	12.9%	+67.9%
<i>incl. Rostelecom</i>	90.6	10.7%	26.9	3.9%	+237.1%

Revenue gains were mostly in connection with:

- Increased revenues from local services due to tariff upgrades as of Sept 1, 2005 (monthly fee) and subscriber additions (149.2 thousand).
- Increased revenues from mobile services as a result of subscriber additions and improved ARPU.
- Increased revenues from new services (Internet, data transmission, VoIP) due to increased number of subscribers and higher usage of Internet and data transmission services.
- Higher revenues from national operators, mainly in interconnection and traffic termination as a result of changes in the 'Telecoms Law' and other regulations in effect as of 01/01/2006.

Operating expenses amounted to US\$ 663.4 mln. (+17.4% as compared to 9M 2005).

The expenditure structure is as follows, US\$ million:

<i>Item, US\$ mln.</i>	<i>9M 2006</i>	<i>Weight</i>	<i>9M 2005</i>	<i>Weight</i>	<i>Change, %</i>
Depreciation	102.5	15.5%	75.3	13.3%	+36.2%
Wages	196.4	29.6%	160.3	28.4%	+22.5%
Social tax expense	43.1	6.5%	35.1	6.2%	+23.0%
Rental expenses	14.5	2.2%	9.6	1.7%	+51.7%
Rostelecom interconnect charges	5.8	0.9%	84.5	15.0%	-93.1%
Other operators' services	74.4	11.2%	35.7	6.3%	+108.5%
Materials	37.6	5.7%	32.0	5.7%	+17.6%
Leasing repayments	18.6	2.8%	10.2	1.8%	+82.9%
Taxes and deductions included in expenses on main operations	1.2	0.2%	1.0	0.2%	+19.0%
Third party services, including	94.7	14.3%	73.6	13.0%	+28.7%
<i>Repairs and maintenance</i>	22.5	3.4%	15.8	2.8%	+42.2%
<i>Power and electricity</i>	8.5	1.3%	6.7	1.2%	+25.8%
<i>Heat power</i>	3.2	0.5%	2.7	0.5%	+17.4%
<i>Other utilities</i>	1.0	0.2%	0.8	0.1%	+27.6%

<i>Labor costs</i>	2.7	0.4%	2.0	0.3%	+35.6%
<i>Transport</i>	1.0	0.1%	0.9	0.2%	+4.3%
<i>Security</i>	13.3	2.0%	10.4	1.8%	+28.5%
<i>Consulting, information and audit services</i>	4.1	0.6%	3.6	0.6%	+14.5%
<i>Agents' commissions</i>	38.4	5.8%	30.6	5.5%	+25.3%
<i>Other expenses</i>	74.5	11.1%	47.7	8.4%	+56.2%
TOTAL	663.4	100.0%	564.9	100.0%	+17.4%

Considerable growth of expenses for Other operators' services was caused by consolidation of the subsidiary mobile businesses (ZAO "Ermak RMS", OOO "South Urals Cellular Phone", ZAO "Tyumenruskom") and their financial and operational results into financial reporting of the parent company since July 1, 2005, as well as by increased subscriber base of mobile and new services. Changes to the 'Telecoms Law' (Article 54) and 'Interconnection Rules' in effect since July 1, 2006 also impacted Other operators' services.

The main contributors to Other expenses were Advertising (16% of Other expenses, up 59% on 9M 2005), and Insurance (12% of Other expenses, down 1% on 9M 2005). Contributions to the Universal service fund, also being part of Other expenses totaled US\$8.6 mln.

Thus, as of 2006 OIBDA amounted to US\$ 335.0 mln. (up 24.8%), operating profit – US\$ 232.5 mln. (up 20.3%), pre-tax profit – US\$ 130.6 mln. (up 59.8%), net profit – US\$ 90.3 mln. (up 79.7%).

INVESTMENTS

Capex as of 9M 2006 totaled US\$ 158.1 mln (up 11.3% on 9M 2005).