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9M 2004 FINANCIAL STATEMENTS UNDER RAS: 35% REVENUE GROWTH, 30%EBITDA RISE

Ekaterinburg – November 10, 2004 – Uralsvyazinform (RTS and MICEX: URSI/URSIP) the leading carrier of fixed-line and mobile services in Urals region reports the 9M 2004 financial and operational results under Russian Accounting (RAS).

- **Revenue growth totaled 35% as compared to 9M 2003 mainly due to DLD and ILD traffic hike, local tariffs increase (monthly fee) and GSM subscriber base growth**
- **EBITDA grew by 30% versus 9M 2003 driving EBITDA margin to 35.7%**
- **Net profit increased by 21%. Net margin totals 9.1%**
- **Revenues from local services grew by 32%**
- **Mobile service revenues expanded by 28%**
- **Long-distance segment saw 36% rise in revenues**
- **Revenues from new services including Internet grew by 48%**
- **Total subscriber base reached 5.1 mln, including 1.8 mln GSM subscribers**

Operational and financial highlights :

	9M 2004	*9M 2003*	*Change, %*
Financial			
Revenues, US$ mln*	599.4	444.1	+35%
Costs, US$ mln	441.1	324.6	+36%
EBITDA, US$ mln	214.0	164.3	+30%
EBITDA margin	35.7%	37.0%	-
Operating profit, US$ mln	158.2	119.5	+32%
Operating margin	26.4%	26.9%	-
Pre-tax profit, US$ mln	86.2	65.1	+32%
Net profit, US$ mln	54.5	45.0	+21%
Net margin	9.1%	10.1%	-
Operational			
Subscriber base:			
Fixed-line subscribers, mln	3.3	3.1	+7%
Mobile (GSM) subscribers, mln**	1.8	0.9	x2.0
Digitalization of local fixed-line networks, %	63.6	56.9	-
Penetration:			
Fixed lines, %	24.4	20.4	-
Mobile, %***	33.2	13.7	-
Number of employees	34 987	37 011	-5%

** here and henceforth currency conversions are based on average exchange rates: 9M 2003 - RUR30.97, 9M 2004 – RUR28.91*
*** including subsidiary business*
**** according to ACM Consulting, all mobile operators working on the territory of Urals Federal district and Perm region*

Vladimir Rybakin, CEO commented the results of nine months: *"9M 2004 financial results are fully in compliance and even beyond our estimates. I would like to mention positive dynamics of key financial indicators: 35% revenue growth, 30% EBITDA rise.*
Capex increased x1.7 up to US$191.4 mln driven by the fact that the high-technology and rapidly developing industry requires investments at anticipating pace which can provide us good prospects on the market. Investments into the mobile segment take up the largest share in investment programme – about US$61 mln . This year main project in mobile segment was the launch of our own GSM network in Ekaterinburg and Sverdlovsk region. The network was launched on September 28, 2004. As a result, Uralsvyazinform GSM network has gained coverage of all 8 subjects of Russian Federation on the territory of the company's presence.
On the whole, though the competition has been getting tougher, Uralsvyazinform has retained its leading position as the largest mobile operator in Urals Federal District and Perm region. Since the beginning of the year the mobile subscriber base of Uralsvyazinform and its subsidiaries has increased x1.7. As of October 1, 2004 the number of subscribers reached 1.8 mln.

Complete accounting statements of Uralsvyazinform as of 9M 2004 may be found on the corporate web-site at www.uralsviazinform.com.

For additional information, please contact IR department on tel. (007 343) 379-12-17 or e-mail: investor@gd.usi.ru.
The most recent company information is also available at www.uralsviazinform.com or URSI_RU page in Bloomberg system.

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OVERVIEW OF BUSINESS

Local services

	30.09.2004	*30.09.2004*	*Change, %*
Capacity installed, '000 lines	3 704,3	3 457,7	+7%
Digitalization of urban networks, %	68,3	61,3	-
Digitalization of rural networks, %	24,6	15,0	-
Subscribers '000			
including	3 313,8	3 092,7	+7%
Residents	2 850,9	2 652,5	+8%
Organizations	462,8	440,2	+5%

The line capacity introduced in 9M 2004 equaled 162 543, fixed-line subscriber base was added by 149 227.

Revenues from local services totaled US$204.1 mln, 32.5% up on the 9M 2003. The growth was driven by an average 20% rise in tariffs for local services in August 1, 2003 and by an average 23% rise in September, 2004, as well as 221.1 thous. new subscribers connected to the local networks.

The local services in terms of customer mix:

- residents – 67.6%,
- organizations – 32.4%.

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

Line installation	15.3%
Monthly rentals	54.6%
Per-minute payments (time-billed calls)	13.0%
Other local services (contracts redrawn, etc)	5.7%
Interconnection of third-party operators	6.7%
Line and cabling rentals	3.9%
Payphone calls	0.8%

Internet

	9M 2004	*9M 2003*	*Change, %*
Traffic, '000 min	665 679	460 664	+45%
Traffic, Gb	183 493	104 239	+76%
Revenues from Internet, US$ thous.	380 793	251 919	+51%

DLD/ILD telephony

Outcoming traffic, mln min	***9M 2004***	***9M 2003***	***Change, %***
Total, *including*	1 804,6	1 543,6	+17%
International	103,7	90,1	+15%
Domestic	1 700,9	1 453,5	+17%

Revenues from long-distance services grew up by 36.1% versus 9M 2003 and amounted to US$248.7 mln. The growth was driven by increase of outcoming paid traffic and changes to settlement system with Rostelecom in effect since August 1, 2004.

The long distance services in terms of customer mix:

- residents – 46.2%,
- organizations – 53.8%.

As of 9M 2004 the average rate per one minute of DLD calls amounted to RUR 3.0, average rate per one minute of ILD calls totaled RUR 10.7.

Mobile services (GSM)

	9M 2004	***9M 2003***	***Change, %***
Uralsvyazinform (Perm region)			
Subscribers	523,3	292,4	x1,8
Ermak RMS (Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs)			
Subscribers	547,4	267,1	x2,1
South Urals Cellular Phone (Chelyabinsk and Kurgan regions)			
Subscribers	683,4	342,6	x2,0

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 Perm region. The results of the 2 subsidiary mobile operators – Ermak RMS and South Urals Cellular Phone where Uralsvyazinform holds 90% and 100% stakes respectively, 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.

The revenues generated by mobile business in 9M 2004 were US$ 44.6 mln, or 28.0% up on 9M 2003. The revenue growth was due to x1.8 growth of the subscriber base in Perm and Perm region (523.3 thous. subs as of October 1, 2004) versus the comparable 9M 2003.

As of the end of 9M 2004 the subscriber base had a following structure:

- Advance payment subscribers - 97%;
- Credit payment subscribers - 3%.

Value-added services (SMS, GPRS, MMS, WAP) contribute approx. 5.0% to the overall mobile revenues.

The company retained its leading position in the regions of Urals. On September 28, 2004 the company started providing GSM 900/1800 services in Ekaterinburg and Sverdlovsk region. As of November 1, 2004 Uralsvyazinform and its associated mobile businesses serviced 1 843.7 thousand subscribers (1 754.1 thousand in October 1, 2004). Over the last 10 months the subscriber base grew by 68%.

REVENUES AND EXPENSES REVIEW

Generally, the company's revenues as of 9M 2004 totaled US$ 599.4 mln. (+34.9% on 9M 2003), where revenues from telecommunications services were US$ 532.6 mln (+33.4%).

The structure of revenues from telecommunications services in 9M 2004 is as follows, US$ thousand:

Items	***9M 2004***	***share in revenues***	***9M 2003***	***share in revenues***
Revenues from telecommunications services, including	532 573	100,0%	399 133	100,0%
Domestic long-distance services	210 213	39,47%	151 706	38,01%
International long-distance services	38 519	7,23%	31 038	7,78%
Telegraph, telefax services	8 164	1,53%	7 420	1,86%
Local urban services	188 409	35,38%	142 904	35,80%
Local rural services	15 666	2,94%	11 154	2,79%
Radio communication, radio and TV broadcasting, satellite communications	2 866	0,54%	2 271	0,57%
Wired radio	7 406	1,39%	7 221	1,81%
Mobile services and paging	44 644	8,39%	34 890	8,74%
New services	16 686	3,13%	10 529	2,64%
incl. Internet	*13 172*	2,47%	*8 134*	2,04%

Operating expenses amounted to US$441,1 mln. (+35.9% as compared to 9M 2003). The expenditure structure is as follows, US$ thousand:

Item	**9M 2004**	**Share in expenses**	**9M 2003**	**Share in expenses**
Depreciation	55 722	12,6%	44 752	13,8%
Wages	133 609	30,3%	102 989	31,7%
Social tax expense	36 420	8,3%	29 411	9,1%
Rental expenses	6 225	1,4%	5 148	1,6%
Rostelecom interconnect charges	73 298	16,6%	41 400	12,8%
Other operators' services	18 142	4,1%	11 385	3,5%
Gossvyaznadzor	2 229	0,5%	1 694	0,5%
Materials	26 816	6,1%	21 692	6,7%
Leasing repayments	7 327	1,7%	6 795	2,1%
Taxes and deductions included in expenses on main operations	1 855	0,4%	1 355	0,4%
Third party services, including	48 391	11,0%	31 352	9,7%
Repairs and maintenance	14 488	3,3%	14 939	4,6%
Power and electricity	5 754	1,3%	4 574	1,4%
Heat power	2 450	0,6%	2 183	0,7%
Other utilities	752	0,2%	722	0,2%
Labor costs	1 274	0,3%	1 092	0,3%
Transport	1 094	0,2%	846	0,3%
Security	7 688	1,7%	5 289	1,6%
Consulting, information and audit	3 427	0,8%	1 706	0,5%

services				
Agents' commissions	11 465	2,6%	-	0%
Other expenses	31 079	7,0%	26 648	8,2%
TOTAL	441 114	100%	324 621	100%

The growth of expenses on Rostelecom interconnection services is due to the increase in ILD/DLD paid traffic, also changes to the settlement system with Rostelecom in effect as of August 1, 2003.

The growth of expenses on services of other operators reflects the growing demand for Internet services, which translates into the 1.8 times increase of Internet traffic.

"Taxes and deductions" showed a significant growth mainly due to changes in accounting methods in relation to Land Tax; in 2003 the respective tax was included in "Rental expenses".

As of 9M 2004 EBITDA amounted to US$ 214.0 mln (+30,3 %), operating profit – US$158.2 mln, (+32.4%), pre-tax profit – US$86.2 mln (+ 32.4%), net profit – US$54.5 mln (+21.0%).

INVESTMENTS

The investments as of 9M 2004 totaled US$191.4 mln (+70.6% on 9M 2003)

The investment structure by segments of business is as follows, US$ million:

	9M 2004	***share in total investments***	***9M 2003***	***share in total investments***
Local telephony	57.0	29,8%	41.0	36,5%
Mobile telephony	61.0	31,9%	18.8	16,7%
ILD/DLD telephony	30.8	16,1%	24.1	21,5%
New services	12.9	6,7%	8.1	7,3%
Other	24.7	12,9%	17.8	15,8%
Total CAPEX	186.4	97,4%	109.8	97,8%
Land	0.3	0,1%	0.4	0,4%
Acquisition of fixed assets	4.7	2,5%	2.0	1,8%
Total	191.4	100%	112.2	100%