

1H 2006 RESULTS: STABLE REVENUE AND PROFITABILITY GROWTH

Ekaterinburg – August 3, 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 1H 2006 prepared under Russian Accounting Standards (RAS).

- Revenues increased by 19% over 1H 2005. The main growth drivers were increased local rates (monthly subscription fees for local services), further subscriber additions in fixed, mobile and Internet services.
- OIBDA grew up to 31% on 1H 2005 as of 1H 2006. OIBDA margin totaled 38,4%. Operating margin was up to 26,5% on 1H 2005.
- Revenue growth in business segments reached:
 - local services - 19%;
 - revenues from operators - 55%;
 - mobile services - 352%;
 - Internet and unregulated data transmission services - 89%.
- Overall subscriber base totaled 7,7 mln., including 4,1 mln. in GSM.
- June 22, 2006 – the company held 2005 Annual General Meeting which elected the BoD members and validated the amount of dividend payment on ordinary and preferred shares, as well as introduced amendments and supplements to internal company documents.

Financial and operational highlights:

	1H2006	1H2005	Change, %
<i>Financial</i>			
Revenues, US\$ mln.*	568.0	477.2	+19.0%
Costs, US\$ mln.	417.3	358.5	+16.4%
OIBDA, US\$ mln.	218.1	166.5	+31.0%
OIBDA margin	38,4%	34,9%	
Operational profit, US\$ mln.	150.7	118.7	+27.0%
Operating margin	26,5%	24,9%	
Pre-tax profit, US\$ mln.	80.4	47.5	+69.3%
Net profit, US\$ mln.	57.1	28.1	+103.2%
Net margin	10,1%	5,9%	
<i>Operational</i>			
	30.06.2006	30.06.2005	Изменение, %
Subscriber base:			
Fixed-line subscribers, mln.	3,6	3,4	+5,2%
Mobile (GSM) subscribers, mln.	4,1**	2,8**	x1,4
Digitalization of local fixed-line networks, %	72,3%	66,9%	
Penetration:			
Fixed lines, %	27%	26%	
Mobile, %	87%	62%	
Number of employees	32,137	33,530	-4,2%

* Here and henceforth currency conversions are based on average exchange rates:

1H 2006 – RUR 27.5, 1H 2005 – RUR 28.1

** including subsidiaries

Complete accounting statements of Uralsvyazinform as of 1H 2006 may be found in the [Financials section](http://www.uralsviazinform.com) at www.uralsviazinform.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.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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OVERVIEW OF BUSINESS

Local services

	01.01.2006	01.01.2005	Change, %
Capacity installed, '000 lines	3,966.2	3,779.7	+5%
	1.07.2006	1.07.2005	Изменение, %
Subscribers '000			
<i>including</i>			
<i>Residents</i>	3 630,0	3 449,6	+5%
<i>Organizations</i>	3 122,0	2 968,3	+5%
	508,0	481,3	+6%

In 1H 2006 Uralsvyazinform added 50.1 thous. fixed-line subscribers.

Revenues from local services totaled US\$178.3 mln, 19.3% up on 1H 2005. The rises in local tariffs as of September 1, 2005 drove the revenue growth, as well as 180.5 thousand in subscriber additions. The profitability (operating profit/costs) of the local services without revenues from operators was 19.4% for the 1H 2006 year.

The revenues from local services in terms of customer mix:

- residents – 72.0 % (71.7% as of 1H 2005)
- organizations – 28.0% (28.3%).

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

Line installation	12 652.9
Monthly rentals	125 236.1
Per-minute payments (time-billed calls)	23 449.1
Other local services (contracts redrawn, etc)	10 395.9
Line and cabling rentals	6 124.6
Payphone calls	435.2

Internet

	1H 2006	1H 2005	Change, %
Traffic, '000 min	1 501,7	709,2	+111,7%
Traffic, Gb	381 705,8	217 910,1	+75,2%
Revenues from Internet, US\$ thous.	27 380.0	13 688.3	+100.0%

Intra-zone services

Outcoming traffic, mln min	1H 2006	1H 2005	Change, %
Intra-zone traffic, <i>including*</i>	2 149,2	419,7	+412,1%
Fixed-to-fixed line calls	425,8	419,7	+1,4%
Fixed-to-mobile calls	1 723,4	n/a	-
For information**			
<i>DLD traffic</i>	518,8	640,0	-18,9%
<i>ILD traffic</i>	62,9	64,4	-2,3%

* 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 in 1H 2006 amounted to US\$ 42.3 mln. Since January 1, 2006 OJSC “Uralsvyazinform” does not provide long-distance services, according to changes in legislation and new Interaction Rules between operators - OJSC “Rostelecom” and other operators. The segment profitability (not including revenues from operators) as of the reporting period totaled 53.8%.

The long distance revenues in terms of customer mix:

- residents – 41.2% (58.9% as of 1H 2005),
- organizations – 58.8 (41.1%).

The digitalization of intra-zone LD lines (in extension terms) was 97.5% as of July 1, 2006 (compared to 71.0% as of July 1, 2005).

Mobile services GSM

Number of subscribers	01.07.2006	01.04.2006	01.01.2006	01.07.2005
<i>Perm region</i>	1 228 216	1 165 964	1 078 766	797 370
<i>Sverdlovsk region</i>	371 863	340 647	290 072	164 544
<i>Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs</i>	1 438 197	1 346 543	1 271 411	979 290
<i>Chelyabinsk and Kurgan regions</i>	1 013 597	932 458	1 033 992	863 459
Total	4 051 873	3 785 612	3 674 241	2 804 663

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 the reporting period the revenues generated by mobile business were US\$ 174.8 mln or 342.5% up on 1H 2005. The segment profitability totaled 43.8%.

New services (SMS, GPRS, MMS, WAP) contributed approx. 10% (12% as of 1H 2005) to the overall mobile revenues.

In the first half of 2006 Uralsvyazinform (mobile trademark - Utel) retained around 30% of regional mobile market in subscriber terms, and 40% market share in revenues. Overall, as of July 1, 2006 Uralsvyazinform had 4.1 mln GSM subscribers across the Urals region. The company added 10% to its subscriber base between January-July 2006.

REVENUES AND EXPENSES REVIEW

On the whole, the company's revenues as of 1H 2006 totaled US\$568,0 mln. (+19.0% on 1H 2005), including revenues from telecommunications services at US\$540.8 mln (+28.4%).

The structure of revenues from telecommunications services in 1H 2006, US\$ thous:

<i>Item, US\$ mln.</i>	<i>1H 2006</i>	<i>Weight</i>	<i>1H 2005</i>	<i>Weight</i>
Revenues from telecommunications services, including:	540.8	100,0%	421.3	100,0%
Domestic long-distance services	42.3	7,8%	115.3*	27,4%
International long-distance services	-	-	24.7	5,9%
Telegraph, telefax services	3.5	0,6%	4.0	0,9%
Local urban services	161.1	29,8%	135.9	32,3%
Local rural services	17.2	3,2%	13.6	3,2%
Radio communication, radio and TV broadcasting	2.9	0,5%	2.2	0,5%
Wired radio	6.0	1,1%	5.3	1,3%
Mobile services	174.8	32,3%	38.7	9,2%
New services	35.6	6,6%	18.8	4,5%
<i>incl. Internet</i>	27.4	5,1%	13.7	3,2%
Revenues from operators	97.4	18,0%	62.7	14,9%
<i>incl. Rostelecom</i>	60.3	11,2%	17.8	4,2%

* in 2005 – revenues from provision of domestic long-distance services

Operating expenses amounted to US\$417.3 mln. (+16.4% as compared to 1H 2005).

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

<i>Item, US\$ mln.</i>	<i>1H 2006</i>	<i>Weight</i>	<i>1H 2005</i>	<i>Weight</i>
Depreciation	67.5	16,2%	47.9	13,4%
Wages	127.9	30,6%	106.9	29,8%
Social tax expense	29.2	7,0%	24.1	6,7%
Rental expenses	9.2	2,2%	6.2	1,7%
Rostelecom interconnect charges	3.9	0,9%	56.3	15,7%
Other operators' services	37.5	9,0%	15.9	4,4%
Materials	23.9	5,7%	19.9	5,6%
Leasing repayments	12.0	2,9%	5.9	1,6%
Taxes and deductions included in expenses on main operations	0.8	0,2%	0.5	0,1%
Third party services, including	60.2	14,4%	45.2	12,6%
<i>Repairs and maintenance</i>	12.4	3,0%	9.3	2,6%
<i>Power and electricity</i>	5.7	1,4%	4.7	1,3%
<i>Heat power</i>	3.1	0,7%	2.6	0,7%
<i>Other utilities</i>	0.7	0,2%	0.6	0,2%
<i>Labor costs</i>	1.7	0,4%	1.2	0,3%
<i>Transport</i>	0.6	0,2%	0.6	0,2%
<i>Security</i>	2.7	0,6%	7.0	1,9%
<i>Consulting, information and audit services</i>	2.7	0,7%	3.1	0,9%
<i>Agents' commissions</i>	24.4	5,8%	16.2	4,5%
Other expenses	45.3	10,9%	29.7	8,3%
TOTAL	417.3	100,0%	358.5	100,0%

Considerable growth of expenses on 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.

The main contributors to Other expenses were Advertising (16% of Other expenses, up 109% on 1H 2005), Insurance (13% of Other expenses, down 3% on 1H 2005). Contributions to the Universal service fund, forming Other expenses, as of 1H 2006 was US\$5.5 mln.

Thus, as of 2006 OIBDA amounted to US\$218.1 mln. (up 31.0%), operating profit – US\$150.7 mln. (up 27.0%), pre-tax profit – US\$80.4 mln. (up 69.3%), net profit – US\$57.1 mln. (up 103.2%).

INVESTMENTS

The investments as of 1H 2006 totaled US\$ 93.9 mln (82% of the Capex as of 1H 2005).