

**1Q 2006 RESULTS: REVENUES UP 17%, OIBDA UP 28%**

Ekaterinburg – May 11, 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 first quarter of 2006 prepared under Russian accounting standards (RAS).

*Due to the completion of restructuring process of Uralsvyazinform's subsidiaries as of on June 30, 2005 including mobile (ZAO "Ermak RMS", OOO "South Urals Cellular Phone", ZAO "Tyumenruscom") and data transmission (OOO "Uralscom", ZAO "VSNET") subsidiaries in the form of consolidation to the parent company, the financial statements of Uralsvyazinform prepared under Russian Accounting Standards comprise property, liabilities and operational results of the consolidated subsidiaries starting with July 1, 2005.*

- **Revenues increased by 16% over 1Q 2005. Further subscriber additions, both in fixed-line and GSM, increased local rates (monthly subscription fees for local services), revenue gains from new services (broadband internet, intelligent networks, cable TV) were the main growth drivers.**
- **OIBDA was up 27% on 1Q 2005. As of 1Q 2006, OIBDA margin was 40%. Operating margin increased to 28%.**
- **At the end of 1Q 2006, overall subscriber base totaled 7.4 million, including 3.8 mln in GSM.**
- **On March 21, 2006 the company placed its 07<sup>th</sup> series bond issue worth RUR 3 bln with maturity in 6 years. The first coupon rate is 8.40% pa.**

***Operational and financial highlights:\****

	<b>1Q 2006</b>	<b>1Q 2005</b>	<b>Change, %</b>
<i>Financial</i>			
Revenues, US\$ mln*	271.7	235.0	+15.6%
Expenses, US\$ mln.	196.0	172.8	+13.5%
OIBDA, US\$ mln.	109.0	86.0	+26.8%
OIBDA margin	40.1%	36.6%	-
Operating profit, US\$ mln.	75.7	62.2	+21.8%
Operating margin	27.9%	26.5%	-
Pre-tax profit, US\$ mln.	44.7	29.4	+51.9%
Net profit, US\$ mln	36.2	20.2	+78.9%
Net margin	13.3%	8.6%	-
<i>Operational</i>			
	<b>01.04.2006</b>	<b>01.04.2005</b>	
Subscriber base:**			
Fixed-line subscribers, mln.	3.6	3.4	+6%
Mobile (GSM) subscribers, mln.	3.8	2.4*	x1.6
Digitalization of local fixed-line networks, %	69.8%	65.9%	-
Penetration:			
Fixed lines, %	26%	25%	
Mobile, %	85%	54%	
Number of employees	32,757	33,633	-3,0%

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

1Q 2006 – RUR28.1, 1Q 2005 RUR 27.9

\*\*including subsidiaries

In commenting the 1st quarter's results Anatoly Ufimkin, CEO noted that: *“over the first quarter of the year the positive impact from business consolidation has continued. Despite the loss of 70% revenues in the long distance segment as a result of legislative reform, we showed good performance in revenues and net profit. Essentially, it is an impressive growth in mobile and Internet segments that helped us deliver the results. Since the beginning of the year the company has been active in the mass broadband market with its DSL offer, as a result the revenues coming from data transmission services more than doubled. With an exceptional potential that our Internet business has, we are aiming to develop this success into the rest of the year.*

Complete accounting statements of Uralsvyazinform as of 1Q 2006 may be found on the corporate web-site at [www.uralsviazinform.com](http://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](mailto:investor@gd.usi.ru).*

*The most recent company information is also available at [www.uralsviazinform.com](http://www.uralsviazinform.com), [www.skrin.ru](http://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

	<b>01.01.2006</b>	<b>01.01.2005</b>	<b>Change, %</b>
Capacity installed, '000 lines	3,966.2	3,779.7	+5%
	<b>01.04.2006</b>	<b>01.04.2005</b>	<b>Change, %</b>
Subscribers '000	3,603.8	3,409.3	+6%
<i>including</i>			
<i>Residents</i>	3,101.4	2,934.3	+6%
<i>Organizations</i>	502.4	475.1	+6%

In 1Q 2006 Uralsvyazinform added 23.8 thous. fixed-line subscribers.

Revenues from local services totaled US\$87.2 mln, 17.4% up on 1Q 2005. The rises in local tariffs as of September 1, 2005 drove the revenue growth, as well as 194.5 thousand in subscriber additions. The segment profitability (operating profit/costs) was 22% for the 1Q 2006 year.

The revenues from local services in terms of customer mix:

- residents – 71.9 % (71.7% as of 1Q 2005)
- organizations – 28.1% (28.3%).

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

Line installation	6,194.9
Monthly rentals	57,605.2
Per-minute payments (time-billed calls)	14,968.8
Other local services (contracts redrawn, etc)	5,066.4
Line and cabling rentals	3,126.2
Payphone calls	194.1

### Internet

	<b>1Q 2006</b>	<b>1Q 2006</b>	<b>Change, %</b>
Traffic, '000 min	755 890,0	347 416,7	+117.6%
Traffic, Gb	159 205,9	101 825,3	+56.4%
Revenues from Internet, US\$ thous.	13,518	6,414	+110,8%

### DLD/ILD telephony

<b>Outcoming traffic, mln min</b>	<b>1Q 2006</b>	<b>1Q 2005</b>	<b>Change, %</b>
Intra-zone traffic, <i>including</i> *	1,008.3	212.2	+91.8%
Fixed-to-fixed line calls	235.3	212.2	+10.9%
Fixed-to-mobile calls	773.0	n/a	-
For information**			
<i>DLD traffic</i>	293.6	313.6	-6.4%
<i>ILD traffic</i>	31.7	31.9	-0.6%

\* 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 long-distance services decreased by 70% versus 1Q 2005 and amounted to US\$ 21.2 mln. The decline is caused by the new Interaction Rules between operators that took effect on January 1, 2006 and, as consequence, the new settlement methods with Rostelecom and other operators. The segment profitability (not including revenues from operators) as of the reporting period totaled 54%.

The long distance revenues in terms of customer mix:

- o residents – 41.2% (60.0% as of 1Q 2005),
- o organizations – 58.8 (40.0%).

The digitalization of intra-zone LD lines (in extension terms) was 97.5% as of Jan 1, 2006 (compared to 56.2% as of Jan 1, 2005).

#### Mobile services (GSM)

<b>Number of subscribers</b>	<b>01.05.2006</b>	<b>01.04.2006</b>	<b>01.01.2006</b>	<b>01.04.2005</b>
<i>Perm region</i>	1 182 532	1 165 964	1 078 766	701 512
<i>Sverdlovsk region</i>	352 399	340 647	290 072	102 100
<i>Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs</i>	1 380 229	1 346 543	1 271 411	838 332
<i>Chelyabinsk and Kurgan regions</i>	954 758	932 458	1 033 992	715 622
<b>Total</b>	<b>3 869 918</b>	<b>3 785 612</b>	<b>3 674 241</b>	<b>2 357 566</b>

*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\$ 82.1 mln or 364% up on 1Q 2005. The segment profitability totaled 43%.

New services (SMS, GPRS, MMS, WAP) contributed approx. 12% (13% as of 1Q 2005) to the overall mobile revenues.

In the first quarter 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 May 1, 2006 Uralsvyazinform had 3.9 mln GSM subscribers across the Urals region. The company added 5% to its subscriber base between January-April 2006.

## **REVENUES AND EXPENSES REVIEW**

The company's revenues as of 2005 totaled US\$271.7 mln. (+15.6% on 1Q 2005), including revenues from telecommunications services at US\$260.2 mln (+25.3%).

The structure of revenues from telecommunications services in 2005, US\$ thous:

<i>Item</i>	<i>1Q 2006</i>	<i>Weight</i>	<i>1Q 2005</i>	<i>Weight</i>
<b>Revenues from telecommunications services, including:</b>	<b>260,208</b>	<b>100.0%</b>	<b>207,697</b>	<b>100.0%</b>
Domestic long-distance services	21,235	8.20%	58,259	28.0%
International long-distance services	-	0.00%	12,361	6.0%
Telegraph, telefax services	1,762	0.70%	2,502	1.2%
Local urban services	78,801	30.30%	67,470	32.5%
Local rural services	8,355	3.2%	6,758	3.3%
Radio communication, radio and TV broadcasting	1,428	0.5%	1,330	0.6%
Wired radio	2,958	1.1%	2,725	1.3%
Mobile services	82,103	31.6%	17,685	8.5%
New services	16,656	6.4%	8,137	3.9%
<i>incl. Internet</i>	13,518	5.2%	6,414	3.1%
Revenues from operators	46,910	18.0%	30,471	14.7%
<i>incl. Rostelecom</i>	29,710	11.4%	8,756	4.2%

Operating expenses amounted to US\$196.0 mln. (+13.5% as compared to 1Q 2005). The expenditure structure is as follows, US\$ thous:

<i>Item</i>	<i>1Q 2006</i>	<i>Weight</i>	<i>1Q 2005</i>	<i>Weight</i>
Depreciation	33,271	17.0%	23,782	13.8%
Wages	59,628	30.4%	51,963	30.1%
Social tax expense	14,981	7.6%	12,616	7.3%
Rental expenses	4,203	2.1%	2,852	1.7%
Rostelecom interconnect charges	2,501	1.3%	27,732	16.1%
Other operators' services	16,896	8.6%	7,053	4.1%
Materials	10,544	5.4%	8,464	4.9%
Leasing repayments	5,439	2.8%	2,819	1.6%
Taxes and deductions included in expenses on main operations	388	0.2%	279	0.2%
Third party services, including	28,660	14.6%	21,610	12.5%
<i>Repairs and maintenance</i>	5,160	2.6%	3,901	2.3%
<i>Power and electricity</i>	2,996	1.5%	2,486	1.4%
<i>Heat power</i>	2,202	1.1%	1,886	1.1%
<i>Other utilities</i>	323	0.2%	298	0.2%
<i>Labor costs</i>	442	0.2%	409	0.2%
<i>Transport</i>	307	0.2%	297	0.2%
<i>Security</i>	962	0.5%	3,314	1.9%
<i>Consulting, information and audit services</i>	988	0.5%	1,247	0.7%
<i>Agents' commissions</i>	12,224	6.2%	7,771	4.5%

Other expenses	19,495	9.9%	13,595	7.9%
<b>TOTAL</b>	<b>196,006</b>	<b>100.0%</b>	<b>172,765</b>	<b>100.0%</b>

The main contributors to Other expenses were Advertising (up 59% on 1Q 2005), Insurance (down 8%) and contributions to the Universal service fund.

**Thus, as of 2005 OIBDA amounted to US\$109.0 mln. (up 26.8%), operating profit – US\$75.7 mln. (up 21.8%), pre-tax profit – US\$44.7 mln. (up 51.9%), net profit – US\$36.2 mln. (up 78.9%).**

### **INVESTMENTS**

The investments as of 1Q 2006 totaled US\$ 13.5 mln (30% of the Capex as of 1Q 2005).