11, Moskovskaya St, Ekaterinburg
Russia 620014
Tel.: +7 (343) 376 2000, Fax: +7 (343) 376 8171
www.uralsviazinform.com

URALSVYAZINFORM REPORTS 2004 FULL YEAR RESULTS (RAS)

Ekaterinburg – April 8, 2005 – Uralsvyazinform (RTS: URSI/URSIP) the leading carrier of fixed-line and mobile services in the Urals region, Russia reports the unaudited and unconsolidated 2004 financial and operational results under Russian accounting standards (RAS).

- **Revenue growth totaled 24% compared to 2003 mainly due to the increase in DLD and ILD traffic, rise in local tariffs, and growth of fixed-line and GSM subscriber bases;**
- **EBITDA has increased by 23% versus 2003, driving EBITDA margin to 36% for the full year. Operating margin increased to 27%.**
- **Net profit increased by 15%, net margin remained at 9%;**
- **Revenue growth for the main business segments included:**
    - **Local services – 23.7%;**
    - **DLD and ILD – 22.4%;**
    - **Mobile services – 20.0%;**
    - **New services – 47.5%.**
- **Total subscriber number reached 5.4 mln, including 2.0 mln GSM subscribers;**
- **Fitch Ratings upgraded Uralsvyazinform credit rating from B+ to BB-/Stable as of March 26, 2004. As of October 18, 2004 Fitch also assigned Uralsvyazinform the national credit rating at A+(rus).**

Operational and financial highlights:

	2004	*2003*	*Change, %*
Financial			
Revenues, RUR mln.	24 009.8	19 505.7	+24%
Costs, RUR mln	17 638.4	14 372.0	+23%
EBITDA, RUR mln	8 637.4	6 998.8	+24%
EBITDA margin	36%	36%	-
Operating profit, RUR mln	6 461.4	5 133.7	+26%
Operating margin	27%	26%	-
Pre-tax profit, RUR mln	3 211.0	2 731.2	+18%
Net profit, RUR mln	2 120.4	1 840.4	+15%
Net margin	9%	9%	-
Operational			
Subscriber base: Fixed-line subscribers, mln Mobile (GSM) subscribers, mln*	 3.38 2.04	 3.16 1.1	 +6% +86%
Digitalization of local fixed-line networks, %	65.9	61.2	-
Penetration: Fixed lines, % Mobile, %	 21.8 46.0	 19.6 17.8	 - -
Number of employees by segments of business:			

Fixed line services, thous.	34.4	36.6	-6%
Mobile services, thous.*	1.2	1.1	+9%

** Including subsidiary businesses*

Anatoly Ufimkin, CEO commented the results of the year: *“The 2004 results reconfirmed the company’s position as one of the leaders in the industry. The main business segments demonstrated healthy growth – both fixed-lines and mobile, long distance and new services. We are building our networks using packet-switched technology and broadband fiber-optic lines – both enabling us to offer the customers quality up-to-date services. The increase of internet traffic by x1.6 translated into the growth of new services, which contributed 3.3% to the overall revenues.*
2004 saw the peak in the volume of investments, and we expect that within the next 2 or 3 years the annual CAPEX at about RUR 6 to 7 bln would be enough to meet the demand for telecommunications services and fuel the update of the networks.
In 2004, the company started several new projects in the mobile segment, including the consolidation of subsidiaries into Uralsvyazinform and the launch of GSM900/1800 services in Sverdlovsk region and Ekaterinburg. In my opinion, the two projects are being successfully implemented, at the same time their efficiency proves critical to the overall success of Urasvyazinform’s mobile business. We will further adhere to the strategy of integration of mobile and fixed lines as the main competitive advantage of the company, which is prerequisite to retain leadership in the regional telecommunications market.
In 2004, Uralsvyazinform delivered stable growth in terms of financials. Revenues and operating profit increased by 24% on average, while total EBITDA margin reached 36%.
Generally, the company met the goals set for 2004, and along the next year will focus on the increase of efficiency and cost optimization.

Complete accounting statements of Uralsvyazinform as of 2004 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 or URSI_RU page in Bloomberg system.

Investor Relations
Tel.: +7 (343) 379 1217
Fax: +7 (343) 379 1290
investor@gd.usi.ru

OVERVIEW OF BUSINESS

Local services

	01.01.2005	*01.01.2004*	*Change, %*
Capacity installed, '000 lines	3 779.7	3 591.6	+5.2%
Subscribers' 000 *including* Residents Organizations	3 384.3 2 911.4 472.9	3 164.5 2 717.9 446.6	+6.9% +7.1% +5.9%
Digitalization of urban networks, % Digitalization of rural networks, %	70.3 30.7	65.9 21.1	+4.4% +9.6%

The line capacity introduced in the course of 2004 equaled 399 881, fixed-line subs grew by 219 779.

Revenues from local services were RUR 8 330.9 mln, a 23.7% up on 2003. The growth was driven by the 23% rise in tariffs for local services effective since Sept. 1, 2004, as well as 219.8 thous. new subscribers connected to the local networks. Operating profit to costs ratio in the segment was 13%.

The revenues from local services by client categories:

- residents – 67.3%,
- organizations – 32.7%.

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

Line installation	15.8%
Monthly rentals	54.3%
Per-minute payments (Time-billed calls)	12.6%
Other local services (contracts redrawn etc)	5.6%
Interconnection of third-party operators	7.0%
Line and cabling rentals	3.9%
Payphone calls	0.8%

Internet

	2004	*2003*	*Change, %*
Traffic, '000 min	963 834	647 213	+48.9%
Traffic, Gb	250 058	157 206	+59.1%
Revenues from Internet, RUR thous.	559 526	370 889	+50.9%

DLD/ILD telephony

Outgoing traffic, mln min	*2004*	*2003*	*Change, %*
Total, *including*	2 511.6	2 107.7	+19.2%
Domestic	2 372.6	1 987.6	+19.4%
International	139.0	120.0	+15.8%

Revenues from long-distance services increased by 22.4% as compared to 2003 and totaled RUR 9 884.9 mln. The main contributors to the revenue growth were the growth of outgoing paid traffic. Operating profit to costs ratio in the segment was 57%.

Revenue structure of long-distance services, by client categories:
Residents – 46.6%,
Organizations – 53.4%.

The average rate per one minute of DLD calls amounted to RUR 2.90 (compared to RUR 3.10 in 2003).
The average rate per one minute of ILD calls totaled RUR 10.80 (RUR 10.83 in 2003).

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

	01.01.2005	***01.01.2004***	***Change, %***
Uralsvyazinform (Perm region)			
Subscribers	609 800	341 300	+79%
Uralsvyazinform (Sverdlovsk region)			
Subscribers	36 442	0	-
Ermak RMS (Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs)			
Subscribers	668 800	346 500	+93%
South Urals Cellular Phone (Chelyabinsk and Kurgan regions)			
Subscribers	720 100	411 900	+75%

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.

The revenues generated by mobile business in 2004 were RUR 1 792.2 mln, or 20% up on 2003. The main catalyst to the revenue growth was x1.9 growth in the subscriber number (646.2 thous. as of 01.01.2005). The segment's operating profit to costs ratio as of 2004 was 71%.

Value-added services (SMS, MMS, GPRS) contribute approx. 11% to the overall revenues from mobile services.

The company retained its leading position 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%. Overall, for the Urals region, the company maintained its 30-35% market share. Together with its subsidiaries Uralsvyazinform had 2.36 mln subscribers as of April 1, 2005. The subscriber growth for the 3 months of 2005 amounted to 16%.

REVENUES AND EXPENSES REVIEW

Generally, the company's revenues in 2004 totaled RUR 24 099.8 mln. (up 24% on 2003), where revenues from telecommunications were RUR 21 396.7 mln (+23%).

The structure of revenues from telecommunications services in 2004, RUR thous.

Items	***2004***	***Share in the revenues***	***2003***	***Share in the revenues***
Revenues from telecommunications services, including	21 396 744	100,0%	17 445 452	100,0%
Domestic long-distance services	8 344 090	39.0%	6 740 565	38.6%
International long-distance services	1 500 855	7.01%	1 300 347	7.45%
Telegraph, telefax services	317 083	1.48%	306 151	1.75%
Local urban services	7 678 448	35.89%	6 240 589	35.77%
Local rural services	652 447	3.05%	493 127	2.83%
Radio communication, radio and TV broadcasting, satellite communications	116 394	0.54%	93 466	0.54%
Wired radio	286 887	1.34%	298 834	1.71%
Mobile services and paging	1 792 211	8.38%	1 492 297	8.55%
New services	708 328	3.31%	480 074	2.75%
incl. Internet	*559 526*	*2.62%*	*370 889*	*2.13%*

Operating expenses amounted to RUR 17 638.4 mln. (up 23% as compared to 2003). The expenditure structure is as follows, RUR thousand:

Item	***2004***	***Share in expenses***	***2003***	***Share in expenses***
Depreciation	2 176 083	12.3%	1 865 185	13.0%
Wages	5 418 193	30.7%	4 531 484	31.5%
Social tax expense	1 379 477	7.8%	1 181 747	8.2%
Rental expenses	248 454	1.4%	221 250	1.5%
Rostelecom interconnect fee	2 877 501	16.3%	2 001 135	13.9%
Other operators' services	753 272	4.3%	507 036	3.5%
Gossvyaznadzor	90 754	0.5%	62 707	0.4%
Materials	1 036 039	5.9%	947 097	6.6%
Leasing repayments	309 154	1.8%	288 937	2.0%
Taxes and deductions included in expenses on main operations	76 122	0.4%	58 996	0.4%
Third party services, including	1 965 700	11.2%	1 642 418	11.4%
Repairs and maintenance	555 287	3.1%	575 842	4.0%
Power and electricity	229 524	1.3%	192 776	1.3%
Heat power	111 035	0.6%	104 255	0.7%
Other utilities	30 687	0.2%	31 427	0.2%
Labor costs	63 813	0.4%	52 072	0.4%
Transport	40 984	0.2%	40 991	0.3%
Security	300 352	1.7%	243 541	1.7%
Consulting, information and audit services	129 770	0.7%	88 053	0.6%

Agent commissions	504 247	2.9%	313 461	2.2%
Other expenses	1 307 621	7.4%	1 064 017	7.5%
TOTAL	17 638 372	100%	14 372 011	100%

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

The growth of expenses on services of other operators reflects the growing demand for Internet services, growth of rates of other operators, revision of interconnection agreements.

Generally, as of 2004 EBITDA amounted to RUR 8.6 bln (up 23.4%), operating profit – RUR 6.5 bln, (up 25.9%), pre-tax profit – RUR 3.2 bln (up 17.6%), net profit – RUR 2.1 bln (up 15.2%).

INVESTMENTS

The investments as of 2004 totaled RUR 9 138.5 mln (up 27% on 2003).

The investment structure by segments of business is as follows, RUR mln.:

	2004	***Share in total investments***	***2003***	***Share in total investments***
Local telephony	2 867.1	31.4%	3 524.6	49.0%
Mobile telephony	3 099.0	33.9%	1 121.9	15.6%
ILD/DLD telephony	1 610.5	17.6%	1 288.7	17.9%
New services	887.8	9.7%	369.8	5.1%
Other	674.1	7.3%	889.4	12.3%
Total	9 138.5	100%	7 194.4	100%