

URALSVYAZINFORM:
2005 FINANCIAL AND OPERATIONAL RESULTS UNDER RAS

Ekaterinburg – April 12, 2006 – Uralsvyazinform (RTS: URSI/URSIP, ADR: UVZY/UVZYYP), the leading carrier of fixed-line and mobile services in the Urals region, Russia reports the unaudited unconsolidated financial and operational results for the year ended December 31, 2005 under Russian accounting standards (RAS).

Due to the completion of restructuring process of Uralsvyazinform's subsidiaries, which provide mobile (ZAO "Ermak RMS", OOO "South Urals Cellular Phone", ZAO "Tyumenruscom") and data transmission (OOO "Uralscom", ZAO "VSNET") services, on June 30, 2005 in the form of consolidation to the parent company, the financial statements of Uralsvyazinform as of 2005 prepared under Russian Accounting Standards comprise property, liabilities and operational results of the consolidated subsidiaries for the 2nd half of 2005.

- **Revenues increased by 28% over 2004. 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 22% on 2004. As of 2005, OIBDA margin was 34%. Operating margin declined to 25%.**
- **Revenue growth in the main business segments totaled:**
 - Local services – 22%;
 - DLD/ILD – 6%;
 - Mobile services – 246%;
 - New services (Internet, data transmission and others) – 94%;
- **At the year-end, overall subscriber base totaled 7.3 million, including 3.7 mln in GSM.**
- **In the course of the year the company placed two bond issues worth RUR 4 bln (RUR 2 billion each). The coupon rates for these issues are 9.19% and 8.20% pa, respectively.**
- **On May 13, 2005 Uralsvyazinform started an NGN network development plan, based on Nortel network solutions. From this point on, the company will use this technology to develop its fixed-line networks. We expect that our network will be fully triple-play capable (voice, data and video) by 2007.**
- **September 1, 2005 – Federal Tariff Agency established new tariffs for local and long-distance services. As a result, monthly subscription fee for local lines increased by 22% for residents and by 16% for organizations, on average. Meanwhile, long-distance tariffs decreased by around 5% for all subscriber categories.**
- **October 20, 2005 – Uralsvyazinform's Board of Directors approved the restyling concept for the company, according to which a single trademark for mobile and value-added services, including Internet – Utel - was introduced.**

Operational and financial highlights:*

	2005	2004	Change, %
<i>Financial</i>			
Revenues, US\$ mln*	1,070.5	836.8	+27.9%
Costs, US\$ mln.	808.5	612.4	+32.0%
OIBDA, US\$ mln.	365.9	299.9	+22.0%
OIBDA margin	34.2%	35.8%	-
Operating profit, US\$ mln.	262.0	224.4	+16.8%
Operating margin	24.5%	26.8%	-
Pre-tax profit, US\$ mln.	122.0	111.4	+9.5%
Net profit, US\$ mln	77.6	73.6	+5.3%
Net margin	7.2%	8.8%	-
<i>Operational</i>			
	31.12.2005	31.12.2004	
Subscriber base:			
Fixed-line subscribers, mln.	3.6	3.4	+5.8%
Mobile (GSM) subscribers, mln.	3.7	2.0*	x1.8
Digitalization of local fixed-line networks, %	69.8%	65.9%	-
Penetration:			
Fixed lines, %	26%	25%	
Mobile, %	83%	46%	
Number of employees	33,729	34,738	-3,0%

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

2004 – RUR28.8, 2005 RUR 28.3

**including subsidiaries

Anatoly Ufimkin, CEO commented the results of the year: “In general, we have performed well meeting the targets for the year. 2005 was a great success in a sense that we completed major business reorganization plan, the largest since the merger of Urals telecoms in 2002. Today, Uralsvyazinform is a truly single company that combines the whole scope of telecommunication businesses - fixed-line, mobile, data transmission and new services. The launch of *Utel*, a single trademark for mobile and new services, has therefore been a logical outcome of that consolidation process. It is our mobile and internet businesses that have pushed the company’s growth, and our intention is to maintain this tendency in 2006. From this perspective, our objective for this year is to attract up to 200 thousand xDSL customers and to add 750 thousand GSM subscribers.”

Mr Ufimkin has also emphasized that increased business efficiency should remain in the primary management focus for the year in progress. This year, the company is cutting the capital investment down to about US\$ 200 million, as most of capital-intensive projects have been completed. For example, Uralsvyazinform has finished building the digital backbone network, and implemented over 16 thous. km of digital lines over the last 3 years - thus, providing practically every city in the region with up-to-date digital lines. The company is also planning to reduce its staff numbers by around 10% as a result of upgrades to infrastructure and equipment, as well as outsourced sales and customer service.

Complete accounting statements of Uralsvyazinform as of 2005 may be found on the corporate web-site at www.uralsviyazinform.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

	31.12.2005	31.12.2004	Change, %
Capacity installed, '000 lines	3,966	3,780	+4.9%
Subscribers '000	3,580.0	3,384.3	+5.8%
<i>including</i>			
<i>Residents</i>	3,082.8	2,911.4	+5.9%
<i>Organizations</i>	497.1	472.9	+5.1%

Over the year Uralsvyazinform added 209.1 thous. fixed-line subscriber.

Revenues from local services totaled US\$352.6 mln, 21.9% up on the 2004. The rises in local tariffs as of September 1, 2004 and September 1, 2005 drove the revenue growth, as well as 209.1 thousand in subscriber additions. The segment profitability (operating profit/costs) was 23% for the full year.

The revenues from local services in terms of customer mix:

- residents – 66.7 % (67.3% as of 2004)
- organizations – 33.3% (32.7%).

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

Line installation	44,1
Monthly rentals	240,8
Per-minute payments (time-billed calls)	6,0
Other local services (contracts redrawn, etc)	19,1
Interconnection of third-party operators	29,4
Line and cabling rentals	11,7
Payphone calls	15,4

Internet

	2005	2004	Change, %
Traffic, '000 min	2,015,966	963,834	x2.1
Traffic, Gb	560,985	250,058	x2.2
Revenues from Internet, US\$ thous.	36,002	19,428	x1.8

DLD/ILD telephony

Outcoming traffic, mln min	2005	2004	Change, %
Total, including	2,593.5	2,386.5	+8.7%
Domestic	2,456.4	2,247.5	+9.3%
International	137.1	139.0	-1.3%

Revenues from long-distance services grew by 5.8% versus 2004 and amounted to US\$ 361.5. The growth was driven by the increase of paid outbound traffic and reduction of LD tariffs – by around 5% annually. The segment profitability in 2005 totaled 44%.

The long distance revenues in terms of customer mix:

- residents – 45.0% (46.6% as for 2004),

- o organizations – 55.0 (53.4%).

The average rate per one minute of DLD calls amounted to US\$0.09 (-7% versus 2004), ILD calls - US\$ 0.37 (-2%).

The intra-zone long-distance lines (in extension terms) were 97.5% digitalized as of Jan 1, 2006 (compared to 56.2% as of Jan 1, 2005).

Mobile services (GSM)

Number of subscribers	01.04.2006	01.01.2006	01.07.2005	01.01.2005
<i>Perm region</i>	1 165 964	1 078 766	797 370	609 800
<i>Sverdlovsk region</i>	340 647	290 072	161 707	36 400
<i>Tyumen region, including Khanty-Mansyisk and Yamalo-Nenetski ADs</i>	1 346 543	1 271 411	979 290	668 800
<i>Chelyabinsk and Kurgan regions</i>	932 458	1 033 992	863 459	720 100
Total	3 785 612	3 674 241	2 801 826	2 035 100

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).

As of 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 division for the 3rd and 4th quarters are included in 2005 report.

The revenues generated by mobile business in 2005 were US\$ 215.1 mln or 246% up on 2004. The segment profitability totaled 36%.

Prior July 1, 2006 the revenues of ZAO "Ermak RMS" were reflected in the financial statements of Uralsvyazinform under Russian Accounting Standards, mainly under "Other operating income" (Rentals, Agents' payments), as under the agreement with this company. Following the consolidation of subsidiaries, the revenue generated by the ex-subsidiaries is reflected as "Revenues from communications services", subcategory "Mobile services". As a result, the "Revenues from communications services" increased significantly, while "Other operating income" saw a sharp decline.

New services (SMS, GPRS, MMS, WAP) contributed approx. 15% (11% as of 2004) to the overall mobile revenues.

In 2005, Uralsvyazinform (mobile trademark - Utel) retained around 30% of regional mobile market in subscriber terms, and 40% market share in revenues. Over the year, the company's share in new subscribers has been 28.5% (21.6% as of 2004). Average revenue per user (ARPU) was US\$9.2 versus US\$12.8 in 2004.

Overall, as of April 1, 2006 our GSM subscriber base reached 3.8 mln across the Urals region.

REVENUES AND EXPENSES REVIEW

The company's revenues as of 2005 totaled US\$1070.5 mln. (+27.9% on 2004), including revenues from telecommunications services at US\$1,005.0 mln (+35.3%).

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

<i>Item</i>	<i>2005</i>	<i>Weight</i>	<i>2004</i>	<i>Weight</i>
Revenues from telecommunications services, including:	1,005,088	100,0%	742,941	100,0%
Domestic long-distance services	310,229	30,9%	289,725	39,0%
International long-distance services	51,313	5,1%	52,113	7,0%
Telegraph, telefax services	11,670	1,2%	10,847	1,5%
Local urban services	322,705	32,1%	266,613	35,9%
Local rural services	29,863	3,0%	22,655	3,0%
Radio communication, radio and TV broadcasting	4,735	0,5%	4,041	0,5%
Wired radio	11,383	1,1%	9,961	1,3%
Mobile services	215,116	21,4%	62,230	8,4%
New services	48,076	4,8%	24,758	3,3%
<i>incl. Internet</i>	<i>36,002</i>	<i>3,6%</i>	<i>19,428</i>	<i>2,6%</i>

Operating expenses amounted to US\$808.5 mln. (+32.0% as compared to 2004).

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

<i>Item</i>	<i>2005</i>	<i>Weight</i>	<i>2004</i>	<i>Weight</i>
Depreciation	103,875	12.8%	75,558	12.3%
Wages	227,060	28.1%	188,132	30.7%
Social tax expense	47,991	5.9%	48,325	7.9%
Rental expenses	13,170	1.6%	8,627	1.4%
Rostelecom interconnect charges	113,430	14.0%	99,913	16.3%
Other operators' services	53,675	6.6%	26,155	4.3%
Materials	48,108	6.0%	35,974	5.9%
Leasing repayments	14,728	1.8%	10,735	1.8%
Taxes and deductions included in expenses on main operations	1,351	0.2%	2,643	0.4%
Third party services, including	106,002	13.1%	68,253	11.1%
<i>Repairs and maintenance</i>	<i>22,953</i>	<i>2.8%</i>	<i>19,281</i>	<i>3.1%</i>
<i>Power and electricity</i>	<i>9,196</i>	<i>1.1%</i>	<i>7,970</i>	<i>1.3%</i>
<i>Heat power</i>	<i>4,137</i>	<i>0.5%</i>	<i>3,855</i>	<i>0.6%</i>
<i>Other utilities</i>	<i>1,164</i>	<i>0.1%</i>	<i>1,066</i>	<i>0.2%</i>
<i>Labor costs</i>	<i>3,540</i>	<i>0.4%</i>	<i>2,216</i>	<i>0.4%</i>
<i>Transport</i>	<i>1,248</i>	<i>0.2%</i>	<i>1,423</i>	<i>0.2%</i>
<i>Security</i>	<i>14,005</i>	<i>1.7%</i>	<i>10,429</i>	<i>1.7%</i>
<i>Consulting, information and audit services</i>	<i>4,452</i>	<i>0.6%</i>	<i>4,506</i>	<i>0.7%</i>
<i>Agents' commissions</i>	<i>45,307</i>	<i>5.6%</i>	<i>17,509</i>	<i>2.9%</i>
Other expenses	79,098	9.8%	48,128	7.9%
TOTAL	808,486	100.0%	612,443	100.0%

Payroll expenses (including salaries and benefits) increased by 20.7%. The share of payroll in the expenses was 28.1% as of 2005, as compared to 30.7% in 2004.

Depreciation increased by US\$28.3 mln due to new equipment being put in operation. In the reporting year, the company has put into operation fixed assets worth US\$ 373.1 mln.

Materials costs came up US\$ 12.1 mln as a result of growth of prices for materials, accessories and spare parts.

Rostelecom-related expenses were up 13.5% due to increased LD traffic.

Consolidation of mobile subsidiaries has pushed the expenses for other operators' services, adding US\$ 27.5 mln (+105.2%). This mainly included payments for roaming and transfer of traffic. Internet traffic also added to the expenditure, as the sale of Internet services increased (Internet traffic increased by 200%).

Third party services represent another expenditure item with a significant share of 13.1%. The main growth items here were Agents' commissions, up 158.8% on the previous year. These are mostly built up by the commissions paid to dealers selling the company's mobile contracts, and distributors of payment cards.

Labor costs increased by 60% as a result of professional development activities under Personnel Development Policy. Training expenses did not exceed 2% of overall payroll expense.

Advertising expenses increased by 86%, where mobile and Internet services were the main contributors.

Thus, as of 2005 OIBDA amounted to US\$365.9 mln. (+22.0%), operating profit – US\$262.0 mln. (+16.8%), pre-tax profit – US\$122.0 mln. (+9.5%), net profit – US\$77.6 mln. (+5.3%).

INVESTMENTS

The investments for 2005 totaled US\$ 351.1 mln (up 6.5% on 2004)

<i>Item</i>	<i>2005</i>	<i>2004</i>
Investments into fixed capital, US\$ mln	351.1	329.6
Investment by categories, US\$ mln		
<i>Local fixed-line services</i>	95.2	90.9
<i>Mobile services</i>	112.5	99.7
<i>DLD, ILD and intra-zone telephone services</i>	33.0	55.9
<i>New services</i>	31.7	14.3
<i>Data transmission networks and infrastructure</i>	51.2	27.7
<i>Information technology</i>	13.2	8.9
<i>Other (buildings, constructions and special-purpose investments)</i>	14.2	32.3
Share of internal funds used to finance investments	41.5%	38.3%
Fixed assets put in operation	373.1	317.2

Balance Sheet as of Dec 31, 2005 (RAS)
Prepared in accordance with Russian Accounting Standards

	Notes	At the beginning of the period Rbl'000	At the end of the period Rbl'000
NON-CURRENT ASSETS			
Intangible assets		627	6 460
Fixed assets		28 670 202	37 386 337
Capital investments		1 939 114	896 838
Income-generating investment in material valuables		46	39
Long-term financial investments		1 000 515	440 019
Deferred tax asset		295 788	249 263
Other non-current assets		1 795 258	1 806 029
Total non-current assets		33 701 550	40 784 985
CURRENT ASSETS			
Inventories		1 706 419	1 267 063
VAT on goods purchased		1 850 595	1 856 263
Accounts receivable, incl. <i>due after 12 months since the reporting date</i>		<i>181 150</i>	<i>245 044</i>
<i>due within 12 months since the reporting date</i>		<i>2 634 628</i>	<i>2 777 665</i>
Short-term financial investments		528	514
Cash and cash equivalents		549 844	370 795
Other current assets		1 370	1 258
Total current assets		6 924 534	6 518 602
TOTAL ASSETS		40 626 084	47 303 587
CAPITAL AND RESERVES			
Charter capital		4 816 167	4 816 167
Paid-in-excess capital		4 892 590	4 875 135
Reserve capital		140 082	240 808
Retained earnings (losses) of the previous years		5 816 121	5 063 092
Retained earnings (losses) of the reporting year		-	2 194 986
Total capital and reserves		15 664 960	17 190 188
NON-CURRENT LIABILITIES			
Borrowings		11 285 289	14 817 317
Deferred tax liabilities		865 148	1 337 904
Other non-current liabilities		2 181 016	1 723 260
Total non-current liabilities		14 331 453	17 878 481
CURRENT LIABILITIES			
Borrowings		3 858 771	5 965 082
Accounts payable		6 260 622	5 695 539
Dividends payable		27 658	29 184
Income of future periods		130 315	103 869
Reserves for future expenses and payments		352 305	423 804
Other current liabilities		-	17 440
Total current liabilities		10 629 671	12 234 918
TOTAL EQUITY AND LIABILITY		40 626 084	47 303 587

P&L Statement as of Dec 31, 2005 (RAS)
Prepared in accordance with Russian Accounting Standards

	Notes	For the reporting period Rbl'000	For the similar period of the last year Rbl'000
Income and expenses from main activities			
Net sales of goods, products, work, services (minus VAT, excise duties and similar obligatory payments)		30 294 790	24 099 807
Including sales of telecommunications services		28 444 022	21 396 744
Cost of goods, products, work, services sold		(22 880 160)	(17 638 372)
Including costs of telecommunications services		(22 180 924)	(16 883 044)
Profit (loss) from sales of goods (work, services)		7 414 630	6 461 435
Interest receivable		9 256	8 149
Interest payable		(2 084 524)	(1 607 277)
Income from stakes in other companies		3 153	24 531
Other operating income		181 935	880 300
Other operating expenses		(1 228 325)	(1 968 089)
Non-operating income and expenses			
Non-operating income		353 940	367 812
Non-operating expenses		(1 197 906)	(957 563)
Profit (loss) for the reporting period		3 452 159	3 209 298
Profit tax and other deductions		(1 256 954)	(1 088 897)
Profit from main activities		2 195 205	2 120 401
Extraordinary incomes		-	-
Extraordinary expenses		(219)	(4)
Net profit		2 194 986	2 120 397