

URALSVYAZINFORM: 1H 2007 RESULTS UNDER INTERNATIONAL ACCOUNTING STANDARDS (IAS)

Ekaterinburg – September 25, 2007 – Uralsvyazinform (RTS and MICEX: URSI/URSIP, ADR: UVYZY/UVYPY), the leading carrier of fixed-line and mobile services in the Urals region, Russia presents unaudited consolidated financial statements for the 1H 2007 prepared under International Financial Reporting Standards (IFRS).

The financial statements for the six months of 2007 are prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in the extent of Unaudited Consolidated Balance Sheet, Unaudited Consolidated Statement of Operations and the Notes to the Unaudited Consolidated Financial Statement for the 6 months of 2007. These reports do not have all disclosures required by IFRS, but their volume is sufficient to get an idea of the financial situation and the results of the Company's activity over 6 months of 2007.

- **Revenue increased by 27.9% on 1H 2006, mainly due to revenue gains in:**
 - **Intrazone services;**
 - **Mobile services;**
 - **New services (Internet, including broadband connections and ISDN, intelligent network, etc.).**
- **Revenue growth in business segments totaled:**
 - **Intrazone services – 104.2%;**
 - **Mobile services – 27.2%;**
 - **New services (Internet, non-regulated data transmission services, etc.) – 56.1%.**
- **OIBDA increased by 31.6% as compared to 1H 2006. As of 1H 2007 OIBDA margin totaled 33.5% (+0.9 p.p.). Operating margin grew by 3.3 p.p. on 1H 2006 and totaled 18.6%.**
- **Net profit increased by 65.9% and amounted to US\$ 53.1 mln.**
- **Total subscriber base reached 8.4 mln., including 4.7 mln. GSM mobile subscribers.**
- **On 01/02/2007 we introduced new tariff plans for local services. Therefore, since February 01, 2007 residential subscribers have 3 tariff option for local services (time-based, combined and unlimited tariffs).**

Financial results, US\$ mln.*:

<i>Item</i>	<i>1H 2007</i>	<i>1H 2006</i>	<i>Change, %</i>
Revenues	730.6	571.3	+27.9%
OIBDA	245.1	186.2	+31.6%
<i>OIBDA margin</i>	33,5%	32,6%	-
Operating profit	136.1	87.5	+55.5%
<i>Operating margin</i>	18,6%	15,3%	-
Profit before income tax	98.1	50.2	+95.4%
Net profit	53.1	32.0	+65.9%
<i>Net margin</i>	7,3%	5,6%	-
EPS	0.0013	0.0008	+62.5%

* Here and henceforth currency conversions are based on average exchange rates:
 1H 2007 – RUR 26.07, 1H 2006 – RUR 27.5

Balance Sheet, US\$ mln.:

<i>Item</i>	<i>As of 30/06/07</i>	<i>As of 31/12/06</i>
Non-current assets	1 974.4	1 789.9
Current assets, <i>including</i>	198.0	182.8
<i>Cash and cash equivalents</i>	9.6	23.5
TOTAL ASSETS	2 172.4	1 982.1
Shareholder's Equity	798.2	733.2
Liabilities, <i>including</i>	1 374.2	1 248.9
<i>Long-term liabilities</i>	738.9	828.9
<i>Short-term liabilities</i>	635.3	415.3
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	2 172.4	1 982.1

Operational results

<i>Item</i>	<i>1H 2007</i>	<i>1H 2006</i>	<i>Change, %</i>
Subscriber base:			
Fixed-line, thous., including:	3 680.3	3 630.0	+1.4%
<i>Residents</i>	3 152.6	3 122.0	+1.0%
<i>Corporates</i>	527.7	508.0	+3.9%
GSM Mobile, thous.*	4 618.8	4 051.9	+14.0%
Broadband, thous.	192.4	40.9	+370.4%

* For information: as of 01/09/2007 GSM mobile subscriber base reached 4 775.3 thous.

Anatoly Ufimkin, CEO comments on 1H 2007 results: «The key event of the 1H 2007 was introduction of new tariff plans for local services since February 01, 2007. We should note that on the whole, this transition, irrespective of its scale and social value, was easy and balanced. Besides, from the viewpoint of business development, the main growth drivers were mobile services and broadband Internet: these segments contributed almost 50% of the revenue growth in 1H 2007. Apart from GSM mobile subscriber base increase, there was also 11% ARPU growth. The broadband Internet became the most dynamic sector: the number of connected DSL-ports increased by 4,7 times. Due to the "Calling Party Pays" principle (effective since July 01, 2006) intrazone services contributed 37% of revenue growth. Well-balanced business growth in main segments and control over expenses, including continuation of headcount optimization and outsourcing, enabled us to dynamically increase net profit. Besides, net profit was also positively influenced by subsidiary restructuring program which resulted in sale of our stakes in the range of assets».

FINANCIAL REVIEW

Revenues

On the whole, as of 1H 2007 the Company's revenues totaled US\$ 730.6 mln., including revenues from telecommunications at US\$ 613.1 mln., revenues from operators at US\$ 95.0 mln., other revenues at US\$ 22.4 mln.

Revenue structure for 1H 2007 is as follows (US\$ mln.):

<i>Operational revenues</i>	<i>1H 2007</i>	<i>Weight, %</i>	<i>1H 2006</i>	<i>Weight, %</i>	<i>Change, %</i>
Mobile services	225.6	30,9%	177.4	31,1%	+27.2%
Local services	201.9	27,6%	185.2	32,4%	+9.0%
Intrazone services	97.6	13,4%	47.8	8,4%	+104.2%
Connection and traffic transmission services	95.0	13,0%	82.6	14,5%	+15.0%
Telegraph, data transmission services and telematics	62.9	8,6%	40.3	7,1%	+56.1%
Other revenues	22.4	3,1%	13.7	2,4%	+63.5%
Assistance services	14.2	1,9%	14.2	2,5%	0%
Mobile wireless communications, wired radio, radio and TV broadcasting	9.6	1,3%	9.5	1,7%	+1.1%
Other telecommunication services	1.4	0,2%	0.5	0,1%	+180.0%
Total	730.6	100%	571.3	100%	+27.9%

Expenses

On the whole, expenses for the 1 H 2007 totaled US\$ 594.5 mln. (+22.9% on 1H 2006).

Expenses structure for the reporting period is as follows (US\$ mln.):

<i>Operating expenses</i>	<i>1H 2007</i>	<i>Weight, %</i>	<i>1H 2006</i>	<i>Weight, %</i>	<i>Change, %</i>
Wages, salaries, other benefits and payroll taxes	177.1	29,8%	177.9	36,8%	-0.4%
Depreciation and amortization	109.0	18,3%	98.7	20,4%	+10.4%
Materials, repair and maintenance, utilities	57.7	9,7%	45.0	9,3%	+28.2%
Taxes other than income tax	17.2	2,9%	14.9	3,1%	+15.4%
Interconnection charges	90.6	15,2%	42.3	8,7%	+114.2%
Provision for impairment of receivables	2.0	0,3%	3.7	0,8%	-45.9%
Loss on disposal of property, plant and equipment	3.3	0,6%	0.5	0,1%	+560.0%
Other operating expenses, including:	137.5	23,1%	100.8	20,8%	+36.4%
<i>Agent commissions</i>	47.0	7,9%	24.4	5,0%	+92.6%
<i>Lease of premises</i>	11.7	2,0%	9.6	2,0%	+21.9%
<i>Advertising</i>	10.2	1,7%	7.3	1,5%	+39.7%
<i>Fire insurance and other security services</i>	9.6	1,6%	8.8	1,8%	+9.1%
<i>Other expenses</i>	59.0	9,9%	50.6	10,5%	+16.6%
Total	594.5	100,0%	483.8	100,0%	+22.9%

Wage expenses decreased by 0.4% on 1H 2006, they contribute 29.8% in expenses (36.8% in 1H 2006). The decrease was caused by optimized headcount and outsourcing sales (using general agent) which resulted in growth of expenses on agent commissions (+92.6% on 1H 2006).

Considerable growth of expenses for Interconnection charges was caused by increased subscriber base of mobile and new services. Besides, the growth was influenced by changes to the “Telecom Law” (art.54) and “Interconnection Rules” (approved by Government Decree # 161 as of 28/03/2005) in effect since July 01, 2007.

Debt, US\$ mln.

	<i>As of 30/06/2007</i>	<i>As of 31/12/2006</i>
Debt	25 589,8	25 836,0
Net debt	25 340,6	25 190,4
Short-term debt/Debt	0,43	0,27
Net debt/Shareholder’s Equity	1,21	1,24
Net debt/Assets	0,44	0,46
	<i>1H 2007</i>	<i>1H 2006</i>
OIBDA/Interest expenses	5,53	4,68

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The most recent company information is also available at www.usi.ru/en/, www.skrin.ru (complex disclosure information system), or URSI_RU page in Bloomberg system and URSI.RTS page in Reuters system.

Appendices:

1. Unaudited Consolidated Balance Sheet as of June 30, 2007 and Audited Consolidated Balance Sheet as of December 31, 2006.
2. Unaudited Consolidated Statement of Operations for the 6 months of 2007 and Unaudited Consolidated Statement of Operations for the 6 months of 2006.

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ОАО «Uralsvyazinform»
Unaudited Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006
(in thousand rubles)

	Notes	June 30, 2007	December 31, 2006 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	2	47,984,208	45,835,539
Intangible assets and goodwill	3	2,756,846	2,398,764
Financial investments in associates	6	37,848	418,808
Long-term financial investments	7	39,072	38,808
Long-term accounts receivable and other financial assets	8	230,289	276,860
Long-term advances given		425,050	253,859
Total non-current assets		51,473,313	49,222,638
Current assets			
Inventories	9	526,610	496,664
Accounts receivable	10	2,716,227	2,266,827
Prepaid income tax		75,571	238,788
Other current assets	11	1,593,241	1,379,833
Cash and cash equivalents	12	249,204	645,574
Total current assets		5,160,853	5,027,686
Assets of disposal group classified as held for sale	5	-	257,331
TOTAL ASSETS		56,634,166	54,507,655
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Charter capital	13	8,749,303	8,749,303
Unrealized gain on available-for-sale investments		4,511	4,171
Retained profits		12,054,942	11,409,502
Total equity attributable to equity holders of the parent		20,808,756	20,162,976
Minority interest		-	-
Total equity		20,808,756	20,162,976
Non-current liabilities			
Long-term borrowings	14	11,801,413	17,074,736
Long-term financial lease obligations		2,682,624	1,753,358
Pension liabilities		1,851,136	1,549,837
Deferred revenues		86,269	80,380
Deferred income tax liabilities		2,840,550	2,336,229
Total non-current liabilities		19,261,992	22,794,540
Current liabilities			
Accounts payable, accrued expenses and advances given	15	3,857,673	3,904,041
Payables to Rostelecom		376,684	48,494
Income tax payable		44,907	-
Other taxes payable	16	413,793	431,174
Dividends payable		764,521	30,105
Short-term borrowings	14	664,026	1,265,201
Current portion of long-term borrowings	14	9,041,076	4,729,982
Current portion of long-term finance lease obligations		1,400,738	1,012,698
Total current liabilities		16,563,418	11,421,695
Liabilities of disposal group classified as held for sale	5	-	128,444
Total liabilities		35,825,410	34,344,679
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		56,634,166	54,507,655

General Director _____ Ufimkin A.Y. Chief Accountant _____ Balueva S.I.
The accompanying notes form an integral part of these consolidated financial statements

ОАО «Uralsvyazinform»
Unaudited Consolidated Statement of Operations
for the 6 months of 2007 and 2006
(in thousand rubles, excluding earnings (losses) per share)

	Notes	1H 2007	1H 2006 corrected (Note 1)
Revenues	17	19,045,916	15,710,423
Wages, salaries, other benefits and payroll taxes		(4,617,852)	(4,893,319)
Depreciation and amortization	2,3	(2,841,613)	(2,715,215)
Materials, repair and maintenance, utilities		(1,504,511)	(1,236,743)
Taxes other than income tax		(448,777)	(409,779)
Interconnect charges – International operators		(94,383)	(33,881)
Interconnect charges – Russian operators		(2,268,090)	(1,129,396)
Provision for impairment of receivables	10	(51,733)	(100,362)
Loss on disposal of property, plant and equipment		(86,595)	(14,636)
Agent commissions		(1,224,522)	(671,207)
Lease of premises		(305,316)	(264,001)
Advertising		(267,113)	(201,079)
Fire insurance and other security services		(249,448)	(243,211)
Property insurance		(143,545)	(162,514)
Other operating expenses, net	18	(1,395,079)	(1,229,117)
Operating profit		3,547,339	2,405,963
Share of result of associates, net		6,353	14,107
Interest expenses, net	19	(1,154,994)	(1,094,564)
Gain (loss) on financial investments		131,583	5,724
Gain (loss) on foreign exchange, net		27,747	48,891
Profit before income tax		2,558,028	1,380,121
Income tax expense		(1,174,636)	(498,875)
Profit for the year		1,383,392	881,246
Attributable to:			
Equity holders of the parent		1,383,392	879,460
Minority interests		-	1,786
Earnings per share			
- basic and diluted, for profit of the year attributable to equity holders of the parent		0.034	0,022

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