

Joint - Stock
Central Telecommunication Company

Unaudited
Consolidated Financial Statements

For the 6 months ended June 30, 2007

JSC CenterTelecom
Unaudited Consolidated Financial Statements

For the 6 months ended June 30, 2007

Contents

Unaudited Consolidated Balance Sheet	3
Unaudited Consolidated Income Statement	5
Notes to the unaudited Consolidated Financial Statements	6

JSC CenterTelecom
Unaudited Consolidated Balance Sheet
As of June 30, 2007 and December 31, 2006
(in thousands of roubles)

	Note	30 June 2007	31 December 2006 as restated
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	28 725 734	29 598 913
Intangible assets and goodwill, net	5	3 733 394	3 493 826
Investments in associates, net	6	36 952	51 528
Long-term investments	7	748 249	1 118 391
Long-term accounts receivable and other assets	8	47 252	150 175
Long-term advances given, net	9	683 836	445 197
Deferred income tax asset		284 848	210 757
Total non-current assets		34 260 265	35 068 787
Current assets			
Inventories, net	10	593 076	458 648
Trade and other receivables, net	11	3 014 203	2 454 776
Prepaid income tax		411 345	439 445
Short-term investments	7	972 629	871 970
Other current assets, net	12	864 780	875 383
Cash and cash equivalents	13	762 995	1 245 219
Total current assets		6 619 028	6 345 441
Total assets		40 879 293	41 414 228
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	14	6 900 165	6 900 165
Treasury shares	14	(720)	(720)
Change in fair value of available-for-sale investments		10 542	-
Retained earnings		4 359 673	3 587 801
Total equity attributable to equity holders of the parent		11 269 660	10 487 246
Minority interest		5 697	6 395
Total equity		11 275 357	10 493 641
Non-current liabilities			
Long-term borrowings	15	15 873 210	15 991 843
Long-term finance lease obligations	16	869 618	1 395 583
Pension liabilities		2 619 292	2 526 839
Long-term income tax payable	18	1 500	1 628
Long-term other taxes payable	18	1 812	2 038
Deferred revenue		744 837	771 755
Long-term provision	19	17 127	21 885
Other non-current liabilities		58 639	54 640
Total non-current liabilities		20 186 035	20 766 211
Current liabilities			
Accounts payable, accrued expenses and advances received	17	3 936 204	4 056 071
Payables to OJSC "Rostelecom"		1 093 072	453 931
Income tax payable		160	5 404
Other taxes payable	18	601 233	388 451
Dividends payable		525 995	10 459

JSC CenterTelecom
Unaudited Consolidated Balance Sheet
as of June 30, 2007 and December 31, 2006
(in thousands of roubles)

	Note	30 июня 2007 года	31 декабря 2006 года скорректировано
Short-term borrowings	15	958 009	774 703
Current portion of long-term borrowings	15	1 147 679	3 249 054
Current portion of long-term finance lease obligations	16	1 088 741	1 136 973
Short-term provisions	19	66 808	79 330
Total current liabilities		9 417 901	10 154 376
Total liabilities		29 603 936	30 920 587
Total equity and liabilities		40 879 293	41 414 228

The accompanying notes form an integral part of these consolidated financial statements

JSC CenterTelecom
Unaudited Consolidated Income Statement
for the 6 months ended June 30, 2006 and June 30, 2007
(in thousands roubles, except earnings per share)

	Notes	6 months ended June 30, 2007	6 months ended June 30, 2006 as restated
Revenue	20	16 330 991	13 867 878
Wages, salaries, other benefits and payroll taxes		(5 177 353)	(5 097 261)
Depreciation and amortization		(2 981 072)	(2 650 117)
Materials, repairs and maintenance, utilities		(1 278 673)	(1 365 240)
Taxes other than income tax		(397 945)	(430 264)
Interconnection charges		(1 831 850)	(572 991)
Recovery of impairment of receivables		82 194	86 398
Loss (profit) on disposal of property, plant and equipment		(89 413)	17 641
Other operating expenses	21	(1 840 493)	(1 851 259)
Operating profit		2 816 386	2 004 785
Share of result of associates		6 599	7 524
Interest expense, net	22	(1 105 017)	(1 370 515)
Other loss, net		1 437	-
Gain on subsidiaries, associates and other investments, net	23	104 308	20 650
Foreign exchange gain, net		56 546	31 252
Profit before income tax		1 880 259	693 696
Income tax expense		(586 247)	(488 223)
Profit for the reporting period		1 294 012	205 473
Attributable to:			
Equity holders of the parent		1 293 477	204 213
Minority interests		535	1 260
Earnings per share (in Russian roubles)			
- basic and diluted, for profit for the reporting period attributable to equity holders of the parent		0,615	0,097

The accompanying notes form an integral part of these consolidated financial statements

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

1. General

Authorization of Accounts

The unaudited Consolidated Financial Statements of JSC CenterTelecom (“Company”) and its subsidiaries (jointly referred to as the “Group”) have been prepared for the six months ended June 30, 2007.

Principles of preparing the unaudited Consolidated Financial Statements

The financial statements of JSC CenterTelecom for 6 months of 2007 according to IFRS are presented as the balance sheet, profit and loss report and notes to the financial statements. These statements do not contain all disclosures required according to IFRS, however, their volume are sufficient to obtain an idea of the financial standing and the results of the Company's activities for 6 months of 2007.

These reports are unaudited consolidated financial statements of JSC CenterTelecom. No procedures of audit, review or other similar procedures will be performed in respect of these statements.

These financial statements are prepared based on the statutory financial statements of the Company and its subsidiaries in accordance with the Regulations on Accounting and Reporting of the Russian Federation, with adjustments and reclassifications recorded for the purpose of fair presentation of ending balances and results of operations in accordance with IFRS.

In preparing these unaudited consolidated financial statements, JSC CenterTelecom used less procedures than could have been used in preparing annual consolidated financial statements. In this context, JSC CenterTelecom has used some assumptions, including those concerning the fair value of assets and liabilities of acquired subsidiaries and dependent companies, the value of pension provision liabilities, deferred income, fixed assets depreciation reserves, inventory holdings and accounts receivable. The actual figures of the financial reporting for the year that expired on 31st December 2007 may differ from the figures of these financial statements, as there might have been some adjustments of the information on assumptions used by the Company and some other new information might have appeared.

The content of the notes to the unaudited consolidated financial statements of JSC CenterTelecom do not disclose fully all the information, the disclosure of which is required for compliance with the International Financial Reporting Standards. The content of the notes to the annual consolidated financial statements of JSC CenterTelecom may disclose information in a volume larger than disclosed in these unaudited consolidated financial statements of JSC CenterTelecom.

2. Reclassifications and Adjustments to Comparatives

The Company has adjusted and reclassified comparable figures for 6 months 2006 to ensure comparability with those for 6 months 2007, as shown in the table below.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

	As previously reported	Correction of errors	As restated	Description
Consolidated balance sheet as of December 31, 2006				
Deferred income tax asset	222 939	(12 182)	210 757	
Total non-current assets	35 080 969	(12 182)	35 068 787	
Total assets	41 426 410	(12 182)	41 414 228	
Retained earnings as of December 31, 2006	3 599 983	(12 182)	3 587 801	Adjustments of deferred tax of OJSC RTS
Total equity	10 505 823	(12 182)	10 493 641	
Total equity and liabilities	41 426 410	(12 182)	41 414 228	
Consolidated income statement for the 6 months ended June 30, 2006				
Revenue	13 899 494	(31 616)	13 867 878	Deconsolidation of the Investments in CJSC "CenterTelecomService"
Depreciation and amortization	(2 635 635)	(14 482)	(2 650 117)	Adjustment based on evaluation of OJSC RTS and CJSC "ATS"
Interconnection charges	(596 151)	23 160	(572 991)	Deconsolidation of the Investments in CJSC "CenterTelecomService"
Other operating expenses	(1 841 627)	(9 632)	(1 851 259)	Deconsolidation of the Investments in CJSC "CenterTelecomService"
Share of result of associates	(140)	7 664	7 524	Deconsolidation of the Investments in CJSC "CenterTelecomService"
Income tax expense	(494 309)	6 086	(488 223)	Deconsolidation of the Investments in CJSC "CenterTelecomService" and adjustment based on evaluation of OJSC RTS and CJSC "ATS"
Profit for the reporting period	224 293	(18 820)	205 473	Итого
Profit for the reporting period attributable to minority interests	4 683	(3 423)	1 260	Deconsolidation of the Investments in CJSC
Profit for the reporting period attributable to equity holders of the parent	219 610	(15 397)	204 213	"CenterTelecomService"
Earnings per share (in Russian roubles) – basic and diluted, for profit for the reporting period attributable to equity holders of the parent	0,107		0,097	

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

In 2006 the Company deconsolidated its investments in CJSC “CenterTelecomService” where it owns 74.9% of voting shares and which was presented in prior periods as the subsidiary controlled by the Company. The rest 25.1% of voting shares is owned by the minority shareholder.

The Company recognized the absence of the control over this entity due to restrictions in its majority voting power in the Board of Directors of the entity. Respectively, the Company and minority shareholder have a joint control over the entity based on which the Company classified this investment as investment in the joint venture and accounted for it under equity method. Comparative amounts of the assets, liabilities and the results of operations as of June 30, 2006 and for the period then ended were adjusted respectively.

In 2006, the Company revised the amount of fair value of identifiable assets, liabilities and contingent liabilities of OJSC RTS and CJSC “ATS”, subsidiaries acquired in 2004 and 2005 respectively, upon having arrived at relevant valuation.

Comparative amounts of the assets, liabilities and the results of operations as of June 30, 2006 and for the period then ended were adjusted respectively.

3. Consolidated Subsidiaries

The presented consolidated financial statements of the Group cover assets, liabilities and performance of OJSC “CenterTelecom” and its subsidiaries listed below:

Subsidiary	Main activity	Ownership, %		Voting Shares, %	
		30 June 2007	31 December 2006	30 June 2007	31 December 2006
CJSC “Vladimir Teleservice”	Communication Services	100	100	100	100
LLC “Mobilcom”	Communication Services	100	100	100	100
LLC “Teleport Ivanovo”	Communication Services	100	100	100	100
LLL “Telecom Terminal”	Repair and maintenance services	100	100	100	100
LLC “Telecom Stroi”	Construction Services	100	100	100	100
OJSC RTS	Communication Services	100	100	100	100
CJSC “ATS”	Communication Services	100	100	100	100
LLC “Tver Telecom”	Communication Services	85	85	85	85
LLC “Svyaz-Service-Irga”	Communication Services	70	70	70	70
LLC “Vladimirskii Taksofon”	Communication Services	51	51	51	51
CJSC “Telecom Ryazanskoi oblasti”	Communication Services	50,9	50,9	50,9	50,9
LLC “Operatorski Tsentr” ¹	Communication Services	100	100	100	100
OJSC “TeleNET” ²	Communication Services	100	100	100	100
CJSC “Rosnet International” ³	Communication Services	99	99	99	99

All the above companies have the same financial year as the Company.

¹ Subsidiary is under control of CJSC “ATS”

² Subsidiary is under control of CJSC “ATS”

³ Subsidiary is under control of OJSC RTS

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

4. Property, Plant and Equipment , net

Property, plant and equipment and related accumulated depreciation and impairment consist of the following:

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Assets under construction	Total
Cost					
At December 31, 2005	16 033 349	18 918 091	4 413 406	2 207 757	41 572 603
Additions	–	–	–	5 332 224	5 332 224
Put in operation	1 322 317	3 240 545	646 851	(5 209 713)	–
Disposals	(94 955)	(774 266)	72 315	(28 241)	(825 147)
At December 31, 2006	17 260 711	21 384 370	5 132 572	2 302 027	46 079 680
Additions	–	–	–	2 193 676	2 193 676
Put in operation	219 376	642 882	344 665	(1 206 923)	–
Disposals	(3 861)	(16 330)	(35 711)	(122 845)	(178 747)
At June 30, 2007	17 476 226	22 010 922	5 441 526	3 165 935	48 094 609
Accumulated Depreciation and Impairment					
At December 31, 2005	(2 641 769)	(6 449 621)	(2 261 054)	–	(11 352 444)
Charge for the year	(1 439 428)	(2 994 538)	(973 976)	–	(5 407 942)
Impairment	(37 922)	(169 988)	(22 818)	–	(230 728)
Disposals	96 332	388 271	25 744	–	510 347
At December 31, 2006	(4 022 787)	(9 225 876)	(3 232 104)	–	(16 480 767)
Charge for the period	(775 898)	(1 626 068)	(523 261)	–	(2 925 227)
Disposals	3 998	26 692	6 429	–	37 119
At June 30, 2007	(4 794 687)	(10 825 252)	(3 748 936)	–	(19 368 875)
Net book value as of December 31, 2005	13 391 580	12 468 470	2 152 352	2 207 757	30 220 159
Net book value as of December 31, 2006	13 237 924	12 158 494	1 900 468	2 302 027	29 598 913
Net book value as of June 30, 2007	12 681 539	11 185 670	1 692 590	3 165 935	28 725 734

The above tables include plant and machinery leased under finance lease agreements as of June 30, 2007 and December 31, 2006:

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Assets under construction	Total
Cost	2 479	4 832 678	106 161	96 054	5 037 372
Accumulated Depreciation	(110)	(634 023)	(40 896)	–	(675 029)
Net Book Value as of December 31, 2006	2 369	4 198 655	65 265	96 054	4 362 343
Cost	2 479	4 833 067	106 161	69 082	5 010 789
Accumulated Depreciation	(172)	(786 954)	(52 281)	–	(839 407)
Net Book Value as of June 30, 2007	2 307	4 046 113	53 880	69 082	4 171 382

Leased assets are pledged as security for the related finance lease obligations.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

5. Intangible Assets and Goodwill, net

	Goodwill	Trade Mark	Licenses	Software	Customer List	Total
Cost of Valuation						
At December 31, 2005	994 827	36 216	147 688	2 929 229	94 002	4 201 962
Additions	-	553	5 561	648 361	-	654 475
Additions due to subsidiaries acquisition	-	-	(27)	-	-	(27)
At December 31, 2006	994 827	36 769	153 222	3 577 590	94 002	4 856 410
Additions	-	-	36 742	258 671	-	295 413
At June 30, 2007	994 827	36 769	189 964	3 836 261	94 002	5 151 823
Accumulated Amortization and Impairment						
At December 31, 2005	(969 248)	(6 544)	(35 973)	(124 372)	(21 418)	(1 157 555)
Charge for the period	-	(4 089)	(21 822)	(69 666)	(12 239)	(107 816)
Disposals	-	-	6	-	-	6
Impairment	(25 579)	(19 925)	-	-	(51 715)	(97 219)
At December 31, 2006	(994 827)	(30 558)	(57 789)	(194 038)	(85 372)	(1 362 584)
Charge for the period	-	(486)	(11 871)	(39 197)	(4 291)	(55 845)
At June 30, 2007	(994 827)	(31 044)	(69 660)	(233 235)	(89 663)	(1 418 429)
Net book value at December 31, 2005	25 579	29 672	111 715	2 804 857	72 584	3 044 407
Net book value at December 31, 2006	-	6 211	95 433	3 383 552	8 630	3 493 826
Net book value at June 30, 2007	-	5 725	120 304	3 603 026	4 339	3 733 394

As of June 30, 2007 software includes OEBS software with a gross book value of 2 158 023 (December 31, 2006: 1 930 708) including interest capitalized totaling 666 408 (2006: 557 746). Capitalization rate is 10,92% (2006: 13,55%).

6. Investments in Associates, net

Investments in associates comprised the following at June 30, 2007 and December 31, 2006:

Associate	Activity	30 June 2007		31 December 2006	
		Voting shares, %	Carrying value	Voting shares, %	Carrying value
CJSC "Centertelecom Service"	Communication Services	74,9%	32 514	74,9%	47 071
CJSC "TeleRoss Voronej"	Communication Services	50%	212	50%	425
Joint venture	Cellular Services	30%	14 579	30%	14 579
OJSC "Telecommunications company Rinfotels"	Communication Services	26%	1 251	26%	1 270
Provision for impairment			(11 604)		(11 817)
Total			36 952		51 528

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

All the above companies are Russian legal entities incorporated in accordance with Russian legislation and have the same financial year as the Company.

Movement in investments in associates for the periods ended June 30, 2007 and December 31, 2006 is presented below:

	30 June 2007	31 December 2006
Investments in associates as of the beginning of the period	51 528	46 359
Share of income net of income tax and dividends received	(14 790)	20 671
Reclassification of associates	-	(4 277)
Recovery/(accrual) of provision for impairment	214	(11 225)
Investments in associates as of the end of the period	36 952	51 528

7. Investments

Investments comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Long-term promissory notes purchased	710 378	1 091 208
Long-term investments available-for-sale	37 871	27 183
Total long-term investments	748 249	1 118 391
Short-term part of long-term promissory notes purchased	957 629	841 970
Rouble denominated short-term bank deposits	15 000	30 000
Total short-term investments	972 629	871 970
Total investments	1 720 878	1 990 361

Reduction in debts on long-term promissory notes is due to reclassification of a portion of long-term debts for a portion of long-term promissory notes into short-term debts.

8. Long-Term Accounts Receivable and Other Assets

Long-term accounts receivable and other assets comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
VAT receivable	38 643	141 041
Long-term loans given to employees	7 785	8 059
Other long-term financial assets	824	1 075
Total	47 252	150 175

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

9. Long-Term Advances Given, net

Long-term advances given the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Advances given for capital construction	452 404	236 844
Acquisition and implementation of software	234 894	211 817
Provision for impairment of advances for capital construction	(3 462)	(3 464)
Total	683 836	445 197

10. Inventories, net

Inventories comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Cable, materials and spare parts for telecommunications equipment	211 776	163 694
Construction materials, fuels and instruments	85 897	79 444
Finished goods and goods for resale	60 701	21 802
Other inventories	234 702	193 722
Provision for inventory obsolescence	-	(14)
Total	593 076	458 648

The amount of write-down of inventories recognized as an expense is 460 194 (6 months of 2006 – 513 434)/ This expense is included into the line “Materials, repairs and maintenance, utilities” of Consolidated Income Statement.

11. Trade and Other Receivables, net

Accounts receivable comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Trade receivables – telecommunication services	3 665 519	3 201 173
Trade receivables – interconnection and traffic transmission	82 043	61 863
Trade receivables – other	163 732	197 925
Provision for impairment	(897 091)	(1 006 185)
Total	3 014 203	2 454 776

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

Trade Accounts receivable for telecommunication services were due from the following major customer groups as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Corporate customers	1 750 988	1 383 623
Residential customers	1 180 786	1 065 636
Government customers	260 223	143 854
Tariff compensation from the state budget	473 522	608 060
Total	3 665 519	3 201 173

The Company invoices its governmental and corporate customers on a monthly basis. The Company sends monthly payment requests and substantially relies upon these customers to remit payments based on the received payment requests. All customer payments are based upon tariffs, denominated in Roubles, in effect at the time the calls are made.

Receivables resulted from tariff compensation from the state budget related to granting privileges to certain categories of subscribers account for 12,9% of the total amount of trade accounts receivable as of June 30, 2007 (19,0% as of December 31, 2006). These accounts receivable emerged before January 2005, when Article 47 of Federal Law No. 126-FZ, dated July 7, 2003, "On Telecommunications" came into force. This Article changed the procedure for granting privileges to individuals in the provision of services of telecommunication organizations. Before January 2005, telecommunication services users eligible for privileges paid 50% of their cost by themselves, and 50% was subject to compensation from the state budget.

In 2005, the budgets did not provide for financing the outstanding receivables resulted from tariff compensation from the state budget related to granting privileges to certain categories of subscribers in the previous periods.

In first 6 months of 2006, as a result of claims and actions, the arbitration courts satisfied 260 318 from the federal budget to cover the Company's accounts receivable resulting from services provided earlier to privileged categories of citizens. Of that amount, 126 698 was received in cash.

The abovementioned accounts receivable on compensation from the state budget are doubtful, since they were not paid in accordance with contractual terms and are not secured by relevant guarantees. The Company will continue efforts to recover funds from the federal budget to compensate for this debt. However, taking into account the difficulties related to the recovery of such debts for the previous periods, the Company assessed the possibility of collection of debts on compensation for granting privileges to certain categories of subscribers in June 2007, and considering possibilities of debt recovery, created a provision for impairment of these receivables in the amount of 473 522, which accounts for 100 % of the total amount of debt of the social security authorities as of June 30, 2007 (December 31, 2006 – 608 060).

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

The following summarizes movement in the provision for impairment of trade and other receivables:

	30 June 2007	31 December 2006
Balance at the beginning of the period	(1 006 185)	(2 213 112)
Recovery for the period	82 194	972 082
Trade receivables written off	26 900	234 845
Balance at the end of the period	(897 091)	(1 006 185)

12. Other Current Assets, net

Other current assets comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
VAT receivable	345 748	453 266
Other receivables and current assets	258 989	174 903
Prepayments and advance payments	228 362	135 207
Deferred expenses	60 773	143 296
Other prepaid taxes	20 029	18 137
Settlements with personnel	15 099	12 601
Receivables from fixed assets' sale	12 462	16 038
Short-term loans given	806	1 430
Provision for impairment	(77 488)	(79 495)
Total	864 780	875 383

13. Cash and Cash Equivalents

Cash and cash equivalents comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2006
Rouble denominated cash in hand and balances with banks	597 994	901 919
Foreign currency denominated balances with banks	1	13 227
Rouble denominated short-term bank deposits	165 000	330 073
Total	762 995	1 245 219

Cash at banks earns floating interest at rates based on the cash balances on Company's bank accounts.

Short-term bank deposits earn interest at the rate 5,5% (2006: 5,5%).

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

14. Equity

The total number of outstanding shares comprised the following as of June 30, 2007:

	Number of shares authorized (thousands)	Treasury shares (thousands)	Number of shares outstanding (thousands)	Par value	Carrying value	Treasury shares (thousands roubles)	Carrying value
As of December 31, 2004	2 104 000	–	2 104 000	631 200	1 219 366	–	1 219 366
Preference	525 993	–	525 993	1 577 979	1 725 020	–	1 725 020
Ordinary	1 578 007	(240)	1 577 767	4 733 301	5 175 145	(720)	5 174 425
As of December 31, 2005	2 104 000	(240)	2 103 760	6 311 280	6 900 165	(720)	6 899 445
Preference	525 993	–	525 993	1 577 979	1 725 020	–	1 725 020
Ordinary	1 578 007	(240)	1 577 767	4 733 301	5 175 145	(720)	5 174 425
As of December 31, 2006	2 104 000	(240)	2 103 760	6 311 280	6 900 165	(720)	6 899 445
Preference	525 993	–	525 993	1 577 979	1 725 020	–	1 725 020
Ordinary	1 578 007	(240)	1 577 767	4 733 301	5 175 145	(720)	5 174 425
As of June 30, 2007	2 104 000	(240)	2 103 760	6 311 280	6 900 165	(720)	6 899 445

The ordinary and preference shares have a nominal value of 3 roubles per share.

The difference between the total par value and the total carrying value of share capital represents the effects of inflation accumulated through January 1, 2003.

Treasury stock represents shares of the Company, held by a subsidiary of the Company.

15. Borrowings

Borrowings comprised the following as of June 30, 2007 and December 31, 2006:

	Effective interest rate	Maturity date	30 June 2007	31 December 2006
Short-term borrowings				
Bank loans (Roubles)	11,5%-15,3%		-	33 887
Векселя (рубли)	9,00%		167 523	-
Interest accrued on promissory notes (Roubles)			318 506	292 036
Interest accrued on bank loans (US dollars)			55 298	46 160
Interest accrued on bank loans (Euro)			4 185	51
Interest accrued on bank loans (Roubles)			2 685	165
Interest accrued on bonds (Roubles)			409 775	402 239
Interest accrued on vendor financing (Euro)			37	165
Total Interest accrued			790 486	740 816
Total short-term borrowings			958 009	774 703

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

	Effective interest rate	Maturity date	30 June 2007	31 December 2006
Long-term borrowings				
Bank loans (Roubles)	8,3%	2008-2013	905 517	424 740
Bank loans (US dollars)	9,61%	2007-2010	2 894 183	2 951 945
Bank loans (Euro)	7,9%	2007-2012	347 524	353 211
Total bank loans			4 147 224	3 729 896
Bonds (Roubles)	8,48%-14,84%	2007-2012	8 494 447	8 495 336
Vendor financing (US Dollars)	7%-9%	2010	25 930	24 266
Vendor financing (Euro)	6%-9%	2008	4 895	28 838
Total vendor financing			30 825	53 104
Promissory notes (Roubles)	9,78%-12,16%	2007-2025	4 259 669	6 881 610
Interest accrued on loans from customers (Roubles)			3 785	3 442
Loans from customers (Roubles)			84 939	77 509
Total long-term borrowings			17 020 889	19 240 897
Less: Current portion of long-term borrowings			(1 147 679)	(3 249 054)
Total long-term part of borrowings			15 873 210	15 991 843

The Company has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	30 June 2007	31 December 2007
Russian Roubles	14 646 883	16 610 964
US dollars	2 975 411	3 022 371
Euro	356 604	382 265
Total	17 978 898	20 015 600

Bank Loans

SB of the Russian Federation Srednerussky Bank

To finance its current operations, the Company entered into an agreement with Sberbank of Russia on opening a credit facility in the amount of up to 3 000 000 on April 20, 2007.

Between the agreement date and the reporting date, the Company has borrowed funds for the amount of 695 000.

The credit facility is to be closed on and including April 19, 2009. Interest rate on the facility is fixed at 7,9% per annum.

As of June 30, 2007, debt on this agreement made 498 873.

This debt is not secured.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

Promissory Notes

LLC "RTK Broker"

In 2007, the Company issued promissory notes to finance current operations, which promissory notes were purchased by RTK Broker LLC. The amount of proceeds on the paper credit makes 167 523; total principal amount of the promissory notes issued amounts to 175 000. Maturity of the promissory notes is July 10, 2007. Interest is accrued at 9% per annum.

As of June 30, 2007, debt on these promissory notes amounted to 167 523; the amount of interest accrued is 7 055. This debt is not secured.

16. Finance Lease Obligations

The Company entered into various finance lease agreements for telecommunication equipment. These leases have no terms of renewal, purchase options or escalation clauses. The title on the equipment is transferred to the Company at the end of the lease. Future minimum lease payments and their present values of were as follows as of June 30, 2007 and December 31, 2006:

	30 June 2007		31 December 2006	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Current portion	1 397 983	1 088 741	1 549 607	1 136 973
1 to 5 years	1 040 687	869 618	1 693 751	1 395 583
Total minimum lease payments	2 438 670	1 958 359	3 243 358	2 532 556
Less amounts representing finance charges	(480 311)	-	(710 802)	-
Present value of minimum lease payments	1 958 359	1 958 359	2 532 556	2 532 556

In first 6 months of 2007 effective interest rate on lease liabilities ranged from 13,61% to 32,68% (2006 – 13,61% to 33,51%).

17. Accounts Payable, Accrued Expenses and Advances Received

Accounts payable, accrued expenses and advances received comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2007
Trade accounts payable	957 610	1 184 299
Advances received from subscribers	427 724	450 488
Accounts payable to equipment suppliers and constructors	1 628 088	1 666 083
Salaries and wages	722 732	729 495
Accounts payable to non-commercial partnership	152 722	-
Other accounts payable	47 328	25 706
Total	3 936 204	4 056 071

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

18. Other Taxes Payable

Current Taxes Payable

Current taxes payable, other than income tax, comprised the following as of June 30, 2007 and December 31, 2006:

	30 June 2007	31 December 2007
Value added tax	173 856	186 715
Property tax	172 687	161 547
Personal income tax	76 564	646
Unified social tax	147 534	9 475
Other taxes	30 592	30 068
Total	601 233	388 451

Long-Term Taxes Payable

Long-term taxes payable comprise overdue debt repayments for various taxes which were restructured for the period of up to 10 years in accordance with regulation №1002 of the Government of Russian Federation dated September 3, 1999 “On procedure and time limits of restructuring of tax payables of legal entities” and in accordance with regulation №442 of the Administration of the Tula Region dated August 9, 2002. “On procedure of restructuring in 2002 of payables (principal debt, fines and penalties) of legal entities before regional tax budget that forms territorial road fund”; Regulation of the Administration of the Voronej region №959 dated August 29, 2001, as shown below:

	30 June 2007			31 December 2007		
	Federal	Regional taxes and other state funds	Total	Federal	Regional taxes and other state funds	Total
Current	520	874	1 393	176	877	1 053
1 to 2 years	615	428	1 043	615	428	1 043
2 to 3 years	549	382	931	549	383	932
3 to 4 years	490	593	1 083	490	425	915
4 to 5 years	107	148	255	326	450	776
Total restructured	2 281	2 425	4 706	2 156	2 563	4 719
Less: current portion of taxes payable	520	874	1 394	176	877	1 053
Long-term portion of restructured taxes	1 761	1 551	3 312	1 980	1 686	3 666

Long-term taxes payable have been recorded at their fair values at the date when an obligation was incurred. In subsequent periods these payables were recorded at amortized cost.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

19. Provisions

During 6 months of 2007 movements in current provisions were as follows:

	Personnel dismissal	Tax provisions	Guarantees	Other	Total
Balance at December 31, 2006	34 947	12 437	25 007	6 939	79 330
Provisions reclassified from long-term part	–	–	4 758	–	4 758
Provision amortized	–	–	(10 341)	–	(10 341)
Unused amounts reversed	–	–	–	(6 939)	(6 939)
Balance at June 30, 2007	34 947	12 437	19 424	–	66 808

During 6 months of 2007 movements in long-term provisions were as follows:

	Guarantees	Total
Balance at December 31, 2006	21 885	21 885
Provision reclassified to current part	(4 758)	(4 758)
Balance at June 30, 2007	17 127	17 127

20. Revenue

By revenue types	6 months of 2007	6 months of 2006
Local telephone communication services	7 997 760	7 222 560
Intrazone telephone communication services	2 822 918	1 368 357
Connection and traffic transfer services	2 419 205	2 548 950
Internet access services	1 239 336	780 179
Services under cooperation agreements	617 749	736 969
Cable communication and data transmission services	387 680	407 993
Mobile radio, wire broadcasting, radio broadcasting, and TV broadcasting services	364 823	372 827
Mobile radiotelephone (cellular) communication services	135 985	118 668
Other telecommunication services (core activities)	128 465	106 945
Income from other sales (non-core activities)	217 070	204 430
Total	16 330 991	13 867 878

Income growth against 6 months 2006 amounted to 2 463 113, mainly on the following types of services:

- income from local telephone communication services increased by 775 200;
- income from intrazone telephone communication services increased by 1 454 561;
- income from Internet access services increased by 459 157.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

The Company identifies revenue by the following major customer groups:

Customer groups	6 months of 2007	6 months of 2006
Residential customers	8 640 777	6 841 353
Corporate customers	6 432 158	5 999 032
Government customers	1 258 056	1 027 493
Total	16 330 991	13 867 878

21. Other Operating Expenses

Other operating expenses comprised the following:

By expenses types	6 months of 2007	6 months of 2006
Lease of premises	(315 118)	(267 596)
Fire and other security services	(203 942)	(226 662)
Agency fees	(193 671)	(95 933)
Universal service fund payments	(154 276)	(119 454)
Non-commercial partnership expenses, member fees, charity contribution, payments to labor unions	(206 332)	(138 198)
Transportation services	(84 225)	(84 133)
Bank services fees	(81 449)	(92 697)
Insurance	(50 752)	(103 679)
Advertising expenses	(50 541)	(34 831)
Buildings maintenance	(48 343)	(57 023)
Telecommunication equipment maintenance	(44 941)	(31 609)
Education expenses	(29 897)	(36 973)
Audit and consulting fees	(24 963)	(47 798)
Business travel expenses and representation costs	(20 423)	(17 129)
Civil Defense	(20 325)	(21 394)
Cost of goods sold	(10 831)	(17 003)
Fines and penalties	7 342	(8 242)
Other expenses	(307 806)	(450 905)
Total	(1 840 493)	(1 851 259)

Other expenses are mainly expenses relating to accounting of subscriber payments and recovery thereof, documentary expenses, payments for telephone and other telecommunication services, as well as other operating expenses.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2007
(in thousands of roubles)

22. Interest Expense, net

Interest expense, net for the periods ended June 30, 2007 and December 31, 2006 comprised the following:

	6 months of 2007	6 months of 2006
Interest income	10 576	9 740
Interest expense on loans, promissory notes, bonds	(882 761)	(1 089 560)
Interest expense on finance leases	(232 832)	(290 695)
Total	(1 105 017)	(1 370 515)

23. Gain on Investments, net

Gain on investments for the periods ended June 30, 2007 and December 31, 2006 comprised the following:

	6 months of 2007	6 months of 2006
Gain on promissory notes, received from OJSC "RTK-Leasing"	101 164	-
Gain on sale of CJSC "Belgorodskaya Sotovaya Svyaz"	-	9 827
Gain on sale of CJSC "Smolenskaya Sotovaya Svyaz"	-	10 966
Gain on sale of other investments	-	19
(Provision for) recovery of impairment of other investments	214	(2 059)
Dividend income	2 930	1 897
Total	104 308	20 650

As of July 30, 2007 the promissory notes issued by OJSC "RTK-Leasing" are reflected at amortized original value with the effective interest rate of 10,36% - 16.78%. Effect of recalculation is reflected as income from financial investments.