

**Joint-Stock Central Telecommunication Company**

Unaudited Consolidated Financial Statements

*for the 6 months ended June 30, 2008*

# Joint-Stock Central Telecommunication Company

## Unaudited Consolidated Financial Statements

For the 6 months Ended June 30, 2008

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Joint-Stock Central Telecommunication Company  
Unaudited Consolidated Balance Sheet as of June 30, 2008

(in millions of Russian Roubles)

	<u>Notes</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	37,188	36,332
Intangible assets	8	5,502	5,061
Investments in associates and joint ventures	9	1	1
Long-term investments	10	267	467
Long-term advances paid	11	947	338
Other long term assets	12	5	9
<b>Total non-current assets</b>		<b>43,910</b>	<b>42,208</b>
<b>Current assets</b>			
Inventories	13	520	529
Trade and other receivables	14	3,078	2,670
Prepaid income tax		492	339
Short-term investments	10	638	823
Other current assets	16	908	916
Cash and cash equivalents	15	1,012	569
<b>Total current assets</b>		<b>6,648</b>	<b>5,846</b>
<b>Total assets</b>		<b>50,558</b>	<b>48,054</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	18	6,900	6,900
Treasury shares	18	(1)	(1)
Other reserves		3	12
Retained earnings		11,729	10,220
<b>Total equity attributable to equity holders of the parent</b>		<b>18,631</b>	<b>17,131</b>
<b>Minority interest</b>		<b>4</b>	<b>5</b>
<b>Total equity</b>		<b>18,635</b>	<b>17,136</b>
<b>Non-current liabilities</b>			
Long-term borrowings	19	11,976	13,194
Long-term finance lease obligations	20	2,499	1,927
Pension liabilities		2,612	2,641
Long-term taxes payable		3	3
Deferred revenue		359	362
Deferred income tax liabilities		1,375	1,036
Long-term provisions	21	-	6
Other non-current liabilities		57	59
<b>Total non-current liabilities</b>		<b>18,881</b>	<b>19,228</b>
<b>Current liabilities</b>			
Accounts payable and accruals	22	4,009	4,684
Taxes payable	23	969	287
Dividends payable	31	936	30
Short-term borrowings	19	607	571
Current portion of long-term borrowings	19	4,642	4,078
Current portion of long-term finance lease obligations	20	1,722	1,697
Short-term provisions	21	157	343
<b>Total current liabilities</b>		<b>13,042</b>	<b>11,690</b>
<b>Total liabilities</b>		<b>31,923</b>	<b>30,918</b>
<b>Total equity and liabilities</b>		<b>50,558</b>	<b>48,054</b>

Acting General \_\_\_\_\_ V.M. Kondratov

Chief Accountant \_\_\_\_\_ A.D. Kartashov

Joint-Stock Central Telecommunication Company

Unaudited Consolidated Income Statement

For the 6 months Ended June 30, 2008

(in millions of Russian Roubles, except earnings per share)

	Notes	6 m 2008	6 m 2007, as restated
<b>Revenue</b>	<b>26</b>	<b>16,937</b>	16 310
Wages, salaries, other benefits and payroll taxes		(4,936)	(5,177)
Depreciation and amortization	7,8	(2,229)	(2,183)
Materials, repairs and maintenance, utilities		(1,267)	(1,279)
Taxes other than income tax		(427)	(398)
Interconnection charges		(1,572)	(1,812)
Recovery of impairment of receivables	14,16	(45)	82
Loss on disposal of property, plant and equipment and other assets		47	(87)
Other operating expenses	27	(2,215)	(1,861)
<b>Operating profit</b>		<b>4,293</b>	<b>3,595</b>
Share of result of associates	9	-	7
Interest expense, net	28	(1,010)	(1,004)
Other losses, net		(4)	1
Gain on subsidiaries, associates and other investments, net	29	15	3
Foreign exchange gain, net		114	57
<b>Profit before income tax</b>		<b>3,408</b>	<b>2,659</b>
<b>Income tax expense</b>		<b>(977)</b>	<b>(773)</b>
<b>Profit for the year</b>		<b>2,431</b>	<b>1,886</b>
Attributable to:			
Equity holders of the parent		2,432	1,885
Minority shareholders		(1)	1
<b>Earnings per share (in Russian Roubles), basic and diluted, for profit for the period attributable to equity holders of the parent</b>	<b>30</b>	<b>1.156</b>	0.896

Acting General

Chief Accountant

\_\_\_\_\_ V.M. Kondratov

\_\_\_\_\_ A.D. Kartashov

Joint-Stock Central Telecommunication Company

Unaudited Consolidated Cash Flow Statement

For the 6 months Ended June 30, 2008

(in millions of Russian Roubles)

	Notes	6 m 2008	2007
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		3,408	6,116
<b>Adjustments to reconcile profit before income tax to net cash flows</b>			
Depreciation of property, plant and equipment	7	2,130	4,090
Amortization of intangible assets	8	99	159
Loss on disposal of property, plant and equipment and other assets		(47)	165
Foreign exchange gain, net		(114)	(199)
Share of result of associates		-	(30)
Gain on subsidiaries, associates and other investments, net	29	(15)	(3)
Interest expense, net	28	1,010	1,972
Provision for (recovery of) impairment of receivables	14	45	(379)
Deferred revenue amortization		(3)	(39)
Inventory impairment provision (recovery)		(2)	4
Other losses, net		4	6
Movement in pension liabilities		(29)	114
Provisions accruals (recovery)	21	(180)	270
<b>Operating cash flows before working capital changes</b>		<b>6,306</b>	<b>12,246</b>
Decrease (increase) in trade and other receivables		(454)	297
Decrease in other current assets		19	26
Decrease (increase) in inventories		9	(73)
Increase (decrease) in accounts payable and accruals		(183)	190
Increase (decrease) in taxes payable other than income tax		681	(91)
<b>Cash generated from operations</b>		<b>6,378</b>	<b>12,595</b>
Interest paid		(1,052)	(2,254)
Income tax paid		(793)	(1,374)
<b>Net cash from operating activities</b>		<b>4,533</b>	<b>8,967</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and assets under construction		(2,503)	(5,768)
Proceeds from sale of property, plant and equipment and assets under construction		61	159
Purchase and installation of Oracle EBS		(282)	(428)
Purchase and installation of Amdocs Billing Suite		-	(1)
Purchase of other intangible assets		(283)	(657)
Proceeds from sale of investments		425	840
Acquisition of subsidiaries, net of cash acquired		-	6
Interest received		73	67
Dividends received		-	24
<b>Net cash used in investing activities</b>		<b>(2,509)</b>	<b>(5,758)</b>

Joint-Stock Central Telecommunication Company  
 Unaudited Consolidated Cash Flow Statement (continued)

For the 6 months Ended June 30, 2008

*(in millions of Russian Roubles)*

	Notes	6 m 2008	2007
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>110</b>	4,170
Repayment of borrowings		<b>(532)</b>	(3,280)
Proceeds from issue of promissory notes		-	168
Repayment of promissory notes		<b>(231)</b>	(3,191)
Repayment of finance lease obligations		<b>(909)</b>	(1,221)
Repayment of liabilities under vendor financing		-	(29)
Dividends paid to equity holders of the parent		<b>(19)</b>	(501)
Dividends paid to minority shareholders		-	(1)
<b>Net cash used in financing activities</b>		<b>(1,581)</b>	<b>(3,885)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>443</b>	<b>(676)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>569</b>	<b>1,245</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,012</b>	<b>569</b>

Acting General

Chief Accountant

\_\_\_\_\_ V.M. Kondratov

\_\_\_\_\_ A.D. Kartashov

Joint-Stock Central Telecommunication Company

Unaudited Consolidated Statement of Changes in Equity for the 6 months Ended June 30, 2008

(in millions of Russian Roubles)

	Notes	Share capital			Retained earnings	Other reserves	Total equity attributable to equity holders of the parent	Minority interest	Total equity
		Preference shares	Ordinary shares	Treasury shares					
<b>Balance at December 31, 2006</b>		<b>1,725</b>	<b>5,175</b>	<b>(1)</b>	<b>6,431</b>		<b>13,330</b>	<b>6</b>	<b>13,336</b>
Change in fair value of available-for-sale investments	10	-	-	-	-	11	11	-	11
Profit for the period		-	-	-	4,309	-	4,309	-	4,309
Revaluation reserve arising on acquisition						1	1		1
Dividends to equity holders of the parent		-	-	-	(520)	-	(520)	-	(520)
Dividends of subsidiaries to minority shareholders		-	-	-	-	-	-	(1)	(1)
<b>Balance at December 31, 2007</b>		<b>1,725</b>	<b>5,175</b>	<b>(1)</b>	<b>10,220</b>	<b>12</b>	<b>17,131</b>	<b>5</b>	<b>17,136</b>
Change in fair value of available-for-sale investments	10	-	-	-	-	(9)	(9)	-	(9)
Profit for the period		-	-	-	2,432	-	2,432	(1)	2,431
Dividends to equity holders of the parent	31	-	-	-	(923)	-	(923)	-	(923)
<b>Balance at June 30, 2008</b>		<b>1,725</b>	<b>5,175</b>	<b>(1)</b>	<b>11,729</b>	<b>3</b>	<b>18,631</b>	<b>4</b>	<b>18,635</b>

Acting General \_\_\_\_\_ V.M. Kondratov

Chief Accountant \_\_\_\_\_ A.D. Kartashov