# Open Joint Stock Company CenterTelecom

**Unaudited Consolidated Financial Statements** for the 9 months ended 30 September 2010

## OJSC CenterTelecom Unaudited Consolidated Financial Statements for the 9 months ended 30 September 2010

### Contents

### Consolidated Financial Statements

| Consolidated Balance Sheet                     | 3 |
|--|---|
| Consolidated Statement of Comprehensive Income | 4 |
| Consolidated Statement of Cash Flows           |   |
| Consolidated Statement of Changes in Equity    | 7 |

# OJSC CenterTelecom Unaudited Consolidated Balance Sheet as at 30 September 2010

(in millions of Russian Roubles)

|   | Notes            | 30 September<br>2010 | 31 December<br>2009 |
|---|------------------|----------------------|---------------------|
| ASSETS  |                  |                      |                     |
| Non-current assets  | 7                | 40 655               | 41 774              |
| Property, plant and equipment                                     | 8                | 4 940                | 5 248               |
| Intangible assets Other non-current assets                        | 9                | 806                  | 203                 |
| Non-current investments   | 10               | 1 558                | 39                  |
| Total non-current assets  | 10               | 47 959               | 47 264              |
|   |                  | .,,,,,,              |                     |
| Current assets  | 11               | 578                  | 486                 |
| Inventories Trade and other receivables                           | 12               | 3 984                | 3 258               |
|   | 12               | 204                  | 633                 |
| Income tax asset Other current assets                             | 13               | 478                  | 509                 |
| Current investments   | 10               | 27                   | 623                 |
|   | 10               | 3 033                | 900                 |
| Cash and cash equivalents  Total current assets                   | 14               | 8 304                | 6 409               |
|   |                  | 56 263               | 53 673              |
| TOTAL ASSETS  |                  | 30 203               | 55 075              |
| EQUITY AND LIABILITIES  |                  |                      |                     |
| Shareholders' equity  | *27/22           |                      |                     |
| Share capital   | 16               | 6 900                | 6 900               |
| Treasury shares   | 16               | (1 294)              | (1)                 |
| Other reserves  |                  | 1                    | 1                   |
| Retained earnings   |                  | 23 782               | 18 878              |
| Total equity attributable to shareholders of OJSC "CenterTelecom" |                  | 29 389               | 25 778              |
| Non-controlling interest  |                  | 3                    | 4                   |
| Total equity  |                  | 29 392               | 25 782              |
| Non-current liabilities   |                  |                      |                     |
| Non-current loans and borrowings                                  | 17               | 7 468                | 11 836              |
| Employee benefits   | 18               | 2 409                | 2 344               |
| Long-term other liabilities                                       | 19               | 285                  | 335                 |
| Deferred income tax liability                                     |                  | 1 851                | 1 414               |
| Total non-current liabilities                                     |                  | 12 013               | 15 929              |
| Current liabilities   |                  |                      |                     |
| Current loans and borrowings                                      | 17               | 8 408                | 5 622               |
| Trade and other payables  | 21               | 5 637                | 5 412               |
| Income tax payable  |                  | 2                    | 3                   |
| Other current liabilities   | 22               | 739                  | 785                 |
| Provisions  | 20               | 72                   | 140                 |
| Total current liabilities   |                  | 14 858               | 11 962              |
| Total liabilities   |                  | 26 871               | 27 891              |
| TOTAL EQUITY AND LABILITIES                                       |                  | 56 263               | 53 673              |
| 1/ UK ZL   5 = 1  | /te              |                      |                     |
| General Director  | Chief Accountage | nt .                 | 3                   |

V.A. Martirosyan

Chief Accountant
A.D. Kartashov

до воновноми

# OJSC CenterTelecom Unaudited Consolidated Statement of Comprehensive Income for the 9 months ended 30 September 2010

(in millions of Russian Roubles)

|  | Notes | For the 9<br>months ended<br>30 September<br>2010 | For the 9<br>months ended<br>30 September<br>2009 |
|--|-------|---|---|
| Revenues   | 25    | 30 039  | 27 427  |
| Personnel costs                                      | 26    | (7 571)   | (7 161)   |
| Depreciation and amortization                        | 7, 8  | (4 994)   | (4 803)   |
| Interconnection charges                              |       | $(2\ 308)$  | $(2\ 080)$  |
| Materials, repairs and maintenance, utilities        | 27    | (2 973)   | (2.669)   |
| Other operating income                               | 28    | 2 305   | 2 218   |
| Other operating expenses                             | 29    | (5 327)   | (4 576)   |
| Operating profit                                     |       | 9 171   | 8 356   |
| Interest expense                                     | 30    | (1 406)   | (2 318)   |
| Other financial income and expense                   | 31    | 80  | 392   |
| Forex loss, net                                      |       | 2   | (280)   |
| Profit before income tax                             |       | 7 847   | 6 150   |
| Income tax expense                                   |       | (1 679)   | (1 394)   |
| Profit for the period                                |       | 6 168   | 4 756   |
| Total comprehensive income for the period            |       | 6 168   | 4 756   |
| Profit for the period attributable to:               |       |   |   |
| OJSC "CenterTelecom" shareholders                    |       | 6 169   | 4 757   |
| Non-controlling shareholders of subsidiaries         |       | (1)   | (1)   |
| Comprehensive income for the period attributable to: |       |   |   |
| OJSC "CenterTelecom" shareholders                    |       | 6 169   | 4 757   |
| Non-controlling shareholders of subsidiaries         |       | (1)   | (1)   |

# OJSC CenterTelecom Unaudited Consolidated Cash Flow Statement for the 9 months ended 30 September 2010

(in millions of Russian Roubles)

|   | Notes | For the 9<br>months ended<br>30 September<br>2010 | For the 9<br>months ended<br>30 September<br>2009 |
|---|-------|---|---|
| Cash flows from operating activities  |       |   | 110.53.930  |
| Profit before income tax  |       | 7 847   | 6 150   |
| Adjustments for   |       |   |   |
| Depreciation and amortization   | 7, 8  | 4 994   | 4 803   |
| (Profit) losses on disposal of property, plant and equipment  |       | (15)  | 5   |
| Reversal of impairment of inventories and other assets  |       | (8)   | (1)   |
| Allowance for impairment of receivables   | 12    | 70  | 135   |
| Interest expenses   | 30    | 1 271   | 2 164   |
| Other financial income and expenses   | 31    | (80)  | (392)   |
| Foreign exchange losses, net  |       | (2)   | 280   |
| Operating cash flows before changes in working capital and provisions   |       | 14 077  | 13 144  |
| Increase in inventories   |       | (84)  | (79)  |
| Increase in trade and other receivables   |       | (803)   | (371)   |
| Increase in employee benefits   |       | 65  | 131   |
| Increase (decrease) in trade and other payables   |       | (112)   | 917   |
| Decrease in provisions  |       | (67)  | (51)  |
| Decrease in other operating assets and liabilities  |       | (2)   | (114)   |
| Cash flows generated from operating activities before interest and income tax paid  |       | 13 074  | 13 577  |
| Interest paid   |       | (1 921)   | (2 802)   |
| Income tax paid   |       | (816)   | (1 649)   |
| Cash flows from operating activities  | -     | 10 337  | 9 126   |
| Investing activities  |       |   |   |
| Acquisition of property, plant and equipment and constructions in progress<br>Proceeds from sales of property, plant and equipment and constructions in |       | (3 915)   | (2 611)   |
| progress  |       | 103   | 103   |
| Acquisition of intangible assets  |       | (292)   | (491)   |
| Acquisition of investments  |       | (1 528)   | (671)   |
| Proceeds from sales of investments  |       | 587   | 334   |
| Financial income received   |       | 78  | 390   |
| Dividends received  | -     | -   | 4   |
| Cash flows utilized in investing activities   |       | (4 967)   | (2 942)   |

# OJSC CenterTelecom Unaudited Consolidated Cash Flow Statement (continued) for the 9 months ended 30 September 2010

(in millions of Russian Roubles)

|   |                | For the 9<br>months ended<br>30 September | For the 9<br>months ended<br>30 September |
|---|----------------|---|---|
|   | Notes          | 2010                                      | 2009                                      |
| Financing activities  |                |   |   |
| Acquisition of treasury shares  |                | (1 293)                                   | -:  |
| Proceeds from bank and corporate loans                                |                | 15 210                                    | 5 438                                     |
| Repayment of bank and corporate loans                                 |                | $(12\ 403)$                               | (5 877)                                   |
| Proceeds from bonds   |                | ×=-                                       | 2 681                                     |
| Repayment of bonds  |                | (900)                                     | (5 623)                                   |
| Proceeds from promissory notes  |                | · ·                                       | 1 000                                     |
| Repayment of promissory notes   |                | (1225)                                    | (1 194)                                   |
| Repayment of vendor financing liabilities                             |                | (345)                                     | (304)                                     |
| Repayment of finance lease liabilities                                |                | (1 552)                                   | (1289)                                    |
| Dividends paid to shareholders of OJSC "CenterTelecom"                |                | (729)                                     | (535)                                     |
| Cash flows utilized in financing activities                           | 7-             | (3 237)                                   | (5 703)                                   |
| Net increase in cash and cash equivalents                             | s. <del></del> | 2 133                                     | 481                                       |
| Cash and cash equivalents as at the beginning of the reporting period | 8 <del>-</del> | 900                                       | 570                                       |
| Cash and cash equivalents as at the end of the reporting period       | _              | 3 033                                     | 1 051                                     |

OJSC CenterTelecom

# Unaudited Consolidated Statement of Changes in Equity for the 9 months ended 30 September 2010

(in millions of Russian Roubles)

|  |      | 1             | ary meranomer | 200      | 200 10 01001 | Educy with Dumble to Shart Microsoft Co. Commission | -    |
|--|------|---------------|---------------|----------|--------------|---|------|
|  |      | Share capital | apital        |          |              | e   | at 1 |
|  |      |               |               |          |              | sha   | Ë    |
|  |      | Preference    | Ordinary      | Treasury | Other        | Retained  |      |
|  | Note | shares        | shares        | shares   | reserves     | earnings "Ce  | ٠,   |
| Balance as at 31 December 2008                     |      | 1 725         | 5175          | (1)      | 2            | 13 657  |      |
| Profit for the period                              |      | 1             | 1             | 1        | (1)          | 4 757   | l    |
| Total comprehensive income                         |      | •             | 1             | 1        | (1)          | 4 757   |      |
| Dividends to shareholders of OJSC                  |      | •             | 1             | ۱,       |              | (646)   | l    |
| "Center I elecom"  Balance as at 30 September 2009 |      | 1 725         | 5175          | (1)      | 1            | 17 768  | 1 1  |
| Balance as at 31 December 2009                     |      | 1 725         | 5 175         | (1)      | 1            | 18 878  |      |
| Profit for the period                              | Š.   | 1             | 1             |          | •            | 6 169   |      |
| Total comprehensive income                         |      | 818           | 1             | 1        | 1            | 6 169   |      |
| Dividends to shareholders of OJSC                  |      | 1             | 1             | 1        | ı            | (1 265)   |      |
|  |      |               |               |          |              |   |      |

Acquisition of treasury shares Balance as at 30 September 2010

"CenterTelecom"

|                                 | Total<br>equity                            | 20 561 | 4 755 | 4 755 | (646) | 24 670 | 25 782 | 6 168 | 6 168 | (1 265) | (1 293)      | 29 392  |
|---------------------------------|--|--------|-------|-------|-------|--------|--------|-------|-------|---------|--------------|---------|
|                                 | Non-controlling interest                   | 3      | (1)   | (1)   | r     | 2      | 4      | (1)   | (1)   | 1       | <b>31</b> .  | 3       |
| Total equity<br>attributable to | shareholders of<br>OJSC<br>"CenterTelecom" | 20 558 | 4 756 | 4 756 | (646) | 24 668 | 25 778 | 6919  | 6 169 | (1 265) | (1 293)      | 29 389  |
|                                 | Sl<br>Retained<br>earnings "(              | 3 657  | 4 757 | 4 757 | (949) | 17 768 | 18 878 | 6 169 | 6 169 | (1 265) | 1            | 23 782  |
|                                 | Other                                      | 2      | (1)   | (I)   |       | 1      | -      | •     | 1     | ·       |              | -       |
|                                 | Treasury                                   | (1)    | '     | 1     | ١,    | (1)    | (1)    | 1     | 1     | 1       | (1 293)      | (1 294) |
| pital                           | Ordinary                                   | 5175   | 1     | ı     | 1     | 5175   | 5 175  | 91    | 10    | r       | 2 <b>1</b> 3 | 5175    |
| Share capital                   | Preference Ordinary                        |        | 1     | 1     | 1     | 1 725  | 1 725  | 1     | 818   | F       | 1            | 1 725   |
| 1                               | Note                                       |        | ,     |       |       | 1 1    |        | ı     |       |         |              |         |