

**OJSC VolgaTelecom**

Non-audited Consolidated Financial Statements

*For 6 months ended June 30, 2007*

# **OJSC VolgaTelecom**

## **Non-audited Consolidated Financial Statements**

*For 6 months ended June 30, 2007*

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**OJSC VolgaTelecom**  
**Non-audited Consolidated Balance Sheet**  
**As of June 30, 2007 and 2006**  
(RUR thousand)

	At June 30, 2007	At December 31, 2006
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31 936 878	31 332 348
Intangible assets and goodwill	4 633 474	4 454 189
Investments in associates	138 025	129 103
Long-term investments	28 781	28 226
Long-term accounts receivable and other financial assets	14 002	35 062
Long-term advances given	813 270	517 655
Deferred income tax asset	12 154	16 476
<b>Total non-current assets</b>	<b>37 576 584</b>	<b>36 513 059</b>
<b>Current assets</b>		
Inventories	555 936	535 925
Accounts receivable	2 225 161	1 872 300
Current income tax asset	152 764	343 276
Other current assets	1 202 964	1 099 296
Cash and cash equivalents	465 246	461 417
<b>Total current assets</b>	<b>4 602 071</b>	<b>4 312 214</b>
<b>Total assets</b>	<b>42 178 655</b>	<b>40 825 273</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	3 853 690	3 853 690
Unrealized gain on available-for-sale investments	6 002	5 434
Capital surplus, retained earnings and other provisions	16 177 146	15 810 202
<b>Total equity attributable to equity holders of the parent</b>	<b>20 036 838</b>	<b>19 669 326</b>
<b>Minority interest</b>	<b>231 477</b>	<b>473 302</b>
<b>Total equity</b>	<b>20 268 315</b>	<b>20 142 628</b>
<b>Non-current liabilities</b>		
Long-term borrowings	10 449 983	9 497 836
Long-term finance lease obligations	458 606	596 516
Pension Liabilities	1 276 879	1 287 295
Deferred revenue	305 717	316 030
Deferred income tax liability	1 571 004	1 444 233
<b>Total non-current liabilities</b>	<b>14 062 189</b>	<b>13 141 910</b>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	3 995 654	3 970 717
Payables to Rostelecom	324 690	96 307
Income tax payable	10 004	-
Other taxes payable	411 225	321 999
Dividends payable	750 791	64 672
Short-term borrowings	1 181 841	1 582 707
Current portion of long-term borrowings	656 759	707 181
Current portion of long-term finance lease obligations	517 187	797 152
<b>Total current liabilities</b>	<b>7 848 151</b>	<b>7 540 735</b>
<b>Total liabilities</b>	<b>21 910 340</b>	<b>20 682 645</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>42 178 655</b>	<b>40 825 273</b>

General Director \_\_\_\_\_ Omelchenko S.V. Chief accountant \_\_\_\_\_ Popkov N.I.

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

**OJSC VolgaTelecom**  
**Non-audited Consolidated Statement of Operations**  
**For 6 months of 2007 and 2006**  
(RUR thousand)

	<u>6 months of 2007</u>	<u>6 months of 2006</u>
<b>Revenues</b>	<b>14 450 400</b>	<b>11 539 167</b>
Wages, salaries, other benefits and payroll taxes	(4 072 155)	(3 980 953)
Depreciation and amortization	(2 630 478)	(2 055 643)
Materials, repairs and maintenance, utilities	(1 196 979)	(1 192 405)
Taxes other than income tax	(339 628)	(305 252)
Interconnection charges	(1 822 039)	(479 178)
Recovery (provision) for impairment of receivables	47 080	98 910
Gain/(loss) on disposal of property, plant, and equipment	63 953	(56 469)
Other operating expenses, net	(1 658 428)	(1 107 825)
<b>Operating profit</b>	<b>2 841 726</b>	<b>2 460 352</b>
Share of result of associates, net	8 922	2 496
Interest expense, net	(525 314)	(341 885)
Gain/(loss) on sale of subsidiaries, associates and other investments	13 061	1 055
Foreign exchange gain, net	13 963	23 831
<b>Profit before income tax</b>	<b>2 352 358</b>	<b>2 145 849</b>
<b>Income tax expense</b>	<b>(740 208)</b>	<b>(630 067)</b>
<b>Profit (loss) for the reporting period</b>	<b>1 612 150</b>	<b>1 515 782</b>
Profit (loss) attributable to equity holders of the parent	1 588 171	1 482 174
Profit (loss) attributable to minority interests	23 979	33 608
<b>Profit (loss) for the reporting period</b>	<b>1 612 150</b>	<b>1 515 782</b>

General Director \_\_\_\_\_ Omelchenko S.V. Chief accountant \_\_\_\_\_ Popkov N.I.

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

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**

**1. General Information**

**Authorization of Accounts**

The non-audited consolidated financial statements of OJSC VolgaTelecom (hereinafter “the Company”) and its subsidiaries (jointly - “the Group”) were drawn up for 6 months of 2007.

**Basis of non-audited consolidated financial statement preparation**

OJSC VolgaTelecom IFRS statements for 6 months of year 2007 are presented in balance sheet, statement of operations and also notes to the financial statements. These statements do not contain all IFRS required disclosures; however, its volume is sufficient to have the idea of financial standing and the results of the Company’s activities for 6 months of year 2007.

These statements are non-audited consolidated financial statements of OJSC VolgaTelecom. The procedures of audit, review or other similar procedures will not be applied to the statements. At the same time taking into account OJSC VolgaTelecom experience in presenting IFRS statements, the Company believes that the users of the financial statements may rely on them.

These financial statements are drawn up on the basis of the data of accounting and accounting statement maintained and drawn up in accordance with the system of regulation of accounting records as established by the Russian Federation legislation, by additional adjustment and rearrangement of accounting data required for reflection of financial standing and results of operations in accordance with IFRS requirements.

When preparing these non-audited consolidated financial statements OJSC VolgaTelecom carried out smaller volume of procedures than could have been carried out when preparing annual consolidated financial statements. In this connection OJSC VolgaTelecom made assumptions, including - fair value of assets and liabilities of acquired subsidiaries and associates, the cost of obligations for retirement benefit plan, deferred revenue, provisions for impairment of property, plant and equipment, for obsolescence of inventory and for impairment of receivables. Actual values of financial statements for the year ended December 31, 2007 may differ from the values of these financial statements due to the adjustment of information about the assumptions made by the Company and occurrence of other new information.

The content of notes to non-audited consolidated financial statements of OJSC VolgaTelecom does not disclose the entire completeness of the information, the disclosure of which is required to meet IFRS. The content of notes to annual consolidated financial statements of OJSC VolgaTelecom may disclose the information in larger volume than it is disclosed in these non-audited consolidated financial statements of OJSC VolgaTelecom.

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**2. Subsidiaries**

The consolidated financial statements include the assets, liabilities and financial results of OJSC VolgaTelecom and its subsidiaries, whose main activity is provision of cellular and other telecommunications services. The subsidiaries are listed below:

Subsidiary	Main activity	Ownership, %		Voting shares, %	
		6 months of 2007	2006	6 months of 2007	2006
ZAO Nizhegorodskaya Sotovaya Svyaz (NSS)	Cellular services (GSM-900)	100	100	100	100
ZAO Tsifrovye Telecommunicatsii	Local telephony services	100	100	100	100
LLC VyatkaSvyazService	Paging services	-	100	-	-
ZAO Transsvyaz	Local telephony services	100	100	100	100
OJSC OMRIX	Local telephony services	74	74	74	74
ZAO Ulyanovsk-GSM	Cellular services (GSM-900)	60	60	60	60
ZAO Orenburg GSM	Cellular services (GSM-900)	51	51	51	51
OJSC TATINCOM-T	Cellular services (GSM-900)	100	50+1 share	100	50+1 share
ZAO Narodnyi Telephone Saratov	Cellular services (CDMA)	50+1 share	50+1 share	50+1 share	50+1 share
ZAO Nizhegorodskiy radiotelephone	Local telephony services	50	50	50	50
ZAO Chery-Page	Paging services	-	50	-	50
ZAO RTCOM	Cellular services	100	100	100	100
LLC Nizhegorodskiy Teleservice	Telecommunications services	100	100	-	-
ZAO Nizhegorodteleservice	Establishment and operation of integration system	100	100	100	100
ZAO Penza Mobile	Cellular services	100	100	100	100
ZAO Chuvashia Mobile	Cellular services	100	100	100	100
ZAO Saratov Mobile	Cellular services	100	100	100	100

All the above companies are Russian legal entities registered in accordance with the Russian legislation, and have the same financial year as the Company, unless otherwise stated.

On April 13, 2007 the Company acquired additional 33,43% stake in OJSC TATINCOM-T (2 285 783 shares) for 519 764 from OJSC Uralsvyazinform and on April 20, 2007 the Company acquired additional 16,57% stake in OJSC TATINCOM-T (1 133 052 shares) for 327 224 (US\$12 700 000) from ZAO "IFC "Solid" (increased its share to 100%).

On April 19, 2007 the Company sold its 100% stake in LLC VyatkaSvyazService for 15 000. In January 2007 in accordance with the decision of the Board of Directors dated 09.08.2005 the Company wrote off the investments into ZAO Chery-Page in the amount of 114 through loss due to the subsidiary's liquidation.

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**3. Property, Plant and Equipment**

Property, plant and equipment are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment in value. For the property, plant and equipment acquired prior to January 1, 2003, fair values as at January 1, 2003 have been used as deemed cost in accordance with the exemption provided in IFRS 1.

The Company applied the exemption provided in IFRS 1 allowing for the organization to evaluate property, plant and equipment as of the date of transition to IFRS at fair value and to use this fair value as the actual value of property, plant and equipment.

Management assumes that carrying value of all property, plant and equipment of the Company is approximately comparable with their fair value, however the Company concluded contract № 09-07/2007 dated 06.07.07 with independent appraiser LLC “Spectr Consulting” to confirm this fair value and accordingly the carrying value of property, plant and equipment may be adjusted.

Depreciation is calculated on property, plant and equipment on a straight-line basis. Depreciation period approximately equal to assets estimated useful lives is as follows:

Buildings and Constructions	50 years
Analog switches	20 years
Digital switches	15 years
Other telecommunications equipment	10 years
Transportation equipment	5 years
Computers, office and other equipment	3 years
Land	not depreciated

To disclose the indicators of consolidated financial statements for 6 months of 2007 property, plant and equipment are categorized as follows:

- Buildings and Constructions;
- Switches and transmission devices;
- Construction in progress and equipment for installation;
- Other property, plant and equipment, which include computers, vehicles and other equipment.

	<b>Land, buildings and constructions</b>	<b>Switches and transmission devices</b>	<b>Construction in progress and equipment for installation</b>	<b>Vehicles and other property, plant and equipment</b>	<b>Total</b>
<b>Cost</b>					
At December 31, 2006	16 307 587	19 072 957	1 810 817	5 942 026	43 133 387
Additions	-	-	3 170 727	-	3 170 727
Additions due to acquisition of subsidiaries	-	-	-	-	-
Disposals	(38 563)	(127 833)	(129 125)	(62 611)	(358 132)
Disposals due to sale of subsidiaries	-	(12 187)	-	-	(12 187)
Commissioned	331 619	820 119	(1 290 691)	138 953	-
<b>At June 30, 2007</b>	<b>16 600 643</b>	<b>19 753 056</b>	<b>3 561 728</b>	<b>6 018 368</b>	<b>45 933 794</b>
<b>Accumulated Depreciation</b>					
At December 31, 2006	(2 647 628)	(6 370 697)	-	(2 782 714)	(11 801 039)
Charge for the period	(538 347)	(1 298 755)	-	(499 888)	(2 336 990)
Charge due to acquisition of subsidiaries	-	-	-	-	-
Disposals	20 354	64 488	-	56 271	141 113
Disposals due to sale of subsidiaries	(3 165 621)	(7 604 964)	-	(3 226 331)	(13 996 916)
<b>Book value as of December 31, 2006</b>	<b>13 659 959</b>	<b>12 702 260</b>	<b>1 810 817</b>	<b>3 159 311</b>	<b>31 332 348</b>
<b>Book value as of June 30, 2007</b>	<b>13 435 023</b>	<b>12 148 091</b>	<b>3 561 728</b>	<b>2 792 037</b>	<b>31 936 878</b>

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**4. Intangible Assets and Goodwill**

	Goodwill	Licer	Software	Other	Total
<b>Cost</b>					
<b>At December 31, 2006</b>	<b>870 260</b>	<b>238 026</b>	<b>3 355 447</b>	<b>514 699</b>	<b>4 978 432</b>
Additions		3 960	413 171		417 131
Additions due to acquisition of subsidiaries					
Disposals		(10 343)	(22 872)	(68)	(33 283)
Disposals due to sale of subsidiaries					
<b>At June 30, 2007</b>	<b>870 260</b>	<b>231 643</b>	<b>3 745 746</b>	<b>514 631</b>	<b>5 362 280</b>
<b>Accumulated amortization</b>					
<b>At December 31, 2006</b>	<b>-</b>	<b>(71 600)</b>	<b>(394 361)</b>	<b>(58 282)</b>	<b>(524 243)</b>
Charge for the year		(12 525)	(165 593)	(26 478)	(204 596)
Charge due to acquisition of subsidiaries	-	-	-	-	-
Disposals	-	-	-	33	33
Disposals due to sale of subsidiaries	-	-	-	-	-
<b>At June 30, 2007</b>	<b>-</b>	<b>(84 125)</b>	<b>(559 954)</b>	<b>(84 727)</b>	<b>(728 806)</b>
<b>Book value as of December 31, 2006</b>	<b>870 :</b>	<b>166 426</b>	<b>2 961 086</b>	<b>456 417</b>	<b>4 454 189</b>
<b>Book value as of June 30, 2007</b>	<b>870 :</b>	<b>147 518</b>	<b>3 185 792</b>	<b>429 904</b>	<b>4 633 474</b>

Carrying amount of goodwill was distributed between cash-generating subsidiaries as follows:

Subsidiary	Carrying amount of goodwill	
	6 months of 2007	2006
OJSC TATINCOM-T	323 811	323 811
ZAO RTCOM	33 075	33 075
LLC Nizhegorodskiyi teleservice	8 833	8 833
ZAO Penza Mobile	119 226	119 226
ZAO Chuvashia Mobile	222 536	222 536
ZAO Saratov Mobile	161 493	161 493
Other subsidiaries	1286	1286
<b>Total</b>	<b>870 260</b>	<b>870 260</b>

As of June 30, 2007 no impairment of goodwill was identified by the Company.

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**5. Investments in Associates**

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

Associate	Activity	2007		2006	
		Voting shares, %	Carrying value	Voting shares, %	Carrying value
ZAO Samara Telecom	Local telephony services	28%	117 450	28%	109 073
ZAO "ACB C-Bank"	Banking services	42%	20 575	42%	20 030
<b>TOTAL</b>			<b>138 025</b>		<b>129 103</b>

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

The Company has investments in the following associates whose net assets were negative as of June 30, 2007 and 2006:

	6 months of 2007	2006
<b>Investments in associates at January 1</b>	<b>129 103</b>	119 980
Share of income net of income tax, and of dividends received	8 922	109 023
Reclassifications of financial investments	-	(99 900)
Sale of associates	-	-
Depreciation of financial investments recognized in current year	-	-
<b>Investments in associates at June 30</b>	<b>138 025</b>	<b>129 103</b>

The carrying values of investments in associates presented in these consolidated financial statements is equivalent to the Company's share in the net assets of the associates.

The following table illustrates summarized financial information of the associates:

Associate	Voting shares, %	Assets	Liabilities	Revenues	Net income / loss
<b>2007</b>					
ZAO Samara Telecom	28%	492 238	(69 756)	156 642	30 136
ZAO "ACB C-Bank"	42%	316 345	(267 040)	8 646	1 767
<b>2006</b>					
ZAO Samara Telecom	28%	462 964	(70 617)	259 529	43 695
ZAO "ACB C-Bank"	42%	250 293	(202 755)	10 949	1 581

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**6. Long-term investments, net**

Company	6 months of 2007		2006	
	Ownership interest	Fair value	Ownership interest	Fair value
Long-term investments				
OJSC "Svyazintech"	13%	14 880	13%	14 880
ZAO RusleasingPoint	7,3%	12 293	7,3%	12 293
OJSC "AlfaBank" promissory notes	-	2 583	-	2 583
OJSC "Svyaz-bank"	0,05%	3 987	0,05%	3 987
OJSC "Sberbank RF"	0,0003%	6 004	0,0003%	5 437
ZAO TeleRoss-Samara	10,0%	990	10,0%	990
ZAO Reg-time	17,0%	570	17,0%	570
OJSC NTK "Zvezda"	1,668%	47 682	1,668%	47 682
Other		2 299		2 312
Impairment provision		<u>(62 507)</u>		<u>(62 508)</u>
<b>Total investment available-for-sale</b>		<b><u>28 781</u></b>		<b><u>28 226</u></b>

The Company's management believes that the carrying amounts of these investments approximate their fair values.

**7. Long-term Accounts Receivable and Other Assets**

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

	6 months of 2007	2006
Long-term accounts receivable	3 106	4 450
Long-term loans given	10 896	12 391
Long-term VAT recoverable	-	18 221
<b>Total</b>	<b><u>14 002</u></b>	<b><u>35 062</u></b>

**8. Long-Term Advances Given**

As of June 30, 2007 and December 31, 2006 long-term advances given to suppliers of equipment comprised the following:

	6 months of 2007	2006
Advances given for capital construction	800 112	366 240
Acquisition and implementation of Oracle E-Business Suite software	13 158	106 877
Acquisition and implementation of Amdocs Billing Suite software	-	44 538
<b>Total</b>	<b><u>813 270</u></b>	<b><u>517 655</u></b>

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**9. Inventories**

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

	<b>6 months of 2007</b>	<b>2006</b>
Cable, materials and spare parts for telecommunications equipment	<b>228 230</b>	206 477
Construction materials, fuels and instruments	<b>76 005</b>	66 290
Finished goods and goods for resale	<b>58 945</b>	60 175
Other inventories	<b>192 756</b>	203 325
Provision for inventory obsolescence	-	( 342)
<b>Total</b>	<b>555 936</b>	535 925

In 2007 gain from recovery of Inventory obsolescence provision amounted to 342 (2006 – gain in amount 2 532) is included as “Other operating revenue (expenses)”.

**10. Accounts receivable**

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

	<b>6 months of 2007</b>	<b>2006</b>
Trade receivables – telecommunication services	<b>2 999 948</b>	2 708 442
Provision for impairment of receivables	<b>(774 787)</b>	(836 142)
<b>Total</b>	<b>2 225 161</b>	1 872 300

Accounts receivable for telecommunication services detailed by major customer groups are as follows:

	<b>6 months of 2007</b>	<b>2006</b>
Residential customers	<b>1 154 332</b>	930 029
Corporate customers	<b>1 313 591</b>	1 185 864
Government customers	<b>202 264</b>	116 513
Tariff compensation from the state budget	<b>329 761</b>	476 036
<b>Total</b>	<b>2 999 948</b>	2 708 442

The Company invoices its governmental and corporate customers on a monthly basis. For residential customers 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. In several cases the Company levied fines for delay in payment and reimbursed debt through court of arbitration decisions.

As of June 30, 2007 debt for tariff compensation from the state budget related to granting privileges to certain categories of subscribers amounted to 11% of total accounts receivable (2006 - 18%).

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**10. Accounts receivable (continued)**

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

	<b>6 months of 2007</b>	2006
<b>Balance at January 1</b>	<b>836 142</b>	1 225 044
Provision for the year	<b>(47 080)</b>	(320 540)
Trade receivables write-off	<b>(14 275)</b>	(71 419)
Provision of subsidiaries acquired	-	3 057
<b>Balance at June 30</b>	<b>774 787</b>	836 142

The net gain on recovery of provision for impairment for 2007 in the amount of 47 080 || [A1](2006 – gain in amount of 320 540) was recognized in line Provision for impairment of receivables in the Consolidated Statement of Operations.

**11. Other Current Assets**

As of June 30, 2007 and December 31, 2006 other current assets comprised the following:

	<b>6 months of 2007</b>	2006
VAT receivable	<b>384 125</b>	443 008
Accounts receivable for non-core activities	<b>170 367</b>	163 685
Deferred expenses	<b>121 675</b>	139 263
Prepayments and advance payments	<b>311 234</b>	160 619
Other prepaid taxes	<b>14 715</b>	21 486
Settlements with personnel	<b>15 700</b>	11 805
Short-term loans given	<b>1 486</b>	955
Other current assets	<b>183 662</b>	158 475
<b>Total</b>	<b>1 202 964</b>	1 099 296

**12. Cash and Cash Equivalents**

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

	<b>6 months of 2007</b>	2006
Cash at bank and on hand	<b>334 842</b>	461 417
Short-term deposits	<b>130 404</b>	-
<b>Total</b>	<b>465 246</b>	461 417

Short-term deposits vary in time period for 6 months depending on current demand for cash and produce interest yield at effective interest rates. Effective interest rate varies from 0,5% to 8% per annum.

**OJSC VolgaTelecom**  
**Notes to Non-audited Consolidated Financial Statements**  
**For 6 months of 2007**  
*(RUR thousand)*

**13. Share capital**

The total number of outstanding shares comprises:

	Number of shares outstanding (thousands)	Par value	Carrying value[L2]
<b>As at December 31, 2005</b>	<b>327 953</b>	<b>1 639 765</b>	<b>3 853 690</b>
Preferred shares	81 983	409 917	963 366
Ordinary shares	245 970	1 229 848	2 890 324
<b>As at December 31, 2006</b>	<b>327 953</b>	<b>1 639 765</b>	<b>3 853 690</b>
Preferred shares	81 983	409 917	963 366
Ordinary shares	245 970	1 229 848	2 890 324
<b>As at June 30, 2007</b>	<b>327 953</b>	<b>1 639 765</b>	<b>3 853 690</b>

All shares have a par value of RUR 5 per a share. The difference between the total par value and the total carrying value of share capital represents the effects of inflation accumulated trough January 1, 2003.

The ordinary shareholders are entitled to one vote per a share.

**14. Borrowings**

As of June 30, 2007 and December 31, 2006 short-term loans and borrowings comprised the following:

	Average interest rate	Maturity date	6 months of 2007	2006
<i>Short-term loans and borrowings</i>				
<b>Bank loans:</b>				
Bank loans (RUR)	8+Euribor, 9-25%	2007-2008	<b>1 111 701</b>	<b>1 493 960</b>
Bank loans (US\$)	3,25+Euribor, 5%	2007	<b>99</b>	-
Bank loans (Euro)	3,25+Euribor 6,5%	2007	<b>1 720</b>	<b>18 283</b>
<b>Total bank loans</b>			<b>1 113 520</b>	<b>1 512 243</b>
<b>Accrued interest on bonds (RUR)</b>	8,5-8,641%	2007	<b>62 895</b>	<b>55 969</b>
<b>Vendor financing:</b>				
Vendor financing (RUR)	3,9-12.24%	2007	<b>11</b>	<b>283</b>
Vendor financing (US\$)	10.2%	2007	<b>73</b>	<b>104</b>
Vendor financing (Euro)			-	-
Vendor financing (Japanese yen)			-	-
<b>Total vendor financing</b>			<b>84</b>	<b>387</b>
<b>Promissory notes (US\$)</b>	8,59%	2007	<b>5 342</b>	<b>14 108</b>
<b>Total short-term loans and borrowings</b>			<b>1 181 841</b>	<b>1 582 707</b>

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**For 6 months of 2007**  
*(RUR thousand)*

As of June 30, 2007 and December 31, 2006 long-term loans and borrowings comprised the following:

	Average interest rate	Maturity date	6 months of 2007	2006
<i>Long-term borrowings</i>				
<b>Bank loans:</b>				
Bank loans (RUR)	0,5-12,24% Libor+3,25%5	2008-2011	<b>1 407 406</b>	<b>637 972</b>
Bank loans (US\$)	-9,06% Libor+3,25%6	2008-2009	<b>357 082</b>	<b>142 372</b>
Bank loans (Euro)	,5%	2008-2011	<b>219 892</b>	<b>200 003</b>
<b>Total bank loans</b>			<b>1 984 380</b>	<b>980 347</b>
<b>Bonds (RUR)</b>	8,5-8,64%	2008-2013	<b>8 240 214</b>	<b>8 262 264</b>
<b>Vendor financing:</b>				
Vendor financing (RUR)	3,9-12,24% 3 months <sup>7</sup> Libor, 5-	2009	<b>55 811</b>	<b>95 129</b>
Vendor financing (US\$)	9,23%	2008-2009	<b>391 778</b>	<b>307 774</b>
Vendor financing (Euro)	6,37%	2008	<b>78 739</b>	<b>165 933</b>
<b>Total vendor financing</b>			<b>526 328</b>	<b>568 836</b>
<b>Promissory notes (US\$)</b>	8,59%	2008-2009	<b>355 821</b>	<b>393 570</b>
<b>Less: Current portion of long-term loans and borrowings</b>			<b>(656 759)</b>	<b>(707 181)</b>
<b>Total long-term loans and borrowings</b>			<b>10 449 983</b>	<b>9 497 836</b>

As of June 30, 2007 and 2006 the Company's borrowings are denominated in the following currencies:

	6 months of 2007	2006
Russian rubles	11 239 200	10 953 255
Euro	300 351	384 219
US\$	749 032	450 250
<b>Total</b>	<b>12 288 583</b>	<b>11 787 724</b>

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

### 15. Accounts payable and accrued liabilities

As of June 30, 2007 and December 31, 2006 the Company's accounts payable and other current liabilities comprised the following:

	6 months of 2007	2006
Trade accounts payable for capital construction	<b>1 321 858</b>	1 393 812
Advances received from subscribers	<b>423 783</b>	473 331
Accounts payable for core activity	<b>1 071 154</b>	1 008 794
Salaries and wages	<b>911 540</b>	819 400
Other accounts payable	<b>267 319</b>	275 380
<b>Total</b>	<b>3 995 654</b>	3 970 717

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**16. Taxes Payable**

As of June 30, 2007 and December 31, 2006 taxes payable comprised the following:

	<b>6 months of 2007</b>	<b>2006</b>
Value-added tax	<b>104 095</b>	119 886
Property tax	<b>151 104</b>	131 828
Personal income tax	<b>51 724</b>	14 363
Unified social tax	<b>95 416</b>	47 594
Other taxes	<b>8 886</b>	8 328
<b>Total</b>	<b>411 225</b>	321 999

**17. Revenues**

<b>Revenue types</b>	<b>6 months of 2007</b>	6 months of 2006
Local telephony calls	<b>5 530 079</b>	5 212 912
Intra-region telephony calls	<b>2 319 371</b>	1 338 310
Cellular services	<b>1 966 670</b>	1 659 719
Connection and traffic transit services	<b>2 245 999</b>	1 598 937
Radio and TV broadcasting	<b>298 899</b>	278 067
Rent of telephone channels	<b>300 693</b>	323 976
Data transfer and telematic services	<b>1 470 831</b>	991 636
Other telecommunications services	<b>136 117</b>	13 129
Other revenues	<b>181 741</b>	122 481
<b>Total</b>	<b>14 450 400</b>	11 539 167

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**18. Other Operating Expenses**

	<b>6 months of 2007</b>	6 months of 2006
Lease of premises	(230 735)	(147 965)
Agency fees	(218 614)	(142 645)
Fire and other security services	(161 227)	(134 366)
Universal service fund payments	(133 184)	(66 659)
Non-commercial partnership expenses	(110 858)	(70 506)
Advertising expenses	(123 832)	(101 769)
Audit and consulting fees	(85 991)	(94 055)
Prime cost of sold goods	(133 066)	(61 848)
Insurance	(35 395)	(33 694)
Business travel expenses and representation costs	(48 695)	(42 068)
Charitable contributions	(58 294)	(53 095)
Education expenses	(32 470)	(30 039)
Tax fines and penalties	(274)	(953)
Transportation services	(12 895)	(13 871)
Postal services	(9 336)	(18 667)
Other expenses	(263 562)	(95 625)
<b>Total</b>	<b>(1 658 428)</b>	<b>(1 107 825)</b>

Other expenses include expenses related to fines and penalties, social expenditure, billing and cash collection services and other operating expenses.

**19. Interest Expense, net**

	<b>6 months of 2007</b>	6 months of 2006
Interest income	7 934	15 236
Interest expense on loans	(418 899)	(249 395)
Interest expense accrued on finance leases	(114 349)	(107 726)
<b>Total</b>	<b>(525 314)</b>	<b>(341 885)</b>