

OJSC "FETEC"

**Non-audited
Consolidated financial statements**

For 6 months period, ended on June 30th, 2005.

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OJSC "FETEC"
Non-audited consolidated balance sheet as for June 30th, 2005
(RUR thousand)

	Note	June 30 th , 2005	December 31 st , 2004 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	2	10 419 563	10 144 826
Intangible assets	3	656 650	532 364
Investments in associates	5	26 410	26 303
Long-term investments	6	3 234	3 486
Long-term employee loans and other financial assets	7	35 625	25 305
Long-term advances given		206 033	137 748
Total non-current assets		11 347 515	10 870 032
Current assets			
Inventories	8	417 293	436 563
Accounts receivable	9	665 467	632 049
Current profit tax assets		135 373	126 249
Short-term investments	6	895	223 422
Other current assets	10	602 747	550 208
Cash and cash equivalents	11	78 539	129 210
Total current assets		1 900 314	2 097 701
Total assets		13 247 829	12 967 733
SHAREHOLDERS' EQUITY AND LIABILITIES			
Preferred shares	12	1 081 053	1 081 053
Ordinary shares	12	3 284 653	3 284 653
Investments for sale fair value change		2 683	158 829
Added capital, retained earnings and other reserves		2 104 471	2 165 392
Total shareholders' equity, associated with shareholders of holding the Company of the group		6 472 860	6 689 927
Minority interest		7 371	0
Total shareholders' equity		6 480 231	6 689 927
Non-current liabilities			
Long-term borrowings	13	808 652	513 219
Finance lease obligations		1 035 852	1 064 534
Long-term profit tax accounts payable		1 784	1 899
Long-term tax and social welfare accounts payable		4 913	6 428
Pension obligation		255 965	231 000
Deferred revenue		99 380	100 554
Deferred income tax liabilities		694 698	736 842
Other non-current liabilities		18 740	18 740
Total non-current liabilities		2 919 984	2 673 216
Current liabilities			
Accounts payable, accrued expenses and advances received	14	1 281 984	1 462 204
Payables to Rostelecom		86 028	82 167
Current profit tax accounts payable		142	164
Tax and social welfare accounts payable	15	340 920	329 852
Dividends payable		234 924	12 047
Short-term borrowings	13	199 912	120 373
Current portion of long-term borrowings	13	1 342 642	1 238 521
Current portion of finance lease obligations		345 062	343 262
Provisions		16 000	16 000
Total current liabilities		3 847 614	3 604 590
Total liabilities		6 767 598	6 277 806
Total shareholders' equity and liabilities		13 247 829	12 967 733

General Director _____ A.A. Alexeev Chief accountant _____ A.D. Kartashov

Notes given herein are integral part of present consolidated statements

OJSC "FETEC"
Non-audited consolidated profit and loss report
For 6 months 2005.
(RUR thousand)

	Note	6 months 2005	2004 (audited)
Revenues	16	4 955 124	8 933 554
Wages, salaries, other employee benefits and social contributions		(1 985 908)	(3 776 030)
Depreciation and amortization		(587 102)	(915 289)
Materials, repairs and malignance, utilities		(426 047)	(871 787)
Taxes other than income tax		(86 953)	(144 943)
Carriers' services expenses – Russian companies		(883 866)	(1 611 463)
Allowance for doubtful accounts expenses		(37 471)	(121 633)
Loss on disposal of property, plant and equipment		(32 580)	(25 163)
Other operating expenses	17	(534 598)	(893 719)
Operating profit		380 599	573 527
Share of result of associates		108	232 843
Interest expense, net		(261 477)	(283 338)
Gain from sales of investments		208 462	584 215
Foreign exchange gain / loss, net		(8 930)	7 070
Profit before taxes		318 762	1 114 317
Profit tax		(152 466)	(358 250)
Profit for accounting period		166 296	756 067
Profit related to shareholders of holding the Company of the group		166 296	0
Profit related to minority shareholders of affiliated companies		0	0
Accounting period gain / loss		166 296	756 067

General Director _____ A.A. Alexeev Chief accountant _____ A.D. Kartashov

Notes given herein are integral part of present consolidated statements

OJSC "FETEC"
Notes for non-audited consolidated financial statements
For 6 months 2005.
(RUR thousand)

1. General information

Confirmation

OJSC "FETEC" ("The Company") and its affiliates non-audited consolidated financial statements was comprised as for 6 months 2005.

Non-audited consolidated financial statements preparation principles

OJSC "FETEC" intermediate financial statements for 6 months of 2005 was prepared on IFRS basis, some limitations listed in "Restriction and Assumptions" section being taken into consideration. Intermediate financial statements are represented as balance sheet, profit and loss report and financial statements notes. Present financial statements do not contain all necessary disclosures, demanded for intermediate financial statements according to IRFS. However, the Company management considers present financial statements volume ample for getting a foretaste of the Company's financial condition and activity results for 6 months 2005.

Financial statements for 6 months according to IFRS are presented by OJSC "FETEC" for the first time; OJSC "FETEC" has not present such statements before. These statements are OJSC "FETEC" non-audited consolidated financial statements. Later they will be audited, reviewed or otherwise checked. Therewith, taking into consideration OJSC "FETEC" experience in presenting financial statements according to IFRS, the Company believes that financial statements users can rely upon these statements.

OJSC "FETEC" and its affiliates and associated companies maintain accounts in RUR and make up financial statements in accordance with Russian Federation Accounting Law. OJSC "FETEC" present non-audited consolidated financial statements preparation was done on the basis of OJSC "FETEC" and its affiliates and associated companies non-audited financial statements, made up in form, corresponding to international financial reporting statements with regard to assumptions given below.

OJSC "FETEC" statements restriction and assumptions for 6 months 2005.

While present non-audited consolidated financial statements preparation, OJSC "FETEC" made less quantity of procedures that could be done while financial statements according to IFRS preparation. In this connection OJSC "FETEC" accepted assumptions, including assumption regarding IFRS property, plant and equipment cost, affiliates purchased in 2005 assets and liabilities fair value, pension liability cost, deferred revenues, provision for impairment of property, plant and equipment, inventory and accounts receivable. Actual data of annual financial statements as for December 31st 2005 may differ from present financial statements data because of updating information about assumptions accepted by the Company and new information appearance.

Present non-audited consolidated financial statements do not contain information regarding financial statements for 6 months 2005 comparable indexes. For comparison purposes, Group shall present financial indexes per annum, ended up on December 31st, 2004 and as for December 31st, 2004.

Notes content for OJSC "FETEC" non-audited consolidated financial statements do not disclose all the information that shall be disclosed for international financial reporting statements correspondence. Notes content for OJSC "FETEC" annual consolidated financial statements may disclose larger volume of information, than it is disclosed in OJSC "FETEC" present non-audited consolidated financial statements.

Reorganizations during preceding periods.

Some amounts in audited consolidated balance sheet as for December 31st 2004 were reorganized for comparability with indexes presentation for current intermediate period.

2. Property, plant and equipment

Property, plant and equipment are counted according to value of purchasing or construction minus accrued depreciation and impairment.

Property, plant and equipment depreciation is counted by straight-line method. Depreciation terms, approximately equal to assets useful life estimated periods, are given below:

Buildings and constructions	20-50 years
Analog switch boards	10-20 years
Digital switch boards	10-15 years
Other telecommunication equipment	10-20 years
Transport facilities	5 years
Computers, office and other equipment	3-5 years
Land plots	Not amortize

For information disclosure purposes property, plant and equipment are grouped in the following way:

- Land plots, buildings and constructions;
- Switch boards and transmission devices;
- Incomplete construction and equipment to be installed;
- Other plant assets, including computers, transport facilities and other equipment.

The Company operation licensees' validity terms are considerably shorter, than property, plant and equipment useful life, used for depreciation calculation. The Company management believes that operational licensees can be prolonged without sufficient outlay costs, letting the Company **sell the property, plant and equipment cost** during ordinary course of business.

Non-finished construction is shown as actual expenses amount, incurred by the Company from the construction beginning till accounting date. Depreciation is calculated after property, plant and equipment setting into operation.

Interest on loans, received for property, plant and equipment construction financing are capitalized in property, plant and equipment objects cost composition during period, necessary for construction completion and object preparation for assumed usage. Other expenses on loans are shown in profit and loss report.

Repair and maintenance expenses are charged to expenses as far as they are done. Reconstruction and modernization expenses are capitalized and replaced objects are amortized. Profit or loss from assets writing off is charged to financial results as far as they are written off.

IAS No. 36 «Assets impairment» provides the necessity of asset reimbursement cost value, including property, plant and equipment in the presence of objective factors, certifying their possible impairment.

Property, plant and equipment balance value shall be analyzed with respect to impairment in case of occurrence of event or circumstances change, which may cause property, plant and equipment balance cost become non-reimbursable. If there is such indicator and balance cost exceeds appraisal recoverable amount, assets or items cost, generating cash flow receipts, reduces down to recoverable amounts. Property, plant and equipment replacement cost equals to maximum sales price of the asset and its further

usage cost. While asset cost evaluation from its further usage the estimated future cash flows are discounted using rate of interest before taxes, presenting current market evaluation of temporal cost of financing and risks, connected with this asset. With respect to assets, **not generating** cash flow receipts, reimbursement cost is determined according to cash flows generating department, under which such assets belong. Impairment expenses are recorded in profit and loss report.

	Land plots, buildings and constructions	Switch boards and transmission devices	Non-finished construction and equipment to be installed	Transport facilities, other property, plant and equipment	Total
Residual value as for December 31st, 2004	4 137 190	4 811 868	767 001	428 767	10 144 826
Residual value as for June 30th, 2005	4 022 668	4 925 874	1 137 328	333 693	10 419 563

The Company applied exception, allowed by IFRS 1, that let the enterprises evaluate property, plant and equipment for the date of IFRS transfer at the fair value and to use this fair value as the actual cost of property, plant and equipment. Management supposes that balance cost of the Company property, plant and equipment can be approximately compared with their fair value, but nevertheless continues working with independent appraisal for the purpose of this fair value confirmation and balance cost of property, plant and equipment can be adjusted accordingly.

Business equipment and other fixed assets objects cost, connected with the Company main activity, transferred to the Company for free outside of privatization process, is capitalized as part of property, plant and equipment at fair value as for the date of equipment transfer. Revenue from property, plant and equipment stated objects receipts are fully admitted in profit and loss report at the moment of transfer. Exceptions are the cases, when property, plant and equipment objects transfer is connected with services rendered by the Company to the person, who made the transfer, in the future with the usage of property, plant and equipment transferred objects; in such a case the Company recognizes deferred revenue in the amount of received equipment and other property, plant and equipment objects fair value. Stated deferred revenues are recognized in the profit and loss report as far as property, plant and equipment received objects depreciate during term of useful life of such property, plant and equipment objects, from the date of services rendering by the Company to the person, who made the transfer.

In case, if property, plant and equipment received for free do not lead to any future revenues of the Company, they are not recognized in the financial statements.

Funds, received from federal and municipal bodies of power for property, plant and equipment purchase, are reflected in balance sheet as deferred revenue and are recognized as revenue during useful life period of the relevant assets according to IAS No. 20 "Government subsidies record keeping and information disclosure about government assistance".

As for June 30th, 2005 property, plant and equipment residual value, transferred to the Company on financial lease conditions, comprises RUR 1 519 328 thousand (in 2004 it was RUR 1 577 665 thousand). The Company uses property, plant and equipment received under financial lease contracts, as a security for relevant leasing obligations.

In first half-year 2005 the Company increased incomplete construction for the sum of capitalized interest in the amount of RUR 25 628 thousand (in 2004 it was RUR 93 360 thousand).

3. Intangible assets.

Intangible assets are capitalized according to purchase cost.

Licenses received and software are amortized in equal parts during mentioned assets useful life estimated period, being equal to licensee validity term or software usage rights. Useful life of other intangible assets is 02-20 years.

If any signs of intangible assets cost reducing appear, each asset balance value shall be evaluated, if cost reducing is found, balance cost shall be immediately reduced to the recoverable sum.

	Licenses	Software	Other	Total
Residual value as for December 31 st , 2004	1 976	530 280	108	532 364
Residual value as for June 30 th , 2005	74 397	580 076	2 177	656 650

4. Affiliates

Present consolidated financial statements include property, liabilities and OJSC "FETEC" and its affiliates' activity results:

Name	Main activity	Participation share, %		Voting shares per sent	
		6 months 2005	2004	6 months 2005	2004
CJSC "Integrator.ru"	Telecommunications services	100%	0	100%	0
Bit Co., Ltd	Telecommunications services	100%	0	100%	0

All the enterprises listed above are Russian legal bodies, registered in accordance with Russian Federation legislation and have the same financial year with the Company.

On April 14th, 2005 the Company purchased 100 % share of Bit Co., Ltd. Acquisition cost comprised RUR 139 305 thousand and was fully paid by funds.

On May 31st, 2005 The Company purchased 100% of ordinary shares CJSC "Integrator. Ru". CJSC "Integrator. Ru" executes control over CJSC "Akos" financial and operational activity (ownership interest comprises 92.26%). Acquisition cost comprised RUR 99 160 thousand and was fully paid by funds.

IFRS # 3 «Business combination» determines affiliates purchasing operations recording order in financial statements by the purchase method, according to which identifying assets, liabilities and conditional liabilities of the Company under purchase are counted for their fair value as for the purchase date, irrespectively of minority interest presence and proportion.

The Company management believes that Bit Co., Ltd acquisition cost approximately corresponds with Bit Co., Ltd identifiable net assets fair value for the acquisition date. Nevertheless, the Company management is going to implead independent appraisal for this purchase results confirmation and these results can be adjusted accordingly.

The Company management believes that CJSC "Integrator. Ru" acquisition cost approximately corresponds with the Company part fair value in CJSC "Integrator. Ru" and its affiliate CJSC "Akos" identifiable net assets for the acquisition date. Minority shareholders proportion in CJSC "Akos" identifiable net assets fair value was defined in the amount of RUR 7 371 thousand. The Company management is going to implead independent appraisal for this purchase results confirmation and these results can be adjusted accordingly.

5. Investments in associates

As for June 30th, 2005 and December 31st, 2004 the Company's investments in associates included:

The Company name	Type of activity	6 months 2005		2004	
		Voting shares per cent	Balance value	Voting shares per cent	Balance value
Magalascom Co., Ltd	Cellular communication services	50%	18 114	50%	17 839
CJSC "TeleRos Vladivostok"	Cellular communication services	50%	7 966	50%	8 222
Kamalascom Co., Ltd	Cellular communication services	50%	330	50%	242
Total			26 410		26 303

All the enterprises listed above are Russian legal bodies, registered in accordance with Russian Federation legislation and have the same financial year with the Company.

6. Long-term and short-term investments

As for June 30th, 2005 and December 31st, 2004 the Company's investments included:

	6 months 2005	2004
Long-term investments for sale	3 234	3 486
Total long-term investments	3 234	3 486
Short-term investments for sale	895	223 422
Total short-term investments	895	223 422
Total investments	4 129	226 908

As for June 30th, 2005 and December 31st, 2004 the Company's investments for sale included:

The Company name	6 months 2005		2004	
	Ownership interest	Balance value	Ownership interest	Balance value
<i>Long-term investments</i>				
OJSC "FEZ Nakhodka Telecommunication"	8.47%	1 101	8.47%	1 101
OJSC "Far East Commercial Bank "Dalcombank"	0	0	1.40%	858
OJSC "Joint-stock Commercial Bank "Svyaz-Bank"	0.44%	687	0.44%	687
OJSC "Imperial"	19.60%	240	19.60%	240
JSC "Sakhincenter:	0.60%	150	0.60%	150
OJSC "A-svyaz"	6.90%	128	6.90%	128
CJSC "Postelegraph:	13.70%	56	13.70%	56
Other		872		266
<i>Short-term investments</i>				
OJSC "Kamaz"	0	0	0.003%	41
OJSC "Kolyma-Bank"	0.09%	9	0.09%	9
Savings Bank	0	0	0.0005%	1 405
Nadezhny Bank	0.05%	18	0	0
OJSC "Far East Commercial Bank "Dalcombank"	1.40%	858	0	0
OJSC "Daltelecom International"	0	0	6.40%	221 967
Other		10		0
Other investments for sale		4 129		226 908

7. Long-term employee loans and other financial assets

As for June 30th, 2005 and December 31st, 2004 long-term accounts receivable and other financial assets included:

	6 months 2005	2004
Long-term employee loans	32 249	25 305
Long-term accounts receivable	3 376	0
Total	35 625	25 305

As for June 30th, 2005 and December 31st, 2004 long-term borrowings provided are reflected according to original cost using valid rate of interest.

8. Inventories

As for June 30th, 2005 and December 31st, 2004 inventories included:

	6 months 2005	2004
Cable, spare parts and materials for telecommunications equipment	340 755	361 002
Final product and goods for resale	12 071	12 348
Other stock	64 467	63 213
Total	417 293	436 563

9. Account receivable

As for June 30th, 2005 and December 31st, 2004 accounts receivable included:

	6 months 2005	2004
Settlement with subscribers for communication services	1 037 616	997 155
Other accounts receivable	89 228	72 780
Provision for doubtful debts	(461 377)	(437 886)
Total	665 467	632 049

The Company separated the following large groups of debtors regarding communication services settlements:

	6 months 2005	2004
Commercial organizations	260 019	271 583
Population	370 632	329 141
Budget organizations	406 965	396 431
Total	1 037 616	997 155

The Company makes out invoices in rubles for state and commercial organizations for communication services monthly. The Company sends bills for telephone calls to natural persons monthly and for the great extend rely upon payments in accordance with these bills. All the customer payments are made in accordance with tariffs in rubles, valid at the moment of services rendering. In some cases the Company managed to collect fines for payments delay and execute indebtedness repayment by court.

10. Other current assets

As for June 30th, 2005 and December 31st, 2004 other current assets comprised:

	6 months 2005	2004
VAT to be refundable	358 495	393 793
Deferred expenses	75 272	21 151
Pre-payment and advances	70 946	76 725
Other settlements and current assets	49 273	34 167
Settlements with personnel	43 153	5 793
Advances for other taxes	4 129	9 161
Short-term borrowings given	1 479	9 418
Total	602 747	550 208

11. Cash and cash equivalents

As for June 30th, 2005 and December 31st, 2004 accounts receivable included:

	6 months 2005	2004
Cash in banks and in cashier	78 389	128 964
Other cash	150	246
Total	78 539	129 210

12. Shareholders' equity

Ordinary and preferred authorized shares quantity comprises, accordingly, 95 581 421 ea (in 2004 quantity was 95 581 421) and 31 168 901 ea (in 2004 quantity was 31 168 901 ea).

All issued shares were fully paid.

Nominal value of all issued shares comprises 20 rubles per share. From total quantity of issued shares as for June 30th, 2005 75 % of shares were ordinary ones and 25% were A class preferred shares. Each ordinary share holder has one vote. Holders of preferred shares of A class can participate in General Shareholders Meetings, without right of voting, except decisions making regarding the Company reorganization and liquidation matters, and regarding amendments and additions making to the Company's Charter, limiting the rights of preferred shares holders. Preferred shares do not provide the holders with the right to demand shares redemption or their conversion, but they provide them with the right to get non-cumulative dividends in the amount of 10 % of net profit according to statements data, made up in correspondence with Russian rules of accounting. Annual dividends amount for A class preferred shares can not be less than ordinary shares dividends amount. In case when the Company does not pay dividends or when the Company has no profit according to results of the year, preferred shares holders get right to vote for any matters, falling under competence of General Shareholders Meeting. A class preferred shares holders has the priority right for preferred shares nominal value refund during liquidation.

As for June 30th, 2005 ordinary and preferred shares nominal and balance value comprised:

Share class	Shares quantity, ea	Share nominal value	Shares nominal value	Shares nominal value
Ordinary shares	95 581 421	20	1 911 628	3 284 653
Preferred shares	31 168 901	20	623 378	1 081 053
Total	126 750 322		2 535 006	4 365 706

Difference between shares nominal and balance value is inflation effect during periods preceding 01.01.2003.

13. Credits and borrowings obligations

As for June 30th, 2005 and December 31st, 2004 credits and borrowings included:

	Effective rate of interest	6 months 2005	2004
Short-term indebtedness			
Bank borrowings:			
Bank borrowings: rubles	10.5-13%	182 029	100 000
Interest debt		17 883	20 373
Total short-term indebtedness		199 912	120 373

Long-term indebtedness			
Bank borrowings:			
Bank borrowings: rubles	10,5-13%	532 575	317 000
Total bank borrowings		532 575	317 000
Bonds (rubles)	15%	1 000 000	1 000 000

Suppliers credits:			
Suppliers credits (euros)	8%	174 135	51 992
Total suppliers credits		174 135	51 992
Promissory notes (rubles)	6.0-8,5%	444 584	382 747
With the deduction of long-term credits and borrowings current part		(1 342 642)	(1 238 521)
Total long-term indebtedness		808 652	513 219

Credits and borrowings indebtedness includes interest debt in the amount of RUR 37 767 thousand as for June 30th, 2005 (RUR 37 431 thousand in 2004)

14. Accounts payable, accrued expenses and advances received

As for June 30th, 2005 and December 31st, 2004 accounts payable and other Company current liabilities included:

	6 months 2005	2004
Accrued expenses for wages, salaries and compensatory payments	474 852	492 833
Settlements with suppliers and contractors for capital construction	262 946	514 049
Main activity accounts payable	246 584	155 800
Subscribers' advance payments	205 887	242 409
Other accounts payable	91 715	57 113
Total	1 281 984	1 462 204

Other accounts payable includes indebtedness for voluntary insurance, operational leasing, non-commercial partnership payments and Gossvyaznadzor organs.

15. Tax and social welfare accounts payable

As for June 30th, 2005 and December 31st, 2004 The Company separated following short-term tax debt:

	6 months 2005	2004
Value added tax	229 589	251 651
Unified social tax	43 575	29 693
Property tax	35 187	27 107
Personal income tax	23 508	16 865
Sales tax	0	1
Other taxes	9 061	4 535
Total	340 920	329 852

16. Revenues

Revenues by type	6 months 2005	2004
Long distance telephone services – national	1 397 608	2 599 667
Long distance telephone services –international	264 411	524 012
Local telephone services	1 357 263	2 146 724
Installation and connection fees	276 741	728 680
Documentary services	14 599	33 267
Cellular services	229 200	340 459
Radio and TV broadcasting	90 193	198 415
Data transfer and telematic services	88 793	160 854
New services (Internet, IP – telephony, ISDN)	373 831	490 226
Rent of telephone channels	60 712	126 666
National operators services	520 718	975 735
Other telecommunications services	203 140	427 870
Other services	77 915	180 979
Total	4 955 124	8 933 554

17. Other operation expenses

	6 months 2005	2004
Fire protection and private security	(78 038)	(129 603)
Rent of premises and other property	(63 458)	(92 658)
Transport services	(33 475)	(77 147)
Audit and consultation services	(28 352)	(49 009)
Public security militia and civil defense	(25 249)	(39 432)
Insurance	(25 017)	(46 677)
Housing allowance and hospitality expenditures	(24 994)	(70 825)
Payments to non-commercial partnership	(23 437)	(60 500)
Advertisement	(17 465)	(31 767)
Credit institutions services	(14 319)	(31 146)
Social support	(13 672)	(20 920)
Postal services	(6 488)	(7 485)
Education	(5 724)	(16 557)
Incomplete construction objects impairment reserve creation	0	(27 151)
Other expenses	(174 910)	(192 842)
Total	(534 598)	(893 719)

Other expenses growth is determined by expenses accrual by universal service reserve, electric energy and heat power tariffs increasing, equipment maintenance and different types of repair expenses growth, taxes amount growth (mainly because of property tax). Property tax amount increase is determined by the Company assets growth.

18. Segmental accounting.

The Company renders wire and mobile communications services, together with other services as well. On the Company's management opinion, the Company executes its activity within one geographical segment limits.

Undistributed expenses are general running and administrative costs, together with taxes expenses, except profit tax.

	6 months 2005					2004				
	Wire Communicat ions services	Mobile Communica tion services	Operations exemption inside the Company	Other activity	Total for the Company	Wire Communicat ions services	Mobile Communica tion services	Operations exemption inside the Company	Other activity	Total for the Company
Revenues										
Side realization	4 665 039	229 200	-	60 885	4 955 124	8 469 365	340 459	-	123 730	8 933 554
Realization between segments										
Total revenues	4 665 039	229 200	-	60 885	4 955 124	8 469 365	340 459	-	123 730	8 933 554
Financial result										
Financial result by activity segments	456 899	63 786		16 918	537 603	1 175 002	119 993		43 607	1 338 602
Undistributed expenses					(157 004)					(765 075)
Operational profit					380 599					573 527
Profit (loss) of result of associates					108					232 843
Interest expenses, net					(261 477)					(283 338)
Investments profit (loss)					208 462					584 215
Foreign exchange loss, net					(8 930)					7 070
Profit tax expenses, net					(152 466)					(358 250)
Minority interest					0					0
Net profit (loss)					166 296					756 067

19. Related parties settlements and operations

OJSC “Svyazinvest”

OJSC “Svyazinvest” is OJSC "FETEC" holding the Company. OJSC “Svyazinvest” was fully owned by Russian Federation until July 1997, when Russian government sold 25% of shares plus one share of OJSC “Svyazinvest” to private investors.

For some reasons, including economical, strategic and national security reasons, it is extremely important for Russia to have effectively working transmission network and data transfer. In this connection the Government is influencing and most probably will be influencing OJSC “Svyazinvest” and its affiliated activity in future.

Government influence is not limited to OJSC “Svyazinvest” share holding possessing. Government keeps rights for tariffs setting, including tariffs for long-distance communication. Together with that, Russian Federation Ministry of informational technologies and communication takes charge of liquidation process of the companies, providing the telecommunication services.

OJSC “Rostelecom”

OJSC “Svyazinvest” holds controlling block of shares of OJSC “Rostelecom”, and “Rostelecom” is main operator of long-distance and international communication in Russian Federation. Annual expenses for OJSC “Rostelecom” services payment are connected with outgoing traffic from the Company beyond the limits of network belonging to it. Mentioned expenses are included into expenses, connected with long-distance and international traffic transfer. Besides, OJSC “Rostelecom” uses the Company’s network for incoming long-distance and international traffic of its subscribers and customer operators’ transfer.

	6 months 2005	2004
Traffic transfer and channels rent	641 574	1 192 592
Revenues from OJSC “Rostelecom”	210 444	309 771
Accounts payable	86 028	82 167

Non-commercial partnership “Telecommunication development problems research center”

Non-commercial partnership “Telecommunication development problems research center” (hereinafter «Partnership») is OJSC “Svyazinvest” affiliate and is controlled through subsidiaries. The Company signed an agreement with Partnership for providing funds for the latter for the purposes of mutually beneficial projects realization on behalf of the Company and its subsidiaries, and OJSC “Svyazinvest” affiliates.

Payments for partnership, included into other operational expenses structure, in the attached consolidated profit and loss report for the year ended on June 30th, 2005, comprised RUR 23 437 thousand (RUR 60 500 thousand in 2004).

20. Events after reporting date

Purchase of CJSC “Sakhalinugol – Telecom”

On June 2005 the Company has bought 100% of CJSC “Sakhalinugol – Telecom” ordinary share holding for RUR 40 015 thousand. CJSC “Sakhalinugol – Telecom” provides communication services in Sakhalin region of Far East Federal District. CJSC “Sakhalinugol – Telecom” holds 60 % of “Shahtersksvyaz Co., Ltd” shares and 60 % of “Bykovsvyaz Co., Ltd shares, these companies also provide communication services in Sakhalin region of Far East Federal District.