

**Open Joint Stock Company**  
**“Sibirtelecom”**

Unaudited Consolidated Financial Statements  
*For the 6-month period ended June 30, 2007*

Unaudited Consolidated Financial Statements  
*For the 6-month period ended June 30, 2007*

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**OJSC “Sibirtelecom”**  
**Unaudited Consolidated Balance Sheet**  
**as of June 30, 2007 and December 31, 2006**  
(in thousand rubles)

	Notes	June 30, 2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	4	38,725,161	37,094,144
Intangible assets and goodwill, net	5	3,983,215	3,287,000
Investments in associates, net	6	34,200	32,093
Long-term investments, net	7	16,507	17,718
Long-term accounts receivable and other assets	8	58,678	74,223
Long-term advances given , net		1,103,838	930,525
<b>Total non-current assets</b>		<b>43,921,599</b>	<b>41,435,703</b>
<b>Current assets</b>			
Inventories	9	618,950	541,247
Accounts receivable, net	10	2,719,131	2,179,977
Current income tax receivable		230,861	241,078
Short-term investments	7	131,199	118,946
Other current assets, net	11	1,287,108	1,406,668
Cash and cash equivalents	12	698,286	485 858
<b>Total current assets</b>		<b>5,685,535</b>	<b>4,973,774</b>
<b>TOTAL ASSETS</b>		<b>49,607,134</b>	<b>46,409,477</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	13	3,541,131	3,541,131
Unrealized gain on available-for-sale investments		94,983	86,707
Retained earnings		15,399,654	13,938,492
<b>Total equity attributable to equity holders of the parent</b>		<b>19,035,768</b>	<b>17,566,330</b>
<b>Minority interest</b>		<b>1,620</b>	<b>1,902</b>
<b>Total equity</b>		<b>19,037,388</b>	<b>17,568,232</b>
<b>Non-current liabilities</b>			
Long-term borrowings	14	9,615,448	11,364,434
Long-term finance lease obligations		262,536	381,174
Pension liabilities		3,556,271	3,233,619
Long term taxes payable		-	339
Deferred revenue		192,852	202,613
Deferred income tax liabilities		1,475,231	1,271,363
<b>Total non-current liabilities</b>		<b>15,102,338</b>	<b>16,453,542</b>
<b>Current liabilities</b>			
Accounts payable, accrued expenses and advances received	15	4,670,304	6,022,414
Payables to OJSC “Rostelecom”		318,292	68,818
Current income tax payable		9,456	492
Taxes and payroll taxes payable	16	508,983	348,309
Dividends payable		416,833	23,897
Short-term borrowings	14	1,344,408	890,512
Share of long-term borrowings payable within a year	14	7,775,735	4,595,703
Short-term finance lease obligations		408,817	382,070
Provisions for contingent liabilities	17	14,580	55,488
<b>Total current liabilities</b>		<b>15,467,408</b>	<b>12,387,703</b>
<b>Total liabilities</b>		<b>30,569,746</b>	<b>28,841,245</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>49,607,134</b>	<b>46,409,477</b>

Acting as General Director \_\_\_\_\_ I.V. Dadykin

Chief Accountant \_\_\_\_\_ G.I. Khvoshchinskaya

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

**OJSC “Sibirtelecom”**  
**Unaudited Consolidated Income Statement**  
**for the 6-month periods of 2007 and 2006**  
(in thousand rubles, less earnings (loss ) per share )

	Notes	For the 6-month period of 2007	For the 6-month period of 6 2006
<b>Revenues</b>	<b>18</b>	17,002,151	14,130,589
Wages, salaries, other benefits and payroll taxes		(5,154,631)	(4,565,715)
Depreciation and amortization		(2,633,092)	(1,871,786)
Materials, repairs and maintenance, utilities		(1,441,725)	(1,408,639)
Taxes other than income tax		(396,936)	(318,430)
Interconnection charges		(1,733,602)	(738,037)
(Expenses) restoration of impairment provision for accounts receivable		(56,069)	(7,979)
Gain (loss) on disposal and impairment of property, plant and equipment		19,667	(49,697)
Other operating expenses, net	<b>19</b>	(2,278,772)	(1,912,684)
<b>Operating profit</b>		<b>3,326,991</b>	<b>3,257,622</b>
Participating interest		9,608	16,321
Interest expense, net	<b>20</b>	(817,443)	(740,583)
Gain on sale of financial investments, net		4,471	81,141
Exchange gain (loss) during currency valuation, net		46,325	27,887
<b>Profit before income tax</b>		<b>2,569,952</b>	<b>2,642,388</b>
<b>Income tax</b>		(637,458)	(819,472)
<b>Profit for the reporting period</b>		<b>1,932,494</b>	<b>1,822,916</b>
Attributable to			
Equity holders of the parent		1,932,504	1,830,253
Minority interests		(10)	(7,337)
		<b>1,932,494</b>	<b>1,822,916</b>
<b>Earnings per share</b>			
- basic and diluted, for profit for the year attributable to equity holders of the parent		0.12	0.11

Acting as General Director \_\_\_\_\_ I.V. Dadykin

Chief Accountant \_\_\_\_\_ G.I.Khvoshchinskaya

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

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
**for the 6-month period of 2006**  
(in thousand rubles)

**1. General Information**

**Authorization of Accounts**

The unaudited consolidated financial statements of OJSC “Sibirtelecom” (hereinafter “the Company”) and its subsidiaries (hereinafter jointly “the Group”) are prepared for the 6-month period ended June 30, 2007.

**Principles of the Preparation of Unaudited Consolidated Financial Statements**

Financial statements of OJSC “Sibirtelecom” according to International Financial Reporting Standards for the 6 months of 2007 are represented by an accounting balance-sheet, profit and loss statement and comments to the financial statements. These reports do not have all disclosures required by IFRS, but their volume is sufficient to get some insight about the financial situation and the results of Company’s activity over the 6 months of 2007.

The reports are unaudited consolidated financial statements of OJSC “Sibirtelecom”. No audit, overview or any other procedures will be done with respect to them. At the same time, taking into account Company’s experience in the area of providing financial statements according to IFRS, the Company considers that those who use financial reporting can consider them reliable.

These financial statements are prepared based on the statutory financial statements 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.

When preparing these unaudited consolidated financial statements, OJSC “Sibirtelecom” performed a smaller volume of the procedures as compared to the volume when preparing annual consolidated financial statements. In connection with that, the Company accepted assumptions including the ones in respect of the fair value of the assets and liabilities of acquired subsidiaries and associates, the value of liabilities connected with the commitment to pension insurance, deferred revenue, impairment provision for property, plant and equipment, inventories, accounts receivable. Actual indices of financial statements for the year that finished on December 31, 2007 can differ from indices of the present financial statement due to new information and updated information about the admissions accepted by the Company.

The notes to unaudited consolidated financial statements of OJSC “Sibirtelecom” do not disclose all information that should be disclosed to comply with International Financial Reporting Standards. The notes to annual consolidated financial statements of the Company can disclose more information than in the present unaudited consolidated financial statements of the Company.

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
**for the 6-month period of 2006**  
(in thousand rubles)

**2. Mistakes Corrected and Reclassification**

	<b>Before corrections</b>	<b>Corrections effect</b>	<b>After corrections</b>		<b>Corrections description</b>
<b>Consolidated balance sheet as of December 31, 2006</b>					
Other current assets	1,406,773	(105)	1,406,668	1	Effect of other current assets changed as of December 31, 2006.
Account payable and accrued liability	6,025,321	(2,907)	6,022,414	2	Effect of account payable changed as of December 31, 2006.
Retained earnings	13,935,690	2,802	13,938,492	3	Effect of indices 1 and 2 to retained earnings as of December 31, 2006.

Due to the changed format of balance-sheet drawing up, the Company reclassified the following indices presented in the balance sheet:

	<b>Before reclassification</b>	<b>Reclassification effect</b>	<b>After reclassifications</b>		<b>Reclassifications description</b>
<b>Consolidated balance sheet as of December 31, 2006</b>					
Property, plant, and equipment	37,076,967	17,177	37,094,144		Reclassification of property, plant, and equipment from inventories w
Inventories	558,424	(17,177)	541,247		Reclassification of inventories to property, plant, and equipment
<b>Consolidated income statement for the 6-month period ended June 30, 2006</b>					
Interconnection charges-Russian companies	(734,823)	(228)	(735,051)		Reclassification of interconnection charges of Russian companies from other operating expenses
Other operating expenses	(1,912,912)	228	(1,912,684)		Reclassification of other operating expenses to interconnection charges of Russian companies
Depreciation and amortization	(1,855,758)	(16,028)	(1,871,786)		Reclassification of depreciation and amortization from materials, repairs and maintenance, utilities
Materials, repairs and maintenance, utilities	(1,424,667)	16,028	(1,408,639)		Reclassification of materials, repairs and maintenance, utilities to depreciation and amortization

**OJSC “Sibirtelecom”**  
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**3. Subsidiaries**

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

Subsidiary	Main Activity	Ownership, %		Voting Shares, %	
		June 30, 2007	December 31, 2006	June 30, 2007	December 31, 2006
CJSC “Eniseytelecom”	Cellular services (GSM 900)	100.00	100.00	100.00	100.00
CJSC “Baikalwestcom”	Cellular services (GSM 900)	100.00	100.00	100.00	100.00
CJSC “Chita NET”	Data transmission and telematics services	100.00	100.00	100.00	100.00
CJSC “Altaiskaya telecommunicatsionnaya kompaniya”	Local telephone network services	100.00	100.00	100.00	100.00
CJSC “STeK GSM”	Cellular services (GSM 900)	1.00	100.00	1.00	100.00
OJSC “Rinet”	Internet services	100.00	100.00	100.00	100.00
CJSC “ATS- 32”	Local telephone network services, Internet network	100.00	10000	100.00	100.00
CJSC “ATS- 41”	Local telephone network services, Internet services	100.00	100.00	100.00	100.00
CJSC “Region Net”	Cellular services (CDMA)	0.00	66.00	0.00	66.00
CJSC “Altayskaya investitsionnaya kompaniya”	Purchase and sale activities	0.00	62.50	0.00	6250
OJSC “Mobiltelecom”	Cellular services and Internet services	91.75	90.09	91.75	90.09
OJSC “Altaysvyaz” <sup>1</sup>	Cellular services	99.72	99.72	99.72	99.72

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

On May 4, 2007 the Company acquired the minority interest in OJSC “AK Mobiltelcom” in the amount of 1.66 % of common voting shares for 768 (the total number of shares at the Company’s disposal was 91.75% as of June 30,

<sup>1</sup> Constructive possession through CJSC “Eniseytelecom”

**OJSC “Sibirtelecom”**  
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2007). The difference between the value of acquired additional shares and the current minority value made up 411 and was stated as retained income.

According to the decision of the Board of Directors, as of August 31, 2007 the Company no longer has ownership interest in CJSC “TeleRoss-Novosibirsk” after the sale of 230 common shares that belonged to the Company with a face value of 1 ruble which is 50% of authorized capital of CJSC “TeleRoss-Novosibirsk” at the price of 80 thousand USD at the rate of Central Bank of Russia on the day of payment.



**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
**for the 6-month period of 2006**  
(in thousand rubles)

**4. Property, Plant and Equipment**

	Land, buildings and constructions	Switches and transmission devices	Construction in progress and equipment for installation	Vehicles and other	Total
<b>Cost as of</b>					
<b>December 31, 2006 r</b>	<b>15,311,898</b>	<b>22,432,453</b>	<b>3,637,894</b>	<b>5,444,628</b>	<b>46,826,873</b>
Additions	–	–	4,229,824	–	4,229,824
Disposals	(81,017)	(334,387)	(30,856)	(73,057)	(519,317)
Put into operation	537,879	2,118,993	(2,933,771)	276,899	–
<b>As of June 30, 2007</b>	<b>15,768,760</b>	<b>24,217,059</b>	<b>4,903,091</b>	<b>5,648,470</b>	<b>50,537,380</b>
<b>Accumulated Depreciation</b>					
<b>As of December 31, 2006</b>	<b>(2,069,548)</b>	<b>(5,383,761)</b>	<b>(194,159)</b>	<b>(2,085,261)</b>	<b>(9,732,729)</b>
Charge for the year	(387,554)	(1,405,723)		(592,225)	(2,385,502)
Depreciation for retired assets	69,470	167,371	–	72,364	309,205
Impairment loss	–	38,482	(41,275)	(400)	(3,193)
<b>As of June 30, 2007</b>	<b>(2,387,632)</b>	<b>(6,583,631)</b>	<b>(235,434)</b>	<b>(2,605,522)</b>	<b>(11,812,219)</b>
<b>Net book value</b>					
<b>As of December 31, 2006</b>	<b>13,242,350</b>	<b>17,048,692</b>	<b>3,443,735</b>	<b>3,359,367</b>	<b>37,094,144</b>
<b>Net book value</b>					
<b>As of June 30, 2007</b>	<b>13,381,128</b>	<b>17,633,428</b>	<b>4,667,657</b>	<b>3,042,948</b>	<b>38,725,161</b>

**5. Intangible assets**

	Business reputation	Licenses	Software	Others	Total
<b>Cost as of</b>					
<b>December 31, 2006</b>	<b>129,379</b>	<b>73,995</b>	<b>3,674,192</b>	<b>123,950</b>	<b>4,001,516</b>
Additions		17,121	907,644	19,600	944,365
Disposals			(560)		(560)
<b>As of June 30, 2007</b>	<b>129,379</b>	<b>91,116</b>	<b>4,581,276</b>	<b>143,550</b>	<b>4,945,321</b>
<b>Depreciation</b>					
<b>As of December 31, 2006</b>	<b>(79,762)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,762)</b>
<b>As of June 30, 2007</b>	<b>(79,762)</b>				<b>(79,762)</b>
<b>Accumulated amortization</b>					
<b>As of December 31, 2006</b>	<b>-</b>	<b>(24,964)</b>	<b>(557,314)</b>	<b>(52,476)</b>	<b>(634,754)</b>
Accrued for the year		(7,137)	(222,595)	(17,858)	(247,590)
<b>As of June 30, 2007</b>	<b>-</b>	<b>(32,101)</b>	<b>(779,909)</b>	<b>(70,334)</b>	<b>(882,344)</b>
<b>Depreciation value as of December, 2006</b>	<b>49,617</b>	<b>49,031</b>	<b>3,116,878</b>	<b>71,474</b>	<b>3,287,000</b>
<b>Depreciation value as of June 30, 2007</b>	<b>49,617</b>	<b>59,015</b>	<b>3,801,367</b>	<b>73,216</b>	<b>3,983,215</b>

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
**for the 6-month period of 2006**  
(in thousand rubles)

*Oracle E-Business Suite (OEBS) Software Product*

As of June 30, 2007 the software includes Oracle E-Business Suite the depreciation value of which is 881,419 (933, 062 in 2006), including capitalized interest for 175,466 (175,466 in 2006). Capitalization of interest was terminated in 2006 due to the beginning of OEBS commercial operation for fixed-assets accounting (release # 1). Under the supply contract, among other supplements, the Company was given an exclusive right to use E-business Suite 2004 Professional software for 12,400 users. The remaining life of value-added use is 8 years.

The Company started using OEBS commercial operation for fixed-assets accounting (release # 1) during the first distribution in Omsk branch and General Management on November 30, 2005. The Company plans to complete the introduction of this system before 2008.

The Company started the depreciation of the mentioned product’s value on November 30, 2005 in proportion to the period of value-added use of licenses established within 10 years.

*Amdocs Billing Suite Software Product*

As of June 30, 2007 the software also includes Amdocs Billing Suite software product the depreciation value of which is 971,892 (889,080 in 2006), including promissory notes capitalized discount in the amount 28,613 (28,613 in 2006). The discount capitalization was stopped in 2006 as the debt on promissory notes was paid. As of June 30, 2007 the value of this intangible asset also included capitalized interest on borrowing for 3,701 (11,244 in 2006), the capitalization rate equaled 8.94 % (10 % in 2006). This software program was purchased with a purpose of introducing a common automated system of calculations. The common automated system of calculations based on Amdocs Billing Suite is planned to be introduced within 4-5 years.

The purchase of Amdocs Billing Suite software product was approved by the Company’s Board of Directors on November 20, 2004.

Amdocs Billing Suite software program will be supplied in December of 2004 by “IBM Eastern Europe/Asia” Ltd that was provided with 18 own non-interest promissory notes for 644,192 to ensure the payments. As of December 31, 2006 the debt on promissory notes was paid.

The Company will start depreciating this asset after the adoption of the software. Until that moment, the management plans to estimate the asset value with respect to its depreciation every year.

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
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(in thousand rubles)

**6. Investments in associates**

As of June 30, 2007 and 2006 investments of the Company in associates included:

Name of the company	Type of activity	June 30, 2007		December 31, 2006	
		Voting shares, %	Balance sheet value	Voting shares, %	Balance sheet value
CJSC “Novocom”	Local telephone network services, Internet services	50.00	16,496	50.00	15,397
LLC “Giprosvyaz-Sibir”	Project engineering, development of project documentation	24.00	5,461	24.00	4,024
CJSC “TeleRoss-Novosibirsk”	Telephone network services, data transmission, Internet services	50.00	972	50.00	1,847
OJSC “Loctelecom”	Local telephone network services,	36.56	10,395	36.56	10,845
Others			3,744		2,848
Provision for impairment of associates investments			(2,868)		(2,868)
<b>Total</b>			<b>34,200</b>		<b>32,093</b>

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

Below is presented the flow of investments in associates for the period ended June 30, 2007 and December 31, 2006:

	As of June 30, 2007	As of December 31, 2006
<b>Investments in associates at the beginning of the period</b>	<b>32,093</b>	<b>50,584</b>
Acquisition of associates	-	310
Share of result of associates less income tax and dividends	2,107	19,827
Reclassification of associates	-	(38,628)
Sale of associates	-	-
<b>Investments in associates at the end of the period</b>	<b>34,200</b>	<b>32,093</b>

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
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**7. Long-term and short term investments**

Available-for- sale investments as of June 30, 2007 and 2006 included the following:

Name of the company	June 30, 2007		December 31, 2006	
	Share	Fair value	Share	Fair value
<b>Long-term investments</b>				
OJSC NTK “Zvezda”	1.665%	47,411	1.665%	47,411
LLC NPK “Svyazintek”	11.00%	12,591	11.00%	12,591
OJSC ACB “Svyaz-bank”	0.01%	10,239	0.01%	10,239
Other		4,583		5,549
Provision for devaluation of investments		(58,317)		(58,317)
<b>Total long-term investments</b>		<b>16,507</b>		<b>17,473</b>
<b>Short-term investments</b>				
“Sberbank” OJSC RF	0.01%	124,920	0.01%	114,615
“Kommunikatsionno- informatsionnye tekhnologii” CJSC		-	19.16%	139
Provision for devaluation of investments		(137)		(155)
<b>Total short-term investments</b>		<b>124,783</b>		<b>114,599</b>
<b>Total available- for- sale investments</b>		<b>141,290</b>		<b>132,072</b>

Financial investments as of June 30, 2007 and December 31, 2006 included the following:

	June 30, 2007	December 31, 2006
Long-term investments held to maturity	-	245
Long-term available-for-sale investments	16 507	17 473
<b>Total long-term investments</b>	<b>16 507</b>	<b>17 718</b>
Short-term financial investments held to maturity	6 416	4 347
Short-term available-for-sale investments	124 783	114 599
<b>Total short-term investments</b>	<b>131 199</b>	<b>118 946</b>
<b>Total investments</b>	<b>147 706</b>	<b>136 664</b>

**OJSC “Sibirtelecom”**  
**Notes to the Unaudited Consolidated Financial Statements**  
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**8. Long-term accounts receivable and borrowings**

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

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Long-term accounts receivable	16,070	21,677
Long-term borrowings	26,943	35,612
Long-term VAT to be compensated	15,665	16,934
<b>Total</b>	<b>58,678</b>	<b>74,223</b>

**9. Inventory holdings**

Inventory holdings as of June 30, 2007 and December 31, 2006 included the following:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Cable, spare-parts and materials for telecommunication equipment	239,134	196,948
Construction materials, fuel, tools	49,514	49,237
Finished production and goods for sale	76,733	45,742
Other resources/ reserves	253,569	249,320
<b>Total</b>	<b>618,950</b>	<b>541,247</b>

**10. Accounts receivable**

Account receivables as of June 30, 2007 and December 31, 2006 can be indicated as follows:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Payments of subscribers for communication services	2,900,765	2,413,266
Account receivables for internetworking services and traffic admission (Operators of communication)	128,783	58,611
Other accounts receivables	233,591	221,680
Provision for devaluation of accounts receivable	(544,008)	(513,580)
<b>Total</b>	<b>2,719,131</b>	<b>2,179,977</b>

Company specified the following main groups of debtors for communication services accounts:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Population	1,317,138	1,132,391
Commercial organizations	1,257,616	964,597
State organizations	208,057	129,725
State debt on privileges compensation	117,954	186,553
<b>Total</b>	<b>2,900,765</b>	<b>2,413,266</b>

**OJSC “Sibirtelecom”**  
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(in thousand rubles)

Company draws bills in rubles for communication services to the state and commercial organizations on the monthly basis. To the physical persons Company monthly send the bills for services, mostly expected timely payment for the services in compliance with the mentioned bills. All clients’ payments are made in accordance with ruble tariffs that are effective on the date of service rendering. In some cases Company succeeded to receive penalty fee for payments delay through Arbitrage court.

As of June 30, 2007 the liability of the social security bodies on reimbursement of expenses connected with the privileges to the separate categories of subscribers has made 4.07 % from the total amount of account receivable of clients (2006 – 7.73 %).

As of June 30, 2007 Company has estimated the probability of reimbursement of liabilities connected with privileges to the separate categories of subscribers, with taking into consideration the reimbursement through the court, and charged the allowance for doubtful accounts in amount of 117,954 that made 100 % from the total amount of social security liability on June 30, 2007.

**11. Other current assets**

As of June 30, 2007 an December 31, 2006 other current assets made:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
VAT to be compensated	505,204	715,342
Expenses for future periods	147,973	153,925
Prepayments and advances	463,668	389,202
Prepayments on other taxes	18,230	26,289
Payments to the personnel	43,396	29,660
Other current assets	158,548	145,766
Provision for devaluation of other current assets	(49,911)	(53,516)
<b>Total</b>	<b>1,287,108</b>	<b>1,406,668</b>

**12. Monetary funds and their equivalents**

As of June 30, 2007 an December 31, 2006 monetary funds and their equivalents included:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Monetary funds in the banks and cash	694,776	485,830
Other equivalents	3,510	28
<b>Total</b>	<b>698,286</b>	<b>485,858</b>

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**13. Authorized capital**

Principal value of all shares is 0,15 rubles per share. Difference between cumulative principal value of issued shares and their net asset value is inflationary effect for the periods before January 1, 2003.

Holders of the common shares have a right for a single voting power.

	<b>Quantity of issued shares (thousand pc.)</b>	<b>Principal value</b>	<b>Net asset value</b>
<b>As of December 31, 2005</b>	<b>15,919,822</b>	<b>2,387,973</b>	<b>3,541,131</b>
Common shares	12,011,402	1,801,710	2,671,760
Preferred shares	3,908,420	586,263	869,371
<b>As of December 31, 2006</b>	<b>15,919,822</b>	<b>2,387,973</b>	<b>3,541,131</b>
Common shares	12,011,402	1,801,710	2,671,760
Preferred shares	3,908,420	586,263	869,371
<b>As of June 30 июня 2007 г.</b>	<b>15,919,822</b>	<b>2,387,973</b>	<b>3,541,131</b>

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**14. Short-term borrowings**

As of June 30, 2007 and December 31, 2006 the carrying amounts of the Company’s short-term borrowings comprised the following:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<i>Short-term borrowings</i>		
<b>Bank loans:</b>		
Bank loans (rubles)	1,071,202	611,840
Bank loans (USD)	271,411	276,365
Bank loans (Euros)	1,684	2,180
<b>Total bank loans</b>	<b>1,344,297</b>	<b>890,385</b>
<b>Vendors’ borrowings:</b>		
Vendors’ borrowings (USD)	111	127
<b>Total vendors’ borrowings</b>	<b>111</b>	<b>127</b>
<b>Total short-term borrowings</b>	<b>1,344,408</b>	<b>890,512</b>

As of June 30, 2007 and December 31, 2006 the carrying amounts of the Company’s long-term borrowings comprised the following:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<i>Long-term borrowings</i>		
<b>Bank loans:</b>		
Bank loans (rubles)	4,901,697	4,832,453
Bank loans (USD)	1,437,324	1,615,326
Bank loans (Euros)	1,809,539	76,236
<b>Total bank loans</b>	<b>8,14,560</b>	<b>6,524,015</b>
<b>Bonds (rubles)</b>	<b>9,198,760</b>	<b>9,387,878</b>
<b>Vendors’ borrowings:</b>		
Vendors’ borrowings (USD)	36,204	40,585
<b>Total vendors’ borrowings</b>	<b>36,204</b>	<b>4,585</b>
<b>Promissory notes</b>		
Promissory notes (rubles)	7,659	7,659
<b>Total promissory notes</b>	<b>7,659</b>	<b>7,659</b>
Less: share of long-term borrowings payable within a year	<b>(7,775,735)</b>	<b>(4,595,703)</b>
<b>Total long-term borrowings</b>	<b>9,615,448</b>	<b>11,364,434</b>

The Company did not hedge its currency liabilities or risks of interest rate change.

As of June 30, 2007 and December 31, 2006 the carrying amounts of the Company’s borrowings are denominated in the following currencies:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Russian Rubles	15,179,318	14,839,830
US dollars	1,811,223	1,932,403
Euro	1,745,050	78,416
<b>Total</b>	<b>18,735,591</b>	<b>16,850,649</b>



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**Bank loans**

***VTB Bank, OJSC***

The Company’s long-term liability to VTB Bank, OJSC, is mainly a loan comprising 800,000, taken on June 25, 2007. The termination date is 2012. The interest rate is 8.3 %. The loan has no security.

***Sberbank of Russian Federation, Siberian Bank, OJSC***

The Company’s long-term liability to Sberbank of Russian Federation, Siberian Bank, OJSC is a loan comprising 860,000, taken on June 29, 2007. The termination date is June 2010. The interest rate is 7 %. The loan has no security.

The Company’s long-term liability to Sberbank of Russian Federation, Siberian Bank, OJSC is a loan comprising 800,000, taken on June 29, 2007. The termination date is June 2010. The interest rate is 7 %. The loan has no security.

The Company’s long-term liability to Sberbank of Russian Federation, Siberian Bank, OJSC is a loan comprising 340,000, taken on June 29, 2007. The termination date is June 2010. The interest rate is 7 %. The loan has no security.

***Raiffaisen Bank Austria, Closed Company***

The Company’s long-term liability to Raiffaisen Bank Austria, Closed Company is a loan comprising 560,000 taken in June 2007. The termination date is June 2012. The interest rate is calculated according to MOSPRIME plus 2.8%. The loan has no security.

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**15. Accounts payable, accrued expenses and advances received**

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

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Salaries and wages	1,030,110	1,954,358
Accounts payable for capital investments	1,678,679	1,803,366
Accounts payable to suppliers and contractors	1,111,994	1,220,777
Advances received from subscribers	729,102	914,205
Other accounts payable	120,419	129,708
<b>Total</b>	<b>4,670,304</b>	<b>6,022,414</b>

**16. Taxes payable payroll taxes payable**

As of June 30, 2007 and December 31, 2006 the Company has the following short-term taxes payable:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Value added tax	161,698	59,617
Property tax	149,242	130,878
Unified social tax	128,086	106,302
Other taxes	69,957	51,512
<b>Total</b>	<b>508,983</b>	<b>348,309</b>

**17. Provisions for contingent liabilities**

Short-term provisions for 6 months of 2007 comprised the following:

	<b>Staff reduction</b>	<b>Total</b>
<b>December 31, 2006</b>	55,488	55,488
Dismissal pays	(40,908)	(40,908)
<b>June 30, 2007</b>	<b>14,580</b>	<b>14,580</b>

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**18. Revenues**

<b>By revenue types</b>	<b>6 months of 2007</b>	<b>6 months of 2006</b>
Intrazone telephone services	2,549,043	1,619,178
Local telephone calls	5,720,031	4,948,340
Mobile radio, wire broadcasting, radio and TV broadcasting	201,106	209,829
Mobile cell communication	4,377,426	3,943,760
Telegraphy, data transfer and telematic services	1,482,906	1,049,748
Traffic rendering and passing	2,035,136	1,742,828
Other communication services (main activities)	32,592	17,854
Assistance contracts	316,056	370,984
Revenues from other sales(secondary activities)	287,855	228,068
<b>Total</b>	<b>17,002,151</b>	<b>14,130,589</b>

As compared to 6 months of 2006, the growth of revenues comprised 2,871,562 mostly from the following services:

- Intrazone telephone services – 929,865 increase;
- Local telephone calls – 771,691 increase;
- Mobile cell communication – 433,666 increase;
- Traffic rendering and passing – 292,308 increase.

**19. Other operating expenses**

Other operating expenses comprised the following:

	<b>6 months of 2007</b>	<b>6 months of 2006</b>
Agency fee expenses	451,466	397,248
Advertising expenses	238,345	173,614
Rent of premises	237,491	149,368
Security and fire protection services	145,407	123,258
General service payments	168,799	140,048
Payments to Non-commercial partnership	1,157	37,043
Business travel expenses	76,903	89,807
Insurance	60,822	63,560
Charitable contributions	58,261	76,131
Audit and consulting	37,521	40,429
Cost of goods sold	64,584	41,866
Lending agencies services	50,143	43,522
Civil defense services	23,888	24,372
Post services	49,402	36,770
Training expenses	22,554	27,548
Management remuneration	15,686	14,748
Transport expenses	28,632	24,332
Other expenses	547,710	409,020
<b>Total</b>	<b>2,278,772</b>	<b>1,912,684</b>

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Other operating expenses include fines and penalties, social expenses, expenses caused by keepings records of subscribers’ payments and their collecting, expenses referring to rendering telegraphy services, communication services rendered by means of monetary telephones and other communication services, legal services, as well as other operating expenses.

**20. Interest Expense, net**

Interest expense as of June 30, 2007 and June 30, 2006 comprised the following:

	<b>6 months of 2007</b>	<b>6 months of 2006</b>
Interest income	18,870	15,451
Interest expense	(741,044)	(638,686)
Interest expense accrued on financial leases	(95,439)	(115,236)
Interest expense accrued on goods credits	170	(2,112)
<b>Total</b>	<b>(817,443)</b>	<b>(740,583)</b>