

BALANCE SHEET

as of **December 31, 2006**

Organization **OJSC "VolgaTelecom"**

Taxpayer Identification Number **5260901817**

Activity type **electric communication**

Form of incorporation /ownership form **Open Joint Stock Company / private**

Measure unit: **RUR thousand**

Address: **603000, N.Novgorod city, M.Gorky square, Dom Svyazi**

Form № 01 by OKUD

Date (year, month, day)

by OKPO

TIN

by OKVED

by OKOPF/OKFS

by OKEI

CODES

0710001

2006.12.31

01142788

5260901817

64.20

47/16

384

The date of approval

The date of dispatch (receipt)

30.03.2007

ASSET	Explanations	Index code	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	1a	2	2a	3	4
I. NON-CURRENT ASSETS					
Intangible assets		110	110	40	270
Fixed assets	6.1	120	120	22 492 980	25 342 279
Capital investments	6.2	130	130	795 576	759 115
Income-bearing placements into tangible assets		135	135	12 311	110 621
Long-term financial investments	6.3	140	140	1 309 098	2 141 709
including:					
investments into subsidiaries			141	1 273 033	1 888 459
investments into associated companies			142	12 475	6 271
investment into other organizations			143	21 701	67 274
other long-term financial investments			144	1 889	179 705
Deferred tax assets	6.4	145	145	200 918	276 920
Other non-current assets	6.5	150	150	2 503 132	3 388 567
Total for section I		190	190	27 314 055	32 019 481

ASSET	Explanations	Index code	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	1a	2	2a	3	4
II.CURRENT ASSETS					
Inventories		210	210	623 615	629 098
<i>including:</i>					
raw materials, supplies and other similar values	6.6	211	211	451 877	463 508
work in progress expenses (distribution costs)		213	213	168	593
finished goods and goods for resale		214	214	47 647	47 156
goods shipped		215	215	-	330
prepaid expenses		216	216	123 923	117 511
other inventories and expenditure		217	217	-	-
VAT for acquired valuables		220	220	959 066	584 096
Accounts receivable (payments are expected in over 12 months after the report date)		230	230	13 836	8 587
<i>including:</i>					
buyers and customers	6.7	231	231	2 319	1 286
advances paid out			232	-	-
other debtors			233	11 517	7 301
Accounts receivable (payments are expected within 12 months after the report date)		240	240	1 754 936	2 732 630
<i>including:</i>					
buyers and customers	6.8	241	241	1 450 998	1 978 204
advances paid out			242	103 176	136 085
other debtors	6.9		243	200 762	618 341
Short-term financial investments	6.3	250	250	4 762	9 837
Cash,		260	260	1 134 960	222 716
Other current assets		270	270	773	496
Total for section II		290	290	4 491 948	4 187 460
BALANCE (sum of lines 190+290)		300	300	31 806 003	36 206 941

LIABILITIES	Explanations	Index code	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	1a	2	2a	3	4
III. CAPITAL AND PROVISIONS					
Charter capital	6.10	410	410	1 639 765	1 639 765
Capital surplus		420	420	3 812 947	3 731 945
Surplus		430	430	81 988	81 988
Treasury stock		411	440	-	-
Retained profits (uncovered loss) of past years		470	460	10 746 158	10 233 857
Retained profits (uncovered loss) of the reporting year		470	470	-	2 453 588
Total for section III		490	490	16 280 858	18 141 143
IV. NON-CURRENT LIABILITIES					
Credits and loans <i>including:</i>	6.13	510	510	7 340 869	8 965 335
<i>credits</i>			511	1 925 150	320 000
loans			512	5 415 719	8 645 335
Deferred tax liabilities	6.14	515	515	712 558	1 019 123
Other non-current liabilities	6.15	520	520	1 110 066	1 221 226
Total for section IV		590	590	9 163 493	11 205 684
V. CURRENT LIABILITIES					
Credits and loans <i>including:</i>	6.13	610	610	2 289 598	1 441 018
<i>credits</i>			611	1 004 024	1 318 926
loans			612	1 285 574	122 092
Accounts payable, <i>including:</i>		620	620	3 513 237	4 381 541
suppliers and contractors	6.16	621	621	2 059 629	3 535 440
advances received	6.16	625	622	317 657	331 553
wages payable		622	623	67 842	59 233
debt to government extrabudgetary funds		623	624	35 437	42 329
tax debt		624	625	399 845	133 853
other creditors	6.16	625	626	632 827	279 133
Debt to participants (founders) for income payments		630	630	22 844	23 802
Unearned revenue	6.17	640	640	216 554	235 261
Provision of costs to be incurred	6.18	650	650	307 799	659 609
Other current liabilities		660	660	11 620	118 883
Total for section V		690	690	6 361 652	6 860 114
BALANCE (sum of lines 490+590+690)		700	700	31 806 003	36 206 941

Reference on availability of valuables being accounted on off-balance-sheet accounts

Item description	Explanations	Index code	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	1a	2	2a	3	4
Rented fixed assets		910	901	611 053	887 691
including under leasing		911	911	66 106	42 855
Inventory items received in custody		920	902	4 399	36 302
Commodities received for commission		930	903	3 748	12 674
Accounts receivable of insolvent debtors written-off as a loss		940	904	249 430	261 742
Cover funds for liabilities and payments received		950	905	7 065 160	11 500 459
Cover funds for liabilities and payments given		960	906	5 984 126	5 692 516
Housing facilities depreciation		970	907	16 840	14 644
Depreciation of land improvement objects and other similar objects		980	908	2 849	1 861
Payments for communication services			909	214 199	150 467

Reference on net assets worth

Item description	Explanations	Index code	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	1a	2	2a	3	4
Net assets			1000	16 497 412	18 376 404

CEO _____ Omelchenko S.V.
(signature) (signator)

Chief accountant _____ Popkov N.I.
(signature) (signator)

March 30, 2007

INCOME STATEMENT

for
Organization **OJSC "VolgaTelecom"**

Taxpayer Identification Number **5260901817**
Activity type **Electric communication**

Form of incorporation/
ownership form **Open Joint Stock Company / private**
Measure unit: **RUR thousand**

Form № 02 by OKUD
2006 Date (year, month, day)
by OKPO

TIN
by OKVED

CODES	
0710002	
2006.12.31	
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5260901817	
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Item description	Explanations	Index code	Line code	For the reporting period	For similar period of the previous year
1	1a	2	2a	3	4
I. Income and expenses of ordinary activities					
Proceeds (net) from sales of goods, products, works, services (minus VAT, excise taxes and similar mandatory payments)	7.1	010	010	21 691 242	21 348 394
including from sales: of telecommunication services			011	20 366 969	20 787 642
Prime cost of sold goods, products, works and services	7.2	020	020	(16 949 759)	(16 059 357)
including: of telecom services			021	(16 137 856)	(15 610 538)
Sales profit (loss) (lines 010 -020)		050	050	4 741 483	5 289 037
II. OTHER INCOME AND EXPENSES					
Interest receivable		060	060	13 253	14 839
Interest due		070	070	(735 967)	(829 016)
Income from participation in other enterprises		080	080	47 074	34 720
Other income	7.3	090	090	900 393	424 675
Other expenses	7.3	100	100	(1 432 031)	(1 510 238)
Profit (loss) before tax (lines 050+060-070+080+090-100)		140	140	3 534 205	3 424 017
Income tax expenses (lines -151+/-152+/-153) including:	7.4		150	(1 080 617)	(1 168 405)
deferred tax liabilities		142	151	(307 103)	(133 551)
deferred tax assets		141	152	76 002	(100 279)
Current tax on income		150	153	(1 003 930)	(935 466)
Additional payments of income tax for the previous tax periods		151	154	154 414	891
Net profit (loss) of the reporting period (lines 140-150)	7.5	190	190	2 453 588	2 255 612

BY REFERENCE					
Income tax contingent expenses /income			201	(848 209)	(823 144)
Recurrent tax liabilities		200	202	(335 838)	(376 171)
Recurrent tax assets		200	203	103 430	30 910

Item description	Explanations	Index code	Line code	For the reporting period	For similar period of the previous year
1	1a	2	2a	3	4
Basic earnings (loss) per share	7.6		301	0,00898	0,00827
Diluted earnings (loss) per share			302	-	-

* It is completed in annual accounting statement

Breakdown of single profits and losses

Item description	Index code	Line code	For the reporting period		For similar period of the previous year	
			profit	loss	profit	loss
1	1a	2	3	4	5	6
Fines, penalties and forfeits which were acknowledged or to be collected according to court (arbitration court) judgement		401	66 558	(14 089)	28 615	(10 992)
Past years profit (loss)		402	177 776	(107 939)	42 451	(166 557)
Reimbursement of damages caused by default or inadequate performance of obligations		403	26 872	(688)	7 210	(1 263)
Foreign exchange differences in foreign currency operations		404	310	(677)	9 612	(3 174)
Deductions to allowances		405	542 037	(206 226)	160 645	(152 221)
Debt amortization of payables and receivables		406	99 786	(6 726)	36 321	(12 001)

CEO _____ Omelchenko S.V.
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Chief accountant _____ Popkov N.I.
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March 30, 2007

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for **2006**
 Organization **OJSC "VolgaTelecom"**
 Taxpayer Identification Number **5260901817**
 Activity type **Electric communication**
 Form of incorporation / ownership form **Open Joint Stock Company / private**
 Measure unit: **RUR thousand**

Form № 03 by OKUD
 Date (year, month, day)
 by OKPO
 TIN
 by OKVED
 by OKOPF/OKFS
 by OKEI

CODES
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01142788
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384

1. Change of capital

Item description	Index code	Line code	Charter capital	Capital surplus	Surplus	Retained profit (uncovered loss)	Total
1	1a	2	3	4	5	6	7
Balance as of December 31, 2004		100	1 639 765	3 980 430	81 988	8 890 265	14 592 448
Year 2005							
Changes in accounting policy		101	-	-	-	(12 114)	(12 114)
Result of fixed assets objects revaluation		102	-	-	-	-	-
Miscellaneous		103	-	-	-	-	-
Balance as of January 1, 2005		104	1 639 765	3 980 430	81 988	8 878 151	14 580 334
Change of capital items:		200	-	(158 235)	-	1 716 808	1 558 573
Result of foreign currency translation		201	-	-	-	-	-
Net profit (loss) of the report year		202	-	-	-	2 261 360	2 261 360
Dividends		203	-	-	-	(544 552)	(544 552)
Allocations to required reserves		204	-	-	-	-	-
Additional issue of shares at the cost of own resources		205	-	-	-	-	-
Increment in face value of shares		206	-	-	-	-	-
Change of capital at retirement of fixed assets objects		207	-	-	-	-	-
Miscellaneous		208	-	(158 235)	-	-	(158 235)
Increment in value of capital due to:		210	-	-	-	158 235	158 235
additional issue of shares at the cost of stockholders resources		211	-	-	-	-	-
reorganization of legal entity		212	-	-	-	-	-
miscellaneous		213	-	-	-	158 235	158 235
Reduction of capital value due to:		220	-	(9 248)	-	(1 288)	(10 536)
reduction of the shares quantity		221	-	-	-	-	-
reduction of the shares face value		222	-	-	-	-	-
reorganization of legal entity		223	-	-	-	-	-
miscellaneous		224	-	(9 248)	-	(1 288)	(10 536)
Balance as of December 31, 2005		300	1 639 765	3 812 947	81 988	10 751 906	16 286 606
Year 2006							
Changes in accounting policy		301	-	-	-	(5 748)	(5 748)
Result of fixed assets objects revaluation		302	-	-	-	-	-
Miscellaneous		303	-	-	-	-	-
Balance as of January 1, 2006	100	304	1 639 765	3 812 947	81 988	10 746 158	16 280 858
Change of capital items:		400	-	(81 002)	-	1 864 796	1 783 794
Result of foreign currency translation		401	-	-	-	-	-
Net profit (loss) of the report year		402	-	-	-	2 453 588	2 453 588
Dividends		403	-	-	-	(588 792)	(588 792)
Allocations to required reserves	110	404	-	-	-	-	-
Additional issue of shares at the cost of own resources	121	405	-	-	-	-	-

Item description	Index code	Line code	Charter capital	Capital surplus	Surplus	Retained profit (uncovered loss)	Total
1	1a	2	3	4	5	6	7
Increment in face value of shares	122	406	-	-	-	-	-
Change of capital at retirement of fixed assets objects		407	-	-	-	-	-
Miscellaneous		408	-	(81 002)	-	-	(81 002)
Increment in capital value due to:		410	-	-	-	78 044	78 044
additional issue of shares at the cost of stockholders resources	121	411	-	-	-	-	-
reorganization of legal entity	123	412	-	-	-	-	-
miscellaneous		413	-	-	-	78 044	78 044
Reduction of capital value due to:		420	-	-	-	(1 553)	(1 553)
reduction of the shares quantity	132	421	-	-	-	-	-
reduction of the shares face value	131	422	-	-	-	-	-
reorganization of legal entity	133	423	-	-	-	-	-
miscellaneous		424	-	-	-	(1 553)	(1 553)
Balance as of December 31, 2006	140	500	1 639 765	3 731 945	81 988	12 687 445	18 141 143

2. Provisions

Item description	Index code	Line code	Balance as of the year beginning	Receipt	Spent /recovered	Balance as of the year end
1	1a	2	3	4	5	6
Provisions formed as per legislation:						
Required reserve data of year 2005		601	81 988	-	-	81 988
data of year 2006		602	81 988	-	-	81 988
Provisions formed as per articles of association:						
Corporalization fund of the Company's employees data of year 2005		603	-	-	-	-
data of year 2006		604	-	-	-	-
Assessed provisions:						
Provisions for doubtful debts data of year 2005		605	1 269 430	152 221	(218 178)	1 203 473
data of year 2006		606	1 203 473	206 226	(582 373)	827 326
Provisions for depreciation of financial investments						
data of year 2005		607	601	-	(385)	216
data of year 2006		608	216	-	(10)	206
Provisions for reduction in value of tangible assets						
data of year 2005		609	-	-	-	-
data of year 2006		610	-	-	-	-
Provisions of costs to be incurred:						
data of year 2005		611	199 806	452 121	(344 128)	307 799
data of year 2006		612	307 799	2 232 616	(1 880 806)	659 609
Provisions for contingent liabilities :						
data of year 2005		613	-	11 620	-	11 620
data of year 2006		614	11 620	117 795	(10 532)	118 883

CEO _____ Omelchenko S.V.
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March 30, 2007

Chief accountant _____ Popkov N.I.
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CASH FLOW STATEMENT

for

2006

Form № 04 by OKUD

Date (year, month, day)

CODES

0710004

2006.12.31

Organization

OJSC "VolgaTelecom"

by OKPO

01142788

Taxpayer Identification Number

5260901817

TIN

5260901817

Activity type

Electric communication

by OKVED

64.20

Form of incorporation/ ownership form

Open Joint Stock Company / private

by OKOPF/OKFS

47/16

Measure unit:

RUR thousand

by OKEI

384

Item description	Index code	Line code	For the report year	For similar period of the previous year
1	1a	2	3	4
CASH BALANCE AS OF THE REPORTING YEAR BEGINNING		010	1 134 960	344 723
OPERATING PERFORMANCE				
Cash inflow from operating performance		020	26 931 906	24 745 482
cash received from buyers, customers		021	21 738 099	23 412 003
cash received as agent		022	4 605 143	854 930
other income		023	588 664	478 549
Cash allocated for:		030	(20 821 760)	(18 976 966)
payment of acquired goods, works, services, raw materials and other current assets	150	031	(6 120 576)	(5 793 599)
remuneration of labor	160	032	(5 449 482)	(5 074 603)
interest payment	170	033	(757 737)	(959 040)
taxes and dues settlements	180	034	(6 017 230)	(5 226 693)
settlements for agency contracts		035	(1 496 103)	(767 515)
other expenses		036	(980 632)	(1 155 516)
Net cash from operating performance		040	6 110 146	5 768 516
INVESTMENT ACTIVITY				
Investment activities cash received		050	83 674	134 078
receipts from sale of fixed assets objects and other non-currents assets	210	051	29 094	39 008
receipts from repayment and sale of securities, sale of equity participations, equity stakes and other financial investments	220	052	4 885	54 776
dividends received, income from equity participation	230	053	43 655	33 458
interest received	240	054	434	980
receipts from redemption of loans granted to other organizations	250	055	1 000	3 000
other income from investment activity		056	4 606	2 856

Item description	Index code	Line code	For the report year	For similar period of the previous year
1	1a	2	3	4
Cash allocated for:		060	(6 458 306)	(6 144 315)
acquisition and creation of fixed assets objects and other non-current assets	290	061	(5 638 459)	(6 058 562)
acquisition of shares, equity participations and equity stakes	280	062	(680 824)	(68 630)
acquisition of debt securities and other financial investments	300	063	(136 019)	(10 000)
granting loans to other organizations	310	064	(3 000)	-
other investment activity expenses		065	(4)	(7 123)
Net cash from investment activity	340	070	(6 374 632)	(6 010 237)
FINANCIAL ACTIVITY				
Financial activity cash received		080	7 867 299	11 374 791
borrowed loans and credits		081	7 857 363	11 355 583
other income from financial activity		082	9 936	19 208
Cash allocated for:		090	(8 515 057)	(10 342 833)
redemption of loans and credits (ex interest)		091	(7 065 619)	(8 905 599)
repayment of financial lease liabilities		092	(677 770)	(949 685)
dividends payment	170	093	(525 679)	(486 389)
other financial activity expenses		094	(245 989)	(1 160)
Net cash from financial activity		100	(647 758)	1 031 958
Net increase (reduction) of cash		110	(912 244)	790 237
CASH BALANCE AS OF THE REPORT PERIOD END		120	222 716	1 134 960
The value of impact of foreign currency rate change with respect to ruble		130	-	-

CEO _____ Omelchenko S.V.
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Chief accountant _____ Popkov N.I.
(signature) (signator)

March 30, 2007

SUPPLEMENTS TO BALANCE SHEET

for **December 31, 2006**

Organization **OJSC "VolgaTelecom"**

Taxpayer Identification Number **5260901817**

Activity type Electric communication

Form of incorporation / ownership form Open Joint Stock Company / private

Measure unit: **RUR thousand**

Form № 05 by OKUD
Date (year, month, day)

by OKPO

TIN

by OKVED

by OKOPF/OKFS

by OKEI

CODES	
0710005	
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1. Intangible assets

Item description	Index code	Line code	As of the reporting year beginning	Receipts	Retired	As of the reporting year end
1	1a	2	3	4	5	6
Intellectual property objects (exclusive rights for intellectual property results)	010	101	157	256	-	413
<i>including:</i> patent holder right for invention, design invention, useful model	011	102	-	-	-	-
possessor's rights on computer utility programs, data bases	012	103	106	-	-	106
owner's rights on trademark and service mark, appellation of origin of goods	014	104	29	48	-	77
other	015	105	22	208	-	230
Miscellaneous	040	106	-	-	-	-
Total		110	157	256	-	413

Item description	Index code	Line code	As of the reporting year beginning	As of the reporting period end
1	1a	2	3	4
Amortization of intangible assets - total	050	120	117	143
including: <i>patent holder right for invention, design invention, useful model</i>		121	-	-
<i>possessor's rights on computer utility programs, data bases</i>		122	107	107
<i>owner's rights on trademark and service mark, appellation of origin of goods</i>		123	10	15
<i>other</i>		124	-	21

2.Fixed assets

Item description	Index code	Line code	As of the reporting year beginning	Receipts	Retired	As of the reporting year end
1	1a	2	3	4	5	6
Buildings		201	3 696 431	160 486	(17 430)	3 839 487
Installations and transfer mechanisms		202	12 850 847	1 837 130	(150 658)	14 537 319
Machinery and equipment		203	18 169 625	3 239 207	(394 404)	21 014 428
Transport vehicles		204	467 201	46 590	(27 983)	485 808
Computing machinery and office appliances		205	1 817 335	520 526	(12 684)	2 325 177
Housing stock		206	45 497	14	(7 961)	37 550
Land plots and nature objects		207	5 975	4 067	(12)	10 030
Other types of fixed assets		208	480 727	40 341	(11 586)	509 482
Total		210	37 533 638	5 848 361	(622 718)	42 759 281

Item description	Index code	Line code	As of the reporting year beginning	As of the reporting year end
1	1a	2	3	4
Fixed assets depreciation - total	140	220	15 040 658	17 417 002
including: <i>buildings</i>		221	840 003	895 705
<i>installations and transfer mechanisms</i>		222	4 820 819	5 334 098
<i>Machinery and equipment</i>		223	7 946 886	9 319 078
<i>Transport vehicles</i>		224	335 814	358 521
<i>Computing machinery and office appliances</i>		225	825 871	1 194 583
<i>Other types of fixed assets</i>		226	271 265	315 017

Item description	Index code	Line code	As of the reporting year beginning	As of the reporting year end
1	1a	2	3	4
Fixed assets objects let on lease from line 210 - total		230	183 882	317 245
including:				
buildings		231	152 140	173 543
installations and transfer mechanisms		232	8 224	8 471
Machinery and equipment		233	20 951	119 662
Transport vehicles		234	742	38
Other types of fixed assets		235	1 825	15 531
Fixed assets put in dead storage from line 210		240	8 571	59 148

BY REFERENCE	Index code	Line code	As of the reporting year beginning	As of the reporting year end
1	1a	2	3	4
Result of reassessment of fixed assets:		250	-	-
of initial (replacement) cost	171	251	-	-
of amortization	172	252	-	-
Fixed assets objects took on lease - total		260	611 053	887 691
including:				
buildings		261	356 879	603 487
installations and transfer mechanisms		262	56 099	43 512
Machinery and equipment		263	149 348	192 985
Transport vehicles		264	1 095	2 391
Other types of fixed assets		265	47 632	45 316
Property objects being in operation and included into fixed assets prior to registration of right of ownership		270	720 103	924 967

3. Income-bearing placements into tangible assets

Item description	Index code	Line code	As of the reporting year beginning	Receipts	Retired	As of the reporting year end
1	1a	2	3	4	5	6
Property for lease		301	-	-	-	-
Property granted by hiring contract		302	-	-	-	-
Other		303	12 763	101 265	(463)	113 565
Total		310	12 763	101 265	(463)	113 565

Item description	Index code	Line code	As of the reporting year beginning	As of the reporting year end
1	1a	2	3	4
Amortization of income-bearing placements into tangible assets		311	452	2 944

4. Expenses for research-and-development activity and technological works

Kinds of activities description	Index code	Line code	As of the reporting year beginning	Receipts	Written off	As of the reporting year end
1	1a	2	3	4	5	6
Completed R&D, the results of which are used for production or managerial needs of the organization	310	400	-	-	-	-
BY REFERENCE	Index code	Line code	As of the reporting year beginning	As of the reporting period end		
1	1a	2	3	4		
The amount of expenses for R&D and technological works in progress	320	401	-	-		
BY REFERENCE	Index code	Line code	For the reporting period	For the similar period of the previous year		
1	1a	2	3	4		
Sum of expenses classified as ordinary activities expenses		402	-	-		
The amount of expenses for R&D and technological works that did not produce positive results and classified as other expenses		403	-	-		

5. Financial investments

Item description	Index code	Line code	Long-term		Short-term	
			As of the reporting year beginning	As of the reporting period end	As of the reporting year beginning	As of the reporting period end
1	1a	2	3	4	5	6
Contributions to charter (reserve) capitals of other organizations - total	510	501	1 307 209	1 962 003	-	-
including: subsidiary and associated business companies	511	502	1 285 508	1 894 730	-	-
Government, municipal and outside organizations bonds	515	503	-	-	-	-
Bills of exchange	520	504	1 889	1 889	-	-
Loans granted	525	505	-	1 000	2 925	3 925
Deposits	530	506	-	-	-	-
Other	535	507	-	176 817	1 837	5 912
Total	540	510	1 309 098	2 141 709	4 762	9 837
From the total amount the financial investments having fair market value:						
Contributions to charter (reserve) capitals of other organizations - total	550	511	2 137	5 437	-	-
including: subsidiary and associated business companies	551	512	-	-	-	-
Government, municipal and outside organizations bonds	555	513	-	-	-	-
Bills of exchange	560	514	1 889	1 889	-	-
Other	565	515	-	-	-	-
Total	570	520	4 026	7 326	-	-
BY REFERENCE For financial investments having fair market value, the change of cost as a result of valuation correction	580	521	1 333	3 300	-	-

6. Ordinary activities expenses (element wise costs)

Item description	Index code	Line code	For the reporting year	For the previous year
1	1a	2	3	4
Material expenses	710	601	(3 758 990)	(4 410 706)
Wage costs	720	602	(6 114 867)	(5 675 096)
Benefits-related deductions	730	603	(1 459 642)	(1 300 820)
Amortization	740	604	(2 862 016)	(2 550 115)
Other expenses	750	605	(2 754 244)	(2 122 620)
Element wise costs total	760	610	(16 949 759)	(16 059 357)
Change of balances (increment [+], reduction [-]): of work in progress	765	621	425	88
of prepaid expenses	766	622	6 412	5 910

7. Guarantee

Item description	Index code	Line code	As of the reporting year beginning	As of the reporting period end
1	1a	2	3	4
Guarantees received - total		710	7 065 160	11 500 459
Including:				
banks' guarantees		711	-	-
guaranties of third parties		712	7 061 182	11 495 339
bills of exchange		713	-	-
pledged property		714	3 978	5 120
including: fixed assets objects		715	3 978	5 120
securities and other financial investments		716	-	-
other property		717	-	-
miscellaneous		718	-	-
Guarantees granted - total		720	5 984 126	5 692 516
including: guaranties of third parties		721	2 241 045	2 587 070
bills of exchange		722	-	-
pledged property		723	3 743 081	3 104 920
including: fixed assets objects		724	3 743 081	3 104 920
securities and other financial investments		725	-	-
other property		726	-	-
miscellaneous		727	-	526

8. Government assistance

Item description	Index code	Line code	For the reporting year	For similar period of the previous year
1	1a	2	3	4
Budgeting funds received in the fiscal year - total	910	810	395	3 902
including: Funds on capital expense		811	395	2 300
Funds on current expenses		812	-	1 602

Item description	Index code	Line code	As of the reporting year beginning	Received for the reporting period	Returned for the reporting period	As of the reporting period end
1	1a	2	3	4	5	6
Budgetary credits - total	920	820	14 406	-	(12 186)	2 220
Funds on capital expense		821	14 406	-	(12 186)	2 220
Funds on current expenses		822	-	-	-	-

CEO _____ Omelchenko S.V.
(signature) (signator)

Chief accountant _____ Popkov N.I.
(signature) (signator)

March 30, 2007

Ernst & Young

Ernst and Young LLC
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**AUDIT OPINION
ON OJSC VOLGATELECOM ACCOUNTING STATEMENTS
BY INDEPENDENT AUDIT COMPANY**

To OJSC VolgaTelecom's shareholders

INFORMATION ABOUT THE AUDITOR

Name: LLC ERNST & YOUNG

Location: Sadovnicheskaya Nab., 77, bld.1, Moscow, Russia, 115035.

Certificate of making an entry about legal entity registered before July 1, 2002 in the Uniform State Register of Legal Entities, the date of making the entry: December 05, 2002, series 77 № 007367150, registered by the State Institution of Moscow registration chamber on June 20, 2002 №108.877, basic state registration number 1027739707203.

License for audit activity - №E002138 approved by order of RF Ministry of Finance № 223 of September 30, 2002, issued for the period of five years and extended by order of RF Ministry of Finance № 573 of September 17, 2007 for the period till September 30, 2012.

Membership in accredited professional audit association – LLC ERNST & YOUNG is a member of Nonprofit partnership “Institute of professional accountants and auditors of Russia” (NP “IPA of Russia”).

INFORMATION ABOUT THE AUDITED ENTITY

Name: OJSC VolgaTelecom

Location: Dom Svyazi, M.Gorky Square, Nizhny Novgorod city, 603000.

State registration: OJSC VolgaTelecom is registered by city's property and land resources management Committee of Nizhny Novgorod on December, 15 1993 №448, basic state registration number 1025203014781. The date of making the entry - August 01, 2002. Certificate: series 52 № 001480204.

We have audited the accompanying accounting statements of OJSC VolgaTelecom for the period from January, 1 till December 31, 2007 inclusive. The accounting statements comprise balance sheet, income statement, statement of changes in equity, cash flow statement, supplement to balance sheet and the explanatory note, items 3-11, 12.2-12.4. OJSC VolgaTelecom management is responsible for accounting, preparation and fair presentation of these accounting statements. Our responsibility is to express an opinion on the reliability in all material respects of these statements and on compliance of the bookkeeping procedure as related to accounting statement preparation with the Russian Federation legislation based on our audit.

We conducted our audit in accordance with Federal Law “On the audit activity”, Federal Rules (Standards) of audit activity, Rules (Standards) of audit activity approved by the Committee on Audit activity with the President of the Russian Federation, and International Standards on Auditing.

The audit was planned and performed to obtain reasonable assurance whether the accounting statements are free from material misstatements. The audit was conducted on a sample basis and included the examination by testing of evidence confirming the figures and the disclosure of information on financial and economic activity in the accounting statements, the assessment of compliance with bookkeeping principles and rules applied at preparation of the accounting statements, the consideration of material estimates made by the management of the audited entity, and also the evaluation of overall presentation of accounting statements. We believe that the audit evidence we have obtained is sufficient to provide a basis for our opinion on the reliability in all material respects of the accounting statements and on the compliance of bookkeeping procedure as related to accounting statements preparation with the Russian Federation legislation.

In our opinion, the bookkeeping procedure as related to OJSC VolgaTelecom’s accounting statements preparation in 2007 met in all material respects the requirements of Federal law “On bookkeeping” № 129-ФЗ of November 21, 1996, and the above-mentioned accounting statements prepared in accordance with the same Law, present fairly, in all material respects, the financial position of OJSC VolgaTelecom as of December 31, 2007 and its financial and operating results for the period from January 1 till December 31, 2007 inclusive, in accordance with the Russian Federation legislation requirements as related to accounting statements preparation.

The accompanying accounting statements are not intended to present financial position and operating results in compliance with accounting principles or methods generally accepted in countries and other territories other than the Russian Federation. Accordingly, the accompanying accounting statements are not meant for the persons unfamiliar with bookkeeping principles, procedures and methods established in the Russian Federation.

April 18, 2008

Alexander Grebenyuk
Partner
General audit qualification certificate № 004329
Issued on June 11, 2003 for an indefinite period

Audit executive head
Gleb Shevtsov
General audit qualification certificate № K024778
Issued November 16, 2005 for an indefinite period