

**Open Joint Stock Company
CenterTelecom**

**Unaudited Consolidated Financial Statements
for the 6 months ended 30 June 2010**

OJSC CenterTelecom
Unaudited Consolidated Financial Statements
for the 6 months ended 30 June 2010

Contents

Consolidated Financial Statements

Consolidated Balance Sheet	3
Consolidated Statement of Comprehensive Income.....	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Changes in Equity	7

OJSC CenterTelecom
Unaudited Consolidated Balance Sheet as at 30 June 2010

(in millions of Russian Roubles)

	Notes	30 June 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	7	40 322	41 774
Intangible assets	8	5 039	5 248
Other non-current assets	9	580	203
Non-current investments	10	1 438	39
Total non-current assets		47 379	47 264
Current assets			
Inventories	11	528	486
Trade and other receivables	12	3 980	3 258
Income tax asset		272	633
Other current assets	13	399	509
Current investments	10	42	623
Cash and cash equivalents	14	1 386	900
Total current assets		6 607	6 409
TOTAL ASSETS		53 986	53 673
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	16	6 900	6 900
Treasury shares	16	(1)	(1)
Other reserves		1	1
Retained earnings		21 769	18 878
Total equity attributable to shareholders of OJSC "CenterTelecom"		28 669	25 778
Non-controlling interest		3	4
Total equity		28 672	25 782
Non-current liabilities			
Non-current loans and borrowings	17	7 686	11 836
Employee benefits	18	2 383	2 344
Long-term other liabilities	19	321	335
Deferred income tax liability		1 640	1 414
Total non-current liabilities		12 030	15 929
Current liabilities			
Current loans and borrowings	17	5 766	5 622
Trade and other payables	21	6 387	5 412
Income tax payable		332	3
Other current liabilities	22	717	785
Provisions	20	82	140
Total current liabilities		13 284	11 962
Total liabilities		25 314	27 891
TOTAL EQUITY AND LIABILITIES		53 986	53 673

General Director
V.A. Martirosyan



Chief Accountant
A.D. Kartashov

OJSC CenterTelecom
Unaudited Consolidated Statement of Comprehensive Income
for the 6 months ended 30 June 2010

(in millions of Russian Roubles)

	Notes	For the 6 months ended 30 June 2010	For the 6 months ended 30 June 2009
Revenues	25	19 976	18 212
Personnel costs	26	(5 121)	(4 914)
Depreciation and amortization	7, 8	(3 270)	(3 195)
Interconnection charges		(1 567)	(1 418)
Materials, repairs and maintenance, utilities	27	(1 978)	(1 736)
Other operating income	28	1 649	1 514
Other operating expenses	29	(3 481)	(2 972)
Operating profit		6 208	5 491
Interest expense	30	(1 033)	(1 500)
Other financial income and expense	31	54	264
Forex loss, net		(15)	(380)
Profit before income tax		5 214	3 875
Income tax expense		(1 059)	(948)
Profit for the period		4 155	2 927
Total comprehensive income for the period		4 155	2 927
Profit for the period attributable to:			
OJSC "CenterTelecom" shareholders		4 156	2 927
Non-controlling shareholders of subsidiaries		(1)	-
Comprehensive income for the period attributable to:			
OJSC "CenterTelecom" shareholders		4 156	2 927
Non-controlling shareholders of subsidiaries		(1)	-

OJSC CenterTelecom
Unaudited Consolidated Cash Flow Statement
for the 6 months ended 30 June 2010

(in millions of Russian Roubles)

	Notes	For the 6 months ended 30 June 2010	For the 6 months ended 30 June 2009
Cash flows from operating activities			
Profit before income tax		5 214	3 875
Adjustments for			
Depreciation and amortization	7, 8	3 270	3 195
Profit on disposal of property, plant and equipment		(18)	(12)
Reversal of impairment of inventories and other assets		(7)	(1)
Allowance for impairment of receivables	12	51	85
Interest expenses		942	1 397
Other financial income and expenses		(54)	(264)
Foreign exchange losses, net		15	380
Operating cash flows before changes in working capital and provisions		9 413	8 655
Increase in inventories		(34)	(21)
Increase in trade and other receivables		(780)	(386)
Increase in employee benefits		39	84
Increase in trade and other payables		354	1 569
Decrease in provisions		(58)	(35)
Decrease (increase) in other operating assets and liabilities		59	(205)
Cash flows generated from operating activities before interest and income tax paid		8 993	9 661
Interest paid		(953)	(1 314)
Income tax paid		(144)	(225)
Cash flows from operating activities		7 896	8 122
Investing activities			
Acquisition of property, plant and equipment and constructions in progress		(2 420)	(1 751)
Proceeds from sales of property, plant and equipment and constructions in progress		69	51
Acquisition of intangible assets		(171)	(428)
Acquisition of investments		(1 409)	(321)
Proceeds from sales of investments		542	193
Financial income received		59	110
Dividends received		-	3
Cash flows utilized in investing activities		(3 330)	(2 143)

OJSC CenterTelecom
Unaudited Consolidated Cash Flow Statement (continued)
for the 6 months ended 30 June 2010

(in millions of Russian Roubles)

	For the 6 months ended	For the 6 months ended
Notes	30 June 2010	30 June 2009
Financing activities		
Proceeds from bank and corporate loans	7 739	3 658
Repayment of bank and corporate loans	(10 112)	(5 278)
Repayment of bonds	(195)	-
Repayment of promissory notes	(42)	(193)
Repayment of vendor financing liabilities	(341)	(256)
Repayment of finance lease liabilities	(1 126)	(727)
Dividends paid to shareholders of OJSC "CenterTelecom"	(3)	(3)
Cash flows utilized in financing activities	(4 080)	(2 799)
Net increase in cash and cash equivalents	486	3 180
Cash and cash equivalents as at the beginning of the reporting period	900	570
Cash and cash equivalents as at the end of the reporting period	1 386	3 750

OJSC CenterTelecom

Unaudited Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2010

(in millions of Russian Roubles)

		Equity attributable to shareholders of OJSC "CenterTelecom"							
Share capital							Total equity attributable to shareholders of OJSC "CenterTelecom"		
Note	Preference shares	Ordinary shares	Treasury shares	Other reserves	Retained earnings	Non-controlling interest	Total equity	Total equity	
	1 725	5 175	(1)	2	13 657	20 558	3	20 561	
Balance as at 31 December 2008									
Profit for the period	-	-	-	-	2 927	2 927	-	2 927	
Total comprehensive income	-	-	-	-	2 927	2 927	-	2 927	
Dividends to shareholders of OJSC "CenterTelecom"	-	-	-	-	(646)	(646)	-	(646)	
Balance as at 30 June 2009	1 725	5 175	(1)	2	15 938	22 839	3	22 842	
Balance as at 31 December 2009	1 725	5 175	(1)	1	18 878	25 778	4	25 782	
Profit for the period	-	-	-	-	4 156	4 156	(1)	4 155	
Total comprehensive income	-	-	-	-	4 156	4 156	(1)	4 155	
Dividends to shareholders of OJSC "CenterTelecom"	-	-	-	-	(1 265)	(1 265)	-	(1 265)	
Balance as at 30 June 2010	1 725	5 175	(1)	1	21 769	28 669	3	28 672	