

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

**Unaudited Consolidated Financial Statements**  
*For the 6-month period ended June 30, 2006*

# Unaudited Consolidated Financial Statements

*For the 6-month period ended June 30, 2006*

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**OJSC “Sibirtelecom”**  
**Unaudited Consolidated Balance Sheets**  
**as of June 30, 2006 and December 31, 2005**  
(in thousand rubles)

	Notes	June 30, 2006	December 31, 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	32,223,255	31,044,935
Intangible assets and goodwill		3,056,436	2,725,783
Investments in associates	4	38,949	50,584
Long-term investments	5	120,593	76,599
Long-term accounts receivable and other assets	6	55,213	85,805
Long-term advances given		1,170,942	670,538
<b>Total non-current assets</b>		<b>36,665,388</b>	<b>34,654,244</b>
<b>Current assets</b>			
Inventories	7	571,294	538,667
Accounts receivable	8	2,011,439	1,853,126
Current income tax receivable		95,867	34,702
Short-term investments	5	32,208	148,197
Other current assets, net	9	1,485,902	2,279,516
Cash and cash equivalents	10	2,300,064	533,131
<b>Total current assets</b>		<b>6,496,774</b>	<b>5,387,339</b>
<b>TOTAL ASSETS</b>		<b>43,162,162</b>	<b>40,041,583</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	11	3,541,131	3,541,131
Unrealized gain on available-for-sale investments		41,940	103,403
Retained earnings		15,112,551	13,522,380
<b>Total equity attributable to equity holders of the parent</b>		<b>18,695,622</b>	<b>17,166,914</b>
<b>Minority interest</b>		<b>38,956</b>	<b>47,853</b>
<b>Total equity</b>		<b>18,734,578</b>	<b>17,214,767</b>
<b>Non-current liabilities</b>			
Long-term borrowings	12	12,019,496	9,290,836
Long-term finance lease obligations		419,244	570,507
Pension liabilities		1,991,526	1,665,259
Long term taxes payable		4,142	27,311
Deferred revenue		210,326	221,405
Deferred income tax liabilities		1,670,008	1,559,309
<b>Total non-current liabilities</b>		<b>16,314,742</b>	<b>13,334,627</b>
<b>Current liabilities</b>			
Accounts payable, accrued expenses and advances received	13	2,964,854	3,583,403
Payables to OJSC “Rostelecom”		56,240	161,339
Income tax payable		10,132	35,930
Other taxes payable	14	541,892	896,206
Dividends payable		265,821	37,609
Short-term borrowings	12	828,666	738,555
Current portion of long-term borrowings	12	3,139,337	3,727,359
Current portion of long-term finance lease obligations		305,900	311,788
<b>Total current liabilities</b>		<b>8,112,842</b>	<b>9,492,189</b>
<b>Total liabilities</b>		<b>24,427,584</b>	<b>22,826,816</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>43,162,162</b>	<b>40,041,583</b>

General Director \_\_\_\_\_ Nikulin A.I.

Chief Accountant \_\_\_\_\_ Hvochinskaya G.I.

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

**OJSC “Sibirtelecom”**  
**Unaudited Consolidated Statements of Operations**  
**for the 6-month periods ended June 30, 2006 and June 30, 2005**  
(in thousand rubles)

	Notes	For the 6-month period ended June 30, 2006	For the 6-month period ended June 30, 2005
<b>Revenues</b>	<b>15</b>	<b>14,130,589</b>	<b>12,728,641</b>
Wages, salaries, other benefits and payroll taxes		(4,565,715)	(4,113,258)
Depreciation and amortization		(1,855,758)	(1,646,749)
Materials, repairs and maintenance, utilities		(1,424,667)	(1,257,738)
Taxes other than income tax		(318,430)	(243,457)
Interconnection charges – international companies		(2,985)	
Interconnection charges – russian companies		(734,824)	(1,794,615)
Provision for impairment of receivables		(7,979)	(63,995)
Loss on disposal of property, plant and equipment		(49,697)	(98,288)
Other operating expenses, net	<b>16</b>	<b>(1,912,912)</b>	<b>(1,435,352)</b>
<b>Operating profit</b>		<b>3,257,622</b>	<b>2,075,189</b>
Share of result of associates		16,321	2,021
Interest expense, net	<b>17</b>	<b>(740,583)</b>	<b>(684,275)</b>
Gain on sale of subsidiaries, associates and other investments, net		81,141	10,417
Foreign exchange gain (loss), net		27,887	(35,260)
<b>Profit before income tax</b>		<b>2,642,388</b>	<b>1,368,092</b>
<b>Income tax expense</b>		<b>(819,472)</b>	<b>(428,662)</b>
<b>Profit for the reporting period</b>		<b>1,822,916</b>	<b>939,430</b>
Attributable to:			
Equity holders of the parent		1,830,253	938,720
Minority interests		(7,337)	710
		<b>1,822,916</b>	<b>939,430</b>
<b>Earnings per share</b>			
- basic and diluted, for profit for the year attributable to equity holders of the parent		0.11	0.06

General Director \_\_\_\_\_ Nikulin A.I.

Chief Accountant \_\_\_\_\_ Hvochinskaya G.I.

*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 ended June 30, 2006**

**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, 2006.

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

Financial statements of the Company according to International Financial Reporting Standards for the 6 months of 2006 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 2006.

The reports are unaudited consolidated financial statements of the Company. 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, results of operations and cash flows in accordance with IFRS.

When preparing these unaudited consolidated financial statements, the Company 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, 2006 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 don’t disclose all information that should be disclosed to comply with International Financial Reporting Standards. The noted to annual consolidated financial statements of the Company can disclose more information than in the present unaudited consolidated financial statements of the Company.

## 2. Consolidated 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, 2006	December 31, 2005	June 30, 2006	December 31, 2005
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 “Altayskaya telecommunicatsionnaya kompaniya”	Local telephone network services	100.00	100.00	100.00	100.00
CJSC “Kuzbass Cellular Telephone GSM”	Cellular services (GSM-900)	100.00	100.00	100.00	100.00
CJSC “ATC-32”	Local telephone network services, internet services	93.94		93.94	
CJSC “Region Net”	Cellular services (CDMA)	66.00	66.00	66.00	66.00
CJSC “Altayskaya investitsionnaya kompaniya”	Purchase and sale activities	62.50	62.50	62.50	62.50
OJSC “Mobiltelecom”	Internet services	64.99	64.99	64.99	64.99
OJSC “Altaysvyaz”	Cellular services	59.70	59.70	59.70	59.70
OJSC “Regional Information Nets”	Internet services	100.00	51.00	100.00	51.00

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

In June 2006 the Company acquired 768 shares of CJSC “ATC-32” for 48,934 thousand rubles.

### 3. 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</b>					
As of December 31, 2005	12,981,740	18,024,466	2,533,886	4,112,085	37,652,177
Additions	2,415	3	2,946,307	6,300	2,955,025
Additions due to acquisition of subsidiaries	-	-	-	-	-
Disposals	(79,017)	(212,322)	(25,049)	(48,210)	(364,598)
Disposals due to sale of subsidiaries	-	-	-	-	-
Transfers	272,215	920,447	(1,824,693)	632,031	-
Reclassification	-	-	-	-	-
<b>As of June 30, 2006</b>	<b>13,177,353</b>	<b>18,732,594</b>	<b>3,630,451</b>	<b>4,702,206</b>	<b>40,242,604</b>
<b>Accumulated Depreciation</b>					
As of December 31, 2005	(1,476,181)	(3,711,557)	-	(1,419,504)	(6,607,242)
Charge for the year	(321,437)	(924,653)	-	(424,729)	(1,670,819)
Charge due to acquisition of subsidiaries	-	-	-	-	-
Disposals	-	-	-	-	-
Disposals due to sale of subsidiaries	60,867	154,166	-	43,679	258,712
Reclassification	-	-	-	-	-
<b>As of June 30, 2006</b>	<b>(1,736,751)</b>	<b>(4,482,044)</b>	<b>-</b>	<b>(1,800,554)</b>	<b>(8,019,349)</b>
<b>Net book value</b>					
<b>as of December 31, 2005</b>	<b>11,505,559</b>	<b>14,312,909</b>	<b>2,533,886</b>	<b>2,692,581</b>	<b>31,044,935</b>
<b>Net book value</b>					
<b>as of June 30, 2006</b>	<b>11,440,602</b>	<b>14,250,550</b>	<b>3,630,451</b>	<b>2,901,652</b>	<b>32,223,255</b>

#### 4. Investments in Associates

Investments in associates at June 30, 2006 and December 31, 2005 include:

Associate	Main activity	June 30, 2006		December 31, 2005	
		Voting shares	Carrying value	Voting shares	Carrying value
CJSC "Novocom"	Local telephone network services, internet services	50.00	12,652	50.00	10,589
CJSC "TeleRoss Novosibirsk"	Local telephone network services, internet services	50.00	1,852	50.00	1,850
CJSC "ATC-41"	Local telephone network services, internet services	49.91	11,179	49.00	10,304
OJSC "Locktelecom"	Local telephone network services	35.56	9,763	35.56	9,723
LLC "Giprosvyaz-Sibir"	Engineering	24.00	3,524	24.00	4,058
CJSC "ATC-32"	Local telephone network services, internet services			40.42	14,081
Other			2,855		2,855
<b>Impairment provision</b>			<u>(2,876)</u>		<u>(2,876)</u>
<b>Total</b>			<u><b>38,949</b></u>		<u><b>50,584</b></u>

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

Movement in investments in associates for the 6-month periods ended June 30, 2006 and December 31, 2005 is presented below:

	June 30, 2006	December 31, 2005
<b>Investments in associates at the beginning of the period</b>	<b>50,584</b>	<b>35,735</b>
Acquisition of associates	310	-
Share of income net of income tax and dividends received	15,164	14,849
Reclassification of investments	(27,109)	-
Sale of investments in associates	-	-
Impairment of investments recognized during the year	-	-
<b>Investments in associates at the end of the period</b>	<u><b>38,949</b></u>	<u><b>50,584</b></u>



## 5. Long-term and short-term investments

As of June 30, 2006 and December 31, 2005 investment available-for-sale comprised the following:

Company	June 30, 2006		December 31, 2005	
	Ownership interest	Carrying value	Ownership interest	Carrying value
<b>Long-term investments</b>				
OJSC "Sberbank RF"	0.01%	57,846	0.01%	47,176
OJSC NTC "Zvyezda"	1.66%	47,411		
OJSC "Sibacadembank"	0.84%	13,979	0.84%	13,979
LLC NP "Svyazintech"	11.00%	12,591	11.00%	12,591
OJSC "JSCB Svyazbank "	0.01%	10,239	0.01%	10,239
JSCB "AltayBusinessBank"	5.70%	3,830	5.70%	3,830
CJSC "RusleasingSvyaz"			7.30%	11,613
Other		9,362		11,590
Impairment provision		(34,910)		(34,910)
<b>Short-term investments</b>				
CJSC "RusleasingSvyaz"	7.30%	9,478		
CJSC "Sibirskaya Sotovaya Svyaz"			10.00%	91,117
<b>Total investment available-for-sale</b>		<b>129,826</b>		<b>167,225</b>

As of June 30, 2006 and December 31, 2005, the Company's investments comprised the following:

	June 30, 2006	December 31, 2005
Long-term investments held-to-maturity	245	491
Long-term investments available-for-sale	120,348	76,108
<b>Total long-term investments</b>	<b>120,593</b>	<b>76,599</b>
Short-term investments held-to-maturity	22,730	57,080
Short-term investments available-for-sale	9,478	91,117
<b>Total short-term investments</b>	<b>32,208</b>	<b>148,197</b>
<b>Total investments</b>	<b>152,801</b>	<b>224,796</b>

As of June 30, 2006 short-term investments held-to-maturity included bank deposits with the maturity from 3 months to 1 year in amount of 19,000 (2005 - 54,000).

Management believes that the carrying amount of these investments approximates their fair values.

## 6. Long-Term Accounts Receivable and Loans Given

As of June 30, 2006 and December 31, 2005 long-term accounts receivable and other assets comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Long-term accounts receivable	11,591	32,529
Long-term loans given	43,622	53,276
<b>Total</b>	<b>55,213</b>	<b>85,805</b>

## 7. Inventories

Inventories as of June 30, 2006 and December 31, 2005 included the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Cable, materials and spare parts for telecommunications equipment	208,680	172,541
Construction materials, fuels and instruments	79,503	87,580
Finished goods and goods for resale	31,086	37,341
Other inventories	252,025	241,205
<b>Total</b>	<b>571,294</b>	<b>538,667</b>

## 8. Accounts Receivable

Accounts receivable as of June 30, 2006 and December 31, 2005 comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Trade receivables – telecommunication services	2,608,397	2,464,226
Trade receivables – other	187,018	208,425
Provision for impairment of receivables	(783,976)	(819,525)
<b>Total</b>	<b>2,011,439</b>	<b>1,853,126</b>

The Company identified accounts receivable by the following major customer groups:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Residential customers	992,718	1,205,324
Corporate customers	976,230	586,116
Governmental customers	205,482	154,002
Tariff compensation from the state budget	433,967	518,784
<b>Total</b>	<b>2,608,397</b>	<b>2,464,226</b>

## 9. Other Current Assets

As of June 30, 2006 and December 31, 2005 other current assets comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
VAT receivable	888,534	1,631,356
Prepayments and advance payments	258,843	310,704
Deferred expenses	157,513	155,086
Settlements with personnel	42,984	35,208
Short-term loans given	2,929	-
Other prepaid taxes	16,728	16,424
Other receivables and current assets	128,390	148,998
Provision for other current assets	(10,019)	(18,260)
<b>Total</b>	<b>1,485,902</b>	<b>2,279,516</b>

## 10. Cash and Cash Equivalents

As of June 30, 2006 and December 31, 2005 cash and cash equivalents comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Cash at bank and on hand	1,598,632	527,488
Short-term deposits with original maturities of three months or less	700,000	-
Other cash equivalents	1,432	5,643
<b>Total</b>	<b>2,300,064</b>	<b>533,131</b>

## 11. Authorized Capital

All ordinary and preference shares have a par value of 0.15 Rubles as of June 30, 2006 and December 31, 2005.

	<b>Number of shares outstanding (thousands)</b>	<b>Par value</b>	<b>Carrying value</b>
<b>As of December 31, 2004</b>			
Ordinary	12,011,402	1,801,710	2,671,760
Preference	3,908,420	586,263	869,371
<b>As of December 31, 2005</b>	<b>15,919,822</b>	<b>2,387,973</b>	<b>3,541,131</b>
Ordinary	12,011,402	1,801,710	2,671,760
Preference	3,908,420	586,263	869,371
<b>As of June 30, 2006</b>	<b>15,919,822</b>	<b>2,387,973</b>	<b>3,541,131</b>

## 12. Borrowings

As of June 30, 2006 and December 31, 2005 short term borrowings comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>Short-term borrowings</b>		
<b>Bank loans</b>		
Bank loans (Rubles)	550,477	146,700
Bank loans (US Dollars)	277,061	292,979
Bank loans (Euro)	360	551
<b>Total bank loans</b>	<b>827,898</b>	<b>440,230</b>
<b>Vendor financing</b>		
Vendor financing (Rubles)	53	-
<b>Total vendor financing</b>	<b>53</b>	<b>-</b>
<b>Promissory notes</b>		
Promissory notes (Rubles)	-	296,481
Promissory notes (US Dollars)	-	1,117
<b>Total promissory notes</b>	<b>-</b>	<b>297,598</b>
<b>Other borrowings (Roubles)</b>	<b>715</b>	<b>727</b>
<b>Total short-term borrowings</b>	<b>828,666</b>	<b>738,555</b>

As of June 30, 2006 and December 31, 2005 long term borrowings comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
<b>Long-term borrowings</b>		
<b>Bank loans</b>		
Bank loans (Rubles)	2,979,912	2,534,499
Bank loans (US Dollars)	974,601	870,752
Bank loans (Euro)	157,328	330,465
<b>Total bank loans</b>	<b>4,111,841</b>	<b>3,735,716</b>
<b>Bonds (Rubles)</b>	<b>10,994,040</b>	<b>8,974,037</b>
<b>Vendor financing</b>		
Vendor financing (US Dollars)	40,289	61,820
<b>Total vendor financing</b>	<b>40,289</b>	<b>61,820</b>
<b>Promissory notes</b>		
Promissory notes (Rubles)	7,659	7,665
Promissory notes (US Dollars)	-	233,584
<b>Total promissory notes</b>	<b>7,659</b>	<b>241,249</b>
<b>Other borrowings (Roubles)</b>	<b>5,004</b>	<b>5,373</b>
Less: Current portion of long-term borrowings	<b>(3,139,337)</b>	<b>(3,727,359)</b>
<b>Total long-term borrowings</b>	<b>12,019,496</b>	<b>9,290,836</b>

## 12. Borrowings (continued)

As of June 30, 2006 and December 31, 2005 the carrying amounts of the Company's borrowings are denominated in the following currencies:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Russian Rubles	14,537,807	11,965,482
US dollars	1,292,004	1,460,252
Euro	157,688	331,016
<b>Total</b>	<b>15,987,499</b>	<b>13,756,750</b>

## 13. Accounts Payable, Accrued Expenses and Advances received

As of June 30, 2006 and December 31, 2005 the Company's accounts payable and other current liabilities comprised the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Trade accounts payable	675,919	543,891
Accounts payable for capital investments	899,694	1,024,991
Salaries and wages	568,725	1,217,490
Advances received from subscribers	661,089	693,031
Other accounts payable	159,427	104,000
<b>Total</b>	<b>2,964,854</b>	<b>3,583,403</b>

## 14. Taxes Payable

As of June 30, 2006 and December 31, 2005 the Company had the following current taxes payable:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
Value added tax	202,779	660,779
Property tax	123,030	113,475
Individual income tax	56,638	33,415
Unified social tax	113,983	80,634
Other taxes	45,462	7,903
<b>Total</b>	<b>541,892</b>	<b>896,206</b>

## 15. Revenues

By revenue types	<u>6 months 2006</u>	<u>6 months 2005</u>
Long distance telephone services – domestic	-	3,263,276
Long distance telephone services – international	-	461,667
Intrazone telephone services	1,323,905	-
Local telephone calls	4,114,626	3,370,315
Installation and connection fees	410,881	573,557
Documentary services	17,763	26,487
Cellular services	3,946,715	2,805,249
Radio and TV broadcasting	188,244	181,188
Data transfer and telematic services	245,470	178,647
New services	801,598	535,739
Rent of telephone channels	169,910	148,096
Revenues from russian telecommunication operators	2,162,757	496,286
Other telecommunications services	501,599	428,575
Other revenues	247,121	259,559
<b>Total</b>	<b><u>14,130,589</u></b>	<b><u>12,728,641</u></b>

## 16. Other Operating Expenses

Other operating expenses comprised the following:

By revenue types	<u>6 months 2006</u>	<u>6 months 2005</u>
Telecommunication regulatory fees	140,048	-
Security and fire protection services	123,258	110,300
Business travel expenses	89,807	78,138
Transportation services	24,332	27,480
Post services	36,770	25,880
Education expenses	27,548	31,360
Cost of goods sold	41,866	37,838
Rent of premises	149,368	109,782
Professional services	40,429	60,459
Advertising expenses	173,614	120,148
Property insurance	63,560	75,846
Payments to Non-commercial partnership	37,043	42,533
Membership fees, charitable contributions, trade unions dues	76,131	59,839
Tax penalties	2,112	2,115
Loss from property, plant and equipment and inventories writing off	586	149
Agency fee expenses	397,476	248,453
Other expenses	488,964	405,032
<b>Total</b>	<b><u>1,912,912</u></b>	<b><u>1,435,352</u></b>

## 17. Interest Expense, net

Interest expense comprised the following:

	<u>6 months 2006</u>	<u>6 months 2005</u>
Interest income	15,451	30,331
Interest expense	(638,686)	(554,520)
Interest expense accrued on financial leases	(115,236)	(157,403)
Interest expense accrued on goods credits	(2,112)	(2,683)
<b>Total</b>	<b>(740,583)</b>	<b>(684,275)</b>