

**Open Joint-Stock Company
North-West Telecom**

**Unaudited
Consolidated Financial Statements**

For the 6 months that expired on 30th June 2007

Unaudited
Consolidated Financial Statements

For the 6 months that expired on 30th June 2007

Contents

Unaudited Consolidated Balance Sheets.....	3
Unaudited Consolidated Profit and Loss Reports.....	4
Notes to the Unaudited Consolidated Financial Statements.....	5

Open Joint-Stock Company North-West Telecom
Unaudited Consolidated Balance Sheets
as of June 30, 2007 and December 31, 2006

(in thousands of roubles)

	Note	30 th June 2007	31 st December 2006
ASSETS			
Non-current assets			
Fixed assets, net	3	30,396,137	28,009,688
Intangible assets and goodwill, net	4	4,446,187	2,863,953
Financial investments in associated companies	5	101,283	98,192
Long-term financial investments	6	10,244,905	10,239,203
Long-term accounts receivable and other financial assets	7	273,731	203,419
Long-term advances issued	8	595,757	627,317
Total non-current assets		46,058,000	42,041,772
Current assets			
Inventory holdings	9	377,182	308,250
Accounts receivable, net	10	1,469,188	1,336,905
Other current assets	11	1,016,698	1,029,502
Cash and cash equivalents	12	250,422	244,491
Total current assets		3,113,490	2,919,148
Total assets		49,171,490	44,960,920
EQUITY AND LIABILITIES			
Equity of the parent company's shareholders			
Preferred shares	13	621,739	621,739
Common shares	13	2,233,765	2,233,765
Own redeemed shares	13	(66,667)	(66,667)
Book profit from financial investment available for sale		7,295,093	7,295,093
Retained profit and other reserves		17,443,978	16,334,487
Total equity of the parent company's shareholders		27,527,908	26,418,417
Minority interest			
Total equity		27,527,908	26,418,417
Long-term liabilities			
Long-term credits and loans	14	4,871,529	7,577,611
Finance lease long-term liabilities		72,172	136,733
Liabilities related to pension provision and other long-term payments		1,773,793	1,636,631
Deferred income		313,602	321,934
Deferred profit tax liability		3,936,253	3,765,230
Other long-term liabilities		877	2,229
Total long-term liabilities		10,968,226	13,440,368
Current liabilities			
Accounts payable, accrued liabilities and advances received	15	3,855,975	2,167,371
Accounts payable to Rostelecom OJSC		358,652	421,361
Accounts payable in respect of tax payment	16	366,763	307,215
Dividends payable		543,756	17,320
Short-term credits and loans		399,324	81,531
Share of long-term credits and loans to be repaid within the year	14	5,006,639	1,937,448
Current portion of obligations under finance leases		144,247	169,889
Total current liabilities		10,675,356	5,102,135
Total liabilities		21,643,582	18,542,503
TOTAL EQUITY AND LIABILITIES		49,171,490	44,960,920

General Manager V.A. Akulich Acting Chief accountant N.V. Fyodorova

The enclosed notes are the integral part of these consolidated statements

Open Joint-Stock Company North-West Telecom
Unaudited Consolidated Profit and Loss Reports
for the 6 months of the years 2007 and 2006

(in thousands of roubles)

	Note	for 6 months of 2007	for 6 months of 2006
Income	17	11,952,139	9,830,033
Wages, other pays and social deductions		(3,548,899)	(3,332,968)
Wear and depreciation		(1,891,364)	(1,655,291)
Materials, repairs and maintenance, utilities		(1,176,813)	(1,027,172)
Taxes other than income tax		(291,872)	(252,210)
Expenses related to services of communication operators		(1,049,306)	(491,560)
(Expenses) restored expenses for doubtful debt provision	10	87,314	(143,466)
Profit (loss) from withdrawal of fixed assets		13,013	(49,703)
Other operating expenses, net	18	(1,346,846)	(1,061,795)
Total operating expenses		(9,204,773)	(8,014,165)
Operating profit		2,747,366	1,815,868
Profit from interest in associated companies, net		3,091	3,382
Interest expense, net	19	(393,815)	(360,231)
Profit (loss) from financial investments, net		8,824	(3,276)
Profit due to exchange rate differences under currency revaluation, net		30,723	21,966
Profit before taxes		2,396,189	1,477,709
Profit tax		(761,189)	(446,331)
Profit for the period under report		1,635,000	1,031,378
Profit for the period under report related to shareholders of the parent company		1,635,000	1,031,643
Profit (loss) for the period under report related to minority shareholders of subsidiaries			(265)

General Manager — _____ V.A. Akulich Acting Chief accountant _____ N.V. Fyodorova

The enclosed notes are the integral part of these consolidated statements

Open Joint-Stock Company North-West Telecom
Notes to the Unaudited Consolidated Financial Statements
for 6 months of 2007

1. General

Authorization of Accounts

The unaudited Consolidated Financial Statements of the Open Joint-Stock Company North-West Telecom and its subsidiaries (hereinafter referred as the "Company") have been prepared for 6 months of 2007.

Principles of preparing the unaudited Consolidated Financial Statements

The financial statements of the Company for 6 months of 2007 according to IFRS are presented as the balance sheet, profit and loss report and notes to the financial statements. These statements do not contain all disclosures required according to IFRS, however, their volume are sufficient to obtain an idea of the financial standing and the results of the Company's activities for 6 months of 2007.

These statements are unaudited consolidated financial statements of the Company. No procedures of audit, review or other similar procedures will be performed in respect of these statements. At the same time, taking into account the experience of the Company in the field of presenting reports according to IFRS, the Company considers that users of the financial statements can rely on these statements.

These financial statements are made up on the basis of the data of accounting and reports, which are kept and made up in compliance with the accounting regulation system established by the legislation of the Russian Federation, through an extra adjustment and regrouping of the accounting data needed for showing the financial standing and operation results in compliance with the IFRS.

In preparing these unaudited consolidated financial statements, the Company used less procedures than could have been used in preparing annual consolidated financial statements. In this context, the company has used some assumptions, including those concerning the fair value of assets and liabilities of acquired subsidiaries and dependent companies, the value of pension provision liabilities, deferred income, fixed assets depreciation reserves, inventory holdings and accounts receivable. The actual figures of the financial reporting for the year that expired on 31st December 2007 may differ from the figures of these financial statements, as there might have been some adjustments of the information on assumptions used by the Company and some other new information might have appeared.

The content of the notes to the unaudited consolidated financial statements of the Company do not disclose fully all the information, the disclosure of which is required for compliance with the International Financial Reporting Standards. The content of the notes to the annual consolidated financial statements of the Company may disclose information in a volume larger than disclosed in these unaudited consolidated financial statements of the Company.

2. Subsidiaries

The presented consolidated financial statements include the assets, liabilities and results of the operation of OJSC N.W.Telecom and its subsidiaries listed below:

Name	Area of activities	Interest/percentage of voting shares	
		30 th June 2007	31 st December 2006
AMT CJSC	Consulting services	100%	100%
Artelecom Service LLC	Leasing out the Company's assets	100%	100%
Kolatelecom OJSC	Communication services	50%	50%
Parma Inform LLC	Communication services	100%	100%
IC Svyaz CJSC	Consulting services	100%	100%
Novgorod Datacom LLC	Communication services	100%	100%
St. Petersburg Information Company CJSC	Information services	100%	100%
Petersburg Transit Telecom CJSC	Communication services	100%	

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

In compliance with the decision of the Board of Directors (Minutes No.19-0/30 (06) dated November 03, 2006), in January 2007 the Company purchased 61,920 registered common shares of PTT CJSC for 2,571,227. Expenses related to acquisition of block of shares amounted to 1004. The shares have been acquired to acquire full control over the company. An entry in the shareholders register evidencing the passage of the title to the said securities was made on January 22, 2007.

3. Fixed Assets

As of 30th June 2007 and 31st December 2006 the residual value of the fixed assets is:

	Buildings and facilities	Switches and transmission devices	Construction in progress and equipment for installation	Vehicles and other fixed assets	Total
Residual value as of 31 st December 2005	14,340,543	8,399,291	784,676	3,118,363	26,642,873
Residual value as of 31st December 2006	14,867,442	8,961,210	1,704,981	2,476,055	28,009,688
Residual value as of 31st December 2007	14,558,887	10,465,621	2,968,305	2,403,324	30,396,137

As of 30th June 2007 and 31st December 2006 the balance value of the fixed assets received under the contracts of finance leasing is:

	30 th June 2007	31 st December 2006
Land, buildings and facilities	18,739	113,806
Switches and transmission devices	653,775	736,018
Construction in progress and equipment for installation	-	-
Transport facilities and other fixed assets	4,573	8,379
Total, received under finance leasing, balance value	677,087	858,203

4. Intangible Assets

As of 30th June 2007 and 31st December 2006 the balance value of intangible fixed assets is:

	Goodwill	Licenses	Software	Client base	Other	Total
Initial value						
As of 31st December 2005	46,936	16,017	1,969,720	12,401	5,011	2,050,085
Additions	-	9,805	1,163,009	-	130,168	1,302,982
Additions related to purchase of subsidiaries	-	-	72	-	-	72
Withdrawal	-	(268)	(65,881)	-	(619)	(66,768)
As of 31st December 2006	46,936	25,554	3,066,920	12,401	134,560	3,286,371
Additions	-	1,326	417,294	-	12,236	430,856
Additions related to subsidiaries acquisition	881,056	79	156,634	236,480	38,743	1,312,992
Withdrawal	-	(1,314)	(20,682)	-	-	(21,996)
As of 30th June 2007	927,992	25,645	3,620,166	248,881	185,539	5,008,223
Impairment in value						-
As of 31st December 2005	(16,559)	-	-	-	-	(16,559)
Reserve charged for the year	-	-	-	-	-	-
As of 31st December 2006	(16,559)	-	-	-	-	(16,559)
Reserve charged for the year	-	-	-	-	-	-
As of 30th June 2007	(16,559)	-	-	-	-	(16,559)
Accumulated depreciation						-
As of 31st December 2005	-	(5,341)	(189,718)	(4,094)	(1,940)	(201,093)
Charged for the year	-	(5,299)	(245,999)	(3,913)	(283)	(255,494)
Depreciation of withdrawn items	-	236	50,417	-	75	50,728
As of 31st December 2006	-	(10,404)	(385,300)	(8,007)	(2,148)	(405,859)
Charged for the year	-	(3,248)	(146,515)	(5,829)	(4)	(155,596)
Depreciation of withdrawn items	-	668	15,310	-	-	15,978
As of 30th June 2007	-	(12,984)	(516,505)	(13,836)	(2,152)	(545,477)
Residual value as of 31st December 2005	30,377	10,676	1,780,002	8,307	3,071	1,832,433
Residual value as of 31st December 2006	30,377	15,150	2,681,620	4,394	132,412	2,863,953
Residual value as of 31st December 2007	911,433	12,661	3,103,661	235,045	183,387	4,446,187

5. Financial investments in associated companies

As of 30th June 2007 and 31st December 2006 the Company's financial investments in associates included:

Name of company	Area of activities	30 th June 2007		31 st December 2006	
		Percentage of voting shares	Balance value	Percentage of voting shares	Balance value
WestBalt Telecom CJSC	Communication services	28%	60,289	28%	57,198
Medexpress ICJSC	Insurance services	25%	40,994	25%	40,994
Other		24-40%	57	24-40%	57
Impairment in value of financial investments in associated companies			(57)		(57)
Total			101,283		98,192

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

The book value of financial investments in associated companies shown in these consolidated financial statements corresponds to the share of the Company in the net assets of the associated company.

The flow of financial investments in associated companies for the periods that expired on 30th June 2007 and 30th June 2006 is presented below:

	for 6 months of 2007	for 6 months of 2006
Finance investments in associates as of January 1	98,192	86,746
Share in profit/ (loss), less the income tax and received dividend	3,091	3,382
Dividend received		(645)
Finance investments in associates as of June 30	101,283	89,483

6. Long-term and short-term financial investments

As of 30th June 2007 and 31st December 2006 finance investments included:

	30 th June 2007	31 st December 2006
Long-term investments available-for-sale	10,244,905	10,239,203
Total long-term finance investment	10,244,905	10,239,203

As of 30th June 2007 and 31st December 2006 the Company's finance investments available for sale included:

Name of company	30 th June 2007	31 st December 2006
-----------------	----------------------------	--------------------------------

	Interest	Fair value	Interest	Fair value
Telecominvest OJSC	15%	10,051,765	15%	10,051,765
RIB CJSC	9%	170,788	9%	170,788
Other long-term finance investment		41,583		35,881
Impairment in value of other finance investments		(19,231)		(19,231)
Total investments available for sale		10,244,905		10,239,203

7. Long-term accounts receivable and loans issued

As of 30th June 2007 and 31st December 2006 long-term accounts receivable and other financial assets included:

	30th June 2007	31st December 2006
Long-term accounts receivable	97,515	11,645
Long-term loans issued	15,296	23,215
Long-term VAT recoverable	158,965	165,004
Other long-term finance assets	1,955	3,555
Total	273,731	203,419

As of 30th June 2007 and 31st December 2006, granted long-term loans are shown at depreciable cost using the effective interest rate of 17.4%-20%.

8. Long-term advances issued

As of 30th June 2007 and 31st December 2006 advances to equipment suppliers included:

	30th June 2007	31st December 2006
Advances for acquisition of intangible assets	25,233	241,812
Settlements with suppliers for capital construction	286,635	98,223
Acquisition of equipment	244,706	271,242
Other issued advances	41,667	18,540
Advances impairment	(2,484)	(2,500)
Total	595,757	627,317

9. Inventory holdings

As of 30th June 2007 and 31st December 2006 inventory holdings included:

	30th June 2007	31st December 2006
Cable, materials, fuel and spare parts for telecommunications equipment	138,036	95,828
Finished products and goods for resale	16,091	9,775
Instruments, work wear and other inventories	24,332	25,908
Construction materials, fuel and other and other inventory holdings	198,723	176,739
Total	377,182	308,250

The prime cost of inventory holdings shown within the expenses for 6 months of 2007 amounted to 402,142 (315,540 for 6 months of 2006).

No reserve regarding impairment of inventory holdings was formed in 2007 and 2006.

As of 31st December 2007, Company's inventory holdings were not used as a pledge or liability collaterals.

10. Accounts receivable

As of 30th June 2007 and 31st December 2006 accounts receivable included:

	30 th June 2007	31 st December 2006
Trade receivables – telecommunication services	1,536,092	1,553,968
Other accounts receivable	170,485	110,828
Allowance for doubtful accounts	(237,389)	(327,891)
Total	1,469,188	1,336,905

The Company identified trade receivables for telecommunication services by the following major customer groups:

	30 th June 2007	31 st December 2006
Corporate customers	752,882	702,518
Residential customers	644,372	761,771
Government customers	138,838	89,679
Total - Trade receivables – telecommunication services	1,536,092	1,553,968

The Company invoices its governmental and corporate customers on a monthly basis. For individual customers, the Company sends monthly payment requests and substantially relies upon these customers to remit payments based on the received payment requests. All customer payments are based upon tariffs denominated in roubles in effect at the time the calls are made. In limited circumstances, the Company has billed and collected penalties associated with delays in payment and has been able to obtain certain payments through the Arbitrage Courts.

As of June 30, 2007 debt of social security organizations with regard to compensation of expenses related to granting privileges to certain categories of subscribers amounted to 2% of total accounts receivable (in 2006 – 12%).

In June 2007 the Company estimated the probability of repayment of the debt related to reimbursement for expenses connected with the provision of privileges to certain categories of subscribers. Taking into account possible repayment of the debt through the court, the doubtful debt allowance amounted to 26,202 which made 100% of the total debt of the social security organizations as of 30th June 2007.

The table given below presents changes of the doubtful debt allowance:

	for 6 months of 2007	2006
Balance as of the start of the period	327,891	603,762
Charging (restoration) of the allowance	(87,314)	(191,429)
Writing off the accounts receivable	(3,188)	(84,442)
Balance as of the end of the period	237,389	327,891

The income accumulated by the Company during 6 months of 2007 in restoring the doubtful debt allowance to the amount of 87,314 (in 2006 - 191,429) was included in the item "Restoration of Expenses to Form the Doubtful Debt Allowance" of the consolidated profit and loss report.

11. Other current assets

As of 30th June 2007 and 31st December 2006 other current assets included:

	30 th June 2007	31 st December 2006
Prepayments and advance payments	117,127	77,029
Settlements with personnel	28,798	19,677
VAT recoverable	306,476	501,166
Advance payments of the profit tax	166,309	219,591
Other prepaid taxes	20,254	26,077
Deferred expenses	192,344	60,878
Other payments and current assets	210,564	150,422
Reserve for other current assets	(25,174)	(25,338)
Total	1,016,698	1,029,502

12. Cash and cash equivalents

As of 30th June 2007 and 31st December 2006 cash and cash equivalents included:

	30 th June 2007	31 st December 2006
Cash at bank and on hand	250,339	244,404
Short-term deposits with original maturities of three months or less	83	87
Total	250,422	244,491

As of 30th June 2007 and 31st December 2006, amounts expressed in the following currencies were included in the item "Cash at Bank and on Hand":

	30 th June 2007	31 st December 2006
Russian roubles	250,299	244,404
US dollars	40	
Total - Cash at bank and on hand	250,339	244,404

As of 31st December 2006 the Company had no restrictions for the use of cash.

13. Authorized capital

The following number of Company's shares is in circulation:

	Number of shares in circulation (thousand pcs.)		Number of redeemed own shares (treasury stock) (thousand pcs.)	Preferred shares	Common shares	Own redeemed shares
	Preferred shares	Common shares				
As of December 31, 2005	250,370	881,045	(6,603)	621,739	2,233,765	(56,681)
Purchase of own shares			(1,236)			(32,179)
Sale of redeemed own shares			1,609			22,193
As of December 31, 2006	250,370	881,045	(6,230)	621,739	2,233,765	(66,667)
As of 30th June 2007	250,370	881,045	(6,230)	621,739	2,233,765	(66,667)

All issued shares have a face value of 1 rouble per share. The difference between the face value and the book value of the shares is caused by inflation during the periods preceding 1st January 2003. All the issued stock was completely paid for.

22 % of the share capital issued as of December 31, 2006 was attributable to common shares and 78% attributable to preferred shares, class A. The holders of common shares are allowed one vote per share.

Redeemed own shares are common or preferred shares of the Company redeemed by its subsidiaries.

Company's capital stock structure as of 31st December 2006 is presented below:

	Common shares		Preferred shares		Total
	(in thousands of shares)	%	(in thousands of shares)	%	(in thousands of shares)
Svyazinvest OJSC	447,231	50.8%			447,231
Other legal entities	389,740	44.2%	165,008	65.9%	554,748
Individuals	41,069	4.7%	82,137	32.8%	123,206
Own shares purchased from shareholders	3,005	0.3%	3,225	1.3%	6,230
Total	881,045	100%	250,370	100%	1,131,415

14. Debts under credits and loans

As of 30th June 2007 and 31st December 2006 debt in respect of credits and loans included:

	Interest rate	30 th June 2007	31 st December 2006
Short-term debts			
Bank loans (roubles)	6.3-7.7%	337,131	3,070
Interest payable under bank loans, bonds, notes and credits of vendors		62,193	78,461
Total short-term debt		399,324	81,531
Long-term debts			
Bank loans (roubles)	8.25 - 10.5%	2,698,939	1,500,079
Bank loans (euros)	5.7-7%	1,520,735	1,876,868
Total bank loans		4,219,674	3,376,947
Bonds (roubles)	7.5-9.25%	5,587,045	6,032,061
Vendor financing (roubles)	7%	-	-
Vendor financing (US Dollars)	7-8.2%	3,906	8,499
Vendor financing (euros)	7.5-10.8%	31,094	50,638
Total vendor financing		35,000	59,137
Promissory notes (roubles)	23%	3,070	2,496
Promissory notes (US Dollars)	6%	-	3,762
Promissory notes (euros)	8-11.9%	19,664	22,064
Total promissory notes		22,734	28,322
Other loans (roubles)	15.4-15.5%	5,212	9,907

Other loans (US Dollars)	9.4%	8,503	8,685
Total other loans		13,715	18,592
Less: current portion of long-term borrowings		(5,006,639)	(1,937,448)
Total long-term borrowings		4,871,529	7,577,611

Long-term borrowings include interest of 6,449 as of June 30, 2007 (in 2006 – 5,607). As repayment of the said debt in respect of interest is not expected before the year 2008, it has been classified as a long-term debt.

The long-term and short-term debts under credits and loans were distributed among the following currencies as of 30th June 2007 and 31st December 2006:

	30 th June 2007	31 st December 2006
Russian roubles	8,352,618	7,602,703
US dollars	351,362	21,357
Euros	1,573,512	1,972,530
Total	10,277,492	9,596,590

15. Accounts payable and charged liabilities

Accounts payable, expenses charged and advances received as of 30th June 2007 and 31st December 2006 included:

	30 th June 2007	31 st December 2006
Accounts payable in respect of principal business	574,636	541,854
Subscribers' advance payments	410,250	369,393
Settlements with equipment suppliers and contractors for capital construction	872,500	547,971
Accounts payable in respect of wages and compensation pays	673,735	515,715
Other accounts payable and current liabilities	1,324,854	192,438
Total	3,855,975	2,167,371

Other accounts payable include the debt related to voluntary property insurance, trade union fees and agency accounts payable.

16. Debt in respect of taxes and social security

As of 30th June 2007 and 31st December 2006, the Company had the following short-term liabilities in respect of taxes payment:

	30 th June 2007	31 st December 2006
Value added tax	26,870	31,754
Property tax	110,408	101,322
Tax on income of individuals	58,287	33,529
Single social tax	151,990	134,649
Other taxes	19,208	5,961
Total	366,763	307,215

Value added tax of 14,067 thousand roubles (27,779 thousand roubles in 2006) is payable to tax authorities only after payment is received from buyers or after the respective accounts receivable are written off.

17. Income

By income types	for 6 months of 2007	for 6 months of 2006
Local telephone calls	6,265,155	5,473,511
Connection and traffic passage services	1,556,008	1,703,341
Telegraph services, data transmission services and telematic communication services	1,511,982	889,638
Zonal telephone calls	1,472,859	669,263
Services under assistance agreements	399,577	441,734
Mobile radio communication services, wired radio services, broadcasting and television services	184,107	186,831
Other communication services (primary activities)	130,045	72,678
Income from other sales (secondary activities)	432,406	393,037
Total	11,952,139	9,830,033

The Company identifies sales by the following major customer groups:

By customer groups	for 6 months of 2007	for 6 months of 2006
Residential customers	5,968,081	4,750,792
Corporate customers	5,048,525	4,295,126
Government customers	935,485	783,841
Budget - tariff compensation	48	274
Total	11,952,139	9,830,033

18. Other operating expenses

	for 6 months of 2007	for 6 months of 2006
Expenses for the agent's fee	204,780	146,298
Expenses for security and fire protection services	187,068	176,818
Expenses for advertising	143,602	62,149
Expenses for premises rent	125,639	91,677
Deductions to Universal services reserve	108,509	86,343
Expenses for audit and consulting services	65,306	41,886
Membership fees, charity and funds transferred to trade union organizations	57,607	51,297
Transportation services	50,989	48,843
Fees to Non-profit partnership	49,000	44,000
Business travel expenses and representation costs	37,003	40,465
Post services	28,605	57,801
Property insurance	28,090	53,753
Training expenses	11,512	16,578
Other expenses	249,136	143,887
Total	1,346,846	1,061,795

Other expenses mainly include expenses for social needs, expenses arising from payment for Central Bank services, state duty etc.

19. Interest expense, net

	for 6 months of 2007	for 6 months of 2006
Interest income	(10,988)	(37,467)
Interest expenses	418,671	376,578
Interest expense accrued under financial lease agreements	52,986	54,055
Less: Capitalized interest	(66,854)	(32,935)
Total	393,815	360,231