

**Joint Stock Company
Central Telecommunication Company**

Unaudited
Consolidated Financial Statements

For the 6 months ended June 30, 2006

Unaudited Consolidated Financial Statements

For the 6 months ended June 30, 2006

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JSC CenterTelecom
Unaudited Consolidated Balance Sheet
As of June 30, 2006
(in thousands of roubles)

	Note	30 June 2006	31 December 2005
ASSETS			
Non-current assets			
Property, plant and equipment, net	3	29,385,495	30,176,743
Intangible assets and goodwill, net	4	4,363,239	4,096,394
Investments in associates	6	15,811	20,081
Long-term investments	7	26,713	25,621
Long-term accounts receivable and other assets	8	130,724	221,546
Long-term advances given		964,400	951,182
Deferred income tax asset		214,003	105,787
Total non-current assets		35,100,385	35,597,354
Current assets			
Inventories, net	9	483,652	513,628
Accounts receivable, net	10	2,612,497	1,877,457
Other current assets	11	1,122,015	1,556,475
Income tax prepaid		522,471	82,877
Cash and cash equivalents	12	882,059	994,627
Total current assets		5,622,694	5,025,064
TOTAL ASSETS		40,723,079	40,622,418
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	13	6,900,165	6,900,165
Treasury shares		(2,808)	(2,808)
Retained earnings		4,431,169	4,384,797
Total equity attributable to equity holders of the parent		11,328,526	11,282,154
Minority interest		18,868	14,366
Total equity		11,347,394	11,296,520
Non-current liabilities			
Long-term borrowings	14	4,768,483	6,824,529
Long-term finance lease obligations	15	1,975,417	1,562,302
Pension Liabilities		1,031,671	850,420
Deferred revenue		808,602	833,884
Long-term Income tax payable		1,767	10,604
Long-term other tax payable		2,435	14,589
Other long-term liability		47,036	34,398
Total non-current liabilities		8,635,411	10,130,726
Current liabilities			
Accounts payable, accrued expenses and advances received	16	3,079,165	2,277,667
Payables to Rostelecom		885,634	190,533
Income tax payable		4,765	42,739
Other taxes payable	17	836,375	1,098,858
Dividends payable		178,286	8,273
Short-term borrowings	14	2,316,122	2,263,764
Current portion of long-term borrowings	14	12,271,003	12,570,338
Current portion of long-term finance lease obligations	15	1,168,924	743,000
Total current liabilities		20,740,274	19,195,172
Total liabilities		29,375,685	29,325,898
TOTAL EQUITY AND LIABILITIES		40,723,079	40,622,418

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

JSC CenterTelecom
 Unaudited Consolidated Statement of Operations
 for the 6 months ended June 30, 2006
 (in thousands of roubles)

	Note	6 months ended June 30, 2006	6 months ended June 30, 2005
Revenues	18	13,899,494	13,594,312
Wages, salaries, other benefits and payroll taxes		(5,097,261)	(4,722,769)
Depreciation and amortization		(2,635,635)	(2,258,844)
Materials, repairs and maintenance, utilities		(1,365,240)	(1,302,833)
Taxes other than income tax		(430,264)	(381,893)
Interconnection charges		(596,151)	(1,961,829)
Provision for impairment of receivables		86,398	(259,791)
Gain (Loss) on disposal of property, plant, and equipment		17,641	54,431
Other operating expenses	19	(1,841,627)	(1,610,656)
Operating profit		2,037,355	1,150,128
Share of result of associates		(140)	2,226
Interest expense, net	20	(1,370,515)	(1,354,047)
Gain from Investments		20,650	1,338
Foreign exchange gain, net		31,252	69,902
Profit before income tax		718,602	(130,453)
Income tax expense		(494,309)	(35,054)
Profit (Loss) for the reporting period		224,293	(165,507)
Attributable to:			
Equity holders of the parent		219,610	(163,879)
Minority interests		4,683	(1,628)
Profit (Loss) for the reporting period		224,293	(165,507)
Profit (Loss) per share			
- basic and diluted, for loss for the year attributable to equity holders of the parent		0.107	(0.079)

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

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006
(in thousands of roubles)

1. General

Authorization of Accounts

The unaudited Consolidated Financial Statements of JSC CenterTelecom ("Company") and its subsidiaries (jointly referred to as the "Group") have been prepared for the six months ended June 30, 2006.

Principles of preparing the unaudited Consolidated Financial Statements

The financial statements of JSC CenterTelecom for the first half of 2006 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, the details supplied are sufficient to obtain an idea of the financial standing and the results of the Company's activities for the period.

These reports are the unaudited Consolidated Financial Statements of JSC CenterTelecom. No procedures of audit, review or other similar procedures will be performed in respect of these statements.

In preparing these unaudited Consolidated Financial Statements, JSC CenterTelecom carried out procedures to a lesser extent than would have been used in preparing annual Consolidated Financial Statements. In this context, JSC CenterTelecom has applied 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 expires on 31st December 2006 may differ from the figures in 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 JSC CenterTelecom do not disclose fully all the information, the disclosure of which is required for compliance with International Financial Reporting Standards.

The content of the notes to the annual Consolidated Financial Statements of JSC CenterTelecom may disclose information in greater detail than disclosed in these unaudited Consolidated Financial Statements of JSC CenterTelecom.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006
(in thousands of roubles)

1. Adjustments to the Statement of Operations for the first six months of 2005 made to facilitate comparability of data.

In 2005 the Company determined and presented its obligations existing under the defined benefit plans in accordance with IAS 19, "Employee Benefits". Pension liabilities are reported in 1H 2006 financial statements, so comparable data was adjusted in the Statement of Operations for the first six months of 2005.

Consolidated Statement of Operations	After reclassifications	Effect of adjustments	As restated	Description of adjustments
Wages, salaries, other benefits and payroll taxes	(4,429,514)	(142,500)	(4,722,769)	Accrual of pension liabilities
		(150,755)		Charges for unused annual leave
Operating profit	1,443,383	(293,255)	1,150,128	Cumulative effect
Interest expense, net	(1,434,662)	80,615	(1,354,047)	Capitalization of interest relating to Oracle software (see Note 4)
Profit (Loss) before income tax	82,187	(212,640)	(130,453)	Cumulative effect
Income tax expense	(51,888)	16,834	(35,054)	Cumulative effect on deferred tax
Profit (Loss) for the reporting period	30,299	(195,806)	(165,507)	Cumulative effect

After adjustments, the Company's net loss for the first six months of 2006 amounted to 165,507 (versus a pre-adjustments net profit in the amount of 30,299).

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006
(in thousands of roubles)

3. Property, Plant and Equipment, net

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Construction in progress and equipment for installation	Total
Cost					
At December 31, 2004	13,491,230	16,506,692	4,127,872	3,474,434	37,600,228
Additions	–	(25,237)	–	5,018,527	4,993,290
Additions due to acquisition of subsidiaries	90,279	15,189	108,119	38,561	252,148
Disposals	(114,696)	(110,310)	(133,151)	(42,541)	(400,698)
Disposals due to sale of subsidiaries	–	–	(3,173)	–	(3,173)
Transfers	2,469,534	3,289,824	574,196	(6,333,554)	–
Reclassification	26,126	(42,382)	16,256	–	–
At December 31, 2005	15,962,473	19,633,776	4,690,119	2,155,427	42,441,795
Additions				2,001,385	2,001,385
Disposals	(3,714)	(283,205)	(37,427)	(4,970)	(329,316)
Transfers	166,843	1,701,000	88,830	(1,956,673)	–
Reclassification	4,082	(119,468)	115,386	–	–
At June 30, 2006	16,129,684	20,932,103	4,856,908	2,195,169	44,113,864
Accumulated Depreciation					
At December 31, 2004.	(1,480,639)	(4,246,639)	(1,864,378)	–	(7,591,656)
Charge for the year	(1,262,649)	(3,045,464)	(485,171)	–	(4,793,284)
Charge due to acquisition of subsidiaries	(33,326)	(14,162)	(57,200)	–	(104,688)
Disposals	85,420	92,662	46,494	–	224,576
Reclassification	(9,466)	11,500	(2,034)	–	–
At December 31, 2005	(2,700,660)	(7,202,103)	(2,362,289)	–	(12,265,052)
Charge for the year	(707,669)	(1,451,262)	(441,977)	–	(2,600,908)
Disposals	12,459	99,958	25,174	–	137,591
Reclassification	3,932	44,985	(48,917)	–	–
At June 30, 2006	(3,391,938)	(8,508,422)	(2,828,009)	–	(14,728,369)
Net book value as of December 31, 2004	12,010,591	12,260,053	2,263,494	3,474,434	30,008,572
Net book value as of December 31, 2005	13,261,813	12,431,673	2,327,830	2,155,427	30,176,743
Net book value as of June 30, 2006	12,737,746	12,423,681	2,028,899	2,195,169	29,385,495

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006
(in thousands of roubles)

3. Property, Plant and Equipment, net (continued)

The net book value of plant and equipment held under finance leases at June 30, 2006 and December 31, 2005 amounted to:

	30 June 2006	31 December 2005
Land, buildings and construction	2,431	1,913
Switches and transmission devices	3,228,908	2,443,448
Construction in progress and equipment for installation	177,965	168,906
Vehicles and other	1,278,961	933,272
Total net book value of plant and equipment held under finance leases	4,688,265	3,547,539

Leased assets are pledged as security for the related finance lease obligations.

Increase in value of fixed assets acquired under leasing arrangements is attributable to the receipt of equipment in accordance with agreements concluded in 2006 with VTB-Leasing OJSC and Petroleasing Management CJSC for three years in the total amount of 1,597,283.

4. Intangible Assets

	Goodwill	Licenses	Software	Total
Cost				
At December 31, 2004	1,207,063	17,002	2,272,258	3,496,323
Additions	–	9,530	650,863	660,393
Additions due to acquisition of subsidiaries	70,863	–	54	70,917
Disposals	–	–	(452)	(452)
At December 31, 2005	1,277,926	26,532	2,922,723	4,227,181
Additions	–	3,502	298,090	301,592
Disposals	–	–	(27)	(27)
At June 30, 2006	1,277,926	30,034	3,220,786	4,528,746
Impairment				
At December 31, 2005	(2,088)	–	–	(2,088)
Accrued provision	–	–	–	–
At June 30, 2006	(2,088)	–	–	(2,088)
Accumulated amortization				
At December 31, 2004	–	(5,470)	(68,747)	(74,217)
Charge for the year	–	(4,353)	(50,324)	(54,677)
Charge due to acquisition of subsidiaries	–	–	(8)	(8)
Disposals	–	–	203	203
At December 31, 2005	–	(9,823)	(118,876)	(128,699)
Charge for the year	–	(2,741)	(31,986)	(34,727)
Disposals	–	–	7	7
At June 30, 2006	–	(12,564)	(150,855)	(163,419)
Net book value as of December 31, 2004	1,207,063	11,532	2,203,511	3,422,106
Net book value as of December 31, 2005	1,275,838	16,709	2,803,847	4,096,394
Net book value as of June 30, 2006	1,275,838	17,470	3,069,931	4,363,239

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4. Intangible Assets (continued)

Increase in value of software is attributable to expenses on the introduction of Amdocs Billing Suite software.

For the first 6 months of 2006 the Company increased the value of software by the amount of capitalized interest totalling 91,464 (2005 – 190,324).

5. Consolidated Subsidiaries

The consolidated financial statements include the assets, liabilities and financial results of the following subsidiaries:

Subsidiary	Main activity	Ownership, %		Voting shares, %	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
CJSC Vladimir Teleservice	Communication Services	100	100	100	100
LLC Mobilcom	Communication Services	100	100	100	100
LLC Teleport Ivanovo	Communication Services	100	100	100	100
LLL Telecom Terminal	Repair and maintenance services	100	100	100	100
LLC Telecom Stroi	Construction Services	100	100	100	100
OJSC RTS	Communication Services	100	100	100	100
CJSC ATS	Communication Services	100	100	100	100
LLC Tver Telecom	Communication Services	85	85	85	85
CJSC TsentrTelecomService	Communication Services	74.9	74.9	74.9	74.9
OOO Svyaz–Service–Irga	Repair and maintenance services	70	70	70	70
LLC Vladimirskii Taksofon	Communication Services	51	51	51	51
CJSC Telecom Ryazanskoi oblasti	Communication Services	50.9	50.9	50.9	50.9
LLC Vladpage	Communication Services	-	75	-	75
LLC Operatorski Tsentr	Communication Services	100	100	100	100
LLC TeleNET	Communication Services	100	100	100	100
LLC Ortes	Communication Services	100	100	100	100
CJSC Rosnet International	Communication Services	99	99	99	99
CJSC Restel	Communication Services	100	100	100	100
LLC Rosnet Neva	Communication Services	100	100	100	100

In June 2006 investments in LLC Vladpage (75% ownership) were written-off due to its bankruptcy.

JSC CenterTelecom
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(in thousands of roubles)

6. Investments in Associates and Joint Ventures

Investments in associates at June 30, 2006 and December 31, 2005 comprised the following:

Associate	Activity	30 June 2006		31 December 2005	
		Voting shares, %	Carrying value	Voting shares, %	Carrying value
CJSC TeleRossVoronej	Communication Services	50%	484	50%	592
Joint venture (see Note 9)	Cellular Services	30%	14,579	30%	14,579
OJSC Telecommunications company Rinfotels	Communication Services	26%	1,232	26%	1,225
CJSC SK Kostars	Insurance Services	-	-	28%	4,277
CJSC Belgorodskaya Sotovaya Svyaz	Cellular Services	-	-	30%	-
CJSC Smolenskaya Sotovaya Svyaz	Cellular Services	-	-	40%	-
Impairment reserve			(484)		(592)
Total			15,811		20,081

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

Movements in investments in associates for the periods ended June 30, 2006 and December 31, 2005 are presented below:

	30 June 2006	31 December 2005
Investments in associates as of accounting date	20,081	15,927
Share of income/(loss), net of income tax and of dividends received	(101)	1,468
Reclassification	(4,277)	462
Impairment reserve recovery	108	2,224
Investments in associates as of accounting date	15,811	20,081

Disposals of associates

The following disposals of shares in associates occurred:

Associate	Activity	Gain (Loss) on disposal of associate	Disposal of share in equity on the date of transaction
CJSC Belgorodskaya Sotovaya Svyaz	Cellular Services	10,251	30%
CJSC Smolenskaya Sotovaya Svyaz	Cellular Services	11,389	40%
		21,640	

As a result of an additional share issue by Kostars SK CJSC (4,277) CenterTelecom reclassified its investments in this company from "Investments in Associates" to "Long-term investments available for sale"

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
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(in thousands of roubles)

7. Long-term Investments

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

Company	30 June 2006		31 December 2005	
	Ownership interest	Carrying value	Ownership interest	Carrying value
OJSC Svyazintech	18%	20,603	18%	20,603
CJSC SK Kostars	9.3%	2,815	-	-
OJSC Bank Tuskii Promishlennik	0.8%	520	0.8%	588
OJSC Sanatorium Krugozor, Pyatigorsk	2.47%	511	2.47%	2,008
CJSC Oskoltelecom	12.41%	474	12.41%	474
OJSC AKB Svyaz-Bank	1.28%	449	1.28%	449
Other	0.01%-11%	1,341	0.01%-11%	1,499
Total investments available-for-sale		26,713		25,621

8. Long-Term Accounts Receivable and Other Assets

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

	30 June 2006	31 December 2005
Long-term VAT receivable	117,998	199,885
Long-term loans given to employees	12,357	20,034
Other assets	369	1,627
Total	130,724	221,546

As of June 30, 2006 long-term loans given to employees are reported at amortized cost using the effective interest rate of 20% (2005 – 21%).

9. Inventories

Inventories at June 30, 2006 and December 31, 2005 comprised the following:

	30 June 2006	31 December 2005
Cable, materials and spare parts for telecommunications equipment	187,993	194,384
Construction materials, fuels and instruments	92,692	92,839
Finished goods and goods for resale	19,246	16,710
Other inventories	184,282	210,280
Provision for inventory obsolescence	(561)	(585)
Total	483,652	513,628

Provision for inventory obsolescence is recorded as other operating expenses in the consolidated statement of operations.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006
(in thousands of roubles)

10. Accounts Receivable, net

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

	30 June 2006	31 December 2005
Trade receivables – telecommunication services	4,406,334	3,795,294
Trade receivables – other	211,599	283,191
Provision for impairment of receivables	(2,005,436)	(2,201,028)
Total	2,612,497	1,877,457

Accounts receivable for telecommunications services detailed by major customer groups were as follows:

	30 June 2006	31 December 2005
Residential customers	912,913	1,232,784
Corporate customers	1,907,475	865,213
Government customers	212,754	158,223
Tariff compensation from the state budget	1,584,791	1,822,265
Total	4,617,933	4,078,485

The Company invoices its governmental and corporate customers on a monthly basis. For residential 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.

As of June 30, 2006 debt for tariff compensation from the state budget related to granting privileges to certain categories of subscribers amounted to 38.93% of total accounts receivable (2005 – 48.3%).

Increase in accounts receivable from corporate clients is explained by an increase in receivables from Rostelecom resulting from the introduction of a new system of interaction between Russian telecom operators as of January 1, 2006.

The following summarizes the changes in the provision for impairment of trade and other receivables:

	30 June 2006	31 December 2005
Balance as of accounting date	(2,201,028)	(1,993,746)
Provision for the year	86,398	(296,524)
Acquisition of subsidiaries	0	(79,873)
Trade receivables write-off	109,194	169,115
Balance as of accounting date	(2,005,436)	(2,201,028)

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Notes to the Unaudited Consolidated Financial Statements
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11. Other Current Assets

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

	30 June 2006	31 December 2005
VAT receivables	520,688	1,026,751
Deferred expenses	258,605	209,686
Prepayments and advance payments	162,403	162,375
Other prepaid taxes	18,799	30,226
Settlements with personnel	17,843	11,192
Receivables from sale of fixed assets	13,252	23,102
Short-term loans granted	2,168	11,358
Other receivables and current assets	128,257	81,785
Total	1,122,015	1,556,475

12. Cash and Cash Equivalents

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

	30 June 2006	31 December 2005
Cash at bank and on hand	882,059	992,427
Short-term deposits with maturity up to three months	0	2,200
Total	882,059	994,627

13. Share Capital

The total number of outstanding shares comprises:

	Number of shares authorized (thousands)	Treasury shares (thousands)	Number of shares outstanding (thousands)	Par value	Carrying value	Treasury shares (thousands roubles)	Carrying value
As at December 31, 2004	2,104,000	–	2,104,000	631,200	1,219,366	–	1,219,366
Preference	525,993	–	525,993	1,577,979	1,725,020	–	1,725,020
Ordinary	1,578,007	(240)	1,577,767	4,733,301	5,175,145	(2,808)	5,172,337
As at December 31, 2005	2,104,000	(240)	2,103,760	6,311,280	6,900,165	(2,808)	6,897,357
Preference	525,993	–	525,993	1,577,979	1,725,020	–	1,725,020
Ordinary	1,578,007	(240)	1,577,767	4,733,301	5,175,145	(2,808)	5,172,337
As at June 30, 2006	2,104,000	(240)	2,103,760	6,311,280	6,900,165	(2,808)	6,897,357

All shares have a par value of 3 Roubles. The difference between the total par value and the total carrying value of share capital represents the effects of inflation accumulated through January 1, 2003.

JSC CenterTelecom
Notes to the Unaudited Consolidated Financial Statements
for the 6 months ended June 30, 2006

(in thousands of roubles)

14. Borrowings

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

	Interest rate	Maturity date	30 June 2006	31 December 2005
<i>Short-term borrowings</i>				
Bank loans:				
Bank loans (Roubles)	11%-15%	2006	1,597,712	1,593,161
Bank loans (US Dollars)	11.4%	2006	855	1,775
Bank loans (Euro)	8%-9%	2006	78,031	75,655
Total bank loans			1,676,598	1,670,591
Accrued interest on bonds (Roubles)	11.9%-15.4%		455,003	428,769
Vendor financing:				
Vendor financing (US Dollars)	9%	2006	13	44
Vendor financing (Euro)	6%-6.5%	2006	288	501
Total vendor financing			301	545
Promissory notes:				
Accrued interest on promissory notes (Roubles)	9%-15.6%	2006	184,220	162,039
Accrued interest on promissory notes (US Dollars)	6%	2006	-	1,820
Total promissory notes			184,220	163,589
Total short-term borrowings			2,316,122	2,263,764
<i>Long-term borrowings</i>				
Bank loans:				
Bank loans (Roubles)	12%-14.5%	2006-2009	6,370,091	6,348,054
Bank loans (US Dollars)	7.5%-11.8%	2006-2007	34,959	125,594
Bank loans (Euro)	5.75%-9%	2006-2007	399,127	428,914
Total bank loans			6,804,177	6,902,561
Bonds (Roubles)			7,513,815	7,508,966
Vendor financing:				
Vendor financing (Roubles)			-	1,770
Vendor financing (US Dollars)	9%	2006-2010	26,592	25,307
Vendor financing (Euro)	6%-9%	2006-2007	53,311	89,415
Total vendor financing			79,903	116,492
Promissory notes (Roubles)	9.9%-18%	2006-2025	2,561,512	4,404,734
Promissory notes (US Dollars)			-	378,751
Total promissory notes			2,561,512	4,783,484
Restructured loans from customers - connection fees (Roubles)			80,079	83,364
Less: Current portion of long-term borrowings			(12,271,003)	(12,570,338)
Total long-term borrowings			4,768,483	6,824,529
The Company's borrowings are denominated in the following currencies:				
			30 June 2006	31 December 2005
Russian Roubles			18,762,432	20,530,856
Euro			530,757	594,485
US dollars			62,419	533,290
Total			19,355,608	21,658,631

JSC CenterTelecom
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15. Finance Lease Obligations

The Company has finance lease contracts for telecommunications equipment. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments as of June 30, 2006 and December 31, 2005 are as follows:

	30 June 2006		31 December 2005	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Current portion	1,676,576	1,168,924	1,192,641	743,000
2 to 5 years	2,432,091	1,975,417	2,104,960	1,562,302
Total minimum lease payments	4,108,667		3,297,601	–
Less amounts representing finance charges	(964,326)		(992,299)	–
Present value of minimum lease payments	3,144,341	3,144,341	2,305,302	2,305,302

For 6 months of 2006, the effective interest rate on lease liabilities was 24.68% per annum (2005 – 27.94% per annum).

16. Accounts Payable and Accrued Expenses

As of June 30, 2006 and December 31, 2005, the Company's accounts payable, accrued expenses and advances received comprised the following:

	30 June 2006	31 December 2005
Trade accounts payable and accrued expenses	1,081,971	834,322
Salaries and wages	920,945	471,479
Accounts payable for capital investments	473,749	465,895
Advances received from subscribers	425,619	457,692
Other accounts payable	176,881	48,279
Total	3,079,165	2,277,667

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17. Taxes Payable

As of June 30, 2006 and December 31, 2005, taxes payable comprised the following:

	30 June 2006	31 December 2005
Value-added tax	443,842	902,858
Property tax	170,404	160,090
Unified social tax	125,495	11,058
Tax on income of individuals	66,357	817
Other taxes	30,277	24,035
Total	836,375	1,098,858

Included in value added tax payable is the amount of 278,233 (2005 – 571,997), which represents deferred value added tax.

18. Revenues

Revenues comprised the following:

By revenue types	For 6 months of 2006	For 6 months of 2005
Local telephone calls	6,679,553	5,773,440
Services for national operators	3,324,070	936,460
Zonal telephone calls	1,157,989	1,017,781
New services	916,469	622,378
Radio and TV broadcasting	351,117	339,466
Data transfer and telematic services	245,409	168,027
Rent of telephone channels	159,066	138,028
Cellular services	125,609	127,811
Documentary services	23,935	33,349
Long distance calls – domestic and calls - international	0	3,438,415
Other telecommunication services	549,381	588,556
Other revenue	366,896	410,601
Total	13,899,494	13,594,312

The Company identifies revenue by the following major customer groups:

Customer groups	For 6 months of 2006	For 6 months of 2005
Residential customers	6,841,353	8,026,441
Corporate customers	6,030,648	4,569,973
Government customers	1,027,493	997,898
Total	13,899,494	13,594,312

Increase in revenues from national telecom operators is a result of the introduction of the new system of interaction between Russian telecom operators as of January 1, 2006.

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19. Other Operating Expenses

The components of other expenses were as follows:

	For 6 months of 2006	For 6 months of 2005
Lease of premises	(267,596)	(214,695)
Fire and other security services	(226,662)	(213,671)
Universal service fund payments	(119,454)	(47,376)
Insurance	(103,679)	(105,967)
Agency fees	(95,933)	(52,072)
Non-commercial partnership expenses	(93,312)	(0)
Bank services fees	(92,697)	(113,184)
Transportation services	(84,133)	(96,409)
Buildings maintenance	(57,023)	(61,217)
Audit and consulting fees	(47,798)	(66,289)
Charitable contributions	(44,886)	(38,579)
Education expenses	(36,973)	(50,128)
Advertising expenses	(34,831)	(54,414)
Telecommunication equipment maintenance	(31,609)	(27,072)
Civil Defense	(21,394)	(16,683)
Business travel expenses and representation costs	(17,129)	(22,760)
Cost of sales	(17,003)	(23,293)
Post services	(10,676)	(7,778)
Fines and penalties	(8,242)	(3,885)
Other expenses	(430,597)	(395,184)
Total	(1,841,627)	(1,610,656)

19. Interest Expense, net

Interest expense, net, comprised the following:

	For 6 months of 2006	For 6 months of 2005
Interest income	9,740	1,035
Interest expense	(1,077,467)	(1,076,904)
Interest expense on finance leases	(290,695)	(272,412)
Interest expense on vendor financing	(12,093)	(5,766)
Total	(1,370,515)	(1,354,047)