

BALANCE SHEET

			CODES
			Form № 01 by OKUD
			0710001
as of	December 31, 2005	Date (year, month, day)	2005.12.31
Organization	OJSC "VolgaTelecom"	by OKPO	01142788
Taxpayer Identification Number	5260901817	TIN	5260901817
Activity type	electric communication	by OKVED	64.20
Business legal structure /ownership form	Open Joint Stock Company / private	by OKOPF/OKFS	47/16
Measure unit:	thousand rubles	by OKEI	384
Address:	603000, Nizhny Novgorod city, Maxim Gorky square, Dom svyazi		
			The date of approval
			The date of dispatch (receipt)
			31.12.2006

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	32	40
Fixed assets	6.1	120	120	19 786 083	22 492 980
Capital investments	6.2	130	130	1 204 444	803 373
Income-bearing placements into tangible assets		135	135	1 177	12 311
Long-term financial investments	6.3	140	140	1 251 842	1 309 098
including:					
investments into associated companies			141	1 219 442	1 273 033
investments into affiliates			142	21 860	12 475
investments into other organizations			143	8 651	21 701
other long-term financial investments			144	1 889	1 889
Deferred tax assets	6.4	145	145	301 197	200 918
Other non-current assets	6.5	150	150	1 699 196	2 505 595
Total for section I		190	190	24 243 971	27 324 315

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					
Inventory		210	210	854 899	615 818
<i>including:</i>					
raw materials, materials and other similar values	6.6	211	211	688 631	444 080
work in progress expenses (distribution costs)		213	213	81	168
finished commodity and goods for resale		214	214	36 326	47 647
goods shipped		215	215	24	
deferred expenses		216	216	129 833	123 923
other inventory and expenses		217	217	4	
VAT for acquired valuables		220	220	1 266 225	959 066
Accounts receivable (payments are expected in over 12 months after the report date)		230	230	28 497	14 786
<i>including:</i>					
buyers and customers	6.7	231	231	3 308	2 319
advances paid out			232	3 313	950
other debtors			233	21 876	11 517
Accounts receivable (payments are expected within 12 months after the report date)		240	240	1 462 729	1 769 385
<i>including:</i>					
buyers and customers	6.8	241	241	1 154 435	1 450 998
advances paid out			242	135 501	107 837
other debtors	6.9		243	172 793	210 550
Short-term financial investments	6.3	250	250	7 761	4 762
Monetary resources,		260	260	344 723	1 134 960
Other current assets		270	270	707	773
Total for section II		290	290	3 965 541	4 499 550
BALANCE (sum of lines 190+290)		300	300	28 209 512	31 823 865

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 RESERVES					
Charter capital	6.10	410	410	1 639 765	1 639 765
Capital surplus		420	420	3 980 430	3 812 947
Reserve capital		430	430	81 988	81 988
Treasury stock		411	440		
Undistributed profit (uncovered loss) of past years		470	460	8 890 265	8 502 660
Undistributed profit (uncovered loss) of the report year		470	470	X	2 261 360
Total for section III		490	490	14 592 448	16 298 720
IV. LONG-TERM LIABILITIES					
Credits and loans	6.14	510	510	3 734 001	7 340 869
<i>including:</i>					
credits			511	2 631 000	1 925 150
loans			512	1 103 001	5 415 719
Deferred tax liabilities	6.15	515	515	580 691	712 558
Other long-term liabilities	6.16	520	520	1 408 186	1 110 066
Total for section IV		590	590	5 722 878	9 163 493
V. SHORT-TERM LIABILITIES					
Credits and loans	6.14	610	610	3 513 292	2 289 598
<i>including:</i>					
credits			611	2 042 520	1 004 024
loans			612	1 470 772	1 285 574
Accounts payable, <i>including:</i>		620	620	3 921 305	3 513 237
suppliers and contractors	6.17	621	621	2 584 322	2 059 629
advances received	6.17	625	622	340 540	317 657
wage arrears		622	623	65 279	67 842
debt to government extrabudgetary funds		623	624	42 952	35 437
tax debt		624	625	393 226	399 845
other creditors	6.17	625	626	494 986	632 827
Debt to participants (founders) for income payments		630	630	29 411	22 844
Unearned revenue	6.18	640	640	230 372	216 554
Reserves for future expenses		650	650	199 806	307 799
Other short-term liabilities		660	660		11 620
Total for section V		690	690	7 894 186	6 361 652
BALANCE (sum of lines 490+590+690)		700	700	28 209 512	31 823 865

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	301 591	611 053
including under leasing		911	911	176 550	66 106
Inventory items received in custody		920	902	60 910	4 399
Commodities received for commission		930	903	3 945	3 748
Accounts receivable of insolvent debtors written-off as a loss		940	904	179 330	249 430
Cover funds for liabilities and payments received		950	905	3 976	7 065 160
Cover funds for liabilities and payments given		960	906	8 116 121	5 984 126
Housing facilities depreciation		970	907	21 065	16 840
Depreciation of land improvement objects and other similar objects		980	908	2 565	2 849
Payments for communication services			909	62 332	214 199

Reference on net assets cost

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	14 822 820	16 515 274

CEO _____
(signature)

Omelchenko S.V.
(signator)

Chief accountant _____
(signature)

Popkov N.I.
(signator)

March 31, 2006

INCOME STATEMENT

for

2005

Form № 02 by OKUD

Date (year, month, day)

CODES

0710002

2005.12.31

Organization

OJSC "VolgaTelecom"

by OKPO

01142788

Taxpayer Identification Number

5260901817

TIN

5260901817

Activity type

Electric communication

by OKVED

64.20

Business legal structure
/ownership form

Open Joint Stock Company / private

by OKOPF/OKFS

47/16

Measure unit:

thousand rubles

by OKEI

384

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. Profit and expenses of ordinary activities					
Revenue(net) from sales of goods, products, works, services (minus VAT, excise taxes and similar mandatory payments)		010	010	21 348 394	18 604 604
including from sales: of telecommunication services			011	20 787 642	18 171 248
Prime cost of sold goods, products, works and services		020	020	(15 333 051)	(13 264 137)
including: of telecom services			021	(14 884 232)	(12 921 832)
Profit (loss) from sales (lines 010 - 020)		050	050	6 015 343	5 340 467
II. OPERATING EARNINGS AND EXPENSES					
Interest receivable		060	060	14 839	9 485
Interest due		070	070	(829 016)	(564 420)
Income from participation in other organizations		080	080	34 720	43 594
Other operating earnings		090	090	229 316	477 748
Other operating expenses		100	100	(791 037)	(1 308 929)
III. NON-SALES EARNINGS AND EXPENSES					
Non-sales earnings		120	120	200 854	272 520
Non-sales expenses		130	130	(1 445 215)	(1 280 714)
Profit (loss) before tax (lines 050+060-070+080+090-100+120-130)		140	140	3 429 804	2 989 751
Income tax expenses (lines -151+/-152+/-153) including:			150	(1 168 405)	(933 280)
deferred tax liabilities		142	151	(133 551)	(194 506)
deferred tax assets		141	152	(100 279)	(249 862)
Current income tax		150	153	(934 575)	(988 636)
Profit (loss) of ordinary activity (lines 140-150)			160	2 261 399	2 056 471

Item description	Explanations	Index code	Line code	For the reporting period	For similar period of the previous year
1	1a	2	2a	3	4
IV. EXTRAORDINARY INCOME AND EXPENSES					
Extraordinary income			170	252	32
Extraordinary expenses			180	(291)	(235)
Net profit (undistributed profit (loss) of the report period) (lines 160+170-180)		190	190	2 261 360	2 056 268
BY REFERENCE					
Income tax contingent expenses /income			201	(823 144)	(717 491)
Recurrent tax liabilities		200	202	(376 171)	(267 911)
Recurrent tax assets		200	203	30 910	52 122

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			301	0,00827	0,00752
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	28 615	(10 992)	24 807	(16 965)
Past years profit (loss)		402	42 451	(166 557)	86 067	(127 338)
Reimbursement of damages caused by default or inadequate fulfillment of obligations		403	7 210	(1 263)	8 554	(1 672)
Foreign exchange differences in foreign currency operations		404	9 612	(3 174)	26 629	(25 500)
Deductions to the assessed reserves		405	160 645	(146 474)	117 032	(933 370)
Debt amortization of payables and receivables		406	36 321	(12 001)	4 015	(7 114)

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

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

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STATEMENT OF CHANGES OF CAPITAL

for **2005**
 Organization **OJSC "VolgaTelecom"**
 Taxpayer Identification Number **5260901817**
 Activity type **Electric communication**
 Business legal structure /ownership form **Open Joint Stock Company / private**
 Measure unit: **thousand rubles**

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

CODES
0710003
2005.12.31
01142788
5260901817
64.20
47/16
384

1. Change of capital

Item description	Index code	Line code	Charter capital	Capital surplus	Reserve capital	Undistributed profit (uncovered loss)	Total
1	1a	2	3	4	5	6	7
Balance as of December 31, 2003		100	1 639 765	4 088 227	81 988	7 172 537	12 982 517
Year 2004							
Changes in accounting policy		101	X	X	X		
Result of fixed assets objects revaluation		102	X		X		
Miscellaneous		103	X		X		
Balance as of January 1, 2004		104	1 639 765	4 088 227	81 988	7 172 537	12 982 517
Change of capital items:		200		(91 042)		1 720 421	1 629 379
Result of foreign currency translation		201	X		X	X	
Net profit (loss) of the report year		202	X	X	X	2 056 268	2 056 268
Dividends		203	X	X	X	(426 889)	(426 889)
Allocations to reserve funds		204	X	X			
Additional issue of shares at the cost of own resources		205			X		
Increment in face value of shares		206			X		
Change of capital at retirement of fixed assets objects		207	X	(91 042)	X	91 042	
Miscellaneous		208					
Increment in value of capital due to:		210					
additional issue of shares at the cost of stockholders resources		211			X	X	
reorganization of legal entity		212					
miscellaneous		213					
Reduction of capital value due to:		220		(16 755)		(2 693)	(19 448)
reduction of the shares quantity		221		X	X		
reduction of the shares face value		222		X	X	X	
reorganization of legal entity		223					
miscellaneous		224		(16 755)		(2 693)	(19 448)
Balance as of December 31, 2004		300	1 639 765	3 980 430	81 988	8 890 265	14 592 448
Year 2005							
Changes in accounting policy		301	X	X	X		
Result of fixed assets objects revaluation		302	X		X		
Miscellaneous		303	X		X		
Balance as of January 1, 2005	100	304	1 639 765	3 980 430	81 988	8 890 265	14 592 448
Change of capital items:		400		(158 235)		1 716 808	1 558 573
Result of foreign currency translation		401	X		X	X	
Net profit (loss) of the report year		402	X	X	X	2 261 360	2 261 360
Dividends		403	X	X	X	(544 552)	(544 552)
Allocations to reserve funds	110	404	X	X			
Additional issue of shares at the cost of own resources	121	405			X		

Item description	Index code	Line code	Charter capital	Capital surplus	Reserve capital	Undistributed profit (uncovered loss)	Total
1	1a	2	3	4	5	6	7
Increment in face value of shares	122	406			X		
Change of capital at retirement of fixed assets objects		407	X		X		
Miscellaneous		408		(158 235)			(158 235)
Increment in capital value due to:		410				158 235	158 235
additional issue of shares at the cost of stockholders resources	121	411			X	X	
reorganization of legal entity	123	412					
miscellaneous		413				158 235	158 235
Reduction of capital value due to:		420		(9 248)		(1 288)	(10 536)
reduction of the shares quantity	132	421		X	X		
reduction of the shares face value	131	422		X	X	X	
reorganization of legal entity	133	423					
miscellaneous		424		(9 248)		(1 288)	(10 536)
Balance as of December 31, 2005	140	500	1 639 765	3 812 947	81 988	10 764 020	16 298 720

2. Reserves

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
Reserves formed as per legislation:						
Reserve fund						
data of year 2004		601	81 988			81 988
data of year 2005		602	81 988			81 988
Reserves formed as per articles of association:						
Corporalization fund of the Company's employees						
data of year 2004		603				
data of year 2005		604				
Assessed reserves:						
Reserves for doubtful debts						
data of year 2004		605	462 875	933 755	(139 314)	1 257 316
data of year 2005		606	1 257 317	146 474	(218 178)	1 185 613
Reserves for depreciation of financial investments						
data of year 2004		607	522	79		601
data of year 2005		608	601		(385)	216
Reserve for reduction in value of tangible assets						
data of year 2004		609				
data of year 2005		610				
Reserves of costs to be incurred:						
data of year 2004		611	19 320	280 424	(99 938)	199 806
data of year 2005		612	199 806	452 121	(344 128)	307 799
Reserves for contingent liabilities:						
data of year 2004		613				
data of year 2005		614		11 620		11 620

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

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

_____ " " _____

CASH FLOW STATEMENT

			CODES
		Form № 04 by OKUD	0710004
for	2005	Date (year, month, day)	2005.12.31
Organization	OJSC "VolgaTelecom"	by OKPO	01142788
Taxpayer Identification Number	5260901817	TIN	5260901817
Activity type	Electric communication	by OKVED	64.20
Business legal structure /ownership form	Open Joint Stock Company / private	by OKOPF/OKFS	47/16
Measure unit:	thousand rubles	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	344 723	234 241
OPERATING PERFORMANCE				
Cash inflow from operating performance		020	24 745 482	21 704 813
cash received from buyers, customers		021	23 412 003	19 450 351
cash received in the quality of agent		022	854 930	1 273 847
other income		023	478 549	980 615
Cash allocated for:		030	(18 976 966)	(17 450 596)
payment of acquired goods, works, services, raw materials and other current assets	150	031	(5 793 599)	(5 050 993)
remuneration of labor	160	032	(5 074 603)	(4 393 464)
interest payment	170	033	(959 040)	(662 177)
taxes and dues settlements	180	034	(5 226 693)	(4 937 678)
settlements for agency contracts		035	(767 515)	(1 188 473)
other expenses		036	(1 155 516)	(1 217 811)
Net cash from operating performance		040	5 768 516	4 254 217
INVESTMENT ACTIVITY				
Investment activities cash received		050	134 078	532 708
receipts from sale of fixed assets objects and other non-currents assets	210	051	39 008	25 524
receipts from repayment and sale of securities, sale of equity participations, equity stakes and other financial investments	220	052	54 776	447 660
dividends received, income from equity participation	230	053	33 458	38 218

interest received	240	054	980	1 563
receipts from redemption of loans granted to other organizations	250	055	3 000	1 700
other income from investment activity		056	2 856	18 043
Cash allocated for:		060	(6 144 315)	(7 291 920)
acquisition and creation of fixed assets objects and other non-current assets	290	061	(6 058 562)	(6 944 987)
acquisition of shares, equity participations and equity stakes	280	062	(68 630)	(264 058)
acquisition of debt securities and other financial investments	300	063	(10 000)	(60 000)
granting loans to other organizations	310	064	-	-
other investment activity expenses		065	(7 123)	(22 875)
Net cash from investment activity	340	070	(6 010 237)	(6 759 212)
FINANCIAL ACTIVITY				
Financial activity cash received		080	11 374 791	6 970 728
borrowed loans and credits		081	11 355 583	6 767 632
other income from financial activity		082	19 208	203 096
Cash allocated for:		090	(10 342 833)	(4 355 251)
redemption of loans and credits (ex interest)		091	(8 905 599)	(3 292 243)
repayment of financial lease liabilities		092	(949 685)	(672 731)
dividends payment	170	093	(486 389)	(373 885)
other financial activity expenses		094	(1 160)	(16 392)
Net cash from financial activity		100	1 031 958	2 615 477
Net increase (reduction) of cash		110	790 237	110 482
CASH BALANCE AS OF THE REPORT PERIOD END		120	1 134 960	344 723
The value of impact of foreign currency rate change with respect to ruble		130	-	-

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

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

March 31, 2006

SUPPLEMENTS TO BALANCE SHEET

for **December 31, 2005**

Organization **OJSC "VolgaTelecom"**

Taxpayer Identification Number **5260901817**

Activity type **Electric communication**

Business legal structure/ownership form **Open Joint Stock Company / private**

Measure unit: **thousand rubles**

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

by OKPO

TIN

by OKVED

by OKOPF/OKFS

by OKEI

CODES
0710005
2005.12.31
01142788
5260901817
64.20
47/16
384

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	135	22		157
<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			29
other	015	105		22		22
Miscellaneous	040	106				
Total		110	135	22		157

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	103	117
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	96	107
<i>owner's rights on trademark and service mark, appellation of origin of goods</i>		123	7	10
<i>other</i>		124		

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	3 566 396	167 075	(52 494)	3 680 977
Installations and transfer mechanisms		202	11 088 610	2 014 313	(271 320)	12 831 603
Machinery and equipment		203	15 974 543	2 979 104	(688 331)	18 265 316
Transport vehicles		204	457 742	27 421	(9 310)	475 853
Computing machinery and office appliances		205	1 227 194	717 036	(102 502)	1 841 728
Housing stock		206	78 688	2 169	(17 641)	63 216
Land plots and nature objects		207	6 246	25	(296)	5 975
Other types of fixed assets		208	305 070	72 479	(8 579)	368 970
Total		210	32 704 489	5 979 622	(1 150 473)	37 533 638

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	12 918 406	15 040 658
including: buildings		221	799 281	839 928
installations and transfer mechanisms		222	4 507 981	4 809 511
Machinery and equipment		223	6 610 592	7 988 975
Transport vehicles		224	300 884	339 370
Computing machinery and office appliances		225	517 996	833 601
Other types of fixed assets		226	181 672	229 273

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	236 402	183 882
including:				
buildings		231	153 998	152 140
installations and transfer mechanisms		232	41 904	8 224
Machinery and equipment		233	39 023	20 951
Transport vehicles		234	1 133	742
Other types of fixed assets		235	344	1 825
Fixed assets put in dead storage from line 210		240	12 105	8 571

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		X
of initial (replacement) cost	171	251		X
of amortization	172	252		X
Fixed assets objects took on lease - total		260	301 591	611 053
including:				
buildings		261	97 479	356 879
installations and transfer mechanisms		262	34 973	56 099
Machinery and equipment		263	122 335	149 348
Transport vehicles		264	363	1 095
Other types of fixed assets		265	46 441	47 632
Property objects being in operation and included into fixed assets prior to registration of right of ownership		270	403 085	720 103

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	1 205	12 180	(622)	12 763
Total		310	1 205	12 180	(622)	12 763

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	28	452

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 non-sales 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	1 249 953	1 307 209		
Including: associated and affiliated companies	511	502	1 241 302	1 285 508		
Government, municipal and outside organizations bonds	515	503				
Long drafts	520	504	1 889	1 889		
Loans granted	525	505			5 925	2 925
Deposits	530	506				
Other	535	507			1 836	1 837
Total	540	510	1 251 842	1 309 098	7 761	4 762
From the total amount the financial investments having fair market value:						
Contributions to charter (reserve) capitals of other organizations - total	550	511	803	2 137		
Including: associated and affiliated companies	551	512				
Government, municipal and outside organizations bonds	555	513				
Long drafts	560	514	1 889	1 889		
Other	565	515				
Total	570	520	2 692	4 026		
BY REFERENCE For financial investments having fair market value, the change of cost as a result of valuation correction	580	521	420	1 333		

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	(4 641 181)	(4 018 018)
Wage costs	720	602	(5 204 912)	(4 472 235)
Benefits-related deductions	730	603	(1 299 343)	(1 455 349)
Amortization	740	604	(2 550 115)	(1 911 598)
Other expenses	750	605	(1 637 500)	(1 406 937)
Element wise costs total	760	610	(15 333 051)	(13 264 137)
Change of balances (increment [+], reduction [-]): of work in progress	765	621	88	1 832
of deferred expenses	766	622	5 910	23 218

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	3 976	7 065 160
Including:				
banks' guarantees		711		
guaranties of third parties		712	259	7 061 182
long drafts		713		
pledged property		714	3 717	3 978
including: fixed assets objects		715	3 717	3 978
securities and other financial investments		716		
other property		717		
miscellaneous		718		
Guarantees granted - total		720	8 116 121	5 984 126
including: guaranties of third parties		721	1 393 526	2 241 045
long drafts		722	1 141 868	
pledged property		723	5 580 727	3 743 081
including: fixed assets objects		724	5 580 727	3 743 081
securities and other financial investments		725		
other property		726		
miscellaneous		727		

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	3 902	6 001
including: Funds on capital expense		811	2 300	6 000
Funds on current expenses		812	1 602	1

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	26 596		(12 190)	14 406
Funds on capital expense		821	26 596		(12 190)	14 406
Funds on current expenses		822				

CEO _____ Omelchenko S.V.

(signature)

(signator)

" "

Chief accountant _____

_____ Popkov N.I.

(signature)

(signator)

Ernst & Young

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**AUDIT OPINION
ON OJSC “VOLGATELECOM” ACCOUNTING STATEMENT
BY INDEPENDENT AUDIT COMPANY**

To the stockholders of the OJSC “VolgaTelecom”

INFORMATION ABOUT THE AUDITOR

Name: LLC "ERNST & YOUNG".

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

Certificate of making an entry about the legal entity registered before July 1, 2002 in the Single 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 the Ministry of Finance of Russian Federation № 223 of September 30, 2002 – was issued for the period of five years.

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

INFORMATION ON THE AUDITED ENTITY

Name: OJSC “VOLGATELECOM”

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

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

We audited the attached accounting statement of OJSC “VolgaTelecom” for the period from January, 1 till December 31, 2005 inclusive. The accounting statement consists of balance sheet, income statement, statement of changes of capital, cash flow statement, supplements to balance sheet and the explanatory memorandum, items 3, 4, 6.1 – 6.11, 6.13 – 12. The management of OJSC “VolgaTelecom” is responsible for accounting, preparation and presentation of this Accounting statement. Our goal is to express the opinion on the authenticity in all essential aspects of the specified statement and on the compliance of the bookkeeping procedure, as related to the preparation of accounting statement, with Russian Federation legislation, formed on the basis of conducted audit. The audit of OJSC “Volga Telecom” accounting statement for 2004 was carried out by CJSC “Ernst and Young Vneshaudit”, which made unconditionally positive report of March 31, 2005.

We carried out the 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 the Audit activity with the President of Russian Federation, and International audit standards.

The audit was planned and conducted to receive reasonable confidence that the Accounting statement contains no essential misstatements. The audit was conducted on the sample basis and included the study by testing of proves confirming the values and the disclosure of information on financial and economic activity in the Accounting statement, the assessment of observance of bookkeeping principles and rules applied at preparation of the Accounting statement, the consideration of essential assessed values received by the management of the audited entity, and also the assessment of general presentation of the Accounting statement. We think that the conducted audit gives sufficient grounds for the expression of our opinion on the authenticity in all essential aspects of the Accounting statement and on the compliance of the bookkeeping procedure, as related to the preparation of accounting statement, with Russian Federation legislation.

In our opinion, the bookkeeping procedure in respect of preparation of OJSC “VolgaTelecom Accounting statement in 2005 met in all essential aspects the requirements of Federal law “On bookkeeping” № 129-ФЗ of November 21, 1996, and the above-mentioned Accounting statement, prepared in accordance with the same Law, reflects truly in all essential aspects the financial status of OJSC “VolgaTelecom” as of December 31, 2005 and the results of its financial and economic activity for the period from January 1 to December 31, 2005 inclusive, in accordance with Russian Federation legislation requirements as related to the preparation of accounting statement.

The attached accounting statement is not aimed at presentation of financial status and the activity results according to the accounting principles or methods generally accepted in countries and other administrative-territorial formations other than Russian Federation. Accordingly, the attached accounting statement is not designated for the persons unfamiliar with bookkeeping principles, procedures and methods accepted in Russia.

April 03, 2006

Ulrich Schroeder
Partner

Audit executive head
Chinnova Irina Evgenievna.
General audit qualification certificate
№ K010442 of 26.01.2004 issued for unlimited term