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FINTUR HOLDINGS B.V.

ANNUAL ACCOUNTS
AS AT 31 DECEMBER 2007
TOGETHER WITH AUDITOR'S REPORT

Adopted by the general meeting of shareholders on 1 December 2008

Vastgesteld door de algemene vergadering van aandeelhouders op 1 december 2008

65

FINTUR HOLDINGS B.V.

TABLE OF CONTENTS

CONTENTS		PAGES

FINTUR HOLDINGS B.V.

TABLE OF CONTENTS

FINTUR HOLDINGS B.V.
ANNUAL REPORT OF THE DIRECTORS

General

In accordance with the Articles of Association of the Company, the Board of Directors of Fintur Holdings B.V. ("the Company") hereby submits the Annual Accounts for the year ended 31 December 2007.

Activities

The major activity of the Company during the financial year was the participation and investment in various businesses in telecommunications (GSM) in several countries in the so-called "Eurasia region". As at year-end 2007 management has no plans to change the activities of the Company and holds interests in the following GSM businesses: Kcell, Azercell (including internet service provider Azeronline), Geocell and Moldcell.

Developments during the year

Results

During the financial year 2007:

Revenues increased by 28% to USD 1,486.4 million compared to a growth of 36% in the preceding year.

The Company made a (consolidated) profit to the amount of USD 262,850,000 (2006: USD 194,790,000). This profit resulted mainly from the Company's GSM business in Kazakhstan and in Azerbaijan. During 2007 the Company's GSM activities in all countries realised a profit.

On 16 July 2007 TeliaSonera closed the MCT Corp. acquisition announced on 9 July. TeliaSonera acquired 100 percent of the shares in MCT, a US-based company with majority controlling shareholdings in three Eurasian GSM operators in Uzbekistan and Tajikistan and a small minority interest in the leading GSM operator in Afghanistan, for an enterprise value of approximately USD 300 million. Although the acquisition has been performed by TeliaSonera, Fintur will be responsible for the management of the operations.

The directors propose to add USD 62,850,000 from the result for the year to other reserves and to distribute dividends amounting to USD 200,000,000 in 2008. The amount of distributable reserves is USD 582.9 million as at 31 December 2007. As at 31 December 2007, Fintur has a sound financial position evidenced by the fact that shareholders' equity amounts to 85% of total assets.

In December 2003, Sonera Corporation granted short-term loans to the subsidiaries operating in the GSM business for a total of USD 139,300,000 to finance the expansion of their GSM network and for the funding of working capital. The subsidiaries partially used these new borrowings to reimburse the existing borrowings from financial institutions. As at 31 December 2007, short-term debt due to TeliaSonera includes principal and accrued interest amounting to USD 71,000,000 (2006: USD 66,750,000) and USD 220,889 (2006: USD nil) respectively. The debt amount due to TeliaSonera includes only a loan given to Geocell. The level of short-term financing from Sonera Corporation is expected to decrease significantly since the Company started to finance its subsidiaries mainly from its own resources from 2006 on.

Cash flows

During 2007 the GSM activities of the Company rendered positive cash flows. The GSM activities of the Company are showing a strong growth.

In the year 2007, the Company invested approximately USD 246 million in network equipment, USD 78 million in non-operational assets (building, land, IT equipment, etc.) and USD 3 million in licenses.

Personnel

As at the end of December the number of personnel of the Company (on a consolidated basis) was 2,460 which is an increase of 23% compared to 2006. The increase was primarily in Kcell and Azercell and was necessary to support the growing business in these countries.

Research and development
The Company does not engage in any research and development activities.

Outlook 2008
For the near future, management of the Company expects:
Revenues will continue growing in 2008. However, due to intensified competition in all markets and tariff pressure from regulatory bodies and increased competition, the growth in 2008 is expected to be lower than in 2007. Despite this fact, the Company will maintain its profitability in 2008.
The Company will continue to invest in the further expansion of the network and thus the level of investments will be in line with 2007.
In addition management believes that the number of personnel of the Company will be approximately 3,000 at the end of 2008 in order to support the expected growth of the business.
In Georgia, Geocell has been already granted a 3G license. Geocell started 3G services early December 2006. In Moldova and Azerbaijan it is expected to have the license in 2008. In Kcell there is still uncertainty about the timing of the 3G license. 3G licenses and network roll-outs will need significant investment and this will impact the profitability for the near future.

Rotterdam, 27 November 2008

Board of Directors:

T.Kivisaari

M.E. Karamehmet

A. Eloholma

E.J. Rytkönen

CONSOLIDATED FINANCIAL STATEMENTS

FINTUR HOLDINGS B.V.

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of USD unless otherwise indicated.)

	Note	2007	2006
ASSETS			
Current assets			
Cash, cash equivalents and restricted cash	4	264,035	207,418
Trade receivables	5	71,627	54,481
Due from related parties	6	4,196	1,877
Inventories	7	18,927	7,993
Other current assets	8	59,700	38,641
Total current assets		**418,485**	**310,410**
Non-current assets			
Property and equipment	9	1,204,084	969,646
Intangible assets	10	158,573	127,330
Other non-current assets	11	19,508	1,406
Deferred income tax assets	13	8,196	5,038
Total non-current assets		**1,390,361**	**1,103,420**
Total assets		**1,808,846**	**1,413,830**

The notes on pages 11 to 53 form an integral part of these consolidated financial statements.

FINTUR HOLDINGS B.V.

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of USD unless otherwise indicated.)

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt due to related parties	6	-	66,750
Trade payables	12	64,789	43,097
Due to related parties	6	22,931	41,106
Current income tax liabilities		16,668	12,460
Other current liabilities	14	130,876	91,906
Total current liabilities		**235,264**	**255,319**
Non-current liabilities			
Deferred income tax liabilities	13	21,641	41,020
Other non-current liabilities	15	9,714	6,425
Total non-current liabilities		**31,355**	**47,445**
Total liabilities		**266,619**	**302,764**
Equity			
Share capital	16	189,059	189,059
Additional paid-in capital	16	349,059	349,059
Retained earnings		387,514	124,664
Cumulative translation adjustment		43,713	18,327
Equity attributable to the shareholders of Fintur Holdings B.V.		969,345	681,109
Minority interest in equity		572,882	429,957
Total equity		**1,542,227**	**1,111,066**
Total equity and liabilities		**1,808,846**	**1,413,830**

The notes on pages11 to 53 form an integral part of these consolidated financial statements.

FINTUR HOLDINGS B.V.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of USD unless otherwise indicated.)

	Note	2007	2006
Revenues	3	1,486,390	1,161,432
Cost of services	17	(609,494)	(463,277)
Gross profit		**876,896**	**698,155**
General and administrative expenses	18	(103,934)	(75,094)
Selling and marketing expenses	19	(178,076)	(112,415)
Other operating income, net		1,910	1,058
Operating profit		**596,796**	**511,704**
Financial income	20	21,053	11,259
Financial expense	21	(3,825)	(9,190)
Profit before taxation on income		**614,024**	**513,773**
Taxation on income	13	(137,575)	(145,411)
Profit for the year		**476,449**	**368,362**
Attributable to:			
- shareholders of Fintur Holdings B.V.		262,850	194,790
- minority interest		213,599	173,572
		476,449	**368,362**

The notes on pages 11 to 53 form an integral part of these consolidated financial statements.

FINTUR HOLDINGS B.V.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of USD unless otherwise indicated.)

	Equity attributable to shareholders of Fintur Holdings B.V.							
	Share capital	Additional paid-in capital	(Accumulated deficit)/ retained earnings	Cumulative translation adjustment	At the disposal of the AGMS (dividend)	Total	Minority interest	Total equity
Balances at 1 January 2006	**189,059**	**349,059**	**(70,126)**	**(3,412)**	**-**	**464,580**	**351,226**	**815,806**
Dividends paid	-	-	-	-	-	-	(112,622)	(112,622)
Currency translation differences	-	-	-	21,739	-	21,739	17,781	39,520
Profit for the year	-	-	194,790	-	-	194,790	173,572	368,362
Balances at 31 December 2006	**189,059**	**349,059**	**124,664**	**18,327**	**-**	**681,109**	**429,957**	**1,111,066**
Balances at 1 January 2007	**189,059**	**349,059**	**124,664**	**18,327**	**-**	**681,109**	**429,957**	**1,111,066**
Dividends paid	-	-	-	-	-	-	(89,161)	(89,161)
Currency translation differences	-	-	-	25,386	-	25,386	18,487	43,873
Profit for the year	-	-	62,850	-	200,000	262,850	213,599	476,449
Balances at 31 December 2007	**189,059**	**349,059**	**187,514**	**43,713**	**200,000**	**969,345**	**572,882**	**1,542,227**

The notes on pages 11 to 53 form an integral part of these consolidated financial statements.

FINTUR HOLDINGS B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in thousands of USD unless otherwise indicated.)

	Note	2007	2006
Profit before taxation on income		614,024	513,773
Adjustments to reconcile profit before taxation on income to net cash provided by operating activities:			
Depreciation and amortisation	9,10	178,236	140,851
Interest expense	20	1,586	8,845
Change in deferred revenue		27,048	4,487
Provision for impairment of receivables, net	5	2,245	2,235
Interest income	20	(7,929)	(8,114)
Loss on sale of property and equipment		2,219	6,847
Changes in operating assets and liabilities:			
Decrease in financial assets at fair value through profit and loss		-	1,949
(Increase)/decrease in inventories		(10,934)	71
Increase in trade receivables and due from related parties		(46,875)	(27,591)
(Increase)/decrease in other assets		(39,161)	4,020
Increase in restricted cash		(71)	(70)
(Decrease)/increase in trade payables and due to related parties		(35,553)	(937)
Increase in other liabilities		69,307	9,476
Interest paid		(429)	(12,998)
Capital tax liability paid		(5,472)	-
Income taxes paid		(157,462)	(137,611)
Net cash provided by operating activities		**590,779**	**505,233**
Investing activities:			
Proceeds from sale of property, plant and equipment		1,126	588
Purchase of property and equipment		(333,870)	(321,768)
Purchase of intangible assets		(44,669)	(25,658)
Interest received		947	-
Net cash used in investing activities		**(376,466)**	**(346,838)**
Financing activities:			
Repayment of short-term debt to related parties		(69,950)	(39,900)
Proceeds from short-term debt to related parties		-	7,000
Interest received		6,982	7,497
Dividend paid to minority interest		(96,146)	(87,928)
Net cash used in financing activities		**(159,114)**	**(113,331)**
Net increase in cash and cash equivalents		55,199	45,064
Cash and cash equivalents at beginning of the year		207,342	162,312
Effect of exchange rate changes on cash and cash equivalents		1,347	(34)
Cash and cash equivalents at end of the year		**263,888**	**207,342**

The notes on pages 11 to 53 form an integral part of these consolidated financial statements.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Fintur Holdings B.V. ("Fintur" or the "Company"), is a limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Rodezand 34k in Rotterdam, the Netherlands. Fintur's primary activity is the participation and investment in various businesses in the telecommunications, high technology and media sectors.

Fintur has two primary shareholders, Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") and Sonera Holding B.V. ("Sonera"). The holdings of Sonera and Turkcell in Fintur are 58.55% and 41.45%, respectively. On 3 December 2002, Sonera and the Swedish telecommunication operator Telia AB finalised a merger and a new company was organised under the name TeliaSonera AB ("TeliaSonera"). TeliaSonera owns 100% of Sonera.

As at 31 December 2007, subsidiaries of Fintur (the "Subsidiaries") and their locations are as follows:

	Location
Azercell Telekom B.M. ("Azercell")	Azerbaijan
Azeronline Ltd. ("Azeronline")	Azerbaijan
Azertel Telekomünikasyon Yatırım Dış Ticaret A.Ş. ("Azertel")	Turkey
Geocell LLC ("Geocell")	Georgia
Gürtel Telekomünikasyon Yatırım ve Dış Ticaret A.Ş. ("Gürtel")	Turkey
GSM Kazakhstan LLP OAO Kazakhtelecom ("Kcell")	Kazakhstan
I.M. Moldcell S.A. ("Moldcell")	Moldova
Molfintur S.R.L. ("Molfintur")	Moldova

Azertel has a 64% share in Azercell. Azercell is a cellular phone carrier and operates in accordance with a non-exclusive GSM license agreement signed with the Ministry of Communication of the Azerbaijan Republic in December 1996 which allows operation throughout Azerbaijan for a twenty-year period. In 2006, Azercell obtained the right to use new 1800 GSM frequency license for a twenty-year period. Azercell has a 51% share in Azeronline, an Internet Service Provider.

Gürtel has an 83% share in Geocell. Geocell is a cellular phone carrier, which operates in accordance with a non-exclusive GSM license. GSM 900 license agreement was signed with the Ministry of Communications of the Republic of Georgia in April 1997 and renewed in April 2007. GSM 1800 license was acquired from GT-Mobile in August 1999 and a WCDMA/UMTS license was acquired from the National Communication Commission of Georgia in June 2006. All licenses allow for operation throughout Georgia for a ten-year period.

Kcell was formed to design, construct and operate a cellular telecommunications network in Kazakhstan. Kcell obtained a non-exclusive general license in June 1998 for 15 years to provide mobile telephone services in accordance with GSM Standards. On 20 June 2007, Kcell entered into an agreement to acquire 100% in a company in Kazakhstan, AR-Telecom LLP ("AR-Telecom"), which had been dormant since establishment in 2003. The purpose of the acquisition was to get a WiMAX license held by AR-Telecom that provides a right to organise wireless radio-access networks over 3.5 MHz spectrum (Note 10).

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Moldcell was established to operate as one of the two GSM operators in the Republic of Moldova. Moldcell was licensed by the Ministry of Transport and Communications in November 1999 to provide both voice and data services over its mobile network for a period of 15 years.

Molfintur was established to provide commercial services, telecommunication services, agency services, production and trading, and distribution and merchandise marketing.

These consolidated financial statements were approved by Mr. Pietari Kivikko ("Chief Financial Officer") and Mr Serdar Canoğulları ("Chief Executive Officer") on 25 February 2008.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Fintur and its subsidiaries (the "Group") as at 31 December 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these consolidated financial statements.

The policies set out below have been consistently applied to all periods presented.

The Group maintain their accounting records in accordance with the laws and regulations in force in the countries where they are registered. These consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.6.

In management's opinion all adjustments are normal, recurring and necessary for a fair presentation. The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the future periods.

The Company's financial data are included in the consolidated financial statements. As allowed by section 402, Book 2 of the Netherlands Civil Code, the company-only income statements is presented in condensed form.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements are presented in US dollars ("USD"), which is the Company's functional and presentation currency.

2.2 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

(c) Group companies

The results and financial positions of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

The following table summarises the period-end and average exchange rates of local currencies for Fintur and its subsidiaries for 1.00 USD as at 31 December 2007 and 2006 and for the years then ended:

	2007		2006	
	31 December	Average	31 December	Average
Kazakhstan Tenge	120	123	127	126
Azeri Manat	0.85	0.86	0.87	0.89
Georgian Lari	1.59	1.67	1.71	1.77
New Turkish Lira	1.16	1.36	1.40	1.40
Moldovan Lei	11.3	12.1	12.9	13.1
EUR	1.46	1.37	1.32	1.26

At present, material exchange restrictions and controls exist in most jurisdictions in which the Group operates. The local currencies of Fintur subsidiaries in Kazakhstan, Azerbaijan, Georgia and Moldova are not convertible outside of the respective countries. Future movements of exchange rates will affect the carrying values of the Group's assets and liabilities. The translation of underlying local currency amounts into USD in these consolidated financial statements should not be construed as a representation that such local currency amounts have been, could be or will in the future be converted into USD at the exchange rates shown or at any other exchange rate.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

Intercompany transactions and balances between group companies are eliminated in full. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The table below sets forth Fintur's effective ownership percentage in subsidiaries and their business segments as at 31 December 2007 and 2006:

Name	Business segment	2007 %	2006 %
Azercell	GSM	51	51
Azeronline	Other	26	26
Azertel	Other	80	80
Geocell	GSM	83	83
Gürtel	Other	100	100
Kcell	GSM	51	51
Moldcell	GSM	100	100
Molfintur	Other	100	100

Gürtel has an 83% interest in Geocell and Azertel has a 64% interest in Azercell. Azercell has a 51% share in Azeronline. The business segment of Azercell and Geocell is GSM.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.3 Principles of consolidation (Continued)

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statement of income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.4 Summary of significant relevant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of investments readily convertible into cash and have original maturities of three months or less.

Available-for-sale investments

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT *ACCOUNTING POLICIES (Continued)*

2.4 Summary of significant relevant accounting policies (Continued)

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Group periodically assesses the adequacy of valuation allowances for uncollectible accounts receivable by evaluating the collectibility of outstanding receivables and general factors such as length of time individual receivables are past due, historical collection experience, and the economic environment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income within cost of services. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of services in the statement of income.

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel, Board members and their close family members, in each case together with, companies controlled by or affiliated with them and investments are considered and referred to as related parties.

Inventories

Inventories primarily include SIM cards, scratch cards and spare parts.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Other non-current assets

The Group recognises receivables from dealers under the Kcell Express programme as assets because it is able to control them as a result of past events and future economic benefits are expected to flow to the Group from these receivables. Receivables under Kcell Express programme are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant relevant accounting policies (Continued)

Property and equipment and related depreciation

Property and equipment are recorded in the balance sheet at cost less accumulated depreciation, and impairment losses. The cost of property and equipment includes its purchase price, non-refundable taxes, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs that are directly attributable to the acquisition, construction or production of property and equipment are capitalised as part of the cost of that asset.

To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated costs of dismantling and removing the asset and restoring the site. A change in estimated expenditures for dismantling, removal and restoration is added to and/or deducted from the carrying value of the related asset.

Property and equipment consist of the following assets which are depreciated primarily on a straight-line basis over the estimated useful lives shown below:

	Years
Buildings	10-25
Switches and transmission devices	8
Network equipment	8
Furniture and fixtures	4
Motor vehicles	4
Leasehold improvements	4-5
Computer equipment	4

The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Changes in telecommunications technology may have a significant impact on the activities of the Group. These changes may lead to the replacement of major items of equipment by new technology, which provide the same or superior service capacity at substantially lower cost. In reviewing the remaining useful lives, for the purposes of these consolidated financial statements, management took into account these circumstances and the environment in which the Group operates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of income.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant relevant accounting policies (Continued)

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(b) Licenses and rights to use frequency spectrums

Acquired licenses and rights to use frequency spectrums are shown at historical cost. Licenses and rights to use frequency spectrums have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses and rights to use frequency spectrums over their estimated useful lives (9-20 years).

(c) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 8 years.

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant relevant accounting policies (Continued)

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Leases

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income, on a straight-line basis over the period of the lease.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level. Consequently, the net deferred tax positions of the parent company and the individual subsidiaries venture are not offset in the consolidated financial statements.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT *ACCOUNTING POLICIES (Continued)*

2.4 Summary of significant relevant accounting policies (Continued)

Revenue recognition

Revenues are recorded on an accrual basis at the sales value, adjusted for discounts granted and sales-related taxes. Revenues are measured at the fair value of the consideration received or receivable. Revenues are shown net of VAT and discounts.

The Group categorises subscribers as follows:

- Prepaid subscribers, that use prepaid cards to access wireless network and
- Post-paid subscribers that are billed each month for their access of wireless network.

Revenues are categorised as follows:

- Revenue from subscribers, including monthly fixed fees, call-out revenue, prepaid card services;
- Roaming fees charged to other wireless operators for non-company subscribers using the Group's network;
- Interconnect fees;
- Connection fees;
- Other: rentals of transmission lines and other services.

Revenue from prepaid card services

The Group sells prepaid phone cards to subscribers separately from the handset. These cards allow subscribers a predetermined allotment of wireless phone calls and /or to take advantage of other services offered by the Group, such as short messages.

At the time the prepaid phone card is purchased by a subscriber, the Group records the receipts of cash as deferred income (Note 14). The Company recognises revenues from the sale of the prepaid card in the period when the subscriber uses airtime under the prepaid card. Unused airtime on sold prepaid card is not recognised as revenue until the related service has been provided to the subscriber or the prepaid card has expired.

Call-out revenue

Call-out revenue is recognised based on the actual airtime used by the post-paid subscribers.

Interconnect revenues and costs

The Company charges interconnect per minute fees to other wireless and fixed line operators within the country which the subsidiaries of Fintur operate, for calls originating from outside and terminated within Group's network. The Group recognizes such revenues when the services are provided. The Group is charged interconnect per minute fees by other wireless and fixed line operators within the country which the subsidiaries of Fintur operate, for calls originating from within the Group's network and terminated outside of the network. The Group recognises such costs when the services are provided.

Roaming revenues

The Group charges roaming per minute fees to other wireless operators for non-Group subscribers utilizing the Group's network. The Group recognises such revenues when the services are provided.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant relevant accounting policies (Continued)

Revenue recognition (Continued)

Connection fees

Connection fees consist of non-refundable charges received from subscribers at the time of initiation without fixed period of the contract between the Group and the subscriber. Connection fees are recognised as revenue immediately.

Monthly fixed fee

The Group recognises revenues related to the monthly network fees in the month that wireless service is provided to the subscriber.

Other revenues

The revenue recognition policy for other revenues (including SMS, MMS and GPRS) is to recognise revenue as services are provided.

Interest income is recognised on a time-proportionate basis using the effective interest method.

Customer acquisition costs

The Group does not capitalise the costs of acquiring contracts as intangible assets. These costs represent commissions, bonuses and other rewards paid to distributors or dealers for connecting subscribers for service to the network. In accordance with IAS 38 "Intangible Assets", an intangible asset should be recognised if it meets the criteria of being measurable, identifiable and controlled. Management believes that while these costs are measurable and identifiable, they are not controlled by the Group. Therefore, the Group expenses customer acquisition costs as incurred.

Payroll expenses and related contributions

Wages, salaries, contributions to pension funds, paid annual leave and sick leave, bonuses, and other benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the countries where Fintur subsidiaries operate, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds. Once the contributions have been paid, the Group has no further pension obligations. Upon retirement of employees, all pension payments are administered by the pension funds directly.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant relevant accounting policies (Continued)

Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected geographical segments as the Group's primary segment reporting format. Business segments have not been disclosed in these financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group, other than the GSM business, are not reportable business segments individually when compared to the overall financial statements.

Geographical segments of Kazakhstan, Azerbaijan, Georgia and Moldova are composed of the Group's subsidiaries Kcell, Azercell, Geocell and Moldcell which are domiciled in these respective countries.

2.5 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by management under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.5 Financial risk management (Continued)

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. These risks are monitored and limited by the analysis of foreign currency position. Due to undeveloped market of financial instruments in countries where the subsidiaries operate, management does not hedge the Company's foreign exchange risk.

As at 31 December 2007, if the USD had weakened/strengthened by 10 percent against Tenge with all other variables held constant, post-tax profit for the year ended 31 December 2007 would have been USD 1,271 (31 December 2006: USD 824) higher/ lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated bank balances, trade receivables, other current assets and trade payables.

As at 31 December 2007, if the Azeri Manat had weakened/strengthened by 10 percent against the USD with all other variables held constant, post-tax profit for the year ended 31 December 2007 would have been USD 600 (31 December 2006: USD 627) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated bank balances, trade receivables and trade payables.

As at 31 December 2007, if the Georgian Lari had weakened/strengthened by 10 percent against the USD with all other variables held constant, post-tax profit for the year ended 31 December 2007 would have been USD 7,870 (31 December 2006: USD 6,485) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD bank balances, trade receivables, payables and borrowings.

As at 31 December 2007, if the USD had weakened/strengthened by 10 percent against Moldovan Lei with all other variables held constant, post-tax profit for the year ended 31 December 2007 would have been USD 3,800 (31 December 2006: USD 4,200) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated bank balances, trade receivables and payables.

As at 31 December 2007, if the USD had weakened/strengthened by 10 percent against EUR with all other variables held constant, post-tax profit for the year would have been USD 51 higher/ lower (31 December 2006: USD 397 higher/lower), mainly as a result of foreign exchange gains/losses on translation of USD denominated bank balances, receivables, other current assets and payables.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.5 Financial risk management (Continued)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to changes in market interest rates based on the existence of interest bearing assets and short-term debt to related parties.

The Group has significant interest-yielding assets (Note 4), therefore the Group's income and operating cash flows are dependent on changes in market interest rates.

As at 31 December 2007, if interest rate on bank time deposits had been 2 percent higher/lower with all other variables held constant, post-tax profit for the year would have been USD 3,677 (31 December 2006: USD 1,433) higher/lower, arising mainly as a result of decrease in the fair value of fixed rate financial assets.

The Group's interest rate risk arises from short-term debt due to related parties. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The current Group policy is to maintain its borrowings in fixed rate instruments.

As at 31 December 2007, if interest rates on USD denominated borrowings at that date had been 2 percent per annum higher/lower with all other variables held constant, post-tax profit for the year would have been USD 1,965 (31 December 2006: USD 1,640) higher/lower.

The fixed rate exposure is managed by using natural hedges that arise from interest-bearing assets.

(iii) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, represented by corporate clients. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary. The Group's investments in cash equivalents are limited to high-credit quality financial institutions. There are no policies that limit the amount of credit exposure to any financial institution. The Group has policies in place to ensure that sales of products and services are made to customers and distributors with an appropriate credit history. Customers that fail to settle their liabilities for mobile services provided are disconnected until the debt is paid. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk since the customers portfolio is diversified over a large number of customers, both private persons and companies. Although collection of receivables could be influenced by economic factors, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.5 Financial risk management (Continued)

(iii) Credit risk (Continued)

The table below shows the balances with the major banks at the balance sheet dates:

	31 December 2007	31 December 2006
United Garanti Bank International N.V.	78,633	48,078
Texnikabank	43,366	7,002
Bank Standard	41,532	5,691
UniBank	12,590	-
Kazkommertsbank	9,679	6,927
Bank of Georgia	6,868	1,966
RabitaBank	5,120	5,136
TBC Bank	2,994	-
VTB Bank	2,661	-
International Bank of Azerbaijan	2,401	2,505
Demir Kazakhstan Bank	2,213	-
Garanti Bankası	2,033	16,033
Yapı Kredi	1,831	-
Bank Republic of Georgia	1,601	-
Citibank	1,089	-
ABN Amro Bank	-	24,989
Bank TuranAlem	-	20,139
CenterCredit Bank	-	18,928

(iv) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

(v) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.5 Financial risk management (Continued)

(v) Capital risk management (Continued)

The gearing ratios as at 31 December 2007 and 2006 were as follows:

	2007	2006
Total borrowings	229,323	249,284
Less: cash and cash equivalents (Note 4)	(264,035)	(207,418)
Net debt	(34,712)	41,866
Total equity	1,542,227	1,111,066
Total capital	1,507,515	1,152,932
Gearing ratio	**(2%)**	**4%**

(vi) Fair value estimations

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The countries where the Group's significant subsidiaries operate continue to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values due to their short term maturities.

Financial instruments carried at fair value

Available-for-sale investments are carried on the balance sheet at their fair value. Fair values were determined based on quoted market prices.

Liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of trade payables and due to related parties approximate fair values due to their short-term maturities.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are outlined below.

(a) Income taxes

The tax legislation and practices in Kazakhstan, Azerbaijan, Georgia and Moldova are in a state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the tax authorities for 3 to 5 years. Whereas the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Were the actual final outcomes (on the judgement areas) to differ by 10% from management's estimates, the Group would need to:

- increase the deferred income tax liability by USD 618, if unfavourable; or
- decrease deferred income tax liability by USD 618, if favourable.

(b) Allowance for doubtful accounts

The Group's allowance for doubtful receivables reflects estimated losses that result from the inability of customers to make required payments. Management determines the size of the allowance based on the likelihood of recoverability of accounts receivable taking into account actual losses in prior years and current collection trends. Should economic or specific industry trends worsen compared to management estimates, the allowance may have to be increased, negatively impacting earnings.

If management's estimation of impairment of trade receivables deviates 10% negatively from the actual collection trend within the next twelve months, the allowance account would have been increased by USD 246, negatively impacting earnings.

If management's estimation of impairment of trade receivables deviates 10% positively from the actual collection trend within the next twelve months, the allowance account would have been decreased by USD 246, positively impacting earnings.

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.6 Critical accounting estimates and judgements (Continued)

(c) Useful lives of property and equipment

Determination of the useful lives of asset classes involves taking into account historical trends and making assumptions related to future socioeconomic and technological development and expected changes in market behaviour. These assumptions are subject to review by management at least annually.

If the management's useful life estimate differed 10% from the actual trend of economic benefits inflow to the Group generated by related assets, the depreciation charge for the next twelve months would:

- increase by USD 22,189, if unfavourable; or
- decrease by USD 18,154 if favourable.

(d) Useful lives of intangible assets

Determination of useful lives of licenses and other rights is based on the period of contractual or legal rights. Determination of the useful lives of computer software and other intangible assets involves taking into account historical trends and making assumptions related to future socioeconomic and technological development and expected changes in market behaviour. These assumptions are subject to review by management at least annually.

If the management's useful life estimate for computer software and other intangible assets differed 10% from the actual trend of economic benefits inflow to the Group generated by related assets, the amortisation charge for the next twelve months would:

- increase by USD 768, if unfavourable; or
- decrease by USD 629, if favourable.

(e) Customer acquisition costs

The Group does not capitalise the costs of acquiring contracts as intangible assets. These costs represent commissions, bonuses and other rewards paid to distributors or dealers for connecting subscribers for service to the network. In accordance with IAS 38, Intangible Assets, an intangible asset should be recognised if it meets the criteria of being measurable, identifiable and controlled. Management believes that while these costs are measurable and identifiable, they are not controlled by the Group. Therefore, the Group recognises the customer acquisition costs as expense when incurred.

(f) Legal proceedings and claims

The Group is subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. The Group evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount the Group has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable (Note 23).

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.7 Recent accounting pronouncements

The following amendments to standards and interpretations have been issued and effective as of 31 December 2007 but are not relevant to Group's operations:

- IFRIC 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies", effective for annual periods beginning on or after 1 March 2006. IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which the entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As the economies in which the Group operates are not hyperinflationary, IFRIC 7 is not relevant to the Group's operations.

- IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, to establish whether or not they fall within the scope of IFRS 2. As the Group does not issue equity instruments, management does not expect the interpretation to be relevant for the Group.

- IFRIC 9, "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after 1 June 2006. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group has not changed the terms of its contracts, IFRIC 9 is not relevant to the Group's operations.

The following amendments to existing standards have been issued but are not effective as of 31 December 2007 and have not been early adopted by the Group:

- IAS 1, "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. The main changes in the revised standard comprise the new definitions for a complete set of financial statements, reporting owner changes in equity and recognised income and expenses, other recognised income and expenses - reclassification adjustments and related tax effects and presentation of dividends. The Group will apply IAS 1 from 1 January 2009, but is expected to have limited impact on the presentation of Group's financial statements.

- IFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. Management believes that this standard should not have a significant impact on the disclosures of the financial statements since the identification of operating segments from internal reporting standpoint do not differ from risk and return analysis of the Group.

- IAS 23, "Borrowing Costs (revised March 2007)", effective for annual periods beginning on or after 1 January 2009. The revised standard will not result in a change in the accounting policy since the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset (Note 2.4).

NOTE 2 - BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

2.7 Recent accounting pronouncements (Continued)

- IFRIC 11, "IFRS 2 – Group and Treasury Shares Transactions" effective for annual periods beginning on or after 1 March 2007. IFRIC 11 addresses two issues. The first is whether the following transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2. The second issue concerns share-based payment arrangements that involve two or more entities within the same group. It is not expected to have an impact on the Group's accounts.

- IFRIC 12 "Service Concession Agreements" effective for annual periods beginning on or after 1 January 2008. It addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements. Management does not expect the interpretation to be relevant for the Group.

- IFRIC 13, "Customer Loyalty Programmes" is effective for annual periods beginning on or after 1 July 2008. Management is making an assessment to identify the effect of this interpretation for the Group.

- IFRIC 14, "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is effective for annual periods beginning on or after 1 January 2008. Management does not expect the interpretation to be relevant for the Group.

- IFRS 3 (Revised) - "Business combination" shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The standard continues to apply the acquisition method to business combinations, with some significant changes. It is not expected to have an impact on the Group's accounts.

- IAS 27 (Revised) – "Consolidated and separate financial statements" effective for annual periods beginning on or after 1 July 2009. The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting method when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. Management expects the interpretation to be relevant for the Group for the transactions occurred in 2008 with non-controlling interests (Note 24).

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 3 - SEGMENT INFORMATION

Primary reporting format - geographical segments

The Group has one business segment, namely GSM business. The Group's single business segment operates in five main geographical areas.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Geographical segments of Kazakhstan, Azerbaijan, Georgia and Moldova comprises the Group's subsidiaries Kcell, Azercell, Geocell and Moldcell which are domiciled in these respective countries.

(a) Segment assets

Segment assets comprise primarily property and equipment, intangible assets, inventories, trade and other receivables and are allocated based on where the assets are located. Unallocated assets comprise cash and cash equivalents, deferred income tax assets/liabilities.

The segment assets at 31 December 2007 and 2006 are as follows:

	2007	**2006**
Kazakhstan	793,765	582,318
Azerbaijan	463,695	407,034
Georgia	195,746	148,554
Moldova	75,558	63,339
Other	34,955	31,132
Segment assets	**1,563,719**	**1,232,377**
Unallocated assets	272,231	209,390
Less: inter-segment eliminations	(27,104)	(27,937)
Total assets per consolidated balance sheet	**1,808,846**	**1,413,830**

Capital expenditure comprises additions to property and equipment and intangible assets and is allocated based on where the assets are located. The capital expenditures for the years ended 31 December 2007 and 2006 are as follows:

	2007	**2006**
Kazakhstan	220,176	144,995
Azerbaijan	97,124	140,404
Georgia	60,960	63,509
Moldova	15,258	13,499
Other	104	156
Total	**393,622**	**362,563**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 3 - SEGMENT INFORMATION (Continued)

(b) Segment liabilities

Segment liabilities comprise operating liabilities and are allocated based on where the assets are located. Unallocated liabilities comprise items such as taxation and borrowings.

The segment liabilities as at 31 December 2007 and 2006 are as follows:

	2007	2006
Kazakhstan	140,723	130,347
Azerbaijan	71,237	40,040
Georgia	29,510	20,733
Moldova	3,025	7,690
Other	9,871	5,713
Segment liabilities	**254,366**	**204,523**
Unallocated liabilities	38,309	126,940
Less: inter-segment eliminations	(26,056)	(28,699)
Total liabilities per consolidated balance sheet	**266,619**	**302,764**

(c) Depreciation and amortisation expense

Depreciation and amortisation expenses for the year ended 31 December 2007 are as follows:

	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Total
Depreciation	69,267	56,743	22,211	8,109	48	156,378
Amortisation	11,256	2,075	6,430	2,004	93	21,858
Total	**80,523**	**58,818**	**28,641**	**10,113**	**141**	**178,236**

Depreciation and amortisation expenses for the year ended 31 December 2006 are as follows:

	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Total
Depreciation	57,510	43,932	15,707	5,616	38	122,803
Amortisation	9,305	1,605	5,618	1,458	62	18,048
Total	**66,815**	**45,537**	**21,325**	**7,074**	**100**	**140,851**

(d) Provision for impairment of receivables

Provision for impairment of receivables for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Kazakhstan	938	578
Azerbaijan	559	1,391
Georgia	748	90
Moldova	-	176
Other	-	-
Total	**2,245**	**2,235**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 3 - SEGMENT INFORMATION (Continued)

(e) Segment results

The segment results for the years ended 31 December 2007 and 2006 are as follows:

2007	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Inter-segment eliminations	Total
External revenue	825,122	439,640	164,568	53,924	3,136	-	1,486,390
Inter-segment revenue	307	130	549	13	1,215	(2,214)	-
Total segment revenue	825,429	439,770	165,117	53,937	4,351	(2,214)	1,486,390
Operating expenses	(496,192)	(233,278)	(110,201)	(41,622)	(6,143)	2,129	(885,307)
Other operating income/(expense), net	1,598	-	(125)	63	342	32	1,910
Segment result	**330,835**	**206,492**	**54,791**	**12,378**	**(1,450)**	**(53)**	**602,993**
Unallocated expenses							(6,197)
Operating profit							**596,796**

2006	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Inter-segment eliminations	Total
External revenue	650,884	339,762	127,740	43,001	45	-	1,161,432
Inter-segment revenue	247	144	205	13	1,265	(1,874)	-
Total segment revenue	651,131	339,906	127,945	43,014	1,310	(1,874)	1,161,432
Operating expenses	(349,123)	(177,443)	(87,552)	(31,252)	(5,440)	1,657	(649,153)
Other operating income/(expense), net	5,672	(437)	(96)	238	362	(4,681)	1,058
Segment result	**307,680**	**162,026**	**40,297**	**12,000**	**(3,768)**	**(4,898)**	**513,337**
Unallocated expenses							(1,633)
Operating profit							**511,704**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 3 - SEGMENT INFORMATION (Continued)

(f) Information about products and services as at 31 December 2007 and 2006

2007	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Total
Revenues from prepaid card services	367,841	271,098	80,169	14,858	-	733,966
Call-out revenues	272,382	84,759	19,733	11,622	-	388,496
Interconnect revenues	113,276	40,217	38,779	15,659	-	207,931
Revenues from SMS	24,045	21,390	16,498	3,253	-	65,186
Roaming revenues	30,583	8,998	3,269	4,813	-	47,663
Monthly fixed fees	9,801	2,306	1,529	1,839	-	15,475
Revenues from MMS, GPRS, and WAP	4,066	2,948	1,931	808	-	9,753
Registration and connection fees	2,670	5,006	411	619	-	8,706
Transmission line in lease	-	2,539	-	-	-	2,539
Other service revenues	458	379	2,249	453	3,136	6,675
External revenues	**825,122**	**439,640**	**164,568**	**53,924**	**3,136**	**1,486,390**

2006	Kazakhstan	Azerbaijan	Georgia	Moldova	Other	Total
Revenues from prepaid card services	241,412	200,475	63,013	9,754	-	514,654
Call-out revenues	251,148	71,569	15,837	9,954	-	348,508
Interconnect revenues	102,194	27,249	31,451	15,051	-	175,945
Revenues from SMS	16,553	16,701	10,205	2,478	-	45,937
Roaming revenues	21,870	8,275	2,327	3,019	-	35,491
Monthly fixed fees	10,044	3,616	1,647	1,476	-	16,783
Revenues from MMS, GPRS, and WAP	3,747	2,818	1,895	449	-	8,909
Registration and connection fees	2,865	5,817	447	632	-	9,761
Transmission line in lease	-	2,274	-	-	-	2,274
Other service revenues	1,051	968	918	188	45	3,170
External revenues	**650,884**	**339,762**	**127,740**	**43,001**	**45**	**1,161,432**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 4 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The analysis of cash, cash equivalents and restricted cash as at 31 December 2007 and 2006 are as follows:

	2007	2006
Cash on hand	193	650
Banks		
- demand deposits	136,296	102,140
- time deposits	127,399	104,552
Restricted cash	147	76
Total	**264,035**	**207,418**

Time deposits are all short-term with original maturities of less than three months. Effective interest rates for Kazakhstan Tenge, Azeri Manat and USD denominated time deposits are 4.8% p.a., 10% p.a. and 6% p.a. as at 31 December 2007, respectively (31 December 2006: 6% p.a, 13.18% p.a. and 6.8% p.a.).

Restricted cash of USD 147 (31 December 2006: USD 76) represents the amount deposited in a special bank account in order to receive permission for expatriate personnel to work for Kcell in Kazakhstan.

Cash and cash equivalents included in the consolidated statements of cash flows are as follows:

	2007	2006
Cash, cash equivalents and restricted cash	264,035	207,418
Less: restricted cash	(147)	(76)
	263,888	**207,342**

NOTE 5 - TRADE RECEIVABLES

The analysis of trade receivables as at 31 December 2007 and 2006 is as follows:

	2007	2006
Receivable from retailers	31,478	20,460
Receivable from subscribers	28,339	26,884
Interconnect receivable from local fixed line operators	13,412	6,352
Receivable from roaming operators	6,801	7,089
Other	1,235	1,104
	81,265	**61,889**
Less: provision for impairment of trade receivables	(9,638)	(7,408)
Trade receivables, net	**71,627**	**54,481**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES (Continued)

Movements on the allowance for doubtful accounts for the years ended 31 December 2007 and 2006 are as follows:

	2007	**2006**
At 1 January	7,408	5,198
Provision for impairment of receivables	2,245	2,235
Reversal of provision	(35)	-
Receivables written-off during the year as uncollectible	(516)	(242)
Foreign currency translation differences	536	217
At 31 December	**9,638**	**7,408**

There is no concentration of credit risk with respect to trade receivables. Additionally, carrying amounts of trade receivables approximate fair values.

The other classes within trade and other receivables do not contain impaired assets.

As at 31 December 2007, trade receivables amounting to USD 7,411 (31 December 2006: USD 6,783) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2007	**2006**
Less than 30 days	4,340	2,609
Between 30 and 60 days	1,169	1,635
Between 60 and 90 days	1,180	1,351
Between 90 and 180 days	123	828
More than 180 days	599	360
At 31 December	**7,411**	**6,783**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 6 - TRANSACTIONS AND BALANCES WITH SHAREHOLDERS AND OTHER RELATED COMPANIES

Amounts due from and due to related parties at 31 December 2007 and 2006 are as follows:

Due from related companies:	2007	2006
TeliaSonera UTA Holdings B.V.	2,292	-
Turkcell	1,228	861
TeliaSonera Finland Oyj	460	213
MegaFon	133	163
Ministry of Communication of Azerbaijan Republic	-	610
Other	83	30
Total due from related companies	**4,196**	**1,877**

Due to related companies:	2007	2006
OAO Kazakhtelecom	21,596	39,706
Turkcell	642	283
MegaFon	458	296
Ministry of Communication of Azerbaijan Republic	35	-
TeliaSonera Finland Oyj	13	66,750
Other	187	821
Total due to related companies	**22,931**	**107,856**

Sales and purchases made by the Group to and from related parties during the years ended 31 December 2007 and 2006 are as follows:

Revenues from related parties:	2007	2006
OAO Kazakhtelecom (interconnect)	40,126	61,094
Aztelekom (interconnect)	14,574	14,003
Turkcell (roaming)	5,053	2,911
UTA Holding (management services)	1,375	-
Megafon (roaming)	889	107
Other	2,091	741
Total	**64,108**	**78,856**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 6 - TRANSACTIONS AND BALANCES WITH SHAREHOLDERS AND OTHER RELATED COMPANIES (Continued)

Cost and expenses incurred with related parties:	2007	2006
OAO Kazakhtelecom (interconnect and transmission)	85,190	80,736
Aztelekom (interconnect)	15,031	15,782
Turkcell (roaming)	3,083	1,723
Megafon (roaming)	1,836	1,014
TeliaSonera Finland Oyj (interest and other)	169	5,767
Other	579	58
Total	**105,888**	**105,080**

The carrying amount and fair value of amounts due and to related parties do not differ from each other.

Turkcell and TeliaSonera are shareholders of Fintur. The Ministry of Communications of Azerbaijan Republic and OAO Kazakhtelecom are minority shareholders of Fintur's subsidiaries. Aztelekom is a state-owned company wholly controlled by the Ministry of Communications of Azerbaijan Republic. The remaining companies are controlled by/affiliated with the shareholders or Group companies.

As at 31 December 2007, due from TeliaSonera UTA Holdings B.V. amounting to USD 2,292 represents amounts receivable for management services provided.

As at 31 December 2007, due from Turkcell amounting to USD 1,228 (31 December 2006: USD 861), represents amounts receivable for roaming services provided.

As at 31 December 2007, due from TeliaSonera Finland Oyj amounting to USD 460 (31 December 2006: USD 213), represents amounts receivable for roaming and other services provided.

As at 31 December 2007, due from Megafon amounting to USD 133 (31 December 2006: USD 163), represents amounts receivable for roaming services provided.

As at 31 December 2007, due to OAO Kazakhtelecom amounting to USD 21,596 (31 December 2006: USD 39,706), represents dividends payable and payable for outgoing local and international PSTN calls and traffic from Kcell's networks. In addition to that, Kcell entered into transmission contracts with OAO Kazakhtelecom, under which Kcell leases international digital communication channels and digital duplex communication channels in Kazakhstan.

As at 31 December 2007, due to Turkcell amounting to USD 642 (31 December 2006: USD 283), represents amounts payable for the purchase of technical and management support, GSM network equipment, purchase of property and equipment, roaming services rendered and other advances.

As at 31 December 2007, due to Megafon amounting to USD 458 (31 December 2006: USD 296) represents amounts payable for roaming operations.

As at 31 December 2006, short-term debt due to TeliaSonera Finland Oyj includes a principal amount of USD 66,750. Interest rate for the borrowings is 8%. The short-term debt to TeliaSonera Finland Oyj was paid in 2007.

As at 31 December 2007, short-term employee benefits paid to key management personnel included in general and administrative expenses amounts to USD 5,882 (31 December 2006: USD 5,396).

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 7 - INVENTORIES

The analysis of inventories at 31 December 2007 and 2006 are as follows:

	2007	2006
Spare parts	6,431	1,842
Scratch cards	2,886	2,321
Marketing materials	2,853	620
SIM cards and packages	2,330	1,805
Start packages	678	620
Other	3,749	785
Total	**18,927**	**7,993**

NOTE 8 - OTHER CURRENT ASSETS

The analysis of other current assets at 31 December 2007 and 2006 are as follows:

	2007	2006
Value added tax ("VAT") receivable, and other prepaid taxes and funds	28,183	21,400
Prepaid expenses	16,608	5,748
Advances given to suppliers	11,222	5,773
Prepayment for customs duties	739	3,547
Other	2,948	2,173
Total	**59,700**	**38,641**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 9 - PROPERTY AND EQUIPMENT, NET

The movements in property and equipment and related accumulated depreciation for the year ended 31 December 2007 are as follows:

As at 1 January 2007	**Land and buildings**	**Machinery and equipment (*)**	**Furniture and fixtures**	**Motor vehicles**	**Leasehold improvements**	**Construction in progress and advances given**	**Total**
Cost	67,278	1,096,095	55,946	2,735	3,719	180,107	1,405,880
Accumulated depreciation	(6,109)	(397,579)	(28,397)	(1,624)	(2,525)	-	(436,234)
Net book amount	**61,169**	**698,516**	**27,549**	**1,111**	**1,194**	**180,107**	**969,646**
2007							
Opening net book amount	61,169	698,516	27,549	1,111	1,194	180,107	969,646
Exchange differences	2,721	33,540	2,184	84	41	8,792	47,362
Additions	2,647	16,637	16,121	4	-	311,418	346,827
Transfers	3,959	262,151	936	340	650	(268,036)	-
Disposals	(1,127)	-	(46)	(85)	-	(2,115)	(3,373)
Depreciation charge	(3,725)	(139,641)	(12,188)	(496)	(328)	-	(156,378)
Closing net book amount	**65,644**	**871,203**	**34,556**	**958**	**1,557**	**230,166**	**1,204,084**
As at 31 December 2007							
Cost	74,716	1,429,813	76,918	3,083	4,493	230,166	1,819,189
Accumulated depreciation	(9,072)	(558,610)	(42,362)	(2,125)	(2,936)	-	(615,105)
Net book amount	**65,644**	**871,203**	**34,556**	**958**	**1,557**	**230,166**	**1,204,084**

No borrowing cost was capitalised in the costs of the property and equipment during the year.

(*) Machinery and equipment mainly comprises switches and transmission devices, network and computer equipment.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 9 - PROPERTY AND EQUIPMENT, NET (Continued)

The movements in property and equipment and related accumulated depreciation for the year ended 31 December 2006 are as follows:

As at 1 January 2006	**Land and buildings**	**Machinery and equipment (*)**	***Furniture and fixtures***	***Motor vehicles***	***Leasehold improvements***	***Construction in progress and advances given***	***Total***
Cost	28,953	853,428	41,906	2,424	3,295	101,424	1,031,430
Accumulated depreciation	(3,860)	(271,618)	(18,266)	(1,098)	(2,099)	-	(296,941)
Net book amount	**25,093**	**581,810**	**23,640**	**1,326**	**1,196**	**101,424**	**734,489**
2006							
Opening net book amount	25,093	581,810	23,640	1,326	1,196	101,424	734,489
Exchange differences	1,826	28,296	3,912	2	87	4,873	38,996
Additions	2,666	15,755	10,808	-	-	297,287	326,516
Transfers	33,739	184,392	3,031	400	213	(221,775)	-
Disposals	-	(3,015)	(2,609)	(226)	-	(1,702)	(7,552)
Depreciation charge	(2,155)	(108,722)	(11,233)	(391)	(302)	-	(122,803)
Closing net book amount	**61,169**	**698,516**	**27,549**	**1,111**	**1,194**	**180,107**	**969,646**
As at 31 December 2006							
Cost	67,278	1,096,095	55,946	2,735	3,719	180,107	1,405,880
Accumulated depreciation	(6,109)	(397,579)	(28,397)	(1,624)	(2,525)	-	(436,234)
Net book amount	**61,169**	**698,516**	**27,549**	**1,111**	**1,194**	**180,107**	**969,646**

No borrowing cost was capitalized in the costs of the property and equipment during the year.

(*) Machinery and equipment mainly comprises switches and transmission devices, network and computer equipment.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 10 - INTANGIBLE ASSETS, NET

The movements in intangible assets and related accumulated amortisation for the year ended 31 December 2007 are as follows:

As at 1 January 2007	Goodwill	Licenses and other rights	Computer software	Other	Advances given (*)	Total
Cost	3,971	176,160	55,565	381	6,352	242,429
Accumulated amortisation	-	(93,463)	(21,458)	(178)	-	(115,099)
Net book amount	**3,971**	**82,697**	**34,107**	**203**	**6,352**	**127,330**
2007						
Opening net book amount	3,971	82,697	34,107	203	6,352	127,330
Exchange differences	-	1,522	4,747	9	28	6,306
Additions	-	14,954	17,318	5,783	8,740	46,795
Transfers	-	-	2,643	38	(2,681)	-
Amortisation charge	-	(13,444)	(8,151)	(263)	-	(21,858)
Closing net book amount	**3,971**	**85,729**	**50,664**	**5,770**	**12,439**	**158,573**
As at 31 December 2007						
Cost	3,971	197,886	81,833	6,461	12,439	302,590
Accumulated amortisation	-	(112,157)	(31,169)	(691)	-	(144,017)
Net book amount	**3,971**	**85,729**	**50,664**	**5,770**	**12,439**	**158,573**

(*) During the third quarter of 2006 and first half of 2007, Azercell made a payment for the usage of fibre optic network amounting to USD 12,127. Azercell is buying lit fibre capacity, which is considered a specific type of Indefeasible Right of Use ("IRU"). Amortisation of prepayment for IRU will commence when the network becomes ready to use.

As disclosed in Note 1, in 2007 Kcell acquired AR-Telecom holding WiMAX and other related telecom licenses. The acquisition of AR-Telecom was accounted for as an acquisition of group of assets (licenses) rather than a business. The acquired licenses are included in category "other" within intangible assets. Total consideration paid for the licenses amounted to USD 5,587. The acquired licenses will enable Kcell to offer broadband services (WiMAX) in Kazakhstan. WiMAX is a wireless technology to provide residential and corporate customers with high speed Internet access.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 10 - INTANGIBLE ASSETS, NET (Continued)

The movements in intangible assets and related accumulated amortisation for the year ended 31 December 2006 are as follows:

As at 1 January 2006	Goodwill	Licenses and other rights	Computer software	Other	Advances given (*)	Total
Cost	3,971	148,392	44,357	354	1,378	198,452
Accumulated amortisation	-	(79,719)	(14,276)	(107)	-	(94,102)
Net book amount	**3,971**	**68,673**	**30,081**	**247**	**1,378**	**104,350**
2006						
Opening net book amount	3,971	68,673	30,081	247	1,378	104,350
Exchange differences	-	3,038	1,948	22	-	5,008
Additions	-	21,370	8,294	31	6,352	36,047
Transfers	-	1,378	-	-	(1,378)	-
Disposals	-	-	-	(27)	-	(27)
Amortisation charge	-	(11,762)	(6,216)	(70)	-	(18,048)
Closing net book amount	**3,971**	***82,697***	**34,107**	**203**	**6,352**	**127,330**
As at 31 December 2006						
Cost	3,971	176,160	55,565	381	6,352	242,429
Accumulated amortisation	-	(93,463)	(21,458)	(178)	-	(115,099)
Net book amount	**3,971**	**82,697**	**34,107**	**203**	**6,352**	**127,330**

(*) During the third quarter of 2006, Azercell made a payment for the usage of fibre optic network amounting to USD 6,352. Azercell is buying lit fibre capacity, which is considered a specific type of Indefeasible Right of Use ("IRU"). Amortisation of prepayment for IRU will commence when the network becomes ready to use.

NOTE 11 - OTHER NON-CURRENT ASSETS

The analysis of other non-current assets as at 31 December 2007 and 2006 is as follows:

	2007	2006
Long-term receivables under Kcell Express programme	18,498	-
Other	1,010	1,406
Total	**19,508**	**1,406**

(Amounts expressed in thousands of USD unless otherwise indicated.)

In 2007, Kcell initiated a new marketing programme with its dealers, Kcell Express. Under this programme Kcell finances a complete branding of dealers' selling outlets and gets the exclusive right for the distribution of its products. The branding costs are reimbursed by the dealer over a period of 5 years on a monthly basis. If the dealer terminates the contract prior to its expiry, the dealer is obliged to reimburse Kcell for the full amount of branding costs outstanding. A loss on origination of these interest-free receivables was recognised in the amount of USD 1,326 under financial expense (Note 21). Carrying amounts of other non-current assets approximate fair values.

NOTE 12 - TRADE PAYABLES

The analysis of trade payables as at 31 December 2007 and 2006 is as follows:

	2007	2006
Short-term trade accounts payable	36,964	17,654
Payable for property and equipment purchases	27,825	25,443
Current	**64,789**	**43,097**

NOTE 13 - TAXATION ON INCOME

The analysis of taxation on income for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Current tax expense	161,983	139,374
Deferred income taxes	(24,408)	6,037
Taxation on income	**137,575**	**145,411**

Dutch tax legislation does not permit a Dutch parent company and its foreign subsidiaries to file a consolidated Dutch tax return. Dutch resident companies are taxed on their worldwide income for corporate income tax purposes at a statutory rate of 25.5% (31 December 2006: 29.6%). No further taxes are payable on this profit unless the profit is distributed.

If certain conditions are met, income derived from foreign subsidiaries is tax exempt in the Netherlands under the rules of the Dutch "participation exemption". However, certain costs such as acquisition costs and interest on loans related to foreign qualifying participations are not deductible for Dutch corporate income tax purposes, unless those costs are attributable to Dutch taxable income.

When income derived by a Dutch company is subject to taxation in the Netherlands as well as in other countries, generally avoidance of double taxation can be obtained under the extensive Dutch tax treaty network or Dutch domestic law.

Dividend distributions are subject to 25% Dutch withholding tax. However, under the Netherlands' extensive tax treaty network, this rate can, in many cases, be significantly reduced if certain conditions are met.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 13 - TAXATION ON INCOME (Continued)

Deferred income taxes

Fintur recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under IFRS and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods.

The breakdown of deferred income tax assets/(liabilities) provided for the years ended 31 December 2007 and 2006, using the enacted tax rates, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	2007	2006
Deferred income tax assets		
Deferred revenue	17,377	12,751
Difference between the tax base and the carrying value of property and equipment and intangible assets	6,522	3,700
Trade payables and expense accruals	5,486	159
Trade and other receivables	2,189	3,031
Other	1,469	635
Deferred income tax assets	**33,043**	**20,276**
Deferred income tax liabilities		
Difference between the tax base and the carrying value of property and equipment	(36,417)	(47,828)
Unremitted earnings of foreign subsidiaries	(9,906)	(8,430)
Trade and other receivables	(165)	-
Deferred income tax liabilities	**(46,488)**	**(56,258)**
Deferred income tax liability, net	**(13,445)**	**(35,982)**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 13 - TAXES ON INCOME (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. The offset amounts as at 31 December 2007 and 2006 are as follows:

	2007	2006
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	6,093	3,700
Deferred income tax assets to be recovered within 12 months	2,103	1,338
	8,196	**5,038**

	2007	2006
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than 12 months	9,906	21,402
Deferred income tax liabilities to be settled within 12 months	11,735	19,618
	21,641	**41,020**

The movements on the net deferred income tax liability for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
At 1 January	35,982	29,304
Exchange differences	1,871	641
Charge to statement of income	(24,408)	6,037
At 31 December	**13,445**	**35,982**

The statutory tax rates applicable to the parent company and subsidiaries in the respective countries as at 31 December 2007 and 2006 are as follows:

	2007	2006
Fintur Holdings B.V. (the Netherlands) (*)	25.5%	29.6%
Kcell (Kazakhstan)	30.0%	30.0%
Azercell (Azerbaijan)	22.0%	22.0%
Geocell (Georgia)	20.0%	20.0%
Moldcell (Moldova)	15.0%	15.0%
Azertel and Gürtel (Turkey)	20.0%	20.0%

The weighted average applicable tax rate for the period ended 31 December 2007 was 26% (2006: 27%).

(*) The main revenues of Fintur Holdings B.V., Azertel and Gürtel are dividend income which is exempt from income tax in the Netherlands and Turkey, respectively.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 13 - TAXES ON INCOME (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Profit before taxes on income	614,024	513,773
Tax calculated at domestic tax rates applicable to profits in the respective countries	(161,076)	(137,568)
Withholding taxes on dividends and taxes over unremitted earnings of subsidiaries	(7,178)	(10,318)
Expenses not deductible for tax purposes	(5,637)	(6,166)
Statutory tax holidays	2,879	1,203
Recognised deferred tax benefit for the previous year change in estimate (*)	30,210	-
Income not subject to tax	-	5,593
Tax relief (**)	1,146	-
Carry forward tax losses utilized	-	441
Other	2,081	1,404
Taxation on income	**(137,575)**	**(145,411)**

(*) In 2007, Kcell resubmitted its corporate income tax declarations for the years 2003-2006. Kcell reduced its tax depreciation deductions in 2003, 2004 and 2005 by decreasing the tax depreciation rates, and then made higher tax depreciation deductions in 2006 and subsequent tax periods. The purpose of this exercise was to defer and benefit from the higher tax depreciation deduction possibilities in 2006 and subsequent tax periods (i.e., once the corporate income tax holidays had expired). As a result, Kcell reduced its corporate income tax liability for 2006 by USD 10,293. The decrease in the tax base of property, plant and equipment also resulted in the recognition of an additional deferred tax asset of USD 19,917. Both adjustments were recorded in 2007 when the resubmission of the prior year tax declarations took place.

(**) Beginning from 1 January 2008, Moldcell has a full payment tax exemption as long as it complies with certain conditions.

NOTE 14 - OTHER CURRENT LIABILITIES

The analysis of other current liabilities as at 31 December 2007 and 2006 is as follows:

	2007	2006
Deferred revenue	79,029	51,981
Deposits received from subscribers (*)	28,939	22,632
Payables to personnel	8,201	6,049
Taxes other than income taxes payable	2,116	3,869
Capital tax liability (**)	-	4,578
Other	12,591	2,797
Total	**130,876**	**91,906**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 14 - OTHER CURRENT LIABILITIES (Continued)

(*) Deposits received from subscribers represent advance deposits and refundable amounts received as security deposits for subscriptions to calls when in roaming.

(**) Capital tax liability at 31 December 2006 relates to the capital tax charge over the equity contribution of shareholders of Fintur Holdings B.V. in 2000 and 2001. The difference between the amount accrued and the actual amount paid in 2007 was minimal.

The carrying amount and fair value of other current liabilities do not differ from each other.

NOTE 15 - OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include payables amounting to USD 9,714 at 31 December 2007 (31 December 2006: USD 6,425) which represent obligations related to commissions, bonuses and other rewards ("pool system") payable to dealers and distributors in three years time if necessary conditions of the pool system have been met by dealers and distributors. Effective interest rate used for non-current portion of trade and other payables amounted to 8 percent per annum.

Carrying amounts of other non-current liabilities approximate fair values.

NOTE 16 - SHARE CAPITAL

The composition of the share capital as at 31 December 2007 and 2006 is as follows:

	(%)	USD
TeliaSonera	59	110,694
Turkcell	41	78,365
	100	***189,059***
Additional paid-in capital		349,059
		538,118

Total number of shares authorized	1,930,000,000
Total number of shares issued and outstanding	540,000,000

On 16 December 2004, Fintur executed a capital reduction by decreasing nominal value per share, in total a number of 540,000,000, from EUR 1.00 par value to EUR 0.38 par value. The decrease in nominal value resulted in a decrease in issued share capital from EUR 540,000,000 to EUR 205,200,000. The effect of this reduction was credited to accumulated deficit in the financial statements of Fintur prepared in accordance with Dutch generally accepted accounting principles ("Dutch GAAP"). The amounts of reserves available for distribution to shareholders are determined based on USD statutory accounts of Fintur Holdings B.V. prepared in accordance with Dutch accounting and reporting regulations which differ from IFRS. Dutch legislation identifies the basis for distribution as the amount of distributable reserves as shown in the parent company accounts.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 17 - COST OF SERVICES

The analysis of cost of services for the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
Interconnect fees and expenses	201,812	160,836
Depreciation and amortisation charges	161,794	134,862
Transmission links expenses	53,752	42,768
Radio and transmission network management and maintenance	44,986	32,697
Roaming expenses	30,279	19,157
Costs of SIM card, scratch card and GSM hand-set sales	26,566	18,046
Staff costs	23,515	7,345
System Service Maintenance	19,777	14,126
Billing costs	6,879	6,211
Frequency usage charges	6,027	7,015
Provision for impairment of receivables	2,245	2,235
Other	31,862	17,979
Total	**609,494**	**463,277**

NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES

The analysis of general and administrative expenses for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Staff costs	23,907	22,014
Consulting expenses and professional fees	19,108	12,307
Depreciation and amortisation charges	16,110	4,880
Taxes and duties	13,887	10,234
Rent expenses	5,991	6,068
Charity expenses	3,783	1,703
Utilities expense	3,006	1,121
Representation expenses	2,559	2,774
Office maintenance	1,923	3,124
Travel expenses	1,855	1,271
Fines and penalties	1,432	10
Other	10,373	9,588
Total	**103,934**	**75,094**

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 19 - SELLING AND MARKETING EXPENSES

The analysis of selling and marketing expenses for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Retailers' commissions	69,744	34,008
Advertising and marketing expenses	61,206	50,028
Staff costs	19,163	12,637
Consulting expenses	6,230	169
Public relation expenses	4,741	3,946
Costs under revenue sharing agreements	1,642	1,754
Mutual SMS services	1,552	1,754
Training expenses	759	555
Depreciation and amortisation charges	332	1,109
Other	12,707	6,455
Total	**178,076**	**112,415**

NOTE 20 - FINANCIAL INCOME

The analysis of financial income for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Interest income on term deposits	6,982	7,822
Interest income on available-for-sale investments	947	292
Foreign currency transaction gain, net	13,041	3,145
Other	83	-
Total	**21,053**	**11,259**

NOTE 21 - FINANCIAL EXPENSE

The analysis of financial expense for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Interest expense originated from interest free receivables (Note 11)	1,326	-
Interest expense on borrowings	260	8,845
Bank commissions	2,239	345
Total	**3,825**	**9,190**

NOTE 22 – AVERAGE NUMBER OF EMPLOYEES

During the year 2007 the average number of employees calculated on a full-time-equivalent basis was 2,411 (2006: 1,957). Of these employees 2,411 are employed abroad.

NOTE 23 - COMMITMENTS AND CONTINGENT LIABILITIES

Political and economic conditions

Whilst there have been improvements in the economic situations in Kazakhstan, Azerbaijan, Georgia and Moldova in recent years, the economies in these countries continue to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, the telecommunication sector in Kazakhstan, Azerbaijan, Georgia and Moldova is impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in these countries are largely dependent upon the effectiveness of economic measures undertaken by the governments, together with legal, regulatory and political developments, which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties that are characteristic of an emerging market. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on this special purpose financial information.

Legal proceedings and disputes

Competition protection in Kazakhstan

The Committee for Competition Protection of the Ministry of Industry and Trade of the Republic of Kazakhstan ("the Committee") performed a review of Kcell's compliance with the antimonopoly legislation covering the period from 1 January 2004 to 31 October 2005. The Committee gave a penalty against Kcell on 28 November 2006 amounting to approximately USD 218,000.

Kcell argued that the position of the Committee was not valid since the conclusions drawn by the Committee were largely based on the requirements of the new antimonopoly legislation (enacted during mid-2006), which were not provided for in the previous antimonopoly legislation (effective since 2001). Even if new requirements had been applied, Kcell's lawyers argued that the Committee's calculations of monopolistic revenues did not comply with the provisions of the antimonopoly legislation.

The Order described above was revoked on 22 December 2006, on the basis that the information provided by Kcell to the Committee during its review was not accurate and reliable. Kcell was then subject to an additional investigation, conducted by the Committee, regarding Kcell's compliance with the antimonopoly legislation during the first quarter of 2007.

During April 2007, the Committee issued detailed instructions to Kcell in its Order dated 10 April 2007 with respect to the remediation of issues addressed earlier by the Committee, to which Kcell responded in its letter dated 12 April 2007 describing the actions Kcell had undertaken. On 18 April 2007 Kcell received a letter from the Committee, stating that the Committee had considered all actions taken by Kcell and had concluded that all disputes between the Committee and Kcell with respect to the results of the investigation of Kcell's compliance with the antimonopoly legislation for the period 1 January 2004 to 31 October 2005 had been settled within the framework of the legislation.

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 23 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

On 27 June 2007, Kcell received a letter issued by the Committee stating that, according to the results of the investigation conducted for the period 1 January 2006 to 31 December 2006, the Committee had no grounds on which to hold Kcell responsible and had no right to claim concerning the investigation conducted for the above stated period.

Other legal proceedings and disputes

Some of the subsidiaries are party to certain legal proceedings arising in the ordinary course of business. In management's opinion, there are no current legal proceedings or other claims outstanding which upon final disposition will have a material adverse effect on the financial position, results of operation or liquidity of Fintur.

Operating leases

Fintur leases operational and non-operational property and equipment under various non-cancellable operating leases. Future minimum commitments under operating leases at 31 December 2007 and 2006 are as follows:

	2007	2006
Less than 1 year	1,138	1,021
Over 1 year not later than 3 years	680	155
Aggregate minimum future lease payments	**1,818**	**1,176**

Capital expenditure commitments

Azercell has an outstanding commitment to purchase USD 11,679 of communication equipment from Ericsson (31 December 2006: USD 38,500).

Kcell has contractual capital expenditure commitments in relation to the property, plant and equipment amounting to USD 49,898. The commitments relate to telecommunication equipment and the construction of buildings.

Moldcell has capital commitments in relation to property, plant and equipment amounting to USD 4,798. The commitment relates to value added service platforms and equipment.

Commitments for future services

Moldcell has commitments of USD 5,526, which include commitments for service and maintenance of USD 2,503 and advertising of USD 3,023.

NOTE 24 - SUBSEQUENT EVENTS

In September 2007, as a result of a criminal investigation conducted by the government bodies of the National Communication Commission of Georgia ("NCCG"), it was identified that a transfer of shares from a previous individual shareholder of Geocell to one of the present individual shareholders was conducted as a consequence of illegal pressure by the head of NCCG. As a result of the investigation, the shares comprising 2.5% of the authorized capital of Geocell were transferred to Gürtel on 11 October 2007. In 2008, Fintur management began necessary legal actions to accept these shares with consideration. Accordingly, these shares continued to be classified as minority shares in these consolidated financial statements as at 31 December 2007. On 5 August 2008 Gürtel has concluded an agreement with the Government of Georgia for transfer of the 2.5% shareholding in Geocell to the Government of Georgia with nominal value of USD 250,000.

On 4 January 2008, Fintur acquired an additional 14.3% of Geocell shares for a purchase consideration of USD 33 million, which increases the effective ownership of Fintur in Geocell to 97.5%. The acquired shares were previously held by several local shareholders.

On 11 February 2008 the Government of the Republic of Azerbaijan has signed an agreement on the sale of its minority share in Azercell (35,7%) to Azertel Telekomunikasyon Yatirim ve Diş Ticaret for USD 180,000. Following this transaction on 1 April 2008 Azertel Telekomunikasyon Yatirim ve Diş Ticaret has obtained a 100% control over Azercell.

COMPANY-ONLY FINANCIAL STATEMENTS

COMPANY-ONLY BALANCE SHEETS
AT 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of USD unless otherwise indicated.)

Balance sheet as at 31 December 2007

(after proposed appropriation of profit)

		31 December 2007		31 December 2006	
	Ref.	USD'000	USD'000	USD'000	USD'000
Fixed assets					
Intangible fixed assets	26	3,971		3,971	
Financial fixed assets	27	740,624		513,603	
Total fixed assets			**744,595**		**517,574**
Current assets					
Receivables	28	155,993		127,534	
Cash at banks and in hand		82,191		50,852	
Total current assets			**238,184**		**178,386**
Current liabilities					
Payables	30	13,434		14,851	
Total current liabilities			**13,434**		**14,851**
Net current assets/ (liabilities)			**224,750**		**163,535**
Total assets less current liabilities			**969,345**		**681,109**
Shareholders' equity	29				
Share capital		301,295		270,577	
Additionally paid-in capital		41,415		41,415	
Currency translation reserve		43,713		18,327	
Other reserves		382,922		350,790	
At the disposal of the AGMS (dividend)		200,000		-	
Total equity			**969,345**		**681,109**

COMPANY-ONLY PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in thousands of USD unless otherwise indicated.)

Profit and loss account 2007

		2007	2006
	Ref.	USD'000	USD'000
Result from participations after taxation	27	265,924	198,496
Other income and expenses after taxation		(3,074)	(3,706)
Result after taxation		262,850	194,790

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 25 - GENERAL

Basis of presentation

The company-only financial statements of Fintur Holdings B.V. ("the Company" or "Fintur") have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the measurement principles and determination of assets, liabilities and results applied in these company-only financial statements are the same as those applied in the consolidated financial statements (see Note 2 of the consolidated financial statements).

Investments

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.
Investments in subsidiaries and associates are valued using the equity method. The Company calculates the equity value using the accounting policies as described in Note 2 to the consolidated accounts. The net equity value of the subsidiaries comprises the cost, excluding goodwill, plus the Company's share in income and losses since acquisition, less dividends received. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition whereas it is excluded for investment in subsidiaries. The Company's share of its associates' and subsidiaries' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in retained earnings is recognised in retained earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

NOTE 26 – INTANGIBLE FIXED ASSETS

	Goodwill
	USD'000
1 January 2007 and 31 December 2007	
Acquisition or production costs as at 1 January 2007	5,105
Accumulated impairments and amortisation as at 31 December 2007	(1,134)
Book value	3,971

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 27 – FINANCIAL FIXED ASSETS

An overview of the movements of the financial fixed assets is taken up below:

	Investments in group companies
	USD'000
1 January 2007	
Book value	513,603
Movements 2007	
Dividends received	(97,289)
Exchange differences	25,386
Result participations	265,924
Capital increase in subsidiary	33,000
	227,021
31 December 2007	
Book value	740,624
Accumulated decreases in value and write-downs	0

List of participations

	Statutory seat	**Share in equity**
		%
Consolidated using the full consolidation method		
Azertel Telekomünikasyon Yatırım Dış Ticaret A.Ş.,	Istanbul, Turkey	80
Azercell Telekom B.M.	Baku, Azerbaijan	64
Azeronline Ltd	Baku, Azerbaijan	51
Gürtel Telekomünikasyon Yatırım ve Dış Ticaret A.Ş.	Istanbul, Turkey	100
Geocell LLC	Tblisi, Georgia	83
GSM Kazakhstan LLP OAO Kazakhtelecom ('Kcell')	Almaty, Kazakhstan	51
I.M. Moldcell S.A. ('Moldcell')	Chisinau, Moldova	100
Molfintur S.R.L.	Chisinau, Moldova	100

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 28 – RECEIVABLES

	31 Dec 2007	31 Dec 2006
	USD'000	USD'000
Amounts due from group companies	155,325	126,887
Income tax receivable	668	647
	155,993	127,534

NOTE 29 – SHAREHOLDERS' EQUITY

Share capital

The number of authorised shares totalling 1,930,000,000 ordinary shares remained unchanged compared to the prior year.

Issued share capital amounts to EUR 205,200,000 and consists of 540,000,000 ordinary shares with a nominal value of EUR 0.38 and remained unchanged compared to the prior year.

The movement in shareholders' equity in 2007 can be shown as follows:

	Issued share capital	Share premium	Currency Translation reserve	Other reserves	At the disposal of the AGMS (dividend)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at 1 January 2007	270,577	41,415	18,327	350,790	0	681,109
Translation of EUR share capital in USD*	30,718	0	0	(30,718)	0	0
Translation of foreign participations	0	0	25,386	0	0	25,386
Profit for the year	0	0	0	62,850	200,000	262,850
Balance as at 31 December 2007	301,295	41,415	43,713	382,922	200,000	969,345

* Translation of EUR share capital in USD using an exchange rate of USD 1.4683

(Amounts expressed in thousands of USD unless otherwise indicated.)

NOTE 30 – CURRENT LIABILITIES

	31 Dec 2007	31 Dec 2006
	USD'000	USD'000
Short-term payable to related parties	1,267	670
Deferred tax liability	9,906	8,431
Other liabilities	2,261	5,750
	13,434	14,851

NOTE 31 - EMPLOYEES
Similar to the prior year, there are no employees working for the Company.

NOTE 32 – REMUNERATION OF THE BOARD
The remuneration of the Board amounts to nil for the years 2007 and 2006.

NOTE 33 – RELATED PARTIES
The Company has recognised interest income on its amounts due from subsidiaries of USD 9,078 and USD 3,517 over the years 2007 and 2006, respectively.

Additionally for 2007 the Company incurred net operating expenses of USD 6,244 and USD 4,289 for costs charged by its subsidiaries.

Rotterdam, 27 November 2008

Board of Directors,

T.Kivisaari M.E. Karamehmet

A. Eloholma

E.J. Rytkönen

Other information

FINTUR HOLDINGS B.V.

OTHER INFORMATION

Profit appropriation according to the Articles of Association

According to article 21.1 of the Articles of Association the result for the year is at the free disposal of the General Meeting of Shareholders.

The Company is only capable of making contributions to shareholders and other persons who are entitled to profits that qualify for distribution insofar as the Company's equity is in excess of the paid and called-up portion of the share capital increased by the reserves that must be set aside under the provisions of the law.

Proposed profit appropriation

The Board proposes to add USD 62,850 of the profit to the other reserves. The remainder will be at the disposal of the Annual General Meeting of Shareholders.

The Board proposes that the profit for the year be appropriated as follows:

	USD'000
Addition to other reserves	62,850
At the disposal of the Annual General Meeting of Shareholders (dividend)	200,000
Profit for the year	262,850

The proposed profit appropriation is reflected in these financial statements.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
Fascinatio Boulevard 350
3065 WB Rotterdam
P.O. Box 8800
3009 AV Rotterdam
The Netherlands
Telephone +31 (10) 407 55 00
Facsimile +31 (10) 456 43 33
www.pwc.com/nl

To the General Meeting of Shareholders of
Fintur Holdings B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Fintur Holdings B.V., Rotterdam as set out on pages 5 to 60. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of

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the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fintur Holdings B.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fintur Holdings B.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 27 November 2008

PricewaterhouseCoopers Accountants N.V.

[redacted]

De handtekening is door de KvK onleesbaar gemaakt.

drs. [redacted]