

Sibirtelecom OJSC

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 9 MONTHS' PERIOD ENDED on SEPTEMBER 30, 2009, PREPARED IN
ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)

Sibirtelecom OJSC
Unaudited Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009

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Sibirtelecom OJSC
 Unaudited Consolidated Interim Balance Sheet as of September 30, 2009
 (million Russian rubles)

	Notes	30 Sep 2009	31 December 2008
ASSETS			
Non-current assets			
Fixed assets	7	41,794	44,282
Intangible assets	9	4,322	4,593
Other non-current assets	10	172	345
Investment property	8	20	13
Investments in equity accounted investees	11	19	19
Non-current financial assets	12	23	31
Deferred tax assets		53	51
Total non-current assets		46,403	49,334
Current assets			
Inventories	13	673	673
Trade and other receivables	14	2,759	2,719
Income tax receivable		24	401
Other current assets	15	508	579
Current financial assets	12	980	70
Cash and cash equivalents	16	1,841	1,109
Total current assets		6,785	5,551
TOTAL ASSETS		53,188	54,885
EQUITY AND LIABILITIES			
Sibirtelecom OJSC Shareholders' equity			
Share capital	18	3,541	3,541
Unrealized gain on available-for-sale investments		59	21
Retained earnings		16,844	15,547
Total equity attributable to shareholders of Sibirtelecom OJSC		20,444	19,109
Uncontrolling shareholders' interest		2	2
Total equity		20,446	19,111
Non-current liabilities			
Loans and borrowings	19	10,028	12,802
Employee benefits		3,697	3,560
Other non-current liabilities	21	81	92
Deferred tax liabilities	32	877	628
Total non-current liabilities		14,683	17,082
Current liabilities			
Loans and borrowings	19	12,587	11,220
Accounts payable and accrued expenses	23	4,642	6,355
Other current liabilities	24	816	1,058
Current provisions	22	14	59
Total current liabilities		18,059	18,692
Total liabilities		32,742	35,774
TOTAL EQUITY AND LIABILITIES		53,188	54,885

General Director
 I.V. Dadykin

Chief Accountant
 G.I. Khvoshchinskaya

Sibirtelecom OJSC
 Unaudited Consolidated Interim Profit and Loss Statement
 for the 9 months' period ended on September 30, 2009
 (million Russian rubles, without profit per share)

	Notes	For 3 months ended September 30		For 9 months ended September 30	
		2009	2008	2009	2008
Revenues from sales	25	9,468	9,456	28,538	27,917
Personnel costs	26	(2,352)	(2,521)	(7,489)	(7,608)
Depreciation and amortization	7, 9	(2,039)	(1,844)	(6,111)	(5,276)
Interconnection charges		(1,153)	(1,090)	(3,473)	(3,222)
Materials, repairs and maintenance, utilities	27	(667)	(794)	(2,124)	(2,330)
Other operating income	28	364	257	1,002	747
Other operating expenses	29	(1,682)	(1,715)	(5,069)	(4,689)
Operating profit		1,939	1,749	5,274	5,539
Share of profit of equity accounted investees	11	–	–	–	2
Financial charges	30	(910)	(619)	(2,575)	(1,716)
Other revenues and expenses from financial investment activity	31	12	32	46	63
(Loss) profit from difference of currency exchange		117	(320)	(311)	(267)
Profit before income tax		1,158	842	2,434	3,621
Income tax expense		(189)	(282)	(614)	(1,056)
Profit for reporting period		969	560	1,820	2,565
Profit for reporting period attributable to:					
Shareholders of Sibirtelecom OJSC		969	560	1,820	2,565
Non-controlling shareholders of subsidiaries		–	–	–	–
Profit for reporting period		969	560	1,820	2,565
Basic and diluted profit per share (in Russian rubles) for reporting period, attributable to Shareholders of Sibirtelecom OJSC	32	0.06	0.04	0.11	0.16

General Director

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Sibirtelecom OJSC
 Unaudited Consolidated Interim Profit and Loss Statement
 for the 9 months' period ended on September 30, 2009
 (million Russian rubles, without profit per share)

	For 3 months ended September 30		For 9 months ended September 30	
	2009	2008	2009	2008
Profit for reporting period	969	560	1,820	2,565
Change in the fair value of available-for-sale financial assets	21	(32)	38	(56)
Total other comprehensive income (loss)	21	(32)	38	(56)
Total revenue for reporting period	990	528	1,858	2,509
Total revenue for reporting period attributable to:				
Shareholders of Sibirtelecom OJSC	990	528	1,858	2,509
Uncontrolling shareholders of subsidiaries	–	–	–	–
Total revenue for reporting period	990	528	1,858	2,509

General Director

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Chief Accountant

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Sibirtelecom OJSC
 Unaudited Consolidated Interim Statement of Total Revenue
 for the 9 months' period ended on September 30, 2009
 (million Russian rubles)

	Notes	9 months of 2009	9 months of 2008
Cash flows from operating activities:			
profit before income tax		2,434	3,621
<i>Adjustments for:</i>			
Depreciation and amortization	7, 9	6,111	5,276
Loss on disposal of fixed assets and other assets	29	53	13
Recovery of provision for impairment of fixed assets	28	(37)	–
Recovery of provision for impairment of inventory and other assets	28	(3)	(5)
Provision for doubtful debts	29	92	26
Share of profit of equity accounted investees	11	–	(2)
(Loss) profit from difference of currency exchange		311	267
Other incomes from financial activities	31	(46)	(65)
Financial expenses	30	2,305	1,499
Operating profit after adjustments		11,220	10,630
Increase (decrease) in inventories		3	(49)
Increase in receivables		(133)	(295)
Increase (decrease) in other current assets		70	(32)
Increase in employee benefits		137	249
Decrease in accounts payable and accrued expenses		(1,298)	(1,262)
Increase in taxes payable, other than income tax	23	718	587
Decrease in provisions for contingent liabilities	22	(45)	(86)
Cash flows generated from operations before income tax and interest paid		10,672	9,742
Interest paid		(2,247)	(1,522)
Income tax paid		(96)	(824)
Cash flows from operating activities		8,329	7,396
Investing activities			
Acquisition of fixed assets		(4,531)	(7,088)
Proceeds from disposals of fixed assets		168	97
Acquisition of intangible assets		(340)	(676)
Acquisition of subsidiaries, net of cash acquired		–	(80)
Acquisition of investments and loans granted		(902)	(2)
Proceeds from sale of investments and recovery of loans granted		40	397
Interest received		39	57
Dividends received	31	2	3
Cash flows utilised in investing activities		(5,524)	(7,292)

Sibirtelecom OJSC
 Unaudited Consolidated Interim Statement of Total Revenue
 for the 9 months' period ended on September 30, 2009
 (million Russian rubles)

	Notes	<u>9 months of 2009</u>	<u>9 months of 2008</u>
Financing activities			
Proceeds from loans and borrowings		7,031	6,225
Repayment of loans and borrowings		(7,687)	(1,994)
Proceeds from bond issue		1,721	2,000
Repayment of bond issue		(2,000)	(4,888)
Repayment of finance lease obligations		1,176	1,256
Repayment of commercial credits		(1,358)	(250)
Proceeds from promissory notes		(455)	(384)
Repayment of promissory notes		(130)	(335)
Dividends paid to shareholders of Sibirtelecom OJSC		(371)	(290)
Cash flows utilised in financing activities		<u>(2,073)</u>	<u>1,340</u>
Net (increase)/ decrease in cash and cash equivalents		<u>732</u>	<u>1,444</u>
Cash and cash equivalents at beginning of year	16	<u>1,109</u>	<u>1,383</u>
Cash and cash equivalents at end of year	16	<u><u>1,841</u></u>	<u><u>2,827</u></u>

General Director

I.V. Dadykin

Chief Accountant

G.I. Khvoshchinskaya

Sibirtelecom OJSC
Consolidated Statement of Changes in Equity
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

		Equity attributable to the shareholders of Sibirtelecom OJSC							
		Authorized capital		Accumulated provision for revaluation of available-for-sale financial assets	Retained income	Total equity attributable to the shareholders of Sibirtelecom OJSC	Uncontrolling shareholders' interest	Total equity	
Note		Preference shares	Ordinary shares						
	Balance at 31 December 2007	18	869	2,672	97	14,709	18,347	2	18,349
	Total revenue for reporting period		-	-	(56)	2,565	2,509	-	2,509
	Dividends to shareholders of Sibirtelecom OJSC		-	-	-	(691)	(691)	-	(691)
	Balance at 30 September 2008	18	869	2,672	41	16,583	20,165	2	20,167
	Balance at 31 December 2008		869	2,672	21	15,547	19,109	2	19,111
	Total revenue for reporting period		-	-	38	1,820	1,858	-	1,858
	Dividends to shareholders of Sibirtelecom OJSC		-	-	-	(523)	(523)	-	(523)
	Balance at 30 September 2009	18	869	2,672	59	16,844	20,444	2	20,446

General Director

I.V. Dadykin

Chief Accountant

G.I. Khvoshchinskaya

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

1. General Information

Authorisation of the Financial Statements

The unaudited consolidated interim financial statements of Sibirtelecom OJSC and its subsidiaries ("Company") for the 9 months period ended on 30 September 2009 were authorised for issue by the General Director and the Chief Accountant on 15 December 2009.

Company

Sibirtelecom OJSC ("Parent Company") was incorporated as an open joint stock company in the Russian Federation.

The parent company's registered address is: Russia, 630099, Novosibirsk, Maksima Gorkogo street, 53.

The Company provides telephone services (including local and intra-zone telephone services), mobile radiotelephony services (including access to external telecommunication networks – roaming services), telegraph services, data transmission services, rents out communication and radio communication channels in the territory of the Siberian Federal District of the Russian Federation in compliance with the licenses issued by the Ministry of communications of the Russian Federation.

Svyazinvest OJSC, which is controlled by the Russian Government, owned 50.67% of the Company's ordinary voting shares as of 30 September 2009 and is the Company's parent company.

Information of the Company's main subsidiaries is disclosed in Note 6. All of the subsidiaries are incorporated under the laws of the Russian Federation.

Liquidity and Financial Resources

As of 30 September 2009, the Company's current liabilities exceeded its current assets by 11,274 (as of 31 December 2008: 13,141).

To date the Company has relied on both short-term and long-term borrowings to finance development of its communications networks. This financing has historically been provided through bank loans, issue of own promissory notes, credit notes, bonds, financial lease and commercial credits.

In 2009 the Company expects to generate funds from the following sources: cash proceeds from operating activities, placement of ruble bonds on the Russian market, raising funds from domestic lending institutions, and issue of own bills. Moreover, management believes that some of existing contractual payment terms relating to current operations and certain capital investment projects could be extended, or curtailed in the case of deficiency of working capital.

2. Basis of Preparation

Compliance Statement

These unaudited consolidated interim financial statements were prepared and submitted in compliance with IAS 34 (Interim financial statements) and other International financial reporting standards (IFRS) with corresponding interpretations approved by the International financial reporting standards committee (IFRSC).

All information should be considered subject to the Company's annual consolidated financial statements for the year ended 31 December 2008.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

Going Concern

The unaudited consolidated interim financial statements have been presented on a going concern basis, which contemplates the payback of assets and the satisfaction of liabilities in the normal course of business.

Presentation of Financial Statements

The unaudited consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries, and are prepared using unified accounting policies. Investments in the associates are accounted for using the equity method.

The unaudited consolidated interim financial statements of the Company are presented in millions of Russian rubles, rounded to the nearest million, unless stated otherwise.

Basis for Valuation

The unaudited consolidated interim financial statements have been prepared under the historical cost convention except for property, plant and equipment that were fair-value evaluated on the date of the change to IFRS to determine their deemed cost; and for available-for-sale financial assets evaluated at fair value.

Changes in the Accounting Policy

The adopted accounting policy used to prepare unaudited consolidated interim financial statements for the 9-months-period of 2009 is consistent with the one used to prepare consolidated financial statements for the year 2008, except for the provisions of the Accounting Policy changed after approval of new and/or revision of IFRS and Interpretation having come into force on 1 January 2009 or later.

The changes in accounting policy are connected with application of the following new or revised Standards and Interpretations:

Standard / Interpretation	Change	Effect
IFRS 8 (Operating segments)	Demands disclosure of information about operating segments and cancels the requirement of determination of primary (industry) and secondary (geographic) reportable segments. Modifies the principle of assessment of segmented financial information demanding presence of financial information of operating segments in the assessment for the purposes of resource allocation by the Company's management to support activities of the segments and evaluate their performance. Demands disclosure of factors used for determination of operating segments.	New disclosures are stated in Note 5.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
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(in millions of Russian rubles)

Standard / Interpretation	Change	Effect
IAS 1 (2007) (Presentation of Financial Statements)	Separates changes in equity from other changes in capital. Statement of changes in equity will provide detailed information only about operations with the owners, whereas all other changes in equity (i.e. income and expenses acknowledged directly as part of the capital) shall be presented in one line. Introduces new statement of total revenue, which shall contain all income and expenditure items reflected in the profit and loss statement and other income and expenditure acknowledged directly as part of the capital. Changes in income and expenditure acknowledged as part of the capital can be presented either in the statement of total revenue or in two separate statements: the profit and loss statement and the statement of total revenue.	New/revised reporting forms are included in these unaudited consolidated interim financial statements.
IAS 23 (2006) (Accounting of interest expenses)	Eliminates the possibility of immediate acknowledgement of interest expenses referred to assets which need time to prepare for utilization or sale.	Revised standard had no effect on the Company's financial standing or performance.
Amendments to IAS 32 and IAS 1 (Redeemable financial instruments and liquidation liabilities)	Require some financial instruments and liquidation liabilities to be classified as part of the capital. Establish which information about redeemable instruments and instruments classified as part of the capital is subject to disclosure.	Amendments had no effect on the Company's financial standing or performance.
Amendments to IFRS 2 (Payments based on equity instruments – conditions for lapse and cancellation of rights)	Specify the condition for lapse of rights as explicit or implicit requirement of service providing. Other conditions are not conditions for lapse of rights and shall be accounted at estimation of the fair value of equity instruments. If the rights for an equity instrument were not transferred due to nonperformance of a condition which was not the condition for lapse of rights and whose fulfillment was controlled by the organization or its counterparty, cancellation of the equity instrument shall be acknowledged.	Amendments had no effect on the Company's financial standing or performance.
IFRS 3 (2008) (Amalgamation of companies) (Early application)	Makes changes in the accounting of amalgamation of companies, which will have an effect on the goodwill and financial performance to be shown in the period of acquisition and further periods.	Revised standard changed the procedure of consolidation of affiliated companies, but had no significant effect on the Company's financial standing or performance.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
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Standard / Interpretation	Change	Effect
IAS 27 (2008) (Consolidated and separate financial statements) (Early application)	Requires accounting of changes in a share in an affiliated company as an operation with the capital. Changes requirements for accounting of losses suffered by an affiliated company.	Revised standard changed the procedure of consolidation of affiliated companies, but had no significant effect on the Company's financial standing or performance.
Interpretation No. 13 of IFRS interpretations committee (Loyalty programs)	Requires accounting of favorable conditions for loyal clients as a separate component of a commercial transaction under which they are provided. A part of the fair value of the received compensation shall be assigned to the said favorable conditions and be transferred to the following reporting periods till the provided favorable conditions are fulfilled.	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 15 IFRS interpretations committee (Contracts for construction of real estate objects)	Specifies the criteria of assignment of contracts for construction of real estate objects and the principles of acknowledgement of revenues from them to the jurisdiction of IAS 11 (Construction contracts) or IAS 18 (Revenue).	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 16 IFRS interpretations committee (Hedging of investments in foreign activities)	Establishes which risks connected with investments in foreign activities allow accounting of hedging, and specifies the rules for accounting of such operations.	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 17 IFRS interpretations committee (Distribution of non-monetary assets between owners) (Early application)	Explains distribution of non-monetary assets among owners. The interpretation also considers situations when the company gives the owners an option to receive non-monetary assets or their equivalents in cash form).	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 18 IFRS interpretations committee (Transfer of assets from clients) (Early application)	Explains when the assets transferred by the clients shall be acknowledged as a part of the company's assets and establishes the procedure of their assessment during the initial acknowledgement. The interpretation also considers situations when a client gives the company money for purchasing such assets.	The interpretation had no effect on the Company's financial standing or performance.
Amendments to IAS 39 and IFRS 7 (Reclassification of financial assets)	Establishes the rules for reclassification of financial assets between different categories and the requirements for information disclosure if they are performed.	The amendments had no effect on the Company's financial standing or performance.
Draft of annual IFRS improvement	The document provides for the introduction of various improvements of standards and the elimination of faults in current versions of IFRS.	The amendments required hereby were accounted for during preparation of interim financial statements of the Company.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

Reclassification of financial statements indices

Since the format of providing financial statements for the period ended on September 30, 2009 was changed, the Company carried out reclassification of certain comparative indices for the period ended on September 30, 2008.

Consolidated balance sheet as of December 31, 2008	Prior to reclassification	Reclassification effect	With regard to reclassification	Description of reclassifications
Other long-term assets	347	(2)	345	Comment 1
Long-term financial assets	29	2	31	
Unaudited consolidated interim profit and loss statement for the period ended September 30, 2008	Prior to reclassification	Reclassification effect	With regard to reclassification	Description of reclassifications
Expenses from services of telecom operators – international companies	(67)	67	–	Comment 2
Expenses from services of telecom operators – Russian companies	(3,155)	3,155	–	
Expenses from services of telecom operators	–	(3,222)	(3,222)	
Other operating expenses	(4,032)	(657)	(4,689)	Comment 3
Compensation of losses from providing universal communication services	454	(454)	–	Comment 4
Materials, repair and servicing, public utilities	(2,118)	(212)	(2,330)	Comment 5
Taxes except for profit tax	(670)	670	–	Comment 6
Provision for doubtful debts	(26)	26	–	Comment 7
Loss from fixed asset retirement	(20)	20	–	Comment 8
Other operating expenses	–	747	747	Comment 9
Financial expenses	(1,360)	(356)	(1,716)	Comment 10
Profit from financial investments, net	1	(1)	–	Comment 11
Other income and expenses from financial and investment activity	–	63	63	Comment 12
Personnel expenses	(7,827)	219	(7,608)	Comment 13
Profit tax	(991)	(65)	(1,056)	Comment 14

Comment 1	Reclassification of long-term loans provided to the personnel from other long-term assets into long-term financial assets.
Comment 2	Reclassification of expenses from telecom operator services – international companies and expenses from telecom operators-Russian companies to expenses from telecom operator services
Comment 3	Comments 5-10, 14
Comment 4	Reclassification of compensation of losses from providing universal communication services to other operating incomes
Comment 5	Reclassification of expenses from retirement of commodities purchased for realization of from other operating expenses
Comment 6	Reclassification of taxes, except for profit tax, to other operating expenses, comment 14
Comment 7	Reclassification of expenses incurred from the provision of doubtful debts to other operating expenses
Comment 8	Reclassification of loss from retirement of fixed assets into other operating expenses.
Comment 9	Allocation of other operating incomes from the net evaluation of other operating incomes and expenses, also comment 4.
Comment 10	Reclassification of expenses from loan servicing to financial expenses. Allocation of interest income from net evaluation of expenses from interest, also comment 13
Comment 11	Reclassification of profit from financial investments (net) to other incomes and expenses from financial and investments activity

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
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Comment 12	Comments 9-11.
Comment 13	Reclassification of expenses from interest on employee benefit and long-term social obligations ым obligations from personnel to financial expense
Comment 14	Reclassification of profit on tax on dividends of subsidiary companies from other operating expenses to profit tax

Foreign Currency Transactions

The functional and presentation currency of unaudited consolidated interim financial statements of the Company is the Russian ruble (RUR). Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the functional currency exchange rate ruling at that date. All resulting differences are recognised in the unaudited consolidated interim profit and loss statement as foreign exchange loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as of the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange rates as of 30 September 2009 and 31 December 2008 were as follows:

Currency	30 September 2009	31 December 2008
Rubles per US Dollar	30.0922	29.3804
Rubles per Euro	44.0068	41.4411

3. Principal provisions of the accounting policy

The unaudited consolidated interim financial statements are prepared on the basis of unified accounting policy of the Company for 2009 adjusted with reference to the above new/revised Standards/Interpretations.

4. Significant accounting views and estimations

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are similar to those disclosed in the consolidated financial statements of the Company for 2008.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

5. Information on segments of activity

The Company identifies the smallest structural units, financial performance of which is regularly analyzed by the Company's supreme management body for the purpose of taking managerial decisions as operating segments.

The Board is the Company's supreme management body.

The smallest structural units, financial performance of which is regularly analyzed by the Company's supreme management body for the purpose of taking managerial decisions are the general directorate, branches and subsidiaries.

The reporting information is analyzed on the basis of accounting data prepared in compliance with the Russian reporting standards.

The Company identifies reporting segments as the groups of operating segments with similar economic features.

The Company performs its activities mostly on the territory of one federal district.

The reporting segment of Sibirtelecom OJSC - fixed-line telephony includes Gorno-Altai, Buryatia, Khakassia, Altai, Krasnoyarsk, Irkutsk, Kemerovo, Novosibirsk, Omsk, Tomsk, and Zabaikalye Branches that provide services of telephone communication, including services of local intra-zone communication, the telegraph network of communication, data transmission network and telematic services, services of connection and traffic transmission, radio broadcasting, television, leasing of communication lines. Each of the mentioned branches is a separate operation segment.

The reporting segment of "General directorate" concentrates the biggest portion of financial and investment activity of the whole reporting segment of "Sibirtelecom OJSC – fixed-line communication" concerning attraction, maintenance and redemption of loan liabilities, financial lease, acquisition of financial assets, generation and further operation of corporate assets, centralized investment projects. Corresponding amounts of income, expenses, assets and liabilities are included in the table "Information on segments of activity".

The reporting segment of "Subsidiary companies - fixed-line communication" consists of: ChitaNET CJSC, Altai Telecommunication Company CJSC, Rinet OJSC, ATS-32 CJSC, ATS-41 CJSC, Mobiltelecom OJSC, Novocom CJSC that provide services of local telephone communication, data transmission network, and telematic services. Each of the mentioned branches is a separate operation segment.

The reporting segment of "Subsidiary companies – mobile communication" consists of: Yeniseytelecom CJSC, STeK GSM CJSC, AltaiSvyaz OJSC, Baikalwestcom CJSC that provide services of mobile radiotelephone communication, including an access to communication services of other telecom operator – external roaming, as well as services of mobile radiotelephone communication using paystations. Each of the mentioned subsidiaries is a separate operation segment.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

5. Information on segments of activity (continuation)

Information on reporting segments as of September 30, 2009	Sibirtelecom OJSC Fixed-Line Telephony	Subsidiary companies – fixed-line telephony	Subsidiary companies – mobile telephony	Total segments
Revenues from sales				
Revenues from sales to third parties	20,602	184	7,823	28,609
Revenues from sales between segments	268	47	327	642
Revenues from sales inside the segment	–	–	5	5
Total revenues from sales	20,870	231	8,155	29,256
Interest incomes	34	3	43	80
Financial expenses	(1,561)	–	(512)	(2,073)
Profit tax	(404)	(2)	(265)	(671)
Income for reporting period	1,737	3	761	2,501
ASSETS AND LIABILITIES				
Assets with respect to activity segments, including:	40,195	226	13,748	51,169
Investments in associated companies	–	1	–	1
Liabilities with respect to activity segments	(23,027)	(47)	(8,230)	(31,304)
OTHER SEGMENTED INFORMATION				
Capital expenditures, including:				
from fixed assets	1,775	10	1 452	3,237
from intangible assets	13	–	–	13
Depreciation and amortization	(3,539)	(18)	(1,466)	(5,023)
Recovery of loss from impairment of inventory holdings	3	–	–	3
Reserve for doubtful debts	(84)	(1)	(159)	(244)
Expenses from employee benefit and long- term social obligations	(295)	(1)	(7)	(303)

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

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Notes to Consolidated Interim Financial Statements
for the 9 months' period ended on September 30, 2009
(in millions of Russian rubles)

5. Information on segments of activity (continuation)

Information on reporting segments as of September 30, 2008	Sibirtelecom OJSC Fixed-Line Telephony	Subsidiary companies – fixed-line telephony	Subsidiary companies – mobile telephony	Total segments
Revenues from sales				
Revenues from sales to third parties	20,126	231	7,653	28,010
Revenues from sales between segments	356	42	277	675
Revenues from sales inside the segment			5	5
Total revenues from sales	20,482	273	7,935	28,690
Interest incomes	53	1	43	97
Financial expenses	(993)	–	(302)	(1,295)
Profit tax	(772)	(7)	(467)	(1,246)
Income for reporting period	2,686	16	1,331	4,033
ASSETS AND LIABILITIES				
Assets with respect to activity segments, including:	40,258	238	14,385	54,881
Investments in associated companies	–	1	–	1
Liabilities with respect to activity segments	(23,844)	(51)	(8,305)	(32,200)
OTHER SEGMENTED INFORMATION				
Capital expenditures, including:				
from fixed assets	4,141	18	1,770	5,929
from intangible assets	9	–	–	9
Depreciation and amortization	(2,990)	(16)	(1,133)	(4,139)
Recovery of loss from impairment of inventory holdings	5	–	–	5
Reserve for doubtful debts	(7)	(2)	(42)	(51)
Expenses from employee benefit and long- term social obligations	(319)	(1)	–	(320)

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5. Information on segments of activity (continuation)

Verification of data on segments and consolidated data in compliance with the Russian accounting standards of indices included in unaudited consolidated interim financial reporting according to IFRS:

Verification of data on segments and consolidated data as of September 30, 2009	Total segments	Transformation adjustments	Consolidation adjustments	Total for the Company, consolidated
Revenues from sales				
Revenues from sales to third parties	28,609	(71)	–	28,538
Revenues from sales between segments	642	–	(642)	–
Revenues from sales inside the segment	5	–	(5)	–
Total revenues from sales	29,256	(71)	(647)	28,538
Interest incomes	80	(31)	(5)	44
Financial expenses	(2,073)	(175)	5	(2,243)
Profit tax	(671)	(11)	46	(614)
Income for reporting period	2,501	(1,195)	514	1,820
ASSETS AND LIABILITIES				
Assets with respect to activity segments, including:	54,169	471	(1,452)	53,188
Investments in associated companies	1	18	–	19
Liabilities with respect to activity segments	(31,304)	(1,799)	361	(32,742)
OTHER SEGMENTED INFORMATION				
Capital expenditures, including:				
fixed assets	3,237	(16)	(2)	3 219
intangible assets	13	353	–	366
Depreciation and amortization	(5,023)	(1,099)	11	(6,111)
Recovery of loss from impairment of fixed assets	–	37	–	37
Recovery of loss from impairment of inventory holdings	3	–	–	3
Reserve for doubtful debts	(244)	(6)	158	(92)
Expenses from employee benefit and long-term social obligations	(303)	33	–	(270)

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5. Information on segments of activity (continuation)

Verification of data on segments and consolidated data as of September 30, 2008	Total segments	Transformation adjustments	Consolidation adjustments	Total for the Company, consolidated
Revenues from sales				
Revenues from sales to third parties	28,100	(93)	–	27,917
Revenues from sales between segments	675	–	(675)	–
Revenues from sales inside the segment	5	–	(5)	–
Total revenues from sales	28,690	(93)	(680)	27,917
Interest incomes	–	–	2	2
Financial expenses	97	(21)	(14)	62
Profit tax	(1,295)	(139)	12	(1,422)
Income for reporting period	(1,246)	125	65	(1,056)
	4,033	(2,190)	722	2,565
ASSETS AND LIABILITIES				
Assets with respect to activity segments, including:	54,881	1,437	(1,660)	54,658
Investments in associated companies	1	15	–	16
Liabilities with respect to activity segments	(32,200)	(2,946)	655	(34,491)
OTHER SEGMENTED INFORMATION				
Capital expenditures, including:				
fixed assets	5,929	36	(13)	5,952
intangible assets	9	733	–	742
Depreciation and amortization	(4,139)	(1,150)	13	(5,276)
Recovery of loss from impairment of fixed assets	5	–	–	5
Recovery of loss from impairment of inventory holdings	(51)	2	22	(26)
Reserve for doubtful debts	(320)	(122)	–	(442)
Expenses from employee benefit and long-term social obligations	5,929	36	(13)	5,952

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5. Information on segments of activity (continuation)

As of September 30, 2009 the basic indices of important operating segments were as follows:

Information on operating segments	Revenue from sales	Profit/(loss)	Segment assets	Segment liabilities	Capital expenditure	Depreciation and amortization
Sibirtelecom OJSC -Fixed-Line Telephony						
Gorno-Altai branch	199	(60)	346	(35)	17	(40)
Buryatia branch	1,687	182	2,126	(248)	64	(218)
Khakassia branch	522	(36)	1,112	(65)	48	(98)
Altai branch	2,766	486	3,914	(282)	235	(380)
Krasnoyarsk branch	2,596	58	4,379	(374)	195	(396)
Irkutsk branch	2,413	266	3,350	(261)	161	(296)
Kemerovo branch	2,408	(26)	4,103	(372)	215	(415)
Novosibirsk branch	3,764	731	5,556	(461)	475	(579)
Omsk branch	1,915	141	3,296	(213)	132	(314)
Tomsk branch	1,685	215	2,353	(191)	60	(253)
Zabaikalye branch	915	(152)	1,826	(159)	87	(187)
General directorate	–	(68)	7,834	(20,366)	99	(363)
Subsidiary companies – fixed-line telephony						
ChitaNET CJSC	12	(1)	8	(3)	–	(1)
Rinet OJSC	56	(5)	19	(15)	1	(2)
ATS-32 CJSC	36	3	83	(6)	2	(5)
ATS-41 CJSC	38	4	38	(5)	2	(4)
Mobiltelecom OJSC	49	–	32	(10)	2	(2)
Novocom CJSC	40	2	46	(8)	3	(4)
Subsidiary companies – mobile telephony						
Yeniseytelecom CJSC, including:	3,887	328	6,342	(3,549)	320	(553)
STeK GSM CJSC	81	(138)	538	(902)	2	(29)
Altaysvyaz OJSC	140	(77)	295	(584)	4	(23)
Baikalwestcom CJSC	4,268	433	7,406	(4,681)	1,132	(913)

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5. Information on segments of activity (continuation)

As of September 30, 2008 the basic indices of important operating segments were as follows:

Information on operating segments	Revenue from sales	Profit/(loss)	Segment assets	Segment liabilities	Capital expenditure	Depreciation and amortization
Sibirtelecom OJSC -Fixed-Line Telephony						
Gorno-Altai branch	179	(55)	365	(23)	26	(37)
Buryatia branch	1,770	403	2,113	(298)	203	(209)
Khakassia branch	474	(1)	979	(61)	119	(70)
Altai branch	2,546	485	3,916	(441)	612	(353)
Krasnoyarsk branch	2,516	207	4,374	(492)	889	(329)
Irkutsk branch	2,517	424	3,133	(303)	287	(256)
Kemerovo branch	2,281	(60)	4,195	(331)	248	(409)
Novosibirsk branch	3,778	896	5,204	(427)	498	(496)
Omsk branch	1,924	176	3,373	(265)	387	(247)
Tomsk branch	1,645	245	2,494	(184)	250	(225)
Zabaikalye branch	852	(51)	1,873	(173)	328	(142)
General directorate		17	8,239	(20,846)	303	(217)
Subsidiary companies – fixed-line telephony						
ChitaNET CJSC	15	1	10	(2)	1	(1)
Rinet OJSC	64	(1)	26	(19)	2	(2)
ATS-32 CJSC	40	1	80	(6)	4	(6)
ATS-41 CJSC	41	7	37	(4)	2	(2)
Mobiltelecom OJSC	62	2	36	(14)	6	(2)
Novocom CJSC	51	6	49	(6)	3	(3)
Subsidiary companies – mobile telephony						
Yeniseytelecom CJSC, including:	4,030	714	7,192	(3,800)	549	(443)
STeK GSM CJSC	85	(105)	638	(778)	20	(22)
Altaysvyaz OJSC	130	(68)	314	(469)	32	(18)
Baikalwestcom CJSC	3,905	617	7,193	(4,505)	1,221	(690)

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6. Subsidiaries

The following subsidiaries are controlled by Sibirtelecom OJSC:

Name	Activities	Share in authorized capital and other interest, %		Voting shares and other interest, %	
		30 Sep 2009	31 Dec 2008	30 Sep 2009	31 Dec 2008
Yeniseytelecom CJSC	Mobile radiotelephone services (GSM 900/1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Baikalwestcom CJSC	Mobile radiotelephone services (GSM 900 / 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
ChitaNet CJSC	Data transmission and telematic services	100.00	100.00	100.00	100.00
Altai telecommunication s company CJSC	Local telephone network services	100.00	100.00	100.00	100.00
STeK GSM * CJSC	Mobile radiotelephone services (GSM 900 / 1800)	100.00	100.00	100.00	100.00
Rinet OJSC	Internet services, Local telephony	100.00	100.00	100.00	100.00
ATS-32 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
ATS-41 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
Mobiltelecom OJSC	Internet, Local telephony	91.75	91.75	91.75	91.75
Novocom CJSC	Internet	100.00	100.00	100.00	100.00
Altaysvyaz OJSC *	Mobile radiotelephone services	100.00	99.72	100.00	99.72

All entities listed above are Russian legal entities established pursuant to the legislation of the Russian Federation and have the same reporting date as the Company.

7. Fixed assets

	Land, buildings and constructions	Switches and transmitters	Vehicles and other fixed assets	Capital investments in fixed assets	Total
<i>Original value</i>					
At 31 December 2007	20,895	27,899	4,069	3,666	56,529
Receipts	–	–	–	5,952	5,952
Receipts connected with acquisition of subsidiaries	5	–	24	–	29
Put into operation	1,297	2,371	775	(4,443)	–
Disposals	(174)	(111)	(54)	(26)	(365)
At 30 September 2008	22,023	30,159	4,814	5,149	62,145
At 31 December 2008	24,013	30,966	5,167	6,718	66,864
Receipts	–	–	–	3,219	3,219
Receipts of assets	10	–	–	–	10

* Indirect ownership via Yeniseytelecom CJSC

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connected with reclassification from investment property					
Put into operation	2,055	4,972	490	(7,517)	–
Disposals	(69)	(409)	(85)	(44)	(607)
Disposal of assets connected with their classification as investment property	(24)	–	–	–	(24)
Reclassification	54	104	(153)	(5)	–
At 30 September 2009	26,039	35,633	5,419	2,371	69,462
<i>Accumulated depreciation and impairment losses</i>					
At 31 December 2007	(5,789)	(7,743)	(2,210)	(264)	(16,006)
Accumulated depreciation for reporting period	(956)	(3,172)	(698)	–	(4,826)
Accumulated depreciation for fixed-assets of acquired subsidiary companies	(1)	–	(13)	–	(14)
Depreciation of disposed objects	66	120	53	–	239
Reclassification	(11)	(33)	–	44	–
At 30 September 2008	(6,691)	(10,828)	(2,868)	(220)	(20,607)
At 31 December 2008	(7,623)	(11,318)	(3,321)	(320)	(22,582)
Depreciation accrued in the reporting period	(1,426)	(3,298)	(750)	–	(5,474)
Depreciation accrued for fixed assets reclassified from investment property	(3)	–	–	–	(3)
Depreciation of disposed objects	38	238	68	–	344
Depreciation of disposed assets when they are classified as investment property	10	–	–	–	10
Accrued impairment	–	–	–	(13)	(13)
Restored impairment	9	10	2	29	50
Reclassification	(46)	83	(91)	54	–
At 30 September 2009	(9,041)	(14,285)	(4,092)	(250)	(27,668)
Depreciated value at 31 December 2007	15,106	20,156	1,859	3,402	40,523
Depreciated value at 30 September 2008	15,332	19,331	1,946	4,929	41,538
Depreciated value at 31 December 2008	16,390	19,648	1,846	6,398	44,282
Depreciated value at 30 September 2009	16,998	21,348	1,327	2,121	41,794

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At 30 September 2009 the book value of fixed assets received under agreements of financial lease amounted to:

	30 September 2009	31 December 2008
Switches and transmitters	452	567
Vehicles and other fixed assets, including: computers	1 1	1 1
Total fixed assets received under agreements of financial lease, book value	453	568

Depreciation of fixed assets accrued for 9 months of 2009 in the amount of 5,474 (9 months of 2008 – 4,826) was recognised in item “Depreciation and amortization” of the consolidated interim profit and loss statement.

As of 30 September 2009 the original value of fully amortised fixed assets amounted to 6,057 (31 December 2008 – 5,232).

As of 30 September 2009 the depreciated value of fixed assets in co-ownership amounted to 105 (31 December 2008 – 109).

Depreciation of objects of fixed assets

The Company analyzed the fixed assets with respect to depreciation as of 30 September 2009. For the purpose of the depreciation test, the compensated amount for each unit generating a cash flow (hereinafter, “UGCF”) was determined on the basis of evaluation of its use value calculated by discounting of future flows of monetary funds which will be received as a result of continuous use of the UGCF.

The Company determined certain UGCF for each branch and each subsidiary company.

When calculating the value in use, the cash flows expected in the future are discounted to their current value using a pre-tax rate of discounting that shows a current market value of influence of a change in the money value as the time goes as well as risks typical for this asset.

By the results of the depreciation test the Company acknowledged the loss from depreciation of fixed assets of subsidiary companies in the amount of 13. The loss was distributed among the following UGCF:

	Loss from depreciation for the 9 months period ended on 30 September 2009
Yeniseytelecom CJSC	(9)
Baikalwestcom CJSC	(4)
Total	(13)

For 9 months of 2009 depreciation of fixed assets of the Company in the amount of 50 was recovered. The compensation of the depreciation loss was allocated among the following UGCF:

	Recovery of depreciation loss for the 9 months period ended on 30 September 2009
Yeniseytelecom CJSC	26
Baikalwestcom CJSC	3
Gorno-Altai branch of Sibirtelecom OJSC	21
Total	50

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8. Investment Property

	For leasing	For sale	For leasing with subsequent sale	Total
Original value as of 31 December 2008	14	3	2	19
Reclassification from fixed assets	22	2	–	24
Reclassification to fixed assets	(7)	(3)	–	(10)
As of 30 September 2009	29	2	2	33
Accumulated depreciation as of 31 December 2008	(5)	(1)	–	(6)
Reclassification of depreciation from fixed assets	(9)	(1)	–	(10)
Reclassification of depreciation to fixed assets	2	1	–	3
As of 30 September 2009	(12)	(1)	–	(13)
Depreciated value as of 31 December 2008	9	2	2	13
Fair value as of 31 December 2008	37	5	7	49
Depreciated value as of 30 September 2009	17	1	2	20
Fair value as of 30 September 2009	21	7	7	35

The Company reclassified some objects of fixed assets (which match the criteria of investment property) into investment property.

As of 30 September 2009 no objects of investment property were a security under credit, loan or financial lease agreements.

Over 9 months of 2009 the Company had no limitations regarding the right to dispose proceeds from leasing or selling investment property.

Fair value of investment property was performed based on information on the property market. The following sources were used:

- Information from regional and local mass media;
- Specialized internet sites.

Fair value is based on market prices for items, identical to the Company's items of investment property.

9. Intangible Assets

	Goodwill	Licences	Software	Numbering capacity	Other	Total
<i>Original value</i>						
At 31 December 2007	129	111	5,128	100	40	5,508
Receipts	74	37	620	3	8	742
At 30 September 2008	203	148	5,748	103	48	6,250
At 31 December 2008	204	149	6,326	105	90	6,874
Receipts	–	20	330	3	13	366
Disposals	–	–	(3)	(9)	–	(12)
Reclassification	–	11	(11)	–	–	–
At 30 September 2009	204	180	6,642	99	103	7,228
<i>Accrued depreciation and impairment</i>						

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	Goodwill	Licences	Software	Numbering capacity	Other	Total
At 31 December 2007	(80)	(60)	(1,288)	(65)	(12)	(1,505)
Accrued annual depreciation	–	(11)	(422)	(11)	(6)	(450)
At 30 September 2008	(80)	(71)	(1,710)	(76)	(18)	(1,955)
At 31 December 2008	(171)	(58)	(1,952)	(80)	(20)	(2,281)
Accrued depreciation in the reporting period	–	(20)	(595)	(7)	(15)	(637)
Depreciation of disposed objects	–	–	3	9	–	12
At 30 September 2009	(171)	(78)	(2,544)	(78)	(35)	(2,906)
Depreciated value at 31 December 2007	49	51	3,840	35	28	4,003
Depreciated value at 30 September 2008	123	77	4,038	27	30	4,295
Depreciated value at 31 December 2008	33	91	4,374	25	70	4,593
Depreciated value at 30 September 2009	33	102	4,098	21	68	4,322

Oracle E-Business Suite

As of 30 September 2009 the software includes software product Oracle E-Business Suite (“OeBS”) with book value amounting to 1,047 (31 December 2008 – 1,108).

The Company commenced part-time operation of Oracle E-Business Suite and has been depreciating the software since the date of its implementation (30 November 2005) over its useful life of 10 years. Since 1 January 2009 the Company has been using the full functionality of OeBS.

Changes in the book value of Oracle E-Business Suite for the 9 months periods ended 30 September 2009 and 2008 are shown below:

	2009	2008
As of 1 January	1,108	893
Implementation cost	61	158
Accrued depreciation	(122)	(64)
As of 30 September	1,047	987

Amdocs Billing System

As of 30 September 2009 the software included software product Amdocs Billing Suite with the book value of 791 (31 December 2008 – 779).

This software was purchased for the purpose of the implementation of unified automated billing system. The project of implementation of unified automated billing system is expected to last 4-5 years. The management plans to reassess the value of the asset for impairment on a regular basis until the implementation is complete.

Changes in the book value of Amdocs Billing Suite for the 9 months periods ended 30 September 2009 and 2008 are shown below:

	2009	2008
As of 1 January	779	875
Implementation costs	12	–
As of 30 September	791	875

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CBOSS Billing Suite Software

As of 30 September 2009 the software included licences and implementation costs of software product CBOSS Billing Suite with the book value of 341 (2008 – 352).

	2009	2008
As of 1 January	352	441
Implementation costs	99	79
Accrued depreciation	(110)	(121)
As of 30 September	341	399

The software is used as a billing system by Yeniseytelecom CJSC and Baikalwestcom CJSC.

HP Open View Service Desk Software

As of 30 September 2009 the software included software product HP Open View Service Desk with the book value of 103 (2008 – 103).

This product is designed for automation of the Company's information processes. As at 30 September 2009 the software is not ready for use.

HP Open View Service Activator Software

As of 30 September 2009 the software included software product HP Open View Service Activator with the book value of 259 (31 December 2008 – 259).

This product is designed to provide automated management of end-user activation. As at 30 September 2009 the software is not ready for use.

Intangible assets amortization

Amortization of intangible assets for 9 months of 2009 in the amount of 637 (9 months of 2008 – 450) is recognised under item Depreciation and Amortization in the unaudited consolidated profit and loss statement.

Impairment testing of intangible assets not available for use

The Company performed an impairment test of intangible assets not available for use as of 30 September 2009. These assets are Amdocs Billing Suite, HP Open view Service Desk, HP Open View Service Activator and the numbering capacity of subsidiary companies Yeniseytelecom CJSC and Baikalwestcom CJSC. The test showed no impairment of above-stated intangible assets as of 30 September 2009.

The Company does not have intangible assets with a not specified term of use as of 30 September 2009.

Impairment testing of intangible assets not available for use

As of 30 September 2009 the book value of goodwill was distributed as follows:

	30 September 2009	31 December 2008
	Amortized value of goodwill	Amortized value of goodwill after impairment
Yeniseytelecom CJSC	5	5
Novocom CJSC	28	28
Total	33	33

The Company performed an impairment test of goodwill and other intangible assets as of 30 September 2009. The test showed no impairment of above-stated intangible assets.

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10. Long-term other assets

	Total, 30 September 2009	Reserve for long- term other assets, 30 September 2009	Net, 30 September 2009
Long-term advances given under investment activity	161	(2)	159
Long-term accounts receivable	13	–	13
Total	174	(2)	172

	Total, 30 September 2008	Reserve for long- term other assets, 30 September 2008	Net, 30 September 2008
Long-term advances given under investment activity	352	(19)	333
Long-term accounts receivable	12	–	12
Total	364	(19)	345

The table below shows changes in reserve for long-term other assets:

	2009	2008
Balance as of 1 January	19	8
Accrual of reserve	–	–
Recovery of reserve	(10)	–
Written-off liability	(7)	(3)
Balance as of 30 September	2	5

11. Investments in associated companies

As of 30 September 2009 and 31 December 2008 investments in the associates included:

Company	Activity	30 September 2009		
		Ownership interest, %	Voting shares, %	Book value
Giprosvyaz-Sibir LLC	Engineering, development of project documentation	24,00	0,00	4
Loktelecom OJSC	Local telephony	36,81	36,81	15
Irkutsk Clearing Chamber OJSC	Services of data transmission, Internet	34,00	34,00	–
Digital network and telecommunication systems of Novosibirsk region CJSC	Local and intrazone telephone connection	30,00	30,00	–
Associated companies, total		–	–	19

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Company	Activity	31 December 2008		
		Ownership interest, %	Voting shares, %	Book value
Giprosvyaz-Sibir LLC	Engineering, development of project documentation	24.00	0.00	4
Loktelecom OJSC	Local telephony	36.81	36.81	15
Irkutsk Clearing Chamber OJSC	Services of data transmission, Internet	34,00	34,00	–
Digital network and telecommunication systems of Novosibirsk region CJSC	Local and intrazone telephone connection	30,00	30,00	–
Associated companies, total	–	–	–	19

All of the above entities are Russian legal entities established pursuant to the legislation of the Russian Federation and have the same reporting period as the Company.

Changes in the book value of investments in associates for 9 months period ended on 30 September 2009 and 2008 are shown below:

	2009	2008
Investments in associates as of 1 January	19	35
Profit from associates	–	2
Dividends received	–	(1)
Reclassification of associates	–	(20)
Investments in associates as of 30 September	19	16

The following table shows summarised financial information about the associates:

Associates	Equity, %	Assets	Liabilities	Sale revenues	Profit (loss) in reporting period
As of 30 September 2009 and 9 months ended on 30 September 2009					
Giprosvyaz-Sibir LLC	24.00%	16	–	2	1
Irkutsk clearing chamber OJSC	34.00%	2	3	–	–
Loktelecom OJSC	36.81%	49	8	28	–
Digital network and telecommunication systems of Novosibirsk region CJSC	30.00%	–	–	–	–
As of 31 December 2008 and 9 months ended on 30 September 2008					
Giprosvyaz-Sibir LLC	24.00%	15	–	3	1
Irkutsk clearing chamber OJSC	34.00%	2	3	–	–
Loktelecom OJSC	36.81%	46	6	27	2
Digital network and telecommunication systems of Novosibirsk region CJSC	30.00%	–	–	–	–

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12. Financial assets

	30 September 2009	31 December 2008
Long-term financial assets available-for-sale	13	13
Long-term loans granted	10	14
Long-term investments held to maturity	–	4
Total long-term financial assets	23	31
	30 June 2008	31 December 2008
Short-term financial assets available-for-sale	76	28
Short -term loans granted	7	28
Short -term investments held to maturity	897	14
Total short-term financial assets	980	70
Total financial assets	1 003	99

Financial investments available-for-sale as of 30 September 2009 and 31 December 2008 included:

Company	30 September 2009		31 December 2008	
	Equity and other rights for participation, %	Fair value	Equity and other rights for participation , %	Fair value
Long-term financial assets available-for-sale				
NTK Region OJSC	1.665%	–	1.665%	–
Svyazintek OJSC	11.00%	13	11.00%	13
AKB Svyaz-Bank OJSC	0.0004%	–	0.01%	–
Total	–	–	–	3
		13		13
Short-term financial assets available-for-sale				
Sberbank OJSC	0.01%	76	0.01%	28
Total		76		28
Total financial assets available-for-sale	–	89	–	41

The Company places temporarily free financial resources in promissory notes issued by various Russian companies with the maturity within 12 months from the date the notes are made and planned to be realized by the Company till September 2010. The promissory notes have the yield from 0.97% to 12.00% and are nominated both in rubles and in US dollars. The Company uses promissory notes as a financial instrument mainly for the purpose of getting some financial profit. As of September 30, 2009 the notes receivable were 880 and were included in short-term financial assets held to maturity.

As at 30 September 2009 short-term investments held to maturity comprise bank deposits with maturity period from 3 months up to 1 year and with interest rate from 12.25 % up to 16.78 % in the amount of 17 (31 December 2008 -14)

As at 30 June 2009 long-term loans given to the employees are reflected at depreciated original value with effective interest rate 21%.

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As a result of additional issue of shares and increase in the authorized capital of AKB Svyazbank OJSC, a share of participation in the authorized capital of AKB Svyazbank OJSC reduced to 0.0004%.

Based on the entry in the Uniform Register of Legal Entities of 29 April 2009 on the change in the Articles of Association concerning the name change, NTK Zvezda OJSC, a long-term available-for-sale financial asset was renamed NTK Region 2009 OJSC.

13. Inventories

	<u>30 September 2009</u>	<u>31 December 2008</u>
Finished goods and goods for resale	220	199
Cable	102	107
Spare parts	72	66
Consumables	25	26
Fuel	19	15
Building materials	8	3
Other inventories	227	257
Total	673	673

Changes in allowance for impairment of inventories are shown below:

	<u>2009</u>	<u>2008</u>
Balance as of 1 January	4	8
Allowance recovery	(3)	(5)
Balance as of 30 June	1	3

Revenue from reserve recovery is shown in "Other operating income" in the unaudited consolidated interim profit and loss statement (Appendix 28).

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14. Trade and other receivables

	Total, as of 30 September 2009	Allowance for doubtful receivables, as of 30 September 2009	Net, as of 30 September 2009
Receivables from customers for core activities	2,505	(425)	2,080
Receivables from customers for non-core activities	166	(56)	110
Receivables from agents and commissioners	252	(32)	220
Settlements with the staff	14	–	14
Other debtors	343	(8)	335
Total	(3,280)	(521)	2,759

	Total, as of 31 December 2008	Allowance for doubtful receivables, as of 31 December 2008	Net, as of 31 December 2008
Receivables from customers for core activities	2,526	(393)	2,133
Receivables from customers for non-core activities	104	(23)	81
Receivables from agents and commissioners	220	(47)	173
Settlements with the staff	10	–	10
Other debtors	342	(20)	322
Total	3,202	(483)	2,719

Receivables for customers for core activities as of 30 September 2009 comprised the following:

	Total, as of 30 September 2009	Allowance for doubtful receivables	Net, as of 30 September 2009
Receivables from individuals	1,404	(297)	1,107
Receivables from commercial organizations	422	(71)	351
Receivables from budget organizations	276	(5)	271
Receivables from telecoms	403	(52)	351
Total settlements of the core activity	2,505	(425)	2,080

	Total, as of 31 December 2008	Allowance for doubtful receivables	Net, as of 31 December 2008
Receivables from individuals	1,302	(290)	1,012
Receivables from commercial organizations	407	(49)	358
Receivables from budget organizations	169	(3)	166
Receivables from telecoms	643	(46)	597

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Tariff compensation from the state budget	5	(5)	–
Total settlements of the core activity	2,526	(393)	2,133

The debt of social protection authorities for the compensation of expenses related to providing benefits to certain categories of subscribers amounts to 0% of the total amount of accounts receivable from purchasers (31 December 2008 – 0.2%).

The following table summarizes the changes in the allowance for impairment of trading and other receivables:

	30 June 2009	2008
Balance at 1 January	483	498
Accrual of allowance	126	82
Recovery of allowance	(24)	(55)
Write-off of receivables	(64)	(47)
Balance at 30 September	521	478

15. Other current assets

As of 30 September 2009 other current assets comprised the following:

	Total, as of 30 September 2009	Allowance for doubtful receivables	Net, as of 30 September 2009
VAT reclaimed	94	–	94
Prepayments and advances given	222	(3)	219
Deferred expenses	111	–	111
Prepayment of other taxes	68	–	68
Other current assets	16	–	16
Total	511	(3)	508

	Total, as of 31 December 2008	Allowance for doubtful receivables	Net, as of 31 December 2008
VAT reclaimed	208	–	208
Prepayments and advances given	173	(4)	169
Deferred expenses	121	–	121
Prepayment of other taxes	55	–	55
Other current assets	26	–	26
Total	583	(4)	579

The table below presents the changes in the allowance for other current assets:

	2009	2008
Balance as of 1 January	4	8
Reserve recovery		
Write-off of accounts receivable	(1)	–
Balance as of 30 June	3	7

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16. Cash and cash equivalents

	30 September	
	2009	31 December 2008
Cash on hand and at bank	1 671	1,014
Short-term deposits and promissory notes up to 3 months	170	95
Total	1 841	1,109

The maturity period of short-term deposits varies from 1 day to 3 months depending on the current necessity in cash and carry interest at existing deposit rates. The interest rate on short-term deposits with a maturity of up to three months varies from 0.30% to 16,00%.

17. Significant non-cash transactions

	Receipt of fixed assets
For 6 months ended on 30 September 2009	
Other receipt (dismounting)	144
Total	144
For 6 months ended on 30 September 2008	
Other receipt (dismounting)	104
Total	104

18. Authorized capital

As of 30 September 2009 the par value and book value of ordinary and preference shares were as follows:

Type of shares	Number of circulating shares (mln)	Par value, rubles	Total par value	Book value
Ordinary	12,011	0.15	1,802	2,672
Preference	3,909	0.15	586	869
As of 30 June 2009	15,920	–	2,388	3,541

The difference between the par value and the book value of shares represents the effect of inflation in the periods prior to 1 January 2003. The whole issued share capital has been paid in full.

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The Company's shareholding structure as of 31 September 2009 was as follows:

Shareholders	Ordinary shares			Preference shares	
	Equity, %	Quantity, pieces	Ordinary shares, %	Quantity, pieces	Preference shares, %
Total legal entities	92.1	11,461,586,699	95.4	3,207,364,577	82.0
Svyazinvest OJSC	38.2	6,086,601,672	50.7	-	-
-those with more than 5% of shares,					
	51.2	4,993,541,391	41.6	3,155,237,438	80.7
including:					
- ING Bank Eurasia CJSC (NH*)	9.1	1,179,445,621	9.8	262,666,635	6.7
- National Depository Centre NP (NH*)	20.1	1,891,651,992	15.8	1,310,260,799	33.5
- Depository-clearing company CJSC (NH*)	16.1	1,658,660,821	13.8	910,492,134	23.3
- UBS Nominees CJSC (NH*)	5.9	263,782,957	2.2	671,817,870	17.2
- other	2.7	381,443,636	3.1	52,127,139	2.2
Individuals, total	7.9	549,815,130	4.6	701,055,437	18.0
Total	100	12,011,401,829	100	3,908,420,014	100

The ordinary shareholders are entitled to one vote per share.

Preference shares type A give the holders the right to participate in general shareholders' meetings without voting rights except in instances where decisions are made in relation to re-organization and liquidation of the Company, and in relation to changes and amendments to the Company's charter which restrict the rights of preference shareholders.

The preference shares have no rights of redemption or conversion but carry non-cumulative dividends per share in the amount calculated as 10% of the Russian accounting net income for the year divided by the number of shares which comprise 25% of the Company's share capital. The annual amount of dividends on a preference share may not be less than dividends on an ordinary share.

Distributable earnings of each entity within the Company are limited to their respective retained earnings, as determined in accordance with Russian statutory accounting rules. Statutory retained earnings of the Company as of 30 September 2009 and 31 December 2008 amounted to 13,082 and 11,807, respectively.

In September 2001, the Company placed Level I American Depositary Receipts (ADRs). As of 30 September 2009 the Company registered an issue of 2,886,459 ADRs and deposited 577,291,800 ordinary shares which is 4.8% (30 September 2008 – 6.9%) of the total issued ordinary shares.

The following table represents registration of ADR for 6 months of 2009 and 2008:

	ADR (quantity)	Ordinary Shares Equivalent	Ordinary Shares, %	Authorized capital, %
31 December 2007	1,278,221	1,022,576,800	8.5	6.4

* NH- Nominal holder

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Change for 6 months of 2008	2,858,233	(195,286,000)	–	–
30 June 2008	4,136,454	827,290,800	6.9	5.2
31 December 2008	4,070,800	814,160,000	6.8	5.1
Change for 9 months of 2009	(1,181,341)	(236,868,200)	–	–
30 September 2009	2,886,459	577,291,800	4.8	3.6

The Company's ADRs are listed on the following stock exchanges:

Stock market	CUSIP(WKN)	ADR ticker	ISIN
Over-the-counter market (OTC) USA	825735103	SBTLY	US8257351036
Berlin Stock Exchange (Freiverkehr segment)	260452	S3T1.BER	US8257351036
Frankfurt Stock Exchange (Freiverkehr segment)	260452	S3T1.FRA	US8257351036

19. Loan obligations

	30 September 2009	31 December 2008
<i>Long-term loans and borrowings</i>		
Bank loans	16,726	17,337
Bonds in rubles	3,828	4,093
Promissory notes	700	8
Commercial credits	2	2
Financial lease liabilities	217	345
Less: Current portion of long-term borrowings	(11,445)	(8,983)
Total long-term loans and borrowings	10,028	12,802
<i>Short-term loans and borrowings</i>		
Bank loans	842	714
Promissory notes	–	850
Commercial credits	–	416
Accrued interest	300	257
Total short-term loans and borrowings	1,142	2,237
Share of long-term loans and borrowings to be repaid throughout the year	11,445	8,983
Total current loans and borrowings	12,587	11,220
Total loans and borrowings	22,615	24,022

As at 30 September 2009 the loan obligations of the Company are secured by pledged objects of fixed assets amounts to 8.054 (31 December 2008 – 5,217).

Long-term loans and borrowings

Bank loans

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The table below summarizes the information about long-term bank loans as of 30 September 2009 and 31 December 2008.

Counterparty	Interest rate	Book value		Loan currency	Date of maturity	Security
		30 Sept. 2009	31 Dec 2008			
Bank Uralsib OJSC	Euribor+5,9 %	14	45	EUR	2010	Pledge
Svyazbank OJSC	12-18 %	1,113	265	RUR	2 010 – 2014	Pledge
Svyazbank OJSC	14 %	318	371	USD	2 011	Pledge
Gazprombank CJSC	9,4 – 11 %	–	185	RUR	2 009	Pledge
Gazprombank CJSC	Libor+3,5 %	420	842	USD	2 010	unsecured
Bank Societe Generale	Mosprime+2,8 %					
Vostok CJSC (BSGV)	Mosibor+3,0 %	1,080	1,377	RUR	2009 – 2011	Pledge
Reiffeisenbank CJSC	Mosprime+3 %	1,350	1,350	RUR	2009 – 2012 2 013 (оферта в 2009)	Unsecured
Moscow River B.V.	7,70 %	2,684	2,620	USD	2009)	Unsecured
UniCredit Bank CJSC	Mosprime+3 %	850	850	RUR	2 011	Unsecured
AKB Promsvyazbank CJSC	Libor +3,75 %	223	287	USD	2 010	Pledge
KB Petrokommerzbank OJSC	8 %	–	72	USD	2 009	Pledge
Bank VTB OJSC	14,3 %	1,600	1,600	RUR	2 012	Unsecured
Bank VTB OJSC	Libor+1,1 %					
Commerzbank	10,3 %	717	347	USD	2009 – 2014	Pledge
International S.A.	Euribor+1,85 %	–	1,143	EUR	2 009	Unsecured
AKB Sberbank OJSC	7 – 18 %	6,357	5,983	RUR	2009 – 2014	Pledge
Total		– 16,726	17,337			–

Bank VTB OJSC

In March 2009 Baikalwestcom CJSC affiliated company received credit means from VTB OJSC for the amount of USD 18 mln under credit agreement concluded in November 2008. The credit was raised for general corporate purposes and is subject to repayment in April 2014. The interest rate under the agreement is LIBOR+8.5%. The credit is secured by property for the amount of 224.

AKB Svyaz-Bank OJSC

In April 2009 Yeniseytelecom CJSC affiliated company received 330 under credit agreement with AKB Svyaz-Bank OJSC. The credit was raised for general corporate purposes and is subject to repayment in April 2011. The interest rate is 18 %. The credit is secured by property for the amount of 413.

In August 2009 Baikalwestcom CJSC affiliated company concluded an agreement with AKB Svyaz-Bank OJSC for a credit for the amount of 186. The credit was raised for general corporate purposes and is subject to repayment in June 2011. The interest rate is 18%. As of 30 September 2009 the agreement was fulfilled for the amount of 125. The credit is secured by property for the amount of 270.

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Long-term obligation of the Company to AKB Svyaz-Bank OJSC is a credit line for the amount of 1,000 that was opened in September 2009. The period of validity of the credit line is 60 months from the date of the first tranche; the interest rate is 15.9% annually. The date of contract expiration is September 2014.

The attracted credit means are planned to be used for the financing of the current operating activity. As of 30 September 2009 the agreement as fulfilled for the amount of 391. No security is provided for the agreement.

In September 2009 Yeniseytelecom CJSC affiliated company concluded an agreement with AKB Svyaz-Bank OJSC for a credit for the amount of 300. The credit was raised for general corporate purposes and is subject to repayment in July 2012. The interest rate is 17%. As of 30 September 2009 the agreement was fulfilled for the amount of 50. The credit is secured by property with the mortgage value of 385.

AKB Sberbank OJSC

In May 2009 the Company concluded an agreement with AKB Sberbank OJSC for three nonrevolving credit lines in the amount of 1,000 each. The credit lines are valid 5 years; the interest rate is 20 % per annum. The facility is planned to be used for financing of the investment program on 2009 and refinancing of current liabilities of the Company. As of 30 September 2009 the agreement is executed for 1,400. The credit is secured by property for the amount of 1,455.

Bonded loans

The table below contains some information about the bonds issued as of 30 September 2009 and 31 December 2008:

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Code	30 September 2009		Effective rate	Date of maturity	Date of offer	Interest on coupon
Bond issue 06	1,831	111	8.49%	16.09.2010	23.09.2008	9.75%
Bond issue 07	–	1,985	9.14%	20.05.2009	–	8.65%
Bond issue 08	1,997	1,997	10.12%	08.08.2013	18.02.2010	9.75%
Total	3,828	4,093	–	–	–	–

In September 2005 the Company registered an issue of interest-bearing bonds, bond issue 06 with par value of 1 thousand rubles each for the total amount of 2,000. The bonds have 10 semi-annual coupons. The interest rate on coupons 1 to 6 is set at 7.85% per annum, the interest rate on coupons 7 to 10 is set at 9.75% per annum. In March 2009 the Company made coupon interest payments for the seventh coupon of bond issue 06. Bonds series 06 provide for an offer allowing the bondholders to present them to the Company on the specified date. In September 2008 the Company redeemed bonds series 06 in the amount of 1,883. In May 2009 the Company raised 1,721 by selling bonds series 06 on OTC market before the maturity date. Unredeemed bonds are subject to redemption in September 2010; total discount to par value is 8.87 %.

In August 2008 the Company registered an issue of interest-bearing bonds, bond issue 08 with par value of 1 thousand rubles each for the total amount of 2,000. The bonds have ten semi-annual coupons. The interest rate for coupon 1 to 3 is set at 9.75% per annum. The bonds mature in two parts: in 1,638 days and in 1,820 days from the date of issue, each bond is repaid in amount of 50% from the nominal value. Received financing is used for investment and operational activity of the Company and for repayment of other current loans and borrowings. These bonds provide for an early redemption option in February 2010. In February and August 2009 the Company made coupon interest payments for the first and second coupons of bond issue 08.

Promissory notes

The of long-term promissory notes as of 30 September 2009 and 31 December 2009 is shown below:

Counterparty	Effective interest rate	30 September 2009	31 December 2009	Currency	Date of maturity	Security
Russobank OJSC Region Broker	-	-	8	RUR	30.06.2009	Unsecured
Company LLC MARKS KAPITAL	26.24%	273	-	RUR	15.12.2010	Unsecured
CJSC Investment Consulting LLC	26.24%	273	-	RUR	15.12.2010	Unsecured
	26.28%	154	-	RUR	15.12.2010	Unsecured
Total	–	700	8	–	–	–

In June 2009 the Company issued non-interest bearing notes for the total amount of 1,000 with the following features:

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- First noteholder – Region Broker Company LLC, total amount 390, including discount 117, redemption on presentation but on or after 15 December 2010;
- First noteholder – MARKS KAPITAL CJSC, total amount 390, including discount 117, redemption on presentation but on or after 15 December 2010;
- First noteholder – Investment Consulting LLC, total amount 220, including discount 66, redemption on presentation but on or after 15 December 2010.

Commercial credits

Below is some information about long-term commercial credits as of 30 September 2009 and 31 December 2008:

Counterparty	Effective interest rate	30 September 2009	31 December 2009	Currency	Date of maturity	Security
Berkut LLC	8.00 %	2	2	USD	2009	unsecured
Total	–	2	2	–	–	–

Short-term loans and borrowings

Bank loans

The table below summarizes the information about short-term bank loans as of 30 September 2009 and 31 December 2008.

Counterparty	Interest rate	30 September 2009	31 Dec 2008	Currency	Date of maturity	Security
Gazprombank CJSC	16.5%	–	224	RUR	2009	Unsecured
Bank Societe Generale Vostok CJSC	23.55%	–	88	RUR	13.01.2009	Unsecured
Deutsche Bank AG	9%	299	293	USD	17.04.2009	Unsecured
KB Kedr CJSC	15.0%	–	52	RUR	28.01.2009	Unsecured
AKB International Financial Club OJSC	16.5-18%	120	–	RUR	2010	Pledge
Reiffeisenbank OJSC	Mosprime +6.65%	250	–	RUR	May 2010	Unsecured
AKB Sberbank OJSC	17-17.5%	173	57	RUR	2008, 2009	Pledge
Total	–	842	714	–	–	–

Sberbank AKB OJSC

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In February 2009 Baikalwestcom CJSC affiliated company entered into a credit agreement with Sberbank AKB OJSC for a revolving credit line for the total amount of 165. The contract expires in February 2010. The interest rate is 17%. The credit is secured by property in the amount of 277.

Reiffeisenbank OJSC

In April-August 2009 Yeniseytelecom CJSC affiliated company entered into credit agreements with Reiffeisenbank OJSC for the total amount of 250. The credit was raised for general corporate purposes and is subject to repayment in April and August 2010. The interest rate is MOSPRIME+6.65%. The credit is unsecured.

AKB International Financial Club OJSC

In August 2009 Yeniseytelecom CJSC affiliated company entered into a credit agreement with AKB International Financial Club OJSC for a revolving credit line for the total amount of 205. The date of agreement expiry – August 2011. According to agreement terms, the interest rate was fixed depending on the credit period in the amount from 16.5% to 18%. As of 30 September 2009 the agreement was fulfilled for the amount of 120. The credit is secured with property of the mortgage value of 86.

Promissory notes

The table below contains some information about the short-term promissory notes issued by the Company as of 30 September 2009 and 31 December 2008:

Counterparty	Effective interest rate	30 Sept 2009	31 Dec 2008	Currency	Date of maturity	Security
Svyazbank OJSC	9.7 %	-	500	RUR	2009	Unsecured
Region Broker Company LLC	9.7 %	-	350	RUR	2009	Unsecured
Total	-	-	850	-	-	-

Commercial credits

The table below contains some information about short-term commercial credits as of 30 September 2009 and 31 December 2008:

Counterparty	Effective interest rate	Book value		Currency	Date of maturity	Security
		31 Mar 2009	31 Mar 2009			
LLC Huawei-Ufa	5.76%	-	416	USD	2009	Unsecured
Total	-	-	416	-	-	-

Finance lease obligations

The Company has finance lease contracts for telecommunication equipment. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments as of 30 September 2009 are as follows:

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	30 September 2009		31 December 2008	
	Minimum lease payments	Discounted value of lease payments	Minimum lease payments	Discounted value of lease payments
Current portion (less than 1 year)	183	162	208	171
More than 1 and up to 5 years	60	55	193	174
Total	243	217	401	345

The Company did not enter into new finance lease arrangements within the 9 months of 2009.

As of 30 September 2009 the main lessors under finance lease contracts were RTC-Leasing OJSC and Reiffeisen-leasing OJSC. The effective rate under the liabilities within the 9 months of 2009 was from 17% to 21% annually (9 months of 2008 – from 18% to 26%).

The discounted value of minimal lease payments to RTC-Leasing OJSC as of 30 September 2009 amounted to 197 (31 December 2008 – 299), including the minimal lease payment of 221 (31 December 2008 – 349) less finance cost of 24 (31 December 2008 – 50).

According to the concluded agreements, RTC-Leasing OJSC is entitled to adjust the lease payment schedule in the event of changes in certain economic conditions, in particular, a change in refinancing rate of the Central Bank of the Russian Federation.

As at 30 September 2009 finance lease obligations denominated in the USD amounted to 1 (31 December 2008 – 8).

20. Employee Benefits

According to the collective agreement the Company contributes to post-employment pension plans and also provides additional benefits for its active and retired employees.

Defined Benefit Pension Plans

The non-government pension fund Telecom-Soyuz, which is a related party of the Company, maintains the defined benefit pension plan (refer to Note 38).

As of 30 September 2009 the number of active participants of defined benefit pension plans was 17,045 and 19,112 of former employees were eligible to the post-employment and post-retirement benefits (as of 31 December 2008 – 19, 774 and 18,957 respectively).

Within the 9 months of 2009 the Company's expenses regarding the defined benefit pension plans amounted to 540 (9 months of 2008 – 661).

Within the 9 months of 2009 the Company's contributions to the pension fund regarding the defined benefit pension plans amounted to 355 (9 months of 2008 – 338).

Expenses regarding the defined benefit pension plans amounted to without the amounts of interest income and expenses were included to the item "Personnel costs" of the unaudited consolidated interim profit and loss statement (Note 26). The amounts of expenses regarding interest for pension and long-term social obligations were included to the item Financial expenses (Note 30).

21. Other long-term liabilities

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	30 September 2009	31 December 2008
Deferred income	67	76
Target financing	14	16
Total	81	92

22. Provisions

	Headcount optimization	Tax provision	Total
Balance at 31 December 2007	81	6	87
Utilised within 9 months	(80)	(6)	(86)
Balance at 30 September 2008	14	–	14
Balance at 31 December 2008	52	7	59
Utilised within 9 months	(33)	–	(33)
Ended on 30 September 2009	(12)	–	(12)
Balance at 30 September 2009	7	7	14

Headcount optimization

In order to increase the efficiency of the business activity the Company adopted the Program of development approved by the Board of Directors. The program envisages actions aimed at headcount optimization, i.e. gradual reduction of headcount in the period from 2009 to 2013.

Within the 9 months of 2009 the Company discharged 797 employees.

23. Accounts payable and accrued liabilities

	30 September 2009	31 December 2008
Payable taxes, levies and mandatory social insurance	1,432	691
Settlements with the staff	876	1,188
Payables to suppliers and builders of fixed assets	711	2,294
Payables to communication operators	408	553
Payables to suppliers and contractors for current activity	216	379
Payable dividends	202	27
Settlements with principals and consigners	56	77
Payables to suppliers and contractors of software	13	14
<i>Payables to other creditors, including:</i>	728	1,132
other payables for core activities	530	712
other payables to Rostelecom OJSC	91	309
other payables for allocations to universal service reserve	105	109
other payables to telecoms under cooperation agreement	2	2
Total	4,642	6,355

As of 30 September 2009 payable taxes, levies and mandatory social insurance comprised the following:

	30 September 2009	31 December 2008
VAT	1,037	358
Property tax	207	191
Unified social tax	99	93

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Personal income tax	56	37
Income tax	24	1
Other taxes	9	11
Total	1,432	691

24. Other current liabilities

	30 September 2009	31 December 2008
Advances received from core activities	785	1,030
Advances received from non-core activities	17	19
Deferred income	14	9
Total	816	1,058

25. Sales revenue

	3 months ended on		9 months ended on	
	30 September		30 September	
	2009	2008	2009	2008
Local telephony	2,905	2,821	8,759	8,530
Mobile (cellular) communication services	2,448	2,605	7,340	7,420
Telegraph, data transfer network and telematic (Internet) services, including:	1,449	1,150	4,304	3,380
data transfer network and telematic (Internet) services	1,392	1,084	4,126	3,206
Intraareal telephony	1,202	1,347	3,700	4,009
Connection and data transmission services	880	997	2,720	3,055
Assistance services and agency fees	112	139	378	450
Mobile radio communication, cable broadcasting, radio broadcasting, TV	110	104	327	317
Other services (core activities)	2	2	5	7
<i>Revenues from other sales, including:</i>	360	291	1,005	749
Revenues from lease of assets	192	162	572	382
Total	9,468	9,456	28,538	27,917

The revenues from intra-zone services and local telephony includes income from channel rent in the amount of 432 (9 months 2008 – 450).

The revenues from local telephony services include revenues from universal services in the amount of 1 (9 months 2008 – 0).

The Company separates sales proceeds from the following major customer groups:

Customer groups	For 9 months ended on 30 September	
	2009	2008
Individuals	17,246	16,568
Corporate customers	6,114	5,085
Telecoms	2,819	4,182
Budget organizations	2,359	2,082
Total	28,538	27,917

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26. Personnel Costs

	For 3 months ended on 30 September		For 9 months ended on 30 September	
	2009	2008	2009	2008
Salary expenses	(1,828)	(1,917)	(5,745)	(5,673)
Unified social tax	(401)	(393)	(1,382)	(1,294)
Employee benefits	(89)	(150)	(270)	(442)
Other personnel costs	(34)	(61)	(92)	(199)
Total	(2,352)	(2,521)	(7,489)	(7,608)

Other personnel costs are mainly represented by voluntary medical and other insurance of employees and payments under collective agreement and labour contracts.

27. Materials, Repairs and Maintenance, Utilities

	For 3 months ended on 30 September		For 9 months ended on 30 September	
	2009	2008	2009	2008
Repair and maintenance	(298)	(353)	(899)	(945)
Materials, including:	(264)	(335)	(738)	(958)
Fuel	(13)	(37)	(49)	(155)
Cable	(11)	(40)	(38)	(83)
Spare parts	(11)	(20)	(32)	(76)
Construction materials	(4)	(7)	(14)	(22)
Other materials	(225)	(231)	(605)	(622)
Utilities, including:	(105)	(106)	(487)	(427)
Power	(95)	(89)	(313)	(273)
Heat	(10)	(8)	(147)	(124)
Other expenses	–	(9)	(27)	(30)
Total	(667)	(794)	(2 124)	(2 330)

The cost of other materials include expenses for stock, housewares, special clothes and special equipment, special tools, cards for the payment of communication services as well as expenses of disposal of goods purchased for sale.

28. Other operating income

	For 3 months ended on 30 September		For 9 months ended on 30 September	
	2009	2008	2009	2008
Reimbursement of losses from provision of universal services	250	166	656	454
Fines, late payment interest, forfeits	35	34	77	34
<i>Reimbursement of losses from impairment of fixed assets and stocks, including</i>				
Fixed assets, construction-in-progress	24	–	40	5
Stocks	23	–	37	–
Revenue from reimbursement of incurred loss	1	–	3	5
Other	2	1	2	1
	53	56	227	253
Total	364	257	1 002	747

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Other revenues include mainly revenues from accounts payable and accounts receivable where the period of limitation has lapsed.

Within the 9 months of 2009, in accordance with the terms of the agreements of providing universal communication services concluded with the Federal Communication Agency, the Company received some funds from reimbursement of loss incurred when providing universal communication services as follows:

- services of the current year – 403 (9 months of 2008 –286),
- services of the pervious year – 226 (9 months of 2008 – 165).

The loss from providing universal communication services in 2008 was 680 and was confirmed by Marketing, Consulting, Design CJSC, an independent auditor organization.

29. Other operating expenses

	3 months ended on		9 months ended on	
	30 September	2008	2009	2008
Agency fees	(302)	(269)	(895)	(744)
Outsourcing and management costs	(325)	(293)	(823)	(822)
Transportation and mail services	(238)	(230)	(777)	(394)
Taxes without profits tax	(228)	(206)	(669)	(605)
Property leasing costs	(156)	(170)	(452)	(416)
Advertising costs	(131)	(148)	(391)	(387)
Universal service fund payments	(97)	(92)	(290)	(274)
Fire and other security services	(86)	(91)	(252)	(269)
Software and databases	(32)	(35)	(141)	(104)
Provision for doubtful debts	(4)	3	(92)	(26)
Consulting	(14)	(27)	(59)	(80)
Services of credit organizations	(33)	(2)	(53)	(13)
Loss from disposal of fixed and other assets	(5)	(11)	(52)	(50)
Membership contributions, charity, and allocations to trade unions	(13)	(71)	(50)	(187)
Insurance of property	(13)	(21)	(40)	(61)
Fees, penalties, forfeits	–	(3)	(5)	(4)
Other expenses	(5)	(49)	(28)	(253)
Total	(1,682)	(1,715)	(5,069)	(4,689)

Other expenses include mainly expenses for social needs that do are not connected with payment to personnel; registration of property; registration of the ownership right; re-registration of commissioned fixed assets objects; court costs that are not covered by the third party and other operating expenses.

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30. Financial expenses

	3 months ended on 30 September		9 months ended on 30 September	
	2009	2008	2009	2008
Interest expenses on loans and borrowings, bonded loans and promissory notes	(803)	(484)	(2,213)	(1,330)
Interest expenses on pension liabilities and long- term social liabilities	(89)	(73)	(270)	(219)
Interest expenses on financial lease	(9)	(56)	(30)	(92)
Interest expenses on maintenance of financial liabilities	(9)	(6)	(62)	(75)
Total	(910)	(619)	(2,575)	(1,716)

With capitalization rate of 10% (2008 – 8%) the amount of the interest capitalized for the 9 months of 2009 and 2008 was as follows:

	9 months ended on 30 September	
	2009	2008
Capitalized to fixed assets	32	43
Capitalized to intangible assets	13	11
Total	45	54

31. Other income and financial and investment costs

	9 months ended on 30 September			
	2009	2008	2009	2008
Interest income from financial assets	(12)	(32)	44	62
Dividend received	–	–	2	3
Loss from disposal of other financial assets	–	–	–	(2)
Total	(12)	(32)	46	63

32. Earnings per share

The Company has no financial instruments which may be converted into ordinary shares; therefore, diluted earnings per share are equal to basic earnings per share.

	9 months ended on 30 September		9 months ended on 30 September	
	2009	2008	2009	2008
Profit for the reporting period attributable to shareholders of Sibirtelecom OJSC	969	560	1,820	2,565
Net of profit attributable to owners of preference shares	(238)	(138)	(447)	(630)
Profit for ordinary share owners	731	422	1,373	1,935
Weighted average number of ordinary shares participating in profit, in circulation (mln items)	12,011	12,011	12,011	12,011
Basic and diluted profit per share (in rubles) for the reporting period attributable to shareholders of Sibirtelecom OJSC	0.06	0.04	0.11	0.16

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33. Dividends declared for distribution

The amount of annual dividends for 2008 per one share was approved by the General shareholders' meeting on 20 June 2009 at 0.026313 per an ordinary share and 0.052939 rubles per a preference share. Dividends for the year ended 31 December 2008 are subject to payment during 2009.

The amount of dividends to be paid was as follows:

Shares	Number of shares	Dividends per 1 share (rubles)	Total dividends
In 2008			
Preference shares	3,908,420,014	0.052939	207
Ordinary shares	12,011,401,829	0.026313	316
Total	15,919,821,843	–	523

The profit distributed as dividends is limited by the profit of Sibirtelecom OJSC determined in compliance with the Federal law "On Joint-Stock Companies" based on the data from financial statement prepared according to the Federal law "On Accounting" and the Russian accounting standards.

34. Operating lease

As at 30 September 2009 and 31 December 2008 minimum lease payments under operating lease agreements where the Company is a lessee were as follows:

	30 September 2009	31 December 2008
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	680	794
From 1 up to 5 years	311	632
Over 5 years	39	15
Total	1,030	1,441

In respect of some objects leased by the Company under operating lease agreements, the Company concluded some sublease agreements with the aggregated future payments as of 30 September 2009 in the amount of 9 (31 December 2008 – 18). The main sublease contracts refer to the lease of property, premises, or land.

The Company's operating lease expenses are shown in "Other operating expenses" of the unaudited consolidated interim profit and loss statement (Note 29). They made up 452 for the 9 months of 2009 (9 months of 2008 – 416).

As of 30 September 2009 and 31 December 2008 the minimum lease payments under operating lease agreements where the Company is the lessor were distributed by years as follows:

	30 September 2009	31 December 2008
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	981	906
From 1 up to 5 years	284	207
Over 5 years	30	22

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Total	1,295	1,135
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The Company's operating lease revenue for the 9 months of 2009 amounted to 572 (9 months of 2008 – 382) and is disclosed the line "Sales revenue" in the unaudited consolidated interim profit and loss statement (Note 25).

The main agreements of operating lease are the lease of property, premises, telecommunication equipment. Operating lease agreements provide a right of prolongation of the agreement for the leased objects.

35. Contractual obligations of future periods

As at 30 September 2009 and 31 December 2008 the Company's contractual obligations with regard to capital investments in upgrade and expansion of the network amounted to 125 and 685 respectively.

As of 30 September 2009 and 31 December 2008 the Company's contractual obligations with regard to acquisition of fixed assets amounted to 81 and 14 respectively.

As of 30 September 2009 and 31 December 2008 the Company's contractual obligations with regard to acquisition of intangible assets amounted to 43 and 33 respectively.

36. Contingencies and operating risks

Operating environment in the Russian Federation

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. This unaudited consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

Taxation

On 30 September 2009 Inter-regional Inspectorate of the Federal Taxation Service of Russia for Major Tax Payers No.7, city of Moscow made a decision to conduct a field tax audit of 2007-2008 in the Company.

Management of the Company believes that as of 30 September 2008 its interpretation of the relevant legislation is appropriate and, therefore, it is highly likely that the Company's position with regard to compliance with tax, currency and customs legislation will be sustained.

Insurance

During the 9 months of 2009 the Company undertook measures to minimise risks of loss and damage to its property. The insured property comprises items with relatively high net book value and relatively low depreciation, which are actively used in production activities.

Moreover, the Company maintained sufficient insurance coverage against third party liabilities (mandatory vehicle insurance, insurance of risks arising from use of hazardous production equipment).

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Third party property damage and ecological risks arising from the Company's activities are insignificant.

Legal Proceedings and determination of consequences

During the 9 months of 2009 the Company participated (both as a plaintiff and a defendant) in a number of legal proceedings that arose in the course of ordinary business activity. In the Company management's opinion, at present there are no current legal proceedings or suits that might have a significant impact on the Company's performance or financial position and that were not recognized or disclosed in these unaudited consolidated interim financial statements.

Licences

The majority of the Company's revenues are received from business transactions conducted on the basis of licences issued by the Russian Federation Ministry for Telecommunications and Information Technologies. Key operational licences and additional licences expire during the period from 2009 to 2012.

Suspension of the Company's key licences for the provision of telecommunications services or inability to extend some or all of the licences may have a major negative impact on the financial position and business performance.

The Company regularly extended validity of licences and management believes that in the future the licences held will be extended without additional expenses in the course of ordinary business.

37. Financial instruments and risk management

The Company's principal financial instruments comprise bank loans, bonds and promissory notes, financial leasing and cash and cash equivalents. The main purpose of these instruments is to raise finance for the Company's operations. Short term deposits are also actively used as a financial instrument to place available funds. The Company has other financial assets and liabilities such as trade receivable and trade payables, which arise directly from its operations.

Capital management policy

The Company's capital management policy is primarily focused on increasing credit ratings, improving financial independence and liquidity ratios, improving the structure of payables, and reducing the cost of capital.

The main methods of capital management are profit maximisation, investment program management, sale of assets to reduce debt, debt portfolio management and restructuring, usage of different classes of borrowed funds.

The Company monitors and manages its debt using financial independence ratio and net debt/equity, net debt/EBITDA ratios.

The financial independence ratio is calculated as shareholders' equity to the balance sheet total at the end of the period. Net debt/shareholders' equity is calculated as net debt to shareholders' equity at the end of the period. Net debt/EBITDA, is calculated as net debt at the year-end to EBITDA for the preceding period. The ratios used in capital management are determined using statutory accounting information.

The Company's policy is to maintain financial independence ratio in the range 0.39 - 0.43; net debt/shareholders' equity in the range 1.00–1.07, and net debt/EBITDA in the range of 1.84–2.00.

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The ratios based on the statutory financial statements for 30 September 2009 and 31 December 2008 were as follows:

	30 September 2009	31 December 2008
Financial independence ratio	0.42	0.39
Net debt/shareholders' equity	1.00	1.07
Net debt/EBITDA	2.10	1.84

As of 30 September 2009 international rating agency Fitch Ratings confirmed the default rating of the Company in the national currency at "B+", outlook "Stable", short term rating at "B".

Income and expenses on financial instruments

9 months ended on 30 September 2009	Profit and loss statement					Statement of total revenue	Total
	Other operating expenses	Financial expenses	Other revenues and expenses from financial and investment activity				
	Generation of doubtful debts allocation	Interest expense s	Interest income	Dividend income	Loss from exchange rates	Changes of fair value	
Cash and cash equivalents	–	–	35	–	(72)	–	(37)
Accounts receivable	(92)	–	–	–	–	–	(92)
Financial assets available-for-sale	–	–	–	2	–	38	40
Investments held to maturity	–	–	4	–	(18)	–	(14)
Loans issued	–	–	5	–	–	–	5
Total financial assets	(92)	–	44	2	(90)	38	(98)
Bank loans	–	(1 606)	–	–	(177)	–	(1 783)
Promissory notes	–	(368)	–	–	–	–	(368)
Bonded loans	–	(290)	–	–	–	–	(290)
Commercial credits	–	(11)	–	–	(38)	–	(49)
Financial lease	–	(30)	–	–	1	–	(29)
Other financial liabilities	–	(270)	–	–	–	–	(270)
Accounts payable	–	–	–	–	(7)	–	(7)
Total financial liabilities	–	(2,575)	–	–	(221)	–	(2,796)

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9 months ended on 30 September 2008	Profit and loss statement					State- ment of total revenue	Total	
	Other operatin- g expenses	Finan- cial expen- ses	Other income and expenses on financial and investment activities					
	Generation of doubtful debts allocation	Interest expenses	Interest income	Dividend income	Financial result from selling of assets	Loss from exchan- ge rates	Changes of fair value	
Cash and cash equivalents	–	–	53	–	–	10	–	63
Accounts receivable	(26)	–	–	–	–	1	–	(25)
Financial assets available-for-sale	–	–	–	3	–	–	(56)	(53)
Investment held to maturity	–	–	5	–	–	–	–	5
Loans issued	–	–	4	–	–	–	–	4
Other financial assets	–	–	–	–	(2)	–	–	(2)
Total financial assets	(26)	–	62	3	(2)	11	(56)	(8)
Bank loans	–	(928)	–	–	–	(291)	–	(1,219)
Bonded loans	–	(410)	–	–	–	–	–	(410)
Promissory notes	–	(56)	–	–	–	–	–	(56)
Commercial credits	–	(11)	–	–	–	12	–	1
Liabilities of financial lease	–	(92)	–	–	–	–	–	(92)
Other financial liabilities	–	(219)	–	–	–	–	–	(219)
Accounts payable	–	–	–	–	–	1	–	1
Total financial liabilities	–	(1,716)	–	–	–	(278)	–	(1,994)

Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the Company's cash flows. As a result, these fluctuations in exchange rates will be reflected in respective items of the Company's income statement, balance sheet and/or statement of cash flows. The Company is exposed to foreign exchange risk in relation to its assets and liabilities denominated in foreign currencies.

Financial assets and liabilities of the Company are denominated as follows:

As of 30 September 2009	RUR	USD	EUR	Total
Cash and cash equivalents	1,001	840	–	1,841
Accounts receivable	2,719	51	2	2,772
Financial assets available-for-sale	89	–	–	89
Investments held for maturity	338	559	–	897
Loans issued	17	–	–	17

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Total financial assets	4 164	1450	2	5 616
Bank credits and loans	(12,893)	(4,661)	(14)	(17,568)
Bonded loans	(3,828)	–	–	(3,828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	(2)	–	(2)
Financial lease liabilities	(216)	(1)	–	(217)
Interest payable	(179)	(121)	–	(300)
Accounts payable	(4,466)	(152)	(24)	(4,642)
Total financial liabilities	(22,282)	(4,937)	(38)	(27,257)

As of 31 December 2008	RUR	USD	EUR	Total
Cash and cash equivalents	855	2	252	1,109
Accounts receivable	2,728	3	–	2,731
Financial assets available-for-sale	41	–	–	41
Investments held to maturity	18	–	–	18
Loans issued	42	–	–	42
Total financial assets	3,684	5	252	3,941

Bank credits and loans	(12,031)	(4,832)	(1,188)	(18,051)
Bonded loans	(4,093)	–	–	(4,093)
Promissory notes issued	(858)	–	–	(858)
Commercial credits	–	(418)	–	(418)
Financial leasing liabilities	(337)	(8)	–	(345)
Interest payable	(167)	(67)	(23)	(257)
Accounts payable*	(6,169)	(183)	(3)	(6,355)
Total financial liabilities	(23,655)	(5,508)	(1,214)	(30,377)

For the period from 1 January 2009 to 30 September 2009 the ruble decreased as compared with the US Dollar and Euro by approximately 2.42% and 6.19% respectively.

The sensitivity analysis of profit before tax to foreign exchange risk is shown in the table below:

	USD			EUR		
	Rate change,	Effect on profit before tax	Rate change,	Effect on profit before tax		
	%	Mln RUR	%	%	Mln RUR	%
30 September 2009	+20	(697)	-28,65	+10	(4)	-0,15
	-20	697	28,65	-10	4	0,15
31 December 2008	+20	(1,017)	-42,93	+10	(96)	-4.06
	-20	1,017	42,93	-10	96	4.06

The Company does not have formal procedures to reduce its foreign exchange risks.

Interest rate change risk

* Accounts payable include settlements with the staff and payable taxes, levies and mandatory social insurance

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The interest rate change risk is a risk that changes in interest rates on financial instruments used by the Company will influence the financial performance and cash flows of the Company.

The following table presents the Company's financial instruments that are exposed to interest rate change risk:

As of 30 September 2009	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	170	–	1,671	1,841
Accounts receivable	–	–	2,772	2,772
Financial assets available-for-sale	–	–	89	89
Investments held for maturity	897	–	–	897
Loans issued	17	–	–	17
Total financial assets	1,084	–	4,532	5,616
Bank credits and loans	(14,452)	(3,116)	–	(17,568)
Bonded loans	(3,828)	–	–	(3,828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	–	(2)	(2)
Financial lease liabilities	(217)	–	–	(217)
Interest payable	(281)	(19)	–	(300)
Accounts payable	–	–	(4,642)	(4,642)
Total financial liabilities	(19,478)	(3,135)	(4,644)	(27,257)
As of 31 December 2008	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	95	–	1,014	1,109
Accounts receivable	–	–	2,731	2,731
Financial assets available-for-sale	–	–	41	41
Investments held to maturity	18	–	–	18
Loans issued	42	–	–	42
Total financial assets	155	–	3,786	3,941
Bank credits and loans	(12,975)	(5,076)	–	(18,051)
Bonded loans	(4,093)	–	–	(4,093)
Promissory notes issued	(858)	–	–	(858)
Commercial credits	–	–	(418)	(418)
Financial lease liabilities	(345)	–	–	(345)
Interest payable	(216)	(34)	(7)	(257)
Accounts payable	–	–	(6,355)	(6,355)
Total financial liabilities	(18,487)	(5,110)	(6,780)	(30,377)

The sensitivity analysis of profit and equity to the interest rate risk is shown in the table below:

Rate change, pp	LIBOR		Rate change, pp	EURIBOR		Rate change, pp	MOSPRIME	
	Effect on profit before tax			Effect on profit before tax			Effect on profit before tax	
	Mln RUR	%		Mln RUR	%		Mln RUR	%

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30 September 2009	+1	(1)	-0,05	+1	–	–	+1	(22)	-0,90
	-1	1	0,05	-1	–	–	-1	22	0,90
31 Dec 2008	+1	(12)	-0,52	+1	(11)	-0,48	+1	(13)	-0,49
	-1	12	0,52	-1	11	0,48	-1	13	0,49

Liquidity risk

The Company monitors its risk of a shortfall of funds by way of current liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds, finance leases.

As at 30 June 2009 financial assets and liabilities had the following maturities:

	2009	2010	2011	2012	2013 and later	Total
Cash and cash equivalents	1,841	–	–	–	–	1,841
Accounts receivable	2,759	13	–	–	–	2,772
Financial assets available-for-sale	76	–	–	–	13	89
Investments held for maturity	1,027	–	–	–	–	1,027
Loans issued	11	3	4	2	7	27
Total financial assets	5,714	16	4	2	20	5,756
Bank credits and loans	(4,496)	(7,048)	(4,368)	(2,872)	(2,352)	(21,136)
Bonded loans	(130)	(4,251)	–	–	–	(4,381)
Promissory notes issued	–	(1,000)	–	–	–	(1,000)
Commercial credits	(2)	–	–	–	–	(2)
Financial lease liabilities	(183)	(29)	(27)	(4)	–	(243)
Accounts payable	(4,642)	–	–	–	–	(4,642)
Total financial liabilities	(9,453)	(12,328)	(4,395)	(2,876)	(2,352)	(31,404)

Credit risk

Credit risk is the risk that counter-party will fail to settle its obligation and may lead to financial losses.

Financial assets which potentially expose the Company to credit risks are shown mainly in the accounts receivable from customers and clients, funds in the banks, bank deposits and other financial assets of debt character. The book value of accounts receivable net

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of allowance for impairment of receivables represents the maximum amount exposed to credit risk (Note 14).

The Company has no significant concentrations of credit risk due to the significance of the customer base and regular monitoring procedures over customers' and other debtors' ability to pay debts. A part of accounts receivable is represented by state and other non-commercial organizations.

The analysis of overdue trade receivables which are not impaired is provided below.

As at 30 September 2009	Periods of overdue (days)			
	Total	<30	30-60	60-90
Corporate customers	55	47	2	6
Individuals	129	102	5	22
Budget organizations	30	28	–	2
Telecoms	29	26	–	3
Total	243	203	7	33

As at 31 December 2008	Periods of overdue (days)			
	Total	<30	30-60	60-90
Corporate customers	41	30	2	9
Individuals	109	84	4	21
Budget organizations	30	29	–	1
Telecoms	18	15	–	3
Total	198	158	6	34

Hedging

During the 9 months of 2009 the Company did not hedge its foreign exchange risks or interest rate risks.

Fair value of financial instruments

Financial instrument used by the Company belong to one of the following categories:

- investment held to maturity (IHM);
- financial assets available for sale (FAS);
- financial assets estimated at fair value (FEFV);
- loans and account receivable (LAR);
- liabilities reflected at depreciated value (LDV).

As of 30 September 2009 and 31 December 2008 the fair value of Company's financial instruments does not significantly differ, except the following:

	Category	30 September 2009		31 December 2008	
		Book value	Fair value	Book value	Fair value
Bonded loans	LDV	3,828	3,779	4,204	3,908
Credits and loans	LDV	17,568	15,357	18,051	15,877

The fair value of bonds for disclosure purposes has been calculated based on quoted market prices as of 30 September 2009. For bank loans and borrowings measured at amortised cost, fair value has been calculated based on the present value of future principal and interest cash flows, discounted at the incremental borrowing interest rate, which was 18% per annum for ruble-denominated loans, and within 7% and 8% per annum for loans denominated in foreign currencies.

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38. Settlements and operations with related parties

During the 9 months of 2009 the structure of related parties of the Company had no significant changes compared to the structure as of 31 December 2008.

Svyazinvest OJSC

Svyazinvest OJSC is an open joint-stock company, incorporated under the laws of the Russian Federation.

As of 30 September 2008 the Russian Federation represented by the Federal Agency for the Management of State Property held a package of 75% minus one ordinary shares of Svyazinvest OJSC.

The Svyazinvest group comprises 7 interregional telecommunications companies including the Company, Rostelecom OJSC, Central Telegraph OJSC, Dagsvyazinform OJSC and other affiliated telecoms.

Telecoms being a part of the Svyazinvest group are operators of general use telecommunications networks providing services of local, intra-zone, intercity and international telephone communication, communication services in data transmission networks, telematic services, telegraph communication services, line radio broadcasting, communication services for cable and on-air broadcasting, services of mobile radiotelephone and radio communication, and provision of telecommunication channels, on the basis of licences issued by the Russian Ministry of Telecommunications and Mass Communications.

Subsidiaries

The Company performs operations with the subsidiaries within its current activity. Financial results and the balance of mutual settlements with the subsidiaries have been excluded from the unaudited consolidated interim financial statements of the Company pursuant to the requirements of IFRS.

The Company handles transactions with the subsidiaries on regular commercial terms. The tariffs for the subsidiaries are set by the regulator and are similar to the tariffs for other counterparties. The subsidiaries do not have an effect on the Company's transactions with other counterparties.

Rostelecom OJSC

Rostelecom OJSC, a majority-owned subsidiary of Svyazinvest OJSC, is the primary provider of domestic long-distance and international telecommunication services in the Russian Federation.

The annual revenue from Rostelecom OJSC relates to traffic transmission services provided by the Company to Rostelecom OJSC under the interconnection agreement and to the fees received under the assistance agreement which is a combination of agent agreement and service agreement.

The annual expenses associated with Rostelecom OJSC relate to payments for call termination to networks of other telecommunication operators, if the call is initiated from a mobile network, as well as interconnection expenses and expenses related to long-distance domestic and international telecommunication services provided to the Company.

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Transactions with state-controlled companies

State-controlled organisations are a significant element in the Company's customer base; however, they do not exert significant influence on the Company's operations or pricing policies.

Svyazintek OJSC

Svyazintek OJSC was established by Svyazinvest OJSC subsidiaries which own collectively 100% of its share capital. Svyazintek OJSC provides to the Company services related to implementation and post-implementation support of information systems, in particular, Oracle E-Business Suite and Amdocs Billing Suite software.

For the 9 months of 2009 the Company incurred expenses on the services provided by Svyazintek OJSC in the amount of 37 (9 months of 2008 – 92) from which 0 (9 months of 2008 – 13) was recognised in the profit and loss statement and the remainder was capitalised within the intangible assets.

Telecom–Soyuz NPF

The Company concluded the agreement of non-state pension provision with private pension fund Telecom-Soyuz (Note 20). In addition to the state pension the Company provides its employees with non-state pension and other post-employment benefits through defined benefit plans.

The total amount of contributions to non-state pension fund paid by the Company during the 9 months of 2009 amounted to 324 (9 months of 2008 – 302).

The fund retains 3% of every pension contribution of the Company to cover its administrative costs.

Remuneration of key managers

The key management personnel comprise the members of the Management Committee and the Company's Board of Directors totalling 20 people as of 30 September 21 (31 December 2008 – 21).

Remuneration to the members of the Board of Directors and the Management Committee of the Company for 6 months of 2009 including salaries, bonuses and compensation for participation in the work of management bodies amounts to 97 (9 months of 2008 – 107). The amounts of remuneration are shown without unified social tax.

During the 9 months of 2009 the Company made a contribution of 8 to the private pension fund (9 months 2008 – 5) for its key management personnel. The plans provide for payment of retirement benefits starting from statutory retirement age and provided that a condition for a minimum service period is met.

39. Subsequent events

Dividends

Annual dividend per share for 2008 was approved by the Company's General Shareholders' Meeting on 20 June 2009 in the amount of 0.026313 rubles per one ordinary share and 0.052939 rubles per one preference share (2007 – 0.035889 and 0,066446 respectively). The total amount of dividends payable by the Company amounts to 316 for ordinary shares and 207 for preference shares (2007 – 431 and 260 respectively).

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The amount of dividends paid in 2009 for the year ended on December 31, 2008 is 366.

Credit and Loans

In October 2009 the Company fulfilled its liabilities connected with the offer under the credit agreement with Moscow River B.V. Loan notes (CLN) were presented for redemption for the amount of USD86 million. The amount of the coupon yield was USD3 million based on 7.7% annually.

In November 2009, according to the results of an open tender, the right of TransCreditBank OJSC for concluding an agreement of providing services of organization and placement of Company's active bonds. The period of possible placement of interest-bearing documentary active bonds – during 2010-2012, the par value is 1 thousand rubles each, total for the amount of 8,000.

In November 2009 the Company made a decision to make an agreement to open a credit line in the amount of 2,000. An open tender is announced. It will be held with four lots with the limit of credit resources of 500 each. The expected duration of the credit line is 36 months from the date of the agreement; the interest rate for the use of lending resources is not more than 14% annually. The attracted funds are planned to be used for general corporate purposes. The right of concluding the agreement according to the results of the open tender will be determined in January of 2010.

In November 2009 Baikalwestcom CJSC, a subsidiary company, concluded an agreement with Bank Societe Generale Vostok about opening of a revolving credit line for the amount of 300. The duration of the credit line is 12 months, the interest rate – Mosibor+3.5%. The attracted funds are planned to be used for current operating activities. As of the date of the reports for the 9 months of 2009 the agreement was fulfilled for the amount of 230. No security is provided for by the agreement of the revolving credit line.