Open Joint Stock Company

«Far East Telecommunications Company»

CONSOLIDATED INTERIM FINANCIAL STETEMENTS FOR 6 MONTHS, ENDED ON 30 JUNE 2009, PREPARED IN COMPLIENCE WITH INFERNATIONAL FINANCIAL STANDARDS (IFRS)

(Translation from Russian Language)

OJSC "Far East Telecommunications Company"

Consolidated Interim Financial Statements, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009.

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OJSC "Far East Telecommunications Company"
Consolidated Interim Balance Sheet, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009.

(in million Russian Roubles)

	Note	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Fixed assets	**7**	14,171	14,132
Intangible assets and goodwill	**8**	3,048	2,934
Investments in associates	**10**	75	72
Long–term investments	**11**	37	11
Long–term other assets	**9**	627	594
Total non-current assets		**17,958**	**17,743**
Current assets			
Inventories	**12**	782	511
Trade and other accounts receivable	**13**	1,733	1,479
Income tax receivable		49	95
Financial investments	**11**	127	154
Other current assets	**14**	540	313
Cash and cash equivalents	**15**	401	554
Assets meant for sale		28	36
Total current assets		**3,660**	**3,142**
TOTAL ASSETS		**21,618**	**20,885**
EQUITY AND LIABILITIES			
OJSC Far East telecommunications Company shareholders' equity			
Share capital	**16**	4,366	4,366
Retained earnings		5,384	4,568
Total equity attributable to equity shareholders of OJSC Far East Telecommunications Company		**9,750**	**8,934**
Minority interest		1,650	1,566
Total equity		**11,400**	**10,500**
Non-current liabilities			
Long–term borrowings	**17**	2,394	3,206
Pension and long-term social liabilities	**18**	1,030	1,025
Long-term other liabilities	**19**	86	95
Long–term income tax payable		635	670
Total non-current liabilities		**4,145**	**4,996**
Current liabilities			
Current borrowings	**17**	2,851	2,481
Accounts payable and accrued expenses	**21**	2,800	2,401
Income tax payable		3	3
Other current liabilities	**22**	301	348
Provisions	**20**	118	156
Total current liabilities		**6,073**	**5,389**
Total liabilities		**10,218**	**10,385**
TOTAL EQUITY AND LIABILITIES		**21,618**	**20,885**

Chief Executive Officer
Balatsenko A.V. __________________

Chief Accountant
Sidorova E.V. __________________

The attached accompanying notes are an integral part of the consolidated financial statements

OJSC "Far East Telecommunications Company"
Consolidated Interim Income Statement, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009.

(in Million of Russian Roubles)

		For 3 months, ended 30 June		For 6 months, ended 30 June	
	Прим.	**2009**	**2008**	**2009**	**2008**
Revenues	**25**	**4,285**	**3,849**	**8,544**	**7,774**
Personnel costs	**26**	(1,292)	(1,197)	(2,457)	(2,305)
Depreciation and amortization	**7**	(533)	(413)	(1,155)	(1,076)
Interconnection charges		(550)	(488)	(1,083)	(945)
Materials, repairs and maintenance, utilities	**27**	(376)	(377)	(770)	(727)
Other operating income	**28**	50	68	182	118
Other operating expenses	**29**	(681)	(606)	(1,173)	(1,056)
Operating profit		**903**	**836**	**2 088**	**1,783**
Share in results of associates		1	1	2	2
Financial expenses	**30**	(138)	(156)	(282)	(311)
Other incomes from financial and investment activity	**31**	21	54	30	85
Loss from exchange rate differences in currency re-evaluation, net		(5)	-	(11)	-
Profit before income tax		**782**	**735**	**1,827**	**1,559**
Income tax		(175)	(211)	(392)	(444)
Profit for the year		**607**	**524**	**1,435**	**1,115**
Attributable to:					
shareholders of OJSC "Far East Telecommunications Company"		564	493	1,351	1,031
Minority interest		43	31	84	84

Chief Executive Officer
Balatsenko A.V. __________________

Chief Accountant
Sidorova E.V. __________________

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OJSC "Far East Telecommunications Company"
Consolidated Interim Statement of Comprehensive Income, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009.

(in Million of Russian Roubles)

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	2008	2009	2008
Profit for reported period	**607**	**524**	**1,435**	**1,115**
Changing of fair value of financial assets for sale	**2**	**(2)**	**2**	**(2)**
Total comprehensive income for reported period	**609**	**522**	**1,437**	**1,113**
Comprehensive Income for reported period, in respect to:				
Shareholders OJSC "Far East Telecommunications Company"	566	489	1,353	1,027
Minority interest of subsidiaries	43	33	84	86
Total comprehensive income for reported period	**609**	**522**	**1,437**	**1,113**

Chief Executive Officer
Balatsenko A.V. __________________

Chief Accountant
Sidorova E.V. __________________

The attached accompanying notes are an integral part of the consolidated financial statements

OJSC "Far East Telecommunications Company"
Consolidated Interim Cash Flow Statement, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009.

(in Million of Russian Roubles)

		For 6 month , ended 30 June	
	Notes	**2009**	**2008**
Cash flows from operating activities:			
Profit before income tax		**1,827**	**1,559**
Adjustments for:			
Depreciation and amortization	**7**	1,155	1,076
(Gain)/loss on disposal of property, plant and equipment	**28**	68	25
Bad debt expense	**29**	(35)	42
Share of results of associates		(2)	(2)
Interest expense	**30**	282	242
Financial income	**31**	(30)	(16)
Other financial expenses		-	-
Loss from exchange rate differences in currency re-evaluation		12	-
Reversal of provisions	**20**	(38)	55
Operating cash flows before changes in working capital		**3,239**	**2,981**
Decrease in inventories		(271)	(108)
Decrease in accounts receivable		(287)	(166)
Decrease in other current assets		(227)	(289)
Decrease in pension liabilities		5	3
Increase in accounts receivables		62	26
Decrease/increase in other operating assets and liabilities		(306)	209
Cash flows generated from operations before income taxes and interest paid		**2,215**	**2,656**
Interest paid		(304)	(270)
Income tax paid		(370)	(316)
Cash flows from operating activities		**1,541**	**2,070**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,337)	(976)
Income from sales of property, plant and equipment		8	49
Acquisition of intangible assets		(296)	(91)
Acquisition of subsidiaries less cash received		-	(13)
Acquisition of financial assets		-	4
Sales of financial assets			675
Interest received		27	103
Dividends received		-	-
Cash flows used in financing activities		**(1,598)**	**(249)**

OJSC “Far East Telecommunications Company”

Consolidated Interim Cash Flow Statement, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 6 Months Period, Ended on June 30, 2009. (continuous)

(in Million of Russian Roubles)

	Notes	For 6 month , ended 30 June 2009	2008
Financing activities			
Proceeds from loans and borrowings		2,190	390
Repayment of loans and borrowings		(1,246)	(946)
Repayment of bond issue		(900)	(300)
Repayment of credits		(1)	(31)
Repayment of finance lease obligations		(139)	(184)
Dividends paid to shareholders of OJSC “Far East Telecommunications Company”		**(96)**	**(1,071)**
Cash flows used in financing activities		**(153)**	**749**
Net increase in cash and cash equivalents		**554**	**342**
Cash and cash equivalents at the beginning of the reporting period		**401**	**1091**

Chief Executive Officer
Balatsenko A.V. __________________

Chief Accountant
Sidorova E.V. __________________

The attached accompanying notes are an integral part of the consolidated financial statements

OJSC “Far East Telecommunications Company”

Consolidated Interim Statement of Changes in Equity, Prepared in Accordance with International Financial Reporting Standards, For 3 Months Period, Ended on June 30, 2009.

(in Million of Russian Roubles)

	Notes	Share capital: Preferred Shares	Share capital: Ordinary Shares	Treasury shares	Retained earnings	Total share capital of parent company's shareholders	Minority share	Total share capital
Balance at December 31, 2007	**16**	**1,081**	**3,285**	**(1)**	**2,672**	**7,037**	**1,399**	**8,436**
Profit for the reported period		**-**	**-**	**-**	**1,029**	**1,029**	**84**	**1,113**
Dividends paid to OJSC Far East telecommunications Company		**-**	**-**	**-**	**(201)**	**(201)**	**-**	**(201)**
Minorities shares buyback		**-**	**-**	**-**	**-**	**-**	**2**	**2**
Balance at June 30, 2008	**16**	**1,081**	**3,285**	**(1)**	**3,500**	**7,865**	**1,485**	**9,350**
Balance at December 31, 2008		**1,081**	**3,285**	**-**	**4,568**	**8,934**	**1,566**	**10,500**
Profit for reported period		**-**	**-**	**-**	**1,353**	**1,353**	**84**	**1,437**
Dividends payable		**-**	**-**	**-**	**(537)**	**(537)**	**-**	**(537)**
Balance at June 30, 2009	**16**	**1,081**	**3,285**	**-**	**5,384**	**9,750**	**1,650**	**11,400**

Chief Executive Officer
Balatsenko A.V. ___________________

Chief Accountant
Sidorova E.V. ___________________

The attached accompanying notes are an integral part of the consolidated financial statements

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 6 months 2009, ended June 30, 2009

(in millions of Russian Roubles, if not indicated other)

1. General Information

Confirmation

The interim consolidated financial statements OJSC "Far East Telecommunications Company" (the Company) and its subsidiaries (jointly called the Group) were comprised as for 6 months 2009, ended June 30, 2009 and authorized for publishing in compliance with the decision of Chief Executive Officer and Chief Accountant on August 31st, 2009.

The Company

Parent company OJSC “Far East Telecommunications Company” (hereinafter referred to as OJSC “Far East Telecom” or Company) is an open joint stock company incorporated in accordance with the laws of the Russian Federation.

The Company’s official address: 690950, Russia, Primorskiy Kray, Vladivostok, 57 Svetlanskaya st.

The Company’s principal activity is providing telephone services (including local, domestic intra zonal calls), telegraph and data transmission services, rent of communication channels and wireless communication (mobile) services on the territory of the Far East region of the Russian Federation.

Open Joint Stock Company Svyazinvest owns 50.57% of the Company’s voting shares as of June 30, 2009 and is Company’s parent company.

Information of the Company’s main subsidiaries is disclosed in Note 6. All subsidiaries are incorporated under the laws of the Russian Federation, unless otherwise stated.

2. Basis of Preparation

Declaration of Compliance

These consolidated financial statements are prepared and presented with deviations from the International Accounting Standards (IAS) 34 “Interim Financial Statements” as well as other International Accounting Standards (IAS) and corresponding interpretations, approved by the Internal Accounting Standards Committee (IASC).

All information shall be considered, including Annual consolidated financial statement of the Company for the year, ended on December 31, 2008.

Business activity continuity

Consolidated financial statements were prepared on the basis of assumption that Group will continue business activity in the future which is suppose assets payback and repayment of liabilities in accordance with established order.

Presentation of Financial Statements

Consolidated financial statements comprise the Company, its subsidiaries and associates and are prepared using uniform accounting policies.

The consolidated financial statements of the Group are presented in millions of Russian Roubles, rounded to the nearest million, unless stated otherwise.

(in millions of Russian Roubles, if not indicated other)

Basis of Accounting

The consolidated financial statements have been prepared under the historical cost convention except that property, plant and equipment was re valued to determine deemed cost as part of the adoption of IFRS; and that available-for-sale investments are stated at fair value; financial assets are in supply; granted guarantees, financial instruments, used for hedging of market risks shall be valued at fair price.

Changes in accounting policy

Accounting policy, applied for preparation of consolidated financial statements for period of 3 months 2009, is the same that was used for preparation of consolidated financial statements for 2008, except of accounting policy provisions, changed because of approval new or rewriting Standards and IFRS interpretations, took to effect since January 1, 2009.

Changing in accounting policy are related with the following new and revised Standards and Interpretations:

Standard	Content of change	Effective date
IFRS 8 Operating Segments	The Standard sets out requirements for disclosure of information about an entity's operating segments and removes the requirement for identification of primary (business) and secondary (geographical) reporting segments. It changes the principle of presentation of segment financial information and requires that financial data of operating segments to be presented based on information used by the Group's management in making decisions on allocating resources and assessing performance. It also requires disclosure of factors used in identifying operating segments.	To be applied for annual reporting periods beginning on or after 1 January 2009.
IAS 1 (as revised in 2007) Presentation of Financial Statements	The Standard requires presentation of all owner changes in equity separately from non-owner changes in equity. A statement of changes in equity shall contain detailed information on all owner changes in equity only, while all other non-owner changes in equity (i. e. income and expenses recognised immediately in equity) are required to be presented separately. The Standard also introduces the statement of comprehensive income which shall present all income and expenses recognised in income statement, as well as other income and expenses recognised directly in equity. Changes in income and expenses recognised in equity may be presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income).	To be applied for annual reporting periods beginning on or after 1 January 2009.
IAS 23 (as revised in 2006) Borrowing Costs	The Standard removes the option to immediately expense borrowing costs directly attributable to assets which require a substantial period of time to prepare for intended use or sale.	To be applied for annual reporting periods beginning on or after 1 January 2009.
Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and	The Amendments require that certain financial instruments and liabilities arising on liquidation be classified as equity if certain conditions are met. They also define what information is to be disclosed with regard to puttable financial	To be applied for annual reporting periods beginning on or after 1 January 2009.

Obligations Arising on Liquidation	instruments classified as equity.	

(in millions of Russian Roubles, if not indicated other)

Amendments to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations	The Amendments define the term vesting conditions as an explicit or implicit requirement of completing the service. Other conditions are non-vesting conditions and should be taken into account when measuring the fair value of equity instruments granted. If the rights to an equity instrument were not transferred due to the failure to meet a non-vesting condition which was to be met by an entity or its counterparty, an equity instrument should be derecognised.	To be applied for annual reporting periods beginning on or after 1 January 2009.
IFRS 3 (as revised in 2008) Business Combinations	The Standard makes a number of amendments to the accounting for business combinations which will make an impact on goodwill and the financial result to be recognised in the period of acquisition and subsequent periods.	To be applied for annual reporting periods beginning on or after 1 July 2009.
IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements	The Standard requires that any changes in a parent’s ownership interest in a subsidiary are accounted for within equity. The Standard amends requirements for the accounting treatment of losses incurred by a subsidiary and of the loss of control over a subsidiary.	To be applied for annual reporting periods beginning on or after 1 July 2009.
IFRIC Interpretation 13 Customer Loyalty Programmes	The Interpretation requires that award credits granted to support customer loyalty should be accounted for as a separately identifiable component of the sales transaction in which they are granted. Part of the fair value of the consideration received shall be allocated to the award credits and carried forward to the next reporting periods until the credit awards are redeemed.	To be applied for reporting periods beginning on or after 1 July 2008.
IFRIC Interpretation 15 Agreements for the Construction of Real Estate	The Interpretation defines criteria for the classification of agreements for the construction of real estate to the relevant revenue recognition principles within the scope of IAS 11 Construction Contracts or IAS 18 Revenue.	To be applied for reporting periods beginning on or after 1 January 2009.
IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation determines which risks related to investments in foreign operations qualify for hedge accounting, and addresses hedge accounting rules.	To be applied for reporting periods beginning on or after 1 October 2008.
IFRIC Interpretation 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on accounting for distribution of assets other than cash (non-cash assets) to owners. The Interpretation also discusses situations when an entity allows owners a choice whether to receive non-cash assets or their cash equivalents.	To be applied for reporting periods beginning on or after 1 July 2009.
IFRIC Interpretation 18 Transfers of Assets from Customers	The Interpretation clarifies the circumstances in which assets transferred from customers should be recognized in the entity’s financial statements, and establishes approaches to the measurement of their cost on initial recognition. The Interpretation also discusses situations when the customer provides cash to the entity to acquire such assets.	To be applied for reporting periods beginning on or after 1 July 2009.
Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets	The Amendments set out rules of reclassification of financial assets to different categories and establish disclosure requirements in respect of reclassifications made.	To be applied for reporting periods beginning on or after 1 July 2008.
Various Improvements to Financial Reporting	Improvements to various Standards eliminate a number of inconsistencies in the current versions	The effective dates vary depending on each particular Improvement

Standards	of International Financial Reporting Standards.	adopted.

Foreign currency transactions

The functional and presentation currency of the Group is the Russian Rouble (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 income statement as foreign exchange gains (losses) except for differences arising on the translation of available-for-sale equity instruments which are recognised directly in equity. 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.

The exchange rates as of 30 June 2009, 31 March, and 31 December 2008 were as follows:

	30 June 2009	31 March 2009	31 December 2008
US Dollar	31.2904	34.0134	29.3804
EURO	43.8191	44.9419	41.4411

3. Basic Principles of Accounting Policy

Consolidated interim financial statements are prepared on the basis of common accounting policy of the Company for 2008 that is adjusted according to requirements of above stated new/revised standards/interpretation, accounting policy version for the previous year.

4. Material accounting judgments and evaluations

4.1 Judgments

During accounting policy usage by Company's management, except for accounting evaluations, there were made the following judgements that significantly affect the classification Group's transactions, reflected in the consolidated financial statements, and are corresponded those which were disclosed in consolidated financial statements of Group for 2008.

4.2 Uncertainty of evaluation

Main assumptions in respect of the future events as well as other sources of evaluation uncertainties on the reporting date that imply substantial risk of arising the necessity of substantial corrections in balance-sheet value of assets and liabilities during the next reporting period are similar to those that are described in the consolidated financial statements of the Company for 2008.

5. Information about business segments

Group renders services of fixed and mobile communications, as well as other type of services outside of telecommunications industry. Local communications services of OJSC Far East Telecommunications Company contains the following services: local and intrazone communications services telegraph services, data transmission and telematics services, other services for core type of business, served at the territory of Amur, Kamchatka, Magadan, Primorsky, Sakhalinsky, and Khabarovsky branches. Each of the mentined branches is a independent operational entity (segment). More over, Head office of the Company bears expenses related to regional branches management and in the interests of the Company as a whole.

(in millions of Russian Roubles, if not indicated other)

Subsidiary companies segment – fixed net communications contains local and intrazone communications services, telegraph services, data transmission and telematics services, other services for core type of business served by OJSC Sakhatelecom, Shakhtersksvyaz, Ltd, Interdaltelecom, Ltd, Set Stolitsa Ltd. Each of the mentined branches is a independent operational entity (segment).

Subsidiary companies – mobile communications segment contains mobile radiotelephone (cellular) communications, served by Wireless Information Technologies Co., Ltd., CJSC "AKOS". Each of the mentioned subsidiary companies is an independent operational entity (segment).

Prices and tariffs for transactions among segments are set fourth at the basis of market conditions similarly to transactions with third parties. Revenues, expenses and financial results of segments include transactions among segments, which shall be excluded for consolidation.

Assets of segments contain, mainly, fixed assets, intangible assets, stocks, account receivables, long term prepayments made. Finance assets, delayed tax assets on profit tax, as well as other assets, used for operational problems solving of Group, shall not be included to the segments' assets.

Liabilities of segments contain the following operational liabilities, pension and long term social liabilities, and not included liabilities for budget in respect to the current profit tax, finance liabilities, stocks, and liabilities on delayed profit tax.

Capital expenditures contain fixed assets additions and intangible assets, including cases of business reorganization. Loss from value decrease and stocks shall be included to the segment only in case if they are relayed to the segment's assets.

Information about segments as of June 30, 2009 is represented below:

	OJSC «Far East Telecom» - fixed net»	**Subsidiaries – fixed net**	**Subsidiaries – mobile net**	**Total**
REVENUES				
Revenues from sale to the third parties	6,592	1,679	505	8,776
Revenues from sale among segments	48	13	10	71
Total revenues from sale	**6,640**	**1,692**	**515**	**8,847**
Interest income	6	35	2	43
Interest costs	(258)	-	(7)	(265)
Profit tax	(299)	(109)	(19)	(427)
Profit (loss) for the reported period	**1,072**	**429**	**65**	**1,566**
EQUITIES AND LIABILITIES				
Equities of business segments	17,407	3,533	904	21,844
Segment's liabilities	8,622	689	317	9,628
OTHER SEGMENT INFORMATION				
Capital expenditures				
Fixed assets	633	46	69	748
Intangible assets	-	-	-	-
Depreciation and amortization	702	141	62	905

(in millions of Russian Roubles, if not indicated other)

Provisions for doubtful debts	32	14	1	47

Segments and consolidated data revise

	Total segments	Transformation adjustments	Consolidated adjustments	Total, consolidated for the Company
REVENUES				
Revenues from sale to the third parties	8,776	(232)	-	8,544
Revenues from sale among segments	71	-	(71)	-
Total revenues from sale	**8,847**	**(232)**	**(71)**	**8,544**
Profit (loss) from associated companies	-	-	(2)	(2)
Interest income	43	(11)	(4)	28
Interest costs	(265)	-	4	(261)
Profit tax	(427)	35	-	(392)
Profit (loss) for the reported period	**1,566**	**(186)**	**55**	**1,435**
EQUITIES AND LIABILITIES				
Equities of business segments	21,844	1,901	(2 126)	21,619
Including investments to associated companies	-	75	-	75
Segment's liabilities	9,628	1,138	(547)	10,219
OTHER SEGMENT INFORMATION				
Capital expenditures				
Fixed assets	748	(18)	-	730
Intangible assets	-	269	-	269
Depreciation and amortization (Charge)	905	250	-	1 155
Provisions for doubtful debts	47	(12)	-	35

Information on operational segments as of June 30, 2009

Name of operational segment	Revenue from sale	Profit (loss) of operational segment	Segment's equity	Segment's liability
OJSC Far East Telecom - fixed net				
Primorsky branch	2,405	872	3,916	269
Khabarovsky branch	1,705	419	2,753	208
Amursky branch	621	105	1,784	98
Sakhalinsky branch	892	221	1,665	137
Kamchtsky branch	637	115	1,134	119
Magadansky branch	370	4	797	95

(in millions of Russian Roubles, if not indicated other)

Head Office	10	(665)	5,358	7,697
Subsidiaries – fixed communications				
OJSC «Sakhatelecom»	1,660	425	3,481	642
«Interdaltelecom» Ltd	10	1	20	20
«Set Stolitsa» Ltd	22	3	32	476
Subsidiaries – mobile communications				
CJSC «AKOS»	507	74	839	266
CJSC «WIT»	8	(9)	64	51

6. Subsidiaries

Subsidiaries, controlled by the Company, are:

name	Type of business activity	Equity of share capital and other interests, %		Voting shares, %	
		as of 30 June 2009	as of 31 December 2008	as of 30 June 2009	as of 31 December 2008
CJSC "AKOS"	Telecommunications services	94.45%	94.35%	94.45%	94.35%
"Wireless information technologies Co., Ltd."	Telecommunications services	100.00%	100.00%	100.00%	100.00%
"Interdaltelecom, Ltd."	Telecommunications services	100.00%	100.00%	100.00%	100.00%
OJSC "Sakhatelecom"	Telecommunications services	51.00%	51.00%	51.00%	51.00%
"Set Stolitsa, Ltd." (belongs to the OJSC "Sakhtelecom")	Telecommunications services	100.00%	100.00%	100.00%	100.00%
"Shakhtersksvyaz, Ltd."	Telecommunications services	100.00%	100.00%	100.00%	100.00%

All the listed companies are Russian companies (legal entities) registered in compliance with the laws of the Russian Federation and have the same fiscal year as the Company.

In February 2009 the Company purchased 13 ordinary shares of OJSC AKOS for 0.9. Shares were purchased for increasing share of participation in share capital of OJSC AKOS.
Notes in shareholders registrar, confirmed ownership rights transactions for securities, were made in February of 2009.

Totally the Company owns 13,212 ordinary shares of CJSC AKOS, which is 94.45% of share capital of subsidiary company.

7. Fixed assets

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Construction in progress and equipment for installation	Total
Cost					
As an 31 December 2007	**9,435**	**7,868**	**1,813**	**902**	**20,018**

(in millions of Russian Roubles, if not indicated other)

Additions	1	-	-	1,138	1,139
Acquisition of subsidiaries	-	19	-	-	19
Re-classification	(6)	12	(1)	(5)	-
Putting into operation	44	219	58	(324)	(3)
Retirement related to subsidiary liquidation	(3)	-	-	-	(3)
Retirement	(36)	(45)	(15)	(215)	(311)
As of 30 June 2008	**9,435**	**8,073**	**1,855**	**1,496**	**20,859**
As of 31 December 2008	**10,230**	**9,317**	**2,049**	**1,209**	**22,805**
Additions	-	-	-	1,301	1 301
Putting into operation	271	330	129	(730)	-
Retirement	(32)	(49)	(37)	(227)	(345)
Re-classification	(1)	(84)	85	-	-
As of 30 July 2009	**10,468**	**9,514**	**2,226**	**1,553**	**23,761**
Accumulated depreciation and amortization					
As of 31 December 2007	**(3,785)**	**(2,279)**	**(962)**	**-**	**(7,026)**
Accrual depreciation	(310)	(413)	(213)	-	(936)
Re-classification	2	(3)	1	-	-
Accumulated depreciation of fixed assets sold subsidiaries	2	-	-	-	2
Depreciation of retired assets	19	16	13	-	48
As of 30 June 2008	**(4,072)**	**(2,679)**	**(1,161)**	**-**	**(7,912)**
As 31 December 2008	**(4,227)**	**(3156)**	**(1,290)**	**-**	**(8,673)**
Accumulated depreciation	(300)	(536)	(163)	-	(999)
Deprecia5tion on retired subjects	21	25	36	-	82
Re-classification	-	51	(51)	-	-
As of 30 June 2009	**(4,506)**	**(3,616)**	**(1,468)**		**(9,590)**
Book value as of 31 December 2007	**5 650**	**5,589**	**851**	**902**	**12,992**
Book value as of 30 June 2008	**5 363**	**5,394**	**694**	**1,496**	**12,947**
Balance as of 31 December 2008	**6 003**	**6,161**	**759**	**1,209**	**14,132**
Balance as of 30 June 2009	**5 962**	**5,898**	**758**	**1,553**	**14,171**

Book value of fixed assets, received by contracts of finance leasing contracts is stated below:

	as of 30 June 2009	**as of 31 December 2008**
Switches and transmission devices	529	647
Vehicles and other fixed assets	31	40
Total net book value of plant and equipment	**560**	**687**

Accrued for 6 months of 2009 fixed assets depreciation amounting at 999 was accounted in the line "Depreciation and amortization" of consolidated Profit and Loss Statement (for 6 months of 2008 - 936).

As at 30 June 2009, initial value of wholly self-depreciated fixed assets reached 1,508 (as on 31st December 2008 – 1,338).

For 6 months of 2009 Group increased value of incompleted building up to 16 capitalized interests (for 6 months 2008 – 7). Rate of capitalization for 6 months 2009 is 4.8% (for 6 months 2008 – 4.3%).

As at 30 June 2009, the Group classified some assets as assets held-for-sale. The net balance value of these assets was 28 as at 30 June 2009. (as at 31 December 2008 – 36).

	Land, buildings and constructions	**Vehicles and other fixed assets**	**Total**
Initial value as for 30 June 2009	38	4	42
Accumulated depreciation for 30 June 2009	(13)	(1)	(14)
Net book value as at 30 June 2009	**25**	**3**	**28**

(in millions of Russian Roubles, if not indicated other)

8. Intangible assets

	Goodwill	Licenses	Software	Subscribers base	Trade mark	Other
Cost						
As of 31 December 2007	**1,057**	**193**	**1,270**	**655**	**57**	**3,232**
Acquisition	13	-	81	-	-	94
Retirement	-	-	(12)	-	-	(12)
As of 30 June 2008	**1,070**	**193**	**1,339**	**655**	**57**	**3,314**
As of 31 December 2008	**1,070**	**193**	**1,507**	**655**	**57**	**3,482**
Acquisition	-	10	259	-	-	269
Retirement	-	-	(15)	-	-	(15)
As of 30 June 2009	**1,070**	**203**	**1,751**	**655**	**57**	**3,736**
Accumulated depreciation and amortization						
As of 31 December 2007	**(91)**	**(69)**	**(140)**	**(36)**	**(14)**	**(350)**
Accrual amortization for year	-	(13)	(108)	(11)	(7)	(139)
amortization of retired assets	-	-	12	-	-	12
As of 30 June 2008	**(91)**	**(82)**	**(236)**	**(47)**	**(21)**	**(477)**
As of 31 December 2008	**(91)**	**(96)**	**(276)**	**(57)**	**(28)**	**(548)**
Accrual amortization for year	-	(14)	(123)	(11)	(7)	(155)
Amortization of retired assets	-	-	15	-	-	15
As of 30 June 2009	**(91)**	**(110)**	**(384)**	**(68)**	**(35)**	**(688)**
Balance as of 31 December 2007	**966**	**124**	**1,130**	**619**	**43**	**2,882**
Balance as of 30 June 2008	**979**	**111**	**1,103**	**608**	**36**	**2,837**
Balance as of 31 December 2008	**979**	**97**	**1,231**	**598**	**29**	**2,934**
Balance as of 30 June 2009	**979**	**93**	**1,367**	**587**	**22**	**3,048**

Oracle E-Business Suite

As of 30 June 2009, the software included a software product Oracle E-Business Suite with a book value of 512 (as of December 31, 2008 - 578). The Company proceeded to software exploitation and to amortize software product Oracle E-Business Suite since the moment of its application (March 2006) in the period of useful using, established within 10 years.

Changes in the book value of the software product Oracle E-Business Suite for 2008 and 6 months, ended June 30 2009 are disclosed below:

	6 months, ended 30 June 2009	2008
As January 1st	**578**	**360**
Expenses for installation	25	407

(in millions of Russian Roubles, if not indicated other)

Amortization	(91)	(188)
Retirement	-	(1)
At the end of period	**512**	**578**

Amdocs Billing Suite

As at 30 June 2009 program software includes Amdocs Billing Suite, book value of which is 277 (as at 31 December 2008 – 277).

This program software was purchased for installation centralized accounts system.

Till the moment of putting to operation the Group’s executives plan to periodically evaluate asset value to depreciation.

Licenses

As at June 30, 2009 Group have licenses to the telecommunications services.

Useful life of licenses is established according to terms of license individually for each license.

Intangible assets amortization

Amortization of intangible assets for 6 months 2009 is 155 (for 6 months 2008 – 140) and were included to the account “Depreciation and amortization” of Consolidated Profit and Loss Statement.

Analysis of intangible assets which are not ready to be used for depreciation

Group made an analysis of intangible assets which are not ready for depreciation as at June 30, 2009. There were not found mentioned assets by result of made analysis.

Analysis of other intangible assets for depreciation

Group made an analysis of other intangible assets, goodwill, and intangible assets with non limited term of useful life for subject of depreciation as at June 30, 2009. There were not found mentioned assets by result of made analysis.

9. Long term other assets

	as of 30 June 2009	as of 31 December 2008
Long term prepayments for investments activity	625	592
Long term prepayments for core business activity	2	2
Total	**627**	**594**

10. Investments into associates

Company name	Type of activity	As of 30 June 2009 Share in share capital and other interests , %	Voting shares and other interests, %	Book value
Kamalyaskom, Ltd.	Telecommunications services	50	50	1
Magalyaskom, Ltd.	Telecommunications services	50	50	15

(in millions of Russian Roubles, if not indicated other)

Vostoktelecom, Ltd.	Telecommunications services	25	25	59
Total				**75**

Company name	Type of activity	as of 31 December 2008 Share in share capital and other interests , %	Voting shares and other interests, %	Book value
Kamalyaskom, Ltd.	Telecommunications services	50	50	1
Magalyaskom, Ltd.	Telecommunications services	50	50	16
Vostoktelecom, Ltd.	Telecommunications services	25	25	55
Total				**72**

All the listed companies are Russian corporate entities, registered in compliance with the laws of the Russian Federation and have the same fiscal year as the Group.

11. Financial assets

	as of 30 June 2009	as of 31 December 2008
Long-term financial assets available for sale	11	9
Long term loans given	26	2
Total long-term financial assets	**37**	**11**
Short-term financial investments, available for sale	120	146
Short-term loans given	6	8
Other short-term financial assets	1	-
Total short-term financial assets	**127**	**154**
Total financial assets	**164**	**165**

As of 30 June 2009 and 31 December 2008 financial assets contained the following:

Name	as of 30 June 2009 Share in share capital and other interests , %	Fair value	as of 31 December 2008 Share in share capital and other interests , %	Fair value
Long-term financial assets				
OJSC Commercial Bank Sberbank of Russia	-	5	-	3
OJSC Svyazintek	4.00	5	4.00	5
OJSC Commercial Bank «Svyaz-Bank»	0.03	1	0.03	1
Short-term financial investments				
OJSC Commercial Bank Sberbank of Russia	Bills	120		146
Total		**131**		**155**

The Group invests its temporarily available funds in promissory notes issued by various Russian financial institutions and companies which mature within 12 months of the balance sheet date or which have no fixed maturity date. The Group intends to dispose of these promissory notes within the following year. The promissory notes carry yield at a rate of 20% and are denominated in roubles. Group uses bills as financial instrument, mainly, for receiving financial yield. As of June 30, 2008 the bills to maturity summarized to 120 (for 31st December 2008 – 146), and were included to investments held to maturity (for 2008 it were included to the account of short-term financial assets available for sale.

(in millions of Russian Roubles, if not indicated other)

Long-term loans given were recorded at the amortised cost, calculated using the interest rate of 17%.

As of June 30, 2009 and December 31, 2009 long-term loans given were included under it's amortized initial value with using efficient interest rate 17%

12. Inventories

	as of 30 June 2009	as of 31 December 2008
Cable and spare parts	344	236
Ready products and goods for sale	4	4
Other inventories	434	271
Total inventories	**782**	**511**

As of June 30, 2009 there were no inventories stocks of the Group, which are in form of loans or given protection of liabilities, at the balance.

13. Trade and Other Accounts Receivables

	Total, as of 30 June 2009	Allowance for doubtful debts	Net, as at 30 June 2009
Receivables from customers for core business activity	1,780	(347)	1,433
Receivables from customers for non-core business activity	119	(27)	92
Receivables from agents and commissioners	60	-	60
Settlements with personnel	33	-	33
Other receivables	121	(6)	115
Total	**2,113**	**(380)**	**1,733**

	Total, as of 31 December 2008	Allowance for doubtful debts	Net, as at 31 December 2008
Receivables from customers for core business activity	1,580	(317)	1,263
Receivables from customers for non-core business activity	86	(24)	62
Receivables from agents and commissioners	33	-	33
Settlements with personnel	5	-	5
Other receivables	127	(11)	116
Total	**1,831**	**(352)**	**1,479**

Receivables for customers from core business activity as at 30 June 2009 and 31st December 2008 comprise the transactions with following parties:

	Total, as of 30 June 2009	Allowance for doubtful debts	Net, as of 30 June 2009
Individuals	1,068	(250)	818
Commercial organizations	292	(63)	229
Budget organizations	246	(9)	237
Telecommunications operators	162	(13)	149
Social security bodies – allowance of expenses attributed to provision of discounts for certain categories of subscribers	12	(12)	-
Total accounts receivable from customers for core business activity	**1,780**	**(347)**	**1,433**

(in millions of Russian Roubles, if not indicated other)

	Total, as of 31 December 2008	Allowance for doubtful debts	Net, as of 31 December 2008
Individuals	951	(222)	729
Commercial organizations	265	(54)	211
Budget organizations	252	(22)	230
Telecommunications operators	88	(7)	81
Social security bodies – allowance of expenses attributed to provision of discounts for certain categories of subscribers	24	(12)	12
Total accounts receivable from customers for core business activity	**1,580**	**(317)**	**1,263**

Changes in allowance for doubtful debts are stated in the table below:

	2009	2008
Balance for January 1st	**352**	**272**
Allowance calculation	35	108
Amortization of accounts receivable	(7)	(28)
Balance for June 30	**380**	**352**

14. Other current assets

	Total, as of 30 June 2009	Allowance	Net, as of 30 June 2009
Prepayment and advances	332	(3)	329
VAT to be refunded	101	-	101
Other tax advances	57	-	57
Future period expenses	36	-	36
Other current assets	22	(5)	17
Total	**548**	**(8)**	**540**

	Total, as of 31 December 2008	Allowance	Net, as of 31 December 2008
Prepayment and advances	126	(3)	123
VAT to be refunded	95	-	95
Other tax advances	48	-	48
Future period expenses	33	-	33
Other current assets	19	(5)	14
Total	**321**	**(8)**	**313**

15. Cash funds and cash equivalents

As at 30 June 2009 and 31 December 2008 cash and cash equivalents comprised cash in bank and in hand.

As at 30 June 2009 Group has no any limitations for cash funds using.

16. Share capital

As of 30 June 2009 face and book value of ordinary and preferred shares were:

Type of shares	Shares outstanding	Face value of	Total,	Total,

	(thousands units)	shares (Roubles)	face value	Book value
Ordinary	95,581	20	1,912	3,285
Preferred	31,169	20	623	1,081
Total	**126,750**	**-**	**2,535**	**4,366**

Difference between face and book value represents inflation effect for the periods before January 1, 2003.

All issued shares were fully paid.

Share capital structure of the Company as of June 30, 2009 is represented below:

Shareholders	Equity in share capital %	Ordinary shares		Preferred shares	
		amount (thousand units)	%	amount (thousand units)	%
Corporate bodies, total:	**88.41**	**89,470,302**	**93.61**	**22,599,797**	**72.51**
- OJSC “Svyazinvest”	38.13	48,330,683	50.56	-	-
- Other	50.28	41,139,619	43.04	22,599,797	72.51
Individuals, total	**11.59**	**6,111,119**	**6.39**	**8,569,104**	**27.49**
Total	**100.00**	**95,581,421**	**100.00**	**31,168,901**	**100.00**

The ordinary shareholders are entitled to one vote per share.

Preference shares of class “A” give to 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 from 10% of the Russian accounting net profit for the year, calculated in accordance with Russian Accounting Statements and divided by per amount of preferred shares or dividend payable per one ordinary share. In case if owners of preferred shares will receive sum of dividends less than 10% of net profit calculated in accordance with Russian Accounting Standards, dividend payment shall not be made per ordinary shares.

Owners of preferred shares have the right to participate in and vote on all issues of aannual general shareholders meetings, beginning from meeting followed after the annual general shareholders meeting at which a decision not to pay (or to pay partially) dividends on preferred shares has been taken.

Distributed net profit of all Group’s companies shall be limited by their non distributed profit and regulated by national law about Accounting. Non distributed profit of the Company, calculated in accordance with laws of Russian Federation as of 30 June 2009 and 31st December 2008 reached 5.543 and 4,900 perspective.

In accordance with Provisions on procedure of FFCM granting permission to issued in by Russian issuers securities trading abroad of Russian Federation as of April 08, 2006 – not more than 30% of total amount of issued ordinary shares of OJSC Far East Telecom can be traded abroad of Russia (28,674,426 units).

24th July 2008 the Company decreased ADR ratio coefficient of American Depository Receipts (ADR) of the 1st level issued per ordinary shares of the Company, since 1:30 to 1:5. So in accordance with Depository Agreement 1 ADR is equal to 5 ordinary shares of the Company. Respectively 5,734,885 ADR are able to be traded abroad of Russian Federation.

(in millions of Russian Roubles, if not indicated other)

For 6 months, ended 30 June 2009, the Company did not issue any additional ADR issues.

ADR Changing for the period from 2006 to 30 June 2009:

	ADR outstanding (units)	*Equality amount of ordinary shares, units*	*Share in ordinary stocks, %*	*Share in authorized capital, %*
December 25, 2006	**51,603**	**1,548,090**	**1.62**	**1.22**
Changing for 2006	(26,466)	(793,980)	(0.83)	(0.63)
January 1, 2007	**25,137**	**754,110**	**0.79**	**0.59**
Changing for 2007	3,987	(119,610)	(0.12)	(0.09)
December 31, 2007	**29,124**	**873,720**	**0.91**	**0.68**
Changing for 2008	39,996	(528,120)	(0.55)	(0. 43)
December 31, 2008	**69,120**	**345,600**	**0.36**	**0.25**
Changing for the 1st half 2009	(28,800)	(144,000)	(0.15)	(0.11)
June 30, 2009	**40,320**	**201,600**	**0.21**	**0.14**

Currently ADRs are traded at the following stock exchanges:

Name of exchange	CUSIP (WKN)	ADR ticker	ISIN
Frankfurt Stock Exchange	-	D7A	-
Berlin Stock Exchange	-	D7A	-
Over-the-counter market (OTC)	30732Q104	Feeoy	RU0009101158

17. Loans and borrowings

	as of 30 June 2009	as of 31 December 2008
Long–term loans and borrowings		
Bank credits and loans	3,043	3,001
Bonds	1,982	2,431
Bills	68	-
Financial lease	124	223
Less: share of long-term borrowings payable during a year	(2,823)	(2,449)
Total long-term borrowings	**2,394**	**3,206**
Short–term loans and borrowings		
Bank loans	1	-
Commercial credits	-	1
Interests	27	31
Other short-term borrowings		
Total short-term borrowings	**28**	**32**
Share of short-term loans and borrowings payable during a year	**2,823**	**2,449**
Total current short-term loans and borrowings	**2,851**	**2,481**
Total short–term loans and borrowings	**5,245**	**5,687**

As of June 30, 2009 the Group concluded five contracts of credit line in order to cover current needs in floating capital and financing of investment projects. Sum of debt for these contracts as of 30 June 2009 is 2,952 (as of 31st December 2008 – 2,905).

(in millions of Russian Roubles, if not indicated other)

Circumstances of credit lines granting provides interests cumulating to non used balance of opened line for possibility for Group to ask money by request. Sum of interests cumulated to non used balance of opened line as of 30 June 2009 was 3 (as of 31st December 2008 – 2).

As at 30 June 2009 and 31st December 2008, the Group's borrowings are secured by fixed assets of 217 and 369 respectively.

As of 30 June 2009 and as of 31st December 2008 the Group has pledged 51% of ordinary shares of OJSC Sakhatelecom under loan facility 1,836.

Long-term loans and borrowings

Bank credits and loans

The table below summarise the information about the most significant bank credits and loans as at 30 June 2009 and 31st December 2008.

Counteragent	Interest rate per loan agreement	30 June 2009	31st December 2008	Currency, per the loan agreement	Date of maturity	Security
OJSC CB «Sberbank»	8.75%	1,793	1,955	RUR	29.01.2012	pledge
OJSC CB «Svyazbank»	12.75%	0	8	RUR	17.02.2009	pledge
OJSC CB «Svyazbank»	9.40%	0	450	RUR	05.06.2009	no
OJSC CB «Svyazbank»	17%	1,161	0	RUR	13.08.2010	no
OJSC CB Bank Societe Generale Vostok (BSGV)	Mosprime +2.3%	0	500	RUR	17.06.2009	no
OJSC «Dalnevostochny Bank»	11.25%	89	88	RUR	09.10.2009	pledge
Total		**3,043**	**3,001**			

Sberbank
Long-term loan of the Group OJSC CB Sberbank is mainly credit line of 1,955, received 30 January 2007 for financing part of expenses made in connection with purchasing 51% shares of OJSC Sakhatelecom. Date of contract expiration – January 29, 2012. For use of credits the Company pays interest to banks at the rates 8.75 percents annually. Credit security is ordinary shares amounted to 51% of OJSC Sakhatelecom's share capital with pledged cost 1,836, and property of the Group brought to pledge. Book value of brought to pledge property is 110. As of June 30 2009 debt was 1,793.

Svyaz-Bank

In February 2009 the Group signed contract with OJSC CB Svyaz-Bank about opening of renew credit line with the limit of 1,500, for current business activity till to 29 May 2011. For credit using the Group pays to the bank interests. The interest rate is 17% p.a. Balance for 30 June 2009 for this contract is 1,161. There is no security for this credit.

Dalnevostochny Bank

In October 2006 and in July 2007 ZAO AKOS entered into the loan agreement with Dalnevostochny Bank for replenishment of working capital. The interest rate is 11.25%. The balance as at 30 June 2009 was 89. The loan is secured by the property of CJSC AKOS with the pledge value of RUR 107.

Bonds

(in millions of Russian Roubles, if not indicated other)

The table below summarizes the information about the bonds issued as at 30 June 2009 and 31 December 2008:

Narrative of the issue (loan) ***(name / number of loan***	**Efficient rate**	**30 June 2009**	**31 March 2008**	**Date of maturity**	**Maturity procedure**
Bonds issue 4-10-30166-F D2	1,982	1,982	03.05.2012	03.06.2010	8.85%
Bonds Issue 4-11-30166-F D3	0	449	03.06.2009	no	8.60%
Total	**1,982**	**2,431**			

In June 2006 Group issued two issues of bonds to 3,500,000 (2,000,000 и 1,500,000) with face value 1,000 Roubles each. Bonds have 12 and 6 coupon payments, respectively. Payments on the 1st coupon shall be made on 182nd day after the issue. Interest rate on coupons was determined as 8.85% and 8.6%, respectively. Bonds are payable in the proportion determined in percentage of face value starting from December 2007 (for RUR 1,500,000 thousand bond issue) and starting from December 2009 (for RUR 2,000,000 thousand bond issue). The bonds should be fully matured in July 2009 and May 2012, respectively. Monetary assets received from bonds issue have been sent to fulfilment of working capital.

Issued bonds provide offers with the right for the advance repayment for bonds holders on appropriate dates. The nearest date of such offer is 3 June 2010.

Coupon yield per one band is 42.88 Roubles (for loan with face value 1.500.000), and 44.13 Roubles (for loan with face value 2.000.000). Liabilities have been fulfilled during the term determined by Decision about the issue and the Securities Prospectus.

At 30 June 2009 the outstanding balance of loans was RUR 1.982.

Vendor financing

The table below summarizes the information about the vendor financing of the Group as at 30 June 2009 and 31 December 2008:

Counteragent	**Effective interest rate**	**30 June 2009**	**31 December 2008**	**Currency of the promissory note**	**Date of maturity**	**Security**
Huawei technology		-	1	USD	31 December 2009	No
Total		-	1			

Finance Lease Obligations

	30 June 2009		**31 December 2008**	
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
Current portion	122	111	223	196
Over 1 year to 5 years	15	13	31	27
Total minimum lease payments	137	124	254	223
Less amount representing finance charges	(13)	-	(31)	-
Present value of minimum lease payments	**124**	**124**	**223**	**223**

During 6 months, ended 30 June 2009, the Group’s primary lesser was OJSC RTC-Leasing. For 6 months 2009, the effective interest rate on lease liabilities were from 18% to 23% per annum (for 6 months 2008: from 18% to 23%).

(in millions of Russian Roubles, if not indicated other)

Under finance lease agreement, signed with OJSC RTC-Leasing, the lesser is entitled to adjust the lease payment schedule in the event of a change in certain economic conditions, in particular, a change in the refinancing rate of the Central Bank of the Russian Federation.

The lease agreement does not provide terms for continues, options to purchasing, and provisions on floating prices. The ownership right to equipment shall be transmitted to the Company after the implementation by the lesser its liabilities provided by lease agreement.

18. Employee benefits

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

Defined Benefit Pension Plans

The majority of the employees are eligible for defined benefit schemes. The defined benefit pension plans cover most of employees and provide old age retirement pension and disability pension. The plans provide for payment of retirement benefits starting from statutory retirement age, which is currently 55 for women and 60 for men, and provided that a condition for a minimum service period of 15 years is met. The amount of the retirement benefit depends on a number of parameters, including an employee’s position with the Group at the retirement date.

Non-government pension fund Telecom-Soyuz, which is a related party of the Group (see note 20) and Pension fund Erel, maintains the defined benefit pension plan.

The Group also provides other long-term employee benefits such as lump-sum payment upon retirement, jubilee payments, death-in-service payments and other support payments of a defined benefit nature to former employees.

For 6 month, ended 30 June 2009, the Group’s expenses to retirement plans with determined payments were 19 (for 6 months, ended 30 June 2008 - 69).

The amount of net expense for the defined benefit pension, excluding interest expense and yield, is included in the consolidated profit and loss statement line “Personnel cost”. Sum of interest yield and expenses is perceptively included to lines “Other incomes and expenses to finance and investments” and “Finance expenses” of consolidated interim profit and loss statement.

19. Other non current liabilities

	30 June 2009	31 December 2008
Deferred income	81	91
Special purpose financing	5	4
Total	**86**	**95**

20. Provisions

	Employee dismissal provision	Provision for legal claims	Other	Total
Balance at 31 December 2007	**46**	**412**	**-**	**458**
Used during 6 months, ended 30 June 2008	(31)	(19)	-	(50)
Balance at 30 June 2008	**15**	**393**	**-**	**408**

(in millions of Russian Roubles, if not indicated other)

Balance at 31 December 2008	**74**	**37**	**45**	**156**
Used during 6 months, ended 30 June 2009	(28)	(9)	(1)	(38)
Balance at 30 June 2009	**46**	**28**	**44**	**118**

Personnel Dismissal Plans

The Group made a provision for termination payments to the employees who as of 30 June 2009 had been notified of their forthcoming termination.

Provision for Legal Claims

The provision for legal claims recognized in the financial statements represents the total amount of provision with respect to appropriate actions at law instigated against the Group. The amount of the provision as at 30 June 2008 is expected to be fully utilized in 2009. Taking to account legal resolution, management believes that the amount of a final settlement related to litigation will not exceed the amount of the provision, stated in consolidated interim statements as at 30 June 2009.

21. Accounts Payable and Accrued Expenses

	30 June 2009	31 December 2008
Dividends payable	575	51
Accounts payable on taxes, fees, social security	554	450
Salaries and wages	519	598
Accounts payable to suppliers of fixed assets	454	602
Accounts payable to interconnect operators	324	335
Trade account payable	294	244
Account payable to intangible assets (software products)	6	32
Other accounts payable	74	89
Total	**2,800**	**2,401**

As at 30 June 2009 and 31 December 2008 taxes payable comprised the following:

	30 June 2009	31 December 2008
Value-added tax	390	329
Property tax	61	55
Unified social tax	61	47
Individual income tax	39	17
Other taxes	3	2
Total	**554**	**450**

Other accounts payable

Other current payables were mainly represented by the settlements with the Universal Telecommunication service Fund – 54 (as at 31 December 2008: 108).

22. Other current liabilities

	30 June 2009	31 December 2008
Advances received from operating activity	286	344
Advances received from non-operating activity	15	4

(in millions of Russian Roubles, if not indicated other)

Total other current liabilities	**301**	**348**

23. Conventional liabilities and operating risks

Circumstances of business activity

Political and economics changing in Russian Federation have already influenced and will possible influence in future to business made their business in Russia. So, making business in Russian Federation is risk-bearing, the risks are not typical for other markets. More over, capital and credits market reduction bring to economic uncertainty increasing. Consolidated financial statements reflects executives point of view to circumstances which influences to business activity and financial position of the Group. Real influence of future circumstances of business activity can differ from executive’s point of view.

Taxation

Management of the Group believes that 30 June 2009 all provisions of current legislation are correctly interpreted and there is a high possibility of keeping current position of the Group relating to tax, currency and custom legislation.

The Group continues a dispute with the tax authorities regarding the results of the recent tax audit for 2006 – 2008 related to OJSC Sakhatelecom. The Moscow Arbitrary Court in its decision dated 24 November 2008 and in Decision of Federal Arbitrary Court as of 2nd April 2009 did not satisfy the claim from tax authority. By results of tax audit total sum of added taxes and fines was determined as about 139. Executives assessed the probability of the economic outflow as low.

Insurance

The Group undertakes risk management measures, including acquisition of insurance policies. During 6 months, ended 30 June 2009, the Group maintained insurance coverage on equipment, auto transport, buildings and other property, employees, and corporate governance members (D&O), dangerous business objects. As a natural monopoly, the Company has to select a provider of insurance services on an open tender, to meet the requirements of the Federal Law No, 135-FZ “On Protection of Competition” as of 26 June 2006.

Legal Proceedings

During the 6 months, ended 30 June 2009, the Group 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 Group’s performance or financial position and that were not recognized or disclosed in these consolidated financial statements.

Optimization of personnel number

In order to increase the Group’s business processes efficiency there was adopted the Program of personnel number optimization that was intended to change organizational structure, re-arrangement of employees’ functional.

Program provides gradual employee number decreasing during 2009.

24. Finance instruments and risk management

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

Capital Management Policy

The Group’s capital management policy is primarily focused on increasing credit ratings, improving financial independence and liquidity ratios, restructuring of payables and debts, 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 capital management, debt portfolio restructuring, use of different classes of borrowed funds.

The Group does debt monitoring and management by using the following ratios: financial independence ratio, the net debt/shareholders’ equity ratio, and the net debt/EBITDA ratio.

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 end of the period to EBITDA for the previous period. The indicators used for capital management are determined in accordance with Russian accounting standards. The Group policy during 6 months, ended 30 June 2009, had not been changed in comparison to the policy of capital management of 2008.

(in millions of Russian Roubles, if not indicated other)

Income and expenses on financial instruments

6 months, ended 30 June 2009	**Consolidated profit and loss statement**							
	Other operating expenses	**Other operating expenses**						
	Bad debt expenses	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**
Cash and cash equivalents	-	-	(28)	-	-	-	-	**(28)**
Accounts receivable	35	-	-	-	-	-	-	**35**
Other financial assets	-	-	-	-	(68)	-	-	**(68)**
Total financial assets	35	-	(28)	-	(68)	-	-	**(61)**
Credits and loans	-	263	-	-	-	-	-	**263**
Liabilities on financia lease	-	19	-	-	-	-	-	**19**
Accounts payable	-		-	-	-	-	11	**11**
Total financial liabilities	**-**	**282**	**-**	**-**	**-**	**-**	**11**	**293**

2008	**Consolidated profit and loss statement**							
	Other operating expenses	**Other operating expenses**						
	Bad debt expenses	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**	**Bad debt expenses**
Cash and cash equivalents	-	-	(51)	-	-	-	-	**(51)**
Accounts receivable	108	-	-	-	-	-	-	**108**
Other financial assets	-	-	-	-	-	(7)	-	**(7)**
Total financial assets	-	-	(38)	(2)	-	-	-	**(40)**
Credits and loans	-		(1)					**(1)**
Liabilities on financial lease	**108**	**-**	**(90)**	**(2)**	**-**	**7**	**-**	**9**
Accounts payable	-	459	-	-	-	-	3	**462**
Total financial liabilities	-	79	-	-	-	-	-	**79**
Cash and cash equivalents	**-**	**538**	**-**	**-**	**-**	**-**	**3**	**541**

(in millions of Russian Roubles, if not indicated other)

Foreign Exchange Risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the Group's financial result and cash flows. As a result, these fluctuations in exchange rates will be reflected in respective items of the Group's profit and loss statement, balance sheet and/or cash flow statement. Assets and liabilities in foreign exchange demonstrate potential foreign exchange risk.

The Group has no liabilities in foreign exchange as at 30 June 2009.

Interest Rate Risk

The interest rate risk is a risk that changes in interest rates on financial instruments used by the Group will influence the financial performance and cash flows of the Group.
The following table presents the Group's financial assets and liabilities which are differed by character of connected with them interest rates:

As of 30 June 2009	**Fixed rate**	**Variable rate**	**No rate**	**Total**
Cash and cash equivalents	-	-	401	**401**
Accounts receivable	-	-	1,733	**1,733**
Financial assets available-for-sale	-	-	11	**11**
Investments took to maturity	120	-	-	**120**
Loans issued	32	-	-	**32**
Total financial assets	**152**	**-**	**2,145**	**2,297**
Bank loans	3,043	-	-	**3,043**
Bonds	1,982	-	-	**1,982**
Bills	68	-	-	**68**
Financial lease	124	-	-	**124**
Interest payable	-	-	27	**27**
Accounts payable	-	-	2,800	**2,800**
Total financial liabilities	**5,217**	**-**	**2,827**	**8,044**

As of 31 December 2008	**Fixed rate**	**Variable rate**	**No rate**	**Total**
Cash and cash equivalents	-	-	554	**554**
Accounts receivable				
Financial assets available-for-sale	-	-	1,479	**1,479**
Loans issued	-	-	155	**155**
Total financial assets	10	-	-	**10**
	10	**-**	**2,188**	**2,198**
Bank loans				
Bonds	2,501	500	-	**3,001**
Vendor financing	2,431	-	-	**2,431**
Finance lease	1	-	-	**1**
Interest payable	223	-	-	**223**
Accounts payable	-	-	31	**31**
Total financial liabilities	-	-	2,044	**2,044**
	5,156	**500**	**2,075**	**7,731**

The Group does not use any tools to manage interest rate risks.

Risk of liquidity

(in millions of Russian Roubles, if not indicated other)

The Group makes monitoring of risk of cash shortage using instrument of current liquidity planning. The Group's objective is to support the balance between steadiness and flexibility of financing via using of bank offers, bank loans, financial lease.

The following table summarizes information about financial assets and liabilities of the Group:

	2009	2010	2011	2012	2013 and later	Total
Cash and	401	-	-	-	-	**401**
Accounts receivable	1,733	-	-	-	-	**1,733**
Financial assets available-for-sale	-	11	-	-	-	**11**
Investments kept till maturity	120	-	-	-	-	**120**
Loans issued	6	26	-	-	-	**32**
Total financial assets	**2,260**	**37**	**-**	**-**	**-**	**2,297**
Banks loans	365	693	1,822	163	-	**3,043**
Bonds	300	600	700	382	-	**1,982**
Financial lease	113	11	-	-	-	**124**
Interest debt	68	-	-	-	-	**68**
Accounts payable	27	-	-	-	-	**27**
Total financial liabilities	2,800	-	-	-	-	**2,800**
Cash and cash equivalents	**3,673**	**1,304**	**2,522**	**545**	**-**	**8,044**

Credit risk

Credit risk consists in the situation when a counterparty is not able to fulfill his obligations to the Group in time that will lead to financial loss.

Financial assets, in relation to which the Group runs the potential credit risk, are mostly represented by accounts receivable of buyers and clients, monetary assets in the banks, bank deposits, and other long-term financial assets.

Book value of accounts receivable excluding provision for cost reduction is expressed to be maximum amount subject to credit risk (Appendix No 13). .

(in millions of Russian Roubles, if not indicated other)

The Group has no significant concentration of credit risk because of large client base and regular procedures of control for solvency of clients and other debtors. Part of accounts receivable of the Group falls at state and other non-commercial organizations.

Overdue, but precarious account receivables for periods of delay are represented in the following table:

As of 30 June 2009 Terms of delay (days)

	Total	<30	30-60	60-90	90-180	180-360	>360
Commercial organizations	7	-	3	2	1	1	-
Individuals	27	-	16	7	3	1	-
State (budget)	3	-	2	1	-	-	-
Telecommunications operators	16	-	-	10	6	-	-
Social assistance authorities – reimbursement of expenses related to benefits granting to special categories of subscribers.	-	-	-	-	-	-	-
Total	**53**	**-**	**21**	**20**	**10**	**-**	**-**

As of 31 December 2008 Terms of delay (days)

	Total	<30	30-60	60-90	90-180	180-360	>360
Commercial organizations	26	-	17	6	3	-	-
Individuals	13	-	8	3	2	-	-
State (budget)	70	-	41	18	11	-	-
Telecommunications operators	20	-	10	6	4	-	-
Social assistance authorities – reimbursement of expenses related to benefits granting to special categories of subscribers.	12	-	-	-	-	-	12
Total	**141**	**-**	**76**	**33**	**20**	**-**	**12**

Fair value of financial instruments

Financial instruments, used by the Group, are divided to the one of the following groups:
- Investments kept till maturity (KTM) ;
- Financial assets available to sale (FAS);
- Financial assets, evaluated under fair value (FAFV);
- Loans and accounts receivables (LAR) ;
- Liabilities, accounted under depreciated value (LDV).

As of 30 June 2009 and 31 December 2008 fair and book value of financial instruments of the Group did not changed materially excet the following:

		30 June 2009		**31 December 2008**	
	Type	**Book value**	**Fair value**	**Book value**	**Fair value**
Bank loans	LAR	-	-	1,498	1,277
Bonds	LAR	1,982	2,000	2,431	2,324
Total financial liabilities		**1,982**	**2,000**	**3,929**	**3,601**

(in millions of Russian Roubles, if not indicated other)

25. Revenues

	For 3 months, ended 30 June		For 6 months, зended 30 June	
	2009	**2008**	**2009**	**2008**
Local telephone services	1,614	1,446	3,205	2,907
Telegraph services, data transfer and telematic telecommunications (Internet)	1,172	915	2,342	1,775
Intrazone telephone services	626	616	1,231	1,246
Connection and traffic transmission	354	424	735	897
Mobile radio (cellular) telecommunications	264	291	541	579
Cooperation services and agency fee	79	79	165	163
Mobile radio, wired broadcasting, radio, TV	40	34	80	69
Other services	11	11	23	12
Revenues from other sale (other types of activity)	125	33	222	126
Total	**4,285**	**3,849**	**8,544**	**7,774**

Revenues from Telegraph services, data transfer and telematic telecommunications (Internet) include revenues from data transfer and telematic telecommunications (Internet) amounting at 2.245 (for 6 months, ended 30 June 2008 – 1.676).

Revenues from other sales (other types of activity) include revenues from assets lease amounting at 195 (for 6 months, ended 30 June 2008 – 75).

The Group detailed revenues on the following main client groups:

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	**2008**	**2009**	**2008**
Client groups	2,471	1,777	4,929	3,980
Коммерческие организации	828	886	1,816	1,691
Individuals	424	372	881	778
Commercial organizations	562	814	918	1,325
Budget (state) organizations	**4,285**	**3,849**	**8,544**	**7,774**

26. Personnel costs

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	**2008**	**2009**	**2008**
Wages and salaries	1,057	938	1,991	1,778
Union social tax	232	229	447	445
Other personnel costs	3	30	19	82
Total	**1,292**	**1,197**	**2,457**	**2,305**

27. Materials, repairs and maintenance, utilities

	For 3 months, ended 30 June	For 6 months, ended 30 June

	2009	2008	2009	2008
Materials	174	185	336	354
Utilities	16	28	175	160
Repairs and maintenance	186	164	259	213
Total	**376**	**377**	**770**	**727**

28. Other operating income

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	2008	2009	2008
Profit from fixed and other assets sale	-	-	68	-
Reimbursement of losses from universal telecommunication services	45	23	84	23
Reimbursement of losses from fixed assets depreciation, construction in process, intangible assets, and other assets	-	-	-	1
Other income	5	45	30	94
Total	**50**	**68**	**182**	**118**

29. Other operating expenses

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	2008	2009	2008
Side organizations services and services related to the management	109	112	189	190
Taxes, other than income tax	78	69	155	137
Agency fee	61	60	129	121
Fire and other security services	49	51	101	102
Rent of property	47	51	96	89
Universal service fund payments	42	37	84	75
Advertising expenses	42	53	82	86
Audit and consulting fees	57	42	79	59
Bad debt expense	24	28	35	42
Transportation and postal services	11	10	20	21
Member fees, charity contribution, payments to labour unions	11	58	15	63
Insurance	3	4	6	8
Losses on disposal of property, plant and equipment	-	28	-	31
Other expenses	147	3	182	32
Total	**681**	**606**	**1 173**	**1 056**

Other expenses mainly include payments to credit organizations and expenses to software products and data bases.

30. Financial expenses

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	2008	2009	2008
Interest expense on loans and borrowings	129	134	263	264
Interest expense on finance lease	9	22	19	47

(in millions of Russian Roubles, if not indicated other)

Total	**138**	**156**	**282**	**311**

31. Other incomes and expenses on finance and investments activity

	For 3 months, ended 30 June		For 6 months, ended 30 June	
	2009	**2008**	**2009**	**2008**
Interest income on finance assets	19	39	28	69
Profit from financial assets sale	2	15	2	16
	21	**54**	**30**	**85**

32. Balances and Transactions with Related Parties

During 6 months 2009 there was not material changes in the structure of related parties comparing to the structure of related parties as of 31 December 2008.

OJSC Svyazinvest

OJSC SvyazInvest is open joint stock company, incorporated under the laws of the Russian Federation.

As of 30 June 2009, the Russian Government in the Federal Agency of Federal Property Management held 75% minus one ordinary share of OJSC Svyazinvest.

Svyazinvest Group comprises 7 interregional telecommunications companies (MRK), OJSC Rostelecom, OJSC Tsentralnyy Telegraph, OJSC Dagsvyazinform and other subsidiary operating telecommunications companies.

Carriers that are a part of Svyazinvest Group are operators of general use telecommunications network providing services of local, intra-zone, intercity and international telephone communication, communication services in data transmission networks, telematics services, telegraph communication services, line radio broadcasting, communication services for cable and on-air broadcasting, services of mobile radiotelephone and radio communication, communication services on providing communication channels according to licenses issued by the Russian Federation Ministry of Telecommunications and Mass Communications.

Subsidiaries

The Group performs transactions with subsidiary companies as part of its day-to-day operations. Financial results and account balances after transactions with subsidiaries are excluded from the Group's consolidated financial statements according to IFRS requirements.

The Group enters into transactions with subsidiaries on market terms. Tariffs for subsidiaries are fixed by a regulatory body and are at the same level as similar tariffs for other counteragents. Subsidiaries do not influence the Group's transactions with other counteragents.

OJSC Rostelecom

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

Revenues of the OJSC "Rostelecom" are made up by revenues from services of zone initiating/call termination from/to the Group's network and from/to networks of connected provided as well as revenues from cooperation agreement.

Loss of the OJSC “Rostelecom” is made up by payments for services of call termination to networks of other communication providers in case if call is initiated from a network of mobile radiotelephonic communications, expenses on connection services payment as well as expenses on long-distance and international communication services provided to the Group.

Transactions with State entities

State entities make significant part of the Group’s client base. State entities don’t make influence to the Group’s transactions with other companies.

OJSC «Svyazintek»

OJSC “Svyazintek” was created by OJSC Svyazinvest’s subsidiaries owned 100% of its authorized capital, for installation and further support of information systems, and also for coordination, management, and realization of centralized industry programs for informational technologies in the companies of OJSC Svyazinvest group.
The OJSC “Svyazintek” provides the Company with services on introduction and further support of information systems functioning, namely, software of the companies Oracle E-Business Suite and Amdocs Billing Suite.

Non-government Pension Funds

The Company entered into several agreements of pension insurance with the NSPF “Telecom-Soyuz” and the NSPF “Erel” (Note 22), and additionally to the state pension the Group provides a non-state pension using benefits plans with defined contributions and payments for post employment period. .

The total amount of contributions for non-state pension coverage paid by the Group is accounted on line “Personnel costs” of Profit and Loss Statement. The fund retains 3% of every pension contribution of the Group to cover own expenses for activities under the charter and administrative costs.

Remuneration of Key Management Personnel

The key management personnel consists of members of the Executives Committee and the Board of Directors, number of which were 19 people as of 30 June 2009 and 18 people as of 31 December 2008.

Remuneration for members of the Board of Directors and the Executives Committee of the Group for 6 months 2009 includes salaries, bonuses and remuneration for participation in the work of corporate governance bodies and amounts to 46 (for 6 month, ended 30 June 2008 - 22). The remuneration amounts are stated exclusive of the unified social tax.

33. Subsequent Events

Optimization of personnel number
In order to increase Company’s activity efficiency there was adopted the Program of optimization of personnel. In compliance with the Program within the period from July 01, 2009 to till the date of signing of these consolidated interim financial statements 147 employees were notified about reduction.

Expenses related to the Group’s personnel reduction starting from July 01, 2009 comprised 6.

Bonds loan

In July 2009 the Company registered interest to bearer bonds issue of series 4B02-05-30166-F with face value of 1,000 Roubles each. Bonds have six coupons. The first coupon payment shall be made at 182nd day since day of selling; other coupons payments shall be made each next 182 day.
Interest rate per coupons were determined 15.0% p.a. Bonds shall be matured in 1,092 days since the day of its selling in July 2012. Money received from bonds issue will be spent to floating capital replenishment.

Issued bonds provides offer which provide possibility for holder to require bonds buyback at the appointed date. Date of the offer – July 21, 2011.