

Sibirtelecom OJSC

Unaudited Consolidated Interim Financial Statements
for the 3 months period ended March 31, 2010, prepared in accordance with
International Financial Reporting Standards (IFRS)

Sibirtelecom OJSC
Unaudited Consolidated Interim Financial Statements
for the 3 months period ended March 31, 2010

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Sibirtelecom OJSC
 Unaudited Consolidated Statement Of Financial Situation
 as of March 31, 2010
 (million Russian rubles)

	Notes	March 31, 2010	December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	7	39 499	40 633
Investment property	8	82	12
Intangible assets	9	4 146	4 160
Other non-current assets	10	498	218
Investments in equity accounted investees	11	20	20
Non-current financial assets	12	17	22
Deferred tax assets		103	99
Total non-current assets		44 365	45 164
Current assets			
Inventories	13	506	529
Trade and other receivables	14	2 844	2 294
Income tax receivable		46	36
Other current assets	15	392	408
Current financial assets	12	682	662
Cash and cash equivalents	16	293	532
Total current assets		4 763	4 461
TOTAL ASSETS		49 128	49 625
EQUITY AND LIABILITIES			
Sibirtelecom OJSC Shareholders' equity			
Share capital	18	3.541	3.541
Unrealized gain on available-for-sale investments		86	83
Retained earnings		18 349	16 998
Total equity attributable to shareholders of Sibirtelecom OJSC		21 976	20 622
Uncontrolled shareholders' interest		2	2
Total equity		21 978	20 624
Non-current liabilities			
Loans and borrowings	19	9 805	9 723
Employee benefits	20	3 851	3 800
Other non-current liabilities	21	75	79
Deferred tax liabilities		719	954
Total non-current liabilities		14 450	14 556
Current liabilities			
Loans and borrowings	19	6 805	8 887
Accounts payable and accrued expenses	23	5 021	4 475
Other current liabilities	24	835	1 019
Current provisions	22	39	64
Total current liabilities		12 700	14 445
Total liabilities		27 150	29 001
Total assets and liabilities		49 128	49 625

General Director _____ I.V. Dadykin Chief Accountant _____ G.I. Khvoschinskaya

Sibirtelecom OJSC
 Unaudited Consolidated Interim Statement of Comprehensive Income
 for the 3rd months period ended March 31, 2010

	Notes	For 3 months ended on March 31	
		2010	2009
Revenues	25	9 683	9 477
Personnel costs	26	(2 455)	(2 675)
Depreciation and amortization	7, 8, 9	(1 931)	(2 020)
Interconnection charges		(1 088)	(1 133)
Materials, repairs and maintenance, utilities	27	(914)	(759)
Other operating expenses	28	103	117
Reimbursement of loss from universal communications services	28	285	208
Other operating income	29	(1 637)	(1 729)
Revenues from operating activities		2 046	1 486
Financial cost	30	(656)	(845)
Other revenues from financial activity	31	31	11
Exchange revenue / (loss) during currency revaluation		41	(956)
Revenue before taxation		1 462	(304)
Income tax		(111)	(71)
(Loss)/profit for the reporting period		1 351	(375)
<i>Other comprehensive revenue</i>			
Changes in the fair cost of financial assets available for sale		4	(3)
Income tax in respect of other comprehensive income		(1)	1
Total other comprehensive income (loss) less income tax		3	(2)
Total comprehensive income for the reporting period		1 354	(377)
Comprehensive income for the reporting period that refers to:			
Shareholders of Sibirtelecom OJSC		1 354	(377)
Minor shareholders of subsidiary companies		–	–
Base and diluted profit per share (Russian rubles) for the reporting period that refers to shareholders of Sibirtelecom OJSC	33	0.085	(0.031)

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 Unaudited Consolidated Interim Statement of Comprehensive Income
 for the 3rd months period ended March 31, 2010

	Notes	For 3 months ended on March 31	
		2010	2009
Operating activities:			
Profit /(Loss) before taxation		1 462	(304)
<i>Adjustments for:</i>			
Depreciation and amortization	7,8,9	1 931	2 020
Loss on disposal of property, plant and equipment and other assets	29	18	23
Impairment losses on property, plant and equipment, intangible assets	7,9	5	8
Restoration in allowance for inventory	28	–	(1)
Expenses of creation of a bad debt reserve	29	29	84
(Profit)/loss from exchange difference during currency revaluation		(41)	956
Other revenues from financial activity	31	(31)	(11)
Financial expenses	30	573	754
Operating income after adjustment for non-monetary operations		3 946	3 529
Decrease/(increase) in inventories	13	23	(12)
Increase in receivables		(580)	(614)
Decrease in current other assets and liabilities		(169)	(293)
Increase in pension and long-term social liabilities	20	51	79
Increase/(decrease) in accounts payable and accrued liabilities		308	(721)
Increase in taxes payable, except income tax	23	167	774
Decrease of reserves on contingent liabilities	22	(25)	(26)
Cash flows generated from operations before income tax and interest paid		3 721	2 716
Interest paid		(619)	(681)
Income tax paid		(252)	(280)
Net cash from operating activities		2 850	1 755
Investment activities			
Acquisition of property, construction objects in progress, investment property		(1 013)	(755)
Proceeds from disposals of property, plant and equipment		9	12
Acquisition of intangible assets		(157)	(128)
Acquisition of financial assets		(3)	(2)
Proceeds from sale of investments and recovery of loans granted		6	15
Interest received		30	9
Net cash used in investment activities		1 128	(849)

Sibirtelecom OJSC
 Unaudited Consolidated Interim Statement of Comprehensive Income
 for the 3rd months period ended March 31, 2010

		For 3 months ended on March 31	
Notes		2010	2009
Financial activities			
		5 244	618
		(7 080)	(1 244)
		(78)	–
		(2)	(81)
	21	(4)	(1)
		(41)	(41)
		–	(6)
		(1 961)	(755)
Net (increase)/ decrease in cash and cash equivalents			
		(239)	151
		532	1 109
	16	293	1 260
		293	1 260

Sibirtelecom OJSC
Consolidated Statement of Changes in Equity
for the 3 months period ended 31 March, 2010
(million Russian rubles)

	Equity of shareholders of Sibirtelecom OJSC					Share of minority shareholders	Total equity	
	Notes	Preference shares	Ordinary shares	Accrued reserve for revaluation of financial assets available for sale	Unappropriated balance			Total, capital of shareholders of Sibirtelecom OJSC
Balance as of December 31, 2008		869	2 672	21	15 547	19 109	2	19 111
Loss for the period		–	–	–	(375)	(375)	–	(375)
Changes in the fair value of financial assets available for sale		–	–	(3)	–	(3)	–	(3)
Income tax in respect of other comprehensive loss		–	–	1	–	1	–	1
Total other comprehensive loss less income tax		–	–	(2)	–	(2)	–	(2)
Total comprehensive income for the period		–	–	(2)	(375)	(377)	–	(377)
Balance as of March 31, 2009		–	–	(2)	–	(2)	–	(2)
		–	–	(2)	(375)	(377)	–	(377)
Balance as of December 31, 2009		–	–	(2)	–	(2)	–	(2)
Profit for the period		–	–	(2)	(375)	(377)	–	(377)
Changes in the fair value of financial assets available for sale		–	–	4	–	4	–	4
Income tax in respect of other comprehensive income		–	–	(1)	–	(1)	–	(1)
Total other comprehensive income less income tax		–	–	3	–	3	–	3
Total comprehensive income for the period		–	–	3	1 351	1 354	–	1 354
Balance as of March 31, 2010		869	2 672	86	18 349	21 976	2	21 978

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

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 3 months period ended March 31, 2009
(million Russian rubles)

General Information

Authorisation of the Financial Statements

The unaudited consolidated interim financial statements of Sibirtelecom OJSC and its subsidiaries ("Company") for the 3 months period ended March 31, 2010 were authorised to be issued by the General Director and the Chief Accountant on June 30, 2010.

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.

Svyazinvest OJSC, which is controlled by the Russian Government, owned 50.67% of the Company's ordinary voting shares as of March 31, 2010 and is the Company's parent company.

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

Information about associated companies is provided in Appendix 11. All associated companies are registered in accordance with the legislation of the Russian Federation.

Liquidity and Financial Resources

As of March 31, 2010, Company's current liabilities exceeded its current assets by 7,937 (9,984 as of December 31, 2009).

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 2010 the Company expects to generate funds from the following sources: cash proceeds from operating activities, placement of ruble bonds on the Russian market and raising funds from domestic lending institutions. 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 for Presentation of Financial Reports

Compliance Statement

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

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All information should be considered with consideration with the Company's annual consolidated financial statements for the year ended December 31, 2009.

Going Concern

These unaudited consolidated interim financial statements have been prepared on the assumption that the Company will continue normal economic activity in the near future, which implies recoupment of assets and satisfaction of liabilities according to the established procedure.

Presentation of Financial Statements

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

Figures in 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 of valuation

The unaudited consolidated interim financial statements have been prepared according to the historical cost principle except for the following articles: fixed assets, in respect of which the fair value was determines as of the date of transfer to IFRS, to determine their conventionally initial cost; financial assets available for sale, evaluated at fair value.

Changes in the Accounting Policy

The accounting policy applied when preparing the unaudited consolidated interim financial reports for the 3 months period of 2010 is consistent with the one that was used when preparing consolidated financial reports for 2009.

Foreign Currency Transactions

The functional and presentation currency of 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 shown in the consolidated report on comprehensive income as foreign exchange losses. 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 March 31, 2010 and December 31, 2009 were as follows:

Currency	March 31, 2010	December 31, 2009
US Dollar	29.3638	30.2442
EURO	39.7028	43.3883

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3. Principal provisions of the accounting policy

The accounting policy used when preparing unaudited consolidated interim financial statements for the 3 months period of 2010 corresponds to the accounting policy used when preparing consolidated financial reports for 2009.

4. Significant accounting views and estimations

Key assumptions concerning future events as well as other sources of estimation uncertainty as of the reporting date that have a significant risk of a necessity to make material adjustments to the book values of assets and liabilities within the following financial year are similar to those disclosed in the consolidated financial statements of the Company for 2009.

5. Information about activity segments

The Company identifies the smallest structural subdivisions, where financial indices are regularly analyzed by the supreme body of the operating management of the Company and are used when making management decisions, as operating segments.

The Management Board is the collegial executive body of the Company.

The smallest structural subdivisions, where financial indices are regularly analyzed by the collegial executive body of the Company and are used when making management decisions, are its branches and affiliated companies.

Reporting information is analyzed and management decisions are made on the basis of accounting data in accordance with Russian accounting standards. The information provided in tables “Summary on segments”, “Information on operating segments” is prepared in accordance with the said standards.

The Company operates mainly on the territory of one federal administrative unit.

“Sibirtelecom OJSC – Fixed-Line Telephony” subgroup includes: Gorno-Altaysk, Buryatsk, Khakassia, Altai, Krasnoyarsk, Irkutsk, Kemerovo, Novosibirsk, Omsk, Tomsk, Zabaikalsk branches that provide telephony services (including services of local and intra-zone communication), telegraph communication network, data transmission network and telematic services, services of connection and traffic transfer, radio broadcasting, television, communication line leasing. Each of the said branches is a separate operating segment.

The main share of financial and investment activity in the area of attracting, servicing and repayment of borrowed funds, financial lease, purchase of financial assets, creation and further exploitation of corporate assets, centralized investment projects are concentrated in the general directorate office. Respective amounts of revenues, expenses, assets and liabilities are shown in the category “General Directorate Office”.

The subgroup “Affiliated Companies – Fixed-Line Telephony” includes: Chita NET CJSC, Rinet OJSC, ATS-32 CJSC, ATS-41 CJSC, Mobiltelecom OJSC, Novocom CJSC that provide services of local telephony, data transmission network and telematic services. Each of the said branches is a separate operating segment.

The subgroup “Affiliated Companies – Mobile Communication” includes: Yeniseytelecom CJSC, Baikalwestcom CJSC that provide services of mobile radiotelephony (including access to services of the network of other communication operator – outside roaming), mobile radiotelephony with the use of pay phones. Each of the said branches is a separate operating segment.

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
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Accounting records are kept in each of the enterprises that are part of the Company in accordance with provisions on accounting in the Russian Federation. These principles of accounting are significantly different from common principles and procedures of respective IFRS. Some adjustments were made to accounting (financial) statements of respective enterprises that are required to provide consolidated financial statements in accordance with IFRS (adjusting entries). Such entries include revaluation of fixed assets, accrual of pension liabilities and deferred tax that refers to them, as well as other entries and some entries on reclassification.

Information about segments for the 3 months ended March 31, 2010 and as of March 31, 2010 is provided below:

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 3 months period ended March 31, 2009
(million Russian rubles)

	Sibirtelecom OJSC – fixed-line telephony	Affiliated companies – fixed-line telephony	Affiliated companies – mobile communication	Total segments
REVENUE FROM SALES				
Revenue from sales to third parties	7 079	26	2 616	9 721
Revenue from sales between segments	74	14	102	190
Total revenue from sales	7 153	40	2 718	9 911
Interest income	19	1	13	33
Interest expenses	(402)	–	(136)	(538)
Income tax	(253)	2	(106)	(357)
Revenue for the reporting period	854	(8)	290	1 136
Assets and Liabilities				
Segment Assets	36 990	203	12 984	50 177
Segment liabilities	(18 360)	(36)	(7 384)	(25 780)

OTHER SEGMENT INFORMATION

Capital expenditures, including				
fixed assets	361	1	337	699
intangible assets	–	–	–	–
Depreciation and amortization	(1 160)	(6)	(500)	(1 666)
(Accrual)/restoration of bad debt reserve	(25)	1	(107)	(131)

5. Information about activity segments (continued)

Information about segments for the 3 months ended March 31, 2009 and as of March 31, 2009 is provided below:

	Sibirtelecom OJSC – fixed-line telephony	Affiliated companies – fixed-line telephony	Affiliated companies – mobile communication	Total segments
REVENUE FROM SALES				
Revenue from sales to third parties	6 880	67	2 554	9 501
Revenue from sales between segments	89	13	111	213
Total revenue from sales	6 969	80	2 665	9 714
Interest income	8	1	15	24
Interest expenses	(495)	–	(172)	(667)
Income tax	(9)	–	(32)	(41)
Revenue for the reporting period	(81)	(2)	(50)	(133)
Assets and Liabilities				
Segment Assets	41 032	236	13 938	55 206

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
for the 3 months period ended March 31, 2009
(million Russian rubles)

	Sibirtelecom OJSC – fixed- line telephony	Affiliated companies – fixed-line telephony	Affiliated companies – mobile communicatio n	Total segments
Segment liabilities	(25 159)	(46)	(8 729)	(33 934)
OTHER SEGMENT INFORMATION				
Capital expenditures, including fixed assets				
intangible assets	496	6	399	901
Depreciation and amortization	7	–	–	7
(Accrual)/restoration of bad debt reserve	(1 134)	(6)	(477)	(1 617)
Capital expenditures, including	(68)	(3)	(10)	(81)

5. Information about activity segments (continued)

Below is reconciliation of accounting data in accordance with Russian standards and indices included in unaudited consolidated interim financial reports in accordance with IFRS:

Reconciliation of data on segments and of consolidated data for the 3 months ended March 31, 2010 and as of March 31, 2010	Total segments	Adjusting entries	Consolidation adjustments	Total, consolidated in the Company
REVENUE FROM SALES				
Revenue from sales to third parties	9 721	(38)	–	9 683
Revenue from sales between segments	190	–	(190)	–
Total revenue from sales	9 911	(38)	(190)	9 683
Interest income	33	(11)	9	31
Interest expenses	(538)	(34)	–	(572)
Income tax	(357)	246	–	(111)
Revenue (loss) for the reporting period	1 136	223	(8)	1 351
Assets and Liabilities				
Segment Assets	50 177	87	(1 136)	49 128
Segment liabilities	(25 780)	(1 451)	81	(27 150)
OTHER SEGMENT INFORMATION				
Capital expenditures, including fixed assets	699	23	(2)	720
intangible assets	–	165	–	165
Depreciation and amortization	(1 666)	(266)	1	(1 931)
Loss from depreciation of fixed assets	–	(4)	–	(4)
Loss from intangible assets depreciation	–	(1)	–	(1)

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Reconciliation of data on segments and of consolidated data for the 3 months ended March 31, 2010 and as of March 31, 2010	Total segments	Adjusting entries	Consolidation adjustments	Total, consolidated in the Company
(Accrual)/restoration of bad debt reserve	(131)	100	2	(29)

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
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5. Information about activity segments (continued)

**Reconciliation of data on segments
and of consolidated data for the 3
months ended March 31, 2009 and
as of March 31, 2009**

	Total segments	Adjusting entries	Consolidation adjustments	Total, consolidated in the Company
REVENUE FROM SALES				
Revenue from sales to third parties	9 501	(24)	–	9 477
Revenue from sales between segments	213	–	(213)	–
Total revenue from sales	9 714	(24)	(213)	9 477
Interest income	24	(10)	(3)	11
Interest expenses	(667)	(84)	3	(748)
Income tax	(41)	(30)	–	(71)
Loss for the reporting period	(133)	(238)	(4)	(375)
Assets and Liabilities				
Segment Assets	55 206	727	(1 295)	54 638
Segment liabilities	(33 934)	(2 177)	207	(35 904)
OTHER SEGMENT INFORMATION				
Capital expenditures, including				
fixed assets	901	(39)	–	862
intangible assets	7	130	–	137
Depreciation and amortization	(1 617)	(407)	4	(2 020)
Loss from depreciation of fixed assets	–	(4)	–	(4)
(Accrual)/restoration of bad debt reserve	(81)	(4)	1	(84)

Sibirtelecom OJSC
Notes to Consolidated Interim Financial Statements
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5. Information about activity segments (continued)

As of the end of the 3 months ended March 31, 2010 and as of March 31, 2010 the key indices of main operating segments were as follows:

Information on operating segments	Revenue from sales	Profit (loss) of operating segment	Segment assets	Segment liabilities	Capital expenditures	Depreciated and amortization	Restoration (accrual) of bad debt reserve
Sibirtelecom OJSC – Fixed-Line Telephony							
Gorno-Altai branch	73	(5)	319	(31)	1	(13)	–
Buryatia branch	565	95	1 947	(239)	2	(71)	(5)
Khakassia branch	206	13	1 061	(64)	3	(36)	(1)
Altai branch	1 006	210	3 643	(302)	7	(125)	(1)
Krasnoyarsk branch	890	85	4 171	(479)	107	(132)	(5)
Irkutsk branch	849	149	3 144	(289)	7	(102)	(6)
Kemerovo branch	822	113	3 820	(250)	8	(138)	(1)
Novosibirsk branch	1 218	242	5 589	(465)	118	(212)	–
Omsk branch	651	91	3 296	(296)	102	(107)	(1)
Tomsk branch	541	87	2 181	(213)	4	(84)	(1)
Zabaikalsk branch	332	(5)	1 768	(193)	1	(67)	(3)
General directorate office	–	(221)	6 051	(15 539)	1	(73)	(1)
Total	7 153	854	36 990	(18 360)	361	(1 160)	(25)
Affiliated companies – Fixed-Line Telephony							
Chita Net CJSC	–	–	8	(4)	–	–	–
Rinet OJSC	11	(2)	16	(8)	–	(1)	–
ATS-32 CJSC	2	(3)	75	(7)	–	(2)	(1)
ATS-41 CJSC	2	(2)	31	(1)	–	(1)	2
Mobiltelecom OJSC	14	–	31	(10)	1	(1)	–
Novocom CJSC	11	(1)	42	(6)	–	(1)	–
Total	40	(8)	203	(36)	1	(6)	1
Affiliated companies – Mobile Communication							
Yeniseytelecom CJSC	1 228	62	5 847	(3 269)	168	(192)	(105)
Baikalwestcom CJSC	1 490	228	7 137	(4 115)	169	(308)	(2)
Total	2 718	290	12 984	(7 384)	337	(500)	(107)

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5. Information about activity segments (continued)

As of the end of the 3 months ended March 31, 2009 and as of March 31, 2009 the key indices of main operating segments were as follows:

Information on operating segments	Revenue from sales	Profit (loss) of operating segment	Segment assets	Segment liabilities	Capital expenditures	Depreciation and amortization	Restoration (accrual) of bad debt reserve
Sibirtelecom OJSC – Fixed-Line Telephony							
Gorno-Altai branch	66	(26)	376	(47)	9	(13)	–
Buryatia branch	570	51	2 283	(341)	24	(71)	(5)
Khakassia branch	169	(24)	1 154	(123)	5	(30)	(1)
Altai branch	911	119	4 069	(494)	49	(125)	(10)
Krasnoyarsk branch	869	(34)	4 546	(589)	22	(129)	(11)
Irkutsk branch	811	43	3 518	(649)	44	(96)	(11)
Kemerovo branch	804	(56)	4 284	(499)	40	(133)	(9)
Novosibirsk branch	1 259	216	5 743	(811)	145	(180)	(9)
Omsk branch	645	20	3 514	(441)	37	(96)	(8)
Tomsk branch	562	44	2 551	(288)	17	(82)	(1)
Zabaikalsk branch	303	(79)	1 914	(217)	20	(58)	(3)
General directorate office	–	(355)	7 080	(20 660)	91	(121)	–
Total	6 969	(81)	41 032	(25 159)	503	(1 134)	(68)
Affiliated companies – Fixed-Line Telephony							
Chita Net CJSC	4	–	9	(3)	–	–	–
Rinet OJSC	18	(3)	21	(15)	1	1	–
ATS-32 CJSC	13	1	84	(6)	–	2	–
ATS-41 CJSC	13	1	37	(4)	2	1	–
Mobiltelecom OJSC	17	–	35	(12)	1	1	–
Novocom CJSC	15	(1)	50	(6)	2	1	(3)
Total	80	(2)	236	(46)	6	(6)	(3)
Affiliated companies – Mobile Communication							
Yeniseytelecom CJSC	1 281	(10)	6 575	(3 956)	173	(181)	(2)
Baikalwestcom CJSC	1384	(40)	7 363	(4 773)	226	(296)	(8)
Total	2 665	(50)	13 938	(8 729)	399	(477)	(10)

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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, %	
		31 Mar 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Yeniseytelecom CJSC	Mobile radiotelephony services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Baikalwestcom CJSC	Mobile radiotelephony services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Chita NET CJSC	Data transmission and telematic services	100.00	100.00	100.00	100.00
STeK GSM CJSC	Mobile radiotelephony services (GSM 900 and 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 radiotelephony services	100.00	100.00	100.00	100.00

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

7. Fixed assets

	Land, buildings and structures	Switches and transmitters	Vehicles and other fixed assets	Capital investments in fixed assets	Total
<i>Original value</i>					
As of December 31, 2008	24 013	30 966	5 167	6 718	66 864
Receipts	—	—	—	862	862
Commissioned construction	1 330	2 895	194	(4 419)	—
Retirement	(21)	(214)	(18)	(2)	(255)
Retirement connected with	(45)	—	—	—	(45)

* Indirect possession through Yeniseytelecom CJSC

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reclassification into investment property					
Reclassification	5	(7)	4	(2)	–
As of March 31, 2009	25 282	33 640	5 347	3 157	67 426
As of March 31, 2009	26 628	36 462	6 072	1 310	70 472
Proceeds	–	–	–	720	720
Entered assets in connection with reclassification from investment property	4	–	–	–	4
Commissioned	211	368	100	(679)	–
Retirement	(26)	(64)	(19)	(9)	(118)
Retirement connected with reclassification into investment property	(99)	–	–	–	(99)
Reclassification	39	35	(76)	2	–
As of March 31, 2010	26 757	36 801	6 077	1 344	70 979
<i>Accumulated depreciation and impairment losses</i>					
As of December 31, 2008	(7 623)	(11 318)	(3 321)	(320)	(22 582)
Depreciation for the reporting period	(447)	(1 110)	(247)	–	(1 804)
Depreciation of retired objects	17	82	13	–	112
Depreciation of retired assets if classified as investment property	22	–	–	–	22
Accrued depreciation	–	–	–	(8)	(8)
Restored depreciation	–	–	–	4	4
Reclassification	–	7	(7)	–	–
As of March 31, 2009	(8 031)	(12 339)	(3 562)	(324)	(24 256)
As of December 31, 2009	(9 610)	(15 443)	(4 539)	(247)	(29 839)
Depreciation for the reporting period	(497)	(1 085)	(170)	–	(1 752)
Accrued depreciation of fixed assets reclassified from investment property	(4)	–	–	–	(4)
Depreciation of retired objects	21	48	22	–	91
Depreciation of retired assets if classified as investment property	28	–	–	–	28
Accrued depreciation	–	(1)	–	(3)	(4)
reclassification	(54)	(145)	47	152	–
As of March 31, 2010	(10 116)	(16 626)	(4 640)	(98)	(31 480)
<i>Depreciated value</i>					
As of December 31, 2008	16 390	19 648	1 846	6 398	44 282
As of March 31, 2009	17 251	21 301	1 785	2 833	43 170
As of December 31, 2009	17 018	21 019	1 533	1 063	40 633
As of March 31, 2010	16 641	20 175	1 437	1 246	39 499

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As of March 31, 2010 and December 31, 2009 the book value of fixed assets received under agreements of financial lease amounted to:

	March 31, 2010	December 31, 2009
Switches and transmitters	407	420
Vehicles and other fixed assets	–	1
Total fixed assets received under agreements of financial lease, book value	407	421

Depreciation of fixed assets accrued for the 3 months of 2010 in the amount of 1,752 (3 months of 2009 – 1,804) was recognised in item “Depreciation and amortization” of the consolidated interim statement of comprehensive income.

As of March 31, 2010 the original value of fully amortised fixed assets amounted to 7,911 (December 31, 2009 – 7,810).

As of March 31, 2010 the residual value of jointly owned fixed assets was 101 (December 31, 2009 – 103).

For the 3 months of 2010 the Company increased the value of construction in progress by the amount of capitalized interest in the amount of 2 (3 months of 2009 - 45). The capitalization rate for the 3 months of 2010 was 11% (3 months of 2009 – 10%).

Depreciation of fixed assets objects

The Company analyzed depreciation of its fixed assets as of March 31, 2010. With the purpose to test depreciation, the recoverable amount for each unit that generates cash flow (hereinafter UGCF) was determined based on evaluation of the cost of its use that was calculated by discounting future cash flows that will be generated as a result of continued utilization of such UGCF.

According to the results of the depreciation test, the Company acknowledged the loss from depreciation of fixed assets for Yeniseytelecom CJSC in the amount of 1; the amount of depreciation of capital investments that were not completed in time during realization of investment projects was 3.

The loss of depreciation in the amount of 4 is shown in line “Other operating expenses” in the unaudited consolidated interim statement of comprehensive income (Note 29).

8. Investment Property

	Intend ed for leasing	Intended for sale	Intended for leasing with further sale	Total
<i>Accumulated depreciation and accrued depreciation</i>				
As of December 31, 2008	(5)	(1)	–	(6)
Accrued depreciation for the reporting period	(18)	(9)	–	(27)
Reclassification of depreciation to fixed assets	5	1	–	6
As of March 31, 2009	(18)	(9)	–	(27)

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Reclassification from fixed assets	1	79	19	99
Reclassification to fixed assets	(4)	–	–	(4)
As of March 31, 2010	16	79	23	118
<i>Accumulated depreciation and accrued depreciation</i>				
As of December 31, 2008	(5)	(1)	–	(6)
Accrued depreciation for the reporting period	(18)	(9)	–	(27)
Reclassification of depreciation to fixed assets	5	1	–	6
As of March 31, 2009	(18)	(9)	–	(27)
As of December 31, 2009	(9)	–	(2)	(11)
Accrued depreciation for the reporting period	(1)	–	–	(1)
Reclassification of depreciation from fixed assets	–	(23)	(5)	(28)
Reclassification of depreciation to fixed assets	4	–	–	4
As of March 31, 2010	(6)	(23)	(7)	(36)
<i>Depreciation value</i>				
As of December 31, 2008	9	2	2	13
<i>Fair value</i>				
as of December 31, 2008	37	5	7	49
Depreciation value				
As of March 31, 2009	17	19	–	36
<i>Fair value</i>				
as of March 31, 2009	22	46	–	68
Depreciation value				
as of December 31, 2009	10	–	2	12
<i>Fair value</i>				
as of December 31, 2009	22	1	6	29
Depreciation value				
As of March 31, 2010	10	56	16	82
Fair value as of March 31, 2010	19	181	38	238

In 2006 the Company started to optimize the composition and the structure of the property aimed at satisfaction of current prospective needs of the Company in property required to perform its key activities and at alienation of excessive property. In this connection the Company is making plans to work in this line.

As of March 31, 2010 Company has no limitations regarding the right to sell objects of investment property.

As of March 31, 2010 Company's objects of investment property were not used as guarantee for credit agreements, loan agreements or financial lease agreements.

During 3 months ended March 31, 2010 the Company had no limitations regarding the right to dispose income from leasing or sale of investment property objects.

The fair value of investment property was determined based on monitoring of the real property market. The monitoring was conducted by collection and analysis of data about the real property market with the use of the following sources:

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

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The fair value is based on market information about transactions with object identical to the Company's objects of investment property.

9. Intangible Assets

	Goodwill	Licences	Software	Numbering capacity	Other	Total
<i>Original value</i>						
As of December 31, 2008	204	149	6 326	105	90	6 874
Proceeds	–	7	120	2	8	137
Retirement	–	–	(3)	(9)	–	(12)
Reclassification	–	28	(28)	–	–	–
As of March 31, 2009	204	184	6 415	98	98	6 999
<hr/>						
As of December 31, 2009	204	162	6 729	118	157	7 370
Proceeds	–	7	151	4	3	165
As of March 31, 2010	204	169	6 880	122	160	7 535
<hr/>						
<i>Accrued depreciation and amortization</i>						
As of December 31, 2008	(171)	(58)	(1 952)	(80)	(20)	(2 281)
Accrued annual depreciation	–	(6)	(203)	(2)	(5)	(216)
Depreciation of disposed objects	–	–	3	9	–	12
As of March 31, 2009	(171)	(64)	(2 152)	(73)	(25)	(2 485)
<hr/>						
As of December 31, 2009	(199)	(88)	(2 778)	(89)	(56)	(3 210)
Depreciation accrued for the reporting period	–	(6)	(160)	(3)	(9)	(178)
Accrued depreciation	–	–	(1)	–	–	(1)
As of March 31, 2010	(199)	(94)	(2 939)	(92)	(65)	(3 389)
<hr/>						
<i>Depreciated value</i>						
As of December 31, 2008	33	91	4 374	25	70	4 593
As of March 31, 2009	33	120	4 263	25	73	4 514
As of December 31, 2009	5	74	3 951	29	101	4 160
As of March 31, 2010	5	75	3 941	30	95	4 146

Oracle E-Business Suite

As of March 31, 2010 the software includes software product Oracle E-Business Suite ("OeBS") with the book value amounting to 975 (as of December 31, 2009 – 1,019).

As of March 31, 2010 capitalized interest expenses connected with the implementation of Oracle E-Business Suite amounted to 66 (as of March 31, 2009 – 80). During the 3 months of 2010 interest expenses connected with the implementation of OeBS were not capitalized.

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

Changes in the book value of Oracle E-Business Suite for the 3 months period ended March 31, 2010 and 2009 are shown below:

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	2010	2009
As of January 01	1 019	1 122
Implementation cost	–	60
Accrued depreciation	(44)	(18)
As of March 31	975	1 164

Amdocs Billing System

As of March 31, 2010 the software included the Amdocs Billing Suite software product with the book value of 807 (as of December 31, 2009 – 803), including the cost of licences in the amount of 579 and expenses for implementation in the amount of 228 (as of December 31, 2009 – 579 and 224 respectively). The purchase of Amdocs Billing Suite software was approved by the Company's Board of Directors in 2004. The Company will start to amortize this asset after the software is begun to be operated proportionally to the cost of implemented modules. Till this moment the management tests the asset value for its depreciation.

In 2009 a number of measurements were taken to design and introduce the first module of Amdocs Billing Suite CRM: the CRM solution was designed, integration software with Start ACP product were developed, as well as a program and methods of test procedures; system testing was conducted and acceptance tests were completed. Introduction of the first module of Amdocs Billing Suite CRM was planned for 2010.

Changes in the book value of Amdocs Billing Suite for the 3 months period ended March 31, 2010 and 2009 are shown below:

	2010	2009
As of January 1	803	792
Expenses of introduction	4	4
As of March 31	807	796

Start Billing System Software

As of March 31, 2010 the software included Start Billing System with the book value of 480, including capitalized interest of 22 (as of December 31, 2009 – 490 and 22 respectively).

This software is an integrated automated billing system that provides automation of business processes for billing and servicing of Company's clients. The software was purchased and the work to introduce its modules was conducted from 2000. Introduction of all modules was completed in December 2008.

The Company has used this software since 2003 and amortizes its cost from the moment of its introduction. The useful life as of December 31, 2009 was 7 years.

Information about changes in the book value of Start Billing System software for the 3 months period ended March 31, 2010 and 2009 are shown below:

	2010	2009
As of January 1	490	597
Implementation costs	6	–
Accrued depreciation	(16)	(42)
As of March 31	480	555

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HP Open View Software

As of March 31, 2010 the book value of HP Open View was 109 (as of December 31, 2009 – 109).

This product is designed for automation of the Company's information processes. In December 2009 the Company started industrial operation of the system for automation of the service desk operation based on licences of HP Open View Service Desk. The Company starts to amortize this asset after beginning of exploitation of this software in 2010, proceeding from the useful life which is 10 years.

HP Open View Service Activator Software

As of March 31, 2010 the software included software product HP Open View Service Activator with the book value of 259 (as of December 31, 2009 – 259).

This product is designed to provide automated management of end-user activation. In December of 2009 the Company started test installation of the software on the basis of one of its components and is getting ready for experimental performance. Introduction of HP Open View Service Activator software is planned for 2010.

CBOSS Billing Suite

As of March 31, 2010 the software includes licenses and expenses of introduction of CBOSS Billing Suite software, the book value of which is 301 (as of December 31, 2009 – 319).

	2010	2009
As of January 01	319	352
Expenses of introduction	18	25
Accrued depreciation	(36)	(37)
As of March 31	(301)	340

The software is used in billing systems of affiliated companies of Yeniseytelecom CJSC and Baikalwestcom CJSC.

Intangible assets amortization

Amortization of intangible assets for 3 months of 2010 in the amount of 178 (3 months of 2009 – 216) was shown under item Depreciation and Amortization in the unaudited consolidated statement of comprehensive income.

Analysis of depreciation of intangible assets not yet available for use

The Company analyzed depreciation of intangible assets not yet available for use as of March 31, 2010. Intangible assets not yet available for use comprise Amdocs Billing Suite, HP Open View Service Activator and the numbering capacity of Yeniseytelecom CJSC and Baikalwestcom CJSC.

As a result of the test for depreciation, a loss from depreciation was acknowledged for Yeniseytelecom CJSC in the amount of 1, which was connected with the depreciation of the numbering capacity.

The numbering capacity was evaluated according to its value in use, as it is directly connected with the going concern of the affiliated company. In connection with operating loss generated by the affiliated company, the value of such assets was found zero.

As of March 31, 2010 the Company has no intangible assets with indefinite useful life.

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Analysis of depreciation of other intangible assets

The Company analyzed depreciation of other intangible assets, goodwill and intangible assets with an unlimited useful life as of March 31, 2010. As a result of the analysis, no depreciation of said intangible assets was found.

10. Other long-term assets

	Total, March 31, 2010	Reserve for long- term, other assets, March 31, 2010	Net, March 31, 2010
Recurring advances made for investment activity	486	(1)	485
Long-term accounts receivable	13	–	13
Total	499	(1)	498

	Total, March 31, 2009	Reserve for long- term, other assets, March 31, 2009	Net, March 31, 2009
Recurring advances made for investment activity	207	(2)	205
Long-term accounts receivable	13	–	13
Total	220	(2)	218

11. Investments in associated companies

As of March 31, 2010 and December 31, 2009 investments in associated companies included:

Company	Activity	March 31 2010		
		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	16
Irkutsk Clearing House LLC	Data transfer services, Internet	34.00	34.00	-
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	Local and intra-zone telephony	30.00	30.00	-
Total, associated companies	–	–	–	20

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The book value of investments in associated companies, shown in this unaudited consolidated interim financial statements corresponds to the share of the Company in net assets of associated companies and for 3 months of 2010 makes up 20 (3 months of 2009 – 19).

The following table shows summarised financial information about the associates:

Associates	Equity, %	Assets	Liabilities	Sale revenues	Profit (loss) in reporting period
As of March 31, 2010 and for 3 months ended March 31, 2010					
Giprosvyaz-Sibir LLC	24.00	16	–	1	–
Irkutsk Clearing House OJSC	34.00	–	–	–	–
Loktelecom OJSC	36.81	48	4	9	–
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	30.00	–	–	–	–
As of March 31, 2009 and for 3 months ended March 31, 2009					
Giprosvyaz-Sibir LLC	24.00	16	–	1	–
Irkutsk Clearing House OJSC	34.00	2	3	–	–
Loktelecom OJSC	36.80	45	4	10	1
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	30.00	–	–	–	–

12. Financial assets

	March 31, 2010	December 31, 2009
Long-term financial assets available for sale	13	13
Long-term loans granted	3	8
Long-term financial assets invested in joint activity	1	1
Long-term investments held to maturity	–	–
Total long-term financial assets	17	22
Short-term financial assets available-for-sale	107	103
Short -term loans granted	7	5
Short -term investments held to maturity	568	554
Total current financial assets	682	662
Total financial assets	699	684

Financial investments available for sale as of March 31, 2010 and December 31, 2009 included:

Company	March 31, 2010		December 31, 2009	
	Equity, %	Fair value	Equity, %	Fair value
Long-term financial assets available-for-sale				
NTK Region 2009 OJSC	1.665	–	1.665	–
Svyazintek OJSC	11.00	13	11.00	13

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AKB Svyaz-Bank OJSC	0.0004	–	0.0004	–
Total		13		13

**Long-term financial assets
invested in joint activity**

Sibirskiye Taksofony LLC	90.00	1	90.00	1
Total		1		1

**Current financial assets
available for sale**

RF Sberbank OJSC	0.01	107	0.01	103
Total		107		103
Total financial assets		121		117

Long-term loans extended

As of March 31, 2010 long-term loans extended to employees are shown at their depreciated initial value with the effective interest rate of 19% (as of December 31, 2009 – 21%).

Long-term financial assets invested in joint activity

Long-term financial assets include the contribution of the Company in joint activity with Sibirskiye Taksofony LLC in the form of joint venture, in the amount of 1, which makes 90% of the participation. The joint activity was organized to provide motor transport services, to develop the range and improve the quality and competitiveness of the provided services. The contract came into force in September 2009.

Distribution of financial results under the contract of joint venture is made between the partners every quarter proportionally to the participation.

Investments in joint activity are accounted according to the equity method.

Short-term investments held to maturity

The Company transfers temporarily available financial resources into promissory notes issued by various Russian companies with the maturity within 12 months from the date of making the promissory notes:

Counter-agent	Purchase date	Interest rate under the contract, %	Contract currency	Maturity date	Amount outstanding as of 31.03.2010
Region IK CJSC	17.09.2009	12.00	rub	17.09.2010	341
Region IK CJSC	25.12.2009	11.00	rub.	25.12.2010	205
Total	–	–	–	–	546

As of March 31, 2010 short-term investments held to maturity include bank deposits with the maturity within 3 months to 1 year in the amount of 22 (as of December 31, 2009 – 23):

Контрагент	Purchase date	Interest rate under the contract, %	Contract currency	Maturity date	Amount outstanding as of 31.03.2010
Akcept CB OJSC	19.10.2009	13.00	rub.	16.10.2010	3
RosselkhozBank OJSC	15.07.2009	12.25	rub.	15.07.2010	4

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MDM Bank OJSC	13.08.2009	16.78	rub.	14.08.2010	15
Total	–	–	–	–	22

13. Inventories

	March 31, 2010	December 31, 2009
Finished goods and goods for resale	164	196
Cable	86	80
Spare parts	60	44
Consumables	21	22
Fuel	12	16
Building materials	6	5
Other inventories	157	166
Total	506	529

Changes in allowance for impairment of inventories are shown below:

	2010	2009
Balance as of January 01	3	4
Restoration of the reserve	–	(1)
Balance as of March 31	3	3

Income from restoration of the reserve is shown in the line “Other operating income” of the consolidated statement of comprehensive income (Note 28).

14. Trade and other receivables

	Total, as of March 31, 2010	Allowance for doubtful receivables	Net, as of March 31, 2010
Settlements with customers for core activities	2 482	(417)	2 065
Settlements with commissioners and agents	184	–	184
Settlements with customers for non-core activities	151	(78)	73
Settlements with the staff	10	–	10
Settlements with other debtors	537	(25)	512
Total	3 364	(520)	2 844
	Total, as of December 31, 2009	Allowance for bad debt	Net, as of December 31, 2009
Settlements with customers for core activities	2 202	(411)	1 791
Settlements with commissioners and agents	213	–	213
Settlements with customers for non-core activities	137	(73)	64
Settlements with the staff	8	–	8
Settlements with other debtors	245	(27)	218
Total	2 805	(511)	2 294

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Settlements with customers for core activities as of March 31, 2010 and December 31, 2009 comprise settlements with the following counteragents:

	Total, as of March 31, 2010	Allowance for bad debt	Net, as of March 31, 2010
Receivables from individuals	1 433	(289)	1 144
Receivables from commercial organizations	411	(73)	338
Receivables from telecoms	345	(51)	294
Receivables from budget organizations	293	(4)	289
Total settlements of the core activity	2 482	(417)	2 065

	Total, as of December 31, 2009	Allowance for bad debt	Net, as of December 31, 2009
Receivables from individuals	1 324	(287)	1 037
Receivables from commercial organizations	381	(72)	309
Receivables from telecoms	350	(48)	302
Receivables from budget organizations	147	(4)	143
Total settlements of the core activity	2 202	(411)	1 791

The table below shows changes of the reserve for depreciation of trade and other receivables:

	2010	2009
Balance as of January 01	511	483
Accrual of allowance	37	104
Recovery of allowance	(7)	(30)
Write-off of receivables	(21)	(17)
Balance as of March 31	520	540

15. Other current assets

As of March 31, 2010 and December 31, 2009 other current assets comprised the following:

	Total, as of March 31, 2010	Allowance for doubtful receivables	Net, as of March 31, 2010
Prepayments and advances made	220	(4)	216
VAT reclaimed	57	–	57
Prepayment of other taxes	53	–	53
Deferred expenses	52	–	52
Other current assets	14	–	14
Total	396	(4)	392

	Total, as of March 31, 2009	Allowance for doubtful receivables	Net, as of March 31, 2009
Prepayments and advances made	183	(6)	177

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VAT reclaimed	86	–	86
Prepayment of other taxes	64	–	64
Deferred expenses	64	–	64
Other current assets	17	–	17
Total	414	(6)	408

The table below shows changes in other current assets reserve:

	<u>2010</u>	<u>2009</u>
Balance as of January 01	6	4
Restoration of the reserve	(1)	–
Writing-off of accounts receivable	(1)	–
Balance as of March 31	4	4

16. Cash and cash equivalents

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Cash on hand and at bank	186	338
Short-term deposits and promissory notes for up to 3 months	107	194
Total	293	532

The maturity period of short-term deposits varies from 1 day to 3 month. The interest rate on short-term deposits with a maturity of up to three months varies from 0.30% to 13.25%.

17. Significant non-monetary transactions

Other significant non-monetary transactions include proceeds of fixed assets that arise as a result of the use of earlier dismantled parts of equipment for mounting new equipment. The amount of such operations for 3 months of 2010 made up 4 (for 3 months of 2009 – 98).

18. Authorized capital

As of March 31, 2010 the par value and book value of ordinary and preferred 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
TOTAL	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. All issued share capital has been paid in full.

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The Company's shareholding structure as of March 31, 2010 was as follows:

	Ordinary shares		Preferred shares		
	Equity, %	Quantity	Ordinary shares, %	Quantity	Share of preferred shares, %
Total legal entities	92.2	11 473 329 689	95.5	3 209 139 706	82.1
SvyazinvestOJSC	38.2	6 086 601 672	50.6	–	–
- those with more than 5% of shares, including:					
- ING Bank Eurasia CJSC (NH*)	51.8	5 113 138 552	42.6	3 126 164 959	80.0
- National Depository Centre NP (NH*)	9.0	1 173 015 983	9.8	262 666 635	6.7
- Depository-clearing company CJSC (NH*)	20.8	1 976 631 275	16.5	1 329 284 919	34.0
- UBS Nominees CJSC (NH*)	16.1	1 699 708 337	14.1	862 395 535	22.1
- other	5.9	263 782 957	2.2	671 817 870	17.2
	2.2	273 589 465	2.3	82 974 747	2.1
Individuals, total	7.8	538 072 140	4.5	699 280 308	17.9
Total	100	12 011 401 829	100	3 908 420 014	100

Each ordinary share gives its holder the right to one vote.

Preferred shares do not give the holders voting rights, they can not be converted into ordinary shares, they give the right to get annual fixed dividend.

The total amount paid as dividend on each preferred share type A is fixed in the amount of 10% of the net income of the Company for the past financial year divided by the number of shares which comprise 25% of the Company's share capital. The annual amount of dividends paid by the Company on each preferred share in a certain year may not exceed the amount to be paid as dividends on each 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 March 31, 2010 and December 31, 2009 amounted to 14,586 and 13,719, respectively.

In September 2001, the Company placed Level I American Depositary Receipts (ADRs). As of March 31, 2010 the Company registered an issue of 2,395,473 ADRs and deposited 479,094,600 ordinary shares which is 4.00% of the total number of issued ordinary shares.

The following table presents information about the flow of ADRs registered within 3 months of 2010 and 2009:

	ADR (quantity)	Ordinary Shares Equivalent	Ordinary Shares, %	Authorized capital, %
December 31, 2008	4 070 800	814 160 000	6.8	5.1
Increase for 3 months ended March 31, 2009	23 858	4 771 600	–	–
March 31, 2009	4 094 658	818 931 600	6.8	5.1
December 31, 2009	2 515 285	503 057 000	4.2	3.2

* NH- Nominal holder

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Decrease for 3 months ended March 31, 2010	(119 812)	(23 962 400)	–	–
March 31, 2010	2 395 473	479 094 600	4.0	3.0

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

	March 31, 2010	December 31, 2009
<i>Long-term loans and borrowings</i>		
Bank credits and loans of organizations	11 119	12 565
Bank loans	3 750	3 828
Bill debt	700	700
Commercial credits	–	2
Financial lease liabilities	133	174
Less: Current portion of long-term borrowings	(5 897)	(7 546)
Total long-term loans and borrowings	9 805	9 723
<i>Short-term loans and borrowings</i>		
Bank credits and loans of organizations	581	971
Interest debt	327	370
Total short-term loans and borrowings	908	1 341
Share of long-term borrowings to be paid within a year	5 897	7 546
Total loans and borrowings	6 805	8 887
	16 610	18 610

As of March 31, 2010 the loan obligations of the Company are guaranteed with pledged objects of fixed assets with the book value of 5,803 (as of December 31, 2009 – 10,266).

Long-term loan obligations

Bank credits and loans of organizations

Below is registered information on long-term bank credits and loans of organization as of March 31, 2010 and December 31, 2009:

Counterparty	Interest rate under contract	Mar 31, Dec 31, 2009 2008		Loan currency	Date of maturity		Security
		Long-term part	Short-term part		Long-term part	Short-term part	
Uralsib Bank OJSC	Euribor+5.9 %	–	6	–	14	Euro	

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Counterparty	Interest rate under contract	Mar 31, 2009	Dec 31, 2008	Loan currency	Date of maturity		Security
		Long-term part	Short-term part	Long-term part	Short-term part		
Svyazbank OJSC	10.0-14.5 %	2 989	206	1 260	167		RUR
Svyazbank OJSC	14 %	125	123	129	127		USD
Gazprombank CJSC	Libor+3.5 %	–	121	–	273		USD
	Mosprime +2.8%						
Bank Societe Generale Vostok CJSC (BSGV)	Mosibor+3.0 %	246	598	369	480		RUR
	Mosprime +2.8 %						
Reiffeisenbank CJSC	+2.8 %	1 141	58	1 124	25		RUR
Moscow River B.V.	7.70 %	116	–	120	–		USD
	Mosprime+3 %						
UniCredit Bank CJSC		300	550	1 100	250		RUR
AKB Promsvyazbank CJSC	Libor +3.75 %	–	144	–	148		USD
Bank VTB OJSC	11,3 %	1 600	–	1 600	–		RUR
	Libor+0.9 %						
Bank VTB OJSC	9.1 %	353	198	438	231		USD
Nordea Bank OJSC	13.5 %	–	–	23	27		RUR
Globeksbank CJSC	12.0 %	195	–	50	–		RUR
Kedr CB CJSC	14.1 %	–	–	50	–		RUR
	10.25 –						
Sberbank ACB OJSC	13.75 %	727	1 252	3 430	1 129		RUR
Bank of Moscow CJSC	10.5 %	71	–	–	–		RUR
Total		– 7 863	3 256	9 693	2 872		–

Below is a description of most significant credit contracts made within 3 months of 2010.

Reiffeisenbank CJSC

In January 2010 Baikalwestcom CJSC, an affiliate, made a contract to get credit funds from Reiffeisenbank CJSC in the amount of 50. The interest rate for the use of the credit resources was set as MOSPRIME+6 %. Credit resources were attracted for general corporate purposes and are to be repaid in December 2012. The credit contract doesn't imply any security.

Bank of Moscow Joint-Stock Commercial Bank OJSC

In March 2010 the Company made a contract with Bank of Moscow OJSC to open a revolving line of credit for the amount of 500. The period of validity of the credit line is 36 months from the date of the contract; the interest rate for the use of the credit resources was set in the amount of 10.5% annually. Before the date of signing the statements the interest rate was reduced to 9.00% annually. As of March 31, 2010 the contract was fulfilled for the amount of 71. The credit resources are attracted with the purpose to finance general corporate purposes, including refinancing of credits and loans. The credit contract doesn't imply any security.

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Svyaz-Bank Joint-Stock Commercial Bank OJSC

In March 2010 the Company made three contracts with Svyaz-Bank JSCB OJSC about opening of a non-revolving line of credit for the total amount of 1.500. The period of validity of the credit line is 36 months before the date of the contracts; the interest rate is 10% annually. Before the date of signing the statements the interest rate was reduced to 9.00% annually. The credit resources were attracted with the purpose to finance general corporate purposes, including refinancing of credits and loans. The credit contract doesn't imply any security.

In March 2010 Baikalwestcom CJSC, an affiliate, made a contract of opening a non-revolving line of credit with Svyaz-Bank JSCB OJSC for the total amount of 850. The interest rate for the use of the credit line is 14% annually. As of March 31, 2010 the contract was fulfilled for the amount of 170. The credit resources were attracted with the purpose to finance general corporate purposes and are subject to repayment according to the schedule. The final repayment date is December of 2012. The security under the contract is pledged property with the mortgage cost of 1,314.

Sberbank Joint-Stock Commercial Bank OJSC

In March 2010 the Company made two contracts with Sberbank JSCB OJSC about opening of a line of credit. The limit of credit resources for each of the contracts is 500. The contracts are to be repaid in March 2013. The interest rate for the use of the credit resources is 10.25% annually. As of March 31, 2010 the contracts were fulfilled for the amount of 60. Before the date of signing the statements the interest rate was reduced to 8.5% annually, the contracts were fulfilled in the full volume. The attracted credit resources were used to refinance the current liabilities and to finance current economic activity of the Company. The credit contract doesn't imply any security.

Bonded loans

The table below summarizes the information about the bonds issued as of March 31, 2010 and December 31, 2009:

Loan identifier	Effective interest rate	March 31, 2010		December 31, 2009		Maturity date	Offer date	Coupon interest
		Long-term part	Short-term part	Long-term part	Short-term part			
series 06	8.49 %	–	1 831	–	1 831	16.09.2010	23.09.2008	9.75 %
series 08	10.12 %	1 919	–	–	1 997	08.08.2013	18.02.2010	9.75 %
Total	–	1 919	1 831	–	3 828	–	–	–

In September 2005 the Company registered an issue of interest-bearing bearer bonds, series 06 with the par value of 1,000 rubles each, total for the amount of 2,000. The bonds have ten 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. The issued bonds of series 06 provide for an offer that allows bond holders to present them to the Company at the appointed date. In September of 2008 the Company repurchased its

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bonds of series 06 for the amount of 1,888. In May 2009 the Company attracted monetary funds in the amount of 1,721 by selling bonds of series 06 on the third market before their maturity date. Unredeemed bonds are to be repaid in September 2010, the total discount in transactions to the par value is 8.87%.

In March 2010 the Company fulfilled its obligation to pay the coupon yield for the ninth coupon in the amount of 97. The amount of the coupon yield accrued per one share was 48.62 rubles.

In August 2008 the Company registered an issue of interest-bearing bearer bonds, series 08 with the par value of 1,000 rubles each, total for the amount of 2000. The bonds have ten semi-annual coupons. The interest rate for coupon 1 to 3 is set at 9.75%, for coupons 4-6 – in the amount of 9.50%. 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 the amount of 50% of the nominal value on each of the dates. The issued bonds of series 08 provide for an offer that allows bond holders to present them to the Company. In February 2010, in accordance with conditions of the offer, 77 500 bonds were presented for redemption, which made up 3.9% of the total issue. The cost of the presented bonds with the consideration of the accrued coupon yield amounted to 78.

In February 2010 the Company fulfilled the obligation to pay coupon yield for the third coupon for the amount of 97. The size of the coupon yield accrued per one bond was 48.62 rubles.

Bill debt

Below is information about long-term bill debt as of March 31, 2010 and December 31, 2009:

Counterparty	Effective interest rate	March 31, 2010 Short-term part	December 31, 2009 Short-term part	Contract currency	Date of maturity	Security
Region Broker Company LLC	26.24%	273	273	rubles	15.12.2010	Unsecured
MARX CAPITAL CJSC	26.24%	273	273	rubles	15.12.2010	Unsecured
Investment Consultations LLC	26.28%	154	154	rubles	15.12.2010	Unsecured
Total	–	700	700	–	–	–

In June 2009 the Company issued its own non-interest bearing notes for the total amount of 1000 with the following parameters:

- The first note holder - Region Broker Company LLC, the total amount – 390, including discount of 117, the redemption date upon presentation, but not earlier than December 15, 2010;
- The first note holder - MARX CAPITAL CJSC, the total amount – 390, including discount of 117, the redemption date upon presentation, but not earlier than December 15, 2010;

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- The first note holder - Investment Consultations LLC, the total amount – 220, including discount of 66, the redemption date upon presentation, but not earlier than December 15, 2010;

Short-term loans and borrowings

Bank loans

The table below summarizes the information about short-term bank loans as of March 31, 2010 and December 31, 2009.

Counterparty	Interest rate	Mar 31, 2010	Dec 31, 2009	Currency	Date of maturity	Security
Societe Generale Vostok CJSC (BSGV)	MOSIBOR + 3.5%	296	296	RUR	2010	Unsecured
Deutsche Bank AG International Financial Club	9 %	–	150	USD	2010	Unsecured
	12 %	135	135	RUR	2010	Security
Reiffeisenbank CJSC	Mosprime RZBM +5%	150	250	RUR	May 2010	
Promsvyazbank CB OJSC	15.5 %	–	52	RUR	October 2010	Unsecured
Sberbank JSCB OJSC	17-17.5 %	–	88	RUR	2010	Security
Total	–	581	971	–	–	–

Financial 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 March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
	Minimum lease payments	Discounted value of lease payments	Minimum lease payments	Discounted value of lease payments
Current portion (less than 1 year)	121	110	161	145
More than 1 and up to 5 years	25	23	32	29
Total	146	133	193	174

Over 3 months of 2010 the Company did not enter into new finance lease arrangements.

As of March 31, 2009 the main lessors under finance lease contracts were RTC-Leasing OJSC and Reiffeisen-leasing OJSC. The average effective rate under the contract with RTC-Leasing OJSC for 3 months of 2010 was 14% (for 3 months of 2009 - 26%), and 18% under the contract with Reiffeisen-leasing OJSC (for 3 months of 2009 – 18%).

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The discounted value of minimal lease payments to RTC-Leasing OJSC as of March 31, 2010 amounted to 127 (as of December 31, 2009 – 162), including the minimal lease payment of 140 (as of December 31, 2009 – 180) less finance expenses of 13 (as of December 31, 2009 – 18).

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.

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

Pension and long-term social obligations of the Company as of March 31, 2010 made up 3 851 (as of December 31, 2009 – 3 800).

For the majority of participants there are some pension plans with fixed payments. The pension plan with fixed payments provides for old-age pensions and disability pensions. Old-age pensions are provided when the person reaches a certain age that gives him/her the right to get old-age pension from the government. At present, the pension age for women is 55, for men – 60. The person has to also have the required period of service of 15 years. To get the right for non-government pension, the continuous period of service of the employee in the Company at the time of retirement has to be:

- For top managers – at least four years;
- For middle managers – at least four years; the continuous period of service at the borrower's has to be at least 10 years;
- For employees – at least 15 years.

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).

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

As of March 31, 2010 the Company had 15 646 working participants of the pension plan with fixed payments and 19 234 pensioners that have the right for remuneration after the completion of their work and for pension (as of December 31, 2009 – 16 864 and 19 485 respectively).

Expenses of the Company for the 3 months of 2010 connected with pension plans with fixed payments amounted to 169 (3 months of 2009 – 185).

Contributions of the Company for the 3 months of 2010 as related to pension plans with fixed payments amounted to 114 (3 months 2009 -111).

Expenses under plans with fixed payments, except amounts of interest income and expenses were shown in “Personnel cost” of the unaudited consolidated interim statement of comprehensive income (Note 26). The amounts of interest on pension and long-term social obligations were shown in line “Financial expenses” (Note 30).

21. Other long-term liabilities

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	March 31, 2010	December 31, 2009
Deferred income	62	65
Target financing	13	14
Total	75	79

22. Provisions

	Headcount optimization	Tax provision	Total
Balance as of December 31, 2008	52	7	59
Utilised	(26)	–	(26)
Balance as of March 31, 2009	26	7	(26)
Balance as of December 31, 2010	47	17	64
Utilised	(24)	–	(24)
Reserve restoration	(1)	–	(1)
Balance as of March 31, 2010	22	17	39

Headcount optimization

In order to increase the efficiency of the business activity, the Company adopted a Headcount Optimization Program approved by the Board of Directors of the Company. The program provides for gradual reduction of headcount in the period from 2008 to 2012.

As of December 31, 2009 the Company created a reserve to pay compensations to 923 employees to be discharged in 2010 in accordance with the headcount optimization program (according to the procedure established by Art.180 of the Labour Code of the Russian Federation).

Within 3 months of 2010 the Company discharged 210 employees.

Accrued tax

The amount of the reserve acknowledged in the audited consolidated financial statements for 2009 is the total reserve amount for possible claims from the tax inspection for realization of equipment, CDMA standard, in 2009 at a price lower than its prime cost in the Baikalwestcom CJSC, an affiliate. It is expected that the remaining reserve as of March 31, 2010 will be used during 2010.

In the opinion of Company's managers based on respective legal conclusion, the amount that may be exacted according to the results of proceedings will not exceed the amount of the reserve shown in the statements as of March 31, 2009.

23. Accounts payable and accrued liabilities

	March 31, 2010	December 31, 2009
Payable taxes, levies and mandatory social insurance	1 770	1 495
Settlements with the staff	1 276	933
Payables to suppliers and builders of fixed assets	542	577
Payable to telecoms (except Rostelecom OJSC)	273	351
Payables to suppliers and contractors according to current activity	197	221
Settlements with Rostelecom OJSC	150	152
Settlements with principals and consigners	53	51

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Dividend payable	31	32
Payables to suppliers and contractors of software	23	20
<i>Payables to other creditors, including:</i>	706	643
other payables for core activities	603	541
other payables for allocations to universal service reserve	103	102
Total	5 021	4 475

As of March 31, 2010 and December 31, 2009 payable taxes, levies and mandatory social insurance comprised the following:

	March 31, 2010	December 31, 2009
VAT	1 129	1 098
Property tax	265	209
Income tax	179	71
Personal income tax	127	76
	61	31
Other taxes	9	10
Total	1 770	1 495

24. Other current liabilities

	March 31, 2010	December 31, 2009
Advances received from core activities	813	993
Advances received from non-core activities	12	19
Deferred income	10	7
Total	835	1 019

25. Sales revenue

	3 months ended march 31	
	2010	2009
Local telephony	3 312	2 894
Mobile (cellular) communication services	2 421	2 434
Telegraph, data transmission network and telematic (Internet) services, including:	1 674	1 409
Services of data transmission network and telematic services (Internet)	1 620	1 347
Intra-zone telephony, including:	1 115	1 239
Connection and data transmission services	854	945
Assistance services and agency fees	112	132
Mobile radio communication, cable broadcasting, radio broadcasting, TV	58	115
Other revenues (core activities)	2	3
Revenues from other sales, including:	315	306
revenues from leased assets	81	182
Total	9 683	9 477

Income from intra-zone services and local telephony includes income from channel rent in the amount of 135 (3 months of 2009 – 150).

The Company distributed revenues from realization according to the following major customer groups:

Customer groups	2010	2009
Individuals	6 041	5 707
Corporate customers	1 905	2 014

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Telecoms	889	979
Budget organizations	848	777
Total	9 683	9 477

26. Personnel Costs

	3 months ended March 31	
	2010	2009
Salary expenses	(1 872)	(2 025)
Unified social tax	(479)	(523)
Employee benefits	(86)	(94)
Other personnel costs	(18)	(33)
Total	(2 455)	(2 675)

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

Materials, Repairs and Maintenance, Utilities

	3 months ended March 31	
	2010	2009
Expenses of repair and servicing	(292)	(285)
Expenses of materials, including	(329)	(233)
Fuel	(44)	(22)
Spare parts	(25)	(12)
Cable	(6)	(11)
Construction materials	(3)	(5)
Other materials	(251)	(183)
Utilities, including:	(293)	(241)
Power	(154)	(126)
Heat	(126)	(103)
Other expenses	(13)	(12)
Total	(914)	(759)

Expenses of other materials include expenses of inventory, housewares, special clothes and special equipment, special tools, communication payment cards as well as expenses of retirement of goods obtained for realization.

28. Other operating income

	3 months ended March 31	
	2010	2009
Reimbursement of loss from provision of universal services	285	208
Fines, late payment interest, forfeits	26	19
Reimbursement of losses	13	8
Reversal of accounts payable with expired statute of limitation	9	12
Reimbursement of loss of inventory impairment	–	1
Other	55	77
Total	388	325

Other income include mainly income from insurance indemnities and compensations of

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additional expenses for communication equipment maintenance.

29. Other operating expenses

	3 months ended March 31	
	2010	2009
Third party services and management costs	(317)	(256)
Agency fees	(285)	(293)
Taxes without income tax	(223)	(219)
Transportation and mail services	(171)	(261)
Property leasing costs	(133)	(143)
Allocations to universal services reserve	(100)	(96)
Expenses of fire and non-departmental security services	(76)	(85)
Advertising expenses	(75)	(133)
Bad debt reserve	(29)	(84)
Reserve for software and data bases	(27)	(55)
Audit and consultation fees	(17)	(12)
Loss from disposal of fixed and other assets	(18)	(23)
Membership and charity contributions, allocations to trade unions	(14)	(17)
Expenses of credit agency services	(12)	(22)
Insurance of assets	(8)	(15)
Impairment provision, total, including:	(5)	(4)
fixed assets, construction-in-progress,		
intangible assets	(5)	(4)
Fines, late payment interest, forfeits	–	(1)
Expenses of hedging operations	(2)	–
Other expenses	(125)	(10)
Total	(1 637)	(1 729)

Other expenses include mainly social expenditures that do not refer to payments to personnel; registration of real property; registration of the ownership right; re-registration of fixed asset objects already exploited; court costs uncompensated by the third part and other operating expenses.

30. Interest Expenses

	3 months ended March 31	
	2010	2009
Interest expenses on loans and borrowings, bonded loans and promissory notes, commercial credits	(566)	(736)
Interest expenses on pension liabilities and long-term social liabilities	(83)	(91)
Interest expenses of financial lease	(6)	(12)
Interest expenses of financial liabilities maintenance	(1)	(6)
Total	(656)	(845)

With capitalization rate of 11% (2009 – 10%) the amount of the interest capitalized for 3 months of 2010 and 2009 was as follows:

	2010	2009
Capitalized to fixed assets	2	45
Capitalized to intangible assets	1	3

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Total	3	48
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31. Financial income and other financial costs

	3 months ended March 31	
	2010	2009
Interest income from financial assets	31	11
Total other income from financial and investment activity	31	11

32. Earning / (Loss) 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.

	3 months ended March 31	
	2010	2009
Profit / (Loss) for the reporting period attributable to shareholders of Sibirtelecom OJSC	1 351	(375)
Net of profit attributable to owners of preferred shares	(332)	–
Earning of ordinary shares holders	1 019	–
Weighted average number of ordinary shares and other equity instruments in circulation (mln pcs)	12 011	12 011
Basic and diluted (loss)/profit per share (in rubles) for the reporting period attributable to shareholders of Sibirtelecom OJSC	0.085	(0.031)

33. Dividends declared and proposed for payment

The amount of the annual dividend for 2009 per one share was approved by the General Meeting of Shareholders on June 05, 2010 in the amount of 0.0292878 rubles per one ordinary share and 0.0589245 rubles per one preferred share (in 2008 – 0.0263130 and 0.0529390 rubles respectively). Dividends for the year ended on December 31, 2009 are to be paid in 2010.

The amount of dividends to be paid was:

Type of shares	Number of shares (pcs)	Dividends per 1 share (rubles)	Total dividends
Approved for 2008			
Preferred shares	3 908 420 014	0,0529390	207
Ordinary shares	12 011 401 829	0,0263130	316
Total	15 919 821 843	–	523
Suggested for 2009			
Preferred shares	3 908 420 014	0,0589249	230
Ordinary shares	12 011 401 829	0,0292878	352
Total	15 919 821 843	–	582

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34. Operating lease

As of March 31, 2010 and 2009 the minimum lease payments under operating lease agreements where the Company is a lessee were as follows:

	3 months ended March 31	
	2010	2009
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	346	429
From 1 up to 5 years	377	345
Over 5 years	52	28
Total	775	802

Regarding certain objects leased by the Company under operating lease agreements the Company concluded sublease agreements with aggregated future payments as of March 31, 2010 made up 0 (as of December 31, 2009 – 11). The main sublease is lease of premises.

The Company's operating operating lease expenses is shown in "Other operating expenses" of the consolidated statement of comprehensive income (Note 29) and made up 133 for 3 months of 2010 (for 3 months of 2009 – 143).

Within the 3 months ended March 31, 2010 and 2009 the minimum lease payments under operating lease agreements where the Company is the lessor were distributed according to years as follows:

	3 months ended March 31	
	2010	2009
Current portion (less than 1 year)	235	597
From 1 up to 5 years	243	307
Over 5 years	25	27
Total	503	931

The Company's income from contracts of operating lease, including lease of assets and lease of investment property objects is shown in "Proceeds from realization" of the consolidated statement of comprehensive income (Note 25). For the 3 months of 2010 it made up 81 (3 months of 2009 – 182).

The main contracts of operating lease include lease of premises, telecommunication equipment, land lots, transport. Contracts of operating lease provide for the right of prolongation of the contract in respect of the leased objects.

35. Contractual obligations of future periods

As of March 31, 2010 and December 31, 2009 the Company's contractual obligations with regard to capital investments in upgrade and expansion of the network amounted to 445 and 221 respectively.

As of March 31, 2010 and December 31, 2010 the Company's contractual obligations with regard to acquisition of fixed assets amounted to 255 and 63 respectively.

As of March 31, 2010 and December 31, 2009 the Company's contractual obligations with regard to acquisition of intangible assets amounted to 44 and 98 respectively.

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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 contraction in the capital and credit markets that took place in 2008-2009 has led to an increased level of economic uncertainty. The 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

Interpretation of sectoral, tax, currency and customs legislation as applied to operations and activity of the Company can be disputed by respective federal bodies. Tax authorities can change their position when interpreting law as applied to certain economic transactions and auditing tax calculation. As a consequence, tax authorities can make claims concerning transactions and accounting methods in respect of which it had previously no complaints. As a result there may be additional taxes, fines or penalties. It is not deemed possible to determine amounts of claims on possible but not brought actions or to assess the possibility of unfavourable outcome. Tax inspections can last for three calendar years of operation immediately before the inspected year.

Management believes that as of March 31, 2010 its interpretation of respective legislation is in general 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.

Claims of tax authorities

Inter-Regional Inspectorate Office of Federal Tax Service of Russia for major taxpayers No.7 in Moscow conducted field tax inspection of Company's accounts for 2007-2008 in the period from September 30 2009 till May 07, 2010.

According to the tax inspection, an act for the amount of 47 was presented. It was connected, in particular, with the procedure of accounting interest on debenture. The Company disagreed with the conclusions of the tax authority in respect of the amount and will carry its point in accordance with the RF legislation in force.

According to the results of tax inspection of Sibirtelecom's affiliated company, Baikalwestcom CJSC for 2006-2008, tax authorities laid claims for the amount of 178, including fines and penalties – 49, connected with providing communication services to subscribers of social service packages with a system of monthly discounts (bonuses), as well as in respect of calculation of depreciation amounts during reconstruction or modernization of fixed assets objects.

An affiliated company, Baikalwestcom CJSC, disagreed with the conclusions of the tax authority in respect of the amounts of taxes, fines and penalties and lodged an appeal. By the decision of the Arbitration of Moscow of June 17, 2010 claims of Inter-Regional Inspectorate Office of Federal Tax Service of Russia for major taxpayers No.7 in Moscow for tax breaches and on bringing of Baikalwestcom CJSC to responsibility were found ungrounded.

Insurance

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During 3 months of 2010 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).

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

Legal Proceedings and determination of consequences

During 3 months of 2010 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 consolidated 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 2010 to 2014.

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.

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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 (financial) statements made in accordance with Russian accounting standards.

The ratios based on the statutory financial statements for March 31, 2010 and December 31, 2009 were as follows:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Financial independence ratio	0.51	0.48
Net debt/shareholders' equity	0.62	0.74
Net debt/EBITDA	1.03	1.30

Coefficient of financial independence has positive dynamics, having increased as compared with the beginning of the year. The increase is connected with both increase of the equity capital and with a decrease of Company's liabilities.

The ratio of "net debt / equity capital" and "net debt / EBITDA" decreased as compared with the beginning of the year, which corresponds to Company's policy aimed at solvency improvement.

The Fitch Ratings rating agency confirmed the credit rating of the Company in the national currency: the long-term default rating of the issuer was increased from "B+" to "BB", the outlook is "Stable", the short term rating is "B". The ratings reflect significantly improved liquidity and decreased risks of Company refinancing.

Income and expenses on financial instruments

3 months ended March 31, 2010	Statement of comprehensive income					Total
	Other operating expenses	Financial expenses	Other income and expenses of financial and investment activity			
	Generation of doubtful debts allocation	Interest expenses	Interest income	Exchange loss/profit	Changes of fair value	
Cash and cash equivalents	-	-	5	(5)	-	-
Accounts receivable	(29)	-	1	-	-	(28)
Financial assets available for sale	-	-	-	-	3	3
Investments held to maturity	-	-	15	-	-	15
Loans issued	-	-	10	-	-	10
Total financial assets	(29)	-	31	(5)	3-	-
Bank loans Promissory notes	-	(409)	-	43	-	(366)
Bonded loans	-	(123)	-	-	-	(123)
Financial lease	-	(35)	-	-	-	(35)
	-	(6)	-	-	-	(6)

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3 months ended March 31, 2010	Statement of comprehensive income					Total
	Other operating expenses	Financial expenses	Other income and expenses of financial and investment activity			
	Generation of doubtful debts allocation	Interest expenses	Interest income	Exchange loss/profit	Changes of fair value	
Other financial liabilities	-	(83)	-	-	-	(83)
Accounts payable	-	-	-	3	-	3
Total financial liabilities	-	(656)	-	46	-	(610)

3 months ended March 31, 2010	Statement of comprehensive income					Total
	Other operating expenses	Financi al expense s	Other income and expenses of financial and investment activity			
	Generatio n of doubtful debts allocation	Interest expense s	Interest income	Exchang e loss/profi t	Changes of fair value	
Cash and cash equivalents	-	-	6	6	-	12
Accounts receivable	(84)	-	-	1	-	(83)
Financial assets available for sale	-	-	-	-	(2)	(2)
Investments held to maturity	-	-	1	-	-	1
Loans issued	-	-	4	-	-	4
Total financial assets	(84)	-	11	7	(2)	(68)
Bank loans and credits of organizations	-	(519)	-	(871)	-	(1 390)
Promissory notes	-	(103)	-	-	-	(103)
Bonded loans	-	(107)	-	-	-	(107)
Commercial credits	-	(7)	-	(66)	-	(73)
Financial lease	-	(6)	-	-	-	(6)
Other financial obligations	-	(91)	-	-	-	(91)
Accounts payable	-	-	-	(27)	-	(27)
Total financial obligations	-	(833)	-	(964)	-	(1 797)

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 statement of comprehensive income,

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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 March 31, 2010	RUR	USD	EUR	Total
Cash and cash equivalents	292	1	–	293
Accounts receivable	2 856	1	–	2 857
Financial assets available for sale	120	–	–	120
Financial assets invested in joint activity	1	–	–	1
Investments held for maturity	568	–	–	568
Loans issued	10	–	–	10
Total financial assets	3 847	2	–	3 849

Bank credits and loans of organizations	(10 513)	(1 182)	(6)	(11 701)
Bonded loans	(3 750)	–	–	(3 750)
Promissory notes	(700)	–	–	(700)
Financial lease liabilities	(133)	–	–	(133)
Interest payable	(316)	(10)	–	(326)
Accounts payable*	(4 895)	(117)	(9)	(5 021)
Total financial liabilities	(20 307)	(1 309)	(15)	(21 631)

As of December 31, 2009	RUR	USD	EUR	Total
Cash and cash equivalents	531	1	–	532
Accounts receivable	2 306	1	–	2 307
Financial assets available for sale	116	–	–	116
Financial assets invested in joint activity	1	–	–	1
Investments held to maturity	554	–	–	554
Loans issued	13	–	–	13
Total financial assets	3 521	2	–	3 523

Bank credits and loans of organizations	(11 906)	(1 616)	(14)	(13 536)
Bonded loans	(3 828)	–	–	(3 828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	(2)	–	(2)
Financial leasing liabilities	(174)	–	–	(174)
Interest payable	(361)	(9)	–	(370)
Accounts payable*	(4 382)	(86)	(7)	(4 475)
Total financial liabilities	(21 351)	(1 713)	(21)	(23 085)

For the period from 1 January 2010 to March 31, 2010 the rate of ruble to US Dollar and Euro increased by approximately 2.91% and by 8.45% respectively.

* Accounts payable includes settlements with personnel, calculation of tax, duties and mandatory social insurance

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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,	Rate change,	Effect on profit before tax	
	%	Mln RUR	%	%	Mln RUR	%
March 31, 2010	+20	(261)	-17,88	+10	(2)	-0,10
	-20	261	17,88	-10	2	0,10
December 31, 2009	+20	(342)	-12,74	+10	(2)	-0,08
	-20	342	12,74	-10	2	0,08

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

Interest rate change risk

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 March 31, 2010	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	107	–	186	293
Accounts receivable	–	–	2,857	2,857
Financial assets available-for-sale	–	–	120	120
Financial assets to joint activity	–	–	1	1
Investments held for maturity	568	–	–	568
Loans issued	10	–	–	10
Total financial assets	685	–	3,164	3,849
Bank credits and loans	(8,945)	(2,755)	–	(11,700)
Bonded loans	(3,750)	–	–	(3,750)
Promissory notes issued	(700)	–	–	(700)
Financial lease liabilities	(133)	–	–	(133)
Interest payable	(319)	(8)	–	(327)
Accounts payable	–	–	(5,021)	(5,021)
Total financial liabilities	(13,847)	(2,763)	(5,021)	(21,631)
As of December 31, 2009	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	194	–	338	532
Accounts receivable	–	–	2,307	2,307
Financial assets available-for-sale	–	–	116	116
Investments held to maturity	554	–	–	554
Loans issued	13	–	–	13
Total financial assets	761	–	2,762	3,523

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As of December 31, 2009	Fixed rate	Variable rate	No rate	Total
Bank credits and loans	(10,678)	(2,858)	–	(13, 536)
Bonded loans	(3,828)	–	–	(3,828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	–	(2)	(2)
Financial lease liabilities	(174)	–	–	(174)
Interest payable	(355)	(15)	–	(370)
Accounts payable	–	–	(4,475)	(4,475)
Total financial liabilities	(15,735)	(2,873)	(4,477)	(23,085)

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

	Rate change, pp	LIBOR		EURIBOR		MOSPRIME			
		Effect on profit before tax		Rate change, pp	Effect on profit before tax		Rate change, pp	Effect on profit before tax	
		Mln RUR	%		Mln RUR%	Mln RUR %			
Mar 31, 2010	+1	-	0.01	+1	-	-	+1	(7)	0.45
	-1		0.01	-1	-	-	-1	(7)	0.45
Dec 31, 2009	+1		0.04	+1	-	-	+1	(27)	1.01
	-1		0.04	-1	-	-	-1	(27)	1.01

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 of March 31, 2009 financial assets and liabilities had the following maturities:

	2010	2011	2012	2013	2014 and later	Total
Cash and cash equivalents	293	–	–	–	–	293
Accounts receivable	2,844	13	–	–	–	2,857
Financial assets available-for-sale	107	–	–	–	13	120
Financial assets to joint activity	–	–	–	–	1	1
Investments held for maturity	605	–	–	–	–	605
Loans issued	29	2	2	–	2	35
Total financial assets	3,858	15	1	1	14	3,889
Bank credits and loans	(4,547)	(4,075)	(4,250)	(1,817)	(1,031)	(15,720)
Bonded loans	(4,492)	(222)	–	–	–	(4,714)
Promissory notes	(1,000)	–	–	–	–	(1,000)
Financial lease liabilities	(121)	(21)	(4)	(4)	–	(146)

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	2010	2011	2012	2013	2014 and later	Total
Accounts payable	(5,021)	–	–	–	–	(5,021)
Total financial liabilities	(15,181)	(4,318)	(4,254)	(1,817)	(1,031)	(26,601)

The data in the Table comprise the payment of interest which are accrued or will be accrued in the future periods and are included in the respective types of financial assets and liabilities.

Credit risk

Credit risk is the risk that counter-party will fail to settle its obligation and cause the Company to incur a financial loss.

Financial assets which potentially expose the Company to credit risk consist primarily of trade receivables of purchasers and customers, cash funds in banks, bank deposits and other financial assets of debt character.

The book value of accounts receivable, net 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 March 31, 2010

	Periods of overdue (days)			
	Total	<31	31-60	61-90
Corporate customers	39	32	2	5
Individuals	106	83	3	20
Budget organizations	31	29	–	2
Telecoms	17	14	–	3
Total	193	158	5	30

As at December 31, 2009

	Periods of overdue (days)			
	Total	<31	31-60	61-90
Corporate customers	38	30	1	7
Individuals	98	75	3	20
Budget organizations	12	11	–	1
Telecoms	23	19	–	4
Total	171	135	4	32

Hedging

Since the Company made a credit agreement with UniCredit Bank CJSC in April 2008 to be repaid in April 2011 and the interest on it is paid at a Mosprime + 3 % rate, the Company accepts risk of the increase in payment amounts for this liability as the Mosprime rate grows. In order to limit and minimize a possible negative effect of this credit agreement, the Company decided to effect a credit risk hedging (insurance) transaction in December 2009.

As a hedging instrument, the Company used an interest swap, a derivative financial instrument according to which one party occasionally pays the other party an amount in the agreed currency that is calculated on the basis of both the nominal amount in this

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currency and the floating rate, and the other party occasionally pays the first party an amount in the same currency that is calculated on the basis of the same nominal amount and a fixed rate.

The hedging transaction was made with Financial Broker Troika Dialog CJSC for the period from January 18, 2010 till April 18, 2011. The payer of the fixed amount is the Company. The fixed rate for the amount is established 8.4% per annum; the payer of the floating amount is Financial Broker Troika Dialog CJSC, respectively. The nominal amount for the transaction is 359, excluding the last interest period whose nominal amount is 175. Thus, when the interest rate changed by 2.26%, the loss was 2 and was shown in the line "Other operating expenses" of the unaudited consolidated interim statement of total revenue (Note 29).

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Fair value of financial instruments

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

- investments held to repayment (HTR);
- financial assets for sale (FAS);
- financial assets estimated at a fair value;
- loans and accounts receivable (LAR);
- liabilities shown by amortized cost (SAC).

Management believes that the fair value of the Company's financial assets and liabilities does not significantly differ from their book value excluding the following:

	category	March 31, 2010		31 December 2009	
		Book value	Fair value	Book value	Fair value
Bonded loans	(SAC)	3,750	3,797	3,828	3,809
Credits and loans	(SAC)	11,700	10,928	13,536	12,428

The fair value of bonds for disclosure purposes has been calculated based on quoted market prices as of March 31, 2010. 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 12.70% per annum for ruble-denominated loans, and 7 - 8% per annum for loans denominated in foreign currencies.

38. Settlements and operations with related parties

During 3 months of 2010 the structure of related parties of the Company had no significant changes compared to the structure as of 31 December 2009.

Svyazinvest OJSC

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

As at 31 March 2010 the Russian Government held 75% minus one ordinary share of Svyazinvest OJSC.

Svyazinvest OJSC is the parent company for Sibirtelecom OJSC. The Company is eventually controlled by the Russian Government.

The parent company of Sibirtelecom OJSC does not publish consolidated financial statements.

The Svyazinvest group comprises 7 interregional telecommunications companies (ITCs) 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.

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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. A more detailed description of the interaction between the Company and its subsidiaries can be found in Note 6.

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.

Transactions with state-controlled companies

During its activity the Company performs a wide range of transactions with the 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.

The proceeds and accounts receivable from the government-financed organizations that are a part of the state-controlled companies are disclosed in the Notes "Proceeds from Sale" and "Trade and other accounts receivable", respectively. Transactions with state-controlled profit making organizations are effected under market conditions.

Expenses on public utilities that are provided by the state companies are disclosed in the Note "Materials, maintenance, and service, public utilities".

Transactions with state-controlled companies that are related to the issue and payment of credits and loans, security and interest income/expenses caused by it are disclosed in the Notes "Borrowed Money Obligations".

Transactions with state-controlled companies that are related to the purchase and sale of financial assets are disclosed in the Notes "Subsidiaries", "Investments into Associated Companies", and "Financial Assets".

State-controlled organizations do not influence the Company transactions with other companies.

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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 3 months of 2010 the Company incurred expenses on the services provided by Svyazintek OJSC in the amount of 6 (for 3 months of 2009, 6) of which 1 (for 3 months of 2009, 0) was recognised in the unaudited consolidated interim statement of total revenue, the remaining part was included into 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 the basis part of non-state pension fund paid by the Company during 3 months of 2010 amounted to 107 (3 months of 2009, 102) and is included into the line “Personnel expenses” of the unaudited consolidated interim statement of total revenue.

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

Remuneration of key managers

The key management personnel of the Company comprise the members of the Management Committee, General Director, and Deputies General Director whose number is 29 persons as of March 31, 2009 and December 31, 2009.

Remuneration to the key management personnel for 3 months of 2010 includes salaries, bonuses and compensation for participation in the work of management bodies and amounts to 30 (during 3 months of 2009, 16), including salaries, bonuses and other compensation to the employees of the parent company in the key management positions in the amount of 30 (during 3 months of 2009, 16). The amounts of remuneration are shown without unified social tax.

1 Subsequent events

Credit and loans

In May 2010, the Board of Directors of the Company approved the decision on the placements of five issues on inconvertible interest-bearing documentary bonds with a par value of 1 thousand rubles per one bond, the total cost is 8,000 and the circulation period of each of five issues is 1,092 days. The funds from the placed bonds are planned to be assigned for financing the investment program and refinancing the debt for the previous loan proceeds. The attraction of funds in the amount of 1,000 by the issue of bonds is planned in July-August 2010, the further placement is planned in the following periods depending on the Company demands for the loan proceeds and on the conditions of the Russian debt market.

In March 2010, an open auction was held for the right to make a contract on opening a revolving line of credit to the Company for the amount of 2,000. The auction presented four lots, with a limit of credit resources for the amount of 500 per each lot. By the results of the open auction, the right for opening a revolving line of credit for the first

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lot was given to Savings Bank of the Russian Federation Joint-Stock Commercial Bank OJSC, the interest rate was determined at the rate of 8.5% per annum; for the second and fourth lots, to Svyazbank Joint-Stock Commercial Bank OJSC, the interest rate was determined at the rate of 7.93 % per annum; and for the third lot, to ROSBANK Joint-Stock Commercial Bank OJSC, the interest rate was amounted to 7.89% per annum. The lines of credit were opened in June 2010 for the period of 36 months from the date of contract and are subject to payment in June 2013. The attracted credit resources are planned to allocate for financing the current financial and economic activities and refinancing the current liabilities of the Company. The security for the contract on a revolving line of credit is not provided.

The program of long-term motivation of personnel in Sibirtelecom OJSC

On May 31, 2010 the Board of Directors of the Company confirmed the main provisions of the “Program of long-term motivation of personnel in Sibirteecom OJSC” and approved the contract on settlement funds in trust to Gasprom – Asset Management CJSC Management Company. The contract period is from the moment when the Management Company accepted an application for the purchase of investment shares till May 3, 2015. The amount of funds settled in trust is 1,274.

Within this Program the Company purchases shares in the Gazprombank-Telecommunications closed unit share investment trust. On May 31, 2010 the first contribution in the amount of 1,174 was transferred to pay the investment units. In June 2010 the Company purchased investment units of Gazprombank-Telecommunications.

Universal communications services

In May-June 2010 in accordance with the conditions of contracts on providing universal communications services concluded with the Federal Agency of Communications, the Company received funds for recovery of losses incurred when providing universal communication services from the Reserve of universal servicing in the following amount:

- for the services of the current year, 285,
- for the services of the previous year, 163.

Short-term investments held to payment

In June 2010 the Company paid the bills of Region IC CJSC before the date of payment. The price of bill payment in accordance with the contract conditions is determined based on the actual period of bill circulation with regard to the interest rate and amounts to 558.

Reorganization of Sibirtelecom OJSC

On June 5, 2010 the Annual general Meeting of the Company made a decision on the reorganization of Sibirtelecom OJSC in the form of merger with Rostelecom OJSC.

The merger contract includes the following coefficients for the conversion of shares of Sibirtelecom OJSC to shares of Rostelecom OJSC: ordinary registered uncertificated shares of Sibirtelecom OJSC in the amount of 46.537 are converted into one ordinary registered uncerificated share of Rostelecom OJSC; preferred registered uncertificated shares of Sibirtelecom OJSC in the amount of 59.374 are converted into one ordinary registered uncerificated share of Rostelecom OJSC.

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In addition a buy-out price for ordinary and preferred shares of Sibirtelecom OJSC, which can be demanded for the buy-out if Sibirtelecom is reorganized, was approved. The buy-out price for ordinary and preferred shares will be equal and will amount to 1.85 rubles per share.

The independent valuator calculated the market value of shares of Sibirtelecom using the following procedures:

- the method of discounting the cash flows as a part of the income method,
- the method of exchange quotations and the method counterpart companies by the comparative approach.