OJSC Uralsvyazinform

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED JUNE 30, 2009
PREPARED UNDER
INTERNATIONAL FINANCIAL
REPORTING STANDARDS (IFRS)

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Contents

OJSC Uralsvyazinform
Consolidated Interim Balance Sheet as of June 30, 2009
(in millions of Russian Rubles)

	Notes	June 30, 2009	December 31, 2008
ASSETS			
Non-current assets			
Property, plant and equipment	8	**49 640**	52 100
Intangible assets and goodwill	9	**2 689**	2 764
Long-term accounts receivable		**40**	46
Other long-term assets	10	**329**	49
Investments	11	**42**	43
Long-term financial assets	12	**378**	74
Total non-current assets		**53 118**	55 076
Current assets			
Inventories	13	**317**	340
Accounts receivable	14	**4 087**	3 646
Prepaid income tax		**524**	335
Other current assets	15	**549**	279
Current financial assets	12	**2 854**	1 552
Cash and cash equivalents	16	**1 570**	1 095
Assets held for sale	7	**10**	10
Total current assets		**9 911**	7 257
TOTAL ASSETS		**63 029**	62 333
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Charter capital	18	**8 749**	8 749
Unrealized gain on available-for-sale investments		**2**	1
Retained earnings		**14 929**	13 940
Total equity attributable to equity holders of the parent		**23 680**	22 690
Toal equity		**23 680**	22 690
Non-current liabilities			
Long-term borrowings	19	**14 587**	17 334
Pension and social liabilities	20	**2 279**	2 094
Non-current accounts payable		**3**	5
Other non-current liabilities	21	**168**	182
Deferred income tax liabilities	33	**2 865**	2 532
Total non-current liabilities		**19 902**	22 147
Current liabilities			
Short-term borrowings	19	**12 117**	10 357
Accounts payable, accrued liabilities	23	**6469**	6 038
Income tax payable		**21**	-
Other current liabilities	24	**840**	1 009
Short-term reserves	22	**-**	92
Liabilities of disposal group classified as held for sale	7	**-**	-
Total current liabilities		**19 447**	17 496
Total liabilities		**39 349**	39 643
TOTAL EQUITY AND LIABILITIES		**63 029**	62 333

General Director _____________Ufimkin A.Y. Chief Accountant __________ Baluyeva S.I.

OJSC Uralsvyazinform
Consolidated Interim Income Statement
for the 6 months ended June 30, 2009.

(in millions of Russian Rubles, excluding earnings per share)

	Notes	For 6 months ended June 30, 2009	2008
Revenues	27	**20 102**	20 019
Wages, salaries, other benefits and payroll taxes	28	**(4 023)**	(4 652)
Depreciation and amortization	8,9,11	**(4 096)**	(3 558)
Telecommunication operators' services		**(2 890)**	(2 798)
Materials, repairs and maintenance, utilities	29	**(1 622)**	(1 667)
Other operating revenues	30	**793**	840
Other operating expenses	31	**(4 278)**	(4 425)
Operating profit		**3 986**	3 759
Financial expenses	32	**(1 773)**	(1 461)
Other financial and investment gains	33	**205**	56
Gain (loss) on foreign exchange		**(188)**	(34)
Profit before income tax		**2 230**	2 320
Income tax expense		**(572)**	(629)
Profit for the year		**1 658**	1 691
Profit for the year, attributable to:			
Equity holders of the parent		**1 658**	1 691
Minority holders of subsidiaries		**-**	-
Earnings per share, basic and diluted (in Russian Rubles)	34	**0,0413**	0,0421

OJSC Uralsvyazinform
Consolidated interim combined revenue statement
For the 6 months ended June 30, 2009
(in millions of Russian Rubles, excluding earnings per share)

	Notes	For 6 months ended June 30 2009	2008
Profit for the period		**1 658**	1 691
Change in the fair value of available for sale financial investments		**1**	(1)
Profit for the period		**1 659**	1 690
Combined profit for the period attributable to:			
Equity holders of the parent		**1 659**	1 690
Minority holders of subsidiaries		**-**	-
Total combined profit for the period		**1 659**	1 690

OJSC Uralsvyazinform
Consolidated interim statement of cash flows
For the 6 months ended June 30, 2009

(in millions of Russian Rubles)

	Notes	For 6 months ended June 30 2009	2008
Cash flows from operating activities			
Profit before income tax		**2 230**	2 320
Adjustments			
Depreciation and amortization	8,9,11	**4 096**	3 558
Loss on disposal of property, plant and equipment and other non-current assets	31	**9**	46
Inventory impairment provision	13	**(4)**	(3)
Provision for impairment of receivables	14	**186**	79
Financial expenses	32	**1 662**	1 355
Financial gains	33	**(205)**	(56)
Foreign exchange gain		**188**	34
Operating cash flows after non-cash adjustments		**8 162**	7 333
Decrease in inventories		**26**	10
Increase in trade and other receivables		**(636)**	(460)
Increase in other current assets		**(270)**	(393)
Decrease in pension and non-current social tax liabilities		**185**	284
Increase in accounts payable and accruals		**394**	670
Increase (decrease) in reserves		**(92)**	(49)
Decrease in other current assets and liabilities		**(160)**	(51)
Cash flows generated from operations		**7 609**	7 344
Interest paid		**(1 603)**	(1 315)
Income tax paid		**(407)**	(438)
Net cash flows from operating activities		**5 599**	5 591
Cash flows from investing activities			
Purchase of property, plant and equipment, assets under construction and investments		**(2 386)**	(3 191)
Proceeds from sale of property, plant and equipment, assets under construction and investments		**35**	158
Purchase of intangible assets		**(171)**	(281)
Proceeds from sale of subsidiaries, net of cash acquired		**-**	14
Purchase of financial investments		**(1 985)**	(359)
Proceeds from sale of financial investments		**426**	9
Interest received		**79**	25
Dividends received		**2**	-
Net cash flows used in investing activities		**(4 000)**	(3 625)

OJSC Uralsvyazinform
Consolidated interim statement of cash flows
For the 6 months ended June 30, 2009 (continued)

(in millions of Russian Rubles)

	Notes	For 6 months ended June 30, 2009	2008
Cash flows from financing activities			
Proceeds from borrowings		**1 000**	4 630
Repayment of borrowings		**(1 312)**	(5 225)
Proceeds from issue of bonds		**-**	1 993
Repayments of bonds		**-**	(1 951)
Proceeds from issue of promissory notes		**26**	
Repayment of promissory notes		**(26)**	(27)
Repayment of liabilities under vendor financing		**(46)**	(680)
Repayment of finance lease obligations		**(762)**	(871)
Dividends paid to equity holders of the parent		**(4)**	(2)
Net cash flows used in financing activities		**(1 124)**	(2 133)
Net increase (decrease) in cash and cash equivalents		**475**	(167)
Net cash and cash equivalents at the beginning of the reporting period	16	**1 095**	705
Net cash and cash equivalents at the end of the reporting period	16	**1 570**	538

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

OJSC Uralsvyazinform
Consolidated Interim Statement of Changes in Equity
For the 6 months ended June 30, 2009
(in millions of Russian Rubles)

	Notes	Share capital		Retained earnings	Unrealized gain on available-for-sale investments	Total equity
		Preference shares	Ordinary shares			
Balance at December 31, 2007 (prior adjustments)		**1 708**	**7 041**	**12 774**	**5**	**21 528**
Correction of errors of previous periods		-	-	(263)	-	(263)
Balance at December 31, 2007 (after adjustments)		**1 708**	**7 041**	**12 511**	**5**	**21 265**
Combined profit for the period		-	-	1 691	(1)	1 690
Dividends payable to equity holders of the parent		-	-	(1 106)	-	(1 106)
Balance at June 30, 2008		**1 708**	**7 041**	**13 096**	**4**	**21 849**
Balance at December 31, 2008		**1 708**	**7 0 41**	**13 940**	**1**	**22 690**
Combined profit for the period		-	-	1 658	1	1 659
Dividends payable to equity holders of the parent	35	-	-	(669)	-	(669)
Balance at December 31, 2008		**1 708**	**7 041**	**14 929**	**2**	**23 680**

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

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1. General information

Authorization of accounts

Consolidated interim financial statements of OAO "Uralsvyazinform" and its subsidiaries (hereinafter referred to as "the Company") are prepared for the first six months of 2009 ended June 30, 2009 and have been authorized by the General Director and Chief Accountant on September 15, 2009.

The Company

The parent company OJSC "Uralsvyazinform" was incorporated as an open joint-stock company registered in the Russian Federation.

The registered office of OAO "Uralsvyazinform" is in the city of Ekaterinburg (the Russian Federation), Moskovskaya Str. 11.

The Company's principal activity lies in provision of telephone services (including local and intrazone services, access to international and domestic long-distance calls), telegraph and data transmission services as well as rent of communication channels and wireless communication services on the territory of the Ural Federal District, Russia.

As of June 30, 2009 the Government of the Russian Federation controlled indirectly 51% of voting share capital, by virtue of its 75% less one share direct holding in OAO "Svyazinvest", the parent company of Uralsvyazinform.

Principal subsidiaries are disclosed in Note 6 of the consolidated financial statements. All the subsidiaries are incorporated under the laws of the Russian Federation.

2. Basis of the presentation of financial statements

Statement of compliance

The financial statements are prepared and presented in compliance with the requirements of IFRS (IAS) 34 "Interim financial statements" and other International Financial Reporting Standards and appropriate interpretations set forth by the IFRS Committee.

All information contained herein should be accounted with due consideration of the Annual consolidated financial statements of the Company for the year ended December 31, 2008.

Continuation of operations

The consolidated financial statements are prepared on the basis of an assumption that the Company continues its regular economic activity into a foreseeable future, which assumes recovery of costs and due repayment of liabilities.

Presentation of Financial Statements

These consolidated financial statements are prepared based on standalone financial statements of the parent and its subsidiaries and associates prepared under unified accounting policy.

The consolidated financial statements of the Company are presented in millions of Russian Rubles, and all amounts being rounded off to millions except for where stated otherwise.

Principles of assessment

These consolidated financial statements are prepared in compliance with the principle of historical value assessment except for the following items: property, plant and equipment at fair value used for actual value of property, plant and equipment as at the date of transition to IFRS; investments available for sale assessed at fair value; charter capital at balance value including the effect of inflation in the periods preceding January 1, 2003.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of 2008 financial year except for the provisions of the accounting policy that were changed following the approval of new and/or revision of Standards and Interpretations of IFRS in effect since January 1, 2009 or later.

The changes in the accounting policies applied are the result of new or revised standards and interpretations as follows:

Standard/Interpretation	Changes	Effect
IFRS 8 Operating segments	The Standard sets out requirements for disclosure of information about an entity's operating segments and removes the requirement for identification of primary (business) and secondary (geographical) reporting segments. It changes the principle of presentation of segment financial information and requires that the financial data of operating segments to be presented based on information used by the Company's management in making decisions on allocating resources and assessing performance. It also requires disclosure of factors used in identifying operating segments.	New disclosures are presented in Note 5.
IAS 1 (as revised in 2007) Presentation of financial statements	The Standard requires presentation of all owner changes in equity separately from non-owner changes in equity. A statement of changes in equity shall contain detailed information on all owner changes in equity only, while all other non-owner changes in equity (i. e. income and expenses recognized immediately in equity) are required to be presented separately. The Standard also introduces the statement of comprehensive income which shall present all income and expenses recognized in income statement, as well as other income and expenses recognized directly in equity. Changes in income and expenses recognized in equity may be presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income).	To be applied in these financial statements.
IAS 23 (as revised in 2006) «Borrowing costs»	Prohibits immediate expensing of borrowing costs. Those revisions are effective for borrowing costs relating to qualifying assets that require significant periods of time to be classified as ready-to-use or ready-for-sale.	The interpretation did not have significant effect on the company's financial standing or financial results.
Adjustments to IAS 32 and IAS 1 Puttable financial instruments and liabilities arising on liquidation	The Standard establishes principles for presenting puttable financial instruments meeting specific criteria and liabilities arising on liquidation as equity. The Standards sets forth the amount of disclosures related to puttable instruments classified as equity.	The interpretation did not have significant effect on the company's financial standing or financial results.

(in millions of Russian Rubles)

Adjustments to IFRS 2 Share-based payment - vesting conditions and cancellations	The standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions and shall be used when assessing the fair value of given share-based instruments. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	The adjustments did not have significant effect on the company's financial standing or financial results.
IFRS 3 (as revised in 2008) Business combinations (Early application)	Applies a number of changes to the accounting method of business combinations in relation to the amount of recognizable goodwill and financial results recognized within period of and after acquisition.	The revised standard required that consolidation of subsidiaries shall change, but did not have significant effect on the company's financial standing or financial results.
IAS 27 (as revised in 2008) Consolidated and separate financial statements (Early application)	Classifies changes in equity share of a subsidiary as equity transaction. The standard changes the presentation of losses incurred by subsidiary and the presentation of loss of control over subsidiary.	The revised standard required that consolidation of subsidiaries shall change, but did not have significant effect on the company's financial standing or financial results.
IFRIC Interpretation 13 Customer Loyalty Programmes	IFRIC 13 requires that grant loyalty award credits granted by entities shall be accounted as a separate component of their relative sale transactions. A share of fair value of the redeemed awards shall be distributed among these award credits and transferred over successive accounting periods until obligations are fully fulfilled.	The interpretation did not have significant effect on the company's financial standing or financial results.
IFRIC Interpretation 15 Agreements for the Construction of Real Estate	IFRIC 15 standardizes accounting practice across jurisdictions of IAS 11 'Construction Agreements' or IAS 18 'Revenue' for the recognition of revenue by real estate developers.	The interpretation did not have significant effect on the company's financial standing or financial results.
IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	IFRIC 16 allow entities to designate as a hedging instrument in a net investment in a foreign operation an instrument that is held by the foreign operation that is being hedged and standardizes the counting for such operations.	The interpretation did not have significant effect on the company's financial standing or financial results.
IFRIC Interpretation 17 Distributions of Non-cash Assets to Owners (Early application)	IFRIC 17 clarifies the distribution of non-cash assets among owners. The interpretation also details situations when entities grant owners the option to receive non-cash assets or equivalents in monetary form.	The interpretation did not have significant effect on the company's financial standing or financial results.
IFRIC Interpretation 18 Transfers of Assets from Customers (Early application)	IFRIC 18 clarifies the conditions to include items received by an entity from a customer in property, plant, and equipment. In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment.	The interpretation did not have significant effect on the company's financial standing or financial results.
Adjustments to IAS 39 and IFRS 7 Financial Instruments	Standardizes reclassification of financial instruments to various categories and related disclosures.	The adjustments did not have significant effect on the company's financial standing or financial results.
Annual revision of IFRS	The project envisages adjustments to standards and elimination of imperfections in the effective IFRS.	The adjustments were taken into account when compiling these interim financial statements.

(in millions of Russian Rubles)

Revision of statements of previous periods

In light of changes in the presentation of financial statements as of 6 months of 2009 the Company reclassified a number of items contained in Consolidated Interim Income Statement as of 6 months of 2008:

Consolidated income statement as of 2007	Prior adjustments	Effect of reclassification	As adjusted
Wages, salaries, other benefits and payroll taxes	(4 758)	106	(4 652)
Materials, repairs and maintenance, utilities	(1 660)	(7)	(1 667)
Taxes other than income tax	(519)	519	-
Provision on impairment of receivables	(76)	76	-
Loss on disposal of property, plant and equipment	(46)	46	-
Agent commissions	(1 052)	1 052	-
Lease of premises	(362)	362	-
Advertising	(247)	247	-
Other operating expenses	(2 102)	(2 323)	(4 425)
Indemnity for provision of universal services	786	(786)	-
Other operating revenues	-	840	840
Operating profit	**3 627**	**132**	**3 759**
Interest expense	(1 286)	1 286	-
Finance expenses	-	(1 461)	(1 461)
Gain (loss) on financial investments, net	13	(13)	-
Finance income	-	56	56
Profit before income tax	**2 320**	**-**	**2 320**

Transactions in foreign currencies

The functional currency and representative currency of the Company's financial statements is Russian ruble. Transactions in foreign currencies are presented in the functional currency at the exchange rate as of transaction date. Monetary assets and liabilities nominated in foreign currencies are re-calculated using exchange rates of reporting date. Exchange differences are presented in the profit and loss statement as gain (loss) from currency exchange. Non-cash items assessed at historical value in foreign currencies are calculated at effective exchange rates as of their initial accounting date. Non-cash items assessed at fair value in foreign currencies are calculated at effective rates as of fair value assessment.

Exchange rates as of June 30, 2009 and December 31, 2008 are presented in the table below:

	June 30, 2009	December 31, 2008
Rubles per one US Dollar	31,2904	29,3804
Rubles per one Euro	43,8191	41,4411

3. Summary of the accounting policy

The consolidated interim financial statements were drawn up on the basis of the single accounting policy of the Company as of 2009, which is a corrected version of accounting policy of the previous year incorporating the aforementioned new/revised standards/interpretations.

(in millions of Russian Rubles)

4. Significant accounting estimates

Key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are identical to those disclosed in the consolidated financial statements of the Company as of 2008.

5. Segment information

The Company provides telecommunication services in the territory of the Urals federal district and Perm krai. The whole scope of these services is based on a single technological basis that includes equipment and communication channels. Management believes that the Company operates in one segment incorporating 8 regional divisions, a subsidiary company (Note 6) and a corporate center, consisting of headquarters and an inter-regional IT subsidiary; these divisions represent separate operational segments whose performance is reported to the Management Board of the Company based on financial data compiled under Russian accounting standards.

As of June 30, 2009 and 6 months of 2009:

	Segments' total	**Adjustments**	**Total for the Company**
Revenues			
Sales to third parties	20 103	(1)	**20 102**
Total revenue	**20 103**	**(1)**	**20 102**
Income on interests	231	(31)	200
Interest expense	(2 309)	536	(1 773)
Income tax expense	(603)	31	(572)
Profit for the year	1 921	(263)	**1 658**
Assets and liabilities			
Segment assets	59 398	3 631	63 029
Segment liabilities	(34 630)	(4 719)	(39 349)
Other segment information			
Capital expenditure	1 411	(43)	1 368
Intangible assets	172	-	172
Depreciation and amortization	(3 063)	(1 033)	(4 096)
Accrual (recovery) of impairment of receivables	(186)	-	(186)
Provision for pension and social tax liabilities	(126)	(73)	(199)

(in millions of Russian Rubles)

As of December 31, 2008 and for 6 months of 2008:

	Segments' total	Adjustments	Consolidation adjustments	Total for the Company
Revenues				
Sales to third parties	19 971	48		20 019
Inter-segment sales	13		(13)	-
Total revenue	**19 984**	**48**	**(13)**	**20 019**
Income on interests	25	17	-	42
Interest expense	(1 954)	519	-	(1 435)
Income tax expense	(716)	87	-	(629)
Profit for the year	1 632	65	(6)	**1691**
Assets and liabilities				
Segment assets	57 965	4 368	-	62 333
Segment liabilities	34 900	4 743	-	39 643
Other segment information				
Capital expenditure	3 387	773	-	4 160
Intangible assets	280	-	-	280
Depreciation and amortization	(2 558)	(1 000)	-	(3 558)
Accrual (recovery) of impairment of receivables	(77)	1	-	(76)
Provision for pension and social tax liabilities	(122)	(178)	-	(300)

Unallocated expenses, assets and liabilities are expenses, assets and liabilities that arise at the entity level and relate to the entity as a whole.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, and long term advances given, and other assets used at general Company level.

Segment liabilities include operating liabilities, pension and long-term financial obligations, income tax liabilities, provisions and deferred income tax liabilities.

Capital expenses include purchases of property, plant and equipment and intangibles.

Operating segments as of June 30, 2009 and for 6 months of 2009:

Operating segment	Revenue	Profit (loss) of operating segment	Segment assets	Segment liabilities
Inter-regional cellular communications division	3 537	1 000	9 718	889
Khanty-Mansyisk division	3 355	902	4 825	626
Ekaterinburg division	3 320	295	8 061	647
Perm division	3 266	431	7 621	519
Chelyabinsk division	2 882	333	7 667	742
Tyumen division	1 758	253	3 476	324
Yamalo-Nenets division	1 325	163	2 121	320
Kurgan division	660	(81)	2 000	161
Corporate center	-	(1 375)	13 909	30 402

(in millions of Russian Rubles)

Operating segments as of June 30, 2008 and for 6 months of 2008:

Operating segment	Revenue	Profit (loss) of operating segment	Segment assets	Segment liabilities
Inter-regional cellular communications division	7 364	2 517	10 321	1 498
Khanty-Mansyisk division	2 293	361	4 684	610
Ekaterinburg division	2 970	180	8 093	728
Perm division	2 159	(7)	7 886	539
Chelyabinsk division	2 439	284	7 842	848
Tyumen division	1 229	(51)	3 429	290
Yamalo-Nenets division	932	77	1 703	233
Kurgan division	572	(108)	2 060	141
Corporate center	-	(1 621)	11 902	29 505

6. Consolidated subsidiaries

The single subsidiary controlled by OJSC Uralsvyazinform is CJSC «FK-Svyaz». As of June 30, 2009 OJSC Uralsvyazinform owns a 75% share in the charter capital of CJSC «FK-Svyaz» (75% as of 2008).

CJSC «FK-Svyaz» is a Russian legal entity registered in accordance with the legislation of the Russian Federation and has the same financial year as the Company.

7. Assets and liabilities, classified as held for sale

In 2008 the Company adopted a program intended to increase the efficiency of available corporate real estate in order to gain revenues from sales of disengaged premises. In pursuance of this program the Company reclassified a number of assets from property, plant and equipment into assets held for sale.

	June 30, 2009		December 31, 2008	
	Balance sheet value	Fair value	Balance sheet value	Fair value
Assets and liabilities, classified as held for sale	**10**	**46**	10	46

The fair value of assets and liabilities held for sale was derived from the information on the price per a unit of floor space inside the regions where such assets held for sale were located, and is based on the market data regarding trade operations with assets similar to those held for sale.

(in millions of Russian Rubles)

8. Property, plant and equipment

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Assets under construction	Total
Cost					
At December 31, 2007	**25 374**	**33 641**	**11 387**	**433**	**70 835**
Additions				4 161	4 161
Disposals	257	1 388	521	(2 166)	-
Put into operation	(184)	(220)	(89)	(2)	(495)
At June 30, 2008	**25 447**	**34 809**	**11 819**	**2 426**	**74 501**
At December 31, 2008	**27 284**	**39 735**	**12 815**	**606**	**80 440**
Additions				1 368	1 368
Disposals	95	776	17	(888)	-
Put into operation	(27)	(44)	(231)	-	(302)
At June 30, 2009	**27 352**	**40 467**	**12 601**	**1 086**	**81 506**
Accumulated depreciation					
At December 31, 2007	**(5 961)**	**(10 354)**	**(5 512)**	**-**	**(21 827)**
Depreciation charge for the period	(690)	(1 852)	(847)	-	(3 389)
Depreciation on disposals	68	167	77	-	312
At June 30, 2008	**(6 583)**	**(12 039)**	**(6 282)**	**-**	**(24 904)**
At December 31, 2008	**(7 212)**	**(14 093)**	**(7 035)**	**-**	**(28 340)**
Depreciation charge for the period	(708)	(2 322)	(820)	-	(3 850)
Depreciation on disposals	25	78	221	-	324
At June 30, 2009	**(7 895)**	**(16 337)**	**(7 634)**	**-**	**(31 866)**
Net book value as of December 31, 2007	**19 413**	**23 287**	**5 875**	**433**	**49 008**
Net book value as of June 30, 2008	**18 863**	**22 772**	**5 536**	**2 426**	**49 597**
Net book value as of December 31, 2008	**20 072**	**25 642**	**5 780**	**606**	**52 100**
Net book value as of June 30, 2009	**19 457**	**24 130**	**4 967**	**1 086**	**49 640**

The above tables include net book value of plant and machinery leased under finance lease agreements as of June 30, 2009 and December 31, 2008, as follows:

	June 30, 2009	December 31, 2008
Land, buildings and constructions	**419**	467
Switches and transmission devices	**3 439**	3 787
Vehicles and other	**702**	863
Total leased under finance lease agreements, net book value	**4 560**	5 117

As of 6 months of 2009, the depreciation expense of property, plant and equipment at 3,850 was acknowledged at Depreciation and Amortization of consolidated income statement (as of 6 months of 2008 – 3,389).

As of June 30, 2009, the cost of fully depreciated property, plant and equipment was 7,238 (as of December 31, 2008 – 7,081).

Additions of property, plant and equipment acquired under vendor financing and leased under finance lease agreements as of 6 months of 2009 amounted to 0 (as of 6 months of 2008 – 914).

(in millions of Russian Rubles)

6,972 worth of property, plant and equipment (as of December 31, 2008 – 5,912) were pledged as collateral under loan and borrowings agreements.

As of 6 months of 2009 the Company's capital expenditure used for forming of construction in progress amounted to 1,368 (as of 6 months of 2008 – 4,161).

Property, Plant and Equipment and revised useful life

In 2008 the Company reevaluated the property, plant and equipment's residual useful life. The revision was reflected in the accounting from December 31, 2008.

The revision caused an increase of depreciation and amortization in the amount of 183, and was reflected in depreciation and amortization as of 6 months of 2009.

Impairment of property, plant and equipment

For the purposes of impairment test, the recoverable amount per each cash generating unit was estimated on the basis of its value in use. The value in use itself was based on the estimated future cash flows, which in their turn stem from actual economic results, approved business plan, and discount rate that reflects time value of money and risks specific to each cash generating unit.

As a result of the impairment tests no exceeding of carrying amounts over their recoverable cost was identified.

9. Intangible assets

	Licenses	Software	Numbering capacity	Customer base	Others	Total
Cost						
At December 31, 2007	**70**	**3 330**	**23**	**45**	**35**	**3 503**
Additions	–	280	–	–	–	280
Disposals	–	–	–	–	(11)	(11)
At June 30, 2008	**70**	**3 610**	**23**	**45**	**23**	**3 771**
At December 31, 2008	**69**	**3 500**	**23**	**45**	**24**	**3 661**
Additions	–	172	–	–	–	172
Disposals	–	(2)	–	–	–	(2)
At June 30, 2009	**69**	**3 670**	**23**	**45**	**24**	**3 831**
Accumulated depreciation						
At December 31, 2007	**(46)**	**(444)**	**(13)**	**(26)**	**(10)**	**(539)**
Charge for 6 months	(4)	(154)	(1)	(2)	(7)	(168)
At June 30, 2008	**(50)**	**(598)**	**(14)**	**(28)**	**(17)**	**(707)**
At December 31, 2008	**(53)**	**(775)**	**(15)**	**(30)**	**(24)**	**(897)**
Charge for 6 months	(12)	(230)	(1)	(2)	–	(245)
At June 30, 2009	**(65)**	**(1 005)**	**(16)**	**(32)**	**(24)**	**(1 142)**
Net book value as of December 31, 2007	**24**	**2 886**	**10**	**19**	**25**	**2 964**

(in millions of Russian Rubles)

Net book value as of June 30, 2008	**20**	**3 012**	**9**	**17**	**6**	**3 064**
Net book value as of December 31, 2008	**16**	**2 725**	**8**	**15**	–	**2 764**
Net book value as of June 30, 2009	**4**	**2665**	**7**	**13**	**–**	**2 689**

Oracle E-Business Suite Software

As at June 30, 2009, the software included a software product Oracle E-Business Suite ("OeBS") with the carrying amount of 1,129 (2008: 1,172), including capitalised interest costs related to the implementation of Oracle E-Business Suite in the amount of 120 (2008: 129).

The Company started to partially use OeBS and amortise it from the date of its implementation (November, 2005) over its useful life of 10 years. Since 2008 the Company has been using the full functionality of OeBS.

Changes in the carrying amount of the software product Oracle E-Business Suite for the 6 month periods ended June 30, 2009 and 2008 are disclosed below:

	2009	**2008**
As of January 01	**1 172**	1 172
Implementation expenses incurred	**42**	87
Amortization accrued	**(85)**	(57)
As of June 30	**1 129**	1 202

Amdocs Billing Suite Software

As of June 30, 2009 software includes the costs of Amdocs Billing Suite with a carrying value of 579 (as of December 31, 2008 – 579).

This software was acquired with the purpose of implementing a unified billing system throughout the Company. The Company plans to complete implementation of the unified billing system till 2011. Implementation works started in 2005.

The Company intends to annually test this software for impairment prior the actual implementation.

The above table includes software movement for the periods of 6 months ended June 30, 2009 and 2008, as follows:

	2009	**2008**
As of January 01	**579**	994
Implementation expenses incurred	**–**	-
As of June 30	**579**	994

(in millions of Russian Rubles)

Other software products

As at June 30, 2009 and December 31, 2008, other software products included the following items:

	Useful lives (years)	Carrying amount June 30, 2009	Carrying amount December 31, 2008
HP IUM	10	**258**	271
Implementation of the integrated billing of fixed telephony	Not ready-to-use	**117**	117
Licenses of Oracle software products	5	**172**	129
Microsoft software (non-exclusive rights)	1	**12**	47
System of distance learning	10	**41**	43
System of electronic workflow	Not ready-to-use	**38**	38
ASR Bill-Master	5	**28**	33
Other	2.5-10	**291**	296
Total		**957**	974

Amortisation of intangible assets

Amortisation charge for 6 months of 2009 in the amount of 246 (6 months of 2008: 169) was included in "Depreciation and amortization" line of the Consolidated Income Statement.

Impairment Testing of Intangible Assets not ready-to-use

As at June 30, 2009, the Company performed an impairment test of intangibles not-ready-to-use and other intangible assets. No impairment loss was identified as the result of the test.

10. Other non-current assets

	June 30, 2009	December 31, 2008
Long-term advances given for the investing activities	**333**	53
Allowance for impairment	**(4)**	(4)
Total	**329**	49

11. Investment property

	Investment property held to earn rentals	Investment property held to earn rentals and for consecutive sale	Investment property held to earn rentals
Cost			
At December 31, 2008	**124**	**2**	**126**
Acquired	**-**	**-**	**-**
At June 30, 2009	**124**	**2**	**126**
Accumulated depreciation			
At December 31, 2008	**(82)**	**(1)**	**(83)**
Depreciation charge for 6 months	(1)	-	(1)
At June 30, 2009	**(83)**	**(1)**	**(84)**

(in millions of Russian Rubles)

Net book value at December 31, 2008	**42**	**1**	**43**
Fair value at December 31, 2008	376	6	382
Net book value at June 30, 2009	**41**	**1**	**42**
Fair value at June 30, 2009	376	6	382

In 2008 the Company adopted a program intended to increase the efficiency of available corporate real estate in order to gain revenues from sales of disengaged premises. In pursuance of this program the Company reclassified a number of items within property, plant and equipment meeting specific requirements into investment property.

The Company's specialists performed fair value analysis of investment property in accordance with International valuation standards.

Assumptions were made in respect of:

- Information about rentals in the regions of investment property location;
- Information about operating expenses relating to investment property.

The assumptions above are based on market prices for items, identical to the Company's items of investment property.

12. Financial investments

	June 30, 2009	December 31, 2008
Long-term financial investments available for sale	**24**	24
Long-term financial investments held to maturity	**309**	-
Long-term loans issued to personnel	**45**	50
Total long-term financial investments	**378**	74
Short-term financial investments available for sale		
Short-term financial investments held to maturity	**2 843**	1 533
Short-term portion of loans issued to personnel	**11**	19
Total short-term financial investments	**2 854**	1 552
Total financial investments	**3 232**	1 626

As at June 30, 2009 and December 31, 2008 available-for-sale investments comprised the following:

	June 30, 2009		December 31, 2008	
	Ownership, %	Fair value	Ownership, %	Fair value
Non-current financial assets				
OJSC "Svyazintek"»	**11**	**13**	11	13
OJSC AKB "Svyazbank"	**0,015**	**-**	0,2190	-
OJSC Sberbank	**0,00019**	**1**	0,00019	1
Other		**10**		10
Total		**24**		24

As at 31 December 2008 the Company created a provision for impairment of investment in OJSC AKB

(in millions of Russian Rubles)

Svyazbank in the amount of 11.

At 31 December 2008 long-term loans issued to personnel are recorded at amortized historical cost using effective rate of 21% (2008: 19%).

The Company invests temporarily available financial resources into short-term promissory notes issued by Russian companies and credit institutions.

As at June 30, 2009 short-term investments held-to-maturity comprised the following promissory notes denominated in RUR:

	June 30, 2009		December 31, 2008	
	Amortized cost	Effective rate, %	Amortized cost	Effective rate, %
Long-term financial investments held to maturity				
OJSC “RTK-Leasing”	**309**	**18,93%-19,21%**	-	
Short-term financial investments held to maturity				
OJSC AKB “Svyazbank”	**2 583**	**9,00 % - 14,00%**	1 009	9,00 %
OJSC “RTK-Leasing”	**-**	**-**	322	11,48
CJSC AKB BSGV	**260**	**12,25 %**	202	13,5 %
Total	**3 152**		1 533	

Promissory notes are held by the Company to generate financial income.

13. Inventories

	June 30, 2009	December 31, 2008
Cable	**60**	53
Spare parts	**59**	33
Finished products and goods for resale	**13**	23
Tools, work wear, inventories	**12**	12
Fuel	**6**	7
Construction materials	**4**	25
Other	**163**	187
Total	**317**	340

Movement in provision for impairment of inventories is presented in the table below:

	2009	2008
Provision as of January 01	**(13)**	(17)
Accrual of provision	**-**	-
Recovery and use of provision	**4**	3
Provision as of June 30	**(9)**	(14)

Provision for inventory charge (recovery) is included, respectively, into the line “Other operating expenses” and “Other operating income” of consolidated income statement.

(in millions of Russian Rubles)

14. Trade and Other Receivables

	Total at June 30, 2009	Provision for impairment of receivables	Net at June 30, 2009
Receivables from customers for operating activities	**3781**	**(764)**	**3 017**
Receivables from customers for non-operating activities	**229**	**(40)**	**189**
Receivables from agents and commissioners	**104**		**104**
Settlements with personnel	**37**		**37**
Receivables under agent contracts for connection services	**299**		**299**
Compensation from the state budget for universal services	**346**		**346**
Other receivables	**118**	**(23)**	**95**
Total	**4 914**	**(827)**	**4 087**

	Total at December 31, 2008	Provision for impairment of receivables	Net at December 31, 2008
Receivables from customers for operating activities	3 153	(618)	2 535
Receivables from customers for non-operating activities	177	(35)	142
Receivables from agents and commissioners	25	-	25
Settlements with personnel	27	-	27
Receivables under agent contracts for connection services	377	-	377
Compensation from the state budget for universal services	457	-	457
Other receivables	108	(25)	83
Total	**4 324**	**(678)**	**3 646**

As of June 30, 2009 and December 31, 2008, trade and other receivables comprised the following:

	Total at June 30, 2009	Provision for impairment of receivables	Net at June 30, 2009
Receivables from individuals	**1 715**	**(471)**	**1 244**
Receivables from commercial organizations	**994**	**(196)**	**798**
Receivables from budget organizations	**351**	**(34)**	**317**
Receivables from interconnect operators	**720**	**(62)**	**658**
Social security authorities – tariff compensation related to providing benefits to certain categories of subscribers	**1**	**(1)**	**-**
Total trade and other receivables	**3 781**	**(764)**	**3 017**

	Total at December 31, 2008	Provision for impairment of receivables	Net at December 31, 2008
Receivables from individuals	1 479	(421)	1 058
Receivables from commercial organizations	822	(146)	676
Receivables from budget organizations	180	(9)	171
Receivables from interconnect operators	669	(39)	630

(in millions of Russian Rubles)

Social security authorities – tariff compensation related to providing benefits to certain categories of subscribers	3	(3)	-
Total trade and other receivables	**3 153**	**(618)**	**2 535**

As at June 30, 2009 and December 31, 2008 all trade and other receivables were denominated in rubles.

The Company issues ruble invoices for connection services to budget and commercial organizations on a monthly basis. The Company issues invoices to individuals for communication services and significantly relies on timely payments in voices. All payments are made in accordance ruble tariffs, effective at the time when services were provided.

The following table summarizes the changes in the allowance for bad debt:

	2009	**2008**
Balance at January 1	**(678)**	(664)
Accrual and reversal of allowance for bad debt	**(186)**	(79)
Write-offs of receivables	**37**	54
Balance at June 30	**(827)**	(689)

15. Other current assets

	Total at June 30, 2009	**Allowance for impairment**	**Net at June 30, 2009**
Advances given	**307**	**(7)**	**300**
Other prepaid taxes	**54**	**-**	**54**
VAT receivable	**44**	**-**	**44**
Deferred expenses	**128**	**-**	**128**
Other current assets	**25**	**(2)**	**23**
Total	**558**	**(9)**	**549**

	Total at December 31, 2008	**Allowance for impairment**	**Net at December 31, 2008**
Advances given	113	(9)	104
Other prepaid taxes	30	-	30
VAT receivable	27	-	27
Deferred expenses	92	-	92
Other current assets	28	(2)	26
Total	**290**	**(11)**	**279**

The following table summarizes the changes in the allowance for impairment of other current assets:

(in millions of Russian Rubles)

	2009	2008
Balance at January 1	**(11)**	(18)
Accrual and reversal of the provision	**-**	2
Write off	**2**	7
Balance at June 30	**(9)**	(9)

16. Cash and cash equivalents

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

17. Significant non-cash transactions

As of 6 months of 2009 no acquisitions of property, plant and equipment through leasing and vendor financing were made (6 months of 2008: 705 and 691, respectively). As of 6 months of 2009 intangible assets acquired through vendor financing amounted to 7 (6 months of 2008: 0).

Non-cash transactions have been excluded from the Consolidated cash flow statement.

18. Share capital

As at June 30, 2009 the par value and carrying value of the issued and fully paid ordinary and preference shares were as follows:

Share type	Number of shares outstanding (thousands)	Par value (RUR)	Total par value	Total carrying value
Ordinary	**32 298 782**	**0,12**	**3 876**	**7 041**
Preferred	**7 835 941**	**0,12**	**940**	**1 708**
Total	**40 134 723**	**0,12**	**4 816**	**8 749**

The difference between the total par value and the total carrying value of share capital represents the effects of inflation accumulated until 1 January 2003.

All shares have been issued and fully paid.

The structure of the share capital of the Company as of June 30, 2009 is presented below:

Shareholders	Share in the capital stock, %	Ordinary shares		Preference shares	
		Quantity (thous.)	%	Quantity (thous.)	%
Legal bodies, in total	91.7	30 492 601	94.4	6 297 605	80.4
- OJSC'Svyazinvest'	41.4	16 608 946	51.4	-	0.0
- Persons owning more 5 % of capital stock	48.7	13 349 499	41.3	6 206 626	79.2
Among them:					

- 'National depositary centre'	27.5	8 857 421	27.4	2 187 374	27.9
- CJSC 'ING Bank (Eurasia)'	10.7	2 312 860	7.2	1 971 148	25.2
- CJSC 'Depositary Clearing Company'	10.5	2 179 218	6.7	2 048 104	26.1
- Other legal bodies, total	1.6	534 156	1.7	90 979	1.2
Individuals, total	8.3	1 806 181	5.6	1 538 336	19.6
Total	**100**	**32 298 782**	**100**	**7 835 941**	**100**

Each ordinary share grants to its holder the right to one voice.

Preference shares do not provide the vote right. They can be converted in ordinary shares. The guaranteed dividend is paid on each preferred share at the rate of the biggest amount of two sums: 10 % from the sum of net profit of the Company reflected in the accounting reporting, prepared according to the Russian legislation, divided to the quantity of preference shares, or the size of the dividend falling per one ordinary share. In a case when owners of preference shares receive dividends in the sum less than 10 % from the sum of the net profit reflected in the accounting reporting, prepared according to the Russian legislation, payment of dividends to owners of ordinary shares is not performed. Owners of preference shares have the right to take part in annual general meetings of shareholders and to vote on all questions within powers of such meetings, since the meeting following annual general meeting of shareholders on which the decision on nonpayment or only to partial payment of dividends under preference shares was accepted. The annual size of dividends under preference shares cannot be less annual amount of dividends under ordinary shares. Thus, owners of preference shares participate in profit distribution along with owners of ordinary shares. Accordingly, Company preference shares are considered as the capital in the form of shares for the profit calculation per share.

The distributed profit of all organizations which have participation in the Company is limited according to their undistributed profit and regulated by the national legislation on book keeping. The undistributed profit of the parent company defined according to the Russian legislation, as of June 30, 2009 and as of December 31, 2008, totaled 15 709 and 13 875, accordingly.

In June, 1997 the Company signed the depositary agreement with Bank of New York, which represented itself as a depositary, and all Owners and Holders of American Depositary Receipts (further ADR). At same time ADR program of 1st level on ordinary shares of the Company was registered by the Securities and Exchange Commission (SEC). In August, 2002 the Company changed the depository Bank, having signed a new depositary agreement with JP Morgan Chase Bank as the assignee depositary Bank.

As of June 30, 2009 2 370 943 ADR were issued (2008 - 2 855 670) on 474 188 600 ordinary shares (2008 - 571 134 000), which totaled 1.47 % (2008 – 1.77 %) from total issue of the ordinary shares.

In the following table is presented the movement of the registered ADRs as of 6 months 2009 and 2008:

	ADR (quantity)	Equivalent quantity of ordinary shares	Ordinary shares, %	Stock capital, %
December 31, 2007	**8 467 317**	**1 693 463 400**	**5,24**	**4,22**
Increase for 6 months 2008	(2 257 197)	(451 439 400)	(1,41)	(1,13)
June 30, 2008	**6 210 120**	**1 242 024 000**	**3, 83**	**3,09**
December 31, 2008	**2 855 670**	**571 134 000**	**1,77**	**1,42**
Reduction for 6 months 2009	(484 727)	(96 945 400)	(0,3)	(0,24)
June 30, 2009	**2 370 943**	**474 188 600**	**1,47**	**1,18**

(in millions of Russian Rubles)

At present ADRs are represented on the following stock exchanges:

	CUSIP (WKN)		ADR ticker		ISIN	
Name	**ADR**	**ADR pfd.**	**ADR**	**ADR pfd.**	**ADR**	**ADR pfd.**
Frankfurt stock exchange (FSE)	**908291**	**164647**	**URL**	**URL 1**	**US9168871021**	**US9168872011**
Berlin stock exchange (BerSE)	**908291**	**164647**	**URL**	**URL 1**	**US9168871021**	**US9168872011**
Xetra	**908291**	**164647**	**URL**	**URL 1**	**US9168871021**	**US9168872011**
Stuttgart stock exchange (SSE)	**908291**	**-**	**URL**	**-**	**US9168871021**	**-**
Düsseldorf stock exchange	**908291**	**-**	**URL**	**-**	**US9168871021**	**-**
Munich stock exchange	**908291**	**-**	**URL**	**-**	**US9168871021**	**-**

19. Credits and loans

	June 30, 2009	**December 31, 2008**
Long-term obligations		
Bank credits and loans of the organisations	**15 462**	16 133
Bonded loans	**7 202**	7 133
Commercial credits	**378**	412
Obligations on financial rent	**2 593**	3 351
The re-structurized payments of buyers for connection	**46**	49
Minus a share of the long-term obligations which are subject to repayment within year	**(11 094)**	(9744)
Total long-term obligations	**14 587**	17 334
Short-term obligations		
Bank credits and loans of the organisations	**997**	599
Commercial credits	**8**	12
Debts on interests	**18**	2
Total short-term obligations	**1 023**	613
Share of long-term obligations which is subject to repayment within year	**11 094**	9744
Total current extra obligations	**12 117**	10 357
Total obligations	**26 704**	27 691

(in millions of Russian Rubles)

As of June 30, 2009 the Company had the concluded contracts with the Sberbank of Russia, Joint-Stock Company 'Gazprombank', Joint-Stock Company 'UniCreditBank', Joint-Stock Company 'BSGV' and other banks on the matter of t granting of the demand line of credit at the rate of 16 426 (December 31, 2008 - 17 506). As of June 30, 2009 the Company used 16 326 (December 31, 2008 - 16 556) from the specified sums, thus, the Company has a possibility to receive on the given demand lines of credit 100 on request to cover the current needs on the operating capital and financing of investment projects.

As of June 30, 2009 bank credits and loans Company loans are provided by the fixed assets in pledge with current balance cost 6 972 (December 31, 2008 - 5 912).

Long-term obligations

Bank credits and loans of organizations

The aggregated information under the most essential long-term bank credits and loans of the organizations as of June 30, 2009 and December 31, 2008 is presented below:

Counterpart	The interest rate on the contract	June 30, 2009	December, 31, 2008	Contract currency	Repayment date	Loan security
OJSC 'Sberbank of Russia'	8 - 12 %	5 747	5 747	Roubles	2009-2013	4 274
CJSC 'Gazprombank'	14.3 %	5 060	5 500	Roubles	2009-2012	-
BHF-BANK AG	Euribor (181 day) + 0.7-1.9 %	1 602	1 744	Euro	2009-2015	-
CJSC 'BSGV'	Моспрайм (31 day) + 3 %	1 453	1 507	Roubles	2011	-
CJSC 'UnicreditBank'	8.3 - 11 %	1 504	1 505	Roubles	2009-2012	669
LLC 'Iskratel, telecommunication systems'	Euribor (91 day) +3.16 %	96	130	Euro	2010-2011	-
		15 462	**16 133**			**4 943**

Bonded loans

The aggregated information on the bonded loans as of June 30, 2009 and December 31, 2008 is presented below:

Identifier *(name / number)* a loan	**Effective interest rate**	**June 30, 2009**	**December 31, 2008**	**Repayment date**	**Repayment order**	**Offer date**	**Coupon interest rate**
Series 06	13 %	2 028	2 028	2011	20 % of the par-value each six months, since November 2009	19.11.2009	13 %
Series 07	16 %	3 135	3 067	2012	20 % of the par-value each six months, since March 2010	16.03.2010	16 %

(in millions of Russian Rubles)

Series 08	9,6 %	2 039	2 038	2013	50 % of the per-value on October 2012, the remained 50 % - in April 2013	03.04.2010	9,6 %
		7 202	**7 133**				

The information on a long-term part of financial rent is presented below.

Short-term obligations

Bank credits and loans of the organizations

Vneshtorgbank

The short-term debts of the Company to Vneshtorgbank represent the credit for the sum 1 000, received in 2009. The date of the contract expiration is 2010. The interests on this contract are charged and paid monthly under the annual rate of 18.75 %. As of June 30, 2009 the debt totaled 997. The credit is secured by pledge of the fixed assets with the mortgage cost 2 029.

Obligations on financial rent

	June 30, 2009		**December 31, 2008**	
	Minimum rent payments	**Discounted cost of the minimum rent payments**	**Minimum rent payments**	**Discounted cost of the minimum rent payments**
Current part (less than 1 year)	1 564	1 239	1 854	1 418
Over 1 year and till 5 years	1 530	1 354	2 248	1 933
Total	**3 094**	**2 593**	**4 102**	**3 351**

In 2009 and 2008 the core lessor of the Company was OJSC "RTK-LEASING". The effective interest rate of the obligations made up for 6 months of 2009 from 14 % to 21 % a year (6 months of 2008 - from 14 % to 20 %).

Subject of financial rent under contracts of OJSC ‘RTK-LEASING’, basically, is the telecommunication equipment.

According to the contracts concluded with OJSC ‘RTK-LEASING’, the lessor has the right to change the schedule of the future leasing payments in case of change of certain macroeconomic conditions, in particular rates of refinancing of the Central Bank of the Russian Federation.

20. Pension and long-term social obligations

According to the collective agreement the Company provides employees with non-state pension, and also implements other social payments to existing and former employees of the Company.

The pension plan with the established payments provides a provision of the old age pensions. A condition of a provision of the old age pensions is granted on achievement of the certain age granting the right to receive the old-age pension from the state which starts now from 55 years for women and 60 years for men, and also presence of the continuous seniority throughout 15 years for ordinary employees, 4th years for heads of the average link and 2 years for heads of the top managers. According to the conditions of the pension scheme the size of pensions is certain monetary amount which depends on the post of employees at the moment of the retirement and is not connected directly with their wages.

Activity on non-state provision of pensions under pension plans with the established payments is carried out by non-pension fund ‘Telecom-union’, being the connected party for the Company (see Note 40). The company carries out payments in the pension fund at the moment of the employee retirement in the sum agreed with a pension fund.

(in millions of Russian Rubles)

In addition to the existing pension plan with the established payments in the Company also there is a pension plan with the established payments, which provides realization by the Company the payments during the period of labour activity of the worker from the moment of the conclusion of the individual contract of non-state provision of pensions with non-state pension fund ‘Telecom-union’. The given payments are transferred into nominal pension accounts of workers in ‘Telecom-union’. Company payments as of 6 months 2009 under pension plans with the established payments totaled 21 (as of 6 months 2008 - 31) and are translated as expenses on wages, other payments and social deductions.

The company has a number of long-term obligations on payments of the established amount to employees, such as single payments on the occasion of death, retirement, and also payment to anniversaries of workers and pensioners of the Company. Besides, for pensioners of the old age or physical inability the Company provides the additional financial help in the form of the established payments.

As of June 30, 2009 there were 13 834 working participants of the pension plan with the established payments and 10 904 pensioners having the right to compensation on the retirement and the pension grant (as of December 31, 2008 - 14 166 and 10 823, accordingly).

As of 6 months 2009, expenses of the Company concerning pension plans with the established payments have made 178 (6 months 2008 - 269).

As of 6 months 2009 Company payments to the pension fund concerning pension plans with the established payments have made 106 (6 months 2008 - 122).

Expenses under plans with the established payments, except for the sums on interest expenses, were included in the line ‘Personnel expenses’ of the consolidated profit and loss statement. The sums of percentage expenses are reflected in the line ‘Interest expenses’ of the consolidated profit and loss statement.

21. Other obligations of long-term

	June 30, 2009	**December 31, 2008**
Incomes of the future periods	**161**	175
Target financing	**7**	7
Total	**168**	182

22. Reserves

	The program on reduction of employees number
The rest as of December 31, 2007	**220**
Used within 6 months 2008	(49)
The rest as of June 30, 2008	**171**
The rest as of December 31, 2008	**92**
Used within 6 months	(39)
Restored from not used sums	(53)
The rest as of December 31, 2008	**-**

(in millions of Russian Rubles)

23. Accounts payable and the accrued obligations

	June 30, 2009	December, 31, 2008
Settlement with suppliers and contractors on acquisition and building of the fixed assets	**1 120**	1 820
Settlement with suppliers and contractors on current activity	**1 552**	1 207
Settlement on taxes, gathering and obligatory social insurance	**1 349**	1 086
Settlement with the personnel	**905**	1 086
Settlement on dividends	**697**	32
Settlement with communication companies	**577**	499
Deductions in the Reserve of universal service	**103**	104
Settlement with agents	**89**	125
Settlement with other creditors	**77**	79
Total	**6 469**	6 038

Settlement on taxes, gathering and obligatory social insurance as of June 30, 2009 and December 31, 2008 include:

	June 30, 2009	December 31, 2008
Value-added tax	**909**	727
Property tax	**238**	206
Social tax	**118**	82
Income tax (sole proprietors)	**72**	58
Other taxes	**12**	13
Total	**1 349**	1 086

Settlement with other creditors

As a part of settlement with other creditors the Company considers guarantees and issued warrants.

As of June 30, 2009 the Company issued guarantees on several demand lines of credit, mainly, given by banks lessors of the Company, mainly to OJSC'RTK-LEASING', the lessor of the telecommunication equipment. The sum of guaranteed obligations made up 953 (as of December 31, 2008 - 1 358). Cost of guarantees and warrants which were issued as of June, 30 and December 31, 2009 totalled 8 and 12, including current 5 and 7 accordingly. The company management estimates the probability of approach of the guaranteed event, as minimal.

	Guarantees
The rest as December 31, 2007	**18**
Accrued	4
The rest as of June 30, 2008	**22**
The rest as of December 31, 2008	**12**
Amortisation	(4)
The rest as fo June 30, 2009	**8**
	Guarantees

The long-term	7
The short-term	15
Total, reserves as June 30, 2008	**22**
The long-term	3
The short-term	5
Total, reserves as of June 30, 2009	**8**

24. Current obligations

	June 30, 2009	December 31, 2008
The advance payments received on primary activity	**783**	948
Incomes of the future periods	**39**	56
The advance payments received on non-basic activity	**18**	5
Total	**840**	1 009

25. Conditional obligations and operational risks

Conditions of conducting activity of the Company

The development of political, legal, economic, financial, social, informational and other conditions for successful functioning of the companies continues in Russia.

The taxation

According to company management, as of June 30, 2009, the corresponding positions of the legislation are interpreted as a whole correctly, and the probability of preservation of position in which the Company is from the point of view of observance of requirements of the tax, currency and customs legislation, is high.

Judicial disputes, trials and definition of consequences

Within 6 months 2009 the Company took part (both as the claimant, and as the defendant) in the several proceedings which arose during usual financial and economic activity. According to company management now there are no current proceedings or claims which essential impact on results of activity or financial position of the Company can be made and which would not be recognized or disclosed in the consolidated financial reporting. #7 issued the Decision on the tax bearer judging by results of exit tax check during 2005-2007. The company, according to the tax body, did not paid taxes for the sum amounted 355 (penalties and fines for the sum of 14 and 5 accordingly also were additionally added).

The company directed the appeal complaint to FTS of Russia, and also challenged the decision of Inter-regional inspection ФНС of Russia in Arbitration court of in Moscow. The court issued the decision dated July 02, 2009 and recognized claims of tax body for the sum 354 as unreasonable (without taking into account fines and the penalties). Currently the Arbitration court decision was being appealed in the Ninth arbitration appeal court in Moscow.

Insurance

The Company implements the risk management, including in the field of insurance. In 2009 the Company implemented insurance of the equipment, motor transport, objects of the real estate and other property, the personnel, responsibility of directors and the executive bodies, dangerous industrial objects.

Personnel optimization

Within the limits of increase of efficiency of business processes of the Company the personnel optimization program was approved by the management in 2007 and directed to the change of organizational structure, redistribution of functional duties and transfer of some functions to outsourcing.

(in millions of Russian Rubles)

The program provides gradual reduction of employees number during the period 2008 - 2013 Within 6 months 2009 the Company reduced 782 established posts. As of June 30, 2009 192 employees are warned about forthcoming reduction. Under severance pays of these employees the reserve was not created. (Note 22).

26. Financial tools and risk management

The basic financial instruments of the Company include bank credits, bonded and bill loans, financial rent (leasing).The main purpose of these instruments is an assets attraction for operations financing. The Company has other financial assets and obligations, such as accounts receivable and accounts payable which arise directly during its operational activity.

Policy in the field of capital management

Main objectives of capital management policy of the Company is the increase of level of credit rating, improvement of financial independence and liquidity factors, improvement of accounts payable structure and reduction of capital cost.

The basic ways of capital structure management are profit maximization, management of the investment program, assets sale for reduction of debt load, size management of the extra capital, re-structuring of the debt portfolio, use of various classes of extra assets.

The company exercises administration of the capital with use of factors of financial independence, indicators «net debt / net worth», «net debt / EBITDA».

The company exercises administration of the capital with use of factors of financial independence, indicators «net debt / net worth», «net debt / EBITDA». The management of the capital is carried out at level of the separate essential legal bodies included into the Company. The calculation of financial independence factors, indicators « net debt / net worth », « net debt / EBITDA» is carried out according to the Russian reporting standards of book keeping.
The policy of the Company consists in the maintenance of financial independence factor at the range of 0.4-0.5; the indicator «net debt / net worth » - at the range 0.43 – 1.03; the indicator «net debt / EBITDA» - at the range 0.8 – 1.76.

Values of the indicators used on capital management as of June 30, 2009 and December, 31, 2008 made:

	June 30, 2009	**December, 31, 2008**
Factor of financial independence	0.42	0.40
‘Net debt* / net worth’	0.94	1.02
‘Net debt* / EBITDA’	1.63	1.76

*Net debt - credits, loans (including bill and bonded loans), credits of suppliers, leasing obligations

On the accounting date the credit rating of the Company in national currency is confirmed by the rating agency “Standard and Poor’s” at level B+ (2008 - BB-). In frameworks of capital management the Company aspires to maintain the current credit rating and its increase to level BB +.

(in millions of Russian Rubles)

Incomes and expenses on financial tools

As of 6 months which ended on June 30, 2009	Profit and loss statement					Cumulative income	Total
	Other operational expenses	Financial expenses	Other incomes on financial and investment activity		Profit / the loss from course differences		
	Reserve creation on doubtful debts	Expenses on interest	Incomes on interests	Incomes on dividends		Change of fair cost	
Money and their equivalents	-	-	(64)	-	-	-	(64)
Accounts receivable	186	-	(1)	-	-	-	185
Financial assets which are available for sale	-	-	-	(5)	-	(1)	(6)
Investments kept before repayment	-	-	(131)	-	-	-	(131)
Loans issued	-	-	(4)	-	-	-	(4)
Total financial assets	**186**	**-**	**(200)**	**(5)**	**-**	**(1)**	**(20)**
Bank credits and loans of the organizations	-	971	-	-	107	-	1078
Bonded loans	-	421	-	-	-	-	421
Bill loans	-	-	-	-	(1)	-	(1)
Commercial credits	-	7	-	-	10	-	17
Obligations on financial rent	-	247	-	-	-	-	247
Creditor debts	-	15	-	-	72	-	87
Total financial obligations	**-**	**1 661**	**-**	**-**	**188**	**-**	**1 849**

As of 6 months which ended on June 30, 2008	Profit and loss statement						Cumulative income	Total
	Other operational expenses	Financial expenses	Other incomes on financial and investment activity			Profit / the loss from course differences		
	Reserve creation on doubtful debts	Expenses on interest	Incomes on interests	Incomes on dividends		Change of fair cost	Reserve creation on doubtful debts	Expenses on interest
Money and their equivalents	-	-	(25)	-	-	-	-	(25)
Accounts receivable	79	-	(2)	-	-	-	-	77
Financial assets which are available for sale	-	-	-	(6)	(7)	-	1	(12)
Investments kept before repayment	-	-	(16)	-	-	-	-	(16)
Loans issued	79		(43)	(6)	(7)		1	24
Bank credits and loans of the organizations	-	622	-	-	-	50	-	672
Bonded loans	-	324	-	-	-	-	-	324
Commercial credits	-	-	-	-	-	(7)	-	(7)
Obligations on financial rent	-	382	-	-	-	-	-	382
Creditor debts	-	-	-	-	-	(9)	-	(9)
Total financial obligations	**-**	**1 328**	**-**	**-**	**-**	**34**	**-**	**1 362**

(in millions of Russian Rubles)

Currency risk

The currency risk represents a risk of the exchange rate alteration of currency can affect negatively the monetary flows of the Company. As consequence, the given changes find the reflection in corresponding articles of profit and loss statement, cash flow balance and/or the report. The obligations, which are in the foreign currency, testify to presence of currency risk.
Financial assets and Company obligations are distributed to the following kinds of currencies:

June, 30, 2009	**Rubles**	**US dollars**	**Euro**	**Total**
Money and their equivalents	1 568	1	1	1 570
Accounts receivable	3 952	27	148	4 127
Financial assets which are available for sale	24	-	-	24
Investments kept before repayment	3 152	-	-	3 152
Loans issued	56	-	-	56
Total financial assets	**8 752**	**28**	**149**	**8 929**
Bank credits and loans of the organizations	14 762	-	1 697	16 459
Bonded loans	7 202	-	-	7 202
Commercial credits		382	4	386
Obligations on financial rent	2 593	-	-	2 593
Debts on percent	18	-	-	18
Other financial obligations	46	-	-	46
Creditor debts	5 603	516	353	6 472
Total financial obligations	**30 224**	**898**	**2 054**	**33 176**

December 31, 2008	**Roubles**	**US dollars**	**Euro**	**Total**
Money and their equivalents	1 093	1	1	1 095
Accounts receivable	3 682	-	10	3 692
Financial assets which are available for sale	24	-	-	24
Investments kept before repayment	1 533	-	-	1 533
Loans issued	69	-	-	69
Total financial assets	**6 401**	**1**	**11**	**6 413**
Bank credits and loans of the organizations	14 858	-	1 874	16 732
Bonded loans	7 133	-	-	7 133
Commercial credits		416	8	424
Obligations on financial rent	3 351	-	-	3 351
Debts on percent	2	-	-	2
Other financial obligations	49	-	-	49
Creditor debts	5 470	399	174	6 043
Total financial obligations	**30 863**	**815**	**2 056**	**33 734**