

OJSC “Far East Telecommunications Company”

**Consolidated Interim Financial Statements, Prepared in Accordance with
International Financial Reporting Standards (IFRS)**

For 3 months period, ended on March 31, 2009.

(Translation from Russian Language)

OJSC “Far East Telecommunications Company”

Consolidated Interim Financial Statements, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 3 Months Period, Ended on March 31, 2009.

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OJSC “Far East Telecommunications Company”
 Consolidated Interim Balance Sheet, Prepared in Accordance with International Financial Reporting
 Standards (IFRS), For 3 Months Period, Ended on March 31, 2009.

(in Million of Russian Roubles)

	Notes	March 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Fixed assets	7	13,915	14,132
Intangible assets and goodwill	8	3,072	2,934
Investments in associates	10	77	72
Long-term investments	11	12	11
Long-term other assets	9	650	594
Total non-current assets		17,726	17,743
Current assets			
Inventories	12	643	511
Trade and other accounts receivable	13	1,782	1,479
Income tax receivable		52	95
Financial investments	11	64	154
Other current assets	14	450	313
Cash and cash equivalents	15	777	554
Assets meant for sale		29	36
Total current assets		3,797	3,142
TOTAL ASSETS		21,523	20,885
EQUITY AND LIABILITIES			
OJSC Far East telecommunications Company shareholders' equity			
Share capital	16	4,366	4,366
Retained earnings		5,355	4,568
Total equity attributable to equity shareholders of OJSC Far East Telecommunications Company		9,721	8,934
Minority interest		1,607	1,566
Total equity		11,328	10,500
Non-current liabilities			
Long-term borrowings	17	2,966	3,206
Pension and long-term social liabilities	18	1,024	1,025
Long-term other liabilities	19	90	95
Long-term income tax payable		649	670
Total non-current liabilities		4,729	4,996
Current liabilities			
Current borrowings	17	2,490	2,481
Accounts payable and accrued expenses	21	2,538	2,401
Income tax payable		13	3
Other current liabilities	22	291	348
Provisions	20	134	156
Total current liabilities		5,466	5,389
Total liabilities		10,242	10,385
TOTAL EQUITY AND LIABILITIES		21,523	20,885

Chief Executive Officer
 Balatsenko A.V. _____

Chief Accountant
 Sidorova E.V. _____

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

OJSC “Far East Telecommunications Company”
**Consolidated Interim Income Statement, Prepared in Accordance with International Financial
Reporting Standards (IFRS), For 3 Months Period, Ended on March 31, 2009.**

(in Million of Russian Roubles)

	Notes.	For 3 months, ended 31st March	
		2009	2008
Revenues	25	4,259	3,925
Personnel costs	26	(1,165)	(1,108)
Depreciation and amortization	7	(622)	(663)
Interconnection charges		(533)	(457)
Materials, repairs and maintenance, utilities	27	(394)	(350)
Other operating income	28	132	50
Other operating expenses	29	(492)	(450)
Operating profit		1,185	947
Share in results of associates		1	2
Financial expenses	30	(144)	(156)
Other incomes from financial and investment activity	31	9	31
Loss from exchange rate differences in currency re-evaluation, net		(6)	-
Profit before income tax		1,045	824
Income tax		(217)	(233)
Profit for the year		828	591
Attributable to:			
shareholders of OJSC “Far East Telecommunications Company”		787	538
Minority interest		41	53

Chief Executive Officer
Balatsenko A.V. _____

Chief Accountant
Sidorova E.V. _____

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OJSC “Far East Telecommunications Company”

Consolidated Interim Statement of Comprehensive Income, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 3 Months Period, Ended on March 31, 2009.

(in Million of Russian Roubles)

	Notes	For 3 months, ended 31 st March	
		2009	2008
Profit for reported period		828	591
Total comprehensive income for reported period		828	591
Comprehensive Income for reported period, in respect to:			
Shareholders OJSC “Far East Telecommunications Company”		787	538
Minority interest of subsidiaries		41	53
Total comprehensive income for reported period		828	591

Chief Executive Officer
Balatsenko A.V. _____

Chief Accountant
Sidorova E.V. _____

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OJSC “Far East Telecommunications Company”
Consolidated Interim Cash Flow Statement, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 3 Months Period, Ended on March 31, 2009.

(in Million of Russian Roubles)

	Notes.	For 3 months, ended 31st March 2009	for 2008
Cash flows from operating activities:			
Profit before income tax		1,045	3,005
Adjustments for:			
Depreciation and amortization	7	622	2 204
(Gain)/loss on disposal of property, plant and equipment	28	68	(24)
Bad debt expense	29	(11)	108
Share of results of associates		(1)	(7)
Interest expense	30	144	626
Financial income	31	(9)	(114)
Other financial expenses		-	20
Loss from exchange rate differences in currency re-evaluation		6	-
Reversal of provisions	20	(24)	(347)
Operating cash flows before changes in working capital		1,840	5,471
Decrease in inventories		(132)	(62)
Decrease in accounts receivable		(362)	(174)
Decrease in other current assets		(102)	(162)
Increase in pension liabilities		-	11
Increase in accounts receivables		359	482
Decrease in other operating assets and liabilities		(67)	(20)
Cash flows generated from operations before income taxes and interest paid		1,536	5,546
Interest paid		(78)	(592)
Income tax paid		(195)	(870)
Cash flows from operating activities		1,263	4,084
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(668)	(3,282)
Income from sales of property, plant and equipment		11	268
Acquisition of intangible assets		(172)	(274)
Acquisition of subsidiaries less cash received		-	(13)
Acquisition of financial assets		-	(146)
Sales of financial assets			772
Interest received		13	132
Dividends received		-	2
Cash flows used in financing activities		(816)	(2,541)

OJSC “Far East Telecommunications Company”
Consolidated Interim Cash Flow Statement, Prepared in Accordance with International Financial Reporting Standards (IFRS), For 3 Months Period, Ended on March 31, 2009. (continuous)

(in Million of Russian Roubles)

	For 3 months, ended 31st March 2009	
Notes	2009	2008
Financing activities		
Proceeds from loans and borrowings	347	1 020
Repayment of loans and borrowings	(500)	(1,087)
Repayment of bond issue	-	(750)
Repayment of credits	(1)	(26)
Repayment of finance lease obligations	(70)	(309)
Dividends paid to shareholders of OJSC “Far East Telecommunications Company”	-	(179)
Cash flows used in financing activities	(224)	(1,331)
Net increase in cash and cash equivalents	223	212
Cash and cash equivalents at the beginning of the reporting period	554	342
Cash and cash equivalents at the end of the reporting period	777	554

Chief Executive Officer
Balatsenko A.V. _____

Chief Accountant
Sidorova E.V. _____

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

OJSC “Far East Telecommunications Company”
 Consolidated Interim Statement of Changes in Equity, Prepared in Accordance with International Financial Reporting Standards (IFRS),
 For 3 Months Period, Ended on March 31, 2009.

(in Million of Russian Roubles)

	Notes	Share capital			Retained earnings	Total share capital of parent company's shareholders	Minority share	Total share capital
		Preferred Shares	Ordinary Shares	Treasury shares				
Balance at December 31, 2007	16	1,081	3,285	(1)	2,672	7,037	1,399	8,436
Profit for the reported period					538	538	53	591
Total recognised income and expenses for the period					538	538	53	591
Balance at March 31, 2008	16	1,081	3,285	(1)	3,210	7,575	1,452	9,027
Balance at December 31, 2008		1,081	3,285	-	4,568	8,934	1,566	10,500
Profit for reported period					787	787	41	828
Total recognised income and expenses for the period					787	787	41	828
Balance at March 31, 2008	16	1,081	3,285	-	5,355	9,721	1,607	11,328

Chief Executive Officer
 Balatsenko A.V. _____

Chief Accountant
 Sidorova E.V. _____

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

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009
(in millions of Russian Roubles, if not indicated other)

1. General Information

Confirmation

The consolidated financial statements OJSC "Far East Telecommunications Company" (the Company) and its subsidiaries (jointly called the Group) were comprised as for 3 months 2009, ended March 31, 2009 and authorized for publishing in compliance with the decision of Chief Executive Officer and Chief Accountant on June 24th, 2009.

The Company

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

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

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

Open joint-stock company Svyazinvest owns 50.57% of the Company’s voting shares as of March 31, 2009 and is Company’s parent company.

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

2. Basis of Preparation

Declaration of Compliance

These consolidated financial statements are prepared and presented with deviations from the International Accounting Standards (IAS) 34 “Interim Financial Statements” as well as other International Accounting Standards (IAS) and corresponding interpretations, approved by the Internal Accounting Standards Committee (IASC). These deviations are connected with comparable data for the same period of the last year in the following statements and notes:

- Statement forms:
 - Cash flow statement.

- Notes:
 - 5. Information on activity segments;
 - 7. Fixed assets;
 - 8. Intangible assets

Comparable data on the above mentioned statements and notes are stated for 2008.

All information shall be considered, including Annual consolidated financial statement of the Company for the year, ended on December 31, 2009.

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009
(in millions of Russian Roubles, if not indicated other)

Business activity continuity

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

Presentation of Financial Statements

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

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

Basis of Accounting

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

Changes in accounting policy

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

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

Standard	Content of change	Effective date
IFRS 8 Operating Segments	The Standard sets out requirements for disclosure of information about an entity’s operating segments and removes the requirement for identification of primary (business) and secondary (geographical) reporting segments. It changes the principle of presentation of segment financial information and requires that financial data of operating segments to be presented based on information used by the Group’s management in making decisions on allocating resources and assessing performance. It also requires disclosure of factors used in identifying operating segments.	To be applied for annual reporting periods beginning on or after 1 January 2009.
IAS 1 (as revised in 2007) Presentation of Financial Statements	The Standard requires presentation of all owner changes in equity separately from non-owner changes in equity. A statement of changes in equity shall contain detailed information on all owner changes in equity only, while all other non-owner changes in equity (i. e. income and expenses recognised immediately in equity) are required to be presented separately. The Standard also introduces the statement of comprehensive income which shall present all income and expenses recognised in income statement, as well as other income and expenses recognised directly in equity. Changes in income and expenses recognised in equity may be	To be applied for annual reporting periods beginning on or after 1 January 2009.

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009
(in millions of Russian Roubles, if not indicated other)

	presented either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income).	
IAS 23 (as revised in 2006) Borrowing Costs	The Standard removes the option to immediately expense borrowing costs directly attributable to assets which require a substantial period of time to prepare for intended use or sale.	To be applied for annual reporting periods beginning on or after 1 January 2009.
Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	The Amendments require that certain financial instruments and liabilities arising on liquidation be classified as equity if certain conditions are met. They also define what information is to be disclosed with regard to puttable financial instruments classified as equity.	To be applied for annual reporting periods beginning on or after 1 January 2009.
Amendments to IFRS 2 Share-Based Payment – Vesting Conditions and Cancellations	The Amendments define the term vesting conditions as an explicit or implicit requirement of completing the service. Other conditions are non-vesting conditions and should be taken into account when measuring the fair value of equity instruments granted. If the rights to an equity instrument were not transferred due to the failure to meet a non-vesting condition which was to be met by an entity or its counterparty, an equity instrument should be derecognised.	To be applied for annual reporting periods beginning on or after 1 January 2009.
IFRS 3 (as revised in 2008) Business Combinations	The Standard makes a number of amendments to the accounting for business combinations which will make an impact on goodwill and the financial result to be recognised in the period of acquisition and subsequent periods.	To be applied for annual reporting periods beginning on or after 1 July 2009.
IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements	The Standard requires that any changes in a parent’s ownership interest in a subsidiary are accounted for within equity. The Standard amends requirements for the accounting treatment of losses incurred by a subsidiary and of the loss of control over a subsidiary.	To be applied for annual reporting periods beginning on or after 1 July 2009.
IFRIC Interpretation 13 Customer Loyalty Programmes	The Interpretation requires that award credits granted to support customer loyalty should be accounted for as a separately identifiable component of the sales transaction in which they are granted. Part of the fair value of the consideration received shall be allocated to the award credits and carried forward to the next reporting periods until the credit awards are redeemed.	To be applied for reporting periods beginning on or after 1 July 2008.
IFRIC Interpretation 15 Agreements for the Construction of Real Estate	The Interpretation defines criteria for the classification of agreements for the construction of real estate to the relevant revenue recognition principles within the scope of IAS 11 Construction Contracts or IAS 18 Revenue.	To be applied for reporting periods beginning on or after 1 January 2009.
IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation determines which risks related to investments in foreign operations qualify for hedge accounting, and addresses hedge accounting rules.	To be applied for reporting periods beginning on or after 1 October 2008.
IFRIC Interpretation 17 Distributions of Non-cash	The Interpretation provides guidance on accounting for distribution of assets other than	To be applied for reporting periods beginning on or after 1 July 2009.

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009
(in millions of Russian Roubles, if not indicated other)

Assets to Owners	cash (non-cash assets) to owners. The Interpretation also discusses situations when an entity allows owners a choice whether to receive non-cash assets or their cash equivalents.	
IFRIC Interpretation 18 Transfers of Assets from Customers	The Interpretation clarifies the circumstances in which assets transferred from customers should be recognized in the entity’s financial statements, and establishes approaches to the measurement of their cost on initial recognition. The Interpretation also discusses situations when the customer provides cash to the entity to acquire such assets.	To be applied for reporting periods beginning on or after 1 July 2009.
Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets	The Amendments set out rules of reclassification of financial assets to different categories and establish disclosure requirements in respect of reclassifications made.	To be applied for reporting periods beginning on or after 1 July 2008.
Various Improvements to Financial Reporting Standards	Improvements to various Standards eliminate a number of inconsistencies in the current versions of International Financial Reporting Standards.	The effective dates vary depending on each particular Improvement adopted.

Foreign currency transactions

The functional and presentation currency of the Group is the Russian Rouble (RUR). Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the functional currency exchange rate ruling at that date. All resulting differences are recognised in the income statement as foreign exchange gains (losses) except for differences arising on the translation of available-for-sale equity instruments which are recognised directly in equity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

	31 March 2009	31 December 2008
US Dollar	34.0134	29.3804
EURO	44.9419	41.4411

3. Основные положения учетной политики

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

4. Material accounting judgements and evaluations

4.1 Judgments

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

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009

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

4.2 Uncertainty of evaluation

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

5. Information about business segments

Group renders services of fixed and mobile communications, as well as other type of services outside of telecommunications industry. Local communications services of OJSC Far East Telecommunications Company contains the following services: local and intrazone communications services telegraph services, data transmission and telematics services, other services for core type of business, served at the territory of Amur, Kamchatka, Magadan, Primorsky, Sakhalinsky, and Khabarovsk branches. Each of the mentined branches is a independent operational entity (segment).

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

OJSC Far East Telecommunications Company – mobile communications segment contains the following services: mobile radiotelephone (cellular) communications services, served at the territory of Kamchatsky and Magadansky branches. Sum of results of mobile communications in respect to mentioned branches is an independent operational segment.

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

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

No distributed expenses, assets, and liabilities are expenses, assets, and liabilities in respect to whole Group.

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

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

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

6. Subsidiary companies

Subsidiaries under the control of OJSC “Far East Telecom” are listed below:

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009

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

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

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

In February 2009 the Company purchased 13 ordinary shares of OJSC AKOS for 0.9. Shares were purchased for increasing share of participation in share capital of OJSC AKOS.

Notes in shareholders registrar, confirmed ownership rights transactions for securities, were made in February of 2009.

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

7. Fixed assets

	Land, buildings and constructions	Switches and transmission devices	Vehicles and other	Construction in progress and equipment for installation	Total
Cost					
At 31 December 2007	9,435	7,868	1,813	902	20,018
Additions	14	2	1	3 320	3 337
Acquisition of subsidiaries	7	6	4	-	17
Putting into operation	1,071	1,620	292	(2 983)	-
Retirement	(297)	(179)	(61)	(30)	(567)
As on 31 December 2008	10,230	9,317	2,049	1,209	22,805
Additions	-	-	11	398	409
Putting into operation	94	118	35	(247)	-
Retirement	(11)	(18)	(8)	(68)	(105)
Re classification	(1)	(50)	51	-	-
As on 31 March 2009	10,312	9,367	2,138	1,292	23,109
Accumulated amortization and Accumulated depreciation					
As on 31 December 2007	(3,785)	(2,279)	(962)	-	(7,026)
Accumulated depreciation for the year	(618)	(981)	(371)	-	(1,970)

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009

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

Depreciation disposed items	176	104	43	-	323
As on 31 December 2008	(4,227)	(3,156)	(1,290)	-	(8,673)
Accumulated depreciation for 3 months of 2009	(171)	(286)	(86)	-	(543)
Depreciation of disposed objects	9	3	8	-	20
	-	38	(38)	-	-
As on 31 March 2009	(4,389)	(3,401)	(1,404)	-	(9,194)
Depreciated value as of 31 December 2007	5,650	5,589	851	902	12,992
Depreciated value as of 31 December 2008	6,003	6,161	759	1,209	14,132
Depreciated value as of 31 March 2009	5,923	5,966	734	1,292	13,915

Book value of fixed assets received under finance leasing contracts is listed below:

	As on 31 March 2009	As on 31 December 2008
Switches and transmission devices	556	647
Vehicles and other fixed assets	32	40
Total net book value of plant and equipment	588	687

Accrued for 3 months of 2009 fixed assets depreciation amounting at 543 was accounted in the line “Depreciation and amortization” of consolidated Profit and Loss Statement (for 3 months of 2008 - 588).

As at 31 March 2009, initial value of wholly self-depreciated fixed assets reached 1,415 (as on 31st December 2008 – 1,338).

For 3 months of 2009 Group increased value of incompleting building up to 10 capitalized interests (for 3 months 2008 – 3). Rate of capitalization for 3 months 2009 is 2.4 (for 3 months 2008 – 2.1%).

As at 31 March 2008, the Group classified some assets as assets held-for-sale included in the disposal group. The net balance value of these assets was 36 as at 31 December 2008.

As at 31st March 2009 the Company classified as assets for sale some part of its fixed assets and incompleting buildings, book value of which is 29 (as for 31st December 2008 – 36).

	Land, buildings and constructions	Vehicles and other fixed assets	Total
Initial value as for 31 st March 2009	38	4	42
Accumulated depreciation for 31 st March 2009	(12)	(1)	(13)
Net book value as at 31st March 2009	26	3	29

8. Intangible assets

	Goodwill	Licenses	Software	Subscribers base	Trade mark	Other
Initial value						
As on 31st December 2007	1,057	193	1,270	655	57	3,232
Receipt	-	1	273	-	-	274
Receipt due to subsidiaries	13	-	-	-	-	13

OJSC “Far East Telecommunications Company”
Notes to Consolidated Interim Financial Statements for 3 months 2009, ended
March 31, 2009

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

purchase						
Disposal	-	(1)	(36)	-	-	(37)
As on 31 December 2008	1,070	193	1,507	655	57	3,482
Receipt	-	8	208	-	-	216
Disposal	-	-	(5)	-	-	(5)
As 31st March 2009	1,070	201	1,710	655	57	3,693
Accumulated amortization and depreciation						
As on 31st December 2007	(91)	(69)	(140)	(36)	(14)	(350)
Accumulated amortization for the year	-	(27)	(172)	(21)	(14)	(234)
Amortization for disposal objects	-	-	36	-	-	36
As on 31st December 2008	(91)	(96)	(276)	(57)	(28)	(548)
Accumulated amortization for the year	-	(7)	(62)	(5)	(4)	(78)
Amortization for disposal objects	-	-	5	-	-	5
As on 31st March 2009	(91)	(103)	(333)	(62)	(32)	(621)
Net book value						
As on 31st December 2007	966	124	1,130	619	43	2,882
Net book value						
As on 31st December 2008	979	97	1,231	598	29	2,934
Net book value						
as on 31st March 2009	979	98	1,377	593	25	3,072

Oracle E-Business Suite

As of 31 March 2009, the software included a software product Oracle E-Business Suite with a book value of 551 (as of December 31, 2008 - 578). The Company proceeded to software exploitation and to amortize software product Oracle E-Business Suite since the moment of its application (March 2006) in the period of useful using, established within 10 years.

Changes in the book value of the software product Oracle E-Business Suite for 2008 and 3 months, ended March 31 2009 are disclosed below:

	3 months, ended 31st March 2009	2008
As at 1st January	578	360
Additions	19	407
Amortisation charge	(46)	(188)
Disposals	-	(1)
As at 31 December	551	578

Amdocs Billing Suite

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

This program software was purchased for installation centralized accounts system.

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

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Licences

As at March 31, 2009 Group have licenses to the telecommunications services.

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

Intangible assets amortization

Amortization of intangible assets for 3 months 2009 is 78 (for 3 months 2008 – 75) and were included to the account “Depreciation and amortization” of Consolidated Profit and Loss Statement.

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

Group made an analysis of intangible assets which are not ready for depreciation as at March 31, 2009. There were not found mentioned assets by result of made analysis.

Analysis of other intangible assets for depreciation

Group made an analysis of other intangible assets, goodwill, and intangible assets with non limited term of useful life for subject of depreciation as at March 31, 2009. There were not found mentioned assets by result of made analysis.

9. Long term other assets

	as of 31st March 2009	as of 31st December 2008
Long term prepayments for investments activity	648	592
Long term prepayments for core business activity	2	2
Total	650	594

10. Investments into associates

Company name	Type of activity	As of 31st March 2009		
		Share in share capital and other interests , %	Voting shares and other interests, %	Book value
Kamalyaskom, Ltd.	Telecommunications services	50	50	1
Magalyaskom, Ltd.	Telecommunications services	50	50	14
Vostoktelecom, Ltd.	Telecommunications services	25	25	62
Total				77

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

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Total	72
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All the listed companies are Russian corporate entities, registered in compliance with the laws of the Russian Federation and have the same fiscal year as the Group.

11. Financial assets

	as of 31 st March 2009	as of 31 st December 2008
Long-term financial assets available for sale	9	9
Long term loans given	3	2
Total long-term financial assets	12	11
Short-term financial investments, available for sale	-	146
Short-term investments held to maturity	55	-
Short-term loans given	8	8
Other short-term financial assets	1	-
Total short-term financial assets	64	154
Total financial assets	76	165

As of March 31, 2008 and December 31, 2008 financial assets, available for sale, included:

	As of 31 st March 2009		as of 31 st December 2008	
	Share in share capital and other interests , %	Fair value	Share in share capital and other interests , %	Fair value
Long-term financial assets				
OJSC Commercial Bank Sberbank of Russia	-	3	-	3
OJSC Svyazintek	4.00	5	4.00	5
OJSC Commercial Bank «Svyaz-Bank»	0.03	1	0.03	1
Short-term financial investments				
OJSC Commercial Bank Sberbank of Russia	Bills	-		146
Total		9		155

The Group invests its temporarily available funds in promissory notes issued by various Russian financial institutions and companies which mature within 12 months of the balance sheet date or which have no fixed maturity date. The Group intends to dispose of these promissory notes within the following year. The promissory notes carry yield at a rate of 20% and are denominated in roubles. Group uses bills as financial instrument, mainly, for receiving financial yield. As of March 31, 2008 the bills to maturity summarized to 55 (for 31st December 2008 – 146), and were included to investments held to maturity (for 2008 it were included to the account of short-term financial assets available for sale).

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

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

12. Inventories

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	as of 31 st March 2009	as of 31 st December 2008
Cable and spare parts	296	236
Ready products and goods for sale	4	4
Other inventories	343	271
Total inventories	643	511

As of March 31, 2009 there were no inventories stocks of the Group, which are in form of loans or given protection of liabilities, at the balance.

13. Trade and Other Accounts Receivables

	Total, as of 31 st March 2009	Allowance for doubtful debts	Net as at 31 Decemb er 2008
Receivables from customers for core business activity	1,820	(331)	1,489
Receivables from customers for non-core business activity	110	(24)	86
Receivables from agents and commissioners	48	-	48
Settlements with personnel	13	-	13
Other receivables	152	(6)	146
Total	2,143	(361)	1,782

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

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

:

	Total, as of 31 st March 2009	Allowance for doubtful debts	Net, as of 31 st March 2009
Individuals	1,054	(233)	821
Commercial organizations	300	(60)	240
Budget organizations	196	(12)	184
Telecommunications operators	258	(14)	244
Social security bodies – allowance of expenses attributed to provision of discounts for certain categories of subscribers	12	(12)	-
Total accounts receivable from customers for core business activity	1,820	(331)	1,489

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

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

	2009	2008
Balance for January 1st	352	272
Allowance calculation	11	108
Amortization of accounts receivable	(2)	(28)
Balance for March 31st	361	352

14. Other current assets

	Total, as of 31st March 2009	Allowance	Net, as of 31st March 2009
Prepayment and advances	346	(3)	343
VAT to be refunded	37	-	37
Other tax advances	22	-	22
Future period expenses	32	-	32
Other current assets	21	(5)	16
Total	458	(8)	450

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

15. Cash funds and cash equivalents

As at 31st March 2009 and 31 December 2008 cash and cash equivalents comprised cash in bank and in hand.

As at 31st March 2009 Group has no any limitations for cash funds using.

16. Share capital

As of 31st March 2009 face and book value of ordinary and preferred shares were:

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

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

All issued shares were fully paid.

Share capital structure of the Company as of March 31, 2009 is represented below:

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

The ordinary shareholders are entitled to one vote per share.

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

The preference shares have no rights of redemption or conversion but carry non-cumulative dividends per share in the amount calculated from 10% of the Russian accounting net profit for the year, calculated in accordance with Russian Accounting Statements and divided by per amount of preferred shares or dividend payable per one ordinary share. In case if owners of preferred shares will receive sum of dividends less than 10% of net profit calculated in accordance with Russian Accounting Standards, dividend payment shall not be made per ordinary shares.

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

Distributed net profit of all Group’s companies shall be limited by their non distributed profit and regulated by national law about Accounting. Non distributed profit of the Company, calculated in accordance with laws of Russian Federation as of 31st March 2009 and 31st December 2008 reached 4,900 and 4,856 perspective.

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

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

For 3 months, ended 31st March 2009, the Company did not issue any additional ADR issues.

ADR Changing for the period from 2006 to 2008:

	ADR outstanding (units)	<i>Equality amount of ordinary shares, units</i>	<i>Share in ordinary stocks, %</i>	<i>Share in authorized capital, %</i>
December 25, 2006	51,603	1,548,090	1.62	1.22
<i>Changing for 2006</i>	(26,466)	(793,980)	(0.83)	(0.63)
January 1, 2007	25,137	754,110	0.79	0.59
<i>Changing for 2007</i>	3,987	(119,610)	(0.12)	(0.09)
December 31, 2007	29,124	873,720	0.91	0.68
<i>Changing for 2008</i>	39,996	(528,120)	(0.55)	(0.43)
December 31, 2008	69,120	345,600	0.36	0.25
<i>Changing for the 1st quarter 2009</i>	(4,257)	(21,285)	(0.02)	(0.02)
March 31, 2009	64,863	324,315	0.34	0.26

Currently ADRs are traded at the following stock exchanges:

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

17. Loans and borrowings

	As of 31 st March 2009	as of 31 st December 2008
Long-term loans and borrowings		
Bank credits and loans	2,765	3,001
Bonds	2,431	2,431
Bills		
Commercial credits		-
Lease liability	173	223
Interests liability		
Restructured payments of customers for subscription		
Other long-term borrowings and liabilities		
Less: current portion of long-term borrowings	(2,403)	(2,449)
Total long-term loans and borrowings	2,966	3,206
Short-term loans and borrowings		
Bank loans		1
Bonds		
Bills		
Commercial papers		
Interests	87	31

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Other short-term loans and borrowings		
Total short-term loans and borrowings	88	32
Current share of long-term loans and borrowings	2,403	2,449
Total short-term loans and borrowings	2,491	2,481
 Total loans and borrowings	 5,457	 5,687

As of March 31, 2009 the Company concluded five contracts of credit line in order to cover current needs in floating capital and financing of investment projects. Sum of debt for these contracts is 2,765 (as of 31st December 2008 – 2,905). Circumstances of credit lines granting provides interests cumulating to non used balance of opened line for possibility for Group to receive money by request. Sum of cumulated interests per non used balances of opened lines reached 3 to 31st March 2009 (as of 31st December 2008 – 2).

As at 31st March 2009 and 31st December 2008, the Group’s borrowings are secured by the following assets in pledge:

As of 31 March 2009					
	Fixed assets	Inventories	Type of pledge Financial assets	Other assets	Total
Bank credits and loans	247	-	-	-	247
Total	247	-	-	-	247
As of 31 December 2008					
	Fixed assets	Inventories	Type of pledge Financial assets	Other assets	Total
Bank credits and loans	369	-	-	-	369
Total	369	-	-	-	369

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

Long-term loans and borrowings

Bank credits and loans

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

Counteragent	Interest rate per loan agreement	31st March 2009	31 st December 2008	Currency, per the loan agreement	Date of maturity	Security
OJSC CB «Sberbank»	8.75%	1,955	1,955	RUR	29.01.2012	Pledge
OJSC CB «Svyazbank»	12.75%	0	8	RUR	17.02.2009	Pledge
OJSC CB «Svyazbank»	9.40%	450	450	RUR	05.06.2009	no
OJSC CB «Svyazbank»	17%	273	0	RUR	13.08.2010	no

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OJSC CB Bank				RUR		
Societe Generale	Mosprime					
Vostok (BSGV)	+2.3%	0	500		17.06.2009	no
OJSC «Dalnevostochny Bank»	11.25%	87	88	RUR	09.10.2009	Pledge
Total		2,765	3,001			

Sberbank

Long-term loan of the Group OJSC CB Sberbank is mainly credit line of 1,955, received 30 January 2007 for financing part of expenses made in connection with purchasing 51% shares of OJSC Sakhatelecom. Date of contract expiration – January 29, 2012. For use of credits the Company pays interest to banks at the rates 8.75 percents annually. Credit security is ordinary shares amounted to 51% of OJSC Sakhatelecom’s share capital with pledged cost 1,836, and property of the Group brought to pledge. Book value of brought to pledge property is 110. As of March 31 2009 debt was 1,955.

Svyaz-Bank

In December 2007 the Group signed a contract with OJSC CB Svyaz-Bank about opening of renew credit line with limit of 450 for payments making for operational, finance and investment activity till 5th June 2009. For credit using the Group pays to the bank interests. The interest rate is 9.4% p.a. Balance for 31st March 2009 for this contract is 450. There is no security for this credit.

In February 2009 the Group signed contract with OJSC CB Svyaz-Bank about opening of renew credit line with the limit of 700, for current business activity till to 13 August 2010. For credit using the Group pays to the bank interests. The interest rate is 17% p.a. Balance for 31st March 2009 for this contract is 273. There is no security for this credit.

Dalnevostochny Bank

In October 2006 and in July 2007 ZAO AKOS entered into the loan agreement with Dalnevostochny Bank for replenishment of working capital. The interest rate is 11.25%. The balance as at 31 December 2008 was 87. The loan is secured by the property of CJSC AKOS with the pledge value of RUR 107.

Bonds

The table below summarizes the information about the bonds issued as at 31 March 2009 and 31 December 2008.

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

In June 2006 Group issued two issues of bonds to 3,500,000 (2,000,000 и 1,500,000) with face value 1 000 Roubles each. Bonds have 12 and 6 coupon payments, respectively. Payments on the 1st coupon shall be made

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on 182nd day after the issue. Interest rate on coupons was determined as 8.85% and 8.6%, respectively. Bonds are payable in the proportion determined in percentage of face value starting from December 2007 (for RUR 1,500,000 thousand bond issue) and starting from December 2009 (for RUR 2,000,000 thousand bond issue). The bonds should be fully matured in July 2009 and May 2012, respectively. Monetary assets received from bonds issue have been sent to fulfilment of working capital.

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

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

At 31 March 2009 the outstanding balance of loans was RUR 2,431.

Vendor financing

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

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

Finance Lease Obligations

	31 March 2009		31 December 2008	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Current portion	175	156	223	196
Over 1 year to 5 years	20	17	31	27
Total minimum lease payments	195	173	254	223
Less amount representing finance charges	(22)		(31)	-
Present value of minimum lease payments	173	173	223	223

During 3 months, ended 31st March 2009, the Group’s primary lesser was OJSC RTC-Leasing. For 3 months 2009, the effective interest rate on lease liabilities were from 18% to 23% per annum (for 3 months 2008: from 21% to 59%).

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

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

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18. Employee benefits

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

Defined Benefit Pension Plans

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

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

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

As at 31st March 2009 there are 14,137 working participants of retirement plan with defined payments and 699 pensioners having right to granting benefits by the end of work period and retirement payments, and 7.343 former employees have a right to receiving other types of benefits provided by the Company in the Group (as at 31 December 2008 there are 14,137, and 699, and 7.343 in the Group prospectively).

For 3 month, ended 31st March 2009, the Group’s expenses to retirement plans with determined payments were 16 (for 3 months, ended 31st March 2008 - 46).

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

19. Other non current liabilities

	31 march 2009	31 December 2008
Deferred income	86	91
Special purpose financing	4	4
Total	90	95

20. Provisions

	Employee dismissal provision	Provision for legal claims	Other	Total
Balance at 31 December 2007	46	412	-	458
Used during 3 months, ended 31 st March 2008	(9)	(19)	-	(28)
Balance as at 31st March 2008	37	393	-	430
Balance as at 31st December 2008	74	37	45	156
Used during 3 months, ended 31 st	(12)	-	(11)	(25)

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march 2009

Balance as at 31st March 2009	62	37	34	134
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Personnel Dismissal Plans

The Group made a provision for termination payments to the employees who as of 31 March 2009 had been notified of their forthcoming termination.

Provision for Legal Claims

The provision for legal claims recognized in the financial statements represents the total amount of provision with respect to appropriate actions at law instigated against the Group. The amount of the provision as at 31 March 2008 is expected to be fully utilized in 2009. Management believes that the amount of a final settlement related to litigation will not exceed the amount of the provision as at 31 March 2009.

21. Accounts Payable and Accrued Expenses

	31 march 2009	31 December 2008
Accounts payable on taxes, fees, social security	596	450
Salaries and wages	569	598
Accounts payable to suppliers of fixed assets	386	602
Accounts payable to interconnect operators	318	335
Trade account payable	471	244
Account payable to intangible assets (software products)	76	32
Dividends payable	50	51
Other accounts payable	72	134
Total	2,538	2,401

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

	31 march 2009	31 December 2008
Value-added tax	402	329
Property tax	94	55
Individual income tax	41	17
Unified social tax	56	47
Other taxes	3	2
Total	596	450

Other accounts payable

Other current payables were mainly represented by the settlements with the Universal Telecommunication service Fund – 142 (as at 31 December 2008: 108).

22. Other current liabilities

	31 March 2009	31 December 2008
Advances received from operating activity	275	344
Advances received from non-operating activity	16	4
Total other current liabilities	291	348

23. Conventional liabilities and operating risks

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Taxation

According to the decision of the Company’s executives as of September 30, 2008 they interpret the corresponding provisions of legislation correctly and probability for the Company to keep the present condition from the point of tax, currency and customs legal requirements is high.

Circumstances of business activity

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

Taxation

As of 31 March 2009 the Group executives confirms that they correctly interprets whole laws and so there is a high probability of keeping current the Group’s positions respect to the tax, currency and customs laws.

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

Insurance

The Group undertakes risk management measures, including acquisition of insurance policies. During 3 months, ended 31st March 2009, the Group maintained insurance coverage on equipment, auto transport, buildings and other property, employees, and corporate governance members (D&O), dangerous business objects. As a natural monopoly, the Company has to select a provider of insurance services on an open tender, to meet the requirements of the Federal Law No, 135-FZ “On Protection of Competition” as of 26 June 2006. .

Legal Proceedings

During the 3 months, ended 31st March 2009, the Group participated (both as a plaintiff and a defendant) in a number of legal proceedings that arose in the course of ordinary business activity. In the Company management’s opinion, at present there are no current legal proceedings or suits that might have a significant impact on the Group’s performance or financial position and that were not recognized or disclosed in these consolidated financial statements.

Optimization of personnel number

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

The programs included gradual reduction of personnel number within the whole 2009 year. As at 31 March 2009 108 persons are notified about upcoming reduction. There was created provision on redundancy payment for these employees.

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As for other employees to be reduced after 31 March 2009 at the present moment the Company is not able to make exact evaluation of the amount of necessary payments.

24. Finance instruments and risk management

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

Capital Management Policy

The Group’s capital management policy is primarily focused on increasing credit ratings, improving financial independence and liquidity ratios, restructuring of payables and debts, and reducing the cost of capital.

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

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

The financial independence ratio is calculated as shareholders’ equity to the balance sheet total at the end of the period. Net debt/shareholders’ equity is calculated as net debt to shareholders’ equity at the end of the period. Net debt/EBITDA is calculated as net debt at the end of the period to EBITDA for the previous period. The indicators used for capital management are determined in accordance with Russian accounting standards. The Group policy during 3 months, ended 31 March 2009, had not been changed in comparison to the policy of capital management of 2008.

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Income and expenses on financial instruments

For 3 months, ended 31 March 2009

	Consolidated profit and loss statement							Total
	Other operating expenses			Financial expenses				
	Bad debt expenses	Interest expense	Interest income	Dividend income	Share of results of associates	Fair value changing	Income / loss from currencies exchange	
Cash and cash equivalents	-	-	(9)	-	-	-	-	(9)
Accounts receivable	11	-	-	-	-	-	-	11
Other financial assets	-	-	-	-	(68)	-	-	(68)
Total financial assets	11	-	(9)	-	(68)	-	-	(66)
Credits and loans	-	134	-	-	-	-	-	134
Liabilities on financial lease	-	10	-	-	-	-	-	10
Accounts payable	-	-	-	-	-	-	6	6
Total financial liabilities	-	144	-	-	-	-	6	150

2008 г.

	Consolidated profit and loss statement							Total
	Other operating expenses			Financial expenses				
	Bad debt expenses	Interest expense	Interest income	Dividend income	Share of results of associates	Fair value changing	Income / loss from currencies exchange	
Cash and cash equivalents	-	-	(51)	-	-	-	-	(51)
Accounts receivable	108	-	-	-	-	-	-	108
Investments in associates	-	-	-	-	-	(7)	-	(7)
Financial investments	-	-	(38)	(2)	-	-	-	(40)
Loans issued	-	-	(1)	-	-	-	-	(1)
Total financial assets	108	-	(90)	(2)	-	7	-	9
Credits and loans	-	459	-	-	-	-	3	462
Liabilities on financial lease	-	79	-	-	-	-	-	79
Total financial liabilities	-	538	-	-	-	-	-	541

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Foreign Exchange Risk

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

The Group have no liabilities in foreign exchange as at 31 March 2009.

Interest Rate Risk

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

The following table presents the Group’s financial assets and liabilities which are differed by character of connected with them interest rates: :

As of 31 March 2009	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	-	-	777	777
Accounts receivable	-	-	1,782	1,782
Financial assets available-for-sale	-	-	9	9
Investments took to maturity	55	-	-	55
Loans issued	11	-	-	11
Total financial assets	66	-	2,568	2,634
Bank loans	2,765	-	-	2,765
Bonds	2,431	-	-	2,431
Finance lease	173	-	-	173
Interest payable	-	-	87	87
Accounts payable	-	-	2,551	2,551
Total financial liabilities	5,369	-	2,638	8,007
As of 31 December 2008	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	-	-	554	554
Accounts receivable	-	-	1,479	1,479
Financial assets available-for-sale	-	-	155	155
Loans issued	10	-	-	10
Total financial assets	10	-	2,188	2,198
Bank loans	2,501	500	-	3,001
Bonds	2,431	-	-	2,431
Vendor financing	1	-	-	1
Finance lease	223	-	-	223
Interest payable	-	-	31	31
Accounts payable	-	-	2,044	2,044
Total financial liabilities	5,156	500	2,075	7,731

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

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Risk of liquidity

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

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

	2009	2010	2011	2012	2013 r. and later	Total
Cash and	777	-	-	-	-	777
Accounts receivable	1,782	-	-	-	-	1,782
Financial assets available-for-sale	-	9	-	-	-	9
Investments kept till maturity	55	-	-	-	-	55
Loans issued	8	3	-	-	-	11
Total financial assets	2,622	12	-	-	-	2,634
Banks loans	995	957	651	162	-	2,765
Bonds	750	600	700	381	-	2,431
Financial lease	-	-	-	-	-	-
Interest debt	87	-	-	-	-	87
Accounts payable	2,551	-	-	-	-	2,551
Total financial liabilities	4,383	1,557	1,351	543	-	7,834

Information represented in the table includes interest repayment, which have been cumulated or will be cumulated in future periods.

Credit risk

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

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

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

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

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

As of 31 March 2009

Terms of delay (days)

	Total	<30	30-60	60-90	90-180	180-360	>360
Commercial organizations	24	-	15	5	4	-	-
Individuals	14	-	9	3	2	-	-
State (budget)	64	-	39	15	10	-	-
Telecommunications operators	16	-	-	10	6	-	-
Social assistance authorities – reimbursement of expenses related to benefits granting to special categories of subscribers.	-	-	-	-	-	-	-
Total	118	-	63	33	22	-	-

As of 31 March 20098

Terms of delay (days)

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

Fair value of financial instruments

Financial instruments, used by the Group, are divided to the one of the following groups:

- Investments kept till maturity (KTM) ;
- Financial assets available to sale (FAS);
- Financial assets, evaluated under fair value (FAFV);
- Loans and accounts receivables (LAR) ;
- Liabilities, accounted under depreciated value (LDV).

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

	Type	as of 31 March 2009		as of 31 December 2008	
		Book value	Fair value	Book value	Fair value
Bank loans	OAC	-	-	1 498	1 277
Bonds	OAC	2 431	2 324	2 431	2 324
Total financial liabilities		2 431	2 324	3 929	3 601

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25. Revenues

	For 3 months, ended 31 March	
	2009	2008
Local telephone services	1,591	1,461
Telegraph services, data transfer and telematic telecommunications (Internet)	1,170	860
Intrazone telephone services	605	630
Connection and traffic transmission	381	473
Mobile radio (cellular) telecommunications	277	288
Cooperation services and agency fee	86	84
Mobile radio, wired broadcasting, radio, TV	40	35
Other services	12	1
Revenues from other sale (other types of activity)	97	93
Total	4,259	3,925

Revenues from Telegraph services, data transfer and telematic telecommunications (Internet) include revenues from data transfer and telematic telecommunications (Internet) amounting at 1.123 (for 3 months, ended 31 March 2008 – 808).

Revenues from other sales (other types of activity) include revenues from assets lease amounting at 87 (for 3 months, ended 31 March 2008 – 77).

The Group detailed revenues on the following main client groups:

Client groups	For 3 months, ended 31 March	
	2009	2008
Individuals	2,458	2,203
Commercial organizations	988	805
Budget (state) organizations	457	406
Telecommunications operators	356	511
Total	4,259	3,925

26. Personnel costs

	For 3 months, ended 31 March	
	2009	2008
Wages and salaries	934	840
Union social tax	215	216
Pension and long term social responsibility liabilities	16	47
Other personnel costs	-	5
Total	1,165	1,108

27. Materials, repairs and maintenance, utilities

	For 3 months, ended 31 March	
	2009	2008
Materials	162	169
Utilities	159	132
Repairs and maintenance	73	49

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Total	394	350
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28. Other operating income

	For 3 months, ended 31 March	
	2009	2008
Profit from fixed and other assets sale	68	-
Reimbursement of losses from universal telecommunication services	39	-
Reimbursement of losses from fixed assets depreciation, construction in process, intangible assets, and other assets	-	1
Other income	25	49
Total	132	50

Profit received from fixed and other assets sale, includes profit from telegraph building selling and 3 garages in Blagoveschensk city (Amursky Branch of the Company).

29. Other operating expenses

	For 3 months, ended 31 March	
	2009	2008
Other services and services related to the management	80	78
Taxes, other than income tax	77	68
Agency fee	68	59
Fire and other security services	52	51
Rent of property	49	38
Universal service fund payments	42	37
Advertising expenses	40	34
Audit and consulting fees	22	16
Bad debt expense	11	14
Transportation and postal services	9	11
Member fees, charity contribution, payments to labour unions	4	6
Insurance	3	5
Losses on disposal of property, plant and equipment	-	3
Other expenses	35	30
Total	492	450

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

30. Financial expenses

	For 3 months, ended 31 March	
	2009	2008
Interest expense on loans and borrowings	134	130
Interest expense on finance lease	10	26
Total	144	156

31. Other incomes and expenses on finance and investments activity

	For 3 months, ended 31 March	
	2009	2008
Incomes on interests to financial assets	9	30
Profit from sale of other financial assets	-	1
Total	9	31

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32. Balances and Transactions with Related Parties

During 3 months 2009 there was not material changes in the structure of related parties comparing to the structure of related parties as of 31 December 2008.

OJSC Svyazinvest

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

As of 31 March 2009, the Russian Government in the Federal Agency of Federal Property Management held 75% minus one ordinary share of OJSC Svyazinvest.

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

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

Subsidiaries

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

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

OJSC Rostelecom

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

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

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

Transactions with State entities

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

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OJSC «Svyazintek»

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

Non-government Pension Funds

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

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

Remuneration of Key Management Personnel

The key management personnel consists of members of the Executives Committee and the Board of Directors of the Company, number of which is 17 people as of 31 March 2009 and 18 people as of 31 December 2008.

Remuneration for members of the Board of Directors and the Executives Committee of the Group for 3 month 2009 includes salaries, bonuses and remuneration for participation in the work of corporate governance bodies and amounts to 4 (for 3 month, ended 31 March 2008 - 2). The remuneration amounts are stated exclusive of the unified social tax.

33. Subsequent Events

Dividends

The Board of Directors recommended dividends for 2008 of 2.7238 Roubles per ordinary share and 5.4772 Roubles per preference share, which amounted to 431 (2007 - 175). It is subject to the approval at the annual shareholders’ meeting to be held in June 2009. Following the approval annual dividend payable to shareholders will be recognized in the 2009 financial statements (see also note **Ошибка! Источник ссылки не найден.**).

Annual dividend per one share was approved by General Shareholders Meeting 10 June 2009. General Shareholders Meeting approved dividends for 2008 in amount of 2.7238 Roubles per one ordinary share and 5.4772 Roubles per one preferred share (for 2007 – respectively 0.9232 Roubles and 2.7571 Roubles). Total sum of dividends is 260 per ordinary shares and 171 per preferred shares (for 2007 – respectively 88 and 87).

Bank loans

29 May 2009 the Group entered agreement of renew credit line with OJSC “CB Svyaz- Bank”with limit 1.500. Date of loan maturity is 29 May 2011. For credit using the Group pays to the bank interests at 17% annually.

Optimization of personnel number

In order to increase Company’s activity efficiency there was adopted the Program of optimization of personnel.

In compliance with the Program within the period from April 01, 2009 to till the date of signing of these consolidated interim financial statements 35 employees were notified about reduction.

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Expenses related to the Group’s personnel reduction starting from April 01, 2009 comprised 2.

Coupon payment per bonds

In June 2009 the Group executed obligation to pay coupon yield per bonds in amount 108. Paid coupon per each loan is 19.29 (sixth coupon for loan with face value 1,500) and 88.26 (sixth coupon for loan with face value 2,000).