

OJSC "Far East Telecom"

**Non-audited
Consolidated Interim Financial Statements**

For 9 months period, ended on September 30, 2008.

(Translation from Russian language)

Non-audited
Consolidated Interim Financial Statements

For 9 months period, ended on September 30, 2008

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OJSC "Far East Telecom"

Non-audited Consolidated Interim Balance Sheet as at 30 September 2008

(in millions of Russian Roubles)

	Notes	30 September 2008	31 September 2007
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,233	12,992
Intangible assets and goodwill	8	2,858	2,882
Investments in associates	9	71	67
Financial investments	10	14	18
Long-term accounts receivable and other assets	11	9	12
Long-term advances given	12	746	234
Total non-current assets		16,931	16,205
Current assets			
Inventories	13	582	449
Trade and other accounts receivable	14	1,539	1,263
Income tax receivable		37	35
Financial investments	10	75	771
Other current assets	16	626	394
Cash and cash equivalents	15	835	342
Total current assets		3,694	3,254
TOTAL ASSETS		20,625	19,459
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	4,366	4,366
Treasury shares		(1)	(1)
Retained earnings		3,919	2,672
Total equity attributable to equity holders of the parent		8,284	7,037
Minority interest		1,530	1,399
Total equity		9,814	8,436
Non-current liabilities			
Long-term borrowings	19	3,650	4,704
Long-term finance lease obligations	20	74	225
Pension liabilities		1,086	964
Long-term income tax payable		100	115
Long-term other taxes payable		840	741
Total non-current liabilities		5,750	6,749
Current liabilities			
Accounts payable and accrued expenses	22	2,037	1,640
Income tax payable		-	3
Other taxes payable	23	470	183
Dividends payable		69	35
Short-term borrowings	19	94	803
Current portion of long-term borrowings	19	1,811	846
Current portion of long-term finance lease obligations	20	224	306
Provisions	21	356	458
Total current liabilities		5,061	4,274
Total liabilities		10,811	11,023
TOTAL EQUITY AND LIABILITIES		20,625	19,459

Chief Executive Officer _____ Anton Y. Kolpakov

Chief Accountant _____ Elena V. Sidorova

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

OJSC “Far East Telecom”

Non-audited Consolidated Interim Income Statement
for 3 months and 9 months, ended 30 September 2008
(in millions of Russian Roubles, except per share amounts)

	Notes	3 months, ended September 30, 2008	3 months, ended September 30, 2007	9 months, ended September 30, 2008	9 months, ended September 30, 2007
Revenues	27	4,182	3,756	11,956	11,013
Wages, salaries, other employee benefits and social contributions		(1,224)	(1,118)	(3,529)	(3,464)
Depreciation and amortization	7,8	(524)	(468)	(1,600)	(1,457)
Materials, repairs and malignance, utilities		(536)	(424)	(1,481)	(1,169)
Taxes other than income tax		(374)	(325)	(1,101)	(966)
Interconnection charges – Russian companies		(75)	(67)	(212)	(196)
Allowance for recovery of doubtful receivables		(66)	(40)	(108)	(58)
Gain/Loss on disposal of property, plant and equipment		68	16	44	(12)
(Expenses) recovery of reserve for tax liabilities	29	56	43	80	76
Other operating expenses	28	(638)	(448)	(1,397)	(1,466)
Operating profit		869	925	2,652	2,301
Loss from share of result of associates	10	1	4	3	(1)
Interest income/expenses, net	30	(104)	(135)	(346)	(420)
Other expenses	31	2	20	18	33
Gain/loss from investments		(1)	-	(1)	2
Profit before taxes		767	814	2,326	1,915
Profit tax		(326)	81	(770)	(596)
Profit for accounting period:		441	895	1,556	1,319
attributable to shareholders of parent company		394	826	1,425	1,179
attributable to minority shares		47	69	131	140
Profit/Loss for accounting period		441	895	1,556	1,319
Basic and diluted earnings (losses) per share (Russian Roubles), for full year earnings, attributable for minority shares	32	4,614	9,364	16,279	13,800

Chief Executive Officer _____ Anton Y. Kolpakov

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OJSC “Far East Telecom”
Non-audited Consolidated Interim Statement of Cash Flows
for 9 months, ended September 30, 2008
(in millions of Russian Roubles)

	Notes	9 months, ended September 30, 2008	12 months, ended December 31, 2007
Cash flows from operating activities:			
Profit before income tax		2,327	2,014
Adjustments for:			
Other gain from investments, net	7,8	1,600	2,088
Depreciation and amortization		(44)	132
Loss/(gain) on disposal of property, plant, and equipment		-	(3)
Foreign exchange gain, net	10	(3)	2
Share of result of associates	31	(18)	(44)
Interest expense, net	30	346	550
Allowance for doubtful receivables		108	58
Allowance for inventories obsolescence and doubtful other assets		13	-
Provisions		-	(427)
Operating cash flows before changes in working capital		4,329	4,370
Decrease/(increase) in accounts receivable		(461)	63
Decrease in other current assets		(457)	147
Decrease in inventories		(133)	14
Decrease in accounts payable, accrued expenses and advances received		133	(275)
Increase/(decrease) in taxes payable others than income tax		287	77
(Decrease)/increase in pension liabilities		122	(55)
Decrease/(increase) in accounts receivable		(102)	-
Cash flows generated from operations before income taxes and interest paid		3,718	4,341
Interest paid		(417)	(231)
Income tax paid		(686)	(835)
Cash flows from operating activities		2,615	3,275
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(1,874)	(2,188)
Proceeds from sales of property, plant and equipment		489	236
Acquisition of intangible assets		(191)	(328)
Acquisition of subsidiaries less cash proceeds received		(13)	(328)
Proceeds from sale of associates and other financial assets		-	61
Acquisition of financial assets		675	(764)
Sales of financial assets		5	11
Interest received		119	30
Dividends received		1	1
Cash flows utilized in investing activities		(789)	(2,941)

OJSC “Far East Telecom”

Non-audited Consolidated Interim Statement of Changes in Equity

for the year ended 30 September 2008

(in millions of Russian Roubles)

	Notes	9 months, ended September 30, 2008.	12 months, ended December 31, 2007
Cash flows from financing activities:			
Proceeds from borrowings		390	4 019
Repayment of borrowings		(946)	(797)
Repayment of finance lease obligations		(300)	(300)
Repayment of vendor financing obligations		(276)	(366)
Repayment of promissory notes		(32)	(164)
Dividends paid		-	(2,428)
Proceeds from borrowings		(169)	(140)
Cash flows from/(utilized in) financing activities		(1,333)	(176)
Net increase in cash and cash equivalents		493	158
Cash and cash equivalents at the beginning of the year	15	342	184
Cash and cash equivalents at the end of the year	15	835	342

Chief Executive Officer _____ Anton Y. Kolpakov

Chief Accountant _____ Elena V. Sidorova

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

OJSC “Far East Telecom”
Consolidated Statement of Changes in Equity
for the year ended 31 December 2007
(in millions 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 31 December 2006	18	1,081	3,285	(6)	1,552	5,912	21	5,933
Profit for the period		-	-	-	1,272	1,272	88	1,360
Total recognised income and expenses for the period					1,272	1,272	88	1,360
Dividends to shareholders		-	-	-	(152)	(152)	-	(152)
Treasury shares acquired				5		5	-	5
Acquisition of minority interest in subsidiary companies		-	-	-	-	-	(2)	(2)
Acquisition of minority interest		-	-	-	-	-	1,292	1,292
Balance at 31 December 2007		1,081	3,285	(1)	2,672	7,037	1,399	8,436
Profit for the period		-	-	-	1,425	1,425	131	1,556
Total recognised income and expenses for the period		-	-	-	1,425	1,425	131	1,556
Dividends to shareholders		-	-	-	(174)	(174)	-	(174)
Loss from financial assets fair value change		-	-	-	(4)	(4)	-	(4)
Balance at 31 December 2008	18	1,081	3,285	(1)	3,919	8,284	1	9,814

Chief Executive Officer _____ Anton Y. Kolpakov

Chief Accountant _____ Elena V. Sidorova

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OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

1. General information

Confirmation

The non-audited consolidated financial statements OJSC "Far East Telecom" (the Company) and its subsidiaries (jointly called the Group) were comprised as for 9 months 2008 ended September 30 and authorized for publishing in compliance with the decision of Chief executive Officer A. Y. Kolpakov and Chief Accountant E. V. Sidorova on December 1st, 2008.

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 September 30, 2008 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.

Tariff regulation

According to the Order №365-c/10 of the Federal Tariff Service of November 23, 2007 and on the basis of the OJSC “Far East Telecom” Order №15 of January 15, 2008:

- from January 01, 2008 all branches approved the Combined tariff plan for local telephone communications for those subscribers who are corporate clients;
- from February 01, 2008 all branches increased the tariff for 1 minute of local telephone connection over basic volume of local connections with combined system of payment for local connections from 0,23 to 0,24 rubles for those subscribers who are individuals.
- From January 2008 for Amur region it was decreased local communications tariff over non limited amount of local telephone connection for those subscribers who are individuals. Tariff was decreased:
 - from 210 Roubles to 190 Roubles for individual clients;
 - from 95 Roubles to 105 Roubles for shared telephone line.

By the Order №24 of the OJSC “Far East Telecom” of January 21, 2008 date of tariffs introduction into use was moved.

For all regional branches for local telephone connection service to subscribers who are corporate clients, approved by the order № 15 of the OJSC “Far East Telecom” of January, 2008, from January to February 1, 2008.

For Amur branch for the service of local telephone connection to subscribers who are individuals, approved by the order № 15 of the OJSC “Far East Telecom” of January, 2008, from January to February 1, 2008.

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

Tariffs for local telephone connections service

For subscribers who are residents (individuals):

- ultimate levels of tariffs for local telephone connections services for 1 minute with timely payment system and for 1 minute over basic volume of local telephone connections are rounded to even numbers: from 0,23 rubles per minute to 0,24 rubles per minute including VAT;
- ultimate levels of tariffs that have been established by the Federal Tariff Service are decreased for local telephone connections with subscribers’ payment system for unlimited volume of local telephone connections for subscribers living in northern regions of UTN, Amur branch, for 9,5% that from February 1, 2008 equal to: from subscriber number of individual use – 330 rubles including VAT, from subscriber number of dual line use – 235 rubles including VAT (in January of 2008 tariffs were:
 - from subscriber number of individual use – 350 rubles including VAT, from subscriber number of dual line use – 245 rubles including VAT).

For subscribers who are corporate clients:

- there was established ultimate level of tariffs for the basic volume of local telephone connections service with combined payment system amounting at (VAT not included) (not existed in 2007):
 - Primorye branch – 120 rubles (excluding line cost);
 - Khabarovsk branch – 100 rubles; UTN, Village Telephone Network (VTN) (zone 1) – 100 rubles; UTN, VTN (zone 2) -250 rubles (excluding line cost);
 - Jewish Autonomous Region - 100 rubles (excluding line cost);
 - Sakhalin branch – 180 rubles (excluding line cost);
 - Kamchatka branch - 180 rubles (excluding line cost);
 - Amur branch- UTN, VTN (zone 1) – 180 rubles; UTN, VTN (zone 2) -280 rubles (excluding line cost);
 - Magadan branch – UTN – 230 rubles, VTN - 110 rubles (excluding line cost).
- ultimate levels of tariffs for one minute of local telephone connections over the basic volume with combined payment system at the level of corresponding tariffs are set for population as 0,24 rubles without VAT (in 2007 the tariff for population was 0,23 rubles including VAT);
- ultimate levels of tariffs for local telephone connections service with subscribers payment system for unlimited volume of local connections amounting at 295.78 rubles without VAT remain at the level of 2007.

2. Basis of Presentation of the Financial Statements

Declaration of conformity

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 ;
 - Statement of owner’s equity

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

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
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(in millions of Russian Roubles, if not indicated other)

- 8. Intangible assets

Comparable data on the above mentioned statements and notes are stated for 2007.

All information shall be considered, including Annual consolidated financial statement of the Company for the year, ended on December 31, 2007.

Preparation of the Financial Statements

Financial statements of the OJSC “Far East Telecom” and its subsidiaries and subordinate companies on the basis of which these non-audited consolidated interim financial statements are prepared, are made on the basis of common accounting policy.

Non-audited consolidated interim financial statements of the Company are presented in million roubles of the Russian Federation, and all sums are rounded to million except for cases, stated otherwise.

Accounting principles

These financial statements are made on the basis of accounting data and accounting statements, that are conducted and drawn up according to the system of accounting regulation established by the law of the Russian Federation via additional adjustment and reorganization of accounting data in order to reflect the financial condition, activity results and cash flow in accordance with the IAS requirements.

Non-audited consolidated interim financial statements were prepared in accordance with evaluation principles by historical cost excluding the following aspects: fixed assets, accounted on the fair value, used as actual cost of fixed assets at the date of transition to the IAS; investments available for sale and evaluated by their fair cost.

Changes in accounting policy

Applied accounting policy is the same that was used in the previous fiscal year. Introduction of new or revised standards and interpretations did not affected the financial statements of the Company significantly.

In 2008 there have been introduced new interpretations as follows:

Introduced / Changed Standard / Interpretation	Content of changes	Effects
Interpretation № 11 of the Interpretation Committee of the IFRS 2 – “Operations with shares of the group and own shares bought back from the shareholders”	It defines in what cases according the IFRS 2 requirements transactions should be considered as transactions with equity instruments payment or as transactions with monetary funds payment. This applies to accounting of contracts with payment via equity instruments if there are two or more enterprises from one group.	Interpretation has not affected significantly the financial condition or performance of the Company.
Interpretation № 12 of the Interpretation Committee of the IAS “Concessional agreements”	It explains how to account liabilities assumed and rights obtained by concessioners under concession contracts of service rendering.	Interpretation has not affected significantly the financial condition or performance of the Company.
Interpretation № 14 of the Interpretation Committee of the IAS “IAS 19 – Minimum sum of assets, minimum requirements for payment and	It contains guidelines for how to define the limit size of surplus amount according to the plan with set payments that can be approved as an asset as of the IAS 19 “Remuneration of employees”.	Interpretation has not affected significantly the financial condition or performance of the Company.

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

their correlation»		
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During the reporting period the Company did not applied new or revised standards or interpretations in advance.

Revision of past years statements

During the preparation of the financial statements for the first 9 months of 2008 the Company found some mistakes in the financial statements of the previous periods. Mistakes attributed to the year 2007 and earlier periods were corrected by revision of comparative information for the first 9 months of 2007.

Transactions in foreign currency

Non-audited consolidated interim financial statements are accounted in million Russian rubles, that are functional currency and currency of Company’s financial statements presentation. Transactions in foreign currency originally are reflected in functional currency at the exchange rate as of the transaction date. Monetary assets and liabilities reflected in foreign currency are counted into functional currency at the exchange rate as of the transaction date. Differences arising in re-calculation are reflected in profit and loss statement as profit (loss) from exchange rate differences. Non-monetary items that are evaluated on the basis of historical cost in foreign currency are calculated at the rate existing on the date of their initial appearance. Non-monetary items that are evaluated according to their fair value in foreign currency are calculated at the rate existing on the date of their fair value determination.

Rates of major currencies as of September 30, 2008 and December 31, 2007 are stated in the following table:

Rate as of	September 30, 2008	December 31, 2007
US Dollar	25.2464	24.5462
Euro	36.3700	35.9332

3. Basic principles of accounting policy

Non-audited 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 Judgements

During accounting policy usage by Company’s management except for accounting evaluations there were made the following judgements that significantly affect the amounts reflected in the consolidated financial statements:

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 2007.

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

5. Information on activity segments

	for 9 months, ended on September 30, 2008				
	Fixed-line communicati ons services	Mobile communic ations services	Other types of activity	Exemption of transaction s within the Company	Total on the Company
Revenues	10,557	831	568	-	11,956
Sales between segments	31	52	43	(126)	-
Total revenues	10,588	883	611	(126)	11,956
FINANCIAL RESULT					
Financial result on activity segments	2,519	107	339	-	2,965
Undistributed expenses					(313)
Profit from core activity					2,652
Profit from equity in associates					3
Interest expenses , net					(346)
Profit from financial investments					18
Income tax					(770)
Profit (loss) for reporting period					1,556
ASSETS AND LIABILITIES					
Assets of activity segments	15,290	2,106	278	(37)	17,637
Financial investments into associates					71
Undistributed assets of Company					2,917
Consolidated assets, total					20,625
Liabilities on activity segments	(9,262)	(360)	(113)	37	(9,698)
Undistributed liabilities of Company					(1,113)
Consolidated liabilities, total					(10,811)
OTHER SEGMENTS INFORMATION					
Capital costs					
Fixed assets	1,802	142	97		2,041
Intangible assets	151	-	-		151
Depreciation and Amortization	(1,413)	(168)	(19)		(1,600)
Expenses on allowance for doubtful debts	98	10	-		108

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
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(in millions of Russian Roubles, if not indicated other)

Information on activity segments (continuance)

	for 12 months, ended December 31, 2007				Total on the Company
	Fixed-line communicati ons services	Mobile communicati ons services	Other types of activity	Exemption of transactions within the Company	
<i>Continued activity</i>					
Revenues	12,963	1,186	852	-	15,001
Sales between segments	71	22	46	(139)	-
Total revenues	13,034	1,208	898	(139)	15,001
FINANCIAL RESULT					
Financial result on activity segments	2,289	855	433	-	3,577
Undistributed expenses					(1,058)
Profit from core activity					2,519
Loss from equity in associates					(2)
Interest expenses , net					(550)
Loss on financial investments					31
Profit from exchange rate differences in currency re-evaluation, net					3
Income tax					(654)
Profit for reporting period					1,360
ASSETS AND LIABILITIES					
Assets of activity segments	16,920	859	324	-	18,103
Financial investments into associates					67
Undistributed assets of Company					1,289
Consolidated assets, total					19,459
Liabilities on activity segments	(9,837)	(96)	(86)	-	(10,019)
Undistributed liabilities of Company					(1,004)
Consolidated liabilities, total					(11,023)
OTHER SEGMENT INFORMATION					
Capital costs					
Fixed assets	1,498	42	14	-	1,554
Depreciation and Amortization	(1,969)	(93)	(26)	-	(2,088)
Expenses on allowance for doubtful debts	(42)	(16)		-	(58)

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

6. Subsidiaries

The non-audited consolidated financial statements include assets, liabilities and business results of the OJSC “Far East Telecom” and its subsidiaries. Subsidiaries under control of the OJSC “Far East Telecom” are listed below:

Name	Type of business	Equity of share capital and other interests, %		Voting shares, %	
		09.30.2008	12.31.2007	09.30.2008	12.31.2007
CJSC “AKOS”	Cellular communications services	94.26	94.26	94.26	94.26
OJSC “A-Svyaz”	Local telecommunication services	0.00	91.80	0.00	91.80
“Wireless information technologies Co., Ltd.”	Cellular communications services	100.00	100.00	100.00	100.00
CJSC “Integrator.ru”	Investment activity	0.00	100.00	0.00	100.00
“Interdaltelecom, Ltd.”	Communications service	100.00	97.00	100.00	97.00
OJSC “Sakhtelecom”	Local telecommunication services	51.00	51.00	51.00	51.00
“Set Stolitsa, Ltd.” (belongs to the OJSC “Sakhtelecom”)	Local telecommunication services	100.00	0.00	100.00	0.00
CJSC “Sakhalinugol-Telecom”	Local telecommunication services	0.00	100.00	0.00	100.00
“Shakhtersksvyaz, Ltd.”	Local telecommunication services	60.00	0.00	60.00	0.00

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

All above mentioned subsidiaries are corporate entities, registered in accordance law of Russian Federation, and have the same financial year as the Company.

Liquidation of subsidiaries: the CJSC “Sakhalinugol-Telecom” and the OJSC “A-Svyaz”

In April of 2008 the liquidation of the CJSC “Sakhalinugol-Telecom” was completed according to the decision of the OJSC “Far East Telecom” Board of Directors made in June of 2007.

In April of 2008 the liquidation of the OJSC “A-Svyaz” was completed according to the decision of the meeting of shareholders made in June of 2007.

Consolidation of the CJSC “AKOS” and the CJSC “Integrator.ru”

According to the decision of the Board of Directors that was taken in November 2007 as well as decision of the meeting of shareholders of the CJSC “AKOS” taken in January, 2008, the CJSC “Integrator.ru” was consolidated with the CJSC “AKOS”. The corresponding entry in the United State Register of Corporate Bodies was made on March 4, 2008.

Purchase of equity in share capital of the “Interdaltelecom, Ltd.”

According to the decision of the Board of Directors the Company purchased 3% of share in the “Interdaltelecom, Ltd.” in January, 2008, for 1, increasing its equity in the subsidiary from 97% to 100%.

Change of equity in subsidiary’s capital is reflected as change of minority share of the Company.

OJSC “Far East Telecom”
Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008
(in millions of Russian Roubles, if not indicated other)

Purchase of “Set Stolitsa, Ltd.”

In May, 2008 the Company signed an agreement of purchase of 100% in “Set Stolitsa, Ltd.”, provider operating in Yakutsk city with 3 000 subscribers. On the date of statement signing the transaction of purchase was completed.

Information on purchase price fair value of identified assets, liabilities and contingent liabilities of “Set Stolitsa, Ltd.” as well as on its goodwill at the moment of purchase is stated below:

Purchase cost

Paid by monetary funds	13
Fair value of securities issued for purchase payment	-
Expenses directly connected with transaction	-
Total, purchase cost	13

Fair value of identified assets and liabilities

Fixed assets	18
Accounts receivable	4
Cash fund and their equivalents	1
Other current assets	2
Short-term liabilities	(24)
Total net assets	1

Share in net assets obtained	100%
Cost of share in net identified assets	1

Goodwill of the Company in net assets of “Set Stolitsa, Ltd.” on purchase cost	12
Depreciation of goodwill from the date of purchase to June 30, 2008	-
Goodwill cost as of June 30, 2008 (net)	12

Purchase of “Shakhtersvyaz, Ltd.”

In April, 2008 after the liquidation of “Sakhalinugoltelecom, Ltd.” the Company entered financial investment into “Shakhtersvyaz, Ltd.” into books according to the delivery-acceptance act.

Aggregate information on the companies’ consolidation proceedings for 9 months of 2008 is stated below:

	9 months, ended on September 30, 2008
Aggregate cost of purchase	13
Aggregate cost of purchase paid by monetary funds	13
Aggregate fair value of identified assets, liabilities and contingent liabilities of companies obtained:	
Fixed assets	19
Accounts receivable	5
Cash fund and their equivalents	1
Other current assets	2
Short-term liabilities	(24)

OJSC “Far East Telecom”

**Notes to Consolidated Interim Financial Statements for 9 months 2008, ended
September 30, 2008**

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

7. Fixed assets

	Land plots, buildings and structures	Switch boards and transmission devices	Unfinished construction and equipment for installation	Transport facilities and other fixed assets	Total
Original cost					
For December 31, 2006	7,447	6,155	649	1,552	15,803
Receipt	-	-	2,177	11	2,188
Receipt due to subsidiaries purchase	1,994	666	132	115	2,907
Bringing into service	(483)	(178)	(162)	(57)	(880)
Disposal	477	1 225	(1 894)	192	-
For December 31, 2007	9,435	7,868	902	1 813	20,018
Receipt	8	1	2,012	1	2,022
Receipt due to subsidiaries purchase	-	19	-	-	19
Disposal	(111)	(69)	(276)	(29)	(485)
Disposal due to subsidiaries liquidation	(3)	-	-	-	(3)
Bringing into service	145	454	(730)	134	3
Re-classification	1	23	(24)	-	-
For June 30, 2008	9,475	8,296	1,884	1,919	21 ,574
Accumulated amortization and accumulated depreciation					
As of December 31, 2006	(3,495)	(1,461)	-	(644)	(5,600)
Accrued amortization per year	(640)	(937)	-	(365)	(1,938)
Amortization of disposed items	350	119	-	43	512
As of December 31, 2007	(3,785)	(2,279)	-	(962)	(7,026)
Accrued amortization for 9 months of 2008	(466)	(657)	-	(302)	(1,425)
Amortization of disposed items	61	28	-	19	108
Accrued amortization of fixed assets of	2	-	-	-	2

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sold subsidiaries					
Re-classification	2	(3)	-	1	-
As of September 30, 2008	(4,186)	(2,911)	-	(1,244)	(8,341)
Depreciated value as of December 31, 2006	3,952	4,694	649	908	10,203
Depreciated value as of December 31, 2007	5,650	5,589	902	851	12,992
Depreciated value as of September 30, 2008	5,289	5,385	1,884	675	13,233

As of June 30, 2008 and December 31, 2007 the balance-sheet value of fixed assets received under the financial lease contract constitutes:

	09.30.2008	12.31.2007
Switch boards and transmitting devices	1,101	1,206
Incomplete construction and equipment for installation	-	4
Transport facilities and other fixed assets	23	53
Total balance-sheet value received on the financial lease	1,124	1,263

Accrued for 9 months of 2008 fixed assets depreciation amounting at 1,425 was accounted in the line “Depreciation and amortization” of consolidated profit and loss statement (for 9 months of 2007: 368).

As of June 30, 2008 original cost of totally self-depreciated fixed assets was 3,119 (as of December 31, 2007 – 2,856).

For 9 months of 2008 the Company has increased the cost of incomplete construction up to the sum of capitalized interest amounting at 25 (for 9 months of 2007 – 23). Capitalization rate for 9 months of 2008 was 13% (for 9 months of 2007 – 13.0%).

8. Intangible assets and goodwill

	Goodwill	Licenses	Software	Subscribers base	Trade mark	Other	Total
As of December 31, 2006	91	180	943	15	-	23	1,252
Receipt	-	6	346	-	-	-	352
Receipt due to subsidiaries purchase	966	9	1	640	57	-	1 673
Disposal	-	(2)	(42)	-	-	(1)	(45)
As of December 31, 2007	1,057	193	1,248	655	57	22	3,232
Receipt	12	-	136	-	-	3	151
Disposal	(22)	-	(20)	-	-	(7)	(49)

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As of September 30, 2008	1,047	193	1,364	655	57	18	3,334
As of December 31, 2006	(91)	(42)	(60)	(15)	-	(13)	(221)
Amortization accrued per year	-	(29)	(86)	(21)	(14)	-	(150)
Amortization of disposed items	-	2	18	-	-	1	21
As of December 31, 2007	(91)	(69)	(128)	(36)	(14)	(12)	(350)
Amortization accrued per year	-	(19)	(127)	(16)	(11)	(2)	(175)
Amortization of disposed items	-	-	20	-	-	7	27
Disposal of depreciation on liquidated subsidiaries	22	-	-	-	-	-	22
As of September 30, 2008	(69)	(88)	(232)	(52)	(25)	(10)	(476)
Depreciated value as of December 31, 2006	-	138	883	-	-	10	1,031
Depreciated value as of December 31, 2007	966	124	1,120	619	43	10	2,882
Depreciated value as of September 30, 2008	978	105	1,132	603	32	8	2,858

Software product Oracle E-Business Suite

As of September 30, 2008 software includes software product Oracle E-Business Suite with balance-sheet value of 504 (as of December 31, 2007 – 360).

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.

Software product Amdocs Billing Suite

As of June 30, 2008 software also includes software product Amdocs Billing Suite with balance-sheet value of 293 (as of December 31, 2007 – 293).

This software product was purchased in order to introduce united automated accounting system. Planned duration of the united automated accounting system introduction project on Amdocs Billing Suite platform takes 4-5 years.

The Company made a decision to suspend the united automated accounting system introduction project on Amdocs Billing Suite platform and revise the terms of introduction.

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Amortization of intangible assets

Accounted for 6 months of 2008 amortization of intangible assets amounting at 175 (for 9 months of 2007 – 70) was declared in the line “Depreciation and amortization” of consolidated income statement.

Analysis of intangible assets not being brought to service with a view to depreciation

The Company conducted the analysis of intangible assets not being ready to use. As of September 30, 2008 these assets include the software product Amdocs Billing Suite. As the result of analysis conducted on September 30, 2008 depreciation of above mentioned intangible assets was not found.

Analysis of intangible assets not being brought to service with a view to depreciation

The Company conducted the analysis of intangible assets not being ready to use. As of June 30, 2008 these assets include the software product Amdocs Billing Suite. As the result of analysis conducted on June 30, 2008 depreciation of above mentioned intangible assets was not found.

Depreciation of intangible assets

In 2006 the Company approved goodwill obtained via purchase of the OJSC “A-Svyaz” that was liquidated afterwards. As of December 31, 2006 the Company accepted the goodwill depreciation amounting at the full sum of 22.

In 2007 the Company reflected the goodwill obtained via purchase of the OJSC “Sakhatelecom” amounting at 960. Recoverable amount of named assets was defined on the basis of value in use calculation with implication of future cash flow forecasts based on budget plans for 5 years. Cash flow calculations for the term exceeding 5 years are made by extrapolation method assumed from average indexes of profitability in industry and growth amounting at 4% corresponding to long-term average growth rates. Cash flow calculations were made with the discount rate of 15.5%.

The conducted analysis showed that there had been no goodwill depreciation as of December 31, 2007.

Licenses

As of September 30, 2008 the Company had the following licenses for business activities:

- service of local and intra-zone telephone communication;
- service of local telephone communication with use of payphones and points of collective use;
- service of cellular mobile communication (GSM-900, GSM-1800 standard);
- lease of physical circuit, channels and communication tracks including broadcasting channel;
- service of telematic service;
- service of data transmission.

Useful life of licenses is established according to terms of license individually for each license. Useful life terms are set within 1-5 years. Herein expiration time of main licenses of the Company may differ from their useful life duration.

Trade marks

The Company established 4 years term of useful life for trade marks. Trade marks are recognized to be a part of intangible assets in purchase of the subsidiary OJSC “Sakhatelecom”.

Subscribers’ base

The Company established 30 years term of useful life for subscribers’ base. Subscribers’ base is recognized to be

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a part of intangible assets in purchase of the subsidiary OJSC “Sakhatelecom”.

9. Investment into associates

As of September 30, 2008 and December 31, 2007 Company’s investments into associates included:

Company name	Type of activity	09.30. 2008		12.31.2007	
		Voting shares and other interests	Book value	Voting shares and other interests	Book value
Kamalyaskom, Ltd.	Communications services	50%	1	50%	1
Magalyaskom, Ltd.	Communications services	50%	18	50%	16
CJSC Vostoktelecom	Communications services	25%	53	25%	50
Total			71		67

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

Flow of investments in associates as on June 30, 2008 and December 31, 2007 was as follows:

	2008	2007
Financial investment into associates as of January 1	67	24
Purchase of associates	-	50
Profit (loss) from equity in associates excluding income tax	3	(2)
Withdrawal of associates	-	(5)
Financial investments into associates as of the reporting date	1	-
Purchase of associates	71	67

Balance-sheet value of financial investments in associates reflected in these consolidate financial statements corresponds to Company’s share in net assets of these associates.

10. Financial investments

As of September 30, 2008 and December 31, 2007 financial investments included:

	09.30.2008	12.31.2007
Long-term financial investment available for sale	14	18
Total long-term financial investments	14	18
Short-term financial investments held to maturity	75	770
Financial investments available for sale	-	1
Total short-term financial investments	75	771
Total financial investments	89	789

As of September 30, 2008 and December 31, 2007 financial investments included:

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Company name	09.30.2008		12.31.2007	
	Ownership	Fair value	Ownership	Fair value
Долгосрочные финансовые вложения				
OJSC Commercial Bank Sberbank of Russia	-	7	-	11
OJSC Svyazintek	4,00%	5	4,00%	5
OJSC FEZ Nakhodka Telecommunications	8,47%	1	8,47%	1
OJSC Commercial Bank «Svyaz-Bank»	0,03%	1	0,03%	1
Total Long-term financial investments		14		18
Short-term financial investments				
OJSC “Russian Industrial Bank”	-	-	Векселя	470
OJSC Commercial Bank “Svyaz-Bank”	-	-	Векселя	300
OJSC «Start Telecom»	Векселя	72	-	-
Other	-	3	-	1
Total short-term financial investments		75		771
Total financial investments		89		789

11. Long-term accounts receivable and other financial assets

As of September 30, 2008 and December 31, 2007 long-term accounts receivable and other financial assets included:

	09.30.2008	12.31.2007
Long-term accounts receivable	2	1
Long-term loans given	7	11
Total long-term accounts receivable and other financial assets	9	12

As on September 30, 2008 and December 31, 2007 long-term loans given were shown at depreciable initial value using effective interest rate 18%.

12. Log-term advances made

As of September 30, 2008 and December 31, 2007 suppliers' advances included:

	09.30.2008	12.31.2007
Purchase of fixed assets	746	234
Total long-term advances issued	746	234

13. Inventories

As of September 30, 2008 and December 31, 2007 inventories included:

	09.30.2008	12.31.2007
Cable and spare parts	275	194
Ready products and goods for sale	3	5
Other inventories	304	250
Total inventories	582	449

As of September 30, 2008 the amount of reserve for inventories cost reduction was 1 (as of December 31, 2007 – 1).

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As of September 30, 2008 Company had no inventories pledged or secured as collateral.

14. Accounts receivable

As of September 30, 2008 and December 31, 2007 accounts receivable was:

	Total, as of 09.30. 2008.	Allowance for doubtful debts	Net, as of 09.30. 2008
Commercial organizations	282	(62)	220
Individuals	921	(218)	703
Budget organizations	142	(9)	133
Communication providers	427	(18)	409
Social security bodies – allowance of expenses attributed to provision of discounts for certain categories of subscribers	24	(24)	-
Other accounts receivable	103	(29)	74
Total accounts receivable	1,899	(360)	1,539

	Total, As of 12.31.2007	Allowance for doubtful debts	Net, As of 12.31. 2007
Commercial organizations	243	(47)	196
Individuals	778	(154)	624
Budget organizations	68	(5)	63
Communication providers	280	(20)	260
Social security bodies – allowance of expenses attributed to provision of discounts for certain categories of subscribers	34	(34)	-
Other accounts receivable	132	(12)	120
Total accounts receivable	1,535	(272)	1,263

The Company invoices governmental and commercial bodies for telecommunications services on monthly basis. The Company sends telephone bills to individuals and materially relies on timely payment for services invoiced. All subscriber payments are made according to ruble tariffs existing at the moment of services providing.

In certain circumstances the Company claimed and recovered fines for delay of payment and managed to obtain some payments via arbitrage.

Social security bodies' indebtedness for recovery of expenses connected with providing of discounts for certain categories of subscribers is 1.5% of the total amount of buyers' accounts receivable for telecommunications service (as of December 31, 2007 – 2.3%). These accounts receivable arose at the period before January of 2005 when the article 47 of the Federal Law of July 7, 2003 № 126-FL “On communications” came into force and according to it the procedure of discounts provision for individuals in their use of telecommunication providers' services was changed. Before January 2005 communication services users having the right for discount paid 50% of this service cost by themselves and remaining 50% were paid from the state budget.

In 2005 budgets did not include financing the outstanding indebtedness of social security bodies for recovery of expenses connected with providing of discounts for certain categories of subscribers for previous years.

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

	09.30.2008	12.31.2007
Balance for January 1	272	222

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Allowance calculation	108	58
Amortization of accounts receivable	(20)	(8)
Balance for September 30	360	272

15. Cash funds and their equivalents

As of September 30, 2008 and December 31, 2007 cash funds and their equivalents included:

	09.30.2008	12.31.2007
Cash in banks and cashier	835	342
Total cash funds and their equivalents	835	342

As of September 30, 2008 the Company has no limitations for use of cash funds.

As of September 30, 2008 and December 31, 2007 the line “Cash assets in banks and cashier” included sums in the Russian Federation currency.

16. Other current assets

As of September 30, 2008 and December 31, 2007 other current assets included:

	Total, as of 09.30.2008	Reserve	Net, as of 09.30.2008
Prepayment and advances	257	(2)	255
Employees payroll	27	-	27
Short-term loans given	35	-	35
VAT to be refunded	99	-	99
Other tax advances	30	-	30
Future period expenses	31	-	31
Other settlements and current assets	183	(34)	149
Total	662	(36)	626

	Total, as of 12.31.2007	Reserve	Net, as of 12.31.2007
Prepayment and advances	121	(3)	118
Employees payroll	18	-	18
Short-term loans given	53	-	53
VAT to be refunded	79	-	79
Other tax advances	19	-	19
Future period expenses	34	-	34
Other settlements and current assets	94	(21)	73
Total	418	(24)	394

17. Substantial non-monetary transactions

Payments in non-monetary funds as of September 30, 2008 and September 30, 2007 were:

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	09.30.2008	09.30.2007
Total amount of organizations paid off by non-monetary funds	29	62
Revenue from these transactions – total, Including :	402	66
OJSC Rostelecom	317	-
Interregional Transit Telecom	39	9
Federal State Unitary Enterprise “Post of Russia”	32	7
DV Stroisvyazcomplex CJSC	5	-
Far East Telecom - Courer Ltd	4	-
Kamchatnefteproduct Ltd.	1	-
Edelveis Trans Telecom CJSC	1	1
Mobile TeleSystems OJSC	1	1
Other	2	48

Non-monetary transactions were excluded from consolidated cash flow statement.

18. Share capital

To the reporting date face and book value of ordinary and preferred shares were:

	Shares outstanding (thousand units)	Treasury shares (thousand units)	Shares issued (thousand units)	Face Value	Book Value
As of December 31, 2006	126,701	49	126,750	2,535	4,366
Preferred shares	31,166	3	31,169	623	1,081
Ordinary shares	95,578	3	95,581	1,912	3,285
As of December 31, 2007	126,744	6	126,750	2,535	4,366
Preferred shares	31,166	3	31,169	623	1,081
Ordinary shares	95,578	3	95,581	1,912	3,285
As of September 30, 2008	126,744	6	126,750	2,535	4,366

Type of shares	Shares outstanding (thousand units)	Face Value	Total Face Value	Total Book Value	Treasury Shares (thousand units)
Preferred shares	31,169	20	623	1,081	3
Ordinary shares	95,581	20	1,912	3,285	3
Total	126,750		2,535	4,366	6

Difference between nominal and balance-sheet value represents inflation effect for the periods before January 1, 2003.

Company’s share capital structure as of September 30, 2008 is presented below:

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Shareholders	Equity in share capital %	Ordinary shares		Preferred shares	
		amount (thousand units)	%	amount (thousand units)	%
Corporate bodies, total:	88,42	89,249,840	93,38	22,694,753	72,81
- OJSC “Svyazinvest”	38,10	48,330,683	50,57	-	-
Individuals, total	11,58	6,331,581	6,62	8,474,148	27,19
Total	100,00	95,581,241	100,00	31,168,901	100,00

First the Company registered the issue of American depositary receipts (ADR) of the 1st level in 2001. The program was planed to last for 5 years and in 2008 Far East Telecom made re-registration of ADR program with conversion coefficient change. Now each depositary receipt equals to 5 ordinary shares of the Company. As of September 30, 2008 there were issued 345 600 deposited shares representing 0.36% of all issued ordinary shares.

For 9 months of 2008 the Company has not issued additional ADR.

	Outstanding ADR (amount)	Equivalent amount of ordinary shares	Ordinary shares, %	Share capital, %
December 31, 2006	25,137	754,110	0.79%	0.59%
Increasing in 2007	3,987	119,610	0.12%	0.09%
December 31, 2007	29,124	873,720	0.91%	0.68%
Increasing in 2008	39,996	(528,120)	(0.55)%	(0.42)%
September, 30 2008	69,120	345,600	0.36%	0.26%

19. Loans and credits payable

As on September 30, 2008 and December 31, 2007 loans and credits payable included:

	Effective interest rate	Repayment period	As of 09. 30. 2008	As of 12.31.2007
Short-term accounts payable				
Bank credits (rubles)	7%	2008	-	772
Interest payable		2008	93	31
Other loans (rubles)	8%	2008	1	-
Total short-term accounts payable			94	803
Long-term accounts payable				
Bank credits (rubles)	8.75%	2012	5,461	5,550
			2,580	2,237
Bank credits (rubles)	Mosprime plus 2.3%	2009	-	110
Debentures (rubles)	8.60-8.85%	2009-2012	2,879	3,176
Loans payable to suppliers (rubles)	-	2009	-	7
Loan payable to suppliers (USD)	5.4-10%	2009	2	20

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Excluding current amount of long-term loans and credits payable	(1,811)	(846)
Total long-term accounts payable	3,650	4,704

As of September 30, 2008 the Company concluded contracts of credit line in order to cover current needs in floating capital and financing of investment projects. For use of credits the Company pays interest to banks at the rates varying from 7.4% to 12.8% annually. Credit security is Company’s property pledged at the amount of 2,470 (as of December 31, 2007 - -1,294).

Loans and credits payable as of September 30, 2008 and December 31, 2007 are distributed between the following types of currency:

	09.30. 2008	12.31.2007
Russian rubles (RUR)	5,553	6,333
American dollars (USD)	2	20
Total	5,555	6,353

Short-term accounts payable

Loans and credits

Short-term loans and credits payable as of September 30, 2008 mainly is represented by loans and credits obtained for current assets financing. Most of these loans are guaranteed by telecommunication equipment.

Sberbank

In June 2007 the Company concluded two Credit line contracts for the sum of 770 with the JSC SberBank of the Russian Federation in order to increase current and non-current assets and financing of present activity. For credits usage the Company paid interest at the rate of 7.4% annually to banks. During 2008 the Company repaid credits according to the terms of contract.

Long-term accounts payable

Loans and credits

Sberbank

In January, 2007 the Company in order to finance part of expenses connected with purchase of 51% (fifty one) per cent of the OJSC “Sakhatelecom” opened a credit line in the registered shares of the OJSC “Sakhatelecom” opened credit line in the JSC Sberbank of the Russian Federation with amount of 1,955 until January 29, 2012. The Company shall pay interest at the rate 8.75 per cent per year for credit use to the Bank.

Loan security is Company’s pledged property. Book value of pledged property constitutes at least 202, as well as ordinary shares of the OJSC “Sakhatelekom” amounting at 51% of share capital of Issuer with assessed value of 2,295. As of September 30, 2008 accounts payable constituted 1,955.

Bank Societe Generale Vostok

In December 2007 the Company concluded the contract with the Joint-Stock Commercial Bank “Bank Societe Generale Vostok” about opening of non-revolving credit line in the form of separate cash funds (Tranches) to make payments for operating and investment activity. Total amount of tranches presented in the contract can not exceed 500, amount of each tranche can not be less than 20. Credit line is provided for a term of 18 months with

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8.67 per cent annually and further change of interest rate for each tranche provided. Balance as of September 30, 2008 under this contract constitutes 500. The Company has no security for this credit.

Svyaz-Bank

In February, 2007 the CJSC “AKOS” concluded the contract with the OJSC Joint-Stock Commercial Bank “Svyaz bank” for the amount of 95 to repay the loan of the OJSC “Far East Telecom” and grant a loan to “BIT, Ltd.” as well as to increase current assets. Term of credit use is set for the period from February 31, 2007 to February 13, 2009. The CJSC “AKOS” shall pay interest at the rate 12.75 per cent per year for credit use to the Bank. Balance as of September 30, 2008 under this contract constitutes 20. The Company has no security for this credit.

Promsvyazbank

In November 2005 the CJSC “AKOS” concluded the contract with the Joint-Stock Commercial Bank Promsvyazbank in the amount of 50 to refill fixed and current assets. The CJSC “AKOS” pays interest for credit use to the bank up to November 14, 2008 on the basis of 14 per cent annually for actual amount payable, and starting from November 15, 2008 the borrower pays interest to the bank on the basis of 28 per cent annually for actual amount payable. Balance as of September 30, 2008 under this contract constitutes 6. The Company has no security for this credit.

Far Eastern Bank

In October, 2006 and June, 2007 the CJSC “AKOS” concluded two contracts with the OJSC “Far Eastern Bank” for provision of credit line with limit of 55 and 100 to refill current assets and equipment purchase. The CJSC “AKOS” pays for credit use to the bank at the rate from 10 to 11.25 per cent annually. Balance as of September 30, 2008 under this contract constitutes 99. Security for this credit is Company’s pledged property. Pledged value of this property constitutes 47.

Debentures payable

In June 2006 the Company has placed in the market two issues of 3,500,000 interest documentary bonds (2,000,000 and 1,500,000) with par value 1,000 rubles each. Debentures have 12 and 6 coupons correspondingly. Payment for the first coupon is made on the 182nd day from the date of debentures placement (in December 2006), payments for other coupons are made each 182 days. Interest rate for coupons is stated as 8.85 and 8.60 per cent annually correspondingly. Bonds are to be refunded in parts stated in per cent from par value starting from December, 2007 (for a loan with par value 1,500) and from December, 2009 (for a loan with par value 2,000). Final refunding of debentures shall be made in July, 2009 and in May, 2012 correspondingly. Funds from debentures issue shall be used to increase current assets.

Issued debentures provide offers that allow debentures holders to present them to the Company in named dates. The closest offer date is June 04, 2010. According to this the Company’s liability of 900 is classified as short term liability.

During 2008 the Company fulfilled its liability of coupon income payment on the forth debenture coupon amounting at 140. Total amount if each coupon income is 64.32 (for a loan with par value 1,500), 88.26 (for a loan with par value 2,000). Amount of coupon income accounted for one debenture is 42.88 rubles (for a loan with par value 1 500), 44.13 rubles (for a loan with par value 2 000). The liability is fulfilled within the term stated by the Decision on issue and Prospectus of debentures.

As of June 30m 2008 the outstanding balance of loan was 2,900.

20. Liabilities on financial lease

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The Company leases telecommunication equipment on the basis of financial lease contracts. The amount of future minimum lease payment on the financial lease contract and discount value of minimum lease payments for September 30, 2008 and December 31, 2007 are listed below:

	As of 09.30.2008		As of 31.12.2007	
	Minimum lease payment	Discount value of minimum lease payments	Minimum lease payment	Discount value of minimum lease payments
Current part	263	224	386	306
More than 1 year and up to 5 years	81	74	257	225
Total minimum lease payments	344	298	643	531
Excluding financial costs	(46)	-	(112)	-
Discount value of minimum lease payments	298	298	531	531
Excluding short-term part of liabilities on financial lease	-	(224)	-	(306)
Long-term liabilities on financial lease	-	74	-	225

In 2008 main lessors of the Company were the OJSC “RTK-Leasing” and “Independent Leasing, Ltd.”. Effective interest rate on these liabilities for 2008 was from 21% to 59% per year (2007 – from 21% to 34%).

The OJSC “RTK Leasing” buys telecommunications equipment from Russian and foreign suppliers and lease it on the lease contract basis. Liabilities of the OJSC “RTK Leasing” on these contracts as of September 30, 2008 equaled to 298 (as of December 31, 2007 – 531).

According to contracts concluded with the OJSC “RTK Leasing”, a lesser has the right to change future leasing payments schedule in case if certain macroeconomic conditions change, namely refinancing rate of the Russian Central Bank.

Contracts do not provide terms of extension, options for purchase and provision on sliding price. Equipment ownership is transferred to the Company when a lessee fulfills its liabilities under the financial lease contract.

21. Reserves

	Program of payroll deduction	Lawsuits	Up-coming tax payments	Total
Balance as of December 31, 2006	72	1	812	885
Appeared on the basis of newly arisen conditions	46	412	-	458
Used during a year	(72)	(1)	(633)	(706)
Recovered		-	(179)	(179)
Balance as of December 31, 2007	46	412	-	458
Used during the period	(31)	(71)	-	(103)
Balance as of September 30, 2008	15	341	-	356

From total amount of reserves	Program of payroll deduction	Lawsuits	Total
Short-term	46	412	458
Total, reserves as of December 31, 2007	72	1	458
Short-term	15	341	356
Total, reserves as of September 30, 2008	15	341	356

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Lawsuits

Reserve amount approved in financial statements is made up from the total reserves sum in relation to certain lawsuits that were instituted against the Company. Reserve balance as of September 30, 2008 is expected to be used in the second half of year 2008. According to the position of Company’s management based on the corresponding legal opinion, the amount to be recovered from the Company as the result of legal proceedings shall not exceed the reserve amount reflected in the statement as of September 30, 2008.

22. Accounts payable and accrued liabilities

Accounts payable and other current liabilities of the Company as of September 30, 2008 and December 31, 2007 included:

	<u>09.30.2008</u>	<u>12.31.2007</u>
Settlements with suppliers and contractors on purchase and construction of fixed assets	401	215
Settlements with suppliers and contractors on software products purchase	19	19
Settlements with communication providers	291	335
Settlements with suppliers and contractors on current activity	399	200
Advances received on the main activity	269	333
Accounts payable for salaries and compensations	444	478
Other accounts payable and current liabilities	214	60
Total accounts payable and accrued liabilities	<u>2 037</u>	<u>1 640</u>

Other accounts payable include accounts with Non-commercial partnership amounting at 38 and accounts on contracts of relationship with telecommunications operators amounting at 131.

23. Tax and social security payable

Short-term taxes payable

As of June 30, 2008 and December 31, 2007 the Company define the short-term taxes payable as follows:

	<u>09.30.2008</u>	<u>12.31.2007</u>
Value added tax	343	89
Property tax	54	52
Individual income tax	23	8
Uniform social tax	47	31
Other taxes	3	3
Total short-term taxes payable	<u>470</u>	<u>183</u>

Significant increasing of value added tax payable (254) is connected with tax legislation changes made on January 1, 2008 related to the value added tax payment on the quarter basis.

24. Contractual obligations of future periods

Liabilities on capital investments

As of September 30, 2008 and December 31, 2007 contractual obligations of the Company on capital

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investments for modernization and network extension constituted 618 and 590 correspondingly.

As of September 30, 2008 and December 31, 2007 contractual obligations on main assets purchase constituted 34 and 49 correspondingly.

As of September 30, 2008 and December 31, 2007 contractual obligations on intangible assets purchase constituted 1 and 33 correspondingly.

25. Conventional liabilities and operating

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.

Claims of taxation bodies

On February, 2008 the Presidium of the Supreme Arbitration Court of the Russian Federation partially sustained the claim of the OJSC “Far East Telecom” of judicial acts revision made as the result of appeal by the OJSC “Far East Telecom” of taxation body act made after tax inspection of the OJSC “Far East Telecom” activity for the period of 2001-2002. In compliance with the said act of the Supreme Arbitration Court tax claims in relation to mutual settlements between the OJSC “Far East Telecom” and the OJSC “Rostelecom” concerning providing users with international telecommunications services were found to be inconsistent. Total amount of claims considered to be inconsistent was 74.

The OJSC “Sakhatelecom” is a plaintiff in the case of appeal of taxation body decision resulted from the tax inspection of the OJSC “Sakhatelecom” activity for the period of 2004-2006. Total amount of tax claims including fines and penalties constitutes 140. By the decision of the Arbitration court of Moscow city (declarative part was read on September 11, 2008) the OJSC “Sakhatelecom” claim was sustained in full. The decision was nor made in full volume. The OJSC “Far East Telecom” supposes that the taxation body will not appeal the named decision in the court of appeals.

The OJSC “Far East Telecom” is a plaintiff in the case of appeal of taxation body decision resulted from the tax inspection of the OJSC “Far East Telecom” activity for the period of 2003-2005. Total amount of tax claims including fines and penalties constitutes 202. By the decision of the Arbitration court of Moscow city the OJSC “Far East Telecom” claim was sustained in full – tax body decision was proved to be invalid.

Insurance

Stable growth of economic and financial indexes of Company’s activity shall be supported by risk management measures. These initiatives are carried out within approved Concept of Integrated System of Risk Management. One of the key Company’s risks management methods is insurance.

To make a list of insurance objects the Company applies regulations of current legislation and procedures stated by the Concept of Integrated Risks Management System that include regular monitoring and re-evaluation of Company’s risks.

Insurance

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To make a list of insurance objects the Company applies regulations of current legislation and procedures stated by the Concept of Integrated Risks Management System that include regular monitoring and re-evaluation of Company’s risks.

For the period of nine months, ended on September 30, 2008 the Company provided insurance of equipment, cars, real estate objects and other property, personnel, dangerous industrial objects.

The OJSC “Far East Telecom”, the OJSC “Sakhatelecom” are subjects of natural monopoly that is why according to the Federal Law “On Protection of the Competition” № 135-ФЗ of July 26, 2006 they select financial organizations to provide insurance services as the result of open contest.

Court disputes, proceedings and definition of consequences

During 9 months of 2008 the Company took part (both as plaintiff and defendant) in several court proceedings instituted within the course of common financial and economic activity. According to the opinion of Company’s management at the present time there are no current court proceedings or suits that can affect significantly Company’s performance and financial condition and that were not recognized and presented in these consolidated financial statements.

On May 12, 2008 the OJSC “Far East Telecom” received a claim from the OJSC “Severovostokzoloto” (Magadan city) on transfer of 12 to the benefit of the OJSC “Severovostokzoloto”. The claim was connected with activity of corporate bodies who transferred their rights to the OJSC “Far East Telecom” and the OJSC “Severovostokzoloto” (State Enterprise of Communications and Computers “Rossvyazinform” of Magadanskaya region and North-Eastern Industrial Gold Mining Union “Severovostokzoloto” correspondingly) under the joint activity contract of February 25, 1994. The OJSC “Far East Telecom” believes this claim to be insufficient and supposes the risk sustaining of the OJSC “Severovostokzoloto” claim to be very low if it can be submitted to arbitration. As of September 11, 2008 the OJSC “Far East Telecom” has no documents confirming that the OJSC “Severovostokzoloto” is taking legal actions to submit the claim to the arbitration.

The OJSC “Far East Telecom” is a defendant concerning the claim of the “New Telephone Company” (the OJSC “NTC”, Vladivostok city) on recovery of funds paid by the OJSC “NTC” for power gain of communications network of the OJSC “Far East Telecom” (principal debt and interest for use of other cash funds) amounting at 60. Hearing of that case is planned for October 2008 (exact date is not fixed) in the Arbitration court of Primorskiy krai.

Optimization of personnel number

In order to increase Company’s business processes efficiency there was adopted the Program of personnel number optimization that was intended to change organizational structure, re-arrangement of functional and transfer of certain function to outsourcing.

The programs included gradual reduction of personnel number within the period from January 01 to December 31, 2008. During 2008 the Company plans to reduce 1033 employees, 583 persons out of them are notified about upcoming reduction as of September 30, 2008.

There was created reserve on redundancy payment for these employees (Note 21).

As for other employees to be reduced in 2008 at the present moment the Company is not able to make exact evaluation of the amount of necessary payments.

Guarantees and suretyships issued

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The Company on the September 30, 2008 acted as a grantor of the third party with total amount of 289 (in 2007 it was 529). Company’s management does not expect any significant liabilities resulting from these guarantees.

26. Financial instruments

Main financial instruments of the OJSC “Far East Telecom” include bank loans, debenture and acceptance credits, and financial lease. Main objective of these instruments is to raise funds for transaction financing. Also short-term deposits are actively used as financial instruments for cash funds placement. The Company has other financial assets and liabilities that arise directly during its operating activity.

Policy of capital management

Main objectives of Company’s policy of capital management is to increase credit rating level, improve coefficients of financial independence and liquidity, reform accounts payable structure and lower capital value.

Major ways of capital structure management is to maximize profit, administrate investment program, dispose of assets for reduction of debt load, manage the amount of borrowed funds, reorganize debt portfolio, use different classes of borrowed funds.

The Company manages its capital with the use of coefficients of financial independence, indexes of “net debt/own capital”, “net debt/EBITDA”. Within the capital management policy the Company intends to raise credit rating via rating agencies.

Since the OJSC “Far East Telecom” is the key corporate body of the Company, indexes used in capital management are presented for it on the basis of accounting statements made in compliance with the Russian standards of accounting. The coefficient of financial independence is calculated as ratio between own Capital and balance currency at the end of the period. The index “net debt/EBITDA” is calculated as ratio between the net debt at the end of the period and EBITDA index for the past period.

As of the reporting date the long-term main unsecured rating of the issuer is confirmed by the rating agency «Fitch» to be at the level “B+”, the short-term currency rating of the Company is at the level “B”. Forecast of the long-term rating remains to be “Stable”.

Standard and Poor’s assigned corporate management rating at the level CMR 5.4 on the national scale. Rating on the international scale is confirmed to be CMR-5.

During reporting period the policy in the sphere of capital management has not changed significantly comparing to the policy described in the financial statements of 2007.

Currency risk

The Company usually runs the currency risk in relation to liabilities presented in foreign currency. As of September 30, 2008 Company’s liabilities amounting at 2 (as of December 31, 2007 – 21) are reflected in foreign currency including liabilities expressed in USD amounting at 2 (as of December 31, 2007 – 21).

For the period from January 1, 2008 to September 30, 2008 the exchange rate of RUR to USD had grown by 2.85% that led to ruble amount decrease of these drawings.

During reporting period the policy in the sphere of currency risks management has not changed significantly comparing to the policy described in the financial statements of 2007.

Risk of interest rate change

The following table shows the transcript of financial assets and liabilities of the Company with fixed and floating interest rates subject to interest risk as of September 30, 2008 and December 31, 2007:

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	< 1 года	1 - 5 years	Total
As of September 30, 2008			
<i>Fixed rate</i>			
Short-term loans and borrowings	94	-	94
Long-term loans and borrowings	1,811	3,650	5,461
Liabilities on financial lease	224	74	298
<i>Floating rate</i>			
Long-term loans and borrowings	-	500	500

	< 1 year	1 - 5 years	Total
As of December 31, 2007			
<i>Fixed rate</i>			
Short-term loans and borrowings	803	-	803
Long-term loans and borrowings	846	4 704	5 550
Liabilities on financial lease	306	225	531
<i>Floating rate</i>			
Long-term loans and borrowings	-	110	110

During reporting period the policy in the sphere of interest risks management has not changed significantly comparing to the policy described in the financial statements of 2007.

Liquidity risk

The Company controls the risk of money shortage using instrument of current liquidity planning. This instrument helps to analyze payment terms in relation to financial investments and financial assets (i.e., accounts receivable, other financial assets) as well as forecasted cash flow from operating activity. Company's objective is to support the balance between steadiness and flexibility of financing via using of bank offers, bank loans, debentures, financial lease.

As of September 30 2008 long-term loans and borrowings payable is distributed between the following repayment terms:

Date of repayment	Bank loans	Debentures	Credits of suppliers	Other	Total
during 2008	13	429	2	94	538
during 2009	1,068	750	-	-	1,818
during 2010	684	600	-	-	1,284
during 2011	652	700	-	-	1,352
during 2012	163	400	-	-	563
Total	2,580	2,879	2	94	5,555

During reporting period the policy in the sphere of liquidity risk management has not changed significantly comparing to the policy described in the financial statements of 2007.

Credit risk

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

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Financial assets in relation to which the Company runs the potential credit risk, are mostly represented by accounts receivable of buyers and clients. Balance-sheet value of accounts receivable excluding reserve for cost reduction is expressed in maximum amount subject to credit risk.

The Company 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 Company falls at state and other non-commercial organizations. Political and economic factors affect the chances to receive the debt. From the management point of view as of September 30, 2008 the Company has no significant loss on this and other types of accounts receivable that have no corresponding reserves.

During reporting period the policy in the sphere of credit risk management has not changed significantly comparing to the policy described in the financial statements of 2007.

27. Revenues

	3 months, ended on June 30, 2008	3 months, ended on June 30, 2007	9 months, ended on September 30, 2008	9 months, ended on September 30, 2007
Local telephone services	1 522	1 415	4 429	4 203
Telegraph services, data transfer and telematic telecommunications	954	577	2 729	1 668
Intrazone telephone services	738	601	1 984	1 883
Connection and traffic transmission	401	555	1 298	1 530
Mobile radio (cellular) telecommunications	252	295	831	872
Mobile radio, wired broadcasting, radio, TV	50	61	119	186
Cooperation services and agency fee	67	90	230	296
Other services on the main types of activity	17	22	29	68
Revenues from services on other types of activity	181	140	307	307
Total	4 182	3 756	11 956	11 013

Revenues from Telegraph services, data transfer and telematic telecommunications (Internet) include revenues from data transfer and telematic telecommunications (Internet) amounting at 2,584 (for 9 months of 2007 – 1,554).

Revenues from other sales (other types of activity) include revenues from assets lease amounting at 273 (for 9 months of 2007 – 260).

The Company detailed revenues from sale on the following main client groups:

Client groups	3 months, ended on June 30, 2008	3 months, ended on June 30, 2007	9 months, ended on September 30, 2008	9 months, ended on September 30, 2007
Individuals	2,569	2,280	6,549	5,813
Commercial organizations	1,218	1,135	4,234	4,184
Budget organizations	395	342	1,173	1,016
Total	4,182	3,757	11,956	11,013

28. Other operating expenses

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	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007
Agency fees	20	43	141	143
Fire protection and private security	50	48	152	147
Rent of premises	88	51	177	140
Advertising	36	37	122	96
Management costs	224	88	300	157
Universal service reserve payments	47	30	122	96
Audit and consulting services	55	45	114	117
Travel and hospitality costs	19	16	57	50
Non-commercial partnership	19	55	54	83
Membership fees, charity and transfers to trade unions	6	5	34	25
Transport services	8	14	25	36
Cost-price of goods sold	6	2	20	9
Property insurance	4	10	12	30
Education	2	2	9	8
Mail service	1	3	5	7
Other expenses	53	-	53	322
Total	638	449	1 397	1 466

29. Other operating income

	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007
Repayment of loss on universal communication service	52	41	75	62
Revenues from sale of commodity stocks and supplies	4	2	5	14
Total	56	43	80	76

30. Interest expenses, net

	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007
Interest income	(13)	(25)	(82)	(49)
Interest expenses	99	123	363	342
Expenses in connection with interest accrued under financial lease agreements	18	37	65	127
Total	104	135	346	420

31. Revenues from financial income, net

3 months,	3 months,	3 months,	3 months,
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	ended on September 30, 2008	ended on September 30, 2007	ended on September 30, 2008	ended on September 30, 2007
Revenues from sale of other financial investments	-	18	15	30
Revenues from change of fair value of financial assets with reflection of fair value change in profit and loss statement	(1)	-	-	-
Loss on depreciation of financial investments	-	1	-	-
Revenues from dividends	1	1	1	1
Total	2	-	2	2
Revenues from sale of other financial investments	2	20	18	33

32. Earnings (loss) per share

The Company has no financial instruments that could be converted into ordinary shares, thus, diluted earnings per share equals to basic earnings per share.

	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007	3 months, ended on September 30, 2008	3 months, ended on September 30, 2007
Profit (loss) for reporting period related to parent company shareholders	441	895	1,556	1,319
Weighted average amount of ordinary shares and other equity instruments concerned in profit, being in circulation, thousand ones			95,581	
Basic and diluted earnings (loss) per share (in RUR) for annual profit of parent company shareholders	4,614	9,364	16,279	13,800

33. Dividends declared and offered for payment

In 2008 according to the decision of the General Meeting of Shareholders it was declared about payment of dividends for the year ended on December 31, 2007 amounting at 0.9232 rubles per ordinary share and 2.7571 rubles per preferred share.

Amount of dividends to be paid constituted:

Name of shares	Amount of shares (psc.)	Dividends for 1 share (in roubles)	Total amount of dividends (in roubles)
For 2007			
Preferred shares	31,168,901	2,7571	85,935,777
Ordinary shares	95,581,421	0,9232	88,240,768
Total dividends			174,176,545

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34. Settlements and transactions with affiliates

During 9 months of 2008 the structure of Company’s affiliates had no significant changes comparing to the structure of affiliates as of December 31, 2007.

Type of relations between affiliates having significant dealings with the Company in the nine months of 2008 and 2007 is stated below:

Name	OJSC “Svyazinve st”	Company of OJSC “Svyazinvest” group	Company’s associates	Companies under state control	Other
9 months, ended September 30, 2008					
Sale of communications, connections and traffic transmission services	-	541	1	1,631	64
Sale of cooperation and agent services	-	187	-	-	-
Profit from lease of assets	-	-	-	3	-
Purchase of communications, connections and traffic transmission services	-	1	-	-	43
Purchase of other services	-	-	-	62	-
Purchase of goods and other assets	-	286	-	339	25
Interest payable on credits and loans	-	26	-	674	32
Dividends payable	-	-	-	9	9
Loans received	-	-	-	133	-
Security granted	45	-	-	-	-
Sale of communications, connections and traffic transmission services	-	-	-	1,955	-
Sale of cooperation and agent services	-	-	-	287	-
9 months, ended September 30, 2008					
Sale of communications, connections and traffic transmission services	-	802	1	380	20
Sale of other services, goods, products	-	-	-	30	-
Purchase of communications, connections and traffic transmission services	-	97	2	-	18
Purchase of other services	-	-	-	914	19
Interest payable on	-	-	-	-	8

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credits and loans					
Dividends payable	39	-	-	-	-

Tariffs and prices of transactions with parties concerned were established on the basis of general commercial conditions.

Type of relations between the parties concerned where the Company has significant position as of September 30, 2008 is reflected below:

Name	Company of OJSC “Svyazinvest” group	Company’s associates	Companies under state control	Other
As of 09.30.2008				
Accounts receivable	87	-	257	46
Accounts payable	154	6	287	14
Security granted	-	-	6	-
As of 12.31.2007				
Accounts receivable	125	2	65	10
Accounts payable	157	6	71	43
Security granted	-	-	5	-

OJSC “Svyazinvest”

The OJSC “Svyazinvest” holds 50.57% of voting shares of the Company as of September 30, 2008 and is a parent company of the OJSC “Far East Telecommunications”.

The “Svyazinvest” is an open joint-stock company, registered in compliance with the Russian Federation legislation.

OJSC “Rostelecom”

The OJSC “Svyazinvest” holds controlling block of shares of the OJSC “Rostelecom”, and “Rostelecom” is main operator of long-distance and international communication in the Russian Federation.

Revenues of the OJSC “Rostelecom” are made up by revenues from services of zone initiating/call termination from/to Company’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 Company.

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	9 months, ended on September 30, 2008	9 months, ended on September 30, 2007
Revenues from OJSC “Rostelecom” for communication services	729	631
Expenses on OJSC “Rostelecom” for communication services	312	151
	09.30.2008	12.31.2007
Accounts receivable on services provided for OJSC “Rostelecom”	87	125
Accounts payable on services provided for OJSC “Rostelecom”	154	157

Operations with state entities

State entities make significant part of Company’s client base purchasing its services both via different state administration bodies and via their branches and commercial organizations controlled by them.

Some organizations financed from state budget are users of the network belonging to the Company. These organizations usually take communications networks on lease and payment is made according to the lowest tariffs approved by the Federal Tariff Service comparing to tariffs existing for other clients. Besides, government may legally claim the Company to provide certain services in the interest of state safety and crime control. Other state organizations (“budget organizations”) like the Ministry of Defense and organizations controlled by the government use communication networks of “Svyazinvest” Group for transmission of information flows and tv and radio broadcasting in the whole territory of the country. In some case services provision is limited by communication channels lease that are paid to “Svyazinvest” Group at the rate lower than the market one.

Organizations that are directly or indirectly controlled by the state do not affect Company’s transactions with other companies.

The Company does not have the right to disconnect such companies that are strategic organizations for state according to the decisions of the Russian Federation government. Tariffs for such companies are also set by regulator and at the level of similar tariffs for commercial organizations.

Non-commercial partnership “Telecommunication development problems research center”

Non-commercial partnership “Telecommunication development problems research center” (hereinafter named “Partnership”) is related party of the OJSC “Far East Telecom”.

Partnership’s activity purpose is analyze problems of telecommunications industry development, project planning of regulatory legal acts, methodic recommendations and other documents for achievement of growth in communication organizations’ activity efficiency, provision of consulting and other cooperation to communication organizations in different aspects of their activity.

Contribution amount from the OJSC “Far East Telecom” to the Partnership included into other operating expenses in the attached consolidated interim profit and loss statement 53 for 9 months 2008 constitutes (in 2007 – 112).

Company’s accounts payable to the Partnership as of September 104, 2008 were 38 (as of December 31, 2007 – accounts payable were 20).

OJSC “Svyazintek”

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.

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Non-state pension funds: NSPF “Telecom-Soyuz” and NSPF “Erel”

The Company entered into several agreements of pension insurance with the NSPF “Telecom-Soyuz” and the NSPF “Erel”, the latter being the party related to the OJSC “Svyazinvest”.

In addition to contributions to the Pension Fund of the Russian Federation the Company provides its employees with non-state pension using post-employment benefit plans.

For majority of participants there are pension plans with fixed payments. Pension plan with fixed payments provides retirement insurance for old and disabled people. To get old-age retirement insurance it is necessary to reach the age giving the right for state old-age pension, at the present moment this age is 55 years for women and 60 years for men. Payment amount is calculated by the formula, established for each regional branch of the Company. According to the other formula pension depends on several parameters including employees’ salary at the moment of retirement and their labour record in the Company.

Also the Company has some long-term liabilities on payments to the employees having allowances with fixed payments, namely benefits related to death and one-time payment for retirement.

Besides the Company provides additional financial support in the form of fixed payments to old-age and disablement pensioners.

Total amount of contributions into this non state pension fond is 33 for 9 months 2008 (9 months 2007 – 58).

Remunerations for basic management personnel

Basic management personnel consists of Company’s Executive Committee and Board of Directors members amounting at 18 persons as of September 30, 2008 and 18 persons as of December 31, 2007.

Remunerations for the OJSC “Far East Telecom” Board of Directors and Executive Committee for 9 months of 2008 includes salary, bonuses as well as remuneration for participation in management bodies of the OJSC “Far East Telecom” and constitutes 22 (6 months of 2007 – 19), including salary, bonuses and remuneration of the OJSC “Far East Telecom” employees for participation in management bodies constitutes 18 (9 months of 2007 – 14). Remuneration sums are indicated without Uniform Social Tax.

35. Events after the reporting date

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 October 01, 2008 to November 25, 2008 163 employees were notified about reduction and 45 employees were dismissed.

Expenses related to Company’s personnel reduction starting from October 01, 2008 comprised 3.