

**Sibirtelecom OJSC**

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE 6 MONTHS' PERIOD ENDED on JUNE 30, 2009, PREPARED IN  
ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING  
STANDARDS (IFRS)

Sibirtelecom OJSC  
Unaudited Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009

**Contents**

Unaudited Consolidated Interim Balance Sheet .....	3
Unaudited Consolidated Profit and Loss Statement .....	3
Unaudited Consolidated Interim Statement of Total Revenue .....	6
Unaudited Consolidated Interim Statement of Cash Flows .....	6
Unaudited Consolidated Interim Statement of Changes in Equity .....	8
Notes to Unaudited Consolidated Interim Financial Statements .....	9

Sibirtelecom OJSC  
Balance Sheet as of June 30, 2009  
(million Russian rubles)

	Notes	30 June 2009	31 December 2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	42,585	44,282
Intangible assets	9	4,416	4,593
Other non-current assets	10	293	347
Investment property	8	29	13
Investments in equity accounted investees	11	19	19
Non-current financial assets	12	26	29
Deferred tax assets		40	51
<b>Total non-current assets</b>		<b>47,408</b>	<b>49,334</b>
<b>Current assets</b>			
Inventories	13	652	673
Trade and other receivables	14	2,788	2,719
Income tax receivable		324	401
Other current assets	15	536	579
Current financial assets	12	67	70
Cash and cash equivalents	16	804	1,109
<b>Total current assets</b>		<b>5,171</b>	<b>5,551</b>
<b>TOTAL ASSETS</b>		<b>52,579</b>	<b>54,885</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Sibirtelecom OJSC Shareholders' equity</b>			
Share capital	18	3,541	3,541
Unrealized gain on available-for-sale investments		38	21
Retained earnings		15,875	15,547
<b>Total equity attributable to shareholders of Sibirtelecom OJSC</b>		<b>19,454</b>	<b>19,109</b>
Uncontrolling shareholders' interest		2	2
<b>Total equity</b>		<b>19,456</b>	<b>19,111</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19	11,809	12,802
Employee benefits		3,662	3,560
Other non-current liabilities	21	84	92
Deferred tax liabilities	32	845	628
<b>Total non-current liabilities</b>		<b>16,400</b>	<b>17,082</b>
<b>Current liabilities</b>			
Loans and borrowings	19	10,178	11,220
Accounts payable and accrued expenses	23	5,733	6,355
Other current liabilities	24	793	1,058
Current provisions	22	19	59
<b>Total current liabilities</b>		<b>16,723</b>	<b>18,692</b>
<b>Total liabilities</b>		<b>33,123</b>	<b>35,774</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52,579</b>	<b>54,885</b>

*General Director*  
*I.V. Dadykin*

*Chief Accountant*  
*G.I. Khvoschinskaya*

Sibirtelecom OJSC  
 Unaudited Consolidated Interim Statement of Total Revenue  
 for the 6 months' period ended on June 30, 2009  
*Sibirtelecom OJSC*

	Notes	For 6 months ended on June 30, 2009	2008
<b>Revenues from sales</b>	25	<b>19,070</b>	<b>18,461</b>
Personnel costs	26	(5,137)	(5,087)
Depreciation and amortization	7,9	(4,072)	(3,432)
Interconnection charges		(2,320)	(2,132)
Materials, repairs and maintenance, utilities	27	(1,457)	(1,536)
Other operating income	28	638	490
Other operating expenses	29	(3,387)	(2,974)
Operating profit		<b>3,335</b>	<b>3,790</b>
Share of profit of equity accounted investees	11	–	2
Financial charges	30	(1,665)	(1,097)
Other revenues and expenses from financial investment activity	31	34	31
(Loss) profit from difference of currency exchange		(428)	53
<b>profit before income tax</b>		<b>1,276</b>	<b>2,779</b>
Income tax expense		(425)	(774)
<b>Profit for reporting period</b>		<b>851</b>	<b>2,005</b>
Profit for reporting period attributable to:			
Shareholders of Sibirtelecom OJSC		851	2,005
Non-controlling shareholders of subsidiaries		–	–
<b>Profit for reporting period</b>			
<b>Basic and diluted profit per share (in Russian rubles) for reporting period, attributable to Shareholders of Sibirtelecom OJSC</b>	32	<b>0.053</b>	<b>0.126</b>

General Director

I.V.Dadykin

Chief Accountant

G.I. Khvoshchinskaya

Sibirtelecom OJSC  
 Unaudited Consolidated Interim Statement of Total Revenue  
 for the 6 months' period ended on June 30, 2009  
*Sibirtelecom OJSC*

	For 6 months ended on June 30 3a 6	
	2009	2008 г.
<b>Profit for reporting period</b>	<b>851</b>	<b>2,005</b>
Change in the fair value of available-fo-sale financial assets	17	(24)
<b>Total other comprehensive income (loss)</b>	<b>17</b>	<b>(24)</b>
<b>Total revenue for reporting period</b>	<b>868</b>	<b>1,981</b>
Total revenue for reporting period attributable to Shareholders of Sibirtelecom OJSC	868	1,981
<b>Total revenue for reporting period</b>	<b>868</b>	<b>1,981</b>

General Director

I.V.Dadykin

Chief Accountant

G.I. Khvoshchinskaya

Sibirtelecom OJSC  
 Unaudited Consolidated Interim Statement of Total Revenue  
 for the 6 months' period ended on June 30, 2009

	Notes	2009	2008
<b>Cash flows from operating activities:</b>			
profit before income tax		1,276	2,779
<i>Adjustments for:</i>			
Depreciation and amortization	7,9	4 072	3 432
Loss on disposal of fixed assets and other assets	<b>29</b>	20	11
Recovery of provision for impairment of fixed assets	<b>28</b>	(14)	–
Recovery of provision for impairment of inventory and other assets	<b>28</b>	(2)	(5)
Provision for doubtful debts	<b>29</b>	88	29
Share of profit of equity accounted investees	<b>11</b>	–	(2)
(Loss) profit from difference of currency exchange		428	(53)
Other incomes from financial activities	<b>31</b>	(34)	(33)
Financial expenses	<b>30</b>	1,484	951
		<b>7,318</b>	<b>7,109</b>
<b>Operating profit after adjustments</b>			
Increase (decrease) in inventories		22	(22)
Increase in receivables		(158)	(282)
Increase (decrease) in other current assets		43	(306)
Increase in employee benefits		104	187
Decrease in accounts payable and accrued expenses		(1,088)	(1,055)
Increase in taxes payable, other than income tax	23	706	893
Decrease in provisions for contingent liabilities	22	(40)	(73)
		<b>6,907</b>	<b>6,451</b>
<b>Cash flows generated from operations before income tax and interest paid</b>			
Interest paid		(1,474)	(845)
Income tax paid		(244)	(601)
		<b>5,189</b>	<b>5,005</b>
<b>Cash flows from operating activities</b>			
<b>Investing activities</b>			
Acquisition of fixed assets		(2,906)	(4,856)
Proceeds from disposals of fixed assets		45	33
Acquisition of intangible assets		(253)	(468)
Acquisition of subsidiaries, net of cash acquired		–	(80)
Acquisition of investments and loans granted		(18)	(235)
Proceeds from sale of investments and recovery of loans granted		35	378
Interest received		30	27
Dividends received		2	–
		<b>3,065</b>	<b>5,201</b>
<b>Cash flows utilised in investing activities</b>			

Sibirtelecom OJSC  
 Unaudited Consolidated Interim Statement of Total Revenue  
 for the 6 months' period ended on June 30, 2009

	Notes	<b>For 6 months ended on 30 June 2009</b>	<b>2008</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings		3,722	4,785
Repayment of loans and borrowings		(5,810)	(1,569)
Proceeds from bond issue		1,721	–
Repayment of bond issue		(2,000)	(3,000)
Repayment of finance lease obligations		(88)	(326)
Repayment of commercial credits		(285)	(145)
Proceeds from promissory notes		1,176	1,350
Repayment of promissory notes		(858)	–
Dividends paid to shareholders of Sibirtelecom OJSC		(7)	–
<b>Cash flows utilised in financing activities</b>		<b>(2,429)</b>	<b>1,095</b>
<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(305)</b>	<b>899</b>
Cash and cash equivalents at beginning of year		1,109	1,383
<b>Cash and cash equivalents at end of year</b>	16	<b>804</b>	<b>2,282</b>

General Director

I.V.Dadykin

Chief Accountant

G.I. Khvoshchinskaya

Sibirtelecom OJSC  
Unaudited Consolidated Interim Statement of Total Revenue  
for the 6 months' period ended on June 30, 2009

Sibirtelecom OJSC  
Consolidated Statement of Changes in Equity  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

	Note	Equity attributable to the shareholders of Sibirtelecom OJSC				Uncontrolling shareholders' interest	Total equity	
		Preference shares	Ordinary shares	Accumulated provision for revaluation of available-for-sale financial assets	Retained income			Total equity attributable to the shareholders of Sibirtelecom OJSC
<b>Balance at 31 December 2007</b>	18	<b>869</b>	<b>2,672</b>	<b>97</b>	<b>14,709</b>	<b>18,347</b>	<b>2</b>	<b>18,349</b>
Total revenue for reporting period		-	-	(24)	2,005	1,981	-	1,981
Dividends to shareholders of Sibirtelecom OJSC		-	-	-	(691)	(691)	-	(691)
<b>Balance at 31 June 2008</b>	18	<b>869</b>	<b>2,672</b>	<b>73</b>	<b>16,023</b>	<b>19,637</b>	<b>2</b>	<b>19,639</b>
		-	-	-	-	-	-	-
<b>Balance at 30 December 2008</b>		<b>869</b>	<b>2,672</b>	<b>21</b>	<b>15,547</b>	<b>19,109</b>	<b>2</b>	<b>19,111</b>
Total revenue for reporting period		-	-	17	851	868	-	868
Dividends to shareholders of Sibirtelecom OJSC		-	-	-	(523)	(523)	-	(523)
<b>Balance at 30 June 2008</b>	18	<b>869</b>	<b>2,672</b>	<b>38</b>	<b>15,875</b>	<b>19,454</b>	<b>2</b>	<b>19,456</b>

General Director

I.V. Dadykin

Chief Accountant

G.I. Khvoshchinskaya

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

## **1. General Information**

### **Authorisation of the Financial Statements**

The unaudited consolidated interim financial statements of Sibirtelecom OJSC and its subsidiaries ("Company") for the 6 month period ended on 30 June 2009 were authorised for issue by the General Director and the Chief Accountant on 15 September 2009.

### **Company**

Sibirtelecom OJSC ("Parent Company") was incorporated as an open joint stock company in the Russian Federation.

The parent company's registered address is: Russia, 630099, Novosibirsk, Maksima Gorkogo street, 53.

The Company provides telephone services (including local and intra-zone telephone services), mobile radiotelephony services (including access to external telecommunication networks – roaming services), telegraph services, data transmission services, rents out communication and radio communication channels in the territory of the Siberian Federal District of the Russian Federation.

Svyazinvest OJSC, which is controlled by the Russian Government, owned 50.67% of the Company's ordinary voting shares as of 30 June 2009 and is the Company's parent company.

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

### **Liquidity and Financial Resources**

As of 30 June 2009, the Company's current liabilities exceeded its current assets by 11,552 (as of 31 December 2008: 13,141).

To date the Company has relied on both short-term and long-term borrowings to finance development of its communications networks. This financing has historically been provided through bank loans, issue of own promissory notes, credit notes, bonds, financial lease and commercial credits.

In 2009 the Company expects to generate funds from the following sources: cash proceeds from operating activities, placement of ruble bonds on the Russian market, raising funds from domestic lending institutions, and issue of own bills. Moreover, management believes that some of existing contractual payment terms relating to current operations and certain capital investment projects could be extended, or curtailed in the case of deficiency of working capital.

## **2. Basis of Preparation**

### **Compliance Statement**

These unaudited consolidated interim financial statements was prepared and submitted with deviations from IAS 34 (Interim financial statements) and other International financial reporting statements (IFRS) with corresponding interpretations approved by the International financial reporting statements committee (IFRSC). These deviations are connected with the reflection of the comparatives: in the unaudited consolidated interim profit and loss statement, the unaudited consolidated interim statement of total revenue, the unaudited consolidated interim cashflow statement, in the "Information on segments of activity" note

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

All information should be considered subject to the Company's annual consolidated financial statements for the year ended 31 December 2008.

**Going Concern**

The unaudited consolidated interim financial statements have been presented on a going concern basis, which contemplates the payback of assets and the satisfaction of liabilities in the normal course of business.

**Presentation of Financial Statements**

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

The unaudited consolidated interim financial statements of the Company are presented in millions of Russian rubles, rounded to the nearest million, unless stated otherwise.

**Basis for Valuation**

The unaudited consolidated interim financial statements have been prepared under the historical cost convention except for property, plant and equipment that were fair-value evaluated on the date of the change to IFRS to determine their deemed cost; and for available-for-sale financial assets evaluated at fair value .

**Changes in the Accounting Policy**

The adopted accounting policy used to prepare unaudited consolidated interim financial statements for the 6-month-period of 2009 is consistent with the one used to prepare consolidated financial statements for the year 2008, except for the provisions of the Accounting Policy changed after approval of new and/or revision of IFRS Standards and Interpretation having come into force on 1 January 2009 or later..

The changes in accounting policy are connected with application of the following new or revised Standards and Interpretations:

<b>Standard / Interpretation</b>	<b>Change</b>	<b>Effect</b>
IFRS 8 (Operating segments)	Demands disclosure of information about operating segments and cancels the requirement of determination of primary (industry) and secondary (geographic) reportable segments. Modificates the principle of assessment of segmented financial information demanding presence of financial information of operating segments in the assessment for the purposes of resource allocation by the Company's management to support activities of the segments and evaluate their performance. Demands disclosure of factors used for determination of operating segments.	New disclosures are stated in Note 5.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

<b>Standard / Interpretation</b>	<b>Change</b>	<b>Effect</b>
IAS 1 (2007) (Presentation of Financial Statements)	Separates changes in equity from other changes in capital. Statement of changes in equity will provide detailed information only about operations with the owners, whereas all other changes in equity (i.e. income and expenses acknowledged directly as part of the capital) shall be presented in one line. Introduces new statement of total revenue, which shall contain all income and expenditure items reflected in the profit and loss statement and other income and expenditure acknowledged directly as part of the capital. Changes in income and expenditure acknowledged as part of the capital can be presented either in the statement of total revenue or in two separate statements: the profit and loss statement and the statement of total revenue.	New/revised reporting forms are included in these unaudited consolidated interim financial statements.
IAS 23 (2006) (Accounting of interest expenses)	Eliminates the possibility of immediate acknowledgement of interest expenses referred to assets which need time to prepare for utilization or sale.	Revised standard had no effect on the Company's financial standing or performance.
Amendments to IAS 32 and IAS 1 (Redeemable financial instruments and liquidation liabilities)	Require some financial instruments and liquidation liabilities to be classified as part of the capital.  Establish which information about redeemable instruments and instruments classified as part of the capital is subject to disclosure.	Amendments had no effect on the Company's financial standing or performance.
Amendments to IFRS 2 (Payments based on equity instruments – conditions for lapse and cancellation of rights)	Specify the condition for lapse of rights as explicit or implicit requirement of service providing. Other conditions are not conditions for lapse of rights and shall be accounted at estimation of the fair value of equity instruments. If the rights for an equity instrument were not transferred due to nonperformance of a condition which was not the condition for lapse of rights and whose fulfillment was controlled by the organization or its counterparty, cancellation of the equity instrument shall be acknowledged.	Amendments had no effect on the Company's financial standing or performance.
IFRS 3 (2008) (Amalgamation of companies) (Early application)	Makes changes in the accounting of amalgamation of companies, which will have an effect on the goodwill and financial performance to be shown in the period of acquisition and further periods.	Revised standard changed the procedure of consolidation of affiliated companies, but had no significant effect on the Company's financial standing or performance.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

<b>Standard / Interpretation</b>	<b>Change</b>	<b>Effect</b>
IAS 27 (2008) (Consolidated and separate financial statements)  (Early application)	Requires accounting of changes in a share in an affiliated company as an operation with the capital. Changes requirements for accounting of losses suffered by an affiliated company.	Revised standard changed the procedure of consolidation of affiliated companies, but had no significant effect on the Company's financial standing or performance.
Interpretation No. 13 of IFRS interpretations committee (Loyalty programs)	Requires accounting of favorable conditions for loyal clients as a separate component of a commercial transaction under which they are provided. A part of the fair value of the received compensation shall be assigned to the said favorable conditions and be transferred to the following reporting periods till the provided favorable conditions are fulfilled.	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 15 IFRS interpretations committee (Contracts for construction of real estate objects)	Specifies the criteria of assignment of contracts for construction of real estate objects and the principles of acknowledgement of revenues from them to the jurisdiction of IAS 11 (Construction contracts) or IAS 18 (Revenue).	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 16 IFRS interpretations committee (Hedging of investments in foreign activities)	Establishes which risks connected with investments in foreign activities allow accounting of hedging, and specifies the rules for accounting of such operations.	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 17 IFRS interpretations committee (Distribution of non-monetary assets between owners)  (Early application)	Explains distribution of non-monetary assets among owners. The interpretation also considers situations when the company gives the owners an option to receive non-monetary assets or their equivalents in cash form).	The interpretation had no effect on the Company's financial standing or performance.
Interpretation No. 18 IFRS interpretations committee (Transfer of assets from clients)  (Early application)	Explains when the assets transferred by the clients shall be acknowledged as a part of the company's assets and establishes the procedure of their assessment during the initial acknowledgement. The interpretation also considers situations when a client gives the company money for purchasing such assets.	The interpretation had no effect on the Company's financial standing or performance.
Amendments to IAS 39 and IFRS 7 (Reclassification of financial assets)	Establishes the rules for reclassification of financial assets between different categories and the requirements for information disclosure if they are performed.	The amendments had no effect on the Company's financial standing or performance.
Draft of annual IFRS improvement	The document provides for the introduction of various improvements of standards and the elimination of faults in current versions of IFRS.	The amendments required hereby were accounted for during preparation of interim financial statements of the Company.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Reclassification of financial statements indices**

Since the format of providing financial statements for the period ended on June 30, 2009 was changed, the Company carried out reclassification of certain comparative indices for the period ended on June 30, 2008.

<b>Consolidated profit-and-loss statement for the period ended on June 30, 2008</b>	<b>Prior to reclassification</b>	<b>Reclassification effect</b>	<b>With regard to reclassification</b>	<b>Description of reclassifications</b>
Expenses from services of telecom operators – international companies	(42)	42	–	Comment 1
Expenses from services of telecom operators – Russian companies	(2,090)	2,090	–	
Expenses from services of telecom operators	–	(2,132)	(2,132)	
Other operating expenses	(2,527)	(447)	(2,974)	Comment 2
Compensation of losses from providing universal communication services	288	(288)	–	Comment 3
Materials, repair and servicing, public utilities	(1,413)	(123)	(1,536)	Comment 4
Taxes except for profit tax	(464)	464	–	Comment 5
Provision for doubtful debts	(29)	29	–	Comment 6
Loss from fixed asset retirement	(9)	9	–	Comment 7
Other operating expenses	–	490	490	Comment 8
Financial expenses	(852)	(245)	(1,097)	Comment 9
Profit from financial investments, net	1	(1)	–	Comment 10
Other incomes and expenses from financial and investment activity	–	(2)	(2)	Comment 11
Other incomes and expenses from financial and investment activity	–	86	86	Comment 12
Personnel expense	(5,233)	146	(5,087)	Comment 13
Profit tax	(709)	(65)	(774)	Comment 14

Comment 1	Reclassification of expenses from telecom operator services – international companies and expenses from telecom operators- Russian companies to expenses from telecom operator services
Comment 2	Comments 5-9, 14
Comment 3	Reclassification of compensation of losses from providing universal communication services to other operating incomes
Comment 4	Reclassification of expenses from retirement of commodities purchased for realization of from other operating expenses
Comment 5	Reclassification of taxes, except for profit tax, to other operating expenses, comment 14
Comment 6	Reclassification of expenses incurred from the provision of doubtful debts to other operating expenses
Comment 7	Reclassification of the loss from fixed asset retirement to other operating expenses
Comment 8	Allocation of other operating incomes from the net evaluation of other operating incomes and expenses, also comment 3
Comment 9	Reclassification of expenses from loan servicing to financial expenses. Allocation of interest income from net evaluation of expenses from interest, also comment 13
Comment 10	Reclassification of profit from financial investments (net) to other incomes and expenses from financial and investments activity, also comment 11
Comment 11	Allocation of financial expenses from the net evaluation of profit on financial investments
Comment 12	Comments 8-9

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Comment 13	Reclassification of expenses from interest on employee benefit and long-term social obligations ым obligations from personnel to financial expense
Comment 14	Reclassification of profit on tax on dividends of subsidiary companies from other operating expenses to profit tax

**Foreign Currency Transactions**

The functional and presentation currency of unaudited consolidated interim financial statements of the Company is the Russian ruble (RUR). Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the functional currency exchange rate ruling at that date. All resulting differences are recognised in the income statement as foreign exchange gains (losses). Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as of the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange rates as of 30 June 2009 and 31 December 2008 were as follows:

<b>Currency</b>	<b>30 June 2009</b>	<b>31 December 2008</b>
US Dollar	31,2904	29,3804
EURO	43,8191	41,4411

**3. Principal provisions of the accounting policy**

The unaudited consolidated interim financial statements are prepared on the basis of unified account policy of the Company for 2008 adjusted with reference to the above new/revised Standards/Interpretations.

**4. Significant accounting views and estimations**

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the book values of assets and liabilities within the next financial year are similar to those disclosed in the consolidated financial statements of the Company for 2008.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**5. Information on segments of activity**

The Company provides services of fixed-line and mobile communication, as well as is involved in other activities beyond the communication branch. The reporting segment of Sibirtelecom OJSC - fixed-line telephony includes Gorno-Altai, Buryatia, Khakassia, Altai, Krasnoyarsk, Irkutsk, Kemerovo, Novosibirsk, Omsk, Tomsk, and Zabaikalye Branches that provide services of telephone communication, including services of local intra-zone communication, the telegraph network of communication, data transmission network and telematic services, services of connection and traffic transmission, radio broadcasting, television, leasing of communication lines. Each of the mentioned branches is a separate operation segment. Besides, the General management bears expenses related to the management of the branches' activities and in the interests of the Company in whole and is a separate operating segment.

The reporting segment of "Subsidiary companies - fixed-line communication" consists of: ChitaNET CJSC, Altai Telecommunication Company CJSC, Rinet OJSC, ATS-32 CJSC, ATS-41 CJSC, Mobiltelecom OJSC, Novocom CJSC that provide services of local telephone communication, data transmission network, and telematic services. Each of the mentioned branches is a separate operation segment.

The reporting segment of "Subsidiary companies – mobile communication" consists of: Yeniseytelecom CJSC, STeK GSM CJSC, Altaisvyaz OJSC, Baikalwestcom CJSC that provide services of mobile radiotelephone communication, including an access to communication services of other telecom operator – external roaming, as well as services of mobile radiotelephone communication using paystations. Each of the mentioned subsidiaries is a separate operation segment.

Prices and tariffs for operations between the segments are established under market conditions similar to operations with third parties. Incomes, expenses and financial results of the segments take into account the operations between segments that are excluded under consolidation.

Unappropriated expenses, assets and liabilities are expenses, assets and liabilities that refer to the Company in whole.

The segment assets mainly include fixed assets, intangible assets, provisions, accounts receivable, long-term advances paid. Financial assets, deferred tax assets from profit tax, as well as other assets used in solving common problems of the Company are not included in the assets of segments.

The segment liabilities include operating liabilities, employee benefit and long-term social obligations and do not include liabilities to the budget for the current profit tax, financial liabilities, provisions, or liabilities for the deferred profit tax.

Capital expenditures include receipts of fixed and intangible assets. The loss caused by the cost reduction and provisions are included in the segment only if they are referred to the segment assets.

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**5. Information on segments of activity (continuation)**

Information on segments of activity include:

	6 months of 2009			Total segments
	Sibirtelecom-Fixed-Line Telephony OJSC	Subsidiary companies – fixed-line telephony	Subsidiary companies – mobile telephony	
<b>Revenues from sales</b>				
Revenues from sales to third parties	13,811	137	5,175	19,123
Revenues from sales between segments	175	25	220	420
Revenues from sales inside the segment	–	–	3	3
<b>Total revenues from sales</b>	<b>13,986</b>	<b>162</b>	<b>5,398</b>	<b>19,546</b>
Interest incomes	27	2	29	58
Financial expenses	(1,006)	–	(343)	(1,349)
Profit tax	(215)	(2)	(167)	(384)
<b>Income for reporting period</b>	<b>1,075</b>	<b>4</b>	<b>525</b>	<b>1,604</b>
<b>ASSETS AND LIABILITIES</b>				
Assets with respect to activity segments, including:				
Investments in associated companies	39,569	235	14,118	53,922
Liabilities with respect to activity segments	–	1	–	1
	(23,063)	(56)	(8,836)	(31,955)
<b>OTHER SEGMENTED INFORMATION</b>				
Capital expenditures, including:				
from fixed assets	956	8	1,173	2,137
from intangible assets	7	–	–	7
Depreciation and amortization	2,327	12	967	3,306
Recovery of loss from impairment of inventory holdings	1	–	–	1
Reserve for doubtful debts	(77)	(1)	(50)	(128)
Expenses from employee benefit and long-term social obligations	(203)	(1)	(7)	(211)

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

**5. Information on segments of activity (continuation)**

Verification of data on segments and consolidated data

	6 months of 2009			Total for the Company, consolidated
	Total segments	Transformation adjustments	Consolidated adjustments	
<b>Revenues from sales</b>				
Revenues from sales to third parties	19,123	(53)	–	19,070
Revenues from sales between segments	420	–	(420)	–
Revenues from sales inside the segment	3	–	(3)	–
<b>Total revenues from sales</b>	<b>19,546</b>	<b>(53)</b>	<b>(423)</b>	<b>19,070</b>
Interest incomes	58	(21)	(5)	32
Financial expenses	(1,349)	(86)	4	(1,431)
Profit tax	(384)	5	(46)	(425)
<b>Income for reporting period</b>	<b>1,604</b>	<b>(246)</b>	<b>(507)</b>	<b>851</b>
<b>ASSETS AND LIABILITIES</b>				
Assets with respect to activity segments, including:	53,922	378	(1,721)	52,579
Investments in associated companies	1	18	–	19
Liabilities with respect to activity segments	(31,955)	(1,805)	637	(33,123)
<b>OTHER SEGMENTED INFORMATION</b>				
Capital expenditures, including:				
from fixed assets	2,137	(18)	–	2,119
from intangible assets	7	246	–	253
Depreciation and amortization	(3,306)	(773)	7	(4,072)
Recovery of loss from impairment	–	14	–	14
Recovery of loss from impairment of inventory holdings	1	1	–	2
Reserve for doubtful debts	(128)	–	40	(88)
Expenses from employee benefit and long-term social obligations	(211)	30	–	(181)

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**5. Information on segments of activity (continuation)**

Information on operating segments:

Operating segment	Revenues from sales	Profit (loss) of operating segment	Segment assets	Segment liabilities
<b>Sibirtelecom OJSC -Fixed-Line</b>				
<b>Telephony</b>				
Gorno-Altai branch	133	(45)	361	(35)
Buryatia branch	1,134	97	2,185	(302)
Khakassia branch	342	(39)	1,121	(106)
Altai branch	1,841	291	4,013	(366)
Krasnoyarsk branch	1,733	(17)	4,382	(394)
Irkutsk branch	1,620	126	3,418	(419)
Kemerovo branch	1,613	(75)	4,145	(396)
Novosibirsk branch	2,531	481	5,604	(532)
Omsk branch	1,291	103	3,415	(243)
Tomsk branch	1,131	128	2,438	(196)
Zabaikalye branch	617	(132)	1,860	(180)
General management	–	157	6,627	(19,894)
<b>Subsidiary companies – fixed-line telephony</b>				
ChitaNET CJSC	8	–	9	(3)
Altai telecommunication company CJSC	–	–	–	–
Rinet OJSC	42	–	23	(14)
ATS-32 CJSC	25	1	84	(9)
ATS-41 CJSC	26	2	38	(8)
Mobiltelecom OJSC	33	–	33	(11)
Novocom CJSC	28	1	48	(11)
<b>Subsidiary companies – mobile telephony</b>				
Yeniseytelecom CJSC, including:	2,591	282	6,474	(3,727)
<i>STeK GSM CJSC</i>	58	88	561	(874)
<i>Altaiস্যaz OJSC</i>	91	48	304	(565)
Baikalwestcom CJSC	2,807	243	7,644	(5,109)

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

## 6. Subsidiaries

The following subsidiaries are controlled by Sibirtelecom OJSC:

Name	Activities	Share in authorized capital and other interest, %		Voting shares and other interest, %	
		30 June 2009	31 Dec 2007	30 June 2008	31 Dec 2007
Yeniseytelecom CJSC	Cellular services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Baikalwestcom CJSC	Cellular services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
ChitaNet CJSC	Data transmission and telematic services	100.00	100.00	100.00	100.00
Altai telecommunications company CJSC	Local telephone network services	100.00	100.00	100.00	100.00
STek GSM * CJSC	Cellular services (GSM 900 and 1800)	100.00	100.00	100.00	100.00
Rinet OJSC	Internet services, Local telephony	100.00	100.00	100.00	100.00
ATS-32 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
ATS-41 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
Mobiltelecom OJSC	Internet, Local telephony	91.75	91.75	91.75	91.75
Novocom CJSC	Internet	100.00	100.00	100.00	100.00
Altaysvyaz OJSC *	Cellular services	99.72	99.72	99.72	99.72

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

## 7. Fixed assets

	Land, buildings and constructions	Switches and transmitters	Vehicles and other fixed assets	Construction in progress and equipment to be installed	Total
<b>Original value</b>					
At 31 December 2007	20,895	27,899	4,069	3,666	56,529
Receipts	–	–	–	2 790	2 790
Receipts connected with acquisition of subsidiaries	5	20	4	–	29
Put into operation	807	1,829	501	(3 137)	–
Disposals	(127)	(53)	(46)	(10)	(236)
At 30 June 2008	21,580	29,695	4,528	3,309	59,112

\* Indirect ownership via Yeniseytelecom CJSC

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

<b>At 31 December 2008</b>	<b>24,013</b>	<b>30,966</b>	<b>5,167</b>	<b>6,718</b>	<b>66,864</b>
Receipts	–	–	–	2,119	2,119
Receipts of assets connected with reclassification from investment property	6	–	–	–	6
Put into operation	1,710	3,833	294	(5,837)	–
Disposals	(40)	(335)	(48)	(10)	(433)
Disposal of assets connected with their classification as investment property	(33)	–	–	–	(33)
Reclassification	2	(10)	12	(4)	–
<b>At 30 June 2009</b>	<b>25,658</b>	<b>34,454</b>	<b>5,425</b>	<b>2,986</b>	<b>68,523</b>
<b><i>Accumulated depreciation and impairment losses</i></b>					
<b>At 31 December 2007</b>	<b>(5,789)</b>	<b>(7,743)</b>	<b>(2,210)</b>	<b>(264)</b>	<b>(16,006)</b>
Accumulated depreciation for reporting period	(577)	(2,132)	(427)	–	(3,136)
Accumulated depreciation for fixed-assets of acquired subsidiary companies	(1)	(11)	(2)	–	(14)
Depreciation of disposed objects	37	83	42	–	162
Reclassification	(2)	(2)	–	4	–
<b>At 30 June 2008</b>	<b>(6,332)</b>	<b>(9,805)</b>	<b>(2,597)</b>	<b>(260)</b>	<b>(18,994)</b>
At 31 December 2008	<b>(7,623)</b>	<b>(11,318)</b>	<b>(3,321)</b>	<b>(320)</b>	<b>(22,582)</b>
Depreciation accrued in the reporting period	(958)	(2,201)	(483)	–	(3,642)
Depreciation accrued for fixed assets reclassified from investment property	(3)	–	–	–	(3)
Depreciation of disposed objects	27	191	43	–	261
Depreciation of disposed assets when they are classified as investment property	14	–	–	–	14
Accrued impairment	–	–	–	(11)	(11)
Restored impairment	5	7	2	11	25
Reclassification	(13)	(8)	(6)	27	–
<b>At 30 June 2009</b>	<b>(8,551)</b>	<b>(13,329)</b>	<b>(3,765)</b>	<b>(293)</b>	<b>(25,938)</b>
<b>Depreciated value</b>					
<b>at 31 December 2007</b>	<b>15,106</b>	<b>20,156</b>	<b>1,859</b>	<b>3,402</b>	<b>40,523</b>
<b>Depreciated value at 30 June 2008</b>	<b>15,248</b>	<b>19,890</b>	<b>1,931</b>	<b>3,049</b>	<b>40,118</b>
<b>Depreciated value at 31 December 2008</b>	<b>16,390</b>	<b>19,648</b>	<b>1,846</b>	<b>6,398</b>	<b>44,282</b>
<b>Depreciated value at 30 June 2009</b>	<b>17,107</b>	<b>21,125</b>	<b>1,660</b>	<b>2,693</b>	<b>42,585</b>

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

At 30 June 2009 the book value of fixed assets received under agreements of financial lease amounted to:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Switches and transmitters	466	567
Vehicles and other fixed assets	1	1
<b>Total fixed assets received under agreements of financial lease, book value</b>	<b>467</b>	<b>568</b>

Depreciation of fixed assets accrued for 6 months of 2009 in the amount of 3,642 (6 months of 2008 – 3,136) was recognised in item “Depreciation and amortization” of the consolidated interim profit and loss statement.

As of 30 June 2009 the original value of fully amortised fixed assets amounted to 6,185 (31 December 2008 – 5,232).

Over 6 months of 2009 the Company increased the value of construction in progress with the amount of capitalized interest – 40 (6 months of 2008 –24). Capitalization rate for 6 months of 2009 was 9% (6 months of 2008 – 8%).

As of 30 June 2009 the depreciated value of fixed assets in co-ownership amounted to 96 (31 December 2008 – 109).

**Depreciation of objects of fixed assets**

The Company analyzed the fixed assets with respect to depreciation as of 30 June 2009. For the purpose of the depreciation test, the compensated amount for each unit generating a cash flow (hereinafter, UGCF) was determined on the basis of evaluation of its use value calculated by discounting of future flows of monetary funds which will be received as a result of continuous use of the UGCF.

The Company determined certain UGCF for each branch and each subsidiary company.

When calculating the value in use, the cash flows expected in the future are discounted to their current value using a pre-tax rate of discounting that shows a current market value of influence of a change in the money value as the time goes as well as risks typical for this asset.

By the results of the depreciation test the Company acknowledged the loss from depreciation of fixed assets of subsidiary companies in the amount of 11. The loss was distributed among the following UGCF (Comment 28):

	<u>Loss from depreciation for the 6 month period ended on 30 June 2009</u>
Yeniseytelecom CJSC	9
Baikalwestcom CJSC	2
<b>Total</b>	<b>11</b>

For 6 months of 2009, depreciation of fixed assets of the Company in the amount of 25 was recovered. The compensation of the depreciation loss was allocated among the following UGCF (Comment 28):

<u>Recovery of depreciation loss for the 6-month-period ended on 30 June 2009</u>
25

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Yeniseytelecom CJSC	9
Baikalwestcom CJSC	3
Gorno-Altai branch of Sibirtelecom OJSC	13

**8. Investment Property**

	For leas- ing	For sale	For leasing with the following sale	Total
Reclassification to fixed ssets	(5)	(1)	–	(6)
<b>As of 30 June 2009</b>	<b>21</b>	<b>23</b>	<b>2</b>	<b>46</b>
<b>Accumulated depreciation as of 31 December 2008</b>	<b>(5)</b>	<b>(1)</b>	<b>–</b>	<b>(6)</b>
Reclassification of depreciation from fixed assets	(3)	(11)	–	(14)
Reclassification of depreciation to fixed assets	3	–	–	3
<b>As of 30 June 2009</b>	<b>(5)</b>	<b>(12)</b>	<b>–</b>	<b>(17)</b>
<b>Depreciated value as of 31 December 2008</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>13</b>
<b>Fair value as of 31 December 2008</b>	<b>37</b>	<b>5</b>	<b>7</b>	<b>49</b>
<b>Depreciated value as of 30 June 2009</b>	<b>16</b>	<b>11</b>	<b>2</b>	<b>29</b>
<b>Fair value as of 30 June 2009</b>	<b>41</b>	<b>30</b>	<b>6</b>	<b>77</b>

The Company reclassified some objects of fixed assets (which match the criteria of investment property) into investment property.

As of 30 June 2009 no objects of investment property were a security under credit, loan or financial lease agreements.

Over 6 months of 2009 the Company had no limitations regarding the right to dispose proceeds from leasing or selling investment property.

Fair value of investment property was performed based on information on the property market. The following sources were used:

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

Fair value is based on market prices for items, identical to the Company's items of investment property.

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**9. Intangible Assets**

	Goodwill	Licences	Software	Numbering capacity	Other	Total
<b>Original value</b>						
<b>At 31 December 2007</b>	<b>129</b>	<b>111</b>	<b>5,128</b>	<b>100</b>	<b>40</b>	<b>5,508</b>
Receipts	74	23	385	2	–	484
Disposals	–	–	(12)	–	–	(12)
<b>At 30 June 2008</b>	<b>203</b>	<b>134</b>	<b>5,501</b>	<b>102</b>	<b>40</b>	<b>5,980</b>
At 31 December 2008	<b>204</b>	<b>149</b>	<b>6,326</b>	<b>105</b>	<b>90</b>	<b>6,874</b>
Receipts	–	14	228	3	8	253
Disposals	–	–	(3)	(9)	–	(12)
Reclassification	–	(3)	3	–	–	–
<b>At 30 June 2009</b>	<b>204</b>	<b>160</b>	<b>6,554</b>	<b>99</b>	<b>98</b>	<b>7,115</b>
<b>Accrued depreciation and impairment</b>						
<b>At 31 December 2007</b>						
Accrued annual depreciation	(80)	(60)	(1,288)	(65)	(12)	(1,505)
Depreciation of disposed objects	–	(6)	(279)	(9)	(2)	(296)
At June 30, 2008	–	–	2	–	–	2
Accrued impairment	(80)	(66)	(1,565)	(74)	(14)	(1,799)
<b>At 31 December 2008</b>	<b>(171)</b>	<b>(58)</b>	<b>(1,952)</b>	<b>(80)</b>	<b>(20)</b>	<b>(2,281)</b>
Accrued depreciation in the reporting period	–	(12)	(402)	(6)	(10)	(430)
Depreciation of disposed objects	–	–	3	9	–	12
<b>At 30 June 2009</b>	<b>(171)</b>	<b>(70)</b>	<b>(2,351)</b>	<b>(77)</b>	<b>(30)</b>	<b>(2,699)</b>
<b>Depreciated value</b>						
<b>At 31 December 2007</b>	<b>49</b>	<b>51</b>	<b>3,840</b>	<b>35</b>	<b>28</b>	<b>4,003</b>
<b>At 30 June 2008</b>	<b>123</b>	<b>68</b>	<b>3,936</b>	<b>28</b>	<b>26</b>	<b>4,181</b>
<b>Depreciated value at 30 June 2009</b>	<b>123</b>	<b>68</b>	<b>3,936</b>	<b>28</b>	<b>26</b>	<b>4,181</b>
<b>At 31 December 2008</b>	<b>33</b>	<b>91</b>	<b>4,374</b>	<b>25</b>	<b>70</b>	<b>4,593</b>
<b>At 30 June 2009</b>	<b>33</b>	<b>90</b>	<b>4,203</b>	<b>22</b>	<b>68</b>	<b>4,416</b>

**Oracle E-Business Suite**

As of 30 June 2009 the software includes software product Oracle E-Business Suite (“OeBS”) with book value amounting to 1,088 (31 December 2008 – 1,108).

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

Changes in the book value of Oracle E-Business Suite for the 6 month periods ended 30 June 2009 and 2008 are shown below:

	2009	2008
<b>As of 1 January</b>	<b>1,108</b>	<b>893</b>
Implementation cost	61	89
Accrued depreciation	(81)	(38)
<b>As of 30 June</b>	<b>1,088</b>	<b>944</b>

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Amdocs Billing System**

As of 30 June 2009 the software included software product Amdocs Billing Suite with the book value of 786 (31 December 2008 – 779).

This software was purchased for the purpose of the implementation of unified automated billing system. The project of implementation of unified automated billing system is expected to last 4-5 years.

Management plans to reassess the value of the asset for impairment on a regular basis until the implementation is complete.

Changes in the book value of Amdocs Billing Suite for the 6 month periods ended 30 June 2009 and 2008 are shown below:

	<b>2009</b>	<b>2008</b>
<b>As of 1 January</b>	<u>779</u>	<u>875</u>
Write-off	7	–
<b>As of 30 June</b>	<u><b>786</b></u>	<u><b>875</b></u>

**CBOSS Billing Suite Software**

As of 30 June 2009 the software included licences and implementation costs of software product CBOSS Billing Suite with the book value of 348 (2008 – 352).

	<b>2009</b>	<b>2008</b>
<b>As of 1 January</b>	<u>352</u>	<u>441</u>
Implementation costs	72	51
Accrued depreciation	(76)	(68)
<b>As of 30 June</b>	<u><b>348</b></u>	<u><b>423</b></u>

The software is used as a billing system by Yeniseytelecom CJSC and Baikalwestcom CJSC.

**HP Open View Service Desk Software**

As of 30 June 2009 the software included software product HP Open View Service Desk with the book value of 103 (2008 – 103).

This product is designed for automation of the Company's information processes. As at 30 June 2009 the software is not ready for use.

**HP Open View Service Activator Software**

As of 30 June 2009 the software included software product HP Open View Service Activator with the book value of 259 (31 December 2008 – 259).

This product is designed to provide automated management of end-user activation. As at 30 June 2009 the software is not ready for use.

**Intangible assets amortization**

Amortization of intangible assets for 6 months of 2009 in the amount of 430 (6 months of 2008 – 296) is recognised under item Depreciation and Amortization in the unaudited consolidated profit and loss statement.

**Impairment testing of intangible assets not available for use**

The Company performed an impairment test of intangible assets not available for use as of 30 June 2009. These assets are Amdocs Billing Suite, HP Open view Service Desk,

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

HP Open View Service Activator and the numbering capacity of subsidiary companies Yeniseytelecom CJSC and Baikalwestcom CJSC. The test showed no impairment of above-stated intangible assets as of 30 June 2009.

The Company does not have intangible assets with a not specified term of use as of 30 June 2009.

**Impairment testing of intangible assets not available for use**

As of 30 June 2009 book value of goodwill was distributed as follows:

	<b>30 June 2009</b>	<b>31 December 2008</b>
	<b>Amortized value of goodwill</b>	<b>Amortized value of goodwill after impairment</b>
Yeniseytelecom CJSC	5	5
Novocom CJSC	28	28
<b>Total</b>	<b>33</b>	<b>33</b>

The Company performed an impairment test of goodwill and other intangible assets as of 30 June 2009. The test showed no impairment of above-stated intangible assets as of 30 June 2009.

**10. Other long-term assets**

	<b>30 June 2009</b>	<b>31 December 2008</b>
Advances given under investment activity	280	335
Long-term accounts receivable	13	12
<b>Total</b>	<b>293</b>	<b>347</b>

**11. Investments in associated companies**

As of 30 June 2009 and 31 December 2008 investments in associates included:

Company	Activity	<b>30 June 2009</b>		
		<b>Ownership interest, %</b>	<b>Voting shares, %</b>	<b>Book value</b>
Giprosvyaz-Sibir LLC	Engineering, development of project	24,00	0,00	4
	documentation			
Loktelecom OJSC	Local telephony	36,81	36,81	15
Irkutsk Clearing Chamber OJSC	Services of data transmission,			
	Internet	34,00	34,00	–
Digital network and telecommunication systems of Novosibirsk region CJSC	Local and intrazone telephone connection	30,00	30,00	–
<b>Associated companies, total</b>		<b>–</b>	<b>–</b>	<b>19</b>

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Company	Activity	31 December 2008		
		Ownership interest, %	Voting shares, %	Book value
Giprosvyaz-Sibir LLC	Engineering, development of project documentation	24.00	0.00	4
Loktelecom OJSC	Local telephony	36.81	36.81	15
Irkutsk Clearing Chamber OJSC	Services of data transmission, Internet	34,00	34,00	–
Digital network and telecommunication systems of Novosibirsk region CJSC	Local and intrazone telephone connection	30,00	30,00	–
<b>Associated companies, total</b>	–	–	–	19

All of the above entities are Russian legal entities established pursuant to the legislation of the Russian Federation and have the same reporting period as the Company.

Changes in the book value of investments in associates for 6 months of 2009 and 2008 are shown below:

	2009	2008
<b>Investments in associates as of 1 January</b>	<b>19</b>	<b>35</b>
Profit from associates	–	2
Dividends received	–	(1)
Reclassification of associates	–	(20)
<b>Investments in associates as of 30 June</b>	<b>19</b>	<b>16</b>

The following table shows summarised financial information about the associates:

Associates	Equity, %	Assets	Liabilities	Sale revenues	Profit (loss) in reporting period
<b>As of 30 June 2009 and 6 months ended on 30 June 2009</b>					
Giprosvyaz-Sibir LLC	24.00%	16	–	1	–
Irkutsk clearing chamber OJSC	34.00%	2	3	–	–
Loktelecom OJSC	36.81%	45	3	19	1
Digital network and telecommunication systems of Novosibirsk region CJSC	30.00%	–	–	–	–
<b>As of 31 December 2008 and 6 months ended on 30 June 2008</b>					
Giprosvyaz-Sibir LLC	24.00%	15	–	2	1
Irkutsk clearing chamber OJSC	34.00%	2	3	–	–
Loktelecom OJSC	36.81%	46	6	18	2
Digital network and telecommunication systems of Novosibirsk region CJSC	30.00%	–	–	–	–

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

**12. Financial assets**

	<b>30 June 2008</b>	<b>31 December 2008</b>
Long-term financial assets available-for-sale	13	13
Long-term loans granted	13	12
Long-term investments held to maturity	–	4
<b>Total long-term financial assets</b>	<b>26</b>	<b>29</b>
	<b>30 June 2008</b>	<b>31 December 2008</b>
Short-term financial assets available-for-sale	49	28
Short -term loans granted	11	28
Short -term investments held to maturity	7	14
<b>Total current financial assets</b>	<b>67</b>	<b>70</b>
<b>Total financial assets</b>	<b>93</b>	<b>99</b>

Financial investments available-for-sale as of 30 June 2009 and 31 December 2008 included:

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

Company	30 June 2009		31 December 2008	
	Equity, %	Book value	Equity, %	Book value
<b>Long-term financial assets available-for-sale</b>				
NTK Region OJSC	1.665%	–	1.665%	–
Svyazintek OJSC	11.00%	13	11.00%	13
AKB Svyaz-Bank OJSC	0,0004%	–	0.01%	–
<b>Total</b>	–	–	–	3
		13		13
<b>Short-term financial assets available-for-sale</b>				
Sberbank OJSC	0.01%	49	0.01%	28
<b>Total</b>		<b>49</b>		<b>28</b>
<b>Total financial assets available-for-sale</b>				
	–	<b>62</b>	–	<b>41</b>

As at 30 June 2009 short-term investments held to maturity comprise bank deposits with maturity period from 3 months up to 1 year and with interest rate from 11.82 % up to 13.25 % in the amount of 7 (31 December 2008 -14)

As at 30 June 2009 long-term loans given to the employees are reflected at depreciated original value with effective interest rate 21%.

As a result of additional issue of shares and increase in the authorized capital of AKB Svyazbank OJSC, a share of participation in the authorized capital of AKB Svyazbank OJSC reduced to 0.0004%.

Based on the entry in the Uniform Register of Legal Entities of 29 April 2009 on the change in the Articles of Association concerning the name change, NTK Zvezda OJSC, a long-term available-for-sale financial asset was renamed NTK Region 2009 OJSC.

### 13. Inventories

	30 June 2009	31 December 2008
Finished goods and goods for resale	232	199
Cable	104	107
Spare parts	68	66
Consumables	24	26
Fuel	9	15
Building materials	8	3
Other inventories	207	257
<b>Total</b>	<b>652</b>	<b>673</b>

Changes in allowance for impairment of inventories are shown below:

	2009	2008
<b>Balance as of 1 January</b>	<b>4</b>	<b>8</b>
Allowance recovery	(2)	(5)
<b>Balance as of 30 June</b>	<b>2</b>	<b>3</b>

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**14. Trade and other receivables**

	<b>Total, as of 30 June 2009</b>	<b>Allowance for doubtful receivables, as of 30 June 2009</b>	<b>Net, as of 30 June 2009</b>
Receivables from customers for core activities	2,532	(432)	2,100
Receivables from customers for non-core activities	167	(47)	120
Receivables from agents and commissioners	266	(32)	234
Settlements with the staff	19	–	19
Other debtors	323	(8)	315
<b>Total</b>	<b>3,307</b>	<b>(519)</b>	<b>2,788</b>

	<b>Total, as of 31 December 2008</b>	<b>Allowance for doubtful receivables, as of 31 December 2008</b>	<b>Net, as of 31 December 2008</b>
Receivables from customers for core activities	2,526	(393)	2,133
Receivables from customers for non-core activities	104	(23)	81
Receivables from agents and commissioners	220	(47)	173
Settlements with the staff	10	–	10
Other debtors	342	(20)	322
<b>Total</b>	<b>3,202</b>	<b>(483)</b>	<b>2,719</b>

Receivables for customers for core activities as of 30 June 2009 comprised the following:

	<b>Total, as of 30 June 2009</b>	<b>Allowance for doubtful receivables</b>	<b>Net, as of 30 June 2009</b>
Receivables from individuals	1,417	(298)	1,119
Receivables from commercial organizations	430	(66)	364
Receivables from budget organizations	281	(8)	273
Receivables from telecoms	404	(60)	344
<b>Total settlements of the core activity</b>	<b>2,532</b>	<b>(432)</b>	<b>2,100</b>

	<b>Total, as of 31 December 2008</b>	<b>Allowance for doubtful receivables</b>	<b>Net, as of 31 December 2008</b>
Receivables from individuals	1,302	(290)	1,012
Receivables from commercial organizations	407	(49)	358
Receivables from budget organizations	169	(3)	166
Receivables from telecoms	643	(46)	597
Tariff compensation from the state budget	5	(5)	–

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

<b>Total settlements of the core activity</b>	<b>2,526</b>	<b>(393)</b>	<b>2,133</b>

The debt of social protection authorities for the compensation of expenses related to providing benefits to certain categories of subscribers amounts to 0.001% of the total amount of accounts receivable from purchasers (31 December 2008 – 0.187%).

The following table summarizes the changes in the allowance for impairment of trading and other receivables:

	<b>30 June 2009</b>	<b>2008</b>	
<b>Balance at 1 January</b>	<b>483</b>	<b>498</b>	
Accrual of allowance	97	71	
Recovery of allowance	(9)	(42)	
Write-off of receivables	(52)	(33)	
<b>Balance at 31 June</b>	<b>519</b>	<b>494</b>	

### 15. Other current assets

As of 30 June 2009 other current assets comprised the following:

	<b>Total, as of 30 June 2009</b>	<b>Allowance for doubtful receivables</b>	<b>Net, as of 30 June 2009</b>
VAT reclaimed	94	–	94
Prepayments and advances given	269	(3)	266
Deferred expenses	123	–	123
Prepayment of other taxes	38	–	38
Other current assets	15	–	15
<b>Total</b>	<b>539</b>	<b>(3)</b>	<b>536</b>

	<b>Total, as of 31 December 2008</b>	<b>Allowance for doubtful receivables</b>	<b>Net, as of 31 December 2008</b>
VAT reclaimed	208	–	208
Prepayments and advances given	173	(4)	169
Deferred expenses	121	–	121
Prepayment of other taxes	55	–	55
Other current assets	26	–	26
<b>Total</b>	<b>583</b>	<b>(4)</b>	<b>579</b>

The table below presents the changes in the allowance for other current assets:

	<b>2009</b>	<b>2008</b>	
<b>Balance at 1 January</b>	<b>4</b>	<b>8</b>	
Write-off of accounts receivable	(1)	–	
<b>Balance at 30 June</b>	<b>3</b>	<b>8</b>	

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**16. Cash and cash equivalents**

	<u>30 June 2009</u>	<u>31 December 2008</u>
Cash on hand and at bank	749	1,014
Short-term deposits and promissory notes up to 3 months	55	95
<b>Total</b>	<b><u>804</u></b>	<b><u>1,109</u></b>

The maturity period of short-term deposits varies from 2 days to 3 months depending on the current necessity in cash and carry interest at existing deposit rates. The interest rate on short-term deposits with a maturity of up to three months varies from 0.30% to 16,00%.

**17. Significant non-cash transactions**

	<u>Receipt of fixed assets</u>
<b>For 6 months ended on 30 June 2009</b>	
Other receipt (dismounting)	104
<b>Total</b>	<b><u>104</u></b>
<b>For 6 months ended on 30 June 2008</b>	
Other receipt (dismounting)	69
<b>Total</b>	<b><u>69</u></b>

**18. Authorized capital**

As of 30 June 2009 the par value and book value of ordinary and preference shares were as follows:

Type of shares	Number of circulating shares (mln)	Par value, rubles	Total par value	Book value
Ordinary	12,011	0.15	1,802	2,672
Preference	3,909	0.15	586	869
<b>As of 30 June 2009</b>	<b><u>15,920</u></b>	<b><u>–</u></b>	<b><u>2,388</u></b>	<b><u>3,541</u></b>

The difference between the par value and the book value of shares represents the effect of inflation in the periods prior to 1 January 2003. All issued share capital has been paid in full.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

The Company's shareholding structure as of 31 June 2009 was as follows:

Shareholders	Ordinary shares		Preference shares		
	Equity, %	Quantity, pieces	Ordinary shares, %	Quantity, pieces	Preference shares, %
<b>Total legal entities</b>	<b>92.2</b>	<b>11,466,827,647</b>	<b>95.5</b>	<b>3,206,855,691</b>	<b>82.0</b>
Svyazinvest OJSC	38.2	6,086,601,672	50.7	-	-
-those with more than 5% of shares,					
	51.7	5,111,528,757	42.6	3,119,057,052	79.8
including:					
- ING Bank Eurasia CJSC (NH*)	9.2	1,211,108,172	10.1	262,666,635	6.7
- National Depository Centre NP (NH*)	20.9	2,018,951,681	16.8	1,309,977,063	33.5
- Depository-clearing company CJSC (NH*)	15.7	1,617,685,947	13.5	874,595,484	22.4
- UBS Nominees CJSC (NH*)	5.9	263,782,957	2.2	671,817,870	17.2
- other	2.3	268,697,218	2.2	87,798,639	2.2
<b>Individuals, total</b>	<b>7.8</b>	<b>544,574,182</b>	<b>4.5</b>	<b>701,564,323</b>	<b>18.0</b>
<b>Total</b>	<b>100</b>	<b>12,011,401,829</b>	<b>100</b>	<b>3,908,420,014</b>	<b>100</b>

The ordinary shareholders are entitled to one vote per share.

Preference shares type A give 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 as 10% of the Russian accounting net income for the year divided by the number of shares which comprise 25% of the Company's share capital. The annual amount of dividends on a preference share may not be less than dividends on an ordinary share.

Distributable earnings of each entity within the Company are limited to their respective retained earnings, as determined in accordance with Russian statutory accounting rules. Statutory retained earnings of the Company as of 30 June 2009 and 31 December 2008 amounted to 12,402 and 11,688, respectively.

In September 2001, the Company placed Level I American Depositary Receipts (ADRs). As of 30 June 2009 the Company registered an issue of 3,312,762 ADRs and deposited 662,552,400 ordinary shares which is 5.5% (30 June 2008 – 7.4%) of the total issued ordinary shares.

The following table represents registration of ADR for 6 months of 2009 and 2008:

	ADR (quantity)	Ordinary Shares Equivalent	Ordinary Shares, %	Authorized capital, %
<b>31 December 2007</b>	<b>1,278,221</b>	<b>1,022,576,800</b>	<b>8.5</b>	<b>6.4</b>

\* NH- Nominal holder

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

Change for 6 months of 2008	(170, 222)	(136 ,177 ,600)	–	–
<b>30 June 2008</b>	<b>1 ,107 ,999</b>	<b>886 ,399,200</b>	<b>7.4</b>	<b>5.6</b>
<b>31 December 2008</b>	<b>4,070,800</b>	<b>814,160,000</b>	<b>6.8</b>	<b>5.1</b>
Change for 6 months of 2009	(758, 038)	(151, 607 ,600)	–	–
<b>30 June 2009</b>	<b>3, 312 ,762</b>	<b>662, 552, 400</b>	<b>5.5</b>	<b>4.2</b>

The Company's ADRs are listed on the following stock exchanges:

Stock market	CUSIP(WKN)	ADR ticker	ISIN
Over-the-counter market (OTC) USA	825735103	SBTLY	US8257351036
Berlin Stock Exchange (Freiverkehr segment)	260452	S3T1.BER	US8257351036
Frankfurt Stock Exchange (Freiverkehr segment)	260452	S3T1.FRA	US8257351036

## 19. Loan obligations

	30 June 2009	31 December 2008
<i>Long-term loans and borrowings</i>		
Bank loans	15 596	17 337
Bonds in rubles	3 828	4,093
Promissory notes	700	8
Commercial credits	3	2
Financial lease liabilities	257	345
Less: Current portion of long-term borrowings	(8 575)	(8,983)
<b>Total long-term loans and borrowings</b>	<b>11 809</b>	<b>12,802</b>
<i>Short-term loans and borrowings</i>		
Bank loans	652	714
Promissory notes	476	850
Commercial credits	213	416
Accrued interest	262	257
<b>Total short-term loans and borrowings</b>	<b>1 603</b>	<b>2,237</b>
<b>Share of long-term loans and borrowings to be repaid throughout the year</b>	<b>8 575</b>	<b>8,983</b>
<b>Total current loans and borrowings</b>	<b>10 178</b>	<b>11,220</b>
<b>Total loans and borrowings</b>	<b>21 987</b>	<b>24,022</b>

As at 30 June 2009 the book value of pledged objects of fixed assets amounts to 8.089 (31 December 2008 – 5,217).

### Long-term loans and borrowings

#### Bank loans

The table below summarizes the information about the most significant long-term bank loans as of 30 June 2009 and 31 December 2008.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Counterparty	Interest rate	Book value		Loan currency	Date of maturity	Security
		1st Dec 2009	31 Dec 2008			
	от 2,3% до					
Bank Uralsib OJSC	5,9%+Euribor	41	45	EUR	2009 – 2010	Pledge
Svyazbank OJSC	14-18 %	592	265	RUR	2010 – 2011	Pledge
Svyazbank OJSC	14 %	329	371	USD	2011	Pledge
Gazprombank CJSC	9,4 – 11 %	–	185	RUR	2009	Pledge
Gazprombank CJSC	3,5 %+LIBOR 2,8 %	675	842	USD	2010	unsecured
Bank Societe Generale Vostok CJSC (BSGV)	+Mosprime 3,0%+Mosibor 2.8 – 3 %	1,242	1,377	RUR	2009 – 2011	Pledge
Reiffeisenbank CJSC	+Mosprime	850	1,350	RUR	2009 – 2012 2013 (offer in 2009)	Unsecured
Moscow River B.V.	7,70%	2,792	2,620	USD	2 011	Unsecured
UniCredit Bank CJSC	3 %+Mosprime	850	850	RUR		Unsecured
AKB Promsvyazbank CJSC	3,75%+LIBOR	231	287	USD	2010	Pledge
KB Petrokommerzbank OJSC	8%	–	72	USD	2009	Pledge
Bank VTB OJSC	14.3 % 0.7-1.1+Libor	1,600	1,600	RUR	2012	Unsecured
Bank VTB OJSC Commerzbank	10.3% 1.85	603	347	USD	2009 – 2014	Pledge
International S.A.	%+Euribor	–	1,143	EUR	2010	Unsecured
AKB Sberbank OJSC	10.75-20 %	5 791	5,983	RUR	2009 – 2014	Unsecured
<b>Total</b>		<b>– 15,596</b>	<b>17,337</b>			<b>–</b>

*Bank VTB OJSC*

In March 2009 affiliated company Baikalwestcom CJSC received 18 mln USD under credit agreement concluded in November 2008 with Bank VTB OJSC. The credit was raised for general corporate purposes and is subject to repayment in April 2014. The interest rate under the agreement is LIBOR+8.5%. The credit is secured by property in the amount of 224.

*AKB Svyaz-Bank OJSC*

In April 2009 affiliated company Yeniseytelecom CJSC received 330 under credit agreement with AKB Svyaz-Bank OJSC. The credit was raised for general corporate purposes and is subject to repayment in April 2011. The interest rate under the agreement is 18 %. The credit is secured by property in the amount of 413.

*Reiffeisenbank OJSC*

In May 2009 affiliated company Yeniseytelecom CJSC concluded three credit agreements with Reiffeisenbank OJSC for 50 each. The credits were raised for 12 months and are subject to repayment in May 2010. The interest rate is MOSPRIME + 6.65 % on each credit. The credits are unsecured.

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

*AKB Sberbank OJSC*

In May 2009 the Company concluded an agreement with AKB Sberbank OJSC for three nonrevolving credit lines in the amount of 1,000 each. The credit lines are valid 5 years; the interest rate is 20 % per annum. The facility is planned to be used for financing of the investment program on 2009 and refinancing of current liabilities of the Company. As of 30 June 2009 the agreement is executed for 1,400. The credit is secured by property in the amount of 1,455.

***Bonded loans***

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

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

Code	Book value		Effective rate	Date of maturity	Date of offer	Interest on coupon
	30 June 2009	31 Dec 2008				
Bond issue 06	1,831	111	8.49%	16.09.2010	23.09.2008	9.75%
Bond issue 07	–	1,985	9.14%	20.05.2009	–	8.65%
Bond issue 08	1,997	1,997	10.12%	08.08.2013	18.02.2010	9.75%
<b>Total</b>	<b>3,828</b>	<b>4,093</b>	–	–	–	–

In September 2005 the Company registered an issue of interest-bearing bonds, bond issue 06 with par value of 1 thousand rubles each for the total amount of 2,000. The bonds have 10 semi-annual coupons. The interest rate on coupons 1 to 6 is set at 7.85% per annum, the interest rate on coupons 7 to 10 is set at 9.75% per annum. In March 2009 the Company made coupon interest payments for the seventh coupon of bond issue 06. Bonds series 06 provide for an offer allowing the bondholders to present them to the Company on the specified date. In September 2008 the Company redeemed bonds series 06 in the amount of 1,883. In May 2009 the Company raised 1,721 by selling bonds series 06 on OTC market before the maturity date. Unredeemed bonds are subject to redemption in September 2010; total discount to par value is 8.87 %.

In May 2006 the Company registered an issue of bearer bonds with par value of 1 thousand rubles each for the total amount of 2,000. The bonds have 6 semi-annual coupons. The coupon interest rate is set at 8.65% per annum. These bonds do not provide an early redemption option. The Bonds were redeemed in May 2009 with simultaneous payment of the sixth coupon.

In August 2008 the Company registered an issue of interest-bearing bonds, bond issue 08 with par value of 1 thousand rubles each for the total amount of 2,000. The bonds have ten semi-annual coupons. The interest rate for coupon 1 to 3 is set at 9.75% per annum. The bonds mature in two parts: in 1,638 days and in 1,820 days from the date of issue, each bond is repaid in amount of 50% from the nominal value. Received financing is used for investment and operational activity of the Company and for repayment of other current loans and borrowings. These bonds provide for an early redemption option in February 2010. In February 2009 the Company made coupon interest payments for the first coupon of bond issue 08.

**Promissory notes**

The summary of long-term promissory notes as of 30 June 2009 is shown below:

Counterparty	Effective interest rate	Book value		Currency	Date of maturity	Security
		as of 30 June 2009	as of 30 June 2009			
Region Broker Company LLC	26.24%	273		RUR	15.12.2010	Unsecured
MARKS KAPITAL CJSC	26.24%	273		RUR	15.12.2010	Unsecured
Investment Consulting LLC	26.28%	154		RUR	15.12.2010	Unsecured
<b>Total</b>	–	<b>700</b>		–	–	–

In June 2009 the Company issued non interest bearing notes for the total amount of 1,000 with the following features:

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

- First noteholder – Region Broker Company LLC, total amount 390, including discount 117, redemption on presentation but on or after 15 December 2010;
- First noteholder – MARKS KAPITAL CJSC, total amount 390, including discount 117, redemption on presentation but on or after 15 December 2010;
- First noteholder – Investment Consulting LLC, total amount 220, including discount 66, redemption on presentation but on or after 15 December 2010.

**Short-term loans and borrowings**

***Bank loans***

The table below summarizes the information about the most significant short-term bank loans as of 30 June 2009 and 31 December 2008.

Counterparty	Interest rate	Book value		Currency	Date of maturity	Security
		30 June 2009	31 Dec 2007			
Gazprombank CJSC	16.5%	–	224	RUR	2009	Unsecured
Bank Societe Generale Vostok CJSC	23.55%	–	88	RUR	13.01.2009	Unsecured
Deutsche Bank AG	9.3%	311	293	USD	17.04.2009	Unsecured
KB Kedr CJSC	15.0%	–	52	RUR	28.01.2009	Unsecured
KB Kedr CJSC	13.0%	22	–	EUR	24.03.2010	Unsecured
Reiffeisenbank OJSC Mosprime	6.65%+	150	–	RUR	May 2010	Unsecured
AKB Sberbank OJSC	17-17.5%	169	57	RUR	2008, 2009	Pledge
<b>Total</b>	–	<b>652</b>	<b>714</b>	–	–	–

***Kedr KB CJSC***

In March 2009 affiliated company Yeniseytelecom CJSC entered into a credit agreement with Kedr KB CJSC for the amount of 2 mln EUR. The credit was raised for general corporate purposes and is subject to repayment in March 2010. The interest rate under the agreement is 13 %. The credit is secured by property in the amount of 125.

***Sberbank AKB OJSC***

In February 2009 affiliated company Baikalwestcom CJSC entered into a credit agreement for renewable credit line for the total amount of 165 with Sberbank AKB OJSC. The contract expires in February 2010. The interest rate is 17 %. The credit is secured by property in the amount of 277.

***Reiffeisenbank OJSC***

In April-May 2009 affiliated company Yeniseytelecom CJSC entered into a credit agreement for the total amount of 150 with Reiffeisenbank OJSC. The credit was raised for general corporate purposes and is subject to repayment in April and May 2010. The interest rate is 6.65% + Mosprime. The credit is unsecured.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Promissory notes**

The table below summarizes the information about the short-term promissory notes issued by the Company as of 30 June 2009 and 31 December 2008:

Counterparty	Effective interest rate	Book value		Currency	Date of maturity	Security
		31 Mar 2009	31 Dec 2008			
Svyazbank OJSC	20.22 %	376	500	RUR	2009	Unsecured
KB Accept OJSC Region Broker Company LLC	19.25 %	100	–	RUR	2009	Unsecured
	10.73 %	–	350	RUR	2009	Unsecured
	–					
<b>Total</b>		<b>476</b>	<b>850</b>	–	–	–

In April 2009 the Company issued bonds for the total amount of 500 with the following features:

- First noteholder - KB Accept OJSC, total amount 100, redemption on presentation but on or after 31 July 2009.
- First noteholder - Svyazbank OJSC, total amount 400, including discount 24, redemption on presentation but on or after 15 September 2009.

**Commercial credits**

The table below summarizes the information about short-term commercial credits as of 30 June 2009 and 31 December 2008:

Counterparty	Effective interest rate	Book value		Currency	Date of maturity	Security
		31 Mar 2009	31 Mar 2009			
LLC Huawei-Ufa	5.76%	213	416	USD	2009	Unsecured
<b>Total</b>	–	<b>213</b>	<b>416</b>	–	–	–

**Finance lease obligations**

The Company has finance lease contracts for telecommunication equipment. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments as of 30 June 2009 are as follows:

	30 June 2009		31 December 2008	
	Minimum lease payments	Discounted value of lease payments	Minimum lease payments	Discounted value of lease payments
Current portion (less than 1 year)	189	163	208	171
More than 1 and up to 5 years	103	94	193	174
<b>Total</b>	<b>292</b>	<b>257</b>	<b>401</b>	<b>345</b>

Over 6 months of 2009 the Company did not enter into new finance lease arrangements.

As of 30 June 2009 the main lessors under finance lease contracts were RTC-Leasing OJSC and Reiffeisen-leasing OJSC. The average effective rate under the contract with RTC-Leasing OJSC was 17%, and 21% under the contract with Reiffeisen-leasing OJSC.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Discounted value of minimal lease payments to RTC-Leasing OJSC as of 30 June 2009 amounted to 229 (31 December 2008 – 299), including the minimal lease payment of 261 (31 December 2008 – 349) less finance cost of 32 (31 December 2008 – 50).

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

As at 30 June 2009 finance lease obligations denominated in the USD amounted to 3 (31 December 2008 – 8).

## **20. Employee Benefits**

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

### **Defined Benefit Pension Plans**

The non-government pension fund Telecom-Soyuz, which is a related party of the Company, maintains the defined benefit pension plan (refer to Note 39).

As of 30 June 2009 the number of active participants of defined benefit pension plans was 17,433, and 18,839 of former employees were eligible to the post-employment and post-retirement benefits (as of 31 December 2008 – 19, 774 and 18,957 respectively).

Over 6 months of 2009 the Company's expenses regarding the defined benefit pension plans amounted to 362 (6 months of 2008 – 438).

Over 6 months of 2009 the Company's contributions to the pension fund regarding the defined benefit pension plans amounted to 230 (6 months of 2008 – 447).

Expenses regarding the defined benefit pension plans amounted to without the amounts of interest income and expenses were included to the item "Personnel costs" of the unaudited consolidated interim profit and loss statement (Note 26). The amounts of expenses regarding interest for pension and long-term social obligations were included to the item Financial expenses (Note 30).

## **21. Other long-term liabilities**

	<b>30 June 2009</b>	<b>31 December 2008</b>
Deferred income	67	76
Target financing	17	16
<b>Total</b>	<b>84</b>	<b>92</b>

## **22. Provisions**

	<b>Headcount optimization</b>	<b>Tax provision</b>	<b>Total</b>
<b>Balance at 31 December 2007</b>	<b>81</b>	<b>6</b>	<b>87</b>
Utilised within 6 months	(67)	(6)	(73)
<b>Balance at 30 June 2008</b>	<b>14</b>	<b>–</b>	<b>14</b>
<b>Balance at 31 December 2008</b>	<b>52</b>	<b>7</b>	<b>59</b>
Utilised within 6 months	(30)	–	(30)
Восстановление резерва	(10)	–	(10)
<b>Balance at 30 June 2009</b>	<b>12</b>	<b>7</b>	<b>19</b>

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**Headcount optimization**

In order to increase the efficiency of the business activity the Company adopted the Program of development approved by the Board of Directors. The program envisages actions aimed at headcount optimization, i.e. gradual reduction of headcount in the period from 2009 to 2013.

Within 6 months of 2009 the Company discharged 794 employees.

**23. Accounts payable and accrued liabilities**

	<u>30 June 2009</u>	<u>31 December 2008</u>
Payable taxes, levies and mandatory social insurance	1 396	690
Payables to suppliers and builders of fixed assets	1 218	2 294
Settlements with the staff	993	1 188
Dividend payable	589	27
Payable to telecoms	488	553
Payables to suppliers and contractors for current activity	264	379
Settlements with principals and consigners	24	77
Payables to suppliers and contractors of software	13	14
Profits tax payable	–	1
<i>Payables to other creditors, including:</i>	748	1,132
other payables for core activities	558	712
other payables to Rostelecom OJSC	85	309
other payables for allocations to universal service reserve	105	109
other payables to telecoms under cooperation agreement	–	2
<b>Total</b>	<b><u>5 733</u></b>	<b><u>6,355</u></b>

As of 30 June 2009 payable taxes, levies and mandatory social insurance comprised the following:

	<u>30 June 2009</u>	<u>31 December 2008</u>
VAT	989	358
Property tax	207	191
Unified social tax	126	93
Personal income tax	65	37
Other taxes	9	11
<b>Total</b>	<b><u>1 396</u></b>	<b><u>690</u></b>

**24. Other current liabilities**

	<u>30 June 2009</u>	<u>31 December 2008</u>
Advances received from core activities	769	1,030
Advances received from non-core activities	18	19
Deferred income	6	9
<b>Total</b>	<b><u>793</u></b>	<b><u>1,058</u></b>

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**25. Sales revenue**

	<b>6 months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
Intra-zone telephony	2 498	2 662
Local telephony	5 854	5 709
Telegraph, data transfer network and telematic (Internet) services	2 855	2 230
Mobile (cellular) communication services	4 892	4 815
Connection and data transmission services	1 840	2 058
Assistance services and agency fees	266	311
Mobile radio communication, cable broadcasting, radio broadcasting, TV	217	213
Revenues from other sales	3	5
Other revenues (core activities)	645	458
Revenues from lease of assets	380	220
<b>Total</b>	<b>19 070</b>	<b>18 461</b>

Income from intra-zone services and local telephony includes income from channel rent in the amount of 296 (6 months 2008 – 306).

Telegraph services, data transmission and Internet includes income from data transmission and Internet services in the amount of 2,734 (6 months 2008 – 2,122).

The Company generates revenue from the following major customer groups:

<b>Customer groups</b>	<b>6 months of 2009</b>	<b>6 months of 2008</b>
Individuals	11 495	11 154
Corporate customers	4 090	3 198
Telecoms	1 916	2 693
Budget organizations	1 569	1 416
<b>Total</b>	<b>19 070</b>	<b>18 461</b>

**26. Personnel Costs**

	<b>6 months of 2009</b>	<b>6 months of 2008</b>
Salary expenses	(3 917)	(3 756)
Unified social tax	(981)	(901)
Employee benefits	(181)	(292)
Other personnel costs	(58)	(138)
<b>Total</b>	<b>(5 137)</b>	<b>(5 087)</b>

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

**27. Materials, Repairs and Maintenance, Utilities**

	<b>6 months of 2009</b>	<b>6 months of 2008</b>
<b>Repair and maintenance</b>	<b>(601)</b>	<b>(592)</b>
<b>Materials, including:</b>	<b>(474)</b>	<b>(623)</b>
Fuel	(36)	(118)
Cable	(27)	(43)
Spare parts	(21)	(56)
Construction materials	(10)	(15)
Other materials	(380)	(391)

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

<b>Utilities, including:</b>	<b>(382)</b>	<b>(321)</b>
Power	(218)	(184)
Heat	(137)	(116)
Other expenses	(27)	(21)
<b>Total</b>	<b>(1 457)</b>	<b>(1 536)</b>

**28. Other operating income**

	<u>6 months of 2009</u>	<u>6 months of 2008</u>
Reimbursement of losses from provision of universal services	406	288
Fines, late payment interest, forfeits	42	–
Reimbursement of losses from impairment of assets, total	16	5
including		
Fixed assets, construction-in-progress	14	–
Other assets	2	5
Other	174	197
<b>Total</b>	<b>638</b>	<b>490</b>

**29. Other operating expenses**

	<u>6 months ended 30 June</u>	
	<u>2009</u>	<u>2008</u>
Agency fees	(593)	(475)
Transportation and mail services	(539)	(164)
Outsourcing and management costs	(498)	(529)
Taxes without profits tax	(441)	(399)
Property leasing costs	(296)	(246)
Advertising costs	(260)	(239)
Universal service fund payments	(193)	(182)
Fire and other security services	(166)	(178)
Software and databases	(109)	(69)
Provision for doubtful debts	(88)	(29)
Consulting	(47)	(39)
Services of credit organizations	(45)	(53)
Membership contributions, charity, and allocations to trade unions	(37)	(116)
Insurance of property	(27)	(40)
Loss from disposal of fixed and other assets	(20)	(11)
Fees, penalties, forfeits	(5)	(1)
Other expenses	(23)	(204)
<b>Total</b>	<b>(3,387)</b>	<b>(2,974)</b>

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

### 30. Financial expenses

	<u>6 months of 2009</u>	<u>6 months of 2008</u>
Interest expenses on loans and borrowings, bonded loans and promissory notes	(1 410)	(846)
Interest expenses on pension liabilities and long-term social liabilities	(181)	(146)
Interest expenses on financial lease	(21)	(36)
Interest expenses on maintenance of financial liabilities	(53)	(69)
<b>Total</b>	<b><u>(1 665)</u></b>	<b><u>(1 097)</u></b>

With capitalization rate of 9% (2008 – 8%) the amount of the interest capitalized for 6 months of 2009 and 6 months of 2008 was as follows:

	<u>6 months of 2009</u>	<u>6 months of 2008</u>
Capitalized to fixed assets	40	24
Capitalized to intangible assets	7	6
<b>Total</b>	<b><u>47</u></b>	<b><u>30</u></b>

### 31. Other income and financial and investment costs

	<u>6 months ended 30 June</u>	
	<u>2009</u>	<u>2008</u>
Interest income from financial assets	32	30
Dividend received	2	3
Loss from disposal of other financial assets	–	(2)
<b>Total</b>	<b><u>34</u></b>	<b><u>31</u></b>

### 32. Earnings per share

The Company has no financial instruments which may be converted into ordinary shares; therefore, diluted earnings per share are equal to basic earnings per share.

	<u>6 months of 2009</u>	<u>6 months of 2008</u>
<b>Profit for the reporting period attributable to shareholders of Sibirtelecom OJSC</b>	<b>851</b>	<b>2 005</b>
Net of profit attributable to owners of preference shares	(209)	(492)
Ordinary shares owners	642	1 513
Weighted average number of ordinary shares and other equity instruments in circulation (mln items)	<b>12,011</b>	<b>12,011</b>
<b>Basic and diluted (loss)/profit per share (in rubles) for the reporting period attributable to shareholders of Sibirtelecom OJSC</b>	<b><u>0.053</u></b>	<b><u>0.126</u></b>

### 33. Dividends declared for distribution

The amount of annual dividends for 2008 per one share was approved by the General shareholders' meeting on 20 June 2009 at 0.026313 per an ordinary share and 0.052939

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

rubles per a preference share. Dividends for the year ended 31 December 2008 are subject to payment during 2009.

The amount of dividends to be paid was as follows:

Shares	Number of shares	Dividends per 1 share (rubles)	Total dividends
<b>In 2008</b>			
Preference shares	3,908,420,014	0.052939	207
Ordinary shares	12,011,401,829	0.026313	316
<b>Total</b>	<b>15,919,821,843</b>	-	<b>523</b>

The profit distributed as dividends is limited by the profit of Sibirtelecom OJSC determined in compliance with the Federal law "On Joint-Stock Companies" based on the data from financial statement prepared according to the Federal law "On Accounting" and the Russian accounting standards.

### **34. Operating lease**

As at 30 June 2009 and 31 December 2008 minimum lease payments under operating lease agreements where the Company is a lessee were as follows:

	30 June 2009	31 December 2008
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	575	794
From 1 up to 5 years	335	632
Over 5 years	36	15
<b>Total</b>	<b>946</b>	<b>1,441</b>

Regarding certain objects leased by the Company under operating lease agreements the Company concluded sublease agreements with aggregated future payments as of 30 June 2009 amounted to 6 (31 December 2008 – 18).

The Company's operating lease expenses for 6 months of 2009 amounted to 296 (6 months of 2008 – 246) and are disclosed in Note 29.

As at 30 June 2009 and 31 December 2008 minimum lease payments under operating lease agreements where the Company is a lessor were distributed by years as follows:

	6 months of 2009	12 months of 2008
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	758	906
From 1 up to 5 years	322	207
Over 5 years	29	22
<b>Total</b>	<b>1,109</b>	<b>1,135</b>

The Company's operating lease income for 6 months of 2009 amounted to 380 (6 months of 2008 – 220) and is disclosed in Note 25.

### **35. Contractual obligations of future periods**

As at 30 June 2009 and 31 December 2008 the Company's contractual obligations with regard to capital investments in upgrade and expansion of the network amounted to 138 and 685 respectively.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

As of 30 June 2009 and 31 December 2008 the Company's contractual obligations with regard to acquisition of fixed assets amounted to 63 and 14 respectively.

As of 30 June 2009 and 31 December 2008 the Company's contractual obligations with regard to acquisition of intangible assets amounted to 103 and 33 respectively.

### **36. Contingencies and operating risks**

#### **Operating environment in the Russian Federation**

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. This unaudited consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

#### **Taxation**

Management believes that as of 30 June 2008 its interpretation of the relevant legislation is appropriate and, therefore, it is highly likely that the Company's position with regard to compliance with tax, currency and customs legislation will be sustained.

#### **Insurance**

During 6 months of 2009 the Company undertook measures to minimise risks of loss and damage to its property. The insured property comprises items with relatively high net book value and relatively low depreciation, which are actively used in production activities.

Moreover, the Company maintained sufficient insurance coverage against third party liabilities (mandatory vehicle insurance, insurance of risks arising from use of hazardous production equipment).

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

#### **Legal Proceedings and determination of consequences**

During 6 months of 2009 the Company participated (both as a plaintiff and a defendant) in a number of legal proceedings that arose in the course of ordinary business activity. In the Company management's opinion, at present there are no current legal proceedings or suits that might have a significant impact on the Company's performance or financial position and that were not recognized or disclosed in these unaudited consolidated interim financial statements.

#### **Licences**

The majority of the Company's revenues are received from business transactions conducted on the basis of licences issued by the Russian Federation Ministry for Telecommunications and Information Technologies. Key operational licences and additional licences expire during the period from 2009 to 2012.

Suspension of the Company's key licences for the provision of telecommunications services or inability to extend some or all of the licences may have a major negative impact on the financial position and business performance.

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

The Company regularly extended validity of licences and management believes that in the future the licences held will be extended without additional expenses in the course of ordinary business.

### **37. Financial instruments and risk management**

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

#### **Capital management policy**

The Company's capital management policy is primarily focused on increasing credit ratings, improving financial independence and liquidity ratios, improving the structure of payables, and reducing the cost of capital.

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

The Company monitors and manages its debt using financial independence ratio and net debt/equity, net debt/EBITDA ratios.

The financial independence ratio is calculated as shareholders' equity to the balance sheet total at the end of the period. Net debt/shareholders' equity is calculated as net debt to shareholders' equity at the end of the period. Net debt/EBITDA, is calculated as net debt at the year-end to EBITDA for the preceding period. The ratios used in capital management are determined using statutory accounting information.

The Company's policy is to maintain financial independence ratio in the range 0.39 - 0.42; net debt/shareholders' equity in the range 1.00–1.07, and net debt/EBITDA in the range of 1.84–2.10.

The ratios based on the statutory financial statements for 30 June 2009 and 31 December 2008 were as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
Financial independence ratio	0.42	0.39
Net debt/shareholders' equity	1.00	1.07
Net debt/EBITDA	2.10	1.84

As of 30 June 2009 international rating agency Fitch Ratings confirmed the default rating of the Company in the national currency at "B+", outlook "Stable", short term rating at "B".

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**Income and expenses on financial instruments**

6 months of 2009	Profit and loss statement						Statement of total revenue	Total
	Other operating expenses	Other income and expenses on financial and investment activities						
	Generation of doubtful debts allocation	Interest expense s	Interes t income	Dividend income	Loss from exchange rates	Changes of fair value		
Cash and cash equivalents	–	–	29	–	(6)	–	–	23
Accounts receivable	(88)	–		–	–	–	(88)	
Financial assets available-for-sale	–	–		2	–	17	19	
Investments held to maturity	–	–	1	–	–	–	1	
Loans issued	–	–	2	–	–	–	2	
<b>Total financial assets</b>	<b>(88)</b>	<b>–</b>	<b>32</b>	<b>2</b>	<b>(6)</b>	<b>17</b>	<b>(43)</b>	
								<b>(1 445 )</b>
Bank loans	–	(1 071)	–	–	(374)	–	(222)	
Promissory notes	–	(222)	–	–	–	–	(160)	
Bonded loans	–	(160)	–	–	–	–	(46)	
Commercial credits	–	(10)	–	–	(36)	–	(21)	
Financial lease	–	(21)	–	–	–	–	(181)	
Other financial liabilities	–	(181)	–	–	–	–	(12)	
Accounts payable	–	–	–	–	(12)	–	–	
<b>Total financial liabilities</b>	<b>–</b>	<b>(1 665)</b>	<b>–</b>	<b>–</b>	<b>(422)</b>	<b>–</b>	<b>(2 087)</b>	

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

6 months of 2008	Profit and loss statement						Statement of total revenue	Total
	Other operating expenses	Other income and expenses on financial and investment activities			Financial result from selling of assets	Loss from exchange rates	Changes of fair value	
	Generation of doubtful debts allocation	Interest expenses	Interest income	Dividend income				
Cash and cash equivalents	–	–	24	–	–	8	–	32
Accounts receivable	(29)	–	–	–	–	(1)	–	(30)
Financial assets available-for-sale	–	–	–	3	–	–	(24)	(21)
Investment held to maturity	–	–	4	–	–	–	–	4
Loans issued	–	–	2	–	–	–	–	2
Other financial assets	–	–	–	–	(2)	–	–	(2)
<b>Total financial assets</b>	<b>(29)</b>	<b>–</b>	<b>30</b>	<b>3</b>	<b>(2)</b>	<b>7</b>	<b>(24)</b>	<b>15</b>
Bank loans	–	(587)	–	–	–	28	–	(559)
Bonded loans	–	(306)	–	–	–	–	–	(306)
Promissory notes	–	(22)	–	–	–	–	–	(22)
Financial lease liabilities	–	(36)	–	–	–	–	–	(36)
Other financial liabilities	–	(146)	–	–	–	–	–	(146)
Accounts payable	–	–	–	–	–	18	–	18
<b>Total financial liabilities</b>	<b>–</b>	<b>(1 097)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>46</b>	<b>–</b>	<b>(1 051)</b>

### Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the Company's cash flows. As a result, these fluctuations in exchange rates will be reflected in respective items of the Company's income statement, balance sheet and/or statement of cash flows. The Company is exposed to foreign exchange risk in relation to its assets and liabilities denominated in foreign currencies.

Financial assets and liabilities of the Company are denominated as follows:

As of 30 June 2009	RUR	USD	EUR	Total
Cash and cash equivalents	782	22	–	804
Accounts receivable	2 708	82	11	2 801
Financial assets available-for-sale	62	–	–	62
Investments held for maturity	7	–	–	7
Loans issued	24	–	–	24
<b>Total financial assets</b>	<b>3 583</b>	<b>104</b>	<b>11</b>	<b>3 698</b>

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

Bank credits and loans	(11 242)	(4 942)	(64)	<b>(16 248)</b>
Bonded loans	(3 828)	–	–	<b>(3 828)</b>
Promissory notes issued	(1 176)	–	–	<b>(1 176)</b>
Commercial credits	–	(216)	–	<b>(216)</b>
Financial lease liabilities	(254)	(3)	–	<b>(257)</b>
Interest payable	(194)	(67)	(1)	<b>(262)</b>
Accounts payable	(5 438)	(277)	(18)	<b>(5 733)</b>
<b>Total financial liabilities</b>	<b>(22 132)</b>	<b>(5 505)</b>	<b>(83)</b>	<b>(27 720)</b>

<b>As of 31 December 2008</b>	<b>RUR</b>	<b>USD</b>	<b>EUR</b>	<b>Total</b>
Cash and cash equivalents	855	2	252	<b>1,109</b>
Accounts receivable	2,728	3	–	<b>2,731</b>
Financial assets available- for-sale	41	–	–	<b>41</b>
Investments held to maturity	18	–	–	<b>18</b>
Loans issued	40	–	–	<b>40</b>
<b>Total financial assets</b>	<b>3,682</b>	<b>5</b>	<b>252</b>	<b>3,939</b>

Bank credits and loans	(12,031)	(4,832)	(1,188)	<b>(18,051)</b>
Bonded loans	(4,093)	–	–	<b>(4,093)</b>
Promissory notes issued	(858)	–	–	<b>(858)</b>
Commercial credits	–	(418)	–	<b>(418)</b>
Financial leasing liabilities	(337)	(8)	–	<b>(345)</b>
Interest payable	(167)	(67)	(23)	<b>(257)</b>
Accounts payable*	(6,169)	(183)	(3)	<b>(6,355)</b>
<b>Total financial liabilities</b>	<b>(23,655)</b>	<b>(5,508)</b>	<b>(1,214)</b>	<b>(30,377)</b>

\* Accounts payable include settlements with the staff and payable taxes, levies and mandatory social insurance

For the period from 1 January 2009 to 30 June 2009 the ruble weakened to the US Dollar and Euro by approximately 5.74% and 6.50% respectively.

The sensitivity analysis of profit before tax to foreign exchange risk is shown in the table below:

	<b>USD</b>			<b>EUR</b>		
	<b>Rate change,</b>	<b>Effect on profit before tax</b>	<b>Rate change,</b>	<b>Effect on profit before tax</b>		
	<b>%</b>	<b>Mln RUR</b>	<b>%</b>	<b>Mln RUR</b>	<b>%</b>	
<b>30 June 2009</b>	+20	(1,080)	-84.65	+10	(7)	-0.56
	-20	1,080	84.65	-10	7	0.56
<b>31 December 2008</b>	+20	(1,017)	-42.93	+10	(96)	-4.06
	-20	1,017	42.93	-10	96	4.06

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

#### **Interest rate change risk**

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

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

The following table presents the Company's financial instruments that are exposed to interest rate change risk:

<b>As of 30 June 2009</b>	<b>Fixed rate</b>	<b>Variable rate</b>	<b>No rate</b>	<b>Total</b>
Cash and cash equivalents	55	–	749	<b>804</b>
Accounts receivable	–	–	2 801	<b>2 801</b>
Financial assets available-for-sale	–	–	62	<b>62</b>
Investments held for maturity	7	–	–	<b>7</b>
Loans issued	24	–	–	<b>24</b>
<b>Total financial assets</b>	<b>86</b>	<b>–</b>	<b>3 612</b>	<b>3 698</b>

Bank credits and loans	(12 961)	(3 287)	–	<b>(16 248)</b>
Bonded loans	(3 828)	–	–	<b>(3 828)</b>
Promissory notes issued	(1 176)	–	–	<b>(1 176)</b>
Commercial credits	–	–	(216)	<b>(216)</b>
Financial lease liabilities	(257)	–	–	<b>(257)</b>
Interest payable	(242)	(19)	(1)	<b>(262)</b>
Accounts payable	–	–	(5 733)	<b>(5 733)</b>
<b>Total financial liabilities</b>	<b>(18 464)</b>	<b>(3 306)</b>	<b>(5 950)</b>	<b>(27 720)</b>

<b>As of 31 December 2008</b>	<b>Fixed rate</b>	<b>Variable rate</b>	<b>No rate</b>	<b>Total</b>
Cash and cash equivalents	95	–	1,014	<b>1,109</b>
Accounts receivable	–	–	2,731	<b>2,731</b>
Financial assets available-for-sale	–	–	41	<b>41</b>
Investments held to maturity	18	–	–	<b>18</b>
Loans issued	40	–	–	<b>40</b>
<b>Total financial assets</b>	<b>153</b>	<b>–</b>	<b>3,786</b>	<b>3,939</b>

Bank credits and loans	(12,975)	(5,076)	–	<b>(18,051)</b>
Bonded loans	(4,093)	–	–	<b>(4,093)</b>
Promissory notes issued	(858)	–	–	<b>(858)</b>
Commercial credits	–	–	(418)	<b>(418)</b>
Financial lease liabilities	(345)	–	–	<b>(345)</b>
Interest payable	(216)	(342)	(7)	<b>(257)</b>
Accounts payable	–	–	(6,355)	<b>(6,355)</b>
<b>Total financial liabilities</b>	<b>(18,487)</b>	<b>(5,110)</b>	<b>(6,780)</b>	<b>(30,377)</b>

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

	<b>LIBOR</b>			<b>EURIBOR</b>			<b>MOSPRIME</b>		
	Rate change, PP	Effect on profit before tax		Rate change, pp	Effect on profit before tax		Rate change, PP	Effect on profit before tax	
		Mln RUR	%		Mln RUR	%		Mln RUR	%
<b>30 June 2009</b>	+1	(5)	-0.35	+1	–	-0.02	+1	(12)	-0.91
	-1	5	0.35	-1	–	0.02	-1	12	0.91
<b>31 Dec 2008</b>	+1	(12)	-0.52	+1	(11)	-0.48	+1	(13)	-0.49
	-1	12	0.52	-1	11	0.48	-1	13	0.49

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
(in millions of Russian rubles)

**Liquidity risk**

The Company monitors its risk of a shortfall of funds by way of current liquidity planning. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds, finance leases.

As at 30 June 2009 financial assets and liabilities had the following maturities:

	2009	2010	2011	2012	2013 and later	Total
Cash and cash equivalents	804	–	–	–	–	804
Accounts receivable	2 788	13	–	–	–	2 801
Financial assets available-for-sale	49	–	–	–	13	62
Investments held for maturity	8	–	–	–	–	8
Loans issued	16	4	5	3	11	39
<b>Total financial assets</b>	<b>3 665</b>	<b>17</b>	<b>5</b>	<b>3</b>	<b>24</b>	<b>3 714</b>
Bank credits and loans	(5 250)	(5 952)	(4 160)	(2 870)	(1 922)	(20 154)
Bonded loans	(197)	(4 163)	–	–	–	(4 360)
Promissory notes issued	(502)	(1 000)	–	–	–	(1 502)
Commercial credits	(321)	(187)	–	–	–	(508)
Financial lease liabilities	(189)	(72)	(27)	(4)	–	(292)
Accounts payable	(5 733)	–	–	–	–	(5 733)
<b>Total financial liabilities</b>	<b>(12 192)</b>	<b>(11 374)</b>	<b>(4 187)</b>	<b>(2 874)</b>	<b>(1 922)</b>	<b>(32 549)</b>

**Credit risk**

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

Financial assets which potentially expose the Company to credit risk consist primarily of trade receivables. The book value of accounts receivable, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk (Note 14).

The Company has no significant concentrations of credit risk due to the significance of the customer base and regular monitoring procedures over customers' and other debtors' ability to pay debts. A part of accounts receivable is represented by state and other non-commercial organizations.

The analysis of overdue trade receivables which are not impaired is provided below.

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

**As at 30 June 2009**

	<b>Periods of overdue (days)</b>			
	<b>Total</b>	<b>&lt;30</b>	<b>30-60</b>	<b>60-90</b>
Corporate customers	51	43	2	6
Individuals	134	105	4	25
Budget organizations	36	33	–	3
Telecoms	26	21	–	5
<b>Total</b>	<b>247</b>	<b>202</b>	<b>6</b>	<b>39</b>

**As at 31 December 2008**

	<b>Periods of overdue (days)</b>			
	<b>Total</b>	<b>&lt;30</b>	<b>30-60</b>	<b>60-90</b>
Corporate customers	41	30	2	9
Individuals	109	84	4	21
Budget organizations	30	29	–	1
Telecoms	18	15	–	3
<b>Total</b>	<b>198</b>	<b>158</b>	<b>6</b>	<b>34</b>

**Hedging**

During 6 months of 2009 the Company did not hedge its foreign exchange risks or interest rate risks.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Fair value of financial instruments**

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

- investment held to maturity (IHM);
- financial assets available for sale (FAS);
- financial assets estimated at fair value (FEFV);
- loans and account receivable (LAR);
- liabilities reflected at depreciated value (LDV).

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

	Category	30 June 2009		31 December 2008	
		Book value	Fair value	Book value	Fair value
Bonded loans	LDV	3,828	3,716	4,204	3,908
Credits and loans	LDV	16,249	14,214	18,051	15,877

The fair value of bonds for disclosure purposes has been calculated based on quoted market prices as of 30 June 2009. For loans and borrowings measured at amortised cost, fair value has been calculated based on the present value of future principal and interest cash flows, discounted at the incremental borrowing interest rate, which was 20% per annum for ruble-denominated loans, and between 7% and 8% per annum for loans denominated in foreign currencies.

**38. Settlements and operations with related parties**

During 6 months of 2009 the structure of related parties of the Company had no significant changes compared to the structure as of 31 December 2008.

**Svyazinvest OJSC**

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

As at 30 June 2008 the Russian Government held 75% minus one ordinary share of Svyazinvest OJSC.

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

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

The Svyazinvest group comprises 7 interregional telecommunications companies including the Company, Rostelecom OJSC, Central Telegraph OJSC, Dagsvyazinform OJSC and other affiliated telecoms.

Telecoms being a part of the Svyazinvest group are operators of general use telecommunications networks providing services of local, intra-zone, intercity and international telephone communication, communication services in data transmission networks, telematic services, telegraph communication services, line radio broadcasting, communication services for cable and on-air broadcasting, services of mobile radiotelephone and radio communication, and provision of telecommunication channels, on the basis of licences issued by the Russian Ministry of Telecommunications and Mass Communications.

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Subsidiaries**

The Company performs operations with the subsidiaries within its current activity. Financial results and the balance of mutual settlements with the subsidiaries have been excluded from the unaudited consolidated interim financial statements of the Company pursuant to the requirements of IFRS.

The Company handles transactions with the subsidiaries on regular commercial terms. The tariffs for the subsidiaries are set by the regulator and are similar to the tariffs for other counterparties. The subsidiaries do not have an effect on the Company's transactions with other counterparties.

**Rostelecom OJSC**

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

The annual revenue from Rostelecom OJSC relates to traffic transmission services provided by the Company to Rostelecom OJSC under the interconnection agreement and to the fees received under the assistance agreement which is a combination of agent agreement and service agreement.

The annual expenses associated with Rostelecom OJSC relate to payments for call termination to networks of other telecommunication operators, if the call is initiated from a mobile network, as well as interconnection expenses and expenses related to long-distance domestic and international telecommunication services provided to the Company.

**Transactions with state-controlled companies**

State-controlled organisations are a significant element in the Company's customer base; however, they do not exert significant influence on the Company's operations or pricing policies.

**Svyazintek OJSC**

Svyazintek OJSC was established by Svyazinvest OJSC subsidiaries which own collectively 100% of its share capital. Svyazintek OJSC provides to the Company services related to implementation and post-implementation support of information systems, in particular, Oracle E-Business Suite and Amdocs Billing Suite software.

For 6 months of 2009 the Company incurred expenses on the services provided by Svyazintek OJSC in the amount of 33 (6 months of 2008 – 59) from which 0 (6 months of 2008 – 7) was recognised in the profit and loss statement and the remainder was capitalised within non-current assets.

**Telecom–Soyuz NPF**

The Company concluded the agreement of non-state pension provision with private pension fund Telecom-Soyuz (Note 20). In addition to the state pension the Company provides its employees with non-state pension and other post-employment benefits through defined benefit plans.

The total amount of contributions to non-state pension fund paid by the Company during 6 months of 2009 amounted to 210 (6 months of 2008 – 188).

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

**Sibirtelecom OJSC**  
**Notes to Consolidated Interim Financial Statements**  
**for the 6 months' period ended on June 30, 2009**  
*(in millions of Russian rubles)*

**Remuneration of key managers**

The key management personnel comprise the members of the Management Committee and the Company's Board of Directors totalling 21 persons as of 30 June 21 (31 December 2008 – 21).

Remuneration to the members of the Board of Directors and the Management Committee of the Company for 6 months of 2009 including salaries, bonuses and compensation for participation in the work of management bodies amounts to 86 (6 months of 2008 – 75). The amounts of remuneration are shown without unified social tax.

During 6 months of 2009 the Company made a contribution of 3 to the private pension fund (6 months 2008 – 5) for its key management personnel. The plans provide for payment of retirement benefits starting from statutory retirement age and provided that a condition for a minimum service period is met.

**39. Subsequent events**

**Headcount optimisation**

In accordance with the headcount optimisation measures approved by the Board of Directors of the Company as a part of "The program for development in 2009-2013" during the period from 1 July 2009 to the date of submission of the unaudited consolidated interim financial statements, 3 employees were dismissed on grounds of redundancy.

**Dividends**

Annual dividend per share for 2008 was approved by the Company's General Shareholders' Meeting on 20 June 2009 in the amount of 0.026313 rubles per one ordinary share and 0.052939 rubles per one preference share (2007 – 0.035889 and 0,066446 respectively). The total amount of dividends payable by the Company amounts to 316 for ordinary shares and 207 for preference shares (2007 – 431 and 260 respectively).

The amount of dividends paid in 2009 for the year ended on December 31, 2008 is 274.

**Credit and Loans**

In July 2009 the Company fulfilled its liabilities to pay own bills with the following properties:

– The first billholder is KB Akcept OJSC, the total amount is 100. The interest of 18% per annum in the amount of 5 was paid simultaneously with the bill payment.

In August 2009, the Company fulfilled its liabilities for the payment of a coupon yield for the second coupon of the bond of 08 series at the rate of 9.75% per annum in the amount of 97. The size of a coupon yield on one bond is 48.62 rubles.

In August 2009 the Company made a decision to open a credit line in the amount of 1,000. The credit line term is 60 months from the date of providing the first tranche, the interest rate for the use of credit funds is 15.9 % per annum. The credit line agreement does not provide for security. The borrowed credit funds are planned for financing the

Sibirtelecom OJSC  
Notes to Consolidated Interim Financial Statements  
for the 6 months' period ended on June 30, 2009  
*(in millions of Russian rubles)*

current operating activity. By the results of the open competitive tender, AKB Svyazbank CJSC is entitled to enter into an agreement.

In September 2009 the Company made a decision to open a credit line in the amount of 500. The credit line term is 36 months from the date of making the contract; the interest rate for the use of credit funds is 14.5% per annum. The credit line agreement does not provide for security. The borrowed credit funds are planned for financing the current operating activity. By the results of the open competitive tender, UniCreditBank CJSC is entitled to enter into an agreement.