

Sibirtelecom OJSC

Unaudited Consolidated Interim Financial Statements
for the 6 months' period ended June 30, 2010, prepared in accordance with
International Financial Reporting Standards (IFRS)

Sibirtelecom OJSC
Unaudited Consolidated Interim Financial Statements
for the 6 months' period ended June 30, 2010

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Sibirtelecom OJSC
 Unaudited Consolidated Statement Of Financial Situation
 as of June 30, 2010
 (million Russian rubles)

	Notes	June 30, 2010/	December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	7	40,333	40,633
Investment property	8	87	12
Intangible assets	9	4,026	4,160
Other non-current assets	10	516	218
Investments in equity accounted investees	11	19	20
Non-current financial assets	12	1,191	22
Deferred tax assets		93	99
Total non-current assets		46,265	45,164
Current assets			
Inventories	13	564	529
Trade and other receivables	14	2,690	2,294
Income tax receivable		53	36
Other current assets	15	343	408
Current financial assets	12	105	662
Cash and cash equivalents	16	365	532
Total current assets		4,120	4,461
TOTAL ASSETS		50,385	49,625
EQUITY AND LIABILITIES			
Sibirtelecom OJSC Shareholders' equity			
Share capital	18	3,541	3,541
Unrealized gain on available-for-sale investments		77	83
Retained earnings		18,860	16,998
Total equity attributable to shareholders of Sibirtelecom OJSC		22,478	20,622
Uncontrolled shareholders' interest		2	2
Total equity		22,480	20,624
Non-current liabilities			
Loans and borrowings	19	10,550	9,723
Employee benefits	20	3,888	3,800
Other non-current liabilities	21	72	79
Deferred tax liabilities		794	954
Total non-current liabilities		15,304	14,556
Current liabilities			
Loans and borrowings	19	5,853	8,887
Accounts payable and accrued expenses	23	5,861	4,475
Other current liabilities	24	865	1,019
Current provisions	22	22	64
Total current liabilities		12,601	14,445
Total liabilities		27,905	29,001
Total assets and liabilities		50,385	49,625

General Director _____ I.V. Dadykin

Chief Accountant _____ G.I. Khvoschinskaya

Sibirtelecom OJSC

Unaudited Consolidated Interim Statement of Comprehensive Income for
the period of 6 months' ended June 30, 2010 (*million Russian rubles, except
earnings per share ratio*)

	Notes	For 6 months ended June 30	
		2010	2009
Revenues	25	19,465	19,015
Personnel costs	26	(4,846)	(5,137)
Depreciation and amortization	7, 8, 9	(3,847)	(4,072)
Interconnection charges		(2,219)	(2,320)
Materials, repairs and maintenance, utilities	27	(1,697)	(1,457)
Other operating expenses	28	776	638
Other operating income	29	(3,312)	(3,332)
Revenues from operating activities		(4,320)	(3,335)
Financial cost	30	1,196	1,665
Other revenues from financial activity	31	44	34
Exchange loss during currency revaluation		(18)	(428)
Revenue before taxation		3,150	1,276
Income tax		(706)	(425)
Profit for the reporting period		2,444	851
<i>Other comprehensive revenue</i>			
Changes in the fair cost of financial assets available for sale		4(7)	21
Income tax in respect of other comprehensive (loss) income		1	(4)
Total other comprehensive (income) loss less income tax		(6)	17
Total comprehensive income for the reporting period		2,438	868
Comprehensive income for the reporting period that refers to:			
Shareholders of Sibirtelecom OJSC		2,444	851
Minor shareholders of subsidiary companies		–	–
Base and diluted profit per share (Russian rubles) for the reporting period that refers to shareholders of Sibirtelecom OJSC	33	0,154	0,053

Sibirtelecom OJSC
Unaudited Consolidated Interim Statement of Comprehensive Income
for the 6 months' period ended June 30, 2010 (*million Russian rubles*)

	Notes	For 6 months ended June 30	
		2010	2009
Operating activities:			
Profit before taxation		3, 150	1, 276
<i>Adjustments for:</i>			
Depreciation and amortization	7,8,9	3, 847	4, 072
Loss on disposal of property, plant and equipment and other assets	29	30	20
Impairment losses on property, plant and equipment, intangible assets	7,9	12	(14)
Restoration in allowance for inventory	28	–	(2)
Expenses of creation of a bad debt reserve	29	32	88
Loss from exchange difference during currency revaluation		18	428
Other revenues from financial activity	31	(44)	(34)
Financial expenses	30	1, 029	1, 484
Operating income after adjustment for non-monetary operations		8, 074	7, 318
Increase /(decrease) in inventories	13	(35)	22
Increase in trade and other receivables		(427)	(158)
Decrease in current other assets and liabilities		(90)	43
Increase in pension and long-term social liabilities	20	88	104
(Decrease)/increase in accounts payable and accrued liabilities		296	(1, 080)
Increase in taxes payable, except income tax	23	(193)	706
Decrease of reserves on contingent liabilities	22	(42)	(40)
Cash flows generated from operations before income tax and interest paid		7, 671	6, 915
Interest paid		(898)	(1, 474)
Income tax paid		(804)	(244)
Net cash from operating activities		5, 969	5, 197
Investment activities			
Acquisition of property, construction objects in progress, investment property		(2, 880)	(2, 906)
Proceeds from disposals of property, plant and equipment		32	45
Acquisition of intangible assets		(250)	(253)
Acquisition of financial assets		(1, 182)	(18)
Proceeds from sale of investments and recovery of loans granted		572	35
Interest received		38	30
Dividends received	31	3	2
Net cash used in investment activities		(3, 667)	(3, 065)

Sibirtelecom OJSC

Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

	Notes	For 6 months ended June 30	
		2010	2009
Financial activities			
Proceeds from loans and borrowings		8,969	3,722
Repayment of loans and borrowings		(11,220)	(5,810)
Procurement of bonded loans		–	1,721
Repayment of bond issues		(78)	(2,000)
Repayment of commercial credits		(2)	(285)
Procurement of bill debts		–	1,176
Repayment of bill debts		–	(858)
Repayment of other long-term obligations	21	(47)	(8)
Repayment of financial lease liabilities	19	(79)	(88)
Dividends paid to shareholders of Sibirtelecom OJSC		(52)	(7)
Net cash used in financial activities		(2,469)	(2,437)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the reporting period	16	532	1,109
Cash and cash equivalents at the end of the reporting period	16	365	804

Sibirtelecom OJSC
Consolidated Statement of Changes in Equity
for the 6 months period ended June 30, 2010
(million Russian rubles)

	Equity of shareholders of Sibirtelecom OJSC					Share of minority shareholders	Total equity	
	Notes	Preference shares	Ordinary shares	Accrued reserve for revaluation of financial assets available for sale	Unappropriated balance			Total, capital of shareholders of Sibirtelecom OJSC
Balance as of December 31, 2008		869	2, 672	21	15, 547	19, 109	2	19, 111
Profit for the period		–	–	–	851	851	–	851
Changes in the fair value of financial assets available for sale		–	–	21	–	21	–	21
Income tax in respect of other comprehensive profit		–	–	(4)	–	(4)	–	(4)
Total other comprehensive profit less income tax		–	–	17	–	17	–	17
Total comprehensive income for the period		–	–	17	851	868	–	868
Dividends to shareholders of Sibirtelecom OJSC		–	–	–	(523)	(523)	–	(523)
Balance as of June 30, 2009		869	2, 672	38	15, 875	19, 454	2	19, 456
Balance as of December 31, 2009		869	2, 672	83	16, 998	20, 622	2	20, 624
Profit for the period		–	–	–	2, 444	2, 444	–	2, 444
Changes in the fair value of financial assets available for sale		–	–	4(7)	–	4(7)	–	4(7)
Income tax in respect of other comprehensive (loss)		–	–	1	–	1	–	1
Total other comprehensive (loss) less income tax		–	–	(6)	–	(6)	–	(6)
Total comprehensive income for the period		–	–	(6)	2, 444	2, 438	–	2, 438
Dividends to shareholders of Sibirtelecom OJSC		–	–	–	(582)	(582)	–	(582)
Balance as of March 31, 2010		869	2, 672	77	18, 860	22, 478	2	22,480

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

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

General Information

Authorisation of the Financial Statements

The unaudited consolidated interim financial statements of Sibirtelecom OJSC and its subsidiaries ("Company") for the 6 months' period ended June 30, 2010 were authorised to be issued by the decision of General Director and Chief Accountant of ____, 2010.

Company

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

As of June 30, 2010 Svyazinvest OJSC controlled by the Government of the Russian Federation has 50.67% of ordinary voting shares of the Company and is the parent company of Sibirtelecom OJSC.

The Company's registered address is: Russia, 630099, Novosibirsk, Maksima Gorkogo Str, 53.

Activity of the Company

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.

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

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

Liquidity and Financial Resources

As of June 30, 2010, Company's current liabilities exceeded its current assets by 8,481 (as of December 31, 2009 – 9,984).

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

In 2010 the Company expects to generate funds from the following sources: cash proceeds from operating activities, placement of ruble bonds on the Russian market and raising funds from domestic lending institutions. Moreover, management believes that some of existing contractual payment terms relating to current operations and certain capital investment projects could be extended, or curtailed in the case of deficiency of working capital.

2. Basis for Presentation of Financial Reports

Compliance Statement

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

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

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

Going Concern

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

Presentation of Financial Statements

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

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

Basis of Valuation

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

Reclassification of financial indices

In connection with changes in the format of presentation of financial reports for the 6 months' period of 2010 the Company reclassified some comparative indices for the 6 months' period of 2010.

Unaudited consolidated interim report on comprehensive income for the 6 months' period ended June 30, 2010

	Before reclassification on	Reclassification effect	After reclassification on	Reclassification description
Revenues from sales	19,070	(55)	19,015	Commentary 1
Other operating expenses	(3,387)	55	(3,332)	Commentary 2

Commentary 1 Revenues of Baikalwestcom CJSC, a subsidiary, from content-services provided by outside organization on their behalf is given less the amount paid to content providers

Commentary 2 Commentary 1

Foreign Currency Transactions

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

Exchange rates as of June 30, 2010 and December 31, 2009 were as follows:

Currency	June 30, 2010	December 31, 2009
US Dollar	31.1954	30.2442
EURO	38.1863	43.3883

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

3. Principal provisions of the accounting policy

The accounting policy used when preparing unaudited consolidated interim financial statements for the 6 months' period of 2010 corresponds to the accounting policy used when preparing consolidated financial reports for 2009.

4. Significant accounting views and estimations

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

5. Information about activity segments

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

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

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

Reporting information is analyzed and management decisions are made on the basis of accounting data in accordance with Russian accounting standards. The information provided in tables "Aggregate info on segments and general directorate", "Information on operating segments and general directorate" is prepared in accordance with the said standards.

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

The general directorate consolidates major financial and investment activity of the Company, connected with attraction, servicing and redemption of loan obligations, financial lease, purchase of financial assets, creation and further application of corporate assets and centralized investment projects. The corresponding amounts of income and expenses, assets and obligations are included into the composition of indices of the general directorate provided in "Information on operating segments and general directorate" table.

Composition of "Sibirtelecom OJSC – Fixed-Line Telephony" aggregate subgroup includes: Gorno-Altaysk, Buryatsk, Khakassia, Altai, Krasnoyarsk, Irkutsk, Kemerovo, Novosibirsk, Omsk, Tomsk, Zabaikalsk branches that provide telephony services (including services of local and intra-zone communication), telegraph communication network, data transmission network and telematic services, services of connection and traffic transfer, radio broadcasting, television, communication line leasing.

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

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

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

5. Information about activity segments (continued)

Information about segments for the 6 months ended June 30, 2010 and as of June 30, 2010 is provided below:

Aggregate info on operating segments and general directorate as of June 30, 2010 and for the 6 months' period ended June 30, 2010.

	Sibirtelecom OJSC – fixed-line telephony	Affiliated companies – fixed line telephony	Affiliated companies – mobile communication	Total segments
REVENUE FROM SALES				
Revenue from sales to third parties	14,247	53	5,316	19, 616
Revenue from sales between segments	157	28	210	395
Total revenue from sales	14,404	4,081	5, 526	20,011
Interest income	32	2	26	360
Interest expenses	(740)	–	(251)	(991)
Income tax	(583)	2	(200)	(781)
Revenue (loss) for the reporting period	2,050	(18)	530	2,562
Assets and Liabilities, including				
investments into associated companies	38,576	192	12,799	51,567
Segment liabilities	-	1	-	1
	(18, 360)	(36)	(7, 384)	(25, 780)
OTHER SEGMENT INFORMATION				
Capital expenditures, including				
fixed assets	2,563	4	700	3,267
intangible assets	-1	–	–	-1
Depreciation and amortization	(2,193)	(11)	(994)	(3,298)
(Accrual)/restoration of bad debt reserve				(222)
Expenses with respect to pension and long-term social liabilities	(33)	-	(189)	
	(120)	-	(4)	(124)

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 *(million Russian rubles)*

5. Information about activity segments (continued)

Information about segments for the 6 months ended June 30, 2010 and as of June 30, 2009 is provided below:

Aggregate info on operating segments and general directorate as on June 30, 2010 and for the 6 months' period ended June 30, 2010.

	Sibirtelecom OJSC – fixed- line telephony	Affiliated companies – fixed-line telephony	Affiliated companies – mobile communicatio n	Total segments
REVENUE FROM SALES				
Revenue from sales to third parties	13,811	137	5,175	19,123
Revenue from sales between segments	175	25	223	423
Total revenue from sales	13, 986	162	5, 398	19, 546
Interest income	27	2	29	58
Interest expenses	(1,006)	–	(343)	(1,349)
Income tax	(215)	–(2)	(167)	(384)
Revenue for the reporting period	(1,075)	4	525	1,604
Assets and Liabilities, including				
Investments into associated companies	39,569	235	14,118	53,933
Segment liabilities	–	1	–	1
	(23, 063)	(56)	(8, 836)	(31, 55)
OTHER SEGMENT INFORMATION				
Capital expenditures, including fixed assets	956	8	1,173	2,137
intangible assets	7	–	–	7
Depreciation and amortization	2,327	612	967	3,306
(Accrual)/restoration of bad debt reserve	(77)	(1)	(50)	(128)
Expenses with respect to pension and long-term social liabilities	(203)	(1)	(7)	(211)

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

5. Information about activity segments (continued)

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

Reconciliation of data on segments and of consolidated data for the 6 months ended June 30, 2010 and as of June 30, 2010	Total segments	Adjusting entries	Consolidation adjustments	Total, consolidated in the Company
REVENUE FROM SALES				
Revenue from sales to third parties	19,616	(151)	–	19,465
Revenue from sales between segments	395	–	(395)	–
Total revenue from sales	20,011	(151)	(395)	19,465
Interest income	60	(19)	–	41
Interest expenses	(991)	(34)	–	(1,025)
Income tax	(781)	56	-19	(706)
Revenue for the reporting period	2,562	280	162	2,444
Assets and Liabilities, including				
investments into associated companies	51,567	116	1,298	50,385
Segment liabilities	1	18	–	19
	(26,538)	(1,635)	286	(27,905)
OTHER SEGMENT INFORMATION				
Capital expenditures, including				
fixed assets	3,267	50	–	3,317
intangible assets	-1	227	–	228
Depreciation and amortization	(3,298)	(539)	10	(3,847)
Loss from depreciation of fixed assets of capital work-in-progress	–	(411)	–	(411)
Loss from intangible assets depreciation	–	(1)	–	(1)
(Accrual)/restoration of bad debt reserve	(222)	177	13	(32)
Expenses with respect to pension and long-term social liabilities	(124)	(46)	–	(170)

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

5. Information about activity segments (continued)

Reconciliation of data on segments and of consolidated data for the 6 months ended June 30, 2009 and as of June 30, 2009

	Total segments	Adjusting entries	Consolidation adjustments	Total, consolidated in the Company
REVENUE FROM SALES				
Revenue from sales to third parties	19,123	(108)	–	19,015
Revenue from sales between segments	423	–	(423)	–
Total revenue from sales	19,546	(108)	(423)	19,015
Interest income	58	(21)	(5)	32
Interest expenses	(1,349)	(486)	4	(1,431)
Income tax	(384)	(5)	-(46)	(425)
Profit for the reporting period	(1,604)	(246)	(4,507)	(851)
Assets and Liabilities, including				
investments into associated companies	53,922	378	1,721	52,879
Segment liabilities	1	18	-	19
	(31,955)	(1,805)	637	(33,123)
OTHER SEGMENT INFORMATION				
Capital expenditures, including				
fixed assets	2,137	18	-	2,119
intangible assets	7	246	-	253
Depreciation and amortization	(3,306)	(773)	47	(4,072)
Loss from depreciation of fixed assets of capital work in progress	–	(14)	–	(14)
Loss from depreciation of material assets	1	1	-	2
(Accrual) of bad debt reserve	(128)	-	40	(488)
Expenses with respect to pension and long-term social liabilities	(211)	30	-	(181)

Sibirtelecom OJSC

Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million Russian rubles*)

5. Information about activity segments (continued)

As of the end of the 6 months ended June 30 2010 and as of June 30, 2010 the key indices of main operating segments were as follows:

Information on operating segments and the general directorate	Revenue from sales	Profit (loss)	Assets	Liabilities	Capital expenditure	Depreciated on and amortizations	Accrual/Restoration of bad debt reserve
Sibirtelecom OJSC – Fixed-Line Telephony							
Gorno-Altai branch	146	(8)	1,314	(32)	11	(28)	-1
Buryatia branch	1,148	206	1,901	(258)	36	(140)	-
Khakassia branch	417	44	3,048	(77)	32	(71)	(3)
Altai branch	2,022	468	4,583	(281)	88	(248)	(4)
Krasnoyarsk branch	1,785	205	4,671	(479)	623	(263)	(4)
Irkutsk branch	1,699	321	3,186	(345)	165	(204)	(9)
Kemerovo branch	1,646	259	3,816	(282)	157	(276)	(3)
Novosibirsk branch	2,447	512	6,059	(729)	732	(419)	-2
Omsk branch	1,332	222	2,578	(392)	577	(212)	(4)
Tomsk branch	1,086	177	1,159	(218)	487	(169)	(1)
Zabaikalsk branch	676	(16)	6,752	(138)	53	(132)	(3)
General directorate office	-	(372)	6,653	(15,908)	3	(131)	(1)
Total	14,404	2,050	38,576	(19,331)	2,564	(2,293)	(33)
Affiliated companies – Fixed-Line Telephony							
Chita Net CJSC	-1	-	7	(3)	-	-1	-
Rinet OJSC	22	(3)	19	(12)	-	1	-
ATS-32 CJSC	5	(6)	66	(2)	-	4	(1)
ATS-41 CJSC	3	(8)	26	(2)	-	(2)	(1)
Mobiltelecom OJSC	28	-	32	(10)	2	1	-2
Novocom CJSC	22	(1)	42	(7)	-2	(2)	-
Total	81	(18)	192	(36)	4	(11)	-
Affiliated companies – Mobile Communication							
Yeniseytelecom CJSC	2,498	130	5,740	(3,181)	321	(384)	(188)
Baikalwestcom CJSC	3,028	400	7,059	(3,909)	379	(610)	(1)
Total	5,526	530	12,799	(7,171)	700	(994)	(189)

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Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 *(million Russian rubles)*

5. Information about activity segments (continued)

As of the end of the 6 months ended June 30, 2009 and as of June 30, 2009 the key indices of main operating segments and the general directorate office were as follows:

Information on operating segments and the general directorate office	Revenue from sales	Profit (loss)	Assets	Liabilities	Capital expenditures	Depreciation and amortization	Accrual of bad debt reserve
Sibirtelecom OJSC – Fixed-Line Telephony							
Gorno-Altai branch	133	(45)	361	(35)	13	(26)	-1
Buryatia branch	1,134	97	2,185	(302)	39	(145)	(5)
Khakassia branch	342	(39)	1,121	(106)	20	(64)	(2)
Altai branch	1,841	291	4,013	(366)	153	(225)	(11)
Krasnoyarsk branch	1,733	(17)	4,382	(394)	56	(261)	(7)
Irkutsk branch	1,620	126	3,418	(419)	96	(194)	(17)
Kemerovo branch	1,613	(75)	4,145	(396)	94	(273)	(16)
Novosibirsk branch	2,531	481	5,604	(532)	236	(381)	(8)
Omsk branch	1,291	103	3,415	(243)	87	(199)	(4)
Tomsk branch	1,131	128	2,438	(196)	29	(168)	(2)
Zabaikalsk branch	617	(132)	1,860	(180)	47	(122)	(2)
General directorate office	–	(157)	6,627	(19,894)	93	(242)	-2
Total	13,986	1,075	39,569	(23,063)	963	(2,327)	(77)
Affiliated companies – Fixed-Line Telephony							
Chita Net CJSC	8	–	9	(3)	–	-1	–
Rinet OJSC	42	-	23	(14)	2	(1)	–
ATS-32 CJSC	25	1	84	(9)	–	(3)	–
ATS-41 CJSC	26	2	38	(8)	2	(3)	-(1)
Mobiltelecom OJSC	33	–	33	(11)	3	(2)	–
Novocom CJSC	28	1	48	(11)	1	(2)	-
Total	162	(4)	235	(56)	8	(12)	(1)
Affiliated companies – Mobile Communication							
Yeniseytelecom CJSC	2,591	(282)	6,474	(3,727)	270	(368)	(48)
Baikalwestcom CJSC	2,807	(243)	7,644	(5,109)	903	(599)	(2)
Total	5,398	(525)	14,118	(8,836)	1,173	(967)	(50)

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Notes to Unaudited Consolidated Interim Statement of Comprehensive Income for the period of 6 months' ended June 30, 2010 (*million 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 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Yeniseytelecom CJSC	Mobile radiotelephony services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Baikalwestcom CJSC	Mobile radiotelephony services (GSM 900 and 1800, IMT-MC 450)	100.00	100.00	100.00	100.00
Chita NET CJSC	Data transmission and telematic services	100.00	100.00	100.00	100.00
STeK GSM CJSC	Mobile radiotelephony services (GSM 900 and 1800)	100.00	100.00	100.00	100.00
Rinet OJSC	Internet services, Local telephony	100.00	100.00	100.00	100.00
ATS-32 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
ATS-41 CJSC	Local calls, internet	100.00	100.00	100.00	100.00
Mobiltelecom OJSC	Internet, Local telephony	91.75	91.75	91.75	91.75
Novocom CJSC	Internet	100.00	100.00	100.00	100.00
Altaysvyaz OJSC ¹	Mobile radiotelephony services	100.00	100.00	100.00	100.00

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

7. Fixed assets

	Land, buildings and structures	Switches and transmitters	Vehicles and other fixed assets	Capital investments in fixed assets	Total
Original value					
As of December 31, 2008	24, 013	30, 966	5, 167	6, 718	66, 864
Receipts	–	–	–	2,119	2,119
Entered assets, in connection with reclassification from investment property	6	–	–	–	6
Commissioned construction	1, 710	3,833	294	(5,837)	–
Retirement	(40)	(335)	(48)	(18)	(441)
Retirement connected with reclassification into investment property	(33)	–	–	–	(33)
Reclassification	2	(10)	12	(4)	–
As of June 30, 2009	25, 658	34, 454	5, 425	2, 978	68, 515
	26, 628	36, 462	6, 072	1, 310	70, 472

¹ Indirect possession through Yeniseytelecom CJSC

As of December 31, 2009					
Proceeds	–	–	–	3,317	3,317
Entered assets in connection with reclassification from investment property	45	–	–	–	45
Commissioned	1,060	1,268	233	(551)	–
Retirement	(68)	(80)	(88)	(42)	(278)
Retirement connected with reclassification into investment property	(115)	–	–	–	(115)
Reclassification	34	36	(72)	2	–
As of June 31, 2010	27,544	37,686	6,135	2,036	73,401

Accumulated depreciation and impairment losses

As of December 31, 2008	(7, 623)	(11, 318)	(3, 321)	(320)	(22, 582)
Depreciation for the reporting period	(958)	(2,201)	(483)	–	(3,642)
Depreciation is charged over fixed assets reclassified from investment property	3	–	–	–	3
Depreciation of retired objects	27	191	43	–	261
Depreciation of retired assets if classified as investment property	14	–	–	–	14
Accrued depreciation	–	–	–	(11)	(11)
Restored depreciation	–5	–7	–2	411	425
Depreciation of retired objects	–	–	–	8	8
Reclassification	–(13)	(8)	(6)	–27	–
As of June 30, 2009	(8,551)	(13,329)	(3,765)	(285)	(25, 930)

As of December 31, 2009	(9, 610)	(15, 443)	(4, 539)	(247)	(29, 839)
Depreciation for the reporting period	(995)	(2,163)	(327)	–	(3,485)
Accrued depreciation of fixed assets reclassified from investment property	(4)	–	–	–	(4)
Depreciation of retired objects	52	94	64	–	210
Depreciation of retired assets if classified as investment property	37	–	–	–	37
Accrued depreciation	–	(4)	–	(11)	(415)
Depreciation restored	–	–	–	4	4
Depreciation over retired objects reclassification	–	2	–	22	24
	(55)	(138)	41	152	–
As of June 30, 2010	(10,575)	(17, 652)	(4,761)	(80)	(33, 068)

Depreciated value

As of December 31, 2008	16, 390	19, 648	1, 846	6, 398	44, 282
As of June 30, 2009	17,107	21, 125	1, 660	2, 693	42, 585
As of December 31, 2009	17, 018	21, 019	1, 533	1, 063	40, 633
As of June 30, 2010	16, 969	20, 034	1, 374	1, 956	40, 333

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As of June 30, 2010 and December 31, 2009 the book value of fixed assets received under agreements of financial lease amounted to:

	June 30, 2010	December 31, 2009
Switches and transmitters	344	420
Vehicles and other fixed assets	–	1
Total fixed assets received under agreements of financial lease, book value	344	421

Depreciation of fixed assets accrued for the 6 months of 2010 in the amount of 3,485 (6 months of 2009 – 3,642) was recognised in item “Depreciation and amortization” of the consolidated interim statement of comprehensive income.

As of June 30, 2010 the original value of fully amortised fixed assets amounted to 8,178 (December 31, 2009 – 7,810).

During the period of 6 months of 2010 the value of capitalized expenses of the Company directed for formation of construction in progress amounted to 3,317 (6 months of 2009 – 2,119).

As of June 30, 2010 the residual value of jointly owned fixed assets was 88 (December 31, 2009 – 103).

For the 6 months of 2010 the Company increased the value of construction in progress by the amount of capitalized interest in the amount of 7 (6 months of 2009 - 40). The capitalization rate for the 6 months of 2010 was 10% (6 months of 2009 – 9%).

Depreciation of fixed assets objects

The Company analyzed depreciation of its fixed assets as of June 30, 2010. With the purpose to test depreciation, the recoverable amount for each unit that generates cash flow (hereinafter UGCF) was determined based on evaluation of the cost of its use that was calculated by discounting future cash flows that will be generated as a result of continued utilization of such UGCF.

According to the results of the depreciation test, the Company acknowledged the loss from depreciation of fixed assets for Yeniseytelecom CJSC in the amount of 6; the amount of depreciation of capital investments of the Company that were not completed in time during realization of investment projects was 9.

During the period of 6 months of 2010 depreciation of fixed assets of the Company and capital investments into fixed assets in the amount of 4 was restored.

Change with respect to depreciation of items of fixed assets and capital investments is shown in unaudited consolidated interim statement on total revenue of net valuation. Expenditures in excess towards creation of the loss resulted from depreciation over income of its restoration during 6 months of 2010 are shown in the line titled “Other operational expenses” (Note 29) in the amount of 11 (during the period of 6 months of 2009 the above mentioned index is shown in the line titled “Other operational expenses” (Note 28) in the amount of 14.

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8. Investment Property

	Intende d for leasing	Intended for sale	Intended for leasing with further sale	Total
Original cost				
As of December 31, 2008	14	3	2	19
Accumulated depreciation and accrued depreciation				
Reclassification from fixed assets	12	21	–	33
Reclassification to fixed assets	5	1	–	6
As of June 30, 2009	(21)	23	–2	(46)
As of December 30, 2009	19	–	4	(23)
Reclassification from fixed assets	1	96	18	115
Reclassification to fixed assets	(4)	–1	–	(45)
Retirement	–	–	(2)	2
As of June 30, 2010	16	95	20	131
Accumulated depreciation and accrued depreciation				
As of December 31, 2008	(5)	(1)	–	(6)
Accrued depreciation for the reporting period	(3)	(11)	–	(14)
Reclassification of depreciation to fixed assets	3	–	–	3
As of June 30, 2009	(5)	(12)	–	(17)
As of December 31, 2009	(9)	–	(2)	(11)
Accrued depreciation for the reporting period	(1)	–	–	(1)
Reclassification of depreciation from fixed assets	–	(32)	(5)	(37)
Reclassification of depreciation to fixed assets	4	–	–	4
Depreciation of retired objects	–	–	1	1
As of June 30, 2010	(6)	(32)	(6)	(44)
Depreciation value				
As of December 31, 2008	9	2	2	13
Fair value as of December 31, 2008	37	5	7	49
Depreciation value As of June 30, 2009	16	11	–2	29
Fair value as of June 30, 2009	41	30	–6	77
Depreciation value as of December 31, 2009	10	–	2	12
Fair value as of December 31, 2009	22	1	6	29
Depreciation value As of June 30, 2010	10	63	14	87
Fair value as of June 30, 2010	19	224	67	310

In 2006 the Company started to optimize the composition and the structure of the property aimed at satisfaction of current prospective needs of the Company in property required to perform its key

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activities and at alienation of excessive property. In this connection the Company is making plans to work in this line.

As of June 30, 2010 Company has no limitations regarding the right to sell objects of investment property.

As of June 30, 2010 Company's objects of investment property were not used as guarantee for credit agreements, loan agreements or financial lease agreements.

During 6 months ended June 30, 2010 the Company had no limitations regarding the right to dispose income from leasing or sale of investment property objects.

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

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

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

9. Intangible Assets

	Goodwill	Licences	Software	Numbering capacity	Other	Total
<i>Original value</i>						
As of December 31, 2008	204	149	6,326	105	90	6,874
Proceeds	–	14	228	3	8	253
Retirement	–	–	(3)	(9)	–	(12)
Reclassification	–	(3)	(3)	–	–	–
As of June 30, 2009	204	160	6,554	99	98	7,115
As of December 31, 2009	204	162	6,729	118	157	7,370
Proceeds						
Retirement	–	–	(4)	–	–	(4)
As of June 31, 2010	204	193	6,910	122	165	7,594
<i>Accrued depreciation and amortization</i>						
As of December 31, 2008	(171)	(58)	(1,952)	(80)	(20)	(2,281)
Accrued depreciation (reporting period)	–	(12)	(402)	(6)	(10)	(430)
Depreciation of disposed objects	–	–	3	9	–	12
As of June 30, 2009	(171)	(70)	(2,351)	(77)	(30)	(2,699)
As of December 31, 2009	(199)	(88)	(2,778)	(89)	(56)	(3,210)
Depreciation accrued for the reporting period	–	(14)	(323)	(6)	(18)	(361)
Depreciation of disposed objects	–	–		–	–	(3)
Accrued depreciation	–	–		–	–	(1)
Depreciation of disposed objects	–	–	(1)	–	–	1
As of June 30, 2010	(199)	(102)	(3,098)	(95)	(74)	(3,568)

	Goodwill	Licences	Software	Numbering capacity	Other	Total
<i>Depreciated value</i>						
As of December 31, 2008	33	91	4,374	25	70	4,593
As of June 30, 2009	33	90	4,203	22	68	4,416
As of December 31, 2009	5	74	3,951	29	101	4,160
As of June 30, 2010	5	91	3,812	27	91	4,026

Oracle E-Business Suite

As of June 30, 2010 the software includes software product Oracle E-Business Suite (“OeBS”) with the book value amounting to 931 (as of December 31, 2009 – 1,019).

As of June 30, 2010 capitalized interest expenses connected with the implementation of Oracle E-Business Suite amounted to 63 (as of June 30, 2009 – 76). During the 6 months of 2010 interest expenses connected with the implementation of OeBS were not capitalized.

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

Changes in the book value of Oracle E-Business Suite for the 6 months period ended June 30, 2010 and 2009 are shown below:

	2010	2009
As of January 01	1,019	1,122
Implementation cost	–	61
Accrued depreciation	(88)	(81)
As of June 30	931	1,102

Amdocs Billing System

As of June 30, 2010 the software included the Amdocs Billing Suite software product with the book value of 807 (as of December 31, 2009 – 803), including the cost of licences in the amount of 579 and expenses for implementation in the amount of 228 (as of December 31, 2009 – 579 and 224 respectively). The purchase of Amdocs Billing Suite software was approved by the Company’s Board of Directors in 2004. The Company will start to amortize this asset after the software is begun to be operated proportionally to the cost of implemented modules. Till this moment the management tests the asset value for its depreciation.

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

Changes in the book value of Amdocs Billing Suite for the 6 months period ended June 30, 2010 and 2009 are shown below:

	2010	2009
As of January 1	803	792
Expenses of introduction	4	7
As of June 30	807	799

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Start Billing System Software

As of June 30, 2010 the software included Start Billing System with the book value of 475, including capitalized interest of 20 (as of December 31, 2009 – 490 and 22 respectively).

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

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

Information about changes in the book value of Start Billing System software for the 6 months period ended June 30, 2010 and 2009 are shown below:

	2010	2009
As of January 1	490	597
Implementation costs	19	–13
Accrued depreciation	(34)	(83)
As of June 30	475	527

HP Open View Software

As of June 30, 2010 the book value of HP Open View was 108 (as of December 31, 2009 – 109).

	2010	2009
As of January 1	109	109
Accrued depreciation	(1)	–
As of June 30	108	109

This product is designed for automation of the Company's information processes. In December 2009 the Company started industrial operation of the system for automation of the service desk operation based on licences of HP Open View Service Desk. Since 2010 the Company starts to implement this software product and depreciates its value in proportion to the value of the implemented modules, proceeding from the useful life which is 10 years.

HP Open View Service Activator Software

As of June 30, 2010 the software included software product HP Open View Service Activator with the book value of 259 (as of December 31, 2009 – 259).

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

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CBOSS Billing Suite

As of June 30, 2010 the software includes licenses and expenses of introduction of CBOSS Billing Suite software, the book value of which is 269 (as of December 31, 2009 – 319).

	2010	2009
As of January 01	319	352
Expenses of introduction	21	72
Accrued depreciation	(71)	(76)
As of March 31	269	348

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

Intangible assets amortization

Amortization of intangible assets for 6 months of 2010 in the amount of 361 (6 months of 2009 – 430) was shown under item Depreciation and Amortization in the unaudited consolidated statement of comprehensive income.

Analysis of depreciation of intangible assets not yet available for use

The Company analyzed depreciation of intangible assets not yet available for use as of June 30, 2010. Intangible assets not yet available for use comprise Amdocs Billing Suite, HP Open View Service Activator and the numbering capacity of Yeniseytelecom CJSC and Baikalwestcom CJSC.

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

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

As of June 30, 2010 the Company has no intangible assets with indefinite useful life.

Analysis of depreciation of other intangible assets

The Company analyzed depreciation of other intangible assets, goodwill and intangible assets with an unlimited useful life as of June 30, 2010. As a result of the analysis, no depreciation of said intangible assets was found.

10. Other long-term assets

	Total, June 30, 2010	Reserve for long- term, other assets, June 30, 2010	Net, June 30, 2010
Recurring advances made for investment activity	505	(1)	504
Long-term accounts receivable	12	–	12
Total	517	(1)	516

	Total, December 31, 2009	Reserve for long- term, other assets, December 31, 2009	Net, December 31, 2009
	207	(2)	205

Recurring advances made for investment activity			
Long-term accounts receivable	13	–	13
Total	220	(2)	218

The table, introduced below illustrates changes of the reserve with respect to other long-term assets:

	2010	2009
Balance as of January 01	2	19
Accrual of the reserve	-	2
Restoration of the reserve	-	(2)
Debt amortization	(1)	(7)
As of March 31	1	12

11. Investments in associated companies

As of June 30, 2010 and December 31, 2009 investments in associated companies included:

		June 30, 2010		
Company	Activity	Ownership interest, %	Voting shares, %	Book value
Giprosvyaz-Sibir LLC	Engineering, development of project documentation	24.00	0.00	3
Loktelecom OJSC	Local telephony	36.81	36.81	16
Irkutsk Clearing House LLC	Data transfer services, Internet	34.00	34.00	-
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	Local and intra-zone telephony	30.00	30.00	-
Total, associated companies	-	-	-	19

		December 31, 2009		
Company	Activity	Ownership interest, %	Voting shares, %	Book value
Giprosvyaz-Sibir LLC	Engineering, development of project documentation	24.00	0.00	4
Loktelecom OJSC	Local telephony	36.81	36.81	16
Irkutsk Clearing House LLC	Data transfer services, Internet	34.00	34.00	-
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	Local and intra-zone telephony	30.00	30.00	-
Total, associated companies	-	-	-	20

The book value of investments in associated companies, shown in this unaudited consolidated interim financial statements corresponds to the share of the Company in net assets of associated companies and for 6 months of 2010 makes up 19 (6 months of 2009 – 19).

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The following table shows summarised financial information about the associates:

Associates	Equity, %	Assets	Liabilities	Sale revenues	Profit (loss) in reporting period
As of June 30, 2010 and for 6 months ended June 30, 2010					
Giprosvyaz-Sibir LLC	24.00	14	–	2	–
Irkutsk Clearing House OJSC	34.00	–	–	–	–
Loktelecom OJSC	36.81	47	(3)	19	–
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	30.00	–	–	–	–
As of June 30, 2009 and for 6 months ended June 30, 2009					
Giprosvyaz-Sibir LLC	24.00	16	–	1	–
Irkutsk Clearing House OJSC	34.00	2	3	–	–
Loktelecom OJSC	36.81	45	3	19	1
Digital Network and Telecommunication Systems of Novosibirsk Region CJSC	30.00	–	–	–	–

12. Financial assets

	June 30, 2010	December 31, 2009
Long-term financial assets available for sale	1,187	13
Long-term loans granted	3	8
Long-term financial assets invested in joint activity	1	1
Total long-term financial assets	1,191	22
Short-term financial assets available-for-sale	96	103
Short -term loans granted	6	5
Short -term investments held to maturity	3	554
Total current financial assets	105	662
Total financial assets	1,296	684

Financial investments available for sale as of June 30, 2010 and December 31, 2009 included:

Company	June 30, 2010		December 31, 2009	
	Equity, %	Fair value	Equity, %	Fair value
Long-term financial assets available-for-sale				
NTK Region 2009 OJSC	1,665	–	1,665	–
Svyazintek OJSC	11.00	13	11.00	13
AKB Svyaz-Bank OJSC	0.0004	–	0.0004	–
Gasprombank-Telecommunications CJSC	-	1,174	-	-
Total		1,187		13
Long-term financial assets invested in joint activity				
Sibirskiye Taksofony LLC	90.00	1	90.00	1
Total		1		1

Current financial assets available for sale				
RF Sberbank OJSC	0.01	96	0.01	103
Total		96		103
Total financial assets		1,284		117

Long-term financial assets available for sale

Composition of long-term financial assets available for sale included shares, purchased by the Company in Closed Unit Shares Investment Fund of “Gasprombank-Telecommunications”.

On May 2010 the Company’s Board of Directors approved the major provisions of “The Program for long-term incentives of employees of Sibirtelecom OJSC” and endorsed the agreement of trust to “Gasprom-Asset Management” management company (CJSC). Term of the agreement starts from the moment of acceptance of the application for purchase of investment unit by the management company and ends May 03, 2015. The amount of cash means transferred into trust management is 1,274.

Within the bounds of the above mentioned Program the Company purchases shares in Closed Unit Shares Investment Fund of “Gasprombank-Telecommunications”. The first cash deposit amounted to 1,174 was transferred for the purpose of payment of investment units on May 31, 2010. In June 2010 the Company purchased investment units of shares of “Gasprombank-Telecommunications” to the amount of 1,174.

Long-term loans extended

As of June 30, 2010 long-term loans extended to employees are shown at their depreciated initial value with the effective interest rate of 19% (as of December 31, 2009 – 21%).

Long-term financial assets invested in joint activity

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

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

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

Short-term investments held to maturity

In June 2010 the Company retired the bills of Region IK CJSC before maturity. The repurchase price for bills in conformity with terms of the agreement is determined by actual circulating period of the bills and in terms of interest rate makes up 558.

As of June 30, 2010 short-term investments held to maturity include bank deposits with the maturity within 3 months to 1 year in the amount of 3 (as of December 31, 2009 – 23):

Counteragent	Purchase date	Interest rate under the contract, %	Contract currency	Maturity date	Amount outstanding as of 30.06.2010
Akcept CB OJSC	19.10.2009	13.00	rub.	16.10.2010	3
Total	–	–	–	–	3

13. Inventories

	June 30, 2010	December 31, 2009
Finished goods and goods for resale	201	196
Cable	88	80
Spare parts	56	44
Consumables	21	22
Fuel	10	16
Building materials	9	5
Other inventories	179	166
Total	564	529

Changes in allowance for impairment of inventories are shown below:

	2010	2009
Balance as of January 01	3	4
Restoration of the reserve	–	(2)
Balance as of June 30	3	2

Income from restoration of the reserve is for the period of 6 months of 2010 made up 0 (during 6 months of 2009 -2) and shown in the line “Other operating income” of unaudited the consolidated interim statement of comprehensive income (Note 28).

14. Trade and other receivables

	Total, as of June 30, 2010	Allowance for doubtful receivables	Net, as of June 30, 2010
Settlements with customers for core activities	2, 445	(407)	2, 038
Settlements with commissioners and agents	183	–	183
Settlements with customers for non-core activities	162	(85)	77
Settlements with the staff	15	–	15
Settlements with other debtors	392	(15)	377
Total	3, 197	(507)	2,690
	Total, as of December 31, 2009	Allowance for bad debt	Net, as of December 31, 2009
Settlements with customers for core activities	2, 202	(411)	1, 791
Settlements with commissioners and agents	213	–	213
Settlements with customers for non-core activities	137	(73)	64
Settlements with the staff	8	–	8
Settlements with other debtors	245	(27)	218
Total	2, 805	(511)	2, 294

Settlements with customers for core activities as of June 30, 2010 and December 31, 2009 comprise settlements with the following counteragents:

	Total, as of June 30, 2010	Allowance for bad debt	Net, as of June 30, 2010
Receivables from individuals	1, 388	(285)	1, 103
Receivables from commercial organizations	403	(70)	333
Receivables from telecoms	268	(5)	263
Receivables from budget organizations	386	(447)	339

Total settlements of the core activity	2, 445	(407)	2, 038
	Total, as of December 31, 2009	Allowance for bad debt	Net, as of December 31, 2009
Receivables from individuals	1, 324	(287)	1, 037
Receivables from commercial organizations	381	(72)	309
Receivables from telecoms	350	(48)	302
Receivables from budget organizations	147	(4)	143
Total settlements of the core activity	2, 202	(411)	1, 791

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

	2010	2009
Balance as of January 01	511	483
Accrual of allowance	53	97
Recovery of allowance	(20)	(9)
Write-off of receivables	(37)	(52)
Balance as of June 30	507	519

15. Other current assets

As of June 30, 2010 and December 31, 2009 other current assets comprised the following:

	Total, as of June 30, 2010	Allowance for doubtful receivables	Net, as of June 30, 2010
Prepayments and advances made	178	(4)	174
VAT reclaimed	43	–	43
Prepayment of other taxes	53	–	53
Deferred expenses	59	–	59
Other current assets	14	–	14
Total	347	(4)	343

	Total, as of December 31, 2009	Allowance for doubtful receivables	Net, as of December 31, 2009
Prepayments and advances made	183	(6)	177
VAT reclaimed	86	–	86
Prepayment of other taxes	64	–	64
Deferred expenses	64	–	64
Other current assets	17	–	17
Total	414	(6)	408

The table below shows changes in other current assets reserve:

	2010	2009
Balance as of January 01	6	4
Restoration of the reserve	(1)	–
Writing-off of accounts receivable	(1)	–(1)
Balance as of June 30	4	3

16. Cash and cash equivalents

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Cash on hand and at bank	298	338
Short-term deposits and promissory notes for up to 3 months	67	194
Total	365	532

The maturity period of short-term deposits varies from 1 day to 3 month. The interest rate on short-term deposits with a maturity of up to three months varies from 2.20% to 16.78%.

17. Significant non-monetary transactions

Other significant non-monetary transactions include proceeds of fixed assets that arise as a result of the use of earlier dismantled parts of equipment for mounting new equipment. The amount of such operations for 6 months of 2010 made up 18 (for 6 months of 2009 – 104).

18. Authorized capital

As of June 30, 2010 the par value and book value of ordinary and preferred shares were as follows:

Type of shares	Number of circulating shares (mln)	Par value, rubles	Total par value	Book value
Ordinary	12,011	0.15	1,802	2,672
Preference	3,909	0.15	586	869
TOTAL	15,920	–	2,388	3,541

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

The Company's shareholding structure as of June 30, 2010 was as follows:

	Ordinary shares		Preferred shares		
	Equity, %	Quantity	Ordinary shares, %	Quantity	Share of preferred shares, %
Total legal entities	92.2	11 466 068 596	95.5	3 213 786 266	82.2
SvyazinvestOJSC	38.2	6 086 601 672	50.7	–	–
- those with more than 5% of shares, including:	52.3	5 185 484 648	43.2	3 133 934 530	80.2
- ING Bank Eurasia CJSC (NH*)	8.6	1 149 489 415	9.6	226 542 507	5.8
- National Depository Centre NP (NH*)	24.3	2 288 508 898	19.0	1 574 169 853	40.3
- Depository-clearing company CJSC (NH*)	13.5	1 483 703 378	12.4	661 404 300	16.9
- UBS Nominees CJSC (NH*)	5.9	263 782 957	2.2	671 817 870	17.2
- other	1.7	193 982 276	1.6	79 851 736	2.0
Individuals, total	7.8	545 333 233	4.5	694 633 748	17.8
Total	100	12 011 401 829	100	3 908 420 014	100

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

Preferred shares of "A" type give the holders the right to participate in general meetings of shareholders without voting right, except decision-making with respect to issues about reorganization and liquidity of the Company, as well as introduction of amendments and supplements into the Articles of Association of the Company, restricting rights of the holders of preferred shares.

* NH- Nominal holder

The total amount paid as dividend on each preferred share type A is fixed in the amount of 10% of the net income of the Company for the past financial year divided by the number of shares which comprise 25% of the Company's share capital. The annual amount of dividends paid by the Company on each preferred share in a certain year may not exceed the amount to be paid as dividends on each ordinary share.

Distributable earnings of each entity within the Company are limited to their respective retained earnings, as determined in accordance with Russian statutory accounting rules. Statutory retained earnings of the Company as of June 30, 2010 and December 31, 2009 amounted to 15,210 and 13,719, respectively.

In September 2001, the Company placed Level I American Depositary Receipts (ADRs). As of June 30, 2010 the Company registered an issue of 2,362,074 ADRs and deposited 472,414,800 ordinary shares which is 3.9% of the total number of issued ordinary shares of the Company.

The following table presents information about the flow of ADRs registered within 6 months of 2010 and 2009:

	ADR (quantity)	Ordinary Shares Equivalent	Ordinary Shares, %	Authorized capital, %
December 31, 2008	4 070 800	814 160 000	6.8	5.1
Decrease for 6 months ended June 30, 2009	(758,038)	(151 607 600)	–	–
June 30, 2009	3 312 762	662 552 400	5.5	4.2
December 31, 2009	2 515 285	503 057 000	4.2	3.2
Decrease for 6 months ended June 30, 2010	(153 211)	(30 642 200)	–	–
June 30, 2010	2 362 074	472 414 800	3.9	3.0

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

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

19. Loan obligations

	June 30, 2010	December 31, 2009
<i>Long-term loans and borrowings</i>		
Bank credits and loans of organizations	11, 224	12, 565
Bank loans	3, 750	3, 828
Bill debt	700	700
Commercial credits	–	2
Financial lease liabilities	95	174
Less: Current portion of long-term borrowings	(5, 219)	(7, 546)
Total long-term loans and borrowings	10, 550	9, 723
<i>Short-term loans and borrowings</i>	128	971
Bank credits and loans of organizations	506	370
Interest debt	634	1 341
Total short-term loans and borrowings	5, 219	7, 546
Share of long-term borrowings to be paid within a year	5, 853	8, 887
Total loans and borrowings	16, 403	18, 610

As of June 30, 2010 the Company already concluded agreements with Svyaz-Bank OJSC, Sberbank AKB OJSC, Raiffeisenbank CJSC, VTB-Bank OJSC and with some other banks on extension of credit facilities at the total amount of 16,120 (December 31, 2009 – 16,942). As of June 30, 2010 the Company used cash means under these credit facilities to the amount of 10,638 (December 31, 2009 – 11,828); thus, the Company has an opportunity to obtain on request 5,482 for the purpose of reimbursement of the current needs in circulating capital and financing of investment projects. In addition, the agreements on extension of credit facilities stipulate the following restrictions with respect to the Company's activity:

- under agreement with Bank Societe Generale Vostok CJSC the Company undertakes to ensure compliance of financial indicator as on the date of interim accounts - net financial debt to EBITDA, not exceeding 2.5:1 and calculated on the basis of financial (accounting) statements prepared in compliance with the rules for accounting records maintenance;
- under agreements with Sberbank AKB OJSC the Company undertakes to ensure compliance of financial indicator as on the date of interim accounts as the debt to EBITDA not exceeding 3.5:1 calculated on the basis of financial (accounting) statements prepared in compliance with the rules for accounting records maintenance;
- under agreement with Bank of Moscow AKB OJSC the Company undertakes to ensure compliance of financial indicator as on the date of interim accounts as the debt to EBITDA not exceeding 3.5:1 calculated on the basis of financial (accounting) statements prepared in compliance with the rules for accounting records maintenance;
- under agreements with Svyaz-Bank OJSC the Company undertakes to ensure compliance of financial indicator as on the date of interim accounts as the debt to EBITDA not exceeding 3.5:1 calculated on the basis of financial (accounting) statements prepared in compliance with the rules for accounting records maintenance;

During the period of 6 months of 2010 there were no violations revealed by the Company with respect to the established restrictions.

As of June 30, 2010 the loan obligations of the Company are guaranteed with pledged objects of fixed assets with the book value of 2,789 (as of December 31, 2009 – 10,266).

Long-term loan obligations

Bank credits and loans of organizations

Below is registered information on long-term bank credits and loans of organization as of June 30, 2010 and December 31, 2009:

Counterparty	Interest rate under contract	June 30, 2009	Dec 31, 2009	Loan currency	Date of maturity		Security
		Long-term part	Short-term part	Long-term part	Short-term part		
Uralsib Bank OJSC	Euribor+5.9 %	–	6	–	14		Euro /2010/
Svyazbank OJSC	9.00-10.90 %	3, 121	240	1, 260	167		RUR/2011/
Svyazbank OJSC	14.00 %	-	-	129	127		USD /2011/ USD /2010/
Gazprombank CJSC	Libor+3.5 %	–	-	–	273		No security
Gazprombank CJSC	10.00%	100	-	-	-		/2010/
Bank Societe Generale Vostok CJSC (BSGV)	Mosprime +2.8% Mosibor+3.0 %	123	346	369	480		RUR /2010-11/
Reiffeisenbank CJSC	+2.8 %-5.0% Mosprime	1, 402	277	1, 124	25		RUR /2012/
Moscow River B.V.	7.70 % Mosprime+3 %	-	-124	120	–		USD /2011/
UniCredit Bank CJSC		-	850	1, 100	250		RUR /2011/
AKB Promsvyazbank CJSC	Libor +3.75 %	–	75	–	148		USD /2010/
Bank VTB OJSC	9.00 %	1, 600	–	1, 600	–		RUR /2012/

Counterparty	Interest rate under contract	June 30, 2009	Dec 31, 2009	Loan currency	Date of maturity	Security
		Long-term part	Short-term part	Long-term part	Short-term part	
	Libor+0.9 %					
Bank VTB OJSC	8.90 %	375	142	438	231	USD/2010-14/
Nordea Bank OJSC	13.50 %	–	–	23	27	RUR /2010/
Globeksbank CJSC	9.50 %	300	–	50	–	RUR /2012/
Kedr CB CJSC	14.10 %	–	–	50	–	RUR /2010/
	8.50 –					
Sberbank ACB OJSC	11.25 %	1	550	3, 430	1, 130	RUR /2011/
Bank of Moscow CJSC	9.00 %	-	–	–	–	RUR /2013/
International Financial Club ACB OJSC	10.00%	30	-	-	-	RUR /2011/
ROSBANK ACB OJSC	7.89%	121	-	-	-	RUR /2013/
Total		– 8, 614	2, 610	9, 693	2, 872	–

Below is a description of most significant credit contracts made within 6 months 2010.

Reiffeisenbank CJSC

In January 2010 Baikalwestcom CJSC, an affiliate, made a contract to get credit funds from Reiffeisenbank CJSC in the amount of 50. The interest rate for the use of the credit resources was set as MOSPRIME+5.0 %. Credit resources were attracted for general corporate purposes and are to be repaid in December 2012. The credit contract doesn't imply any security.

In May 2010 Baikalwestcom CJSC, an affiliate, made a contract to get credit funds from Reiffeisenbank CJSC in the amount of 649. The interest rate for the use of the credit resources was set as MOSPRIME+3.9 %. As on June 30, 2010 the contract is executed in the amount of 480. Credit resources were attracted for general corporate purposes and are to be repaid in December 2012. The credit contract doesn't imply any security.

Bank of Moscow Joint-Stock Commercial Bank OJSC

In March 2010 the Company made a contract with Bank of Moscow OJSC to open a revolving line of credit for the amount of 500. The period of validity of the credit line is 36 months from the date of the contract; the interest rate for the use of the credit resources was set in the amount of 10.5% annually. Within the contract term the interest rate was reduced and as on June 30, 2010 amounts to 9.00% annually. The credit resources are attracted with the purpose to finance business activities of the Company. The credit contract doesn't imply any security.

Svyaz-Bank Joint-Stock Commercial Bank OJSC

In March 2010 the Company made three contracts with Svyaz-Bank JSCB OJSC about opening of a non-revolving line of credit for the total amount of 1.500. The period of validity of the credit line is 36 months before the date of the contracts; the interest rate is 10% annually. Within the contract term the interest rate was reduced and as on June 30, 2010 amounts to 9.00% annually. The credit resources were attracted with the purpose to finance general corporate purposes, including refinancing of credits and loans. The credit contracts do not imply any security.

In March 2010 Baikalwestcom CJSC, an affiliate, made a contract of opening a non-revolving line of credit with Svyaz-Bank JSCB OJSC for the total amount of 850. The interest rate for the use of the credit line is 14% annually. The credit resources were attracted with the purpose to finance general corporate purposes and are subject to repayment according to the schedule. The final repayment date is December of 2012. In accordance with terms of the contract the security is represented by pledged property with the mortgage cost of 1,314. Within the period of validity of non-revolving line of credit, the pledge agreement, as the security of the line of credit and was cancelled; as on June 30, 2010 the security is not implied.

In April 2010 Baikalwestcom CJSC, an affiliate, for the purpose of minimization of currency risk discharged an obligation of the principal redemption amounted to 13 mlrd. USD under L/C agreement before Svyaz-Bank ACB OJSC. The contract is repayable in September 2011.

In June 2010 the Company made two contracts of opening of revolving line of credit with Svyaz-Bank ACB OJSC for the amount of 1,000. The contracts are subject for redemption in June 2013. The interest rate for the use of the credit line is 7.93% annually. The credit resources were attracted with the purpose to finance current economic activity of the Company, including refinancing of credits and loans of the Company. The credit contracts do not imply any security.

Sberbank Joint-Stock Commercial Bank OJSC

In March 2010 the Company made two contracts with Sberbank ACB OJSC about opening of a line of credit. The limit of credit resources for each of the contracts is 500. The contracts are to be repaid in March 2013. The interest rate for the use of the credit resources is 10.25% annually. Within the contract term and as on June 30, 2010 the interest rate was reduced to 8.50% annually. The attracted credit resources were used to refinance the current liabilities and to finance current economic activity of the Company. The credit contracts doesn't imply any security.

In June 2010 the Company made a contract with Sberbank ACB OJSC to open a revolving line of credit for the amount of 500. The period of validity of the credit line is 36 months from the date of the contract; the interest rate for the use of the credit resources was set in the amount of 8.50% annually. The credit resources are attracted with the purpose to finance current economic activity of the Company. The credit contract doesn't imply any security.

Gazprombank OJSC

In April 2010 Yeniseitelecom CJSC, an affiliate, made a contract with Gazprombank OJSC to open a non-revolving line of credit for the amount of 190. The contract is repayable in June 2013. The interest rate for the use of the credit resources was set up in the amount of 10.00% annually. As on June 30, 2010 the contract is fulfilled for the amount of 100. The credit resources are attracted with the purpose to finance current economic activity. The contract of non-revolving line of credit doesn't imply any security.

International Financial Club ACB OJSC

In May 2010 Yeniseitelecom CJSC, an affiliate, obtained the credit resources under the contract of revolving line of credit with International Financial Club ACB OJSC for the amount of 30. The limit of the credit resources is set for the amount of 135. The interest rate for the use of the credit resources was set up in the amount of 10.00% annually. The credit resources are attracted with the purpose to finance current economic activity and repayable in August 2011. The credit contract doesn't imply any security.

ROSBANK ACB OJSC

In June 2010 the Company made a contract with ROSBANK ACB OJSC to open a revolving line of credit for the amount of 500. The contract is repayable in June 2013. The interest rate for the use of the credit resources is set up in the amount of 7.89% annually. As on June 30, 2010 the contract is fulfilled for the amount of 121. The credit resources are attracted with the purpose to finance current economic activity of the Company. The contract of revolving line of credit doesn't imply any security.

Globexbank CJSC

In June 2010 Yeniseitelecom CJSC, an affiliate, made a contract with Globexbank CJSC to open a non-revolving line of credit for the amount of 105. The contract is repayable in December 2012. The interest rate for the use of the credit resources is set up in the amount of 9.50% annually. The credit resources are attracted to finance general corporate purposes. The contract of revolving line of credit doesn't imply any security.

Bonded loans

The table below summarizes the information about the bonds issued as of June 30, 2010 and December 31, 2009:

Loan identifier	Effective interest rate, %	March 31, 2010		December 31, 2009		Maturity date	Offer date	Coupon interest
		Long-term part	Short-term part	Long-term part	Short-term part			
series 06	8.49	–	1, 831	–	1, 831	16.09.2010	23.09.2008	9.75 %
series 08	10.12	–	–	–	1, 997	08.08.2013	18.02.2010	9.75 %
		1, 919				13	10	9.75 %
Total	–	1, 919	1, 831	–	3, 828	–	–	–

In September 2005 the Company registered an issue of interest-bearing bearer bonds, series 06 with the par value of 1,000 rubles each, total for the amount of 2,000. The bonds have ten semi-annual coupons. The interest rate on coupons 1 to 6 is set at 7.85% per annum, the interest rate on coupons 7 to 10 is set at 9.75% per annum. The issued bonds of series 06 provide for an offer that allows bond holders to present them to the Company at the appointed date. In September of 2008 the Company repurchased its bonds of series 06 for the amount of 1,888. In May 2009 the Company attracted monetary funds in the amount of 1,721 by selling bonds of series 06 on the third market before their maturity date. Unredeemed bonds are to be repaid in September 2010, the total discount in transactions to the par value is 8.87%.

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

In August 2008 the Company registered an issue of interest-bearing bearer bonds, series 08 with the par value of 1,000 rubles each, total for the amount of 2000. The bonds have ten semi-annual coupons. The interest rate for coupon 1 to 3 is set at 9.75%, for coupons 4-6 – in the amount of 9.50%. The bonds mature in two parts: in 1,638 days and in 1,820 days from the date of issue, each bond is repaid in the amount of 50% of the nominal value on each of the dates. The issued bonds of series 08 provide for an offer that allows bond holders to present them to the Company. In February 2010, in accordance with conditions of the offer, 77 500 bonds were presented for redemption, which made up 3.9% of the total issue. The cost of the presented bonds with the consideration of the accrued coupon yield amounted to 78.

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

Bill debt

Below is information about long-term bill debt as of June 30, 2010 and December 31, 2009:

Counterparty	Effective interest rate, %	June 30, 2010 Short-term part	December 31, 2009 Short-term part	Contract currency	Date of maturity	Security
Region Broker Company LLC	26.24	273	273	rubles	15.12.2010	Unsecured
MARX CAPITAL CJSC	26.24	273	273	rubles	15.12.2010	Unsecured
Investment						
Consultations LLC	26.28	154	154	rubles	15.12.2010	Unsecured
Total	–	700	700	–	–	–

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

- The first note holder - Region Broker Company LLC, the total amount – 390, including discount of 117, the redemption date upon presentation, but not earlier than December 15, 2010;
- The first note holder - MARX CAPITAL CJSC, the total amount – 390, including discount of 117, the redemption date upon presentation, but not earlier than December 15, 2010;
- The first note holder - Investment Consultations LLC, the total amount – 220, including discount of 66, the redemption date upon presentation, but not earlier than December 15, 2010;

Short-term loans and borrowings

Bank loans

The table below summarizes the information about short-term bank loans as of June 30, 2010 and December 31, 2009.

Counterparty	Interest rate	June 30, 2010	Dec 31, 2009	Currency	Date of maturity	Security
Societe Generale	MOSIBOR					
Vostok CJSC (BSGV)	+ 3.5%	-	296	RUR	2010	Unsecured
Deutsche Bank AG	9.00 %	-	150	USD	2010	Unsecured
International Financial Club	10.00 %	50	135	RUR	2010	Security
Reiffeisenbank CJSC	Mosprime R ZBM +5.0%	50	250	RUR	2010	
Promsvyazbank CB OJSC	8.00 %	-28	52	RUR	October 2010	Unsecured
Sberbank JSCB OJSC	17.00-17.50 %	-	88	RUR	2010	Security
Total	-	128	971	-	-	-

Financial lease obligations

The Company has finance lease contracts for telecommunication equipment. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments as of June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	Minimum lease payments	Discounted value of lease payments	Minimum lease payments	Discounted value of lease payments
Current portion (less than 1 year)	85	78	161	145
More than 1 and up to 5 years	18	17	32	29
Total	103	95	193	174

Over 6 months of 2010 the Company did not enter into new finance lease arrangements.

As of June 30, 2010 the main lessors under finance lease contracts were RTC-Leasing OJSC and Reiffeisen-leasing OJSC. The average effective rate under the contract with RTC-Leasing OJSC for 6 months of 2010 was 14% (for 6 months of 2009 - 17%), and 18% under the contract with Reiffeisen-leasing OJSC (for 6 months of 2009 – 21%).

The discounted value of minimal lease payments to RTC-Leasing OJSC as of June 30, 2010 amounted to 91 (as of December 31, 2009 – 162), including the minimal lease payment of 100 (as of December 31, 2009 – 180) less finance expenses of 9 (as of December 31, 2009 – 18).

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

20. Employee and long-term social obligations

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

Defined Benefit Pension Plans

Pension and long-term social obligations of the Company as of June 30, 2010 made up 3, 888 (as of December 31, 2009 – 3, 800).

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

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

The non-government pension fund Telecom-Soyuz, which is a related party of the Company, maintains the defined benefit pension plan (refer to Note 38).

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

As of June 30, 2010 the Company had 14, 923 working participants of the pension plan with fixed payments and 19,580 pensioners that have the right for remuneration after the completion of their work and for pension (as of December 31, 2009 – 16, 864 and 19, 485 respectively).

Expenses of the Company for the 6 months of 2010 connected with pension plans with fixed payments amounted to 337 (6 months of 2009 – 362).

Contributions of the Company for the 6 months of 2010 as related to pension plans with fixed payments amounted to 234 (6 months 2009 -230).

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

21. Other long-term liabilities

	June 30, 2010	December 31, 2009
Deferred income	59	65
Target financing	13	14
Total	72	79

22. Provisions

	Headcount optimization	Tax provision	Total
Balance as of December 31, 2008	52	7	59
Utilised	(30)	–	(30)
Recovery of the reserve	(10)	-	(10)
Balance as of June 30, 2009	12	7	19
Balance as of December 31, 2010	47	17	64
Utilised	(38)	–	(38)
Reserve restoration	(4)	–	(4)
Balance as of June 30, 2010	5	17	22

Headcount optimization

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

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

Within 6 months of 2010 the Company discharged 258 employees.

Accrued tax

The amount of the reserve acknowledged in the audited consolidated financial statements for 2009 is the total reserve amount for possible claims from the tax inspection for realization of equipment, CDMA standard, in 2009 at a price lower than its prime cost in the Baikalwestcom CJSC, an affiliate. It is expected that the remaining reserve as of June 30, 2010 will be used during 2010.

In the opinion of Company's managers based on respective legal conclusion, the amount that may be exacted according to the results of proceedings will not exceed the amount of the reserve shown in the statements as of June 30, 2010.

23. Accounts payable and accrued liabilities

	June 30, 2010	December 31, 2009
Payable taxes, levies and mandatory social insurance	1, 352	1, 495
Settlements with the staff	1, 178	933
Payables to suppliers and builders of fixed assets	1,273	577
Settlements on dividends	581	32
Settlements with telecoms (except Rostelecom OJSC)	315	351
Settlements with suppliers and subcontractors under current activity terms	279	221
Settlements with Rostelecom OJSC	160	152
Settlements with consignors and principals	49	51
Payables to suppliers and contractors of software	3	20
<i>Payables to other creditors, including:</i>	671	643
other payables for core activities	568	541
other payables for allocations to universal service reserve	103	102
Total	5, 861	4, 475

As of June 30, 2010 and December 31, 2009 payable taxes, levies and mandatory social insurance comprised the following:

	June 30, 2010	December 31, 2009
VAT	818	1, 098
Property tax	204	209
Income tax	140	71
Personal income tax	120	76

Other taxes	60	31
	10	10
Total	1,352	1,495

24. Other current liabilities

	June 30, 2010	December 31, 2009
Advances received from core activities	838	993
Advances received from non-core activities	15	19
Deferred income	12	7
Total	865	1,019

25. Sales revenue

	6 months ended June 30	
	2010	2009
Local telephony	6,251	5,845
Mobile (cellular) communication services	4,843	4,837
Telegraph, data transmission network and telematic (Internet) services, including:	3,380	2,855
Services of data transmission network and telematic services (Internet)	3,270	2,734
Intra-zone telephony, including:	2,223	2,498
Connection and data transmission services	1,743	1,840
Assistance services and agency fees	220	266
Mobile radio communication, cable broadcasting, radio broadcasting, TV	116	217
Other revenues (core activities)	1	3
Revenues from other sales, including:	688	645
revenues from leased assets	188	380
Total	19,465	19,015

Income from intra-zone services and local telephony includes income from channel rent in the amount of 272 (6 months of 2009 – 296).

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

Customer groups	2010	2009
Individuals	12,064	11,495
Corporate customers	3,960	4,090
Telecoms	1,725	1,861
Budget organizations	1,716	1,569
Total	19,465	19,015

26. Personnel Costs

	6 months ended June 30	
	2010	2009
Salary expenses	(3,711)	(3,917)
Social tax	(924)	(981)
Employee benefits	(170)	(181)
Other personnel costs	(41)	(58)
Total	(2,846)	(5,137)

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

	6 months ended June 30	
	2010	2009
Expenses of repair and servicing	(653)	(601)
Expenses of materials, including	(594)	(474)
Fuel	(81)	(36)
Spare parts	(50)	(21)
Cable	(30)	(27)
Construction materials	(12)	(10)
Other materials	(421)	(380)
Utilities, including:	(450)	(382)
Power	(265)	(218)
Heat	(159)	(137)
Other expenses	(26)	(27)
Total	(1,697)	(1,457)

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

28. Other operating income

	6 months ended June 30	
	2010	2009
Reimbursement of loss from provision of universal services	600	406
Fines, late payment interest, forfeits	59	42
Reimbursement of losses	28	17
Reversal of impairment loss of fixed assets and other assets, including:	11	20
- fixed assets, construction-in-progress	-	16
- other assets	-	14
Other	78	2
Total	776	638

Other income include mainly income from insurance indemnities and compensations of additional expenses for communication equipment maintenance.

Over 6 months' period of 2010 and in accordance with terms of agreements on rendering of all-in-one communications services concluded with the Federal Communications Agency, the Company obtained the funds from the Universal Services' Reserve for the purpose of recovery of losses incurred from rendering of all-in-one communications services amounted to:

* current year services – 285 (6 months of 2009 - 200);

* previous year services – 163 (6 months of 2008 - 226).

The loss connected with rendering of all-in-one communications services over 6 months of 2010 amounted to 600 (6 months of 2009 - 406).

29. Other operating expenses

	6 months ended June 30	
	2010	2009
Third party services and management costs	(591)	(444)
Agency fees	(560)	(593)
Taxes without income tax	(445)	(441)

Transportation and mail services	(357)	(539)
Property leasing costs	(270)	(296)
Advertising costs	(249)	(260)
Allocations to universal services reserve	(200)	(193)
Expenses of fire and non-departmental security services	(155)	(166)
Reserve for software and data bases	(66)	(109)
Audit and consultation fees	(37)	(47)
Membership and charity contributions, allocations to trade unions	(33)	(37)
Bad debt reserve	(32)	(88)
Loss resulted from fixed asset retirement, including:		
- depreciation under retirement of permanent facilities, construction-in-progress and non-material assets		
Expenses with respect to services rendered by credit institutions		
Insurance of assets	(16)	(27)
Impairment provision, total, including:	(12)	-
fixed assets, construction-in-progress, intangible assets	(12)	-
Fines, late payment interest, forfeits	-(6)	(5)
Expenses of hedging operations	(5)	-
Reorganization costs	(2)	-
Other expenses	(221)	(22)
Total	(3,312)	(3,332)

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

30. Interest Expenses

	6 months ended June 30	
	2010	2009
Interest expenses on loans and borrowings, bonded loans and promissory notes, commercial credits	(1,015)	(1,410)
Interest expenses on pension liabilities and long-term social liabilities	(167)	(181)
Interest expenses of financial lease	(10)	(21)
Interest expenses of financial liabilities maintenance	(4)	(53)
Total	(1,196)	(1,665)

With capitalization rate of 10% (6 months of 2009 – 9%) the amount of the interest capitalized for 6 months of 2010 and 2009 was as follows:

	6 months ended June 30	
	2010	2009
Capitalized to fixed assets	7	40
Capitalized to intangible assets	1	7
Total	8	47

31. Financial income and other financial costs

	6 months ended June 30	
	2010	2009
Interest income from financial assets	41	32
Income from dividends	3	2

Total other income from financial and investment activity	44	34
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32. Earning 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.

	6 months ended June 30	
	2010	2009
Profit for the reporting period attributable to shareholders of Sibirtelecom OJSC	2,444	851
Net of profit attributable to owners of preferred shares	(577)	-(209)
Earning of ordinary shares holders	1,867	-642
Weighted average number of ordinary shares and other equity instruments in circulation (mln pcs)	12,011	12,011
Basic and diluted (loss)/profit per share (in rubles) for the reporting period attributable to shareholders of Sibirtelecom OJSC	0.154	(0.053)

33. Dividends declared and proposed for payment

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

The amount of dividends to be paid was:

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

34. Operating lease

As of June 30, 2010 and December 31, 2009 the minimum lease payments under operating lease agreements where the Company is a lessee were as follows:

	June 30,2010	December 31,2009
	Minimum lease payments	Minimum lease payments
Current portion (less than 1 year)	363	798
From 1 up to 5 years	354	302
Over 5 years	51	43
Total	768	1,143

Regarding certain objects leased by the Company under operating lease agreements the Company concluded sublease agreements with aggregated future payments as of June 30, 2010 made up 0 (as of December 31, 2009 – 9). The main sublease is lease of premises.

The Company's operating lease expenses is shown in "Other operating expenses" of the unaudited consolidated interim statement of comprehensive income (Note 29) and made up 270 for 6 months of 2010 (for 6 months of 2009 – 296).

As of June 30, 2010 and December 31, 2009 the minimum lease payments under operating lease agreements where the Company is the lessor were distributed according to years as follows:

	June 30,2010	December 31,2009
Current portion (less than 1 year)	269	1,106
From 1 up to 5 years	223	404
Over 5 years	23	35
Total	515	1,545

The Company's income from contracts of operating lease, including lease of assets and lease of investment property objects is shown in "Proceeds from realization" of the unaudited consolidated interim statement of comprehensive income (Note 25). For the 6 months of 2010 it made up 188 (6 months of 2009 – 380).

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

35. Contractual obligations of future periods

As of June 30, 2010 and December 31, 2009 the Company's contractual obligations with regard to capital investments in upgrade and expansion of the network amounted to 618 and 138 respectively.

As of June 30, 2010 and December 31, 2010 the Company's contractual obligations with regard to acquisition of fixed assets amounted to 502 and 63 respectively.

As of June 30, 2010 and December 31, 2009 the Company's contractual obligations with regard to acquisition of intangible assets amounted to 33 and 103 respectively.

36. Contingencies and operating risks

The Company's business environment

The Russian Federation has been experiencing political, legal, economic, financial, social, informational and other beneficial conditions for successful functioning of the Company.

Taxation

Management believes that as of June 30, 2010 its interpretation of respective legislation is in general appropriate and, therefore, it is highly likely that the Company's position with regard to compliance with tax, currency and customs legislation will be sustained.

Claims of tax authorities

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

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

In its turn the Inter-Regional Inspectorate Office of Federal Tax Service of Russia for major taxpayers No.7 of August 06, 2010 exercised its right and filed in the appeal on confession of Arbitration settlement invalid. The case for judicial examination is set for September 07, 2010.

Insurance

During 6 months of 2010 the Company undertook measures to minimise risks of loss and damage to its property. The insured property comprises items with relatively high net book value and relatively low depreciation, which are actively used in production activities. At least 17% of the fixed assets belonging to the Company are indemnified.

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 2010 the Company participated (both as a plaintiff and a defendant) in a number of legal proceedings that arose in the course of ordinary business activity. In the Company management's opinion, at present there are no current legal proceedings or suits that might have a significant impact on the Company's performance or financial position and that were not recognized or disclosed in these consolidated financial statements.

Licences

The majority of the Company's revenues are received from business transactions conducted on the basis of licences issued by the Russian Federation Ministry for Telecommunications and Information Technologies. Key operational licences and additional licences expire during the period from 2010 to 2014.

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

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

37. Financial instruments and risk management

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

Capital management policy

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

The main methods of capital management are profit maximisation, investment program management, debt capital management, debt portfolio management and restructuring, usage of different instruments for the purpose of attraction 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 (financial) statements made in accordance with Russian accounting standards.

The ratios based on the statutory financial statements for June 30, 2010 and December 31, 2009 were as follows:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Financial independence ratio	0.50	0.48
Net debt/shareholders' equity	0.63	0.74
Net debt/EBITDA	1.11	1.30

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

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

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

Income and expenses on financial instruments

6 months ended June 30, 2010	Unaudited consolidated interim statement of comprehensive income					Total
	Other operating expenses	Financial expenses	Other income and expenses of financial and investment activity			
	Generation of doubtful debts allocation	Interest expenses	Interest income	Income from dividends Exchange loss	Changes of fair value	
Cash and cash equivalents	-	-	10	-	-	10
Accounts receivable	(32)	-	2	-	-	(30)
Financial assets available for sale	-	-	-	3	(7)	(4)
Investments held to maturity	-	-	26	-	-	26
Loans issued	-	-	10	-	-	10
Total financial assets	(32)	-	41	3	(7)	-
Bank loans	-	(586)	-	-	-(15)	(601)
Promissory notes	-	(250)	-	-	-	(250)
Bonded loans	-	(183)	-	-	-	(183)
Financial lease	-	(10)	-	-	-	(10)
Other financial liabilities	-	(167)	-	-	-	(167)
Accounts payable	-	-	-	3	-	3
Total financial liabilities	-	(1,196)	-	-	-(18)	(1,214)

**6 months ended June 30,
2010**

	Unaudited consolidated interim statement of comprehensive income					Total
	Other operating expenses	Financial expenses	Other income and expenses of financial and investment activity			
	Generatio n of doubtful debts allocation	Interest expenses	Interest income	Income from dividends Exchange loss/profit	Changes of fair value	
Cash and cash equivalents	-	-	29	(6)	-	23
Accounts receivable	(88)	-	-	-	-	(88)

6 months ended June 30,
2010

	Unaudited consolidated interim statement of comprehensive income					Total
	Other operating expenses	Financial expenses	Other income and expenses of financial and investment activity			
	Generation of doubtful debts allocation	Interest expenses	Interest income	Income from dividends Exchange loss/profit	Changes of fair value	
Financial assets available for sale	–	–	–	2	17	(19)
Investments held to maturity	–	–	1	–	–	1
Loans issued	–	–	2	–	4	2
Total financial assets	(88)	–	32	2	6	17 (43)
Bank loans and credits of organizations	–	(1,071)	–	–	–(374)	(1, 445)
Promissory notes	–	(222)	–	–	–	(222)
Bonded loans	–	(160)	–	–	–	(160)
Commercial credits	–	(10)	–	–	–(36)	(46)
Financial lease	–	(21)	–	–	–	(21)
Other financial obligations	–	(181)	–	–	–	(181)
Accounts payable	–	–	–	–	–(12)	(12)
Total financial obligations	–	(1,665)	–	–	–(422)	(2,087)

Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the Company's cash flows. As a result, these fluctuations in exchange rates will be reflected in respective items of the Company's statement of comprehensive income, 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 June 30, 2010	RUR	USD	EUR	Total
Cash and cash equivalents	364	1	–	365
Accounts receivable	2, 683	2	–	2, 685
Financial assets available for sale	1,283	–	–	1,283
Financial assets invested in joint activity	1	–	–	1
Investments held for maturity	3	–	–	3
Loans issued	9	–	–	9
Total financial assets	4, 343	3	–	4, 346
Bank credits and loans of organizations	(10, 630)	(716)	(6)	(11, 352)
Bonded loans	(3, 750)	–	–	(3, 750)
Promissory notes	(700)	–	–	(700)
Financial lease liabilities	(95)	–	–	(95)
Interest payable	(498)	(8)	–	(506)
Accounts payable ²	(2,481)	(160)	(4)	(2,645)
Total financial liabilities	(18, 154)	(884)	(10)	(19,048)

As of December 31, 2009

	RUR	USD	EUR	Total
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² Accounts payable includes settlements with personnel, calculation of tax, duties and mandatory social insurance

Cash and cash equivalents	531	1	–	532
Accounts receivable	2,298	1	–	2,299
Financial assets available for sale	116	–	–	116
Financial assets invested in joint activity	1	–	–	1
Investments held to maturity	554	–	–	554
Loans issued	13	–	–	13
Total financial assets	3,513	2	–	3,515

Bank credits and loans of organizations	(11,906)	(1,616)	(14)	(13,536)
Bonded loans	(3,828)	–	–	(3,828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	(2)	–	(2)
Financial leasing liabilities	(174)	–	–	(174)
Interest payable	(361)	(9)	–	(370)
Accounts payable*	(1,819)	(86)	(7)	(1,912)
Total financial liabilities	(18,788)	(1,713)	(21)	(20,522)

For the period from 1 January 2010 to June 30, 2010 the rate of rouble to US Dollar and Euro increased by approximately 3.15% and by 12.00% respectively.

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

	USD			EUR		
	Rate change,	Effect on profit before tax		Rate change,	Effect on profit before tax	
	%	Mln RUR	%	%	Mln RUR	%
June 30, 2010	+20	(176)	5.60	+10	(1)	-0.03
	-20	176	5.60	-10	1	0.03
December 31, 2009	+20	(342)	-12,74	+10	(2)	-0.08
	-20	342	12,74	-10	2	0.08

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

Interest rate change risk

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

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

As of June 30, 2010	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	67	–	298	365
Accounts receivable	–	–	2,685	2,685
Financial assets available-for-sale	–	–	1,283	1,283
Financial assets to joint activity	–	–	1	1
Investments held for maturity	3	–	–	3
Loans issued	9	–	–	9
Total financial assets	79	–	4,267	4,346
Bank credits and loans	(8,284)	(3,068)	–	(11,352)
Bonded loans	(3,750)	–	–	(3,750)
Promissory notes issued	(700)	–	–	(700)
Financial lease liabilities	(95)	–	–	(95)
Interest payable	(487)	(19)	–	(506)
Accounts payable	–	–	(2,645)	(2,645)
Total financial liabilities	(13,316)	(3,087)	(2,645)	(19,048)

As of December 31, 2009	Fixed rate	Variable rate	No rate	Total
Cash and cash equivalents	194	–	338	532
Accounts receivable	–	–	2,299	2,299
Financial assets available-for-sale	–	–	116	116
Financial assets into joint activity	-	-	1	1
Investments held to maturity	554	–	–	554
Loans issued	13	–	–	13
Total financial assets	761	–	2,754	3,515
Bank credits and loans	(10,678)	(2,858)	–	(13, 536)
Bonded loans	(3,828)	–	–	(3,828)
Promissory notes issued	(700)	–	–	(700)
Commercial credits	–	–	(2)	(2)
Financial lease liabilities	(174)	–	–	(174)
Interest payable	(355)	(15)	–	(370)
Accounts payable	–	–	(1,912)	(1,912)
Total financial liabilities	(15,735)	(2,873)	(1,914)	(20,522)

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

	Rate change, pp	LIBOR		EURIBOR		MOSPRIME			
		Effect on profit before tax		Rate change, pp	Effect on profit before tax		Rate change, pp	Effect on profit before tax	
		Mln RUR	%		Mln RUR	%		Mln RUR	%
June 30, 2010	+1	-	-	+1	-	-	+1	(0.2)	0.4/47
	-1	-	-	-1	-	-	-1	0.2	0.4/47
Dec 31, 2009	+1	(1)	-0.04	+1	-	-	+1	(27)	-1.01
	-1	1	0.04	-1	-	-	-1	27	1.01

Liquidity risk

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

Financial assets and liabilities of the Company had the following maturities:

	2010	2011	2012	2013	2014 and later	Total
Cash and cash equivalents	365	–	–	–	–	365
Accounts receivable	2,690	12	–	–	–	2,702
Financial assets available-for-sale	96	–	–	–	1,187	1,283
Financial assets to joint activity	–	–	–	–	1	1
Investments held for maturity	3	–	–	–	–	3
Loans issued	7	2	1	1	-	35
Total financial assets	3,161	14	1	1	1,188	4,365
Bank credits and loans	(1,414)	(3,758)	(4,743)	(2,277)	(997)	(13,189)

	2010	2011	2012	2013	2014 and later	Total
Bonded loans	(4,082)	(111)	–	–	–	(4,193)
Promissory notes	(1,090)	–	–	–	–	(1,090)
Financial lease liabilities	(78)	(13)	(4)	–	–	(95)
Accounts payable	(2,645)	–	–	–	–	(2,645)
Total financial liabilities	(9,309)	(3,882)	(4,747)	(2,277)	(997)	(21,212)

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

Credit risk

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

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

The book value of accounts receivable, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk (Note 14).

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

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

As of June 30, 2010

	Periods of overdue (days)			
	Total	<31	31-60	61-90
Corporate customers	39	31	3	5
Individuals	117	95	3	19
Budget organizations	24	22	–	2
Telecoms	14	12	–	2
Total	194	160	6	28

As at December 31, 2009

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

Hedging

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

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

The hedging transaction is made with Financial Broker Troika Dialog CJSC for the period from January 18, 2010 till April 18, 2011. The payer of the fixed amount is the Company. The fixed rate

for the amount is established 8.4% per annum; the payer of the floating amount is Financial Broker Troika Dialog CJSC, respectively. The nominal amount for the transaction is 359, excluding the last interest period whose nominal amount is 175. Thus, when the interest rate changed by 4.02%, the loss was 5 and shown in the line "Other operating expenses" of the unaudited consolidated interim statement of total revenue (Note 29).

Fair value of financial instruments

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

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

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

category	June 30, 2010		31 December 2009	
	Book value	Fair value	Book value	Fair value
Bonded loans (SAC)	3,750	3,818	3,828	3,809
Credits and loans (SAC)	11,352	10,403	13,536	12,428

The fair value of bonds for disclosure purposes is calculated based on quoted market prices as of June 30, 2010. For bank loans and borrowings measured at amortised cost, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the incremental borrowing interest rate, which was 11.25% per annum for rouble-denominated loans, and 7 - 8% per annum for loans denominated in foreign currencies.

38. Settlements and operations with related parties

During 6 months of 2010 the structure of related parties of the Company had no significant changes compared to the structure as of 31 December 2009.

Svyazinvest OJSC

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

As of June 30, 2010 the Russian Government held 75% minus one ordinary share of Svyazinvest OJSC.

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

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

Subsidiaries

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

The Company handles transactions with the subsidiaries on regular commercial terms. The tariffs for the subsidiaries are set by the regulator and are similar to the tariffs for other counterparties.

The subsidiaries do not have an effect on the Company's transactions with other counterparties. A more detailed description of the interaction between the Company and its subsidiaries can be found in Note 6.

Rostelecom OJSC

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

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

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

Transactions with state-controlled companies

During its activity the Company performs a wide range of transactions with the state-controlled companies.

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

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

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

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

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

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

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 2010 the Company incurred expenses on the services provided by Svyazintek OJSC in the amount of 19 (for 6 months of 2009 -33) of which 14 (for 6 months of 2009 - 0) are recognised in the unaudited consolidated interim statement of total revenue, the remaining part is included into intangible assets.

Telecom-Soyuz NPF

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

The total amount of contributions to the basis part of non-state pension fund paid by the Company during 6 months of 2010 amounted to 218 (6 months of 2009 - 210) and is included into the line "Personnel expenses" of the unaudited consolidated interim statement of total revenue.

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

Remuneration of key managers

The key management personnel of the Company comprise the members of the Management Committee, General Director, and Deputies General Director whose number is 32 persons as of June 30, 2010 and 29 persons as of December 31, 2009.

Remuneration to the key management personnel for 6 months of 2010 includes salaries, bonuses and compensation for participation in the work of management bodies and amounts to 142 (during 6 months of 2009 - 111), including salaries, bonuses and other compensation to the employees of the parent company in the key management positions in the amount of 142 (during 6 months of 2009 -111). The amounts of remuneration are shown without unified social tax.

Over the period of 6 months of 2010 the Company transferred contributions for the employees participated in the work of management bodies that amounted to 0 (6 months of 2009 -3). Pension payment entitlement with respect to the Company's employees occurs after occurrence of benefit crystallisation events, when the employee fulfils conditions of the current non-state pension insurance program of the Company (for example, record of service).

39. Subsequent events

Credit and loans

In June 2010, an open auction was held for the right to make contracts on opening of line of credit to the Company in terms of three lots for the overall amount of 2,000. By the results of the open auction, the right for opening a non-revolving line of credit amounted to 1,500 for the first two lots was given to UniCreditBank CJSC, and the interest rate was determined at the rate of 8.21% and 8.23 per annum; opening of a revolving line of credit amounted to 500 for the third lot was given to Alfa-Bank OJSC, and the interest rate was determined at the rate of 8.33 % per annum. The lines of credit are opened in August 2010 and are subject to payment in August 2013. The attracted credit resources are planned to allocate for financing of investment program of 2010, current financial and economic activities, redemption of shares and refinancing the current liabilities of the Company. The security for LOC agreements is not provided.

In August 2010 the Company discharged an obligation concerned coupon yield payment under the fourth bond coupon of 08 series at the rate of 9.75% per annum amounted to 91. Amount of the coupon yield accrued per one share is 47.37 roubles.

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

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

Within this Program the Company purchases shares in the Gazprombank-Telecommunications closed unit share investment trust. On July 07, 2010 the second contribution in the amount of 100 is transferred to pay the investment units. In July 2010 the Company purchased investment units of Gazprombank-Telecommunications.

Measures concerned reorganization of subsidiary business

Within the framework of practical implementation of priority-oriented directions of activity, aimed at integration of subsidiary business in 2010 and in conformity with the decision of the Company's Management of July 12, 2010, the procedure for liquidation of Novocom CJSC (subsidiary) was adopted.

Reorganization of Sibirtelecom OJSC

The report concerned submission of claims by the Company's shareholders with respect to redemption of the shares that belong to them was approved during the meeting of the Company's Board of Directors that took place July 26, 2010. Aggregate amount of buy-back shares made up 821,986,040 pieces; amount of the funds for redemption of shares made up 1,521. The shares are redeemed to the fullest extent specified in the shareholder's application.

Dividends

On August 16, 2010 the Company's Board of Directors accepted a decision on payment of dividends based on the results of financial (accounting) standards of Sibirtelecom OJSC, prepared in compliance with accounting standards of RF for 9 months' period of 2010 in the amount of the net profit as follows:

- 0.0000000025125909% - per one preferred share of "A" type;
- 0.0000000012659577% - per one ordinary share.