Open Joint-Stock Company North-West Telecom

CONSOLIDATED INTERMEDIATE FINANCIAL ACCOUNTS AND REPORTS FOR THE 9 MONTHS ENDED ON 30th SEPTEMBER 2009 PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Financial Accounts and Reports for the 9 months ended on 30th September 2009
Prepared in Accordance with the International Financial Reporting Standards (IFRS)

Contents

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Balance Sheet as of 30th September 2009

(in million RUR)

	Note	30th September 2009	31st December 2008
ASSETS			
Non-current assets			
Fixed Assets	**8**	42,178	43,207
Intangible Assets	**9**	5,183	5,207
Long-term accounts receivable		6	6
Other long-term assets	**10**	249	393
Investment in associated companies	**11**	85	84
Long-term finance assets	**12**	3,086	44
		-	-
Total non-current assets		**50,787**	**48,941**
Current assets			
Inventory holdings	**13**	460	460
Trade and other accounts receivable	**14**	3,129	2,596
Prepaid income tax		177	315
Other current assets	**15**	288	384
Current finance assets	**12**	1,744	327
Cash and cash equivalents	**16**	255	1,001
Assets held for sale	**7**	127	162
Total current assets		**6,180**	**5,245**
Total assets		**56,967**	**54,186**
CAPITAL AND LIABILITIES			
Capital			
Authorized capital	**18**	2,855	2,855
Own shares purchased from shareholders	**18**	(67)	(67)
Retained profit		28,282	26,931
Total capital		**31,070**	**29,719**
Long-term liabilities			
Long-term loan liabilities	**19**	9,550	13,366
Pension and long-term social liabilities	**20**	2,299	2,108
Long-term accounts payable		40	22
Other long-term liabilities	**21**	338	358
Deferred profit tax liability	**32**	1,346	1,079
Total long-term liabilities		**13,573**	**16,933**
Current liabilities			
Current loan liabilities	**19**	8,674	2,726
Accounts payable and charged liabilities	**23**	3,137	4,281
Accounts payable in respect of the current profit tax		105	-
Other current liabilities	**24**	407	520
Current reserves	**22**	1	7
Total current liabilities		**12,324**	**7,534**
Total liabilities		**25,897**	**24,467**
Total capital and liabilities		**56,967**	**54,186**

General director
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

The enclosed notes are the integral part

of these consolidated intermediate statements

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Profit and Loss Report

for the 9 months ended on 30th September 2009

(in million RUR, except for profit per share)

	Note	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Revenue	**25**	**6,615**	**19,650**	**25,176**
Personnel expenses	**26**	(1,777)	(5,825)	(8,221)
Depreciation and amortization	**8, 9**	(1,683)	(5,049)	(5,514)
Interconnect charges		(462)	(1,428)	(1,904)
Materials, repairs and maintenance, utilities	**27**	(1,245)	(3,048)	(3,299)
Other operating income	**28**	1,281	3,128	2,587
Other operating expenses	**29**	(1,086)	(3,068)	(4,229)
Operating income		**1,643**	**4,360**	**4,596**
Income from interest in associated companies		-	1	13
Financial expenses	**30**	(373)	(1,079)	(1,066)
Other income and loss from financial and investment operation	**31**	229	277	559
FX Losses		(238)	(696)	(754)
Income before taxes		**1,261**	**2,863**	**3,348**
Income Tax	**32**	(265)	(648)	(787)
Income for the period under report		**996**	**2,215**	**2,561**
Income for the period under report related to:				
OJSC NWT shareholders		996	2,215	2,561
Non-controlling shareholders of subsidiaries		-	-	-
Income for the period under report		**996**	**2,215**	**2,561**
Earning per Share (in RUR)		**0.88**	**1.95**	**2.28**

General director
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

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of these consolidated intermediate statements

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Aggregate Profit Report
for the 9 months ended on 30th September 2009

(in million RUR, except for profit per share)

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Income for the period under report	**996**	**2,215**	**2,561**
Change in the fair value of financial assets available for sale	-	-	(152)
Total other aggregate loss, less the income tax	**-**	**-**	**(152)**
Total aggregate income for the period under report	**996**	**2,215**	**2,409**
Aggregate income for the period under report related to:			
OJSC NWT shareholders	996	2,215	2,409
Non-controlling shareholders of subsidiaries	-	-	-
Total aggregate income for the period under report	**996**	**2,215**	**2,409**

General director
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

The enclosed notes are the integral part
of these consolidated intermediate statements

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Cash Flow Report

for the 9 months ended on 30th September 2009

(in million RUR)

	Note	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Operating activities			
Profit before taxes		2,863	3,348
Adjustments for:			
Amortization and depreciation	8, 9	5,049	5,514
Income from withdrawal of fixed assets and other assets	28	(49)	(35)
(Expenses for creating) restoration of doubtful debt reserve	14	132	(23)
Income from interest in associated companies	30	(1)	(13)
Financial expenses	31	904	1,066
Other operating expenses		(275)	(559)
FX Losses		696	754
		-	-
Operating income after the adjustment for non-cash transactions		9,319	10,052
Decrease (increase) in inventory holdings		1	(157)
Increase in trade and other accounts receivable		(743)	(678)
Decrease in other current assets		753	251
Increase in pension and long-term social liabilities		192	245
Increase (decrease) in accounts payable and accrued liabilities		(21)	96
Decrease in reserves		(6)	-
Decrease (increase) in other operating assets and liabilities		(77)	1
Cash from operating activities		9,418	9,810
Interest paid		(992)	(944)
Income tax paid		(304)	(3,304)
Net cash provided by operating activities		8,122	5,562
Investment activities			
Acquisition of fixed assets, construction-in-progress sites and investment property		(4,956)	(14,099)
Sale of fixed assets, construction-in-progress sites and investment property		104	407
Acquisition of intangible assets		(516)	(896)
Sale of associates and shares in joint activities		-	273
Acquisition of financial assets		(5,436)	(3,027)
Sale of financial assets		1,065	9,203
Interest received		53	314
Net cash used in investment activities		(9,686)	(7,825)

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Cash Flow Report
for the 9 months ended on 30th September 2009 (continued)

(in million RUR)

	Note	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Financial activities			
Attracted bank credits and loans from organizations		4,447	4,859
Repayment of bank credits and loans from organizations		(5,990)	(3,453)
Attracted bonded loans		2,985	2,999
Repayment of acceptance loans		(2)	(6)
Repayment of commercial credits		-	(16)
Attracted other long-term liabilities		-	54
Repayment of finance lease obligations		(25)	(150)
Dividend paid to OJSC NWT shareholders		(684)	(1,504)
Net cash provided by financial operation		731	2,783
Effect of currency exchange rates fluctuations on cash and cash equivalents		87	(22)
eqivalents		(747)	498
Cash and cash equivalents at the beginning of the period under report		1,001	503
Cash and cash equivalents at the end of the period under report		255	1,001

General director
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

The enclosed notes are the integral part
of these consolidated intermediate statements

Open Joint-Stock Company North-West Telecom

Consolidated Intermediate Capital Changes Report
for the 9 months ended on 30th September 2009

(in million RUR)

	Note	Authorized capital: Preferred shares	Authorized capital: Ordinary shares	Own shares purchased from shareholders	Accumulated reserve for revaluation of the financial assets available for sale	Retained profit	Total capital
Balance as of 31st December 2007		622	2,233	(67)	152	25,922	28,862
Aggregate income for the period under report		-	-	-	(152)	2,561	**2,409**
Dividend paid to OJSC NWT shareholders		-	-	-	-	(1,552)	**(1,552)**
Balance as of 31st December 2008		**622**	**2,233**	**(67)**	**-**	**26,931**	**29,719**

	Note	Authorized capital: Preferred shares	Authorized capital: Ordinary shares	Own shares purchased from shareholders	Accumulated reserve for revaluation of the financial assets available for sale	Retained profit	Total capital
Balance as of 31st December 2008		**622**	**2,233**	**(67)**	**-**	**26,931**	**29,719**
Aggregate income for the period under report		-	-	-	-	2,215	**2,215**
Dividend paid to OJSC NWT shareholders		-	-	-	-	(864)	**(864)**
Balance as of 30th September 2009		**622**	**2,233**	**(67)**	**-**	**28,282**	**31,070**

General director
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

The enclosed notes are the integral part of these consolidated intermediate financial statements

1. General

Approval of the statements for the issue

The interim consolidated financial statements of the Open Joint-Stock Company North-West Telecom (hereinafter referred to as "Company" or "OJSC NWT") and its subsidiaries (hereinafter referred to as Group) for the period of 9 months that ended on 30th September 2009 were authorized for issue in compliance with the decision of the General Manager and the Chief Accountant of 14th December 2009.

Company

OJSC NWT is an open joint stock company incorporated in accordance with the laws of the Russian Federation.

Official address of the Company: 14/26, ul. Gorokhovaya, St. Petersburg, Russia.

The Company is providing telephone services (including local and intrazone communication), telegraph, data transfer services, lease of communication channels and wireless communication services on the territory of the North-West Region of the Russian Federation.

The state-owned holding company OJSC “Svyazinvest” owned 50.8% of the Company’s voting stock as of 30th September 2009 and was the parent company of OJSC NWT.

Information on the key subsidiaries is presented in Note 6. All subsidiaries have been incorporated in compliance with the legislation of the Russian Federation, unless stated otherwise.

Industry Legislation

By Order No. 299-s/4 of the RF Federal Rates Service dated 1st March 2009, the Company’s charge rates for local telephone services were changed from 1st March 2009.

The rates for local telephone communication services were established by the Federal Rates Service of Russia using the limit pricing method based on setting coefficients taking into account the change in the limit maximum levels of the rates for local and intrazonal telephone communication services.

2. Financial Statements Presentation Basis

Statement of compliance

These consolidated financial statements have been prepared and presented with deviations from IFRS (IAS) 34 Intermediate Financial Reporting and other International Financial Reporting Standards (IFRS) and respective interpretations approved by the International Accounting Standards Committee (IACS). The Consolidated Intermediate Equity Capital Flow Report, the Consolidated Intermediate Profit and Loss Report, the Consolidated Intermediate Cash Flow Report and a number of notes to the consolidated financial statements of the Company do not contain comparable data for the 9 months that ended on 30th September 2008.

All information should be considered taking into account the Annual Consolidated Financial Statements of the Group for the year ended 31st December 2008.

Going concern

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

Presenting Financial Statements

The consolidated financial statements have been prepared on the basis of the financial statements of the Company, its subsidiaries and associated companies using the unified accounting policy.

The consolidated financial statements are presented in millions of RUR of the Russian Federation and all amounts are rounded off to millions, unless specified otherwise.

Valuation Principle

The consolidated financial statements have been prepared in compliance with the historical cost valuation principle, except for the following items: fixed assets evaluated for fair value as of the date of switching over to the IFRS for establishing their deemed original cost; financial assets available for sale; issued guarantees; financial instruments used for market risk hedging are evaluated at fair value.

Changes in the accounting policy

The accounting policy used in preparing the consolidated financial statements for the period of 9 months of 2009 complies with the accounting policy that was used for preparing the consolidated financial statements for the year 2008, except for the provisions of the accounting policy changed in connection with the approval of new and/or revision of the IFRS Standards and Interpretations that took effect on 1st January 2009.

Changes in the accounting policy are accounted for by the use of the following new or revised Standards and Interpretations:

Standard / Interpretation	Contents of the amendment	Effect
IFRS 8 Operating Segments	Requires disclosure of information on operating segments and cancels the requirement of defining the primary (industry) and secondary (geographic) reporting segments. Changes the principle of evaluating the segment financial information, requiring to present the financial data of the operating segments in the valuation used for presenting information relating to the segments to the management of the Company for taking decisions on distribution of resources to ensure the activities of the segments and on valuation of the indicators of their activities. Requires the disclosure of the factors used for determining the operating segments.	New disclosures are given in Note 5.
IAS 1 (in the version of 2007), Presentation of Financial Statements	Separates changes in the equity from other changes in the capital. The statement of capital changes will present detailed information only on operations with owners, whereas all other changes in the capital (i.e. income and expenses recognized directly within the capital) will be presented in one line. Introduces a new statement of comprehensive income, which must present all items of income and expenses stated in the profit and loss report, as well as all other income and expenses recognized directly within the capital. The changes of income and expenses recognized within the capital may be presented either in the statement of comprehensive income or in two separate statements: profit and loss report and statement of comprehensive income.	These financial statements include new/changed forms or reporting.

(in million RUR)

IAS 23 (in the version of 2006), Borrowing Costs	Eliminates the possibility of immediate recognition as expenses of borrowing costs related to assets taking a substantial period of time to get ready for use or sale.	The revised standard has not influenced the financial position or the results of the activities of the Group.
Amendments to IAS 32 and IAS 1, Puttable Instruments and Obligations Arising on Liquidation	Require to classify some financial instruments and obligations arising on liquidation within the capital, if certain conditions are fulfilled. Establish what information is to be disclosed on puttable instruments classified as capital.	The amendments have not influenced the financial position or the results of the Group's activities.
Amendments to IFRS 2, Share-Based Payments – Vesting Conditions and Cancellations	Define the term "vesting condition" as an express or implied service requirement. Other conditions are not vesting conditions and must be taken into account when evaluating the fair value of the provided equity instruments. If the rights to an equity instrument are not transferred because of failure to fulfil a condition which was not a vesting condition and the fulfilment of which was controlled by the organization or its partner, then cancellation of the equity instrument must be recognized.	The amendments have not influenced the financial position or the results of the Group's activities.
IFRS 3 (in the version of 2008), Business Combinations (Early application)	Introduces a number of changes to the accounting of business combinations that will influence the full goodwill to be recognized and the sum total of the financial results to be shown in the period of acquisition and subsequent periods.	The revised standard has made some changes in the procedure of subsidiaries consolidation, however, has had no substantial influence on the financial position or the results of the Group's activities.
IAS 27 (in the version of 2008), Consolidated and Separate Financial Statements (Early application)	Requires to take into account a change of the interest in a subsidiary as a transaction with capital. Changes the requirements for the accounting of losses incurred by a subsidiary and the requirements for the accounting of the loss of control over a subsidiary.	The revised standard has made some changes in the procedure of subsidiaries consolidation, however, has had no substantial influence on the financial position or the results of the Group's activities.
IFRIC Interpretation No. 13, Customer Loyalty Programmes	Requires to take into account privileged terms granted for the purpose of supporting customers' loyalty as a separate component of a commercial transaction under which they are granted. A part of the fair value of the received remuneration is distributed to the said privileged terms and carried over to subsequent reporting periods until the granted privileged terms are fulfilled.	The Interpretation has not influenced the financial position or the results of the Group's activities.
IFRIC Interpretation No. 15, Agreements for the Construction of Real Estate	Establishes the criteria of including agreements for the construction of real estate and principles of recognizing the revenue under them in the scope of IAS 11, Construction Contracts, or IAS 18 Revenue	The Interpretation has not influenced the financial position or the results of the Group's activities.
IFRIC Interpretation No. 16, Hedges of a Net Investment in a Foreign Operation	Establishes for which risks related to investment in foreign operations hedging accounting is allowable and refines the rules of the accounting of such transactions.	The Interpretation has not influenced the financial position or the results of the Group's activities.
IFRIC Interpretation No. 17, Distribution of Non-cash Assets to Owners (Early application)	Explains how assets other than cash assets (non-cash assets) are distributed to owners. Besides, the Interpretation deals with situations where a company provides to owners the option when receiving non-cash assets or their equivalents in cash.	The Interpretation has not influenced the financial position or the results of the Group's activities.

(in million RUR)

IFRIC Interpretation No. 18, Transfers of Assets from Customers (Early application)	Explains the conditions under which assets transferred by customers must be recognized within company's assets and establishes approaches to their evaluation in the initial recognition. Besides, the Interpretation deals with situations where a customer provides money to a company to acquire such assets.	The Interpretation has not influenced the financial position or the results of the Group's activities.
Amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets	Establishes the rules for reclassification of financial assets between different categories, as well as the requirements for information disclosure in case of performing such procedures.	The amendments have not influenced the financial position or the results of the Group's activities.
Draft Annual IFRS Improvement	The draft provides for introducing certain improvements into various standards and eliminating a number of drawbacks in the current versions of the IFRS Standards.	The amendments required by the draft have been taken into account in preparing the interim financial statements of the Group.

Foreign Currency Transactions

Rouble of the Russian Federation is the functional currency and the currency of the Group's financial statements presentation. Transactions in foreign currencies are initially recorded in the functional currency at the currency exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the Profit and Loss report as foreign exchange profit (loss). Non-monetary items that are evaluated at historical cost in a foreign currency are recalculated at the exchange rates as of their initial date. Non-monetary items that are evaluated at fair value in a foreign currency are recalculated at the exchange rates as of the date of determining the fair value.

Basic currency exchange rates as of 30th September 2009 and 31st December 2008 are given in the table below:

	30th September 2004	31st December 2008
RUR for USD	30.0922	29.3804
RUR for EUR	44.0068	41.4411

3. Basic Provisions of the Accounting Policy

The consolidated interim financial statements have been prepared on the basis of the unified accounting policy of the Group for the year 2009, which is the version of the accounting policy for the previous year adjusted taking into account the requirements of the above new/revised Standards/Interpretations.

4. Material accounting judgements and estimates

The basic assumptions in respect of future events, and other sources of estimates uncertainty as of the date of reporting, which imply a significant risk of the need of introducing significant adjustments to the book value of assets and liabilities during the next reporting year are the same as presented in the Group’s Consolidated Finacial Statements for the year 2008.

5. Information by activity segments

The Company identifies as operating segments the smallest divisions of the Company, whose financial results are analyzed on a regular basis by the supreme operation management body of the Company and are used when managerial decisions are taken.

The Management Board is the supreme operation management body of the Company.

(in million RUR)

The smallest divisions of the Company, whose financial results are analyzed on a regular basis by the supreme operation management body of the Company and are used when managerial decisions are taken, are the General Directorate, branches and subsidiaries.

Reporting information is analyzed and managerial decisions are taken on the basis of the accounting data in compliance with the Russian accounting standards. The *Information by Reporting Segments* and *Information by Operation Segments* given in the tables is prepared in compliance with the said standards.

The Company identifies as reporting segments groups of operation segments with similar economic characteristics.

The Group operates in the territory of the Northwestern Federal District of the Russian Federation.

A reporting segment of OJSC NWT includes the General Directorate, Arkhangelsk, Vologda, Kaliningrad, Karelian, Komi, Leningrad Oblast, Murmansk, Novgorod, Pskov and St. Petersburg branches, providing communication services. Each of the above listed branches is a separate operating segment.

The bulk of the financial and investment activities of the entire reporting segment of OJSC NWT in the field of attracting, servicing and repaying loan obligations, financial lease, acquisition of financial assets, creation and further operation of corporate assets, and centralized investment projects are concentrated in the General Directorate operation segment. Respective amounts of income, expenses, assets and liabilities are included in the results of the General Directorate given in the *Information by Operation Segments* table.

The "Subsidiaries – Fixed Communication Services" reporting segment includes OJSC Kolatelecom, CJSC Novgorod Deitacom, CJSC Parma-Inform, and CJSC Petersburg Transit Telecom, providing communication services. Each of the above listed subsidiaries is a separate operating segment.

The "Subsidiaries – Other" reporting segment includes CJSC AMT and CJSC RDPC "Svyazist" investing in securities and providing health-care recreational services. Each of the above listed subsidiaries is a separate operating segment.

Information on Reporting Segments as of 30th September 2009 and for the 9 months ended on 30th September 2009	**OJSC NWT**	**Subsidiaries - communication services**	**Subsidiaries – other services**	**Total**
Revenue from sales				
Receipts from sales to third parties	19,141	453	38	**19,632**
Receipts from sales between segments	259	141	50	450
Total receipts from sales	**19,400**	**594**	**88**	**20,082**
Profit (loss) from participation in associated companies				
Interest income	92	46		138
Interest expenses	(864)			(864)
Profit Tax	(807)	(15)		(822)
Profit (loss) for the period under report	**3,146**	**(111)**	**(49)**	**2,986**
ASSETS AND LIABILITIES				
Assets by activity segments	56,418	1,335	1,084	58,837
Including investments in associates	11			11
Liabilities of the segment	(22,970)	(180)	(118)	(23,268)
OTHER SEGMENT INFORMATION				
Capital expenses				
Fixed assets	3,509	29	26	3,564
Wear and depreciation	4,023	159	13	4,195
(Charging) restoration of reserve for doubtful debts	(58)			(58)

(in million RUR)

Information on Reporting Segments as of 31st December 2008 and for the year ended on 31st December 2008	OJSC NWT	Subsidiaries - communication services	Subsidiaries – other services	Total
RECEIPTS FROM SALES				
Receipts from sales to third parties	24,162	954	47	**25,163**
Receipts from sales between segments	331	219		550
Total receipts from sales	**24,493**	**1,173**	**47**	**25,713**
Profit (loss) from participation in associated companies				
Interest income	266	26		292
Interest expenses	(869)	(2)		(871)
Profit Tax	(1,160)	(26)	(1)	(1,187)
Profit (loss) for the period under report	**3,622**	**95**	**(124)**	**3,593**
ASSETS AND LIABILITIES				
Assets by activity segments	53,163	1,398	1,107	55,668
Including investments in associates	19			19
Liabilities of the segment	(22,200)	(203)	(119)	(22,522)
OTHER SEGMENT INFORMATION				
Capital expenses				
Fixed assets	13,497	62	868	14,427
Wear and depreciation	4,179	211	15	4,405
(Charging) restoration of reserve for doubtful debts	55			55

Given below is a collation of the accounting data according to the Russian standards with the results included in the consolidated financial statements according to the IFRS:

Collation of the data by segments and the consolidated data as of 30th September 2009 and for the 9 months ended on 30th September 2009	Total	Transformation adjustments	Consolidation adjustments	Total, consolidated in the Company
RECEIPTS FROM SALES				
Receipts from sales to third parties	19,632	18		19,650
Receipts from sales between segments	450		(450)	
Total receipts from sales	20,082	18	(450)	19,650
Profit (loss) from participation in associated companies			1	1
Interest income	138	(11)		127
Interest expenses	(864)	(22)		(886)
Profit Tax	(822)	175		(647)
Profit (loss) for the period under report	**2,986**	**(576)**	**(194)**	**2,216**
ASSETS AND LIABILITIES				
Assets by activity segments	58,837	872	(2,742)	56,967
Including investments in associates	11		73	84
Liabilities of the segment	(23,268)	(2,778)	151	(25,895)
OTHER SEGMENT INFORMATION				
Capital expenses				
Fixed assets	3,564	102		3,666
Intangible Assets		323		323
Wear and depreciation	4,195	854		5,049
(Charging) restoration of reserve for doubtful debts	(58)	(74)		(132)

(in million RUR)

Collation of the data by segments and the consolidated data as of 30th September 2009 and for the year ended on 31st December 2008	**Total**	**Transformation adjustments**	**Consolidation adjustments**	**Total, consolidated in the Company**
RECEIPTS FROM SALES				
Receipts from sales to third parties	25,163	13		25,176
Receipts from sales between segments	550		(550)	
Total receipts from sales	25,713	13	(550)	25,176
Profit (loss) from participation in associated companies			13	13
Interest income	292	22		314
Interest expenses	(871)	(6)		(877)
Profit Tax	(1,187)	400		(787)
Profit (loss) for the period under report	**3,593**	**(3,593)**		
ASSETS AND LIABILITIES				
Assets by activity segments	55,668	1,268	(2,750)	54,186
Including investments in associates	19	65		84
Liabilities of the segment	(22,522)	(2,060)	115	(24,467)
OTHER SEGMENT INFORMATION				
Capital expenses				
Fixed assets	14,427	(450)		13,977
Intangible Assets		970		970
Wear and depreciation	4,405	1,109		5,514
(Charging) restoration of reserve for doubtful debts	55	(32)		23

As of 30th September 2009 and for the 9 months ended on 30th September 2009, the basic performance figures of the essential operation segments amounted to:

Name of Operating Segment	**Receipts from sales**	**Profit (loss) of the operating segment**	**Assets of the segment**	**Liabilities of the segment**
OJSC NWT				
Arkhangelsk Branch	1,690	(70)	3,489	(228)
Vologda Branch	1,534	(285)	4,863	(185)
Kaliningrad Branch	1,058	(6)	2,567	(146)
Karelia Branch	885	(139)	2,338	(116)
Komi Branch	1,964	406	3,568	(209)
Leningrad Oblast Branch	1,571	(289)	4,266	(395)
Murmansk Branch	1,469	54	2,580	(196)
Novgorod Branch	743	(308)	2,252	(105)
Petersburg Branch	7,883	3,020	14,390	(607)
Pskov Branch	602	(481)	2,771	(99)
Head quarter	1	1,244	13,334	(20,684)
Subsidiaries - communication services				
Kolatelecom OJSC	55	(4)	56	(63)
Novgorod Datacom CJSC	113	32	83	(16)
Parma Inform LLC	45	9	31	(15)
Peterburg Transit Telecom CJSC	381	(148)	1,165	(86)
Subsidiaries – other services				
AMT CJSC		(43)	167	(36)
CJSC RDPC Svyazist	88	(6)	917	(82)

(in million RUR)

As of 31st December 2008 and for the year ended on 31st December 2008, the basic performance figures of the essential operation segments amounted to:

Name of Operating Segment	Receipts from sales	Profit (loss) of the operating segment	Assets of the segment	Liabilities of the segment
OJSC NWT				
Arkhangelsk Branch	2,122	31	3,344	(335)
Vologda Branch	1,915	144	4,966	(258)
Kaliningrad Branch	1,318	227	2,538	(233)
Karelia Branch	1,115	(65)	2,347	(183)
Komi Branch	2,418	534	3,396	(380)
Leningrad Oblast Branch	2,006	(109)	4,386	(593)
Murmansk Branch	1,863	262	2,582	(206)
Novgorod Branch	908	(222)	2,352	(165)
Petersburg Branch	10,113	4,626	14,199	(879)
Pskov Branch	753	(253)	3,012	(146)
General Directorate	(38)	(1,553)	10,041	(18,822)
Subsidiaries - communication services				
Kolatelecom OJSC	81		62	(64)
Novgorod Datacom CJSC	133	17	75	(16)
Parma Inform CJSC	65	6	28	(5)
Peterburg Transit Telecom CJSC	894	22	1,233	(118)
Subsidiaries – other services				
AMT CJSC	25	(78)	221	(91)
CJSC RDPC Svyazist	96	(27)	885	(28)
CJSC SPIC		(3)	1	

6. Subsidiaries

The presented consolidated financial statements include the assets, liabilities and results of the operation of OJSC NWT and its subsidiaries listed below:

Name	Area of activities	Share in the authorized capital and other rights of participation, % 30th September 2009	31st December 2008
AMT CJSC	Consulting services	100.00%	100.00%
Kolatelecom OJSC	Communication services	50.00%	50.00%
Novgorod Datacom CJSC	Communication services	100.00%	100.00%
Parma Inform CJSC	Communication services	100.00%	100.00%
Peterburg Transit Telecom CJSC	Communication services	100.00%	100.00%
Recreation and Disease Prevention Centre "Svyazist" CJSC	Health-improving services	100.00%	100.00%

All the above companies are Russian legal entities registered in accordance with Russian legislation and have the same fiscal year as the Company.

The management's opinion is that the Group controls OJSC Kolatelecom, as it has the majority (over 50%) of votes in the Board of Directors of the Company in voting on all matters within the terms of reference of the Board of Directors. Respectively, OJSC Kolatelecom is considered as a subsidiary in the consolidated financial statements of the Group.

7. Assets and Liabilities Held for Sale and Discontinued Operations

As of 30th September 2009, the Group showed the assets intended for sale in the amount of 127 (2008: 162) The said assets include buildings that the Group intends to sell during 2009 within the framework of the Property Development Program approved by the Board of Directors. Under the Program, the Group will be selling property that is not planned for use in the future operations. The management is expecting that the said property will be sold at prices exceeding its book value as of 30th September 2009.

(in million RUR)

The Group is not planning to terminate its activities.

8. Fixed assets

	Land, buildings and facilities	Switches and transmitting devices	Transport facilities and other fixed assets	Construction in progress and equipment for installation	Total
Initial value as of 31st December 2007	**22,379**	**21,745**	**3,757**	**2,160**	**50,041**
Additions	**-**	**-**	**-**	**13,977**	**13,977**
Commissioned	5,043	7,311	1,356	(13,710)	-
Withdrawal	(342)	(110)	(82)	(46)	(580)
Withdrawal of assets related to their classification as intended for sale and in connection with the termination of the activities.	(218)	-	-	-	(218)
Re-classification	(112)	112	48	(48)	-
as of 31st December 2008	26,750	29,058	5,079	2,333	63,220
Additions	-	-	-	3,667	3,667
Commissioned	1,422	2,031	539	(3,992)	-
Withdrawal	(14)	(108)	(96)	(1)	(219)
as of 30th September 2009	28,158	30,981	5,522	2,007	66,668

	Land, buildings and facilities	Switches and transmitting devices	Transport facilities and other fixed assets	Construction in progress and equipment for installation	Total
Accumulated depreciation and accumulated impairment as of 31st December 2007	(5,756)	(7,100)	(2,339)	-	(15,195)
Depreciation charged for the year	(1,375)	(2,824)	(937)	-	(5,136)
Wear of withdrawn items	102	85	74	-	261
Withdrawn assets depreciation upon their classification as intended for sale and in connection with the termination of the activities.	56	-	-	-	56
Re-classification	22	(22)	-	-	-
as of 31st December 2008	(6,951)	(9,861)	(3,202)	-	(20,014)
Depreciation charged for the year	(1,207)	(2,786)	(717)	-	(4,710)
Wear of withdrawn items	25	117	91	-	233
as of 30th September 2009	(8,133)	(12,530)	(3,827)	-	(24,490)
Residual value as of 31st December 2007	**16,623**	**14,645**	**1,418**	**2,160**	**34,846**
Residual value as of 31st December 2008	**19,799**	**19,197**	**1,878**	**2,333**	**43,207**
Residual value as of 30th September 2009	**20,025**	**18,451**	**1,695**	**2,007**	**42,178**

(in million RUR)

As of 30th September 2009 and 31st December 2008 the balance value of the fixed assets received under the contracts of finance lease is:

	30th September 2009	31st December 2008
Buildings and facilities	5	6
Switches and transmission devices	8	174
Transport facilities and other fixed assets	40	-
Total fixed assets received under contracts of finance lease, balance value	**53**	**180**

As of 30th September 2009 the initial value of completely depreciated fixed assets was 6.137 (as of 31st December 2008 it was 5.677).

Receipt of fixed assets acquired under financial lease contracts for the 9 months of 2009 amounted to 45 (0 for the year 2008).

For the 9 months of 2009 the Group increased the value of construction in progress by the amount of capitalized interest, 119 (-95 for the year 2008). The capitalization rate for 9 months of 2009 amounted to 9% (9% for the year 2008).

Fixed assets all in all worth of 2.825 (1.049 as of 31st December 2008) were a security under credit agreements.

As of 30th September 2009, no impairment of **fixed assets** was found.

9. Intangible Assets

	Goodwill	Licenses	Software	Subscriber base	Other	Total
Initial value						
As of 31st December 2007	**958**	**24**	**3,934**	**248**	**221**	**5,385**
Acquisition of assets	**-**	**10**	**956**	**-**	**4**	**970**
Withdrawal	**-**	**(3)**	**(64)**	**-**	**-**	**(67)**
As of 31st December 2008	958	31	4,826	248	225	6,288
Acquisition of assets	**-**	**16**	**297**	**-**	**10**	**323**
Withdrawal	**-**	**(2)**	**(47)**	**-**	**(1)**	**(50)**
as of 30th September 2009	958	45	5,076	248	234	6,561
Accumulated depreciation and impairment						
As of 31st December 2007	**(16)**	**(14)**	**(662)**	**(11)**	**(63)**	**(766)**
Depreciation charged for the year	**-**	**(7)**	**(314)**	**(1)**	**(56)**	**(378)**
Depreciation of withdrawn items	**-**	**3**	**60**	**-**	**-**	**63**
As of 31st December 2008	(16)	(18)	(916)	(12)	(119)	(1,081)
Depreciation charged for the year	**-**	**(5)**	**(328)**	**(1)**	**(5)**	**(339)**
Depreciation of withdrawn items	**-**	**3**	**39**	**-**	**-**	**42**

(in million RUR)

as of 30th September 2009	(16)	(20)	(1,205)	(13)	(124)	(1,378)
Residual value as of 31st December 2007	**942**	**10**	**3,272**	**237**	**158**	**4,619**
Residual value as of 31st December 2008	**942**	**13**	**3,910**	**236**	**106**	**5,207**
Residual value as of 30th September 2009	**942**	**25**	**3,871**	**235**	**110**	**5,183**

Oracle E-Business Suite software product

As of 30th September 2009, the software included the Oracle E-Business Suite 2003 Professional software product, the book value of which was 810 (984 as of 31st December 2008).

As of 30th September 2009, the capitalized interest expenses related to implementing Oracle E-Business Suite amounted to 137 (137 as of 31st December 2008). Capitalization rate was 7% (7% for the year 2008).

According to the terms of the delivery contract, the Group acquired a non-exclusive licence for 7.638 users of the Oracle E-Business Suite 2004 Professional programme.

The Group is implementing Oracle E-Business Suite on a stage-by-stage basis. In 2006 the Group completed the first stage of implementing Oracle E-Business Suite, having started the operation of modules for timekeeping, personnel records and non-circulating assets accounting. In July 2009 the Company started the operation of the complete functionality of Oracle E-Business Suite in the General Directorate and in the Pskov branch and implemented payroll accounting throughout the Company. The company is depreciating the value of the said software product from the date of commissioning during the useful life established within 10 years.

Information on the change of the book value of the Oracle E-Business Suite software product for the period of 9 months ended on 30th September 2009 and for the year ended on 31st December 2008 is given below:

	2009	**2008**
As of 1st January	**984**	**914**
Implementation expenses incurred	**9**	**170**
Depreciation charged	**(183)**	**(100)**
As of 30th September 2009 / 31st December 2008	**810**	**984**

Amdocs Billing Suite Software

As of 30th September 2009 software includes Amdocs Billing Suite software with residual value of 895 (927 as of 31st December 2008).

As of 30th September 2009, the capitalized interest expenses related to implementing Amdocs Billing Suite amounted to 77 (72 as of 31st December 2008). Capitalization rate was 7% (7% for the year 2008)

This software was purchased for the purpose of unified automated settlements system implementation. The system implementation work was started in May 2006. The project of implementing the unified automated settlements system on the Amdocs Billing Suite platform is expected to take 4 or 5 years. The Group intends to continue work on the Amdocs project in 2010-2011.

The Group will start depreciating this asset from the moment of the start of its operation in proportion to the value of the implemented modules during their useful life which will be established by the moment of operation start. Prior to that the management is evaluating the asset for its depreciation from time to time.

HP Open View IUM Unified Pre-billing Software

As of 30th September 2009, the software data also showed the value of the HP Open View IUM unified pre-billing software, whose book value was 240 (214 as of 31st December 2008).

The software was acquired in December 2006 for the purpose of implementing the Amdocs Billing Suite unified automated settlement system. Unified centralized pre-billing is required for the centralization of settlements with interconnected operators and for transmitting information to Amdocs Billing Suite.

The project of implementing the HP Open View IUM unified pre-billing software is expected to take 3 or 4 years. The system implementation work was started in October 2006. Expenses for software implementation in the 9 months of 2009 amounted to 26.

The company will start depreciating this asset from the moment of the start of its operation in proportion to the value of the implemented modules during their useful life which will be established by the moment of operation start. Prior to that the management is evaluating the asset for its depreciation from time to time.

Communication network service support systems (CNSSS)

As of 30th September 2009, the software also included the software product for the Communication Network Service Support System (CNSSS), the book value of which is 1.036 (1.012 in the year 2008), including the accrued capitalized interest amounting to 31 (31 in the year 2008). In 2009 the capitalization rate was 7 % (7% in the year 2008).

The project for implementing the CNSSC software is carried out for the purpose of automating the processes of network accounting and network and services management and is designed for 3 or 4 years. The system implementation work was started in May 2006.

The Group will start depreciating this asset from the moment of the start of its operation in proportion to the value of the implemented modules during their useful life which will be established by the moment of operation start. Prior to that the management is evaluating the asset for its depreciation from time to time.

HP OpenView Service Activator software

As of 30th September 2009 the software included the HP OpenView Service Activator product with the book value of 145 (139 in the year 2008).

The project for implementing the HP OpenView Service Activator software is carried out for the purpose of creating an integrated system of service activation and is designed for 2 years. The work on the project was started in March 2008.

The Group has been operating the software on the commercial basis starting from November 2008 and has been depreciating its value from the moment of implementing during the useful life established for 10 years.

Information Service Support System software (ISSS)

As of 30th September 2009 the software included the product for setting up an information service support system with the book value of 246 (121 in the year 2008). The product was acquired for the purpose of improving the Group's competitive capacity in the market of telecommunication services and as a highly efficient tool of supporting the core business in the field of sales and client servicing and gaining extra income from providing information and reference services on a paid basis. The ISSS structure provides for building resource centers to be located on the branches' premises. The server and telecommunication equipment will be located on the St. Petersburg Branch premises.

At the moment, the 1st stage of the project that started late in 2008 is being implemented and includes design, survey and creation of the main site in the St. Petersburg Branch. The implementing costs capitalized within the value of the software amounted to 125 (45 in the year 2008) as of 30th September 2009.

The Group will start depreciating this asset from the moment of the start of its operation in proportion to the value of the implemented modules during their useful life which will be established by the moment of operation start. Prior to that the management is evaluating the asset for its depreciation from time to time.

Depreciation of Intangible Assets

Depreciation of intangible assets (339) charged for 9 months of 2009 was recognized within the "Wear and Depreciation" item of the consolidated profit and loss report.

Goodwill and intangible assets shown after companies merger

In 2007, the intangible assets taken into account separately in connection with the acquisition of CJSC Petersburg Transit Telecom were the resources, from which the Group expected an inflow of economic benefits in the future, including the following categories:

- clientele;
- software;
- other intangible assets.

The clientele is an intangible asset with an unlimited useful life, these are contractual relations with clients of CJSC Petersburg Transit Telecom. The said asset is not depreciated, however, it is checked annually or even more frequently for signs of depreciation, if there are any signs of possible depreciation of the intangible asset.

The software includes acquired intangible assets with the useful life of 3 years.

The goodwill recognized on the basis of the results of the acquisition of CJSC Petersburg Transit Telecom is a part of the expected synergy effect and other advantages from the merger of the assets and the activities of CJSC Petersburg Transit Telecom and the Group.

Depreciation analysis of intangible assets that are not ready for use

The Group has carried out a depreciation analysis of intangible assets that are not ready for use and intangible assets with an indefinite useful life as of 30th September 2009. As a result of the analysis, no depreciation of the said intangible assets was found.

In 2006, the Group showed the goodwill obtained as a result of the acquisition of LLC Novgorod Deitacom, which was reorganized later through a merger with another subsidiary of the Group, LLC Novgorod Datacom, and transformation into CJSC Novgorod Deitacom. As of 30th September 2009, prior to depreciation testing, the book value of the goodwill distributed to CJSC Novgorod Deitacom less the depreciation recognized in the previous periods was 31. The recoverable value of the goodwill was determined on the basis of a calculation of the value of use, applying future cash flow forecasts based on 5-year budget plans approved by the management. Calculations of cash flows for a period over 5 years are carried out using the extrapolation method. A discount rate of 21.77% (21.77% in 2008) reflecting the weighted average cost of the capital of the unit generating cash flows, calculated using the face value, was applied to the cash flow calculations. No additional depreciation was revealed in 2009.

In 2007, the Group showed the goodwill obtained as a result of the acquisition of CJSC Petersburg Transit Telecom in the amount of 911. The recoverable value of the said assets was determined on the basis of a calculation of the value of use, applying future cash flow forecasts based on 5-year budget plans approved by the management. Calculations of cash flows for a period over 5 years are carried out using the extrapolation method. A discount rate of 20.89% (20.89% in 2008) reflecting the weighted average cost of the capital of the unit generating cash flows, calculated using the face value, was applied to the cash flow calculations.

(in million RUR)

As a result of the analysis, no depreciation of the goodwill was found as of 30th September 2009.

10. Other long-term assets

	30th September 2009	31st December 2008
Long-term advances issued for investment operation	219	363
Long-term advances issued for core business activities	30	30
Total	**249**	**393**

11. Investment in associated companies

Name	Area of activities	30th September 2009		
		Share in the authorized capital and other rights of participation, %	Percentage of voting shares and other rights of participation, %	Balance value
WestBalt Telecom CJSC	Communication services	28.00%	28.00%	85
Total				**85**

Name	Area of activities	31st December 2008		
		Share in the authorized capital and other rights of participation, %	Percentage of voting shares and other rights of participation, %	Balance value
WestBalt Telecom CJSC	Communication services	28.00%	28.00%	84
Total				**84**

Above company is a Russian legal entity registered in accordance with the legislation of the Russian Federation and has the same fiscal year as the Group.

The Company did not reveal any depreciation of financial investment in associated companies for the 9 months of 2009.

The change in the book value of the investment in associated companies for the 6 months ended on 30th September 2009 and for the year ended on 31st December 2008 is given below:

	2009	2008
Investments in associates as of January 1	**84**	**125**
Profit from interest in associated companies	1	13
Withdrawal of associated companies	-	(54)
Investments in associates as of 30th September 2009 / 31st December 2008	**85**	**84**

(in million RUR)

Presented below is aggregated information on the most significant associated companies:

Associated company name	Share in the authorized capital and other rights of participation, %	Assets	Liabilities	Receipts from sales	Profit (loss) for the period under report
As of 30th September 2009 and for the 9 months ended on 30th September 2009					
WestBalt Telecom CJSC	28.00%	344	(41)	202	2
As of 31st December 2008 and for the year ended on 31st December 2008					
WestBalt Telecom CJSC	28.00%	347	(47)	296	45

12. Financial assets

	30th September 2009	31st December 2008
Long-term financial assets available-for-sale	21	21
Long-term investment held to maturity	3,056	-
Long-term loans issued	9	20
Other long-term finance assets	-	3
Total long-term financial assets	**3,086**	**44**
Short-term investment held to maturity	1,726	292
Short-term loans issued	18	21
Other short-term financial assets	-	14
Total short-term financial assets	**1,744**	**327**
Total financial assets	**4,830**	**371**

The Company is investing temporarily spare financial resources in circulating notes issued by various Russian companies. The Company uses notes as a financial instrument mainly for gaining financial income.

In June 2009 the Company purchased 2 interest-bearing notes of Svyaz-Bank to the total amount of 22,000,000.00 US dollars. According to the agreement, the Bank may accept and pay the note before maturity (with the right of pre-term presentation of the notes for payment). As of 30th September 2009, the notes receivable in US dollars made 662 and were included in held-to-maturity short-term investment.

In August 2009 the Company purchased discount notes to the total amount of 3,600. As of 30th September 2009 notes (606), including the accrued interest (6), were shown within short-term held-to-maturity investment. Notes (3056), including the interest accrued at the effective rate (56), were shown within long-term held-to-maturity investment.

In June-July 2009 the subsidiary of the Company CJSC Petersburg Transit Telecom placed in OJSC MDM-Bank the deposits of 440 nominated in RUR with the repayment date 4-6 months and the interest rate of 14.25-14.9% per annum.

In August 2009 the subsidiary of the Company CJSC Novgorod Datacom placed in OJSC Bank Uralsib the deposits of 18 nominated in RUR with the repayment date 3 months and the interest rate of 14.3% per annum.

As of 30th September 2009 and 31st December 2008, long-term loans issued are shown at depreciable cost using the effective interest rate from 16% to 26%.

As of 30th September 2009 and 31st December 2008, there were no financial assets burdened with a pledge.

13. Inventory holdings

	30th September 2009	31st December 2008
Spare parts	193	139
Cable	101	95
Finished products and goods for resale	26	28
Economic implements	17	19
Fuel	13	15
Construction materials	8	30
Other stock	102	134
Total	**460**	**460**

As of 30th September 2009 and 31st December 2008, the balance sheet of the Company did not contain any inventories that have become obsolete or fully or partially lost their initial quality or whose current market value has decreased. In this connection, the Company did not form a provision for devaluation of materials and capital equipment.

As of 30th September 2009 and 31st December 2008, Company's inventory holdings were not used as a pledge or liability collaterals.

14. Trade and other accounts receivable

	Total as of 30th September 2009	Allowance for doubtful accounts	Net, as of 30th September 2009
Settlements with buyers in respect of core activities	1,740	(276)	1,464
Settlements with buyers in secondary areas of activity	248	(76)	172
Settlements with personnel	4	-	4
Settlements with other debtors	1,492	(3)	1,489
Total	**3,484**	**(355)**	**3,129**

(in million RUR)

	Total as of 31st December 2008	**Allowance for doubtful accounts**	**Net, as of 31st December 2008**
Settlements with buyers in respect of core activities	1,536	(198)	1,338
Settlements with buyers in secondary areas of activity	137	(36)	101
Settlements with personnel	2	-	2
Settlements with other debtors	1,159	(4)	1,155
Total	**2,834**	**(238)**	**2,596**

As of 30th September 2009 and 31st December 2008, settlements with buyers in respect of the basic areas of activities consisted of settlements with the following partners:

	Total as of 30th September 2009	**Allowance for doubtful accounts**	**Net, as of 30th September 2009**
Individuals	737	(103)	634
Corporate customers	362	(53)	309
Government customers	166	(12)	154
Communication operators	475	(108)	367
Total settlements with buyers in respect of core activities	**1,740**	**(276)**	**1,464**

	Total as of 31st December 2008	**Allowance for doubtful accounts**	**Net, as of 31st December 2008**
Individuals	624	(88)	536
Corporate customers	301	(42)	259
Government customers	84	(8)	76
Communication operators	527	(60)	467
Total settlements with buyers in respect of core activities	**1,536**	**(198)**	**1,338**

As of 30th September 2009 and 31st December 2008, settlements in respect of reimbursement for the losses related to the provision of all-in-one communication services recorded within settlements with other debtors amounted to 1,044 and 1,019 respectively.

The table given below presents changes of the doubtful debt allowance:

	2009	**2008**
Balance as of 1st January	238	315
Reserve charging	132	-
Restoration of reserve	-	(23)
Writing off the accounts receivable	(16)	(54)
Balance as of 30th September 2009 / 31st December 2008	**354**	**238**

(in million RUR)

15. Other current assets

	Total, 30th September 2009	Reserve	Net, 30th September 2009
Prepayments and advance payments	172	(1)	171
Deferred expenses	54	-	54
VAT recoverable	28	-	28
Other prepaid taxes	23	-	23
Other current assets	12	-	12
Total	**289**	**(1)**	**288**

	Total, 31st December 2008	Reserve	Net, 31st December 2008
Prepayments and advance payments	100	(1)	99
Deferred expenses	15	-	15
VAT recoverable	64	-	64
Other prepaid taxes	197	-	197
Other payments and current assets	9	-	9
Total	**385**	**(1)**	**384**

16. Cash and cash equivalents

	30th September 2009	31st December 2008
Cash at bank and on hand	250	921
Short-term deposits and notes with original maturities of three months or less	5	80
Total	**255**	**1,001**

As of 30th September 2009 the Group had no restrictions for the use of cash.

Periods of short-term deposits vary from 30 days to 3 months depending on the current available cash requirement and yield an interest at the current deposit rates. The effective interest rate under the short-term deposits with the period up to three months varies from 13% to 15%.

17. Essential non-monetary operations

In the 1st quarter of 2009 the Company received for leasing transport facilities under a contract of leasing with OJSC VTB-Leasing for an amount of 45. The value of equipment received on a gratuitous basis during the 9 months ended on 30th September 2009 amounted to 3.

18. Authorized capital

As of 30th September 2009, the face value and the book value of common and preferred shares were:

Type of shares	Number of shares in circulation (thousand pcs.)	Face value of shares (RUR)	Total face value	Total balance value
Common	881,045	1	881	2,233
Preferred	250,369	1	250	622
Total	**1,131,414**		**1,131**	**2,855**

The difference between the face value and the book value of the shares is caused by inflation during the periods preceding 1st January 2003.

All the issued stock was completely paid for.

Company's capital stock structure as of 30th September 2009 is presented below:

Shareholders	Share in the authorized capital %	Common shares		Preferred shares	
		Number (thousand pcs.)	%	Number (thousand pcs.)	%
Legal entities, total	89%	841,145	95.5%	170,217	68.0%
Svyazinvest OJSC	40%	447,231	50.8%	-	
Parties holding over 5 % of authorized capital	45%	347,472	39.4%	157,067	62.7%
including:		-		-	
CJSC National Depositary Centre	19%	130,338	14.8%	87,149	34.8%
CJSC Depositary Clearing Company	14%	107,319	12.2%	47,252	18.9%
CJSC UBS Nominees	12%	109,815	12.5%	22,666	9.1%
Other parties	5%	46,442	5.3%	13,150	5.3%
Individuals, total	**11%**	**39,900**	**4.5%**	**80,152**	**32.0 %**
Total	**100%**	**881,045**	**100.0 %**	**250,369**	**100.0 %**

The holders of common shares are allowed one vote per share.

Class A preferred shares entitle their holder to participation in general meetings of the shareholders without the right of vote, except for taking decisions on the issues of reorganization and liquidation of the Company and introducing amendments and additions to the Articles of Association of the Company, that could restrict the rights of the holders of preferred shares.

(in million RUR)

A guaranteed dividend amounting to the greater of the following two amounts is paid on each preferred share: 10% of the Company's net profit shown in the accounts prepared according to the Russian legislation, divided by the number of preferred shares, or the amount of the dividend due per common share. If holders of preferred shares get dividends in an amount lesser than 10% of the net profit shown in the accounts prepared according to the Russian legislation, dividends are not paid to holders of common shares. Holders of preferred shares are entitled to participate in annual general meetings of the shareholders and to vote on all matters of the terms of reference of such meetings, starting from the meeting following the annual general meeting of the shareholders, which takes a decision on non-payment of dividends or on incomplete payment of dividends under the preferred shares.

In September 2001 OJSC NWT had an issue of 1st level American Depositary Receipts (ADR) registered. Each depositary receipt corresponds to 10 common shares of the OJSC NWT.

* As of 30th September 2009 the number of ADRs was 2,701,150, or 27,011,500 common shares, which made 3.06% of the total number of the issued common shares.

The following table shows the flow of the registered ADRs for the 9 months of 2009 and 2008:

	ADRs (number)	**Equivalent number of common shares**	**Common shares, %**	**Authorized capital, %**
31st December 2007	**1,084,818**	**54,240,900**	**6%**	**5%**
Increase (decrease) in 2008	2,596,852	(17,424,200)	-2%	-2%
30th September 2008	**3,681,670**	**36,816,700**	**4%**	**3%**
31st December 2008	**3,657,670**	**36,577,000**	**4%**	**3%**
Increase (decrease) in 2009	(956,520)	(9,565,200)	-1%	-1%
30th September 2009	**2,701,150**	**27,011,800**	**3%**	**2%**

**before July 31, 2008 the ADR conversion rate was: 1 ADR = 50 ordinary shares.*

At the moment ADRs are traded in the following stock exchange venues:

Name of the venue	**CUSIP (WKN)**	**ADR ticker**	**ISIN**
US over-the-counter market (OTC)	663 316 107	NWTEY	US6633161079
Frankfurt Stock Exchange	AOBLXU	SQ4	US6633161079
Berlin Stock Exchange	AOBLXU	SQ4	US6633161079

Information on the change of the number and the book value of own, common and preferred, shares redeemed from shareholders for the 9 months of 2009 and 2008 is given below:

	Common shares		Preferred shares	
	Number (thousand pcs.)	**Balance value**	**Number (thousand pcs.)**	**Balance value**
31st December 2007	**3,005**	28	**3,225**	**39**
30th September 2008	**3,005**	**28**	**3,225**	**39**
31st December 2008	**3,005**	**28**	**3,225**	**39**
30th September 2009	**3,005**	**28**	**3,225**	**39**

Shares redeemed from shareholders are represented by Company's shares held by its subsidiary CJSC AMT.

19. Loan Liabilities

	30th September 2009	**31st December 2008**
Long-term loan liabilities		
Bank credits and loans of organizations	6,660	7,904
Bonded loans	10,978	7,989
Note loans	18	19
Commercial loans	1	1
Liabilities under financial lease	36	12
Interest debt	10	8
Other long-term loan liabilities	351	11
Less share of long-term loan liabilities to be repaid within the year	(8,504)	(2,578)
Total long-term loan liabilities	**9,550**	**13,366**
Short-term loan liabilities		
Bank credits and loans of organizations	-	2
Interest debt	170	146
Total short-term loan liabilities	**170**	**148**
Share of long-term loan liabilities to be repaid within the year	8,504	2,578
Total current loan liabilities	**8,674**	**2,726**
Total loan liabilities	**18,224**	**16,092**

As of 30th September 2009, the Company had contracts of credit lines provision for 2,455 (2,025 as of 31st December 2008) with the Savings Bank (Sberbank) of Russia OJSC and CJSC ING Bank (Eurasia). As of 30th September 2009 the Company had used 1,429 (1,800 as of 31st December 2008) of the said amounts, thus, the Company has the possibility of obtaining under these credit lines 1,026 upon request for covering the current working capital needs and for funding investment projects. Besides, as of 30th September 2009, the Company had agreements of syndicated loans (for 100 million US dollars and for 150 million US dollars).

As of 30th September 2009 and 31st December 2008, the bank credits of the Company were collaterized with fixed assets having the total book value of 2,825 and 1,049 respectively.

Short-term loan liabilities

In 2008, the Group signed 4 contracts for opening of revolving lines of credit with Savings Bank of Russia OJSC for an amount of 1,550, the term of validity of two of the contracts for an amount of 625 being 120 days each, and of two of the contracts for an amount of 530 - 90 days each. 926 was raised and repaid under the said contracts. The term of validity of the last of the contracts expired on 23rd January 2009. The contracts' interest rate was 8 to 8.25% per annum. The credits were provided without a security.

Long-term loan liabilities

Bank credits and loans of organizations

Presented below is aggregated information on the most significant long-term bank credits and loans of organizations as of 30th September 2009 and 31st December 2008:

(in million RUR)

Partner	Interest rate under the contract	30th September 2009		31st December 2008		Currency of contract	Repayment date	Availability and type of security
		Long-term part	Short-term part	Long-term part	Short-term part			
ING Bank N.V, Natixis, CJSC UniCredit Bank, WestLB AG (London Branch)	3.17938 – 5.5206	2,491	1,523	3,903	-	US dollars	November 2011	Unsecured
Bank Austria Creditanstalt AG and CJSC UniCredit Bank	Tranche A: 1.4600-4.3686 Tranche B: 1.7600- 6.13688	917	1,319	1,855	1,065	US dollars	Tranche A – quarterly, from January 2009 till October 2010 Tranche B – quarterly, from July 2009 till July 2012	Unsecured
CJSC Raiffeisen Bank	8.27 – 19.01	-	-	-	286	RUR	October 2009 (the credit was repaid ahead of schedule on 26.01.2009)	Unsecured
ING Bank (Eurasia) CJSC	8.38 – 31.40		63	-	250	RUR	October 2009	Unsecured
Citibank N.A.	4.72-7.119	-	-	-	230	Euro	January 2009	Unsecured
Sberbank RF	7.75					RUR	October, December 2009	Pledge of telecommunication equipment
	13.75	-	184		178	RUR	July – August 2010	
RF Ministry of Finance	3	109	41	100	37	Euro	December 2011	Pledge of telecommunication equipment
CJSC St. Petersburg Payphones	12	13	-	-	-	RUR	December 2011	Unsecured
Total		**3,530**	**3,130**	**5,858**	**2,046**			

ING Bank N.V, Natixis, CJSC UniCredit Bank, WestLB AG (London Branch)

In 2008 the Company attracted a syndicated loan of 150 MIO US dollars, in which Bayerische Hypo- und Vereinsbank AG, London Branch acted as the Agent, and ING Bank N.V, Natixis, CJSC UniCredit Bank and WestLB AG, London Branch acted as the Original Mandated Lead Arrangers.

The loan is structured into two tranches: tranche A – 135 million US dollars, and tranche B – 15 million US dollars.

Complete disbursement was carried out under tranche A on 14th November 2008. Repayment will be effected in equal parts on a quarterly basis starting from 9th February 2010 till 7th November 2011.

There was no disbursement under tranche B (because there is no need for this funding in connection with the reduction of the investment programme for the fiscal year 2009).

The interest rate under the loan is the aggregate of the Margin making 2.75% per annum, a three months' London Interbank Offered Rate (LIBOR) and the Obligatory Markup (if any). Interest on the agreement is accrued and paid on the quarterly basis.

The costs under the transaction amounted to 2,392,000 US dollars (commission for loan organization amounting to 2,362,000 US dollars, and the annual agent's fee amounting to 30,000 US dollars).

As of 30th September 2009 the long-term debt under the loan was 2,491 and the short-term debt was 1,523, while the amount of the accrued interest was 16 (3,903,0 and 29 respectively in 2008).

CJSC UniCredit Bank

In 2007 the Company attracted a syndicated loan of 100 MIO US dollars, in which CJSC UniCredit Bank (the name "CJSC International Moscow Bank" was changed to CJSC UniCredit Bank starting from 25th December 2007) and Bank Austria Creditanstalt AG acted as the Mandated Lead Arrangers, Bank Austria Creditanstalt AG as the Agent, and the CJSC UniCredit Bank as the original creditor. Starting from 15th January 2009, Bayerische Hypo- und Vereinsbank AG was appointed the Agent in compliance with clause 24.11(a) of the Agreement.

The loan was granted in two equal tranches.

Tranche A was received on 30th July and 13th August 2007 in the amounts of 40 million and 10 million US dollars respectively. Repayment will be effected in equal parts on a quarterly basis starting from 19th January 2009 till 19th July 2010.

Tranche B was transferred on 13th August and 10th September 2007 (20 million and 30 million US dollars respectively). Repayment will be effected in equal parts on a quarterly basis starting from 19th July 2009 till 19th July 2012.

The interest rate under the loan is the aggregate of the Margin, the London Interbank Offered Rate (LIBOR), established for US dollars for the respective Interest Period and the Obligatory Costs Rate, the Margin being 0.95% per annum for Tranche A and 1.25% per annum for Tranche B.

The costs related to the transaction amounted to 1,020,000 US dollars.

The loan has been borrowed in order to refinance the current accounts payable and to fund investment projects. There was no pre-schedule repayment of the principal debt during the fiscal year 2008.

As of 30th September 2009 the debt under the syndicated loan was 2,236 (2,920 in the year 2008), including the short-term part of 1,319 (1,065 in the year 2008). The accrued interest amounted to 7 (18 in the year 2008) The credit is not secured by a pledge of fixed assets.

RF Ministry of Finance

In 1995-1996 the Ministry of Finance of the Russian Federation provided long-term funding to the Company for the purpose of purchasing telecommunication equipment from various foreign suppliers. Vneshekonombank acted as the agent crediting the Company on behalf of the Ministry. Euro is the currency of the contract and the agreement that was made later.

As of 30th September 2009 the total amount of the debt to the Ministry of Finance of the Russian Federation (Vneshekonombank acting as the agent) was 150 (137 in the year 2008), including the short-term part of the principal amount of the loan – 41 (37 in the year 2008) and the interest rate to be written off on the conditions of the agreement in 2011, 9 (5 in the year 2008). The said debt is to be repaid until 2011 and was reflected in the financial statements at depreciated cost using the effective rate of 7.00%. This credit is secured with a pledge of fixed assets with the book value of 203 (224 in the year 2008)

ING Bank (Eurasia) CJSC

As of 31st December 2008 the Company's short-term debt to ING Bank (Eurasia) CJSC was the debt under the Loan Agreement in the form of a closed-end credit line all in all worth of 500 received on 23rd April 2007.

The agreement expires on 23rd October 2009. The interest rate under the agreement is set proceeding from the calculation of the margin amounting to 2.40% per annum and the three months' MosPrime rate and is to be revised every three months. Interest on the agreement is accrued and paid on the quarterly basis.

As of 30th September 2009 the debt under the principal amount was 0 (250 in the year 2008), including the short-term part of 63 (250 in the year 2008), interest debt of 2 (9 in the year 2008). The credit was provided without a security.

Sberbank of Russia OAO

As of 30th September 2009 the debt of the Company to OJSC Sberbank (Savings Bank) of Russia was represented by the debt under the following agreements of opening of an open-end credit line:

- agreement of 14th January 2009 to the total amount of 380, with the disbursement in tranches. The expiry date of the agreement is 13th July 2010. Interest on the agreement is accrued and paid on the monthly basis. The interest rate is 13.75 %.
- agreement of 27th January 2009 to the total amount of 385, with the disbursement in tranches. The expiry date of the agreement is 26th July 2010. Interest on the agreement is accrued and paid on the monthly basis. The interest rate is 13.75 %.
- agreement of 9th February 2009 to the total amount of 390, with the disbursement in tranches. The expiry date of the agreement is 6th August 2010. Interest on the agreement is accrued and paid on the monthly basis. The interest rate is 13.75 %.
- agreement of 14th October 2009 for the total amount of 75 received in tranches in 2004. The agreement expires on 13th October 2009. The interest rate is 7.75 %.
- agreement of 15th October 2004 for the total amount of 500 received in tranches in 2004 – 2005. The agreement expires on 14th October 2009. The interest rate is 7.75%.
- agreement of 24th October 2004 for the total amount of 225 received in tranches in 2004 – 2005. The agreement expires on 22nd December 2009. The interest rate is 7.75%.

As of 30th September 2009 the debt under the principal amount was 184 (178 in the year 2008), including the short-term part of 184 (178 in the year 2008), interest debt of 1 (0.3 in the year 2008). All the credits are collaterized with fixed assets.

CJSC Reiffeisen Bank

In January 2009 the remaining debt of the loan granted to the Company under the agreement of loan with CJSC Raiffeisenbank in the form of the closed-end credit line No. RBA/2741-spb-2 of 25.10.2006 was repaid ahead of schedule. The total amount of the agreement was 500 and the repayment date under the agreement is 26.10.09.

Citibank N.A.

In January 2009 the final repayment under the Agreement of Fixed-term Syndicated Lending of 25th December 2005 for 50 million euros was effected. Citibank International PLC was the Agent under the Agreement (Citibank N.A. was the arranger). 5,555,555.53 euros of the principal amount were repaid and 18,209.88 euros of the interest (for the last period) were paid.

Restrictions Related to Received Credits and Loans

The terms of the current agreements of loan provide for the following restrictions for the activities of the Company:

reservations that may result in early repayment of the debt:

The terms of some agreements of credits and loans impose on the Company obligations of observing certain indices of financial performance.

In compliance with the agreements of fixed-term syndicated lending of 19th July 2007 for 100 million US dollars and of 6th November 2008 for 150 million US dollars, under which Bayerische Hypo- und Vereinsbank AG London Branch acts as the Agent, the Company undertakes to maintain the following financial indicators (calculated on the basis of the financial statements for each 1st half of the year and on the basis of the result of the year made up according to the International Financial Reporting Standards):

- the ratio of the total amount of borrowed funds to EBIDTA must not exceed 3:1;
- the ratio of EBIDTA to expenses for interest payment must not exceed 4:1;
- the net amount of borrowed funds to net capitalization must not exceed 1.

EBITDA is calculated as follows: total consolidated profit for the current year + financial expenses + profit tax + profit (loss) from interest in associated companies, except for dividends received in the monetary form + extraordinary and exceptional expenses - profit for the current year belonging to minority shareholders of subsidiaries + wear and depreciation.

Credit agreement with ING Bank (Eurasia) CJSC:

- All or a significant part (over 15.00% of the total volume) of the property, liabilities or assets of the Company are subject to a penalty or seizure, or a party, in whose favour an incumbrance has been created, takes possession of them;
- The Company takes a decision (or other measures are taken or court proceedings are initiated) to dissolve or liquidate it, to introduce trusteeship or examinership, or to compromise with its creditors or to appoint a liquidator, external administrator, interim receiver or a similar official for the Company.

Credit agreements with OJSC Savings Bank of Russia:

- The amount of monthly receipts on the settlement account – not less than 1,100;
- The Company is declared insolvent (bankrupt), or a procedure of Company's bankruptcy is initiated by a third party;
- A decision is taken on re-organizing or winding up the Company;
- Security is lost;
- Legal actions or property claims against the Company for amounts over 5,170 thousand USD.

Liabilities to RF Ministry of Finance

- Reorganization of the Company, failure to fulfil the obligations under the agreement within a month (agreement on debt restructuring).

Restrictions on transactions

Agreements of syndicated fixed-term lending of 19th July 2007 for 100 million US dollars and of 6th November 2008 for 150 million US dollars, under which Bayerische Hypo- und Vereinsbank AG London Branch acts as the Agent:

- Sum total of assets sale transactions for a year < 10.00% of assets value for a year;
- Issued loans, sureties and guarantees < 10 million; Euros
- Dividend for a year < 100.00% of the year net profit;
- Newly created pledges or other kinds of liabilities security < 150 million USD.

In case of exceeding these restrictions, the Company must get a preliminary approval of the Principal Creditors. A preliminary approval of the Principal Creditors must also be obtained for reorganization of the Company (merger, affiliation, split or separation).

Credit agreement with ING Bank (Eurasia) CJSC:

- Dividend for a year < 100.00% of the year net profit;
- Issued loans, sureties and guarantees < 10 million; Euros
- Consolidation, take-over or merger with any other party < 100 milion; Euros
- Sum total of assets sale transactions for a year < 10.00% of assets value for a year.

As of 30th September 2009, the **Company observed all the above terms.**

Bonded loans

Presented below is aggregated information on the bonded loans as of 30th September 2009 and 31st December 2008:

(in million RUR)

Loan ID (*name / No.*)	Effective interest rate	30th September 2009		31st December 2008		Repayment date	Retirement procedure	Offer day	Coupon interest rate
		Long-term part	Short-term part	Long-term part	Short-term part				
4-03-00119-A (series 03 bonds)	8.6% per annum	1,200	1,800	3,000	-	24.02.2011	The face value of the bonds is retired in piece-meal on the following dates: -25.02.2010 30% -26.08.2010 30% -24.02.2011 40%	-	8.6% per annum
4-10-00119-A (series 04 bonds)	8.1% per annum	1,498	496	1,498	496	08.12.2011	The face value of the bonds is retired in piece-meal on the following dates: -10.12.2009 25% -09.12.2010 25% -08.12.2011 50%	-	8.1% per annum
4-05-00119-A (series 05 bonds)	15% per annum	-	2,995	2,995	-	21.05.2013	The face value of the bonds is retired in piece-meal on the following dates: - 22.05.2012 25%; - 20.11.2012 25% - 21.05.2013 50%	01.06. 2010	3M MOSPRIME + 2.12% per annum, however, not higher than the limit rate of 15% per annum
4-06-00119-A (series 06 bonds)	11.7% per annum	2,989	-	-	-	24.07.2019	The face value of the bonds is retired in piece-meal on the following dates: - 26.07.2017 30% - 25.07.2018 30% - 24.07.2019 50%	09.08. 2011	11.7% per annum
Total		**5,687**	**5,291**	**7493**	**496**				

(in million RUR)

The change of the debt under bonds is presented below:

Bonds as of 31st December 2007	**4,992**
Issue of the 5th bonded loan	3,000
Expenses for organization and floatation	(5)
Depreciation of the expenses for organization and floatation	2
Bonds as of 31st December 2008	**7,989**
Issue of the 6th bonded loan	3,000
Expenses for organization and floatation	(11)
Depreciation of the expenses for organization and floatation	-
Bonds as of 30th September 2009	**10,978**

As of 30th September 2009 the amount of the bonds was 10,978. Depreciation of the expenses for organization and floatation for the reporting period was less than 1.

For the 9 months of 2009, bonds of the 3rd, 4th, 5th and 6th bonded loans were in circulation.

Loan ID	Market value of bonded loans according to MICEX as of the date closest to the end of the period (30th September 2009)
4-03-00119-A (series 03 bonds)	97.60% (as of 29.09.2009)
4-10-00119-A (series 04 bonds)	95.35% (as of 30.09.2009)
4-05-00119-A (series 05 bonds)	100.80% (as of 29.09.2009)
4-06-00119-A (series 06 bonds)	101.50% (as of 28.09.2009)

In December 2004 the Company had registered an issue of 3,000,000 documentary coupon bonds with the face value of 1,000 RUR each with 24 interest-bearing coupons, with payment every 91 days, starting from the 91st day from the day of the start of bonds floatation. The interest rate for the coupons from 1 through 12 has been established in the amount of 9.25% per annum. The interest rates for coupons from 13 through 24 have been establishes by the decision of the Company's Board of Directors on 11th February 2008 in the amount of 8.60% per annum. The bonds' maturity date is scheduled for February 2011, 2184 days after the floatation start date. The face value of the bonds is retired by piece-meal on the following dates: 30.00% of the face value- on 25th February 2010, 30.00% of the face value– on 26th August 2010, 40.00% of the face value is to be retired on 24th February 2011.

In 9 months of the year 2009 the Company fulfilled its obligations to pay the coupon return on Coupons 16, 17 and 18 in full, at the rate of 8.6% per annum, in the amount of 64 each. The size of coupon return on one bond was RUR 21.44 for the each coupon for Coupons 16, 17 and 18. The obligation was fully executed within the time provided for by the Decision on Securities Issue and the Offering Circular.

As of 30th September 2009 the outstanding balance of the loan was 3,000 and was shown within the long-term loan obligations in the amount of 1,200 and short-term loan obligations amounting to 1,800. As of 31st December 2008, the outstanding balance of the loan was 3,000 and was shown within long-term loan obligations. The accrued interest amounted to 24 (24 in the year 2008).

In October 2006 the Company had registered an 4th issue of 2,000,000 interest-bearing documentary bonds with the face value of 1,000 RUR each with 20 coupons, with payment every 91 days, starting from the 91st day from the day of the start of bonds floatation. The coupon interest rate has been established in the amount of 8.10% per annum. The face value of the bonds is retired by piece-meal on the following dates: 25.00% of the face value – on 10th December 2009, 25.00% of the face value – on 09th December 2010, 50.00% of the face value is to be retired on 08th December 2011.

The issued bonds do not provide for offers, which would allow the bond holders to present them to the Company on appointed dates, within 12 months from the reporting date. According to the Decision on Issue and the Offering Circular, Bonds may be retired ahead of schedule, if the Company wishes so, on the 728th day from the starting date of floatation (11th December 2008), and the amount of bonus to be paid in case of early retirement will be 20 RUR per bond. The Company did not use this possibility.

In 9 months of the year 2009 the Company fulfilled its obligations to pay the coupon return on Coupons 9, 10 and 11 in full, at the rate of 8.1% per annum, in the amount of 40 each. The size of coupon return on one bond was RUR 20.19 for the each coupon for Coupons 9, 10 and 11. The obligation was fully executed within the time provided for by the Decision on Securities Issue and the Offering Circular.

As of 30th September 2009, the outstanding balance of the loan was 1,994 (1,994 in the year 2008), including bonds worth of 1,498 (1,498 in the year 2008) shown within long-term loan obligations and 496 (496 in the year 2008) shown within the current part of the long-term loan obligations. The accrued interest amounted to 13 (12 in the year 2008).

In October 2007 the Company had registered an 5th issue of 3,000,000 interest-bearing documentary bonds with the face value of 1,000 RUR each with 20 coupons, with payment every 91 days, starting from the 91st day from the day of the start of bonds floatation. According to the terms of the loan, bond holders may present the bonds for early retirement in June 2010 at face value. The first coupon interest rate was defined as the sum of two components: the MosPrime Rate for three months set on the last business day before the issue floatation starting date, and the premium on the MosPrime Rate for three months, making 8.40% per annum. The Coupon 2 to 20 rate will be the MosPrime Rate value for three months plus the Premium, but not to exceed the Limit Rate, which is 15.00%.

The face value of the bonds is retired by piece-meal on the following dates: 25.00% of the face value – on 22nd May 2012, 25.00% of the face value – on 20th November 2012, 50.00% of the face value is to be retired on 21st May 2013.

According to the terms of the loan, bonds may be retired ahead of schedule, if the Company wishes so, on any of the coupon payment dates within the period from the 728th till the 1729th day from the starting date of floatation, and the amount of bonus to be paid in case of early retirement will be 2.5 RUR per bond. The issued bonds do not provide for offers, which would allow the bond holders to present them to the Company on appointed dates, within 12 months from the reporting date.

In 9 months of the year 2009 the Company fulfilled its obligations to pay the coupon return on Coupons 3, 4 and 5 in full, at the rate of 15% per annum, in the amount of 112 each. The size of coupon return on one bond was RUR 37.4 for the each coupon for Coupons 3, 4 and 5 (the coupon interest rate is equal to the limit rate, which is 15% per annum).

As of 30th September 2009, the outstanding balance of the loan was 2,995 (2,995 in the year 2008) and was shown within the short-term loan obligations. The accrued interest amounted to 40 (44 in the year 2008).

In October 2008 the Company had registered an issue of 3,000,000 series 06 documentary interest-bearing bonds payable to bearer, with the face value of 1,000 (one thousand) RUR each. The Bonds have 40 coupons. Payments for the 1st coupon are effected on the 91st day from the day of the Bonds floatation start, and other coupon payments are effected on each 91st day. The coupon interest rate is determined according to the results of the auction held at the CJSC MICEX Stock Exchange. The face value of the bonds is retired by piece-meal on the following dates: 30% of the face value on the 2912th day after the date of floatation, 30% of the face value on the 3276th day after the date of floatation, 40% of the face value on the 3640th day after the date of floatation.

According to the terms of the loan, bonds may be retired ahead of schedule, if the Company wishes so, on any of the coupon payment dates within the period from the 1092nd till the 2184th day from the starting date of floatation, and the amount of bonus to be paid in case of early retirement will be 2.5 RUR per bond.

(in million RUR)

As of 30th September 2009, the outstanding balance of the loan was 2,989 and was shown within the long-term loan obligations. The accrued interest amounted to 54.

In March 2009 the Board of Directors approved the decision on flotation through public subscription of the 4,000,000 series 01, 02, 03, 04 interest-bearing documentary non-convertible exchange-traded bonds payable to bearer with the obligatory centralized care, with the face value of 1,000 RUR each, with the total face value of 4,000 RUR.

The floatation price of one exchange-traded bond is set equal to the face value and makes 1,000 RUR. The exchange-traded Bonds have 12 coupons. Payments for the 1st coupon are effected on the 91st day from the day of the Bonds floatation start, and other coupon payments are effected on each 91st day. Exchange-traded bonds shall be retired on the 1092nd day from the floatation starting date. If so decided by the Company, premature retirement or partial premature retirement may be provided. Exchange-traded bonds may be prematurely retired by request of their owners if the Company's shares and bonds of all categories and types are deleted from the list of securities admitted for trading at all stock exchanges that admitted exchange-traded bonds for trading (except for cases of bond delisting due to expiry of their floatation period or due to their retirement.)

In May 2009 MICEX Stock Exchange CJSC took a decision to admit the exchange-traded bonds floatation. The decision on bonds floatation was not taken.

Note loans

In the period from 2000 to 2003 the Company issued promissory notes for the purpose of funding the current activities and restructuring the liabilities. The issued promissory notes are recorded at depreciated value.

Commercial loans

In April 2002 the Company entered into a contract of technical equipment delivery, quantum, with LLC Kvant-Intercom. The currency of the contract is the US dollar. As of 30th September 2009 the long-term debt under the contract was 1. No interest is provided for or accrues under the Contract. The debt is repaid according to the schedule, the final debt repayment date being 20th July 2011.

Liabilities under financial lease

	30th September 2009		31st December 2008	
	Minimum rent payments	**Discounted value of minimum rent payments**	**Minimum rent payments**	**Discounted value of minimum rent payments**
Current part (less than 1 year)	21	15	13	12
Over 1 year and up to 5 years	24	21	-	-
Total	45	36	13	12

In 2009 Company's main lessors were OJSC RTK-Leasing and OJSC VTB-Leasing. The effective interest rate under the said liabilities was 11% to 31% per annum in 9 months of the year 2009.

OJSC "RTC-Leasing" purchases telecommunication equipment from domestic and foreign suppliers and leases the equipment. Future minimum lease payments under the contracts with OJSC RTK-Leasing as of 30th September 2009 were 0 (11 in the year 2008).

The transport facilities acquired under the contract of leasing with OJSC VTB-Leasing are used for providing the all-in-one communication service. Future minimum lease payments under the contracts with OJSC VTB-Leasing as of 30th September 2009 were 36, including the principal debt amount of 28 and the interest payable of 8.

As of 30th September 2009 liabilities under financial lease contracts were expressed in RUR.

(in million RUR)

20. Pension and long-term social liabilities

In compliance with the collective agreement, the Group provides a non-government pension to the employees and makes other social payments to the current and former employees of the Group. The activities related to non-government provision of pensions are dealt with by the Telecom-Soyuz non-government pension fund, which is a related party of the Group (Note 39).

As of 30th September 2009 the Group had 13,896 participants of the pension plan with fixed fees and pays (14,086 as of 31st December 2008) For 9 months of 2009 the expenses of the Group for contributions to the pension fund in respect of the pension plans with fixed fees and pays amounted to 174.

Pension plans with fixed pays are used for most of the participants. A pension plan with fixed pays provides for retirement and disability pension provision. A condition of the base non-government retirement pension provision is reaching the age, which entitles a person to a state retirement pension – at the moment it is 55 years of age for women and 60 years for men, besides, a person must have the required length of service.

The benefits are based on a formula defined to all regional branch of the Company. According to the formula the benefits depend on the number of parameters, including the relative pay of participants and their past service in the Group at retirement.

The activities related to non-government provision of pensions according to pension plans with fixed pays are also dealt with by the Telecom-Soyuz non-government pension fund.

Apart from that, the Group has a number of long-term social liabilities related to pays to employees, including lumpsum retirement pays, jubilee pays, death benefits to the current and former employees and other benefits to former employees.

As of 30th September 2009 the Group had 13,896 working participants of the pension plan with fixed pays and 16,566 pensioners entitled to remuneration upon completion of their labour activities and to a pension benefit (14,086 and 13,344 respectively as of 31st December 2008).

The expenses under plans with fixed pays, except for the amounts of interest income and expenses were included in the line "Staff Costs" of the consolidated profit and loss report. The amounts of interest income and expenses were included respectively in the lines "Other Financial and Investment Operation Income and Expenses" and "Financial Expenses" of the consolidated profit and loss report.

21. Other long-term liabilities

	30th September 2009	**31st December 2008**
Deferred income	289	303
Long-term advances received	49	55
Total	**338**	**358**

22. Reserves

The Company created a reserve for paying compensations (in the amount of 7) to the employees who had been notified as of 31st December 2008 on the forthcoming reduction of the staff. The part of the reserve used in the 9 months of 2009 amounted to 6 (unused money of 30 was restored in 2008). As of 30th September 2009 the unused balance of the reserve was 1 (7 as of 31st December 2008).

(in million RUR)

23. Accounts payable and charged liabilities

	30th September 2009	31st December 2008
Taxes, fees and obligatory social insurance settlements	872	517
Settlements with suppliers and contractors in respect of current activities	505	364
Settlements with personnel	450	856
Settlements with brokers and principals	310	355
Dividend payments	291	69
Settlements with suppliers and contractors in respect of acquisition and construction of fixed assets	251	1,442
Settlements with communication operators	169	218
Settlements with suppliers and contractors in respect of acquisition of software	66	214
Settlements with other creditors	223	246
Total	**3,137**	**4,281**

Taxes, fees and obligatory social insurance settlements as of 30th September 2009 and 31st December 2008 include:

	30th September 2009	31st December 2008
Value added tax	482	19
Property tax	206	191
Single social tax	125	222
Tax on income of individuals	54	80
Other taxes	5	5
Total	**872**	**517**

Settlements with other creditors include the all-in-one service reserve deduction debt, insurance settlements, settlements with the trade union, and settlements with operators under contracts of assistance.

24. Other current liabilities

	30th September 2009	31st December 2008
Deferred income	9	11
Advances received for primary business	336	408
Advances received for secondary activities	62	101
Total	**407**	**520**

(in million RUR)

25. Receipts from sales

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Intra-zonal telephone access	626	1,896	2,417
Local telephone access	3,337	9,994	12,884
Telegraph network services, data transmission networks and telematic services (Internet)	1,390	4,024	4,631
Interconnect services	621	1,934	3,027
Assistance and agency services	149	485	712
Mobile radio communication services, wired radio services, broadcasting and television services	98	297	417
Income from other sales	394	1,020	1,088
Total	**6,615**	**19,650**	**25,176**

Income from local and intrazone telephone communication services includes receipts from provision of communication channels of 500 and 115 respectively (458 and 183 in the year 2008).

Income from telegraph network services, data transmission networks and telematic services (Internet) includes receipts from data transmission networks and telematic services (Internet) of 3,876 (4,433 in the year 2008).

Income from other sales includes receipts from leasing out the Company's assets of 537 (932 in the year 2008).

The Group identifies income from sales by the following major customer groups:

By buyers groups	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Individuals	3,572	10,516	12,937
Corporate customers	1,488	4,816	6,276
Government customers	580	1,717	2,202
Communication operators	975	2,601	3,761
Total	**6,615**	**19,650**	**25,176**

26. Expenses for the personnel

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Expenses for wages	1,317	4,273	6,206
Single social tax	303	1,066	1,386
Expences for pension and long-term social liabilities	47	194	258
Other expenses for the personnel	110	292	371
Total expenses for the personnel	**1,777**	**5,825**	**8,221**

(in million RUR)

Other expenses for the personnel mainly include voluntary medical and other insurance in favour of employees, payments under the collective agreement and employment contracts.

27. Materials, repairs and maintenance, utilities

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Expences for repairs and maintenance	771	1,652	1,590
Expences for materials	319	784	1,009
Expenses for public utilities	155	612	700
Total	**1,245**	**3,048**	**3,299**

28. Other operating income

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Indemnification for losses related to universal communication services provision	1,244	2,995	2,382
Profit from sale of fixed assets and other assets	37	49	36
Fines, penalties, forfeits	-	3	15
Restoration of reserve for doubtful debts	-	-	23
Other income	-	81	131
Total	**1,281**	**3,128**	**2,587**

For 9 months of 2009, in compliance with the terms of the contracts of the terms of providing all-in-one communication services with the Federal Communications Agency, the Company received from the All-in-one Servicing Reserve a compensation for losses inflicted by the provision of all-in-one communication services in the following amounts:

- 1,614 for services provided in the current year (1,362 in 9 months of 2008);
- 1,018 for services provided in the previous year (222 in 9 months of 2008);

As of 30th September 2009 the Company received losses indemnification funds for the 1st and 2nd quarters of 2009; the documents for losses indemnification for the 3rd quarter of 2009 were sent to Rossvyaz in November 2009. The Company expects that the losses indemnification funds for the 3rd quarter of 2009 will be received before the year 2009 expires.

(in million RUR)

29. Other operating expenses

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Taxes other than profit tax	222	666	769
Expenses for the agent's fee	156	446	556
Services of outside organizations and expenses related to the management	124	344	521
Expenses for security and fire protection services	109	325	425
Expenses for property leasing	97	239	280
Transportation and post services	73	209	268
Deductions to Universal services reserve	64	189	234
Expenses for audit and consulting services	55	146	235
Doubtful debt reserve	69	132	-
Expenses for advertising	19	98	237
Membership fees, charity and funds transferred to trade union organizations	16	53	155
Expenses for credit organizations services	13	41	58
Remuneration paid to Board of Directors, Management Board	14	40	87
Property insurance	4	13	17
Fines, penalties, forfeits	1	2	2
Expenses related to the Nonprofit Partnership	-	-	109
Other expenses	50	125	276
Total	**1,086**	**3,068**	**4,229**

Other expenses mainly include expenses for social needs, as well as other operating expenses.

30. Financial expenses

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Interest expenses under bank credits and loans of organizations, bonded loans, acceptance loans and commercial credits	311	886	877
Interest expenses for pension and long-term social liabilities	58	174	162
Expenses for financial liabilities servicing	1	11	4
Expenses under finance lease	3	8	23
Total	**373**	**1,079**	**1,066**

(in million RUR)

The capitalized interest for 9 months of 2009 and 2008 amounted to:

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Interest capitalized to the value of fixed assets	34	119	95
Interest capitalized to the value of intangible assets	-	5	10
Total	**34**	**124**	**105**

31. Other profit and loss from financial and investment operation

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Interest income on financial assets	97	127	314
Interest income on pension plan assets	-	2	-
Dividend income	-	-	1
Profit from sale of the share in associated companies	-	-	*219*
Medexpress ICJSC	-	-	219
Inefficient part of hedging operation	134	135	(9)
Other	(2)	13	34
Total	**229**	**277**	**559**

32. Profit Tax

The Federal Law of 26th November 2008 No. 224-FZ introduced amendments to the tax legislation that provide for a reduction of the profit tax rate from 24.00% to 20.00% starting from 1st January 2009.

The profit tax for the periods that expired on 30th September 2009 and 31st December 2008 included:

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2009
Current income tax expense	238	381	950
Current profit tax adjustments for the previous years	-	-	(56)
Deferred expenses (income) in respect of the income tax	27	267	(107)
Total income tax expense	**265**	**648**	**787**

In 2009, in compliance with article 11-4 of the Law of St. Petersburg of 14th June 1995 No. 81-11 "On Tax Privileges", the Group exercised its right of applying a lower rate of profit tax (13.50% instead of 17.50%) transferred to the budget of St. Petersburg

(in million RUR)

A reconciliation of the theoretical tax charge to the actual income tax charge is as follows:

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2009
Income before taxes	1,261	2,863	3,348
Statutory income tax rate	20%	20%	24%
Theoretical value of income tax rate	**253**	**573**	**804**
Increase (decrease) resulting from the effect of :			
Changes related to the change of the profit tax rate	-	-	(230)
Current profit tax adjustments for the previous years	-	-	(56)
Expenses not deductible for tax purposes	56	115	299
Expected dividends from subsidiaries	-	-	(6)
Effect from the profit tax privilege	(15)	(34)	(42)
Other	(29)	(6)	18
Total income tax charge for the year at the effective rate of 23% (24% in 2008)	**265**	**648**	**787**

An explanation of the amounts of deferred tax assets and liabilities as of 30th September 2009 and 31st December 2008, as well as their flow for the 9 months of 2009 and 2008, is presented below:

	31st December 2008	Changes during 2009 recognized within the profit for the reporting period	30th September 2009
Tax effect of deferred tax assets:			
Accounts payable and charged liabilities	102	(29)	73
Accounts receivable	20	9	29
Pension obligations	253	(1)	252
Finance leases	14	5	19
Total deferred tax assets	**389**	**(16)**	**373**
Tax effect of deferred tax liabilities:			
Fixed assets	(1,210)	(195)	(1,405)
Investments in associates and other financial investments	(7)	7	-
Intangible Assets	(246)	(68)	(314)
Dividend from subsidiaries	(5)	5	-
Total deferred tax liabilities	**(1,468)**	**(251)**	**(1,719)**

	31st December 2007	Changes during 2008 recognized within: the equity capital	Changes during 2008 recognized within: profit for the period under report	Changes related to the change of the profit tax rate	31st December 2008
Tax effect of deferred tax assets:					
Accounts payable and charged liabilities	208	-	(128)	22	102
Accounts receivable	41	-	(21)	-	20
Pension obligations	243	-	(44)	54	253
Finance leases	32	-	(21)	3	14
Total deferred tax assets	**524**	**-**	**(214)**	**79**	**389**
Tax effect of deferred tax liabilities:					
Fixed assets	(1,417)	-	464	(257)	(1,210)
Investments in associates and other financial investments	(56)	48	1	-	(7)
Intangible Assets	(274)	-	80	(52)	(246)
Dividend from subsidiaries	(11)	-	6	-	(5)
Total deferred tax liabilities	**(1,758)**	**48**	**551**	**(309)**	**(1,468)**

33. Profit (loss) per share

The Group has no financial instruments convertible into common shares, respectively, the diluted profit per share is equal to the base profit per share.

	For the 3 months ended on 30th September 2009	For the 9 months ended on 30th September 2009	For the year ended on 31st December 2008
Profit (loss) for the period under report related to shareholders of the parent company	996	2,215	2,561
Weighted average number of common shares and other equity instruments participating in the profit, in circulation	1,131	1,131	1,131
Adjusted for weighted average number of own redeemed shares (million)	(6)	(6)	(6)
Base and watered profit/(loss) per share related to parent company shareholders for the period under report (in RUR)	**0.88**	**1.95**	**2.28**

34. Dividends Declared and Proposed for Distribution

In June 2009 payment of the dividends for the year that ended on 31st December 2008 was announced in compliance with the respective decision of the general meeting of the shareholders.

The amount of dividend to be paid amounted to:

Shares	Number of shares (pcs.)	Dividend per share (RUR)	Total amount of dividend (RUR)
for 2008			
Preferred shares	250,369,337	1.281	320,723,121
Common shares	881,045,433	0.617	543,605,032
Total	**1,131,414,770**	**-**	**864,328,153**

(in million RUR)

The amount of the dividends paid in 2009 for the year that ended on 31st December 2008 was 684.

The amount of the dividend to be paid to the shareholders is approved by the annual general meeting of the shareholders upon recommendation of the Board of Directors. The profit allocated for the payment of dividends is confined to OJSC NWT's profit determined in compliance with the Federal Law *On Joint-stock Companies* on the basis of accounts and reports made up in accordance with the Federal Law *On Accounting* and the Russian accounting standards.

35. Operation Lease

As of 30th September 2009 and 31st December 2008 the minimum rent payments under contracts of operating lease where the Company is the lessee were distributed by the years of payment as follows:

	30th September 2009	31st December 2008
	Minimum rent payments	Minimum rent payments
Current part (less than 1 year)	452	422
Over 1 year and up to 5 years	409	346
Over 5 years	1,263	1,201
Total	**2,124**	**1,969**

The amount of Group's expenses related to operating property lease and recorded in the line "Other operating expenses" and the line "Expenses related to services of communication operators" of the consolidated profit and loss report amounted to 431 for the 9 months of 2009 (553 for the year 2008).

As of 30th September 2009 and 31st December 2008 the minimum rent payments under contracts of operating lease where the Group is the lessor were distributed by the years of payment as follows:

	30th September 2009	31st December 2008
	Minimum rent payments	Minimum rent payments
Current part (less than 1 year)	215	289
Over 1 year and up to 5 years	169	160
Over 5 years	511	231
Total	**895**	**680**

The principal operating lease contracts are the contracts of the lease of land plots and premises and provision of communication channels for use.

The amount of Group's proceeds related to operating lease and recorded in the line "Proceeds from sales" of the consolidated profit and loss report amounted to 537 for the 9 months of 2009 (932 for the year 2008).

36. Contingent Liabilities and Operating Risks

Operating Environment of the Group

Russia is continuing the economic reform and developing a legal, tax, and administrative infrastructure that would meet the market economy requirements. The Russian economy's stability will greatly depend on the progress of the reform, and on efficiency of the Government's actions in the domain of economy and financial, monetary, and crediting policy.

The Russian economy is affected by market fluctuations and lower development rates of the world economy. The continuing world financial crisis has brought about instability on the capital markets, a material decline in marketability in the banking sector, and tougher crediting terms inside Russia. Despite the stabilization efforts by the Russian Federation Government to ensure marketability and refinancing of foreign loans of Russian banks and companies, there is uncertainty as to accessibility of capital sources and the price of capital for the Group and its partners. This in its turn may affect the Group's financial standing, transaction results, and economic prospects.

The Group's Management believes that it takes all necessary actions to maintain the Group's economic stability in the current environment. However, further aggravation of the situation in the above-described sectors may adversely affect the Group's results and financial standing. At the moment it cannot be determined what exactly that influence could be.

Taxation

As of 30th September 2009, the Group's management believes that its interpretation of the relevant legislation is appropriate on the whole and that it is most likely that the Group's tax, currency and customs positions will be sustained. At the same time, based on the results of the tax inspections of the Group and other companies of the OJSC Svyazinvest group that have been carried out recently, the management of the Group assumes that there is a risk of tax authorities lodging significant tax claims against the Group in respect of issues for which the tax legislation may be interpreted in different ways, among other things, the issues of determining the proceeds under contracts of interconnection and traffic transmission. It does not seem possible to determine the amounts of claims for possible risks that, however, have not been presented, or to evaluate the probability of an adverse outcome.

The financial accounts and reports as of 30th September 2009 do not contain any adjustments, the need in which might result from such uncertainties and positions taken by the Group.

Insurance

During 9 months of 2009, the Group did not maintain insurance coverage on a significant part of its fixed assets, business interruption losses, or third party liability in respect of property or environmental damage arising from accidents relating to the Group's property or the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that losses resulting from destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Legal Proceeding and Determination of Consequences

During 9 months 2009 the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

In 2008 and during 9 months of 2009 two interrelated legal processes were held in the Court of Arbitration of St. Petersburg and Leningrad Oblast:

1) The legal process based on the petition of OJSC NWT for recognizing as invalid the decision and the order of the Board of the Federal Antimonopoly Service for St. Petersburg and Leningrad Oblast (hereinafter referred to as "UFAS for SPb and LO") as to terminating the abuse of the dominating position in the market of local

telephone communication services and granting the right of choosing a procedure of payment for local telephone communication services that would be convenient for the resident subscribers.

The decision of UFAS for SPb and LO and the order issued on the basis of it have been recognized unlawful by the resolution of the Court of Arbitration of St. Petersburg and Leningrad Oblast of 26th January 2009. UFAS for SPb and LO filed an appeal with the Thirteenth Court of Arbitration and Appeal, which decided to cancel the decision of the first instance on 18th May 2009. The management of OJSC NWT took a decision to appeal against the resolution of the appeal instance to the Federal Antimonopoly Service of the Northwestern District.

The Federal Court of Arbitration of the Northwestern District cancelled the Resolution of the Thirteenth Court of Arbitration and Appeal by its resolution of 18th August 2009 and upheld the Decision of the Court of Arbitration of St. Petersburg and Leningrad Oblast. Thus, the decision of UFAS for SPb and the order issued on its basis have been recognized unlawful.

2) The legal process on recognizing as unlawful the resolution of UFAS for SPb and LO as to exacting a fine of 43 from OJSC N.W. Telecom for an administrative offence – abuse of the dominating position in the market. In its decision dated 5th November 2009 the Court of Arbitration of St. Petersburg and Leningrad Oblast, invalidated and cancelled the resolution of the Federal Antimonopoly Service for St. Petersburg and Leningrad Region.

In October 2008 the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7 completed a field tax audit of the Company operation for the years 2005-2007, and in November 2008, based on the results of the audit, it took a Decision on Tax Liability of OJSC N.W. Telecom, according to which the Company was suggested to pay taxes, penalties and fines all in all amounting to 223. OJSC N.W. Telecom disputed the Decision of the Tax Authority on an Extra Charge of Taxes Penalties and Fines All in All Amounting to 222 and filed an appeal with the Federal Tax Service of Russia via the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7, and no response has been received to the appeal. In May 2009 the Company brought an action to the Moscow Court of Arbitration as to recognizing as invalid Decision No. 16 of 24th November 2008 of the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7.

On 10th July 2009 the Moscow Court of Arbitration took a Decision, according to which Decision No. 16 of 24th November 2008 of the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7 on Tax Liability of the Tax-payer for a Tax Violation was recognized invalid in respect of the disputed episodes. By its award dated 18th September 2009, the Ninth Arbitration Court of Appeal upheld the said Decision of the Court,

Besides, in April 2009 the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7 completed a desk tax audit of OJSC NWT on the basis of the adjusted VAT tax return for January 2006. Based on the results of the audit, a Decision was taken, according to which OJSC N.W. Telecom was suggested to reduce the value added tax presented for indemnification from the budget in the total amount of 88.

In May 2009 the Company filed an appeal to the superior tax authority. No response has been received to the appeal. The Company is applied to the Court of Arbitration of Moscow in September 2009.

According to the management, the Group has sufficient arguments for successfully disputing the actions of tax authorities in the court. For this reason, the Group did not show in the reports as of 30th September 2009 the contingent liability in respect of the above results of the tax audits.

Licenses

Substantially all of the Group's revenues are derived from operations conducted pursuant to licenses granted by the Ministry of the Russian Federation for Communication and Informatization. The validity periods of the basic operating licenses and additional licenses expire in the period from 2009 till 2029. Suspension of the validity of the basic licenses for the provision of services in the field of communications or impossibility to prolong some or all licenses may have a material adverse effect on the results of the financial standing and the results of the financial and economic activities of the Group.

The Company has regularly prolonged the validity periods of licenses, and the management of the Group believes that the available licenses will be prolonged in the future, too, without extra expenses in the course of the normal business operations.

The Group does not intend to obtain new licenses or to extend its other available licenses in 2009.

The Government of the Russian Federation is liberalizing the telecommunications industry and issuing in this context additional licenses to alternative operators for the provision of communication services. It is probable that the aggravation of the competition will considerably influence the results of the financial and business activities or the cash flows of the Group in the future periods, however, at the moment the effect cannot be determined reliably.

37. Financial instruments and risk management

The basic financial instruments of the Group include bank credits, bonded loans, acceptance loans, financial lease (leasing), cash and cash equivalents. The main purpose of these instruments is to attract funding of Company's operations. Besides, short-term deposits are actively used as a financial instrument for placing free monetary funds. The Group has other financial assets and liabilities, such as the trade accounts receivable and accounts payable, which arise directly in the course of its operating activities.

Policy in the field of capital management

The main goals of the Group's capital management policy are to improve the level of the credit rating, to improve the ratios of financial independence and liquidity, to improve the structure of accounts payable and to reduce the cost of borrowed capital.

The basic methods of capital structure management are profit maximization, investment programme management, sale of assets for reducing the debt load, borrowed capital amount management, debt portfolio restructuring and the use of various classes of borrowed funds.

The Group monitors and manages the borrowed capital using the financial independence ratios and the indicators "net debt / equity capital" and "net debt / EBITDA".

The financial independence ratio is calculated as the ratio of equity to total assets as of the end of the period. The "net debt / equity capital" indicator is calculated as the ratio of the net debt to the equity as of the end of the period. The "net debt / EBITDA" indicator is calculated as the ratio of the net debt as of the end of the period to the EBITDA indicator for the past period. The indicators used in capital management are determined on the basis of the accounting data made up according to the Russian Accounting Standards.

The Groups's policy consists in maintaining the financial independence ratio in the range not lower than 0.55; the "net debt / equity capital" indicator not higher than 1; the "net debt / EBITDA" indicator not higher than 1.80.

(in million RUR)

As of 30th September 2009 and 2008 the values of the indicators used in the capital management amounted to:

	2009	2008
Financial independence ratio	0.59	0.58
"Net debt / equity capital"	0.54	0.50
"Net debt / EBITDA"	1.78	1.60

As of the reporting date, the national and international currency credit ratings of the Company were confirmed by the "Standard & Poor's" and "Fitch Ratings" rating agencies at the BB-/stable level (BB-/stable as of 30th September 2008). In the framework of its capital management policy, the Company aspires at maintaining the current credit ratings and increasing it to the BB+/stable level.

Income and expenses related to financial instruments

For the 9 months ended on 30th September 2009	Profits and Losses Report						
	Other operating income	Financial expenses	Other income and expenses			Profit / loss due to exchange rate differences	Total
	Doubtful debt reserves	Interest expenses	Interest income	Inefficient part of hedging	Other income / expenses		
Cash and cash equivalents	-	-	-	-	-	86	86
Accounts receivable	(132)	-	-	-	-	-	(132)
Investment held to maturity	-	-	127	-	-	(29)	98
Total financial assets	**(132)**	**-**	**127**	**-**	**-**	**57**	**52**
Bank credits and loans of organizations	-	(484)	-	135	-	(761)	(1,110)
Bonded loans	-	(402)	-	-	-	-	(402)
Liabilities under financial lease	-	(8)	-	-	-	-	(8)
Accounts Payable	-	-	-	-	13	7	21
Total financial liabilities	**-**	**(894)**	**-**	**135**	**13**	**(753)**	**(1,499)**

(in million RUR)

For 2008	**Profits and Losses Report**										
	Other operating income	**Financial expenses**	**Other income and expenses**						**Capital Changes Report**		**Total**
	Restoration of reserve for doubtful debts	**Interest expenses**	**Interest income**	**Dividend income**	**Financial result from asset disposal**	**Inefficient part of hedging**	**Profit / loss due to exchange rate differences**	**Profit from derivative instruments fair value change**	**Reclassification of fair value change**	**Change in the fair value**	
Cash and cash equivalents	-	-	70	-	-	-	(22)	-	-	-	48
Accounts receivable	23	-	-	-	-	-	-	-	-	-	23
Financial assets available for sale.	-	-	-	1	219	(9)	-	-	-	(152)	59
Investment held to maturity	-	-	244	-	-	-	-	-	-	-	244
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2	-	-	2
Total financial assets	23	-	314	1	219	(9)	(22)	2	-	(152)	376
Bank loans	-	(368)	-	-	-	(11)	(721)	-	-	-	(1,100)
Bonded loans	-	(513)	-	-	-	-	-	-	-	-	(513)
Liabilities under financial lease	-	(23)	-	-	-	-	-	-	-	-	(23)
Accounts Payable	-		40	-	-	-	(11)	-	-	-	29
Total financial liabilities	-	(904)	40	-	-	(11)	(732)		-	-	(1,607)

(in million RUR)

Currency risk

Currency risk is the risk of an effect of a change in the currency exchange rate on the financial result and the cash flows of the Group. As a consequence, such changes will be reflected in respective items of the profit and loss report, balance sheet and/or cash flow report. Assets and liabilities expressed in a foreign currency show that there is a potential currency risk.

The financial assets and liabilities of the Group are distributed by the following types of currencies:

30th September 2009	**RUR**	**US dollars**	**Euros**	**Total**
Cash and cash equivalents	255	-	-	255
Accounts receivable	3,135	-	-	3,135
Financial assets available for sale.	21	-	-	21
Investment held to maturity	4,120	662	-	4,782
Issued loans	27	-	-	27
Total financial assets	**7,558**	**662**	**-**	**8,220**
Bank credits and loans of organizations	259	6,251	150	6,660
Bonded loans	10,978	-	-	10,978
Note loans	-	-	18	18
Commercial loans	1	-	-	1
Liabilities under financial lease	36	-	-	36
Interest debt	144	27	9	180
Other financial liabilities	-	351	-	351
Accounts Payable	2,241	-	-	2,241
Total financial liabilities	**13,659**	**6,629**	**177**	**20,465**

31st December 2008	**RUR**	**US dollars**	**Euros**	**Total**
Cash and cash equivalents	807	194	-	1,001
Accounts receivable	2,602	-	-	2,602
Financial assets available for sale.	21	-	-	21
Short-term investment	292	-	-	292
Issued loans	41	-	-	41
Other short-term financial assets	14	-	-	14
Other financial assets	11	-	-	11
Total financial assets	3,788	194	-	3,982
Bank loans	716	6,823	367	7,906
Bonded loans	7,989	-	-	7,989
Note loans	1	-	18	19
Commercial loans	1	-	-	1
Liabilities under financial lease	12	-	-	12
Interest debt	102	47	5	154
Other long-term loan liabilities	2	9	-	11
Accounts Payable	3,664	56	5	3,725
Total financial liabilities	12,487	6,935	395	19,817

For the period from 1st January 2009 till 30th September 2009 the Russian rouble to US dollar exchange rate decreased by approximately 2.38 % and the rouble to euro rate decreased by 6.23%.

(in million RUR)

An analysis of the sensitivity of profit before taxes to the currency risk is presented in the following table:

	US dollars			Euros		
	Change of the exchange rate, %	influence on profit before taxes: Million RUR	influence on profit before taxes: %	Change of the exchange rate, %	influence on profit before taxes: Million RUR	influence on profit before taxes: %
30th September 2009	+13.8	(719)	-25.11	+1.10	(2)	-0.06
	+31.8	(1,657)	-57.87	+18.30	(29)	-1.02
31st December 2008	+13.8	(923)	-28.11	+1.10	(4)	-0.13
	+31.8	(2,128)	-66.13	+18.30	(72)	-2.16

The calculation of possible fluctuations implies the probability of a considerable depreciation of the Russian rouble in 2009.

As an instrument used for partial management of the currency risk, the Group uses forward contracts (see the "Hedging" clause below).

Risk of interest rate changes

The risk of a change in interest rates is the risk that a change in the level of interest rates of financial instruments used by the Group will influence the financial result and the cash flows of the Group.

The Group's financial assets and liabilities are distributed by the nature of the interest rates related to them:

30th September 2009	**Fixed rate**	**Floating rate**	**Without rate**	**Total**
Cash and cash equivalents	5	-	250	255
Accounts receivable	-	-	3,135	3,135
Financial assets available for sale.	-	-	21	21
Investment held to maturity	4,782	-	-	4,782
Issued loans	2	-	25	27
Total financial assets	**4,789**	**-**	**3,431**	**8,220**
Bank credits and loans of organizations	347	6,313	-	6,660
Bonded loans	7,982	2,996	-	10,978
Note loans	18	-	-	18
Commercial loans	1	-	-	1
Liabilities under financial lease	36	-	-	36
Interest debt	-	-	180	180
Other financial liabilities	12	-	339	351
Accounts Payable	-	-	2,241	2,241
Total financial liabilities	**8,395**	**9,309**	**2,760**	**20,465**

(in million RUR)

31st December 2008	Fixed rate	Floating rate	Without rate	Total
Cash and cash equivalents	80	-	921	1,001
Accounts receivable	-	-	2,602	2,602
Financial assets available for sale.	-	-	21	21
Short-term investment	292	-	-	292
Issued loans	2	-	39	41
Other short-term financial assets	-	-	14	14
Other financial assets	-	-	11	11
Total financial assets	**374**	**-**	**3,608**	**3,982**
Bank credits and loans of organizations	317	7,589	-	7,906
Bonded loans	4,994	2,995	-	7,989
Note loans	19	-	-	19
Commercial loans	1	-	-	1
Liabilities under financial lease	12	-	-	12
Interest debt	-	-	154	154
Other long-term loan liabilities	11	-	-	11
Accounts Payable	-	-	3,725	3,725
Total financial liabilities	**5,354**	**10,584**	**3,879**	**19,817**

An analysis of the sensitivity of profit before taxes to the interest rate risk is presented in the following table:

	LIBOR			**Mosprime RZBM**		
	rate change, % points	**influence on profit before taxes**		**rate change, % points**	**influence on profit before taxes**	
		Million RUR	**%**		**Million RUR**	**%**
30th September 2009	+55	(34)	-1.20	+1.180	(360)	-12.6
	-55	34	1.20	-1.180	360	12.6
31st December 2008	+55	(38)	-1.88	+1.180	(417)	-12.60
	-55	38	1.88	-1.180	417	12.60

Our analysis has shown a low sensitivity of the amount of profit to the risk of interest rate change EURIBOR, the effect of interest rate fluctuations within ±30 base points on profit before taxes will amount to less than 1 (less than 1 in the year 2008).

Bank credits and loans of organizations implying dependence of the interest rate on the LIBOR rate are represented by borrowings in US dollars, those on the EURIBOR rate in euros and those on the Mosprime RZBM rate in RUR.

(in million RUR)

Liquidity risk

The Group monitors the risk of monetary funds shortage by planning the current liquidity. The Group aspires at maintaining a balance between the continuity and flexibility of funding by using bank overdrafts, bank credits, bonds, and financial lease.

The performance timing for the financial assets and liabilities of the Group are given in the table below:

		More than 1 year				
	Less than 1 year	**2010**	**2011**	**2012**	**2013 and later**	**Total**
Cash and cash equivalents	255	-	-	-	-	255
Accounts receivable	3,129	6	-	-	-	3,135
Financial assets available for sale.	21	-	-	-	-	21
Investment held to maturity	1,535	224	3,839	-	-	5,598
Issued loans	5	12	3	9	21	50
Total financial assets	**4,945**	**242**	**3,842**	**9**	**21**	**9,059**
Bank credits and loans of organizations	3,199	807	2,573	351	-	6,931
Bonded loans	5,604	1,600	6,105	743	462	14,515
Note loans	18	-	-	-	15	33
Commercial loans	1	-	-	-	-	1
Liabilities under financial lease	6	20	16	2	-	44
Interest debt	156	-	7	-	-	162
Other financial liabilities	2	-	-	-	-	2
Accounts Payable	2,241	-	-	-	-	2,241
Total financial liabilities	**11,227**	**2,427**	**8,701**	**1,096**	**477**	**23,929**

The data given in the table include payment of the interest that has already accrued or will accrue in the future periods.

Credit risk

Credit risk is the risk that counter-party will fail to discharge an obligation and cause the Group to incur a financial loss.

Financial assets, in respect of which the Group has a potential credit risk, are mainly accounts receivable of buyers and customers, money in banks, bank deposits and other debt financial assets.

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

The Group has no significant concentrations of credit risk due to significance and diversification of the client base and regular monitoring procedures over customers' and other debtors' solvency. Part of the Group's accounts receivable is represented by state and non-profit organizations.

Outstanding accounts receivable that have not been depreciated are presented below by the periods of delay:

30th September 2009		Periods of delay, days					
	TOTAL	**<30**	**30-60**	**60-90**	**90-180**	**180-360**	**>360**
Corporate customers	42	26	12	3	1	-	-
Individuals	80	59	14	4	3	-	-
Government customers	21	15	4	1	1	-	-
Communication operators	86	47	22	16	1	-	-
Total	229	147	52	24	6	-	-

(in million RUR)

31st December 2008	**Periods of delay, days**						
	TOTAL	**<30**	**30-60**	**60-90**	**90-180**	**180-360**	**>360**
Corporate customers	32	18	10	3	1	-	-
Individuals	49	35	9	3	2	-	-
Government customers	7	6	1	-	-	-	-
Communication operators	26	20	4	2	-	-	-
Total	114	79	24	8	3	-	-

The above accounts receivable were not depreciated taking into account the established practice of their payment.

Hedging

As a result of having the syndicated loans in a foreign currency (US dollars), the Group assumes the risk of an increase of the amount of payments in RUR under this liability with the growth of the US dollar-to-rouble exchange rate (opens a short position for this currency). To check and minimize the possible adverse effect from a fall in the exchange rate of the rouble to the currency, in which the syndicated loans are nominated, the Group took a decision on currency risks hedging (insurance).

The Group has used as a hedging instrument the delivery forward – a derivative, under which the Bank undertakes to transfer the underlying asset (US dollars) to the Group within the time set forth in the agreement or to execute an alternative monetary obligation, while the Group undertakes to accept and pay for such an underlying asset at the price (forward price) and on the conditions agreed upon between the parties at the moment of making the transaction.

The first phase of currency risk insurance (hedging) accomplished in 2009 included the hedging transaction signed with CJSC CB Citibank on 9th July 2009. The said transaction provides for hedging:

- under the syndicated loan of 100 million US dollars: tranche A – 25.00% of the debt, which makes 7.14 million US dollars; tranche B – 8.3% of the debt, which makes 3.85 million US dollars respectively;
- under the syndicated loan of 150 million US dollars: 25.00% of the debt, which makes 33.75 million US dollars,

and implies the delivery of currency (US dollars) at a single forward exchange rate of RUR 34.64/US dollar in compliance with the following schedule:

	2010	
	$100 million Contract	**$150 million Contract**
Hedging amount	10.99 million RUR	33.75 million RUR

As the second stage of insurance (hedging) of currency risks, on 21st July 2009 a hedging transaction was made with CJSC CB Citibank:

- under the syndicated loan of 100 million US dollars: tranche A – 25.00% of the debt, which makes 7.14 million US dollars; tranche B – 16.6 % of the debt, which makes 7.69 million US dollars respectively;
- under the syndicated loan of 150 million US dollars: 25.00% of the debt, which makes 33.75 million US dollars,

and implies the delivery of currency (US dollars) at a single forward exchange rate of RUR 35.41/US dollar:

	2010	
	$100 million Contract	**$150 million Contract**
Hedging amount	17.84 million RUR	33.75 million RUR

(in million RUR)

As of 30th September 2009 net debt under the syndicated loans amounted to:

Syndicated loan for $100 million

Million US dollars

	2009		**2010**		**2011**		**2012**	
	Tranche A	Tranche B	**Tranche A**	Tranche B	**Tranche A**	Tranche B	**Tranche A**	Tranche B
Debt balance under the syndicated loan	7.14	3.85	21.43	15.38	-	15.38	-	11.54
Principal debt hedging amount	-	-	14.29	11.54	-	-	-	-
"Net" debt (open foreign-currency position)	7.14	3.85	7.14	3.84	-	15.38	-	11.54

Syndicated loan for $150 million

Million US dollars

	2009	**2010**	**2011**	**2012**
Debt balance under the syndicated loan	-	67.5	67.5	-
Principal debt hedging amount	- -	67.5	-	-
"Net" debt (open foreign-currency position)	-	-	67.5	-

With the expected 16.5% change of the currency exchange rate, the net effect on the consolidated profit and loss report will be 604 in value terms.

Cash flows relate to unpaid loans and the hedged risk, therefore, they influence profit or loss in the period, in which the currency exchange rate changes. Thus, the amounts were not deferred or excluded from the hedging reserve in the equity capital.

The fair value of the forward contract defined as hedging amounted to 339 as of 30th September 2009, including the ineffective part of hedging recognized in the amount of 134 and shown in the line "Other Income and Expenses in Financial and Investment Activities" of the consolidated profit and loss report. The effective part of hedging amounted to 473 and is shown in the exchange rate difference as the compensation for the respective negative exchange rate difference under the unpaid loan.

Fair value of financial instruments

The financial instruments used by the Group belong to one of the following categories:

- Investments held-to-maturity (IHM);
- Financial assets available-for-sale (FAS);
- Financial assets evaluated at fair value through profit or loss (FAFVPL)
- Loans and accounts receivable (LAR);
- Liabilities shown at depreciated value (LDV).

(in million RUR)

As of 30th September 2009 and 31st December 2008 the fair and book value of the Group's financial instruments was:

	Category	30th September 2009		31st December 2008	
		Balance value	Fair value	Balance value	Fair value
Cash and cash equivalents	LAR	255	255	1,001	1,001
Accounts receivable	LAR	3,135	3,135	2,602	2,602
Financial assets available for sale.	FAS	21	21	21	21
Investment held to maturity	IHM	4,782	4,782	292	292
Issued loans	LAR	27	27	41	41
Other short-term financial assets	FAFVPL	-	-	14	14
Other financial assets	FAS	-	-	11	11
Total financial assets		**8,220**	**8,220**	**3,982**	**3,982**
Bank credits and loans of organizations	LDV	6,660	6,642	7,902	7,877
Bonded loans	LDV	10,978	10,904	7,989	7,736
Note loans	LDV	18	18	19	19
Commercial loans	LDV	1	1	1	1
Liabilities under financial lease	LDV	36	36	12	12
Interest debt	LDV	180	180	154	154
Other financial liabilities	LDV	351	351	11	11
Accounts Payable	LDV	2,241	2,241	3,725	3,725
Total financial liabilities		**20,465**	**20,373**	**19,813**	**19,535**

38. Commitments

As of 30th September 2009 and 31st December 2008 contractual liabilities of the Group under investments in upgrading and expansion of the network amounted to 227 and 926 respectively.

As of 30th September 2009 and 31st December 2008 contractual liabilities of the Group related to the acquisition of fixed assets amounted to 16 and 30 respectively

39. Balances and Transactions with Related Parties

For 9 months of 2009 no significant changes in the structure of related parties of the Group as compared to the structure of related parties as of 31st December 2008 took place.

OJSC Svyazinvest

OJSC Svyazinvest is an open joint stock company incorporated in accordance with the laws of the Russian Federation.

As of 30th September 2009 the Russian Federation represented by the Federal Agency for State Property Management held a block of common shares of OJSC Svyazinvest, viz. 75% less 1 share.

The Svyazinvest Group includes 7 inter-regional communication companies, OJSC Rostelecom, OJSC Central Telegraph, OJSC Dagsvyazinform and other communication operator subsidiaries.

The communication operators comprising the Svyazinvest Group are public communication network operators providing the services of local, intraareal, long-distance and international telephone communication, the services of communication in the data transmission network, telematic services, telegraph communication services, wired broadcasting services, communication services for cable and on-air broadcasting, mobile radio telephone and radio communication services, communication services of providing communication channels in compliance with the licenses issued by the Ministry of Telecommunication and Mass Communications of the Russian Federation.

Subsidiaries

The Group effects operations with subsidiaries within the framework of the current activities. The financial results and balance of mutual settlements under operations with subsidiaries have been excluded from the consolidated financial statements of the Group in compliance with the requirements of IFRS.

The Group effects transactions with subsidiaries on market terms. Rates for the subsidiaries are established by the regulator and are at the same level as the similar rates for other partners. Subsidiaries do not have effect on operations of the Group with other partners. The nature of the relationships between the Group and its subsidiaries is disclosed in greater detail in Note 6.

OJSC Rostelecom

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

Income from OJSC Rostelecom include income from the services of area initiation / termination of a call to / from Group's networks and to / from networks of interconnected operators, as well as income under the contract of assistance.

Expenses related to OJSC Rostelecom are formed in the amounts of payments for the services of call termination to networks of other communication operators in case call initiation is performed from a mobile radio telephone communication network, expenses for the payment for interconnection services, as well as expenses for the payment for the services of long-distance and international communication provided to the Group.

Operations with organizations controlled by the state

Organizations controlled by the state are a significant part of the Group's clientele.

Organizations controlled by the state do not have effect on operations of the Group with other companies.

OJSC Svyazintek

OJSC Svyazintek was founded by subsidiaries of OJSC Svyazinvest holding 100% of its authorized capital for introducing and then supporting the functioning of the information systems, as well as for coordinating, managing and implementing centralized specialized programmes for information technologies in the companies of the Svyazinvest Group. OJSC Svyazintek provided the services of introducing and then supporting the functioning of information systems, including Oracle E-Business Suite software and Amdocs Billing Suite to the Group.

For 9 months of 2009 the expenses of the Group for services of OJSC Svyazintek amounted to 59, and were included in intangible assets (Note 9).

NPF “Telecom-Soyuz”

The Group made a contract of non-governmental pension insurance with NPF Telecom-Soyuz (Note 20), and in addition to statutory pension benefits the Company also provides benefits for most of its employees by using post-employment benefit plans which include defined contribution plans and defined benefit plans.

The total amount of the contributions for non-governmental pension provision paid by the Group for 9 months of 2009 was 174 and was completely included in the line "Staff Costs" of the profit and loss report. The Fund deducts 3% of the amount of each pension contribution of the Group for the support of its own activities according to the charter and to cover its administrative expenses.

Compensation to key management personnel

Key management personnel comprise members of Management Board and Board of Directors of the Company, totaling 22 persons as of 30th September 2009 and 21 persons as of 31st December 2008.

Remuneration to the members of the Management Board and the Board of Directors of the Company for 9 months of 2009 includes the salaries, bonuses, and remuneration for the participation in the Company's management bodies and amounts to 117, including the salaries, bonuses, and remuneration of Company's employees participating in the management bodies – 77. The amounts of remuneration are given without the unified social tax.

For 9 months of 2009 the Group transferred contributions in the amount of 3 to the non-governmental pension fund for the employees participating in the management bodies. The right of receiving pension pays commences for the employees of the Group after the pension grounds take effect taking into account the fulfilment by the employees of the terms of the Company's current programme for non-government pension insurance (e.g., the length of service).

40. Events after the Reporting Date

Provision of universal communication services

The amount of actual indemnification received by the Group from the all-in-one service fund in December 2009 for the services provided for 9 months of 2009 was 1,343.

Liquidation of the CJSC Petersburg Transit Telecom subsidiary

In May 2009 the Board of Directors of the Company took a decision to liquidate the 100% subsidiary, CJSC Petersburg Transit Telecom. The planned liquidation did not influence the book value or the classification of assets and liabilities of the Group as of 30th September 2009.

Starting from 1st July 2009, all kinds of activities of CJSC Petersburg Transit Telecom were transferred to the St. Petersburg and Leningrad Oblast branches in accordance with the property lease contracts. On 26th November 2009 the closing liquidation balance sheet of CJSC Petersburg Transit Telecom made up as of 31st October 2009 was approved by the only shareholder on the basis of the respective decision of the Board of Directors of the Company.

(in million RUR)

Note Repayment

In October 2009 the note of OJSC Svyaz-Bank series SV No. 006132 with the face value of 11,000,000 US dollars was presented for repayment. The amount received as a result of the repayment amounted to 11,203,424.66 US dollars, including the received interest of 203,424.66 US dollars.

Organization	Type of financial investment	Value as of the date under report	Annual interest rate/discount	Repayment date
OJSC Svyaz-Bank	notes	11,000,000 US dollars	6.25%	upon presentation, but not earlier than 09.10.2009

The personnel number optimization

In the course of implementing personnel number optimization projects from 30th September 2009 till the date of signing the financial statements, 140 employees were notified that they were made redundant and 30 employees were dismissed. Expenses for Company personnel reduction from 30th September 2009 till 1st November 2009 amounted to 4.