Open Joint-Stock Company North-West Telecom

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDED ON 31st MARCH 2009 PREPARED IN COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Open Joint-Stock Company North-West Telecom

Consolidated Interim Financial Statements for the Period of 3 Months Ended Prepared in Compliance with International Financial Reporting Standards (IFRS)

Contents

Open Joint-Stock Company North-West Telecom

Consolidated Interim Report on Financial Standing as of 31st March 2009

(in million RUR)

	Note	31st March 2009	31st December 2008
ASSETS			
Non-current assets			
Fixed Assets	**8**	**42,791**	43,207
Intangible Assets	**9**	**5,233**	5,207
Long-term accounts receivable		**6**	6
Other long-term assets	**10**	**619**	393
Investment in associated companies	**11**	**84**	84
Long-term financial assets	**12**	**36**	44
Total non-current assets		**48,769**	**48,941**
Current assets			
Inventory holdings	**13**	**460**	460
Trade and other accounts receivable	**14**	**3,520**	2,596
Prepaid income tax		**397**	315
Other current assets	**15**	**277**	384
Current financial assets	**12**	**20**	327
Cash and cash equivalents	**16**	**734**	1,001
Total current assets		**5,408**	**5,083**
Assets held for sale	**7**	**160**	162
Total assets		**54,337**	**54,186**
CAPITAL AND LIABILITIES			
Capital			
Issued shares	**18**	**2,855**	2,855
Own shares purchased from shareholders	**18**	**(67)**	(67)
Additional capital		**2,525**	2,525
Retained profit		**24,263**	24,406
Total capital		**29,576**	**29,719**
Long-term liabilities			
Long-term loan liabilities	**19**	**12,897**	13,366
Pension commitments and other long-term compensations to the personnel	**20**	**2,172**	2,108
Long-term accounts payable		**35**	22
Other long-term liabilities	**21**	**343**	358
Deferred profit tax liability	**32**	**1,071**	1,079
Total long-term liabilities		**16,518**	**16,933**
Current liabilities			
Current loan liabilities	**19**	**3,836**	2,726
Accounts payable and charged liabilities	**23**	**3,933**	4,281
Other current liabilities	**24**	**471**	520
Current reserves	**22**	**3**	7
Total current liabilities		**8,243**	**7,534**
Total liabilities		**24,761**	**24,467**
Total capital and liabilities		**54,337**	**54,186**

General Manager
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

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

Open Joint-Stock Company North-West Telecom

Consolidated Interim Report on Aggregate Income
for the 3 months period ended 31st March 2009

(in million RUR, except for profit per share)

	Note	For three months expired on 31st March 2009
Revenue from sales	**25**	**6,532**
Personnel-related expenses	**26**	**(2,006)**
Amortization and depreciation	**8, 9**	**(1,774)**
Expenses related to services of communication operators		**(518)**
Materials, repairs and maintenance, utilities	**27**	**(746)**
Other operating income	**28**	**780**
Other operating expenses	**29**	**(963)**
Operating income		**1,305**
Financial expenses	**30**	**(359)**
Other income and expenses related to financial and investment activities	**31**	**23**
Foreign Exchange loss		**(1,112)**
Losses before taxes		**(143)**
Profit tax	**32**	**-**
Aggregate losses for the period under report		**(143)**
Losses for the period under report related to:		
Shareholders of the parent company		**(143)**
Basic and diluted losses per share (in RUR) for the period under report	**33**	**(0.13)**

General Manager
V.A. Akulich ___________________

Chief Accountant
M.M. Semchenko ___________________

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Open Joint-Stock Company North-West Telecom
Consolidated Interim Cash Flow Report
for the 3 months period ended 31st March 2009
(in million RUR)

	Note	For three months expired on 31st March 2009
Operating activities		
Losses before taxes		**(143)**
Adjustments for:		
Amortization and depreciation	**8, 9**	**1,774**
Profit from withdrawal of fixed assets and other assets	**28**	**(8)**
Expenses to form the doubtful debt reserve	**14**	**47**
Financial expenses	**30**	**302**
Interest income from financial assets	**31**	**(8)**
Foreign Exchange loss		**1,090**
Other non-monetary items	**31**	**(16)**
Operating income after adjustment for non-cash transactions		**3,038**
Decrease (increase) of trade and other accounts receivable		**(978)**
Decrease (increase) in other current assets		**340**
Increase (decrease) of liabilities under pension and long-term social obligations		**65**
Increase (decrease) in accounts payable and accrued liabilities		**359**
Increase (decrease) of reserves		**(4)**
Decrease (increase) of other operating assets and liabilities		**(48)**
Cash from operating activities		**2,772**
Interest paid		**(376)**
Profit tax paid		**(89)**
Net cash provided by core activities		**2,307**
Investment activities		
Acquisition of property, plant and equipment and sites of construction in progress		**(1,827)**
Acquisition of fixed assets and construction-in-progress sites		**21**
Acquisition of intangible assets		**(294)**
Acquisition of financial assets		**(2)**
Interest received		**8**
Dividend received		**5**
Net cash used in investment activities		**(2,089)**

Open Joint-Stock Company North-West Telecom
Consolidated Interim Cash Flow Report
for the 3 months period ended 31st March 2009
(in million RUR)

Financial activities	
Attracted bank credits and loans from organizations	**1,424**
Repayment of bank credits and loans from organizations	**(1,921)**
Repayment of finance lease obligations	**(9)**
Dividends paid to shareholders of the parent company	**(1)**
Net cash used in financial activities	**(507)**
Effect of currency exchange rate fluctuations on cash and cash equivalents	**23**
Net decreasing of cash and cash equivalents	**(266)**
Cash and cash equivalents as of the beginning of the period under report	**1,001**
Cash and cash equivalents as of the end of the period under report	**734**

General Manager
V.A. Akulich ____________________

Chief Accountant
M.M. Semchenko ____________________

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

Open Joint-Stock Company North-West Telecom

Consolidated Interim Capital Changes Report for the period of 3 months ended on 31st March 2009

(in million RUR)

	Issued shares: Preferred shares	Issued shares: Common shares	Own shares purchased from shareholders	Additional capital	Retained profit	Unrealized profit from financial assets available for sale	Total capital
Balance as of 31st December 2007	**622**	**2,233**	**(67)**	**2,525**	**23,397**	**152**	**28,862**
Aggregate profit for the period under report					2,561	(152)	**2,409**
Dividends to the shareholders of OJSC N.W. Telecom					(1,552)		**(1,552)**
Balance as of 31st December 2008	**622**	**2,233**	**(67)**	**2,525**	**24,406**	**-**	**29,719**
Aggregate losses for the period under report					**(143)**		**(143)**
Balance as of 31st March 2009	**622**	**2,233**	**(67)**	**2,525**	**24,263**	**-**	**29,576**

General Manager
V.A. Akulich ____________________

Chief Accountant
M.M. Semchenko ____________________

1. General

Approval of the statements issue

The interim consolidated financial statements of the Open Joint-Stock Company North-West Telecom (hereinafter the “Company” or OJSC N.W.Telecom) and its subsidiaries (hereinafter the “Group”) for the period of 3 months ended 31st March 2009 were authorized for issue by the order of the General Manager and the Chief Accountant dated 09th June 2009.

Company

OJSC N.W.Telecom 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 intra-zone communication), telegraph, data transmission 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 ownes 50.8% of the Company’s voting stock as of 31st March 2009 and is the parent company of OJSC N.W. Telecom.

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.

2. Financial Statements Presentation Basis

Statement of compliance

These consolidated financial statements have been prepared and presented with deviations from IFRS (IAS) 34, Interim Financial Reporting, and other International Financial Reporting Standards (IFRS) and respective interpretations approved by the International Accounting Standards Committee (IASC). Consolidated Interim Equity Flow Report, Consolidated Interim Cash Flow Report and a number of notes to consolidated financial statements contain no comparable data for the 1st quarter of 2008.

All information shall be considered taking into account the Annual Consolidated Financial Statements of the Group for the year that expired on 31st December 2008.

Going concern

The consolidated financial statements have been presented proceeding from an assumption that the Group will continue its normal business in the foreseeable future, which implies the payback of the assets value and settlement of liabilities according to the established procedure.

Presenting financial statements

Consolidated financial statements have been prepared on the basis of the financial statements of OJSC North-West Telecom and its subsidiaries and affiliates and are based on unified accounting policy.

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

Accounting principles

These financial statements are made up on the basis of the data of accounting and reports, which are kept and made up in compliance with the accounting regulation system established by the legislation of the Russian Federation, through an extra adjustment and regrouping of the accounting data needed for showing the financial standing, operation results and cash flows in compliance with the IFRS.

The consolidated financial statements have been prepared in compliance with the historical cost valuation principle, except for the following items: fixed assets taken into account at the fair value used as the actual value of the fixed assets as of the date of switching over to IFRS; and available investment for sale, evaluated at fair value.

Changes in the accounting policy

The accounting policy used in preparing the consolidated financial statements for the period of 3 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.

The 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 the disclosure of information on operating segments and cancels the requirement of determining 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.	The standard has not influenced the disclosure of information on the activities of the Group.
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.
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.

(in million RUR)

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 activities of the Group.
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 activities of the Group.
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 activities of the Group.
IAS 27 (in the version of 2008), Consoilidated 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 activities of the Group.
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 activities of the Group.
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 activities of the Group.
IFRIC Interpretation No. 16, Hedges of 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 activities of the Group.
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 right of choice when receiving non-cash assets or their equivalents in cash.	The Interpretation has not influenced the financial position or the results of the activities of the Group.
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 activities of the Group.
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 activities of the Group.

(in million RUR)

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.

As of 31st March 2009, the management of the Company did not complete the evaluation of the influence of the IFRS Standards and Interpretations that have not yet taken effect on the Company's accounting policy.

Foreign Currency Transactions

The Russian rouble is the functional currency and the currency of Company's financial statements presentation. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting 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.

The exchange rates of the basic currencies as of 31st March 2009 and 31st December 2008 are given in the following table:

	31st March 2009	31st December 2008
Roubles for a US Dollar	34.0134	29.3804
Roubles for a Euro	44.9419	41.4411

3. Basic Provisions of the Accounting Policy

The consolidated interim financial statements have been prepared on the basis of a unified accounting policy of the Company 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 similar to those disclosed in the consolidated financial statements of the Group for the year 2008.

5. Information by activity segments

The Group operates within one industry, viz., the provision of telecommunication services, in the Northwestern region of the Russian Federation. The Group is organized according to the principle of territorial units servicing respective sections of the Group's communication network. The management believes that the Group is operating within one geographic segment and within one operating segment. The management evaluates the operation results and takes investment and strategic decisions on the basis of analyzing the results at the level of the entire Group on the whole.

6. Subsidiaries

(in million RUR)

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

Name	**Area of activities**	**Share in the authorized capital and other interest, %**	
		31st March 2009	**31st December 2008**
CJSC AMT	Investment in securities	**100%**	100%
OJSC Kolatelecom	Communication services	**50%**	50%
Novgorod Deitacom CJSC	Communication services	**100%**	100%
LLC Parma-Inform	Communication services	**100%**	100%
CJSC Petersburg Transit Telecom	Communication services	**100%**	100%
CJSC RDPC Svyazist	Organization of health care recreation for children and citizens	**100%**	100%

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 50.00%) 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 31st March 2009, the Group showed assets intended for sale in the amount of 160 (2008: 162). The said assets include buildings that the Group intends to sell during 2009 within the framework of the Property Development Programme approved by the Board of Directors. Under the Programme, 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 31st March 2009.

The Group is not planning to terminate its activities.

(in million RUR)

8. Fixed Assets

	Land plots, buildings and facilities	Switches and transmission 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
As of 31st December 2008	**26,750**	**29,058**	**5,079**	**2,333**	**63,220**
Additions	-	-	-	1,255	1,255
Commissionings	**264**	**305**	**225**	**(794)**	**-**
Withdrawal	**(1)**	**(22)**	**(25)**	**-**	**(48)**
As of 31st March 2009	**27,013**	**29,342**	**5,279**	**2,794**	**64,428**
Accumulated wear					
As of 31st December 2007	(5,756)	(7,100)	(2,339)		(15,195)
As of 31st December 2008	**(6,951)**	**(9,861)**	**(3,201)**	**-**	**(20,013)**
Accrued wear	**(407)**	**(997)**	**(262)**	**-**	**(1,666)**
Wear of withdrawn items	**2**	**18**	**22**	**-**	**42**
As of 31st March 2009	**(7,356)**	**(10,840)**	**(3,441)**	**-**	**(21,637)**
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 31st March 2009	**19,657**	**18,502**	**1,838**	**2,794**	**42,791**

(in million RUR)

As of 31st March 2009 and 31st December 2008 the balance value of the fixed assets received under the contracts of finance leasing is:

	31st March 2009	31st December 2008
Buildings and facilities	**6**	6
Switches and transmission devices	**90**	174
Transport facilities and other fixed assets	**45**	-
Total fixed assets received under the contracts of finance leasing, balance value	**141**	180

As of 31st March 2009 the initial value of the fully depreciated fixed assets was 5,799 (against 5,677 as of 31st December 2008).

Receipt of fixed assets acquired under the contracts of finance leasing for the 3 months of 2009 was 45.

For the 3 months of 2009 the Group increased the value of construction in progress by the amount of capitalized interest, 51. The capitalization rate for the 3 months of 2009 amounted to 7%.

Fixed assets all in all worth of 2,994 (31st December 2008: 1,049) were a security under the agreements of credit and loan.

For the purposes of testing fixed assets for impairment, the recoverable value of each unit generating cash flows was determined on the basis of the value from the use of the assets. The Group identifies 2 units generating cash flows: OJSC N.W. Telecom jointly with CJSC Petersburg Transit Telecom and LLC Novgorod Deitacom. The calculation of the value in use is based on cash flow forecasts for five years. Calculations of cash flows for a period over 5 years are carried out using the extrapolation method. The pretax discount rate used for forecasted cash flows discounting amounted to 20.89% (2008: 20.89%) for the unit generating cash flows, OJSC N.W. Telecom jointly with CJSC Petersburg Transit Telecom, and 21.77% (2008: 21.77%) for LLC Novgorod Deitacom. These discount rates are the weighted average cost of capital of the units generating cash flows, calculated using the face value and showing the time value of money and the risks specific to each individual unit generating cash flows. As of 31st March 2009, no impairment 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**
As of 31st December 2008	**958**	**31**	**4,826**	**248**	**225**	**6,288**
Acquisition of assets	-	-	133	-	-	133
Withdrawal	-	-	(2)	-	-	(2)
As of 31st March 2009	**958**	**31**	**4,957**	**248**	**225**	**6,419**
Accumulated depreciation						
As of 31st December 2007	**-**	**(14)**	**(662)**	**(11)**	**(63)**	**(750)**
As of 31st December 2008		**(18)**	**(916)**	**(12)**	**(119)**	**(1,065)**
Depreciation charged		(1)	(104)	(1)	(1)	(108)
Depreciation of withdrawn items		-	2	-	-	2
As of 31st March 2009		**(19)**	**(1,018)**	**(13)**	**(120)**	**(1,171)**

(in million RUR)

Impairment in value						
Impairment in value as of 31.12.2007	(16)					(16)
Impairment in value as of 31.12.2008	(16)					(16)
Impairment in value as of 31.03.2009	**(16)**					**(16)**
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 31st March 2009	**942**	**12**	**3,939**	**235**	**105**	**5,233**

Oracle E-Business Suite Software

As of 31st March 2009 software included Oracle E-Business Suite package with the book value of 966 (against 984 as of 31st December 2008).

As of 31st March 2009, the capitalized interest expenses related to implementing Oracle E-Business Suite amounted to 137 (31st December 2008: 137). Capitalization rate was 7% (7% in 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. The company is depreciating the value of the said software product from the date of commissioning during the useful life established for 10 years.
The Group is planning to continue implementing the full functionality of OeBS in 2009.

Information on the change of the book value of the Oracle E-Business Suite software for the periods of 3 months that expired on 31st March 2009 is given below:

	2009
As of 01st January	**984**
Implementation expenses incurred	**7**
Depreciation charged	**(25)**
Written off	
As of 31st March	**966**

Amdocs Billing Suite Software

As of 31st March 2009 software includes Amdocs Billing Suite software with the book value of 954 (against 927 in 2008). As of 31st March 2009, the capitalized interest expenses related to implementing Amdocs Billing Suite amounted to 77 (2008: 72). Capitalization rate was 7% (7% in 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. Until then the management will periodically test this software for impairment.

HP Open View IUM unified pre-billing software

As of 31st March 2009 the cost of the HP Open View IUM unified pre-billing software is included in the software, and its book value is 214 (in 2008 – 214).

The software was purchased in December 2006 for the purpose of unified automated settlements system implementation. 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. There were no expenses for software implementation in the 1st quarter of 2009.

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. Until then the management will periodically test this software for impairment.

Communication network service support system (CNSSS)

As of 31st March 2009, the software also included the software product for the communication network service support system (CNSSS), the book value of which is 1012 (2008: 1012), including the accrued capitalized interest amounting to 31 (2008: 31). In 2009 the capitalization rate was 7% (7% in 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. Until then the management will periodically test this software for impairment.

HP OpenView Service Activator software

As of 31st March 2009 the software included the HP OpenView Service Activator product with the book value of 139 (in 2008 - 139).

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 31st March 2009 the software included the product for setting up an information service support system with the book value of 183 (in 2008 - 121). 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 45 (2008: 45) as of 31st March 2009.
From June 2009, it is intended to start up the St. Petersburg Branch site for commercial operation, and to engage Kaliningrad, Pskov, and Leningrad Oblast branches in the common business process. Development of a sales and service Internet portal is scheduled for the current stage. Resource centers in other branches of the Company are intended to be set up and engaged in the common business process in 2010.

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. Until then the management will periodically test this software for impairment.

Depreciation of intangible assets

Depreciation of intangible assets calculated for 3 months of 2009 and amounting to 108 was recognized within the "Wear and Depreciation" item of the consolidated profit and loss report.

Goodwill and intangible assets shown based on the results of the 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:

- Client base
- Software
- Other intangible assets

The client base 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 31st March 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 Datacom, which was reorganized later through a merger with another subsidiary of the Group, LLC Novgorod Deitacom. As of 31st March 2009, prior to depreciation testing, the book value of the goodwill distributed to LLC 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 the 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 million RUR)

In 2006, 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 the 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.

As the result of the analysis that has been carried out no impairment in the goodwill value was identified as of 31st March 2009.

10. Other long-term assets

	31st March 2009	31st December 2008
Long-term advances issued under investment operation	**583**	363
Long-term advances issued under core operation	**36**	30
Total	**619**	393

11. Investment in associated companies

Name	Area of activities	31st March 2009: Share in the authorized capital and other interest, %	Share of voting stock and other interest, %	Balance value
CJSC WestBalt Telecom	Communication services	28	28	84
Total				**84**

Name	Area of activities	31st December 2008: Share in the authorized capital and other interest, %	Share of voting stock and other interest, %	Balance value
CJSC WestBalt Telecom	Communication services	28	28	84
Total				**84**

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

The Company did not reveal any depreciation of financial investment in associated companies for the 1st quarter of 2009.

Presented below is aggregated information on the most significant associates:

Associate company name	Share in the authorized capital and other interest, %	Assets	Liabilities	Receipts from sales	Profit (loss) for the period under report
31st March 2009					

(in million RUR)

CJSC WestBalt Telecom	28	346	(45)	69	1
31st December 2008					
CJSC WestBalt Telecom	28	347	(47)	296	45

12. Finance assets

	31st March 2009	**31st December 2008**
Long-term finance assets available-for-sale	**21**	21
Long-term loans issued	**15**	20
Other long-term finance assets	**-**	3
Total long-term finance assets	**36**	44
Short-term loans issued	**18**	21
Short-term investments	**2**	292
Other short-term finance assets	**-**	14
Total short-term finance assets	**20**	327
Total finance assets	**56**	371

As of 1st January 2009 all the notes were repaid. No new notes were acquired in the 1st quarter of 2009.

There were no short-term finance assets burdened with pledge as of 31st March 2009 and as of 31st December 2008.

13. Inventory holdings

Inventories as of 31st March 2009 and as of 31st December 2008 included the following:

	31st March 2009	**31st December 2008**
Spare parts	**139**	139
Cable	**79**	95
Construction materials	**44**	30
Finished products and goods for resale	**21**	28
Economic implements	**21**	19
Fuel	**12**	15
Other stock	**144**	134
Total	**460**	460

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

(in million RUR)

14. Trade and other accounts receivable

Accounts receivable as of 31st March 2009 and as of 31st December 2008 comprised the following:

	Total, 31st March 2009	Allowance for doubtful accounts	Net, 31st March 2009
Settlements with buyers in respect of core activities	**1,772**	**(223)**	**1,549**
Settlements with buyers in secondary areas of activity	**172**	**(54)**	**118**
Settlements with personnel	**3**	**-**	**3**
Settlements with other debtors	**1,855**	**(5)**	**1,850**
Total	**3,802**	**(282)**	**3,520**

	Total, 2008	Allowance for doubtful accounts	Net, 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

Settlements with buyers in respect of core activities as of 31st March 2009 and as of 31st December 2008 consist of the settlements with the following partners:

	Total, 31st March 2009	Allowance for doubtful accounts	Net, 31st March 2009
Individuals	**681**	**(94)**	**587**
Corporate customers	**353**	**(47)**	**306**
Government customers	**194**	**(12)**	**182**
Communication operators	**544**	**(70)**	**474**
Total settlements with buyers in respect of core activities	**1,772**	**(223)**	**1,549**

	Total, 31st December 2008	Allowance for doubtful accounts	Net, 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

Settlements in respect of indemnification for losses related to all-in-one communication services provision as of 31st March 2009 and as of 31st December 2008 reported within settlements with other debtors made 1,731 and 1,019, respectively.

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

(in million RUR)

	2009
Balance as of 1st January	**238**
Charging the allowance	**47**
Writing off the accounts receivable	**(3)**
Balance as of 31st March	**282**

15. Other current assets

	Total, 31st March 2009	Reserve	Net, 31st March 2009
Prepayments and advance payments	**119**	**1**	**118**
Deferred expenses	**87**	**-**	**87**
VAT recoverable	**47**	**-**	**47**
Other prepaid taxes	**16**	**-**	**16**
Other current assets	**9**		**9**
Total	**278**	**1**	**277**

	Total, 31st December 2008	Reserve	Net, 31st December 2008
Other prepaid taxes	198	-	198
Prepayments and advance payments	99	1	98
VAT recoverable	64	-	64
Deferred expenses	15	-	15
Other current assets	8		9
Total	385	1	384

16. Cash and cash equivalents

	31st March 2009	31st December 2008
Cash at bank and on hand	**332**	921
Short-term deposits and notes with original maturities of three months or less	**402**	80
Total	**734**	1,001

As of 31st March 2009 the Company had no restrictions for the use of cash.

Periods of short-term deposits vary from 11 days to 3 months depending on the current 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 11% to 16%.

17. Material non-cash transactions

In the 1st quarter of 2009 the Company received for leasing transport facilities under a contract of leasing with OJSC VTB-Leasing No. 200/01-08 of 07.10.2008 for an amount of 60.

Non-cash transactions were excluded from the consolidated cash flow report.

18. Issued shares

As of 31st March 2009 the face and the book value of common and preferred stock made the following:

Stock type	Number of shares in circulation (thousand pcs.)	Face value of a share (roubles)	Total face value	Total book value	Own redeemed shares
Common	881,045	1	881	2,233	28
Preferred	250,369	1	250	622	39
Total	**1,131,414**		**1,131**	**2,855**	**67**

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.

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

Company's capital stock structure as of 31st March 2009 is presented below:

Shareholders	Share in the authorized capital %	Common shares		Preferred shares	
		number (thosand pcs)	%	number (thosand pcs)	%
Legal entities, total:	89.4	841,172	95.5	170,209	68.0
- OJSC Svyazinvest.	39.5	447,231	50.8	0	0
- parties holding over 5 % of authorized capital	49.2	389,199	44.2	167,004	66.7
including:					
NP National Depositary Centre	18.7	130,334	14.8	80,676	32.2
CJSC Depositary Clearing Company	12.8	85,292	9.7	59,904	23.9
CJSC UBS Nominees	11.7	109,815	12.5	22,666	9.1
ING Bank (Eurasia) CJSC	6.0	63,757	7.2	3,758	1.5
- other parties	0.7	4,742	0.5	3,205	1.3
Individuals, total	10.0	36,868	4.2	76,935	30.7
Own shares purchased from shareholders	0.6	3,005	0.3	3,225	1.3
Total	**100**	**881,045**	**100**	**250,369**	**100**

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

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.

Preferred shares do not entitle their holder to demand redemption of shares or their conversion into common shares, however, they do entitle the holder to getting a noncumulative dividend to the amount of 10.00% of the net profit according to the data of the accounts and reports made up in compliance with the Russian accounting rules divided by the number of shares making 25.00% of the Company's Authorized Capital. When the Company does not pay dividends or when the Company has not received profit after a year's operation, holders of preferred shares get the right of vote in respect of all issues included in the terms of reference of the general meeting of the shareholders.

Holders of preferred shares are entitled to participate in annual general meetings of the shareholders and to vote on all matters within 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, until the first complete payment of the dividends under the said shares. The annual amount of dividends on each preferred share may not be less than the amount of dividends on each common share. Thus, the holders of preferred shares participate in profit distribution along with the holders of common shares. Therefore, the preferred shares of the Company are considered as participating instruments for the purposes of determining the profit per share (Note 33).

In case of liquidation, the Company's assets remaining after the settlements with the creditors, payment of the dividends under the preferred shares and the redemption of their face value are distributed to the holders of the preferred and common shares in proportion to the number of the shares held by them.

In September 2001 the Company entered into a depositary agreement with JP Morgan Chase Bank as to floating 1st level American Depositary Receipts (ADR). Each depositary receipt corresponds to 10 common shares of OJSC N.W.Telecom. As of 31st March 2009 the number of ADRs was 3,644,040 or 36,440,400 common shares which made 4,13% of the total number of the issued common shares.

The following table shows the flow of registered ADRs in the 1st quarter of 2009.

	ADRs, (thosand pcs)	Equivalent number of common shares (thousand)	Common stock, %	Authorized capital, %
31st December 2008	**3,658**	**36,577**	**4.15%**	**3.23%**
Decrease	(14)	(136)		
31st March 2009	3,644	36,440	**4.13%**	**3.22%**

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)	663316107	NWTEY	US6633161079
Frankfurt Stock Exchange	A0BLXU	SQ4	US6633161079
Berlin Stock Exchange	A0BLXU	SQ4	US6633161079

19. Loan Liabilities

	31st March 2009	31st December 2008
Long-term loan liabilities		
Bank credits and loans of organizations	**8,516**	7,904

(in million RUR)

Bonded loans	**7,989**	7,989
Note loans	**19**	19
Commercial credits	**1**	1
Liabilities under financial lease	**50**	12
Debt in respect of interest	**10**	8
Other long-term loan liabilities	**13**	11
Less share of the long-term loan liabilities to be repaid within the year	**(3,701)**	(2,578)
Total long-term loan liabilities	**12,897**	13,366
Short-term loan liabilities		
Bank credits and loans of organizations	**1**	2
Debt in respect of interest	**134**	146
Total short-term loan liabilities	**135**	148
Share of long-term loan liabilities to be repaid within the year	**3,701**	2,578
Total current loan liabilities	**3,836**	2,726
Total loan liabilities	**16,733**	16,092

As of 31st March 2009, the Company had contracts of credit lines provision for 2,455 (2008: 2,025) with the Savings Bank (Sberbank) of Russia OJSC and CJSC ING Bank (Eurasia). By 31st March 2009 the Company had used 1,779 (2008: 1,800) of the said amounts, thus, the Company has the possibility of obtaining under these credit lines 676 upon request for covering the current working capital needs and for funding investment projects. Besides, as of 31st March 2009, the Company had agreements of syndicated loans (for 100 million US dollars and for 150 million US dollars).

On 23rd January 2009 the final repayment of the debt (5,555,555.53 euros) under the Agreement of Syndicated Lending for 50 million euros was effected (Citibank International PLC was the Agent and Citibank N.A. was the Arranger); as of 31st March 2009 the liabilities under the agreement were completely fulfilled.

As of 31st March 2009 and as of 31st December 2008 the bank credits of the Company were collaterized with fixed assets with the total balance value of 2,994 and 1,049, respectively.

Short-term loan liabilities

In 2008, the Group signed 4 contracts for opening of revolving lines of credit with OJSC Sberbank of RF 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 January 23, 2009. The contracts' interest rate was 8 to 8.25% per annum. The credits were provided without a security.

(in million RUR)

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 31st March 2009 and 31st December 2008:

Partner	Interest rate under the contract	2009 Long-term portion	2009 Short-term portion	2008 Long-term portion	2008 Short-term portion	Currency of contract	Repayment date	Availability and type of collateral
ING Bank N.V, Natixis, CJSC UniCredit Bank, WestLB AG (London Branch)	5.5206	**3,959**	**574**	3,903	-	US dollars	November 2011	Without a security
Bank Austria Creditanstalt AG and CJSC UniCredit Bank	Tranche A: 3.74625-5.96063 Tranche B: 3.485 - 6.13688	**1,778**	**1,364**	1855	1065	US dollars	Tranche A – on a quarterly basis from January 2009 till October 2010 Tranche B – on a quarterly basis from July 2009 till July 2012	Without a security
CJSC Reiffeisen Bank	8.15 - 19.01	-	-	-	286	roubles	October 2009 (the credit was repaid prematurely on 26.01.2009)	Without a security
ING Bank (Eurasia) CJSC	8.28 - 18.36	-	**188**	-	250	roubles	October 2009	Without a security
Citibank N.A.	6.699-7.119	-	-	-	230	Euro	January 2009	Without a security
Savings Bank of Russia	7.75	**407**	**92**		178	roubles	October – December 2009	Pledge of telecommunication equipment
RF Ministry of Finance	3.00	**112**	**42**	100	37	Euro	31.12.2009	Pledge of telecommunication equipment
Total		**6,256**	**2,260**	5,858	2,046			

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

In 2008, the Group borrowed a syndicated loan for US$ 150,000,000.00 for which Bayerische Hypo- und Vereinsbank AG, London Branch acts as an Agent, and ING Bank N.V, Natixis, CJSC UniCredit Bank, WestLB AG, London Branch act as initial authorized leading arrangers.

The loan is structured into two tranches: tranche A - US$ 135 million, tranche B - US$ 15 million.

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). The interest under the agreement accrue and is paid on a quarterly basis.

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

As of 31st March 2009 the long-term debt under the loan was 3,959 and the short-term debt was 574, while the amount of the accrued interest was 22 (3,903, 0 and 29 respectively in 2008).

CJSC UniCredit Bank

In 2007 the Group 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 is granted in two equal tranches.

Tranche A was received on 30th July and 13th August 2007 (40 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 received on 13th August and 10th September 2007 (20 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 31st March 2009 the debt under the syndicated loan was 3,142 (2008: 2,920), including the short-term part of 1,364 (2008: 1 065). The accrued interest amounted to 11 (2008: 18). 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 (hereinafter the "Ministry") 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 of the agreement that was made later.

As of 31st March 2009 the total amount of the debt to the Ministry of Finance of the Russian Federation (Vneshekonombank acting as the agent) was 154 (2008: 137), including the short-term part of the principal amount of the loan – 42 (2008: 37) and the interest to be written off on the conditions of the agreement in 2011, 7 (2008: 5). The said debt is to be repaid before 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 216 (224 in 2008).

ING Bank (Eurasia) CJSC

As of 31st December 2008 the short-term debt of the Group to CJSC ING Bank (Eurasia) was the debt under the agreement of loan in the form of a closed-end credit line for the total amount of 500 received on 23rd April 2007. The agreement expires on 23rd October 2009. The interest rate under the agreement is based on the margin making 2.40% per annum and a 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 31st March 2009 the debt under the principal amount was 188 (2008: 250), including the short-term part of 188 (2008: 250), and 10 under the interest (2008: -9). The credit was provided without a security.

Sberbank of Russia OJSC

As of 31st March 2009 the debt of the Group to OJSC Sberbank (Savings Bank) of Russia was represented by the debt under the following agreements of opening of a closed-end credit line:

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

As of 31st March 2009 the debt under the principal amount was 499 (2008: -178), including the short-term part of 92 (2008: 178), and 2 under the interest (2008: 0.3). 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 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 Group obligations of observing certain indices of financial performance.

In compliance with the 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, 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 results of each fiscal 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 shall be 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 Sberbank of Russia OJSC:

- the amount of monthly receipts on the Company's 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 USD 5,170 thousand.

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 for 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;
- dividends for a year < 100.00% of the year net profit;
- newly created pledges or other kinds of liabilities security < 150 million US dollars.

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

Credit agreement with ING Bank (Eurasia) CJSC:

- dividends 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 million euros;
- sum total of assets sale transactions for a year < 10.00% of assets value for a year.

As of 31st March 2009 the Group observed all the aforementioned conditions.

(in million RUR)

Bonded loans

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

	2009		**2008**						
Loan ID (name, No.)	**Long-term portion**	**Short-term portion**	**Long-term portion**	**Short-term portion**	**Effective rate**	**Repayment date**	**Repayment procedure**	**Offer date**	**Coupon interest**
4-03-00119-A (series 03 Bonds)	**2,100**	**900**	3,000	-	8.6% per annum	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)	**1,498**	**496**	1,498	496	8.1% per annum	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)	**2,995**	**-**	2,995	-	15% per annum	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 15% per annum
Total	**6,593**	**1,396**	7,493	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**

As of 31st March 2009 the total amount of bonds was 7,989.
Depreciation of the expenses for organization and floatation for the period under report was less than 1.

In the 1st quarter of 2009 the bonds of the 3rd, 4th, and 5th 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 (31st March 2009)
4-03-00119-A (series 03 Bonds)	91.5% (27.03.2009). The price of the latest transaction is stated. The market prices were not calculated by MICEX in the 1st quarter of 2009
4-10-00119-A (series 04 Bonds)	86.2% (30.03.2009)
4-05-00119-A (series 05 Bonds)	100.00% (31.03.2009)

In December 2004 the Group registered an issue of 3,000,000 documentary coupon bonds with the face value of 1,000 roubles each with 24 interest-bearing coupons, with payment every 91 days, starting from the 91st day from the day of the bonds floatation start. 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 established 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 the 1st quarter of 2009 the Company fully executed its liability to pay coupon yield for 16 coupon established as 8.6% per annum in the amount of 64. The coupon yield charged on a bond under 16 coupon is 21.44 roubles. The obligation was fully executed within the time provided for by the Decision on Securities Issue and the Offering Circular.

As of 31st March 2009 the outstanding balance of the loan was 3,000 and was shown within long-term loan obligations in the amount of 2,100 and short-term loan obligations amounting to 900. 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 23 (2008: 24).

In December 2006 the Group registered the 4th issue of 2,000,000 documentary coupon bonds with the face value of 1,000 roubles each with 20 coupons, with payment every 91 days, starting from the 91st day from the day of the bonds floatation start. 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 Group 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 roubles per bond. The Group did not use this possibility.

In the 1st quarter of 2009 the Company fully executed its liability to pay coupon yield for 9 coupon established as 8.1% per annum in the amount of 40. The coupon yield charged on a bond is 20.19 roubles.

As of 31st March 2009, the outstanding balance of the loan was 1,994 (2008: 1,994), including bonds worth of 1,498 (2008: 1 498) shown within long-term loan obligations and 496 (2008: 496) shown within the current part of the long-term loan obligations. The accrued interest amounted to 12 (2008: 12).

In October 2007 the Group registered the 5th issue of 3,000,000 documentary coupon bonds with the face value of 1000 roubles each with 20 coupons, with payment every 91 days, starting from the 91st day from the day of the bonds floatation start. According to the terms of the loan, bond holders are entitled to declare their bonds as due to the retirement in June 2010 at the 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 2-20 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 March 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 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 roubles 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 the 1st quarter of 2009 the Company completely fulfilled the obligation of the payment of the coupon yield under the 3rd coupon proceeding from 15% per annum to the amount of 112; the amount of the coupon yield per bond was 37.4 roubles (the coupon rate was established as equal to the limit rate, which makes 15% per annum).

As of 31st March 2009, the outstanding balance of the loan was 2,995 (2008: 2995) and was shown within long-term loan obligations. The accrued interest amounted to 44 (2008: 44).

In October 2008 the Company registered the issue of 3,000,000 series 06 documentary interest-bearing bonds payable to bearer with the face value of 1,000 roubles 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 shall be determined according to the results of the auction held at the Moscow Interbank Currency Exchange (MICEX). The face value of the bonds is retired by piece-meal on the following dates: 30% of the face value on 2912th day after the floatation date, 30% of the face value on the 3276th day after the floatation date and 40% on the 3640th day after the floatation date.

No decision on the bonds floatation date was taken.

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 bonds payable to bearer with the obligatory centralized care, with the face value of 1,000 roubles each, with the total face value of 4,000. The floatation price of one Exchange-traded bond is set equal to the face value and makes 1,000 roubles. 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 the bonds for trading (except for cases of bond delisting due to expiry of their floatation period or due to their retirement.)

(in million RUR)

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 credits

Presented below is aggregated information on the most significant long-term commercial credits as of 31st March 2009 and 31st December 2008:

Partner	Effective interest rate	31st March 2009	31st December 2008	Currency of contract	Repayment date	Availability and type of collateral
Kvant-Intercom	0%, 9%	1	1	USD	20.07.2011	Without a security

The contract with Kvant-Intercom was made and took effect starting from 27th April 2002 (the contract of equipment delivery, quantum). The currency of the contract is the US dollar. As of 31st March 2009 the long-term debt under the contract was USD 13,770.58 (2008: 22 951,1 USD). As of 31st March 2009 the short-term debt under the contract was USD 9,180.53 (2008: 9,180.53 USD). No interest is provided for or accrues on the debt to Kvant-Intercom under the contract. The debt is repaid according to the schedule, the final debt repayment date being 20th July 2011.

Liabilities under financial lease

	31st March 2009		31st December 2008	
	Minimum rent payments	Discounted value of minimum rent payments	Minimum rent payments	Discounted value of minimum rent payments
Current portion (less than 1 year)	**30**	**22**	13	12
Over 1 year and up to 5 years	**33**	**28**	-	-
Total minimum rent payments	**63**	**50**	13	12
Less financial expenses	**(13)**	**-**	(1)	-
Discounted value of minimum rent payments	**50**	**50**	12	12

In 2009 the Company's main lessors were OJSC RTC-Leasing and OJSC VTB-Leasing. The effective interest rate under the said liabilities was 19% to 31% per annum for 3 months of 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 31st March

(in million RUR)

2009 were 7 (2008: 11), including the principal debt amount of 6 (2008: 10) and the interest payable of 1 (2008: 1).

Pursuant to agreements concluded with OJSC RTC-Leasing, the lessor is entitled to adjust the lease payment schedule in the event of change of certain macroeconomic conditions, in particular, change in the refinancing rate of the Central Bank of the Russian Federation.

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 31st March 2009 were 55, including the principal debt amount of 43 and the interest payable of 12.

As of 31st December 2008 liabilities under financial lease contracts were expressed in Russian roubles.

20. Pension commitments and other long-term compensations to the personnel

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 31st March 2009 the Group had 14,053 participants of the pension plan with fixed fees and pays (as of 31st December 2008: 14 086). In the 1st quarter of 2009 the expenses of the Company for contributions to the pension fund in respect of the pension plans with fixed fees and pays amounted to 56.

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. The conditions of the retirement pension provision are 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, as well as the required length of service.

The benefits are based on a formula specific to each 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 contributions 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 31st March 2009 the Company had 14,053 working participants of the pension plan with fixed pays and 16,294 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

	31st March 2009	31st December 2008

Deferred income	**294**	303
Long-term advances received	**49**	55
Total	**343**	358

22. Reserves

Optimization of the Staff Number

The Company had created a reserve for paying compensations to the employees who were notified as of 31st December 2008 on the forthcoming reduction of the staff. In the 1st quarter of 2009 the reserve was spent in the amount of 4. As of 31st March 2009 the unused balance of the reserve made 3.

23. Accounts payable and charged liabilities

	31st March 2009	31st December 2008
Settlements in respect of taxes, duties and mandatory social insurance	**994**	517
Settlements with suppliers and contractors in respect of acquisition and construction of fixed assets	**834**	1,442
Settlements with personnel	**743**	856
Settlements with clients and principals	**331**	355
Settlements with suppliers and contractors in respect of current activities	**306**	364
Settlements with communication operators	**289**	218
Settlements with suppliers and contractors in respect of acquisition of software	**118**	214
Dividend payments	**67**	69
Settlements with other creditors	**251**	246
Total	**3,933**	4,281

The settlements in respect of taxes, duties and mandatory social insurance as of 31st March 2008 and 31st December 2008 include the following:

	31st March 2009	31st December 2008
Value added tax	**406**	19
Property tax	**296**	191
Single social tax	**218**	222
Tax on income of individuals	**69**	80
Other taxes	**5**	5
Total	**994**	517

Settlements with other creditors include the debt related to deductions to the all-in-one servicing reserve, settlements on insurance payments, settlements with the trade union, settlements with operators under assistance contracts.

(in million RUR)

24. Other current liabilities

	31st March 2009	31st December 2008
Advances received under core operation	**366**	408
Advances received under secondary operation	**102**	101
Deferred income	**3**	11
Total	**471**	520

25. Receipts from sales

	For three months expired on 31st March 2009
Local telephone communication services	**3,316**
Telegraph network communication, data transmission network and telematic services (Internet)	**1,304**
Connection and traffic passage services	**688**
Intrazone telephone communication services	**634**
Assistance and agency services	**170**
Mobile radio communication services, wired radio services, broadcasting and television services	**101**
Receipts from other sales	**318**
Total	**6,532**

The income gained from intra-zone and local telephone communication services include the income from provision of communication channels for use, in the amount of 165 and 51 respectively.

The income gained from the telegraph network communication, data transmission network and telematic services (Internet) include the income from data transmission network and telematic services (Internet), in the amount of 1,255.

Other operating proceeds include the proceeds from leasing out assets to the amount of 257 that are primarily represented by the proceeds from leasing out cable ducts.

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

By customer groups	For three months expired on 31st March 2009
Individuals	**3,459**
Corporate customers	**1,656**
Communication operators	**854**
Budgetary organizations	**563**
Total	**6,532**

26. Personnel-related expenses

(in million RUR)

	For three months expired on 31st March 2009
Expenses for wages	**1,495**
Single social tax	**393**
Expenses related to pension and long-term social liabilities	**64**
Other personnel-related expenses	**54**
Total	**2,006**

Other personnel-related expenses mainly include voluntary medical insurance and other insurance in favour of the employees, payments in accordance with the collective agreement and labor contracts.

27. Materials, repairs and maintenance, utilities

	For three months expired on 31st March 2009
Expenses for repairs and maintenance	**277**
Expenses for utilities	**265**
Material expenses	**204**
Total	**746**

28. Other operating income

	For three months expired on 31st March 2009
Indemnification for losses related to the provision of all-in-one communication services	**712**
Profit from sales of fixed assets and other assets	**8**
Fines, penalties and forfeits	**1**
Other income	**59**
Total	**780**

29. Other operating expenses

	For three months expired on 31st March 2009
Property tax	**212**
Expenses for the agent's fee	**143**
Expenses for security and fire protection services	**107**
Services of outside organizations and expenses related to management	**71**
Deductions to all-in-one servicing reserve	**62**
Doubtful debt reserve	**47**
Transportation services	**47**
Expenses for premises rent	**44**
Expenses for advertising	**39**
Expenses for audit and consulting services	**34**

(in million RUR)

Expenses for property leasing	**29**
Post services	**17**
Taxes other than profit tax	**16**
Business travel expenses and representation costs	**15**
Expenses related to servicing of crediting organization	**14**
Membership fees, charity and funds transferred to trade union organizations	**12**
Payments to the Board of Directors, Management Board and Auditing Committee	**10**
Information services	**6**
Property insurance	**5**
Training expenses	**3**
Other expenses	**30**
Total	**963**

Other expenses mainly include expenses related to social needs and other operational expenses.

30. Financial expenses

	For three months expired on 31st March 2009
Interest expenses under bank credits and loans of organizations, bonded loans, bill debts and commercial credits	**294**
Expenses related to interest under pension and long-term social liabilities	**58**
Expenses related to servicing of financial liabilities	**5**
expenses related to interest under finance leasing	**2**
Total	**359**

The amount of capitalized interest for 3 months of 2009 was:

	For three months expired on 31st March 2009
Interest capitalized to the value of fixed assets	**51**
Interest capitalized to the value of intangible assets	**5**
Total	**56**

31. Other income and expenses related to financial and investment activities

	For three months expired on 31st March 2009
Interest income from financial assets	**8**
Other	**15**
Total	**23**

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.

For the periods that expired on 31st March 2009 the profit tax included the following:

(in million RUR)

	For three months expired on 31st March 2009
Current income tax expense	**8**
Deferred expenses (income) tax benefit	**(8)**
Total income tax expense	**-**

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 profit tax rate (13.50% instead of 17.50%) transferred to the budget of St. Petersburg

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

	For three months expired on 31st March 2009
Profit before taxes	**(143)**
Statutory income tax rate	**20%**
Theoretical income tax charge	**(29)**
Increase (decrease) resulting from the effect of:	
Expenses not deductible for tax purposes	**27**
Impact of Profit tax benefit	**2**
Total profit tax at the effective interest rate	**-**

An explanation of the amounts of deferred tax assets and liabilities as of 31st March 2009 and 31st December 2008, as well as their flow for the three months of 2009 and 2008, are presented below:

	31st December 2008	Origination and decrease of differences	31st March 2009
Tax effect of deferred tax assets:			
Accounts payable and charged liabilities	**102**	**(51)**	**51**
Accounts receivable	**20**	**7**	**27**
Pension liabilities	**253**	**(37)**	**216**
Finance leases	**14**	**5**	**19**
Total deferred tax assets	**389**	**(76)**	**313**
Tax effect of deferred tax liabilities:			
Fixed Assets	**(1,210)**	**52**	**(1,158)**
Investments in associates and other financial investments	**(7)**	**2**	**(5)**
Intangible Assets	**(246)**	**30**	**(216)**
Dividends from subsidiaries	**(5)**	**-**	**(5)**
Total deferred tax liabilities	**(1,468)**	**84**	**(1,384)**
Total net deferred tax liabilities	**(1,079)**	**8**	**(1,071)**

The Group's current structure is such that tax losses and current profits tax overpayments of one company may not be offset against current taxes payable and taxable profit of others, accordingly, taxes may have to be accrued even if the company shows a net consolidated tax loss. Accordingly, deferred tax assets of one company are not offsetable against deferred tax liabilities of another company.

The Group did not show the deferred tax liabilities in respect of temporary differences for the amount of 71 (2008: 63) related to the investment in subsidiaries, as the Group can control the periods of reduction of such temporary differences and does not intend to reduce these temporary differences in the foreseeable future.

33. Loss per share

The Group has no financial instruments to be converted to common stock; therefore diluted profit per share equals to basic profit per share.

	For three months expired on 31st March 2009
Profit (loss) for the period under report related to shareholders of the parent company	**(143)**
Weighted average number of common shares and other equity instruments participating in the profit, in circulation (million)	**1,131**
Adjustment by the weighted average number of redeemed own shares (million)	**(6)**
Basic and diluted profit (loss) per share (in RUR) for the period under report, related to shareholders of the parent company	**(0.13)**

34. Operational lease

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

	2009	**2008**
	Minimum rent payments	**Minimum rent payments**
Current portion (less than 1 year)	**314**	422
Over 1 year and up to 5 years	**353**	346
Over 5 years	**990**	1,201
Total	**1,657**	1 969

The amount of Company's expenses related to operating 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 138 for the 3 months of 2009.

As of 31st March 2009 and 31st December 2008 the minimum rent payments under the contracts of operating lease where the Company was the lessor were distributed by the years of payment as follows:

	2009	**2008**
	Minimum rent payments	**Minimum rent payments**
Current portion (less than 1 year)	**300**	289
Over 1 year and up to 5 years	**226**	160
Over 5 years	**209**	231

Total	**735**	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 Company's proceeds related to operating lease and recorded in the line "Proceeds from sales" of the consolidated profit and loss report amounted to 257 for the 3 months of 2009.

35. Contingent Liabilities and Operating Risks

Operating Environment of the Company

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 present environment. However, further aggravation of the situation in the above-described sectors may adversely affect the Group's results and financial standing. At present, it is impossible to determine this influence.

Political Situation

Changes in the political situation, legislation, tax and standard regulation influence the financial and business activities and profitability of the transactions of the Group. The nature and frequency of such changes and the related risks, which are, besides, normally not covered by any insurance, are unpredictable, like their influence on the future activity and profitability of the Group's transactions.

Taxation

As of 31st December 2008, 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 statementsa as of 31st December 2008 do not contain any adjustments, the need in which might result from such uncertainties and positions taken by the Group.

Existing and Potential Risks

In the 1st quarter of 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 the Group 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.

Two interrelated litigations took place in the Arbitration Court of St. Petersburg and Leningrad Region in 2008 and in the 1st quarter 2009:

1) Litigation initiated by NWT for invalidating the decision and prescript of the Federal Antimonopoly Service's Office for St. Petersburg and Leningrad Region to stop the abuse of domination on the market of local telephone services and provide individual subscribers with the right of choice of a convenient method of payment for local telephone services.

The decision of the Federal Antimonopoly Service's Office for St. Petersburg and Leningrad Region and the prescript issued pursuant to it were found to be unlawful by Resolution of the Arbitration Court of St. Petersburg and Leningrad Region dated January 26, 2009. The Federal Antimonopoly Service's Office for St. Petersburg and Leningrad Region submitted an appeal to the Thirteenth Arbitration Appelate Court which on May 18, 2009 resolved to rescind the decision of the first instance. The NWT management made the decision to appeal against the resolution of the appelate court in the Federal Arbitration Court of the North-West District.

2) Litigation for holding unlawful the resolution of the Federal Antimonopoly Service's Office for St. Petersburg and Leningrad Region to impose on NWT a fine of 43 for an admistrative offence, abuse of the market domination. At December 31, 2008 the proceedings were suspended until consideration of the former case on the merits.

In October 2008, the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7 completed its field tax audit of the Company for the years 2005-2007, and in November 2008, based on the audit's results, it issued a Decision to subject N.W.Telecom to tax liability, in accordance to which, the Company was ordered to pay taxes, fines, and penalties to a total amount of 223. The Company challenged the tax authority's decision to after-charge the taxes, fines, and penalties to a total amount of 222, and sent a petition of appeal to the Federal Tax Service of Russia via Interregional Inspectorate for Major Tax-payers No. 7, which petition was not responded to. In May 2009 the Company filed a claim with the Moscow Arbitration Court for invalidating Decision No. 16 of November 24, 2008 of the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7.

In addition, in April 2009 the Interregional Inspectorate of the Federal Tax Service of Russia for Major Tax-payers No. 7 completed the cameral tax inspection of the Company, based on the revised VAT return for January 2006. Based on the inspection results, the Decision was made in accordance with which N.W.Telecom was required to reduce VAT claimed for refund for a total of 88.

In May 2009 the Company submitted an appeal to the superior tax authority. If the RF Federal Tax Service disallows this appeal, the Company will apply to the Federal Arbitration Court of Moscow.

In the opinion of the management, the Group has sufficient argumentation for successfully contesting the tax authorities' claims in the court. For this reason, the Group did not reflect in the December 31, 2008 report the commitment regarding the above results of tax inspections.

Licenses

Substantially all of the Company's revenues are derived from operations conducted pursuant to licenses granted by the Ministry of the Russian Federation for Communications and Information Technologies. The validity periods of the basic operating licenses and additional licenses expire in the period from 2008 till 2029. The suspension of or impossibility to extend some or all of basic licenses may have a substantial adverse effect on the financial condition and financial and business performance of the Group.

The Company extended the licenses regularly and the Group's management believes that in the future the present licenses will be extended without additional expenses in the process ordinary business activity.

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

The Russian Federation Government is liberalizing the telecommunications industry and in this connection issues additional licenses to alternative operators. A tougher competition may materially affect the financial and business performance or funds flows of the Group in the future, but at present the effect cannot be credibly determined.

Insurance

During the 1st quarter 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 Company's operations and financial position.

36. Financial Instruments and Risk Management

The Group's main financial instruments include bank credits, bond loans, financial lease (leasing), cash and its equivalents. The key purpose of these instruments is to attract funds for financing the Group's operations. The Group has also other financial assets and liabilities such as trade debts receivable and payable arising in the process of its operations.

The main risks associated with the Group's financial instruments include currency risk, risk of the interest rate effect on future funds flows, credit risk and liquidity risk.

Capital management policy

The main objectives of the Group's capital management policy are to improve the credit rating, financial independence and liquidity factors, debt structure as well as to reduce the cost of the borrowed capital.

The main methods of the capital structure management are profit maximization, investment program management, sale of assets for reducing the debt burden, borrowed capital management, restructuring of the debt portfolio, use of various classes of borrowed funds.

The Company carries on the capital management with the use of financial independence factors, net debt / own capital and net debt / EBITDA indicators. The capital management is carried on at the level of individual substantial legal entities being part of the Company. Within the framework of the capital management policy the Group also takes measures for improving its credit rating. In 2009, the Group's capital management policy was not significantly amended as compared with the 2008 policy.

According to the Group's internal standards, EBITDA is calculated according to the accounting reports prepared under Russian standards as follows:
Before-tax profit (loss) + interest payable – interest receivable + depreciation and amortization of fixed assets + leasing expenses.

(in million RUR)

The financial independence factor is calculated as the ratio of the own capital to the balance sheet value at the end of the period. The net debt / own capital ratio is calculated as the ratio of the net debt to the own capital at the end of the period. The net debt / EBITDA ratio is calculated as the ratio of the net debt at the end of the period to EBITDA for the past period. The indicators used for the capital management purposes are determined according to the accounting reports prepared under Russian accounting standards.

The Group's capital management policy consists in maintaining:

- financial independence factor not lower than 0.55;
- net debt / own capital not more than 1.00;
- net debt / EBITDA ratio not more than 1.60.

At December 31, 2008 and March 31, 2009 the indicators used for capital management purposes were as follows:

	31st March 2009	31st December 2008
Financial independence ratio	**0.58**	0.58
Net debt / own capital	**0.53**	0.49
Net debt / EBITDA	**1.92**	1.61

At the reporting date, the long-term international credit rating of the Group was confirmed by Standard and Poor's rating agency at BB-/stable as in 2008. Under the capital management policy the Group seeks to maintain the current credit rating and improve it up to BB+/stable.

Incomes and expenses on financial instruments

For three months expired on 31st March 2009	Profits and Losses Report					Total
	Other operating expenses	Financial expenses	Other income and expenses		Profit / loss due to exchange rate differences	
	Charging the doubtful debt reserves	Interest expenses	Interest income	Other income		
Cash and cash equivalents	**-**	**-**	**8**	**-**	**23**	**31**
Accounts receivable	**47**	**-**	**-**	**-**		**47**
Total finance assets	**47**	**-**	**8**	**-**	**23**	**79**
Bank credits and loans of organizations	**-**	**(180)**	**-**	**-**	**(1,135)**	**(1,315)**
Bonded loans	**-**	**(114)**	**-**	**-**	**-**	**(114)**
Liabilities under financial lease	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Accounts payable	**-**	**-**	**-**	**(11)**	**(1)**	**(12)**
Total finance liabilities	**-**	**(297)**	**-**	**(11)**	**(1,136)**	**(1,444)**

Currency risk

The currency risk is alteration of the exchange rate affecting the financial result and funds flows of the Group. The potential currency risk is evidenced by assets and liabilities denominated in foreign currency.

(in million RUR)

Finance assets and liabilities of the Group are distributed among the following currencies:

31st March 2009	Roubles	US dollars	Euros	Other	Total
Cash and cash equivalents	**734**	**-**	**-**	**-**	**734**
Accounts receivable	**3,526**	**-**	**-**	**-**	**3,526**
Finance assets available-for-sale	**21**	**-**	**-**	**-**	**21**
Short-term investments	**2**	**-**	**-**	**-**	**2**
Issued loans	**33**	**-**	**-**	**-**	**33**
Other finance assets	**9**	**-**	**-**	**-**	**9**
Total finance assets	**4,325**	**-**	**-**	**-**	**4,325**
Bank loans	**687**	**7,676**	**154**	**-**	**8,517**
Bonded loans	**7,989**	**-**	**-**	**-**	**7,989**
Note loans	**1**	**-**	**18**	**-**	**19**
Commercial credits	**1**	**-**	**-**	**-**	**1**
Liabilities under financial lease	**50**	**-**	**-**	**-**	**50**
Debt in respect of interest	**127**	**11**	**6**	**-**	**144**
Other long-term loan liabilities	**-**	**13**	**-**	**-**	**13**
Accounts payable	**2,812**	**64**	**1**	**-**	**2,877**
Total finance liabilities	**11,666**	**7,765**	**179**	**-**	**19,610**

31st December 2008	Roubles	US dollars	Euros	Other	Total
Cash and cash equivalents	807	194	-	-	1,001
Accounts receivable	2,602	-	-	-	2,602
Finance assets available-for-sale	21	-	-	-	21
Short-term investments	292	-	-	-	292
Issued loans	41	-	-	-	41
Other short-term finance assets	14	-	-	-	14
Other finance assets	11	-	-	-	11
Total finance 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 credits	1	-	-	-	1
Liabilities under financial lease	12	-	-	-	12
Debt in respect of interest	102	47	5	-	154
Other long-term loan liabilities	2	9	-	-	11
Accounts payable	3,664	56	5	-	3,725
Total finance liabilities	12,487	6,935	395	-	19,817

(in million RUR)

Over the period from January 1, 2009 till March 31, 2009 the rate of the Russian ruble fell by 15.77% as against the US dollar and 8.45% as against the euro.

The sensitivity of the before-tax profit to the currency risk is analyzed in the following table:

	US dollars			Euros		
	Exchange rate change, %	impact on profit before taxes: million roubles	impact on profit before taxes: %	Exchange rate change, %	impact on profit before taxes: million roubles	impact on profit before taxes: %
31st March 2009	**+13.8**	**(1,073)**	**-706.34**	**+1.1**	**(2)**	**-1.26**
	+31.8	**(2,473)**	**-1,667.66**	**+18.3**	**(32)**	**-20.98**
31st December 2008	+13.8	(923)	-28.11	+1.1	(4)	-0.13
	+31.8	(2,128)	-66.13	+18.3	(72)	-2.16

The calculation of possible fluctuations includes the probabilty of a considerable depreciation of the ruble in 2009.

The Company uses forward contracts (see the Hedging section below) as a tool for the partial currency risk management.

Risk of interest rate changes

The risk of interest rate changes means that changes in the interest rates for financial instruments used by the Goup may affect the financial result and funds flows of the Group.

The Group's financial assets and liabilities are distributed by the related interest rates as follows:

31st March 2009	Fixed rate	Floating rate	No rate	Total
Cash and cash equivalents	**402**	**-**	**332**	**734**
Accounts receivable	**-**	**-**	**3,526**	**3,526**
Finance assets available-for-sale	**-**	**-**	**21**	**21**
Short-term investments	**-**	**-**	**2**	**2**
Issued loans	**3**	**-**	**30**	**33**
Other finance assets	**-**	**-**	**9**	**9**
Total finance assets	**405**	**-**	**3,920**	**4,325**
Bank loans	**654**	**7,863**	**-**	**8,517**
Bonded loans	**4,994**	**2,995**	**-**	**7,989**
Note loans	**19**	**-**	**-**	**19**
Commercial credits	**1**	**-**	**-**	**1**
Liabilities under financial lease	**50**	**-**	**-**	**50**
Debt in respect of interest	**-**	**-**	**144**	**144**
Other long-term loan liabilities	**13**	**-**	**-**	**13**
Accounts payable	**-**	**-**	**2,877**	**2,877**

(in million RUR)

Total finance liabilities	**5,731**	**10,858**	**3,021**	**19,610**

31st December 2008	**Fixed rate**	**Floating rate**	**No rate**	**Total**
Cash and cash equivalents	80	-	921	1,001
Accounts receivable	-	-	2,602	2,602
Finance assets available-for-sale	-	-	21	21
Short-term investments	292	-	-	292
Issued loans	2	-	39	41
Other short-term finance assets	-	-	14	14
Other finance assets	-	-	11	11
Total finance assets	374	-	3,608	3,982
Bank loans	317	7,589	-	7,906
Bonded loans	4,994	2,995	-	7,989
Note loans	19	-	-	19
Commercial credits	1	-	-	1
Liabilities under financial lease	12	-	-	12
Debt in respect of interest	-	-	154	154
Other long-term loan liabilities	11	-	-	11
Accounts payable	-	-	3,725	3,725
Total finance liabilities	5,354	10,584	3,879	19,817

The sensitivity of the before-tax profit to the interest rate risk is analyzed in the following table:

	LIBOR			**Mosprime RZBM**		
	rate change, % points	**impact on profit before taxes**		**rate change, % points**	**impact on profit before taxes**	
		million roubles	**%**		**million roubles**	**%**
31st March 2008	**+55**	**(42)**	**-29.42**	**+1,180**	**(376)**	**-261.80**
	-55	**42**	**29.42**	**-1,180**	**376**	
31st December 2008	+55	(38)	-1.88	+1,180	(417)	-12.60
	-55	38	1.88	-1,180	417	12.60

Our analysis showed a low sensitivity of profit to the risk of EURIBOR changes. The effect of fluctuations of the interest rate within ±30 basis points on the before-tax profit will be less than 1 (in 2008, less than 1).

The bank credits and loans of organizations supposing dependence of the interest rate on LIBOR are represented by borrowings in US dollars, on EURIBOR in the euro, on RZBM in the Russian rubles.

Liquidity Risk

The Group controls the risk of funds insufficiency by using the current liquidity planning tool. This tool is used for analyzing the due dates of payments relating to financial investments and financial assets (e.g., debts receivable, other financial assets) as well as forecasted funds flows from operating activity. The purpose of the Group is to maintain a balance between continuity and flexibility of financing by using bank overdrafts, bank credits, bonds, financial lease (leasing).

(in million RUR)

The maturity dates for the Group's financial assets and liabilities are shown in the table below:

	2009	2010	2011	2012	2013 and later	Total
Cash and cash equivalents	734	-	-	-	-	734
Accounts receivable	3,520	6	-	-	-	3,526
Finance assets available-for-sale	21	-	-	-	-	21
Short-term investments	2	-	-	-	-	2
Issued loans	15	13	8	8	10	54
Other finance assets	9	-	-	-	-	9
Total finance assets	**4,301**	**19**	**8**	**8**	**10**	**4,346**
Bank loans	2,527	3,140	2,881	395	-	8,943
Bonded loans	2,051	2,150	2,755	1,893	1,612	10,461
Note loans	19	-	-	-	15	34
Commercial credits	1	-	-	-	-	1
Liabilities under financial lease	30	20	11	2	-	63
Debt in respect of interest	121	-	6	-	-	127
Other long-term loan liabilities	1	1	-	-	-	2
Accounts payable	2,877	-	-	-	-	2,877
Total finance liabilities	**7,627**	**5,311**	**5,653**	**2,290**	**1,627**	**22,508**

The information on the distribution of debts by maturity dates is based on contractual non-discounted funds flows. These flows include the repayment of the principal amount, interest and other additional payments due in the relevant periods. For obligations the interest rate for which contains a "floating" portion, the value of such component for forecasting purposes was set at the March 31, 2008 level.

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, which potentially subject Group entities to credit risk, consist principally of accounts receivable of buyers and customers. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to credit risk.

The Group has no significant concentrations of credit risk due to significance of the client base and regular monitoring procedures over customers' and other debtors' ability to pay debts. Part of accounts receivable is represented by state and other non-profit organizations. Recovery of this debt is influenced by political and economic factors. In the management's opinion, at December 31, 2008 the Group has no material losses on this and other types of debts receivable for which no relevant reserves were created.

The Group deposits available funds with a number of Russian commercial banks and invests in short-term bills of Russian commercial banks. To manage credit risk the Group places spare cash in different financial institutions, and the Group's management analyzes risk of default of these financial institutions on a regular basis.

(in million RUR)

The overdue yet non-depreciated debts receivable are shown below in terms of delay periods:

31st March 2009	Delay (days)						
	TOTAL	**<30**	**30-60**	**60-90**	**90-180**	**180-360**	**>360**
Corporate customers	**38**	**24**	**10**	**3**	**1**	**-**	**-**
Individuals	**53**	**37**	**10**	**4**	**2**	**-**	**-**
Budgetary organizations	**39**	**24**	**11**	**3**	**1**	**-**	**-**
Communication operators	**15**	**10**	**3**	**2**	**-**	**-**	**-**
Total	**145**	**95**	**34**	**12**	**4**	**-**	**-**

31st December 2008	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	-	-
Budgetary organizations	7	6	1	-	-	-	-
Communication operators	26	20	4	2	-	-	-
Total	114	79	24	8	3	-	-

The above debts receivable were not depreciated, taking into consideration the existing practice of their repayment.

Hedging

Under the general credit policy, the Group contracted for a syndicated credit with Citibank N.A. (contract dated December 23, 2005) for 50,000,000 EUR.

Furthermore, to insure the currency risks arising in connection with the syndicated credit, the Group entered into deliverable conversion deals with CJSC CB Citibank on September 7, 2006 under the General Agreement for conversion and deposit deals of December 31, 2006 and with OJSC GPB on March 5, 2007 under General Agreement for conversion transactions No. 542 of February 15, 2007.

In accordance with the payment schedules and taking into account that under the contract conditions the syndicated credit was to be repaid not later than January 23, 2009, the last value date for the deliverable conversion transactions was January 16, 2009.

Thus, with the expiration of the syndicated credit (occurrence of the final value date), the hedging of conversion transactions was terminated, as provided by the currency delivery schedules under the agreements with CJSC CB Citibank and OJSC GPB.

Fair value of financial instruments

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

- Investments withheld until repayment (WUR);
- Financial assets available for sale (AFS);
- Financial assets at fair value (FV)
- Loans and debts receivable (LDR);
- Liabilities reflected at the amortized value (AV).

(in million RUR)

As of March 31, 2009 and December 31, 2008 there is no significant difference between the fair and book values of the Group's financial instruments, except as follows:

		31st March 2009		31st December 2008	
	Category	**Balance value**	**Fair value**	**Balance value**	**Fair value**
Cash and cash equivalents	LDR	**734**	**734**	1,001	1,001
Accounts receivable	LDR	**3,526**	**3,526**	2,602	2,602
Finance assets available-for-sale	AFS	**21**	**21**	21	21
Short-term investments	WUR	**2**	**2**	292	292
Issued loans	LDR	**33**	**33**	41	41
Other short-term finance assets	FV	**-**	**-**	14	14
Other finance assets	AFS	**9**	**9**	11	11
Total finance assets		**4,325**	**4,325**	3,982	3,982
Bank loans	AV	**8,517**	**8,488**	7,906	7,877
Bonded loans	AV	**7,989**	**7,469**	7,989	7,736
Note loans	AV	**19**	**19**	19	19
Commercial credits	AV	**1**	**1**	1	1
Liabilities under financial lease	AV	**50**	**50**	12	12
Debt in respect of interest	AV	**144**	**144**	154	154
Other long-term loan liabilities	AV	**13**	**13**	11	11
Accounts payable	AV	**2,877**	**2,877**	3,725	3,725
Total finance liabilities		**19,610**	**19,090**	19,817	19,535

37. Commitments

As of March 31, 2009 and December 31, 2008, the Company's commitments regarding capital investments for the network modernization and expansion amounted to 536 and 926 respectively.

As of March 31, 2009 and December 31, 2008, the commitments regarding the acquisition of fixed assets amounted to 79 and 30 respectively.

38. Balances and Transactions with Related Parties

During 3 months of 2009 no substantial changes took place in the structure of the Group's related parties as compared with the structure at December 31, 2008.

OJSC Svyazinvest

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

As of March 31, 2009, the Russian Federation represented by the Federal Agency for the State-Owned Property Management holds a block of ordinary shares in OJSC Svyazinvest equal to 75% minus 1 share.

The Svyazinvest Group comprises 7 interregional telecommunications companies, OJSC Rostelecom, OJSC Central Telegraph, OJSC Dagsvyazinform and other subsiduary telecommununications companies.

The communications operators within the Svyazinvest Group operate general communications networks providing local, intra-zone, national and international telephone services, communications services in the data transmission network, telematic services, telegraph and wire radio services, communications services for cable and air broadcasting, mobile radiotelephone and radio communications services, communications services for the provision of communications channels in accordance with the licenses issued by the Russian Federation Liaison and Mass Communications Ministry.

Subsidiaries

The Group effects transactions with subsidiaries as part of its current activity. The financial results and balance of settlements with the subsidiaries are excluded from the Group's consolidated financial reports in accordance with the IFRS requirements.

The Group enters into transactions with subsidiaries on market terms. The tariffs for subsidiaries are set by the regulator on the same level as those for other contractors. The subsidiaries do not influence the Group's transactions with other contractors. The relations between the Group and its subsidiaries are described in more 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.

The incomes from OJSC Rostelecom are formed in the amounts of incomes from the services of zone initiation / completion of call from / to the Group's networks and from / to the connected operators' networks as well as incomes under the cooperation agreement.

The expenses on OJSC Rostelecom are formed in the amounts of payments for the completion of calls to other communications operators' networks, in case the call is initiated from the mobile radiotelephone network, expenses on the connection services as well as expenses on the national and international communications services provided for the Group.

Transactions with state-controlled organizations

The state-controlled organizations account for a considerable portion of the Group's clients.

The state-controlled organizations do not influence the Group's transactions 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 provides to the Company the services of introducing and then supporting the functioning of information systems, including Oracle E-Business Suite and Amdocs Billing Suite software.

The Group's expenses on Svyazintek's services amounted to 21 and were included in intangible assets.

NPF Telecom-Soyuz

The Group made a contract of non-governmental retirement insurance with NPF Telecom – Soyuz (Note 20), and in addition to statutory pension benefits the Group 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 non-governmental pension contributions paid by the Group for 3 months of 2009 was equal to 56 and was fully included in the "personnel expenses" line in the Profits and Losses Report. The Fund withholds 3% of each pension contribution of the Group for its own activities and its management expenses.

Compensation to key management personnel

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

The remuneration to the members of the Management Board and Board of Directors of the Company for 3 months of 2009 includes the salary (except the salary to non-employees of the Company), awards as well as a remuneration for participation in the Company's management bodies and is equal to 34, including 30 as the salary, awards and remuneration to the Company's employees participating in the management bodies. The amounts of remuneration do not include the unified social tax.

During 3 months of 2009 the Company transferred contributions to the non-governmental pension fund in the amount of 10 for the employees participating in the management bodies. The Company's employees become entitled to the pension benfits as soon as they qualify for the pension, provided that the employee meets the conditions of the Company's non-government pension insurance program.

39. Events after the Reporting Date

Dividends

The amount of the year's dividend per share will be approved by the General Meeting of the Shareholders of the Company in June 2009. The management proposed that the Board of Directors recommend that the General Meeting of Shareholders approve the dividends for 2008 in the amount of 0.617 ruble per common share and 1.281 ruble per preferred share, amounting to a total of 864. The number of shares used for calculating the dividends per share is determined as the number of outstanding shares at the dividends declaration date. After the approval, the annual dividends payable to the shareholders will be reflected in the financial reports for the 1st half of 2009.

Confirmation of the amount of losses from the all-in-one communications services in 2008

In May 2009 the Federal Communications Agency decided to compensate the Group for losses from the provision of all-in-one communications services in 2008 in the amount of 2 381.

Bond Issue

On May 4, 2009 the Moscow Interbank Currency Exchange made the decision on the admission of interest-bearing documentary non-convertible exchange-traded bearer bonds with mandatory central storage, series 01, 02, 03, 04 in the total quantity of 4 000 000 pieces, with the par value of 1000 rubles each, for the total par value of 4000 and on the assignment of identification numbers to the issues of exchange-traded bonds.

Liquidation of CJSC Petersburg Transit Telecom subsidiary

In May 2009 the Group's Board of Directors made the decision to liquidate 100% subsidiary CJSC Petersburg Transit Telecom. The planned liquidation did not affect the book value or classification of the Group's assets and liabilities as of March 31, 2009 as all activities of CJSC Petersburg Transit Telecom will be retained and transferred to the St. Petersburg branch of NWT.

General Manager		Chief Accountant	
V.A. Akulich	___________________	M.M. Semchenko	___________________