

Translation from the original in Russian

ОАО «Uralsvyazinform»

Unaudited Consolidated Interim Financial Statements
prepared under International Financial Reporting Standards

For the 6 months ended June 30, 2008

Translation from the original in Russian
OAO «Uralsvyazinform»
Unaudited Consolidated Financial Statement

For the 6 months ended June 30, 2007

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Translation from the original in Russian
ОАО «Uralsvyazinform»
Unaudited Consolidated Interim Balance Sheet
As of June 30, 2008
(in millions of Russian rubles)

	Notes	June 30, 2008	December 31, 2007 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	49 597	49 008
Intangible assets and goodwill	8	3 064	2 953
Long-term investments	9	37	39
Long-term advances given	11	733	160
Other long-term assets	10	127	129
Total non-current assets		53 558	52 289
Current assets			
Inventories	12	376	383
Accounts receivable	13	2 899	2 523
Prepaid income tax		149	140
Short-term financial investments	9	359	-
Other current assets	15	1 737	1 326
Cash and cash equivalents	14	538	705
Total current assets		6 058	5 077
Assets of disposal group classified as held for sale		-	10
Total Assets		59 616	57 376
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Charter capital	18	8 749	8 749
Unrealized gain on available-for-sale investments		3	5
Retained earnings		13 359	12 773
Total equity attributable to equity holders of the parent		22 111	21 527
Total equity		22 111	21 527
Non-current liabilities			
Long-term borrowings	19	12 554	12 704
Long-term finance lease obligations	20	2 579	2 762
Pension liabilities		2 146	1 862
Deferred revenues		186	237
Deferred income tax liabilities		2 647	2 448
Long-term reserves	22	7	8
Total non-current liabilities		20 119	20 021
Current liabilities			
Accounts payable, accrued liabilities	23	4 183	4 009
Income tax payable		2	-
Other taxes and social liabilities payable	24	969	430
Dividends payable		1 136	33
Short-term borrowings	19	1 888	464
Current portion of long-term borrowings	19	7 442	9 091
Current portion of long-term finance lease obligations	20	1 580	1 567
Short-term reserves and current portion of long-term reserves		186	230
Total current obligations		17 386	15 824
Liabilities of disposal group classified as held for sale		-	4
Total liabilities		37 505	35 849
TOTAL EQUITY AND LIABILITIES		59 616	57 376

General Director _____ Ufimkin A.Y. Chief Accountant _____ Balueva S.I.

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

Translation from the original in Russian

ОАО «Uralsvyazinform»
Unaudited Consolidated Interim Income Statement
for the six months ended June 30, 2008

(in millions of Russian rubles, excluding earnings per share)

	Notes	As of 6 months of 2008	As of 6 months of 2007 corrected (Note 2)
Revenues	28	20 019	18 978
Wages, salaries, other benefits and payroll taxes		(4 758)	(4 618)
Depreciation and amortization	7,8	(3 558)	(2 842)
Materials, repairs and maintenance, utilities		(2 798)	(2 361)
Agent commissions		(1 660)	(1 509)
Taxes other than income tax		(1 052)	(1 225)
Lease of premises		(519)	(449)
Advertising		(362)	(305)
Provision for impairment of receivables		(247)	(267)
Loss on disposal of property, plant and equipment	13,15	(76)	(51)
Indemnity for provision of universal services		(46)	(87)
Other operating expenses	30	786	3
Operating profit	29	3 627	3 475
Share of result of associates		-	6
Interest expense, net		(1 286)	(1 155)
Gain (loss) on financial investments	31	13	132
Gain (loss) on foreign exchange, net	32	(34)	28
Profit before income tax		2 320	2 486
Income tax expense		(629)	(1 157)
Profit for the period		1 691	1 329
Earnings per share (in Russian rubles), basic and diluted, for profit for the period, attributable to equity holders of the parent	33	0,0421	0,0331

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ОАО «Uralsvyazinform»
Unaudited Consolidated Interim Statement of Cash Flows
for the six months ended June 30, 2008
(in millions of Russian rubles)

	Notes	As of 6 months of 2008	As of 2007
Cash flows from operating activities			
Profit before income tax		2 320	3 799
Adjustments to reconcile profit before income tax to net cash flows			
Depreciation and amortization	7,8	3 558	6 514
Loss on disposal of property, plant and equipment and other assets		46	398
Foreign exchange gain, net		34	(3)
Share of result of associates		-	(7)
Gain on sale of subsidiaries, associates and other investments, net	32	(13)	(180)
Interest expense, net	31	1 286	2 415
Movement in deferred revenue		(51)	90
Provision for impairment of receivables	13,15	76	92
Inventory impairment provision	12	(3)	(3)
Movement in pension liabilities		284	312
Movement in provisions for contingent liabilities		(49)	201
Operating cash flows before working capital changes		7 488	13 628
Increase in trade and other receivables		(460)	(473)
Decrease (increase) in other current assets		(393)	158
Decrease in inventories		10	117
Increase (decrease) in accounts payable and accruals		157	(77)
Decrease in taxes payable other than income tax and social tax expense		542	(1)
Cash flows generated from operations		7 344	13 352
Interest paid		(1 315)	(2 617)
Income tax paid		(438)	(1 272)
Net cash flows from operating activities		5 591	9 463
Cash flows from investing activities			
Purchase of property, plant and equipment and assets under construction		(3 191)	(5 980)
Proceeds from sale of property, plant and equipment and assets under construction		158	221
Purchase of intangible assets		(195)	(400)
Purchase and installation of Oracle EBS		(86)	(154)
Purchase and installation of Amdocs Billing Suite		-	(111)
Proceeds from sale of subsidiaries, net of cash acquired		14	137
Purchase of financial investments		(359)	
Proceeds from sale of financial investments		9	628
Interest received		25	108
Dividends received		-	2
Net cash flows used in investing activities		(3 625)	(5 549)

Translation from the original in Russian
ОАО «Uralsvyazinform»
Unaudited Consolidated Interim Statement of Cash Flows
for the six months ended June 30, 2008 (continued)
(in millions of Russian rubles)

	Notes	As of 6 months of 2008	As of 2007
Cash flows from financing activities			
Proceeds from borrowings		4 630	6 800
Repayment of borrowings		(5 225)	(3 967)
Proceeds from issue of bonds		1 993	-
Repayment of bonds		(1 951)	(2 950)
Repayment of finance lease obligations		(871)	(1 329)
Repayment of liabilities under vendor financing		(680)	(1 128)
Repayment of promissory notes		(27)	(546)
Dividends paid to equity holders of the parent		(2)	(735)
Dividends paid to minority shareholders		-	-
Net cash flows used in financing activities		(2 133)	(3 855)
Net increase (decrease) in cash and cash equivalents		(167)	59
Net cash and cash flows at the beginning of reporting period	14	705	646
Net cash and cash flows at the end of reporting period	14	538	705

General Director _____ Ufimkin A.Y. Chief Accountant _____ Balueva S.I.

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ОАО «Uralsvyazinform»
Unaudited Consolidated Interim Statement of Changes in Equity

for the six months ended June 30, 2008

(in millions of Russian rubles)

Notes	Share capital				Unrealized gain on available-for-sale investments	Retained earnings	Total equity attributable to equity holders of the parent	Total equity
	Preference shares	Ordinary shares	7 041	11 214				
	1 708	7 041	7 041	11 214	4	19 967	19 967	19 967
Balance at 31 December 2006								
Change in the fair value of available-for-sale financial investments								
Profit for the year				1 329		1 329	1 329	2 297
Dividends to equity holders of the parent				(738)		(738)	(738)	(738)
Balance at 30 June 2007	1 708	7 041	7 041	11 805	5	20 559	20 559	20 559
Balance at 31 December 2007	1 708	7 041	7 041	12 773	5	21 527	21 527	21 527
Change in the fair value of available-for-sale financial investments								
Profit for the reporting period				1 691	(1)	1 691	1 691	1 691
Dividends to equity holders of the parent				(1 106)		(1 106)	(1 106)	(1 106)
Balance at 30 June 2008	1 708	7 041	7 041	13 358	4	22 111	22 111	22 111

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General Director _____ Ufimkin A.Y. Chief Accountant _____ Balueva S.I.

ОАО «Uralsvyazinform»

**Notes to Unaudited Consolidated Interim Financial Statements for the six months ended
June 30, 2008**

1. General information

Authorization of accounts

Consolidated interim financial statements of ОАО “Uralsvyazinform” and its subsidiaries (hereinafter referred to as “the Company”) are prepared for the first six months of 2008 ended June 30, 2008 and have been authorized by the General Director and Chief Accountant on ___ 2008.

The Company

The parent company OJSC “Uralsvyazinform” was incorporated as an open joint-stock company registered in the Russian Federation.

The registered office of ОАО “Uralsvyazinform” is in the city of Ekaterinburg (the Russian Federation), Moskovskaya Str. 11.

The Company’s principal activity lies in provision of telephone services (including local and intrazone services, access to international and domestic long-distance calls), telegraph and data transmission services as well as rent of communication channels and wireless communication services on the territory of the Ural Federal District, Russia.

As of June 30, 2008 the Government of the Russian Federation controlled indirectly 51% of voting share capital, by virtue of its 75% less one share direct holding in ОАО “Svyazinvest”, the parent company of Uralsvyazinform.

Principal subsidiaries are disclosed in Note 6 of the consolidated financial statements. All the subsidiaries are incorporated under the laws of the Russian Federation.

2. Basis of the presentation of financial statements

Statement of compliance

The financial statements are prepared and presented with deviations from the requirements of IFRS (IAS) 34 “Interim financial statements” and other International Financial Reporting Standards and appropriate interpretations set forth by the IFRS Committee with regard to the representation of comparable data contained in the consolidated interim statement of cash flows, notes to the segment reporting, notes to operating lease, and in connection with absence of notes to pension liabilities and deferred tax.

All information contained herein should be accounted with due consideration of the Annual consolidated financial statements of the Company for the year ended December 31, 2007.

Presentation of Financial Statements

These consolidated interim financial statements are prepared based on standalone financial statements of the parent and its subsidiaries and associates prepared under unified accounting policy.

The consolidated financial statements of the Company are presented in millions of Russian Rubles, and all amounts being rounded off to millions except for where stated otherwise.

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

2. Basis of the presentation of financial statements (continued)

Basis of Accounting

The present financial statements are drawn on the basis of accounting records and accounting reports maintained in accordance with the Regulations on Accounting and Reporting in the Russian Federation by additional adjustments and regrouping of accounting data, necessary for presenting financial statement, operational results and cash flows in accordance with IFRS standards.

These consolidated interim financial statements are prepared in compliance with the principle of historical value assessment except for the following items: property, plant and equipment at fair value used for actual value of property, plant and equipment as at the date of transition to IFRS; investments available for sale assessed at fair value.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. Adoption of new and revised standards did not have significant effect on the financial statements of the Company.

The following new or revised standards and interpretations have been adopted during 2008:

New / revised standard / interpretation	Changes	Effects
Interpretation # 11 of IFRS interpretation committee 2 – ‘Operations with shares of the group and own shares bought back from shareholders’	Determines the cases when transactions must be accounted as transactions with equity-based payments or transactions with cash-based payments as required under IFRS 2. Applies to the classification of agreements dealing with payments in the form of equity instruments between two or more companies of the group.	The interpretation did not have significant effect on the company’s financial standing or financial results.
Interpretation # 12 of IFRS interpretation committee ‘Concessionary agreements’	Interprets the classification of obligations and rights of concessionaires under concessionary service agreements.	The interpretation did not have significant effect on the company’s financial standing or financial results.
Interpretation # 14 of IFRS committee 19 – ‘Minimal assets requirements, minimum settlement requirement and their classification’	Indicates the calculation method of marginal proceeds from annuity schemes which may be considered as assets under IFRS (IAS) 19 ‘Employee remunerations’.	The interpretation did not have significant effect on the company’s financial standing or financial results.

In the reporting period the Company did not apply new or revised standards and interpretations.

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

2. Basis of the presentation of financial statements (continued)

Mistakes of the previous periods and reclassifications

In drawing up the financial statements as of 6 months of 2008 the Company discovered mistakes stemming from the financial statements as of 6 months of 2007. The Company made the appropriate adjustments to the comparable values of the period ending June 30, 2007.

The following material mistakes were discovered:

The Company acknowledged inaccurately the revenue from date transfer, telematic services and cellular services for 6 months of 2007. The financial reporting as of 6 months of 2007 was adjusted accordingly to allow for correction of this mistake. This mistake does not affect the undistributed profit as of June 30, 2006.

Furthermore, the Company changed the presentation of a number of expense items. The comparable items were reclassified accordingly. In particular, the Company reclassified its third-party expenses in respect of assistance agreements from Other operators’ services to Other operating expenses.

The effect of corrections and reclassifications made in the financial statements as of 6 months of 2007 is displayed in the below table:

Consolidated profit and loss statement as of 6 months of 2006	Prior adjustments	Value of adjustments	Effect of reclassification	As adjusted	Comment
Revenues	19 046	(68)	-	18 978	Presentation of deferred revenues from connection of subscribers
Materials, repairs and maintenance, utilities	(1 505)	(4)	-	(1 509)	Presentation of deferred expenses from connection of subscribers
Other operators’ expenses	(2 362)	-	1	(2 361)	Reclassification of expenses in connection with assistance agreements into Other operating expenses
Other operating expenses	(1 788)	-	(1)	(1 789)	Reclassification of expenses in connection with assistance agreements into Other operating expenses
Profit before income tax	2 558	(72)	-	2 486	
Income tax	(1 174)	17	-	(1 157)	Effect of all adjustments
Profit for the period	1 384	(55)	-	1 329	

As a result of adjustments the Company’s net profit as of 6 months of 2007 decreased by 55; earnings per share as of 6 months of 2007 decreased by 0.0014 rubles per share.

Transactions in foreign currencies

The consolidated financial statements are presented in millions of Russian rubles (mln rubles), the functional currency and representative currency of the Company’s financial statements.

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

2. The basis for presentation of financial statements (continued)

Transactions in foreign currencies are presented in the functional currency at the exchange rate as of transaction date. Monetary assets and liabilities nominated in foreign currencies are re-calculated using exchange rates of reporting date. Exchange differences are presented in the profit and loss statement as gain (loss) from currency exchange. Non-cash items assessed at historical value in foreign currencies are calculated at effective exchange rates as of their initial accounting date. Non-cash items assessed at fair value in foreign currencies are calculated at effective rates as of fair value assessment.

Exchange rates as of June 30, 2008 and December 31, 2007 are presented in the table below:

Exchange rate as of	June 30, 2008	December 31, 2007
Rubles per one US dollar	23,46	24,55
Rubles per one Euro	36,91	35,93

3. Summary of the accounting policy

The consolidated interim financial statements were drawn up on the basis of the single accounting policy of the Company as of 2008, which is a corrected version of accounting policy of the previous year incorporating the aforementioned new/revised standards/interpretations.

4. Significant accounting estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are identical to those disclosed in the consolidated financial statements of the Company as of 2007.

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

5. Segment information

	As of 6 months of 2008 and at June 30, 2008				
	Fixed-line telephone services	Cellular services	Other	Intercompany eliminations	Total for the Company
<i>Continued operations</i>					
REVENUES					
Sales to third parties	12 919	6 483	617	-	20 019
Inter-segment sales	-	-	13	(13)	-
Total revenue	12 919	6 483	630	(13)	20 019
RESULT OF OPERATIONS					
Segment result	1 068	3 545	447	-	5 060
Unallocated corporate expenses	-	-	-	-	(1 893)
Operating profit (loss)					3 167
Interest expense, net	-	-	-	-	(1 286)
Gain from investments	-	-	-	-	13
Foreign exchange gain (loss), net	-	-	-	-	(34)
Income tax	-	-	-	-	(519)
Profit for the period	-	-	-	-	1 341
ASSETS AND LIABILITIES					
Segment assets	32 306	20 853	1 212	-	54 371
Investments in associates	-	-	-	-	-
Unallocated corporate assets	-	-	-	-	4 785
Consolidated total assets	-	-	-	-	59 156
Segment liabilities	(5 288)	(1 569)	(440)	-	(7 297)
Unallocated corporate liabilities	-	-	-	-	(30 098)
Consolidated total liabilities	-	-	-	-	(37 395)
OTHER SEGMENT INFORMATION					
Capital expenditure					
Property, plant and equipment	2 768	1 393	-	-	4 161
Intangible assets	269	11	-	-	280
Depreciation and amortization	1 946	1 542	70	-	3 558
Accrual (recovery) of impairment of receivables	51	25	-	-	76

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

5. Segment information (continued)

	As of 2007 and as at December 31, 2007				
	Fixed-line telephone services	Cellular services	Other	Intercompany eliminations	Total for the Company
Continued operations					
REVENUES					
Sales to third parties	24 885	12 471	1 791	-	39 147
Inter-segment sales	-	-	-	-	-
Total revenue	24 885	12 471	1 791	-	39 147
RESULT OF OPERATIONS					
Segment result	5 297	3 962	1 316	-	10 575
Unallocated corporate expenses	-	-	-	-	(4 551)
Operating profit (loss)	-	-	-	-	6 024
Interest expense, net	7	-	-	-	7
Gain from investments	-	-	-	-	(2 415)
Foreign exchange gain (loss), net	-	-	-	-	180
Income tax	-	-	-	-	3
	-	-	-	-	(1 502)
Profit for the period	-	-	-	-	2 297
ASSETS AND LIABILITIES					
Segment assets					
Investments in associates	32 354	19 083	1 375	-	52 812
Unallocated corporate assets	-	-	-	-	-
	-	-	-	-	4 565
Consolidated total assets	-	-	-	-	57 377
Segment liabilities					
Unallocated corporate liabilities	(4 444)	(1 633)	(408)	-	(6 485)
Consolidated total liabilities	-	-	-	-	(29 364)
	-	-	-	-	(35 849)
OTHER SEGMENT INFORMATION					
Capital expenditure					
Property, plant and equipment					
Intangible assets					
	8 398	1 692	-	-	10 090
Depreciation and amortization	792	7	-	-	799
Accrual (recovery) of impairment of receivables	3 780	2 590	144	-	6 514
Continued operations	51	41	-	-	92

The Company provides fixed line and mobile telecommunication services as well as undertakes other activities beyond the industry sector. Management believes that the Company operates in one geographical segment.

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

5. Segment information (continued)

Unallocated expenses, assets and liabilities are expenses, assets and liabilities that arise at the entity level and relate to the Company as a whole.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, and long term advances given and exclude financial investments, income tax assets and other assets that relate to the entity as a whole.

Segment liabilities primarily comprise operating liabilities and exclude such items such as current profit tax liabilities, loans and borrowings, finance lease obligations, deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets. Provisions relate only to the charges made against allocated assets.

6. Consolidated subsidiaries

The accompanying consolidated financial statements include assets, liabilities and results of operations of OJSC “Uralsvyazinform” and its subsidiaries. Significant subsidiaries controlled by OJSC “Uralsvyazinform” are presented in the table below:

Subsidiary	Main activity	Ownership, %		Voting shares, %	
		June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
LLC «Ural Inform TV»	Tele and radio broadcasting	–	100	–	100
CJSC «FK-Svyaz»	Communication services	75	75	75	75

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

According to the decision of the Board of Directors taken on December 20, 2007 assets and liabilities of LLC “Ural Inform TV” as of December 31, 2007 were classified as assets and related liabilities held for sale (Note 16).

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

7. Property, Plant and Equipment

	Land, buildings and constructions	Switches and transmission devices	Assets under construction	Vehicles and other	Total
Cost					
At December 31, 2006	23 115	27 960	598	10 421	62 094
Additions	-	-	5 235	-	5 235
Disposals	(120)	(383)	(18)	(26)	(547)
Put into operation	780	2 022	(3 167)	365	-
At June 30, 2007	23 775	29 599	2 648	10 760	66 782
At December 31, 2007	25 374	33 641	433	11 387	70 835
Additions			4 161		4161
Disposals	(184)	(220)	(2)	(89)	(495)
Put into operation	257	1 388	(2 166)	521	-
At June 30, 2008	25 447	34 809	2 426	11 819	74 501
Accumulated Depreciation					
At December 31, 2006	(4 635)	(7 390)	-	(4 234)	(16 259)
Depreciation charge for the period	(593)	(1 263)	-	(876)	(2 732)
Depreciation on disposals	34	96	-	63	193
At June 31, 2007	(5 194)	(8 557)	-	(5 047)	(18 798)
At December 31, 2007	(5 961)	(10 354)	-	(5 512)	(21 827)
Depreciation charge for the period	(690)	(1 852)	-	(847)	(3 389)
Depreciation on disposals	68	167	-	77	312
At June 30, 2008	(6 583)	(12 039)	-	(6 282)	(24 904)
Net book value as of December 31, 2006	18 480	20 570	598	6 187	45 835
Net book value as of June 30, 2007	18 581	21 042	2 647	5 714	47 984
Net book value as of December 31, 2007	19 413	23 287	433	5 875	49 008
Net book value as of June 30, 2008	18 863	22 772	2 426	5 536	49 597

The above tables include net book value of plant and machinery leased under finance lease agreements as of June 30, 2008 and December 31, 2007, as follows:

	June 30, 2008	December 31, 2007
Land, buildings and constructions	514	435
Switches and transmission devices	4 495	4 418
Assets under construction	-	-
Vehicles and other	1 143	1 140
Total leased under finance lease agreements, net book value	6 152	5 993

As of June 30, 2008, the cost of fully depreciated property, plant and equipment was 5,402 (as of December 31, 2007 – 5,215).

Additions of property, plant and equipment acquired under vendor financing and leased under finance lease agreements as of 6 months of 2008 amounted to 1,396 (as of 2007 – 3,827).

OJSC “Uralsvyazinform”
Notes to unaudited consolidated
interim financial statements
for the period of 6 months ended June 30, 2008
(in millions of Russian Rubles)

7. Property, Plant and Equipment (continued)

The Company capitalized interest to construction in progress in the amount of 2 as of 6 months of 2008 (as of 6 months of 2007 – 2). The capitalization rate was 9.5% in 6m2008 (6m2007 – 7.1%).

As of 6 months of 2008 the Company’s capital expenditure used for forming of construction in progress amounted to 4,161 (as of 6 months of 2007 – 5,235).

As of June 30, 2008, the Company's property, plant and equipment in the amount of 9,018 (2007 – 11,579) was pledged as collateral under loan and borrowings agreements and finance lease agreements.

8. Intangible Assets and Goodwill

	Licenses	Software	Numbering capacity	Customer base	Others	Total
Cost						
At December 31, 2006	88	2 694	23	45	13	2 863
Additions	–	467	–	–	–	467
Disposals	–	(7)	–	–	–	(7)
At June 30, 2007	88	3 154	23	45	13	3 323
At December 31, 2007	70	3 330	23	45	23	3 491
Additions	–	280	–	–	–	280
Disposals	–	–	–	–	–	–
At June 30, 2008	70	3 610	23	45	23	3 771
Accumulated depreciation						
At December 31, 2006	(56)	(375)	(11)	(22)	–	(464)
Charge for 6 months	(5)	(101)	(1)	(2)	(1)	(110)
Charge on disposed assets	–	6	–	–	–	6
At June 30, 2007	(61)	(470)	(12)	(24)	(1)	(568)
At December 31, 2007	(46)	(444)	(13)	(26)	(9)	(538)
Charge for 6 months	(4)	(154)	(1)	(2)	(8)	(169)
Charge on disposed assets	–	–	–	–	–	–
At June 30, 2008	(50)	(598)	(14)	(28)	(17)	(707)
Net book value at December 31, 2006	32	2 319	12	23	13	2 399
Net book value at June 30, 2007	27	2 684	11	21	12	2 755
Net book value at December 31, 2007	24	2 886	10	19	14	2 953
Net book value at June 30, 2008	20	3 012	9	17	6	3 064

По состоянию на 30 июня 2008 г. программное обеспечение включает программный продукт Oracle E-Business Suite, балансовая стоимость которого составляет 1 202 (на 31 декабря 2007 – 1 172).

Oracle E-Business Suite Software

As of June 30, 2008 software includes the costs of Oracle E-Business Suite with a carrying value of 1,202 (as of December 31, 2007 – 1,172).

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8. Intangible Assets and Goodwill (continued)

Capitalized interest related to implementing Oracle E-Business Suite amounted to 121 (as of December 31, 2007 – 129).

The Company acquired a non-exclusive license for 83,506 users of Oracle E-Business Suite 2004 Professional.

The Company commenced the commercial operation of OEBS and started amortizing the value of the mentioned software from the date of its implementation (November 2005), over the useful life of the licenses of 10 years.

The above table includes software movement for the periods ended June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
As of January 01	1 172	982
Implementation expenses incurred	87	67
Amortization accrued	(57)	(41)
As of June 30	1 202	1 008

The company plans to complete the implementation of software by 2009.

Amdocs Billing Suite Software

As of June 30, 2008 software also includes the costs of Amdocs Billing Suite acquisition and implementation with a carrying value of 994 (as of December 31, 2007 – 994), including capitalized interest related to implementing Amdocs Billing Suite in the amount of 31 (as of December 31, 2007 – 31).

This software was acquired with the purpose of implementing a unified billing system throughout the Company. The Company plans to complete implementation of the unified billing system till 2011. Implementation works started in 2005.

The Company will start amortizing this asset from the date of software implementation proportionally to the value of implemented modules. Until then the Company annually tests this software for impairment.

The above table includes software movement for the periods ended June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
As of January 01	994	883
Implementation expenses incurred	–	83
As of June 30	994	966

Amortization of Intangible Assets

The amortization of other intangible assets charged in the 6 months of 2008 in the amount of 112 (6m2007 – 69) was fully recognized within Depreciation and amortization in the consolidated income statement.

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8. Intangible Assets and Goodwill (continued)

Impairment Test of Intangible Assets

The Company performed impairment tests of assets not ready for use as of June 30, 2008. Intangible assets not yet available for use included primarily Amdocs Billing Suite software. As a result of the impairment tests no impairment of these intangible assets as of June 30, 2008 was identified.

Licenses

As of June 30, 2008 the Company acquired the licenses for the following types of activities:

- Provision of local and intra-zonal telephone communications;
- Provision of local telephone communications using public payphones and public access outlets;
- Provision of cellular telephone services (GSM-900, GSM-1800, NMT-450, AMPS/D-AMPS standards);
- Provision for lease of physical circuits, channels and routes of communication, including broadcasting channels;
- Provision of telematic communications services;
- Provision of data transmission services.

The useful life of each license is subject to specific licensing conditions set forth individually. Licenses' lifecycles vary between 5 to 10 years.

9. Financial investments

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

Name	June 30, 2008.		December 31, 2007	
	Ownership	Fair value	Ownership	Fair value
Long-term financial investments available for sale				
OJSC “Svyazintek”»	11%	13	11%	13
OJSC AKB “Svyazbank”	0,225%	11	0,50%	11
OJSC Sberbank Zapadno-Uralsky Bank	0,000225%	3	0,000225%	4
Others		10		11
Total long-term financial investments		37		39

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9. Financial investments (continued)

Name	June 30, 2008		December 31, 2007	
	Ownership	Fair value	Ownership	Fair value
Short-term financial investments held to maturity				
Promissory notes of OJSC AKB “Svyazbank”	–	59	–	–
Promissory notes of OJSC “RTK-Leasing”	–	300	–	–
Total short-term financial investments		359		–
Total financial investments		396		39

Изменение справедливой стоимости финансовых вложений, имеющихся в наличии для продажи за 6 месяцев 2008 г. составило 1 (6 месяцев 2007 г.– 0) и было включено в консолидированный отчет об изменениях капитала.

As of 6 months of 2008 change in fair value of financial investments available for sale comprised 1 (6m2007 – 0) and is included into consolidated statement of changes in equity.

10. Other Long-Term Assets

As of June 30, 2008 and December 31, 2007 other long term assets comprised the following:

	June 30, 2008	December 31, 2007
Long-term loans issued	124	116
Long-term VAT receivable	2	2
Other financial assets	–	11
Total	126	129

At June 30, 2008 and December 31, 2007 long-term loans issued are recorded at amortized historic cost using effective rate of 19%.

11. Long-Term Advances Paid

As of June 30, 2008 and December 31, 2007 advances paid to suppliers comprised the following:

	June 30, 2008	December 31, 2007
Long term advances paid on investing activity		
Property, plant and equipment acquisition	730	155
Acquisition and implementation of Oracle E-Business Suite software	3	5
Total	733	160

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12. Inventories

As of June 30, 2008 and December 31, 2007, inventories comprised the following:

	June 30, 2008	December 31, 2007
Cable and spare parts	124	129
Finished products and goods for resale	35	45
Construction materials	25	24
Tools, work wear, inventories	20	15
Other	172	170
Total	376	383

The amount of inventories recognized as an expense is 644 (as of 6m2007 – 657). This expense is included into the line “Materials, repairs and maintenance, utilities” of the consolidated income statement.

Movement in provision for impairment of inventories is presented in the table below:

	2008	2007
Provision as of January 01	17	20
Accrual (recovery) of provision	(3)	(3)
Provision as of June 30	14	17

Provision for inventory charge(recovery) is included into the line “Other operating expenses” of consolidated income statement.

13. Trade and Other Receivables

As of June 30, 2008 and December 31, 2007, trade and other receivables comprised the following:

	Total at June 30, 2008	Provision for impairment of receivables	Net at June 30, 2008
Corporate customers	811	(106)	705
Individual customers	1 503	(421)	1 082
Government customers	237	(11)	226
Interconnected operators	830	(74)	756
Social security authorities – tariff compensation related to providing benefits to certain categories of subscribers	16	(16)	–
Other receivables	158	(28)	130
Total trade and other receivables	3 555	(656)	2 899

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13. Accounts receivable (continuation)

	Total, as of December 31, 2007	Reserve on doubtful debts	Net, as of December 31, 2007
The commercial organisations, mln. (RUR)	633	(95)	538
Individuals, mln. (RUR)	1 401	(412)	989
Budgetary organisations, mln. (RUR)	133	(10)	123
Communication operators, mln. (RUR)	817	(62)	755
Social protection bodies - the reimbursement, which is connected with payment reduction of separate categories of subscribers, mln. (RUR)	19	(19)	-
Other accounts receivable, mln. (RUR)	149	(31)	118
Total accounts receivable, mln. (RUR)	3 152	(629)	2 523

As of June 30, 2008 and December 31, 2007 accounts receivable were nominated in the Russian roubles.

In the table below, reserve changes on doubtful debts are presented:

	2008	2007
The rest as of January, 1st, mln. (RUR)	(629)	(704)
Reserve charge, mln. (RUR)	(79)	(115)
Accounts receivable write-offs, mln. (RUR)	52	190
The rest as of June, 30th, mln. (RUR)	(656)	(629)

14. Cash and cash equivalents

As of June 30, 2008 and December 31, 2007 monetary assets and their equivalents included:

	As of June 30, 2008	As of December 31, 2007
Cash held in banks and in hand, mln. (RUR)	538	705
Total, mln. (RUR)	538	705

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As of June 30, 2008 and December 31, 2007 the line “Cash held in banks and in hand” comprised the amounts nominated in following currencies:

	As of June 30, 2008	As of December 31, 2007
The Russian rubles, mln. (RUR)	537	703
US dollars, mln. (RUR)	1	1
Euro, mln. (RUR)	-	1
Total, mln. (RUR)	538	705

15. Other current assets

As of June 30, 2008 and December 31, 2007 other current assets made up:

	As of June 30, 2008	As of December 31, 2007
Calculations under the indemnification of universal telecommunication services rendering, mln. (RUR)	460	-
Advance payments, mln. (RUR)	345	212
Expenses of the future periods, mln. (RUR)	302	207
Personnel expenditures, mln. (RUR)	56	36
VAT to compensation, mln. (RUR)	45	77
Advance payments to other taxes, mln. (RUR)	29	37
Other calculations and current assets, mln. (RUR)	500	757
Total other current assets, mln. (RUR)	1 737	1 326

As a part of other calculations and current assets, the calculations on agents’ contracts are reflected, which are connected with telecommunication services rendering, in the sum of RUR 315 mln. (as of December 31, 2007 – RUR 122 mln.).

In the table below, reserve changes on other current assets are presented:

	2008	2007
The rest as of the 1st of January, mln. (RUR)	(53)	(83)
Reserve restoration, mln. (RUR)	2	18
Write-off of other current actives at the reserve’s expense, mln. (RUR)	9	12
The rest as of the 30th of June, mln. (RUR)	(42)	(53)

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16. Assets and obligations classified as intended for sale

In December, 2007 the Board of Directors of OJSC "Uralsvyazinform" issued a decision on 100 % assets sale in «Ural Inform TV» LLC for RUR 14 mln. «Ural Inform TV» LLC grants television and radio broadcasting services.

In April, 2008 the Company completed the transaction on 100 % share in «Ural Inform TV» LLC. The consolidated financial statement of the Company contains the information on financial results of «Ural Inform TV» LLC from January 1, 2008 till the sale date.

The information on the price of sale, fair cost of identified assets and obligations of retiring affiliated company for asset retirement date is presented below:

	<u>2008</u>
Sale price, mln. (RUR)	14
Cost of identified assets and obligations:	
Fixed assets, mln. (RUR)	3
Current assets, mln. (RUR)	8
Current obligations, mln. (RUR)	(5)
Total net assets, mln. (RUR)	6
Company share in retiring affiliated company	100 %
Inflow of monetary resources from retirement, mln. (RUR)	14

The profit in the sum of RUR 7 mln., resulted in share sale of LLC «Ural Inform TV», is presented in the Note 33.

17. Essential non-monetary operations

For 6 months of 2008 the Company received the equipment in the sum of RUR 700 mln. under leasing contracts (2007 – RUR 2 921 mln.).

Cost of the equipment received under contracts of the commercial credit for 6 months 2008, has made RUR 696 mln. (2007 – RUR 906 mln.).

Non-monetary operations were excluded from the consolidated cash flow statement.

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18. Share capital

As of June 30, 2008 par and balance costs ordinary and preference shares made up:

Share type	Quantity of shares in circulation (thousand pieces)	Par value of share (RUR)	Total par value	Total balance cost
Ordinary	32 298 782	0,12	3 876	7 041
Preference	7 835 941	0,12	940	1 708
Total	40 134 723	0,12	4 816	8 749

The difference between par and balance cost of shares represents the effect of inflation in the periods previous as of January 1, 2003. All issued shares were paid in full.

As of June 30, 2008 the quantity of declared and issued ordinary and preference shares makes 32 298 782 (as of December 31, 2007 – RUR 32 298 782) and 7 835 941 (as of December 31, 2007 - 7 835 941).

The structure of the share capital of the Company as of June 30, 2008 is presented below:

Shareholders	Share in the capital stock, %	Ordinary shares		Preference shares	
		Quantity (thous.)	%	Quantity (thous.)	%
Legal bodies, in total	92	30 471 443	94	6 306 546	80
- Open Society "Svyazinvest"	41	16 608 946	51	-	-
- Persons owning more 5 % of capital stock	48	13 296 366	41	5 851 803	75
<i>Among them:</i>					
- «National depository centre»	30	9 696 151	30	2 237 288	29
- CJSC «ING Bank (Eurasia)»	11	2 447 632	8	1 822 234	23
- CJSC «Depository Clearing Company»	7	1 152 583	3	1 792 281	23
- Other legal bodies, total	3	566 101	2	454 743	5
Individuals, total	8	1 827 369	6	1 529 395	20
Total	100	32 298 782	100	7 835 941	100

In June, 1997 the Company signed the depository agreement with Bank of New York, which represented itself as a depository, and all Owners and Holders of American Depositary Receipts (further ADR). At same time ADR program of 1st level on ordinary shares of the Company was registered by the Securities and Exchange Commission (SEC). In August, 2002 the Company changed the depository Bank, having signed a new depository agreement with JP Morgan Chase Bank as the assignee depository Bank.

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In September, 2002 the Securities and Exchange Commission (SEC) registered 1st level program ADR for preference shares on the basis of depositary agreements signed between JP Morgan Chase Bank as a depositary and all Owners and Holders of American Depositary Receipts. Each depositary receipt is equal to 200 shares of the Company of the corresponding type. As of June 30, 2008 6,210,120 ADRs were issued under 1 242 024 thousand deposited shares, which made 3,09 % of the capital stock.

In the following table there is a movement of the registered ADRs for 2007-2008:

	ADR (quantity)	Equivalent quantity of ordinary shares	Ordinary shares, %	Stock capital, %
December 31, 2006	11 164 451	2 232 890 200	6,91	5,56
Increase for 6 months 2007	190 371	38 074 200	0,12	0,10
June, 30, 2007	11 354 822	2 270 964 400	7,03	5,66
December, 31st, 2007	8 467 317	1 693 463 400	5,24	4,22
Reduction for 6 months 2008	(2 257 197)	(451 439 400)	(1,41)	(1,13)
June 30, 2008	6 210 120	1 242 024 000	3,85	3,09

19. Credits and loans liabilities

As of June 30, 2008 and December 31, 2007 the debts credits and loans liabilities included:

	The effective interest rate	Repaymen t term	As of June 30, 2008 (RUR mln.)	As of December 31, 2007 (RUR mln.)
<i>Short-term liabilities</i>				
Credits and loans (roubles)	8,93 %	2009	1 305	-
Total credits and loans			1305	
Commercial credits (roubles)		2008	439	237
Commercial credits (US dollars)		2008	70	163
Commercial credits (euro)		2008	72	33
Total commercial credits			581	433
Bills (roubles)	8,5 %	2008	-	29
Debts on percent			2	2
Total short-term credits and loans			1 888	464

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	The effective interest rate	Repaymen t term	As of June 30, 2008 (RUR mln.)	As of December 31, 2007 (RUR mln.)
<i>Long-term liabilities</i>				
Credits and loans (roubles)	9,13 %	2008-2012	10 794	12 919
Credits and loans (euro)	Euribor (Euro Interbank Offered Rate)+0,82	2008-2014	1 907	1 599
Total credits and loans			12 701	14 518
Bonds (roubles)	8,69 %	2008-2012	7 100	7 073
Commercial credits (US dollars)	6 %	2008	143	150
Total commercial credits			143	150
The restructured payments of buyers for connection (roubles)			52	54
Minus a share of long-term credits and the loans which are subject to repayment within year			(7 442)	(9 091)
Total long-term credits and loans			12 554	12 704

As of June 30, 2008 the Company had the concluded contracts with JSCB "Sberbank", JSB "Gazprombank", OJSC "Alpha bank", CJSC «UniCredit Bank», CJSC "Surgutneftegazbank" about granting of the credit line at the rate of RUR 16 536 mln. (as of December 31, 2007 – RUR 17 136 mln.). As of June 30, 2008 the Company used RUR 12 786 mln. (as of December 31, 2007 – RUR 12 896 mln.) of the specified sums, thus, the Company has a possibility to receive on the given credit lines RUR 3 750 mln. on demand to cover the current needs of the floating capital and finance the investment projects. Terms of contracts on the credit line do not provide restrictions to the activity of the Company and percent charge to payment by the Company for not used rest of the open credit line for possibility of reception by the Company finances on demand.

Credits and loans liabilities as of June 30, 2008 and December 31, 2007 are distributed by following kinds of currencies:

	As of June 30, 2008 (RUR mln.)	As of December 31, 2007 (RUR mln.)
Russian roubles	19 691	20 313
Euro	1 980	1 633
US dollars	213	312
Total	21 884	22 258

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Short-term debts

Credits and loans

Sberbank

On March, 2008 the Company received the credit from Sberbank of RUR 640 mln. Term of credit repayment expires in March, 2009. For the credit usage the Company pays to the bank a percent at the rate of 9,5 % per annum. The credit is provided by fixed assets pledge with mortgaging cost RUR 660 mln.

Surgutneftebank

In March, 2008 the Company received the credit from “Surgutneftebank” of RUR 600 mln. Term of credit repayment expires in December, 2008. For the credit usage the Company pays an interest to the bank at the rate of 8,9 % annually. The credit is provided by fixed assets pledge with mortgaging cost of RUR 712 mln.

Long-term liabilities

Credits and loans

Sberbank

The long-term debts of the Company to Sberbank represent credits of RUR 4 255 mln., received in 2006 – 2008. The interest on the issued credits is charged at the rate of 8,5 - 9,5 % per annum. The closure date of credit contracts is 2008 – 2012. As of December 31, 2007 liabilities made up RUR 5 108 mln. Credits are provided by fixed assets pledge with mortgaging cost of RUR 6 101 mln.

Gazprombank

The long-term debts of the Company to Gazprombank represent credits of RUR 4 537 mln., which were received in 2005 – 2008. The closure date of credit contracts is 2009 – 2012. The interest on the issued credits is charged and paid at the rate of 8,5 - 11,2 %. As of December 31, 2007 liabilities made up RUR 5 002 mln. Credits are provided by fixed assets pledge with mortgaging cost RUR 1 700 mln.

ING BHF-BANK

The long-term debts of the Company to ING BHF-BANK Aktiengesellschaft represent the credit of 48 million Euro or RUR 1 758 mln. Credit repayment date is December, 2014. The interest on this issued credit are charged under floating interest rate Euribor (181 day) plus of 0,875 % which in June, 2008 made up approximately 5,13%. This credit has no coverage. According to the credit agreement, ING BHF-BANK has the right to demand the prescheduled repayment of the bank credit in case of delay in fulfillment of payment obligations of the Company to the third parties. In 2008 and during the credit agreement the period of validity of the above-stated terms were not violated by the Company.

"Iskratel, telecommunication systems" (Slovenia)

As of June 30, 2008 outstanding debts of the Company to "Iskratel, telecommunication systems" (Slovenia) made up 4 million Euro or RUR 150 mln. A contract closure date is March, 2011. The interest rate of the credit

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is charged under floating interest rate Euribor (91 day) plus of 3,16 %, that in June, 2008 made up approximately 4,947 %. This credit has no coverage.

Bonded loans

In November, 2005 the Company registered the issue of unconvertible interest-bearing documentary bearer bonds of 06 series at the volume of 2 000 000 pieces with par value of RUR 1 000.

The put option is foreseen on the specified loan on November 24, 2008. Bonds of the given series have 12 coupon periods. Bonds are repaid stage by stage: at a rate of 20 % from release with a periodicity of 1 time in half a year since 1 456th day from a date started with bond placement (November, 2009). The interest rate of first six coupons makes up 8,2 % annually; other coupons interest rates are defined 10 days prior to term of the coupon payment. Issued bonds provide put-options, which allow bondholders to submit them at the appointed dates, within 12 months from the date of the present statement. The nearest put-option date is November 24, 2008. This liability was classified as the current part of long-term debts.

In March, 2006 the Company registered issue of unconvertible interest-bearing documentary bearer bonds of 07 series at the amount of 3 000 000 pieces in the bearer form; par value of each bond was RUR 1 000. Bonds have 12 coupons. Coupon payments are made up each 182 days from the start date of bonds placement. The interest rate of first five coupons makes 8,4 % per annum; other coupons interest rates are defined 10 days prior to coupon's term of payment. Repayment term of the first 20 % of par value of bonds issue at the 1 456th day from start date of bonds placement, i.e. March 2010; the second 20 % of par value of bonds issue at the 1 638th day from start date of bonds placement, i.e. September 2010; the third 20 % of par value of bonds issue at the 1 820th day from start date of bonds placement, i.e. March 2011; the fourth 20 % of par value of bonds issue at the 2 002nd day from start date of bonds placement, i.e. September 2011; the fifth 20 % of par value of bonds issue at the 2 184th day from start date of bonds placement, i.e. March 2012. The issued bonds provide put-options, which allow bondholders to submit them at the appointed dates, within 12 months from the date of the present statement. The nearest put-option date is March 19, 2009. This liability was classified as the current part of long-term debts.

In April, 2008 the Company placed the issue of unconvertible percentage documentary bearer bonds of 08 series, at the amount of 2 000 000 pieces with par value of RUR 1 000. These bonds have 10 coupon periods.

Payments on the first coupon period are made at the 182nd day from start date of bonds placement, payments under other coupons are made each next 182 day. Bonds are repaid stage by stage, at a rate of 50 % at the par value, simultaneously with payment of the coupon income, since the ninth coupon period. The interest rate on the coupons from the first to the fourth is defined at the rate of 9,60 %. Interest rates under the remained coupons are defined by the Company during 10 days prior to term of coupon payment. The issued bonds provide put-options, which allow holders of bonds to submit them at the appointed dates. The nearest put-option date is November 12, 2010.

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20. Obligations under contracts of financial rent

The company rents the telecommunication equipment under contracts of financial rent. The sum of the future minimum rent payments under contracts of financial rent and the discounted cost of the minimum rent payments as of June 30, 2008 and December 31, 2007 are presented below:

	As of June 30, 2008		As of December 31, 2007	
	Minimum rent payments	Discounted cost of the minimum rent payments	Minimum rent payments	Discounted cost of the minimum rent payments
Current part, mln. (RUR)	2 129	1 580	2 154	1 567
Over 1 year and till 5 years, mln. (RUR)	3 070	2 579	3 329	2 762
More than 5 years, mln. (RUR)	-	-	-	-
Total the minimum rent payments, mln. (RUR)	5 199	4 159	5 483	4329
Minus financial expenses, mln. (RUR)	(1 040)	-	(1 154)	-
Discounted cost of the minimum rent payments, mln. (RUR)	4 159	4 159	4 329	4 329

In 2008 and 2007 the core lessor of the Company was OJSC "RTK-LEASING". The effective interest rate of the obligations made up for 6 months of 2008 from 14 % to 20 % a year (2007 - from 14 % to 20 %).

OJSC "RTK-LEASING" buys the telecommunication equipment from the Russian and foreign suppliers and rents it under leasing contracts. The minimum rent payments of the Company to OJSC "RTK-LEASING" according to these contracts as of June 30, 2008 made up RUR 4 679 mln. (as of December 31, 2007 – RUR 4 714 mln.), from which RUR 3 747 mln. (as of December 31, 2007 – RUR 3 726 mln.) is the sum of the basic debt and RUR 932 mln. (as of December 31, 2007 – RUR 987 mln.) is the accrued interest.

Financial rent contracts' obligations in the sum RUR 1 mln. and RUR 7 mln. as of June 30, 2008 and December 31, 2007 were in US dollars.

21. Operational rent

As of June 30, 2008 and December 31, 2007 the minimum rent payments under contracts of non - cancelled operational rent where the Company is the tenant, are as follows:

	As of June 30, 2008	As of December 31, 2007
	Minimum rent payments	Minimum rent payments
Current part (less than 1 year), mln. (RUR)	524	495
From 1 year and till 5 years, mln. (RUR)	227	152
Over 5 years, mln. (RUR)	267	118
Total the minimum rent payments, mln. (RUR)	1 018	765

The size of Company's operational rent expenses, reflected in the consolidated profit and loss statement, made up as of 6 months 2008 RUR 362 mln. (as of 6 months 2007 – RUR 305 mln.).

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22. Reserves

	Employees number reduction program	Guarantees	Total
The rest as of December 31, 2006	19	28	47
Accrued reserves, mln. (RUR)	217		217
Amortization of accrued reserves, mln. (RUR)	-	(10)	(10)
Used within a year, mln. (RUR)	(11)	-	(11)
Restored of not used sums, mln. (RUR)	(5)	-	(5)
The rest as of December 31, 2007	220	18	238
Accrued reserves, mln. (RUR)		4	4
Used within 6 months, mln. (RUR)	(49)	-	(49)
The rest as of June 30, 2008	171	22	193
Total sum of reserves	Employees number reduction program	Guarantees	Total
Long-term, mln. (RUR)	-	8	8
Short-term, mln. (RUR)	220	10	230
Total, reserves as of December 31, 2007	220	18	238
Long-term, mln. (RUR)	-	7	7
Short-term, mln. (RUR)	171	15	186
Total, reserves as of June 30, 2008	171	22	193

Issued guarantees and warranties

As of June 30, 2008 the Company issued guarantees on the credit lines given by banks to the lessors of the Company, mainly to OJSC "RTK-LEASING". These guarantees were issued as maintenance of obligations on credits return received by the leasing companies for the purpose of equipment and motor transport for the Company.

The sum of the guaranteed obligation as of June 30, 2008 made up RUR 1 868 mln. (as of December 31, 2007 - RUR 2 199 mln.). The Company management estimates the probability of the guaranteed event as minimum.

Personnel optimization

As of December 31, 2007 the Company created a payment of indemnifications reserve to the employees planned to dismissal in 2008 according to the Personal Optimization Program.

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23. Accounts payable and the accrued obligations

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

	As of June 30, 2008	As of December 31, 2007
Calculations with suppliers and contractors on primary activity, mln. (RUR)	1 005	921
Advance payments received on primary activity, mln. (RUR)	836	918
Accounts payable on wages and compensatory payments, mln. (RUR)	818	845
Clearing with communication operators, mln. (RUR)	629	539
Clearing with suppliers and contractors on acquisition and building of the fixed assets, mln. (RUR)	486	451
Liabilities on deductions in reserve of universal services, mln. (RUR)	101	101
Clearing with agents, mln. (RUR)	94	96
Liabilities on payments to noncommercial partnership, mln. (RUR)	60	-
The postponed income for subscribers connection, mln. (RUR)	43	70
Accounts payable for OJSC "Rostelecom" services, mln. (RUR)	15	35
Other accounts payable and current obligations, mln. (RUR)	96	33
Total accounts payable and the added obligations, mln. (RUR)	4 183	4 009

As of June 30, 2008 the accounts payable to suppliers and the contractors, expressed in US dollars and Euro, made RUR 271 mln. and RUR 103 mln. (as of December 31, 2007 – RUR 316 mln. and RUR 23 mln. accordingly) and are included in accounts payable on primary activity.

The other accounts payable include clearing debts with suppliers and contractors for the goods connected with telecommunication services, which were purchased for sale; advance payments received for non-core activity.

24. Tax and social security liabilities

Short-term tax debts

As of June 30, 2008 and December 31, 2007 the Company allocated the following short-term tax debts:

	As of June 30, 2008	As of December 31, 2007
The value-added tax, mln. (RUR)	581	104
Property tax, mln. (RUR)	214	193
Unified social tax, mln. (RUR)	101	64
Personal income tax, mln. (RUR)	64	58
Other taxes, mln. (RUR)	9	11
Total short-term tax debts, mln. (RUR)	969	430

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25. Treaty obligations of the future periods

Obligations on capital expenditures

As of June 30, 2008 and December 31, 2007 Company's treaty obligations on capital expenditures for modernization and network expansion made up approximately RUR 17 mln. and RUR 91 mln., accordingly.

26. Conditional obligations and operational risks

Taxation

The Russian tax, currency and customs legislation supposes various interpretations and is subject to frequent changes. Interpretation by company management of the given legislation with reference to operations and the Company's activity can be challenged by corresponding regional or federal bodies. As consequence, tax bodies can make a complaint under those transactions and account methods on which earlier they did not show claims. As a result, considerable surtaxes and penalties can be added. Definition of the claims' sums on possible, but not emerged claims, and also the probability estimation of failure are not considered possible. Tax inspections can cover three calendar years of activity directly the preceding year of inspection. Under certain conditions earlier periods can be inspected.

According to company management as of June 30, 2008 the corresponding positions of legislation as a whole are interpreted correctly, and the probability of preservation of the position where the Company is high from the requirements' point of view on observation of the tax, currency and customs legislation.

Tax bodies claims

On December 1, 2006 the Company received Decision of Interregional inspection of Federal Tax Inspection of Russia on the largest tax bearers #7 about bringing to the responsibility of the tax bearer. Following to the results of field tax inspection during 2003-2004, the Company, according to tax body's announcement, underpaid RUR 561,3 mln. of taxes (also RUR 107,4 were accrued as penalty fees and RUR 87,9 mln. as penalties).

The company challenged the Decision of Interregional inspection of Federal Tax Inspection of Russia in Arbitration court of Moscow. The court of the first instance issued the decision dd. October 17, 2007 where it recognized the claims of tax body as unreasonable for RUR 372,1 mln. (66,3 % of the shortage without taking into account penalty fees and penalties). At the same time, the court left without satisfaction the claim of the Company regarding clearing for the long-distance traffic termination at the rate of RUR 187,2 mln. Having disagreed with the court decision in this part the Company made the appeal complaint. On May 21, 2008 the Ninth Arbitration Appeal Court of Moscow recognized as not-subject-to-satisfaction tax claims to the Company for 2003-2004 at the rate of RUR 556,7 mln.

In April, 2008 tax bodies initiated the inspection of Company's obligation execution on taxes during 2005-2007 period. On the date of signing of this financial statement tax inspection is not finished.

Judicial disputes, trials and definition of consequences

The company management has no possibility to estimate succession of events in the Russian judicial system and their influence on the financial condition of the Company and its future operations.

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In the foreseeable future the Company’s activity can be subject to influence of factors of judicial reform. The applied financial statement does not contain updating, which could be brought as a result of the permission of these uncertainties.

Within a year the Company took part (both as the claimant and as the defendant) in the several proceedings which arose during financial and economic activities. According to company management there are no current proceedings or claims which have essential impact on the activity or financial position of the Company and which were not recognized or disclosed in the present consolidated financial statement.

Personnel optimization

Due to the efficiency increase of business processes, the Company issued the Personnel Optimization Program, confirmed by the Decision of Board of the Company # 7/1 dd. November 15, 2007 and directed to change the organizational structure, redistribution of personnel’s functions and transfer of separate functions to outsourcing.

The program provides gradual reduction of employees number during the period from 2007 to 2009. Within 2008 the Company plans to reduce 3 145 staff units. 445 employees are warned about the forthcoming dismissal till June 30, 2008.

27. Financial instruments

The basic financial instruments of the Company include bank credits, bonded and bill loans, financial rent (leasing). The main purpose of these instruments is an assets attraction for operations financing. The Company has other financial assets and obligations, such as accounts receivable and accounts payable which arise directly during its operational activity.

The basic risks connected with financial instruments of the Company, include currency risk, risk of influence of the interest rate on the future monetary streams, credit risk and risk of liquidity.

Policy in the field of capital management

Main objectives of capital management policy of the Company is the increase of level of credit rating, improvement of financial independence and liquidity factors, improvement of accounts payable structure and reduction of capital cost.

The basic ways of capital structure management are profit maximization, management of the investment program, assets sale for reduction of debt load, size management of the extra capital, re-structuring of the debt portfolio, use of various classes of extra assets.

The company exercises administration of the capital with use of factors of financial independence, indicators «net debt / net worth», «net debt / EBITDA». The management of the capital is carried out at level of the separate essential legal bodies included into the Company. The calculation of financial independence factors, indicators « net debt / net worth », « net debt / EBITDA» is carried out according to the Russian reporting standards of book keeping. The policy of the Company did not changed in the field of the capital management in 2008 in comparison with capital management policy that of 2007

The policy of the Company consists in the maintenance of financial independence factor at the range of 0,5-0,4; the indicator «net debt / net worth » - at the range 1,87 - 0,57; the indicator «net debt / EBITDA» - at the range 1,88 - 1,09.

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As of the accounting date, the credit rating of the Company is confirmed by the rating agency “Standard and Poor’s” at level BB - (2007 - BB-) in the state currency. In the policy of the field of capital management the Company aspires to increase the credit rating to the level of BB +.

As OJSC "Uralsvyazinform" is a parent company, the indicators used in capital management, are presented according to the Russian reporting standards of book keeping. The factor of financial independence is estimated as the relation of net worth to the balance of the currency at the end of the period. The indicator «net debt / net worth» is estimated as the indicator relation of net debt to net worth at the end of the period. The indicator « net debt / EBITDA» estimates as the indicator relation of a net debt at the end of the period to the EBITDA indicator for the last period.

Currency risk

The currency risk represents a risk of the exchange rate alteration of currency can affect negatively the monetary flows of the Company. As consequence, the given changes find the reflection in corresponding articles of profit and loss statement, cash flow balance and/or the report. The obligations, which are in the foreign currency, testify to presence of currency risk.

As of June 30, 2008 the obligations of the Company are at the rate of RUR 2 568 mln. (December 31, 2007 – RUR 2 310 mln.) are rendered in the foreign currency, including the obligations expressed in US dollars at the rate of RUR 485 mln. (December 31, 2007 – RUR 636 mln.); in euro and other currencies at the rate of RUR 2 083 mln. (December 31, 2007 – RUR 1 674 mln.)

From January 1, 2008 till June, 30, 2008 the exchange rate of the Russian rouble in relation to US dollar increased approximately by 4.44 % and decreased in relation to euro approximately for 2.71 %, which led to increase in the rouble sum of the loans approximately on RUR 35 mln.

During the accounting period, the policy of currency risk management did not undergone changes in comparison with policy presented in the financial statement for 2007.

Risk of interest rates alteration

This risk is connected with change in interest rates which can affect negatively financial results of the Company. The interest risk basically concerns promissory notes with the floating rate which is defined for Company obligations, as a rule, on the basis of the offer rate in the European interbank market of credits (EURIBOR) and rouble credits rendering at Moscow market “MosPrime Rate”.

The below-mentioned table shows the decoding of financial instruments of the Company with the fixed and floating interest rate on terms of repayment as of June 30, 2008 and December 31, 2007:

	Less than 1 year	1 - 5 years	More than 5 years	Total
As of June 30, 2008				
<i>The fixed rate</i>				
Short-term obligations, mln. (RUR)	1 888	-	-	1888
Long-term obligations, mln. (RUR)	1 415	9 072		10 487
Obligations on financial rent, mln. (RUR)	1 580	2 579		4 159
Bills, mln. (RUR)	359			359
Loans issued, mln. (RUR)	16	124		140

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The floating rate

Long-term obligations, mln. (RUR)	6 027	3 339	143	9 509
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	Less than 1 year	1 - 5 years	More than 5 years	Total
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As of December 31, 2007

The fixed rate

Short-term obligations, mln. (RUR)	464	-	-	464
Long-term obligations, mln. (RUR)	5 322	8 516	8	13 846
Obligations on financial rent, mln. (RUR)	1 567	2 762	-	4 329
Loans issued, mln. (RUR)	20	115	-	135

The floating rate

Long-term obligations, mln. (RUR)	3 768	4 041	139	7 948
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During the accounting period of the politician in the field of management of percentage risk has not undergone changes in comparison with a policy presented in the financial reporting for 2007.

Risk of liquidity

The company carries out the control over risk of monetary assets lack, using the planning instrument of current liquidity. By means of this instrument terms of the payments connected with financial investments and financial assets (for example, accounts receivable, other financial assets), and also predicted cashflow from operational activity are analyzed. The Company’s purpose is balance maintenance between a continuity and flexibility of financing, by use of bank credits, bonds, financial rent (leasing).

The credits and loans long-term and short-term debts are distributed on repayment terms as follows:

As of June 30, 2008

Repayment date	Credits and loans, mln. (RUR)	Bonded loans, mln. (RUR)	Commercial credits, mln. (RUR)	The restructured payments of buyers for connection, mln. (RUR)	Total, mln. (RUR)
Within 2008	3 795	2 406	724	15	6 940
Within 2009	3 184	3 220	-	5	6 409
Within 2010	1 098	2 097	-	6	3201
Within 2011	3 395	95	-	8	3 498
Within 2012	5 310	-	-	1	5 311
After 2012	355	-	-	17	372
Total	17 137	7 818	724	52	25 731

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As of December 31, 2007

Repayment date	Credits and loans, mln. (RUR)	Bonded loans, mln. (RUR)	Commercial credits, mln. (RUR)	Bills, mln. (RUR)	The restructured payments of buyers for connection, mln. (RUR)	Total, mln. (RUR)
Within 2008	5 838	4 752	585	29	16	11 220
Within 2009	3 642	3 124	-	-	5	6 771
Within 2010	783	-	-	-	6	789
Within 2011	3 091	-	-	-	9	3 100
Within 2012	3 860	-	-	-	1	3 861
After 2012	344	-	-	-	17	361
Total	17 558	7 876	585	29	54	26 102

During the accounting period of the policy in the field of liquidity risk management did not undergone any changes in comparison with policy presented in the financial statement for 2007.

Credit risk

The credit risk consists in that the counterpart can not execute the obligations to the Company in time, which can cause the occurrence of financial losses.

Financial assets where the Company has a potential credit risk are presented basically by accounts receivable дебиторской by debts of buyers and customers. Balance cost of accounts receivable minus a reserve on depreciation represents the maximum sum subject to credit risk.

The Company does not have essential concentration of credit risk in connection with relevancy of client base of the Company and realization of constant procedures of the control over customers' credit status and other debtors. The parts of the Company's accounts receivable are that of the state and other non-commercial organizations. Political and business factors influence the possibility of reception of the mentioned liability. According to the management, as of June 30, 2008 the Company does not have essential losses of the accounts receivable as the corresponding reserves were created.

During the accounting period the policy in the field of credit risk management did not change in comparison with policy presented in the financial statement for 2007.

Hedging

In 2008 OJSC "Uralsvyazinform" did not hedge the currency risks or risks of interest rates alteration.

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28. Incomes

Types of income	6 months 2008	6 months 2007
Mobile radio telephone (cellular) communication, mln. (RUR)	6 483	5 876
Local telecommunication, mln. (RUR)	5 122	5 265
Traffic transmission, mln. (RUR)	2 628	2 476
Intra-zone telecommunication, mln. (RUR)	2 534	2 544
Cable communication network, data transmission and telematic services (Internet), mln. (RUR)	2 389	1 578
Mobile radio communication, wire announcement, broadcasting, TV, mln. (RUR)	247	249
Assistance and agency, mln. (RUR)	42	369
Other services (principal activity), mln. (RUR)	12	36
Other sales incomes (non-core activities), mln. (RUR)	562	585
including incomes from rented assets, mln. (RUR)	345	270
Total, mln. (RUR)	20 019	18 978

For the purpose of data comparability the Company made following re-classification of incomes for 6 months 2007:

	Before re- classificati on	Re- classificati on effect	Re- classificati on result	Comments
Other incomes (non-core activities), mln. (RUR)	585	(270)	315	Incomes from rented assets are allocated in a separate line
Incomes from rented assets, mln. (RUR)	-	270	270	Incomes from rented assets are allocated in a separate line

The company allocated sales incomes on the following basic groups of clients:

Groups of clients	6 months 2008	6 months 2007
Individuals, mln. (RUR)	11 670	10 896
Commercial organisations, mln. (RUR)	4 430	3 962
Budgetary organisations, mln. (RUR)	1 160	1 013
Communication operators, mln. (RUR)	2 759	3 107
Total, mln. (RUR)	20 019	18 978

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29. Other operational expenses

	6 months 2008	6 months 2007
Fire and private security, mln. (RUR)	257	249
Reserve of universal service deductions, mln. (RUR)	198	186
Payments to «Radiochastotniy centre», mln. (RUR)	191	162
Membership dues, charities and transfers to trade unions, mln. (RUR)	179	182
Maintenance and cleaning of premises, mln. (RUR)	171	167
Audit and consulting services, mln. (RUR)	141	84
Payments to non-commercial partnership «the Center of research for problems of telecommunication development» (the Note 35), mln. (RUR)	120	111
Property insurance, mln. (RUR)	99	144
Travellers and representative expenses, mln. (RUR)	95	84
Web sites creation and maintenance, mln. (RUR)	90	15
Training costs, mln. (RUR)	83	80
Delivery of telegrams, accounts, letters, mln. (RUR)	82	76
Transport services, mln. (RUR)	31	54
Post services, mln. (RUR)	28	8
Services of the credit organizations, mln. (RUR)	25	31
Registration of linear cable constructions, mln. (RUR)	17	7
Miscellaneous costs, mln. (RUR)	295	152
Total, mln. (RUR)	2 102	1 792

30. The indemnification of the universal telecommunication services rendering

The indemnification of the universal telecommunication services rendering, in the sum RUR 786 mln. was reflected for 6 months 2008 (6 months 2007 – RUR 3 mln.) in the line «the Indemnification of universal telecommunication services rendering» the profit and loss statement.

Thus, for 6 months 2008 according to the terms of contracts signed with Federal communication agency on universal telecommunication services rendering the Company received the indemnification from the Reserve of universal service, caused by universal telecommunication services rendering in the following size:

RUR 390 mln. - for the services rendered in 4th quarter 2007;

RUR 326 mln. - for the services rendered in 1st quarter 2008;

The difference between the loss for 6 months 2008 and the size of the received indemnification for 1 quarter 2008 will be compensated hereunder.

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31. Net interest expenses

	6 months 2008	6 months 2007
Interest incomes, mln. (RUR)	42	16
Interest expenses, mln. (RUR)	(946)	(871)
Expenses on the interests, added under contracts of financial rent, mln. (RUR)	(382)	(297)
Expenses on the interests, added under contracts of the commercial credit, mln. (RUR)	-	(3)
Total, mln. (RUR)	(1 286)	(1 155)

32. Net profit of financial investments

	6 months 2008	6 months 2007
Profit on share sale in affiliated companies, mln. (RUR)	7	-
Profit on share sale in associated companies, mln. (RUR)	-	129
Other financial investments profit, mln. (RUR)	4	3
Dividends income, mln. (RUR)	2	-
Total, mln. (RUR)	13	132

33. Profit per share

The Company does not have financial instruments which can be converted into ordinary shares. Accordingly, the diluted profit per share is equal to the base profit per share.

	6 months 2008	6 months 2007
Profit (loss) for the reporting period, connected with shareholders of the parent company, mln. (RUR)	1 691	1 329
The average number of ordinary shares and other share instruments participating in profit, in circulation (thousand pieces), mln. (RUR)	40 134 723	40 134 723
Base and diluted profit / (loss) per share (RUR) per year of the parent company shareholders, mln. (RUR)	0,0421	0,0331

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34. Dividends declared

In 2008 according to the decision of General Meeting of Shareholders it was declared that dividends payment for the year, which ended on December 31, 2007 is at the rate of RUR 0,0229 per ordinary share and RUR 0,0471 per preference share.

The sum of the dividends which are subject to payment, has made:

The name of share	Quantity of shares	Dividends per share (RUR)	Sum of dividends (RUR)
As of 2007			
Preference shares	7 835 941 286	0,0471	368 532 157
Ordinary shares	32 298 782 020	0,0229	737 090 507
Total dividends	40 134 723 306	-	1 105 622 664

35. Transactions and operations with the related parties

Within 6 months 2008 the structure of the related parties of the Company did not undertake essential changes in comparison with structure of the related parties as of December 31, 2007.

OJSC "Svyazinvest"

OJSC "Svyazinvest" forms a group of the companies, which structure includes 7 inter-regional companies of communication (including OJSC "Uralsvyazinform"), OJSC "Rostelecom", OJSC “Central telegraph”, OJSC "Dagsvyazinform" and other affiliated companies - operators of public usage communication network. As of June 30, 2008 the Russian Federation in the name of Federal agency on federal property management (since July, 28th, 2008 - the Federal agency on management of the state property) owns the ordinary shares package of OJSC "Svyazinvest" at the rate of 75 % minus 1 share.

OJSC "Rostelecom"

OJSC "Rostelecom", which controlling interest belongs to OJSC "Svyazinvest", is the basic long-distance and international operator in the Russian Federation.

Incomes of OJSC "Rostelecom" are connected with services of traffic transmission, rendered by OJSC "Rostelecom" Company under the transmission contract, and also with the compensation received under the contract of assistance which includes elements of the agency contract and the contract on services rendering.

Expenses on OJSC "Rostelecom" are formed in the sums of payments on services at end of the call on the network of other communication operators in case the call initiation is carried out from a network of mobile radio telephone communication, expenses on transmission fee, and expenses on long-distance and international fees payment, rendered to the Company.

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The corresponding sums included in the consolidated financial statement made up:

	6 months 2008	6 months 2007
Incomes on the services rendered to OJSC "Rostelecom", mln. (RUR)	(929)	(1 607)
Expenses on OJSC "Rostelecom" services, mln. (RUR)	47	92
	On June, 30th, 2008	31 декабря 2007
Accounts receivable from OJSC "Rostelecom" as of December 31, mln. (RUR)	175	257
Accounts payable to OJSC "Rostelecom" as of December 31, mln. (RUR)	(15)	(35)

Non-commercial partnership «the Center of research for problems of telecommunication development»

The non-commercial partnership «the Center of research for problems of telecommunication development» (further "Partnership") is the organization, which is supervised by OJSC "Svyazinvest" by means of its affiliated companies. A subject of the activity of Partnership is a research for problems of telecommunication development, working out on projects of the regulatory legal acts, methodical recommendations and other documents directed to the decision of problems on efficiency increase of telecommunication companies; consulting and other assistance to the communication organizations on various aspects of their activity. The company has a contract with Partnership on funding the latter.

The payments to the Partnership included in the structure of other operational expenses in the consolidated profit and loss statement for 6 months 2008, made up RUR 120 mln. (6 months 2007 – RUR 111 mln.).

OJSC "Svyazintek"

OJSC "Svyazintek" is created by the affiliated companies of OJSC "Svyazinvest" owning of 100 % of its charter capital, for introduction and the further support of information systems functioning, and also for coordination and management of the centralized programs on information technologies within OJSC "Svyazinvest" group of companies.

OJSC "Svyazintek" renders services of introduction and the further support of information systems functioning, in particular, the software of Oracle E-Business Suite and Amdocs Billing Suite to the Company.

Non-state pension fund "Telecom-Souz"

The Company concluded the contract of pension insurance with non-state pension fund "Telecom-Souz". OJSC "Svyazinvest" belongs the majority in Board of Directors NPF "Telecom-Souz". The total sum of payments to NPF "Telecom-Souz" for 6 months 2008 made up RUR 122 mln. (6 months 2007 – RUR 116 mln.) and was reflected as a part of expenses on wages in the consolidated profit and loss statement.

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Compensation to the key administrative personnel

The key administrative personnel consists of members of Board and the Company’s Board of Directors which quantity made up 21 individuals as of June 30, 2008 and 20 individuals as of December 31, 2007

Compensation to members of Board of Directors and OJSC "Uralsvyazinform" Board for 6 months 2008 includes wages, bonuses, and also compensation for participation in the regulatory body of OJSC "Uralsvyazinform" and makes RUR 59 mln. (6 months 2007 – RUR 68 mln.), including wages, awards and compensation of workers of OJSC "Uralsvyazinform" participating in the regulatory body – RUR 56 mln.(6 months 2007 – RUR 56 mln.). The compensation sums are specified without the unified social tax.

The workers’ right to pension payments reception arises after the approach of the pension conditions taking into account the fulfillment by the worker the conditions of the non-state pension program of insurance, which operates in the Company (for example, the work experience).

36. Events after reporting date

Tariff regulation

According to the Order of Federal Tariff Service since September 1, 2008 the Company increased tariffs for local telephone connection services for residents – the subscriber’s of fixed-line services who had chosen the tariff plan with subscriber's system of payments - on the average by 20 %.