

APPROVED

By the Board of Directors of the OJSC Far East  
Telecommunications Company

Minutes dated February 12, 2004 No., 24

**QUARTERLY REPORT**  
**Of the Open Joint Stock Company Far East**  
**Telecommunications Company**

Issuer's code

**3 0 1 6 6** – **F**

**For Quarter IV of 2003**

Issuer's location: 57 Svetlanskaya St., Vladivostok 690950

**Information in this quarterly report shall be subject to disclosure in accordance  
with RF Securities Laws**

Director General Date "___" _____ 20 __	_____ signature	I.V. Zabolotny name
Chief Accountant Date "___" _____ 20 __	_____ signature seal	A.D. Kardashov name

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Disclosing information containing in the present quarterly report

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**ATTACHMENT 1.**

**ATTACHMENT 2.**

**ATTACHMENT 3.**

## Introduction

a) Full and abbreviated name of the Issuer

*Открытое акционерное общество «Дальневосточная компания электросвязи» (hereinafter referred to as the Company)*

*Open Joint Stock Company Far East Telecommunications Company*

*ОАО «Дальсвязь»*

*OJSC FETEC*

б) Location of the Issuer: *57 Svetlanskaya St., Vladivostok State Post Office 690950*

в) Contact telephone numbers: *(4232) 402-801, 406-449*

E-mail: *dsv@dsv.ru*

г) Website of the Issuer or any website where quarterly report of the Issuer is published:

*<http://www.dsv.ru/child.php?id=19>*

д) Main information about issue securities placed by the Issuer

### Information about securities issued

As of the present quarterly report approval the Issuer submitted documents for registration of securities as follows to the RF Securities Committee:

1. Kind: *shares*

Category: *preferred (this type is not stipulated by the Articles of Association)*

Form: *registered non-documentary*

Number of securities to be issued: *31 168 901 (thirty one million one hundred sixty eight thousand ninety one) pieces.*

Par value of each security of the issue: *20 (twenty) rubles*

Issue period and procedure:

Issue method – *Conversion of shares to the shares of the same category (type) with bigger par value*

Issue date (date of issue start is the same as date of issue end) (conversion date): *the first working day after expiry of 10 (ten) calendar days after date of state registration of shares' issue*

Issue procedure:

*Conditions and procedure of preferred shares' issue are determined according to requirements of the Federal Law About Joint Stock Companies № 208-ФЗ dated 26.12.1995 (edited on 27.02.2003.), Federal Law about Securities Market № 39-ФЗ dated 22.04.1996 (edited on 28.12.2002.), clause .V of the Order of the RF Federal Securities Committee dated 18.06.2003 № 03-30/nc, item 3.2, item 7.4.2 and item 7.4.3 of the Provision about Keeping Register of Registered Securities approved by the Order of Russia Federal Securities Committee dated 02.10.1997 № 27 (edited on 20.04.1998.), as well as Resolution of the Annual General Meeting of Shareholders of the Open Joint Stock Company Far East Telecommunications Company dated June 11, 2003 (Minutes No., 12).*

Issuing securities by conversion the Registrar shall:

- *To enter to the Register information about forthcoming issue of securities in accordance with item 3.2 3 of the Provision about Keeping Register of Registered Securities;*
- *To enter in an account of issue of the Issuer preferred shares in which Issuer's preferred shares are to be converted in number specified in the mentioned resolution about securities issue;*
- *To convert preferred shares by converting respective number of securities of new issue from Issuer's account of issue to accounts of registered persons and by converting securities which convert to securities of the present issue from accounts of registered persons to the account of issue of the Issuer;*
- *To cancel Issuer's preferred shares to be converted to the securities of the present Issue;*
- *To verify number of preferred shares issued with number of securities entered to accounts of registered persons;*

*The Registrar shall enter entries about conversion in respect of the whole issue of securities.*

***Entries about conversion of the whole present issue of preferred shares shall be entered to the Register on the first working day after 10 (ten) calendar days after state registration of shares' issue under information of the Register as of such date.***

Issue price and procedure: ***not to be mentioned for such way of issue***

Security conditions: ***not to be mentioned for such securities***

Conversion conditions: ***not to be mentioned for such securities***

2. Kind ***shares***

Category: ***ordinary***

Form: ***registered non-documentary***

Number of securities to be issued: ***95 581 421 (ninety five million five hundred eighty one thousand four hundred twenty one) pieces***

Par value of each security of the issue: ***20 (twenty) rubles***

Issue period and procedure:

Issue method – ***Conversion of shares to the shares of the same category (type) with bigger par value***

Issue date (date of issue start is the same as date of issue end) (conversion date): ***the first working day after expiry of 10 (ten) calendar days after date of state registration of shares' issue***

Issue procedure:

***Conditions and procedure of ordinary shares' issue are determined according to requirements of the Federal Law About Joint Stock Companies № 208-Ф3 dated 26.12.1995 (edited on 27.02.2003.), Federal Law about Securities Market № 39-Ф3 dated 22.04.1996 (edited on 28.12.2002.), clause .V of the Order of the RF Federal Securities Committee dated 18.06.2003 № 03-30/nc, item 3.2, item 7.4.2 and item 7.4.3 of the Provision about Keeping Register of Registered Securities approved by the Order of Russia Federal Securities Committee dated 02.10.1997 № 27 (edited on 20.04.1998.), as well as Resolution of the Annual General Meeting of Shareholders of the Open Joint Stock Company Far East Telecommunications Company dated June 11, 2003 (Minutes No., 12).***

Issuing securities by conversion the Registrar shall:

- ***To enter to the Register information about forthcoming issue of securities in accordance with item 3.2 of the Provision about Keeping Register of Registered Securities' holders;***
- ***To enter in an account of issue of the Issuer ordinary shares in which Issuer's ordinary shares are to be converted in number specified in the mentioned resolution about securities issue;***
- ***To convert ordinary shares by converting respective number of securities of new issue from Issuer's account of issue to accounts of registered persons and by converting securities which convert to securities of the present issue from accounts of registered persons to the account of issue of the Issuer;***
- ***To cancel Issuer's ordinary shares to be converted to the securities of the present Issue;***
- ***To verify number of preferred shares issued with number of securities entered to accounts of registered persons;***

***The Registrar shall enter entries about conversion in respect of the whole issue of securities.***

***Entries about conversion of the whole present issue of ordinary shares shall be entered to the Register on the first working day after 10 (ten) calendar days after state registration of shares' issue under information of the Register as of such date.***

Issue price and procedure: ***not to be mentioned for such way of issue***

Security conditions: ***not to be mentioned for such securities***

Conversion conditions: ***not to be mentioned for such securities***

## Information about placed securities

### Information about shares

Issue number	Category of securities	Number of placed shares	Par (rubles )	Placement	Placement procedure	Placement dates	Placement price or determination procedure
2	Ordinary	33519025	10	Distribution among shareholders	Shares are distributed among shareholders without payment proportionate to their share in the authorized capital fixed in the Register of shareholders as of resolution about authorized capital increase. Each shareholder will obtain 275 shares per one share.	15.07.1996 / 15.09.1996	Free of charge
2	Preferred	11173525	10	Distribution among shareholders	Shares are distributed among shareholders without payment proportionate to their share in the authorized capital fixed in the Register of shareholders as of resolution about authorized capital increase. Each shareholder will obtain 275 shares per one share.	15.07.1996 / 15.09.1996	Free of charge
3	Ordinary	8754631	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Amursvyaz). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication

					Companies are subject to conversion.		
3	Preferred	2930334	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Amursvyaz). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
4	Ordinary	12188544	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Kamchatsvyaz-inform). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
4	Preferred	4062848	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Kamchatsvyaz-Inform). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication

5	Ordinary	5933493	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Magadansvyaz-inform). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
5	Preferred	1977831	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Magadansvyaz-Inform). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
6	Ordinary	14559239	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Sakhalinsvyaz). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication



6	Preferred	4149114	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Sakhalinsvyaz). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
7	Ordinary	2092066	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Telephone and Telegraph Company). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
7	Preferred	697328	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Telephone and Telegraph Company). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication

8	Ordinary	18534423	10	Conversion in case of reorganization	Additional shares are placed by conversion of ordinary shares of affiliated company (OJSC Electrosvyaz of Khabarovsk region). Ordinary shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication
8	Preferred	6178141	10	Conversion in case of reorganization	Additional shares are placed by conversion of preferred shares of affiliated company (OJSC Electrosvyaz of Khabarovsk region). Preferred shares of the affiliated company not reacquired from shareholders in accordance with clause 75-76 of the Federal law about Joint Stock Companies are subject to conversion.	30.09.2002 / 01.10.2002	Information for such placement is not subject to indication

### Information about bonds

Issue type, #	Securities category	Number of placed bonds	Par value (rubles)	Placement	Placement procedure	Placement date	Placement price of determination procedure
Д1	Non-convertible documentary interest-bearing bonds payable to bearer with obligatory	1 000 000	1 000	Public subscription	Bonds are placed by making purchase and sale transactions at bond placement price after summing up results of competition for interest rate for the first coupon. Interest rate for the first coupon is to be determined in the course of competition at MIFCE.	19.11.2003	Bonds are placed at price of 1000 (one thousand) rubles per a bond. Starting from the second placement of bonds a buyer

	obligatory centralized storage				Bonds are placed at section of stock market of the PJSC Moscow Interbank Foreign Currency Exchange. An underwriter acting for and on behalf of the Issuer is bonds Seller. Trust Investment bank is underwriter of bonds issue.		purchasing bonds shall also pay accumulated coupon income for respective number of days.
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e) Another information that the issuer deems necessary to specify in the introduction.

***"the present quarterly report contains assessments and forecasts of Issuer's authorized management bodies regarding future events and/or actions, development prospects of economic industry where the issuer performs principal business and results of issuer's business including issuer's plans, probability of particular events and actions. The investors shall not fully rely on assessments and forecasts of the Issuer's authorized management bodies as actual results of the Issuer in future may differ from those forecasted due to many reasons. Acquisition of the Issuer's securities is associated with risks described in the present quarterly report".***

# **I. Brief information about members of the issuer management bodies, information about bank accounts, auditor, appraiser and financial consultant of the Issuer as well as about other persons signing the quarterly report**

## **1.1. Members of the Issuer management bodies**

№ Name, patronymic, surname

### ***Board of Directors***

1. ***Vladimir V. Dudchenko***  
Year of birth: ***1973***
2. ***Igor V. Zabolotny***  
Year of birth: ***1967***
3. ***Mikhail Y. Kobischanov***  
Year of birth: ***1963***
4. ***Alexandre V. Lopatin (Chairman)***  
Year of birth: ***1964***
5. ***Yury V. Nikiforov***  
Year of birth: ***1963***
6. ***Tatiana N. Novak***  
Year of birth: ***1973***
7. ***Maxim S. Plushev***  
Year of birth: ***1974***
8. ***Igor N. Repin***  
Year of birth: ***1966***
9. ***Yury A. Tabunschikov***  
Year of birth: ***1959***
10. ***Evgeny V. Yurchenko***  
Year of birth: ***1968***
11. ***Nadezhda V. Filippova***  
Year of birth: ***1953***

### ***Collective executive body of the issuer (Board)***

1. ***Vyacheslav A. Bobkov***  
Year of birth: ***1950***
2. ***Konstantin G. Voloshin***  
Year of birth: ***1974***
3. ***Alla A. Ganeeva***  
Year of birth: ***1951***
4. ***Vitaly I. Dobrovolsky***  
Year of birth: ***1948***
5. ***Alexandre V. Zheludkov***  
Year of birth: ***1958***
6. ***Igor V. Zabolotny (Chairman)***  
Year of birth: ***1967***
7. ***Vladislav L. Ilchenko***  
Year of birth: ***1972***
8. ***Andrey D. Kartasho***  
Year of birth: ***1974***
9. ***Oleg V. Mamontov***  
Year of birth: ***1963***
10. ***Natalia p. Utina***  
Year of birth: ***1961***

### ***Sole executive body of the Issuer (Director General)***

**Igor V. Zabolotny**  
Year of birth: 1967

## **1.2. Information about Issuer's bank accounts**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 07 Artem)**

Abbreviated company name: **Russia Savings bank OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 07 Artem)**

Location: **49 Frunze St., Artem 692760,**

Taxpayer's Identification Number: **7707083896**

Types and numbers of accounts:

**Ruble account** 40702810450330100427

**Ruble account** 40702810450330100139

Bank Identification Code: **040507601**

Correspondent account No.,: **30101810800000000601**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 06 Slavyanka)**

Abbreviated company name: **Russia Savings bank OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 06 Slavyanka)**

Location: **750 let Oktyabrya St., Slavyanka settlement 692701**

Taxpayer's Identification Number: **7707083893**

Types and numbers of accounts:

**Rubble account** 40702810450160100079

Bank identification Code: **040507601**

Correspondent account No.,: **30101810800000000601**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 051 Bolshoy Kamen)**

Abbreviated company name: **Russia Savings bank OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 branch 051 Bolshoy Kamen)**

Location: **10 maslakova St., Bolshoy Kamen 692820,**

Taxpayer's Identification Number: **7707083893**

Account types and numbers:

**Ruble account** 40702810350110110436

BIC: **040507601**

Correspondent account No.,: **30101810800000000601**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)**

Location: **22 Semyonovskaya St., Vladivostok 90050,**

Taxpayer's Identification Number: **7707083893**

Account types and numbers:

**ruble account** 40702810650020101235

**ruble account** 40702810350020101234

**ruble account** 40702810350020101085

**ruble account** 40702810050020101084

<i>ruble account</i>	40702810250020101088
<i>ruble account</i>	40702810550020101089
<i>ruble account</i>	40702810950020101171
<i>ruble account</i>	40702810150020101230
<i>ruble account</i>	40702810950020101139
<i>ruble account</i>	40702810150020101065
<i>ruble account</i>	40702810850020401065
<i>current currency account</i>	40702840450020101065
<i>transit currency account</i>	40702840350020201065
<i>special transit currency account</i>	40702840250020301065
<i>current currency account</i>	40702978050020101065
<i>transit currency account</i>	40702978950020201065
<i>special transit currency account</i>	40702978850020301065
<i>ruble account</i>	40702810350020101218
<i>ruble account</i>	40702810650020101219
<i>ruble account</i>	40702810050020101220
<i>ruble account</i>	40702810350020101221
<i>ruble account</i>	40702810650020101222
<i>ruble account</i>	40702810950020101223
<i>ruble account</i>	40702810250020101224

BIC: **040507601**

Correspondent account No.: **30101810800000000601**

Full company name: ***Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635***

Abbreviated company name: ***Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)***

Location: **692245, г. Спасск-Д, ул. Ленинская, д. 42**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

<i>ruble account</i>	40702810150100100067
<i>ruble account</i>	40702810050100103067

BIC: **040507601**

Correspondent account number: **30101810800000000601**

Full company name: ***Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635***

Abbreviated company name: ***Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)***

Location: **76 Sovetskaya St., Kirovsky settlement 692090,**

Taxpayer's Identification Number: **7707083893**

Типы и №№ счетов:

<i>ruble account</i>	40702810150100105321
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BIC: **040507601**

Correspondent account No.: **30101810800000000601**

Full company name: ***Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635***

Abbreviated company name: ***Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)***

Location: **25 Budennogo St., Chernigovka settlement 692372,**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** 40702810250100101270

BIC: 040507601

Correspondent account number: 30101810800000000601

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635)**

Location: **61 Lenina St., Dalnerechensk**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810350210100045

**ruble account** 40702810450210100330

**ruble account** 40702810150210105650

**ruble account** 40702810450210105651

**ruble account** 40702810450210100054

**ruble account** 40702810550210100352

BIC: 040507601

Correspondent account number: 30101810800000000601

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Arseniev branch № 7718)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Arseniev branch № 7718)**

Location: **10b Leninskaya St., Arseniev city**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810050040100224

**ruble account** 40702810250040106060

**ruble account** 40702810650040100242

**ruble account** 40702810150040107237

BIC: 040504615

№ корреспондентского счета: 30101810400000000615

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Arseniev branch Savings bank department 7718/035)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Arseniev branch Savings bank Department 7718/035)**

Location: **45 Sovetskaya St., Yakovlevka settlement 692361**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810250040105032

BIC: 040504615

Correspondent account number: 30101810400000000615

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Arseniev branch Savings bank department 7718/035 Arseniev city)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Arseniev branch savings bank Department № 7718/059 Arseniev city)**

Location: **54 Komsomolskaya St., Arseniev 692413,**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:



*ruble account* 40702810050040104518  
*ruble account* 40702810350040104519  
BIC: 040504615  
Correspondent account number: 30101810400000000615

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Nakhodka branch № 7151)*  
Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Nakhodka branch № 7151)*  
Location: *3 Portovaya St., Nakhodka*  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
*ruble account* 40702810850180110303  
*ruble account* 40702810150180111361  
BIC: 040510602  
Correspondent account number: 30101810100000000602

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Primorsky branch of the Savings bank department No., 8635 additional office 07 Artem)*  
Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank Primorsky branch № 8635 Additional office 07Artem))*  
Location: *49 Frunze St., Artem 692760,*  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
*ruble account* 40702810150330100426  
*ruble account* 40702810650330100191  
BIC: 040507601  
Correspondent account number: 30101810800000000601

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Spassk branch of the Savings bank department No., №№ 4141/072)*  
Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank Spassk branch of the SBD № 4141/072)*  
Location: *22 Kalinina St., Lesozavodsk*  
Taxpayer's Identification Number: 77070883893  
Accounts types and numbers:  
*ruble account* 40702810250100107364  
*ruble account* 40702810350100107471  
BIC: 040503625  
Correspondent account number: 30101810600000000625

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank, Ussuriisk branch of the Savings bank department № 4140)*  
Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank Ussuriisk branch of the SBD № 4140))*  
Location: *56 lenina St., Ussuriisk 692500,*  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
*ruble account* 40702810050090100667  
*ruble account* 40702810350090100668

BIC: **040508619**

Correspondent account No.: **30101810200000000619**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Kamchatka branch No., 8556)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Kamchatka branch No., 8556)**

Location: **2 Lukashevskogo St., Petropavlovsk kamchatsky 68302)**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** **40702810036170110849**

**ruble account** **40702810936170111074**

**ruble account** **40702810436170130966**

BIC: **043002602**

Correspondent account No.: **30101810600000000602**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern Bank of Russia Savings bank Tigil branch No., 7465)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Tigil branch No., 7465)**

Location: **22 Gagarina St., Tigil, Tigil district of Koryak Autonomous region**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** **40702810036140100002**

**ruble account** **40702810236140100006**

BIC: **043011601**

Correspondent account No.: **30101810700000000601**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Kamchatka branch No., 8556)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Kamchatka branch No., 8556)**

Location: **25 Beringa St., Elizovo 684010**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** **40702810236170120972**

**ruble account** **40702810136170120975**

BIC: **043002602**

Correspondent account No.: **30101810600000000602**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Kamchatka branch No., 8556)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Kamchatka branch No., 8556)**

Location: **8 Oktyabrskaya St., Ust-Bolsheretsk, 684100,**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** **40702810136170140973**

**ruble account**

BIC: **043002602**

Correspondent account No.: **30101810600000000602**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Milkovo branch No., 5492)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Milkovo branch No., 5492)**

Location: **Milkovo, Kamchatka region**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810936110100572**

**ruble account 40702810636110100571**

BIC: **043015601**

Correspondent account No.: **30101810300000000601**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Magadan region additional office No., 016)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Magadan region additional office No., 016)**

Location: **50 Sovetskaya St., Ola**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810536000101368**

**ruble account 40702810336000101458**

BIC: **044442607**

Correspondent account No.: **30101810300000000607**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Magadan region Omsukchan branch No., 7342)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Magadan region Omsukchan branch No., 7342)**

Location: **33 Lenina St., Omsukchan**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810536030000452**

**ruble account 40702810436030000455**

BIC: **044453653**

Correspondent account No.: **30101810800000000653**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Magadan region Yagodninsky branch of savings bank No., 7341)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Magadan region Yagodninsky branch of Savings bank No., 7341 additional office No., 0101)**

Location: **8 Oktyabrskaya St., Seichman**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810836020100170**

**ruble account 40702810936020100180**

BIC: **044454615**

Correspondent account No.: **30101810900000000615**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Magadan region Susman branch No., 7249)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Magadan region Susman branch No., 7249)**

Location: **3 Bilibina St., Susman**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** 40702810236050000346  
**ruble account** 40702810136050100362  
BIC: 044456621  
Correspondent account No.: 30101810600000000621

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Magadan region additional office No., 012)**  
Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Magadan region additional office No., 012)**  
Location: **19 Pobedy St., Severo-Evensk**  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
**ruble account** 40702810236000101370  
**ruble account** 40702810536000101465  
BIC: 044442607  
Correspondent account No.: 30101810300000000607

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Tenkinsky branch of Savings bank No., 7248)**  
Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Tenkinsky branch of Savings bank No., 7248)**  
Location: **13 Mira St., Ust-Omchug**  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
**ruble account** 40702810336040001192  
**ruble account** 40702810736040101207  
BIC: 044457630  
Correspondent account No.: 30101810100000000630

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Yagodnoye branch of Savings bank No., 6187)**  
Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Yagodnoye branch of Savings Bank No., 6187)**  
Location: **4 Pushkinskaya St., Yagodnoye**  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
**ruble account** 40702810436080100174  
**ruble account** 40702810936080100179  
BIC: 044469620  
Correspondent account No.: 30101810300000000620

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Yagodninsky branch of Savings bank No., 7341)**  
Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, Yagodninsky branch of Savings Bank No., 7341)**  
Location: **23 Pionerskaya St., Orotukan**  
Taxpayer's Identification Number: 7707083893  
Accounts types and numbers:  
**ruble account** 40702810436020100172  
BIC: 044454615  
Correspondent account No.: 30101810900000000615

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank Additional office No., 018)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank, additional office No., 018)**

Location: **56 Lenina St., Palatka**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810636000101404**

**ruble account 40702810936000101463**

BIC: **044442607**

Correspondent account No.: **30101810300000000607**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (North Eastern bank of Russia Savings bank)**

Abbreviated company name: **Russia Savings bank (OJSC North Eastern bank of Russia Savings bank)**

Location: **11/11 Pushkina St., Magadan**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810236000101367**

**ruble account 40702810036000101460**

**ruble account 40702810936000101324**

**ruble account 40702810636000101459**

BIC: **044442607**

Correspondent account No.: **30101810300000000607**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Blagoveshchensk branch of Savings bank No., 8636)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Blagoveshchensk branch of Savings Bank No., 8636)**

Location: **240 Zeyskaya St., Blagoveshchensk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810003010102167**

**ruble account 40702810303010102168**

**ruble account 40702810403010102181**

**ruble account 40702810803010102192**

**ruble account 40702810803010102202**

**ruble account 40702810103010102203**

BIC: **041012603**

Correspondent account No.: **30101810200000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Belogorsk branch of Savings bank No., 4133)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Belogorsk branch of Savings Bank No., 4133)**

Location: **55 lenina St., Belogorsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810803030100268**

**ruble account 40702810803030100271**

BIC: **041012603**

Correspondent account No.: **30101810200000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Blagoveshchensk branch of Savings bank No., 8636 additional office No., 0130)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Blagoveshchensk branch of Savings Bank No., 8636 additional office No., 0130)**

Location: **33 Sovetskaya St., Novobureysky**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810703050100319**

**ruble account 40702810103050100320**

BIC: **041012603**

Correspondent account No.: **3010181020000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Blagoveshchensk branch of Savings bank No., 8636 additional office No., 0135)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Blagoveshchensk branch of Savings Bank No., 8636 additional office No., 0135)**

Location: **24 Kuybysheva St., Zavitinsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810703110100071**

**ruble account 40702810003110100072**

BIC: **041012603**

Correspondent account No.: **3010181020000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Zeya branch of Savings bank No., 4159)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Zeya branch of Savings Bank No., 4159)**

Location: **55 Svetly settlement Zeya city**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810703170100228**

**ruble account 40702810003170100229**

BIC: **041012603**

Correspondent account No.: **3010181020000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Blagoveshchensk branch of Savings bank No., 8636 additional office No., 0124)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Blagoveshchensk branch of Savings Bank No., 8636 additional office No., 0124)**

Location: **32 Shkolnaya St., Raichikhinsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810103050100155**

**ruble account 40702810803050100154**

BIC: **041012603**

Correspondent account No.: **3010181020000000603**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank branch of Savings bank No., 1456)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, ranch of Savings Bank No., 1456)**

Location: **Svobodny**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

*ruble account* 40702810803150100724

*ruble account* 40702810303150100224

BIC: 041012603

Correspondent account No.: 30101810200000000603

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Tynda branch of Savings bank No., 3707 in Blagoveshchensk branch of savings bank No., 8636)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Tynda branch of Savings bank No., 3707 in Blagoveshchensk branch of savings bank No., 8636)*

Location: *1 Krasnaya Presnya St., Tynda*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810003020100476

*ruble account* 40702810303020100477

BIC: 041012603

Correspondent account No.: 30101810200000000603

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank)*

Location: *4 Brestskaya St., Khabarovsk*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810970000103505

*ruble account* 40702810270000103506

*ruble account* 40702810770000103530

*ruble account* 40702810070000103531

*ruble account* 40702810070000103528

*ruble account* 40702810370000103529

*ruble account* 40702810470000103526

*ruble account* 40702810170000103525

BIC: 040813608

Correspondent account No.: 30101810600000000608

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank additional office., 064)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 064)*

Location: *4 Brestskaya St., Khabarovsk*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810970000103518

*ruble account* 40702810270000103519

BIC: 040813608

Correspondent account No., 30101810600000000608

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Central branch No., 4205)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Central branch No., 4205)*

Location: *1 lesnaya St., Amursk*

Taxpayer's Identification Number: 7707083839

Accounts types and numbers:

*ruble account* 40702810770050101156  
*ruble account* 40702810070050101160  
BIC: 04085601  
Correspondent account No.: 3010181060000000601

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Sovetskaya Gavan branch of Savings bank No., 4154)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Sovetskaya gavan branch of Savings bank No., 4154)*

Location: *7 Pobedy Sq., Sovetskaya Gavan*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810970100100136

*ruble account* 40702810270100100137

BIC: 040813608

Correspondent account No.: 3010181060000000608

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Nikolaevsk branch No., 692)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Nikolaevsk branch No., 692)*

Location: *29 kantera St., Nikolaevsk-on-Amur*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810470180100180

*ruble account* 40702810070180100179

BIC: 040813608

Correspondent account No.: 30101810000000608

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Central branch of Savings bank No., 4205)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Central branch of Savings bank No., 4205)*

Location: *Block 8, Building 57, Alleya Truda St., Komsomolsk-on-Amur*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810370050101161

*ruble account* 40702810670050101162

BIC: 040825601

Correspondent account No.: 3010181060000000601

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank branch of Savings bank No., 5529)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, branch of Savings bank No., 5529)*

Location: *48 Tsentralnaya St., Chegdomyn*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

*ruble account* 40702810870080100181

*ruble account* 40702810170080100182

BIC: 040813608

Correspondent account No.: 3010181060000000608



Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 055)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 055)**

Location: **86A Gagarina St., Bikin**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810370060100025**

BIC: **040813608**

Correspondent account No.: **30101810600000000608**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 055)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 055)**

Location: **86A Gagarina St., Bikin**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810370060100025**

BIC: **040813608**

Correspondent account No.: **30101810600000000608**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 046)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 046)**

Location: **95 Kalinina St., Troitsky**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810170210100059**

BIC: **040813608**

Correspondent account No.: **30101810600000000608**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 052)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 052)**

Location: **13 Kommunisticheskaya St., Vyazemsky**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810770110000060**

BIC: **040813608**

Correspondent account No.: **30101810600000000608**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 067)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 067)**

Location: **9 postysheva St., Pereyaslovka**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810770200100294**

BIC: **040813608**

Correspondent account No.: **30101810600000000608**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Additional office No., 049)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Additional office No., 049)**

Location: **18 Lunacharskogo St., Okhotsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810070140010131**

**ruble account 40702810770140010130**

BIC: **040816657**

Correspondent account No.: **30101810500000000657**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Birobidzhan branch of Savings bank No., 4157)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Birobidzhan branch of Savings bank No., 4157)**

Location: **16 Sholom Aleykhema St., Birobidzhan**

Taxpayer's Identification Number: **7702235133**

Accounts types and numbers:

**ruble account 40702810870120100553**

**ruble account 40702810970120100631**

**ruble account 40702810170120400584**

**текущий валютный 40702978870120110061**

**текущий валютный 40702840970120110060**

**ruble account 40702810070120100573**

**ruble account 40702810670120100591**

**ruble account 40702810370120100574**

**ruble account 40702810970120100592**

**ruble account 40702810970120100576**

**ruble account 40702810270120100593**

**ruble account 40702810670120100575**

**ruble account 40702810370120100590**

BIC: **049923613**

Correspondent account No.: **30101810500000000613**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch of Savings bank No., 8567)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch of Savings bank No., 8567)**

Location: **61 Amurskaya St., Yuzhno-Sakhalinsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810650340110543**

**ruble account 40702810350340110542**

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567/025)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567/025)**

Location: **38 nevelskogo St., Yuzhno-Sakhalinsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account** 40702810750340110540

**ruble account** 40702810350340110539

BIC: 046401642

Correspondent account No.: 30101810100000000642

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567/012)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567/012)**

Location: **41 Lenina St., Aniva**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810950340105258

**ruble account** 40702810650340105257

BIC: 046401642

Correspondent account No.: 30101810100000000642

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567/018)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567/018)**

Location: **39A Komsomolskaya St., Dolinsk**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810350340107212

**ruble account** 40702810650340107213

BIC: 046401642

Correspondent account No.: 30101810100000000642

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567/053)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567/053)**

Location: **25 Sovetskaya St., Korsakov**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810150340115857

**ruble account** 40702810850340115856

BIC: 046401642

Correspondent account No.: 30101810100000000642

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Okha branch No., 4170/049)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Okha branch No., 4170/049)**

Location: **6 Fizkulturnaya St., Nogliky**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers:

**ruble account** 40702810550360114700

**ruble account** 40702810850360114701

BIC: 046401642

Correspondent account No.: 30101810100000000642

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Severo-Kurilsk branch No., 7711)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Severo-Kurilsk branch No., 7711)**

Location: **21-1 Shutova St., Severo-Kurilsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810250460120240**

**ruble account 40702810550460120241**

BIC: **046412684**

Correspondent account No.: **30101810300000000684**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567, additional office No., 8567/065)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567 additional office No., 8567/065)**

Location: **76 Sovetskaya St., Kholmsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

**ruble account 40702810950340117369**

**ruble account 40702810350340117370**

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalinsk branch No., 8567, additional office No., 8567/077)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-sakhalinsk branch No., 8567 additional office No., 8567/077)**

Location: **80 Sovetskaya St., Nevelsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810450340118978**

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Okha branch No., 4170)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Okha branch No., 4170)**

Location: **32 Sovetskaya St., Okha**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers:

**ruble account 40702810150360114197**

**ruble account 40702810450360114198**

BIC: **046415688**

Correspondent account No.: **30101810200000000688**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Poronaysk branch No., 7311)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Poronaysk branch No., 7311)**

Location: **68 Oktyabrskaya St., Poronaysk**

Taxpayer's Identification Number: 7707083893

Accounts types and numbers

*ruble account* 40702810750400116167

*ruble account* 40702810050400116168

BIC: 046401642

Correspondent account No.,: 30101810100000000642

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Poronaysk branch No., 7311/064)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Porronaysk branch No., 7311/064)*

Location: *30a 50let Oktyabrya St., Makarov*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers

*ruble account* 40702810450400116713

*ruble account* 40702810750400116714

BIC: 046401642

Correspondent account number: 30101810100000000642

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Poronaysk branch No., 7311/091)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Porronaysk branch No., 7311/091)*

Location: *38a 8 marta St., Smirnykh*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers

*ruble account* 40702810850400019889

*ruble account* 40702810250400019890

BIC: 046401642

Correspondent account No.,: 30101810100000000642

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Sakhalinsk branch No., 8567, additional office No., 8567/072)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Sakhalinsk branch No., 8567 additional office No., 8567/072)*

Location: *18 Zavodskaya St., Uglegorsk*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers

*ruble account* 40702810350340118285

*ruble account* 40702810050340118284

BIC: 046401642

Correspondent account No.,: 30101810100000000642

Full company name: *Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Sakhalinsk branch No., 8567, additional office No., 082)*

Abbreviated company name: *Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Sakhalinsk branch No., 8567 additional office No., 082)*

Location: *58a Kalinina St., Tomary*

Taxpayer's Identification Number: 7707083893

Accounts types and numbers

*ruble account* 40702810250340119355

*ruble account* 40702810950340119354

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Sakhalinsk branch No., 8567, additional office No., 085)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Sakhalinsk branch No., 8567 additional office No.,085)**

Location: **34 karla marxa St., Krasnogorsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

**ruble account 40702810550340119482**

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Poronaysk branch No., 7311/039)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Poronaysk branch No., 7311/039)**

Location: **18 Dzerzhinskogo St., Alexandrovsk-Sakhalinsky**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

**ruble account 40702810850400113840**

**ruble account 40702810150400113841**

BIC: **046426674**

Correspondent account No.: **30101810100000000674**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Poronaysk branch No., 7311/048)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Poronaysk branch No., 7311/048)**

Location: **83 Oktyabrskaya St., Tymovskoye**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

**ruble account 40702810650400115187**

**ruble account 40702810350400115186**

BIC: **046426674**

Correspondent account No.: **30101810100000000674**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Kurilskk branch No., 7320)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Kurilsk branch No., 7320)**

Location: **5 kurilskaya St., Kurilsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

**ruble account 40702810950450119655**

**ruble account 40702810250420119656**

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial savings bank of Russian Federation (open joint stock company) (Far Eastern bank of Russia Savings bank Yuzhno-Sakhalonsk branch No., 8567)**

Abbreviated company name: **Russia Savings bank (OJSC Far Eastern bank of Russia Savings bank, Yuzhno-Sakhalinsk branch No., 8567)**

Location: **61 Amurskaya St., Yuzhno-Sakhalinsk**

Taxpayer's Identification Number: **7707083893**

Accounts types and numbers

<b>ruble account</b>	<b>40702810450340110536</b>
<b>ruble account</b>	<b>40702810750340110537</b>
<b>current currency account</b>	<b>40702840750340110536</b>
<b>transit currency account</b>	<b>40702840650340210536</b>
<b>special transit currency account</b>	<b>40702840550340310536</b>
<b>current currency account</b>	<b>40702978350340110536</b>
<b>transit currency account</b>	<b>40702978250340210536</b>
<b>special transit currency account</b>	<b>40702978150340310536</b>

BIC: **046401642**

Correspondent account No.: **30101810100000000642**

Full company name: **Joint Stock Commercial bank Primorye (open joint stock company)**

Abbreviated company name: **OJSC JSCB Primorye**

Location: **47 Svetlanskaya St., Vladivostok 690091,**

Location: **61 Amurskaya St., Yuzhno-Sakhalinsk**

Taxpayer's Identification Number: **2536020789**

Accounts types and numbers

<b>Budget account</b>	<b>84718060004983970211</b>
<b>ruble account</b>	<b>40702810500000001902</b>
<b>special transit currency account</b>	<b>40702840500000030503</b>
<b>current currency account</b>	<b>40702978500000030501</b>
<b>transit currency account</b>	<b>40702978800000030502</b>
<b>special transit currency account</b>	<b>40702978100000030503</b>

BIC: **040502795**

Correspondent account No., **30101810300000000795**

Full company name: **Joint Stock Company Commercial Kamchatprombank**

Abbreviated company name: **OJSC Kamchatprombank**

Location: **14 Sovetskaya St., Petropavlovsk-Kamchatsky 683000,**

Taxpayer's Identification Number: **4101005860**

Accounts types and numbers

<b>ruble account</b>	<b>40702810300000000777</b>
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BIC: **043002714**

Correspondent account No.: **30101810200000000714**

Full company name: **Joint Stock Kamchatka Commercial Agroprombank Kamchatkomagroprombank (open joint stock company)**

Abbreviated company name: **OJSC Kamchatkomagroprombank**

Location: **5 50 let Oktyabrya St., Petropavlovsk-kamchatsky 683024,**

Taxpayer's Identification Number: **4101019774**

Accounts types and numbers

<b>Current currency account</b>	<b>40702840000000000431</b>
<b>Transit currency account</b>	<b>40702840100010000431</b>
<b>Special transit currency account</b>	<b>40702840200020000431</b>
<b>ruble account</b>	<b>40702810907170000067</b>

BIC: **043002711**

Correspondent account No.: **30101810300000000711**

Full company name: **Joint Stock Kamchatka Commercial Agroprombank Kamchatkomagroprombank (open joint stock company) (Branch)**

Abbreviated company name: ***OJSC Kamchatkomagroprombank (Branch)***

Location: ***11 Oktyabrskaya St., Ozernovsky 684010***

Taxpayer's Identification Number: ***4101019774***

Accounts types and numbers

***ruble account*** ***40702810907170000067***

BIC: ***043002711***

Correspondent account No.: ***30101810300000000711***

Full company name: ***Joint Stock Company Commercial bank Magadansky***

Abbreviated company name: ***OJSC CB Magadansky***

Location: ***685000, z. Магадан, пр. Карла Маркса д. 33/15***

Taxpayer's Identification Number: ***4909052620***

Accounts types and numbers

***ruble account*** ***40702810500000000826***

***ruble account*** ***40702810900000000840***

BIC: ***044442797***

Correspondent account No.: ***30101810100000000797***

Full company name: ***Bank of Foreign Trade (open joint stock company)(branch in Magadan)***

Abbreviated company name: ***OJSC Bank of Foreign Trade***

Location: ***30-B Lenina St., Magadan***

Taxpayer's Identification Number: ***7702070139***

Accounts types and numbers

***ruble account*** ***40702810113000001280***

***transit currency account*** ***40702840713001001280***

***transit currency account*** ***40702840413000001280***

***current currency account*** ***40702840013002001280***

***current ruble account*** ***40702810002001003440***

BIC: ***044442798***

Correspondent account No.: ***30101810400000000798***

Full company name: ***Bank of Foreign Trade (open joint stock company)(branch in Khabarovsk)***

Abbreviated company name: ***OJSC Bank of Foreign Trade (Branch in Khabarovsk)***

Location: ***7 Moskovskaya St., Khabarovsk***

Taxpayer's Identification Number: ***7702070139***

Accounts types and numbers

***ruble account*** ***40702810002001003440***

BIC: ***040813727***

Correspondent account No.: ***30101810400000000727***

Full company name: ***Bank of Foreign Trade (open joint stock company)(branch in Vladivostok)***

Abbreviated company name: ***OJSC Bank of Foreign Trade (branch in Vladivostok)***

Location: ***58 Partizansky Pr., Vladivostok 690002,***

Taxpayer's Identification Number: ***7702070139***

Accounts types and numbers

***ruble account*** ***40702810534001000455***

BIC: ***040502858***

Correspondent account No.: ***30101810700000000858***

Full company name: ***Interregional Commercial bank of Information science and Communication development Svyaz-Bank (open joint stock company)(branch in Blagoveshchensk)***

Abbreviated company name: ***OJSC JSCB Svyaz-Bank (Blagoveshchensk branch)***

Location: ***27 Pionerskaya St., Blagoveshchensk***



Taxpayer's Identification Number: **7710301140**  
Accounts types and numbers  
**Current currency account** **40702840800151000648**  
**ruble account** **40702810200150000648**  
BIC: **041012778**  
Correspondent account No.: **30101810300000000778**

Full company name: **Open Joint Stock Company Far Eastern Commercial Bank Dalcombank (Zheleznodorozhny branch)**  
Abbreviated company name: **OJSC Dalcombank (Zheleznodorozhny branch)**  
Location: **51 Leningradskaya St., Khabarovsk**  
Taxpayer's Identification Number: **2700001620**  
Accounts types and numbers  
**ruble account** **40702810900080000726**  
**special transit currency account** **40702840200080000072**  
**ruble account** **40702810200080000718**  
BIC: **040813718**  
Correspondent account No.: **30101810600000000718**

Full company name: **Open Joint Stock Company Far Eastern Commercial Bank Dalcombank (Primorsky branch in Vladivostok)**  
Abbreviated company name: **OJSC Dalcombank (Primorsky branch in Vladivostok)**  
Location: **89 Svetlanskaya St., Vladivostok 690950,**  
Taxpayer's Identification Number: **2700001620**  
Accounts types and numbers  
**ruble account** **40702810700160000062**  
BIC: **040507862**  
Correspondent account No.: **30101810500000000862**

Full company name: **Far Eastern OVK Bank (Open Joint Stock Company) (Additional office No., 0805)**  
Abbreviated company name: **Far Eastern OVK Bank (OJSC) (Additional office No., 0805)**  
Location: **8 Vostretsova St., Ayan**  
Taxpayer's Identification Number: **2721908988**  
Accounts types and numbers  
**ruble account** **40702810008050000029**  
**ruble account** **40702810408050000030**  
BIC: **040813701**  
Correspondent account No.: **30101810400000000701**

Full company name: **Far Eastern OVK Bank (Open Joint Stock Company) (Additional office No., 0812)**  
Abbreviated company name: **Far Eastern OVK Bank (OJSC) (Additional office No., 0812)**  
Location: **16 Sovetskaya St., Chumikan**  
Taxpayer's Identification Number: **2721908988**  
Accounts types and numbers  
**ruble account** **40702810308120000002**  
**ruble account** **40702810108120000082**  
BIC: **040813701**  
Correspondent account No.: **30101810400000000701**

Full company name: **Joint Stock Commercial Bank of Regional Development (Private Joint Stock Company)**  
Abbreviated company name: **PJSC Regiobank**  
Location: **18 Amursky Boulevard Khabarovsk 680000**

Taxpayer's Identification Number: **2702070059**  
Accounts types and numbers  
**ruble account**                    **40702810208010008035**  
BIC: **040813737**  
Correspondent account No.: **3010181050000000737**

Full company name: **ITURUP Bank Limited Liability Company**  
Abbreviated company name: **ITURUP Bank Co., Ltd.**  
Location: **32 Kommunistichesky Prospect, Yuzhno-Sakhalinsk 693009**  
Taxpayer's Identification Number: **6501021443**  
Accounts types and Numbers  
**ruble account**                    **40702810900005521541**  
**ruble account**                    **40702810300007721541**  
BIC: **0464601772**  
Correspondent account No.: **3010181030000000772**

Full company name: **Kholmsk Joint Stock Commercial Bank (Private Joint Stock Company)**  
Abbreviated company name: **PJSC Kholmskconbank**  
Location: **16 Pobedy St., Kholmsk, 694620**  
Taxpayer's Identification Number: **6509006951**  
Accounts types and numbers  
**ruble account**                    **40907810400000000036**  
BIC: **046423716**  
Correspondent account No.: **30101810300000000716**

Full company name: **Interregional Joint Stock Commercial Bank of Economic Cooperation Sakhalin-West Open Joint Stock Company**  
Abbreviated company name: **IJSCBEC Sakhalin-West OJSC**  
Location: **24 Pobedy prospect Yuzhno-Sakhalinsk 693007**  
Taxpayer's Identification Number: **6501039289**  
Accounts types and numbers  
**ruble account**                    **40702810600000003086**  
BIC: **046401760**  
Correspondent account No.: **30101810600000000760**

Full company name: **ROSBANK Joint Stock Commercial Bank (Open Joint Stock Company)(Yuzhno-Sakhalinsk Branch)**  
Abbreviated company name: **OJSC JSCB ROSBANK (Yuzhno-Sakhalinsk Branch)**  
Location: **37 Chekhova St., Yuzhno-Sakhalinsk**  
Taxpayer's Identification Number: **7730060164**  
Accounts types and numbers  
**ruble account**                    **40702810010100010706**  
**current currency account**        **40702840310100010706**  
**transit currency account**        **40702840210103010706**  
**special transit currency account** **40702840910103310706**  
**current currency account**        **40702392910100010706**  
**transit currency account**        **40702392810103010706**  
**special transit currency account** **40702392510103310706**  
BIC: **046401705**  
Correspondent account No.: **30101810500000000705**

Full company name: **Moscow Business World Joint Stock Commercial Bank (Open Joint Stock Company)(Vladivostok branch)**  
Abbreviated company name: **OJSC MDM\_Bank (Vladivostok branch)**  
Location: **3 Mordovtseva St., Vladivostok, 690091**

Taxpayer's Identification Number: **7706074960**

Accounts types and numbers

Accounts types and numbers **40702810400060000817**

**ruble account**

BIC: **040507839**

Correspondent account No.: **30101810300000000839**

Full company name: **Far Eastern Commercial Bank of Fishery Open Joint Stock Company**

Abbreviated company name: **OJSC Dalrybbank**

Location: **51-a Svetlanskaya St., Vladivostok 690600,**

Taxpayer's Identification Number: **2504001705**

Accounts types and numbers

**Transit currency account 40702840500000219300**

BIC: **040507704**

Correspondent account No.: **30101810600000000704**

Full company name: **Alfa bank Open Joint Stock Company (Dalnevostochny branch)**

Abbreviated company name: **OJSC Alfa bank (Dalnevostochny branch)**

Location: **26 Semyonovskaya St., Vladivostok 690000**

Taxpayer's Identification Number: **7728168971**

Accounts types and numbers

**ruble account 40702810000120001912**

BIC: **040507851**

Correspondent account No.: **30101810100000000851**

Full company name: **TRUST Investment Bank (Open Joint Stock Company)**

Abbreviated company name: **TRUST Investment Bank (OJSC)**

Location: **84/3/7 Sadovnicheskaya St., Moscow 615035,**

Taxpayer's Identification Number: **7705283015**

Accounts types and numbers

**ruble account 40702810130140102026**

BIC: **044525703**

Correspondent account No.: **30101810100000000703**

### **1.3. Information about Issuer's Auditor (Auditors)**

1.3.1. Company full and abbreviated name: **Закрытое акционерное общество «Эрнст энд Янг Внешаудит», ЗАО «Эрнст энд Янг Внешаудит»/ZAO Ernst & Young Vneshaudit**

Location: **Block 1-1A, Building 20-12 Podsosensky Pereulok, Moscow Russia 105062**

Tel/. and Fax: **(095) 705-97-00, (095) 755-97-00, fax (095) 755-97-01**

E-mail: **moscow@ru.evy.com**

Number, date of issue and validity of audit license and the authority issuing such license: **№ E003246, issued by the RF Ministry of Finance on January 17, 2003 till January 17 2008**

Fiscal years when the auditor conducted independent audit of accounting and financial (accounting) reporting of the issuer: **2002**

Fiscal years when the auditor conducted independent audit of consolidated financial accounts of the Issuer composed in accordance with International standards of financial accounts: **2001, 2002.**

**The auditor shall be fully independent of the issuer's management bodies in accordance with requirements of clause 12 of the federal law About Audit. The Auditor's fee shall not depend on audit results.**

Factors that may influence Auditor's independence and measures taken by the Issuer and the auditor in order to reduce such factors:

**Factors of Auditor's independence:**

*According to clause 12 of the FL about audit No., 119-Φ3 dated February 07, .2001 audit shall not be conducted by:*

*1) auditors being incorporators (members\_ of persons to be audited, by their managers, accountants and other persons responsible for arrangement and keeping accounts and composition of financial reporting;*

*2) auditors being close relatives of incorporators (members) of persons audited, with their officers, accountants and other persons responsible for arrangement and keeping accounts and composition of financial reporting (parents, spouses, brothers, sisters, children as well as brothers, sisters, parents and children of spouses);*

*3) audit organizations where managers and other officers are incorporators (members) of persons audited, their officers, accountants and other persons responsible for arrangement and keeping accounts and composition of financial reporting;*

*4) audit organizations where managers or other officers are close relatives reporting (parents, spouses, brothers, sisters, children as well as brothers, sisters, parents and children of spouses) of incorporators (members) of persons audited, their managers, officers, accountants and other persons responsible for arrangement and keeping accounts and composition of financial reporting;*

*5) audit organizations with respect to persons audited being their incorporators (members), with respect to persons audited for which these audit organizations are incorporators (members), with respect to subsidiaries, branches and representative officers of above-mentioned persons audited as well as with respect to organizations having common incorporators (members) with this audit organization;*

*6) audit organizations and individual auditors that for three years directly preceding the audit rendered services such as recovery and keeping the accounts as well as making financial (accounting) reports to individuals and legal entities with respect to these persons.*

*The process of careful consideration of auditor's candidate by the issuer's Board of Directors in terms of its independence from the Issuer is the main measure taken by the Issuer to reduce influence of such factors.*

II Information about operations made by the auditor within special audit tasks

*PJSC Ernst and Young Vneshaudit renders audit services of auditing COMPANY accounts under Russian standards and consolidated accounts under international standards. Also it renders consulting services and training in terms of applying international standards of financial accounting.*

*Besides PJSC Ernst and Young Vneshaudit rendered service such as verification and certification of offering circular for bonds to the Company in 2003.*

Information about material interests between auditor (auditor's officers) and Issuer (Issuer's officers):

Auditor (Auditor's officers) shares in the issuer's authorized capital: *N/a*

Provision of borrowed funds to the auditor (auditor's officers) by the Issuer: *N/a*

Close business relations (participation in promotion of Issuer's products (services), joint entrepreneurial activity etc) as well as relationship: *N/a*

Information about Issuer's officers being at the same time officers of the Auditor (auditor): *such persons are not available*

Procedure for selection of the issuer's auditor:

*Company auditor shall be approved by the General meeting of shareholders*

*PJSC Ernst and Young Vneshaudit was approved as the Company auditor for 2002 at the general meeting of shareholders dated May 28, 2002. ZAO Ernst and Young Vneshaudit was approved as Company auditor for 2003 at the annual General meeting of shareholders on June 11, 2003.*

*There was no tender of auditor selection.*

*The Company Board of Directors shall name auditors for approval of the Company General meeting of shareholders.*

*Procedure for selection of auditor for independent audit of consolidated financial accounting of the issuer composed in accordance with International standards of financial accounting is the same.*

Procedure for determination of Auditor's fee:

*Fee is based on actual Auditor's time for services under the Agreement and hourly rate specified in Appendices to the Agreement conforming to positions of specialists involved (VAT included).*

*Agreements conditions shall not provide payment by installments. Overdue payments as of date of quarterly report approval are not available.*

#### **1.4. Information about Issuer's appraiser**

Market value of shares for the purpose of redemption was evaluated from 2001 to 2002 in the process of reorganization of Far eastern telecommunication companies.

Financial and accounting consultants Co. Ltd., employed by the Company reorganization consultant such as OJSC Alfa bank conducted the appraisal.

Full and abbreviated company name of the appraiser: *Financial and accounting consultants Co. Ltd., FBK Co., Ltd.*

Appraiser's location: *44/1 Myasnitskaya St. Moscow 101990,*

Telephone and fax number: *(095) 737-53-53, fax (095) 737-53-47*

E-mail: *fbk@fbk.ru*

Number, date of issue and expiry of the license for appraisal, body issuing such license: *No., 000095 dated August 14, 2001 issued by RF Ministry of property relations for a 3 year period*

Information about appraisal services rendered by the appraiser: *appraisal of shares market value for the purpose of redemption due to reorganization*

#### **1.5. Information about Issuer's consultants**

Full and abbreviated company name of the financial consultant: *Private Joint Stock Company AVK Investment Company, PJSC AVK IC*

Location: *1 Uritskogo pavilion Pushkin, Saint Petersburg, 196605,*

Telephone and fax number: *(812) 237-04-30, fax (812) 237-06-50*

Website used by the financial consultant to disclose information about the issuer: *[http://www.avk.ru/siteDatabase.nsf/v1/finconsult\\_info](http://www.avk.ru/siteDatabase.nsf/v1/finconsult_info)*

Number, date of issue and expiry of the license for professional activity on securities market, authority issuing this license:

*License of the professional participant of securities market for brokerage No., 178-03255-100000 dated November 29, 2000, unlimited validity, issued by Russia Federal Securities Committee.*

*License of the professional participant of securities market for brokerage No., 178-03343-010000 dated November 29, 2000 unlimited validity, issued by Russia Federal Securities Committee.*

Services rendered by the consultant:

##### **1. In the process of share issue:**

*Services in the process of increasing Issuer's authorized capital by way of conversion of issuer's preferred shares to shares with bigger par value (hereinafter referred to as shares):*

- *Preparation of documents necessary for state registration of shares issue including
  - *Preparation of text of resolution about shares issue for registration in the authorized registration body;*
  - *Preparation of text of draft of Issuer's securities (shares) offering circular for registration in the authorized registration body;*
  - *Preparation of text of report of shares issue results for registration in the authorized registration body;**
- *Issuer's consulting on matters associated with passing by its authorized bodies all resolutions necessary for issue of shares in accordance with RF laws, disclosure of information by the Issuer with regard to shares issue arrangement, preparation of securities (shares) issue and offering circular resolution and report about shares issue results.*
- *Issuer's consulting on formation of documents for registration of shares issue and offering circular resolution and report of share issue results.*

##### **2. In the process of bonds issue:**

*Services for the issuer in the process of issuer's bonds issue arrangement*

- *Preparation of documents necessary for state registration of bonds issue including*

- *Preparation of text of resolution about bonds issue for registration in the authorized registration body;*
- *Preparation of text of draft of Issuer's securities (bonds) offering circular for registration in the authorized registration body;*
- *Preparation of text of report of bonds issue results for registration in the authorized registration body;*
- *Issuer's consulting on matters associated with passing by its authorized bodies all resolutions necessary for issue of bonds in accordance with RF laws, disclosure of information by the Issuer with regard to bonds issue arrangement, preparation of securities bonds) issue and offering circular resolution and report about bonds issue results.*
- *Issuer's consulting on formation of documents for registration of bonds issue and offering circular resolution and report of bonds issue results.*

#### **1.6. Information about other persons signing the quarterly report**

*Other persons signing the quarterly report are not available*

## II. Main information about Issuer's financial and economic condition

### 2.1. Indices of Issuer's financial and economic activity

Information is not to be specified in the report of the fourth quarter

### 2.2. Issuer's market capitalization

*According to RTS data*

	31.12.1999	31.12.2000	31.12.2001	31.12.2002	31.12.2003
Capitalization of ordinary shares, USD	10 056 008	3 352 003	18 100 814	70 955 073	109 918 634
Capitalization of preferred shares, USD	782 147	1 899 499	2 374 321	14 961 073	22 753 298
Total capitalization, dollar, USA	10 838 155	5 251 502	20 475 135	85 916 146	132 671 932
Dollar exchange rate	27,00	28,16	30,1372	31,7844	29,4545
Total Capitalization, rubles RF	292 630 185	147 882 296,32	617 063 238,52	2 730 793 150,92	3 907 785 421,09

*Market capitalization is calculated as product of number of shares of respective category (class) into weighted average price of one share of this category (class) calculated under 10 most biggest transactions made through organizer of trade at securities market (RTS Stock Exchange) during a month preceding to the month of accounting quarter expiry or during the last month of each fiscal year of Issuer's market capitalization.*

*If within a month specified in the present item less than 10 transactions are made through organizer of trade at the securities market, average weighted price of one share is calculated according to 10 biggest transactions made through organizer of trade at securities market (RTS Stock exchange) within 3 months preceding to a month of accounting quarter expiry or within 3 last months of each complete fiscal year of Issuer's market capitalization.*

### 2.3. Issuer's liabilities

#### 2.3.1. Accounts payable

Information is not to be specified in the fourth quarter report

#### 2.3.2. Issuer's credit history

*Issuer's liabilities under previous (from 1999 to 2003) and effective as of date of 4<sup>th</sup> quarter expiry of 2003 credit agreements and/or loan agreements where principal debt amount is 10 or more per cent of Issuer's net assets value as of date of last accounting quarter prior to conclusion of respective agreement are not available.*

#### 2.3.3. Issuer's obligations from security provided to third persons.

*Information is not available as balance sheet of 2003 is not made, and results of economic and production activity are not ready yet.*

#### 2.3.4. Other issuer's obligations

*Issuer's agreements including futures not specified in the balance sheet are not available.*

### 2.4. Purposes of issue and use of funds obtained as a result of issuing issue securities

*The purpose of issue of preferred and ordinary shares is increase of the authorized capital.*

*Funds use: funds from issue of preferred and ordinary shares are not expected*

## **2.5. Risks associated with acquisition of issue securities placed**

### **2.5.1. Industry risks**

Influence of potential deterioration of situation in the issuer's industry on its operation and fulfillment of obligations under securities.

*Recent several years have faced steady trend of excess of growth rates of telecommunication market of the Far Eastern Federal District over growth rates of GRP of Far Eastern regions. Analysis of All-Russia telecommunication market trends and prospects witnesses of significant opportunities for telecommunications development in the Far East. Growth rates of total volume of FETEC telecommunication market for last 3 years are evaluated within 130%.*

*Main risk for the OJSC FETEC is associated with the fact that market growth is mainly caused by cellular services development and such tendency tends to preserve at least during next 2 years. OJSC FETEC provides cellular communication services in Kamchatka and Magadan region but main potential of such service development is still focused in Primorsky, Khabarovsk and Sakhalin region. Saturation of traditional telephony market is not a significant risk for OJSC FETEC as the company has all opportunities for the-so-called interchangeable services such as IP-telephony and long-distance telephone communication.*

*As for obligations fulfillment under shares such risk may cause decrease of dividends for Company shares. Deterioration of situation in the region will not influence on payment of accrued dividends.*

*Deterioration in the industry may be also caused by general economic reasons such as*

- *potential decrease of demand of solvent population for telecommunication services associated with deterioration of financial and economic situation of Far East population;*
- *potential total decline in production of Russian economy and deterioration of financial situation of commercial enterprises of FEFD regions;*
- *potential deterioration of situation of executing RF and FEFD budgets assisting to reduction of financing budget organizations and increasing their debt for telecommunication services;*
- *potential change of current legislation in force.*

*Besides, company situation is complicated by factors as follows:*

- *existing dependence from OJSC Rostelecom in terms of setting proportion of payment for international and long-distance traffic;*
- *dependence from Russia Antimonopoly policy Ministry in terms of setting regulating tariffs.*

*Deterioration of the situation in the industry may cause decrease of Company efficiency and profitability thus reducing dividends to Company shareholders. Risk of deterioration of situation in the industry does not effect payment of dividends accrued.*

The most significant changes in the industry (separately at internal and external market) according to the Issuer and proposed actions of the issuer in such case

*The Issuer does not forecast changes at external market as the issuer does not render export services. As for internal market changes forecasted are as follows:*

- *rise of need in new communication services including increase of Internet traffic;*
- *increase of cellular communication share in total share of telecommunication services.*

*The Issuer plans to develop new communication services and cellular communication in the regions where it holds license for cellular communication (Magadan and Kamchatka region). The issuer plans to develop cellular communication in other regions through subsidiaries and dependent companies holding such licenses.*

*In case of negative situation in the region the OJSC FETEC plans*

- *to optimize production costs structure*
- *to reduce company expenses including potential reduction and review of investment program*
- *to change procedure for consumers in order to maximize company profit and decrease non-payments of consumers.*



Risks associated with potential change of process for raw materials, services used by the Issuer in its activity (separately at internal and external market) and their influence on issuer's activity and fulfillment of securities obligations.

*The issuer purchases raw materials. Potential rise of prices for raw materials and services used by the issuer in its operation may negatively influence Issuer's financial figures as it will increase expenses thus resulting in Company profit decline. Also dividends for company shares may decrease. Such risk does not effect on fulfillment of obligations under accrued dividends as profit for previous years had already been obtained.*

**Risks associated with potential change of prices for products and/or services of the Issuer**(separately at internal and external market) and their influence on issuer's activity and fulfillment of securities obligations.

*Risks associated with change of prices for OJSC FETEC services are essential for the issuer. Tariffs for regulated services of the Issuer set by Russia Antimonopoly Ministry and there is always a risk of setting tariffs lower then cost price or lower than required profitability level. Such circumstance prevents the company from maximizing potential profit and dividends to be paid to company shareholders. Such risk does not effect on fulfillment of obligations under accrued dividends.*

*Risks of potential change of prices for OJSC FETEC services also arise in dealing with affiliated operators and commercial clients. To avoid outflow of commercial clients in case of change of contractual relations including financial terms of cooperation the company will develop VIP and Corporate Client system. Introduction of such system is planned in 2004.*

*Risks associated with change of prices at external markets are not available as the Issuer does not render export services.*

#### **2.5.2. National and regional risks**

Risks associated with political and economic situation in the country (countries) and region where the issuer is registered as taxpayer and/or performs primary activity under condition that issuer's primary activity in such country (region) brings over 10% of profit for the recent completed accounting period:

*The Issuer renders services only within Russia and only in seven regions such as Primorsky, Khabarovsk, Sakhalin, Amur, Kamchatka, Magadan regions and Jewish Autonomous region. Thus the issuer is subject to all political and economic risks common for Russia as a whole and for the above-mentioned regions in particular.*

Assumed actions of the Issuer in case of negative effect of situation change in the country (countries) and region on its activity:

*In case of negative effect of situation change in the country and region on company activity the issuer offers to take all actions aimed at reducing influence of such changes on its activity including reduction of production costs, personnel reduction and reduction of investment plans.*

*In case of negative development of situation in the region the OJSC FETEC plans*

- *to optimize production costs structure,*
- *to reduce company expenditures including probable reduction and review of investment program,*
- *to change procedure for consumers in order to maximize company profit and decrease consumers' default in payment.*

Risks associated with potential military conflicts, state of emergency and strikes in the country (countries) and region where the issuer is registered as the taxpayer and performs primary activity:

*In case of various military conflicts, state of emergency and strikes there is a high probability that the Issuer will be efficiently placed under command of military of force structures as it ensures vital function important for the state such as communication. This will ensure course of activity in any conditions at the breaking point of technical potential. There are risks of disabling fixed assets of the issuer and attempts of takeovers of communications centers belonging to it.*

Risks associated with geographic peculiarities of the country (countries) and region where the issuer is registered as the taxpayer and/or performs primary activity, including increased danger of natural disasters, potential termination of transport communication due to remoteness and/or out-of-the-way location etc.

*At present area of the FEFD (district which is the most remote from country economic center) occupies 36,4% of Russian territory. About 8 million people live in the country i.e. 5.6% of total RF*

*residents. Far Eastern economic region includes Sakha republic (Yakutiya), Kamchatka, Magadan and Sakhalin region, Jewish Autonomous Region, Koryak and Chukotka Autonomous Regions. City population prevails in the region and its share is 75,9% i.e. one of the highest indices in the RF.*

**Indices describing territory of Far Eastern regions**

Index	Primorsky region	Khabarovsk region	Sakhalin region	Amur region	Kamchatka region	Magadan region	Jewish Autonomous Region
Population number, thousands of individuals	2 172.1	1 506.6	598.6	998.3	389.1	239.1	197.2
Including city population	1 696.3	1 217.1	518.1	655.1	315	216.6	132.3
Including rural population	475.8	289.5	80.5	343.2	74.1	22.5	64.9
Territory, thousands km	165.9	788.6	87.1	363.7	472.3	461.4	36
Population density, persons per a sq. km.	13.1	1.9	6.9	2.7	0.8	0.5	5.5
Number of enterprises	39 764	28 310	13 968	13 674	10 767	9 030	2 870
Share of private enterprises	70.8	70.7	70.7	63.4	75	73.8	53.8

*Source: RF State Committee of Statistics*

*Far East has historically mainly developed on the basis of geostrategic and resource priorities. Its social and economic structure contains more non-economic elements ensuring solution of such matters as frontier protection, territory settlement, placement of defense objects, construction of strategic roads and other communication systems than that of Russia on average. Also strategic role of the Far East for Russia is caused by opportunity to participate in economic life of the Asia-pacific Rim.*

*Far East has powerful resource potential and it is one of the main producers of diamonds, fish products, minerals, timber and soybeans. Share of extractive industries in the economy is about 30% and over a half refers to industries with outdated technology (such as fishery, timber industry, nonferrous metallurgy). At present it is one of the main factors restraining regional economy development.*

*Also a factor having negative effect of Far Eastern economy is misdistribution of resources. Despite of big scales only insignificant part of Far Eastern territory is suitable for settled population. Region potential of natural resources is mainly placed in extremely unfavorable physical and geographical conditions. Thus its development is mainly made on the basis of temporary settlements which slow down social infrastructure development. It is accompanied by increased costs and slow capital turnover. Along with mentioned peculiarities the region lacks a half of own (economically available) energy resource and food thus it is more expensive than Russia on average. Complicated natural conditions cause necessity to apply special technologies of telecommunication networks, radio relay lines and satellite systems.*

*Resource extracting industries and transport were most stable in pre-reform period though internal development opportunities were depleting very fast: as for extracting industries it was caused by working off of most efficient resources and as for transport it was caused by sharp rise of prices for fuel resources. Defense and engineering enterprises performed defensive and strategic functions obtaining raw materials, materials and components from western part of Russia and supplying these regions with finished products. Under price regulation it did not effect their economic situation. However liberalization of price has completely changed the situation.*

*At present low competitiveness of production in the Far East explained by remoteness from main industrial centers causing extremely increased transport expenses for cargo delivery, fuel and food deficit, unfavorable physical and geographic conditions, additional production costs and reproduction of labor-power.*

*In terms of budget Far East regions are provided with largest subsidies in the RF. Also high value of necessities and low income are common for population living standards. Population was kept due to high migration but at present migration does not cause population growth as death rate exceeds birth rate so*

*Far East has the highest population reduction (11% decrease in 90s).*

*At present region economy is characterized by weakening relations with other regions of Russia and strengthening external economic links. However export is mainly based on export of raw materials having positive effect on limited group of producers and population. It slightly refers to*

*Despite existing difficulties strategic role of the Far East for Russia remains. At present it is caused by rapid economic development of the APR located in immediate proximity to the Far East.*

*To realize social and economic potential of the region it is necessary to have state support for formation of constant population as well as for economy provision with resources available.*

*RF government approved in March of 2002 the program of economic and social development of the Far East and Transbaikalia till 2010. The purposes for the program are as follows:*

- *creation of economic conditions for stable development of the Far East and Transbaikalia taking account of geostrategic interest and RF security;*
- *formation of necessary infrastructure and favourable investment climate for development of priority industries of Far East and Transiberia economy and promotion of international and frontier cooperation programs;*
- *development of social sphere, achievement of necessary social standards applicable to specific character of the Far East and Transiberia.*

*Assumed economic growth rates as compared with those of 1995*

	2000	2005
Gross product of FEFR	123.1%	141.8%
Industrial products of FEFR	116.9%	150.1%

*Main volume of investments provided by Federal target program will be aimed at formation of fuel energy and transport infrastructure. Successful realization of the program shall ensure increase of gross regional product twofold as compared to 2002 by 2010; 600 thousand work places are forecasted. Finally it should result in regional economic self-sufficiency.*

*Expected program results*

- *reduction of Far East and Transiberia gap (macroeconomic figures) as compared to average Russian level;*
- *increase of financial self-reliance of the region and population living standards;*
- *decrease of social tension in the region.*

*Main risks of OJSC FETEC associated with the region represent outflow of population in some regions. However association of all communication operators of the district in this case will allow company focusing on development of its activity in the territories with stable demand.*

*Some regions where the Issuer operates are subject to increased risk of natural disasters such as earthquakes, convulsion of nature, tsunami (Kamchatka, Kuriles, Sakhalin island), it also can negatively effect Issuer's fixed assets.*

*Low population density and lack of good transport infrastructure create risks of termination of communication with some settlements. At the same time such factor increases significance of communication services rendered by the Issuer. In order to increase reliability of communication with such hard-to-reach settlements the Issuer introduces a range of projects of arranging satellite and radio relay communication instead of cable.*

### **2.5.3. Financial risks**

Risks associated with change of interest rates

*Rise of interest rates at the market may cause Issuer's necessity to involve more expensive funds to finance its investment program and current activity. This will cause profit reduction of the issuer. At the same time this will decrease value of serving existing loans with fixed rates (e.g. bonded debt). The issuer does not hedge risks.*

*In case of interest rate rise at the market the issuer will have to decrease volumes of funds involved at expense of banking credits, loans and other sources. Also the Issuer in case of interest rate rise at the market may compensate such expenses by increasing tariffs.*

Inflation risk

*In case of inflation rate rise real value of interests payment is reduced, which is a favorable factor for the Issuer. In such situation likelihood of Issuers' fulfillment of securities obligations in real money terms is minor. At the same time value of outstanding accounts payable and accounts payable is decreased thus influencing in various aspects level of issuer's income and expenditure. In the situation of inflation growth the issuer may respectively increase tariffs for its services to compensate additional expenses. For particular services it will be possible to demand full advance payment.*

*Critical levels of inflation are such levels where national and regional economy will be petrified, i.e. over 100% annually. Within a period of inflation rate rise the issuer plans to shift to advance payment of services.*

Risks associated with change of currency exchange rates

*As main Issuer's obligations are nominated in rubles (the issuer has insignificant obligations in currency to total amount of obligations), factor of potential fluctuations of exchange rates is not substantial risk due to reason as follows: under existing structure of accounts payable even unidirectional change of exchange rate by 6 to 7% (though recent fluctuation is 1 to 2%) will cause change of total debt by 1%.*

*Therefore susceptibility of Issuer's financial condition, liquidity and activity results to change of exchange rate is insignificant.*

*According to existing trend US dollar and euro change rate range is reciprocal. Due to the fact that mainly currency obligations are expressed in these currencies, inverse currency exchange rate range in many respects levels potential exchange rate difference. It is impossible to insure oneself completely against total currency risks (collapse and crises).*

*In case of negative effect of exchange rate on issuer's activity the Issuer plans*

- to reduce share of currency obligations by means of orienting at suppliers with settlements in RF rubles;*
- to form special fund to pay Issuer's currency obligations;*
- to raise turnover of assets nominated in rubles in order to ensure rise of ruble income and decrease of current assets.*

Susceptibility of Issuer's financial condition, liquidity, sources of finance, activity results etc. to exchange rate change (currency risks).

*The Issuer believes that main financial indices of the issuer such as profit and net cost of services are most susceptible to influence of financial risks specified in the present paragraph. The issuer estimates likelihood of above-mentioned risks (sharp change of exchange rate, inflation, interest rates rise) as low in near future. Nevertheless if such risks arise it is possible to have increase of services net cost and decrease of company profit to be compensated by increase of tariffs and reduction of borrowed funds involved.*

#### **2.5.4. Legal risks**

*OJSC FETEC primary activity is communication operator and the issuer does not export goods, works or services. Thus legal risks associated with Issuer's activity are described only for the internal market. In general risks associated with Issuer's activity are common for a majority of entrepreneurial entities operating within Russian federation and may be regarded as national.*

Risks associated with change of currency regulations

*Risks associated with potential change of currency regulations at present are regarded by the Issuer as minimum. Due to liberalization of currency regulation risks associated with change of currency regulations are reduced.*

Risks associated with change of tax legislation;

*Due to the fact that no particular taxation is applied to the OJSC FETEC activity, also due to lack of outstanding debt for taxes and fines of budgets of all levels, Issuer's tax risks shall be regarded as minimum within operation of bona fide taxpayer.*

Risks associated with change of customs control rules and duties;

*As a major part of equipment purchased for communication services is imported or manufactured using foreign components, change of customs control rules and duties may cause particular risks for the issuer associated with rise of price for fixed assets purchased.*

*Enforcement of new Customs Code assumes to reduce risks of the issuer associated with customs clearance and customs control. New code is in many respects based on provisions of new edition of Kyoto Convention of customs procedures simplification and harmonization and eliminates contradictions and non-conformities of current Customs Code to civil, tax and administrative legislation.*

Risks associated with change of requirements for licensing Issuer's primary activity or licensing rights to use objects with restricted turnover (including natural resources);

*At present risks associated with change of requirements for licensing Issuer's primary activity are regarded as minimum.*

Risks associated with change of judicial practice on matters of Issuer's operation (including licensing issues) that may negatively influence activity results as well as results of current judicial proceedings with Issuer involved.

*Change of judicial practice on matters of Issuer's primary activity is possible due to enforcement of new law about communication. Therefore change of practice both in favor of the issuer and its opponents. Also there is a risk of new judicial proceedings. As a whole enforcement of new legislation is aimed at eliminating existing gaps and the issuer believes that it will reduce total number of trials.*

*Change of judicial practice on matters of issuer's primary activity is unable to have significant effect on activity results as well as on results of issuer's current disputes with third persons as current disputes do not influence Issuer's primary activity (volume of claims against the issuer under current disputes in ratio to its total turnover is insignificant).*

*Main legal risks at present are associated with uncertainty of peculiarities of legal regulation of certain services and economic activity conditions of communication industry due to enforcement of Federal law about communication No., 126-FZ dated July 7, 2003 on July 7, 2003. Due to enactment of this law it is necessary to develop and adopt over 30 normative legal acts regulating various communication services. However till present such normative acts are still developed and by-laws effective at present do not completely conform to the new law.*

#### **2.5.5. Risks associated with Issuer's activity**

Risks associated with current lawsuits of the Issuer:

*Current lawsuits do not practically influence issuer's primary activity as volumes of claims against the issuer under current lawsuits in the ratio to total turnover is insignificant.*

Risks associated with lack of opportunity to extend validity of the Issuer's license for particular activity or for exploitation of objects with restricted turnover (including natural resources):

*In accordance with decision of Communication Ministry it is impossible to extend validity of license No., 9088 for CDMA. Thus the issuer is unable to develop such radio communication standard within Primorsky region. Risks of failure to extend other issuer's licenses are minimum.*

Risks associated with probable issuer's responsibility for third persons' liabilities including issuer's subsidiaries:

*Issuer's responsibility for debts of subsidiaries and dependent companies may arise only in cases provided by the law, namely when the issuer by its instructions obligatory for a subsidiary will cause subsidiary's losses and bankruptcy. The Issuer will take all efforts to avoid such situation as losses or bankruptcy of a subsidiary or a dependent company is in direct unconformity to the main purpose of the issuer i.e. profit-seeking activity.*

*Issuer's activity is also subject to general industry, regional, financial and legal risks.*

### III. Detailed information about the Issuer

#### 3.1. History of Issuer formation and development

##### 3.1.1. Date of Company name (name) of the Issuer

Full and abbreviated name of the Issuer: *Открытое акционерное общество "Дальневосточная компания электросвязи", ОАО "Дальсвязь", Open Joint Stock Company "Far East Telecommunications Company", OJSC FETEC.*

*Company name of the Issuer is not registered as trademark or service mark.*

Business organization, full and abbreviated company name of the Issuer	Implementation date	Grounds for alteration
Open Joint Stock Company "Far East Telecommunications Company", OJSC FETEC.	30.10.2001	Resolution of the General Meeting of Shareholders dated October 30, 2001, minutes No., 9 dated May 29, 1996
Open Joint Stock Company Primorsky region Telecommunications Company, OJSC Electrosvyaz	20.06.1996	Resolution of the General Meeting of Shareholders dated May 29, 1996, Minutes No., 3 dated May 29, 1996
Open-end Joint Stock Primorsky region Telecommunications Company, OJSC Electrosvyaz	12.05.1994	Registration resolution No., 1088 dated May 12, 1994

##### 3.1.2. Information about state registration of the Issuer

Date of State Registration of the Issuer: *May 12, 1994*

No., of state registration of incorporated person: *No., 5464*

Body performing state registration: *Department of registration and promotion of business of financial department of Vladivostok Administration*

Certificate of registering incorporated person in the Unified Register of Incorporated Persons, registered prior to July 1, 2002.

Main state registration No., of incorporated person: *1022501276159*

Date of registration (date of entry): *06.09.2002*

Body making entry to the Unified Register of Incorporated Persons: *Inspection of Leninsky district of Vladivostok city of RF Ministry of Tax and Duties*

##### 3.1.3. Information about Issuer's formation and development

Validity period of the Issuer after date of state registration: *nine years eight months*

*The issuer is formed for unlimited period*

Brief description of Issuer's formation and development:

Issuer's purpose: *The main purpose of the Issuer is to obtain profit from rendering local, long-distance, international telephone and telegraph communication services and another activity to individuals and incorporated persons.*

Issuer's mission: *to assists to economic development of the Far Eastern region and Russia by formation of single information space.*

*Rossvyazinform State enterprise of communication and information was formed on the basis of Communication department in Primorsky region in 1991.*

*Rossvyazinform was reorganized to Open-end Joint Stock Company Primorsky region Telecommunications Company in 1994 as a result of privatization.*

*In accordance with resolution of the Meeting of shareholders dated October 30, 2001 OJSC Electrosvyaz of Primorsky region was renamed to the OJSC Far East Telecommunications Company (OJSC FETEC).*

*At present OJSC FETEC under condition of competitive market is operator supplying all range of telecommunication services within territory of FEFD serving 1 097 697 telephone subscribers providing other modern services within its network. Company telephone network is closely connected with Rostelecom structures and makes up regional part of Russian public network providing other operators with an opportunity to connect to this network.*

*At present OJSC FETEC has figures as follows:*

- *Number of ATXs (CTX+VTX) – 1 357;*
- *Assembled capacity (CTX+VTX) – 1 195 679;*
- *Active capacity of ATX – 1 106 662;*
- *Number of main telephone sets – 1 097 697;*
- *Number coin boxes – 8 577;*
- *Number of telephones per 100 individuals – 18,47;*
- *Availability of telematic services, E-mail, direct Internet access and global data transmission networks;*
- *Putting into operation new digital international automated telephone exchange EWSD provides aidless connection of any subscriber to necessary area of Primorsky region, Russia and over 200 countries;*
- *Long-distance fiber optical communication line with digital transmission systems connecting Vladivostok with some districts of Primorsky region is available.*

#### **3.1.4. Contact information**

Location of the Issuer: *57 Svetlanskaya St., SPO Vladivostok 690950*

Tel., fax: *(4232) 402-801, fax: (4232) 406-449*

E-mail: *dsv@dsv.ru*

Website containing information about the issuer and its securities issued and to be issued:

<http://www.dsv.ru/invest.php?id=3>

**Information of special division of the Issuer dealing with Issuer's shareholders and investors**

**Securities department**

Location: *57 Svetlanskaya St., SPO Vladivostok 690950*

Tel., fax: *(4232) 402-801, fax: (4232) 406-449*

E-mail: [sam@dsv.ru](mailto:sam@dsv.ru), [sns@dsv.ru](mailto:sns@dsv.ru)

website: *www.dsv.ru*

#### **3.1.5. Taxpayer's Identification Number**

*2540014227*

#### **3.1.6. Issuer's branches and representative offices**

Name: *Primorsky branch*

Location: *57 Svetlanskaya St., Vladivostok, Russian Federation 690950*

Manager : *Nikolay A. Maximenka*

Formation date: *30.10.2001*

Expiry of the Power of attorney: *31.01.2005*

Name: *Khabarovsk branch*

Location: *44 Muravyeva-Amurskogo St., Khabarovsk 680000*

Manager : *Valery A. Romanov*

Formation date : *30.10.2001*

Expiry of the Power of attorney: *31.01.2005*

Name: *Amur branch*

Location: *159 Gorkogo St., Blagoveshchensk, Amur region RF 675011*

Manager : *Valery F. Utoplov*

Formation date : *30.10.2001*

Expiry of the Power of attorney: *31.01.2005*

Name: *Branch of Jewish Autonomous Region*

Location: *100-let SSSR Prospect, Birobidzhan, RF 682200*

Manager : *Nikolay P. Veretennikov*  
Formation date : *30.10.2001*  
Expiry of the Power of attorney: *31.01.2005*

Name: *Magadan branch*  
Location: *2-a Lenina St., Magadan, Magadan region, RF 685000*  
Manager : *Viktor D. Soloviev*  
Formation date : *30.10.2001*  
Expiry of the Power of attorney: *31.01.2005*

Name: *Kamchatka branch*  
Location: *56 Lenina St., Petropavlovsk-Kamchatsky, Kamchatka region, RF 683000*  
Manager : *Nikolay I. Gornostay*  
Formation date : *30.10.2001*  
Expiry of the Power of attorney: *31.01.2005*

Name: *Sakhalin branch*  
Location: *220 Lenina St., Yuzhno-Sakhalinsk, Sakhalin region, RF 693000*  
Manager : *Alexandre P. Mazunin*  
Formation date : *30.10.2001*  
Expiry of the Power of attorney: *31.01.2005*

### **3.2. Main Issuer's economic activity**

#### **3.2.1. industry classification of the Issuer**

Codes of Issuer's main industry directions according to All-Russian Classifier of External Economic Activity: *64.20.11, 64.20.12, 64.20.22, 64.20.3*

#### **3.2.2. Main economic activity of the Issuer**

not to be mentioned in the 4<sup>th</sup> quarter report

#### **3.2.3. Main kinds of products (works, services)**

not to be mentioned in the 4<sup>th</sup> quarter report

#### **3.2.4. Issuer's suppliers whose share of inventory supply is 10 and more per cent with specification of their share in total volume of supplies**

Full company name of the Supplier	Supplier's share in the total volume of supplies, %					
	1998	1999	2000	2001	2002	2003
Open Technologies 98 Private Joint Stock Company	0	0	0	0	0	27%
TechnoServ A/C LLC	0	0	0	0	0	44%
Siemens AG Company	65,0	60,0	40,0	35,0	0	0
Marion Open Joint Stock Company	12,0	0	0	0	0	0
Samsung Electronics Co., Ltd.	0	33,0	30,0	0	50,0	0

Issuer's forecast concerning availability of these sources in future: *it is forecasted to keep cooperation with present suppliers and search of alternative variants of equipment purchase.*

	1998	1999	2000	2001	2002	2003
Share of import supplies in total volume of supplies, %	65%	93%	70%	35%	50%	0%

*At present in order to reduce currency risks the issuer uses direct import supplies of the equipment. In future the issuer also plans to deal with Russian suppliers.*

#### **3.2.5. Issuer's sales markets for products (works, services)**

*main market for rendering communication services is the territory of Far Eastern Federal District (save Sakha republic (Yakutiya and Chukotka AR)*



*Consumers with turnover at least 10% of total proceeds from sales of products (works, services) are not available.*

Probable factors that may negatively affect Issuer's sale of products (works, services) and probable actions of the Issuer to reduce such effect.

*Factors that may negatively affect sales of products are:*

- *Lack of solvent demand for communication services provided by the Issuer;*
- *Deterioration of legal, political and economic situation in the country and region of the Issuer operation;*
- *Intensification of investments to telecommunication companies of Issuer's region activity;*
- *Deterioration of services quality in contrast to competitors;*
- *Equipment wear;*
- *Aggressive marketing strategy of competitors aimed at attracting most paying clients.*

*Issuer's measures to reduce these factors' effect*

*The issuer realizes investment program aimed at replacing obsolescent equipment by modern digital one thus improving quality of services and implementing new communication services. Also the issuer is developing strategy to deal with VIP-clients aimed at efficient attraction of major corporate clients.*

### **3.2.6. Practice of activity in terms of current assets and stock**

*Stock (raw materials, materials, goods) are accepted for accounting at accounting price being that of:*

- *if stock is purchased for a fee – supplier's price according to supply (sales) contract;*
- *if stock is produced by the organization itself – amount of actual production costs;*
- *if stock is entered as contribution to Organization authorized capital – money value agreed with Incorporators taking account of requirements of Law "about Joint Stock Companies";*
- *If stock is received under deed of gift (free) as well as fixed assets and another property remaining after retirement – current market value as of date of accepting for accounting;*
- *if stock is received under agreements providing execution of obligations (payment) by non-pecuniary means – value of assets transferred or subject to transfer by the Organization are established on the basis of price which Organization in ordinary course of business in comparable circumstances uses to determine value of similar assets. If it is impossible to establish cost of values transferred or subject to transfer by an organization, value of stock received under agreements providing execution of obligations (payment) by non-pecuniary means is determined on the basis of value of purchasing similar stock by an Organization in comparable circumstances.*

*Stock turnover ratio*

*As of 01.10.2002 is 11,06*

*As of 01.10.2003 is 10,04*

*Formula: 
$$\frac{\text{row 020} + \text{row 030} + \text{row .040 (f.2 Accounting report)}}{\text{row 210 as of the beginning} + \text{row 210 as of the end of period (f.1 of Accounting report)}}$$*

*(row 210 as of the beginning+row 210 as of the end of period(f.1 of Accounting report))/2*

*Analyzing the data received we may conclude that ratio decrease by 1,02 shows increase of funds in this least liquid item of current assets. Thus as of beginning of the 4<sup>th</sup> quarter of 2004 liquidity of current assets decreased insignificantly as compared to respective period of the previous year.*

### **3.2.7. Raw materials**

*The Company does not purchase or processes raw materials to render communication services.*

### **3.2.8. Main competitors**

*major operators within Far Eastern federal District having more than 2% of profit of FEFD regional telecommunication sector (save Sakha republic (Yakutiya and Chukotka AR) are companies providing cellular communication as well as NTC rendering range of wired, cellular communication, Internet, IP-telephony and Transtelecom-DV (zone operator PJSC TransTeleCom within Sakha republic (Yakutiya), Jewish Autonomous Region, Khabarovsk and Primorsky region, Magadan and Kamchatka region, Chukotka AR and Koryak region) performing construction and operation of digital communication systems and rendering range of services to TransTeleCom company.*

*Potential competitors of the OJSC FETEC are companies rendering similar range of communication services, having a network of branches within FEFD or planning development of network of branches: OJSC Equant (at present has representative offices in Vladivostok and Khabarovsk), OJSC Golden Telecom (has representative offices and subsidiaries within FEFD). However under results of 2002 representative offices of the above-mentioned companies held insignificant shares of FEFD telecommunication market (less than 1% under information of RF Communication Ministry and other official sources).*

*Market shares of the OJSC FETEC (in aggregate for all branches) according to years:*

*2000 – 69,30%*

*2001 – 64,07%*

*2002 – 59,89%*

**Shares held by the Issuer and its competitors in percentage according to the Issuer:**

No.,	Name	Registration country	Volume of product sales in 2002, thousand rubles	Market share, %				
				1999	2000	2001	2002	2003
1.	Issuer	RF	5 331 534	59,9	69.30	64.07	59.89	-
2.	OJSC NTC (New Telephone Company)	RF	550 000	4,5	7	10	10	-
3.	PJSC FECS-900 (Far Eastern Cellular Systems-900)	RF	555 415,14	*	*	*	6,42	-
4.	PJSC Primtelefon	RF	488 638	12	8	8	9,8	-
5.	OJSC DalTelecomInternational	RF	412 293,29	*	*	*	4,77	-
6.	PJSC SakhalinTelecomMobile	RF	227 204,56	*	*	*	2,63	-
7.	PJSC Transtelecom-DV	RF	167 704,65	*	*	*	1,94	-
8.	PJSC Vostoktelecom (FEFD and Eastern Siberia)	RF	42 325	*	6	5	5	-
9	PJSC Teleross	RF	28 244	*	3	4	3	-

\* within the above-mentioned period share of competing company was insignificant and/or the Issuer did not consider such company as competitor

Accounting results of 2003 are not summarized yet son information of 2003 can not be provided main factors of the OJSC FETEC competitiveness are

- *Availability of own developed infrastructure: the biggest communication grids and distribution networks in all regions of Company operation including district centers (high influence);*
- *Opportunity for efficient work with affiliated operators (high influence);*
- *Advantages of access to all categories of clients: valid contracts and bi-lingual information, developed channels of account delivery (medium influence);*
- *Regional organization of the company allowing to render services to corporate clients within the whole territory of Far Eastern federal District with development of special offers, tariff plans (medium influence);*
- *Settled idea of OJSC FETEC regional branches as stable, reliable companies in view of consumers (low influence).*

**3.2.9. Information about license held by the Issuer**

1. License: **9088**

Date of Issue: **19.12.1997**

Validity: **till 19.12.2007**

Issuing authority: **RF State Committee of Communication and Informatization**

Activity: **Local telephone communication with radio access**

Issuer's forecast about extension: **License will not be extended as Ministry of Communication passed resolution to reject provision of this frequency range for local radiotelephone communication using radio signaling.**

2. License: **23620**  
Date of Issue: **12.09.2002**  
Validity: **till 12.09.2007**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **data transmission**  
Issuer's forecast about extension: **License extension is probable.**
3. License: **23896**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2012**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **cellular radiotelephone communication in range of 900MHz**  
Issuer's forecast about extension: **License extension is probable.**
4. License: **23720**  
Date of Issue: **12.09.2002**  
Validity: **till 12.09.2007**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **translation of sound programs through wired-radio network**  
Issuer's forecast about extension: **License extension is probable.**
5. License: **23891**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2007**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **local, long-distance and international telephone communication**  
Issuer's forecast about extension: **License extension is probable.**
6. License: **23897**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2012**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **cellular radiotelephone communication in range of 900MHz**  
Issuer's forecast about extension: **License extension is probable.**
7. License: **23892**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2007**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **mobile radiotelephone communication**  
Issuer's forecast about extension: **License extension is probable.**
8. License: **23890**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2012**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **local and intrazone telephone communication**  
Issuer's forecast about extension: **License extension is probable.**
9. License: **23889**  
Date of Issue: **4.10.2002**  
Validity: **till 4.10.2007**  
Issuing authority: **RF Ministry of communication and informatization**  
Activity: **telegraph communication**

Issuer's forecast about extension: *License extension is probable.*

10. License: **23887**

Date of Issue: **4.10.2002**

Validity: **till 4.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Leasing of communication channels**

Issuer's forecast about extension: *License extension is probable.*

11. License: **23893**

Date of Issue: **4.10.2002**

Validity: **till 4.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Personal radio signaling**

Issuer's forecast about extension: *License extension is probable*

12. License: **16991**

Date of Issue: **21.12.2000**

Validity: **till 21.12.2005**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Broadcasting of TV and sound programs and transmission of additional information (within Sakhalin region)**

Issuer's forecast about extension: *License extension is probable*

13. License: **14428**

Date of Issue: **9.03.2000**

Validity: **till 9.03.2005**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Broadcasting of TV and sound programs and transmission of additional information (within Khabarovsk region)**

Issuer's forecast about extension: *License extension is probable*

14. License: **15413**

Date of Issue: **30.06.2000**

Validity: **till 30.06.2005**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Broadcasting of TV and sound programs and transmission of additional information (within Kamchatka region)**

Issuer's forecast about extension: *License extension is probable*

15. License: **16980**

Date of Issue: **21.12.2000**

Validity: **till 21.12.2005**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Broadcasting of TV and sound programs and transmission of additional information (within Magadan region)**

Issuer's forecast about extension: *License extension is probable*

16. License: **23888**

Date of Issue: **4.10.2002**

Validity: **till 4.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **telematic services**

Issuer's forecast about extension: *License extension is probable*

17. License: **23895**

Date of Issue: **4.10.2002**

Validity: **till 4.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **personal radio signaling**

Issuer's forecast about extension: **License extension is probable**

18. License: **26456**

Date of Issue: **23.05.2003**

Validity: **till 04.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **personal radio signaling**

Issuer's forecast about extension: **License extension is probable**

19. License: **26948**

Date of Issue: **23.05.2003**

Validity: **till 28.05.2006**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Broadcasting of sound programs**

Issuer's forecast about extension: **License extension is probable**

20. License: **FC-7-25-02-27-0-2540014227-000806-1**

Date of Issue: **28.11.2002**

Validity: **till 28.11.2007**

Issuing authority: **RF State Committee on Construction and Housing Complex**

Activity: **Construction of buildings and structures of the 1<sup>st</sup> and 2<sup>nd</sup> responsibility level according to state standard**

Issuer's forecast about extension: **License extension is probable**

21. License: **23894**

Date of Issue: **04.10.2002**

Validity: **till 04.10.2007**

Issuing authority: **RF Ministry of communication and informatization**

Activity: **Personal radio signaling**

Issuer's forecast about extension: **License extension is probable**

### **3.2.10. Issuer's joint activity**

*The Issuer conducts no joint activity with other organizations. The Issuer has no subsidiaries formed with attraction of third persons' investments.*

### **3.2.11. Additional requirements for issuers being Joint Stock Investment Funds or Insurance organizations**

*not mentioned for this issuer*

### **3.2.12. Additional requirements for issuers with mining operations being principal activity**

*not mentioned for this issuer*

### **3.2.13. Additional requirements for issuers with principal activity being communication services**

#### **a) Licenses for communication services**

*1) License No., 26948 (accounting entry A 026272) dated 23.05.2003*

*Activity: Broadcasting of sound programs*

*- License holder is authorized to render broadcasting of sound programs within JAR.*

*- Area limits are determined by zone of standard level of signal of teller stations.*

*- TV program translation is not allowed;*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

**2) License No., 23897 (accounting entry A 023531) dated 04.10.2003, expiry on 04.10.2012**

**Activity: Cellular radiotelephone communication in range of 900 MHz.**

**- License holder is authorized to render public cellular communication using GSM equipment in range of 900 MHz (CIIC-900) within Magadan region.**

**- Communication network must be a part of single cellular network of RF CIIC-900.**

**- Assembled capacity and territory coverage per cent must be respectively according to years as of December 31 at least**

**2005 – 2000 numbers, coverage is 5 %**

**2012 – 4000 numbers, coverage is 10 %**

**Territory coverage percent may be adjusted in the process of license realization.**

**- Each subscriber of Single network CIIC-900, irrespective of place of registration and purchasing of user equipment must have an opportunity to CIIC-900 network.**

**- CIIC-900 must provide incoming and outgoing connections between CIIC-900 subscribers and RF public communication network subscribers.**

**- numbering of communication network shall conform to numbering plan of RF public communication network and International numbering plan GSM.**

**- Network must be designed and constructed so that percentage of failures within CIIC-900 at maximum load hour did not exceed 5%.**

**- existing standards of ETSI and respective Russian standards and rules must be observed.**

**- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;**

**3) License No., 23896 (accounting entry A 023530) dated 04.10.2003, expiry on 04.10.2012**

**Activity: Cellular radiotelephone communication in range of 900 MHz.**

**- License holder is authorized to render public cellular communication using GSM equipment in range of 900 MHz (MCN-900) within Kamchatka region.**

**- The license holder may render cellular relay communication of dual-range network GSM-900/1800 with installation of necessary equipment, operating on frequency nominals granted in range of 1800 and 900 MHz within Petropavlovsk-Kamchatsky.**

**Communication network must be a part of single cellular network of RF MCN-900 (Mobile Communication Networks-900).**

**- Assembled capacity and territory coverage per cent must be respectively according to years as of December 31 at least**

**2005 – 2000 numbers, coverage is 5 %**

**2012 – 8000 numbers, coverage is 20 %**

**Territory coverage percent may be adjusted in the process of license realization.**

**- Each subscriber of Single network MCN-900, irrespective of place of registration and purchasing of user equipment must have an opportunity to MCN-900 network.**

**- MCN-900 must provide incoming and outgoing connections between MCN-900 subscribers and RF public communication network subscribers.**

**- numbering of communication network shall conform to numbering plan of RF public communication network and International numbering plan GSM.**

**- Network must be designed and constructed so that percentage of failures within MCN-900 at maximum load hour did not exceed 5%.**

**- existing standards of ETSI and respective Russian standards and rules must be observed.**

**- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;**

**4) License No., 23889 (accounting entry A 023444) dated 04.10.2003, expiry on 04.10.2007**

**Activity: Telegraph communication**

**- The license holder is authorized to render telegraph communication (receipt, transmission and delivery of telegrams, AT/Telex) within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and Jewish Autonomous Region.**

**- Assembled capacity of telegraph communication and data transmission must ensure opportunity of meeting all needs in telegraph communication.**

**- Connection of technical facilities of the License holder to public telegraph network (TF-OII) is exercised as subscriber's station and channel switching stations.**

*- The License holder within far Eastern zone ensures functions of main Telegraph Stations of of maintenance and control of telegraph network operation (TF-OII, AT/Telex and Telegraph channel network), telegraph equipment and load flows under normal conditions, in emergencies by specialists and technical facilities of current Main Telegraph Center.*

*5) License No., 23620 (accounting entry A 023139) dated 12.09.2002, expiry on 12.09.2007*

*Activity: Data transmission*

*- The license holder is authorized to render data transmission within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and Jewish Autonomous Region.*

*- Assembled capacity must ensure to connect at least 32300 users by the license expiry date including at least 19567 users by the end of 2003.*

*- connection of License holder transmission equipment to public telephone network, to ISKRA commercial network and to AT/Telex telegraph network is exercised only as subscriber's station. Use of switched channels of the above-mentioned networks for internodal and internet interface is not allowed.*

*International telex traffic is passed only through international station of RF Telex network.*

*- wireless data transmission equipment in range of 2400-2483,5 MHz is allowed.*

*6) License No., 23720 (accounting entry A 023239) dated 12.09.2003, expiry on 12.09.2007*

*Activity: Wired sound program translation.*

*- The license holder is authorized to wired translation of sound programs within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and Jewish Autonomous Region.*

*- The network is designated for sound program broadcasting of All-Russia and state regional companies. Translation of other programs is allowed if tele- and radio broadcasting license and respective agreement with license holder being broadcaster are available.*

*7). License No., 23892 (accounting entry A 023447) dated 04.10.2002, expiry on 04.10.2007*

*Activity: mobile radio telephone communication*

*- The license holder is authorized to render mobile radio telephone communication within Poronaysk, Makarov, Smirnikh urban village of Sakhalin region.*

*- Limiting number of subscribers is 600.*

*- Network is arranged with radiotelephone equipment.*

*- connection of communication network of the license holder to RF public network on local network level is allowed.*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*- the network is designed and constructed so that percentage of rejects inside the network did not exceed 5% under assumed load of 0,025 erlang per a subscriber.*

*- numbering of communication network shall conform to numbering plan of RF public communication network*

*8) License No., 23895 (accounting entry A 023450) dated 04.10.2003, expiry on 04.10.2007*

*Activity: personal radio signaling*

*- The license holder is authorized to render personal radio signaling within Birobidzhan of JAR*

*- Particular borders of license are determined by zone of reliable paging message receipt*

*- Limiting number of subscribers is 2000.*

*- connection of communication network of the license holder to RF public network on local network level is allowed.*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*9) License No., 23893 (accounting entry A 023448) dated 04.10.2002, expiry on 04.10.2007*

*Activity: personal radio signaling*

*- The license holder is authorized to render personal radio signaling within Magadan and Susman cities, Yagodnoye, Palatka, Ola, Omsukchan, Ust-Omchug settlements of Magadan region.*

*- Particular borders of license are determined by zone of reliable paging message receipt*

*- Limiting number of subscribers is 5000.*

- connection of communication network of the license holder to RF public network on local network level is allowed.

- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;

10) License No., 23890 (accounting entry A 023445) dated 04.10.2002, expiry on 04.10.2012

Activity: local and intrazone telephone communication

- The license holder is authorized to render local and intrazone telephone communication of public network as well as telephone communication using intellectual technical facilities within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and Jewish Autonomous Region.

- Total assembled capacity is at least 1124000 numbers

- international and long-distance telephone communication is exercised using public network technical facilities through ALTX of respective geographical zone of numeration under agreements with operators of international and long-distance communication of RF public network of OJSC Rostelecom.

- it is allowed to render long-distance communication to users located within territory of various administrative territory entities of one RF entity (save districts of one city) and within territory of various RF entities within one valid code of geographical numbering zone (ABC) of intrazone telephone network using communication network of the license holder if calling and called are users of the network of the license holder or users of network connected only to network of the license holder.

- it is allowed to use relay systems after obtaining permission for this communication object operation from RF state supervisory authorities of communication and informatization;

- use of subscriber's lines of public networks as conjunction lines is not allowed.

- it is allowed to apply radio extenders and radio access equipment within subscriber's area if necessary frequency resource granted by state radio frequency service at RF Communication Ministry is available.

- technical facilities of communication network must be applied under procedure for RF public network.

- network numbering must conform to numbering plan of RF public network.

- The license holder is entitled to use communication channels and physical lines of communication network of other operators for a fee.

11) License No., 23891 (accounting entry A 023446) dated 04.10.2002, expiry on 04.10.2007

Activity: Local, international and long-distance telephone communication.

- The license holder is authorized to render local, international and long-distance telephone communication of public network within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin regions and Jewish Autonomous Region using trunk-call offices and coin-boxes.

- total assembled capacity of communication network of the license holder is at least 11731 coin-boxes and 1128 trunk-call offices

- coin-boxes and trunk-call offices are included in local telephone networks on level of subscriber's stations.

- The license holder is entitled to use communication channels and physical lines of communication network of other operators for a fee.

- international and long-distance telephone communication is exercised using public network technical facilities through ALTX of respective zone of numeration

12) License No., 26456 (accounting entry A 026196) dated 23.05.2003,

Activity: personal radio signaling

- The license holder is authorized to render personal radio signaling within Vladivostok, Nakhodka, Ussuriisk, Fokino, Arseniev, Bolshoi kamen, Dalnegorsk, Dalnerechensk, Lesozavodsk, Spassk-Dalny, Partizansk, Slavyanka, Pogranichny, Kammen Rybolov, Kovalerovo, Luchegorsk, Posiet, Terney, Plastun, Preobrazhenie, Rakitnoye, Olga, Turiy Rog, Kirovsky, Chkalovskoye, Khalkidon, Novozhatkovo of Primorsky region;

- Particular borders of license are determined by zone of reliable paging message receipt

- Limiting number of subscribers is 30000.

- connection of communication network of the license holder to RF public network on local network level is allowed.



*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*13) License No., 23887 (accounting entry A 023442) dated 04.10.2002, expiry on 04.10.2007z.*

*Activity: communication channel leasing*

*- the license holder is authorized to render local, long-distance channels and routes, TV program broadcasting channels, physical lines for telecommunication signals within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin region;*

*-total number of voiced bands, main digital channels arranged by the license holder is 3135;*

*-channels, routes and physical line provision to users is allowed for arrangement of subscriber's lines to obtain access to various networks in accordance with construction rules and for intraproductive networks not rendering communication services for a fee;*

*- provision of channels and physical lines to users for arranging subscriber and conjunction lines of local telephone networks is allowed only within territory of respective geographic zones of ABC ab numbering.*

*- it is allowed to apply electronics after obtaining permission for frequencies from RF state supervisory authorities of communication and informatization;*

*14) License No., 23888 (accounting entry A 023443) dated 04.10.2002, expiry on 04.10.2007*

*Activity: telematic services*

*- - the license holder is authorized to render telematic services of public network (E-mail, facsimile communication, access to information resources, enquiry service, voice messaging, audio and videoconferences) within Primorsky, Khabarovsk, Amur, Kamchatka, Magadan, Sakhalin region and Jewish Autonomous Region;*

*- assembled subscriber capacity of telematic services of the License holder must ensure porting of at least 91400 users to the network by the date of License expiry including at least 60790 users by the end of 2004.*

*- traffic capacity of telematic service of voice messaging must ensure arrangement of at least 2090 simultaneous conversations by the date of License expiry including at least 560 simultaneous conversations by 2004;*

*- number of ПКП by the date of license expiry must be at least 197, including at least 153 by 2004;*

*- it is allowed to connect telematic equipment (save voice messaging) to public telephone network, to commercial part of ISKRA and to AT/Telex as well as use of physical lines and communication channels of public network.*

*- - connection of License holder telematic equipment (save voice messaging) to public telephone network, to ISKRA commercial network and to AT/Telex telegraph network is exercised only as subscriber's station. Use of switched channels of the above-mentioned networks for internodal and data transmission interface and interface with telematic equipment of other operators is not allowed.*

*- it is possible to connect License holder telematic equipment of voice messaging to public telephone network, to ISKRA commercial network, to data transmission networks and public telematic services as well as use of communication channels and physical lines of public network.*

*- connection of telematic voice messaging equipment of the License holder to public network, commercial ISKRA network is exercised locally as subscriber's station and/or P.A.X.. use of switched channels of the above-mentioned networks is allowed only for the purpose of user access to telematic voice messaging of the License holder and is not allowed for interface of telematic voice messaging nodes of the License holder as well for interface of telematic voice messaging of the License holder with data transmission networks and telematic equipment of other operators.*

*- it is not allowed to provide technical facilities of telematic voice messaging for interexchange and internet connections of public telephone network is not allowed.*

*- telematic voice messaging for connection of public telephone network subscribers with subscribers of fixed telephone networks is not allowed.*

*15) License No., 9088 (accounting entry A 008136) dated 19.12.1997, expiry on 19.12.2007*

*Activity: local radiotelephone communication using radio access equipment*

*- - License holder is authorized to render local telephone communication of public network using radio access equipment within Primorsky region.*

*- network is formed using radio access equipment in range of 828-831 MHz and 873-876 MHz on the basis of CDMA.*

*The license holder may render cellular relay communication of dual-range network GSM-900/1800 with installation of necessary equipment, operating on frequency nominals granted in range of 1800 and 900 MHz within Petropavlovsk-Kamchatsky.*

*Communication network must be a part of single cellular network of RF CIIC-900.*

*- Assembled capacity must be respectively according to years as of December 31 at least  
1999 – 1000 numbers  
2002 – 20000 numbers*

*at least 70% of capacity must be put into operation by the end of the 3<sup>rd</sup> year of operation;  
at least 50% of area must be covered by the end of the 3<sup>rd</sup> year of operation;*

*- connection of communication network of the license holder to RF public network on local network level is allowed.*

*- - equipment may be applied only if certificate of conformity is available.*

*it is allowed to apply radio extenders in range of 330MHz*

*international and long-distance telephone communication is exercised using only public network*

*16) License No., 15413 (accounting entry A 014499) dated 30.06.2000, expiry on 30.06.2005*

*Activity: broadcasting of TV and sound programs*

*The license holder is authorized to render broadcasting of TV and sound programs within Kamchatka region*

*-- territory borders are determined by zone of standard signal level of teller stations using 5 transmitting apparatus.*

*- translation of TV programs is not allowed without license for tele and radio broadcasting*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*17) License No., 16980 (accounting entry A 016187) dated 21.12.2000, expiry on 21.12.2005*

*Activity: broadcasting of TV and sound programs and transmission of additional information*

*The license holder is authorized to render broadcasting of TV and sound programs and transmission of additional information within Magadan region*

*-- territory borders are determined by zone of standard signal level of teller stations using 47 transmitting apparatus.*

*- translation of TV programs is not allowed without license for tele and radio broadcasting*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*18) License No., 14428 (accounting entry A 013658) dated 09.03.2000, expiry on 09.03.2005*

*Activity: broadcasting of TV and sound programs and transmission of additional information*

*The license holder is authorized to render broadcasting of TV and sound programs and transmission of additional information within Khabarovsk region*

*-- territory borders are determined by zone of standard signal level of teller stations using 53 transmitting apparatus.*

*- translation of TV programs is not allowed without license for tele and radio broadcasting*

*- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;*

*19) License No., 16991 (accounting entry A 016198) dated 21.12.2000, expiry on 21.12.2005*

*Activity: broadcasting of TV and sound programs and transmission of additional information*

*The license holder is authorized to render broadcasting of TV and sound programs and transmission of additional information within Magadan region*

*-- territory borders are determined by zone of standard signal level of teller stations using 128 transmitting apparatus.*

- translation of TV programs is not allowed without license for tele and radio broadcasting  
 - it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;

20) License No., 23894 (accounting entry A 023449) dated 04.10.2002, expiry on 04.10.2007z.  
 Activity: personal radio signaling

- The license holder is authorized to render personal radio signaling of public network within Sakhalin region
- Particular borders of license are determined by zone of reliable paging message receipt
- Limiting number of subscribers is 5000.
- connection of communication network of the license holder to RF public network on local network level is allowed.

- it is allowed to render communication services with help of communication object only if permission for this communication object operation from RF state supervisory authorities of communication and informatization is available;

Issuer's obligations according to above-mentioned Licenses for subscriber base formation:

1). License No., 23897 (accounting entry A 023531) dated 04.10.2003, expiry on 04.10.2012.  
 - Assembled capacity and territory coverage per cent must be respectively according to years as of December 31 at least

2005 – 2000 numbers, coverage is 5 %,  
 2012 год – 4000 numbers, coverage is 10 %.

2) License No., 23896 (accounting entry A 023530) dated 04.10.2003, expiry on 04.10.2012  
 Assembled capacity and territory coverage per cent must be respectively according to years as of December 31 at least

2005 – 3000 numbers, coverage is 5 %,  
 2012 год – 8000 numbers, coverage is 20 %.

3). License No., 9088 (accounting entry A 008136) dated 19.12.1997, expiry on 19.12.2007:  
 Assembled capacity and territory coverage per cent must be respectively according to years as of December 31 at least

1999 – 1000 numbers,  
 2002 год – 20000 numbers.

Fulfillment of obligations

1). License No., 23897 – capacity is 20000 numbers, coverage is 5%

2). License No., 23896 – capacity is 40000 numbers, coverage is 7%

3) License No., 9088 – capacity is 6522 numbers, coverage is 15%

Factors that may negatively affect Issuer's execution of obligations under Licenses and approach  
 Adoption of resolutions about redistribution of frequencies by state authorities.

Approach is predictable. The issuer believes that probability is low.

Issuer's forecast about probability of license extension (if applicable):

No., 9088 – License will not be extended as Ministry of Communication passed resolution to reject provision of this frequency range for local radiotelephone communication using radio signaling.

As for all other licenses, extension is probable.

#### 6) Communication networks

Initial intrazone network of the OJSC FETEC uses cable (fiber optical and balanced), aerial and relay lines. Analog communication K-60II SDH and PDH operate. (ИКМ-120У, ИКМ-480, SMA-4, SMT-ID, Ericson relay stations, Alkatel19479LX etc.)

Cable (fiber optical and balanced) and aerial lines are used on city and village telephone networks. SDH rings and ИКМ -30, ИКМ-15 equipment, transport, ОТ Г-32, ОГМ-30, ОЛТ-21 etc are arranged on city networks.

Village telephone networks of some settlements of Far East regions use aerial lines.

Customer access network uses cable and aerial lines as well as wireless equipment.

Intrazone network partially uses routes and channels leased from OJSC Rostelecom. Agreements for rout and channel leasing with OJSC Rostelecom have unlimited validity.

Operation of frequencies for communication services:

No.,	Branch name	No., of frequency license	Frequency resource, MHz	Service
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1	Magadan	1025168	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
2	Magadan	1023319	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
3	Kamchatka	1020625	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
4	Kamchatka	1026637	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
5	Kamchatka	1023318	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
6	Kamchatka	03-04154	Transmission: 935,0 - 960,0 receipt: 890,0 - 915,0	Land mobile cellular radio communication стандарта GSM-900
7	Primorsky	17-06-28/6316	Transmission: 873 - 876 receipt: 828-831	CDMA SCBS base stations 800M for RES operation
8	Magadan	1022556	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
9	Primorsky	1021520	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
10	Primorsky	03-13192	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
11	Primorsky	1021559	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
12	Primorsky	03-05700	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
13	Primorsky	1021518	Transmission: 146-174 receipt: 146-174	Public network of personal radio signaling
14	Sakhalin	1003351	69.44	VHF FM Station
15	Sakhalin	1003353	70.28	VHF FM Station
16	Sakhalin	1029161	70.19	VHF FM Station
17	Sakhalin	1029165	70.49	VHF FM Station
18	Sakhalin	1005662	68	VHF FM Station
19	Sakhalin	1004605	69.5	VHF FM Station
20	Sakhalin	1005936	68.36	VHF FM Station
21	Sakhalin	1005131	69.8	VHF FM Station
22	Sakhalin	1029387	73.79	VHF FM Station
23	Sakhalin	1029386	72.29	VHF FM Station
24	Sakhalin	1005132	69.29	VHF FM Station
25	Sakhalin	1005937	70.52	VHF FM Station
26	Khabarovsk	1029321	68.78	VHF FM Station
27	Khabarovsk	1029322	69.92	VHF FM Station
28	Khabarovsk	1029323	71.78	VHF FM Station
29	Khabarovsk	1029326	70.43	VHF FM Station
30	Khabarovsk	1029333	71	VHF FM Station
31	Khabarovsk	1029334	68.96	VHF FM Station

32	Khabarovsk	1029336	73.37	VHF FM Station
33	Khabarovsk	1029338	69.62	VHF FM Station
34	Khabarovsk	1029341	70.01	VHF FM Station
35	Khabarovsk	1029344	70.79	VHF FM Station
36	Khabarovsk	1029346	68	VHF FM Station
37	Khabarovsk	1029347	68.87	VHF FM Station
38	Khabarovsk	1029352	72.38	VHF FM Station
39	Khabarovsk	1029353	69.95	VHF FM Station
40	Khabarovsk	1029354	70.82	VHF FM Station
41	Khabarovsk	1029362	66.8	VHF FM Station
42	Khabarovsk	1029363	68.12	VHF FM Station
43	Khabarovsk	1029365	72.32	VHF FM Station
44	Jewish AR	03-06575	68.6	VHF FM Station
45	Jewish AR	03-06573	66.8	VHF FM Station
46	Jewish AR	03-06576	73.64	VHF FM Station
47	Jewish AR	03-06577	66.02	VHF FM Station
48	Jewish AR	03-06578	66.32	VHF FM Station
49	Jewish AR	03-06579	69.89	VHF FM Station
50	Jewish AR	03-06581	70.07	VHF FM Station
51	Jewish AR	03-06580	68.33	VHF FM Station
52	Magadan	1011264	12 TVC	TV broadcasting
53	Magadan	1012675	11 TVC	TV broadcasting
54	Magadan	1011962	11 TVC	TV broadcasting
55	Magadan	1003614	12 TVC	TV broadcasting
56	Magadan	1030204	9 TVC	TV broadcasting
57	Magadan	1023592	12 TVC	Tele translation
58	Magadan	1025696	11 TVC	Tele translation
59	Magadan	1025697	11 TVC	Tele translation
60	Magadan	1025752	70.16	VHF FM Station
61	Magadan	1025753	104.2	VHF FM Station

### 3.4. Plans for Issuer's future operation

*OJSC FETEC does not intend to change its business profile. Main source of revenue is wired and wireless telecommunication. It is planned to pay attention to directions as follows:*

*- development of wired telephony, including local communication (including wireless CDMA and DECT, wired connection to digital network with ISDN integration), long-distance and international communication (including ip-telephony) for all categories of users with various payment ways);*

*- development of range of new services including Internet, videoconferences, corporate networks (including VPN), intellectual communication networks;*

*- development of wireless communication, primarily GSM-900,1800 cellular communication within Kamchatka and Magadan region;*

*OJSC FETEC regularly updates and expands existing communication network; investment to telecommunications development made up about \$28 mln. in 2002, and about 55 mln. in 2003. Main directions of investment are as follows:*

*- digitalization of communication networks;*

*- development of multi-service data transmission networks;*

*- development of cellular communication;*

*- implementation of new technologies;*

*The basis of investment program till 2010 will be Global information infrastructure with components such as powerful transport networks and distributed access networks delivering information in any form to each user.*

*Development of communication network will be aimed at increasing speed and improving quality of information transmission. Image transmission including television images, integration of various kinds of information in multimedia applications, network intellectualization will increase network reliability and flexibility, facilitate global network management and turn the client into an active one able to manage the network on his own rendering necessary services. Together with rise of service number, its quality will change as well from simple telephone service to multimedia services provided by integral digital communication networks.*

*OJSC FETEC first of all provides development of primary intrazone networks as main principle for all telecommunication systems. Development of primary networks provides digitalization of primary bus, intrazone and local networks on the basis of fiber optical lines, digital relay lines and space communication systems. Digitalization of primary network will be performed on the basis of digital transmission networks providing formation of transport modules of SDH such as: STM-1, STM-4, STM-16.*

*Network digitalization will be consecutive and complex i.e. construction of fiber optical line or relay line in particular direction provides also replacement of switching equipment by digital one in this district ensuring modern telecommunication services.*

*Both replacement and imposition strategies will be used for transfer from analog networks to digital ones on local CTX.*

*Application of OKC No., 7 signaling system to all newly designed local, intrazone and long-distance networks will be used as single transport mechanism for interaction of all types of digital networks.*

*Mobile radio communication will develop very fast thus increasing revenue from services as compared to immobile communication. Provision of user mobility will fulfill real task of service provision for each person at any time and at any place.*

*One of directions of investment activity is expansion and increase of capacity of local telephone network.*

*Realization of these projects will provide capacity of 2245 thousand numbers by 2010 where 846 thousand numbers are aimed at replacement of analog ATX and 1399 thousand numbers are aimed at network expansion.*

*Capacity of digital ATX will be 100% by 2010.*

*Number of main telephone sets will be increased by 1111 thousand numbers by 2010 i.e. 943 thousand numbers for individuals.*

*Turn for telephone setting making up 221 thousand numbers as of January 1, 2003 will decrease down to 3 thousand in 2010.*

*Density of telephone sets is forecasted to be 38,3 telephones per 100 individuals in 2010.*

*It is planned to put into operation 12956 thousand channel kilometers of long-distance/international telephone channels from 2003 to 2010 where 12956 thousand channel meters formed by digital transmission systems, it is not planned to put into operation analog channels.*

*It is planned to put into operation 6748 km from 2004 to 2010 (construction of new communication lines, relay lines and fiber optical lines) including 6287 kilometers of fiber optical lines and 461 kilometer of relay lines.*

*It is planned to put into operation 10597 channels on Long-distance exchange in 2010.*

*According to recommendations 22% of annual increase are planned for long-distance traffic.*

*Investment program provides implementation of new telecommunication technologies ensuring QoS, and allowing integration of voice messaging, data transmission and multimedia using xDSL on the basis of modern protocols and developed network infrastructure. Network functions with network management system ensure new level of reliability, availability and safety of services.*

*Advance revenue growth is provided for new services (Internet, IP-telephony, data transmission).*

*Share of revenue from new services in total revenue from communication services in 2010 will be 16,2%, such low percentage as compared to value of OJSC Svyazinvest (20-25%) is caused by high rates of revenue growth from traditional communication services.*

*Results of service market research are used for formation of investment program. Tetragonal and coordinate automatic exchanges will be replaced by digital ATX by 2010.*

### **3.5. Participation of the Issuer in industrial, bank and financial groups, holdings, concerns and associations**

organization: *Sibdalsvyaz Association*

Issuer's role and functions in the organization: *Incorporator, member of the Association*

*Main functions of the OJSC FETEC are participation in Association management, election of Control and management Bodies, execution of obligations to the Association, assistance in Association activity, contributions and additional dues according to procedure provided by Association formation agreement.*

Period: *since September 29, 1995*

Organization: *Non-Profit Partnership Center of Communication Problem Research*

Issuer's role and functions in the organization: *Incorporator, Partnership member*

*Main functions of the OJSC FETEC are management of partnership, active participation in partnership business, provision of information necessary for solution of partnership matters, payment of annual and special fees, any assistance to partnership for realization of purposes required by the Rules.*

Period: *since March 12, 2001*

Organization: *Sakhalin Association of Employers and Businessmen*

Issuer's role and functions in the organization: *Association member*

*Main functions: participation in Association management according to procedure provided by the Articles and Constituent Instrument; introduction of proposals to Association supreme and other bodies; to provide information not being trade secret; to follow resolutions of Association meetings and Committees if they are not in contrast to Association interests; to make entrance and other fees.*

Period: *since September .09, 1997*

### **3.6. Issuer's subsidiaries**

3.6.1. Full name: *Private Joint Stock Company Cellular Communication of Birobidzhan*

Abbreviated name: *PJSC CCB*

Location: *16 60Let SSSR Pr., Birobidzhan 680000*

Grounds to deem Company Issuer's subsidiary : *holds over 50% of the authorized capital*

Issuer's share in the authorized capital of an incorporated person: *60 %*

Issuer's share of ordinary shares of an incorporated person *60%*

Share of incorporated person in the Issuer's authorized capital: *holds no share*

Share of Issuer's ordinary shares held by an incorporated person *holds no share*

Principal activity: *cellular communication NMT-450 MHz*

Company role for Issuer's activity: *company provides cellular communication services not rendered by the Issuer*

3.6.2. Full name: *Private Joint Stock Company Klondike*

Abbreviated name: *PJSC Klondike*

Location: *57/59 Svetlanskaya St., Vladivostok 690600*

Grounds to deem Company Issuer's subsidiary : *holds over 50% of the authorized capital*

Issuer's share in the authorized capital of an incorporated person: *51%*

Issuer's share of ordinary shares of an incorporated person *51%*

Share of incorporated person in the Issuer's authorized capital: *holds no share*

Share of Issuer's ordinary shares held by an incorporated person *holds no share*

Principal activity: *wholesale*

Company role for Issuer's activity: *right to buy goods at wholesale price*

3.6.3. Full name: *Private Joint Stock Company Primtelefon*

Abbreviated name: *PJSC Primtelefon*

Location: *21B Bestuzheva St., Vladivostok 690003*

Grounds to deem Company Issuer's subsidiary : *holds over 20% of the authorized capital*

Issuer's share in the authorized capital of an incorporated person: *50 %*

Issuer's share of ordinary shares of an incorporated person **50%**  
Share of incorporated person in the Issuer's authorized capital: **holds no share**  
Share of Issuer's ordinary shares held by an incorporated person **holds no share**

Principal activity: **cdated овая связь NMT-450 МГц, GSM-900-1800**  
Company role for Issuer's activity: **company provides cellular communication services not rendered by the Issuer**

3.6.4. Full name: **Private Joint Stock Company TeleRoss-Vladivostok**  
Abbreviated name: **PJSC TeleRoss-Vladivostok**  
Location: **36 Komarova Pr., Vladivostok 690099**  
Grounds to deem Company Issuer's subsidiary : **holds over 20% of the authorized capital**  
Issuer's share in the authorized capital of an incorporated person: **50 %**  
Issuer's share of ordinary shares of an incorporated person **50%**  
Share of incorporated person in the Issuer's authorized capital: **holds no share**  
Share of Issuer's ordinary shares held by an incorporated person **holds no share**

Principal activity: **local, long-distance and international communication**  
Company role for Issuer's activity: **long-term financial investments**

3.6.5. Full name: **Limited Liability Company Joint Venture Magalascom**  
Abbreviated name: **LLC JV Magalascom**  
Location: **2-a Lenina St., Magadan 685000**  
Grounds to deem Company Issuer's subsidiary : **holds over 20% of the authorized capital**  
Issuer's share in the authorized capital of an incorporated person: **50 %**  
Share of incorporated person in the Issuer's authorized capital: **holds no share**  
Share of Issuer's ordinary shares held by an incorporated person **holds no share**  
Principal activity: **leasing of long-distance and international channels**  
Company role for Issuer's activity: **short-term financial investments .**

3.6.6. Full name: **Joint venture Limited Liability Company Kamalascom**  
Abbreviated name: **JV KamakascomLLC**  
Location: **983000, г. Петропавловск-Камчатский, ул. Ленина, 56**  
Grounds to deem Company Issuer's subsidiary : **holds over 20% of the authorized capital**  
Issuer's share in the authorized capital of an incorporated person: **50 %**  
Share of incorporated person in the Issuer's authorized capital: **holds no share**  
Share of Issuer's ordinary shares held by an incorporated person **holds no share**  
Principal activity: **construction of telephone exchanges, satellite communication system, creation and operation of mobile radiotelephone communication networks**  
Company role for Issuer's activity: **company provides communication services not rendered by the Issuer**

3.6.7. Full name: **Private Joint Stock Company Far Eastern Cellular Systems - 900**  
Abbreviated name: **ЗАО «ДБСС-900»**  
Location: **4 Muravieva-Amurskogo St., Khabarovsk 680000**  
Grounds to deem Company Issuer's subsidiary : **holds over 20% of the authorized capital**  
Issuer's share in the authorized capital of an incorporated person: **40 %**  
Issuer's share of ordinary shares of an incorporated person **40%**  
Share of incorporated person in the Issuer's authorized capital: **holds no share**  
Share of Issuer's ordinary shares held by an incorporated person **holds no share**  
Principal activity: **cellular communication, GSM-900**  
Company role for Issuer's activity: **company provides communication services not rendered by the Issuer**

3.6.8. Full name: **Limited Liability Company Interdaltelecom**  
Abbreviated name: **OInterdaltelecom LLC**  
Location: **46/50 Borodinskaya St., Vladivostok 690105**  
Grounds to deem Company Issuer's subsidiary : **holds over 20% of the authorized capital**  
Issuer's share in the authorized capital of an incorporated person: **32 %**



Share of incorporated person in the Issuer's authorized capital: *holds no share*  
 Share of Issuer's ordinary shares held by an incorporated person *holds no share*  
 Principal activity: *local, long-distance and international communication*  
 Company role for Issuer's activity: *long-term financial investments*

3.6.9. Full name: *Private Joint Stock Company Khabarovsk Cellular Phone*

Abbreviated name: *PJSC KCP*

Location: *21 Gogolya St., Khabarovsk, 680000*

Grounds to deem Company Issuer's subsidiary : *holds over 20% of the authorized capital*

Issuer's share in the authorized capital of an incorporated person: *30 %*

Issuer's share of ordinary shares of an incorporated person *30%*

Share of incorporated person in the Issuer's authorized capital: *holds no share*

Share of Issuer's ordinary shares held by an incorporated person *holds no share*

Principal activity: *cellular communication, NMT-450 MHz*

Company role for Issuer's activity: *company provides communication services not rendered by the Issuer*

3.6.10. Full name: *Private Joint Stock Company Tranksicom*

Abbreviated name: *PJSC Tranksicom*

Location: *2 Fabrichny Pereulok, Khabarovsk 680020*

Grounds to deem Company Issuer's subsidiary : *holds over 20% of the authorized capital*

Issuer's share in the authorized capital of an incorporated person: *25 %*

Issuer's share of ordinary shares of an incorporated person *25%*

Share of incorporated person in the Issuer's authorized capital: *holds no share*

Share of Issuer's ordinary shares held by an incorporated person *holds no share*

Principal activity: *trunk communication*

Company role for Issuer's activity: *company provides communication services not rendered by the Issuer*

### **3.7. Nature, structure and value of Issuer's fixed assets, information about plans of their purchase, replacement, retirement as well as all facts of encumbrances of Issuer's fixed assets**

#### **3.7.1. Fixed assets**

*As of December 31, 2003*

*Data is not available as balance sheet of 2003 is not made, results of economic and production activity are not summarized yet*

#### **Information about fixed assets**

*Thousand rubles*

N	Name of fixed assets group	Full value prior to revaluation	Depreciated cost prior to revaluation	Revaluation date	Full value after revaluation	Depreciation cost after revaluation
1.	Land	6	6	Revaluation was not conducted from 1998 to 2002	6	6
2.	Buildings	1 201 354	842 554	Revaluation was not conducted from 1998 to 2002	1 201 354	842 554
3.	Communication lines	1 581 121	529 439	Revaluation was not conducted from 1998 to 2002	1 581 121	529 439
4.	Other structures	302 324	145 860	Revaluation was not conducted	302 324	145 860

				from 1998 to 2002		
5.	Switchboard	1 024 916	633 605	Revaluation was not conducted from 1998 to 2002	1 024 916	633 605
6.	Another communication equipment	1 813 529	1 043 855	01.01.2001*	1 807 265	1 037 591
7.	Computer engineering	317 880	191 699	Revaluation was not conducted from 1998 to 2002	317 880	191 699
8.	Other fixed assets	541 142	242 968	Revaluation was not conducted from 1998 to 2002	541 142	242 968
Total		6 782 272	3 629 986	-	6 776 008	3 623 722

\* Revaluation of fixed assets (another communication equipment ALTX AMTC Si 2000 Birobidzhan) was conducted according to market value of fixed assets.

**Information about long-term leased fixed assets (including leasing). Revaluation was not conducted from 1998 to 2002.**

**Тыс. руб.**

N	Name of fixed assets group	Full value	Depreciation cost
1	Buildings	3 263	2 810
2	Communication lines	9 154	9 154
3	Other structures	80	80
4	Switchboards	142 455	142 455
5	Computer engineering	39 228	39 228
6	Another communication equipment	69 514	69 514
7	Another equipment	20 034	20 034
Итого		283 728	283 275

**Plans of fixed assets purchase, replacement, retirement with value exceeding 10% of Issuer's fixed assets value are not available.**

Information about facts of Issuer's fixed assets encumbrances

Encumbrance nature (No., of contract of pledge/guarantee)	Pledgee	Pledge/ guarantee date	Return date	Amount, rubles
Contract of pledge No., 75 dated 22.07.2002	JSCB Kamchatprombank	22.07.2002	06.01.2003	5 200 000.00
Contract of pledge N 2 dated 04.09.2002	OJSC CB Dalcombank	04.09.2002	03.04.2003	17 145 800.00
Contract of pledge N 3 dated 30.09.2002	OJS CB Dalcombank	30.09.2002	30.07.2003	34 182 838.85
Contract of equipment pledge under contract No., 075-6601-13 dated 26.11.1996	OJSC Siemens	04.09.2000	01.04.2005	5 876 000
Contract of pledge No., 94/01 dated 26.03.02	Primorsky branch No., 8635 of RF SB	21.12.2001	25.03.2003	23 949 508
Contract of pledge No., 381/01 dated 25.09.02	Primorsky branch No., 8635 of RF SB	25.09.2002	24.09.2003	36 923 321.51
Contract of equipment pledge under contract No., 075-6601-19 dated 11.08.1998	OJSC Siemens	04.09.2000	01.01.2004	4 521 000
Contract of equipment pledge under contract No., 075-6601-18 dated	OJSC Siemens	04.09.2000	01.12.2004	13 361 000

18.01.1998				
Contract of equipment pledge under contract No., 075-6607-02 dated 05.06.1998 r.	OJSC Siemens	04.09.2000	01.01.2004	10 859 000
Contract of equipment pledge under contract No., 075-6602-02/2 dated 22.05.1997	OJSC Siemens	04.09.2000	01.04.2004	1 780 000
Contract of equipment pledge under contract No., 075-6607-01 dated 15.02.1996 r.	OJSC Siemens	04.09.2000	04.09.2007	14 761 000
Contract of equipment pledge under contract No., 075-6603-04 dated 26.11.1996 r.	OJSC Siemens	04.09.2000	01.06.2005	1 558 000
Contract of equipment pledge under contract No., 02/95 dated 06.04.1995 r.	OJSC Siemens	04.09.2000	04.03.2008	13 221 000
Contract of equipment pledge under contract No., 075-6603-02 dated 15.02.1996 r.	OJSC Siemens	04.09.2000	01.03.2005	8 393 000
Contract of pledge No., 693 dated 01.11.2002r.	MCB Svyaz bank	06.11.2002	01.07.2003	5 407 698
Contract of pledge No., 343/01 dated 05.11.2001r.	JSC Savings Bank of RF	05.11.2001	30.06.2003	20 063 031
Contract of pledge No., 343/02 dated 05.11.2001r.	JSC Savings Bank of RF	05.11.2001	30.07.2003	4 769 049
Contract of pledge No., 343/03 dated 05.11.2001r.	JSC Savings Bank of RF	05.11.2001	30.07.2003	3 338 334
Contract of pledge No., 343/06 dated 09.11.2001r.	JSC Savings Bank of RF	09.11.2001	30.07.2003	13 348 544
Contract of pledge No., 343/07 dated 29.12.2001r.	JSC Savings Bank of RF	29.12.2001	30.06.2003	13 861 316
Contract of pledge No., 112/01 dated 15.04.2002r.	JSC Savings Bank of RF	29.12.2001	15.04.2003	16 245 188
Contract of pledge No., 112/02 dated 07.08.2002	JSC Savings Bank of RF	07.08.2002	15.04.2003	14 166 840

### 3.7.2. value of Issuer's real assets

Value of Issuer's real assets as of December 31, 2003:

Total value of real assets and accrued depreciation are not specified as accounting results of 2003 are not summarized yet.

***Evaluation of real assets owned or in long-term lease of the issuer for past 12 months did not take place.***

## IV. Information about financial and economic activity of the Issuer

### 4.1. Results of financial and economic activity of the Issuer

Information is not to be specified in the 4<sup>th</sup> quarter report.

### 4.2. Issuer's liquidity

Information is not to be specified in the 4<sup>th</sup> quarter report.

### 4.3. Size, structure and sufficiency of Issuer's capital and current assets

#### 4.3.1. Size and structure of Issuer's capital and current assets

*The authorized capital as of December 31, 2003 is 1 267 503 rubles.*

*II. б) - ж) not available as accounting results for 2003 are not summarized yet.*

*Structure and size of issuer's current assets in accordance with the issuer's accounting: 2003 data is not available as balance sheet of 2003 is not made.*

Issuer's policy in terms of current assets financing:

*At present the issuer mainly finances current assets at expense of its own sources such as principal activity proceeds and partly at expense of bank credits. Main direction for debt capital is investment.*

Factors that may cause change of current assets financing policy and probability:

- *Sharp decrease or rise of debt capital interest rates may affect amount of debt capital. Probability is slight. (also it will not affect current activity of the Issuer as it uses debt capital only for investment.*
- *Proceeds decrease. Probability is slight.*

#### 4.3.2. Sufficiency of issuer's capital and current assets

*Issuer's equity capital is sufficient for short-term liabilities and for coverage of current operating expenditures. Required current assets are financed at the expense of its own sources such as principal activity proceeds and partly at expense of bank credits.*

*average daily operating expenditures for the 4<sup>th</sup> quarter of 2003: actual data not available, planned amount is 28868344 thousand rubles.*

*Issuer's current assets are sufficient for covering current operating expenditures.*

#### 4.3.3. Funds

*Issuer's need in funds in the 4<sup>th</sup> quarter of 2003 is covered at the expense of proceeds. Planned need in debt capital is 324 758,1 thousand rubles. (planned amount of operational expenditures for the 4<sup>th</sup> quarter is 1 701 962 thousand rubles, planned need for investment is 525 235 thousand rubles. Scheduled funds return from operational activity to the accounts of the OJSC FETEC in the 4<sup>th</sup> quarter is 2 066 391 thousand rubles)*

*Issuer's need in funds in 2004 is covered at the expense of proceeds. Planned need in debt capital is 240 000 thousand rubles.*

Index	1 <sup>st</sup> quarter of 2004	2004
Issuer's need in funds	1937119 thousand rubles	8 868515 thousand rubles
Potential sources for these funds	Proceeds	Proceeds

Factors that may affect Issuer's need in funds and opportunity for receipt.

*Change of Company current liquidity (influences opportunity to receive funds)*

Potential sources of finance	Potential financing amount	
	1 <sup>st</sup> quarter of 2004	2004
Bank loans to be received by the Issuer	-	490 000 thousand rubles

Funds attraction by issue of securities	-	-
Borrowed funds from other sources Including loan from companies able to influence the issuer due to dominating share in the authorized capital or according to agreement between them or otherwise	-	-
Other potential sources of finance	Suppliers of equipment (leasing, tied credits)	Suppliers of equipment (leasing, tied credits)

***Balance of arrested bank accounts is not available***

***Issuer's accounts payable collected in bank file are not available***

#### **4.3.4. financial investment of the issuer**

Data on all financial investments of the Issuer as of **December 31, 2003** is not available as balance sheet for 2003 is not made.

List of financial investments of the Issuer equal or exceeding 10% of all financial investments as of **December 31, 2002**:

4.3.4.1. Investments in issued securities:

1. Kind of securities: **Ordinary shares**

Full and abbreviated company name of the issuer: **Private Joint Stock Company Printelefon, PJSC Printelefon**

Location: **24 Okeansky Pr., Vladivostok, 690050**

Information about security issue of such category (class) held by the Issuer:

Date of issue state registration	State registration number of the issue	Authority performing state registration of issue
14.12.2000	1-02-55613-N	Russian branch of RF SC in the far Eastern Federal District

The above-mentioned company is a subsidiary with respect of the issuer.

A number of securities held by the issuer: **10 101 822 pcs.**

Total nominal value of securities, held by the Issuer (rubles): **10 101 822rubles.**

Total book value of financial investment: **10 101 822rubles**

Amount of declared dividend on ordinary shares, payment date: **it was resolved not to pay dividends under results of 2001, 2002.**

Information about reserve against security devaluation

**Reserve was not formed.**

Information about amount of potential loss due to bankruptcy of the issuer of such category of securities (of a person liable for such securities):

**Potential losses are limited to book value of investment.**

2. Kind of securities: **Ordinary shares**

Full and abbreviated company name of the issuer: **Open Joint Stock Company Joint Stock Commercial Bank Primorye, OJSC JSCB Primorye**

Location: **47 Svetlanskaya St., Vladivostok, 690990**

Information about security issue of such category (class) held by the Issuer:

Date of issue state registration	State registration number of the issue	Authority performing state registration of issue
27.09.2000	10103001B	Financial authorities

A number of securities held by the issuer: **2 152 pieces**

Total nominal value of securities, held by the Issuer (rubles): **2 152 000 rubles**

Total book value of financial investment: **2 152 000 rubles**

Amount of declared dividend on ordinary shares, payment date: **it was resolved not to pay dividends under results of 2001, 2002.**

Information about reserve against security devaluation

**Reserve was not formed.**

Information about amount of potential loss due to bankruptcy of the issuer of such category of securities (of a person liable for such securities):

**Potential losses are limited to book value of investment.**

4.3.4.2. *Investments in non-issue securities:*

**Such investments are not available.**

4.3.4.3. *Other financial investments:*

**Other financial investments are not available.**

Amount of potential loss associated with bankruptcy of organizations (companies) to have been invested to under each kind of above-mentioned investments: ***potential losses are limited to book value of investments***

***Issuer's funds placed on deposit or other bank accounts or other credit organizations with suspended or arrested or withdrawn licenses as well as in case of resolution of reorganization, liquidation of such credit organizations, initiation of bankruptcy procedure or insolvency of such organizations are not available.***

***Amount of potential losses under financial investments reflected in Issuer's accounting from beginning of accounting year till approval of quarterly report according to Issuer's opinion is limited to book value of investments.***

Accounting standards (rules) under which the issuer made calculations specified in the present item: ***calculations specified in the present item are given according to standards established by Order dated December 10, 2002 No., N 126н "about approval of accounting provision" «Accounting of financial investments» (ПБУ19/02)***

**4.3.5. Issuer's intangible assets**

1998

Item No.,	Name of group of intangible assets	Initial (replacement) cost, thousand rubles	Amount of accrued depreciation, thousand rubles
1	Software	1 868	400
2	Right of common	47	0
3	Other, including apartments	1 430	31
Total, rubles		3 345	431

1999

Item No.,	Name of group of intangible assets	Initial (replacement) cost, thousand rubles	Amount of accrued depreciation, thousand rubles
1	Software	3 008	796
2	Right of common	88	0
3	Other, including apartments	2 169	78
Total, rubles		5 265	874

2000

Item No.,	Name of group of intangible assets	Initial (replacement) cost, thousand rubles	Amount of accrued depreciation, thousand rubles
1	Software	4 587	1 737
2	Right of common	111	0
3	Other, including apartments	2 376	151
Total, rubles		7 074	1 888

2001

Item No.,	Name of group of intangible assets	Initial (replacement) cost, thousand rubles	Amount of accrued depreciation, thousand rubles
1	Software	4 087	2 112
2	Right of common	111	0
3	Other, including apartments	2 091	209
Total, rubles		6 289	2 321

2002

Item No.,	Name of group of intangible assets	Initial (replacement) cost, thousand rubles	Amount of accrued depreciation, thousand rubles
1	Billing Fregat Automated	173	78

	Settlement System		
2	Right of termless land use Amurskaya St.,	6	6
3	Right of termless land use	7	0
4	Right of termless land use, Zarubino	12	3
5	Right of termless land use, Kraskino	3	0
6	Advertising medium	272	7
Total, rubles		473	106

2003 data is not available as balance sheet is not made, economic and production results are not summarized.

*Contributions of intangible assets to the authorized capital or their free receipt did not take place.*

*Information about intangible assets is given subject to Order dated October 16, 2000 No., 91H 126H "about approval of accounting provision" «Accounting of financial investments» (ПБВ 14/2000).*

#### **4.4. Information about issuer policy and expenditures in terms of scientific and technical development, licenses, patents, new developments and researches.**

Issuer's policy in terms of scientific and technical development: *The issuer keeps to outsourcing policy i.e. purchase of equipment outside the country in terms of scientific and technical development. It takes no own efforts for development and research.*

Index	1999	2000	2001	2002	2003
Costs for* scientific and technical activity at expense of equity capital, thousand rubles	9 670	12 556	11 651	12 124	-

\* purchase of developments from outside organizations

2003 data is not available as accounting results are not summarized.

Information about formation and receipt of legal protection of main objects of intellectual property by the issuer

*The issuer has no patents, trademarks and other object of legal protection of intellectual property.*

*At present license for FETEC trademark is in the process of execution.*

Main directions and results of using intellectual property objects.

*Main direction of using intellectual property object is usage of trademark rendering all services of OJSC FETEC, protection of Company name, its use for formation of powerful brand.*

Risk factors associated with expiry of patents, trademark licenses essential for the issuer.

*Risks associated with expiry of patents, trademark licenses are not available as the Issuer holds no patents, trademark licenses and trademarks.*

#### **4.5. Analysis of development trends of Issuer's principal activity**

Main trends of industry development of issuer's principal activity for 5 recent completed fiscal years as well as main factors affecting the industry.

*Telecommunications is one of the most dynamic industries of RF ensured by industrial growth and increase of purchasing capacity. Development of communication and information infrastructure is a priority of state policy and taking account of formation of global information community it is a necessary condition for further rise of Russian economy, growth of employment and improvement of cultural and educational level of population.*

*At present communication market is represented by local communication operators and operators of long-distance and International communication where share of traditional operators makes up at least half of industry income. Regional communication operators hold licenses for local, long-distance and international telephone communication, data transfer, ISDN, wireless subscriber's access and cellular communication.*

*Prior to 1992 telecommunication industry was under full control of the state. Industry restructuring started after issue of RF Government order dated December 22, 1992 No., 1003 providing separation postal divisions from list of state communication and information enterprises prior to their privatization (with formation state establishments of Federal postal service not subject to privatization) and broadcasting centers (also not subject to privatization). Other kinds of communication activity were*

*focused on regional communication enterprises restructured later in Joint Stock Companies with majority holding in federal ownership.*

*Open Joint Stock Company Investment Communication Company (OJSC Svyazinvest) was established in 1995 with authorized capital formed by way of contributing holdings in federal ownership of communication companies into it. The RF Government approved Concept of Telecommunication Market Development in RF prepared by RF Communication Ministry in December 2000 within which OJSC Svyazinvest Holding structure was reorganized. Holding reorganization resulted in association of regional operators into 7 major interregional companies:*

- *OJSC Central Telecommunication Company,*
- *OJSC North Western telecom,*
- *OJSC Volgatelecom,*
- *OJSC Southern Telecommunication Company,*
- *OJSC Uralsvyazinform,*
- *OJSC Sibirtelecom,*
- *OJSC Far Eastern Telecommunications Company.*

*At present OJSC Svyazinvest holding holds voting majority in 7 interregional companies, in OJSC Central telegraph, in OJSC Lensvyaz, in OJSC Dagsvyazinform, in OJSC Rostelecom, an operator of international and long-distance communication and in Giprosvyaz Research Institute as well as blocking shareholding in Moscow City exchange (28%), Kostroma City Exchange (37%), OJSC Svyaz of Republic of Komi (25%). OJSC Svyazinvest participates in activity of enterprises as follows: RusLeasingSvyaz, Svyazbank, Registrar-Svyaz, MobiTel, Startcom, PTComm.Ru. Holding communication networks cover almost all Russia. Assembled capacity of local telephone network of holding companies under results of 2002 is 31,5 mln. Numbers.*

***Main indicators of communication and informatization in 2002 (all operators)***

Indicator	2001	2002	Change rates
Telephone density-total, telephone set per 100 individuals	24,1	25,4	+ 1,3 points
Urban network, telephone set per 100 individuals	29,0	30,7	+ 1,7 points
Rural network, telephone set per 100 individuals	10,6	11,1	+ 0,5 points
Penetration of mobile telecommunication – total, telephone set per 100 individuals	5,55	12,54	+ 7 points
Including cellular communication, telephone set per 100 individuals	5,37	12,27	+ 7 points
Density of apartment telephones – total, telephone set per 100 individuals	18,1	19,2	+ 1,1 points
Urban network, telephone set per 100 individuals	21,6	22,9	+ 1,3 points
Rural network, telephone set per 100 individuals	8,6	9,1	+ 0,5 points
Regular Internet users –total, mln units	4,3	6,0	+ 39,5%
Regular Internet users, per 100 individuals, unit per 100 individuals	2,9	4,2	+ 1,3 points
Number of computers – total, mln. pcs.	11,0	13,0	+ 18,2%
Number of computers – per 100 individuals units per 100 individuals	7,5	9,0	+ 1,5 points
Digitalization of local telephone network – total, %	36,2	41,4	+ 5,2 points
Urban network, %	40,0	45,4	+ 5,4 пункта
Rural network, %	9,2	12,1	+ 2,9 points
Specific weight of ATX assembled capacity, equipped by Automated time payment rate, %	59,3	64,3	+ 5,0 points
Application of digital transfer systems on primary network, %	87,4	89,6	+ 2,2 points
Share of optical cable on primary network, %	27,1	31,4	+ 4,3 points
Application of transfer systems with optical cable on primary network, %	71,5	77,7	+ 6,2 points
Proceeds from communication services on base line*, thousand rubles per line	2,9	3,5	+ 20%
Communication services proceeds per 1 employee*, thousand rubles per an employee	202,6	269,6	+ 33,0%
International and long-distance traffic per a line*, min. Per line	401	445,4	+ 11,1%

Source: RF Ministry of Communication and Informatization  
(<http://www.minsvyaz.ru/site.shtml?parent=44&id=45>)

\*organizations of OJSC Svyazinvest

*According to program of RF Social and Economic Development for 2002-2004medium-term*



*priorities of state policy in area of information and telecommunication infrastructure, communication market are as follows: access of public to telecommunication infrastructure and information resources surpassing communication infrastructure development, improvement of industry investment attractiveness, creation of conditions for accelerated development of net technologies, provision of state interests and information security, creation of conditions for fair competition, support of Russian communication equipment producer.*

*To realize such tasks it is necessary:*

- To conduct efficient technological policy aimed at updating of existing public systems and networks and implementation of new ones;*
- Accelerated development of modern high-quality communication market (data transmission, e-mail, Internet access and other telematic services, digital networks with integration of intellectual networks service etc.);*
- Harmonization of using radio-frequency spectrum in accordance with international treaties of RF, continuation of radio-frequency spectrum conversion, implementation of economic methods of frequencies realization by tenders;*
- Improvement of mechanism of state regulation of prices (tariffs) for communication services providing adjustment of communication tariffs to economically sound costs (investment component included), reduction down to minimum of limits of cross backing of communication services, transfer to state regulation of tariffs using marginal cost pricing;*
- Stepwise creation of universal service system (access to public network for any RF user at specified time with provision of main communication services with established quality features and at moderate prices);*
- Provision of nondiscriminatory access of communication operators to public network and setting tariffs for connection and pass of traffic, separate account of profit and expenses of communication operators under kinds of communication services;*
- Implementation of transparent and public procedures for issue and cancellation of licenses and formation of unbiased license requirements and conditions aimed at telecommunication infrastructure development;*
- Realization of complex of measures aimed at developing competitive national production of communication equipment and software;*
- Creation and development of informatization and knowledge market as production factors and transfer of community information resources to real resources of social and economic development, systematization of public information resources and their transfer to electronic mode implying development of E-commerce and Russian segment of Internet, provision of educational institutions' access to Russian and international resources;*
- Transfer to digital tele- and radio broadcasting providing simultaneous improvement of programs quality.*

*Development of telecommunication sector of FEFD regions (except Sakha republic and Chukotka AR) for the recent 5 years significantly outpaces economy development i.e. growth rates of telecommunication sector revenues significantly outpace rates of production growth. Under results of 2002 we managed not only to stop trend of decreasing share of telecommunication sector in aggregate GRP common for 2001 but also to exceed level of 2000. in 2003 this level is supposed to be 2,94%. Development of Far Eastern Telecommunication sector entitles to believe that sector share in aggregate GRP will stabilize and will make up about 3,5% in 2006. Growth of region economy is the main factor affecting industry condition.*

*One of priorities of industry development in near future is drastic improvement of tariff policy of telecommunication companies by adjusting communication tariffs to economically sound costs, reduction down to minimum of limits of cross backing of communication services. In particular within pricing reform it is supposed to rise tariffs for local telephone communication and deviation from backing local communication services by services of telecommunication. Change of tariff policy is performed jointly with holding OJSC Svyazinvest, RF Ministry of Communication and Informatization and RF Antimonopoly Policy Ministry.*

*In the area of investment policy of interregional telecommunication companies there is a trend of retaining significant volumes of capital investments for expansion and updating public telephone networks and data transmission networks aimed at elimination of queues for telephone installation and increase of network digitalization.*

Evaluation of conformity of Issuer's operation results to industry development trends.

***Development of the OJSC FETEC directly affects growth rates of industry revenues. OJSC FETEC at present is one of few traditional operators retaining more than a half of regional telecommunication market. Growth rates of industry revenues exceed growth rates of OJSC FETEC revenues approximately by 10%. Reduction of such gap down to 7-7,5% is forecasted in 2004. Gradual leveling of development rates of company and industry is expected from 2005 to 2010.***

Index	1998	1999	2000	2001	2002
Proceeds, thousand rubles	593 825	851 205	1 127 211	1 380 138	5 331 534
Gross profit, thousand rubles	114 251	189 280	258 667	307 739	945 022
Net profit (undistributed profit) (uncovered loss), thousand rubles	34 641	114 482	184 212	143 201	184 813

Reasons proving results (satisfactory and unsatisfactory results on the Issuer's opinion). Factors and conditions influencing Issuer's operation and its results.

***Primarily due to territory remoteness Far Eastern telecommunications market so far failed to have as rapid development as that of European part. Thus within recent 2-3 years, the period of gaining telecommunication markets of other regions by alternative communication operators and first of all by cellular operators, the Far East accumulated huge potential for development of new services. According to Theory of waves of the Boston Consulting Group economic figures of particular telecommunication services common for central part of Russia become real for Far East with 1,5 – 2 years delay. Therefore, an example of competition development in other regions helps FETEC to avoid some erroneous actions.***

***As OJSC FETEC has no opportunity to provide cellular communication services within the whole operation area, one of priorities for 2003-2004 became construction of data transmission network using advanced technologies to provide respective services. Also another priority of Company operation is development of cellular networks in Kamchatka and Magadan regions: at the end of 2003 new capacities were implemented to meet clients' needs in cellular communication. Efficient promotion of such service is planned in 2004. Besides, telephonization of Far Eastern regions has speedy development. Implementation of new ATXs and replacement of outdated ones take place. Modern digital equipment providing necessary range of additional communicational services is being installed.***

***Another positive factor is development of primary industry companies in the Far East regions. Analysis of trends for main industries' development, comparison of such analysis results with Company profit obtained from Corporate clients allows to apply differentiated approach to client base, to single out particular categories of clients, to obtain higher income from VIP-clients.***

Forecast for duration of the above-mentioned factors and conditions.

***Effect of factor of territorial remoteness from central regions of Russia is constant and will not decrease in future.***

***Factor of availability of primary industry companies is also constant.***

Measures taken by the Issuer and measures planned by the Issuer for efficient use of such factors and conditions. Methods applied by the Issuer and methods planned by the Issuer to reduce negative effect of factors and conditions influencing Issuer's operation.

***Forecasts of telecommunication sector development existing at present allow to expect further development of competition at expense of cellular operators' development including penetration of national cellular operators to the far Eastern market. For the purpose of preventing decrease of market share OJSC FETEC develops special programs to deal not only with particular groups of clients being communication service consumers, but also with affiliated communication operators.***

***In general marketing strategy of the OJSC FETEC is aimed at development of company regional business balanced in the ratio to each region economy development.***

Essential events/factors that may most negatively effect opportunity for the Issuer to have such or higher results in future as compared to results of the latest accounting period as well as probability of such events (factors). Essential factors/events that may improve Issuer's results, their probability and duration.

*Such factor that may most negatively or positively affect Issuer's operation as well as its probability to obtain higher or lower results respectively is state policy towards Far Eastern region. At present only 20 to 30% of existing program of developing Far East and Transbaikalia is financed by the Government. Rise or fall of state investment component may have significant effect development of the region and Issuer's operation.*

*Issuer's management bodies have concurrent views regarding provided information.*

## **V. Detailed information about members of Company management bodies, Issuer's bodies of financial and economic activity control and brief information about Issuers employees**

### **5.1. Information about structure and power of issuer's management bodies**

*In accordance with Issuer's Articles of Association*

*The General meeting shall be the Company Supreme Management Body.*

*The Board of Directors shall be the Company collective body managing current Company activity.*

*The Board shall be the Company collective executive body in charge of implementation of resolutions of General Meeting of shareholders and the Company Board of Directors. Director General shall be the sole executive body managing current activity of the company. Director General shall be appointed by the Company Board of Directors.*

*Authority of the Issuer's General Meeting of Shareholders in accordance with its Articles of Association:*

*12.2. The Competence of the Company general Meeting of Shareholders shall include matters not to be referred to the Board of Directors, Director General or Company Board:*

*1) Amendment and supplement of the present Articles of Association or approval of the Company Articles of Association in new edition (save cases provided by the Federal law "about Joint Stock Companies") where resolutions shall be taken by at least three fourth of votes of shareholders holding Company voting shares participating in the Meeting;*

*2) Company reorganization where resolution shall be taken at least by three fourth of votes of shareholders holding Company voting shares participating in the Meeting;*

*3) Company dissolution, appointment of liquidation board and approval of interim and final liquidation balance sheet where resolutions shall be taken by at least three fourth of votes of shareholders holding Company voting shares participating in the Meeting;*

*4) Election of the Board of Directors' members by cumulative voting;*

*5) Early termination of Board of Directors' members powers where resolutions shall be taken by majority of votes of shareholders holding Company voting shares participating in the Meeting;*

*6) Determining number, nominal value, category (class) of Company declared shares and rights under these shares where decisions shall be taken at least by three fourths of votes of shareholders holding Company voting shares and participating in the meeting;*

*7) Increase of the Company Authorized capital by way of increasing shares' nominal value where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;*

*8) Increase of the Company authorized capital by means of placing additional shares by public subscription when a number of additionally placed shares is over 25 per cent of earlier placed company ordinary shares where decisions shall be taken at least by three fourths of votes of shareholders holding Company voting shares and participating in the meeting;*

*9) Increase of the Company authorized capital by means of placing additional shares by close subscription where decisions shall be taken at least by three fourths of votes of shareholders holding Company voting shares and participating in the meeting;*

*10) Decrease of the Company authorized capital by decreasing nominal value of shares by means of purchasing a part of shares by the Company in order to reduce total number as well as by means of redeeming of shares purchased or redeemed by the company where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;*

*11) Election of the Company Auditing Committee and early removal from office where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;*

*12) Approval of the Company Auditor where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;*

13) Approval of annual reports, annual Company accounting including Company profit and loss accounts, profit distribution, including dividend payment (declaration) and Company losses subject to results of fiscal year where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

14) Determining holding procedure of the Company General Meeting of Shareholders where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

15) Splitting and consolidation of shares where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

16) taking resolution of approval of transactions with interest subject to resolution in cases and according to procedure stipulated by Chapter XI of the federal Law “about Joint Stock Companies”;

17) taking resolutions on approval of major transactions related to purchasing, alienation and opportunity of alienation of property by the company with value exceeding 50 per cent of Company balance assets determined under accounting as of last accounting date save transactions to be made in ordinary course of business, transactions related to placement by means of subscription (selling) of Company ordinary shares as well as transactions related to placement of issued securities converted to Company ordinary shares where decisions shall be taken by three fourths of votes of shareholders holding Company voting shares and participating in the meeting;

18) Taking resolution of share in holding companies, financial and industrial groups, associations and other associations of commercial organizations where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

19) Approval of internal documents regulating Company bodies' operation where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

20) Company placement of bonds converted to shares and other issued securities converted to shares if mentioned bonds (other issued securities) to be placed by close subscription or by public subscription when in case of public subscription converted bonds (other issued securities) may be converted to Company ordinary shares constituting over 25 per cent of earlier placed Company ordinary shares where decisions shall be taken at least by three fourths of votes of shareholders holding Company voting shares and participating in the meeting;

21) Taking resolution on indemnification of expenses for preparation and holding extraordinary General Meeting of Shareholders at company expense when the Company Board of directors violating requirements of the RF legislation failed to take resolution to convene extraordinary General Meeting of Shareholders and such meeting was convened by other persons. Resolution shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

22) release of person that independently or jointly with affiliated persons purchased 30 and more per cent of Company placed ordinary shares from obligation to purchase shares from other Company shareholders where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting, save votes on shares held by mentioned person and his affiliated persons;

23) taking resolution to transfer powers of company sole executive body to managing organization or manager where decision shall be taken by majority of votes of shareholders holding Company voting shares and participating in the meeting;

24) solving other issues stipulated by federal Law “about Joint Stock Companies” and present Articles of Association.



*12.3. General Meeting of shareholders shall have a right to take resolutions on matters provided by sub-paragraph 2, 7, 8, 9, 15 – 19, 23 of paragraph 12.2 of the present Articles of Association exclusively under proposal of the Board of Directors. Other persons having subject to current RF legislation in force power to enter items to agenda of annual or extraordinary General Meeting of shareholders shall not have a right to demand from Board of directors to enter into agenda above-mentioned items.*

*The General Meeting of Shareholders shall not have a right to consider and take resolutions on items beyond its competence subject to Federal Law “about Joint Stock Companies.*

*The General Meeting of Shareholders shall not have a right to take resolutions not included in the meeting agenda and to change agenda.*





12.4. In case of taking resolution at the General Meeting of Shareholders of matters of amending the present Articles of association resulting in restriction of preferred shareholders of particular category, resolution of such amendment shall be deemed taken if at least three fourths of ordinary shareholders participating in the meeting and three fourth of all Company preferred shareholders of particular category voted for it.

**Authority of the Issuer's Board of Directors in accordance with its Articles of Association:**

**13.4. Company Board of Directors competence shall cover the matters as follows:**

- 1) determining Company's priority activities including approval of the annual budget, medium-term and long-term budgets, Company's strategies and development plans, amending the said documents and considering their results;
- 2) preliminary approval of operations beyond Company's set annual budget;
- 3) convening of annual and extraordinary general meetings of shareholders except cases stipulated by clause 8 of art. 55 of the Federal Law "About Joint Stock Companies";
- 4) Adoption of the general meeting of shareholders agenda;
- 5) defining a date for making up a list of persons authorized to participate in the general meeting of shareholders and to other matters within the Board of Directors' competence in accordance with provisions of chapter VII of the Federal Law "About Joint Stock Companies" and related to preparing and holding general meeting of shareholders;
- 6) preliminary approval of the Company's annual report;
- 7) increasing Company's authorized capital by means of placing additional shares within the number of the declared shares set by the present Articles of Association except for the cases stipulated by sub-paragraphs 8,9 of clause 12.2 of the present Articles of Association;
- 8) placement of bonds and other issued securities by the Company if they are not converted to the Company's shares in accordance with terms of the given bonds and other issued securities placement;
- 9) placement of the bonds converted to shares and other issued securities converted to shares by the Company if the said bonds (or other issued securities) are placed by means of public subscription and converted bonds (or other issued securities) may be converted to the Company's ordinary shares forming 25 or less per cent of earlier placed ordinary shares;
- 10) determining price (monetary value) of the property, price of placement and redemption of issued securities in cases stipulated by the Federal Law "About Joint Stock Companies";
- 11) approval of resolutions of securities issue, issue prospectus, reports of Company's issue results, quarterly issuer's reports and reports of Company's shares purchase for the purpose of their paying off;
- 12) purchase of shares, bonds and other securities placed by the Company;
- 13) Approval of the Company's registrar and contract terms as well as passing a resolution of contract termination;
- 14) recommendation concerning dividends, their form and payment period and approval of internal document concerning Company's dividends and shares;
- 15) using Company's reserve and other funds;
- 16) monitoring internal control procedures;
- 17) recommendations concerning Company's Auditing Committee's remuneration and compensation and ratification of contract terms concluded with the auditor including payment of its services;
- 18) approval of Provision of the Company's organization department performing internal control functions and coordination of candidacies for its head as well as consideration of other issues, resolutions on which shall be passed by the Board of Directors in accordance with the given Provision;
- 19) approval of transactions related to Company's purchasing, disposition and opportunity of disposition of property value of which shall be from 0,7 to 25 per cent of balance value of Company's assets determined on the basis of its accounting results as of its last accounting date;
- 20) approval of transactions related to Company's purchasing, disposition and opportunity of disposition of property value of which shall be from 25 to 50 per cent of balance value of Company's assets determined on the basis of its accounting results as of its last accounting date except for transactions made in the course of the Company's general business, transactions related to the placement of its ordinary shares by means of subscription (selling) and transactions related to the placement of issued securities converted to its ordinary shares;
- 21) approval of transactions with interest in cases stipulated by chapter XI of the Federal Law "About Joint Stock Companies";
- 22) coordination of the Company's organization chart including main functions of its departments;

23) formation of branches, opening representative offices, their liquidation and approval of Provisions concerning them;

24) preliminary coordination of candidacies for positions of branches and representative offices' heads and removal of the said departments heads from their offices;

25) approval of branches' annual budgets, strategies and development plans and amending the said documents, consideration their results;

**26) appointment of single executive body (Director General), determining term of his office as well as early termination of his capacity ;**

**27) election (reelection) of the Company's Board of Directors chairman and vice-chairman;**

28) formation of collective executive body (Board), determining term of its office as well as early termination of Board members' capacities;

29) coordination of holding by the person performing functions of single executive body and Board members of other offices in management of other organizations;

30) permitting the person holding an office of single executive body to combine jobs or have a paid up job with other organizations;

31) setting up continuing or temporary (to decide specific issues) committees of the Board of Directors and approval of provisions concerning them;

32) appointment and removal of the Company's corporate secretary from the office and approval of Provision concerning corporate secretary staff;

**33) approval of contract terms (additional agreements), concluded with Director General, Board members, heads of branches and representative offices, head of Company's department in charge of internal control, corporate secretary as well as consideration of issues resolutions on which shall be passed by the Board of Directors in accordance with the said contracts;**

34) passing resolutions concerning Company's membership (joining, termination of membership and changing share of membership) in other organizations by purchasing, selling shares, interests of other organizations as well as making additional contributions to the authorized capitals of these organizations;

35) passing resolutions concerning Company's membership in non-profit organizations except for the cases stipulated by sub-paragraph 18 of clause 12.2 of the present Articles of Association by joining membership, terminating membership and making additional contributions related to the Company's membership in non-profit organizations;

36) passing resolutions concerning agenda items of General Meetings of affiliated companies (superior bodies of other organizations), where the Company is its single member;

37) determining order of Company's interaction with organizations where the Company is a member;

38) approval of internal document concerning Company's information disclosure;

**39) approval of other Company's internal documents except for those stipulated by clause 13.4 of the present Articles of Association regulating issues within the competence of the Company's Board of Directors except for internal documents subject to approval by General Meeting of shareholders and executive bodies on the basis of Articles of Association;**

**40) other issues stipulated by the Federal Law "About Joint Stock Companies" and the present Articles of Association.**

**13.5. Issues within competence of the Company's Board of Directors shall not be referred to the Company's collective or single executive body for consideration.**

**13.6. Resolutions on matters indicated in sub-paragraphs 7, 20 of paragraph 13.4 of the present Articles of Association shall be passed unanimously by all members of the Company's Board of Directors except for the votes of retired members of the Board of Directors.**

**In the event of failure to reach unanimity of the Company's Board of Directors on matters stipulated by sub-paragraphs 7, 20 of paragraph 13.4 of the present Articles of Association, these matters may be referred to the General Meeting of shareholders for consideration according to the Company's Board of Directors resolution. And resolutions on such matters shall be passed by the majority of votes of shareholders holding voting shares of the Company and participating in the meeting.**

**13.7. Other matters in addition to those listed in paragraph 13.6 of the present Articles of Association within competence of the Board of Directors according to the Federal Law "About Joint Stock Companies" and the present Articles shall be passed by the majority of votes of members of the Board of Directors participating in the meeting.**

Competence of sole and collective executive bodies of the Issuer in accordance with its Articles of Association:

**14.4. Board's competence shall include the matters of the Company's current business management as follows:**

- 1) development of proposals on Company's basic activities including drafts of the annual budget, medium-term and long-term budgets, Company's strategies and development plans and proposals concerning amendments to the said documents;**
- 2) approval of internal control procedures;**
- 3) determination of Company's staff and social policy;**
- 4) approval of the internal document regulating general provisions of job motivation as well as consideration and passing resolutions concerning conclusion of collective contracts and agreements;**
- 5) preparation of materials and drafts of agreements concerning matters subject to consideration at the General Meeting of shareholders, Board of Directors and submission of materials to the Board of Directors' committees;**
- 6) technical-organizational provision of the Company's bodies' business;**
- 7) determination of technical, financial and economical and tariff policy of the Company and its branches;**
- 8) determination of accounting policy, control of business and management accounting methods improvement as well as implementation of International accounting standards of the Company and its branches;**
- 9) determination of Company and its branches' planning, budgeting and controlling methods;**
- 10) determination of Company and its branches security policy;**
- 11) определение порядка наделения филиала имуществом и изъятие закрепленного за филиалом имущества;**
- 12) determination of number and appointment of members of branches' collective executive bodies as well as their early removal from their offices, approval of the Provision of the branch' collective executive body;**
- 13) preliminary coordination of candidacies for deputy heads, chief accountants of branches and representative offices and removal of the said persons from their offices;**
- 14) approval of terms of contracts (additional agreements) concluded with members of branches' collective executive bodies, deputy heads, chief accountants of branches and representative offices as well as consideration of matters where resolutions shall be passed by the Board subject to the said contracts;**
- 15) approval of branches' quarterly budgets and amendments to the said documents;**
- 16) analysis of the results of the Company's organizational departments' operation including separate ones and development of instructions on their operation improvement subject to fulfillment;**
- 17) approval of the internal documents regulating matters within the Board's competence except for the documents approved by the General Meeting of shareholders and Board of Directors.**

**14.5. Company's Board shall also be entitled to pass resolutions on other matters of the Company's current business management on the instructions of the Board of Directors or upon Director's General proposal.**

**15.2. Director General shall pass resolutions on issues beyond competence of Company's General Meeting of shareholders, Board of Directors and Board subject to the Articles of Association.**

**Code of Corporate Conduct of OJSC Far East Telecommunications Company approved by the Board of Directors, Minute No, 15 dated November 20, 2003 (see Appendix No. 3) shall be an internal document determining rules of Issuer's corporate conduct.**

## **5.2. Information about Issuer's management bodies' members**

Board of Directors  
**Vladimir V. Dudchenko**  
Year of birth: **1973**  
Education: **higher**

Positions for last 5 years:

Period: **1996 - 2001**

Organization: **Moscow representative office of N-C-H Advisors, Inc.**

Position: **consultant**

Period: **2000 till present**

Organization: **OJSC Vladimirenergo**

Position: **member of the Board of Directors**

Period: **2001 till present**

Organization: **Moscow representative office of N-C-H Advisors, Inc.**

Position: **Head of Analytical Department**

Period: **2002 till present**

Organization: **OJSC FETEC**

Position: **member of the Board of Directors**

Period: **2002 till present**

Organization: **OJSC Konakovo heat power plant**

Position: **member of the Board of Directors**

Period: **2002 till present**

Organization: **OJSC Kirovenergo**

Position: **member of the Board of Directors**

Period: **2002 till present**

Organization: **OJSC Komi Republic Communication**

Position: **member of the Board of Directors**

Period: **2003 - 2003**

Organization: **OJSC UTK**

Position: **member of the Board of Directors**

Period: **2003 till present**

Organization: **OJSC Volga Telecom**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**Igor V. Zabolotny**

Year of birth: **1967**

Education: **higher**

Positions for last 5 years:

Period: **1997 - 1999**

Organization: **Directorate General of OJSC Rostelecom**

Position: **expert, chief executive – Head of Department of International Telephone Communication Services and Tariffs' Arrangement and Planning**

Period: **1999 - 2002**

Organization: *OJSC Svyazinvest*  
Position: *Executive officer – Director of Department of Marketing and Service Sales Arrangement*

Period: *2000 - 2002*  
Organization: *OJSC Electrosvyaz of Kalmykia Republic*  
Position: *chairman of the Board of Directors*

Period: *2000 - 2002*  
Organization: *OJSC Sakhalinsvyaz*  
Position: *chairman of the Board of Directors*

Period: *2000 - 2001*  
Organization: *OJSC Electrosvyaz of Primorsky region (since November 05, 2001 – OJSC FETEC)*  
Position: *chairman of the Board of Directors*

Period: *2001 - 2002*  
Organization: *OJSC Electrosvyaz of Tver region*  
Position: *member of the Board of Directors*

Period: *2001 till present*  
Organization: *OJSC FETEC*  
Position: *member of the Board of Directors*

Period: *2002 - 2003*  
Organization: *OJSC Giprosvyaz*  
Position: *member of the Board of Directors*

Period: *2002 - 2003*  
Organization: *PJSC MobilTel*  
Position: *member of the Board of Directors*

Period: *2002 - 2003*  
Organization: *OJSC VolgaTelecom*  
Position: *member of the Board of Directors*

Period: *2002 - 2002*  
Organization: *OJSC Electrosvyaz of Tver region*  
Position: *chairman of the Board of Directors*

Period: *2002 – 2002*  
Organization: *OJSC Electrosvyaz of Khabarovsk region*  
Position: *member Of the Board of Directors*

Period: *2002 till present*  
Organization: *OJSC FETEC*  
Position: *Director General, chairman of the Board*

Period: *2003 till present*  
Organization: *PJSC Primtelefon*  
Position: *Member of the Board of Directors*

Period: *2003 till present*  
Organization: *PJSC Amur Cellular Telephone*  
Position: *Member of the Board of Directors*

Period: *2003 till present*  
Organization: *PJSC Teleross-Vladivostok*  
Position: *Member of the Board of Directors*

Period: *2003 till present*

Organization: ***PJSC Rostelegraf***  
Position: ***Member of the Board of Directors***

Share in the Issuer's authorized capital: ***no share***  
Share of the Issuer's ordinary shares: ***no share***  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***  
Shares in the Issuer's subsidiaries: ***no shares***  
Ordinary shares in the Issuer's subsidiaries: ***no shares***  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: ***no kinship***

***Tatiana N. Novak***  
Year of birth: ***1973***  
Education: ***higher***

Positions for last 5 years:  
Period: ***1997 - 1999***  
Organization: ***Russian Federal Service on regulation of economic subjects natural monopolies activity***  
Position: ***Head of Legal Department***

Period: ***1999 - 2000***  
Organization: ***OJSC Svyazinvest***  
Position: ***Chief specialist of methodology and information division, Corporate Management Department***

Period: ***2000 till present***  
Organization: ***OJSC Svyazinvest***  
Position: ***Head of methodology and information division, Corporate Management Department***

Period: ***2000 - 2002***  
Organization: ***OJSC Voronezhsvyazzinform***  
Position: ***member Of the Board of Directors***

Period: ***2000 - 2002***  
Organization: ***OJSC Karachaevo-Cherkesskelectrosvyaz***  
Position: ***member Of the Board of Directors***

Period: ***2001 - 2002***  
Organization: ***OJSC Volggradelectrosvyaz***  
Position: ***member Of the Board of Directors***

Period: ***2002 – 2002***  
Organization: ***OJSC Belsvyaz***  
Position: ***member Of the Board of Directors***

Period: ***2002 till present***  
Organization: ***OJSC FETEC***  
Position: ***member of the Board of Directors***

Share in the Issuer's authorized capital: ***no share***  
Share of the Issuer's ordinary shares: ***no share***  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***  
Shares in the Issuer's subsidiaries: ***no shares***  
Ordinary shares in the Issuer's subsidiaries: ***no shares***  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**Yury V. Nikiforov**

Year of birth: **1963**

Education: **higher**

Positions for last 5 years:

Period: **1995 - 2001**

Organization: **OJSC Telecominvest**

Position: **Deputy Director of Mobile Communication Division**

Period: **1999 - 1999**

Organization: **OJSC Mobile Communication Systems - Saratov**

Position: **Director General (job combination)**

Period: **1999 - 1999**

Organization: **North-Western DCS**

Position: **Director General (job combination)**

Period: **2001 - 2003**

Organization: **OJSC Dalincom**

Position: **member of the Board**

Period: **2001 - 2001**

Organization: **Administration of Koryak autonomous district**

Position: **Counselor of Koryak autonomous district Governor**

Period: **2001 till present**

Organization: **OJSC Dalincom**

Position: **Deputy Director General**

Period: **2002 till present**

Organization: **OJSC FETEC**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**Maxim S. Plushev**

Year of birth: **1974**

Education: **higher**

Positions for last 5 years:

Period: **1996 - 1998**

Organization: **RF Ministry of Finances**

Position: **Chief specialist of Industrial Department**

Period: **1998 - 1999**

Organization: **RF Ministry of Finances**



Position: **Chief specialist of Industrial Economic and Financial Division, Department of Industrial Financing**

Period: **1999 till present**

Organization: **OJSC Svyazinvest**

Position: **Chief specialist of Corporate Management Department representatives' division**

Period: **2000 - 2002**

Organization: **OJSC Artelecom**

Position: **member Of the Board of Directors**

Period: **2000 - 2002**

Organization: **OJSC Svyazinform of Astrakhan region**

Position: **member Of the Board of Directors**

Period: **2000 - 2002**

Organization: **OJSC Sakhalinsvyaz**

Position: **member Of the Board of Directors**

Period: **2000 - 2001**

Organization: **OJSC Tumentelecom**

Position: **member Of the Board of Directors**

Period: **2001 - 2002**

Organization: **OJSC Tumentelecom**

Position: **chairman of the Board of Directors**

Period: **2000 - 2001**

Organization: **OJSC Kirovelectrosvyaz**

Position: **member of Supervisory Board**

Period: **2001 - 2002**

Organization: **OJSC Kirovelectrosvyaz**

Position: **chairman of Supervisory Board**

Period: **2000 - 2001**

Organization: **OJSC Electrosvyaz of Kurgan region**

Position: **member of the Board of Directors**

Period: **2001 - 2002**

Organization: **OJSC Electrosvyaz of Kurgan region**

Position: **chairman of the Board of Directors**

Period: **2001 - 2002**

Organization: **OJSC Martelecom**

Position: **member Of the Board of Directors**

Period: **2001 - 2002**

Organization: **OJSC Svyazinform of Chuvash republic**

Position: **member Of the Board of Directors**

Period: **2002 till present**

Organization: **OJSC" FETEC**

Position: **member of the Board of Directors**

Period: **2000 - 2001**

Organization: **OJSC Electrosvyaz of Buriatya**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

***Yury A. Tabunschikov***

Year of birth: **1959**

Education: **higher**

Positions for last 5 years:

Period: **1997 - 2001**

Organization: ***Khabarovsk region Department of State Control Authorities of Communication and Information***

Position: ***Head***

Period: **2001 - 2002**

Organization: ***FSUE Radio-Frequency Center of Far Eastern Federal District***

Position: ***Acting Director***

Period: **2002 till present**

Organization: ***FSUE Radio-Frequency Center of Far Eastern Federal District***

Position: ***Director General***

Period: **2002 till present**

Organization: ***FSUE Radio-Frequency Center of Far Eastern Federal District***

Position: ***Member of the Board of Directors***

Period: **2002 till present**

Organization: ***OJSC FETEC***

Position: ***member of the Board of Directors***

Period: **2003 till present**

Organization: ***PJSC DVSS-900***

Position: ***member Of the Board of Directors***

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

***Alexandre V. Lopatin (Chairman)***

Year of birth: **1964**

Education: **higher**

Positions for last 5 years:

Period: **1995 - 1997**

Organization: ***OJSC Karelenargo***

Position: ***member of the Board of Directors***

Period: **1995 - 1997**  
Organization: ***OJSC Orenburgenergo***  
Position: ***member of the Board of Directors***

Period: **1996 - 1997**  
Organization: ***Russian Joint Stock Company Unified Energy System***  
Position: ***Asset Management Director - Deputy Head of Financial Department***

Period: **1997 - 1998**  
Organization: ***Russian Joint Stock Company Unified Energy System***  
Position: ***Treasury Director***

Period: **1999 - 2000**  
Organization: ***OJSC Svyazinvest***  
Position: ***First Deputy Director General***

Period: **2000 till present**  
Organization: ***OJSC Central Telegraph***  
Position: ***chairman of the Board of Directors***

Period: **2000 - 2003**  
Organization: ***OJSC Svyazinvest***  
Position: ***Deputy Director General***

Period: **2000 till present**  
Organization: ***OJSC Centrtelecom (OJSC Electrosvyaz of Moscow region till 2001)***  
Position: ***member of the Board of Directors***

Period: **2000 - 2003**  
Organization: ***PJSC MobyTel***  
Position: ***member of the Board of Directors***

Period: **2003 - 2003**  
Organization: ***PJSC MobyTel***  
Position: ***chairman of the Board of Directors***

Period: **2000 - 2002**  
Organization: ***OJSC Khantymansiiskokrtelecom***  
Position: ***chairman of the Board of Directors***

Period: **2000 till present**  
Organization: ***OJSC MGTS***  
Position: ***member of the Board of Directors***

Period: **2000 – till present**  
Organization: ***OJSC Rostelecom***  
Position: ***member of the Board of Directors u member Правления***

Period: **2000 – till present**  
Organization: ***PJSC RusLeasingSvyaz***  
Position: ***chairman of the Board of Directors***

Period: **2001 - 2002**  
Organization: ***OJSC Electrosvyaz of Krasnoyarsk region***  
Position: ***chairman of the Board of Directors***

Period: **2002 till present**  
Organization: ***OJSC FETEC***  
Position: ***chairman of the Board of Directors***

Period: **2002 – till present**  
Organization: ***OJSC Sibirtelecom***  
Position: ***chairman of the Board of Directors***

Period: **2002 till present**  
Organization: ***OJSC VolgaTelecom***  
Position: ***member of the Board of Directors***

Period: **2000 - 2003**  
Organization: ***OJSC Svyazinvest***  
Position: ***member of the Board***

Period: **2000 – 2001**  
Organization: ***OJSC Electrosvyaz of Rostov region***  
Position: ***chairman of the Board of Directors***

Period: **2002 – 2003 (till September 16, 2003)**  
Organization: ***Center of Telecommunication Problems Development Study***  
Position: ***Director***

Share in the Issuer's authorized capital: ***no share***

Share of the Issuer's ordinary shares: ***no share***

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***

Shares in the Issuer's subsidiaries: ***no shares***

Ordinary shares in the Issuer's subsidiaries: ***no shares***

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: ***no kinship***

***Mikhail Y. Kobischanov***

Year of birth: ***1963***

Education: ***higher***

Positions for last 5 years:

Period: ***1997 - 1999***

Organization: ***"LBC & Parthners Ltd"***

Position: ***Director***

Period: ***2000 - 2003***

Organization: ***«Atria Advisors Ltd.»***

Position: ***Head of Information and Analytical Department***

Period: ***2003 till present***

Organization: ***OJSC Yaroslavl tyre factory decorated by order of Lenin and order of October revolution***

Position: ***member of Supervisory Board***

Period: ***2003 till present***

Organization: ***OJSC "FETEC"***

Position: ***member Of the Board of Directors***

Share in the Issuer's authorized capital: ***no share***

Share of the Issuer's ordinary shares: ***no share***

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***

Shares in the Issuer's subsidiaries: ***no shares***

Ordinary shares in the Issuer's subsidiaries: ***no shares***

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: *no kinship*

***Evgeny V. Yurchenko***

Year of birth: ***1968***

Education: ***higher***

Positions for last 5 years:

Period: ***1998 - 2001***

Organization: ***PJSC Bank Menatep SPb***

Position: ***Branch Manager***

Period: ***2001 - 2002***

Organization: ***OJSC Bank Menatep SPb***

Position: ***Head of regional center Ugo-Zapadny (South Western), Vice-President***

Period: ***2002 till present***

Organization: ***OJSC Svyazinvest***

Position: ***Deputy Director General***

Period: ***2003 till present***

Organization: ***OJSC VolgaTelecom***

Position: ***Chairman of the Board of Directors***

Period: ***2003 till present***

Organization: ***OJSC Rostelecom***

Position: ***Member of the Board of Directors***

Period: ***2003 till present***

Organization: ***OJSC FETEC***

Position: ***member Of the Board of Directors***

Period: ***2003 till present***

Organization: ***OJSC Giprosvyaz***

Position: ***Member of the Board of Directors***

Period: ***2003 - 2003***

Organization: ***OJSC RTK-Leasing***

Position: ***Member of the Board of Directors***

Period: ***2003 till present***

Organization: ***OJSC RTComm.RU***

Position: ***Member of the Board of Directors***

Period: ***2003 till present***

Organization: ***OJSC Svyazinvest***

Position: ***Member of the Board***

Period: ***2003 till present***

Organization: ***OJSC Sibirtelecom***

Position: ***Member of the Board of Directors***

Period: ***2003 till present***

Organization: ***PJSC Rusleasingsvyaz***

Position: ***Member of the Board of Directors***

Period: ***2003 – till present***

Organization: ***Research-and-Production Fund Telecom-Soyuz***

Position: ***member of the Fund Board***

Period: **2003 – till present**  
Organization: **PJSC RTK-Invest**  
Position: **Chairman of the Board of Directors**

Period: **2003 – till present**  
Organization: **OJSC OJSB Svyaz-Bank**  
Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**Nadezhda V. Filippova**

Year of birth: **1953**

Education: **higher**

Positions for last 5 years:

Period: **1997 - 2000**

Organization: **Airport Management Company Limited**

Position: **Division Head**

Period: **2000 - 2001**

Organization: **Non-governmental Educational Institution Management School TMI-Manager Service**

Position: **Tutor**

Period: **2001 - 2002**

Organization: **PJSC Shugart Training Company**

Position: **Personnel Manager of Personnel Department**

Period: **2002 - 2003**

Organization: **OJSC Svyazinvest**

Position: **Chief Executive – Director of Personnel Department**

Period: **2003 till present**

Organization: **OJSC Svyazinvest**

Position: **Chief Executive – Director of Human Resource Department**

Period: **2003 till present**

Organization: **OJSC FETEC**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**Igor N. Repin**

Year of birth: **1966**

Education: **higher**

Positions for last 5 years:

Period: **1997 till present**

Organization: **Association of Investors' Rights Protection**

Position: **expert of Self-Regulating Organization National Association of Stock Market Participants**

Period: **2003 till present**

Organization: **OJSC Sibirtelecom**

Position: **member of the Board of Directors**

Period: **2003 till present**

Organization: **OJSC FETEC**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

Issuer's Sole executive body as well as members of collective executive body:

Issuer's Board:

**Igor V. zabolotny (Chairman)**

Year of birth: **1967**

Education: **higher**

Positions for last 5 years:

Period: **1997 - 1999**

Organization: **Directorate General of OJSC Rostelecom**

Position: **expert, chief executive – Head of International Telephone Communication services and tariffs' Arrangement and Planning**

Period: **1999 - 2002**

Organization: **OJSC Svyazinvest**

Position: **Chief Executive – Director of Marketing and Service Sales Department**

Period: **2000 - 2002**

Organization: **OJSC Electrosvyaz of Kalmyk republic**

Position: **Chairman of the Board of Directors**

Period: **2000 - 2002**

Organization: **OJSC Sakhalinsvyaz**

Position: **chairman of the Board of Directors**

Period: **2000 - 2001**

Organization: **OJSC Electrosvyaz of Primorsky region (OJSC FETEC since November 05, 2001)**

Position: **Chairman of the Board of Directors**

Period: **2001 - 2002**  
Organization: ***OJSC Electrosvyaz of Tver region***  
Position: ***member of the Board of Directors***

Period: **2001 – till present**  
Organization: ***OJSC FETEC (OJSC FETEC since November 05, 2001)***  
Position: ***member of the Board of Directors***

Period: **2002 - 2003**  
Organization: ***OJSC Giprosvyaz***  
Position: ***member of the Board of Directors***

Period: **2002 - 2003**  
Organization: ***PJSC MobyTel***  
Position: ***member of the Board of Directors***

Period: **2002 - 2003**  
Organization: ***OJSC VolgaTelecom***  
Position: ***member of the Board of Directors***

Period: **2002 - 2002**  
Organization: ***OJSC Electrosvyaz of Tver region***  
Position: ***Chairman of the Board of Directors***

Period: **2002 – 2002**  
Organization: ***OJSC Electrosvyaz of Khabarovsk region***  
Position: ***member Of the Board of Directors***

Period: **2002 till present**  
Organization: ***OJSC FETEC***  
Position: ***Director General, chairman of the Board***

Period: **2003 till present**  
Organization: ***PJSC Primtelefon***  
Position: ***Member of the Board of Directors***

Period: **2003 till present**  
Organization: ***PJSC Amur Cellular Telephone***  
Position: ***Member of the Board of Directors***

Period: **2003 till present**  
Organization: ***PJSC Teleross-Vladivostok***  
Position: ***Member of the Board of Directors***

Period: **2003 till present**  
Organization: ***PJSC Rostelegraf***  
Position: ***Member of the Board of Directors***

Share in the Issuer's authorized capital: ***no share***

Share of the Issuer's ordinary shares: ***no share***

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***

Shares in the Issuer's subsidiaries: ***no shares***

Ordinary shares in the Issuer's subsidiaries: ***no shares***

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: ***no kinship***



***Vyacheslav A. Bobkov***

Year of birth: ***1950***

Education: ***higher***

Positions for last 5 years:

Period: ***1996 - 2000***

Organization: ***OJSC Electrosvyaz (OJSC FETEC since November 05, 2001)***

Position: ***Head Vladimiro-Aleksandrovsk branch***

Period: ***2000 - 2002***

Organization: ***OJSC Electrosvyaz of Primorsky region***

Position: ***Deputy Director***

Period: ***2001 - 2002***

Organization: ***OJSC Sakhalinsvyaz***

Position: ***member of the Board of Directors***

Period: ***2001 - 2002***

Organization: ***OJSC Electrosvyaz (OJSC FETEC since November 05, 2001)***

Position: ***member of the Board of Directors***

Period: ***2002 till present***

Organization: ***OJSC FETEC***

Position: ***Executive Officer***

Period: ***2003 till present***

Organization: ***OJSC FETEC***

Position: ***member of the Board***

Period: ***2003 till present***

Organization: ***PJSC TeleRoss Vladivostok***

Position: ***member of the Board of Directors***

Share in the Issuer's authorized capital: ***0,0147 %***

Share of the Issuer's ordinary shares: ***0,01257 %***

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***

Shares in the Issuer's subsidiaries: ***no shares***

Ordinary shares in the Issuer's subsidiaries: ***no shares***

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: ***no kinship***

***Konstantin G. Voloshin***

Year of birth: ***1974***

Education: ***higher***

Positions for last 5 years:

Period: ***1997 - 1998***

Organization: ***OJSC Electrosvyaz of Primorsky region***

Position: ***Head of Analysis Group of Marketing Department***

Period: ***1998 - 2001***

Organization: ***OJSC Electrosvyaz of Primorsky region***

Position: ***Head of Analysis Group of Economic and Financial Department***

Period: ***2001 - 2001***

Organization: *OJSC Electrosvyaz of Primorsky region*  
Position: *Head of Budget and Financial Department*

Period: *2001 till present*

Organization: *OJSC FETEC*

Position: *Deputy Director General of Economic and Financial Affairs*

Period: *2002 till present*

Organization: *OJSC FETEC*

Position: *member of the Board*

Share in the Issuer's authorized capital: *no share*

Share of the Issuer's ordinary shares: *no share*

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: *no*

Shares in the Issuer's subsidiaries: *no shares*

Ordinary shares in the Issuer's subsidiaries: *no shares*

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: *no*

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: *no kinship*

*Alla A. Ganeeva*

Year of birth: *1951*

Education: *higher*

Positions for last 5 years:

Period: *1998 - 1999*

Organization: *OJSC Svyazinvest*

Position: *Chief Specialist of Operation Department of Telecommunication Service*

Period: *1999 - 2000*

Organization: *OJSC Svyazinvest*

Position: *Chief Specialist of Operation Division of Telecommunication Department*

Period: *2000 till present*

Organization: *OJSC Svyazinvest*

Position: *Division Head of Telecommunication Department*

Period: *1998 - 1999*

Organization: *OJSC Electrosvyaz of Moscow region*

Position: *Chairman of the Board of Directors*

Period: *1999 - 2000*

Organization: *OJSC Electrosvyaz of Moscow region*

Position: *member Of the Board of Directors*

Period: *1998 - 2000*

Organization: *OJSC MGTS*

Position: *member Of the Board of Directors*

Period: *1998 - 2000*

Organization: *OJSC Moscow Long-Distance and International Telephone*

Position: *member Of the Board of Directors*

Period: *1998 - 2002*

Organization: *OJSC Electrosvyaz of Kaliningrad region*

Position: *Chairman of the Board of Directors*

Period: *1999 – 2002*

Organization: *OJSC Svyazinform of Mordovia republic*  
Position: *chairman of the Board of Directors*

Period: *2003 till present*  
Organization: *OJSC FETEC*  
Position: *member of the Board*

Share in the Issuer's authorized capital: *no share*  
Share of the Issuer's ordinary shares: *no share*  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: *no*  
Shares in the Issuer's subsidiaries: *no shares*  
Ordinary shares in the Issuer's subsidiaries: *no shares*  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: *no*  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: *no kinship*

*Vitaly I. Dobrovolsky*  
Year of birth: *1948*  
Education: *higher*

Positions for last 5 years:

Period: *1972-2000*  
Organization: *Service in USSR KGB – RF Federal Security Committee*  
Position: *service man*

Period: *2000-2003*  
Organization: *Primorsky region Federal Security Committee Department*  
Position: *Deputy Head of Primorsky region Federal Security Committee*

Period: *2003 – till present*  
Organization: *OJSC FETEC*  
Position: *Deputy Director General on Security and Secrecy Mode, member of the Board*

Share in the Issuer's authorized capital: *no share*  
Share of the Issuer's ordinary shares: *no share*  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: *no*  
Shares in the Issuer's subsidiaries: *no shares*  
Ordinary shares in the Issuer's subsidiaries: *no shares*  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: *no*  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: *no kinship*

*Alexandre V. Zheludkov*  
Year of birth: *1958*  
Education: *higher*

Positions for last 5 years:

Period: *1997 - 2000*  
Organization: *PJSC Unified Registrar, Primorsky branch*  
Position: *Branch Manager*

Period: *2000 - 2000*  
Organization: *OJSC Electrosvyaz of Primorsky region*  
Position: *Head of Securities and Investments Department*

Period: **2000 till present**  
Organization: ***OJSC Electrosvyaz of Primorsky region (OJSC FETEC since November 05, 2001)***  
Position: ***Deputy Director General***

Period: **2000 till present**  
Organization: ***OJSC Electrosvyaz of Primorsky region (OJSC FETEC since November 05, 2001)***  
Position: ***member of the Board***

Period: **2003 till present**  
Organization: ***PJSC TeleRoss Vladivostok***  
Position: ***member of the Board of Directors***

Period: **2003 till present**  
Organization: ***PJSC Cellular Communication of Birobidzhan***  
Position: ***member of the Board of Directors***

Period: **2003 till present**  
Organization: ***PJSC Primtelefon***  
Position: ***member of the Board of Directors***

Share in the Issuer's authorized capital: **0,000008 %**  
Share of the Issuer's ordinary shares: **0,000006 %**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

***Vladislav L. Ilchenko***  
Year of birth: **1972**  
Education: ***higher***

Positions for last 5 years:  
Period: **1996 – 1999**  
Organization: ***PJSC TeleRoss-Vladivostok-Vladivostok***  
Position: ***Commercial Director***

Period: **1999 – 2000**  
Organization: ***PJSC Primtelefon***  
Position: ***Commercial Director***

Period: **1999 – 2003**  
Organization: ***Equant (Global One)***  
Position: ***Head of Pacific representative office***

Period: **2003 – till present**  
Organization: ***OJSC FETEC***  
Position: ***Deputy Director General on Business Development, member of the Board***

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

***Oleg V. Mamontov***

Year of birth: **1963**

Education: **higher**

Positions for last 5 years:

Period: **1997 - 2002**

Organization: **OJSC FETEC**

Position: **Head of Telecommunication Department**

Period: **2002 till present**

Organization: **OJSC FETEC**

Position: **Deputy Director General on Technical Affairs**

Period: **2003 till present**

Organization: **OJSC FETEC**

Position: **member of the Board**

Period: **2003 till present**

Organization: **PJSC Khabarovsk Cellular Telephone**

Position: **member of the Board of Directors**

Period: **2003 till present**

Organization: **PJSC DVSS-900**

Position: **member of the Board of Directors**

Period: **2003 - 2003**

Organization: **PJSC Primtelefon**

Position: **member of the Board of Directors**

Share in the Issuer's authorized capital: **0,00696 %**

Share of the Issuer's ordinary shares: **0,00837 %**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

***Natalia P. Utina***

Year of birth: **1961**

Education: **higher**

Positions for last 5 years:

Period: **1998 - 1999**

Organization: **OJSC Svyazinvest**

Position: **key specialist of Investments Management Service**

Period: **1998 - 2000**

Organization: **OJSC Murmancelectrosvyaz**

Position: **member of the Board of Directors**

Period: **1998 - 2000**

Organization: *OJSC Electrosvyaz of Orenburg region*  
Position: *member Of the Board of Directors*

Period: *2000 - 2002*

Organization: *OJSC Electrosvyaz of Orenburg region*  
Position: *Chairman Of the Board of Directors*

Period: *2001 - 2002*

Organization: *OJSC Electrosvyaz of Kurgan region*  
Position: *member Of the Board of Directors*

Period: *1999 - 2001*

Organization: *OJSC Svyazinvest*  
Position: *Chief Specialist of Investment Modeling Division of Capital Investments Management Department*

Period: *2001 - 2003*

Organization: *OJSC Svyazinvest*  
Position: *Deputy Head of Capital Investments Division of Capital Investments Management Department*

Period: *2003 till present*

Organization: *OJSC Svyazinvest*  
Position: *Head of Investment Projects Economy Division of Economic Planning and Budgeting Department*

Period: *2003 till present*

Organization: *OJSC FETEC*  
Position: *member of the Board*

Share in the Issuer's authorized capital: *no share*

Share of the Issuer's ordinary shares: *no share*

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: *no*

Shares in the Issuer's subsidiaries: *no shares*

Ordinary shares in the Issuer's subsidiaries: *no shares*

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: *no*

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: *no kinship*

*Andrey D. Kartashov*

Year of birth: *1974*

Education: *higher*

Positions for last 5 years:

Period: *1997 - 1999*

Organization: *State Tax Inspection of Vladivostok city*  
Position: *Deputy Head of Documentation Inspections Division*

Period: *1999 - 2000*

Organization: *OJSC Electrosvyaz of Primorsky region*  
Position: *Deputy Chief Accountant of Long-Distance Telephone Exchange*

Period: *2000 - 2002*

Organization: *OJSC FETEC*  
Position: *Head of Taxation and Accounting Methods Department*

Period: *2002 till present*

Organization: *OJSC FETEC*

Position: *member of the Board*

Period: *2002 till present*

Organization: *OJSC FETEC*

Position: *Chief Accountant*

Share in the Issuer's authorized capital: *no share*

Share of the Issuer's ordinary shares: *no share*

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the

Issuer's option rights: *no*

Shares in the Issuer's subsidiaries: *no shares*

Ordinary shares in the Issuer's subsidiaries: *no shares*

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the

Issuer's subsidiary option rights: *no*

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's

financial and business operation control: *no kinship*

The person acting as Issuer's sole executive body:

*Igor V. Zabolotny*

Year of birth: *1967*

Education: *higher*

Positions for last 5 years:

Period: *1997 - 1999*

Organization: *Directorate General of OJSC Rostelecom*

Position: *expert, Chief Executive, Head of Long-Distance telephone Communication Services and Tariffs Arrangement and Planning Department*

Period: *1999 - 2002*

Organization: *OJSC Svyazinvest*

Position: *Chief Executive, Director of Marketing and Service Sales Department*

Period: *2000 - 2002*

Organization: *OJSC Electrosvyaz of Kalmyk republic*

Position: *Chairman of the Board of Directors*

Period: *2000 - 2002*

Organization: *OJSC Sakhalinsvyaz*

Position: *Chairman of the Board of Directors*

Period: *2000 - 2001*

Organization: *OJSC Electrosvyaz of Primorsky region (OJSC FETEC since November 05, 2001)*

Position: *Chairman of the Board of Directors*

Period: *2001 - 2002*

Organization: *OJSC Electrosvyaz of Tver region*

Position: *member of the Board of Directors*

Period: *2001 till present*

Organization: *OJSC FETEC*

Position: *member of the Board of Directors*

Period: *2002 - 2003*

Organization: *OJSC Giprosvyaz*

Position: *member of the Board of Directors*

Period: *2002 - 2003*

Organization: *PJSC MovyTel*

Position: *member of the Board of Directors*

Period: **2002 - 2003**  
Organization: **OJSC VolgaTelecom**  
Position: **member of the Board of Directors**

Period: **2002 - 2002**  
Organization: **OJSC Electrosvyaz of Tver region**  
Position: **chairman of the Board of Directors**

Period: **2002 – 2002**  
Organization: **OJSC Electrosvyaz of Khabarovsk region**  
Position: **member Of the Board of Directors**

Period: **2002 till present**  
Organization: **OJSC FETEC**  
Position: **Director General, Chairman of the Board**

Period: **2003 till present**  
Organization: **PJSC Primtelefon**  
Position: **Member of the Board of Directors**

Period: **2003 till present**  
Organization: **PJSC Amur Cellular Telephone**  
Position: **Member of the Board of Directors**

Period: **2003 till present**  
Organization: **PJSC Teleross-Vladivostok**  
Position: **Member of the Board of Directors**

Period: **2003 till present**  
Organization: **PJSC Rostelegraf**  
Position: **Member of the Board of Directors**

Share in the Issuer's authorized capital: **no share**

Share of the Issuer's ordinary shares: **no share**

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**

Shares in the Issuer's subsidiaries: **no shares**

Ordinary shares in the Issuer's subsidiaries: **no shares**

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

### **5.3. Information of remuneration, benefits and/or recovery of expenditures on each Issuer's control body**

**For 2002.:**

	Board of Directors	Board
All remuneration types, thousand rubles including:	2 286	18 591
Remuneration, thousand rubles	1 142	929
Pay, thousand rubles	1 088	14 846
Bonuses, thousand rubles	30	2504
Commission, thousand rubles	0	0
Benefits and/or recovery of expenditures, thousand rubles	26	52
Other material provisions, thousand rubles	0	260

Information of current agreements regarding such payments within the present financial year:

- **In accordance with Provision of the Company's Board of Directors the following procedure of determining remuneration of members Of the Board of Directors shall be set:**



**Remuneration of the Board of Directors shall consist of quarterly and annual.**

**Quarterly remuneration of each member of the Board of Directors shall be established as interest from the Company proceeds from sales of goods, products, works, services for accounting quarter according to data of the Company accounting.**

**The remuneration of the Board of Directors Chairman shall be established with 1,3 coefficient**

**The Board of Directors' member remuneration shall be reduced by**

- 30% - if present at less than half of the board of Directors meetings in form of joint presence;
- 100% - if participated in less than a half of all Board of Directors meetings.

**Remuneration to the board of directors' member shall be paid for a quarter where reelection of the board of Directors took place in proportion to specified period.**

**Annual remuneration of all Board of Directors' members shall be paid in amount of 0,4% of Company net profit for the accounting period according to the Company accounting data.**

**The Board of Directors shall determine amount of the annual remuneration by its decision simultaneously with preliminary approval of the Company annual report.**

**The General Meeting of Shareholders electing this membership of the Board of Directors shall by its resolution deduction standards (percentage) to calculate quarterly and annual remuneration.**

- In accordance with Provision of the Company's Board the following procedure of determining remuneration of the Board members shall be set:

**Remuneration shall be set as interest from Company net profit for accounting quarter subject to Company accounting and shall be paid quarterly.**

**The Company Board of Directors by its decision under proposal of the Board chairman shall determine size of remuneration and distribute it among Board members.**

**The board of Directors shall determine deduction interest to calculate remuneration.**

**For 2003:**

	Board of Directors	Board
All remuneration types, thousand rubles including:	12 602	26 882
Remuneration, thousand rubles	7 065	5 613
Pay, thousand rubles	4 574	16 357
Bonuses, thousand rubles	630	4 912
Commission, thousand rubles	0	0
Benefits and/or recovery of expenditures, thousand rubles	333	0
Other material provisions, thousand rubles	0	0

**As of the date of the present quarterly report approval results of issuer's activity for 2003 have not been summed up yet. This results in preliminary figures of remunerations for this period as remuneration on the results of Company's activity has not been calculated yet (on proceeds and profit).**

#### **5.4. Information of structure and competence of bodies in charge of control over Issuer's financial and economic activity**

**Auditing Committee, a special organization department in charge of internal control and independent auditor shall control Company's financial and business operation.**

**Auditing Committee shall be Company's independent control body elected by general meeting of shareholders for the period till the next annual general meeting of shareholders five in number.**

**Capacities of individual members or of all membership of Auditing Committee may be terminated head of schedule by resolution of general meeting of shareholders.**

**In case of early termination of Auditing Committee membership capacities the new membership of the Auditing Committee shall act till the nearest annual general meeting of shareholders.**

*If the number of Auditing Committee's members gets less than a half of Auditing Committee's members elected Board of Directors shall convene an extraordinary general meeting of shareholders to elect the new membership of the Auditing Committee. The rest Auditing Committee's members shall perform their functions till election of the new membership of the Auditing Committee by extraordinary general meeting of shareholders.*

*Auditing Committee's competence shall cover:*

- *Checking validity of data contained in reports and other Company's financial documents;*
- *detecting facts of violation of order of book-keeping and financial accounting set by Russian Federation legal acts;*
- *checking conformity with legal acts when calculating and paying taxes;*
- *detecting facts of violation of Russian Federation legal acts regulating Company's financial and business operation;*
- *estimating economic expediency of Company's financial and business operations.*

*Company's Auditing Committee shall audit (revise) its financial and business operation according to the results of its annual activity.*

*Company's financial and business operation shall be audited (revised) at any time:*

- *Initiated by the Auditing Committee itself;*
- *On the basis of Company's general meeting resolution;*
- *On the basis of Board of Directors' resolution;*
- *Upon demand of its shareholder (shareholders) holding in aggregate at least 10 per cent of Company's voting shares concerning all issues of general meeting of shareholders competence as of the date of demand made.*

*Persons holding offices in company's management shall submit documents concerning Company's financial and business operation upon Auditing Committee's demand.*

*Provision of Auditing Committee approved by the general meeting of shareholders shall determine order of Auditing Committee's operation as well as amount and order of its members' remuneration.*

*Special organization department independent from Company's executive bodies and directly subordinate to the Board of Directors shall secure constant internal control and order of all business operations.*

*An internal document approved by Company's Board of Directors shall determine functions of the said organization department, order of its operation, order of employees' appointment and requirements to them.*

Information on system of internal control over Issuer's financial and economic activity:

*Internal Audit Department is a special structural division independent from Company's executive bodies directly subordinate to the Board of Directors. It is formed to provide constant internal control over procedure of performance of all Company's economic transactions. Internal Audit Department has functioned since September 04, 2003. Provision of Internal Audit Department, an internal document approved by the Board of Directors shall stipulate functions of the above-mentioned structural division, its business procedure, procedure of employees' appointment and requirements to them. Company's Director General in agreement with the Board of Directors shall approve structure and staff list of Internal Audit Department. Head of Internal Audit Department is in charge of Internal Audit Department. Head of Internal Audit Department shall be appointed and removed from his job by the Company's Director General in agreement with the Company's Board of Directors. Internal Audit Department includes control division and methodology and risks division. Control department is headed by Deputy Head of Internal Audit Department. Methodology and risks division is headed by division head. Control division and methodology and risks division operate on the basis of Provision of Internal Audit Department and Provisions of divisions approved by Director General. The following staff positions shall be distinguished in structure of Internal Audit Department:*

- *Department Head;*
- *Deputy Department Head;*
- *Division Head;*
- *Head of check groups if groups are available at branches);*
- *Chief specialist;*
- *Key specialist.*

Period of Internal Audit service:

*Internal Audit Department has operated since September 04, 2003.*

Key employees of Internal Audit Department:

*It is impossible to distinguish key employees of Internal Audit Department as operation of Internal Audit service depends on professional work of each employee and coherent functioning of the service as a whole.*

Basic functions of Internal Audit Department:

*Internal Audit Department shall perform functions as follows:*

*Periodic control over correspondence of financial and economic operations to Company's interests.*

*-Independent evaluation and analysis of Company's financial condition as a whole, of its branches and structural divisions as well as efficiency of assets use.*

*-Periodic control over observance by the Company of requirements of legislative and other normative acts (including local normative acts) regulating Company's activity as well as resolutions of General Meeting of Shareholders, the Board of Directors, single and collective executive bodies.*

*-Check of efficiency of internal control system over transactions with interest.*

*-evaluation of reliability of accounting and operation information of the Company, its branches and structural divisions.*

*-Evaluation of risks related to corporate management and economic activity of the Company*

*-Identification of fraud signs in course of auditing.*

*-Consultations of Company's Directorate General structural divisions on issues of financial and tax legislation.*

*-Interaction with external auditors, representatives of tax and other controlling authorities.*

*-Methodical provision of Internal Audit Department, development of auditing procedure and methods.*

*-Analysis of professional level of Internal Audit Department employees and participation in planning and taking measures of their professional development.*

Accountability of Internal Audit Department, interaction with Issuer's executive control bodies and Issuer's Board of Directors:

*Internal Audit Department shall be functionally subordinate to the Board of Directors and administratively subordinate to the Director General where functional subordination shall mean subordinate within functions imposed on Internal Audit Department and administrative subordination shall mean subordination within labor legislation.*

Interaction of Internal Audit service and Issuer's external audit:

*Internal Audit Department shall interact with Company's external auditors on all issues within service competence in accordance with functions imposed by Provision of Internal Audit Department.*

*Norms limiting usage of official (inside) information in the Company shall be included in job descriptions of employees and provisions of Company's divisions and departments.*

## **5.5. Information on members of bodies in charge of Issuer's financial and economic activity**

Auditing Board shall include:

### **1) Konstantin V. Belyaev**

Year of birth: **1968**

Education: **higher**

Positions for last 5 years:

Period: **1996 -2001**

Organization: **OJSC Artelecom of Arkhangelsk region**

Position: **Chief Accountant**

Period: **2001 – till present**

Organization: **OJSC Svyazinvest**

Position: **Chief Accountant**

Period: **2002**

Organization: **OJSC Artelecom**

Position: **member of the Board of Directors**

Period: **2002**

Organization: **OJSC Yartelecom**

Position: **member Of the Board of Directors**

Period: **2003**  
Organization: **JSB Svyaz-Bank**  
Position: **member of the Board of Directors**

Period: **2003 - till present**  
Organization: **OJSC FETEC**  
Position: **member of Auditing Board**

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

## **2) Sergey I. Alekhin**

Year of birth: **1977**  
Education: **higher**

Positions for last 5 years:  
Period: **1997-1998**  
Organization: **Kraft Co., Ltd.**  
Position: **Deputy Chief Accountant**

Period: **1998 -1999**  
Organization: **Kraft Co., Ltd.**  
Position: **Chief Accountant**

Period: **1999 - 2000**  
Organization: **Close-ended Joint Stock Company Research-and-Production Company Energoresurs**  
Position: **Chief Accountant**

Period: **2000 - 2000**  
Organization: **Avista-C Co., Ltd.**  
Position: **chief accountant**

Period: **2000 - 2000**  
Organization: **PJSC Editorial office of Glavbukh magazine**  
Position: **expert editor**

Period: **2000 - 2001**  
Organization: **OJSC Svyazinvest**  
Position: **Chief Specialist of Internal Audit and Economic Analysis Department**

Period: **2001 - 2003**  
Organization: **OJSC Svyazinvest**  
Position: **Chief Specialist of Internal Audit Division of Internal Audit and Economic Analysis Department**

Period: **2003 till present**  
Organization: **OJSC Svyazinvest**  
Position: **Chief Specialist of Subsidiaries' Internal Audit Division of Internal Audit Department**

Period: **2003- till present**  
Organization: **OJSC FETEC**  
Position: **member of Auditing Board**

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**3) Elena N. Kukudzhanova**

Year of birth: **1972**

Education: **higher**

Position for last 5 years:

Period: **1999 – 2000**

Organization: **Odex Co., Ltd.**

Position: **Accountant**

Period: **2000 – 2000**

Organization: **PJSC Soyuzsnab**

Position: **Accountant**

Period: **2000 – 2002**

Organization: **Company – RIL Co., Ltd.**

Position: **Accountant**

Period: **2002 – 2003**

Organization: **OJSC Svyazinvest**

Position: **Chief Specialist of Internal Audit Division of Internal Audit and Economic Analysis Department**

Period: **2003 till present**

Organization: **OJSC Svyazinvest**

Position: **Chief Specialist of Subsidiaries' Internal Audit Division of Internal Audit Department**

Period: **2003 z.till present**

Organization: **OJSC FETEC**

Position: **member of Auditing Board**

Share in the Issuer's authorized capital: **no share**  
Share of the Issuer's ordinary shares: **no share**  
Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: **no**  
Shares in the Issuer's subsidiaries: **no shares**  
Ordinary shares in the Issuer's subsidiaries: **no shares**  
Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: **no**  
Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: **no kinship**

**4) Elena A. Durnova**

Year of birth: **1977**

Education: **higher**

Position for last 5 years:

Period: **1999 - 2000**

Organization: **OJSC Svyazinvest**

Position: **1<sup>st</sup> category specialist of Corporate Financing Department**

Period: **2000 – 2002**  
Organization: ***OJSC Svyazinvest***  
Position: ***Key Specialist of Corporate Financing Department***

Period: **2002**  
Organization: ***OJSC Voronezhsvyazinform***  
Position: ***member Of the Board of Directors***

Period: **2002 – 2003**  
Organization: ***OJSC Svyazinvest***  
Position: ***Chief Specialist of Financial Division of Corporate Financing and Direct Investments Department***

Period: **2003 – till present**  
Organization: ***OJSC Svyazinvest***  
Position: ***Chief Specialist of Corporate Finance Division of Financial Department***

Period: **2003 - till present**  
Organization: ***OJSC FETEC***  
Position: ***member of Auditing Board***

Share in the Issuer's authorized capital: ***no share***

Share of the Issuer's ordinary shares: ***no share***

Number of the Issuer's each class (type) of shares that may be acquired as a result of execution of the Issuer's option rights: ***no***

Shares in the Issuer's subsidiaries: ***no shares***

Ordinary shares in the Issuer's subsidiaries: ***no shares***

Number of each class (type) of the Issuer's subsidiary that may be acquired as a result of execution of the Issuer's subsidiary option rights: ***no***

Nature of kinship with other members of the Issuer's management bodies and/or bodies of Issuer's financial and business operation control: ***no kinship***

## **5.6. Information of remuneration, benefits and/or recovery of expenditures of body in charge of control over Issuer's financial and economic activity**

On Auditing Board:

	2002	Agreements for 2003
All remuneration types, thousand rubles including:	568	1518
Remuneration, thousand rubles	118	1518
Pay, thousand rubles	432	0
Bonuses, thousand rubles	18	0
Commission, thousand rubles	0	0
Benefits and/or recovery of expenditures, thousand rubles	0	0
Other material provisions, thousand rubles	0	0

***In accordance with Provision of Auditing Board of OJSC FETEC approved by minutes No. 8 dated June 29, 2003 a member of Auditing Board shall be remunerated at rate of 50% of remuneration stipulated for member of the Board of Directors (quarterly one and in accordance with Company's annual results). As of the date of present quarterly report approval results of issuer's activity for 2003 have not been summed up yet. This results in preliminary figures of remunerations for this period as remuneration on the results of Company's activity has not been calculated yet (on proceeds and profit).***

## **5.7. Data of number and generalized data of officers (employees') education and staff as well as change of Issuer's staff number**

There is no available information in the report for the fourth quarter

**5.8. Information of any Issuer's obligations to officers (employees) regarding opportunity of their participation in Issuer's authorized capital (share fund)**

*Issuer's agreements and obligations regarding opportunity of Issuer's staff participation in its authorized capital are not available.*

*Issuer's options to its staff were not given. The issuer approved and registered no options.*

## **VI. Information about issuer's shareholders and transactions made by the Issuer with interest**

### **6.1. Information about total number of Issuer's shareholders**

Total number of persons registered in the Shareholders' Register as of date of accounting period expiry is **12 677**.

Including total number of nominal shareholders **18**.

### **6.2. Information about issuer's shareholders holding at least 5 per cent of ordinary shares as well as information about shareholders of such persons holding at least 20% of the authorized (shared) capital or at least 20% of ordinary shares.**

*Foreign incorporated persons specified in this clause are not registered in tax authorities of Russian Federation thus information about their TIN is not available, according to Provision about peculiarities of registering foreign organizations in tax authorities approved by Order of RF Tax Ministry dated April 7, 2000 No., АП-3-06/124 and Instruction of RF State tax Service dated June 16, 1995 (with further amendments) No., 34 "About taxation of profit and income of foreign incorporated persons", registration in RF tax authorities is not required in such case.*

6.2.1. Full name: ***Open Joint Stock Company Investment Communication Company***

Abbreviated name: ***ОАО «Связьинвест»***

TIN: ***7710158355***

Location: ***building 2, 55 Pluschikha St., Moscow, 119121***

Share in the issuer's authorized capital: ***38.13 %***

Share of ordinary shares: ***50,56%***

Shareholders holding at least 20% of the authorized capital of Issuer's shareholder or at least 20% of ordinary shares

6.2.1.1. Full name: ***RF Ministry of Property Relations***

Abbreviated name: ***RF Minimuschestvo***

TIN: ***7710144747***

Location: ***9 Nikolsky Per., Moscow, 103685***

Share in the authorized capital of Issuer's shareholder: ***50 % + 1share***

Share of ordinary shares of issuer's shareholder held by this person: ***50% + 1 share***

Share in the issuer's authorized capital: ***0%***

Share of ordinary shares of the issuer held by such person: ***0%***

6.2.1.2. Full name: ***MUSTCOM LIMITED***

Abbreviated name: ***Mustcom Ltd***

TIN: ***n/a***

Location: ***3 Themistoklis Dervis street Julyia House CY-1066 Nicosia Cipus***

Share in the authorized capital of Issuer's shareholder: ***25 % + 1 share***

Share of ordinary shares of issuer's shareholder held by this person: ***25% + 1 акция***

Share in the issuer's authorized capital: ***0%***

Share of ordinary shares of the issuer held by such person: ***0%***

6.2.1.3. Full name: ***Russian Fund of Federal Property***

Abbreviated name: ***RFFP***

TIN: ***7704097841***

Location: ***9 leninsky pr., Moscow, 119049***

Share in the authorized capital of Issuer's shareholder: ***25% - 2shares***

Share of ordinary shares of issuer's shareholder held by this person: ***25% - 2 shares***

Share in the issuer's authorized capital: ***0%***

Share of ordinary shares of the issuer held by such person: ***0%***

6.2.2. Full name: ***Private Joint Stock Company Depository and Clearing Company***

Abbreviated name: ***PJSC DCC***

TIN: ***7710021150***

Location: ***13 Tverskaya-Yamskaya St., Moscow 125047***

Share in the issuer's authorized capital: ***20,32 % (nominal holder)***



Share of ordinary shares: **16,68% (nominal holder)**

Shareholders holding at least 20% of the authorized capital of Issuer's shareholder or at least 20% of ordinary shares: **not available.**

6.2.3. Full name: **ING Bank (Eurasia) PJSC (Private Joint Stock Company)**

Abbreviated name: **ING Bank (Eurasia) PJSC**

TIN: **7712014310**

Location: **31 Krasnaya Presnya St., Moscow, 123022**

Share in the issuer's authorized capital: **6,38 % (nominal holder)**

Share of ordinary shares: **7,27% (nominal holder)**

Shareholders holding at least 20% of the authorized capital of Issuer's shareholder or at least 20% of ordinary shares: **not available.**

6.2.4. Full name: **private Joint Stock Company Branswick UBS Nominees**

Abbreviated name: **PJSC Branswick UBS Nominees**

TIN: **7711080038**

Location: **4, 52 Kosmodamianskaya Nab., Moscoe 115054**

Share in the issuer's authorized capital: **11,79 % (nominal holder)**

Share of ordinary shares: **8,65% (nominal holder)**

Shareholders holding at least 20% of the authorized capital of Issuer's shareholder or at least 20% of ordinary shares: **n/a.**

### **6.3. Information about State or Municipal Institution share in the Issuer's authorized capital, about special right (golden share)**

Share in the issuer's authorized capital owned by RF entities– **1,23274%**

Name of shareholding manager: **Ministry of property relations of Khabarovsk region**

Location of shareholding manager: **76 Zaparina St., Khabarovsk 680000**

Name of a person performing shareholder's functions on behalf of the RF entity: **Ministry of Property Relations of Khabarovsk region**

Location of the specified person: **76 zaparina St., Khabarovsk 680000**

**Special right for participation of the Russian federation, RF entities, municipal institutions in management of the issuer being Joint Stock Company (golden share) is not stipulated.**

### **6.4. Information about restrictions of share in the Issuer's authorized capital (shared fund)**

**The Issuer's Articles of Association do not state restrictions for a number of shares held by one shareholder and/or their aggregate nominal value, and/or maximum number of votes provided to one shareholder.**

**RF Laws and other statutes of RF do not state restriction for a share of foreign persons in the Issuer's authorized capital.**

**Other restrictions associated with share in the authorized capital are not available.**

### **6.5. Information about alterations of membership and size of shares of Issuer's shareholders holding at least 5 per cent of the authorized capital or at least 5 % of ordinary shares.**

#### **Period 1999**

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **30.04.1999**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,7	38
Most Invest Ltd	14,6	11
Media Most B.V.	14,6	11

**Period 2000**

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **28.04.2000**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,7	38
Private Joint Stock Company Swiss First Boston JSC, bank Swiss First Boston (nominal holder)	8,32	19,28
Most Invest Ltd	14,6	11
Media Most B.V.	14,6	11

**Period: 2001**

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **14.05.2001**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,7	38
Private Joint Stock Company Swiss First Boston JSC, bank Swiss First Boston (nominal holder)	8,38	17,57
Private Joint Stock Company Depository Clearing Company, PJSC DCC (nominal holder)	2,13	5,1
Most Invest Ltd	14,6	11
Media Most B.V.	14,6	11

**Period: 2002**

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **09.04.2002**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,7	38
Private Joint Stock Company Swiss First Boston JSC, bank Swiss First Boston (nominal holder)	7,21	17,03
Private Joint Stock Company Depository Clearing Company, PJSC DCC (nominal holder)	4,58	6,97
Most Invest Ltd	14,6	11
Media Most B.V.	14,6	11

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **25.10.2002**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,6	38,13
Private Joint Stock Company Depository Clearing Company, PJSC DCC (nominal holder)	9,7	12,81

ING Bank (Eurasia) PJSC (Private Joint Stock Company, ING Bank (Eurasia) (nominal holder)	6,11	9,19
Cable and Wireless Public Ltd.	5,9	5,7
Most Invest Ltd	5,1	3,9
Media Most B.V.	5,1	3,9

**Period: 2003**

Date of making a list of persons entitled to participate in the Issuer's General Meeting of Shareholders: **29.04.2003**

Full and abbreviated company name (name for Non-profit organization) of incorporated person or name, surname, patronymic of an individual	Share of ordinary shares, held by such shareholder, %	Share in the authorized capital owned by such shareholder, %
Open Joint Stock Company Investment Communication Company, OJSC Svyazinvest	50,7	38,13
Private Joint Stock Company Depository Clearing Company, PJSC DCC (nominal holder)	17,32	19,29
ING Bank (Eurasia) PJSC (Private Joint Stock Company, ING Bank (Eurasia) (nominal holder)	4,66	6,05
Cable and Wireless Public Ltd.	5,9	5,7
PJSC Branswick UBS Warburf Nominees, Branswick UBS (nominal holder)	2,27	5,12

**6.6. Information about transactions made by the issuer with interest**

Index	4 <sup>th</sup> quarter of 2003
Total amount of transactions with interest approved by each Issuer's management body under results of each complete fiscal year, thousand rubles	Amount of transactions approved by the Board of Directors: 2240,676
Total amount in terms of money of transactions with interest made by the Issuer per each year, thousand rubles	2240,676

*The Issuer has no transactions (groups of interrelated transactions) with interest for the accounting period where the board of Directors or general Meeting of shareholders failed to pass resolution when such approval was obligatory under RF laws.*

*The issuer has no transactions (groups of interrelated transactions) with value equal or exceeding 5 or more per cent of balance value of issuer's assets under accounting as of last accounting date prior to date of transaction made by the Issuer for the last accounting period.*

**6.7. Information about accounts receivable**

Such information is not specified in the 4<sup>th</sup> quarter report

## **VII. Issuer's accounting and another financial information**

### **7.1. Issuer's annual accounting**

Information is not to be specified in the 4<sup>th</sup> quarter report.

### **7.2. Quarterly accounting of the Issuer for the last completed accounting quarter**

Information is not to be specified in the 4<sup>th</sup> quarter report.

### **7.3. Consolidated accounting of the Issuer for three last completed fiscal years or for each completed fiscal year**

*a). consolidated accounting of the issuer made in accordance with RF law requirements for 2000, 2001, 2002 is not available*

*Organization obligation to make consolidated accounting is provided in clause 91 of RF Financial Ministry order No., 34н "About approval of Provision on accounting and reporting within RF" dated July 29, 1998.*

*In accordance with such order Company having subsidiaries and dependent companies shall along with its own accounting report make consolidated accounting including data of reports of such subsidiaries within RF and beyond its borders subject to procedure established by RF Ministry of Finance.*

*Meantime, procedure established by RF Ministry of Finance is not available. The only document referred to such accounting is the order of Ministry of Finance No., 112 dated December 30, 1996 "About procedural recommendations on making and submitting consolidated accounting". However this is not a normative act (under report of RF Ministry of Justice dated March 19, 1997 No., 07-02-285-97 such order of the RF Ministry of Finance does not require state registration) has procedural nature and besides this document does not establish procedure but determines general approaches to consolidated accounting. No explanations or instructions for this order application exist.*

*At the same time according to item 8 of the same Order the Group may fail to make consolidated accounting under rules provided by accounting statutes and procedural instruction of the RF Ministry of Finance if simultaneously the following conditions are met*

*- consolidated accounting is made on the basis of ISFA developed by Committee of International Standards of Financial Accounting;*

*- The group ensured accuracy of consolidated accounting made on the basis of ISFA;*

*- Explanatory note to accounting contains list of applied accounting requirements, discloses accounting methods including evaluation different from rules provided by accounting statutes and procedural instructions of the RF Ministry of Finance.*

*OJSC FETEC meets requirements as follows:*

*1) OJSC FETEC makes accounting under International Standards for Accounting including accounting of subsidiaries and dependent companies*

*2) The auditor of consolidated accounting for 2001, 2002 is ZAO Ernst and Young Vnesheaudit,*

*3) Explanatory note to accounting contains list of applied accounting requirements, discloses accounting methods including evaluation different from rules provided by accounting statutes and procedural instructions of the RF Ministry of Finance.*

*Consolidated accounting of the issuer made according to International Standards for Accounting for 2000 was not audited.*

*6). Consolidated accounting of the issuer made according to International Standards for Accounting for 2001, 2002 is specified in Attachment 1 and 2 to the present quarterly report.*

*Consolidated accounting of the issuer made according to International Standards for Accounting for 2000 (not audited) is specified in Attachment 1 to the present quarterly report.*

*Consolidated accounting of the issuer made according to International Standards for Accounting for 2002 (audited) is specified taking account of OJSC FETEC reorganization (see attachment 2).*

### **7.4. Information about total export amount as well as about export share in the total volume of sales**

*The Issuer does not export products, goods, works, and services.*

**7.5. Information about essential changes in the issuer's assets after date of last completed fiscal year expiry.**

*Changes in the issuer's assets with balance value exceeding 5% of the issuer's assets value after the date of last completed year expiry are not available. Other essential changes for the issuer taking place after the date of last completed year expiry are not available.*

**7.6. Information about Issuer's participation in trials, if such participation may essentially affect financial and economic activity of the issuer**

*The Issuer did not participate in trials that may essentially affect its economic and financial activity within 3 years prior to approval of such quarterly report.*

## VIII. Additional information of the Issuer and issued securities placed by it

### 8.1. Additional information of the Issuer

#### 8.1.1. Information of Issuer's authorized capital amount and structure

Amount of Issuer's authorized capital (rubles): **1 267 503 220**

Division of the authorized capital by share classes:

Ordinary registered non-documentary shares:

Total volume at par value (rubles): **955 814 210**

Share in the authorized capital: **75.409214 %**

Preferred registered non-documentary shares:

Total volume at par value (rubles): **311 689 010**

Share in the authorized capital: **24.590786 %**

***The Company implements the first level ADR program providing an opportunity of Company's shares circulation at USA OTC market with parameters as follows:***

Class (type) of shares circulating beyond Russian Federation: ***ordinary registered shares***

Number of shares circulating beyond Russian Federation of total number of this class (type) shares – in posse share: ***up to 70% of Company's total issued ordinary shares.***

Name and location of foreign issuer with securities certifying rights for Issuer's shares of relevant class (type): ***J.P. Morgan, New York, USA.***

Brief description of foreign issuer's securities' issue program (program type) certifying rights for relevant class (type) shares: ***OJSC FETEC jointly with J.P. Morgan implements program of the first level American Depositary Receipts' issue. J.P. Morgan is depositary bank serving ADR issue. One ADR certifies rights for 30 ordinary shares of OJSC FETEC. Any OJSC FETEC shareholder can sell held shares at American stock market. For that purpose it is required to transfer them to depositary bank that will issue ADR for them and sell to foreign investors. OJSC FETEC long-term plan includes reaching by American Depositary Receipts of the second level (allowing to ADR circulating not only at OTC market but at USA stock markets).***

Information of obtaining Federal Commission's license for Issuer's relevant class (type) shares' admission for circulation beyond Russian Federation (if applicable): ***Russian Federal Security Commission gave an order No. 703-p dated August 16, 2001 allowing to OJSC FETEC circulating ordinary registered non-documentary shares as depositary securities beyond Russian Federation. License of USA Security and Stock Market was obtained in September of 2001. Federal Security Commission also permitted circulation beyond Russian Federation of shares of additional issues placed by conversion of associated companies' shares to OJSC FETEC shares (decree No. 1041/p dated August 16, 2002).***

Name of foreign sales provider (sales providers) through which foreign issuer's securities certifying rights for issuer's shares circulate (if such circulation is available): ***ADR can be circulated only at USA OTC market.***

Other information: ***n/a***

#### 8.1.2. Information of Issuer's authorized capital (share stock) amount change

	1999	2000	2001	2002	2003
Authorized capital amount (as of the date of beginning of the said period), rubles	446933000	446933000	446933000	446933000	1267503220
Authorized capital structure (as of the beginning of the said period)	Ordinary shares – 33520025 pieces, preferred shares – 11173275 pieces	Ordinary shares – 33520025 pieces, preferred shares – 11173275 pieces	Ordinary shares – 33520025 pieces, preferred shares – 11173275 pieces	Ordinary shares – 33520025 pieces., preferred shares – 11173275 pieces	Ordinary shares – 95581421 pieces, preferred shares – 31168901 pieces
Name of Issuer's management body taking resolution of the authorized capital amount change, date and No. of Issuer's management body	-	-	-	Company Directors' resolution regarding authorized capital increase of OJSC Electrosvyaz of	-

meeting minute where the resolution of Issuer's authorized capital amount change was passed.				Primorsky region by placement of additional ordinary and preferred shares dated October 31, 2001 (Minute No. 10 dated October 31, 2001)	
Authorized capital amount upon change, rubles	446933000	446933000	446933000	1267503220* rubles (amendments to the Articles of Association were approved on December 24, 2002 by Extraordinary Joint General Meeting of Shareholders of OJSC FETEC (Minute No. 11 dated December 27, 2002) and registered on January 22, 2003)  (Ordinary shares – 95581421 pieces, preferred shares – 31168901 pieces)	1267503220

\* Upon passing by General Meeting of Shareholders of reorganization resolution dated June 29, 2001 (Minute No. 8 dated July 10, 2001) 1000 ordinary shares were bought out at shareholder's request. An entry of cancellation of shares bought out by the company was made in register of registered stock holders on September 26, 2001. Relevant amendments to the Articles of Association were approved by Extraordinary Joint General Meeting of Shareholders of OJSC Far East Telecommunications Company (Minute No. 11 dated December 27, 2002) on December 24, 2002 and registered on January 22, 2003.

### 8.1.3. Information on creation and use of reserve as well as Issuer's other funds

#### *Information of the reserve and Issuer's other funds created at the expense of net profit:*

*Thousand rubles*

Fund name	1999	2000	2001	2002	2003
<b>1. Reserve</b>					
Reserve amount set by constituent documents	15% of authorized capital amount	15% of authorized capital amount	15% of authorized capital amount	5% of authorized capital amount	-
As of the beginning of the year	10 402	12 178	31 947	31 947	-
Received	1 776	19 769	0	0	-
Used	0	0	0	0	-
As of the end of the year	12 178	31 947	31 947	31 947	-
As of the end of the year (in percentage of the authorized capital), %	2,72%	7.15%	7.15%	2.52%	-
<b>2. Consumption fund</b>					
Fund amount set by constituent documents	307	0	0	0	-
As of the beginning of the year	1 708	307	0	0	-
Received	20 957	0	0	0	-
Used	22 358	307	0	0	-
including:					
• welfare	2 606	-	-	-	-
• remunerations	6 039	-	-	-	-
• credit interest	1 846	-	-	-	-
• social sphere	1 917	-	-	-	-
• pension payments	9 950	307	-	-	-
• others	-	-	-	-	-
As of the end of the year	307	0	0	0	-
As of the end of the year (in percentage of the authorized capital), %	0,07%	0%	0%	0%	-

*Data for 2003 are not available as balance sheet for 2003 was not made-up.*

*At present except for the reserve no other funds formed at the expense of net profit are created. As of December 31, 2003 the reserve was formed at the rate of 63 375 thousand rubles i.e. 5% of the Issuer's authorized capital.*

#### **8.1.4. Information of procedure for convening and holding meeting (session) of Issuer's superior management body**

Name of Issuer's superior management body: *General Meeting of Company's Shareholders*

Procedure for shareholders' notification of holding Issuer's superior management body meeting:

*Notice of holding General Meeting of Shareholders shall be made at least 20 days prior to the date and notice of holding General Meeting of Shareholders where agenda contains issue of Company's reorganization shall be made at least 30 days prior to the date of the meeting.*

*If proposed agenda of Extraordinary General Meeting of Shareholders contains an issue of Company Board of Directors' election, the notice of holding Extraordinary General Meeting of Shareholders shall be made at least 50 days prior to the date of the meeting.*

*The notice of holding General Meeting of Shareholders shall be within the said period sent to every person indicated in list of persons entitled to participate in General Meeting of Shareholder by registered mail or delivered to each said person against signature or published in Rossiiskaya Gazeta.*

*The persons entitled to participate in General Meeting of Shareholders shall be provided in accordance with procedure and address(es) indicated in notice of General Meeting of Shareholders with information (materials) as follows:*

- *annual accounting including auditor's report, and report of Company's Auditing Board according to the results of auditing annual accounting,*
- *information of candidacies to the Company's Board of Directors and Auditing Board,*
- *draft of amendments and additions made to the Company's Articles of Association or draft of Company's Articles of Association in new edition,*
- *drafts of Company's internal documents,*
- *drafts of other documents approval of which is stipulated by drafts of General Meeting of Shareholders' resolutions,*
- *drafts of General Meetings of Shareholders' resolutions,*
- *other information (materials) required for presentation in accordance with current legislation,*
- *other information (materials) for passing resolutions on agenda issues of General Meeting of Shareholders included by the Board of Directors to the list of data (materials) presented to shareholders while preparing for holding General Meeting of Shareholders.*

*Individuals (bodies) entitled to convene (demand to hold) extraordinary Meeting (session) of Issuer's superior management body as well as procedure for sending (presenting) such demands: Extraordinary General meeting of Shareholders shall be held under resolution of the Company Board of Directors on the basis of its own initiative, request of Company Auditing Committee, Company Auditor as well as shareholders (shareholder) holding in aggregate at least 10 per cent of company voting shares as of date of making request. Extraordinary General Meeting of Shareholders under request of Company Auditing Committee, Company Auditor as well as shareholders (shareholder) holding in aggregate at least 10 per cent of company voting shares shall be convened by the Company Board of Directors.*

*Extraordinary General Meeting of Shareholders convened under request of Company auditing Committee, Company Auditor or shareholders (shareholder) holding at least 10 per cent of Company voting shares shall be held within 40 days after submission of request of holding extraordinary general Meeting of shareholders.*

*Extraordinary General Meeting of Shareholders convened under request of Company auditing Committee, Company Auditor or shareholders (shareholder) holding at least 10 per cent of Company voting shares with agenda involving election of the Company Board of Directors shall be held within 70 days after submission of request of holding extraordinary general Meeting of shareholders.*

*If number of members of the Company Board of directors is less than number constituting quorum for holding meeting of the Company Board of Directors extraordinary General Meeting of Shareholders convened under resolution of the Company Board of directors on the basis of its own initiative for resolving issue of electing Company Board of directors shall be held within 70 days after resolution of holding is taken by the Company Board of directors.*



***Upon preparation of extraordinary General Meeting of shareholders with agenda involving election of the Company Board of Directors shareholders (shareholder) holding in aggregate at least 2 per cent of Company voting shares shall have a right to nominate a candidate for the Company Board of directors number of which shall not exceed number of the Board of directors set by the present Articles of Association. Such nominations shall be submitted to the Company at least 30 days prior to date of extraordinary general Meeting of Shareholders.***

***Procedure for determining date of meeting (session) of Issuer's superior management body: Annual General Meeting of Shareholders shall be held within the period of at least four months but no later than six months upon completion of fiscal year.***

***Individuals entitled to make proposals to the agenda of meeting (session) of Issuer's superior management body: shareholders (shareholder) holding jointly at least 2 percent of Company's voting shares shall be entitled to place questions on the agenda of Annual General Meeting of Shareholders and nominate candidacies for Company's Board of Directors, Auditing Board whose number may not exceed number of relevant body set by Articles of Association. Such proposals shall be made within 60 days upon completion of fiscal year.***

***Individuals entitled to get familiar with information (materials) submitted for preparation and holding meeting (session) of Issuer's superior management body as well as procedure for familiarization with such information (materials)***

***Individuals entitled to get familiar with information (materials) submitted for preparation and holding General Meeting of Shareholders are as follows:***

- ***Company shareholders***
- ***nominal holders registered in register keeping system***
- ***members of management and control bodies over Company's activity***
- ***Company's auditor***
- ***providers of sales where Company's securities are placed and/or circulated***
- ***potential purchasers of Company's shares***
- ***other interested parties***

***Preparing general Meeting of Shareholders the Board of Directors shall determine form of the general Meeting of Shareholders;***

***date, place and time of holding General Meeting of Shareholders and mailing address for filled ballots or provided General Meeting of Shareholders to be held in form of absentee voting, the deadline for voting ballots and mailing address for filled ballots;***

***beginning of registration of persons participating in the general Meeting of Shareholders;***

***date of making list of persons entitled to participate in the general Meeting of Shareholders;***

***Agenda of the General Meeting of Shareholders;***

***Type (types) of preferred shares whose holders are entitled to vote on items of agenda of the General Meeting of Shareholders;***

***Procedure for notifying shareholders about General Meeting of Shareholders;***

***List of information (materials) to be submitted to shareholders while preparing General Meeting of Shareholders, submission procedure;***

***Form and text of the voting ballot.***

***Company shall provide shareholders participating in General Meeting with an opportunity to get acquainted with information covering Company's activity required for passing reasonable and weighted resolutions on the agenda of General Meeting. Shareholders may get familiar with information as follows:***

***At Company's location,***

***At Company's branches,***

***At Company's website located: [www.dsv.ru](http://www.dsv.ru)***

***Volume of information submitted to shareholders shall be determined by Articles of Association and Provision of procedure for holding General Meeting of Shareholders.***

**8.1.5. Information of profit organizations where the Issuer holds at least 5 percent of authorized capital (share stock) or at least 5 percent of ordinary shares**

1) Full name: ***Private Joint Stock Company Cellular Communication of Birobidzhan***

Abbreviated name: ***PJSC CCB***

Location: ***16, 60 let USSR prospect, Birobidzhan, 680000***

Issuer's share in the authorized capital of profit organization: ***60 %***

Share of profit organization ordinary shares held by the Issuer: ***60 %***

Profit organization share in the Issuer's authorized capital: ***no share***

Share of Issuer's ordinary shares held by profit organization: ***no share***

Board of Director's members of the given organization:

***Nikolay P. Veretennikov (chairman)***

year of birth: ***1951***

share of the given individual in the Issuer's authorized capital: ***0,3149 %***

share of Issuer's ordinary shares held by the given individual: ***0,4111 %***

***Alexandre V. Zheludkov***

year of birth: ***1958***

share of the given individual in the Issuer's authorized capital: ***0,000008 %***

share of Issuer's ordinary shares held by the given individual: ***0,000006 %***

***Valentina V. Golovkina***

year of birth: ***1958***

share of the given individual in the Issuer's authorized capital: ***no share***

share of Issuer's ordinary shares held by the given individual: ***no share***

***Georgy V. Sviridov***

year of birth: ***1970***

share of the given individual in the Issuer's authorized capital: ***no share***

share of Issuer's ordinary shares held by the given individual: ***no share***

***Alexandre M. Tukachinsky***

year of birth: ***1971***

share of the given individual in the Issuer's authorized capital: ***no share***

share of Issuer's ordinary shares held by the given individual: ***no share***

Individual acting as sole executive body:

***Nikolay P. Veretennikov***

year of birth: ***1951***

share of the given individual in the Issuer's authorized capital: ***0,3149 %***

share of Issuer's ordinary shares held by the given individual: ***0,4111 %***

Members of collective executive body of the given organization:

***Collective executive body is not stipulated.***

2) Full name: ***Private Joint Stock Company Klondike***

Abbreviated name: ***PJSC Klondike***

Location: ***57/59 Svetlanskaya St., Vladivostok, 690600***

Issuer's share in the authorized capital of profit organization: ***51 %***

Share of profit organization ordinary shares held by the Issuer: ***51 %***

Profit organization share in the Issuer's authorized capital: ***no share***

Share of Issuer's ordinary shares held by profit organization: ***no share***

Board of Director's members of the given organization:

***Board of Directors is not stipulated.***

Individual acting as sole executive body:

***Valentin G. Barakhoev***

year of birth: ***1965***

share of the given individual in the Issuer's authorized capital: ***no share***

share of Issuer's ordinary shares held by the given individual: ***no share***

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

3) Full name: **Limited Liability Company Joint Venture Magalyaskom**

Abbreviated name: **JV Magalyaskom Co., Ltd.**

Location: **2-a Lenina St., Magadan, 685000**

Issuer's share in the authorized capital of profit organization: **50 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Vladimir A. Silchenko**

year of birth: **1938**

share of the given individual in the Issuer's authorized capital: **0.1 %**

share of Issuer's ordinary shares held by the given individual: **0,13 %**

Members of collective executive body of the given organization:

**Worham Charles Lee**

year of birth: **1938**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vladimir A. Silchenko**

year of birth: **1938**

share of the given individual in the Issuer's authorized capital: **0.1 %**

share of Issuer's ordinary shares held by the given individual: **0,13 %**

4) Full name: **Private Joint Stock Company Primtelefon**

Abbreviated name: **PJSC Primtelefon**

Location: **21B Bestuzheva St., Vladivostok, 690003** Issuer's share in the authorized capital of profit organization: **50 %**

Share of profit organization ordinary shares held by the Issuer: **50 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Igor V. Zabolotny**

year of birth: **1967**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Elena A. Kukina**

year of birth: **1977**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexandre V. Zheludkov**

year of birth: **1958**

share of the given individual in the Issuer's authorized capital: **0,000008 %**

share of Issuer's ordinary shares held by the given individual: **0,00006 %**

**Anatoly G. Ermakov**

year of birth: **1949**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Nikolay V. Tsekhomsky**

year of birth: **1974**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*  
**Yury A. Gromakov**  
year of birth: **1946**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*  
**Andrey V. Vinogradov**  
year of birth: **1973**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*  
**Maksim A. Kalinin**  
year of birth: **1972**

share of the given individual in the Issuer's authorized capital: **0,0336 %**  
share of Issuer's ordinary shares held by the given individual: **0,037 %**

***Chairman of the Board of Directors is not stipulated by the Articles of Association and is selected for each meeting of the Board of Directors.***

Individual acting as sole executive body:

**Anatoly G. Ermakov**  
year of birth: **1949**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*

Members of collective executive body of the given organization:

**Vladimir G. Petrov**  
year of birth: **1972**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*  
**Anatoly G. Ermakov**  
year of birth: **1949**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*

5) Full name: ***Private Joint Stock Company TeleRoss-Vladivostok***  
Abbreviated name: ***PJSC TeleRoss-Vladivostok***  
Location: ***36 Praporschika Komarova prospect, Vladivostok, 690099***  
Issuer's share in the authorized capital of profit organization: **50 %**  
Share of profit organization ordinary shares held by the Issuer: **50 %**  
Profit organization share in the Issuer's authorized capital: ***no share***  
Share of Issuer's ordinary shares held by profit organization: ***no share***

Board of Director's members of the given organization:

**Igor V. Zabolotny**  
year of birth: **1967**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*  
**Бобков Вячеслав Алексеевич**  
год year of birth: **1950**

share of the given individual in the Issuer's authorized capital: **0,01468 %**  
share of Issuer's ordinary shares held by the given individual: **0,0125 %**  
**Alexandre V. Zheludkov**  
year of birth: **1958**

share of the given individual in the Issuer's authorized capital: **0,000008 %**  
share of Issuer's ordinary shares held by the given individual: **0,000006 %**  
**Daniel Horemans**  
year of birth: **1960**

share of the given individual in the Issuer's authorized capital: *no share*  
share of Issuer's ordinary shares held by the given individual: *no share*

**Vitaly A. Dudnik**

year of birth: **1957**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexandre G. Kudriavtsev**

year of birth: **1954**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Chairman of the Board of Directors is not stipulated by the Articles of Association and is selected for each meeting of the Board of Directors.**

Individual acting as sole executive body:

**Vladimir N. Kuritsyn**

year of birth: **1960**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

6) Full name: **Limited Liability Partnership Joint Venture Kamalyaskom**

Abbreviated name: **JV Kamalyaskom LLP**

Location: **56 Lenina St., Petropavlovsk-Kamchatsky, 983000**

Issuer's share in the authorized capital of profit organization: **50 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Boris S. Spektor**

year of birth: **1946**

share of the given individual in the Issuer's authorized capital: **0,00479 %**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

7) Full name: **Private Joint Stock Company Far Eastern Cellular Systems - 900**

Abbreviated name: **PJSC Far Eastern Cellular Systems - 900**

Location: **4 Muravieva-Amurskogo St., Khabarovsk, 680000**

Issuer's share in the authorized capital of profit organization: **40 %**

Share of profit organization ordinary shares held by the Issuer: **40 %**

Profit organization share in the Issuer's authorized capital: **no share**

Доля Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Oleg V. Mamontov**

year of birth: **1963**

share of the given individual in the Issuer's authorized capital: **0,0069%**

share of Issuer's ordinary shares held by the given individual: **0,008%**

**Yury A. Tabunschikov**

year of birth: **1959**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Yury A. Gromakov (chairman)**

year of birth: **1948**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Andrey V. Vinogradov**

year of birth: **1973**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Leonid A. Kostelyanets**

year of birth: **1949**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Leonid A. Kostelyanets**

year of birth: **1949**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

8) Full name: **Limited Liability Company Interdaltelecom**

Abbreviated name: **Interdaltelecom Co., Ltd.**

Location: **46/50 Borodinskaya St., Vladivostok, 690105**

Issuer's share in the authorized capital of profit organization: **32 %**

Profit organization share in the Issuer's authorized capital: **no share**

Доля Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Boris K. Kuznetsov**

year of birth: **1948**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

9) Full name: **Private Joint Stock Company Khabarovsk Cellular Telephone**

Abbreviated name: **PJSC KCT**

Location: **21 Gogolya St., Khabarovsk, 680000**

Issuer's share in the authorized capital of profit organization: **30 %**

Share of profit organization ordinary shares held by the Issuer: **30 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Oleg V. Mamontov**

year of birth: **1960**

share of the given individual in the Issuer's authorized capital: **0,0069 %**

share of Issuer's ordinary shares held by the given individual: **0,008 %**

**Gennady B. Makarov**

year of birth: **1970**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Georgy V. Sviridov**

year of birth: **1970**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexey N. Shirokov**

year of birth: **1961**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vladimir D. Kaspirovich (chairman)**

year of birth: **1950**

share of the given individual in the Issuer's authorized capital: **0,0064 %**

share of Issuer's ordinary shares held by the given individual: **0,0020 %**

Individual acting as sole executive body:

**Sergey V. Matsokin**

year of birth: **1963**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

10) Full name^ **Private Joint Stock Company Transicom**

Abbreviated name: **PJSC Transicom**

Location: **2 Fabrichny pereulok, Khabarovsk, 680020**

Доля эмитента в уставном капитале юридического лица: **25 %**

Share of profit organization ordinary shares held by the Issuer: **25 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Alexey G. Bogoyavlensky**

year of birth: **1971**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

11) Full name: **Open Joint Stock Company Imperial**

Abbreviated name: **OJSC Imperial**

Location: **bld. 2, 74 Pionerskaya St., Komsomolsk-on-Amur, Khabarovsk region, 681027**

Issuer's share in the authorized capital of profit organization: **20 %**

Share of profit organization ordinary shares held by the Issuer: **20 %**

Profit organization share in the Issuer's authorized capital: **0,3 %**

Share of Issuer's ordinary shares held by profit organization: **0,4 %**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Tatiana A. Shabalina**

year of birth: **1955**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

12) Full name: **Private Joint Stock Company Amur Cellular Telephone**

Abbreviated name: **PJSC ACT**

Location: **205-211, Amurskaya St., Blagoveshchensk, 675000**

Issuer's share in the authorized capital of profit organization: **19 %**  
Share of profit organization ordinary shares held by the Issuer: **19 %**  
Profit organization share in the Issuer's authorized capital: **no share**  
Доля Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Igor V. Zabolotny**

year of birth: **1967**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexandre F. Utoplov (chairman)**

year of birth: **1953**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Georgy V. Sviridov**

year of birth: **1970**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Andrey T. Torosyan**

year of birth: **1963**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexey N. Shirokov**

year of birth: **1961**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Alexandre F. Utoplov**

year of birth: **1953**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

13) Full name: **Private Joint Stock Company Rostelegraf**

Abbreviated name: **PJSC Rostelegraf**

Location: **7 Tverskaya St., Moscow, 103375**

Issuer's share in the authorized capital of profit organization: **13.72 %**

Share of profit organization ordinary shares held by the Issuer: **13.72 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Igor V. Zabolotny**

year of birth: **1967**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Yury V. Kuz'menko**

year of birth: **1949.**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vagan A. Martirosyan (chairman)**

year of birth: **1951**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Konstantin V. Pirlya**

year of birth: **1956**



share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**  
**Viktor I. Prilipko**  
year of birth: **1944**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**  
**Vladimir Y. Putilov**  
year of birth: **1947**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**  
**Olga M. Rybalkina**  
year of birth: **1955**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**  
**Pavel A. Ryazantsev**  
year of birth: **1948**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**  
**Sergey A. Tokarenko**  
year of birth: **1960**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Viktor I. Prilipko**  
year of birth: **1944**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

14) Full name: **Open Joint Stock Company Birobidzhan Trading Company**

Abbreviated name: **OJSC Birobidzhan Trading Company**

Location: **78-a Pionerskaya St., Birobidzhan, 679000**

Issuer's share in the authorized capital of profit organization: **10 %**

Share of profit organization ordinary shares held by the Issuer: **10 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Yury K. Kunin**  
year of birth: **1955**

share of the given individual in the Issuer's authorized capital: **no share**  
share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

15) Full name: **Open Joint Stock Company Telecommunications of Free Economic Zone Nakhodka**

Abbreviated name: **OJSC Rokotel**

Location: **14 Sportivnaya St., Nakhodka, 692900**

Issuer's share in the authorized capital of profit organization: **8.47 %**

Share of profit organization ordinary shares held by the Issuer: **19 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Andrey A. Abanin (chairman)**

year of birth: **1974**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Nikolay V. Fedorov**

year of birth: **1960**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Ko Hen Ir**

year of birth: **1935**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Joe El Choi**

year of birth: **1950**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Kim Seung Mok**

year of birth: **1963**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Vladimir B. Lyalyushkin**

year of birth: **1949**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

16) Full name: **Joint Stock Commercial Bank Primorye (OJSC)**

Abbreviated name: **OJSC JSCB Primorye**

Location: **47 Svetlanskaya St., Vladivostok, 690091**

Issuer's share in the authorized capital of profit organization: **8.245 %**

Share of profit organization ordinary shares held by the Issuer: **8.245 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Vladimir K. Maslovsky (chairman)**

year of birth: **1943**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Yury A. Grishakov**

year of birth: **1969**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vladimir A. Tikhomirov**

year of birth: **1959**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Valery A. Aleshin**

year of birth: **1945**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Valery A. Aleshin**

year of birth: **1945**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Valery A. Aleshin (chairman)**

year of birth: **1945**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Natalia V. Ovsyuk**

year of birth: **1957**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Andrey V. Bagaev**

year of birth: **1968**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Irina M. Tsirlina**

year of birth: **1962**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Nadezhda S. Talyukina**

year of birth: **1960**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Dmitry N. Razumovsky**

year of birth: **1955**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Alexandre Y. Basharov**

year of birth: **1965**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Olga L. Rumiantseva**

year of birth: **1972**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Sergey V. Kalitin**

year of birth: **1976**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

17) Full name: **Open Joint Stock Company A-Svyaz**

Abbreviated name: **OJSC A-Svyaz**

Location: **7 Shevchenko St., Blagoveschensk, 675000**

Issuer's share in the authorized capital of profit organization: **6.9 %**

Share of profit organization ordinary shares held by the Issuer: **6.9 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Dmitry B. Garamov**

year of birth: **1947**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vladimir I. Androsik (chairman)**

year of birth: **1975** z.

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Petr V. Mikhalevsky**

year of birth: **1975**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Individual acting as sole executive body:

**Alexaandre V. Gordeev**

year of birth: **1954** z.

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated**

18) Full name: **Open Joint Stock Company Daltelecom International**

Abbreviated name: **OJSC Daltelecom International**

Location: **133 Volochaevskaya St., Khabarovsk, 680000**

Issuer's share in the authorized capital of profit organization: **6.45 %**

Share of profit organization ordinary shares held by the Issuer: **6.45 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Igor M. Neklyudov (chairman)**

year of birth: **1947**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Vladimir A. Kolesnikov**

year of birth: **1944**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Yury N. Linovitsky**

year of birth: **1937**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Valery A. Romanov**

year of birth: **1947**

share of the given individual in the Issuer's authorized capital: **0,01492 %**

share of Issuer's ordinary shares held by the given individual: **0,0166 %**

**Ilya I. Shakhov**

year of birth: **1949**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Konstantin R. Gogolev**

year of birth: **1947**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

**Viktor N. Bumarskov**

year of birth: **1943**

share of the given individual in the Issuer's authorized capital: **0,0071%**

share of Issuer's ordinary shares held by the given individual: **0,00194%**

Individual acting as sole executive body:

**Vladimir A. Kolesnikov**

year of birth: **1944**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

19) Full name: **Limited Liability Company Insurance Company Dalstar**

Abbreviated name: **Dalstar Co., Ltd.**

Location: **59 Krasnogo Znameni prospect, Vladivostok, 690002**

Issuer's share in the authorized capital of profit organization: **5 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Vera A. Bazhenova**

year of birth: **1957**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

20) Full name: **Limited Liability Company Radio Station Vostok Rossii**

Abbreviated name: **Radio Station Vostok Rossii Co., Ltd.**

Location: **off. 3, 4 Lenina St., Khabarovsk, 680000**

Issuer's share in the authorized capital of profit organization: **5 %**

Profit organization share in the Issuer's authorized capital: **no share**

Share of Issuer's ordinary shares held by profit organization: **no share**

Board of Director's members of the given organization:

**Board of Directors is not stipulated.**

Individual acting as sole executive body:

**Ludmila N. Rumiantseva**

year of birth: **1959 г.**

share of the given individual in the Issuer's authorized capital: **no share**

share of Issuer's ordinary shares held by the given individual: **no share**

Members of collective executive body of the given organization:

**Collective executive body is not stipulated.**

#### **8.1.6. Information of Issuer's major transactions**

**The Issuer made and concluded no major transactions (groups of related transactions) in 1999, 2000, 2001, 2002, 2003 where amount of their obligations makes up at least 10 percent of Issuer's assets book value according to its accounting data for last completed accounting period.**

#### **8.1.7. Information of Issuer's credit ratings**

object of credit rating (issuer, issuer's securities): **Issuer**

credit rating value as of the date of quarterly report approval:

- **B Short-term credit rating, "stable" forecast,**

- **B- Unsecured foreign currency rating, "stable" forecast**

history of credit rating values' change for 5 last completed fiscal years prior to the date of quarterly report approval indicating credit rating value and credit rating date (alteration date):

**1999 – no rating**

**2000 – no rating**

**2001 – no rating**

**2002 – B/B- rating is given, rating date is August 29, 2002.**

**2003 – B/B- rating**

Organization giving credit rating:

Full company name: **Fitch Ratings Ltd**

Abbreviated company name: **Fitch Ratings**

Location: **Eldon House 2 Eldon Street London EC2M 7UA, Great Britain**

Brief description of credit rating giving methods:

**Fitch Ratings Ltd uses original methods for rating giving. Disclosure of these methods to the Issuer is not stipulated by rating agreement.**

Other information of credit rating indicated by the Issuer at its disposal: **no other information**

## **8.2 Information of Issuer's each class (type) of shares**

### **1. Class: *ordinary***

Par value of each share: **10 (ten) rubles**

Number of circulated shares (number of not redeemed or not cancelled shares): **95 581 421 (ninety five million five hundred eighty one thousand four hundred and twenty one) pieces**

Number of additional shares in course of placement (number of shares of additional issue where report of issue's totals was not registered): **n/a**

Number of declared shares: **2 937 604 (two million nine hundred thirty seven thousand six hundred and four) pieces**

Number of shares kept in Issuer's account: **no share is kept in Issuer's account as of December 31, 2003**

Number of additional shares which may be placed by conversion of placed securities to shares or due to fulfillment of Issuer's option obligations: **n/a**

State registration number and state registration date:

**20-1-997 dated 15.07.1996**

**1-03-30166F dated 30.07.2002**

**1-04-30166F dated 30.07.2002**

**1-05-30166F dated 30.07.2002**

**1-06-30166F dated 30.07.2002**

**1-07-30166F dated 30.07.2002**

**1-08-30166F dated 30.07.2002**

Rights of holders of ordinary shares:

**Rights of holder of ordinary shares:**

**Each shareholder holding Company's ordinary shares shall be entitled:**

- **to receive dividends in accordance with procedure stipulated by Russian Federation current legislation and Articles of Association if they are declared by the Company;**
- **to participate in General Meeting of Company's Shareholders in accordance with procedure stipulated by Russian Federation current legislation;**
- **to obtain part of Company's assets upon its liquidation in proportion to held shares.**

Other information of shares indicated by the Issuer at its disposal: **n/a**

### **2. Class: *preferred*<sup>1</sup>**

Par value of each share: **10 (ten) rubles**

Number of circulated shares (number of not redeemed or not cancelled shares): **31 168 901 (thirty one million one hundred sixty eight thousand nine hundred one) pieces**

Number of additional shares in course of placement (number of shares of additional issue where report of issue's totals was not registered): **n/a**

Number of declared shares: **2 004 374 (two million four thousand three hundred seventy four) pieces**

Number of shares kept in Issuer's account: **no share is kept in Issuer's account as of December 31, 2003**

Number of additional shares which may be placed by conversion of placed securities to shares or due to fulfillment of Issuer's option obligations: **n/a**

State registration number and state registration date:

**20-1-996 dated 15.07.1996**

**2-03-30166F dated 30.07.2002**

**2-04-30166F dated 30.07.2002**

**2-05-30166F dated 30.07.2002**

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<sup>1</sup> Type is not stipulated by the Articles of Association

2-06-30166F dated 30.07.2002

2-07-30166F dated 30.07.2002

2-08-30166F dated 30.07.2002

Rights of holders of preferred shares:

**Rights of holder of preferred shares:**

- *Holders of preferred shares shall have a right of annual fixed dividend save cases provided by the present Articles of Association. Total amount to be paid as dividend for each preferred share shall be 10 per cent of the Company net profit according to results of past fiscal year divided by a number of shares that constitute 25 per cent of the Company authorized capital. If dividend amount payable by the Company against each ordinary share in particular year exceeds amount to be paid as dividend against each preferred share, dividend payable to latter shall be increased up to dividend payable against ordinary shares.*
- *Holders of preferred shares shall have a right to participate in the General Meeting of Shareholders with voting right on matters of company dissolution and reorganization as well as on matter on amending Company Articles of Association when such amendments restrict rights of above-mentioned shareholders. Holders of preferred shares shall have a right to participate in the General Meeting of Shareholders with voting right on all items of the agenda if the General meeting irrespective of reasons failed to take resolution about dividend payment or took resolution about incomplete payment of dividends against preferred shares. Such right shall arise for holders of preferred shares starting from meeting following annual Meeting of Shareholders where resolution to pay dividend failed to be taken and shall terminate after first payment of dividends against above-mentioned shares in full volume.*
- *Holders of preferred shares shall have rights provided by paragraph 7.2.3, 7.2.4, 7.2.5, 7.2.6, 7.2.7, 7.2.8, 7.2.10, 7.2.11, 7.2.12 of the present Articles of Association for holders of Company ordinary shares. Holders of preferred shares shall be provided with these rights including cases when such shares are not voting shares.*

*(paragraph 7.2.3. of the Articles of Association: to obtain part of Company's assets upon its liquidation in proportion to the number of held shares)*

*The Articles of Association do not stipulate an opportunity of preferred shares' conversion.*

Other information of shares indicated by the Issuer at its disposal: *n/a*

### **8.3. Information of Issuer's previous securities' issues except for Issuer's shares**

#### **8.3.1. Information of issuers where all securities are redeemed (cancelled)**

securities type - *bonds*

<b>1. Series and form of issued bonds</b>	I series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	250 000 pieces
<b>3. Total volume of bond issue at par value</b>	25 000 000 rubles
<b>4. Maturity of securities issue</b>	17.05.2001 – 16.11.2001
<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue, state registration number and state registration date</b>	Russian Federal Security Commission state registration No.4-01-30166F registration date 19.10.1998

<b>1. Series and form of issued bonds</b>	II series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	3000 pieces
<b>3. Total volume of bond issue at par value</b>	9000000 rubles
<b>4. Maturity of securities issue</b>	01.07.2001 – 01.12.2001
<b>5. Basis for redemption</b>	Fulfillment of obligations

<b>6. Authority registering bonds issue,</b> state registration number an state registration date	Russian Federal Security Commission state registration No.4-02-30166-F registration date 16.08.1999
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<b>1. Series and form of issued bonds</b>	series III, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	7000 pieces
<b>3. Total volume of bond issue at par value</b>	21000000 rubles
<b>4. Maurity of securities issue</b>	01.07.1999 – 01.12.1999
<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue,</b> state registration number an state registration date	Russian Federal Security Commission state registration No.4-03-30166-F registration date 16.08.1999

<b>1. Series and form of issued bonds</b>	IV series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	400 pieces
<b>3. Total volume of bond issue at par value</b>	2800000 rubles
<b>4. Maurity of securities issue</b>	01.09.2002 – 01.02.2003
<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue,</b> state registration number an state registration date	Russian Federal Security Commission state registration No.4-04-30166-F registration date 21.02.2002

<b>1. Series and form of issued bonds</b>	V series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	400 pieces
<b>3. Total volume of bond issue at par value</b>	2800000 rubles
<b>4. Maurity of securities issue</b>	15.09.2002 – 10.02.2003
<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue,</b> state registration number an state registration date	Russian Federal Security Commission state registration No.4-05-30166-F registration date 21.02.2002

<b>1. Series and form of issued bonds</b>	VI series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	400 pieces
<b>3. Total volume of bond issue at par value</b>	2800000 rubles
<b>4. Maurity of securities issue</b>	01.10.2002 – 20.02.2003
<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue,</b> state registration number an state registration date	Russian Federal Security Commission state registration No.4-06-30166-F registration date 21.02.2002

<b>1. Series and form of issued bonds</b>	VII series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	400 pieces
<b>3. Total volume of bond issue at par value</b>	2800000 rubles
<b>4. Maurity of securities issue</b>	01.09.2002 – 01.02.2003



<b>5. Basis for redemption</b>	Fulfillment of obligations
<b>6. Authority registering bonds issue, state registration number and state registration date</b>	Russian Federal Security Commission state registration No.4-07-30166-F registration date 21.02.2002

<b>1. Series and form of issued bonds</b>	VIII series, registered non-documentary
<b>2. Number of issued bonds in accordance with registered resolution of their issue</b>	400 pieces
<b>3. Total volume of bond issue at par value</b>	2800000 rubles
<b>4. Maturity of securities issue</b>	15.11.2002 – 10.03.2003
<b>5. Basis for redemption</b>	fulfillment of obligations
<b>6. Authority registering bonds issue, state registration number and state registration date</b>	Russian Federal Security Commission state registration No.4-08-30166-F registration date 21.02.2002

### 8.3.2. Information of issues of circulated securities

Total number and amount at par value of Issuer's each class of securities in circulation (not redeemed):

**1 000 000 bonds in amount of 1 000 000 000 rubles**

Class, series (type), form and other identification signs of securities: **interest-bearing documentary bearer inconvertible bonds with obligatory centralized keeping series Д1**

State registration number of securities issue, state registration date of securities issue: **4-09-30166F; July 18, 2003 (amendments and (or) addendums to Resolution of bond issue were registered on October 28, 2003)**

State registration date of the report of securities issue totals: **December 19, 2003**

Name of authority registering securities issue and state registration of the report of securities issue totals:

**Russian Federal Security Commission**

Number of issued securities: **1 000 000 pieces**

Par value of each issued security: **1 000 rubles**

Amount of issued securities at par value: **1 000 000 000 rubles**

Rights granted by each issued security: **Bond holder shall be entitled to obtain par value of bonds on the 1092<sup>nd</sup> (one thousand ninety second) day since the date of bonds placement.**

**Bond holder shall be entitled to receive fixed interest of par value of the bond (coupon yield). Procedure for determining coupon yield is stipulated in clause 8.3. of the Resolution of the Issue and clause 56.11. of the Bond Prospectus.**

**Bond holder shall be entitled to receive par value of the bond in case of Issuer's liquidation in order of priority stipulated in accordance with article 64 of Russian Federation Civil Code.**

**Bond holder shall be entitled to freely sell and otherwise dispose of the bond. Bond holders having bought bonds at displacement shall not be entitled to make transactions with bond prior to the date of registration of the report of securities issue totals in accordance with Russian Federation legislation.**

**The Issuer shall be obliged to transfer respective amounts required for fulfillment of payment obligations to the payment agent on bond issue in due time and in full volume in accordance with Resolution of Bond Issue.**

**Clause 8.6. of the Resolution of the Issue and clause 56.11 of the Bond Prospectus shall stipulate acts of bond holders in case of Issuer's refusal to fulfill bond obligations.**

**Bond holder shall be entitled to execute other rights stipulated by Russian Federation legislation.**

Placement of issued securities

Depository providing centralized keeping

Full and abbreviated name: **Non-profit partnership National Depository Center, NP NDC**

Location: **Bld. 4, 1/13, Sredniy Kislovsky pereulok, Moscow, 125009**

Number of depository's license to perform depository activity: **177-03431-000100**

Date of issue: **4.12.2000**

Valid till: **unlimited license**

Licensing authority: **Russian Federal Security Commission**

Procedure and terms of issued securities' redemption:

*Bonds shall be redeemed on the 1092<sup>nd</sup> day (one thousand ninety second) since the date of issued bonds' placement (hereinafter referred to as the date of bonds' redemption).*

*Bonds shall be redeemed by payment agent on Issuer's behalf (hereinafter referred to as payment agent) as follows:*

*Full company name: Joint Stock Commercial Bank Trust and Investment Bank (open joint stock company)*

*Abbreviated company name: JSCB TIB*

*Location: 84/3/7, Sadovnicheskaya, Moscow, 115035*

*Mail address: 4/4 Kolpachny pereulok, Moscow, 101990*

*General license to perform bank transactions: No. 2783*

*Date of issue: April 22, 1999.*

*Valid till: unlimited period*

*Issuing authority: Russian Bank*

*The Issuer may appoint additional payment agents and withdraw such appointments. The Issuer shall publish official reports of the said actions no later than 10 (ten) working days prior to such appointment or withdrawal of such appointment in Vedomosti and/or Rossiiskaya Gazeta.*

*Bonds shall be redeemed in Russian Federation currency by clearing settlement by depositors of NDC performing centralized keeping of issued bonds in favor of bonds issue.*

*Bonds shall be redeemed in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of bonds' redemption (hereinafter referred to as the date of making a list of bond holders for bonds' redemption).*

*The above-mentioned list of bond holders shall include:*

*1) NDC depositors provided that:*

*- the said persons hold issued bonds;*

*-the said persons are entitled by bond holders to obtain funds in case of issued bonds' redemption;*

*2) Bond holders that are not NDC depositors and that did not entitle NDC depositors accounting bonds held by bond holders to obtain funds in case of issued bonds' redemption.*

*It is presumed that nominal holders that are NDC depositors shall be entitled to obtain bond redemption amounts. NDC depositors that are nominal holders not entitled by their clients to obtain bond redemption amounts shall no later than on the 4<sup>th</sup> (fourth) working day prior to the bonds' redemption date provide NDC with the list of bond holders containing all requisites indicated below in the list of bond holders for bond redemption.*

*Bond holder if he is not NDC depositor may entitle bonds holder that is NDC depositor to obtain amounts of yield payment and bonds' redemption.*

*NDC shall make the list of bonds' holders for bonds' redemption on the basis of available and/or presented by depositors data and provide the Issuer and/or payment agent with this list no later than on the 2<sup>nd</sup> (second) working day prior to the bonds' redemption date. The list of bonds holders for bonds' redemption shall include data as follows:*

*a) full company name (name for non-profit organizations and full name for individuals) of holder or nominal holder entitled by the holder to obtain bond redemption amounts;*

*б) number of bonds registered on DEPO account of the holder or interdepository account of the nominal holder entitled to obtain bond redemption amounts;*

*в) Location and mail address of the holder or nominal holder entitled by the holder to obtain bond redemption amounts;*

*г) requisites of bank account of holder or nominal holder entitled by the holder to obtain bond redemption amounts, namely:*

*- bank account number;*

*-name of bank where account was opened;*

*-correspondent account of this bank;*

*- Location and mail address of the bank;*

*- bank identification code of the bank;*

*д) tax identification number (TIN) of the holder or nominal holder entitled by the holder to obtain bond redemption amounts;*

*е) tax status of the holder or nominal holder entitled by the holder to obtain bond redemption amounts (resident, nonresident with permanent representation in Russian Federation, nonresident without permanent representation in Russian Federation etc).*

*The holder shall independently monitor that bank account requisites submitted to DNC are complete and actual. If bond holders fail to provide or provide in undue time NDC with the said requisites, such obligations shall be fulfilled in respect to the person making a demand of such obligation fulfillment who is bond holder as of the date of demand making. And the Issuer shall fulfill bond obligations on the basis*

of NDC data.

*The Issuer shall transfer required funds to the payment agent's account no later than on the 2<sup>nd</sup> (second) working day prior to the bond redemption date. The payment agent shall calculate amounts payable to each bond holder entitled to obtain bond redemption amounts on the basis of the list of bond holders submitted to NDC.*

*The payment agent shall transfer required funds to the accounts of bond holders in favor of bond owners on the date of bond redemption.*

*if one person is entitled to obtain bond redemption amounts by several bond holders, total amount shall be transferred to this person without division by each bond holder.*

*If bond redemption date falls to the day-off irregardless if this is an official day-off of day-off for settlement operations, amount due shall be paid on the first working day following the day-off. Bond holder shall not be entitled to demand charge of interest or any other compensation for such payment delay.*

*Fulfillment of bond obligations in respect of the person included in the list of bond holders shall be acknowledged due including the case of bonds disposal upon the date of the above-mentioned list making.*

Coupon (interest) yield rate, procedure and terms of payment

Coupon (interest) yield rate

Coupon (interest) period		Coupon (interest) yield rate
Commencement date	Termination date	
<b>1. Coupon: 1</b>		
date of bonds placement commencement	the 182 <sup>nd</sup> day since the date of bonds placement commencement	Interest rate on the third coupon shall be 14,5 (fourteen point five) per cent annually.
<b>2. Coupon: 2</b>		
182 <sup>nd</sup> day since the commencement date of bonds placement	364 <sup>th</sup> day since the commencement date of bonds placement	Interest rate on the third coupon shall be 14,5 (fourteen point five) per cent annually.
<b>3. Coupon: 3</b>		
364 <sup>th</sup> day since the commencement date of bonds placement	546 <sup>th</sup> day since the commencement date of bonds placement	Interest rate on the third coupon shall be 15 (fifteen) per cent annually.
<b>4. Coupon: 4</b>		
546 <sup>th</sup> day since the commencement date of bonds placement	728 <sup>th</sup> day since the commencement date of bonds placement	Interest rate on the fourth coupon shall be 15 (fifteen) per cent annually.
<b>5. Coupon: 5</b>		
728 <sup>th</sup> day since the commencement date of bonds placement	910 <sup>th</sup> day since the commencement date of bonds placement	Interest rate on the fifth coupon shall be 13 (thirteen) per cent annually.
<b>6. Coupon: 6</b>		
910 <sup>th</sup> day since the commencement date of bonds placement	1092 <sup>nd</sup> day since bonds since the commencement date of bonds placement	Interest rate on the sixth coupon shall be 13 (thirteen) per cent annually.

*Coupon yield on bonds shall be calculated as follows:*

$$K_i = Nom * C_i * (t_i - T_i) / (365 * 100\%),$$

*where i – coupon number, i = 1, 2, 3, 4, 5, 6*

*K<sub>i</sub> – coupon payment amount on each bond*

*Nom – nominal value of one bond;*

*C<sub>i</sub> – coupon interest rate, per cent annually;*

*t<sub>i</sub> – termination date of i coupon period*

*T<sub>i</sub> – commencement date of I coupon period*

*Coupon payment shall be calculated to within 1 kopeck (Сумма выплаты по купону рассчитывается с точностью до одной копейки (the second digit after point shall be rounded off according to mathematic rounding off rules i.e. if the third digit after point is more or equal to 5 the second digit after point shall be increased by 1 and if the third digit after point is less than 5 the second digit after point shall not be changed)).*

Procedure and terms of bond interest (coupon) yield payment

Coupon (interest) period		Date of coupon (interest) yield payment	Date of making the list of bond holders for coupon (interest) yield payment
Commencement date	Termination date		

**1. Coupon: 1**

date of bonds placement commencement	the 182 <sup>nd</sup> day since the date of bonds placement commencement	the 182 <sup>nd</sup> day since the date of bonds placement commencement	Yield shall be paid in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for payment of coupon (interest) yield:**

Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).

The above-mentioned list of bond holders shall include:

1) NDC depositors provided that:

- the said persons hold issued bonds;
- the said persons are entitled by bond holders to obtain funds in case of yield payment;

2) Bond holders that are not NDC depositors and that did not entitle NDC depositors accounting bonds held by bond holders to obtain funds in case of yield payment.

It is presumed that nominal holders that are NDC depositors shall be entitled to obtain bond yield amounts. NDC depositors that are nominal holders not entitled by their clients to obtain bond yield amounts shall no later than on the 4<sup>th</sup> (fourth) working day prior to the bonds' yield payment date provide NDC with the list of bond holders containing all requisites indicated below in the list of bond holders for bond redemption.

Bond holder if he is not NDC depositor may entitle bonds holder that is NDC depositor to obtain amounts of yield payment and bonds' redemption.

NDC shall make the list of bonds' holders for bonds' yield payment on the basis of available and/or presented by depositors data and provide the Issuer and/or payment agent with this list no later than on the 2<sup>nd</sup> (second) working day prior to the bonds' yield payment date. The list of bonds holders for bonds' yield payment shall include data as follows:

- a) full company name (name for non-profit organizations and full name for individuals) of holder or nominal holder entitled by the holder to obtain bond yield amounts;
- б) number of bonds registered on DEPO account of the holder or interdepository account of the nominal holder entitled to obtain bond yield amounts;
- в) Location and mail address of the holder or nominal holder entitled by the holder to obtain bond yield amounts;
- г) requisites of bank account of holder or nominal holder entitled by the holder to obtain bond yield amounts, namely:
  - bank account number;
  - name of bank where account was opened;
  - correspondent account of this bank;
  - Location and mail address of the bank;
  - bank identification code of the bank;
- д) tax identification number (TIN) of the holder or nominal holder entitled by the holder to obtain bond yield amounts;
- е) tax status of the holder or nominal holder entitled by the holder to obtain bond yield amounts (resident, nonresident with permanent representation in Russian Federation, nonresident without permanent representation in Russian Federation etc).

The holder shall independently monitor that bank account requisites submitted to DNC are complete and actual. If bond holders fail to provide or provide in undue time NDC with the said requisites, such obligations shall be fulfilled in respect to the person making a demand of such obligation fulfillment who is bond holder as of the date of demand

making. And the Issuer shall fulfill bond obligations on the basis of NDC data.  
 The Issuer shall transfer required funds to the payment agent's account no later than on the 2<sup>nd</sup> (second) working day prior to the bond yield payment date. The payment agent shall calculate amounts payable to each bond holder entitled to obtain bond yield amounts on the basis of the list of bond holders for yield payment submitted by NDC.  
 The payment agent shall transfer required funds to the accounts of bond holders in favor of bond owners on the date of bond yield payment.  
 If one person is entitled to obtain bond yield amounts by several bond holders, total amount shall be transferred to this person without division by each bond holder.  
 Coupon yield on non-placed bonds shall not be charged and paid  
 Issuer's obligations on payment bond yield shall be deemed fulfilled since writing off funds from Issuer's account and/or correspondent account of payment agent as coupon yield payment in favor of bond holders.  
 Fulfillment of bond obligations in respect of the person included in the list of bond holders shall be acknowledged due including the case of bonds disposal upon the date of the above-mentioned list making.

**2. Coupon: 2**

182 <sup>nd</sup> day since the commencement date of bonds placement	364 <sup>th</sup> day since the commencement date of bonds placement	364 <sup>th</sup> day since the commencement date of bonds placement	Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for coupon (interest) yield payment:**  
 Procedure for the 2<sup>nd</sup> coupon yield is similar to that for the 1<sup>st</sup> coupon yield.

**3. Coupon: 3**

364 <sup>th</sup> day since the commencement date of bonds placement	546 <sup>th</sup> day since the commencement date of bonds placement	546 <sup>th</sup> day since the commencement date of bonds placement	Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for coupon (interest) yield payment:**  
 Procedure for the 3<sup>rd</sup> coupon yield is similar to that for the 1<sup>st</sup> coupon yield.

**4. Coupon: 4**

546 <sup>th</sup> day since the commencement date of bonds placement	728 <sup>th</sup> day since the commencement date of bonds placement	728 <sup>th</sup> day since the commencement date of bonds placement	Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for coupon (interest) yield payment:**  
 Procedure for the 4<sup>th</sup> coupon yield is similar to that for the 1<sup>st</sup> coupon yield.

**5. Coupon: 5**

728 <sup>th</sup> day since the commencement date of bonds placement	910 <sup>th</sup> day since the commencement date of bonds placement	910 <sup>th</sup> day since the commencement date of bonds placement	Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of
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			the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for coupon (interest) yield payment:**

Procedure for the 5<sup>th</sup> coupon yield is similar to that for the 1<sup>st</sup> coupon yield.

**6. Coupon: 6**

910 <sup>th</sup> day since the commencement date of bonds placement	1092 <sup>nd</sup> day since bonds since the commencement date of bonds placement	1092 <sup>nd</sup> day since bonds since the commencement date of bonds placement	Yield shall be paid in Russian Federation currency by clearing settlement in favor of bond holders as of the end of NDC operation day prior to the sixth working day till the date of yield payment (hereinafter referred to as the date of making a list of bond holders for yield payment).
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**Procedure for coupon (interest) yield payment:**

Procedure for the 6<sup>th</sup> coupon yield is similar to that for the 1<sup>st</sup> coupon yield.

the 6<sup>th</sup> coupon yield shall be paid simultaneously with issued bonds' redemption

*The Issuer shall pay coupon (interest yield) through payment agent.*

Full company name: **Joint Stock Commercial Bank Trust and Investment Bank (open joint stock company)**

Abbreviated company name: **JSCB TIB**

Location: **84/3/7, Sadovnicheskaya, Moscow, 115035**

Mail address: **4/4 Kolpachny pereulok, Moscow, 101990**

Duties and functions of payment agent:

*Payment agent shall be obliged to:*

- *pay sui juris but for the account and on behalf of the Issuer funds to persons entitled to obtain redemption and coupon yield amounts, bond owners and/or bond holders where amount, periods and procedure is stipulated by the Resolution of Issue and Bond Prospectus. Payment shall pay funds on bonds provided that the Issuer transfers to the Issuer's personal account opened with the payment agent fund in amount sufficient for performance of such payments;*
- *calculate amounts payable to each person entitled to obtain redemption and coupon yield amounts in accordance with procedure set by the Resolution of Issue and Bond Prospectus;*
- *provide the Issuer with report in writing regarding payments made on bonds in accordance with procedure and dates stipulated by the contract concluded between the Issuer and payment agent;*
- *act as tax agent in terms of bond yield payment in cases stipulated by Russian Federation legislation;*
- *provide bond owners and holders with information concerning amounts, periods and terms of bond yield payment as well as periods and terms of bond redemption;*
- *keep information obtained by payment agent due to fulfillment of official obligations confidential if this information is not public or not subject to disclosure in accordance with Russian Federation normative acts.*

*Security is not provided*

*Issued securities are not convertible*

**8.3.3 Information of issues where the Issuer failed to fulfill obligations on securities (default)**

*No such issues*

**8.4 Information of person (persons) providing security on issued bonds**

*The issuer did not place secured bonds*

**8.5. Terms of security of obligations fulfillment on issued bonds**

*The Issuer did not place secured bonds.*

*Bonds secured by warranty are unavailable.*  
*Bonds secured by bank guarantee are unavailable.*  
*Bonds secured by state or municipal guarantee are unavailable.*

## **8.6. Information of organizations keeping records of rights for Issuer's issued securities**

Registrar

Full name: *Private Joint Stock Company Registrar-Svyaz*

Abbreviated name: *PJSC Registrar-Svyaz*

Location: *15a Kalachevskaya St., Moscow, 107078*

Tel.: *(095) 975-36-05* Fax: *(095) 975-36-02*

E-mail: [regsw@asvt.ru](mailto:regsw@asvt.ru)

Registrar's license to perform activity of keeping register of stockholders:

License No.: *10-000-1-00258*

Date of issue: *1.10.2002*

Validity period: *unlimited period*

Issuing authority: *Russian Federal Security Commission*

Commencement date of keeping Issuer's securities register by the said registrar: *February 24, 1997*

*Issuer's documentary securities with obligatory centralized keeping (interest-bearing documentary bearer nonconverted bonds with obligatory centralized keeping series Д1) are circulated.*

### **Depository providing centralized keeping:**

Full and abbreviated name: *Non-profit partnership National Depository Center, NP NDC*

Location: *Bld. 4, 1/13, Sredniy Kislovsky pereulok, Moscow, 125009*

Number of depository's license to perform depository activity: *177-03431-000100*

Date of issue: *4.12.2000*

Valid till: *unlimited license*

Licensing authority: *Russian Federal Security Commission*

## **8.7. Information of legal acts regulating capital imports and exports issues that may affect payment of dividend, interest and other payments to nonresidents**

*Principles of Russian Federation currency transactions, rights and obligations of legal entities and individuals in terms of holding, using and disposing of currency values as well as liability for breach of currency legislation shall be regulated by Russian Federation Law of Currency Regulation and Currency Control dated October 9, 1992 N 3615-1 (in edition of Federal Laws dated December 29, 1998 N 192-FZ, dated July 05, 1999 N 128-FZ, dated May 31, 2001 N 72-FZ, dated August 08, 2001 N 130-FZ, dated December 30, 2001 N 196-FZ, dated December 31, 2002 N 187-FZ, dated December 31, 2002 N 192-FZ, dated February 27, 2003 N 28-FZ, dated July 07, 2003 N 116-FZ, as amended by RF Constitutional Court Decree dated March 04, 1999 N 50-O), as well as by Federal Law dated October 29, 1998 No. 164-FZ Of Financial Lease (leasing).*

*Main Federal laws regulating treaties regarding avoiding double taxation between Russian Federation and foreign countries:*

- *Federal Law dated July 17, 1999 No. 167-FZ About Ratification of Treaty between Russian Federation Government and Cyprus Republic Government to avoid double taxation relating income and capital taxes*
- *Federal Law dated February 8, 1998 No.18-FZ About Ratification of Convention between Russian Federation Government and French Republic Government to avoid double taxation and prevent tax evasion and tax legislation violation relating income and property taxes*
- *Federal Law dated March 19, 1997 No. 65-FZ About Ratification of Convention between Russian Federation Government and United Kingdom of Great Britain and Northern Ireland Government to avoid double taxation and prevent tax evasion relating income and increment of property value tax and Treaty between Russian Federation Government and United Kingdom of Great Britain and Northern Ireland Government dated February 15, 1994 in form of exchange of notes regarding application of individual provisions of Convention*
- *Federal Law dated February 26, 1997 No. 38-FZ About Ratification of Treaty between Russian Federation and Swiss Confederation to avoid double taxation relating income and capital taxes*

- *Federal Law dated February 26, 1997 No. 42-FZ About Ratification of Treaty between Russian Federation Government and Canadian Government to avoid double taxation and prevent tax evasion relating income and property taxes*
- *Federal Law dated December 18, 1996 No. 158-FZ About Ratification of Treaty between Russian Federation and Federal Republic of Germany to avoid double taxation relating income and property taxes*
- *Treaty between Russian Federation and United States of America to avoid double taxation and prevent tax evasion relating income and capital taxes (Washington, June 17, 1992)*
- *Convention between USSR Government and Japanese Government relating income taxes (Tokyo, January 18, 1986)*

## **8.8. Description of procedure for taxation of returns on Issuer's placed and being placed securities**

*Taxation of legal entities' returns on being placed securities in form of dividends:*

*1. Name of return on being placed securities - Dividends.*

*1.1. Name of securities return tax – income tax.*

*1.2. Tax rate:*

- *Legal entities – RF tax residents - 6%;*
- *Foreign legal entities (nonresidents) obtaining income of sources located within RF territory – 15%.*

*1.3. Procedure and periods of tax payment – Dividend return taxes shall be paid by source of payment of this return and transferred to the budget by tax agent within 10 days since return payment date.*

*1.4. Peculiarities of taxation procedure for the given category of stockholders:*

*- Legal entities – RF tax residents – Total tax amount of dividends amount shall be determined based on difference between amount of dividends distributable among resident shareholders and amount of dividends obtained by tax agent for the accounting period.*

*If the difference is negative no liability of tax payment arises and no budget compensation is made. Tax amount deductible from income of dividend recipient shall be calculated based on total tax amount and each taxpayer's share in total amount of dividends.*

*- Foreign legal entities (nonresidents) obtaining income of sources within RF territory – Elimination of double taxation. For the purpose of exemption from taxation, obtaining tax deductions or other tax benefits taxpayer shall provide Russian Federation Ministry authorities with official proof that he is a resident of state having agreement with Russian Federation of avoiding double taxation in force within relevant tax period (or its part). Such proof may be submitted both before tax payment and within one year upon the end of fiscal period on the results of which taxpayer claims exemption from taxation, tax deductions or benefits.*

*1.6. Legal and normative acts regulating taxation procedure of the said incomes – Chapter 25 of RF Tax Code i.e. Company Income Tax.*

*2. Taxation of individuals' returns of being placed securities in form of dividends.*

*2.1. Name of return on being placed securities - Dividends.*

*2.2. Name of securities return tax – individual income tax.*

*2.3. Tax rate:*

- *Individuals – RF tax residents - 6%;*
- *Individuals obtaining incomes of sources within RF territory which are not RF tax residents - 30%.*

*2.4. Procedure and periods of tax payment – Russian Federation i.e. the source of taxpayer's income on form of dividend (tax agent) shall be liable for deduction of tax amount from taxpayer's incomes and payment to relevant budget. Tax amount shall be deducted directly from taxpayer's incomes during their actual payment. Tax agents shall transfer amounts of calculated and deducted tax within the date of actual receipt in bank of cash for income payment as well as the date of income transfer from tax agents' bank accounts to taxpayer's account or on his behalf to the bank accounts of the third parties.*

*2.5. Peculiarities of taxation procedure for the given category of stockholders:*

*- RF individual residents – Total tax amount of dividend amount shall be determined on the basis of difference between amount of dividends distributable among resident shareholders and amount of dividends obtained by tax agent for the accounting period.*

*If the difference is negative no liability of tax payment arises and no budget compensation is made. Tax amount deductible from income of dividend recipient shall be calculated based on total tax amount and each taxpayer's share in total amount of dividends.*



*- Individuals obtaining incomes from sources within RF that are not RF tax residents - Elimination of double taxation. For the purpose of exemption from taxation, obtaining tax deductions or other tax benefits taxpayer shall provide Russian Federation Ministry authorities with official proof that he is a resident of state having agreement with Russian Federation of avoiding double taxation in force within relevant tax period (or its part). Such proof may be submitted both before tax payment and within one year upon the end of fiscal period on the results of which taxpayer claims exemption from taxation, tax deductions or benefits.*

*2.6. Legal and normative acts regulating taxation procedure of the said incomes – part 2 of Chapter 23 of RF Tax Code i.e. Individual Income Tax (as amended and added).*

### *3. Taxation of legal entities' placed securities sales income.*

#### *3.1. Name of placed securities income:*

- Legal entities – RF tax residents – Incomes of securities sales transactions;*
- Foreign legal entities (nonresidents) obtaining incomes from the sources within RF territory – Incomes from stock sales of Russian organizations where 50% of assets consist of real estate within RF territory.*

#### *3.2. Name of securities income tax – Profit tax.*

#### *3.3. Tax rate:*

- Legal entities – RF tax residents - 24%;*
- Foreign legal entities (nonresidents) obtaining incomes from sources within RF territory – 20%.*

#### *3.4. Procedure and periods of tax payment:*

*- Legal entities – RF tax residents – Tax payable upon expiration of tax period shall be paid within March 31 of the year following the expired tax period. Quarterly advance payments shall be made within 30 days upon expiration of the accounting period. Monthly advance payments shall be made till the 15<sup>th</sup> day of each month of this accounting period.*

*Taxpayers calculating monthly advance payments on the basis of actually obtained profit shall make advance payments till the 30<sup>th</sup> day of month following the accounting period. According to the results of accounting period amounts of monthly advance payments shall be included in payment of quarterly advance payments. Quarterly payments shall be included on account of tax payment by results of tax period.*

*- Foreign legal entities (nonresidents) obtaining incomes from sources within RF territory – Russian organization paying foreign organization income shall calculate and deduct tax in every payment of income and tax agent shall transfer it to the federal budget simultaneously with income payment in currency of this income payment or in RF currency at the rate of RF Central Bank as of the date of tax transfer.*

*3.5. Peculiarities of taxation procedure for foreign legal entities (nonresidents) obtaining incomes from sources within RF territory – If foreign organization provides tax agent before the date of income payment with evidence that this foreign organization has permanent residence in the state having international treaty with RF regulating taxation issues regarding income subject to preferred tax treatment in RF by international treaty, the source of payment shall be exempted from tax deduction or tax shall be deducted at reduced rates.*

*3.6. Legal and normative acts regulating taxation procedure of the said incomes – Chapter 25 of RF Tax Code i.e. Company Profit Tax.*

### *4. Taxation of individuals' placed securities sales incomes.*

*4.1. Name of placed securities income – Securities sales income (loss) determined as difference between amounts obtained from securities sales and spending for purchasing, sales and keeping securities actually made by the taxpayer and evidenced by documents.*

*4.2. Name of securities income tax – Individual income tax.*

#### *4.3. Tax rate:*

- Individuals – RF tax residents - 13%;*
- Individuals obtaining incomes from sources within RF territory that are not RF tax residents - 30%.*

*4.4. Procedure and periods of tax payment – Tax amount shall be calculated and paid by tax agent upon the end of tax period (calendar year) or in case of payments of taxpayer's funds before expiration of regular tax period. If funds are paid before expiration of regular tax period, tax shall be paid from income share correspondent to actual amount of paid funds.*

*4.5. Peculiarities of taxation procedure for the given category of stockholders:*

- *Individuals – RF tax residents – If documentary evidence of spending is unavailable an individual may take advantage of property tax deduction in amount obtained from securities sales but within 125 000 rubles.*
- *Individuals obtaining incomes from sources within RF territory tht are not RF tax residents - Elimination o double taxation. For the purpose of exemption from taxation, obtaining tax deductions or other tax benefits taxpayer shall provide Russian Federation Ministry authorities with official proof that he is a resident of state having agreement with Russian Federation of avoiding double taxation in force within relevant tax period (or its part). Such proof may be submitted both before tax payment and within one year upon the end of fiscal period on the results of which taxpayer claims exemption from taxation, tax deductions or benefits.*

**4.6. Legal and normative acts regulating procedure for taxation of the said incomes – Chapter 23 of RF Tax Code i.e. Individual Income Tax (as amended and added).**

**5. While providing information of the given matter the Issuer was guided by current taxation legislation. In case of effectiveness of tax legal acts, other governmental decrees and orders of state authorities making substantial amendments or addendums to current legislation of placed securities incomes taxation which are not known or published at present the Issuer shall not be liable for consequences that it may not provide by virtue of the above-mentioned circumstances.**

## **8.9. Information of declared (accrued) and paid dividends on Issuer’s shares as well on Issuer’s bond yield.**

Information of declared and paid dividends on shares for 1998

Class of shares	Registered ordinary shares	Registered preferred shares
Amount of declared dividends on Issuer’s each class (type) of shares per one share	0,074 rubles	0,318 rubles
In aggregate per all shares of one class (type)	2.480.407,85 rubles	3.553.101,45 rubles
Name of Issuer’s management body passing resolution (declaring) on dividend payment on Issuer’s shares	General Meeting of Shareholders	
Date of meeting (session) of Issuer’s management body where resolution on payment (declaration) of dividend was passed	June 23, 1999	
Date and No. of minute of Issuer’s management body meeting (session) where resolution on payment (declaration) of dividend was passed	June 23, 1999 Minute No. 6	
Period set for payment of declared dividend on Issuer’s shares	From August 17, 1999 till December 31, 1999	From August 17, 1999 till December 31, 1999
Form and other payment terms of Issuer’s shares’ dividend	in cash	
Accounting period (year, quarter) of dividend payment on Issuer’s shares	for 1998	
Total amount of dividend paid on all Issuer’s shares of one class per each accounting period where resolution of dividend payment (declaration) was passed	2.451.205,48 rubles	3.523.899,08 rubles
Reasons of failure to pay declared dividends	Due to incomplete or changed data of shareholders	

Information of declared and paid dividends on shares for 1999

Class of shares	Registered ordinary shares	Registered preferred shares
Amount of declared dividends on		

Issuer's each class (type) of shares per one share	0,256 rubles	1,024 rubles
In aggregate per all shares of one class (type)	8.580.870,4 rubles	11.441.433,6 rubles
Name of Issuer's management body passing resolution (declaring) on dividend payment on Issuer's shares	General Meeting of Shareholders	
Date of meeting (session) of Issuer's management body where resolution on payment (declaration) of dividend was passed	June 15, 2000	
Date and No. of minute of Issuer's management body meeting (session) where resolution on payment (declaration) of dividend was passed	June 27, 2000 Minute No. 7	
Period set for payment of declared dividend on Issuer's shares	From August 15, 2000 till December 31, 2000	From August 15, 2000 till December 31, 2000
Form and other payment terms of Issuer's shares' dividend	in cash	
Accounting period (year, quarter) of dividend payment on Issuer's shares	For 1999	
Total amount of dividend paid on all Issuer's shares of one class per each accounting period where resolution of dividend payment (declaration) was passed	8.242.305,32 rubles	11.102.868,52 rubles
Reasons of failure to pay declared dividends	Due to incomplete or changed data of shareholders	

#### Information of declared and paid dividends on shares for 2000

Class of shares	Registered ordinary shares	Registered preferred shares
Amount of declared dividends on Issuer's each class (type) of shares per one share	0,409 rubles	1,466 rubles
In aggregate per all shares of one class (type)	13.709.281,23 rubles	16.380.021,15 rubles
Name of Issuer's management body passing resolution (declaring) on dividend payment on Issuer's shares	General Meeting of Shareholders	
Date of meeting (session) of Issuer's management body where resolution on payment (declaration) of dividend was passed	June 29, 2001	
Date and No. of minute of Issuer's management body meeting (session) where resolution on payment (declaration) of dividend was passed	June 10, 2001 Minute No. 8	
Period set for payment of declared dividend on Issuer's shares	Till December 31, 2001	Till August 28, 2001
Form and other payment terms of Issuer's shares' dividend	in cash	
Accounting period (year, quarter) of dividend payment on Issuer's shares	For 2000	
Total amount of dividend paid on all Issuer's shares of one class per each accounting period where resolution of dividend payment (declaration) was passed	13.146.527,99 rubles	15.817.267,9 rubles

Reasons of failure to pay declared dividends	Due to incomplete or changed data of shareholders
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### Information of declared and paid dividends on shares for 2001

Class of shares	Registered ordinary shares	Registered preferred shares
Amount of declared dividends on Issuer's each class (type) of shares per one share	0,427 rubles	1,282 rubles
In aggregate per all shares of one class (type)	14.312.623,68 rubles	14.324.138,55 rubles
Name of Issuer's management body passing resolution (declaring) on dividend payment on Issuer's shares	General Meeting of Shareholders	
Date of meeting (session) of Issuer's management body where resolution on payment (declaration) of dividend was passed	May 28, 2002	
Date and No. of minute of Issuer's management body meeting (session) where resolution on payment (declaration) of dividend was passed	June 4, 2002 Minute No. 10	
Period set for payment of declared dividend on Issuer's shares	Till December 31, 2002	Till July 27, 2002
Form and other payment terms of Issuer's shares' dividend	in cash	
Accounting period (year, quarter) of dividend payment on Issuer's shares	For 2001	
Total amount of dividend paid on all Issuer's shares of one class per each accounting period where resolution of dividend payment (declaration) was passed	14.270.848,64 rubles	14.282.363,51 rubles
Reasons of failure to pay declared dividends	Due to incomplete or changed data of shareholders	

### Information of declared and paid dividends on shares for 2002

Class of shares	Registered ordinary shares	Registered preferred shares
Amount of declared dividends on Issuer's each class (type) of shares per one share	0,31 rubles	0,58 rubles
In aggregate per all shares of one class (type)	29.629.745,13 rubles	18.076.396,00 rubles
Name of Issuer's management body passing resolution (declaring) on dividend payment on Issuer's shares	General Meeting of Shareholders	
Date of meeting (session) of Issuer's management body where resolution on payment (declaration) of dividend was passed	June 11, 2003	
Date and No. of minute of Issuer's management body meeting (session) where resolution on payment (declaration) of dividend was passed	June 20, 2003 Minute No. 12	
Period set for payment of declared dividend on Issuer's shares	From July 1, 2003 till December 31, 2003	From June 13, 2003 till August 10, 2003
Form and other payment terms of Issuer's shares' dividend	In cash	

Accounting period (year, quarter) of dividend payment on Issuer's shares	For 2002	
Total amount of dividend paid on all Issuer's shares of one class per each accounting period where resolution of dividend payment (declaration) was passed	28.290.328,19 rubles	17.008.831,98 rubles
Reasons of failure to pay declared dividends	Some transfers are not possible due to incorrect bank details and bank details of some shareholders are unavailable	

### Information of Issuer's bond yield

Type of securities, series, form and other identification signs of the issue	registered interest-bearing non-documentary bonds of the 1 <sup>st</sup> series
State registration number of bonds issue and state registration date	4-01-30166-F 19.10.1998
State registration date of report of bonds issue totals	23.06.1999
Number of issued bonds	250 000 pieces (registered issued volume) 95 665 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 100 rubles Volume of bonds issue: 25 000 000 rubles (placed in fact - 9 566 500 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (100 rubles) Interest (2% annually) Discount is not available
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	per one bond: 102 rubles In aggregate per all issued bonds (placed in fact): 9 757 830 rubles
Period set for payment of yield on issued bonds	17.05.2001 – 16.11.2001
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2001
Total yield paid on all issued bonds per each accounting period when such return was paid	9 757 830 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	N/a

Type of securities, series, form and other identification signs of the issue	registered interest-bearing non-documentary bonds of the 2 <sup>nd</sup> series
State registration number of bonds issue and state registration date	4-02-30166-F 16.08.1999
State registration date of report of bonds issue totals	07.08.2000
Number of issued bonds	3 000 pieces (registered issued volume) 1 872 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 3000 rubles Volume of bonds issue: 9 000 000 rubles (placed in fact - 5 616 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (3 000 rubles) Interest (0,1% of bond par value) Discount is not available

Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	per one bond:3 003 rubles In aggregate per all issued bonds (placed in fact): 5 621 616 rubles
Period set for payment of yield on issued bonds	01.07.2001 – 01.12.2001
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2001
Total yield paid on all issued bonds per each accounting period when such return was paid	5 621 616 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds of the 3 <sup>rd</sup> series
State registration number of bonds issue and state registration date	4-03-30166-F 16.08.1999г.
State registration date of report of bonds issue totals	07.08.2000
Number of issued bonds	7 000 pieces (registered volume of issue) 5 493 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 3 000 rubles Volume of bond issue: 21000000 rubles (placed in fact - 16 479 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (3 000 rubles) Interest (0,1% of par value) Discount is unavailable
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	Per one bond: 3 003 rubles In aggregate on all issued bonds (placed in fact): 16 495 479 rubles
Period set for payment of yield on issued bonds	01.07.2001 – 01.12.2001
Form and other payment terms of yield on issued bonds	Funds
Accounting period of payment of yield on issued bonds	2001
Total yield paid on all issued bonds per each accounting period when such return was paid	16 495 479 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds of the 4 <sup>th</sup> series
State registration number of bonds issue and state registration date	4-04-30166-F 21.02.2002
State registration date of report of bonds issue totals	17.06.2002
Number of issued bonds	400 pieces (registered volume of issue) 400 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 7 000 rubles Volume of bond issue: 2 800 000 rubles (placed in fact - 2 800 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (7 000 rubles) Interest (1% of par value) Discount return is unavailable
Amount of yield payable on issued bonds in money	Per one bond: 7 070 rubles

value per one bond and in aggregate per all issued bonds	In aggregate on all issued bonds (placed in fact): 2 828 000 rubles
Period set for payment of yield on issued bonds	01.09.2002 – 01.02.2003
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2002 (paid in 2002)
Total yield paid on all issued bonds per each accounting period when such return was paid	2 828 000 rubles, (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds 5 серии
State registration number of bonds issue and state registration date	4-05-30166-F 21.02.2002
State registration date of report of bonds issue totals	17.06.2002
Number of issued bonds	400 (registered volume of issue) 400 (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 7 000 rubles Volume of bond issue: 2 800 000 rubles (placed in fact - 2 800 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (7 000 rubles) Interest (1% of par value) Discount return is unavailable
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	Per one bond: 7 070 rubles In aggregate on all issued bonds (placed in fact): 2 828 000 rubles
Period set for payment of yield on issued bonds	15.09.2002 – 10.02.2003
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2002 (paid in 2002)
Total yield paid on all issued bonds per each accounting period when such return was paid	2 828 000 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds of the 6 <sup>th</sup> series
State registration number of bonds issue and state registration date	4-06-30166-F 21.02.2002
State registration date of report of bonds issue totals	04.06.2002
Number of issued bonds	400 pieces (registered volume of issue) 400 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 7 000 rubles Volume of bond issue: 2 800 000 rubles (placed in fact - 2 800 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (7 000 rubles) Interest (1% of par value) Discount return is unavailable
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	Per one bond: 7 070 rubles In aggregate on all issued bonds (placed in fact): 2 828 000 rubles
Period set for payment of yield on issued bonds	01.10.2002 – 20.02.2003

Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2002 (paid in 2002)
Total yield paid on all issued bonds per each accounting period when such return was paid	2 828 000 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds of the 7 <sup>th</sup> series
State registration number of bonds issue and state registration date	4-07-30166-F 21.02.2002
State registration date of report of bonds issue totals	17.06.2002
Number of issued bonds	400 pieces (registered volume of issue) 400 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 7 000 rubles Volume of bond issue: 2 800 000 rubles (placed in fact - 2 800 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (7 000 rubles) Interest (1% of par value) Discount return is unavailable
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	Per one bond: 7 070 rubles In aggregate on all issued bonds (placed in fact): 2 828 000 rubles
Period set for payment of yield on issued bonds	15.10.2002 – 01.03.2003
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2002
Total yield paid on all issued bonds per each accounting period when such return was paid	In 2002 payments are made on 328 issued bonds in amount of 2 318 960 rubles In 2003 payments are made on 72 issued bonds in amount of 509 040 rubles Total 2 828 000 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

Type of securities, series, form and other identification signs of the issue	Registered interest-bearing non-documentary bonds of the 8 <sup>th</sup> series
State registration number of bonds issue and state registration date	4-08-30166-F 21.02.2002
State registration date of report of bonds issue totals	17.06.2002
Number of issued bonds	400 pieces (registered volume of issue) 400 pieces (placed in fact)
Par value of each bond of the issue and volume of bonds issue at par value	Par value: 7 000 rubles Volume of bond issue: 2 800 000 rubles (placed in fact - 2 800 000 rubles)
Type of yield paid on issued bonds (par value, interest (coupon), other)	Par value (7 000 rubles) Interest (1% of par value) Discount return is not available
Amount of yield payable on issued bonds in money value per one bond and in aggregate per all issued bonds	Per one bond: 7 070 rubles In aggregate on all issued bonds (placed in fact): 2 828 000 rubles



Period set for payment of yield on issued bonds	15.11.2002 – 10.03.2003
Form and other payment terms of yield on issued bonds	funds
Accounting period of payment of yield on issued bonds	2002 (paid in 2003)
Total yield paid on all issued bonds per each accounting period when such return was paid	2 828 000 rubles (on all issued bonds placed in fact), totally paid
Other information of yield on issued bonds	n/a

**8.10. Another information**

*N/a*

**ATTACHMENT 1.**

Translation from the original in English

OJSC FETEC

Financial accounting

As of December 31, 2000 and 2001

With report of independent audit company

## Translation from original in English

### **REPORT OF INDEPENDENT AUDIT COMPANY**

To the shareholders and the Board of Directors of the OJSC FETEC:

To OJSC FETEC shareholders and Board of Directors

We audited the attached balance-sheet of OJSC FETEC (hereinafter referred to as the Company) as of December 31, 2001 and respective profit and loss account, share capital change report, cash flow statement for 2001 shown taking account of ruble purchasing power as of December 31, 2001. The Company management shall be liable for preparation of the given financial accounting. We are obliged to express our opinion regarding the given financial statements on the basis of our audit.

We audited in accordance with International Audit Standards. These standards require to plan and conduct audit in order to have adequate insurance that financial accounting contains no substantial deviations. The audit includes selection check of primary documents confirming financial accounting and relevant notes. The audit also includes assessment of applied significant accounting principles, evaluation of provisions made by the Company management as well as general content of financial accounting. We believe that our audit gives sufficient grounds to express our opinion of the given financial statements.

We believe that financial accounting in every significant respect reliably reflects financial condition of OJSC FETEC as of December 31, 2001, financial results and cash flow for the respective year in accordance with International Standards of Financial Accounting.

Without any reservations we draw attention to Note 1 and 2 and financial accounting describing retaining political and economic uncertainty for enterprises operating within Russian Federation, influence of tariff regulation and planned Company reorganization. Such uncertainty will in future influence Company business and financial position. Effect of such uncertainties can not be determined at present and this financial accounting doe not contain adjustments showing probable future effect on reimbursement and classification of assets or amount and classification of liabilities which may arise out of such uncertainties.

PJSC ERNST AND YOUNG VNESHAUDIT Moscow

August 16, 2002

## Translation from original in English

### OJSC FETEC

#### Balance sheets as of December 31, 2001 and 2000

*(in thousands of Russian rubles taking account of ruble purchasing power as of December 31, 2001.)*

	Note	2001	2000 (not audited)
<b>Assets</b>			
<b>Long-term assets</b>			
Fixed assets	4,5	2.465.104	2.367.943
Intangible assets	6	3.771	10.576
Long-term investments	7	5.568	5.428
Advance payments to equipment suppliers	4	36.377	5.998
Total long-term assets		2.510.820	2.389.945
<b>Current assets</b>			
Stock	8	82.716	92.020
Accounts receivable for principal activity	9	79.045	62.119
Other current assets	10	92.380	76.018
Funds and their equivalents	11	31.878	35.455
Total current assets		286.019	265.612
Total assets		2.796.839	2.655.557
<b>Shareholders' equity and obligations</b>			
<b>Shareholders' equity</b>			
Share capital	12	446.933	446.933
Retained profit		1.521.083	1.426.552
Total shareholders' equity		1.968.016	1.873.485
<b>Long-term liabilities</b>			
Long-term borrowed funds	13	60.223	102.338
Contributions in form of equipment	14	19.393	8.289
Leasing liabilities	5	51.471	-
Debt on deferred taxation	19	294.229	392.302
Total long-term liabilities		425.316	502.929
Contingent and implicit liabilities	21	-	-
<b>Current liabilities</b>			
Accounts payable and liabilities charged	15	164.365	130.870
Debt on taxes and social security	16	34.652	16.491
Debt to Rostelecom	22	14.425	14.451
Dividends payable		1.911	3.203
Short-term borrowed funds	13	89.000	64.120
Short-term part of long-term borrowed funds	13	99.154	50.008
Total current liabilities		403.507	279.143
Total liabilities and shareholders' equity		2.796.839	2.655.557

*Attached notes to the financial accounting are an integral part of the financial accounting..*

## Translation from original in English

### OJSC FETEC

Profit and loss accounts for years ending on December 31, 2001 and 2000

*(in thousands of Russian rubles taking account of ruble purchasing power as of December 31, 2001 save share return information)*

	Note	2001	2000 (not audited)
Profit	17	1.475.251	1.501.938
Transaction costs			
Personnel costs		(579.751)	(572.856)
Depreciation		(255.422)	(240.222)
Materials, repair, maintenance and utilities		(168.567)	(172.238)
Transaction taxes		(46.442)	(75.033)
Payments to Russian communication operators		(194.620)	(188.709)
Expenses on doubtful debts		(19.573)	(4.357)
(loss) profit from fixed assets retirement		(44.175)	3.788
Other transaction costs		(142.930)	(142.650)
Total transaction costs		(1.451.480)	(1.392.277)
Profit from principal business		23.771	109.661
Interest expenses	18	(31.738)	(29.000)
Other profit and (costs), net		(29.183)	22.389
Profit from change of ruble purchasing power		116.281	76.700
Pre-tax profit		79.131	179.750
Reimbursement (expenses) on profit tax	19	45.490	(133.174)
Net profit		124.621	46.576
Dividends on preferred shares	12	(16.380)	(13.594)
Profit after distribution		108.241	32.982
Share yield			0,98396
Number of declared and issued shares		33.520.025	33.520.025

*Attached notes to the financial accounting are an integral part of the financial accounting..*

## Translation from original in English

### OJSC FETEC

Money flow reports for years ending on December 31, 2001 and 2000

*(in thousands of Russian rubles taking account of ruble purchasing power as of December 31, 2001)*

	2001	2000 (not audited)
Proceeds from principal business		
Pre-tax profit	79.131	179.750
Adjustments for determining money amount		
From principal business		
Depreciation and wear	255.422	240.224
Loss (profit) from fixed assets retirement	44.175	(3.788)
Expenses on interests	31.738	29.000
Profit from change of ruble purchasing power	(116.281)	(76.700)
Loss (profit) from change of exchange rate	13.571	(4.343)
Reduction of doubtful debt reserve	19.573	4.357
(increase) of accounts receivable	(30.223)	(29.500)
(increase) of Inventory	(5.758)	(8.741)
(increase) of other current assets	(30.993)	(59.601)
Increase of accounts payable and liabilities charged	16.897	53.886
Increase /(decrease) of tax and social charges	22.664	(13.207)
Interest paid	(31.819)	(26.513)
Profit tax paid	(52.584)	(86.058)
<b>Money from principal business</b>	<b>215.513</b>	<b>198.766</b>
Money flow associated with investment		
Capital investments	(221.911)	(177.090)
(purchase)/sale of financial investments	(7.290)	1.967
Interest received	81	-
<b>Money used in investment</b>	<b>(229.120)</b>	<b>(175.123)</b>
Money associated with financial activity		
Attraction of long-term credits and loans	121.101	138.040
Repayment of long-term credits and loans	(110.191)	(119.808)
Payments under financial lease	(22.956)	-
Dividends paid	(28.798)	(23.402)
<b>Net funds used in financial activity</b>	<b>(40.844)</b>	<b>(5.170)</b>
Inflation effect on funds	48.634	(17.845)
Exchange rate change effect on funds and their equivalents	2.240	76
(decrease)/increase of funds	(3.577)	704
Funds and their equivalents as of beginning of the year	35.455	34.751
Funds and their equivalents as of the end of the year	31.878	35.455
Reliable operations		
Fixed assets under financial lease	98.921	•
Equipment without compensation	12.866	8.378

*Attached notes to the financial accounting are an integral part of the financial accounting..*

## Translation from original in English

### OJSC FETEC

Reports of share capital alteration for years ending on December 31, 2001 and 2000  
(in thousands of Russian rubles taking account of ruble purchasing power as of December 31, 2001)

				<b>Total</b>
		<b>Share capital</b>	<b>Retained profit</b>	<b>Share capital</b>
<b>As of December 31, 1999</b>	<b>(not audited)</b>	446.933	1.403.766	1.850.699
Net profit		-	46.576	46.576
Dividends for 1999		-	(23.790)	(23.790)
<b>As of December 31, 2000</b>	<b>(unaudited)</b>	446.933	1.426.552	1.873.485
Net profit		-	<b>124.621</b>	<b>124.621</b>
Devedends for 2000		-	<b>(30.090)</b>	<b>(30.090)</b>
<b>As of December 31, 2001</b>		<b>446.933</b>	<b>1.521.083</b>	<b>1.968.016</b>

*Attached notes to the financial accounting are an integral part of the financial accounting..*

## ENGLISH TRANSLATION OF THE

### ORIGINAL

### OJSC FETEC

#### Notes to the financial accounting

As of December 31, 2001 and December 31, 2000

*(in thousands of Russian rubles taking account of ruble purchasing power as of December 31, 2001)*

#### **1. Description of the Company operation and economic situation in Russia**

##### **Company operation**

Open Joint Stock Company FETEC (hereinafter referred to as the OJSC FETEC or the Company) was incorporated under Russian Federation laws. The Company is located 57 Svetlanskaya St., Vladivostok (Russian Federation). The Company holds license for telephone communication (including city, long-distance and international communication, telegraph, data transmission, lease of communication lines, radio communication) within Primorsky region of RF till September 3, 2004.

Average payroll number of Company employees in 2001 and 2000 was approximately 5.739 and 5.776 persons respectively.

Holding Company OJSC Svyazinvest controlled by the government held 50,67% Of Company voting shares as of December 31, 2001 and 2000. International and long-distance communication is provided by OJSC Rostelecom, the subsidiary of OJSC Svyazinvest.

##### **Company formation**

RF Government on December 22, 1992 made an order No., 1003 "About privatization of communication companies" initiating privatization in Russian telecommunication industry. According to State privatization plan joint stock companies were formed instead of state enterprises at the first stage.

The Company was incorporated in the RF on May 12, 2004 in accordance with RF President order No., 721 dated July 1, 1992 "About organizational measures to reform state enterprises, voluntary associations of state enterprises to Joint stock companies" (approving privatization plan and assets evaluation of the Company). Company net assets were evaluated for privatization purposes as of December 31, 1993 according to Provision of accounting and reports within Russian Federation. Company financial accounting as of privatization was based on introductory balance amount under Russian accounting data. In 1998 all ordinary shares of the Company held by the state were transferred to the OJSC Svyazinvest.

## **ENGLISH TRANSLATION OF THE**

### **ORIGINAL**

### **OJSC FETEC**

### Notes to the financial accounting

### (continuation)

#### **1. Description of the Company operation and economic situation in Russia (continuation)**

##### **Economic and political situation**

Russia faced significant political, economic and social changes during passed decade. Russia being a country of transitional economy lacks developed business and legislative infrastructure common for countries with more developed market economy. RF Government at present attempts to solve these problems but reforms aimed at formation of bank, tax and legislative system are not completed yet. National debt default and ruble devaluation in 1998 prove that economic operation in Russia is associated with risks not common for countries with developed market economy. These risks remain in modern Russian economy causing inconvertibility of national currency abroad, onerous currency exchange regulation, low liquidity of long-term credit and capital markets, high inflation etc.

In foreseeable future Company operation may be subject to such risks and their effects. This results in some uncertainty that may influence future commercial activity of the Company, assets payback and maintenance of periods of obligation extinction. Financial accounting attached does not contain adjustments to be entered as a result of solving these uncertainties in future. Such adjustments if necessary may be shown in financial accounting as they arise and their quantitative evaluation is possible.

#### **2. Market situation, liquidity and financial resources of the Company**

##### **Tariff formation**

In accordance with Russian Antimonopoly Laws OJSC FETEC comes under state tariff regulation as monopolist company.

Ministry of Antimonopoly Policy and Business Support sets tariffs for city telephone communication since 1999. Tariffs for long-distance communication are set by Federal Service of natural monopolies in communication area. The right to set tariffs of regional operators of international communication is transferred to the OJSC Rostelecom.

Tariffs for telecommunication services as a rule are set in rubles and do not account cost compensation for services and necessary level of investment to network development. Tariff determination process common for western countries is not applied in Russia as social and political reasons and general inflation significantly affect tariff change decision.



## ENGLISH TRANSLATION OF THE

### ORIGINAL

### OJSC FETEC

#### Notes to the financial accounting

(continuation)

#### 2. Market situation, liquidity and financial resources of the Company

(continuation)

##### Tariff formation (continuation)

Management of the OJSC Svyazinvest took some measures to change existing tariff system. In particular as a short-term measure communication service tariffs were increased in June 1999, January and August 2000 and July 2001.

##### Company reorganization

Preparation for reorganization of companies involved in group of the OJSC Svyazinvest started in 2001. reorganization will be carried out mainly on regional basis by obtaining consent of shareholders for affiliation of companies involved in the group of the OJSC Svyazinvest.

- OJSC Telecommunication of Magadan region,
- OJSC Telecommunication of Sakhalin region,
- OJSC Telecommunication of Jewish Autonomous Region,
- OJSC Telecommunication of Kamchatka region,
- OJSC Telecommunication of Amur region,
- OJSC Telecommunication of Khabarovsk region,

Extraordinary General Meeting of Shareholders held on October 30, 2001 passed a resolution to name associated companies as OJSC FETEC. Extraordinary General Meetings of Shareholders of affiliated companies passing resolution to affiliate to the OJSC FETEC were held on below-mentioned dates:

- |   |                    |
|---|--------------------|
| - OJSC Telecommunication of Magadan region,           | June 21, 2001      |
| - OJSC Telecommunication of Sakhalin region,          | June 27, 2001      |
| - OJSC Telecommunication of Jewish Autonomous Region, | June 19, 2001      |
| - OJSC Telecommunication of Kamchatka region,         | June 22, 2001      |
| - OJSC Telecommunication of Amur region,              | September 25, 2001 |
| - OJSC Telecommunication of Khabarovsk region,        | June 22, 2001      |

Merger is planned to be completed in 2002. as final financial effect of Company reorganization can not be determined as of December 31, 2001, no reserve for obligations that may arise as a result of merger was formed in the financial accounting.

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### OJSC FETEC

#### Notes to the financial accounting

(continuation)

#### **2. Market situation, liquidity and financial resources of the Company**

(continuation)

##### **Availability of financial resources**

Recently new operators offering extra services appear on telecommunication markets of Russia. High competition dictates necessity to attract funds to finance updating of existing networks. Existing tariff formation procedures and industry regulation affect negatively Company ability to generate necessary money flows and at the same time Company access to financial resources is restricted. Thus situation with sustaining Company liquidity and availability of sufficient sources of finance remains mainly uncertain. This results in excess of short-term liabilities over short-term assets of the Company being 117.488 as of December 31, 2001 (2000: 13.531).

Though the Company intends to continue search of additional sources of finance of investment program under conditions corresponding to long-term nature of these investments, the Management can not guarantee that such long-term financing may be attracted in future under commercially acceptable conditions. Besides, probably search of additional financing may result in company's necessity to use financing in currency. Internal risk (associated with change of currency exchange rate) is common for currency obligations and worked-through hedging instruments to manage it are not available.

The Company plans to use sources of finance as follows in 2002: a) funds at Company bank accounts; б) money flows from principal activity; в) financial resources of Russian credit organizations and г) commodity credits from equipment suppliers.

Besides, Company management managed to postpone due date for some current operations and it believes that such opportunity will exist in future in case of insufficient Company current capital to cover current expenses.

Nevertheless Company the management believes that in future money flows from principal activity will be sufficient for financing current activity. Thus attached financial accounting is given on the basis of principle of continuity of company operation and is not adjusted to probable affect of the above-mentioned uncertainty factors.

**ENGLISH TRANSLATION OF THE**

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Notes to the financial accounting

(continuation)

**2. Market situation, liquidity and financial resources of the Company**

**(continuation)**

**Disclosure of quantitative and qualitative information about market risk**

The most significant elements of Company market risk are risks associated with interest rate and exchange rate fluctuation.

The Company may have losses or profit from change of exchange rate. The Company does not use instruments of currency risk hedging which arise in course of principal activity.

*Sensitivity to interest rate change*

Company interest risk is insignificant because as of December 31, 2001 Company unredeemed obligations made up 248.402 and (2000: 216.466), and there were no obligation under credits granted to the Company against floating interest rate.

Amount of Company additional financial expenses that may result from hypothetical sudden and unfavorable change of interest rate under such credits by 100 basic points makes up approximately 216. This sensitivity analysis is based on admission of unfavorable change of interest rates by 100 basic points on each homogenous category of financial assets and liabilities. Homogeneous category is determined by currency of financial assets and liabilities as well as assumes similar change of interest rate inside the category.

*Sensitivity to exchange rate change*

Foreign currencies and in particular US Dollar greatly affect economic conditions of Russian commercial operations. The table shows consolidated information about Ruble exchange rate to US Dollar:

<u>As of</u>	<u>Exchange rate</u>
December 31, 1997	5,96
December 31, 1998	20,65
December 31, 1999	27,00
December 31, 2000	28,16
December 31, 2001	30,14
August 16, 2002	31,57

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Notes to the financial accounting  
(continuation)

**2. Market situation, liquidity and financial resources of the Company**

(continuation)

**Disclosure of quantitative and qualitative information about market risk (continuation)**

The table gives consolidated information on ruble exchange rate to Euro:

<u>As of</u>	<u>Exchange rate</u>
December 31, 2000 _____	26,14
December 31, 2001	26,49
August 16, 2002	30,87

RF Central bank set strict rules for regulation of currency operations in order to promote ruble in business turnover. These rules provide restrictions for ruble conversion in hard currency and set particular requirements for hard currency conversion to ruble.

The Company does not use hedging instruments such as currency forward contracts, currency options, interest rate swaps or future interest rate agreements for the purpose of such risks' management.

**Taxation system in Russia**

At present Russia has some taxes regulating regional and federal taxation. Taxation system includes Value-added tax, business profit tax, some turnover taxes, payroll taxes as well as a range of other taxes. In contrast to developed economies existing taxation is applied in Russia not for a long time so interpretation and application of such legislation is often contradictory. Tax returns along with other documents subject to legislative regulation (e.g. documents of customs and currency control) are inspected by various offices authorized to impose rather high penalty, fine and interest. Such facts cause much higher tax risks in Russia in contrast to countries with developed taxation.

Recently Russian government initiated review of taxation system. The 1<sup>st</sup> part of Taxation Code has entered into force since January 1, 1999. The 2<sup>nd</sup> part of the Taxation Code has entered into force since January 1, 2001. In general taxation is aimed at reducing number of taxes and therefore reducing tax burden of businesses and at simplifying taxation legislation.

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### Notes to the financial accounting

(continuation)

#### **3. Main provisions of accounting policy**

The Company management thinks that tax liabilities are adequately shown in this financial accounting, nevertheless there is a risk that tax authorities will have different idea in terms of disputable taxation matters thus having significant influence on Company financial position.

#### **Main approaches to composition of financial accounting**

The Company keeps accounts and prepares accounting in rubles subject to Provision of Accounting and reports in RF. Financial accounting under International Standards of Financial Accounting is made on the basis of accounting prepared under Russian rules on the basis of initial cost method.

Accounting made under Russian rules is adjusted with help of corrections and reclassifications in format subject to ISFA requirements for the purpose of submitting financial accounts of ISFA.

Preparation of financial accounting requires certain admissions affecting assets and liabilities' amounts shown in the accounting, disclosure of contingent liabilities as of accounting date as well as amounts of revenue and operational expenses for the accounting period. The most essential admissions refer to payback and useful life of fixed assets, reserve for bad and doubtful debt and deferred taxation. Actual results may differ from results of admissions made.

#### **Ассоциированные компании**

According to ISFA associated companies are accompanied greatly influenced by the OJSC FETEC and as a rule with FETEC holding from 20% to 50% of voting shares, these companies are accounted using shareholding method. Company share in net profit (loss) of associated companies is included in profit and loss account, whenever Company share in net assets of associated companies is included in the balance sheet.

#### **Other financial investments**

Other financial investments are shown under initial cost. In case of decrease of investments value (save temporary) their book value is reduced down to assumed realizable value. Dividends and interest are shown as they are received and accrued respectively. Financial investment are classified as long-term if expected period of having them exceeds one year, otherwise they are classified as short-term.

# ENGLISH TRANSLATION OF THE

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#### Notes to the financial accounting

(continuation)

#### 3. Main provisions of accounting policy (continuation)

#### 4. Accounting of inflation effect

Attached financial accounting is made under ISFA according to original cost method adjusted under ISFA requirements No., 29 Financial accounting under hyperinflation (ISFA No., 29).

Adjustments and reclassifications in the accounting made under Russian standards for conformity with ISFA include adjustment in terms of change of ruble purchasing power according to ISFA No., 29. such standard requires to make financial accounting prepared in currency of country with hyperinflation economy on the basis of current purchasing power of currency of this country as of balance sheet date. Such adjustment was calculated using conversion factors on the basis of consumer price index in the RF published by RF State Committee of Statistics.

Below-mentioned are indices and respective conversion factors in ration to prices of 2001 года (2001 = 1,0) for adjustment of financial accounting in years ending on December 31

Year	Index	Conversion factor
1992	7.541	314,8
1993	67.846	35,0
1994	211.612	11,2
1995	487.575	4,9
1996	594.110	4,0
1997	659.403	3,6
1998	1.216.401	2,0
1999	1.663.091	1,4
2000	1.997.843	1,2
2001	2.374.037	1,0

The following principles are used for adjustment of financial accounting taking account of ruble current purchasing power:

- All amounts including comparative data as of December 31, 2000 are given in money terms taking account of purchasing power of monetary unit as of December 31, 2001;
- Cash assets and liabilities as of December 31, 2001 were not adjusted as they were already given taking account of purchasing power of monetary unit as of December 31, 2001;
- nonmonetary assets and liabilities failed to be given taking account of ruble purchasing power as of December 31, 2001 and shareholders' equity were adjusted using respective conversion factors;

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Notes to the financial accounting  
(continuation)

**3. Main provisions of accounting policy (continuation)**

- Reappraisal of fixed assets value of previous periods is referred to increase of item Retained profit and other reserves of the balance sheet;
- All items in profit and loss account and cash flow statement were adjusted using respective ratio for the period save wear, depreciation and loss from retirement of fixed assets and other assets;
- Inflation effect of Company net money position is shown in profit and loss account as profit or loss from change of monetary unit purchasing power.

**Comparative data**

Comparative data for 2000 is given taking account of monetary unit purchasing power as of December 31, 2001. if necessary comparative data was reclassified in accordance with change of information submission format in the current year.

**Fixed assets**

Fixed assets are given according to initial cost of purchasing less wear calculated using linear method. As mentioned above, Russian financial information is given in ruble without inflation adjustments. Ruble had fixed exchange rate to Dollar till 1992 and probably failed to reflect real market value. Besides, some fixed assets objects were purchased using centralized form through state authorities and further transferred to enterprises at prices set by the government. Основные средства отражены по первоначальной стоимости их приобретения за вычетом. Since 1992 in accordance with resolutions of state authorities some obligatory reassessments of fixed assets have been conducted.

Initial value of fixed assets was evaluated by independent appraisers as of December 31, 1997. evaluation results were used to determine initial book value of fixed assets starting from January 1, 1997. Fixed assets purchasing starting from January 1, 1997 is given according to purchasing value in ruble recalculated taking account of inflation from purchasing date to accounting date in accordance with ISFA No., 29.

Fixed assets value includes construction or purchasing cost including customs duties and nonrefundable tax as well as direct costs for putting fixed assets into operation. Trade discounts and benefits are deducted while calculating construction or purchasing cost. Significant improvements and updating extending useful life of fixed assets or greatly increasing economic effect of their use are capitalized. Repair and maintenance refer to financial results as respective expenses arise.

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Notes to the financial accounting  
(continuation)

**3. Main provisions of accounting policy (continuation)**

**Fixed assets (continuation)**

Fixed assets wear is charged to recalculated initial cost using straight-line depreciation within useful life of each class of fixed assets.

Buildings and structures	20-50 years
Analog switchboards	20 years
Digital switchboards	15 years
Cable and transmission equipment:	
Conduit	10-40 years
Wireless and wired transmitting apparatus	15-40 years
Vehicles	5 years
Computers, office and other equipment	3-10 years

Incompleted construction objects are shown as amount of actual costs made by the Company from beginning of construction till accounting date recalculated taking account of inflation index from date of costs to accounting date in accordance with ISFA No.,29. Wear is charged for incompleted construction up to putting into operation.

According to ISFA 36 the Company evaluates necessity to recognize long-term assets depreciation. The Company management takes into account such essential factors as duration of using assets involved in operational activity as well as forecasts of communication tariff rise and subscribers' base increase in Primorsky region.

**Fixed assets without compensation**

Fixed assets transferred to the company without compensation by clients or other companies and organizations beyond privatization are capitalized under market value as of fixed assets transfer date. Respective liability is accounted and transferred to financial result as fixed asset wear is charged in the same amount as wear.

If fixed assets without compensation fail to cause Company profit from communication services, they are not shown in accounting books of ISFA.

Grants of municipal authorities for fixed assets purchase are shown in the balance sheet as deferred revenue and refer to revenue within the whole life time of respective fixed assets according to ISFA 20 "Account of government grants and disclosure of information about government aid".



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Notes to the financial accounting  
(continuation)

**3. Main provisions of accounting policy (continuation)**

**Investment property**

The Company has determined investment property under ISFA 40 requirements as property (land, buildings and/or parts of building or both) in disposition (of the owner or lessee under financial leasing agreement) for obtaining rent or profit due to increase of capital value or from both, but not for using in production or sale of goods (services) or for administrative purposes and not for sale in course of ordinary business.

The Company recognizes investment property a part of assets if there is a probability of future economic advantages for the Company associated with investment property and such investment property may be evaluated on reliable basis.

**Financial leasing**

Equipment leasing where the Company to a great extent takes risks and obtains profit arising out of ownership is classified as financial leasing.

Fixed assets received under financial leasing agreement are shown as part of Company fixed assets according to lower-range value of capitalized value of lease amount (minimum lease) and assessed fair value of fixed asset. The same amount is initial book value of Company liabilities under financial leasing.

Incremental interest rate is applied as discounting ratio for calculation of capitalized value of minimum lease. Initial direct costs are included in assets amount. Lease is distributed among financial expenses and liability reduction. Financial payments are distributed according to periods within lease period so that to maintain constant interest rate for balance of liabilities as of end of each accounting period.

Fixed assets received under financial leasing are depreciated using straight-line method within estimated service life as well as other fixed assets of the same category owned by the Company.

**Operational leasing**

Operational leasing payments where the Company does not take risks or does not obtain profit arising out of ownership are shown as operational lease in respective period.

# ENGLISH TRANSLATION OF THE

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### OJSC FETEC

#### Notes to the financial accounting

#### (continuation)

### 3. Main provisions of the accounting policy (continuation)

#### Intangible assets

Intangible assets are shown according to initial value of purchasing. Intangible assets are recognized if there is a probability that they will cause inflow of economic benefits in the enterprise and asset value may be evaluated on reliable basis. Further intangible assets are accounted according to initial purchase cost less cumulative depreciation and cumulative losses due to devaluation.

Intangible assets are depreciated using straight-line method within useful life. The following useful life periods are used for depreciation:

Licenses	3-10 years (actual validity of licenses)	
Software		5 years
Other		3-10 years

#### *Software*

Purchasing value of software is capitalized and considered as intangible assets if this value is not an integral part of value of respective technical equipment.

#### Inventory

Inventory including cable, spare parts and auxiliary equipment are evaluated according to lower of two amounts such as purchasing value and net selling value. Net selling value is value of stock selling under condition of Company normal operation less marketing and sales expenses. Stock value in case of writing into production is determined using average weighted value method.

#### Accounts receivable

Accounts receivable from principal activity are shown less bad and doubtful debt reserve. A part of Company accounts receivable refers to state institutions and other budget organizations. Some political and economic factors taken into account for bad debt reserve of such group of subscribers influence probability of accounts receivable recovery.

## **ENGLISH TRANSLATION OF THE**

### **ORIGINAL**

### **OJSC FETEC**

### Notes to the financial accounting

### (continuation)

#### **3. Main provisions of the accounting policy (continuation)**

##### **Mutual offset and barter**

Some realized services are settled by mutual offset and barter operations. Such operations mainly are in form of direct supply of services or goods (barter) or in form of non-monetary settlements among several companies. These operations are shown in account under fair value determined by negotiations with counteragents.

##### **Funds and their equivalents**

Funds and their equivalents include cash, bank account balances and sound liquidity financial investments with maturity period up to three months (starting from investment date) with low risk of value decrease.

##### **Revenue**

Revenues are shown according to charge method i.e. as services are rendered and do not include Value-Added Tax (VAT). Revenues from installation, connection and maintenance as well as fee for out of order installation of telephone are recognized as services are rendered.

##### **Value-Added Tax**

According to RF Tax legislation Companies are allowed to pay VAT as proceeds is calculated or payment for services is received. VAT liabilities calculated by the Company are shown in the financial accounting according to charge method irrespective of payment selected by the Company. VAT charged from purchase proceeds shall be subject to set-off against VAT charged from sales proceeds de factor payment to supplies. VAT referred to assets purchase operations where settlements failed to be completed as of balance sheet date is shown in the balance sheet in expended form as respective assets or liabilities.

##### **Showing operations in currency**

Balances on money items of assets and liabilities in currency are evaluated in Russian rubles according to RF Central bank exchange rate as of year end. Operations in currency are accounted according to RF Central bank exchange rate as of operation date, profit and losses arising out of change of exchange rate after operation date are shown in the Profit and Loss Account as exchange differences.

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Notes to the financial accounting  
(continuation)**

**3. Main provisions of the accounting policy (continuation)**

**Showing operations in currency (continuation)**

Operations in rubles with assets and liabilities on them in currency (or conditional units) are shown in the Company accounting the same way as operations in currency.

**Interest on credits and loans**

Expenses on borrowed funds directly associated with purchasing and erection of fixed assets are capitalized as part of respective fixed assets value if the Company has real economic benefit from these funds operation and respective expenses may be subject to accurate evaluation. Capitalization of expenses on borrowed funds starts from object preparation for operation and stops when fixed assets are ready for operation for their end use.

Other interests and expenses on borrowed funds refer to current expenses of respective period.

**Pension provision expenses**

*Contributions to State pension Fund*

The Company makes all necessary contributions to the RF pension Fund as well as to Social Insurance and Employment Funds in respect of its employees. Company contributions to the pension Fund make up 28% of employees' wage fund and refer to expenses as they are charged.

*Contributions to Non-Governmental Pension Fund*

The Company accounts contributions to Non-governmental Pension Funds and arising liabilities under provisions of ISFA 19 "Remuneration of employees". Such contributions refer to expenses as they arise.

**Share yield**

Share yield was calculated by dividing net profit or loss for accounting period subject to distribution to shareholders holding ordinary shares (less dividend amount on preferred shares) by average weighted number of ordinary shares in circulation within this period. As of December 31, 2001 the Company had no issued shares that could reduce balance value or reduce share yield.

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Notes to the financial accounting  
(continuation)

**3. Main provisions of accounting policy (continuation)**

**Social liabilities**

*Maintenance of social sphere objects*

The Company makes costs aimed at maintaining some objects of local social infrastructure and improving welfare of employees including fees for construction, development and maintenance of accommodation and recreation places. Such costs including capital ones refer to expenses as they arise.

*Social payments to Company employees*

The Company makes social payments to the Company employees such as rewards, welfare, lump-sum training grant, medical service etc. Such costs refer to expenses as they arise and they are shown in the profit and loss account as part of wage expenses.

**Financial instruments**

Fair value of financial instruments is exchange amount of financial assets, repayment amount of financial liability in the process of transaction between informed persons willing to make transaction under market conditions. Financial instruments shown as of balance sheet date includes amounts at bank accounts and cash, financial investments available for sale, accounts payable and receivable as well as credits and loans. All financial instruments are initially recognized under historical value i.e. under value of assets transferred to another party (received from another party) in exchange for such instrument. Methods of further evaluation of financial instruments vary depending on its kind. Recognized accounting methods are disclosed separately as applied to each particular item.

The Company does not use hedging operations.

**Deferred profit tax**

Deferred tax assets and liabilities are calculated with respect to time differences according to ISFA No., 12 Profit tax accounting reviewed in 2000 (hereinafter referred to as the ISFA No., 12 (as amended in 2000)).

According to requirements of ISFA No., 12 (as reviewed in 2000) for the purpose of making financial accounting and accounting deferred profit tax it is necessary to use method of liability book value. Deferred profit tax reserve is formed according to all time differences arising between tax base of assets and liabilities and their book value. The most significant time differences arise in respect of assets.

**ENGLISH TRANSLATION OF THE**

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Notes to the financial accounting

(continuation)

**3. Main provisions of accounting policy (continuation)**

**Deferred profit tax (continuation)**

Deferred profit tax asset is shown to the extent of probability of taxable profit in future to which taxable base decreasing components of this asset may be applied.

Deferred profit tax assets and liabilities are calculated under tax rates to be applied in the period of assets disposal or obligation extinction on the basis of tax rates fully implemented or mainly implemented as of balance sheet date.

Profit tax rate has been increased up to 35% since January 1, 2001. profit tax rate has been reduced down to 24% since January 1, 2002. According to ISFA No., 12 (as amended in 2000) deferred profit tax amount associated with tax rate change is shown separately (see Note 19).

Reserve is stipulated for deferred profit tax assets where disposal is recognized doubtful.

Deferred profit tax liabilities referred to retained profit from membership in associated companies are recognized when there is sufficient probability of obtaining such profit by the Company in foreseeable future.

**ENGLISH TRANSLATION OF THE ORIGINAL**

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Notes to the financial accounting (continuation)

**4. Fixed assets**

As of December 31, 2001 and 2000 fixed assets are as follows

	<b>Buildings and structures</b>	<b>Switchboards and transmitting apparatus</b>	<b>Other fixed assets</b>	<b>Incompleted construction and equipment to be installed</b>	<b>Total</b>
<b>Initial cost</b>					
<b>As of December 31, 1999 (not audited)</b>	1.172.938	3.980.564	264.497	81.188	5.499.207
Proceeds (not audited)	–	–	–	232.164	232.164
Movement (not audited)	37.002	126.391	22.950	(186.343)	–
Retirement (not audited)	(3.032)	(22.269)	(8.849)	–	(34.150)
<b>As of December 31, 2000 (not audited)</b>	1.206.908	4.084.706	278.598	127.009	5.697.221
Proceeds (not audited)	–	–	–	<b>383.695</b>	<b>389.895</b>
Movement (not audited)	<b>6.373</b>	<b>235.102</b>	<b>103.314</b>	<b>(344.789)</b>	–
Retirement (not audited)	<b>(829)</b>	<b>(120.997)</b>	<b>(134.474)</b>	–	<b>(256.300)</b>
<b>As of December 31, 2001</b>	<b>1.212.452</b>	<b>4.198.811</b>	<b>247.438</b>	<b>165.915</b>	<b>5.824.616</b>
<b>Cumulative wear</b>					
<b>As of December 31, 1999 (not audited)</b>	323.693	2.145.689	191.484	–	2.660.866
Annual charge (not audited)	28.216	183.440	26.867	–	238.523
Retirement (not audited)	(1.728)	(18.280)	(8.663)	–	(28.671)
<b>As of December 31, 2000 (not audited)</b>	350.181	2.310.849	209.688	–	2.870.718
Annual charge	<b>28.878</b>	<b>192.999</b>	<b>31.040</b>	–	<b>252.917</b>
Retirement	<b>(778)</b>	<b>(111.459)</b>	<b>(110.446)</b>	–	<b>(222.683)</b>
<b>As of December 31, 2001</b>	<b>378.281</b>	<b>2.392.389</b>	<b>130.282</b>	–	<b>2.900.952</b>
<b>Depreciation loss</b>	<b>(149.652)</b>	<b>(297.692)</b>	<b>(11.216)</b>	–	<b>(458.560)</b>
<b>Depreciated cost as of December 31, 200 (not audited)</b>	707.075	1.476.164	57.695	127.009	2.367.943
<b>Depreciated cost as of December 31, 2001</b>	<b>684.519</b>	<b>1.508.730</b>	<b>105.940</b>	<b>165.915</b>	<b>2.465.104</b>

## ENGLISH TRANSLATION OF THE

### ORIGINAL

### OJSC FETEC

#### Notes to the financial accounting

#### (continuation)

#### 4. Fixed assets (continuation)

Other fixed assets include vehicles, computer and other equipment, office equipment and stock.

Incompleted construction and equipment to be installed are mainly incompleted construction of new telephone exchanges and other fixed assets objects failed to be put into operation. As of December 31, 2001 and 2000 advance payments made to suppliers of fixed assets in amounts of 36.377 and 5.998 respectively were classified separately in item advance payments made to fixed assets suppliers.

Some completely depreciated fixed assets in amount of approximately 129.501 are still used for communication services.

As of December 31, 2001 equipment in amount of 188.000 was pledge under credit agreement (Note 13).

The Company received rights to use buildings, switchboard equipment, transfer stations and other objects without compensation from authorities in the process of privatization. The Company does not own these fixed assets objects and transfer of such right to them is not expected. Thus such fixed assets are not shown in the financial accounting.

As of December 31, 1998 Company management assessed necessity to acknowledge depreciation of long-term assets. The Management noted indicators of potential depreciation of long-term assets as a result of financial crisis of August 1998 in RF. Such indicators are significant rise of Company liability to foreign equipment suppliers in rubles with maintenance of communication tariffs in rubles on pre-crisis level. Such assessment resulted in Company recognition of loss from depreciation of equipment not used in operational activity becoming obsolescent in amount of 458.560. Respectively as of December 31, 1998 the Company recognized initial cost of fixed assets to be equal to value of usage determined by ISFA 36 and cumulative tear equal to zero. Fixed assets are depreciated using linear rate method starting from January 1, 1999 within remaining useful life as of such date.

From 1999 to 2001 the Company management regularly assessed return of long-term assets resulting in lack of necessity to recognize additional depreciation.



**ENGLISH TRANSLATION OF THE  
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Notes to the financial accounting  
(continuation)

**5. Fixed assets in leasing**

In 2001 the Company entered into financial rent (leasing) agreement with Promsvyazleasing (Russian lessor company). Leasing agreement provides lease of switchboards and another telecommunication equipment, majority of which was received in 2001. Lease period is from 1 to 4 years. Depreciation of fixed assets received under leasing agreement did not charge as such equipment was not put into operation as of December 31, 2001.

As of December 31, 2001 and 2000 leasing liabilities were as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Up to 1 year	59.075	–
From 2 to 5 years	52.832	–
<b>Total leasing liabilities</b>	111.907	–
Financial expenses	(16.079)	–
<b>Total current value of leasing liabilities</b>	<b>95.828</b>	–
Including		
<b>Current part of leasing liabilities</b>	44.357	–
<b>Long-term part of leasing liabilities</b>	51.471	–
Leased equipment as of December 31, 2001 and 2000 is:		
	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Equipment in operation	<b>98.921</b>	–
Depreciation expenses	–	–
<b>Fixed assets in leasing, net</b>	<b>98.921</b>	–

**ENGLISH TRANSLATION OF THE  
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Notes to the financial accounting  
(continuation)

**6. Intangible assets**

Intangible assets involve:

	<b>Licenses</b>	<b>Software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Original cost</b>				
<b>As of December 31, 1999 (not audited)</b>	1.652	5.022	8.576	15.250
Earnings				
Not audited	230	2.209	69	2.508
Retirement (not audited)	(319)	(84)	-	(403)
<b>As of December 31, 2000 (not audited)</b>	1.563	7.147	8.645	17.355
Earnings	-	—	-	-
Retirement	(319)	(263)	(6.179)	(6.761)
<b>As of December 31, 2001</b>	1.244	6.884	2.466	10.594
<b>Accumulative tear</b>				
<b>As of December 31, 1999 (not audited)</b>	486	2.502	2.494	5.482
Earnings per annum (not audited)	405	1.109	185	1.698
Retirement (not audited)	(319)	(84)	-	(403)
<b>As of December 31, 2000 (not audited)</b>	572	3.527	2.679	6.778
Earnings per annum	309	1.712	484	2.505
Retirement	(318)	(264)	(1.878)	(2.460)
<b>As of December 31, 2001</b>	563	4.975	1.285	6.823
<b>Depreciated cost</b>				
<b>As of December 31, 2000 (not audited)</b>	990	3.620	5.966	10.576
<b>Depreciated cost As of December 31, 2001</b>	681	1.909	1.181	3.771

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Notes to the financial accounting

(continuation)

**7. Long-term financial investments**

Company financial investments as of December 31, 2001 and 2000 were as follows:

	Share of shareholding		Book value of investments	
	2001	2000	2001	2000
	<i>(not audited)</i>		<i>(not audited)</i>	
<b>Associated companies</b>				
<b>OJSC FETEC</b>				
PJSC Klondike	50%	50%	510	606
PJSC SFMT Vladivostok city	50%	50%	292	347
PJSC Primtelefon	50%	50%	-	-
<b>Other investments</b>				
PJSC JSCB Primorye	11%	11%	2.152	2.557
Closed-type JSC Telecom FEZ Nakhodka	6%	6%	1.101	1.308
Center of Telecommunication development problems research	13%	-	1.000	-
PJSC Dalstar	12%	12%	500	594
PJSC Rostelegraph	13%	13%	8	10
JSC Savings Bank Primorye	1%	1%	5	6
<b>Total long-term Financial investments, net</b>			<b>5.568</b>	<b>5.428</b>

All companies where the OJSC FETEC has financial investments are incorporated in the RF and their accounting date is December 31, 2001.

PJSC Primtelefon is the only associated company accounted under capital method. As of December 31, 2001 and 2000 PJSC incurred losses. As a result of capital method accounting book value of investments to the PJSC Primtelefon as of December 31, 2001 and 2000 was reduced down to zero.

Investments to other associated companies accounted using costs method less reserve for depreciation due to insignificant company share in net assets and net profit of these companies.

Other investments are investments in companies incorporated in the RF and mainly related to telecommunications industry in Primorsky region.

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**8. Inventory (net)**

Inventory as of December 31, 2001 and 2000 was as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Cable	<b>7.278</b>	6.103
Spare parts and materials	<b>55.384</b>	56.850
Goods for resale	<b>20.054</b>	29.067
<b>Total inventory, net</b>	<b>82.716</b>	92.020

As of December 31, 2001 and 2000 goods for resale involve telephone cards, directories and pagers.

**9. Accounts receivable**

Accounts receivable as of December 31, 2001 and 2000 were as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Commercial organizations	<b>22.120</b>	27.556
State and budget organizations	<b>120.080</b>	78.488
Population	<b>15.746</b>	19.318
<b>Total accounts receivable</b>	<b>157.946</b>	125.362
Less reserve for bad and doubtful debt		
	<b>(78.901)</b>	(63.243)
<b>Total accounts receivable less Reserve for bad and doubtful debt</b>	<b>79.045</b>	62.119

Reserve for doubtful accounts receivable as of December 31, 2001 and 2000 was calculated on the basis of data about distribution of accounts receivable according to approach periods.

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**10. Other current assets**

Other current assets as of December 31, 2001 and 200 were:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Advance payment	<b>40.847</b>	31.903
VAT subject to indemnity	<b>39.788</b>	25.883
Other	<b>17.889</b>	20.461
Reserve for other doubtful debts	<b>(6.144)</b>	(2.229)
<b>Total other current assets</b>	<b>92.380</b>	76.018

As of December 31, 2001 and 2000 other current assets include settlements with personnel, claim settlements and settlements with social funds etc.

**11. Monetary funds and their equivalents**

Monetary funds as of December 31, 2001 and 2000 include as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Cash funds	<b>2.427</b>	2.616
Funds in banks, in rubles	<b>22.929</b>	27.428
Funds in banks, in currency	<b>172</b>	482
Account, in rubles	<b>6.350</b>	4.929
<b>Total monetary funds and their equivalents</b>	<b>31.878</b>	35.455

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Notes to the financial accounting  
(continuation)

**12. Shareholders' equity**

total initial amount of declared, issued and paid-up authorized capital includes ordinary shares with par value of 10 Russian rubles per a share and preferred shares of A category with par value of 10 Russian rubles per a share.

	<b>Number of shares</b>		<b>Share capital</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>		<i>(not audited)</i>
<b>Preferred shares</b>				
Issued and paid up				
As of January 1	<b>11.173.275</b>	11.173.275	<b>111.733</b>	111.733
Issued within a year	–	–	–	–
<b>Остаток на 31 декабря</b>	<b>11.173.275</b>	11.173.275	<b>111.733</b>	111.733
<b>Обыкновенные акции</b>				
Issued and paid up				
As of January 1	<b>33.520.025</b>	33.520.025	<b>335.200</b>	335.200
Issued within a year	–	–	–	–
<b>Balance as of December 31</b>	<b>33.520.025</b>	33.520.025	<b>335.200</b>	335.200
<b>Total authorized capital</b>			<b>446.933</b>	446.933

Par value of preferred shares is 10 rubles per a share. Preferred shares have priority over ordinary shares in case Company liquidation or reorganization save some cases associated with resolutions of Company liquidation or reorganization, changes of preferred share dividends or issue of additional preferred shares. Such resolutions require at least two thirds of preferred shareholders. Preferred shares do not give right of redemption or conversion to shareholders.

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(continuation)

**12. Shareholder equity (continuation)**

*Dividends*

The General Meeting of Shareholders of the OJSC FETEC held on June 29, 2001 approved dividends for year ending on December 31, 2000 by its resolution

	<u>2001 (for 2000)</u>	<u>2000 (for 1999)</u>
		<i>(not audited)</i>
<b>Preferred shares</b>		
Per a share (rubles)	1,466	1,217
Number of shares	<u>11.173.275</u>	<u>11.173.275</u>
Total dividends for preferred shares	16.380	13.594
<b>Ordinary shares</b>		
Per a share (rubles)	0,409	0,304
Number of shares	<u>33.520.025</u>	<u>33.520.025</u>
Total dividends for ordinary shares	13.710	10.196
<b>Total dividends</b>	<u><u>30.090</u></u>	<u><u>23.790</u></u>

Dividends for a year ending on December 31, 2000 are accrued in financial accounting for a year ending on December 31, 2001.

The Company Board of Directors meeting held on April 29, 2002 recommended dividends for distribution in amount of 0,427 rubles per an ordinary share in total amount of 14.313 and in amount of 1,282 rubles per a preferred share in total amount of 14.324. These dividends were not accrued in financial accounting as of December 31, 2001.

Company financial accounting made in accordance with Russian accounting rules and in particular net profit of the accounting year is a basis for determining profit subject to distribution. In 2001 net profit determined on the basis of accounting prepared subject to Russian accounting rules was 143.201.

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Notes to the financial accounting  
(continuation)

**13. Credits and loans**

Short-term borrowed funds as of December 31, 2001 and 2000 are as follows:

<b>Short-term loans</b>	<b>2001</b>	<b>2000</b>
		<i>(not-audited)</i>
<b><i>Bank credits</i></b>		
<i>JSCB Primorye</i>	<b>59.000</b>	64.120
<i>OJSC Savings Bank</i>	<b>30.000</b>	–
<b><i>Total short-term loans</i></b>	<b>89.000</b>	64.120

The Company obtained from JSCB Primorye credits in amount of 80.897 within 2001. Crediting purpose is to finance Company current capital. Within 2001 credit repayments were 75.868. annual interest rate was 27,5% in 2001. Credit is to be fully called in in 2002. Interest is accrued and paid on a monthly basis.

The Company entered into credit agreement with OJSC Savings bank in December of 2001. Under this agreement the Company obtained credit in amount of 30.000. There were no repayments under this credit in 2001. Annual interest rate is 19% in 2001. Credit is to be called in in 2002.

As of December 31, 2001 and 2000 long-term borrowed funds are as follows:

<b>Long-term loans</b>	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
<b><i>Bank credits</i></b>		
<i>Vneshekonombank</i>	20.579	27.760
<b><i>Credits of suppliers</i></b>		
<i>Siemens</i>	138.798	124.586
<b><i>Total long-term loans</i></b>	159.377	152.346
<i>Less current payments of long-term loans</i>	(99.154)	(50.008)
<b><i>Total long-term loans</i></b>	<b>60.223</b>	<b>102.338</b>



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(continuation)

13. Credits and loans (continuation)

The Company signed liability commitment in favor of Russian Federation Government in 1996. Under this agreement RF Government undertook to make payments to Siemens on account of equipment supply credit repayment. All payment are made through Vneshekonombank, official agent of RF Government within this agreement. Credit maturity is 2005.

Long-term loans in view of currencies are distributed as follows;

	2001		2000 <i>(not audited)</i>	
	Amount in specified currency, thousands	Thousands rubles	Amount in specified currency,	Thousand s rubles
Deutsche mark	–	–	9.164	145.605
Euro	<b>6.017</b>	<b>159.337</b>	–	–
<b>Total long-term borrowed funds</b>		<b><u>159.337</u></b>		<b><u>145.605</u></b>

The Company has no hedging agreements in terms of its currency liabilities or interest risks.

As of December 31, 2001 average weighted interest rate under long-term loans was about 20,63% (2000: 17%). Interest rates applied to Company debt instruments within a year under similar conditions and with similar maturity did not vary significantly from those specified as of December 31, 2001.

The lending bank has a right of unilaterally change of interest rate in terms of particular credits with fixed interest rate if RF Central bank declared about change of basic refinancing rate.

Below-mentioned is long-term loan repayment schedule (primary debt amounts) as of December 31, 2001

Long-term credits of suppliers:

2003	<b>99.124</b>
2004	<b>28.843</b>
2005	<b>31.370</b>
<b>Total</b>	<b><u>159.337</u></b>

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Notes to the financial accounting  
(continuation)

**14. Equipment received without compensation**

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Balance as of January 1, (not audited).	<b>8.289</b>	–
Equipment received without compensation.	<b>12.866</b>	8.378
depreciation	<b>(1.762)</b>	(89)
<b>balance as of December 31</b>	<b>19.393</b>	8.289

Equipment received without compensation is deferred economic benefit under assets obtained without compensation from other companies and organizations (see Note 3).

**15. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities as of December 31, 2001 and 2000 included as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Accounts payable for primary activity	<b>65.256</b>	47.344
Subscribers' advance payments	<b>57.910</b>	56.047
Accrued liabilities	<b>22.485</b>	10.221
Accounts payable for salary		
And social payments	<b>18.643</b>	16.765
Other accounts payable	<b>71</b>	493
<b>Total accounts payable</b>		
<b>And accrued liabilities</b>	<b>164.365</b>	130.870

As of December 31, 2001 accounts payable for primary activity included current liabilities for leasing payments in amount of 44.357.

**16. Accounts payable in terms of taxes and social security**

Accounts payable in terms of taxes and deductions to social security funds as of December 31, 2001 and 2000 are as follows:

	<b>2001</b>	<b>2000</b>
		<i>Not audited)</i>
VAT accrued	<b>18.202</b>	327
Vat payable	<b>2.443</b>	–
Obligatory deductions to social security and deducted income tax	<b>8.031</b>	7.555
Other	<b>5.976</b>	8.609
Total accounts payable in terms of taxes and social security	<b>34.652</b>	16.491

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Notes to the financial accounting  
(continuation)

**17. Revenue**

Revenue in 2001 and 2000 included as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
<b>According to kinds of services</b>		
<i>According to kinds</i>		
Long-term traffic	<b>570.854</b>	628.285
Monthly subscriber's fee for local telephone Communication	<b>344.657</b>	346.993
International traffic	<b>163.088</b>	178.946
Village telephone communication	<b>40.098</b>	40.915
Installation fee	<b>119.200</b>	90.438
Radio and TV broadcasting	<b>30.383</b>	27.687
Telegraph services	<b>30.690</b>	56.151
Data transmission services	<b>79.885</b>	37.591
Revenue from goods sale	<b>31.228</b>	56.151
Other sales	<b>51.497</b>	29.746
<b>Total revenue from subscribers</b>	<b>1.461.580</b>	1.492.903
<b>Revenue from Russian operators</b>	<b>13.671</b>	9.035
<b>Total revenue</b>	<b>1.475.251</b>	1.501.938
<i>According to client groups</i>		
Commercial organizations	<b>477.042</b>	554.495
Population	<b>872.862</b>	823.151
State and budget organizations	<b>125.347</b>	124.292
<b>Total revenue</b>	<b>1.475.251</b>	1.501.938

Commercial organizations also include enterprises under Government control. According to management estimates barter made up approximately 9,6% of total revenues in 2001.

**18. Expenses and revenue in terms of interest and other similar revenue**

Expenses and revenue in terms of interest and other similar revenue as of December 31, 2001 and 2000 included as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Interest received	<b>81</b>	-
Loan and credit interests	<b>(31.819)</b>	(29.000)
<b>Total expenses and revenue in terms of interest and other similar revenues</b>	<b>(31.738)</b>	(29.000)

Amount of capitalized interest in 2001 was 2 011 (2000: 7.650).

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Notes to the financial accounting

(continuation)

**19. Profit tax**

Profit tax expenses for 2001 and 2000 are as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
Accrued profit tax – current part	<b>(52.584)</b>	(84.031)
Movement of deferred taxation	<b>(36.781)</b>	6.900
effect of tax rate change	<b>134.855</b>	(56.043)
<b>Total profit tax per annum</b>	<b>45.490</b>	(133.174)

Profit tax expenditure were accrued under rate of 35%. After January 1, 2002 profit tax rate was reduced down to 24%.

Calculated and actual expenses in terms of profit tax are related as follows:

	<b>2001</b>	<b>2000</b>
		<i>(not audited)</i>
<b>Calculated profit tax under rate of 35%</b>	<b>(27.696)</b>	(53.935)
<i>Tax effect of constant differences:</i>		
Expenses not decreasing taxable basis	<b>(59.895)</b>	(40.562)
Investment benefit	<b>48.768</b>	13.294
Constant element of profit (loss) from		
Change of ruble purchasing capacity	<b>(63.272)</b>	(58.227)
Effect of profit tax rate on		
Deferred profit tax	<b>134.855</b>	(56.043)
Other adjustments	<b>(9.028)</b>	(12.565)
Inflation effect on balance of deferred tax		
Profit tax as of the beginning of the year	<b>21.758</b>	74.864
<b>Total revenues (expenses) in terms of profit tax</b>		
<b>Per annum</b>	<b>45.490</b>	(133.174)

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**19. Profit tax (continuation)**

***Deferred profit tax***

Differences between International System of Financial Accounting and standards of Russian Accounting and taxation cause certain temporal differences between book value of some assets and liabilities for the purpose of preparing financial accounting and for taxation purposes. Tax effect of such temporal differences is shown for rate of 24% and 35% in 2001 and 2000 respectively.

	<b>Year process</b>		
	<b>2000</b>		<b>2001</b>
	<i>(not audited)</i>		
<i>Tax effect of items decreasing future taxable base (temporal differences)</i>			
Accounts payable	—	<b>23.903</b>	<b>23.903</b>
Accounts receivable	33.270	<b>(33.270)</b>	-
Inventory	2.376	<b>(1.340)</b>	<b>1.036</b>
Aggregated assets under deferred taxation		<b>(10.707)</b>	<b>24.939</b>
	<b>35.646</b>	<b>(10.707)</b>	<b>24.939</b>
<i>Tax effect of future tax liabilities (temporal differences)</i>			
Fixed assets	(418.006)	<b>113.523</b>	<b>(304.483)</b>
Inventory	(1.189)	<b>(8.735)</b>	<b>(9.924)</b>
Accounts receivable	(4.753)	<b>4.753</b>	-
Difference in investment evaluation	(4.000)	<b>(761)</b>	<b>(4.761)</b>
Aggregated liabilities under profit tax		<b>108.780</b>	<b>(319.168)</b>
	<b>(427.948)</b>	<b>108.780</b>	<b>(319.168)</b>
Liabilities under deferred profit tax, net		<b>98.073</b>	<b>(294.229)</b>
	<b>(392.302)</b>	<b>98.073</b>	<b>(294.229)</b>

**20. Fair value of financial instruments**

Financial instruments shown not under fair value are funds and their equivalents, accounts receivable, other current assets, other non-current assets, accounts payable, other current liabilities, long-term credits and loans and financial investments retained till repayment.

Book value of funds and their equivalents is approximately equal to their fair value due by high liquidity of this financial instrument. Similarly book value of accounts payable and receivable for which ordinary credit terms are common is approximately equal to their fair value.

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#### Notes to the financial accounting

(continuation)

#### **20. Fair value of financial instruments (continuation)**

fair value of financial assets and liabilities is reflected under actual value or amortized cost approximately equal to book value as of accounting date.

The Group has started to apply ISFA since January 1, 2001. According to this standard rules comparative financial accounting for periods prior to this standard was not adjusted.

Information (if available) about financial instruments and their essentials which may affect amount, temporal nature and certainty of future money flows is disclosed in respective Notes to this financial accounting.

#### **21. Contingent liabilities**

##### **Planned changes in area of tariff regulation**

Tariff policy reform including planned implementation of time rate payment of local telephone calls and change of terms of connecting operators may significantly affect financial position and Company business.

##### **Licenses**

Main part of Company revenue is obtained from business performed according to licenses for telecommunication services issued by RF Ministry of Communication and Informatization. Validity of main operational licenses expires from January 1, 2004 to October 1, 2004. the management believes that there no reasons that may cause failure to extend available licenses as well as suspension or cancellation of some of them.

However any expiry or cancellation of Company licenses or failure to extend all any of them may have significant negative effect on Company financial position and business.

##### **Land tenure**

Due to privatization conducted in 1995 the state lost control over OJSC FETEC and the Company in its turn lost its privileged right of land use. From privatization to December 31, 2001 the Company did not incur expenses as a result of using land where Company fixed assets are located. At present Company management is unable to assess effect of future RF legislation on Company use of land plots owned by the Government.

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(continuation)

**21. Contingent liabilities (продолжение)**

**Industry regulation policy**

At present reformation of Russian telecommunication industry is still in process. Potential reform in tariff policy, existing reorganization of OJSC Svyazinvest group of companies may also influent Company operation.

Now the Company management has no opportunity to assess influence of potential changes of industry regulation on financial position and Company results.

**Insurance**

Insurance system in Russia is at present in the making and many kinds of insurance available in other countries are not widespread yet in the Russian Federation. The Company failed to insure in full volume fixed assets, indemnity for interruption or liability to third party for property or ecological damage caused by breakdown or other incidents associated with Company property or its business. So long as company fails to have proper insurance cover, there is a risk that loss or destruction of some property may have significant negative affect on Company financial position and business.

**Existing and potential claims against company**

The Company is involved in several trials arising in the course of current business. The Company did not form reserve for contingent liabilities associated with such risks as of December 31, 2001 due to immateriality of such risks.

**Non-governmental provision of pensions**

The Company entered into agreement of non-governmental provision of pensions with Telecom Soyuz Fund in December of 2000. According to this agreement the Company makes monthly payments in amount of at least 50% of minimum state pension (50 rubles as of December 31, 2001) and at least 10,000 rubles annually per each employee involved in the program of ff-budget pension insurance.

Company liabilities under agreement of pension provision as of December 31, 2001 are insignificant as a small number of employees is involved in the program of voluntary medial insurance.

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**22. Associated parties**

**OJSC Svyazinvest**

As specified in Note 1, parent company of the OJSC FETEC is Open Joint Stock Company Svyazinvest (OJSC Svyazinvest). RF owns 75% of the OJSC Svyazinvest less one share.

Availability of efficient telecommunication and information network is extremely important for RF due to some reasons including economic, strategic as well as national security interests. Thus the Government influences and most probable will keep influencing significantly activity of the OJSC Svyazinvest and its subsidiaries.

Government influence is not limited by holding share holding of the OJSC Svyazinvest. It reserves general powers to regulate tariffs and partly regulate long-distance communication tariffs. In addition RF Ministry of communication and informatization controls the process of licensing companies rendering telecommunication services.

**OJSC Rostelecom**

OJSC Rostelecom is a parent company rendering long-distance and international communication within RF. The company entered into agreement with OJSC Rostelecom to ensure long-distance and international traffic. Annual expenditure of payment of OJSC Rostelecom services and expenditure associated with traffic outgoing from the Company beyond its network are shown in separate row of the Financial results' report and made up 194620 in 2001 (2000: 14.451). Debt to OJSC Rostelecom is shown in the balance sheet as current liabilities.

**Operations with state organizations**

State organizations are significant part of Company subscriber's base acquiring its services both directly through state authorities and indirectly through their branches and commercial organizations controlled by them. Some organizations financed from state budget are users of the network owned by the Company. These organizations lease communication lines paying much lower fee (approved by RF Ministry of antimonopoly policy and business support) as compared to tariffs available for other Company subscribers. Besides, in accordance with current RF legislation in force the RF Government may require from the company to render certain services to state organizations for the benefit of national security and law-and-order campaign.



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#### Notes to the financial accounting

#### (continuation)

## 22. Associated parties (continuation)

### Operations with state organizations

Share of communication revenue from state organizations (save profit organizations controlled by the Government) was about 9% (2000: 9%). Outstanding debt of state organizations (less reserve of bad and doubtful debt) was 28143 as of December 31, 2001 (2000: 19.740).

### Companies where OJSC FETEC has investments

OJSC provided services such as leasing of technical premises and offices, communication services to affiliated persons within 2001. OJSC FETEC also acquired communication services from affiliated companies.

OJSC FETEC provided lease opportunities of technical premises and offices to companies an amounts as follows.

PJSC Primtelefon - 7.479;

PJSC Tele-Ros - 6;  
PJSC Klondike - 8.

OJSC FETEC rebdered to PJSC Primtelefon and received from PJSC Primtelefon amounts as follows for communication services in 2001:

Services rendered -1.105;

Services received -1.246.

Spassk-Dalny – Kirovsky fiber optical line was put into operation with value of fixed assets being 17 in 2001. amount of own funds used for construction is 14, amount of attracted funds of the PJSC Primtelefon is - 3.

Sovpadenie interesov Co., Ltd. holds 8.250 shares of the OJSC FETEC. Sovpadenie intreresov Co. Ltd. entered into agreement with OJSC FETEC for equipment supply. According to this agreement OJSC FETEC received advance payment in amount of 10.000. OJSC FETEC failed to fulfill conditions of equipment supply agreement. OJSC FETEC undertook to transfer advance payment of the Sovpadenie interesov Co., Ltd. to JSCB Primorye. As of December 31, 2001 advance payment of registered in OJSC FETEC assets was 10.000. such advance payment was fully transferred to the JSCB Primorye within the 1<sup>st</sup> quarter of 2002.

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### Notes to the financial accounting

### (continuation)

#### 23. Associated parties (continuation)

##### Remuneration of the Board of Directors

Total remuneration of the Board of Directors was 0,790 in 2001 and 0,371 in 2000.

Members of the Board of Directors hold (number of shares):

	<u>2001</u>	<u>2000</u>
		<i>(not-audited)</i>
Ordinary shares	<b>248.015</b>	236.000
Preferred shares	<b>34.925</b>	28.325

#### 23. Information about activity segments

The Company management does not distinguish particular geographical or operational segments of activity. Respectively the management has no operational information about activity segments to evaluate Company results, to take resolutions about resources distribution and therefore such information is not mentioned in this report.

#### 24. Events after accounting date

##### Dividends

The Board of Directors of the OJSC FETEC recommended to pay dividends under results of 2001, total dividend amount for ordinary shares is 14312 rubles, for preferred shares is 14324 rubles (0,427 per ordinary shares and 1,282 per preferred shares). Dividend payment was approved by resolution of the Annual Meeting of Shareholders.

##### Tariffs for communication services

Tariffs for some local telephone services have risen by 21% since January 10, 2002.

##### EURO introduction

Euro i.e. single currency of the European Union was introduced on January 1, 2002. Thus all contracts made by the company prior to it in national European currencies were renegotiated in Euro according to fixed exchange rate of these currencies to Euro.

The Group will not bear additional currency risks due to such change of contract currencies.

**ATTACHMENT 2.**

**OJSC FETEC**

Consolidated financial accounting as of December 31, 2002

*and Report of independent audit company*

**Translated from original into English**

**OJSC FETEC**

**Consolidated financial accounting as of December 31, 2002**

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Translated from original into English  
Report of independent auditors

To OJSC FETEC shareholders and Board of Directors

1. We audited the attached consolidated balance-sheet of OJSC FETEC (hereinafter referred to as the Company) as of December 31, 2002 and respective income statement, cash flow statement and equities' flow statement for a year ending on December 31, 2002. The Company management shall be liable for preparation of the given financial accounting. We are obliged to express our opinion regarding the given financial statements on the basis of our audit.
2. Except for circumstances given in paragraph 5 we audited in accordance with International Audit Standards published by International Association of Accountants. These standards require to plan and conduct audit in order to have adequate insurance that financial accounting contains no substantial deviations. The audit includes selection check of primary documents confirming financial accounting and relevant notes. The audit also includes assessment of applied significant accounting principles, evaluation of provisions made by the Company management as well as general content of financial accounting. We believe that our audit gives sufficient grounds to express our opinion of the given financial statements.
3. The Company failed to provide comparable data for 2001 in accordance with provisions of International Standards of Financial Accounting (ISFA) No. 1 Financial Accounting Submission.
4. Note 21 Social Payments reads that the Company did not account and did not provide existing pension plan liabilities with set payments in accordance with ISFA No. 19 Employees' Remunerations.
5. Note 8 Fixed Assets reads that Company's plant records do not allow providing date of fixed assets in accordance with ISFA No. 16 Fixed Assets, ISFA No. 29 Financial Accounting in terms of Hyperinflation Economy and ISFA No. 36 Depreciation of Assets. This resulted in certain assessments made by the management when presenting fixed assets in the attached financial statements. Procedure for keeping Company's plant records does not allow us determining corrections that could be made in financial statements in case of availability of additional data giving opportunity to analyze more precisely management assessments and allowances.
6. The facts given in paragraphs 4 and 5 may result in corrections affecting (i) fixed assets, equipment contributions, pension plan assets and liabilities, deferred profit tax and retained profit tax liabilities as of December 31, 2002; (ii) depreciation charges, pension liability expenses, deferred profit and net profit tax expenses for a year ending on December 31, 2002; and (iii) relevant Notes to financial statements.
7. We believe that except for influence of possible corrections that could be made in financial statements due to the issues given in paragraphs 3,4 and 5, financial accounting in every significant respect reliably reflects financial condition of OJSC

## Translated from original into English

FETEC as of December 31, 2002, financial results and cash flow for 2002 in accordance with International Financial Accounting Standards.

8. Note 1 General Information says that the Company experienced restructuring approved by the Meeting of Shareholders dated December 21, 2001. Company integration was reflected based on principle of pooling of interests in accordance with provisions of ISFA No. 22 Association of Enterprises. When applying this method the Company reflected data in financial statements as if the integration took place on January 1, 2002 (the earliest date from those presented).

August 11, 2003

Consolidated balance-sheet as of December 31, 2002.

(in thousand rubles accounting ruble purchasing power as of December 31, 2002)

	Note	2002
<b>ASSETS</b>		
<b>LONG-TERM ASSETS</b>		
Fixed assets	8	7 369 264
Intangible assets	9	13 164
Investments in dependent companies	11	129 018
Advance payments to equipment suppliers		45 464
Financial assets to be sold	12	10 292
Total long-term assets		<u>7 567 202</u>
<b>CURRENT ASSETS</b>		
Stock	13	240 001
Accounts receivable	14	317 770
Other current assets	15	349 653
Funds and their equivalents	16	99 585
Total current assets		<u>1 007 009</u>
<b>TOTAL ASSETS</b>		<u><u>8 574 211</u></u>
<hr/> <b>SHAREHOLDERS' EQUITY AND OBLIGATIONS</b> <hr/>		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares	17	311 689
Ordinary shares	17	955 814
Inflation influence on shareholders' equity		1 830 700
Surplus capital, retained profit and other reserves		2 872 421
Total shareholders' equity		<u>5 970 624</u>
<hr/> <b>INVESTMENT AND CONTINGENT LIABILITIES</b> <hr/>		
	22	-
<hr/> <b>MINORITY INTEREST IN SUBSIDIARIES</b> <hr/>		
		-
<b>LONG-TERM LIABILITIES</b>		
Long-term credits and loans	18	110 642
equipment obtained without return		111 580
Long-term financial lease liabilities	19	106 631
Deferred profit tax liabilities	5	728 466
Other long-term liabilities		22 713
Total long-term liabilities		<u>1 080 032</u>
<hr/> <b>CURRENT LIABILITIES</b> <hr/>		
Accounts payable and accrued liability	20	714 960
Indebtedness to OJSC Rostelecom		59 657
Accounts payable on taxes and social security	20	288 146
Dividends payable		10 993
Short-term credits and loans	18	150 433
Current payments on long-term credits and loans	18	227 649
Short-term part of long-term financial lease liabilities	19	71 717
Total current liabilities		<u>1 523 555</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u><u>8 574 211</u></u>

*The attached notes are an integral part of the present consolidated accounting*

Translated from original into English

OJSC FETEC

Consolidated Income Statement for the year ending on December 31, 2002.

(in thousand rubles accounting ruble purchasing power as of December 31, 2002)

	Note	2002
<b>RECEIPTS</b>	4	5 665 594
<hr/>		
<b>OPERATION EXPENDITURES</b>		
Wages, benefits, wage fund taxes and other social expenditures		(2 386 497)
Wear and depreciation	8	(651 319)
Materials, repair and maintenance and utilities		(702 820)
Other taxes except for profit tax		(167 601)
Payments to communication operators		(841 121)
Expenses on bad debts		(61 540)
Loss from fixed assets retirement		(24 653)
Other operation expenditures	4	(429 806)
Total operation expenditures		<u>(5 265 357)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		400 237
Profit from participation in dependent companies		46 665
Net interest expenditures	4	(83 275)
Other net expenditures		(48 150)
Net loss from exchange rate differences		(67 767)
Receipts from change of ruble purchasing power		70 479
<b>PRETAX PROFIT AND MINORITY INTEREST</b>		<u>318 189</u>
<b>PROFIT TAX EXPENDITURES</b>	5	(244 457)
<b>PROFIT BEFORE MINORITY INTEREST</b>		<u>73 732</u>
<b>MINORITY INTEREST</b>		-
<b>NET PROFIT</b>		73 732
<b>DIVIDENDS ONLY ON PREFERRED SHARES</b>		(25 475)
<b>PROFIT AFTER DISTRIBUTION</b>		<u>48 257</u>
<b>Share yield (in rubles)</b>		<u>0,50</u>

The attached notes are an integral part of the present consolidated accounting



Translated from original into English

OJSC FETEC

Consolidated Cash Flow Statement for the year ending on December 31,  
2002.

(in thousand rubles accounting ruble purchasing power as of December 31, 2002)

	<u>2002</u>
<b>Proceeds from principal business</b>	
Pretax profit and minority interest	318 189
<i>Adjustments to compare profit (loss) with funds obtained from principal business:</i>	
Wear and depreciation	651 319
Loss from fixed assets retirement	24 653
Net interest expenses	83 275
Expenses on bad debt	61 540
Profit from participation in dependent companies	<u>(46 665)</u>
Net loss from exchange rate differences	67 767
Profit from change of ruble purchasing power	(70 479)
Other non-monetary adjustments	<u>(45 102)</u>
	726 308
Increase of accounts receivable	(83 592)
Decrease of stock	4 432
Increase of other current assets	(70 014)
Decrease of accounts payable and accrued liability	(60 230)
Increase of tax and social security indebtedness	114 182
Interest paid	(52 988)
Profit tax paid	(175 555)
Interest received	417
<b>Funds obtained from operation activity</b>	<u>721 149</u>
<b>Cash flow related to investment</b>	
Capital investments	(502 829)
Interest received	1 515
<b>Funds used in investment</b>	<u>(501 314)</u>
<b>Cash flow related to financial activity</b>	
Attraction of credits and loans	355 265
Repayment of credits and loans	(384 315)
Payments under financial lease agreements	(114 893)
Dividend paid	(46 866)
<b>Net funds used in financial activity</b>	<u>(190 809)</u>
<b>exchange rate alteration effect on funds</b>	-
<b>Increase of funds</b>	29 026
<b>Influence of ruble purchasing power change on account balance and fund equivalents</b>	<u>(14 192)</u>
<b>Funds and their equivalents as of the beginning of the year</b>	<u>84 751</u>
<b>Funds and their equivalents as of the end of the year</b>	99 586
<b>Non-monetary capital investments</b>	<u>271 991</u>

*The attached notes are an integral part of the present consolidated accounting*

**Translated from original into English**

**OJSC FETEC**

**Consolidated Equity's Flow Statement for the year ending on December  
31, 2002**

*(in thousand rubles accounting ruble purchasing power as of December 31, 2002)*

	Authorized capital (par value)		Inflation effect on the authorized capital	Retained profit and other reserves	Total equity
	Preferred shares	Ordinary shares			
<b>As of January 1, 2002</b>	311 689	955 814	1 830 700	2 847 745	5 945 948
Net profit	-	-	-	73 732	73 732
Dividends	-	-	-	(49 056)	(49 056)
<b>As of December 31, 2002</b>	<b>311 689</b>	<b>955 814</b>	<b>1 830 700</b>	<b>2 872 421</b>	<b>5 970 624</b>

*The attached notes are an integral part of the present consolidated accounting*

**Translated from original into English**  
**OJSC FETEC**

Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

1. General information

Verification

OJSC FETEC Director General and Chief Accountant approved on August 11, 2003 issue of consolidated financial statements of OJSC FETEC and its subsidiary (hereinafter referred to as the Company) for a year ending on December 31, 2002.

Company

The Company registered its Articles of Association on January 22, 2003. The given amendment was related to affiliation of six regional communication operators of the Far Eastern Federal District to OJSC FETEC. The Company is Open Joint Stock Company registered in accordance with Russian Federation legislation.

The Company was privatized in 1994 and its basic activity includes provision of urban, long-distance and international communication, provision of telegraph communication, data transmission and telematic services including Internet. Other Company's activities are as follows:

Development and operation of telecommunication facilities, production and repair of communication equipment, building operations, construction of communication objects as well as maintenance of recreation center and other social facilities. Associated companies provide mobile communication within the Far Eastern Federal District.

State-controlled Holding OJSC Svyazinvest owns 51% of Company's voting shares. OJSC Rostelecom, subsidiary of OJSC Svyazinvest provides long-distance and international communication.

Average payroll of the Company for 2002 makes up 20 073 persons (taking into account influence of below-mentioned restructuring).

The Company is located 57 Svetlanskaya St., Vladivostok (Russian Federation).

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OJSC FETEC

Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

1. General information (continuation)

Restructuring of 2002

In 2001 the Company management initiated restructuring upon shareholders' approval for affiliation of regional companies included in OJSC Svyazinvest group as follows. In the course of association Company's 62 062 396 ordinary shares and 19 995 626 preferred shares were exchanged for 100% of issued shares of regional companies as follows:

Regional Company	Shares issued by the Company		Exchange ratio
	Ordinary shares	Preferred shares	
OJSC Electrosvyaz of Khabarovsk region	18 534 423	6 178 141	6.10
OJSC Sakhalinsvyaz	14 559 239	4 149 114	195.51
OJSC Kamchatsvyazinform	12 188 544	4 062 848	75.06
OJSC Amursvyaz	8 754 631	2 930 364	168.79
OJSC Magadansvyazinform	5 933 493	1 977 831	1.53
OJSC Telegraph-Telephone Company	2 092 066	697 328	8.20
<b>Total</b>	<b>62 062 396</b>	<b>19 995 626</b>	

Restructuring actions were completed on September 30, 2002. Restructuring costs made up 18 527 in 2002 and were written off.

Though International Standards of Financial Accounting give no definition of accounting principles that should be applied to enterprises under general control, the Company reflected merger results based on the principle of market share association as indicated in ISFA No. 22 Association of Enterprises. In accordance with this method the Company reflects all financial accounting items in consolidated financial statements based on their historical book value as if the merger took place as of January 1, 2002 in the earliest period from those provided. If not otherwise provided all information in the given consolidated financial statements is given accounting restructuring.

Translated from original into English  
OJSC FETEC

Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

1. General information (continuation)

Restructuring of 2002 (continuation)

Total amount of assets, liabilities, proceeds and pretax profit (loss) on regional companies for the year of restructuring completion is given below in accordance with requirements of ISFA No. 22:

	<b>Total assets</b>	<b>Total liabilities</b>	<b>Proceeds</b>	<b>Before profit tax profit (loss)</b>
OJSC FETEC	3 199 334	1 031 236	1 807 533	(307 942)
OJSC Electrosvyaz of Khabarovsk region	1 940 517	566 390	1 281 417	236 441
OJSC Sakhalinsvyaz	1 208 022	320 515	841 334	181 092
OJSC Kamchatsvyazinform	979 692	311 999	660 729	44 041
OJSC Amursvyaz	780 086	250 409	558 029	114 129
OJSC Magadansvyazinform	368 303	86 851	403 617	18 478
OJSC Telegraph-Telephone Company	98 257	36 187	112 935	31 950
<b>Total</b>	<b>8 574 211</b>	<b>2 603 587</b>	<b>5 665 594</b>	<b>318 189</b>

Business operated as a number of individual companies of OJSC Svyazinvest group till association in October of 2002. Respectively, the Company has operated as an associated business for a short period of time for the time present.

**Current Russian economic condition**

Russian economy has acquired market economic status since 2002 but still has some features of transition economy. These features included in the past high inflation, low liquidity in the market of long-term credit resources and availability of currency exchange regulation system resulting in inconvertibility of national currency abroad. Governmental actions on implementation of administrative, legislative and economic reforms will substantially influence stability and successful development of Russian economy.

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**OJSC FETEC**

Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

1. **General information (continuation)**  
**Current Russian economic condition**

Company management is not able to forecast influence of tax, political and tariff changes on the Company's current financial condition as well as on opportunity of future investments in capital assets. Consolidate financial statements do not contain corrections that may be needed due to these uncertainties. Respective consequences will be reflected in financial statements as they are revealed and assessed

**Liquidity and financial resources**

As of December 31, 2002 Company's current liabilities exceeded its current assets by 516 546. Due to this fact situation with maintenance of Company's liquidity and availability of sufficient financial sources is uncertain to a great extent.

The Company attracted short-term and long-term borrowed current assets for financing of its communication network development within the previous year. Financing was mainly in the form of bank loans as well as tied credit of equipment suppliers.

Company management believes that if necessary implementation periods of some projects may be postponed or their scope may be reduced in accordance with needs of Company's current business financing.

In 2003 the Company expects financial receipts from sources as follows: a) Company's bank accounts; б) receipts from main activity; в) placement of ruble bonds in Russian market and r) financial resources of national and international banks. Besides Company management believes that it will be able to postpone payment periods on some current operations if current capital is insufficient.

The attached consolidated financial accounting is based on the allowance that the Company will proceed with regular economic activity in foreseeable future that means recoupment of assets and repayment of liabilities in accordance with established procedure. Book value adjustment and classification of assets' items for the purpose of their reflection at actual repayable value that would be necessary in case of failure to proceed with Company's regular activity or selling by the Company of its assets in accordance with procedure violating terms of conducting regular economic activity were not made in the current financial accounting.

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**OJSC FETEC**

## Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

### 2. Basic provisions of accounting policy

#### Accounting principles

The Company keeps records and provides financial statements prepared based on Russian accounting ledgers in Russian rubles in accordance with Provision of Russian Federation Accounting. The present financial statements presented in accordance with International Standards of Financial Accounting (ISFA) were prepared based on accounting records kept in accordance with Russian accounting rules on the basis of historical value method. Required adjustments and regroupings of items were made for the purpose of provision of the given financial statements in accordance with ISFA. ISFA provisions and explanations are approved by the International Accounting Standards Board (IASB), International Accounting Standards Committee and Constant Committee of Explanations; explanations come into effect upon approval by the International Accounting Standards Committee Fund (IASCF). There are significant differences between Russian Accounting Provisions and ISFA.

Assets and liabilities in the consolidated financial statements are given at initial assessed value of their purchase (adjusted accounting inflation in accordance with ISFA No. 29) except for financial assets available for sale given at market value.

The given financial accounting is limited by the balance-sheet as of December 31, 2002 and income statement, cash flow statement and capital stock change statement for 2002. Comparative balance-sheet as of December 31, 2002, comparative income statement, cash flow statement and capital stock change statement for 2001 as well as relevant notes required by ISFA No. 1 Provision of Financial Accounting were unavailable. Upon restructuring described in Note 1 the Company considers provision of comparative financial statements for 2001 inexpedient including determination of retained profit прибыли.

#### Assessments made by the Company management

In the course of preparation of financial statements assessments and allowances made by the Company management were used. They influenced determination of amounts of assets and liabilities items as well as receipts and expenditures for accounting periods. Actual indices may be different from the given assessments.



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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

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2. Basic provisions of accounting policy (continuation)

Consolidation basis

Consolidated financial accounting includes financial accounting of the Company and its subsidiary as of December 31, 2002. As it was above-mentioned the Company accounts restructuring influence based on principle of market shares' association in accordance with ISFA No. 22 Integration of Enterprises.

Subsidiaries are consolidated from the time of their actual transfer under OJSC FETEC control and are excluded from consolidated accounting from the time of their withdrawal.

Substantial in-group settlements and transactions were excluded from the consolidated accounting.

Investments in dependent companies

Company's investments in dependent companies are accounted based on capital share holding method. Dependent company means structure greatly influenced by the Company but that is neither Company's subsidiary nor Company's joint venture.

Company's share holding in capital of dependent company is shown in the balance-sheet at the rate reflecting Company's share in net assets of dependent company and includes value of net assets' excess over purchasing price. Company's share in profit or loss of dependent company is shown in the statement of financial results.

Inflation accounting

The attached consolidated accounting is prepared in accordance with ISFA and accounting recalculation and adjustment of initial value in accordance with ISFA No. 29 Financial Accounting in terms of Hyperinflation (ISFA No. 29).

Adjustments and reclassifications of items made for the purpose of Russian financial accounting adjustment in accordance with ISFA include adjustment accounting change of ruble purchasing power in accordance with ISFA No. 29. This standard

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

requires drawing up of financial statements prepared in currency of country with hyperinflation economy in units of assessment in force as of the date of balance-sheet making up. These adjustments were calculated using recalculation ratios base on Consumer Price Index (CPI) published by RF Goscomstat.

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2. Basic provisions of accounting policy (continuation)

Inflation accounting (continuation)

The below-given indices are used to adjust amounts in the given consolidated financial accounting regarding prices of 2002 (2002 = 1,0) for a year ending on December 31 and respective recalculation ratios:

<b>Year</b>	<b>Index</b>	<b>Recalculation ratio</b>
1992	7 541	362,4
1993	67 846	40,3
1994	211 612	12,9
1995	487 575	5,6
1996	594 110	4,6
1997	659 403	4,1
1998	1 216 401	2,2
1999	1 663 091	1,6
2000	1 997 843	1,4
2001	2 374 037	1,2
2002	2 733 087	1,0

The given-below principles are used to adjust consolidated financial accounting taking into account current ruble purchasing power:

- All amounts are stated in assessment units in force as of December 31, 2002;
- Money assets and liabilities were not recalculated as of December 31, 2002 as they had been already stated in assessment units in force as of December 31, 2002;

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

- Non-monetary assets and obligations that were not stated in assessment units in force as of December 31, 2002 and equity were recalculated applying respective recalculation ratios;
- Equity adjustments given in relation to the previous periods shall be referred to the Retained Profit and Other Reserves in the attached balance-sheet;
- All items in the consolidated income statement and cash flow statement are adjusted by applying respective recalculation ratios except for wear, depreciation and loss from retirement of fixed assets and other assets;

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2. Basic provisions of accounting policy (continuation)

Inflation accounting (continuation)

- Inflation influence on Company's net monetary position is stated in the consolidated income statement as increase or decrease of net monetary position amount.

International Business and Financial Accounting Committees agreed that on January 1, 2003 Russia was not considered hyperinflation economic country anymore. As a result the Company management passed a resolution not to recalculate assets and liabilities accounting ruble purchasing power variations upon December 31, 2002. Annual inflation ratio in 2002 made up.

Foreign exchange rate

Company's assets and liabilities stated in foreign currencies were evaluated in rubles at RF Central Bank official rate as of the end of the year. Transactions stated in foreign currencies shall be reflected at RF Central bank rate as of the transaction date. Decrease and increase of assets and liabilities stated in foreign currencies arising from official exchange rate alteration upon the transaction date shall be

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

reflected as loss or profit from rate differences.

Transactions made in rubles whereas respective assets and liabilities are stated in foreign currencies (or conventional units) shall be reflected in Company's financial accounting the same way as transactions stated in foreign currencies.

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

2. Basic provisions of accounting policy (continuation)

**Fixed assets**

Fixed assets are depreciated by linear method within useful life of respective asset categories:

Structures	45 years
Analog switchboards	20 years
Digital switchboards	15 years
Cables and transmitting terminals:	
Cable channels	10 years
Radio and fixed communication channels	10 years
Vehicles	5 years
Computers, office and other equipment	3 years

Incompleted construction shall be stated as sum of actual expenses incurred by the Company from construction commencement till the accounting date adjusted accounting inflation for the period from incurring expenses till the accounting date in accordance with ISFA N. 29. Depreciation shall be charged for incompleted construction upon putting of fixed assets into operation.

Interest on credits directly referring to purchase or construction of fixed assets shall be capitalized as part of fixed asset value provided that they will probably result in economic benefit and their amount may be reliably measured. Capitalization starts as preparation of the object for use starts and proceeds till object readiness for operation. Other interest expenditures and credit interest shall be stated as expenditures within the period when they were actually incurred.

Book value of fixed assets shall be reconsidered for the purpose of their depreciation in case of approach of events or change of circumstances resulting in possible failure to reimburse book value of the asset. If such signs arise or book value exceeds assessed reimbursable value, value of assets or subdivisions shall be reduced down to reimbursable value. Reimbursable value of fixed assets is the larger from two factors as follows: net selling-price and consumer value. When evaluating consumer value of the asset expected future cash flows are discounted down to their current value using pretax discount rate showing current market evaluation of time value of money and specific risks related to the given asset.

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

2. Basic provisions of accounting policy (continuation)

Fixed assets (continuation)

If the asset does not generate independent cash flows reimbursable value shall be determined by assets group generating cash where the given asset belongs. Depreciation losses shall be shown in the income statement.

Value of maintenance, repair and replacement of low-priced fixed assets shall be referred to maintenance and repair expenditures. Re-equipment and reconstruction expenses shall be capitalized. If fixed assets are sold or retired their value and respective accumulated depreciation are no longer shown in the accounting. Respective profits and losses shall be included in net profit calculation.

Validity period of Company's operation licenses is significantly shorter than useful life of fixed assets applied in depreciation calculation. The management believes that operation licenses will be extended without substantial expenses that will allow to the Company to realizing value of fixed assets in the course of regular economic activity.

**Non-repayable fixed assets**

Fixed-assets transferred to the Company free of charge by subscribers of other companies and organizations beyond privatization shall be capitalized at market value as of the date of fixed assets transfer. Respective deferred incomes shall be accounted in assets and transferred to financial result in proportion as fixed assets wear is charged at the same rate as wear is.

If fixed assets obtained free of charge do not result in gaining of profit by the Company, they (fixed assets obtained free of charge) shall not be stated in ledgers.

Assets obtained from municipal authorities when selling fixed assets shall be stated in the balance-sheet as deferred income and acknowledged as income within useful life of relevant assets in accordance with ISFA No. 20 Accounting of Governmental Subsidies and Information Disclosure of Governmental Assistance.

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Notes to consolidated financial statements as of December 31, 2002

*(in thousand rubles accounting ruble purchasing power  
as of December 31, 2002 if not otherwise provided)*

2. Basic provisions of accounting policy (continuation)

**Intangible assets**

Intangible assets not formed within the Company shall be capitalized at purchasing value. Intangible assets obtained when purchasing business shall be capitalized individually from company's goodwill (hereinafter referred to as the goodwill), if their market value may be correctly determined. If market value of intangible asset can not be determined, it shall be limited by amount neither forming nor increasing negative goodwill arising from the purchase. Intangible assets except for research design efforts expenses formed within the Company shall not be capitalized and relevant expenses shall be accounted in calculation of profit within the period when they were actually incurred.

Book value of intangible assets shall be reconsidered for the purpose of depreciation in case of approach of events or change of circumstances resulting in possible failure to reimburse book value of the asset.

**Research design efforts expenses**

Research design efforts expenses shall be referred to expenses within the period when they were actually incurred.

**Financial investments**

All financial investments shall be initially stated in the accounting at cost value. Upon initial admittance financial investments classified as commercial ones and available for sale shall be shown at fair value. Financial investments profit and losses shall be shown in as separate line in capital structure till selling, transfer or other retirement of investments or till admittance of their depreciation upon which aggregate profit or loss earlier shown as capital part shall be included in receipts structure.

Other long-term financial investments purchased by the Company for the purpose to retain till redemption (e.g. bonds) shall be subsequently assessed at value accounting depreciation calculated on the basis of current interest rates.

Major part of Company's financial investments includes securities not quoted at financial markets.

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2. **Basic provisions of accounting policy (continuation)**

**Inventory stock**

Inventory stock is assessed at the lesser from two values as follows: actual purchase value or possible net selling-price. If inventory stock is written off its value is accounted at average cost value.

**Accounts receivable**

Accounts receivable is presented less bad debt reserve. The Company shall form bad debt reserve when return of full debt amount to the Company is assessed as impossible.

**Monetary funds and their equivalents**

Monetary funds and their equivalents include cash, Company's bank accounts as well as bank deposits and short-term financial investments for less than three months as of December 31, 2002.

**Interest-bearing credits and loans**

All credits and loans shall be initially shown in receipt amount. Upon initial admittance interest-bearing credits and loans shall be accounted at value accounting charged interest calculated on the basis of current interest rates.

**Reserves**

Reserves shall be shown in the Company's financial accounting when the Company has current liabilities (legal or legally implied) resulting from past events and out flow of resources presenting economic benefits is possible for the purpose of their redemption and amount of these liabilities may be reliably assessed. If the Company expects redemption of reserve, redemption amount shall be admitted as individual asset provided that the Company is almost sure that such redemption will occur. If effect of money time value is substantial, reserve amount shall be calculated by discounting expected cash flows at pretax rate that shows current market assessment of money time value and if necessary liability risks. When discounting method is used reserve amount increase is with the lapse of time reflected in interest expenditures structure.



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2. Basic provisions of accounting policy (continuation)

**Pension allocations and other payments**

Social allocations (including allocations to the state Pension Fund) are made by means of payment of single social tax (SST) CALCULATED BY THE Company at regressive rate (from 35,6% till 2%) applied to total annual remuneration amount for each employee. The Company allocates SST to three social funds (state pension fund, social and health insurance funds) and percentage of allocations to pension fund varies from 28% to 2% depending on total annual remuneration amount for each employee.

Company's allocations referred to SST payment shall be referred to the expenses of the period when they occurred.

In accordance with collective agreements the Company also provides pension security. Major part of the Company's employees is entitled to be involved in pension plans depending on some factors including service period, age and salary. The payment amount depends on period of employee's service.

The Company does not meet requirement of accounting and showing transactions with pension payments in accordance with ISFA No. 19 Remunerations to Employees namely the Company does not provide actuarial calculations to determine current debt on agreements of additional pension security and accordingly does not show this amount in its financial accounting as of December 31, 2002.

For the purpose of financing fulfillment of part of Company's liabilities the Company is involved in plans where the Company shall contribute annually determined amounts to some non-governmental pension funds. Contributions made by the Company in terms of schemes with set contributions shall referred to expenditures as they arise.

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2. Basic provisions of accounting policy (continuation)

**Leasing**

Financial lease of equipment where almost all risks and benefits related to ownership for the leased equipment shall be transferred to the Company shall be capitalized at lease commencement at the lesser from two amounts as follows: market value of leased equipment or current value of minimum leasing payments. Leasing amounts shall be distributed among financial payments and decrease of lease liabilities amount in order to provide constant interest rate applied to unpaid part of liability. Financial payment shall be referred to interest expenditures.

Capitalized leased assets shall be depreciated within the shortest from two periods as follows: useful life of asset and lease period.

Leasing where lessor reserves almost all risks and benefits related to ownership for the asset shall be considered operation lease. Operation lease payments shall be shown in expenditures structure in the Company's income statement by equal shares within leasing period.

**Reflection of receipts**

Receipts shall be admitted in amount of possible inflow of Company's economic benefits where amount of such receipts may be reliably assessed.

The Company distinguishes sources of receipts by eleven major categories:

1. Receipts from local telephone calls;
2. Receipts from long-distance and international telephone calls;
3. Receipts from granting of network resources for use;
4. Receipts from access to telephone network;
5. Internet;
6. Radio and TV broadcasting;
7. Letting assets on lease;
8. Documentary telecommunication;
9. Cellular communication;
10. Other communication services;
11. Receipts from other sales.

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**2. Basic provisions of accounting policy (continuation)**

**Reflection of receipts (continuation)**

*Receipts from local telephone calls*

The Company admits receipts from monthly subscriber fee for local telephone communication within the month of this service provision.

*Receipts from long-distance and international calls*

Receipts from long-distance and international calls shall be calculated on the basis call duration, call direction and type of used service. The Company shall charge payment for long-distance and international communication per minute. The receipt shall be admitted within the period of this service provision.

*Receipts from granting network resources for use*

The Company shall provide other communication operators with access to its network. The Company shall admit receipts related to network services within the period of these services provision.

*Receipts from access to telephone network*

The Company shall admit fee for installation and connection under agreements made with subscribers for unlimited period at the time of installation and connection completion.

*Internet services*

The Company shall admit receipts related to Internet access within the period of this service provision.

*Radio and TV broadcasting*

The Company has wired broadcasting network. The receipts present monthly subscriber fee and fee for installation of radio centers. The Company shall admit radio broadcasting receipts within the period of service provision.

*Letting assets on lease*

The Company shall let premises on lease to other businesses under annual agreements. Most of the agreements provide opportunity for extension. These agreements shall be accounted as current lease and respective lease receipts shall be admitted within the lease period.

*Documentary telecommunication*

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Telegraph service receipts include receipts from sending cables and other services of data transmission via telegraph lines. The Company shall admit receipts from telegraph services within the period of services provision.

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**2. Basic provisions of accounting policy (continuation)**

**Reflection of receipts (continuation)**

*Other communication services*

Other communication services include mainly receipts from network of coin-box telephone sets, rent of channels and sales of telephones and accessories.

*Receipts from other sales*

Receipts not related to telecommunication services mainly include receipts from manufacturing of telecommunication equipment and its technical maintenance, provision of transport services, recreation services and sales of works and services provided by auxiliary subdivisions.

**Profit tax**

Assets and liabilities on deferred profit tax were calculated in ratio to time differences in accordance with ISFA No. 12 Profit Tax.

In accordance with requirements of the given standard it is necessary to apply balance method in order to provide financial statements and accounting of deferred profit tax. Deferred profit tax shall be calculated by all time differences arising between tax base of assets and liabilities and their balance value. Basic part of time differences arises in showing of fixed assets. Assets on deferred taxation shall be shown only to the extent of probable availability of taxable profit against which tax base reducing time differences may be used.

The Company shall reassess amounts of deferred tax assets as of each balance-sheet date. In case of unavailability of obtaining in future taxable income against which deferred tax asset may be realized in full or in part, the Company shall accordingly reduce book value of the deferred asset.

Assets and liabilities on deferred taxation shall be calculated at tax rates which will be applied within the period of tax requirement fulfillment or obligation redemption on the basis of tax rates introduced in full or to the great extent as of the date of balance-sheet making up.

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Deferred tax liabilities related to retained profit of dependent companies shall be admitted in case of probable availability of transfer of the given profit to the Company in foreseeable future.

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**Value-added tax**

Value-added tax in part of realization shall be charged in accordance with “per shipment” principle as subscribers are billed. VAT related to purchases may be accounted certain requirements against sales VAT are met. Purchases VAT that can not be set off as of the date of balance-sheet is given in the accounting without any reserves.

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3. Information of business segments

The Company provides wired and mobile communication as well as other services. According to the management the Company performs its activity within one geographic segment. Individual transactions between wired and mobile segments of the Company are not billed and accordingly are not shown as in-company transactions between departments providing the given services. Information on business segments in 2002 is given as follows:

	Wired communicati on	Mobile communicati on	Other business	Exclusion of transactions within Company	Total on Company
<b>RECEIPTS</b>					
Sales	5 362 331	182 808	120 455	-	5 665 594
Sales within Company (segment)	-	-	-	-	-
Total	5 362 331	182 808	120 455	-	5 665 594
<b>FINANCIAL RESULT</b>					
Financial result on business segments	506 400	17 264	11 375	-	535 039
Retained expenditures	-	-	-	-	(134 802)
<b>Operation profit</b>	-	-	-	-	400 237
Profit from participation in associated companies	-	-	-	-	46 665
Net expenditures in percentage,	-	-	-	-	(83 275)
Other net expenditures	-	-	-	-	(48 150)
Net loss from exchange rate differences	-	-	-	-	(67 767)
Profit from change of ruble purchasing power	-	-	-	-	70 479
Profit tax	-	-	-	-	(244 457)
Minority interest	-	-	-	-	-
Net profit	-	-	-	-	73 732
<b>OTHER INFORMATION</b>					
Assets on business segments деятельности	6 974 808	237 779	156 677	-	7 369 264
Company's retained assets	-	-	-	-	1 204 947
Total consolidated assets	-	-	-	-	8 574 211
Liabilities on business segments	(162 980)	(6 972)	-	-	(169 952)
Company's retained liabilities	-	-	-	-	(2 433 635)
Total consolidated liabilities	-	-	-	-	(2 603 587)
Capital costs	732 835	24 983	16 462	-	774 280
Depreciation and wear	(616 456)	(21 016)	(13 848)	-	(651 319)



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4. Operation receipts and expenditures

**Sales**

	<b>2002</b>
Long-distance telephone calls	2 019 824
Local telephone calls	1 368 883
International telephone calls	448 679
Telephone network access	450 359
Documentary telecommunication	151 942
Receipts from granting of telephone channels for use	215 033
Data transmission and telematic communication services	29 606
Radio and TV broadcasting	135 849
Cellular communication	182 808
Internet services	219 666
Other communication services	322 490
Receipts from other sales	120 455
<b>Total</b>	<b>5 665 594</b>

Cellular communication services basically include receipts from on-air broadcasting, receipts from additional cellular communication services and roaming receipts from other cellular operators.

Other communication service sales includes mainly other receipts from urban telephone network, receipts from operation of coin-box telephones, other receipts from long-distance and international communication (conferences, maintenance etc.) and receipts from sales of telephones and accessories.

Other sales includes mainly provision of communication equipment manufacturing and repair, transport services, maintenance of recreation centers and other social objects as well as sales of Company's other goods and services.

As of December 31, 2002 the Company distinguished sales on main customer groups as follows:

	<b>2002</b>
Individuals	3 151 303
Commercial companies	1 814 751
Governmental and budget organizations	699 540
<b>Total</b>	<b>5 665 594</b>

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4. Operation receipts and expenditures (continuation)

**Other operation expenditures**

	<b>2002</b>
Leasing expenditures (except for rent of channels)	(27 962)
Advertising expenditures	(9 609)
General economic and administrative expenditures	(185 334)
Consulting and audit expenditures	(21 481)
Restructuring expenditures	(18 527)
Other expenditures	(166 893)
<b>Total</b>	<b>(429 806)</b>

**General economic and administrative expenditures**

	<b>2002</b>
Transport services	(16 153)
Mail services	(7 687)
Training services	(4 150)
Traveling and representative expenditures	(22 247)
Fire prevention and off-department security expenditures	(46 708)
Payments to Gossvyaznadzor	(23 107)
Other general economic and administrative expenditures	(65 282)
<b>Total</b>	<b>(185 334)</b>

Interest expenditures

	<b>2002</b>
Interest received	416
Interest on obtained credits and loans	(41 415)
Interest on financial leasing	(47 041)
Less capitalized interest	4 765
<b>Total</b>	<b>(83 275)</b>

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5. Profit tax

**Profit tax expenditures**

	<b>2002</b>
Profit tax expenditures – current part	191 339
Deferred taxation movement	53 118
<b>Total annual profit tax expenditures</b>	<b>244 457</b>

Ratio of theoretical and actual profit tax is given in the table as follows:

	<b>2002</b>
Pretax profit	318 189
Theoretical value of profit tax at official rate of 24%	76 365
<i>Effect from:</i>	
Expenditures not reducing taxable profit	107 601
Constant profit (loss) element from change of ruble purchasing power	163 640
Inflation influence on deferred profit tax balance as of the beginning of the year	(21 294)
Other adjustments	(81 855)
<b>Profit tax at effective tax rate of 77%</b>	<b>244 457</b>

**Deferred profit tax**

	<b>Balance 2002</b>
<i>Deferred tax liabilities:</i>	
Fixed assets	(829 329)
Investments in dependent companies	(25 872)
<b>Total deferred tax liabilities</b>	<b>(855 201)</b>
<i>Deferred tax assets</i>	
Accounts receivable	36 262
Accounts payable	68 277
Fixed assets obtained free of charge	15 761
Other items	6 435

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Total deferred tax assets	<u>126 735</u>
Net tax liabilities	<u>(728 466)</u>

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6. Share yield

Base and watered share yield is calculated by division of net profit retained at disposal of holders of ordinary shares by average weighted number of shares in circulation within one year. Ordinary shares issued in terms of restructuring program accounted on the basis of the same methods as association of ownership shares were included in calculation of average weighted number of shares as of January 1, 2002 as Company's financial accounting was made up based on the assumption that association took place as of the said date. That is why number of ordinary shares shown in the financial statements presents result of summing average weighted number of shares held by associated subjects less Company's non-exchanged shares in circulation upon restructuring.

	<u>2002</u>
Net profit falling to the share of ordinary shareholders (base and watered)	48 257
Average weighted number of ordinary shares in calculation of base and watered yield per one ordinary share	95 581 421
Yield per one ordinary share in rubles (base and watered)	<u><u>0,50</u></u>

The Company has no financial instruments that may be converted to ordinary shares.

Company made no other transactions with ordinary shares or those capable of becoming ordinary due to exchange within the period from the accounting date till issue of the attached financial statements.

7. Dividends to be paid and paid

*Dividends declared in 2002 according to the results of 2001:*

.	
Dividends on ordinary shares	23 581
Dividends on preferred shares	25 475
<b>Total</b>	<u><u>49 056</u></u>



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7. Dividends to be paid and paid (continuation)

Dividends approved for payment at Annual Meeting of Shareholders for 2002 (See Note 25 Events occurring upon the accounting date)

Dividends on ordinary shares	29 630
Dividends on preferred shares	18 078
<b>Total</b>	<b>47 708</b>

Amount of dividends to be paid to shareholders shall be approved by Annual Meeting of Shareholders at the suggestion of the Board of Directors. Profit distributed for dividend payment shall be limited by that admitted in accordance with Russian Federation Accounting Provisions.

8. Fixed assets

	Structures	Switchboards and transmitting terminals	Incompleted construction and equipment to be installed	Machinery and other assets	Total
<b>Value</b>					
As of January 1, 2002.	10 057 456	8 139 549	404 315	1 169 792	19 771 112
Receipts	-	-	774 280	-	774 280
Shifted to operation	151 332	565 400	(834 159)	117 427	-
Retirement	(81 828)	(191 059)	-	(36 753)	(309 640)
<b>As of December 31, 2002.</b>	<b>10 126 960</b>	<b>8 513 890</b>	<b>344 436</b>	<b>1 250 466</b>	<b>20 235 752</b>
<b>Depreciation</b>					
As of January 1, 2002.	(925 250)	(953 736)	(107 766)	(100 726)	(2 087 478)
Accrual annual reserve	-	-	(48 785)	-	(48 785)
Reserve recovery	7 104	16 696	-	3 649	27 449
<b>As of December 31, 2002.</b>	<b>(918 146)</b>	<b>(937 040)</b>	<b>(156 551)</b>	<b>(97 077)</b>	<b>(2 108 814)</b>
<b>Cumulative wear</b>					
As of January 1, 2002.	(5 644 372)	(3 953 716)	-	(791 073)	(10 389 161)
Annual charge	(189 564)	(370 859)	-	(88 347)	(648 770)
Retirements	74 725	174 362	-	31 170	280 257
<b>As of December 31, 2002.</b>	<b>(5 759 211)</b>	<b>(4 150 213)</b>	<b>-</b>	<b>(848 250)</b>	<b>(10 757 674)</b>

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<b>Depreciated cost as of December 31, 2002.</b>	<b>3 449 603</b>	<b>3 426 637</b>	<b>187 885</b>	<b>305 139</b>	<b>7 369 264</b>
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As of December 31, 2002 depreciated cost of fixed assets transferred to the Company under financial lease makes up 178 348.

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8. Fixed assets (continuation)

The Company uses assets granted on lease as security of relevant lease liabilities (See Note 19 Financial Lease Liabilities).

Within 2002 capitalized expenditures on interest-bearing loans made up 4 765.

As of December 31, 2002 fixed assets for total amount of 208 602 were security of bank credits. As of December 31, 2002 fixed assets for total amount of 74 330 were security of commodity credit obtained from Siemens Company (See Note 18 Credit and Loan Indebtedness).

Company's fixed assets accounting journals are adjusted in order to make account possible in accordance with ISFA No. 16 Fixed Assets, ISFA No. 29 Financial Accounting in terms of Hyperinflation and ISFA No. 36 Assets Depreciation. In this case Company's management assessments and allowances were used to show fixed assets in the financial statements.

In future the Company plans to involve independent appraiser to determine historical value of fixed assets in order to make required adjustments in Company's journals if necessary for the purpose to make up financial statements in accordance with ISFA standards.

9. Intangible assets

	<u>Licenses</u>	<u>Software</u>	<u>Total</u>
<b>Value</b>			
As of January 1, 2002.	-	9 951	9 951
Receipt	1 998	8 873	10 871
Retirement		(688)	(688)
<b>As of December 31, 2002.</b>	<b>1 998</b>	<b>18 136</b>	<b>20 134</b>
<b>Cumulative wear</b>			
As of January 1, 2002.	-	(5 109)	(5 109)

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Annual charge	(182)	(2 367)	(2 549)
Wear on retired objects		688	688
<b>As of December 31, 2002.</b>	<b>(182)</b>	<b>(6 788)</b>	<b>(6 970)</b>
<b>Depreciated cost as of December 31, 2002.</b>	<b>1 816</b>	<b>11 348</b>	<b>13 164</b>

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9. Intangible assets (continuation)

Intangible assets shall be depreciated by linear method within their useful life lasting for 5 years.

10. Financial investments in subsidiary

Consolidated financial accounting includes financial accounting of OJSC FETEC as well as financial accounting of subsidiary PJSC Birobidzhan Cellular Networks (OJSC FETEC share in capital of this company makes up 60%). Basic activity of this subsidiary is provision of cellular communication. The given subsidiary is Russian incorporated person registered in accordance with Russian Federation legislation. As of the end of 2002 the subsidiary had cumulative loss.

11. Investments in dependent companies

As of December 31, 2002 investments in dependent companies included as follows:

	Basic activity	Book value	2002 Percentage of voting shares
PJSC Primtelefon	Cellular communication	90 140	50,0%
Magalyaskom Co., Ltd.	Cellular communication	15 987	50,0%
PJSC Far Eastern Cellular Communication - 900 (FECS-900)	Cellular communication	13 980	40,0%
PJSC TeleRoss Vladivostok	Communication	8 345	50,0%
Kamalyaskom Co., Ltd.	Cellular communication	566	50,0%
PJSC Khabarovsk Cellular Telephone	Cellular	-	30,0%

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	communication	
<b>Total</b>		<b><u>129 018</u></b>

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12. Financial assets to be sold

As of December 31, 2002 financial assets to be sold included as follows:

			2002
	Basic activity	Amount	Holding percentage
OJSC DalTelecom			
International	Cellular communication	2 624	6,4%
JSCB Primorye	Banking services	2 152	8,2%
OJSC FEZ Nakhodka	Communication services	1 101	8,47%
JSCB Dalcombank	Banking services	858	1,4%
JSCB (PJSC) Svyaz-Bank, Moscow	Banking services	680	0,4%
IJSC Dalstar	Insurance services	500	5,0%
OJSC Imperial	Investment fund	240	19,6%
Others		2 137	
<b>Total</b>		<b>10 292</b>	

Financial investments in other companies are not quoted at stock market. Accordingly, Company's management showed the given assets at purchase price.

13. Stock

As of December 31, 2002 stock included as follows:

	2002
Cable, spare parts and materials for telecommunication equipment	222 042
Finished commodity and goods to be sold	18 649
Other stock	225
Less stock depreciation reserve	(915)
<b>Total</b>	<b>240 001</b>

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14. Accounts receivable

As of December 31, 2002 the Company distinguished basic debtor groups on settlements for communication services as follows:

	<b>2002</b>
Budget organizations	284 020
Individuals	149 061
Commercial companies	134 889
Less bad accounts receivable reserve	(250 200)
<b>Total</b>	<b>317 770</b>

The company monthly bills governmental and commercial organizations in rubles for communication services. Company monthly sends bills for calls to individuals and mainly relies on timely payment of charges in accordance with the said bills. All customer payments are made in accordance with ruble tariffs in force as of the time of service provision. In some cases the Company managed to fine for arrears on payments and to collect debt by means of Arbitration. In order to reduce risk of default in payment the Company in some cases received goods and services used by Company's auxiliary departments as payment.

15. Other current assets

As of December 31, 2002 other current assets made up as follows:

	<b>2002</b>
Advance payments	90 205
Settlements with staff	16 749
VAT to be reimbursed	127 835
Tax advance payments	27 889
Other settlements	101 314
Less other current assets reserve	(14 339)

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**Total**

**349 653**

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16. Funds and their equivalents

As of December 31, 2002 funds were as follows:

	<u>2002</u>
Funds with banks and cash	89 552
Short-term bank deposits	10 033
<b>Total</b>	<b><u>99 585</u></b>

Market value of Company's funds is adequate to their book value.

17. Stock capital

Shareholders' funds are shown as follows:	<u>2002</u>
Preferred shares at par value of 10 rubles 31 168 901 declared and circulated shares	311 689
Ordinary shares at par value of 10 rubles 95 581 421 declared and circulated shares	955 814
<b>Total stock capital</b>	<b><u>1 267 503</u></b>

State registration of amendments to the Articles of Association was completed on January 22, 2003. However alteration of the authorized capital was admitted as significant event and shown in the attached financial accounting as of December 31, 2002 in accordance with ISFA No. 10 Events occurring upon the accounting date.

Authorized capital item shows amount of Company's authorized capital in accordance with constituent documents. As of December 31, 2002 the Company issued 95 581 421 ordinary shares and 31 168 901 preferred shares of A class. Par value of all issued shares makes up 10 rubles per one share. All shares were fully paid.

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17. Stock capital (continuation)

Total number of the issued shares as of December 31, 2002 75,4% of shares referred to the ordinary shares and 24,6% referred to the preferred shares of A class. Each ordinary share gives one voting right to its holder. Preferred shares of A class are non-voting. Profit to be distributed as dividends under Russian legislation is charged per all ordinary and preferred shares of A class and paid in rubles. Preferred shares of A class are entitled for annual payment of dividend at rate of 9,8% of net profit according to the results of last financial year shown in accounting journals in accordance with Russian accounting rules and retained at shareholders' disposal. Annual amount of dividends per each preferred share of A class should not be less than dividends per one ordinary share for the same year. Holders of preferred shares of A class have preferential right to obtain Company's assets upon its liquidation in proportion to number of shares held.

In August of 2001 the Company made a depositary agreement with JP Morgan Chase Bank to place American depositary receipts (ADR) of the first level. Issue of ADR of the 1<sup>st</sup> level was registered on August 22, 2001. Depositary agreement between the Company and JP Morgan Chase Bank was revised on August 16, 2002 due to restructuring with regard to increasing number of shares on which ADR could be issued (see Note 1 General Information). Under this depositary Bagreement each depositary receipt presents 30 Company's ordinary shares. As of December 31, 2002 ADR were not placed.

Structure of Company's authorized capital as of December 31, 2002 (in thousand shares) is given below:

	Ordinary shares		Preferred shares		Total
		%		%	
OJSC Svyazinvest	48 331	51	-	-	48 331
Other legal entities	40 245	42	19 864	64	60 109
Individuals	7 005	7	11 305	36	18 310
<b>Total</b>	<b>95 581</b>	<b>100</b>	<b>31 169</b>	<b>100</b>	<b>126 750</b>

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18. Credit and loan debt

As of December 31, 2002 credit and loan debt included as follows:

	<b>Interest rate</b>	<b>Maturity period</b>	<b>2002</b>
<i>Short-term debt</i>			
Savings Bank	19 - 22%	2003	109 719
Dalcombank	17%	2003	18 000
Kamchatprombank	21%	2003	1 650
Others	0 - 21%	2003	21 064
<b>Total short-term debt</b>			<b>150 433</b>
<i>Long-term debt</i>			
Vnesheconombank	7.5%	до 2007	196 261
Siemens	10 – 11%	до 2004	87 889
Italtel	7.5%	до 2003	26 499
Sumitomo	5%	до 2004	8 421
Others	0 – 13%	до 2005	19 221
<b>Total long-term debt</b>			<b>338 291</b>
Less current payments on long-term debt			(227 649)
<b>Total</b>			<b>110 642</b>

**Short-term debt**

Short-term debt in rubles is presented mainly by bank credits obtained in order to finance current assets.

**Long-term debt**

*Vnesheconombank*

From 1996 till 1997 Russian Federation Ministry of Finance (hereinafter referred to as the Ministry) provided the Company with long-term financing for purchase of telecommunication equipment from different manufacturers. Vnesheconombank acted as Ministry's agent on collection of payments from the Company. The liability was initially designated in German marks and later upon putting euro into circulation

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was transferred to euro. Interest is charged at rate equal to 7,5%. The liability is not secured.

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18. Credit and loan debt (continuation)

*Long-term debt (continuation)*

*Vnesheconombank (continuation)*

After crisis of 1998 and significant exchange rate of German mark to ruble growth payments under the given agreements were suspended. As a result approximately 52 664 of liability to Vnesheconombank included in current part of long-term loans in the attached balance-sheet was outstanding as of December 31, 2002.

*Siemens*

From 1995 till 2000 the Company made some agreements with Siemens Company where Siemens supplied and mounted telecommunication equipment for the Company. Amount to be paid under the given agreement is designated in euro and to be paid in part from 2003 till 2005. Interest is charged at rate from 10% to 11% annually. Fixed assets for the amount approximately 74 330 are pledged as security on the given credit.

*Italtel*

In 1996 the Company made an agreement with Italtel Company where Italtel supplied telecommunication equipment for the Company. Amount to be paid under the given agreement is designated in US dollars and to be paid within 2003. Interest is charged at rate of 7,5% annually. The debt is not secured.

*Sumitomo*

In 1998 the Company made an agreement with Sumitomo Company where Sumitomo supplied telecommunication equipment for the Company. Amount to be

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paid under the given agreement is designated in Japanese yens and to be paid from 2003 till 2004. Interest is charged at rate of 5% annually. The debt is not secured.



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19. Financial lease liabilities

The Company leases telecommunication equipment under financial lease agreements. The amount of future minimum lease payments under financial lease agreements and discounted value of minimum leasing payments as of December 31, 2002 are as follows:

	<b>Minimum lease payments</b>	<b>Discounted value of minimum lease payments</b>
Up to 1 year	128 403	71 717
Long-term part, from 2 till 5 years	142 197	104 750
Over 5 years	3 480	1 881
Total minimum lease payments	274 080	
Less financial expenditures	(95 732)	
<b>Discounted value of minimum lease payments</b>	<b>178 348</b>	<b>178 348</b>

In 2002 Company's major lessors were Promsvyazleasing and RTK-Leasing (See also Note 23 Transactions where parties concerned are involved).

In accordance with agreements made with OJSC RTK-Leasing, the lessor shall be entitled to change schedule of future lease payments if certain macroeconomic conditions change, particularly Russian Federation Central Bank refinancing rate.

20. Accounts payable and accrued liability

As of December 31, 2002 accounts payable and accrued liability included as follows:

	<b>2002</b>
Accounts payable on basic activity	236 691
Settlements with staff	268 969
Subscribers' advance payments	169 952
Other accounts payable	39 348
<b>Total</b>	<b>714 960</b>

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20. Accounts payable and other current liabilities  
(continuation)

As of December 31, 2002 the Company distinguished tax debt as follows:

	<u>2002</u>
VAT	192 673
Profit tax	15 854
Property tax	15 724
Individuals income tax	15 512
Sales tax	17 936
Single social tax	29 584
Other taxes	863
<b>Total</b>	<b><u>288 146</u></b>

21. Social payments to employees

In 2002 the Company made different payments to employees in addition to their salary. These payments mainly include welfare to Company's employees with limited financial opportunities and bonuses to those employees observing labour discipline within the expired year. These payments were included in item Wages, benefits, wages fund taxes and other social expenditures of the consolidated income statement for the year ending on December 31, 2002 and made up approximately 29 694.

In addition to contributions to the Pension Fund the Company makes contributions to pension plans with set payments for majority of its employees. Telecom-Soyuz non-governmental pension fund that is not Company's party concerned keeps records of these plans. The plans stipulate payment of pensions starting from age set by legislation that is at present 55 years old for women and 60 years old for men. Payment amount is calculated based on scheme accounting minimum pension amount set by law, service period in the Company and telecommunication sector as well as average wages as of the time of retirement and position taken. The given scheme comes into effect only if an employee works with the company when he

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reaches retirement age. The Company makes contributions to Pension Funds at the rate of set percentage form employee's wages or at he rate set by agreement with the Pension Fund depending on specific retirement agreement.

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**21. Social payments to employees (continuation)**

As Note 2 Basic provisions of accounting policy reads the Company made no actuarial calculations to determine current debt under these agreements and accordingly does not disclose information on ISFA No. 19 Remunerations to Employees regarding value of pension plan liabilities and value of plan assets as of December 31, 2002.

**22. Contingent liabilities**

Insurance

Russian insurance business is in developmental stage at present and many insurance types available in other countries have not been spread in Russian Federation yet. In 2002 major part of Company's fixed assets, risks of loss in case of laying-off, third party liability for property and ecologic damage caused due to accident or other incidents related to Company's assets or business were not insured. As long as Company has no respective insurance coverage, there is a risk of unfavorable influence of its assets damage on its business and financial condition.

Legal disputes, litigations and determination of consequences

Russian legal system is characterized by: (1) inconsistency of laws President decrees, orders, resolutions and orders of government, ministries and local authorities as well as other acts; (2) conflicts of local, regional and federal regulations and regulating documents; (3) lack of legal and administrative instruction on legislation interpretation; (4) relative lack of experience in the field of legislation interpretation; and (5) great freedom of action of state authorities.

Company's management is not able to assess progress and its influence on Company's financial condition and future transactions. In the foreseeable future Company's activity may be exposed to factors of state economic instability. The attached financial accounting contains no adjustments that may be made as a result

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of solution of these uncertainties.

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**22. Contingent liabilities (continuation)**

Contingent liabilities on capital investments

As of December 31, 2002 Company's contract liabilities on capital investments for network modernization and extension made up 333 148 including liabilities to RTK-Leasing for the amount of 317 597.

**23. Transactions where parties concerned are involved**

*(1) Settlements with dependent companies*

Company's consolidated accounting as of December 31, 2002 includes amounts as follows:

Accounts receivable of dependent companies:

	<b>2002</b>
PJSC FECC - 900	2 006
PJSC Primtelefon	952
PJSC TeleRoss Vladivostok	1 078
PJSC Khabarovsk Cellular Telephone	2 017
Magalyaskom Co., Ltd.	770
Kamalyaskom Co., Ltd.	125
Total	<b>6 948</b>

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Accounts payable to dependent companies:

	<b>2002</b>
PJSC FECC - 900	(219)
PJSC Primtelefon	(5 292)
PJSC TeleRoss Vladivostok	(1 681)
PJSC Khabarovsk Cellular Telephone	(256)
Total	<b>(7 448)</b>

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23. Transactions where the parties concerned are  
involved (continuation)

(1) Settlements with subsidiaries (continuation)

The consolidated Income Statement includes transactions as follows:

Sales to subsidiaries:

	<b>2002</b>
PJSC FECC - 900	8 382
PJSC Primtelefon	10 358
PJSC TeleRoss Vladivostok	4 944
PJSC Khabarovsk Cellular Telephone	5 803
Magalyaskom Co., Ltd.	1 430
Kamalyaskom Co., Ltd.	127
Total	<b>31 044</b>

Purchases from subsidiaries:

	<b>2002</b>
PJSC FECC-900	(432)
PJSC Primtelefon	(2 819)
PJSC TeleRoss Vladivostok	(3 715)
PJSC Khabarovsk Cellular Telephone	(697)
Total	<b>(7 663)</b>

All transactions were made at market prices.

(2) OJSC Svyazinvest

OJSC Svyazinvest is mother company of OJSC FETEC. OJSC Svyazinvest was totally state-controlled till July of 1997 when Russian Federation government sold 25% of shares plus one share of OJSC Svyazinvest to private investors.

Efficient communication and data transmission network is crucial for Russia due to some reasons including economic, strategic as well as national security interests. Thereupon the government influences and most likely will influence greatly activity of OJSC Svyazinvest and its subsidiaries.

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Governmental influence is not limited by holding of OJSC Svyazinvest stock. It reserves rights for tariff regulation and regulates tariffs for long-distance telephone communication to the limited extent.

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**23. Transactions where the parties concerned are involved (continuation)**

*(2) OJSC Svyazinvest (continuation)*

In addition RF Communication and Informatization Ministry controls licensing procedure for companies providing telecommunication services.

*(3) OJSC Rostelecom*

OJSC Rostelecom majority holding of which is owned by OJSC Svyazinvest is basic Russian Federation long-distance and international communication operator. The company made agreements with OJSC Rostelecom for provision of long-distance and international traffic transmission as well as other communication services including rent of channels. Annual expenses for payment of OJSC Rostelecom services are related to traffic outgoing from the Company beyond network owned by it. The given expenses included in structure of expenses related to provision of long-distance and international traffic transmission made up 569 871 in 2002.

*(4) OJSC RTK-Leasing*

OJSC RTK-Leasing is OJSC Rostelecom subsidiary. OJSC RTK-Leasing purchases telecommunication equipment from domestic and foreign suppliers and provides financial lease of this equipment. Company's debt on liabilities and financial lease to OJSC RTK-Leasing included in the attached balance-sheet as of December 31, 2002 may be shown as follows:

	<b>Minimum leasing payments</b>	<b>Discounted value of minimum leasing payments</b>
Up to 1 year	24 750	11 801
Long-term part from 2 to 5 years	60 217	33 849
Over 5 years	666	640
Total minimum leasing payments	85 633	
Less financial expenses	(39 344)	

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<b>Discounted value of minimum leasing payments</b>	<b>46 289</b>	<b>46 289</b>
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**23. Transactions where the parties concerned are involved (continuation)**

*(5) Transactions with governmental organizations*

Governmental organizations are substantial part of Company's clientele. They purchase its services both directly through different state authorities and indirectly through their branches. Some organizations financed from governmental budgets are users of Company's network. Besides, the government may legally demand from the Company to provide certain services in the interests of national security and fight against crime.

As of December 31, 2002 50% of total accounts receivable fell to share of subscribers from among governmental organizations. Unpaid debt of governmental organizations as of December 31, 2002 made up 284 020 including non-budgeted debt on preferential subscriber categories of 215 000.

*(6) Non-profit partnership*

Non-profit partnership Research Center of Telecommunication Development Problems (hereinafter referred to as the Partnership) is affiliated company of OJSC Svyazinvest. The Company concluded contract with the Partnership for provision of the latter with funds for the purpose of mutually beneficial projects' implementation on behalf of the Company, its subsidiaries and affiliated companies of OJSC Svyazinvest. Payments to the Partnership included in structure of other operation expenses in the attached consolidated income statement for a year ended on December 31, 2002 made up 46 652.

**24. Financial instruments**

Fair value of financial statements



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Company's management believes that value of financial instruments included in the attached consolidated balance-sheet as of December 31, 2002 is approximately adequate to its fair value.

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**24. Financial instruments (continuation)**

Interest risk

The table gives data of Company's financial instruments divided by payment periods where as of December 31, 2002 risks of interest rate changes are available.

	<u>&lt;1 year</u>	<u>1-5 years</u>	<u>&gt;5 years</u>	<u>Total</u>
<i>Fixed rates</i>				
Short-term loans	(150 433)	-	-	(150 433)
Long-term loans	(227 649)	(110 642)	-	(338 291)
Financial leasing obligations	(71 717)	(104 750)	(1 881)	(178 348)

Interest on financial instruments shown at the fixed rate is the same till fulfillment of investment obligations.

**25. Events occurring upon the accounting date**

(1) *Dividends*

On June 11, 2003 the Annual General Meeting of Shareholders passed a resolution to pay dividends based on the results of activity for 2002 at the rate of 0,58 rubles per one preferred share and 0,31 rubles per one ordinary share. The total amount of declared dividends made up 47 708. Dividends for the year ending on December 31, 2002 shall be payable within 2003 and will be shown in financial statements for the year ending on December 31, 2003.

(2) *Communication tariffs*

On July 31, 2003 tariffs for some local and long-distance telephone communication services as well as installation charge was increased approximately by 13%.

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**25. Events occurring after the accounting date (continuation)**

*(3) Issue of bonded debt.*

The Board of Directors approved issue of 1 000 000 documentary inconvertible bearer bonds with par value of 1 000 rubles on May 29, 2003. Bonds have 6 coupons. Coupon payments are made every 182 days since the date of bonds placement commencement. Interest rate will be determined by tender held as of the date of bonds placement commencement. Bonds shall be subject to retirement in 1092 days upon their placement. As of August 11, 2003 bonds were not placed.

*(4) Savings Bank credit*

The Board of Directors passed a resolution regarding approval of credit agreement with the Savings Bank for the amount of 96 000 with interest of 17% for 1,5 years at the meeting dated May 29, 2003. Contract of telecommunication equipment pledge with the Savings Bank at book value of 173 186 was also approved for the purpose of security of OJSC FETEC obligations under the above-mentioned agreement.

*(5) Purchasing telecommunication equipment*

In July of 2003 the Company concluded several contracts with Beta Huawei Company for total value of 1 254 thousand US dollars (approximately 38 121). Under these contracts Beta Huawei supplies and installs various telecommunication equipment.

*(6) Leasing agreements*

In 2003 the Company made several leasing agreements with RTK-Leasing (OJSC Rostelecom subsidiary) and Promsvyazleasing and discounted leasing payments under these agreements make up 1 014 210 and 387 141 accordingly.

*(7) Introduction of Oracle software*

On May 29, 2003 the Board of Directors approved conclusion of contract with PJSC Open Technologies 98 for delivery of Oracle E-Business Suite software for the amount of 9 654 thousand US dollars (approximately 306 847).

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**25. Events occurring after the accounting date (continuation)**

*(8) Communication sector reforms*

New law About Communication comes into force on January 1, 2004.

OJSC Rostelecom initiated reforming system of mutual settlements with interregional companies for transmission of long-term telephone traffic.

In accordance with current methods interregional companies settle with OJSC Rostelecom based on integral settlement rate for transmission of 1 minute along 50-km network site of OJSC Rostelecom. Integral settlement rate includes linear component and difference of average weighted incoming and outgoing final components on traffic transmission.

The rate was annually calculated based on data of traffic transmitted for the previous year and distorted economic benefits and costs related to changing volume of transmitted traffic within subsequent periods.

The new system of mutual settlements assumes division of payments for transmission of long-distance traffic within OJSC Rostelecom traffic and for traffic landing on operator's network. Such settlement mechanism will allow the Company receiving income for landing of incoming traffic on its network based on actually transmitted traffic volume within the current period that will promote transparent and timely settlements.

As of August 11, 2003 the Company signed no new agreements regarding change of mutual settlements with OJSC Rostelecom.

At present the management is not able to forecast effect of these changes on Company's future activity.

**ATTACHMENT 3.**

APPROVED  
By the Board of Directors of the  
Open Joint Stock Company Far  
East Telecommunications  
Company

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Minutes No., 15  
Dated November 2, 2003

## **Corporate Conduct Code** **of the OJSC Far Eastern Telecommunications Company**

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Vladivostok 2003

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Chapter 4. Company Board of Directors

Chapter 5. Company executive board

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Chapter 8. Control of company financial and economic activity

Chapter 9. Final provisions

**Introduction**

The OJSC FETEC (hereinafter referred to as Company) is the leader of the Far Eastern Telecommunications market. The Company renders all communication services: local, long-distance, international, Internet, data transmission, ISDN, IP-telephony, cellular, trunk, paging and wireless radio access.

Recognizing its mission to meet needs of each client in high quality and reliability communication within Russian Far East the Company intends to develop as modern company capable to attract investments to solve problems and undertakes voluntary obligation to follow principles and rules of corporate conduct specified in the Code in its activity.

The purpose of putting this Code in force shall be formation and implementation of corporate conduct rules and principles in everyday activity in order to perform chartered activity, to increase proceedings and company capitalization and to protect shareholders' rights and interests.

Principles and rules stated in the Code meet international standards based on observance legislative requirements and application of advanced corporate management standards and ethical regulations of business conduct common for all members of business community.

**Chapter 1. Corporate conduct principles**

1.1. The company shall undertake to develop corporate relations in accordance with principles securing

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- Real opportunity for shareholders to exercise rights relating to their share in the company;
- Equal attitude to shareholders holding similar category of shares including minor and foreign shareholders;
- Strategic management of company activity and efficient control of company executive board by the Board of Directors and Directors' accountability to shareholders;
- Opportunity of Company executive board to perform management company current activity reasonably and in good faith as well as executive board accountability to the Company board of directors and shareholders;
- Timely disclosure of full and reliable information about the company including financial situation, economic indices, ownership structure and management for the purpose of taking justified resolutions by company shareholders and investors;
- Efficient control of company financial and economic activity in order to protect shareholders' legal rights and interests;
- Company employees' rights provided by the Law, development of partnership between company and employees in terms of social issues and labor conditions regulation;
- Company active cooperation with investors, creditors and other parties concerned in order to increase Company assets, value of shares and other Company securities.

1.2. The company shall understand importance of improving corporate management of affiliated companies and subsidiaries and shall attempt to secure accessibility and transparency of mentioned organizations as well as to implement new principles of the present Code.

## **Chapter 2. Company shareholders**

2.1. The company shall attempt to provide its shareholders with reliable and efficient way of recording share holding rights.

2.2. Shareholders shall have a right at their option freely dispose of shares held by them and perform any actions not contrary to law and not violating rights and legally protected interests of other persons including alienation of their shares to ownership of other persons.

2.3. The Company shall observe shareholders' right to participate in Company profit distribution for current year in form of dividends. Shareholders shall have a right to expect dividend in declared volume. The Company shall for the purpose of proper observance and protection of the above-mentioned right pay declared dividends within stated term. The Company shall pay dividends at the expense of net profit.



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2.4. The Company shall expect that shareholders do not abuse their rights and do not perform actions aimed at damaging other shareholders or the Company itself.

### **Chapter 3. General Meeting of Shareholders**

3.1. The Company shall observe shareholders' right to participate in company management by taking decisions on vital issues at General Meeting of Shareholders. For the purpose of this right the Company shall adopt internal documents securing shareholders' right to demand convocation of General Meeting and submitting items to the agenda as well as opportunity of proper preparation for General Meeting of Shareholders and realization of vote by each shareholder in accordance with the law.

3.2. The Company shall undertake to determine order and procedure of the general Meeting of Shareholders in internal documents so that they provide equal attitude to all shareholders and do not derogate from rights and legal interests of any group of shareholders.

3.3. Shareholders (shareholder) holding in aggregate at least 2 per cent of Company voting shares shall have a right to submit items to agenda of Annual Meeting of Shareholder, to nominate candidates to the Company Board of Directors, Company Auditing Committee. Shareholders holding at least 10 per cent of voting shares shall have a right of convocation of extraordinary meeting of shareholders. Shareholders (shareholder) shall not submit extract from shareholders' register if their hare holding is recorded in the system of keeping shareholders' register, but if their share holding is recorded in stock deposit in depository extract from stock deposit of the depository shall be enough.

3.4. The Company shall provide shareholders holding at least 1 per cent of shares with opportunity to examine a list of persons entitled to participate in general Meeting of Shareholders.

3.5. The Company shall provide shareholders participating in general meeting with opportunity to examine information giving full idea of company activity necessary to take reasonable, considered decisions on General Meeting agenda items. Shareholders may examine information:

- At company location,
- In company branches,
- On Company website [www.dsv.ru](http://www.dsv.ru)

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Company Articles of Association and Provision of the Company General Meeting of Shareholders holding procedure shall determine volume of information to be available to shareholders.

3.6. The Company shall assign functions of Counting Board to independent registrar for the purpose of securing shareholders' rights in accordance with clause 56 of the Federal Law about Joint Stock Companies.

3.7. Forming agenda of General meeting of Shareholders the Company shall determine agenda items so that to avoid different or ambiguous construction.

3.8. The Company shall ensure registration of participants of the general Meeting of Shareholders enabling all shareholders willing to participate in General Meeting to take this procedure and shall not prevent from participation in the general meeting. This procedure shall be described in provision about Shareholders' General Meeting holding procedure.

3.9. The Company shall ensure Shareholders' general Meeting holding procedure securing reasonable equal opportunity for all shareholders present at meeting to express view and ask questions on agenda.

3.10. At Annual General Meeting of Shareholders the shareholders shall approve annual report that shall include reports of the Board of Directors and company executive boards about results of company financial and economic activity for the past financial year.

3.11. The Company shall undertake to ensure presence of representatives of the Company Executive Boards, Company Board of Directors, Company Auditing Committee at general meeting and ensure shareholders with opportunity to receive answers for their questions.

3.12. The Company shall attempt to ensure presence of candidates for new composition of the board of Directors and representatives of Company Auditor at General meeting of shareholders.

3.13.. The Company shall attempt to avoid any doubts in correctness of voting results and for this purpose it shall ensure summing-up of voting results and their announcement prior to end of General Meeting of Shareholders.

#### **Chapter 4. Company Board of Directors .**

4.1. The Board of Directors shall be Company collective management body performing general management of business save matters that under federal laws and Company

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Articles of Association refer to competence of General Meeting of Shareholders and company executive board. The Board of Directors shall have a goal to ensure efficient company management for the purpose of increasing capitalization, stable growth of profitability and net assets in the long term as well as protection of shareholder' rights and legal interests.

4.2. The Board of Directors in its decisions shall proceed from necessity to act fairly towards all shareholders and shall not take account of interests of only one group of shareholders. The Board shall ensure formation of system of detecting and settling potential conflicts of interests. The Board of Directors shall ensure equal conditions for realization of rights by all shareholders.

4.3. The Company board of Directors shall hold meetings at least once a month. Meetings of the Board of Directors shall be in form of joint attendance (including conference communication) or absentee voting. The company shall attempt to ensure resolutions on some matters such as approval of Company budget, company strategies to be taken by meetings of the Board of directors in form of joint attendance.

4.4. The Board of Directors shall determine company priorities and approve Company annual budget, strategies and development programs as well as exercise control of realization.

4.5. The Board of Directors shall form and support necessary mechanisms of controlling business of the Board and Director General including monitoring and evaluation of their results as compared to plans approved.

4.6. The Board of Directors shall take efforts to create transparent system of remuneration and compensation of expenses relating to Board of Directors execution of functions. Remuneration and compensation to members of the Board of Directors shall conform to their contribution to Board activity and company development. Information about total amount paid as remuneration and compensation to Board of Directors' members shall be stated in Company annual report to be approved by General Meeting of Shareholders.

4.7. The Board of Directors shall ensure formation of financial risk management system enabling to estimate risks that the Company faces in its business aimed at minimizing negative results of such risks.

4.8. The Company shall proceed from assumption that candidates for the Board of Directors shall enjoy confidence of shareholders and shall have proper skills, knowledge and experience to take decisions on matters within competence of the Board of Directors

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and enabling efficient execution of functions of the Board of Directors member. The Company shall take efforts to set in internal documents particular requirements for the Board of Directors.

4.9. The membership of the Board of Directors shall ensure its efficient work taking account of different interests and points of view in decision-taking. Number of the Board of Directors shall be determined by the Company Articles of Association. Membership of the Board of Directors shall meet legislative requirements in particular in terms of ratio of executive and non-executive directors.

4.10. For the purpose of efficient execution of functions of the board of Directors the Company shall establish committees of the Board of Directors such as audit, staff and remuneration and corporate management committee. Such committees shall be designated for preliminary review of vital matters and preparation of recommendations to the Board of Directors for taking decisions on such matters. The Board of directors may also establish other regular and temporary committees (to solve particular matters) as it deems fit.

4.11. The Company shall highlight participation of independent directors in the Board of Directors for the purpose of forming unbiased opinion on matters discussed.

**Chapter 5. Company executive bodies.**

5.1. The Board of directors shall for the purpose of ensuring Company corporate management form collective executive board and appoint sole executive body (Director General), Chairman being the Director General shall chair and manage business of the Board.

5.2. The Board and the Director General shall be accountable to the Company Board of Directors. They shall perform their activity in strict accordance with current legislation in force, Company Articles of Association and provision of Company board.

5.3. Competence distribution among sole and collective executive bodies shall be governed by the Company Articles of Association. Decisions on matters beyond company regular business and on matters within company regular business have significant effect on the Company shall refer preferentially to the competence of collective executive body.

5.4. The Company Board shall develop Company financial and economic plans and business programs and submit them to the Board of Directors for approval within period determined by it.

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5.5. The Board shall be liable for timely submission to the Board of Directors' members information and materials necessary to execute their functions.

5.6. The company Board shall form system of internal control and monitoring of risk relating to company business for the purpose of advance detection of trends with potential negative effect on current results and prospective company development plans. The Board and the Director General shall submit to the company board of Directors information about facts that may cause the most dangerous risks for the Company and ideas to prevent crisis relating to such risks.

5.7. The Director General and Board shall be aware of their responsibility to shareholders, clients and Company and shall consider their main goal to be fair and competent execution of obligations of managing company current business ensuring Company stable long-term development.

5.8. The Director General and Board members shall have high business reputation. Interacting with business partners Company executive bodies shall be governed by high business ethic standards and shall follow principles of long-term relations, dialogue development and mutually beneficial cooperation.

**Chapter 6. Company Corporate Secretary.**

6.1. The main goal of the company corporate secretary shall be provision of company bodies and officers' observance of procedure requirements assuring realization of company shareholders' rights and legal interests.

6.2. Company corporate secretary shall contribute to improvement of Board of Directors' efficiency, Company transparency and effectiveness of company interaction with its shareholders and other participants of corporate relations.

6.3. The Board of Directors shall appoint the company corporate secretary. The company corporate secretary shall be accountable and subordinate to the Board of Directors competent to determine terms and conditions of an agreement made with him including remuneration.

6.4. Company corporate secretary shall have knowledge sufficient to perform functions incumbent on him determined by the Company Articles of Association and provision of the Company Corporate Secretary as well as have credit of shareholders and members of the Board of Directors.

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6.5. Company Corporate Secretary shall participate in preparation and holding of General Meeting of Shareholders in accordance with requirements of law, Articles of Association and provision of the Company General Meeting of Shareholders holding procedure.

6.6. Company Corporate secretary shall ensure preparation and holding of Board of Directors' meetings, meetings of Board of Directors' committees in accordance with requirements of law, Articles of Association, provision of the Company board of Directors and provision about Company Board of Directors' committees.

6.7. The Company Board of Directors shall ensure consideration of shareholders' applications and settlement of conflicts relating to shareholders' rights violation by the Company.

**Chapter 7. Disclosure of Company information.**

7.1. The company policy goal for information disclosure shall be timely and full provision of information to all persons interested in its receipt in volume necessary for taking considered decision about share in company or performance of other actions that can influence company financial and economic activity.

7.2. Company information policy shall be based on provision of free and easy access of all parties concerned to company information.

7.3. Company information disclosure shall be based on internal documents such as Information Concept of the Interregional Company OJSC FETEC 2003-2008 and Information regulations of the OJSC FETEC approved by the Board of Directors stating document and information subject to disclosure and submission to shareholders and potential investors as well as procedure of submission, edition and publishing.

7.4. The company policy in terms of information disclosure shall be aimed at regular and full informational exchange among shareholders, investors and Company by way of modern communication means and mass information including electronic means. The Company shall conduct meetings with company shareholders and investors, arrange press conferences, publishes information about Company in mass media, brochures and booklets as well as disclose company information on website in Internet [www.dsv.ru](http://www.dsv.ru)

7.5. The Company shall place text of the Articles of Association and amendments to it, annual and quarter reports, Company financial accounting, offering circular, auditor reports, information about essential facts as well as information about General Meetings of Shareholders and vital resolutions of the Board of Directors, Company dividend policy, information about Company structure, Board of Directors, Board, Director General,

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Company branches, affiliated companies and subsidiaries, Company Auditor and Company registrar on company website in Internet [www.dsv.ru](http://www.dsv.ru).

7.6. The Company shall annually submit annual report to shareholders. Annual report shall contain necessary information enabling shareholders to estimate company annual results. Annual report shall contain information about company vital aspects of activity.

- Company role in industry;
- Accomplishing company strategic tasks;
- Annual results in contrast to planned;
- Prospects of company development (volume of sales, productivity, gained market share, growth of proceeds, profitability, ratio of internal funds to borrowed current assets);
- Main risk factors incidental to company activity;
- Relationship with competitors;
- Review of company most essential transactions performed by the Company within accounting year (including transactions recognized as major transactions and transactions with interest in accordance with law, where essential conditions and Company management body taking approval decision shall be specified for each transaction);
- Information about company observance of the Corporate Conduct Code;

7.7. Taking care of keeping official and commercial secret the Company shall undertake to ensure non-disclosure of confidential information as well as to exercise control of using inside information. For the purpose of protecting information being commercial or official secret the Board of Directors shall approve document containing list of information being commercial or official secret, criteria for confidential information and access to it. All officers, members of the Board of Directors and Company employees shall be obliged to ensure confidentiality and observe rules for using inside information.

**Chapter 8. Control of Company financial and economic activity.**

8.1. Protection of shareholders' investments and company assets shall be the main purpose of controlling company financial and economic activity.

8.2. Company Board of Directors, Auditing committee, Internal audit department as well as independent auditing organization (Auditor) shall exercise control company business.

8.3. The auditing committee shall audit business and form independent qualified judgment about company situation. Company shareholders shall be notified about Auditing committee conclusion during General Meeting of Shareholders in form of Auditing committee report being part of Company annual report.

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8.4. The Auditing Committee shall inspect operation of system of internal control and system of managing and regulating risks and shall inform about inspection results in report submitted to shareholders together with other documents before Annual Meeting of Shareholders.

8.5. Auditing committee shall not be affected by company officers' opinions and instructions in its activity and shall act independently.

8.6. The activity of the Company Auditing committee shall be governed by the Articles of Association and Provision of the Company Auditing committee.

8.7. In order to audit and confirm company annual financial accounting the Company shall annually involve professional auditor not having valuable interest in the Company or its shareholders. The General meeting of Shareholders shall approve company Auditor. The Board of Directors shall approve terms and conditions of an agreement made with an auditor including remuneration.

## **Chapter 9. Final Provisions**

9.1. The present Code shall come into force after approval by the Board of Directors.

9.2. The present Code may be amended or supplemented by the decision of the Board of Directors.