

interim report for the six months ended 30 June, 2002

OPEN JOINT STOCK COMPANY
**NORTH-WEST
TELECOM**



2012

interim report

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OPEN JOINT STOCK COMPANY
**NORTH-WEST
TELECOM**

*The largest telecommunications operator
in the North-Western Russia providing a
complete range of fixed-line telephone and
telegraph services*

COMPANY OVERVIEW

The incumbent provider of fixed-line telephony to 4.6 million people living in the St. Petersburg area, Russia's second largest metropolis.

The largest telephone network in the North-Western Russia in terms of "access lines" and "lines in service".

The installed capacity of 1.9 million lines represents more than 5% of the entire Russian telephone capacity.

Over 1.8 million lines in service, providing a penetration rate of 42% in St. Petersburg, substantially higher than the Russian average rate of 25%.

MISSION STATEMENT

To provide full range of telecommunication services to the residential sector and organizations of St. Petersburg and the North-West region of Russia, in collaboration with local and federal public authorities, using the skills and experience of a qualified staff and maintaining a leading position among telecommunication services operators.

STRATEGY FOR VALUE CREATION

Sustained market leadership

Sustained improvement of quality of our telecommunication services through on-going network infrastructure development and equipment modernization.

Better margins and revenue growth

Continued satisfaction of the growing market demand through expanded offerings of value-added services and the pursuit of high margin business opportunities.

H1 2002 IN REVIEW

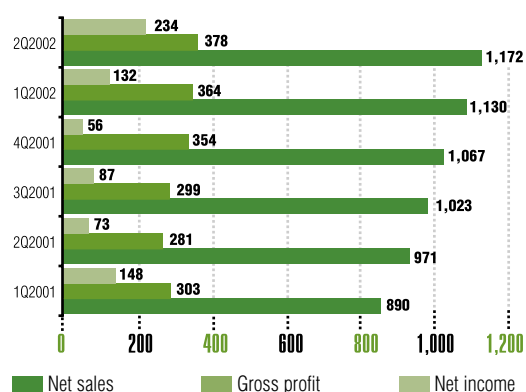
- *Financial and Operating Highlights*
- *Key Events*
- *Industry Performance*



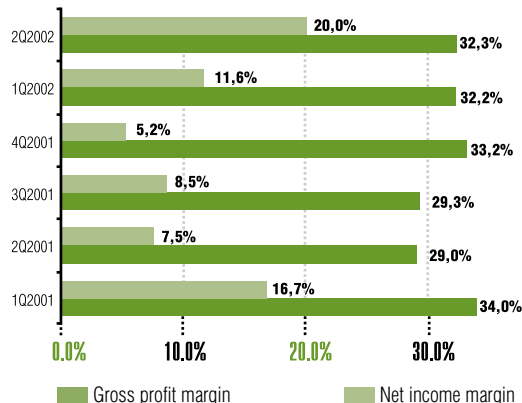
FINANCIAL AND OPERATING HIGHLIGHTS

Key Financial Figures

Net sales, gross profit & net income by quarter, RUR, (M)



Operating profit margin and net profit margin by quarter (%)



Financials (in RUR thousands except per share amounts)

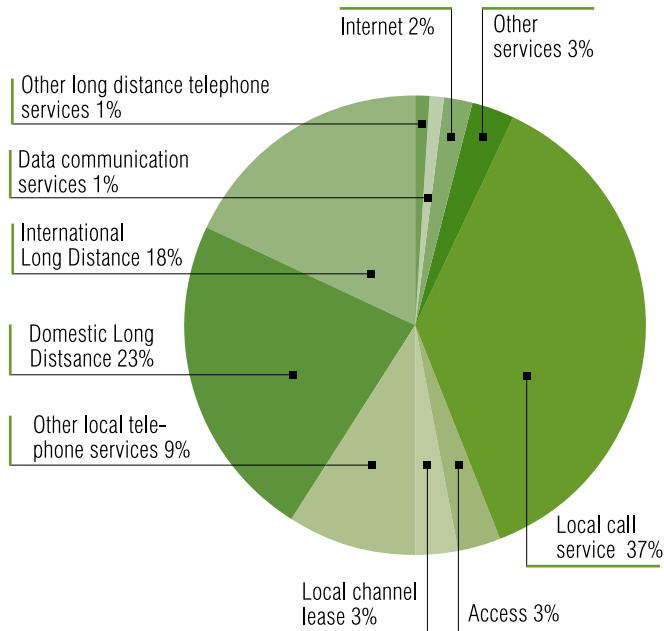
	Jan-June 2002	July-Dec 2001	Jan-June 2001
Revenues	2,302,531	2,089,552	1,861,835
Operating profit	742,403	631,906	564,842
Net income (loss)	365,453	142,784	221,328
Earnings per common share	0.77	0.30	0.47
	June 2002	Dec 2001	June 2001
Total assets	8,536,855	8,122,755	7,939,882
Property, plant and equipment	5,997,488	6,127,121	5,832,129
Debt net of cash ⁽¹⁾	953,718	912,751	868,183
Shareholders' equity	6,544,314	6,279,173	6,136,389

(1) - Total credits and loans, net of cash of 137,371 thousand rubles, 107,578 thousand rubles and 138,685 thousand rubles at June 30, 2002, December 30, 2001 and June 30, 2000 respectively.

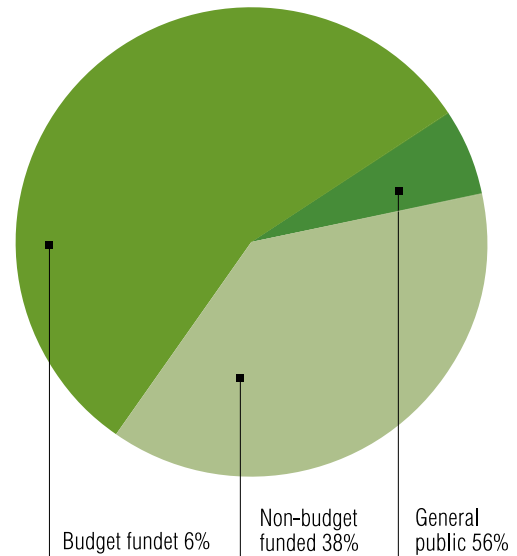
Financial ratios (per cent)

	Jan-June 2002	July-Dec 2001	Jan-June 2001
Operating profit margin	32.2	30.2	30.3
Net income margin	15.9	6.8	11.9
Capex/Revenue	8.1	23.6	14.5
ROA (Net income/Total assets)	1.1	0.4	0.7
ROE (Net income/Equity)	1.4	0.6	0.9
Gross gearing (Interest bearing debt/Total equity)	4.1	4.1	4.4

Sales breakdown, by services, %



Sales breakdown, by customer category, %



Operating Highlights

Selected operational figures

	June 2002	Dec 2001
Lines installed, thousands	1,936.6	1,922.9
Lines in service, thousands	1,830.7	1,822.1
Percent of lines in service, %	95	95
Level of digitalization, %	32.47	32.52
Number of telephones, thousands	1,793.0	1,784.6
Telephone density (per 100 residents)	42	42
Domestic long-distance traffic, thousand min	221,749	218,815
International long-distance traffic, thousand min	47,165	44,083

Productivity ratios, 2001-1H 2002 (in RUR)

	1H 2002	2H 2001	1H 2001
Revenue per line	1,284	1,171	1,053
Profit per line	204	80	125

KEY EVENTS

january

Starting from January 1, 2002, the Ministry of the Russian Federation for Anti-Monopoly Policy and Support of Entrepreneurship (MAP) allowed an increase in monthly flat rates for local telephone services. Tariffs for local telephone calls in St. Petersburg increased by over 20% on average.

february

North-West Telecom's preferred stock was included by Kommersant Publishing House in the list of the most liquid securities on the Russian stock market.

North-West Telecom presented the Telemedicine project at the Norwecom 2002 exhibition. The project is based on ISDN (ATM/FR) and IP technologies and was launched in test mode before mass usage. The Telemedicine project will allow hospital patients to be consulted remotely by the best physicians in any given field.

march

The Federal Commission for the Securities Market registered OJSC North-West Telecom's RUR 300 million coupon bond issue.

The international rating agency, Standard & Poor's, assigned North-West Telecom and its coupon bond issue a ruBB credit rating.

april

North-West Telecom's coupon bonds were successfully placed both on the Moscow Interbank Currency Exchange and the St. Petersburg Currency Exchange. MDM bank acted as the underwriter on the Moscow Interbank Currency Exchange, with Menatep SPb and Telecombank underwriters on the St. Petersburg Currency Exchange. The funds raised are to be used for network modernization and the introduction of time-based billing for local telephone calls.

North-West Telecom received MAP approval to merge with other regional PSTN operators through a swap of the 8 merging companies' shares for North-West Telecom's additional shares.

North-West Telecom set up a Central Department to be responsible for managing the new pan-regional company following completion of the merger.

In April 2002, four Russian regional operators: North-West Telecom, Center Telecom, Uralsvyazinform and Siberia Telecom were presented to international investors during road shows in London and New York.

may

North-West Telecom posted its financial results for 2001: revenues more than doubled as compared to 2000 and net profits increased by more than 56%.

The Additional Services Department of Petersburg Telephone Network, a branch of North-West Telecom, opened a new office to facilitate the provision of N. W. Telecom's additional services such as Internet access, information services, etc.

On May 14, the Board of Directors of North-West Telecom recommended that the Annual General Shareholders' meeting approves a dividend payout of RUR 0.077 per common share or a total of RUR 36,427,696 and a dividend payout of RUR 0.248 per preferred share or a total of RUR 28,381,331.

june

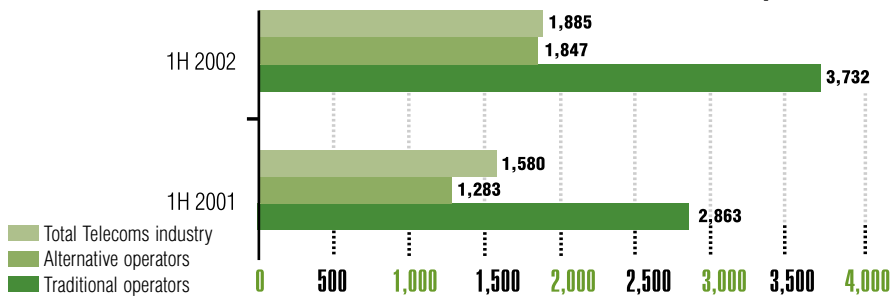
North-West Telecom's Annual General Shareholders' meeting approved the 2001 financial statements, the proposed distribution of profits and losses, the Company's restated Charter and a number of internal documents including new statutes of the Board of Directors and the Executive Board.

INDUSTRY PERFORMANCE

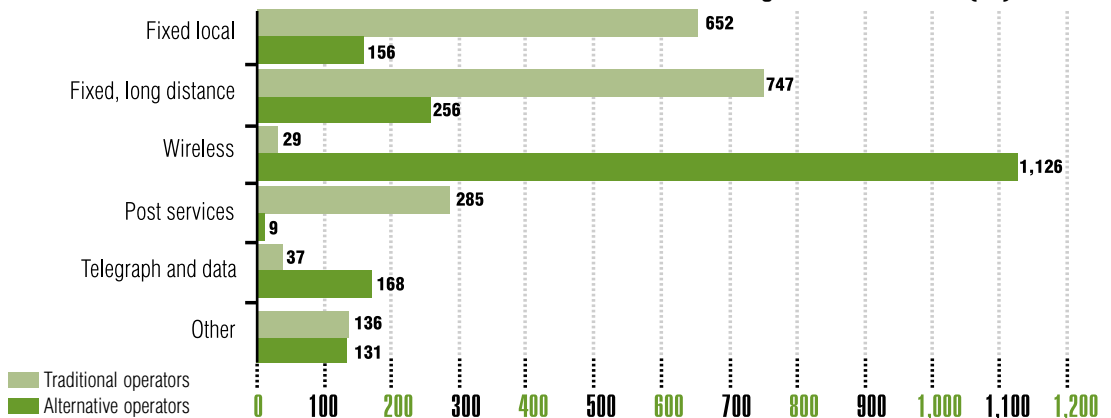
The telecommunications market enjoyed a further surge in revenues

Revenues of telecommunications operators increased by 30% in the first six months of 2002 compared to the same period of 2001 to exceed USD 3,732 million according to preliminary data from the State Statistics Committee. Traditional operators (PSTN operating companies) and Rostelecom, the national DLD/ILD service provider, generated USD 1,885 million while alternative telecommunications operators contributed over USD 1,847 million. Both traditional and alternative telecoms operators increased their revenue in 1H 2002. Revenues of traditional operators grew by 19% compared to 1H 2001 figures to constitute over half of total industry revenues.

Revenues of telecommunications services providers, USD, (M)

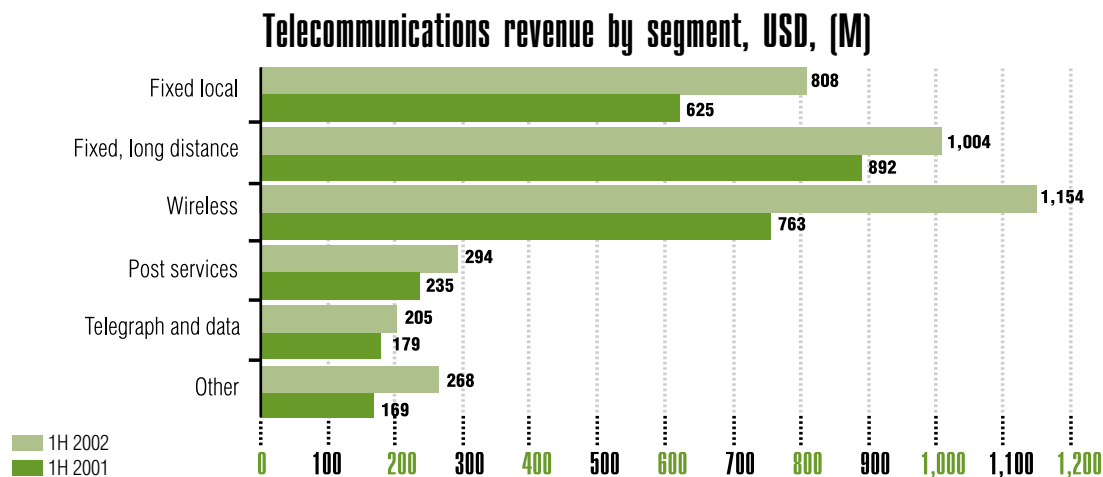


ILEC's and CLEC's revenue for 1H 2002 by services, USD, (M)



Wireless and local fixed-line operators led revenue growth

Wireless service providers showed a remarkable growth as their subscriber base grew steadily, mainly in Moscow and St. Petersburg. Mobile sector revenues reached USD 1,154 million in the first six months of 2002, up 51% compared to the same period of 2001. Local telephony was the second fastest growing segment of the telecoms market. Local wireline revenues exceeded USD 635 for the first six months of 2002, up 29% as compared to the same period of 2001, and greater than the 25% growth anticipated by industry experts.



Large-scale merger of regional PSTN operators is now in the final stage

There are 7 centers for regional consolidation in Russia: Center Telecom, Volga Telecom, South Telecom, North-West Telecom, Siberia Telecom, South-East Telecom and Uralsvyazinform. All of these regional telecoms have obtained the necessary approvals from shareholders and government bodies to merge with other operators through share swaps and bought back shares from shareholders who voted against the consolidation. Whilst some of the additional share issues are still to be registered with the Federal Commission for the Securities Market, for the most part, the mergers are now in the final stages, with the remaining steps largely technical. All regional telecoms, with the exception of Center Telecom, are expected to complete the merger processes by the end of 2002.

Sector reforms are going ahead

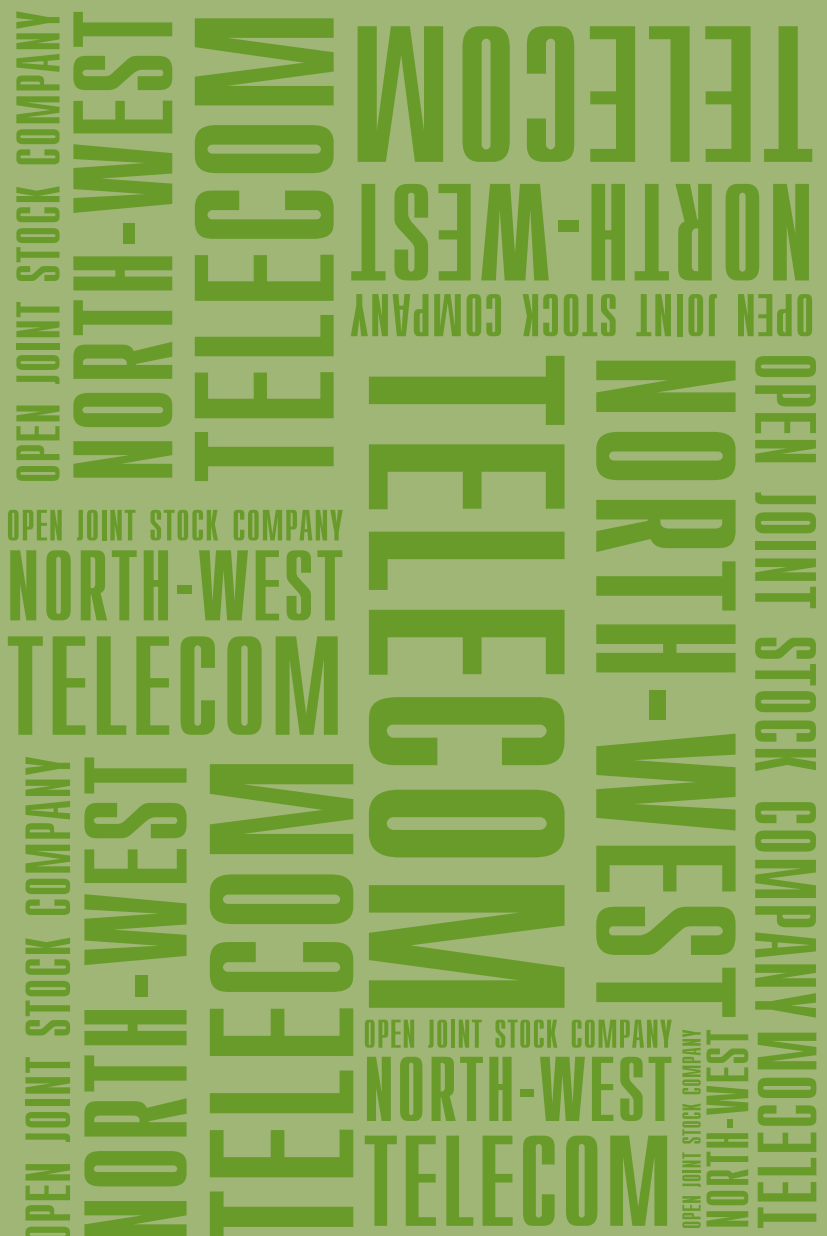
Following the sector consolidation, Svyazinvest's next task is to reorganize ILEC's management structure, its cost and capital expenditures structure and to develop an effective investment strategy to be attractive for Russian and foreign investors. Among the primary short-term goals are the development of a new budgeting system and the introduction of IAS accounts. A new centralized equipment procurement system has been introduced and separate cost accounting is being developed. These innovations will allow management to calculate the separate costs of different services and estimate their profitability.

New tariff methodology was submitted to regulatory ministries

Whilst a rare occurrence for the utilities sector, wireline telecoms operators have been receiving tariff increases. Monthly tariffs for local telephone services were raised 25% in January 2002, and a further increase of up to 15% was authorized for 12 regional operators in July. The need to upgrade networks and the government's intention to raise privatization revenues are likely to lead to more fundamental tariff reforms. Svyazinvest is currently working with the international consulting company McKinsey & Co to develop a tariff structure that will include an "investment component", a surcharge to finance near-term capital expenditures. If the Ministry for Anti-Monopoly Policy and Support of Entrepreneurship (MAP) approves the proposed tariff policy, ILECs will have substantially more funds to invest in infrastructure improvements.

OUR BUSINESS

- *Strategy*
- *Overview of our competitive position*
- *Summary of operating statistics*
- *Core businesses*
- *Additional service developments*
- *Investments in voice and data network facilities*



STRATEGY

North-West Telecom intends to preserve and extend its dominating competitive position as an incumbent provider of telephone services to residential customers and government agencies and to gain a substantial market share in the corporate client segment and in other profitable telecom service segments. To this end we intend to:

- Expand the scope of our services and penetrate new market segments
- Increase share of large corporate clients (businesses, ISPs, alternative telecom operators) in our customer mix
- Employ efficient pricing for unregulated telecom services
- Improve network service quality to strengthen the Company's competitive position
- Streamline operations at the Telecom Service Sales Center and expand the dealer network

The key elements of our financial strategy are:

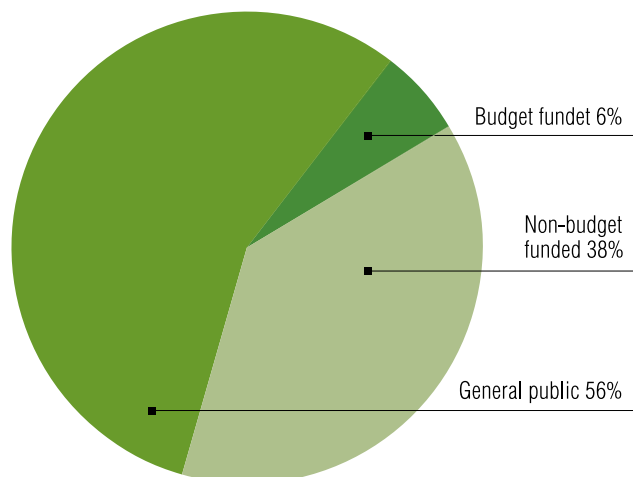
- Consistent earnings and margin growth
- Effective utilization of internal financial resources
- Increase of cash flow from operations allocated to capex
- Fundraising through equity and debt placement

OVERVIEW OF OUR COMPETITIVE POSITION

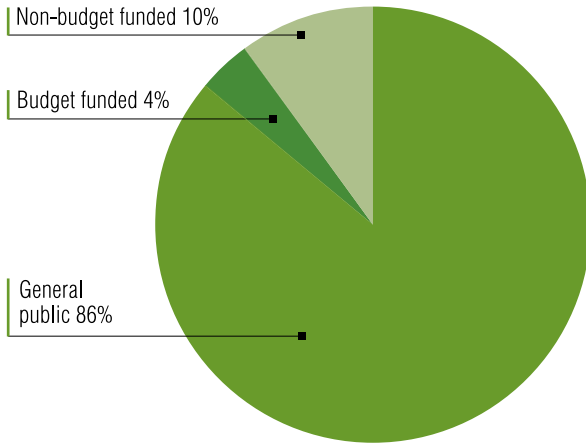
Principal markets and customer base

North-West Telecom is the largest PSTN operator in the North-West federal district of the Russian Federation. Our main competitive advantages include: the large area covered by our business services, diversified customer base and the wide range of services provided. Following the merger with other PSTN operators North-West Telecom will provide services in the 9 large areas of the Russian Federation: St. Petersburg and Leningradskaya oblast, the Republic of Karelia, Arkhangelskaya Oblast, Vologda Oblast, Kaliningrad Oblast, Murmansk Oblast, Novgorod Oblast and Pskov Oblast. Our networks will cover all cities and towns and over half of all rural areas, allowing customers to communicate with each other.

Revenue breakdown, by customer category, 1H 2002

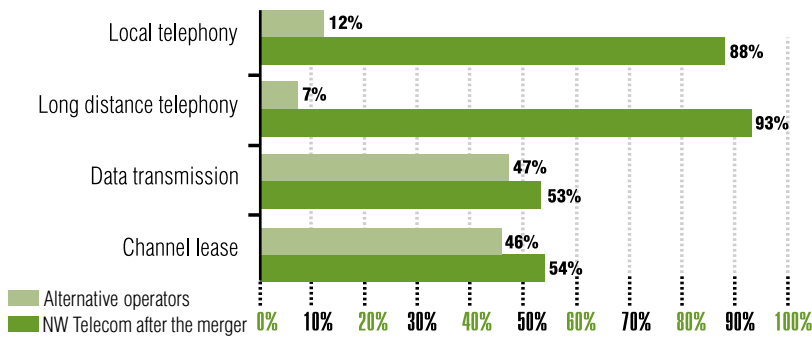


Number of phone numbers in service, by customer category, 1H 2002



Although the general public comprises almost 86% of the total customer base, this group produces only 56% of Company's revenues because of cross-subsidization between residential and commercial tariffs and a significant percentage of subscribers entitled to various discounts and the strict tariff regulations imposed on the North-West Telecom's core business activities.

North-West Region Telecommunications Market, by service



Maintaining market share

All the regional PSTN operators that are to merge with N. W. Telecom have retained their strong market positions in the traditional telecommunications service sectors, such as local and long distance telephony and telegraph services. Due to the fact that traditional wireline operators lacked investments and network modernization in previous years, our potential clients were served by alternative operators and Internet-technology companies in the additional services business sector. We are currently concentrating our efforts on developing our additional services and promoting new telecoms services such as Internet access, data services, etc. N. W. Telecom's share in the St. Petersburg telecoms market, including mobile operators, is estimated at 24%, thus making us, in terms of sales, the second largest telecoms operator in the region after the national mobile operator, Megafon (which previously operated under the NW GSM trade mark).

SUMMARY OF OPERATING STATISTICS

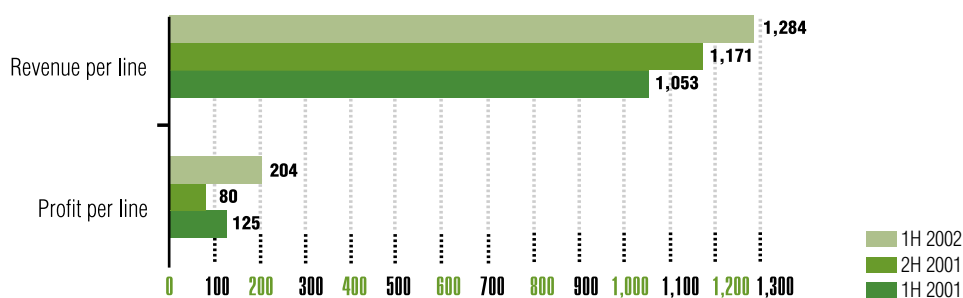
Selected operational figures

	June 2002	Dec 2001
Lines installed, thousands	1,936.6	1,922.9
Lines in service, thousands	1,830.7	1,822.1
Percentage of lines in service	95	95
Digitalization, %	32.47	32.52
Number of telephones, thousands	1,793.0	1,784.6
Households, thousands	1,553.8	1,547.0
Non-commercial organizations, thousands	62.4	62.7
Business subscribers, thousands	176.8	174.9
Increase in the telephone numbers for the period, thousands	8.5	33.3
Telephone density (per 100 residents)	42	42
Domestic long-distance traffic, thousand min	221,749	413,691
International long-distance traffic, thousand min	47,165	86,265
Number of DLD calls, thousands	65,035.5	113,464.8
Number of ILD calls, thousands	12,565.8	21,388.0

Productivity ratios, 2001-1H 2002 (in RUR)

	1H 2002	2H 2001	1H 2001
Revenue per line	1,284	1,171	1,053
Profit per line	204	80	125
Revenue per employee	259,039	232,534	198,575
Profit per employee	41,113	15,890	23,606

Revenue per line and profit per line ratios, RUR



CORE BUSINESSES

Historically, the Company has been focused on providing local and long distance telephone services, mainly to customers located in St. Petersburg. In addition to local and long-distance telephony, our basic services include telegraph services, line installation and network maintenance. The Company also provides access to the public switch telephone network (PSTN) for CLECs and other operators.

Local Telephony

In the first six months of 2002, we installed 8,500 new telephone numbers in the city of St. Petersburg which is much more compared to 1H 2001 when we installed only 800 telephone numbers and by the end of June 2002, the Company served 1,793,000 numbers in St. Petersburg. The number of individual phones increased by 9,500, the number of budgetary organizations' phones increased by approximately 100, and about 1,100 non-budgetary organizations' phone numbers were disconnected by the end of 1H 2002. The Company plans to introduce a local call-charging system of payments in late 2002 - early 2003 and to improve the quality of network operations through better traffic allocation and load balancing within the network and the opportunity of making further investments in network digitalization.

Domestic Long-Distance (DLD) and International Long-Distance (ILD)

Domestic long distance traffic increased in 1H 2002 compared to 2H 2001 by 1.3% from 218,815 thousand minutes to 221,749 thousand minutes. The number of DLD calls in 1H 2002 totaled 65,035,497 compared to 61,859,711 in 2H 2001 and 51,605,057 in 1H 2001. International Long Distance traffic grew by almost 7% in 1H 2002 compared to 2H 2001 from 44,083 thousand minutes to 47,165 thousand minutes. The number of ILD calls in 1H 2002 totaled some 12,565,730 compared to 11,300,708 in 2H 2001 and 10,087,254 in 1H 2001. These results were obtained despite the growing competition from the new telephone services, in particular, IP telephony, provided in St. Petersburg by ISPs and alternative telecoms operators.

Telegraph

In 1H 2002, N. W. Telecom provided telegraph services including the receipt and dispatch of 238,627 telegrams compared to 203,768 in 2H 2001 and 209,125 in 1H 2001.

Telephone Line Installation

During the first six months of 2002, we installed 13,727 new connections in the St. Petersburg area, some of which are served by N. W. Telecom, and others leased by alternative operators. The Company's current backlog is estimated at approximately 106,000 lines.

Leased Lines and access to the PSTN for CLECs and other operators

Other communications operators in St. Petersburg lease the municipal network from N. W. Telecom and purchase number capacity and the right to lay cable using the Company's infrastructure. By the end of 1H 2002, 2,430 channels were leased by alternative operators, 98% more than the 1,230 channels leased at the end of 2001. Revenues from this channel lease grew up by 91% as compared to 2H 2001 to total RUR 3,190,000. We also provided telephone cable leasing to alternative operators, and at the end of 1H 2002, the total length of leased cables amounted to 4,712 km/pair, producing some RUR 375,293 of revenue.

ADDITIONAL SERVICE DEVELOPMENTS

- The Company is currently concentrating its efforts on developing and promoting additional telecoms services* Part of the Company's strategy is to improve and extend the range of our services in the most promising segments of the telecoms market including: Internet services, IP-telephony, data transmission, telematic services, mobile radio communications, digital network solutions for corporate clients, X.25 packet switched and information services. We intend to continue promoting new telecommunications solutions for business clients and other high-revenue customers: digital network solutions based on Frame Relay and ATM technologies, ISDN, ISKRA-2 Business Network, etc.
In the first six months of 2002, we opened a new office for the Additional Services Department of Petersburg Telephone Network, a branch of N. W. Telecom, to expand our business opportunities in the value-added services segment.
- Internet access services* N. W. Telecom's share of the Internet access market remained at the same level of 5%, but in terms of Internet traffic, we provided more Internet services in 1H 2002 than in the whole of 2001. In 2001, our Internet traffic totaled 10,513 Gb and in 1H 2002 increased to 12,696 Gb. Our Internet revenue obtained in 1H 2002 was 46% higher than in 2H 2001 and exceeded RUR 44.5 million. This growth was partly a result of our intensive promotion campaign.
- Data Transmission Services* N. W. Telecom's data transmission services, based on advanced technologies, include connection to the data transmission network through X.25 Protocol with access to Russian and international networks; connection to the data transmission network with Frame Relay switching equipment; the allocation of 64 Kbytes/sec to 2,048 Kbytes/sec digital lines and digital network solutions for corporate clients.
- Trunking and VHF Radio-Telephone Communications* At the end of 1H 2002, 1,248 subscribers used the Altai system of radiotelephone communications. In 1H 2002, revenue from trunking and radiotelephone communications grew as compared to 1H 2001 by 17% and decreased as compared to 2H 2001 by 6%. Revenues from non-budgetary organizations grew steadily throughout 2001 and the decrease in 1H 2002 was due solely to the drop in the number of general public subscribers.
- ISDN (Integrated Service Digital Network)* Two different ISDN services are available to N. W. Telecom's customers: Basic Rate Interface (BRI) with 2 B-channels of 64 kB/sec and one D-channel of 16 kB/sec, and Primary Rate Interface (PRI) with 30 B-channels of 65 kB/sec and one D-channel of 64 kB/sec.
- ISKRA-2 Business Network* ISKRA-2 is a fixed network for Domestic Long Distance telephone calls providing customer connection through a 5-digit number system. Its main feature is the absence of the per-minute billing system for DLD calls. ISKRA-2 is particularly attractive to large corporations, banks, trading companies, travel agencies and governmental agencies. N. W. Telecom is the sole provider of ISKRA-2 services in St. Petersburg and by the end of 1H 2002, we had 222 ISKRA-2 business network subscribers.
- Information Services* Despite growing competition from alternative telecoms operators in the region, N. W. Telecom remains the leading supplier of both free and commercial telephone information services. The following numbers are available to customers: the free "09" service, and the commercial "009", "061" and "065" services. These services provide information on telephone

numbers and addresses of St. Petersburg companies and city residents, and provide legal consultations upon request. The number of invoices issued for information services totaled 264,513 in the first half of 2002.

INVESTMENTS IN VOICE AND DATA NETWORK FACILITIES

Network capacity expansion

As of June 30, 2002, North-West Telecom had more than 91 digital automatic telephone exchanges out of a total of 306 dispersed over 20,000 kilometers of fixed lines. In the first six months of 2002, two new analog cross-bar automatic telephone exchanges were installed. Over this period, the Company installed 11,902 new lines, thus expanding the network to some 1,934,803 telephone lines. With penetration rate of 42 lines per 100 residents, our network is the second most developed in Russia after Moscow. In 2002, we continue to invest in network development and modernization. The Company is currently replacing analog cross-bar and step-by-step exchanges, comprising 60% and 7% of total exchanges respectively, with digital automatic exchanges. Modern digital switchers now account for 29,7% of total exchanges, while at the end of 2000, their share was only 28%.

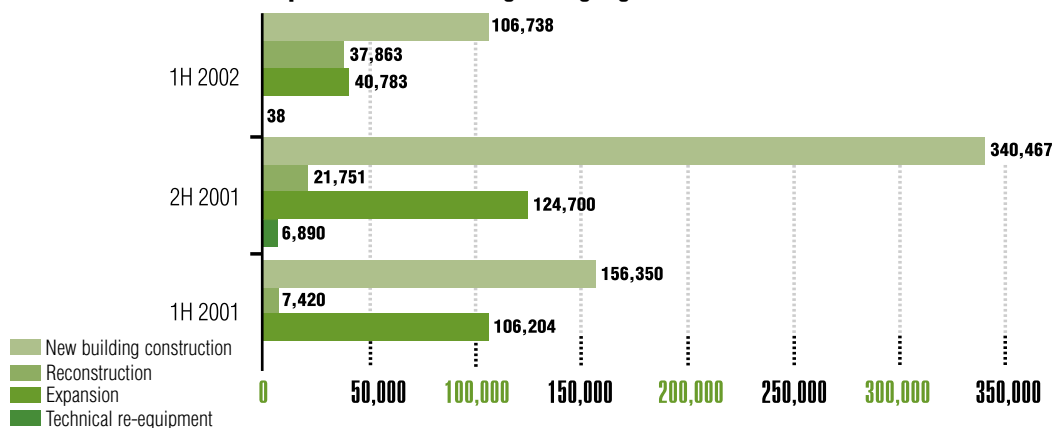
N. W. Telecom's ATE structure, 2000 – 1H 2002

Automatic Telephone Exchange	2000	2001	1H 2002
Digital	80	91	91
Cross-bar analog	183	178	180
Step-by-step analog	45	35	35
Total	308	304	306

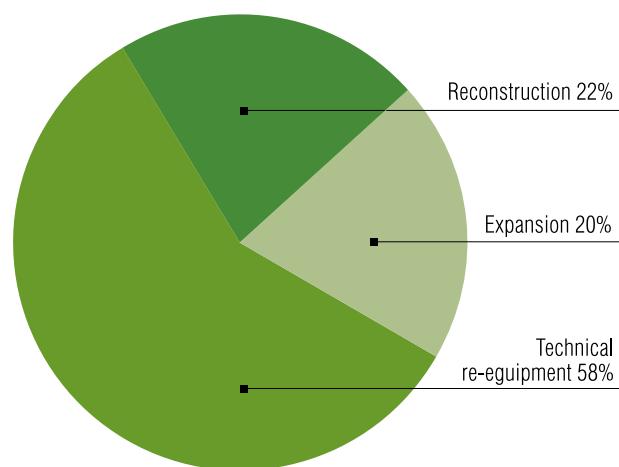
Capital expenditures

We spent RUR 185,422 thousand on capital expenditures during the first six months of 2002. Although in total of our capital expenditures dropped by 31% compared to 1H 2001 and by over 62% compared to 2H 2001, investments into network expansion increased more than 5 times compared to the similar period in 2001.

Capital investment by category, thousands RUR



Capital expenditures structure, 1H 2002



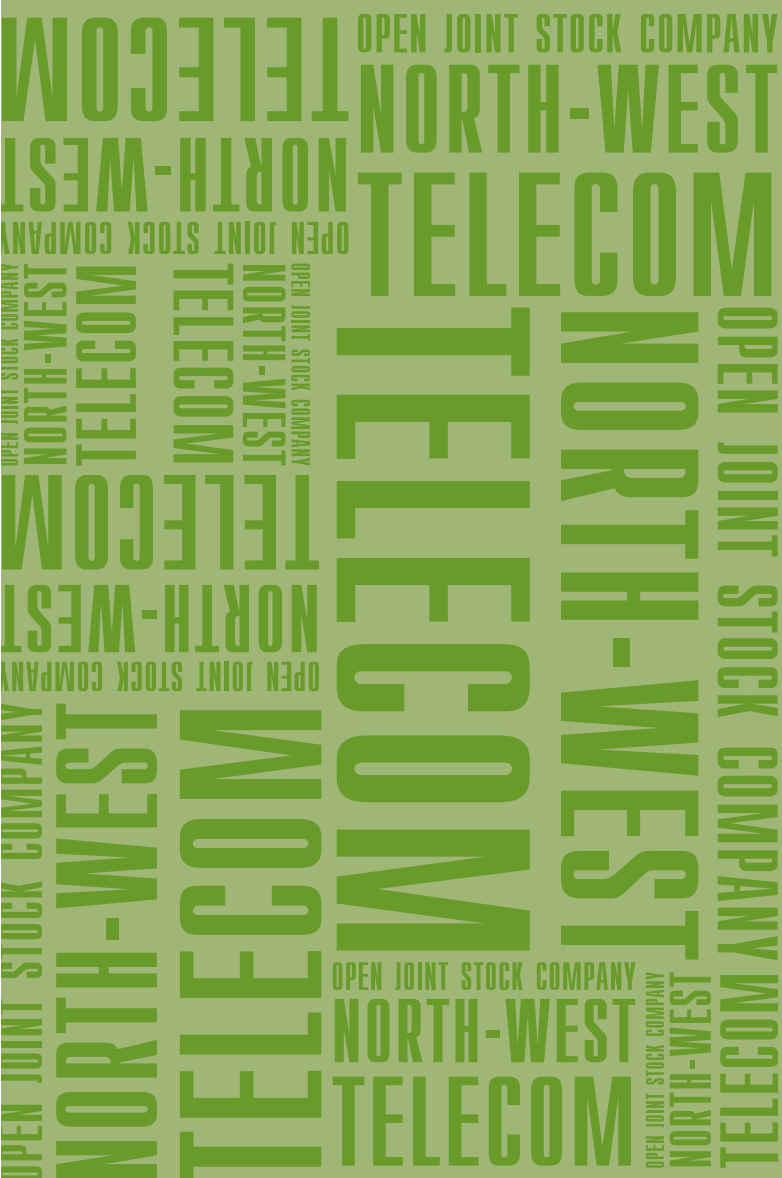
Capital investments, RUR thousands	1H 2002	2H 2001	1H 2001
New building construction	38	6,890	-
Reconstruction	40,783	124,700	106,204
Expansion	37,863	21,751	7,420
Technical re-equipment	106,738	340,467	156,350
Total	185,422	493,808	269,974

Our plans for further network modernization include:

- Replacement of obsolete analog and coordinate automatic telephone exchanges (ATE) with modern digital ATEs
- Installation of new fiber-optic lines, construction of high-speed digital loop traffic structure based on SDH (Synchronous Digital Hierarchy)
- Construction of a new ATM/Frame Relay/IP/TDM multi-service optical network
- Introduction of per-minute billing for local calls · Introduction of advanced hardware and software packages to extend and upgrade network architecture for ISDN services

CORPORATE GOVERNANCE AND PERSONNEL

- *Board of Directors*
- *Executive Board*
- *Auditing and internal financial control*
- *Board of Directors Statute*
- *Remuneration and Compensation*
- *Corporate governance rating*
- *Personnel*



We have concentrated our efforts this year on improving our corporate governance policy and redesigning such policy in accordance with the best international practices of corporate governance and the Russian Corporate Governance Code, presented in April 2002 by the Federal Commission for the Securities Market and Stock Exchanges. Our new Board of Directors' Statute and Executive Board Statute were approved by the Annual General Shareholders' Meeting of June 25, 2002, and are aimed at protecting shareholders' rights, increasing the responsibilities of the Board of Directors, and improving control of the financial statements and other documentation in order to protect shareholders' rights. The new Board of Directors elected at the Annual General Shareholders' Meeting retains only one member of N. W. Telecom's management and it is stated in the new BoD Statute that the General Director of the Company may not hold the position of Chairman of the BoD.

BOARD OF DIRECTORS

Pursuant to the Company's Charter, the Board of Directors consists of nine members elected by a shareholders' meeting through cumulative voting. On June 25, 2002, the Annual General Meeting of Shareholders elected a new Board of Directors of North-West Telecom.

Valery Yashin

Chairman of the Board of Directors since June 2002. Between 1993 and 1999, Valery Yashin held the position of General Director of OJSC PTN. From 1999 up to the present, he has been General Director and Head of the Executive Board of OJSC Svyazinvest. He owns a 0.276% share in the charter capital of OJSC North-West Telecom.

Anton Osipchuk

Member of the Company's Board of Directors since 2000. From 2000 up to the present, Anton Osipchuk has held the position of First Deputy General Director of OJSC Svyazinvest. He does not own a participatory share in the Company's charter capital.

Sergey Soldatenkov

Member of the Company's Board of Directors since 1999. From 1999 till June 2002, Sergey Soldatenkov was First Deputy General Director (Commercial Director) of OJSC Petersburg Telephone Network, until his appointment as General Director in December 1999. He owns a 0.004% share in North-West Telecom's charter capital.

Dmitry Levkovsky

A member of the Board of Directors since 2000, Dmitry Levkovsky represents the interests of the Company's minority shareholders. From 1995 to the present, he has held the position of Vice President of the investment company NCH Advisors, Inc. He does not own a participatory share in the Company's charter capital.

Irina Ragozina

From 1999 to the present, Irina Ragozina has held the position of Director of the Corporate Governance Department of OJSC Svyazinvest. She does not own a participatory share in the Company's charter capital.

Yuri Bilibin

Yuri Bilibin was first elected to the Board of Directors in 2000. From 2000, he has held the position of Assistant Deputy Director of OJSC Svyazinvest. He does not own a participatory share in the Company's charter capital.

Three new members joined the Board on June 25, 2002: Vadim Belov, Oleg Lebedinets, Ivan Rodionov.

Vadim Belov

From 1997 to 1998, Vadim Belov was Deputy President of MFK Commercial Bank. From 1998 to 1999, he held the position of Managing Director of the Moscow office of SPK

Capital Limited. From 1999 to the present he has been Deputy General Director of OJSC Svyazinvest. From 2000 to the present, he has served as a member of the Executive Board of OJSC Svyazinvest. He does not own a participatory share in the Company's charter capital.

Oleg Lebedinets

From 1999 to 2000, Oleg Lebedinets was a financial analyst at the investment company Wood & Company. In 2000, he held the position of Deputy Director of the Research Department at Alfa Capital Investment Bank. From 2000 to the present, he is Director of the Analytical Department at Brunswick Capital Management Investment Fund. He does not own a participatory share in the Company's charter capital.

Ivan Rodionov

From 1997 to the present, Ivan Rodionov is Chief Executive Officer of the AIG Brunswick Capital Management and Fund Manager at AIG Brunswick Millennium Fund. He does not own a participatory share in the Company's charter capital.

EXECUTIVE BOARD

On June 25, 2002, the Board of Directors elected the Executive Board consisting of seven members.

Sergey Soldatenkov,
General Director

From 1994 to 1998, Sergey Soldatenkov was General Director of CJSC Delta Telecom. From 1998 to 1999, he held the position of Deputy General Director of OJSC Telecominvest. From 1999 onwards, he has worked at OJSC Petersburg Telephone Network, initially as First Deputy General Director (Commercial Director) until his appointment as General Director in December 1999.

Igor Samylin,
*Commercial Director and
Regional Director of the Pe-
tersburg Telephone Network
branch*

From 2000, Igor Samylin has held the position of First Deputy General Director and Commercial Director of OJSC PTN, and subsequently of OJSC North-West Telecom. Between 1997 and 1998 he was Acting General Director of CJSC Neda, a paging communications operator. He joined the Company in 1998, initially as Manager of the Vyborg Telephone Exchange, and was subsequently named Deputy Commercial Director. He previously held the position of Director of the Client Services Department. He does not own a participatory share in the Company's charter capital.

Nikolay Bredkov,
*Deputy General Director for
Corporate Governance*

From 2002 to the present, Nikolay Bredkov has held the position of Deputy General Director for Corporate Governance at OJSC North-West Telecom. From 1996 to 1999, he worked as Deputy Director of Economics and Finance at OJSC PTN. Between 1999 and 2000, he served as Deputy Director of Economics and Finance at OJSC PTN. From 2001 to 2002, he held the position of Organization Restructuring Director at OJSC North-West Telecom. He owns 0.006% of the Company's charter capital.

Maya Semchenko,
*Deputy General Director and
Chief Accountant*

From 2002 onwards, Maya Semchenko has held the position of Deputy General Director and Chief Accountant of OJSC North-West Telecom. Between 1995 and 2000, she was Chief Accountant and Financial Director of CJSC Delta Telecom. From 2000 to 2002, she served as Chief Accountant and Head of the Accounting Department of OJSC North-West Telecom. She does not own a participatory share in the Company's charter capital.

Vladimir Akulich,
Deputy General Director for
Strategic Development and
Technical Policy

From 2002 to the present, Vladimir Akulich has held the position of Deputy General Director responsible for Strategic Development and Technical Policy. From 1992 to 1998, he served as General Director of CJSC PeterStar. Between 1998 and 2000, he worked as Construction Director at OJSC PTN. In 2000, he was Deputy Director of OJSC Telecominvest and in the same year joined OJSC North-West Telecom to take up the position of Long-Distance Communications Director till 2002. He does not own a participatory share in the Company's charter capital.

Vladimir Vorojeikin,
HR Director

Vladimir Vorojeikin has held the position of HR Director at OJSC North-West Telecom from 2002. Between 1997 and 1999, he was Head of the Federal Agency for Transport Natural Monopoly Regulation. From 1999 to 2002, he was Deputy Head of the St. Petersburg and Leningrad Oblast Regional office for Anti-Monopoly Policy and Support of Entrepreneurship (MAP). He does not own a participatory share in the Company's charter capital.

Grigory Chernyak,
Deputy General Director for
General Issues

Grigory Chernyak has held the position of Deputy General Director since 1994. He owns 0.064% of the Company's charter capital.

AUDITING AND INTERNAL FINANCIAL CONTROL

The Annual General Meeting of N. W. Telecom appoints the Audit Commission and an independent Auditor, responsible for internal and external auditing.

Company Auditor

CJSC Ernst & Young VneshAudit License number 004768, issued by the Ministry of Finance on February 8, 2000, valid until February 8, 2003 Address: 190000, St. Petersburg, Konnogvardeyskiy blvr, 3 Tel./ fax: +7 (812) 325-8100 / +7 (812) 325-8101

Members of Audit Commission

Konstantin Belyaev	Chief Accountant, Svyazinvest
Anton Lozovskiy	Chief Accountant at Nekrasovskiy telephone station of N. W. Telecom's PTN branch
Vladimir Lokhtin	Director of the PSTN Department, Svyazinvest
Maria Pravdina	Head of the Contract & Agreement Department of N. W. Telecom's PTN branch
Alexander Stenin	Acting Head of the Financial Department of N. W. Telecom's PTN branch

BOARD OF DIRECTORS STATUTES

The new Board of Directors' Statute was approved by the Annual Shareholders' Meeting

The previous edition of the Board of Directors' Statute, approved by the BoD of Petersburg Telephone Network on August 21, 1996, was amended in 1H 2002. The new Statute was approved by the Annual Shareholders' Meeting on June 25, 2002. According to the new Statute, the Board of Directors is committed primarily to creating conditions to increase the

market value of the Company's shares in accordance with the progress of the Company's economic activities, while taking into account the interests of other stakeholders, such as: federal and local governments, employees and retired employees, suppliers and lenders.

REMUNERATION AND COMPENSATION

Remuneration policy

The amount of remuneration and compensation to be paid to members of the Company's Board of Directors is established on the basis of the Board of Directors' Statute by a decision of the Annual Meeting. The structure of remuneration and compensation to be paid to members of the Board of Directors stipulates quarterly remuneration in an amount determined by the General Shareholders' Meeting and reimbursement of travel expenses incurred in performing their duties as members of the Board of Directors.

The amount of remuneration and compensation to be paid to members of the Company's Executive Board is established on the basis of the Executive Board's Statute by a decision of the Board of Directors. The structure of remuneration to be paid to members of the Executive Board stipulates quarterly remuneration in an amount determined by the BoD and reimbursement of expenses incurred in performing their duties as members of the Executive Board.

Details of remuneration

The total amount of remuneration and compensation paid to members of the Company's Board of Directors and Executive Board in the first six months of 2002 was RUR 2,881,970, which included salaries and bonuses to members of the newly elected and former Board of Directors in the amount of RUR 1,205,167 (including bonus of RUR 8,000 for each member of BoD), salaries paid to members of the newly elected and former Executive Board in the amount of RUR 683,802, and premiums and compensation to the newly elected and former Executive Board totaling RUR 2,142,168.

CORPORATE GOVERNANCE RATING

Standard & Poor's honored the high quality of N. W. Telecom's public information disclosure

On May 13, 2002, Standard & Poor's lowered its Corporate Governance Score (CGS) assigned to OJSC North-West Telecom to CGS-5.0 from CGS-5.6. The current CGS is a result of the following components:

- Ownership structure and influence - 5.5
- Financial stakeholder rights and relations - 5.0
- Financial transparency and information disclosure - 5.7
- Board structure and process - 3.8

Standard & Poor's mentioned the improved quality of N. W. Telecom's regular public disclosure, including information on its reorganization and financial statements. N. W. Telecom's new corporate Web site was one of the most informative corporate sites in Russia.

PERSONNEL

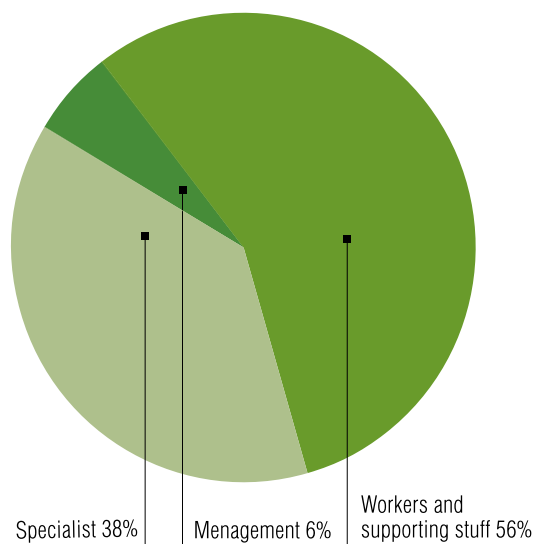
The Company's Employees

As of June 30, 2002, the Company's personnel totaled 8,889 employees as compared to 8,986 employees on January 1, 2002. Over the first six months of 2002, the Company's number of employees decreased by 97 or 1.1%, whereas over 2H 2001, reduction totaled 390 employees or more than 4%. The personnel decrease in 1H 2002 was primarily due to the transfer of employees from N. W. Telecom's internal department to the other company

specializing in providing services to N. W. Telecom (71 employees) and to structural reorganization connected to the completion, at the beginning of 2002, of the mergers with SPb MMT and SPb Telegraph and the liquidation of the building and construction departments. As of June 30, 2002, N. W. Telecom has 8,850 employees in its PTN branch, and 17 managers and 22 specialists in its Central Department.

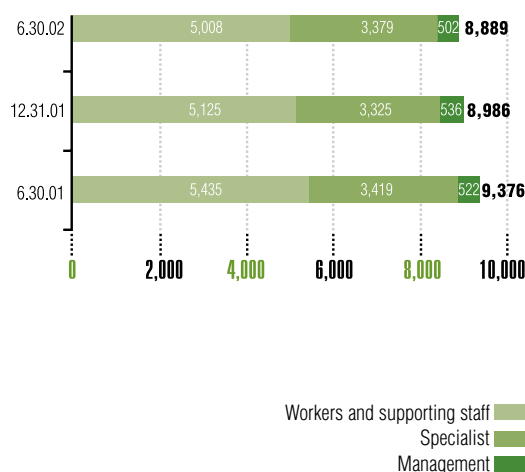
Breakdown of workforce

Structure of Personnel as of June 30, 2002, %



Number and Structure of Personnel, number of employees

(1) Including 39 employees of the Central Department



Salaries and wages

The average monthly salary of the Company's employees increased between June 30, 2001 and June 30, 2002 by 22.7%, and over the first six months of 2002 by 6.1% to constitute 6,210 rubles per employee to June 30, 2002, with an inflation of consumer prices of 10.5% in 1H 2002 in St. Petersburg.

Compensation package

The employee compensation package includes the basic salary, paid twice monthly, additional payments, monthly premiums, performance-related bonuses, tutoring compensation and birthday gifts from the Company. The Company's social package includes medical insurance, a corporate medical center and resort complex, and a corporate uniform. Employees working in hazardous conditions are entitled to additional vacations and shorter working hours. Employees at North-West Telecom have many opportunities to develop their professional skills and improve their qualifications, and we are always proud to witness their personal and professional growth.

CONSOLIDATION OF THE REGIONAL
OPERATORS IN NORTH-WEST

RUSSIA

OPEN JOINT STOCK COMPANY
NORTH-WEST
TELECOM

OPEN JOINT STOCK COMPANY
NORTH-WEST
TELECOM

OPEN JOINT STOCK COMPANY
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TELECOM

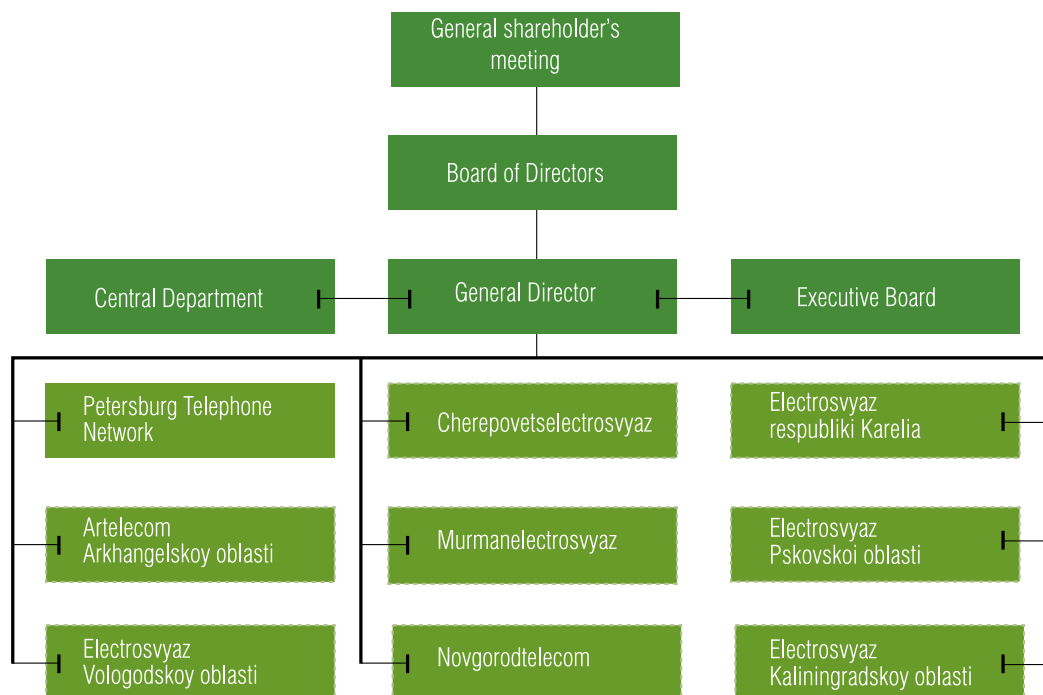
On the way to becoming one of major players in the national telecommunications market

The consolidation process of the PSTN operators in the North-West federal district of Russia will be complete by the end of March 2003. As a result of the consolidation, nine telecommunications companies will be merged into one pan-regional operator providing a full range of fixed-line services both in regulated and unregulated segments of the market. The transaction was structured as an acquisition by N. W. Telecom of eight merging companies in the form of a share swap. Following the merger, North-West Telecom, as the surviving company, will become the third largest local service provider in Russia, with nearly 3.5 million lines in service, covering over 11 million people in an area spanning 1.35 million sq. km.

In autumn 2001, the Boards of Directors of the merging PSTN operators took the decision to start the reorganization process and the General Shareholders' Meetings of each regional company approved such decisions. By February 2002, all companies repurchased shares from those shareholders who wished to redeem them.

In April 2002, N. W. Telecom's Board of Directors took the decision to create new branches of the Company on the basis of the former regional PSTN operators. On June 27, 2002, new directors were appointed to manage the new branches. We plan to swap shares of all merging companies for N. W. Telecom shares by October 1, 2002. The final stage of the merger process will be complete by the end of March 2003 with official registration of all documents and reports on the merger process.

North-West Telecom's new organizational structure



The dotted lines indicate that the subsidiary is still in the merger process at the end of 1H 2002.

<i>Merger implications for N. W. Telecom</i>	We anticipate that the combined company will occupy a leading position in the Russian telecommunications market from the start and will be able to compete successfully with alternative service providers and new entrants following the completion of the industry deregulation.
<i>Common capital allocation and investment strategy</i>	<ul style="list-style-type: none">· Consolidation and integration of ATE capacity, routing and last mile networks in the North-West region· Capital expenditures optimization as related to network equipment upgrades and a pan-regional focus in new investment project development· Utilization of economies of scale leading to significant savings on purchases
<i>Savings on operating expenses and taxation</i>	<ul style="list-style-type: none">· Operating synergies through the reduction of direct costs and interconnection expenses, reduction of marketing, sales and billing expenses due to more efficient budgeting and personnel policies· Reduction of income tax expenses through better utilization of consolidated tax shields (NOLs, D&A, etc.)
<i>Better financing capabilities</i>	<ul style="list-style-type: none">· Stronger balance sheet and consolidated cash flow will provide for financial stability and better borrowing capabilities· Lower operational risk and risk of default will decrease the cost of capital for the combined company
<i>Best management practices throughout the organization</i>	<ul style="list-style-type: none">· Knowledge integration and transfer, employment of best operational and financial expertise across the combined company in order to achieve strategic goals

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- *Summary financial data*
- *Discussion of financial results for the six months ended June 30, 2002 compared to the six months ended June 30, 2001 and the six months ended December 31, 2001*
- *Liquidity and capital resources*



SUMMARY FINANCIAL DATA

Summary income statement (RUR thousands, except per share amounts)

	Jan-June 2002	June-Dec 2001	Jan-June 2001
Revenue	2,302,531	2,089,552	1,861,835
Local and access	1,190,864	1,005,079	887,785
Long distance	967,678	954,523	864,938
Internet, data and other	52,691	40,789	32,270
Other services	91,298	89,161	76,843
Cost of revenue	(1,560,128)	(1,436,091)	(1,277,852)
Gross profit	742,403	653,461	583,983
SG&A expenses	-	(21,555)	(19,141)
Operating profit	742,403	631,906	564,842
Operating incomes (expenses)	(181,450)	(139,870)	(107,745)
Non-operating incomes (expenses)	(61,713)	(150,506)	(107,347)
Income tax	(133,787)	(198,746)	(128,422)
Net income (loss)	365,453	142,784	221,328
Earnings per common share	0.77	0.30	0.47

Summary balance sheet data (RUR thousands)

	June 2002	Dec 2001	June 2001
Cash, cash equivalents	137,371	107,578	138,685
Accounts receivable	1,309,693	967,286	1,057,543
Value-added tax receivable	155,698	143,809	124,191
Inventories	175,878	101,808	113,557
Construction in progress	650,002	542,792	485,164
Property, plant and equipment	5,997,488	6,127,121	5,832,129
Total assets	8,536,855	8,122,754	7,939,882
Accounts payable	819,474	803,703	694,520
Short-term credits and loans	107,200	107,200	55,000
Long-term liabilities	983,889	913,129	951,868
Total liabilities	1,992,541	1,843,581	1,803,493
Shareholders' equity	6,544,314	6,279,173	6,136,389
Total shareholders' equity and liabilities	8,536,855	8,122,754	7,939,882

DISCUSSION OF FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2001 AND THE SIX MONTHS ENDED DECEMBER 31, 2001

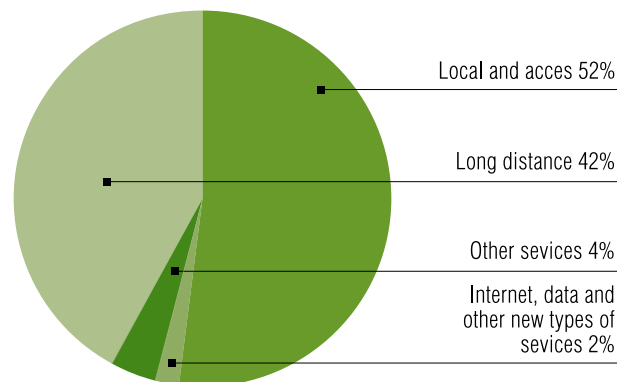
Revenue Growth

In the first half of 2002, N. W. Telecom's sales totaled RUR 2,302,531 thousand, representing an increase of 23.7% as compared to the first half of 2001 and of 10.2% as compared to the second half of 2001 (in rubles). Sales in dollars increased accordingly by 14.7% and 5.0%. The main driving factor behind the revenue growth was an increase in monthly flat rates for local telephone services of nearly 22% on average as of January 1, 2002. The growth in the Company's sales was also facilitated by a 0.45% increase in the number capacity in service, prompted by the growing demand for communication services in St. Petersburg.

Sales breakdown

The main source of the Company's revenue, accounting for 97.0% of the Company's total revenue in 2002's first six months, was communication services, including local telephone communications (52% of total revenue), long distance communications (42%) and new types of services such as data transmission and Internet access services (2%). Other revenue was obtained from secondary services and comprised nearly 4% of total 1H 2002 revenue.

Structure of Company's Revenue in the 1H 2002



Revenue from core business

Telecommunications services sales totaled RUR 2,234,240 thousand in 1H 2002, some 23.5% higher than in 1H 2001 and 10.3% greater than 2H 2001. This was chiefly attributable to the growth in revenue from the major services group - Local Telephone Communications (by 34.1% and 18.5% respectively) and Domestic and International Long Distance Calls (11.9% and 1.4% respectively).

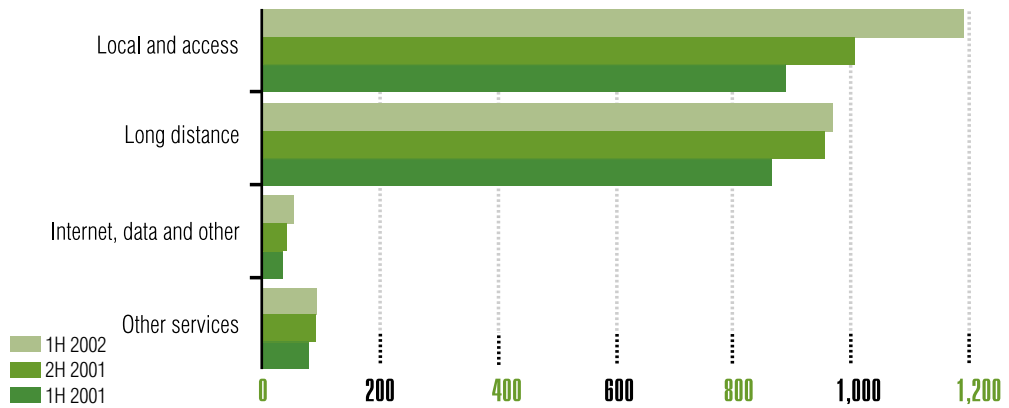
Local communications

The significant growth in local telephone services sales as compared to 2001 chiefly reflects the rise in subscription fees for the general public. Local telephone communications sales totaled RUR 1,190,864 thousand for the first six months of 2002, almost 72% of this revenue coming from subscription fee payments and 5% from telephone line installation and connection. Revenue from additional local telephone services totaled 16.6% of sales, with 6% coming from the lease of telephone lines.

Long distance communications

Long Distance Call revenue totaled RUR 967,678 thousand, comprising Domestic Long Distance Call revenue of over 55% and International Long Distance Call revenue of over 42%. The remainder of revenue came from the lease of telephone channels and other services. Following the significant growth of sales in the Long Distance sector in 2H 2001 due to changes in tariff rates imposed by Rostelecom, Long Distance Call revenue slightly increased by 1.4%. On July 15, 2001, Domestic Long Distance tariffs for budget-funded organizations were raised for calls made between 8 am and 6 pm, and reduced for the calls made in the evening and night time. On January 1, 2002, all Domestic Long Distance tariffs for budget-funded organizations were raised without exception. International Long Distance tariffs were changed three times in 2001: on January 1, March 1 and July 15. The most recent tariff change was the most significant, lowering most international tariffs with the exception of former Soviet republics including Belarus, Ukraine, Georgia, etc.

Sales review, by business services, RUR M



Telegraph services

Revenue from telegraph services, including domestic and international telegrams, subscription telegraphy, newspaper text transmission etc., totaled RUR 20,334 thousand in 1H 2002 and continued to decrease: 4.4% compared to 1H 2001 and 6.4% compared to 2H 2001.

Revenue from additional services

In 2002 we continued to develop our additional services such as Internet access, data transmission, the ISKRA-2 network, and information services not subject to tariff regulation by the government. Due to the growth of the scale of operations, additional services sales totaled RUR 64,670 thousand.

Internet services

The most promising and fastest-growing additional service is Internet access. Sales of Internet access and other services such as web-site hosting, dedicated IP addresses, electronic mailboxes, etc. totaled RUR 44,594 thousand in 1H 2002, a growth of 136.7% as compared to 1H 2001 and 45.6% as compared to 2H 2001. The revenue increase resulted primarily from the significant growth in traffic and the number of users.

Data transmission and telematic services

Telematic services and data transmission sales figures dropped to RUR 8,097 thousand (of which RUR 4,791 thousand was generated from data transmission), 39.7% down as compared to the first half of 2001 and 20.2% lower as compared to 2H 2001. This can be explained by the different internal accounting rules applied to calculate revenue from our services in 2001 and 2002. In 2001, accounts for telematic and data transmission revenue included sales from additional services other than telematic and data transmission. If a comparison were drawn of pure telematic and data transmission sales in 1H 2002 and 1H 2001, the increase would total some 35.3%.

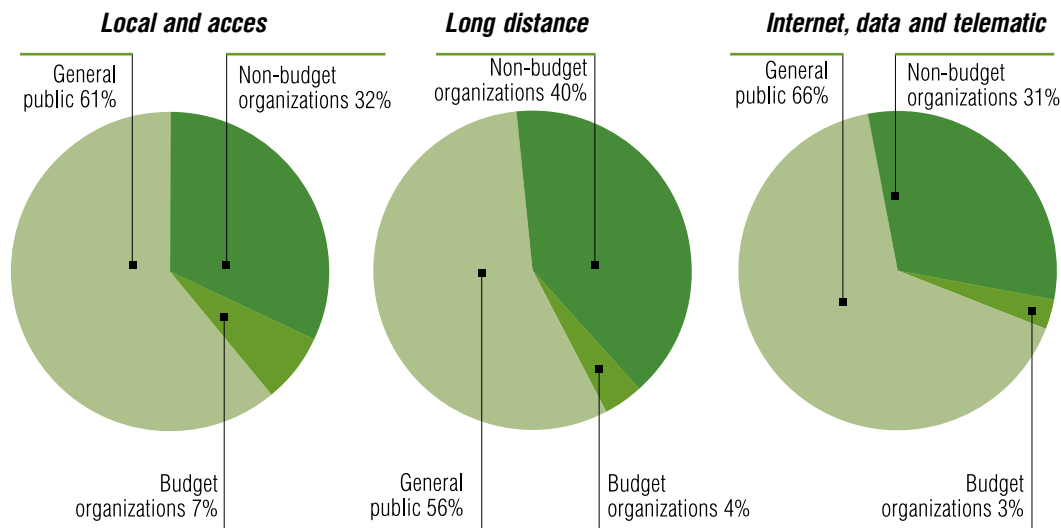
Other services

- There were 1,248 Altai radio telephone stations at the end of 1H 2002 and radio-telephone services sales totaled RUR 2,736 thousand in 1H 2002.
- Speed Dialing sales amounted to over RUR 611 thousand in 1H 2002.
- The ISKRA-2 business network had 222 subscribers at the end of 1H 2002s and generated revenue of almost RUR 981 thousand.
- During the first six months of 2002 the Information Services Department answered 264,513 information requests and generated RUR 10,597.6 thousand.

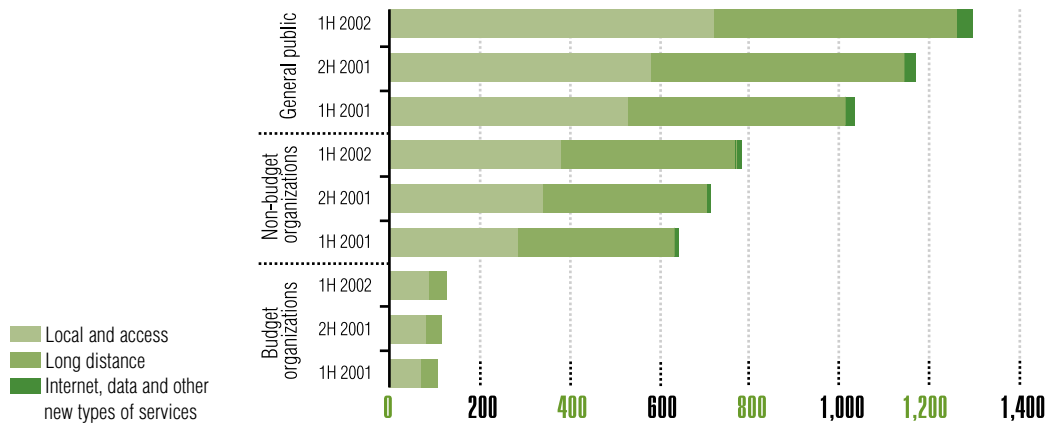
Customer groups

The Company's revenue comes from three customer categories: the general public, budgetary and non-budgetary organizations. The primary customer group in terms of revenue is the general public with a 56.7% share in 1H 2002 sales. A gradual increase in the general public's share in total revenue can be noted: in 2H 2001 it comprised 56.3% and in 1H 2001 55.8%. Therefore, the share in the total revenue of sales to non-budgetary and budgetary organizations decreased: in the first six months of 2002, they comprised 37.5% and 5.8% respectively as compared to 38.0% and 6.1% for the similar period of 2001. This is primarily attributable to two factors: the growth of tariffs for local telephone services which are the Company's major sources of revenue, and the increase of general public expenditure on Domestic and International Long Distance Calls, Internet services and other additional services.

Revenue from primary business services breakdown by customer group, 1H 2002



Sales structure review, by customer group, 2000-2002, RUR M



Operating costs

The cost of sales, which in 2002's first six months totaled RUR 1,560,128 thousand, increased by 22.1% (in rubles) and by 13.2% (in dollars) compared to 1H 2001 results. The Company's costs of telecommunications services comprised RUR 1,555,436 thousand, or 99.7% of total costs.

Costs breakdown

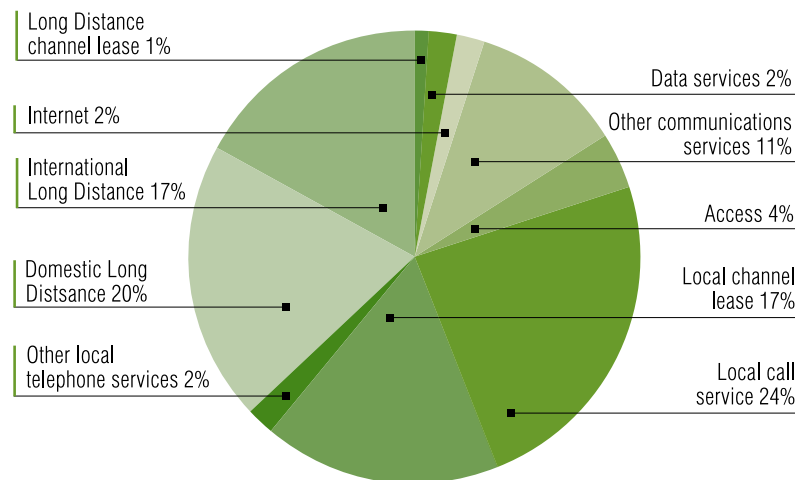
Prior to 2002, the Company did not practise separate direct cost accounting. In 1H 2002, we developed and implemented for the first time a separate cost accounting system.

Direct costs of local call services amounted to RUR 730,702 thousand in 1H 2002, including telephone line installation and access costs of RUR 66,637 thousand, costs of providing local call connection totaling RUR 368,935 thousand, channel lease costs of RUR 262,720 thousand and costs of other local call services of RUR 23,563 thousand. Costs of telecoms services provided in rural areas totaled RUR 8,845 thousand.

Long Distance Call service costs amounted to RUR 589,598 thousand in 1H 2002. Domestic and international long distance call interconnection costs comprised the bulk of these expenses, totaling RUR 309,064 thousand and RUR 265,627 thousand respectively. Payphone long distance call costs and domestic and international long distance channel lease costs together totaled RUR 14,906 thousand.

Expenses on data telecommunications services (including data transmission) totaled RUR 31,386 thousand during the first six months of 2002. Costs of Internet access and similar services amounted to RUR 26,354 thousand. Costs of all other telecoms services totaled RUR 177,244 thousand in 1H 2002.

Structure of the Company's cost of telecommunications services, 1H 2002

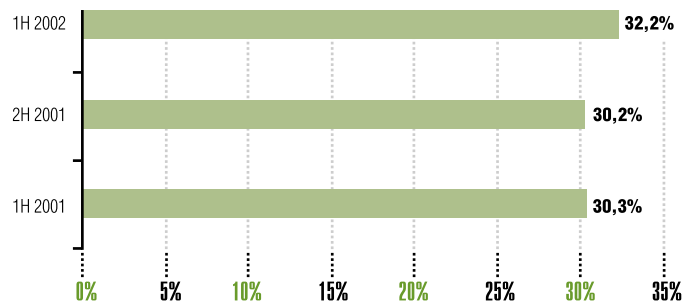


Operating profit

The Company's operating profit climbed to RUR 742,403 thousand in 1H 2002, 31.4% higher in rubles or 21.9% higher in US dollars as compared to the similar period in 2001. Growth as compared to 2H 2001 comprised 17.5% and 11.9% respectively.

In 1H 2002, the efficiency of N. W. Telecom's operations increased by 6.6% as compared to 2H 2001 and 6.3% as compared to 1H 2001. The operating profit margin totaled 32.2% in 1H 2002.

Operating profit margin, %



Interest income and expenses

Interest income in 1H 2002 totaled RUR 2,016 thousand, an increase of 35% as compared to 2H 2001, but a decrease of over 42% as compared to 1H 2001.

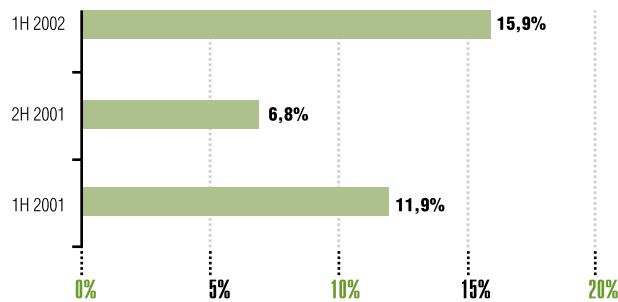
The Company's interest expenses amounted to RUR 5,104 thousand, a decrease of almost 16% as compared to 2H 2001 and of over 24% as compared to 1H 2001.

Equity income

There was no equity income in 1H 2002, whereas in 2001 the Company received RUR 2,453 thousand and RUR 78 thousand in the first and second six months respectively.

<i>Other income and expenses (non-recurring)</i>	Other non-recurring income amounted to RUR 39,913 thousand, an increase of more than 36% or almost 5.4 times as compared to 2H 2001 and 1H 2001 respectively. This amount includes gains from the sale of the Company's assets in 2H 2001 and 1H 2002. Other expenses totaled RUR 218,275 thousand, an increase of almost 33% as compared to 2H 2001 and of almost 93% as compared to 1H 2001. Details of other non-recurring income and expenses are set out in the <i>Notes to the Financial Statements</i> .
<i>Other Non-operating income and expenses</i>	Non-operating income amounted to RUR 59,473 thousand, a 1.5% increase as compared to 2H 2001 and a 92.5% increase compared to 1H 2001. Non-operating expenses totaled RUR 121,186 thousand, and decreased by 42% and by more than 12% as compared to 2H 2001 and 1H 2001 respectively. Details of other non-operating income and expenses are set out in the <i>Notes to Financial Statements</i> .
<i>Income taxes and other tax expenses</i>	Income tax and other similar charges totaled RUR 133,787 thousand, 32.7% less than 2H 2001 levels. Income tax expenses constituted RUR 112,126 thousand of this amount.
<i>Net income</i>	The financial results achieved by the Company show our progress and business development. Net income totaled RUR 365,453 thousand as compared to RUR 142,784 thousand in 2H 2001 and RUR 221,328 thousand in 1H 2001. The growth of net income in 1H 2002 was chiefly attributable to two factors: the rapid growth in revenue from additional services and the growth in local and long distance calls sales as a result of the tariffs increase. The net margin increased to almost 16% as compared to 7% in 2H 2001 and 12% in 1H 2001.

Net income margin, %

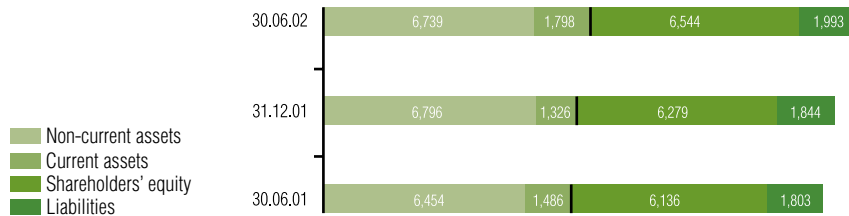


<i>Dividends</i>	Based on the results of the 2001 the Board of Directors proposed and General Annual Shareholder's Meeting approved the following dividends payout for the shareholders: RUR 0.077 per common share or a total of RUR 36,427,696 and dividend payout of RUR 0.248 per preferred share or a total of RUR 28,381,331. Dividends are to be paid during the period from August 15 to December 31 2002.
<i>Outlook for 2002</i>	In 2002 we expect sales of RUR 4,840,300 thousand including RUR 4,708,700 thousand from core telecoms services. Operating profit is expected to amount to RUR 1,411,200 thousand and income before tax is expected to exceed RUR 701,500 thousand. It should be mentioned that all these projected figures exclude effects of operations of 8 telecoms operators to be acquired by the Company by the end of 2002.

LIQUIDITY AND CAPITAL RESOURCES

Changes in Assets, Equity and Liabilities

Company's Assets, Equity and Liabilities, RUR, M



Liquidity ratios

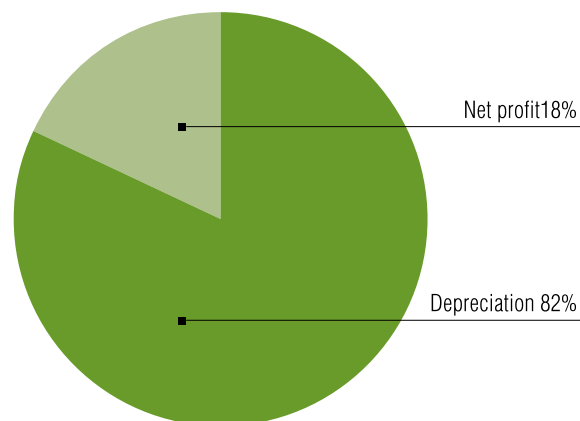
In the first six months of 2002, the Company improved its financial condition. The cash to current liabilities ratio (a company's ability to pay out its current liabilities from cash and marketable securities) increased from 12.2% in 2H 2001 to 15.5% in 1H 2002. The quick ratio surged from 116.1% at the end of 2001 to 145.4% at the end of 1H 2002, a reflection of the fact that the Company's short term accounts receivable increased significantly throughout 1H 2002. The current ratio also increased considerably to 178.2% (from 142.5% at the end of 2H 2001).

The equity to asset ratio remained at almost the same level of approximately 77% between July 2001 and June 2002. It stood at 76.7% at the end of 1H 2002.

The Company's net assets increased from RUR 6,279,173 thousand at the end of 2001 to RUR 6,544,314 thousand at the end of 1H 2002.

The Company's Capital Expenditure

Structure of the Company's Capital Investments in 1H2002, by sources



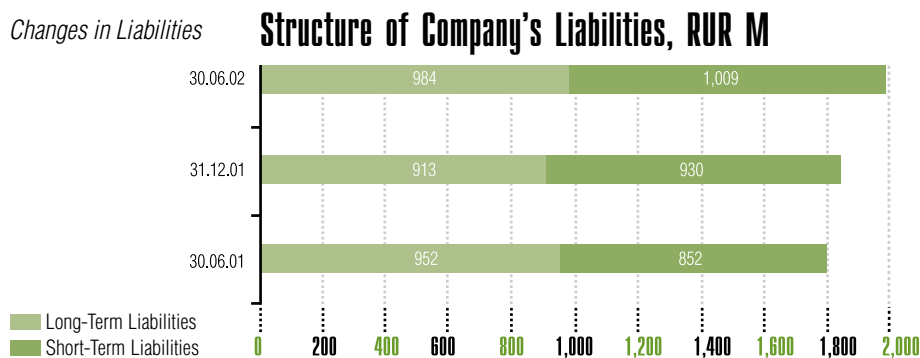
Sources of Financing (RUR thousands)

	1H 2002	2H 2001	1H 2001
Net profit	33,738	85,738	650
Depreciation	151,684	172,411	104,971
Loans	-	235,659	164,353
Total	185,422	493,808	269,974

Divestitures

N. W. Telecom made the decision to sell some of its long-term financial investments not connected to its core businesses. The 7.18% in CJSC Soccer Club Zenit's charter capital was sold by N. W. Teelcom to North-West Investment Center in 1H 2002. In the meantime, the Company is in the process of selling its stakes in Policom (polygraphic services), NPF Kapitan and NPF Alternativa (pension funds). In February 2002, the Board of Directors made the decision to sell the Company's stake in Delta Telecom, a St.-Petersburg mobile operator. However, since Svyazinvest is currently working on a strategy that would allow Svyazinvest's subsidiaries to participate in mobile operators, the sale of N. W. Telecom's stake in Delta Telecom was halted and the agreement was not signed.

Changes in Liabilities



Issuance of long-term debt

In the second quarter of 2002, N. W. Telecom placed 300,000 coupon bonds with a par value of RUR 1,000. The placement took place on April 10, 2002 simultaneously on two Russian stock exchanges: the Moscow Interbank Currency Exchange and the St. Petersburg Currency Exchange. The bonds will be repaid on April 9, 2004, and have five coupon payments, with the first and second coupon periods of 3 months, and the third, fourth and fifth coupon periods of 6 months. The following coupon rates were scheduled: 20%, 19%, 18%, 16% and 16% from the first to the last coupon payment respectively. The offer price for the bonds was set equal to the placement price of 96.5% of par value, or RUR 965. Proceeds from the coupon bond placement in full amount totaling RUR 289,500 thousand were used to pay off a debt to CJSC Elsis under a contract for the purchase of a new billing system.

By the end of 1H 2002, the Company's long term liabilities stood as follows: the bulk of long-term liabilities, over 69% of the total, comprised liabilities to Mitsui & Sumitomo & NEC Co Ltd for the SDH data transmission equipment, due on December 31, 2004 and totaling RUR 680,936 thousand at the end of 1H 2002. 30.8% of the Company's long-term liabilities comprised financial borrowing. This included RUR 300,000 thousand in outstanding coupon bonds and RUR 2,954 thousand in a Lensvyaz interest-free loan maturing in May 2005.

Short-term debt

At the end of 1H 2002, N. W. Telecom had RUR 107,200 in short term financial loans: a RUR 20,000 thousand loan from Telecombank maturing on December 12, 2002 and a RUR 30,000 thousand loan from Telecombank maturing on February 14, 2003. The remaining RUR 57,200 thousand was borrowed by the Company from Svyazinvest to invest in telecommunications development in rural areas.

Credit ratings

International rating agency Standard & Poor's assigned N. W. Telecom long term credit rating CCC, and a "stable" outlook in local and foreign exchange. This decision was positively influenced primarily by the attractiveness of the Company's operations region, the high level of economic activities and growth potential, and the Company's dominant position on the St. Petersburg telecommunications services market. It is also worth noting that N. W. Telecom's recent merger with SPb MMT (Domestic and International Long Distance calls operator) and SPb Telegraph (Telegraph Services operator) provided N. W. Telecom with significant revenue growth starting in 2001. The negative factors for the credit rating were the unfavorable federal tariff regulation, the Company's relatively small share in the high-profit business sectors, the urgent need for financial resources for capital investment into network modernization, and the foreign exchange risk connected to the foreign currency-denominated liabilities for equipment producers.

A "stable" outlook was assigned, assuming that the Company continues implementing its policy for structural reorganization, management improvement and network modernization and adheres to its business plan without encountering significant financial problems.

FINANCIAL STATEMENTS UNDER RUSSIAN ACCOUNTING STANDARDS

- *Presentation of financial statements*
- *Summary of accounting policies*
- *Income Statement for the six months ended June 30, 2002*
- *Balance Sheet as of June 30, 2002*
- *Notes to financial statements*
- *2001–2002 quarterly results of operations*



PRESENTATION OF FINANCIAL STATEMENTS

<i>Presentation of Financial Statements</i>	<p>The Company maintains its records and prepares its statutory financial statements in accordance with Russian accounting standards (RAS) under Federal Law No. 129-FZ 'On Accounting' of November 21, 1996 and the Decree of the Ministry of Finance of the Russian Federation No. 34n 'Regulations on Accounting and Reporting in the Russian Federation' of July 29, 1998. These financial statements may differ significantly from statements compiled under International Accounting Standards (IAS) due to the absence of or significant discrepancies between accounting regulations, rules and standards contained in RAS and IAS. The Company's 2002 interim financial statements include the balance sheets, income statement and notes to the financial statements.</p> <p>The Company reports to the Russian tax authorities in rubles, and its financial statements are not converted into foreign currency.</p>
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SUMMARY OF ACCOUNTING POLICIES

<i>Recognition of revenues</i>	<p>The reporting rule of recognition of revenues is established as follows: the Company applies the accrual method of accounting to calculate income tax, and uses the cash method to calculate VAT, sales and other revenue-based taxes.</p>
<i>PP&E (fixed assets)</i>	<p>Assets used in the Company's activities with a useful life exceeding 12 months, which are expected to generate economic profits and which it is not planned to sell are recognized as fixed assets. Revaluation of the Company's fixed assets is carried out at least once a year under the replacement cost method and involves the direct recalculation of their value by reference to market data as appropriate.</p>
<i>Depreciation of PP&E</i>	<p>Depreciation is calculated so as to write off, on a straight-line basis, the book value of tangible fixed assets over their estimated useful lives. Useful lives are estimated in line with the recommendations of the Methodology Council, following which they are examined by the Board of Directors and approved by the General Director of the Company.</p>
<i>Intangible assets</i>	<p>Assets used in the Company's activities with a useful life exceeding 12 months, which do not have material form and structure, which can be distinguished from other assets, which are expected to generate economic profits and which it is not planned to sell, are recognized as intangible assets.</p>
<i>Amortization of intangible assets</i>	<p>Provision for amortization of intangible assets is made so as to write off evenly the book value of assets under the straight-line method over their estimated useful lives. In case the just and reasonable estimation of useful lives is impossible, they are considered equal to 20 years.</p>
<i>Inventories</i>	<p>Inventories acquired or manufactured are recognized in the balance sheet on an actual cost basis or at their market value if inventories are gifted. In general, stocks (with the exception of precious metals) are stated in the profit and loss accounts under the average cost method applied to each class of inventories.</p>
<i>Financial investments</i>	<p>Financial investments include investments in government securities, bonds and securities of other organizations, in charter capitals of other companies, and loans issued to other</p>

companies. Financial investments are recognized in financial statements as actual expenses incurred by the Company. The difference between the actual purchase price of debt securities and their nominal value during a circulation period shall be recorded evenly in the Company's financial reports according to the actual income accrued thereon.

Cost of goods sold

The Company's expenses on its core business activities comprise production costs, costs incurred while services providing, etc. The Company conducts separate cost accounting, allowing it to calculate the separate cost of products and services provided, using the method of costs accounting breakdown by production processes.

Accounts receivable

Accounts receivable from customers are stated as a total of invoices issued to customers. The Company may create reserves for doubtful debts, the size of which should be determined on an individual basis for each debtor, taking into consideration its creditability and the probability of debt repayment.

Reserve funds

The reserve fund is intended to cover losses. The company has a reserve fund constructed in accordance with the official rules and regulations. The Company may create reserves for devaluated investments in securities, reserves for doubtful debts and reserves for devalued assets. It should be estimated as the difference between market value and actual cost of an asset.

Taxes and charges

Federal and local taxes and charges and sales taxes are computed on a basis of consolidated financial statements of the Company. Central Department calculates for all the departments and business units of N. W. Telecom the tax and other mandatory payments to the federal and other level budgets. It determines how much should be paid to each of the budget levels (with the exception of the cases when a Company's branch or department by itself stands for the payment agent for employees income taxes and social taxes).

Income Statement for the six months ended 30 June 2002 (RUR thousands)

	1H 2002	1H 2001
Revenues	2,302,531	1,861,835
Including: telecommunication services revenues	2,223,420	1,858,473
Cost of goods sold	(1,560,128)	(1,277,852)
Including: cost of telecommunication services sold	(1,555,436)	(1,277,843)
Gross profit	742,403	583,983
Selling expenses	-	(19,141)
General and administrative expenses	-	-
Operating profit	742,403	564,842
Interest income	2,016	3,496
Interest expenses	(5,104)	(6,741)
Equity income	-	2,453
Other income	39,913	6,292
Other expenses	(218,275)	(113,245)
Non-operating income	59,473	30,839
Non-operating expenses	(121,186)	(138,186)
Income before tax	499,240	349,750
Income tax	(133,787)	(128,422)
Net income (retained earnings)	365,453	221,328

BALANCE SHEET AS OF 30 JUNE 2002 (RUR THOUSANDS)

	January 1, 2002	June 30, 2002
ASSETS		
Non-Current Assets		
Intangible Assets	41,934	-
Property, Plant and Equipment	6,127,121	5,997,488
Construction in Progress	542,792	650,002
Long-term financial investments	84,590	91,389
Total Non-Current Assets	6,796,437	6,738,879
Current Assets		
Inventories	101,808	175,878
Value-added Tax Receivable	143,809	155,698
Accounts Receivable (due in more than 12 months)	-	-
Accounts Receivable (due in less than 12 months)	967,287	1,309,693
Short-term Financial Investments	5,836	19,336
Cash and Cash Equivalents	107,578	137,371
Total Current Assets	1,326,318	1,797,976
TOTAL ASSETS	8,122,755	8,536,855
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' Equity		
Share Capital – Authorized and Issued	587,498	587,498
Additional Paid-in Capital	4,966,187	4,930,682
Reserve Fund	23,474	29,375
Social Fund	-	-
Special Purpose Financing	-	-
Retained Earnings from Previous Years	702,014	631,306
Retained Earnings for the Reporting Year	-	365,453
Total Shareholders' Equity	6,279,173	6,544,314
Long-Term Liabilities		
Credits and Loans	2,954	302,954
Other Long-term Liabilities	910,175	680,935
Total Long-Term Liabilities	913,129	983,889
Short-Term Liabilities		
Credits and Loans	107,200	107,200
Accounts Payable	803,704	819,474
Due to Shareholders	17,553	81,475
Deferred Income	1,996	503
Total Short-Term Liabilities	930,453	1,008,652
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,122,755	8,536,855

NOTES TO FINANCIAL STATEMENTS

Other income, RUR thousands

	1H 2002	2H 2001	1H 2001
Disposal of fixed assets, inventories, financial investments and other assets	39,571	25,319	3,047
Income from securities transactions and holdings	-	52	840
Foreign currency transactions	66	106	17
Other	276	2,679	1,145
Total	39,913	29,300	6,292

Other expenses, RUR thousands

	1H 2002	2H 2001	1H 2001
Disposal of fixed assets, inventories, financial investments and other assets	32,901	7,325	1,845
Foreign currency transactions	185	1,920	1,078
Loss from securities transactions and holdings		-	1,010
Bond issuance costs	6,042	-	
Taxes	152,294	99,295	57,955
Banking services	26,230	13,574	4,493
Lease rentals			141
Interest payable		24,135	33,848
Other	623	18,449	12,875
Total	218,275	164,698	113,245

Other non-operating income, RUR thousands

	1H 2002	2H 2001	1H 2001
Penalty fees, fines and forfeits	2,599	1,320	478
Profit of prior periods revealed in the accounting period	17,917	35,452	1,596
Income from difference in exchange rates	3,578	10,244	7,937
Income from summation differences	2,073	2,603	-
Accounts payable overdue (bad debts)	485	2,172	200
Profits from accounts receivable inventory	-	-	1,986
Subsidies	29,637	710	893
Other	3,183	6,069	17,750
Total	59,473	58,570	30,839

Other non-operating expenses, RUR thousands

	1H 2002	2H 2001	1H 2001
Interest payable	15,025	-	-
Penalty fees, fines and forfeits	748	2,199	28
Losses of prior periods revealed in the accounting period	13,702	9,048	3,679
Accounts receivable overdue (bad debts)	14	31,882	23,679
Loss on difference in exchange rates	37,870	43,739	34,797
Loss on summation differences	2,570	1,631	-
Securities issuance expenses	218	-	-
Social benefits and compensations	10,950	56,695	16,384
Expenses on social infrastructure	29,265	25,658	26,355
Dividend payout expenses	1,005	-	-
Charity	7,145	7,565	6,169
Social charges	1,898	12,980	-
Other	775	17,680	27,095
Total	121,186	209,076	138,186

Fixed assets original cost

Assets	RUR thousands	%
Land	4,534	0.05
ATE buildings	2,008,789	20.24
Office buildings	627,823	6.33
Other real estate and constructions	1,083,914	10.92
Cable	1,433,404	14.44
Switching equipment, including	2,974,586	29.98
<i>step by step</i>	7,273	0.07
<i>cross bar</i>	1,087,026	10.95
<i>Digital</i>	1,880,287	18.95
Transmission equipment, including	757,295	7.63
<i>Analog</i>	105,654	1.06
<i>Digital</i>	651,640	6.57
Telegraph equipment	83,916	0.85
Power equipment	239,510	2.41
Instrumentation and tools	102,553	1.03
Pay phones	317	0.00
IT and office equipment	487,613	4.91
Transport	31,523	0.32
Other fixed assets	87,479	0.88
Total initial book value	9,923,255	100.00
Total depreciation	3,925,767	-
Book value at June 30, 2002	5,997,488	-

Long-term financial investments, RUR thousands

	1H 2002	2H 2001	1H 2001
Interest in subsidiaries	13,633	13,633	5,633
Interest in affiliated companies	46,015	46,015	46,040
Interest in other companies	6,836	8,036	8,096
Loans issued to other companies	12,851	12,851	21,019
Other	12,055	4,055	5,434
Total	91,389	84,589	86,222

Short-term financial investments, RUR thousands

	1H 2002	2H 2001	1H 2001
Bank deposits	15,350	350	-
Loans issued to other companies	200	1,700	8,213
Bonds and other securities	308	308	307
Notes	3,479	3,479	7,879
Total	19,336	5,836	16,399

Expenditures on deferred charges, RUR thousands

	1H 2002	2H 2001	1H 2001
Salary	12,627	1,208	13,529
Social charges	4,533	-	-
Software, databases, licenses and certificates	50,150	18,348	5,017
Insurance	11,845	5,622	2,885
Expenditures on new production site familiarization	18,101	-	-
Other	10,213	33	26
Total	107,469	25,211	21,457

Accounts receivable, RUR thousands

	1H 2002	2H 2001	1H 2001
General public	217,460	620,875	612,221
Budget funded	641,193	87,315	68,889
Non-budget funded	118,340	125,027	147,069
Total	976,993	833,217	828,179

Accounts payable to customers, RUR thousands

	1H 2002	2H 2001	1H 2001
General public	67,411	42,397	53,679
Budget funded	4,668	7,318	3,536
Non-budget funded	41,771	40,534	33,934
Total	113,850	90,249	91,149

Accounts payable to suppliers and contractors, RUR thousands

Debtors	Amount
Elsis-Kaliningrad	87,519
Rostelecom	64,141
LONIIS	24,631
Peterburg Transit Telecom	7,096
Remstroy-6	6,797
Alcatel USA International	4,148
Ericsson Nikola Tesla	3,381
Other	70,284
Total	267,997

Below-line assets and liabilities, RUR thousands

	January 1, 2002	June 30, 2002
Leased fixed assets	299,243	247,861
Goods and stocks received into custody	11,971	13,046
Bad debts	64,588	64,595
Depreciation of available housing	2,007	2,007
Other	6	8
Total	377,815	327,517

2001-2002 QUARTERLY RESULTS OF OPERATIONS (RUR THOUSANDS)

	1Q2001	2Q2001	3Q2001	4Q2001	1Q2002	2Q2002
Revenues	890,492	971,343	1,022,965	1,066,587	1,130,452	1,172,079
Including: Telecommunication Services Revenues	890,203	968,270	979,537	1,037,835	1,097,216	1,137,024
Cost of Goods Sold	(587,953)	(689,899)	(723,474)	(712,617)	(766,282)	(793,846)
Including: Cost of Telecommunication Services Sold	(587,838)	(690,005)	(718,049)	(708,387)	(753,505)	(801,931)
Gross profit	302,539	281,444	299,491	353,970	364,170	378,233
Selling expenses	(5,879)	(13,262)	(10,861)	(10,694)	-	-
General and administrative expenses	-	-	-	-	-	-
Operating Profit	296,660	268,182	288,630	343,276	364,170	378,233
Interest Income	2,770	726	646	846	837	1,179
Interest Expenses	(3,912)	(2,829)	(3,708)	(2,335)	(2,453)	(2,651)
Equity Income	-	-	50	29	-	-
Other Income	3,117	3,175	699	28,601	36,979	2,934
Other Expenses	(50,828)	(62,417)	(52,906)	(111,792)	(195,620)	(22,655)
Non-operating Income	19,722	11,117	2,384	56,186	49,437	10,036
Non-operating Expenses	(59,746)	(78,440)	(55,581)	(153,495)	(51,568)	(69,618)
Income before tax	207,783	141,967	180,214	161,316	201,782	297,458
Income tax	(57,331)	(71,091)	(93,272)	(105,474)	(70,263)	(63,524)
Net income (retained earnings)	148,498	72,830	86,942	55,842	131,519	233,934

NORTH-WEST TELECOM'S
SUBSIDIARIES AND
AFFILIATES

The graphic consists of a dense arrangement of text elements. The primary text is 'NORTH-WEST TELECOM', which appears in multiple sizes, orientations (horizontal and vertical), and weights. Interspersed among these are smaller instances of 'OPEN JOINT STOCK COMPANY', also in various orientations. The overall effect is a layered, textured composition of the company's name and legal structure.

Subsidiaries

Company	Address	Activity	Equity stake, %
LLC AMT	193167, St.Petersburg, Sinopskaya Nab.,14, apt. 201	Consulting	100.0
LLC Polycomp ⁽¹⁾	191186, St. Petersburg, ul. B. Morskaya, 24	Printing	90.0
CJSC St. Petersburg Electronic Network Center	191186, St. Petersburg, ul. B. Morskaya, 24	Education, Consulting	51.9

(1) - OJSC N. W. Telecom is currently in negotiations for the sale of this equity stake

Affiliates

Company	Address	Activity	Equity stake, %
CJSC Neva Cable	194292, St. Petersburg, Industrial Zone Parnass,9 th block, entrance 8	Cable manufacture	49.0
CJSC Commercial Television and Radio ⁽¹⁾	191186, St. Petersburg, ul. Parashutnaya, 6	Tele- and broadcasting	40.0
CJSC Medexpress	191207, St. Petersburg, ul. Ziny Portnovoy, 11	Insurance	34.6
CJSC Octagon Technologies ⁽¹⁾	193036, St. Petersburg, Ligovsky Prospekt, 29, rm. 12-N	Telecommunications services	26.4
CJSC Delta Telecom	191186, St. Petersburg, ul. Bolshaya Morskaya, 22	Cellular communications	43.1 ⁽²⁾
OJSC Telecominvest	191186, St. Petersburg, ul. Bolshaya Morskaya, 24	Telecommunications holding company	15.0
CJSC Dansell ⁽¹⁾	198092, St. Petersburg, ul. Baltiyskaya, 51	Communications facilities manufacture	23.7

(1) - CJSC Commercial Television and Radio, CJSC Octagon Technologies and CJSC Dansell are in the process of liquidation

(2) - OJSC N. W. Telecom owns 24.2% of CJSC Delta Telecom voting shares

- *Stock exchanges and trading symbols*
- *Share Performance*
- *North-West Telecom bond market*

MARKET FOR THE COMPANY'S SECURITIES



STOCK EXCHANGES AND TRADING SYMBOLS

North-West Telecom's common and preferred shares are traded on the Russian Trading System, the primary market for Russian equities, on the Moscow Interbank Currency Exchange, the St. Petersburg Stock Exchange and the OTC market.

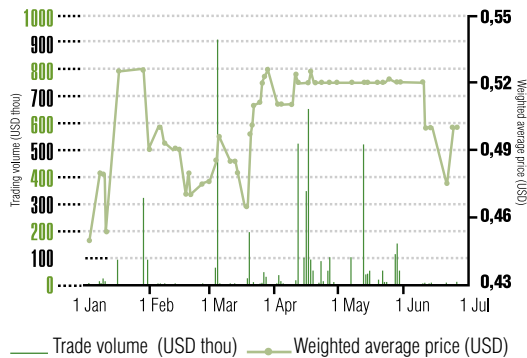
Name of market	Ticker		Start of trade (common/preferred)	Note
	common	preferred		
Russian Trading System (RTS)	SPTL	SPTLP	09.01.95 / 01.23.97	
Moscow Interbank Currency Exchange	SPTL	SPTLP	03.31.00 / 03.31.00	
St.-Petersburg Stock Exchange	SPTL	SPTLP	09.16.96 / 09.16.96	
OTC market	NWTEY		09.04.2001	In the form of Level I ADR

In 2001 North-West Telecom launched a Level I ADR program, each ADR being equivalent to 50 common shares in the Company. J.P. Morgan Chase is the depository bank for these sponsored ADRs traded on the OTC market.

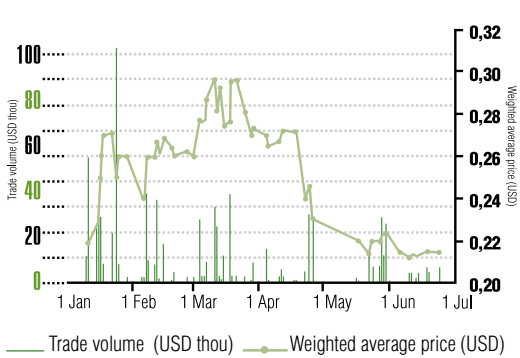
SHARE PERFORMANCE

N. W. Telecom experienced a surge in both common and preferred stock trading during the first six months of 2002, primarily as a result of the on-going merger with other regional telecoms operators in Russia's North-West. Prices for common and preferred shares were quite volatile during the period and ended up with approximately 19% and 7% increases respectively as compared to the end of 2001. The market capitalization at the end of 1H 2002 increased 19% as compared to the end 2H 2001 and was nearly 40% higher than at the end of 1H 2001.

Price and volume of common stock (RTS)



Price and volume of preferred stock (RTS)



Share price changes, 1H 2002, %

	1 month	3 months	6 months
Common stock	+ 16.7	+ 25.1	+ 19.1
Preferred stock	+ 30.0	+ 36.3	+ 7.5

Share price, 6 months, USD

	Price average	Price High/Low	Last price	Market capitalization ⁽¹⁾
Common stock	0.50	0.57 / 0.43	0.50	237,972,822
Preferred stock	0.25	0.30 / 0.21	0.22	25,176,987

(1) - The last deal price was used to calculate market capitalization for 1H 2002.

During the first half of 2002, N. W. Telecom was the most traded stock on the RTS amongst Russian PSTN operating companies. Trade volumes of the Company's common stock totaled USD 5,850 thousand as compared to price for N. W. Telecom's common stock reached its maximum level of USD 0.57 on January 17, 2002 and later floated around its half-year average of USD 0.5 per share. The minimum price for the common stock was USD 0.43 on January 11, 2002. The average price for the common stock increased 26% as compared to the previous six month-period and was 32% higher in comparison with the first six months of 2001.

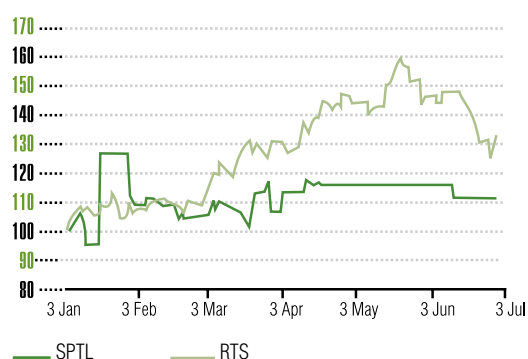
Trade volume for N. W. Telecom's preferred shares was estimated to be around USD 815 thousand in 1H 2002, as compared to USD 981 thousand for the previous six months and USD 192 thousand for the first six months of 2001. The maximum price for the preferred stock on the RTS was USD 0.3 (March 11, 2002), and the minimum price was USD 0.21 (May 22, 2002). The average price for N. W. Telecom's preferred stock in the first half of 2002 was USD 0.25, 47% higher than the average price of USD 0.17 in 2H 2001 and 49% higher than 1H 2001's average price of USD 0.167.

Trading volume and number of transactions (RTS)

	Jan-June 2002	Jan-June 2001	July-Dec 2001
Trade volume, thousand USD			
Common stock	5,850,338	283,773	3,669,591
Preferred stock	815,069	192,009	981,401
Number of transactions			
Common stock	134	14	66
Preferred stock	128	53	91

In the first half of 2002, N. W. Telecom's common share price was quite volatile. Although it has under-performed the RTS index, by the end of 1H 2002, it showed better results than the AK&M Telecom Industry Index. By the end of June 2002, North-West Telecom was the second most capitalized PSTN operator with a market capitalization of almost USD 263,150 thousand.

N. W. Telecom common stock vs. RTS index



N. W. Telecom common stock vs. AK&M Telecom Index



NORTH-WEST TELECOM BOND MARKET

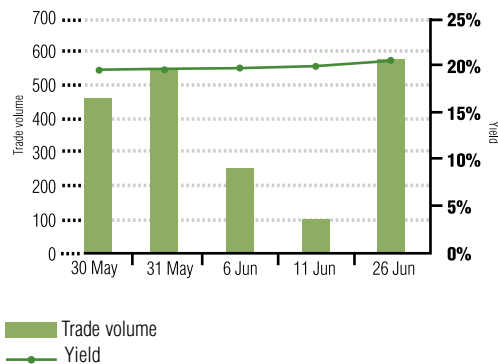
This year saw the issuance of our corporate bonds. We consider this event our first appearance on the open public borrowing market. This will facilitate the borrowing process for our Company in future with lower costs.

On April 10, North-West Telecom's 300 thousand coupon bonds with a par value of RUR 300 million were successfully placed both on the Moscow Interbank Currency Exchange and the St. Petersburg Currency Exchange, with 150 thousand bonds on each Exchange. Our bonds were included in the listings of both Currency Exchanges and secondary trading was started in May 2002. The international rating agency, Standard & Poor's, assigned North-West Telecom's bond issue a CCC/stable credit rating in 2001 and a ruBB credit rating in 2002. On July 10 N. W. Telecom made the first 20% coupon payment of RUR 49.86.

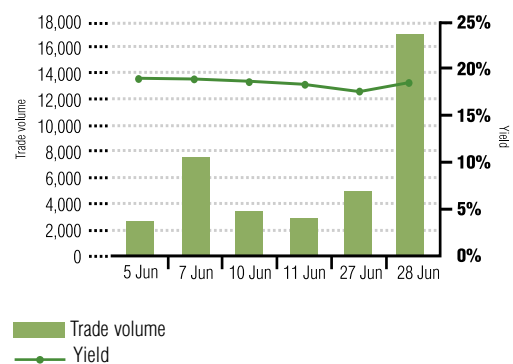
Coupon	Coupon annual rate,%	Income per bond, RUR	Coupon period, days
1 coupon	20	49,86	91
2 coupon	19	47,37	91
3 coupon	18	90,25	183
4 coupon	16	79,78	182
5 coupon	16	80,22	183

Market players displayed interest in N. W. Telecom's bonds and in the first month of trading, 11 deals had been made.

N. W. Telecom coupon bonds trades, St.-Petersburg Currency Exchange



N. W. Telecom coupon bonds trades, Moscow Interbank Currency Exchange



SHAREHOLDER
INFORMATION



The Annual General Shareholders' Meeting was held on June 25, 2002, and it is planned to hold a special General Shareholders' Meeting in the second half of 2002. The Special Joint General Meeting of companies merging with North-West Telecom is scheduled for February 14, 2003 and the Annual General Shareholders' Meeting of the consolidated company will be held in May-June 2003.

Shares outstanding and distribution of ownership

Shareholders	Common stock	Share in common stock, %	Preferred stock, %	Share in preferred stock, %	Share in capital, %
Major shareholders:					
Svyazinvest	240,975,894	50.94	-	-	41.02
Brunswick UBS Warburg Nominees	101,011,365	21.35	13,657,753	11.93	19.52
Credit Suisse First Boston	34,515,586	7.30	13,489,771	11.79	8.17
Lindsell Enterprises Limited	14,676,039	3.10	10,764,648	9.40	4.33
Depository Clearing Company	35,531,288	7.51	6,935,875	6.06	7.23
J P Morgan Bank International	11,704,190	2.47	10,000	0.01	1.99
Other shareholders	34,642,600	7.33	69,582,804	60.81	17.74
Total shares outstanding	473,056,966	100.00	114,440,851	100.00	100.00

Shareholder and investor enquiries Vladislav Y. Smyslov, Head of the Shareholders and Securities Department
24, ul. Bolshaya Morskaya, 191186 St. Petersburg
Tel. / fax +7 (812) 312 0381, 312 5289 / +7 (812) 325 8323
e-mail: odiptn@ptn.ru

General enquiries and information For additional investor information, please, visit our web-site
<http://www.nwtelecom.ru>, <http://www.ptn.ru>

Registrar for shares CJSC Registrar-Svyaz
License number 01147 issued by the Federal Commission for the Securities Market and Stock Exchanges on October 5, 1996, valid until October 7, 2005
15A, Kalanchevskaya, 107078, Moscow
Tel./ fax: +7 (095) 975 3605 / +7 (095) 975 3605
e-mail: regsw@asvt.ru

Depository J.P.Morgan Chase is the Depository for Level I ADR program and all enquiries regarding ADR should be directed to J.P. Morgan Chase, 270 Park Avenue New York, New York 10017-2070, USA
National Depository Center is the Depository for N. W. Telecom's bonds.
1/13 building 4, Sredniy Kislovskiy per. 125009 Moscow
Tel./fax.: +7 (095) 956 2790 / +7 (095) 956 2792

N. W. Telecom's dividend payout agent Severo-Zapadnaya Finansovaya Kompaniya
26, 1st Krasnoarmeiskaya, 198000, St. Petersburg
Tel. / fax +7 (812) 316 3018

N. W. Telecom's bond coupon payment agent CJSC Telecombank
12, Baskov per., 191014, St. Petersburg
Tel. / fax +7 (812) 326 3781 / +7 (812) 277 5523

Advisor for Investor Relations and Development of N.W. Telecom Securities Market Gamma Group Investment Bank
33/2, building 3, Ulitsa Usacheva, 119048, Moscow,
Tel./fax +7 (095) 705 9201 / +7 (095) 246 4434
<http://www.gamma-group.ru>

Corporate documents Most of North-West Telecom's corporate documents, including quarterly and annual reports, can be found in the Investor Relations section of our Web site. Interim reports and annual reports are posted on our web site as soon as they are published. Corporate documents can also be requested by e-mail: odiptn@ptn.ru or by mail:
The Shareholder's and Securities Department of the North-West Telecom
26/14, ul. Gorohovaya, 191186, St. Petersburg

Official public sources disclosing information on the Company: Federal newspaper Izvestia.

for more information, please visit our web page at
www.nwtelecom.ru
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