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**Follow-Up
Materials**

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REGISTRANT'S NAME OJSC North-West Telecom

*CURRENT ADDRESS 14/26, ul. Borokhivaya
(26, ul. Bolshaya Morskaya)
St. Petersburg, 191186 Russia

**FORMER NAME Open Joint Stock Co. Petersburg Telephone Network

**NEW ADDRESS _____

FILE NO. 82- 5197 FISCAL YEAR 12/31/02

ACCFC

JUN 14 2005

JIMONSU FINANCE

• Complete for initial submissions only •• Please note name and address changes

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ТелеКОМ

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PRELIMINARILY APPROVED
by the Board of Directors
OJSC North-West Telecom
Minutes of _____ 2003 No. _____

Chairperson
of the Board of Directors

B.N. Yashin

APPROVED
by the annual general meeting of the shareholders
OJSC North-West Telecom
Minutes of _____ 2003 No. _____

Chairperson
of the general meeting of the shareholders

A.A. Sysoyev

**ANNUAL REPORT
OF OJSC NORTH-WEST TELECOM**

RECEIVED
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OFFICE OF THE SECRETARY
CORPORATE DEVELOPMENT

FOR THE YEAR 2002

A.A. Sysoyev,
General Manager

M.M. Semchenko,
Chief Accountant

I. DATA ON THE COMPANY

1.1. Full Official Name of the Company.

Full name: Open Joint-Stock Company North-West Telecom
OJSC North-West Telecom
Abbreviated name: OJSC NWT
OJSC N. W. Telecom

1.2. Location Address.

14/26, ul. Gorokhovaya (26, Bolshaya Morskaya), St. Petersburg, 191186

1.3. Date of State Registration, and Registration No. of the Company.

Registered by the Registration Chamber of the St. Petersburg Mayor's Office on May 6th, 1993,
Resolution No. 3381.
Certificate of state registration No.2717

1.4. Authorized Capital and Securities of the Company

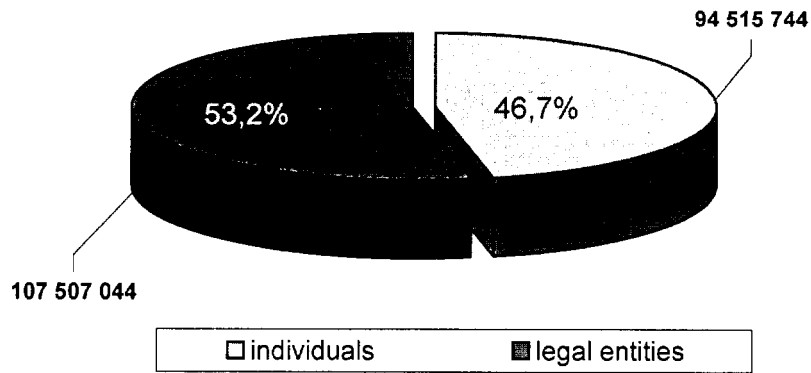
The authorized capital of the company is **937 940 010** roubles.

FLOATED AND STATED SHARES OF THE COMPANY (as of 31.12.2002)

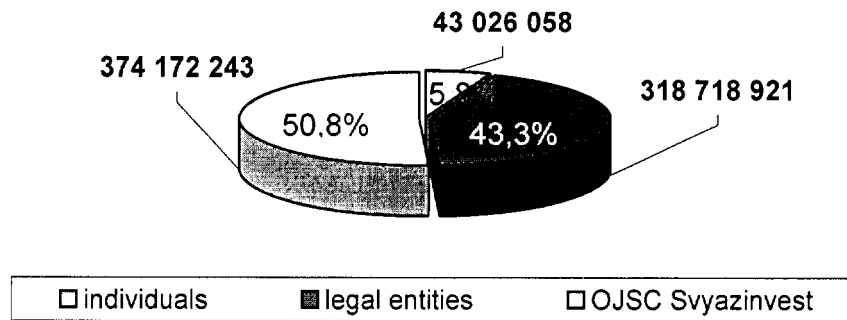
Categories (types) of shares	Number (pcs)	Face value (roubles)
I. Floated shares:		
• common shares – total	735 917 222	1 rouble
• type A preferred shares	202 022 788	
II. Stated shares:		
• common shares	36 517	1 rouble
• type A preferred shares	64 605	

AUTHORIZED CAPITAL STRUCTURE

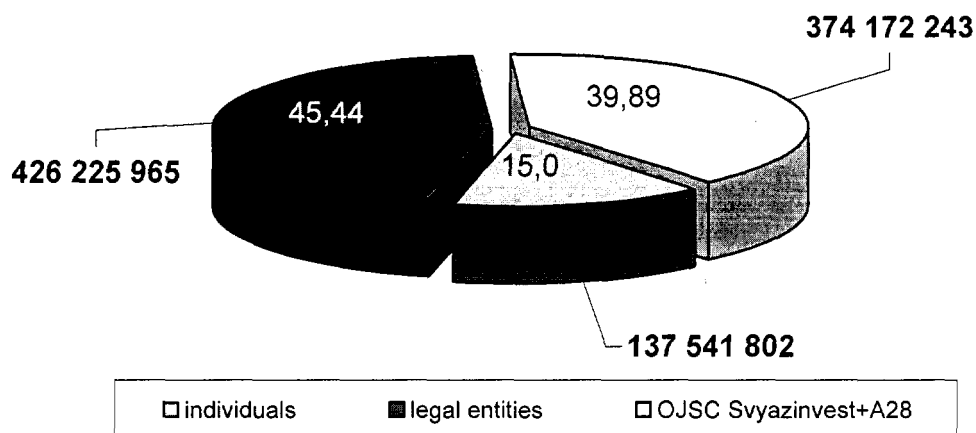
Distribution of Preferred Stock among Shareholders of OJSC
North-West Telecom
(as of 31.12.02.)



Distribution of Common Stock among Shareholders of OJSC
North-West Telecom
(as of 31.12.02.)



Distribution of Stock among Shareholders of OJSC North-West Telecom (% of the Authorized Capital)
(as of 31.12.02.)



INFORMATION ON OWNERS OF THE BIGGEST BLOCKS OF SHARES
(over 1% of the authorized capital)

Registered party	Status	Common shares	Preferred shares	Total shares	Share in the authorized capital, %
Legal entities					
OJSC INVESTITSIONNAYA KOMPANIYA SVYAZI	C	374 172 243	0	374 172 243	39,893
BRUNSWICK UBS WARBURG NOMINEES	H	105 941 775	20 534 167	126 475 942	13,484
DEPOSITORY CLEARING COMPANY	H	51 398 792	22 832 625	74 231 417	7,914
ING BANK EURASIA	H	42 233 939	22 538 544	64 772 483	6,906
LINSELL ENTERPRISES LIMITED	C	46 344 777	15 870 542	62 215 319	6,633
FRACTOR INVESTMENTS LIMITED	C	26 648 680	0	26 648 680	2,841
J.P.MORGAN BANK INTERNATIONAL	H	14 059 123	1 073 034	15 132 157	1,613
ABN AMRO BANK A.O.	H	4 113 380	5 479 422	9 592 802	1,023
Individuals					
		-	-	-	-

1.5. Information on the ADR Issue / (support of) ADR Programme Development:

Date of level 1 ADR programme registration: 4th September 2001.
 Depository bank: JPMorgan Chase Bank
 ADR coefficient: 1 ADR = 50 common shares of OJSC NWT.

1.6. Information on the Credit Rating and Corporate Management Rating of the Company

The international credit rating, the corporate management rating and the credit rating of OJSC NWT according to the national scale has been established by the international rating agency Standard and Poor's. By the moment, the following ratings have been established:

- international credit rating: B- / stable
- credit rating according to the national scale: ruBBB
- corporate management rating: 5,6

1.7. Information on the Company's Auditors:

Ernst & Young Vneshaudit Closed Joint-Stock Company

Place of business: *23, ul. Malaya Morskaya, St. Petersburg, 190000*

Tax-payer's individual No.: *7717025097*

Mailing address: *23, ul. Malaya Morskaya, St. Petersburg, 190000*

Tel: *(812) 103-7800* Fax: *(812) 103-7810*

Data on Auditor's license:

No. of license: *004768*

Date of issue: *8.02.2000*

Period: to *8.02.2003*

Authority issuing the license: *Ministry of Finance*

1.8. Information on the Company's Register Holder:

Registrator-Svyaz Closed Joint-Stock Company

Mailing address: *Moscow, 107078 15A, a/ya 45, ul. Kalanchevskaya*

Tel: *(095) 975-3605* Fax: *(095) 975-3605*

e-mail: *regsw@asvt.ru*

License:

No. of license: *10-000-1-00258*

Date of issue: *01.10.2002*

Period: *without limitation of the period*

Authority issuing the license: *Federal Commission for the Securities Market of RF*

Date since which the Issuer's registered securities register is kept by the said registrar: *18.07.2002*

1.9. Information on the Organizational Structure of the Company.

1.9.1. General

The Company started the year 2002 after being renamed OJSC North-West Telecom from OJCS Petersburg Telephone Network. First, the renamed company had one branch which provided services to the telephone network of St. Petersburg, the Petersburg Telephone Network branch.

The management structure of the company was established on the first of April and initially was called the Central Board.

Late in April, the Board of Directors took a decision (Minutes No. 25-02 of 26.04.02) on establishing regional branches of the company, and respective amendments in the Company's Articles of Association were prepared.

As the management functions were handed over to the Central Board, the organizational structure was improved.

Late in August Alexandr Abramovich Sysoyev was appointed the Company's General Manager.

In December, the Management Board approved a new organization chart for the management structure of the Company (Minutes No. 259 – 02 of 6.12.02). Besides, that decision renamed the management structure into General Directorate. The new organization chart of management has provided the possibility of overall management of the Company.

The Company's management bodies comply with the Law of RF "On Joint-Stock Companies". The Board of Directors, Management Board and Auditing Committee have been established and are fully functional. To implement the provisions of the Corporate Behaviour Code, the following committees have been established at the Board of Directors to enhance its efficiency:

- Corporate Management Committee;

- Corporate Financing and Investment Committee;
- Reporting and Remuneration Committee;
- Budget Committee.

Taking into account the fact that the unified company has included enterprises providing various types of communication to nine entities of the Federation, each of which has its own geographical, political, territorial and other distinctions, a Coordination Council has been formed in the Company. It includes all Regional Directors (by position), as well as representatives of the General Directorate.

To maintain the collective leadership in the management of a branch, Branch Directorates were formed for Regional Directors. Their key goal was to ensure efficient operation of a branch.

1.9.2. Branches of the Company

ARTELECOM OF ARKHANGELSK OBLAST, a branch of the open joint-stock company North-West Telecom
45, Troitsky prospekt, Arkhangelsk, 163061, Russia
Tel: (8182) 20-50-20 Fax: (8182) 65-40-96, e-mail: info@artelecom.ru

MURMANELECTROSVYAZ, a branch of the open joint-stock company North-West Telecom
82-a3, Lenina, Murmansk, Russia, 183038
Tel: (8152) 45-45-45 Fax: (8152) 45-00-45, e-mail: mels@mels.ru

NOVGORODTELECOM, a branch of the open joint-stock company North-West Telecom
2, Lyudogoshcha, Veliky Novgorod, Russia, 173001
Tel: (8162) 18-25-10 Fax: (8162) 13-19-15, e-mail: general@ao.telecom.nov.ru

PETERSBURG TELEPHONE NETWORK, a branch of the open joint-stock company North-West Telecom
24, Bolshaya Morskaya, St. Petersburg, Russia, 191186
Tel: (812) 314-15-50, 315-41-50, fax: (812) 110-68-34, e-mail: office@ptn.ru

CHEREPOVETSELECTROSVYAZ, a branch of the open joint-stock company North-West Telecom
29, ul. Kommunistov, Cherepovets, Vologda Oblast, 162602, Russia
Tel: (8202) 51-90-94 Fax: (8202) 51-91-27, e-mail: chief@ex.tchercom.ru

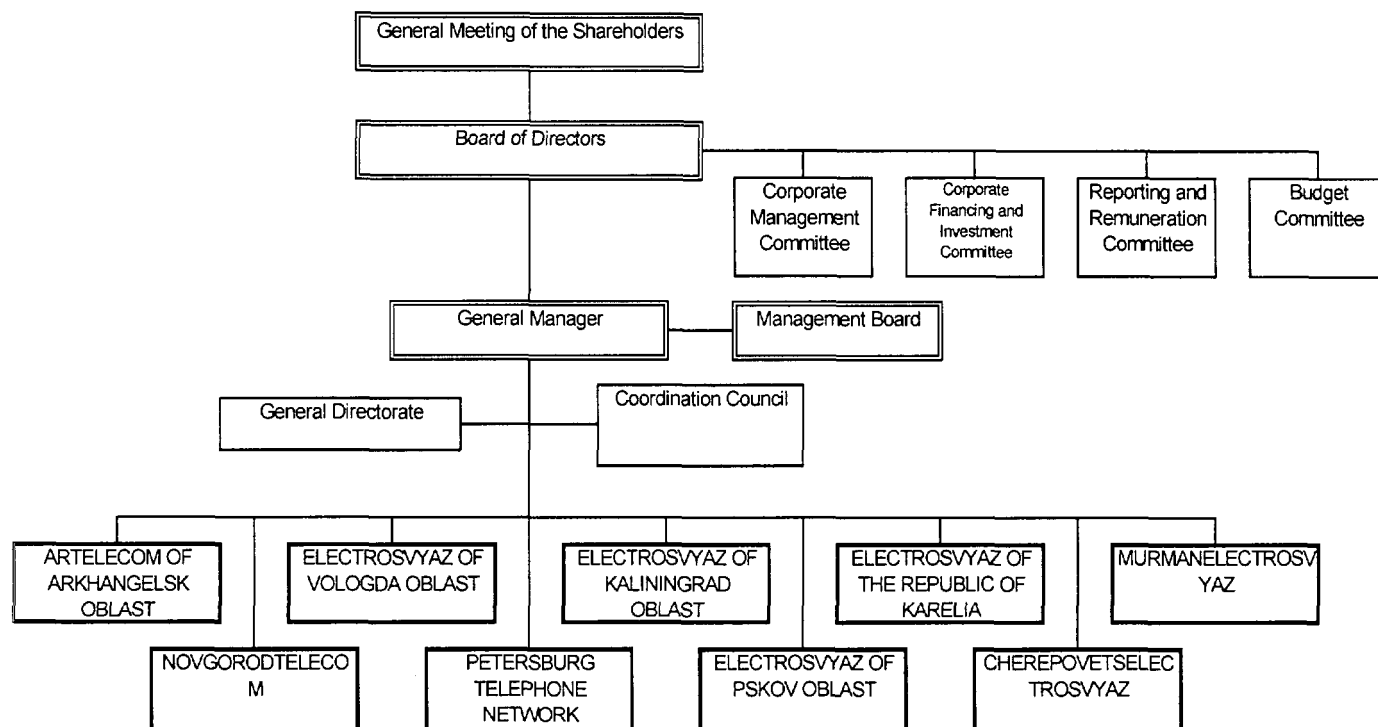
ELECTROSVYAZ OF VOLOGDA OBLAST, a branch of the open joint-stock company North-West Telecom
4, Sovetsky prospekt, Vologda, 160035, Russia
Tel: (8172) 72-00-14 Fax: (8172) 72-61-23, e-mail: 32eu@vologda.ru

ELECTROSVYAZ OF KALININGRAD OBLAST, a branch of the open joint-stock company North-West Telecom
24, ul. Bolnichnaya, Kaliningrad, Russia, 236040
Tel: (0112) 21-42-14 Fax: (0112) 45-15-52, e-mail: sekretar@b24.balnet.ru

ELECTROSVYAZ OF THE REPUBLIC OF KARELIA, a branch of the open joint-stock company North-West Telecom
5, ul. Dzerzhinskogo, Petrozavodsk, Russia, 185000
Tel: (8142) 76-51-11 Fax: (8142) 76-61-44, e-mail: ao@com.onego.ru

ELECTROSVYAZ OF PSKOV OBLAST, a branch of the open joint-stock company North-West Telecom
5, Oktyabrsky pr., Pskov, 180000, Russia
Tel: (8112) 16-54-81 Fax: (8112) 16-97-35, e-mail: duep@ellink.ru

Open joint-stock company North-West Telecom
Organizational chart



Information on contact telephone Nos., fax No., e-mail address and Internet address of the Company.

Tel: (812)315-47-06, fax (812)315-47-06

e-mail: office@nwtelecom.ru

Internet address: www.nwtelecom.ru

II. KEY CORPORATE EVENTS OF THE YEAR 2002

27th February 2002: A display of the Company was shown at the 9th international specialized exhibition of communication and telecommunication systems Norvecom-2002.

25th March 2002: The international rating agency Standard & Poor's gave the Company a credit rating according to the national scale at the ruBB/stable level.

29th March 2002: A press-conference was held, at which the key operational, financial and economic results of the Company's activities for the year 2001 were presented to journalists.

5th March 2002: The Federal Commission for the Securities Market of RF registered the issue of series 01 documentary interest-bearing bonds payable to bearer.

8th April 2002: The Ministry of the Russian Federation for Antimonopoly Policy and Business Support (MAP of Russia) took a decision to satisfy the applications for affiliation with OJSC North-West Telecom of eight traditional operators of the North-West: OJSC Artelecom of Arkhangelsk Oblast, OJSC Electrosvyaz of Kaliningrad Oblast, OJSC Murmanelectrosvyaz, OJSC Electrosvyaz of the Republic of Karelia, OJSC Novgorodtelecom, OJSC Electrosvyaz of Pskov Oblast, OJSC Cherepovetselectrosvyaz, Electrosvyaz of Vologda Oblast

10th April 2002: The first issue of bonds of OJSC North-West Telecom was floated at the Moscow Interbank Currency Exchange and at the St. Petersburg Currency Exchange.

13-19th April 2002: The Company took part in the Road Show in London.

18th April 2002: The Board of Directors approved the report on the results of bonds issue.

25th June 2002: The annual general meeting of the shareholders was held, that approved the Company's operation results for the year 2001.

10th July 2002: Payment under the first coupon of the Company's bonds was effected.

18th July 2002: Four committees have been formed at the Board of Directors of the Company: Corporate Management Committee; Corporate Financing and Investment Committee; Budget Committee; Reporting and Remuneration Committee.

15th August 2002: Payment of dividend on the basis of the results of 2001 started.

6th September 2002: An extraordinary general meeting of the shareholders was held, where A.A.Sysoyev was elected the General Manager of the Company.

9th October 2002: Payment under the second coupon of the Company's bonds was effected.

21- 25th October 2002: A display of the Company was shown at the international exhibition of communication and telecommunication facilities Infocom-2002.

11 – 14th November 2002: The Company took part in the visiting all-Russia national exhibition "300 Years of St. Petersburg: Russia Open to the World". The exhibition was held in London.

12th November 2002: The international rating agency Standard & Poor's increased the Company's corporate management rating from 5.0 to 5.6.

31st October 2002: Affiliation of telecommunication operators of the North-West took place. Conversion of shares was held.

3rd December 2002: The Federal Commission for the Securities Market of RF issued the permission for circulation of issued securities of OJSC North-West Telecom outside Russia in the form of depositary securities (1st level ADR). The permission was obtained for shares issued as a result of conversion of securities of the affiliated telecommunication companies of the North-West.

27th December 2002: The report on the results of the issue of shares issued as a result of conversion of securities of the affiliated telecommunication companies of the North-West was registered.

III. POSITION OF THE COMPANY IN THE INDUSTRY

3.1 Evolution of the Communication Industry

The total income of the RF communication industry increases by 20-25% annually. In the forthcoming three years, the volume of the Russian telecommunication market will increase by approximately 15% annually. In 2000 it was about 4.6 billion US dollars (1.8% of the GDP – 250 billion), and in 2001 its share increased to 1.9% (5,4 and 290 billion US dollars respectively). Traditional operators gained about 55% of all the income in the industry in 2001.

According to the Ministry of Communications, the total income of the communication industry in the year 2002 in Russia was 270 billion roubles. New and traditional operators provided communication and data transmission services worth of about 270 billion roubles all in all, which is 25% more than in 2001. Telecommunication companies had 47% of the industry's income (about 127.5 billion roubles). The income of the cellular communication sub-branch in 2002 was more than 37% of the total income of the communication industry. In 2002, over 50,000 km of cable and radio relay communication lines, 3 MIO automatic telephone exchange city and rural fixed communication lines, over 12 MIO mobile telephone communication numbers and over 70,000 long-distance and international telephone channels were commissioned. The growth of the number of base telephone sets of the local telephone network was 1.8 MIO units – mainly through sets installed for the population.

On the average, digitalization of local telephone networks increased in Russia from 36.2% in 2001 to 40% in 2002, that of backbone networks from 87.4% to 92%, and the use of fibre-optic transmission systems on backbone networks from 71.5% to 78.0%. Telephone density was 25.6 telephone sets for 100 people against 24.1 in 2001. The number of payphones with the card payment system increased by 13% and amounted to 127,500.

As of the 1st of January 2003, 14602 licenses were operating in the industry, including 11894 for telecommunication services, 2515 for telecasting and broadcasting, 187 for mail service and 6 for international information exchange. 1703 certificates for various types of communication equipment were issued in the year 2002.

According to forecasts, in 2004 the communications market will grow to 8 billion US dollars in this country, which corresponds to 2.05% GDP (390 billion US dollars). General improvement of the economic situation, strengthening of the rouble, penetration of mobile communication to regions and restructuring of

local communication rates are considered as the key growth factors. Thus, the interest of potential investors in this segment of the market is very high.

The North-Western region is a well-developed telecommunications markets. This is proven by the significant share of income from telecommunication services in the North-Western region in the total income of Russia's communication industry, about 16%. The region's market is characterized by high competition; however, as of 2001, the market share controlled by traditional operators was only 30%. It should be also noted that the market share is very differentiated by regions: in St. Petersburg OJSC North-West Telecom controls only 20% of the market, whereas in the regions the traditional operators occupy 52.5% of the telecommunications market.

In 2002 the volume of the telecommunications market of the North-Western region was about 30 billion roubles (which is thrice less than in Moscow). On the whole, the development rates of the communications market in the territory of OJSC North-West Telecom are non-uniform: the development is more active in regions than in St. Petersburg. This can be explained by relative saturation of the St. Petersburg's communication services market and by the increase in expenses for communication in regions. Thus, with the existing market development level, to ensure further development, telecommunication companies must make a more active use of extensive methods of gaining extra income from the permanent subscribers.

BASIC INDICES OF THE COMMUNICATION INDUSTRY DEVELOPMENT FOR THE YEAR 2002
(operational data)

Indices	meas. unit	2001	2002	2002 against 2001 in %
Investment in the communication industry total	billion roubles	59,0	65,4	110,8
including:				
domestic investment in fixed capital (in current prices)	billion roubles	44,2	48,9	110,6
Commissioning of fixed assets	billion roubles	38,8	45,5	117,3
Commissioning of basic communication capacities				
Cable communication lines + radio relay lines	thous. km	38,4	50,4	131,3
Automatic long-distance and international telephone communication	thous. channels	28,5	70,0	245,6
City + rural telephone communication	MIO lines	2,1	3,0	142,9
Mobile telecommunication	MIO numbers	4,2	12,9	307,1
Tariff income of the industry - total	billion roubles	193,6	270,0	139,5
including traditional operators	billion roubles	100,3	127,5	127,1
alternative operators	billion roubles	93,3	142,5	152,7
Volume of the information technologies market	billion roubles	112,5	130,4	116
including: volume of information services market	billion roubles	29,5	34,6	117,3

INCOME FROM COMMUNICATION SERVICES

	2001	2002, billion roubles	in % against 2001
<u>All operators</u>			
Operating income	193,6	270	139,5
including that from population	71,1	125,2	176,1
<u>Traditional operators</u>			
Operating income	100,3	127,5	127,1
including that from population	49,2	64,8	131,7
<i>OJSC Svyazinvest.</i>			
Operating income	77,9	98,1	125,9
including that from population	40,5	53,7	132,6
<i>OJSC Rostelecom.</i>			
Receipts from sales	0,193	0,254	131,6
Including those from communication services sale	0,188	0,252	134
Sale profit	0,561	0,772	137,6
<u>Alternative operators</u>			
Operating income	93,3	142,5	152,7
including that from population	21,9	60,4	275,8
By sub-industries (all operators)			
<i>Telecommunications</i>			
Operating income	177,7	249	140,1
<i>Mail services and special communication</i>			
Operating income	15,9	21	132,1
including mail services	15	20	133,3

Due to the geographical location of the North-Western Federal District, a number of territories of which have not been sufficiently developed or populated, the communication enterprises of the District hold quite modest positions in Russia. At the same time, the District takes the first place in Russia by e-mail traffic, leaving other territories far behind, which can be explained by the fact that the territory of the District is crossed by communication channels used for information exchange with foreign countries. The North-Western Federal District (NWFD) holds the third place among Federal Districts of RF by income from communication services for the first half year of 2002.

INCOME FROM COMMUNICATION SERVICES IN THE YEAR 2002

	MIO roubles	In % against 2001 (in actual prices of that moment)	Share in total income volume, %	Share in NWFD
Russian Federation	193 636,9	141,3	100	
NWFD	24 730,7	142,7	12,8	100
The Republic of Karelia	576,0	126,3	0,3	2,3
The Republic of Komi	970,3	126,0	0,5	3,9

Arkhangelsk Oblast	1059,7	128,7	0,5	4,3
including: Nenets Autonomous Area	50,3	127,0	0,0	0,2
Vologda Oblast	792,2	133,4	0,4	3,2
Kaliningrad Oblast	1174,5	140,5	0,6	4,7
Leningrad Oblast	901,9	131,9	0,5	3,6
Murmansk Oblast	1059,8	120,0	0,5	4,3
Novgorod Oblast	512,7	125,9	0,3	2,1
Pskov Oblast	434,7	129,3	0,2	1,8
St. Petersburg	17 248,8	149,4	8,9	69,7

3.2 Macroeconomic Review of Regions

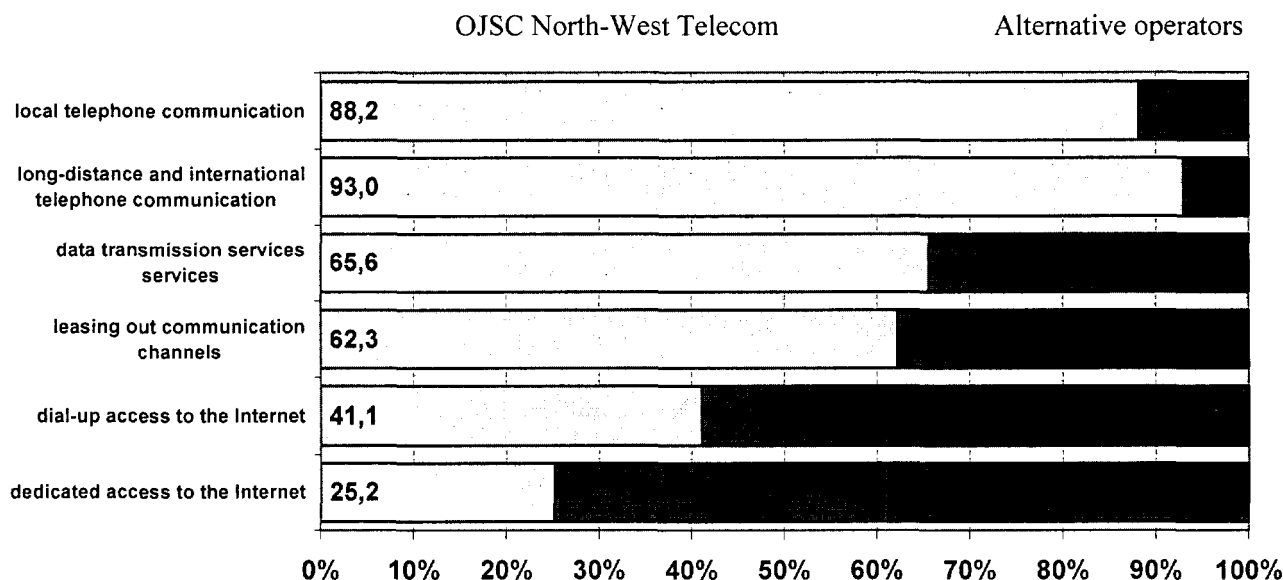
The socio-economic contribution of the North-Western region in the GDP of Russia in 2002 amounted to 9.4% (or 889.4 billion roubles). The most economically developed regions of the district are St. Petersburg and the Murmansk, Leningrad, Arkhangelsk and Vologda Oblasts, their share being about 83% of the gross regional product of the united territory, 70% of the population's income and 70% of the communication services market.

3.3 Competitive Situation in the Communication Services Market of the North-Western Region

The market of the North-Western region is characterized by a high level of potential competition and by the actual loss of their monopoly position by the traditional operators.

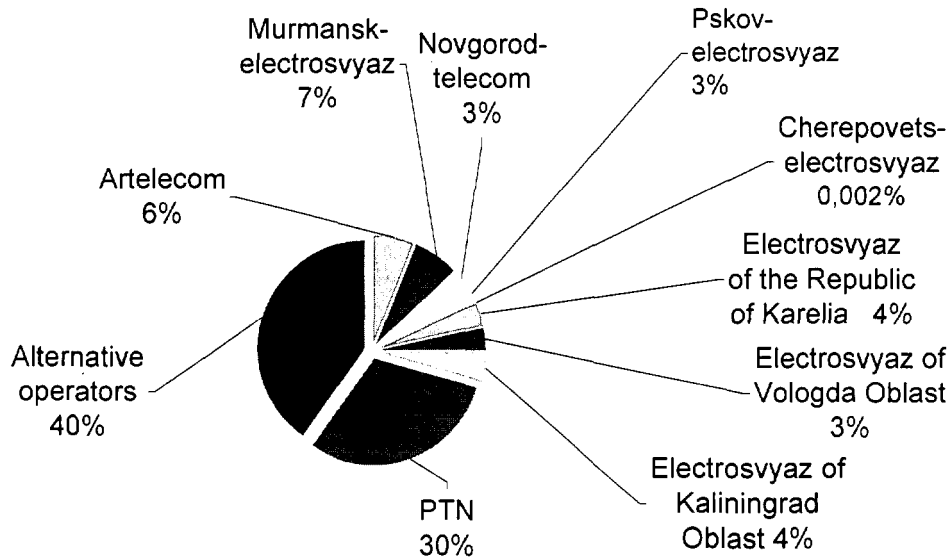
One of the general indices of competition in the region is the number of licenses for communication services. In the North-Western Federal District, there are 24 licenses for provision of communication services in 100,000 residents. There is a growth in registered licenses in the basic segments of high-profit services, such as: local, long-distance and international communication, telematics, data transmission and lease of channels.

SHARE OF OJSC NORTH-WEST TELECOM BY TYPES OF SERVICES IN THE MARKET OF THE NORTH-WEST OF RUSSIA
(%, mean value for the market)



Alternative communication operators hold 40% in the structure of the income gained from communication services sold by all communication operators in the territory of North-West.

DISTRIBUTION OF THE NORTH-WESTERN REGION'S MARKET BY THE LEVEL OF TELECOMMUNICATION OPERATORS' INCOME



Under the conditions of sweeping development of the mobile cellular communication market and acute competitive struggle among operators, accompanied by a reduction in the price of the services, there is a potential threat to the competitive position of traditional communication operators from mobile communication operators (especially in the field of long-distance communication).

3.4 General Positioning of OJSC NWT in the Market

North-West Telecom provides telecommunication services in the territory of the North-Western Federal District and is a major telecommunications company in Russia.

The area of the District is about 10% of the entire territory of the Russian Federation. The North-Western Federal District includes 10 entities of the Federation: The Republic of Karelia, the Republic of Komi, the Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk, Novgorod and Pskov Oblasts, the city of St. Petersburg and the Nenets Autonomous Area.

14 282.9 thousand people (9.9% of Russia's population) live in the territory of the District. 81.8% of the population live in cities. This is the highest population urbanization level among the federal districts. The North-Western Federal District ranks the fourth among federal districts by population density. All in all, 152 cities are situated in the territory of the District. The population density is 8.52 people per sq. km.

OJSC North-West Telecom is the only universal operator throughout the territory of the North-Western Federal District and provides the entire range of traditional and new services. The Company has 9 branches.

Key Factors Determining the Competitive Capacity of OJSC North-West Telecom:

1. The traditional communication operators that are a part of its structure are characterized by a significant share (up to 50% and more) of privileged categories of the population among their subscribers.
2. Inefficient regulation practice has been adopted towards traditional communication operators, mainly related to rate regulation and licensing: less favourable operation conditions as compared to alternative operators, whose rates are not regulated.
3. Under the conditions of sweeping development of the mobile cellular communication market and acute competitive struggle among operators, accompanied by a reduction in the price of the services, there is a potential threat to the competitive position of inter-regional companies from mobile communication operators (especially in the field of long-distance communication).

4. North-West Telecom is inferior to its competitors – alternative operators – in the provision of extra services and new services, losing opportunities of gaining extra income.

Therefore, the competitive capacity level of OJSC North-West Telecom is estimated as high only in several areas of services provided, mainly in local telephone communication. In other positions, competitor companies already have a number of advantages, due to which they are successfully developing in local markets.

Basic advantages of OJSC North-West Telecom are first of all the wide network of the geographic coverage, absence of fee for local telephone calls and a wide range of telecommunication services.

At the moment, many operator companies work in the market of telecommunication services, providing a wide range of up-to-date communication services. Representatives of companies that are competitors of OJSC North-West Telecom have singled out three segments where regional telecommunication companies (Electrosvyazs) have a high competitive capacity level (in the order of decreasing importance):

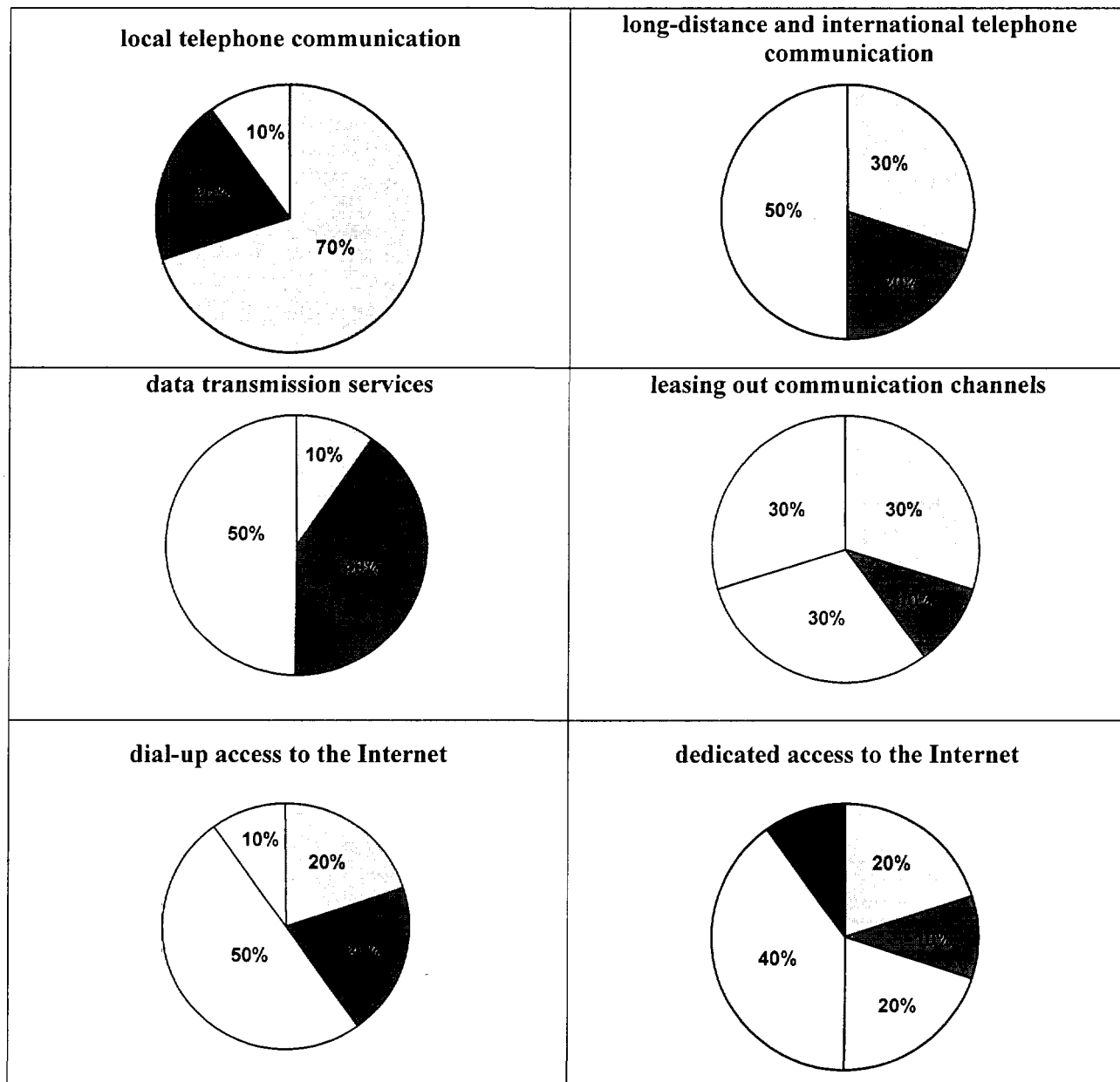
- local telephone communication services;
- long-distance and international communication services;
- leasing out communication channels;
- data transmission services, dial-up and dedicated access to the Internet.

Key advantages of OJSC North-West Telecom as compared to competitors:

1. Low level of rates for services;
2. Well-developed infrastructure, including full coverage by own network in St. Petersburg;
3. A wide range of telecommunication services;
4. High telephone density of the company: there are 32.06 sets in every 100 residents, which is 1.33 times higher than the average figure for Russia.

**COMPETITIVE ADVANTAGES LEVEL OF OJSC NORTH-WEST TELECOM
BY MARKET SEGMENTS**

(% of the total number of representatives of companies, who took part in the poll held
to the order of OJSC North-West Telecom)



Operators who are competitors of OJSC North-West Telecom are estimating the current economic situation in the telecommunications market of the North-West as favourable for the development of their companies. Most clients choose companies who compete with OJSC North-West Telecom because of the provided quality and high servicing level. This is the main criterion for the choice of the operator whose services are desirable for the client in the future. It is only natural that it is in local telephone communication that the high level of OJSC North-West Telecom's competitive capacity is recognized, for a phone call within the city is free of charge at the moment and the clients of the company continue to pay only the subscriber fee for the use of a telephone line. The key argument that could be set off by competitors of the local telecommunication company (Electrosvyaz) is provision of servicing options and various discounts. E.g.,

if a potential client of CJSC PeterStar guarantees a certain traffic for long-distance calls, then local telephone calls may be free of charge. Usually, such guaranteed payments vary within \$50-100.

Besides, an important competitive advantage of OJSC North-West Telecom is that the Company owns the largest pool of lines in the North-West of Russia.

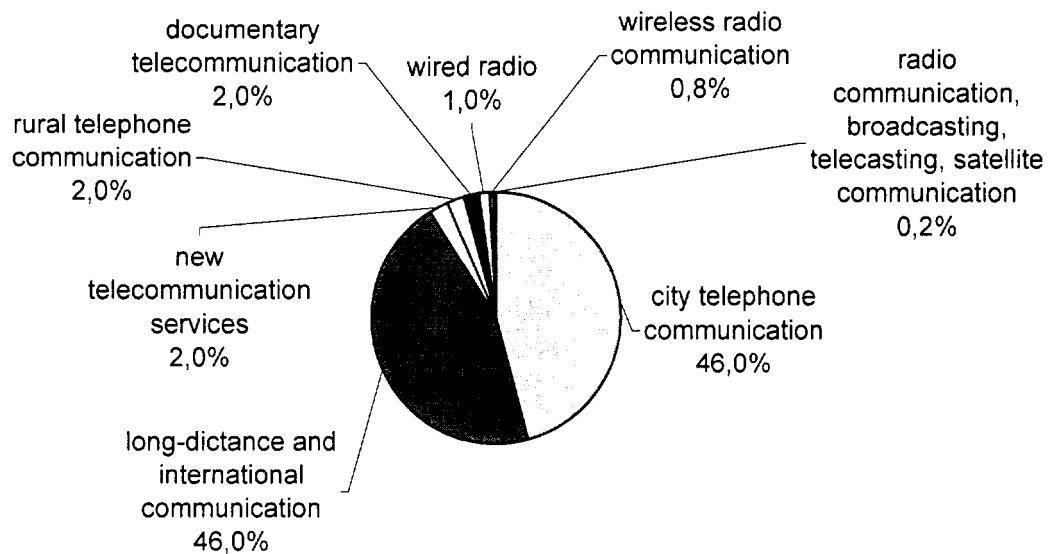
The principal competitor in the field of fixed communication services provision in the territory of St. Petersburg is PeterStar, an operator of the digital superposed telephone network in the city, which is connected to the city telephone network system.

IV. PRIORITY AREAS OF THE COMPANY'S BUSINESS

At the moment, fixed telephone communication services bring the bulk of the income from the telecommunication sector of the North-Western region (55%). The market structure will change in the future, and, on a par with fixed communication services, income gained from the new segment of the following communication services will prevail:

- Services of access to the Internet
- Multiservice networks services
- IP- telephony

STRUCTURE OF OJSC NORTH-WEST TELECOM'S INCOME BY TYPES OF SERVICES
IN 2002¹



V. RESULTS OF COMPANY'S DEVELOPMENT BY PRIORITY AREAS

Local Primary Networks

Almost 90% of interoffice (internodal) trunks on city primary networks of the North-Western Federal District have been digitalized. Subscriber lines are mainly analog lines. Rural transmission lines in the district are arranged using metal cable, aerial and radio-relay lines. Analog systems make 50% of the total number of transmission systems.

Central Office Primary Networks

At the moment, central office primary networks of the North-Western Federal District are based on the use of cable, radio-relay and aerial transmission lines. Satellite transmission systems are not used on

¹ «New telecommunication services» in the diagram mean ISDN services, intelligent network services and Internet resources access services.

central office primary networks. Analog and digital transmission systems are used on cable transmission lines. Analog transmission systems are mainly used on radio-relay lines.

Backbone Network in the Territory of the North-Western Federal District

Facilities of OJSC Rostelecom make the base of the primary backbone network both in the North-Western Federal District and in Russia on the whole. Rostelecom's primary backbone network of the North-Western Federal District is based on the use of cable and radio-relay transmission lines, and satellite communication channels and systems. Analog and digital equipment, including the SDH technology, 155 megabit per second, 622 megabit per second and 2.5 gigabit per second, is used as transmission systems on trunk lines.

Via OJSC Rostelecom's trunk transmission lines, the district has Digital outputs to the international digital network of North-Western and Western Europe, using fibre-optic and radio-relay transmission lines and metal cables.

The most powerful international lines are:

- The underwater fibre-optic transmission line Kingisepp – Denmark with the throughput of 565 megabit per second.
- The fibre-optic transmission line Kingisepp – Estonia with the throughput of 2.5 gigabit per second.

5.1. Investment Policy

In 2002 the city and rural telephone networks were expanded on OJSC North-West Telecom's network. 149.386 thousand lines were commissioned, including:

144.138 thousand lines on city telephone networks and 5.248 thousand lines on rural telephone networks

The commissioned lines on city telephone networks included:

- 74.798 thousand lines – expansion of the operating telephone exchanges;
- 18.762 thousand lines – new construction;
- 12.51 thousand lines – renovation of the operating telephone exchanges;
- 38.068 thousand lines – reequipment.

The commissioned lines on rural telephone networks included:

- 0.1 thousand lines – expansion of the operating telephone exchanges;
- 3.178 thousand lines – new construction;
- 1.97 thousand lines – reequipment.

115 km of long-distance cable lines were commissioned in 2002. 93 km of them were expansion, and 22 km renovation. 950 long-distance voice channels were commissioned on networks of OJSC North-West Telecom's branches in 2002.

162.8 km of radio-relay communication lines were commissioned in the period under report. 121.3 km of them were new construction, and 41.5 km expansion.

In 2002, equipment of service payphone cards (STK), equipment for provision and development of IP telephony, universal payphones and their control centers were acquired and put into operation on networks of OJSC North-West Telecom's branches, and work was done to expand the data transmission networks.

22756 thousand roubles were actually spent for the development of new technologies.

USED VOLUME OF INVESTMENT IN THE FIXED CAPITAL IN 2002.
INVESTMENT FUNDING SOURCES IN 2002

No.	Item	Amount, thousand roubles
1.	Subindustry structure of capital investment	
	<i>Total capital investment including:</i>	1 742 970
1.1.	Local telephone communication	1 222 648
1.2.	Long-distance/international communication	106 440
1.3.	Mobile radiotelephony	4 080
1.4.	New services and technologies including:	22 765
1.4.1.	Internet	10 278
1.4.2.	IP- telephony	1 285
1.4.3.	intelligent communication networks	11 202
1.5.	Other	387 037
2.	Funding sources	
	<i>Total capital investment including that from:</i>	1 742 970
2.1.	Internal funds including:	1 308 498
2.1.1.	profit	467 425
2.1.2.	depreciation	841 073
2.2.	Debt and borrowed current assets including:	434 472
2.2.1.	tied credits	127 341
2.2.2.	other loans	29 328
2.2.3.	leasing	242 503
2.2.4.	funds from sale of shares owned by the state	-
2.2.5.	funds obtained from bonds floatation	28 034
2.2.6.	funds of legal entities	7 266

As can be seen from the above figures, the bulk of the capital investment (70%) is spent for the development of local telephone communication, 6% for the construction of long-distance/international communication facilities, while the share of capital investment aimed at the development of new communication services (Internet, IP telephony and intelligent networks) is not very significant and amounts to 1.3%.

5.1.1. Information on Investment Projects

The Branch ARTELECOM OF ARKHANGELSK OBLAST

The capital investment volume for the year 2002 amounted to 156 337 thousand roubles with the planned 143 473 thousand roubles, commissioning of fixed capital stock was 169 721 thousand roubles, 9479 lines having been put into operation.

The following has been commissioned: Expansion of the automatic long-distance telephone exchange of Arkhangelsk by 2 430 channels,

Expansion of the Novodvinsk Intermediate Node Reference Exchange OPTS-4 (3 136 lines), Kotlas Intermediate Node Reference Exchange OPTS (3 056 numbers), Federal Mobile Cellular Radio Communication Network in Arkhangelsk Oblast – 16 BS, Renovation of the Telegraph Network of Arkhangelsk Oblast, Digital Multiplexing in the Arkhangelsk – Naryan-Mar section, Optimization of the SDH Network in Arkhangelsk (1st start-up complex).

The Branch ELECTROSVYAZ OF VOLOGDA OBLAST

The capital investment volume for the year 2002 amounted to 109,895 thousand roubles with the planned 105,921 thousand roubles, commissioning of fixed capital stock was 104 344 thousand roubles, 9200 lines having been put into operation.

Investment in 2002 was aimed at resolving the current technological problems, increasing the capacity, arranging better communication lines and re-equipment, which made it possible to increase and improve the volume and quality of services provided.

Implementation of the capital construction plan, taking into account the work done by the company itself, has made it possible to increase the installed capacity by 8698 lines. The following facilities have been commissioned: Expansion of the City Telephone Exchange in Vologda, 1st Start-Up Complex and Expansion of the City Telephone Exchange in Vologda, Lukyanovo Micro-District. The radio-relay lines Vologda – Shuyskoye and Vologda – Sokol 100 km in total length have been put into operation on digital equipment.

The SDN city telephone network of Vologda was expanded, which made it possible to provide prerequisites for further development of the IP telephony centre telephone network and the intelligent platform.

Upgrading of the inter-office communication has been carried out, ANIs have been purchased and put into operation, which has made it possible to improve the quality of communication and allowed a growth of long-distance traffic.

The Branch ELECTROSVYAZ OF KALININGRAD OBLAST

The capital investment volume for the year 2002 amounted to 114,527 thousand roubles with the planned 194,531 thousand roubles, commissioning of fixed capital stock was 108,746 thousand roubles, 14302 lines having been put into operation.

The construction of a rural suburban communications centre in Zelenogradsk has been completed.

A fibre-optic central office communication line Kaliningrad-Guryevsk has been constructed 11.93 km in total length. This line is a fragment of the Western Ring of the synchronous digital hierarchy transport network, that is under construction.

The work of upgrading and expanding the Internet network in Kaliningrad and its Kaliningrad Oblast was continued in the year that has expired, over 3 MIO roubles having been spent for these purposes.

The Branch ELECTROSVYAZ OF THE REPUBLIC OF KARELIA

The capital investment volume for the year 2002 amounted to 118,653 thousand roubles with the planned 96,451 thousand roubles, commissioning of fixed capital stock was 150,635 thousand roubles, 19047 lines having been put into operation.

All capital investment has been spent for production construction and expansion of the business.

The construction of the communications centre building in the town of Medvezhyegorsk and renovation of the cable communication line Petrozavodsk-Shuyskaya 22 km in length has been completed. The replacement capacity has amount to 7 778 lines in the installed capacity. The telephone exchanges - old-type step-by-step offices in Kondopoga and cross-bar ATE (ATSK) in Sortavala and Helula – have been dismantled.

The Branch MURMANELECTROSVYAZ

The capital investment volume for the year 2002 amounted to 212,130 thousand roubles with the planned 192,607 thousand roubles, commissioning of fixed capital stock was 155,924 thousand roubles, 32528 lines having been put into operation.

OJSC Murmanelectrosvyaz's investment operations became more active in 1997. The volume of investment in the basic production assets in the period of 1997- 2002 amounted to 746.1 MIO roubles.

The volume of capital investment spent for expansion of business amounted to 147039 thousand roubles, or 75.6% of the total volume of capital investment, including the following:

1. 32528 lines, or 100.9% of the planned volume, have been constructed and put into operation. The volume of capital investment is 137 438 thousand roubles.
2. The facility "Construction of the Digital Radio-Relay Line Mountain Kuirk-Yavr-Zaozersk" 19.3 km in length and 34 Mbit/s has been constructed and put into operation. The volume of capital investment is 2287 thousand roubles, or 100.9% of the planned volume.
3. The facility "VHF FM Broadcasting" has been constructed and put into operation. The volume of capital investment is 1394 thousand roubles, or 101% of the planned volume.

The Branch NOVGORODTELECOM

The capital investment volume for the year 2002 amounted to 118,047 thousand roubles with the planned 107,645 thousand roubles, commissioning of fixed capital stock was 114 541 thousand roubles, 7310 lines having been put into operation.

The following capacities have been commissioned:

- lines capacity – 7310 lines all in all, including 550 numbers for replacement.

The telephone network of Veliky Novgorod and Novgorod District (settlements Pankovka, Lesnaya and Podberezye) was expanded on the basis of EWSD equipment made by Siemens and purchased from Siemens through CJSC RTK-Leasing.

The telephone network of Novgorod Oblast was expanded on the basis of the SI-2000. V5 switching equipment produced by Iskratel Slovenia – ATE in the settlements of Sosnovka, Malaya Vishera, and Pestovo.

To expand the telephone exchanges in Khvoynaya, Staraya Russa and Parfino, the SI-2000.V4 equipment produced by Iskratel Slovenia was used that had been employed on the networks of Novgorod Oblast.

Automatic telephone exchanges of the settlements of Kulotino, Kresttsy and Lunshino were expanded on the basis of the equipment of the cross-bar ATE (ATSK)-100/2000 and telephone exchange 50/200.

Besides, equipment of service telephone cards, autoinformer and IP telephony on the basis of the Protey intelligent platform, universal payphones and payphone control centre have been bought and commissioned.

The paging network has been expanded, the base station in Valday, a district centre of Novgorod Oblast, has been delivered, as well as a regional data transmission network and Internet. Series 2600/3600 Cisco routers and Catalyst 2950 switchboards have been installed in 7 districts. The last mile is arranged on SDSL modems. The existing X.25 network equipment is connected to Cisco routers and uses network's transportation functions.

A radio-relay line has been built in the section Malaya Vishera – Burga – Verebye 34.8 km in length, and the rural inter-office network has been renovated in the sections central exchange (CE) Demyans - terminal exchange (TE) Tarasovo, CE Bolshaya Vishera – TE Malaya Vishera, CE Kresttsy – TE Zaitsevo – TE Viny, CE Chudovo – TE Gruzino – TE Novaya Sloboda – TE Oskuy – TE Zuyevov – TE Karlovka, CE Shimsk – TE Medved, CE Soltsy – TE Kuklino – TE Retno - TE Krapivno – TE Gorki.

PABX worth of 584,000 roubles has been acquired in compliance with the profitability improvement plan approved by the Company's Management Board on 27th April 2001.

The capital investment aimed at introducing new technologies amounted to 7510 thousand roubles, including:

- introduction of service telephone cards – 1800 thousand roubles,
- acquisition of universal payphones and a payphone control centre – 779,000 roubles
- expansion of Internet and the regional data transmission network – 3213 thousand roubles,
- acquisition of modems and multiplexers (included in the "equipment acquisition" item) – 1718 thousand roubles.

The branch ELECTROSVYAZ OF PSKOV OBLAST

The capital investment volume for the year 2002 amounted to 96,044 thousand roubles with the planned 48,917 thousand roubles, commissioning of fixed capital stock was 69,354 thousand roubles, 16334 lines having been put into operation.

First of all, projects of equipment acquisition, communication line construction, re-equipment and business expansion have been implemented.

To improve the operation quality and to ensure a better use of communication lines of rural telephone exchanges and PABX connected to USP-17, renovation of USP-17 (V.5) has been carried out.

- The central office fibre-optic communication line (VOLP) - Western Semi-Ring of Pskov Oblast. Commissioned in the section Pskov-Pechyory 60 km in length and in the section Stary Izborsk-Palkino 21 km in length. Equipment of OJSC Supertel, Russia, OLT (Line Transmission System) 2x16-1,55/60 with the power of 16x2 Mbit/s has been installed.
- To expand cross-bar telephone exchanges, the equipment has been used that became vacant after re-equipment, including cross-bar telephone exchange Novorzhev, ATS-6 in Velikiye Luki, Bukino, Podberezye, Baruta, Lyushchik, Remda, Bardovo, Udarnik and Pervomayskaya.
- To meet the demand of the population for installation of telephone lines, the electronic telephone exchanges Porkhov, Gdov, Rizhskaya, Pytalovo, Ostrov-4, Pskovkirpich, Piskovichi and Zhizhitsa have been expanded.

Equipment for the Quantum-E electronic telephone exchange was purchased in a complete set with the power unit. Power unit of the UEPS (telecommunications power supply unit) type was separately acquired for the ELCOM-type electronic telephone exchanges Ovsishche and Tsentr, their price having been taken into account in the price of the said electronic telephone exchanges.

- The following has been acquired in order to replace the obsolete power-supply equipment:
 - UEPS (telecommunications power supply unit) 2-60/24-3.2 – for the telephone exchange in the village of Shchukino, Pustoshkinsky District,
 - UEPS (telecommunications power supply unit) 2-60/24-3.3 – for the telephone exchange in the village of Novoselye, Strugokrasnensky District,
 - UEPS (telecommunications power supply unit) 2-60/60-4,3 – for the electronic telephone exchange Rizhskaya in the city of Pskov.

Commissioning of the electronic telephone exchanges has resulted in a renovation of the communications network (including the transition of subscribers from the dual connection circuit to the individual circuit).

The branch CHEREPOVETSELECTROSVYAZ

The capital investment volume for the year 2002 amounted to 47,630 thousand roubles with the planned 43,026 thousand roubles, commissioning of fixed capital stock was 46 545 thousand roubles, 3752 lines having been put into operation.

Fixed assets worth of 46.5 MIO roubles have been commissioned:

- call servicing centre for the organization of the city information service on the basis of the Definity switching server;
 - RSU for 1 144 lines has been installed at telephone exchange ATS-29;
 - the installed capacity of telephone exchanges ATS-26 and 28 has been increased by 2 528 lines;
 - linear facilities of the city telephone network have been expanded;
 - other equipment has been commissioned.

The investment was funded from depreciation reserves, profit, and borrowed funds.

The Branch PETERSBURG TELEPHONE NETWORK

The most significant investment projects of the Petersburg Telephone Network branch in the year 2002.

1. Projects aimed at commissioning of new telephone lines.

In the year 2002, 213 588 thousand roubles were spent for expansion and renovation of 12 telephone exchanges, which has made it possible to commission 25.5 thousand lines. Besides, much has been done to complete the equipment of the operating telephone exchanges. In the year under report, 31 222 thousand roubles have been spent for this site, the installed capacity having amounted to 11.836 lines.

2. Introduction of the time-based billing system.

This work has had the first priority for the branch. On 20.12.02 a meeting of the acceptance committee was held, which summed up the results of the construction of the time-based billing system and at which the Work Transfer and Acceptance Certificate under contract No. 020101 with LLC ELSIS-Kaliningrad and the Equipment Acceptance Certificate were signed.

In fact, 61 019 thousand roubles were spent in the year 2002. By the end of the year 2002, all the time-based billing equipment, equipment of the local area network and data transmission network had been adjusted and tested. Specialized hardware and software developed by the ELSIS joint-stock company was delivered, installed, tested and accepted for traffic and emergency signal data processing at the Network Control Centre. An upgrade of ASR billing system middleware has been carried out for the purpose of taking into account the data from long-distance and international switchboards of GMMTTU (the Main Long-Distance and International Telephone and Telegraph Centre).

Statistical data were gathered for three months on the traffic used by various population strata and districts of St. Petersburg, which were necessary to calculate the price of the local outgoing call per-minute rate in order to provide these data to the Ministry of Antimonopoly Policy. The calculation was carried out according to the proposed methods, and the data were handed over for consideration and approval by the Ministry of Antimonopoly Policy.

A number of organizational and technical measures have been taken to ensure the information safety of the time-based billing system (SPUS) and its data protection. In the course of a pilot run of the time-based billing system and information security measures, a software upgrade for ASR billing system agents and TiAS wide-area data collection/ analysis system agents was carried out.

In December 2002, PTN's specialists underwent training in several specialized courses on the time-based call billing system.

3. Expansion of the long-distance telephone exchange (AMTS), 5th stage, 2nd phase

The construction of this site has made it possible to increase the capacity of long-distance telephone exchange AMTS-2 with AXE-10-type equipment delivered by Ericsson, to replace the obsolete ARE-13 equipment and to build a new long-distance telephone exchange AMTS-4 of the EWSD system delivered by Siemens. 3527 channels, or 9630 ports have been commissioned. 39 366 thousand roubles have been spent.

4. Expanding the City Telephone Network for cellular operators

In the year 2002 the Petersburg Telephone Network started implementing the project of expanding the access to cellular operators, which will make it possible to gain extra income for connection of communication networks in the amount of 110 901 thousand roubles. Investment for the year under report has amounted to 29 541 MIO roubles.

5.2. Basic Indices of the Network

No.	Indices	Units of measurement:	2001	2002	Indices change rate, 2002/2001 (in %)
1	2	3	4	5	6
1.	Length growth - long-distance (central office) telephone channels total,	thous. chan./ km	110,4	5,42	4,9
	including those formed by digital transmission systems	thous. chan./ km	148,0	133,752	90,37
2.	Base telephone sets number growth, total including:	thous. pcs.	95460	14168	148,41
	- city telephone networks;	thous. pcs.	88434	136894	154,8
	- rural telephone networks.	thous. pcs.	7026	4786	68,12
3.	Growth of outbound automatic channels of long-distance telephone exchanges, total	channels	2163	1537	71,06
	including those of zone communication	channels	1661	760	45,75

5.3. Information on rates**The Branch Artelecom of Arkhangelsk Oblast**

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the 4 th quarter of 2002** thousand roubles
1	Providing access to the city telephone network (base subscriber device):						
	population	2500,0	6000,0	-	-	53785,4	-
	organizations funded from respective budgets	4000,0	7000,0	-	-	39082,3	-
	organizations that are not funded from respective budgets	4000,0	7000,0	-	-	3181,2	-
2	Providing access to the rural telephone network (base subscriber device):						
	population	1250,0	3000,0	-	-	3970,0	-
	organizations funded from respective budgets	4000,0	7000,0	-	-	463,5	-
	organizations that are not funded from respective budgets	4000,0	7000,0	-	-	1196,4	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city telephone network services:						
	population	95	110	71,51	98,18	191157,7	207410
	organizations funded from respective budgets	120	130	71,51	98,18	5098,5	12383
						245664,3	236673

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	organizations that are not funded from respective budgets	160	170	71,51	98,18	49408,1	16880
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city telephone network services (the constant constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city telephone network services (the variable constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural telephone network services:						
	population	95	110	156,41	263,91	53893,5	124365
	organizations funded from respective budgets	120	130	156,41	263,91	42021,6	108303
	organizations that are not funded from respective budgets	160	170	156,41	263,91	5098,5	8009
	organizations that are not funded from respective budgets					6773,4	8053

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	3,08	3,03	1,73	1,70	336239	203705					
8	Inland telegram	29,31	26,74	99,1	144,06	15317	62429					

* - the average income rate is indicated for services 7 and 8

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

* - the average income rate is indicated for service 7

The Branch Electrosvyaz of Vologda Oblast

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs providing services in the 4 th quarter of 2000, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					40352,3	-
	Population – analog telephone exchanges/ digital telephone exchanges	3000,4500	4000,6000	-	-	30049,9	-
	organizations funded from respective budgets	3000,0	3000,0	-	-	1765,8	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	8536,6	-
2	Providing access to the rural telephone network (base subscriber device):					3665,1	-
	population	1000	3000	-	-	2464,1	-
	organizations funded from respective budgets	3000	3000	-	-	286,1	-
	organizations that are not funded from respective budgets	6000	6000	-	-	914,9	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					127252,9	10711
	population	80	95	57,00	70,77	93285,8	8716
	organizations funded from respective budgets	100	120	57,00	70,77	15234,9	859

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	organizations that are not funded from respective budgets	120	120	57,00	70,77	18732,2	11360
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:					33429,8	71877
	population	70	80	127,68	152,30	23190,1	56233
	organizations funded from respective budgets	100	120	127,68	152,30	5417,2	7183
	organizations that are not funded from respective budgets	105	120	127,68	152,30	4822,5	8461

6.1	Providing local telephone connections (calls with the time-based billing system used for payment of rural network services (the constant constituent):									
	population	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls with the time-based billing system used for payment of rural network services (the variable constituent):									
	population	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	2,36	2,37	1,23	1,25	187247	98629			
8	Inland telegram	19,58	20,06	76,68	85,73	5778,6	25276			

* - the average income rate is indicated for services 7 and 8

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Branch Electrosvyaz of Kaliningrad Oblast

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the 4 th quarter of 2002**, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					46871,9	14259
	population	4500,0	5500	-	-	32704,2	-
	organizations funded from respective budgets	5000,0	7000	-	-	1929,5	-
	organizations that are not funded from respective budgets	7000,0	8700	-	-	12238,2	-
2	Providing access to the rural telephone network (base subscriber device):					3356,9	4131
	population	2250,0	2250	-	-	2378,2	-
	organizations funded from respective budgets	2500,0	3500	-	-	106,7	-
	organizations that are not funded from respective budgets	3500,0	4350	-	-	872,0	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					138814	143037
	population	80,0	90,0	71,95	86,39	90910,0	115800
	organizations funded from respective budgets	140,0	155,0	71,95	86,39	19753,9	10246

	organizations that are not funded from respective budgets	140,0	155,0	71,95	86,39	28150,0	16991
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:						
	population	80,0	90,0	118,32	144,49	10909,5	27869
	organizations funded from respective budgets	140,0	155,0	118,32	144,49	1560,8	2409
						14394,7	32687

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	organizations that are not funded from respective budgets	140,0	155,0	118,32	144,49	1924,4	2409
6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
7	Providing a long-distance telephone connection	2,86	2,71	1,45	1,61	204772	112861
8	Inland telegram	19,21	17,26	18,17	18,9	6398,5	6385

* - the average income rate is indicated for service 7

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Branch Electrosvyaz of the Republic of Karelia

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the quarter of 2002**, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					36672,5	-
	population	4000,0	5000,0	-	-	29285,4	-
	organizations funded from respective budgets	6000,0	6000,0	-	-	1762,9	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	5624,2	-
2	Providing access to the rural telephone network (base subscriber device):					3058,3	-
	population	2000,0	3000,0	-	-	2364,6	-
	organizations funded from respective budgets	6000,0	6000,0	-	-	49,7	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	644,0	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					75392,7	
	population	90	100	63,48	98,23	73222,5	141210
	organizations funded from respective budgets	120	120	63,48	98,23	966,8	7418
	organizations that are not funded from respective budgets	120	120	63,48	98,23	1203,4	13140

4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):								33403,2	
	population	63,0	60,0						11498,5	-
	organizations funded from respective budgets	96,00	96,00						8842,2	-
	organizations that are not funded from respective budgets	96,00	96,00						13062,5	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):								25652,5	
	population	0,10	0,12						5250,1	-
	organizations funded from respective budgets	0,15	0,15						7420,8	-
	organizations that are not funded from respective budgets	0,15	0,15						12981,6	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:								11985,7	
	population	80	90	179,25	103,84				11865,5	43102
	organizations funded from respective budgets	120	120	179,25	103,84				48,5	1742
	organizations that are not funded from respective budgets	120	120	179,25	103,84				71,7	4580

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):						5724,9	
	population	56	50	-	-	-	1851,4	-
	organizations funded from respective budgets	96,00	96,00	-	-	-	1588,9	-
	organizations that are not funded from respective budgets	96,00	96,00	-	-	-	2284,6	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):						2644,2	
	population	0,10	0,12	-	-	-	523,8	-
	organizations funded from respective budgets	0,15	0,15	-	-	-	808,6	-
	organizations that are not funded from respective budgets	0,15	0,15	-	-	-	1311,8	-
7	Providing a long-distance telephone connection	3,18	3,03	2,21	1,42		223743	117167
8	Inland telegram	26,70	30,87	145,2	64,94		5886	10565

* - the average income rate is indicated for service 7

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Branch MURMANELECTROSVYAZ

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the quarter 2002**, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					84620,6	-
	population	7000	7000	-	-	69732,5	-
	organizations funded from respective budgets	7000	7000	-	-	3677,4	-
	organizations that are not funded from respective budgets	7000	7000	-	-	11210,7	-
2	Providing access to the rural telephone network (base subscriber device):					868,9	-
	population	3500	3500	-	-	715,3	-
	organizations funded from respective budgets	3500	3500	-	-	83,8	-
	organizations that are not funded from respective budgets	3500	3500	-	-	69,8	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					297750	
	population	105	120	117,95	125,74	235318	312899
	organizations funded from respective budgets	160	170	117,95	125,74	26608,6	23402

	organizations that are not funded from respective budgets	160	170	117,95	125,74	35823,6	35230
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent): (the settlement of Umba)					1010,9	
	population	34,31	39,21	-	-	612,8	-
	organizations funded from respective budgets	112,00	119,00	-	-	243,9	-
	organizations that are not funded from respective budgets	150,00	159,00	-	-	154,2	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent) (the settlement of Umba)					870,9	
	population	0,17	0,20	-	-	703,6	-
	organizations funded from respective budgets	0,15	0,16	-	-	102,3	-
	organizations that are not funded from respective budgets	0,10	0,11	-	-	65,0	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:					10744	
	population	95	100	219,81	217,62	8599,5	22992
	organizations funded from respective budgets	160	170	219,81	217,62	1141,9	1800

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	160	170	219,81	217,62	1002,6	1976
organizations that are not funded from respective budgets						
6.1						
Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):						
population	-	-	-	-	-	-
organizations funded from respective budgets	-	-	-	-	-	-
organizations that are not funded from respective budgets	-	-	-	-	-	-
6.2						
Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):						
population	-	-	-	-	-	-
organizations funded from respective budgets	-	-	-	-	-	-
organizations that are not funded from respective budgets	-	-	-	-	-	-
7	3,91	3,18	2,12	2,04	373681	256920
Providing a long-distance telephone connection						
8	26,46	27,59	83,6	63,81	15686,1	45321
Inland telegram						

* - the average income rate is indicated for services 7 and 8

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Branch Novgorodtelecom

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the 4 th quarter of 2002* thousand roubles
1	Providing access to the city telephone network (base subscriber device):					36227,3	-
	population	4762,0	4762,0	-	-	29280,4	-
	organizations funded from respective budgets	5000,0	5000,0	-	-	1138,6	-
	organizations that are not funded from respective budgets	5000,0	5000,0	-	-	5808,3	-
2	Providing access to the rural telephone network (base subscriber device):					1932,1	-
	population	1905,0	1905,0	-	-	1661,3	-
	organizations funded from respective budgets	5000,0	5000,0	-	-	104,9	-
	organizations that are not funded from respective budgets	5000,0	5000,0	-	-	165,9	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					119323,4	
	population	80,0	95,0	66,3	92,60	90519,8	105948,2
	organizations funded from respective budgets	120,0	130,0	66,3	92,60	10832,2	6916,4
	organizations that are not funded from respective budgets	120,0	130,0	66,3	92,60	17971,4	11856,7

4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:												
	population	80,0	95,0	87,49	147,50	17074,4	29101,1						
	organizations funded from respective budgets	120,0	130	87,49	147,50	2683,7	2534						
	organizations that are not funded from respective budgets	120,0	130	87,49	147,50	2564,7	3325,9						

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):									
	population	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):									
	population	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	2,98	3,07	1,19	1,31	168992	73092,4			
8	Inland telegram	27,70	26,34	116,75	115,94	4442,2	18711,6			

* - the average income rate is indicated for services 7 and 8

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Branch Electrosvyaz of Pskov oblast

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the 4 quarter of 2002**, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					18921	-
	population	3000 (6000)***	4000 (6000)***	-	-	13956	-
	organizations funded from respective budgets	5000 (8000)***	5000 (8000)***	-	-	1329	-
	organizations that are not funded from respective budgets	5000 (8000)***	5000 (8000)***	-	-	3636	-
2	Providing access to the rural telephone network (base subscriber device):					4595	-
	population	3000,0	4000,0	-	-	4024	-
	organizations funded from respective budgets	5000 (8000)***	5000 (8000)***	-	-	124	-
	organizations that are not funded from respective budgets	5000 (8000)***	5000 (8000)***	-	-	447,0	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					92634	
	population	80	90	61,18	82,65	69237,0	70335
	organizations funded from respective budgets	120	140	61,18	82,65	9700	5127
	organizations that are not funded from respective budgets	120	140	61,18	82,65	13697,0	7587

4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:												
	population	80	90	151,00	176,95	23500	44148						
	organizations funded from respective budgets	120	140	151,00	176,95	2229	2511						
	organizations that are not funded from respective budgets	120	140	151,00	176,95	2902	4537	28631					

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	2,80	2,65	2,00	2,16	2,00	2,16	175054	126880			
8	Inland telegram	20,23	21,29	29,01	31,19	29,01	31,19	3149	5205			

* - the average income rate is indicated for service 7

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

*** For the cities Pskov and Velikiye Luki, and for the Pskov and Velikiye Luki districts

The Branch Cherepovetslectrosvyaz

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the 4 th quarter of 2002*, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					49460,5	-
	Population – analog telephone exchanges/ digital telephone exchanges	6500 /4000	6500 /4000	-	-	43938,6	-
	organizations funded from respective budgets	3000,0	3000,0	-	-	365,8	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	5156,1	-
2	Providing access to the rural telephone network (base subscriber device):					1103,9	-
	population	3000,0	3000,0	-	-	691,2	-
	organizations funded from respective budgets	3000,0	3000,0	-	-	38,2	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	374,5	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					83949,2	
	population	80	95	71,4	94,26	69060,7	81622
	organizations funded from respective budgets	100	120	71,4	94,26	4263,7	3065

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	organizations that are not funded from respective budgets	120	120	71,4	94,26	10624,8	7387
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:					6349,5	
	population	70	80	228,0	224,0	4502,5	18100
	organizations funded from respective budgets	100	120	228,0	224,0	573,2	1048
	organizations that are not funded from respective budgets	105	120	228,0	224,0	1273,8	2538

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):												
	population	-	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	3,30	3,42	1,52	2,40	87152	41346						
8	Inland telegram	20,90	21,81	86,65	131,59	2115	15807						

* - the average income rate is indicated for service 7

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The Brunch Petersburg Telephone Network

No.	Index	Rate as of the start of the year*, roubles	Rate as of the end of the year*, roubles	Prime cost of a service unit as of the start of the year, roubles	Prime cost of a service unit as of the end of the year, roubles	Income from services for the year, thousand roubles	Costs of providing services in the quarter of 2002**, thousand roubles
1	Providing access to the city telephone network (base subscriber device):					137002,3	-
	population	3000,0	3000,0	-	-	57005,6	-
	organizations funded from respective budgets	6000,0	6000,0	-	-	7013,0	-
	organizations that are not funded from respective budgets	6000,0	6000,0	-	-	72983,7	-
2	Providing access to the rural telephone network (base subscriber device):						-
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-
3	Providing local telephone connections (calls) with the subscriber fee system used for payment of city network services:					1816428,7	
	population	85	100	66,22	76,95	1390206,5	1227757,5
	organizations funded from respective budgets	145	170	66,22	76,95	116234,8	68351,5

	organizations that are not funded from respective budgets	145	170	66,22	76,95	309987,4	195709,8
4.1	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the constant constituent):					3386,6	
	population	21,8	25,2	-	-	3108,2	-
	organizations funded from respective budgets	50,0	58,6	-	-	70,4	-
	organizations that are not funded from respective budgets	50,0	58,6	-	-	208,0	-
4.2	Providing local telephone connections (calls) with the time-based billing system used for payment of city network services (the variable constituent):					10776,5	
	population	0,17	0,17	-	-	9482,2	-
	organizations funded from respective budgets	0,17	0,17	-	-	328,7	-
	organizations that are not funded from respective budgets	0,17	0,17	-	-	965,6	-
5	Providing local telephone connections (calls) with the subscriber fee system used for payment of rural network services:						
	population	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-

6.1	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the constant constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
6.2	Providing local telephone connections (calls) with the time-based billing system used for payment of rural network services (the variable constituent):											
	population	-	-	-	-	-	-	-	-	-	-	-
	organizations funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
	organizations that are not funded from respective budgets	-	-	-	-	-	-	-	-	-	-	-
7	Providing a long-distance telephone connection	2,41	2,43	1,67	1,78	1109112,1	681130,2					
8	Inland telegram	24,24	27,54	45,22	49,92	9782,0	21068,8					

* - the average income rate is indicated for services 7 and 8

** Due to the approved reporting format for branches in Ministry of Antimonopoly Policy, the costs are separated (on a quarterly basis) for subscriber fee, long-distance calls and telegrams only.

The branch ARTELECOM OF ARKHANGELSK OBLAST

The following rates have been changed starting from 01.03.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.143 of 11.02.02:

- Access provision – 5000 roubles for the population, a 100% increase (2500 roubles for the rural telephone network, a 100% increase); 7000 roubles for organizations (a 75% increase).
- The following rates have been changed starting from 01.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.625 of 19.08.02:
- Subscriber fee – 110 roubles for the population (a 16% increase), 130 roubles for budgetary organizations (a 8% increase), 170 roubles for self-supporting organizations (a 6% increase).
- Access provision for the population – 6000 roubles, a 20% increase (3000 roubles for the rural telephone network, a 20% increase)

The branch ELECTROSVYAZ OF VOLOGDA OBLAST

The following rates have been changed starting from 01.02.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.1299 of 18.12.01:

- Access provision for the population – city telephone network – 6000 roubles (analog - 4000 roubles), a 33% increase.
- Rural telephone network – 3000 roubles, a three-fold increase.
- The following rates have been changed starting from 01.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.614 of 19.08.02:
- Subscriber fee – 95 roubles for the population (a 18.7% increase), 120 roubles for budgetary organizations (a 20% increase).

The branch ELECTROSVYAZ OF KALININGRAD OBLAST

The following rates have been changed starting from 01.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.616 of 19.08.02:

- Subscriber fee – 90 roubles for the population (a 12.5% increase), 155 roubles for organizations (a 10.7% increase).
- Access provision for the population – city telephone network – 5500 roubles (a 22% increase), 7000 roubles for budgetary organizations (a 40% increase), 8700 roubles for self-supporting organizations (a 24% increase);
- Rural telephone network – for budgetary organizations – 3500 roubles (a 40% increase), 4350 roubles for self-supporting organizations (a 24% increase).

The Branch ELECTROSVYAZ OF THE REPUBLIC OF KARELIA

The following rates have been changed starting from 16.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.631 of 19.08.02:

- Access provision – the limit rate level in the amount of 6000 roubles was approved for all categories of users. Changes: rate for the population – 5000 roubles, a 25% increase (3000 roubles for the rural telephone network, a 50% increase).
- Subscriber fee: for the population – 100 roubles, a 11.1% increase (90 roubles for the rural telephone network, a 12.5% increase).

The time-based billing rates (the constant and variable constituents) have been changed starting from 01.12.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.759 of 14.11.02.

The Branch MURMANELECTROSVYAZ

The following rates have been changed starting from 10.07.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No. 519 of 25.06.02:

- Subscriber fee: for the population – 120 roubles, a 14% increase (rural telephone network – 100 roubles, (a 5.2% increase), 170 roubles for organizations (a 6.2% increase).
- Time-based billing rates - the constant and variable constituents.

The Branch NOVGORODTELECOM

In the year 2002 the rates for the services of the city and rural telephone communication network were changed:

- Subscriber fee: for the population – 95 roubles (a 18.7% increase), for organizations – 130 roubles (a 8.3% increase).

The branch ELECTROSVYAZ OF PSKOV OBLAST

The following rates have been changed starting from 10.07.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No. 520 of 25.06.02:

- Subscriber fee for the population – 90 roubles, a 12.5% increase; for organizations – 140 roubles (a 16.6% increase).
- Access provision: for the population – 4000 roubles, a 33.3% increase (except for the cities of Pskov and Velikiye Luki, and the Pskov and Velikiye Luki districts).

The branch CHEREPOVETSELECTROSVYAZ

The following rates have been changed starting from 01.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No.613 of 19.08.02:

- Subscriber fee for the population – 95 roubles, a 18.7% increase; (rural telephone networks – 80 roubles, a 14.3% increase), for budgetary organizations – 120 roubles. (a 20% increase).

The Branch PETERSBURG TELEPHONE NETWORK

The following rates have been changed starting from 01.09.02 on the basis of the Order of Ministry of Antimonopoly Policy of Russia No. 625 of 19.08.02:

- Subscriber fee for the population – 100 roubles, a 17.6% increase; for organizations – 170 roubles (a 17.2% increase).
- The constant constituent: for the population – 25.2 roubles, a 15.6% increase; for organizations – 58.6 roubles (a 17.2% increase).

Provision of Services to Privileged Categories of the Population during the Year 2002

The branch ARTELECOM OF ARKHANGELSK OBLAST

Amount of income gained for the year 2002: 56 328.1 thousand roubles.

The amount that has not been made up by the budget for such services has amounted to 9 731.5 thousand roubles.

The branch ELECTROSVYAZ OF VOLOGDA OBLAST

Amount of income gained for the year 2002: 55 452.7 thousand roubles.

The amount that has not been made up by the budget for such services has amounted to 18.4 thousand roubles.

The branch ELECTROSVYAZ OF KALININGRAD OBLAST

Amount of income gained for the year 2002: 28,125.2 thousand roubles.

The amount that has not been made up by the budget for such services has amounted to 14,843.8 thousand roubles.

The Branch ELECTROSVYAZ OF THE REPUBLIC OF KARELIA

24377.3 thousand roubles from the federal budget and 14405.2 thousand roubles from the regional budget were claimed for compensation in the year 2002.

Outstanding funds to be received – from FB: 7912.6 thousand roubles, from RB: 3602.8 thousand roubles.

In 2003 the debts of the year 2002 have been paid off from RB in the amount of 1895.4 thousand roubles.

The remaining debt of the year 2002, taking into account the funds received in 2003, is 1707.4 thousand roubles.

The Branch MURMANELECTROSVYAZ

The debt of the budgets in respect of the privileged category of the population for the year 2002 was 11 126 900 roubles as of 01.01.03 and 91 088 972 roubles as of 01.01.02.

The Branch NOVGORODTELECOM

Amount of accrued benefits for the year 2002: 31 129.4 thousand roubles.

Paid by the budget for the year 2002: 27 685.8 thousand roubles.
Amount of noncompensated benefits for the year 2002: 3 443.6 thousand roubles.

The branch ELECTROSVYAZ OF PSKOV OBLAST
Amount of income gained for the year 2002: 17 689.7 thousand roubles.
The amount that has not been made up by the budget for such services has amounted to 3288.99 thousand roubles.

The branch CHEREPOVETSELECTROSVYAZ
Amount of income gained for the year 2002: 20 326.8 thousand roubles.
The amount that has not been made up by the budget for such services has amounted to 12,885 thousand roubles.

The Branch PETERSBURG TELEPHONE NETWORK
Income from provision of services to privileged categories of the population: 384 614 138.28 roubles.
Received from the budget: 232 865 527.22 roubles.

Number of Subscribers with the Introduced Time-Based Billing System

The Branch ELECTROSVYAZ OF THE REPUBLIC OF KARELIA
As of the end of the year 2002, the time-based billing system had been introduced for 23186 subscribers of the office sector (all legal entities) and 29751 individual subscribers in five districts of the Republic (Kondopozhsky, Kostomukshsky, Loukhsy, Pitkyarantsky and Lahdenpohsky districts).

The Branch MURMANELECTROSVYAZ
According to form 42-communication, 2646 numbers (lines) equipped with the time-based billing system are in industrial operation in the settlement of Umba.

The Branch PETERSBURG TELEPHONE NETWORK
The number of lines equipped with the time-based billing system in industrial operation in the towns of Sertolovo and Kommunar and settlement of Leninskoye was 14657 as of 01.10.02.

5.4. Key Economic Indices of the Company

In 2002 receipts from the sale of goods, products, jobs and services amounted to 10 091 841 thousand roubles, including the income from communication services in the amount of 9 778 167 thousand roubles, or 97 % of the total income.

Given below are the key economic indices of the Company as compared to the year 2001.

KEY ECONOMIC INDICES OF THE COMPANY'S OPERATION AS COMPARED TO THE YEAR 2001

INDEX	Meas. unit	2001	2002	Change rate 2002/2001
returns from sales of goods, works and services	thousand roubles	8 058 731	10 091 841	125,2%
including income from sale of communication services	thousand roubles	7 753 745	9 756 506	125,8%
normal operation expenses	thousand roubles	6 031 548	7 443 369	123,4%
sale profit	thousand	2 027 183	2 648 472	130,6%

	roubles			
loss from operating activities and those other than sales	thousand roubles	815 628	1 878 076	230,3%
profit before taxes	thousand roubles	1 211 555	655 578	54,1%
net profit	thousand roubles	704 281	327 264	46,5%
profitability from sales	%	33,6%	35,6%	+ 2.0 points
profitability in respect of profit before taxes	%	20,1%	8,8%	-11.3 points

The decrease of profit before taxes in the year 2002 as compared to the year 2001 can be explained by the formation of the doubtful debt reserve in accordance with the accounting policy and the respective decision of the Company's Board of Directors: expenses for creating the reserve from current profit amounted to 1128138 thousand roubles, and replenishment of the unused reserve was 336198 thousand roubles; thus, the influence of the expenses for creating the doubtful debt reserve on profit made 791940 thousand roubles.

Under comparable conditions (without taking into account the doubtful debt reserve), the growth of profit before taxes makes 119.5%.

5.5. Structure of Income by Types and Categories of Consumers in 2002

Income

The growth rate of traditional services – long-distance, international and local communications – considerably exceeds the growth rate of new services, wired radio and broadcasting, document communication and other receipts.

	2001	2002	Rate, 2002/2001
Income from long-distance and international communication	3 842 731	4 425 825	115,2%
Income from city communication	3 225 728	4 461 462	138,3%
Income from rural communication	165 633	222 521	134,4%
Income from new services	155 181	244 110	157,3%
Income from other communication services	364 472	402 589	110,4%
TOTAL:	7 753 745	9 756 507	125,8%

The growth of income from communication services in 2002 as compared to 2001 made 25.8%, including the bulk of the income growth from local communication (65% of the total growth) and long-distance and international telephone communication (29%). The growth of income from principal activity against the level of the year 2001 was 53% caused by the growth of rates and 47% by the development of communication facilities and increase in the outcoming paid exchange.

In the structure of income for the year 2002:

- 45.7% are from city telephone communication,
- 2.3% are from rural telephone communication,
- 45.4% are long-distance and international communication,
- 1.8% are from document communication,
- and 2.3% are from new services.

СТРУКТУРА РАСХОДОВ ОАО "Северо-Западный Телеком"					
№№	Наименование статей	2001 год			
1	Заработная плата с начислениями	2 252 270			
2	Амортизация	687 680			
3	Налоги, включаемые в себестоимость	85 628			
4	Материальные затраты	518 419			

5.6. Structure of Expenses for the year 2002

Normal operation expenses

The growth rate of expenses for the Company on the whole amounted to 123.4%. The greater income growth rate as compared to the expenses growth has been ensured in all the branches, except for Vologdaelectrosvyaz and Kaliningraelectrosvyaz.

Operating costs for the year 2002 amounted to 7 443 369 thousand roubles.

Item	2001	Percentage	2002	Percentage	Growth rate
Wages with charges	2 252 270	37,3%	2 763 222	37,1%	122,7%
Depreciation	687 680	11,4%	785 823	10,6%	114,3%
Taxes included in prime cost	85 628	1,4%	115 882	1,6%	135,3%
Material costs and repairs	518 419	8,6%	583 281	7,8%	112,5%
Deductions to the Research & Design Fund	69 476	1,2%	36 662	0,5%	52,8%
Payment for Rostelecom's channels	1 161 612	19,3%	1 494 445	20,1%	128,7%
Other expenses	1 256 463	20,8%	1 664 054	22,4%	132,4%
TOTAL	6 031 548	100,0%	7 443 369	100,0%	123,4%

The expenses growth rate for the Company on the whole does not exceed the receipts growth rate: 123.4% against 125.2% respectively.

The structure of expenses has not undergone any considerable changes as compared to the year 2001.

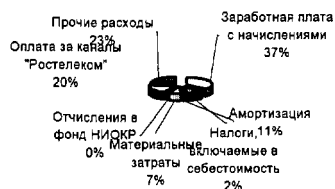
The reduction of deductions to the Research & Design Fund is connected with the change in the method of charging them in 2002 (0.5% of receipts instead of 1.5% of the prime cost).

The increase in the percentage of expenses for tax payment is connected with the growth in receipts (transport tax) and with the increase of the land tax.

The growth of the share of OJSC Rostelecom's expenses for channels has been caused by the increase in the integral rate and by the growth of long-distance calls exchange.

The increase in the percentage of other expenses in the prime cost has been caused by the inflation processes, viz., by the increase in prices for services of external organizations, increase in rent rates and public utilities rates.

Structure of Expenses for the year 2002



5.7. Key Indices of the Company's Activities Efficiency

KEY INDICES OF THE COMPANY'S ACTIVITIES EFFICIENCY

<i>INDEX</i>	<i>MEASURING UNIT</i>	<i>2001</i>	<i>2002</i>	<i>Rate, 2002/2001</i>
Income per line	roubles	2556	3080	121%
Balance sheet profit per line	roubles	385	200	52%
Gross income per employee	thousand roubles	258	336	130%
Balance sheet profit per employee	roubles	38 897	21 823	56%
Number of lines per employee	Line/person	101	109	108%

5.8. Data on the Amount of Net Wealth of the Company

DATA ON THE AMOUNT OF NET WEALTH OF THE COMPANY

No.	Index (thousand roubles)	As of 01.01.2003
1.	Total net wealth (thousand roubles)	10 997 544
2.	Authorized capital (thousand roubles)	937 940
3.	Reserve (thousand roubles)	29 375
4.	Ratio of net wealth to authorized capital (line 1/line 2), %	1162,54
5.	Ratio of net wealth to sum total of authorized capital and reserve (line 1/(line 2+line 3)), %	1127,25

VI. PERSONNEL MANAGEMENT

6.1. Labour and Wages

Remuneration of labour and provision of social benefits to the employees of the Company branches in 2002 complied with the Provisions on Remuneration of Labour prepared by the branches independently on the basis of the Industry Wage Rates Scale. Remuneration of labour and provision of social benefits to the employees of the General Directorate complied with the Provisions on Remuneration of Labour applied in the Petersburg Telephone Network branch.

The time-plus-bonus wage system has been mainly used by the Company. The constant part of the wages was formed proceeding from the minimum wage rates scale (salary) of the 1st labour remuneration category adopted in the branches, taking into account constant extra payments and surpluses to employees as established by the active law. The Industry Wage Rates Scale was taken as the basis of forming the wage rates scales applied in the branches.

Official salaries of specialists and employees were established within the limits of the wage coefficients for each category according to the skills, educational level, scope of work done, variety of functions performed, responsibility degree, complexity and intensity of labour. Official salaries of workers were established according to categories depending on the complexity of job done and respective skills.

Incentive measures were taken in the branches for employees combining extra jobs with their basic work, i.e. a system of extra payment was used: for combining professions (positions), expanding the servicing area, increasing the scope of work done and for replacement of temporarily absent employees.

Rises in wages were established for high achievements in labour or for especially important jobs done by specialists, and rises for professional mastery were given to individual highly skilled workers engaged in especially important and critical jobs.

Extra money was paid to workers leading teams for team leadership.

The variable part of wages was formed by incentives for employees and by payment of incentive bonuses to them based on the results of work for the respective period under report. The amount of the branch employees incentive fund is tied to ensuring the key economic indices. The said unified procedure of providing incentives has been established for all categories of employees, and incentives in respect of various hierarchic and functional groups of employees were further differentiated by introducing extra marks and establishing various intervals of incentives (on a monthly/quarterly basis).

During the year under report, the Petersburg Telephone Network branch worked on creating a single labour remuneration system that would meet the requirements of the Labour Code and would be flexible in view of the rapidly changing labour market. As a result, manning tables have been prepared and approved for the year 2003, and notifications have been issued to each employee with a proposal of new conditions of the employment contract. As of 31.12.2002, the overwhelming majority of employees agreed to the new "Conditions..." The introduction of this system will make it possible to change the wages structure.

At the moment, the structures of the wages fund composition in branches differ from one another very much. Wages according to wage rates, salaries and piece rates for the Company on the whole are 40.2% of the total wages fund, bonuses from all sources make 18.1%, and payments in accordance with the district regulation make 16.8% (50.3% in the Murmancelectrosvyaz branch, 39,1% in Artelecom of Arkhangelsk Oblast, etc.).

6.2. Improving the Management Structure.

During the year 2002, the work of improving the Company management structure continued, and the purpose of it was:

- to improve the responsiveness and efficiency of structural units management as a result of renewing the organization and personnel management schedules;
- to reduce the number of and later to liquidate completely unprofitable structural units;
- to optimize the number of the personnel;
- to increase profit and to reduce costs.

On 30.10.2002

OJSC Artelecom of Arkhangelsk Oblast,

OJSC Murmancelectrosvyaz,

OJSC Novgorodtelecom,

OJSC Electrosvyaz of Pskov Oblast,

OJSC Cherepovetselectrosvyaz,

OJSC Electrosvyaz of the Republic of Karelia,

OJSC Electrosvyaz of Vologda Oblast and

OJSC Electrosvyaz of Kaliningrad Oblast

were re-organized in the form of affiliation with

OJSC North-West Telecom. Since 01.11.02, the respective branches of OJSC North-West Telecom started their operation on the basis of the above listed regional companies.

During the year 2002, the organizational charts of all branches and of the General Directorate were revised, which has made it possible to form the optimum structures. To ensure the maximum use of the labour potential, the applied labour standards have been studied, rates have been established for jobs according to the type of work performed, job descriptions have been re-written, and the functions have been set forth more precisely.

As a result of the above measures, the efficiency in the manageability of the Company's units increased. Thus, in the branch Electrosvyaz of Vologda Oblast, in the course of enlargement, there remained 9 communication centres by 01.01.2003 out of the 18 that had existed early in 2002. In the branch Electrosvyaz of the Republic of Karelia, there remains half the number of structural units in the republican centre. Centralization of the personnel functions (for the city of Murmansk), the functions related to making civil contracts (for the city of Murmansk), financial, economic, accounting and control functions, as well as remuneration and labour organization functions within the Main Board of the branch, has been carried out in the Murmancelectrosvyaz branch. Besides, some structural units of the Murmancelectrosvyaz branch have been abolished. In the Novgorodtelecom branch, 6 communication centres were established in 2002 on the basis of the 20 district communication centres as a result of the re-organization.

6.3. Personnel Management.

During 2002 the work of the personnel management services was aimed at ensuring the processes of re-organization, solving the problems of quality recruitment and efficient use of the personnel potential.

The official number of the Company's employees decreased in 2002 by 819 persons and, as of 01.01.2003, amounted to 30550 (instead of 31369 - as of 01.01.02).

**INFORMATION ON THE NUMBER AND WAGES OF THE EMPLOYEES
OF OJSC NORTH-WEST TELECOM FOR THE YEAR 2002**

	2001	2002	Change rate, %
Average number, total, persons	32 423	31 261	96,4
including:			
Average official number of employees, persons	31 122	30 040	96,5
Average number of external employees combining jobs, persons	100	96	96,0
Average number of employees who worked under civil contracts, persons	1 201	1 125	93,7
Wages fund, total, thousand roubles	1 763 167,6	2 204 949,3	125,1
including:			
Wages fund of official employees, thousand roubles	1 733 106,8	2 161 879,3	124,7
Wages fund of external employees combining jobs, thousand roubles	2 163,7	2 617,7	121,0
Wages fund of employees who worked under civil contracts, thousand roubles	23 103,0	31 866,7	137,9
Wages fund of the unofficial employees, thousand roubles	4 794,1	8585,6	179,1
Average monthly wages of the official employees, roubles	4 641	5 997	129,2

Measures to improve the educational standard of the personnel have been taken on a systematic basis. The number of employees who graduated from higher schools has increased in the total number of the employees; as of 01.01.03 it was 21.3%.

Long-term work to form a personnel reserve for executive positions is carried out in all structural units of the Company on a systematic basis. Attention is focused on efficiency of training the reserve. Employees possessing the respective potential and skills and capable of working with people are selected to the reserve for nomination to executive positions.

Along with recruitment and distribution of human resources, a most important area in personnel management is further training of personnel.

In 2002 training of Company's employees was arranged both in the Training Centres of branches and in specialized higher schools and Training Centres of the Russian Federation: Prof. M.A. Bonch-Bruyevich State University of Telecommunications (St. Petersburg), IPK MTUSI (Moscow), NOU SPb Centre of Telecommunications, Povolzhskaya State Academy of Telecommunications and Information Science (Samara), Academy of IT (Moscow), UNTc Sodeystviye, Rezonans, and other institutions.

The Company's branches often send people for full-time and extra-mural studies at higher schools and colleges in the framework of target training of specialists for work for structural units of the Company on contractual conditions, the educational being paid for from the Company's funds. The Company's branches (Electrosvyaz of the Republic of Karelia, Electrosvyaz of Vologda Oblast, Electrosvyaz of Kaliningrad Oblast) organize entrance examinations to the St. Petersburg GUT (State University of Telecommunications) on an annual basis for selected candidates to the full-time and extra-mural departments, which makes it possible to plan the career progress of the personnel.

VII. COMPANY DEVELOPMENT PROSPECTS

7.1 General

For a successful development of OJSC North-West Telecom, first of all, the obsolete and worn equipment must be replaced, and a more efficient rate regulation must be introduced. The rate policy of the Company proper should be more flexible and take into account the prospects and customer's requirements.

The key tasks to be tackled by the company within the five years to come include:

- satisfying citizens' application for installation of telephone lines;
- transition to the time-based call billing throughout the territory of the North-Western District of Russia;
- development of extra services (Internet, data transmission, set services to business clients);
- increasing the company's share in the markets of new services.

Solving these tasks will require much effort in developing the communication network infrastructure.

The key areas of developing telecommunication networks of OJSC North-West Telecom are:

- telephone network digitalization;
- creating intelligent networks;
- creating multiservice networks for provision of integrated services;
- digitalization of primary public networks.

7.2 Basic Provisions of the Strategy in the Field of Traditional Communication Services

Public Telephone Network Development

The key area of public network development is digitalization and capacity growth. It is proposed that the "replacement" and "superposition" strategies be used on local city networks for transition from analog networks to digital networks. The "replacement" strategy implies the use of digital transmission and switching systems for replacement of obsolete equipment and build-up of the existing network capacity.

The "superposition" strategy consists in creating, along with the existing network, a new digital network that can be optimized and expanded in accordance with the growth in the number of network subscribers and the demand for its services. Besides, OJSC North-West Telecom's development plans provide for digitalization of rural telephone networks, too.

By the end of the year 2007, the telephone density of OJSC North-West Telecom's networks on the whole must amount to 34.9 telephone lines for 100 residents, including 39.3 telephone lines for 100 residents on city telephone networks and 16.7 telephone lines for 100 residents on rural telephone networks.

7.3 Basic Provisions of the Strategy in the Field of New Communication Services

Service Telephone Cards (STK cards)

An important tool of attracting various categories of users (both individuals and legal entities) that OJSC North-West Telecom has at its disposal are service telephone cards. Their capabilities may be expanded through turning them into an intelligent facility of payment for various services and expansion of the geography of use.

IP- telephony

Calls using the IP- telephony are considered as an especially promising service. At the moment, this is both quite cheap for subscribers and profitable from the standpoint of quality thanks to the new technologies in the Russian market.

The expected trend is a considerable growth of the volumes of VoIP-equipment sales in the corporate sector. Within the 2 years to come the market of IP-telephony will be mainly determined by big companies, while end users will manifest any noticeable activity only starting from the year 2003. The volume of supplies of private telephone exchanges supporting the IP protocol will grow by 25% as compared to the last year and will amount to almost 3 MIO exchanges; and by the year 2005 the volume of IP PAXs must exceed the market of traditional office exchanges. The total volume of the VoIP market will reach \$19 billion by

the year 2003. Today about 20% of the outgoing international traffic is transmitted using the VoIP technology in the Russian market, the lion's share of that traffic being handled by alternative operators.

Sets of Services

Formation of service sets intended for various specialized groups of consumers will be more and more important in the practice of advanced operator companies. They may include, in different proportions, services of traditional telephony (local, long-distance, international), access to the Internet, VPN, IN services, etc. Such bundling of services facilitates commercial processes in companies and makes it possible to build the strategy of network development more efficiently. Engineering solutions on access networks, ensuring that the necessary services are brought to users, can easily be determined for each set of services. Information on the status of the client base and on service sets offered to various categories of users also makes it possible to determine the requirements for the backbone network of the operator company (transport network throughput, switching unit capacity, etc.)

Service sets that can be considered the most popular for the foreseeable future may include the following at the macro level:

- for big/medium business – high quality digital telephony; IP-telephony; access to the Internet at quite high speeds (256 kbit/s and higher); virtual corporate network with voice and data integration; video conferences; call processing centre services; some IN services; video services in some cases (distribution of advertising video clips, etc.);
- for small business – high quality digital telephony; IP-telephony (on a more mass scale than for big business); access to the Internet at speeds up to 128 kbit/s and, in certain cases, higher; virtual corporate network with voice and data integration (in some cases); call processing centre services; intelligent network services; services of voice/fax/universal mail; video services in some cases (distribution of advertising video commercials, etc.);
- for the home/apartment sector (for users with increased demand for telecommunication services) - high quality digital telephony; IP-telephony; access to the Internet at speeds from 64 or 128 kbit/s and, in certain cases, higher – up to 2 Mbit/s; some IN services; services of voice/fax/universal mail; video services in some cases (video on demand – VOD, etc.).

VII. THE USE OF RETAINED PROFIT BY THE COMPANY

8.1. Basic Areas of Using Retained Profit in 2002.

THE USE OF RETAINED PROFIT BY THE COMPANY

No.	Indices	Meas. unit	2002	
			Approved by the general meeting of the shareholders	Report
1	2	3	4	5
	Retained profit – total as of 01.01.02.	thousand roubles	936 068	936 068
Basic areas of profit distribution:				
1.	For cover:			
a)	of losses incurred in past years	thousand roubles	10 030	10 030
	including: - costs that are not secured by funding sources	thousand roubles	-	-
b)	loss in the year under report	thousand roubles	0	0
2.	For reserve formation	thousand roubles	11 823	5 901
	of the total amount of profit to be distributed	%	1,26	0,6
3.	For the formation of a specialized joint stock fund of the Company's employees (if formation of such a fund is provided for by the incorporation documents)	thousand roubles	0	0
	of the total amount of profit to be distributed	%	0	0
4.	For payment of dividend	thousand roubles	133 775	133 775
	of the total amount of profit to be distributed	%	14,29	14,29
5.	Funds used by the Company as the financial security of operation development (including participation on a share basis) - total	thousand roubles	441 173	441 173
	of the total amount of profit to be distributed including: - participation on a share basis	%	47,13	50,57
		thousand roubles	-	-
6.	Retained profit balance	thousand roubles	339 267	345 189

8.2. Basic Areas of Distributing Retained Profit, Planned for the Year 2003.

BASIC AREAS OF DISTRIBUTING RETAINED PROFIT, PLANNED FOR THE YEAR 2003

No.	Indices	Meas. unit	2003
			Planned
1	2	3	4
1.	Free balance of retained profit of past years as of 01.01.03 to be distributed.	thousand roubles	345 189
Areas of using it:			
a)	for cover of losses	thousand roubles	0
b)	to increase the authorized capital in respect of the retained profit of past years	thousand roubles	345 189
2.	Retained profit of the year under report	thousand roubles	327 264
Basic areas of using the retained profit of the year under report			
a)	for cover of losses of past years		0
b)	for reserve formation	thousand roubles	17 522
	of net profit	%	5,4
c)	for the formation of a specialized joint stock fund of the Company's employees (if formation of such a is provided for by the incorporation documents)	thousand roubles	0
	of net profit	%	-
d)	for payment of dividend		75 382
	of net profit	%	23,0
e)	to increase the authorized capital in respect of the retained profit of the year under report	thousand roubles	234 360
	of net profit	%	71,6

Net profit has been distributed as proposed:

- 17 522 thousand roubles, or 5.4% of the net profit of the year under report, are additionally allocated for reserve formation until it reaches 5% of the authorized capital;
- 75 382 thousand roubles, or 23.0% of the net profit, are allocated for dividend payment, of which 47 099 thousand roubles are assigned for payments for common stock holders and 28 283 thousand roubles for preferred stock holders.
- 234 360 thousand roubles (71.6% of net profit) are the balance of retained profit.

IX. REPORT ON PAYMENT OF STATED (CHARGED) DIVIDEND ON THE COMPANY'S SHARES

DIVIDEND PAYMENT DYNAMICS

CATEGORY/ TYPE OF SHARES	Common stock			Type A preferred stock		
	dividend per share (roubles)	% of face value of a share	Total charged (thousand roubles)	dividend per share (roubles)	% of face value of a share	Total charged (thousand roubles)
1998	-	-	-	0,01	1	841,86
1999	0,012	1,2	4 587,47	0,079	7,9	6 650,69
2000	0,119	11,9	56 293,78	0,257	25,7	29 441,30
2001	0,077	7,7	36 425,39	0,248	24,8	28 381,33

The amount of dividend for the year 2002 recommended by the Board of Directors for approval by the General Meeting of the Shareholders is:

- 0.064 roubles per share for common stock;
- 0.140 roubles per share for preferred stock;

X. INFORMATION ON THE MOST IMPORTANT TRANSACTIONS MADE BY THE COMPANY

No.	Company body taking decision on approval of transaction	Transaction type	Data on the person(s) interested in transaction	Subject of contract	Parties to contract	Price of contract	Effective date of contract	Contract period
1	Board of Directors	related party transaction	G.B. Chernyak – Member of the Management Board of OJSC North-West Telecom and Member of the Board of Directors of CJSC FC ZENITH	sale of a block of shares	OJSC NWT, CJSC FC ZENITH	1,200,000 roubles	26.03.02	26.03.02
2	Board of Directors	related party transaction	Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of ICJSC Medexpress	payment for medical services to citizens included in the lists submitted by OJSC NWT	OJSC NWT, ICJSC Medexpress	3,639,000 roubles (with additional approval: 4 304 462 roubles)	01.03.2002	28.02.2
3	Board of Directors	related party transaction	Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of ICJSC Medexpress	payment for medical services to citizens included in the lists submitted by OJSC NWT	OJSC NWT, ICJSC Medexpress	6,859,370 roubles (with additional approval: 7 113 370 roubles)	01.03.2002	28.02.2
4	Board of Directors	related party transaction	Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC Lensvyaz S.V. Soldatenkov – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC Lensvyaz	lease of premises owned by OJSC NWT	OJSC NWT, OJSC Lensvyaz	493 392,02 conventional units (according to the exchange rate of the Central Bank of RF as of the day of payment)	30.05.2002	30.04.2
5	Board of Directors	related party transaction	Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC RTK-Leasing	Leasing of switching equipment produced by CJSC NEC-NEVA	OJSC NWT, OJSC RTK-Leasing	417,741,529.2 JPY (according to the exchange rate of the Central Bank of RF as of the day of payment)	06.06.2002	31.12.2

6	Board of Directors	related party transaction	<p>V. Ye. Belov – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC RTK-Leasing</p> <p>A.I. Osipchuk – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC RTK-Leasing</p> <p>A.I. Osipchuk – Member of the Board of Directors of OJSC North-West Telecom and Member of the Council of the Non-Profit Partnership Centre for Research of Telecommunications Development Problems</p>	timeless target transfer of monetary funds			1% of OJSC NWT's receipts	20.03.02	31.12.02
7	Board of Directors	related party transaction	<p>Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Supervisory Board of CJSC North-West Telecombank</p> <p>S. V. Soldatenkov – Member of the Board of Directors of OJSC North-West Telecom and Member of the Supervisory Board of CJSC North-West Telecombank</p>	granting a loan in the overdraft form			38,000,000 roubles	20.12.02	19.11.03
8	Board of Directors	related party transaction	<p>Yu. A. Bilibin – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC RTK-Leasing</p> <p>V. Ye. Belov – Member of the Board of Directors of OJSC North-West Telecom and Member of the Board of Directors of OJSC RTK-Leasing</p>	property leasing			116,560,562 roubles		In the stage of signing

XI. DATA ON PARTICIPATION OF THE COMPANY IN OTHER ORGANIZATIONS PROVIDING COMMUNICATION SERVICES (IN WHOSE AUTHORIZED CAPITAL THE SHARE OF THE COMPANY IS AT LEAST 10%)

<u>Company</u>	<u>Area of activities</u>	<u>Investment amount as of 31/12/2002 (thousand roubles)</u>	<u>Share in the authorized capital:</u>
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
<u>Subsidiaries</u>			
LLC AMT	Consulting services	11 600,00	100,00%
LLC Centrum	Restaurant services	49,88	100,00%
LLC Pagetelecom	Paging communication services	185,00	100,00%
LLC Polycomp	Publishing	4,49	90,00%
LLC AGTS	Communication	62 052,49	77,00%
CJSC Vologda Cellular Communication	Cellular communication services	33,00	60,00%
CJSC St. Petersburg Telecommunication Centre	Communication specialists training	2 150,50	54,38%
LLC Novgorod Datacom	Internet Services	52,00	52,00%
LLC Bona	Trading, purchasing, agency, marketing, repairs, construction, production of consumer goods, provision of personal services, procurement, processing and sales of wood and agricultural products	2,23	51,00%
OJSC Kolatelecom	Provision of long-distance and international communication services via dedicated network	2,00	50,00%
Total subsidiaries	X	76 131,58	X
<u>Affiliated companies</u>			
CJSC NEVA KABEL	Production and sales of quality telephone cables	95,00	49,00%
CJSC Delta Telecom	Provision of the services of cellular radio telephone communication in the NMT-450i standard	52,49	43,00%
CJSC Commercial Television and Radio	Services of telecasting and broadcasting	0,20	40,00%
IJSC Medexpress	Various types of voluntary insurance	21 361,47	35,00%
CJSC Kaliningrad Mobile Networks	Cellular communication, NMT-450 MHz	261,33	33,50%
CJSC WestBaltTelecom	Local telephone communication	11 343,35	28,00%
CJSC Octagon Technologies	Communication services	2,22	26,00%
OJSC Tele-Nord	telecommunications and radio communications (cellular radio telephone communication, NMT-450 standard)	25,00	25,00%

CTJSC Dancell	Production of communication facilities	3,50	24,00%
Total affiliated companies	X	33 144,56	X
Financial investment in other organizations	X		X
CJSC Northern Clearing Chamber	Payment & settlement systems using closed financial electronic system	519,70	19,97%
OJSC The St. Petersburg Bank of Reconstruction and Development	Banking services	2 959,95	18,30%
OJSC Telecominvest	Consulting services	24 499,90	15,00%
CJSC North-West Telecombank	Banking services	2 070,85	14,20%
CJSC FORE	Production of foodstuffs	1,09	13,30%
CJSC ROSTELEGRAPH	Communication services	48,00	11,84%
CJSC VISA	Consular, passport and visa support services	0,05	10,00%
CTJSC Kit	Publishing (reference books)	8,05	6,79%
CJSC TD-Telecom	Provision of telephone communication services, agency in GSM services	58,70	6,70%
OJSC Capital	Investment activities	60,01	4,30%
CJSC RusLeasingSvyaz	Acquisition of expensive communication equipment and the transfer of it to lessee companies	1 424,00	3,65%
NPF Alternativa	Extra provision of pensions	45,00	3,00%
UKB Novobank	Banking	424,79	2,00%
OJSC Dvinskaya Zemlya	Tourist services	20,00	2,00%
NPF Kapitan	Extra provision of pensions	52,50	1,59%
OJSC for the Construction and Operation of the Ring Motor Road of St. Petersburg	Construction of the protection facilities and the ring motor road around St. Petersburg	200,00	1,74%
Arcticpromstroybank	Superposed public distributed network	0,32	1,20%
CJSC St. Petersburg Teleport	Creating, operating and developing the St. Petersburg Teleport	10,00	1,00%
Morskoy CB	Banking	91,23	1,40%
AIK PSB Arkhangelskpromstroybank	Banking transactions and operations	25,41	0,42%
OJSC Arkhangelsk TV Company	Cable TV services	2,41	0,40%
OJSC Svyaz-Bank	Banking services	232,07	0,37%
ACB Baltika	Banking	274,70	0,07%
Gvardeyskoye OSB	Banking	1,07	0,00001%

XII. KEY RISK FACTORS

Risk factors significantly affecting the business of OJSC North-West Telecom include first of all:

Economic risks:

- the risk of further devaluation of the rouble, taking place at a higher rate than the growth of rates, which, with hard currency debt liabilities of OJSC North-West Telecom, will result in negative exchange rate differences that may lead to losses;
- competitive risks (competition of alternative superposed network operators) and possible restrictions of the Ministry of Antimonopoly Policy – the strong positions of the Issuer in the telecommunication services market of the North-Western region make it possible to consider such risks less important and less probable.

Social risks:

are associated with the possibility of essential changes in the political system and ownership relations in Russia, which may entail curtailment of market relations, including the stock market.

Industry risks:

are the lowest, as, after restructuring of the industry's enterprises included in the OJSC Svyazinvest holding company, OJSC North-West Telecom has united several regional operators of the RF entities in the North-Western District. By the moment the Issuer has become a leading enterprise in the telecommunications industry, with receipts about 10 billion roubles.

Engineering risks:

are associated with the technical condition of Issuer's equipment. OJSC North-West Telecom pays much attention to technical re-equipment, scientific design and investment programmes dedicated to the introduction of new technologies.

Environmental risks:

are the lowest, as the equipment that is used does not essentially affect the natural environment.

XIII. INFORMATION ON THE BODIES OF THE COMPANY

The general meeting of the shareholders is the supreme management body of the company;

13.1. Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS

OJSC North-West Telecom.

2002 - 2003

(elected by the Annual General Meeting of the Shareholders on 25th June 2002)

No.	Full name	Date of birth	Position occupied
1.	Belov, Vadim Yevgenyevich	1958	OJSC Svyazinvest. Deputy General Manager Does not hold any shares of the Company
2.	Bilibin, Yury Alexandrovich	1971	OJSC Svyazinvest. Assistant General Manager Does not hold any shares of the Company
3.	Lebedinets, Oleg Anatolyevich	1977	Brunswick Investment Research Limited Director of the Analytical Department Does not hold any shares of the Company
4.	Levkovsky, Dmitry Vladimirovich	1965	NCH Advisors, Inc. Vice-President Does not hold any shares of the Company
5.	Osipchuk, Anton Igorevich	1967	OJSC Svyazinvest. First Deputy General Manager Does not hold any shares of the Company
6.	Ragozina, Irina Mikhaylovna	1950	Corporate Management Department Director OJSC Svyazinvest. Does not hold any shares of the Company
7.	Rodionov, Ivan Ivanovich	1953	AIG Brunswick Capital Management Managing Director Does not hold any shares of the Company
8.	Soldatenkov, Sergey Vladimirovich	1963	Moscow Representative Office of Telecominvest Holds some shares of the Company
9.	Yashin, Valery Nikolayevich	1941	OJSC Svyazinvest. General Manager Holds some shares of the Company

MEMBERS OF THE BOARD OF DIRECTORS
OJSC North-West Telecom.
2003

(elected by the Extraordinary General Meeting of the Shareholders on 14th February 2003)

No.	Full name	Date of birth	Position occupied
1.	Belov, Vadim Yevgenyevich	1958	OJSC Svyazinvest. Deputy General Manager Does not hold any shares of the Company
2.	Bilibin, Yury Alexandrovich	1971	OJSC Svyazinvest. Assistant General Manager Does not hold any shares of the Company
3.	Wilkening, Benjamin Stephen David	1962	AIG-Brunswick Capital Management Managing Director of the Company Does not hold any shares of the Company
4.	Gogol, Alexandr Alexandrovich	1946	St. Petersburg State University of Telecommunications Rector Does not hold any shares of the Company
5.	Ikonnikov, Alexandr Vyacheslavovich	1971	Director of the Association for Investors' Rights Protection Chairman of the Management Board of the Association of Independent Directors
6.	Levkovsky, Dmitry Vladimirovich	1965	NCH Advisors, Inc. Vice-President Does not hold any shares of the Company
7.	Ragozina, Irina Mikhaylovna	1950	Corporate Management Department Director OJSC Svyazinvest. Does not hold any shares of the Company
8.	Rodionov, Ivan Ivanovich	1953	AIG Brunswick Capital Management Managing Director Does not hold any shares of the Company
9.	Soldatenkov, Sergey Vladimirovich	1963	General Manager of OJSC Megaphone Holds some shares of the Company
10.	Sysoyev, Alexandr Abramovich	1949	OJSC North-West Telecom. General Manager Holds some shares of the Company
11.	Yashin, Valery Nikolayevich	1941	OJSC Svyazinvest. General Manager Holds some shares of the Company

In 2002 remuneration of the Members of the Board of Directors complied with the decision of the annual general meeting of the shareholders held in June 2002, that established the standard remuneration in the amount of 0.08% of the profit before taxes (line 140 of form No. 2 of the Profit and Loss Report).

At the same time, reimbursement for business trip costs associated with performing the duties of the Members of the Board of Directors was established.

At the moment, the remuneration of the Members of the Board of Directors complies with Article 7 of the Provisions on the Board of Directors, adopted by the extraordinary general meeting in February 2002.

Two elements of the remuneration are provided for: quarterly remuneration established for each Member of the Board as a certain percentage of the Company's receipts, and annual remuneration for the entire Board of Directors determined as a percentage of net profit.

In the future, the possibility of participation of the Members of the Board of Directors in option programmes of the Company is provided for.

Taking into account that in fact all Members of the Board of Directors take part in the work of the Board's Committees, remuneration for participation in the work of the Committees is not separated in the quarterly remuneration. Remuneration for participation in the work of each session is not separated, either, as the said Provisions provide for a reduction or non-payment of the remuneration to Members of the Board of Directors who do not take part in sessions.

In February 2002, the extraordinary general meeting established the rate of quarterly remuneration in the amount of 0.0065% of the receipts and the rate of annual remuneration in the amount of 0.4% of profit.

Taking into account the reduction of net profit in 2002, the Board of Directors took a decision at its session on 15th May 2003 not to pay the annual remuneration to Members of the Board of Directors for the year 2002 in compliance with clause 7.4 of the above Provisions.

For the year 2003 the Board of Directors proposed that the annual general meeting should reduce the rate of quarterly remuneration to 0.0062% of the receipts and leave the rate of annual remuneration in the amount of 0.4% of profit without changes.

In 2002 the total amount of remuneration to Members of the Board of Directors was 1,388,304 roubles or 10,517 roubles per month for each.

The Company is working on improving the motivation system with the participation of the International Financial Corporation. It has been agreed upon considering in the future the issue of abandoning associating the quarterly remuneration of the Members of the Board of Directors with the receipts, and upon introducing into the annual remuneration an element of associating it with the net profit growth dynamics and with the Company's capitalization change, not only with net profit.

Information
on Operation of the Board of Directors of OJSC North-West Telecom
for the period from 1st January till 31st December 2002

Number of sessions of BD: 23; including those with the actual presence of members: 8;
those held by correspondence: 15

Basic issues:

- Approving the budget for the year 2002. On the consolidated budget
- Considering the quarterly results of budget performance
- On the status of accounts receivable. On creating a doubtful debt reserve
- On debt restructuring
- Company's organizational structure
- On creating branches of OJSC North-West Telecom and on introducing respective amendments to the Company's Articles of Association
- Approving the Provisions on a Company Branch
- Considering the Draft New Version of the Company's Articles of Association
- On convoking the annual meeting of the shareholders, and approving the agenda of the meeting
- Approving decisions on issuing extra common stock and extra preferred type A stock of the Open Joint-Stock Company North-West Telecom
- Preliminary Approval of the Annual Report
- Recommendations on the amount of annual dividend, the method and timing of dividend payment for shares of each category (type)
- On the strategy of improving the competitive capacity of telecommunication services provided by the Company.
- On convoking an extraordinary General Meeting
- Approving the Programme for Relations with Investors
- On introducing the time-based billing system

13.2. General Manager

General Manager - Chairman of the Board - Sysoyev, Alexandr Abramovich

A.A. Sysoyev was born in 1949 in Leningrad. He started his work at the telegraph office as an engineer of the AT-PS section (switched and direct-dial teleprinter exchange), at the same time studying in the 5th year of the evening department of the Leningrad Prof. M.A. Bonch-Bruyevich Electrical Engineering Institute of Communications.

In the period from 1976 till 1998 he climbed the ladder from an engineer to the General Manager of OJSC St. Petersburg Telegraph. Being the head of OJSC St. Petersburg Telegraph, he was in charge of the technical re-equipment at that oldest enterprise of document telecommunication in Russia.

On 3rd June 1998 A.A. Sysoyev was elected the General Manager of OJSC Lensvyaz. Under his direction, serious work started in the Lensvyaz company to implement the General Schedule for the Development of the Telecommunication System in Leningrad Oblast, in compliance with which the transport network is being built on the basis of fibre-optic communication lines, and the total length of the network will be 1700 km.

According to the decision of the Board of Directors dated 29.07.02, A.A. Sysoyev was appointed acting General Manager, and on 6th September 2002, at the extraordinary general meeting of the shareholders he was elected the General Manager of OJSC North-West Telecom. In 2002 he graduated from the second higher school – the St. Petersburg State University of Economics and Finance, majoring in *Finance and Credit*.

Candidate of technical sciences.

In 1990 A.A. Sysoyev was awarded the Labour Veteran medal for many years of conscientious work. In 1998 the honorary title “Master of Communications” was given to A.A. Sysoyev for accomplishments in the field of development and improvement of communication facilities. By the decree of the President of the Russian Federation No. 929 of 30 July 1999, A.A. Sysoyev was awarded the medal “For Service to the Motherland” for his accomplishments in the field of telecommunications development in the territory of St. Petersburg and Leningrad Oblast and in connection with his jubilee – the 50th birthday.

A.A. Sysoyev’s hobby is cars.

Married, with a daughter.

13.3. Management Board

Deputy General Manager – Strategic Development and Technical Policy Director – Akulich, Vladimir Alexandrovich

Vladimir Alexandrovich Akulich was born on 23.08.1956 in the city of Klaipeda, Lithuanian SSR. In 1978 he graduated from the Leningrad Prof. M.A. Bonch-Bruyevich Electrical Engineering Institute of Communications, majoring in *Automatic Telecommunications – Telecommunications Engineer*.

From 1978 till 1992 he climbed the ladder of the specialist in the field of telecommunications – from a foreman of the Research Institute VNII of radio electronic systems, NPO Leninet, to the Chief Engineer of the Nekrasovsky Telephone Centre of the Leningrad City Telephone Network.

V.A. Akulich was a founder of CJSC PeterStar, having become its head in 1992 as the director of the enterprise under construction, and headed CJSC PeterStar to 1998.

From 1998 to 2000 he was the Construction Manager of OJSC PTN.

In 2000 he was the Deputy General Manager of OJSC Telecominvest.

From December 2000 till 2002 he was the Long-Distance and International Communications Director, Manager of a branch of OJSC PTN - Long-Distance and International Telephone.

Since 2002 he has been in his current position.

By Order No. 147-II of 20.12.01 of the RF Ministry of Communications, V.A. Akulich was given the title “Master of Communications”.

He does not hold any shares of OJSC North-West Telecom.

V.A. Akulich’s hobbies are fishing and sports.

Married, with four children.

Deputy General Manager – Corporate Management Director – Bredkov, Nikolay Gennadyevich

Nikolay Gennadyevich Bredkov was born on 25.05.1953 in the settlement of Nordvik, Krasnoyarsk Kray. In 1975 he graduated from the Leningrad Prof. M.A. Bonch-Bruyevich Electrical Engineering Institute of Communications, majoring in *Automatic Telecommunications*, and in 1991 from the Moscow Institute of Communications, majoring in *Communication Engineering and Economics*.

In 1978 he was employed by the Leningrad City Telephone Network in the position of the engineer at the Laboratory of Industrial Engineering and Production Control.

From 1991 till 2001 he was the Deputy Economics and Finance Director.

Since January 2001 he was the Structural Re-organization Director, Manager of the Structural Re-

organization Department of OJSC PTN.

Since 2002 he has been in his current position.

N.G. Bredkov's hobbies are computer and video filming.

Married, with a son.

Personnel Management Director - Vorozheykin, Vladimir Nikolayevich

Vladimir Nikolayevich Vorozheykin was born on 28.08.1949 in the village of Andronovka, Borodulikhinsky District, Semipalatinskaya Oblast.

In 1978 he graduated from the Leningrad State University, majoring as economist. From 1994 till 1995 he was a post-graduate student at the Leningrad State University. Upon graduation, he defended a thesis for the degree of a candidate of sciences on "Demonopolization of Economy as an Element of Market Relations". In addition to that, he has written four monographs and over 20 articles and publications dedicated to problems of market relations.

Besides, from 1981 till 1984 he studied at the Higher Party School.

He started his career in 1966 as a fitter at Research Institute VNII of Television in Leningrad. Then he served in the Navy in the town of Baltiysk in the rank of first sergeant (1968-1971).

After demobilization he went to work as a mechanic to the Radio Parts Factory in Leningrad.

From 1972 to 1975 he was an instructor and then the head of the organizational department of the Lomonosov Town Committee of Young Communists. Then, from 1975 to 1978 he was an instructor and then the deputy head of the organizational department of the Lomonosov Town Committee of the Communist Party.

After that, he was appointed the head of the organizational department of the Sosnovy Bor Town Committee of the Communist Party. From 1982 till 1987 he was the deputy chairman of the executive committee of the Sosnovy Bor Town Soviet of Peoples Deputies. At the same time, from 1978 till 1987 he was a deputy to the Sosnovy Bor Town Soviet of Peoples Deputies.

From 1987 to 1991 he worked for the Leningrad Oblast Executive Committee, first as the deputy head of the organizational department and then as the administrator.

Then, till 1993, he was the Vice-President of the Federation of Engineers of Russia (Leningrad).

1993-1996 – head of the Board of the State Antimonopoly Committee of RF for Leningrad Oblast.

In 1996 he was the First Deputy Governor of Leningrad Oblast.

In 1996-1997 he was the Deputy General Manager of the Baltic Innovation Company.

To the year 2002 he was first the head of FSEMT (Federal Service for Natural Monopolies Regulation) of the Russian Federation for the North-West and then the Deputy Head of the Territorial Board of the Ministry for Antimonopoly Policy of RF for St. Petersburg and Leningrad Oblast.

In 2000 he was awarded the Order of Honour. Candidate of economic sciences.

Has not held any shares during the year under report.

V. N. Vorozheykin's hobby is active recreation.

Married, with a son and a daughter.

Regional Manager of the branch PTN, OJSC North-West Telecom - Samylin, Igor Nikolayevich

Igor Nikolayevich Samylin was born on 05.04.1957 in Leningrad. In 1980 he graduated from M.I. Kalinin Leningrad Polytechnic Institute, majoring as electrophysics engineer.

From 1993 to 1997 he was the Deputy Director of the St. Petersburg Branch of CTJSC DHL International.

In 1997 he graduated from the Open University of Great Britain, specializing in financial management.

In 1997 - 1998 he was the General Manager of CJSC Neda.

From 1998 till 1999 he was the head of the branch of OJSC PTN – Vyborgsky Telephone Centre. From 1999 till 2000 he was the Clients Department Manager of OJSC PTN.

In 2000 he graduated from the second higher school - Prof. M.A. Bonch-Bruyevich State University of Telecommunications (St. Petersburg).

From June 2000 he was the first Deputy General Manager of OJSC PTN – Sales Manager, then – Deputy General Manager – Operational Management and Business Development Director – Regional Manager of the PTN branch.

Candidate of technical sciences (March 2002).

By the Order of the Ministry of Communication and Information Support of RF of 29.08.02, he was given the title "Master of Communication".

Since 2003 he has been in his current position.

I.N. Samylin's hobbies are tennis and swimming.

Married, with a son.

Chief Accountant – Semchenko, Maya Mikhailovna

Maya Mikhailovna Semchenko was born on 20.07.1967 in Leningrad. In 1989 she graduated from the Leningrad Ship-Building Institute awarded the Order of Lenin, having defended her graduation thesis as an economist engineer with honours.

In 1996 she graduated from the Open University of Great Britain as a professional manager.
In 1997 she was awarded the qualification certificate of a professional accountant.
From 1992 till 2000 she worked for CJSC Delta Telecom, where, from 1995 till 1999, she held the position of Chief Accountant, and from 1999 till 2000 the position of Financial Manager.
From February 2000 she was the Chief Accountant of OJSC Petersburg Telephone Network
Since 2002 she has been in her current position.
M.M.Semchenko's hobby is traveling.

Deputy General Manager – Property Management Director – Chernyak, Grigory Borisovich

Grigory Borisovich Chernyak was born on 20.10.1949 in the city of Gomel, Byelorussian SSR.
In 1971 he graduated from the Byelorussian Institute of Railway Transport Engineers, majoring in *Industrial and Civil Engineering*.
In 1974 he started his work for the Leningrad City Telephone Network as a civil engineer of the Petrogradsky Telephone Centre.
After many stages of his career, in 1990 he became the Deputy Manager of Leningrad City Telephone Network.
From 1994 he was the General Issues Manager of OJSC Petersburg Telephone Network.
Has been officially thanked by the Minister of Communications and Information Support of the Russian Federation for accomplishments in implementing regional telecommunication development programmes, ensuring social security of employees and for many years of conscientious work.
G.B.Chernyak was given the "Master of Communications" title.
Awarded the badge "For Success in Physical Culture and Sports in Russia".
Since 2002 he has been in his current position.
G.B.Chernyak's hobbies are playing varieties of sports, Russian music.
Married, with two sons.

Deputy General Manager – Economics and Finance Manager – Shalagin, Alexey Vladimirovich

Alexey Vladimirovich Shalagin was born on 20th October 1958 in Leningrad.
In 1981 he graduated from the Leningrad Institute of Electrical Engineering named after V.I.Ulyanov (Lenin), majoring in *Applied Mathematics*, as mathematician engineer; in 1995 he graduated from the St. Petersburg State University, majoring in *Economics and Management at the Enterprise*, as economist.
In 1990 he defended a thesis for the academic degree of a candidate, and the academic degree of a candidate of technical sciences was awarded to him.
04.1981 - 01.1995: academic and teaching work at the V.I.Ulyanov (Lenin) Leningrad Institute of Electrical Engineering.
02.1995 – 08.1995: Alexandr Nevsky Branch of the Chelyabinsk Investment Bank, leading economist, acting department manager.
09.1995-09.2002: OJSC Industry and Construction Bank, leading consultant, department manager, deputy board manager, deputy branch manager.
Since 2002 he has been in his current position.
Does not hold any shares.
Hobbies: sports, painting.
No awards or titles.
Married, with two children.

Information on the Size of Remuneration of the Company's Management Bodies' Members

In 2002 Members of the Board of Directors, Members of the Management Board and the General Manager received 3,940,971 roubles as remuneration.

13.4 Auditing Committee.

DATA ON THE MEMBERS OF THE AUDITING COMMITTEE OF OJSC NORTH-WEST TELECOM

(elected by the Annual General Meeting of the Shareholders on 25th June 2002)

	Full name of the candidate	Position
1	Belyayev, Konstantin Vladimirovich	Chief Accountant of OJSC Svyazinvest
2	Lozovsky, Anton Vladimirovich	Chief Accountant of NTU (Nekrasovsky Telephone Centre) of the Petersburg Telephone Network branch, OJSC North-West Telecom
3	Lokhtin, Vladimir Ivanovich	Director of the Department of Telecommunications of OJSC Svyazinvest
4	Pravdina, Mariya Leonidovna	Contracts Department Manager of the Petersburg Telephone Network branch, OJSC North-West Telecom
5	Stenin, Alexandr Valeryevich	Acting Financial Department Manager of the Petersburg Telephone Network branch, OJSC North-West Telecom.

DATA ON THE MEMBERS OF THE AUDITING COMMITTEE OF OJSC NWT

(elected by the Joint (Extraordinary) General Meeting of the Shareholders on 14th February 2003)

No.	Full name of the candidate	Position
1	Belyayev, Konstantin Vladimirovich	Chief Accountant of OJSC Svyazinvest
2	Greseva, Lyubov Alexandrovna	Chief Specialist of the Internal Audit and Economical Analysis Department of OJSC Svyazinvest
3	Kukina, Yelena Alexandrovna	Chief Specialist of the Corporate Financing and Direct Investment Department of OJSC Svyazinvest
4	Lang, Andrey Yakovlevich	Deputy Economics and Finance Director of OJSC North-West Telecom
5	Pravdina, Mariya Leonidovna	Investment Department Manager of OJSC North-West Telecom.
6	Prokofyeva, Irina Viktorovna	Director of the Internal Audit Department of OJSC Svyazinvest
7	Fyodorova, Natalya Vladimirovna	Chief Accountant of the branch of OJSC North-West Telecom – Electrosvyaz of Pskov Oblast

The Auditing Committee of the Company has carried out inspections of the financial and economic operation of the Company:

For the period from 01.01.01 till 31.12.01 in the following areas:

- Accounts receivable,
- Other long-term liabilities,
- Construction-in-progress.

The inspection was carried out in the period from 01.04.02 till 22.04.02;

For the period from 01.01.02 till 01.07.02 in the following areas:

Income gained from long-distance telephone communication services and expenses for deduction to OJSC Rostelecom.

Accounts receivable in key areas of operation, and formation of a reserve for writing off the outstanding accounts receivable.

Analysis of the plan of implementing investment in the first half of the year 2002.

Expenses for wages.

The inspection was carried out in the period from 09.09.02 till 04.10.02.

XIV. CORPORATE BEHAVIOUR

Data on Observance of the Code of Corporate Behaviour by the Company

14.1. Providing the Shareholders with the Possibility of Exercising their Rights Related to Participation in the Company.

Shareholders holding the Company's shares can exercise their rights related to participation in the Company as provided for by the active law of the Russian Federation, other legal acts of the Russian Federation and by the Articles of Association of the Company.

14.2. Ensuring Equal Attitude towards Shareholders Holding Equal Numbers of Shares of One Type.

According to articles 31-32 of the Federal Law On Joint-Stock Companies and the Articles of Association of the Company, each common and preferred share of the Company grants an equal volume of rights to the shareholder holding it.

14.3. Strategic Management of the Company's Operation and Control over the Work of Executive Bodies by the Board of Directors.

In compliance with the Civil Code of the Russian Federation, Federal Law On Joint-Stock Companies and the Articles of Association of the Company, the Board of Directors is a collegiate management body of the Company, dealing with the general management of its operation, except for deciding on the issues that are included by the federal laws and by the Company's Articles of Association in the terms of reference of the general meeting of the Company's shareholders. The goals of the operation of the Board of Directors are to ensure gaining the maximum profit and increasing the Company's assets, to protect the rights and legal interests of investors, and to ensure completeness, reliability and objectivity of public information on the Company.

14.4. Management of the Routine Operation by the Company Executive Bodies and Their Reporting to the Board of Directors.

In compliance with the Civil Code of the Russian Federation, the Federal Law On Joint-Stock Companies and the Company's Articles of Association, the Management Board is a collegiate executive body organizing the execution of decisions taken by the general meeting of the shareholders and the Board of Directors of the Company. The Company's Management Board's terms of reference include the issues of managing the routine operation of the Company. The General Manager is the single executive body in charge of the management of the Company's routine operation. The General Manager takes decisions on issues that are not included by the Company's Articles of Association in the terms of reference of the general meeting of the shareholders, the Board of Directors or the Management Board of the Company.

14.5. Disclosing Information on the Company.

In compliance with the requirements of the Code of Corporate Behaviour, presently quite comprehensive information on the Company is published in mass media, placed on the corporate site of the Company and disclosed in quarterly reports and issue prospectuses. Besides, the Company discloses on a regular basis information on important facts; and information on affiliated parties of the Company is published.

14.6. Ensuring Control Over Financial and Economic Operation of the Company.

Control over financial and economic operation is exercised by the management of the Company and by tax services in compliance with planned inspections.

14.7. Forming Committees at the Board of Directors.

On 18th July 2002, four Committees were formed at the Board of Directors of the Company.

Corporate Management Committee

Chairperson of the Committee:

I.M. Ragozina Corporate Management Department Director
of OJSC Svyazinvest, Member of the Board of Directors

Member of the Committee:

A.V. Ikonnikov Director of the Association for Investors' Rights Protection,
Chairman of the Management Board of the Association of Independent
Directors,
Member of the Board of Directors.

N.G. Bredkov Deputy General Manager –
Corporate Management Director of OJSC North-West Telecom

O.V. Petrova Deputy Department Manager
of the Corporate Management Board,
OJSC Svyazinvest.

Budget Committee

Chairperson of the Committee:

V.E. Belov Deputy General Manager of OJSC Svyazinvest,
Member of the Board of Directors

Members of the Committee:

B. Wilkening Managing Director of AIG Brunswick
Capital Management, Member of the Board of Directors.

Ye.V. Zabuzova Director of the Department of Economic Planning and
Budgeting of OJSC Svyazinvest.

A.V. Shalagin Deputy General Manager –
Economics and Finance Director of OJSC North-West Telecom

Corporate Financing and Investment Committee

Chairperson of the Committee:

S.V. Soldatenkov General Manager of OJSC Megaphone

Members of the Committee:

Yu.A. Bilibin Assistant General Manager of OJSC Svyazinvest,
Member of the Board of Directors

D.V. Levkovsky Vice-President of NCH Advisors, Inc.
Member of the Board of Directors

Reporting and Remuneration Committee

Chairperson of the Committee:

I.I. Rodionov Managing Director of AIG Brunswick
Capital Management, Member of the Board of Directors.

Members of the Committee:

B. Wilkening Managing Director of AIG Brunswick
Capital Management, Member of the Board of Directors.

V.N. Vorozheykin Personnel Management Director of OJSC North-West Telecom

I.P. Kharitonov Economics and Finance Director of the PTN branch of
OJSC North-West Telecom.

N.V. Filippova Executive Director – Manager of the Department
of Human Resources Management, OJSC Svyazinvest

K.V. Frolov Chief Specialist of the Internal Audit Department of
OJSC Svyazinvest

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OFFICE OF INTERNAL CONTROL
CORPORATE FINANCE

OJSC North-West Telecom

**Auditor's Opinion on the Accounts for the
Year 2002**

March 2003

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Auditor's Opinion on the accounts of OJSC North-West Telecom by
an independent auditing company

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1. Accounts of OJSC North-West Telecom for the period from
January 1, 2002 till December 31, 2002 inclusive:

Balance Sheet

Profit and Loss Statement

Capital Variation Statement

Cash Flow Statement

Attachment to the Balance Sheet

Explanatory Note

1. We audited the accounts of OJSC North-West Telecom (hereinafter – the Company) for the period from January 1, 2002 till December 31, 2002 inclusive.
2. The accounts of OJSC North-West Telecom consist of a balance sheet defined with the words “By the end of the report period, including the figures for the companies taken over”, a profit and loss statement defined with the words “In the report period”, a capital variation statement, a cash flow statement, an attachment to the balance sheet, and an explanatory note, where defined with the words “By the end of the report period, including the figures for the companies taken over” and “In the report period”. The management of OJSC North-West Telecom is responsible for preparation and presentation of the above accounts. Our duty is to express our opinion on the reliability of these accounts in all material aspects, and on the compliance of the bookkeeping procedures with the laws of the Russian Federation on the basis of the completed audit.
3. An audit of the balance sheet of OJSC North-West Telecom as of December 31, 2001 has been made by another auditing team whose opinion on the reliability of the accounts of OJSC North-West Telecom for the year ending on December 31, 2001 was presented in their conditionally positive opinion of April 26, 2002. In their conditionally positive opinion, these other auditors pointed to the fact that as of December 31, 2001, the Company had accounts receivable in the amount of RR 453,557 for services provided in compliance with the Federal Law on Veterans. These accounts receivable were overdue, and moreover, there were considerable doubts as to the prospects for their repayment. As of December 31, 2001 the Company had not established a bad debt reserve in respect of the above accounts receivable, which does not comply with the requirements of the Russian law, and which materially affected the reliability of the accounts.
4. We made the audit in compliance with the Federal Law on Auditing, approved federal accounting regulations (standards), and Auditing Rules (Standards) approved by the Commission for Auditing under the President of the Russian Federation.
5. Our audit was planned and carried out so as to ensure reasonable confidence that the accounts defined with the words “By the end of the report period, including the figures for the companies taken over”, and “In the report period” do not contain material distortions. The audit was made on a sample basis, and comprised test-based study of proofs supporting the values and exposure of information on the business activities in the above accounts, evaluation of the accounting principles and methods, the rules of preparation of the said accounts and the important assessed values obtained by the management of the audited party, and appraisal of overall presentation of the said accounts. We believe that the completed audit provides sufficient grounds for our opinion on the reliability, in all material aspects, of the above accounts, and on the compliance of the bookkeeping procedure with the laws of the Russian Federation.
6. In our opinion, the bookkeeping procedure related to preparing the accounts of OJSC North-West Telecom defined with the words “By the end of the report period, including the figures for the companies taken over” and “In the report period” in 2002 complied with the requirements of Federal Law on Bookkeeping No. 129-Φ3 of November 21, 1996, and the above accounts prepared in compliance with the said Law reliably represent the financial standing of OJSC North-West Telecom as of December 31, 2002 and its business results in the period from January 1, 2002 till December 31, 2002 inclusive.
7. As it is indicated in the non-audited Section 3 “Comparative Accounts” of the explanatory note, OJSC North-West Telecom was restructured on October 31, 2002 by takeover of several telecommunication companies in the North-Western Federal District. We did not audit the comparative accounts or any of its elements indicated with the words “By the beginning of the report period, including the figures for the companies taken over” and “In the similar period of the last year, including the figures for the companies taken over”, as well as “In the report period, including the companies taken over”, which were included in the appended statements solely to present comparable financial information.
8. The appended financial statements are not intended to present the financial standing and business results in compliance with accounting principles or methods generally adopted in countries and other administrative/territorial entities other than Russia. Accordingly, the appended accounting statements are not intended for persons who are not acquainted with Russian accounting principles, procedures, and methods.

**BALANCE SHEET
for the year 2002**

Form No.1 under OKUD

Date (year, month, day)

CODES

0710001

Region

North-West

Organization:

OJSC North-West Telecom

under OKPO

01166228

Taxpayer Identification Number **7808020593**

TIN

7808020593

Area of business: **electric communication**

under OKDP

Organizational & Legal form/Form

of Ownership: **Joint-Stock Company**

under OKOPF/OKFS

47/34

Unit of measurement: **thousand rubles**

under OKEI

384

Address: **14/26 ul. Gorokhovaya, St. Petersburg, 191186**

Date of the approval

Date of mailing (acceptance)

ASSETS	Line code	As of the beginning of the period under report *	As of the start of the period under report taking into account the indices of affiliated organizations**	As of the end of the period under report taking into account the indices of affiliated organizations***
1	2	3	4	5
I. NON-CIRCULATING ASSETS				
Intangible assets	110	41 934	42 158	115
including:				
patents, licenses, trade marks (service marks), other similar rights and assets	111	41 934	42 158	115
organization costs	112	X	X	X
goodwill	113	X	X	X
Fixed assets	120	6 127 121	10 572 164	10 953 003
including:				
land plots and objects of nature management	121	4 534	4 804	4 178
buildings, machinery and equipment	122	5 746 303	8 838 760	9 294 495
Construction-in-progress	130	542 792	793 152	1 208 435
Profitable investment in stocks of materials and capital equipment	135			
including:				
property subject to leasing	136			
hired out property	137			
Long-term financial investments	140	84 589	202 860	159 481
including:				
investment in subsidiaries	141	13 633	118 617	76 204
investment in associate companies	142	21 515	33 067	33 145
investment in other companies	143	32 536	34 163	33 006
loans to organizations for over 12 months	144	12 851	12 851	12 720
other long-term capital investments	145	4 054	4 162	4 406
other non-circulating assets	150			
Total for section I	190	6 796 436	11 610 334	12 321 034

For re-organized Companies:

* column 3: Indices of the base organization as of 01.01.2002.

** column 4: Indices of the base organization and affiliated organizations as of 01.01.2002, obtained by line summation

*** column 5: Indices of inter-regional companies (of the base organization and affiliated organizations) as of 31.12.2002

ASSETS	Line code	As of the beginning of the period under report *	As of the start of the period under report taking into account the indices of affiliated organizations**	As of the end of the period under report taking into account the indices of affiliated organizations***
1	2	3	4	5
II. CURRENT ASSETS				
Stock	210	101 808	282 869	365 152
including:				
raw materials, materials and other similar values	211	57 405	155 863	205 362
livestock in breeding and feeding	212			
expenditures in work-in-process (turnover costs)	213	11	1 467	788
finished products and goods for resale	214	554	14 632	11 111
shipped goods	215			
deferred expenses	216	43 838	110 907	147 891
other stock and expenses	217			
Value added tax on acquired values	220	143 809	205 550	407 099
Accounts receivable (expected in over 12 months after the reporting date)	230		12 401	13 169
including:				
buyers and customers	231		299	
notes receivable	232		276	
debts of subsidiary and associate companies	233			
advances distributed	234			
other debtors	235		11 826	13 169
Accounts receivable (expected within 12 months after the reporting date)	240	967 288	1 745 319	1 479 794
including:				
buyers and customers	241	857 440	1 488 870	976 537
notes receivable	242		1 870	1 800
debts of subsidiary and associate companies	243		1 040	10 466
debts of participants (founders) by contributions to the authorized capital	244	X	X	X
advances distributed	245	25 950	74 149	320 861
other debtors	246	83 898	179 390	170 130
Short-term financial investments	250	5 836	5 926	4 913
including:				
loans to organizations for less than 12 months	251	1 700	1 700	200
own shares purchased from the shareholders	252			
other short-term financial investments	253	4 136	4 226	4 713
Monetary funds	260	107 578	181 797	346 880
including:				
cash on hand	261	976	5 587	4 928
settlement accounts	262	96 261	159 239	313 311
currency accounts	263	246	869	574
other monetary funds	264	10 095	16 101	28 067
Other current assets	270		293	
Total for section II	290	1 326 319	2 434 154	2 617 007
BALANCE (sum of lines 190 + 290)	300	8 122 755	14 044 988	14 938 041

For re-organized Companies:

* column 3: Indices of the base organization as of 01.01.2002.

** column 4: Indices of the base organization and affiliated organizations as of 01.01.2002, obtained by line summation

*** column 5: Indices of inter-regional companies (of the base organization and affiliated organizations) as of 31.12.2002

LIABILITIES	Line code	As of the beginning of the period under report *	As of the start of the period under report taking into account the indices of affiliated organizations**	As of the end of the period under report taking into account the indices of affiliated organizations***
1	2	3	4	5
III. CAPITAL AND RESERVES				
Authorized capital	410	587 498	937 940	937 940
Added capital	420	4 966 187	7 033 504	6 941 473
Reserve capital	430	23 474	23 474	29 375
including:				
reserve funds formed in accordance with the laws	431	23 474	23 474	29 375
reserve funds formed in accordance with the by-laws	432			
Social sphere fund	440			
Retained profit of previous years	460	702 014	2 727 245	2 637 632
Uncovered loss of previous years	465			
Retained profit for the year under report	470	x	x	327 264
Uncovered loss for the year under report	475	x	x	
Total for section III	490	6 279 173	10 722 163	10 873 684
Debt of affiliated organizations to the base organization	497	x	x	11982237
Debt of the base organization to affiliated organizations	498	x	x	11982237
IV. LONG-TERM LIABILITIES				
Loans and credits	510	2 954	45 659	434 622
including:				
loans from banks to be repaid in over 12 months after the reporting date	511		25 738	17 383
borrowings to be repaid in over 12 months after the reporting date	512	2 954	19 921	417 239
Other long-term liabilities	520	910 175	1 459 169	995 797
Total for section IV	590	913 129	1 504 828	1 430 419
V. SHORT-TERM LIABILITIES				
Loans and credits	610	107 200	372 706	579 006
including:				
loans from banks to be repaid within 12 months after the reporting date	611	50 000	257 285	208 946
borrowings to be repaid within 12 months after the reporting date	612	57 200	115 422	370 060
Accounts payable	620	803 703	1 397 760	1 974 043
including:				
suppliers and contractors	621	310 113	531 384	580 830
notes payable	622		10	
debts to subsidiary and associate companies	623		37	
wage arrears	624	4 866	53 573	56 065
indebtedness to state out-of-the-budget funds	625	5 714	33 660	28 269
budgetary indebtedness	626	94 541	181 285	246 743
advances received	627	90 249	179 432	363 589
other creditors	628	298 221	418 379	698 546
Indebtedness to participants (founders) on income payment	630	17 553	22 743	50 557
Deferred income	640	1 996	24 287	30 333
Reserves for forthcoming costs	650	X	X	X
Other short-term liabilities	660	X	X	X
Total for section V	690	930 453	1 817 497	2 633 938
BALANCE (sum of lines 490 + 590 + 690)	700	8 122 755	14 044 488	14 938 041

For re-organized Companies:

* column 3: Indices of the base organization as of 01.01.2002.

** column 4: Indices of the base organization and affiliated organizations as of 01.01.2002, obtained by line summation

*** column 5: Indices of inter-regional companies (of the base organization and affiliated organizations) as of 31.12.2002

Result of affiliated organizations (regional branches) operation for the year 2002 is recorded in line 470 "Retained profit of the year under report" or line 475 "Uncovered loss of the year under report"

**STATEMENT
OF VALUABLES ACCOUNTED ON OFF-BALANCE ACCOUNTS**

Index	Line code	As of the beginning of the period under report *	As of the start of the period under report taking into account the indices of affiliated organizations**	As of the end of the period under report taking into account the indices of affiliated organizations***
1	2	3	4	5
Leased fixed assets	910	299 243	496 809	628 585
including those under leasing	911	127 682	196 393	168 094
Inventories accepted for custody	920	11 971	29 528	48 605
Goods accepted for commission	930		101	539
Insolvent debtors' indebtedness written-off to loss	940	64 588	104 638	347 181
Received liability and payment collaterals	950			
Received liability and payment collaterals	960		510 030	492 112
Wear of residential fund	970	2 007	7 871	6 865
Wear of external improvements and other similar facilities	980			2 657
Strict accounting forms	990	6	7 614	7 514

For re-organized Companies:

* column 3: Indices of the base organization as of 01.01.2002.

** column 4: Indices of the base organization and affiliated organizations as of 01.01.2002, obtained by line summation

*** column 5: Indices of inter-regional companies (of the base organization and affiliated organizations) as of 31.12.2002

Head of the Company A.A. Sysoev
(signature) (explanation of the signature)

Chief accountant M.M. Semchenko
(signature) (explanation of the signature)

(Qualification certificate of the professional accountant
dated July 02, 2002, #2214)

March 31, 2003

Profit and Loss Report for the year 2002

Form No.02 under OKUD

Date (year, month, day)

Region North-West
Organization: OJSC North-West Telecom
Taxpayer Identification Number 7808020593
Area of business: electric communication
Organizational & Legal form/Form of Ownership: Joint-Stock Company
Unit of measurement: thousand rubles

under OKPO

TIN
under OKDP

under OKOPF/OKFS
under OKEI

Date of the approval

Date of mailing (acceptance)

CODES

0710002

01166228

7808020593

47/34

384

Index	Line code	For the period under report*	For the period under report taking into account the indices of affiliated organizations**	For the same period of the previous year taking into account the indices of affiliated organizations***
1	2	3	4	5
I. Income from and expenses for normal activities (Net) returns from sale of goods, products, works, services (less the VAT, excise taxes and similar obligatory fees)	010	5 867 109	10 091 841	8 058 731
including: those from sale of communication services	011	5 680 094	9 778 167	7 838 095
Prime cost of sold goods, products, works and services	020	(4 177 010)	(7 443 369)	(6 031 548)
including: that from communication services sold	021	4 143 350	7 300 095	5 839 162
Gross profit	029	1 690 099	2 648 472	2 027 183
Commercial expenses	030			
Management expenses	040			
Profit (loss) from sales (lines 010-020-030-040)	050	1 690 099	2 648 472	2 027 183
II. Operating income and expenses				
Interest receivable	060	10 799	11 207	6 750
Interest payable	070	(140 444)	(214 256)	(93 716)
Income from participation in other organizations	080	102	489	3 328
Other operating income	090	484 824	544 470	105 429
Other operating expenses	100	(1 278 635)	(1 625 542)	(402 635)
III. Income and expenses from sources other than sales				
Income from sources other than sales	120	81 101	129 317	206 084
Expenses for purposes other than sales	130	(510041)	(838 579)	(640 869)
Profit (loss) before taxes (lines 050 + 060 - 070 + 080 + 090 - 100 + 120 - 130)	140	337 805	655 578	1 211 554
Tax on profit, and other similar obligatory fees *****		(204294)	(328306)	(506077)
Profit (loss) from normal activities	160	133 511	327 272	705 477
IV. Extraordinary income and expenses				
Extraordinary income	170			
Extraordinary expenses	180		8	1 196
Net profit (retained profit (loss) of the period under report) (lines 160 + 170 - 180)	190	133 511	327 264	704 281

For re-organized Companies:

* column 3: Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations for the period from the re-organization date till 31.12.2002, obtained by line summation

** column 4: Indices of the base organization and affiliated organizations for the period from 01.01.2002 till 31.12.2002, obtained by line summation of the indices from column 3 and respective indices of affiliated organizations for the period from 01.01.2002 till the re-organization date

*** column 5: Indices of the base organization and affiliated organizations for the period from 01.01.2001 till 31.12.2001, obtained by line summation

**** Net profit corresponding to the index of line 470, column 5 of form No. 1 "Balance Sheet "

***** Line 150 "Profit tax and other similar obligatory payments" is not to be filled by affiliated organizations (regional branches)

Index	Line code	For the period under report	For the same period of the previous year
1	2	3	4
For reference: Dividend per share on preferred of A type	201		0,00024800
On normal	202		0,00007700
Amounts of dividend per share expected in the next year under report: *		3	
On preferred of A type	203		0,00014000
On normal	204		0,00004400
Dividend per share On preferred of B type	205	3	4
Amounts of dividend per share expected in the next year under report		3	
On preferred of B type	206		

* Filled with indices of inter-regional companies

Explanation of profit and loss items

Index	Line code	For the period under report				For the same period of the previous year	
		Profit		Loss		Profit ***	Loss ***
		*	**	*	**		
1	2	3	4	5	6	7	8
Fines, penalties and forfeits, which have been acknowledged or for which (arbitration) court awards on recovery have been received	210	7 368	9 702	(54 545)	(54 769)	4 289	(10 768)
Profit (loss) of previous years	220	19 698	21 821	(19 285)	(39 057)	48 976	(23 486)
Indemnification for losses inflicted by failure to fulfill or to fulfill duly the obligations	230	688	2 352	(4 324)	(4 648)	1 817	(773)
Exchange rates of foreign currency transactions	240	14 480	34 345	(98 133)	(210 560)	76 962	(149 635)
Reduction of inventory cost as of the end of the period under report	250	X	X	X	X	X	X
Writing off accounts receivable and payable with expired limitation period	260	3 594	5 134	(108 615)	(111 610)	10 049	(65 486)

For re-organized Companies:

* columns 3, 5: Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations for the period from the re-organization date till 31.12.2002, obtained by line summation

** columns 4, 6: Indices of the base organization and affiliated organizations for the period from 01.01.02 till 31.12.02, obtained by line summation

*** columns 7, 8: Indices of the base organization and affiliated organizations for the period from 01.01.2001 till 31.12.2001, obtained by line summation

Head of the Company A.A. Sysoev
(signature) (explanation of the signature)

Chief accountant M.M. Semchenko
(signature) (explanation of the signature)
(Qualification certificate of the professional accountant
dated July 02, 2002, #2214)

March 31, 2003

Index	Line code	Balance as of the start of the year under report of the base organization	Received		Spent	Balance as of the end of the period under report taking into account the indices of affiliated organizations**
			in the year under report	from the re-organization	in the year under report	
1	2				6	7
II. Reserves of forthcoming expenses – total	080		X			X
including:						
those for vacations	081		X			X
those for repair of fixed assets	082		X			X
those for insurance	083		X			X
those for remuneration on the basis of the results of the year	084		X			X
other (explain)	085		X			X
Total for section II	089		X			X
III. Estimate reserves – total	090		577 205	201 076	114 878	663 403
including:						
those for doubtful debts	091		577 205	201 076	114 878	663 403
those for securities	092					
Total for section III	099		577 205	201 076	114 878	663 403

For re-organized Companies:

* Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations from the re-organization date till 31.12.2002 (without re-organization turnovers)

** Indices of the base organization and affiliated organizations as of 31.12.2002

IV. Change of Capital

Index	Line code	For the period under report	For the same period of the previous year
1	2	3	4
Amount of capital as of the start of the period under report*	100	6 279 173	10 113 362
Capital increase - total**	110	4 702 730	706 529
including that through:			
extra stock issue	111	x	x
assets re-evaluation	112	x	x
property accretion	113	x	x
corporation re-organization (merger, affiliation)	114	4 569 220	x
income included directly in capital increase according to the accounting rules	115	x	x
other receipts	116	133 510	706 529
Capital reduction – total***	120	108 219	97 828
including that through:			
reducing the shares face value	121	x	x
reducing the number of shares (own shares redeemed from the shareholders)	122		x
corporation re-organization (separation, split-off)	123	x	x
expenses included directly in capital decrease according to the accounting rules	124	x	x
other kinds of retirement	125	108 219	97 828
Amount of capital as of the end of the period under report****	130	10 873 684	10 722 063

For re-organized Companies: Section IV

column 3: * Indices of the base organization as of 01.01.2002.

** Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations as of the re-organization date and for the period from the re-organization date till 31.12.2002

***Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations from the re-organization date till 31.12.2002

**** Indices of inter-regional companies

column 4: Indices of the base organization and affiliated organizations for the period from 01.01.2001 till 31.12.2001, obtained by line summation

Index	Line code	Balance as of the start of the year under report of the base organization	Received		Spent	Balance as of the end of the period under report taking into account the indices of affiliated organizations**
			in the year under report	from the re-organization	in the year under report	
1	2	3	4	5	6	7
Target funding and receipts – total	140	0	296	0	292	4
including:						
from the budget	141		287		283	4
off-budget funds	142		9		9	
corporations	143					
individuals	144					
other (explain)	145					

For re-organized Companies:

* Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations from the re-organization date till 31.12.2002

** Indices of the base organization and affiliated organizations as of 31.12.2002

Information

Index	Line code	Balance as of the beginning of the period under report *	Balance as of the end of the period under report *
1	2	3	4
Net assets	150	10 746 450	10 904 013

For re-organized Companies:

- * **column 3:** Indices of the base organization and affiliated organizations as of 01.01.2002, obtained by line summation
- ** **column 4:** Indices of inter-regional companies (of the base organization and affiliated organizations) as of 31.12.2002

1	2	From the budget		From off-budget funds	
		For the period under report*	For the same period of the previous year**	For the period under report*	For the same period of the previous year**
1	2	3	4	5	6
Received for:					
normal operation expenses – total*	160	304 674	145 656	9	120
Capital investment in non-circulating assets	170	150		45	
including:					
construction of objects	171				
equipment acquisition	172	150		45	
other (explain)	173				
For extraordinary purposes	180				

For re-organized Companies:

- * Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations from the re-organization date till 31.12.2002
- ** Indices of the base organization and affiliated organizations for the period from 01.01.2001 till 31.12.2001, obtained by line summation

Head of the Company A.A. Sysoev
 (signature) (explanation of the signature)

Chief accountant M.M. Semchenko
 (signature) (explanation of the signature)
 (Qualification certificate of the professional accountant dated July 02, 2002, #2214)

March 31, 2003

**CASH FLOW REPORT
for the year 2002**

Form No.04 under OKUD

Date (year, month, day)

under OKPO

TIN
under OKDP

under OKOPF/OKFS

under OKEI

Region North-West
Organization: OJSC North-West Telecom
Taxpayer Identification Number **7808020593**
Area of business: **electric communication**
Organizational & Legal form/Form
of Ownership: **Joint-Stock Company**
Unit of measurement: **thousand rubles**

CODES
0710004
01166228
7808020593
47/34
384

Index	Line code	Amount	Including		
			current operation	investment operation	financial operation
1	2	3	4	5	6
1. Cash balance as of the start of the year (base organization)	010	107 578	X	X	X
2. Total received cash	020	8 659 665	8 253 978	20 229	385 458
including: returns from sales of goods, products, works and services	030	6 851 818	6 851 818	X	X
returns from sales of fixed assets and other property	040	13 332	3 320	10 012	
advance payments received from buyers (customers)*	050	91 794	91 794	X	X
budget allocations and other target funding	060	14 576	14 576		
free of charge	070	1 350		1 350	
received credits	080	114 324	28 220	4 000	82 104
received loans	085	232 583			232 583
dividends and interest on finance placements	090	10 154	X	125	10 029
other receipts	110	1 329 736	1 264 251	4 743	60 742
including: balances of monetary funds accounts of organizations being affiliated as of the re-organization date	111	50 820	X	X	X
3. Total allotted cash	120	(8420366)	5 851 064	870 457	433 940
including: that for payment for acquired goods, works and services	130	2 556 903	2 535 641	20 999	263
for wages***	140	935 629	X	X	X
deductions to state off-budget funds	150	329 275	X	X	X
for issue of imprests	160	22 958	22 854	104	
for issue of advance payments**	170	503 992	316 893	168 527	18 572
for payment of share participation in construction	180		X		X
for payment for machines, equipment and transport facilities	190	1 188 316	530 943	657 374	X
for finance placement	200	123 073	X	73	123 000
for payment of dividends and interest on securities	210	50 220	X	1 826	48 394
for settlements with the budget	220	1 404 772	1 403 608	X	1 164
for payment of interest and the principal amount on received credits and loans	230	329 599	89 518		240 081
other payments, transfers, etc.	250	975 627	951 608	21 554	2 465
4. Balance of cash as of the end of the period under report	260	346 878	X	X	X

For reference: from line 020: received in down payment - total	270	1 020 660
including that for settlements: with corporations	280	167 668
with individuals	290	852 992
including that with the use of: cash registers	291	824 043
strict accounting forms	292	27 090
Other	293	1 859
Available cash received from the bank to the cash office of the organization	295	139 637
handed over to the bank from the cash office of the organization	296	709 583

Lines 20, 120: Indices of the base organization for the period from 01.01.2002 till 31.12.2002 and affiliated organizations for the period from the re-organization date till 31.12.2002, obtained by line summation

* balance in third-order control accounts 02 "Advances" of account 62 is recorded

** balance in control accounts "Advances issued in roubles" and "Advances issued in hard currency" of account 60 is recorded

*** the amount of payments to employees, including remitted alimonies and other deductions according to writs of execution, and deposited amounts, are recorded

Head of the Company A.A. Sysoev
(signature) (explanation of the signature)

Chief accountant M.M. Semchenko
(signature) (explanation of the signature)
(Qualification certificate of the professional accountant
dated July 02, 2002, #2214)

March 31, 2003

APPENDIX TO THE ACCOUNTING BALANCE SHEET
for the year 2002

Form No.05 under OKUD

Date (year, month, day)

Region North-West
Organization: OJSC North-West Telecom
Taxpayer Identification Number **7808020593**
Area of business: **electric communication**
Organizational & Legal form/Form of Ownership: **Joint-Stock Company**
Unit of measurement: **thousand rubles**

under OKPO

TIN
under OKDP

under OKOPF/OKFS
under OKEI

CODES
0710005
01166228
7808020593
47/34
384

1. BORROWED FUNDS FLOW

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Received liabilities **	Repaid liabilities**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
Long-term credits,	110	25 738	8 062	(16 417)	17 383
including: outstanding credits	111	X	X	X	X
Long-term loans,	120	19 921	770 709	(373 391)	417 239
including: outstanding loans	121	X	X	X	X
Short-term credits,	130	257 285	1 138 155	(1 186 494)	208 946
including: outstanding credits	131				
Short-term loans,	140	115 422	418 468	(163 830)	370 059
including: outstanding loans	141		245 751		245 751

2. DEBTS RECEIVABLE AND ACCOUNTS PAYABLE

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	New liabilities**	Repaid liabilities**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
Debts receivable:	210	1 745 319	20 617 460	(20 219 582)	2 143 197
short-term accounts					
including overdue ones	211	346 425	3 172 055	(3 145 384)	373 096
including those in excess of 3 months before the date under report	212	286 606	2 515 842	(2 515 974)	286 474
long-term accounts	220	12 401	5 836	(5 068)	13 168
including overdue ones	221	X	X	X	X
including those in excess of 3 months before the date under report	222	X	X	X	X
from line 220: debts, payment under which is expected in more than 12 months after the date under report	223	10 595	2 919	(1 832)	11 681

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	New liabilities**	Repaid liabilities**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
Accounts payable:					
short-term accounts	230	1 397 760	22 020 678	(21 444 396)	1 974 042
including overdue ones	231	24 487	280 092	(281 066)	23 513
including those in excess of 3 months before the date under report	232	14 734	82 459	(87 125)	10 068
long-term accounts	240	1 459 169	488 120	(951 492)	995 797
including overdue ones	241	X	X	X	X
including those in excess of 3 months before the date under report	242	X	X	X	X
from line 240: debts, payment under which is expected in more than 12 months after the date under report	243	1 105 290	173 050	(527 872)	750 468
Collaterals:					
received,	250				0
including those from third parties	251				0
issued,	260	510 030	636 058	(653 976)	492 112
including those to third parties	261	1 362	30 104		31 466

INFORMATION TO SECTION 2

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	New liabilities**	Repaid liabilities**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
1) Flow of bills					
Issued bills	262	10		(10)	
including overdue ones	263				
Received bills	264	2 146	1 218	(1 564)	1 800
including overdue ones	265				
2) Debts receivable for supplied products (work or services) at the actual prime-cost	266				

3) List of debtor organizations with the maximum debts

Organization	Line code	As of the end of the period under report taking into account the indices of affiliated organizations*	
		TOTAL	including those lasting over 3 months
1	2	3	4
Budgetary organizations	270	146 017	83 327
Individuals	271	1 120 154	543 567
including preferential categories	272	647 324	501 347
Commercial organizations	273	373 250	45 418

For re-organized Companies:

* Indices of the base organization and affiliated organizations obtained by line summation

** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

4) List of creditor organizations with the maximum debts

Organization	Line code	As of the end of the period under report taking into account the indices of affiliated organizations*	
		TOTAL	including those lasting over 3 months
1	2	3	4
OAO "Rostelecom"	280	115 599	
Equipment suppliers (Sumitomo, Siemens, Iskratel, Alcatel and others)	281	274 463	
Leasing settlements	282	237 941	

3. DEPRECIABLE PROPERTY

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Received (introduced)**	Retired**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
I. INTANGIBLE ASSETS					
Rights to objects of intellectual (industrial) property	310	54 556		(54 225)	330
including rights arising: from authorship agreements and other agreements covering works of science, literature, art and objects of neighbouring rights, for computer programmes, data bases, etc.	311	54 544		(54 219)	325
from patents for inventions, industrial designs, selection achievements, from certificates for useful models, trademarks and service marks or from license agreements for their use	312	12		(7)	5
from know-how rights	313				
Rights to the use of separate natural objects	320				
Organization expences	330	X	X	X	X
Goodwill of the organization	340	X	X	X	X
Other	349	X	X	X	X
Total (sum of lines 310+320+330+340+349)	350	54 556		(54 225)	330

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
- ** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Received (introduced)**	Retired**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
II. FIXED ASSETS	360	4 804	632	(1258)	4 178
Land plots and nature management sites					
Buildings	361	4 165 142	507 065	(559 543)	4 112 664
Facilities	362	5 731 788	226 269	(289 644)	5 668 413
Machines and equipment	363	8 321 987	1 144 104	(270 352)	9 195 739
Transport facilities	364	155 919	28 556	(10 116)	174 360
Production and economic implements	365	247 802	64 959	(12 028)	300 733
Work stock	366	18		(3)	15
Productive livestock	367				0
Perennial plantations	368				0
Other types of fixed assets	369	59 189	27 733	(12 590)	74 332
Total (sum of lines 360 -369)	370	18 686 649	1 999 319	(1 155 533)	19 530 435
including: production assets	371	18 520 335	1 965 696	(1 132 730)	19 353 300
non-production assets	372	166 314	33 623	(22 803)	177 134
Low-value and quickly worn objects - total	373	X	X	X	X
including:					
in stock	374	X	X	X	X
in operation	375	X	X	X	X
III. PROFITABLE INVESTMENT IN STOCKS OF MATERIALS AND CAPITAL EQUIPMENT					
Property for leasing out	381				
Property provided under a hire contract	382				
Other	383				
Total (sum of lines 381 -383)	385				
Property in asset management	386				

For re-organized Companies:

* Indices of the base organization and affiliated organizations obtained by line summation

** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

INFORMATION TO SECTION 3

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4
From line 371, columns 3 and 6: leased out – total	387	186 767	47 010
including:			
buildings	388	58 980	41 379
facilities	389	89 805	2 650
transport facilities	390	1 849	1 996
other (explain)	391	36 133	986
Laid up	392	1 790	2 187
Wear of depreciable property: intangible assets	393	12 398	215
Fixed assets - total	394	8 114 485	8 577 431
including:			
buildings and facilities	395	4 272 455	4 223 462
machines, equipment, transport facilities	396	3 631 041	4 104 383
other assets	397	210 989	249 587
Profitable investment in stocks of materials and capital equipment	398		
Low-value and quickly worn objects	399	X	X
Property in asset management	400		0
For reference:			
Indexing result upon revaluation of fixed assets:			
initial (replacement) value	401		X
depreciation	402		X
Pledged property	403	512 250	589 592
Value of depreciable property, for which no depreciation is charged – total	404	1 662 999	558 716
including:			
intangible assets	405	245	
fixed assets	406	1 662 755	558 716
Change in the value of fixed assets as a result of completion, extra equipment and renovation	407	X	101 951
Difference between the cost of acquired goods and their selling price	408	X	X
Cost of pledged stores	409		

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
- ** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

4. FLOW OF FINANCING FUNDS FOR LONG-TERM INVESTMENT AND FINANCIAL PLACEMENTS

Index	Line code	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Charged (formed)**	Used**	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
Own funds of the organization - total	410	61	1 499 976	(1500037)	
including:					
capital investment funding source	411		441 173	(441173)	
depreciation of fixed assets	412		794 295	(794295)	
other (explain)	413	61	264 508	(264569)	
Borrowed funds – total	420		257 457	(257457)	
including:					
bank credits	421		98 189	(98189)	
loans from other organizations	422		159 073	(159073)	
share participation in construction	423				
from the budget	424		195	(195)	
from off-budget funds	425				
other (explain)	426				
Total own and borrowed funds (sum of lines 410 and 420)	430	61	1 757 434	(1757494)	
For reference:					
Construction-in-progress	440	756 244	2 117 527	(1677873)	1 195 898
Investment in subsidiaries	450	118 617	76 204	(118617)	76 204
Investment in affiliates	460	33 067	33 621	(33543)	33 145

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
- ** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

5. FINANCIAL PLACEMENT

Name:	Line code	Long-term		Short-term	
		Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Balance as of the end of the period under report taking into account the indices of affiliated organizations*	Balance as of the beginning of the period under report taking into account the indices of affiliated organizations*	Balance as of the end of the period under report taking into account the indices of affiliated organizations*
1	2	3	4	5	6
Shares of other organizations	510	185 847	142 355		
Bonds and other debentures	520	107	107	3 876	64
Received loans	530	12 851	12 720	1 700	200
other (explain)	540	4 055	4 299	350	4 649
For reference					
Bonds and other securities at the market value	550	88			

6. NORMAL OPERATION EXPENSES

Index	Line code	For the period under report taking into account the indices of affiliated organizations*	For the previous period taking into account the indices of affiliated organizations*
1	2	3	4
Material expenses,	610	537 460	529 027
including:			
raw materials	611	266 377	212 907
fuel and energy	612	236 493	212 307
spare parts	613	34 591	103 814
Expenses for wages	620	2 049 847	1 658 975
Deductions for social needs	630	711 970	586 599
Depreciation	640	784 736	688 769
Other expenses	650	3 350 596	2 506 757
including:			
taxes included in expenses	651	115 219	85 643
rental	652	1 235 701	1 009 609
personnel training and further training	653	28 670	24 631
Total for elements of expenses	660	7 434 609	5 970 128
Balance change (accretion [+], reduction [-]): of construction-in-progress	670	-679	685
of deferred expenses	680	36 984	30 367
of forthcoming expenses reserves	690		

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
- ** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

7. SOCIAL INDICES

Index	Line code	Due according to calculation*	Spent*	Transfers to funds*
1	2	3	4	5
Deductions to the state off-budget funds: to the Social Insurance Fund	710	72 516	(60276)	15 295
to the Pension Fund	720	549 961	X	548 802
to the Employment Fund	730		X	
for Medical Insurance	740	69 803	X	70 559
Deduction to non-government pension funds	750	42 667	X	36 867
Insurance premiums under voluntary pension insurance policies	755	2 590		
Average personnel number	760	30 445		
Monetary payments and incentives, not connected with manufacturing products, doing jobs or rendering services	770	65 222		
Income on shares and investment in the property of the organization	780	8 450		

For re-organized Companies:

- * Indices of the base organization and affiliated organizations obtained by line summation
- ** Indices of the base organization and affiliated organizations, obtained by line summation (without re-organization turnovers)

Head of the Company A.A. Sysoev
(signature) (explanation of the signature)

Chief accountant M.M. Semchenko
(signature) (explanation of the signature)

(Qualification certificate of the professional accountant
dated July 02, 2002, #2214)

March 31, 2003

Explanatory Note
to the Accounts and Reports of
OJSC North-West Telecom.
for 2002

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This Explanatory Note is an integral part of the annual accounts and reports of OJSC North-West Telecom for the year 2002 prepared in compliance with the active laws of the Russian Federation.

1. ORGANIZATION AND OPERATION AREAS

1.1 Description of the Company

The Open Joint-Stock Company North-West Telecom, abbreviated name OJSC NWT, INN (tax-payer's identification No.) 7808020593, (hereinafter referred to as the Company) was registered on 06th May 1993 by the Registration Chamber of the St. Petersburg Administration under registration No. 1027809169849. The Company is registered at the following address: 14/26, ul. Gorokhovaya (26, Bolshaya Morskaya), St. Petersburg, 191186.

Basic areas of the Company's activities according to the licenses obtained are:

- provision of telecommunication services
- local telephone communication services
- mobile radio telephone communication services
- videoconferencing services
- long-distance and international telephone communication services
- telegraph communication services
- local and intrazone telephone communication services
- provision of cellular radio telephone communication services in the range of 450 MHz
- broadcasting of sound programmes over the wired radio network
- other licensed services (cargo carriage license; hoisting devices operation license; license for the design of buildings and facilities of the 1st and 2nd responsibility levels according to state standards; license for design of buildings and facilities of the 1st and 2nd responsibility levels according to state standards).

1.2. Information on Important Events

The main important factor of activities in 2002 was the reorganization in the framework of the companies of the OJSC Svyazinvest Group. As a result of the reorganization, regional telecommunication operators united into interregional companies.

In November 2001 the general meeting of the shareholders of OJSC North-West Telecom took a decision on reorganization of the Company through affiliation of the following regional communication operators:

- OJSC Artelecom of Arkhangelsk Oblast;
- OJSC Electrosvyaz of Vologda Oblast;
- OJSC Electrosvyaz of Kaliningrad Oblast;
- OJSC Electrosvyaz of the Republic of Karelia;

- OJSC Murmancelectrosvyaz;
- OJSC Novgorodtelecom;
- OJSC Electrosvyaz of Pskov Oblast;
- OJSC Cherepovetselectrosvyaz.

1.3. Information on the Register Holder and the Auditor

The Closed Joint-Stock Company Registrator-Svyaz is the Company's register-holder
Ernst & Young Vnesaudit Closed Joint-Stock Company is the auditor of the Company.

1.4. Information on Management Bodies

Chairperson of the Board of Directors:

- Valery Nikolayevich Yashin, General Manager of OJSC Svyazinvest

Members of the Board of Directors:

- Sergey Vladimirovich Soldatenkov
- Ivan Ivanovich Rodionov, Managing Director of AIG Brunswick Capital Management
- Irina Mikhailovna Ragozina, Director of the Corporate Management Department, OJSC Svyazinvest
- Dmitry Vladimirovich Levkovsky, Vice-President, NCH Advisors, Inc.
- Yury Alexandrovich Bilibin, Assistant General Manager of OJSC Svyazinvest
- Vadim Yevgenyevich Belov, Deputy General Manager, OJSC Svyazinvest
- Oleg Anatolyevich Lebedinets, Director of the Corporate Management Department, OJSC Svyazinvest
- Anton Igorevich Osipchuk

The Management Board of OJSC North-West Telecom, formed by the Company's Board of Directors, consists of:

- Alexandr Abramovich Sysoyev, General Manager of OJSC North-West Telecom
- Vladimir Alexandrovich Akulich, Deputy General Manager – Strategic Development and Technological Policy Manager of OJSC North-West Telecom
- Nikolay Gennadyevich Bredkov, Deputy General Manager - Corporate Management Director of OJSC North-West Telecom
- Vladimir Nikolayevich Vorozheykin, Personnel Management Director of OJSC North-West Telecom
- Igor Nikolayevich Samylin, Deputy General Manager – Commercial Director of OJSC North-West Telecom
- Maya Mikhailovna Semchenko, Chief Accountant of OJSC North-West Telecom
- Grigory Borisovich Chernyak, Deputy General Manager – Property Rights Director of OJSC North-West Telecom.

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Information on transactions effected by affiliated parties during the year 2002 is disclosed in greater detail in clause 11 "Affiliated Parties".

The Auditing Committee consists of:

- Konstantin Vladimirovich Belyayev, Chief Accountant of OJSC Svyazinvest
- Anton Vladimirovich Lozovsky, Chief Accountant of NTU of OJSC North-West Telecom
- Vladimir Ivanovich Lokhtin, Director of the Department of Telecommunications of OJSC Svyazinvest
- Mariya Leonidovna Pravdina, Investment Department Manager of OJSC North-West Telecom.
- Alexandr Valeryevich Stenin, Leading Specialist of the Bank Servicing and Crediting Policy Department of OJSC North-West Telecom.

2. BASICS OF ACCOUNTS AND REPORTS PRESENTATION

The enclosed financial accounts and reports have been prepared in compliance with the legislation of the Russian Federation on accounting and include:

- Balance Sheet as of 31st December 2002 marked "As of the end of the period under report taking into account the figures of affiliated organizations";
- Balance Sheet as of 01.01.2002 marked "As of the start of the period under report";
- Profit and Loss Report for 2002, including the data of the base organization for the entire the year 2002 and of the affiliated organizations from the date of reorganization (31st October 2002) till the year end; the report is marked in the enclosed accounts and reports with the words: "For the Period under Report" (or "The year 2002");
- Capital Flow Report for the year 2002;
- Cash Flow Report including the data of the base organization for the entire the year 2002 and of the affiliated organizations from the date of reorganization (31st October 2002) till the year end;
- Appendices to the Balance Sheet marked "As of the end of the period under report taking into account the figures of affiliated organizations";
- Explanatory Note with the data marked "As of the end of the period under report taking into account the figures of affiliated organizations" and "For the Period under Report" (or "The year 2002").

3. COMPARATIVE FINANCIAL ACCOUNTS AND REPORTS (NOT AUDITED)

As has been stated above, OJSC North-West Telecom was reorganized in November 2002 through affiliation of a number of regional communication operators. Taking into

account the significance of the affiliated companies for OJSC North-West Telecom and observing the requirements of the Provisions on Accounting "Accounts and Reports of an Organization" (PBU 4/99), the management of the Company believes that, in order to ensure comparability of the data of the current period under report and the previous reporting period, comparative financial accounts and reports should be presented in such a way as if the affiliation of the regional communication operators took place before the year 2001, including:

- The unaudited balance sheet as of 01.01.2002 marked "As of the start of the period under report, taking into account the figures of affiliated organizations" (or "01.01.2002 , taking into account the figures of affiliated organizations");
- The unaudited Profit and Loss Report for 2002, including the data of the base organization and of the affiliated organizations for the entire the year 2002; the report is marked in the enclosed accounts and reports with the words: "For the Period under Report, taking into account the affiliated organizations" (or "The year 2002, taking into account the affiliated organizations");
- The unaudited Appendices to the Balance Sheet marked "As of the start of the period under report taking into account the figures of affiliated organizations" (or "01.01.2002 , taking into account the figures of affiliated organizations") and "For the Period under Report, taking into account the affiliated organizations" (or "The year 2002, taking into account the affiliated organizations");
- The Explanatory Note with unaudited data marked "As of the start of the period under report taking into account the figures of affiliated organizations" (or "01.01.2002 , taking into account the figures of affiliated organizations") and "For the Period under Report, taking into account the affiliated organizations" (or "The year 2002, taking into account the affiliated organizations").

The unaudited financial accounts and reports taking into account the affiliation of regional communication operators have been formed by the simple arithmetic addition of the data of the affiliated companies and they are do not necessarily show the operating results or the respective effects on the financial standing, that would be achieved, had the affiliation of regional operators taken place before 2001 and had the Company operated under a single leadership; nor do these accounts and reports imply to provide any indications to results of future operations of the Company. Besides, the unaudited financial accounts and reports taking into account the affiliation of regional communication operators do not consider any affiliation-related costs (or any savings gained from the merger), as it does not seem possible to determine the amount of such expenses as of the moment. Such costs may be significant for results of Company's transactions.

4. BASIC PROVISIONS OF ACCOUNTING POLICY

4.1. Intangible Assets

For accounting of intangible assets, the standards of PBU 14/2000 (approved by the order of the Ministry of Finance of RF of 16 October 2000 No. 91n) are applied.

Intangible assets are accepted for accounting at the initial value.

The total amount of depreciation deductions for intangible assets shall be determined on the monthly basis according to the standards calculated proceeding from their initial cost and their useful life, by the linear method. The useful life of intangible assets shall be determined proceeding from:

- the validity period of the patent, certificate and other restrictions of the time of using intellectual property objects in compliance with the legislation of the Russian Federation;
- the expected useful life of such an object, during which the organization can get economic benefit (income). The expected useful life of an object of intangible assets shall be determined by a specially established commission in compliance with the methodological instructions on accounting of intangible assets and shall be approved by the General Manager of the Organization.
- For intangible assets, for which it is impossible to determine the useful life, the depreciation charging rates shall be established for 20 years.

4.2. Fixed Assets

Fixed assets include assets with the useful life period exceeding 12 months. For accounting of fixed assets, the standards of PBU 6/01 (approved by the order of the Ministry of Finance of RF of 30.03.2001 No. 26n) are applied. Fixed assets are accepted for accounting at the initial value.

In 2002 no revaluation of fixed assets was carried out.

Fixed assets are shown in the accounts and reports at the initial (replacement) cost less the amounts of accumulated depreciation.

Depreciation shall be charged for fixed assets by the linear method, proceeding from the initial cost or current (replacement) cost (in case revaluations are carried out) of the fixed assets object, and the depreciation standard calculated proceeding from the useful life of such an object.

For fixed asset objects with the value less than 10000 roubles, depreciation is charged in the amount of 100% and is written off to the production costs, as they are released to production or operation.

For fixed assets received under contracts of leasing, the accelerated depreciation coefficient shall be used, provided for by the terms of the contract, which will amount to 3 in 2003 and subsequent years.

Expenses for all kinds of repairs shall be included in the prime cost of the period under report, in which they were incurred. No reserve of future expenses for fixed assets repairs is formed.

4.3. Inventories

Inventories (raw materials, components and goods) shall be accepted for accounting according to the actual costs of their acquisition or manufacture.

Withdrawn inventories (except for precious metals) are evaluated at the average prime cost.

4.4. Procedure of Re-Calculating Assets and Liabilities Expressed in a Foreign Currency

Re-calculation of the value of banknotes at the Company's cashier's office, funds on accounts with lending agencies, monetary instruments and payment documents, short-term securities, monies in settlements (including those under loan liabilities), balances of funds earmarked for a special purpose and received from the budget or from foreign sources in the framework of technical or other assistance to the Russian Federation in compliance with the appropriate agreements (treaties), expressed in a foreign currency, into roubles shall be effected as of the date of making an operation in the foreign currency and as of the reporting date of making up the accounts and reports.

4.5. Reserves Formation Procedure

The Company shall create the following reserves:

– doubtful debt reserves

Accounts receivable of buyers and customers are shown less the doubtful debt reserve. A part of accounts receivable by the Company are debts of state institutions and other budgetary organizations. The possibility of exacting these accounts receivable is influenced by a number of political and economic factors taken into account by the Company when forming the doubtful debt reserve.

For the purposes of accounting, the doubtful debt reserve is created according to clause 70 of the Provisions on Accounting and Reporting in the Russian Federation, approved

by the Order of the Ministry of Finance of RF of 29th June 1998 No. 34n, with subsequent amendments and additions.

For the purposes of taxation, the doubtful debt reserve is created according to the taxation laws, among other things, article 266 of the Tax Code.

The amount of the doubtful debt reserve is determined according to the results of the stock-taking of accounts receivable as of the last day of the period under report (taxation period).

The reserve is created in the full amount of accounts receivable with the appearance period exceeding 90 days.

The amount of the reserve may be adjusted separately for each doubtful debt depending on the financial standing (solvency) of the debtor and estimated probability of debt repayment – full or partial.

The Company may create other reserves in compliance with the requirements of the laws of the Russian Federation.

4.6. Received Credits and Loans Accounting Procedure

The Company shall transfer the long-term debt in respect of received credits and loans to the short-term debt 365 days before the principal debt amount re-payment according to the contract of loan and/or credit.

Extra expenses related to receiving loans or credits, or floating loan obligations, are included in the reporting period, in which the said costs were incurred.

4.7. Deferred Expenses

Deferrals include the expenses that have been recognized in the period under report, but that cannot be included in the prime cost of sold products, jobs or services of such a period under report. Deferrals shall be written off uniformly through respective cover sources during the period, to which they refer.

4.8. Income Records Procedure

Company's income shall be divided into income from normal activities and other income (operating income, income other than from sales, and extraordinary income).

Income shall be recorded according to the accrual concept. i.e. as services are provided and shall not include the value added tax or the sales tax.

4.9. Expenses Records Procedure

Depending on their nature, conditions and areas of activities, expenses are divided into expenses related to normal areas of activities; operating expenses, expenses other than those related to sales, and extraordinary expenses.

Normal operation expenses shall be accepted for accounting in the amount calculated in the monetary terms and equal to the payment in the monetary or other form and the value of accounts payable.

4.10, State Aid Accounting Procedure

Budgetary funds shall be recognized as monetary funds and other resources are actually received.

4.11. Inventory of Assets and Liabilities shall be carried out:

- that of fixed assets – at least once in every two years as of 1st November of the year under report;
- that of intangible assets – annually as of 1st December of the year under report;
- that of capital construction in progress and other capital investments – annually as of 1st November of the year under report;
- that of raw materials, components, equipment for installation, semi-finished products, goods, finished products at warehouses – annually as of 1st November of the year under report;
- that of precious metals – twice a year;
- that of production in progress – on a quarterly basis as of the end of the quarter;
- that of deferred income and expenses - annually as of 31st December of the year under report;
- that of monies on accounts with bank institutions - annually as of 31st December of the year under report;
- that of cash on hand – at least once in a quarter;
- that of long-term financial investment – annually as of 31st December of the year under report;
- that of short-term financial investment and monetary instruments - on a quarterly basis as of the end of the quarter;
- that of settlements with debtors and doubtful debt reserve – at the end of the year;
- that of settlements with creditors (in respect of settlements with communication operators) - on a quarterly basis as of the end of the quarter, and with other creditors – once a year as of 31st December of the year under report;

- that of settlements in respect of taxes and obligatory deductions to the budget and non-budgetary funds – at least once a year;
- that of target financing settlements – annually as of 31st December of the year under report;
- that of internal settlements – at least once in a quarter;
- that of settlements with the personnel and advance holders – once a year as of 31st December of the year under report.

Expenses for Pensions

The Company shall pay all dues to the Pension Fund of the Russian Federation and to social insurance and employment funds for its employees. Company's dues to the Pension Fund shall be 28% of the employees' wages fund and shall be included in expenses as they are charged.

In addition to the state pensions provision scheme, the Company takes part in the lumpsum welfare pay programme (within 0.3 to 5 salaries) for the Company's retiring employees. This programme embraces most of the Company's employees and does not provide for any special fund deductions. The amounts of payment depend on the years of work by the moment of retirement.

The Company also takes part in the pension programme with pre-set dues to be paid in the framework of non-governmental provision of pensions. *The amounts of contributions are determined on the annual basis and are included in expenses as they arise.* See also clause 14 of this Explanatory Note.

4.13. Profit per Share

In compliance with the Methodological Recommendations on Disclosing Information on Profit per Share (approved by the Order of the Ministry of Finance of 21st March 2000 No. 29n), profit per share is calculated by dividing the net profit for the period under report remaining at the disposal of the shareholders holding common shares by the average weighted number of common shares that have been in circulation during the period.

4.14. Reorganization of the Company by Affiliation

Before the reorganization date, the accounting policies of the base organization and the organizations affiliated with it had no significant differences.

As of the date of reorganization, a stock-taking of the assets and liabilities of the affiliated organizations was carried out. On the basis of the stock-taking, certain assets that cannot be assigned on the succession basis (licenses, trademarks, company name forms, strict accounting forms with an imprint of the organization) have been written off within organizational expenses.

4.15. Basic Changes in the Accounting Policy for the Year 2002 as Compared to the Year 2001

The following essential changes have been introduced to the accounting policies of the base organization and the organizations affiliated with it for the year 2002 as compared to their accounting policies for the year 2001:

– creating a doubtful debt reserve

In 2002, for the purposes of accounting, the accounts receivable exceeding 90 days is fully reserved, while the accounts receivable with the period up to 90 days is not reserved. In 2001 no doubtful debt reserve was created.

Table No. 2.15.1 gives comparative data of the indices of the Profit and Loss Report for the case if the Company had created a doubtful debt reserve in respect of accounts receivable starting from 2001. The amount of the reserve would have been 647,676 thousand roubles. Creating such a reserve would result in a reduction of the profit before taxes in 2001 from 1,211,554 thousand roubles to 563,878 thousand roubles (columns 5 and 6, line 140) and net profit from 704,281 thousand roubles to 56,605 thousand roubles (columns 5 and 6, line 190).

128,538 thousand roubles of the reserve were used in 2002 in writing off the accounts receivable.

As the amount of the reserve as of 31.12.2002 (663,403 thousand roubles) consists of the accounts receivable reserve of both 2001 and 2002, if the reserve were to be formed in 2001, the extra amount in 2002 would amount to 144,268 thousand roubles. The amount of profit before taxes would increase from 655 578 thousand roubles to 1 303 244 thousand roubles (columns 3 and, 4 line 140), and that of net profit from 327 264 thousand roubles to 974 930 thousand roubles (columns 3 and, 4 line 190).

Note: the data have not been audited.

Table No. 2.15.1

PROFIT AND LOSS REPORT (for the case if an accounts receivable reserve were created in 2001)

Index	Line code	For 2002 taking into account indices of affiliated organizations	For 2002 taking into account indices of affiliated organizations, taking into	For 2001 taking into account indices of affiliated organizations, without	For 2001 taking into account indices of affiliated organizations, with a
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			account a reserve charged in 2001	taking into account a charged reserve	charged reserve
1	2	3	4	5	6
I. Normal operation income and expenses (Net) receipts from sale of goods, products, jobs and services (less value added tax, excise taxes and similar obligatory pays)	010	10 091 841	10 091 841	8 058 731	8 058 731
including: those from sale of communication services	011	9 778 167	9 778 167	7 838 095	7 838 095
Prime cost of sold goods, products, jobs and services	020	(7443369)	(7443369)	(6031548)	(6031548)
including: sold communication services	021	7 300 095	7 300 095	5 839 162	5 839 162
Gross profit	029	2 648 472	2 648 472	2 027 183	2 027 183
Commercial expenses	030				
Managerial expenses	040				
Profit (loss) from sales (lines 010-020-030-040)	050	2 648 472	2 648 472	2 027 183	2 027 183
II. Operating income and expenses	060	11 207	11 207	6 750	6 750
Interest payable	070	(214256)	(214256)	(93716)	(93716)

Income from holdings in other organizations	080	489	489	3 328	3 328
Other operating income	090	544 470	208 272	105 429	105 429
Other operating expenses	100	(1625542)	(641673)	(402635)	(1050311)
III. Non-sale income and expenses					
Non-sale income	120	129 317	129 317	206 084	206 084
Non-sale expenses	130	(838579)	(838584)	(640869)	(640869)
Profit (loss) before taxes	140	655 578	1 303 244	1 211 554	563 878
Profit tax and other similar obligatory fees *****	150	(328306)	(328306)	(506077)	(506077)
Profit (loss) of normal operation	160	(327272)	974938	705477	57801
IV. Extraordinary income and expenses	170				
Extraordinary expenses	180	8	8	1 196	1 196
Net profit (retained profit (loss) of period under report) (lines 160+170-180)	190	327 264	974 930	704 281	56 605

- Records of Inventories

In 2002 the actual prime cost of inventories is formed in the accounts and reports of the Company using accounts 15 "Procurement and Acquisition of Stocks of Materials and Capital Equipment" and 16 "Deviation in the Value of Stocks of Materials and Capital Equipment".

At the end of the month under report, the deviations collected on account 16 "Deviation in the Value of Stocks of Materials and Capital Equipment" are written off (reversed – in case of a negative difference) to the debit of the cost accounts depending on the direction of the expenditure in proportion to the value of the spent stocks of materials and capital equipment.

– Costs Accounting Procedure

In 2001 the analytical accounting of costs was carried out by items of costs. In 2002 there is a separate accounting of costs by types of services, jobs and products.

– Taxation

In 2001 receipts from sales for taxation were determined as payment documents were paid by buyers (customers). In 2001 receipts for taxation were determined as follows:

for the profit tax, when the taxation base is determined, the proceeds from sales of services, goods and jobs were determined by the method of "charging", i.e. on the basis of the fact of the provision of services (performance of jobs), shipment of goods (products) and presentation of respective invoices.

– Methods for Determining Costs for the Purposes of Calculating the Profit Tax, the Profit Tax Distribution and the Value Added Tax for Payment of the Taxes to Budgets of Various Levels; Profit Tax Payment Method

For the purposes of profit tax calculation:

- when the amount of material expenses is determined in writing off the materials used in the production (manufacture) of goods (performance of jobs or provision of services), the method of evaluation by the average prime cost is applied;
- depreciation amounts for all groups of fixed assets are charged by the linear method;
- - for depreciated fixed assets used for the work in an aggressive medium and/or with many shifts, the Organization is entitled to apply a special coefficient to the basic depreciation rate; however, the coefficient shall not exceed 2;
- the coefficient established in the contract shall be applied to the basic depreciation rates for fixed assets being the subject of a contract of leasing.

Under the contracts made before 01.01.02, the Organization shall charge depreciation for leased property, using the methods and standards that existed at the moment of transferring (receiving) the property and applying a special coefficient not exceeding 3.

For cars and passenger minibuses having the initial value of more than 300 thousand roubles and 400 thousand roubles respectively and received on the basis of leasing, the basic depreciation rate with the special coefficient 0.5 shall be applied;

- withdrawn securities shall be written off to expenses at the prime cost of those that were acquired first (by the FIFO method).

For distribution of the profit tax for payment of the tax to budgets of various levels, the average official number of employees and the residual value of the depreciated property of the directorate, branches and structural units of branches shall be used.

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For distribution of the value added tax for payment of the tax to budgets of various levels, the average official number of employees of units and the residual value of the fixed assets of the directorate, branches and structural units of branches shall be used.

The Organization shall pay the profit tax in monthly advance payments in equal installments in the amount of one third of the actually paid quarterly advance payment for the quarter preceding the quarter, in which monthly advance payments are effected.

In the opinion of the Management of the Company, the application of the new method of accounting ensures a more reliable presentation of the facts of economic activities in the accounting and reporting of the Company for the year 2002. Consequences of the changes in the accounting policy have not been reflected in the adjustment of the data included in the accounts and reports for the period under report that has expired, because the monetary evaluation of those consequences in respect of the periods preceding the period under report cannot be carried out with sufficient reliability.

5. CHANGES IN THE INITIAL BALANCE SHEET AS OF 1ST JANUARY 2002

In the accounts and reports for the year 2002, the Initial Balance Sheet as of 1st January 2002 of OJSC North-West Telecom was changed due to the introduction of a new card of accounts:

Table No. 1

Line No.	31.12.2001 (*)	01.01.2002 (*)	Change, Δ (+/-)	Explanations
Line 110 from form 1	41 934	41 934		
Line 111 of Form 1	41 934	41 934		
Line 112 of Form 1				
Line 113 of Form 1				
Line 120 of Form 1	6 127 121	6 127 121		
Line 121 of Form 1	4 534	4 534		
Line 122 of Form 1	5 116 656	5 746 303	629 647	Change in legislation, transition to a new card of accounts
Line 130 of Form 1	541 489	542 792	1 303	Change in legislation, transition to a new card of accounts
Line 135 of Form 1				
Line 136 of Form 1				
Line 137 of Form 1				
Line 140 of Form 1	84 590	84 590		
Line 141 of Form 1	13 633	13 633		
Line 142 of Form 1	46 015	21 515	(24 500)	Wrong presentation of other investment (OJSC Telecominvest)

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				- 15%) in subsidiaries
Line 143 of Form 1	8 036	32 536	24 500	Wrong presentation of other investment (OJSC Telecominvest - 15%) in subsidiaries
Line 144 of Form 1	12 851	12 851		
Line 145 of Form 1	4 055	4 055		
Line 150 of Form 1				
Line 190 of Form 1	6 795 134	6 796 436	1 302	Change in legislation, transition to a new card of accounts
Line 210 of Form 1	103 041	101 808	(1233)	Change in legislation, transition to a new card of accounts
Line 211 of Form 1	77 265	57 405	(19860)	Change in legislation, transition to a new card of accounts
Line 212 of Form 1				
Line 213 of Form 1	11	11		
Line 214 of Form 1	554	554		
Line 215 of Form 1				
Line 216 of Form 1	25 211	43 838	18 627	Change in legislation, transition to a new card of accounts
Line 217 of Form 1				
Line 220 of Form 1	143 809	143 809		
Line 230 of Form 1	37	0	(37)	Change in legislation, transition to a new card of accounts
Line 231 of Form 1				
Line 232 of Form 1				
Line 233 of Form 1				
Line 234 of Form 1				
Line 235 of Form 1	37	0	(37)	Change in legislation, transition to a new card of accounts
Line 240 of Form 1	967 321	967 288	(33)	Change in legislation, transition to a new card of accounts
Line 241 of Form 1	857 258	857 440	182	Change in legislation, transition to a new card of accounts
Line 242 of Form 1				
Line 243 of Form 1				
Line 244 of Form 1				
Line 245 of Form 1	22 941	25 950	3 009	Change in legislation, transition to a new card of accounts
Line 246 of Form 1	87 122	83 898	(3 224)	Change in legislation, transition to a new card of accounts

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Line 250 of Form 1	5 836	5 836		
Line 251 of Form 1	1 700	1 700		
Line 252 of Form 1				
Line 253 of Form 1	4 136	4 136		
Line 260 of Form 1	107 577	107 578	1	Change in legislation, transition to a new card of accounts
Line 261 of Form 1	976	976		
Line 262 of Form 1	97 933	96 261	(1 672)	Change in legislation, transition to a new card of accounts
Line 263 of Form 1	246	246		
Line 264 of Form 1	8422	10 095	1 673	Change in legislation, transition to a new card of accounts
Line 270 of Form 1				
Line 290 of Form 1	1 327 621	1 326 319	(1 302)	Change in legislation, transition to a new card of accounts
Line 300 of Form 1	8 122 755	8 122 755		
Line 410 of Form 1	587 498	587 498		
Line 420 of Form 1	4 966 187	4 966 187		
Line 430 of Form 1	23 474	23 474		
Line 431 of Form 1	23 474	23 474		
Line 432 of Form 1				
Line 440 of Form 1				
Line 460 of Form 1	337 902	702 014		
Line 465 of Form 1				
Line 470 of Form 1	364 112			
Line 475 of Form 1				
Line 490 of Form 1	6 279 173	6 279 173		
Line 510 of Form 1	2 954	2 954		
Line 511 of Form 1				
Line 512 of Form 1	2 954	2 954		
Line 520 of Form 1	910 175	910 175		
Line 590 of Form 1	913 129	913 129		
Line 610 of Form 1	107 200	107 200		
Line 611 of Form 1	50 000	50 000		
Line 612 of Form 1	57 200	57 200		
Line 620 of Form 1	803 704	803 703	(1)	Change in legislation, transition to a new card of accounts
Line 621 of Form 1	297 066	310 113	13 047	Change in legislation, transition to a new card of accounts
Line 622 of Form 1				
Line 623 of Form 1				
Line 624 of Form 1	4 866	4 866		
Line 625 of Form 1	5 714	5 714		
Line 626 of Form 1	94 715	94 541	(174)	Change in legislation, transition to a new card of accounts

Line 627 of Form 1	90 249	90 249		
Line 628 of Form 1	311 094	298 221	(12 873)	Change in legislation, transition to a new card of accounts
Line 630 of Form 1	17 553	17 553		
Line 640 of Form 1	1 996	1 996		
Line 650 of Form 1				
Line 660 of Form 1				
Line 690 of Form 1	930 453	930 453		
Line 700 of Form 1	8 122 755	8 122 755		
Line 910 of Form 1	298 884	299 243	359	Change in legislation, transition to a new card of accounts
Line 911 of Form 1	127 682	127 682		
Line 920 of Form 1	44	11 971	11 927	Change in legislation, transition to a new card of accounts
Line 930 of Form 1				
Line 940 of Form 1	64 588	64 588		
Line 950 of Form 1				
Line 960 of Form 1				
Line 970 of Form 1	2 007	2 007		
Line 980 of Form 1				
Line 990 of Form 1				

(* - figures of the base organization)

6. BALANCE STRUCTURE ANALYSIS AND EVALUATION

As of 31st December 2002, the structure of the balance can be described by the following figures:

Table No. 2

Index	31.12. 2002 (taking into account affiliated organizations)	Standard C (*)
Absolute liquidity ratio	0,138	>0,2-0,7
Current liquidity factor	1,005	1 – 1,5
Own circulating assets index	-0,553	> 0.1
Profitability of sales	26,2%	

* The standard shows the satisfactory balance structure.

For information:

The *Current Liquidity Factor* describes the general availability of circulating funds at enterprises for the economic activities and for timely payment of fixed-term liabilities. It is determined as the ratio of the actual value of circulating assets in the form of stores, finished products, monies, accounts receivable, and other circulating assets (total of section II of the balance sheet assets) to the most urgent liabilities in the form of short-term credits from

banks, short-term loans and accounts payable (total of section V of the balance sheet liabilities).

Own assets index describes the availability of own circulating funds required for their financial stability. It is determined as the ratio of the difference between the amounts of the sources of own funds (total of section III of the liabilities of the balance sheet) and the actual value of fixed assets and other non-circulating assets (total of section I of the assets of the balance sheet) to the actual value of circulating assets in the form of stores, production in progress, finished products, monies, accounts receivable and other circulating assets (total of section II of the assets of the balance sheet).

The analysis of the financial standing of OJSC North-West Telecom was carried out on the basis of the accounting balance sheet (Form No. 1) and the profit and loss report (Form No.2).

In the period under report the balance sheet currency increased by 893,553 thousand roubles.

The bulk in the structure of aggregate assets are fixed assets (73.3 %), which shows the "heavy" structure of assets and considerable overhead expenses.

Circulating assets make 17.5% of the balance sheet currency. The bulk of the circulating assets are accounts receivable (57.05% of the total amount of circulating assets).

The most significant changes have taken place in respect of the following items of circulating assets:

- stores – the absolute value has grown by 30 %;
- cash – a growth of 90.8 %; the share of monetary funds in the structure of circulating assets has increased (from 7.47 % to 13.25 %);
- the accounts receivable have decreased by 15%, their share in the total amount of circulating assets have decreased (from 72.21% to 57.05%), the long-term accounts receivable having increased by 6.2%, while short-term accounts receivable decreased by 15.2%.

Non-circulating assets – construction in progress – have grown by 52.4 %. The growth of construction in progress shows that new production facilities have been built and production expanded.

Liabilities

The basic source of forming the aggregate assets of the enterprise are own funds (72,8%). In absolute figures, own funds grew for the period under report by 151,521 thousand roubles; however, their share in the sources of financial resources decreased (from 76.3% to 72.8%), which somewhat reduced the financial stability of the enterprise.

Borrowed funds grew by 131,890 thousand roubles, their share in the sources having grown insignificantly (from 13.4% to 13.5%).

The share of raised funds grew (from 10.3% to 13.8%), their growth amounting to 610,142 roubles.

From the standpoint of financial stability, the enterprise has a favourable liabilities structure, as the bulk of them are own funds (72.8%) and long-term liabilities (9.6%); however, the share of long-term liabilities somewhat decreased (from 10.7% to 9.6%), while the share of short-term liabilities increased (from 2.8 % to 4.2%), which somewhat reduces the financial stability of the enterprise.

It should be noted in respect of balance liquidity analysis that the shortage of short-term liabilities funds increased; however, the long-term liabilities cover figures have improved.

Ratio Analysis

The calculation of the basic ratios of the enterprise's financial standing is given in table 2.

The absolute liquidity ratio is lower than the standard value; however, it has grown for the period under report (from 0.106 to 0.138).

The current liquidity ratio is higher than the required standard value.

The ratio of own funds availability is negative and is considerably lower than the standard.

Financial stability ratios are within the standard, which shows that the state of the enterprise is stable.

The enterprise's operation for the period has yielded profit. Production profitability (the ratio of gross profit to prime cost) has been 35.6%, while profitability of sales (the ratio of gross profit to receipts) has been 26.2 %.

The enterprise's assets use efficiency may be considered as high, for the assets profitability ratio values are much higher than the standard (0.3).

On the whole, a conclusion may be drawn for the analysis, that as of the end of the period under report the enterprise has had a profitability level average for the industry.

The enterprise has a financially stable standing; however, certain solvency indices are below the standard.

7. DYNAMICS OF PROFIT FOR THE YEAR 2002

Table No. 3

Area of activities	Receipts (line 010, Form No. 2)		Prime cost (line 020, 030, 040, Form No. 2)		Profit (line 050, Form No. 2)		Dynamics of profit Δ,%
	2002	2001	2002	2001	2002	2001	
	<i>(taking into account affiliated organizations)</i>						
Provision of communication services	9 778 167	7 838 095	7 300 095	5 839 162	2 478 072	1 998 933	23,97%
Other	313 674	220 636	143 274	192 386	170 400	28 250	503,19%
TOTAL:	10 091 841	8 058 731	7 443 369	6 031 548	2 648 472	2 027 183	30,65%

The results of the year 2002 show a certain growth of profit from sales related to both an increase in the volume of services provided and an increase in the rates. On the average, the growth of profit from sales amounted to 30.65 % as compared to the figures of the previous year.

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8. EXPLANATIONS ON IMPORTANT ITEMS OF THE BALANCE SHEET

8.1. Fixed Assets

Flow of fixed assets during the year under report by main groups (receipt, withdrawal, etc.) is shown in the table:

Table No. 4

Groups of fixed assets	Initial value as of 31.12.2001		Revaluation of fixed assets as of 01.01.2002		Replacement value as of 01.01.2002		Receipts during the year		Withdrawal during the year, total		Replacement value as of 31.12.2002
	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account affiliated organizations) (*)	Including: affiliated organizations before the reorganization date	Total (taking into account affiliated organizations) (*)	Including: affiliated organizations before the reorganization date	
1	2	3	4	5	6	7	8	9	10	11	12
Buildings	4 169 946	1 202 255	-	-	4 169 946	1 202 255	507 691	69 268	(560 794)	(19 696)	4 116 842
Facilities	5 731 788	3 446 678	-	-	5 731 788	3 446 678	226 269	86 439	(289 644)	(279 314)	5 668 413
Machines and equipment	8 321 987	3 876 289	-	-	8 321 987	3 876 289	1 144 104	285 362	(270 352)	(113 081)	9 195 739
Transport facilities	155 919	126 609	-	-	155 919	126 609	28 556	16 010	(10 116)	(6 975)	174 360
Other	307 009	178 119	-	-	307 009	178 119	92 699	36 392	(24 627)	(23 739)	375 081
TOTAL	18 686 649	8 829 950	-	-	18 686 649	8 829 950	1 999 319	493 471	(1 155 533)	(442 805)	19 530 435

(* Turnovers related to the transfer of balances on accounts of affiliated organizations of the base organization in connection with re-organization are excluded)

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Information on the total amount of accumulated depreciation on fixed assets:

Table No. 5

Groups of fixed assets	Accumulated depreciation as of 31.12.2001		Revaluation of depreciation as of 01.01.2002 in connection with revaluation of fixed assets		Accumulated depreciation taking into account revaluation as of 01.01.2002		Charged depreciation for the year 2002		Written off depreciation on withdrawn fixed assets during the year, total		Accumulated depreciation as of 31.12.2002
	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account indices of affiliated organizations)	including affiliated organizations	Total (taking into account affiliated organizations) (*)	Including: affiliated organizations before the reorganization date	Total (taking into account affiliated organizations) (*)	Including: affiliated organizations before the reorganization date	
1	2	3	4	5	6	7	8	9	10	11	12
Buildings	967 761	292 599	-	-	967 761	292 599	103 595	13 695	122 225	7 370	949 131
Facilities	3 304 694	2 185 802	-	-	3 304 694	2 185 802	215 251	129 310	245 614	238 766	3 274 331
Machines and equipment	3 543 914	1 715 574	-	-	3 543 914	1 715 574	637 343	228 629	167 803	83 291	4 013 454
Transport facilities	87 127	71 980	-	-	87 127	71 980	17 997	12 047	14 195	8 463	90 929
Other	210 992	118 955	-	-	210 992	118 955	53 425	23 702	14 830	7 872	249 586
TOTAL	8 114 488	4 384 910	-	-	8 114 488	4 384 910	1 027 611	407 383	564 667	345 762	8 577 431

(* Turnovers related to the transfer of balances on accounts of affiliated organizations of the base organization in connection with re-organization are excluded)

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Fixed Assets Received under Contracts of Leasing

In 2002 and 2001 the Company made 2 contracts of financial lease (leasing) with OJSC Leasing-Telecom, 11 contracts with OJSC RTK-Leasing, 2 contracts with LLC TekhnoSvyaz-Leasing, 3 contracts with LLC Promsvyazleasing, 6 contracts with OJSC NUKB Novobank, 4 contracts with OJSC Novgorod Leasing Company and 1 contract with CJSC BaltLeasing. The contracts of leasing provide for lease of transport facilities, computer facilities, switchboards and other telecommunication equipment, the bulk of which was received during 2001 and 2002. The lease periods are 13 to 60 months.

A part of the equipment acquired under the contracts of leasing is taken into account by the lessor.

The contractual value of the equipment acquired on the basis of leasing as of 31st December 2002 was 168,094 thousand roubles. The property transferred under contracts of finance lease is taken into account on the lessors' balance sheet.

A part of the equipment acquired under the contracts of leasing is taken into account by the lessee. Under the terms of the contracts of finance lease, the received property is taken into account on the Company's balance sheet. Depreciation in respect of fixed assets received under contracts of finance leasing shall be charged by the method of uniform (linear) calculation based on the useful life of 10 years from the moment of the fixed assets commissioning, using the accelerated depreciation factor set forth in the terms of the contract, being 3 in 2002.

As of 31st December 2002 and 2001, the value of the received equipment taken into account by the lessee under contracts of leasing was (taking into account the affiliated organizations):

	2002 (thousand roubles)	Table No. 6 2001 (thousand roubles)
Initial value	224 821	-
Charged depreciation	-	-
Balance value of fixed assets in leasing	224 821	-

Leasing liabilities are (including VAT):

	Table No. 7 Thousand roubles
2003	179 612
2004 -2006	260 195
2007 and later	30 433
Total: leasing liabilities	470 240

As of 31st December 2002 the advance in the amount of 11,645 thousand roubles paid to lessors under contracts of finance lease is shown in the enclosed balance sheet in line 245 "Issued Advances".

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8.2. Construction-in-Progress

Line 130 "Construction-in-Progress" of Form No. 1 "Balance Sheet"

Table No. 8

Structure of construction-in-progress	Investment in production fixed asset objects as of 31.12.02, thousand roubles	Investment in non-production fixed asset objects as of 31.12.02, thousand roubles	TOTAL:
Account 08 "Investment in non-circulating assets" TOTAL	1 109 419	8 599	1 118 018
Including: Construction, updating and renovation of fixed assets objects by the contract method	322 141	5 897	328 038
Construction, updating and renovation of fixed assets by own forces	31 136	1 640	32 776
Capital investment in leased fixed assets objects	4 534	-	4 534
Acquisition of separate fixed assets objects	652 891	281	653 172
Acquisition of fixed assets under contracts of leasing	2	-	2
Acquisition of certain objects of fixed assets under investment projects	1 164	12	1 176
Other	97 551	769	98 320
Account 07 "Equipment to be Installed"	X	X	90 417

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8.3. Financial Investment

Long-term and short-term financial investment of OJSC North-West Telecom in 2002:

Table No. 9

Types of financial investment	Balance as of 01.01.2002		Received		Retired		Balance as of 31.12.2002
	Total (taking into account affiliated organizations)	including: affiliated organizations	Total (taking into account affiliated organizations)	Including affiliated organizations before the reorganization date	Total (taking into account affiliated organizations)	Including affiliated organizations before the reorganization date	
1	2	3	4	5	6	7	8
Long-term financial investment, including:	202 860	118 272	9 471	617	(52 851)	(42 909)	159 481
- Shares and parts in authorized capitals	185 759	118 076	617	617	(44 021)	(42 821)	142 355
- Bonds	108	108					108
- Contributions under special partnership contracts	-	-	-	-	-	-	-
- Notes	-	-	-	-	-	-	-
- Granted loans	12 851	-	611	-	(742)	-	12 720
- Other	4 142	88	8 243		(8 088)	(88)	4 298
Depreciation reserve	-	-	-	-	-	-	-
Total line 140 of Form 1	202 860	118 272	9 471	617	(52 851)	(42 909)	159 481
Short-term financial investment, including:	5 926	90	125 619	9 918	(126 542)	(9 418)	4 913
- Bonds	307	-	-	-	(244)	-	63
- Notes	3 569	90	10 619	9 918	(9 448)	(9 418)	4 650
- Granted loans	1 700	-	-	-	(1 500)	-	200
- Contributions under special partnership	-	-	-	-	-	-	-

contracts							
- Deposit accounts	350	-	115 000	-	(115 350)	-	-
- Other short-term financial investment	-	-	-	-	-	-	-
Own shares redeemed from the shareholders	-	-	354	354	(354)	(354)	-
Depreciation reserve	-	-	-	-	-	-	-
Total line 250 of Form 1	5 926	90	125 973	10 272	(126 896)	(9 772)	4 913
TOTAL:	208 786	118 362	135 444	10 889	(179 747)	(52 681)	164 394

(* Turnovers related to the transfer of balances on accounts in connection with re-organization are excluded)

8.4. Shares and Parts in Authorized Capitals

Information on the basic investments of the Company in authorized capitals of subsidiaries, affiliates and other companies.

Table No. 10

Company	Area of activities	Investment amount as of 31/12/2002	Share in the authorized capital:
1	2	3	4
<u>Subsidiaries</u>			
LLC AMT	Consulting services	11600	100.00%
LLC Centrum	Restaurant services	49.62	100.00%
LLC Pagetelecom	Paging communication services -LLC Pagetelecom	185.00	100.00%
OOO Polycomp	Publishing	4.49	90.00%
LLC AGTS	Communication	62 052.49	77.00%
CJSC Vologda Cellular Communication	Cellular communication services	33.00	60.00%
CJSC St. Petersburg Telecommunication Centre	Telecommunication specialists training	2 150.50	54.38%
CJSC Novgorod	Internet Services	52.00	52.00%

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Datacom			
LLC Bona	Trading, purchasing, agency, marketing, repairs, construction, production of consumer goods, provision of personal services, procurement, processing and sales of wood and agricultural products	2.23	51.00%
ZAO Kolatelecom	Provision of the services of long-distance and international communication via dedicated network	75.00	50.00%
Total subsidiaries	X	76 204.32	X
<u>Affiliate companies</u>			
CJSC NEVA KABEL	Production and sales of quality telephone cables	95.00	49.00%
CJSC Delta Telecom	Provision of the services of cellular radio telephone communication in the NMT-450i standard	52.49	43.00%
CJSC Commercial Television and Radio	Services of telecasting and broadcasting	0.20	40.00%
IJSC Medexpress	Various types of voluntary insurance	21 361.47	35.00%
CJSC Kaliningrad Mobile Networks	Cellular communication, NMT-450 MHz	261.30	33.50%
CJSC WestBaltTelecom	Local telephone communication	11 343.35	28.00%
CJSC Octagon	Communication	2.22	26.00%

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Technologies	services		
OJSC Tele-Nord	telecommunications and radio communications (cellular radio telephone communication, NMT-450 standard)	25.00	25.00%
AOZT Dancell	Production of communication facilities	3.50	24.00%
Total affiliate companies	X	33 144.53	X
<u>Financial investment in other organizations</u>			
CJSC Northern Clearing Chamber	Payment & settlement systems using the closed financial electronic system	519.50	19.97%
OJSC The St. Petersburg Bank of Reconstruction and Development	Banking services	2 959.95	18.30%
OJSC Telecominvest	Consulting services	24 499.90	15.00%
CJSC North-West Telecombank	Banking services	2 070.85	14.20%
CJSC FORE	Production of foodstuffs	1.09	13.30%
CJSC ROSTELEGRAPH	Communication services	48.00	11.84%
CJSC VISA	Consular, passport and visa support services	0.05	10.00%
AOZT KIT	Publishing (reference books)	8.05	6.79%
ZAO TD-Telecom	Provision of telephone communication services, agency in GSM services	58.70	6.70%
OJSC Capital	Investment activities	60.01	4.30%

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RusLeasingSvyaz Private Company	Acquisition of expensive communication equipment and leasing it out to lessee companies	1 424.00	3.65%
NPF Alternativa	Extra provision of pensions for citizens	45.00	3.00%
UKB Novobank	banking	424.79	2.00%
OJSC Dvinskaya Zemlya	Tourist services	20.00	2.00%
NPF Capitan	Extra provision of pensions for citizens	52.50	1.59%
OJSC for the Construction and Operation of the Ring Motor Road of St. Petersburg	Construction of the protection facilities and the ring motor road around St. Petersburg	200.00	1.74%
RON TOO	Superposed public distributed network	0.32	1.20%
CJSC St. Petersburg Teleport	Creating, operating and developing the SPb Teleport	10.00	1.00%
Morskoy KB	Banking	91.23	1.40%
AIK PSB Arkhangelskpromstro ybank	Banking transactions and operations	2.40	0.42%
OJSC Arkhangelsk TV Company	Cable TV services	2.41	0.40%
OJSC Svyaz-Bank	Banking services	232.07	0.37%
ACB Baltika	Banking	274.70	0.07%
Gvardeyskoye OSB	Banking	1.07	0.00001%
SBS Agro AKB	Banking	0.100	1 pc.
<u>Financial investment in other organizations</u>	X	33 006.40	X
Depreciation reserve	X	0	X
Total financial investment in authorized capitals	X	142 355.26	X

Other investments were made in Russian companies mainly dealing with the provision of banking services, leasing out equipment and investment activities. The Company's share in the authorized capital of such enterprises does not exceed 20%.

The income gained in the form of dividend from long-term financial investment is shown in the item "Income from Holdings in Other Organizations" in the profit and loss report in the amount of 489 thousand roubles (3328 thousand roubles in 2001).

8.5. Granted Loans

Structure of Granted Loans

Table No. 11

Name of borrower	Amount of loan as of 31.12.02	Repayment date	Annual interest rate	Collateral (name of asset / balance value as of 31.12.02)
1	2	3	4	5
Short-term loans				
Administration of the Koltushi Volost	200	02.04.2000	0%	
Total short-term loans	200	X	X	X
Long-term loans				
CJSC Westlink	720	31.01.2007	0%	
CJSC FORE	2 000		0%	
LLC AMT	10 000	31.12.2005	0%	
Total long-term loans	12 720	X	X	X
TOTAL LOANS:	12 920	X	X	X

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Table 11.1

Name of borrower	Date of making agreement	Loan currency (roubles /US dollars/ etc.)	Principal amount of the loan (thousand roubles)	interest rate	Interest payment period (on a monthly basis, on a quarterly basis, annually)	Loans granted in 2002 (thousand roubles) (*)	Charged % (thousand roubles) (*)	Receipts during the year (*)		Debt as of 31.12.02		Type of collateral	Value of security as of 31.12.02 (thousand roubles)
								Principal amount of the debt (thousand roubles)	% (thousand roubles)	Principal amount (thousand roubles)	% (thousand roubles)		
Administration of Koltushi Volost	16.12.1999	roubles	200	0%	-	-	-	-	200	-	-	-	-
Communication History Foundation	15.08.2001	roubles	1 500	0%	-	-	-	1 500	-	-	-	-	-
Westlink	24.01.1997	conventional units	851	0%	-	611	-	742	720	-	-	-	-
FORE		roubles	2 000	0%	-	-	-	-	2 000	-	-	-	-
AMT	30.07.1999	roubles	10 000	0%	-	-	-	-	10 000	-	-	-	-

(* - taking into account affiliated organizations from 01.01.2002 till 31.12.2002)

8.6. Inventories

Structure of inventories:

Table No. 12

Group of inventories	Balance as of 01.01.2002 (taking into account indices of affiliated organizations)	Balance as of 31.12.2002
1	2	3
Cable	34 454	49 919
Fuel	5 506	6 716
Spare parts	30 876	35 752
Materials transferred for processing to other organizations	195	245
Building materials	9 762	10 754
Implementments and accessories	11 066	18 406
Other materials	62 852	81 264
Deviations in the value of inventories	1 151	2 306
Total (line 211 of Form No. 1)	155 863	205 362

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8.7. Accounts Receivable

Structure of accounts receivable as of 31.12.2002:

Table No. 13

Category of subscribers	Accounts receivable, payments under which are expected over 12 months after the reporting date (line 231 of col. 5, Form 1)		Accounts receivable, payments under which are expected less than 12 months after the reporting date		
	1	2	3	4	5
Settlements with individuals (for communication services)	-	-	476 294	(43 755)	432 539
Settlements in respect of reimbursement for expenses related to provision of privileges (for communication services)	-	-	644 840	(513 645)	131 195
Settlements with budgetary organizations (for communication services)	-	-	144 560	(50 851)	93 709
Settlements with other organizations (for communication services)	-	-	260 857	(55 152)	205 705
Settlements in respect of secondary activities	-	-	113 389	-	113 388
Total accounts receivable	-	-	1 639 940	(663 403)	976 537

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8.8. Other Debtors

Table No. 14

Category	Accounts receivable, payments under which are expected less than 12 months after the reporting date		Accounts receivable less doubtful debt reserve (line 246 of col. 5, Form 1)
	Accounts receivable, payments under which are expected over 12 months after the reporting date (line 235 of col. 5, Form 1)	Accounts receivable, total	
1	2	3	4
Settlements in respect of taxes and fees	-	55 577	X
Settlements with advance holders	-	1 359	X
Settlements with the personnel in respect of other operations	13 169	12 488	X
Insurance settlements	-	2 895	X
Claim settlements	-	7 731	X
Other	-	90 080	-
Total accounts receivable	13 169	170 130	-
			5
			55 577
			1 359
			12 488
			2 895
			7 731
			90 080
			170 130

8.9. Capital and Reserves

Change in the structure of capital as a result of re-organization

As of the date of making up the accounts and reports, the Company increased the retained profit of past years in connection with the need to register the new size of the authorized capital in the amount less than the total amount of authorized capitals of affiliated organizations. As a result of Company's re-organization, the structure of the capitals of affiliated organizations was reformed. As of the date of the re-organization, the authorized capitals, as well as the unused parts of added and reserve capitals and other funds of various purposes of affiliated organizations were included in the Company's retained profit of past years (the enclosed balance sheet shows them in line 460 "Retained Profit of Past Years").

The amount of added capital corresponding to the total amount of added capitals in respect of the growth of the value of property in revaluation of affiliated organizations, created by them before the re-organization date, was separated from the retained profit.

The equity capital of the Company as of 31st December 2002 consisted of the investments of owners in the Company's authorized capital (also see clause 7.9.1. below); the added capital of the base organization and the added capital in respect of the growth of the value of property in revaluation of affiliated organizations; funds of various purposes (social sphere fund) of the base organization; accumulated retained profit of past years (reflecting the reduced balance on items of the capital of affiliated organizations and retained profit of past years of the base organization), as well as the profit (loss) of the year under report taking into account the affiliated organizations.

8.9.1. Authorized Capital

As of 31st December 2002 the authorized capital of the Company was 937,940,010 roubles and was determined as the total amount of the face value of floated shares, and consisted of:

Table No. 15

Shareholders	Number of common shares	Shares face value (roubles)	Total amount of the face value of common shares (thousand roubles)	Number of preferred shares	Shares face value (roubles)	Total amount of the face value of preferred shares (thousand roubles)	Total amount of the face value of shares (thousand roubles)
1	2	3	4	5	6	7	8=4+7
Legal entities	692 806 967	1	692 807	107 046 159	1	107 046	799 853
- OJSC Svyazinvest.	374 172 243	1	374 172	0	1	0	374 172
Brunswick UBS Warburg Nominees Private Company	102 844 749	1	102 845	20 325 485	1	20 325	123 170
ING Bank (Eurasia)	45 441 897	1	45 442	22 867 682	1	22 868	68 310
- CJSC DKK	50 320 342	1	50 320	22 217 296	1	22 217	72 538
-Lindsell Enterprises	46 285 849	1	46 286	15 870 542	1	15 871	62 156

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Limited							
- Other	73 741 887	1	73 742	25 765 154	1	25 765	99 507
Individuals	43 110 255	1	43 110	94 976 629	1	94 977	138 087
Total	735917222	X	735917,22	202022788	X	202022,79	937940,01

During the year 2002, on the basis of the decision of the general meeting of the shareholders of OJSC Petersburg Telephone Network (now OJSC North-West Telecom), held on 28th November 2001, an extra issue of common shares took place in the amount of 262,896,773 pcs. and type A preferred shares in the amount of 87,646,542. The face value of extra issued shares is 350,543,315 roubles

Shares of the extra issue were floated on 31.10.02 through conversion of the shares of affiliated telecommunication companies of the North-Western region. The number of extra floated common shares was 262,860,256 and the number of Type A preferred shares -87,581,937. The face value of floated shares is 350,442,193 roubles

The state registration of the reports on the results of the issue of extra shares floated through conversion took place on 27th December 2002. The change in the authorized capital was recognized an important event proving the availability, as of the reporting date, of the economic conditions under which the organization was operating, and, in compliance with the requirements of the accounting rules 7/98 "Events after the Reporting Date" this change was recorded in the enclosed accounts and reports as of 31st December 2002. (Also see clause 15 "Events after 31st December 2002" of this Explanatory Note).

The authorized capital of the Company after the affiliation is less than the total amount of the authorized capitals of the affiliated organizations and the base organization before the affiliation. The said reduction has been caused by:

- the reduction of the authorized capitals of the affiliated organizations as a result of cancellation of own shares redeemed from the shareholders;
- the growth of the capital of the base organization due to the conversion of the shares of the affiliated organizations into shares of the base organization in accordance with the approved shares conversion coefficients.

The amount of the *retained profit of past years* was increased by the excess of the face value of the shares of affiliated organizations over the face value of the extra issue of shares issued for conversion in the course of re-organization.

8.9.2 Own Shares

During the year 2002 OJSC North-West Telecom did not redeem own common and/or preferred shares

8.9.3 Profit Distribution

Planned distribution of profit (for the year 2002) of OJSC North-West Telecom at the annual general meeting of the shareholders in 2003:

Table No. 16

	Amount, thousand roubles
I. Capital before distribution of profit of the year under report	
1. Authorized capital	937 940
2. Capital reserves	29 375
3. Additional capital	6 941 473
4. Profit of previous years	2 637 632
5. Profit of the year under report	327 264
6. Total capital before profit distribution	10 873 684
II. Areas of Distribution of Profit of the Year under Report	
1. Profit allocated for reserve fund formation	
2. Profit allocated for the formation of a specialized corporization fund of the Company's employees (if such a formation is provided for by the incorporation documents)	
3. Profit allocated for dividend	
4. Results of distribution of profit of the year under report	
III. Capital after Profit Distribution	
1. Authorized capital	
2. Capital reserves	
3. Additional capital	
4. Profit of previous years	
IV. Growth (reduction) of the capital in respect of the retained profit of the year under report.	

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Distribution of profit of the year under report is to be approved by the annual general meeting of the Company's shareholders.

8.9.4 Capital Reserves

In the enclosed financial reports the capital reserves are shown in the amount of the base organization.

Formation of the capital reserves will be shown as the use of the retained profit during the year expiring on 31st December 2003, after approval by the general meeting of the shareholders of the Company.

8.9.5 Dividend

The meetings of the shareholders of OJSC North-West Telecom and of the organizations affiliated with it as a result of the re-organization, that were held during 2002, approved the dividend for the year expiring on 31st December 2001, in the following amount:

Table No. 17

Shares	Dividend (total, taking into account affiliated organizations), thousand roubles	Dividend (base company), thousand roubles
1	2	3
Type A preferred stock	62 642	28 381
Type B preferred stock		
Common stock	71 159	36 425
Total	133 801	64 806

The dividend for the year 2001 is shown in the financial reports for the year expiring on 31st December 2002.

The Board of Directors of the Company proposed the following amount of dividend for the year 2002:

Table No. 18

Shares	Number of shares (pcs)	Dividend per share (roubles)	Total amount of dividend (roubles):
1	2	3	4
Type A preferred stock			
Common stock			
Total			

The enclosed financial reports do not show the dividend for the year 2002. It will be shown as the use of the retained profit during the year expiring on 31st December 2003, after they are approved by the annual general meeting of the shareholders of the Company.

8.10 Credits and Loans

Structure of Liabilities:

Table No. 19

	As of 01.01.2002				As of 31.12.2002	
	Short-term liabilities (Line 610, Line 621 of Form 1)		Long-term liabilities (Line 510, 520, Form 1)		Short-term liabilities (Line 610, Form 1)	Long-term liabilities (Line 590, Form 1)
	Total, taking into account indices of affiliated organization s	Base organization	Total, taking into account indices of affiliated organizations	Base organizati on		
1	2	3	4	5	6	7
Bank credits	257 285	50 000	25 738	-	208 946	17 383
Arkhangelsk						
- Savings Bank	45 266	-	-	-	5 010	-
Vologda						
- Savings Bank	17 000	-	-	-	17 900	-
Kaliningrad						
- Savings Bank	6 718	-	-	-	-	-
- Vneshtorgbank	7 766	-	-	-	-	-
Morskoy KB	2 000	-	-	-	-	-
- Vnesheconombank (Foreign Economic Bank)	-	-	25 738	-	7 154	17 383
Karelia						
- MCB Svyazbank, Petrozavodsk	15 500	-	-	-	15 000	-
Interregional CB of Communication and Information Science Development, Moscow	-	-	-	-	5 000	-
- Petrozavodsk branch of OJSC Industry and Construction Bank	2 000	-	-	-	5 000	-

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Murmansk						
- Savings Bank	55 204	-	-	-	36 000	-
- Menatep	9 399	-	-	-	-	-
- MSCB	10 000	-	-	-	10 000	-
- ACB Svyazbank	7 500	-	-	-	-	-
- Petrovsky Narodny Bank Credit	-	-	-	-	64 000	-
Novgorod						
- Savings Bank	22 962	-	-	-	29 882	-
- Nova Lyublyanska Banka	5 970	-	-	-	-	-
PTN						
- MACB Vozrozhdeniye	30 000	30 000	-	-	-	-
- CJSC Telecombank	20 000	20 000	-	-	-	-
Cherepovets						
- Promenergobank OJSC	-	-	-	-	14 000	-
Tied credits (taking account interest) into the	44 197	-	1 183 030	910 175	-	980 753
Vologda						
- OJSC RTK Leasing	-	-	-	-	-	29 716
Karelia						
- Siemens AG	-	-	105 469	-	-	128 334
- Siemens LLC	-	-	16 708	-	-	19 601
- Irina LLC	-	-	-	-	-	3 696
- Kvant-Intercom CJSC	-	-	-	-	-	4 693
Murmansk						
- Lucent Technologies	-	-	55 714	-	-	61 567
- Siemens	-	-	82 617	-	-	132 490
- Iskra Tel	-	-	12 347	-	-	5 848
Novgorod						
- IskraTel	21 337	-	-	-	-	-
PTN						
-Mitsui	-	-	738 567	738 567	-	594 807
- AOZT ELSIS	-	-	171 608	171 608	-	-
Cherepovets						
- Alcatel Bell	5 053	-	-	-	-	-

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Belgium						
- CJSC Alcatel	17 807	-	-	-	-	-
Bonded loan	-	-	-	-	12 428	300 000
Directorate of NWT	-	-	-	-	12 428	300 000
Loans from companies of the Group	115 423	57 200	-	-	26 003	31 197
PTN						
- OJSC Svyazinvest.	57 200	57 200	-	-	26 003	31 197
Vologda						
- OJSC Svyazinvest.	29 213	-	-	-	-	-
Cherepovets						
- OJSC Svyazinvest.	29 010	-	-	-	-	-
Issued notes	-	-	15 044	-	-	15 044
Arkhangelsk	-	-	15 044	-	-	15 044
Other borrowings	-	-	281 016	2 954	331 629	86 042
PTN						
AO Lensvyaz	-	-	2 954	2 954	-	2 954
Murmansk						
- Ministry of Finance	-	-	16 804	-	11 842	10 862
Arkhangelsk						
- Mirny town administration	-	-	163	-	-	-
- Vnesheconombank (Foreign Economic Bank)	-	-	257 518	-	319 787	72 226
- Tax restructuring	-	-	1 731	-	-	-
- Agents debt	-	-	1 847	-	-	-
Total credits and loans (except for tied credits)	372 707	107 200	321 798	2 954	579 006	449 666
Total tied credits	44 197	-	1 183 030	910 175	-	980 753
Total liabilities (line 610, line 590, f.1)	416 904	107 200	1 504 828	913 129	579 006	1 430 419

(* - taking into account affiliated organizations from 01.01.2002 till 31.12.2002

The total amount of tied credits - 44,179 thousand roubles – is shown in line 621 of the balance sheet (Novgorod, Cherepovets)

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Explanation of credits and loans:

Table No. 19.1

Supplier creditor	/	Date making agreement	Loan currency (roubles /US dollars/ etc.)	Principal amount of the loan (thousand roubles)	interest rate	Interest payment period (on a monthly basis, on a quarterly basis, annually)	Received in 2002 (thousand roubles) (*)	Charged % (thousand roubles) (*)	Repaid during the year (*)			Debt as of 31.12.02		Value of security as of 31.12.02 (thousand roubles)
									Principal amount of the debt (thousand roubles)	% (thousand roubles)	10	11	12	
I		2	3	4	5	6	7	8	9	10	11	12	13	
Vologda														
Savings Bank No 603		09.11.2001	roubles	17 000	18	on a monthly basis	-	878	(17 000)	(878)	-	-	-	
Savings Bank No 788		23.04.2002	roubles	-	19	on a monthly basis	8 600	879	(1 000)	(879)	7 600	-	-	9 724
Savings Bank No 789		23.04.2002	roubles	-	19	on a monthly basis	10 300	468	-	(468)	10 300	-	-	16 736
OJSC Svyazinvest.		01.01.2001	roubles	29 213	fixed amount	as the debt is repaid	-	-	(25 000)	(4 213)	-	-	-	
RTK-Leasing Private Company No.204-101/02		21.06.2002	roubles		fixed amount	as the debt is repaid	29 716	-	-	-	29 716	-	-	
PTN														
OAO Lensvyaz		02.06.2001	conven. unit	2 954	0%	-	-	-	-	-	2 954	-	-	
OJSC Svyazinvest.		17.04.2001	conven. unit	57 200	0%	-	-	-	-	-	57 200	-	-	
Bonded loan		06.03.2002	roubles	300 000	20-16%	on a quarterly basis	300 000	27 386	-	14 958	300 000	12 427	-	
Vozrozhdeniye Bank		20.08.2001	roubles	30 000	20.00%	on a monthly basis	-	1 003	(30 000)	(1 003)	-	-	-	

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Telecombank	21.12.2001	roubles	20 000	21.00%	on a monthly basis	-	3 038	(20 000)	(3 038)	-	-
Mitsui	1996	US dollars	738 567	libor	on a monthly basis	-	28 720	(143 759)	(28 720)	595 000	-
Elsis	31.01.2001	US dollars	171 608	8.42%	annually	-	9 077	(171 608)	(9 077)	-	-
Cherepovets											
OJSC Svyazinvest.	25.06.2002	US dollars	29 010	without interest	-	-	-	(29 010)	-	-	-
Alcatel Belgium C 3414	02.12.1997	Belgian francs	5 053	-	-	-	-	(5 053)	-	-	-
CJSC Alcatel C3414S	02.12.1997	Belgian francs	17 807	-	-	-	576	(17 807)	(576)	-	-
Promenergobank OJSC	23.07.2002	roubles	-	22%	on a monthly basis	16 000	593	(6 000)	(593)	10 000	15 681
Promenergobank OJSC	24.12.2002	roubles	-	18%	on a monthly basis	4 000	10	-	(10)	4 000	5 706
Arkhangelsk											
Vneshekonbank Debt instrument No.57-1-1-27	21.03.1995	Euro	156 609	Plafon-S	1 st April and 1 st October	33 209	49 054	-	-	165 899	72 973
Vneshekonbank Debt instrument No.110-1-1-27	19.06.1996	Euro	67 277	Plafon-S	1 st February and 1 st August	14 261	20 377	-	-	71 240	30 675
Vneshekonbank Debt instrument No.149-1-1-27	02.12.1996	Euro	33 632	Plafon-S	2 nd May and 3 rd November	7 715	9 880	-	-	38 539	12 687
Mirny town administration	20.04.1995	roubles	163	without interest		-	-	(163)	-	-	-
Savings Bank	30.08.2001	roubles	5 049	-	on a monthly basis	-	170	(5 000)	(219)	-	-
Savings Bank	14.09.2001	roubles	10 054	-	on a monthly basis	-	688	(10 000)	(742)	-	-
Savings Bank	24.09.2001	roubles	10 054	-	on a monthly basis	-	1 137	(10 000)	(1 191)	-	-
Savings Bank	25.09.2001	roubles	10 054	-	on a monthly basis	-	1 214	(10 000)	(1 269)	-	-

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Savings Bank	15.10.2001	roubles	10 054	-	on a monthly basis	-	1 313	(10 000)	(1 367)	-	-
Savings Bank	29.10.2002	roubles	-	-	on a monthly basis	10 000	237	(5 000)	(226)	5 000	10 11 886
Issued notes	12.06.2001	roubles	15 044	-		-	-	-	-	15 044	-
Tax restructuring	03.02.2000	roubles	1 731	-		-	-	(1 731)	-	-	-
Agents debt	26.05.2000	roubles	1 847	-		-	-	(1 847)	-	-	-
Karelia											
Siemens AG	01-06-12-95 of 06.12.95	Euro	41 748	7.5%	on a quarterly basis	16 177	3 462	(2 725)	(4 306)	54 356	11 283
Siemens AG	XX/011371 03 of 24.02.97	Euro	24 559	7.5%	on a quarterly basis	6 482	2 036	(1 568)	(2 660)	28 849	6 200
Siemens AG	075-0401-07 of 24.02.98	Euro	27 927	7.5%	on a quarterly basis	7 382	3 273	(1 753)	(4 563)	32 267	19 090
Siemens AG	075-0401-08 of 24.04.01	Euro	11 235	7.5%	on a quarterly basis	3 078	815	(1 527)	(738)	12 767	10 265
Siemens LLC	075-0401-07 of 24.02.98	Euro	16 708	7.5%	on a quarterly basis	9 351	-	(6 458)	-	19 601	-
Irina LLC	09/12 of 22.12.01	roubles	-		on a quarterly basis	3 696	-	-	-	3 696	-
Kvant-Intercom CJSC	35/02 of 27.04.02	roubles	-		on a quarterly basis	4 693	-	-	-	4 693	-
MCB Svyazbank	No. 01-35 of 25.06.01	roubles	4 000		on a monthly basis	-	853	-	(853)	4 000	5 600
MCB Svyazbank	No. 01-20 of 23.04.01	roubles	4 000		on a monthly basis	-	635	(4 000)	(635)	-	-
MCB Svyazbank	No. 01-73 of 23.10.01	roubles	2 500		on a monthly basis	-	575	-	(575)	2 500	3 702
MCB Svyazbank	No. 01-83 of 26.11.01	roubles	2 500		on a monthly basis	-	575	-	(575)	2 500	4 215
MCB Svyazbank	No. 54 of 24.08.02	roubles	2 500		on a monthly basis	-	550	-	(550)	2 500	7 600
MCB Svyazbank	No. 02/89 of 17.10.02	roubles	-		on a monthly basis	3 500	135	-	(135)	3 500	4 458
OJSC Industry and Construction Bank	No. 125/01 of 27.07.01	roubles	2 000		on a monthly basis	-	274	(2 000)	(274)	-	-

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OJSC Industry and Construction Bank	No. 115/02 of 29.05.02	roubles	-		on a monthly basis	5 000	646	-	(646)	5 000	-	6 600
MKB of Communication and Inform., Moscow	No. 02-C/32 of 30.09.02	roubles	-		on a monthly basis	3 700	196	-	(196)	3 700	-	4 189
MKB of Communication and Inform., Moscow	No. 02-C/33 of 01.10.02	roubles	-		on a monthly basis	1 300	68	-	(68)	1 300	-	1 524
Novgorod												
Iskratel, Slovenia	No. 500-03-01-1339 of 14.05.01.	US dollars, euro	21 337	-	none	11 050	-	(8 830)	-	23 556	-	
Novgorod Department of Savings Bank No. 8629	No. 10059-kr of 09.08.2002	roubles	-	18%	on a monthly basis	35 000	1 708	(5 200)	(1 627)	30	-	75423 (telecom municati on equipme nt)
Novgorod Department of Savings Bank No. 8629	No. 8168-kr of 10.08.01	roubles	20 000	18%	on a monthly basis	15 000	2 426	(35 000)	(2 426)	-	-	
Novgorod Department of Savings Bank No. 8629	overdraft credit	roubles	2 962	18%	on a monthly basis	129 499	519	(132 461)	(519)	-	-	
Nova Lyublyanska Banka	contract without No. of 16.07.98	US dollars	5 970	LIBOR+3,2 5	on a quarterly basis	245	160	(6 215)	(160)	-	-	
Murmansk												
Lucent Technologies	01.08.1997	Euro	55 714	6.6	on a monthly basis	-	85 476	(75 509)	(4 113)	61 567	-	61 567
Siemens	22.09.1997	Euro	11 411	6	on a monthly basis	2 771	429	(7 072)	(429)	7 110	-	
Siemens	30.04.1998	Euro	71 206	8	on a monthly basis	87 022	4 048	(32 847)	(4 048)	125 380	-	

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Iskra Tel	12.05.2000	US dollars	5 232	-	on a monthly basis	-	266	(2 973)	(17)	2 508	-
Iskra Tel	01.06.2001	US dollars	7 115	-	on a monthly basis	247	379	(4 157)	(242)	3 341	-
Ministry of Finance		roubles	16 804	-	on a quarterly basis	-	17 048	(8 637)	(2 510)	17 252	5 452
- Savings Bank		roubles	55 204	-	on a monthly basis	235 130	7 630	(254 334)	(7 630)	36 000	55 020
- Menatep		roubles	9 399	-	on a monthly basis	236 779	6 798	(246 178)	(6 798)	-	28 381
MSCB		roubles	10 000	-	on a monthly basis	20 000	1 867	(20 000)	(1 867)	10 000	16 600
- ACB Svyazbank		roubles	7 500	-	on a monthly basis	20 000	2 022	(27 500)	(2 022)	-	-
- Petrovsky Narodny Bank Credit		roubles	-	-	on a monthly basis	86 000	2 738	(22 000)	(2 738)	64 000	103 751
Kalininograd											
Vneshtorgbank (Foreign Trading Bank)	2001-2002	roubles	7 766	16	on a monthly basis	5 500	640	(13 266)	(640)	-	-
Savings Bank	2201-2002	roubles	6 718	17	on a monthly basis	13 000	620	(19 718)	(620)	-	-
Morskoy KB	2001-2002	roubles	2 000	25.5	on a monthly basis	13 500	238	(15 500)	(238)	-	-
Vnesheconombank (Foreign Economic Bank)	1995-1997	roubles	25 738		on a monthly basis	-	15 216	(8 355)	(8 062)	17 383	7 154
											Guarantee of the Government

(* - taking into account affiliated organizations from 01.01.2002 till 31.12.2002

The total amount of tied credits is shown in line 621 of the balance sheet (Novgorod, Cherepovets)

On 6th March 2002 the Federal Commission for the Securities Market of Russia registered the issue of 300,000 coupon bonds with the face value of 1 (one) thousand roubles each. The Bonds have five coupons. The lengths of the first and second coupon periods are 91 days; the lengths of the third and fourth coupon periods are 182 days; the length of the fifth coupon period is 184 days. The interest rates under the coupons are as follows: 1st coupon -20 % per annum; 2nd coupon -19% per annum; 3rd coupon -18% per annum; 4th and 5th coupons -16% per annum. The Bonds are to be retired on the 9th of April 2004, i.e. 730 days from the day of their floatation.

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On 2nd June 2000 the Company made a contract of loan with OJSC Lensvyaz, a Russian legal entity, for 105,000 conventional units for the period till 18th May 2005. No interest rate has been established under the contract of loan.

On 2nd June 2000 the Company made a contract of loan with OJSC Svyazinvest, a Russian legal entity, for 2,000,000 US dollars for the period till 19th February 2002. No interest rate has been established under the contract of loan.

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Schedule of long-term loans and credits re-payment as of 31st December 2002:

Table No. 20

Repayment period (year)	Amount, thousand roubles
2003	358 935
2004	811 010
2005	123 466
2006	67 644
2007	32 174
After 2007	37 190
Total long-term borrowed funds (line 590, f. 1)	1 430 419

8.11 Accounts Payable

8.11.1 Tax and Fee Debt

Table No. 21 (68,69)

Types of payments to the budget and fees to the non-budgetary funds	Debt in respect of taxes and fees		
	As of 1.01.2002		As of 31.12.2002
	Total, taking into account indices of affiliated organizations	Base organization	
1	2	3	4
Settlements in respect of value added tax	71 460	28 994	141 645
Profit tax settlements	42 324	29 545	27 109
Property tax settlements	38 680	25 108	41 109
Settlements in respect of individuals' income tax	10 252	969	10 168
Settlements in respect of single tax on imputed earnings	2 382	-	450
Settlements in respect of sales tax	16 502	9 785	23 191
Settlements in respect of social	25 579	-	27 819

insurance and security			
Other	7 766	5 854	3 521
TOTAL (line 625 + line 626, f. 1) :	214 945	100 255	275 012

8.11.2 Structure of Other Accounts Payable

Table No. 22

Types of settlements	Total accounts payable		
	As of 1.01.2002		As of 31.12.2002
	Total, taking into account indices of affiliated organizations	Base organization	
1	2	3	4
Settlements in respect of deferred taxes	167 088	80 916	251 744
Settlements in respect of R & D	1 239	-	55 257
Settlements with the personnel	1 960	-	4 636
Insurance settlements	314	300	127
Claim settlements	126	124	532
Settlements with attorneys (brokers, agents)	4 580	-	2 711
Other settlements with various creditors	243 073	216 881	383 538
TOTAL (line. 628 of Form 1):	418 379	298 221	698 545

9. EXPLANATIONS TO THE PROFIT AND LOSS REPORT

9.1. Normal Operation Income

Information on receipts from the sale of goods, products, jobs and services (less VAT, excise taxes and similar obligatory fees), prime cost of sold goods, products, jobs and services:

Table No. 23

Structure of income from sale of services, goods and products	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)
1	2	3	4
Long-distance and international telephone communication	2 454 692	4 408 255	3 837 087
City and rural telephone communication	2 963 773	4 679 126	3 385 911
Radio communication, broadcasting, television and satellite communication	3 475	18 401	15 754
Wired radio	22 067	133 685	116 740
Wireless radio communication	16 088	73 582	69 885
Income from new telecommunication services	133 963	270 533	143 967
Other communication services	85 208	194 584	204 905
Income from other sales	187 843	313 675	284 482
TOTAL (line. 010 of Form 2):	5 867 109	10 091 841	8 058 731

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

During the year 2002 the Company received the total amount of 10,091,841 thousand roubles as a result of fulfilling contracts within the normal operation income (including 4,224,732 thousand roubles received by the affiliated organizations before the date of re-organization). OJSC North-West

Telecom does not make any contracts providing for execution of obligations by non-monetary funds. However, in 2002 the amount of income received by non-monetary funds was 212,622 thousand roubles (or 2.11 %).

9.2. Normal Operation Expenses

Structure of individual items of expenses:

Table No. 24

Cost item	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)
1	2	3	4
Expenses for wages	944 057	2 049 517	1 659 958
Deductions for social needs	334 830	711 632	592 312
Depreciation of fixed assets	418 462	784 721	687 680
Material expenses	253 203	534 886	518 419
Expenses related to OJSC Rostelecom	1 047 412	1 487 147	1 161 612
Taxes included in prime cost	69 130	115 262	85 628
Deductions to the Research & Design Fund	24 581	35 555	69 476
Other expenses	1 085 335	1 724 649	1 256 463
TOTAL (lines 020+030+040, f.2):	4 177 010	7 443 369	6 031 548

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

9.3. Operating Income and Expenses

Structure of operating income:

Table No. 25

Index	2002	2001
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Explanatory Note to Accounts and Reports for the Year 2002

	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**
1	2	3	4
Income from joint activities	-	-	-
Income from the sale and other withdrawal of fixed assets	111 562	126 160	20 797
Income from the sale and other withdrawal of other assets	35 952	68 728	69 857
Other operating income	337 310	349 582	14 775
TOTAL (line. 090, f.2)	484 824	544 470	105 429

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

Line 90 of form 2 shows in other operating income, columns 2 and 3, the doubtful debt reserve restored in 2002 in the amount of 336,198 thousand roubles.

Structure of operating expenses:

Table No. 26

Index	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**
1	2	3	4
Expenses related to holdings in other organizations	-	46	-
Expenses related to participation in joint activities	-	-	-
Expenses for the payment for services of crediting organizations	53 193	68 481	31 166
Insurance expenses	7	38	-
Expenses related to the sale and other withdrawal of assets	140 305	199 521	54 483
Doubtful debt reserves	913 403	1 128 138	-
Securities investment devaluation reserves	-	-	-

Expenses for taxes and fees	143 591	196 094	216 924
Other expenses	28 136	33 224	100 062
TOTAL (line. 100 of Form 2):	1 278 635	1 625 542	402 635

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

9.4. Non-Sale Income and Expenses

Structure of non-sale income:

Table No. 27

Index	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)
1	2	3	4
Fines, penalties or forfeits for breaking contractual terms	7 361	9 702	4 289
Receipts for indemnification for loses inflicted	617	2 352	3 289
Profit of past years, revealed in the year under report	19 775	21 821	48 976
Exchange rate differences	14 447	34 345	76 962
Amount differences	7 150	7 301	9 059
Value of property revealed after stock-taking	3 576	3 800	1 021
Gratuitously obtained funds	1 346	2 442	2 488
Other non-sale income	26 829	47 554	60 000
TOTAL (line. 120 of Form 1)	81 101	129 317	206 084

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

Structure of non-sale expenses:

Table No. 28

Index	2002	2001
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	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)
1	2	3	4
Fines, penalties and forfeits	54 587	54 796	10 993
Indemnification for inflicted losses	4 324	4 648	634
Losses of past years, revealed in the year under report	19 336	39 052	23 486
Exchange rate differences	98 132	210 561	149 633
Amount differences	5 774	25 054	18 695
Value of property, the shortage of which was revealed in stock-taking	-	-	-
Writing off the accounts receivable with the expired limitation period	108 657	110 311	63 036
Writing off the accounts receivable with the expired limitation period and other debts unlikely to be exacted	255	2 787	4 770
Charity and sponsorship	28 495	41 301	24 437
Remuneration to the Board of Directors	9 817	14 615	8 880
Expenses related to the servicing of securities	550	550	-
Payments of material nature	28 759	90 507	88 368
Other	151 355	244 397	247 937
TOTAL (line. 130 of Form 2):	510 041	838 579	640 869

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

9.5. Tax on Profit, and Other Similar Fees

Table No. 29

Index	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)

1	2	3	4
Profit tax ***	172 779	295 231	499 337
Penalties to the budget	29 092	30 390	5 295
Penalties to non-budgetary funds	23	285	516
Other	2 400	2 400	929
Total (Line 150, Form 2)	204 294	328 306	506 077

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

*** Including: profit tax according to the base of the transition period

9.6. Extraordinary Income and Expenses

Structure of extraordinary income:

Table No. 30

Index	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)
1	2	3	4
Received insurance money	-	-	-
Value of stocks remaining after assets are written off	-	-	-
Other extraordinary income	-	-	-
TOTAL (line. 170 of Form 2):	-	-	-

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

Structure of extraordinary expenses:

Table No. 31

Index	2002		2001
	For the period under report (*)	Taking into account affiliated organizations (**)	Taking into account affiliated organizations (**)

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1	2	3	4
Cost of lost inventories	-	-	3
Losses from writing off fixed assets objects that have been disabled as a result of natural calamities	-	8	1 193
Other extraordinary expenses	-	-	-
TOTAL (line. 180 of Form 2):	-	8	1 196

(* - Base organization for the period from 01.01.2002 to 31.12.2002 and affiliated organizations from the re-organization date to 31.12.2002

(** - Base and affiliated organizations for the years 2002 and 2001 respectively.

10. PROFIT PER SHARE

The base profit (loss) per share shall be determined as the ratio of the base profit (loss) for the year expiring on 31st December 2002 to the average weighted number of common shares circulating during the period under report.

The base profit (loss) for the year 2002 shall be determined in compliance with the Order of the Ministry of Finance of the Russian Federation dated 21.03.00 No. 29n by reducing (increasing) the profit (loss) of the period under report, remaining at the disposal of the organization after taxes and other obligatory fees to the budget and non-budgetary funds, by the amount of dividend under preferred shares, charged to their holders for the period under report. When the base profit (loss) of the period under report is calculated, the dividend under preferred shares, including that under cumulative shares, for previous reporting periods, that were paid or announced during the period under report, shall not be taken into account.

The base profit per share for the year 2002 is 0.63 roubles.

The amount of watered profit (loss) per share shows the maximum possible degree of profit reduction (loss increase) per common share of the stock company in case of converting all convertible securities of the stock company into common shares. When the watered profit (loss) per share is determined, the value of the base profit and the average weighted number of circulating common shares, used in the period under report for calculation of the base profit per share, shall be corrected by the respective amounts of the possible growth of the said values in connection with conversion of all convertible securities of the company into common shares.

As OJSC North-West Telecom has no instruments convertible into common shares, the watered profit parameter is not counted.

11. TERMINATION OF BUSINESS

In 2002 no areas of activities were terminated.

12. AFFILIATED PARTIES

According to the Law of RF of 22nd March 1991 No. 948-I "On Competition and Restriction of Monopolistic Activities in Commodity Markets", "Affiliated parties are individuals and legal entities capable of influencing the activity of legal entities and/or individuals dealing with business". Operations with affiliated parties include, among other things, acquisition and sale of goods, jobs and services (including that under contracts providing for fulfillment of commitments in non-monetary funds); acquisition and sale of fixed assets and other assets; rent of property and leasing out property; transfer of research and design work results; financial transactions, including provision of loans, and holding interest in authorized capitals of other organizations; provision and receipt of guarantees and pledges; as well as other transactions.

In the course of its financial and business activities, OJSC North-West Telecom made transactions with organizations that are affiliated parties. Besides the subsidiaries and affiliates listed in clause 7.3 "Financial Investment" of this Explanatory Note, the following individuals and legal entities are affiliated parties of the Company:

Table No. 32

Affiliated party	Nature of relations with the affiliated party *	Types of transactions with the affiliated party	Volume of transactions in 2002, thousand roubles	Accounts receivable (payable) as of 31.12.2002, thousand roubles **	Method of determining the price under transactions with the affiliated party
1	2	3	4	5	6
Vadim Yevgenyevich Belov	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Yury Alexandrovich Bilibin	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Oleg Anatolyevich Lebedinets	The person is a Member of the Board of Directors (Supervisory Board) of the				

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	joint-stock company				
Dmitry Vladimirovich Levkovsky	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Anton Igorevich Osipchuk	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Irina Mikhailovna Ragozina	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Ivan Ivanovich Rodionov	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Sergey Vladimirovich Soldatenkov	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Valery Nikolayevich Yashin	The person is a Member of the Board of Directors (Supervisory Board) of the joint-stock company				
Akulich, Vladimir Alexandrovich	The person is a member of the joint executive body of the				

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	stock company				
Nikolay Gennadyevich Bredkov	The person is a member of the joint executive body of the stock company				
Vladimir Nikolayevich Vorozheykin	The person is a member of the joint executive body of the stock company				
Igor Nikolayevich Samylin	The person is a member of the joint executive body of the stock company				
Maya Mikhailovna Semchenko	The person is a member of the joint executive body of the stock company				
Grigory Borisovich Chernyak	The person is a member of the joint executive body of the stock company				
Alexandr Abramovich Sysoyev	The party acts as the single executive body of the stock company				
Investitsionnaya Kompaniya Svyazi (Investment Communication Company) Open Joint-Stock Company	The party belongs to the group of parties, to which the stock company belongs 1. The party is entitled to control over			-57 200	

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		50 % of the Company's voting shares 2. over 50% of the members of the Company's Board of Directors have been elected upon proposal of the party				
CJSC WestBalt Telecom		<i>The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions , parts) making the authorized capital of the party</i>	<i>Communication services</i> <i>Indemnification for operating expenses</i> <i>Electrical power of sub-subscriber</i>	<i>Income - 835</i> <i>Income -35</i> <i>Income -51</i>	<i>611</i>	<i>According to contract</i>
CJSC Vologda Cellular Communication		<i>The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions , parts) making the authorized capital of the party</i>	<i>Communication services</i> <i>Roaming services</i> <i>Lease</i>	<i>Income 114</i> <i>Expenses - 25</i> <i>Income -51</i> <i>Expenses -377</i> <i>Income -97</i>	<i>54</i> <i>-2</i> <i>15</i> <i>-42</i> <i>50</i>	<i>contractual, at rates approved by Agreement on National Roaming</i> <i>According to contract</i>
CJSC Delta Telecom		<i>The stock company is entitled to have at its disposal over 20 per cent of the total number of the</i>	<i>Communication services</i> <i>Rent of premises</i>	<i>Income - 32269</i> <i>Expenses - 11499</i> <i>Income -53</i>	<i>4999</i> <i>-329</i> <i>44</i>	<i>Rate</i> <i>According to contract</i>

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	votes granted by the shares (contributions, parts) making the authorized capital of the party	income			
CJSC Kaliningrad Mobile Networks	Ground: The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions, parts) making the authorized capital of the party	Rent of premises income Electrical power of sub-subscriber Mail delivery services	Income -11 Income -6 Income -0.3	9	According to contract According to contract According to contract
ZAO Kolatelecom	Ground: The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions, parts) making the authorized capital of the party	communication services Rent of premises	income -233 expenses - 398.0 income -123	953 111	Rate According to contract
CJSC Neva Kabel	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions	Leasing out property Communication services Cable products supplies	Income -1552 Income -98 Expenses - 18930	130 2 -1444	According to contract Rate According to contract

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	entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions parts) making the authorized capital of the party				
LLC Arkhangelsk City Telephone Network	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions parts) making the authorized capital of the party	Rent of premises Sale of assets Contract of agency Notes	Expenses - 3533	689 750 27 9000	According to contract According to contract According to contract According to contract
LLC Bona	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions parts) making the authorized capital of the party	Contract of agency		324	According to contract
LLC Pagetelecom	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted	Communication services Security services	Income -39 Expenses 468	-50	Rate According to contract

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	by the shares (contributions, parts) making the authorized capital of the party				
OOO Polycomp	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions, parts) making the authorized capital of the party	<i>Leasing out property Printed products</i>	<i>Income 143 Expenses - 1320</i>		<i>According to contract</i>
LLC Centrum	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions, parts) making the authorized capital of the party	<i>Representation expenses (catering services)</i>	<i>Expenses -16</i>		<i>According to contract</i>
OJSC Tele-Nord	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions, parts) making the authorized capital of the party	<i>Communication services Rent of premises</i>	<i>Income -679 Expenses - 342 Income -159</i>	<i>393 59</i>	<i>Rate According to contract</i>

ICJSC Medexpress	The stock company is entitled to have at its disposal over 20 per cent of the total number of the votes granted by the shares (contributions parts) making the authorized capital of the party	Maintenance services	Income -79	25	According to contract
		Communication services	Income 291	29	Rates
		Insurance expenses	Expenses - 22615	-717	According to contract

*) type of control or considerable influence according to clause 6 of PBU 11/2000

**) accounts receivable: with "+", accounts payable: with "-".

13. STATE AID

During the year 2002, the following funds were allocated to the Company in the framework of state aid:

Table No. 34

Type of state aid	Amount
1	2
Expenses for funding capital expenses related to the purchase, construction or other acquisition of non-circulating assets (fixed assets, etc.)	150
Funds for current expenditure financing	-
Budgetary credits	-
Other forms of state aid	-
TOTAL	150

14. NON-GOVERNMENTAL PROVISION OF PENSIONS

In 1997-2002 the Company made an agreement with the non-governmental pension fund NPF *Telecom-Soyuz*. Under this Agreement the Company is obliged to pay fixed fees in the amount agreed upon by the parties annually.

The total amounts of non-governmental retirement insurance fees paid by the Company in the years 2002 and 2001 amounted to 83,490 thousand roubles (taking into account the affiliated organizations). The fees amount of 56,598 thousand roubles has been established for the year 2003.

15. EVENTS THAT TOOK PLACE AFTER 31st DECEMBER 2002 (PBU 7/98)

15.1 Amendments to Incorporation Documents

On the basis of the resolution of the extraordinary general meeting of the shareholders of the Company, that took place on 28th November 2001, on increasing the authorized capital of the Company by 350,543 thousand roubles through floating 262,896,773 extra common registered nondocumentary shares with the face value of 1 rouble each and 87,646,542 extra preferred registered nondocumentary type A shares with the face value of 1 rouble each within the limit of the number of stated shares, and the decision taken by the Company's Board of Directors on 17th January 2003 on agreeing upon the increase in the Authorized Capital to 937,940 thousand roubles on the basis of the securities issues results reports registered by the Federal Commission for the Securities Market of Russia, on 28th January 2003 the Inspectorate of the Ministry of Taxes and Fees of the Russian Federation for Tsentralny District of St. Petersburg introduced a respective entry to the Single State Register of Legal Entities on the State Registration of the amendments introduced to incorporation documents of legal entities. However, the change in the authorized capital was recognized an important event proving the availability, as of 31st December 2002, of the economic conditions, under which the organization was operating, and, in compliance with the requirements of the accounting rules PBU 7/98 "Events after the Reporting Date" this change was recorded in the enclosed accounts and reports as of the reporting date.

16. CONVENTIONAL FACTS OF BUSINESS ACTIVITIES (PBU 8/98)

16.1 Licenses

The bulk of the Company's income has been received from transactions effected in compliance with the licenses for the provision of telecommunication services, issued by the Ministry of the Russian Federation for Communication and Informatization. The validity periods of the basic operating licenses and additional licenses expire in the period from October 2004 till March 2007. The management considers that there are no grounds preventing the available licenses from being prolonged or causing some of them to be suspended or cancelled.

16.2 Political Situation

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

In spite of the fact that Russia's economy was assigned the market status at the start of the year 2002, it continues showing certain features characteristic of a transition period economy. These characteristics include a high inflation level, an insufficient liquidity in markets of capital, as well as currency control, which makes the national currency non-liquid outside the Russian Federation. Long-term measures taken by the government in the field of structural, legal and economic reform will significantly influence a long-run success and stability of Russia's economy.

16.3 Taxation

At the moment, a number of taxes established at the federal and regional levels are applied in Russia: motor road user tax, sales tax, single social tax, other taxes, and social insurance and security fees.

The management of OJSC North-West Telecom considers that the tax liabilities are completely disclosed in the enclosed balance sheet. However, there remains a risk that tax authorities will have quite a different attitude in respect of the issues allowing ambiguous interpretation, which may significantly affect the financial standing of the Company.

16.4 Existing and Potential Risks

OJSC Artelecom (hereinafter referred to as *Artelecom*) that has been affiliated with OJSC North-West Telecom since 1st November 2002, and OJSC AB Incombank (hereinafter referred to as *Incombank*) made an agreement of loan on 17th June 1998 (hereinafter referred to as the *controversial agreement of loan*), under which Incombank was to provide a loan to Artelecom in the amount of 3 641 thousand Deutsche Marks for the purchase of telecommunication equipment under the contract made between V/O Mashpriborintorg and the German company Alcatel SEL AG.

As a result of the crisis of 1998, bankruptcy procedures have been initiated against Incombank. In 2002 Incombank ceded the right of claim of the above debt in favour of NPK Zenith. The latter has actively worked to recover the debt. In connection with the controversial agreement of loan, OJSC North-West Telecom took part in 4 court cases. The total amount of presented and potential suits as of 31.12.2002 was 676.6 thousand euros, 52.1 million roubles and 78.0 million roubles (fines and penalties) respectively.

On 20th August 2002 the Court of Arbitration of the city of St. Petersburg awarded a recovery of 52 million roubles of damages from OJSC North-West Telecom. It is planned that the said amount will be remitted to NPK Zenith in April 2003, provided the latter abandons the presented and potential court actions. The said amount was charged as a liability of OJSC North-West Telecom in the balance sheet as of 31.12.2002.

After the above amount is remitted, the management of OJSC North-West Telecom does not expect that any other claims will be filed to the Company in connection with the said agreement of loan.

Besides, OJSC North-West Telecom participates in other court proceedings, the total amount of filed claims as of 31.12.2002 being about 5,900 thousand roubles.

16.5 Insurance

The Company has had insured fixed production assets in a considerable degree, however, not all of them; no compensation is provided for losses in case of operation interruption or in case of liability to a third party for any proprietary or environmental damage inflicted by accidents or other incidents related to Company's property or its activities. Until the Company receives no proper insurance coverage, there is a risk that a loss or destruction of a part of the property may have a serious adverse effect on the activity and financial standing of OJSC North-West Telecom.

16.6. Policy in the Field of Industry Regulation

The reform of Russia's telecommunication industry is going on. At the moment it is impossible to estimate the future direction and impact of such reforms on the Company's operation. Potential reforms in the rate policy may also have a significant effect on the activities of the Group. Taking into account the uncertainty existing in respect of the future policy in the field of industry regulation, the Company's management is not capable of evaluating the degree of the influence of possible changes in the industry regulation on the financial standing and on results of the operation of OJSC North-West Telecom.

Manager

Alexandr Abramovich Sysoyev

Chief Accountant

Maya Mikhailovna Semchenko