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03/2002

SVYAZ  INVEST

I N V E S T O R R E P O R T

# SVYAZINVEST

Vadim Belov  
Seven key players under  
Svyazinvest brand

Svyazinvest publishes  
consolidated IAS results  
for 2001

Overview of Svyazinvest's  
financial performance in 1H02



## Ladies and Gentlemen,

I am very pleased to welcome you to another issue of the Svyazinvest investor brochure. In this, we are attempting to provide comprehensive and reliable information on the changes taking place in the holding, as well as events affecting regional telecom operators in Russia.

At present, we are continuing to work with the Antimonopoly Ministry on a new tariff policy. We have managed to achieve a local tariff increase for June-October for almost all of our regional companies.

This was the second tariff increase this year (the first took place in January). The government has held to its promise to gradually increase tariffs to a level greater than operating costs.

The release of the holding's IAS financials for 2001 was another important achievement. This was the first IAS report issued by Svyazinvest, and we believe it will improve the company's transparency for foreign investors.

I also have good news for those who, like us, are looking forward to the completion of the consolidation process, which will result in the emergence of seven large interregional companies. Shareholder meetings for the merged companies in the Urals and the Far East regions are scheduled to take place in December 2002. I believe these events will open a new page in the history of the Russian telecom sector.

**Sincerely yours,**

**Valery N. Yashin**  
Svyazinvest CEO

### Svyazinvest

The following Svyazinvest companies have transferred their ADR programs from The Bank of New York to JP Morgan Chase: Uralsvyazinform, Nizhegorodsvyazinform, Khantymansiiskokrtelecom, Chelyabinsk Svyazinform, Novgorod Telecom, Rostov Region Electrosvyaz and Samara Region Svyazinform.

### Svyazinvest

The Svyazinvest BoD met on October 17, 2002, to discuss several operational issues. The BoD approved the 1H02 results and reviewed the progress of the holding's reorganization. The meeting also analyzed the audit committee's plan for 2002-2003 and discussed the subsidiaries' operating and financial results.

### Svyazinvest

On September 30, 2002, companies of the Far East and Urals regions, which merged into MRCs Dalsvyaz and Uralsvyazinform, were removed from the State Registrar of legal entities. The shares and bonds of the merged companies were converted into shares and bonds of the MRCs, while their property and personnel were transferred to respective regional subsidiaries.

### Svyazinvest

On October 9 and 16, 2002, the Antimonopoly Ministry ordered the raising of tariffs for 16 Svyazinvest operators effective November 1. This means that from July to November all of the holding's subsidiaries have received the second round of local tariff increases (the first took place in January).

### InfoComm-2002

The second international exhibition InfoComm-2002 was held simultaneously in Moscow, Nizhny Novgorod and Perm on October 21-25, 2002.

### Rostelecom

On September 6, 2002, Rostelecom's sale of 50% of Sovintel to Golden Telecom officially took place. Under the terms of the deal, Rostelecom is to receive \$56mn and a 15% stake in Golden Telecom.

### Rostelecom

Rostelecom has completed construction of the first phase of its corporate data transmission network connecting the company's headquarters with subsidiaries in 15 regions. The winner of the tender to build the network was the Optima company.

### Government

On July 23, 2002, the Justice Ministry registered the Antimonopoly Ministry's order establishing procedures

for per-minute billing of local calls. The procedures deal with the method of tariff setting. By this method, a monthly payment will include a fixed fee and a variable portion calculated on the basis of per-minute tariffs and the length of conversations.

Operators will determine the time units for billing purposes at their own discretion (but not in excess of one minute), as well as the rules for paying for incomplete units. The tariff per unit is to be the same for all customers regardless of the remoteness of their location, subscription plan, or type of line.

### CenterTelecom

CenterTelecom has placed its second bond issue on the MICEX. A total of 600,000 securities with face value of R1,000 were placed in the first minute of the commencement of trading.

The bonds will mature in 2 years and 9 months. They carry six coupons: the first coupon has a period of three months, and the remainder periods of six months. The rate on the first and second coupons is set at 20% per annum, the third and fourth coupons at 18%, and the fifth and sixth at 16%.

### Dalsvyaz

The Federal Securities Commission met on July 31, 2002, to register the issue of common and preferred Type A shares for Dalsvyaz.

The issue will comprise 62,101,566 common bearer shares with par value of R10 and 20,000,709 preferred bearer Type A shares with par value of R10.

### VolgaTelecom

The BoD decided to increase the company's charter capital from R583,387,500 to R1,639,916,475 through an additional issue of 158,479,418 ordinary shares with par value of R5 and 52,826,377 Type A preferred shares with par value of R5. The shares were issued for the swap within the framework of Volga region telecoms' merger.

In addition, the BoD approved the issue of VolgaTelecom bonds (worth R90,260,600), which will replace the bonds of three merging companies (Orenburg Region Electrosvyaz, Saratov Electrosvyaz and Ulyanovsk Region Electrosvyaz).

### Dalsvyaz

The Fitch Rating Agency assigned the company a basic unsecured hard currency rating of B - and a short-term rating of B with a stable outlook. The rating reflects the company's dominant position in fixed-line telecom services in the Far East.

## Svyazinvest

The legal procedure for merging Svyazinvest's fixed-line operators in the Far East and Urals federal districts has been completed. On the last day of September the following companies were removed from the State Registrar of legal entities: Khabarovsk Electrosvyaz, the Jewish Autonomous Region Telephone and Telegraph Company, the Amur Region Communications and IT JSC, Kamchatka Svyazininform, Magadan Svyazininform, Sakhalinsvyaz, Kurgan Region Electrosvyaz, Uraltelcom of Sverdlovsk Region, Chelyabinsk Svyazininform, Tyumentelecom, Khanty-mansiyskortelemcom, and Yamal Electrosvyaz.

The above operators have become subsidiaries of Dalsvyaz and Uralsvyazininform. The shares and bonds of the merged

companies have been converted into shares and bonds of the mega-regional companies (MRCs), while their property and personnel have been transferred to the respective regional branches.

The merger of the companies in the Southern and North-Western federal districts is scheduled to be completed by October 31, 2002, and the merger of the Central, Siberian and Volga regional telecoms by November 30, 2002.

The formal process of mergers will be completed through the holding of joint shareholder meetings. The meetings at Dalsvyaz and Uralsvyazininform are planned for December 2002. Other MRCs are planning to hold such meetings in 1Q03.

## InfoComm-2002

On October 21-25 the Krasnaya Presnya exhibition center in Moscow hosted the «Russian Info-Communications - XXI Century - InfoComm-2002», a professional forum for the telecom sector.

This was the second time the exhibition had been held, and in terms of attendance it was comparable to the Svyaz-ExpoComm in spring. The exhibition was organized under the auspices of the Telecommunications Ministry. Telecommunications Minister Leonid Reiman said the forum's main task was to «promote advanced information technologies».

Over 140 Russian and foreign companies - several times more than last year - took part in the exhibition. In addition, the exhibition ran simultaneously in Nizhny Novgorod and Perm. Earlier this year, similar exhibitions had been held in several other Russian cities.

The attention of many visitors was drawn to the exposition dedicated to the federal program «Electronic Russia», with visitors able to get an overview of telemedicine and distance learning, as well as electronic office services.

All seven Svyazinvest mega-regional companies (MRCs) were represented at a single stand. The promotional materials prepared for the exhibition included the companies' technical and operating data as well as description of new services offered. The companies also demonstrated different ways of

building transportation and access networks for the implementation of the Electronic Russia program in their respective regions.

Documentary films on the progress of the regional telecoms' mergers and Svyazinvest's near-term goals also aroused a lot of interest among the visitors.

Rostelecom made a presentation of services for operators, corporate clients and the general public. The services for operators included traditional ones, such as channel leasing, connection to the trunk synchronization network, test laboratory services and intelligent network services, such as televoting. Services for corporate clients and the general public included international and long-distance communications with enhanced capabilities, video-telephony, and telephone cards STK and World Card. Visitors were also introduced to a new free phone service called «Number 800».

The open multimedia network provided by Rostelecom to the Telecommunications Ministry enabled the opening ceremony to be broadcast in Moscow, Luxemburg, Nizhny Novgorod, Perm, Bishkek, Kiev and Yerevan.

Among the visitors to the exhibition were the First Lady Lyudmila Putina, Telecommunications Minister Leonid Reiman, heads of various regulatory bodies, directors of leading telecom companies and equipment suppliers.



# SEVEN KEY PLAYERS UNDER SVYAZINVEST BRAND

**The formidable task of restructuring Svyazinvest has entered its final stage. More than 80 regional wireline operators and the national long-distance operator Rostelecom are involved in this process.**



Interview with Vadim Belov,  
Deputy CEO of Svyazinvest

## **Two years ago the Svyazinvest board took the decision to restructure its holding companies. What has been done to achieve this goal so far?**

Following Svyazinvest's announcement that it was going to reorganize its subsidiaries, the Russian Government passed a corresponding resolution. In the ensuing two years shareholder meetings have been held and companies have been evaluated. The structure of regional telecoms has been altered dramatically as the number of their subsidiaries has been reduced. At the same time, efforts have been made to improve the management structure of regional telecoms.

By the end of this year we hope to complete the formal process of company mergers, including share swaps. This means shareholders in companies to be merged will be able to exchange their stock for shares in mega-regional companies (MRCs). After that, shareholder meetings will discuss the MRCs' charters and decide their corporate structure. Thus we will soon see seven large

interregional operators emerging on the telecom map of Russia.

## **What are your plans and priorities for next year?**

The main task facing us next year is to build the MRCs, i.e. to unify the businesses of the merging companies and develop their corporate strategy. This work has already begun, but real steps in this direction are still to be made. We expect that in 2003 our focus will shift from formal reorganization to restructuring on the corporate level, involving optimizing business processes, shaping the new companies' corporate structure and determining staff policy, as well as implementing specific projects. We are gradually making progress in this direction, keeping the long-term goals of the restructuring process in mind.

## **Has the speed of restructuring been the same in the various federal districts?**

No, districts have moved at a different pace. For instance, due to a number of factors, share conversion and the overall restructuring process have been somewhat lagging in the Central region. At present, 17 companies are being merged with the Moscow Region Electrosvyaz, which has already been renamed CenterTelecom. We also have two large companies in Moscow - MGTS, in which Svyazinvest owns a blocking stake, and Central Telegraph. Together with MGTS shareholders we have spent a long time studying the various options for this company's participation in the merger. Unfortunately, a final decision has not been made and consultations are still going on. Neither has the fate of Central Telegraph been determined. This company is slated for privatization next year. The

government owns more than 20% of Central Telegraph. We will see next year whether or not this stake will be sold. We might consider the possibility of merging Central Telegraph with CenterTelecom or MGTS.

## **What progress has Svyazinvest made in increasing the efficiency of its subsidiaries?**

In order to improve the efficiency of our subsidiaries we need to resolve several problems: first, to increase revenue and cut costs; second, to carry out corporate reform, which involves changing traditional operators' approach to business; and third, to improve the companies' transparency.

The first problem is revenue. Before the 1998 financial crisis we had revenue of about \$200 per line; now it stands at just \$100. On the other hand, earnings are getting closer to the 1997 level, meaning the situation is gradually improving. Our growth, however, is constrained by tariff regulation. State organizations remain our main debtors. We are unable to collect full payment for services offered at a discount to privileged consumers, etc. In other words, we effectively subsidize the state, but also pay taxes and do so without regard as to whether or not we have been able to collect the money for services rendered. Once we issue an invoice, we are obliged to include the amount in our tax base. This is a legal requirement. It means that we have de facto been turned into an additional source of budget funding, and our shareholders naturally resent this situation. We believe that the government's tariff policy has to be drastically revised. We are currently working with the Antimonopoly Ministry and legislators on this issue. We have to explain to them that economically reasonable tariffs

are essential to the provision of modern, high quality communications in Russia.

In a way, the restructuring process and company mergers are a catalyst for change. When everything is rigid and changes are imposed from above, they usually turn out to be short-lived. The restructuring process has created new posts, brought in new people and rationalized the staff structure, thereby creating a favorable environment for staff rotation and implementation of new management and marketing technologies. Mobile operators, who have no experience of working in a monopoly environment, hired their staff in a market where competition is getting fiercer every year; while we are forced to change habits and managerial approaches in a different environment. Our HR department has been doing a lot of work in this area and has already achieved some results.

**What are you planning to do in order to improve the transparency of the operators? Is it a priority for Svyazinvest at the moment?**

This is one of our top priorities. This goal is important to both investors and shareholders. Any shareholder visiting the company's website should be able to see how much they have been making, and how much they have been losing; what their prospects are, how the company has been doing, and how it spends funds earmarked for investment. Transparency gives rise to trust and stimulates interest in cooperation on the part of both smaller and larger investors. While investors' decisions are affected by many factors, transparency and the opportunity to evaluate the strengths and weaknesses of a company are high on their

agenda. Demand for corporate securities also depends largely on a company's ability to conduct business in an open manner. Demand for our bonds testifies to the improving transparency of our subsidiaries. Once a company's level of transparency is improved, the number of people wanting to buy its shares and other securities will increase. And when the money begins to work and benefit the owner and the economy, capital flight will subside.

By establishing contacts with large investors we will be able to develop the company and take another step towards the global capital markets to develop telecommunications in Russia. According to preliminary estimates, in order to catch up with Western Europe in terms of network development, we need approximately \$15bn. The larger the company, the more interesting it is for investors. The newly created MRCs will be comparable in size to Eastern European peers. The incumbent wireline operators now are many times smaller. Large investment funds or banks usually allocate money to blue chips. Small and medium-size companies have very limited opportunities to raise funds for development because of the high risk involved.

This is why one of the goals of enlarging our regional operators is to draw investor attention to the Russian telecom market. Our meetings with the international business community testify to a growing interest in the Russian telecom sector. The first contacts have been established and business negotiations are intensifying. Thus, the restructuring has already had a positive market effect.

**What role does the so-called «personality factor» play in the restructuring process? Even if general directors of regional telecoms do not openly object to restructuring, it is hard to believe that they unanimously support it.**

When the restructuring idea first came up many incumbent CEOs were concerned with retaining their posts and preserving their teams, which took years to build. They wanted to know what posts would be abolished and how radical the changes would be. This was a natural reaction. Any manager would have similar thoughts on the eve of large-scale changes.

Besides, many of them have spent their entire careers in the telecom sector, and were therefore very concerned about being pushed out and being unable to realize their potential in their company. We anticipated these concerns and therefore decided not to undertake a management reshuffle during the restructuring period.

However, staff changes, including the hiring of new staff and reshuffling of existing managers, are necessary and inevitable.

The new structure of MRCs is gradually shaping up. We have specified jointly with the CEOs those functions to be delegated to the parent company and those to be retained by the subsidiaries. It is obviously unreasonable for every company to make its own settlements with, say, Rostelecom. Such payments need to be centralized. Another example: we have come up with a comprehensive investment program to develop the Southern super-region. This program also apparently needs to be financed by the regional center. As regards contacts with suppliers, we have

already proven that it is much more efficient to conclude wholesale purchase contracts for telecom equipment. The new wholesale purchase scheme allowed us to save around 15%. In other words, parent companies, i.e. MRCs, will handle only those operations where centralization is both reasonable and logical. In areas such as customer relations and servicing, maintenance, etc., local operators should continue to be able to make decisions on their own.

As far as staff cuts are concerned, they are unavoidable. Our employees per line ratios are way above those of Eastern and Western European peers.

**But Russia's territory is also hardly comparable with any European state...**

Yes, of course, this factor needs to be taken into account. The territory is huge and we need a lot of staff to service the lines. However, there is another important factor. Almost 50% of existing equipment is outdated. It occupies a lot of space and requires a lot of service staff. We need to replace old equipment. For instance, old switches are serviced by 24 people, while new ones will only require four, which means layoffs are inevitable.

**Layoffs have always been painful...**

Svyazinvest management is striving to make this inevitable process as painless for staff as possible. Many staff have made huge contributions to the development of the sector. Our goal is to do our best to ensure that layoffs, and especially the retirement of long-term employees, do not come as a shock. The level of the pension in Russia leaves much to be desired. In order to alleviate this problem, we have created a network of non-government pension funds.

The specific layoff plans are being agreed with the unions. Initially we planned to lay off 10% of our staff. After discussions with the unions we agreed upon a reduction of 5% - 7%, with a slightly higher percentage for Rostelecom. As we move ahead we will seek a compromise and try to find mutually acceptable solutions, which would be in the interests of our staff. Gradual layoffs are the only acceptable path at this stage of restructuring.

**Are management reshuffles at the MRCs also inevitable? Or you believe all seven CEOs are ideal candidates for the demanding positions they occupy?**

Nobody is ideal. That is true of Svyazinvest as well as of regional companies. An ideal candidate is probably fiction. They are all experienced people, but they all have their merits and faults. I cannot say that everything will remain unchanged.

**What does the merging of company businesses imply?**

At this stage our goal will be to create an efficient and easily manageable operating mechanism, which can be compared to a single circulatory system for all companies. The main task of this operational framework will be to ensure timely implementation of management decisions all the way down the administrative chain - from the CEO to the line service staff. It is not an easy task, given the large size of the companies.

In order to merge company businesses we plan to develop business plans for the merged entities, which will specify priority investment areas in order to maximize returns and reduce costs.

**Are mobile operations one of your priorities? What role do you leave to regional operators in this area?**

This is an important issue that we are studying very closely. State policy was to blame for established wireline companies not being able to develop this service. Only a few traditional operators succeeded in obtaining mobile licenses. The successful companies in this market are the ones undertaking aggressive marketing campaigns and fighting for customers. In a number of regions - the Volga, Urals and Siberia - Svyazinvest operators managed to capture a sizeable share of the market. Mobile penetration in Moscow is at or above 40%, while in the regions it is only 5%-6%. Clearly, then, potential in the regions is high and demand for mobile services is growing steadily. We will try to compete with national mobile operators in those territories where there is still some room for maneuver.

**To conclude, could you say a couple of words about yourself? How long have you been with Svyazinvest and where did you graduate?**

Upon graduating from the Murmansk Higher Engineering Nautical School I sailed the sea. Then I held positions in the Young Communists' League and Communist Party. In 1991 I was one of the founders of the Committee for antimonopoly policy and was actively involved in preparing antitrust legislation. For more than a year I worked at investment bank MFK Renaissance. Three years ago I was invited to join Svyazinvest, where I am responsible for restructuring and corporate governance projects.

# OVERVIEW OF THE RUSSIAN TELECOMMUNICATIONS MARKET IN 2002

In 1H02, expansion of Russian telecom sector continued to outpace real GDP growth. The aggregate volume of telecom services grew by 10.2% y-o-y in real terms in January-June to R120bn, while GDP during the same period grew by 3.9%. However, the rate of growth slowed down somewhat from the 11.5% expansion of the telecom market recorded in 1Q02, even despite the fact that economic growth picked up in the second quarter and stood at 4.1% y-o-y, compared with 3.7% in 1Q02. Elasticity factor of the telecom sector growth to GDP shrank to 2.6X from 3.1X in the first quarter.

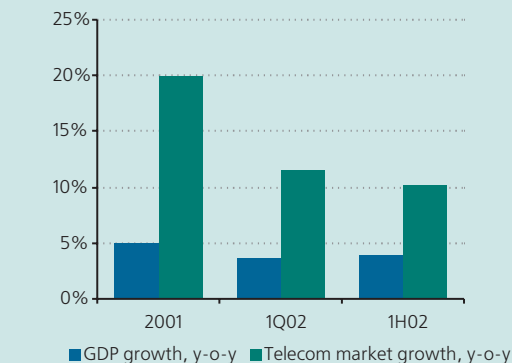
New operators continued to scoop up more than 50% of total telecom revenues in 1H02, although their share of the market decreased slightly from 51.2% in 1Q02 to 50.9% in 1H02. Growth in the regulated telecom tariffs on local services, which remain one of the key drivers of regional operators' revenue, was nearly flat q-to-q in 2Q02 in ruble terms after the 21% hike in the average weighted tariff on local services from 1 January 2002 (Svyazinvest operators saw further tariff increases only in August-October).

Alternative operators also increased their presence in the household segment, where their share of revenue grew to 39% from 33% in the first quarter. Interestingly, however, traditional operators took a lead in the so-called new services (ISDN, intelligent network, etc), where they took 53% of total revenues in 1H02. However, incumbents still lag behind in data transmission, in which altnets dominate with an 82% share.

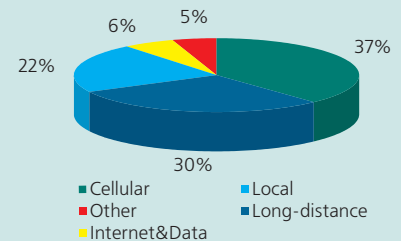
Russian cellular market continued to expand at an impressive rate in 1H02. The number of mobile subscribers at the end of 1H02 stood at 11.73mn people, an increase of 130% over the same period of 2001. Cellular penetration nationwide as of end-June amounted to 8.1%, compared with 3.5% at the end of 1H01.

In the Moscow License Area, penetration stood at 35%, compared with 5% outside the MLA. Growth continues

**Telecom market growth vs. GDP growth, y-o-y (real terms)**



**Telecom market breakdown by type of service, 1H02**



Source: Analytical estimates

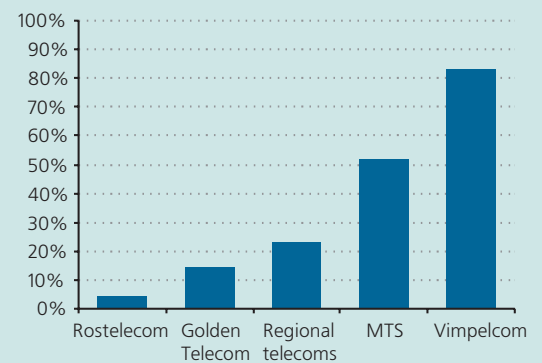
to be fuelled primarily by the regional expansion of the «Big Three» – MTS, Vimpelcom, and Megafon. However, increase in the number of cellular subscribers in quarterly terms slowed somewhat from 24% in 1Q02 to 21% in 2Q02. Combined revenues of Russia's two largest cellular operators, MTS and Vimpelcom, grew by 61% y-o-y in dollar terms in 1H02 to \$882mn.

The Telecommunications Ministry expects the number of Internet users to nearly double to 10mn people by the end of this year from the estimated 5.8mn in 2001. According to IDC estimates, total Internet revenues in Russia will grow by about 10% this year in dollar terms to \$600mn.

Total investment in the telecom sector more than tripled y-o-y in 1H02 to R18bn. Investment went mostly to upgrading existing infrastructure and installing new lines, the number of which increased by 5.9% in 1H02 to 34.4mn, implying fixed line penetration in Russia of 24%.

Foreign investment increased by 30% y-o-y in dollar terms to \$277mn. The bulk of this amount (92%) was represented by the so-called other investment. The State Statistics Committee lists under this category trade loans and other forms of financing. Direct investment accounted for less than 10% of total foreign investment in the telecom sector.

**Revenue growth of key telecom players, 1H02, y-o-y (in dollar terms)**



# INTRODUCING BAD DEBT PROVISION - A MILESTONE ON THE ROAD TOWARD IAS

Svyazinvest has repeatedly stated its commitment to have its subsidiaries report their financials according to International Accounting Standards (IAS). According to Svyazinvest's current restructuring schedule, the newly formed inter-regional consolidated companies should start reporting their financials under IAS on a quarterly basis starting in 1Q03.

Meanwhile, in a move that should narrow the gap between Russian Accounting Standards (RAS) and IAS, Svyazinvest in 1Q02 mandated regional telecoms to establish bad debt provisions. Unlike IAS, RAS don't demand bad debt provisions, which largely explains why a company's P&L statements under RAS and IAS diverge.

From a purely legal standpoint, the introduction of bad debt provisions was optional. It was permitted for the first time by amendments to the Tax Code and accounting rules that took effect 1 January 2002. The Tax Code now allows companies to reduce their taxable base by the amount of their bad debt provision up to 10% of company revenues. To be treated as «bad debts» for tax accounting purposes, accounts receivable have to be overdue plus have no collateral. For the purposes of financial accounting, new legislation allows companies to establish bad debt provisions at management discretion (implying that bad debt provisions established for financial and tax accounting may differ significantly).

Despite the fact that the new accounting approach was not compulsory, Svyazinvest by virtue of its majority ownership mandated regional telecoms and Rostelecom to adopt the accounting policy changes by the end of 1H02 to make financial accounts more conservative and narrow the gap between RAS and IAS.

Svyazinvest companies were instructed to establish bad debt provisions for all accounts receivable exceeding 90 days, i.e. to write them off from the balance sheet while

recording a corresponding charge to the income statement. The vast majority of Svyazinvest companies established provisions for bad debts in 2Q02, while some operators took bad debt charges as early as 1Q02.

The amount of this provision turned out to be quite significant (for Svyazinvest as a whole, it amounted to R2.5bn, or 4.6% of revenues) as previously the companies had to carry on their balance sheets accounts receivable overdue for as long as three years, after which a tax-deductible write-off was allowed. (As an option, a presidential decree allowed them to write off receivables older than four months, but that charge was not tax-deductible).

The single most important consequence from introducing bad debt provisions was the deteriorated bottom line most Svyazinvest operators posted in 1H02. It is important to understand, however, that regional telecoms may still recover some of those debts, which are not necessarily non-collectible in nature and have been written off in a bid to ensure a more stringent accounting approach.

Going forward, Svyazinvest telecoms' quarterly income statements will reflect just the net increase in the created reserve, i.e. its net change over the quarter. The average receivables turnover period for Svyazinvest regional companies before the write-off stood at 55 days, which is less than the 90 days used as a cut-off period for the purpose of establishing bad debt provisions. As the collection period of most Svyazinvest operators is improving, or not worsening at the very least, the increase in bad debt expenses should not outpace top line growth going forward.

Investors should also bear in mind that, although bad debt provisions depress the bottom line, they actually improve cash flow, because bad debt provisions are tax-deductible and therefore create a significant tax shield for regional operators.

# SVYAZINVEST PUBLISHES CONSOLIDATED IAS RESULTS FOR 2001

In what came as a landmark event in the corporate history of Svyazinvest, the holding has published for the first time its consolidated IAS accounts for 2001. In the same way as the holding's 2001 RAS results, consolidated IAS accounts do not include inter-company transactions between Rostelecom and regional operators under total revenues, as Rostelecom's revenues from regional operators constitute the latter's costs. (Prior to 2001, however, Svyazinvest's consolidated RAS accounts did not eliminate transactions between subsidiaries). Thus, IAS accounts essentially represent a combination of regional telecoms' revenues and Rostelecom's revenues from its Moscow operations.

Svyazinvest's 2001 IAS accounts are summarized in the table below. They are shown both in rubles of constant purchasing power, as per the original accounts, and restated in US dollars. For the restatement, the 2000 rubles of CPP were de-inflated using the conversion factor of 1.2. The rubles were then converted into US dollars using synthetic R/\$ exchange rate of 30.33 for 2000 and 30.92 for 2001.

Svyazinvest 2001 IAS accounts restated in US dollar terms (see table) show strong top line growth of 20% over 2000 on the back of local tariff increases and growth in long distance traffic. Operating expenses grew at a slower pace (17% y-o-y) and were driven primarily by labor costs, which were up 28% on the year due to salary increases. In another positive development, bad debt expense dropped 71% y-o-y to \$7mn in an indication of customers' improved payment discipline. As a result, Svyazinvest saw an increase in profitability - the holding's EBITDA margin expanded from 27% in 2000 to 29% in 2001. EBITDA soared by 31% y-o-y to \$839mn.

In 2001, Svyazinvest posted net income of \$97mn, compared with a loss of \$22mn in the previous year. However, adjusted for the deferred tax benefit of \$185mn, the company had a net loss of \$88mn. The IAS results show Svyazinvest was free cash flow positive in 2001, with FCF standing at \$244mn.

Overall, the release of the 2001 IAS results is a sign of the holding's increasing transparency and a step toward providing regular sets of IAS accounts for each of the seven enlarged telecoms separately on a quarterly basis.

## Svyazinvest 2001 consolidated IAS accounts

	In Rub mn (CPP)			In \$ mn (current prices)		
	2001	2000 (restated)	Change (y-o-y)	2001	2000	Change (y-o-y)
<b>Revenues</b>	<b>88,343</b>	<b>86,822</b>	<b>2%</b>	<b>2,857</b>	<b>2,385</b>	<b>20%</b>
Operating expenses						
Wages, salaries, benefits, payroll taxes and other social expenditure	(26,776)	(24,531)	9%	(866)	(674)	28%
Impairment charge and other valuation adjustments	(98)	(1,025)	-90%	(3)	(28)	-89%
Depreciation	(18,168)	(17,871)	2%	(588)	(491)	20%
Materials, repairs and maintenance, utilities	(9,296)	(8,481)	10%	(301)	(233)	29%
Taxes other than on income	(3,352)	(4,955)	-32%	(108)	(136)	-20%
Interconnection charges – international	(6,491)	(7,945)	-18%	(210)	(218)	-4%
Interconnection charges – national	(2,139)	(1,277)	68%	(69)	(35)	97%
Interconnection charges - associated companies	(1,033)	(1,014)	2%	(33)	(28)	20%
Bad debt expense	(217)	(891)	-76%	(7)	(24)	-71%
Loss on disposal of property, plant and equipment	(2,079)	(1,126)	85%	(67)	(31)	117%
Other operating expenses	(10,916)	(12,284)	-11%	(353)	(338)	5%
<b>Total operating expenses</b>	<b>(80,565)</b>	<b>(81,400)</b>	<b>-1%</b>	<b>(2,606)</b>	<b>(2,237)</b>	<b>17%</b>
Income from operations	7,778	5,422	43%	252	149	69%
<b>EBITDA</b>	<b>25,946</b>	<b>23,293</b>	<b>11%</b>	<b>839</b>	<b>640</b>	<b>31%</b>
EBITDA margin				29%	27%	
Equity income (loss)	848	310	174%	27	9	222%
Interest income, expense and similar items, net	(2,549)	(3,557)	-28%	(82)	(98)	-16%
Other income (expenses), net	(672)	(130)	417%	(22)	(4)	508%
Foreign exchange gain (loss), net	(132)	(196)	-33%	(4)	(5)	-21%
Net monetary gain	3,996	3,204	25%	129	88	47%
Income before taxation and minority interest	9,269	5,053	83%	300	139	116%
Income tax expense						
Current income tax charge	(6,373)	(5,489)	16%	(206)	(151)	37%
Deferred income tax benefit (charge)	5,724	(2,071)	-376%	185	(57)	-425%
Share in income taxes of associated undertakings	(321)	(186)	73%	(10)	(5)	103%
Total income tax expense	(970)	(7,746)	-87%	(31)	(213)	-85%
Income after taxation and before minority interest	8,299	(2,693)	-408%	268	(74)	
Minority interest in subsidiaries	(5,298)	1,895	-380%	(171)	52	-429%
Earnings available (losses attributable) to ordinary shareholders	3,001	(798)	-476%	97	(22)	-543%

# OVERVIEW OF SVYAZINVEST'S FINANCIAL PERFORMANCE IN 1H02

Svyazinvest's 1H02 RAS results demonstrate the company is destined to repeat in 2002 the strong growth rates posted last year. The holding company's consolidated revenues soared 28% y-o-y in the first half to R53.7bn on the back of local tariff hikes implemented early in the year and greater long-distance volumes. Svyazinvest's revenue growth compares favorably with the stagnating fixed-line revenue and volumes reported by telecoms internationally.

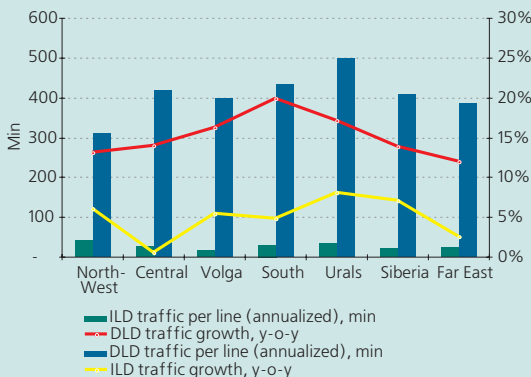
Importantly, Svyazinvest's strong revenue growth is combined with high profitability: Svyazinvest consolidated EBITDA margin for 1H02 stood at 41% compared with 40% in the same period last year. Consolidated EBITDA grew by 33% to R22.2bn and outpaced revenue growth, indicating better-cost control and profitability.

Regional telecom operators within Svyazinvest saw revenues jump by 33% y-o-y in the first half of the year to R43.8bn. The tariff hike for local services provided to households, which came into effect 1 January 2002, drove the strong top line performance. As a result, the weighted average monthly tariff for local services (weighted across customer groups) rose 21% to R87. This gave a significant boost to operators' revenues, as local services contributed 39% to the regional telecoms' top line. Tariff increases are set to remain the key revenue driver in the local services segment for the foreseeable future. Importantly, per-minute billing, which is becoming ever more widespread among regional operators, should link the companies' revenue from local services to the volume of local traffic going forward.

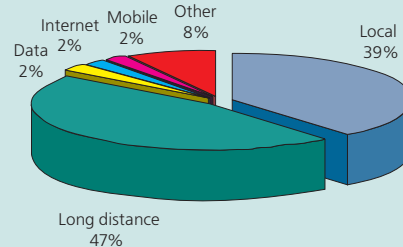
The second major revenue driver for Svyazinvest was continued strong growth in long-distance volumes. Revenue from long-distance service was the main contributor to regional operators' top line and accounted for 46% of total revenue. This was, however, down from 50% in the same period last year, while contribution of local services grew from 36% to 39% in a sign of ongoing tariff rebalancing. Domestic long-distance (DLD) traffic per line in annualized terms grew 15% on average y-o-y. Growth in DLD traffic continues to be fueled by the booming domestic economy. The fact that DLD tariffs have remained flat in ruble terms for the past two years (sliding by about 38% in real terms) also stimulates demand. The strongest growth in DLD traffic was observed in the South (20%), Urals (17%) and Volga (16%) enlarged telecoms.

International long-distance traffic (ILD) per line showed a modest 5% growth y-o-y on average across Svyazinvest

## 1H02 long-distance traffic statistics



## Regional operators' revenues breakdown, 1H02



operators as traditional operators are facing strong competition in the ILD segment from altnets and IP telephony, which offer more attractive pricing. Urals, Siberia and Northwest saw the highest ILD traffic per line growth in 1H02 - 8%, 7%, and 6%, respectively.

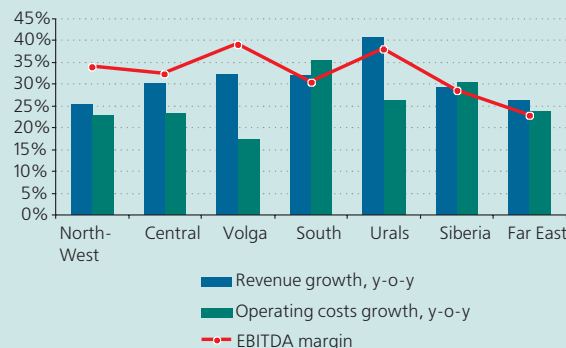
Other services remain minor contributors to total revenue, not exceeding 10% of regional operators' top line; however, they demonstrated exponential growth in y-o-y terms. Internet and mobile revenues soared by 62% and 53%, respectively. Both, however, accounted for only 2% of regional operators' revenues across Svyazinvest, the same percentage as last year.

Operating costs continued to trail revenue growth at most regional telecoms, resulting in growing profitability. On average, operating costs of consolidated companies increased by 26%, compared with 31% top line growth. VolgaTelecom significantly reigned in costs, while Southern Telecom saw costs growth jump ahead of revenue growth (see graph below). Successful cost control resulted in a corresponding increase in profitability for most regional operators, the best examples being enlarged Volga Telecom (EBITDA margin grew to 39% from 33% in 1H02) and Uralsvyazinform (from 34% to 38%).

Net profit of Svyazinvest operators grew 14% on average despite the creation of bad debt provisions in 1H02, which depressed regional operators' bottom line (see separate story on bad debt provisions inside).

Stronger revenues at regional telecoms allowed for greater capital expenditures, which jumped 68% y-o-y to R4.5bn during 1H02. The new investments went toward upgrading the existing networks from analog to digital, installing new lines and building transport infrastructure.

## Regional telecoms operating highlights, 1H02



# COMPANIES' PROFILES

## CenterTelecom

RTS ticker	ESMO	tel.	+7 095 209 3849
Web	www.esmr.ru	fax.	+7 095 209 2829
Sales	7 517.1 mn Rub	Lines in service	5.4 mn
EBITDA	1 178.1 mn Rub	Digitalization	26.5%
Net profit	411.1 mn Rub	Penetration	11.5%
Capex	1 549.3 mn Rub	Employees	73.5 th

## Uralsvyazinform

RTS ticker	URSI	tel.	+7 3422 905 863
Web	www.uralsvazinform.com	fax.	+7 3422 343 336
Sales	6 777.7 mn Rub	Lines in service	2.9 mn
EBITDA	1 437.1 mn Rub	Digitalization	45.2%
Net profit	467.1 mn Rub	Penetration	15.0%
Capex	1 634.4 mn Rub	Employees	35.9 th

## South Telecom

RTS ticker	KUBN	tel.	+7 8612 531 969
Web	www.stcompany.ru	fax.	+7 8612 530 207
Sales	4 838.5 mn Rub	Lines in service	3.1 mn
EBITDA	1 914.4 mn Rub	Digitalization	26.3%
Net profit	1 084.4 mn Rub	Penetration	15.3%
Capex	938.2 mn Rub	Employees	43.8 th

## Dalsvyaz

RTS ticker	ESPK	tel.	+7 4232 228 545
Web	www.es.primorye.ru	fax.	+7 4232 225 201
Sales	2 452.7 mn Rub	Lines in service	1.0 mn
EBITDA	174.4 mn Rub	Digitalization	29.4%
Net profit	-17.4 mn Rub	Penetration	16.2%
Capex	254.8 mn Rub	Employees	19.8 th

## North-West Telecom

RTS ticker	SPTL	tel.	+7 812 312 0381
Web	www.nwtelecom.ru	fax.	+7 812 325 8323
Sales	4 698.7 mn Rub	Lines in service	3.2 mn
EBITDA	846.8 mn Rub	Digitalization	28.0%
Net profit	261.8 mn Rub	Penetration	15.7%
Capex	423.5 mn Rub	Employees	30.3 th

## Sibirtelecom

RTS ticker	ENCO	tel.	+7 3824 191 169
Web	www.es-nso.ru	fax.	+7 3824 235 445
Sales	5 644.6 mn Rub	Lines in service	3.3 mn
EBITDA	908.3 mn Rub	Digitalization	34.2%
Net profit	266.7 mn Rub	Penetration	15.6%
Capex	604.1 mn Rub	Employees	50.9 th

## VolgaTelecom

RTS ticker	NNSI	tel.	+7 8312 342 210
Web	www.svazinform.nnov.ru	fax.	+7 8312 306 768
Sales	5 086.2 mn Rub	Lines in service	3.7 mn
EBITDA	1 372.9 mn Rub	Digitalization	30.3%
Net profit	614.3 mn Rub	Penetration	17.0%
Capex	1 050.5 mn Rub	Employees	52.0 th

## Rostelecom

RTS ticker	RTKM	tel.	+7 095 973 9920
Web	www.rt.ru	fax.	+7 095 973 3005
Sales	9962.7 mn Rub	Digitalization	73%
EBITDA	4 694.3 mn Rub		channel-km
Net profit	1 583.6 mn Rub	Length	200 th km
Capex	1 069.2 mn Rub	Employees	32.1 th

# CALENDAR OF EVENTS<sup>1</sup>

DATE	SVYAZINVEST	ROSTELECOM	CENTER	NORTH WEST	VOLGA
<b>October 2002</b>				Oct.31 - Share swap	
<b>November 2002</b>	Svyazinvest 3Q02 results Nov. 13-17 - Russian Investment Forum, Road show Boston	Rostelecom 3Q02 results Nov. 13-17 - Russian Investment Forum, Road show US	Nov.30 - Share swap CenterTelecom 3Q02 results	Registration of share placement report with FCSM <sup>4</sup> North-West Telecom 3Q02 results	Nov.30 - Share swap VolgaTelecom 3Q02 results
<b>December 2002</b>		2003 business plan	Registration of share placement report with FCSM <sup>4</sup> 2003 business plan	2003 business plan	Registration of share placement report with FCSM <sup>4</sup> 2003 business plan
<b>1st Quarter 2003</b>			EGM <sup>3</sup> of mega-regional company	EGM <sup>3</sup> of mega-regional company	EGM <sup>3</sup> of mega-regional company

DATE	SOUTH	URALS	SIBERIA	FAR EAST
<b>October 2002</b>	Oct.31 - Share swap	Registration of share placement report with FCSM <sup>4</sup>		Registration of share placement report with FCSM <sup>4</sup>
<b>November 2002</b>	Registration of share placement report with FCSM <sup>4</sup> South Telecom 3Q02 results	Uralsvyazinform 3Q02 results Nov. 4-8 - Road show UK Nov. 11-13 - Road show US Nov. 21 – BoD <sup>2</sup> meeting of mega-regional company	Nov. 30 - Share swap Sibirtelecom 3Q02 results	Dalsvyaz 3Q02 results Nov. 28 - BoD <sup>2</sup> of mega-regional
<b>December 2002</b>	2003 business plan	Dec. 17 - EGM <sup>3</sup> of mega-regional 2003 business plan	Registration of share placement report with FCSM <sup>4</sup> 2003 business plan	Dec. 24 - EGM <sup>3</sup> of mega-regional company 2003 business plan
<b>1st Quarter 2003</b>	EGM <sup>3</sup> of mega-regional company		EGM <sup>3</sup> of mega-regional company	

<sup>1</sup> Some dates are subject to further confirmation

<sup>2</sup> Board of Directors

<sup>3</sup> Extraordinary General Meeting

<sup>4</sup> Federal Commission for Securities Market

# Highlights of Svyazinvest's H02 operating and financial results

	Revenues, R mn	Ch. y-o-y	Operating costs, R mn	Ch. y-o-y	EBITDA*, R mn	Ch. y-o-y	EBITDA margin	Net profit, R mn	Ch. y-o-y	Access lines in use (01.07.2002)	Ch. y-o-y	Capex, R mn
<b>North-West</b>	<b>4,699</b>	<b>25%</b>	<b>3,453</b>	<b>23%</b>	<b>1592</b>	<b>22%</b>	<b>34%</b>	<b>262</b>	<b>-32%</b>	<b>3,237,287</b>	<b>3%</b>	<b>424</b>
North-West Telecom	2,303	24%	1,560	20%	876	22%	38%	365	65%	1,793,047	1%	185
Artelecom	454	22%	358	19%	138	17%	30%	(24)	n.a.	276,324	3%	39
Murmansk Electrosvyaz	524	27%	474	25%	124	41%	24%	(163)	n.a.	260,756	8%	58
Novgorodtelecom	223	36%	158	28%	79	29%	36%	32	30%	153,638	4%	14
Cherepovets Electrosvyaz	170	50%	112	30%	67	63%	40%	21	46%	101,092	8%	16
Karelia Electrosvyaz	273	25%	220	21%	77	35%	28%	3	-82%	183,982	4%	38
Vologda Electrosvyaz	239	24%	191	27%	71	4%	30%	(3)	n.a.	179,928	6%	20
Pskov Electrosvyaz	194	29%	142	26%	65	23%	34%	19	87%	132,380	3%	24
Kaliningrad Electrosvyaz	319	22%	238	31%	94	-7%	30%	11	-72%	156,140	5%	29
<b>Central</b>	<b>7,517</b>	<b>30%</b>	<b>5,605</b>	<b>23%</b>	<b>2418</b>	<b>36%</b>	<b>32%</b>	<b>411</b>	<b>-28%</b>	<b>5,429,466</b>	<b>5%</b>	<b>1,549</b>
CenterTelecom	1,919	27%	1,581	18%	402	57%	21%	(47)	n.a.	1,317,855	4%	722
Ryazan Electrosvyaz	292	26%	231	21%	80	41%	27%	31	341%	220,715	5%	22
Bryansk Svyazininform	299	51%	178	18%	147	136%	49%	58	224%	211,575	9%	100
Belsvyaz	411	30%	277	25%	159	37%	39%	55	23%	306,685	4%	80
Voronezh Svyazininform	660	33%	482	35%	221	20%	33%	82	53%	524,032	4%	90
Ivtelecom	259	36%	197	34%	73	27%	28%	11	-48%	205,394	3%	21
Lipetsk Electrosvyaz	331	35%	228	24%	124	45%	38%	14	-45%	264,045	5%	55
Smolensk Svyazininform	326	38%	225	19%	127	84%	39%	31	68%	247,421	6%	36
Tambov Electrosvyaz	339	47%	217	29%	144	66%	43%	15	-54%	220,524	4%	43
Tulatelecom	486	36%	365	21%	193	40%	40%	(1)	n.a.	392,398	6%	72
Kaluga Electrosvyaz	352	31%	234	28%	149	21%	42%	38	20%	256,874	4%	29
Kursk Electrosvyaz	238	24%	175	17%	75	33%	31%	24	2%	198,040	4%	30
Tver Electrosvyaz	342	24%	298	36%	69	-27%	20%	4	-85%	233,402	6%	55
Vladimir Electrosvyaz	382	14%	266	25%	147	-8%	39%	34	-37%	287,089	6%	18
Kostroma Electrosvyaz	145	34%	125	32%	35	17%	24%	(38)	n.a.	77,332	4%	16
Orel Electrosvyaz	207	28%	150	27%	74	22%	36%	17	-15%	165,911	5%	63
Yartelecom	529	24%	375	18%	196	36%	37%	83	16%	300,174	7%	99
<b>Volga</b>	<b>5,086</b>	<b>32%</b>	<b>3,593</b>	<b>17%</b>	<b>1981</b>	<b>55%</b>	<b>39%</b>	<b>614</b>	<b>132%</b>	<b>3,725,860</b>	<b>5%</b>	<b>1,050</b>
VolgaTelecom	1,031	29%	638	25%	472	24%	46%	203	35%	793,938	5%	165
Kirov Electrosvyaz	366	38%	277	22%	121	59%	33%	44	260%	284,967	5%	80
Martelecom	213	39%	138	30%	92	27%	43%	42	333%	160,499	2%	33
Saratov Electrosvyaz	636	43%	483	15%	256	124%	40%	56	n.a.	408,003	9%	136
Penza Svyazininform	250	27%	187	13%	95	77%	38%	26	224%	231,385	7%	32
Mordovia Svyazininform	213	26%	156	13%	85	46%	40%	37	n.a.	175,299	4%	41
Samara Svyazininform	868	36%	583	6%	352	170%	41%	153	1354%	564,826	3%	282
Chuvashia Svyazininform	266	29%	153	14%	126	44%	47%	21	-41%	216,042	6%	37
Udmurt Telecom	408	27%	312	22%	132	14%	32%	20	-7%	308,465	4%	58
Orenburg Electrosvyaz	517	23%	429	18%	135	5%	26%	(2)	n.a.	358,280	5%	156
Ulyanovsk Electrosvyaz	319	39%	237	23%	117	90%	37%	14	289%	224,156	6%	30
<b>South</b>	<b>4,839</b>	<b>32%</b>	<b>3,670</b>	<b>36%</b>	<b>1471</b>	<b>10%</b>	<b>30%</b>	<b>1,084</b>	<b>118%</b>	<b>3,173,452</b>	<b>5%</b>	<b>938</b>
South Telecom	1,502	31%	1,213	41%	368	-6%	24%	862	455%	837,103	7%	419
Astrakhan Svyazininform	256	29%	180	21%	102	46%	40%	6	-42%	183,572	5%	23
Volgograd Electrosvyaz	712	31%	565	35%	204	0%	29%	17	-64%	526,398	6%	188
KabBalkTelecom	162	40%	116	38%	52	28%	32%	26	92%	138,442	6%	59
Karachaevo-Cherkessia Electrosvyaz	79	27%	56	26%	29	23%	36%	1	-82%	74,173	3%	3
Sevostetn Electrosvyaz	217	32%	134	25%	102	43%	47%	31	7%	138,141	7%	27
Rostov Electrosvyaz	1,016	29%	812	37%	255	-3%	25%	120	2%	643,229	3%	120
Adygeia Electrosvyaz	49	47%	39	28%	14	78%	29%	0	-99%	68,332	4%	7
Kalmykia Electrosvyaz	53	44%	36	20%	19	115%	36%	(9)	n.a.	53,726	0%	2
Stavropol Electrosvyaz	793	37%	519	34%	326	31%	41%	29	-74%	510,336	5%	90
<b>Urals</b>	<b>6,778</b>	<b>41%</b>	<b>4,910</b>	<b>26%</b>	<b>2578</b>	<b>56%</b>	<b>38%</b>	<b>467</b>	<b>15%</b>	<b>2,864,364</b>	<b>6%</b>	<b>1,634</b>
Uralsvyazininform	1,452	50%	1,100	25%	603	79%	42%	4	-38%	597,116	6%	481
KhantyMansiyskortelecom	1,524	43%	992	25%	587	74%	39%	305	128%	300,006	8%	57
Chelyabinsk Svyazininform	1,170	42%	879	14%	493	117%	42%	59	242%	659,912	6%	741
Tyumentelecom	635	49%	470	35%	272	49%	43%	18	-52%	249,597	8%	143
Uraltelecom	1,316	30%	970	41%	415	1%	32%	45	-73%	808,484	4%	164
Kurgan Electrosvyaz	214	28%	159	30%	66	14%	31%	3	-86%	161,980	4%	30
Yamal Electrosvyaz	467	30%	340	23%	142	35%	30%	33	58%	87,269	11%	18
<b>Siberia</b>	<b>5,645</b>	<b>29%</b>	<b>4,382</b>	<b>30%</b>	<b>1608</b>	<b>17%</b>	<b>28%</b>	<b>267</b>	<b>-38%</b>	<b>3,317,462</b>	<b>5%</b>	<b>604</b>
Sibirtelecom	1,060	35%	769	37%	374	18%	35%	(27)	n.a.	581,747	5%	96
Altaitelecom	615	38%	427	25%	222	67%	36%	101	92%	520,550	5%	80
Tomsktelecom	476	33%	358	38%	159	9%	33%	43	-21%	247,662	8%	75
Omsk Electrosvyaz	503	20%	405	15%	132	23%	26%	12	-41%	366,531	2%	50
Altai Electrosvyaz	43	26%	35	23%	9	33%	21%	1	43%	25,050	6%	1
Irkutsk Electrosvyaz	732	27%	593	34%	178	-2%	24%	55	-12%	377,547	6%	89
Kemerovo Electrosvyaz	749	27%	583	42%	191	-10%	26%	34	-66%	465,697	4%	90
Krasnoyarsk Electrosvyaz	871	26%	738	25%	191	40%	22%	33	93%	401,201	5%	54
Buryatia Electrosvyaz	255	33%	198	30%	72	21%	28%	0	-97%	138,562	6%	46
Khakasia Electrosvyaz	133	26%	94	16%	45	41%	34%	12	81%	84,123	5%	8
Chita Electrosvyaz	208	21%	182	25%	35	-8%	17%	1	-94%	108,792	5%	17
<b>Far East</b>	<b>2,453</b>	<b>26%</b>	<b>2,009</b>	<b>24%</b>	<b>559</b>	<b>29%</b>	<b>23%</b>	<b>(17)</b>	<b>-112%</b>	<b>1,040,165</b>	<b>5%</b>	<b>255</b>
Dalsvyaz	796	25%	610	19%	225	46%	28%	6	-92%	361,624	5%	74
Amursvyaz	230	27%	215	51%	24	-53%	10%	4	-76%	116,987	5%	26
Kamchatka Svyazininform	285	22%	255	22%	46	13%	16%	(28)	n.a.	109,672	3%	35
Magadan Svyazininform	179	31%	157	28%	28	26%	16%	(9)	n.a.	56,577	0%	5
Sakhalinsvyaz	360	23%	322	28%	51	-12%	14%	(44)	n.a.	125,026	4%	44
Jewish Region TTK	45	34%	37	18%	11	155%	25%	2	785%	33,051	4%	4
Khabarovsk Electrosvyaz	557	30%	414	17%	174	67%	31%	52	58%	237,228	7%	67
<b>Consolidated companies, total</b>	<b>37,016</b>	<b>31%</b>	<b>27,622</b>	<b>26%</b>	<b>12207</b>	<b>33%</b>	<b>33%</b>	<b>3,088</b>	<b>14%</b>	<b>22,788,056</b>	<b>5%</b>	<b>6,455</b>
<b>Others</b>	<b>6,752</b>	<b>39%</b>	<b>4,964</b>	<b>30%</b>	<b>2796</b>	<b>29%</b>	<b>41%</b>	<b>788</b>	<b>327%</b>	<b>4,953,073</b>	<b>3%</b>	<b>1,297</b>
MGTS	4,871	35%	3,534	22%	2233	33%	46%	634	3567%	4,028,977	1%	1,060
Komi Electrosvyaz	515	27%	358	34%	195	16%	38%	51	-21%	265,771	4%	26
Lensvyaz	482	28%	408	30%	104	1%	22%	11	-53%	384,206	3%	63
Kostroma GTS	70	47%	43	43%	35	22%	50%	21	51%	73,664	7%	17
Central Telegraph	631	128%	497	135%	165	19%	26%	56	5%	60,914	3411%	130
Dagsvyazininform	182	38%	125	30%	63	46%	35%	16	18%	139,541	5%	1
<b>Regional operators, total</b>	<b>43,767</b>	<b>33%</b>	<b>32,586</b>	<b>26%</b>	<b>15004</b>	<b>33%</b>	<b>34%</b>	<b>3,876</b>	<b>34%</b>	<b>27,741,129</b>	<b>5%</b>	<b>7,752</b>
<b>Rostelecom</b>	<b>9,963</b>	<b>10%</b>	<b>5,890</b>	<b>-6%</b>	<b>7185</b>	<b>35%</b>	<b>72%</b>	<b>1,584</b>	<b>53%</b>	<b>24,819</b>	<b>7%</b>	<b>1,069</b>
<b>Svyazinvest, total</b>	<b>53,730</b>	<b>28%</b>	<b>38,476</b>	<b>20%</b>	<b>22189</b>	<b>33%</b>	<b>41%</b>	<b>5,459</b>	<b>39%</b>	<b>27,765,948</b>	<b>5%</b>	<b>8,821</b>

\*EBITDA=Operating profit + Depreciation & Amortization

	Ch. y-o-y	Capex per line, R	LT debt, R mn	Revenue per line (annualized), R	Lines per employee	DLD raffic per line (annualized), min	Ch. y-o-y	ILD traffic per line (annualized), min	Ch. y-o-y	Internet revenues, R mn	Ch. y-o-y	Cellular revenues, R mn	Ch. y-o-y	Swap ratio	Employees (01.07.2002)	Ch. y-o-y	Fixed line penetration
	-13%	131	1,411	2,903	107	312	13%	43	6%	102	56,8%	28	-10,9%		30,323	-3,2%	25%
	-30%	103	984	2,568	205	248	12%	52	9%	45	53,0%	-	-	1,0	8,756	-5,2%	39%
	-30%	142	101	3,286	64	363	12%	17	2%	10	99,1%	28	12,6%	0,4	4,309	-1,0%	19%
	82%	224	170	4,017	75	474	14%	44	-2%	12	67,3%	-	-	2,0	3,498	0,2%	27%
	-17%	89	-	2,901	69	357	10%	21	0%	5	24,4%	-	-	229,8	2,235	-3,6%	22%
	122%	154	-	3,357	99	245	12%	16	3%	8	45,6%	-	-	53,5	1,017	-1,6%	8%
	50%	208	136	2,972	64	356	18%	24	1%	7	75,4%	-	-	0,2	2,896	-0,8%	24%
	-9%	111	-	2,658	66	369	5%	11	-2%	5	10,8%	-	-	2,4	2,737	-7,8%	14%
	-14%	185	-	2,935	58	453	18%	37	3%	4	71,9%	-	-	1,6	2,293	0,3%	17%
	-17%	184	20	4,089	60	461	13%	73	0%	9	77,9%	-	-	7,1	2,583	-5,1%	17%
	84%	285	2,740	2,769	74	419	14%	28	1%	154	78,2%	147	27,5%		73,550	-2,0%	19%
	329%	548	1,075	2,912	94	502	6%	47	1%	13	106,8%	-	-	1,0	14,093	2,8%	21%
	18%	98	37	2,649	62	359	7%	16	-2%	8	67,6%	-	-	4,5	3,580	-1,3%	18%
	393%	474	11	2,830	59	381	16%	32	-1%	5	156,9%	-	-	4,4	3,593	-1,8%	15%
	46%	261	166	2,683	75	361	5%	36	-6%	11	62,8%	-	-	19,3	4,095	-1,5%	20%
	28%	171	100	2,519	81	458	37%	17	-6%	10	103,0%	-	-	47,4	6,461	-3,6%	22%
	-43%	101	154	2,522	67	407	18%	17	4%	2	4930,1%	-	-	0,4	3,072	-5,9%	17%
	-5%	209	347	2,511	77	339	38%	14	13%	14	48,6%	-	-	1,9	3,408	-4,9%	21%
	19%	144	20	2,634	63	349	15%	30	5%	10	70,1%	-	-	5,3	3,924	-4,4%	23%
	79%	196	166	3,076	60	400	27%	12	12%	7	67,4%	103	74,4%	10,8	3,706	0,8%	18%
	71%	184	320	2,477	92	349	16%	15	5%	10	64,4%	2	-27,6%	0,4	4,246	-0,7%	23%
	-63%	111	86	2,739	89	448	16%	29	-1%	15	51,4%	-	-	22,3	2,871	-2,5%	24%
	23%	152	77	2,402	59	398	10%	23	-7%	4	100,9%	-	-	6,8	3,383	-7,1%	15%
	-38%	236	30	2,931	61	472	13%	30	8%	12	82,1%	-	-	496,4	3,799	-3,5%	15%
	196%	64	105	2,660	75	326	9%	17	11%	10	234,4%	-	-	0,4	3,820	-4,2%	18%
	67%	203	23	3,742	37	659	16%	25	7%	3	112,1%	-	-	20,9	2,090	-0,8%	10%
	127%	378	13	2,490	63	323	10%	23	-4%	4	50,1%	-	-	5,5	2,640	1,0%	19%
	16%	329	11	3,523	63	384	17%	21	-2%	19	56,5%	42	-12,5%	13,6	4,771	-5,8%	22%
	64%	282	690	2,730	72	399	16%	17	5%	95	86,4%	33	37,3%		52,022	-5,3%	18%
	50%	208	75	2,596	91	389	9%	16	-1%	19	151,6%	-	-	1,0	8,684	-2,0%	22%
	84%	281	1	2,570	59	419	12%	9	4%	13	86,4%	-	-	10,1	4,850	-7,4%	18%
	232%	207	143	2,649	67	230	20%	7	16%	7	72,7%	24	2277,9%	0,4	2,398	2,9%	21%
	5%	334	136	3,118	66	453	17%	25	11%	7	84,4%	-	-	0,2	6,192	-5,5%	15%
	-66%	137	45	2,163	73	372	15%	13	8%	7	100,2%	-	-	38,7	3,161	-11,9%	15%
	195%	235	14	2,428	66	369	12%	6	10%	5	20,9%	-	-	0,1	2,660	-5,5%	19%
	402%	499	168	3,074	72	486	25%	31	6%	11	101,5%	9	-48,3%	24,8	7,864	-5,4%	17%
	20%	173	32	2,464	67	338	15%	8	10%	7	29,3%	-	-	26,9	3,212	-5,8%	16%
	30%	187	7	2,646	86	308	11%	11	-3%	-	-	-	-	2,0	3,570	-4,7%	19%
	114%	435	50	2,884	58	384	19%	23	7%	13	90,6%	-	-	0,1	6,226	-4,1%	16%
	-15%	133	18	2,845	70	472	24%	17	9%	8	78,8%	-	-	3,2	3,204	-9,8%	16%
	52%	296	1,879	3,049	72	434	20%	30	5%	108	76,8%	-	-		43,792	-4,5%	17%
	29%	501	449	3,589	74	435	41%	36	3%	39	51,2%	-	-	1,0	11,278	-2,8%	17%
	16%	123	120	2,789	72	277	19%	32	10%	7	68,3%	-	-	4,6	2,539	-3,5%	18%
	230%	357	225	2,705	69	384	13%	21	1%	7	18,2%	-	-	17,7	7,654	-8,9%	20%
	523%	429	3	2,336	84	528	-8%	18	5%	7	380,7%	-	-	0,7	1,654	-4,1%	18%
	n.a.	39	49	2,134	75	437	19%	11	6%	2	82,2%	-	-	17,7	984	-4,9%	17%
	70%	198	34	3,146	90	654	18%	38	10%	4	65,1%	-	-	8,0	1,540	-2,6%	20%
	-14%	187	116	3,158	69	436	19%	37	7%	23	57,7%	-	-	8,9	9,315	-3,9%	15%
	67%	108	0	1,439	75	186	61%	3	-2%	1	63,6%	-	-	45,9	906	-4,6%	15%
	n.a.	31	-	1,959	41	214	12%	4	-3%	1	86,9%	-	-	60,5	1,307	-0,9%	18%
	119%	176	883	3,106	77	510	11%	27	5%	19	230,6%	-	-	82,9	6,615	-4,7%	19%
	160%	571	2,322	4,732	80	500	17%	36	8%	99	34,3%	430	98,0%		35,935	-4,5%	16%
	248%	806	839	4,863	81	263	3%	13	-6%	-	-	430	101,5%	1,0	7,341	-3,1%	20%
	-56%	192	433	10,162	73	894	18%	131	18%	8	-54,0%	-	-	161,2	4,097	3,0%	21%
	303%	1,123	598	3,547	89	437	29%	21	1%	43	49,4%	-	-	1,316,7	7,435	-3,3%	18%
	123%	572	109	5,088	77	623	29%	27	5%	11	165,1%	-	-	169,3	3,262	-2,1%	8%
	114%	203	289	3,255	85	526	14%	28	5%	19	35,5%	-	-	604,6	9,543	-9,4%	18%
	198%	184	4	2,638	60	339	15%	11	-2%	3	96,4%	-	-	133,3	2,703	-7,0%	15%
	-24%	205	51	10,697	56	956	0%	120	-6%	14	108,3%	-	-	220,8	1,554	-2,9%	17%
	32%	182	745	3,403	65	409	14%	23	7%	144	52,1%	88	30,2%		50,943	-1,7%	16%
	21%	165	218	3,646	82	332	11%	26	7%	40	66,8%	-	-	1,0	7,095	-2,3%	21%
	25%	153	25	2,364	76	440	11%	17	13%	13	104,5%	-	-	640,0	6,885	3,4%	20%
	15%	302	10	3,841	70	439	9%	27	14%	21	96,8%	21	-1,5%	34,8	3,521	-0,5%	23%
	55%	136	-	2,744	66	309	19%	29	11%	16	76,6%	-	-	9,6	5,538	-5,8%	17%
	-72%	31	1	3,423	35	536	17%	14	28%	2	69,1%	-	-	217,3	706	-5,8%	12%
	59%	236	29	3,877	58	453	18%	20	-2%	16	28,0%	-	-	18,8	6,495	-0,8%	14%
	81%	193	176	3,216	69	358	13%	17	10%	19	24,9%	32	52,6%	436,3	6,760	-0,7%	16%
	-24%	134	67	4,341	58	592	14%	32	1%	14	13,2%	-	-	149,8	6,958	-4,0%	13%
	161%	329	188	3,681	49	326	18%	14	12%	-	-	27	60,6%	1,005,1	2,824	-0,2%	14%
	-38%	93	-	3,152	64	439	11%	11	-1%	3	-6,9%	8	78,3%	69,3	1,311	-4,5%	15%
	146%	153	31	3,827	38	397	19%	20	12%	1	139,4%	-	-	98,2	2,850	-2,4%	9%
	44%	245	101	4,716	53	387	12%	25	2%	95	61,3%	54	18,5%		19,791	-2,0%	17%
	27%	205	-	4,403	64	458	11%	32	3%	44	54,9%	-	-	1,0	5,619	-2,4%	17%
	15%	224	9	3,935	42	320	21%	12	20%	6	47,9%	-	-	168,8	2,788	-0,1%	12%
	141%	317	39	5,202	54	406	15%	32	8%	6	94,7%	39	15,1%	75,1	2,026	-4,3%	29%
	-84%	85	-	6,328	40	381	7%	27	0%	5	157,6%	15	134,4%	1,5	1,424	1,8%	25%
	190%	356	10	5,759	48	412	11%	26	9%	14	46,0%	-	-	195,5	2,611	-1,9%	21%
	-46%	111	-	2,707													