



REORGANIZATION OF OAO NORTH-WEST TELECOM, AND OAO LENSVMYAZ, AND OAO SVYAZ OF KOMI REPUBLIC

**Memorandum on Analysis of Recommended Conversion Ratios of Shares of
OAO Lensvyaz Into Shares of OAO North-West Telecom and Shares of OAO
Svyaz of Komi Republic Into Shares of OAO North-West Telecom**

January 2004

**Renaissance Capital
Ренессанс Капитал**

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I. INTRODUCTORY NOTES AND RECOMMENDED RANGES OF THE SWAP RATIOS

To the Members of the Board of Directors of OAO North-West Telecom

To the Members of the Board of Directors of OAO Lensvyaz

To the Members of the Board of Directors of OAO Svyaz of Komi Republic

26 January 2004

Dear Sirs,

OOO Renaissance Capital – Financial Consultant (hereinafter referred to as Renaissance Capital), acting as the Advisor to OAO North-West Telecom (hereinafter referred to as North-West Telecom, or NWT) on restructuring of NWT in the form of the merger of OAO Lensvyaz (hereinafter referred to as Lensvyaz) and OAO Svyaz of Komi Republic (hereinafter referred to as Svyaz of Komi) into NWT (all companies hereinafter referred to as Restructured Companies), has completed a valuation analysis (hereinafter referred to as Analysis) of the Restructured Companies. The aim of the Analysis is to provide a recommendation for the fair swap ratios (hereinafter referred to as Conversion Ratios) for the conversion of ordinary registered non-documented shares of Lensvyaz into ordinary registered non-documentary shares of NWT, and of preferred registered non-documented shares of Lensvyaz into preferred registered non-documentary shares of NWT, and ordinary registered non-documented shares of Svyaz of Komi into ordinary registered non-documentary shares of NWT, and of preferred registered non-documented shares of Svyaz of Komi into preferred registered non-documentary shares of NWT, following the merger.

Analysis has been performed on a condition of the Restructured Companies as of September 30, 2003.

Renaissance Capital based its Analysis on the information provided by the Restructured Companies. Renaissance Capital does not bear any responsibility for the quality and/or authenticity of the information provided by the Restructured Companies.

The presented Analysis contains forecasts and other statements about future development or future financial results of the Restructured Companies and their subsidiaries. Such forecasts and statements are developed exclusively for the purposes of the presented Analysis and do not guarantee their actual achievement, and include risks, uncertainties, and assumptions that cannot be foreseen.

Changes in the legislation of the Russian Federation and/or the practical application of current legislation, and changes in the telecommunications market, can have a significant effect on the business of the Restructured Companies and, consequently, future results can differ significantly from those contained in the forecasts of this Analysis. Renaissance Capital is not responsible for changes in the results of business operations of the Restructured Companies which result from future changes in their business environment.

While information used in this Analysis is considered to be reliable, Renaissance Capital is not responsible for explicit or implicit representations contained or omitted in it (or in any other written or oral message), communicated to investors, their consultants, agents, representatives, officials, and directors.

The results of this Analysis should be used exclusively by members of the Board of Directors of NWT, and by members of the Board of Directors of Lensvyaz, and by members of the Board of Directors of Svyaz of Komi as a benchmark in making a decision on the Conversion Ratio.

Truly Yours,

Dmitry B. Shevtsov

General Director
OOO Renaissance Capital – Financial Consultant

RECOMMENDED CONVERSION RATIOS RANGES: Shares of Lensvyaz Into Shares of NWT

	North-West Telecom	Lensvyaz
Shareholders' Equity Valuation Range	US\$441 mln - US\$485 mln	US\$45 mln – US\$51 mln
Shareholders' Equity Valuation Range per share	<div> <div>Ordinary:</div> <div>US\$0.51 – US\$0.57</div> <div>Preferred:</div> <div>US\$0.31 – US\$0.34</div> </div>	<div> <div>Ordinary:</div> <div>US\$18.91 – US\$21.39</div> <div>Preferred:</div> <div>US\$11.34 – US\$12.83</div> </div>
Share Conversion Ratio Ranges (number of Lensvyaz shares, to be converted into one share of NWT of the corresponding type)	<div>Ordinary: 0.0264 – 0.0272</div> <div>Preferred: 0.0264 – 0.0272</div>	

- Based on the Analysis performed Renaissance Capital recommends to the Board of Directors of OAO North-West Telecom and the Board of Directors of OAO Lensvyaz to review and approve Conversion Ratios with regards to the merger within the following ranges:

Into one ordinary share of NWT is converted:
Into one preferred share of NWT is converted:

from 0.0264 to 0.0272 ordinary shares of Lensvyaz
from 0.0264 to 0.0272 preferred shares of Lensvyaz

RECOMMENDED CONVERSION RATIOS RANGES: Shares of Svyaz of Komi Into Shares of NWT

	North-West Telecom	Svyaz of Komi
Shareholders' Equity Valuation Range	US\$441 mln - US\$485 mln	US\$43 mln – US\$49 mln
Shareholders' Equity Valuation Range per share	<div> <div>Ordinary:</div> <div>US\$0.51 – US\$0.57</div> <div>Preferred:</div> <div>US\$0.31 – US\$0.34</div> </div>	<div> <div>Ordinary:</div> <div>US\$0.13 – US\$0.14</div> <div>Preferred:</div> <div>US\$0.08 – US\$0.09</div> </div>
Share Conversion Ratio Ranges (number of Svyaz of Komi shares, to be converted into one share of NWT of the corresponding type)	<div> <div>Ordinary: 3.97 – 4.04</div> <div>Preferred: 3.97 – 4.04</div> </div>	

- Based on the performed Analysis Renaissance Capital recommends to the Board of Directors of OAO North-West Telecom and the Board of Directors of OAO Svyaz of Komi Republic to review and approve Conversion Ratios with regards to the merger within the following ranges:

Into one ordinary share of NWT is converted:
Into one preferred share of NWT is converted:

from 3.97 to 4.04 ordinary shares of Svyaz of Komi
from 3.97 to 4.04 preferred shares of Svyaz of Komi

II. OVERVIEW OF VALUATION METHODS APPLIED

- The Conversion Ratio constitutes the number of Lensvyaz and the number Svyaz of Komi shares to be converted into one NWT share of the corresponding type.
- The recommended Conversion Ratios are based on respective relations of per share fair values of NWT and Lensvyaz / Svyaz of Komi shares of each type.
- For the purpose of this Analysis, under the per share fare value we consider the price indicators which define the most likely swap ratios for the conversion of shares between independent and equally informed shareholders of the Reorganized Companies, each of whom is interested in the Lensvyaz / Svyaz of Komi merger into NWT, but are not obliged to undertake it.
- Following the merger, NWT and Lensvyaz / Svyaz of Komi shareholders' equities will be summed up. Therefore, for the purpose of defining the Conversion Ratios, valuation of NWT and Lensvyaz / Svyaz of Komi shares shall be performed on a stand-alone basis.
- Due to (i) the Conversion Ratio is a function of a relative values of shares, rather than their absolute values, and (ii) all the Lensvyaz / Svyaz of Komi shares are subject to the conversion, no premium/discount was applied to the valuation of Lensvyaz / Svyaz of Komi shares to reflect controlling/non-controlling character of each stake. Consequently, the equity valuation of each Reorganized Company was performed on a non-controlling base.
- Calculation of Conversion ratios includes three stages:
 - Valuation analysis of shareholders' equity of each Reorganized Company;
 - Allocation of the shareholders' equity value per ordinary share and per preferred share;
 - Determining the range of the Conversion Ratio for ordinary shares and the Conversion Ratio for preferred shares.
- Valuation analysis of equity of each Restructured company was performed based on different valuation methods as follows:
 - Discounted cash flow analysis;
 - Comparable companies analysis;
 - Comparable acquisitions analysis;
 - Analysis of share market prices;
 - Net asset value analysis.

- The method is based on the concept that enterprise value (business value) is equal to the present value of future cash flows from operations available to investors, including both shareholders and debt-holders of the company.
- Calculation of enterprise value under the discounted cash flow method includes the following steps:
 - Preparation of financial forecasts and calculation of free cash flows (FCF) to the invested capital for each year of the forecast period;
 - Calculation of the present value of the FCFs as of the date of valuation, using the discount rate calculated for each year of the forecast period;
 - Forecast of perpetuity FCFs;
 - Calculation of the present value of the perpetuity FCF (terminal value);
 - Valuation of assets that do not contribute to the FCF – existing long-term investments, whose value is then added to the present value of the FCFs (over the forecast period and in the perpetuity).
- To derive the equity value, the enterprise value is decreased by the value of net debt. Net debt is calculated as the difference between interest-bearing liabilities and cash based on financial statements as of the latest available date prior to the date of valuation.
- The financial forecasts were prepared in nominal roubles, i.e. future inflation estimates are factored in.
- The same forecast period, 2004-2009, was used for each company, NWT, Lensvyaz, and Svyaz of Komi, and was based on the assumption that key changes, such as tariff rebalancing and company restructuring, will be accomplished by that time, and that, starting from 2010 companies' FCFs will stabilize.
- Based on the assumption of stable FCFs in the perpetuity, the terminal value was calculated using the Gordon formula:

$$\text{FCFs in the perpetuity} = \frac{\text{FCF of the last year of the forecast period} * (1 + \text{Perpetuity FCF growth rate})}{\text{Discount rate} - \text{Perpetuity FCF growth rate}}$$

- The discount rate reflects the required return on capital invested in the company. The discount rate is calculated based on the concept of weighted average cost of capital using estimates on the company risk premiums made by the Advisor.
- Equity valuation received using the discounted cash flow analysis assumes controlling ownership of the equity. To come to a valuation of non-controlling stakes, a 20% discount (determined based on Renaissance Capital estimates) was applied to the results received using the discounted cash flow analysis.

- According to the comparable companies analysis, company valuation is derived based on the ratios between the market values of comparable companies and their respective operating and financial results. Average ratios (valuation multiples) are then applied to the corresponding operating and financial metrics of the company being valued to receive its valuation.
- The method is based on the concept that the company's market value reflects its current operational and financial position, as well as expectations of market participants about future development of the company, its growth opportunities and potential risks, as well as the position of its stocks on the market. The more liquid the stock, the better its market price reflects the fair value of the stock.
- Key parameters used in the selection of comparable companies are as follows:
 - Comparable companies are Russian fixed line operators;
 - Information on comparable companies is available and reliable;
 - Shares of the comparable companies are traded on the open market and liquid.
- Comparable companies selection criteria are as follows:
 - Scale of operations;
 - Revenue mix;
 - Revenue per line.
- For consistency, the market capitalization of comparable companies is as of the valuation date, 30 September 2003.

- Comparable acquisition analysis, i.e. acquisitions of comparable companies, is based on information on valuation of comparable companies, determined over a series of completed mergers/reorganization processes of regional incumbent telecommunication operators.
- The company value is derived based on ratios between values of comparable companies, determined over a merger/reorganization of regional fixed-line operators, and their operating and financial results. Average ratios (valuation multiples) are then applied to the corresponding operating and financial metrics of the company being valued to receive its valuation.
- Merger cases were selected based on the availability of required information on the valuation of the merged companies, which was the foundation for the calculation of swap ratios approved by shareholders.
- Comparable companies selection criteria are as follows:
 - Scale of operations;
 - Revenue mix;
 - Revenue per line.
- Contrary to the comparable companies analysis, comparable acquisition analysis does not allow for a consistency of the valuation date, due to the fact that terms of the merger of regional fixed-line operators had been approved in the end of 2001. Valuation bases (such as financial and operating parameters) of the comparable regional fixed-line operators are as of the latest reporting date prior and after to the date of the mergers approval.
- Both comparable methods use EV-based valuation multiples, which allow to derive the enterprise value available both to shareholders and debt-holders. To derive the shareholders' equity value, the enterprise value is reduced by the value of net debt, which is determined as the value of interest bearing debt, long-term and short-term, less cash based on the financial statements as of the latest reporting date prior to the valuation date.






- Valuation is based on the analysis of the market prices of the Reorganized Companies' shares and includes analysis of daily quotations of the respective shares on the stock exchanges.
- The method is based on a concept that the company's shares market prices reflect its current operational and financial position, as well as expectations of market participants about future development of the company, its growth opportunities and potential risks. Additionally, the share price is affected by liquidity. The more liquid the stock, the better its market price reflects the fair value of the stock.
- Presently, NWT shares are mainly traded on two exchanges – the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX). NWT shares are traded on RTS Classical and Order-driven markets. Moreover, NWT ordinary and preferred shares are included in the RTS quotation list level A2. On the MICEX, NWT shares are traded as non-listed securities; i.e. its shares are traded but not included in the quotation lists of the exchange.
- Lensvyaz shares are also traded on RTS Classical and Order-driven markets. However, its securities are not included in RTS quotation lists. Lensvyaz shares are not traded on the MICEX.
- Svyaz of Komi shares are traded on RTS and the MICEX. Shares of Svyaz of Komi are traded on RTS Classical and Order-driven markets, but are not included in RTS quotation lists. On the MICEX, Svyaz of Komi shares are traded as non-listed securities, that is its shares are traded but not included in the quotation lists of the exchange.
- For consistency, market indicators of Reorganized Companies' shares were based on RTS Classical market data, a marketplace common to shares of the companies.
- In the framework of the analysis, key market parameters of the shares of Reorganized Companies were reviewed: ask and bid quotes, actual trade prices, trade volumes, market values of the stocks, calculated by RTS, and implied market capitalizations.
- Market price analysis was performed for a series of time periods: valuation date, last month, last six months and last twelve months. To determine the valuation range using the market share price method, market data over the last six months was used. In order to mitigate the effect of speculative share price fluctuations, six month average values were used in the valuation. The average closing bid price was the lower end of the valuation range, while the average closing ask price was the higher end of the valuation range.
- Equity valuation ranges of Reorganized Companies are assumed equal to the respective ranges of their combined market capitalizations of ordinary and preferred shares.

- Net asset valuation allows to assess the value of the Reorganized Companies property complex from the point of view of the costs accrued.
- The net asset value analysis is performed by a licensed appraiser, the Consulting Agency Info-Park (license of the Ministry of State Property of the Russian Federation №000269), in accordance with Regulation №10н 03-6пз by the Ministry of Finance and Federal Securities Commission from 29 January 2003.
- According to the given Regulation, the net asset value is determined by subtraction from the total assets of the company, accepted to calculation, the sums of its liabilities accepted to calculation.
- The resulting net asset value prepared in accordance with the Regulation represents book value of net assets. However, such value of assets and liabilities usually does not reflect their fair market value due to inflation, changes in the market environment, changes in the accounting policy, etc. In order to approximate book value of net assets to the possible market value, the balance sheet numbers of assets and liabilities were carefully analyzed and adjusted based on their actual condition and potential liquidity.
- For the purpose of calculation of recommended Conversion Ratios the adjusted net asset values of the Reorganized Companies were used.

SUMMARIZING OF THE DIFFERENT VALUATION OUTCOMES AND VALUE PER SHARE ALLOCATION

- Each of the valuation techniques applied to Reorganized Companies has its strengths and weaknesses compared to other valuation techniques, which is mainly due to the completeness and reliability of underlying information. Moreover, results received through various methods are different. In order to mitigate some weaknesses in the valuation techniques used and summarize the results, the resumptive equity value range was determined following an analysis of strengths and weaknesses of each approach.
- The resumptive value range for each of the Reorganized Companies represents a weighted average of results received by different valuation approaches.
- To determine the weighting coefficients the following key factors were taken into consideration:
 - Reliability of the values obtained, which is based mainly on the quality of the underlying information used in the corresponding technique;
 - Relevance of the valuation results to the market situation;
 - Appropriateness of the valuation method applied given peculiarities of the company's operations.
- In order to calculate equity value ranges per share (ordinary and preferred shares), equity value determined by each valuation method (excluding market share price analysis) were allocated pro rata to the number of shares of each type using a discount for preferred shares to ordinary shares.
- Due to low liquidity of Lensvyaz and Svyaz of Komi shares, their market share prices data cannot be viewed as a reliable source of information for the calculation of a preferred-to-ordinary share price discount. Consequently, preferred-to-ordinary share price discount was calculated based on NWT market share price data. The discount of preferred share prices to ordinary share prices is 40%.
- However, the applied discount rate fits into the range of 35-40% calculated for Lensvyaz shares and 46-50% for Svyaz of Komi shares.
- The recommended Conversion Ratio range for ordinary shares was determined by dividing end values of the valuation range for one ordinary share of NWT by end values of the valuation range for one ordinary share of Lensvyaz / Svyaz of Komi, respectively. The recommended Conversion Ratio range for preferred shares was determined by way of dividing end values of the valuation range for one preferred share of NWT by end values of the valuation range for one preferred share of Lensvyaz / Svyaz of Komi, respectively.

III. VALUATION ANALYSIS OF SHAREHOLDERS' EQUITY OF OAO NORTH-WEST TELECOM

Method	Used/not used	Weight	Comments
Discounted Cash Flow Analysis		40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Allows one to assess the ability of the company to generate cash flows in the future and make an adjustment for the time value of money; - Depends to a significant degree on the validity of forecasts of the future development of the company and various assumptions underlying the financial model.
Comparable Companies Analysis		40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Reflects the view of financial investors on similar companies; + A selection of comparable companies with a relatively liquid share market exists; - Lack of really comparable companies – used comparables actually differ from NWT in several ways; - Lack of required forecasts for comparable companies makes it hard to factor in the valuation differences in profitability; - Does not allow one to assess the ability of the company to generate cash flows in the future.
Net Assts Value Analysis		10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Values the company's property complex as of the valuation date; - Does not allow one to factor into the valuation the economic effect of the company's existing property complex and its ability to generate cash flows.
Analysis of Share Market Prices		10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Reflects the view of financial investors on the company; - Validity of valuation depends on the liquidity of NWT shares.
Comparable Acquisitions Analysis		0%	This method is not applied due to an absence of relevant M&A deals of comparable companies.

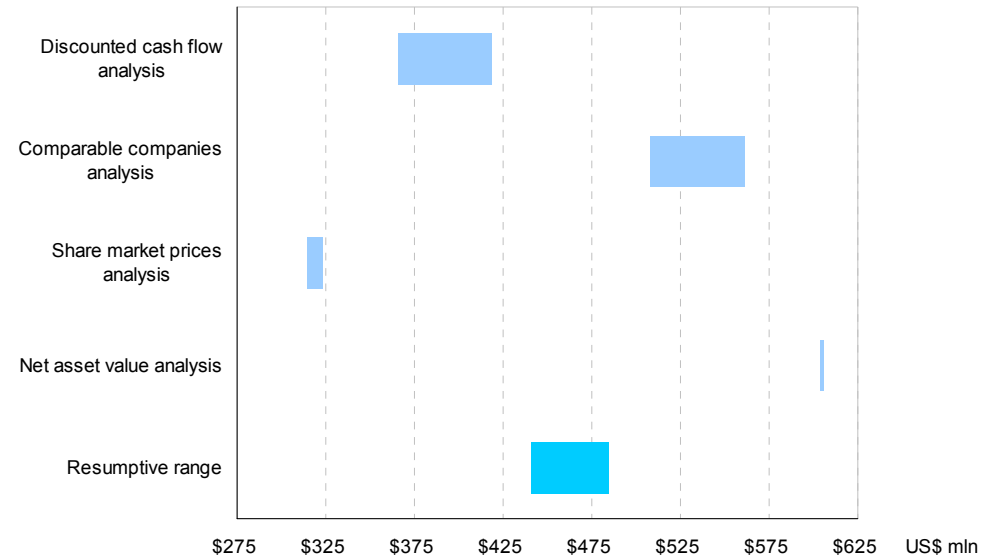
NORTH-WEST TELECOM SHAREHOLDERS' EQUITY VALUATION SUMMARY

- For the purpose of calculating Conversion Ratios, the resumptive valuation range for NWT shareholders' equity was calculated as a weighted average of values obtained by different methods.
- Weighting factors for valuation results obtained by different methods were determined based on analysis of the strengths and weaknesses of the valuation approaches applied.
- Weighted average valuation of NWT shareholders' equity ranges from US\$441 mln to US\$485 mln.**

Valuation Summary

Valuation Methods	Equity Value Ranges		Weighting Coefficients
	(US\$ mln)	(US\$ mln)	
Discounted cash flow analysis	\$ 366	- \$ 419	40%
Comparable companies analysis	\$ 508	- \$ 561	40%
Share market prices analysis	\$ 315	- \$ 323	10%
Net asset value analysis	\$ 604	- \$ 604	10%
Resumptive range	\$ 441	- \$ 485	

Equity Value Ranges



A. NORTH-WEST TELECOM SHAREHOLDERS' EQUITY VALUATION ANALYSIS: DISCOUNTED CASH FLOW ANALYSIS

DISCOUNTED CASH FLOW ANALYSIS: KEY ASSUMPTIONS

- Key assumptions underlying a detailed financial model had been developed by the Company's management.
- The choice of 2004-2009 as the forecast period is based on the belief that key changes, such as tariff rebalancing and a transition to time-based billing of local calls will be completed by 2008, and that, starting from 2010, free cash flows will stabilize.
- The discount rate is calculated as weighted average cost of capital. Capital structure forecasts are based on the company's business plan.

Key Assumptions

		2004	2005	2006	2007	2008	2009
Installed capacity, end of period	Lines	3,847,296	3,927,796	4,037,296	4,077,296	4,127,296	4,177,296
Digitalization rate	%	48%	55%	61%	68%	75%	82%
Number of individual subscribers with per-minute payment system, end of period	%	20%	40%	60%	100%	100%	100%
Number of corporate subscribers with per-minute payment system, end of period	%	100%	100%	100%	100%	100%	100%
Subscription fee growth rates, individuals	%	20%	27%	20%	20%	10%	8%
Subscription fee growth rates, corporates	%	20%	25%	10%	10%	10%	8%
Connection fee growth rates, individuals	%	-5%	-10%	-10%	-10%	-10%	-10%
Connection fee growth rates, corporates	%	-5%	-10%	-10%	-10%	-10%	-10%
Long-distance traffic per line growth rates, domestic	%	12%	12%	13%	14%	15%	14%
Long-distance traffic per line growth rates, international	%	12%	12%	13%	14%	15%	14%
Long-distance average tariff growth rates, domestic	%	-5%	-2%	-2%	-2%	-2%	-2%
Long-distance average tariff growth rates, international	%	-5%	-2%	-2%	-2%	-2%	-2%
Wages and salaries growth rates	%	28%	29%	29%	19%	10%	18%
Staff, average for period	Persons	28,300	26,900	25,600	24,900	24,200	23,500
Capital expenditures	RUB mln	4,007	4,050	4,300	4,250	4,650	4,770
Discount rates	%	15.4%	14.9%	14.6%	14.5%	15.0%	15.8%

DISCOUNTED CASH FLOW ANALYSIS: P&L ITEMS FORECASTS

(RUR mln)	Estimate	Forecast					
	2003	2004	2005	2006	2007	2008	2009
Revenue							
Local Telephony							
Subscription fee	3,676	3,363	3,735	3,273	1,595	-	-
Constant component at per-minute payment system	332	1,153	1,909	3,058	5,089	6,738	7,381
Installation fee	467	604	301	373	143	152	138
Local traffic	227	714	1,057	1,590	2,314	3,018	3,251
Granting channels for lease	317	377	436	484	518	551	587
Other local telephony	720	891	1,067	1,259	1,386	1,501	1,630
Total local telephony revenue	5,739	7,101	8,507	10,036	11,045	11,960	12,987
Long-distance Communication							
Outgoing DLD	3,038	3,349	3,806	4,326	4,919	5,591	6,355
Outgoing ILD	1,422	1,568	1,781	2,025	2,303	2,617	2,975
Other revenues from long-distance communications	114	125	143	162	184	209	238
Total long-distance communication services	4,574	5,042	5,730	6,512	7,406	8,417	9,568
Charges for Incoming Long-Distance Traffic	395	613	710	824	935	1,041	1,162
Data Transmission Services	417	593	905	1,290	1,704	2,235	2,938
Other Revenues	771	759	802	845	877	910	945
Total revenue	11,990	14,196	16,735	19,581	22,033	24,621	27,648
Revenue growth	19%	18%	18%	17%	13%	12%	12%
Operating expenses							
Interconnection							
Payments to Rostelecom	1,463	1,824	2,111	2,418	2,770	3,154	3,593
Payments to other communication operators	453	510	572	638	692	742	797
Other Operating Expenses							
Personnel expenses	3,609	4,420	5,412	6,623	7,634	8,161	9,359
Maintenance costs and overhead and G&A expenses	2,074	2,286	2,378	2,443	2,468	2,428	2,378
Taxes other than on income	221	253	291	328	361	394	427
Other expenses	900	1,042	1,164	1,292	1,423	1,556	1,710
Total operating expenses	8,720	10,336	11,927	13,742	15,348	16,435	18,265
EBITDA	3,270	3,860	4,807	5,839	6,685	8,186	9,383
EBITDA Margin	27%	27%	29%	30%	30%	33%	34%
Depreciation and amortization	(972)	(1,158)	(1,390)	(1,637)	(1,892)	(2,163)	(2,455)
Earnings Before Interests and Income Tax (EBIT)	2,298	2,702	3,417	4,203	4,792	6,022	6,929

DISCOUNTED CASH FLOW ANALYSIS: VALUATION OF LONG-TERM INVESTMENTS

- NWT's most valuable investments are a 15% stake in Telecominvest, a holding company with interests in a number of telecommunications companies, and a 43% stake in Delta-Telecom, an NMT-450/CDMA-450 cellular provider operating in St. Petersburg and selected regions in the North-West of Russia.
- The value of shareholders' equity of Telecominvest is determined as the sum of the individual values of its holdings based on a separate analysis. Telecominvest's holdings are valued using comparable valuation methods.
- Delta-Telecom is valued using the comparable acquisitions approach. At the end of December, 2003, the stake at Delta-Telecom was sold for US\$4,450 thousand, that on US\$365 thousand is higher than its appraised value. This makes 0.3 % difference to the total value of long-term financial investments. Due to the insignificance of this, the total value of long-term financial investments is left without change.
- Other NWT investments were valued using the net asset value approach on the basis of financial statements of subsidiaries and associated companies as of 30 June 2003 and financial statements of NWT to RAS and IAS as of 31 December 2002.

	Implied Value of 100% Equity	Equity Stake of NWT	Value of Equity Stake
	(US\$ '000)		(US\$ '000)
<u>Value of equity stakes:</u>			
Telecominvest	767,000	15%	115,050 ¹⁾
Delta-Telecom	9,500	43%	4,085 ¹⁾
<u>Investments into other affiliated companies:</u>			
Pagetelecom		100%	32 ²⁾
Centrum		100%	3 ²⁾
AMT		100%	337 ²⁾
Polycomp		90%	13 ²⁾
Arkhangelsk City Telephone Network		77%	1,044 ²⁾
Vologda Mobile Communication		60%	77 ²⁾
Saint-Petersburg Center of Communication		54%	77 ²⁾
Novgorod Datacom		52%	32 ²⁾
Kolatelecom		50%	- ²⁾
Neva-Cable		43%	- ²⁾
Medexpress		35%	532 ³⁾
Other affiliates < 50%		< 50%	1,303 ³⁾
<u>Other financial investments</u>			1,585 ⁴⁾
Total value of long-term investments			124,170

Notes:

¹⁾ Based on a separate valuation analysis.

²⁾ Based on net assets value at book under RAS.

³⁾ According to NWT balance sheet as of 30 September 2003 under RAS; key items are adjusted on 2002 book values under IAS.

⁴⁾ According to NWT accounting data as of 30 September 2003; key items are adjusted on 2002 book values under IAS with consideration of reserve on value depreciation.

DISCOUNTED CASH FLOW ANALYSIS: VALUATION SUMMARY

(RUB mln)	Estimate	Forecast					
	4Q 2003	2004	2005	2006	2007	2008	2009
EBITDA	918	3,860	4,807	5,839	6,685	8,186	9,383
Tax on Income (unlevered)	(181)	(741)	(929)	(1,136)	(1,293)	(1,605)	(1,843)
EBITDA less tax on income (unlevered)	737	3,119	3,878	4,703	5,391	6,580	7,541
Changes in working capital	(8)	43	26	65	(199)	(347)	(302)
Capital expenditures	(750)	(4,007)	(4,050)	(4,300)	(4,250)	(4,650)	(4,770)
Free cash flows on invested capital	(22)	(845)	(146)	469	943	1,583	2,469

DCF Analysis Valuation

Sum of FCF's discounted at 1 October, 2003	1,873
Terminal value:	
FCF terminal growth rate	5%
Terminal value:	24,072
Terminal value discounted at 1 October, 2003	10,372
Value of operations, RUB mln	12,246
Value of operations, US\$ mln	\$ 400
Value of long-term financial investments, US\$ mln	[1] \$ 124
Enterprise value, US\$ mln	\$ 524
Net debt, US\$ mln	[2] \$ 36
Equity value (100% control), US\$ mln	\$ 488
Discount on lack of control on a single share basis	[3] 20%
Shareholders' equity value on a non-control basis, US\$ mln	\$ 390

Notes:

1. According to a separate valuation analysis of long-term financial investments of NWT.
2. Long- and short-term debt less cash as of 30 September, 2003 under RAS.
3. Renaissance Capital estimate.

Sensitivity Analysis of Shareholders' Equity Value

		Terminal growth rate				
Company's specific risk premium	EqV, US\$ mln	4.0%	4.5%	5.0%	5.5%	6.0%
	4.5%	401	416	432	450	470
	5.0%	388	402	417	434	453
	5.5%	376	389	403	419	436
	6.0%	365	377	390	405	421
	6.5%	354	366	378	392	407
	7.0%	344	355	366	379	393
	7.5%	335	345	356	367	380

On the basis of the discounted cash flow analysis the value of the shareholders' equity of North-West Telecom ranges from US\$366 mln to US\$419 mln.

B. NORTH-WEST TELECOM SHAREHOLDERS' EQUITY VALUATION ANALYSIS: COMPARABLE COMPANIES ANALYSIS

COMPARABLE COMPANIES ANALYSIS: SELECTION OF COMPARABLE COMPANIES

- Six super-regional telecom operators (RTOs) were reviewed as potential trading comparables:
 - RTOs have similar business structure and operational environment;
 - There is a relatively liquid market for RTOs' shares in place.
- A list of six RTOs was shortened to three companies: selected companies have a similar scale of operations and revenue per line.

Are not comparable companies due to significant difference in scale of operations

Supra-regional Company	Number of Lines ¹⁾	Revenue ²⁾	Revenue ²⁾
	('000)	(RUB mln)	(US\$ mln)
North-West Telecom	3,402	9,753	362
Center Telecom	5,781	15,836	616
South Telecommunication Company	3,462	12,211	392
Volga Telecom	4,009	12,992	417
Uralsvyazinform	3,093	16,163	519
Siberia Telecom	3,527	14,063	452
Far East Telecom	1,108	6,204	199

Source: Company data; Svyazinvest.

Notes:

¹⁾ As of 30 September 2003.

²⁾ Revenue for the last 12 months ended 30 September 2003.



Are not comparable company due to significantly higher long-distance traffic and annual revenue per line.

Supra-regional Company	LD Traffic per Line	Annual Revenue per Line	Major Revenues Mix		
			Long-Distance	Urban Local	Rural Local
	(min)	(RUB '000)			
North-West Telecom	375	3.0	45.3%	45.7%	2.3%
South Telecommunication Company	491	3.1	54.2%	31.2%	6.9%
Volga Telecom	434	2.8	46.8%	38.8%	5.4%
Uralsvyazinform	547	4.4	48.1%	34.6%	2.8%
Siberia Telecom	446	3.5	48.7%	34.5%	5.7%

Source: Company data; Svyazinvest.

Note:

¹⁾ All data for 2002

COMPARABLE COMPANIES ANALYSIS: CALCULATION OF VALUATION MULTIPLES

- The selected traded comparables have relatively liquid shares. Consequently, their market capitalizations provide a reasonably good gauge as to the valuation of the companies by financial investors.

Comparable Companies	Share Price ¹⁾		Number of Shares		Market Capitalization	Net Debt ²⁾	Enterprise Value
	Ordinary	Preferred	Ordinary	Preferred			
	(US\$)	(US\$)	(mln)	(mln)	(US\$ mln)	(US\$ mln)	(US\$ mln)
South Telecom	0.09	0.07	2,961	972	333	192	525
Volga Telecom	2.14	1.29	246	82	631	82	713
Siberia Telecom	0.03	0.02	12,011	3,908	442	106	548
For reference:							
North-West Telecom	0.38	0.25	736	202	328	36	364

Source: RTS; Company data

Notes:

¹⁾ RTS market price as of 30 September 2003 based on actual trades.

²⁾ Long- and short-term debt less cash as of 30 September 2003 under RAS.

- Valuation multiples based on financial results below the revenue line are not used due to a lack of reliable RAS forecasts for comparable companies.
- EV-based multiples allow one to eliminate the effect of differences in capital structure from the valuation. On the basis of these considerations, EV/Lines and EV/Revenue multiples are used for the valuation.

Comparable Companies	Number of Lines		Revenue	
	As of 30 Sep. 2003	End of 2003 ¹⁾	LTM ended 30 Sep. 2003	2003 ¹⁾
			(US\$ mln)	(US\$ mln)
South Telecom	3,462,056	3,532,352	392	493
Volga Telecom	4,008,835	4,130,000	417	569
Siberia Telecom	3,526,528	3,620,193	452	560
For reference:				
North-West Telecom	3,402,455	3,428,794	362	381

Source: RTS; Company data

Notes:

¹⁾ Estimates for the comparable companies are from Renaissance Capital research department; Estimate for NWT is the result of a DCF analysis.

Comparable Companies	EV / Number of Lines		EV / Revenue	
	As of 30 Sep. 2003	End of 2003	LTM ended 30 Sep. 2003	2003
South Telecom	\$ 152	\$ 148	1.3 x	1.1 x
Volga Telecom	\$ 178	\$ 173	1.7 x	1.3 x
Siberia Telecom	\$ 155	\$ 151	1.2 x	1.0 x
Average	\$ 162	\$ 158	1.4 x	1.1 x



COMPARABLE COMPANIES ANALYSIS: VALUATION SUMMARY

- Average valuation multiples calculated for comparable companies were applied to corresponding NWT parameters.
- The value of net debt was subtracted from the enterprise value of NWT to obtain the equity value.
- NWT shareholders' equity value presumptive range is determined as a weighted average of results obtained with the usage of different multiples. Weighting factors were set based on analysis of strengths and weaknesses of each valuation multiple:
 - The EV/Lines multiple does not reflect the company's ability to generate cash flows. Valuation results obtained with this multiple is assigned a weighting of 40%;
 - A higher weighting of 60% is assigned to EV/Revenue based value. Revenue is more reliable (given the quality of RAS accounting) in terms of reflecting the scale of operations of the company as well as its ability to generate income.

	Number of Lines		Revenue	
	As of 30 Sep.2003	End of 2003 ¹⁾	LTM ending 30 Sep.2003 (US\$ mln)	2003 ¹⁾ (US\$ mln)
North-West Telecom values	3,402,455	3,428,794	362	381
	EV / Number of Lines		EV / Revenue	
	As of 30 Sep.2003	End of 2003	LTM ending 30 Sep.2003	2003
Valuation multiples	\$ 162	\$ 158	1.4 x	1.1 x
Enterprise value, US\$ mln	550	540	515	419
NWT net debt, US\$ mln ²⁾	36			
Equity value, US\$ mln	586	577	551	455
Weighting coefficients	20%	20%	30%	30%
Weighted average equity value, US\$ mln	534			
Confidence range, US\$ mln ³⁾	508 -	561		

Notes:

¹⁾ Estimated results are from DCF analysis.

²⁾ Long- and short-term debt less cash as of 30 September 2003 under RAS.

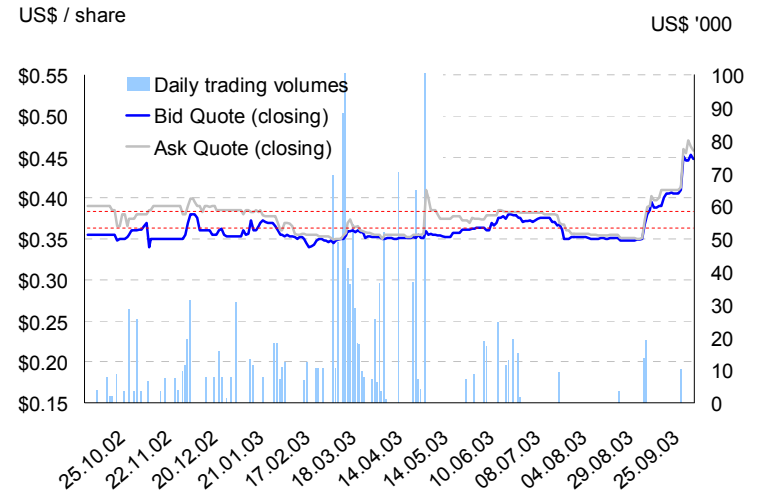
³⁾ Accounting for the possible deviations related to reliability of assumptions used.

On the basis of comparable companies analysis the value of the shareholders' equity of North-West Telecom ranges from US\$508 mln to US\$561 mln.

C. NORTH-WEST TELECOM SHAREHOLDERS' EQUITY VALUATION ANALYSIS: SHARE MARKET PRICES ANALYSIS

SHARE MARKET PRICES ANALYSIS : ORDINARY SHARES

- Under the analysis the dynamic of the market prices of NWT ordinary shares for the last twelve months had been reviewed.
- During the period under consideration, the market quotations of NWT ordinary shares were in a range of US\$0.34 to US\$0.40 per share. From the beginning of September, 2003 the selling prices began to rise, reaching US\$0.47 per share.
- To accommodate effect of speculative changes of the share prices for the purposes of the shareholders' equity valuation we have accepted average values of bid and ask quotations for the last six months as values of NWT ordinary share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The respective values obtained are US\$0.37 and US\$0.38.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003	\$ 0.45	\$ 0.46	\$ 0.38	-2.2%	\$ 329	\$ 337	\$ 277	\$ -	-
One month to date								\$ 43	9
Max	\$ 0.45	\$ 0.47	\$ 0.38	-3.7%	\$ 333	\$ 346	\$ 277		
Min	\$ 0.35	\$ 0.35	\$ 0.37	-0.3%	\$ 258	\$ 258	\$ 271		
Average	\$ 0.41	\$ 0.41	\$ 0.37	-2.0%	\$ 298	\$ 304	\$ 273		
Last 6 months to date								\$ 1,367	56
Max	\$ 0.45	\$ 0.47	\$ 0.41	-3.7%	\$ 333	\$ 346	\$ 303		
Min	\$ 0.35	\$ 0.35	\$ 0.35	-0.7%	\$ 256	\$ 258	\$ 259		
Average	\$ 0.37	\$ 0.38	\$ 0.38	-2.4%	\$ 270	\$ 277	\$ 283		
Last 12 months to date								\$ 2,640	159
Max	\$ 0.45	\$ 0.47	\$ 0.41	-3.7%	\$ 333	\$ 346	\$ 303		
Min	\$ 0.34	\$ 0.35	\$ 0.35	-2.4%	\$ 250	\$ 256	\$ 255		
Average	\$ 0.36	\$ 0.38	\$ 0.38	-3.8%	\$ 266	\$ 276	\$ 277		

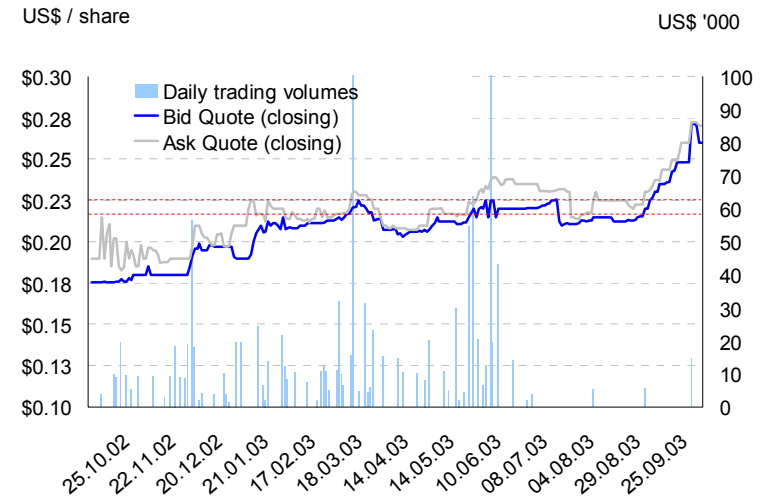
Source: RTS.

Note:

1. According to RTS market price calculation based on results of actual trades.

SHARE MARKET PRICES ANALYSIS : PREFERRED SHARES

- For the analysis, twelve-month share price dynamics of NWT preferred shares were observed.
- During the period under observation, the market quotation of NWT preferred shares rose from US\$0.17 to US\$0.27.
- To accommodate effect of speculative changes of the share prices for the purposes of the shareholders' equity valuation we have accepted average values of bid and ask quotations for the last six months as values of NWT preferred share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The values obtained are US\$0.22 and US\$0.23, which reflects approximately 40% discount to the ordinary share market prices.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003								\$ -	-
	\$ 0.26	\$ 0.27	n/a	-3.7%	\$ 53	\$ 55	n/a		
One month to date								\$ 15	2
Max	\$ 0.27	\$ 0.27	n/a	-0.2%	\$ 55	\$ 55	n/a		
Min	\$ 0.23	\$ 0.23	n/a	-2.8%	\$ 45	\$ 47	n/a		
Average	\$ 0.25	\$ 0.25	n/a	-2.8%	\$ 50	\$ 51	n/a		
Last 6 months to date								\$ 657	50
Max	\$ 0.27	\$ 0.27	\$ 0.23	-0.2%	\$ 55	\$ 55	\$ 47		
Min	\$ 0.20	\$ 0.21	\$ 0.21	-1.9%	\$ 41	\$ 42	\$ 42		
Average	\$ 0.22	\$ 0.23	\$ 0.22	-3.9%	\$ 44	\$ 46	\$ 44		
Last 12 months to date								\$ 1,365	142
Max	\$ 0.27	\$ 0.27	\$ 0.23	-0.2%	\$ 55	\$ 55	\$ 47		
Min	\$ 0.18	\$ 0.18	\$ 0.18	-3.8%	\$ 35	\$ 37	\$ 37		
Average	\$ 0.21	\$ 0.22	\$ 0.21	-4.2%	\$ 42	\$ 44	\$ 42		
Discount to ordinary share price ²	-40%	-39%	-44%						

Source: RTS.

Note:

1. According to RTS market price calculation based on results of actual trades.

2. Based on average prices for the last six months.

SHARE MARKET PRICES ANALYSIS : VALUATION SUMMARY

- For the purposes of the Analysis, the range of NWT shareholders' equity value is taken as equivalent to the range of NWT market capitalization based on average ordinary and preferred share price quotations in the six months prior to the valuation date.
- The bottom value of a range is based on closing bid prices of the ordinary and preferred shares of the company and the top value of a range is based on the respective closing ask prices .

	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)		
	Bid Quote (closing)	Ask Quote (closing)	Market Price		Based on Bid Quote	Based on Ask Quote	Based on Market Price
Last 6 months to date, ordinary shares	\$ 0.37	\$ 0.38	\$ 0.38	-2.4%	\$ 270	\$ 277	\$ 283
Last 6 months to date, preferred shares	\$ 0.22	\$ 0.23	\$ 0.22	-3.9%	\$ 44	\$ 46	\$ 44
Total:					\$ 315	\$ 323	\$ 327

On the basis of share market prices analysis the value of the shareholders' equity of North-West Telecom is ranges from US\$315 mln to US\$323 mln.

D. NORTH-WEST TELECOM SHAREHOLDERS' EQUITY VALUATION ANALYSIS: NET ASSET VALUE ANALYSIS

- According to the given method the NWT shareholders' equity is defined by means of calculating net asset book value according to the order established by the Ministry of Finance of the Russian Federation and Federal Commission on Securities. Further, the net asset book value is adjusted in view of the actual costs and liquidity of assets and liabilities considered in the calculation.
- In order to adjust book value of fixed assets the reproduction cost approach is used, and the following steps are taken:
 - defining the current reproduction cost of a fixed asset (based on an appropriate revaluation factor);
 - determining combined accumulated depreciation (physical, functional and economic);
 - defining a net reproduction cost by mean of adjusting reproduction cost for combined accumulated depreciation.
- The values of construction in progress and inventories had been adjusted for items which are no longer used.
- The book value of long-term financial investments was adjusted for the values of holdings in Telecominvest and Delta-Telecom, based on comparable valuation approaches. The values of other NWT holdings were adjusted based on their net asset values.
- The book value of accounts receivable was adjusted for a degree of probability of receipt and the time value of money.

Item	Book Value at 06.30.2003	Adjusted Book Value
Assets	(RUR '000)	(RUR '000)
1. Non-current Assets		
Intangible assets	63	63
Fixed assets	11,517,138	15,676,519
Construction in progress	770,076	768,159
Long-term financial investments	156,483	3,731,381
Other non-current asstes	35,592	35,592
2. Current Assets		
Inventory	588,413	585,634
VAT paid	380,519	20,712
Account receivable	1,868,885	1,696,706
Short-term financial investments ajusted to treasury shares	12,500	12,500
Cash and cash equivalents	340,999	340,999
Other current assets		
Total assets accepted for calculation	15,670,668	22,868,265
Total liabilities	4,186,967	4,360,139
Net Asset Value	11,483,701	18,508,127

- Regarding liabilities the adjustments on currency exchange rate differences had been applied.
- According to NWT's management, for the period from June 30, 2003, to the date of Analysis, no events that could significantly impact the net asset value took place.
- The net asset value analysis is performed by a licensed appraiser, the Consulting Agency Info-Park (license of the Ministry of State Property of the Russian Federation №000269).

On the basis of net asset value analysis, the value of the shareholders' equity of North-West Telecom is
RUR18,508 mln, or US\$604 mln.

IV. VALUATION ANALYSIS OF SHAREHOLDERS' EQUITY OF OAO LENSVMYAZ

Method	Used/not used	Weight	Comments
Discounted Cash Flow Analysis	✓	40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Allows one to assess the ability of the company to generate cash flows in the future and make an adjustment for the time value of money; - Depends to a significant degree on the validity of forecasts of the company's future development and various assumptions underlying the financial model.
Comparable Acquisitions Analysis	✓	40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Reflects the view on the company as a peer of the companies being merged during the reorganization; + There are precedents of similar mergers with comparable companies participating; - Does not allow one to assess the ability of the company to be valued to generate cash flows in the future.
Net Assts Value Analysis	✓	10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Values the company's property complex as of the valuation date; - Does not allow one to factor in the valuation the economic effect of existing property complex and its ability to generate cash flows.
Analysis of Share Market Prices	✓	10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Reflects the view of financial investors and stock market participants on the company; - Not reliable enough due to the low liquidity of Lensvyaz shares.
Comparable Companies Analysis	✗	0%	<p>This method is not applied due to absence of companies traded comparable with a liquid market of their shares.</p>

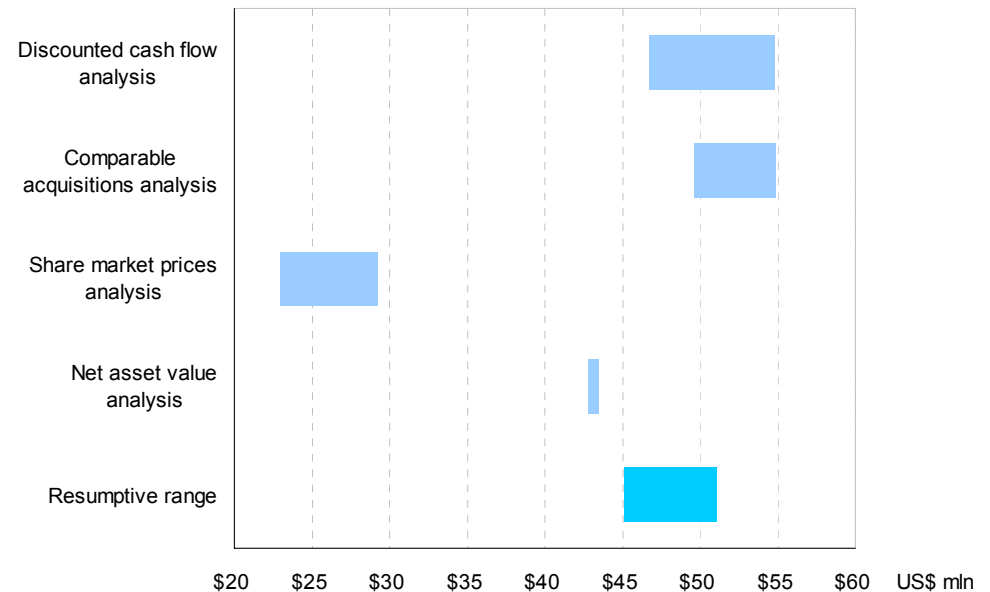
- To calculate the recommended Conversion Ratios, the resumptive valuation range for Lensvyaz shareholders' equity was calculated as a weighted average of values obtained by different methods.
- Weighting factors for valuation results obtained by different methods are determined based on analysis of strengths and weaknesses of the valuation approaches applied.

Weighted average valuation of Lensvyaz shareholders' equity ranges from US\$45 mln to US\$51 mln.

Valuation Summary

Valuation Methods	Equity Value Ranges		Weighting Coefficients
	(US\$ mln)	(US\$ mln)	
Discounted cash flow analysis	\$ 47	- \$ 55	40%
Comparable acquisitions analysis	\$ 50	- \$ 55	40%
Share market prices analysis	\$ 23	- \$ 29	10%
Net asset value analysis	\$ 43	- \$ 43	10%
Resumptive range	\$ 45	- \$ 51	

Equity Value Range



A. LENSVEYAZ SHAREHOLDERS' EQUITY VALUATION ANALYSIS: DISCOUNTED CASH FLOW ANALYSIS

DISCOUNTED CASH FLOW ANALYSIS: KEY ASSUMPTIONS

- Key assumptions underlying a detailed financial model had been developed by the Company's management.
- The forecast period of 2004-2009 is based on the belief that key changes, such as tariff rebalancing and transition to time-based billing of local calls, will be completed by 2008, and that, starting 2010, free cash flows will stabilize.
- The discount rate is calculated as weighted average cost of capital. It is assumed that share of a debt capital will be gradually increased during the forecast period.

Key Assumptions

		2004	2005	2006	2007	2008	2009
Installed capacity, end of period	Lines	3,847,296	3,927,796	4,037,296	4,077,296	4,127,296	4,177,296
Digitalization rate	%	48%	55%	61%	68%	75%	82%
Number of individual subscribers with per-minute payment system, end of period	%	20%	40%	60%	100%	100%	100%
Number of corporate subscribers with per-minute payment system, end of period	%	100%	100%	100%	100%	100%	100%
Subscription fee growth rates, individuals	%	20%	27%	20%	20%	10%	8%
Subscription fee growth rates, corporates	%	20%	25%	10%	10%	10%	8%
Connection fee growth rates, individuals	%	-5%	-10%	-10%	-10%	-10%	-10%
Connection fee growth rates, corporates	%	-5%	-10%	-10%	-10%	-10%	-10%
Long-distance traffic per line growth rates, domestic	%	12%	12%	13%	14%	15%	14%
Long-distance traffic per line growth rates, international	%	12%	12%	13%	14%	15%	14%
Long-distance average tariff growth rates, domestic	%	-5%	-2%	-2%	-2%	-2%	-2%
Long-distance average tariff growth rates, international	%	-5%	-2%	-2%	-2%	-2%	-2%
Wages and salaries growth rates	%	28%	29%	29%	19%	10%	18%
Staff, average for period	Persons	28,300	26,900	25,600	24,900	24,200	23,500
Capital expenditures	RUB mln	4,007	4,050	4,300	4,250	4,650	4,770
Discount rates	%	15.4%	14.9%	14.6%	14.5%	15.0%	15.8%

DISCOUNTED CASH FLOW ANALYSIS: P&L ITEMS FORECASTS

(RUR mln)	Estimate	Forecast					
	2003	2004	2005	2006	2007	2008	2009
Revenue							
Local telephony	589	793	937	1,147	1,424	1,535	1,621
Long-distance communication	703	824	962	1,115	1,299	1,545	1,832
Data communication	16	15	14	13	12	11	10
Other communication services	56	75	96	120	216	329	477
Charges for incoming long-distance traffic	52	95	113	134	159	186	217
Other revenue	13	16	19	23	28	32	37
Total revenue	<u>1,430</u>	<u>1,819</u>	<u>2,142</u>	<u>2,551</u>	<u>3,138</u>	<u>3,639</u>	<u>4,194</u>
<i>Revenue growth</i>	36%	27%	18%	19%	23%	16%	15%
Operating expenses							
Interconnection	210	279	317	362	437	521	616
Other operating expenses							
Personnel expenses	498	596	727	872	1,016	1,209	1,439
Maintenance costs	149	174	195	214	229	244	257
Payments to regulating bodies	24	29	33	38	44	50	56
General and administrative expenses	208	224	240	256	271	287	305
Other expenses	123	231	55	60	64	67	71
Total operating expenses	<u>1,002</u>	<u>1,255</u>	<u>1,250</u>	<u>1,440</u>	<u>1,624</u>	<u>1,858</u>	<u>2,127</u>
EBITDA	218	286	575	749	1,077	1,260	1,451
<i>EBITDA margin</i>	15%	16%	27%	29%	34%	35%	35%
Depreciation and amortization	78	114	134	151	172	201	235
Earnings Before Interests and Income Tax (EBIT)	140	171	441	599	904	1,059	1,216

DISCOUNTED CASH FLOW ANALYSIS: VALUATION SUMMARY

(RUB mln)	Estimate	Forecast					
	4Q 2003	2004	2005	2006	2007	2008	2009
EBITDA	64	286	575	749	1,077	1,260	1,451
Tax on Income (unlevered)	(11)	(47)	(112)	(151)	(224)	(262)	(300)
EBITDA less tax on income (unlevered)	53	239	462	599	853	999	1,151
Changes in working capital	(21)	(127)	(44)	(26)	(83)	(17)	(66)
Capital expenditures	(154)	(428)	(329)	(342)	(453)	(522)	(561)
Free cash flows on invested capital	(122)	(316)	90	230	316	460	523

DCF Analysis Valuation

Sum of FCF's discounted at 1 October 2003	380
Terminal value:	
FCF terminal growth rate	5%
Terminal value:	4,128
Terminal value discounted at 1 October 2003	1,570
Value of operations, RUB mln	1,951
Value of operations, US\$ mln	\$ 64
Value of long-term financial investments, US\$ mln	\$ -
Enterprise value, US\$ mln	\$ 64
Net debt, US\$ mln	[1] (\$ 1)
Equity value (100% control), US\$ mln	\$ 63
Discount due to lack of control on a single share basis	[2] 20%
Shareholders' equity value on a non-control basis, US\$ mln	\$ 50

Notes:

1. Long- and short-term debt less cash as of 30 September 2003 under RAS.
2. Renaissance Capital estimate.

Sensitivity Analysis of Shareholders' Equity Value

Company's specific risk premium	Terminal growth rate					
	EqV, US\$ mln	4.0%	4.5%	5.0%	5.5%	6.0%
	5.5%	54	56	58	60	63
	6.0%	52	53	55	57	60
	6.5%	49	51	53	55	57
	7.0%	47	49	50	52	54
	7.5%	45	47	48	50	52
	8.0%	43	45	46	48	49
	8.5%	42	43	44	46	47

On the basis of the discounted cash flow analysis the value of the shareholders' equity of Lensvyaz ranges from US\$47 mln to US\$55 mln.

B. LENSVMYAZ SHAREHOLDERS' EQUITY VALUATION ANALYSIS: COMPARABLE ACQUISITIONS ANALYSIS

COMPARABLE ACQUISITIONS ANALYSIS: SELECTION OF PEERS

- This approach is essentially a comparative analysis of the companies that participated in the consolidation of several regional telecommunications companies into seven RTOs through 2000 to 2002.
- The selection criteria for these companies are as follows:
 - Scale of operations (number of lines and revenue);
 - Revenue per line;
 - Revenue mix.
- The regional operators being the acquiring companies for the regional telcos are excluded from the analysis, as such operators are not comparable with Lensvyaz.
- Also excluded from the analysis are companies for which there is not enough available information on valuation (the companies in the Central and Urals regions).

Are not comparable to Lensvyaz on a revenue per line basis

Comparable Company (merged)	Number of Lines	Revenue (US\$ mln)	Revenue per Line (RUR '000)
Yartelecom	291,695	31	3.0
Belsvyaz	300,508	23	2.3
Udmurt Telecom	301,769	23	2.2
Electrosvyaz of Orenburg region	352,434	30	2.5
Electrosvyaz of Irkutsk region	369,241	44	3.6
Electrosvyaz of Omsk region	363,839	30	2.4
Tulatelecom	378,338	26	2.1
Saratovelectrosvyaz	392,621	34	2.6
Electrosvyaz of Krasnoyarsk region	394,170	50	3.8
Lensvyaz	400,845	41	3.2
Electrosvyaz of Kemerovo region	457,974	43	2.8
Electrosvyaz of Stavropol region	498,174	44	2.6
Altatelecom	508,074	33	2.0
Volgogradelectrosvyaz	516,496	40	2.3
Voronezhsvyazinform	515,227	38	2.2

Number of lines

Source: Company data.

Notes:

- Number of lines at year-end 2001; revenue per line for 2001.
- Lensvyaz's revenue and revenue per line are for the last 12 months ending 30 September 2003; number of lines as of 30 September 2003.

Are not comparable to Lensvyaz on a revenue mix basis

Comparable Company (merged)	Revenue per Line (RUR '000)	LD Traffic per Line (min)	Number of Urban Lines	Major Revenues Mix			Debt to Assets, %
				DLD/ILD	Urban	Rural	
Yartelecom	3.0	356	88%	39.2%	38.5%	2.8%	3.7%
Electrosvyaz of Orenburg region	2.5	367	71%	48.7%	30.0%	9.6%	4.6%
Electrosvyaz of Omsk region	2.4	305	81%	50.4%	31.8%	6.3%	10.0%
Saratovelectrosvyaz	2.6	433	82%	55.4%	32.4%	4.8%	15.1%
Lensvyaz	3.2	801	80%	51.2%	33.0%	7.8%	3.5%
Electrosvyaz of Kemerovo region	2.8	342	92%	46.9%	38.9%	1.9%	3.0%
Electrosvyaz of Stavropol region	2.6	504	73%	62.0%	24.8%	6.3%	26.9%

Source: Company data.

Note:

1 2001 data for comparable companies.

For Lensvyaz revenue per line is for the last 12 months ended 30 September 2003; debt to assets and number of urban lines are as of 30 September 2003; other data is for the first

COMPARABLE ACQUISITIONS ANALYSIS: CALCULATION OF VALUATION MULTIPLES

- The values underlying the recommended share conversion ratios and submitted by the relevant financial advisors on the consolidation are taken as the equity value of the comparable companies merged during the consolidation of the regional operators in 2000 to 2002.

Comparable Companies	Implied Equity Value ¹⁾	Net Debt ²⁾	Enterprise Value
	(US\$ mln)	(US\$ mln)	(US\$ mln)
Electrosvyaz of Orenburg region	34.1	0.8	34.9
Electrosvyaz of Omsk region	36.2	1.9	38.1
Saratovelectrosvyaz	42.5	4.6	47.1
Electrosvyaz of Kemerovo region	48.7	5.5	54.2

Source: Information materials for the respective companies' shareholders.

Notes:

¹⁾ Implied equity value underlying the respective share swap ratios approved by the shareholders.

Defined as weighted average of values calculated using different valuation methods.

²⁾ According to the respective consultants' reports.

Comparable Companies	Number of Lines		Revenue		Profit From Operations ¹⁾	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
			(US\$ mln)	(US\$ mln)	(US\$ mln)	(US\$ mln)
Electrosvyaz of Orenburg region	381,540	352,434	28.3	29.7	2.9	5.5
Electrosvyaz of Omsk region	383,543	363,839	28.9	30.0	2.8	4.0
Saratovelectrosvyaz	455,462	392,621	26.5	33.5	1.4	1.9
Electrosvyaz of Kemerovo region	490,235	457,974	41.0	43.3	9.0	9.4
For reference: Lensvyaz ²⁾	400,845	409,448	41.2	45.7	6.4	4.5

Source: Company data; Svyazinvest.

Notes:

¹⁾ Profit from operations is calculated as sum of profit from services sold and other operating incomes/expenses and non-operating incomes/expenses.

²⁾ Lensvyaz number of lines as of 30 September 2003 and estimate for end of 2003, respectively; financial results are for the last 12 months ending 30 September 2003 and 2003 estimate, respectively.

Comparable Companies	EV / Number of Lines		EV / Revenue		EV / Profit From Operations	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
Electrosvyaz of Orenburg region	\$ 91	\$ 99	1.2 x	1.2 x	11.8 x	6.4 x
Electrosvyaz of Omsk region	\$ 99	\$ 105	1.3 x	1.3 x	13.8 x	9.5 x
Saratovelectrosvyaz	\$ 103	\$ 120	1.8 x	1.4 x	33.8 x	25.0 x
Electrosvyaz of Kemerovo region	\$ 111	\$ 118	1.3 x	1.3 x	6.0 x	5.7 x
Average	\$ 101	\$ 111	1.4 x	1.3 x	10.5 x	7.2 x

The multiples of Saratovelectrosvyaz are not considered when calculating average multiples.

COMPARABLE ACQUISITIONS ANALYSIS: VALUATION SUMMARY

- Average valuation multiples calculated for selected comparable companies are applied to corresponding Lensvyaz parameters.
- The value of net debt is subtracted from the enterprise value of Lensvyaz to obtain the equity value.
- Lensvyaz shareholders' equity value resumptive range is determined as a weighted average of results obtained via the multiples used. Weighting factors are based on analysis of the strengths and weaknesses of each valuation multiple:
 - The EV/Lines multiple does not reflect the company's ability to generate cash flows. Valuation results obtained using this multiple are assigned a weight of 30%;
 - A higher weight of 60% is assigned to EV/Revenue based value. Revenue is more reliable in terms of reflecting the scale of the company's operations and its ability to generate income;
 - Possible distinctions in the structure of costs of services sold and other operational incomes and expenses limit the applicability of the EV/Operating Profit multiple. The results obtained with this multiple are assigned a weight of 10%.

	Number of Lines		Revenue		Profit From Operations	
	As of 30 Sep.2003	End of 2003 ¹⁾	LTM ending 30 Sep.2003 (US\$ mln)	2003 ¹⁾ (US\$ mln)	LTM ending 30 Sep.2003 (US\$ mln)	2003 ¹⁾ (US\$ mln)
Lensvyaz values	400,845	409,448	41	46	6	5
	EV / Number of Lines		EV / Revenue		EV / Profit From Operations	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
Valuation multiples	\$ 101	\$ 111	1.4 x	1.3 x	10.5 x	7.2 x
Enterprise value, US\$ mln	41	45	58	58	68	33
Lensvyaz net debt, US\$ mln ²⁾	(0.6)					
Equity value, US\$ mln	40	45	58	58	67	32
Weighting coefficients	15%	15%	30%	30%	5%	5%
Weighted average equity value, US\$ mln	52	Confidence range, US\$ mln ³⁾ 50 - 55				

Notes:

¹⁾ Estimated results are from DCF analysis.

²⁾ Long- and short-term debt less cash as of 30 September 2003 under RAS.

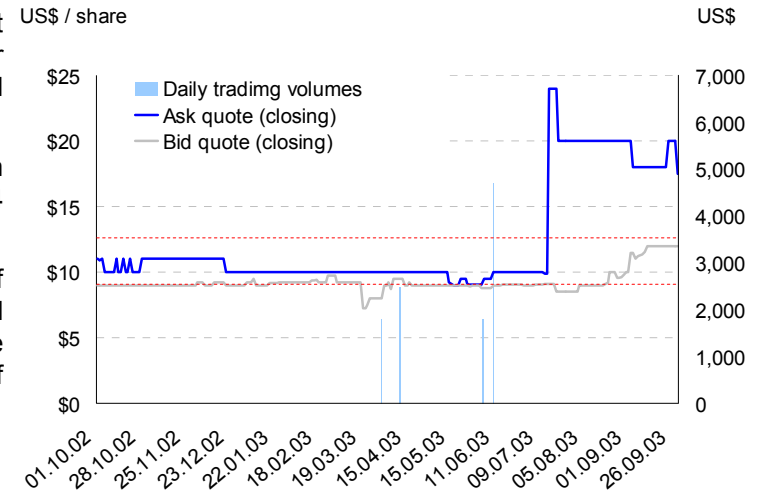
³⁾ Accounting for the possible deviations related to reliability of assumptions used.

On the basis of comparable acquisition analysis the value of the shareholders' equity of Lensvyaz ranges from US\$50 mln to US\$55 mln.

C. LENSVEYAZ SHAREHOLDERS' EQUITY VALUATION ANALYSIS: SHARE MARKET PRICES ANALYSIS

SHARE MARKET PRICES ANALYSIS: ORDINARY SHARES

- For the analysis, the market prices dynamic of Lensvyaz ordinary shares for the last twelve months were observed. The shares are illiquid: during the period under consideration, only four transactions involving Lensvyaz ordinary shares, for a total value of US\$11 thousand, were carried out on the RTS.
- During most of the period, bid and ask prices for Lensvyaz ordinary shares ranged from US\$9-US\$10 per share. However, in the middle of July, the ask prices rose to US\$24 per share, gradually decreasing to US\$17.5 by the end of the considered period.
- To accommodate effect of speculative changes of the share prices for the purposes of the Lensvyaz shareholders' equity valuation we have accepted average values of bid and ask quotations for the last six months as values of Lensvyaz ordinary share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The respective values obtained are the range from US\$9.5 to US\$12.3.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003								\$ -	-
	\$ 12.0	\$ 17.5	n/a	-31%	\$ 24	\$ 35	n/a	\$ -	-
One month to date								\$ -	-
Max	\$ 12.0	\$ 20.0	n/a	-40%	\$ 24	\$ 40	n/a		
Min	\$ 10.0	\$ 17.5	n/a	-43%	\$ 20	\$ 35	n/a		
Average	\$ 11.7	\$ 18.5	n/a	-37%	\$ 23	\$ 37	n/a		
Last 6 months to date								\$ 9	3
Max	\$ 12.0	\$ 24.0	n/a	-50%	\$ 24	\$ 48	n/a		
Min	\$ 8.5	\$ 9.0	n/a	-6%	\$ 17	\$ 18	n/a		
Average	\$ 9.5	\$ 12.3	n/a	-23%	\$ 19	\$ 24	n/a		
Last 12 months to date								\$ 11	4
Max	\$ 12.0	\$ 24.0	n/a	-50%	\$ 24	\$ 48	n/a		
Min	\$ 7.3	\$ 9.0	n/a	-19%	\$ 14	\$ 18	n/a		
Average	\$ 9.3	\$ 12.3	n/a	-25%	\$ 18	\$ 24	n/a		

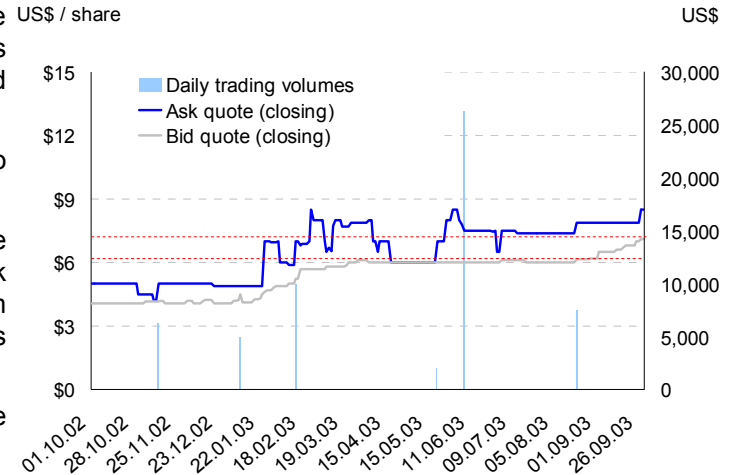
Source: RTS.

Note:

1. According to RTS market price calculation based on results of actual trades. Due to the lack of a number of trades required for market price calculation, the market price for Lensvyaz is not calculated by RTS.

SHARE MARKET PRICES ANALYSIS: PREFERRED SHARES

- In the analysis, share price dynamics of Lensvyaz preferred shares for the last twelve months were observed. The shares are illiquid: during the period only eight transactions involving Lensvyaz preferred shares, for a total value of US\$57 thousand, were carried out.
- During the period, the Lensvyaz preferred share price grew from US\$4-US\$5 per share to US\$7-US\$8.5.
- To accommodate effect of speculative changes of the share prices for the purposes of the Lensvyaz shareholders' equity valuation we have accepted average values of bid and ask quotations for the last six months as values of Lensvyaz preferred share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The values obtained range from US\$6.1 to US\$7.3, representing a 35-40% discount to the ordinary share market price.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003								\$ -	-
	\$ 7.1	\$ 8.5	n/a	-16%	\$ 5	\$ 6	n/a		
One month to date								\$ -	-
Max	\$ 7.1	\$ 8.5	n/a	-16%	\$ 5	\$ 6	n/a		
Min	\$ 6.2	\$ 7.9	n/a	-22%	\$ 4	\$ 5	n/a		
Average	\$ 6.7	\$ 8.0	n/a	-16%	\$ 4	\$ 5	n/a		
Last 6 months to date								\$ 36	4
Max	\$ 7.1	\$ 8.5	n/a	-16%	\$ 5	\$ 6	n/a		
Min	\$ 6.0	\$ 6.0	n/a	0%	\$ 4	\$ 4	n/a		
Average	\$ 6.1	\$ 7.3	n/a	-16%	\$ 4	\$ 5	n/a		
Last 12 months to date								\$ 57	8
Max	\$ 7.1	\$ 8.5	n/a	-16%	\$ 5	\$ 6	n/a		
Min	\$ 4.1	\$ 4.2	n/a	-3%	\$ 3	\$ 3	n/a		
Average	\$ 5.4	\$ 6.6	n/a	-18%	\$ 4	\$ 4	n/a		
Discount to ordinary share price ²	-35%	-40%	n/a						

Source: RTS.

Notes:

1. According to RTS market price calculation based on results of actual trades. Due to the lack of a number of trades required for market price calculation, the market price for Lensvyaz is not calculated by RTS.

2. Based on average prices for the last six months.

SHARE MARKET PRICES ANALYSIS: VALUATION SUMMARY

- For the purposes of the Analysis the range of Lensvyaz shareholders' equity value using the share market prices method is taken as equal to the range of Lensvyaz's implied market capitalizations based on the average ordinary and preferred share prices for the six months prior to the valuation date.
- The bottom value of a range is based on closing bid prices of the ordinary and preferred shares of the company and the top value of a range is based on the respective closing ask prices .

	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)		
	Bid Quote (closing)	Ask Quote (closing)	Market Price		Based on Bid Quote	Based on Ask Quote	Based on Market Price
Last 6 months to date, ordinary shares	\$ 9.50	\$ 12.29	n/a	-23%	\$ 19	\$ 24	n/a
Last 6 months to date, preferred shares	\$ 6.141	\$ 7.328	n/a	-16%	\$ 4	\$ 5	n/a
Total:					\$ 23	\$ 29	n/a

On the basis of share market prices analysis the value of the shareholders' equity of Lensvyaz ranges from US\$23 mln to US\$29 mln.

D. LENSVEAZ SHAREHOLDERS' EQUITY VALUATION ANALYSIS: NET ASSET VALUE ANALYSIS

- According to the said method, Lensvyaz shareholders' equity is defined by calculating net asset book value according to the system established by the Ministry of Finance of the Russian Federation and the Federal Commission on Securities. Further, the net asset book value has been adjusted in view of the actual costs and the liquidity of assets and liabilities considered in the calculation.
- In order to adjust the book value of fixed assets the reproduction cost approach is used and the following steps are taken:
 - defining the current reproduction cost of a fixed asset (based on the appropriate revaluation factor);
 - determining combined accumulated depreciation (physical, functional and economic);
 - defining the net reproduction cost by adjusting the reproduction cost for combined accumulated depreciation.
- The value of construction in progress was adjusted for items which are no longer used.
- The book value of accounts receivable was adjusted taking into account the degree of probability of receipt and the time value of money.

Item	Balance sheet item number	Book Value at 30 Jun.2003	Adjusted Book Value
Assets		(RUB '000)	(RUB '000)
1. Non-current Assets			
Intangible assets	110		
Fixed assets	120	879,199	1,208,241
Construction in progress	130	49,953	49,946
Long-term financial investments	140	3,131	3,131
Other non-current asstes	150		
2. Current Assets			
Inventory	210	74,675	74,675
VAT paid	220	15,446	15,446
Accounts receivable	230+240-244	149,025	147,108
Short-term financial investments ajusted to treasury shares	250-252		
Cash and cash equivalents	260	76,600	76,600
Other current assets	270		
Total assets accepted for calculation		1,248,029	1,575,148
Total liabilities		242,828	263,201
Net Asset Value		1,005,201	1,311,947

- Regarding the liabilities, adjustments for currency exchange rate differences were applied.
- According to Lensvyaz's management, for the period from June 30, 2003, to the date of Analysis, no events that could significantly impact the net asset value took place.
- The net asset value analysis is performed by a licensed appraiser, the Consulting Agency Info-Park (license of the Ministry of State Property of the Russian Federation №000269).

On the basis of net asset value analysis, the value of the shareholders' equity of Lensvyaz is RUR1,312 mln, or US\$43 mln.

V. CALCULATION OF RECOMMENDED CONVERSION RATIOS OF SHARES OF OAO LENSVEAZ INTO SHARES OF OAO NORTH-WEST TELECOM

CALCULATION OF RECOMMENDED CONVERSION RATIOS

Ordinary shares	Shareholders' equity value range per one ordinary share ¹⁾ :						Number of Lensvyaz ordinary shares per one NWT ordinary share		
	Lensvyaz			NWT					
Discounted cash flow analysis	\$ 19.58	-	\$ 22.94	\$ 0.43	-	\$ 0.49	0.0218	-	0.0213
Comparable acquisitions analysis	\$ 20.80	-	\$ 22.99	n/a	-	n/a	n/a	-	n/a
Comparable companies analysis	n/a	-	n/a	\$ 0.59	-	\$ 0.65	n/a	-	n/a
Share market prices analysis	\$ 9.50	-	\$ 12.29	\$ 0.37	-	\$ 0.38	0.0386	-	0.0306
Net asset value analysis	\$ 17.93	-	\$ 17.93	\$ 0.70	-	\$ 0.70	0.0393	-	0.0393
Resumptive range	\$ 18.91	-	\$ 21.39	\$ 0.51	-	\$ 0.57	0.0272	-	0.0264
Preferred shares	Shareholders' equity value range per one ordinary share ¹⁾ :						Number of Lensvyaz preferred shares per one NWT preferred share		
	Lensvyaz			NWT					
Discounted cash flow analysis	\$ 11.75	-	\$ 13.76	\$ 0.26	-	\$ 0.29	0.0218	-	0.0213
Comparable acquisitions analysis	\$ 12.48	-	\$ 13.79	n/a	-	n/a	n/a	-	n/a
Comparable companies analysis	n/a	-	n/a	\$ 0.36	-	\$ 0.39	n/a	-	n/a
Share market prices analysis	\$ 6.14	-	\$ 7.33	\$ 0.22	-	\$ 0.23	0.0358	-	0.0312
Net asset value analysis	\$ 10.76	-	\$ 10.76	\$ 0.42	-	\$ 0.42	0.0393	-	0.0393
Resumptive range	\$ 11.34	-	\$ 12.83	\$ 0.31	-	\$ 0.34	0.0272	-	0.0264

Note:

¹⁾ Allocated using a 40% discount of preferred share price to ordinary share price assigned. Excluding share market prices analysis.

- Based on the Analysis conducted, Renaissance Capital recommends to the Board of Directors of OAO North-West Telecom and the Board of Directors of OAO Lensvyaz to review and approve Conversion Ratios with regards to the merger within the following ranges:

Into one ordinary share of NWT is converted:	from 0.0264 to 0.0272 ordinary shares of Lensvyaz
Into one preferred share of NWT is converted:	from 0.0264 to 0.0272 preferred shares of Lensvyaz

VI. VALUATION ANALYSIS OF SHAREHOLDERS' EQUITY OF OAO SVYAZ OF KOMI REPUBLIC

Method	Used/not used	Weight	Comments
Discounted Cash Flow Analysis	✓	40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Allows one to assess the ability of the company to generate cash flows in the future and make an adjustment for the time value of money; - Depends to a significant degree on the validity of forecasts of the future development of the company and various assumptions underling the financial model.
Comparable Acquisitions Analysis	✓	40%	<p>One of the key valuation techniques:</p> <ul style="list-style-type: none"> + Presents a view on the company as a peer of the companies being merged during the reorganization; + There are precedents of similar mergers of comparable companies; - Does not allow one to assess the ability of the company to generate cash flows in the future.
Net Assts Value Analysis	✓	10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Values the company's property complex as of the valuation date; - Does not allow one to factor in the valuation the economic effect of existing property complex and its ability to generate cash flows.
Analysis of Share Market Prices	✓	10%	<p>One of the additional valuation techniques:</p> <ul style="list-style-type: none"> + Reflects the view of financial investors and stock market participants on the company; - Insufficient reliability of the analysis due to low liquidity of Svyaz of Komi shares.
Comparable Companies Analysis	✗	0%	<p>This method is not applied due to absence of traded comparable companies with a liquid market of their shares.</p>

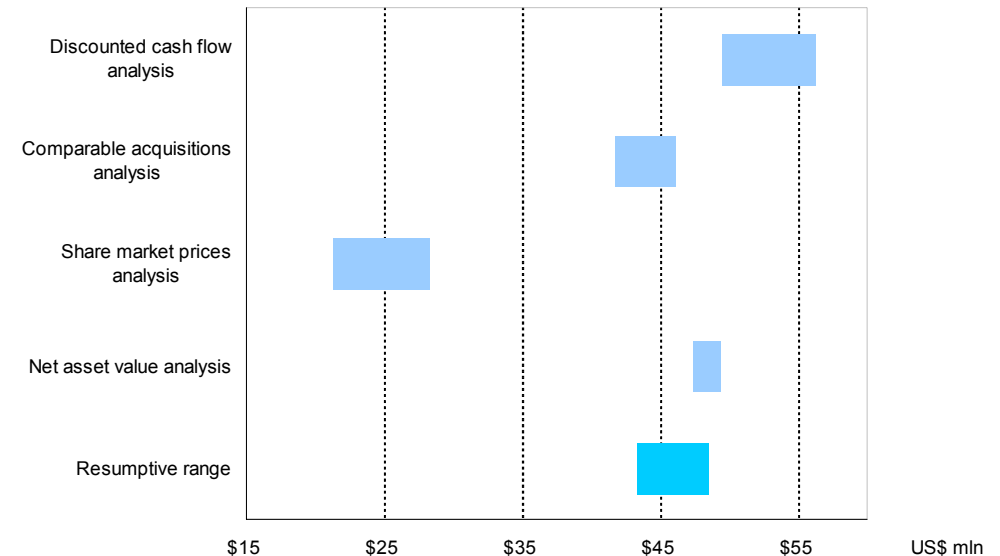
SVYAZ OF KOMI SHAREHOLDERS' EQUITY VALUATION SUMMARY

- For the purpose of calculating the recommended Conversion Ratios, the resumptive valuation range for Svyaz of Komi shareholders' equity was calculated as a weighted average of the values obtained by different methods.
- Weighting factors for valuation results obtained by different methods are determined based on analysis of the strengths and weaknesses of the valuation approaches applied.
- Weighted average valuation of Svyaz of Komi shareholders' equity ranges from US\$43 mln to US\$49 mln.**

Valuation Summary

Valuation Methods	Equity Value Ranges		Weighting Coefficients
	(US\$ mln)	(US\$ mln)	
Discounted cash flow analysis	\$ 49	- \$ 56	40%
Comparable acquisitions analysis	\$ 42	- \$ 46	40%
Share market prices analysis	\$ 21	- \$ 28	10%
Net asset value analysis	\$ 47	- \$ 47	10%
Resumptive range	\$ 43	- \$ 49	

Equity Value Range



A. SVYAZ OF KOMI SHAREHOLDERS' EQUITY VALUATION ANALYSIS: DISCOUNTED CASH FLOW ANALYSIS

DISCOUNTED CASH FLOW ANALYSIS: KEY ASSUMPTIONS

- Key assumptions underlying a detailed financial model were developed by the Company's management.
- The forecast period of 2004-2009 is assumed based on the belief that key changes, such as tariff rebalancing and transition to time-based billing of local calls, will be completed by 2008, and that, starting from 2010, free cash flows will stabilize.
- The discount rate is calculated as weighted average cost of capital. It is assumed that the share of debt capital in total capital employed will stabilize at the 50% level.

Key Assumptions

		2004	2005	2006	2007	2008	2009
Installed capacity, end of period	Lines	307,941	330,941	348,941	363,941	383,941	406,941
Digitalization rate	%	65%	72%	78%	85%	91%	96%
Number of individual subscribers with per-minute payment system, end of period	%	34%	35%	38%	40%	45%	49%
Number of corporate subscribers with per-minute payment system, end of period	%	59%	61%	63%	68%	77%	84%
Subscription fee growth rates, individuals	%	11%	21%	18%	18%	5%	5%
Subscription fee growth rates, corporates	%	8%	8%	7%	7%	5%	5%
Connection fee growth rates, individuals	%	0%	0%	0%	0%	5%	5%
Connection fee growth rates, corporates	%	0%	0%	0%	0%	5%	5%
Domestic long-distance traffic per line growth rates	%	13%	13%	10%	9%	10%	10%
Interantional long-distance traffic per line growth rates	%	13%	13%	10%	9%	10%	10%
Domestic long-distance average tariff growth rates	%	-1%	0%	-5%	5%	5%	5%
International long-distance average tariff growth rates	%	1%	2%	2%	2%	2%	2%
Wages and salaries growth rates	%	25%	25%	25%	20%	20%	15%
Staff, average for period	Persons	3,949	3,941	3,917	3,905	3,897	3,889
Capital expenditures	RUB mln	536	445	451	486	550	581
Discount rates	%	13.5%	14.6%	15.6%	15.6%	15.6%	15.6%

DISCOUNTED CASH FLOW ANALYSIS: P&L ITEMS FORECASTS

(RUB mln)	Estimate	Forecast					
	2003	2004	2005	2006	2007	2008	2009
Revenue							
Local Telephony							
Subscription fee	381	347	320	381	453	464	463
Constant component at per-minute payment system	0	61	148	191	248	301	368
Installation fee	70	59	83	136	118	117	150
Local traffic	0	34	92	117	158	196	243
Granting channels for lease	22	24	26	29	32	35	39
Other local telephony	33	36	46	59	70	77	87
Total local telephony revenue	506	561	715	913	1,079	1,190	1,350
Long-Distance Communication							
Outgoing DLD	536	612	709	779	946	1,150	1,399
Outgoing ILD	93	109	129	153	181	214	252
Other revenues from long-distance communications	22	36	42	47	56	68	83
Total long-distance communication services	652	757	880	978	1,183	1,431	1,734
Charges for Incoming Long-Distance Traffic	117	189	225	264	312	358	414
Data Transmission Services	23	38	66	101	153	213	295
Other Revenues	84	87	91	94	96	98	101
Total Revenue	1,383	1,635	1,979	2,354	2,827	3,294	3,896
Revenue growth	24%	18%	21%	19%	20%	17%	18%
Operating Expenses							
Interconnection							
Payments to Rostelecom	112	175	207	241	281	325	376
Payments to other communication operators	34	37	39	42	44	45	47
Other Operating Expenses							
Expenses on personnel	509	662	825	1,024	1,224	1,465	1,682
Maintenance costs and overhead and G&A expenses	240	256	278	306	328	349	375
Taxes other than on income	22	29	34	38	42	46	49
Other expenses	45	94	70	80	94	106	121
Total Operating Expenses	962	1,253	1,453	1,732	2,013	2,336	2,650
EBITDA	421	381	526	622	814	958	1,246
EBITDA Margin	30%	23%	27%	26%	29%	29%	32%
Depreciation and amortization	(101)	(150)	(193)	(232)	(274)	(319)	(369)
Earnings Before Interests and Income Tax (EBIT)	320	231	333	389	541	639	877

DISCOUNTED CASH FLOW ANALYSIS: VALUATION SUMMARY

(RUB mln)	Estimate	Forecast					
	4Q 2003	2004	2005	2006	2007	2008	2009
EBITDA	37	381	526	622	814	958	1,246
Tax on Income (unlevered)	(6)	(64)	(91)	(106)	(145)	(171)	(232)
EBITDA less tax on income (unlevered)	31	317	436	516	669	787	1,014
Changes in working capital	65	12	25	33	29	38	28
Capital expenditures	(45)	(536)	(445)	(451)	(486)	(550)	(581)
Free cash flows on invested capital	51	(207)	16	98	213	275	461

DCF Analysis Valuation

Sum of FCF's discounted at 1 October 2003	402
Terminal value:	
FCF terminal growth rate	5%
Terminal value	4,591
Terminal value discounted at 1 October 2003	1,999
Value of operations, RUB mln	2,401
Value of operations, US\$ mln	\$ 78
Value of long-term financial investments, US\$ mln	[1] \$ 0.3
Enterprise value, US\$ mln	\$ 79
Net debt, US\$ mln	[2] \$ 13
Equity value (100% control), US\$ mln	\$ 66
Discount on lack of control on a single share basis	[3] 20%
Shareholders' equity value on a non-control basis, US\$ mln	\$ 53

Sensitivity Analysis of Shareholders' Equity Value

		Terminal growth rate				
EqV, US\$ mln		4.5%	4.8%	5.0%	5.3%	5.5%
Company's specific risk premium	5.5%	56	58	59	61	63
	6.0%	54	55	57	59	60
	6.5%	52	53	55	56	58
	7.0%	50	51	53	54	56
	7.5%	48	49	51	52	53
	8.0%	47	48	49	50	51
	8.5%	45	46	47	48	49

Notes:

1. According to the company RAS balance sheet as of 30 September 2003 with adjustments on net asset values of the affiliated companies.
2. Long- and short-term debt less cash as of 30 September 2003 under RAS.
3. Renaissance Capital estimate.

On the basis of the discounted cash flow analysis the value of the shareholders' equity of Svyaz of Komi ranges from US\$49 mln to US\$56 mln.

B. SVYAZ OF KOMI SHAREHOLDERS' EQUITY VALUATION ANALYSIS: COMPARABLE ACQUISITION ANALYSIS

COMPARABLE ACQUISITIONS ANALYSIS: SELECTION OF PEERS

- This approach consists of a comparative analysis of the companies participating during the consolidation of the regional telecommunication companies into seven super-regional telecom operators through the years 2000 to 2002.

Comparable Company (merged)	Number of Lines	Revenue (US\$ mln)	Revenue per Line (RUB '000)
Electrosvyaz of Kaliningrad region	154,238	19	3.7
Electrosvyaz of Kurgan region	158,961	12	2.3
Martelecom of Mariy-El Republic	159,181	10	1.8
Electrosvyaz of Orel region	163,137	12	2.2
Swyazinform of Republic of Mordovia	173,356	12	2.1
Electrosvyaz of Volgograd region	175,780	14	2.4
Swyazinform of Astrakhan region	179,722	14	2.4
Electrosvyaz of Republic of Karelia	180,598	16	2.6
Swyazinform of Kursk region	195,004	14	2.1
Itelecom	202,540	14	2.1
Briansksvyazinform	204,711	16	2.4
Swyazinform of Republic of Chuvashia	213,274	14	2.0
Electrosvyaz of Riazan region	216,038	17	2.3
Tambov Electrosvyaz	216,700	18	2.1
Ulianovselectrosvyaz	216,869	17	2.3
Swyazinform of Penza region	227,436	14	1.9
Electrosvyaz of Khabarovsk region	228,028	32	4.1
Electrosvyaz of Tver region	229,384	21	2.7
Tomsktelecom	239,871	26	3.2

Source: Company data.

Not comparable to Svyaz of Komi on a revenue per line basis (highlighted in gray)

- The selection criteria for these companies are as follows:
 - Scale of operations (number of lines and revenue);
 - Revenue per line;
 - Revenue mix.

Comparable Company (merged)	Number of Lines	Revenue (US\$ mln)	Revenue per Line (RUB '000)
Tyumentelecom	240,065	28	3.5
Smolensksvyazinform	241,354	18	2.2
Electrosvyaz of Kaluga region	254,606	20	2.4
Murmanelectrosvyaz	257,580	30	3.6
Lipetskelectrosvyaz	259,058	18	2.0
Artelecom	271,909	25	2.7
Svyaz of Komi	275,971	41	4.6
Kirovelectrosvyaz	276,905	18	2.0
Electrosvyaz of Vladimir region	281,978	23	2.5
Khanty-mansiysktelecom	290,995	68	7.1
Yartelecom	291,695	31	3.0
Belsvyaz	300,508	23	2.3
Udmurttelecom	301,769	23	2.2
Electrosvyaz of Orenburg region	352,434	30	2.5
Electrosvyaz of Omsk region	363,839	30	2.4
Electrosvyaz of Irkutsk region	369,241	43	3.6
Tulatelecom	378,338	26	2.1
Saratovelectrosvyaz	392,621	34	2.6
Electrosvyaz of Krasnoyarsk region	394,170	50	3.8

Source: Company data.

Note:

1 Number of lines as of year-end 2001, revenue per line for 2001.

2 Revenue and revenue per line of Svyaz of Komi are for the last 12 months ending 30 September 2003; number of lines as of 30 September 2003.

COMPARABLE ACQUISITIONS ANALYSIS: SELECTION OF PEERS (CONT'D)

- The regional operators being the acquiring companies for the regional telcos are excluded from the analysis as such operators are not comparable to Svyaz of Komi.
- Also excluded from the analysis are companies for which there is not enough available information on valuation (the companies of the Central and Urals super-regions).
- The revenue structure of operators selected according to similarity to Svyaz of Komi, in terms of number of lines, revenue and revenue per line, have also been analyzed. Thus, seven operators of the fixed line regional operators have been selected as comparable companies. The respective analysis is submitted in the table below.

Publicly available information on valuation is not available

Low share of revenue from DLD and ILD services

High DLD and ILD traffic per line

Comparable Company (merged)	Revenue per Line (RUB '000)	LD Traffic per Line (min)	Number of Urban Lines	Major Revenues Mix			Debt to Assets, %
				DLD/ILD	Urban	Rural	
Artelecom	2.7	346	81%	46%	29%	6%	3.9%
Electrosvyaz of Tver region	2.7	467	80%	51%	36%	4%	3.7%
Yartelecom	3.0	356	88%	39%	38%	3%	3.7%
Tomsktelecom	3.2	424	74%	48%	27%	8%	2.2%
Tyumentelecom	3.5	546	74%	57%	32%	6%	2.7%
Electrosvyaz of Irkutsk region	3.6	427	93%	49%	39%	2%	8.6%
Murmanelectrosvyaz	3.6	468	96%	53%	37%	1%	6.8%
Electrosvyaz of Kaliningrad region	3.7	491	89%	60%	32%	2%	5.9%
Electrosvyaz of Krasnoyarsk region	3.8	567	82%	55%	29%	5%	4.1%
Electrosvyaz of Khabarovsk region	4.1	311	86%	50%	35%	4%	5.2%
Svyaz of Komi	4.6	334	81%	48%	33%	6%	27.7%

Source: Company data.

Note:

2001 data for comparable companies. For Svyaz of Komi: revenue per line is for the last 12 months ending 30 September 2003; debt to assets and number of urban lines are as of 30 September 2003; other data for the first 9 months of 2003.

COMPARABLE ACQUISITIONS ANALYSIS: CALCULATION OF VALUATION MULTIPLES

- The values underlying the recommended share conversion ratios and submitted by the relevant financial advisors on the consolidation are taken as the equity value of the comparable companies merged during the consolidation of the regional operators in 2000 to 2002.

Comparable Companies	Implied Equity Value ¹⁾	Net Debt ²⁾	Enterprise Value
	(US\$ mln)	(US\$ mln)	(US\$ mln)
Artelecom	31.3	12.0	43.3
Tomsktelecom	40.9	0.7	41.6
Electrosvyaz of Irkutsk region	44.8	3.3	48.1
Murmanelectrosvyaz	36.0	9.0	45.0
Electrosvyaz of Kaliningrad region	22.5	3.0	25.5
Electrosvyaz of Krasnoyarsk region	47.3	3.3	50.6
Electrosvyaz of Khabarovsk region	23.7	5.5	29.2

Source: Information materials for the respective companies' shareholders.

Notes:

¹⁾ Implied equity value underlying the respective share swap ratios approved by the shareholders. Defined as a weighted average of values calculated using different valuation methods.

²⁾ According to the respective consultants' reports.

Comparable Companies	Number of Lines		Revenue		Profit From Operations ¹⁾	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
			(US\$ mln)	(US\$ mln)	(US\$ mln)	(US\$ mln)
Artelecom	270,709	273,559	n/a	25.2	3.1	3.9
Tomsktelecom	235,591	237,666	25.0	26.5	5.8	5.5
Electrosvyaz of Irkutsk region	356,529	359,129	n/a	43.0	5.3	6.0
Murmanelectrosvyaz	231,876	238,099	28.5	30.2	1.8	1.8
Electrosvyaz of Kaliningrad region	150,092	150,807	18.9	19.1	4.8	4.9
Electrosvyaz of Krasnoyarsk region	384,226	386,541	46.9	50.0	4.3	4.7
Electrosvyaz of Khabarovsk region	220,572	222,634	n/a	31.6	n.d.	4.2
For reference:						
Svyaz of Komi ²⁾	273,054	274,042	41	44	12	10

Source: Company data; Svyazinvest.

Notes:

¹⁾ Profit from operations is calculated as sum of profit from services sold and other operating incomes/expenses and non-operating incomes/expenses.

²⁾ Svyaz of Komi number of lines as of 30 September 2003 and estimate for year-end 2003, respectively; financial results are for last 12 months ending 30 September 2003 and 2003 estimate, respectively.

Comparable Companies	EV / Number of Lines		EV / Revenue		EV / Profit From Operations	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
Artelecom	\$ 160	\$ 158	n.d.	1.7 x	13.8 x	11.2 x
Tomsktelecom	\$ 176	\$ 175	1.7 x	1.6 x	7.2 x	7.5 x
Electrosvyaz of Irkutsk region	\$ 135	\$ 134	n.d.	1.1 x	9.1 x	8.1 x
Murmanelectrosvyaz	\$ 194	\$ 189	1.6 x	1.5 x	24.6 x	25.1 x
Electrosvyaz of Kaliningrad region	\$ 170	\$ 169	1.4 x	1.3 x	5.3 x	5.2 x
Electrosvyaz of Krasnoyarsk region	\$ 132	\$ 131	1.1 x	1.0 x	11.7 x	10.8 x
Electrosvyaz of Khabarovsk region	\$ 132	\$ 131	n.d.	0.9 x	n.d.	7.0 x
Average (excluding outliers)	\$ 157	\$ 155	1.4 x	1.3 x	8.3 x	7.7 x

- The similarity of accounting principles of the companies (RAS) permits a comparative analysis based on the parameters located below the revenue line. Therefore, in the valuation of Svyaz of Komi, the EV/Operating profit multiple is used to obtain the enterprise value taking into account the profitability of operations.
- The following valuation multiples have been calculated and applied:
 - EV / Line;
 - EV / Revenue;
 - EV / Operating profit.

The multiples of Murmanelectrosvyaz is not accepted at calculation of average multiples as an outlier.

COMPARABLE ACQUISITIONS ANALYSIS: VALUATION SUMMARY

- Average valuation multiples calculated for selected comparable companies are applied to corresponding parameters of Svyaz of Komi.
- The value of net debt is subtracted from the enterprise value of Svyaz of Komi to obtain the equity value.
- Svyaz of Komi shareholders' equity value resumptive range is determined as a weighted average of the results obtained by the multiples used. Weighting factors are set based on analysis of the strengths and weaknesses of each valuation multiple:
 - The EV/Lines multiple does not reflect the company's ability to generate cash flows. Valuation results obtained with this multiple are assigned a weight of 30%;
 - A higher weight of 60% is assigned to EV/Revenue based value. Revenue is more reliable in terms reflecting the scale of the company's operations and its ability to generate income;
 - Possible distinctions in the structure of formation of costs of services sold and other operational incomes and expenses limit the applicability of the EV/Operating profit multiple. Valuation results obtained using this multiple are assigned a weight of 10%.

	Number of Lines		Revenue		Profit From Operations	
	As of 30 Sep.2003	2003 ¹⁾	LTM ending 30 Sep.2003 (US\$ mln)	2003 ¹⁾ (US\$ mln)	LTM ending 30 Sep.2003 (US\$ mln)	2003 ¹⁾ (US\$ mln)
Svyaz of Komi values	273,054	274,042	\$ 41	\$ 44	\$ 12	\$ 10
	EV / Number of Lines		EV / Revenue		EV / Profit From Operations	
	As of 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001	LTM ending 30 Sep.2001	2001
Valuation multiples	\$ 157	\$ 155	1.4 x	1.3 x	8.3 x	7.7 x
Enterprise value, US\$ mln	\$ 43	\$ 43	\$ 58	\$ 58	\$ 103	\$ 81
Svyaz of Komi net debt, US\$ mln ²⁾			\$ 13			
Equity value, US\$ mln	\$ 30	\$ 30	\$ 45	\$ 45	\$ 90	\$ 68
Weighting coefficients	15%	15%	30%	30%	5%	5%
Weighted average equity value, US\$ mln	44		Confidence range, US\$ mln ³⁾		42 - 46	

Notes:

¹⁾ Estimated results are from DCF analysis.

²⁾ Long- and short-term debt less cash as of 30 September 2003 under RAS.

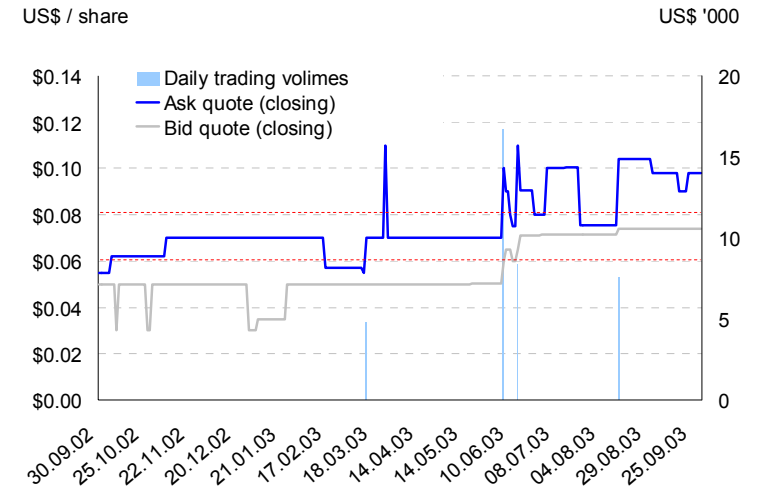
³⁾ Accounting for the possible deviations related to reliability of assumptions used.

On the basis of comparable acquisition analysis the value of the shareholders' equity of Svyaz of Komi ranges from US\$42 mln to US\$46 mln.

C. SVYAZ OF KOMI SHAREHOLDERS' EQUITY VALUATION ANALYSIS: SHARE MARKET PRICES ANALYSIS

SHARE MARKET PRICES ANALYSIS: ORDINARY SHARES

- For the analysis, the share market price dynamics of Svyaz of Komi ordinary shares for the last twelve months were observed. The shares are illiquid: during the period under consideration, only six transactions with Svyaz of Komi ordinary shares, for a total value of US\$37 thousand, were conducted on the RTS.
- During most of the period, the bid and ask prices of the Svyaz of Komi ordinary shares were at a level of US\$0.05 per share. In June, 2003, the bid prices rose to US\$0.07 per share and remained stable at this level until the end of the considered period.
- To accommodate effect of speculative changes of the share prices for the purposes of the Svyaz of Komi shareholders' equity valuation it is accepted average values of bid and ask quotations for the last six months as values of Svyaz of Komi ordinary share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The values of Svyaz of Komi ordinary share obtained range from US\$0.06 to US\$0.08.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003	\$ 0.07	\$ 0.10	n/a	-24.5%	\$ 21	\$ 28	n/a	\$ -	-
One month to date								\$ -	-
Max	\$ 0.07	\$ 0.10	n/a	-28.8%	\$ 21	\$ 30	n/a		
Min	\$ 0.07	\$ 0.09	n/a	-17.8%	\$ 21	\$ 26	n/a		
Average	\$ 0.07	\$ 0.10	n/a	-23.6%	\$ 21	\$ 27	n/a		
Last 6 months to date								\$ 33	5
Max	\$ 0.07	\$ 0.11	n/a	-32.7%	\$ 21	\$ 31	n/a		
Min	\$ 0.05	\$ 0.07	n/a	-28.6%	\$ 14	\$ 20	n/a		
Average	\$ 0.06	\$ 0.08	n/a	-24.0%	\$ 18	\$ 24	n/a		
Last 12 months to date								\$ 37	6
Max	\$ 0.07	\$ 0.11	n/a	-32.7%	\$ 21	\$ 31	n/a		
Min	\$ 0.03	\$ 0.06	n/a	-45.5%	\$ 9	\$ 16	n/a		
Average	\$ 0.06	\$ 0.08	n/a	-26.1%	\$ 16	\$ 21	n/a		

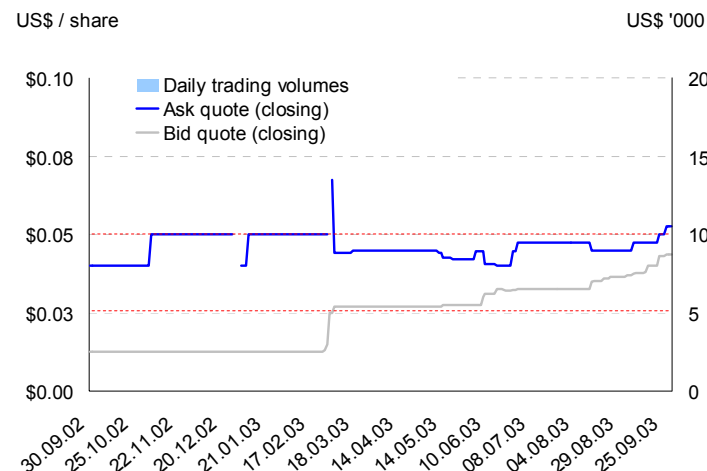
Source: RTS.

Note:

1. According to RTS market price calculation based on results of actual trades. Due to the lack of a number of trades required for market price calculation, the market price for Svyaz of Komi is not calculated by RTS.

SHARE MARKET PRICES ANALYSIS: PREFERRED SHARES

- For the analysis, the share market price dynamics of Svyaz of Komi preferred shares in the last twelve months were observed. The shares are illiquid: during the period, no transactions were conducted on the RTS with Svyaz of Komi preferred shares.
- During the period, the ask prices of Svyaz of Komi preferred shares were not changed and ranged from US\$0.04 to US\$0.05 per share. The bid prices grew moderately from US\$0.01 per share to US\$0.04 per share.
- To accommodate effect of speculative changes of the share prices for the purposes of the Svyaz of Komi shareholders' equity valuation it is accepted average values of bid and ask quotations for the last six months as values of Svyaz of Komi preferred share. The bottom value of a range is accepted equal to the average closing bid price, top value of a range is accepted equal the average closing ask price.
- The values of Svyaz of Komi preferred share obtained range from US\$0.03 to US\$0.05 which reflects a 46%-50% discount to the ordinary share market prices.



	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)			Trade Volumes (US\$ '000)	Number of Deals
	Bid Quote (closing)	Ask Quote (closing)	Market Price ¹		Based on Bid Quote	Based on Ask Quote	Based on Market Price		
As of 30 September 2003	\$ 0.04	\$ 0.05	n/a	-17.1%	\$ 4	\$ 5	n/a	\$ -	-
One month to date								\$ -	-
Max	\$ 0.04	\$ 0.05	n/a	-17.1%	\$ 4	\$ 5	n/a		
Min	\$ 0.04	\$ 0.05	n/a	-18.9%	\$ 3	\$ 4	n/a		
Average	\$ 0.04	\$ 0.05	n/a	-17.6%	\$ 4	\$ 5	n/a		
Last 6 months to date								\$ -	-
Max	\$ 0.04	\$ 0.05	n/a	-17.1%	\$ 4	\$ 5	n/a		
Min	\$ 0.03	\$ 0.04	n/a	-32.5%	\$ 3	\$ 4	n/a		
Average	\$ 0.03	\$ 0.05	n/a	-29.2%	\$ 3	\$ 4	n/a		
Last 12 months to date								\$ -	-
Max	\$ 0.04	\$ 0.07	n/a	-35.6%	\$ 4	\$ 6	n/a		
Min	\$ 0.01	\$ 0.04	n/a	-68.8%	\$ 1	\$ 4	n/a		
Average	\$ 0.02	\$ 0.05	n/a	-48.7%	\$ 2	\$ 4	n/a		
Discount to ordinary share price ²	-50%	-46%	n/a						

Source: RTS.

Note:

1. According to RTS market price calculation based on results of actual trades. Due to the lack of a number of trades required for market price calculation, the market price for Svyaz of Komi is not calculated by RTS.

2. Based on average prices for the last six months.

SHARE MARKET PRICES ANALYSIS: VALUATION SUMMARY

- For the purposes of the Analysis, the range of Svyaz of Komi shareholders' equity value using the share price method is taken as equal to the range of Svyaz of Komi's implied market capitalizations based on the average prices of its ordinary and preferred shares for the six months prior to the valuation date.
- The bottom value of the range is based on closing bid prices of the ordinary and preferred shares of the company and the top value is based on their respective closing ask prices.

	Share Market Prices Range (US\$)			Spread Bid / Ask	Market Capitalization (US\$ mln)		
	Bid Quote (closing)	Ask Quote (closing)	Market Price		Based on Bid Quote	Based on Ask Quote	Based on Market Price
Last 6 months to date, ordinary shares	\$ 0.06	\$ 0.08	n/a	-24%	\$ 18	\$ 24	n/a
Last 6 months to date, preferred shares	\$ 0.03	\$ 0.05	n/a	-29%	\$ 3	\$ 4	n/a
Total:					\$ 21	\$ 28	n/a

On the basis of share market prices analysis the value of the shareholders' equity of Svyaz of Komi ranges from US\$21 mln to US\$28 mln.

D. SVYAZ OF KOMI SHAREHOLDERS' EQUITY VALUATION ANALYSIS: NET ASSET VALUE ANALYSIS

- According to the said method, the Svyaz of Komi shareholders' equity is defined by calculating net asset book value according to the system established by the Ministry of Finance of the Russian Federation and Federal Commission on Securities. Further, the net asset book value was adjusted in view of the actual costs and liquidity of assets and liabilities considered in the calculation.
- In order to adjust the book value of fixed assets the reproduction cost approach is used, and the following steps are taken:
 - defining a current reproduction cost of a fixed asset (based on the appropriate revaluation factor);
 - determining combined accumulated depreciation (physical, functional and economic);
 - defining the net reproduction cost by adjusting the reproduction cost for combined accumulated depreciation.
- The value of long-term financial investments was adjusted taking into account the net asset values of the affiliated entities.
- The value of inventories was adjusted for the cost of inventories which are no longer used.

Item	Balance sheet item number	Book Value at 30 Jun. 2003	Adjusted Book Value
Assets		(RUB '000)	(RUB '000)
1. Non-current Assets			
Intangible assets	110	10	10
Fixed assets	120	955,453	1,502,728
Construction in progress	130	225,547	225,547
Investments into material wealth	135	148	148
Long-term financial investments	140	4,839	9,681
2. Current Assets			
Inventory	210	41,453	41,418
VAT paid	220	54,945	54,945
Accounts receivable	230+240-244	215,788	209,629
Short-term financial investments adjusted to treasury shares	250-252	12,136	12,136
Cash and cash equivalents	260	33,824	33,824
Total assets accepted for calculation		1,544,143	2,090,066
Total liabilities		642,879	640,603
Net Asset Value		901,264	1,449,463

- The book value of the accounts receivable was adjusted considering the degree of probability of receipt and the time value of money.
- Regarding liabilities, adjustments on currency exchange rate differences were applied.
- The net asset value analysis is performed by a licensed appraiser, the Consulting Agency Info-Park (license of the Ministry of State Property of the Russian Federation №000269).

On the basis of net asset value analysis, the value of the shareholders' equity of Svyaz of Komi is RUR1,449 mln, or US\$47 mln.

VII. CALCULATION OF RECOMMENDED CONVERSION RATIOS OF SHARES OF OAO SVYAZ OF KOMI REPUBLIC INTO SHARES OF OAO NORTH-WEST TELECOM

CALCULATION OF RECOMMENDED CONVERSION RATIOS

Ordinary shares

Ordinary shares	Shareholders' equity value range per one ordinary share ¹⁾ :						Number of Svyaz of Komi ordinary shares per one NWT ordinary share		
	Svyaz of Komi			NWT					
Discounted cash flow analysis	\$ 0.15	-	\$ 0.17	\$ 0.43	-	\$ 0.49	2.93	-	2.96
Comparable acquisitions analysis	\$ 0.12	-	\$ 0.14	n/a	-	n/a	n/a	-	n/a
Comparable companies analysis	n/a	-	n/a	\$ 0.59	-	\$ 0.65	n/a	-	n/a
Share market prices analysis	\$ 0.06	-	\$ 0.08	\$ 0.37	-	\$ 0.38	5.71	-	4.45
Net asset value analysis	\$ 0.14	-	\$ 0.14	\$ 0.70	-	\$ 0.70	5.06	-	5.06
Resumptive range	\$ 0.13	-	\$ 0.14	\$ 0.51	-	\$ 0.57	4.04	-	3.97

Preferred shares

Preferred shares	Shareholders' equity value range per one ordinary share ¹⁾ :						Number of Svyaz of Komi preferred shares per one NWT preferred share		
	Svyaz of Komi			NWT					
Discounted cash flow analysis	\$ 0.09	-	\$ 0.10	\$ 0.26	-	\$ 0.29	2.93	-	2.96
Comparable acquisitions analysis	\$ 0.07	-	\$ 0.08	n/a	-	n/a	n/a	-	n/a
Comparable companies analysis	n/a	-	n/a	\$ 0.36	-	\$ 0.39	n/a	-	n/a
Share market prices analysis	\$ 0.03	-	\$ 0.05	\$ 0.22	-	\$ 0.23	6.86	-	5.05
Net asset value analysis	\$ 0.08	-	\$ 0.08	\$ 0.42	-	\$ 0.42	5.06	-	5.06
Resumptive range	\$ 0.08	-	\$ 0.09	\$ 0.31	-	\$ 0.34	4.04	-	3.97

Note:

¹⁾ Allocated using a 40% discount of preferred share price to ordinary share price assigned. Excluding share market prices analysis.

- Based on the Analysis conducted, Renaissance Capital recommends to the Board of Directors of OAO North-West Telecom and the Board of Directors of OAO Svyaz of Komi to review and approve Conversion Ratios with regards to the merger within the following ranges:

Into one ordinary share of NWT is converted:
Into one preferred share of NWT is converted:

from 3.97 to 4.04 ordinary shares of Svyaz of Komi
from 3.97 to 4.04 preferred shares of Svyaz of Komi

VIII. OVERVIEW OF THE REORGANIZED COMPANIES: OAO NORTH-WEST TELECOM

- The major shareholder of the company is Svyazinvest which owns 50.84% of the ordinary shares.
- The second largest shareholder is NCH, a portfolio investor, which holds 7.45% of the ordinary shares and 11.24% of preferred shares of the company through a number of its investment vehicles.
- 30.44% of ordinary shares and 39.22% of preferred shares are distributed among seven nominee holders.
- A number of insignificant blocks of NWT shares are owned by several domestic and foreign legal entities.
- NWT has only one relatively large individual shareholder which stake in the charter capital is 0.17%.

North-West Telecom Shareholding Structure Analysis

(as of 22 August 2003)

			Ordinary Shares (OS)		Preferred Shares (PS)		Share in
			Number	Share of OS	Number	Share of PS	Charter Capital
By major shareholders (holding more than 0.1%)							
<u>Legal entities</u>							
Svyazinvest	Owner. Resident		374,172,243	50.84%	-	0%	39.89%
NCH (via funds), combined	Owner. Non-res.		54,806,984	7.45%	22,713,625	11.24%	8.26%
Nominee holders	Nom. Residents		224,043,626	30.44%	79,237,322	39.22%	32.33%
Russian legal entities, combined	Owner. Residents		7,038,653	0.96%	1,108,375	0.55%	0.87%
Foreign legal entities	Owner. Non-res.		26,648,680	3.62%	-	0%	2.84%
Total legal entities holding more 0.1%			686,710,186	93.31%	103,059,322	51.01%	84.20%
<u>Individuals</u>							
One individual holder			786,700	0.11%	832,913	0.41%	0.17%
Total individuals holding more than 0.1%			786,700	0.11%	832,913	0.41%	0.17%
Total major shareholders holding more than 0.1% (18 shareholders)			687,496,886	93.42%	103,892,235	51.43%	84.38%
Shareholders holding less than 0.1% shares			48,420,336	6.58%	98,130,553	48.57%	15.62%
Number of issued shares (31,924 shareholders)			735,917,222	100%	202,022,788	100%	100%

Source: Company data.

North-West region in brief

- NWT provides a range of telecommunication services in the North-West region (not including the Leningrad region and the Republic of Komi).
- By Russian standards, the urbanization ratio of the North-West region is rather high: 85% of its population live in cities.
- St. Petersburg, Russia's second-largest city, is the key market for the company in terms of revenue generation. The St. Petersburg operation generates approximately 50% of the cumulative proceeds of the company.
- Living standards in the North-West region and the concentration of business activity are higher than the average for Russia. The economic development of this region is similar to that of Eastern Europe and Scandinavia. Therefore, there are more opportunities for development of value added services and a higher probability of the population using telecommunication services.
- Telephone density in the region is slightly above the average for Russia: 29% versus 24%, respectively, due to the high degree of urbanization. In St. Petersburg, telephone density is as high as 44%, which is a result of the high concentration of population and business activity.



Population	11.5 mln. (7.9% of the Russia's population)
Population density	9.8 people per sq. km
Urbanization rate	85%
Average monthly income per capita	RUB5,617* (109% of the Russia's average)
Telephone density	29%** (average for Russia 24%)
Digitalization	37%** (average for Russia 41%)

* July 2003
** End of 2002
Sources: State Statistics Committee, company data.

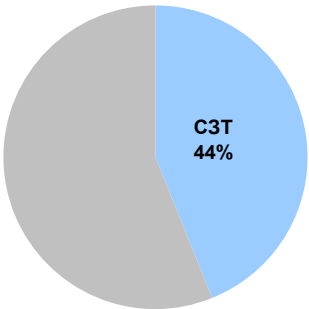
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Telecommunication services market

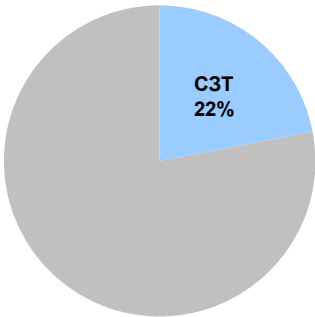
- NWT leadership on the fixed-line telecommunication services market is a result of its position as the incumbent operator. The company maintains almost a monopoly position providing services, and owns an extensive telecommunication infrastructure.
- Alternative and mobile operators provide a high degree of competition in the North-West region, particularly in St. Petersburg.
- Revenues generated in the St. Petersburg market account for only 22% of NWT's total revenues. Alternative telecommunication operators and mobile communication providers, have strong positions in the St. Petersburg market, offering high quality communication and a wide spectrum of value added services that cater to the demands of business clients.
- NWT's combined revenue-based market share is about 44%.

NWT market shares

Entire territory of service, excluding St. Petersburg



St. Petersburg



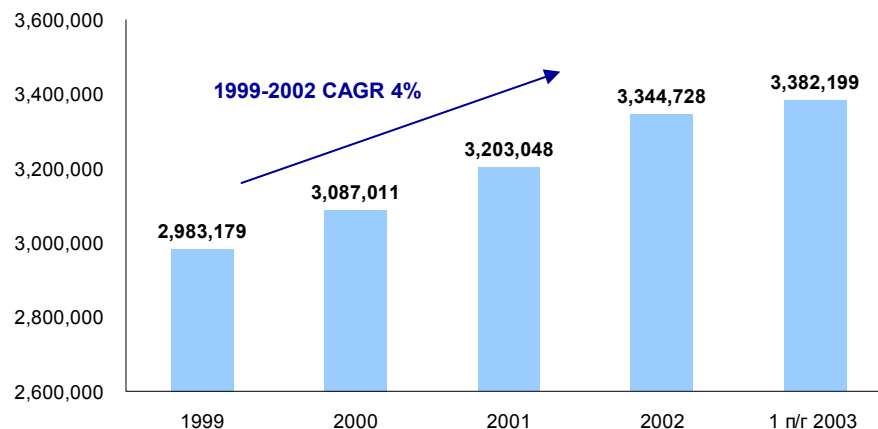
Source: Company data.

Translation of the original document in Russian

- In 2002 the number of NWT subscribers increased by 4% (141,000 subscribers), which is equal to the average annual increase in lines in 1999-2002. The growth of NWT's subscribers base is not driven by demand, but by a level of capital expenditures executed to expand installed capacity of network. The company still has a telephone installation waiting list.
- Currently, NWT is gradually transferring its subscribers to a per-minute billing system for local telephone services while reducing subscriber fees. However, only a small percent of NWT subscribers have been transferred to the new billing system.

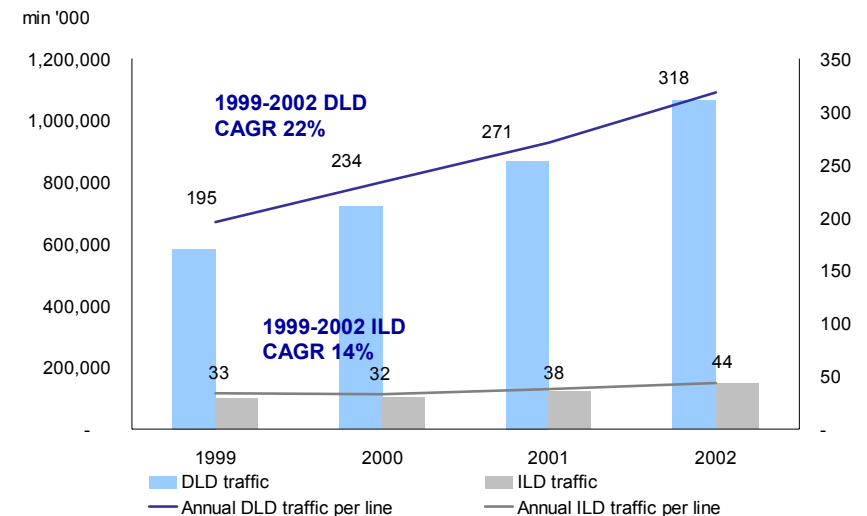
- The growth of domestic long-distance traffic in 1999-2002 has increased, on average, 22%, or 18% per line. The increase was the result of a significant decrease in tariffs, and also the growth of disposable personal incomes and an improved business environment, mainly in St. Petersburg.
- The average annual growth of international long-distance traffic during 1999-2002 was 9% per line, which is lower than the growth of DLD traffic. The growth was likely the result of a lag after tariffs were decreased, and also increased competition in a given service, including IP-telephony.

Number of Lines



Source: Company data.

Long-Distance Traffic

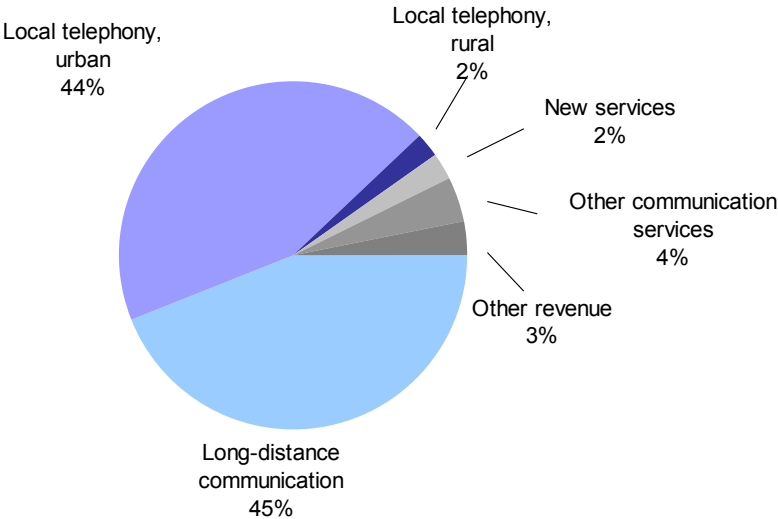


Source: Company data.

Revenue

- Key NWT telecommunication services include:
 - Urban and rural local telephony;
 - Domestic and international long-distance telecommunication;
 - Channels available for lease;
 - Radio communication services, television signal retranslation, and satellite communication;
 - Wire radio retranslation and wireless communication services;
 - New value added services including Internet service provision and ISDN.
- Local and long-distance telecommunication services provide the major part of NWT’s cash flows, together they account for approximately 91% of the company’s total revenues. The most profitable services are domestic and international long-distance communication (45% of revenue). Long-distance services revenue continues to increase at a high rate (15% in 2002).
- Local, urban and rural, telecommunication services generate 46% of the company’s total revenue. Local communication tariffs are regulated and, until now, represented an unprofitable segment of the business. Nevertheless, income from local communication grew approximately 40% in 2002, mainly because of tariff rebalancing, including a gradual increase of tariffs for local communication.

2002 Revenue mix



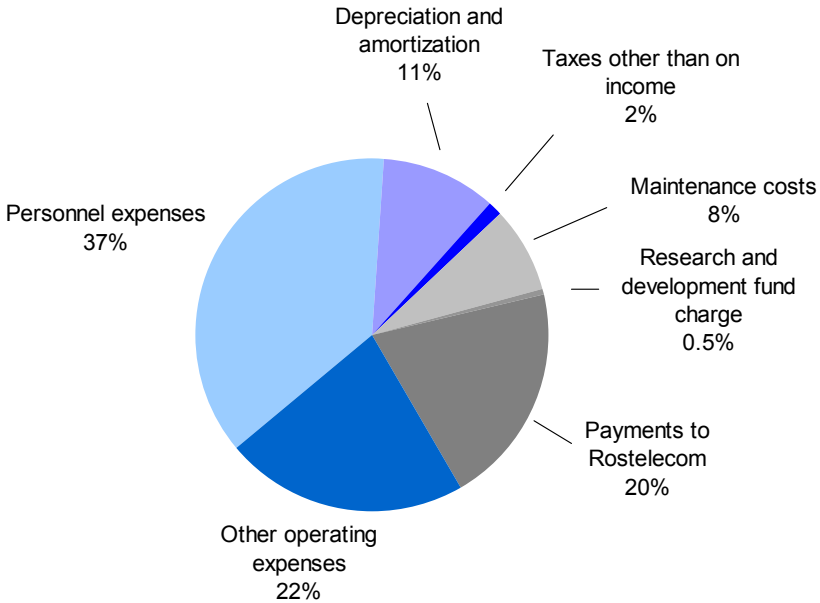
Note: Data according to RAS statements.
Source: Company data.

Translation of the original document in Russian

Operating expenses

- Personnel expenses are a major part of the company's total operating expenses, accounting for over one-third of its total expenses.
- In 1H03 NWT employed, on average, 30,279 people, or 111 employees per line (NWT has a total of 3.3 million lines). This number exceeds the number of employees per line of other supra-regional telecommunication companies and is comparable to that of national fixed-line operators of other emerging market countries.
- Domestic and long-distance interconnect payments to Rostelecom and payments for leasing intra-regional channels owned by Rostelecom account for 20% of the company's total operating expenses.
- Maintenance costs are the third-largest operating expense, and include expenses for the repair and maintenance of network equipment.
- Miscellaneous costs include general and administrative expenses, such as utility costs, advertising expenses, business expenses, payments to various advisers, and rent.

2002 Operating expenses mix



Note: Data according to RAS statements.

Source: Company data.

RAS Income Statement

(RUB '000)	2001	2002	% change
Revenue			
Long-distance communication	3,842,731	4,425,825	15%
Local telephony, urban	3,225,728	4,461,462	38%
Local telephony, rural	165,633	222,521	34%
New communication services	155,181	244,110	57%
Other communication services	448,822	424,249	-5%
Other revenues	220,636	313,674	42%
Total revenue	8,058,731	10,091,841	25%
Operating expenses			
Personnel expenses	2,252,270	2,763,222	23%
Depreciation and amortization	687,680	785,823	14%
Taxes other than on income	85,628	115,882	35%
Maintenance costs and overhead	518,419	583,281	13%
Research and development charges	69,476	36,662	-47%
Payments to Rostelecom	1,161,612	1,494,445	29%
Other expenses	1,256,463	1,664,054	32%
Total operating expenses	6,031,548	7,443,369	23%
Income from main operating activity	2,027,183	2,648,472	31%
Interest income	6,750	11,207	66%
Interest expense	(93,716)	(214,256)	129%
Revenue from affiliated parties	3,328	489	-85%
Other operating income	105,429	544,470	416%
Other operating expenses	(402,635)	(1,625,542)	304%
Non-operating income	206,084	129,317	-37%
Non-operating expenses	(640,869)	(838,579)	31%
Income before tax	1,211,554	655,578	-46%
Income tax	(506,077)	(328,306)	-35%
Net income	705,477	327,272	-54%

Source: Company data.

RAS Balance Sheet

(RUB '000)	2001	2002
Non-current assets	11,610,334	12,321,034
Current assets		
Inventory	282,869	365,152
VAT paid	205,550	407,099
Accounts receivable	1,757,720	1,492,963
Short-term financial investments	5,926	4,913
Cash and cash equivalents	181,796	346,880
Other current assets	293	-
Total current assets	2,434,154	2,617,007
Total assets	14,044,488	14,938,041
Shareholders' equity	10,722,163	10,873,684
Long-term liabilities	1,504,828	1,430,419
Current liabilities	1,817,497	2,633,938
Total shareholders' equity and liabilities	14,044,488	14,938,041

Source: Company data.

IX. OVERVIEW OF THE REORGANIZED COMPANIES: OAO LENSVMYAZ

- Lensvyaz's major shareholder is Svyazinvest, which owns 50.67% of its ordinary shares.
- The second-largest shareholder is the Property Ministry, which holds 26.67% of its ordinary shares.
- NCH, a portfolio investor, holds 0.86% of the company's ordinary shares and 12.52% of its preferred shares via a number of investment vehicles.
- 18.46% of the company's ordinary shares and 57.87% of its preferred shares are distributed among seven nominee holders.
- A number of small blocks of Lensvyaz shares are owned by several domestic and foreign legal entities.
- Lensvyaz has three large individual shareholders, which hold a total of 0.39% of its charter capital.

Lensvyaz Shareholding Structure Analysis

(as of 23 August 2003)

By major shareholders (holding more than 0.1%)

			Ordinary Shares (OS)		Preferred Shares (PS)		Share in
			Number	Share of OS	Number	Share of PS	Charter Capital
<u>Legal entities</u>							
Svyazinvest	Owner. Resident		1,007,720	50.67%	-	0%	38%
State property ministry	Owner. Resident		530,382	26.67%	-	0%	20%
NCH (via funds), combined	Owner. Non-res.		17,191	0.86%	83,010	12.52%	3.78%
Nominee holders	Nom. Residents		367,178	18.46%	383,663	57.87%	28.31%
Russian legal entities, combined	Owner. Residents		2,275	0.11%	4,346	0.66%	0.25%
Foreign legal entities	Owner. Non-res.		-	0%	14,000	2.11%	0.53%
Total legal entities holding more 0.1%			1,924,746	96.77%	485,019	73.16%	90.87%
<u>Individuals</u>							
Three individual holders			4,965	0.25%	5,330	0.80%	0.39%
Total individuals holding more than 0.1%			4,965	0.25%	5,330	0.80%	0.39%
Total major shareholders holding more than 0.1% (17 shareholders)			1,929,711	97.02%	490,349	73.96%	91.26%
Shareholders holding less than 0.1%			59,209	2.98%	172,621	26.04%	8.74%
Number of issued shares (2,788 shareholders)			1,988,920	100%	662,970	100%	100%

Source: Company data.

Leningrad region in brief

- Lensvyaz provides a range of telecommunication services in the Leningrad region (excluding St. Petersburg).
- The urbanization ratio of the Leningrad region is relatively low: 66% of its population live in cities (the average for Russia is 73%).
- The largest city in the region is Gatchina, with a population of 82,000.
- The development of the region's economy, in many respects, is due to its favorable location and close proximity to St. Petersburg.
- In 2002, the volume of communication services in the region grew by 11%. For the same period growth, industrial production increased by 35% (the average for Russia was 3.5%).
- In the region, Kirishsky, Vyborg, Tosnensky, Vsevolozhsky, Kiningseppsky, and Gatchinsky have the fastest increasing demand for communication services.
- Telephone density in the region is about 24%, or the same as the average for Russia, which appears to be low for Lensvyaz, considering the growing business activity in the region.



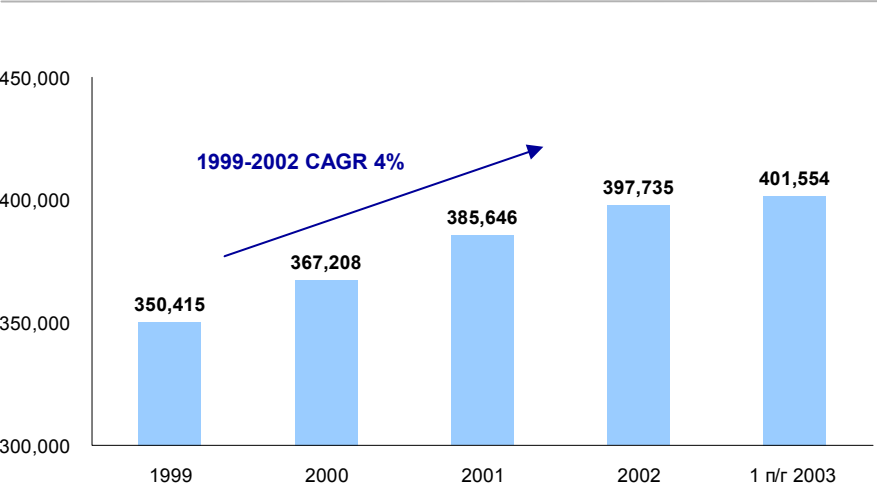
Population	1.6 mln. (1.1% of the Russia's population)
Population density	19.2 people per sq. km
Urbanization rate	66%
Average monthly income per capita	RUB3,100* (60% of the Russia's average)
Telephone density	24%** (average for Russia 24%)
Digitalization	32%** (average for Russia 41%)

* July 2003
** End of 2002
Sources: State Statistics Committee, company data.

Translation of the original document in Russian

- In 2002 the number of Lensvyaz subscribers increased by 3% (12,000 subscribers). From 1999 through 2002, the average annual increase in the number of lines was 4%. Growth in the company's subscriber base was not likely a result of demand, but due to more capital expenditures to increase installed capacity. The current telephone installation waiting list numbers about 20% of the company's subscriber base.
- A gradual transfer of Lensvyaz subscribers to a system of a per-minute billing of local telephone calls in which the subscribers fee is reduced is planned for the near future.

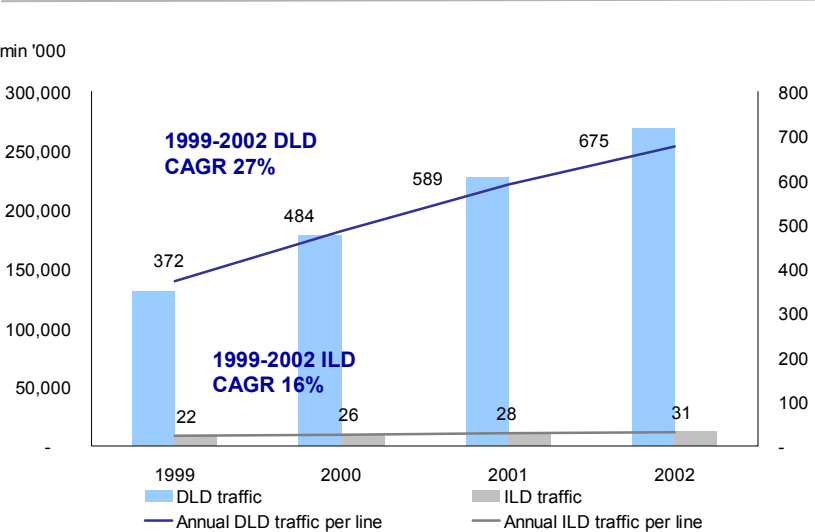
Number of Lines



Source: Company data.

- In 1999 through 2002, growth in domestic long-distance traffic was, on average, 27%, or 22% per line. The growth was the result of significant decreases in tariffs, and also an increase in disposable personal income and an improving business environment.
- The increase in domestic long-distance traffic per line can be explained by the significant volume of traffic to St. Petersburg. Many of the regional industrial enterprises are branches of St. Petersburg-based companies.
- The average annual growth of the company's international long-distance traffic during 1999-2002 was 11%, on a per line basis it was lower than DLD traffic growth rates. The dynamics are likely the result of a lag after tariffs were decreased and actually implemented, and also greater competition in a given service, including IP-telephony.

Long-Distance Traffic



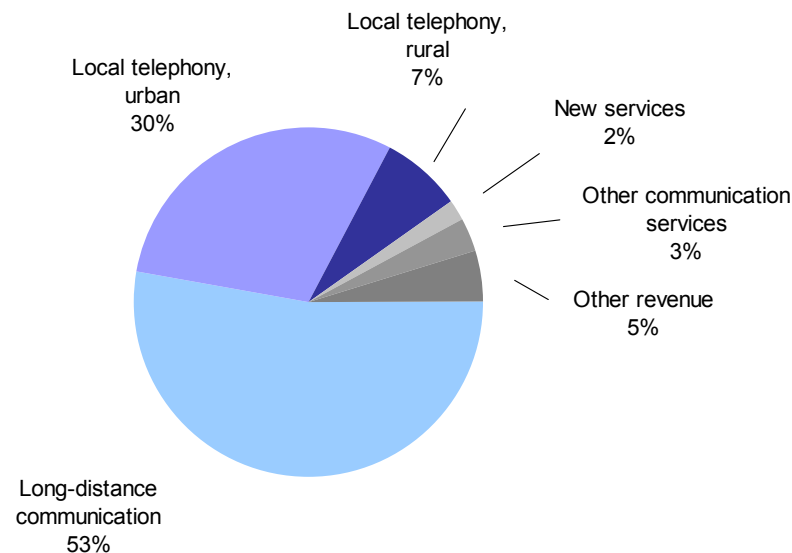
Source: Company data.

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Revenue

- Key Lensvyaz telecommunication services include:
 - Urban and rural local telephony;
 - Domestic and international long-distance telecommunication;
 - Channels available for lease;
 - Radio communication services, television signal retranslation, and satellite communication;
 - Wire radio retranslation services and wireless communication;
 - New value added services including Internet service provision and ISDN.
- Local and long-distance telecommunication services account for the major part of Lensvyaz's cash flows. Together, they provide approximately 90% of the company's total revenue. The company's most profitable services are domestic and international long-distance communication (53% of revenue). Demand for long-distance services continues to increase at a high rate (17% in 2002).
- Local, urban and rural, telecommunication services generate 37% of the company's total revenue. Local communication tariffs are regulated and, until now, represented an unprofitable segment of the business. Nevertheless, income from local communication grew approximately 37% in 2002, mainly because of tariff rebalancing, including a gradual increase of tariffs for local communication.

2002 Revenue mix



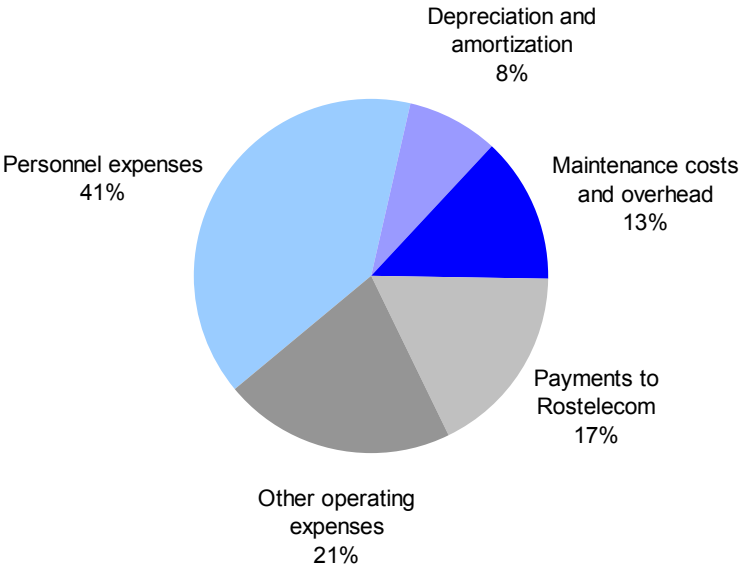
Note: Data according to RAS statements.

Source: Company data.

Operating expenses

- Personnel expenses are a major part of the company's total operating expenses, accounting for over 40% of its total expenses.
- In 1H03 Lensvyaz employed, on average, 4,034 people, or 100 employees per line (the company has a total of 401,000 lines). This number exceeds the number of employees per line of other supra-regional telecommunication companies and is comparable to that of national fixed-line operators of other emerging market countries.
- Domestic and long-distance interconnect payments to Rostelecom and payments for the lease of intra-regional channels owned by Rostelecom account for 17% of the company's total operating expenses.
- Maintenance costs are the third-largest operating expense, and include expenses for the repair and maintenance of network equipment.
- Miscellaneous costs include general and administrative expenses, such as utility costs, advertising expenses, business expenses, payments to various advisers, and rent.

2002 Operating expenses mix



Note: Data according to RAS statements.

Source: Company data.

Translation of the original document in Russian

RAS Income Statement

(RUB '000)	2001	2002	% change
Revenue			
Long-distance communication	472,632	553,552	17%
Local telephony, urban	230,386	316,532	37%
Local telephony, rural	58,335	77,898	34%
New communication services	949	19,696	1975%
Other communication services	38,084	32,528	-15%
Other revenues	23,833	50,354	111%
Total revenue	824,218	1,050,560	27%
Operating expenses			
Expenses on personnel	299,236	339,628	13%
Depreciation and amortization	61,183	71,441	17%
Maintenance costs and overheads, and G&A expenses	74,247	114,275	54%
Payments to Rostelecom	88,408	149,266	69%
Other expenses	190,973	180,138	-6%
Total operating expenses	714,047	854,748	20%
 Income from main operating activity	 110,171	 195,812	 78%
 Interest income	 3,156	 1,533	 -51%
Interest expense	-	-	0%
Revenue from affiliated parties	-	-	0%
Other operating income	4,332	65,120	1403%
Other operating expenses	(31,749)	(113,704)	258%
Non-operating income	26,922	32,245	20%
Non-operating expenses	(62,728)	(77,243)	23%
Income before tax	50,104	103,763	107%
Income tax	(30,783)	(24,991)	-19%
Net income	19,321	78,772	308%

Source: Company data.

RAS Balance Sheet

(RUB '000)	2001	2002
Non-current assets	862,540	906,491
Current assets		
Inventory	48,671	53,692
VAT paid	10,657	17,255
Accounts receivable	164,334	123,632
Short-term financial investments	7,516	15,357
Cash and cash equivalents	42,312	60,891
Total current assets	273,490	270,827
Total assets	1,136,030	1,177,318
Shareholders' equity	898,166	972,765
Long-term liabilities	121,062	107,917
Current liabilities	116,802	96,636
Total shareholders' equity and liabilities	1,136,030	1,177,318

Source: Company data.

X. OVERVIEW OF THE REORGANIZED COMPANIES: OAO SVYAZ OF KOMI REPUBLIC

- Svyazinvest is one of the major shareholders of Svyaz of Komi, with a stake (ordinary shares) of 25.34%.
- The company's second-largest shareholder is the Property Ministry, which holds 25.33% of its ordinary shares.
- NCH, a portfolio investor, through a number of its investment vehicles holds 24.66% of the company's ordinary shares and 19.08% of preferred shares.
- 10.37% of Svyaz of Komi's ordinary shares and 9.98% of its preferred shares are distributed among nominee holders.
- A number of insignificant blocks of Svyaz of Komi shares are owned by several domestic and foreign legal entities.
- Svyaz of Komi has 15 large individual shareholders, who, together, hold a 6.34% stake of the company's charter capital.

Svyaz of Komi Shareholding Structure Analysis

(as of 22 August 2003)

By major shareholders (holding more than 0.1%)

		Ordinary Shares (OS)		Preferred Shares (PS)		Share in
		Number	Share of OS	Number	Share of PS	Charter Capital
<u>Legal entities</u>						
Svyazinvest	Owner. Resident	71,870,968	25.34%	-	0.00%	19.00%
State property ministry	Owner. Resident	71,847,542	25.33%	-	0.00%	19.00%
NCH (via funds), combined	Owner. Non-res.	69,957,245	24.66%	2,201,022	2.33%	19.08%
Nominee holders	Nom. Residents	29,426,773	10.37%	8,314,914	8.80%	9.98%
Svyaz Investment Company	Owner. Resident	4,072,727	1.44%	12,774,471	13.51%	4.45%
Foreign legal entities	Owner. Non-res.	-	0%	389,232	0.41%	0.10%
Total legal entities holding more 0.1%		247,175,255	87.14%	23,679,639	25.05%	71.62%
<u>Individuals</u>						
15 individual holders		20,076,162	7.08%	3,899,528	4.12%	6.34%
Total individuals holding more than 0.1%		20,076,162	7.08%	3,899,528	4.12%	6.34%
Total major shareholders holding more than 0.1% (30 shareholders)		267,251,417	94.22%	27,579,167	29.17%	77.96%
Shareholders holding less than 0.1%		16,405,007	5.78%	66,959,159	70.83%	22.04%
Number of issued shares (3,980 shareholders)		283,656,424	100%	94,538,326	100%	100%

Source: Company data.

Republic of Komi in brief

- Svyaz of Komi provides a range of telecommunication services in the Republic of Komi.
- The urbanization ratio of the Republic of Komi is 74%, which is in line with Russia’s average of 73%.
- There are no large urban cities in the region. Syktyvkar, the capital of the Republic, is the largest city in the region with a population of 226,000. The total population of the rest of the Republic is less than 100,000.
- The Republic possesses large reserves of natural resources. In addition to significant reserves of oil and gas (in the Pechora coal basin and Timano-Pechora oil and gas field), Komi has an abundance of various ores and wood.
- The major industries of the region are wood processing, coal mining, and oil and gas.
- The industry of the region provides higher than average incomes. The per capita monetary income is 26% higher than the average for Russia.
- In 2002 the Republic’s industrial production grew 0.7%, whereas the average for Russia was 3.5%.
- Telephone density in the Republic is in line with Russia’s average of 25%.



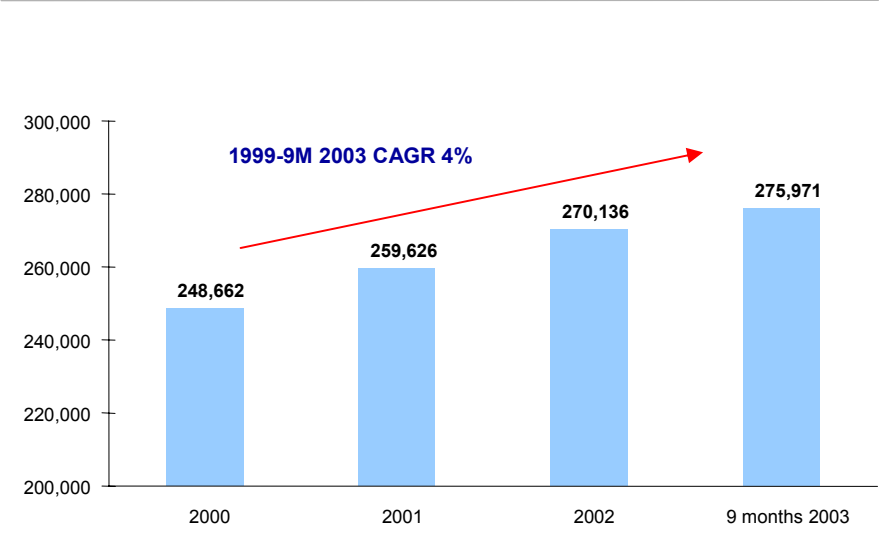
Population	1.1 mln. (1% of the Russia’s population)
Population density	2.1 people per sq. km
Urbanization rate	74%
Average monthly income per capita	RUB6,910* (126% of the Russia’s average)
Telephone density	25%** (average for Russia 24%)
Digitalization	51%** (average for Russia 41%)

* October 2003.
** End of third quarter of 2003.
Sources: State Statistics Committee, company data.

Translation of the original document in Russian

- In 2002 Svyaz of Komi's number of subscribers increased by 4% (10,000 subscribers), which is the same percentage to average annual growth of the number of lines in use in 1999 and January through September 2003. The growth of the company's subscriber base is not caused by demand, but due to a level of capital expenditures to expand installed capacity. The current telephone installation waiting list is relatively small, totaling 16,000 applicants (as of the end of Q3 2003), or about 16% of the company's existing subscriber base.
- Svyaz of Komi plans to gradually transfer subscribers to a per-minute billing system for local telephone calls and reduce subscribers fee in the near future.

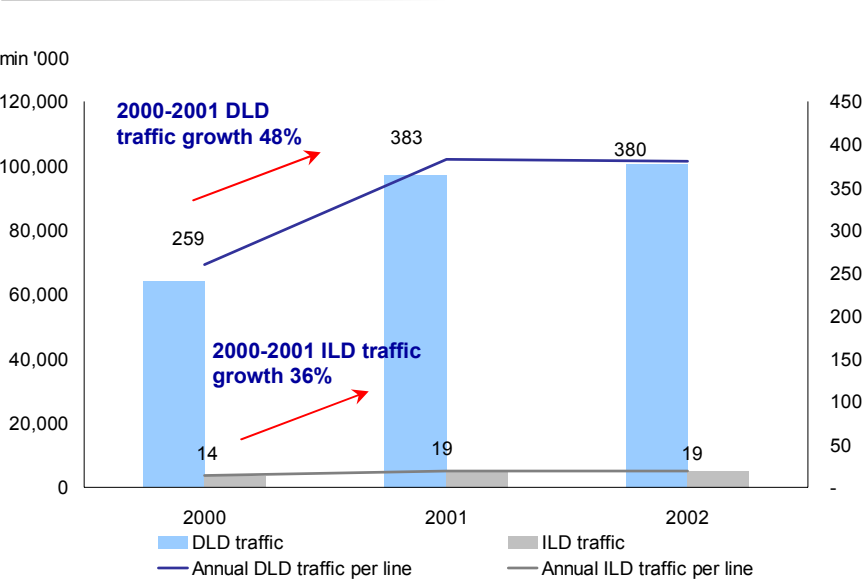
Number of Lines



Source: Company data.

- Domestic and international long-distance traffic increased considerably in 2001, 48% and 36%, respectively. The increases were a result of significant decreases in tariffs, almost twice the average, and also an increase in disposable personal income and an improving business environment.
- In 2002, tariffs for DLD and ILD services increased 17% and 11%, respectively, which is a key reason that the amount of traffic per line did not changed for this period.
- Falling DLD tariffs in 2003, approximately 14% over January through September, caused an 19% per line increase in traffic. ILD tariffs have remained virtually unchanged, and the growth of ILD traffic per line for January through September 2003 was 9%.

Long-Distance Traffic

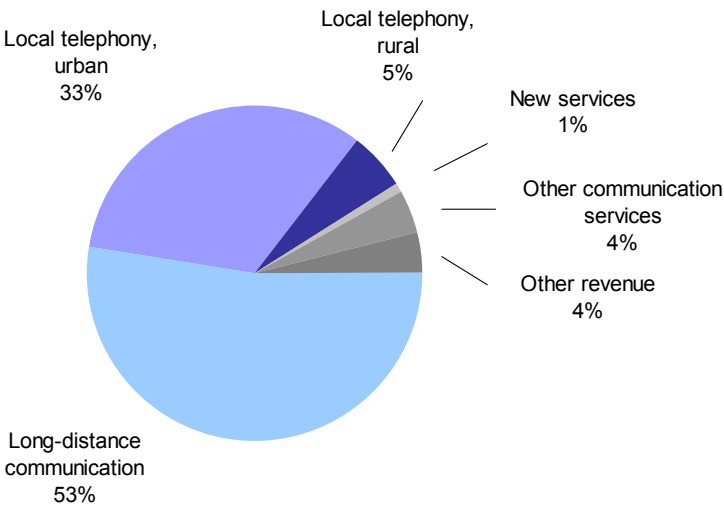


Source: Company data.

Revenue

- Key Svyaz of Komi telecommunication services include:
 - Urban and rural local telephony;
 - Domestic and international long-distance telecommunication;
 - Channels available for lease;
 - Radio communication services, television signal retranslation, and satellite communication;
 - Wire radio retranslation services and wireless communication;
 - New value added services including Internet service provision and ISDN
- Local and long-distance telecommunication services account for the major part of Svyaz of Komi’s cash flows. Together they provide approximately 86% of the company’s total revenue. The company’s most profitable services are domestic and international long-distance communication (53% of revenue). Long-distance services continue to increase at high rates (21% in 2002).
- Local, urban and rural, telecommunication services generate 33% of the company’s total revenue. Local communication tariffs are regulated and, until now, represented an unprofitable segment of business. Nevertheless, income from local communication grew approximately 40% in 2002, mainly because of tariff rebalancing, including a gradual increase of tariffs for local communication.

2002 Revenue mix



Note: Data according to RAS statements.

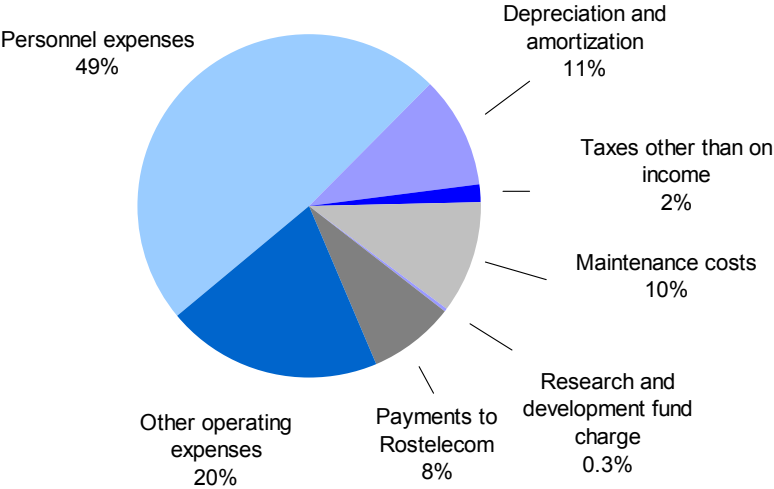
Source: Company data.

Translation of the original document in Russian

Operating expenses

- Personnel expenses are a major part of the company’s total operating expenses, accounting for almost 50% of its total expenses.
- In 9M03 Svyaz of Komi employed, on average, 3,830 people, or 71 employees per line (the company has a total of 273,000 lines). This number is lower than the number of employees per line of other supra-regional telecommunication companies and is comparable to that of national fixed-line operators of other emerging market countries.
- Maintenance costs are the second-largest operating expense, and include expenses for the repair and maintenance of network equipment, equipment, and energy.
- Domestic and long-distance interconnect payments to Rostelecom and payments for the lease of intra-regional channels owned by Rostelecom account for 8% of the company’s total operating expenses.
- Miscellaneous costs include general and administrative expenses, such as utility costs, advertising expenses, business expenses, payments to various advisers, and rent.

2002 Operating expenses mix



Note: Data according to RAS statements.
Source: Company data.

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RAS Income Statement

(RUB '000)	2001	2002	% change
Revenue			
Long-distance communication	484,535	586,200	21%
Local telephony, urban	266,539	367,450	38%
Local telephony, rural	42,110	60,703	44%
New communication services	3,673	11,362	н.д.
Other communication services	41,478	44,782	8%
Other revenues	41,109	43,472	6%
Total revenue	879,444	1,113,968	27%
Operating expenses			
Expenses on personnel	297,025	382,366	29%
Depreciation and amortization	83,551	84,542	1%
Taxes other than on income	9,230	13,216	43%
Maintenance costs and overhead	55,531	82,637	49%
Research and development charges	-	2,700	н.д.
Payments to Rostelecom	46,104	62,612	36%
Other expenses	137,595	160,313	17%
Total operating expenses	629,036	788,386	25%
Income from main operating activity	250,408	325,582	30%
Interest income	205	1,022	399%
Interest expense	(42,375)	(54,259)	28%
Revenue from affiliated parties	68	131	93%
Other operating income	523,910	725,807	39%
Other operating expenses	(548,159)	(839,054)	53%
Non-operating income	10,870	42,773	293%
Non-operating expenses	(36,011)	(62,225)	73%
Income before tax	158,916	139,777	-12%
Income tax	(84,964)	(24,248)	-71%
Net income	73,952	115,529	56%

Source: Company data.

RAS Balance Sheet

(RUB '000)	2001	2002
Non-current assets	993,345	1,099,289
Current assets		
Inventory	35,366	34,463
VAT paid	25,768	38,791
Accounts receivable	166,264	99,018
Short-term financial investments	47,984	55,012
Cash and cash equivalents	87,175	26,951
Other current assets	-	-
Total current assets	362,557	254,235
Total assets	1,355,902	1,353,524
Shareholders' equity	644,522	744,307
Long-term liabilities	284,164	292,459
Current liabilities	427,216	316,758
Total shareholders' equity and liabilities	1,355,902	1,353,524

Source: Company data.