

### III. DATA ON THE COMPANY

#### Main Events of 2002

##### January

Installation of the telephone numbers:  
in Belebey town - 760,  
in Beloretsk town - 750,  
in Ulu-Telyak settlement - 212.

##### March

Providing of a new service: Service Telephone Cards (STC)  
Organization of the round-the-clock information service on STC and Internet 8 - 16.

Providing of the non-advance access to the Internet over the whole Republic.

Co-sponsor and participant of the 7th special exhibition "UralInfoCom.Connect-2002"

Installation of:

3000 numbers of CDMA standard wireless network in Ufa city

240 numbers in Avdon settlement

3000 numbers in Salavat city

200 numbers in Iglino settlement

##### April

Opening of a new Internet-salon (for 11 places) in Ufa city, 15/1 Gagarin Street

Installation of:

500 telephone numbers in Krasny Klyuch settlement,

200 numbers in Ermolaevo settlement.

##### May

Installation of:

5000 telephone numbers in Ufa city

Commissioning of the flexible multiplexing equipment with the cross-commutation function Nateks MMX.

##### June

Annual General Meeting of Company's shareholders.

Commissioning of the second digital commutation system AXE-10 at the republican intercity telephone station

Installation of:

1000 telephone numbers in Oktiabrsky town

1000 numbers in Ishimbay town

150 numbers in Buraevo settlement

7000 numbers in Ufa city

750 numbers in Sterlitamak city

200 numbers in Baymak town

168 numbers in Chishmy town.

##### August

Beginning of installation and assembly of the flexible multiplexing equipment PCMX, DSP at the regional and city communication centers of Bashkortostan.

Opening of a new Internet-salon (for 15 places) in Ufa city, 30 Duvansky Boulevard

III Summer Sports Meeting of Telecommunications Workers

Installation of:

1000 telephone numbers in Neftekamsk town

500 numbers in Askarovo settlement

##### September

Installation of 800 numbers in Blagoveshchensk town

##### October

Bonds placement at the Moscow Interbank Foreign Currency Exchange  
Laying of 315 km of optofilamentary cable on the section "Belebey-Priyutovo-Bizhbulyak-Kirguiz-Miyaki-Sterlibashevo-Fedorovka-Kumertau" that communicates the capital of the Republic with western, south-western and southern areas of the Republic.

Installation of:

2000 telephone numbers in Salavat city

1000 numbers in Oktiabrsky town

1500 numbers in Agidel town

750 numbers in Beloretsk town.

##### November

Ceremony dedicated to the 10th Anniversary of the Company

The C.Scorpio star was named after the JSC Firm "Bashinformsvyaz".

Commissioning of 120-ports Internet center for access expansion

Participating in the Scientific and Practical Conference "Aspects of Technique and Technology of Telecommunications"

Installation of 100 telephone numbers in Mesyagutovo settlement

##### December

Sanatorium "Karagay" - opening of a new Internet-Center of the JSC

"Bashinformsvyaz"

Installation of:

968 telephone numbers in Sterlitamak city

300 numbers in Abzanovo settlement

200 numbers in Tatyshly town

760 numbers in Belebey town

250 numbers in Shemyak settlement of the Ufa Area

500 numbers in Cherkassy settlement of the Ufa Area

100 numbers in Kugarchi settlement

## IV. LINES OF THE COMPANY'S ACTIVITY

### *Intercity and International Communication*

Proceeds of the sale of intercity and international telephone communication services takes a leading place in the Company's profits - 45, 3 % in the general amount of proceeds of the sale of communication services.

The quantity and the duration of intercity and international calls is constantly growing in proportion as economic growth and expansion of the foreign economic relations. Increase of the annual voice traffic by 26,4 % up to 106 443 000 calls (in 2001) is convincing evidence of the above mentioned fact.

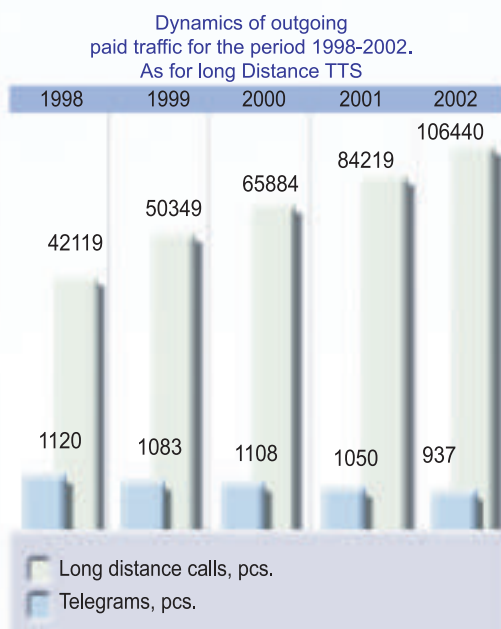
In addition to the first station, installed and commissioned in 1995, the second digital commutation system AXE-10 manufactured by Ericsson has been put into operation since June 2002 to meet the growing requirements of the population for the intercity and international calls. During the whole 2002 the optofilamentary lines of communication have being constructed in the Republic of Bashkortostan. 315 km of the optofilamentary lines was laid. The flexible multiplexors manufactured by the firm "TTC Marconi" have been installed, adjusted and put into operation. The up-to-date digital channels make it possible to unite the local computing networks of most organizations of Bashkortostan into the unified corporate networks.

### *New Services*

In the report year the Republican Center of Intercity Communication (RCIC) has become a leader in the field of high-quality communication services providing and in the sphere of up-to-date telecommunication services introduction.

Thanks to the co-ordinated interrelation of the production & technical sectors of the RCIC and the Marketing Department of the Company's Managerial Board the service "Service Telephone Card" (STC) spread widely over the whole territory of the Republic of Bashkortostan. This service provides comfortable, high-quality intercity and international communication using any telephone with constant discounts from 10% to 78% depending on hour of call and day of week. The STC provides strict control over the expenses for the intercity and international communication. All these advantages such as possibility of replenishment of the STC account for legal entities and easiness of expenses planning attract more and more progressive governmental and commercial enterprises. This service has been provided since March 2002.

At the same time the Company began to provide non-advance access to Internet. To the end of 2002 the number of constant users makes 6000.



Round-the-clock information service 8-16 is operating for STCards and Internet users. The round-the-clock service 8-188 is providing information on codes and tariff schedules.

Sector of mobile communications is expanding its range of services. Such service as "Virtual Pager" and other new paid information services are being widely introduced. The zone of stable reception of pager messages involves most of the localities of Bashkortostan.

Local Communication

Share of the City Telephone Network in the income structure for 2002 makes 40,1% , as for the share of rural telephone network it makes 6,9%.

To the end of the report year the general capacity of all assembled ATS of the JSC Firm "Bashinformsvyaz" makes 846 670 numbers, 784 553 numbers are currently used (92,66%).

Density of the telephones for 100 families in the cities and towns makes 80,0%, in the settlements and villages - 27,4%. The greatest density is reached in Sterlitamak - 91, Salavat - 90, Ufa - 86,8, Tuymazy - 79,2, Uchaly - 73,5 telephones for 100 families. Rates of the telephone network development inspire the confidence that the problem of telephone communication establishment will be settled in the nearest future.

In the last year 43 497 numbers were installed ( 42 150 numbers were planned). In 2002 the number of satisfied applications for telephone number installation makes 7272 in rural areas (for persons enjoying privileges - 2519); 45011 applications in the cities and towns (for persons enjoying privileges - 9981).

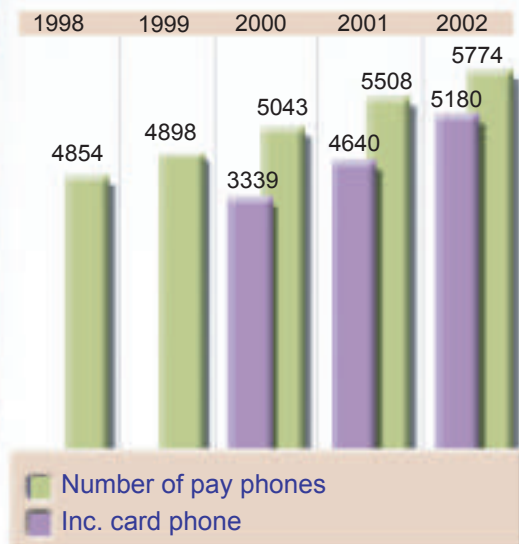
There are 5774 pay telephones in the Republic, including 5257 units with card system of payment. For the report period the increase in card pay telephones makes 540 units. The installation of these card pay telephones makes it possible to solve one of the most important social problems - to provide the population of the Republic, especially in the rural areas, with minimal complex of communication services.

As for the problem of the telephone network establishment in the not easily accessible areas and suburbs it is solved by means of the wireless telephone CDMA standard communication development. 3000 CDMA numbers were installed in 2002. The additional basic stations has significantly improved the quality of the services provided. The number of Internet-users working through the City Telephone Network makes 14 210 as to the end of the report year.

During the report year the modern cable and radio relay lines took the place of the 980 km of the out-of-date ones.

Because of low density of the rural population it requires much expenditures to develop telephone nets in the villages and settlements. In the report year 118 remote rural localities were provided with telephone communication. The Company continues works on final equipping of the existing coordinate ATS with the Number Automatic Determination equipment (NAD). To the end of the report year 909 of 1016 rural ATS were equipped with NAD system., 78 transmission systems were assembled, number of digital channels for rural ATS were increased by 994.

Increase of pay phones, inc. card phones



## IV. LINES OF THE COMPANY'S ACTIVITY

### *Marketing*

Main tendencies of the marketing strategy in 2002:

- Creation and promotion of the Company's positive image;
- Maintenance of the dominant position on the market of local, intercity, international communication and data transmission;
- Complex research of the telecommunication market;
- Raising of competitive capacity of the services provided on the regional telecommunication market;
- Essential increase of the Company's share on the growing and perspective markets of high-profit services;
- Preparation of technological and organizational basis for introduction of new communication services and its further promotion on the market;
- Optimization of the ratio "price-quality" in the field of the tariff policy in respect to the consumers of the telecommunication services;
- Creation of the unified technical and economic approach to the relations with alternative operators. Elaboration of the mutually beneficial forms of cooperation.
- Expansion of the range of the services provided;
- Introduction of new methods of interrelations with the customers
- Creation of the new system of sales and service, introduction of the mechanisms of demand stimulation
- Increase of the main and additional profits of the Company. Determination of the strategic tendencies for further development and prosperity of the JSC Firm "Bashinformsvyaz"

The Company's marketing activity contributes to flexible and operative reaction to the telecommunication market tendencies, is directed to the minimization of time between the moment of development and the moment of introduction of every new service and also to the mutually beneficial cooperation with the Company's customers.

Formulation of the Company's tariff policy was every day in the process of adjustment depending on the market situation and paying capacity of all categories of the Company's customers. The Company's marketing experts were continually analysing the services provided by our colleagues in the Republic of Bashkortostan and other regions of Russia.

Unified firm style of all service centres is one of the urgent problem. In 2002 we began the work on centralised supply of every center of communication with unified advertising materials, signboards, information stands.

For the report period the Marketing Service acting in close interrelation with the Company's sectors opened several Internet-centres in Ufa city and the Republic. There were introduced the following services: "Service Telephone Cards", "IP-Telephony", "Non-advance access to Internet". The Company is working at the promotion of Bashkortostan on the telecommunication market of intellectual services.

Thanks to the Company's information and advertising activity it became possible to achieve high level of sales of the electric communication services: advertising in the regional and central mass media, radio and television, participation in various exhibitions, regular providing of the Republic with information on the Company's activities and other measures directed the Company's image promotion.

New structure of the corporate site [www.bashtel.ru](http://www.bashtel.ru) has been elaborated. Our site gives detailed information on the Company's activity and the range of the services provided.

#### IV. LINES OF THE COMPANY'S ACTIVITY

##### *Information Technologies*

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In 2002 the Company continued its work on putting into operation of the corporate information Computer-aided System of Settlements for communication services - CSS "START". Thorough work has been done to create the Unified card file of Users of Ufa city and all territorial subdivisions of the Ufa City Telephone Net: RCCs of Karmaskaly, Kushnarenkovo, Blagoveshchensk and Iglino. The CSS "START"'s cash departments provide with payments receipt for all range of services, including payment for telephone installation and access to Internet. The settlements for the wireless CDMA standard communication services and pager services are also transferred into the CSS "START". The Unified card file of Users consists of 345 thousand numbers ( 73 thousand - enterprises, 272 thousand - population)

Since the beginning of 2002 the Company has been working with Corporate System of Management CSM "Etalon".

At present the separate modules have been already prepared for commissioning. Operation of the CSM "Etalon" has been worked off in the remote branches on the basis on RCC "Sputnik", the Company begins the trial operation of the system at the SterlitamaK City Center of Electric Communication.

On the basis of the Ufa City Telephone Network the Company established the intracity net of data transmission. It facilitates development of the corporate network over the territory of the Republic using the existing cable equipment and new optoflamentary channels of communications.

The Company is executing work on centralized purchase of computers, for this purpose applications submitted by the branch offices are being duly collected and processed. Wholesale deliveries of computers by large-scale lots make it possible to decrease its price, typical configuration of the computers cuts down the expenses for installation and further maintenance. During 2002 280 computers were bought for the branch offices.

At present the Direction for Information Support continues putting CSS "START" and CSM "Etalon" into operation in the branches of the Company.

## IV. LINES OF THE COMPANY'S ACTIVITY

### Tariff Policy

In 2002 the Company's tariff policy was directed to cross subsidizing decrease, telecommunication services range expansion and imposing of the tariffs for the unprofitable services to the cost value level. The main problems are as follows: to reconcile the tariffs for main services and the costs of provision, to reduce disbalance between the tariffs of the budgetary and other institutions. New tariffs have been already elaborated and put into operation: for intellectual platform services, for communication services using the pre-paid plastic cards such as Service and Universal telephone cards, Internet-cards, for commutated access to Internet.

The tariffs for main communication services were reviewed twice during 2002.

The Company proposed and the Ministry confirmed the increasement of the following regulated tariffs:

- Rental fee was increased by 41,7% (from 60 up to 85 rubles) for the population and by 7,7% (from 130 up to 140 rubles) for enterprises
- Tariffs for intercity telephone communications were increased by 20% for the budgetary organizations
- Tariffs for telegraph services were reviewed twice and were increased during the year by 33%.

Gradation of payments for access to the telephone network depends on the ATS type. Tariffs for access to the local telephone network were increased for the population:

- for cities and towns - with use of the analogue commutation equipment - from 3,5 up to 4,5 thousand rubles. Tariff for access to the telephone network using the digital commutation equipment makes 5 thousand rubles.
- for rural localities - from 2 thousand up to 2380,95 rubles
- for users in the rural localities - with use of the analogue commutation equipment - from 3,5 up to 4,5 thousand rubles. Tariff for access to the telephone network using the digital commutation equipment makes 5 thousand rubles.

The following tariffs were reviewed by the JSC Firm "Bashinformsvyaz" itself:

- Since May 2002 the tariffs for access to the wireless CDMA standard network were decreased by 30% (from 5000 down to 3500 rubles). The veterans of the Second World War enjoy privileges - they pay for the same service only 350 rubles. The price of one minute talk is decreased by 50% at night time. Flexible system of tariff plans for radio telephone CDMA standard communication has been introduced by the Company.
- The tariffs for full set of the additional services of the electric ATS are decreased down to 30 rubles.
- The tariffs for communication using the tower antenna devices were increased by 13,3 %
- The price for one minute talk on the local telephone network using the pay telephones are increased by 15%
- The tariffs for using of nationwide and zonal telegraph channels are increased by 14%
- Out-of-date items of the price-list are cancelled
- There have been elaborated and used the optimal tariffs for STC services, IP-telephony, intellectual services, commutated and host access to Internet in Ufa and the Republic.



## IV. LINES OF THE COMPANY'S ACTIVITY

### *Social and Personnel Policy*

Nowadays much attention is paid for such business characteristics as competence, high professionalism, readiness to something new and progressive.

In accordance with the Concept on Personnel Training, Re-training and Qualification Improvement approved by the Board of Directors, the JSC Firm "Bashinformsvyaz" increases its activities on high-class specialists training.

Future personnel is studying on Major "Physics and Technique of Optical Communication" at the Bashkir State University and on Major "Communication Networks and Commutation Systems" at the Ufa State Radio Engineering College according to special Agreements. In 2002 62 students graduated from the University, 30 students were studying full-time, 32 students were engaged in tuition by correspondence. The correspondence department of the Bashkir State University provides courses for the RCC heads, chief engineers, the Company's specialists. At present 500 students are studying on Major "Physics and Technique of Optical Communication" at the Bashkir State University.

Annually the Company's branch offices employ young specialists. For the report year 42 young specialists were engaged by the Company, 21 specialists awarded Bachelor's Degree, 21 employees with Secondary Specialist educational level.

1185 employees have improved their qualification in 2002. Expenses for training and qualification improvement courses for 2002 amount to 997 000 rubles.

### *Sport and Health*

Our Republic pays much attention to the development of mass physical culture. The President of Bashkortostan Rakhimov M.G. announced 2002 as the Year of Health.

The Company's managers implement a sanitary policy for the employees. Winter and Summer Sports Meetings are important pages in the activities of our Joint-Stock Company. Every year 2500 persons take part in these mass actions.

The Company's sportsmen also take an active part in the republican competitions either under supervision of the Trade Union or the Football Sport Club "Spartak". Our teams won 2 prize at the republican athletics cross and at the volleyball competition for the Cup of Spartak.

Everybody knows that physical activity and energy are considered to be an important part of efficiency and longevity. Paying much attention to the development of physical culture and sports at our enterprises we may rely on strength and spirit of our Company's personnel.

## IV. LINES OF THE COMPANY'S ACTIVITY

### *Communication Networks Development*

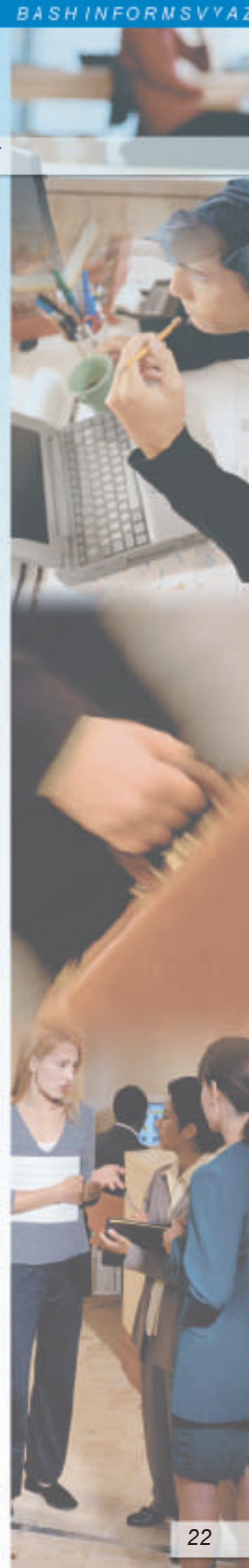
All the investments made by the JSC Firm "BashInformSvyaz" are directed for electric communication devices development and for introduction of modern, up-to-date, hi-tech equipment, communication lines digitization and for increase of telecommunication services range. In 2002 capital assets input makes 299,956 mln.rubles. The Company used depreciation charges (204,3 mil.rubles) and a part of retained profit (45,2 mln.rubles) as its financial resources. 66 objects have been put into commission.

There were built several Automatic Telephone Stations with general capacity of 41692 numbers, including 2334 numbers introduced by means of maintenance.

Major capital investments were made for the Ufa City Telephone Network (15750 numbers), Urban Communication Centre (UCC) of Salavat town (5000 numbers), Regional Communication Centre (RCC) of Sterlitamak city (5,72 thousand numbers), UCC of Oktiabrsky town (2000 numbers). 97% of all ATS introduced are digital.

In 2002 the JSC Firm "BashInformSvyaz" 's achievements are as follows:

- There were laid 315 km of communication lines Belebey - Priyutovo - Bizhbulyak - K.Miyaki - Sterlibashevo - Fedorovka - Kumertau
- Such communication lines as Salavat - Meleuz - Kumertau, Buraevo - Staroboltachevo - V.Tatyshly, Blagoveshchensk - Birsik - Neftekamsk have been equipped with multiplexors
- there were constructed and put into operation 255, 34 km of radio relay communication lines Verkhny Avzyan - Baynazarovo - Starosubkhangulovo, Baymak - Askarovo - Beloretsk, Iglino - Kudeevsky - Ulu-Telyak.
- 299 km of outdated radio lines of rebroadcasting networks have been dismantled, including 73 km on the supply lines holders. We got rid of 49 outside intersections of the rebroadcasting network lines with supply lines.
- The protected Internet-Centre for 120 ports has been put into commission that makes it possible for users to access the world-wide Net much more easier.
- Access to the computer-aided system of settlements (CSS) has been significantly enlarged.





### *Perspectives of social development for 2003*

As for original network development the Company determines its main priorities: outdated ATS modernization, introduction of up-to-date digital systems of communication and commutation, construction of high-tech linear & cable structures.

The capital investments made by the JSC will be directed for the electric communication devices development and for introduction of modern, up-to-date, hi-tech equipment, communication lines digitization, telecommunication services range increase and for the development of the most profitable and perspective telecommunication business, for the improvement of the Company's economic activity.

The programme of development - 2003 stipulates providing with communication services for the amount of 2,6 billions rubles, defining 120% of increase as compared with 2002, use of 342 mln.rubles of capital investments. 254 mln.rubles should be used for communication centres construction, including 50 mln rubles - for civil buildings.

The plan of construction includes 84 objects of industrial and non-industrial purpose. It is planned to introduce several modern digital Automatic Telephone Stations with general capacity of 41 thousand numbers, including 2400 numbers introduced by means of maintenance. The construction of 144 km of communication line Meleuz - Mrakovo - Isyangulovo is in prospect.

In order to improve the quality of technical operation it is necessary to undertake the following steps:

- to put into operation the optical ring on the intrazone original network and for this purpose to mount the equipment of the communication line Belebey - Priyutovo - Bizhbulyak - K.Miyaki - Sterlibashevo - Fedorovka
- to continue substituting of the air connection lines in rural areas with new cable ones
- to substitute the outdated telegraph units and equipment with modern digital devices
- to equip the rest of the rural ATS with Automatic Number Detectors (AND) and to begin their modernization.

The Company will continue establishing telephone communication in the rural areas. The plan stipulates the introduction of new kinds of services: high-speed Internet, Hosting, Cable television. In 2003 on the base of the equipment delivered by the Chinese Company "Khuawei" the Company will begin providing with intellectual network services: free-off-charge call, televoting, call with additional payment. We predict intense development of services using Service Telephone Cards, Internet, "IP-Telephony + Internet" and universal telephone cards.

One of the most important tasks for services promotion is to improve the positive image of the JSC Firm "BashInformSvyaz" paying the customers' attention to the successes in the Company' activity.

VI. FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

Financial and Economic Indicators of Activities

To sum up the results of the work in 2002 the JSC Firm "BashInformSvyaz" has successfully coped with all stipulated tasks for communication networks and services development.

The Company provided the enterprises and the population of the Republic with communication services for 2 196, 6 mln rubles - that makes 101,3% as for the plan, and with increase of 127, 2% as regards to the corresponding period of the last year. The growth of income comes to 469 mln rubles, 65,6% of that income was obtained by means of the traditional communication services stimulation, telecommunication networks development and increase of new services range.

For the period of 2002 the Company provided the people with communication services for the amount of 1262,1 mln rubles that makes 132% as regard to the indicators of the last year. The relative significance of income from the provided communication services amounts to 57,5% as against 55,4% in 2001.

Dynamics of the main indicators of the Company's activity efficiency

Indicator	Unit of measurement	1998	1999	2000	2001	2002
Income for a line	Ruble	1349.8	1596.3	2082.6	2471.2	2943.5
Profit for a line from main activity	Ruble	396.7	433.1	492.0	470.3	478.7
Profit from main activity for an employee	Ruble	22642	27835	33060	33342	35484
Number of lines for one employee	Pieces	57.1	64.3	67.2	70.9	74.1
Single unit cost	Rubles/100 rubles	73.87	76.53	80.03	82.22	84.16

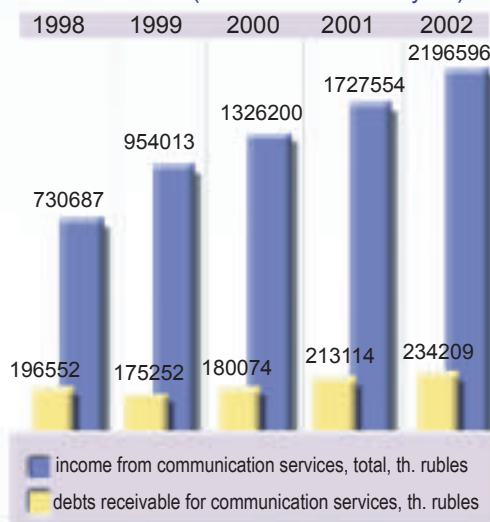
Collection of payments for communication services covers 99,2 %, the population paid for 97,5 % of the services provided.

It was much done to improve settlements with communication services consumers. The relative significance of debts receivable for the period from 1998 to 2002 lowered from 20,4 to 8,7%.The servicing cost makes 1932,1 mln rubles with increase of 123,8% to 2001. The cost of 100 rubles receipts makes 84,16 rubles as against 82,22 rubles in 2001.

The balance profit is obtained in the amount of 821,9 mln rubles including 363,5 mln rubles of the profit from the Company's main activity. The profitability of sales - 18,8%. The retained profit comes to 627,3 mln rubles.

In order to support invalids, veterans of war and labour and in accordance with the current legislation of the Russian Federation and the Republic of Bashkortostan the JSC Firm "BashInformSvyaz" grants privileges for payment for telephone installation and use. In 2002 the whole amount of the communication services provided makes 148,6 mln rubles, 273,8 thousand of users or 44% have paid for their telephone on favourable terms and 123,8 thousand users or 32% retain privileges for payment for radio unit.

Dynamics of debts receivable for communication services for the period 1998 - 2002 (JSC "BashInformSvyaz")



## VII. FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

*Consolidated balance-sheet (thousand rubles)*

Profits and losses for 2002 of the JSC Firm "BashInformSvyaz" (thousand rubles)

1. proceeds of the sale of goods and services 2 295 593  
cost of services sold 1 907 080  
commercial expenses 25 016
2. operating income 858 394  
operating expenses 348 692
3. out of sales income 21 105  
out of sales expenses 72 416  
pretax profit 821 888  
tax on profits and other expenses on taxes 194 629
4. extraordinary income 36  
extraordinary expenses 1  
net profit (retained profit) 627 294

Sec-tions	Asset	At the beginning of the year	At the end of the year	Sec-tions	Liabilities	At the beginning of the year	At the end of the year
I.	Non - current assets, incl.:	2 610 130	3 483 984	III.	Capital and reserves, incl.:	2 292 839	2 814 938
	1. fixed assets	2 238 517	2 306 598		1. Authorized capital	985 189	985 189
II.	Current assets, incl.:	536 979	583 923		2. Reserve capital	17 000	17 000
	1. Stock	125 150	124 451		3. Retained profit of the last years	259 574	—
	2. Debts receivable	276 025	396 826		4. retained profit of the year under review	—	627 294
	3. Funds	36 873	23 460	IV.	Long-term liabilities	326 288	459 923
				V.	Short-term liabilities, incl.:	527 982	793 046
					1. Credits and loans	43 248	212 014
					2. accounts payable	457 224	498 542
	Balance	<b>3 147 109</b>	<b>4 067 907</b>		Balance	<b>3 147 109</b>	<b>4 067 907</b>

## VII. RESULTS OF THE COMPANY'S ACTIVITY

The JSC Firm "BashInformSvyaz" is a legal successor of the State Enterprise for Communication and Information "Rossvyazinform" of the Republic of Bashkortostan, established in 1930. In 1992 being one of the biggest communication provider in the Russian Federation the enterprise was re-organized into the open joint-stock company. Thanks to the sale of shares the enterprise was able to use the earned money and invest them. These ten years were very creative and fruitful: we could do two times more that for the whole previous period.

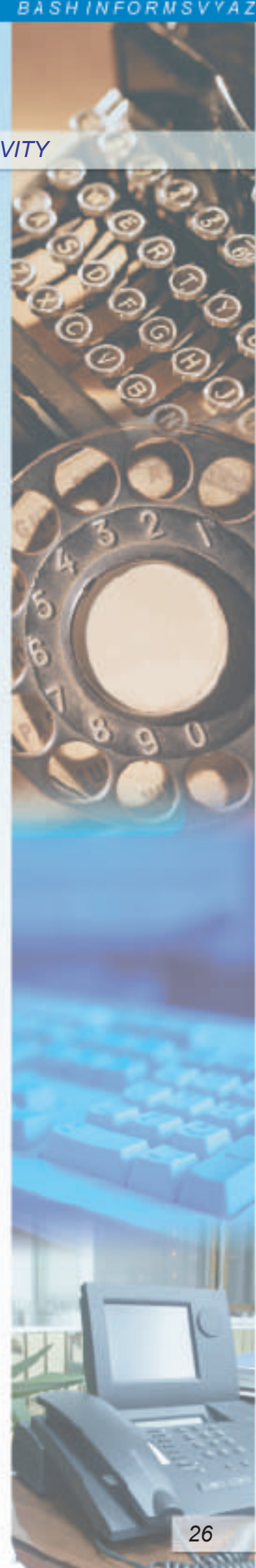
On the base of the modern digital ATS, digital radio relay communication lines and radio & telebroadcasting systems we created the high-tech and powerful telecommunication network.

Rate of the Company's development determined the dynamic development of all economic branches, swift growth of business activity in Bashkortostan, strengthening of the Republic's status in the foreign economic activity. The JSC Firm "BashInformSvyaz" has been also developing cooperation with foreign companies. The Company has established long-term partner relations with famous manufacturers - suppliers of the high quality telecommunication equipment: "Boschtelecom" and "Alkatel-Cel" Germany, "Ericsson Telecom" Sweden, "Alkatel-Bel" Belgium, "Khuawei" China and others.

One of the most important factors of the Company's economic growth and improvement of its technical support is the fact that the Company makes investments in the capital (fixed) assets. For the past 10 years the JSC Firm "BashInformSvyaz" has invested more than 160 mln dollars in the development of the Republican telecommunication network. For that period the general capacity of the telephone network has redoubled and makes 847 thousand numbers. The proceeds of the sale of services for 2002 amounts to 2 295.6 mln rubles.

The JSC Firm "BashInformSvyaz" was a pioneer of mobile telecommunication in Bashkortostan. With the participation of the Company there were developed such systems as NMT-450 and GSM-900/1800. To establish telephone communication the suburban areas of Ufa city where it is impossible and unprofitable to lay a cable the JSC Firm "BashInformSvyaz" uses the perspective CDMA standard of wireless communication.

Every year the Company has introduced 40-50 thousand telephone numbers, laid 200-300 km of cable, updated the equipment of rural and urban ATS, constructed the digital radio relay stations.



## VII. RESULTS OF THE COMPANY'S ACTIVITY

In the middle of October 2002 in the Miyakinsky Region the Company made cable link-up that made it possible to join the capital city, western, south-western and southern regions of Bashkortostan. As of today more than 1200 km of cable has been laid by the JSC Firm "BashInformSvyaz". In near future the Company is planning to join all large-scale communication centres that guarantees regular and reliable functioning of all communication systems providing nowadays more than 1,4 mln long-distance calls a day.

To follow famous traditions of radio and television development the JSC Firm "BashInformSvyaz" does all its best for radio and telebroadcasting transmitters modernization. For the last several years there were built tens of new television stations. 99% of the Republican populations takes an active part in creation of the satellite television of Bashkortostan. As of today 35 mln rubles has been invested in the authorized capital of a new company ( the Company' s share makes 18,75%).

Thanks to the Unified System of electric communication introduced by the JSC Firm "BashInformSvyaz" on the base of telephone network of general use, for the first time in Russia new system of electronic bank settlements has been implemented. Besides we have all favourable conditions to ensure access of private users to the Internet. It makes its possible for Bashkortostan to join the unified world information space.

As for original network development the Company determines its main priorities: outdated ATS modernization, introduction of up-to-date digital systems of communication and commutation, construction of high-tech linear & cable structures.

The capital investments made by the JSC will be directed for the electric communication devices development and for introduction of modern, up-to-date, hi-tech equipment, communication lines digitization, telecommunication services range increase and for the development of the most profitable and perspective telecommunication business, for the improvement of the Company's economic activity. The Company will continue establishing telephone communication in the rural areas. The plan stipulates the introduction of new kinds of services: high-speed Internet, Hosting, Cable television. In the near future the Company will begin providing with intellectual network services: free-off-charge call, televoting, call with additional payment. We predict intense development of services using Service Telephone Cards, Internet, "IP-Telephony + Internet" and universal telephone cards. Demand for the communication services is constantly increasing and the most important task for the JSC Firm "Bashinformsvyaz" is to present the whole range of telecommunication services of high quality on the territory of bashkortostan.

Conclusion of the Revisory Commission  
JSC Firm "BashInformSvyaz"  
Revisory Commission  
Conclusion

April 5, 2003

Ufa city

made by the Revisory Commission  
of the JSC Firm "BashInformSvyaz"  
on the validity of the data in the Annual Accounting Report for 2002,  
including Profit and Loss Report

The Revisory Commission of the JSC Firm "BashInformSvyaz" elected by General Shareholders' Meeting in 2002 consisting of R.Z.Rizvanov, A.Yu.Blokhin, A.Yu.Tuygildin, G.A.Tukaev, O.V.Sadchikova and M.Z.Kharisov, attracted to making revision, has checked the validity of the data in the Company's Annual Report and in the Annual Accounting Report for 2002.

The Commission has examined the summary balance, the profit and loss report, the supplements to them, and all the documents used for drawing up the Company's Annual Report and the Annual Accounting Report.

The balance-sheet, the financial accounting and finance results meet the requirements of the Company's accounting policy, Law on Accounting, Regulations on Accounting and Reporting in the Russian Federation, the tax legislation of the Russian Federation and the Republic of Bashkortostan.

The balance gives a valid and full idea of the financial and property status, of changes in its financial status and shows the real picture of the Company's financial & economic activity for the period under review.

The results of revision of the Managerial Board's financial & economic activity for 2002 are stipulated in the Report dated the 4th of April 2003.

Chairman of the Revisory  
Commission signature



Rizvanov R.Z.

*Conclusion of the Auditing Committee on the Balance of the Open Joint-Stock Company Firm "BashInformSvyaz" for the 12 months of 2002.*

The audit of the balance of the OJSC Firm "BashInformSvyaz" ( hereinafter referred to as "the Company") for the 12 months of 2002 has been made by the CJSC "BDO YunikonRuf", a legal successor of the CJSC "YUNIKON/MC Consulting Group" (Certificate on Official Registration of Amendments to the Documents of Association of a Legal Entity dated the 27th of February 2003, series 77 No. 006869528) according to the Contract No. 104 concluded with the CJSC "YUNIKON/MC Consulting Group" by the Decision of the Company's Shareholders' General Meeting "On confirmation of appointment of the CJSC "YUNIKON/MC Consulting Group" as an official auditor (Protocol No. 5).

The JSC Firm "BashInformSvyaz" is inserted into the Unified State Register of Legal Entities, Certificate on Insertion into the Unified State Register of Legal Entities series 02 No.004177241 dated December 15, 2002.

1. We, the undersigned, have made an audit of the enclosed balance-sheet for the 12 months of 2002, drawn up in 18 pages: Balance-sheet (Form No. 1) 2 pages; Profit and Loss Report (Form No. 2 ) - 1 page; Report on changes of the capital (Form No. 3 ) - 1 page; Report on Flow of Funds (Form No. 4) - 1 page; Supplement to the Balance-sheet (Form No. 5) - 3 pages; Explanatory Note to the Balance-sheet - 10 pages.

The mentioned reports have been prepared by the Company's governing body in accordance with the standards stipulated by the Federal Law No. 129-ФЗ "On Accounting" dated the 21st of November 1996 (with all further supplements and amendments), Regulations on Accounting and Reporting in the Russian Federation, approved by the Order of the Ministry for Finance of Russia No. 34н dated the 29th of July 1998, Regulations on Accounting " Accounting of an Enterprise" (ПБУ 4/99) approved by the Order of the Ministry for Finance of Russia No. 43н dated the 6th of July 1999 and other statutory acts of Russia on accounting and reporting procedure.

General Director of the Company Gaysin Salavat Mukhtarovich bears responsibility for organization, state and validity of the balance-sheet, and also for the intime submission of the balance-sheet.

Chief Accountant of the Company Akhmetshina Fania Nigmatyanovna bears responsibility for formulation of the Company's accounting policy, for accounting keeping and intime submission of a valid balance-sheet.

The auditor undertakes the obligation to express its opinion on the validity of the balance-sheet submitted and on conformance of the Company's accounting to the current legislation of Russia.

2. The audit has been made in accordance with the Federal Law No. 119-ФЗ "On Auditing Activity" dated the 7th of August 2001 and with the Federal Regulations (standards) of the auditing activity, approved by the Decree of the Russian Government No. 696 dated the 23rd of September 2002, other statutory acts on auditing and with the internal standards and methods of audit.

While auditing we followed the internal regulations (standards) of the accredited professional association of auditors IPAR.

The audit has been made so to be certain that the balance sheet is not significantly distorted.

The auditors have made selective examinations of the documents submitted. We were to estimate the correctness of principals and methods used.

We think that the balance-sheet is valid and that the Company's accounting conforms to the current legislation of the Russian Federation on Order of Accounting.

3. We have found some violations of the current legislation on Order of Drawing up a balance-sheet and Order of Accounting keeping:

the Company does not observe Clause 4.13 of the Articles of Association as for reserve capital formation no less than 5% of the profit;

the reserve for doubtful debts in the amount of 47 273 thousand rubles is shown in the Liabilities of the balance-sheet line 650 "Reserves for future expenses" and is not deducted from the sum of debts receivable, shown in the Assets of the balance-sheet line 241 "Customers and buyers". As a result: the line 241 "Customers and buyers" is overcharged for the amount of 47 273 thousand rubles; ; the line 650 "Reserves for future expenses" is overcharged for the amount of 47 273 thousand rubles.

4. It is our opinion with the exception of above mentioned facts that the Company's balance-sheet and accounting report show its real financial status as of the 31st of December 2002 and real results of the finance and economic activity for the period from the 1st of January to the 31st of December 2002.

April 17, 2003  
Director of the Ufa Branch of  
JSC "BDO YunikonRuf"

Bashirova M.V

Auditor

Asadullin A.D.