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Approved by the Resolution of the Head of Funding
of the European Bank for Reconstruction and Development of _____ 2005

Federal Service for Financial Markets of the Russian Federation

(position and signature of the FSFM authorised person)

FSFM Seal

SECURITIES PROSPECTUS

European Bank for Reconstruction and Development

Certificated Floating Rate Interest Bearing Non-Convertible Bearer Bonds with Mandatory Centralised Custody

**in the amount of 5 000 000 Bonds with a nominal value of 1 000 Roubles each with a
maturity date falling on the 1820th day from the date of the commencement of the
placement of the Bonds through a closed subscription**

***Information contained in this Securities Prospectus shall be disclosed
in accordance with the legislation of the Russian Federation on securities.***

***THE REGISTRATION AUTHORITY IS NOT LIABLE FOR THE AUTHENTICITY OF
INFORMATION CONTAINED IN THIS SECURITIES PROSPECTUS AND DOES NOT
EXPRESS ITS ATTITUDE TOWARDS THE SECURITIES BY REGISTRATION OF
THIS PROSPECTUS***

Head of Funding of the European Bank for Reconstruction and Development
_____ 2005

Isabelle Laurent _____

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Introduction

This Securities Prospectus contains estimates and forecasts by the Issuer's authorised management bodies in relation to the Issuer's performance, including the Issuer's plans. Investors should not fully rely on the estimates and forecasts of the Issuer's authorised management bodies, since the Issuer's actual performance may differ from the forecast performance for many reasons. This Securities Prospectus does not contain any information in relation to the forthcoming events and/or actions, prospects for development of the branch of the industry in which the Issuer carries out its key activities, and, the level of probability of the occurrence of certain events or the performance of certain acts. Acquisition of the Issuer's securities involves risks described herein.

This Securities Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as recommendation by the Issuer that any recipient of this Securities Prospectus or any further information supplied in connection with the securities should purchase any of the securities. Each investor contemplating purchasing any of the securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

(A) Issuer's Name

Full Name of the Issuer - ***European Bank for Reconstruction and Development.***

Abbreviated name of the Issuer – ***European Bank for Reconstruction and Development.***

(B) Issuer's Location

Issuer's Location - ***One Exchange Square, London, EC2A 2JN, United Kingdom.***

(C) Contact Information

(D) Issuer's Contact Telephone Number - ***+44 20 7338 6000***

Issuer's e-mail address - ***generalenquiries@ebrd.com***

(E) Source of Publication of the Registered Securities Prospectus

The Issuer's registered Securities Prospectus will be published on the internet website at www.ebrd.com.

(F) Basic Information on the Securities Placed by the Issuer

(i) **Type of Securities Placed**

Bonds

(ii) **Category**

Interest Bearing

(iii) **Other Identification Information**

Certificated non-convertible bearer bonds with mandatory centralised custody

(iv) **Series**

No series number assigned

(v) **Number**

5 000 000

(vi) **Nominal Value**

1 000 Roubles each

(vii) **Procedure for Placement**

The Bonds were placed through a closed subscription.

(viii) **Commencement Date of the Placement or the Procedure for its Determination**

The commencement date of the Placement is determined by the Issuer's Head of Funding after the state registration of the bond issue.

The Issuer shall notify and confirm by fax the prospective purchasers of the Bonds identified in paragraph 8.1 of the Issue Decision of the commencement date of the Placement not later than 1(one) business day prior to the commencement date of the Placement.

Actual commencement date of the Placement - May 18, 2005

(ix) **Completion Date of the Placement or the Procedure for its Determination**

The completion date of the Placement of the Bonds is the date that occurs first: date of the placement of the last bond of the Issue or 3 (third) business day from the commencement date of the Placement.

The completion date of the Placement of the Bonds cannot occur later than 1 (one) year after the date of the state registration of the Issue.

Announcement about the actual completion date of the Placement is to be disclosed by the Issuer

- on the Issuer's web-site www.ebrd.com – not later than 1(one) Business day following the Completion Date of the Placement.

The actual completion date of the Placement of the Bonds - May 18, 2005.

(x) **Placement Price or Procedure for its Determination**

The Bonds were placed at their par value – 1 000 roubles per bond.

(xi) **Additional Information**

No Additional Information is provided

1 Brief Information on the Members of the Issuer's Management Bodies, Bank Accounts, Auditor, Appraiser and the Financial Consultant of the Issuer and other Persons who have Signed the Securities Prospectus

1.1 Members of the Issuer's Management Bodies

1.1.1 Structure of the Issuer's Management Bodies

All the powers of the Issuer are vested in the Board of Governors, to which each member appoints a governor, generally the minister of finance or an equivalent. The Board of Governors delegates most powers to the Board of Directors, which is responsible for the direction of the Issuer's general operations and policies.

The President is elected by the Board of Governors and is the legal representative of the Issuer. The President conducts the current business of the Issuer under the guidance of the Board of Directors.

1.1.2 Members of the Issuer's Board of Directors

Konstantin Andreopoulos

Scott Clark

[António de Almeida]

Jos de Vries

Susumu Fujimoto

Laurent Guye

Sven Hegelund

Ib Katznelson

Igor Kovtun

Jean-Pierre Landau

Vassili Lelakis

Kalin Mitrev

Michael Neumayr

Igor Ocka

Yuri Poluneev

Enzo Quattrociocche

Gonzalo Ramos

Kaarina Rautala

Simon Ray

Peter Reith

Gerd Saupe

Jean-Louis Six

Mark Sullivan

Stefanos Vavilidis

- 1.1.3 Person, Carrying out the Functions of the Issuer's Sole Executive Body**
At the time of Issuance, the President of the Issuer is Jean Lemierre

1.2 Information on the Issuer's Bank Accounts

Pursuant to the Regulations On the Peculiarities of Bond Issues and Information Disclosure by International Financial Organisations in the Territory of the Russian Federation approved by the Resolution of the Federal Commission for Securities Market of 24 April 2003 No. 03-24/ps (hereinafter - the "Regulations on the Peculiarities of the Bond Issues by IFO") this does not have to be specified.

1.3 Information on the Issuer's Auditor(s)

The Issuer's Auditors are Deloitte & Touche. Pursuant to the Regulations on the Peculiarities of the Bond Issues by IFO, the Securities Prospectus is not signed by the Issuer's auditors. Accordingly, no further information on the Issuer's auditors is provided.

1.4 Information on the Issuer's Appraiser

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

1.5 Information on the Issuer's Consultants

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

1.6 Information on the other Signatories of the Securities Prospectus

Isabelle Laurent – Head of Funding of the Issuer

Phone: +44 20 7338 6000.

Fax: +44 20 7338 6100.

2 Brief Information on the Volume, Terms, Procedure and Conditions of Placement of each Type/Category of the Securities to be Placed

In accordance with paragraph 14 of Article 22 of the Federal Law "On Securities Market" and paragraph 4.6 of the Regulations on the Information Disclosure by Issuers of Issue Securities approved by FCSM Resolution No. 03-32/ps dated 2 July 2003 ("Regulations on the Information Disclosure") this Section 2 is not to be filled in.

3 Basic Details of the Issuer's Financial and Business Performance

3.1 Financial and Business Performance of the Issuer

The Bank's net profit after provisions was €297.7 million, compared with 2003's record €378.2 million, following a lower profit on the sale of share investments and a rise in provisions against possible losses.

Net profit on the sale of share investments, a naturally volatile figure, fell to €122.4 million from €155.9 million a year ago, while dividend income from the equity portfolio rose to €53.2 million from €52.2 million, contributing to a net profit from Banking activities of €218.0 million (2003: €311.9 million). The net profit for Treasury activities rose to €79.7 million from €66.3 million. Administrative expenditures were flat within a budget which has remained below zero real growth for 11 years, while provisions against possible losses rose to €84.9 million from €21.7 million a year earlier, in large part because high disbursements boosted the size of the Bank's operating assets.

Financial results 2000 – 2004]

€million	2004	2003	2002	2001	2000
Operating profit before provisions	382.6	399.9	294.7	294.7	327.1
Provisions for losses	(84.9)	(21.7)	(186.6)	(137.6)	(174.3)
Net profit	297.7	378.2	108.1	157.2	152.8
Paid-in capital	5,197	5,197	5,197	5,197	5,186
Total assets	22,364	22,045	20,112	20,947	21,290
Annual business volume	4,133	3,721	3,899	3,656	2,673
Net cumulative business volume	25,323	22,668	21,647	20,219	16,553
Total project value	78,542	68,490	69,163	67,765	58,502
Portfolio	15,324	14,766	14,576	14,160	12,218
Operating assets (excluding fair value adjustments)	10,145	9,102	9,102	8,838	7,563
Annual gross disbursements	3,398	2,105	2,419	2,442	1,464

The above indicators confirm the low level of credit risk.

The analysis of the Issuer's credit standing gives a positive assessment on the basis of the following factors:

- *A strong capital position, enhanced by the high-quality callable capital.*
- *The Issuer's status as the largest multilateral provider of financing to its "countries of operations".*
- *Strong membership support for the Issuer's activities.*

Additional information on the financial and business performance of the Issuer is provided in the Issuer's Annual Report for 2004 attached as Appendix 2 hereto.

3.2 Issuer's Capitalisation

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

3.3 Issuer's Liabilities

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

3.4 Objective of the Issue and Use of Proceeds

The cash received by the Issuer from the issue of the Bonds will be used for the financing of the EBRD projects in the territory of the Russian Federation.

3.5 Risks related to Investing in the Issue Securities being Placed hereunder

3.5.1 Industry-related Risks

The Issuer is an international financial organisation and the risks associated with any particular industry do not affect its general financial standing.

3.5.2 Country-related and Regional Risks

The Issuer conducts regular reviews of individual exposures within its portfolio because of the high credit risk associated with many of the countries in which it operates. All projects and countries of operations are assigned credit risk ratings on an internal scale from 1 (low risk) to 10 (highest risk).

The Issuer currently maintains three types of risk ratings: project, country and overall.

The project rating is defined through the financial strength of the client and the risk mitigation built into the project structure. The country rating is assessed internally taking into consideration the ratings assessed by the external rating agencies. The overall rating is the lower of the project and country rating. The exception to this for non-sovereign deals is where the Issuer has recourse to unconditional sponsor support, in which case the overall rating is the project rating. For sovereign risk projects, the overall rating is the same as the country rating. For the performing portfolio, general portfolio provisions are established according to a matrix, which reflects external indicators of loss, the Issuer's experience, and project, sector and country risks. In view of the markets in which it operates and its transition mandate, the Issuer expects the majority of its project ratings in normal circumstances to range from risk categories 4 to 6 (approximately equivalent to Standard & Poor's BBB to B ratings) at the time of approval. As at end 2004, 76 per cent of the loan and equity portfolio was in risk ratings 4 to 6.

3.5.3 Financial Risks and Risks related to the Issuer's activities

The Issuer is exposed in its activity to the financial risks associated with the movement of interest rates and exchange rates, default of the counterparties on their obligations, investments depreciation etc. as well as operational risks and risks associated with the use of derivatives.

For monitoring purposes, the Issuer distinguishes between market, credit and operational risks, together with liquidity and settlement risks.

(a) Credit Risk

The Issuer is exposed to credit risk in both its banking operations and its treasury activities. Credit risk arises since borrowers and Treasury counterparties could default on their contractual obligations, or the value of the Issuer's investments could be impaired. Most of the Issuer's credit risk is in the Banking portfolio. All ordinary operations are reviewed on a regular basis to identify promptly any changes required in the assigned risk ratings and any actions required to mitigate increased risk. Exposures are measured against portfolio risk limits and reported to the Audit Committee on a quarterly basis.

(b) Market Risk

The Issuer's main market risk exposure is that movement of interest rates and foreign exchange rates may adversely affect positions taken by the Issuer in its Treasury portfolio. The Issuer aims to limit and manage market risks to the extent possible through active asset and liability management. Interest rate risks are managed through a combination of synthetically matching the interest rate profiles of assets and liabilities, mainly through the use of derivatives for hedging purposes. Exposure to foreign currency and interest rate risks are measured and monitored independently of the Treasury function to ensure compliance with authorised limits.

(c) Inflation Risk

Inflation in the Russian Federation should not affect the Issuer's ability to make the payment of income under the Bonds, due to the Issuer being a regionally diversified international financial institution.

(d) Operational Risk

Operational risk is determined by examining risk-related exposure other than those falling within the scope of credit and market risk. This includes the risk of loss that may occur through errors or omissions in the processing and settlement of transactions, in the reporting of financial results or failures in controls. Operational risk is further refined into:

- transaction risk, which considers all types of errors in the processing of transactions, whether in the areas of execution, booking and settlement, or due to inadequate legal documentation;***
- control risk, or breakdown in the controls surrounding trading activities, such as unidentified limit excesses, unauthorized trading or trading outside policies, or insufficient controls on the processing of transactions;***
- people risk or dependency on a limited number of key personnel, inadequate or insufficient staffing in trading, risk management, operations processing and reporting activities, or inadequate skills level or training; and***
- systems risk, defined as errors or failures in transaction support systems, ranging from errors in the mathematical formulae of pricing or hedging models or in the computation of the marked-to-market value of transactions (model risk), to inadequate disaster recovery planning.***

Within the Issuer, there are policies and procedure in place covering all significant aspects of operational risk. These include first and foremost the Issuer's high standards of business ethics and its established system of internal controls, checks and balances and segregation of duties, which protect the Issuer from any initial exposure to operational risk. These are supplemented with:

- ***the Issuer's code of conduct;***
- ***disaster recovery/contingency planning;***
- ***the Public Information Policy;***
- ***integrity due diligence procedure;***
- ***procedure regarding corrupt practices and money laundering;***
- ***procedure to be followed in the event of fraud or suspected fraud;***
- ***information management policy; and***
- ***procurement policies.***

(e) Risk connected with the Use of Derivatives

The Issuer's use of derivatives is primarily focused on hedging interest rate and foreign exchange risks arising from both its Banking and Treasury activities. Market views expressed through derivatives are also undertaken as part of the Treasury's activities. In addition, the Issuer uses credit derivatives as an alternative to investments in specific securities or to hedge certain exposures.

The overall amount of credit derivatives transactions is constrained by a dedicated limit.

All risks arising from derivative instruments are combined with those deriving from all other instruments dependent upon the same underlying risk factors and subject to overall market and credit risk limits, as well as stress tests. Additionally, special care is devoted to those risks that are specific to the use of derivatives, through, for example, the monitoring of volatility risk for options, spread risk for swaps and basis risk for futures.

For the purpose of controlling credit risk in over-the-counter derivative transactions, the Issuer's policy is to pre-approve each counterparty individually and to review its eligibility regularly. Individual counterparty limits are allocated in compliance with guidelines that set a maximum size and duration of exposure, based on the counterparty's internal credit rating. For those counterparties that are deemed eligible for foreign exchange and over-the-counter derivatives, a maximum portion of the individual counterparty limit is allocated to these instruments. Utilisation of limits, whether individual counterparty limits or foreign exchange and over-the-counter derivatives limits, is calculated daily for all counterparties.

Derivative transactions in particular are normally limited to the highest-rated counterparties. Furthermore, the Issuer pays great attention to mitigating Treasury derivative credit risks through systematic recourse to a variety of credit enhancement techniques.

3.5.4 Legal Risks

The legal status of the Issuer is regulated, inter alia, by the Agreement Establishing the European Bank for Reconstruction and Development of 1990; the Agreement between the Government of the Russian Federation and European Bank for Reconstruction and Development on Resident Office of the European Bank for Reconstruction and Development of 1993 and the Agreement between the Government of the Russian Federation and European Bank for Reconstruction and Development in the Form of Exchange of Notes on the Resident Office of the European Bank for Reconstruction and Development of 1998.

In accordance with the above international treaties the Issuer enjoys certain immunities and privileges in the area of taxation of its property and operations, currency exchange, licensing and other operation restrictions. In addition, the Issuer, its property, employees and archives enjoy certain immunity from search, requisition, confiscation, expropriation and other executive or legislative actions. Pursuant to the above, the Issuer believes the risks of negative effects due to legal risks, connected with changes in the currency regulation, tax legislation, customs rules, licensing requirements and change in court practice to be minimal.

The Issuer is not aware of any current or threatened litigation that in the Issuer's view, is likely to have significant effect on the Issuer's financial position or on its ability to make payments under the Bonds.

Additional information on the risks described above is provided in the Annual Report for 2004 attached as Appendix 2 hereto.

4 Detailed Information about the Issuer

4.1 Issuer's History and Development

4.1.1 Issuer's Name

The full name of the Issuer is ***European Bank for Reconstruction and Development.***

The abbreviated name of the Issuer is ***EBRD.***

There have been no changes in the name of the Issuer in the course of its existence.

4.1.2 State Registration Details

The Issuer is an international organisation formed under the Agreement Establishing the European Bank for Reconstruction and Development dated 29 May 1990 (the "Agreement") signed by its member countries, together with the European Economic Community and the European Investment Bank.

The Issuer is not subject to state registration.

4.1.3 Issuer's Incorporation and Development

In May 1990 European Investment Bank, European Economic Community and 39 countries contributed to the foundation of the Issuer. Today the number of

the participants expanded to 62 (60 countries and 2 intergovernmental institutions), and most of the newcomers belonged to the former USSR or Yugoslavia. The Russian Federation became a member of the EBRD in April 1993.

The Issuer's share capital is contributed by the countries and intergovernmental institutions being its members at the end of 2004 comprised approximately 20 bln euro (100% or twice higher than its original value), 25% of which is paid-in and 75% is callable. United States of America is the largest shareholder of the Issuer (10,11% of the subscribed capital); Germany, France, Italy, Great Britain and Japan own 8,61% of the capital. Share of the Russian Federation equals 800 bln euro, or 4,04% of the capital.

The Issuer commenced operations on 15 April 1991. To date, it has participated in more than 1,000 projects having invested more more than 28,8 bln euro of its own funding and nearly 53 bln euro of attracted funding. In 2004 the Issuer invested in 141 projects, which is 9% greater than the number of 2003 and is considered to be the highest figure in the Issuer's history.

Over the last 5 years the net volume of the Issuer's investments grew annually at average rate of 10% outstripping the amount of 4.1 bln euro. The credit portfolio exceeded 15.4 bln euro.

The financing of investment projects in Russia comprises a substantial part in the general financing structure. The number of signed projects in Russia in 2004 totaled 38 with aggregate commitment sum of 1,24 bln euro (30% of annual investments) - the highest rate in both categories. The total investments in Russia for the last 13 years starting from 1992 amount to 6,3 bln euro. [I have asked Credit to comment].

The key purpose of the Issuer's activities in the Russian Federation is to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiatives in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics.

To fulfil on a long-term basis its purpose of fostering the transition of Central and Eastern European countries towards open market-oriented economies and the promotion of private and entrepreneurial initiative, the Issuer is to assist the recipient member countries to implement structural and sectoral economic reforms, including demonopolisation, decentralisation and privatisation, to help their economies become fully integrated into the international economy by the following measures:

- to promote, through private and other interested investors, the establishment, improvement and expansion of productive, competitive and private sector activity, in particular small and medium-sized enterprises;*
- to mobilise domestic and foreign capital and experienced management to the goal above;*
- to foster productive investment, including in the service and financial sectors, and in related infrastructure where that is necessary to support private and entrepreneurial initiatives, thereby assisting in making a competitive environment and raising productivity, the standard of living and conditions of labour;*

- *to provide technical assistance for the preparation, financing and implementation of relevant projects, whether individual or in the context of specific investment programmes;*
- *to stimulate and encourage the development of capital markets;*
- *to give support to sound and economically viable projects involving more than one recipient member country;*
- *to promote through the full range of its activities environmentally sound and sustainable development; and*
- *to undertake such other activities and provide such other services as may further these functions.*

The Issuer's founders considered the successful transition of the countries of operations to market-oriented economies to be closely linked to parallel progress towards multiparty democracy, pluralism and the rule of law. Consequently, these political aspects of the Issuer's mandate will be monitored and encouraged by the Issuer as part of the process of assisting the transition of the countries of operations to market economies. The Issuer assesses the economic and political progress made by the countries of operations as part of the annual review of its operations strategy for each country.

4.1.4 **Contact Details**

The Issuer is located at **One Exchange Square, London, EC2A 2JN, United Kingdom**

Telephone: **+44 20 7338 6000;**

Fax: **+44 20 7338 6100;**

Issuer's e-mail address: **generalenquiriesr@ebrd.com**

Information on the Issuer is available at the following internet site: **www.ebrd.com**

4.1.5 **Issuer's Taxpayer Identification Number**

Not applicable

4.1.6 **Branches and Representative Offices of the Issuer**

The Issuer has various local offices in its countries of operation (see Clause 4.2.5 below).

4.2 **Issuer's Key Business Activities**

4.2.1 **Industry Sector to which the Issuer's Key Business Activities Belong** ***International Financial Institutions***

4.2.2 **Key Business Activities**

The Issuer is the largest single investor in Central and Eastern Europe and mobilises significant foreign direct investment beyond its own financing. It is owned by 60 countries and two intergovernmental institutions. But despite its public sector shareholders, it invests mainly in private enterprises, usually together with commercial partners.

It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The Issuer uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The operations of the Issuer consist of ordinary operations financed from the ordinary capital resources of the Issuer and special operations financed from the Special Funds resources. The two types of operations may be combined.

- *The Board of Directors reviews at least annually the Issuer's operations and lending strategy in each recipient country to ensure that the purpose and functions of the Issuer are fully served. Any decision pursuant to such a review shall be taken by a majority of not less than two-thirds of the Directors, representing not less than three-fourths of the total voting power of the members.*
- *The said review involves the consideration of, inter alia, each recipient country's progress made on decentralization, de-monopolisation and privatisation and the relative shares of the Issuer's lending to private enterprises, to state-owned enterprises in the process of transition to participation in the market-oriented economy or privatisation, for infrastructure, for technical assistance, and for other purposes.*
- *Not more than forty (40) per cent of the amount of the Issuer's total committed loans, guarantees and equity investments, without prejudice to its other operations referred to in this Article, are provided to the state sector. Such percentage limit applies initially over a two (2) year period, from the date of commencement of the Issuer's operations, taking one year with another, and thereafter in respect of each subsequent financial year.*
- *For any country, not more than forty (40) per cent of the amount of the Issuer's total committed loans, guarantees and equity investments over a period of five (5) years, taking one year with another, and without prejudice to the Issuer's other operations referred to in this Article, is provided to the state sector.*

For the purposes of this paragraph,

- *the state sector includes national and local Governments, their agencies, and enterprises owned or controlled by any of them;*
- *a loan or guarantee to, or equity investment in, a state-owned enterprise which is implementing a programme to achieve private ownership and control shall not be considered as made to the state sector;*
- *loans to a financial intermediary for lending on to the private sector shall not be considered as made to the state sector.*

4.2.3 Key Products (Works, Services)

The Issuer carries out its operations in furtherance of its purpose and functions in any or all of the following ways:

- (a) *by making or co-financing together with multilateral institutions, commercial banks or other interested sources, or participating in, loans to private sector enterprises, loans to any state-owned enterprise operating competitively and moving to participation in the market-oriented economy, and loans to any state-owned enterprise to facilitate its transition to private ownership and control; in particular, to facilitate or enhance the participation of private and/or foreign capital in such enterprises;*
- (b)
 - (i) *by investment in the equity capital of private sector enterprises;*
 - (ii) *by investment in the equity capital of any state-owned enterprise operating competitively and moving to participation in the market-oriented economy, and investment in the equity capital of any state-owned enterprise to facilitate its transition to private ownership and control; in particular to facilitate or enhance the participation of private and/or foreign capital in such enterprises;*
 - (iii) *by underwriting, where other means of financing are not appropriate, the equity issue of securities by both private sector enterprises and such state-owned enterprises referred to above for the ends mentioned in that sub paragraph; and*
 - (iv) *by facilitating access to domestic and international capital markets by private sector enterprises or by other enterprises referred to above for the ends mentioned in that sub paragraph, through the provision of guarantees, where other means of financing are not appropriate, and through financial advice and other forms of assistance;*
- (c) *by deploying Special Funds resources in accordance with the agreements determining their use; and*
- (d) *by making or participating in loans and providing technical assistance for the reconstruction or development of infrastructure, including environmental programmes, necessary for private sector development and the transition to a market-oriented economy.*

4.2.4 Suppliers Comprising 10 per cent. or More of All Deliveries and Indicating their Share of the total Delivery Volume

Being an international financial institution the Issuer is not dependent in its activities on any suppliers comprising 10 per cent. or more of all deliveries.

4.2.5 Issuer's Markets

The Issuer operates in 27 countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia, Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

4.2.6 Working Capital- and Inventory-related Activities

Not applicable to the Issuer.

4.2.7 Raw Materials

Not applicable to the Issuer.

4.2.8 Major Competitors

In accordance with the Foundation Agreement of the Issuer signed on 29 May 1990, the mission of the Issuer is contribution into the economical progress and restructuring, assistance to the transition to the open market-oriented economy, and also the development of private and entrepreneurial initiative in CEE countries, committed to and applying the principles of multiparty democracy, pluralism and market economy.

In its activity the Issuer takes the risks for the purpose of assistance to private investors via financing projects in CEE countries, which have not only commercial but also socio-political goals.

Supporting productive investments and thus assisting to creation of competitive environment and growth of labor effectiveness, standards of living and improvement of working conditions, the Issuer does not provide financing when based on the Issuer's assessment the potential client is able to obtain funding from other source, primarily from commercial organisations which the Issuer considers reasonable.

Being a multinational financial organisation, the Issuer does not face direct competition from other entities dealing with commercial activities in its key activity.

Moreover the Issuer is actively involved in business interaction with other multinational organisations – IMF, World Bank and IFC which it does not consider as its competitors due to the difference in the purposes of the activities.

4.2.9 Information about Licences Held by the Issuer

No licence is required for the Issuer's activities.

4.2.10 Issuer's Joint Ventures

Information on the Issuer's joint ventures is provided in the Issuer's Annual Report for 2004 attached as Appendix 2, 4 and 5 hereto (see the section "Working in partnership").

4.2.11 Additional Requirements Applicable to Issuers that are Investment Funds or Insurance Organisations

The Issuer is not an investment fund or an insurance organisation.

4.2.12 Additional Requirements Applicable to Issuers for which the Production of Minerals is the Key Type of Activity

The production of minerals is not the Issuer's key activity.

4.2.13 Additional Requirements Applicable to Issuers Providing Communication services

The provision of communication services is not the Issuer's key activity.

4.3 Prospective Activities of the Issuer

The following points summarise the Issuer's medium-term outlook over the period 2004-2008:

- *During the next five years, the Issuer confronts a broad and differentiated range of transition challenges and opportunities across its countries of operations.*
- *Medium-term growth and risk forecasts are expected to support the Issuer's expansion of operational activities together with appropriate risk-taking and financial performance.*
- *The Issuer intends to pursue a strong and balanced development of its portfolio by increasing the level of its operations in the early and intermediate transition countries and in the Russian Federation and by maintaining its level of operations in the advanced transition countries. The Issuer's portfolio is projected to exceed €17 billion, and operation assets close to €13 billion, by 2008.*

4.4 Issuer's Participation in Industrial, Banking and Financial Groups, Holding Companies, Concerns and Associations

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

4.5 Issuer's Subsidiaries and Related Companies

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

4.6 Composition, Structure and Value of the Issuer's Fixed Assets, Information on the Proposed Acquisition, Replacement and Disposal of Fixed Assets, and about any Encumbrances of Fixed Assets

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5 Issuer's Financial Activities

5.1 Results of the Issuer's Financial Activities

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.1.1 Profit and Loss

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.1.2 Factors Affecting the Issuer's Proceeds from the Sale of Products, Works, Services and the Issuer's Profits (Losses) from Its Key Business Activities
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.2 Issuer's Liquidity

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.3 Amount, Structure and Sufficiency of the Issuer's Equity and Current Assets

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.4 Issuer's Expenditure for and Policy in the Field of Research and Development, Licences, Patents and Know-How

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

5.5 Analysis of Trends in the Sphere of the Issuer's Key Business Activities

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

6 Detailed Information about the Members of the Issuer's Management and Financial Control Bodies, and Brief Information about the Issuer's Employees

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

6.1 Structure and Competence of the Issuer's Management Bodies

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

6.2 Information about the Members of the Issuer's Management Bodies

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

6.3 Information about Remuneration, Benefits and/or Compensation of Expenses as to each of the Issuer's Management Bodies

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

6.4 Structure and Competence of the Issuer's Financial and Business Control Bodies

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 6.5 Information about Members of the Issuer’s Financial and Business Control Bodies**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 6.6 Information about Remuneration, Benefits and/or Compensation for the Expenses of the Financial and Business Control Bodies of the Issuer**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 6.7 Generalised information about the Issuer’s Employees, Number of Employees and the Structure of the Issuer’s Staff**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 6.8 Information about any Liabilities of the Issuer to its Employees Related to their Participation in the Issuer’s Charter Capital (Unit Fund)**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 7 Information on the Issuer’s Shareholders and Interested Party Transactions**
- 7.1 Number of the Issuer’s Shareholders**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 7.2 Information about the Issuer’s Shareholder(s) Owning not less than five (5) per cent. of the Issuer’s Charter Capital or not less than Five (5) per cent. of its Ordinary Shares, as well as Information about Shareholders of such Entities Owning not less than Twenty (20) per cent. of their Charter Capital or not less than Twenty (20) per cent. of their Ordinary Shares**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 7.3 Information about the Shares of the State or Municipality Participating in the Charter Capital (Unit Fund) of the Issuer; “Golden Share” (if any)**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.
- 7.4 Information on Restrictions (Limitations) on Participating in the Charter Capital (Unit Fund) of the Issuer**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 7.5 Information on Changes in the Shareholdings of Shareholders Owning not less than Five (5) per cent. of the Issuer's Charter Capital (Unit Fund) or not less than Five (5) per cent. of the Issuer's Ordinary Shares**

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 7.6 Information on Interested-Party Transactions Entered into by the Issuer**

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 7.7 Information on the Total Amount of Accounts Receivable**

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

8 Issuer's Accounting Reports and other Financial Information

- 8.1 Issuer's Annual Accounting Reports**

The Issuer's annual accounts for the last three complete financial years preceding the date of the approval of this Securities Prospectus, prepared in accordance with the International Accounting Standards, and translated into Russian and the auditors' statement with respect to these accounts are included as Appendix 2, 4 and 5 to this document.

- 8.2 Issuer's Quarterly Accounting Records for the last Quarter**

The Issuer's quarterly accounts for the last quarter preceding the date of the approval of this Securities Prospectus, prepared in accordance with the International Accounting Standards, and translated into Russian are included as Appendix 3 to this document.

- 8.3 Issuer's Consolidated Accounting Records for the last Three Years, or for each Financial Year**

The Issuer is not part of a group of companies. Therefore, no consolidated accounts are prepared.

- 8.4 Information on the Issuer's Total Exports, as well as on the Share of Exports in the Issuer's Total Sales**

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 8.5 Information on Material Changes in the Issuer's Property that Occurred after the End of the last Fiscal Year**

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

8.6 Involvement of the Issuer in any Litigation or Court Proceedings where such Involvement may have a Material Adverse Impact on the Issuer's Activities

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

9 Detailed Information on the Terms and Procedure for the Placement of Securities

In accordance with paragraph 14 of Article 22 of the Federal Law "On Securities Market" and paragraph 4.6 of the Regulations on the Information Disclosure this Section 9 is not to be filled in apart from paragraph 9.9 «Information on a Possible Change of Shareholdings in the Issuer's Charter Capital as a Result of the Placement of Issue Securities». Paragraph 9.9 is not to be filled in pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO

10 Additional Information on the Issuer and Issued Securities

10.1 Additional Information on the Issuer

10.1.1 Amount and Structure of the Issuer's Charter Capital (Unit Fund)

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.1.2 Information on Changes in the Issuer's Charter Capital (Unit Fund)

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.1.3 Information on the Formation and Use of the Issuer's Reserve Fund and Other Funds

Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.1.4 Information on the Procedure for Convening and Holding the Meeting of the Issuer's Highest Management Body

The Issuer's supreme management body is the Board of Governors (the "Board") composed of representatives of each member of the Issuer.

The Board shall hold an annual meeting on such date and at such place as the Board shall determine provided, however, that the Board of Directors may change the date and place of such annual meeting when special circumstances or reasons arise to justify such action. The Board may, in addition, hold special meetings when it so decides or when requested to do so by not less than five (5) members of the Issuer, or members holding not less than one quarter of the total voting power of the members.

The Secretary shall notify all members, by the most rapid possible means of communication reasonably available, of the date and place of each meeting of the Board. Such notifications must be dispatched at least forty five (45) days prior to the date of any annual meeting and thirty (30) days prior to the date of a special meeting. In case of an emergency, notification by telex, facsimile or

other rapid means of communication ten (10) days prior to the date set for the meeting shall be sufficient.

Under the direction of the Board of Directors, the President shall prepare an agenda for each meeting of the Board of Governors and transmit such agenda to members together with, or in advance of, the notice of the meeting.

Additional subjects may be placed on the agenda for any meeting of Governors by any Governor provided that he or she shall give notice thereof to the President at least fifteen (15) days prior to the date of the meeting. The President shall give notice of such additional items through a supplementary list to be communicated to members within forty-eight (48) hours of receipt of such notice from a Governor. In exceptional cases the President, under the direction of the Board of Directors, may include at any time additional items in the draft agenda for any meeting of the Board of Governors. The President shall notify each Governor of such additional items as quickly as possible. The Board shall keep a summary record of its proceedings which shall be available to all members and kept on file at the Issuer.

10.1.5 Information on Commercial Organisations in which the Issuer Holds no less than Five (5) per cent. of the Charter Capital or no less than Five (5) per cent. of the Ordinary Shares as of the Date of Approval of the Securities Prospectus
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.1.6 Information on any Material Transactions Entered into by the Issuer
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.1.7 Information on the Issuer's Credit Ratings
The Issuer and/or its debt obligations have been assigned an AAA credit rating from Standard & Poor's Ratings Services since 1991 and an Aaa credit rating from Moody's Investors Service since 1992 and a AAA credit rating from Fitch Ratings since 2002. The rating terminology used by each such rating agency varies but triple A ratings refer generally to the Issuer's long-term unsecured debt.

Standard & Poor's Ratings Services as well as Moody's Investors Service and Fitch Ratings provide details as to the rating criteria and the rating terminology, inter alia, on their websites (www.standardandpoors.com and www.moody.com and www.fitchratings.com).

10.2 Information on each Category (Type) of the Issuer's Shares
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

10.3 Information on Previous Issues of Securities by the Issuer, except for the Share Issues
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 10.4 Information on a Person(s) Providing Security in respect of the Bond Issue**
Security is not provided in respect of the bond issue.
- 10.5 Terms and Conditions for the Fulfilment of Obligations on Collateralised Bonds**
Security is not provided in respect of the bond issue.
- 10.6 Information on Organisations Registering Rights to Issue Securities in the Issuer**
Not relevant for the Issuer.
- 10.7 Information on Legislative Acts Regulating Capital Exports and Imports that may have an Impact on the Payment of Dividends, Interest and other Sums to Non-Residents**
Pursuant to paragraph 10 of the Regulations on the Peculiarities of the Bond Issues by IFO this does not have to be specified.

- 10.8 Description of the Procedure for the Taxation of Income from the Issuer's Securities that have been or are to Be Placed**

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Bonds in their own particular circumstances. A number of conditions of the Russian tax legislation in respect of the Bonds and in force as of the date of the approval of the current Prospectus is provided in the in this Prospectus below. The following description is not the complete research of all aspects of the Bonds taxation.

Tax rates

Legal Entities		
	Residents	Non-residents
Coupon income	24% (including 6% - federal budget, 16% - regional budget, 2% - local budget)	20%
Income from purchase/sales operations	24% (including 6% - federal budget, 16% - regional budget, 2% - local budget)	20%
Individuals		
	Residents	Non-residents
Coupon income	13%	30%
Income from purchase/sales operations	13%	30%

Taxation of income derived from the bonds is determined in accordance with Russian Tax Code.

Non-resident holders

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposition of Bonds by non-resident holders. The summary is based on the laws of Russia in effect on the date of this Prospectus. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia, nor does the summary seek to address the availability of double tax treaty relief in respect of the Bonds, or practical difficulties involved in obtaining such double tax treaty relief. Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Bonds in their own particular circumstances. No representation with respect to the Russian tax consequences to any particular holder is made hereby.

Many aspects of Russian tax law are subject to significant uncertainty. Further, the substantive provisions of Russian tax law applicable to financial instruments may be subject to more rapid and unpredictable change and inconsistency than in jurisdictions with more developed capital markets. In this regard, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions not stated by the law. Similarly, in the absence of binding precedents, court rulings on tax or related matters by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this summary, a “non-resident holder” means an individual actually present in Russia for an aggregate period of less than 183 days in a given calendar year (not counting days of arrival into Russia but counting days of departure from Russia) or a legal entity or organisation in each case not organised under Russian law which holds and disposes of the Bonds other than through its permanent tax establishment in Russia.

Taxation of the Bonds

A non-resident holder will not be subject to any Russian taxes in respect of payments of interest, principal and premium on the Bonds received from the Issuer.

A non-resident holder also generally should not be subject to any Russian taxes in respect of gain or other income realised on a redemption, sale or other disposal of the Bonds outside Russia, provided that the proceeds of such disposal are not received from a source within Russia.

In the event that proceeds from a disposal of Bonds are received from a source within Russia, a non-resident holder that is a legal entity or organisation should not be subject to any Russian taxation in respect of such proceeds, provided that no portion thereof is attributable to accrued interest. Any portion of such sales proceeds attributable to accrued interest may be subject to Russian withholding tax on income at the rate of 20 per cent. subject to any available double tax treaty relief, even if the disposal itself results in a capital loss. Non-resident holders that are legal entities or organisations should consult their own tax advisers with respect to this possibility and the relevant procedures.

If proceeds from a disposal of the Bonds are received from a source within Russia, a non-resident holder who is an individual will generally be subject to tax at a rate of 30 per cent., subject to any available double tax treaty relief, in respect of gross proceeds from such disposal less any available cost deduction (which includes the purchase

price of the Bonds). In this regard, if the Bonds are disposed of in Russia, for Russian personal income tax purposes, the proceeds of such disposition are likely to be regarded as received from a Russian source. In certain circumstances, if the disposal proceeds are payable by a Russian legal entity, individual entrepreneur or a Russian permanent establishment of a foreign organisation, the payer may be required to withhold this tax. In such a situation, there is a risk that the taxable base may be affected by changes in the exchange rates between the currency of acquisition of the Bonds, the currency of sale of the Bonds and roubles. Non-resident holders who are individuals should consult their own tax advisers with respect to these possibilities.

Where proceeds from the disposition of Bonds are received from a Russian source, in order for the non-resident holder, whether an individual, legal entity or organisation, to enjoy the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Refund of Tax Withheld

Where double tax treaty relief is available for a Bondholder which is not an individual, but where Russian withholding tax on income was withheld by the source of payment, a refund of tax withheld is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund of tax, documentation confirming the right of the non-resident recipient of income to double tax treaty relief is required.

For an individual Bondholder, where double tax treaty relief is available, the documentation for the refund of tax may be filed within one year after the end of the year to which the tax benefit relates.

The tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required in the law.

Refund of the tax withheld may be a time-consuming process and can involve considerable practical difficulties.

Resident holders

A Noteholder who is an individual or legal entity resident in Russia for tax purposes is subject to all applicable Russian taxes including any documentation requirements that may be required by law or practice. Resident Noteholders should consult their own tax advisers with respect to their tax position regarding the Bonds.

Taxation of individuals (personal income tax)

Taxation of individuals is regulated by Chapter 23 of the Russian Tax Code

Taxable base

The tax payer's income received as a material gain is the material gain received as a result of the securities acquisition. Taxable base is determined as excess of bonds market value defined subject to maximum allowable deviations (for securities traded on exchange) over purchase price including all purchase expenses. Definition of market value and maximum allowable deviation is established by federal authority regulating security market.

Income (loss) under sale and purchase of securities is determined as the difference between the income gained as a result of the securities purchase and the recorded

expenses on purchase, sale and keeping of the securities actually incurred by a taxpayer or property deduction allowable as deductible expenses.

The above expenses include:

- amounts paid to the seller under the agreement;**
- custody fees;**
- commission fees payable to the professional participants of the securities market; discount payable (reimbursed) to the management organisation of the share investment fund upon the sale (redemption) by the investor of the investment share of the share investment fund determined in accordance with the procedures stipulated by the legislation of the Russian Federation on investment funds;- stock exchange fees;**
- payment of the registrars' fees;**
- other expenses directly related to the purchase, sale and keeping of the securities relating for the services provided by professional participants of the securities market when carrying out their professional activities.**

Income (loss) under sale and purchase transactions with respect to the securities traded on exchange shall be increased (reduced) by the amount of interest payable for the use of cash attracted for the purposes of entering into sale and purchase transactions within the amounts calculated based on the existing refinancing rate of the Central Bank of the Russian Federation.

If all the tax payer's expenses may not be confirmed by written evidence he is entitled to use the property tax deduction envisaged by the first paragraph of Article 220.1.1 of the Tax Code .

The date of the actual receipt of income is determined as follows:

- date of income payment in cash; or**
- date of income transferring to the taxpayer bank account or to the third party account on behalf of taxpayer.**

The calculation and payment of taxes is performed by a tax agent. The tax agent could be a broker, asset management company and other entity servicing under an agency, commission or another agreement and on behalf of the taxpayer.

Taxation of resident legal entities (profit tax)

Regulated by Chapter 25 of the Tax Code

Taxable base

Tax payer's income from sale and other disposal (including redemption) of the securities is determined based on the price of sale or other disposal of the security including accrued interest paid by the buyer to the taxpayer and the amount of interest (coupon) payment made to the tax payer by the issuer. The tax payer's income from sale or other disposal of securities does not include the earlier recorded amounts of interest (coupon) income earlier .

Expenses related to the sale (or other disposal) of securities shall be determined based on the price of acquisition of the relevant security (including any expenses related to

such acquisition), costs of sale thereof, the amount of discounts on the estimated value of investments, the amount of accrued interest (coupon) income paid by a taxpayer to the seller of a security.

For taxation purposes, the market value of any securities circulating on the organised securities market shall be the actual price of sale (or other disposal), if such price is in the range between the maximum and minimum prices (the price range) of the transactions involving such security registered by the trade institutor of the date of entering into a relevant transaction. In the event that securities circulating on the organised securities market are sold at a price lower than the minimal price of the transactions on the organised market, the minimal price of the transaction on the organised market shall be taken into account to determine the fiscal effect.

In respect of operations with securities, the taxable base shall be determined by a taxpayer separately, unless the taxable base in respect of operations involving securities is determined by the professional participants of securities market. In doing so, taxpayers (other than the professional participants of securities market engaged in dealing activities) shall determine the taxable base in respect of operations involving securities circulating on the organised market separately from the taxable base in respect of operations involving securities that do not circulate on the organised market.

In respect of the sale or other disposal of securities, a taxpayer shall individually, pursuant to its tax accounting policy, select one of the below-listed cost accounting methods:

- 1) first-in, first-out method (FIFO);*
- 2) last-in, first-out method (LIFO);*
- 3) unit cost method.*

Taxation of foreign legal entities (profit tax)

Regulated by Chapter 25 of the Tax Code

Taxable income for foreign legal entities is calculated similarly to the calculation for resident legal entities.

Calculation and withholding of the income tax is performed by the tax agent, except for the cases where the taxpayer informs tax agent that the income relates to permanent establishment of the income received in the Russian Federation and the tax agent has a notarised copy of the certificate on the registration of the income receiver with Russian tax authorities made not earlier than during the preceding tax period. A tax agent could be broker, asset manager company and other entity servicing an agency, commission or another agreement on behalf of the tax payer.

10.9 Information on Dividends Declared (Accrued) and Paid on the Issuer's Shares, as well as Information on Income from the Issuer's Bonds

Pursuant to the Regulations On Peculiarities of Bond Issues and Information Disclosure by International Financial Organisations in the Territory of the Russian Federation approved by the Resolution of the Federal Commission for Securities Market of 24 April 2003 No. 03-24/ps this does not have to be specified.

10.10 Another information

Such information is not provided

Appendix No.1
Form of Description of the Bond Certificate

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Issuer's location: One Exchange Square, Лондон, EC2A 2JN, Великобритания

Address: One Exchange Square, Лондон, EC2A 2JN, Великобритания

CERTIFICATE OF THE SECURITIES

Certificated Floating Rate Interest Bearing Non-Convertible Bearer Bonds with Mandatory Centralised Custody in the amount of 5 000 000 Bonds with a nominal value of 1 000 Roubles each with a maturity date falling on the 1 820th day from the date of the commencement of the closed placement of the Bonds

State registration number of the securities issue: _____

Date of the state registration of the securities issue: _____ 200__.

Present certificate attests the right for 5 000 000 (five million) Bonds with a nominal value of 1 000 Roubles each and total nominal value 5 000 000 000 (five billion) roubles.

Total Bonds amount of the Issue with state registration number _____, equals 5 000 000 (five million) Bonds with a nominal value of 1 000 Roubles each and total nominal value 5 000 000 000 (five billion) roubles

European Bank for Recontrustruction and Development is obliged to certify the rights of the Bondsholders while the Bondsholders keep the order of the exercise of the rights, which is defiined by the legislation of the Russian federation

THIS BOND IS NOT AN OBLIGATION OF ANY GOVERNMENT OR MEMBER OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE BONDS ARE PLACED THROUGH CLOSED SUBSCRIPTION

The present certificate is deposited in Non-Profit Partnership "The National Depository Centre", with registration address Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow, which deals with the centralised custody of the securities' certificate to be placed

Jean Lemierre

***President of the European Bank for
Reconstruction and Development***

_____ 2005

seal

(back side)

1. Type of Securities to be placed

bearer bonds

Identification information on Securities issue: certificated interest bearing non-convertible bearer bonds with mandatory centralised custody

2. Form of the Securities:

certificated

3. Information on the Mandatory Centralised Custody

Securities are subject to a mandatory centralised custody.

Depository that will be Dealing with the Centralised Custody of the Securities to be Placed:

Full name: **Non-Profit Partnership "The National Depository Centre"**

Abbreviated name: **NDC**

location of the depository: **Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow;**

number of the depository license: **№177-03431-000100;**

issue date of the license: **December, 4, 2000**

term of the license: **unlimited;**

issuing body: **Federal Commission for the Securities Market ("FCSM of Russia").**

The issue of all Bonds shall be documented by one certificate which shall be subject to the mandatory centralised custody with NDC. No separate certificates of the Bonds shall be issued to the owners of the Bonds. Owners of the Bonds and nominal holders shall have no right to demand issue of certificates.

Keeping records of and verification of rights to the Bonds and keeping records and verification of transfer of the Bonds, including events of encumbering the Bonds, shall be carried out by NDC and the depositories acting as depositors in respect of NDC (hereinafter jointly referred to as "Depositories" and each separately "Depository").

Rights of ownership to the Bonds shall be confirmed by statements of depo accounts issued by NDC and the Depositories to the Bondholders.

The right of ownership to the Bonds shall pass from one person and another at the moment a credit entry is made on a depo account of the purchaser of the Bonds with NDC and the Depositories.

At the moment of redemption, the Bonds shall be written off the depo accounts after the Issuer and/or a paying agent perform all the obligations to the Bondholders relating to the payment of income and the nominal value of the Bonds. Certificates of the Bonds shall be cancelled after all the Bonds are written off the depo accounts.

The procedure of keeping records of and verification of rights to documentary issue securities that are subject to the mandatory centralised custody, shall be governed by the Federal Law "On Securities Market," the Regulations on Depository Activities in the Russian Federation adopted by the Regulation of the FCSM of Russia No. 36 of 16 October 1997.

4. Nominal Value of each security :

1 000 (one thousand) roubles each

5. Amount.

5 000 000 pieces

6. Total Amount of Securities of the Issue Placed Previously.

Information is not provided as no securities have been placed previously.

7. Rights Attaching to each Bond of the Issue

- **The Bondholder is entitled to receive the face value of the Bonds on redemption of the Bonds within the term stipulated therein.**
- **The Bondholder is entitled to receive the interest determined in accordance with the procedures fixed in paragraph 9.3 of the Issue Certificate accruing on the face value of the Bonds (coupon income) on the dates set out in paragraph 9.4 of the Issue Certificate.**
- **The Bondholder is entitled to freely sell or otherwise dispose of the Bond. The Bonds circulation in the secondary market starts after the state registration of the results on the bond issue by the Federal Service for Financial Markets ("FSFM"). The public circulation of the Bonds is possible only after the state registration of the Securities Prospectus.**
- **The Bondholder is entitled to exercise other rights contemplated by the legislation of the Russian Federation**

8. Conditions and Procedure for the Placement of the Securities

8.1. Method for the Placement of the Securities

The Bonds are placed through closed subscription. The prospective purchasers of the Bonds are:

- 1. Deutsche Bank, Limited liability company;**
- 2. ING Bank (Eurasia) ZAO (Closed joint stock company)**
- 3. HSBC (PP) (Limited liability company);**

4. **Joint stock bank of gas industry Gazprombank (Closed joint stock company);**
5. **Bank WestLBVostok (Closed joint stock company);**
6. **Bank for Foreign Trade (Open joint stock company);**
7. **Closed joint stock company ABN AMRO Bank A.O.;**
8. **Closed joint stock company Commerzbank (Eurasia);**
9. **Closed joint stock company International Moscow Bank;**
10. **Closed joint stock company Raiffeisenbank Austria;**
11. **Closed joint stock company commercial bank Citibank;**
12. **Commercial bank JP Morgan Bank International (limited liability company);**
13. **ING Bank N.V.**
14. **ING Bank N.V., London branch.]**

8.2. Terms for Placement of the Securities.

Commencement Date of the Placement or the Procedure for its Determination:

The commencement date of the Placement is determined by the Issuer's Head of Funding after the state registration of the bond issue.

The Issuer shall notify and confirm by fax to the prospective purchasers of the Bonds identified in paragraph 8.1 of the Certificate of the commencement date of the Placement not later than 1 (one) business day prior to the commencement date of the Placement.

Completion Date of the Placement or the Procedure for its Determination

The completion date of the Placement of the Bonds is the date that occurs first: date of the placement of the last bond of the Issue or 3 (third) business day from the commencement date of the Placement.

The completion date of the Placement of the Bonds cannot occur later than 1 (one) year after the date of the state registration of the Issue.

Announcement about the actual completion date of the Placement is to be disclosed by the Issuer

- on the Issuer's web-site www.ebrd.com – not later than 1(one) Business day following the Completion Date of the Placement.

8.3. Procedure for the Placement of Securities

Pre-Emption Right with respect to the Acquisition of the Issued Securities: **No pre-emption right is envisaged.**

Terms and Conditions of Civil-law Agreements (including the procedure and the terms of submission and satisfaction of bids) to be Concluded in the Course of the Issue

Bonds shall be placed by way of entering into sale and purchase transactions at the price of placement of the Bonds specified in paragraph 8.4 of the Issue Certificate ("Price of Placement").

The conclusion of bond placement transactions shall commence on the bond placement commencement date and end on the bond placement end date.

A potential buyer of the Bonds shall open the relevant depo account with the NDC or with any Depository. The procedure and terms of depo accounts opening are determined by rules of NDC and respective Depositories.

Conditions and Rules of the Placement:

A potential buyer of the Bonds concludes sale and purchase agreement (agreements) with the Issuer for buying Bonds at the Price of Placement.

Bonds sale and purchase agreement(s) is made after reaching consent on all substantial conditions of the agreement through the preparation of a single document signed by the parties or by way of exchange of executed counterparts of the agreement.

Changes and/or termination of the agreements concluded during the Placement of the Bonds are implemented based on and in accordance with 29 of the Civil Code of the Russian Federation.

The order of making receipt record on the depo account of the first Bondholder in the depository dealing with the centralized custody:

The Bonds purchased by the purchasers at the primary placement are transferred to depo accounts of the buyers with NDC in the order defined by the rules of NDC after full payment for the Bonds via transfer of money to the account of the Issuer. The Bonds sold at the placement are transferred to the depo accounts of the Bonds purchasers and/or the Bondholders no later than 1 (one) business day after the payment for the Bonds.

Information on the Issuer's Financial Adviser:

Pursuant to the Regulations this does not have to be specified.

8.4. Placement Price or Procedure for its Determination.

The Bonds are placed at their par value – 1 000 roubles per bond.

Starting with the second day of the Placement buyer also pays accrued coupon interest (ACI) calculated as follows:

$$ACI = C1 * Nom * (T - T0) / 365$$

where

C1 is the amount of interest rate of the first coupon as expressed in per cent per annum;

Nom is the nominal value of one bond;

T0 is the commencement date of the Placement;

T is the date of the conclusion of the purchase agreement.

The amount of the accrued coupon income on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding until the nearest whole number. The rules on arithmetical rounding shall be understood as a rounding method where the whole kopeck (whole kopecks) does not change if the number immediately following the rounded number is within range from 0 to 4, and increases by one if the number immediately following the rounded number is within range from 5 to 9).

8.5. Pre-Emption Right with respect to the Acquisition of the Issued Securities:

No pre-emption right is envisaged.

8.6. Terms and Conditions of Payment for the Securities to be Placed.

Payment for the Bonds is made in cash in Russian roubles through clearing in the currency of the Russian Federation Settlement procedures of the Bonds sale and purchase agreement are performed on the day of the conclusion of the deal.

Terms and Conditions of Instalments in Payment for the Securities to be Placed.

No such conditions.

The payment for the Bonds is made by the purchasers to the Issuer's account as per the following details:

Account holder: European Bank for Reconstruction and Development

Account number: 40807810700500238135

Crediting organisation:

Full name: Closed Joint Stock Company Commercial Bank Citibank

Short name: ZAO Citibank

Location: 125047, Moscow, Gasheka st., 8-10

Mail address: 125047, Moscow, Gasheka st., 8-10

BIC (banking identification code): 044525202

CA (correspondent account): 30101810300000000202 in OPERU MGTU of the Bank of Russia

INN/KPP: 7710401987/ 774401001

OKVED: 65.12

Other conditions and the procedure of payment of bonds.

No such conditions.

8.7 The portion of securities failing the placement of which the bond issue will be deemed as having failed in percentage of the total number of the securities

This portion is not established.

In the event that a Bond issue is deemed as having failed or invalid, the return of cash amounts received as a payment for the Bonds, shall be carried out in accordance with the Provisions on Return of Cash Amounts (Other Property) to Owners of Securities adopted by the FCSM of Russia Regulation No. 36 of 16 October 1997 (hereinafter referred to as "Regulation No. 36").

Before the completion of the 3 (third day) following the date of receipt of a written notice of the FSFM on cancellation of the state registration of this issue of securities, the Issuer shall set up a commission to arrange returning of cash amounts used for purchasing the bonds to the owners of such bonds.

Such Commission shall:

- ***notify the owner/nominal holders of bonds of the procedure of returning the cash amounts used for purchasing the bonds;***
- ***arrange returning of cash amounts used for purchasing the bonds to the owners/nominal holders of such bonds;***
- ***determine the amount of cash to be returned to each owner/nominal holder of bonds;***
- ***prepare a register of cash amounts returned to the owners/nominal holders of bonds.***

The Commission shall, within 45 (forty five) days following the date of receipt of a written order on cancellation of the state registration of the issue, prepare a register of cash amounts returned to the owners of securities (hereinafter referred to as the "Register"). The said Register shall be prepared based on a list of owners of securities the state registration of which has been cancelled.

Based on a demand of the owner of securities that are subject to withdrawal from circulation, or of any other interested parties (including heirs of

owners of such securities), the Issuer shall provide the Register to them for information purposes upon the approval thereof.

The Issuer shall be obliged to refund the invested funds to owners of the Bonds no later than five (5) months from the date of receipt of a written notice of cancellation of the state registration of the Bonds.

The Issuer is planning to make payments through the Payment Agent, as described in paragraph 9.6 of this Issue Certificate.

In accordance with Clause 7.1 of Regulations No.36 the FSFM is entitled to file a claim to the court for a refund of the invested funds by the Issuer, should the Issuer fail to fulfil its refund obligations or in the event of improper fulfilment thereof, subject to the immunities and other limitations discussed in Clause 9.7 below. Owners of securities shall have the right to resort to court action with a claim for a refund of the invested funds and payment of interest accrued on the amount of the defaulted obligation in accordance with Article 395 of the Russian Federation by the Issuer.

Losses related to the refund of invested funds to the owners of securities shall be reimbursed by the Issuer in accordance with Article 395 of the Civil Code of the Russian Federation.

9. Procedure and Terms for the Redemption of Bonds and Payment of Interest (Coupon) on the Bonds.

9.1. Procedure and Terms for the Redemption of Bonds.

Redemption of the Bonds shall be carried out at the nominal value in the currency of the Russian Federation by clearing. The redemption of the Bonds in any other forms is not envisaged.

9.2. Procedure and Conditions for the Redemption of Bonds, including the redemption period.

Terms for the Redemption of Bonds:

The date of commencement of the Bonds redemption:

The date of commencement of bond redemption shall be the 1,820 (one thousand eight hundred and twentieth) day from the date of commencement of placement of the Bonds.

The completion date the Bonds redemption:

The dates of commencement and end of bond redemption fall on the same day. (hereinafter — “redemption date”)

Bonds shall be redeemed by the Paying Agent at the expense and on behalf of the Issuer.

If the bond redemption date falls on a non-business day (regardless of whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive bond redemption amounts. Depositaries and/or other persons who are not authorised by their respective clients to receive bond redemption amounts shall, no later than [four (4) business days] prior to the established date of redemption, submit to NDC a list of bondholders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Bonds shall be redeemed in favour of the owners of Bonds who own the Bonds as of the close of NDC’s trading day preceding the sixth (6) business day before the date of redemption (“Date of Compiling the List of Bonds Owners and/or Nominal Holders”).

The fulfilment of obligations with respect to the owner/holder included into the List of Bond Owners and/or Nominal Holders is considered as valid in the case of the disposal of obligations after the date of compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the date of redemption, NDC shall provide the Issuer and/or the Paying Agent with the List of Bond Owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders, and containing the following information:

- **full name of a person authorised to receive bond redemption amounts. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive bond redemption amounts, the full name of this nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or where the nominal holder is not authorised to receive bond redemption amounts, the full name of the bond owner shall be specified;**
- **number of Bonds accounted for on the owner’s Depo account or on the inter-depositary account of the bond nominal holder authorised to receive bond redemption amounts;**
- **location and postal address of persons authorised to receive bond redemption amounts;**
- **details of a bank account of a person authorised to receive bond redemption amounts, specifying the following information:**
 - **account number;**
 - **title of the bank which hold the account;**
 - **corresponding bank account with which the account is opened;**
 - **banking identification code of the bank where the account is opened;**
- **taxpayer’s identification number of a person authorised to receive bond redemption amounts;**
- **tax status of a person authorised to receive bond redemption amounts (resident, non-resident having a permanent**

establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).

Owners of Bonds, their authorised persons, including Depositories, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of failure to submit or late submission to NDC of the above information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil such obligations and being the owner of the bond as of the date of forwarding such demand.

Obligations by the Issuer in respect of Bonds shall be fulfilled on the basis of the information from NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1 (one) business day prior to the established date of redemption, the Issuer shall remit the required cash amount to the account of the Paying Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the Paying Agent shall calculate the cash amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the date of redemption, the Paying Agent shall remit the required cash amounts to the accounts of persons authorised to receive bond redemption amounts and named in the List of Bond owners and/or Nominal Holders.

Where one person is authorised to receive bond redemption amounts on behalf of a number of owners, such person shall receive the total amount payable without allotting it between the holders.

9.3. Procedure for the Determination of the Amount of Income on the Bonds.

The income on the Bonds is the amount of coupon incomes accrued and calculated for each coupon period.

The amount payable in respect of each coupon on one Bond of the issue shall be calculated as follows:

$$K_i = C_i * Nom * (T_j - T_{(i-1)}) / 365$$

where

K_i is the amount of the i -coupon payment on one bond of the issue;

Nom is the nominal value of one bond;

C_i is the amount of interest rate of the i coupon as expressed in per cent per annum;

$T_{(i-1)}$ is the commencement date of the i coupon period;

T_j is the end date of the i coupon period.

j is the ordinal number of the coupon period, $j=1, 2, 3, 4, 5, 6, \dots [j]$;

The amount of the coupon payment on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding. This means that the value of the whole kopeck does not change if the successive number of the rounded number is within range from 0 to 4, and increases by one if the successive number of the rounded number is within range from 5 to 9).

Coupon (Interest) Period		Amount of coupon (interest) income
Commencement Date	Final Date	
1. Coupon: First coupon rate		
Commencement date of the first coupon period of the bond issue shall be the date of commencement of the Bonds placement.	End date of the coupon period shall be the 91st day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
2. Coupon: Second coupon rate		
Commencement date of the second coupon period of the bond issue shall be the 91st day following the date of commencement of placement of the Bonds.	End date of the second coupon period shall be the 182nd day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
3. Coupon: Third coupon rate		
Commencement date of the third coupon period of the bond issue shall be the 182nd day following the date of commencement of	End date of the third coupon period shall be the 273rd day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3

placement of the Bonds.		
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4. Coupon: Fourth coupon rate

Commencement date of the fourth coupon period of the bond issue shall be the 273rd day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 364 th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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5. Coupon: Fifth coupon rate

Commencement date of the fifth coupon period of the bond issue shall be the 364th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 455th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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6. Coupon: Sixth coupon rate

Commencement date of the sixth coupon period of the bond issue shall be the 455th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 546th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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7. Coupon: Seventh coupon rate

Commencement date of the seventh coupon period of the bond issue shall be the 546 th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 637th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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8. Coupon: Eighth coupon rate

Commencement date of the eighth coupon period of the bond issue shall be the 637th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 728th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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9. Coupon: Ninth coupon rate

Commencement date of the ninth coupon period of the bond issue shall be the 728 th day following the date of commencement of placement of the Bonds.	End date of the third coupon period shall be the 819th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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10. Coupon: Tenth coupon rate

Commencement date of the tenth coupon period of the bond issue shall be the 819th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 910th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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11. Coupon: Eleventh coupon rate

Commencement date of the eleventh coupon period of the bond issue shall be the 910th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1001st day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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12. Coupon: Twelfth coupon rate

Commencement date of the twelfth coupon period of the bond issue shall be the 1001st day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1092nd day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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13. Coupon: Thirteenth coupon rate

Commencement date of the thirteenth coupon period of the bond issue shall be the	End date of the coupon period shall be the 1183rd day following the date of	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
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1092nd day following the date of commencement of placement of the Bonds.	commencement of the Bonds placement.	
14. Coupon: Fourteenth coupon rate		
Commencement date of the fourteenth coupon period of the bond issue shall be the 1183rd day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1274th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
15. Coupon: Fifteenth coupon rate		
Commencement date of the fifteenth coupon period of the bond issue shall be the 1274th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1365th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
16. Coupon: Sixteenth coupon rate		
Commencement date of the sixteenth coupon period of the bond issue shall be the 1365th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1456th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
17. Coupon: Seventeenth coupon rate		
Commencement date of the seventeenth coupon period of the bond issue shall be the 1456th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1547th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
18. Coupon: Eighteenth coupon rate		
Commencement date of the eighteenth coupon period of the bond issue shall be the 1547th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1638th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
19. Coupon: Nineteenth coupon rate		
Commencement date of the nineteenth coupon period of the bond issue shall be the 1638th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1729th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3
20. Coupon: Twentieth coupon rate		
Commencement date of the twentieth coupon period of the bond issue shall be the 1729th day following the date of commencement of placement of the Bonds.	End date of the coupon period shall be the 1820th day following the date of commencement of the Bonds placement.	The interest rate shall be determined in accordance with the procedure described below in this paragraph 9.3

The coupon rate under coupon No. i ($i=1, \dots, 20$) ("the I-Coupon Rate") is determined on the last business day (being a day on which banks are generally open for business both in London and in Moscow) preceding the first day of the i coupon period ("I-Coupon Quotation Day").

The i -Coupon rate shall be the 3(three) month MosPrime Rate on the I-Coupon Quotation Day.

MosPrime Rate is the rate of extending Rouble loans to first tier financial institutions calculated by the National Currency Association Board on the basis of rates for extending Rouble loans (deposits) provided by the active participants of the money market to the first tier Russian financial institutions. Calculation procedure for the Moscow prime rate is determined by the National Currency Association Board resolution about the calculation of indicative Rouble loan (deposit) extension rate on the Moscow market MosPrime Rate – Moscow Prime Offered Rate from 6 April 2005 (resolution).

If no MosPrime Rate is published on the I-Coupon Quotation Day, the interest rate for the i Coupon Period shall be the EBRD Prime Rate ("EBRD Prime Rate") prevailing on the I-Coupon Quotation Day. In this case the subsequent coupon rates will be calculated based on MosPrime Rate.

MosPrime shall be permanently replaced with the EBRD Prime Rate, and accordingly the i-Coupon shall become the EBRD Prime Rate in the following circumstances (Special Conditions):

- (a) **If after the date of the Issue Decision (i) any change in the credit standing and/or composition of the panel of contributing participants to the MosPrime Rate occurs, and/or (ii) the mechanism for obtaining and/or validating quotes from the contributing participants is altered and/or (iii) the methodology for the calculation of the MosPrime Rate is altered and/or (iv) the quotes provided by each contributing participant cease to be published, and the Issuer determines in its sole discretion that MosPrime shall be replaced by EBRD Prime Rate.**

The above decision has to be taken by the Issuer not later than 1 (one) month prior to the I-Coupon Quotation Day for the period for which EBRD is to replace EBRD Prime Rate for the first time on a permanent basis. In this case Issuer shall disclose such decision in the newswires of at least one information agency or other organization possessing the status of the mass media authorised by the FSFM of Russia (FCSM of Russia) for the public disclosure of information in the securities market (hereinafter – "newswires")¹ no later than 5 (five) days after the date of the decision. The relevant announcement should contain the following information: a) decision date; b) the number of the coupon starting from which the coupons will be set at the EBRD Offer Rate.

- (b) **If the National Currency Association Board ceases to calculate the MosPrime Rate all the following coupons are to be set at the EBRD Prime Rate. The issuer is obliged to publish such information in the newswires. The information shall be published no later than 5 (five) days after the date when the Issuer has become aware of the fact that the National Currency Association Board ceased to calculate MosPrime Rate.**

EBRD Prime Rate is determined by the Calculation Agent in percent per annum on the basis of offer rates provided by reference banks. On the relevant I-Coupon Quotation Day between

- 1) 11.00 am to 12.00 pm (Moscow time) if EBRD Prime Rate has replaced MosPrime Rate, or**
- 2) 1.00 pm to 2.00 pm (Moscow time) if EBRD Prime Rate used for one-time I-Coupon Rate calculation**

each reference bank provides the calculation agent with an offer rate at which it is willing to extend a 91 (ninety one) day RUR 150 MM loan to the Issuer. The Reference Banks shall provide the rates per annum rounded to two decimal places.

If on a I-Coupon Quotation Day the Calculation Agent receives the respective rates value only from a single Reference Bank, or if none of the Reference Banks provides the rates, then EBRD Prime Rate in respect of such coupon period shall be equal to the Refinancing Rate of Central Bank of the Russian Federation prevailing on the respective I-Coupon Quotation Day.

If the Calculation Agent receives the rates from two, or three Reference Banks, then the EBRD Prime Rate is calculated as arithmetic mean of the provided offer rates.

If the Calculation Agent receives the rates from four or more Reference Banks, then the EBRD Prime Rate is calculated as the arithmetic mean of the provided offer rates disregarding the highest and the lowest of such rates.

The calculated EBRD Prime Rate shall be rounded, if necessary, to two decimal places (0.01% p.a.-one basis point), with 0.001-0.004 being rounded down and 0.005-0.009 being rounded up.

"Reference Banks" means banks – prospective purchasers of the Bonds mentioned in paragraph 8.1 of the Issue Certificate or other banks registered in accordance with the legislation of the Russian Federation, which have concluded respective agreement with the Issuer. The Issuer shall publish an official announcement on inclusion/exclusion of a bank to/from the Reference Bank's list in newswires no later than 5 (five) days after the date of the decision.

¹ In accordance with the decision of the FCSM of Russia tender commission taken on 26 April 2001 the winners of the public tender arranged by the FCSM of Russia with respect to the right of providing services on the public disclosure of information in the securities market became Interfax and AK&M.

"Calculation Agent" is an entity appointed by the Issuer for the Calculation of the EBRD Prime Rate. The Issuer has the right to appoint another entity as the Calculation Agent. In this case Issuer shall disclose such appointment in the newswires no later than 5 (five) days after the date of the decision. Appointment of a new Calculation Agent becomes effective on the date of the information disclosure in the newswires.

9.4. Procedure for the Determination of the Amount of Income on the Bonds, Including Procedure and Terms of Coupon Payment

Coupon (Interest) Period		Terms (Date) of Coupon Payment	Date of Compiling the List of Bonds Owners and/or Nominal Holders
Commencement Date	Final Date		

1. Coupon: First coupon rate

Commencement date of the first coupon period of the bond issue shall be the date of commencement of the Bonds placement.	End date of the coupon period shall be the 91h day following the date of commencement of the Bonds placement.	First coupon payment is executed on the 91st day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of redemption.
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Income on the Bonds shall be paid by the Payment Agent at the expense of and on behalf of the Issuer. Payment of income shall be effected in Russian Roubles by the wire transfer.

The date of the payment of income on the Bonds shall be the last day of the coupon period of the Bonds. If a coupon income payment date falls on a non-business day (no matter whether it is a public holiday or a non-business day for settlement operations), payment of the amounts due shall be made on the first business day following the non-business day. A bondholder shall have no right to demand accrued interest or any other compensation for such a delay.

It is assumed that nominal holders, that are Depositaries, are authorised to receive income from the Bonds. Depositaries and/or other persons who are not authorised by their respective clients to receive income on Bonds shall, no later than four (4) business days prior to the established date of income payment, submit to the NDC the List of Bond owners and/or Nominal Holders that contains all the details set out below in the List of Owners and/or Nominal Holders of Bonds.

Payment of income on Bonds shall be made in favour of the owners of Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of the bond income payment (the "Date of Compiling the List of Bond Owners and/or Nominal Holders").

The fulfilment of obligations towards the owner/holder included in the List of Bond Owners and/or Nominal Holders for the purposes of income payment, is considered as valid in the event of the disposal of obligations after the Date of Compiling the List of Bond Owners and/or Nominal Holders.

No later than three (3) business days prior to the established date of coupon income payment, NDC shall provide the Issuer and/or the Payment Agent with the List of Bond owners and/or Nominal Holders compiled as of the Date of Compiling the List of Bonds Owners and/or Nominal Holders for the Purposes of Income Payment and containing the following information:

- full name of a person authorised to receive bond income amounts. Where Bonds have been transferred by the owner to a nominal holder and such nominal holder is authorised to receive bond income amounts, the full name of the nominal holder shall be specified. Where Bonds have not been transferred to a nominal holder or such nominal holder is not authorised to receive bond income amounts, the full name of the bond owner shall be specified;
- number of Bonds accounted for in the owner's Depo account or on the inter-depository account of the bond nominal holder authorised to receive bond income amounts;
- location and postal address of persons authorised to receive bond income amounts;
- details of the bank account of the person authorised to receive bond income amounts, specifying the following:
 - account number;
 - title of the bank which hold the account;
 - corresponding bank account with which the account is opened;
 - banking identification code of the bank where the account is opened;
 - taxpayer's identification number of a person authorised to receive bond redemption amounts;
- tax status of a person authorised to receive bond redemption amounts (resident, non-resident having a permanent establishment in the Russian Federation, non-resident having no permanent establishment in the Russian Federation, etc.).

Owners of Bonds, their authorised persons, including Depositaries, shall monitor completeness and effectiveness of the bank account details of which they have informed NDC themselves.

In the event of a failure to submit, or late submission with NDC of the above information required for the Issuer to perform its obligations under the Bonds, these obligations shall be fulfilled in favour of a person forwarding a demand to fulfil these obligations and being the owner of the bond as of the date of the forwarding of the demand.

Obligations of the Issuer in respect of Bonds shall be fulfilled based on the information provided by the NDC. In the cases envisaged by the agreement with NDC the Issuer is entitled to demand confirmation of such information by the records of rights for the Bonds.

No later than 1 (one) business day prior to the agreed date of bond income payment, the Issuer shall remit the required amount to the account of a Payment Agent.

Based on the List of Bond owners and/or Nominal Holders submitted by NDC, the Payment Agent shall calculate the amounts payable to each of the persons named in the List of Bond owners and/or Nominal Holders.

As of the date of coupon income payment, the Payment Agent shall remit the required amounts to accounts of persons authorised to receive bond redemption amounts and named in the List of Bond owners and/or Nominal Holders.

Where one person is authorised to receive coupon income payment amounts on behalf of a number of owners that person shall receive the total amount payable without allotting it between each owner.

2. Coupon: Second coupon rate

Commencement date of the second coupon period of the bond issue shall be the 91st day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 182nd day following the date of commencement of the Bonds placement.	First coupon payment is executed on the 182nd day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The second coupon income payment procedure is identical to the first coupon income payment procedure.

3. Coupon: Third coupon rate

Commencement date of the third coupon period of the bond issue shall be the 182nd day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 273rd day following the date of commencement of the Bonds placement.	Third coupon payment is executed on the 273rd day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The third coupon income payment procedure is identical to the first coupon income payment procedure.

4. Coupon: Fourth coupon rate

Commencement date of the fourth coupon period of the bond issue shall be the 273rd day following the date of commencement of the Bonds placement.	End date of the Fourth coupon period shall be the 364th day following the date of commencement of the Bonds placement.	Fourth coupon payment is executed on the 364th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The fourth coupon income payment procedure is identical to the first coupon income payment procedure.

5. Coupon: Fifth coupon rate

Commencement date of the fifth coupon period of the bond issue shall be the 364th day following the date of commencement of the Bonds placement.	End date of the fifth coupon period shall be the 455th day following the date of commencement of the Bonds placement.	Fifth coupon payment is executed on the 455th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The fifth coupon income payment procedure is identical to the first coupon income payment procedure.

6. Coupon: Sixth coupon rate

Commencement date of the sixth coupon period of the bond issue shall be the 455th day following the date of commencement of the Bonds placement.	End date of the sixth coupon period shall be the 546th day following the date of commencement of the Bonds placement.	Sixth coupon payment is executed on the 546th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The sixth coupon income payment procedure is identical to the first coupon income payment procedure.

7. Coupon: Seventh coupon rate

Commencement date of the seventh coupon period of the bond issue shall be the 546th day following the date of commencement of the Bonds placement.	End date of the seventh coupon period shall be the 637th day following the date of commencement of the Bonds placement.	Seventh coupon payment is executed on the 637th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:
The seventh coupon income payment procedure is identical to the first coupon income payment procedure.

8. Coupon: Eighth coupon rate

Commencement date of the	End date of the eighth	Eighth coupon payment is	Coupon payment is executed
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<p>eight coupon period of the bond issue shall be the 637th day following the date of commencement of the Bonds placement.</p>	<p>coupon period shall be the 728th day following the date of commencement of the Bonds placement.</p>	<p>executed on the 728th day following the date of commencement of the Bonds placement.</p>	<p>in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The eighth coupon income payment procedure is identical to the first coupon income payment procedure.

9. Coupon: Ninth coupon rate

<p>Commencement date of the ninth coupon period of the bond issue shall be the 728th day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 819th day following the date of commencement of the Bonds placement.</p>	<p>Ninth coupon payment is executed on the 819th day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The ninth coupon income payment procedure is identical to the first coupon income payment procedure.

10. Coupon: Tenth coupon rate

<p>Commencement date of the tenth coupon period of the bond issue shall be the 819th day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 910th day following the date of commencement of the Bonds placement.</p>	<p>Tenth coupon payment is executed on the 910th day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The tenth coupon income payment procedure is identical to the first coupon income payment procedure.

11. Coupon: Eleventh coupon rate

<p>Commencement date of the eleventh coupon period of the bond issue shall be the 910th day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 1001st day following the date of commencement of the Bonds placement.</p>	<p>Eleventh coupon payment is executed on the 1001st day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The eleventh coupon income payment procedure is identical to the first coupon income payment procedure.

12. Coupon: Twelfth coupon rate

<p>Commencement date of the twelfth coupon period of the bond issue shall be the 1001st day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 1092nd following the date of commencement of the Bonds placement.</p>	<p>Twelfth coupon payment is executed on the 1092nd day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The twelfth coupon income payment procedure is identical to the first coupon income payment procedure.

13. Coupon: Thirteenth coupon rate

<p>Commencement date of the thirteenth coupon period of the bond issue shall be the 1092nd day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 1183rd day following the date of commencement of the Bonds placement.</p>	<p>Thirteenth coupon payment is executed on the 1183rd day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.</p>
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Coupon (interest) income payment procedure:
The thirteenth coupon income payment procedure is identical to the first coupon income payment procedure.

14. Coupon: Fourteenth coupon rate

<p>Commencement date of the fourteenth coupon period of the bond issue shall be the 1183rd day following the date of commencement of the Bonds placement.</p>	<p>End date of the third coupon period shall be the 1274th day following the date of commencement of the Bonds placement.</p>	<p>Fourteenth coupon payment is executed on the 1274th day following the date of commencement of the Bonds placement.</p>	<p>Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the</p>
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			Bonds.
Coupon (interest) income payment procedure:			
The fourteenth coupon income payment procedure is identical to the first coupon income payment procedure.			

15. Coupon: Fifteenth coupon rate

Commencement date of the fifteenth coupon period of the bond issue shall be the 1274th day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1365th day following the date of commencement of the Bonds placement.	Fifteenth coupon payment is executed on the 1365th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The fifteenth coupon income payment procedure is identical to the first coupon income payment procedure.

16. Coupon: Sixteenth coupon rate

Commencement date of the sixteenth coupon period of the bond issue shall be the 1365th day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1456th day following the date of commencement of the Bonds placement.	Sixteenth coupon payment is executed on the 1456th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The sixteenth coupon income payment procedure is identical to the first coupon income payment procedure.

17. Coupon: Seventeenth coupon rate

Commencement date of the seventeenth coupon period of the bond issue shall be the 1456th day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1547th day following the date of commencement of the Bonds placement.	Seventeenth coupon payment is executed on the 1547th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The seventeenth coupon income payment procedure is identical to the first coupon income payment procedure.

18. Coupon: Eighteenth coupon rate

Commencement date of the eighteenth coupon period of the bond issue shall be the 1547th day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1638th day following the date of commencement of the Bonds placement.	Eighteenth coupon payment is executed on the 1638th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The eighteenth coupon income payment procedure is identical to the first coupon income payment procedure.

19. Coupon: Nineteenth coupon rate

Commencement date of the nineteenth coupon period of the bond issue shall be the 1638th day following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1729th following the date of commencement of the Bonds placement.	Nineteenth coupon payment is executed on the 1729th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The nineteenth coupon income payment procedure is identical to the first coupon income payment procedure.

20. Coupon: Twentieth coupon rate

Commencement date of the twentieth coupon period of the bond issue shall be the 1729th following the date of commencement of the Bonds placement.	End date of the third coupon period shall be the 1820th day following the date of commencement of the Bonds placement.	Twentieth coupon payment is executed on the 1820th day following the date of commencement of the Bonds placement.	Coupon payment is executed in favour of the owners of Bonds who own the Bonds as of the close of NDC's trading day preceding the sixth (6) business day before the date of payment of income on the Bonds.
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Coupon (interest) income payment procedure:

The twentieth coupon income payment procedure is identical to the first coupon income payment procedure.

9.5. Procedure and Terms of Early Redemption.

Not applicable

9.6. Information on the Paying Agents for the Bonds

Income on the Bonds and the redemption amount of the Bonds shall be paid by the Paying Agent.

Full name: **Non-Profit Partnership “The National Depository Centre”**

Abbreviated name: **NDC**

location of the depository: **Building 4, 1/13, Sredniy Kislovskiy Pereulok, Moscow;**

number of the depository license: **№177-03431-000100;**

issue date of the license: **December, 4, 2000**

term of the license: **unlimited;**

issuing body: **FCSM of Russia**

Functions of the Payment Agent:

1. transfer money on the behalf and at the expense of the Issuer to the parties mentioned in the List of owners and/or nominal holders of the Bonds which have right to receive the coupon and/or redemption value of the Bonds (hereinafter – for purposes of this paragraph – the List of owners and nominal holders of the Bonds) in the amount, terms and order determined in the Issue Decision and the Agreement between the Issuer and the Payment Agent.

Issuer should transfer money assigned for the payments by the Payment Agent to the banking account defined by the Payment agent beforehand in the amount, terms and order determined in the Issue Decision and the Agreement between the Issuer and the Payment Agent.

2. Observe confidentiality of information that the Payment Agent receives while performing its obligations unless this information is public or to be disclosed in accordance with the legislation of the Russian Federation.

The Issuer may replace the Paying Agent and also appoint and dismiss other Payment Agents;

Procedure for the disclosure of information on the appointment and dismissal of Payment Agents

The Issuer’s official announcement on appointment of other Payment Agents and cancellation of appointment shall be published by the Issuer in the newswires no later than 5 (five) days after such decision.

9.7. Actions by the Bondholders where the Issuer Defaults or does not Fulfil its Obligations under the Bonds Properly

The failure of the Issuer to fulfil its obligations under the Bonds constitutes a material breach of the loan agreement (the “Event of Default”) where there is

- **a delay in the performance of an obligation to pay out interest (coupon) under a bond for a term of seven (7) days, or the refusal to fulfil such obligation,**
- **a delay in the performance of obligations with respect to the payment of the principal for more than thirty (30) days or the refusal to fulfil such obligation.**

Delayed performance of the relevant obligations within the term indicated in this clause constitutes a “Technical Default”.

In the case of a Technical Default interest shall accrue on the amount of unfulfilled obligation in accordance with Article 395 of the Civil Code of the Russian Federation which shall be payable by the Issuer simultaneously with the performance of the earlier defaulted obligation.

If an Event of Default continues for a period of ninety (90) days, any bondholder may deliver or cause to be delivered to the Issuer at [the address of the Payment Agent] a written demand for the redemption of all its Bonds. If within thirty (30) days from the date of the receipt of such demand by the Issuer at the above address the Event of Default is not cured the Issuer shall immediately redeem the Bonds by paying in relation to each Bond the amount of its face value, accrued but not paid coupon income for the completed coupon period and the coupon income for the number of days elapsed from the date of the completion of the last coupon period until the date of the actual redemption of the Bonds, calculated on the basis of the I-Coupon Rate determined in accordance with paragraph 9.3 of the Issue Certificate for the last complete coupon period.

Initiation of Court Proceedings / Federal Arbitration Court Proceedings

In accordance with Articles 810 and 811 of the Russian Civil Code, the Issuer is under an obligation to repay to the holders of the Bonds at maturity their face value and to pay the coupon income in respect of the Bonds within the period and subject to the procedure set out by the provisions of the Issue Decision.

In the event of the failure to perform or improper performance by the Issuer of its obligations under the Bonds, Bondholders may file a law suit with the court (federal arbitration court) against the Issuer, and demand redemption of the Bond and payment of the income envisaged thereby and

interest accrued due to the late redemption of the Bond in accordance with Articles 395 and 811 of the Civil Code of the Russian Federation. The limitation period with respect to the demands arising from the failure of the Issuer to perform its obligations under the Bonds is three years from the date on which the Issuer was supposed to perform the relevant obligations under the Bonds.

In accordance with the Agreement on Establishing the European Bank for Reconstruction and Development of 29 May 1990 and the Resident Office Agreement between the Government of the Russian Federation and the European Bank for Reconstruction and Development dated 29 March 1993, the Issuer, within the scope of its official activities, enjoys immunity from jurisdiction, subject to waiver of immunity. Outside the Russian Federation, actions may be brought against the Issuer only in a court of competent jurisdiction in the territory of a country in which it has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No action against the Issuer may be brought by its members or persons acting for or deriving claims from its members.

The Issuer hereby waives the immunities specified in the Section 6 of the Resident Office Agreement between the Russian Federation and the Issuer dated 29 March 1993, but only in respect of the Bonds; such waiver shall be subject to the limitations set forth in the following paragraphs.

The property and assets of the Issuer are immune from all forms of seizure, attachment or execution before the delivery of final judgment against it. Such property and assets are also immune from search, requisition, confiscation, expropriation and any other form of taking or foreclosure by executive or legislative action. The archives of the Issuer are inviolable. Nothing herein contained shall constitute a waiver in respect of any immunities or privileges specified in this paragraph.

The Governors, Alternate Governors, Directors, Alternate Directors, officers and employees of the Issuer, including experts performing missions for it, are immune from legal proceedings for acts performed by them in their official capacities, except when the Issuer waives such immunity. Nothing herein contained shall constitute a waiver in respect of any immunities or privileges specified in this paragraph.

Procedure for the Disclosure of Information on a Failure to Fulfil or Improper Fulfilment of Obligations under the Bonds

In the event of a failure to perform or improper performance of the obligations by the Issuer to redeem and pay income on the Bonds, the Issuer discloses the information in the newswires – no later than 5 (five) days from the date of a failure to perform or improper performance of the obligations by the Issuer.

The publication should include the following information:

- ***The amount of unfulfilled obligations***
 - ***The reason for failure to fulfil the obligations***
 - ***The list of bond holders' possible actions that can be taken in order for the issuer to fulfil the obligations under the bonds.***
10. Information of the purchase of securities

It is possible for the Issuer to purchase Bonds from their owner(s) with a possibility of Bonds further circulation prior to the completion of the redemption term. The purchase of the Bonds by the Issuer is possible after the Bonds have been fully paid and the state registration of the report on the results of the issue has been completed.

The Issuer has the right to purchase Issued Bonds by entering into bond purchase agreements with some of the owners of Bonds in accordance with the legislation of the Russian Federation without making a public offer to other owners of the Bonds to purchase their Bonds.

The Decision to purchase Bonds by way of a public offer to purchase the Bonds is made by the Issuer's Head of Funding. In case such a decision is taken the Issuer is obliged to publish the decision on the purchase of the Bonds in the newswires not later than 7 (seven) days before the beginning of the term for the purchase of the Bonds. Such announcement shall contain information on the price (or procedure for the price determination defined as a formula with the variables, which value may not be changed at the Issuer's discretion) for the Bonds purchase and the number of the Bonds to be purchased.

The Issuer must purchase the Bonds for which the bondholders have filed the respective applications. If the number of the applications on the purchase of the Bonds exceed the number of the Bonds indicated in the announcement on the Bonds acquisition, the Issuer shall acquire the bonds pro rata to the amount indicated in the applications, only whole Bonds shall be acquired.

11. Procedure for the Disclosure of Information on the issue of securities in accordance with the applicable laws of the Russian Federation and the Standards.

The Issuer shall disclose information on the issue of the Bonds in accordance with the requirements of the securities laws of the Russian Federation and regulations of the FSFM of Russia (FCSM of Russia), in accordance with the procedure and within the period established by the Certificate. If, as at the moment of occurrence of any event which the Issuer shall disclose under the applicable laws and regulations of the FSFM of Russia (FCSM of Russia), there has been established a procedure and a period of disclosure of such event other than the procedure and the period established by the

Issue Decision, the information of such event shall be disclosed in accordance with the procedure and within the period established by the federal laws, as well as the regulations of the FSFM of Russia (FCSM of Russia) effective as of the occurrence of such event.

a) The disclosure of information on the actual Completion Date of the Placement is made in accordance with paragraph 8.2 of this Issue Certificate.

b) The disclosure of information on the substitution of MosPrime Rate for EBRD offer rate is made in accordance with paragraph 9.3 of this Issue Certificate.

c) The disclosure of information on the appointment and dismissals of the Reference Banks is made in accordance with paragraph 9.3 of this Issue Certificate.

d) The disclosure of the information on the appointment and dismissals of a Calculating Agent is made in accordance with paragraph 9.3 of this Issue Certificate.

e) The disclosure of the information on the appointment and dismissals of a different paying agent is made in accordance with paragraph 9.6 of this Issue Certificate.

f) The disclosure of the information on the Issuer's failure to perform or improper performance of the obligations is made in accordance with paragraph 9.7 of this Issue Certificate.

g) The disclosure of the information on the purchase of the Bonds is made in accordance with paragraph 10 of this Issue Certificate.

12. Information and Terms of Security for Fulfilment of Obligations under the Bonds.

No security is to be provided.

15. Additional Information required under the Standards of Issue of Bonds and Registration of Prospectuses.

a) The Bonds are intended to be permitted to the circulation on exchange and over-the-counter market.

Following the state registration of the Bonds and their placement through the Closed Subscription, the Issuer intends to submit a prospectus for registration by the FSFM and thereafter apply to ZAO FB MICEX (the arranger of trading on the securities market) to list the Bond issue and to admit the Bonds to the circulation.

Following the registration of the Prospectus for the Bonds and admission of the Bonds to trading on ZAO FB MICEX the Issuer intends to commit to the following obligations to ZAO FB MICEX:

i) Issuer and/or Calculation agent are to inform ZAO FB MICEX about the I-Coupon Rate not later than 18.00 Moscow time on the I-Coupon Quotation Day.

ii) The Issuer is to inform ZAO FB MICEX about the appointment of the Calculation Agent not later than the following business day after the decision date.

b) Procedure for the Determination of the Amount of Income on the Bonds.

[The income on the Bonds is the amount of coupon incomes accrued and calculated for each coupon period in accordance with the procedure set out below].

On any day between the securities placement commencement date and the date of redemption, the amount payable in respect of each coupon on one Bond of the issue shall be calculated as follows:

$$K_i = C_j * Nom * (T - T(j-1)) / 365$$

where

K_i is the amount of the coupon payment on one bond of the issue;

Nom is the nominal value of one bond;

C_j is the amount of interest rate of the i coupon as expressed in per cent per annum;

T(j-1) is the commencement date of the i coupon period;

T is the end date of the i coupon period.

The amount of the accrued coupon income on each Bond shall be calculated to the nearest kopeck (rounded in accordance with the rules on arithmetical rounding until the nearest whole number. The rules on arithmetical rounding shall be understood as a rounding method where the value of the whole kopeck (whole kopecks) does not change if the number immediately following the rounded number is within range from 0 to 4, and increases by one if the number immediately following the rounded number is within range from 5 to 9).

Appendix No.2
Issuer's Annual Accounting Reports

Appendix No.3
Issuer's Quarterly Accounting Record for the Last Quarter

Appendix No.4
Issuer's Annual Report for 2002