

OFFER LETTER

This document is very important and requires your immediate attention. If you are in doubt about what action you should take, you are recommended to immediately seek your own personal financial and legal advice from, as appropriate, your stockbroker, bank, lawyer, accountant or independent financial adviser.

If you have sold all or any of your shares in Teleset Networks Public Company Limited, please send this document and the accompanying attachments to the purchaser or, for transmission to the purchaser, to the stockbroker, bank or other agent through whom the sale was effected. If you are a depositary or nominee holding the shares on behalf of a depositary interest holder or nominee, please send this document and attachments to the depositary interest holder or beneficiary.

The distribution of this document and the accompanying attachments into certain jurisdictions may be restricted by law. Therefore, persons into whose possession this document and any accompanying attachments come should inform themselves about and observe any such restrictions. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States, Canada, Japan, Australia or any other jurisdiction if to do so would violate the relevant laws of that jurisdiction.

27 May 2010

To: Each shareholder of Teleset Networks Public Company Limited

Copy: Each depositary interest holder of Teleset Networks Public Company Limited

The company secretary of Teleset Networks Public Company Limited
(to forward to any shareholders or depositary interest holders he has alternative contact details for)

Dear Sirs

OFFER FOR YOUR SHAREHOLDING IN TELESET NETWORKS PUBLIC COMPANY LIMITED

1. INTRODUCTION

The purpose of this letter is for VolgaTelecom (the "**Buyer**") to make a cash offer (the "**Offer**") to acquire 157,556,715 shares (the "**Shares**") of Teleset Networks Public Company Limited (the "**Company**"), representing 100% of the issued share capital of the Company from its shareholders (collectively, the "**Shareholders**").

2. THE OFFER

The Shares are the only class of equity share capital of the Company. The Offer is subject to the Condition (as defined below) and the key terms of the Offer are as follows:

Price per Share: USD 0.8473.

Aggregate Price: The aggregate price the Buyer will pay for 100% of the issued share capital of the Company is USD 133,497,804.62. This assumes that the Buyer acquires 100% of the issued share capital of the Company and there will not be any adjustments in the price under the Settlement Agreement.

Purchase Price: The Price per Share multiplied by the number of Shares held by the relevant Shareholder.

Payment terms: 95% of the Purchase Price is payable to the Main Settlement Account as closely as practicably possible to the transfer of a Shareholder's Shares and at least 90% of the Shares being

registered in the name of the Buyer (the "**Payment Date**"). 5% of the Purchase Price will, on the Payment Date, be transferred to the Secondary Settlement Account.

Main Settlement
Account:

The Main Settlement Account has been opened with Bank of Cyprus Public Company Limited and 95% of the Purchase Price will be paid into it on the Payment Date and should be released by the Sellers' Representative to relevant Shareholders immediately thereafter. Certain transaction costs will be deducted from such monies.

Secondary
Settlement Account:

The Secondary Settlement Account has also been opened with Bank of Cyprus Public Company Limited and 5% of the Purchase Price will be paid into it on the Payment Date and should be released on 31 December 2010, although this can be extended in the event the Buyer has claims under the SPAs or the Settlement Agreement.

Implementation:

The Offer is being implemented by way of the execution of (a) a sale and purchase agreement (each, a "**SPA**") between the Buyer and the relevant Shareholder, the form of which is set out in schedule 1 and (b) a settlement agreement (the "**Settlement Agreement**") between the Buyer and the Sellers' Representative, the form of which is set out in schedule 2.

SPA:

Each SPA to be executed between the Buyer and the relevant Shareholder contains warranties and other obligations of the relevant Shareholder regarding, amongst other things, its Shares and its ability to enter into such SPA.

Settlement
Agreement:

The Settlement Agreement is executed between the Buyer and the Sellers' Representative, and contains various statements on the business of the Company and its subsidiaries and, to the extent they are untrue, inaccurate or misleading, payments could be due to be made by the Sellers' Representative to the Buyer from the monies held in the Secondary Settlement Account.

Limits of liability:

Each SPA and the Settlement Agreement contains a number of limits of liability, including financial and time limits. Recourse under the Settlement Agreement is limited to the monies held in the Secondary Settlement Account.

Sellers'
Representative:

AAA Regent Consultants Limited (who separately act as the company secretary of the Company) will be appointed to be your representative to deal with certain matters under the Offer. The terms of such appointment are set out in the Sellers' Representative Agreement at schedule 3.

The Offer is conditional (the "**Condition**") upon it being accepted by 5p.m. (in Nicosia, Cyprus) on the date that is four months from the date hereof by the holders of at least 90% of the Shares. The Offer is open for acceptances for four months from the date hereof.

3. **THE BUYER**

The Buyer is a company incorporated under the laws of the Russian Federation with main state registration number ("INN") 5260901817 and with its registered office at Dom Svyazi, M. Gorky Square, Nizhny Novgorod, 603000, the Russian Federation. The Buyer was established in 2002 and is a leading telecommunications company in the Volga region of the Russian Federation and provides, either directly or through its subsidiary companies, a wide range of telephony, cellular, Internet and data transmission, TV and radio broadcasting services. The Buyer's shares are traded on the RTS and MICEX, and the Buyer's Level 1 American Depositary Receipts are traded on the Frankfurt and Berlin Stock Exchanges and the USA OTC market. If the Condition is satisfied and the Offer becomes unconditional in all respects, the Buyer intends to seek to de-list the Company from AIM and will replace the board of directors of the Company (including the CEO).

The Buyer has received all necessary corporate approvals to make the Offer and to execute the transaction documentation with the Shareholders on the abovementioned terms. The Buyer has also received the approval of the antimonopoly authorities of the Russian Federation. However, completion of the SPAs remains subject to, amongst other things, the termination of certain options over shares in the Company that are held by certain of its managers.

4. **ACCEPTANCE OF THE OFFER**

The Offer can only be accepted in respect of the full number of Shares you own. Partial acceptance of the Offer is not permitted.

The procedure to accept the Offer is as follows:

4.1 **Depository Instruments**

These provisions apply if you hold depository instruments in the Company ("**DIs**").

DIs are uncertified instruments held on your behalf by your broker who has an account with CREST (the electronic settlement system for UK and Irish securities operated by Euroclear UK and Ireland Limited). The company secretary of the Company should be able to confirm whether you are a Shareholder or depository interest holder. If you do not hold DIs please proceed to section 4.2.

The Offer is being made to acquire the Shares, not DIs. In order to accept the Offer you will need to contact your broker who holds your DIs and instruct him to convert your DIs into Shares. Your broker can provide you with the necessary transfer forms to complete in order to convert your DIs into Shares and can generally assist with such conversion.

You should note that the normal procedures (and timings) of CREST apply in connection with the conversion of DIs into Shares. You should therefore ensure all necessary actions are taken to enable you to convert your DIs into Shares and participate in the Offer if you wish to.

4.2 **Acceptance of the Offer**

These provisions apply if you hold Shares or once you convert your DIs into Shares.

To accept the Offer, you should:

- (a) execute the power of attorney set out in schedule 5 of this letter;

(b) locate your share certificate for your Shares,

and send such power of attorney and share certificates, by a reputable international courier, to the Company Secretary of the Company (AAA Regent Consultants Limited) at the address set out in paragraph 4.3 below. If you have lost your share certificate for your Shares (or any of them) you should immediately contact the Company Secretary of the Company as set out below. These documents must be received within four months from the date hereof to validly accept the Offer.

In certain circumstances, the Buyer may require additional documentation to confirm the authority of the person signing the power of attorney or your ability to enter into the transaction documents. The Company Secretary of the Company would contact you if such documentation is required.

The Buyer has already provided the Company Secretary of the Company with a copy of its corporate approvals.

4.3 **Queries**

If you have any queries in relation to the completion of the documentation to accept the Offer, you should contact the Company Secretary of the Company as follows:

AAA Regent Consultants Ltd
Armenias 39A, 2003 Nicosia
The Republic of Cyprus
Telephone: +357 22 879702
Fax: +357 22 355551
Attention: Constantinos Tsaggaris (reference "Teleset Networks")

5. **COMPULSORY ACQUISITION**

To the extent that the Buyer acquires at least 90% of the issued share capital of the Company pursuant to the Offer, the Buyer intends to use section 201 of the Cyprus Companies Law Cap 113 (as amended) to compulsorily acquire the remaining Shares.

6. **GOVERNING LAW**

This letter is governed by and must be construed in accordance with English law.

In order to effectively manage the Offer process, can you please acknowledge receipt of this letter and confirm whether you do or do not wish to participate in it. Your acknowledgement should be sent to Law Debenture Corporate Services Limited by mail to Fifth Floor, 100 Wood Street, London, EC2V 7EX or by fax to +44 (0) 20 7606 0643. A form of acknowledgement is attached to this letter at schedule 4. Sending an acknowledgement does not accept the Offer - see clause 4 above for the acceptance procedure.

Yours faithfully



Name: В. И. Рыбакин
Position: General Director
VolgaTelecom

SCHEDULE 1

SPA

THE SELLER

- and -

VOLGATELECOM
(a Russian public company)

SHARE PURCHASE AGREEMENT
FOR THE ACQUISITION OF CERTAIN SHARES IN THE CAPITAL OF
TELESET NETWORKS PUBLIC COMPANY LIMITED

THIS AGREEMENT IS DATED _____ 2010

PARTIES

(1) If a company:

Full company name: _____

Country registered in: _____

Registered number: _____

Registered address: _____

Phone number
(inc country code): _____Fax number
(inc country code): _____

Email: _____

Contact person: _____; or

If an individual:

Full name: _____

Usual residential
address: _____Phone number
(inc country code): _____Fax number
(inc country code): _____

Email: _____

(as appropriate, the "**Seller**"); and(2) **VOLGATELECOM**, a public company incorporated in the Russian Federation (with main registered number ("INN"): 5260901817), whose registered office is at Dom Svyazi, M. Gorky Square, Nizhny Novgorod city, 603000, the Russian Federation (the "**Buyer**").**RECITALS**The Seller has agreed to sell or procure to be sold and the Buyer has agreed to purchase _____ ordinary shares of EUR 0.02 each in the capital of the Company (the "**Shares**").**OPERATIVE TERMS****1. INTERPRETATION**

1.1 In this Agreement:

"Business Day" means a day (except a Saturday or Sunday) on which banks are generally open for business in Moscow, the Russian Federation, London, United Kingdom, Nicosia, the Republic of Cyprus, and New York, United States of America;**"Buyer's Group"** means the Buyer and any person which is from time to time a subsidiary of the Buyer, a holding company of the Buyer and any other subsidiary of such holding company and **"Buyer's Group Company"** means any of them;

"Company" means Teleset Networks Public Company Limited, a company incorporated in the Republic of Cyprus (with registered number: 178378) whose registered office is at Lemosou Avenue 89, 2121 Aglantzia Nicosia, Cyprus;

"Company's Confidential Information" means information in any form relating to a Group Company's business, customers or financial or other affairs (including future plans and development), but does not include information which is publicly known at Completion or which subsequently becomes publicly known (other than in either case as a result of a breach of the provisions of a Transaction Document by a Seller's Group Entity);

"Completion" means completion of the sale and purchase of the Shares in accordance with this Agreement;

"Completion Date" means:

- (a) in the case where this Agreement is executed on or before the last condition set out in clause 4.1 is satisfied, the day which is the fifth Business Day after the date on which the last condition set out in clause 4.1 is satisfied; and
- (b) in the case where this Agreement is executed after the last condition set out in clause 4.1 is satisfied, the later of (a) the day which is the fifth Business Day after the date on which the last condition set out in clause 4.1 is satisfied and (b) the Business Day after the Signing Date;

"Encumbrance" means any encumbrance, mortgage, blocking order, court decision, court order, arrest, execution order, order preventing the sale of any assets, charge, pledge, lien, restriction, assignment, hypothecation, security interest, title retention or any other agreement or arrangement the effect of which is the creation of security, or any other interest, equity or other right of any person (including any right to acquire, option, right of first refusal or right of pre-emption), or any agreement or arrangement to create any of the same and **"Unencumbered"** and **"Encumber"** shall be construed accordingly;

"FAS Approval" means the approval of the Federal Anti-Monopoly Service of the Russian Federation or its relevant Territorial Department and the issuance of any instructions from it, each in terms satisfactory to the Buyer in relation to the purchase by the Buyer of the entire issued capital of the Company;

"Group Companies" means the Company and the Subsidiaries and **"Group Company"** means any of them;

"Main Settlement Account" means the bank account in the name of the Seller's Representative with a reputable bank agreed between the Seller's Representative and the Buyer into which, amongst others, the payment specified in clause 5.2(c)(i) shall be paid in accordance with the terms of this Agreement;

"Offer Letter" means the offer letter from the Buyer to the Shareholders dated in May 2010 pursuant to which the Buyer made an offer to acquire the entire issued share capital of the Company;

"Options" means the share options granted under (a) the Option Agreement dated 12 October 2006 between the Company and Roman Shaikhutdinov in respect of 1,532,865 ordinary shares in the Company, (b) the Option Agreement dated 25 May 2007 between the Company and Roman Shaikhutdinov in respect of 1,277,387 ordinary shares in the Company, (c) the Option Agreement dated 12 October 2006 between the Company and Lidia (Lidana) Bondar in respect of 1,021,910 ordinary shares in the Company, (d) the Option Agreement dated 25 May 2007 between the Company and Lidia (Lidana) Bondar in respect of 510,955 ordinary shares in the Company, (e) the Option Agreement dated 12 October 2006 between the Company and Ioannis Demetriou in respect of 2,554,775

ordinary shares in the Company, (f) the Option Agreement dated 25 May 2007 between the Company and Ioannis Demetriou in respect of 2,299,298 ordinary shares in the Company and (g) the Option Agreement dated 25 May 2007 between the Company and Philippos Vatiliotis for 1,021,910 ordinary shares in the Company;

"Other Sale Purchase Agreements" means the sale and purchase agreements for the acquisition, pursuant to the Offer Letter, of certain shares in the capital of the Company between the Buyer and certain other Shareholders;

"Permitted Encumbrances" means any pre-emption right over the Subsidiary Shares arising under (a) the charter of the relevant company, (b) the provisions of the Russian joint stock companies law or the Russian limited liability company law (as applicable) or (c) the provisions of the shareholders' agreement between Oleg Yurievitch Korotin, Yuri Yurievitch Korotin and the Company dated 1 August 2008;

"Protected Group" means each Group Company and each of their successors in title, directors, officers, employees and agents (including advisers) and each adviser to the Buyer's Group Company and **"member of the Protected Group"** shall be construed accordingly. For the avoidance of doubt, the Buyer does not form part of the Protected Group;

"Purchase Price" means the purchase price for the Shares to be paid in accordance with clause 5.2(c);

"Secondary Settlement Account" means the bank account in the name of the Seller's Representative with a reputable bank agreed between the Buyer and the Seller's Representative into which, amongst others, the payment specified in clause 5.2(c)(ii) shall be paid in accordance with the terms of this Agreement;

"Seller's Group" means:

- (a) in the case where the Seller is a corporate body, the Seller and any person which is from time to time a subsidiary of the Seller, a holding company of the Seller and any other subsidiary undertaking of such holding company; and
- (b) in the case where the Seller is an individual, the Seller and each person connected to or controlled by the Seller,

and **"Seller's Group Entity"** means any of them;

"Seller's Representative" means AAA Regent Consultants Limited (who separately acts as the company secretary of the Company);

"Seller's Representative Agreement" means the agreement between the Seller's Representative and certain Shareholders regarding, amongst other things, the distribution of the Purchase Price to the Seller;

"Settlement Agreement" means the agreement between the Buyer and the Seller's Representative regarding the operation of the Secondary Settlement Account and the holding and distribution of, amongst others, the payment specified in clause 5.2(c)(ii);

"Shareholder" means a holder of shares in the capital of the Company either directly or through depositary instruments;

"Shares" has the meaning given to that term in the recitals;

"Signing" means the signing of this Agreement by the parties to it;

"Signing Date" means the date on which the parties to this Agreement have both signed it;

"Simbirsk Telecommunication Systems" means Simbirsk Telecommunication Systems, a limited liability company incorporated in the Russian Federation (with registered number: 1027301161557), whose registered office is at Ryabikova 21B, Ulyanovsk, Republic of Tatarstan, 432045, Russian Federation;

"Subsidiaries" means TELESET, TNPKO, TELESET INVEST, Svyazinvest and Simbirsk Telecommunication Systems and **"Subsidiary"** means any of them;

"Subsidiary Shares" means:

- (a) 100% of the participation interests in the charter capital of TELESET of Roubles 85,277,469, being the entire charter capital of TELESET;
- (b) 11,000 ordinary shares of Roubles 10 each in the charter capital of TNPKO, being the entire issued share capital of TNPKO;
- (c) 100% of the participation interests in the charter capital of TELESET INVEST of Roubles 104,972,386.85, being the entire charter capital of TELESET INVEST;
- (d) 100% of the participation interests in the charter capital of Svyazinvest of Roubles 420,000, being the entire charter capital of Svyazinvest; and
- (e) 51% of the participation interests in the charter capital of Simbirsk Telecommunication Systems of Roubles 15,555, being the 51% of the charter capital of Simbirsk Telecommunication Systems;

"Svyazinvest" means Svyazinvest, a limited liability company incorporated in the Russian Federation (with registered number: 1031605003594), whose registered office is at Yamasheva blvd. 4, Naberezhnye Chelny, Republic of Tatarstan, 423850, Russian Federation;

"TELESET" means TELESET, a limited liability company incorporated in the Russian Federation (with registered number: 1021603270259), whose registered office is at Rakhimova str. 8, Kazan, Republic of Tatarstan, 420006, Russian Federation;

"TELESET INVEST" means TELESET INVEST, a limited liability company incorporated in the Russian Federation (with registered number: 1021603277354), whose registered office is at Rakhimova str. 8, Kazan, Republic of Tatarstan, 420006, Russian Federation;

"TNPKO" means TNPKO, a joint stock company incorporated in the Russian Federation (with registered number: 1021603618189), whose registered office is at Rakhimova str. 8, Kazan, Republic of Tatarstan, 420006, Russian Federation;

"Transaction" means a transaction that:

- (a) relates to or is entered into in connection with the sale by the Shareholders of the shares in the capital of the Company to the Buyer pursuant to the offer under the Offer Letter; and
- (b) is contemplated in a Transaction Document;

"Transaction Documents" means:

- (a) the Offer Letter;
- (b) this Agreement;
- (c) the Other Sale Purchase Agreements;
- (d) the Settlement Agreement;

- (e) the Seller's Representative Agreement; and
- (f) any document executed under any such agreement; and

"Warranty" means a statement set out in the schedule.

1.2 In this Agreement:

- (a) a reference to a clause, paragraph or schedule is, unless stated otherwise, a reference to a clause or paragraph of, or schedule to, this Agreement;
- (b) a reference in a schedule to a paragraph is, unless otherwise stated, a reference to a paragraph in that schedule or, where that schedule is split into parts, a reference to a paragraph in that part of that schedule;
- (c) a reference to any statute or statutory provision is a reference to that statute or statutory provision as re-enacted, amended or extended before the Signing Date and includes a reference to any subordinate legislation (as re-enacted, amended or extended) made under it before the Signing Date;
- (d) a reference to any English legal term for a legal document, court, judicial process, action, remedy, legal status, official or any other legal concept or thing is, in respect of a jurisdiction other than England, deemed to be a reference to whatever most closely equates to the English legal term in that jurisdiction;
- (e) a reference to a **"person"** includes any individual, company, corporation, firm, partnership, joint venture, association, state, state agency, institution or trust (whether or not having a separate legal personality);
- (f) a reference to one gender is a reference to all or any genders, and references to the singular include the plural and vice versa;
- (g) a company is a **"subsidiary"** of another company (its **"holding company"**) if that other company, directly or indirectly, through one or more subsidiaries:
 - (i) holds a majority of the voting rights in it;
 - (ii) is a member or shareholder of it and has the right to appoint or remove a majority of its board of directors or equivalent managing body;
 - (iii) is a member or shareholder of it and controls alone or pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
 - (iv) has the right to exercise a dominant influence over it pursuant to its constitutional documents or pursuant to a contractual arrangement;
- (h) any Warranty qualified by the expression to the Seller's knowledge or any similar expression shall mean the actual knowledge of each Seller's Group Entity, Ioannis Demetriou (CEO), Lidia (Lidana) Bondar (CFO) and Roman Shaikhutdinov (COO). It shall not include any deemed, constructive or imputed knowledge and the Seller shall have no duty of enquiry; and
- (i) a reference to **"RUB"**, **"Roubles"** or **"Rubles"**, **"USD"**, **"US\$"**, **"\$"** or **"Dollars"** and **"EUR"**, **"Euro"** or **"€"** is to the lawful currency of the Russian Federation, United States of America and the member states of the European Union that have adopted or may adopt the single currency in accordance with the legislation of the European Union for European Monetary Union (respectively).

- 1.3 The schedule forms part of this Agreement and a reference to "**this Agreement**" includes its schedule.
- 1.4 The headings in this Agreement do not affect its interpretation.
- 1.5 Sections 839 and 840 of the Income and Corporation Taxes Act 1988 is to apply to determine whether one person is connected with another or controlled by another (respectively) for the purposes of this Agreement.

2. **SALE AND PURCHASE OF THE SHARES**

- 2.1 The Seller shall at Completion sell and transfer (or procure to be sold and transferred) and the Buyer shall purchase and accept the transfer of the entire legal and beneficial title in the Shares free from all Encumbrances.
- 2.2 The Seller covenants with the Buyer that it has now and at all times up to and at Completion shall have the full power and the right to (a) sell and transfer the beneficial title in the Shares and (b) sell and transfer (or procure to be sold and transferred) the legal title in the Shares, in each case on the terms set out in this Agreement.
- 2.3 The Shares shall be sold together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid after the Signing Date.
- 2.4 The Seller hereby irrevocably waives any restrictions on transfer (including rights of pre-emption) which may exist in relation to the shares in the capital of the Company in order to give effect to the Transaction.
- 2.5 The Buyer shall not be obliged to complete the purchase of any of the Shares unless the sale of all the Shares is completed simultaneously in accordance with this Agreement.

3. **PURCHASE PRICE**

- 3.1 The Purchase Price for the Shares is USD 0.8473 multiplied by the number of Shares.
- 3.2 The Seller hereby confirms that the Seller's Representative is irrevocably authorised by the Seller to receive payment of the Purchase Price on the Seller's behalf and the receipt by the Seller's Representative shall be an absolute discharge for the Buyer who shall not be concerned to see to the application thereof or be answerable for the loss or misapplication of such sum.
- 3.3 Except those required by law, the Buyer hereby waives and relinquishes any right of set-off or counterclaim, deduction or retention which it might otherwise have in respect of the payment of the Purchase Price.

4. **CONDITIONS**

- 4.1 Completion of the sale and purchase of the Shares is conditional on each of the following conditions (the "**Conditions**") being satisfied by 11a.m. (in Nicosia, the Republic of Cyprus) on [date] 2010 (or such later date as agreed in writing between the Buyer and the Seller's Representative):
 - (a) receipt by the Buyer of the FAS Approval and delivery by the Buyer to the Seller's Representative of a copy of the FAS Approval;
 - (b) the offer set out in the Offer Letter being accepted by Shareholders holding at least 90% of the issued share capital of the Company;

- (c) the Company has terminated the Options (at a maximum aggregate cost to the Company not to exceed USD 5,730,000) and has no outstanding obligations under the Options (excluding, for the avoidance of doubt, payment obligations under the termination agreement) and the Company has notified the Buyer accordingly; and
- (d) the Company has taken action to terminate the employment of Mr. Ioannis Demetriou, the CEO.

4.2 The Buyer must notify the Seller's Representative in writing of the satisfaction of a Condition within three Business Days of it becoming aware that such Condition has been satisfied.

4.3 If the Conditions have not been satisfied by the time specified in clause 4.1, this Agreement automatically terminates and, except as provided under clause 6, each party's rights and obligations under this Agreement cease immediately on termination.

5. **SIGNING AND COMPLETION**

5.1 Signing must take place at the registered office of the Company in Cyprus or at another location (or locations) agreed between the Buyer and the Seller's Representative. At Signing:

- (a) the Seller must deliver to:
 - (i) the Buyer evidence satisfactory to the Buyer of the capacity and authority of each person executing a document referred to in this Agreement on behalf of the Seller; and
 - (ii) the Seller's Representative a copy of a deed of adherence to the Seller's Representative Agreement (in the form attached to the Offer Letter), duly executed by the Seller; and
- (b) the Buyer must deliver to the Seller's Representative evidence satisfactory to the Seller's Representative of the capacity and authority of each person executing a document referred to in this Agreement on behalf of the Buyer.

5.2 Completion must take place on the Completion Date at the registered office of the Company in Cyprus or at another location agreed in writing between the Buyer and the Seller's Representative. At Completion the following actions shall be taken as closely as practicably possible to each other:

- (a) an instrument of transfer in relation to the Shares must be signed by the person registered as the holder of the Shares (and the Seller shall procure this) as transferor and the Buyer as transferee and delivered by the parties to the Company;
- (b) the Seller shall thereafter procure that the Company provides to the Buyer a certified copy of its register of members that has been updated to show the Buyer as the registered holder of:
 - (i) the Shares free from Encumbrances; and
 - (ii) shares representing at least 90% of the issued share capital of the Company pursuant to this Agreement and the Other Sale Purchase Agreements; and
- (c) the Purchase Price shall be satisfied by the payment by the Buyer in immediately available cleared funds of an amount equal to:

- (i) 95% of the Purchase Price (rounded down to the nearest whole cent) into the Main Settlement Account; and
- (ii) 5% of the Purchase Price (rounded up to the nearest whole cent) to the Secondary Settlement Account.

6. TERMINATION

If this Agreement is terminated pursuant to clause 4.3, each party's further rights and obligations cease immediately on termination except that:

- (a) each party must continue to comply with this clause 6 and clauses 8 (*Limitation on Seller's Liability*), 10 (*Confidentiality*), 11 (*Announcements*), 12 (*Assignment*), 13 (*Notices*), 14 (*General*) (excluding 14.2) and 15 (*Governing law and arbitration*) and each provision of this Agreement necessary for a party to enforce those clauses; and
- (b) termination of this Agreement does not affect a party's right to claim for a breach of any other party's obligations under this Agreement if that breach occurred before termination and each party must continue to comply with each provision of this Agreement necessary for a party to enforce such a right.

7. WARRANTIES

Seller warranties

- 7.1 The Seller warrants to the Buyer that each Warranty is at the Signing Date and will at Completion be (by reference to the facts and circumstances existing at that time) true, accurate and not misleading.
- 7.2 Each Warranty is a separate and independent statement and (except as expressly provided by this Agreement) is not limited or otherwise affected by any other Warranty or by any other provision of this Agreement.
- 7.3 No information of which the Buyer may have knowledge (whenever acquired and whether actual, constructive or imputed) prevents or limits a claim being made by the Buyer for any breach of clause 7.1.
- 7.4 The Seller waives any and all claims against the Protected Group relating to any due diligence or other investigation they may have done into any Group Company which it may have and shall ensure that each other Seller's Group Entity waives any and all such claims that they may have. This waiver is given by the Seller to the Buyer as trustee on behalf of the Protected Group.

Buyer warranties

- 7.5 The Buyer warrants (the "**Buyer Warranties**") to the Seller that each of the following statements is at the Signing Date and will at Completion be (by reference to the facts and circumstances existing at that time) true, accurate and not misleading:
 - (a) the Buyer:
 - (i) has the right, power and authority to enter into and perform its obligations under each Transaction Document to be entered into by it; and
 - (ii) has taken all necessary corporate or other action to authorise the execution of, and performance by it of, its obligations under each Transaction Document to which it is a party;

- (b) each Transaction Document entered into by the Buyer on or before the Signing Date constitutes obligations binding on it in accordance with its terms. Each Transaction Document to be entered into by the Buyer after the Signing Date will, after its execution (and in the case of a deed, its delivery), constitute obligations binding on it in accordance with its terms;
- (c) no approval, waiver, registration, consultation or notification is required to be obtained or made by the Buyer in connection with the execution, performance or enforceability of a Transaction Document entered into or to be entered into by it;
- (d) subject to the satisfaction of the Conditions, neither the execution (and in the case of a deed, delivery) by the Buyer of a Transaction Document nor the performance by the Buyer of any of its obligations under a Transaction Document will violate or conflict with:
 - (i) Russian law or its constitutional documents;
 - (ii) a provision in an agreement or instrument which is binding on it; or
 - (iii) an order or judgement of a court, tribunal or governmental or regulatory body (of the Russian Federation or elsewhere) which is binding on it.

7.6 Each Buyer Warranty is a separate and independent statement and (except as expressly provided by this Agreement) is not limited or otherwise affected by any other Buyer Warranty or by any other provision of this Agreement.

7.7 No information of which the Seller may have knowledge (whenever acquired and whether actual, constructive or imputed) prevents or limits a claim being made by the Seller for any breach of clause 7.5.

7.8 The Buyer undertakes to the Seller's Representative (on behalf of the holders of the Options) that, after Completion, it and the Company shall not take any action to challenge (and shall not permit any person to do so) the termination of any of the Options envisaged by clause 4.1(c). The total amount of the Buyer's liability to a holder of Options under this clause 7.8 is the termination payment otherwise receivable by the relevant holder of Options.

8. LIMITATIONS ON SELLER'S LIABILITY

8.1 In this clause 8, "**Relevant Claim**" means any claim by the Buyer against the Seller under the Warranties.

8.2 The following provisions apply to impose certain limitations on the Seller's liability:

- (a) Maximum liability - the total amount of the Seller's liability in respect of:
 - (i) all Relevant Claims is limited to the Purchase Price; and
 - (ii) subject to the general limitations in clause 8.2(a)(i), all Relevant Claims in relation to:
 - (1) TELESET is further limited to 62% of the Purchase Price;
 - (2) TELESET INVEST is further limited to 8% of the Purchase Price;
 - (3) TNPKO is further limited to 20% of the Purchase Price;
 - (4) Svyazinvest is further limited to 1% of the Purchase Price;

- (5) Simbirsk Telecommunication Systems is further limited to 9% of the Purchase Price.
- (b) Basket - the Seller will only be liable in respect of a Relevant Claim once the total amount of all claims against the Shareholders under the Transaction Documents exceeds USD 1 million, in which case the Buyer is entitled to claim the total amount of all such claims and not only the excess;
- (c) Time limit - the Seller will only be liable in respect of:
- (i) a Relevant Claim in relation to Warranty 1, 2.1, 2.2, 2.4, 2.6, 2.8, 2.10, 2.12, 2.14 or 2.15 or clause 14.2, if the Buyer has served a notice on the Seller on or before the date that is 5 years after the Completion Date; and
 - (ii) a Relevant Claim in relation to Warranty 2.3, 2.5, 2.7, 2.9, 2.11, 2.13 or 2.16 if the Buyer has served a notice on the Seller on or before the date that is 2 years after the Completion Date,
- in each case, which sets out the nature of the claim in reasonable detail, including the Buyer's then best estimate of its amount;
- (d) Proceedings - any Relevant Claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have commenced by both being issued and served within 6 months of notification to the Seller pursuant to clause 8.2(c) save where the Relevant Claim relates to a contingent liability in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 6 months of it having become an actual liability. To the extent that when any such claim is notified or becomes an actual liability the Seller does not have any liability for it due to the operation of clause 8.2(b), the time period for issuing and serving claims shall be deemed to be within 6 months of the date that the Seller has a liability for that claim for the purposes of clause 8.2(b). The Buyer and the Seller's Representative agree that they shall, on a quarterly basis starting from the date of notification by the Buyer to the Seller's Representative of the first Relevant Claim relating to a contingent liability and ending when all contingent liabilities that have been notified in accordance with clause 8.2(c) expire or cease to be contingent, meet (in person or by way of conference call) to discuss in good faith the status of the contingent liability and the Buyer will (subject to the Seller's Representative entering into a confidentiality agreement in terms reasonably satisfactory to the Buyer) during that period provide the Seller's Representative with any new material information it becomes aware of relating to the contingent liability;
- (e) Double recovery - the Seller will not be liable under a Relevant Claim to the extent that the loss that is the subject of the Relevant Claim has already been fully recovered in respect of another claim under this Agreement or the Settlement Agreement;
- (f) Consultation - if the Buyer or a Group Company becomes aware of a claim against a Group Company by a third party or of any other fact, matter or circumstance, which in either case is reasonably likely to result in the Buyer being entitled to make a Relevant Claim:
- (i) the Buyer must promptly notify the Seller (in accordance with clause 13) of such occurrence (failure to give such notice as soon as reasonably practicable shall not prevent the Buyer from making the Relevant Claim, but the Seller shall not be liable to the Buyer in respect of such Relevant

Claim to the extent that the amount of it is increased, or is not reduced, as a result of such failure); and

- (ii) subject to the Seller entering into a confidentially obligation in terms reasonably satisfactory to the Buyer, the Buyer must, and must procure the relevant Group Company to, consult as fully as is reasonably practicable and permitted by law as regards the conduct of any proceedings arising out of such claim.

For these purposes (i) the knowledge of Oleg Yurievitch Korotin, Yuri Yurievitch Korotin and/or any person appointed or nominated by them in Simbirsk Telecommunication Systems shall not form part of the knowledge or awareness of the Buyer or a Group Company and (ii) in the context of Simbirsk Telecommunication Systems, the Buyer's procurement obligation in this clause is limited to exercising its rights as an indirect shareholder of Simbirsk Telecommunication Systems to give effect to this clause;

- (g) Group claims - no claim against a Group Company by another Group Company or a Buyer's Group Company will give rise to a Relevant Claim. To the extent that a Group Company or Buyer's Group Company is not (directly or indirectly) wholly owned by the Company or the Buyer (respectively), this clause shall not apply to the extent that the Buyer has exercised its direct and indirect voting rights in such company to vote against the bringing of such claim, but such claim is still brought;
- (h) Mitigation etc - nothing in this clause 8.2 affects any legal duty of the Buyer to mitigate its loss or has the effect of limiting or restricting any liability of the Seller in respect of a Relevant Claim arising as a result of fraud, wilful misconduct or wilful concealment.

9. FURTHER ASSURANCE

- 9.1 The Seller must, and must use all reasonable endeavours to ensure that each Seller's Group Entity will (at the Seller's cost), execute all documents and do all acts and things as the Buyer reasonably requires for the purpose of giving the Buyer the full benefit of all the provisions of this Agreement.
- 9.2 The Seller confirms that no Seller's Group Entity has (a) any original documents belonging to a Group Company or (b) copy documents or other information relating to a Group Company that a Group Company does not have and needs in order to run its business.

10. CONFIDENTIALITY

10.1 After Completion, the Seller must:

- (a) not disclose or use the Company's Confidential Information unless it has first obtained the Buyer's written permission; and
- (b) ensure that no Seller's Group Entity discloses or uses the Company's Confidential Information unless it has first obtained the Buyer's written permission.

10.2 After Signing:

- (a) a party must not disclose information relating to the negotiation, existence or provisions of a Transaction Document; and
- (b) the Seller must ensure that the Seller's Group must not and the Buyer must ensure that the Buyer's Group must not disclose information relating to the negotiation, existence or provisions of a Transaction Document,

in each case unless, in the case of a disclosure by the Buyer, it has first obtained the written permission of the Seller or the Seller's Representative and, in the case of a disclosure by the Seller, it has first obtained the written permission of the Buyer.

10.3 Clauses 10.1 and 10.2 do not apply to a disclosure or use of information if and to the extent only that:

- (a) the disclosure or use is required by applicable law or regulation (including applicable banking regulation), a court of competent jurisdiction or a competent judicial, governmental, supervisory or regulatory body;
- (b) the disclosure or use is required by a rule of a stock exchange or listing authority on which the shares or other securities of a Buyer's Group Company, a Seller's Group Entity or the Company are listed or traded;
- (c) the disclosure is made, in the case of the Buyer, to the directors, officers or senior employees of a Buyer's Group Company and, in the case of the Seller, to the directors, officers or senior employees of a Seller's Group Entity, in each case for the purpose of ensuring compliance with the terms of a Transaction Document;
- (d) the disclosure or use is required for the purpose of legal proceedings arising out of a Transaction Document or the disclosure is required to be made to a tax authority in connection with the tax affairs of a member of, in the case of the Buyer, the Buyer's Group and, in the case of the Seller, the Seller's Group;
- (e) the disclosure is made to a professional adviser of the disclosing person, in which case the disclosing person is responsible for ensuring that the professional adviser complies with the terms of this clause 10 as if it were a party to this Agreement; or
- (f) the disclosure is made (i) by either party to the Seller's Representative in its capacity as such or (ii) by the Seller's Representative in its capacity as such to any seller under any Other Sale Purchase Agreement or to the Second Signatory (as defined in the Settlement Agreement), in each case only to the extent necessary to perform its duties under a respective Other Sale Purchase Agreement or the Settlement Agreement (as the case may be) and, with respect to disclosure to any such seller, provided that such seller agrees not to further disclose such information, save as permitted by this Agreement). The Seller shall be responsible for ensuring that the Seller's Representative complies with the terms of this clause as if it were a party to this Agreement.

10.4 A party may only make a disclosure in the circumstances contemplated by clauses 10.2(a) or 10.2(b) if, before making the disclosure, it has consulted with, in the case of a disclosure by the Buyer, the Seller or the Seller's Representative and taken into account the requirements of the Seller or the Seller's Representative and, in case of a disclosure by the Seller, the Buyer and taken into account the requirements of the Buyer in each case as to the timing, content and manner of making the disclosure to the extent it is permitted to do so by applicable law or regulation and to the extent it is reasonably practicable to do so.

11. ANNOUNCEMENTS

11.1 Before and after Signing, a party must not:

- (a) make or send; or
- (b) permit another person to make or send on its behalf,

a public announcement or circular regarding the existence or the subject matter of a Transaction Document, unless it has first obtained in the case of a public announcement by the Buyer, the written permission of the Seller or the Seller's Representative and, in the case of a public announcement by the Seller, the written permission of the Buyer (in each case, that permission not to be unreasonably withheld or delayed).

11.2 Clause 11.1 does not apply to an announcement or circular:

- (a) which is required by applicable law or regulation, a court of competent jurisdiction or a competent judicial, governmental, supervisory or regulatory body;
- (b) which is required by a rule of a stock exchange or listing authority on which the shares or other securities of a Seller's Group Entity, a Buyer's Group Company or the Company are listed or traded; or
- (c) that a Buyer's Group Company makes or sends after Completion informing the employees, customers, clients or suppliers of a Buyer's Group Company (which, for the avoidance of doubt, includes the Group Companies after Completion) that the Buyer has purchased the Shares PROVIDED THAT such announcement or circular does not disclose the financed terms of such purchase.

11.3 A party may only make or send an announcement or circular in the circumstances contemplated by clause 11.2(a) or 11.2(b) if, before making or sending the announcement or circular it has consulted with, in the case of a disclosure by the Buyer, the Seller or the Seller's Representative and taken into account the requirements of the Seller or the Seller's Representative and, in case of a disclosure by the Seller, the Buyer and taken into account the requirements of the Buyer in each case as to the timing, content and manner of making the announcement or circular to the extent it is permitted to do so by applicable law or regulation and to the extent it is reasonably practicable to do so.

12. **ASSIGNMENT**

12.1 Except as provided for in clause 12.2, a party may not assign, transfer, charge or deal in any other manner with this Agreement or any of its rights under it (including holding an interest on trust for another), nor purport to do so, nor sub-contract any or all of its obligations under this Agreement without having obtained the prior written consent of each other party.

12.2 If the Shares or Subsidiary Shares are sold or otherwise transferred at any time to any Buyer's Group Company, the Buyer is entitled to assign its corresponding rights under this Agreement to that Buyer's Group Company provided that (a) the Buyer must procure that any such company to whom it assigns any of its rights under this Agreement will assign such rights back to the Buyer or another Buyer's Group Company immediately prior to it ceasing to be a member of the Buyer's Group, (b) no such assignment will relieve the Buyer of any of its obligations under this Agreement, (c) the liabilities of the Seller under this Agreement shall be no greater than such liabilities would have been had the assignment not occurred and (d) during the period between an assignee ceasing to be a Buyer's Group Company and the Buyer fulfilling its obligations under clause 12.2(a), the assignee shall not have a right to bring a claim under this Agreement. For the avoidance of doubt, once the relevant assigned rights have been assigned back to a Buyer's Group Company, that company shall, subject to clause 8, have a right to bring a claim under this Agreement.

13. **NOTICES**

13.1 A notice, permission or other communication under or in connection with this Agreement must be in writing, in English, signed by or on behalf of the person giving it and delivered

by hand or courier or sent by fax to the relevant party to the contact, address and fax number set out in clause 13.2.

13.2 The contact, address and fax number for each party is:

(a) in the case of the Seller, as follows:

(i) in the period from the Signing Date to the date that is 24 months thereafter (both dates inclusive):

Address: AAA Regent Consultants Ltd, Armenias 39A,
2003 Nicosia, the Republic of Cyprus
Fax: +357 22 355551
Attention: Constantinos Tsaggaris (reference: "Teleset Networks"),

(or such other details as the Seller's Representative may notify in writing to the Buyer); and

(ii) if the Seller's Representative notifies the Buyer in writing at any time after the period referred to in (i) above that it no longer wishes to serve as the Seller's Representative, the contact details of the Seller set out in the parties section (or such other details as the Seller may notify in writing to the Buyer); and

(b) in the case of the Buyer, as follows:

Address: Dom Svyazi, M. Gorky Square, Nizhny Novgorod city, 603000,
the Russian Federation
Fax: +7 831 437 5140
Attention: The General Director

(or such other details as the Buyer may notify in writing to the Seller).

13.3 Unless there is evidence that it was received earlier, a notice or other communication that complies with clauses 13.1 and 13.2 is deemed given:

(a) if delivered by hand or courier, at the time of delivery, except as provided in clause 13.4; or

(b) if sent by fax, at the time of its transmission, except as provided in clause 13.4.

13.4 If deemed delivery under clause 13.3 of a notice or other communication delivered by hand or courier or sent by fax occurs:

(a) before 9a.m. on a Business Day, the notice or other communication is deemed delivered at 9a.m. on that day; and

(b) after 5p.m. on a Business Day or on a day which is not a Business Day, the notice or communication is deemed to have been given at 9a.m. on the next Business Day.

13.5 In this clause, a reference to time is to local time in the place in which the recipient of the notice or communication is located.

14. GENERAL

14.1 Costs. Each party must pay its own costs incurred in connection with the negotiation, preparation, execution and implementation of each Transaction Document.

14.2 Fees. The Seller undertakes to the Buyer that no Group Company has incurred before Completion any bonuses, legal, accounting or other professional charges, fees, expenses

or commissions relating to the Transactions (including any investigation into the affairs of the Group Companies and the negotiation, preparation, execution and implementation of the Transaction Documents) that in aggregate exceed USD20,000.

- 14.3 Stamp duty etc. The Seller acknowledges that the Buyer has advised it that the Buyer has executed its counterpart of this Agreement outside Cyprus and the Seller agrees that it shall not bring the Buyer's counterpart of this Agreement into Cyprus (i) without promptly notifying the Buyer of such occurrence and (ii) except when required in connection with any Cypriot court proceedings relating to this Agreement. The Buyer and the Seller must, on demand, each pay an amount equal to 50% of any stamp duty (and any applicable late payment interest, penalty or fines) that has been paid by the Seller or the Buyer, respectively, in Cyprus on the Offer Letter, this Agreement or any instrument of transfer to transfer the Shares. To the extent that any other notarial fees or registration, stamp or transfer taxes or duties are payable on this Agreement or any instrument of transfer to transfer the Shares under the laws of the jurisdiction of incorporation or place of residence (as applicable) of the Seller or the place the Seller executes or performs this Agreement, they shall be for the account of the Seller.
- 14.4 Interest. If a party fails to pay an amount required to be paid under this Agreement when it is due, that party must pay interest on such amount from and including the due date for payment up to and including the date of actual payment at the rate per year of 10 per cent. This rate applies to any period after a judgment as well as before a judgment. Interest accrues on a daily basis.
- 14.5 Gross up. Any payment made by the Seller in respect of a claim by the Buyer against the Seller under this Agreement must include any amount necessary to ensure that, after any tax of such payment, the Buyer is left with the same amount it would have had if the payment was not subject to tax whether directly, by deduction, withholding or otherwise.
- 14.6 Variation. A variation of this Agreement is valid only if it is in writing and signed by each party or its duly authorised representative.
- 14.7 No Waiver. Failure to exercise, or a delay in exercising, a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents the further exercise of the right or remedy or the exercise of another right or remedy. A waiver of a breach of this Agreement does not constitute a waiver of a subsequent or prior breach of this Agreement.
- 14.8 Rights cumulative. The rights and remedies provided by this Agreement are cumulative and do not exclude any rights and remedies provided by law.
- 14.9 Counterparts. This Agreement may be entered into in any number of counterparts and any party may enter into this Agreement by executing any counterpart. A counterpart constitutes an original of this Agreement and all executed counterparts together have the same effect as if each party had executed the same document.
- 14.10 Effect of Completion. Each obligation under this Agreement which has not been fully performed by Completion remains in force after Completion.
- 14.11 Entire Agreement. The Transaction Documents together set out the entire agreement between the parties in respect of the Transactions and supersede any previous agreement or arrangement between the parties relating to the subject matter of the Transactions.
- 14.12 Fraud. Nothing in the Transaction Documents limits or excludes liability arising as a result of fraud, wilful concealment or wilful misconduct.

14.13 Invalidity. If a provision of this Agreement is found to be illegal, invalid or unenforceable, then to the extent it is illegal, invalid or unenforceable, that provision will be given no effect and will be treated as though it was not included in this Agreement, but the validity or enforceability of the remaining provisions of this Agreement will not be affected.

14.14 Third Party Rights. Subject to the proviso to this clause 14.14, each party undertakes to the other party that:

- (a) any Option holder shall have the right to enforce clause 7.8; and
- (b) the Seller's Representative shall have the right to enforce the Seller's Representative's, the Option holders' and the Seller's rights under this Agreement,

under the Contracts (Rights of Third Parties) Act 1999, provided that the respective rights of the Option holders and the Seller's Representative under this clause 14.14 are subject to:

- (i) the term that the parties may by agreement terminate or rescind or vary it in any way without the consent of or notice to the Seller's Representative; and
- (ii) the other terms and conditions of this Agreement.

Save as provided in this clause 14.14, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce this Agreement.

15. **GOVERNING LAW AND ARBITRATION**

15.1 Governing law. This Agreement, the jurisdiction clause contained in it and all non-contractual obligations arising in any way whatsoever out of or in connection with this Agreement are governed by, construed and take effect in accordance with English law.

15.2 Arbitration.

Except as permitted by clause 15.3:

- (a) any dispute, controversy or claim arising out of or in connection with this Agreement, including (without limitation) any question regarding its existence, validity, breach or termination, shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA Rules**"), which LCIA Rules are deemed to be incorporated by reference into this clause. The seat, or legal place, of arbitration shall be London, England. The language to be used in the arbitral proceedings shall be English. The number of arbitrators shall be three;
- (b) the claimant shall nominate one arbitrator and the respondent shall nominate one arbitrator, in each case in accordance with the LCIA Rules. The third arbitrator, who will act as chairman of the arbitral tribunal, shall be nominated by the two appointed arbitrators within 14 days of the appointment of the second arbitrator by the LCIA Court, failing which the third arbitrator shall be appointed by the LCIA Court;
- (c) all awards shall be final and binding on the parties. Judgment upon any award may be entered in any court of competent jurisdiction. The parties hereby agree that an arbitral tribunal constituted under this Agreement or under any other Transaction Document may, upon the application of any party to the arbitration before it, order that the arbitration be consolidated with any other arbitration or proposed arbitration under this Agreement and/or any other Transaction Document if either (1) all of the parties to the relevant arbitrations or proposed

arbitrations agree to such consolidation, or (2) the relevant arbitrations or proposed arbitrations involve common issues of fact or law and the arbitral tribunal in receipt of such an application is satisfied that such consolidation will provide a fair and efficient means for the final resolution of the parties' disputes and will not cause undue prejudice to any party. The parties hereby agree that, if and to the extent that any such consolidation involves the joinder of a third person within the meaning of Article 22.1(h) of the LCIA Rules, the parties have hereby consented thereto in writing; and

- (d) in the event of different rulings on the question of consolidation by different arbitral tribunals constituted under this Agreement and/or any other Transaction Document, the ruling of the first arbitral tribunal to be fully appointed (the "**First Tribunal**") shall prevail. In the event that the First Tribunal has ruled in favour of consolidation, the First Tribunal shall be the arbitral tribunal that finally resolves the disputed issues in the consolidated arbitration, unless otherwise agreed by all of the parties so implicated in the consolidated arbitration. Each party hereby irrevocably waives any right to object to the constitution of the First Tribunal, and/or to any award rendered by the First Tribunal, on the ground that such party was not, by reason of any such consolidation, entitled to nominate, or jointly nominate, a member of the First Tribunal.

15.3 Litigation. To the extent that:

- (a) the Seller (if it is a corporate) is incorporated or (if it is an individual) has his usual residential address in a jurisdiction that is not a party to the New York Convention on the Recognition and Enforcement of Arbitral Awards; and
- (b) the Buyer has not already commenced arbitration proceedings pursuant to clause 15.2 in respect of a particular dispute, controversy or claim arising out of or in connection with this Agreement,

the Buyer may bring proceedings in relation to any such dispute, controversy or claim in any court of competent jurisdiction as an alternative to commencing arbitration pursuant to clause 15.2, which court shall thereupon have exclusive jurisdiction for the purposes of that dispute, controversy or claim.

The parties have shown their acceptance of the terms of this Agreement by executing it at the end of the schedule.

**SCHEDULE
Warranties**

1. CAPACITY

1.1 The Seller:

- (a) has the right, power and authority to enter into and perform its obligations under each Transaction Document to be entered into by it on or after the Signing Date; and
- (b) has taken all necessary corporate or other action to authorise the execution of, and performance by it of, its obligations under each Transaction Document.

1.2 Each Transaction Document entered into by the Seller on the Signing Date constitutes obligations binding on it in accordance with its terms. Each Transaction Document to be entered into by the Seller after the Signing Date will, after its execution (and in the case of a deed, its delivery), constitute obligations binding on it in accordance with its terms.

1.3 No approval, waiver, registration, consultation or notification is required to be obtained or made by the Seller in connection with the execution, performance or enforceability of a Transaction Document entered into or to be entered into by it.

1.4 Subject to the satisfaction of the Conditions, neither the execution (and in the case of a deed, delivery) by the Seller of a Transaction Document nor the performance by the Seller of any of its obligations under a Transaction Document will violate or conflict with:

- (a) to the extent it is a company, applicable law or its constitutional documents;
- (b) to the extent it is an individual, applicable law;
- (c) a provision in an agreement or instrument which is binding on it; or
- (d) an order or judgement of a court, tribunal or governmental or regulatory body (of the Russian Federation or elsewhere) which is binding on it.

2. SHARE CAPITAL

2.1 The Seller is the sole beneficial owner and it or its depositary is the sole legal owner of the Shares and the Seller has the right to transfer or procure the transfer of the full legal and beneficial interest in the Shares to the Buyer without the consent of a third person other than, if applicable, its depositary. If the Seller needs the consent of its depositary to transfer the Shares, such consent has been obtained.

2.2 The Company is properly incorporated and validly existing under the laws of the jurisdiction of its incorporation.

2.3 To the Seller's knowledge, each Subsidiary is properly incorporated and validly existing under the laws of the jurisdiction of its incorporation.

2.4 The whole of the allotted and issued share capital of the Company comprises 157,556,715 ordinary shares of EUR 0.02 each. The Shares have been properly allotted and issued and are fully paid or credited as fully paid.

2.5 Except for 49% of the issued share capital of Simbirsk Telecommunication Systems owned by Oleg Yurievitch Korotin and Yuri Yurievitch Korotin, each of the allotted and issued shares in the capital of each Subsidiary is solely legally and beneficially owned by the Company or another Subsidiary and has been properly allotted and issued, and is fully paid or credited as fully paid in each case within the applicable time periods specified by applicable laws.

- 2.6 The Shares are not affected by any Encumbrance and there are no arrangements or obligations that could result in the creation of an Encumbrance affecting any such shares.
- 2.7 The Subsidiary Shares are not affected by any Encumbrance (other than a Permitted Encumbrance) and there are no arrangements or obligations that could result in the creation of an Encumbrance affecting any such shares.
- 2.8 The Company is not undertaking any re-organisation or merger or exchange of its shares with or contributing its shares to any other company or otherwise changing its capital structure.
- 2.9 No Subsidiary is undertaking any re-organisation or merger or exchange of its shares with or contributing its shares to any other company or otherwise changing its capital structure.
- 2.10 Other than with respect to the Options, no person has or claims to have and there is no arrangement or obligation to create any right (actual or contingent) to require:
- (a) the allotment, issue, conversion, reduction or redemption of any share or loan capital of the Company or of any other securities giving rise to a right over the share capital of the Company; and
 - (b) to the Seller's knowledge, the transfer of any share or loan capital of the Company or of any other securities giving rise to a right over the share capital of the Company (other than pursuant to the Transaction).
- 2.11 To the Seller's knowledge, no person has or claims to have and there is no arrangement or obligation to create any right (actual or contingent) to require the allotment, issue, transfer, conversion, reduction or redemption of any share or loan capital of a Subsidiary or of any other securities giving rise to a right over the share capital of a Subsidiary.
- 2.12 Except as detailed in this Agreement, the Company is not the legal or beneficial owner of any shares or securities issued by any person and is not obliged to acquire any shares or other securities in any person.
- 2.13 Except as detailed in this Agreement, no Subsidiary is the legal or beneficial owner of any shares or securities issued by any person and is not obliged to acquire any shares or other securities in any person.
- 2.14 The statutory books of the Company have been properly kept and maintained and each of them is up-to-date, complete and accurate, and is in the possession of the Company. No person has sought rectification of any statutory book kept by the Company or made an allegation that a register kept by the Company is incorrect.
- 2.15 Neither the Seller nor the Company is bankrupt or insolvent or unable to pay its debts as they fall due. So far as the Seller is aware, no step has been taken in any jurisdiction to initiate any process by or under which:
- (a) the Seller (to the extent he is an individual) may be subject to any process whereby his assets are distributed amongst his creditors or the Company or the Seller (to the extent it is a company) may be dissolved or wound up or subject to any process whereby its business is terminated and its assets are distributed amongst its creditors and/or shareholders;
 - (b) an arrangement or compromise (voluntary or otherwise) has been or may be sanctioned or agreed to by the creditors of the Seller or the Company;
 - (c) a person is appointed to manage the affairs, business and/or assets of the Seller or the Company on behalf of any of their respective creditors (or group of respective creditors); or

- (d) the Seller or the Company may be subject to a proceeding under which its assets and/or affairs are subject to the control or suspension of a court of law or other judicial body.

2.16 So far as the Seller is aware, no step has been taken in any jurisdiction to initiate any process by or under which:

- (a) any Subsidiary may be dissolved or wound up or subject to any process whereby its business is terminated and its assets are distributed amongst its creditors and/or shareholders;
- (b) an arrangement or compromise (voluntary or otherwise) has been or may be sanctioned or agreed to by the creditors of any Subsidiary;
- (c) a person is appointed to manage the affairs, business and/or assets of any Subsidiary on behalf of any of their respective creditors (or group of respective creditors); or
- (d) any Subsidiary may be subject to a proceeding under which its assets and/or affairs are subject to the control or suspension of a court of law or other judicial body.

EXECUTION PAGE

THE SELLER

If a company:

Executed by _____)
)
acting by a duly authorised) Name: _____
director or officer or a duly) Capacity: Director/Officer/Attorney
authorised attorney) (delete as appropriate)

If an individual:

Executed by _____)
)
acting by itself or a) Name: _____
duly authorised attorney) Capacity: Seller/Attorney
) (delete as appropriate)

THE BUYER

Executed by _____)
VOLGATELECOM)
acting by its general director) Name: _____
or a duly authorised attorney) Capacity: General Director/Attorney
) (delete as appropriate)

SCHEDULE 2
SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

This agreement is dated _____ 2010.

PARTIES

- (1) **AAA Regent Consultants Limited**, a company incorporated in the Republic of Cyprus (with registered number: 1328286) whose registered office is at Armenias 39A, 2003 Nicosia, the Republic of Cyprus (the "**Seller's Representative**"); and
- (2) **OJSC VolgaTelecom**, a public company incorporated in the Russian Federation (with main registered number ("INN"): 5260901817), whose registered office is at Dom Svyazi, M. Gorky Square, Nizhny Novgorod city, 603000, the Russian Federation (the "**Buyer**").

1. RECITALS

- 1.1 The parties refer to the proposed acquisition, pursuant to the Offer Letter, by the Buyer of the entire issued share capital (the "**Shares**") of Teleset Networks Public Company Limited, a public company incorporated in the Republic of Cyprus (with registered number: 178378) and with its registered office at Lemosou Avenue 89, 2121 Aglantzia Nicosia, Cyprus (the "**Company**"). This agreement is supplemental to such acquisition.
- 1.2 One of the terms of such acquisition is that 5 percent of the purchase price for a Seller's Shares shall be held and distributed in accordance with the terms of this agreement.

2. TRANSFER OF FUNDS

The parties note that certain payments will be made by the Buyer to the Secondary Settlement Account in connection with the offer made under the Offer Letter, in each case to be held and distributed in accordance with the terms of this agreement.

3. RELEASE OF FUNDS

- 3.1 Settlement monies. The parties agree that none of the monies held from time to time in the Secondary Settlement Account shall be released except as provided for in this agreement.
- 3.2 Determined or Settled. A Claim will be "**Settled or Determined**" for the purposes of this agreement if and to the extent that:
 - (a) an arbitration panel constituted under the provisions of an SPA or this agreement or a court having jurisdiction under an SPA has issued an award or judgment in respect of the Claim in respect of which no right of appeal exists or is waived; or
 - (b) the Seller's Representative and the Buyer so expressly agree in writing; or
 - (c) the Claim (or any actual or potential third party claim underlying the Claim) is or becomes time barred or legal proceedings in respect of the Claim have not been commenced in accordance with clause 3.6; or
 - (d) the Claim has been withdrawn by the Buyer by a notice in writing to the Seller's Representative (or is deemed withdrawn pursuant to clause 3.8(c)).
- 3.3 Settled claims. To the extent that on or before the Release Date a Claim is Settled or Determined in favour of the Buyer, the Seller's Representative shall and the Buyer shall procure that the Second Signatory shall promptly execute necessary instructions to transfer an amount equal to the lower of:

(a) the amount of such Settled or Determined Claim (or part thereof, as applicable) (plus Accrued Interest); and

(b) the Settlement Balance (plus Accrued Interest),

to the Buyer's Account.

3.4 Release. On the Release Date, the Seller's Representative shall and the Buyer shall procure that the Second Signatory shall execute necessary instructions to transfer the sum of (i) the Settlement Balance less Estimated Claims and (ii) Accrued Interest on such amount to the Seller's Representative's Account.

3.5 Estimated Claims. Once a Claim underlying an Estimated Claim is Settled or Determined after the Release Date, the Seller's Representative shall and the Buyer shall procure that the Second Signatory shall promptly execute necessary instructions to transfer:

(a) to the extent that such a Claim underlying an Estimated Claim has been Settled or Determined in favour of the Buyer, the lower of:

(i) the amount of such Settled or Determined Claim (or part thereof, as applicable) (plus Accrued Interest); and

(ii) the Settlement Balance (plus Accrued Interest);

to the Buyer's Account;

(b) the aggregate of (i) the balance, if any, of the amount of such Estimated Claim less the Estimated Claims Excess (such amount, the "**Excess Holdback**") and (ii) Accrued Interest on the Excess Holdback and (iii) Default Interest on the Excess Holdback for the period from the Release Date to the date of actual payment under this clause 3.5(b) to the Seller's Representative's Account. To the extent that the Settlement Balance is less than the amount due to be paid pursuant to the foregoing sentence, the Seller's Representative shall pay only the Settlement Balance and Accrued Interest on the Excess Holdback to the Seller's Representative's Account and the Buyer shall, within 5 business days in Moscow, Russia of such payment under this clause 3.5(b), pay to the Seller's Representative the Default Interest amount due to the Seller's Representative under this clause 3.5(b). The Buyer and the Seller's Representative (acting on behalf of the Sellers) agree that the Default Interest is a genuine pre-estimate of losses (rather than a penalty).

3.6 Cessation of Claim. Except where a Claim under clause 4 has been otherwise Settled or Determined, the Buyer agrees that any liability for the purposes of this agreement in respect of that Claim shall cease if legal proceedings in respect of such Claim are not commenced within (i) six months of the notice of such Claim being given to the Seller's Representative in accordance with clause 3.7 or (ii) to the extent that such Claim is a contingent Claim which ceases to be contingent after the Release Date, three months of the date it so ceases to be contingent. To the extent that when any such Claim is notified or becomes an actual liability, there is no liability for it due to the operation of clause 5, the time period for commencing proceedings shall be deemed to be within 6 months of the date the liability arises for the purposes of clause 5. The Seller's Representative agrees (on its own behalf and on behalf of each Seller) that, subject to the other provisions of this agreement, the Buyer may commence legal proceedings in respect of any Claim in order to preserve its ability to make the relevant Claim. To the extent that any such liability ceases for the purposes of this agreement, it shall not prejudice or otherwise affect any liability of a relevant Seller under its SPA.

3.7 Notice of Claim. A notice of Claim shall be given by the Buyer to the Seller's Representative on or before the Release Date, and shall:

- (a) contain a reference to this agreement;
- (b) indicate whether it is a claim under this agreement or an SPA Claim (or both), and in the latter case:
 - (i) refer to the relevant SPA(s);
 - (ii) refer to the Seller(s) against which it is asserted;
 - (iii) if asserted against a particular Seller(s), specify the amount equal to 5% of the purchase price under each relevant SPA that has been paid to the Secondary Settlement Account;
 - (iv) if asserted against all Sellers, specify the amount equal to 5% of the purchase price under all SPAs that has been paid to the Secondary Settlement Account;
- (c) describe the Claim in reasonable detail; and
- (d) specify the amount of the Claim or, if applicable, the Buyer's reasonable estimate of the amount of the Claim.

3.8 Opinion. The Buyer agrees with the Seller's Representative that:

- (a) the Buyer shall provide to the Seller's Representative, at least 2 Business Days before the Release Date, a written opinion (the "**Opinion**") of a reputable international law firm with offices in Moscow to the effect that the Buyer has a reasonable prospect of succeeding on the Claims underlying the Estimated Claims to the extent of the amount estimated by the Buyer in a relevant notice or, if less, the amount stated in the Opinion;
- (b) if the amount stated in the Opinion is less than the amount stated in the relevant notice, the relevant notice shall be deemed to be amended to the amount stated in the Opinion;
- (c) if the Buyer fails to comply with its obligations in clause 3.8(a) to provide the Opinion, the Claims underlying the Estimated Claims shall, for the purposes of this agreement only, be deemed to be withdrawn PROVIDED THAT such deemed withdrawal shall not prejudice the ability of the Buyer to bring relevant claims under relevant SPAs.

3.9 Review process. The Buyer and the Seller's Representative agree that they shall, on a quarterly basis starting from the Release Date and ending when all Claims underlying the Estimated Claims have been Settled or Determined, meet to discuss in good faith whether it is appropriate to reduce the amount that is held within the Secondary Settlement Account for all Claims underlying the Estimated Claims. The Buyer shall not be under an obligation to agree to reduce the amount so held. Within 10 Business Days of:

- (a) each such meeting; and
- (b) each payment to the Buyer or the Seller's Representative under clause 3.5,

the Buyer and the Seller's Representative shall prepare a joint certificate stating the then Estimated Claims Excess and deliver such certificate to the Second Signatory.

3.10 Default. If:

- (a) an arbitration panel constituted under the provisions of an SPA or this agreement or a court having jurisdiction under an SPA has issued an award or judgment in respect of a Claim (wholly or in part) in favour of the Seller's Representative in respect of which no right of appeal exists or is waived;
- (b) the Release Date has passed;
- (c) there is no Estimated Claims Excess (as certified under clause 3.9); and
- (d) the Buyer fails within 20 days of all of the events detailed in (a), (b) and (c) to procure that the Second Signatory executes the necessary instructions to transfer the relevant amount of such awarded or adjudged Claim and relevant interest thereon under this agreement to the Seller's Representative's Account,

then the Seller's Representative may deliver a copy of the relevant award or judgment to the Second Signatory together with a legal opinion from a reputable international law firm operating in the City of London to the Second Signatory confirming that the award or judgment is final and no right of appeal exists or such right has been waived and the Second Signatory is hereby irrevocably instructed by the Buyer to execute the necessary instructions to transfer the relevant amount of such awarded or adjudged Claim and relevant interest thereon under this agreement to the Seller's Representative's Account upon receipt of the foregoing.

4. **STATEMENTS**

4.1 Accuracy of Statements. If any of the Statements is found to be untrue, inaccurate or misleading, then, subject to the provisions of this agreement, the Buyer shall have a claim under this agreement for a payment from the Secondary Settlement Account equal to the amount by which the value of the Shares is less than they would have been if such Statement had been true, accurate and not misleading on the date hereof and the date that the Buyer is registered as the holder of at least 90% of the Shares pursuant to the Offer Letter, together with all reasonable costs and expenses incurred or sustained by the Buyer as a result of such Statements being untrue, inaccurate or misleading.

4.2 Buyer's Knowledge. No information of which the Buyer may have knowledge (whenever acquired and whether actual, constructive or imputed) prevents or limits a Claim under clause 4.1.

4.3 Nature of Statements. The Buyer acknowledges that:

- (a) the Seller's Representative does not have any knowledge of any Group Company or its businesses and accordingly the Statements are not covenants, representations or warranties by the Seller's Representative;
- (b) the Statements are not covenants, representations or warranties by any of the Sellers; and
- (c) the mechanism in this clause 4 is purely to permit the Buyer to bring a claim for a payment from the Secondary Settlement Account in circumstances where any of the Statements are untrue, inaccurate or misleading.

5. **LIMITATIONS ON LIABILITY**

5.1 Limitations. The following provisions apply to impose certain limitations on the amount that may be the subject of a Claim under clause 4.1 and/or paid from the Secondary Settlement Account in respect of a Claim under clause 4.1, as applicable:

- (a) Basket - no Claim under clause 4.1 shall be made until the total amount of all Claims under clause 4.1 exceeds USD 300,000, in which case the Buyer is entitled to claim the total amount of all such Claims and not only the excess;
- (b) Double recovery; overlapping Claims - no Claim under clause 4.1 shall be made to the extent that the losses that are the subject of the Claim have already been fully recovered in respect of another such Claim;
- (c) Consultation on third party claims - if the Buyer or a Group Company becomes aware of a claim against a Group Company by a third party or of any other fact, matter or circumstance, which in either case is reasonably likely to result in the Buyer being entitled to make a Claim under clause 4.1:
 - (i) the Buyer must promptly notify the Seller's Representative (in accordance with the notice provisions of this agreement) of such occurrence (failure to give such notice as soon as reasonably practicable shall not prevent the Buyer from making such Claim, but the Buyer shall not be entitled to recover a payment from the Secondary Settlement Account in respect of such Claim to the extent that the amount of it is increased, or is not reduced, as a result of such failure); and
 - (ii) subject to the Seller's Representative entering into a confidentiality obligation in terms reasonably satisfactory to the Buyer, the Buyer must, and must procure the relevant Group Company to, consult as fully as is reasonably practicable and permitted by law as regards the conduct of any proceedings arising out of such claim;
- (d) Consultation on contingent claims - in addition to the obligations under clause 5.1(c), if the Buyer has notified the Seller's Representative of a contingent Claim under clause 3.6 and has complied with clause 3.8, subject to the Seller's Representative entering into or having already entered into a confidentiality obligation in terms reasonably satisfactory to the Buyer, the Buyer must, and must procure the relevant Group Company to, consult as fully as is reasonably practicable as regards any fact, matter or circumstance, which is relevant to the status of the contingent Claim, including any such fact, matter or circumstance which is reasonably likely to result in the Claim ceasing to be contingent or comes to the attention of the relevant company after the initial consultation.

For the purposes of clauses 5.1(c) and (d), (i) the knowledge of Oleg Yurievitch Korotin, Yuri Yurievitch Korotin and/or any person appointed or nominated by them in LLC Simbirsk Telecommunication Systems shall not form part of the knowledge or awareness of the Buyer or a Group Company and (ii) in the context of LLC Simbirsk Telecommunication Systems, the Buyer's procurement obligation in clauses 5.1(c) and (d) is limited to exercising its rights as an indirect shareholder of LLC Simbirsk Telecommunication Systems (including causing the Company (or any transferee of such rights who is a Buyer's Group Company) to exercise its contractual rights vis-a-vis LLC Simbirsk Telecommunication Systems, Oleg Yurievitch Korotin and Yuri Yurievitch Korotin) to give effect to clauses 5.1(c) and (d);

- (e) Group claims - no claim against a Group Company by another Group Company or a Buyer's Group Company will give rise to a Claim under clause 4.1. To the extent that a Group Company or Buyer's Group Company is not (directly or indirectly) wholly owned by the Company or the Buyer (respectively), this clause shall not apply to the extent that the Buyer has exercised its direct and indirect voting rights in such company to vote against, and any contractual rights available to it to prevent, the bringing of such claim, but such claim is still brought;

- (f) Mitigation etc. - nothing in this clause 5.1 affects any legal duty of the Buyer to mitigate its loss; and
- (g) Fraud - nothing in this clause 5.1 shall exclude any liability for, or remedy in respect of, fraud, wilful misconduct or wilful concealment.

5.2 The total amount that may be paid from the Secondary Settlement Account in respect of an SPA Claim brought against a particular Seller shall not exceed 5 percent of the purchase price paid to that Seller under the SPA to which it is party plus Accrued Interest. Nothing contained in this agreement shall prejudice the right of the Buyer to recover against any Seller in respect of any SPA Claim (whether such claim is made before or after the Release Date) otherwise than in accordance with the provisions of this agreement.

5.3 The total amount that may be paid from the Secondary Settlement Account in respect of all Claims shall not exceed the amount paid into it by the Buyer pursuant to relevant SPAs plus Accrued Interest.

6. DEFINITIONS

In this agreement:

"Accrued Interest" means interest on the relevant sum in accordance with the terms of the bank account agreement pursuant to which the Secondary Settlement Account has been opened accrued from the date hereof to the date of the transfer of such sum from the Secondary Settlement Account in accordance with the terms of this agreement to the extent that such accrued interest has actually been paid by the Bank into the Secondary Settlement Account;

"Bank" means a reputable bank agreed in writing by the Buyer and the Seller's Representative;

"Business Days" has the meaning given to that term in the SPAs;

"Buyer's Account" means such bank account as notified from time to time in writing by the Buyer to the Seller's Representative;

"Buyer's Group Company" has the meaning given to it in the SPAs;

"Claim" means each SPA Claim and claim under clause 4.1 notified in accordance with this agreement;

"Company" has the meaning given to such term in the recitals;

"Default Interest" means 10 percent per annum;

"Estimated Claims" means the aggregate of the amounts and, if applicable, the Buyer's reasonable estimates of all Claims that are notified in writing by the Buyer to the Seller's Representative in accordance with this agreement during the period from the date hereof to the Release Date (inclusive) and that have not been Settled or Determined prior to the Release Date, provided that such aggregate may not exceed the aggregate of each of the amounts and estimated amounts notified pursuant to clause 3.7(d);

"Estimated Claims Excess" means in circumstances where the Estimated Claims exceed the Settlement Balance, an amount equal to such difference;

"Group Company" has the meaning given to that term in the SPAs;

"Offer Letter" means the letter from the Buyer to all the Shareholders dated on or about the date hereof under which the Buyer offers to buy all the Shares;

"Release Date" means 31 December 2010;

"Second Signatory" means Dr K. Chrystomides & Co LLC or one or more named partners in such firm;

"Secondary Settlement Account" means the bank account in the name of the Seller's Representative with the Bank into which part of the purchase price under the SPAs is to be paid;

"Seller" means a Shareholder who has signed an SPA and in respect of which the Buyer has paid the relevant amount to the Second Settlement Account;

"Seller's Representative Account" means the bank account in the name of the Seller's Representative and notified in writing from the Seller's Representative to the Buyer;

"Seller's Representative Agreement" means the agreement between the Seller's Representative and certain Shareholders regarding, amongst other things, the distribution of the purchase price under the SPAs to the Sellers;

"Settlement Balance" means the amount standing to the credit of the Secondary Settlement Account on the relevant date (excluding Accrued Interest);

"Shareholder" means, as appropriate, a holder of Shares in the Company who is made an offer under the Offer Letter or a holder of depositary interests in the Company;

"Shares" has the meaning given to that term in the recitals;

"SPA" means each share purchase agreement for the acquisition of certain Shares between a relevant Shareholder and the Buyer and entered into pursuant to the Offer Letter;

"SPA Claim" means a claim by the Buyer against a Seller under the undertaking in clause 14.2 (*Fees*) of an SPA or the warranties in an SPA; and

"Statement" means each of the statements set out in schedule 3.

7. FEES

The fees of the Seller's Representative for the operation of the Secondary Settlement Account pursuant to this agreement are for the account of the Sellers.

8. GENERAL

8.1 Any bank charges arising on the Secondary Settlement Account shall be for the account of the Seller's Representative.

8.2 The Seller's Representative agrees that it shall, upon receipt of a payment into the Secondary Settlement Account, send to the Buyer a copy of a letter of confirmation substantially in the form of schedule 1.

8.3 The Seller's Representative also agrees to issue such other confirmations and documents as the Buyer reasonably requests in order to confirm the receipt of monies into and the transfer of monies out of the Secondary Settlement Account.

8.4 The Seller's Representative shall hold the Settlement Balance plus Accrued Interest on behalf of the Sellers, but subject to the terms of this agreement.

8.5 The Settlement Balance plus Accrued Interest will be deposited on terms that:

(a) it shall not be subject to any right of set-off or claim which (i) the Bank or any of its affiliates or group may have from time to time (and the Seller's Representative shall from time to time give such notifications and require such confirmations from the Bank to such effect) or (ii) the Seller's Representative may have from time to time; and

- (b) without prejudice to such provisions, the Seller's Representative shall ensure that the Bank issues the letter in the form of schedule 2 on the date hereof.
- 8.6 The provisions of clauses 1.2 to 1.5 (inclusive) (*Interpretation*), 10 (*Confidentiality*), 11 (*Announcements*), 12 (*Assignment*), 13 (Notices), 14 (*General*) (excluding 14.2, 14.3 and 14.14) and 15.2 (*Arbitration*) of the SPA shall be deemed to be incorporated into this agreement, mutatis mutandis, including:
- (a) with references to "*the Seller*" being deemed to be references to "*the Seller's Representative*";
- (b) a new sentence will be deemed added at the end of Clause 12.2 as follows:
- "The rights and obligations of the Seller's Representative under this agreement may be novated to any replacement Seller's Representative appointed under the Seller's Representative Agreement following the removal or retirement of the Seller's Representative in accordance with the Seller's Representative Agreement (which shall be notified in writing to the Buyer) and any reference in this agreement to the Seller's Representative shall, after such novation, be deemed to refer to any replacement so appointed, and the Buyer shall cooperate, and shall cause the Second Signatory to cooperate, with the Seller's Representative in order to give full effect to such novation, including changing details of the Secondary Settlement Account and the Seller's Representative Account."; and
- (c) Clause 13.2(a) being deemed to be amended as follows:
- "(a) *in the case of the Seller's Representative, as follows:*
- Address: AAA Regent Consultants Ltd, Armenias 39A,
2003 Nicosia, the Republic of Cyprus
Fax: +357 22 355551
Attention: Constantinos Tsaggaris (reference: "Teleset Networks")*
- or to such other address and contact details that may be notified by the Seller's Representative from time to time in writing to the Buyer at least 5 Business Days before such address and contact details become effective; and".*
- 8.7 Subject to the proviso to this clause 8.7, each party undertakes to the other party that the Second Signatory shall have the right to rely upon the irrevocable instruction from the Buyer under, and subject to the terms of, clause 3.10 under the Contracts (Rights of Third Parties) Act 1999, and the parties may not by agreement terminate or rescind or vary this agreement in any way without notice to the Second Signatory, provided that the rights of the Second Signatory under this clause 8.7 are subject to the other terms and conditions of this agreement. Save as provided in this clause, a person who is not a party to this agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce this agreement.
- 8.8 This agreement, the jurisdiction clause contained in it and all non-contractual obligations arising in any way whatsoever out of or in connection with it are governed by, construed and take effect in accordance with English law.

The parties have shown their acceptance of the terms of this agreement by executing it at the end of the schedules.

SCHEDULE 1
Payment confirmation

[] 2010

BY FAX AND EMAIL

OJSC VolgaTelecom (the "**Buyer**")
For the attention of the General Director

Dear Sirs

PROJECT TIFFANY - SETTLEMENT AGREEMENT

1. We refer to the settlement agreement between the Buyer and us dated [] 2010 (the "**Settlement Agreement**"). Capitalised terms that are not defined in this letter have the meaning given to them in the Settlement Agreement. This is a confirmation referred to in clause 8.2 of the Settlement Agreement.
2. We confirm that USD [] with the following payment reference [] has been received into the Secondary Settlement Account and that such monies are held in accordance with the terms of the Settlement Agreement.
3. This letter is governed by and must be construed in accordance with English law.

Yours faithfully

Name:
Position: Director
AAA Regent Consultants Limited

SCHEDULE 2

Bank letter

[] 2010

OJSC VolgaTelecom (the "**Buyer**")
For the attention of the General Director

AAA Regent Consultants Limited (the "**Seller's Representative**")
For the attention of the Directors

Dear Sirs

PROJECT TIFFANY

1. We refer to the bank account in the name of the Seller's Representative with [bank] with details: [] (the "**Account**") and confirm that any monies from time to time deposited into such account will not be subject to any right of set-off or claim which [bank] or any of its affiliates or group may have from time to time.
2. We also confirm that without the prior written approval of the Buyer and the Seller's Representative we are not authorised to amend the signatory list and authority levels on the Account, namely that any payments out of the Account require the joint signature of [] and [].
3. This letter is governed by and must be construed in accordance with English law.

Yours faithfully

[Bank]

SCHEDULE 3 Statements

In this schedule capitalised terms that are not defined herein shall have the meaning given to them in the SPAs and:

"BSTDB Financings" means (i) the loan made by Black Sea Trade & Development Bank to the Company in the amount of USD 20,000,000 on 3 March 2007 and (ii) the loan made by Black Sea Trade & Development Bank to TELESET in the amount of USD 10,000,000 on 26 October 2004;

"Completion Date" means the date on which the Buyer is registered as the holder of at least 90% of the shares in the Company pursuant to the Offer Letter;

"Event" means any fact, circumstance or event or similar facts, circumstances or events;

"Excluded Operations" means the (i) termination by the Company of the Options pursuant to clause 4.1(c) of the SPAs; (ii) participation of the Group Companies in the programme for the liquidation and reconstruction of slum dwellings in the Republic of Tatarstan to the extent that expenditure incurred by the Group Companies as a result of such participation in any calendar year does not exceed USD 70,000; and (iii) termination of employment of any Manager and the payment of any severance or "golden parachute" payment not exceeding Euro 1,000,000 (in the case of Ioannis Demetriou), Euro 47,000 (in the case of Roman Shaikhutdinov) and Euro 31,000 (in the case of Lidia (Lidana) Bondar);

"IFRS" means International Financial Reporting Standards as adopted by the EU;

"Intellectual Property" means all intellectual property which a Group Company (or a person on its behalf) owns, uses, exploits or licences;

"Managers" means Mr. Ioannis Demetriou, Mr. Roman Shaikhutdinov and Ms. Lidia (Lidana) Bondar;

"Real Estate" means buildings, constructions, structures and premises that each Group Company uses in its operations; and

"Relevant Date" means each of the following dates: (i) the date of signing of the SPAs with respect to at least 90% of the issued share capital of the Company, and (ii) the Completion Date.

1. ACCOUNTS

1.1 True and Fair view. The audited consolidated financial statements of the Company and the other Group Companies contained in pages 26 to 33 of the Annual Report 2009 of the Company give a true and fair view of the financial position of the Group Companies as at 31 December 2009 and their financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the Cypriot Companies Law, Cap 113 (the "**Accounts**").

1.2 Standard of Preparation. The Accounts have been prepared in accordance with IFRS as at 31 December 2009 and in compliance with statutes and regulations applicable as at such date.

1.3 Accounting Policies. The policies adopted for the purpose of preparing the Accounts were consistent with those adopted in preparing the IFRS consolidated financial statements for the preceding three financial years except where (i) the Accounts or such earlier financial statements expressly state otherwise or (ii) changes were required in order to conform to changes in IFRS that came into effect during the relevant period.

1.4 Business Operations. Since 31 December 2009:

- (a) except with respect to the Excluded Operations and losses to the relevant Group Company which do not (and are not reasonably likely to) exceed USD 200,000 per Event, each Group Company has operated its business in the ordinary course and so as to maintain it as a going concern;
- (b) except in the ordinary course of business, no Group Company has made any capital expenditure or entered into any commitments involving capital expenditure exceeding USD 100,000 in aggregate;
- (c) except in the ordinary course of business or with respect to the Excluded Operations, no Group Company has:
 - (i) assumed or incurred, or agreed to assume or incur, a liability or obligation which involves or is reasonably likely to involve expenditure in excess of USD 100,000; or
 - (ii) acquired or disposed of, or agreed to acquire or dispose of, an asset for an amount which is lower than its open market arms' length value;
- (d) excluding losses to the relevant Group Company which do not (and are not reasonably likely to) exceed USD 200,000 per Event, no customer or supplier accounting for more than 10% of sales of a Group Company has stopped or reduced its trade with a Group Company or changed (to the disadvantage of such company) the terms on which it trades with such company or given written notice that it intends to do so;
- (e) no dividend or distribution has been declared, paid or made by a Group Company;
- (f) no Group Company has issued, or agreed to issue, any share or loan capital, other than intra-group loans and borrowings, or repaid, or become liable to repay (wholly or partly) any such loan capital or any preference capital. There has been no loans or borrowings by a Group Company to Simbirsk Telecommunication Systems; and
- (g) except with respect to the Excluded Operations, no resolution of a Group Company's members has been passed, except for a resolution representing ordinary business of an annual general meeting, or required in the ordinary course of business.

2. **CONTRACTS**

2.1 The Company. The Company is a holding company and is not otherwise engaged in the carrying on of any trade or business activity.

2.2 Management. Excluding relevant employment or similar contracts and the Options, there are no outstanding agreements or arrangements between any Group Company and (a) any Manager (or any person connected to or controlled by him) or (b) to the knowledge of the Managers, any director, officer or employee of a Group Company (or any person connected to or controlled by him). To the knowledge of the Managers, there are no such agreements or arrangements between any Group Company and any shareholder of the Company or any person connected to or controlled by such shareholder (to the extent known to the Managers in such capacity) other than the BSTDB Financings.

- 2.3 PoA. No Group Company has granted a person a power of attorney, proxy or similar power to bind it which is still outstanding and which permits the holder of such power to act in a matter that is outside the normal course of such Group Company's business.
- 2.4 Borrowing. Excluding loans between a wholly owned Group Company and another wholly owned Group Company, no Group Company has any outstanding borrowing or indebtedness in the nature of borrowing which is not reflected in the Accounts, and no Group Company has agreed to create or incur any borrowing or indebtedness of that nature in the future, in each case other than trade debts incurred in the ordinary course of its business or indebtedness in the nature of finance or capital leases.
- 2.5 Loans. Excluding loans between a wholly owned Group Company and another wholly owned Group Company, no Group Company has provided a loan or other financial facility to a third party which remains outstanding or has agreed to provide a loan or financial facility of that kind in the future, in each case other than trade credit arising in the normal course of business.
- 2.6 Guarantees. No Group Company is liable under a guarantee, indemnity or under another agreement or arrangement to incur a financial or other obligation arising by reference to another person's obligation or liability, other than in connection with the BSTDB Financings. No Group Company has discounted or factored any of its debts.
- 2.7 No other contracts. Other than with respect to the Excluded Operations and for transactions entered into in the ordinary course of business (including the BSTDB Financings), no Group Company is party to an agreement or binding arrangement (other than telecommunication and similar licences and other arrangements of an administrative nature):
- (a) which requires or which is reasonably likely to require payment or expenditure by a Group Company of more than USD 100,000 in a 12 month period;
 - (b) which will, or is reasonably likely to, continue for more than 12 months after the date hereof and:
 - (i) cannot be terminated by a Group Company in accordance with its terms without cause and without penalty; or
 - (ii) can only be terminated by a Group Company in accordance with its terms without cause and without penalty if it gives more than 6 months' notice;
 - (c) which relates to an agency, licensing, franchising or distributorship arrangement;
 - (d) which was not entered into by a Group Company as a bargain at arm's length other than transactions between Group Companies only;
 - (e) which is reasonably likely to result in a loss to the Group Companies which is not fully provided for in the Annual Report 2009 of the Company (including the Accounts) and which exceeds (in the aggregate with losses under other such agreements and arrangements) USD 100,000;
 - (f) which restricts a Group Company's right to conduct its business or compete freely with any other business, including a restriction on the geographic scope of its business or a restriction on the kind of business that it is entitled to carry on; or
 - (g) which is otherwise unusually or abnormally onerous for a Group Company.
- 2.8 Outstanding Tenders. There is no outstanding tender, bid, offer or other arrangement which, if accepted by another person (other than another Group Company), or if an order

is made pursuant to it by another person, would result in a Group Company becoming bound by an agreement or other arrangement of the sort described in any of paragraphs 2.7(a) to (g) above or that would be outside the ordinary course of business of the relevant Group Company.

2.9 Terminable Contracts. Excluding losses to the relevant Group Company which do not (and are not reasonably likely to) exceed USD 200,000 per Event, to the knowledge of the Managers, no person that is party to an agreement to which a Group Company is also a party has claimed that an agreement of that kind is invalid or that person has the right to terminate (other than by way of notice without cause), repudiate or avoid an agreement of that kind.

3. **ASSETS**

3.1 The Company. Other than the Subsidiary Shares and a balance to its account equal to the amount standing to the credit of its share capital account, the Company has no assets with a value exceeding USD 100,000 that are not reflected in the Accounts.

3.2 Title. Excluding losses to the relevant Group Company which do not (and are not reasonably likely to) exceed USD 100,000 per Event, each asset (including real estate) which is used in the conduct of a Group Company's usual business is fully paid for, legally and beneficially owned by it or leased by it, where capable of possession, in the possession or under the control of it and free from all Encumbrances (other than liens (excluding mortgages) arising by operation of law, servitudes arising in the ordinary course of business, Encumbrances in favour of other Group Companies or Encumbrances created under the terms of the BSTDB Financings). Documentary evidence of such title is in the possession of a Group Company.

3.3 Antimonopoly Consents. Each Group Company has obtained all necessary corporate approvals and approvals of the Russian Federal Antimonopoly Service (or its predecessors) for its acquisition of the relevant shares and assets of the other Group Companies except where a failure to obtain any such approvals is not reasonably likely to result in the relevant acquisitions being invalidated and unwound.

3.4 Disposals. Other than pursuant to the Excluded Operations or in the ordinary course of business, no Group Company is obliged to dispose of a right or an interest in any asset used in the operation of its business.

3.5 Title to Real Estate. Each Group Company has valid legal title (including ownership, leasehold or other legal title) to the Real Estate and so far as the Managers are aware there exists no ground that may lead to the successful challenge of its title to such Real Estate. Each Group Company has obtained title to the real estate owned or leased by it in full compliance with applicable laws and has duly registered such title in accordance with applicable laws, except where the losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event.

3.6 Use of Real Estate. The current and historical use of the Real Estate by each Group Company is and at the relevant time was, in all respects, a lawful and permitted use under applicable laws, except where the losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event.

3.7 Permits. Each Group Company has obtained all relevant construction permits and authorisations required by applicable laws to be obtained by it in respect of any Real Estate that was constructed by it or that was constructed for it by a third party.

3.8 Intellectual Property.

- (a) All Intellectual Property is solely, beneficially, absolutely and legally owned by or licensed to a Group Company and is free from Encumbrances (with respect to the licensed Intellectual Property, created by a Group Company), except where the losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event, and such Group Company is not obliged to dispose of or grant any licence or other interest in any Intellectual Property.
- (b) All Intellectual Property which is owned by a Group Company and which is registered or registration of which has been applied for (including domain names) has been properly registered, or in the case of an application, properly applied for, in the name of a Group Company.
- (c) All Intellectual Property which is licensed to a Group Company has, to the knowledge of the Managers, been licensed to such Group Company by the licensor who was entitled to grant the relevant licence and each such licence is granted on arms' length commercial terms.
- (d) To the knowledge of the Managers, no limitation on the use, enforceability, validity or ownership of any such Intellectual Property has been registered or applied for by any person. All registry fees and relevant registration formalities in respect of the registered Intellectual Property that are payable by a Group Company have been paid and carried out by the due date.
- (e) The Group Companies do not violate or infringe any intellectual property rights of any third party in connection with the use and exploitation of symbols similar to the trademarks registered by such third party and no loss is reasonably likely to arise as a result of the use by the Group Companies of the symbol similar to any trademark registered by CJSC "Set Televisionnikh Stantsiy".

3.9 Computing Systems.

Except where the losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event:

- (a) in the 12 months ending on the date hereof there has been no failure or breakdown of the computer systems used in the businesses of the Group Companies;
- (b) to the knowledge of the Managers, the computer systems used in the businesses of the Group Companies contain no virus or potentially harmful program codes which would disrupt the operation of the businesses of the Group Companies; and
- (c) all third party software currently used in each Group Company's business is licensed to such Group Company under a written licence on arms' length commercial terms.

4. **EMPLOYMENT**

- 4.1 Key Employees. Other than the Managers, none of the Group Companies has employees who are entitled to an annual basic salary of more than USD 100,000.
- 4.2 Penalties. No penalty has been or is reasonably likely to be imposed on any Group Company as a result of its failure to comply with the requirements for employment documentation set out by applicable laws and regulations.

- 4.3 Termination. Other than in respect of the termination of employment of Mr. Ioannis Demetriou, in the three months ending on the Signing Date, no Group Company has received a notice of resignation from, or given notice of termination of, employment to any of the employees who are or were engaged by a Group Company and who are or were entitled to an annual basic salary of more than USD 100,000. Except with respect to the severance or "golden parachute" payments that may be due to the Managers not exceeding Euro 1,000,000 (in the case of Ioannis Demetriou), Euro 47,000 (in the case of Roman Shaikhutdinov) and Euro 31,000 (in the case of Lidia (Lidana) Bondar) and the Options, no director, officer or employee of a Group Company has the right to any remuneration on termination (other than salary and other amounts payable pursuant to applicable law, and insignificant benefits). For these purposes the benefits of a director, officer or employee will be insignificant if their amount or market value is less than 10% of the relevant person's annual salary.
- 4.4 Trade unions. No Group Company has an agreement or arrangement to recognise a trade union or has agreed or arranged to negotiate or consult with a works council, staff association or other employee representative body.
5. **DISPUTES**
- 5.1 Court proceedings. No Group Company is involved in any court, tribunal or arbitration proceedings which, if adversely determined, might reasonably be expected to result in a liability for it of more than USD 100,000. So far as the Managers are aware, no such proceedings are pending or threatened by or against a Group Company and no fact or circumstance exists which is reasonably likely to give rise to the commencement of any such proceedings.
- 5.2 Administrative proceedings. So far as the Managers are aware, no administrative proceedings, investigation or enquiry by a governmental, administrative or regulatory body concerning a Group Company or an agreement or arrangement to which a Group Company is party, is ongoing, pending or threatened.
- 5.3 Court orders. There is no order or judgement of a court, tribunal or a governmental or regulatory body relating to a Group Company or any of its assets which has not been complied with and which may adversely affect its ability to deal freely with its assets (or a group of related assets) with a value in excess of USD 100,000 or freely conduct its business.
6. **COMPLIANCE/SOLVENCY**
- 6.1 Compliance with law. Each Group Company has dealt with its assets, and conducted its business and corporate affairs in compliance with all applicable laws and regulations, its constitutional documents, each licence, registration and permit held by it and each order or judgement of a court or governmental or regulatory body affecting it, except where the aggregate losses to the Group Companies do not exceed USD 1 million and are not reasonably likely to do so.
- 6.2 Schemes. Other than with respect to the Excluded Operations, no Group Company has entered into or been a party to any scheme or arrangement which has no direct commercial purpose. No Group Company has entered into or been a party to any scheme or arrangement the main purpose, or one of the main purposes, of which was the avoidance of or the reduction in or the deferral of a liability to tax.
- 6.3 Payment of taxes. Each Group Company has paid all amounts in respect of taxation which have been assessed and fallen due prior to the Relevant Date.

- 6.4 Tax returns. Each Group Company has duly filed all required tax returns and provided all information required or requested to be delivered to any appropriate tax authority. All such returns and information remain correct and complete.
- 6.5 Records. Each Subsidiary has prepared, kept and preserved complete, accurate and up-to-date records both as required by applicable laws and to enable it to deliver correct and complete tax returns and to calculate any present or, so far as reasonably possible, future tax liability of such Subsidiary or its entitlement to claim any relief from tax liabilities.
- 6.6 Residence. Each Group Company is and always has been resident for all tax purposes only in the jurisdiction in which it was formed and is not liable to and has at no time incurred any liability to tax in any jurisdiction other than the jurisdiction in which it was formed.
- 6.7 Licences. Except for losses to the relevant Group Company which do not (and are not reasonably likely to) exceed USD 100,000 per Event, each Group Company has obtained and maintained each licence, registration, concession, permit, notification and consent (other than a licence for TV broadcasting services) required to enable it to conduct its business and to own, operate or use its assets, in each case lawfully and effectively in the manner and in the places in which it is currently conducted, owned, operated or used (as the case may be). Except where losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event, each such licence, registration, concession, permit, notification and consent remains valid and effective and no facts or circumstances exist or can reasonably be foreseen which are reasonably likely to lead to it being revoked, varied, cancelled, suspended or not renewed or a penalty being imposed on the Group Companies.
7. **OTHER MATTERS**
- 7.1 Financial matters. On the Completion Date, the total amount of net cash of the Group Companies, calculated as a difference between (i) a sum of cash and cash equivalents, accounts receivable and inventories and (ii) the sum of credits, loans, leasing and other financial obligations, accounts payable (save for any intragroup debts) and current taxes payable, will be at least USD 500,000 (except where such amount is lower solely as a result of any severance or "golden parachute" payment by the Company to any of the Managers referred to in the definition of the "Excluded Operations").
- 7.2 Subscribers. On the Completion Date, at least 142,400 individuals and 18,900 legal entities will be subscribers of the Group Companies in respect of their services as telephone service providers.
- 7.3 Internet. On the Completion Date, at least 41,100 individuals and 3,700 legal entities will be subscribers of the Group Companies in respect of their services as broadband internet access providers.
- 7.4 MAC. Except where losses to the relevant Group Company do not (and are not reasonably likely to) exceed USD 100,000 per Event, since 31 December 2009, no event has occurred which will or is reasonably likely to result in a deterioration of operational or financial indicators of the Group Companies or their market position.

EXECUTION PAGE

THE SELLER'S REPRESENTATIVE

Executed and delivered)
as a deed by)
AAA REGENT CONSULTANTS) _____
LIMITED) Name:
acting by a director and its) Position: Director
secretary or two directors)
) _____
) Name:
) Position: Director / Secretary
) *(delete as appropriate)*
) Seal:

THE BUYER

Executed and delivered)
as a deed by)
OJSC VOLGATELECOM) _____
acting by its General Director) Position: General Director
and Chief Accountant)
) _____
) Name:
) Position: Chief Accountant
)
) Seal:

SCHEDULE 3

SELLERS' REPRESENTATIVE AGREEMENT

SELLER'S REPRESENTATIVE AGREEMENT

THIS AGREEMENT is made the _____ day of May 2010

BETWEEN:

- (1) Each person whose name is listed in Schedule 1 or who has executed a Deed of Adherence (as defined below) from time to time (the "**Sellers**" and each a "**Seller**"); and
- (2) AAA Regent Consultants Limited a company incorporated in the Republic of Cyprus with registered number 138286 and whose registered office is at Anmenias 39A, 2003 Nicosia, the Republic of Cyprus (the "**Seller's Representative**").

WHEREAS:

- (A) VOLGATELECOM, a public company incorporated in the Russian Federation with main registered number: ("INN"): 5260901817, whose registered office is at Dom Svyazi, M. Gorky Square, Nizhny Novgorod city, 603000, the Russian Federation (the "**Buyer**") by an offer letter dated _____ May 2010 (the "**Offer Letter**") has offered (the "**Offer**") to buy 100% of the issued share capital of Teleset Networks Public Company Limited, a company incorporated in the Republic of Cyprus with registered number: 178378 whose registered office is at 89 Lemosou, 2121 Aglantzia Nicosia, Cyprus (the "**Company**").
- (B) The Offer is to be effected, in part, by the execution of a Sale and Purchase Agreement (each, an "**SPA**") between the Buyer and each shareholder in the Company who accepts the Offer, in the form attached to the Offer Letter.
- (C) Under each SPA:
 - (1) the Buyer will deposit in the Main Settlement Account (as defined below) 95 percent of the Purchase Price (as defined below) (the "**Proceeds**") due to the Seller and the Seller's Representative will pay this amount, subject to deductions and otherwise in accordance with this Agreement, to the Seller; and
 - (2) the Buyer will deposit in the Secondary Settlement Account (as defined below) 5 percent of the Purchase Price (as defined below) due to the Seller and this amount will be held and released in accordance with the Settlement Agreement between the Seller's Representative and the Buyer (the "**Settlement Agreement**"), in the form attached to the Offer Letter.
- (D) The Seller's Representative will or may take certain specified actions and may make certain specified decisions on behalf of each Seller under the Seller's SPA and the Settlement Agreement.

IT IS AGREED:

1. INTERPRETATION

- 1.1 In this Agreement the following words and expressions have the meanings respectively set opposite them:

"**Buyer**" has the meaning given in Recital (A);

"**Claim**" means a Relevant Claim under the Seller's SPA or a Claim under the Settlement Agreement, as appropriate and as defined therein;

"**Company**" has the meaning given in Recital (A);

"**Completion**" has the meaning given in an SPA;

"**Completion Date**" has the meaning given in an SPA;

"**Deed of Adherence**" means a deed of adherence in the form attached to this Agreement at Schedule 3;

"**Default Interest**" has the meaning given in the Settlement Agreement;

"**Estimated Claims**" has the meaning given in the Settlement Agreement;

"**gross negligence**" means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity;

"**Initial Sellers**" means those Sellers who have been paid the Purchase Price under SPAs on the date that the Seller's Representative is in a position to make the payments listed in Schedule 2 and the Sellers have transferred at least 90% of the issued share capital in the Company to the Buyer;

"**Interest**" means interest on the relevant sum in the Main Settlement Account or Seller's Representative's Account to the extent paid by the Main Settlement Bank into the Main Settlement Account or Seller's Representative's Account respectively;

"**Main Settlement Account**" means the account with the Main Settlement Bank, the details of which are set out in clause 3.3;

"**Main Settlement Bank**" means Bank of Cyprus Public Company Limited;

"**Offer**" has the meaning given in Recital (A);

"**Offer Letter**" has the meaning given in Recital (A);

"**Pro Rata Proportion**" means the percentage determined by dividing (1) the number of shares in the Company sold by a Seller under an SPA in relation to which payment of the Purchase Price has been received in full to the Main Settlement Account and the Secondary Settlement Account by (2) the aggregate number of issued shares in the Company, and multiplying by 100%;

"**Proceeds**" has the meaning given in Recital (C);

"**Purchase Price**" has the meaning given in an SPA;

"**Qualifying Majority**" has the meaning given in clause 7.3;

"**Second Signatory**" has the meaning given in the Settlement Agreement;

"**Secondary Settlement Account**" has the meaning given in the Settlement Agreement;

"**Secondary Settlement Bank**" means Bank of Cyprus Public Company Limited;

"**Seller**" and "**Sellers**" has the meaning given in the preamble;

"**Seller's Representative**" has the meaning given in the preamble;

"**Seller's Representative's Account**" means the account with the Main Settlement Bank, details of which are given in clause 3.4;

"**Settled or Determined**" has the meaning given in the Settlement Agreement;

"**Settlement Agreement**" has the meaning given in Recital (C);

"**Signing**" has the meaning given in an SPA;

"**SPA**" has the meaning given in Recital (B);

"**SPA Generic Claim**" has the meaning given in clause 7.3;

"**SPA Individual Claim**" has the meaning given in clause 7.2; and

"**Transaction Document**" has the meaning given in an SPA;

"**Warranties**" has the meaning given in an SPA.

1.2 In this Agreement, unless the context otherwise requires:

- (a) references to this Agreement or any other document include references to this Agreement, its recitals and its Schedules or such other document as varied, supplemented and/or replaced in any manner from time to time;
- (b) references to any party shall, where relevant, be deemed to be references to or to include, as appropriate, their respective lawful successors, assigns or transferees;
- (c) references to Recitals, clauses, Schedules and sub-divisions of them are references to the recitals and clauses of, and schedules to, this Agreement and sub-divisions of them respectively;
- (d) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended and any subordinate legislation made from time to time under it;
- (e) references to a "**person**" include any individual, company, corporation, firm, partnership, joint venture, association, organisation, institution, trust or agency, whether or not having a separate legal personality;

- (f) references to the one gender include all genders and references to the singular shall include the plural and vice versa; and
- (g) headings are inserted for convenience only and shall be ignored in construing this Agreement.

2. SELLER'S REPRESENTATIVE'S AUTHORITY AND POWERS

2.1 Each Seller hereby appoints the Seller's Representative severally as its true and lawful attorney and in the Seller's name or otherwise and on its behalf:

- (a) to take all actions under an SPA which the Seller's Representative is on the terms thereof entitled or obliged to take, including without limitation:
 - (i) to receive all notices or communications addressed to the Seller in its capacity as a signatory to an SPA in accordance with clause 13 of an SPA;
 - (ii) to open the Main Settlement Account;
 - (iii) to open the Secondary Settlement Account;
 - (iv) to receive the Purchase Price in accordance with an SPA;
 - (v) to agree, at the discretion of the Seller's Representative, to the date by which the conditions set out in clause 4.1 of an SPA must be satisfied;
 - (vi) to receive copies of documents in relation to, and notification from the Buyer of the satisfaction of, the conditions set out in clause 4.1 of an SPA;
 - (vii) to agree the locations of Signing and Completion;
 - (viii) to receive evidence from the Buyer of the capacity and authority of each person executing a document referred to in the SPA on behalf of the Buyer;
 - (ix) to consult with the Buyer regarding Claims under an SPA;
 - (x) to consent to disclosure by the Buyer under clause 10.2 of an SPA;
 - (xi) to consult with the Buyer regarding disclosure under clause 10.4 of an SPA;
 - (xii) to give written permission to the Buyer to make announcements under clause 11.1 of an SPA;
 - (xiii) to consult with the Buyer regarding announcements under clause 11.3 of an SPA;

- (xiv) to enter into confidentiality agreements, to receive confidential information from the Buyer or a Seller and to disclose confidential information to the extent permitted under an SPA;
- (xv) to notify the Buyer of any change in a Seller's contact, address and fax number for the purposes of clause 13 of an SPA;
- (xvi) to notify the Buyer it no longer wishes to act as Seller's Representative;
and
- (xvii) to receive executed deeds of adherence to this Agreement;
- (b) to enter into the Settlement Agreement with the Buyer if the Settlement Agreement has not yet been entered into by the Seller's Representative on behalf of the Seller and if the Settlement Agreement has already been entered into by the Seller's Representative the Seller hereby ratifies such entry on behalf of the Seller;
- (c) to take all actions under the Settlement Agreement which the Seller's Representative is on the terms thereof entitled or obliged to take, including without limitation:
 - (i) to issue instructions for payments from the Secondary Settlement Account;
 - (ii) to agree that any of the Claims has been Settled or Determined;
 - (iii) to receive notice of Claims and Estimated Claims from the Buyer;
 - (iv) to act as the Seller's representative for the purposes of determining any Claim under the Settlement Agreement;
 - (v) to receive direct payments from the Buyer regarding Default Interest;
 - (vi) to agree under the Settlement Agreement on behalf of the Seller to the Buyer bringing Estimated Claim litigation in order to preserve its position;
 - (vii) to receive and review counsel's opinion from the Buyer in order to determine its support for a Claim in relation to a contingent liability;
 - (viii) to make the statements in clause 4.1 of the Settlement Agreement without accepting any liability therefor;
 - (ix) to enter into confidentiality agreements with the Buyer to permit consultation on Claims;
 - (x) to issue confirmations and documents regarding the receipt into and the transfer of moneys out of the Secondary Settlement Account;
 - (xi) to receive notice from the Buyer of the withdrawal of Claims;

- (xii) to transfer monies from the Secondary Settlement Account to the Buyer's Account and the Seller's Representative's Account in accordance with the Settlement Agreement;
 - (xiii) to open the Secondary Settlement Account;
 - (xiv) to agree to Default Interest as a reasonable pre-estimate of loss;
 - (xv) to consult with the Buyer regarding reduction of the monies held in the Secondary Settlement Account for all Claims underlying the Estimated Claims;
 - (xvi) to issue certificates regarding the Estimated Claims Excess;
 - (xvii) to enter into novation agreements with regard to a successor Seller's Representative;
 - (xviii) to obtain copies of awards and legal opinions as contemplated under clause 3.10 of the Settlement Agreement;
 - (xix) to receive notice from the Buyer of third party claims;
 - (xx) to agree to the identity of the Bank and to consent to changes in signatory lists and authority levels and to obtain documents from the Bank as required under the Settlement Agreement; and
 - (xxi) to receive notice of the Buyer's Account;
- (d) to hold funds in the Seller's Representative's Account on behalf of the Sellers; and
- (e) to take any other steps or do any other thing which the Seller's Representative in its absolute discretion considers necessary or desirable in connection with the implementation of the Offer or the implementation of an SPA and the Settlement Agreement, provided that:
- (i) the Seller's Representative shall not take any step or do any thing under this clause 2.1 if it would be in contravention of any instructions properly given by a Seller or Sellers under clause 7; and
 - (ii) the Seller's Representative shall not take any step or do any thing under this clause 2.1 if such step or thing expressly requires the instructions of one or more Sellers under this Agreement and such instructions have not been obtained.

2.2 Notwithstanding any other provision of this Agreement, the Seller's Representative may act in accordance with any court or tribunal order without the consent of any Seller but where practicable shall give prior notice of such order and consult with the Sellers before taking any such action. In any event, the Seller's Representative shall notify all the Sellers of such action as soon as practicable thereafter.

- 2.3 The Seller's Representative may delegate one or more of the powers conferred on the Seller's Representative by this power of attorney to an officer or officers appointed for that purpose by the board of directors of the Seller's Representative by resolution or otherwise.
- 2.4 The power of attorney under this Agreement shall be irrevocable save with the consent of the Seller's Representative and is given by way of security to secure the performance of obligations owed by each Seller to the Buyer under the Offer but shall expire on the termination of this Agreement under clause 12.
- 2.5 Each Seller declares that a person who deals with the Seller's Representative in good faith may accept a written statement signed by the Seller's Representative to the effect that this power of attorney has not been revoked as conclusive evidence of that fact.
- 2.6 Each Seller hereby undertakes to ratify (within 5 days) and confirm whatever the Seller's Representative shall lawfully do or purport to do or cause to be done.

3. SELLER'S REPRESENTATIVE'S GENERAL SETTLEMENT DUTIES

- 3.1 On or about the Completion Date the Seller's Representative shall receive monies from the Buyer into the Main Settlement Account in part fulfilment of the Buyer's payment obligations under the Seller's SPA.
- 3.2 The Seller's Representative may receive monies from the Secondary Settlement Account and the Buyer into the Seller's Representative Account in accordance with the Settlement Agreement.
- 3.3 The details of the Main Settlement Account are set out below:
Account No: 0155-40-831863-06
IBAN No: CY48 0020 0155 0000 0040 8318 6306
- 3.4 The details of the Seller's Representative's Account are set out below:
Account No: 0155-40-831898-06
IBAN No: CY26 0020 0155 0000 0040 8318 9806
- 3.5 The Seller's Representative shall:
- (a) hold any sums deposited into the Main Settlement Account or the Seller's Representative's Account in accordance with the terms of this Agreement;
 - (b) not in any way mortgage, charge or otherwise encumber all or any of the monies held in the Main Settlement Account or the Seller's Representative's Account;
 - (c) not, but without prejudice to any direction of a court or tribunal in relation to clause 8.5(g), transfer or otherwise dispose of any of the monies held in the Main Settlement Account or the Seller's Representative's Account except in accordance with this Agreement;

- (d) ensure that the instructions given to the Main Settlement Bank include an instruction that no sums may be released from the Main Settlement Account or the Seller's Representative's Account at any time without the authority of the Seller's Representative; and
 - (e) ensure that each payment to be made under this Agreement shall be made free and clear of and without any deduction, withholding or set-off whatsoever by the Seller's Representative, save for any sum which in the Seller's Representative's opinion it is obliged by law to withhold or deduct or set-off.
- 3.6 For the avoidance of doubt, the parties hereby acknowledge and agree that the Seller's Representative shall not be responsible for any failure by the Buyer to pay any amount under an SPA or the Settlement Agreement, or delay in the receipt of funds by any Seller caused by any delay on the part of the Buyer, the Main Settlement Bank or any other person (other than the Seller's Representative).
- 3.7 Upon final release of the monies from the Main Settlement Account or the Seller's Representative's Account under this Agreement, the Seller's Representative shall instruct the Main Settlement Bank to close the Main Settlement Account or the Seller's Representative's Account respectively.
- 3.8 In performing its duties under this Agreement, the Seller's Representative shall not and neither shall its employees incur, to the fullest extent permitted by law, liability to any other party for damages, losses or expenses, except for those occasioned directly by the fraud, gross negligence or willful default of the Seller's Representative.

4. PAYMENTS FROM THE MAIN SETTLEMENT ACCOUNT

- 4.1 The Seller's Representative shall not be required to make any payment of Proceeds (or the balance thereof) from the Main Settlement Account to a Seller before the Seller's Representative has established, to its reasonable satisfaction, that the Proceeds have been received in relation to that Seller's SPA and the time limits in this clause 4 shall be extended until it is so satisfied.
- 4.2 A Seller may by written notice to the Seller's Representative given on or before the day of receipt of its Proceeds into the Main Settlement Account instruct the Seller's Representative to procure the payment to one or more third parties from the Main Settlement Account set out in such notice but:
- (a) such payments may only be made from the Proceeds otherwise due to that Seller; and
 - (b) a Seller not giving such a notice to the Seller's Representative will not have any liability under this Agreement in respect of such payments, whether under clause 6 or otherwise.
- 4.3 Within one Business Day of receipt of the Proceeds due to the Initial Sellers into the Main Settlement Account the Seller's Representative shall instruct the Main Settlement Bank to make the payments from the Main Settlement Account set out in Schedule 2.

- 4.4 Within two Business Days of receipt of the Proceeds due to a Seller who is not an Initial Seller into the Main Settlement Account the Seller's Representative shall deduct from that Seller's Proceeds the amount calculated in accordance with clause 6.1.
- 4.5 Within two Business Days of receipt of the Proceeds into the Main Settlement Account the Seller's Representative shall instruct the Main Settlement Bank to immediately transfer the balance of the Proceeds and the Interest that has accrued on the Proceeds since receipt to each Seller:
- (a) in US dollar in immediately available, cleared funds;
 - (b) in an amount equal to the balance of the Seller's Proceeds; and
 - (c) to the account of the Seller specified in Schedule 1 or in that Seller's Deed of Adherence or notified in accordance with clause 7.4,

and as soon as is reasonably practicable after such transfer the Seller's Representative shall notify each Seller thereof and of the basis of its calculation.

- 4.6 The payment of the fees of Baker Botts L.L.P. and Antis Triantafyllides & Sons LLC in accordance with clause 4.3 and Schedule 2 is not to be construed as meaning that Baker Botts L.L.P. or Antis Triantafyllides & Sons LLC acts for any Seller with whom it does not have an engagement letter or for the Seller's Representative.

5. PAYMENTS FROM THE SECONDARY SETTLEMENT ACCOUNT

- 5.1 The Seller's Representative shall send notice to each Seller within two Business Days of any payment to the Buyer from the Secondary Settlement Account stating the amount that has been paid to the Buyer from the Secondary Settlement Account and whether that amount related to:
- (a) an SPA Individual Claim and, if so the Seller against whom such Claim is made; or
 - (b) an SPA Generic Claim or a Claim under the Settlement Agreement.
- 5.2 Without prejudice to the Seller's Representative's obligation to update the Sellers under clauses 5.1 and 7.1, within five Business Days of the final payment of monies from the Secondary Settlement Account, the Seller's Representative shall deliver a notice to each Seller stating:
- (a) the aggregate amount that has been paid to the Buyer from the Secondary Settlement Account and the extent to which these amounts related to:
 - (i) SPA Individual Claims; or
 - (ii) SPA Generic Claims or Claims under the Settlement Agreement;
 - (b) the amount, if any, paid from the Secondary Settlement Account to the Seller's Representative's Account;

- (c) its calculation of each Defaulter's Loss and each Non-Defaulter's Compensation Amount (if any); and
- (d) the amount due to each Seller calculated under clause 5.5 (netting off any upward or downward adjustments for each Seller), including the Interest that has accrued on such monies since receipt.

5.3 Within seven Business Days of payment of the final monies from the Secondary Settlement Account the Seller's Representative shall instruct the Main Settlement Bank to immediately pay the amount under clause 5.2(d):

- (a) in US dollars in immediately available, cleared funds; and
- (b) to the account of the Seller specified in Schedule 1 or in the Seller's Deed of Adherence or notified in accordance with clause 7.4, as applicable.

5.4 In this clause 5:

- (a) a "**Non-Defaulter's Compensation Amount**" means an amount equal (rounded down to the nearest whole cent) to:

$$\frac{\text{Defaulter's Loss} \quad \times \quad \text{Non-Defaulter's PRP}}{100\% - \text{Defaulter's PRP}}$$

- (b) "**Defaulter's Loss**" means an amount equal to any payment out of the Secondary Settlement Account to the Buyer in respect of an SPA Individual Claim against a Defaulter;
- (c) "**Defaulter**" means the Seller whose breach of Warranty gave rise to the SPA Individual Claim;
- (d) "**Defaulter's PRP**" means the Pro Rata Proportion of the Defaulter; and
- (e) "**Non-Defaulter's PRP**" means the individual Pro Rata Proportion of a Seller who is not a Defaulter.

5.5 Each Seller shall be entitled to receive from the amount paid from the Secondary Settlement Account to the Seller's Representative's Account the sum of:

- (a) its Pro Rata Proportion of the aggregate amount paid from the Secondary Settlement Account to the Seller's Representative's Account;
- (b) less, where the Seller is a Defaulter, the Defaulter's Loss;
- (c) plus, where the Seller is a Non-Defaulter, the lower of:
 - (i) the Non-Defaulter's Compensation Amount; and
 - (ii) the Seller's Pro Rata Proportion of an amount equal to the Defaulter's Pro Rata Proportion of the aggregate amount paid from the Secondary Settlement Account to the Seller's Representative's Account.

5.6 Each Seller who is a Defaulter hereby irrevocably and unconditionally agrees to indemnify and hold harmless each other Seller on demand in an amount equal to:

- (a) the Non-Defaulter's Compensation Amount;
- (b) less any adjustment made under clause 5.5(c),

plus all charges, costs, expenses, damages and liabilities which the other Seller may incur (including related legal expenses and any duties, fees or taxes and any interest or penalty chargeable thereon) as a result.

6. COSTS CLAWBACK

6.1 Under clause 4.4 the Seller's Representative shall deduct from the Proceeds due to a Seller who is not an Initial Seller an amount equal to that Seller's Pro Rata Proportion of the payments made from the Main Settlement Account under clause 4.3 and Schedule 2 (but not, for the avoidance of doubt, any payment under clause 4.2).

6.2 Within five Business Days of the payment of the Purchase Price under the last SPA signed by a Seller within four months from the date the Offer was made in accordance with the terms of the Offer Letter, the Seller's Representative shall:

- (a) pay to each Initial Seller an amount equal to (rounded down to the nearest whole cent) the aggregate of the deductions made under clause 6.1 multiplied by:

$$\frac{\text{Initial Seller's PRP}}{\text{All Initial Seller's PRP}}$$

- (b) deliver notice to each Seller setting out a calculation of the following amount ("**Seller's Costs Responsibility**") (rounded down to the nearest whole cent):

$$\frac{\text{Initial Seller's PRP}}{\text{All Initial Seller's PRP}} \times \left(\frac{\text{Subsequent Seller's PRP}}{\text{(All Subsequent Seller's PRP + All Initial Seller's PRP)}} - \frac{\text{Subsequent Seller's PRP}}{100} \right) \times \text{Costs}$$

Where:

"**Subsequent Seller's PRP**" means the individual Pro Rata Proportion of a Seller who is not an Initial Seller;

"**All Subsequent Sellers' PRP**" means the aggregate of the Pro Rata Proportions of all the Sellers who are not Initial Sellers; and

"**Initial Seller's PRP**" means the Pro Rata Proportion of each Initial Seller;

"**All Initial Sellers' PRP**" means the aggregate of the Pro Rata Proportions of all the Initial Sellers; and

"**Costs**" means an amount equal to the payments made from the Main Settlement Account under clause 4.3 and Schedule 2.

6.3 Each Seller who is not an Initial Seller hereby irrevocably and unconditionally agrees to indemnify and hold harmless each Initial Seller on demand in an amount equal to the Seller's Costs Responsibility as calculated above in relation to each such Seller plus all charges, costs, expenses, damages and liabilities which the Initial Seller may incur (including related legal expenses and any duties, fees or taxes and any interest or penalty chargeable thereon) as a result.

7. INSTRUCTIONS AND INFORMATION

7.1 The Seller's Representative shall keep each Seller informed of all material developments in connection with a Claim or Estimated Claim and shall promptly provide each Seller with a copy of all material correspondence with or received from the Buyer, the Buyer's professional advisers or the Second Signatory.

7.2 In relation to a Claim under an SPA by the Buyer against an individual Seller only (in relation to Warranties 1, 2.1, 2.3, 2.6, 2.10(b), 2.11, 2.15 (in relation to the Seller) and 2.16) (an "**SPA Individual Claim**"), the Seller's Representative shall take instructions from the relevant Seller, unless the Claim is an SPA Generic Claim, and the Seller's Representative and each other Seller shall be indemnified and held harmless by that Seller against all claims, actions, charges, costs, expenses, demands, damages, liabilities, proceedings or judgments which the Seller's Representative or such Seller may incur or which may be brought against it (including related legal expenses and any duties, fees or taxes and any interest or penalty chargeable thereon) as a result of its reliance on the instructions of the relevant Seller (in the case of the Seller's Representative only) or in connection with the SPA Individual Claim. The Seller's Representative shall be entitled to disclose the details and status of any SPA Individual Claim to all the Sellers.

7.3 In relation to:

- (a) any Claim under an SPA in relation to Warranties 2.2, 2.4, 2.5, 2.7, 2.8, 2.9, 2.10(a), 2.12, 2.13, 2.14 and 2.15 (in relation to the Company) (an "**SPA Generic Claim**"); or
- (b) a Claim in relation to the Settlement Agreement,

the Seller's Representatives shall act in accordance with instructions from the Sellers who, on the date of the Offer, held the legal or beneficial title to at least 60% of the issued share capital in the Company (a "**Qualifying Majority**"), provided:

- (i) such instructions do not require the Seller's Representative to take any action or do any thing contrary to law;
- (ii) such instructions do not require the Seller's Representative to take any action or do any thing contrary to a Seller's or the Seller's Representative's obligations under an SPA or the Settlement Agreement; and
- (iii) the Seller's Representatives is indemnified and held harmless by the Sellers constituting such Qualified Majority, on a joint and several basis, against all claims, actions, charges, costs, expenses, demands,

damages, liabilities, proceedings or judgments which the Seller's Representative may incur or which may be brought against it (including related legal expenses and any duties, fees or taxes and any interest or penalty chargeable thereon) as a result of its reliance on the instructions of the Qualifying Majority in connection with the SPA Generic Claim.

The Seller's Representative shall be entitled to disclose the details and status of any SPA Generic Claim to all the Sellers.

- 7.4 Each Seller undertakes to notify the Seller's Representative of any change in its address or other contact details or its account details from those set out in Schedule 1 or the Seller's Deed of Adherence or notified in accordance with clause 7.4, as applicable, no later than five Business Days after such change has become effective.

8. LIMITATION ON SELLER'S REPRESENTATIVE'S LIABILITY

- 8.1 Any determination made by the Seller's Representative in connection with this Agreement shall, absent any manifest error, be conclusive and binding on all the Sellers.
- 8.2 In performing its duties under this Agreement, the Seller's Representative shall not and neither shall its employees incur, to the fullest extent permitted by law, liability to any other party for damages, losses or expenses, except for those occasioned directly by the fraud, gross negligence or willful default of the Seller's Representative.
- 8.3 Each Seller jointly and severally undertakes on demand to indemnify the Seller's Representative and its employees against all claims, actions, charges, costs, expenses, demands, damages, liabilities, proceedings or judgments which any of them may incur or which may be brought against any of them (including related legal expenses and any duties, fees or taxes and any interest or penalty chargeable thereon) or which may be incurred as a result of any action taken in good faith in performance of this Agreement.
- 8.4 The rights conferred by this clause 8 are without prejudice to any right to indemnity by law generally and to any other provision of this Agreement entitling the Seller's Representative or any other person to indemnity. Nothing contained in this clause 8 shall entitle the Seller's Representative or any other person to be indemnified in respect of any such matter to the extent that the same arise from such person's own fraud, gross negligence or willful default.
- 8.5 The parties agree that the Seller's Representative's duties under this Agreement shall be limited by and subject to the following provisions of this clause 8.5. The Seller's Representative:
- (a) shall not be required or be under any liability to take any legal action hereunder to request or require that any of the Sellers complies with any of its obligations arising hereunder or otherwise;
 - (b) shall not be under any obligation to enquire as to, check or monitor or be in any way responsible for, a Seller's or the Buyer's compliance with any of their

obligations under this Agreement or an SPA and shall be entitled to assume without enquiry that each of the Sellers is duly performing and observing all its respective obligations and duties. Specifically (but without prejudice to the generality of the foregoing) the Seller's Representative is not responsible for any shortfall in the Main Settlement Account by reason of failure by any person to make any payment of funds including (without limitation) any payment of funds into the Main Settlement Account;

- (c) may in relation to this Agreement act reasonably on the opinion or advice of or any information obtained from any lawyer or other expert whether obtained by the Seller's Representative or any other party and shall not be responsible for any loss occasioned by so acting. Any such opinion, advice or information may be sent or obtained by such means as the Seller's Representative thinks fit and the Seller's Representative shall not be liable for acting on any opinion, advice or information although the same shall contain some error or shall not be authentic;
- (d) shall not be regarded or treated for any purposes as having any notice or knowledge of any of the provisions of any arrangements relevant to the matters hereby contemplated which are not expressly set out in this Agreement, an SPA or the Settlement Agreement, shall be entitled to have regard only to the express terms of this Agreement, an SPA and the Settlement Agreement as to the discharge of its duties and the exercise of any of its rights as the Seller's Representative and shall have no responsibility to ensure that the terms of this Agreement are consistent with the terms of an SPA or the Settlement Agreement;
- (e) shall not be precluded (and neither shall any director or employee of the Seller's Representative or any company or person in any other way associated with the Seller's Representative be precluded) from entering into or being otherwise interested in any banking, commercial, financial or business contracts or in any other transactions or arrangements whatsoever with the Buyer or any of the Sellers, the Company or any of their respective affiliates or associated companies;
- (f) may refrain from doing anything which would or might be contrary to any law of any jurisdiction or any directive or regulation of any agency or any state or which would or might otherwise render it liable to any person or require it to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it believes that repayment of such funds or adequate indemnity against such risk or liability is not assured to it and may do anything which is necessary to comply with any such law, directive or regulation;
- (g) shall be entitled at any time and from time to time to take any proceedings which it thinks fit to inter-plead or otherwise seek to place before any court of competent jurisdiction or arbitral tribunal for such court or tribunal to settle, any dispute or matter whatsoever arising hereunder, under an SPA or the Settlement Agreement;

- (h) shall be entitled to accept and rely upon without further enquiry any other instrument, notice or instruction received pursuant to this Agreement (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information contained therein) which the Seller's Representative shall believe to be genuine, to have been signed by or on behalf of the Buyer or a Seller and to conform with the provisions of this Agreement;
- (i) shall not be liable for any loss arising out of the liquidation, insolvency, composition, administration, reorganisation or any analogous procedure of or relating to the Main Settlement Bank and shall not be under any obligation to enquire as to, check or monitor the financial standing or otherwise of the Main Settlement Bank and shall not be responsible for the credit rating of the Main Settlement Bank;
- (j) shall have no responsibility for ensuring that any particular amount of money is actually available from the Main Settlement Bank or for the receipt by the payee of any money ordered by the Seller's Representative to be paid from the Main Settlement Account or the Seller's Representative's Account; and
- (k) shall in no event have any liability to any person for indirect loss, including (without limitation) loss of business, loss of profit or any type of consequential loss.

The provisions of this clause 8 shall to the extent relevant continue to apply notwithstanding the termination in whole or in part of this Agreement.

8.6 The Seller's Representative shall not be liable or deemed to be in default for any failure or delay in the performance of any of its duties in whole or in part arising out of or caused by circumstances beyond its direct and reasonable control including (but without limitation) acts of god; acts of terrorism; interruption, delay in or loss due to partial or complete failure of electrical power or of banking or payments services and systems; act of civil or military authority; sabotage; war or other governmental action; civil disturbance or riot; strike or other industrial dispute; national emergency; flood, earthquake, fire or other catastrophe; government, judicial or self-regulatory organisation order, rule or regulation; energy or nature resource difficulty or shortage; and inability to obtain or timely to obtain materials, equipment or transportation which occurs after the date of this Agreement provided that, in such circumstances, the Seller's Representative agrees that it shall resume the performance of its duties under this Agreement as soon as it is reasonably able to do so.

8.7 Each Seller shall bear and shall punctually pay any and all stamp, registration, documentary and similar taxes imposed by law or by any governmental or judicial authority or agency which may be payable or determined to be payable in connection with the execution or delivery of this Agreement, or otherwise in connection with the validity or enforceability of this Agreement or any right or claim hereunder, and shall indemnify the Seller's Representative on demand against any and all liabilities in respect of the same.

9. REMOVAL, REPLACEMENT AND RETIREMENT OF THE SELLER'S REPRESENTATIVE

- 9.1 A Qualifying Majority of the Sellers shall have the power to remove the Seller's Representative and to appoint a new Seller's Representative, provided that a replacement Seller's Representative has been appointed to run consecutively with the removal of the Seller's Representative.
- 9.2 The Seller's Representative may retire at any time on giving at least three month's written notice to the Sellers and the Buyer without giving any reason or being responsible for any costs occasioned by such retirement provided that by the date on which such notice expires a Qualifying Majority of the Sellers has nominated a replacement to replace the Seller's Representative if it so retires (being an institution of like reputation and standing to the Seller's Representative), subject to:
- (a) such replacement undertaking in full the obligations of the Seller's Representative under this Agreement; and
 - (b) the replacement Seller's Representative undertaking such obligations without recourse to any Seller in respect of its fees which shall solely be for the account of the retiring Seller's Representative.
- 9.3 A Seller's Representative removed or resigning under this clause 9 shall pass to its replacement all documents, notes and other data in whatever form the same may be stored relating to this Agreement.

10. REPRESENTATIONS AND WARRANTIES

Each of the parties represents and warrants to each of the other parties that:

- (a) it has all requisite powers and authority to execute and deliver this Agreement and to perform its obligations hereunder;
- (b) the execution and delivery by such party of this Agreement and the performance by such party of its obligations hereunder have been duly and validly authorised by all necessary action on the part of such party; and
- (c) this Agreement has been duly and validly executed and delivered by such party and constitutes a valid and binding obligation of such party, enforceable against such party in accordance with its terms.

11. GENERAL

- 11.1 It is not the intention of the parties to create any security interest hereunder.
- 11.2 A person who is not a party to this Agreement shall have no right to enforce any term of this Agreement under the Contracts (Rights of Third Parties) Act 1999 (but this does not affect any right or remedy of a third party which exists or is available apart from that Act).

12. TERM AND TERMINATION

- 12.1 This Agreement shall commence on the date hereof and shall continue until terminated in accordance with the provisions of this clause.

12.2 This Agreement shall automatically terminate on the later of:

- (a) the expiry of the limitation periods set out in clause 8.2(c) of an SPA if no Claims have been notified by the Buyer before such dates in accordance with clause 13 of an SPA provided clauses 12.2 (b) or (d) are also satisfied;
- (b) the Release Date (as defined in the Settlement Agreement) if no Claims have been notified by the Buyer before such dates in accordance with clause 3.7 of the Settlement Agreement and clause 13 of an SPA (incorporated by reference) provided clauses 12.2 (a) or (c) are also satisfied;
- (c) six months after the final settlement, determination or withdrawal of any Claims brought by the Buyer under any SPA provided clauses 12.2 (b) or (d) are also satisfied; and
- (d) six months after the final settlement, determination or withdrawal of any Claims brought by the Buyer under the Settlement Agreement provided clauses 12.2 (a) or (c) are also satisfied.

12.3 No Seller may terminate this Agreement.

13. LIABILITY OF SELLERS

13.1 The rights and obligations of the Sellers are joint and several and shall be enforceable accordingly.

13.2 Clause 13.1 is without prejudice to the agreement of each Seller that the Warranties are given by each Seller on a several basis.

13.3 No Seller shall have greater or less liability than any other Seller solely by reason of its having executed this Agreement or having executed a Deed of Adherence.

14. CONFIDENTIALITY AND ANNOUNCEMENTS

Each party shall comply with:

- (a) clauses 10 and 11 of each SPA; and
- (b) clause 8.6 of the Settlement Agreement to the extent it relates to confidential information and announcements,

and such provisions shall be deemed to be incorporated into this Agreement.

15. ENTIRE AGREEMENT AND VARIATION OF TERMS

15.1 This Agreement (together with any documents referred to herein) contains the entire agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement.

15.2 Each of the parties acknowledges and agrees that:

- (a) it does not enter into this Agreement on the basis of and does not rely, and has not relied, upon any statement or representation (whether negligent or innocent) or warranty or other provision (in any case whether oral, written, express or implied) made, given or agreed to by any person (whether a party to this Agreement or not) except those expressly repeated or referred to in this Agreement and the only remedy or remedies available in respect of any misrepresentation or untrue statement made to it shall be a claim for breach of contract under this Agreement; and
- (b) this clause 15.2 shall not apply to any statement, representation or warranty made fraudulently or to any provision of this Agreement which was induced by fraud for which the remedies shall be all those available under the law governing this Agreement.

15.3 No variation, supplement, deletion or replacement of or from this Agreement or any of its terms shall be effective unless made in writing and signed by or on behalf of each party.

16. WAIVER

16.1 Any waiver of a breach of any of the terms of this Agreement or of any default hereunder shall not be deemed a waiver of any subsequent breach or default and shall in no way affect the other terms of this Agreement.

16.2 No failure to exercise and no delay on the part of any party in exercising any right, remedy, power or privilege of that party under this Agreement and no course of dealing between the parties shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies provided by this Agreement are cumulative and are not exclusive of any rights or remedies provided by law.

17. SEVERABILITY OF PROVISIONS

If any provision of this Agreement is held to be illegal, invalid or unenforceable in whole or in part in any jurisdiction this Agreement shall, as to such jurisdiction, continue to be valid as to its other provisions and the remainder of the affected provision; and the legality, validity and enforceability of such provision in any other jurisdiction shall be unaffected.

18. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement shall constitute a partnership between the Seller's Representative and a Seller or constitute either as agent of the other for any purpose whatever and neither shall have authority or power to bind the other or to contract in the name of or create liability against the other in any way or for any purpose save as expressly set out in this Agreement or as authorised in writing by the other from time to time.

19. NOTICES

19.1 A notice, permission or other communication under or in connection with this Agreement must be in writing, in English, signed by or on behalf of the person giving it and delivered by hand or courier or sent by fax to the relevant party to the contact, address and fax number set out in clause 19.2.

19.2 The contact, address and fax number for each party is:

(a) in the case of the Seller's Representative, as follows:

Address: AAA Regent Consultants Ltd, Armenias 39A,

2003 Nicosia, the Republic of Cyprus

Fax: +357 22 355551

Attention: Constantinos Tsaggaris (reference: "Teleset Networks"),

(b) in the case of each Seller shall be the address set out in Schedule 1 or the relevant Deed of Adherence or as notified in accordance with clause 7.4, (including, in each case, the details of the facsimile number and person for whose attention a notice or communication is to be addressed);

(c) in the case of the Buyer, as follows:

Address: Dom Svyazi, M. Gorky Square, Nizhny Novgorod city, 603000, the Russian Federation

Fax: +7 831 437 5140

Attention: The General Director

or such other address (and details) as that party may notify to the other in writing from time to time in accordance with the requirements of this clause.

19.3 Unless there is evidence that it was received earlier, a notice or other communication that complies with clauses 19.1 and 19.2 is deemed given:

(a) if delivered by hand or courier, at the time of delivery, except as provided in clause 19.4; or

(b) if sent by fax, at the time of its transmission, except as provided in clause 19.4.

19.4 If deemed delivery under clause 19.3 of a notice or other communication delivered by hand or courier or sent by fax occurs:

(a) before 9a.m. on a Business Day, the notice or other communication is deemed delivered at 9a.m. on that day; and

(b) after 5p.m. on a Business Day or on a day which is not a Business Day, the notice or communication is deemed to have been given at 9a.m. on the next Business Day.

- (c) In this clause, a reference to time is to local time in the place in which the recipient of the notice or communication is located.

20. ASSIGNMENT

Save where a new Seller's Representative is appointed under clause 9, no party may assign or transfer all or any of its rights or obligations under this Agreement without the prior written consent of the other. This Agreement shall ensure to the benefit of and bind the respective successors and permitted assigns of the parties.

21. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all of which when taken together shall constitute a single instrument.

22. FURTHER ASSURANCE

Each Seller agrees at its cost to execute and deliver all such instruments and other documents and to take all such actions as the Seller's Representative may from time to time reasonably request in order to give full effect to the purposes of this Agreement.

23. GOVERNING LAW AND JURISDICTION

23.1 This Agreement shall be governed by, construed and take effect in accordance with English law.

23.2 Except as permitted by clause 23.3:

- (a) any dispute, controversy or claim arising out of or in connection with this Agreement, including (without limitation) any question regarding its existence, validity, breach or termination, shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA Rules**"), which LCIA Rules are deemed to be incorporated by reference into this clause. The seat, or legal place, of arbitration shall be London, England. The language to be used in the arbitral proceedings shall be English. The number of arbitrators shall be three;
- (b) the claimant shall nominate one arbitrator and the respondent shall nominate one arbitrator, in each case in accordance with the LCIA Rules. The third arbitrator, who will act as chairman of the arbitral tribunal, shall be nominated by the two appointed arbitrators within 14 days of the appointment of the second arbitrator by the LCIA Court, failing which the third arbitrator shall be appointed by the LCIA Court;
- (c) all awards shall be final and binding on the parties. Judgment upon any award may be entered in any court of competent jurisdiction. The parties hereby agree that an arbitral tribunal constituted under this Agreement or under any other Transaction Document may, upon the application of any party to the arbitration before it, order that the arbitration be consolidated with any other arbitration or proposed arbitration under this Agreement and/or any other Transaction Document if either (1) all of the parties to the relevant arbitrations

or proposed arbitrations agree to such consolidation, or (2) the relevant arbitrations or proposed arbitrations involve common issues of fact or law and the arbitral tribunal in receipt of such an application is satisfied that such consolidation will provide a fair and efficient means for the final resolution of the parties' disputes and will not cause undue prejudice to any party. The parties hereby agree that, if and to the extent that any such consolidation involves the joinder of a third person within the meaning of Article 22.1(h) of the LCIA Rules, the parties have hereby consented thereto in writing; and

- (d) in the event of different rulings on the question of consolidation by different arbitral tribunals constituted under this Agreement and/or any other Transaction Document, the ruling of the first arbitral tribunal to be fully appointed (the "**First Tribunal**") shall prevail. In the event that the First Tribunal has ruled in favour of consolidation, the First Tribunal shall be the arbitral tribunal that finally resolves the disputed issues in the consolidated arbitration, unless otherwise agreed by all of the parties so implicated in the consolidated arbitration. Each party hereby irrevocably waives any right to object to the constitution of the First Tribunal, and/or to any award rendered by the First Tribunal, on the ground that such party was not, by reason of any such consolidation, entitled to nominate, or jointly nominate, a member of the First Tribunal.

23.3 To the extent that:

- (a) the Seller's Representative is incorporated in a jurisdiction that is not a party to the New York Convention on the Recognition and Enforcement of Arbitral Awards; and
- (b) the Buyer has not already commenced arbitration proceedings pursuant to clause 23.2 in respect of a particular dispute, controversy or claim arising out of or in connection with this Agreement,

the Buyer may bring proceedings in relation to any such dispute, controversy or claim in any court of competent jurisdiction as an alternative to commencing arbitration pursuant to clause 23.2, which court shall thereupon have exclusive jurisdiction for the purposes of that dispute, controversy or claim.

AS WITNESS the hands of the parties or their duly authorised agents the day and year first above written

SCHEDULE 1

THE SELLERS

(as at the date hereof)

SCHEDULE 2

PAYMENT OF PROCEEDS

Outlined below are the deductions which the Seller's Representative is to make from the Proceeds under clause 4.3:

1. USD 260,000 in respect of Baker Botts L.L.P.'s fees and costs to Baker Botts L.L.P.
2. USD equivalent (at the Main Settlement Account's rate for the purchase of Euro on the date of payment) of Euro 57,500 (including the fees of Euro 50,000 and VAT of Euro 7,500) in respect of Antis Triantafyllides & Sons LLC 's fees to Antis Triantafyllides & Sons LLC.
3. USD equivalent (at the Main Settlement Account's rate for the purchase of Euro on the date of payment) of Euro 23,000 (including the fees of Euro 20,000 and VAT of Euro 3,000) by way of advance payment in full of the fees of the Seller's Representative in connection with the performance of its duties under this Agreement.
4. USD equivalent (at the Main Settlement Account's rate for the purchase of Euro on the date of payment) of Euro 24,000 in respect of bank charges, fees, costs, expenses and other amounts referable to the operation of the Main Settlement Account to Bank of Cyprus Public Company Limited.

SCHEDULE 3

FORM OF DEED OF ADHERENCE

THIS DEED is dated [DATE]

PARTY

_____ [name]

_____ [description]

_____ [address]

_____ [other contact details]

_____ [account details]

(the "**New Seller**").

BACKGROUND

- (A) This deed is entered into in relation to the Seller's Representative Agreement (the "**Seller's Representative Agreement**"), made between the Seller's Representative and persons who have either executed the Seller's Representative Agreement or executed and delivered a Deed of Adherence in the same form as this deed as a New Seller between the date of the Seller's Representative Agreement (inclusive) and the date hereof (the "**Existing Sellers**") in relation to the Offer (as defined in the Seller's Representative Agreement).
- (B) On [] accepted the Offer and thereby agreed to become a Seller under an SPA and the Seller's Representative Agreement.

AGREED TERMS

1.1 Words and expressions used in this deed shall, unless the context expressly requires otherwise, have the meaning given to them in the Seller's Representative Agreement. The Effective Date means the date of this deed.

1.2 The New Seller confirms that it has been supplied with a copy of the Seller's Representative Agreement and undertakes with the Seller's Representative and each of the Existing Sellers that, from the Effective Date the New Seller shall observe, perform and be bound by the provisions of the Seller's Representative Agreement as a "Seller".

1.3 The New Seller confirms that it will within five Business Days of the date of this deed deliver a copy of the Seller's SPA to the Seller's Representative.

1.4 The New Seller warrants that under the Seller's SPA:

(a) it is selling [] shares in the Company; and

(b) the Purchase price due to the Seller under its SPA is USD[].

1.5 This deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

1.6 Clause 23 of the Seller's Representative Agreement shall apply mutatis mutandis to this deed.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

[EXECUTION BLOCKS TO FOLLOW]

FINAL FORM SELLER'S REPRESENTATIVE AGREEMENT

EXECUTED AND DELIVERED)
AS A DEED BY)
AAA REGENT CONSULTANTS LIMITED)
ACTING BY) _____

[Name]

Director

FINAL FORM SELLER'S REPRESENTATIVE AGREEMENT

EXECUTED AND DELIVERED)
AS A DEED BY)
)
_____) _____)
[Name])
)
AS ATTORNEY FOR)
)
_____))
[Name])
)
UNDER A POWER OF ATTORNEY DATED)
)
_____))
[Date])
)
IN THE PRESENCE OF)
)
_____))
[Name])
)
_____))
)
_____))
[Address])
)
_____))
[Occupation])

SCHEDULE 4

FORM OF ACKNOWLEDGEMENT

Note: This acknowledgement does not accept the Offer set out in the Offer Letter. See clause 4 of the Offer Letter from the acceptance procedure.

Law Debenture Corporate Services Limited
Fifth Floor
100 Wood Street
London
EC2V 7EX
Fax: +44 (0) 20 7606 0643

Dear Sirs

PROJECT TIFFANY

I refer to the offer letter (the "**Offer Letter**") from VolgaTelecom to the shareholders of Teleset Networks Public Company Limited.

This is an acknowledgement of receipt of the Offer Letter.

I confirm that I do/do not (*delete as appropriate*) wish to participate in the offer set out in the Offer Letter.

Yours faithfully,

Name:

Depository Interest Holder/Shareholder (**delete as appropriate**)