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GOLDEN TELECOM INC

Form 8-K/A

January 30, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DECEMBER 15, 2003
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

GOLDEN TELECOM, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

0-27423
(Commission File Number)

51-0391303
(IRS Employer Identification No.)

REPRESENTATION OFFICE GOLDEN TELESERVICES, INC.
1 KOZHEVNICHESKY PROEzd
MOSCOW, RUSSIA 115114
(Address of principal executive office)

(011-7-501) 797-9300
(Registrant's telephone number, including area code)

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Golden Telecom, Inc. filed a Form 8-K dated December 15, 2003 with regard to the acquisition of the 100% of the issued and outstanding shares of capital stock of OAO Comincom without the required financial information. Accordingly, Golden Telecom, Inc. is filing this Form 8-K/A to include that financial information.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

In August 2003, Golden Telecom, Inc. ("GTI" or the "Company") finalized the acquisition of 100% of OOO Sibchallenge Telecom ("Sibchallenge"), an alternative wireline operator in Krasnoyarsk, Russia. Sibchallenge owns 100% of the ownership interest in ZAO Tel, an Internet services provider, also based in Krasnoyarsk. The total purchase price of approximately \$15.4 million consisted of cash consideration of \$15.0 million and \$0.4 million in estimated direct transaction costs, including an investment banking fee of \$0.3 million paid to Belongers Limited, an affiliate of Alfa Telecom Limited, a shareholder of the Company. The purchase price was determined through arms' length negotiations

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between the Company and the previous shareholders of Sibchallenge. The Company began consolidating Sibchallenge upon the date of closure.

In August 2003, GTI and wholly-owned subsidiaries of GTI entered into share exchange agreements with Nye Telenor East Invest AS ("Telenor") to acquire 100% of the issued and outstanding shares of capital stock of OAO Comincom ("Comincom") held by Telenor. Comincom is an Open Joint Stock Company incorporated under the laws of the Russian Federation. Upon closure, December 1, 2003, Telenor was issued GTI common stock such that Telenor held 19.5% of the outstanding common shares on the date of closing. For purposes of these condensed pro forma consolidated financial statements, the assumed closing date is September 30, 2003 resulting in 6,972,139 shares of GTI common stock assumed issued in conjunction with this transaction. The purchase price was determined through arms' length negotiation between the Company and Telenor. For purposes of this transaction, the 6,972,139 million shares were valued at \$28.31 per share. The estimated total purchase price of approximately \$199.3 million consisted of approximately \$197.4 million in GTI common stock and direct transaction costs of approximately \$1.9 million. Pursuant to a Shareholders' Agreement, Telenor is represented on the Company's Board of Directors. The Company began to consolidate the financial position and results of operations of Comincom upon the date of closure. The Company was advised by JP Morgan PLC. On December 1, 2003, GTI finalized the acquisition of Comincom. The estimated actual total gross consideration is approximately \$193.5 million, excluding direct transaction costs.

The acquisition of 100% of Comincom further strengthens the Company's position in the key Moscow and St. Petersburg communications markets, and positions the Company to realize future operating and cost synergies. Comincom provides telecommunications services, principally to major hotels, business offices and mobile communication companies through its telecommunications network in Russia, including Moscow, St. Petersburg, Voronezh, Samara and several other major population centers. The Company intends to use the assets of Comincom in the manner in which they were previously used.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of business acquired:

The balance sheets as of December 31, 2002 and 2001, and the related statements of income, stockholders' equity, and cash flow for each of the two years in the period ended December 31, 2002 of OAO Comincom are incorporated herein by reference from the Company's Definitive Proxy Statement dated October 31, 2003 (Commission File No. 0-27423).

The interim financial statements for the three and six months ended June 30, 2003 of OAO Comincom are incorporated herein by reference from the Company's Definitive Proxy Statement dated October 31, 2003 (Commission File No. 0-27423).

(b) Pro forma financial statements:

The accompanying unaudited condensed pro forma consolidated financial statements give effect to the acquisition by GTI of 100% of Sibchallenge for approximately \$15.4 million in cash consideration, including direct transaction costs of \$0.4 million. In addition, the accompanying unaudited condensed

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pro forma consolidated financial statements also give effect to the acquisition by GTI of 100% of Comincom and the related issuance of GTI's common shares and no cash consideration, except for direct transaction costs. The final purchase price allocation will be calculated based on the transaction value and the fair values of Comincom's identifiable assets and liabilities at the date of closure. Therefore, the actual goodwill amount, as well as other balance sheet items, could differ from the preliminary unaudited condensed pro forma consolidated financial statements presented herein, and in turn affect items in the preliminary condensed pro forma consolidated statement of operations, such as intangible asset amortization and income taxes.

The accompanying unaudited condensed pro forma consolidated balance sheet as of September 30, 2003 and accompanying unaudited condensed pro forma consolidated statements of operations for the year ended December 31, 2002 and for the nine month period ended September 30, 2003 were prepared based on the Company's interpretation of guidance issued by the United States Securities and Exchange Commission ("SEC") (specifically Section 11.02 of Regulation S-X). The unaudited condensed pro forma consolidated income statements for the year ended December 31, 2002 and for the nine month period ended September 30, 2003 give effect to the acquisitions as if the transactions had occurred on January 1, 2002. The unaudited condensed pro forma balance sheet as of September 30, 2003 gives effect to the Comincom acquisition as if the transaction had occurred on September 30, 2003.

GTI has presented these unaudited condensed pro forma consolidated financial statements for illustrative purposes only. The unaudited condensed pro forma consolidated financial statements are not necessarily indicative of the actual results of operations or financial position that would have occurred had the acquisitions occurred on the dates indicated, nor are they necessarily indicative of future operating results or financial position. No account has been taken within the unaudited condensed pro forma consolidated financial statements to any synergy or any severance and restructuring costs that may, or may be expected to, occur following the acquisition. The unaudited condensed pro forma consolidated financial statements are only a summary and should be read in conjunction with the historical consolidated financial statements and related notes of GTI and Comincom and other information included or incorporated by reference in this current report.

The estimated total purchase price of Comincom of approximately \$199.3 million consists of approximately \$197.4 million in GTI's common stock, representing 6,972,139 newly issued shares and estimated direct transactions costs of approximately \$1.9 million. The estimated value of the common stock was determined based on the average closing price of the Company's common stock for the five consecutive trading day's between September 26, 2003 and October 2, 2003 in accordance with the guidance set forth in Emerging Issues Task Force Technical Bulletin ("EITF") 99-12, "Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination" ("EITF 99-12").

GOLDEN TELECOM, INC.

CONDENSED PRO FORMA BALANCE SHEET
AS OF SEPTEMBER 30, 2003
(IN THOUSANDS OF US\$)
(UNAUDITED)

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	GOLDEN TELECOM ----- NOTE 1	COMINCOM ----- NOTE 3	PRO F ADJUST -----
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 54,908	\$ 5,275	\$
Accounts receivable, net	53,327	17,419	
VAT receivable	11,539	3,656	
Prepaid expenses	8,314	873	
Other current assets	17,030	11,914	
	-----	-----	
TOTAL CURRENT ASSETS	145,118	39,137	
Property and equipment, net	188,781	84,431	
Goodwill and intangible assets:			
Goodwill, net	71,703	36,499	
	--	--	
Intangible assets, net	62,218	16,459	
	-----	-----	
Net goodwill and intangible assets	133,921	52,958	
Restricted cash	1,138	--	
Other non-current assets	10,019	4,451	
	-----	-----	
TOTAL ASSETS	\$ 478,977	\$ 180,977	\$
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 49,635	\$ 14,448	\$
VAT payable	8,801	2,774	
Debt maturing within one year	1,250	1,600	
Current capital lease obligation	2,281	899	
Other current liabilities	15,004	12,125	
	--	--	
	-----	-----	
TOTAL CURRENT LIABILITIES	76,971	31,846	
Long-term debt, less current portion	624	3,710	
Long-term capital lease obligation, less current portion	4,178	220	
Long-term deferred tax liability	12,357	2,191	
Other non-current liabilities	15,874	4,677	
	-----	-----	
TOTAL LIABILITIES	110,004	42,644	
Minority interest	2,468	--	
SHAREHOLDERS' EQUITY			
Preferred stock, \$0.01 par value	--	--	
Common stock, \$0.01 par value	288	202	

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		--	--	
Additional paid-in capital	468,083		100,882	1
		--	--	(1
Accumulated earnings (deficit)	(101,866)		37,249	(
	-----		-----	-----
TOTAL SHAREHOLDERS' EQUITY	366,505		138,333	
	-----		-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 478,977		\$ 180,977	\$
	=====		=====	=====

See accompanying notes to unaudited condensed pro forma financial statements.

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GOLDEN TELECOM, INC.

CONDENSED PRO FORMA STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS OF US\$, EXCEPT PER SHARE DATA)
(UNAUDITED)

	GOLDEN TELECOM	COMINCOM	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED GOLDEN TELECOM & COMINCOM	SIBCH
	----- NOTE 1	----- NOTE 3	-----	-----	----- NO
REVENUE:					
Telecommunication services	\$248,153	\$ 76,141	\$ (1,892) (O)	\$ 321,079	\$
	--	--	(1,323) (L)	--	
Revenue from related parties	1,080	274	--	1,354	
	-----	-----	-----	-----	-----
TOTAL REVENUE	249,233	76,415	(3,215)	322,433	
OPERATING COSTS AND EXPENSES:					
Access and network services (excluding depreciation and amortization)	121,618	28,318	(1,883) (O)	147,850	
	--	--	(203) (L)	--	
Selling, general and administrative (excluding depreciation and amortization)	42,587	21,138	(9) (O)	63,716	
Depreciation and amortization	32,082	10,326	1,537 (J)	43,485	
	--	--	(460) (K)	--	
	-----	-----	-----	-----	-----
TOTAL OPERATING COSTS AND EXPENSES	196,287	59,782	(1,018)	255,051	
	-----	-----	-----	-----	-----

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INCOME (LOSS) FROM OPERATIONS	52,946	16,633	(2,197)	67,382	
OTHER INCOME (EXPENSE):					
Equity in losses of ventures	(54)	--	--	(54)	
Interest income	859	34	--	893	
Interest expense	(1,760)	(563)	--	(2,323)	
Foreign currency gains (losses) ...	36	(501)	--	(465)	
Minority interest	(342)	(173)	--	(515)	
	-----	-----	-----	-----	-----
TOTAL OTHER INCOME (EXPENSE)	(1,261)	(1,203)	--	(2,464)	
	-----	-----	-----	-----	-----
Income (loss) before income taxes ...	51,685	15,430	(2,197)	64,918	
Income taxes	14,524	5,825	(527) (M)	19,822	
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 37,161	\$ 9,605	\$ (1,670)	\$ 45,096	\$
	=====	=====	=====	=====	=====
Basic earnings per share					
of common stock:					
Net income per share - basic.....	\$ 1.35			\$ 1.31	
	=====			=====	
Weighted average common					
shares - basic.....	27,570		6,972	34,542	
	=====		=====	=====	
Diluted earnings per share of					
common stock:					
Net income per share - diluted.....	\$ 1.32			\$ 1.28	
	=====			=====	
Weighted average common					
shares - diluted.....	28,251		6,972	35,223	
	=====		=====	=====	

See accompanying notes to unaudited condensed pro forma financial statements.

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GOLDEN TELECOM, INC.

CONDENSED PRO FORMA STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002
(IN THOUSANDS OF US\$, EXCEPT PER SHARE DATA)
(UNAUDITED)

	GOLDEN TELECOM	COMINCOM	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED GOLDEN TELECOM & COMINCOM	SIBO
	NOTE 2	NOTE 3	-----	-----	NO
REVENUE:					
Telecommunication services	\$ 285,271	\$ 83,501	\$ (3,319) (O)	\$ 364,698	\$
	--	--	(755) (L)	--	
Revenue from related parties	1,727	653	--	2,380	

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TOTAL REVENUE	286,998	84,154	(4,074)	367,078	
OPERATING COSTS AND EXPENSES:					
Access and network services (excluding depreciation and amortization)	134,467	30,799	(3,319) (O)	161,841	
	--	--	(106) (L)	--	
Selling, general and administrative (excluding depreciation and amortization)	58,003	28,472	--	86,475	
Depreciation and amortization	38,872	11,047	2,049 (J)	51,354	
	--	--	(614) (K)	--	
TOTAL OPERATING COSTS AND EXPENSES ...	231,342	70,318	(1,990)	299,670	
INCOME (LOSS) FROM OPERATIONS	55,656	13,836	(2,084)	67,408	
OTHER INCOME (EXPENSE):					
Equity in earnings of ventures	(4,139)	--	--	(4,139)	
Interest income	2,077	190	--	2,267	
Interest expense	(4,306)	(1,370)	--	(5,676)	
Forgiveness of penalties	--	2,002	--	2,002	
Foreign currency gains (losses)	(1,792)	(215)	--	(2,007)	
Minority interest	(527)	(316)	--	(843)	
TOTAL OTHER INCOME (EXPENSE)	(8,687)	291	--	(8,396)	
Income (loss) before income taxes	46,969	14,127	(2,084)	59,012	
Income taxes	10,382	4,945	(500) (M)	14,827	
Income (loss) before cumulative effect of change in accounting principle	36,587	9,182	(1,584)	44,185	
Cumulative effect of change in accounting principle	974	--	--	974	
NET INCOME (LOSS)	\$ 37,561	\$ 9,182	\$ (1,584)	\$ 45,159	\$
Basic earnings per share of common stock:					
Income before cumulative effect of a change in accounting principle	\$ 1.36			\$ 1.32	
Cumulative effect of a change in accounting principle	0.04			0.03	
Net income per share - basic	\$ 1.40			\$ 1.35	
Weighted average common shares - basic					
	26,748		6,706	33,454	
Diluted earnings per share of common stock:					
Income before cumulative effect					

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of a change in accounting principle	\$ 1.34		\$ 1.30
Cumulative effect of a change in accounting principle	0.04		0.03
	-----		-----
Net income per share - diluted	\$ 1.38		\$ 1.33
	=====		=====
Weighted average common shares - diluted.....	24,163	6,706	33,869
	=====	=====	=====

See accompanying notes to unaudited condensed pro forma financial statements.

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003
 (UNAUDITED)

NOTE 1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS OF GOLDEN TELECOM, INC.

These columns reflects GTI's historical consolidated statement of operations for the nine month period ended September 30, 2003 and prepared and presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

NOTE 2 HISTORICAL PRO FORMA COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2002 OF GOLDEN TELECOM, INC.

In September 2002, subsidiaries of the Company completed the acquisition of 50% of EDN Sovintel LLC ("Sovintel") that the Company did not own. This column reflects GTI's historical unaudited pro forma combined results of operations to give effect to the Sovintel business combination as if it had occurred on January 1, 2002. The note below summarizes the historical results of GTI for the year ended December 31, 2002 and the historical results for Sovintel for the period from January 1, 2002 to September 16, 2003, along with pro forma adjustments necessary to present pro forma combined results for the year ended December 31, 2002.

	HISTORICAL		
	GOLDEN TELECOM	SOVINTEL	PRO FORMA ADJUSTMENT
	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE)		
Revenue	\$ 198,727	\$ 101,261	\$ (12,9
Operating costs and expenses	167,297	75,386	(11,3
	-----	-----	-----
Income (loss) from operations	31,430	25,875	(1,6

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Other operating income (expense)	2,007	(113)	(10,5
	-----	-----	-----
Income (loss) before income taxes	33,437	25,762	(12,2
Income taxes	4,627	6,647	(8
Cumulative effect of a change in accounting principle	974	--	
	-----	-----	-----
Net income (loss)	\$ 29,784	\$ 19,115	\$ (11,3
	=====	=====	=====
Net income per share-basic	\$ 1.24		
	=====		
Weighted average common shares-basic	24,102		
	=====		
Net income per share-dilutive	\$ 1.21		
	=====		
Weighted average common shares-dilutive	24,517		
	=====		

As described in the Company's 8-K/A dated September 17, 2002, the nature of the principal pro forma adjustments were to provide (a) amortization of intangible assets over estimated useful lives; (b) for the effect of purchase accounting to fixed assets on depreciation; (c) interest expense on debt assumed; (d) elimination of connection fee revenue and costs; and (e) elimination of previously recorded equity in earnings of Sovintel.

NOTE 3 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS OF OAO COMINCOM

These columns reflect Comincom historical consolidated income statements for the year ended December 31, 2002 and for the nine months ended September 30, 2003 and balance sheet as of September 30, 2003 prepared and presented in accordance with US GAAP.

Certain reclassifications have been made to Comincom's historical consolidated income statements to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications have no impact on revenue, income from operations, income before income taxes and minority interests or net income.

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2003
(UNAUDITED)

Certain reclassifications have also been made to Comincom's historical consolidated balance sheet to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications have no impact on total assets or shareholder's equity.

NOTE 4 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS OF OOO SIBCHALLENGE

These columns reflect Sibchallenge's historical consolidated income statements for the year ended December 31, 2002 and for the eight months ended August 31, 2003 presented in accordance with US GAAP.

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The acquisition of Sibchallenge was finalized in August 2003; therefore the balance sheet of Sibchallenge has been consolidated into the September 30, 2003 balance sheet of GTI.

Certain reclassifications have been made to Sibchallenge's consolidated income statements to conform to the presentation format in these unaudited condensed pro forma consolidated financial statements. Such reclassifications have no impact on revenue, income from operations, income before income taxes and minority interests or net income.

NOTE 5 ALLOCATION OF PURCHASE PRICE

ACQUISITION OF COMINCOM

The acquisition of 100% of Comincom will be accounted for as a purchase business combination in accordance with US GAAP. As the transaction will reflect the acquisition of 100% interest in Comincom, the Company will record the net assets of Comincom at 100% of their estimated fair values.

The estimated total purchase price of approximately \$199.3 million consists of approximately \$197.4 million of GTI's common stock, representing an estimated 6,972,139 shares and estimated direct transaction costs of approximately \$1.9 million. Under US GAAP, securities issued in a purchase business combination should be valued at market prices for a reasonable period before and after the measurement date in determining the fair value of the securities issued. For the purposes of these unaudited pro forma consolidated financial statements, the purchase consideration has been estimated using a closing date of the transaction, the measurement date, of September 30, 2003. Accordingly, the GTI shares issued in consideration are valued based on the average closing price of the Company's common stock for the five consecutive trading days between September 26, 2003 and October 2, 2003, which was \$28.31 per share.

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2003
(UNAUDITED)

The following is the actual condensed balance sheet of Comincom as of September 30, 2003 reflecting preliminary purchase price accounting adjustments to the net assets acquired:

	SEPTEMBER 30, 2003

	(IN THOUSANDS)
ASSETS:	
Current assets.....	\$ 38,842
Property and equipment.....	80,136
Telecommunications service contracts	
intangible assets.....	14,804
Contract based customer relationship	
intangible assets.....	19,878
Goodwill.....	82,538
Other assets.....	3,758

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Total assets.....	\$ 239,956
	=====
LIABILITIES:	
Current liabilities.....	\$ 30,255
Non-current liabilities.....	10,420

Net assets.....	\$ 199,281
	=====
Consideration and acquisition costs:	
GTI shares consideration.....	197,381
Direct transaction costs.....	1,900

Total purchase consideration and acquisition costs.....	\$ 199,281
	=====

The purchase allocation will be finalized upon closure of the acquisition by GTI of 100% of the outstanding shares of capital stock of Comincom and completion of the valuation of certain tangible and intangible assets. The final purchase price allocation will be calculated based on the transaction value and the fair values of Comincom's identifiable assets and liabilities at the date of closure. Therefore, the actual goodwill amount, as well as other balance sheet items, could differ from the preliminary unaudited condensed pro forma consolidated financial statements presented herein, and in turn affect items in the preliminary condensed pro forma consolidated statement of operations, such as intangible asset amortization and income taxes. The excess purchase price over the fair value of the net tangible and intangible assets acquired of approximately \$82.5 million has been assigned to goodwill and is not deductible for tax purposes. In accordance with the Financial Accounting Standards Board's Statement on Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets", the Company will not amortize the goodwill recorded in connection with the acquisition of 100% of Comincom. The goodwill will be tested for impairment at least annually. The impact of a one dollar change in the average closing price used to value the shares of common stock for the purpose of this transaction would result in an increase or decrease in goodwill of approximately \$7.0 million.

ACQUISITION OF SIBCHALLENGE

The acquisition of 100% of Sibchallenge was accounted for as a purchase business combination in accordance with US GAAP. As the transaction reflects the acquisition of 100% of interest in Sibchallenge, the Company recorded the net assets of Sibchallenge at 100% of their estimated fair values.

The total purchase price of approximately \$15.4 million consisted of cash consideration of approximately \$15.0 million and approximately \$0.4 million in direct transaction costs, including an investment banking fee of \$0.3 million

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paid to Belongers Limited, an affiliate of Alfa Telecom Limited, a shareholder of the Company.

The following is the actual condensed balance sheet of Sibchallenge as of August 31, 2003, the date GTI began consolidating the financial position and results of operations of Sibchallenge, reflecting preliminary purchase price accounting adjustments to the net assets acquired:

	AUGUST 31, 2003

	(IN THOUSANDS)
ASSETS:	
Current assets.....	\$ 1,792
Property and equipment.....	7,723
Telecommunications service contracts intangible assets.....	10,509

Total assets.....	\$ 20,024
	=====
LIABILITIES:	
Current liabilities.....	\$ 1,519
Non-current liabilities.....	3,121

Net assets.....	\$ 15,384
	=====
Consideration and acquisition costs:	
Cash consideration.....	15,000
Direct transaction costs.....	384

Total purchase consideration and transaction costs.....	\$ 15,384
	=====

These unaudited condensed pro forma consolidated financial statements reflect the preliminary allocation of the purchase price based on a preliminary fair value assessment of the assets acquired and liabilities assumed, and as such, the Company has assigned approximately \$10.5 million to telecommunications service contracts intangible assets. These identified intangible assets will be amortized over a period of 10 years. The purchase price allocation will be finalized upon the completion of intangible assets valuation. There was no goodwill recorded as a result of this transaction. The results of operations of Sibchallenge have been included in the Company's consolidated operations since August 31, 2003.

NOTE 6 CONDENSED PRO FORMA BALANCE SHEET ADJUSTMENTS

The accompanying unaudited condensed pro forma consolidated balance sheet includes the adjustments necessary to give effect to the Comincom business combination as if it had occurred on September 30, 2003 and to reflect the allocation of the estimated acquisition cost to the estimated fair value of tangible and intangible assets acquired and liabilities assumed as noted above, including the elimination of Comincom's equity accounts.

As discussed above, an element of the business combination consideration for Comincom was paid in the form of GTI shares, and was valued based upon the guidance of EITF 99-12. Goodwill amounts computed as of the estimated pro forma September 30, 2003 closing date were a function of both this

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share price determination and the resulting tangible and intangible net assets existing as of September 30, 2003.

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2003
 (UNAUDITED)

Adjustments included in the September 30, 2003 pro forma consolidated balance sheet are summarized as follows:

- (A) Direct transaction costs of approximately \$1.9 million were paid for Comincom.
- (B) An element of the purchase price of Comincom will be paid in the form of GTI shares consideration, representing an estimated 6,972,139 shares with an assigned value of \$197.4 million.
- (C) The Company recorded approximately \$82.5 million in goodwill on the Comincom transaction and eliminated approximately \$36.5 million of previously recorded goodwill.
- (D) The Company has assigned approximately \$5.3 million to telecommunications service contracts intangible assets and approximately \$12.9 million to contract based customer relationship intangible assets in the Comincom transactions. These identified intangible assets will be amortized over a weighted-average period of approximately 9 years, and are non-deductible for Russian tax purposes. The value assigned to the intangible assets reflects 100% of the appraised value, corresponding to the 100% of Comincom that will be purchased.
- (E) Property and equipment's estimated fair market value was computed using the net current replacement cost valuation method. The preliminary value assigned to property and equipment in the accompanying pro forma balance sheet represents 100% of these estimated fair values.
- (F) The Company has eliminated approximately \$6.7 million in previously recorded Comincom deferred revenues and approximately \$1.0 million in previously recorded Comincom deferred costs. These purchase accounting adjustments relate to previous connection fee deferrals in accordance with Staff Accounting Bulletin No. 101 ("SAB 101"). The purchase price accounting adjustments were made under the guidance provided by EITF 01-03, "Accounting in a Business Combination for Deferred Revenue of an Acquiree".
- (G) For Comincom, the Company has recorded a pro forma adjustment to deferred taxes which consists of the following:

	(IN THOUSANDS)
Property and equipment adjustment - Note 6 (E).....	\$ (4,295)
Deferred revenue and cost adjustment - Note 6 (F).....	5,689
Intangible asset adjustment - Note 6 (D).....	18,223

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Total adjustments to timing differences.....	19,617
Russian statutory tax rate.....	24%
Pro forma deferred tax liability adjustment.....	\$ 4,708

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2003
 (UNAUDITED)

- (H) Elimination entries related to operational activity between Comincom and the Company.
- (I) Elimination of Comincom's equity accounts upon consolidation.

NOTE 7 CONDENSED PRO FORMA STATEMENTS OF OPERATIONS ADJUSTMENTS

The unaudited condensed pro forma statements of operations include adjustments necessary to give effect to the merger as if it had occurred on January 1, 2002.

Adjustments included in the condensed pro forma consolidated statement of operations are summarized as follows:

- (J) Amortization of intangible assets over estimated useful lives (average 9 years for Comincom and 10 years for Sibchallenge).
- (K) Effect of purchase accounting adjustments to fixed assets on depreciation expense.
- (L) Elimination of connection fee revenues and costs associated with the deferred revenue and cost adjustment referenced in Note 6 (F) above.
- (M) The following is a pro forma tax computation based on a Russian statutory rate of 24% applied to the incremental variation of reported net earnings for pro forma combined GTI and Comincom, exclusive of the following implied permanent differences:

	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003
	(IN THOUSANDS)	
Combined pre-tax net income, previously reported.....	\$ 61,096	\$ 67,115
Pro forma combined pre-tax net income, reported herein.....	59,012	64,918

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Net change in reported pre-tax income	----- \$ 2,084 =====	----- \$ 2,197 =====
Less - permanent taxation differences:		
Transactions costs, deductible in USA.....	\$ 1,900	\$ --
Valuation allowance, transaction costs.....	(1,900)	--
Net change in taxable items.....	----- \$ 2,084 =====	----- \$ 2,197 =====
Russian statutory tax rate.....	----- 24%	----- 24%
Incremental reduction in taxes.....	----- \$ 500 =====	----- \$ 527 =====

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GOLDEN TELECOM, INC.

NOTES TO CONDENSED PRO FORMA FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2003
(UNAUDITED)

The following is a pro forma tax computation based on a Russian statutory rate of 24% applied to the incremental variation of reported net earnings for pro forma combined GTI and Sibchallenge, exclusive of the following implied permanent differences:

	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002	FOR EIGHT EN AUGUST
	-----	-----
	(IN THOUSANDS)	
Combined pre-tax net income (loss), previously reported.....	\$ 47,316	\$ 52
Pro forma combined pre-tax net income (loss), reported herein.....	46,166	52
Net change in reported pre-tax income	----- \$ 1,150 =====	----- \$ ----- =====
Less - permanent taxation differences:		
Transactions costs, deductible in USA.....	\$ 384	\$
Valuation allowance, transaction costs.....	(384)	-----
Net change in taxable items.....	----- \$ 1,150 =====	----- \$ ----- =====
Russian statutory tax rate.....	----- 24%	-----

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Incremental reduction (increase) in taxes..... \$ 276
 =====

(0) Elimination entries related to operational activity between Comincom and the Company, Sibchallenge and the Company and Comincom and Sibchallenge.

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(c) Exhibits

DESIGNATION	DESCRIPTION OF EXHIBIT
-----	-----
99.4*	Share Exchange Agreement dated August 19, 2003 by and among Golden Telecom, Inc., SFMT-CIS, Inc. (a wholly-owned subsidiary of Golden Telecom, Inc.) and Nye Telenor East Invest AS.
99.5*	Registration Rights Agreement dated as of August 19, 2003 between and among Golden Telecom, Inc., Alfa Telecom Limited, Nye Telenor East Invest AS, OAO Rostelecom, Capital International Global Emerging Markets Private Equity Fund, L.P., Cavendish Nominees Limited, and First NIS Regional Fund SICAV
99.6*	Standstill Agreement dated as of August 19, 2003 between and among Alfa Telecom Limited, Nye Telenor East Invest AS, OAO Rostelecom, Capital International Global Emerging Markets Private Equity Fund, L.P., Cavendish Nominees Limited, First NIS Regional Fund SICAV and Golden Telecom, Inc.
99.7*	Shareholders Agreement dated as of August 19, 2003 between and among Alfa Telecom Limited, Nye Telenor East Invest AS, OAO Rostelecom, Capital International Global Emerging Markets Private Equity Fund, L.P., Cavendish Nominees Limited, First NIS Regional Fund SICAV and Golden Telecom, Inc.

 * Incorporated by reference to the correspondingly numbered Exhibit to the Company's current report on Form 8-K dated August 19, 2003 (Commission File 0-27423).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act 1934, the

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registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN TELECOM, INC.
(Registrant)

By: /s/ DAVID STEWART

Name: David Stewart
Title: Chief Financial Officer and Treasurer

Date: January 30, 2003