

# **OPEN JOINT STOCK COMPANY “FAR EAST TELECOMMUNICATIONS COMPANY”**

## **ANNUAL STATEMENT FOR THE YEAR 2007**

### **Full Firm-name:**

Open Joint Stock Company “Far East Telecommunications Company” (hereinafter referred to as the Company)

### **Address:**

57 Svetlanskaya St., GSP, Vladivostok, 690950, Russia

### **Registration date and number of the Company:**

12.05.1994 No. 5464

## ***DIRECTOR GENERAL’S ADDRESS***

Dear Shareholders!

Year 2007 can be called for OJSC Dalsvyaz a year of efficiency enhancement, a year of further changes and a year of implementation of a new approach to business.

The changes that took place in 2006-2007 are the following: introduction of the “caller pays” principle (CPP), changes made to settlement terms and conditions with the operators, telecommunications market demonopolization, introduction of tariff plans for local communications, realization of national projects. All this affected significantly both the industry in the whole and our company in particular. We reviewed priorities and chose a perspective of potential growth opportunity.

The targets in 2007 were improvement of economic profitability indices and increase in business stability including the same through development of new services. We can say assuredly that we have achieved these goals: operational profitability reached 37.6%, net profit increased by almost 15% as compared with year 2006, while proceeds from the new services attributed for 21% in the revenue structure.

New services such as broadband Internet access (BBA), interactive television, etc. became unconditional growth drivers for the Company. The BBA customer base increased twice as compared with the previous year.

For the last year, customers’ requirements for the quality of communications and services have grown, therefore we not only offer innovation services but we work regularly for improvement of quality and comfort to use services, we develop package offers and carry out various marketing actions.

I will note that 2007 positive totals are the result of effective work of each employee in the Company. I am sure that the Company has a huge potential for growth and the results demonstrated in the past year will become a starting point for successful work in 2008.

## ***I. 2007 MAIN CORPORATE EVENTS***

	Event (subject)
January	<ul style="list-style-type: none"> <li>✓ Dalsvyaz announced completion of transaction for purchase of 51% ordinary shares of Open Joint Stock Company “Sahatelecom“.</li> <li>✓ Director General Anton Alekseev vacated his position of the Company’s CEO in connection with the contract termination. Anton Kolpakov, Deputy Director General and Director for business development, was appointed to act in this capacity.</li> <li>✓ Meeting with investors “Dalsvyaz days in Moscow”.</li> </ul>
February	<ul style="list-style-type: none"> <li>✓ Dalsvyaz completed reconstruction of telephone network in Nikolaevsk and Ulch Districts in Khabarovsk Territory</li> <li>✓ Andrei Vladimirovich Balatsenko was appointed Dalsvyaz Primorye Branch Director</li> <li>✓ Dalsvyaz introduced an interactive television service “Dalsvyaz TVi” in Khabarovsk Territory and Jewish Autonomous Region</li> </ul>
March	<ul style="list-style-type: none"> <li>✓ An open tender was held for selection of an auditing company</li> <li>✓ Victor Afanasievich Kalyuzhny was appointed Dalsvyaz Sakhalin Branch Director</li> <li>✓ Meeting with investors “Dalsvyaz days in Moscow”</li> </ul>
April	<ul style="list-style-type: none"> <li>✓ Summation of the tender for selection of an auditing company</li> <li>✓ The Register closing date was announced for listing participating members of the annual meeting of shareholders</li> <li>✓ OJSC Dalsvyaz bonds were included in the Quoted List “A” first level of the MIBC Stock Exchange</li> <li>✓ Dalsvyaz announced its business results for 2006 according to RAS. The Company’s net profit before reserve formation increased 1.4 times according to the auditor’s report for 2006</li> <li>✓ OJSC Sahatelecom: Konstantin Voloshin was appointed Director General of the Company</li> </ul>
May	<ul style="list-style-type: none"> <li>✓ The Company holds a holiday action for customers in 7 Russia’s Far East regions, on the occasion of the Radio Day (May 7)</li> <li>✓ “Word to a war friend” – on the Victory Day, Dalsvyaz holds an action of free communication services for the Great Patriotic War veterans and invalids</li> <li>✓ Anton Yurievich Kolpakov was appointed OJSC Dalsvyaz Director General</li> </ul>
June	<ul style="list-style-type: none"> <li>✓ The Company declares results of the annual shareholders general meeting and dividend amounts</li> <li>✓ The 2-nd coupon was paid in the amount of RUR 88,260.00 thousand under the bonded debt of series D2 in the amount of RUR 2 billion</li> <li>✓ The 2-nd coupon was paid in the amount of RUR 64,320.00 thousand under the bonded debt of series D3 in the amount of RUR 1.5 billion</li> <li>✓ Dalsvyaz extends optical fiber communication network in Primorye. The Company commenced construction of optical fiber communication line (OFCL) in the direction of Yakovlevka - Chuguevka - Kavaleroovo - Dalnegorsk, with taps to 16 settlements in the Primorye Territory. The OFCL length is 313 kilometers</li> <li>✓ Dalsvyaz declares plans for completion of business consolidation of associated companies: JSC Sakhalinugol-Telecom and OJSC A-Svyaz</li> <li>✓ Within the limits of project for construction of satellite data transfer network in Koryak Autonomous District, Dalsvyaz provided Internet connection for the Bering Island population.</li> </ul>
July	<ul style="list-style-type: none"> <li>✓ Dalsvyaz opens Internet entertainment portal “Disland.ru” for DSL access Internet users in Khabarovsk Territory and Jewish Autonomous Region</li> <li>✓ Dalsvyaz announces the start of Wi-Fi wireless Internet access in 6 regions of Far East Russia</li> <li>✓ The Standard &amp; Poor’s rating company raised the OJSC Dalsvyaz corporate management rating under the Russian scale according to CMR as 5.4 due to</li> </ul>

	<ul style="list-style-type: none"> <li>the raise in the transparency level</li> <li>✓ OJSC Dalsvyaz Board of Directors approved new members of the Management Board</li> </ul>
August	<ul style="list-style-type: none"> <li>✓ Dalsvyaz works for reorganization of associated businesses. The Company announces sale of 50% shares of JSC Teleross-Vladivostok. Profit on the investment was RUR 10.7 million.</li> <li>✓ Dalsvyaz declares management replacement of the Company's Amur Branch. Valentina Viktorovna Golovkina was appointed acting Director of the Company's Amur Branch.</li> </ul>
September	<ul style="list-style-type: none"> <li>✓ As a result of inventory, it was found that OJSC Dalsvyaz has 48 preferred shares of OJSC Amurmetal, which constitute 0.00008% of OJSC Amurmetal authorized capital. Measures were taken to execute OJSC Dalsvyaz' property rights for the shares.</li> <li>✓ Winners were determined of III Far East tournament for Internet search in seven regions of Far East Russia</li> <li>✓ By September 1, 2007 OJSC Dalsvyaz connected 1,203 educational institutions in the FEFD to the Internet within the limits of national project "Education"</li> </ul>
October	<ul style="list-style-type: none"> <li>✓ Beleichev Aleksandr Vladimirovich was appointed OJSC Dalsvyaz Deputy Director General – Amur Branch Director</li> <li>✓ International rating agency Fitch Ratings raised main long-time unsecured rating of OJSC Dalsvyaz from level "B" to "B+". Forecast for long-time rating remained as "Stable". Fitch also confirmed short-time currency rating at level "B".</li> <li>✓ Meeting with investors "Dalsvyaz days in Moscow".</li> </ul>
November	<ul style="list-style-type: none"> <li>✓ Dalsvyaz terminated its interest in OJSC Dalcombank. The interest share (0.78%) was realized for RUR 8.58 million. Profit after realization was RUR 7.7 million.</li> <li>✓ Dalsvyaz starts a large-scale promo campaign for Internet DSL users – "Malina"</li> <li>✓ Participation of the management in the road-show Deutsche Bank in Vienna (Austria) and Stockholm (Sweden)</li> </ul>
December	<ul style="list-style-type: none"> <li>✓ The 3-rd coupon was paid in the amount of RUR 88,260.00 thousand under the bonded debt of series D2 in the amount of RUR 2 billion</li> <li>✓ The 3-rd coupon was paid in the amount of RUR 64,320.00 thousand under the bonded debt of series D3 in the amount of RUR 1.5 billion</li> <li>✓ Redemption was made of the first 20% rated value of bonded debt of series D3 in the total amount of RUR 300 million</li> <li>✓ Dalsvyaz increased its interest in LLC Interdaltelecom from 39% to 97 % of the company's authorized capital</li> <li>✓ On the New Year eve, Dalsvyaz announced competition "Become the face of Disland.ru"</li> </ul>

## ***II. COMPANY'S STATUS IN THE INDUSTRY***

According to RF Mininformsvyaz, volume of telecommunication services in 2007 in RF as a whole was estimated at RUR 1,000.7 billion, which is 27% higher than in 2006.

OJSC Dalsvyaz earnings in profile activities were RUR 10.86 billion in 2007. So, the OJSC Dalsvyaz share in the total earnings of telecommunication sector was 1.08 % in 2007.

### **Market situation in the Far East Region**

The Far East Federal District holds one of leading positions in Russia in computerization of population, business and government offices, which is promoted by the development of enterprises, raise in the living standard as well as the increased need of the population for information resources.

The computer educational level is growing among the people, the number of educational programs via Internet is being increased and distant education is being implemented. Demand for Internet services is growing among the young generation, which is the most active user of entertainment and information resources. The people's need is growing for electronic mail, which has practically replaced telegraph, telex and fax.

Modern management and business systems are being implemented. Particularly, this is done in the bank sector (plastic cards) and data processing distributed systems in government institutions. Call centers are introduced.

The cellular communication level is increasing; the following federal mobile operators are present in the region: Megaphone, MTS and Vimpelcom. Mobile content services are actively provided. All population layers are active in using mobile communication services.

In the past several years, a stable trend is observed of exceeding growth rate increase in the volume of FEFD telecommunications market over the same of GRP in the Far East regions. Analysis of development trends and prospects of the Russian telecommunications market shows good opportunities for the Far East.

The communication services market is currently represented by:

- Local communication operators (mainly fixed communications);
- Long-distance (intercity and international) communications operators;
- Federal operators, mainly in cellular communications.

The share of fixed operators is less than a half of profits in the industry. Regional communications operators have licenses to provide services in long-distance telephone communications, data transfer and they also provide ISDN services, wireless user access and mobile communications.

The number of inter-regional companies is increasing, which have the need to receive high-quality telecommunication services in the territory of their operation. Big companies begin to actively introduce information business systems such as "1C", Oracle, e-Business Suite other. A need appears to combine remote offices in one virtual network, to get more services based on the existing infrastructure.

The reference-information service market has been growing. The telecommunications resources outsourcing market is formed. More and more companies require the entire spectrum of modern telecommunication services (Internet access, video telephony, intellectual services).

The processes that take place in the FEFD market demonstrate that dynamics of demand for modern telecommunication services will be positive in the near future. The above facts also show the necessity to extend the spectrum of services provided, to form a list of new business-oriented and leisure services aimed at FEFD users.

### Company's share in the regional market

The growth rate of the total telecommunications market volume in the regions of OJSC Dalsvyaz operations in 2006-2007 is estimated as 116%.

The growth rate of the FE telecommunications market proves development stability of this market.

<b>Dalsvyaz income</b>	Dalsvyaz income, million RUR	Communications services share in total Dalsvyaz income, %	Total income for region, million RUR	Dalsvyaz share in total regional income, %
<b>TOTAL</b>	<b>10 856</b>	<b>100%</b>	<b>39 239</b>	<b>28%</b>
Local communication	4 467	40%	5 239	<b>85%</b>
Area exchange	1 718	16%	1 833	<b>94%</b>
Operators	1 698	20%	4 668	<b>36%</b>
Internet and DTS, including:	2 000	13%	2 795	<b>72%</b>
<i>BBA</i>	1 362	8%	1 588	<b>86%</b>
<i>Dial UP</i>	435	5%	565	<b>77%</b>
<i>IP TV</i>	60	0%	292	<b>20%</b>
Mobile communication	379	4%	22 040	<b>2%</b>
Other services	594	7%	2 664	<b>22%</b>

As we can see in the table above, the major share of the Company in the total regional income (in telecommunications industry) is attributed to the Area exchange (94 %) since OJSC Dalsvyaz is a monopolist in this segment. The Local communication services bring 85%; the major OJSC Dalsvyaz income share also belongs to the broadband Internet access and makes up 86%.

### Estimate of the communication services market capacity in the FE region

The basic developing services such as data transmission Internet and cellular communications are the basic points of the market growth.

Major factors of development of this market are new services, arrival at the mass market, implementation of new technologies, formation of a new approach in positioning services, development of advertising market and as consequence creation of interesting ideas to attract clients.

The major part of incomes from communication services falls onto the mobile market. In 2007, the share of profitability of mobile business in the cumulative income of the market made up approximately 56%. However, the rates of growth are decreasing in relation to previous periods, and this testifies saturation of the cellular market and is confirmed with the level of penetration of cellular communications.

In 2005, penetration of cellular communication in the FEFD territory made up 70%, in the end of 2006 this figure increased and reached 90%; at the end of 2007 the average percent of penetration in the region made up 107-109% by different estimates. For example, the maximal percent of penetration was observed in Kamchatka Area (it made up 128% in 2007).

The Internet services market keeps on developing. New technologies are introduced, new technical and commercial decisions are offered. From 2005 to 2007, the market growth rate made up more than 250%.

Traditional services (OTA, intercity/international /VZ communication and operator business): the market growth delay is observed, it becomes steadily profitable due to the customer base generated. It is necessary to note the reduction trend in demand of OTA installation, in connection with development of mobile communication services, which present more and more real competition for fixed communication services.

As a whole, penetration of OTA service for the population of the Far East region makes up 28%, OJSC Dalsvyaz penetration of OTA service makes 25%, which shows that saturation will soon come of the wire telephony market.

In OJSC Dalsvyaz, incomes from connection of OTA service during 2004-2007 were gradually falling down, and the basic part of income from this service in the whole is made by the income of user's payment, which share has been growing during 2004-2007 from 65% to 86%. It shows that the degree of penetration of this service is great enough, and also that in the future we will receive lesser income from the connection, but we will have slowly growing but stable income from user's payments.

Considering the current tendencies in development of the telecommunication market, we can make the following conclusions:

- Profitability of the market due to traditional services does not grow, but stable profitability due to existing user's base is observed;
- The growth potential of the market is great enough due to development of new services, formation of new offers and active work with the client's base.

### III. PRIORITY DIRECTIONS OF BUSINESS OF THE COMPANY

OJSC Dalsvyaz performed a number of projects directed to construction and modernization of main and intraareal transport networks based on the DWDM technology and construction of data transmission networks on the basis of IP MPLS technologies including:

Owner of object	Project code	Name of project	Date started	Date completed	Amount, thousand RUR	Commissioned, km IPN* OFTL
Primorye Branch	702607071001	Construction of OFCL: Yakovlevka – Chuguevka – Kavaleroovo - Dalnegorsk	2006, October	2007, December	94486	291
Khabarovsk Branch	703607030004	Construction of OFCL: Khabarovsk -Komsomolsk-na-Amure - Amursk (copy)	2003, January	2007, August	26632	34,43
Khabarovsk Branch	703607071001	Construction of OFTL: Birobijan - Obluchye	2006, October	2007, October	19867	26,029
Amur Branch	705607071001	Construction of OFCL: Blagoveschensk - Belogorsk	2006, November	2007, December	47985	134,807
Amur Branch	705607071002	Construction of OFTL: Raichikhinsk - Obluchye	2006, November	2007, December	94725	151,46
Amur Branch	705605071001	Construction of OFTL: Blagoveschensk – Vladimirovka - Volkovo	2007, April	2007, October	687	2
Sakhalin Branch	708607040001	Construction of OFTL: between Val - Prigorodnoe (copy)	2004, January	2007, December	99588	0

TOTAL					383283	639,726
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\*Intrazonal primary network

Future projects (completion in 2008 and further) included in 2007 program, version 2.						
Owner of object	Project code	Name of project	Date started	Date completed	Amount, thousand RUR in 2007	Total estimated capacity, km IPN OFTL
Primorye Branch	0702607071003	Construction of intraareal OFCL: Nakhodka - Lazo	2007, August	2008, November	11796	187
Primorye Branch	0702607071004	Construction of intraareal OFCL: Kavalerovo - Olga	2007, August	2008, November	5820	76
Khabarovsk Branch	0703607050005	Construction of OFCL: Sovgavan – Vanino - Selikhino	2005, July	2008, October	760	364
Khabarovsk Branch	0703607071004	Designing OFCL: Amursk -Elban with taps to Mylki, Izvestkovyi	2007, September	2008, April	2934	54
Khabarovsk Branch	0703607071005	Designing OFTL: Komsomolsk-na-Amure - Solnechnyi	2007, September	2008, April	2410	47
Amur Branch	0705607081001	Construction of OFTL: Shimanovsk - Svobodnyi-Belogorsk -Bureya	2007, August	2008, March	20250	450
Sakhalin Branch	0708607050008	Construction of OFCL: Holmsk – Tomari - Ulegorsk	2005, October	2008, October	0	278
Sakhalin Branch	0708607071001	Construction of OFTL: Val - Okha	2007, September	2008, October	11280	188
Sakhalin Branch	0708607071002	Construction of OFTL in area districts (Tymovsk - Aleksandrovsk).	2007, September	2008, October	3600	60
TOTAL					58850	1 704

In all Branches of the Company projects have been executed that are aimed at preparation for granting services of networks (NGN) based on broadband wire access to SPD networks on ADSL2+ technology, at the speeds up to 24 Mb/sec.

Regarding expansion of a spectrum of provided services based on intellectual communication networks, in 2007 projects of introduction of call center platforms in Magadan and Kamchatka Branches (Cisco IPCC - ip contact centre) were realized. Thus, the Company has a unified platform for granting information services.

#### Development of Interactive TV service

In 2006, for strengthening competitive situation in the market OJSC Dalsvyaz introduced to the market a new service in Primorye Territory on the basis of broadband access - Interactive TV.

In 2007, this service was also introduced to the markets of Khabarovsk and Kamchatka Branches. It is planned in 2008 to introduce Interactive TV service in all other regional Branches.

In 2007, incomes from the IP TV service made up RUR 59,732 thousand; this service was taken advantage by more than 15 thousand subscribers:

		Total for 2006	1 quarter Actual	2 quarter Actual	3 quarter Actual	4 quarter Actual	Total in 2007 Actual
KB	Total users:		-	210	859	1667	1 667
HB	Total users:		279	1124	2317	4374	4 374
PB	Total users:	1 770	3427	5149	7176	9584	9 584
	Total users:	1770	3706	6483	10352	15625	15 625

Basic competitive advantages of OJSC «Dalsvyaz» in granting this service are the following:

- Guaranteed quality of the service through broadcasting in digital format and powerful technical infrastructure;
- Opportunities of organization of interactive services (active electronic program of transfers, control of subscribers activity, personal video recorder, etc.);
- An opportunity of establishment of an expanded set of additional services (games, Internet on TV, e-mail on TV, etc.);
- An opportunity of granting the service in any point of OJSC Dalsvyaz networks presence;
- A great base of OTA and broadband access customers who are potential users of this service;
- Legality of content provided.

Content filling of the service

The IP TV - Dalsvyaz TVi service consists of 2 basic elements.

1. Transmission of television channels. The quantity of channels can vary depending on the region. It also depends on a satellite resource and quantity of channels transmitted from a certain satellite. In PF and HF, about 75 channels are transmitted. In KF, the quantity of accessible channels on the satellite does not exceed 40. The full list of TV channels is presented and constantly updated on [www.tvi.dsv.ru](http://www.tvi.dsv.ru) <<http://www.tvi.dsv.ru>>. OJSC Dalsvyaz is interested in adding to the list of broadcast TV channels of interesting, popular TV channels - sports, erotic, cognitive and so forth. However, the cost of these channels is high enough, and it is planned in 2008 to sell these channels in separate packages for the purpose of ARPU increase.
2. VOD - Video on demand. In 2007, active work began in search of catalogues of novelties to fill up the VOD. Weekly, the server receives up to 5 novelties. In the 3-rd quarter of 2007, work for purchase of cartoon films was actively conducted. The full catalogue of video films and its update is also run on site [www.tvi.dsv.ru](http://www.tvi.dsv.ru). The plans for 2008 provide for purchase of blockbusters and films just run in cinemas.

Besides, service “Virtual City” is represented in PF. This service is a store place of video rolls of city life, vacation spots, cinema sessions and so forth. This service will be developed in all branches of the Company.

In 2007, the “Virtual cinema hall” service was started in KF. The principle of this service is that a subscriber, when he enters this menu section, can choose himself a suitable session (like in a cinema). Cost of viewing in this section is less than when selecting a film from the catalogue. It is planned to start this service in all branches in 2008.

The basis of the “Interactive TV” service is the content: media elements and information (pictures, music files and video clips). In 2007, active works were done on updating the content base that promoted increase in loyalty of subscribers to the service: contracts are made out for retranslation of various TV channels, for obtaining property rights to audiovisual products (films) used within the limits of “Video-on-demand” service.

The list of interactive multimedia services, which can be presented in broadband access networks, is practically unlimited; however it would be desirable to note some of them:

- Broadcast TV. This service is similar to TV transmission realized by cable TV operators.
- Video-on-Demand. Besides video films, paid access can be provided in a similar way to viewing various events: sports matches, concerts, performances, etc.
- Another version of video-on-demand service is the Network Personal Video Recorder. Recording is done in the network instead of user’s cartridge or equipment, and this saves time for the user and provides a better record.
- Additionally, a TV screen can be used for providing Internet services attributable for personal computers, for example T-Internet, T-mail, T-commerce, as well as for computer games which are executed on allocated computers in the network while the image is broadcast on a TV screen.

Further development of the service will be connected both with based on IP-TV and VOD, and with integration with NGN network that will give additional benefits for the subscriber. This will allow passing to the concept of granting personified interactive services. The basic element of their promotion is a TV set, a personal interactive center of information and entertainment.

### Development of interactive services

- Quiz shows, interactive interviews, etc.;
- Information and reference system:
  - ✓ Yellow pages;
  - ✓ Railway station, airport, urban transport schedules;
  - ✓ Work schedules of offices; municipal autonomous bodies, etc.
- Management of bank accounts;
- Teleshop.

### Development of services based on VoD technology

- Video library;
- Audio library;
- “Video-on-demand” by subscription (Subscription VOD);
- Network video recorder (nPVR, Time shifting);
- Free VOD;
- Personal news.

### In addition to the installed base equipment:

- Integration with ACP – invoice output on TV set;
- Call information on TV set;
- Call initiation from TV set;
- Unified address book;
- SMS, chat;
- Access to email and Internet from TV set;
- Video call;
- Presence (availability of subscriber in the network);
- My own TV;
- Content management.

### Development of technology

- Support of frame size 4x3 and 16x9;
- Support of maximal (by standards) audio flows; digital output;
- Support of multilingual accompanying sound;
- Support of multi-channel sound (stereo, AS-3 and AAS);
- High-quality of “Video-on-demand” programs (flows up to 8 Mbit/sec);
- Support of high-definition television (HDTV, HD).

### Broadband access development

In 2007, active promotion of the Internet access on DSL technology was carried out.

Earnings from Internet services on DSL technology made up RUR 1,329,786 thousand in 2007, which is by 80% more in relation to 2006 (RUR 737,857 thousand). This income growth was determined by the increase of DSL subscribers in 2007 by 81,281 (2 times) as compared with 2006. Income growth from this service in 2007 was noted in all branches of the Company.

The number of DSL users in 2007 in the Company made up 159,948 subscribers.

About 80 thousand xDSL ports were built in 2006, development of broadband access and access to the Internet in 2007 enabled increase of this index by 30%:

#### Increase in xDSL ports in 2007

Project name	xDSL ports introduction
<b>Introduction of xDSL ports</b>	<b>123 425</b>
Primorye Branch	37 824
Khabarovsk Branch	42 377
Amur Branch	14 424
Kamchatka Branch	13 968
Magadan Branch	3 024
Sakhalin Branch	11 808



### **New additional services for DSL subscribers**

Introduction of Dalsvyaz DSL fast Internet new direction, the biggest in the Far East entertaining portal - the Internet resource Disland.ru to the market of the Far East took place in May, 2007 (Primorye and Khabarovsk Branches).

The basic advantages of Disland are the following: high speed of the Internet, the principle of unlimited tariffication as well as the manifold licensed content.

### **Development of local resources. [WWW.DISLAND.RU](http://WWW.DISLAND.RU)**

Development of local Internet-resources is an integral part of development of additional services based on DSL. The platform for opening the portal was established on the basis of the Limited Liability Company "Netvil". On the platform provided by this company, the following services were realized:

1. On-Line games (gaming servers). In order to enter any of game servers, it is necessary to have a licensed version of the game; Mini-games: this category includes office games (Tetris, Patience, etc.). To play any of the selected games, it is necessary to buy it directly on the portal.
2. File exchanger: a data store place. Subscribers can upload their files, and they also have an opportunity to download any of the files uploaded by someone else. Limitation: the file should not exceed 100Mb. A convenient display system of the latest downloaded files and files with a greater number of downloads.
3. Photo exchanger: a picture store place. Subscribers can create their own albums, make comments on other pictures, etc.
4. Blogs: Internet diaries. Subscribers can create their own blogs, describe events important to them and comment other blogs.
5. Cinema: providing "opportunity to hire" any of the filed films and view it on a computer monitor. Hire of films without leaving home and computer.
6. Internet shop: as this resource develops, subscribers can buy items from audio books to software.

OJSC Dalsvyaz is active in adding local Internet resources to the portal. Currently, the following local resources are available:

1. Internet radio ECM.fm: round the clock radio via the Internet, only best electronic dance music of various styles on the air, live broadcasts with the best DJs of the Far East.
2. Funtomas.ru: the day-to-day placement of the best from the world's biggest leisure portals. Funny pictures, rolls, photos, stories, jokes and many other.
3. Game server Bomberman.ru: any subscriber can take part in network battles here. Here, both professionals and amateurs meet and all of them, regardless of their training level, are fans of On-line games, and they will be happy to see new soldiers among them.
4. Video chat Trepang.tv: this is an exclusive way of virtual association, closer and more confidential. Your counterpart can see you on his (her) monitor, send messages and talk to you, while you can see him (her). You can be seated in front of the screen of your computer and communicate using the video chat.

It is also planned to update the existing servers and extend options for the users.

### **Development of the Voice Transfer service in data transmission networks**

It is planned in 2008 to renew granting the IP-telephony service. Moreover, this service will be provided not only under advance payment system (like in 2005), but first of all, on the credit payment system that will be favourable to position the service in the market in comparison with competitors who now render service only under advance payment system (on cards).

Positioning this service as analogue of a traditional intercity/international telephony will enable to make higher tariff level in comparison with operators that render IP-telephony service and to provide higher marginality.

Since this service will be provided on credit, it can only be used by OJSC Dalsvyaz subscribers. Regarding subscribers of foreign operators, direct sales will be carried out, basically to big companies - generators of intercity/international communication.

Granting of the IP-telephony service on advance payment system is planned too, but more likely it will be an "accompanying service" in connection with "easier" arrival at the market for the purpose of attracting subscribers of competitors (who got accustomed to use IP-telephony on cards) and arrival at additional user segments (subscribers of mobile communication and joined operators).

Whereas the IP-telephony service will be an imposed service, a platform for its realization will be infrastructure of OJSC Dalsvyaz NGN and TSOB networks that will allow carrying out the start of service at low cost.

### **Development of Wireless communication services**

OJSC Dalsvyaz provides cellular communication services in Kamchatka and Magadan Branches. In 2007, the user's base of cellular communication made up 104,847 subscribers (gain 4,662 users.). Income from granting wireless communication services in 2007 made up RUR 379,253 thousand, which is 4% less than in 2006. The decrease in earnings was caused by decrease in the rate of user's base gain and by outflow of highly remunerative subscribers. This tendency resulted from active development of the federal threesome of cellular operators; their offers of new services based on WAP and GPRS, as well as saturation of the market, greater percent of penetration of cellular communication in regions, and as consequence, gradual reduction in prices for the cellular communication services.

### **Development of Call centers**

In 2007, the start was completed in all Branches of commercial operation of Call centers on the Cisco IPCC platform.

Uniform solutions for all Branches with a centralized center of competence and management allowed unifying and carrying out provision of new services:

- SIS "09" and SIS "009" services (input in the base, filling up, provision of information, "News of the day", etc.);
- Auto calling, auto informer;
- Paid services of foreign organizations via SIS and Call center (receiving advertisements for media, provision of access to paid resource of the customer, ordering taxi);
- Call-center outsourcing services;
- Receipt of telegrams (066);
- Ordering additional services of digital stations, ordering talks via operator (including STK).

### **Projects directed for development of information technologies**

For the purpose of increasing management efficiency of the Company and maintenance of transparency of financial streams in OJSC Dalsvyaz, introduction of the following information systems is carried out:

- Transfer to the modern system of management and electronic business ERP Oracle e-Business Suite;
- Electronic documents circulation system Company Media was implemented in Primorye, Sakhalin and Khabarovsk Branches, which combines information flows with the General Management. Its introduction is planned in 2008 for the remaining Branches;
- Centralized system of inter-operator accounts "Interconnect" from JSC Peter Service;
- System of line technical accounting.

## ***IV. PROSPECTS OF COMPANY DEVELOPMENT***

### **The objectives of the Company, priority directions of development and basic strategic initiatives**

#### **OJSC Dalsvyaz objectives for 2008:**

- Maintenance of Company's share in the earnings from the FEFD telecommunication market (with cellular and MG/MN communications) at the 25.2% level;
- Proceeds amount (under RAS) in 2008: RUR 11.782 million.

#### **To achieve these goals, it is necessary to perform the following tasks:**

- Advancing development of BBA (broadband access) (increase in user's BBA base by 2008 to not less than 261 thousand subscribers; capture of a share of the market in incomes from BBA services in 2008 not less than 84%; ARPU of BBA subscribers in 2008 at the level not less than RUR 0.76 thousand).
- Maintenance of a leading position in the fixed communication market (the market share in income from the fixed communication in 2008 not less than 85%; maintenance of the user's fixed communication base by 2008 at the level of 1,366 thousand).
- Introduction of the Paid TV service to the market and seizure of a market share by income in 2008 not less than 35%.

- Introduction of the “Voice transmission in the data transfer networks” service to the market and seizure of 22% market share by income in 2008.
- Proceeds increase in the segment of corporate VIP-customers to RUR 960 million in 2008.

#### Advancing development of BBA

Development of BBA is a strategically important direction of OJSC Dalsvyaz development since it is the most significant source of income growth for the Company, and it also represents a platform, which in the future will allow maintenance of the Company's importance in the industry in view of future migration of traditional services on IP.

To achieve this goal, the following will be required:

- Anticipatory investments in improvement of the access network in the areas with a high potential demand for BBA and/or competitive threat;
- Establishment of a scaled sales system, connection and service of subscribers (development of trade channels, work with indirect sales, optimization of connection processes to the service, development of call-centers to service subscribers, development of wireless networks, etc.);
- Differentiation of offer for consumers (segmented approach to pricing, wide offer of additional services, evasion of competition in price parameters through increase in the quantity of set services for the same price, etc.);
- Packaging of BBA (with voice transfer, video, games, wireless access and other services);
- Struggle against in-house networks both via government bodies for infringement of intellectual property laws and rules for construction of networks, and through public campaigns (insufficient security from intrusion, absence of quality assurances, etc.).

#### Retaining of the leading position in the fixed communication market

Fixed communication is the largest source of incomes for the Company in the present and a source for increase in these incomes in the future by increase in penetration of this service among the population and increase of ARPU since these parameters are currently low enough in relation to the world standards.

Nevertheless, this service is in the area of raised risk caused both by the threat of mobile replacement and a competition. In this connection, retaining of the leading position in the market and increase in incomes from this service is one of priority problems for the Company for 2008.

To achieve this goal, the following is necessary:

- Increase of the user's line value due to packaging services of voice data and video transfer, beginning from packaging voice services (local+areal+MG/MN+F2M) and to complex packages (voice+data+video+mobile communication), and these packages are also important for the development of BBA;
- Preservation of mainly the user's system of payment of the voice communication services for the purpose of maintaining as many as possible subscribers on the user's system;
- Introduction of the process and cross sales control systems and outflow of subscribers (segmentations of subscribers by value for the Company and the risk of their outflow depending on a set of services and their use, establishment of special offers for the subscribers, who wish to be disconnected, expansion of communications channels with subscribers: outgoing calls from call-centers, mail dispatch, accounts for services);
- Work with the regulator on optimization of tariffs;
- Increase in penetration of new lines due to the aimed work with developers.

#### Introduction of Paid TV service to the market

Introduction and development of these services is an important field of activity of the Company since it will allow to increase not only incomes but will also directly affect the strategically important goal of the Company - ARPU increase per line. Also, through Paid TV one more goal will be achieved - increase in BBA user's base, which in turn will positively affect the BBA development. Diversification of business, introduction of interactive entertaining services to a new market will allow for raising competitiveness of the Company, providing the base for development of new services and growth of proceeds under the conditions of limited market capacity.

#### Introduction to the market of Voice transfer service in data transfer networks

Introduction and development of these services is a reciprocal action against the changed competitive situation. Under conditions of income loss from services of m/g, m/n, area communication because of the increased competition in these markets and changes of a regulator's position in relation of pricing (cancellation of compensatory allowance), the Company has to prevent falldown of ARPU per line. Presence of competitive advantages such as greater own user's base and an opportunity of rendering services on credit under more favourable tariffs in comparison with operators of Distant communication will enable to take a significant share of the market.

#### Income increase in the corporate VIP-clients segment

In the process of liberalization of the communication market the Company conceded a significant share of the market in the corporate clients segment to alternative operators. Change of this trend represents not only a source of additional incomes and profits but also substantially reduces the income base of alternative operators which serves as their source of financing expansion in the MSP segment and the population.

Below are detailed basic marketing actions planned within the limits of strategic objectives of the Company.

No.	Actions	Time of realization	Description	Service	Segment
1.	Installation payment reduction	July 2008	In all branches of the Company, cost of DSL connection is reducing to that of a modem. This offer will allow for increase in the growth rate of the subscriber's base and fulfillment of scheduled indices.	DSL	Population
2.	Service packaging	March 08-April 09	Various package offers are being formed, which include bonuses for the services aimed at different segments. These actions will help to retain ARPU and to lower subscribers' outflow.	DSL, IP TV, local communication, intraareal communication	Population
3.	Introduction of loyalty program	Feb. 08 - Apr. 09	Bonus programs stimulating subscriber to use the service for a long time while retaining ARPU.	All services	Population, organizations
4.	Update of tariff plans	Apr. 08-June 08	Establishment of tariff plans line meeting the needs of all segments.	DSL	Population, organizations
5.	Establishment of a powerful intranet interactive leisure resource	Sept. 07-Nov. 08	Establishment of a unified entertainment portal for Dalsvyaz DSL users in all regional branches. This incentive includes technical arrangement of this decision.	DSL	Population
6.	Implementation of IP TV service in all regional branches	Dec. 07-Nov. 08	Technical realization of this service introduction in all regional branches. IP TV promotion to new markets.	IP TV	Population, organizations
7.	Actions aimed at motivation of users to connect to DSL unlimited tariff plans	Oct. 08 – Feb. 09	Connection of subscribers to unlimited tariffs helps to retain ARPU, and as a result, income increase per line. Establishment of favourable conditions (bonuses) and special offers the subscribers who are connected to these tariff plans in a certain period.	DSL	Population
8.	Introduction of pre-paid tariff plans	June 08-July 08	Attraction of additional segments of subscribers	OTA, DSL, IP-TV	Population
9.	Development of tariffs for film packages, formation of specialized channel	March 08-April 08	ARPU increase per service	IP-TV	Population
10.	Implementation of WI-FI for commercial operation in all regional branches	Oct. 07-Sept. 08	Extension of the product package. Entry to a new market. Receipt of additional earnings. Development of BBA.	Wi-Fi	Population, organizations
11.	Development of package offers and	Nov. 07-Apr. 08	Attraction increase of services in the corporate segment.	IP VPN	Organizations

	tariffs for DTS				
12.	Formation of a unified optimized tariff policy IP TV in all regional branches	Apr. 08 - Dec.08	Formation of a tariff plan line convenient and transparent for the final user.	IP TV	Organizations, population
13.	Formation of a unified content base	Oct. 07 - Dec. 08	Search for and cooperation with content rightholders. Development of content services.	IP TV, VoD, GSM, DSL	
14.	Development of a new sales channel (direct sales).	Sept. 07 -Dec. 08	Active sales of communication services: work with developers, VIP-clients, legal entities and potential customers. Interception of clients from competitors. Search of customers for available and new services. Full range of communication services for corporate clients. Retaining and increase of the market share in segment B2B. Maximal promotion of increase in earnings from new services. Increase in the share of highly profitable services in total incomes.	All services	Corporate VIP - clients
15.	Service differentiation for corporate VIP - clients	Sept. 07 -Dec. 08	Offer of multifold and higher (as compared with the competitors) service level, making agreements of VIP – servicing, regulated periods of clearing a technical possibility of services required, priority consideration of applications, reduction of time for preparation and conclusion of contracts. Perfection of MRK business procedures and regulations for sales of services to the VIP-clients in regional branches. Formation of package offers, synergism of services offered, providing additional services for customers.	All services	Corporate VIP - clients
16.	Information support for the customer	Jan. 08 - Dec. 08	This will allow for timely rendering of new services. Maintenance of the data base of cooperation with corporate VIP-clients in regional branches and GD to provide timely package services to the customer.	All services	Corporate VIP - clients
17.	Establishment of round-the-clock technical support service	Nov. 07 -Oct.08	Establishment of effective round-the-clock technical support service, first of all to corporate customers, who use DTS and IP VPN services, enable to retain current users and attract new corporate clients.	DTS services	Corporate VIP - clients
18.	Timely reaction for customers' rejection of OJSC Dalsvyaz communication services	Jan. 08 – June 08	Development of effective measures directed on maintenance of corporate clients. Preparation of offers for clients under specific solutions.	All services	Corporate VIP - clients
19.	Implementation of the program for loyalty enhancement of VIP - clients	Dec. 07 - Dec. 08	Increase in satisfaction with the services to enhance loyalty of current users; attraction of new customers through offers of high-quality services and affordable price level.	All services	Corporate VIP - clients
20.	Implementation of the Regulations for monitoring work with applications	3-rd quarter of 2007	It sets out work procedures of monitoring for disclosure of subscribers' satisfaction degree. It defines also a system of analysis of applications for further formation of programs for work improvement.		Population, organizations
21.	Implementation of the Regulations for auditing work with applications	3-rd quarter of 2007	It sets out work procedures of audit checks of work with applications of subscribers, as a result weak spots are found (critical points) in work with subscribers.		Population, organizations

22.	Formation and optimization of CSC organizational pattern in the Company branches	Nov. 07 - Dec. 08	The current CSC services and divisions that reply to client calls (free/paid inquiry, customer support, sales, intercity/international communication services, etc.) are reorganized and combined in the "Integrated services".	CSC services	Population, organizations
23.	Implementation and development of CSC outsourcing services in Company branches	Aug. 07-Apr. 08	Auto calling, Automatic inquiry, Data base actualization, processing and receipt of incoming calls, and other services via CSC for foreign organizations	CSC outsourcing services	Organizations
24.	Arrangement of paid inquiry service in all OJSC Dalsvyaz branches	Sept. 07-April 08	Formation of a unified inquiry base 09	MSI 09/009	Population, organizations
25.	Changes in the tariff policy while interaction with intercity/international communication and area communication operators	Nov. 07-Mar. 08	Development for approval of differentiated tariffs depending on the extent of areas in accordance with PPRF 627 (now integral tariff 1.529 rouble/min is valid)	Area call completion/initiation	Communication operators
26.	Formation of tariff policy for connection with DTS	Nov. 07-April 08	Interaction of DT network operators within the PD and Internet services limit should be done under a contract of addition. Addition and traffic pass between DT are non-adjustable. The purpose of the plan is the efficiency increase of settlements with DTS operators and satisfaction of their needs.	Connection and pass of traffic	Communication operators

In the Russian Federation, the program of development of information and communication technologies "Electronic Russia" for the period of 2002 - 2010 the following priority stages of establishment of modern technical, technological and information bases for the industry were defined:

- Digitalization of transfer processes, processing and analysis of information and stage-by-stage construction of digital networks with subsequent replacement of analog systems. Construction of multi-service information transfer networks on the basis of MPLS technology is carried out;
- Operation of the existing IT-systems with their gradual replacement with modern systems with scaled platforms and introduction of new systems;
- Development of wireless access networks;
- Development of multimedia networks and services.

The main development directions of the Company are realization of the following projects:

- Modernization of NGN-based stations;
- WiFi-access development;
- Construction of intraareal and local OFTL;
- Construction of a satellite communication network for the FEFD.

The principal investment directions are shown in the table below:

Investment program	Total investment programs	Proportion	Share of projects with high financial return (payback period up to 2 years), RUR million	Share of projects with high financial return (payback period from 2 to 5 years), RUR million	Share of projects with high financial return (payback period from 5 to 10 years), RUR million	Share of investment amount in quality return projects. RUR million
<b>DSV investment amount, total:</b>	<b>3 216,87</b>	<b>100%</b>	<b>33,90</b>	<b>754,68</b>	<b>2 022,01</b>	<b>406,29</b>
<b>Outline structure by categories</b>						
<b>Telephony</b>	<b>1 125,22</b>	<b>34,98%</b>	<b>32,64</b>	<b>361,76</b>	<b>730,82</b>	<b>0,00</b>

<i>Upgrade of the City Telephone Station based on NGN (access ports) Project 142</i>	666,44	20,72%		199,93	466,51	
<i>Upgrade of STS based on NGN (access ports) Project 142</i>	101,71	3,16%			101,71	
<i>Upgrade of STS based on NGN with arrangement of CSC (access ports) Project 142</i>	120,00	3,73%			120,00	
<i>Replacement of ATSKE Project 142</i>	106,50	3,31%		63,90	42,60	
<i>NGN capacity rise (development)</i>	130,56	4,06%	32,64	97,92		
<b>Modern services</b>	<b>682,48</b>	<b>21,22%</b>	<b>1,26</b>	<b>287,22</b>	<b>394,00</b>	<b>0,00</b>
<i>Arrangement of xDSL access</i>	255,17	7,93%		255,17		
<i>Arrangement of Wi-Fi access</i>	11,94	0,37%		11,94		
<i>Extension of digital interactive TV network</i>	234,00	7,27%			234,00	
<i>IP-telephony (trunk connections capacity)</i>	1,26	0,04%	1,26			
<i>NGN networks (capacity of soft switch, gateway and server applications)</i>	20,11	0,63%		20,11		
<i>Arrangement of Ethernet access</i>	160,00	4,97%			160,00	
<b>Investment in IT</b>	<b>278,63</b>	<b>8,66%</b>	<b>0,00</b>	<b>0,00</b>	<b>6,84</b>	<b>271,79</b>
Program "Implementation of ERP in Svyazinvest Group of Companies"	30,00	0,93%				30,00
Implementation program of business support systems (BSS)	85,00	2,64%				85,00
Implementation program of operation support systems (OSS)	83,50	2,60%				83,50
Program of SORM support	73,29	2,28%				73,29
CSC (trunk capacities)	6,84	0,21%			6,84	
<b>Development of information and telecommunication infrastructure at the intraareal and local levels</b>	<b>1 030,55</b>	<b>32,04%</b>	<b>0,00</b>	<b>105,70</b>	<b>890,35</b>	<b>34,50</b>
Construction of intraareal and local OFTL in FEFD	710,35	22,08%			710,35	
Construction of intraareal and local radio relay links	34,50					34,50
Satellite communication systems (SCS)	180,00				180,00	
DTS (IP/MPLS) (1Gb/sec stations)	105,70	3,29%		105,70		
<b>Other</b>	<b>100,00</b>	<b>3,11%</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>100,00</b>
Other infrastructure objects	100,00	3,11%				100,00

Standard of projects share in the invest program structure, %	XX	XXX	1,05%	23,46%	62,86%	12,63%
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## ***V. RESULTS OF THE COMPANY'S DEVELOPMENT IN PRIORITY AREAS***

In realization of actions aimed at development of the Company, the following results have been achieved:

### **Traditional services of local telecommunication**

In this direction, demand by existing applications for traditional telephone communication is satisfied through PSTN digitalization according to NGN concept.

Together with a consulting company, a development concept was made of a multi-service transport network of the NGN new generation. A number of contracts were concluded for delivery of NGN equipment for the big Far East cities. Construction of NGN networks is going on according to the schedule in the total mounted capacity of 53,033 numbers. Completion of this project is planned in 2008.

In the future, there is a problem of decrease in operational expenses, bringing of network in conformity with the Russian Federation normative base (pass of traffic, rules of numbering, account of traffic). Replacement and development of addresses is provided on the basis of multi-service units of access under control of program switchboards "SoftSwitch".

Special attention in meting demand of traditional communication services is paid to the development of a universal service. For the period of realization in 2006-2007, the network of payphones was developed (2,109 payphones have been introduced).

### **Lines of transfer and objects of the communication an infrastructure**

In 2007, the following communication lines were built and put in operation general, 524 km in length:

- OFTL Yakovlevka – Chuguevka – Kavalerovo - Dalnegorsk;
- OFTL Khabarovsk – Komsomolsk-na-Amure - Amursk;
- OFTL Birobijan – Obluchye;
- OFTL Blagoveschensk - Belogorsk;
- OFTL Raichikhinsk – Bureya.

Construction of intraareal OFTL was done on the basis of WDM/SDH/IP-MPLS technologies of STM-16 level, which enabled establishment of high-speed trunk lines for NGN traffic.

### **Development of data transmission networks**

In 2007, development was going on of high-speed data transmission networks on the basis of IP MPLS technology to cover all regional centers and big settlements. Establishment of powerful data transmission networks enables granting a wide scale of services including IPTV for subscribers, access to which is organized using DSL and WiFi technologies.

### **Introduction of new services and investment in IT**

In 2007, within the limits of realization of the ERP introduction program, works for utilization of VMS1 stage results were carried out. From September, 2007 works started within the limits of Introduction of the Incorporated Master System (IIMS).

Implementation of the system of technical account of linear constructions of GIS "Communication" was performed; this work has been completed in all branches.

Systems of electronic document circulation "Company Media" in Primorye and Sakhalin Branches were launched.

Within the limits of realization of project "Education" in 2007, connections were made for the remaining 365 schools in the FEFD territory and delivered to the RosOkhranCulture.

Thus, in the FEFD territory in 2007 the national project "Education" has been completed in full and on target dates:



	<b>2007</b>							
	<b>Plan</b>	<b>ACTUAL</b>						
		<b>Last mile arrangement</b>	<b>Ratio, %</b>	<b>Arrangement of channel w/ Observed</b>	<b>Ratio, %</b>	<b>Reception of RSN</b>	<b>Ratio, %</b>	<b>2006--2007</b>
PB	83	83	100%	83	100%	83	100%	319
KHB	10	10	100%	10	100%	10	100%	186
JAR	9	9	100%	9	100%	9	100%	57
AB	169	169	100%	169	100%	169	100%	298
KB	12	12	100%	12	100%	12	100%	88
KAD	3	3	100%	3	100%	3	100%	7
MB	14	14	100%	14	100%	14	100%	36
SB	65	65	100%	65	100%	65	100%	191
	<b>365</b>	<b>365</b>	<b>100%</b>	<b>365</b>	<b>100%</b>	<b>365</b>	<b>100%</b>	<b>1182</b>

### 5.1. Investment policy

No	Name of index	Units	2006	2007	Index change rate 2007/2006
1.	Investment in fixed capital - <b>total</b> ,	RUR million	1 752	1 592	
1.a	Investment areas:	RUR million			
	- fixed telephone communication;		548	375	
	- cellular communication;		68	32	68%
	- intercity, international and intraareal communications;		310	277	48%
	- new services;		104	150	89%
	-data transfer networks and infrastructure;	RUR mil / %	15	48	144%
	- investment in information technologies;		76/4%	181/11%	325%
1.b	- other	RUR million	631	528	Not to be filled
					84%
2.	<b>Own funds share</b> directed for investment	%	98	80,5	Not to be filled
3.	<b>Borrowed funds share</b> directed for investment	%	2	19,5	Not to be filled

### 5.2. Basic indices of network development\*

No	Name of index	Units	2006	2007	Index change rate 2007/2006
1	2	3	4	5	6
1.	Gain in length of intercity (intraareal) telephone channels, total	th.chan/km	24 350,55	25 782,45	105,9%
	Including same made by digital transfer systems	th.chan/km	24 378,09	25 985,04	106,6%
2.	Gain in number of main phone devices, total	thousand pcs	49,3	9,2	18,7%
3.	Mounted capacity of xDSL ports, total (by end of accounting period)	ports	99747	198 619	119,1%
4.	Number of user devices connected to mobile radio-telephone networks (by end of accounting period)	thousand units	100,185	104,847	104,65%

\* - basic indices of network development are presented for Company's consideration.

## 5.3. Basic economic indices of OJSC Dalsvyaz

Name of index	Unit	2006	2007	Type of index changes 2007/2006 (%)
Proceeds from sales of goods, products, works and services	RUR million	10 291	11 203	109%
Incomes from communication services	RUR million	9 652	10 612	110%
Expenditure	RUR million	7 708	8 299	108%
Profit from sales	RUR million	2 583	2 904	112%
Profit before tax	RUR million	1 287	1 448	112%
Net profit	RUR million	761	874	115%

## 5.4. Incomes structure by types and user categories in 2007\*

Types of services	Total proceeds (less VAT) in 2007, RUR thousand	Including same from population, RUR thousand.	Proportion in 2007 proceeds, %	Same in proceeds from population, %
Proceeds from communication services. total	10 611 865	5 750 243	100%	100%
<i>Including:</i>				
Intraareal, intercity and international	1 806 232	892 045	17%	16%
Local telephone communication	4 530 863	3 095 531	43%	54%
Document electric communication	2 045 301	1 226 027	19%	21%
Mobile communication	411 345	338 853	4%	6%
From connection and traffic pass services	1 576 818	0	15%	x
other	241 306	197 787	2%	3%

\* According to statistical observation form "Information of proceeds from communication services (Form 65-Communication).

## 5.5. Expenditure structure for 2007

Expenditure elements	2007	Proportion in 2007 expenditure, %
Salary	2 732 354	32,92%
Payments for social insurance	618 045	7,45%
Fixed assets depreciation	1 306 205	15,74%
Material cost (total)	837 966	10,10%
Expenditure for communication operator services	1 109 161	13,36%
Expenditure for OJSC Rostelecom services	146 472	1,76%

Foreign organizations services	724 486	8,73%
Taxes and levies included in expenditure for usual types of activity	8 663	0,10%
Other expenditure for usual types of activity	815 761	9,83%
<b>Total expenditure</b>	<b>8 299 113</b>	<b>100%</b>

#### 5.6. Efficiency highlights of OJSC Dalsvyaz activity

Name of index	Unit	2006	2007	Type of index changes 2007/2006 (%)
Profitability of sales proceeds	%	33.5%	35.0%	1.5%
Profitability of net income	%	9.9%	10.5%	0,6%
Cost price of RUR 100 proceeds	RUR	75	74	99%
EBITDA	RUR million	2 725	3 204	118%
EBITDA margin	%	26,5%	28,6%	2,1%
Proceeds per line	RUR thousand	7,2	7,5	105%
Profit per line	RUR thousand	1,8	2,0	108%
Proceeds per worker	RUR thousand	683	899	132%
Profit per worker	RUR thousand	172	233	136%
Number of lines per worker	pcs.	95	119	125%

#### 5.7. Information of net assets of the Company

	As of 01.01.2008
1. Net assets amount (RUR thousand)	6 594 590
2. Authorized capital (RUR thousand)	2 535 006
3. Reserve fund (RUR thousand)	126 751
4. Ratio of net assets to authorized capital (p.1/p.2) (%)	260,14
5. Ratio of net assets to authorized capital and reserve fund (p.1/ (p.2+.3)) (%)	247,75

Net assets increased in the accounting year by RUR 720,492,000 or by 12.27 %.

## **VI. RISK MANAGEMENT**

In the 4-th quarter of 2007, work began in the Company on formation of the ***Risk Management Program***.

The risk management program describes key principles of risk management in OJSC Dalsvyaz, sets out organizational structure and contains description of actions for introduction and functioning of the risk control system. The basic purpose of the program is to increase risk management efficiency in realization of financial and economic activities of the Company, which should finally promote increasing its competitiveness and market cost.

When developing the Program, risks were identified, which the Society meets at realization of financial and economic activities. A "threshold of importance" was determined: 0.5% of proceeds of the Company for the last fiscal year or 56 million roubles). Risks, whose affect exceeds the specified sum, will be under control of the Board of Directors. Management of less significant risks will be in the competence of the Risks Commission.

In the first quarter of 2008, the Risk management program was introduced for approval by the Board of Directors.

The most significant risks for the Company in 2008 will be the following:

- Risks in connection with changes in legislation regarding regulation of activities of natural monopolies (opening of the "last mile", liberalization of the area communication markets, tariff adjustment, etc.);
- Risk of natural extreme situations (seismically active areas in Kamchatka and Sakhalin);
- Risk in connection with non-return of temporarily deposited funds of the Company by banks (considering development of world crisis of liquidity, which began in the second half of 2007);
- Risk in connection with infringement of corporate procedures (possible violations of rights of the shareholders and other interested persons which may entail appeals of decisions of the management bodies).

As of December 31, 2007 the Company is participating in the following litigations, which can essentially affect its financial and economic activities:

1. As a claimant in the procedure on the claim to recognize void the decisions of Inter-regional tax inspection for largest taxpayers No. 7 (hereinafter, tax office) of impleading and payment of taxes, default interest and penalties for 2001-2002 in the amount of RUR 718 million.

The questioned decision of the tax office was made on the results of a scheduled tax check of the emitter's activity in 2001-2002. The check was carried out from June, 23 to November 26, 2004. The sums of the tax office claims against the emitter for the checked-up period made up 718 million roubles, out of which 461.8 million roubles as taxes and 256.2 million roubles as penalties and default interest.

On judgment of Moscow arbitration tribunal dated September 11, 2006 the OJSC Dalsvyaz' claim was satisfied in part: the sum of tax claims against the Company was lowered down to 632 million roubles including penalties and default interest. This judgment was left unchanged by the decision of the Ninth arbitration appeal court dated January 10, 2007 and by the decision of Federal arbitration court of Moscow District dated May 15, 2007.

By resolution of the Russian Federation Higher arbitration court (RF HAC), the case was turned to the RF HAC Presidium; this resolution specifies the basis for revision of judicial actions that took place on the case. The date of consideration by RF HAC Presidium was not determined as of January 16, 2008.

2. As a claimant in a procedure on the claim to recognize void the decisions of Inter-regional tax inspection for largest taxpayers No. 7 (hereinafter, tax office) of impleading and payment of taxes, default interest and penalties for 2001-2002 in the amount of RUR 909 million.

The questioned decision of the tax office was made on the results of a scheduled tax check of the emitter's activity in 2003-2005. The check was carried out from July, 17 to November 20, 2006. The sums of the tax office claims against the emitter for the checked-up period made up 909 million roubles, out of which 150 million roubles as taxes and 759 million roubles as penalties and default interest. As a result of consideration of the Company's claim by the Federal tax service, this amount was reduced to RUR 203 million. Moscow arbitration tribunal satisfied the Company's claim in full. This judgment has come into force.

OJSC Dalsvyaz holds significant shares of the market of basic services (telephony, intraareal communication, BBA and so forth). First of all, owing to the last mile closed for all other operators. In case of its opening, competitive situation will aggravate, and this will cause risk of subscribers' transition to alternative operators. All other steps by competitors for strengthening their positions will be restrained by

introduction of supplementary services and improvements of the quality of servicing and provision of services by OJSC Dalsvyaz.

1. OJSC "Dalsvyaz" is currently at the stage of development of supplementary services and services for subscribers; the competitors are in the lead.
2. Due to essentially smaller sizes of competitors, the quality of servicing is higher;
3. OJSC Dalsvyaz possesses a great number of technical resources.
4. By quantity of OTA subscribers, OJSC Dalsvyaz occupies an important position in the market and, hence, has advantages in BBA client base, Interactive TV, etc.

**Principal competitors of OJSC Dalsvyaz and their share in physical volume by services  
(as of end 2007)**

Local communication	Internet		Cellular communication*
	BBA	Dial-Up	
Dalsvyaz - 90%	Dalsvyaz - 72%	Dalsvyaz - 81%	Dalsvyaz – 17%
NTK – 2%	NTK – 3%	Vostoktelecom – 5%	Beeline – 50%
Vostoktelecom – 2%	Vostoktelecom – 4 %	Teledine Systems Limited – 2%	MTS – 29%
Rokotel – 1%	Redcom – 2%	Interkamservice – 2%	Megaphone – 4%
Other – 5%	Maglan – 3 %	Information Technologies Laboratory – 2%	
	Deltacom – 2%	Other – 10%	
	VladLink – 2%		
	Vladivostok Telecom – 2%		
	Other – 11%		

\* in MB and KB markets

This table above shows the biggest competitors. As we can see in the table, OJSC Dalsvyaz market share in key services exceeds 70%. In the future, maintenance of this share is planned.

Main factors that establish competitive advantages for OJSC Dalsvyaz:

- The leading position in the market;
- Availability of a great subscriber base;
- Developed access technical infrastructure;
- Great experience of big-scale communication servicing;
- Diversification of the service portfolio, entry to new markets.

### **Main summary of competition**

#### **1. BBA**

In 2007, active development took place of granting access to the Internet via xDSL technology not only in OJSC Dalsvyaz but also in many companies in the FEFD. In Branches, competition has increased, however OJSC Dalsvyaz retains its leading position in the market. Information of OJSC Dalsvyaz market share is shown in view of competition from in-house networks, which in 2007 began to actively demonstrate their presence in the market.

Main competitive advantages of in-house networks:

1. Use of illegal content to reduce costs of the operator for filling-up resources and to stimulate subscribers for switching to in-house networks;
2. A limited user's base allows to provide quality technical support and service of subscribers;
3. Absence of necessity to install additional equipment;
4. Free access to the "last mile";
5. A flexible structure allowing quick reaction to changes of market conditions.

Certainly, these competitive advantages are attractive for the subscribers; however, owing to the poorly developed infrastructure and small scope of population, competition of in-house networks has a strained character only in Magadan Branch, particularly in Magadan city. The reason is that a small size of the city simplifies significantly construction of technical infrastructure. The share of OJSC Dalsvyaz market in MB makes up 31% only.

#### **2. IP TV**

In the FEFD market, direct competition in IP TV service is not existent, while indirect competition is very well developed.

The competitors are:

- Companies providing cable TV;
- Cinema theatres;
- Video hire points;
- In-house networks, in the part of availability of large film content.

Main competitive advantages of OJSC Dalsvyaz are the following:

- Guaranteed quality of the provided service through broadcast in the digital format and powerful technical infrastructure;
- Ability to arrange interactive services (active electronic broadcast program, control of subscriber's activity, personal video recorder, etc.);
- Possibility to arrange an extended set of supplementary services (games, Internet on TV set, e-mail on TV set and so on);
- Possibility to provide service in any point of OJSC Dalsvyaz network presence;
- A great base of OTA and broadband access subscribers, who are potential users of this service,
- Legality of the content provided.

OJSC Dalsvyaz' share among the companies, which provide cable TV services, does not currently exceed 5%.

3. Cellular communication

Maintenance of the market share not less than 17%.

The main preconditions for retaining competitive position are the following:

- ✓ Implementation of the loyalty program;
- ✓ Retaining a specific niche – corporate segment, population;
- ✓ Implementation of package solutions (OTA+BBA+cellular communication).

**Main risk factors including those connected with the government policy of the industry regulation**

Below, risks are specified for priority areas and their possible effects for OJSC Dalsvyaz:

<b>Description</b>	<b>Possible consequences</b>
1.Active entry in the fixed communication market of CMC* operators	Seizure of a market share and attraction of medium and high-yielding customers through offers of package tariffs like OTA+GSM
2.Appearance of Intraareal communication operators in the market	Seizure of an imtraareal communication market share, first of all traffic of local connected operators and CMC operators. Also, traffic termination of long-distance operators via our network.
3.Expenditure increase for intraareal channels from OJSC Rostelecom and other operators	Profitability reduction of intraareal telephone communication services down to a negative level in some fields of operation.
4.Regulatory limitations	Limitations for income increase from these segments.
5.Mobile replacement of local and intraareal traffic	Falldown of local and intraareal traffic, replacement of fixed telephone with mobile one.
6.Population outflow from FEFD	Refuse of using telephones, reduction of potential subscribers' base.
7.Entry of federal operators in the market	Strengthening of competition in the BBA market, reduction of business profitability and earnings.
8.Opening of last mile	Strengthening of competition in the BBA market, reduction of business profitability and earnings. Access to OJSC Dalsvyaz subscribers.
9. Entry of broadband wireless network operators in the market	Development of the "second" last mile to subscriber
10.Introduction of regulated tariffs for broadband access	Reduction of BBA services profitability, work limitations in the market.

\*Cellular mobile communications

In the whole, risk factors are connected with strengthening of competition and government policy in this industry.

## VII. HUMAN RESOURCES DEVELOPMENT

### 7. 1. Work and wages

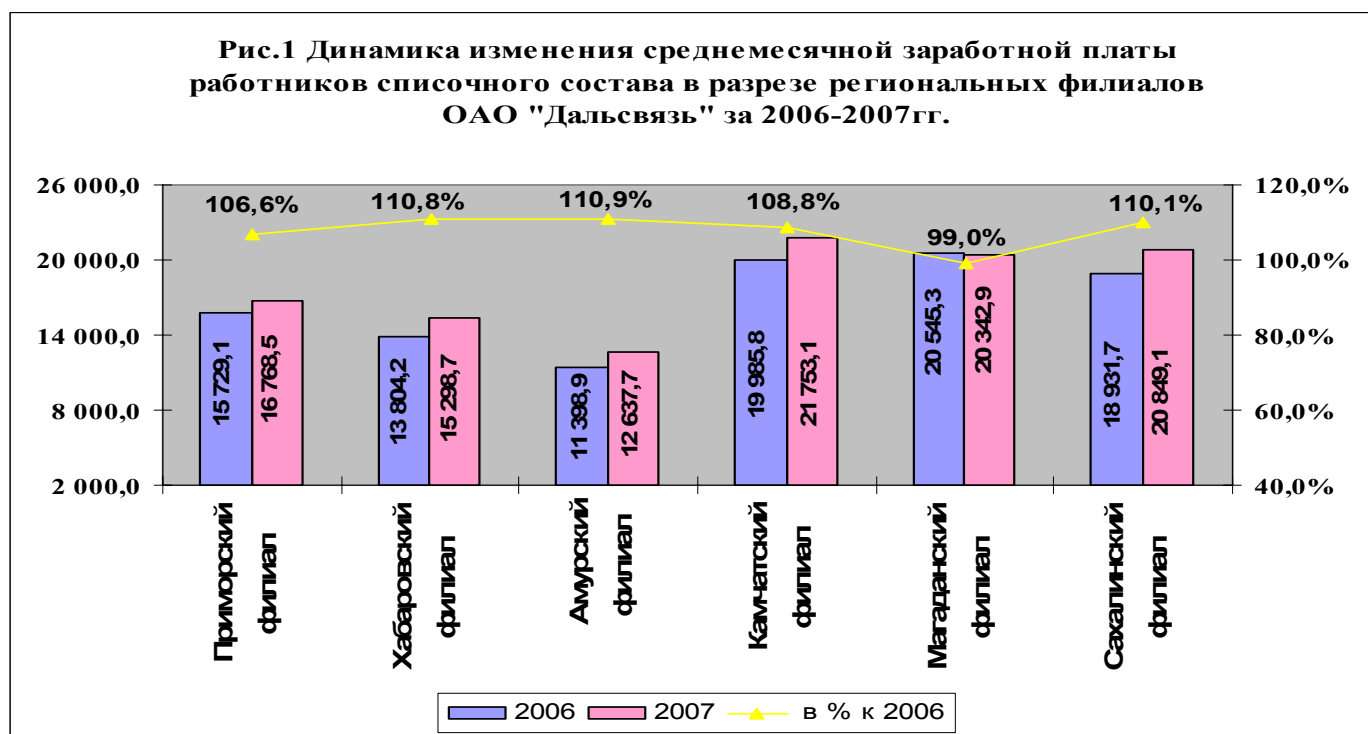
Policy in the field of payment in the Company is targeted on systematic increase and maintenance of a competitive level of wages in view of financial opportunities, increases of labour productivity, growth of economic efficiency of the Company's business.

As a result of the work done in 2007, growth of monthly average wages of workers on the payroll was ensured by 8.2% in relation to 2006 and under comparable conditions without taking into account payment of annual bonus (on the work results in 2005) by 15%.

OJSC Dalsvyaz wages fund decreased in comparison with 2006 by 10.5% and made up RUR 2,684,404.1 thousand. The decrease of wages fund was caused by optimization of the number of personnel in 2007.

**Table 1. Number and wages of OJSC Dalsvyaz workers on the pay role for 2006 – 2007**

Average pay role number of workers – total, persons			Wages fund charged for workers on the pay role, thousand RUR			Average monthly wages of workers on the pay role, RUR		
2006	2007	2007 % to 2006	2006	2007	2007 % to 2006	2006	2007	2007 % to 2006
1	2	3	4	5	6	7	8	9
15 063	12 461	82,7%	2 999 311,2	2 684 404,1	89,5%	16 593,1	17 952,0	108,2%



**Fig. 1. Development of changes in average monthly salary of pay-role workers by OJSC Dalsvyaz Branches in 2006-2007**

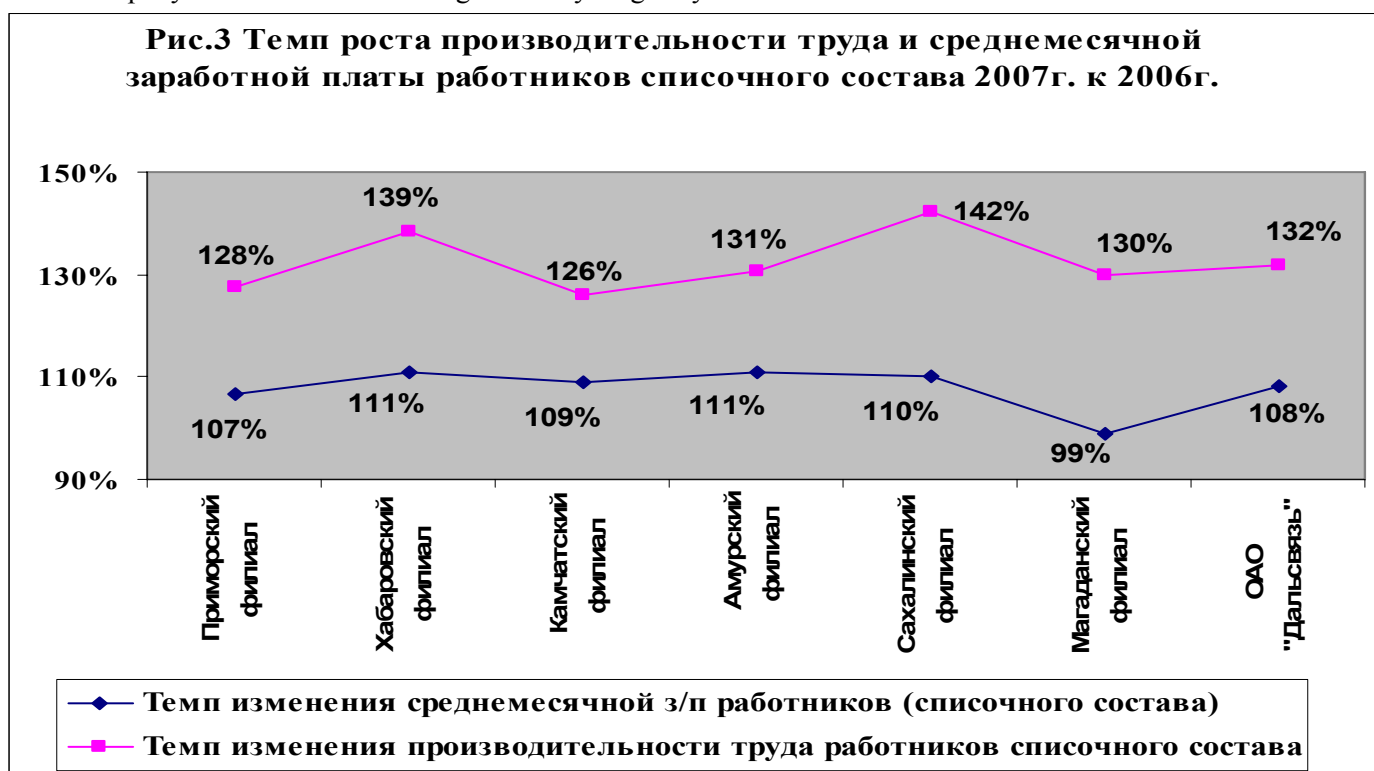
Приморский филиал	Primorye Branch
Хабаровский филиал	Khabarovsk Branch
Амурский филиал	Amur Branch
Камчатский филиал	Kamchatka Branch
Магаданский филиал	Magadan Branch

The analysis of relative density of expenses for personnel in the cost price of sold goods, products, works and services in the Company in the whole reflects a tendency of decrease in expenditure for the personnel in 2007 as compared with 2006 by 6.8%, which is caused by actions for optimization of the number of personnel. It shows, on the one hand, positive structural dynamics of expenses for the personnel and, on the other hand, economic efficiency of the policy for perfection of the wages payment system.

**Table 2. Proportion of expenditure for the personnel in the cost price of sold goods, products, works and services of OJSC Dalsvyaz for 2006 – 2007**

Name of expense items	2006, thousand RUR	Proportion in cost price 2006, %	2007 amount, thousand RUR	Proportion in cost price 2007, %
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Cost price of sold goods, products, works and services	7 707 639,00	X	8 299 113,00	X
Expenditure for personnel including	3 667 767,54	47,59%	3 387 607,77	40,82%
Wages	2 904 172,09	37,68%	2 714 091,06	32,70%

Modernization of production, optimization of business processes, perfection of motivation system and optimization of the number of personnel in 2007 allowed significant raise of labour productivity level of OJSC Dalsvyaz workers in comparison with 2006 by 32%. The rate of labour productivity growth in the entire Company exceeds same of average monthly wages by 23.8%.



**Fig. 3. Growth rate productivity and average monthly salary of pay-role workers in 2007 compared with 2006**

Приморский филиал	Primorye Branch
Хабаровский филиал	Khabarovsk Branch
Камчатский филиал	Kamchatka Branch
Амурский филиал	Amur Branch
Сахалинский филиал	Sakhalin Branch
Магаданский филиал	Magadan Branch
ОАО «Дальсвязь»	OJSC Dalsvyaz

- Rate of changes in average monthly salary of pay-role workers
- Rate of changes in productivity of pay-role workers



**Efficiency parameters per personnel in 2006-2007:**

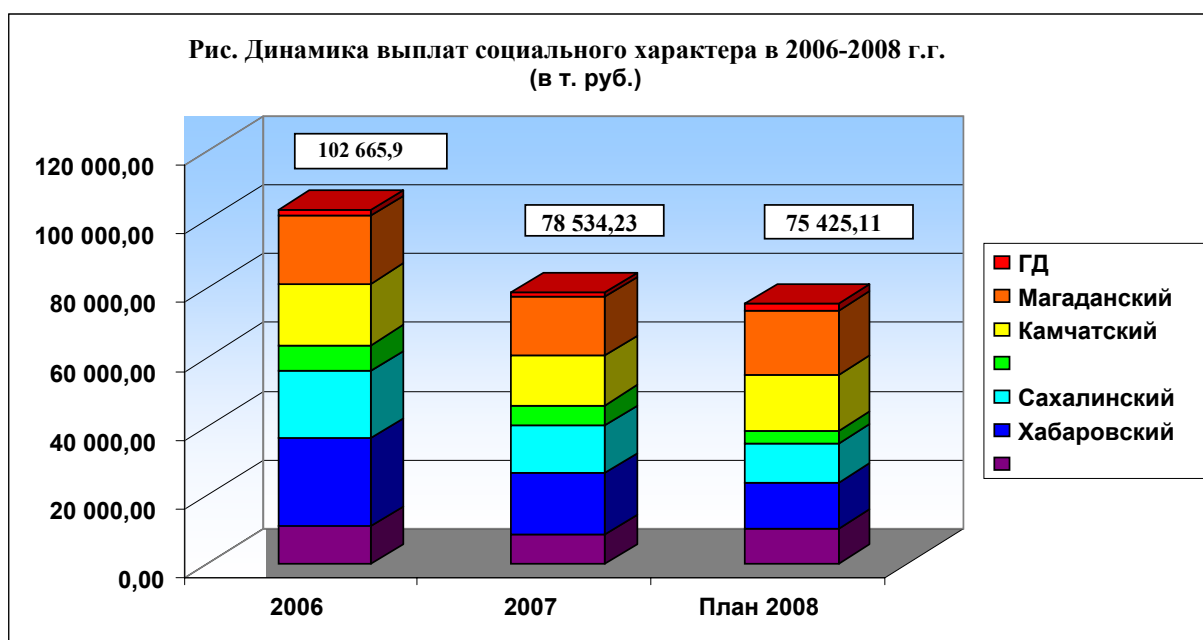
- **Proceeds per worker on the pay role** in 2007 made up RUR 899.1 thousand and increased by 32% as compared with 2006.
- **The quantity of lines per worker** on the pay role in 2007 made up **119.3** lines, growth was 25% in relation to 2006. This increase is connected with reduction of the number of personnel as a result of measures for optimization of the Branches organizational structure and also with realization of projects for expansion of the telephone communication network;
- **The feedback for the personnel** makes up RUR **3.3** thousand and growth was 18% against the 2006 level. Hence, each rouble of expenses for the personnel brings 3.3 thousand roubles in proceeds;
- **The average expenses for the personnel per worker** in 2007 make up RUR **271.9** thousand; growth to the 2006 level is 12%. Growth of the average expenditure for the personnel parameter is caused by the growth of average monthly wages of the workers;
- **Profit on sales per worker** on the pay role in 2007 makes up RUR **233.1** thousand and growth to the 2006 level is 36%;
- **Efficiency of a worker** in 2007 was **627.2** thousand roubles and growth by 43 %, to the 2006 level.

During 2007, the following actions for perfection of motivation system were realized in the Company.

**Table 3. Main projects for perfection of labour motivation system in OJSC Dalsvyaz in 2007**

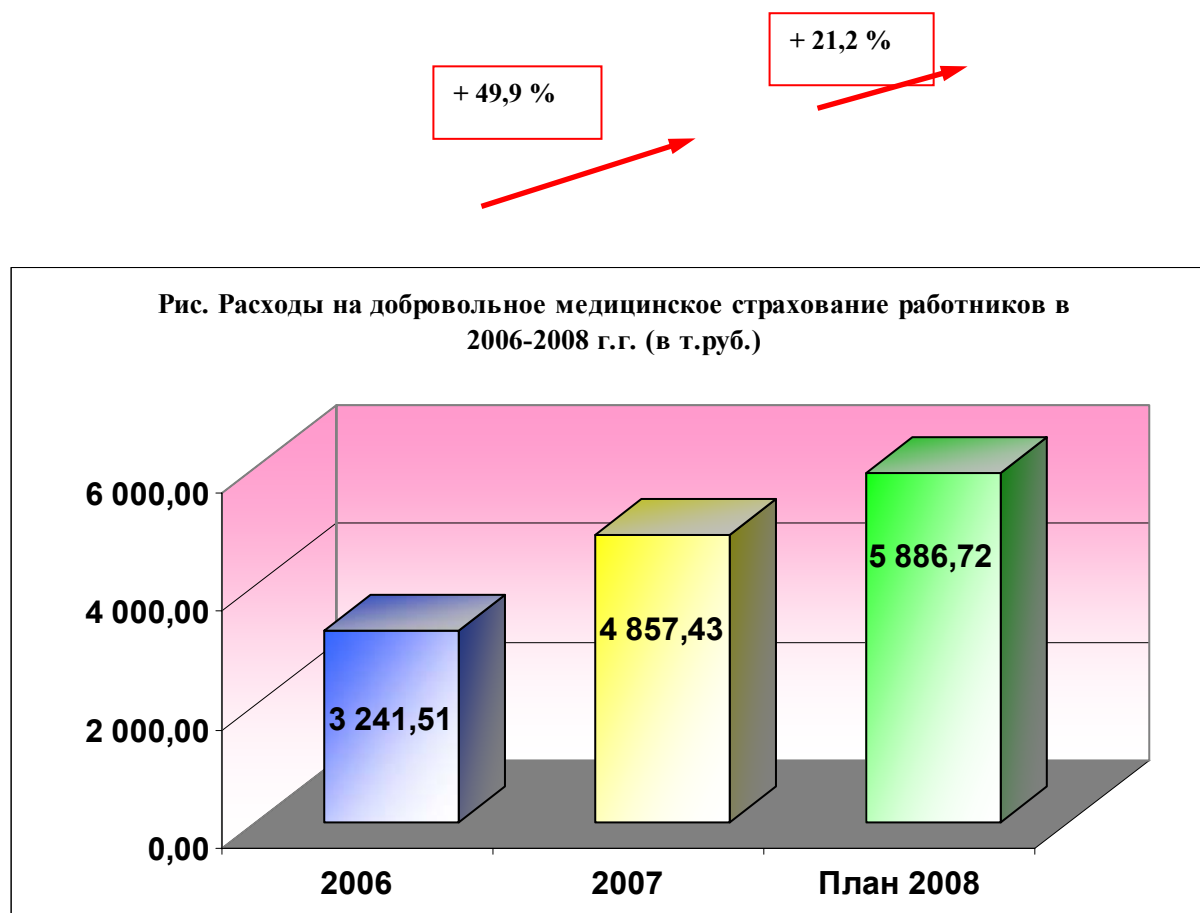
Name of project	Purpose	Result
<ul style="list-style-type: none"> <li>Development and implementation of the bonus system for the workers involved in dealer network arrangement.</li> </ul> Formation of KPI.	<ul style="list-style-type: none"> <li>Increase in efficiency of dealer network arrangement workers.</li> <li>Motivation of workers for attraction of additional income.</li> <li>Real-time control of dealer network arrangement workers in the process of achieving Company's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Since 01.08.2007, Regulations were approved and implemented of bonus system for the workers involved in dealer network arrangement.</li> </ul> Additional attraction of income made up 1.8 million roubles per month (RUR 22 million a year).
<ul style="list-style-type: none"> <li>Development and implementation of the bonus system for the specialists of divisions for service sales to VIP clients.</li> </ul> Formation of KPI.	<ul style="list-style-type: none"> <li>Increase in efficiency of trade block workers.</li> <li>Motivation of specialists for attraction of additional income.</li> <li>Real-time control of specialists in the process of achieving Company's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Since 01.11.2007, Regulations were approved and implemented of bonus system for the specialists of divisions for corporate clients.</li> </ul> Additional attraction of income made up 1.7 million roubles per month (RUR 20 million a year).

In 2007, social payments stipulated by section 9 "Social privileges" of the OJSC Dalsvyaz Collective Agreement made up 78,534.23 thousand roubles, which is by 23.1% less than in 2006. Decrease in the amount of payments is caused first of all by optimization of the employees number realized in the Company during 2006-2007.

**Fig. Development of social compensations in 2006-2008 (thousand RUR)**

ГД	GM
Магаданский	Magadan
Камчатский	Kamchatka
Сахалинский	Sakhalin
Хабаровский	Khabarovsk
План	Plan

It should be noted that on the background of decrease in the total amount of social payments for the increase of social security of workers, the Company continues to systematically develop the program of voluntary medical insurance (VMI). Expenses for VMI in 2007 increased in comparison with 2006 by 49.9% and made up RUR 4,857.43 thousand.



**Fig. Expenses for voluntary medical insurance of workers in 2006-2008 (thousand RUR)**

План	Plan
------	------

For the purpose of organization of life and leisure for the workers, it is now was traditional to carry out corporate parties on the New year and the Day of Communication, as well as sports games, competitions, Days of labour safety, competitions in professional skills, meetings with veterans of the Company, tournaments of bowling and billiards. This promotes steadier social and psychological situation in labour collectives and mobilization of workers for more productive work. In the total, expenditure for organization of cultural mass actions in 2007 made up 6,187.74 thousand roubles, which is more by 1,647.22 thousand roubles or by 36.3% than in 2006.

## 7.2. Management structure improvement.

In 2007, within the limits of corporate policy of the Company aimed at integration of administrative structures and reduction of expenses for the administrative and managerial personnel, work for improvement of management structure was continued.

The basic organizational changes were made in the Primorye Branch:

- ✓ Reorganization of Ussuriysk and Spassk centres through their association in Western Centre starting from 01.04.2007;

**Table 1. Efficiency of actions for reorganization of Ussuriysk and Spassk centres through association in Western Centre**

Pay role of Ussuriysk and Spassk centres before reorganization	Pay role of Western Centre after reorganization through association of Ussuriysk and Spassk centres	Reduction of pay role by 01.01.08, persons.	Average monthly wages saving with UST, thousand RUR	Economic effect in 2007, thousand RUR	Economic effect in 2008, thousand RUR
1336,4	1057,5	- 278,9	2945	26503	35338

- ✓ Liquidation of a non-profile division – the Repair and Construction Centre starting from 01.06.2007

**Table 2. Efficiency of measures for liquidation of the Repair and Construction Centre**

Pay role of Repair and Construction Centre at liquidation	Average monthly wages saving with UST, thousand RUR	Economic effect in 2007, thousand RUR	Economic effect in 2008, thousand RUR
76	1176	8232	14112

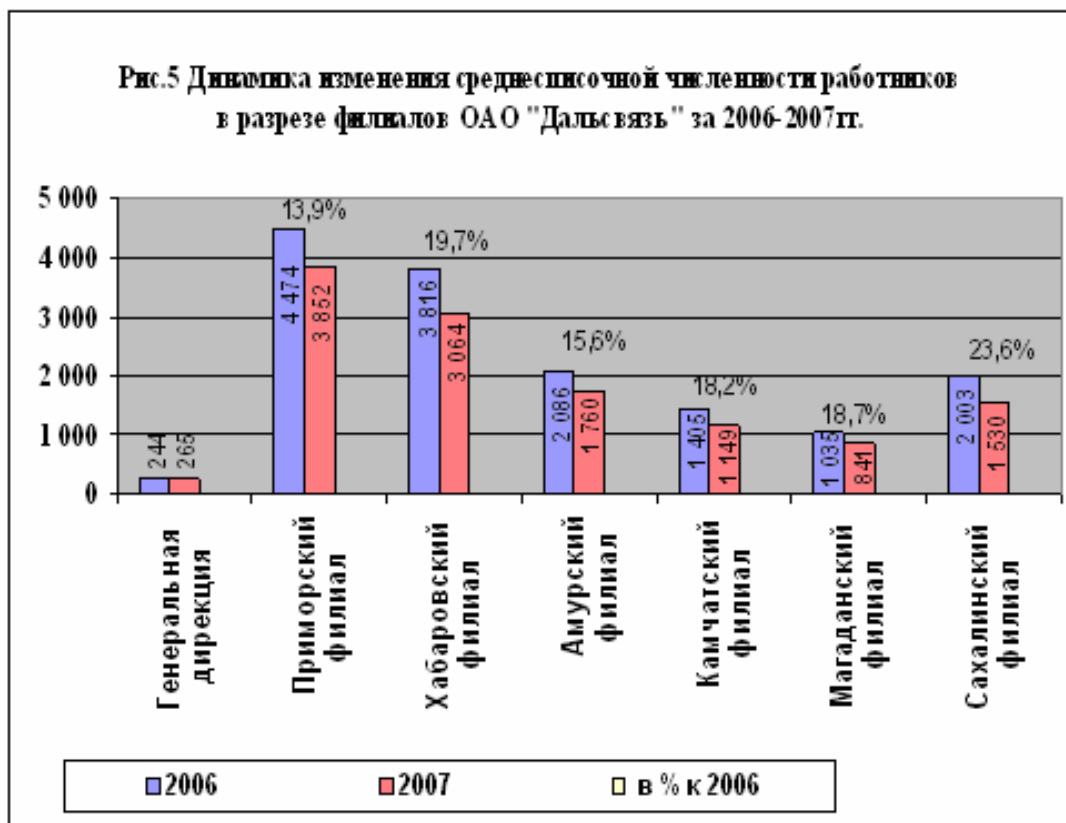
- ✓ Centralization of accounting services and human resources service at the level of the Branch Management from 31.12.2007.

**Table 3. Efficiency of measures for centralization of accounting of accounting services and human resources management at the level of the Branch Direction**

Pay role reduction due to actions for centralization of human resources management	Pay role reduction due to actions for centralization of accounting services	Economic effect in 2007, thousand RUR	Economic effect in 2008, thousand RUR
10	11,5	581	6972

As a whole, release of personnel of the Company occurred due to improvement of technologies, modernization of production and internal organizational structure of divisions, optimization of business processes, centralization of services, liquidation of unprofitable and ineffective workplaces, and transfer of a part of functions of auxiliary and basic production to foreign organizations.

As a result of realization of actions for optimization of the number of personnel, the pay role of the Company has decreased by 1,119 persons (8.1% to 2006). The average number of workers has decreased by 2,678 persons (17.5% to 2006), the average pay role decreased by 2602 persons (17.3% to 2006).



**Fig. 5. Development of changes in pay-role workers by OJSC Dalsvyaz Branches in 2006-2007**

Генеральная дирекция	General Management
Приморский филиал	Primorye Branch
Хабаровский филиал	Khabarovsk Branch
Амурский филиал	Amur Branch
Камчатский филиал	Kamchatka Branch
Магаданский филиал	Magadan Branch
Сахалинский филиал	Sakhalin Branch

As the normative base to regulate problems of calculation of the number of administrative-managerial and industrial staff, branch, inter-branch and local specifications are adopted.

In 2007, the tariff and qualifying specifications for professions were updated, approved and put into operation in the Company, tariffication of workplaces for conformity with tariff and qualifying characteristics was carried out. Changes were made in the names of trades according to the approved tariff and qualifying specifications of trades of OJSC Dalsvyaz workers.

### 7.3. Work with human resources

The OJSC Dalsvyaz human resources policy in 2007 was directed on:

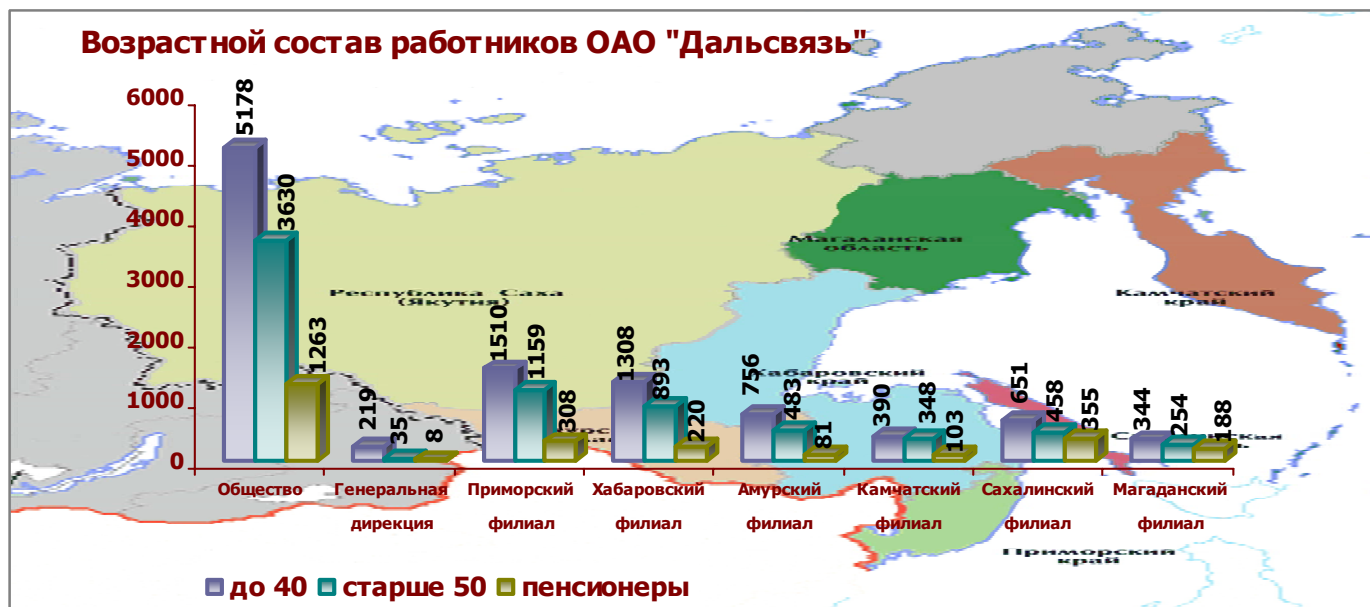
- Construction of a complex control system of personnel efficiency;
- Formation and effective development of a highly professional team focused on achievement of business targets and increase in efficiency of activities of the Company;
- Comprehensive development of professional and personal qualities of the workers;
- Maintenance of maximal efficiency of investments in training and development of the personnel.

With a view of improvement of quality indicators of the personnel in 2007, actions were developed in the Company directed on decrease of human resources turnover, observance of interests balance and objectives of workers and Company, maintenance of favorable and safe work conditions, timely provision with protective clothing, due and full payment of wages according to labour contribution of each worker were developed and implemented.

For retention of highly skilled experts in all Branches, special attention is given to improvement of professional skills of the personnel, internal rotation, granting of an opportunity to get supplementary education at the Company's cost.

As of 31.12.2007, relative density of workers of age categories before 40 years, 40-50 years, 50 years and older in the aggregate number is as follows:

Age	Company	General Direction	Primorye Branch	Khabarovsk Branch	Amur Branch	Kamchatka Branch	Sakhalin Branch	Magadan Branch
- before 40	41,58%	75,00%	40,01%	41,25%	43,15%	35,14%	41,89%	43,00%
- 40 - 50 years	29,27%	13,01%	29,28%	30,59%	29,28%	33,51%	28,64%	25,25%
- 50 and older	29,15%	11,99%	30,71%	28,16%	27,57%	31,35%	29,47%	31,75%



Age structure of OJSC Dalsvyaz workers	
Общество	Company
Генеральная дирекция	General management
Приморский филиал	Primorye Branch
Хабаровский филиал	Khabarovsk Branch
Амурский филиал	Amur Branch
Камчатский филиал	Kamchatka Branch
Сахалинский филиал	Sakhalin Branch
Магаданский филиал	Magadan Branch
<div> <div></div> Below 40 <div></div> Over 50 <div></div> Retired </div>	

Educational structure of the Company in 2007 was characterized by increase of the share of specialists with higher and secondary professional education out of the total number. This index is 62.3%, for comparison: it was 59% in 2006, 54% in 2005 and 51% in 2004. Proportion of workers with secondary and higher professional education among the total number is as follows:

Proportion of workers with secondary and higher professional education in the total number	Company	General Direction	Primorye Branch	Khabarovsk Branch	Amur Branch	Kamchatka Branch	Sakhalin Branch	Magadan Branch
	61,94%	89,04%	62,51%	64,84%	59,19%	58,47%	57,59%	57,13%

The reasons for positive dynamics regarding the educational level of workers are the priority right of to keep on job for persons with higher qualification when the optimization procedure is carried out. Besides, while selection of personnel, preference is given to the candidates with better vocational training, for which such ways of recruitment are used in the Branches as placement of announcements in mass-media, interaction with personnel agencies and higher educational institutions. In the fiscal year, 31 graduates of educational institutions of communication with higher education were employed.

Within the limits of the project for introduction of Uniform policies for personnel management and for the purpose of definition of unified requirements to knowledge, skills and personal business qualities of

workers in 2007, the Model of competence was introduced, with which conformity Requirements were developed for positions of the General management and managements of the Branches. In 2008, estimation of the personnel for conformity with the Requirements will be carried out and plans of training and development of personnel generated, targeted at the increase of the level of expressiveness of corporate and professional competence.

For determination of a procedure of estimation of the workers who carry out sales of communication services for conformity with the requirements established by the Uniform standard of servicing, in 2007 the Rules were developed and approved for estimation of Workers and Heads of own sales points and user's departments (OSP and joint-stock companies) in OJSC Dalsvyaz. The basic purposes of introduction of the Rules are the following:

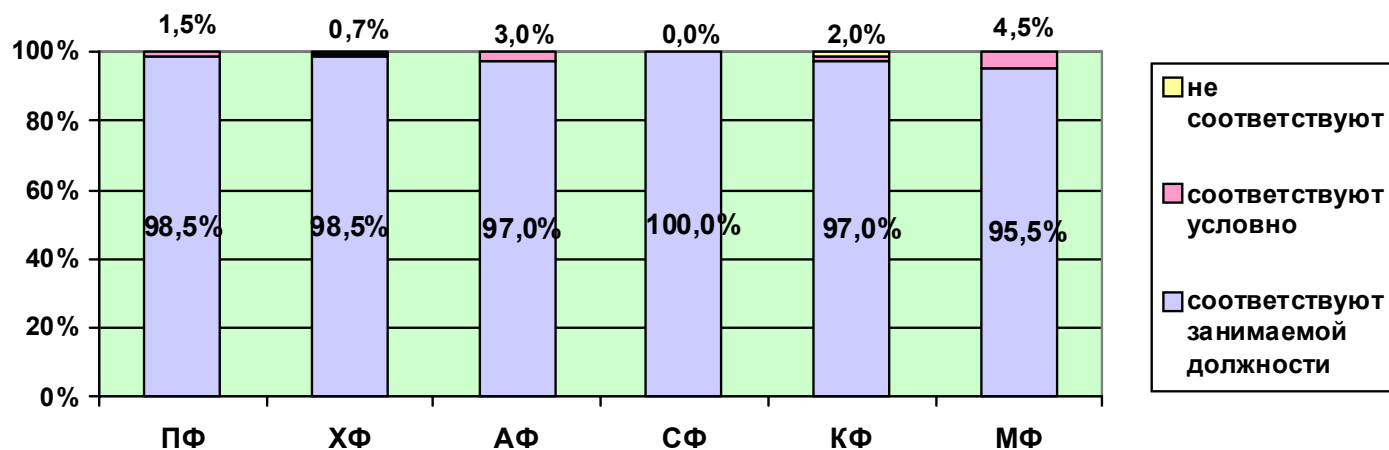
- ✓ Estimation of professional competence (knowledge and skills) of the workers necessary for efficient execution of functional duties;
- ✓ Determination of need for training Workers and Heads of OSP and joint-stock companies with a view of formation of programs for training and development of workers;
- ✓ Formation of an effective system of motivation of Workers and Heads of OSP and joint-stock companies.

An important area of work with human resources in 2007 was carrying out of personnel certification in all Branches of OJSC Dalsvyaz.

The result of the actions taken within the limits of certification became determination of qualitative conformity of the personnel with the required competence and potential professional level of the executive staff, experts and technical officers of the Branches and also revelation of need for training and formation of a personnel reserve at certain position levels.

In 2007, certification commissions of the Company made following decisions: 98% of certified workers were recognized as relevant for the position, 0.2% were recognized inappropriate and 1.8% as provisionally corresponding to positions with a subsequent certification over a year. Information according to the Branches is presented in the figure below.

**Рис. Соотношение работников, признанных соответствующими и несоответствующими занимаемой должности**



**Fig. Ratio of workers found appropriate and inappropriate for their positions.**

Не соответствуют		Inappropriate
Соответствуют условно		Provisionally appropriate
Соответствуют занимаемой должности		Appropriate for the position
<b>ПБ</b>	<b>НБ</b>	<b>АБ</b>
<b>СБ</b>	<b>КБ</b>	<b>МБ</b>

With a view of timely replacement of vacant positions by highly skilled workers, improvement of quality of selection and arrangement of the managerial personnel, motivation of the personnel for professional and career growth and in accordance with the Policy "Formation and development of the staff reserve" in OJSC Dalsvyaz in 2007, a project was launched for formation and development of the personnel reserve. In September, 2007 competition "Become a Boss!" was announced in the Company for target posts of 1-st and 2-nd levels: deputies to the Director General, the Chief Accountant, Assistant to the Chief Accountant, directors for the fields of activity, directors of departments, chiefs of divisions (services). In conformity with the announced competition in the end of 2007, two stages of this competition were realized:

selection of candidates was done by formal criteria specified in the Policy and complex expert estimation was carried out of all candidates by competence under the 360° method. In the 1-st quarter of 2008, the third stage of competition was conducted within which limits the candidates were subjected to estimation by the Assessment-center method by which results a personnel reserve has been approved.

Training and development of OJSC Dalsvyaz workers in 2007 was carried out in the following fields: education in higher and secondary professional educational institutions and training under international programs, short-term programs at external suppliers of training, corporate and intrafirm training, inservice training within the limits of technical study. The listed types of training (except for technical study) in 2007 covered 2807 workers of the Company that made up 22.68% of the average number of OJSC Dalsvyaz workers as of the end of 2007.



**Fig. Cost of training in 2007 total and for 1 trained worker (thousand RUR)**

Расходы на обучение, всего								Cost of training, total
Расходы на обучение 1 работника								Training cost per worker
GM	AB	KB	MB	PB	SB	HB	Dalsvyaz	

For the purpose of operative information of workers on the actual problems facing the Company / Branches and involving workers in their joint solution, acquaintance of workers with the approved local statutory acts of the Company, increase of a development level of professional and corporate competence of workers, the “Rules for organization of inservice training” were developed and introduced in the Company in 2007. Totally, 8320 persons, or 67.2 % of workers of the Company were involved in in-service training.

With a view of perfection of professional experience of workers, and/or development of organizing skills necessary for performance of duties in the position held or in a position for which the worker is included in the personnel reserve, “Regulations for training of OJSC Dalsvyaz workers” were approved and put into operation in 2007. By the results of pilot operation of the Regulations, training sessions were arranged according to the plan both at the level of General Management and in managements of regional Branches. On the results of training, workers and heads of training sessions gave positive responses about this project.

For development and improvement of both professional and corporate competence of workers, in the 4-th quarter of 2007 corporate library was established on the intracorporate site of the Company. In this section of the site, electronic versions of books, clauses and publications are placed, which will be useful to workers for self-development. This library is constantly replenished and each worker may download the



necessary book and can also share this electronic library with colleagues accompanying it with own comments and responses on the books and articles read through.

### **Problems for 2008.**

The purposes in the field “Management of the personnel” are the following for 2008:

Increase in the value of the Company:

- Formation and efficient development of a highly-professional team motivated for achievement of business goals and efficiency improvement of the Company.
- Maintenance of maximal efficiency of investments in training and development of the personnel.

### Problems for 2008:

- Formation of motivation for achievement of business goals of the Company.
- Formation of a complex control system for efficiency of the personnel. Increase in the level of competence development of personnel.
- Formation of a system for the development of customer-oriented personnel.

### Initiatives for 2008

#### **1. Formation of the personnel motivation and development system aimed at the achievement of business goals of the Company:**

- 1.1. Implementation of the system for remuneration of labour based on grades, since 01.07.2008.
- 1.2. Implementation of the motivation system for employees involved in projects.
  - ✓ Pilot introduction – 2008.
  - ✓ Full implementation of the system – 2009.
- 1.3. Implementation of a unified motivation system for employees involved in sales and servicing in Russia, since 01.04.2008
- 1.4. Realization of the principle of involvement of Branches in income growth of the Company
  - ✓ 25% of EBITDA over-fulfillment is directed to the wages fund
  - ✓ Distribution of 50% savings in the wages fund due to the number optimization for increase of employees' income.
- 1.5. Systematic competitions of professional skills for the personnel of main working professions:
  - ✓ Communication operators – by October 1 (the Company's Birthday);
  - ✓ Cablemen – jointers, electricians – by May 7 (Radio Day).
- 1.6. To ensure a competitive level of wages for the Company's employees and to achieve wages growth rate at the level of 20% against 2007.
- 1.7. To ensure the revenue factor per worker at the level of 1 million roubles.

#### **2. Formation of a system for control of the personnel efficiency. Increase in the level of development of personnel's competence.**

- 2.1. Introduction of HR-policies from 01.02.2008.
  - ✓ Selection and adaptation.
  - ✓ Assessment of competence
  - ✓ Formation and development of the personnel reserve
  - ✓ Training and development
- 2.2. To develop a Module of competence and requirements for positions before 01.07.2008.
- 2.3. To ensure 80% formation of reserve for targeted positions of all levels before 01.05.2007.
- 2.4. To ensure readiness of the reserve at the required effectiveness level before 31.12.2008.
- 2.5. To ensure 100% fulfillment of the Plan of training and development for reserve persons in 2008.
- 2.6. To ensure 100% fulfillment of the Plan of in-house, corporate and industrial training in 2008
- 2.7. To implement a system for assessment and monitoring of training efficiency of OJSC Dalsvyaz workers from 01.02.2008.

#### **3. Formation of a system for development of customer-oriented personnel.**

- 3.1. Formation of clear and transparent system of cooperation between the Company and the employee (values, rules and standards).
  - ✓ Implementation of the Corporate handbook for the OJSC Dalsvyaz worker;
  - ✓ Implementation of the OJSC Dalsvyaz Corporate culture code.
- 3.2. Formation of the system of personnel operative information.
  - ✓ Publication of news in the corporate monthly newspaper about business of the Company;

- ✓ Formation of unified communication and interactive channels based on the Company's data bank (BP "My Dalsvyaz");
- ✓ Execution of in-house industrial training (information of principal purposes/problems, projects, news);
- 3.3. Formation of a system of efficient communications between structural divisions of the Company.
  - ✓ Formation of programs for joint corporate actions (team building, professional skills competitions, industrial contests, holiday actions).
  - ✓ Execution of probations for Company employees (formation of plans, development of assignments for trainees, development of a program for trainee development, sizing up, efficiency assessment).
- 3.4. Level improvement of customer-oriented personnel involved in sales and servicing.
  - ✓ Control of fulfillment of the Standard requirements for customer servicing.
  - ✓ Implementation of the system for assessment of employees involved in sales and servicing.
  - ✓ Training and development, assessment of training efficiency.
  - ✓ Formation of the system of employees' motivation based on stimulation of fulfillment and over-fulfillment of individual indices, on effect of normality assessment results on the amount of bonuses (orientation on assessment results and sales plans).

## ***VIII. CORPORATE MANAGEMENT***

**8.1** Management authorities of the Company are the General Meeting of Shareholders, the Board of Directors, the Management Board and the Director General. A control body is the Auditing Committee.

### **Meeting of Shareholders.**

The supreme management body is the General Meeting of Shareholders. The issues referred to competence of the General Meeting are determined by the Articles of Association and may not be passed for consideration of the Board of Directors or the Management Board. The procedure for summoning and execution of a meeting is regulated by the Regulations for execution of a general meeting of OJSC Dalsvyaz shareholders. It was held in the fiscal year:

- One annual general meeting of shareholders – on June 6, 2007.

This annual general meeting of shareholders adopted the following resolutions:

- Approval of the annual statement, the annual accounting report including budgeted income statement (loss and profit report) and also distribution of profits (including payment of dividends) and losses of the Company by results of the accounting (2006) fiscal year.
  - Election of the Board of Directors members
  - Election of the Auditing Committee members
  - Approval of an Auditor of the Company for 2007
  - Alterations and amendments to the Articles of Association
  - Alterations and amendments to the Regulations for the Board of Directors
  - Alterations to the Regulations for of execution of a general meeting of shareholders
  - Termination of the Company's membership in Association "SibDalsvyaz"
  - Determination of remuneration to members of the Board of Directors.

### **8.2 Board of Directors**

The Board of Directors is a plural management body that executes overall control of the Company. Activities and competence of the Board of Directors are regulated by the OJSC Dalsvyaz Articles and Regulations for the Board of Directors, which is approved by the general meeting of shareholders. The Board of Directors is comprised of 11 persons. During 2007, there were 2 memberships of the Board of Directors:

- Membership elected at the extraordinary General Meeting on 28.09.2006, Chairman Chechel'nitskii Evgenii Aleksandrovich;
- Membership elected at the annual General Meeting of Shareholders on 06.06.2007, Chairman Chechel'nitskii Evgenii Aleksandrovich;

**Personal structure of the Board of Directors of the Company in 2007**

Membership of the Board of Directors from 28.09.2006 to 06.06.2007	Membership of the Board of Directors from 06.06.2007 to 31.12.2007
Degtyarev Valerii Viktorovich	Yurasova Lyudmila Valentinovna
Kobischanov Mihail Yur'evich	Kobischanov Mihail Yur'evich
Alekseev Mihail Alekseevich	Alekseev Mihail Alekseevich
Zhelonkin Vladimir Borisovich	Zhelonkin Vladimir Borisovich
Bilibin Yurii Aleksandrovich	Krotkova Natal'ya Vladimirovna
Shevchuk Aleksandr Viktorovich	Shevchuk Aleksandr Viktorovich
Mazalov Ivan Nikolaevich	Polovnev Igor' Georgievich
Chechel'nitskii Evgenii Aleksandrovich	Chechel'nitskii Evgenii Aleksandrovich
Alekseev Anton Alekseevich	Gurkin Vyacheslav Fedorovich
Feoktistova Nataliya Vadimovna	Feoktistova Nataliya Vadimovna
Stat'in Vladimir Anatol'evich	Stat'in Vladimir Anatol'evich

**Information on members of the Board of Directors as of 31.12.2007**

**1. Alekseev Mihail Alekseevich**

Year of birth: 1954  
 Education: higher  
 Citizenship: RF  
 Principal place of business: RF Ministry of Information Technologies and Communication  
 Capacity: undersecretary  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 14.06.2005  
 Record of service in the Board of Directors: 2.5 years.

**2. Yurasova Lyudmila Valentinovna**

Year of birth: 1964  
 Education: higher  
 Citizenship: RF  
 Principal place of business: Federal Agency of Communication  
 Capacity: deputy administrator  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 06.06.2007  
 Record of service in the Board of Directors: 0.5 years.

**3. Chechel'nitskii Evgenii Aleksandrovich**

Year of birth: 1973  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: OJSC Svyazinvest  
 Capacity: deputy Director General, member of the Management Board  
 Other capacities:  
 Organization: OJSC Uralsvyazinform  
 Capacity: Chairman of the Board of Directors  
 Organization: OJSC Siberiatelecom  
 Capacity: member of the Management Board

Organization: OJSC Rostelecom  
 Capacity: member of the Board of Directors  
 Organization: OJSC Giprosvyaz  
 Capacity: member of the Board of Directors  
 Organization: NPF Telecom-Soyuz  
 Capacity: member of the Fund Board  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 14.06.2005  
 Record of service in the Board of Directors: 2.5 years.

#### **4. Gurkin Vyacheslav Fedorovich**

Year of birth: 1944  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: OJSC Investment Company "Imbera"  
 Capacity: President  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 06.06.2007  
 Record of service in the Board of Directors: 0.5 years.

#### **5. Kobischanov Mihail Yur'evich**

Year of birth: 1963  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: JSC Corporation "FNDS"  
 Capacity: advisor for macroeconomic problems  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 11.06.2003  
 Record of service in the Board of Directors: 4.5 years.

#### **6. Polovnev Igor' Georgievich**

Year of birth: 1970  
 Education: higher  
 Citizenship: RF  
 Principal place of business: Association for protection of investors  
 Capacity: expert  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 06.06.2007  
 Record of service in the Board of Directors: 0.5 years.

#### **7. Feoktistova Nataliya Vadimovna**

Year of birth: 1966  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: OJSC Svyazinvest  
 Capacity: division chief of the Department of corporate management and legal protection  
 Other capacities:  
 Organization: OJSC "Southern Telecommunications Company"  
 Capacity: member of the Auditing Committee  
 Organization: OJSC "VolgaTelecom"  
 Capacity: member of the Auditing Committee  
 Organization: OJSC "Girosvyaz"  
 Capacity: Chairman of the Board of Directors

Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 28.09.2006  
 Record of service in the Board of Directors: 1.5 years.

#### **8. Zhelonkin Vladimir Borisovich**

Year of birth: 1967  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: OJSC Svyazinvest  
 Capacity: Deputy Director General, member of the Management Board  
 Organization: OJSC "Southern Telecommunications Company"  
 Capacity: member of the Board of Directors  
 Organization: OJSC "VolgaTelecom"  
 Capacity: member of the Board of Directors  
 Organization: OJSC Central Telegraph  
 Capacity: Chairman of the Board of Directors  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 28.09.2006  
 Record of service in the Board of Directors: 1.5 years.

#### **9. Krotkova Natal'ya Vladimirovna**

Year of birth: 1974  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: OJSC Svyazinvest  
 Capacity: main specialist of division of support of representatives of the Department of corporate management and legal protection  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 06.06.2007  
 Record of service in the Board of Directors: 0.5 years.

#### **10. Stat'in Vladimir Anatol'evich**

Year of birth: 1959  
 Education: higher  
 Citizenship: RF  
 Principal place of business:  
 Organization: Non-commercial partnership "Association for protection of rights of shareholders"  
 Capacity: Director General  
 Other capacities:  
 Organization: OJSC Smolenskenergozemont  
 Capacity: member of the Auditing Committee  
 Organization: OJSC Sibirtelecom  
 Capacity: member of the Board of Directors  
 Organization: OJSC Uralsvyazinform  
 Capacity: member of the Board of Directors  
 Organization: OJSC Electrocomplex  
 Capacity: member of the Board of Directors  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 28.09.2006  
 Record of service in the Board of Directors: 1 year and 3 months.

#### **11. Shevchuk Aleksandr Viktorovich**

Year of birth: 1983  
 Education: higher

Citizenship: RF  
 Principal place of business:  
 Organization: Association for protection of rights of investors  
 Capacity: expert  
 Other capacities:  
 Organization: OJSC RAO EES Rossii  
 Capacity: expert of assessment committee at the Board of Directors  
 Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares  
 Elected to the Board of Directors: 28.09.2006  
 Record of service in the Board of Directors: 1.5 years.

All members of the Board of Directors:

- Do not have any alliances with the persons operating in the Company's management bodies and control bodies;
- Do not have shares in subsidiary or affiliated companies.

**In the Board of Directors, 5 directors meet the requirements of the RF legislation applicable to the notion of an "independent director":**

1. Kobischanov Mihail Yur'evich - advisor for macroeconomic problems of OJSC Diamond Capital Management;
2. Shevchuk Aleksandr Viktorovich - expert/manager of the project for analysis and accounting of the Association for protection of rights of investors;
3. Stat'in Vladimir Anatol'evich – Director General, non-commercial partnership "Association for protection of rights of shareholders"
4. Polovnev Igor' Georgievich – expert, Association for protection of rights of investors
5. Gurkin Vyacheslav Fedorovich – President, OJSC Investment Company "Imbera"

According to the Regulations for the Board of Directors, the following procedure for determination of compensation for members of the Board of Directors has been established: quarterly and annual. Remuneration is paid to members of the Board of Directors of the Company during execution of their duties and expenses are compensated in connection with execution of their functions. The quarterly compensation to each member of the Board of Directors is established at the rate of 200,000 roubles. Remuneration for the Chairman of the Board is established with the 1.5 factor. Quarterly compensation to a member of the Board of Directors is reduced by:

- 30% - in the case of his(her) attendance of less than a half of meetings of the Board held in the form of joint presence;
- 100% - in the case of his(her) attendance of less than a half of all meetings of the Board.

Remuneration to a member of the Board of Directors is paid for the quarter when re-elections of the Board took place in proportion to the working time in this quarter. Annual compensation for all members of the Board of Directors of the Company is established as the sum of deductions according to norms (percent) of EBITDA according to the international accounting standards and of the sum of net profit of the Company allotted for payment of dividends by the results of a fiscal year. Annual compensation is distributed between all members of the Board of Directors in equal shares. Annual compensation for a member of the Board is reduced by 50 % in the case of his (her) attendance of less than a half of all sessions of the Board during the term of powers.

Remuneration to the Board of Directors made up 14,039,359 roubles in 2007.

Norms (percent) of deductions for calculation of annual compensation are defined by decision of the General Meeting of Shareholders that elected this membership of the Board. Annual compensation is paid to a member of the Board of Directors not later than 3 months after the termination of appointment of this Board.

Members of the Board of Directors who are members of a committee of the Board are paid extra to the quarterly compensation in connection with their execution of functions of members of a committee at the rate of 40,000 roubles (in each committee), but a member of Board of directors cannot be in more than 2 committees. For the Chairman of Committee of the Board of Directors this extra payment is established with the 1.25 factor.

**At the Board of Directors of the Company in 2007, four committees were active.** Committees are supplementary bodies to the Board of Directors established for preliminary consideration of issues that are in competence of the Board.

### **Committee for strategic planning**

Purposes of the Committee are to increase the efficiency of strategic planning and management of the Society. The structure of committee for strategic planning is as follows:

1. Yurasova Lyudmila Valentinovna – Chairman of Committee;
2. Kolpakov Anton Yur'evich – member of Committee;
3. Kobischanov Mihail Yur'evich – member of Committee;
4. Shevchuk Aleksandr Viktorovich – member of Committee;
5. Arhipova Irina Aleksandrovna – member of Committee;
6. Vorob'eva Natal'ya Sergeevna – member of Committee.

### **Committee for audit**

Purposes of the Committee are to increase the efficiency and quality of work of the Board of Directors in the field of maintenance of open communications with an independent auditor, the Auditing Committee, structural accounting divisions and also the divisions that carry out financial and economic functions and functions of the internal control through preliminary consideration of problems and preparation of recommendations to the Board of Directors.

Structure of the Committee for audit:

1. Stat'in Vladimir Anatol'evich – Chairman of Committee;
2. Zhelonkin Vladimir Borisovich – member of Committee;
3. Polovnev Igor' Georgievich – member of Committee.

### **Committee for human resources and remuneration**

This committee promotes attraction to management of the Company of qualified experts and establishment of necessary stimulus for their successful work. The following issues are referred to competence of the Committee:

- Definition of criteria for selection of candidates for positions of Director General and members of the Management Board;
- Definition of principles and criteria for determination of compensations to members of the Board of Directors, Director General, members of the Management Board and the Auditing Committee of the Company;
- Preliminary coordination of candidates for the positions of chiefs of the Branches and representation offices and release of administrators of these structural divisions;
- Assessment of activities of the Director General and members of the Management Board of the Company.

Membership of the Committee for staff and compensation:

1. Alekseev Mihail Alekseevich – Chairman of Committee;
2. Polovnev Igor' Georgievich – member of Committee;
3. Stat'in Vladimir Anatol'evich – member of Committee;
4. Feoktistova Nataliya Vadimovna – member of Committee.

### **Committee for corporate management**

Purposes of the Committee is to increase efficiency and quality of work of the Board of Directors and settlement of conflicts of interests of different groups of shareholders, the Board and the management of OJSC Dalsvyaz by means of preliminary consideration of certain issues concerning competence of the Board of Directors and preparation of recommendations to the Board in competence of the Committee. The structure of the Committee for corporate management is as follows:

1. Krotkova Natal'ya Vladimirovna – Chairman of Committee;
2. Feoktistova Nataliya Vadimovna – member of Committee;
3. Kobischanov Mihail Yur'evich – member of Committee;
4. Shevchuk Aleksandr Viktorovich – member of Committee;
5. Skryl'nikov Aleksei Mihailovich – member of Committee.

The Board of Directors assesses 2007 business results of the Company as satisfactory. The Company has retained its leading positions in the telecommunications market of the Far East; it became possible to achieve advancing growth of incomes over expenses and fulfillment of the basic purposes incorporated in the 2006

budget approved by the Board of Directors. The work done on the improvement of financial and economic results was duly assessed by the stock market: by results of the year, market capitalization of the Company has grown by 19%, from 537.9 to 643.7 million dollars.

In the accounting year, 27 sessions of the Board of Directors were held, where the following important problems were considered:

1. Report on the actions for increase in the market capitalization of the Company in 2007;
2. Problems in connection with preparation for the General Meeting of Shareholders;
3. Development strategy of the Company's cellular business.
4. On the Director General of OJSC Dalsvyaz;
5. On formation of committees of the OJSC Dalsvyaz Board of Directors;
6. Approval of terms and conditions of the contract with JSC "KPMG" for auditing services of the Company's annual accounting for 2007;
7. On the development program of the Company for the period of 2008–2012;
8. Approval of Regulations for OJSC Dalsvyaz Corporate Secretary and its staff;
9. Appointment to position of the Corporate Secretary;
10. Approval of the "Investment priorities of OJSC Far East Telecommunications Company" for 2008;
11. Assessment of OJSC Dalsvyaz operation results for the reduction in the level of notes payable (by results of the 1-st half of 2007);
12. Approval of a working plan of the OJSC Dalsvyaz Department of internal audit for 2008;
13. Approval of the 2008 budget;
14. Formation of the Management Board and determination of a period of its powers.

These problems were preliminary considered by Committees of the Board of Directors, which sessions developed recommendations to the Board.

<b>Important issues considered at meetings of Committees of the Board of Directors</b>	
Committee for audit	Consideration of a draft contract with JSC "KPMG" for auditing services.
	Of a contest for selection of a Company's auditor for 2008.
	Consideration of Accounting policy of the Company according to RAS for 2008 and accounting policy according to IS for accounting in 2007.
	Approval of a work plan for 2008.
Committee for human resources and remuneration	Recommendations to the Board of Directors:
	➤ On terms and conditions of contracts made by the Company with the Director General, directors of Branches and the Corporate Secretary.
	➤ On the amount of quarterly remuneration to members of the Management Board and to the Director General;
Committee for strategic planning	➤ On the Company's Management Board structure.
	Recommendations to the Board of Directors:
	➤ On participation and change in the membership share in the authorized capital of other companies;
	➤ On approval and implementation of some programs aimed at the rise of business efficiency of the Company and increase in its market capitalization;
	➤ On approval of the Company's budget and the results of its fulfillment;
	➤ On financial strategy of the Company, financial plans for 2007 and for 2007-2009;
Committee for corporate management	➤ On the status of works with notes payable and ways of its reduction by the results of work in 2006.
	Recommendations to the Board of Directors:
	➤ On issues in connection with general meetings of shareholders;
	➤ On problems of interaction with the Company's recorder;
	➤ On the issues of increase in the level of corporate management of the Company.

### 8.3 Director General

Director General is a sole executive body that performs management of the Company. The Director General is appointed by the Board of Directors. The rights, duties, responsibility and amount of remuneration for the Director General are defined by the Labour Contract. The Board of Directors is entitled at any time to make a decision of early termination of powers of the Director General and cancellation of the contract with him.

**Kolpakov Anton Yur'evich**



Year of birth: 1971  
 Education: higher  
 Appointed: 25.05.2007

Share in the Company's authorized capital: no shares  
 Ordinary shares of the Company: no shares

Positions in other organizations: Non-commercial partnership "Research Centre for the problems of telecommunications development", member of the Board, JSC AKOS, member of the Board of Directors.

Criteria for determination of remuneration to the Director General and its amount are approved by the Board of Directors and fixed in the Labour Contract. Remuneration for the Director General is comprised of an official salary and quarterly and annual bonuses.

Decision of bonus payments to the Director General is made by the Board of Directors. Decision of quarterly bonus payments is made by the results of fulfillment of quarterly budget indications and of the annual bonus payment by the results of fulfillment of supplementary assignment indications.

#### 8.4 Management Board

The Management Board is a plural executive body of the Company that manages the Company's current activities. The number of the Management Board is defined by decision of the Board of Directors. Activities of the Management Board and its competence are regulated by the Regulations for the Management Board, which is approved by the General Meeting of Shareholders.

All members of the Management Board:

- Do not have any alliances with the persons operating in the Company's management bodies and control bodies;
- Do not have shares in subsidiary or affiliated companies.

#### Personal structure of the Management Board of the Company in 2007

01.01.2007	05.03.2007г	03.04.2007	01.08.2007
Alekseev A.A.	Alekseev A.A.	Dobrovol'skii V.I.	Dobrovol'skii V.I.
Dobrovol'skii V.I.	Dobrovol'skii V.I.	Kolpakov A.Yu.	Kolpakov A.Yu.
Kolpakov A.Yu.	Kolpakov A.Yu.	Balatsenko A.V.	Balatsenko A.V.
Maksimenka N.A.	Balatsenko A.V.	Sidorova E.V.	Sidorova E.V.
Sidorova E.V.	Sidorova E.V.	Kaplin K.Yu.	Kaplin K.Yu.
Kaplin K.Yu.	Kaplin K.Yu.	Stepanov E.B.	Volkov V.V.
Stepanov E.B.	Stepanov E.B.	Frolov S.N.	Frolov S.N.
Frolov S.N.	Frolov S.N.		

#### Information of participation of members of the Management Board (including Director General) in the Company's authorized capital (AC) and of ordinary shares (OS) belonging to them, %

Name	As of 01.01.2007		As of 29.12.2007		Note
	AC	OS	AC	OS	
Dobrovol'skii V.I.	0	0	0	0	No shares
Kolpakov A.Yu.	0,001812	0,002403	0	0	On 20.09.2007, contract is made for purchase of 2297 ordinary shares
Balatsenko A.V.	0,00131	0,000529	0,00131	0,000529	No transactions with Company's shares during the year.
Sidorova E.V.	0	0	0	0	No shares
Frolov S.N.	0,007101	0,009416	0,007101	0,009416	Shares are transferred to nominal holding
Kaplin K.Yu.	0,000918	0,00122	0,000918	0,00122	No transactions with Company's shares during the year.
Volkov V.V.	0	0	0	0	No shares

#### Structure of the Management Board as of December 31, 2007

##### 1. Kolpakov Anton Yur'evich

Year of birth: 1971  
 Elected to Management Board: 2005  
 Education: higher, St. Petersburg Academy of instrument engineering, Institute of industrial property and innovation (St. Petersburg Branch), St. Petersburg international institute of management

Positions in the Company: Director General

Other positions: Non-commercial partnership “Research Centre for the problems of telecommunications development”, member of the Board; JSC AKOS, member of the Board of Directors

## **2. Dobrovol'skii Vitalii Ivanovich**

Year of birth: 1948

Elected to Management Board: 2003

Education: higher, Far East higher engineering marine college named after Nevelskoy

Positions in the Company: Deputy Director General – director for safety and secrecy

## **3. Balatsenko Andrei Vladimirovich**

Year of birth: 1965

Elected to Management Board: 05.03.2007

Education: Novosibirsk electro-technical institute of communications

Positions in the Company: Deputy Director General – director for Primorye Branch

## **4. Frolov Sergei Nikolaevich**

Year of birth: 1975

Elected to Management Board: 15.02.2006

Education: higher, Siberian state academy of telecommunications and information

Positions in the Company: Deputy Director General – director for economics and finance

Other positions as of 31.12.2007: JSC Integrator.ru, member of the Board of Directors; JSC AKOS, member of the Board of Directors

## **5. Kaplin Konstantin Yur'evich**

Year of birth: 1968

Elected to Management Board: 31.06.2006

Education: higher, Far East State University

Positions in the Company: Deputy Director General – technical director

Other positions as of 31.12.2007: JSC Rostelegraph, member of the Board of Directors

## **6. Sidorova Elena Vital'evna**

Year of birth: 1974

Elected to Management Board: 31.07.2006

Education: Khabarovsk State Technical University

Positions in the Company: Chief Accountant

Other positions as of 31.12.2007: JSC Integrator.Ru, member of the Board of Directors

## **6. Volkov Vyacheslav Vladimirovich**

Year of birth: 1973

Elected to Management Board: 01.08.2007.

Education: higher, Modern Humanitarian Academy

Positions in the Company: Deputy Director General – technical director for business development

Other positions as of 31.12.2007: JSC AKOS, member of the Board of Directors; OOO BIT, member of the Board of Directors

Members of the Management Board are paid remuneration during execution of their duties and expenses are compensated in connection with execution of their functions. The amount and the procedure for determination of payments and their distribution between the members are made by decision of the Board of Directors:

- Remuneration to members of the Management Board is paid by results of each quarter;
- The total amount of quarterly remuneration for work at the Management Board is determined by decision of the Board of Directors and may not exceed RUR 150,000 in a quarter for each member (maximum amount of quarterly remuneration).

The problem of determination of quarterly remuneration amount to the entire Management Board by results of a certain quarter is turned for consideration of the Board of Directors after consideration of the following issues:

- Fulfillment of principal economic budget indicators of the Company by results of the quarter;
- Progress of works on decisions made earlier by general meetings and the Board of Directors and subject to their fulfillment in the last quarter.

1. The issue of determination of quarterly remuneration for the entire membership of the Management Board must be mandatory considered by the Committee for human resources and remuneration of the OJSC Dalsvyaz Board of Directors;
2. The structure and content of materials brought for consideration of the amount of quarterly remuneration for the entire Management Board is defined by the Board of Directors on a recommendation of the Committee for human resources and remuneration.

Remuneration to members of the Management Board made up 3,238,763.73 roubles in 2007.

Criteria used for adjustment of remuneration for the Management Board are as follows:

1. The Board of Directors can make a decision to reduce the total amount of quarterly remuneration for the entire Management Board. The overall reduction amount may not exceed 60% of the maximal quarterly remuneration of members of the Management Board;
2. When assessing fulfillment of the principal budget economic indicators for the past quarter by the Board of Directors, the report of fulfillment of the same is considered. When the planned budget indicators are not fulfilled, the Board of Directors can make a decision of remuneration reduction down to 50% of the maximal quarterly remuneration;
3. When assessing fulfillment of decisions of general meetings of shareholders and the Board of Directors, the latter considers a report of the fulfillment progress of decisions made earlier. In the case of undue or delayed fulfillment of decisions of general meetings of shareholders and the Board of Directors, the Management Board gives a motivated explanation of the reasons. By results of assessment by the Board of Directors of fulfillment of decisions of general meetings of shareholders and the Board of Directors by the Management Board, a decision can be made of remuneration reduction down to 50% of the maximal quarterly remuneration to members of the Management Board.

Distribution of a remuneration amount between members of the Management Board is as follows:

1. A quarterly remuneration amount determined by the Board of Directors is distributed between all members of the Management Board in equal portions;
2. In case of election of a new Management Board in the current quarter, the maximum quarterly remuneration amount is determined proportionally to the working time in this quarter of each membership;
3. The Board of Directors can make a decision of quarterly remuneration reduction for each membership of the Management Board acting in this quarter in accordance with these Regulations.

Indicators used for determination of a remuneration amount are the following:

1. Fulfillment of the principal economic indicators of the Company's budget;
2. Fulfillment of decisions made by the general meetings of shareholders and the Board of Directors;
3. The quality of preparation of materials for sessions of the Board of Directors.

## 8.5 Auditing Committee

The Auditing Committee is a control body of financial and economic activities of the Company. Members of the Auditing Committee are elected annually by the general meetings of shareholders. Its activities are defined by the Articles of Association of the Company and the Regulations for the auditing committee approved by the general meeting of shareholders. The OJSC Dalsvyaz Auditing Committee structure includes 5 persons. The acting membership of the Auditing Committee is as follows:

1. Koroleva Ol'ga Grigor'evna (Chairman);
2. Bocharova Svetlana Nikolaevna;
3. Verem'yanina Valentina Fedorovna;
4. Kon'kova Elena Olegovna;
5. Shorohov Dmitrii Aleksandrovich.

The Auditing Committee held six meetings. Two checks of financial and economic activities of the Company were carried out in the following subjects:

- Observance of the prescribed procedure for accounting and presentation of reporting documents;

- Audit of legality of decisions and actions of the Company's executive bodies including contracts and transactions made;
- Audit of observance of legal acts in the process of business in principal areas (capital construction, providing connection and traffic services, providing communication services);
- Observance of legislation on natural monopolies when acquiring financial services;
- Analysis of financial status of the Company, assessment of management efficiency of financial investments of the Company;
- Analysis of timeliness and accuracy of settlements with partners, budgets of various levels, shareholders and other creditors of the Company;
- Analysis of the internal control arrangement;
- Audit of payment discipline; analysis of settlements with debtors of the Company including timeliness and completeness of measures taken by the executive bodies.

By the results of work, a Report of the Auditing Committee for 2007 was made. The Auditing Committee did not find any significant infringements of the prescribed procedure for accounting, which could essentially affect authenticity of accounting documentation.

### 8.6. Information of awarding credit rating and corporate management rating

International rating agency Fitch Ratings, starting from 2002, awards credit rating to the Company. On October 12, 2007 Fitch Ratings raised the OJSC Dalsvyaz' long-term issuer default rating ("IDR") from level "B" to level "B+". Forecast for the long-term IDR remains "Stable". Fitch Ratings also confirmed the short-term IDR of the Company at the level "B".

Detailed information of awarding credit rating can be observed on the Company's web site: <http://dsv.ru/child.php?id=96>, as well as on the site of the rating agency: <http://www.fitchratings.ru/>

Assessment of the OJSC Dalsvyaz corporate management quality from 2002 is done by international rating agency Standard & Poors. On July 31, 2007 the Standard & Poor's corporate management rating service informed of the raise of this rating under the Russian scale (CMR) of OJSC Far East Telecommunications Company ("Dalsvyaz") from CMR-5.3 to CMR-5.4. Rating by the international scale is confirmed at the level of CMR-5.

CMR components under the Russian scale (10 points):

- Property structure and influence of shareholders – 5.0;
- Rights of the shareholders and relations with financially interested persons – 7.2;
- Financial transparency, disclosure of information and audit – 6.2;
- Structure and work efficiency of the Board of Directors – 4.7.

More details of rating awarding can be observed on the Company's web site: <http://dsv.ru/child.php?id=96>, as well as on the site of the rating agency: <http://www.standardandpoors.ru/>

### 8.7. Information of the Company Auditor

Full firm-name	JSC "KPMG"
Number of license	003330
Gate license received	17.01.2003
License validity	License validity extended until 17.01.2013

### 8.8. Information of the Company Registrar

Full firm-name	OJSC "United Registration Company"
Number of license	10-000-1-00314
Gate license received	30.03.2004
License validity	Without validity limitation
Mail address	PO box 162, 15-A, Kalanchevskaya St, Moscow, RF 107078
Phone/fax	(495) 933-42-21
Electronic mail address	<a href="mailto:ork@ork-reestr.ru">ork@ork-reestr.ru</a>

## ***IX. SECURITIES***

### **9.1 Authorized capital and equity of the Company**

Authorized capital of the Company makes up 2,535,006,440 roubles.

#### **Distributed and declared shares of the Company as of 01.01.2008**

Categories (types) of shares	Number (pcs)	Nominal value (RUR)
Distributed shares		
➤ ordinary, (total)	95 581 421	20
➤ preference shares	31 168 901	20
Declared shares		
➤ ordinary	2 937 604	20
➤ preference shares	2 004 374	20

### **9.2 Structure of the authorized capital**

Information will be submitted after the register is closed

### **9.3 Information of holders of most sizeable share packages (as of 29.12.07)**

Shareholder	Status	Ordinary shares, pcs	Percentage of ordinary shares, %	Preference shares, pcs	Percentage of preference shares, %	Total shares, pcs	Percentage in authorized capital, %
OJSC Investment Communications Company	VL	48330683	50,56			48330683	38,13
JSC Depository and Clearing Company	ND	16249604	17,00	8089709	25,95	24339313	19,20
NP National Depository Centre	ND	12285109	12,85	6095819	19,56	18380928	14,50
JSC UBS Nominees	ND	5831343	6,10	6674104	21,41	12505451	9,88
Other legal entities		90655252	8,33	23417257	8,2	114072509	8,29
Physical persons		4926169	5,15	7751644	24,87	12677813	10,00

### **9.4 Report of payment of declared (charged) dividends on Company shares**

OJSC Dalsvyaz allots a part of net profits annually for payment of dividends to the Company shareholders. Amount and procedure for payments are defined by the Articles of Association, the Code of corporate behavior and the Regulations for dividend policy. According to these documents, holders of preference shares are entitled to receive dividends in the amount of 10% of net profit divided by the number of preference shares composing 25% of the authorized capital. For payment of dividends on ordinary shares, the Company undertakes to allot more than 10% of the net profit. Below is the information of charged and paid dividends by the 2006 results.

- June 6, 2007 is the date of adoption of resolution by the general meeting of shareholders on payment of dividends for 2006. The time of payment of dividends on ordinary shares was established until October 04, 2007; on preference shares until August 05, 2007. The actual date of the beginning of dividend payment is July 05, 2007.

- The ratio of dividends to payment per share is 0.80 roubles on ordinary shares, on preference shares – 2.40 roubles. The way of dividend payments is by monetary funds (bank transfer, mail transfer and cash in the OJSC Dalsvyaz structural divisions).
- The amount of charged dividends made up RUR 151,270,499 and the amount of paid dividends by 31.12.2007 – RUR 137,986,539.

Non-payment of dividends in the amount of RUR 13,283, 960 is caused by inaccurate bank particulars of dividend recipients and by old information contained in the system of keeping shareholders' register that prevents payments to physical persons according to the RF Tax Code. Payment of dividends to shareholders is done year-round in the process of the shareholders register information update.

**Development of declared (charged) dividends on the Company shares  
(per share)**

Type of equity	2003	2004	2005	2006	2007*
	(sum, RUR)	(sum, RUR)	(sum, RUR)	(sum, RUR)	(sum, RUR)
Ordinary shares	0,40	1,20	0,89	0,80	0,91
Preference shares	0,73	3,61	2,69	2,40	2,76

\*- recommended by the Board of Directors

**9.5 Information of trading spots where the Company share tenders take place  
OJSC Dalsvyaz shares on Russian and overseas trading spots**

Name of equity	Ordinary registered non-documentary shares		Preference registered non-documentary shares, type A	
Short name of stock exchange	SE MIBCE	SE RTS	SE MIBCE	SE RTS
Level of quoted list	B	B	B	Off-list*
Ticker	DLSV	ESPK	DLSVP	ESPKP

\*From 01.01.2007 to 27.07.2007, OJSC Dalsvyaz' preference shares were included in the quoted list B at the RTS Stock Exchange.

Information of the current quotations, put and call options, tender amounts and market capitalization is available on the web sites: [www.rts.ru](http://www.rts.ru), [www.micex.ru](http://www.micex.ru), [www.skrin.ru](http://www.skrin.ru), [www.adr.com](http://www.adr.com), <http://deutsche-boerse.com/>, [www.berlinerboerse.de](http://www.berlinerboerse.de)

**Information of the Company share trade amounts**

The Company share tender amounts increased twice during the year and made up 2.8 billion roubles. This index has grown 2.4 times at the MIBCE Stock exchange, while it lowered at the RTS Stock Exchange by 58.6%.

Tender amount according to SE MIBCE (basic tender mode)

	2006			2007		
	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs

Ordinary shares	571 962	6 212 861	15 915	1 528 771	12 821 167	29 757
Preference shares	451 425	4 962 174	6 060	960 844	8 304 306	9 168
<b>Amount</b>	<b>1 023 387</b>	<b>11 175 035</b>	<b>21 975</b>	<b>2 489 615</b>	<b>21 125 473</b>	<b>38 925</b>

Tender amount according to SE RTS (classic market) considering market and address transactions

	2006			2007		
	Tender amounts, USD	Tender amounts, pcs	Number of transactions, pcs	Tender amounts, USD	Tender amounts, pcs	Number of transactions, pcs
Ordinary shares	8 563 571	2 636 795	182	11 561 781	2 427 957	142
Preference shares	2 416 998	737 985	49	989 000	213 000	21
<b>Amount</b>	<b>10 980 569</b>	<b>3 374 780</b>	<b>231</b>	<b>12 550 781</b>	<b>2 640 957</b>	<b>163</b>

Tender amount according to SE RTS (exchange market) considering market and address transactions

	2006			2007		
	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs
Ordinary shares	15 431	165 000	78	6 105	48 756	19
Preference shares	18 637	196 150	25	10	81	1
<b>Amount</b>	<b>34 068</b>	<b>361 150</b>	<b>103</b>	<b>6 115</b>	<b>48 837</b>	<b>20</b>

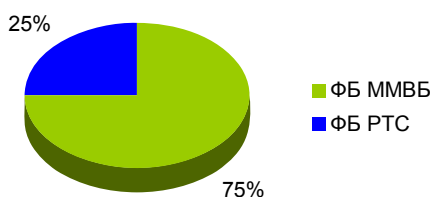
Tender amount according to SE RTS (off-exchange market)\*

	2006			2007		
	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs	Tender amounts, RUR	Tender amounts, pcs	Number of transactions, pcs
Ordinary shares	N/A	N/A	N/A	4 259 708	34 095 012	370
Preference shares	N/A	N/A	N/A	539 200	4 871 147	104
<b>Amount</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>4 798 908</b>	<b>38 966 159</b>	<b>474</b>

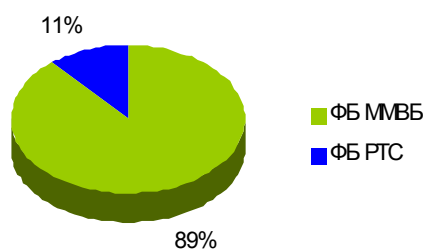
\* Information on off-exchange transactions made by professional market traders is disclosed by SE RTS in compliance with the "Regulations for activities of arrangement trading on the securities market" approved by the Order of the Financial Intelligence Federal Service of Russia No. 07-102/пз-н dated 09.10.2007.

In 2007, 89% of physical exchange trade volume of Dalsvyaz shares was done by investors at the SE MIBCE. The portion of company shares turnover at the RTS reduced in 2007 down to 11% from 25% in 2006. This flow is connected with the strengthening of competitive positions of MIBCE and with the attractiveness of Company shares for private investors because of more comfortable conditions for them.

Объем торгов акциями ОАО "Дальсвязь" в 2006г.



Объем торгов акциями ОАО "Дальсвязь" в 2007г.



Amount of OJSC Dalsvyaz shares in 2006

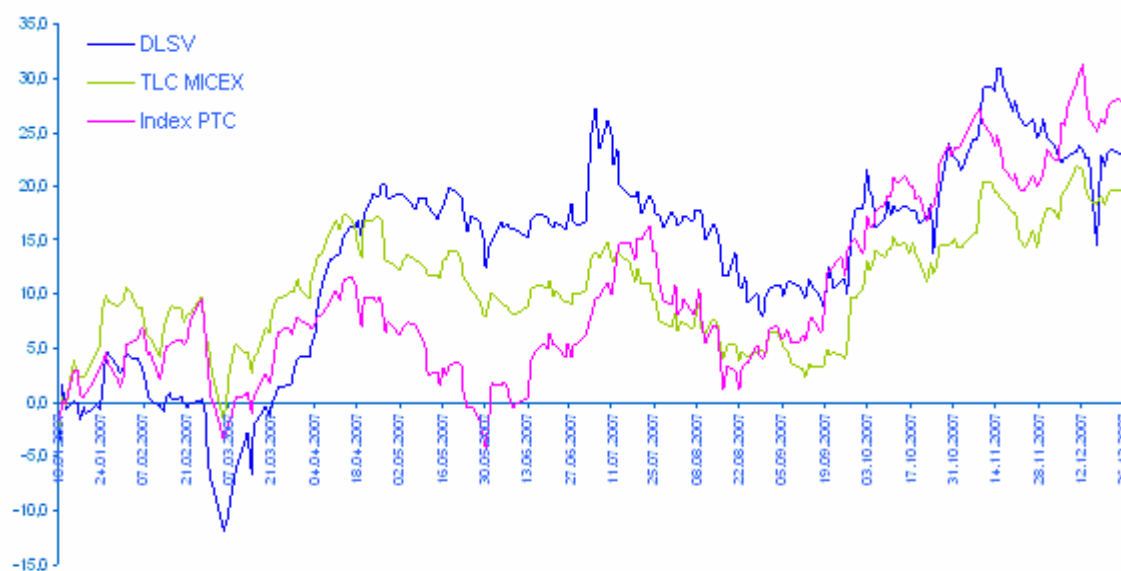
Amount of OJSC Dalsvyaz shares in 2007

ФБ ММВБ	SE MIBCE	ФБ ММВБ	SE MIBCE
ФБ РТС	SE RTS	ФБ РТС	SE RTS

### Capitalization of OJSC Dalsvyaz

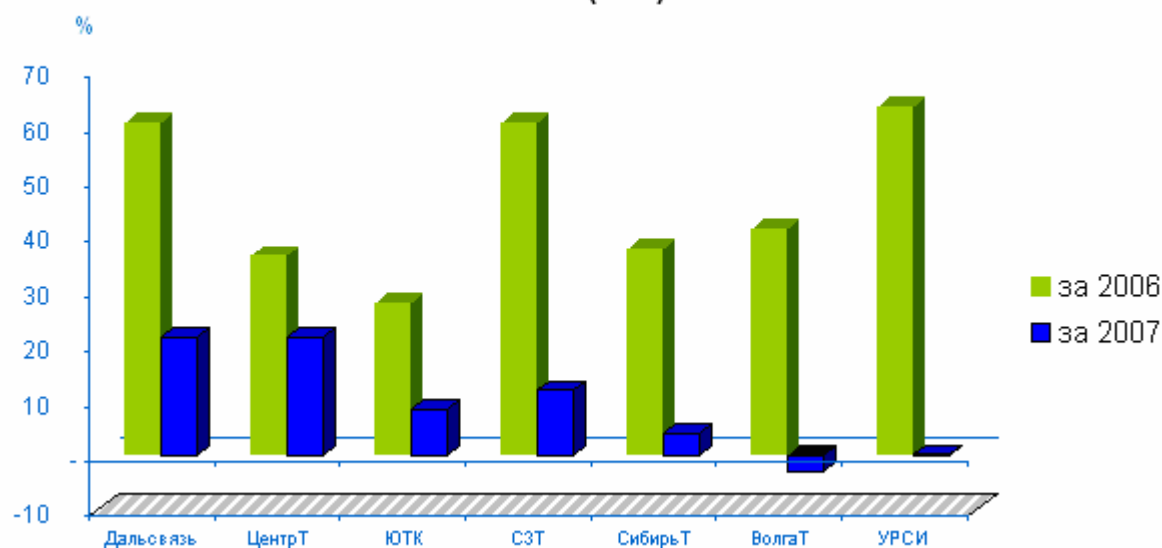
In 2007, Dalsvyaz capitalization increased by 22% and made up USD 637 million. Despite the fall in the rate of capitalization in 2007, Dalsvyaz continues its leading positions in the industry for this index. Reduction of the capitalization growth rate is caused, first of all, by the world liquidity crisis on the international financial market.

#### Изменение котировок обыкновенных акций Дальсвязи, индекса телекоммуникационной отрасли и индекса РТС в 2007 году





**Изменение капитализации Дальсвязи и компаний отрасли в 2006-2007 г.г. (в %)**



**Changes in quotations of Dalsvyaz ordinary shares, telecommunications index and RTS index in 2007**

**Changes in capitalization of Dalsvyaz and companies in the industry in 2006-2007 (%)**

### 9.6 Information of OJSC Dalsvyaz ADR

In 2001-2007, OJSC Dalsvyaz jointly with the depository bank J. P. Morgan Chase Bank was realizing the issue program of American Depositary Receipts of the first level. One ADR certifies the rights for 30 ordinary shares of OJSC Dalsvyaz. Totally, up to 40% of ordinary shares can be transferred to ADR, meaning 1,274,418 ADRs.

OJSC Dalsvyaz ADRs are traded on the USA off-exchange market, and from January 25, 2006 they are also included in Frankfurt and Berlin Stock Exchanges listing and quoted in the "Open Market" segment ("Freiverkehr" of the Frankfurt and Berlin Stock Exchanges").

From 2007, for the purpose to increase liquidity of the ADR Program, meetings of the management were held with foreign investment banks.

International ADR codes of OJSC Dalsvyaz:

Name of spot	Symbol (ticker)	International identification number (ISIN)	Identification number CUSIP (WKN)	Identification number in information networks
USA off-exchange market/ OTC Board	FEEYOY	US30732Q1040	30732Q104	<b>Yahoo. Finance:</b> FEEYOY.PK
Frankfurt Stock Exchange	D7A.F	US30732Q1040	A0D91Y	<b>Reuters (RIC):</b> FEEOy.F
Berlin Stock Exchange	D7A.BE	US30732Q1040	A0D91Y	<b>Reuters (RIC):</b> FEEOy.BE

In 2007, the number of ADR in free circulation increased. By results of the year, the number of the 1-st level ADRs increased by 15.9% and made up 29,124 pcs. However, the share of ADR remains to be insignificant and makes up 0.91% of the total number of ordinary shares or 0.69% of the Company authorized capital.

Amount of trade and quotations of OJSC Dalsvyaz ADR

Indicator	USA off-exchange market		Frankfurt Stock Exchange		Berlin Stock Exchange	
	2006	2007	2006	2007	2006	2007
Trade amount	\$19 000	\$10 024	-	€32 718	-	-

Trade volume, transaction ea.	8	6	-	1	-	-
ADR price as of December 31	\$25,137	\$29,124	€86,00	€110,00	€86,00	€110,00

### Information of OJSC Dalsvyaz valid bond issues

Currently, two bond loans are circulating on MIBSE Stock Exchange distributed by the Company on June 7, 2006 within the limits of the actualized policy for cost reduction and extension of loan terms, as well as diversification of finance sources. Assets from the loan distribution are directed for financing OJSC Dalsvyaz investment projects and refinancing of the Company credit portfolio.

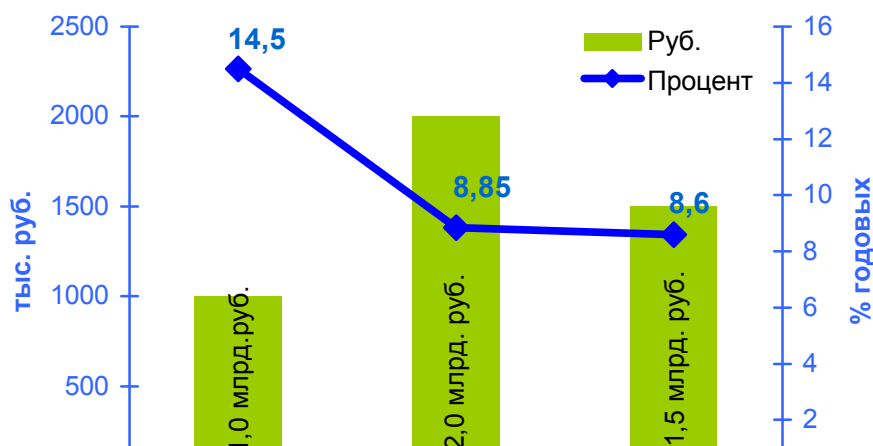
In 2007, no bond issue was done.

#### Valid (circulating) bond issues

Issue No.	State registration No.	Nominal issue amount (million RUR)	Date of repayment	Number of coupons (coupon periods)	Coupon rates	Stock-absorbing repayment
D2	4-10-30166-F	2 000	30.05.2012	12	From 1 to 8: fixed - 8.85% per annum; From 9 to 12 : to be defined by BD.	1) <b>02.12.2009</b> -15% of nominal bond value; 2) <b>02.06.2010</b> -15% of nominal bond value; 3) <b>01.11.2010</b> - 15% of nominal bond value; 4) <b>01.06.2011</b> - 15% of nominal bond value; 5) <b>30.11.2011</b> - 20% of nominal bond value; 6) <b>30.05.2012</b> - 20% of nominal bond value.
D3	4-11-30166-F	1 500	03.06.2009	6	Fixed - 8.6% per annum.	1) <b>05.12.2007</b> - 20% of nominal bond value; 2) <b>04.06.2008</b> - 20% of nominal bond value; 3) <b>03.12.2008</b> - 30% of nominal bond value; 4) <b>03.06.2009</b> - 30% of nominal bond value.

Dalsvyaz fulfills its obligations for servicing of bond loans fully and in due time. In 2007, payments were done for the 2 and 3 coupons of both bond loans in the total amount of RUR 305.1 million; besides, 20% of the nominal value was repaid of D3 issue in the amount of 300 million roubles.

### Стоимость обслуживания облигационных займов при размещении, % годовых



Servicing cost of bond loans whale distribution, % per annum
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## ***X. REFERENCE INFORMATION FOR THE SHAREHOLDERS***

### **1 Information of Company branches**

<b>Primorye Branch</b>	
Location	37 Prospect Krasnogo Znameni, Vladivostok, Russia, 690950
Administrator	Balatsenko Andrei Vladimirovich
Phone/facsimile	(4232) 44-81-02; fax (4232) 44-81-81
Site	<a href="http://www.prim.dsv.ru">www.prim.dsv.ru</a>
Electronic mail	<a href="mailto:pr@prim.dsv.ru">pr@prim.dsv.ru</a>
<b>Khabarovsk Branch</b>	
Location	58 Karl Marx St., Khabarovsk, Russia, 680000
Administrator	Makarov Georgii Ivanovich
Phone/facsimile	(4212) 325 222; fax (4212) 325 206
Site	<a href="http://www.khv.dsv.ru">www.khv.dsv.ru</a>
Electronic mail	<a href="mailto:pr@khv.dsv.ru">pr@khv.dsv.ru</a>
<b>Amur Branch</b>	
Location	159 Gor'kogo St., Blagoveschensk, Amur Region, Russia, 675011
Administrator	Beleichev Aleksandr Vladimirovich
Phone/facsimile	(4162) 440 646; fax (84162) 443 872
Site	<a href="http://www.amur.dsv.ru">www.amur.dsv.ru</a>
Electronic mail	<a href="mailto:pr@amur.dsv.ru">pr@amur.dsv.ru</a>
<b>Magadan Branch</b>	
Location	2-a Pr. Lenina, Magadan, Magadan Region, Russia, 685000
Administrator	Torgashin Evgenii Viktorovich
Phone/facsimile	(41322) 977 17; fax: (41322) 973 95
Site	<a href="http://www.mgd.dsv.ru">www.mgd.dsv.ru</a>
Electronic mail	<a href="mailto:pr@mgd.dsv.ru">pr@mgd.dsv.ru</a>
<b>Kamchatka Branch</b>	
Location	56, Leninskaya St., Petropavlovsk-Kamchatsky, Kamchatka Region, Russia, 683000
Administrator	Shabanov Igor' Timofeevich
Phone/facsimile	(4152) 423 274; fax (4152) 412 083, 412 683
Site	<a href="http://www.kam.dsv.ru">www.kam.dsv.ru</a>
Electronic mail	<a href="mailto:pr@kam.dsv.ru">pr@kam.dsv.ru</a>
<b>Sakhalin Branch</b>	
Location	220 Lenina St., Yuzhno-Sakhalinsk, Sakhalin Region, Russia, 693000

Administrator	Kalyuzhnyi Viktor Afanas'evich
Phone/facsimile	(4242) 721 172; fax: (4242) 721 420
Site	<a href="http://www.skh.dsv.ru">www.skh.dsv.ru</a>
Electronic mail	<a href="mailto:pr@skh.dsv.ru">pr@skh.dsv.ru</a>
<b>OJSC Dalsvyaz Moscow Representative Office</b>	
Location	9 Sechenovskii Per., Moscow, Russia, 119034
Administrator	Prihod'ko Aleksandr Grigor'evich

**2 Information of the Company:**

57 Svetlanskaya, Vladivostok 690950

Phone: (4232) 208500, fax: (4232) 408030

E-mail: [pr@dsv.ru](mailto:pr@dsv.ru), [ir@dsv.ru](mailto:ir@dsv.ru), [www.dsv.ru](http://www.dsv.ru)

***Depository bank under ADR program:***

JPMorgan Chase Bank

270 Park Avenue New York, NY 10017-2070USA

Phone: 212-270-6000

E-mail: [adr@jpmorgan.com](mailto:adr@jpmorgan.com)

**Securities Department:**

Sinenko Sergei Nikolaevich

Phone: (4232) 222864, 208500 (1360)

**The Annual Statement is to be signed by the Director General and the Chief Accountant and approved preliminarily by the Board of Directors.**

## INFORMATION OF MOST IMPORTANT TRANSACTIONS MADE BY THE COMPANY

### List of transactions approved by the Board of Directors and made by OJSC Dalsvyaz in 2007

No.	Type of transaction (big transaction, transaction of interest)	Information of person(s) interested in transaction	Subject of contract	Parties to contract	Contract price (RUR)	Effective date	Term of validity (if contract provides for fulfillment of obligations in stages, please specify term of each stage)	Other important terms and conditions
	Transaction presenting interest	A.A.Alekseev, E.A.Chechel'nitskii, V.V.Degtyarev	Company undertakes to provide OJSC Rostelecom for payment an opportunity to place Operator's property on the Company's spaces for the purpose of its usage by the Operator in compliance with licenses obtained hereby.	OJSC Rostelecom, OJSC Dalsvyaz	RUR 17,757.4 including VAT (18%) – 2,708.76 roubles	Contract comes into force after its signature by both parties	Contract comes into force after its signature by both parties and is valid before November 30, 2007	
	Transaction presenting interest	A.A.Alekseev	OJSC Dalsvyaz gives and OOO BIT receives for temporary ownership and use of a non-movable property: part of a space in the building located at the address: 42 Lenina St., Aniva, of overall area 7.28 sq. m.	OJSC Dalsvyaz, OOO "BIT"	2,402 roubles and 40 kopecks per month, plus VAT (18%) in the amount of 432 roubles and 43 kopecks.	Terms and conditions of this Contract are applicable to relations of the parties occurring after November 01, 2006	Contract comes into force after its signature by both parties and is valid before September 30, 2007	
	Transaction presenting interest	A.A.Alekseev	OJSC Dalsvyaz gives and OOO BIT receives for temporary ownership and use of the following non-movable property: rooms in buildings B and A, located at the address: 220.Lenina St., Yuzhno-Sakhalinsk, of overall area 116.77 sq. m.	OJSC Dalsvyaz, OOO "BIT"	58,385 roubles 00 kopecks per month, plus VAT (18%) in the amount of 10,509 roubles 30 kopecks.	29.11.2007	Lease Agreement comes into force after its signature by both parties and is valid before September 30, 2007	

	Transaction presenting interest	A.A.Alekseev	Dismantling equipment of aerial optical transfer train SkyCell EI-2000 installed on the spaces of Pogranichny and Ussuriysk telecommunication stations in accordance with Contract No. 32-3006 dated 03.07.2006	OJSC Dalsvyaz, JSC AKOS	7,902.67 roubles per month w/o VAT	Terms and conditions of Supplementary contract No. 1 are applicable to relations of the parties occurring after 04.07.2006	Supplementary contract No. 1 comes into force after its signature by both parties and is valid before termination of Contract No.32-2006 dated 03.07.2006	
	Transaction presenting interest	A.A.Alekseev	Arrangement of the following JSC AKOS property on the Company's spaces (Ussuriysk station, 103 Sovetskaya St, Ussuriysk, ATS -34, 4-th floor): <ul style="list-style-type: none"> <li>• multiplexer DXC-8R-3 – 1 pc</li> <li>• patch-panel – 1 pc;</li> </ul>	OJSC Dalsvyaz, JSC AKOS	2,500 roubles w/o VAT lump sum for arrangement of JSC AKOS property on Company's spaces; - 448.60 roubles per month w/o VAT	Terms and conditions of Supplementary contract No. 2 are applicable to relations of the parties occurring after 30.08.2006	Supplementary contract comes into force after its signature by both parties and is valid before termination of the Contract	JSC AKOS payment for arrangement of equipment on Company's production areas from August 30, 2006 to the date of effectiveness Of Supplementary Agreement No. 2 shall be affected within 10 (ten) days of receipt of the bill (invoice). The bill (invoice) shall be issued by the Company during 10 (ten) days of signature of Supplementary Agreement No. 2
	Transaction presenting interest	A.A.Alekseev	Arrangement of the following JSC AKOS property on the Company's spaces (Ussuriysk station, 91 Chicherina St., Ussuriysk, ATS -32): <ul style="list-style-type: none"> <li>• Power frame PS-48/300 – 1 pc,</li> <li>• Battery – 1 pc,</li> <li>• Base frame BTS – 312 – 1 pc,</li> <li>• Aerial equipment–1 pc</li> </ul>	OJSC Dalsvyaz, JSC AKOS	2,500 roubles w/o VAT lump sum for arrangement of JSC AKOS property on Company's spaces; - 8,710 roubles w/o VAT lump sum for arrangement of JSC AKOS property on Company's spaces; - 62,749.25 roubles w/o VAT per month for arrangement of JSC AKOS property on Company's spaces;	Terms and conditions of Supplementary contract 1 are applicable to relations of the parties occurring after 22.09.2006	Supplementary contract comes into force after its signature by both parties and is valid before termination of the Contract	JSC AKOS payment for arrangement of equipment on Company's production areas from 22.09.2006 to the date of effectiveness Of Supplementary Agreement No. 2 shall be affected within 10 (ten) days of receipt of the bill (invoice). The bill (invoice) shall be issued by the Company during 10

					- 2,430.90 roubles w/o VAT per month to compensate cost of electric power for JSC AKOS equipment			(ten) days of signature of Supplementary Agreement No. 3
	Transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 0.7 to 25% Company assets book value defined by the accounting data on the last reporting date.	None	Opening of a nonrenewable credit line	OJSC Dalsvyaz and Joint-stock Commercial Savings Bank of the Russian Federation (Open Joint-stock Company)	RUR 1,955,000,000 (One billion nine hundred and fifty five million roubles) ; interest rate – 8.75% per annum	29.01.2007	Period of loan: 5 years of the date of Credit agreement; period of availability of loan funds: 3 after the Agreement signature	
	Transaction presenting interest	A.A.Alekseev	Principal assigns and Agent assumes obligations for remuneration and on Principal's assignment, to execute legal and other actions on behalf and cost of Principal (hereinafter, actions), which execution ensures obtaining License by Principal from the Federal service for control of communications (hereinafter, Ros-svyaznadzor) for providing local telephony services, excluding local telephony services using pay phones and means of collective access; substantiation of capability to provide above services and development	OJSC Dalsvyaz, JSC AKOS	RUR 1,000,000 (One million roubles) including VAT	26.02.2007	Commencement: from the date of advance payment arrival at Agent's settlement account and submission by Principal of information and all required according to Cl.4.1-4.4 of the Contract. Termination: after receipt by principal of Rossvyaznadzor license specified in Cl.1.1 of the Contract.	

			of complete sets of application documents for obtaining this license; for presentation to Rossvyaznadzor of above applications prepared by Agent and signed by Principal, control of the process of consideration and also for timely preparation of materials on remarks made by Rossvyaznadzor; submission to principal of the above license for the right to provide communication services					
	Transaction presenting interest	A.A.Alekseev	Change in the list of educational institutions to which Executive must arrange virtual communication channels wit speed not less than 128 Kbit/s to access Customer access nodes	OJSC Dalsvyaz and OJSC RTComm.RU	-	March 05, 2007	-	
	Transaction presenting interest	A.A.Alekseev	OJSC Dalsvyaz gives and JSC AKOS accepts for temporary ownership and use of non-residential spaces in the overall area of 58.0 m <sup>2</sup> (fifty eight square meters) located at the address: 45 Leninskaya St., Arsen'ev, in a condition enabling its normal operation	OJSC Dalsvyaz and JSC AKOS	1.160.0 (One thousand one hundred and sixty) standard units per month including VAT, 1 standard unit is equal to 1 US dollar by the RF Central Bank exchange rate on the day of payment	Terms and conditions of this Contract are applicable to relations of the parties occurring after 15.09.2006	Contract comes into force after its state registration and is valid before 05.09.2009	
	Transaction presenting interest	A.A.Alekseev	Provision by Executive of the right to use the software specified in Addendum No.1 to Supplementary Agreement	OJSC Dalsvyaz and JSC AKOS	Monthly payments of RUR <b>1,427,800.00</b> (One million four hundred twenty seven thousand and eight hundred roubles)	Terms and conditions of Supplementary Agreement are applicable to relations of the	Supplementary contract comes into force after its signature by both parties.	



					including VAT 18% – RUR <b>217, 800.00</b> (Two hundred seventeen thousand and eight hundred roubles)	parties occurring after November 1, 2006.		
	Transaction presenting interest	A.A.Alekseev	Provision by Executive of the right to use the software specified in Addendum No.1 to Supplementary Agreement	OJSC Dalsvyaz and JSC AKOS	Monthly payments of RUR <b>1,687,400.00</b> (One million six hundred eighty seven thousand and four hundred roubles) including VAT 18% – RUR <b>257 400.00</b> (Two hundred fifty seven thousand and four hundred roubles)	Terms and conditions of Supplementary Agreement are applicable to legal relations of the parties occurring after January 1, 2007	Supplementary con- tract comes into force after its signature by both parties.	
	Transaction presenting interest	A.A.Alekseev	OJSC A-svyaz undertakes to transfer to ownership of OJSC Dalsvyaz property specified in Addendum No.1, which is an integral part of the Contract, and documents hereto, and OJSC Dalsvyaz undertakes to accept the Property and pay the price stipulated for in the Contract.	OJSC A-svyaz and OJSC Dalsvyaz	RUR 15,906,762.26 (Fifteen million nine hundred six thousand seven hundred sixty two roubles and 26 kopecks) including VAT 2,426, 455.26 roubles; RUR 27,968,925.07 (Twenty seven million nine hundred sixty eight thousand nine hundred twenty five roubles and 07 kopecks) including VAT 4,266,446.20 rbl.	15.03.2007	Delivery of property shall be done according to delivery and acceptance certificate within 10 of Contract signature, payment shall be affected within 10 after the Certificate is signed by both parties.	
	Transaction presenting interest	A.A.Alekseev	Transfer by OJSC Dalsvyaz for the benefit of NP “CIPRT” of targeted membership fees	OJSC Dalsvyaz and NP “Research centre for problems of telecommunications development”	111,328,000 roubles	29.03.2007	After signature by the parties until fulfillment of obligations in full by both parties.	Time of transfer of targeted membership fees: before 02.07.2007 – RUR 60, 000,000; before 31.12.2007 – RUR 51,328,000.

	Transaction presenting interest	A.A.Alekseev	Company undertakes to provide to Operator for payment a possibility to arrange on Company's areas of Operator's equipment for its use by the latter	Dalsvyaz and OOO "Wireless Information Technologies" (BIT)	38,650.50 roubles per month without VAT	Terms and conditions of this Contract are applicable to relations of the parties occurring after October 16, 2006	Contract comes into force after its signature by both parties and is valid before December 31, 2007	
	Transaction presenting interest	A.A.Alekseev, E.A.Chechel'nitskii, V.V.Degtyarev, Yu.A.Bilibin, V.A.Stat'in	Operators undertake to provide Users with a possibility to use in their pay-phones universal communication payment cards issued by any operator – member of this Contract for payment of universal communication services and services of intra-areal, inter-city and international communications, access to which is granted in connection with assurance of conditions for provision of universal communication services. Operators settle accounts between themselves for services provided to Users who use pay-phones or PKD. The grounds for settlement are the Reports of OOO "Universal Means of Payment". For the purposes of the Contract, the parties understand the card as a means enabling user of communication services to put a call and establish connection by identifying him(her)self for the Operator as a payer in the communication network. The cards must meet the requirements specified in Addendum No. 1 to the Contract.	OJSC SZT , OJSC CentrTelecom, OJSC VolgaTelecom, OJSC UTK, OJSC Uralsvyazinform, OJSC Sibirtelecom, OJSC Dalsvyaz, OJSC Dagsvyazinform	Amount of monetary funds subject of transfer by Operator that provided communication services to Operator that issued the card makes up 20% of the cost of services rendered.	Terms and conditions of the Contract cover relations of the parties, which fit the subject of this Contract, occurring after March 01, 2007.	Contract comes into force after its signature by both parties and is valid for 5 years	Conditions and procedure of settlements: Settlements between Operators are done based on monthly Reports of the amount of communication services provided by each Operator using payment cards for communication services issued by other Operators. Operators undertake to make contracts of bank account with banks and give a right to the bank writing-off monetary funds from payer's account without order (direct debit) based on a Report submitted to OOO "Universal Means of Payment" bank. Operators undertake to send orders to the executive bank for direct debit of monetary funds on 24-th day of each month following the accounting month.

Approval of a transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property valued from 0.7 to 25% of Company assets book value defined by the accounting data on the last reporting date	None	To ensure fulfillment by the Company ( <i>Principal</i> ) of obligations for payment to previous holders of OJSC Sahatelecom ordinary nominal non-documentary shares that accepted its mandatory offer to buy OJSC Sahatelecom ordinary nominal non-documentary shares, JSCB Svyaz-Bank ( <i>Guarantor</i> ) undertakes to give a bank guarantee to previous holders of OJSC Sahatelecom ordinary nominal non-documentary shares and the Ministry of property relations of Saha Republic (Yakutia) budget account No.40302810100000000002 at the Settlement center of the National Bank of Saha Republic (Yakutia) of Bank of Russia, Yakutsk, BIC 049805001, TIN 1435027592, hereinafter referred to as the "Beneficiary. Guarantee shall be issued not later than the first working day after signing of the Agreement.	OJSC Dalsvyaz and Inter-regional commercial bank of development of communication informatics (Open joint-stock company)	RUR 9,582,246.59 (Nine million five hundred eighty two thousand two hundred forty six roubles and 59 kopecks)	16.04.2007	Guarantee validity: from date of issue to February 09, 2008 inclusive. Guarantee is not valid after expiration of this term.	
Transaction presenting interest	A.A.Alekseev, E.A.Chechel'nitskii	Lease of a non-residential space (No.25) of 29.00 sq.m in area on the first floor of the building at the address: 57 Svetlanskaya St., Vladivostok	OJSC Dalsvyaz, NPF Telecom-Soyuz	RUR 1.180 per square meter a month including VAT of 180 (One hundred eighty) roubles.	Terms and conditions of this Contract are applicable to relations of the parties occurring after February 27, 2007.	Contract comes into force after its signature by both parties and is valid before February 25, 2008	
Transaction presenting interest	A.A.Alekseev, E.A.Chechel'nitskii	Changes to the Contract: 2.2. According to Addendum No.3 to Contract in wording of Supplementary Agreement No.1, OJSC Rostelecom	OJSC Rostelecom, OJSC Dalsvyaz	Connecting services consisting of installation of 2 ports (Vladivostok and Blagoveschensk) and increase in band width in Khabarovsk in the amount of 300 standard units for	Rights and obligations of the Parties cover legal relationship of the Parties after	Supplementary Agreement No. 1 to the Contract of connecting telecommunication networks No. 01-II	

			provides the following services to OJSC Dalsvyaz: Connecting service consisting of installation of 2 ports (Vladivostok and Blagoves-chensk) and increase in band width in Khabarovsk; Service for maintenance of the connecting point; Services for traffic passage in the form of a call rate for the port.		each port up to 100 Mbit lump sum; 1.2. Service for maintenance of the connecting point in the amount of 10 standard units per month; 1.3. Services for traffic passage in the form of a monthly fee for the port in the amount of 176,000.00 standard units per month for three connecting points (in Khabarovsk, Vladivostok, Blagoveschensk).	20.02.2007	of 29.06.2006 comes into force after signing and is valid before termination of the Contract.	
	Transaction presenting interest	None	New text of Clause 1.6. of the Contract	OJSC Dalsvyaz, JSC Sakhalinugol-Telecom.	2,097,311.30 roubles (without VAT)	This Supplementary Agreement covers relations of the parties occurring after March 25, 2007.	This Supplementary Agreement is applicable to relations of the parties occurring after March 25, 2007	
	Transaction presenting interest	None	OJSC Dalsvyaz gives and JSC AKOS accepts for lease a metal container of 15.0 sq. m in area, located at the address: 13 Pogranichnaya St., Vladivostok	OJSC Dalsvyaz, JSC AKOS	The amount of monthly fees for use of the property under contract is 518 roubles 00 kopecks per 1 sq. m a month, without VAT	This Supplementary Agreement is applicable to relations of the parties occurring after January 01, 2007	Term of validity: Contract comes into force after its signature by both parties and is valid until December 31, 2007	
	Transaction presenting interest	None	OJSC Dalsvyaz gives and JSC AKOS accepts for temporary ownership and use of non-residential spaces in the overall area of 723.36 m <sup>2</sup> located at the address: 38a Prospekt 100-let Vladivo-stoku, Vladivostok	OJSC Dalsvyaz, JSC AKOS	Rental fees in the amount of 455,167.05 (Four hundred fifty five thousand one hundred sixty seven roubles and 05 kopecks	This Agreement is applicable to relations of the parties occurring after December 02, 2006	This Agreement comes into force after its signature by both parties and is valid until November 01, 2007	

	Transaction presenting interest	None	Paid services for the annual instrumental control of protection status of attested informatization objects of OJSC Sahatelecom	OJSC Dalsvyaz, OJSC Sahatelecom	RUR 254,955.62 (Two hundred fifty four thousand nine hundred fifty five roubles and 62 kopecks including VAT (18%))	28.05.2007	Period of services: 3 (months) of advance payment amount by the customer	
	Transaction presenting interest	A.A.Alekseev	Changes to the Contract of its termination in relation to space No. 2 leased by OOO "BIT" of total area 19.00 sq.m, located on the first floor of building at the address: 220 letter B, Lenina St., Yuzhno-Sakhalinsk, and change of fees in proportion to the changed rental area.	OJSC Dalsvyaz and OOO "Wireless Information Technologies" (OOO "BIT")	48,885 roubles per month and variable portion: compensation Lessor's cost of the property maintenance.	17.05.2007	This Supplementary Agreement comes into force after its signature by both parties.	
	Transaction presenting interest	A.A.Alekseev	Company (Lessee) gives to OOO "BIT" (Sub-lessee) for sub-lease a part of leased land from settlement lands with cadastre number <u>65:01:06 02 05</u> , located at the address: 57- b Purkaeva St., Yuzhno-Sahalinsk, Sakhalin Region, within confines specified in the layout (Addendum to Contract), of total area 38 (Thirty eight) sq. m.	OJSC Dalsvyaz and OOO "Wireless Information Technologies" (OOO "BIT")	RUR 3,800 (Three thousand and eight hundred roubles) per month, without VAT	17.05.2007	After Contract signature until December 31, 2007	

Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Operator gives to User free of charge technical requirements for communications cabling and opportunities of cabling in duct bank belonging to the Company on the basis of the Title registration certificate dated April 16, 2007. The type of cable, cabling areas and the length are specified in Addendum No.1, which is an integral part to the Contract.	OJSC Dalsvyaz, OJSC Rostelecom	For submission of technical requirements for communication line cabling RUR 2,006 (Two thousand six roubles and 00 kopecks) without VAT, in lump sum;  For arrangement of communication cable in duct bank RUR 682.28 (Six hundred eighty two roubles and 28 kopecks) per month, with VAT.	It covers legal relations of the parties after 27.12.2006	Contract comes into force after its signature by both parties and is valid before December 30, 2007	Commencement date: 27.12.2006; Termination: 30.12.2007
Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Validity of Contract No. 33-06-23 covers relationship of the parties after 01.01.2006.	OJSC Dalsvyaz, OJSC Rostelecom	-	-	It covers relationship of the parties after 01.01.2006	
Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Price of Supplementary Agreement No. 4: 1) From 01.02.2007, new compensation allowance is established in the amount of 0.54 roubles; 2) The cost of services is established according to Addendum No.1 to Supplementary Agreement. Alterations have been made in Addendum No.1 "Services for traffic passage provided by Operator" and Addendum No.4 "Form of Certificate of services provided for traffic passage"; 3) From 01.01.07, the second-piece tariffication principle has been determined. - validity of Supplementary Agreement No.4 to Contract of connecting telecommunication networks No.1-DVF commences from the date of	OJSC Dalsvyaz, OJSC Rostelecom	1) From 01.02.2007, compensation allowance is established in the amount of 0.54 roubles; 2) The cost of services is established according to Addendum No.1 to Supplementary Agreement. Alterations have been made in Addendum No.1 "Services for traffic passage provided by Operator" and Addendum No.4 "Form of Certificate of services provided for traffic passage"; 3) From 01.01.07, the second-piece tariffication principle has been determined.	Terms and conditions of Agreement are applicable to relationship occurring after July 01, 2006, excluding clauses 3 and 4. In relation to clauses 3 and 4 of Agreement, they are applicable to relationship between the parties after January 01, 2007.	Validity of Supplementary Agreement No.4 to Contract of connecting telecommunication networks No.1-DVF commences from the date of conclusion and continues until termination of the Contract.	

			conclusion and continues until termination of the Contract. Terms and conditions of Agreement are applicable to relationship occurring after July 01, 2006, excluding clauses 3 and 4. In relation to clauses 3 and 4 of Agreement, they are applicable to relationship between the parties after January 01, 2007.					
	Approval of a transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 0.7 to 25% Company assets book value defined by the accounting data on the last reporting date	None	<p>1. Subject of Contract: OJSC Dalsvyaz gives promissory notes to OJSC CB "Svyaz-Bank" and OJSC CB "Svyaz-Bank" undertakes to pay their value</p> <p>2. Subject of Contract: OJSC Dalsvyaz gives promissory notes to JSC "Russian Industrial Bank" and JSC "Russian Industrial Bank" undertakes to pay their value</p> <p>3. OJSC Dalsvyaz buys from OOO "Ursa Major" promissory notes of JSC "Russian Industrial Bank"</p> <p>4. Subject of Contract: OJSC CB "Svyaz-Bank" gives promissory notes to OJSC Dalsvyaz and OJSC Dalsvyaz undertakes to pay their value.</p>	OJSC CB "Svyaz-Bank", OJSC Dalsvyaz, JSC "Russian Industrial Bank", OOO "Ursa Major"	1,260,000,000 roubles	May 10, 2007	-	
	Approval of transactions in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 0.7 to 25% Company assets book value	None	Opening of a renewable credit line for current business including replenishment of turnover funds; for financial activities including repayment of floating debts on credits of other banks (including promissory notes and bonds).	OJSC Dalsvyaz, Joint-stock Commercial Savings Bank of the Russian Federation	630,000,000 roubles	13.06.2007	Contract comes into force after its signature by both parties and is valid until full execution by the pledger of obligations under the Contract of opening renewable credit line.	

	defined by the accounting data on the last reporting date							
	Transaction presenting interest	N.V.Feoktistova	OOO "Giprosvyaz-Siberia" undertakes for remuneration in its own name but on Principal's account to make and fulfill a contract with GU UMCR for conducting state departmental expertise of pre-design and design documents on the Principal's object specified in the List of objects (Addendum No.1) and perform all other actions directed at execution of the assignment.	OJSC Dalsvyaz, OOO «Giprosvyaz-Siberia»	OJSC Dalsvyaz shall pay agency fees to OOO "Giprosvyaz-Siberia" in the amount of 15 (fifteen) % of the total cost of works (including VAT) for expertise of each object of the Principal specified in Addendum No.1.	November, 2006	Validity period of the contract shall be from its signature until full execution by the parties of obligations under the Contract.	
	Approval of transactions in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 0.7 to 25% Company assets book value defined by the accounting data on the last reporting date	None	A renewable credit line is opened for current business including replenishment of turnover funds; for financial activities including repayment of floating debts on credits of other banks (including promissory notes and bonds).	OJSC Dalsvyaz and Joint-stock Commercial Savings Bank of the Russian Federation (Open Joint-stock company) represented by Primorye SBD No. 8635, Vladivostok	Credit line limit amount – 140,000,000 roubles	29.06.2007	Contract comes into force after its signature by both parties and is valid until full execution by the pledger of obligations under the Contract of opening renewable credit line.	



	Transaction presenting interest	None	OJSC Dalsvyaz delivers and JSC AKOS accepts for lease a laboratory building of 46.3 sq. m in the total area located at the address: 24 Shirokaya St., Vladivostok, Primorye Territory.	OJSC Dalsvyaz, JSC AKOS	Monthly payments for use of the building under Contract are 41,901 roubles 50 kopecks without VAT	Terms and conditions of Contract are applicable to relationship of the parties occurring after January 01, 2007.	Term of validity: Contract comes into force after state registration and is valid until August 04, 2008 inclusive.	
	Transaction presenting interest	E.A.Chechel'nitskii , M.A.Alekseev	Providing services for maintenance of Equipment of OJSC Dalsvyaz arranged on OJSC Rostelecom objects;	OJSC Rostelecom, OJSC Dalsvyaz	For presentation of technical requirements for installed equipment 3,759.48 roubles lump sum, including VAT 573 roubles 48 kopecks; - monthly for services 44,949 roubles		Contract comes into force after its approval by the competent authorities of the Parties and is valid until December 31, 2007.	
	Transaction presenting interest	E.A.Chechel'nitskii , M.A.Alekseev	In conformity with this Agreement, OJSC Dalsvyaz undertakes to: grant users access to communication services via pay phones; keep record of communication services provided to users of OJSC Rostelecom via pay-phones; effect transfers to OJSC Rostelecom of received gains for the corresponding accounting period in full. 2) In conformity with this Agreement, OJSC Rostelecom undertakes to pay the services provided by OJSC Dalsvyaz.	OJSC Rostelecom, OJSC Dalsvyaz	For performance of the agency assignment provided for by this Agreement, OJSC Rostelecom undertakes to pay to OJSC Dalsvyaz fees in the amount of 20% of proceeds transferred to OJSC Rostelecom in the corresponding Accounting period.	Terms and conditions of Agreement are applicable to relationship of the parties occurring after June 01, 2007	Agreement to Contract of cooperation No.753-05-23 comes into force after its signature by both parties and is valid until termination of the Contract.	
	Transaction presenting interest	None	Alterations to settlements between the parties: Settlements for communication services are made between the parties	OJSC Dalsvyaz, JSC Rostelegraph	-	Terms and conditions of Supplementary Agreement are applicable to	From its signature until termination of the Contract.	

			based on bills, invoices and Certificates of works performed, which are drawn by the parties for JSC Rostelegraph and OJSC Dalsvyaz separately.			relationship of the parties occurring after January 01, 2007.		
	Transaction presenting interest	V.B.Zhelonkin	Delivery to OJSC Central Telegraph of the system for processing messages "CKS IJKC-X" of the overall capacity 416 connection points, installation of software, execution of linear tests and launching in operation.	OJSC Dalsvyaz, OJSC Central Telegraph	2,317,123.99 roubles	03.09.2007	This Contract comes into force after its signature by both parties and is valid until full execution of assumed obligations	
	Transaction presenting interest	None	OJSC Dalsvyaz delivers to the JSC AKOS property SIM-cards meeting the parameters shown in the Specification (Addendum 1) to the Contract;	JSC AKOS, OJSC Dalsvyaz	Total cost of delivered SIM-cards is RUR 15,200,000 (Fifteen million two hundred thousand roubles) including VAT, with unit price of 80 (eighty) roubles including VAT.	Terms and conditions of this Contract are applicable to relationship of the parties occurring after 01.01.2007	This Contract comes into force after its signature by both parties and is valid before December 31, 2007	Total number of SIM-cards delivered is 190,000 (One hundred ninety thousand) pcs;
	Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Executive provides services to Customer for maintenance of functioning of the Customer's equipment arranged in technological spaces of OJSC Rostelecom LAZ LTU 83/1 in Dalniy and Customer undertakes to pay these services.	OJSC Rostelecom, OJSC Dalsvyaz	Lump sum for presenting of technical requirements for Equipment arrangement of 3,759 (Three thousand seven hundred and fifty nine) roubles 48 kopecks, with VAT 18%; - monthly fee in the amount of 14,661 roubles.	-	This Contract comes into force after its signature by both parties and is valid until December 31, 2007 inclusive	

	Transaction presenting interest	None	<p>Company (Customer) assigns and pays, and OJSC Svyazintec (Executive) assumes obligations in compliance with terms and conditions of the Contract to perform works/provide services for centralized works within the limits of the program of ERP implementation in the Group of companies Svyazinvest (hereinafter, ERP Program), namely:</p> <ul style="list-style-type: none"> <li>– Execution of works for development of the United Master System;</li> <li>– Providing services of control and support of the implemented United Master System;</li> <li>– Providing services for updating of materials on “Organizational changes” within the limits of development of the United Master System.</li> <li>– Providing services on procedural support of control and development of the United Master System in direction “Finance” within the limits of the ERP Program.</li> <li>– Providing services of control and support of implemented Master System, release 1.</li> <li>– Providing services for centralized management of ERP Program.</li> </ul> <p>Specific list of provided services/works is given in Addendums No. 1–6 to the Contract.</p>	OJSC Dalsvyaz, OJSC Svyazintec	RUR 65,889,984.60 (Sixty five million eight hundred eighty nine thousand nine hundred eighty four and 60/100 roubles, including VAT	Terms and conditions of this Contract are applicable to relationship of the parties occurring after January 03, 2007	Period of rendering services/execution of works including commencement and termination dates are specified in the corresponding Addendums to the Contract.	
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	Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Change in the cost of services rendered under the contract in compliance with Addendum No. 1 and 2 to Supplementary Agreement	OJSC Rostelecom, OJSC Dalsvyaz	3,505.00 roubles per month	Terms and conditions of Supplementary Ag-reement are applicable to relationship of the parties occurring after February 01, 2007.	Supplementary Ag-reement comes into force after its signature.	
	Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Change in the cost of services rendered under the contract in compliance with Addendum No. 1 and 2 to Supplementary Agreement	OJSC Rostelecom, OJSC Dalsvyaz	33,772.00 roubles per month	Terms and conditions of Supplementary Ag-reement are applicable to relationship of the parties occurring after February 01, 2007.	Supplementary Ag-reement comes into force after its signature.	
	Transaction presenting interest	E.A.Chechel'nitskii, M.A.Alekseev	Subject of Contract 75-05 dated 13.05.2005 is amended with Executive's obligation to grant to User a paid opportunity for arrangement of its property specified in Clauses 2-3 of Addendum No. 2A to Supplementary Agreement #1 on Executive's areas at the address: 10 Proletarskaya St., according to Addendum 1A to Supplementary Agreement No. 1.	OJSC Rostelecom, OJSC Dalsvyaz	For arrangement of User's property, monthly fee RUR 17,759 (Seventeen thousand seven hundred fifty nine roubles) including VAT (18%) in the amount of 2,709 roubles and 00 kopecks - for compensation of cost of electric power consumed by User's property, 1538 roubles 07 kopecks per month including VAT (18%) in the amount of 234 roubles 62 kopecks.	Terms and conditions of Supplementary Ag-reement are applicable to relationship of the parties occurring after April 27, 2007	Validity period: Supplementary Ag-reement comes into force after its signature.	

Transaction presenting interest	None	<p>OOO “Bykovsvyaz” provides an opportunity of arrangement on their areas of OJSC Dalsvyaz communication equipment specified in Addendum No.1 to Contract.</p>	Dalsvyaz, OOO “Bykovsvyaz”	<p>Permanent portion <u>3,717.00</u> (Three thousand seven hundred and seventeen) roubles including VAT,  - variable portion is calculated according to the formula:  <math>\Sigma_{\text{пер}} = \kappa \text{Вт} * 24_{\text{ч}} * T_{\text{руб/кВтч}} * N_{\text{дн}}</math>, where  <math>T_{\text{руб/кВтч}}</math> – tariff for electric power;  <math>N_{\text{дн}}</math> – average number of days in a month – 30.5</p>	Applicable to relationship of the parties occurring after 18.05.2007.	Validity period of the Contract commences after its signature and continues until 31.12.2007	
Transaction presenting interest	N.V. Feoktistova	<p>Subject of Contract: OJSC Giprosvyaz carries out research works on OJSC Dalsvyaz communication objects specified in Addendum No.1 to Contract. For each objects specified in Addendum No.1 to Contract, the Parties make out a Supplementary Agreement (its form is Addendum No. 2 to Contract), which is supplemented with:</p> <ul style="list-style-type: none"> <li>- performance specification for designing developed and approved by Customer;</li> <li>- works schedule;</li> <li>- budget and/or protocol of agreement of contract price;</li> <li>- list of initial documentation.</li> </ul>	OJSC Dalsvyaz, OJSC Giprosvyaz	44,840,000.00 roubles	03.12.2007	Validity period of the Contract commences after its signature and continues until full execution of obligations under this Contract by the Parties.	

Transaction presenting interest	E.A. Chechel'nitskii	OJSC Dalsvyaz on assignment of OJSC Rostelecom, on behalf and at the cost of OJSC Rostelecom assumes an obligation to make out contracts for preliminary selection by OJSC Rostelecom as an operator of inter-city and international communication with subscribers – physical persons who by default chose OJSC Rostelecom as an operator of inter-city and international communication and wish to sign a contract, whose average charges make up more than 501.00 roubles (with VAT). In its own name and at the account of OJSC Rostelecom, to commit actions aimed at receipt of applications from other categories of subscribers to confirm preliminary choice of OJSC Rostelecom as an operator of inter-city and international communication.	OJSC Dalsvyaz, OJSC Rostelecom	From 50.00 to 350.00 roubles (without VAT) for one subscriber depending on average monthly charges for performance of OJSC Rostelecom assignment (signing contracts with subscribers for services of inter-city and international communication and subscriber switching)	01.09.2007	After signature provided it is approved by the Board of Directors until execution of all obligations by the Parties	
Transaction presenting interest	E.A. Chechel'nitskii	Company assumes an obligation to present information of amounts of proceeds and accounts receivable of state companies that are related parties in relation to OJSC Rostelecom, as well as information of user notes	OJSC Dalsvyaz, OJSC Rostelecom	295,000 roubles	-	Agreement comes into force after its signature by the parties and is valid until full execution of assumed obligations under this Supplementary Ag-reement.	

			payable for OJSC Rostelecom according to terms of appearance by groups of contractors (budget organizations, legal entities, physical persons), and OJSC Rostelecom assumes an obligation to pay the services provided.					
	Transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 1 to 25% Company assets book value defined by the accounting data on the last reporting date	None	Opening of non-renewable credit line to effect payments for operational and investment activities	JSC Bank Societe General Vostok, OJSC Dalsvyaz	500,000,000 (Five hundred million) roubles	18.12.2007	-	Time of loan repayment: May, 2009
	Transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 1 to 25% Company assets book value defined by the accounting data on the last reporting date	None	Executive undertakes to perform works for implementation of the United Master System (hereinafter, UMS) based on the integrated resources management system Oracle E-Business Suite (hereinafter, "Works") within the limits of ERP introduction in the group of companies Svyazinvest (hereinafter, ERP Program), and Customer undertakes to pay for the works.	OJSC Dalsvyaz, OOO "GMCS"	RUR 163,494,404.40 (One hundred and sixty three million four hundred ninety four thousand four hundred four and 40/100 roubles).	Terms and conditions of this Contract are applicable to relationship of the parties occurring after September 03, 2007.	Contract comes into force after its signature and is valid until full execution of assumed obligations by the parties.	

	Transaction presenting interest	None	Executive undertakes to provide services for regional works within the limits of ERP introduction in the group of companies Svyazinvest ( <i>hereinafter, ERP Program</i> ), namely: a) services for management of ERP Program in OJSC Dalsvyaz; and b) services for management of organizational changed in OJSC Dalsvyaz – and Customer undertakes to for the services provided.	OJSC Dalsvyaz, OJSC Svyazintek	RUR 8,992,160.00 (Eight million nine hundred ninety two hundred one hundred sixty and 00/100 roubles)	Terms and conditions of this Contract are applicable to relationship of the parties occurring after July 01, 2007.	Contract comes into force after its signature and is valid until full execution of assumed obligations by the parties.	
	Transaction presenting interest	E.A. Chechel'nitskii M.A. Alekseev	OJSC Rostelecom assumes an obligation to provide services to OJSC Dalsvyaz of inter-city and international telephone communications using an automatic servicing system in the order of preliminary selection of an operator or via telephonist, and OJSC Dalsvyaz assumes an obligation to pay for the communication services in the procedure specified in the Contract.	OJSC Rostelecom, OJSC Dalsvyaz	To be determined in accordance with OJSC Rostelecom tariffs specified in Addendum No. 3-9.	16.11.2007	Contract comes into force after its signature and is valid until December 31, 2007.	
	Transaction presenting interest	E.A. Chechel'nitskii M.A. Alekseev	Whereas OJSC Far East Telecommunications Company and OJSC Rostelecom made out a contract for inter-city and international communication services with preliminary selection of operator ( <i>hereinafter, Contract</i> ), OJSC Rostelecom undertakes	OJSC Rostelecom, OJSC Dalsvyaz	Discounts are specified in Addendum No.1 to the Agreement in the amount of 25 (Twenty five) percent of the OJSC Rostelecom base Tariffs.	16.11.2007	Agreement comes into force after the Contract signature by OJSC Rostelecom and OJSC “Far East Telecommunications Company” and shall be deemed as made out for an uncertain period.	



			<p>under conditions of Agreement to provide OJSC “Far East Telecommunications Company” discounts from the general Tariffs of OJSC Rostelecom. Discount terms and conditions are as follows:</p> <p>Tariff discounts are granted to OJSC “Far East Telecommunications Company” only for the period of Agreement validity provided OJSC “Far East Telecommunications Company” observes the terms and conditions of their granting, which are specified in Cl. 2 of Addendum No.1 to the Agreement within the period when these terms and conditions</p>					
	Transaction presenting interest	-	<p>Seller undertakes to deliver to Buyer’s ownership of the property specified in Addendum No.1 to Agreement and related documents and Buyer undertakes to pay the price stipulated for by the Agreement</p>	OJSC Dalsvyaz, OJSC A- Svyaz	623, 426.54 roubles	22.11.2007	-	
	Transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value	None	Opening of a renewable credit line to effect payments for operational, financial and investment activities including compensation of investment costs incurred earlier	OJSC Commercial bank “Svyaz-Bank”, OJSC Dalsvyaz	450,000,000 roubles	05.12.2007		Interest rate: 9.4% per annum; Loan repayment period: June, 2009

	from 1 to 25% Company assets book value defined by the accounting data on the last reporting date							
	Transaction in connection with acquiring, alienation or opportunity of alienation by the Company of property of value from 1 to 25% Company assets book value defined by the accounting data on the last reporting date		Rendering by FGUP "Svyaz Security" of paid services for safeguard and check regime on OJSC Dalsvyaz objects located in the Russian Federation territory and operated by the Branches, according to the list established by Addenda No.1, 2, 3, 4, 5, 6, 7 to Contract;	Federal state unitary enterprise "SVYAZ-security", OJSC Dalsvyaz	176,644,380.71 roubles	26.12.2007	After its signature and until full execution of obligations by the parties	- period of services: commencement: 01.01.2008; termination: 31.12.2008.
	Transaction presenting interest	E.A. Chechel'nitskii M.A. Alekseev	Alterations to Contract No. 01-II dated 29.06.2006 of connecting telecommunication networks on the following conditions: - state in Addendum No. 3 to Contract in version 3.	OJSC Rostelecom, OJSC Dalsvyaz	-	06.02.2008	This Supplementary Agreement No.2 comes into force after its signature and is valid until termination of Contract for connecting telecommunication networks No.01-II dated 29.06.2006	
	Transaction presenting interest	None	OJSC Dalsvyaz undertakes to provide services for use of resources of switching equipment of local telephone communication and JSC AKOS undertakes to effect payments for the services in due time and in	OJSC Dalsvyaz, JSC AKOS	1,095,000 roubles	11.01.2008	It comes into force after its signature by the parties and is valid for one year.	

			the procedure set forth in the Contract;					
	Transaction presenting interest	None	Granting by the Executive of the right to use the software specified in Addendum No.1 to Supplementary Agreement No.5, according to the terms and conditions of Supplementary Agreement.	OJSC Dalsvyaz JSC AKOS	1.752,300.0 roubles	-	Supplementary Agreement comes into force on the date of signature after its approval by the authorized management bodies of the parties	

**INFORMATION OF COMPANY PARTICIPATION IN OTHER  
ORGANIZATIONS PROVIDING COMMUNICATION SERVICES (WHERE IT  
HAS MORE THAN 25% OF AUTHORIZED CAPITAL)**

No.	Name of companies	Main business	Share in AC, (%)	Contribution in AC, (thousand RUR)	Main economic indicators		
					Number of sub/line	Earnings, (thousand RUR)	Net profit, (thousand RUR)
1.	OOO "Wireless Information Technologies" (BIT)	Providing cellular communication services of standard GSM-900	100	139 304,80	8 518	33 817	(13866)
2.	JSC Sakhalinugol - Telecom	Providing local telephone communication services of, lease	100	40 015	-	43	(12304)
3.	OJSC A-Svyaz	Providing local telephone communication services	84,2	10 231,50	6062	7334	3261
4.	OJSC Sahatelecom	Providing local telephone communication services	51	2 303 843,79	269 467	2 927 155	350 424
5.	JV OOO "Kamalascom"	Providing international long-distance communication between Kamchatka Region and Alaska, USA	50	39,04	-	3488	147
6.	JV OOO "Magalascom"	Providing international long-distance communication between Magadan Region and Alaska, USA	50	0,12	-	5 528	(2 246)
7.	OOO "Interdaltelecom"	Providing local telephone communication services	97	22 151,13	2 644	20 962	(768)
8.	JSC AKOS	Providing cellular communication services of standard GSM-1800	94,27 (indirect control)	—	231 071	882 541	124 287
9.	OOO "Shakhtersksvyaz"	Providing local telephone communication services	60 (indirect control)	—	2 000	6 625	52
10.	JSC Integrator.ru	Investment business	100	99160,46	—	15 520	5 606

Brief reference of each organization and its business by work results for 2007:

- OOO "Wireless Information Technologies"** (OOO "BIT"), location: 220 Lenina St., Yuzhno-Sakhalinsk, 693000. OJSC Dalsvyaz is its sole member with 100% share in the authorized capital. The principal business is providing standard GSM-900 cellular communication services. Business is done in the territory of Sakhalin Region from December, 2005; the number of subscribers is 8518 as of end 2007; net profit by 2007 results is zero, the loss is RUR 13,866 thousand.
- JSC Sakhalinugol-Telecom**, location: 78 Purkaeva St., Yuzhno-Sakhalinsk, 693000. OJSC Dalsvyaz is a sole member with 100% share in the JSC Sakhalinugol-Telecom authorized capital. Currently, this company does not provide communication services, its equipment is transferred to the OJSC Dalsvyaz Sakhalin Branch; net profit by 2007 results is zero, the loss is RUR 12,304 thousand.
- OJSC A- Svyaz**, location: 170 Amurskaya St., Blagoveschensk, 675000. OJSC Dalsvyaz is the principal stock-holder (84.2%); the remaining share in the authorized capital belongs to minority stock-holders (approximately 900 persons). The principal business is providing local communication services. It performs its business in the Amur Region territory, the number of subscribers was 6062 as of end 2007; net profit by 2007 results makes up 3261 thousand roubles.
- OJSC Sahatelecom**, location: 22 Kurashova St., Yakutsk, 677000. The stockholders are OJSC Dalsvyaz (51%) and the Ministry of property relations of Saha Republic (Yakutia) (49 %). The principal business is providing local and intra-areal communications, Internet access services. It performs its business in the territory of Saha Republic (Yakutia), the number of subscribers was about 269,467 as of end 2007; net profit by 2007 results is 350,424 thousand roubles.

5. **JV OOO “Kamalascom”**, location: 56 Lenina St., Petropavlovsk-Kamchatskiy. Members: OJSC Dalsvyaz (50%), company “Alaskom, Inc.” (USA) (50%). Main business: long-distance international communication between Kamchatka Region and Alaska, USA; business is done in the territory of Kamchatka Region; net profit by 2007 results: 147 thousand roubles.
6. **JV OOO «Magalascom»**, location: 2-a Lenina St., Magadan. Members: OJSC Dalsvyaz (50%), company “AT&T Alascom” (USA) (50%). Main business: long-distance international communication between Magadan Region and Alaska, USA; business is done in the territory of Magadan Region; net profit by 2007 results is zero, the loss is 2,246 thousand roubles.
7. **OOO “Interdaltelecom”**, location: 46/50 Borodinskaya St., Vladivostok. Members: OJSC Dalsvyaz (97%), physical person Malinovskaya Natalia Leonidovna (3%). Main business: providing local telephone communication; business is done in the territory of Vladivostok; the number of subscribers as of end 2007 made up 2,644; net profit by 2007 results is zero, the loss is 768 thousand roubles.
8. **JSC AKOS**, location: 38-a Prospect 100-let Vladivostoka, Vladivostok, 690048. OJSC Dalsvyaz enjoys indirect control via its 100% affiliated company JSC Integrator.ru; in turn JSC Integrator.ru owns 94.27% of JSC AKOS ordinary shares. Main business: providing cellular communication services of standard GSM-1800; business is done in the territory of Primorye Region; the number of subscribers as of end 2007 made up 231,071; net profit by 2007 results is 124,287 thousand roubles.
9. **OOO “Shakhtersksvyaz”**, location: 26 Mira St., Shakhtersk, Sakhalin Region, 694910. OJSC Dalsvyaz enjoys indirect control via its 100% affiliated company JSC Sakhalinugol-Telecom; in turn JSC Sakhalinugol-Telecom owns 60% of OOO “Shakhtersksvyaz” authorized capital. Main business: providing local telephone communication; business is done in the territory of Sakhalin Region; the number of subscribers as of end 2007 made up 2000; net profit by 2007 results is 52 thousand roubles.
10. **JSC Integrator.ru**, location: 57 Svetlanskaya St., Vladivostok, 690950. Main business is investment (the company owns 94.27% of JSC AKOS ordinary shares). Net profit by 2007 results is 5,606 thousand roubles.

**Note:**

- In January, 2007 the Company acquired a share (3%) in the OOO “Interdaltelecom” authorized capital; after that OJSC Dalsvyaz became a sole member with 100% in the authorized capital.
- On March 4, 2008 JSC Integrator.ru was liquidated, whereupon JSC AKOS is controlled by the Company directly.

**Addendum No.3**

## **INFORMATION OF OBSERVANCE OF THE CORPORATE BEHAVIOUR CODE BY THE COMPANY**

Most provisions of the Corporate Behavior Code recommended by Russia Federal Service of Financial Intelligence for issuers are reflected in the Company's internal documents. Specifically, standards are fixed in the Articles of Association and the Regulations for the procedure of the general meeting of shareholders under which:

- Notification of the meeting participants is sent by registered letters and information of the meeting is published in the mass media;
- Shareholders, while preparing for the general meeting, can familiarize with the information through electronic means of communication including the Internet network;
- A shareholder may move an issue in the agenda of the general meeting without producing a statement from the shareholders' register, if his rights for shares are registered in the system, otherwise a statement from a depot account is sufficient;
- The General meeting is presided by the Director General of the Company; present are members of the Management Board as well as members and candidates of the Board of Directors.

Standards are fixed in the Articles of Association and the Regulations for the Board of Directors where under elections of members of the Board are done by cumulative voting. Approval of the budget, suspension of the Director General's powers, approval of contracts with executive bodies of the Company, approval of transactions for the amount of more than 0.7% of assets book value are in competence of Board of Directors. Members of the Board are entitled to require any information from executive officers of the Company;

The Board of Directors does not include persons, who were subjected to administrative penalties for legal infringements in enterprising activities, finance, taxes and levies and securities market.

The following committees of the Board of Directors have been established in the Company:

- Committee for audit;
- Committee for human resources and remuneration;
- Committee for corporate management;
- Committee for strategic planning.

The Company has a plural executive body – the Management Board, which activities are regulated by the Regulations approved by the general meeting of shareholders. Participation of members of the Management Board in management bodies of other joint-stock companies is subject to approval by the Board of Directors. The Management Board, which is approved by the Board of Directors, does not include persons, who were subjected to administrative penalties for legal infringements in enterprising activities, finance, taxes and levies and securities market, as well as persons who are members of management bodies of a competitive legal entity.

For control of financial and economic activities, there is a Department of internal auditing in the Company subordinated to the Board of Directors. It does not include persons, who were subjected to administrative penalties for legal infringements in enterprising activities, finance, taxes and levies and securities market, as well as persons who are members of management bodies of the Company and members of management bodies of a competitive legal entity.

The address of the the page in the Internet where the full text is placed of the Corporate Behavior Code of OJSC "Far East Telecommunications Company" is the following: <http://www.dsv.ru/child.php?id=110>

### **Information of observance of the Corporate Behavior Code requirements**

No.	Provision of the Corporate Behavior Code	Observed / not observed	Notes
<b>General meeting of shareholders</b>			
1	Notification of shareholders about the general meeting not later than 30 days before the date of its execution regardless of problems on agenda, unless the law provides for a longer period	Observed	Articles of Association, Art. 12, Cl. 12.12, in conformity with requirements of FSFI Order dated 09.10.2007 No. 07-102/ПЗ-Н "On approval of Regulations for activities of sales arrangement in the securities market"

2	Opportunity for the shareholders to familiarize with the list of persons entitled to participate in the general meeting of shareholders beginning from the date of its announcement and to the closure of a attended general meeting and, till the date of in the case of a default general meeting of shareholders, till the termination date of acceptance of voting ballots	Observed	Articles of Association, Cl. 7.5
3	Opportunity for a shareholders to familiarize with information (materials) subject to presentation while preparation for the general meeting via electronic communication means including the Internet	Observed	Internet site: <a href="http://www.dsv.ru">www.dsv.ru</a>
4	Opportunity for a shareholder to move an issue in the agenda of the general meeting or to demand summoning of the general meeting of shareholders without producing a statement from the shareholders' register, if his rights for shares are registered in the system, otherwise a statement from a depot account is sufficient	Observed	Corporate Behavior Code, Cl.3.3.
5	Existence in the Articles of Association or internal documents of the Company a requirement of mandatory presence at the general meeting of shareholders of the Director General, members of the Management Board, members of the Board of Directors, members of the Auditing Committee and the Auditor of the Company	Observed	Corporate Behavior Code, Cl.3.11
6	Mandatory presence of the candidates at the general meeting when considering the issues of election of members of the Board of Directors, Director General, members of the Management Board, members of the Board of Directors, members of the Auditing Committee as well as the issue of approval of the Auditor of the Company	Achieving it	Corporate Behavior Code, Cl.3.12
7	Existence in internal documents of the Company of the procedure for registration of participants of the general meeting	Observed	Regulations for GMS execution, Cl. 8.1.-8.2.
<b>Board of Directors</b>			
8	Existence in the Articles of Associations of the Board of Directors' authority to approve annual financial and economic plans of the Company	Observed	Articles of Association, Cl.13.4.1.
9	Existence of the procedure approved by the Board of Directors for risk management in the joint-stock company	Observed	Articles of Association, Art. 13 Cl. 42 Corporate Behavior Code, Cl. 4.7. Regulations for risks
10	Existence in the Articles of Association of the Board of Directors' authority to make a decision of suspension of powers of the Director General who is appointed by the general meeting of the Company	Not applicable	Appointment of DG is attributed by the Articles of Association to BD competence
11	Existence in the Articles of Association of the Board of Directors' authority to set forth the requirements for qualification and remuneration amounts of the Director General, members of the Management Board, administrators of the principal structural divisions of the Company	Observed	Corporate Behavior Code, Cl. 4.8. Articles of Association, Cl.13.4 Within limits of Cl.33
12	Existence in the Articles of Association of the Board of Directors' authority to approve terms and conditions of contracts with the Director General and members of the Management Board	Observed	Articles of Association, Cl.13.4.33

13	Existence in the Articles of Association or internal documents of the Company of a requirement that when approving the terms and conditions of contracts with the Director General (Managing company, Manager) and members of the Management Board, the votes of the Board of Directors who are the Director General and members of the Management Board shall be disregarded	Achieving it	When approving terms and conditions of the contracts, the Director General and members of the Management Board were not members of the Board of Directors
14	Existence in the Board of Directors' structure of not less than 3 independent directors who meet requirements of the Corporate Behavior Code	Observed	5 independent directors according to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
15	Absence in the Board of Directors' structure of persons who were found guilty of crimes in the area of economic activities or of crimes against government authorities, interests of government and municipal service or subjected to administrative penalties for legal violations in enterprising activities finance, taxes and levies and securities market	Observed	
16	Absence in the Board of Directors' structure of persons who are the Director General (Manager), members of management bodies or employee of a legal entity competing with the Company	Observed	
17	Existence in the Articles of Association of a requirement of the Board of Directors' election by cumulative voting	Observed	Articles of Association, Cl.13.2.
18	Existence in the internal documents of the Company of an obligation of the Board of Directors members to refrain from actions, which may cause a conflict of interests between them and the Company, and, in the case of such conflict, an obligation to disclose information of this conflict before the Board of Directors	Observed in part	Regulations for BD Cl.3.2.1.
19	Existence in the internal documents of the Company of an obligation of the Board of Directors members to notify the Board of Directors in writing of an intention to make bargains with securities of the Company where they are members of the Board of Directors or its affiliated (dependent) companies and to disclose information of committed bargains with such securities	Observed	Regulations for BD, Art. 3.2., Cl. 3.2.11, according to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
20	Existence in the internal documents of the Company of a requirement to hold sessions of the Board of Directors not less than once in six weeks	Observed	Corporate Behavior Code, Cl. 4.3.
21	Holding sessions of the Board of Directors not less than once in six weeks during the accounting year	Observed	Number of sessions per year: 28
22	Existence in the internal documents of the Company of a procedure for holding sessions of the Board of Directors	Observed	Regulations for BD, Art.6
23	Existence in the internal documents of the Company of a provision of mandatory approval by the Board of Directors of transactions for the amount of 10 or more percent of the Company's assets value, save for transactions made in the process of the usual business	Observed	Articles of Association, subCl.13.4.19, 13.4.20
24	Existence in the internal documents of the Company of the right of Board of Directors members to receive information from the executive bodies and administrators of principal structural divisions of the Company, which is necessary for the performance of their functions, as well as of responsibility for failure to produce such information	Observed	Regulations for BD Cl.3.1.1, Cl. 3.4



25	Existence of a Board of Directors' Committee for strategic planning or assignment of its functions to another committee (except for the Committee for audit and Committee for human resources and remuneration)	Observed	Regulations for the Committee for strategic planning of OJSC Dalsvyaz Board of Directors
26	Existence of a Board of Directors' Committee for audit), which recommends to the Board of Directors an auditor of the Company	Observed	Corporate Behavior Code, Cl. 4.10., Regulations for the Committee for audit of OJSC Dalsvyaz Board of Directors
27	Existence in the Committee for audit of independent and non-executive directors only	Observed	According to FSFI Order dated 09.10.2007 No. 07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
28	Management of the Committee for audit by an independent director	Observed	According to FSFI Order dated 09.10.2007 No. 07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
29	Existence in the internal documents of the Company of the right of access for all members of the Committee for audit to any documents and information of the Company under the condition of non-disclosure of confidential information	Observed	Regulations for the Committee for audit of OJSC Dalsvyaz Board of Directors Cl. 6.2.1.
30	Establishment of the Committee for human resources and remuneration whose function is the definition of criteria of selection of candidates to members of the Board of Directors and development of the Company's policy for remuneration	Observed	Regulations for the Committee for human resources and remuneration according to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
31	Management of the Committee for human resources and remuneration by an independent director	Observed	Chairman of the Committee M.A. Alekseev according to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
32	Absence in the Committee for human resources and remuneration structure of Company officials	Observed	
33	Establishment of the Committee for risks or assignment of its functions to another committee (except for the Committee for audit and Committee for human resources and remuneration)	Achieving it	Corporate Behavior Code, Cl. 4.10. The function is assigned to the Committee for audit. In the 1-st quarter 2008, the Company adopted a program of risk management
34	Establishment of the Committee for settlement of corporate conflicts or assignment of its functions to another committee (except for the Committee for audit and Committee for human resources and remuneration)	Observed	Regulations for the Committee for corporate management
35	Absence of Company officials in the structure of the Committee for settlement of corporate conflicts	Observed in part	Functions are performed by the Committee for corporate management. The Committee includes: 4 members of the Board of Directors and 1 representative of the Company, director for corporate development
36	Management of the Committee for settlement of corporate conflicts by an independent director	Not observed	According to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"

37	Existence of internal documents approved by the Board of Directors providing for the procedure of formation and operation of the Board of Directors committees	Observed	Regulations: ➤ of Committee for human resources and remuneration ➤ of Committee for corporate management ➤ of Committee for audit ➤ of Committee for strategic planning
38	Existence in the Articles of Association of the procedure for determination of the Board of Directors quorum allowing for the mandatory participation of independent directors in sessions of the Board of Directors	Not observed	
<b>Executive bodies</b>			
39	Existence of a plural executive body (Management board) of a joint-stock company	Observed	Articles of Association, Art.14, according to FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н "On approval of Regulations for activities in sales arrangement on the securities market"
40	Existence in the Articles of Association or internal documents of the Company of a provision for mandatory approval by the Management Board of real-estate transactions, drawing-up loans, if they are not attributed to big deals and their execution does not belong to standard business of the Company	Observed	Articles of Association, Art. 14, Cl. 14.4., Cl. 5 Approval of real estate transactions and drawing up loans are the Board of Directors competence, Articles of Association Cl. 13.4, Cl. 19, 20. The DG contract provides for preliminary BD notification of getting loans
41	Existence in internal documents of the Company of a procedure for approval of transactions out of the limits of the Company's financial and economic program	Observed	Articles of Association, Cl. 13.4.2
42	Absence in structure of executive bodies of persons who are the Director General (Manager), members of management bodies or employee of a legal entity competing with the Company	Observed	
43	Absence in the Board of Directors' structure of persons who were found guilty of crimes in the area of economic activities or of crimes against government authorities, interests of government and municipal service or subjected to administrative penalties for legal violations in enterprising activities finance, taxes and levies and securities market. If functions of the sole executive body are performed by a management company or a manager, conformity of the Director General and members of the Management Board of the managing company or Manager with requirements to the Director General and members of the Management Board of a joint-stock company.	Observed	
44	Existence in the Articles of Association or internal documents of a joint-stock company of prohibition for a managing company (manager) to execute similar functions in a competing company and also to maintain any property relationship with the joint-stock company, save for the services of a managing company (manager)	Management scheme not applicable	
45	Existence in internal documents of the Company of an obligation of the executive bodies to refrain from actions, which may cause a conflict of interests between them and the Company, and, in the case of such conflict, an obligation to disclose information of this conflict before the Board of Directors	Observed in part	Corporate Behavior Code, Cl. 5.6.
46	Existence in the Articles of Association and internal documents of the Company of criteria for selection of a managing company (manager)	Management scheme not applicable	

47	Presentation by executive bodies of the joint-stock company of monthly reports of operation to the Board of Directors	Observed in part	Quarterly reports are presented
48	Determination in contracts made by the joint-stock company with the Director General (managing company, manager) and members of the Management Board of a responsibility for violation of provisions for use of confidential and service information	Observed	Corporate Behavior Code, Cl. 7.7.
<b>Company Secretary</b>			
49	Existence in a joint-stock company of a special official (Company Secretary), whose task is to ensure observance by the bodies and officials of the company of procedure requirements to warrant realization of legal interests of the company shareholders	Observed	Corporate Behavior Code, Cl. 6 Articles of Association, Apt. 16
50	Existence in internal documents of a joint-stock company of a procedure for appointment (election) of company secretary and responsibilities of the same	Observed	Corporate Behavior Code, Cl. 6
51	Existence in the Articles of Association of a joint-stock company of requirements to the candidate for this position	Observed	Articles of Association, Art. 16
<b>Significant corporate actions</b>			
52	Existence in internal documents of a joint-stock company of a requirement for approval of a big bargain before its execution	Observed	Articles of Association, Cl. 12.2.17, 13.4.19, 13.4.20
53	Mandatory invitation of an independent appraiser for the market price estimate of property, which is the subject of the big bargain	Observed	In conformity with standards of Federal Law "On joint-stock companies"
54	Existence in the Articles of Association a prohibition to make decisions on obtaining big blocks of shares of the joint-stock company (merger), take any actions aimed at protection of interests of executive bodies (members of the same) and members of the Board of Directors, as well as those worsening the shareholders' status as compared with the existing status (particularly, prohibition on a decision prior to termination of the estimated period of acquiring shares of an issue of supplementary shares, securities converted to shares or securities granting the right to acquire shares of the Company, even if the right of making such decision is granted by the Articles of Association)	Not observed	
55	Existence in the Articles of Association of a joint-stock company of a requirement for mandatory invitation of an independent appraiser to estimate the current share value and probable changes due to merger	Not observed	An independent appraiser is invited in the cases provided for by the Law "On joint-stock companies"
56	Absence in the Articles of Association of a joint-stock company of buyers' release from the obligation to offer shareholders their ordinary shares of the Company (issuing securities converted to ordinary shares) at a merger	Observed	
57	Existence in the Articles of Association or internal documents of a joint-stock company of a requirement of mandatory invitation of an independent appraiser for determination of the share converting ratio while reorganization	Not observed	Actually performed. An independent appraiser is invited in the cases provided for by the Law "On joint-stock companies"
<b>Disclosure of information</b>			
58	Existence of an internal document approved by the Board of Directors and defining rules and attitudes of the Company to information disclosure (Regulations for information policy)	Observed	The Board of Directors has approved the "Information schedule", Regulations for information policy, Corporate behavior code Cl.7.3., according to FSFI Order dated 09.10.2007 No. 07-102/пз-н "On approval of Regulations

			for activities in sales arrangement on the securities market”
59	Existence in the internal documents of a joint-stock company of a requirement to disclose information of the purposes of share distribution, of the persons who are going to buy the distributed shares including a big block of shares, as well as whether top officials of the Company will participate in acquiring the shares distributed	Observed	Information schedule, Cl. 2.1., requirements for FSFI standards share issue
60	Existence in the internal documents of a joint-stock company of a list of information, documents and materials to be given to shareholders for resolution of problems put for the general meeting of shareholders	Observed	Articles of Association, Cl. 12.13.
61	Existence of a web site in the Internet and periodic disclosure of information about shareholders thereon	Observed	Internet site: <a href="http://www.dsv.ru">www.dsv.ru</a>
62	Existence in the internal documents of a joint-stock company of a requirement to disclose information of company transactions with persons related in accordance with the Articles of Association to top officials of the joint-stock company, as well as of the company transactions with companies, where top officials own directly or indirectly more than 20 percent of authorized capital or where such persons can effect materially	Observed	Disclosure of information is done in compliance with the Regulations for information disclosure by issuers of securities. It is opened in the annual statement.
63	Existence in the internal documents of a joint-stock company of a requirement to disclose information of all transactions, which can effect market value of shares of the joint-stock company	Observed	Disclosure of information is done in compliance with the Regulations for information disclosure by issuers of securities.
64	Existence of an internal document approved by the Board of Directors on use of information of company business, shares, other securities and transactions with them, which is not publicly available and which disclosure can effect significantly the market value of shares and other securities of the joint-stock company	Observed	Corporate Behavior Code, Cl. 7.7., Regulations for protection of confidential information, Regulations for the procedure of use of information on OJSC Dalsvyaz business, its securities and transactions, which is not publicly available and which unlawful use or disclosure can effect significantly the market value of OJSC Dalsvyaz securities, in conformity with FSFI Order dated 09.10.2007 No. 07-102/ПЗ-Н “On approval of Regulations for activities in sales arrangement on the securities market”
<b>Control of financial and economic activities</b>			
65	Existence of procedures for internal control of financial and economic activities of the joint-stock company approved by the Board of Directors	Observed	Regulations for the Department of internal audit. Regulations for the procedures (system) of internal control
66	Existence of a special division of the joint-stock company to ensure observance of procedures for internal control (control and auditing service)	Observed	Department of internal audit in conformity with FSFI Order dated 09.10.2007 No.07-102/ПЗ-Н “On approval of Regulations for activities in sales arrangement on the securities market”
67	Existence in the internal documents of a joint-stock company of a requirement to determine the structure and membership of the control and auditing service by the Board of Directors	Observed	Articles of Association, subCl.13.4.18.

68	Absence in the Board of Directors' structure of persons who were found guilty of crimes in the area of economic activities or of crimes against government authorities, interests of government and municipal service or subjected to administrative penalties for legal violations in enterprising activities finance, taxes and levies and securities market.	Observed	No such persons in the Department of internal auditing
69	Absence in the Board of Directors' structure of persons who are members of executive bodies of the joint-stock company and persons who are participants, Director General (manager), members of executive bodies or employees of companies competing with the Company	Observed	No such persons in the Department of internal auditing
70	Existence in the internal documents of a joint-stock company of periods for submission of documents and materials to the control and auditing service for assessment of a transaction affected and responsibilities of executives and employees of the Company for failure to submit in due time	Observed	Regulations for Department of internal auditing, Cl. 7
71	Existence in the internal documents of a joint-stock company of an obligation of the control and auditing service to report of revealed violations to the Committee for audit or, in case of its absence, to the Board of Directors	Observed	Regulations for Department of internal auditing, Cl.9, Regulations for Auditing Committee
72	Existence in the Articles of Association of a requirement for preliminary assessment by the control and auditing service of appropriateness of transactions not provided for by the financial and economic plan of the joint-stock company (non-standard transactions)	Not observed	
73	Existence in the internal documents of a joint-stock company of a procedure for coordination of a non-standard transaction with the Board of Directors	Observed	Articles of Association, Cl. 13.4.2
74	Existence of an internal document approved by the Board of Directors, which sets forth the procedure for checks of financial and economic activities of the joint-stock company by the Auditing Committee	Observed	Regulations for Auditing Committee, which is approved by the general meeting of shareholders
75	Assessment by the Committee for audit of an auditor's conclusion prior to its submission to the general meeting of shareholders	Observed	Regulations for Auditing Committee of the Board of Directors of OJSC Dalsvyaz, Cl.2.2. and 2.2.5.
<b>Dividends</b>			
76	Existence of an internal document approved by the Board of Directors, which is pursued by the Board when making recommendations of the amount of dividends (Regulations for dividend policy)	Observed	Regulations for dividend policy of OJSC Dalsvyaz
77	Existence in the Regulations for dividend policy of a procedure for determination of the minimum share of net profit of the joint-stock company allotted for payment of dividends and conditions when dividends are not paid or paid in full amount for preference shares, which amount is specified in the Articles of Association	Observed	Regulations for dividend policy of OJSC Dalsvyaz
78	Publication of information of dividend policy of a joint-stock company and alterations to it in periodical press provided for by the Articles of Association for publication of notifications of general meetings of shareholders and also placement of this information on the Internet web site	Observed	Regulations for dividend policy of OJSC Dalsvyaz, Cl.6