

DRAFT

REGULATIONS ON THE BOARD OF DIRECTORS
of Central Telecommunications Company
Open Joint-Stock Company
(Fourth Edition)

2008

Khimki, Moscow Region

* All changes and amendments are marked **in bold**.

1. GENERAL

1.1. This Statute on the Board of Directors (hereinafter referred to as the Statute) shall set the procedures of convening and holding of meeting of the Board of Directors, amounts of remunerations to the members of the Board of Directors of the Company and their payment procedures pursuant to the Civil Code of the Russian Federation, the Federal Law “On Joint-Stock Companies” and the Company’s Charter.

1.2. The Board of Directors is a collegial management body of the Company in charge of its general management except for issues falling within the competence of the General Meeting of shareholders under Federal laws and the Company’s Charter.

2. OBJECTIVES AND PRINCIPLES OF ACTIVITIES OF THE BOARD OF DIRECTORS

2.1. The objective of the activities of the Board of Directors is to ensure maximum profits and increase Company’s assets, protect the rights and legitimate interests of shareholders, to ensure completeness, accuracy and objectivity of any public information on the Company.

2.2. To meet these objectives the Board of Directors shall conform to the following principles:

- Decision making shall be based on accurate information on Company’s activities;
- Any limitations on the right of shareholders to participate in Company management, to get dividends and information on the Company shall be excluded;
- Interests of various groups of shareholders shall be balanced, the Board of Directors shall strive to take the maximum objective decisions to the benefit of all Company shareholders.

3. RIGHTS AND OBLIGATIONS OF MEMBERS OF THE BOARD OF DIRECTORS, THEIR EXECUTION AND IMPLEMENTATION PROCEDURES

3.1. Members of the Board of Directors have the right to:

3.1.1. Apply to the Company with written requests to receive information (documents) of the Company both public and other information considered by the Company as insider as established by internal Company documents.

3.1.2. Be compensated for expenses related to execution of his/her functions as a member of the Board of Directors as established by this Statute.

Unless his/her participation in any management bodies of a commercial organization for a fee is prohibited under applicable legislation of the Russian Federation, get compensation for work as a member of the Board of Directors of the Company as established by this Statute or work as a member of the Board of Directors without any compensation.

3.1.3. Demand entering of his/her special opinion regarding issues on the agenda and taken resolutions in the minutes of the meeting of the Board of Directors.

3.2. Members of the Board of Directors shall:

3.2.1. Be loyal to the Company, i.e. refrain from acting to the benefit of other persons by exercising his/her authorities in the Company.

3.2.2. Act within his/her rights in compliance with the objectives and principles of activities of the Board of Directors.

3.2.3. Act reasonably and in good faith regarding Company's activities.

3.2.4. Not disclose any Confidential Information on the Company that he/she becomes aware of.

3.2.5. Initiate meetings of the Board of Directors to solve issues at hand.

3.2.6. Participate in taking decisions by the Board of Directors by means of voting on the issues on the meeting agenda.

3.2.7. Take justified decisions and study all the relevant information (materials) to that end.

3.2.8. Assess risks and possible adverse effects in order to take decisions.

3.2.9. Timely provide information to the Company required by law, including the obligation to notify the Company in writing on his/her affiliations and any changes thereto; to notify the Board of Directors in writing on ownership of any Company securities, his/her intentions to effect transactions with securities of the Company or its subsidiary (affiliated) companies, as well as disclose information on any transactions effected by him/her with such securities;

3.2.10. Inform the Board of Directors on any supposed transactions where he/she may be recognized as an interested party.

3.2.11. Inform the Company in writing on establishment (removal) of any bans on his/her participation in any management bodies of a commercial organization for a fee under applicable legislation of the Russian Federation.

3.2.12. Inform the Company in writing if he/she wishes to act as a member of the Board of Directors without any compensation.

3.3. The work of a member of the Board of Directors is continuous and is not limited to participation in the decision making process of the Board of Directors.

3.4. The Company shall upon a written request of a member of the Board of Directors provide him/her access to information (documents) stipulated by Subparagraph 3.1.1 hereof.

The requested information or documents shall be furnished to the member of the Board of Directors for examination within five days from the date of the relevant request, unless otherwise provided for by internal Company documents that establish the procedure of such information (documents) provision.

Upon request, the Company shall furnish copies of necessary documents to the member of the Board of Directors.

3.5. The Company has the right to demand duly execution of obligations from members of the Board of Directors.

Members of the Board of Directors shall be liable to the Company for any failure on their obligations (improper execution of their obligations) to the amount of respective damages.

The Company may file a claim against a member of the Board of Directors for damages to the Company resulting from wrongful acts (omissions) of such member of the Board.

4. CHAIRMAN OF THE BOARD OF DIRECTORS

4.1. The Chairman of the Board of Directors shall be elected by and from the members of the Board of Directors at the first meeting by a majority vote of the members of the Board of Directors participating in such meeting.

4.2. The person performing the functions of the sole executive body of the Company may not be simultaneously elected the Chairman of the Board of Directors.

4.3. The Board of Directors may reelect the Chairman of the Board of Directors at any time.

4.4. Members of the Board of Directors may elect a Vice Chairman. In the absence of the Chairman of the Board of Directors, all his/her functions (including signing authority) shall be performed by the Vice Chairman, and in the absence of the latter – by one of the members of the Board of Directors by the decision of the Board of Directors taken by a majority vote of the members participating in such meeting.

4.5. The Chairman of the Board of Directors shall organize the work of the Board of Directors, convene and take chair at meetings of the Board of Directors, organize taking of minutes at such meetings.

4.6. The Chairman of the Board of Directors may not assign his/her functions to any other person.

5. ORGANIZATIONAL SUPPORT OF WORK OF THE BOARD OF DIRECTORS

5.1. The work of the Board of Directors is administered by the Company's Corporate Secretary. The duties of the Corporate Secretary in charge of administration of the work of the Board of Directors shall be set in the Statute on the Corporate Secretary and Corporate Secretariat.

5.2. In the absence of the Corporate Secretary, the work of the Board of Directors shall be administered by another person appointed by the Board of Directors for the period of Corporate Secretary's absence.

6. BOARD MEETINGS

6.1. Board meetings may be held in the form in-person meetings (including teleconferences) or through absentee voting.

6.2. Board meetings shall be held on a regular basis according to the work plan approved at the Board meetings. As circumstances may require, the Board of Directors may consider issues not included in the work plan.

6.3. Board meetings shall be convened by the Chairman of the Board of Directors on his own initiative, at the request of the Board of Directors, **Board Committee**, Audit committee, Company's auditor, sole or collegial executive body of the Company, **the Head of the Internal Auditing Department**, and at the request of shareholders (shareholder) who hold in total not less than 5 percent of voting shares of the Company.

The agenda of the convened Board meeting shall be determined by the Chairman of the Board of Directors based on the approved Board work plan and submitted requests of persons stated in paragraph 1 of this Clause.

6.4. The request to convene a Board meeting shall include the following information:

6.4.1. Name of the initiator or name of the body or legal entity that submitted the request

6.4.2. In case a shareholder requires convening a meeting, the number and category (type) of shares owned by him

6.4.3. Form of the meeting (in-person or through absentee voting)

6.4.4. Date of the in-person meeting or, in case the meeting is held through absentee voting, the date of **completion of voting** of the Board of Directors on the items on the agenda

6.4.5. Agenda of the meeting

6.4.6. List of information (materials) furnished to members of the Board of Directors for the meeting.

Besides, the request to convene a Board meeting may include the following information:

6.4.7. Time and place of the meeting (in case it is held in person)

6.4.8. Draft decisions on the items on the agenda, **and nominees for election (appointment) to the bodies or positions, if the items on the agenda include items related to election (appointment) of such bodies or persons;**

6.4.9. Other information that is deemed appropriate by the initiator.

6.5. Notifications on convening a Board meeting shall be delivered to all members of the Board of Directors with all necessary materials not later than 14 working days before the date of such meeting **(and in case of absentee voting, before the date of voting completion).**

This term may be decreased in case any issues require urgent resolution provided that no members of the Board of Directors object to such decrease. **Objection shall be opinion of a member of the Board of Directors submitted in writing by one of the means provided for herein for giving notices on convening meetings not later than the date specified in the notice to members of the Board of Directors to consider items within the decreased term.**

If the Board meeting needs to be tightly scheduled under the applicable legislation, the term of making notice and furnishing of all the required materials shall be decreased.

Notices on convening of a Board meeting shall be made to all members of the Board of Directors in writing or in any other form that they consider convenient (including by post, telegram, teletype, telephone, e-mail or other means).

A notice on convening a Board meeting shall include information specified in Subparagraphs 6.4.3 through 6.4.8 hereof, as well as reference to the address where members of the Board of Directors can deliver their written opinion.

On the initiative of bodies or persons authorized to require convening of a Board meeting, the agenda of such meeting may include additional items provided that members of the Board of Directors have no objections. Offers to include an additional item on the meeting agenda shall be made in writing and specify the statement of such item and other information provided for in Subparagraphs 6.4.1, 6.4.2, and 6.4.6 hereof.

Bodies or persons requesting to convene a Board meeting (requesting to include an item on the meeting agenda) may revoke their offers at any time before the end of tally of votes on the proposed issues by giving a written notice.

Objection against including an additional item on the meeting agenda shall be opinion of a member of the Board of Directors submitted in writing by one of the means provided for herein for giving notices on convening meetings not later than the date specified in the notice to members of the Board of Directors on including an additional item on the meeting agenda.

In case of any circumstances that make it impossible to convene or impede the meeting in the place and (or) at the time notified to members of the Board of

Directors, the meeting on the planned agenda may be held in another place and (or) at another time.

All members of the Board of Directors shall be notified on changing of the place and (or) time of the Board meeting taking into account the time reasonably required for members of the Board of Directors to arrive to the meeting. Notices on the above changes shall be made to the members of the Board of Directors in any form that ensures receiving all such notices by all members at the address of location of the member of the Board or at the address specified by such member for receiving correspondence.

All members of the Board of Directors shall be notified on changes of the meeting agenda as per the procedure provided for notification on meetings.

No prior notification is required to hold the first (organizational) meeting of the Board of Directors on the date of the General Meeting of shareholders where the Board of Directors is elected (in case the resolution on election of the Board of Directors as well as the results of voting are announced on the General Meeting of shareholders where ballot was taken).

6.6. In case decisions are taken by the Board of Directors **at the meeting held in the form of in-person meeting**, members of the Board of Directors present at the meeting shall offer their opinion regarding items on the agenda by voting.

If a member of the Board of Directors is not able to be present in person at the meeting **held in the form of in-person meeting** or at the meeting held **through** absentee voting, such member of the Board of Directors **may submit his/her written opinion** regarding items on the agenda.

6.7. A written opinion of a member of the Board of Directors may be expressed as follows:

6.7.1. By submitting a written conclusion regarding items on the agenda.

Such written conclusion shall include voting of the member of the Board of Directors on each item on the agenda that he/she has the right to vote on, expressed as “for (pro)”, “against (con)” or “abstained from voting”. If the vote is “for”, the member of the Board of Directors shall state the draft decision that he/she is voting for (the draft decision offered in the notice of the meeting or the draft decision changed by the member of the Board of Directors at his/her discretion).

A written conclusion of a member of the Board of Directors who does not have a right to vote on the item on the agenda may state the draft decision that is suggested to be voted “for” to members of the Board of Directors with voting power (the draft decision offered in the notice of the meeting or the draft decision changed by the member of the Board of Directors at his/her discretion) or a suggestion to vote “against” or “abstain from voting” on the draft decision offered by the person who initiated consideration of the issue.

A written conclusion of a member of the Board of Directors may include:

- Notes regarding the submitted materials (information) that require definite corrections in the submitted materials (information)

- Comments (clarifications) regarding the submitted materials (information), descriptive or pointed comments that do not require any corrections in the submitted materials (information) that resolutions will be taken on

- A request to the Company or a person who initiated consideration of a definite item on the meeting agenda to be provided with any additional information related to such item that is not obligatory for taking a decision and that is not influencing his/her vote

- A request to the Company to be provided with copies of materials (information) stipulated in resolutions of the Board of Directors in case they are taken.

6.7.2. By written polling of the member of the Board of Directors regarding draft decisions on items on the agenda suggested in the notice of the Board meeting. Such polling shall be made only subject to unavailability of written conclusions of members of the Board of Directors regarding the meeting held through absentee voting.

6.7.3. By written polling of a member of the Board of Directors for the meeting held through absentee voting regarding draft decisions on the items of the agenda stated in the written conclusions submitted by members of the Board of Directors. If no written conclusions suggest voting “for” on any item on the agenda, polling regarding such item shall be made using the draft decision suggested in the notice of the Board meeting.

6.7.4. By written polling of a member of the Board of Directors, who intends to be absent from the in-person meeting, regarding draft decisions on items on the agenda suggested in the notice of the Board meeting.

6.7.5. By written polling of a member of the Board of Directors, who is absent from the in-person meeting, regarding draft decisions on items on the agenda drawn by members of the Board of Directors present at the meeting.

Written polling of members of the Board of Directors shall be performed by filling in questionnaires prepared by the Corporate Secretary.

6.8. If the meeting is held through absentee voting, questionnaires are prepared and sent to members of the Board of Directors on the last working day before completion of voting by members of the Board of Directors. At that only written conclusions received before the date of sending questionnaires shall be taken for polling on written conclusions.

If only one written conclusion is received within the period specified in Paragraph 1 of this Clause, questionnaires shall be prepared for each member of the Board of Directors, except for the one who submitted the written conclusion. These questionnaires shall include draft decisions on items on the agenda that are contained in the received written conclusion, as well as draft decisions offered in the notice of the Board meeting regarding items that are

voted (proposed to be voted) “against” or “abstained” in such written conclusion.

In case two or more written conclusions are received within the period specified in Paragraph 1 of this Clause, questionnaires shall be prepared for all members of the Board of Directors including those who submitted their written conclusions. Such questionnaires shall include draft decisions on items on the agenda contained in each of the received written conclusions, as well as draft decisions offered in the notice of the Board meeting regarding items that are not voted (proposed to be voted) “for” in any of the written conclusions.

6.9. If the meeting is held in the form of in-person meeting, a member of the Board of Directors who intends not to be present at such meeting and offer his/her opinion in writing, may submit his/her written conclusion regarding items on the agenda or make a request to the Corporate Secretary to prepare questionnaire with draft decisions regarding items on the agenda offered in the notice on the Board meeting. Such questionnaire shall be prepared and sent to the member of the Board of Directors not later than 1 working day following the date of request. If according to Subparagraph 3 of Paragraph 6.11 of this Clause the member of the Board of Directors who is absent from the meeting and who submitted his/her written conclusion before such meeting shall be interrogated on draft decisions regarding items on the agenda drawn by members of the Board of Directors present at the meeting, the questionnaire shall be prepared and sent to the member of the Board of Directors on the day of the meeting immediately after development of such draft decisions.

6.10. If the meeting is held through absentee voting, the following written conclusions of members of the Board of Directors shall be taken into account to determine presence of a quorum and to sum up voting results:

6.10.1. If one written conclusion is received within the term specified in Subparagraph 1 of Paragraph 6.8 of this Clause:

- the written conclusion,
- the duly submitted questionnaires where not more than one voting option is offered for each draft decision on items on the agenda (“for”, “against”, “abstained”).

6.10.2. If two or more written conclusion are received within the term specified in Subparagraph 1 of Paragraph 6.8 of this Clause, the duly submitted questionnaires where not more than one voting option is offered for each draft decision on items on the agenda (“for”, “against”, “abstained”) shall be taken into account. Option “for” may be offered only for one variant of draft decisions on the item on the agenda. At that the member of the Board of Directors who submitted his/her written conclusion earlier, may:

- confirm his/her voting on the item on the agenda by voting “for” on the variant of the draft decision contained in the written conclusion submitted by him/her; or

- change his/her voting by voting “for” on other variant of draft decision.

Questionnaires of members of the Board of Directors shall be deemed duly submitted if they are received not later than the end of voting, signed by the member of the Board of Directors and do not have any comments or inscriptions not provided for in the questionnaire form.

6.11. If the meeting is held in the form of in-person meeting, written opinions of absent members of the Board of Directors submitted before the beginning of the meeting shall be taken into account to determine presence of a quorum and to sum up voting results.

The Chairman of the in-person meeting shall read the written opinion of the member of the Board of Directors who is absent from the meeting before the beginning of voting on the item on the agenda that the opinion relates to. If such opinion is submitted as a written conclusion with comments on materials (information) related to items on the agenda that require definite corrections in the submitted materials (information), and/or changed draft decisions in his/her discretion, each member of the Board of Directors present at the meeting shall vote on the submitted written opinion.

If the members of the Board of Directors present at the meeting develop draft decisions on items on the agenda that are different from draft decisions of the absent member of the Board of Directors, such member of the Board of Directors shall be interrogated regarding each of the draft decisions proposed for voting during the day when such meeting is held. For this purpose the questionnaire shall include draft decisions on items on the agenda contained in his/her written opinion received earlier, and draft decisions developed by members of the Board of Directors present at the meeting. The member of the Board of Directors who is absent from the meeting shall put only one voting option (“for”, “against” or “abstained”) for each draft decision on items on the agenda. Option “for” may be put only regarding one variant of a draft decision on the item on the agenda. At that the member of the Board of Directors absent from the meeting may either:

- confirm his/her voting on the item on the agenda by voting “for” on the variant of the draft decision contained in the written conclusion submitted by him/her earlier; or

- change his/her voting by voting “for” on other variant of draft decision developed at the meeting.

6.12. Before taking a resolution on the issue that was preliminary considered by committees of the Board of Directors, members of the Board of Directors shall have an opportunity to study recommendations of the respective committees.

6.13. Each member of the Board of Directors has one vote to take decisions at the Board meeting.

Members of the Board of Directors may not transfer their voting rights to other persons, including other members of the Board of Directors.

In case of tied vote of the members of the Board of Directors, the Chairman of the Board of Directors has the decisive vote.

In case the Company's Charter requires that the resolution shall be taken by three fourths majority or unanimously by all members of the Board of Directors not taking into account the retired members of the Board of Directors, the retired members of the Board of Directors shall be deemed as deceased, missing or disqualified members of the Board of Directors.

6.14. Minutes of the Board meeting shall be taken.

Minutes of the Board meeting shall be drawn up not later than 3 days from the date of the in-person meeting (**completion of voting of members of the Board of Directors** in case of absentee voting).

The minutes of the meeting shall include:

- Place and time of the meeting if it is held in person, or in case of absentee voting, the place of drawing up of minutes and the date of **completion of voting** by the members of the Board of Directors;

- Persons present at the meeting (in case the meeting is held in person): **members of the Board of Directors (and if they have rights to vote on items on the agenda) and invitees**

- **Members of the Board of Directors** who submitted their written opinions (**and if they have rights to vote on items on the agenda**)

- Agenda of the meeting

- Draft decisions on items on the agenda put to vote and their voting results

- Taken resolutions

- **Dissenting opinions of the members of the Board of Directors.**

The minutes of the meeting shall be signed by the chairman of the meeting and the Corporate Secretary of the Company. Copies of the signed minutes shall be sent to all members of the Board of Directors not later than three working days after its signing subject to respective written requests from such members of the Board of Directors.

The Company shall keep minutes of the Board meetings at the location of its executive body subject to the procedure and within the term set by the federal executive body for the security market. If such term is not set, the Company shall ensure constant keeping of minutes of the Board meetings.

The Company shall ensure access of its shareholders, members of the Board of Directors, the audit commission, the Company's Auditor to minutes of the Board meetings.

7. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND COMPENSATION FOR EXPENSES RELATED TO PERFORMANCE OF THEIR DUTIES

7.1. The Company shall bear expenses related to activities of the Board of Directors and shall compensate the members of the Board of Directors for all documented expenses related to performance of their duties.

Members of the Board of Directors performing their functions for fees, shall be paid remuneration for performing of their duties and a premium provided for by Paragraph 7.7 of this Clause.

7.2. Remuneration of a member of the Board of Directors shall consist of quarterly and annual remuneration.

7.3. Quarterly remuneration paid to a member of the Board of Directors shall be **300,000 RUR**.

The remuneration of the Chairman of the Board of Directors shall be increased by a ratio of 1.5.

Quarterly remuneration of a member of the Board of Directors shall be decreased by:

- 30% if he/she is present at less than half of the Board meetings held in person
- 100% if he/she is present at less than half of all Board meetings.

In case of any changes in the membership of the Board of Directors and/or changes in the basis for performing duties by a member of the Board of Directors (for a fee/without a fee) within a definite quarter, remuneration shall be paid in proportion to the period when the member of the Board of Directors performed his/her duties for a fee.

7.4. The annual remuneration for all members of the Board of Directors shall be determined as the amount of deductions according to quotas (percents):

- From EBITDA of the Company based on financial statements according to IAS for the period of account
- From net profit of the Company based on the results of the year of account used to pay dividends.

The annual remuneration of a member of the Board of Directors shall be determined as an amount calculated as per Paragraphs 1 through 3 of this Clause and divided by the number of persons elected to the Board of Directors.

In case of any changes in the membership of the Board of Directors and/or changes in the basis for performing duties by a member of the Board of Directors (for a fee/without a fee) from the moment of election of the Board of Directors at the annual General Meeting of shareholders to the next annual General Meeting of shareholders, remuneration shall be paid in proportion to the period when the member of the Board of Directors performed his/her duties for a fee.

Annual remuneration of the member of the Board of Directors determined according to Paragraphs 4 and 5 of this Clause shall be decreased by 50% in case

he/she participated in less than half meetings of the Board during his/her term of office.

7.5. Quotas (percents) of deductions to calculate annual fees are set by the resolution of the annual General Meeting of shareholders and are used to determine the remuneration of persons performing duties of the members of the Board of Directors till the next annual General Meeting of shareholders.

7.6. Annual remuneration to members of the Board of Directors shall be paid not later than 3 months from the end of the term of office of such composition of the Board of Directors.

7.7. Members of the Board of Directors acting as members of the committees of the Board of Directors shall be paid an increment to the quarterly remuneration of **60,000** RUR (for participation in each committee), at that any member of the Board of Directors may not participate in more than 2 committees of the Board of Directors.

The increment to Chairmen of committees of the Board of Directors shall be multiplied by the ratio of 1.25.

7.8. Members of the Board of Director may participate in option programmes implemented by the Company.

8. PROCEDURE OF STATUTE APPROVAL AND INTRODUCTION OF CHANGES AND AMENDMENTS

8.1. This Statute shall be approved by the General Meeting of shareholders by a majority vote of holders of voting shares of the Company.

8.2. Any changes or amendments can be introduced in this Statute by a resolution of the General Meeting of shareholders by a majority vote of holders of voting shares of the Company.

8.3. If any changes are introduced in the laws of the Russian Federation or the Company's Charter, and this Statute gets in contradiction with such laws or the Charter, this Statute shall apply to the extent that it does not contradict with laws or the Company's Charter.