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meeting of shareholders of  
CenterTelecom OJSC  
Minutes No.  
dated \_\_\_\_ 2008

Preliminarily approved by  
the Board of Directors of  
CenterTelecom OJSC  
Minutes No. 20  
dated May 14, 2008

**ANNUAL REPORT**  
**CENTERTELECOM OJSC**  
2007

Moscow  
2008

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The full company name.

*Central Telecommunications Open Joint-Stock Company*

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*Date and Number of the Company's State Registration.*

The Company was registered according to Order of the Head of Moscow Region Administration No. 567-r dated June 9, 1994; Certificate of State Registration No. 127 dated June 20, 1994.

Pursuant to the Federal Law 'On State Registration of Legal Entities' the Company was registered in the Unified State Register of Legal Entities on November 1, 2002 under No. 1025006174710.

## ***ADDRESS TO SHAREHOLDERS***

### **Dear Shareholders,**

Today we are summing up the operating results of Central Telecommunication Company Open Joint-Stock Company (CenterTelecom OJSC) for 2007. CenterTelecom is a stable company with significant development potential. In spite of the fact that the company carries out its activity in the conditions of a highly competitive CFD market, the management of CenterTelecom strives to keep up with the latest market trends and to obtain leading positions.

Looking back at the previous year we would like to mention a number of developments aimed at the company's business efficiency increase. An important event of 2007 was laying down of the "Program of CenterTelecom OJSC's Development for 2008 – 2012" which was approved by the Board of Directors. The key priority of the company's development was retention of leading positions on telecommunication market of the Central Federal District at the cost of active promotion of new services, increase of profits from non-regulated services, strengthening of positions in the corporate user sector and reorganization of the sales and customer service system.

In accordance with the approved Development Program in 2007 we worked out strategies of functional lines development and large-scale programs of changes, including the new marketing strategy of CenterTelecom, the Program of transformation in the sphere of sales and services, the Program of property optimization.

Working for the benefit of CenterTelecom's business development, it was already in 2007 that the company's management entered upon solving of ambitious tasks set in the Development Program. As a result, last year the company witnessed significant improvement of financial and economic indicators and significant growth of the budget's profit. Thus, the revenue of CenterTelecom comprised 32,409 mln rubles (over USD 1,320 mln), while it was the first time when the net profit reached 3,635 bln rubles (over USD 148 mln).

In 2007 the company continued to implement DOMOLINK project on organization of broadband Internet access based on ADSL2+ technology which became widespread in 9 more regions of the CFD. Today the bright orange logo of CenterTelecom trademark is well-known in 15 of 17 regions of the Center of Russia. In 2007 over 304 thousand users preferred the service of DOMOLINK Internet access. The share of earnings from Internet and data transfer in the company's earnings structure increased by over 60% and comprised 2,488 bln rubles. The usage of new approaches to the sales system and the marketing support of initiatives will allow to increase the subscriber base up to 730 thousand users as of the end of 2008.

In order to provide for further development of the new service segment in 2007 CenterTelecom was actively updating the regional infrastructure of communication networks. In the previous year the company completed and commissioned the most powerful in the CFD interregional data transfer network which in the future will become the basis for IP-TV development, creation of virtual private networks and more flexible management of new service rates. Besides, within the framework of participation in realization of Education priority national project and implementation of the universal service mechanism, the company significantly updated its own network infrastructure in the rural districts by providing inhabitants of several thousands faraway and remote population clusters of the Center of Russia with reliable and high-quality communication.

Focusing on the solution of tasks set by the Development Program, last year CenterTelecom continued to strengthen its cooperation with corporate clients. In conditions of telecommunication market growth and strengthening of the communication field impact on the economy of Russia the key value of the development of CenterTelecom's business in the regions of presence belongs to support of partner

relations with public authorities and, primarily, with regional Administrations. In 2007 the company carried out significant work on preparation and signing of agreements with administrations of CFD regions in order to build long-term and mutually profitable cooperation.

In 2007 CenterTelecom actively cooperated with building owners and developers of residential and commercial real estate. In the course of the year the company prepared and concluded agreements on cooperation with leading Russian construction companies which assumed comprehensive provision of projects under construction with communication services. Next year we will continue to work in this area.

In accordance with the requirements of regulatory and legal instruments governing the activity of communication operators in the Russian Federation, in 2007 CenterTelecom carried out important work on changing the conditions of cooperation with telecommunication operators which are connected to the company's network. This helped to improve effective dialog with the participants of telecommunication market of the Center of Russia and became a premise for increase of the company's profit.

Another important priority of the operator in 2007 was improvement of subscriber service quality and reorganization of the sales system in accordance with the main provisions of the "Program of CenterTelecom OJSC's transformation in the sphere of sales and service". Within the framework of this line the company extended possibilities of accepting payments for telecommunication services. Conclusion of centralized agreements with Post of Russia FSUC, Savings Bank and a number of commercial banks and electronic payment systems allowed to transfer some customer service functions to outsourcing.

A system of measures in the sphere of management and human resources also contributed to retention of CenterTelecom's leadership in the CFD. In 2007 the company launched the active phase of the management system reorganization and started practical implementation of the process management method in its branches. Reorganization of commercial and technical units of regional subdivisions allowed to centralize administrative functions, formed premises for further optimization of the staffing level and created ground for updating of the sales system.

In 2007 the company continued to implement the program of the staffing level optimization. As of January 1, 2008 the number of CenterTelecom's employees decreased to 46,637 persons. The decrease of the staffing level became possible due to optimization of business processes, updating of the sales system, usage of modern technical solutions for development of the company's network infrastructure and implementation of more strict cost control policy. It is necessary to mention that the program of CenterTelecom's staffing level optimization is implemented in full accordance with the legislation of the Russian Federation and under the conditions of permanent interaction with field trade unions. According to our estimates, further staffing level optimization together with intensification of the company's business will allow to form a qualitatively new labor organization system in CenterTelecom in 2008 already. Its main differences will be competitive salary, personal motivation of employees to effective labor activity and high economic indices. Already now the clear management policy allowed to increase labor productivity in CenterTelecom one-and-a-half times during 2007.

We are grateful to employees of CenterTelecom OJSC for their everyday work which helps millions of people to communicate with each other, to obtain new knowledge and to feel a part of the global information space. We are sure that the aligned teamwork of the company's management and employees and the support of shareholders will allow CenterTelecom to keep leading positions on the communication service market of the Central Federal District of Russia and will contribute to further growth of the operator's value.

*Chairman of the Board of Directors,  
Alexander Kiselev  
Director General  
Vaagn Martirosyan*

*Moscow, May 14, 2008*

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

### **January**

In accordance with decree of the Federal Tariff Service of Russia No. 379-s/1 dated 15.12.2006 from January 01, 2007 the company introduced new rates for all-Russian TV and radio program broadcasting services. The rate growth comprised 15%.

### **February**

In accordance with decree of the Federal Tariff Service No. 261-s/2 dated 14.11.2006 from 01.02.2007 the company introduced the new system of local telephone communication service rating and changed rates of intrazonal telephone connections.

In the presence of technical possibility of introducing time accounting of the duration of local telephone connections, the following rating plans are set:

- for individual - three obligatory rating plans (with time, subscription and combined payment system);
- for subscribers being legal entities – one obligatory rating plan (with time payment system).

From February 01, 2007 the company decreased compensatory surplus to local and zonal call initiation service price from 62 to 50 kopecks.

On February 21, 2007 Sergey Pridantsev, Director General of CenterTelecom OJSC, and Vyacheslav Makrushin, chairman of Interregional Trade Organization of CenterTelecom OJSC, signed the company's Collective Contract for 2007-2009 regulating rights and mutual responsibility of employees and the employer.

Russian Federal Property Fund realized 15,135,627 ordinary nominal shares during the specialized auction on selling CenterTelecom OJSC's shares which comprises 7.2% of the registered capital and 9.6% of voting shares.

On February 27, 2007 the Arbitration Court of Moscow took the decision on invalidity of the main part of tax claims of the Interregional Inspection of the Federal Tax Service of the Russian Federation on major taxpayers No. 7 raised in relation to CenterTelecom OJSC on the results of the field tax audit of the company's activity for 2002 – 2003. In accordance with the court decision CenterTelecom OJSC made an additional tax payment to the federal budget only in the amount of 12.436 mln rubles.

CenterTelecom OJSC paid the 5<sup>th</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 04 in the amount of 389,027,348.05 rubles.

### **March**

In March 2007 it was the first time when CenterTelecom took part in CeBIT-2007 International Exhibition of information technologies, telecommunications and office appliances which is annually held in Hanover, Germany.

CenterTelecom OJSC paid the 1<sup>st</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 05 in the amount of 121,020,000 rubles.

CenterTelecom OJSC's interest-bearing documentary inconvertible bearer bonds of series 05 are included in Quotation List B of Moscow Interbank Currency Exchange Closed Joint Stock Company.

### **April**

In April 2007 CenterTelecom OJSC held a number of meetings with representatives of the investment community within the framework of the road show (Great Britain, London).

On the ground of the results of the held open competition, the company concluded a loan agreement (revolving credit line) with Savings Bank of the Russian Federation Joint-Stock Commercial Bank with the limit of 3,000.0 mln rubles at the rate of 7.9% per annum and the credit line duration of 2 years.

### **May**

On the ground of the results of the held open competition, the company concluded the leasing contract for financial rent (leasing) of a property complex with RTK-LEASING in order to render universal communication services and provision of a broadband access with the following parameters: the total cost of leaser's costs connected with property acquisition comprises 2,999.3 mln rub. (VAT-inclusive), the gross leasing rate is 8.59% (excluding the insurance cost and the property tax), the leasing period is 36 months.

### **June**

In June 2007 the Board of Directors of CenterTelecom OJSC passed the resolution on early termination of powers of CenterTelecom OJSC's Director General Sergey Pridantsev and on appointment of Vaagn A. Martinosyan to the post of the company's Director General.

On June 18, 2007 the Annual General Meeting of CenterTelecom OJSC's Shareholders was held.

### **July**

On July 24, 2007 Standard & Poor's international rating agency increased the long-term credit rating of CenterTelecom OJSC from B to B+ (forecast: positive) and the long-term national scale rating from ruBBB+ to ruA+.

On July 26, 2007 the Board of Directors of CenterTelecom OJSC passed the resolution on the formation of CenterTelecom OJSC's Management Board from August 2, 2007 till August 1, 2008 inclusively in the number of 11 people in view of recommendations of the Committee on Personnel and Remuneration of the company's Board of Directors.

### **August**

From August 9, 2007 in accordance with decree of the Government of the Russian Federation No. 477 dated July 25, 2007 "On amending the Rules of rendering services of local, intrazonal, long-distance and international telephone communication", new rules of local telephone connection rating unit rounding came into force. When setting the cost of the local telephone connection (in case of time accounting) an incomplete rating unit which size comprises a half or more than a half of the rating unit is deemed to be a complete rating unit, while an incomplete rating unit which size comprises less than a half of the rating unit is deemed to be a half of the rating unit. Before the approval of these changes an incomplete rating unit which size comprised less than a half of the rating unit was deemed to be a complete rating unit.

In August 2007 Fitch Ratings international rating agency increased the long-term issuer rating of CenterTelecom OJSC from B- to B (forecast: positive) and the national long-term rating of the company from BB+(rus) to BBB(rus). The issuer's short-term rating is proved at the level of B. CenterTelecom OJSC's rating of bond loan of series 05 was also increased from the level of BB+(rus) to BBB(rus), while the rating of asset collection was proved at the level of RR4.

On August 14, 2007 RID – Expert RA Consortium assigned the national rating of corporate governance to CenterTelecom OJSC at the level of 7+. According to the results of the monitoring held by

the Consortium, the company was acknowledged one of the leaders of corporate governance quality in Russia.

On August 17, 2007 CenterTelecom OJSC paid dividends on preferred shares of A type for 2006 in the amount of 0.3893300 rub. per one preferred share in accordance with the resolution of the annual general meeting of shareholders.

CenterTelecom OJSC paid the 6<sup>th</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 04 in the amount of 389,027,348.05 rubles.

By the beginning of the new academic year CenterTelecom OJSC fully completed connection of educational establishments of the Central Federal District of the Russian Federation (hereinafter referred to as CFD) to the Internet under Education national project and provided pupils of 11,050 schools in 17 regions of the Center of Russia with access to the world wide web.

CenterTelecom OJSC was acknowledged universal servicing operator on the territory of all 17 regions of the Central Federal District of the Russian Federation.

### **September**

On September 25, 2007 Deputy Director General – CFO of CenterTelecom OJSC Alexander Lutsky and the Company's CIO Konstantin Zverev were included in the rating of "1,000 most professional managers of Russia" prepared by the Association of Russian Managers (ARM).

CenterTelecom OJSC paid the 2<sup>nd</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 05 in the amount of 121,020,000 rubles.

### **October**

From October 21, 2007 in accordance with decree of the Federal Tariff Service of the Russian Federation No. 199-s/23 dated 28.08.2007 new rates of "internal telegram transfer" service were approved. The average rate change comprised 14%.

The company approved the Program of CenterTelecom OJSC's development for 2008-2012, which sets basic strategic priorities and the Company's development trends on telecommunication market of the CFD for the next 5 years. The main target values of the Program of CenterTelecom OJSC's development demonstrate the Company's dynamic development on communication market of the CFD for the period of 2008-2012 and are at the level of the best field values.

In October 2007 CenterTelecom OJSC was included in the list of two hundred largest Russian companies by its market value prepared by Expert RA rating agency.

On October 25, 2007 Standard&Poor's international rating agency increased the corporate governance rating of CenterTelecom OJSC from RKU-5,0 to RKU-5,2 on the Russian scale, proved the level of RKU-5,0 on the international scale and in accordance with the resolution of CenterTelecom OJSC's management withdrew the corporate governance rating of CenterTelecom OJSC.

In October 2007 numbers of 1,000 subscribers of fixed communication of CenterTelecom OJSC's Moscow branch residing in Podolsk and having telephone number within the code of the geographically determined numeration area of ABC=495 were converted to ABC=496 code.

### **November**

In November 2007 on the ground of the results of the annual study covering information transparency of the largest Russian companies held by Standard&Poor's agency, CenterTelecom OJSC was included in the list of the most transparent business structures and occupied the 22<sup>nd</sup> place among 80 participants of the study.



On the ground of the results of the held open competition, the company concluded the leasing contract for financial rent (leasing) of a property complex with RTK-LEASING OJSC in order to render universal communication services and provision of broadband access with the following parameters: the total cost of leaser's expenses connected with property acquisition comprises 2,319.9 mln rub. (VAT-inclusive), the gross leasing rate is 11.48% (excluding the insurance cost and the property tax), the leasing period is 60 months.

In November 2007 CenterTelecom OJSC held a number of meetings with representatives of the investment community within the framework of the road show (Austria, Viena; Sweden, Stockholm).

On November 30, 2007 CenterTelecom OJSC celebrated its 5<sup>th</sup> anniversary.

### **December**

In accordance with the Program of CenterTelecom OJSC's development for 2008-2012, the company developed and approved the marketing strategy and CenterTelecom OJSC's product development strategy which sets directions of the Company's product portfolio optimization on the ground of customer base segmentation, competitive analysis and market trends.

In December 2007 Sergey Grushin, Corporate Secretary of CenterTelecom OJSC, was acknowledged the winner of competition "Russian leaders in the sphere of corporate governance – 2007" organized by the Investor Protection Association (IPA) in nomination "The best corporate secretary" and also became the prizewinner in nomination "Corporate secretary of the year" of national prize "Director of 2007" organized by the Association of Independent Directors (AID) and PricewaterhouseCoopers consulting and auditing company.

On December 11, 2007 CenterTelecom OJSC was acknowledged leader in the category "corporate buyers" of the National rating of purchase transparency of 2007 prepared by the national association of e-commerce participants jointly with "Against Corruption" Interregional public movement under support of the Commission of the State Duma of the Russian Federation on corruption avoidance, Federal Antitrust Service of Russia and the Accounting Chamber of the Russian Federation.

On December 20, 2007 CenterTelecom OJSC paid dividends on nominal non-documentary ordinary shares for 2006 in the amount of 0.1999621 rubles per one ordinary share.

On December 25, 2007 on the ground of the results of monitoring CenterTelecom OJSC's corporate governance practice held in the course of the year by Expert RA rating agency, the rating of corporate governance system at level A (in accordance with the digital scale – at level 7+) previously assigned to CenterTelecom OJSC was confirmed. In accordance with the procedure of corporate governance national rating this rating means that the level of the Company's corporate governance practice is evaluated as high. CenterTelecom OJSC meets the requirements of the Russian legislation in the sphere of corporate governance and follows basic recommendations of the Russian Corporate Code of Conduct.

In December 2007 the number of CenterTelecom OJSC's subscribers of the broadband Internet access service based on xDSL technology exceeded 300,000 users.

### **Events after the Accounting Date**

#### **January**

From January 1, 2008 in accordance with decree of the Federal Tariff Service No. 178-s/2 dated 28.08.2008, a rating plan is approved for legal entities providing for subscriber payment system in the presence of technical possibility of introducing time accounting of local telephone connection duration. Rates for placing subscriber line at permanent disposal and provision of local telephone connection with the dual connection circuit comprise 50% of the rates for individual use telephones.

From January 1, 2008 the company cancelled compensatory surplus to the local and zonal call initiation service price.

CenterTelecom OJSC terminated its participation in the registered capital of Optimum-Svayz CJSC and Oskoltelecom CJSC by selling shares of these companies.

### **February**

From February 1, 2008 in accordance with decree of the Federal Tariff Service No. 356-s/1 dated 23.11.2008 a rating plan is approved for legal entities providing for combined payment system in the presence of technical possibility of introducing time accounting of local telephone connection duration.

CenterTelecom OJSC was acknowledged the winner of additional competitions of the Federal Communication Agency for the right of rendering universal telephone connection services with payphone usage on the territory of Ivanovo, Kaluga, Kostroma, Lipetsk, Moscow, Ryazan, Smolensk, Tambov, Tver, Tula and Yaroslavl Regions.

On the ground of the results of the held open competition the company concluded the contract on rendering electronic equipment insurance services with ROSNO OJSC at the insurance tariff rate of 0.149% per annum and with the insured amount of 2,599.8 mln. rub.

CenterTelecom OJSC paid the 7<sup>th</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 04 in the amount of 389,027,348.05 rubles.

### **March**

From March 1, 2008 in accordance with decree of the Government of the Russian Federation No. 776 dated 14.11.2007 the company cancelled the connection point maintenance fee.

CenterTelecom OJSC terminated its participation in the registered capital of Teleservice OJSC by selling the company's shares. The resolution on termination of CenterTelecom OJSC's participation in the registered capital of Teleservice OJSC had been previously passed by the Company's Board of Directors.

CenterTelecom OJSC and Sky Link CJSC signed the Master Cooperation Agreement aimed at development and implementation of joint projects on the territory of the CFD.

On March 26 2008 the Arbitration Court of Moscow took the decision on invalidity of the tax claims of the Interregional Inspection of the Federal Tax Service of the Russian Federation on major taxpayers No. 7 raised in relation to CenterTelecom OJSC on the results of the field tax audit of the company's activity for 2004 – 2006.

CenterTelecom OJSC paid the 3<sup>rd</sup> coupon yield on interest-bearing documentary inconvertible bearer bonds of series 05 in the amount of 121,020,000 rubles.

### **April**

CenterTelecom OJSC's management passed the resolution on preservation of the subscription fee for unlimited volume of local telephone connections within the rating plan with subscriber communication service payment at the level of 290 rubles for citizens residing on the territory of the Moscow Region and 250 rubles for citizens residing on the territory of other regions of the Central Federal District.

CenterTelecom OJSC and one of the largest construction companies of Russia SU-155 CJSC signed the cooperation agreement aimed at organization of communication service access within the objects under construction.

On April 17, 2008 the Federal Arbitration Court of the Moscow district considered the appeal on error of the Interregional Inspection of the Federal Tax Service of the Russian Federation on major taxpayers No. 7 concerning the decision of the Arbitration Court of Moscow and the decree of the Ninth arbitration court of appeal on bringing CenterTelecom OJSC to tax liability on the results of the field tax audit of the company's activity for 2002 – 2003. The court left the decision of the first instance court and the decree of the court of appeal unchanged and did not satisfy the inspection's appeal on error.

## ***II. THE COMPANY'S FIELD POSITION***

Currently the Company keeps the leading position on telecommunication market of the CFD. In 2007 the Company's share on communication market comprised 72% (ignoring profits of cellular operators and Moscow). In terms of individual types of communication services rendered by the Company in 2007 CenterTelecom OJSC occupied the following position:

- 87.8% - local communication;
- 89.7% - intrazonal connection;
- 36.87% - Internet, data transfer, call centers;
- 49% - connection and traffic transfer.

The main competitors of CenterTelecom OJSC are the leading national operators (Golden Telecom, including Corbina Telecom) and operators on the Moscow Region market - Central Telegraph OJSC, COMSTAR-United TeleSystems OJSC.

The share of departmental operators (Transtelecom OJSC) is significant on the data transfer market. As for companies rendering cellular communication services, they actively develop on the market of Internet access, intrazonal and local telephone communication.

Large regional operators also frequently compete with regional branches of CenterTelecom OJSC on strategically important markets, while being perspective partners for national and departmental operators.

### **Market share of main competitors on the CFD market (ignoring profits of cellular communication operators and Moscow) for 2007**

<b>name of company</b>	<b>market share %</b>
CenterTelecom	72%
Golden Telecom (including Corbina Telecom)	13.5%
Transtelecom	7.3%
COMSTAR – United TeleSystems	2%
Combined regional operators	5.2%

Source: <http://telecom.kondrashov.ru>, IDEA Group

## ***III. PRIORITY LINES OF THE COMPANY'S ACTIVITY***

In 2007 the company approved the Program of CenterTelecom OJSC's development for 2008-2012 which provides for the main strategic priorities and the Company's development trends on telecommunication market of the CFD for the next 5 years. The main target values of the Program of CenterTelecom OJSC's development demonstrate the Company's dynamic development on

communication market of the Central Federal District for the period of 2008-2012 and are at the level of the best field values.

The activity of CenterTelecom OJSC is aimed at formation of a single multifunctional user-friendly infocommunicational space and usage of the affiliated business potential.

During 2008-2012 the main directions of the Company's development aimed at retaining market leadership in view of the forming trend of telecommunication development in the region shall be:

- quality change of the profit base – increased contribution of modern, highly profitable telecommunication services in the total scope of rendered services to the Company's profits;
- strengthening of positions in the corporate sector and increased share of profits from the organization segment;
- reorganization of the sales and customer service system in the mass customer segment, strengthening of direct and non-contacting sales roles;
- maximization of profits from traditional communication services at the cost of effective rating plan management and service packaging;
- updating of the region's current infrastructure aimed at development of priority commercial activity trends, formation of a single flexible multi-service infrastructure of NGN-based communication network;
- rendering of BDT services on the current xDSL-based access networks emphasizing Ethernet technology and realization of FTTB principle in the course of updating and network development;
- realization of state tasks with updating of NGN-based network infrastructure in the course of solving these tasks;
- increased operating efficiency and reduced losses as the cost of optimization of business processes, centralization of functions, outsourcing of auxiliary functions, conversion to new network technologies and introduction of information systems.

While solving the task of updating and development of communication infrastructure in the CFD, CenterTelecom OJSC aims at providing citizens of the Center of Russia with telecommunication services. The main priority lines of the Company's technical development are:

- development of the base infrastructure of:
  - backbone fiber lines and data transfer systems;
  - intrazonal fiber lines to each district center inclusively.
- updating of the current telephone network in order to provide a full package of NGN-based services to each subscriber:
  - traditional telephone communication;
  - BDT (broadband data transfer).
- rendering social package of services guaranteed by the state to population.
- minimization of the telephone communication service queue.
- organization of telephone communication service for all centers of population of the CFD under Universal Communication Service Program.
- centralization of the Company's communication network management systems in order to optimize loss control and reduction.
- participation in the implementation of modern communication service rendering programs jointly with governmental authorities of constituent entities.

- implementation of Government programs within the framework of communication service development and informatization, including:
  - formation of the governmental transport network of the Federal treasury (GTN of the FT);
  - connection of postal departments to the governmental transport network (GTN) of Post of Russia FSUC;
  - rendering Internet access services to educational establishments.
- conversion to closed numeration plan within local telephone networks and organization of user access to emergency field services via universal code 112.

The main priority trends of the Company's IT development are:

- carrying out of work under the Joint Program of customer settlements and relationships;
- carrying out of work under the Program of Oracle E-Business Suite-based single enterprise management system (ERP) implementation;
- development of technical architecture of the Data Processing Center (DPC);
- works on formation of a centralized Data Collection and Preprocessing Platform (DCPP);
- automation of business processes of corporate information processing: electronic document management system;
- introduction of operating activity support systems/business support systems (OSS/BSS).

#### ***IV. PROSPECTS OF THE COMPANY'S DEVELOPMENT***

The main competitive advantage of CenterTelecom OJSC in the short-term and medium-term is, firstly, developed infrastructure. In this regard the Company develops dynamically and adheres to active commercial position, i.e. introduces state-of-the-art technologies in the sphere of telecommunications. CenterTelecom OJSC is one of few companies ready to offer a full range of telecommunication services, from traditional telephone line to organization of VPN networks with integration of multimedia services.

Development of priority commercial activity trends is accompanied by updating of CenterTelecom OJSC's current telecommunication infrastructure, usage of latest and innovative technologies and increase of operating efficiency and loss reduction.

The Company's activity is aimed at reaching the following target values outlined by the Program of the Company's development for 2008-2012:

- retaining of the leading position on communication market of the CFD with the market share of no less than 35,88% in 2012;
- increased contribution of modern, highly profitable telecommunication services in the total scope of rendered services to the Company's profits to the level of 31.7%;
- strengthening of positions in the corporate sector and increased share of profits from the organization segment at the level of no less than 36.2% by 2012.

In accordance with the Program of CenterTelecom OJSC's development for 2008-2012, the company developed and approved the marketing strategy and CenterTelecom OJSC's product development strategy which sets lines of the Company's product portfolio optimization on the ground of customer base segmentation, competitive analysis and market trends.

The most important aspect of CenterTelecom OJSC's successful activity is development of new services in the mass user segment. Currently most perspective is the development of the broadband Internet access, in the future CenterTelecom OJSC plans to provide broadband network-based content services, including multi-media services and Internet content.

In order to solve the set tasks and develop business effectively CenterTelecom OJSC implements the following strategic initiatives:

- priority development of BDT infrastructure based on xDSL, FTTx and Ethernet technologies allowing to provide subscribers with a full range of modern services of fixed communication;
- expansion of rendering hard content services within broadband networks (VoD, PVR, SoD, IPTV);
- development of new services and improved quality of current services to corporate clients, including IP-VPN, on the territory of the CFD and outsourcing services;
- development of the free service complex, including content services increasing the value of WDT services;
- development of local telephone network and increased profit from traditional services;
- competitive rating (differentiation of rates in accordance with the effective demand level, introduction of additional rating plans with upsell effect, discounting and introduction of package offers);
- creation and promotion of brands oriented at individual market segments;
- expansion of trade channels, formation of controlled service maintenance and sales system (including dealer network);
- formation of the Company's modern telecommunication infrastructure based on multi-service communication network (NGN network) providing access to communication services and transport of all types of traffic;
- implementation of programs on operating efficiency increase by means of optimization of losses and improved cost control;
- implementation of programs on debt load reduction and loan cost reduction;
- increased efficiency of the Company's investments;
- increased efficiency of working capital management;
- organizational development of the company;
- formation and realization of the Company's motivation system aimed at coordination of employees' interests and demands with the organization's strategic tasks.

In 2008 – 2009 the company plans to complete construction of interdistrict, intrazonal fiber lines and interregional data transfer networks in the CFD.

The total length of communication lines constructed in 2008 will comprise 3,070 km, in this regard the fiber line construction volume will increase 3 times versus the value of 2007. Construction of some intrazonal communication lines (in Moscow, Kursk and Tver branches) will be completed in the first 6 months of 2009.

Implementation of the second phase of interregional data transfer network construction will allow to increase the speed of traffic transfer at the interdistrict level to 20 Gb/s and increase the reliability coefficient up to 0.9999.

In 2008 the company plans to provide data transfer network speeds of 1 – 10 Gb/s within one region and 20 Gb/s between the regions of the Central Federal District. Thus, the volume of the passed traffic of federal data transfer network operators will exceed 2,000 Tbyte/month.

The company planned to provide total mounted capacity of xDSL broadband access networks in the amount of 809,233 ports by the end of 2008.

In large cities with branches of CenterTelecom OJSC with high population density the company plans to develop FTTB-based BDT infrastructure. FTTB technology allows to provide subscribers with a

line of up to 100 Mbit/s and any NGN services. Pilot segments of FTTB networks will be deployed in 2008:

- in Tula branch – for 180 houses (8040 ports),
- in Vladimir branch – for 10 houses (240 ports),
- in Lipetsk branch – for 50 houses (1512 ports),
- in Verkhnevolzhsk branch (Rybinsk, Yaroslavl, Ivanovo) – for 150 houses (4 680 ports).

Taking into account the importance of introducing new generation services in the society the company is currently working on organization of the first stage of IPTV network construction in Moscow, Vladimir, Voronezh, Lipetsk and Tula branches. By the end of the year the company plans to organize IPTV service in testing mode for the Company's other branches.

In 2008 the company plans the following development of NGN networks in its branches:

- In Bryansk, Tula, Smolensk, Tambov and Moscow branches the company plans to install SoftSwitch by Huawei in 2008.
- In the course of the year in Tver branch in Tver and Rzhev the company will erect Rustelcom's Magelan station which can perform SoftSwitch functions.
- Voronezh, Tula and Tambov branches undergo smooth process of conversion to NGN networks. At the first conversion stages the company constructed 10 GE IP/MPLS transport network equipped with Huawei switch-boards. In 2008 the company plans to gradually replace central stations in oblast centers with subscriber access media-bridges and nodes equipped with Iskratel SI2000 MSAN and Huawei UA5000.
- In Moscow branch SoftSwitch equipment with the capacity of no less than 192,000 ports will be installed under the Zonal Communication Network Reconstruction Project.

In 2008 introduction of the Company's fixed communication number capacity will comprise 812,015 numbers, including replacement of 734,850 numbers. In this regard the achieved digitization level will comprise 66.3%. This will allow to provide population with social and extended package of services and significantly reduce the telephony queue.

Under Rendering Internet access services to educational establishments project the company connected over 11 thousand educational establishments. In 2008 the company plans to connect 521 more educational establishments to the Internet.

In 2007 CenterTelecom OJSC was acknowledged the winner of the 31<sup>st</sup> competition of the Federal Communication Agency for the right to render universal telephone connection services with payphone usage on the territory of all CFD regions. The company concluded 228 contracts with the Federal Communication Agency. As of August 2008 the total number of universal service payphones will comprise 54,778 or 37.32% of the total number of payphones installed on the territory of Russia.

In 2008 CenterTelecom OJSC jointly with Start Telecom OJSC and Sinterra CJSC will participate in the implementation of the project on connection of postal departments to the governmental transport network (GTN) of the Post of Russia FSUC. For these purposes the Company's branches plan to connect 1,228 postal communication departments to GTN in the regions of the CFD of the Russian Federation. This will allow to provide for operation of electronic money transfer system and collection Internet access points within the framework of the universal service organization.

Under Formation of the governmental transport network of the Federal Treasury (GTN of the FT) project the company plans to connect 17 agencies and 464 departments of the CFD Federal Treasury to the data transfer system.

In addition to this, jointly with administrations of Tver, Belgorog, Ryazan and Tula Regions the company successfully implements projects on providing population with modern communication services.

In 2008 the company plans to form the Universal interregional network control center and network control centers in every branch of the Company.

Currently the company has excluded telephone numbers which first figure is equal to "1" from the plans of local telephone communication network numeration and carried out conversion to the closed numeration plan by setting intrazonal telephone connections on the territory of the Company's available licenses. Implementation of these measures, as well as replacement of analogous and construction of new digital switching nodes with special service node functions will allow to provide subscribers and users of fixed telephone and mobile communication services with access to emergency field services by using universal number 112, and conversion to closed numeration plan within local telephone networks.

In 2008 the company plans to continue implementation of centralized IT programs, introduction of the universal data collection and preprocessing platform (DCPP), inter-operator settlement system, development of electronic document flow system in the Company's branches, introduction of operation support systems/business support systems (OSS/BSS).

## ***V. RESULTS OF THE COMPANY'S DEVELOPMENT BY PRIORITY LINES***

In December of 2007 the Interregional Data Transfer Network (IDTN) was put into operation using DWDM transportation equipment produced by ECI Telecom Company and routers CRS-1 by Cisco Systems. By reason of IDTN high speed data channels with traffic capacity of 10-40 Gb/sec. were created between all regions of CFD that allowed to increase the volume and quantity of the rendered communication services on the brand new level.

In 2007 the projects Extension of broadband access units Domolink-2 and Construction of CDTN for Domolink were successfully implemented that allowed to extend the access as well as improve the quality of rendering the service of the Internet access. The volume of investments at the account of own sources of financing comprised 1,205.2 million rubles in 2007 and investments of leasing property shown on balance of the leaser comprised 1,940.2 million rubles. Active development of the services of broadband access to the Internet by xDSL technology allowed to increase number of users of this service up to 304,182 users. Currently, the service of access into the Internet by xDSL technology covers 13 branches of the Company (branches in Belgorod, Bryansk, Upper Volga, Vladimir, Voronezh, Kaluga, Lipetsk, Moscow, Oral, Razing, Smolensk, Tomboy, Tulsa). Consequently, CenterTelecom OJSC has significantly strengthened its positions on the market of the broadband access into the Internet services.

The volume of traffic transmitted into the Internet through the dedicated lines increased more than by 4.6 and comprised 2,435,029.9 Bites in 2007 in comparison with the same index of 2006. Herewith the traffic volume transmitted into the Internet through the switched lines reduced by 13.6% compared with the index of 2006 and comprised 2,724 mln. minutes.

The traffic volume on IP telephone service comprised 8,237 thousand minutes that is 28.5% less than the indicator of 2006.

Number of the concluded contracts for rendering of services of cable television increased by 6.4% in comparison with 2006 and comprised 73,554 contracts in 2007.



**In 2007 the “Education” project was finished according to which 6649 educational establishments were connected to the Internet in 2007 in CFD. In 2007 investment volume comprised 704.2 mln rubles.**

**According to Federal Target Program “Social Development of village up to 2010” investments in the amount of 9.7 mln rubles were mastered at the account of own funds.**

The Verkhnevolzhsk branch successfully finished construction and mounting and start-up work of the second phase for the mobile communication network of IMT-MC-450 (CDMA 2000) standard on the basis of CDMA-450 equipment manufactured by Huawei Technologies Co., Ltd., (China). 25 basic stations were mounted and 12,236 subscribers were connected as of 01.01.2008. Switched equipment renovated like EVDO – technology of the mobile communication networks of the third generation 3G was installed as development of CDMA 2000 for the Centers of digital network switching of new standard in Yaroslavl, Ivanovo, Kostroma that allow to compete with alternative networks of the third generation offering speed of data transmission of 2.4 Mbit/sec. and covering zone providing rendering services not only in populous city districts but in under-populated village regions. Apart from the services traditional for mobile networks of mobile telephone communication, the services of stationary (fixed) radio-access, services of access to the Internet and use of new network for telephone penetration of the populated localities without telephone network and creation of the technological base for rendering Universal Services to the population in future are rendered.

The communication network of CenterTelecom OJSC is constantly improved. Up-to-date multifunctional switching units are put into operation, fiber communication lines are constructed, radio-relay digital lines are organized.

Active growth of subscribers' capacity was continued on the telephone line of the Company during 2007.

In 2007 development of local telephone communication was carried out on the basis of digital ATS that allowed to increase quality and extend the volume of the services rendered.

8,400 automated telephone stations of total mounted capacity in 7,102,574 numbers including on UTN – 1601 ATS of total capacity 6,080,502 numbers and on ATN – 6 799 ATS of total capacity 1 022 072 numbers are operated on the network of local telephone communication of CenterTelecom OJSC as of 01.01.2008.

As of 01.01.2008 total quantity of main telephone sets (MTS) of CenterTelecom OJSC comprised 6,652,985 pcs. including UTN – 5,684,310 pcs. and ATN – 968,675 pcs. Increase of MTS comprised 106,008 pcs. in 2007.

Structure of the subscribers' categories of CenterTelecom OJSC did not change significantly for the last year. As of the end of the reporting year 86.6% of total number of subscribers were individuals while 8.8% were commercial companies and 4.6% were budget companies.

Coefficient of digitizing of local telephone network comprised 57.7% at 01.01.2008 (2006 – 52.8%) including UTN – 62.4% (2006 – 58.1%) and ATN – 29.7% (2006 – 22.1%). Number of electronic stations increased by 438 pcs. in 2006 including UTN - by 89 pcs and ATN – by 349 pcs. The mounted capacity of electronic ATS increased by 409 608 numbers including UTN - by 332,042 numbers and ATN – by 77,566 numbers.

Percentage of the mounted capacity usage comprised 94.5% (2006 – 94.7%) on the local telephone networks at 01.01.2008 including UTN – 95.5% (2006 – 95.5%) and ATN – 88.4% (2006 – 90.0%).

Capacity of telephone stations with access to automated long-distance station comprised 7 093 512 numbers at 01.01.2008 including UTN – 6,072,414 numbers and ATN – 1,021,098 numbers. Percentage of capacity of ATS with access to automated long-distance station comprised 99.87% (2006 – 99.8%) of total mounted capacity.

Construction of FOCL on the lines of local telephone communication was carried out during 2007. Length of FOCL comprised 7311 km. Total quantity of carrier channels comprised 972 633 km at 01.01.2008. Among them the digital channels are 97.3%.

To improve quality and reliability of operation of communication facilities of ATN, the cable communication lines were laid instead of air ones, repacking of the connection lines from low-traffic sets to multi-channel ones including digital facilities was carried out, number of communication channels was increased. In 2007 8364 kilometers of overhead transmission lines were removed from service.

As of 01.01.2008, 21 020 payphones including 19,879 universal payphones are in operation in CenterTelecom OJSC.

In the reporting year operation of CenterTelecom OJSC was directed to further increase of automation digitizing of long-distance communication in order to improve quality of telecommunication facilities operation and the rendered services. Length of intra-zone transmission lines comprised 29 166.6 km at the end of 2007 including 16 613.7 km of FOCL.

Totally, significant increase of spread of intrazonal long-distance channels was made due to construction and put into operation intra-zone fiber-optic communication lines and making facilities at higher level of STM.

Total increase of length of intra-zone channels comprised 3 599.1 thousand channels/km in the Company.

Currently, digital zone transit units (ZTU) of «EWSD», «S-12», «AXE-10» types are installed in all regions of the company.

The centralized installation of automated calculation system (ACS) “Start” was made in the Data Processing Center (Balashikha) within the project of equation of business processes of calculation and service operation and automated calculation system of PPO RVK. The industrial calculation for telecommunication services was carried out with subscribers of 5 telecom centers of Moscow branch.

Work on introduction of the centralized system of intra-operator calculations has been started.

The project on introduction of «Start-IP» module of ACS “Start” was carried out in Bryansk, Upper Volga, Ryazan, Orel, Smolensk and Tambov branches within introduction of calculation system for new services.

Upgrading of the existing calculation systems was provided in the branches of the Company according to the requirements of the applicable law.

The results of Planning phase (Charter and procedures of the project, operation plan, creation of the project infrastructure, testing and developing strategy) were approved, preliminary testing of MSR was carried out and the results of Analysis/Designing phase were prepared for approval at the Program of introduction of Oracle E-Business Suite as a management system of the company.

Upgrading of CAS which allowed to create multifunctional engineering and program and equipment complex providing high access and security of significantly important for Company's business information services, centralized application systems and calculation resources was made at the project of technical architecture development of the Center of Data Processing.

At the project of introduction of CDTs on the basis of HP IUM for data collection about the used resources of the network of the Company, the works on inspection of automation objects were made, the Charter of the project for introduction of CDTs and the Review on inspection of automation objects were agreed and approved, Technical task and Regulation on technical support of user were developed and approved, Tasks for designing in the interfacing parts of the project CDTs were developed and agreed.

Besides collectors and protocols for tariff information collection were developed, deployment of HP IUM on the test equipment in the branches of the Company and preparation of standard and reference information for CDTs were carried out.

The processes realizing outgoing and ingoing correspondence processing, agreement of orders and instructions were transmitted into industrial operation within the works of automation of business processes in the system of electronic document management of General Director's Office in 2007. It allowed to optimize the procedures of correspondence processing, making solutions and providing replies to applications, i.e. from individuals.

### 5.1. Investment Policy

No.	Description	Unit	2006	2007	Rate of indexes change in 2007/2006(%)
1.	Investments into fixed assets – total, including:	RUR, mln	3,774	5,266	139.5
1.1.	- fixed telephony;	RUR, mln.	2,037	1,832	90
1.2.	- communication lines;	RUR, mln	584	1,842	315.4
1.3.	- new services and technologies;	RUR, mln	824	1,040	126.2
1.4.	- other	RUR, mln	329	552	167.8
2.	Share of the own funds used for investment financing	%	100	98.6	-
3.	Share of the attracted funds used for investment financing	%	0	1.4	-
4.	Commissioned fixed assets	RUR, mln	3,624	5,749	158.6
5.	Production facilities put into operation*				
5.1	Subscriber lines capacity put into operation	Numbers	207,684	250,638	120.7
5.2	Automated trunk exchange put into operation	Channels	3,630	480	13.2
5.3	Fibre communication and microwave lines put into operation	km	796	930	116.8

\* as per the annual report data based on the layout of forms C1, C2

### 5.2. The main network development indicators

No.	Description	Unit	2006	2007	Rate of indexes change in 2007/2006(%)
1	2	3	4	5	6
1.	Increase in the length of of intrazone telephone channels - total	Thos. Channels/km	33,019.8	3,599.1	10.9
1a.	Including the channels formed by digital transfer systems	Thos. Channels/km	33,347.2	3,970.0	11.9
2.	Increase in the number of main telephone sets - total	pcs.	126,728	106,008	83.6

3.	Installed capacity of xDSL ports – total (by the end of the reporting period)	ports	278,228	484,000	174.0
4.	Number of subscriber devices connected to mobile networks (by the end of the reporting period)	units	124,690	126,439	101.4

### 5.3. Key performance indicators of the Company

Description	Unit	2006	2007	Rate of indicators change in 2007/2006 (%)
Proceeds from sales of goods, products, work, services	RUR, mln	28,395	32,409	114.1
Revenues from communication services	RUR, mln	26,637	30,821	115.7
Costs	RUR, mln	212,09	23,969	113.0
Proceeds from sales	RUR, mln	7,186	8,440	117.5
Profit before tax	RUR, mln	3,370	5,346	158.6
Net profit	RUR, mln	2,048	3,635	177.5

### 5.4. Structure of profits by user types and categories for 2007

Service Type	Total RUR, mln 2006	Total RUR, mln 2007
Revenues – total including:	28,395	32,409
intrazone telephony	3,885	5,912
city and country telephony	14,444	15,874
data transmission and the Internet access services	1,929	3,082
including the Internet access services	1,553	2,488
connection and traffic transmission services	5,037	4,685
assistance and agency services	1,398	1,148
other communication services (core types of activity)	1,342	1,268
Revenues from other sales (non-core activities)	360	440

### 5.5. Structure of costs for 2007

No.	Expense Items	%
1	Depreciation	16.0
2	Payroll	34.9
3	Social Insurance Deductions	7.9
4	Material costs	8.0
5	Communications operators' services	12.2
6	Charges for reserve of universal services	1.3
7	Lease	5.5
8	Other costs	14.2
9	TOTAL COSTS	100.0

### 5.6. Key Indicators of the Company's Efficiency

Description	Unit	2006	2007	Rate of indicators change (%)
Operating margin*	%	25.3	26.0	102.8
Net profit margin*	%	7.2	11.2	155.6
Prime cost of RUR 100 worth of proceeds	RUR	74.7	74.0	99.0
EBITDA	RUR, mln.	9 783.5	11 704.2	119.6
EBITDA margin	%	34.5	36.1	104.6
Proceeds per line	RUR	4,287.80	4,809.83	112.2
Profit per line **	RUR	1,085.2	1,252.6	115.4
Proceeds per employee ***	RUR, thos.	478.4	635.2	132.8
Revenue per employee **	RUR, thos.	121.1	165.4	136.6
Number of lines per employee ***	pc.	111.6	132.1	118.4

\* - Calculated by proceeds.

\*\* - The index is calculated by profit from sales.

\*\*\* - The index is recalculated by the average number of employees for the reporting period for 2006.

### 5.7. Net assets of the Company.

**As of 31.12.2007**

1. Value of net assets (RUR thos.)	20,793,292
2. Registered capital (RUR thos.)	6,311,999
3. . Reserve fund (RUR thos.)	167,378
4. Net assets to registered capital ratio (p.1/p.2) (%)	329.42
5. Net assets to the value of the registered capital and reserve fund (p.1/(p.2+p.3)) (%)	320.91

During the reporting period the net assets grew by RUR 3,081,289 or by 17.40 %.

## VI. RISK MANAGEMENT

CenterTelecom OJSC implements the policy which is aimed to reduce the risks existing in its activity. The main directions for the reduction of the risks influence on the operation of the company are the diversification of the services rendered, change of the structure of the services rendered in order to

maximize the profit, control the significant part of the Company's costs. Control and evaluation of the existing internal control system efficiency and its improvement are carried out in the company.

In 2007 the Company started to form the integrated system of risk management which contributes to:

- improvement of the management solutions quality;
- improvement of the accounting quality;
- increase of the Company's business transparency;
- increase of the Company's investment attractiveness;
- business capitalization.

The risk management system of CenterTelecom OJSC is structured in accordance with:

- requirements of Committee of Sponsor Organizations of Trade Way Commission (COSO) "Management of the organizations' risks: Integrated model",
- requirements of Federation of the European Risk Managers Associations (ferma) "Risk Management Standards".

Implementation plan and risk management system integration principles of CenterTelecom OJSC are developed and approved by Management Board of the Company, Risk Committee was established and Regulations on Commission (decree No. 731 dated 18.12.2007) was approved at the risk management integrated system construction in the Company in 2007.

The Company develops Risk Management Program which is planned to be approved by the Board of Directors of CenterTelecom OJSC in Q2 2008.

The Risk Management Program of CenterTelecom OJSC specifies:

- organizational structure of the risk management system of the Company, powers of its members;
- risk classifier, risk appetite acceptable for the shareholders;
- list of material risks of the Company control of which is carried out by the Board of Directors and plans of actions for the material risk management.

Currently, according to the Company's viewpoint the major risk factors which are able to influence the company's activity are industry and legal risks.

### **Industry Risks**

The main trends of the telecommunication services market development on the territory of the Central Federal District (CFD) are the following:

- significant state influence on business of major operators (including state regulation of local, zone telephone communication and cost of connection and traffic transmission);
- demonopolization of "last mile" market, active construction of the own "last mile" on the basis of FTTH technologies mainly by the alternative operators;
- termination of the local communication subscription base distribution by the rating plans of subscription/integrated/time payment for services;
- reduce of the cost of engineering solutions for the operators of the local telephone communication and, consequently, reduction of the entrance barriers of the market;
- diversification of the engineering opportunities of the alternative organization of the "last mile" and "last inch" that contributes to business development of the alternative operators;
- development of substitutes of local and intrazone telephony by way of mobile communication, convergent technologies – IP voice transmission;
- appearance of new large corporate clients on the territory of CFD including increase of number of companies with the distributed structure – creation of the demand for VPN, scale-up of the requirements to the services complex and quality;
- saturation of the traditional services segment, redistribution of the industry structure of the profits in favor of new services;

- development of the content service market, creation of the demand for the content services and applications, convergent services of fixed and mobile communication;
- activation of the integration processes of the communication operators including alliance and partnership organization, take-over of the local operators by the national ones;
- active expansion of Moscow operators to the regional markets (including by the way of purchase of the small regional providers of cable television and the Internet), their appearance on the national level;
- pressure amplification of the competitors due to higher efficiency and mobility in service rendering and absence of the regulating burden;
- active investment into the development of the new technologies by all members of the market.

The main risk factors which the Company takes into account in its activity are:

- integration processes of the alternative telecommunication companies into the large-scale multinational holdings;
- competition growth in the telecommunication branch from the part of Russian and foreign communication operators, expansion of the operators of the competing formats on the communication market;
- economical risks peculiar for the Russian Federation generally including the level of macroeconomic unsteadiness in the country, possible changes of the legislation as a result of which reduce of the Company's profit or order stiffening of taxation of income from the securities is possible.

State regulation of the telecommunication industry introduces common for all multiregional companies risks and ambiguity connected with the change of rates and reduction of cross sponsoring volumes into the activity of CenterTelecom OJSC. Change of rates for the services of the operators which are natural monopolists requires adjustment by the antimonopoly authorities of the Russian Federation. Thus, it can be slower than the change of the real economical situation and change of the operator's costs. Consequently, as for the natural monopolists there is a risk of untimely tariff change that reduces their competitiveness and can influences negatively the profitability of activity. In such conditions CenterTelecom OJSC dynamically promotes the services rendered at non-regulated rates and thereby prevents significant reduction of the profits.

It is essential to underline that in order to conform to the actual requirements and effectively compete at the present-day market, CenterTelecom OJSC takes into account possible negative effects of the indicated risks. The Company aims to correct negative market factors and strengthen market positions on account of updating of the network infrastructure, launching new target product offers, optimization and standardization of business processes of the services rendered, efficiency upgrading of the arrangement of the sale processes and client servicing.

### **Legal Risks**

CenterTelecom OJSC acts as a communication operator mainly without exporting the communication services provided as well as work or goods. As a result of this, legal risks are relevant mainly when the Company functions at the home market.

In general, legal risks connected with the Company's activity are typical of the majority of business subjects acting on the Russian Federation territory and can be regarded as common ones for the country.

#### **Legal risks connected with changes of the currency control**

The risks connected with the possibility of change of currency control are regarded by the Company as the minimal ones nowadays, since the changes being introduced are aimed at liberalization of the currency legislation.

#### **Legal risks connected with change of the tax legislation**

A number of federal laws regarding introducing of changes to the tax legislation came into force during the reporting period. But since CenterTelecom OJSC is an honest taxpayer who observes tax legislation regulations, such changes in the tax legislation of the Russian Federation entailed no increased risks.

Legal risks connected with change of the customs legislation

Since major part of the equipment purchased for rendering of telecommunication services is imported or manufactured of components of foreign origin, change of the customs supervision regulations may entail certain risks for the Company connected with rise in prices for the basic communication facilities purchased.

In 2007 CenterTelecom OJSC bore no increased risks connected with the change of customs supervision and duties.

Legal risks connected with change of requirements to licensing of the main issuer's activity or licensing of rights for objects' usage which are limited in circulation

In connection with possible reorganization of Federal Service for Supervision of Mass Communications, Telecommunication and Protection of Cultural Heritage there is a risk of increase in time necessary for approval of the applications for prolongation of the validity of the license for the main activity of CenterTelecom OJSC.

Legal risks connected with changes of the court practice

Change of court practice connected with CenterTelecom OJSC activity issues is possible as a result of putting into practice:

- since December 13, 2007 – Decree of the Government of the Russian Federation No. 815 dated November 29, 2007 “On alteration of some acts of the Government of the Russian Federation on universal communication services”;

- since January 01, 2008 – Decree of the Government of the Russian Federation No. 575 dated September 10, 2007 “On approval of the Rules for rendering telematic communication services”;

- of April 01, 2008 – Decree of the Government of the Russian Federation No. 23 dated January 24, 2008 “On alteration of the lists of the licensing conditions for activity in the field of rendering of the relevant communication services”;

- other regulatory and legal instruments which establish obligatory requirements to connection of telecommunication networks and building of telecommunication network for general use, traffic admission and rendering of communication services.

Since the above mentioned regulatory and legal instruments came into force, there exist risks of appearance of radically new categories (according to the subject criterion) of legal procedures with the probability that negative judgement can be pronounced by courts with respect to the Company as well as to its partners.

Nevertheless, possible change of court practice cannot influence the results of CenterTelecom OJSC basic activity and its financial and economic status since the total volume of the complaints pursued to the Company as of the end of the reporting period is not significant for the latter.

#### **Risks connected with participation of CenterTelecom OJSC in current legal procedures**

Currently, CenterTelecom OJSC is a part in a number of legal procedures which are connected with the actual problems in its activity and the risk of negative judgement for such items does not exceed the general risk for the activity of the communication operator.

It is considered that the essential claims may be the following:

- claims the value of which is equal or exceeds 10 per cent of the balance sheet assets of CenterTelecom OJSC that is RUR 4,711,700 as of September 30, 2007;
- claims which prevent implementation of economic activity or which are directed to its prohibition or termination (liquidation claims, claims on admission of CenterTelecom OJSC and its affiliated and dependent companies as invalid (bankrupts), claims on avoidance of the licensing rights, patents, claims on collection of tax and duty liabilities for the budgetary and non-budgetary funds in substantial amount).

In the reporting period CenterTelecom OJSC did not act in the legal procedures meeting the abovementioned criteria. Consequently, it is possible to agree that the significant legal risks connected with participation of CenterTelecom OJSC in current legal procedures are absent.



Risks connected with impossibility to prolong the period of validity of the Company's license may be connected with:

1) lack of the required documents at the broadcasting company.

Difficulties connected with the license prolongation may appear when the license for activity in the field of communication for the aim of tele- and radio broadcasting is prolonged because the indicated activity is connected with mass media broadcasting. Herewith the communication operator must provide the relevant license for tele- or radio broadcasting or the contract with the broadcasting company and its license.

2) reorganization of the licensing bodies.

In connection with possible reorganization of Federal Service for Supervision of Mass Communications, Telecommunication and Protection of Cultural Heritage there is a risk of increase in time necessary for approval of the applications for prolongation of the validity of the license for the main activity of CenterTelecom OJSC.

The indicated risks are considered to be minimal for the Company as it provides for advance preparation of the required documents for obtaining of the relevant licenses.

## ***VII. HUMAN RESOURCE MANAGEMENT***

### **7.1. Labour and Salaries.**

As far as human resource management is concerned, activities of the Company were directed to perfection of the system of remuneration of work in the Company, optimizing of personnel quantity, creation of real incentives of efficient activities of the Company in 2007.

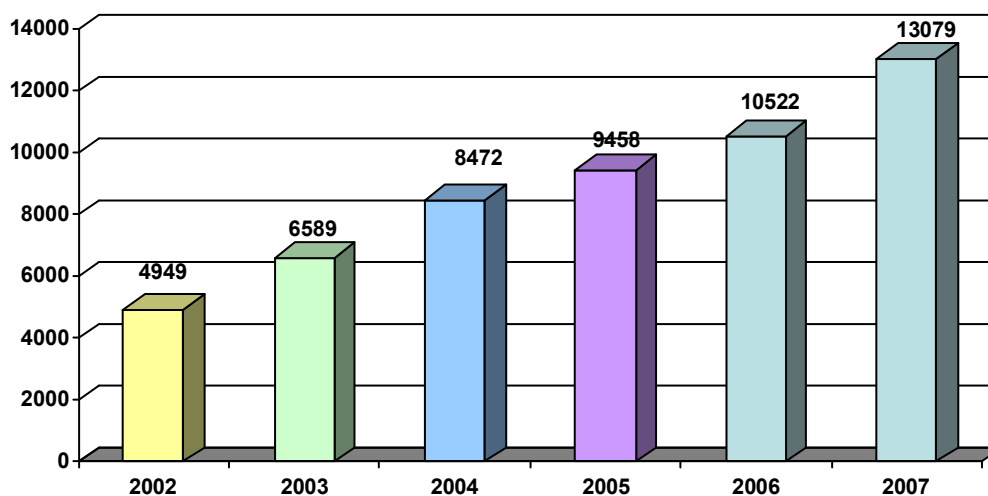
Total expenses for personnel of CenterTelecom OJSC comprised 10 429 105 thousand rubles in 2007, which is 516,862 thousand rubles or 5.2% more than in the previous year.

Salary expenses in 2007 were increased by 469,277 thousand rubles or by 6.2% compared to 2006 and comprised 8,008,442 thousand rubles. Increase of the expenses for salary is stipulated by implementation of the motivation schemes for execution of the activities directed to efficiency upgrading of the Company for increase of profits from sales of the communication services.

Growth of salary expenses, decrease of average number of personnel led to the growth of average salary by 24.3% (from 10,522 rubles in 2006 to 13,079 rubles in 2007).

The average salary dynamics is presented in Diagram 1.

*Diagram 1*



Expenses on the unified social tax and deductions for social insurance of employees from accidents at work comprised 1,894,952 thousand rubles, being increased by 66,010 thousand rubles or by 3.6% as compared to the similar period of the previous year.

Expenses on the personnel training made 39,026 thousand rubles in 2007. Growth of the expenses in comparison with the last year was 12,908 thousand rubles or 49.4%.

Business trip expenses made 32,688 thousand rubles in 2007 having being increased by 2,906 thousand roubles or 9.8% in comparison with the last year.

Decrease of the expenses on other expense items being a part of the aggregated expenses for the personnel (voluntary medical insurance, cultural events, deductions to the trade union, payouts to the employees in accordance with the Collective Contract and local legal instruments of the Company) is subject to the activities in the Company for optimization of the expenses and efficiency upgrading of the company's operation.

Expenses on voluntary medical insurance comprised 45,035 thousand rubles in 2007. They decrease by 13,133 thousand roubles or 22.6% compared with 2006.

Expenses for cultural events were decreased by 2,039 thousand rubles or 8.1 % in 2007 compared to 2006 and made 23,020 thousand rubles.

Voluntary deductions to trade union were 22,552 thousand rubles in 2007, which is 2,303 thousand rubles or 9.3% less than in the previous year.

Social benefits and guarantees comprised 396,078 thousand rubles in 2007. Decrease of expenses on this item comprised 13,858 thousand rubles or 3.4%. Amount of average monthly social package per one employee made 647 rubles in 2007.

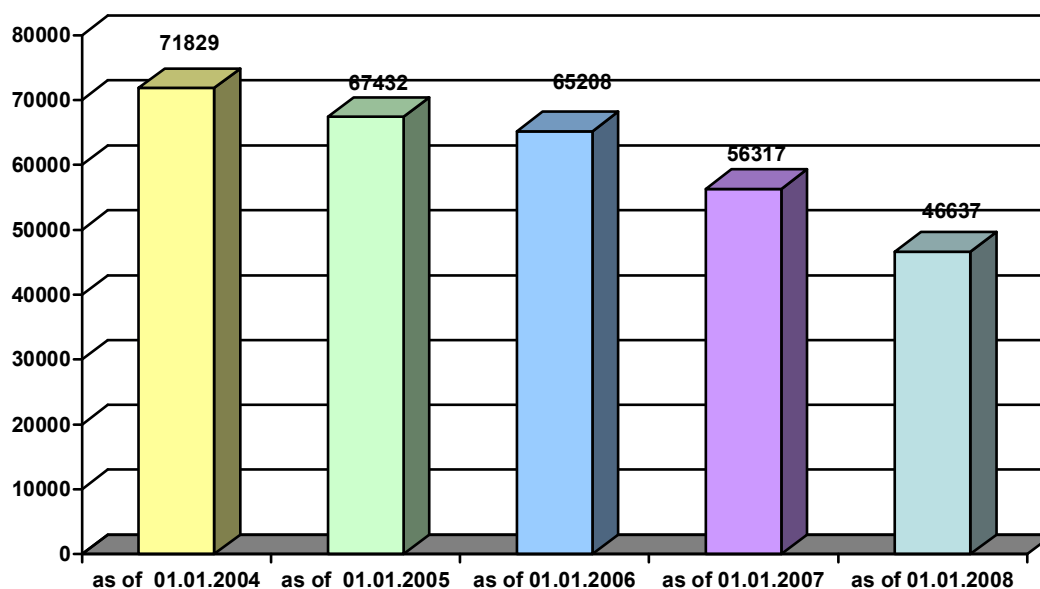
The program of optimizing of the quantity of personnel of CenterTelecom OJSC approved by the Board of Directors in 2007 provides for decrease of the amount of personnel (protocol No. 21 of 31.03.2006) by 25% in 2006 - 2008. This program was actively implemented in 2007.

Average amount of employees of the Company was decreased by 8,505 people or by 14.2% in 2007 compared to 2006 and comprised 51,204 people. Average amount of the Company's personnel comprised 51,019 people in 2007 and was decreased by 8,332 people or by 14.0% compared to 2006.

Significant decrease of the amount of external contractors and employees working under civil contracts was observed in 2007 (173 people or 48.3%) as compared with 2006.

**Dynamics of average amount of employees of the Company is presented in Diagram 2.**

*Diagram 2*



Major lines of optimizing of the amount of personnel of the Company in 2007 were:

- introduction of new technologies, replacement of obsolete equipment;
- outsourcing;
- optimizing of organizational structure, introduction of labor standards.

Norms of time for rendering communication services were developed and introduced within the program implementation, assessment of the personnel was implemented. The results of the assessment

were used during the development of the activity plan on optimizing of the amount of personnel for 2008. In February 2007 the Collective Agreement of CenterTelecom OJSC for 2007-2009 was approved.

With the purpose to encourage labour activities oriented at improvement of indicators of activities of CenterTelecom OJSC the following provisions were developed and introduced:

– Regulations on bonus for the employees of the branches, General Director's Office of CenterTelecom OJSC using the principle of the aimed management. Documents on motivation of the employees of the commercial unit engaged in sales to the clients.

– Regulations on production and economic competition at CenterTelecom OJSC (Approved by order of the Director General of CenterTelecom OJSC No. 3 dated 10.01.2008).

### Data on the Number and Salaries of Employees of CenterTelecom OJSC for 2007.

#### Staff Number and Expenses

Description	Line No.	Average Number, persons (whole values)	Salary Fund, thousand rubles	Social Payments, thousand rubles,	Control amount of columns 1-3
A	B	1	2	3	4
<b>TOTAL (lines 02+03+04)</b>	<b>01</b>	<b>51,204</b>	<b>8,052,010.5</b>	<b>222,349.4</b>	<b>8,325,563.9</b>
including					
staff (without external contractors)	02	51,019	8,007,083.9	X	8,058,102.9
external contractors	03	60	5,745.5	X	5,805.5
employees on civil agreements and other non-staff persons	04	125	39,181.1	X	39,306.1

#### Salary Fund Composition

Description	Line No.	Value of the indicator, thousand rubles,
A	B	1
<b>According to the data of line 01 column 2:</b>		
- salary according to salary rates, salary scale, piece-rate in % from proceeds (without holiday pays, extra payments and bonuses)	08	5,608,010.2
- bonuses from all sources including remunerations for the annual results of work	09	1,092,458.9
- remunerations (term of service extras, term of work)	10	
- payments according to district regulation of salaries	11	
- material aid including additional amounts for holiday	12	193,863.8
- payment for meals	13	377.1
- other salaries (including holiday pays, extra payments, bonuses, salaries to non-staff employees).	14	1,157,300.5
Control sum of lines 8 to 14	15	<b>8,052,010.5</b>

#### REFERENCE:

Amount of expenses not registered in the salary fund and social payments, thousand rubles

20

2,310,388.7

## 7.2. . Improvement of Management Structure.

The following structural transformations took place in CenterTelecom OJSC in 2007:

In the branches of the Company:

1. In Voronezh branch in connection with transition to a process management method a number of functions was centralized. In this case the Center of Information Technologies, the Center of Operation of Civil Constructions, the Center of Operation of Motor Transport, the Center of Call Service were established;

2. In Kursk branch in connection with transition to a process management method since 01.05.2007, 1 city and 8 district communication centers were closed down. 5 Centers for Operation of the Communication Facilities and the Center for Diagnostics and Maintenance of the Communication Facilities were created on the basis of the technical departments of the communication centers. All the customer responsible departments were transferred to the United Calculation Service Center;

3. In Moscow branch in connection with transition to a process management method liquidation of 13 telecommunication centers from 10.01.2008 was approved. 4 Centers of Complex Technical Maintenance of Telecommunication, Center of Technical Maintenance and Center of General Maintenance are being created on the basis of the technical departments. 4 Centers of Sales and Service, Call Service Center and Calculation Service Center are being created on the basis of the commercial departments. At centralization of IT functions the Center of Information Technologies was created;

4. In Smolensk branch in connection with step-by-step transition to a process management method, Smolensk Telecommunication and Information Center and Smolensk Technical Maintenance Telecommunication Center were liquidated. The following special departments were created on their base: the Resource Control Center, Smolensk Service Sales Center, the Technical Center of Telecommunication, the Center of Technical Support, the Center of Technical Maintenance of Trunk Telephone Circuit and the Information Technologies Center;

5. In Tambov branch in connection with transition to a process management method the functions of calculation of the telecommunication services were centralized. Due to this fact the Calculation Center was established since 01.01.2007;

6. In Tver branch in connection with transition to a process management method 11 telecommunication centers and Tver Telephone Network were liquidated since 01.04.2007. 8 Communication Maintenance Centers were created on the base of the technical departments. Centers of Service Sales No. 1 and No. 2 were created on the base of the commercial departments and existing Center of Service Sales. The Center of Transport and Mechanical Means was liquidated due to transfer of the transport maintenance staff into out-staffing;

7. In Tula subsidiary in connection with transition to a process management method, 6 inter-district telecommunication centers, 1 district telecommunication center, Tula TTN, Tula UTN, Tula Region TMTC and "Telecomservice" Center were liquidated since 01.06.2007. 9 Centers of Communication Maintenance, the Center of Line Structure Operation, the Resource Control Center, the Center of Transport and Mechanical Means and the Center of Development and Technical Maintenance were created on the base of the technical departments of the joint venture company. 6 Centers of Service Sales were created on the base of the commercial departments.

In 2007 internal auditing in CenterTelecom OJSC was centralized. Four groups for the inspection of the regions for cross inspection of the branches of the Company were created in the Internal Auditing Department of the General Director's Office. The internal Auditing Departments were liquidated in the branches.

Besides the following changes were made in 2006 in the structure of the General Director's Office:

- to implement the project of introduction of the Master of Oracle e-Business Suite system into CenterTelecom OJSC, Local Expertise Center was created;

- the Department of Potential Development and Construction was restructured. On the base of this, the Department of Potential Development and the Department of Capital Development of the Facilities were created;

- functions of co-ordination with the communication operators of the Client Responsible Department were transmitted to the established Communication Operator Department;

- General Department was eliminated. The Administration Service and the Executive Service were created on the base of this Department;
- the Corporate Development Service was eliminated. Its functions were transferred to the Organizational Development Department of the Human Resources Management Department;
- the Mechanical Means and Transport Service was created.

The activities on merger, creation and elimination of the Company's branches were not carried out during 2007.

The typical organizational structure of CenterTelecom OJSC branch was developed and approved by the Management Board for further improvement of management structure.

### 7.3. Human Resource Management.

Major task of the personnel policy of the Company in the field of personnel management in 2007 was efficient development of human resources.

Activities on perfection of organizational structures and optimizing of the amount of personnel in compliance with strategic aims and tasks of the Company were implemented in 2007. As a result, the amount of personnel comprised 46,637 persons as of 01.01.2008.

Introduction of new technologies into rendering services to customers and modification of organizational structure put changes into the structure of the Company's personnel. Compared to 2006, the amount of heads was decreased by 16.0%, the amount of professionals was decreased by 5.5%, the amount of workers was decreased by 25.7% in 2007.

Formation of highly professional personnel of the Company continues in 2007. Number of employees with higher education increased by 3.4% compared to 2006 and comprised 14,141.

As a result of work on attraction of highly professional specialists, the level of provisioning of positions to be held by professionals with higher and vocational education grew compared to 2006 and comprised 73.8% for engineers and 81.0% for technicians (taking into account professionals with higher education). In 2006, these indicators comprised 73.0% and 63.4%, correspondingly. Specific share of employees with profile education in the Company made 28.3% (26.8% in 2005) of the total amount.

Average age of employees of the Company did not change in comparison with 2006 and was 43 years.

Amount of heads with higher education increased by 2.0% and made 2,605 persons. All top management positions of the Company are held by specialists with higher education, 36 managers have a scientific degree. General structure of personnel is represented in the Table below.

Category of Employees	Actual amount as of 01.01.07	Actual amount as of 01.01.08	Education			Age				
			higher	vocational	secondary	under 25	25 to 35	35 to 40	40 to 50	Over 50
<b>Managers</b>	4080	3429	2605	715	109	9	377	473	1198	1372
<b>Professionals</b>	21920	20714	10136	8442	2136	869	4014	2865	7027	5939
<b>Clerks</b>	295	185	52	67	66	14	44	29	59	39
<b>Workers</b>	30022	22309	1348	6502	14459	1213	4271	3203	7740	5882
<b>Total</b>	56317	46637	14141	15726	16770	2105	8706	6570	16024	13232

Personnel turnover in the Company made 8.5%. Totally, during the reported period, 14,984 people were fired, 4,238 people were fired due to reduction of the staff (28.3% out of the whole number of the people fired), 4,440 people were fired on their own intention (29.6%).

The coefficient of the personnel total turnover comprised 0.4 in 2007.

1,051 fired employees registered a non-governmental pension during the reported period.

Significant attention was paid to methodological and practical work on rendering assistance to branches of the Company. Specialists of the Human Resources Department participated in 6 planned inspections of the branches of the Company on the personnel development issues.

The work on appraisal, training and development of the personnel of the Company was carried out. The following results were received:

- The planned performance reviews of the General Director's Office of the Company was carried out on the results of which the training plan for the employees for 2008 was developed;
- Corporate Development Center was put into effect the major tasks of which are systematization of actions and procedures directed to training and development of the personnel, creation and support of functional efficiency of the knowledge management system of the Company.

Distance training system is being introduced in the Company. 947 people of the Company got professional development by means of distance training technologies. This type of education has a lot advantages: extension of the educational space for persons living at remote localities, decrease of expenses for the educational process, opportunity to attract trainers from the leading universities of the country. It makes the distance training very promising.

In 2007, 16,845 employees improved their skills, i.e. 36.12% of the total amount of personnel was covered with training. Expenses for education and training of employees comprised 39,026 thousand rubles or 0.4% of the total expenses for the personnel.

In order to solve this task, the following forms of personnel professional training were traditionally applied:

- In-house training;
- External training.

In-house training included training at the work place, production and economic training and training on the basis of 5 training centers of the Company. Studies in the training centers were conveyed with the help of line managers of the Company with attraction of external consulting companies and trainers. The practice of holding corporate workshops and trainings received its further distribution. The trainings were held for employees of key units of regional branches.

External training was implemented by participation of employees of the Company in the programs held by training organizations as well as by participation of the employees of the Company in trainings according to the programs of professional development carried out by Svyazinvest OJSC for MRT. Close connections with branch and regional training institutions were kept, such as IPK MTUSI, FPPK, StPSUT, Training and Scientific Center Sodeistviye, Scientific and Research Institution Resonance, etc.

When the employees were sent for training, needs of the branches of the Company were taken into account and the individual attention to the candidates for training was used. The Contract with indication of the work off terms was made with each employee sent to the expensive training.

During the training, the priorities were set to improvement of qualification of employees of units dealing with issues of development and operation of electronic communication means, organization of sales of communication services, work with VIP clients, marketing and financial and economic activities. It was caused by the necessity of solution of the priority tasks, which the Company has faced.

The major human resources tasks for 2008 are: further improvement of the Company's structure and optimization of the personnel amount, strengthening of human resources and creation of the conditions for Personnel Policy of the Company.

## ***VIII. SOCIAL POLICY AND SOCIAL INVESTMENTS***

CenterTelecom OJSC gives significant importance to implementation of projects in social sphere contributing to rise of life level of Russian citizens through support of socially vulnerable society groups and carrying out of a number of long-term programs in culture, education and sports.

As the main work lines in the social sphere were accepted the following:

- support and implementation of programs and activities of material support, medical aid to poor citizens, children, invalids and persons who are in need of care;
- preventive measures and health protection, popularization of a healthy lifestyle, improvement of moral and psychological state of citizens, physical culture and mass sports spheres;
- protection and proper maintenance of buildings, sites and areas of historical, cultural or environmental significance, as well as places of burial.

During 2007, CenterTelecom OJSC participated in the implementation of important state programs aimed at developing of the educational system, eliminating "digital disparity" of citizens, as well as improving the quality of life through improving access to telecommunications services. Among them stand out the national project "Education" and the introduction of universal service mechanism using payphones in the regions of the Center of Russia.

### *National project "Education"*

The development of broadband access in Russia is largely driven by the realization of national priority projects and other state programs providing massive budgetary institutions connect to the Internet. As part of the national priority project "Education" 53 thousand Russian schools were provided with broadband Internet access by the end of 2007. As a result of the project in the Russian Federation a national educational network has been formed, in which schools were able to use the resources of the Internet in the educational process.

In September 2006, in order to implement the national project "Education" The Ministry of Education and Science of the Russian Federation together with the Ministry of Information Technology and Communications of the Russian Federation held a competition to be chosen by the project in providing educational institutions access to the Internet. On the results of the competition a national carrier company RTComm has become a project contractor, which carries out the provision of educational establishments with around the clock unlimited access to the Internet by the end of 2007.

In the period of 2006 and 2007 CenterTelecom OJSC implemented connection to the service broadband Internet access technology ADSL of 11,050 schools in 17 regions of CFD, thus fulfilling the conditions of the contract concluded with RTComm OJSC for traffic transfer services on the "last mile" section starting from educational establishments to the Internet access centers at a speed not lower than 128 kbps in part of educational organizations connection to the Internet.

CenterTelecom OJSC used different technological solutions for organization of communication channels to connect educational establishments to the Internet. In particular, during the years 2006-2007 the there has been organized the Internet access via DSL-x technology for 10 659 schools, 266 educational establishments had been connected to the network using satellite communications technology. Besides, 125 more CFD educational establishments have received the Internet access using radio technology.

Participation in the implementation of national priority project "Education" was for one of the most significant areas of social investment in 2007 for CenterTelecom OJSC. Investing funds into development of information and communication technologies in education sphere we started to build a qualitatively new type of society. That is why the management of the Company considers the national project as one of the most successful investment programs of CenterTelecom OJSC, because the higher the informational level of society is, the higher is the demand for our services.

### *Universal communication services*

In 2007 telephone line connection continued to reach settlements in difficult and remote areas introducing a mechanism within the universal service of telephone access. The project aim is to eliminate

as soon as possible the existing gap in the accessibility of basic information and communication services ("digital disparity") between different regions, urban and rural areas. At the time the project started (in the end of 2005) in Russia there were more than 40 thousand settlements without telephone access that is almost 30 per cent of the total number of the settlements. In 2005-2006 in Russia the first open tender among the operators was held allowing them to provide universal services using payphones and points of collective access to the Internet. The winners were the companies that promised to create, as soon as possible, the infrastructure with minimal compensation use from the universal service reserve.

In 2006 - 2007 CenterTelecom OJSC won a number of tenders for the right of universal telecommunication services provision using payphones in all regions where the Company was present. Implementation of universal telecommunication services program in the regions of CFD is one of the most significant challenges facing CenterTelecom OJSC today. In 2007 the company has fulfilled the conditions of contracts concluded with the Federal Communications Agency according to results of the tenders and started to provide services in the central regions of Russia.

In the first half of 2008 CenterTelecom OJSC also won the other tenders obtaining the right to provide universal telecommunication services using payphones on the territory of Ivanovo, Kaluga, Kostroma, Lipetsk, Moscow, Ryazan, Smolensk, Tambov, Tver, Tula and Yaroslavl regions. The introduction of universal service mechanism in Central Federal District will allow CenterTelecom to significantly expand the universal payphones network in order to provide the communication services to residents of remote settlements.

CenterTelecom OJSC not only participates in projects of federal significance, but also strives to actively participate in the life of the region of Central Federal District, providing sponsorship and charitable assistance to organizations and individuals. The basic principles of charitable activities are summarized in "Concept of charitable activities of CenterTelecom".

The sponsorship and charitable aid commission established in April 2006 coordinates the charitable activities of CenterTelecom OJSC. In 2007 commission held 13 meetings where over 175 cases were considered. Among the most outstanding cooperation programs of CenterTelecom with non-profit organizations in 2007 are the program of support of the following structures: Federation of helicopter sport of Russia, hockey club "Lokomotiv" (Yaroslavl), the Russian Foundation of communication history, international exhibition "Philately", etc.

There is a Commission working with compensations and social problems in the company that is acting together with the Commission that provides sponsorship and charitable aid dealing with appeals of non-profit organizations and private individuals residing in the regions of CFD.

Working with appeals of CenterTelecom staff the Commission takes into consideration the following issues: providing material assistance in case the paid medical treatment is needed, support of accidents and natural disaster victims, sales of habitation places owned by CenterTelecom on the property right to the employees of the Company. In 2007 the Commission held 9 meetings where 45 applications of "CenterTelecom" employees were reviewed. As a result of work of the Commission for Assistance the sum of over one million rubles was paid to the employees of the Company.

As for the key social programs it is necessary to mention the social policy of the Company in respect of staff of CenterTelecom. The most important event of this sphere is undoubtedly the signing of collective contract of CenterTelecom for 2007 - 2009 in February 2007. This contract aims at establishing a system of social partnership in the field of social and labor relations, improving the Company performance, effective promotion of employees, increase of social responsibility of employers and workers depending on results of production and economic activity of CenterTelecom, the growth of social welfare level and protection of workers of the largest operator of fixed communication in the Center of Russia. Collective contract establishes a mutual commitment between the employer and employees and



defines the system of social benefits and guarantees to employees, to the pensioners of CenterTelecom and also to participants of the Great Patriotic War. It should be noted that when the contract had been taken into account, not only the best of previous collective contract provisions that were in force in the years 2004-2006 in CenterTelecom, but also the experience of other interregional communication companies were considered. In addition, during the discussion of the draft contract the authors examined over 250 proposals, amendments and comments to the contract.

The current edition of the contract has a clear social purpose and is focused on the complete legal justification of rights and responsibilities of staff and management of the Company. For the moment the collective contract completely reflects all existing possibilities to address the issues of remuneration, workers' social needs, as well as an outstanding example of equal social partnership. According to the estimates of the management and trade union organization of CenterTelecom OJSC, the jointly accepted commitments will create favorable conditions for dynamic development of the Company and will raise the welfare of workers.

## ***IX. CORPORATE GOVERNANCE***

### **9.1. Organizational Structure of the Company**

**The general meeting of shareholders** is the supreme management body of the Company.

**The Board of Directors** is a collegiate management body, conducting overall management of the Company.

The Board of Directors is elected annually by cumulative voting on the general meeting of shareholders in the number of 11 people.

The general meeting of shareholders is entitled to decide on early termination of office of members of the Board of Directors. In doing so, such a decision can be made only with respect to all members of the Board of Directors at the same time.

In the event of early termination of powers of the Board of Directors the powers of the new Board of Directors are valid until the nearest annual general meeting.

**The Management Board** is a collective executive body that organizes performance under the decisions made by the General Meeting of Shareholders and by the Board of Directors.

Quantitative and personal membership of the Management Board is determined by the Board of Directors as advised by the Director General and members of the Board of Directors.

The Management Board is formed for a term determined by the Board of Directors when appointing its members.

According to the decision of the Board of Directors powers of any member (all members) of the Management Board of the Company may be early terminated.

In the event of early termination of the powers of some members of the Management Board, newly-appointed authority will operate within the period for which the Management Board of the Company had been elected.

**Director General** is a one-person executive body that manages the current activity of the Company. The Director General is appointed by the Board of Directors of the Company.

The Director General makes decisions on matters that are not referred by the Charter to the competence of the general shareholders' meeting, the Board of Directors and the Management Board of the Company.

The Director General shall be the Chairman of the Management Board of the Company.

**Audit Commission** is an autonomous control body of the Company, elected at the annual general meeting of shareholders for a period until the next annual general meeting of shareholders in the number of 7 people.

The powers of individual members or of the entire Audit Commission may be early terminated by the decision of the general meeting of shareholders.

In the event of early termination of powers of the Audit Commission members, the powers of new Audit Commission shall be valid until the next annual general meeting of shareholders.

In case the number of members of the Auditing Commission becomes less than a half of total elected members of the Audit Commission, the Board of Directors is obliged to convene an extraordinary general meeting of shareholders to elect a new Audit Commission. The remaining members of the Audit Commission carry out their functions until the election of a new Audit Commission at an extraordinary general meeting of shareholders.

## 9.2. Board of Directors

### Information on the Company's Board of Directors:

#### 1. Members of the Board of Directors before the General Shareholders' Meeting in 2007:

1. Valery N. Yashin
2. Sergey I. Kuznetsov
3. Boris D. Antonyuk
4. Nikolai B. Arutyunov
5. Andrei V. Beskorovayny
6. Valery V. Degtyarev
7. Alexander N. Kiselev
8. Dmitry A. Milovantsev
9. Oksana V. Petrova
10. Viktor D. Savchenko
11. Elena P. Selvich

#### 2. Number of members and membership of the acting Board of Directors:

Number of members: 11

Membership:

1.	Alexander N. Kiselev	Chairman of the Board of Directors, CenterTelecom OJSC General Director, Svyazinvest OJSC
2.	Sergey I. Kuznetsov	Member of the Board of Directors, CenterTelecom OJSC
3.	Mikhail A. Alekseev	Member of the Board of Directors, CenterTelecom OJSC
4.	Nikolai B. Arutyunov	Director of Analytics Department, Moscow Representative Office of NCH Advisors Inc
5.	Ekaterina S. Erofteeva	Executive Director, Director of Department for Strategic Development, Svyazinvest OJSC
6.	Oksana V. Petrova	Head of Methodology and Information Department, Department for Corporate Governance and Legal Support, Svyazinvest OJSC
7.	Viktor A. Polischuk	Advisor to Director General, RTS OJSC
8.	Viktor D. Savchenko	Executive Director, Director of Department for Corporate Governance and Legal Support, Svyazinvest OJSC
9.	Elena P. Selvich	Executive Director, Director of Department for Economy and Finance, Svyazinvest OJSC

10.	Maxim Yu. Tsyganov	Managing Director, KIT Finance Investment Bank (OJSC)
11.	Alexander V. Shevchuk	Expert, Investor Protection Association

Information about the members of the Board of Directors elected at the annual General Shareholders' Meeting on June 18, 2007:

### **1. ALEXANDER N. KISELEV**

Year of birth: **1962**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- General Director, Chairman of the Management Board, Svyazinvest OJSC;
- Chairman of the Board of Directors, CenterTelecom OJSC;
- Chairman of the Board of Directors, SZT OJSC;
- Member of the Board of Directors, MGTS OJSC;
- Chairman of the Board of Directors, Rostelecom OJSC;
- Member of the Board of Directors, Sibirtelecom OJSC;
- Chairman of the Board, NPF Telecom-Soyuz Fund

Initially elected to the Board of Directors of CenterTelecom OJSC in 2005, length of service on the Company's Board of Directors – 3 years.

Share in the authorized capital of CenterTelecom OJSC: **none.**

### **2. SERGEY I. KUZNETSOV**

Year of birth: **1953**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Rostelecom OJSC;
- Member of the Board of Directors, Sibirtelecom OJSC;
- Chairman of the Board of Directors, VolgaTelecom OJSC;
- Chairman of the Board of Directors, BaltAutoPoisk CJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2005, length of service on the Company's Board of Directors – 3 years.

Share in the authorized capital of CenterTelecom OJSC: **none.**

### **3. MIKHAIL A. ALEXEEV**

Year of birth: **1954**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Dalsvyaz OJSC;
- Member of the Board of Directors, Rostelecom OJSC;
- Member of the Board of Directors, SZT OJSC;
- Chairman of the Board of Directors, Tetrasvyaz OJSC;
- Member of the Board of Directors, RadioTel CJSC;
- Member of the Board of Directors, BaltAutoPoisk CJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2007; length of service on the Company's Board of Directors – 1 year.

Share in the authorized capital of CenterTelecom OJSC: **none**.

#### **4. NIKOLAI B. ARUTYUNOV**

Year of birth: **1964**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Director of Analytics Department, Moscow Representative Office of NCH Advisors Inc;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Irkut Research and Production Corporation OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2006; length of service on the Company's Board of Directors – 2 years.

Share in the authorized capital of CenterTelecom OJSC: **none**.

#### **5. EKATERINA S. EROFTEEVA**

Year of birth: **1975**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Executive Director, Director of Department for Strategic Development, Svyazinvest OJSC;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Uralsvyazinform OJSC;
- Member of the Internal Audit Commission, Rostelecom OJSC;
- Member of the Internal Audit Commission, SZT OJSC;
- Member of the Internal Audit Commission, TELECOM CJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2007; length of service on the Company's Board of Directors – 1 year.

Share in the authorized capital of CenterTelecom OJSC: **none**.

#### **6. OKSANA V. PETROVA**

Year of birth: **1973**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Head of Methodology and Information Department, Department for Corporate Governance and Legal Support, Svyazinvest OJSC;
- Member of the Board of Directors, CenterTelecom OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2001; length of service on the Company's Board of Directors – 6 years.

Share in the authorized capital of CenterTelecom OJSC: **none**.

#### **7. VIKTOR A. POLISCHUK**

Year of birth: **1938**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Advisor to General Director, RTS OJSC (President Emeritus);

- General Director, Belyaev-Center LLC;
- General Director, OFFICE Group LLC;
- Member of the Board of Directors, CenterTelecom OJSC.
- Member of the Board of Directors, Research Institute for Computer Systems named after M.A. Kartsev OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2007; length of service on the Company's Board of Directors – 1 year.

Share in the authorized capital of CenterTelecom OJSC: **none**.

## **8. VIKTOR D. SAVCHENKO**

Year of birth: **1960**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Executive Director, Director of Department for Corporate Governance and Legal Support, Svyazinvest OJSC;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, MGTS OJSC;
- Member of the Board of Directors, VolgaTelecom OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2006; length of service on the Company's Board of Directors – 2 years.

Share in the authorized capital of CenterTelecom OJSC: **none**.

## **9. ELENA P. SELVICH**

Year of birth: **1968**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Executive Director, Director of Department for Economics and Finance, Svyazinvest OJSC;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Rostelecom OJSC;
- Member of the Board of Directors, YuTK OJSC;
- Member of the Board of Directors, STARTCOM OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2006; length of service on the Company's Board of Directors – 2 years.

Share in the authorized capital of CenterTelecom OJSC: **none**.

## **10. MAXIM YU. TSYGANOV**

Year of birth: **1972**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Managing Director, KIT Finance Investment Bank (OJSC);
- General Director, KIT Finance LLC;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Rostelecom OJSC;
- Member of the Board of Directors, Magistral Finance Leasing Company OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2007; length of service on the Company's Board of Directors – 1 year.

Share in the authorized capital of CenterTelecom OJSC: **none**.

#### **11. ALEXANDER V. SHEVCHUK**

Year of birth: **1983**

Education: **higher**

Nationality: **Russia**

*Primary employment and other positions held:*

- Expert, Investor Rights Protection Association;
- Member of the Board of Directors, CenterTelecom OJSC;
- Member of the Board of Directors, Dalsvyaz OJSC.

Initially elected to the Board of Directors of CenterTelecom OJSC in 2007; length of service on the Company's Board of Directors – 1 year.

Share in the authorized capital of CenterTelecom OJSC: **none**.

Independent directors in the Board of Directors of CenterTelecom OJSC (in the wording of the of FCSM of Russia No. 07–102/pz-n, dated October 9, 2007) are: M.A. Alekseev, N.B. Arutyunov, S.I. Kuznetsov, V.A. Polischuk, M.Y. Tsyganov, A.V. Shevchuk.

Permanent Committees of the Board of Directors for personnel and remunerations, for audit, for corporate governance, and for strategic development have been established in CenterTelecom OJSC.

Other permanent or temporary Committees of the Board of Directors may be established by resolutions of the Board of Directors.

#### **Audit Committee**

Membership of the Committee for the period from January 01, 2007 to July 08, 2007:

1. Valery V. Degtyarev
2. Nikolai B. Arutyunov
3. Elena P. Selvich

Membership of the Committee for the period from July 09, 2007 to December 31, 2007.

Number of members: 3

Membership:

1.	Alexander V. Shevchuk	Expert, Investor Protection Association, <i>Chairman of the Audit Committee, Board of Directors, CenterTelecom OJSC</i>
2.	Mikhail A. Alekseev	Member of the Board of Directors, CenterTelecom OJSC
3.	Elena P. Selvich	Executive Director, Director of Department for Economy and Finance, Svyazinvest OJSC

#### **Committee for Personnel and Remunerations**

Membership of the Committee for the period from January 01, 2007 to July 08, 2007:

1. Nikolai B. Arutyunov
2. Valery V. Degtyarev
3. Viktor D. Savchenko

Membership of the Committee for the period from July 09, 2007 to December 31, 2007.

Number of members: 3

Membership:

1.	Nikolai B. Arutyunov	Director of Analytics Department, Moscow Representative Office of NCH Advisors Inc, <i>Chairman of the Committee for Personnel and Remunerations, Board of Directors, CenterTelecom OJSC</i>
2.	Viktor D. Savchenko	Executive Director, Director of Department for Corporate Governance and Legal Support, Svyazinvest OJSC
3.	Maxim Yu. Tsyganov	Managing Director, KIT Finance Investment Bank (OJSC)

### **Corporate Governance Committee**

Membership of the Committee for the period from January 01, 2007 to July 08, 2007:

1. Sergey I. Kuznetsov
2. Sergey A. Grushin
3. Oksana V. Petrova

Membership of the Committee for the period from July 09, 2007 to December 31, 2007.

Number of members: 3

Membership:

1.	Oksana V. Petrova	Head of Methodology and Information Department, Department for Corporate Governance and Legal Support, Svyazinvest OJSC <i>Chairman of the Corporate Governance Committee, Board of Directors, CenterTelecom OJSC</i>
2.	Sergey A. Grushin	Corporate Secretary, CenterTelecom OJSC
3.	Alexander V. Shevchuk	Expert, Investor Protection Association

### **Strategic Development Committee**

Membership of the Committee for the period from January 01, 2007 to July 08, 2007:

1. Dmitry A. Milovantsev
2. Sergey I. Kuznetsov
3. Alexander A. Lutsky
4. Sergey V. Pridantsev
5. Elena P. Selvich

Membership of the Committee for the period from July 09, 2007 to December 31, 2007.

Number of members: 3

Membership:

1.	Elena P. Selvich	Executive Director, Director of Department for Economy and Finance, Svyazinvest OJSC, <i>Chairman of the Strategic Development Committee, Board of Directors, CenterTelecom OJSC</i>
2.	Nikolai B. Arutyunov	Director of Analytics Department, Moscow Representative Office of NCH Advisors Inc
3.	Ekaterina S. Erofteeva	Executive Director, Director of Department for Strategic Development, Svyazinvest OJSC
4.	Vaagn A. Martirosyan	Director General, CenterTelecom OJSC
5.	Maxim Yu. Tsyganov	Managing Director, KIT Finance Investment Bank (OJSC)

Criteria for determination and amount of remuneration (expenses reimbursement) of members of the Board of Directors.

Remuneration of members of the Board of Directors is comprised of quarterly remuneration (established in the amount of 200,000 rubles) and annual remuneration.

The quarterly remuneration of the Chairman of the Board of Directors is established with coefficient 1.5.

The quarterly remuneration of a member of the Board of Directors is reduced by:

- 30% - in case of their attendance at less than a half of meetings of the Board of Directors held in the form of joint presence;
- 100% - in case of their attendance at less than a half of all the meetings of the Board of Directors held.

Remuneration of a member of the Board of Directors for the quarter, in which the Board of Directors was reelected, is paid in proportion to the time actually worked during such quarter.

The annual remuneration of all the members of the Company's Board of Directors is established as the amount of charges in accordance with regulations (percentage):

- of Company's EBITDA according to the accounting data prepared in accordance with IFRS for the reporting year;
- of Company's net profit for the reporting year to be distributed as dividends.

The annual remuneration is distributed between all the members of the Board of Directors in equal shares.

The annual remuneration of a member of the Board of Directors is reduced by 50% in case of their attendance at less than a half of all the meetings of the Board of Directors held during their term of office.

Members of the Board of Directors, who are members of the Committees of the Company's Board of Directors, are paid bonus in addition to the quarterly remuneration for performance as members of the Committee of the Board of Directors in the amount of 40,000 rubles (per each committee, in which they are involved); however a member of the Board of Directors may not be a member of more than 2 committees of the Board of Directors.

This bonus for Chairman of the Board of Directors is established with coefficient 1.25.

The amount of remuneration of members of the Company's Board of Directors and members of the Committees paid out for 2007 made 17,129,583 rubles.

Over the reporting year, no members of the Company's Board of Directors performed any transactions on Company's shares purchase or disposal.

#### Information on Activities of the Board of Directors and its Committees in 2007

Pursuant to the Federal Law "On Joint-Stock Companies", the Board of Directors plays the key role in ensuring shareholder rights, development and implementation of Company development strategy, and in ensuring of its successful financial and economic activities.

Activities of the Board of Directors were organized according to the approved work plan, execution of decisions made was monitored on a regular basis. Attention was focused on improvement of corporate governance quality, and increasing of Company's operating efficiency.



Members of the Board of Directors while exercising their rights and performing their duties acted in the interests of the Company, reasonably and in good faith, and took active part in the work of the Board of Directors.

The Board of Directors considers that the results of company's activities in the Company's priority spheres in 2007 are successful in general. Within the reporting year, the Company ensured profitable operation of the organization that made it a major and reliable operator of fixed telephone lines in the Russian Federation providing a wide range of communications services and access to worldwide informational resources to private customers, legal entities and governmental bodies within the Central Federal District.

In 2007, the Board of Directors of CenterTelecom OJSC held 27 meetings, including 21 meetings through voting in absentia and 6 in-person meetings.

These meetings took resolutions regarding key issues of activities of CenterTelecom OJSC, including:

- Approval of the Company's budget for 2007 and consideration of budget implementation results on a quarterly basis;
- Approval of the Company development programme for the period from 2008 to 2012;
- Approval of the Company's investment priorities for 2008;
- Approval of the terms and conditions of the contract on audit of 2007 financial statements of CenterTelecom OJSC according to the Russian accounting standards and international accounting standards;
- Assessment of the results of Company's activities aimed at decreasing of accounts receivable;
- On the progress of implementation of the Reorganization of subsidiary and affiliated companies of CenterTelecom OJSC;
- Passing of the report on implementation of measures within the framework of the Concept of increasing of Company capitalization from 2005 to 2007;
- On approval of the terms and conditions of the agreement for provision of auditing services regarding annual financial statements of the Company for 2007.

Besides, the Board of Directors regularly discussed issues related to approval of transactions required by the Company and transactions subject to approval by the Board of Directors in accordance with the Charter of the Company; payment of bonuses to the Director General, the Corporate Secretary and determination of remunerations to be paid to the Company's Management Board.

Permanent Committees of the Board of Directors were in charge of preliminary consideration of issues within their competence, and development of recommendations for the members of the Board of Directors to take justified decisions.

#### Audit Committee:

- Considered candidature of Auditor and the terms of contracts on audit services, interaction with the Auditor, information on the course of audit, elaboration of resolution on Auditor's opinion;
- Elaborated an opinion on resolution of the Audit Commission of the Company and examined information revealed in the course of checks performed by the Commission;
- Exercised control over reporting procedures of the Company, corrections of mistakes and implementation of comments of Auditors and Audit Commission of the Company;
- Considered issues related to activities of the Internal Audit Department, establishment of the internal control and risk management system;
- Reviewed the report on the situation with tax claims filed against the Company during past years and their contesting in a judicial procedure.

#### The Committee for Personnel and Remuneration considered:

- Issues related to setting of conditions of supplementary agreements to labour contracts with the Chairman and members of the Company's Management Board;

- Issues related to approval of appointments and retirements, setting of the terms and conditions of labour contracts with top managers of the Company;
- Issues related to personnel reserve for the position of the Director General of CenterTelecom OJSC;
- Concept of manpower optimization from 2008 to 2012;
- Issues related to payment of bonuses to the Director General and determination of remuneration to members of Company bodies.

The Corporate Governance Committee considered:

- Issues related to improvement of the Company's corporate governance practice (specifically to arrangement of voting of members of the Board of Directors of CenterTelecom OJSC on items on the agenda at meetings that are held through absentee voting); process of implementation of decisions taken by the General Meeting of shareholders and the Board of Directors, issues related to payment of bonuses to the Corporate Secretary of the Company;
- Suggestions to introduce changes and amendments to the Charter and other internal documents of CenterTelecom OJSC;
- Issues related to approval of holding plural offices by the Director General and members of the Company Management Board in management bodies of other organizations;
- Issues related to preparation of the annual General Meeting of shareholders;
- Issues related to cooperation with Standard & Poor's Rating Agency.

The Strategic Development Committee considered:

- Issues related to development and adjustment of the Company's budget for 2007, quarterly reviewed the results of budget implementation, and other issues related to development of the Company's budget for 2008;
- Company's investment priorities for 2008;
- Company development programme for the period from 2008 to 2012;
- Concept of manpower optimization from 2008 to 2012;
- Procedure (regulations) of Company's Financial Strategy adjustment;
- Issues related to participation of the Company in Hybrid Printing Systems CJSC.

### 9.3. Director General

**VAAGN A. MARTIROSYAN**

Year of birth: **1951**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

Chairman of the Management Board, Director General of CenterTelecom OJSC since 2007, length of service as the Director General – 1 year.

- Chairman of the Board of Directors of Centel CJSC;
- Chairman of the Board of Directors of Rostelegraph CJSC;

Share in the authorized capital of CenterTelecom OJSC: **none**

According to Paragraph 16.4 of the Company Charter, the amount of Director General's remuneration shall be determined in the contract concluded with the Company.

The Director General did not make any share acquisition or share transfer transactions during the reporting year.

### 9.4. Management Board

On 26 June 2007, the Board of Directors upon the recommendation of the Committee for Personnel and Remuneration established the Company's Management Body comprising 11 persons:

- V.A. Martirosyan – Chairman of the Management Board
- R.R. Valishev
- A.P. Gribov
- K.Yu. Zverev
- A.D. Kartashov
- V.M. Kondratov
- A.A. Lutsky
- D.A. Parkhomenko
- V.V. Polikarpova
- E.B. Stepanov
- S.V. Yanyshv

#### **1. RASTYAM R. VALISHEV**

Year of birth: **1958**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Deputy Director General –Commercial Director of CenterTelecom OJSC since 2007
- Member of the Board of Directors of Svyazintek OJSC;
- Chairman of the Board of Directors of RTS OJSC.

Share in the authorized capital of CenterTelecom OJSC: **none.**

#### **2. ALEXANDER P. GRIBOV**

Year of birth: **1972**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Administrative Director of CenterTelecom OJSC since 2006.

Share in the authorized capital of CenterTelecom OJSC: **none.**

#### **3. KONSTANTIN YU. ZVEREV**

Year of birth: **1973**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board since 2007, Director of information technologies of CenterTelecom OJSC since 2006;
- Member of the Board of Directors of Svyazintek OJSC.

Share in the authorized capital of CenterTelecom OJSC: **none.**

#### **4. ANDREY D. KARTASHOV**

Year of birth: **1974**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Chief Accountant of CenterTelecom OJSC since 2006;
- Chairman of the Board of Directors of TsTKS CJSC.

Share in the authorized capital of CenterTelecom OJSC: **none.**

**5. VADIM M. KONDRATOV**

Year of birth: **1969**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Deputy Director General – the Technical Director of CenterTelecom OJSC since 2007;
- Member of the Board of Directors of TsTKS CJSC;
- Member of the Board of Directors of RTS OJSC;
- Member of the Board of Directors of Operator's Centre CJSC (ATS CJSC before it was renamed on December 7, 2007).

Share in the authorized capital of CenterTelecom OJSC: **none.**

**6. ALEXANDER A. LUTSKY**

Year of birth: **1972**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Deputy Director General – the Financial Director of CenterTelecom OJSC since 2006
- Member of the Board of Directors of RTS OJSC;
- Member of the Board of Directors of TsTKS CJSC;
- Chairman of the Board of Directors of Operator's Centre CJSC (ATS CJSC before it was renamed on December 7, 2007).

Share in the authorized capital of CenterTelecom OJSC: **none.**

**7. DMITRY A. PARKHOMENKO**

Year of birth: **1972**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, the Director for legal issues and interaction with governmental bodies of CenterTelecom OJSC since 2006.

Share in the authorized capital of CenterTelecom OJSC: **none.**

**8. VICTORIA V. POLIKARPOVA**

Year of birth: **1967**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Advisor of the Director General of CenterTelecom OJSC since 2007;
- Chairman of the Board of Directors of TsTKS CJSC;
- Member of the Board of Directors of ATS CJSC;
- Member of the Board of Directors of Operator's Centre CJSC (ATS CJSC before it was renamed on 7 December 2007).
- Member of the Management Board of Telecom-Stroy LLC.

Share in the authorized capital of CenterTelecom OJSC: **none.**

**9. EVGENIY B. STEPANOV**

Year of birth: **1978**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board, Deputy Director General – the Personnel Director of CenterTelecom OJSC since 2007;
- Member of the Board of Directors of TeleROS Vladivostok CJSC.

Share in the authorized capital of CenterTelecom OJSC: none.

#### **10. SERGEY V. YANY SHEV**

Year of birth: **1955**

Education: **higher**

Nationality: **Russia**

Principal place of work and other positions in the Company and other organizations:

- Member of the Management Board since 2007, Director of the Security Department of CenterTelecom OJSC since 2006.

Share in the authorized capital of CenterTelecom OJSC: none.

Criteria for determination and amount of remuneration (expenses reimbursement) of members of the Management Board paid during the reporting year.

Members of the Management Board shall be paid remuneration and compensated for costs and expenses related to execution of their duties of members of the Management Board.

In 2007, the standards of the Regulations on Bonus Payment to the members of the Management Board of CenterTelecom applied to the members of the Management Board that provide for payment of a fixed monthly remuneration and a quarterly bonus.

The total quarterly bonus for all members of the Management Board is determined by resolution of the Board of Directors, at that a bonus of each member of the Management Board may not exceed 75,000 RUR (the maximum amount of quarterly bonus).

Resolutions on the amount of quarterly bonuses to all members of the Management Board following the results of a definite quarter are taken by the Board of Directors of the Company after consideration of issues related to budget implementation in such quarter, progress of implementation of decisions taken by the Board of Directors and General Meetings of shareholders (taking into account the quality of preparation of materials for meetings of the Board of Directors and committees of the Board of Directors).

The item on determination of the amount of quarterly bonuses to all members of the Management Board shall be considered by the Committee on Human Resources and Remuneration, and the respective recommendations of the Committee shall be submitted to the members of the Board of Directors as part of other materials related to this item.

In case of any changes in the membership of the Management Board within a reporting quarter, the amount of quarterly bonus to members of the Management Board shall be calculated in proportion to the days worked in such quarter (expressed in calendar days).

The amount of remuneration paid to members of the Management Board in 2007 was 5,596,788 RUR.

The members of the Management Board did not make any share acquisition or share transfer transactions during the reporting year.

## 9.5. Audit Commission

The audit commission is an independent control body of the Company, elected at the annual general meeting of shareholders for the term till the next annual meeting of shareholders and consisting of 7 people.

The control over financial and economic activities of the Company is exercised by the Audit Commission, elected at the general meeting of shareholders on June 18, 2007, and includes the following people:

No.	Full name	Place of employment and the occupied post
1.	Olga G. Koroleva <i>Chairman of the audit commission</i>	Chief accountant of Svyazinvest OJSC
2.	Polina V. Burmistrova	Deputy head of the department for legal support for the corporate governance and legal support department of Svyazinvest OJSC
3.	Evgeniy A. Nechaev	Deputy financial director – director of the Department of finance of CenterTelecom OJSC
4.	Igor P. Pavlov	Deputy director – head of the division for capital investments of the department for economy and finance of Sviyazinvest OJSC, from 01.03.2008 – expert
5.	Sergey V. Podosinov	Deputy head of the internal audit administration of Sviyazinvest OJSC
6.	Mikhail V. Tretiyakov	Head of the department for monitoring and evaluation of investment activities of the Department for economy and finance of Sviyazinvest OJSC
7.	Natalia V. Uzlova	Head of the accounting division for the Department of bookkeeping, tax and statistic accounting of Sviyazinvest OJSC

The work of the audit commission was carried out in the following directions:

- compliance with the established order of bookkeeping and financial reporting;
- verification of legality of decisions and actions of executive bodies of the Company, including agreements concluded and deals made;
- verification of compliance with legal instruments in performing financial and economic activities according to the main lines (capital development, rendering traffic connection and transfer services, rendering communication services);
- compliance with the legislation for natural monopolies in the event of purchasing financial services;
- analysis of financial state of the Company, evaluation of effectiveness of management of financial investments of the Company;
- analysis of timeliness and correctness of settlements with contractors, budgets of different levels, shareholders and other creditors of the Company;
- analysis of internal control organization;
- verification of payment discipline, analysis of settlements with debtors of the Company, including their timeliness and sufficiency of measures undertaken by executive bodies.

The audit commission has held 4 meetings. It has carried out check of financial and economic activity of the Company for the year 2007.

Following the results of work an Opinion of the Audit Commission of the Company was drawn up on the activities of CenterTelecom OJSC for the year 2007. Decisions on the matters of financial and

economic activity made in 2007 by the Board of Directors of the Company in compliance with the effective legislation and the Charter of the Company. A financial statement for 2007 in all aspects truly reflects the financial state of the Company and the results of its financial and economic activity within the period from January 1 till December 31, 2007.

## **9.6. Information on assignment of credit rating and corporate governance rating to the Company.**

On 24.07.07 Standard & Poor's international rating agency increased the long-term credit rating of CenterTelecom OJSC from "B" to "B+" (forecast: positive) and the long-term rating according to the international scale from "ruBBB+" to "ruA+".

On 08.08.07 Fitch Ratings international rating agency increased the long-term credit rating of CenterTelecom OJSC from "B-" to "B" (forecast: positive) and the national long-term rating of the company from the level "BB+(rus)" to "BBB(rus)". The short-term issuer rating was confirmed to be at the "B" level. The bonded loan rating of CenterTelecom OJSC of the 5<sup>th</sup> series has also been raised in level from "BB+(rus)" to "BBB(rus)", and the assets recovery rating was confirmed to be at the level of "RR4".

In October 2007 Standard & Poor's international rating agency announced a recall on the decision of company management of corporate governance rating of CenterTelecom OJSC and at the same time announced an increase in the estimation of corporate governance of the company from the level RCG-5,0 to RCG -5,2 according to the Russian scale.

An increase in the estimation of corporate governance was conditioned by such positive sides of the corporate governance practice, employed by the Company, as a good level of transparency of the company, improvement of quality and reducing terms of submission of financial statements according to international accounting standards, active work of the Board of directors and four committees, presence of representatives of minority shareholders in every committee of the Board of Directors.

According to the results of corporate governance monitoring of CenterTelecom OJSC, carried out by Expert RA national rating agency in 2007, the company was recognized as one of the leaders in the quality of corporate governance in Russia. Resulting from this research, a complex mark, given to CenterTelecom OJSC according to the new numeric scale, was 7+, which corresponds to progressive corporate practice and low risks of corporate governance.

Among the positive factors of corporate practice in the accounting period, which received a high mark from the agency, were the level of disclosure by the Company of information on its activity, positive dividend policy of the company, presence of own Corporate Governance Code, active work of the Board of Directors, independence of the audit process, presence of competitive selection of suppliers of services and goods.

*In its activity CenterTelecom OJSC aims at preserving the achieved high level of protection of rights of the shareholders and at increasing the effectiveness of corporate management in the interest of all parties concerned.*

## **9.7. Information on the auditor of the Company (according to Russian and international standards)**

Full company name:

*Limited liability company ERNST AND YOUNG*

Abbreviated company name: ERNST AND YOUNG LLC

Location: *Sadovnicheskaya nab., 77, building 1, Moscow, 115035*

Postal address: *Sadovnicheskaya nab., 77, building 1, Moscow, 115035*

Tel.: 7 (495) 755 97 00

Fax: 7 (495) 755 97 01

E-mail: *moscow@ru.ey.com*

Data on the license of the auditor: *License for performing all kinds of auditor activity*

License number: № E 002138

Date of issue: *September 30, 2002, issued for the term of five years, prolonged by the order of the Ministry of Finance of the Russian Federation No. 573 dated September 17, 2007 till September 30, 2012.*

## 9.8. Information on the registrar of the Company.

Full company name: *Open joint stock company "United Registration Company"*

Postal address: ***Kalanchevskaya str., 15a, POB 162, Moscow, 107078***

Tel./fax: *(495) 504-2886, (495) 933-4221*

E-mail: [ork@ork-reestr.ru](mailto:ork@ork-reestr.ru)

Number of license for performing activities of maintaining registrar of security holders: *10-000-1-00314*

Date of issue: *30.03.2004*

***Term of validity: not limited***

## X. REGISTERED CAPITAL AND SECURITIES

### 10.1. The authorized capital and securities of the Company as of 31.12.2007.

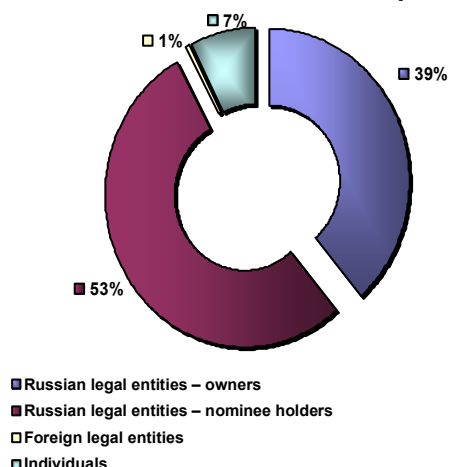
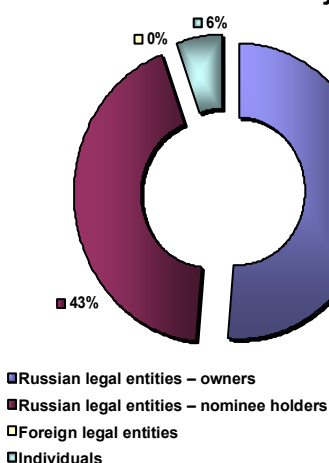
- *the authorized capital of the Company makes 6,311,998,965 rub.;*
- *outstanding stock and declared shares of the Company:*

Categories (types) of shares	Number (units)	Nominal value (rub.)
I. Outstanding stock:		
• ordinary	1 578 006 833	3,0
• type A preferred shares	525 992 822	3,0
II. Declared shares:		
• ordinary	76 166 167	3,0
• type A preferred shares	25 405 178	3,0

### 10.2. Structure of the registered capital as of 31.12.2007.

Registered persons in registrar of shareholders	Number of shareholders	Number of ordinary shares, units	Number of type A preferred shares, units T.	% in the Authorized capital	% of ordinary shares
Russian legal entities – owners	125	809 871 604	1 866 670	38,5807	51,3224
Russian legal entities – nominee holders	23	680 815 589	443 955 355	53,4587	43,1440
Foreign legal entities	19	314 332	10 743 697	0,5256	0,0199
Individuals	24 025	87 005 308	69 427 100	7,4350	5,5136
TOTAL:	24 192	1 578 006 833	525 992 822	100,0000	100,0000



**Distribution of authorized capital****Distribution of ordinary shares****10.3. Information on holders of the largest blocks of shares as of 31.12.2007**

Registered persons in the registrar of shareholders	Number of ordinary shares, units	Number of type A preferred shares, units T.	% in the Authorized capital	% of ordinary shares
OPEN JOINT STOCK COMPANY "INVESTMENT COMMUNICATION COMPANY" (Owner)	799 867 813	0	38.0165%	50.6885%
CLOSED JOINT STOCK COMPANY "DEPOSITORY CLEARING COMPANY" (Nominee holder)	159 791 946	127 655 117	13.6619%	10.1262%
NON-COMMERCIAL PARTNERSHIP "NATIONAL DEPOSITORY CENTER" (Nominee holder)	183 451 470	33 134 452	10.2940%	11.6255%
«ING BANK (EURASIA) CJSC (CLOSED JOINT STOCK COMPANY) (Nominee holder)	187 547 723	23 774 272	10.0438%	11.8851%
CLOSED JOINT STOCK COMPANY COMMERCIAL BANK "CITIBANK" (Nominee holder)	55 551 757	153 981 066	9.9588%	3.5204%
CLOSED JOINT STOCK COMPANY «U B S NOMINEES" (Nominee holder)	61 950 858	99 003 260	7.6499%	3.9259%
«DEUTSCHE BANK" LIMITED LIABILITY COMPANY (Nominee holder)	16 470 846	700 000	0.8161%	1.0438%
Other legal entities	26 369 112	18 317 555	2.1239%	1.6710%
Individual employees of CenterTelecom OJSC	28 000 501	27 099 274	2.6188%	1.7744%

Other individuals:	59 004 807	42 327 826	4.8162%	3.7392%
Total:	1 578 006 833	525 992 822	100.0000%	100.0000%

Diagram 4

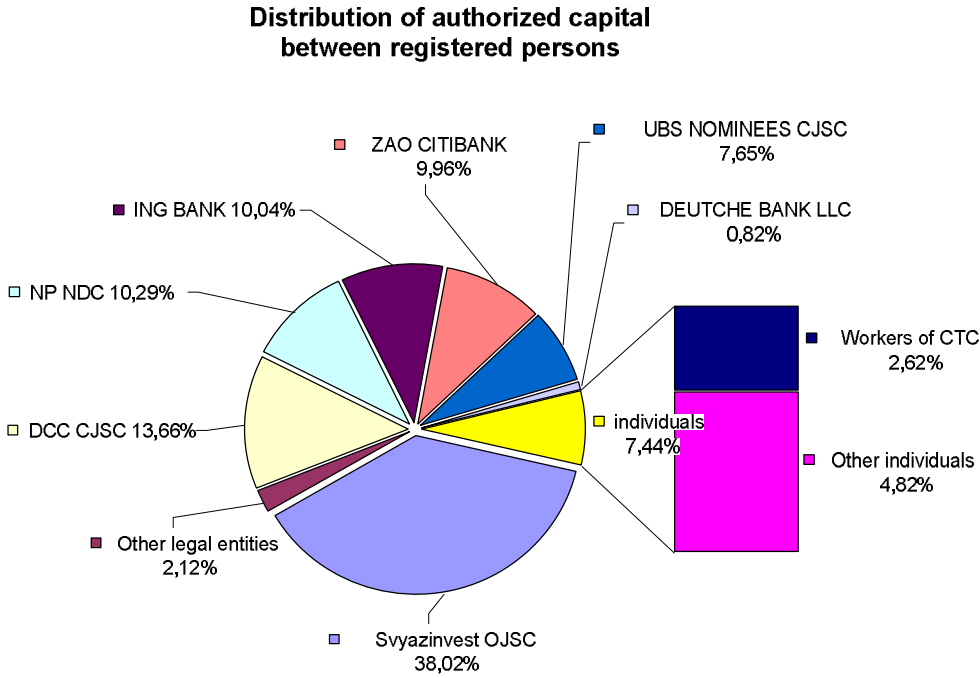
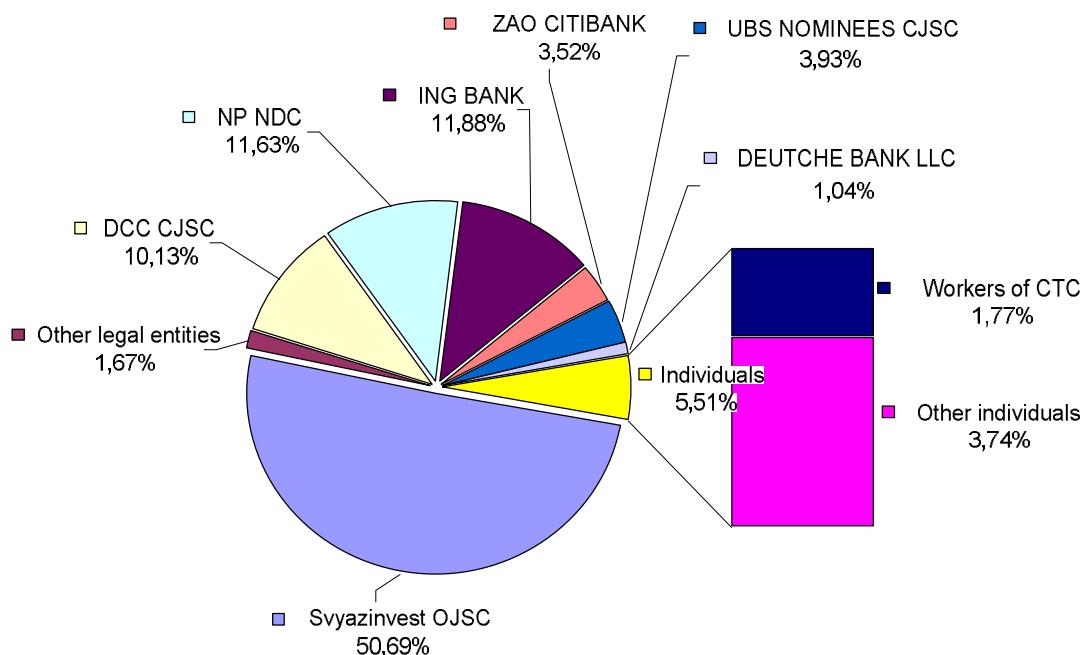


Diagram 5

### Distribution of ordinary shares between registered persons



#### 10.4. Report on payment of the declared (accrued) dividends on shares of the Company.

- the date of making a decision on payment of annual dividends at the general meeting of shareholders – June 18, 2007;
- actual date of beginning of dividend payment – August 6, 2007
- the sum of accrued dividends per 1 share:
  - per 1 type A privileged share – 0.3893300 rub.;
  - per 1 ordinary share – 0.1999621 rub.;
- means of dividends disbursements – in cash;
- the sum of disbursed dividends by the moment of drawing up the annual report as of April 1, 2008:
  - for ordinary shares comes up to 312 881 868.19 rub.
  - for type A preferred shares comes up to 197 844 947.36 rub.

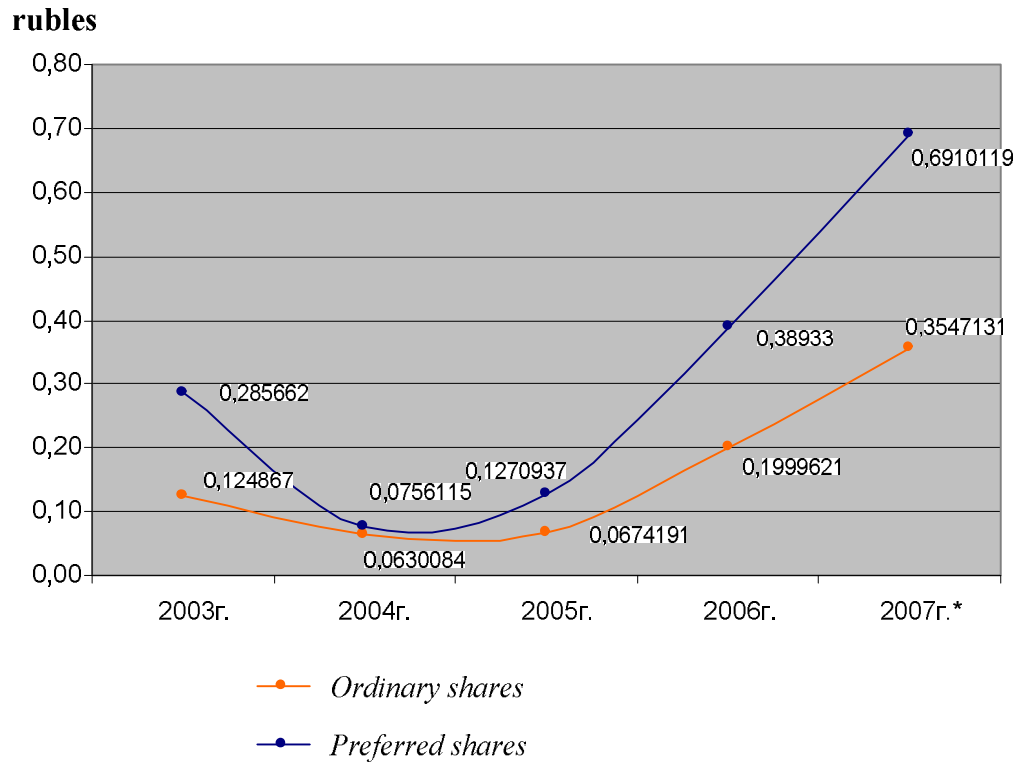
The share of disbursed dividends in the total sum of payable dividends comes up to 98.16 %.

Main reasons for which dividends were not received:

- nonappearance of shareholders for their reception
- absence of correct banking details for their transfer,
- application of the shareholder for temporary cessation of divided payment.

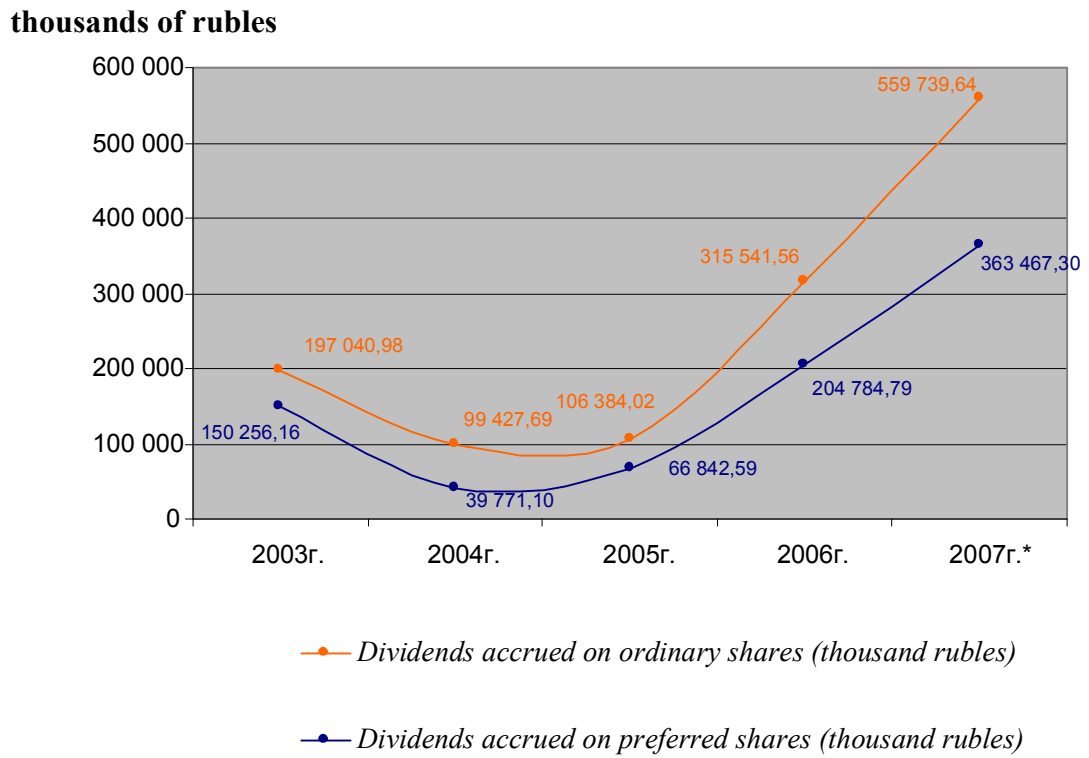
The dynamics of declared (accrued) dividends on shares of the Company (per one share)

Diagram 6



**Sums of accrued dividends**

Diagram 7



\* According to the results of 2007 the amount of dividends is indicated as suggested by the Board of Directors of the Company for adopting at the general meeting of shareholders.

### 10.5. Information on shares of the Company.

Shares of the Company circulate in the exchange and off-counter markets.

Exchange circulation of shares of the Company is carried out in one of the main Russian trade floors:

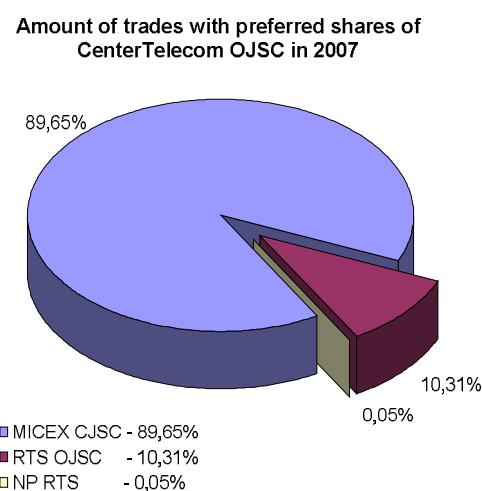
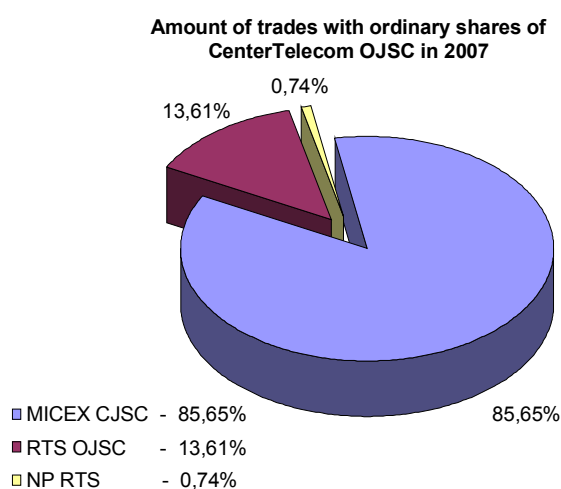
- Moscow Interbank Currency Exchange CJSC (MICEX CJSC). Shares of the Company (CTLK,CTLKP) are in the Quotation list B.
- “RTS” OJSC in the Classical and Exchange markets – ordinary shares in the Quotation list “A” of the second level, preferred shares – in the Quotation list “B”.

Shares of the Company are included in calculation of the following indices:

- Ordinary shares:
  - RTS index;
  - RTS 2 index;
  - RTS –Telecom index;
  - MICEXC TLC index
- Preferred shares – RTS 2 index

*The overall amount of trades with shares of the Company in 2007 came up to 13 023 830 449.48 rub., of which: the amount of trades with ordinary shares was 12 494 179 605.72 rub., the amount of trades with preferred shares – 529 650 843,76 rub.*

Diagrams 8, 9



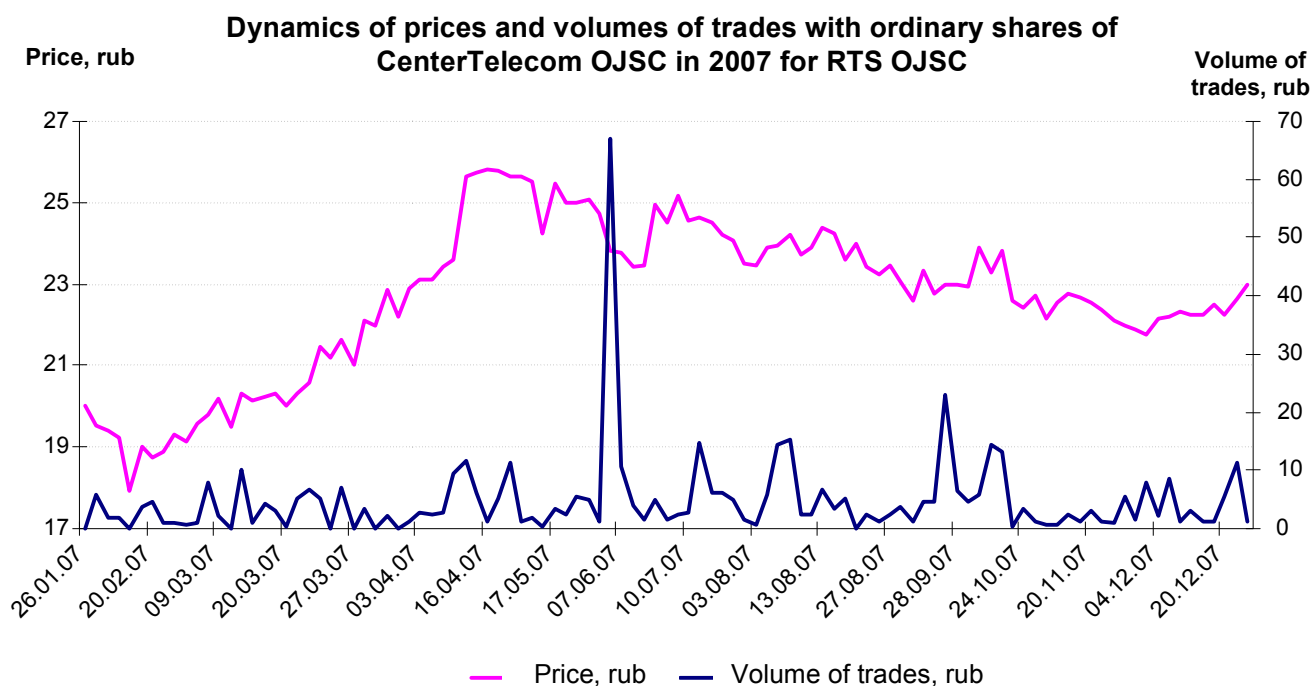
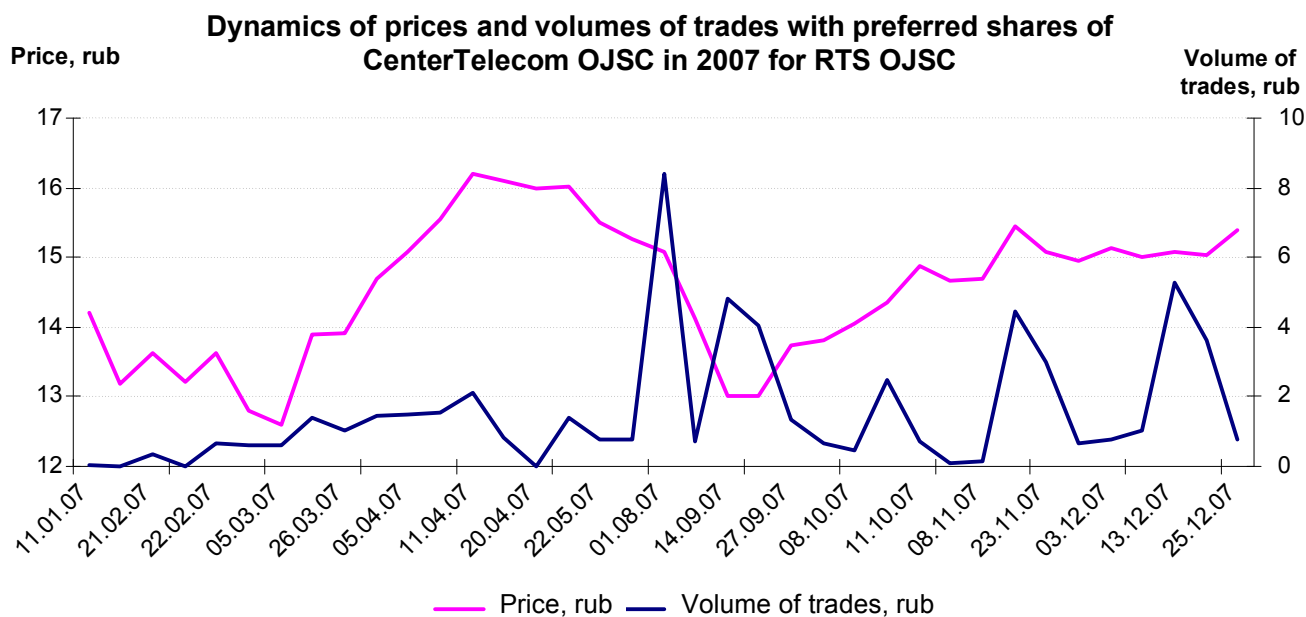


Diagram 11



The main Russian trade floor for carrying out exchange transactions with shares of the Company in 2007 became the MICEX Stock Exchange. Transactions with shares of the Company took place daily there, and in comparison with 2006 the amount of deals with ordinary shares has increased 2.5 times, with preferred shares – more than 1.7 times.

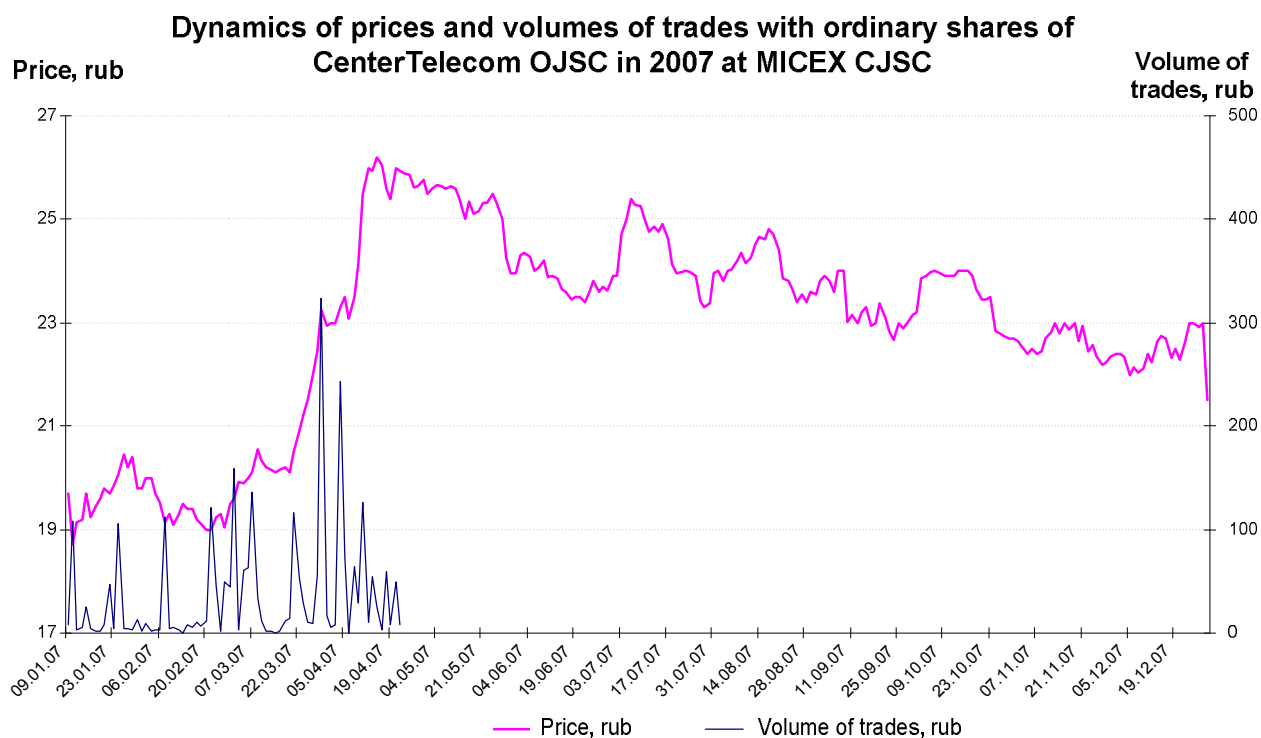
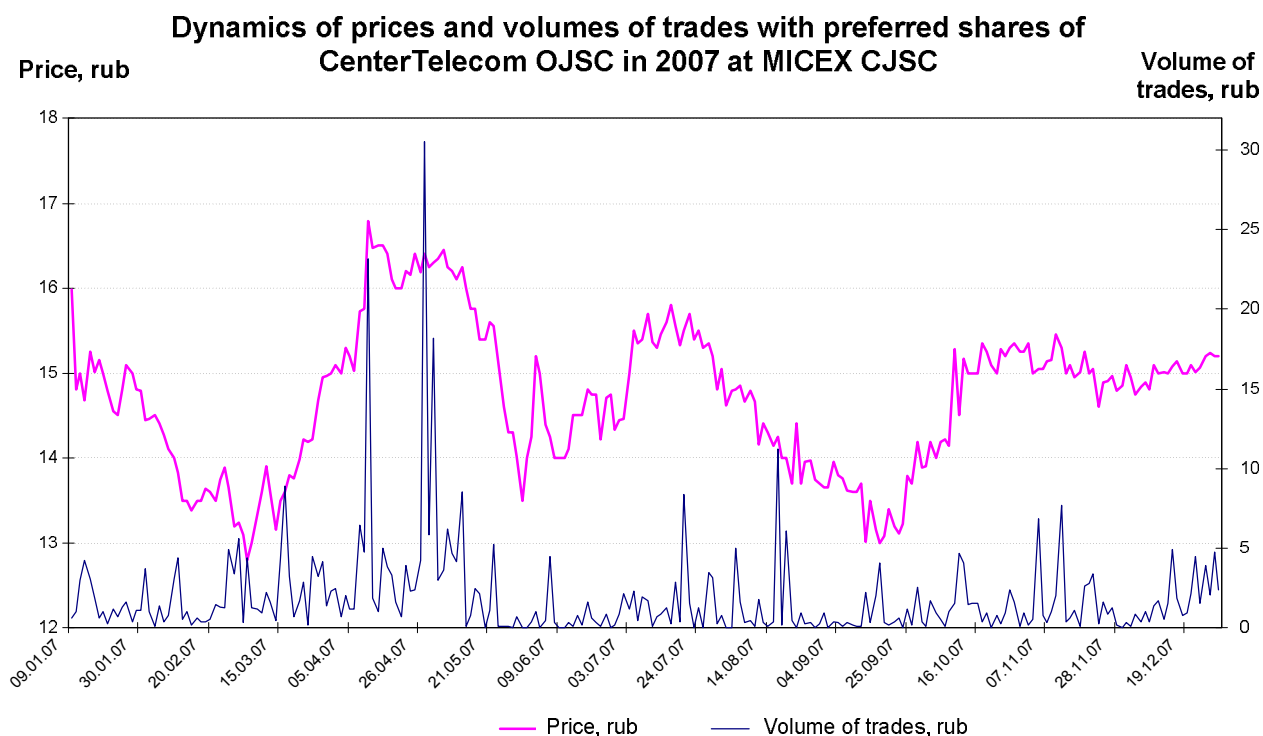


Diagram 13

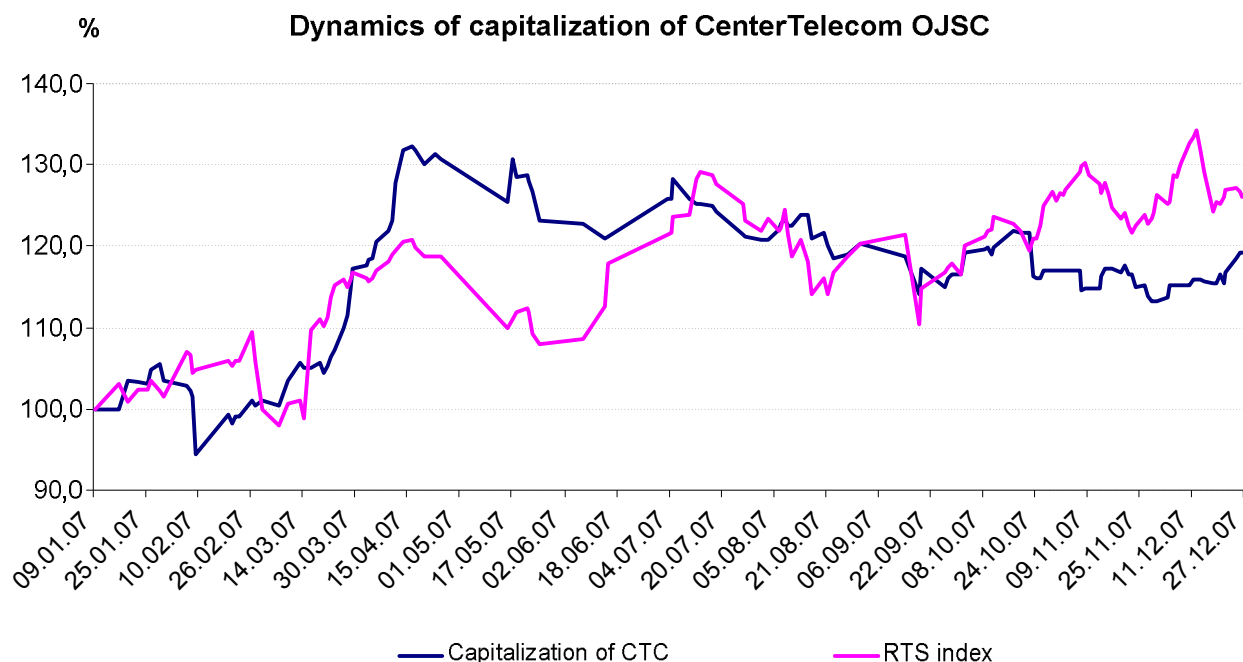


Market value of CenterTelecom OJSC in 2007 was formed under the influence of internal as well as external factors, and on the whole, in compliance with common trends of Russian stock market.

From January to December 2007 capitalization of the company according to the results of trades at RTS increased by 19% and came up to 44 327 281 thousand rubles, at MICEX it grew by 11.5 % and came up to 43 196 741.5 thousand rubles.

The rate of growth of capitalization in 2007 decreased in comparison with 2006 at RTS by 17.2%, at MICEX – by 14.8%. A reduction of capitalization growth rate was caused first of all, by the world liquidity crisis in the international financial market under the influence of mortgage crisis in the USA.

Diagram 14



## 10.6. Information on ADR of the Company

CenterTelecom OJSC has the program of American Depositary Receipts (ADR) of the first level for ordinary shares of the company for introduction of shares to the international stock market, registered on August 22, 2001 by the US Commission on Securities and Stock Exchanges.

**Amount of ordinary shares allowed for circulation outside the Russian Federation in the form of depositary receipts comprises 623,312,699.**

J.P. Morgan Chase Bank acts as the depositary bank for the ADR program. Deposit agreement between CenterTelecom OJSC, J.P. Morgan Chase Bank, and depositary notes holders was concluded on September 4, 2001, amended and reviewed on December 10, 2001, one ADR comprises 100 ordinary shares of CenterTelecom OJSC

*Due to expiry of the effective term of the Deposit agreement and the decision on prolongation of powers of J.P. Morgan Chase Bank to act as the depositary bank for servicing the ADR program by 7 years, in the end of 2007 the following amendments to the Deposit agreement were reconciled with the depositary bank:*

- *on changes of the coefficient of conversion of one American depositary share confirmed by ADR into ordinary shares of CenterTelecom OJSC from 1/100 to 1/25, i. e., every American depositary share, confirmed by ADR, will give the right to receive 25 ordinary shares of CenterTelecom OJSC;*
- *reflecting the fact of appointing an Open Joint Stock Company “United Registration Company” the Russian register of shares of CenterTelecom OJSC;*
- *changing the form of ADR in compliance with the requirements of the legislation*
- *and some other changes.*



Revision of the coefficient of conversion of shares of the company into ADR is carried out with the purpose of creating ADR market price more attractive for investors.

In 2007 changes were also introduced in Declaration letter, submitted to the USA Commission on Securities (the Commission) on July 22, 2001, in compliance with which the Company had chosen the variant of electronic publishing of information, required in accordance with the Rule 12g3-2(b) instead of submitting such information to the Commission on paper. The indicated information is placed by CenterTelecom OJSC in its internet site: [http://www.centertelecom.ru/eng/investor/12g3-2\(b\).htm](http://www.centertelecom.ru/eng/investor/12g3-2(b).htm). In this page of the site English translations of annual reports of the Company, as well as of financial results, press-releases and other documents, immediately forwarded to the holders of (ordinary voting shares) CenterTelecom OJSC.

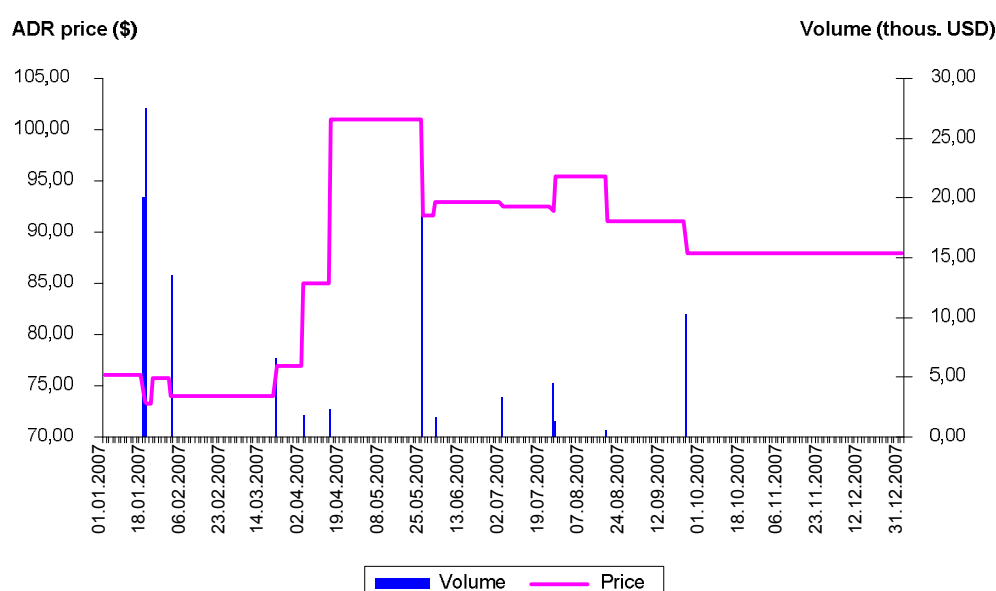
Within the last year more than 100 corporate documents were prepared and translated in English, including quarterly reports of the emissive securities issuers, announcements of important facts, events, which could have had considerable influence on the cost of securities, as well as the annual report based on the results of financial and economic activity in 2006, made up in accordance with IAS, materials of the annual meeting of shareholders and other information.

Basing on the results of the annual research of information transparency of the largest Russian companies, carried out by Standart & Poor's, CenterTelecom OJSC was included in the list of the most transparent business structures and is the 22nd among 80 participants of the research, which have the most marketable shares and underwent listing in the MICEX Stock Exchange. In the analysis the level of disclosure of information was evaluated, contained in the statements submitted to regulatory bodies, disclosed in annual reports and in web-sites.

ADRs of the first level for ordinary shares of the Company are traded in the off-counter market in the USA (CRMUY), Berlin (CRMUY.BE) and Frankfurt (CRMUY.F) stock exchanges.

Dynamics of price and volumes of ADR trades with ordinary shares of CenterTelecom OJSC in the off-counter market in the USA in 2007

Diagram 15

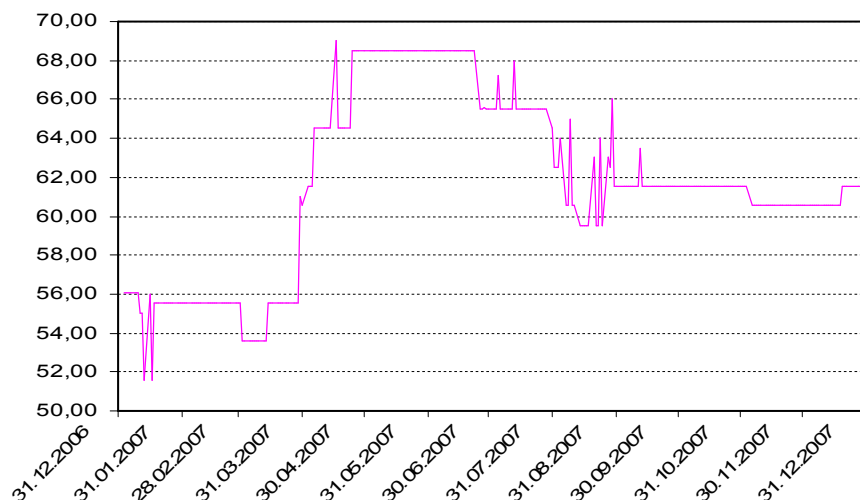


The volume of ADR trades in the off-counter market in the USA in 2007 came up to 128,22 thousand USA dollars and increased nine times in comparison with 2006 (2006 – 14.27 thousand USA dollars).

## Dynamics of ADR price for ordinary shares of CenterTelecom OJSC in Berlin Stock Exchange in 2007

Diagram 16

Цена АДР, евро

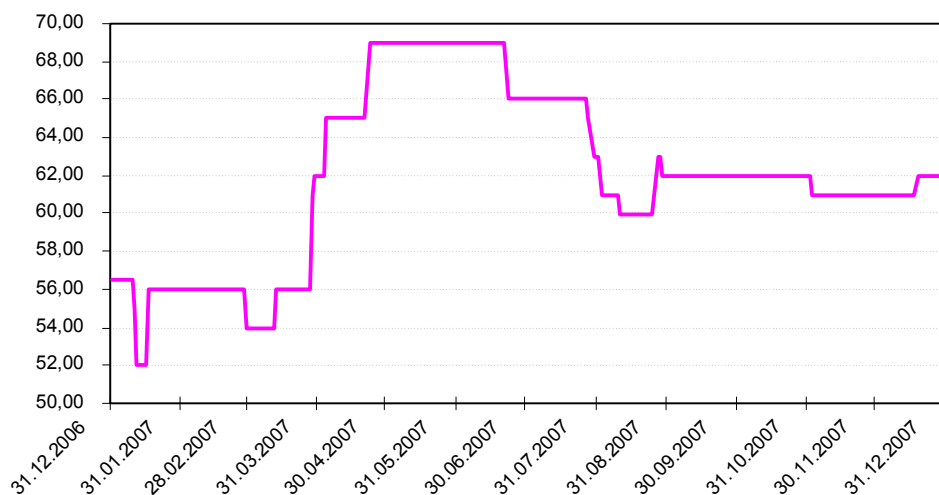


There were no exchanges of ADR into ordinary shares in Berlin Stock Exchange in 2007.

## Dynamics of ADR price for ordinary shares of CenterTelecom OJSC in Frankfurt Stock Exchange in 2007

Diagram 17

ADR price, EUR



There were no exchanges of ADR into ordinary shares in Frankfurt Stock Exchange in 2007.

During the time of existence of the ADR program, the amount of ADR in circulation has greatly increased, which demonstrates growing interest of foreign investors in CenterTelecom OJSC. The number of circulating ADR for ordinary shares of the Company has increased from 10,000 from the beginning of circulation to 454,600 by the end of 2007. Correspondingly, the share of ADR in the total amount of ordinary shares of the Company has grown from 0.063% to 2.88%.

### Main institutional investors – holders of ADR as of the end of 2007

	Name	City	Country	Number of ADR	Share in the total amount of ordinary shares
1	ABN AMRO Kapitalförvaltning AB	Stockholm	Sweden	114 823	0.73%
2	INVESCO Asset Management Limited	Henley-on-Thames	United Kingdom	61 800	0.39%
3	Swedbank Robur AB	Stockholm	Sweden	40 000	0.25%
4	Universal-Investment-Gesellschaft mbH	Frankfurt	Germany	8 550	0.05%
5	Julius Baer Investment Management LLC	New York	United States	1 244	0.01%
	Total			226 417	1.43%

### 10.7. Information on bonds of the Company.

With the purpose of diversification of sources of financing, reduction of costs and prolongation of terms of borrowing, CenterTelecom OJSC actively exploits Russian market of bonds.

In 2007 two bonded loans of CenterTelecom OJSC were in circulation: bonds series 04 and 05.

### Information on bonded loans of CenterTelecom OJSC, which were in circulation in 2007

Main parameters of the issue	Series 04	Series 05
Nominal value of the issue	5 622 595 thousand rubles	3 000 000 thousand rubles
Beginning/end of placement	17.08.2004/31.08.2004	05.09.2006/05.09.2006
Date of repayment/term of circulation	21.08.2009/1830 days	02.03.2010 / 1274 days - 10% of nominal value; 31.08.2010 / 1456 days - 20% of nominal value; 01.03.2011 / 1638 days - 30% of nominal value; 30.08.2011 / 1820 days - 40% of nominal value;
Date of payment and coupon rate	16.02.05, 18.08.05, 17.02.06, 19.08.06, 18.02.07, 20.08.07, 19.02.08, 20.08.08, 19.02.09, 21.08.09 - 13,8% annual rate	06.03.07, 04.09.07, 04.03.08, 02.09.08 – 8,09% annual rate, interest rates for other coupons will be determined by the Company in compliance with the order stipulated by issue documents
Members of the syndicate	Originator and underwriter: ROSBANK Co-originators and co-underwriters: Troyka Dialog, Promsvyazbank, SOYUZ Bank, Guta-Bnak, Svyaz-Bank - Co-underwriters: ZENITH Bank, Web-Invest Bank, International Moscow Bank, GaspromBank Paying agent: ROSBANK	Main originator and main underwriter: Bank of Moscow Co- originators: Sviaz Bank, Deutsche Bank, Promsvyazbank Underwriter: Dresdner Bank, International Moscow Bank, Nomos-Bank, BK Region, IG Renaissance Capital Co-underwriters: Agropromkredit, IK Veles, Capital, MDM Bank, IFG RIGroup-Finance, Shipbuilding bank Paying agent: SVYAZ-BANK

Additional information	Offer: 16.11.06 – 100% of nominal value plus accumulated coupon yield as of the date of the offer. Security: Telecom-Terminal OJSC	Offer: 04.09.08 – 100% of nominal value on the date of the offer performing Security: CentrFinance OJSC
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Trades with bonds of CenterTelecom OJSC of the 04 series are carried out in the following trading floors:

1) RTS OJSC in the section of the List “Securities, allowed for circulation, but not included in the quotation lists” (trade codes – ESMO04 and ESMO05 correspondingly).

2) MICEX OJSC – in the quotation list “B” (trade codes - RU000A0DBR52 and RU000A0JNK18 correspondingly).

CenterTelecom OJSC has shown itself as a reliable borrower, which fully discharges its obligations towards the holders of securities of the Company. The total sum of coupon payments on bonds of CenterTelecom OJSC of series 04 and 05 in 2007 came up to 1 020 094 696.1 rub.

## ***XI. INFORMATION FOR SHAREHOLDERS***

CenterTelecom OJSC informs its shareholders that for reflecting of correct data concerning registered persons, in the Company’s Registry of Shareholders with the following purposes:

- Correct compiling of lists of participants in general meetings of shareholders
- Forwarding of messages and voting bulletins for general meetings of shareholders
- Arrangements for payment of dividends

In accordance with requirements of Clause 5 Article 44 of the Federal Law No. 208-FZ “On Joint-Stock Companies” dated 24.11.1995, it is necessary to inform the holder of the Company’s Registry of Shareholders about the changes in the shareholders’ details. If a shareholder fails to inform the Company about the changes in the shareholders’ details, the Company and the Registrar shall not be liable for the losses suffered in connection with such failure.

Regarding the matters connected with execution of rights and obligations of CenterTelecom OJSC shareholders, please refer to the Office of Corporate Secretary situated at: 5, Troitskaya st., Moscow (postal address: 6, building 2, Degtyarny lane, 125993, Moscow), the contact persons:

(495) 793-26-54 Tatiana Vedeneeva

(495) 793-26-57 Ksenia Dugina

**For information related to execution of rights and obligations in the regions, please refer to shareholders’ reception points of CenterTelecom OJSC in its branches:**

<b>Name of the branch of CenterTelecom OJSC</b>	<b>Address</b>	<b>Telephone/Fax</b>
Belgorod branch	3 Sobornaya pl., Belgorod, 308000	(4722) 35-03-87 33-67-95
Bryansk branch	9, K. Marx pl., Bryansk, 241050	(4832) 72-15-75 72-20-00
Upper Volga branch	22 Komsomolskaya str., Yaroslavl, 150000	(4852) 73-24-40 32-84 91
The Upper Volga branch Ivanovo Unified Telecommunications Point	1 10 <sup>th</sup> August str., Ivanovo, 153000	(4932) 47-13-36 47-13-28

The Upper Volga branch Kostroma Interdistrict Telecommunications Point	1 Podlipaeva str., Kostroma, 156961	(4942) 62-10-23 62-10-64
Vladimir branch	42 Gorky str., Vladimir, 600000	(4922) 35-33-50 35-33-50
Voronezh branch	35 Revolution pr., Voronezh, 394000	(4732) 53-34-73 53-06-51
Kaluga branch	38 Teatralnaya str., Kaluga, 248000	(4842) 79-62-05 53-10-40
Kursk branch	8 Krasnaya square, Kursk, 305000	(4712) 70-10-30 70-10-30
Lipetsk branch	35-a Tereshkova str., Lipetsk, 398043	(4742) 38-12-48 38-12-49
Moscow branch	23, Proletarskaya str., Khimki, 414000	(495) 572-70-02
Orel branch	43 Lenin str., Orel, 302028	(4862) 43-18-96
Ryazan branch	43 Schedrin str., Ryazan, 390006	(4912) 27-22-05 21-61-66
Smolensk branch	6 October Revolution str., Smolensk, 214000	(4812) 68-31-76 16-33-11
Tambov branch	2-v Astrakhan str., Tambov, 392002Б	(4752) 75-05-88 75-23-10
Tver branch	24 Novotorzhskaya str., Tver, 170000	(4822) 32-37-17 32-36-30
Tula branch	33-a Lenina str., Tula, 300000	(4872) 21-73-51

**Director General**

**V. A. Martirosyan**

**Chief Accountant**

**A. D. Kartashov**

***Annex 1***  
***INFORMATION ON THE MOST SIGNIFICANT TRANSACTIONS***  
***OF THE COMPANY***

1. In 2007, the Company did not implement any transactions which can be recognized as major transactions under the Federal Law “On Joint-Stock Companies”.
2. The list of transactions, approved by the Board of Directors of the Company and concluded by the Company in 2007, which are recognized under the Federal Law “On Joint-Stock Companies” as interested party transactions:

<b>No.</b>	<b>Parties</b>	<b>Subject of the transaction</b>	<b>Price</b>	<b>Date of effect Term of validity</b>	<b>People, interested in the Conclusion of the Transaction</b>
1	CenterTelecom OJSC and Svyazintek OJSC	CenterTelecom OJSC (Customer) entrusts and Svyazintek OJSC accepts the tasks of designing software and technical projects (including technical architecture), manufacturing of software modules (including modules for filling in of database structures; modules for implementing of printed forms) and developing of the unified bookkeeping system in the context of the “Pilot” project of the conversion program of billing in CenterTelecom OJSC.	<p><i>The total price of works under the contract is the amount in rubles equal to 400 000 (four hundred thousand) US dollars, including VAT (18%) of 61 016.95 (Sixty one thousand sixteen dollars and ninety five cents) US dollars.</i></p> <p><i>The payment shall be effected in rubles at the rate established by CB RF at the date of payment.</i></p>	<p><i>The works shall be done in stages in accordance with the Schedule established in Annex 2 to the Contract.</i></p> <p>The Contract takes effect since the moment of its execution (<b>24.01.2007</b>) and stays in effect till the moment of fulfillment by the Parties of the obligations assumed by them.</p>	The interest in the transaction – the transaction is entered into by an affiliate (Svyazintek OJSC) of a Company’s shareholder

2	CenterTelecom OJSC (the Customer) and GIPROSVYAZ OJSC (the Contractor)	The Customer entrusts and the Contractor accepts the design and survey works on the object in Kursk region – “The construction of a fiber communication line Rylsk – Glushkovo – Korenevo – Sudzha – B. Soldatskoye – Belaya – Oboyan”	<i>4 761 881.00 (Four million seven hundred and sixty one thousand eight hundred and eighty one) rubles, excluding: VAT 18% - 857 138.58 (eight hundred and fifty seven thousand one hundred and thirty roubles, 58 kopecks) rubles. Total including VAT 5 619 019.58 (five million six hundred and nineteen rubles 58 kopecks) rubles.</i>	<p>The contract takes effect since the moment of its execution <b>(23.01.2007)</b> and stays in effect till the moment of fulfillment by the Parties of the obligations assumed by them. The conditions of the Contract apply to the relationships between the Parties which started on 13.06.2006</p> <p>The works shall be implemented in stages:</p> <ul style="list-style-type: none"> <li>• stage 1 (Engineering survey on line facilities on the B. Soldatskoye – Sudzha section (30 km) on 13 June 2006 – November 2006;</li> <li>• stage 2 (Engineering and geological survey on the entire distance of the fiber-optic line) on 13 June 2006 – November 2006;</li> <li>• stage 3 (Work project on the Oboyan – Belaya - B. Soldatskoye – Sudzha section) on 13 June 2006 – November 2006;</li> <li>• stage 4 (Work project on the Sudzha – Korenevo – Glushkovo – Rylsk section) on 13 June – 15 December 2006;</li> <li>• stage 5 (Work project on station facilities) on 13 June – 15 December 2006.</li> </ul>	The interest in the transaction – the transaction is entered into by an affiliate (GIPROSVYAZ OJSC) of a Company’s shareholder
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3	CenterTelecom OJSC (the Contractor) and Rostelecom OJSC (the Customer)	The Contractor undertakes to provide the services to the Customer – the resource complex for technological equipment, and the Customer undertakes to pay for the services provided in accordance with the Contract.	Monthly payments in amount of 20768 (twenty thousand seven hundred and sixty eight) rubles including VAT 3168 (three thousand one hundred and sixty) rubles	The contract takes effect since the moment of its execution <b>(21.03.2007)</b> and stays in effect during 11 months. After the Contract's validity expires and in absence of prior 30-days written notices concerning termination, the Contract shall be deemed extended for the same term and under the same conditions.	<p>The interest in the transaction – the Company belongs to the same group of persons that Rostelecom OJSC belongs to, and the members of the Board of Directors of the Company are simultaneously the members of the Board of Directors of the counterparty, namely:</p> <ul style="list-style-type: none"> <li>- A. N. Kiselev as the Chairman of the Board of Directors of CenterTelecom OJSC, is interested in implementing of transactions (is simultaneously the Chairman of the Board of Directors of Rostelecom OJSC).</li> <li>- S. I. Kuznetsov as the Vice - Chairman of the Board of Directors of CenterTelecom OJSC, is interested in implementing of transactions (is simultaneously a member of the Board of Directors of Rostelecom OJSC).</li> <li>- V. V. Degtyarev as a member of the Board of Directors of CenterTelecom OJSC, is interested in implementing of transactions (is simultaneously a member of the Board of Directors of Rostelecom OJSC).</li> <li>- V. N. Yashin as a member of the Board of Directors of CenterTelecom OJSC, is interested in implementing of transactions (is simultaneously a member of the Board of Directors of Rostelecom OJSC).</li> </ul>
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					- E. P. Selvich as a member of the Board of Directors of CenterTelecom OJSC, is interested in implementing of transactions (is simultaneously a member of the Board of Directors of Rostelecom OJSC).
4	SZT OJSC, CenterTelecom OJSC, VolgaTelecom OJSC, YTK OJSC, Uralsvyazinform OJSC, Sibirtelecom OJSC, Dalsvyaz OJSC, Dagsvyazinform OJSC, (hereinafter – the Operators)	The Operators undertake to provide the Users with the possibility of using the universal communication services pay cards issued by any operator participating in the Contract in their payphones and Collective Access Points, for payment for universal communication services as well as intrazone, long-distance and international communication services, access to which is provided in connection with provision of universal communication services. Operators effect mutual settlement for Communication Services provided to Users via pay phones and Collective Access Points. The basis for settlement shall be reports of Universal Payment Means	The amount of monies to be paid by an Operator providing communication services, to an Operator issuing a card shall be 20 % of the cost of provided communication services	The contract takes effect since the moment of its execution by all the Operators <b>(18.05.2007)</b> and stays in force for 5 years. Conditions of the Contract cover the relationships between the parties related to the subject of the Contract and established on 01 March 2007. If none of the Operators declare the termination of the contract three months prior to its expiry date, than the term of the Contract shall be extended under the same conditions for one calendar year.	The interest in the transaction - Svyazinvest OJSC is entitled to more than 20% of the total votes belonging to the shares that constitute the authorized capital of CenterTelecom OJSC, as well as to more than 20% of the total votes belonging to the shares that constitute the authorized capital of VolgaTelecom OJSC, YTK OJSC, Uralsvyazinform OJSC, Sibirtelecom OJSC, Dalsvyaz OJSC, Dagsvyazinform OJSC, which are parties to the transaction. More over, members of the Company's Board of Directors are simultaneously the members of the Board of Directors of the counterparty, namely: A. N. Kiselev as the Chairman of the Board of Directors of CenterTelecom OJSC, is simultaneously the Chairman of the Board of Directors of SZT OJSC;

		<p>Ltd.</p> <p>For the purposes of the Contract “card” means an instrument than allows a communication services user to initiate a call and establish a connection by identifying themselves to an operator as a payer in communications network. Cards shall conform to the requirement stated in the Annex 1 to the Contract.</p>			<p>S. I. Kuznetsov as the Vice - Chairman of the Board of Directors of CenterTelecom OJSC, is simultaneously the Chairman of the Board of Directors of Volgatelecom OJSC, the Chairman of the Board of Directors of Sibirtelecom OJSC;</p> <p>B. D. Antonyuk, as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Uralsvyazinform OJSC, a member of the Board of Directors of YTK OJSC;</p> <p>A. V. Beskorovayny as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Sibirtelecom OJSC;</p> <p>V. V. Degtyarev, as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Volgatelecom OJSC, a member of the Board of Directors of Dalsvyaz OJSC;</p> <p>V. D. Savchenko, as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Volgatelecom OJSC;</p>
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					<p>E. P. Selvich as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of YTK OJSC;</p> <p>V. N. Yashin as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of SZT OJSC.</p>
5	CenterTelecom OJSC (the Buyer) and CenterTelecom Service OJSC (the Supplier)	<p><i>Modification of conditions of the Supply Contract No. 7252/06-DO dated 10.10.2006 namely:</i></p> <p>The Parties agreed to make amendments the Specification in Annex 1 to the Supply Contract No. 7252/06-DO dated 10.10.2006 between the Parties and approve the said Specification as Annex 1 to the Supplementary Agreement.</p>	<p>Cost of Equipment under the Contract including the Supplementary Agreement is 63 124 277 (sixty three million twenty four thousands two hundred and seventy seven) rubles 00 kopecks, including VAT 18% - 9 629 127 (nine million six hundred and twenty nine thousand one hundred and twenty seven) rubles 00 kopecks</p>	<p><i>The supplementary agreement takes effect at the moment of its signing by the authorized representatives of the Parties (16.07.2007) and covers the relationships actually established between the Parties on 13 November 2006.</i></p>	<p>The interest in the transaction - the members of the management board are simultaneously the members of the Board of Directors of the counterparty, namely:</p> <p>A. I. Kirillov, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of CenterTelecom Service OJSC;</p> <p>S. V. Nazarov, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of CenterTelecom Service OJSC.</p> <p>A. A. Lutsky, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of CenterTelecom Service OJSC.</p> <p>A. D. Kartashov, a member of the management board of</p>

					CenterTelecom OJSC, is simultaneously a member of the Board of Directors of CenterTelecom Service OJSC.
6	CenterTelecom OJSC (the Contractor) and RTS OJSC (the Customer)	To establish the conditions for the Customer, which will ensure the proper secrecy procedures for performing of works related to the usage of information constituting State secret.	The monthly cost of the Contractor's services under the Contract is 7000 (seven thousand) rubles including VAT 18% - 1067,80 (one thousand and sixty seven) rubles 80 (eighty) kopecks.	<p><i>The Parties start performing their obligations under the Contract since the moment of receiving by the Customer and the Contractor of the licenses referred to in the item 4.2. of the Contract (23.11.2007).</i></p> <p>The end of the contracts validity term shall be established by the Parties' agreement before date of expiry of any of the licenses referred to in the item 4.2. of the Contract. If the term of any license is cancelled by any Party prematurely, the validity of the Contract shall be also cancelled.</p>	<p>The interest in the transaction - the Company is entitled to more than 20% of the total votes belonging to the shares that constitute the authorized capital of RTS OJSC, and members of the management board of the Company are simultaneously the members of the Board of Directors of the counterparty, namely:</p> <ul style="list-style-type: none"> <li>- A. A. Lutsky, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of CenterTelecom RTS OJSC;</li> <li>- S. V. Nazarov, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of RTS OJSC;</li> <li>- A. I. Kirillov, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of RTS OJSC.</li> </ul>

7	CenterTelecom OJSC (the Lender) and RTS OJSC (the Borrower)	<p>1. The subject of the Loan Contract No. 1 – the Lender transfers to the Borrower’s ownership the lump amount of 16 144 338 rubles on 26 April 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p> <p>2. The subject of the Loan Contract No. 2 – the Lender transfers to the Borrower’s ownership the lump amount of 36 880 832 rubles on 15 May 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p> <p>3. The subject of the Loan Contract No. 3 – the Lender transfers to the Borrower’s ownership the lump amount of 4 283 177 rubles on 18 June 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p> <p>4. The subject of the Loan contract No. 4 – the Lender</p>	<p>The rate of interest for usage of monies in the total amount of 116 540 848 rubles 00 kopecks, alienated by the Company (the Lender) under the transaction consisting of several related transactions, namely loan contracts No. 1 - 6, for the benefit of the Open Joint-Stock Company “Russian Telecommunication Network” (the Borrower) shall be 11 per cent per annum.</p>	<p>Each of the contracts No. 1 - 6 takes effect at the moment of receiving of the debt sum to a settlement account, and expires after the Borrower performs all their obligations under the Contract.</p> <p>Under the contract No.1: the debt transfer date - «26» <b>April 2007</b>; The debt return date - 28 December 2007. Under the contract No.2 - the debt transfer date - <b>15 May 2007</b>; The debt return date - 14 May 2008. Under the contract No. 3- the debt transfer date – <b>18 June 2007</b>; The debt return date - 17 June 2008. Under the contract No. 4 - the debt transfer date - <b>16 July 2007</b>; The debt return date - 15 July 2008. Under the contract No. 5- the debt transfer date - <b>15 August 2007</b>; The debt return date - 14 August 2008. Under the contract No.6- the debt transfer date - <b>15 November 2007</b>; The debt return date - 14 November 2008.</p>	<p>The interest in the transaction – the transaction is entered into by an affiliate (RTS OJSC) of a Company’s shareholder, and members of the management board of the Company are simultaneously the members of the Board of Directors of the counteragent, namely:</p> <ul style="list-style-type: none"> <li>- A. I. Kirillov, the chairman of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of RTS OJSC;</li> <li>- A. A. Lutsky, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of RTS OJSC;</li> <li>- S. V. Nazarov, a member of the management board of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of RTS OJSC.</li> </ul>
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		<p>transfers to the Borrower's ownership the lump amount of 4 560 500 rubles on 16 July 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p> <p>5. The subject of the Loan contract No. 5 – the Lender transfers to the Borrower's ownership the lump amount of 43 386 001 rubles on 15 August 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p> <p>6. The subject of the Loan contract No. 6 – the Lender transfers to the Borrower's ownership the lump amount of 11 286 000 rubles on 15 November 2007, and the Borrower undertakes to return the amount of debt timely and in accordance with the procedures established in the contract.</p>			
8	CenterTelecom OJSC (the Customer) and GIPROSVIAZ OJSC (the Contractor)	The Customer entrusts and the Contractor accepts the design and survey works on the object in Ivanovo region – “The construction of a cell	687 310 (Six hundred and eighty seven thousands three hundred and ten) rubles, excluding VAT 18% - 123 715 (one hundred and twenty	<i>The dates of beginning and completion of works under the Contract shall be set in accordance with the Calendar Schedule (Annex 2 to the Contract). The works shall</i>	The interest in the transaction – the transaction is entered into by an affiliate (GIPROSVYAZ OJSC) of a Company's shareholder

		radio phone network in the frequency range of 450 MHz (IMT-MC-450 technology) in Ivanovo region (first line).	three thousand seven hundred and fifteen) rubles 80 kop. Total including VAT – 811 025 (eight hundred and eleven thousands twenty five) rubles 80 kop.	<i>start at the date the advance payment and basic data is received, and completed 2.5 months after beginning of works;</i>  The Contract shall take effect at the moment of its signing ( <b>23.05.2007</b> ) and stay in effect until the Parties fulfill their obligations there under.	
9	CenterTelecom OJSC (the Customer) and GIPROSVYAZ OJSC (the Contractor)	The Customer entrusts and the Contractor accepts the design and survey works on the object in Kostroma region – “The construction of a cell radio phone network in the frequency range of 450 MHz (IMT-MC-450 technology) in Kostroma region (first line).	639 845 (six hundred and thirty nine thousands eight hundred forty five) rubles, excluding value added tax 18% - 115 172.10 (one hundred and fifteen thousands one hundred and seventy two) rubles 10 kop. Total including VAT – 755 017.10 (seven hundred and fifty five thousands seventeen) rubles 10 kop.	<i>The dates of beginning and completion of works under the Contract shall be set in accordance with the Calendar Schedule (Annex 2 to the Contract). The works shall start at the date the advance payment and basic data is received, and completed 2,5 months after beginning of works;</i>  The Contract shall take effect at the moment of its signing ( <b>23.05.2007</b> ) and stay in effect until the Parties fulfill their obligations there under.	The interest in the transaction – the transaction is entered into by an affiliate (GIPROSVYAZ OJSC) of a Company’s shareholder
10	CenterTelecom OJSC (the Customer) and GIPROSVIAZ OJSC (the Contractor)	The Customer entrusts and the Contractor accepts the design and survey works on the object in Kaluga city and Kaluga region – “Construction of hardware and software complex SURPASS hiE 9200”.	<i>1 249 548.00 RUB (one million two hundred and forty nine thousands five hundred and forty eight rubles 00 kop.), excluding value added tax 18% - 224 918.64 (two hundred and twenty four thousand nine hundred and eighteen</i>	<i>Work completion terms:</i>  - stage 1 (work project) – communication organization scheme:  Start: reception of advance payment and basic data (clause 2.3.2. of the Contract); finish: 3 weeks after the start;	The interest in the transaction – the transaction is entered into by an affiliate (GIPROSVYAZ OJSC) of a Company’s shareholder

			<i>rubles 64 kop.).</i>	<p>- stage 2 (work project) – station facilities, estimate documents, IPF: Start: reception from the Customer of the communication organization scheme and basic data (clause 2.3.2. of the Contract); finish: 2 months after the start;</p> <p>The Contract shall take effect at the moment of its signing <b>(15.06.2007)</b> and stay in effect until the Parties fulfill their obligations there under.</p>	
11	CenterTelecom OJSC (the Issuer) and United Registration Company Open Joint-Stock Company (the Registrar)	Change in the conditions (supplementary agreement No. 3) of the service contract for keeping of the Registry of nominal security holders No. 18-07/03 BP dated 18.07.2003.	The supplementary agreement is not related to the changes in price indexes.	The Supplementary agreement shall take effect at the moment of its signing <b>(25.05.2007)</b> .	The interest in the transaction – a Company's shareholder (Svyazinvest OJSC) together with its affiliates holds more than 20% of the shares of URC OJSC.
12	CenterTelecom OJSC (the Transfer agent) and United Registry Company Open Joint-Stock Company (the Registrar)	Change in the conditions (supplementary agreement No. 2) of the service contract for providing of transfer-agency services No. TA – 22/06/7019/06-ДО dated 01.08.2006.	The supplementary agreement is not related to the changes in price indexes.	The Supplementary agreement shall take effect at the moment of its signing <b>(25.05.2007)</b> .	The interest in the transaction – a Company's shareholder (Svyazinvest OJSC) together with its affiliates holds more than 20% of the shares of URC OJSC.
13	CenterTelecom OJSC (the Operator) and Rostelecom OJSC (Rostelecom)	Change in the conditions (supplementary agreement No. 8) of the contract for connection of telecommunication networks in the form of the Contract No. 6480/05-ДО dated 01 January 2006 change in the	Change of tariffs (rubles/min.) for traffic services provided by the Operator, by setting forth of the clause 1.1. of Annex No. 1 to the contract in the form of clause 5 of the supplementary agreement.	The Supplementary agreement shall take effect at the moment of its signing <b>(04.06.2007)</b> and stays in effect until the expiry of the contract for connection of telecommunication networks in the form of the Contract No. 6480/05-ДО dated 01	The interest in the transaction – the transaction is entered into together with an affiliate (Rostelecom OJSC) of a Company's shareholder, and members of the Board of Directors of the Company are



		contract conditions.		January 2006. The parties state that the conditions of the Contract entered into by them, except clauses 1 and 2, shall be applied to the relationships between them, established on 01 July 2006. The parties state that the applying of the Contract as related to the clauses 1 and 2 covers the relationships between the Parties established since 01 January 2007.	simultaneously the members of the Board of Directors of the counteragent, namely: - A. N. Kiselev as the Chairman of the Board of Directors of CenterTelecom OJSC, is simultaneously the Chairman of the Board of Directors of Rostelecom OJSC; as well as V. V. Degtyarev, S. I. Kuznetsov, E. P. Selvich, V. N. Yashin are the members of the Board of Directors of CenterTelecom OJSC and are simultaneously the members of the Board of Directors of Rostelecom OJSC.
14	CenterTelecom OJSC (the Organization) and Russian Fund for History of Communications (the Fund)	The Organization transfers to the Fund non-recurring monies as a donation.	The amount of donation – 2 000 000.00 rubles (two million rubles, 00 kopecks).	The term of donation shall be before 15 June 2007. <b>The Contract shall take effect at the moment of its signing by the parties' authorized representatives (20.06.2007) and shall continue in force till 31 December 2007.</b>	The interest in the transaction – the transaction is entered into by an affiliate (the Russian Fund for History of Communications) of a Company's shareholder with an affiliate of the Company through the administrative bodies, the members of the Company's Board of Directors are simultaneously the members of the counteragent's management board, namely: - B. D. Antonyuk, V. N. Yashin, as the members of the Board of Directors of CenterTelecom OJSC, are simultaneously the members of the management board of the Russian Fund for

					History of Communications.
15	CenterTelecom OJSC (the Organization) and Russian Fund for History of Communications (the Fund)	The Organization transfers to the Fund a non-recurring monies as a donation (hereinafter – the Donation) for the purpose implementation of the Fund’s activity programs, approved at the meeting of the Management board of the Fund 18 December 2006, Minutes No. 18 (Annex No.1 to the Contract).	The amount of donation - 11 700 000.00 rubles (eleven million seven hundred thousands rubles, 00 kopecks).	<p>The term of donation – the money transfer to the Fund’s account shall be carried out quarterly in accordance with the Schedule of Charity donations to the <b>Russian Fund for History of Communications for 2007, which is an integral part of the Contract (Annex No.2 to the Contract)</b>;</p> <p>The Contract shall take effect at the moment of its signing <b>(20.06.2007)</b> and stay in effect until the Parties fulfill their obligations there under.</p>	<p>The interest in the transaction – the transaction is entered into by an affiliate (the Russian Fund for History of Communications) of a Company’s shareholder with an affiliate of the Company through the administrative bodies, the members of the Company’s Board of Directors are simultaneously the members of the counteragent’s management board, namely:</p> <p>- B. D. Antonyuk, V. N. Yashin, as the members of the Board of Directors of CenterTelecom OJSC, are simultaneously the members of the management board of the Russian Fund for History of Communications.</p>
16	CenterTelecom OJSC (the Organization) and Russian Fund for History of Communications (the Fund)	The Organization transfers to the Fund non-recurring monies as a donation.	The amount of donation – 30 000 000.00 рублей (thirty million rubles 00 kopecks).	<p>The term of donation shall be before 15 June 2007.</p> <p>The Contract shall take effect at the moment of its signing by the parties’ authorized representatives <b>(20.06.2007)</b> and shall continue in force till 31 December 2007.</p>	<p>The interest in the transaction – the transaction is entered into by an affiliate (the Russian Fund for History of Communications) of a Company’s shareholder with an affiliate of the Company through the administrative bodies, the members of the Company’s Board of Directors are simultaneously the members of the counteragent’s management board, namely:</p> <p>- B. D. Antonyuk, V. N. Yashin,</p>

					as the members of the Board of Directors of CenterTelecom OJSC, are simultaneously the members of the management board of the Russian Fund for History of Communications.
17	CenterTelecom OJSC (the Customer) and GIPROSVYAZ OJSC (the Contractor)	The Customer entrusts and the Contractor accepts the design and survey works on the objects listed in the Annex 1 to the Contract.	The approximate cost of works equals 43 058 000.00 (forty three million fifty eight thousand rubles 00 kopecks) rubles, excluding VAT 18% – 7 750 440.00 (seven million seven hundred and fifty thousand four hundred and forty rubles 00 kopecks) rubles. Total including VAT – 50 808 440.00 (fifty million eight hundred and eighty thousands four hundred and forty rubles 00 kopecks) rubles.	The time of beginning and completion of works for each object of the contract are indicated in the Annex No.1 to the Contract. The Contract shall take effect at the moment of its signing (03.07.2007) and stay in effect until the Parties fulfill their obligations there under.	The interest in the transaction – the transaction is entered into by an affiliate (GIPROSVYAZ OJSC) of a Company's shareholder
18	CenterTelecom OJSC (the Leaser) and TELECOM CJSC (the Lessee)	Termination of the contract No. 2 dated 01.03.1999 by mutual agreement of the Parties in accordance with clause 4.3. of the contract No. 2 dated 01.03.1999 and part 1 article 450 of the RF CC.	The contract is not related to the changes in price indexes.	The Termination Contract shall take effect at the moment of its signing by the Parties (31.08.2007).	The interest in the transaction – the transaction is entered into by an affiliate of the Company (Telecom CJSC)
19	CenterTelecom OJSC (the Lender) and ATS CJSC (the Borrower)	<i>The Lender transfers to the Borrower's ownership the lump amount of 16 000 000.00 (sixteen million) rubles 00 kopecks, and the Borrower undertakes to return the amount of debt</i>	<b>The rate of interest for usage of monies</b> – 8 (eight) per cent per annum	<i>The Loan is granted for three (3) months starting on the date of transfer. The Loan shall be returned in full three (3) months after the date of transfer.</i>  <i>The Contract takes effect since</i>	The interest in the transaction – the transaction is entered into by an affiliate of the Company (ATS CJSC), and a. A. Lutsky, a member of the Company's management board, is simultaneously a member of

		<p><i>timely and in accordance with the procedures established in the contract.</i></p> <p>The purpose of the Loan – increase in the Borrower's floating assets.</p>		<p><i>the moment of receiving of the Loan amount to the settlement account (09.10.2007) and stays in effect until the Borrower fulfills all their obligations there under.</i></p>	<p>the counteragent's Board of Directors.</p>
20	CenterTelecom OJSC (the Contractor) and Rostelecom OJSC (the Customer)	<p><i>The Contractor provides to the Customer services related to operative and technical maintenance of assembled, tuned and enabled equipment of the Customer, and the Customer pays to the Contractor for the provided Services in accordance to the Contract.</i></p> <p>The list of equipment transferred by the Customer to the Contractor for operative and technical maintenance, is set out in the Annex No. 1 to the Contract.</p>	<p>The cost of Services related to operative and technical maintenance of one item of main equipment – multiplexer MK-2048/TK-M is 6 476 rubles 56 kop. (six thousands four hundred and seventy six rubles, fifty six kopecks) including VAT 18% - 987 rubles 95 kop. (nine hundred and eighty seven rubles, ninety five kopecks) per month. The cost of Services related to operative and technical maintenance of auxiliary equipment of the Customer is 2 731 rubles 96 kop. (two thousand seven hundred and thirty one rubles, ninety six kopecks), including VAT 18% in the amount of 416 rubles 74 kop. (four hundred and sixteen rubles, seventy four kopecks) per month.</p>	<p><i>The Termination Contract shall take effect at the moment of its signing by the Parties (01.12.2007) and stays in effect till 31 December 2007. If neither of the Parties declares cancellation of the Contract's extension one month before its expiry date, the Contract term will be prolonged automatically under the same conditions for another 12 months. The number of such prolongations may be indefinite. The Contract No. 205 dated 14.07.2004, previously concluded by the Parties, shall be voided at the moment of execution of this Contract.</i></p>	<p>The interest in the transaction – the transaction is entered into by an affiliate (Rostelecom OJSC) of a Company's shareholder, members of the Company's Board of Directors are simultaneously the members of the Board of Directors of the counteragent, namely:</p> <ul style="list-style-type: none"> <li>- A. N. Kiselev as the Chairman of the Board of Directors of CenterTelecom OJSC, is simultaneously the Chairman of the Board of Directors of Rostelecom OJSC.</li> <li>- S. I. Kuznetsov as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Rostelecom OJSC;</li> <li>- M. Yu. Tsyganov as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Rostelecom OJSC;</li> </ul>

					<p>- E. P. Selvich as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Rostelecom OJSC;</p> <p>- M. A. Alekseev as a member of the Board of Directors of CenterTelecom OJSC, is simultaneously a member of the Board of Directors of Rostelecom OJSC.</p>
21	CenterTelecom OJSC (the Executive) and RTComm.RU OJSC (the Customer)	Alteration of terms and conditions to Contract No. 107-01/06/7304/06-ДО for communication service dated October 04, 2006.	Supplementary agreement does not involve cost parameters revision.	Supplementary agreement becomes effective since the date of its signing by the parties ( <b>October 24, 2007</b> ) and covers the parties' relationship within the bounds of its subject, having arisen from September 13, 2006.	The interest in the transaction completion lies in the Company shareholder's affiliated person entering into the transaction (RTComm.RU OJSC).
22	CenterTelecom OJSC (the Operator) and Rostelecom OJSC (Rostelecom)	<i>Alteration of terms and conditions to Contract No. 6479/05-ДО (749-05-23) dated January 01, 2006.</i>	Supplementary agreement does not involve cost parameters revision.	<i>The Agreement becomes effective since the date of its signing by the parties (<b>August 31, 2007</b>) and considered applicable to the parties' actual relationship, having arisen from June 01, 2007. The Agreement remains in force throughout the entire Agreement duration, unless being prior terminated by mutual agreement of the parties.</i>	<p>The interest in the transaction completion lies in the Company shareholder's affiliated person entering into the transaction (Rostelecom OJSC), as well as in the members the Company Board of Directors being simultaneously the members of the Contracting party's Board of Directors, i.e.:</p> <p>- A.N.Kiselev, the Chairman of CenterTelecom OJSC Board of Directors being simultaneously the Chairman of Rostelecom OJSC Board of Directors;</p>

					<p>- S.I.Kuznetsov, a member of CenterTelecom OJSC Board of Directors being simultaneously a member of Rostelecom OJSC Board of Directors;</p> <p>- M.Yu. Tsyganov, a member of CenterTelecom OJSC Board of Directors being simultaneously a member of Rostelecom OJSC Board of Directors;</p> <p>- E.P. Selvich, a member of CenterTelecom OJSC Board of Directors being simultaneously a member of Rostelecom OJSC Board of Directors;</p> <p>- M.A. Alekseev, a member of CenterTelecom OJSC Board of Directors being simultaneously a member of Rostelecom OJSC Board of Directors.</p>
23	CenterTelecom OJSC and Svyazintek OJSC	Svyazintek OJSC (the Executive) undertakes under the contract terms and conditions to perform works/provide services for the development, methodological assistance and support of full-scale Unified Master System within the limits of ERP program introduction among the companies of Svyazinvest group.	The cost of works performed by the Executive under the Contract amounts to 643 488 585.80 (Six hundred and forty-three million four hundred and eighty-eight thousand five hundred and eighty-five RUB 80/100) rubles, inclusive of 18% VAT, which equals to 98 159 275.80 (Ninety-eight million one hundred and fifty-nine thousand two hundred and	The due date for the works performance, including the phases' starting and ending dates, are specified in the relevant attachments to the Contract, which constitute an integral part thereof. The Contract becomes effective since the date of its execution <b>(September 11, 2007)</b> and remains in force till the Parties perform all their undertakings thereunder. The Contract terms and conditions are considered applicable to the	The interest in the transaction completion lies in the Company shareholder's affiliated person entering into the transaction (Svyazintek OJSC), as well as in the members the Company Governing Board being simultaneously the members of the Contracting party's Board of Directors, i.e.: - R.R. Valishev, a board member of CenterTelecom OJSC being simultaneously a member of

			seventy-five RUB 80/100) rubles.	parties' relationship, having arisen prior to its signing, i.e. from January 01, 2006.	Svyazintek OJSC Board of Directors; - K.Y. Zverev, a board member of CenterTelecom OJSC being simultaneously a member of Svyazintek OJSC Board of Directors.
24	CenterTelecom OJSC (the CUSTOMER) and Telecom-Terminal LLC (the EXECUTIVE)	<i>The EXECUTIVE undertakes on the Customer's instruction to render services for delivering telegrams, communication service bills and Customer's other correspondence over Ivanovo region (a list of inhabited localities shall be specified in the Records, which are to be approved by the two parties), and the CUSTOMER is bound to pay for the services rendered under the Contract terms and conditions.</i>	<i>The amount of the Contract is comprised of the provided services cost and shall not exceed 4400000 (Four million four hundred thousand) rubles, inclusive of VAT, for six months on the basis of 800 000 (Eight hundred thousand) rubles per month, inclusive of VAT. The price is to be determined based on the cost of a correspondence item delivery as is prescribed by Appendix No.6 to the contract (Price Adjustment Report).</i>	<i>The Contract becomes effective since the date of its signing (<b>November 23, 2007</b>) and remains in force till December 31, 2007. The Contract terms and conditions are considered applicable to the parties' relationship, having arisen prior to the Contract execution, i.e. since July 17, 2007. Unless either party notifies in writing the other party of the Contract termination at least 60 days before the Contract expiration date, the Contract term is deemed to be extended for each subsequent calendar year.</i>	The interest in the transaction completion lies in the Company's affiliated person executing the transaction (Telecom-Terminal LLC).
25	CenterTelecom OJSC (the Buyer) and ATS CJSC (the Seller)	<i>The Seller shall sell, and the Buyer shall buy from the Seller, telecommunications equipment, communications networks and other property listed in Appendix No.1 to the</i>	<i>35 000 000 (thirty-five million) rubles, including 18%VAT of 5 338 983.05 RUB (five million three hundred and thirty-eight thousand nine hundred and eighty-three rubles and 05 kopecks) is to be paid in</i>	<i>The Contract becomes effective since the date of its signing by the Parties (<b>October 16, 2007</b>) and remains in force till the Parties duly perform all their obligations thereunder.</i>	The interest in the transaction completion lies in the Company's affiliated person being a party thereto (ATS CJSC), as well as in the members the Company Governing Board being simultaneously the members of

		<i>Contract (hereinafter “the Equipment”) documented with certificates of conformity, issued by an authorized body.</i>	<i>full amount within 10 (ten) calendar days since the signing by the Parties of the Deed of Equipment Acceptance-Conveyance (Appendix No.2 to the Contract) and the Deed of Documentation Acceptance-Conveyance (Appendix No.3 to the Contract) based on the Seller’s invoice.</i>		the Contracting party’s Board of Directors, i.e.: - A.A. Lutsky, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors; - V.V. Polikarpova, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors; - V.M. Kondratov, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors.
26	CenterTelecom OJSC (the Buyer) and TeleNET Open Joint-Stock Company (the Seller)	<i>The Seller shall sell, and the Buyer shall buy from the Seller, telecommunications equipment, communications networks and other property listed in Appendix No.1 to the Contract (hereinafter “the Equipment”) documented with certificates of conformity, issued by an authorized body.</i>	<i>5 000 000 (Five million) rubles, including 18%VAT of 762 711.86 RUB (Seven hundred and sixty-two thousand seven hundred and eleven rubles and 86 kopecks) is to be paid in full amount within 10 (ten) calendar days since the signing by the Parties of the Deed of Equipment Acceptance-Conveyance (Appendix No.2 to the Contract) and the Deed of Documentation Acceptance-Conveyance (Appendix No.3 to the Contract) based on the</i>	<i>The Contract becomes effective since the date of its signing by the Parties <b>(October 16, 2007)</b> and remains in force till the Parties duly perform all their obligations thereunder.</i>	<i>The interest in the transaction completion lies in the fact that the Company and the affiliated person (ATS CJSC) are sharing over 20 percent of TeleNET OJSC’s stock.</i>



			<i>Seller's invoice.</i>		
27	CenterTelecom OJSC and Svyazintek OJSC	Svyazintek OJSC (the Executive) undertakes in compliance with the contract terms and conditions to perform works/provide services for the management of ERP program, assistance and support of the Local Center of Competence and the coordination of organizational changes within the limits of ERP program introduction among the companies of Svyazinvest group.	<i>The cost of works performed by the Executive under the Contract amounts to 37 706 959.00 (Thirty-seven million seven hundred and six thousand ninety hundred and fifty-nine 00/100) rubles, inclusive of 18% VAT, which equals to 5 751 909.00 (Five million seven hundred and fifty-one thousand nine hundred and nine 00/100) rubles.</i>	The due date for the works performance, including the phases' starting and ending dates, are specified in the relevant attachments to the Contract, which constitute an integral part thereof. The Contract becomes effective since the date of its execution ( <b>October 23, 2007</b> ) and remains in force till the Parties perform all their undertakings thereunder. The Contract terms and conditions are considered applicable to the parties' relationship, having arisen prior to its signing, i.e. from July 01, 2007.	The interest in the transaction completion lies in the Company shareholder's affiliated person being a party thereto (Svyazintek OJSC), as well as in the members the Company Governing Board being simultaneously the members of the Contracting party's Board of Directors, i.e.: - R.R. Valishev, a board member of CenterTelecom OJSC being simultaneously a member of Svyazintek OJSC Board of Directors; - K.Y. Zverev, a board member of CenterTelecom OJSC being simultaneously a member of Svyazintek OJSC Board of Directors.
28	CenterTelecom OJSC and Operator Center CJSC (formerly referred to as ATS CJSC)	<i>CenterTelecom OJSC shall provide the Operator with the connection service at subscription level for connecting data-transmission network in compliance with the terms and conditions of connection, stipulated in the contract, as well as with the services for transmitting data-communication traffic and telematic services, and the</i>	<i>Prices for connection services and traffic transmission services are specified in Appendix No.3 to the Contract.</i>	The Contract becomes effective since the date of its signing by the Parties ( <b>December 19, 2007</b> ) and remains in force till December 31, 2007. The Contract covers the parties' relationship, having arisen from November 01, 2007. Unless either party notifies in writing the other party of the Contract termination at least 30 days before the Contract expiration date, the Contract term is automatically extended for each subsequent calendar year. The number of the	The interest in the transaction completion lies in the Company's affiliated person being a party thereto (ATS CJSC), as well as in the members the Company Governing Board being simultaneously the members of the Contracting party's Board of Directors, i.e.: - A.A. Lutsky, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors;

		<i>Operator shall pay for the said. Technical, economical and informational terms and conditions are specified in sections 3, 4, 5 of the draft Contract.</i>		Contract extension periods is unlimited.	- V.V. Polikarpova, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors; - V.M. Kondratov, a board member of CenterTelecom OJSC being simultaneously a member of ATS CJSC Board of Directors.
29	CenterTelecom OJSC (CENTERTELECOM) and RINFOTELS Telecommunications Company OJSC (the OPERATOR)	<i>CENTERTELECOM shall provide the OPERATOR with the connection service on a local level of connection in compliance with the terms and conditions of connection, stipulated in the contract, as well as with the services for the traffic transmission, and the Operator shall pay for the said. Technical, economical and informational terms and conditions are specified in sections 3, 4, 5 of the Contract.</i>	<i>Prices for connection services and traffic transmission services are specified in Appendix No.3 to the Contract.</i>	The Contract becomes effective since the date of its signing by the Parties ( <b>December 03, 2007</b> ) and remains in force till December 31, 2007. Unless either party notifies in writing the other party of the Contract termination at least 30 days before the Contract expiration date, the Contract term is automatically extended for each subsequent calendar year. The number of the Contract extension periods is unlimited.	The interest in the transaction completion lies in the participation therein of the entity (RINFOTELS Telecommunications Company OJSC), of which more than 20 % shares are owned by the Company's shareholder and its affiliated persons.
30	CenterTelecom OJSC and Non-profit-making partnership "The Research Centre of problems of the Development of Communication"	The subject of the contract is the transfer by the Company of principal membership fees in accordance with Article 4.2.3 of the regulations of the Partnership.	As per the Partnership Committee decision (Minutes of Meeting No.1 of February 22, 2007), the Company undertakes to transfer on the Partnership's settlement account the principal	<i>The Contract becomes effective since the date of its signing by the Parties (<b>December 29, 2007</b>). The Contract remains in force till the Parties fully perform all their obligations thereunder.</i>	The interest in the transaction completion lies in the Company's Board Chairman being simultaneously a member of the Partnership Committee (Non-profit-making partnership "The Research Centre of

			membership fees for the year of 2007 in the amount of 305 443 000 (Three hundred and five million four hundred and forty-three thousand) rubles.		problems of the Development of Communication”).
31	CenterTelecom OJSC (the Customer) and HIPROSVYAZ OJSC (the Executive)	<i>The Customer commissions, and the Executive undertakes to perform design and survey work on the project “The erection of NGN local network and the area tandem switching point” in accordance with the Proposal for the elaboration of design documents “The erection of NGN local network and the area tandem switching point” and on the basis of the Company 2007 Investment Plan, project code: 0110201071002</i>	1 052 304 (One million fifty-two thousand three hundred and four) rubles and 90 kopecks, as well as 18 %VAT - 189 414 (One hundred and eighty-nine thousand four hundred and fourteen) rubles and 88 kopecks. Total (inclusive of VAT): 1 241 719 (One million two hundred and forty-one thousand seven hundred and nineteen) rubles and 78 kopecks.	The due date for the works performance: Phase 1 – start: on this day the Customer submits raw data as per clause 2.3.2 of the contract and makes an advance payment; ending date – 2 weeks after the works performance start; Phase 2 – start: since the time of receiving from the Customer of the agreed communication arrangement scheme; ending date – 3 weeks after the works performance start as per phase. The Contract becomes effective since the date of its signing by the Parties ( <b>December 29, 2007</b> ) and remains in force till the Parties fully perform all their obligations thereunder.	The interest in the transaction completion lies in the Company shareholder’s affiliated person entering into the transaction (HIPROSVYAZ OJSC).
32	CenterTelecom OJSC (the Principal) and HIPROSVYAZ OJSC (the Agent)	The Agent undertakes for a certain compensation to fulfill on its own by the Principal’s order and at the Principal’s expense the following: - in accordance with the Russian Federation Ministry	The Agent’s compensation amounts to 50% of the cost of works on the design documents’ expertise, that is 75 313.50 RUB (Seventy-five thousand three hundred and thirteen rubles and 50	The Agent shall, within 5 (five) working days since the moment of receiving the design documents from the Principal, submit the said design documents, as well as other required documents, to the TMCR public institution for conducting	The interest in the transaction completion lies in the Company shareholder’s affiliated person entering into the transaction (HIPROSVYAZ OJSC).

		<p>for Communications and Informatization's Regulation for the state expertise of pre-design and design documentation (ratified with the Russian Federation Ministry for Communications and Informatization's Decree No.96 of July 22, 2003), to conclude an agreement with the Federal Public Institution "Training and Methodology Center RosSvyazNadzor" (hereinafter "TMCR") for the expertise of design documents on the operating program "IP/MPLS Primary Transportation Link of CenterTelecom OJSC's branch office in Moscow" (hereinafter "design documents") on the project "IP/MPLS Primary Transportation Link of CenterTelecom OJSC's branch office in Moscow" (hereinafter "the Project");</p> <ul style="list-style-type: none"> <li>- to submit to the TMCR public institution the required design and other documents (including specification, copies of conformity certificates, the Agent's license copies) for conducting the expertise;</li> <li>- to execute payment for the</li> </ul>	<p>kopecks), including 18%VAT of 11 488.50 RUB (Eleven thousand four hundred and eighty-eight rubles and 50 kopecks). The cost of works on the design documents' expertise equals to 150 627.00 RUB (One hundred and fifty thousand six hundred and twenty-seven rubles and 00 kopecks), including 18%VAT of 22 977.00 RUB (Twenty-two thousand nine hundred and seventy-seven rubles and 00 kopecks).</p>	<p>the expertise; conclude, within 30 (thirty) days since the moment of receiving the design documents from the Principal, an agreement with the TMCR public institution for the expertise of design documents, taking into consideration the term for the expertise which should not exceed 3 (three) months since the expertise agreement date; forward to the Principal the TMCR's positive expert opinion throughout 5 (five) working days since the moment of its receiving from TMCR.</p> <p>The Agreement becomes effective since the date of its signing by the Parties (<b>December 29, 2007</b>) and remains in force till the Parties fully perform all their obligations thereunder.</p>	
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		<p>performed works on the design documents' expertise as to their cost under the terms and conditions of the agreement made with the TMCR public institution;</p> <p><i>- to achieve the TMCR public institution's positive expert opinion with regard to the said design documents.</i></p>			
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**Appendix No.2**

**DATA ON THE COMPANY'S INTEREST IN OTHER ENTITIES  
RENDERING COMMUNICATION SERVICES (THE COMPANY'S SHARE  
IN THE AUTHORIZED CAPITAL IS AT LEAST 25 PERCENT)**

No.	Name of Organization	Core Activities	Share in the Authorized Capital, %	Contribution to the Authorized Capital, thousand rubles.	Key Performance Indicators		
					Amount of Subscribers/ Lines	Proceeds, thousand rubles	Net Revenue, thousand rubles
1	RTS OJSC	Telephone communication services, data transmission services, telematics services, rent of communication channels, system integration services	100	13 033,34	7756 subscribers	729 581	(15 109)
2	"Operator 's Centre" CJSC (formerly referred to as ATS CJSC)	Data transmission services, telematics services	100	84,00	1210 lines	189 057	2 818
3	Teleport Ivanovo CJSC	Communication services on data transmission and telematics services	100	151,25	946 subscribers, 60 lines	15 199	1 941
4	Mobilcom LLC	Mobile radiotelephone communication services	100	2 250,00	135 subscribers	1 586	(1 045)
5	Vladimir Teleservice CJSC	Communication services on data transmission and telematics services	100	22,00	1500 subscribers	39 338	6 881
6	Tver Telecom LLC	Communication services on data transmission and telematics services	85	164,89	-	-	-
7	CenterTelecom-Service CJSC	Rent of communication channels, data transmission services,	74,9	74,90	78 lines	297 626	34 259

		telematics services, local telephone communication services					
8	Vladimir Payphone LLC	Payphone communication services	51	92,50	1329 lines	13 052	367
9	TELECOM CJSC	Traffic transmission services	50,9	486,11	-	7 071	361
10	Rinfotels Telecommunications Company OJSC	Data transmission services, telematics services	26	25,40	386 subscribers	15 840	72

### **RTS OJSC**

Major lines of activities:

- telephone communication services (including local telephone communication services; services on subscribers' and operators' connection; provision of number capacity)
- data transmission services – DTS (including services according to minutes X.28, X.75, X25), commutated and dedicated connection, Frame Relay, IP
- telematics services (Internet access, commutated and dedicated connection), telematics Internet services, e-mail (X.400, Rex. 400, FAXNET)
- system integration services (including design, construction, and installation works, sale of telecommunication equipment, technical support of networks, services on information protection and encryption)
- communication channels rent services (including land and radio channels)

### **OPERATOR'S CENETER CJSC**

Major lines of activities:

- data transmission services and telematics services

### **Teleport Ivanovo CJSC**

Major lines of activities:

- data transmission services and telematics services

### **Mobilcom LLC**

Major lines of activities:

- rendering mobile radiotelephone communication service

Activities of the company are unprofitable.

### **CenterTelecomService CJSC**

Major lines of activities:

- communication channels rent services
- data transmission services
- telematics services
- local telephone communication services

### **Vladimir Payphone LLC**

Major lines of activities:

- installation, repair, maintenance of payphones
- rendering payphone communication services

**TELECOM CJSC**

Major lines of activities:

- traffic transmission services
- equipment rent services

**Vladimir Teleservice CJSC**

Major lines of activities:

- rendering telematics services of public communication network (services of access to informational resources, information and inquiry services, message processing services, voice transmission services, voice messages services)

The Company is one of the major Internet services providers (ISPs) on the territory of Vladimir region.

**Tver Telecom LLC**

In 2007 the Company was not operating, being involved in executorial proceedings.

**Rinfotels Telecommunications Company OJSC**

Major lines of activities:

- data transmission services
- telematics services



### ***Annex No. 3***

## ***DATA ON COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT***

### **1. Information on the Code of Corporate Governance of the Company**

Code of Corporate Governance of CenterTelecom OJSC was adopted by the Company's Board of Directors on February 20, 2004.

On February 9, 2006 CenterTelecom Board of Directors approved the revised version of the Code of Corporate Governance taking into account the experience of advanced international practices in the field of corporate governance, as well as amendments and addenda to the Charter and internal documents of the Company, which were adopted in accordance with the change of the Russian Law.

In order to increase investment appeal and further enforce business reputation on the Russian and international market, in the reporting year the Company continued to follow the voluntarily accepted rules of corporate conduct adopted in the Company's Code of Corporate Governance.

The main principals of the Code of Corporate Governance provide

- The real possibility for the shareholders to exercise their rights connected with the participation in the Company;
- The equal attitude to the shareholders who own the shares of one category (type) including minority and foreign shareholders;
- The conducting of strategy management of the Company activity by Board of Directors and its effective control of the Company executive board activity and the accountability of the Board of Directors members to the Company shareholders;
- The conducting of reasonable, bona fide and effective management of the Company current activity for the sake of provision of its long-termed stable development and derivation of benefits by shareholders from this activity, the accountability of the executive bodies to the Board of Directors and its shareholders;
- The timely provision of full and true information about the Company, its financial status, economic indexes (including financial accounts, prepared according to the international standards of accounting), significant corporate events, the property and management structure for the provision of the opportunity to make reasoned decisions for the Company shareholders and potential investors;
- The effective control of financial economic activity of the Company for the protection of the rights and legitimate interests of the Company shareholders and investors;
- The compliance with the legal rights of the Company employees, the development of partnership between the Company and the employees in the solution of social matters and the regulation of the conditions of work;
- The effective cooperation of the Company with the investors, creditors and other interested groups for the Company worthiness increase including the enlargement of the Company assets, share value and other stocks, its repute increase.

The publicity of the company and market competitive environment create prerequisites for the constant improvement of corporate governance, effort to comply with the information transparency standards, use recommendations of advanced international practice in corporate governance, strive for increase of disclosed information.

### **2. Report on the compliance with the recommendations of the Code of Corporate Conduct of FCCB of Russia**

The information is given according to the Methodical Recommendations in Structure and Form of the Data Provision about the Compliance with the Code of Corporate Conduct in Annual Accounts of Public Corporations approved by the direction of FCCB of Russia dated 04.30.2003 No. 03-849/r and by the requirements of the Order of FCSM of Russia of 10.09.2007 No. 07-102/ПЗ-Н "On Approval of Regulations on the Activity in Trade Organization on the Equity Market" (contained in the notes).

№	The provisions of the Code of Corporate Conduct	Complied or non-complied	Notes
General Meeting of Shareholders			
1. 1.1	Shareholder notification about the annual General Meeting of Shareholders not less than in 30 days before its conducting unless the longer terms are provided by the Law	Complied	Chapter 13 p.13.12 of the Company Charter; Chapter 2 p.2.2. of the Code of Corporate Governance; Chapter 4 p.4.1 of the Regulations on the General Meeting of Shareholders of CenterTelecom OJSC  <i>Requirements of Order of FCSM of Russia dated 10.09.2007 No. 06-68/ПЗ-Н are fulfilled.</i>
2.	The presence of the shareholder opportunity to acquire the list of persons who have the right to participate in the General Meeting of Shareholders beginning from the day of notification of the shareholder meeting conducting and to the closing of the walk-in General Meeting of Shareholders and in the case of absent Meeting of Shareholders to the date of the finishing of the voting paper gathering	Complied	Chapter 8 p. 8.2.11 and p.8.5 of the Company Charter Information on the clients of nominee shareholders is provided as far as data from registrar is received.
3.	The shareholders opportunity to acquire the information (materials) which are to be provided during the preparation for the General Meeting of Shareholders conducting by means of electronic communication facilities including the Internet.	Complied	On the Company's web-site
4.	The shareholder opportunity to submit a matter in the agenda of the Meeting of Shareholders or require to conduct the Meeting of Shareholders without provision of any documents if the account of his rights to the shares is carried out according to the registry conducting system and in the case when his rights to the shares are taken into consideration on the depositary account it will be enough to submit the abstract of depositary account for the exercising the above mentioned rights	Complied	Chapter 13 p.13.6 of the Company Charter; Chapter 8 p. 8.6 of the Company Charter; Chapter 2 p.22 of the Code of Corporate Governance

5.	The presence in the Charter or internal documents of the public company of the requirement to the obligatory presence of the Director General, Management Board members, Board of Directors members, Audit Commission members and the auditor of the public company at the Meeting of Shareholders.	Complied	Chapter 3 p.3.7 of the Code of Corporate Governance
6.	The obligatory presence of the candidates at the Meeting of Shareholders for the discussion of the election of the Board of Directors members, Director General, members of the Board, Audit Commission, Audit Organization.	Complied	Chapter 3 p.3.7. of the Code of Corporate Governance
7.	The presence in internal documents of the joint-stock company of the procedure for the registration of the Meeting of Shareholders members	Complied	Chapter 13 p. 13.14 para 2 of the Company Charter; Chapter 3 p.3.3 of the Code of Corporate Governance Chapter 3 p.3.4. of the Regulations on the General Meeting of Shareholders
<b>Board of Directors</b>			
8.	The presence in the joint-stock corporation Charter the credential of the Board of Directors to approve the financial economic plan of the joint-stock corporation annually	Complied	Chapter 14 p.14.4 of the Company Charter
9.	The presence of the procedure of risk management in the joint-stock corporation approved by the Board of Directors	Complied	Chapter 14 p.14.4 sp.14.4.40 of the Company Charter; Chapter 3 p.3.1 sp.3.1.5 of the Regulations on the procedures (system) of internal control which specifies the risk management; Chapter 1 p.1.4 and 1.5.5 of the Regulations on the Internal Audit Department of CenterTelecom OJSC
10.	The presence in the Charter of the joint-stock corporation the right of the Board of Directors to make decision on the suspending of credentials of the Director General appointed by the Meeting of Shareholders	Inapplicable	Appointment of the Company Director General, determination of his credential terms, and pre-term cessation of his credentials are competent to the Board of Directors Chapter 14 p.14.4 sp.25 of the Company Charter
11.	The presence in the Charter of the joint-stock corporation of the right of the Board of Directors to provide the requirements to the qualification and the size of remuneration of the Director General, Board members, directors of the main structures of the sister companies	Complied	Chapter 14 p.14.4 sp.17, 22, 24, 29 of the Company Charter

12.	The presence in the Charter of the joint-stock corporation of the right of the Board of Directors to approve the terms of the agreement with the Director General, Board members	Complied	Chapter 14 p.14.4 sp.32 of the Company Charter
13.	The presence in the Charter or internal documents of the joint-stock corporation of the requirement that when approving the terms of agreement with the Director General (management organization, manager) and the Board members the votes of the Board of Directors members who are the Director General of the Board members shall not be counted	-	The terms of the agreement with the Director General and the members of the Board are recommended to the Board of Directors by the Committee on Personnel and Remuneration (Chapter 2 p.2.3.1 of the Regulations on the Committee on Personnel and Remuneration). Furthermore the Board members and the Director General of the Company are not members of the Board of Directors of CenterTelecom OJSC
14.	The presence in the Board of Directors of the joint-stock corporation of not less than 3 independent directors who meet the requirements of the Code of Corporate Conduct	Complied	Chapter 4 p.4.6. of the Code of Corporate Governance. <i>The requirements of the Order of FCSM of Russia of 10.09.2007 No07-102/пз-н are fulfilled.</i>
15.	The absence in the Board of Directors of the joint-stock corporation of the persons who were guilty in offence in the field of economic activity or against the state authority, interests of public service or institutions of local governing or who were imposed an administrative penalty for the offence of entrepreneurial activity, finance, taxes and duties, equity market	Complied	The Board of Directors of the Company doesn't have specified persons among its members
16.	The absence in the Board of Directors of the persons who are the official, Director General (manager), authority member or the employee of the legal entity competing with the joint-stock corporation	Complied	The Board of Directors of the Company doesn't have specified persons among its members
17.	The presence in the Charter of the joint-stock corporation of the requirement for the election of the Board of Directors by cumulative voting	Complied	Chapter 14 p.14.2 of the Company Charter
18.	The presence in the internal documents of the joint-stock corporation of the liability of the members of the Board of Directors to desist from the actions which will cause or potentially can cause a conflict between their interests and the interests of the joint-stock corporation, and in the case of such conflict the presence of the liability to	Complied	Chapter 3 p. 3.2 sp.3.2.1 of the Regulations on the Board of Directors; Chapter 4 p.4.3. of the Code of Corporate Governance

	inform the Board of Directors about the conflict		
19.	The presence in the internal documents of the joint-stock corporation of the liability of the Board of Directors members to notify in writing the Board of Directors about the intention to make a transaction using the joint-stock corporation or its affiliate company securities, and to inform about the securities transactions made	Complied	Chapter 3 p. 3.2.9 of the Regulations on the Board of Directors; Chapter 4 p.4.5 of the Code of Corporate Governance.  <i>The requirements of the Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
20.	The presence in the internal documents of the joint-stock corporation of the requirement for the conducting of the Board of Directors meetings at least once every 6 weeks	Complied	Chapter 4 p.4.7. of the Code of Corporate Governance
21.	Conducting of the Board of Directors meetings during the year of the annual report of the joint-stock corporation at least once every 6 weeks	Complied	The meetings of the Management Board of Directors are conducted on average at least twice a month (27 meetings of the Board of Directors were conducted in 2007)
22.	The presence in internal documents of the joint-stock corporation of the procedure for the conducting of the Board of Directors meetings	Complied	Chapter 6 of the Regulations on the Board of Directors
23.	The presence in the internal documents of the joint-stock corporation of the provision on the necessity of approval by the Board of Directors of the joint-stock corporation transactions to the amount of 10 % or more from the company assets value except transactions made during the ordinary economic activity	Complied	Chapter 14 p.14.4 sp.19 of the Company Charter (the deals of 0,4% from the book value of the assets are to be approved)
24.	The presence in the internal documents of the joint-stock corporation of the right of the Board of Directors members to receive information necessary to fulfill their functions from the executive boards and directors of main organization departments of the joint-stock corporation, and responsibility for the failure in provision of such information	Complied	Chapter 3. p. 3.1.1 of the Regulations on the Board of Directors
25.	The presence of Strategy Planning Committee in the Board of Directors or giving the functions of the Strategy Planning Committee to other committee (except Audit Committee and Committee on Personnel and Remuneration)	Complied	The Committee on Strategy Development
26.	The presence of the committee in the Board of Directors (Audit Committee) which	Complied	The Audit Committee

	recommends an auditor of the joint-stock corporation to the Board of Directors and cooperates with him and the revision committee of the joint-stock corporation by organization (auditor) of the joint-stock corporation		<i>The requirements of the Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
27.	The presence in the Audit Committee of independent and non-executive directors	Complied	Two independent directors (Shevchuk A.A. and Alekseev M.A.) and one non-executive director (Selvich E.P.) were members of the Audit Committee in the reporting year <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
28.	The management of the Audit Committee by independent director	Complied	The Audit Committee is headed by independent director (Shevchuk A.A.) <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
29.	The presence in the internal documents of the joint-stock corporation of the right of all members of the Audit Committee to have access to any documents and information of the joint-stock corporation on condition of non-disclosure of confidential information	Complied	Chapter 6 p. 6.2.1 of the Regulations of the Audit Committee
30.	The establishment of the committee of the Board of Directors (Committee for Personnel and Remuneration) which functions are to determine selection criteria for candidates to members of the Board of Directors and development of the joint-stock corporation policy in the field of remuneration	Complied	The Committee on Personnel and Remuneration <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
31.	The management of the Committee for Personnel and Remuneration by independent director	Complied	The Committee is headed by independent director (Arutyunov N.B.) <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
32.	The absence in the Committee for Personnel and Remuneration of joint-stock corporation officials	Complied	There are no Company officials among the members of the Committee <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
33.	The establishment of the Risk Committee of the Board of Directors or giving its functions to other committee (except Audit Committee and Committee for Personnel and Remuneration)	Partly complied	Every committee of the Board of Directors has the function of risk examination in its sphere
34.	The establishment of the Committee of the	Complied	These functions are exercised

	Board of Directors on Corporate Conflict Regulation or giving its functions to other committee (except Audit Committee and Committee for Personnel and Remuneration)		by the Corporate Governance Committee
35.	The absence in the Committee of Corporate Conflict Regulation of joint-stock corporation officials	Complied	According to the Regulations on the Corporate Governance Committee members of the Committee who are Company officials do not participate in examination of matters of corporate conflicts
36.	The management of the Committee of Corporate Conflict Regulation by independent director	-	Non-executive director is the head of the Committee of Corporate Governance
37.	The presence of the joint-stock corporation internal documents approved by the Board of Directors providing the procedure of formation and work of the committees the Boards of Directors	Complied	The Regulations on committees of the Board of Directors were approved by the Decision of the Board of Directors of CenterTelecom OJSC of 06.29.2005 No. 36
38.	The presence in the joint-stock corporation Charter of the procedure for the Board of Directors quorum determination which allows to provide the obligatory participation of independent directors in the Board of Directors meetings	Partly complied	The Company provides all the opportunities to express opinion at the meetings of the Board of Directors (both in walk-in and absent form) to all directors including independent directors
<b>Executive Bodies</b>			
39.	The presence of the collective executive body of the joint-stock corporation	Complied	The Management Board <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-H are fulfilled</i>
40.	The presence in the joint-stock corporation Charter or internal documents of the provision on the necessity of the Board approval of real estate transactions, obtaining credits by joint-stock corporation, if the mentioned transactions are not large-scale and their conclusion is not ordinary economic activity of the joint-stock corporation	Complied	Fulfilled de facto, as the Management Board has the right to make decisions on other issues of the Company's current activity, which require preplanning (including real estate transactions and obtaining credits), except the issues competent to the Board of Directors and Meeting of Shareholders. Chapter 15 p.15.4 sp.5 of the Company Charter.
41.	The presence in internal documents of the joint-stock corporation of the procedures for the operation agreement which is out of financial economic plan of the joint-stock corporation	Complied	Chapter 14 p.14.4 sp.2 of the Company Charter
42.	The absence in the executive bodies of persons who are official, Director General (manager), board member or employee of	Complied	The Company's executive bodies don't have specified persons among its members

	the legal entity competing with the joint-stock corporation		
43.	The absence in the executive bodies of the joint-stock corporation of the persons who were guilty in offence in the field of economic activity or against the state authority, interests of joint-stock service or institutions of local governing or who were imposed an administrative penalty for the offence of entrepreneurial activity, finance, taxes and duties, equity market. If the functions of the individual executive board are executed by the management organization or manager the compliance of the Director General and management organization board members with the requirements provided for the Director General and board members is necessary	Complied	The Company's executive bodies don't have specified persons among its members
44.	The presence in the Charter or internal documents of the joint-stock corporation of the prohibition for the management organization (manager) to conduct analogous functions in the competing company or have any property relations with the joint-stock corporation except the management organization (manager) servicing	-	The management organization (manager) is not specified in the Company Charter and internal documents
45.	The presence in the internal documents of the joint-stock corporation of the executive bodies' obligation to desist from the actions which will cause or potentially can cause a conflict between their interests and the interests of the joint-stock corporation, and in the case of such conflict the presence of the liability to inform the Board of Directors about the conflict	Complied	Chapter 6 p.6.5. of the Code of Corporate Governance
46.	The presence in the joint-stock corporation Charter or internal documents of the selection criteria for management organization (manager)	-	The management organization (manager) is not specified in the Company Charter and internal documents
47.	The provision of monthly activity reports by the executive bodies to the Board of Directors	Complied	The Board of Directors quarterly on regular basis considers the matters about execution of the decisions made at shareholders and Board of Directors meetings
48.	Specification of liability for the offence of provisions on the use of confidential and insider information in the agreements of the joint-stock corporation with Director General (management organization, manager) and the board members	Complied	Chapter 4 p.4.2; p.4.3 of the Regulations on the procedure of use of information on CenterTelecom OJSC activity, its securities and transactions, which is not publicly available,



			and illegal exploitation or divulgation of which can cause material effect on market value of securities of CenterTelecom OJSC
<b>Company Secretary</b>			
49.	The presence in the joint-stock corporation of a special official (the company Secretary) whose task is to provide the compliance of the joint-stock corporation boards and officials with the procedure requirements which assure the exercising of rights and interests of the Company	Complied	The Institution of Corporate Secretary exists from 07.13.2004
50.	The presence in the Charter or internal documents of the joint-stock corporation of the procedure for the appointment (election) of the Company Secretary and his obligations	Complied	Chapter 14. p.14.4. sp 31 and Chapter 17 sp.17.1–17.3 of the Company Charter; Chapter 2 of the Regulations on the Corporate Secretary and the Corporate Secretary Office of the Company
51.	The presence in the joint-stock corporation Charter of the requirements to the Company Secretary candidate	Complied	Chapter 2. p.2.4 of the Regulations on the Corporate Secretary and the Corporate Secretary Office of the Company
<b>Significant Corporate Actions</b>			
52.	The presence in the joint-stock corporation Charter or internal documents of the requirement of major transaction approval before its conclusion	Complied	Chapter 14 p.14.4.p.20 of the Company Charter
53.	The obligatory attraction of independent valuator for the estimation of the market value of the property which is the subject of a major transaction	Complied	The independent valuator is attracted for the estimation of the market value of the property which is the subject of transactions considerable for the Company activity
54.	The presence in the Charter of the joint-stock corporation of the prohibition of conducting any actions during the acquisition of large share holdings (takeover) which are directed to the protection of the interests of executive boards (their members) and members of the Board of Directors of the joint-stock corporation, and which can worsen the shareholders situation in comparison with the existing (particularly the prohibition to the Board of Directors to make decisions on issuing additional shares, securities which are converted into shares or securities which provide the right to acquire the company shares up to the end of the term of share	-	Direct prohibition is not necessary for there are no regulations in the Charter about the possibility of the action aiming at protecting the interests of the executive Boards (their members), members of the Board of Directors, etc

	acquisition, even if such right is provided to him by the Charter)		
55.	The presence in the Charter of the joint-stock corporation of the obligatory requirement to invite independent valuator when estimating the current market value of shares and possible changes in their market value as a result of takeover	-	The independent valuator will be invited to estimate the market value of the shares and possible changes of their market value as a result of takeover
56.	The absence in the joint-stock corporation Charter of the dispensation of the buyer from the obligation to propose to shareholders to sell equities of the Company owned by them (issuing securities, convertible to equities) in the case of takeover	Complied	
57.	The presence in the joint-stock corporation Charter or internal documents of the obligatory requirement to invite independent valuator for the determination of the ratio of share conversion in the case of reorganization	-	Independent valuator is invited de facto to estimate the ratio of the shares conversion under the reorganization
<b>Provision of Information</b>			
58.	The presence of the document approved by the Board of Directors which specifies the regulations and approaches to information disclosure (Regulations on Information Policy)	Complied	Information Regulation of CenterTelecom OJSC; the Regulations on Information Policy of CenterTelecom OJSC. <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-n are fulfilled</i>
59.	The presence in the joint-stock corporation internal documents of the requirement for the disclosure of information about the targets of stock floatation, the persons who are going to take up floated shares including the large share holding and about the participation of the top officials in taking up of the floated shares of the Company	Complied	Information Regulation of CenterTelecom OJSC; the Regulations on Information Policy of CenterTelecom OJSC
60.	The presence in joint-stock corporation internal documents of the list of information, documents and materials which are to be provided to the shareholders for the making decisions on the questions submitted to the Meeting of Shareholders	Complied	Chapter 13.p.13.13 of the Company Charter
61.	The presence of the joint-stock corporation website in the Internet and the regular information disclosure about the joint-stock corporation on it	Complied	<a href="http://www.centertelecom.ru">www.centertelecom.ru</a>
62.	The presence in joint-stock corporation internal documents of the requirement of the disclosure of information about transactions of the joint-stock corporation with the	Complied	Information Regulation of CenterTelecom OJSC; the Regulations on Information Policy of CenterTelecom OJSC

	persons who are considered to be the top officials of the joint-stock corporation according to the Charter, and about transactions of the joint-stock corporation with the organizations where the top officials of the joint-stock corporation hold directly or indirectly 20% or more of the authorized capital stock of the joint-stock corporation or when such persons can influence on the transactions		
63.	The presence in joint-stock corporation internal documents of the requirement for the disclosure of information about all transactions which can influence market value of shares of the joint-stock corporation	Complied	Information Regulation of CenterTelecom OJSC; the Regulations on Information Policy of CenterTelecom OJSC
64.	The presence of the internal document approved by the Board of Directors on the use of essential information about the joint-stock corporation activity, shares and other securities of the Company and transactions with them which is not publicly available and which disclosure can influence market value of the shares and other securities of the joint-stock corporation	Complied	The Regulations on the procedure of use of information on CenterTelecom OJSC activity, its securities and transactions, which is not publicly available, and illegal exploitation or divulgation of which can cause material effect on market value of securities of CenterTelecom OJSC <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-n are fulfilled</i>
<b>Control over Financial and Economic Activity</b>			
65.	The presence of the procedures approved by the Board of Directors for the internal control of the financial economic activity of the joint-stock corporation	Complied	The Regulations on the Department of Internal Audit. <i>The requirements of Order of FCSM of Russia of 10.09.2007 No07-102/n3-n are fulfilled</i>
66.	The presence of a special subdivision of the joint-stock corporation which provides the compliance with the internal control procedures (Control Revision Board)	Complied	Department of Internal Audit
67.	The presence in joint-stock corporation internal documents of the requirement for the determination of the structure and staff of the Control Revision Board of the joint-stock corporation by the Board of Directors	Complied	Chapter 14 p.14.4 sp.18 of the Company Charter; Chapter 1 sp.1.3., sp.1.6-1.8. of the Regulations on the Department of Internal Audit
68.	The absence in the Control Revision Board of the joint-stock corporation of the persons who were guilty in offence in the field of economic activity or against the state authority, interests of public service or institutions of local governing or who were imposed an administrative penalty for the offence of entrepreneurial activity, finance,	Complied	The control audit board doesn't have specified persons among its members

	taxes and duties, equity market		
69.	The absence in the Control Revision Board of persons who are participant, Director General (manager), board member or employee of the legal entity competing with the joint-stock corporation	Complied	The control audit board doesn't have specified persons among its members
70.	The presence in the joint-stock corporation internal documents of the term for the submitting of documents and materials to the Control Revision Board for the estimation of the conducted financial economic operation and the presence of the Company official and employee liability for their failure in time	Complied	Chapter 3 p.3.1. of the Regulations on the Audit Commission
71.	The presence in the joint-stock corporation internal documents of the obligation of the Control Revision Board to inform the Audit Committee about the offences and in the case of its absence to inform the Board of Directors of the joint-stock corporation	Complied	Chapter 2 p.2.1 sp. 2.1.1 and Chapter 3 p.3.3 of the Regulations on the Department of Internal Audit
72.	The presence in the joint-stock corporation Charter of the requirement to preliminary estimate the operation conducting practicability by the Control Revision Board which is not specified in the financial economic plan (non-standard operations)	Complied	Chapter 18 p.18 sp. 18.2.2 of the Company Charter; Chapter 2 p.2.2 sp.2.2.4 of the Regulations on the Audit Committee; Chapter 1 p.1.5 sp.1.5.4 of the Regulations on the Department of Internal Audit
73.	The presence in the joint-stock corporation internal documents of the procedure for the agreement of non-standard operations with the Board of Directors	Complied	Chapter 14 p.14.4 sp.2 of the Company Charter; Chapter 2 p.2.2 sp.2.2.4 of the Regulations on the Audit Committee
74.	The presence of the internal document approved by the Board of Directors providing the procedure for the control of the financial economic activity of the joint-stock corporation by Control Revision Board	Complied	The Regulations on the Audit Commission of CenterTelecom OJSC
75.	Assessment of the audit opinion by the Audit Committee before its provision to the shareholders at the meeting	Complied	Chapter 10 p.10.4 para.2 of the Code of Corporate Governance of CenterTelecom OJSC <i>The requirements of the Order of FCSM of Russia of 10.09.2007 No07-102/нз-н are fulfilled</i>
<b>Dividends</b>			
76.	The presence of internal document approved by the Board of Directors which it is used by the Board of Directors when making recommendations about the dividends amount (Regulations on Dividend Policy)	Complied	Regulations on Dividend Policy of CenterTelecom OJSC
77.	The presence in the Regulations on	Complied	Chapter 3 of the Regulations on

	Dividend Policy of the procedure of determination of the minimal net profit portion of the joint-stock corporation used for the dividend payment and the conditions when the privileged shares dividends are not paid or are paid partially, the dividend amount on which is determined in the joint-stock corporation Charter		Dividend Policy of the Company
78.	The publication of the information about the dividend policy of the joint-stock corporation and its changes in the periodical provided by the joint-stock corporation Charter for the publication of information on Meetings of Shareholders and placing of the mentioned information on the web-site of the joint-stock corporation on the Internet	Complied	Regulations on Dividend Policy, and other information about the dividend policy of the Company are provided on the Internet-site of the Company