

Preliminarily approved by  
the Board of Directors of  
CenterTelecom OJSC  
Protocol No.25  
dated May 10, 2007

ANNUAL REPORT  
CENTERTELECOM OJSC  
**2006**

Moscow  
2007

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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 1 November 2002 under No. 1025006174710.

## ADDRESS TO SHAREHOLDERS

Year 2006 has come to an end. It was exciting and challenging. It was the year of significant changes in Russian telecommunications, the year of new possibilities, new outlook, new original and tailored decisions. We have spent it together aiming at strategic objectives of CenterTelecom CJSC among which the following are to be highlighted: upgrade of principal telecommunication assets, maximal enhancement of efficiency of management of the Company, high rates of profitability, improvement of well-being of our shareholders.

In the first half of 2006 the top managers of CenterTelecom OJSC, the largest Russian intra-zone communication operator, left the company. The management was handed over to a new young ambitious team of managers, the results of the year prove that they turned out to be successful. The intensified rates of business development, design and implementation of financial improvement projects and optimization of human resources as well as outstanding results of powerful marketing programme targeted at promotion of DOMOLINK, a new brand of CenterTelecom OJSC – all those objectives along with others set by the managers have been highly estimated by the business community. As a result the market value of the company reached USD 1 470 000 or 1.5 times higher as against the same value of CenterTelecom OJSC in the end of 2005.

We are delighted to note that we had managed to achieve significant improvement of financial and economic indicators of CenterTelecom OJSC. The proceeds of the Company amounted RUR 28 395 000 (over USD 1 090 000), net profit exceeded RUR 2 billion for the first time during many years (over USD 78 million).

We are very proud that CenterTelecom OJSC is steadily increasing absolute value of dividends. The Board of Directors of the Company has recommended to allocate RUR 520 326,35 thousand for payment of dividends on the results of 2006 or RUR 0.3893300 per preference share and RUR 0.1999621 per ordinary share. Therefore we have reached 2.50% of profitability rate for preference shares and 0.79% for ordinary shares, 25,41% of 2006 net profit will be allocated for payment of dividends.

It should be noted that significant changes were made in 2006 in the legal regulations applicable to players in the Russian market of telecommunications. In particular, after coming into effect of subordinate legal regulations of the Federal Law On Communications CenterTelecom OJSC ceased rendering services on long distance and international telephone connection making no more revenue in this sector. However appropriate strategic approach applied by the management focused on increase of revenues gained from “new” communication services, hard efforts of all staff prevented reduction of revenues, we managed to gain profit due to raise proceeds from ADSL 2+ broadband Internet access (DOMOLINK trade mark) by 43,44%.

Implementation of DOMOLINK project started in 2006 on the territory of 6 regions of the Center of Russia. As a result of efficient marketing communications, application of modern sales techniques and high quality of services led to 7-fold growth of users of this popular services making 115 052 in December 2006 as against 16 619 in the beginning of the year. We plan to raise the number of our ADSL-subscribers up to 260 000 users during 2007 extending the territory of the project and promoting interacting services within DOMOLINK project.

In accordance with changes in sectoral legal regulation mentioned above we had to bring contractual relationship with operators of mobile, long distance and locale communications to compliance with requirements set by new legislation. CenterTelecom

OJSC executed about 600 operator agreements in 2006. Executed documents have made transparent the billing system applied by the operators.

In 2006 the management of CenterTelecom OJSC made a decision to abandon investment projects and attract external borrowings. Relevant financial strategy has been developed and is being currently implemented; we managed to reduce external liabilities of the Company by more than RUR 3 billion at the expense of our operating revenues as well as to re-arrange our indebtedness. As a result of efficient operation of the company we achieved reduction of weighted average value of borrowings from 12,5%-13,5% in the end of 2005 to 8,34% - 10,9% in December 2006 at significant reduction of refinancing risks.

In the course of financial strategy implementation CenterTelecom OJSC arranged bonded debt series 05 in the amount of RUR 3 billion in September 2006, then it obtained financing in the amount of USD 115 million in the international capital market for the first time in the history of the company supported by the Deutsche Bank under condition of CLN flotation. Successful large-scale borrowing enabled re-arrangement and re-financing of indebtedness and proved enhanced confidence of Russian and foreign investors in CenterTelecom OJSC.

We are delighted to note that in 2006 CenterTelecom OJSC participated in implementation of Education National project of high priority providing broadband Internet access to educational establishments in the Center of Russia. The results of the year showed that the Company significantly overfulfilled the state contract obligations providing Internet access to 4 572 schools and thus creating a reliable basis for fulfillment of 2007 project objectives in general. Moreover in 2006 CenterTelecom OJSC won the tender bid and was selected as an operator to provide universal telephone connection through the network of payphones on the territory of Belgorodskaya, Tulskaia, Smolenskaya and Tverskaya regions, according to the terms of the competition the company started provision of universal telephony services in Belgorodskaya, Smolenskaya and Tverskaya regions of the Russian Federation.

The principal objective of technical development was improvement of communications network in the Central Federal District creating the basis for further implementation of DOMOLINK project in other regions of the Company's operation and involving new users of state-of-art telecommunications services among large corporate customers, the activities performed enabled 30% reduction of the time spent by the customers in the waiting list for connection to fixed telephone lines.

High level of technical development of the Company and required improvement of all activities enabled implementation of the first stage of the programme of optimization of human resources by the management of CenterTelecom OJSC in 2006, the redundancy of the staff by 13,63% up to 56 317 persons. Re-arrangement of business structure of the Company which was started this year and transfer to processing management helped us create the basis for central control over material, human, financial and information resources. We believe that our main aim is fast transfer to double-level processing management to perform sufficient optimization of human resources of the Company, to determine new requirements set to skills of employees, to create prerequisites for salaries increase.

We are pleased to note that CenterTelecom OJSC was announced the leader among corporate purchasers according to the National Rating of Transparency of Supplies 2006. In the course of implementation of the programme targeted at reinforced control over expenses the management of the company paid great attention to application of the system

of electronic bids. Electronic auctions held in 2006 resulted in saving at the expense of reduction of costs for arrangement of tenders made on paper and enhanced efficiency by means of increased competition among suppliers. The highest level of transparency “PR++ transparency guaranteed” was assigned to the corporate purchasing guidelines of CenterTelecom OJSC, it proves that purchasing activities of the Company is economically efficient, transparent, open and able to respond to requirements of major markets of products being purchased. Moreover open tenders significantly reduced influence of human factor in the process of selection of potential suppliers and generated the basis for reasonable pricing in the course of purchasing.

CenterTelecom OJSC is a prosperous and profitable company. All efforts of the management of the Company and each employee are focused on such large-scale objectives as liquidation of digital imbalance in the regions of the Center of Russia, provision of up-to-date telecommunication services at the international level of quality, creation of high living conditions, favourable business environment for legal entities and authorities within the Company’s competence. And of course we aim at increase of well-being of our shareholders.

We bless all CenterTelecom OJSC staff for conscientious work enabling achievement of such outstanding results, all our shareholders and investors for participation in the activity of the Company and for confidence in us. We are sure that well-coordinated operation of all employees of the Company supported by the shareholders will reinforce our positions in the market of telecommunications of the Central Federal District of the Russian Federation and will help us maintain our status of the leader in the market and perform strategic objectives set by the management and ensure further growth of value of CenterTelecom OJSC.

*Chairman of the Board of Directors,  
Alexander Kisilev  
Director General  
Sergey Pridantsev*

*Moscow, May 10, 2007*

## **I. REPORT OF THE BOARD OF DIRECTORS**

In accordance with the Federal Law on Joint Stock Companies the Board of Directors plays an important role in enforcement of shareholders' rights, development and implementation of strategic objectives of the Company as well as in improvement of efficiency of financial and economic operations.

The activities of the Board of Directors were arranged in compliance with the approved schedule, implementation of all decisions has been constantly under control. Improvement of corporate governance and enhancement of business efficiency of the Company has been classified as areas of major concern.

In the course of realization of rights and performance of responsibilities the members of the Board of Directors of the Company have been diligently and reasonably protecting interests of the Company and took an active part in the operation of the Board of Directors.

The Board of Directors considers successful the results of the development of the Company by priority objectives in 2006. Profitable operation has been ensured within the whole reporting period making the Company the largest and the most reliable operator of fixed telephone lines in the Russian Federation rendering diverse communications services and providing access to international information sources to private customers, legal entities and public organizations in the Central Federal District.

33 meetings of the Board of Directors of CenterTelecom OJSC were held in 2006 including 24 meetings held in the correspondence format and 9 meetings held in the format of joint participation.

The decisions on the following key issues of CenterTelecom OJSC business activities have been made:

- approval of 2006 budget allocations of the Company and quarterly review of budget performance indicators;
- schedule of complete transfer of the Company to a new market regulating pattern by March 31, 2006
- approval of the Code of corporate governance of CenterTelecom OJSC;
- approval of the Programme of Optimization of Human Resources of CenterTelecom OJSC for 2006-2008;
- approval of investment priorities for 2007;
- approval of financial strategy of the Company, 2007 financial plan; 2006-2009 financial plan;
- activities targeted at reduction of costs related to debt servicing of the Company;
- implementation of Re-arrangement of Subsidiaries and Affiliates of CenterTelecom OJSC;
- implementation of the Programme of Improvement of Co-operation with Corporate VIP-Customers;
- implementation of the Programme of Provision of Up-to-date Services to Public and Commercial Sector;
- implementation of marketing strategy;
- approval of the terms of the contract on audit of 2006 financial statements of the Company.

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 Articles of Association of the Company.

The Committees of the Board of Directors of the Company discussed issues of their competence at the meetings; relevant recommendations were developed to facilitate reasonable decision-making of the Board of Directors.

The Committee on Human Resources and Remuneration considered the following issues:

- the Programme of Optimization of Human Resources of CenterTelecom OJSC, strategic objectives of human resource management, human resource policy and motivation of CenterTelecom OJSC;
- approval of appointments and retirements, definition of terms of contracts of employment of the top managers of the Company;
- generation of the database of back-up staff, evaluation of back-up candidates and criteria applied;
- development of non-public pension plan for the employees of the Company;
- definition of the bonuses to be paid to the Director General and remuneration of the members of the Company's authorities.

The Committee on Audit considered the following issues:

- candidature of a potential 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 on the Company;
- elaboration of an opinion on resolution of the Audit Commission of the Company and examination of information revealed in the course of checks performed by the Commission;
- control over reporting procedures of the Company, corrections of mistakes and implementation of comments of Auditors and Audit Commission of the Company;
- issues related to the Department of internal audit, internal control procedures and risk management.

The Committee on Corporate governance considered the following issues:

- creation and performance of schedules of activities targeted at improvement of corporate governance of the Company; control over implementation of resolutions adopted by the general meeting of shareholders and the Board of Directors of the Company;
- offers on amendments and supplements to be made in the Code of Corporate governance, the Articles of Association and other internal documents of CenterTelecom OJSC;
- representation of the Company in authorities and control over entities where the Company has interest; issues related to holding of several appointments by Director General and the members of the Management Board of the Company in management of other entities;
- issues related to preparation of the annual general meeting of shareholders of the Company.

The Committee on Strategic Development considered the following issues:

- issues related to development and adjustment of annual budget of the Company for 2006;
- financial strategy of the Company, 2007 financial plan, 2006-2009 financial plan;
- 2007–2009 forecast budget of CenterTelecom OJSC.



## ***II. CORPORATE KEY MILESTONES OF FY 2006.***

### **January 2006**

The Board of Directors of CenterTelecom OJSC cancelled the authorities of Ruben Andronnikovich Amaryan, Director General of the Company.

The Board of Directors of CenterTelecom OJSC appointed Sergey Vladimirovich Pridantsev Director General of the Company. Several appointments were made for key posts of the Company.

### **February 2006**

The Board of Directors of CenterTelecom OJSC approved a new edition of the Code of Corporate governance of the Company.

The Management Board of CenterTelecom OJSC approved the Regulations on Work with Shareholders in Branches of CenterTelecom OJSC.

CenterTelecom OJSC ceased participation in the authorized fund of Smolenskaya Sotovaya Svyaz JSC, Belgorodskaya Sotovaya Svyaz JSC and Lipetsk Mobile JSC through sale of shares of such companies.

The Board of Directors of CenterTelecom OJSC decided to create the Management Board of CenterTelecom OJSC composed of 9 members for the period from February 9, 2006 to August 1, 2006.

CenterTelecom OJSC paid the third coupon on documentary inconvertible coupon bonds Series 04 in the amount of RUR 389 027 348,05.

### **March 2006**

CenterTelecom OJSC paid the third coupon on interest-bearing documentary inconvertible coupon bonds Series 03 in the amount of RUR 123 160 000.

Russian Institute of Directors and Expert RA Rating Agency confirmed Class A national rating of corporate governance of CenterTelecom OJSC.

### **April 2006**

The Board of Directors of CenterTelecom OJSC approved the Prospect of Securities of CenterTelecom OJSC for interest-bearing documentary inconvertible coupon bonds Series 05. The total number reached 3 000 000 notes, nominal value is RUR 1 000 each.

CenterTelecom OJSC was declared the winner of the tender held to determine the provider of universal services on the territory of Belgorodskaya and Tulskaia Regions of the Russian Federation.

CenterTelecom OJSC entered into the contract with the Central Interregional Territorial Directorate of the Federal Agency on Technical regulations and Metrology (CMTU Rostechregulirovanie) for provision of communications services.

### **May 2006**

The list of participants of the Annual General Meeting of Shareholders of CenterTelecom OJSC was executed as of May 12, 2006.

### June 2006

CenterTelecom OJSC was ranked 59<sup>th</sup> in the register of the largest companies of Eastern Europe according to Financial Times.

Fitch Ratings confirmed B- long-term credit rating of CenterTelecom OJSC in foreign currency making a step up in forecasting as Stable as against previous Negative. B class is confirmed for short term credit rating in foreign currency. The national rating of the Company was classified as higher BB+(rus) as against previous BB(rus).

CenterTelecom OJSC terminated participation in its subsidiary company VladPageLLC due to its liquidation.

The federal Service on Financial Markets of the Russian Federation registered the issue and the prospect of interest-bearing documentary inconvertible coupon bonds Series 05 CenterTelecom OJSC.

CenterTelecom OJSC set tariffs for intra-zone telephone connections between users of fixed lines and mobile radio (cellular) networks.

CenterTelecom OJSC set tariffs for connection and traffic transfer services within the telephone general network of the company according to price limits set by the Federal Service on Control over Communications.

On June 28 2006 the Annual General Meeting of Shareholders of CenterTelecom OJSC was held.

### July 2006

CenterTelecom OJSC evaluated the results of its activities in 005 in accordance with IFRS.

The 50000<sup>th</sup> subscriber of Domolink ADSL2+ broadband Internet access was awarded in the Center of Modern Communications of Kaluga Branch of CenterTelecom OJSC.

CenterTelecom OJSC and the Administration of Kaluzhskaya Region signed the agreement on collaboration in development of regional telecommunications network and information technologies in the interests of public authorities, management, economy, safety as well as improvement of living standards.

Resolution on creation of the Interregional Trade Union of CenterTelecom OJSC (ITU) was approved by the Constituent Conference of ITU.

In accordance with the resolutions of the Board of Directors of the CenterTelecom OJSC the Committees of the Board of Directors were created.

CenterTelecom OJSC held first electronic bids for the contract on consumed materials for Moscow Branch of the Company.

The Board of Directors of CenterTelecom OJSC decided to create the Management 9, 2006 to August 1, 2007.

### August 2006

CenterTelecom OJSC won the tender for provision of universal telephony services through the network of payphones on the territory of Smolenskaya Region.

In accordance with the resolution of the Moscow Arbitration Court the Ministry of Finance of the Russian Federation partially re-paid within the third quarter of 2006 the amounts due from the federal budget as payment for communications services rendered by CenterTelecom OJSC to privileged individuals from 2001 to 2004 in the total amount of RUR 675.24 mln.

CenterTelecom OJSC paid dividends on type A preference shares for 2005 in the amount of RUR 0.1270937 per preference share.

CenterTelecom OJSC paid the 4<sup>th</sup> coupon on interest-bearing documentary inconvertible coupon bonds Series 04 In the amount of RUR 389 027 348, 05.

#### September 2006

CenterTelecom OJSC completed flotation of interest-bearing documentary inconvertible coupon bonds Series 05 with mandatory central storage in the amount of 3000000 bonds with RUR 1 000 nominal value each.

CenterTelecom OJSC paid the 6<sup>th</sup> coupon and re-paid documentary inconvertible coupon bonds Series 03. The issuer's obligations are fully performed.

The Board of Directors of CenterTelecom OJSC approved a new edition of the Regulations on Corporate Secretary and the Personnel of the Corporate Secretary of the Company.

CenterTelecom OJSC started provision of universal services on the territory of Tulskaia and Belgorodskaya Regions

#### October 2006

CenterTelecom OJSC took part in the VI International Fair Infocommunications of Russia – XXI century (Infocom – 2006»). The workshop for VIP customers "Dialogue with customers. Experience of mutually beneficial cooperation" was held.

Fitch Ratings declared establishment of long-term credit rating as Positive as against previous Stable. B- rating was confirmed. Short term credit rating in foreign currency was classified as B.

Standard&Poor's raised long-term credit rating CenterTelecom OJSC from B- to B (forecast: Stable) and corporate credit rating according to the national scale from ruBBB- to ruBBB+.

#### November 2006

CenterTelecom OJSC involved international funds in the amount USD 115 million at support of Deutsche Bank.

CenterTelecom OJSC declared major indicators of a new financial strategy of the Company for 2006-2009.

CenterTelecom OJSC started design works targeted at transmission of subscribers substituting their ABC=495 telephone numbers in the area code to ABC=498 and 496 telephone numbers.

Annual review of transparency of Russian companies performed by Standard & Poor's proved that CenterTelecom OJSC was ranked 19<sup>th</sup> among 70 Russian companies under review.

CenterTelecom OJSC fulfilled obligations on acquisition of documentary inconvertible coupon bonds Series 04. The owners of bonds did not submit any securities for redemption.

Standard & Poor's raised corporate governance rating (CMR) of CenterTelecom OJSC from CMR – 4+ to CMR – 5 according to the international scale and from CMR - 4,9 to CMR – 5,0 according to Russian scale.

The Board of Directors made a decision on changes of the Management Board of CenterTelecom OJSC.

#### December 2006

The Administration of Smolenskaya Region and CenterTelecom OJSC entered into agreement on regional development of information technologies and communications.

CenterTelecom OJSC set new tariffs and billing plans for local telephone lines which entered in force on February 1, 2007.

Russian Institute of Directors and Expert RA Rating Agency confirmed Class A national rating of corporate governance of CenterTelecom OJSC.

CenterTelecom OJSC was announced the leader among corporate purchasers according to the National Rating of Transparency of Supplies 2006.

CenterTelecom OJSC provided ADSL Internet access to 3 714 schools of the Central Federal Okrug of the Russian Federation.

The 100000<sup>th</sup> subscriber of Domolink ADSL2+ broadband Internet access was awarded in the Center of Modern Communications of Kaluga Branch of CenterTelecom OJSC.

CenterTelecom OJSC paid dividends on ordinary shares for 2005 in the amount of RUR 0,0674191 per ordinary share.

Total number of subscribers for ADSL 2+ DOMOLINK broadband Internet access provided by CenterTelecom OJSC exceeded 115 thousand in 2006.

The Ministry of Finance of the Russian Federation and CenterTelecom OJSC signed the Voluntary settlement specifying the terms of indebtedness management through its re-arrangement and contemporary writing-off of interest payable in the amount of Euro 5.1 million.

CenterTelecom OJSC won the tender for provision of universal telephony services through the network of payphones on the territory of Tverskaya Region.

CenterTelecom OJSC and Rosgosstrakh OAO entered into Master Agreement on communications services.

#### **MAJOR EVENTS AFTER THE REPORTING DATE:**

### February 2007

The Collective Agreement of CenterTelecom OJSC was executed for 2007-2009.

The Russian Foundation of Federal Property sold 15 135 627 nominal ordinary shares of CenterTelecom OJSC at the auction, or 7.2 % of the authorized fund and 9,6% of voting shares.

The Moscow Arbitration Court produced an order on unreasonable tax claims of the Interregional Inspection of the Federal Tax Service of the Russian Federation on major taxpayers №7 against CenterTelecom OJSC made as a result of field tax checks of the Company's operation for 2002 - 2003. In accordance with the court order the Company will pay taxes unpaid in the amount of RUR 12,436 million only.

In the course of implementation of Federal Law № 126-ФЗ dated 07.07.2003 On Communications and in accordance with Order № 637 of the Government of the Russian Federation dated 24.10.2005 On State Regulation of Tariffs on Public Communications and Mailing Services CenterTelecom OJSC offered three tariff plans as three options for users of local telephone lines from 01.02.2007.

### March 2007

The Board of Directors of CenterTelecom OJSC approved lists of candidate members of the Board of Directors and the Audit Commission.

Total number of subscribers for ADSL 2+ DOMOLINK broadband Internet access provided by CenterTelecom OJSC exceeded 150 000 users.

CenterTelecom OJSC the tender of the Federal Agency of Communications for provision of universal telephony services through the network of payphones on the territory of Ivanivskaya, Kostromskaya and Yaroslavskaya Regions.

### April 2007

From April 1, 2007 CenterTelecom OJSC effected transfer of subscribers of local telephone lines of the Company to the closed numeration in the course of intra-zone telephone connection.

In the first quarter 2007 CenterTelecom OJSC provided Internet access to 1 667 educational establishments of the Central Federal Okrug.

## **III. POSITION OF THE COMPANY IN THE INDUSTRY**

In 2006 the market of telecommunications of the Central Federal Okrug (CFO) (except Moscow) amounted RUR 61,2 billion, or 6,3% more as against 2005. Further increase is expected in 2007 up to RUR 70.2 billion.

Analysis of dynamics of the Company's revenues for the communications services rendered during a couple of years shows that the structure of revenues of CenterTelecom OJSC related to services depends on sectoral trends, i.e. the share of traditional services is reduced, therefore the share of revenues from Internet services, data transfer and inquiry system is growing.

The Company occupies a leading position in the telecommunications market of CFO. In 2006 the niche occupied by the Company amounted 74,6% without revenues of the national mobile operators. By certain types of communications services rendered by the Company the market situation in 2006 was as follows:

- local communications – 88,0%;
- intra-zone communications – 73,3% (including IP operators);
- Internet services, data transfer, inquiry system– 35,8%.

Major competitive operators in CFO that may be classified as follows:

- national operators: MTC, Megafon, Vimpelcom (acting on the territory of CFO), Korbina Telecom (Moscovskaya, Voronezhskaya, Kaluzhskaya, Tulsкая, Yaroslavskaya Regions), Golden Telecom (Voronezhskaya, Tulsкая Regions), COMSTAR – Joint TeleSystems (Moscovskaya, Kaluzhskaya, Ivanovskaya Regions);
- sectoral operators: Transtelecom (Bryanskaya, Kaluzhskaya, Kurskaya, Moscovskaya, Orlovskaya, Ryazanskaya, Smolenskaya, Tulsкая Regions), Mostransgaz;
- regional operators: KUTS (Kostromskaya Region), LANK Telecom (Yaroslavskaya, Ivanovskaya Regions), Oskolneft (Belgorodskaya Region), Informsvyaz (Voronezhskaya Region), etc.

#### **Shares of CFO Market (except Moscow) of the Leading Competitive Operators**

COMSTAR – Joint TeleSystems	1,9%
Korbina Telecom	4,4%
All regional operators	5,7%
Golden Telecom	6,1%
Transtelecom	7,3%
<b>CenterTelecom</b>	<b>74,6%</b>

Source:IDEA Group

### **IV. PRINCIPAL BUSINESS LINES OF THE COMPANY**

For last couple of years information technologies have been more and more applied in diverse public and community activities. Therefore new requirements are set to processing speed and data transfer and to telecommunications network in general. Implementing the programme of improvement and development of telecommunications of the Central Federal District CenterTelecom OJSC defines its major objective as provision of up-to-date services to public in the Center of Russia. The following business lines are of the highest priority:

4.1. Construction and upgrade of WDM-based trunk and intra-zone networks and construction of MPLR and RPR-based data transfer networks.

- Digitization of base common networks by means of construction of new digital lines with application of Installation of digital equipment of base common SDH-based networks (Synchronous Digital Hierarchy) and WDM-based networks (Wavelength-Division Multiplexing) with ring structures enabling transfer of high-capacity digital data flow, construction of new and extension of existing multi-service networks of Intra-zone Communication Companies with application of IP/MPLS technology enabling provision of diverse broadband services.

- creation of corporate data transfer network (CDTN) of CenterTelecom OJSC.

1029 km of intra-zone communications lines have been laid in Moscow, Bryansk, Tula, Smolensk, Ryazan and Kursk branches.

4.2. Development of NGN networks, mobile networks and wire and wireless broadband networks. Extension of services rendered on the basis of intellectual networks, new connections and Triple play services including IP-TV.

CenterTelecom OJSC pays special attention to introduction of new services both voice and multimedia on the basis of NGN-networks of new generation taking into consideration topology of existing segments of multi-service networks.

Belgorod, Kaluga and Ryazan Branches intend to put into operation SoftSwitch Stations to be further integrated with public telephone network and used as follows:

- provision of voice and supplementary services of broadband access,
- concentration and routing of dial-up traffic
- control over IP-telephony servers.

CenterTelecom OJSC is currently a leading Internet-operator on the territory of the Central Federal Okrug. In 2006 CenterTelecom OJSC reinforced its positions in the market of new services. xDSL broadband Internet access is one of the most dynamic and popular new service in the market. Since 2006 this service has been provided as DOMOLINK in 6 regions of the Central Federal District: Belgorodskaya, Voronezhskaya, Kaluzhskaya, Lipetskaya, Moskovskaya and Tulskaaya.

In order to maintain and reinforce current position further promotion of services on the basis of multi-service networks, broadband Internet access, including extension of the area for provision of dedicated lines for Internet connection (xDSL-based DOPMILINK service).

Marketing research revealed rash increase of demand for Internet access in regional centers and some Intra-zone Communications Companies. All branches provide Internet access both through dial-up access and dedicated lines. Increased demand for services (WEB-hosting, mail boxes, client servers, etc) requires extension and update of modem pooling in Voronezh, Upper Volga, Bryansk, Ryazan and other branches of CenterTelecom OJSC.

Extension of broadband access in Kaluga and Tver branches requires RUR 13 million of investments, design capacity 7000, extra services rendered to customers: data transfer network, Internet, Internet café. The facilities will be equipped DSLAM and xDSL equipment.

Increased demand for ADSL connection to multi-service networks (Internet, VPN, Dial-up, Ethernet) in Upper Volga, Lipetsk, Vladimir, Smolensk, Orel and Kursk branches as well as high competition in the sector of new services require timely extension of access ports. The projects are economically efficient, they are expected to be repaid within the period from 1 to 3 years, additional sources of revenue also become available. DSLAM ADSL 2+ Annex A, SHDSL will be purchased from various leading suppliers.

CenterTelecom OJSC prioritizes construction of call processing centers. Tula Branch forecast revenues from the construction of the call center, provision of services and improvement of existing inquiry systems. Moscow, Kaluga and Upper Volga branches continue implementing through extension of content-depending services and serviced traffic. Efficiency of the call processing center in Kaluzhskaya Region will be enhanced by IP-outstation for 25 operators' working places.

Construction and operation of the following radio and TV systems in 2006 are treated as high priority objectives by CenterTelecom OJSC:

1. Construction of the second stage of IMT-MC-450 (CDMA 2000) mobile network by Upper Volga Branch on the basis of CDMA-450 equipment produced by Huawei Technologies Co., Ltd., (China). Building, installation and commission have completed. Upgraded dial-up equipment compatible with EVDO mobile network of the third generation within the project of CDMA 2000 for Switch Centers of new digital networks in

Yaroslavl, Ivanovo, Kostroma to reinforce positions in competition with other 3g networks. As a result the capacity reached 2.4 Mbit/s, moreover, extended coverage enabled provision of services not only in towns with high density of population but also in rural areas. Beside traditional mobile telephone connection the following services are rendered: fixed radio access, Internet access, creation of new telephone lines on the basis of the new network in the areas with no telephone communication available, creation of technological basis for Universal Services in future. 25 base stations have been installed, the number of subscribers reached 2871.

2. In order to maintain current position in the market of mobile GSM-communication Tambov Branch arranged the following activities:

- a) upgrade of dial-up software from SR8.0 to SR 10.0
- b) increase of capacity of base stations and extension of coverage in Tambovskaya Region in the areas which are not serviced or poorly serviced by other federal operators.
- c) upgrade of controller software from BR 5.5 to BR 7.0. Support of BR 5.5 was completed by Simiens in July 2006. BR 5.5 controller had no free ports to increase load directed to dial-up equipment and connection of new base stations.
- d) extension of modem pooling of dial-up equipment for digital data transmission to 24 modems. USSD data transfer center has been deployed.
- e) provision of GPRS services targeted at receipt of extra revenue and attraction of new customers.

3. Construction and commissioning of digital radio-relay lines in the course of construction of intra-zone and local communications lines. Channels and trunks of such lines are used for mobile communications, data transfer services, Internet access. 8 RRLs have been commissioned by Moscow and Kaluga Branches.

4. Provision of universal services to public in accordance with federal Law 126 On Communications.

5. In accordance with the Resolution of the State Commission on Radio Frequencies CenterTelecom OJSC received 3400-3450/3500-35500 MGz frequency for wireless access BrezeeMAX (Alvarion, Israel) to cover the whole territory of the Central Federal Okrug of the Russian Federation except Voronezh enabling construction of broadband wireless networks including those for corporate customers and the networks created in the course of the national programme Education.

4.3. Implementation and upgrade of IT solutions including implementation of central IT programmes.

In 2006 major objectives of the Company in IT development were as follows:

- implementation of the Programme of Billing Conversion;
- implementation of Oracle E-Business Suite (EPR) for management of the Company;
- creation of the Data Processing Center (DPC);
- implementation of the platform of collection and preliminary data processing (PCPD);
- automation of business procedures of corporate information processing: portal, electronic documentary exchange;
- upgrade of automated billing systems (ABS) of the branches in the course of transfer to a new model of market regulation.

4.4. Changes of schedules of interaction with operators of connected networks.

New legal regulations valid from January 1, 2006 in accordance with Federal Law On Communications caused certain changes made by CenterTelecom OJSC in schedules of interaction with operators of connected networks to bring them in compliance with current legislation.



In order to meet mandatory requirements of current legal regulations CenterTelecom OJSC has developed material terms of connection and traffic transfer and sent them to all operators connected to the Company's network, relevant connection agreement including public terms of connection and interaction of networks in full compliance with current legislation. In 2006 more than 90 % of agreements with connected operators were re-executed in accordance with new schedules. Such agreements specify equal terms of traffic transfer for both parties including pricing.

CPP billing method applied by CenterTelecom OJSC and mobile operators caused relevant changes in agreements made in compliance with legal regulations in communications, including settlements related to traffic transfer, new terms have been applied for agreements executed after 01.07.2006.

## **V. MAJOR TRENDS OF DEVELOPMENT OF THE COMPANY**

CenterTelecom OJSC assessed experience of international market and forecast economic development in Russia and in the Central Federal Okrug in order to define future telecommunications market of CFO as highly competitive and dynamically developing. The following major trends of market development should be highlighted: expansion of mobile communications, implementation of new services and subsequent escalation of competition and rivalry in marketing and technology.

Growth of equity value has been positioned as the principal business objective of the Company intending to maintain its leading role in the telecommunications market in CFO. The activity of CenterTelecom OJSC shall be targeted at creation of unified multifunctional comfortable infocommunication environment to users.

In order to maintain its leading positions in the market within the coming 5 years the Company defines the following trends of development as principal taking into consideration current trends of development of telecommunications in the market: extension of the share of up-to-date cost efficient telecommunications services in the total volume of services rendered, including provision of broadband access over the territory of the Central Federal District; creation of different schedules of services and tariffs for various categories of users, increased competitiveness of the Company in the sector of mass public services and corporate services.

Development of priority commercial guidelines of the activity will be supported by upgrade of current infrastructure of the region, application of state-of-art technologies, increased efficiency and savings.

A well-arranged infrastructure is a major competitive advantage of CenterTelecom OJSC in the nearest future and in long-term outlook. The Company dynamically develops maintaining its active commercial position i.e. implementing new telecommunications technologies. CenterTelecom OJSC is one of very few companies rendering full range of telecommunications services from traditional telephony to creation of VPN networks with integration of multimedia services

The main constituent of efficient operation of CenterTelecom OJSC is development of new services rendered to public. The most promising service is currently broadband Internet access, CenterTelecom OJSC intends to provide content services on the basis of broadband networks including video on request and access to on-line data bases.

CenterTelecom OJSC set the following strategic initiatives in order to achieve its objectives and ensure efficient development of the Company:

- advanced development of broadband networks and further heavy content services based on broadband networks (VoD, PVR, SoD, IPTV);
- development of local telephone networks and growth of revenues from traditional services;

- competitive pricing (differentiation of tariffs depending on paying capacity, application of additional upsell schedules, discounting, development of packets of services)
- creation and promotion of brands dedicated to certain sectors of the market;
- extension of sales, management of servicing and sales (including dealers' network);
- creation of up-to-date telecommunications infrastructure of the Company based on multi-service communications networks (NGN) to provide access to communications services and traffic transfer
- implementation of programmes targeted at improvement of efficiency through optimization of costs and monitoring of expenses;
- implementation of programmes targeted at reduction of debts and value of borrowings;
- enhancement of efficiency of investments of the Company;
- enhancement of efficiency of floating capital management;
- organizational development of the Company;
- development and implementation of the programme of motivation aimed at co-ordination of interests and needs of employees and strategic objectives of the Company.

In 2007 the Company will continue implementation of central IP programmes, unified platform of collection and preliminary data processing (PCPD), the system of settlements between operators, development of electronic documentary exchange.

## **VI. RESULTS OF THE COMPANY'S OPERATION BY MAJOR OBJECTIVES**

Dynamic development of xDSL broadband Internet access significantly increased the number of users especially in branches participating in Domolink. In the beginning of 2006 the number of users was 16 619, by the beginning of 2007 7-fold growth was marked making more than 115 thousand.

In 2006 local telephony developed on the basis of digital ATN enabling significant improvement of quality and extension of services.

Local telephone network of CenterTelecom OJSC includes 8 452 automatic telephone stations with total capacity 6 983 115 as of 01.01.2007, including 1 534 ATN on UTS with total capacity 5 957 476 numbers and 6 918 ATN on RTS with total capacity 1 025 639 numbers. The total capacity of local telephone networks has increased by 32 447 numbers during last financial year.

The ratio of digitization of local telephone networks reached 52,8 % as of 01.01.2007 (as against 50,9 % in 2005) including 58,1 % for UTS (as against 56,25 % in 2005) and 22,1 % for RTS (as against 20,1 % in 2005). Another 76 electronic stations appeared in 2006, including 21 on UTS and 55 on RTS. The capacity of electronic ATN increased by 148 697 numbers including 128 807 numbers for UTS and 19 890 numbers for RTS.

The rate of equipped capacity reached 94.7 % as of 01.01.2007 (as against 93,3 % in 2005) including 95,5% for UTS (as against 94,1% in 2005), 90,0 % for RTS (as against 88,4% in 2005).

The capacity of telephone stations providing long distance services reached 6 970 971 numbers as of 01.01.2007 including 5 947 367 numbers for UTS, 1 023 604 numbers for RTS. The ratio of ATN with long-distance equipment to total capacity of ATN made 99,8 % as of 01.01.2007 (as against 99,5 % in 2005).

The capacity of ATN equipped with time charging devices reached 5 102 448 numbers as of 01.01.2007 including 4 753 462 numbers for UTS and 348 986 numbers for RTS. The ratio of equipped capacity equipped with time charging devices to the total capacity of ATN made 73,1 % as of 01.01.2007 (as against 69,4 % in 2005) including 79,8 % for UTS (as against 76,7 % in 2005) and 34 % for RTS (as against 27,1 % in 2005).

Fiber-optic communication lines have been installed on local telephone networks during 2006. Total length of fiber-optic communication lines amounted 5 979 km. The total number of high-frequency channels made 923 329 as of 01.01.2007 including 96.0 % of digital channels. Cabling communications have been laid instead of aerial lines in order to improve quality and reliability of RTS communications, multiplexing of connecting channels to produce multichannel lines including digital ones enabled increase of channels. 1 428 km of aerial lines have been deactivated in 2006.

CenterTelecom OJSC operated 21 481 payphones including 20 967 accepting cards and 18 553 of universal payphones.

During last financial year CenterTelecom OJSC has been focusing on further automation and digitization of intra-zone communications in order to improve performance and quality of services. 648,0 km of fiber-optic communication lines were put into operation in 2006, total length of intra-zone communications lines reached 29 110,6 km as of the end of 2006 including 15 555,2 km of fiber-optic communication lines.

Total length of intra-zone long-distance channels has significantly increased due to construction and commissioning of intra-zone fiber-optic communication lines as well as transfer of equipment to higher level of STM.

Total increase of intra-zone channels reached 33 019,8 thousand km.

EWSD, S-12 and AXE-10 digital zone transit stations (ZTS) are installed in all regions of the Company.

Further implementation of ZTS was performed in 2006 extending the number of automated channels both within intra-zone and trunk lines. The number of outgoing automatic channels increased by 22 569 channels.

The billing transformation programme included design, development and implementation of Master system Amdox. It resulted in creation of the unified catalogue of products, integration of existing information systems of the pilot branch equipped with Master system Amdox. The data were imported from the original system to Amdox. The Amster system passed preliminary tests.

Oracle E-Business Suite (ERP) was introduced as the management system of the Company, the following operations were adjusted: data export, data cleaning for further loading into the Master System Release 1. The following aspects were assessed in the course of audit: approaches to introduction and implementation of key tasks and terms, optimization of approaches to implementation, development of individual schedule of introduction, assessment of financial and human resources.

Server equipment for the first stage of the billing transformation programme have been purchased and installed for future Data Processing Center, design, purchase and installation of engineering equipment have been completed.

The platform of collection and preliminary data processing (pre-billing) has been realized in Vladimir Branch. The experimental system has been put into operation.

In the course of automation of business procedures in the General Directorate of the Company the corporate portal and the system of electronic documentary exchange have been commissioned to be applied for processing of incoming correspondence.

The branches of the Company have been updating existing billing systems in accordance with current legislation including settlements with operators of long-distance and international telephone services.

### **6.1. Investment Policy**

No.	Description	Unit	2005	2006	Rate of indexes changes in 2006/2005 (%)
1.	Investments into fixed assets – Total,	RUR, mln	5 311	3 774	71 %
	Including:				
1.1.	traditional telephony	RUR, mln	3 045	2 037	67%
1.2.	lines of communication	RUR, mln	1 001	584	58 %
1.3.	new services and technologies	RUR, mln	610	824	135 %
1.4.	other, total	RUR, mln	655	329	50 %
2.	Company's own funds used for financing of investments made into the fixed assets (construction in progress and used objects inclusive)	RUR, mln	3 433	3 774	110 %
3.	Attracted funds used for financing of investments made into the fixed assets (construction in progress and used objects inclusive)	RUR, mln	1 878	0	0 %
4.	Commissioned fixed assets	RUR, mln	6 081	3 624	60 %
5.	Production facilities put into operation (as per the annual report data based on the layout of forms C1, C2)				
5.1.	Subscriber lines capacity put into operation	Numbers	270 355	207 684	77%
5.2.	Automated trunk exchange put into operation	Channels	1 500	3 630	242%
5.3.	Fiber-optic communication and microwave lines put into operation	km	1 771	796	45%

#### ***National Projects***

In accordance with the contracts with the Federal Agency of Communications in 2006 CenterTelecom OJSC started provision of universal telephony services through the network of payphones in on the territory of Belgorodskaya, Tulsкая, Smolenskaya and Tverskaya regions. The first stage of construction led to the following results:

- Belgorod Branch: 220 payphones ;
- Tula Branch: 446 payphones ;
- Smolensk Branch: 260 payphones .

Total number of payphones in all three branches amounted 926. Total investments targeted at implementation of the national project Universal Communications Services reached RUR 21 351 000.

In 2006 4 572 schools got Internet access in the course of implementation of Education National project, total investments amounted RUR 81 135 000.

#### **Federal Target Project Social Development of Rural Area up to 2010**

In 2006 the following investments were made in the course of the Target Project Social Development of Rural Area up to 2010:

Ryazan Branch: RUR 558 000 were spent for development and research design works:

Construction of ATN in Shumash village, Ryazan Region

Construction of ATN in Laskovskiy village, Ryazan Region

Construction of ATN in Pereskal village, Rybnovskiy District

Construction of ATN in Gorodische village, Rybnovskiy District

Construction of ATN in Avangard, Chchkovskiy District

Construction of ATN in B-Pochinki, Kasimovskiy District, Ryazan Region

Construction of Mobile Communications Stations in settlements specified is scheduled for 2007.

Tambov Branch: RUR 5 024 000 scheduled by project Construction of Mobile Communications Stations for Provision of Telephony services for Rural Area in Accordance with the Federal Project Social Development of Rural Area (10 settlements). The project was commissioned in December 2006.

## **6.2. The main network development indicators.**

№	Indicators	Units of measurement	2005	2006	Rate of indicators change in 2006/2005 (%)
1	2	3	4	5	6
1.	Increase in the length of of intra-zone telephone channels total	thos.chan./km	7 314,7	33 019,8	451,4
2.	Increase in the length of of intra-zone telephone channels formed by digital transmission systems	thos.chan./km	7 619,0	33 347,2	437,7
3.	Increase in the number of main telephone sets, total	thos.	190,33	126,73	66,6
4.	Installed capacity of x DSL ports, total (by the end of reporting period)	ports	29 762	274 765	923,2
5.	Number of subscriber devices connected to mobile networks (by the end of reporting period)	thos.	117,6	124,69	106,0

### **6.3. Key performance indicators of the Company**

Description	Unit	2005	2006	Rate of indicators changes in 2006/2005 (B %)
Proceeds (VAT exclusive)	RUR, mln	27 594	28 395	102,9
Proceeds from services rendered	RUR, mln	27 236	26 606	97,7
Costs	RUR, mln	21 662	21 212	97,9
Proceeds from sales	RUR, mln	5 931	7 183	121,1
Profit before taxation	RUR, mln	1 387	3 370	243,0
Net profit	RUR, mln	655	2 048	312,7

### **6.4. Structure of profits by user types and categories for 2006**

Service type	Total (VAT exclusive) RUR thos.	Including from private users
Revenue from the communications services - total including:	26 606 201	14 657 405
intra-zone telephony services	3 897 891	1 937 511
local telephone lines	14 491 980	10 819 553
Document telecommunications	2 144 886	1 024 079
Mobile communications	258 886	227 859
Interconnection services and traffic transmission	5 047 579	x
Other	764 979	648 403

### **6.5. Structure of profits (detailed) for 2006**

№	Expense items	Revenue structure for 2006 %.
1	Payroll	35,5
2	Uniform social tax	8,6
3	Other personnel costs	1,7
4	Wear and tear	17,8
5	Material costs	5,5
6	Electric and thermal power	3,1
7	Third party organizations contracted to perform repair and maintenance	4,0
8	Tax expense	0,3
9	Rostelecom expense	0,8
10	Communications operators' services	5,6
11	Other costs (not listed above)	17,1
12	TOTAL COSTS	100,0

### **6.6. Key Indicators of the Company Activities Efficiency**

Description	Unit	2005	2006	Rate of indicators change (%)
Profitability by proceeds from sales*	%	21,5	25,3	117,7
Profitability by net profit*	%	2,4	7,2	300,0
Prime cost of RUR 100 worth of proceedsn	RUR	78,5	74,7	95,2
EBITDA	RUR, mln	7 186	9 783	136,1
EBITDA margin	%	26,0	34,5	132,7
Proceeds per line	RUR	4 267,8	4 287,8	100,5
Profit from sales per line	RUR	917,4	1 084,7	118,2
Proceeds per employee**	RUR, thos.	425,3	475,6	111,8
Revenue per employee**	RUR, thos.	91,4	120,3	131,6
Number of lines per employee	items	99,7	110,9	111,2

\* - Calculated by proceeds.

\*\* - Considering average number of employees (including part-time, contractors and other extra staff).

### **6.7. Net assets of the Company**

	As of 31.12.2006
1. Value of net assets (RUR thos.)	17 714 625
2. Charter capital (RUR thos.)	6 311 999
3. Reserve fund (RUR thos.)	64 985
4. Net assets to charter capital ratio (p.1/p.2) (%)	280,65
5. Net assets to the value of the charter capital and reserve fund (p.1/(p.2+p.3)) (%)	277,79

During the reporting period the net assets grew by RUR 1 829 990 000 or by 11,52 %

## **VII. REPORT ON THE PAYOUT OF DECLARED (ACCRUED) DIVIDENDS ON THE COMPANY SHARES**

The main principles of the Company's dividend policy are as follows:

- increasing the welfare of the shareholders and providing for the Company's capitalization growth
- optimal balance between the consumed and capitalized parts of the gained profit so that the market price of the Company's shares can be ensured
- establishment of a transparent tool of dividends rate determination understandable to the shareholders, dividend payout procedures, requirements to the Company

shareholders and measures applied to executive bodies in the event of partial or delayed payment of the declared dividends

In accordance with the Articles of Association of the Company the owners of preferred shares are guaranteed dividends to the amount of at least 10% of the Company's net profit divided by the number of placed preferred type A shares.

- the date when the general shareholder meeting approved by the resolution authorizing the payment of annual dividends – June 28, 2006
- the actual start date for dividend payout – August 07, 2006
- the amount to dividends payable per 1 share:  
RUR 0,1270937 per type A preference share;  
- RUR 0,0674191 per ordinary share.
- the dividends are paid in cash.
- the amount of the dividends paid by the time the annual report was compiled as of January 1, 2007:  
RUR 105 980 039,5 for ordinary shares.  
RUR 65 734 324,8 for type A preference shares.  
The share of paid dividends to the total amount of the dividends payable is 99.12%.

The main reasons why dividends are not received are as follows: failure of shareholders to collect the dividend payments, or unavailability of correct details for transfer of funds.

***Dynamics of declared (accrued) dividends on the Company shares (per share):***

Type of security	2003	2004	2005	2006 *
Dividends per ordinary share ( RUR)	0,124867	0,0630084	0,0674191	0,1999621
Dividends per preference share (RUR)	0,285662	0,0756115	0,1270937	0,3893300
Amount of dividends accrued (thos., RUR)	347 297	139 199	173 238	520 326

Comments to the *table*::

\* The amount of dividends proposed by the Board of Directors of the Company for approval at the annual general shareholder meeting in 2007.

The resolution on the dividend payments for 2003 was approved by the annual general shareholder meeting held on June 11, 2004. The dividend payment due date was set for August 10, 2004 for preference shares and December 31, 2004 for ordinary shares.

The resolution on the dividend payments for 2004 was approved by the annual general shareholder meeting held on June 30, 2005. The dividend payment due date was set for August 29, 2005 for preference shares, and December 31, 2005 for ordinary shares.



The resolution on the dividend payments for 2005 was approved by the annual general shareholder meeting held on June 28, 2006. The dividend payment due date was set for August 27, 2006 for preference shares, and December 31, 2006 for ordinary shares.

**VIII. INFORMATION ABOUT THE MOST SIGNIFICANT TRANSACTIONS OF THE COMPANY**

1. In 2006, the Company did not implement any transactions, which can be recognized as large-scale transactions under the Federal Law On Joint-Stock Companies.
2. In 2006, the Company did not conclude any transactions, the conclusion of which requires the procedure of large-scale transactions approval according to the regulations of the Company.
3. The list of transactions, approved by the Board of Directors of the Company and concluded by the Company in 2006, which are recognized under the Federal Law On Joint-Stock Companies as transactions implementation of which is of interest:

No	Parties	Object of Transaction	Cost	People, Interested in the Conclusion of the Transaction
1	CenterTelecom OJSC (the Customer) and Rostelecom OJSC (Rostelecom)	Rostelecom provides the Customer with physical circuits (optical fibers), listed in Appendix 1 to the Agreement.	Single payment for the use of physical circuits in amount of: 16,632,690 (sixteen million six hundred and thirty-two thousand six hundred and ninety) rub. 00 kop. Monthly payment for the use of physical circuits is: 139,500 (one hundred and thirty-nine thousand five hundred) rub. 00 kop.	The interest lies in the fact that the Company belongs to the group of people who own Rostelecom OJSC.  V.N.Yashin – the Chairman of the Board of Directors of the Company and the Chairman of the Board of Directors of Rostelecom OJSC.  S.I.Kuznetsov, A.N.Kiselev, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of OAO “Rostelecom”.
2	CenterTelecom OJSC (the Executive) and CenterTelecomService CJSC (the Customer)	The service on allocation the Customer with some place in technological counter belonging to the Executive and situated in the working area of the Executive for placement of manufacturing carrier of the Customer.	The amount of monthly payment (rubles, VAT excluded) is 3,000.00 rubles.	R.A.Amarian – General Director of the Board of Directors of the Company and the Chairman of the Board of Directors of CenterTelecomService CJSC. E.M.Zhuravleva, A.A.Lokotkov, S.V.Pridantsev, M.A.Pegasov,

				N.V.Mezhuev – members of the Board of the Company and members of the Board of Directors of CenterTelecomService CJSC.
3	CenterTelecom OJSC (the Customer) and OAO “MGTS” (the Executive)	The organization of feeding of the personnel of the Customer, provision with functioning traveling buffets on the following addresses: 6 Degtyarny lane, bldg.2, Moscow, and 3 Dmitrovsky lane, bldg.1, Moscow.	686,835 rub., 52 kop., VAT included – 104,771 rub., 52 kop. a year.	V.N.Yashin, B.D.Antoniuk – members of the Board of Directors of the Company and members of the Board of Directors of MGTS OJSC.
4	CenterTelecom OJSC (the Agent) and OAO “YTK” (the Principal)	The Agent is obliged for a fee to realize actions on support of the applications of the Principal to receive permission on the use of radio-frequencies for 6 broadcasting stations in Krasnodar Territory on all stages of its consideration and coordination by corresponding state authorities on behalf and at the expense of the Principal.	60,000 (sixty thousand) rubles, VAT included in the amount of 9,152.54 rub.	The interest lies in the fact that the Company belongs to the same group of people as YTK OJSC does. S.I.Kuznetsov – a member of the Board of the Directors of the Company and a member of the Board of Directors OAO “YTK”.
5	CenterTelecom OJSC (the Seller) and Rostelecom OJSC (the Buyer)	The Seller is obliged to transfer common nominal non-documentary shares of the closed joint-stock company “Insurance company for the trade union of communication workers “Kostars” in the amount of 56,000 (fifty-six thousand hundred) units (state file number of share issue is 1-01-10162-Z-003D of April, 29 2004) with the nominal cost of 50 (fifty) rubles each, which amounts to 28% of assessed capital of the Closed joint-stock company “Insurance company for the trade union of communication workers “Kostars” (further – the Shares), and all fixed by the Shares rights, existing on the date of passing of property for the Shares, which are free from any rights of third parties, for the price,	2,800,000 (two million eight hundred thousand) rubles, which is 50 (fifty) rubles for 1 share.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. V.N.Yashin, A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom.

		stated in the Agreement, and the Buyer is obliged to take the named shares and to settle them on terms of the Agreement.		
6	CenterTelecom OJSC (the Issuer) and Interregional Commercial Bank of Communication and Information Science Development (open joint-stock company) (the Bank)	The Bank is obliged on the instructions of the Issuer to realize outgoings on payments in favor of Bondholders of total coupon income and nominal cost of the Stocks in case of their paying off on the dates, determined in accordance with the conditions registered in statute-established Decision of the RF about stock issue and Offering circular of stock issues, on behalf and at the expense of the Issuer.	For the service the Issuer is provided by the Bank on the basis of the Agreement, the Issuer is obliged to pay the Bank the commission charge in the amount of 1,000 (one thousand) rubles, VAT excluded. VAT is paid in addition to the amount of compensation at the rate provided by the legislation at the moment of signing the Act about the Provided Facilities.	A.N.Kiselev – a member of the Board of Directors of the Company and the Chairman of the Board of Directors of AKB Svyaz-Bank OJSC.
7	CenterTelecom OJSC and Rostelecom OJSC	<p>In accordance with the Agreement, Rostelecom entrusts and the Operator is obliged to perform the following legal and other acts on behalf and at the expense of Rostelecom:</p> <ul style="list-style-type: none"> <li>- with the use of one of the forms (Form 1 or Form 2), stated in Appendix 1 to the Agreement, to conclude agreements with every of the Associate operators, apart from cases directly stated by the regulations of Articles 6.2., 6.7. of the Agreement on behalf of Rostelecom.</li> <li>- with the use of the form stated in Appendix 2 to the Agreement, to conclude agreements on rendering by Rostelecom the services of long-distance and foreign traffic for the users, who will turn to the operator for conclusion of such agreements by means of drawing up a single deed on behalf of Rostelecom.</li> <li>- in case of need, when concluding agreements, stated in Article 2.1.1. of the Agreement, to hold negotiations with all Associate operators with the aim of coordination of the terms of the treaty,</li> </ul>	<p>For execution of agent instructions provided by the Agreement, Rostelecom is obliged to pay the Operator the compensation in the following amount:</p> <ul style="list-style-type: none"> <li>- for every concluded agreement with the Associate Operator according to Article 2.1.1. of the Agreement in the amount of either 20,000 rubles, if the agreement is concluded according to Form 1 of Appendix 1, or 40,000 rubles, if the agreement is concluded according to Form 2 of Appendix 1, on condition that: <ul style="list-style-type: none"> <li>a) the agreement is concluded by the Operator on the conditions given in the respective forms (Form 1 or Form 2) in Appendix 1 to the Agreement, or</li> <li>b) the agreement, on Rostelecom's decision, taken under Articles 6.6. and 6.7., is concluded by the Operator on conditions different from those listed in Appendix 1 to the Agreement.</li> </ul> </li> </ul> <p>The amount of compensation is given VAT excluded, which is calculated from the rate which is functioning at the moment of the</p>	<p>The interest lies in the fact that the Company belongs to the same group of people as OAO "Rostelecom" does.</p> <p>A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of OAO "Rostelecom".</p>

		contained in Appendix 1 of the Agreement, and also perform other acts, directed at ensuring the conclusion of the stated agreement with Associate Operators.	respective invoicing: - for every concluded agreement with the User according to the Article of the Agreement, a single payment in the amount of 500 rubles VAT excluded. - Rostelecom is also obliged to indemnify the Operator's expenses proved by the documents, suffered by the latter in connection with the execution of agent instructions provided by the Agreement.				
8	CenterTelecom OJSC (hereinafter also – the Operator) and OJSC “Rostelecom” (hereinafter also Rostelecom) and	Alteration of the Agreement in accordance with which: - the way of conducting intercalculation between the Parties is changed in accordance with Appendix 7 to the Agreement in the version of collateral agreement. - in the new version there are Appendixes 3 (Operator's report on the accrual income for the services of communication rendered to the Users), 4 (Peculiarities of interrelation of Rostelecom and the Operator to ensure the observance of legislation on VAT) and 8 (The Regulations of control of accuracy of completion of the terms of the Agreement by the Operator) to the Agreement, and also there are alterations to Appendixes 5 and 9 to the Agreement.	Additional agreement is not connected with changes in price parameters.	The interest lies in the fact that the Company belongs to the same group of people as OAO “Rostelecom” does.  A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of OAO “Rostelecom”.			
9	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 1 to the Agreement about the attachment of electric communication networks in the version of Agreement No 6480/05-ДО of 01.01.2006.	The prices of the acquired by Rostelecom OJSC from CenterTelecom OJSC Services for refreshment of information about subscribers in the data base on the basis of one line of refreshment of Rostelecom OJSC are determined on the following calculation rates CenterTelecom OJSC: <table><tr><td>No</td><td>Service Name</td><td>rub., VAT excluded</td></tr></table>	No	Service Name	rub., VAT excluded	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does.  A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of
No	Service Name	rub., VAT excluded					

			1.	Update of information about the subscribers of the Operator	1,00	Rostelecom OJSC.
			2.	Update of information about the subscribers of the Associate Operator	2,00	
10	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 2 to the Agreement about the attachment of electric communication networks in the version of Agreement No 6480/05-ДО of 01.01.2006.	Additional agreement is not connected with changes in price parameters.			<p>The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does.</p> <p>A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.</p>
11	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 3 to the Agreement about the attachment of electric communication networks in the version of Agreement No 6480/05-ДО of 01.01.2006.	The price of alienable Rostelecom OJSC by CenterTelecom OJSC service of long-distance call end on another operator's network is determined with the help of the rates in accordance with Appendix 1 to Additional Agreement 3.			<p>The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does.</p> <p>A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.</p>
12	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 4 to the Agreement about the attachment of electric communication networks in the version of Agreement No 6480/05-ДО of 01.01.2006.	Additional agreement is not connected with changes in price parameters.			<p>The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does.</p> <p>A.N.Kiselev, S.I.Kuznetsov,</p>

				V.V.Degtiarev – members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.
13	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 5 to the Agreement about the attachment in the version of Agreement No 6480/05-ДЮ of January, 1 2006.	Additional agreement is not connected with changes in price parameters.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.
14	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 6 to the Agreement about the attachment in the version of Agreement No 6480/05-ДЮ of January, 1 2006.	Additional agreement is not connected with changes in price parameters.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.
15	CenterTelecom OJSC and Rostelecom OJSC	Collateral agreement 7 to the Agreement about the attachment in the version of Agreement No 6480/05-ДЮ of January, 1 2006.	Additional agreement is not connected with changes in price parameters.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of

				Rostelecom OJSC.
16	CenterTelecom OJSC and Rostelecom OJSC	Order and conditions of transmission, receiving and use of the information by the Parties which is a trade secret and transmitted by the Parties to each other in terms of the concluded by the Parties Agreement about the attachment of electric communication networks of 01.01.2006 № 6480/05-ДЮ and the agreement of 01.01.2006 № 6479/05-ДЮ, including the relations of the parties, originating from the implementation, alteration or discharge of the named contracts.	Price parameters are not included into the Agreement.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.
17	CenterTelecom OJSC (the Executive) and Rostelecom OJSC (the Customer)	In accordance with the given specifications the Executive is obliged to provide the Customer with the Services – a complex of resources for technological equipment of places, and the Customer is obliged to pay for the services provided in accordance with the Agreement.	233,640 (two hundred and thirty-three thousand six hundred and forty) rubles 00 kopecks, VAT (18%) included – 35,640 rub. 00 kop.	The interest lies in the fact that the Company belongs to the same group of people as Rostelecom OJSC does. A.N.Kiselev, S.I.Kuznetsov, V.V.Degtiarev - members of the Board of Directors of the Company and members of the Board of Directors of Rostelecom OJSC.
18	CenterTelecom OJSC (the Organization) and the Russian Fund of the History of Communications (the Fund)	The Organization hands over to the Fund special cash means in the form of donation free of charge (further – the Donation) for realization of the Fund activity programs (further – the Programs), approved at the meeting of the Board of the Fund in December, 26 2005, Protocol 16 (Appendix 1).	The amount of donation is 11,500,000 (eleven million five hundred thousand) rubles 00 kopecks, it is not taxed with VAT.	V.N. Yashin – the Chairman of the Board of Directors and the member of the Board of the Fund.
19	CenterTelecom OJSC and Non-profit-making partnership “The Research Centre of problems of the Development of	Transfer of principal membership fees of CenterTelecom OJSC to Non-profit-making partnership “The Research Centre of problems of the Development of Communication” in accordance with Article 4.2.3 of the regulations of the Partnership.	Total amount of principal membership fees in 2006 was 184,624,000 (one hundred and eighty-four million six hundred and twenty-four thousand) rubles.	S.V. Pridantsev – the Chairman of the Board of the Company and the member of the Board of Non-profit-making partnership “The Research Centre of problems of the Development of



	Communication”			Communication”.
20	CenterTelecom OJSC (the Customer) and Mobitel CJSC (the Executive)	The Executive is obliged to supply services on the organization of seminars, round-table discussions, meetings, etc. on the Customer’s request, and the Customer is obliged to pay for these services.	Not more than 20,000.00 (twenty thousand) rubles, VAT included, per one participant of the Seminar.	The interest lies in the fact that the Company belongs to the same group of people as the closed joint-stock company “Mobile Telecommunications”.
21	CenterTelecom OJSC (the Renter) and CenterTelecomService CJSC (the Tenant)	The Renter is obliged to pass to the Tenant and the tenant is obliged to accept in temporary possession and use the non-residential premises (room 101), with the total area of 38.63 sq. meters on the ground floor of the building of ATS-573 with the address: Moscow region, t. Himki, Proletarskaya str., 23.	The amount of the rent is 18,227.20 rubles (eighteen thousand two hundred and twenty-seven rub. 20 kop.) a month, VAT included (18%), which is 2,780.42 rub. (Two thousand seven hundred and eighty rub. 42 kop.) Total amount of the rent on the Agreement (11 months) is 200,499.20 rub. (two hundred thousand four hundred and ninety-nine rub. 20 kop.), VAT included (18%), which is 30,584.62 rub. (thirty thousand five hundred and eighty-four rub. 62 kop). Municipal payments are included into the rent.	Kirillov A.I., Nazarov S.V., Lutski A.A., Kartashov A.D – members of the Board of the Company and members of the Board of Directors of CenterTelecomService CJSC.
22	CenterTelecom OJSC (the Customer) and Sviazintek OJSC (the Executive)	Services on management of the Program of billing transformation, the aim of which is application and putting of the unified billing solution into revenue service for the Customer.	The cost of services including the cost of the rights for the use of accounting documents is 9,515,520 (nine million five hundred and fifteen thousand five hundred and twenty) rubles, VAT included 18%, which is 1,451,520 (one million four hundred and fifty-one thousand five hundred and twenty) rubles.	The member of the Board of the Company Y.A.Bilibin is at the same time the Chairman of the Board of Directors of OAO “Sviazintek”.
23	CenterTelecom OJSC (the Executive) and RTKommRU OJSC (the Customer)	The Executive is obliged to provide the Customer with the services on the organization of virtual communication channels at the velocity not slower than 128 Kbit/sec. in the amount of 11,373 from comprehensive establishments to the Customer’s access nodes, listed in Appendix 1 to the Agreement. The Executive ensures round-the-clock provision of organized communication channels in use.	A single payment for the service of organization of one virtual communication channel with velocity not lower than 128 Kbit/sec. including installation and adjustment of NT is 2,200 rub., including VAT. Monthly payment for the services of twenty-four-hour allocation to use one virtual communication channel is 1,000 rub., VAT included.	Y.A. Bilibin – the member of the Board of the Company and the member of the Board of Directors of RTKommRU OJSC.
24	CenterTelecom OJSC	The Customer undertakes to commission and	13,000,000 rub. (thirteen million rubles), and	The interest in conclusion of the

	(the Customer) and HIPROSVIAZ OJSC (the Executive)	the Executive to develop project documentation on the object situated in Moscow region: "Transfer of communication networks of CenterTelecom OJSC on the territory of Moscow region from code "ABC=495" to the code "ABC=498".	besides: value added tax (18%) which is 2,340,000 rub. (two million three hundred and forty thousand rubles).	transaction is the fact that the transaction is concluded with the affiliated person (HIPROSVIAZ OJSC), a shareholder of the Company.
25	CenterTelecom OJSC (the Customer) and HIPROSVIAZ OJSC (the Executive)	The Customer commissions and the Executive accepts the development of project documentation on the object situated in Moscow region: "The network of area connection of CenterTelecom OJSC in Moscow region".	7,000,000 rub. (seven million rubles), and besides: value added tax (18%) which is 1,260,000 rub. (one million two hundred and sixty thousand rubles).	The interest in conclusion of the transaction is the fact that the transaction is concluded with the affiliated person (HIPROSVIAZ OJSC), a shareholder of the Company.
26	CenterTelecom OJSC (THE AGENT) and RTKommRU OJSC (THE PRINCIPAL)	THE AGENT is obliged to realize real and legal acts on behalf of THE PRINCIPAL for the compensation: - together with heads of comprehensive establishments as representatives of the Federal Agency on Education and representatives of the Territorial body on oversight in the field of communication to hold acceptance testing of the access to the Internet; - in case of successful results of the testing to sign protocols of acceptance testing ; - to pass the heads of comprehensive establishments the equipment, placed on the territory of comprehensive establishments according to the commission-acceptance act for its responsible storage; - to receive the equipment according to the equipment restitution act from the heads of the comprehensive establishments.	Broker's fee paid to the Company on one comprehensive establishment is 318 (three hundred and eighteen) rubles 04 kopecks, VAT included.	The interest in conclusion of the transaction is the fact that the transaction is concluded with the affiliated person (Rostelecom OJSC holds more than 20% and more shares of RTKommRU OJSC, which is a party in the transaction.
27	CenterTelecom OJSC (further the User) and MGTS OJSC (further MGTS)	MGTS provides with and the User pays for the following services in terms of the Agreement: - resource complex reservation; - resource complex provision.	The cost of the services according to the Agreement is 67,800 (sixty seven thousand eight hundred) rubles a month (VAT excluded).	B.D. Antoniuk, V.D. Savchenko, A.N. Kiselev – the members of the Board of Directors of the Company and members of the Board of Directors of MGTS OJSC.

28	CenterTelecom OJSC (the Depositor) and Non-governmental Pension Fund Telecom–Soyuz (the Fund)	To set out the Agreement of non-governmental provision of pensions No 10/04-BIO/5036/04-ΠO of 23.12.2004 in the version of Collateral agreement, providing for the changes in: - the Fund's liabilities; - the form of administration of personal pension accounts; - the order and conditions of payment of pension fees; - the pension scheme. - Appendixes 1 and 2 should be given in the version of Appendix 1 to the Collateral Agreement 1.	Additional agreement is not connected with changes in price parameters.	V.N. Yashin – a member of the Board of Directors of the Company and the Chairman of the Non-governmental Pension Fund “Telecom–Soyuz”.
29	CenterTelecom OJSC (the Customer) and HIPROSVIAZ OJSC (the Executive)	The Customer undertakes to commission and the Executive to develop the project and survey work on the object situated in Moscow region “Primary transport IP/MPLS network of Moscow affiliate of CenterTelecom OJSC.	1,500,000.00 rub. (one million five hundred thousand rub. 00 kop.) and value added tax (18%), which is 270,000.00 rub. (two hundred and seventy thousand rub. 00 kop.).	The interest in conclusion of the transaction is the fact that the transaction is concluded with the affiliated person (HIPROSVIAZ OJSC), a shareholder of the Company.
30	CenterTelecom OJSC and ATS CJSC	CenterTelecom OJSC provides closed joint-venture company ATS with the Service of connection in the field of communication facilities maintenance forming points of attachment on local level in accordance with the conditions of attachment stated in the present Agreement, and the closed company ATS pays for it. CenterTelecom OJSC provides the closed joint-venture company ATS with the services on passing calls flow capacity and the closed company ATS pays for them. The closed joint-venture company ATS provides CenterTelecom OJSC with services on passing calls flow capacity, and the public company Central Telecommunication	The cost of the acquired and alienable by CenterTelecom OJSC services for attachment and services for passing calls flow capacity is determined from working rates in the amount stated in Appendixes 3-a and 3-b to the Agreement.	S.V.Nazarov, A.I.Kirillov – members of the Board of the Company and members of the Board of Directors of ATS CJSC; A.A.Lutski – member of the Board of the Company and the Chairman of the Board of Directors of ATS CJSC.

		Company pays for them.		
31	CenterTelecom OJSC (CenterTelecom) and ATS CJSC (the Customer)	CenterTelecom provides the Customer with the services on: - elimination of fibers in the optical cable of CenterTelecom OJSC; - assignment fibers in the optical cable of CenterTelecom OJSC in use.	- a single payment for elimination of 1 (one) fiber in the optical cable of CenterTelecom OJSC is 5,000 (five thousand) rubles VAT excluded; - monthly payment for the use of 1 (one) kilometer of fiber in the optical cable of CenterTelecom OJSC is 2,000 (two thousand) rubles VAT excluded.	S.V.Nazarov, A.I.Kirillov – members of the Board of the Company and members of the Board of Directors of ATS CJSC; A.A.Lutski – member of the Board of the Company and the Chairman of the Board of Directors of ATS CJSC.
32	CenterTelecom OJSC (CenterTelecom) and ATS CJSC (the Customer)	The Agreement on the attachment № 2652 of January, 1, 2006 should be stated in the version of an Agreement with the following main conditions: - CenterTelecom provides the Operator with the Service of attachment of zone level of attachment in the field of maintenance of communications facilities, forming the points of attachment, according to the conditions of attachment stated in the Agreement, and the Operator pays for it. - CenterTelecom provides the Operator with the services on passing calls flow capacity, and the Operator pays for them.	The cost of services for attachment and services for passing calls flow capacity is determined from working rates in the amount stated in Appendix 3 to the Agreement.	S.V.Nazarov, A.I.Kirillov – members of the Board of the Company and members of the Board of Directors of ATS CJSC; A.A.Lutski – member of the Board of the Company and the Chairman of the Board of Directors of ATS CJSC.

		- The Operator provides CenterTelecom with the services on passing calls flow capacity, and CenterTelecom pays for them.		
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## ***IX. PRINCIPAL RISK FACTORS***

Today branch and legal risks are considered by the Company to be the principle ones.

### **Branch risks**

The reasons for occurrence of branch risks, which the Company takes into consideration in the process of its activity, are the following:

- simplification of the licensing procedure, which lets new business rivals into the branch;
- integration processes of fusion of alternative telecommunication companies into large international holding companies take place;
- active expansion of large metropolitan communication statements to the regions with acquisition of the most lucrative conamounter segments;
- reinforced tendency of replacement of stationary by mobile telecommunication in the local segment as well as on the intra-zone level;
- alteration of normative documents in the sphere of telecommunication of January 01, 2006, as a result of which CenterTelecom OJSC (zone telecommunication statement) together with the profit gained of long-distance and international telephone calls do not belong to the Company.

However it is necessary to admit that the CenterTelecom OJSC takes into account possible negative consequences of these risks (for instance loss of definite share of the market of communication services of the Central Federal County (CFC)) and tries to minimize them in the following way:

the Company puts into practice the marketing strategy, the main aim of which is to keep the share of the market of the traditional services, increase profits of unregulated telecommunication services as well as to raise competitive capacity of the company on telecommunication market.

If the situation changes for worse, the CenterTelecom OJSC will use its competitive advantages which are the following:

- existent cable infrastructure on the territory of 90% of inhabited localities of CFC, availability of the “last mile”;
- high quality of service;
- existence of own centers for customers;
- active brand “DOMOLINK” advancement.

The Company has a united net infrastructure on the CFC territory, which lets it provide a wide range of services on the telecommunication market, stay a competitive company and increase its profitability.

### **Legal risks:**

CenterTelecom OJSC acts as a communication statement mainly without exporting the communication services provided as well as works 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 regulation.

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

During its activities, CenterTelecom OJSC met normal economic risks connected with the necessity to observe currency legislation regulations in the process of conclusion and execution of equipment purchase and sale contracts, contracts for rendering of services and others with foreign partners.

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 (in particular to parts 1 and 2 of the Internal Revenue Code of the Russian Federation). 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 regulations of customs supervision and duties.

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 and duties regulations may entail certain risks for the Company connected with rise in prices for the basic communication facilities purchased.

The issuer bore no increased risks connected with the customs registration in the framework of execution of contracts during the reporting period.

Legal risks connected with change of the antimonopoly law, which provides for a special procedure of conclusion of certain contracts.

Federal Law No.135-FL of 26/07/2006 “On Competition Protection” (hereinafter referred to as the Law) came into force on October, 26, 2006. In compliance with part 1 of article 18 of the Law, natural monopoly subjects are to choose among financial organizations which provide financial services by conducting a public competition or a public auction in compliance with provisions of the Federal Law regarding placement of purchase orders for goods, implementation of works, rendering of services for national and municipal needs (No.94-FL of 21/07/2005).

CenterTelecom OJSC is guided by regulations of the Law mentioned above as a subject of natural monopoly in the field of communications, and, therefore, bears no increased risks.

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

New normative legal acts came into force in 2006 establishing obligatory requirements to joining of telecommunication networks and building of telecommunication network for general use, traffic admission and rendering of telecommunication services which influence on realization of separate license terms introduced into licenses that had been issued before 01/01/2004.

In order to bring the in force licenses issued before 01/01/2004 into conformity with the new normative legal acts, and in compliance with requirements of Rossvyaznadzor, the Company has sent a written request to the Federal supervision organization in the field of communication to introduce changes into the licenses received before 01/01/2004. No risks occur in this case.

**Legal risks, which may occur as a result of changes of the court practice within the reporting period.**

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

- of July, 01, 2006 – changes introduced to article 54 of Federal Law No.126-FL of July, 7, 2003 “On Communications”;

- of January, 01, 2007 – changes introduced to articles 21, 51.1, 59, 60 of Federal Law No.126-FL of July, 7, 2003 “On Communications”;

- of January, 01, 2006 – Rules for rendering of services of local, intrazonal, long-distance and international telecommunication. The rules were approved by Decree of the Government of the Russian Federation (RF) No.310 of May, 18, 2005 “On Approval of the Rules for Rendering Services of Local, Intra-zone, Long-Distance, and International Telecommunications” (with amendments of June, 30, 2005, and of December, 29, 2005);

- of March, 01, 2007 – Rules for rendering telecommunication services for television and (or) radio broadcasting purposes and rules for joining and interaction of communication networks approved by the Decree of the Government of the RF No.785 of December, 22, 2006, and by Decree of the Government of the RF No.760 of December, 13, 2006, respectively;

- other normative legal acts which establish obligatory requirements to joining of telecommunication networks and building of telecommunication network for general use, traffic admission and rendering of telecommunication services.

Since the above mentioned normative legal acts 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.

Risks connected with impossibility to prolong the period of validity of the Company’s license.

Risk of impossibility to prolong the period of validity of the licenses for certain Company’s activities is not expected to take place since the Company observes all necessary requirements and rules regarding activity realization and rendering of services.

Risks connected with possible liability of the CenterTelecom OJSC for the debts of third parties including its subsidiary companies.

As of December, 31, 2006, CenterTelecom OJSC had no such risks.

Risks connected with participation of CenterTelecom OJSC in current legal procedures.

During 2006, 19,097 claims were examined with the participation of CenterTelecom (with pronounced judgements to recover debts) to the total amount of plaintiff’s claims of 520 million 961 thousand rubles.

As of December, 31, 2006, CenterTelecom took part as a dispute party in 6,436 legal procedures to the total amount of plaintiff’s claims of 3 billion 470 million 505 thousand rubles.

The most significant of them is the dispute with the Interregional Inspecting Organization (IIO) of the Federal Fiscal Service (FFS) of the RF on largest taxpayers (LT) No.7.

On April, 24, 2006, the Interregional Inspecting Organization of the FFS of the RF on largest taxpayers No.7 has made a decision to call CenterTelecom OJSC to fiscal account for tax violation.

On April, 27, 2006, claim No.81 was sent to CenterTelecom OJSC regarding free-will payment of taxes by the Company to the total amount of 2,355,359 thousand rubles.

On May, 03, 2006, CenterTelecom OJSC sent a claim to Moscow Arbitration Court to declare decision No.4 of the tax inspection invalid.



On May, 05, 2006, CenterTelecom OJSC sent a claim to Moscow Arbitration Court to declare decision No.81 of the tax inspection invalid.

On June, 06, 2006, Moscow Arbitration Court suspended the process brought by the claim of CenterTelecom OJSC to declare decision No.81 of the FFS IIO of the RF on LT No.7 invalid before court decision regarding invalidation of decision No.4 of the FFS IIO of the RF on LT No.7 comes into force.

By the decision of the Arbitration Court of Moscow of October, 02, 2006 the claim of CenterTelecom OJSC to take secured measures as to suspend the process of disputed decision of the FFS IIO of the RF on LT No.7 of 24/04/2006 was allowed. However, this decision of 02/10/06 was repealed according to the decision of the Ninth Arbitration Appellate Court of January, 12, 2007. By the decision of the Federal Arbitration Court, Federal Antimonopoly Service, of March 12, 2007, according to the Company's claim the mentioned decision of the appellate court of 12/01/07 was repealed, and the decision of the Arbitration Court of Moscow of 02/10/2006 regarding taking of secured measures remained in force.

Besides the Arbitration Court of Moscow allowed one more claim of 01/02/2007 to take such secured measures as:

- to suspend the decision of the FFS IIO on LT No.7 of 24/04/2006 No.4 regarding calling of the Company to fiscal account.
- to restrict the tax inspection to enforce payment of taxes and fines on the basis of the mentioned decision.

On February, 27, 2007, Moscow Arbitration Court took decision, in compliance with which the plaintiff's claim to CenterTelecom OJSC regarding additionally charged payments by the tax inspection for the total amount of 12,436.68 thousand rubles was not allowed. In other respects, the Company's claim was allowed. As of April, 20, the decision of the court has not come into force yet.

***X. DATA ABOUT THE COMPANY'S INTEREST IN OTHER ENTITIES RENDERING TELECOMMUNICATION SERVICES (THE COMPANY'S SHARE IN THE AUTHORIZED CAPITAL STOCK IS AT LEAST 10 PERCENT)***

(Data as of 31.12.2006)

No.	Name of Organization*	Major Activities**	Share in the Authorized Fund, %	Contribution to the Authorized Fund, thousand rubles.	Basic Activities Indicators		
					Amount of Subscribers / Lines	Proceeds, thousand rubles.	Net Revenue, thousand rubles.
1	OAo RTS	Telephone communication services, data transmission services, telematics services, rent of communication channels, system integration services	100	13,033,340	6,664 subscribers; 1,701 corporate users, data transmission users	774,386	(107,767)
2	ZAO ATS	Telephone communication services, data transmission services, telematics services	100	84	25,490 subscribers	213,458	44,984
3	ZAO Teleport Ivanovo	Communication services on data transmission and telematics services	100	151.25	992 subscribers	9,636	388
4	OOO Mobilcom	Mobile radiotelephone communication services	100	2250	173 subscribers	1,908	(1,251)
5	ZAO Vladimir	Communication services	100	22	1,378	27,726	3,464

	Teleservice	on data transmission and telematics services			subscribers		
6	OOO Tver Telecom	At the stage of winding up	85	164.886	/-/	5,492	(8,381)
7	ZAO CenterTelecom Service	Rent of communication channels, data transmission services, telematics services, local telephone communication services	74.9	74.9	76 lines	218,920	31,329
8	OOO Vladimir Taxofon	Communication services via universal card payphones	51	92.5	1,329 lines	14,523	93
9	ZAO Telecom of Ryazan region	Traffic transmission services, rent of equipment	50.9	22.905	/-/	22,949	7,405
10	OAO Rinfotels Telecommunication Company	Data transmission services according to X25, X28, Frame Relay, TCP/IP protocols, Internet, telephone	26	79.04	386 subscribers	13,712	344
11	ZAO Oskoltelecom	Communication services for cable broadcasting	12.41	18.86	20,448 subscribers	32,641	1,243

In 2006, work with companies, the share of participation of CenterTelecom OJSC in which comprised over 10 percent, was implemented in compliance with the Model for reorganization of subsidiaries and dependant companies of CenterTelecom OJSC approved with resolution of the Board of Directors of CenterTelecom OJSC of 28.09.2004. Implementation of the Model will lead to synergetic effect in the profile activities of CenterTelecom OJSC by optimizing interaction with subsidiaries and dependant companies.

## **OAO RTS**

Major directions 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 protocols X.28, X.75, X.25), 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)

## **ZAO ATS**

Major directions of activities:

- telephone communication services
- data transmission services
- telematics services

## **ZAO Teleport Ivanovo**

Major directions of activities:

- data transmission services and telematics services

### **OOO Mobilcom**

Major directions of activities:

- rendering mobile radiotelephone communication services

Activities of the company are unprofitable.

### **ZAO CenterTelecom Service**

Major directions of activities:

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

### **OOO Vladimir Taxofon**

Major directions of activities:

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

### **ZAO Telecom of Ryazan region**

Major directions of activities:

- traffic transmission services
- equipment rent services

### **ZAO Vladimir Teleservice**

Major directions of activities:

- rendering telematics services of common 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.

### **OOO Tver Telecom**

Since May, 2006, CenterTelecom OJSC stopped rendering services to OOO Tver Telecom. The latter is under the judicial management.

### **OAO Rinfotels Telecommunication Company**

Major directions of activities:

- data transmission services
- telematics services

### **ZAO Oskoltelecom**

Major directions of activities:

- communication services for cable broadcasting

## ***XI. HUMAN RESOURCE MANAGEMENT***

### **11.1. Labour and Salaries.**

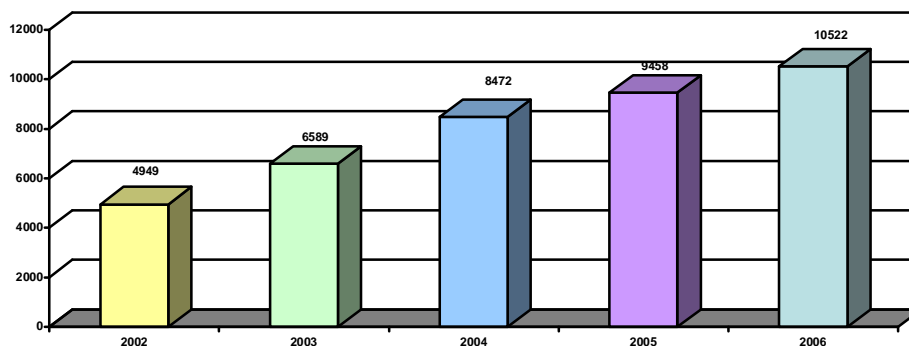
What concerns human resource management, activities of the Company were directed to perfection of the system of remuneration of work in the Company, optimizing of personnel quantity, creation of real incentives of efficient activities of the Company in 2006.

**Total expenses for personnel** of CenterTelecom OJSC comprised 9,912,262 thousand rubles in 2006, which is 266,410 thousand rubles or 2.8% more than in the previous year.

**Salary expenses** in 2006 were increased by 597,844 thousand rubles or by 8.6% compared to 2005 and comprised 7,539,165 thousand rubles

Growth of salary expenses, decrease of average quantity of personnel led to the growth of average salary by 11.2% (from 9,458 rubles in 2005 to 10,522 rubles in 2006). The average salary dynamics is represented in Diagram 1.

Diagram 1.



Expenses on the **unified social tax and deductions for social insurance of employees from accidents** at work comprised 1,828,942 thousand rubles, being increased by 97,079 thousand rubles or by 5.6% compared to the similar period of the previous year.

Expenses on **voluntary medical insurance** comprised 58,168 thousand rubles in 2006. The growth of expenses comprised 1,028 thousand rubles or 1.8% compared to the previous year.

**Voluntary deductions to trade union** comprised 24,855 thousand rubles in 2006, which is 1,160 thousand rubles or 4.9% more than in the previous year.

Decrease of expenses on other items included into the structure of gross personnel expenses (cultural events, payments to employees in compliance with the Collective Agreement and local normative acts of the Company, business trip expenses, personnel training) is caused with the Company's events on optimizing expenses and improvement of the Company's efficiency.

**Business trip expenses** comprised 29,781 thousand rubles, having been decreased by 6,715 thousand rubles or by 18.4% compared to 2005.

Expenses for **cultural events** were decreased by 2,091 thousand rubles or 7.7 % in 2006 compared to 2005 and comprised 25,059 thousand rubles

**Social benefits and guarantees** comprised 409,936 thousand rubles in 2006. Decrease of expenses on this item comprised 132,352 thousand rubles or 24.4%. Amount of average monthly social package per one employee comprised 572 rubles in 2006.

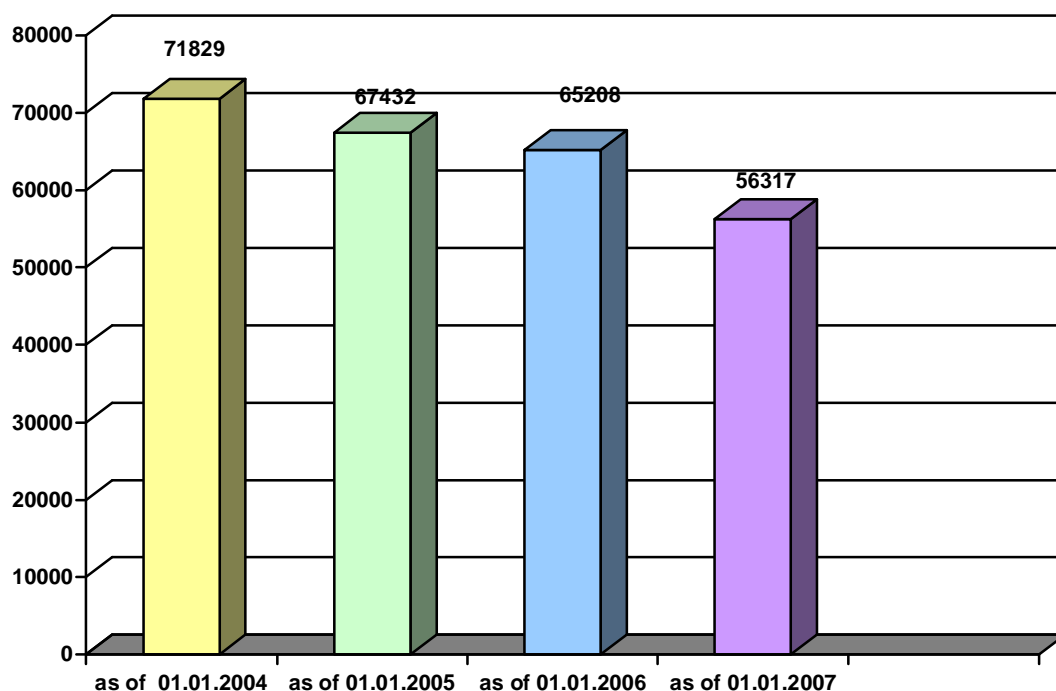
The program of optimizing of the quantity of personnel of CenterTelecom OJSC approved by the Board of Directors in 2006 provides for decrease of the amount of personnel

(protocol No. 21 of 31.03.2006) by 25% in 2006 - 2008. This program was actively implemented in 2006.

**Average amount of employees of the Company** was decreased by 5,173 people or by 8% in 2006 compared to 2005 and comprised 59,709 people. Average amount of the Company's personnel comprised 59,351 people in 2006 and was decreased by 5,007 people or by 7.8% compared to 2005. Significant decrease of the amount of external contractors and employees on civil contracts was observed in 2006 (166 people or by 31.7%).

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

Diagram 2.



Major directions of optimizing of the amount of personnel of the Company in 2006 were:

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

Norms of time for rendering communication services were developed and introduced within the program implementation, assessment of the administrative and management 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 2007.

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

- Provision one one-time award for improvement of efficiency of activities of CenterTelecom OJSC in 2006 (approved with resolution of the Management Board of CenterTelecom OJSC – protocol No.17 of 07.07.2006);
- Provision on awarding of employees of the General Board of CenterTelecom OJSC (approved with resolution of the Management Board of CenterTelecom OJSC – protocol No.16 of 14.12.2006);
- Provision on production and economic competition at CenterTelecom OJSC (Approved with order of the Director General of CenterTelecom OJSC No.563 of 19.10.2006);
- Provision on the procedure and conditions of holding the competition for the “Best Structural Division responsible for work with VIP-customers” in branch offices of

CenterTelecom OJSC (approved with order of the Director General of CenterTelecom OJSC No.444 of 05.09.2006);

– Provision on awarding of members of the Management Board of CenterTelecom OJSC (approved with resolution of the Board of Directors of CenterTelecom OJSC – protocol No.14 of 21.12.2006);

– Provision on quarterly bonuses to heads of branch offices of CenterTelecom OJSC (approved with resolution of the Management Board of CenterTelecom OJSC No.13 of 13.11.2006).

Provision on Commission on Compensations and Social Issues of CenterTelecom OJSC (order of the Director General of CenterTelecom OJSC No.568 of 23.10.2006) was developed and introduced with the purpose to implement the procedure of provision of social benefits and compensations.

Draft Collective Agreements for 2007 to 2009, Provisions on salaries, Provisions on corporate programs were developed within the introduction of the project of Svyazinvest OJSC called “Creation of the Model of Personnel Control Oriented at Application of Control Automation Means” for enterprises of Svyazinvest OJSC group of companies.

### Data on the Amount and Salaries of Employees of CenterTelecom OJSC for 2006.

#### Staff Number and Expenses

Name of Indicator	Line	Average Amount, persons.	Salary Fund, thousand rubles,	Social Payments, thousand rubles,
A	B	1	2	3
<b>TOTAL (lines 02+03+04)</b>	<b>01</b>	<b>59,709</b>	<b>7,692,477.4</b>	<b>229,979.3</b>
including				
staff (without external contractors)	02	59,351	7,639,023.4	X
external contractors	03	112	8,202.6	X
employees on civil agreements and other non-staff persons,	04	246	45,251.4	X

#### Salary Fund Composition

Name of Indicator	Line	Amount of the indicator, thousand rubles,
A	B	1
<b>According to the data of line 01 field 2:</b>		
- salary according to salary rates, salary scale, piece-rate in % from proceeds (without holiday pays, extra payments and bonuses)	08	5,239,775.8
- bonuses from all sources including remunerations for the annual results of work	09	1,138,924.3
- 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	211,687.1
- payment for meals	13	1,304.7

- other salaries (including holiday pays, extra payments, bonuses, salaries to non-staff employees).	14	1,100,785.5
Control sum of lines 8 to 14	15	<b>7,692,477.4</b>

REFERENCE: Amount of expenses not registered in the salary fund and social payments, thousand rubles	20	1,928,569.3
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## **11.2. Improvement of Management.**

Structural transformations took place in the Company in 2006, both in the General Director's Office and in top management of branch offices. Major purposes of these transformations were creation of the vertically integrated management structure and optimizing of administrative and management structure. Organizational structures of boards of branch offices were put in compliance with major functional units (technical, commercial, financial and economic) of the General Director's Office.

The Model of organizational structure of Company was developed providing for ways (methods) to reach optimal management structure and transfer from linear and functional management structure to the structure based upon business processes of the Company, both major and auxiliary ones.

Work on unification of names of the Company's units was finished last year.

### General Director's Office

The issues of perfection of organizational structure of the General Director's Office of the Company were several times reviewed at meetings of the Board of Directors and the Management Board of the Company.

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

- two positions of Deputies Director General were excluded (on safety and privacy and on informational technologies);
- External Relations Department was eliminated, the functions of which were transferred to the new service of external relations;
- Department of Securities and Corporate Management was eliminated (part of its functions was transferred to the Unit of Corporate Secretary, and the other part was transferred to the new corporate development service);
- Treasury (of the 1<sup>st</sup> level) was eliminated, the functions of which were transferred to the treasury department within the Department of Finance;
- Radio Communications Department was eliminated, the functions of which were transferred to the Department of radio communications, radio broadcasting, and television within the Telecommunications Department;
- Department of Tax and Corporate Accounting was eliminated, the functions of which were transferred to the new service on taxes and duties.
- 5 departments were eliminated, the functions of which were transferred to other correspondent departments.

### Branch Offices

At the beginning of the year, structures of boards of branch offices were put in compliance with the structure of the General Board, i.e. technical, commercial, financial and economic units were distinguished under the supervision of correspondent deputies directors of branch offices except from Moscow and the Upper Volga branch offices, in which personnel management units

were also created. This allowed to create the vertically integrated management structure and optimize the administrative and management structure of branch offices.

The work on transferring branch offices to the process management method was started in the second half of 2006. Branch offices developed plans of organizational and technical activities on transferring to the process management method in 2007.

As of the end of 2006, the process management method was introduced in the Upper Volga and Kaluga branch offices of the Company.

### 11.3. Human Resource Management

Major task of the personnel policy of the Company in the field of personnel management in 2006 was efficient development of human resources providing for formation and functioning of the Company as a unified open social and technical system and target-oriented activity center.

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 2006. As a result, the amount of personnel was decreased by 13.6% in 2006 and comprised 56,317 people as of 01.01.2007 (65,208 people as of 01.01.2006).

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 13.0%, the amount of professionals was decreased by 1.2%, the amount of workers was decreased by 20.8% in 2006.

Formation of highly professional personnel of the Company continues in 2006. Amount of employees with higher education was increased by 2.2% compared to 2005 and comprised 15,140.

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 2005 and comprised 73.0% on engineers and 63.4% on technicians (taking into account professionals with higher education). In 2005, these indicators comprised 71.6% and 56.0% correspondingly. Specific share of employees with profile education in the Company comprises 26.8% (25.7% in 2005) of the total amount.

Average age of employees of the Company comprises 43 years (45 years in 2005).

The top management personnel of CenterTelecom OJSC was replaced in 2006 – Deputy Directors General, Chief Accountant of the Company, Deputy Directors General – directors of branch offices (Tver, Moscow, and Tula).

Total amount of top managers comprises 86 persons.

Amount of heads with higher education was increased by 3.9% and comprised 3,009 persons. All top management positions of the Company are held by specialists with higher education, 37 managers have a scientific degree.

General structure of personnel is represented in the Table below.

Category of Employees	Actual amount as of 01.01.06	Actual amount as of 01.01.07	Education			Age				
			higher	vocational	secondary	under 25	25 to 35	35 to 40	40 to 50	50 and over
Managers	4687	4080	3009	909	162	13	488	479	1441	1659
Professionals	22184	21920	10388	9371	2161	932	4491	2975	7523	5999
Clerks	440	295	78	122	95	24	75	31	102	63
Workers	37897	30022	1665	8014	20343	1779	6095	4347	10093	7708
Total	65208	56317	15140	18416	22761	2748	11149	7832	19159	15429



On the whole, circulation of personnel in the Company was decreased by 0.4% and comprised 5.4%. Totally, during the reported period, 13,081 people were fired, 4,160 people were fired due to reduction of the staff (31.8% out of the whole number of the people fired), 4,192 people were fired on their own intention (32.0%), 940 people out of them were retired.

1,060 fired employees registered a non-governmental pension during the reported period.

Significant attention was paid to methodological and practical work on rendering assistance to branch offices of the Company in what concerns organization of work on personnel management. Specialists of the Human Resources Department participated in complex and planned inspections and inspections on applications of citizens.

Major tasks in working with personnel in 2007 are: further perfection of the Company structure and optimizing of the amount of personnel, strengthening of the personnel potential and creation conditions for implementation of the Personnel policy of the Company.

In 2006, integration on the following directions of work with personnel was implemented: assessment, training, and development of the personnel, work with the personnel reserve. A project on creation of the Corporate Development Center was planned, adaptation and deployment of corresponding training system was commenced. The following results were received:

- Business process on personnel assessment, planning of training and development, formation of the personnel reserve was formed;
- Tools for personnel assessment were improved (professional tests were created and tried, active psychological tests were purchased and upgraded, sociological tests were purchased and tried), business process of operative assessment was worked out (application for operative assessment – report on results of the assessment), model of capacities for positions of commercial, technical directions of structural divisions;
- The process of planning of training and monitoring of implementation of training plans within the whole Company was introduced;
- The process of budgeting of training and monitoring of implementation of the training budget within the whole Company was introduced;
- Team of regional internal business trainers was prepared, business trainings programs were developed for development of corporate competence, technology of their fulfillment was transferred to regional business trainers;
- Assessment automation and personnel development assessment system was purchased, technical task on its adaptation for internal business processes of the Company was given;
- Correspondence training system was purchased and introduced, it was planned to extend it for the whole Company;
- Corporate Development Center was created, major purposes of which are systematization of actions and procedures directed to training and development of the personnel, creation and provision of functional efficiency of the Company knowledge control system. Activity plan of the Corporate Development Center was developed.

In 2006, 20,422 employees improved their qualification, i.e. 36.26% of the total amount of personnel was covered with training. Expenses for education and training of employees comprised 26 million 118 thousand rubles or 0.3% of the total expenses for the personnel.

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

- intrafirm training;
- external training.

Intrafirm training included training at the work place (implementation of tasks with development potential, rotation, supervising), production and economic training and training on the basis of 5 training centers of the Company. Studies in 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 branch offices.

Correspondence training is applied when organizing intrafirm training in 4 regional branch offices. This type of training possesses a number of advantages: extension of training space for persons living in far away places, decrease of costs of the training process, opportunity to attract teachers from the leading higher educational institutions of the country.

External training was implemented by participation of employees of the Company in the programs held by training organizations. Close connections with branch and regional training institutions were kept, such as IPK MTUSI, FPPK StPt, Training and Scientific Center Sodeistviye, Scientific and Research Institution Resonance, OOO Business Seminars, FGUP CNTI Informsvyaz, etc. Besides, employees of the Company took part in workshops, training, conferences of other training organizations working in compliance with modern methodologies and applying new forms of training, such as Scientific and Research Institution TMI-Manager Service Management School, OOO KiTis, OOO Assessment Management Technology, AMT Consulting Group, etc.

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

## ***XII. INFORMATION ON THE COMPANY'S AUTHORITIES***

**General Meeting of Shareholders** – Supreme management body of the Company.

**Board of Directors** is a joint management authority of the Company, which implements general management of its activities.

The Board of Directors of the Company is annually elected by the General Meeting of Shareholders in the amount of 11 persons with cumulative voting.

General Meeting of Shareholders is entitled to take decision on premature termination of capacities of members of the Board of Directors. At that, such decision can only be takes concerning all members of the Board of Directors simultaneously.

In case of premature termination of capacities of members of the Board of Directors, capacities of the new Board of Directors shall be valid to the next nearest annual general meeting.

**Management Board** is a joint executive authority organizing implementation of resolutions of the General Meeting of Shareholders and the Board of Directors of the Company.

Quantitative and personnel composition of the Management Board is determined with resolution of the Board of Directors of the Company according to the proposal of the Director General and members of the Board of Directors of the Company.

The management is formed for the term determined by the Board of Directors of the Company during appointment of its member.

According to resolution of the Board of Directors of the Company, capacities of any member (all members) of the Management Board of the Company can be terminated prematurely.

In case of premature termination of capacities of separate members of the Management Board, capacities of the newly appointed members shall be valid within the term, for which the Management Board has been appointed.

**Director General** is a sole executive authority managing the current activities of the Company. Director General is appointed by the Board of Directors of the Company.

Director General takes decisions on the questions, which are not within the capacities of the General Meeting of Shareholders, the Board of Directors, and the Management Board of the Company according to the Statute.

Director General implements the functions of the Chairman of the Management Board of the Company.

**Audit Commission** is an independent monitoring authority of the Company elected at the annual General Meeting of Shareholders to the next annual General Meeting of Shareholders at the amount of 7 persons.

Capacities of separate members or all Audit Commission can be terminated prematurely by resolution of the General Meeting of Shareholders.

In case of premature termination of capacities of members of the Audit Commission, capacities of the newly appointed Audit Commission shall be valid to the nearest annual General Meeting of Shareholders.

In case when the amount of members of the Audit Commission becomes less than a half of the elected members of the Revision Commission, the Board of Directors shall summon an extraordinary General Meeting of Shareholders for election of the new Audit Commission. The remaining members of the Audit Commission implement their functions until the new Audit Commission is elected at the extraordinary General Meeting of Shareholders.

## **12.1. Board of Directors.**

### **Information on the Board of Directors:**

#### *1. Members of the Board of Directors before the General Meeting of Shareholders in 2006:*

1. Yashin Valery Hikholaevich
2. Amaryan Ruben Andronikovich
3. Antonyuk Boris Dmirievich
4. Beskorovainy Andrei Vladimirovich
5. Gribov Alexander Pavlovich
6. Degtyarev Valery Victorovich
7. Kiselev Alexander Nikholayevich
8. Kuzhnetsov Sergey Ivanovich
9. Mazalov Ivan Nikholayevich
10. Milovantsev Dmitry Alexandrovich
11. Finger Grigori Moiseyevich

#### *2. Quantitative and personnel composition of the active Board of Directors: Quantitative composition: 11 persons.*

Personnel composition:

1.	Kiselev Alexander Nikholayevich	Director General, Chairman of the Management board of Svyazinvest OJSC, Chairman of the Board of Directors of CenterTelecom OJSC
2.	Kuzhnetsov Sergey Ivanovich	Deputy Chairman of the Board of Directors of CenterTelecom OJSC
3.	Antonyuk Boris Dmirievich	Deputy Minister of Informational Technologies and Communications of the Russian Federation (RF)
4.	Arutyunov Nikholai Bagratovich	Director of analytical department of Moscow representative office of NCH Advisors Inc
5.	Beskorovainy Andrei Vladimirovich	Head of the Federal Communications Agency

6.	Degtyarev Valery Victorovich	Director General of Professional Telecommunications CJSC
7.	Milovantsev Dmitry Alexandrovich	Deputy Minister of Informational Technologies and Communications of the RF
8.	Petrova Oxana Valeriyevna	Head of Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC
9.	Savchenko Victor Dmitrievich	Executive Director – Director of the Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC
10.	Selvich Yelena Petrovna	Executive Director – Director of the Department of Economics and Finance of Svyazinvest OJSC
11.	Yashin Valery Hikholaevich	Head of the Board on Asset Management of System Telecom CJSC

Information on the persons in the Board of Directors elected at the annual General Meeting of Shareholders on June, 28, 2006:

### **1. KISELEV ALEXANDER NIKHOLAYEVICH**

Year of birth: **1962**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Director General, Chairman of the Management Board Svyazinvest OJSC

Member of the Board of Directors of PJSC MGTS

Chairman of the Board of Directors OAO Rostelecom

Chairman of the Board of Directors JSC North-West Telecom

Chairman of the Board of Directors CenterTelecom OJSC.

Was initially selected member of the Board of Directors of CenterTelecom OJSC in 2005, term of work in the Board of Directors of the Company – 2 years.

Share in the authorized capital of the issuer: **no share.**

### **2. ANTONYUK BORIS DMITRIYEVICH**

Year of birth: **1949**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Deputy Minister of Informational Technologies and Communications of the RF

Member of the Board of Directors of Svyazinvest OJSC

Member of the Board of Directors of CenterTelecom OJSC

Member of the Board of Directors of PJSC MGTS

Member of the Board of Directors of Uralsvyazinform JSC

Member of the Board of Directors of Sibirtelecom OJSC

Member of the Board of Directors of UTK PJSC

Member of the Management Board of Russian Communication History Fund.

Was initially appointed member of the Board of Directors of CenterTelecom OJSC in 2003, term of work in the Board of Directors of the Company – 4 years.

Share in the authorized capital of the issuer: **no share.**

### **3. ARUTYUNOV HIKHOLAI BAGRATOVICH**

Year of birth: **1964**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Director of Analytics Division at Moscow office of NCH Advisors. Inc

Member of the Board of Directors of CenterTelecom OJSC.

Was initially appointed member of the Board of Directors of CenterTelecom OJSC in 2006, term of work in the Board of Directors of the Company – 1 year.

Share in the authorized capital of the issuer: **no share**.

#### **4. BESKOROVAINY ANDREI VLADIMIROVICH**

Year of birth: **1958**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Head of the Federal Communications Agency;

Member of the Board of Directors of CenterTelecom OJSC.

Member of the Board of Directors of Sibirtelecom OJSC.

Was initially appointed member of the Board of Directors of CenterTelecom OJSC in 2005, term of work in the Board of Directors of the Company comprises 2 years.

Share in the authorized capital of the issuer: **no share**.

#### **5. DEGTYAREV VALERY VICTOROVICH**

Year of birth: **1957**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Director General of ZAO Professional Telecommunications

Director General of OAO Tetrasvyaz

Member of the Board of Directors of ZAO Professional Telecommunications

Member of the Board of Directors of ZAO Radiotel

Member of the Board of Directors of OAO Rostelecom

Member of the Board of Directors of OAO Volgatelecom

Member of the Board of Directors of CenterTelecom OJSC

Member of the Board of Directors of OAO Dalsvyaz.

Was initially appointed member of the Board of Directors of CenterTelecom OJSC in 2005, term of work in the Board of Directors of the Company comprises 2 years.

Share in the authorized capital of the issuer: **no share**.

#### **6. KUZNETSOV SERGEY IVANOVICH**

Year of birth: **1953**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Member of the Management Board of Svyazinvest OJSC

Member of the Board of Directors of OAO Rostelecom

Deputy Chairman of the Board of Directors of CenterTelecom OJSC

Chairman of the Board of Directors of OAO Volgatelecom

Member of the Board of Directors of Sibirtelecom OJSC

Was initially appointed member of the Board of Directors of CenterTelecom OJSC in 2005, term of work in the Board of Directors of the Company comprises 2 years.  
Share in the authorized capital of the issuer: **no share**.

#### **7. MILOVANTSEV DMITRY ALEXANDROVICH**

Year of birth: **1971**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Deputy Minister of Informational Technologies and Communications of the RF;

Member of the Board of Directors of CenterTelecom OJSC.

Was initially appointed a member of the Board of Directors of CenterTelecom OJSC in 2005, term of work in the Board of Directors of the Company comprises 2 years.

Share in the authorized capital of the issuer: **no share**.

#### **8. PETROVA OXANA VALERIYEVNA**

Year of birth: **1973**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Head of Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC;

Member of the Board of Directors of CenterTelecom OJSC.

Was initially appointed a member of the Board of Directors of CenterTelecom OJSC in 2001, term of work in the Board of Directors of the Company comprises 5 years.

Share in the authorized capital of the issuer: **no share**.

#### **9. SAVCHENKO VICTOR DMITRIEVICH**

Year of birth: **1960**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Executive Director – Director of Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC

Member of the Board of Directors of PJSC MGTS

Member of the Board of Directors of OAO Volgatelecom

Member of the Board of Directors of OAO Svyazintek

Member of the Board of Directors of CenterTelecom OJSC.

Was initially appointed a member of the Board of Directors of CenterTelecom OJSC in 2006, term of work in the Board of Directors of the Company comprises 1 year.

Share in the authorized capital of the issuer: **no share**.

#### **10. SELVICH YELENA PETROVNA**

Year of birth: **1968**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held:

Executive Director – Director of the Department of Economics and Finance of Svyazinvest OJSC

Member of the Management Board of Uralsvyazinform JSC

Member of the Board of Directors of OAO Rostelecom  
 Member of the Board of Directors of UTK PJSC  
 Member of the Board of Directors of CenterTelecom OJSC  
 Member of Revision Commission of ZAO AKIB “Pochtobank”  
 Member of Revision Commission of Sibirtelecom OJSC  
 Chairman of Revision Commission of OAO Svyazintek.

Was initially appointed a member of the Board of Directors of CenterTelecom OJSC in 2006, term of work in the Board of Directors of the Company comprises 1 year.

Share in the authorized capital of the issuer: **no share.**

## **11. YASHIN VALERY HIKHOLAEVICH**

Year of birth: **1941**

Education: **higher**

Nationality: **Russian**

Major job as well as other positions held: Head of the Board on Asset Management of SystemTelecom

Member of Monitoring Board of ZAO Medexpress

Chairman of the Board of Directors of OAO National Payphone Network

Chairman of the Board of Directors of ZAO St.Petersburg Payphones

Chairman of the Management Board of Telecom-Soyuz Non-Governmental Pension Fund

Member of the Management Board of the Russian Fund of Communications History

Member of the Board of Directors of OAO Rostelecom

Member of the Board of Directors of CenterTelecom OJSC

Member of the Board of Directors of OAO SZT

Chairman of the Board of Directors of OAO Svyazinvest Media

Member of the Management Board of Non-Profit Partnership Russian Club of Telecommunications Workers.

Was initially appointed a member of the Board of Directors of CenterTelecom OJSC in 2002, term of work in the Board of Directors of the Company comprises 5 years.

Share in the authorized capital of the issuer: **0.012738%**

Share in the amount of the issuer's ordinary shares: **0.001901%**

Independent directors within the Board of Directors of CenterTelecom OJSC (in the Reading of Order of FCSM of Russian No.06–68/ПЗ-Н of 22.06.2006) are: N.B.Arutyunov, V.V.Degtyarev, V.N.Yashin.

Permanent Committees of the Board of Directors on personnel and remunerations, in audit, on corporate management, and on strategic development have been created in CenterTelecom OJSC.

Creation of other permanent or temporary Committees of the Board of Directors is possible in compliance with resolutions of the Board of Directors.

### **Audit Commission**

Composition of the Commission active from 01.01.06. to 28.06.06r.

Quantitative composition: 4 (since 10.02.06. – 3) persons.

Personnel composition:

1.	Gribov	Deputy Head of the Management Board – Head of
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	Alexander Pavlovich	Department of the “Russian Federal Property Fund”, <i>Chairman of the Commission on Audit of the Board of Directors of CenterTelecom OJSC until 10.02.06. Removed from the Committee since February, 10, 2006 in connection with entering executive authorities of CenterTelecom (acquisition of the status of executive director (Minutes of the Board of Directors No.17 of 09.02.06.)</i>
2.	Degtyarev Valery Victorovich	Director General of ZAO Professional Telecommunications, <i>Chairman of the Commission on Audit of the Board of Directors of CenterTelecom OJSC since 10.02.06.</i>
3.	Finger Grigory Moiseyevich	Executive Director of Moscow representative office of NCH Advisors Inc
4.	Mazalov Ivan Nikholaevich	Portfolio Manager of Moscow representative office of Prosperity Capital Management

Composition of the Commission active from 14.07.06. to 31.12.06.

Quantitative composition: 3 persons.

Personnel composition:

1.	Degtyarev Valery Victorovich	Director General of ZAO “Professional Telecommunications”, <i>Chairman of the Commission on Audit of the Board of Directors of CenterTelecom OJSC</i>
2.	Arutyunov Nikholai Bagratovich	Director of Analytical Department of Moscow representative office of “NCH Advisors Inc”
3.	Selvich Yelena Petrovna	Executive Director – Director of the Department of Economics and Finance of Svyazinvest OJSC

### **Committee of Personnel and Remunerations**

Composition of the Committee active from 01.01.06. to 28.06.06.

Quantitative composition: 3 persons.

Personnel composition:

1.	Finger Grigory Moiseyevich	Executive Director of Moscow representative office of NCH Advisors Inc, <i>Chairman of the Committee of Personnel and Remunerations of the Board of Directors of CenterTelecom OJSC</i>
2.	Degtyarev Valery Victorovich	Director General of ZAO “Professional Telecommunications”
3.	Kuznetsov Sergey Ivanovich	First Deputy Director General of Svyazinvest OJSC

Composition of the Committee active from 14.07.06. to 31.12.06.

Quantitative composition: 3 persons.

Personnel composition:

1.	Arutyunov Nikholai Bagratovich	Director of Analytical Department of Moscow representative office of NCH Advisors Inc, <i>Chairman of the Committee of Personnel and Remunerations of the Board of Directors of CenterTelecom OJSC</i>
2.	Degtyarev Valery Victorovich	Director General of ZAO Professional Telecommunications



3.	Savchenko Victor Dmitrievich	Executive Director – Director of Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC
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### **Committee on Corporate Management**

Composition of the Committee active from 01.01.06. to 28.06.06.

Quantitative composition: 4 persons.

Personnel composition:

1.	<b><i>Kiselev</i></b> Alexander Nikholayevich	Assistant to the Minister of Information Technologies and Communications of the RF, <i>Chairman of the Committee on Corporate Management of the Board of Directors of CenterTelecom OJSC</i>
2.	Gribov Alexander Pavlovich	Deputy Head of the Management Board – Head of Department of the Russian Federal Property Fund, Deputy Director General – Director on Corporate Development and Informational Technologies of CenterTelecom OJSC
3.	Ragozina Irina Mikhailovna	Director of Corporate Management Department of Svyazinvest OJSC
4.	Romskaya Yelena Kimovna	Director of Department of Securities and Corporate Management of CenterTelecom OJSC

Composition of the Committee active from 14.07.06. to 31.12.06.

Quantitative composition: 3 persons.

Personnel composition:

1.	Kuznetsov Sergey Ivanovich	<i>Chairman of the Committee on Corporate Management of the Board of Directors of CenterTelecom OJSC</i>
2.	Grushin Sergey Anatoliyevich	Corporate Secretary of CenterTelecom OJSC
3.	Petrova Oxana Valeriyevna	Head of Department of Corporate Control and Legal Provisioning of Svyazinvest OJSC

### **Committee on Strategic Development**

Composition of the Committee active from 01.01.06. to 28.06.06.

Quantitative composition: 5 persons.

Personnel composition:

1.	Kuznetsov Sergey Ivanovich	First Deputy Director General of Svyazinvest OJSC, <i>Chairman of the Committee on Strategic Development of the Board of Directors of CenterTelecom OJSC</i>
2.	Beskorovainy Andrei Vladimirovich	Head of the Federal Communications Agency
3.	Amaryan Ruben Andronikovich	Removed out of the Committee on February, 9, 2006, in connection with running out of his capacities (on January, 25, 2006) of the sole executive authority.
4.	Pridantsev Sergey Vladimirovich	Director General of CenterTelecom OJSC was introduced into the Committee on February, 9, 2006 (Minutes of the Board of Directors No.17 of February, 9, 2006).
5.	Mazalov	Portfolio Manager of Moscow representative office of

	Ivan Nikholayevich	Prosperity Capital Management
6.	Vartanyan Stanislav Grachevich	Executive Director of the Association on Protection of Investors' Rights

Composition of the Committee active from 14.07.06. to 31.12.06.

Quantitative composition: 5 persons.

Personnel composition:

1.	Milovantsev Dmitry Alexandrovich	Deputy Minister of Informational Technologies and Communications of the RF, <i>Chairman of the Committee on Strategic Development of the Board of Directors of CenterTelecom OJSC</i>
2.	Pridantsev Sergey Vladimirovich	Director General of OAO "CenterTelecom"
3.	Kuznetsov Sergey Ivanovich	<i>Member of the Committee on Strategic Development of the Board of Directors of CenterTelecom OJSC</i>
4.	Lutski Alexander Alexandrovich	Deputy Director General – Financial Director of CenterTelecom OJSC
5.	Selvich Yelena Petrovna	Executive Director – Director of the Department of Economics and Finance of Svyazinvest OJSC

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

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

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

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

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

The remuneration for the quarter, in which the Board of Directors has been re-elected, is paid out proportionally to the time actually worked during the quarter.

Annual remuneration for the whole Board of Directors of the Company is established as the amount of deductions in accordance with the norms (interest):

- of EBITDA of the Company according to the accounting data on International Standards of Financial Reporting for the reported year;
- of the net profit amount of the Company directed to pay out dividends at the end of the reported year.

The annual remuneration is equally distributed between all members of the Board of Directors.

The annual remuneration of a member of the Board of Directors is decreased by 50% in case of their participation in less than a half of meetings of the Board of Directors held.

Members of the Board of Directors, who are members of Committees of the Board of Directors of the Company, are paid out extra to the quarterly remuneration in connection with implementation of functions of members of Committees in the amount of 40,000 rub. (for participation in each Committee), at that, a member of the Board of Directors cannot be a member of more than 2 Committees of the Board of Directors.

The Chairman of the Board of Directors is paid out this extra payment with the rate of 1.25.

The amount of remuneration of members of the Board of Directors of the Company comprised 11,567,893 rubles in 2006

No transactions on purchase or alienation of shares of the Company were implemented by members of the Board of Directors of the Company in 2006.

## 12.2. Director General

### **PRIDANTSEV SERGEY VLADIMIROVICH**

Year of birth: **1967**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Chairman of the Management Board, Director General of CenterTelecom OJSC since 2006, term of work as the Director General comprises 1 year.

Share in the authorized capital of the issuer: **no share**

In compliance with point 16.4. of the Statute of the Company, the amount of payment for work of the Director General is determined with the Contract concluded by them with the Company.

During the reported year, the Director General of the Company implemented no transactions on purchase or alienation of shares of the Company.

## 12.3. Management Board

The Board of Directors formed the Management Board of the Company in the following composition on July, 28, 2006, according to recommendations of the Committee on Personnel and Remunerations:

- Pridantsev Sergey Vladimirovich (Chairman of the Management Board)
- Antyushin Pavel Valerievich
- Batmanov Mikhail Vladimirovich
- Bilibin Yuri Alexandrovich
- Gribov Alexander Pavlovich
- Karmanov Dmitry Valeriyevich
- Kartashov Andrei Dmitrievich
- Kirillov Alexander Ivanovich
- Lutski Alexander Alexandrovich
- Nazarov Sergey Victorovich

Capacities of the members of the Management Board M.V.Batmanov and Yu.A. Bilibin were prematurely terminated on November, 24, 2006, on the basis of personal applications. Quantitative composition of the Management Board was determined as 9 persons and the following member of the Management Board of CenterTelecom OJSC was appointed: Director on Legal Issues and Co-Operation with Government Authorities D.A.Parkhomenko.

### **1. PRIDANTSEV SERGEY VLADIMIROVICH**

Year of birth: **1967**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Chairman of the Management Board, Director General of CenterTelecom OJSC since 2006

Share in the authorized capital of the issuer: **no share**

### **2. ANTYUSHIN PAVEL VALERIEVICH**

Year of birth: **1977**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Director of Legal Provisioning Department since 2006

Share in the authorized capital of the issuer: **no share**

### **3. GRIBOV ALEXANDER PAVLOVICH**

Year of birth: **1972**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

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

Share in the authorized capital of the issuer: **no share**

### **4. KARMANOV DMITRY VALERIYEVICH**

Year of birth: **1975**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Deputy Director General – Personnel Director of CenterTelecom OJSC since 2006

Member of the Management Board of OOO Telecom-Story

Share in the authorized capital of the issuer: **no share**

### **5. KARTASHOV ANDREI DMITRIEVICH**

Year of birth: **1974**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Chief Accountant of CenterTelecom OJSC since 2006

Member of the Board of Directors of ZAO CenterTelecomService

Share in the authorized capital of the issuer: **no share**

### **6. KIRILLOV ALEXANDER IVANOVICH**

Year of birth: **1956**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Deputy Director General – Technical Director of CenterTelecom OJSC since 2006

Member of the Board of Directors of ZAO CenterTelecomService

Member of the Board of Directors of ZAO ATS

Chairman of the Board of Directors of OAO PTC

Share in the authorized capital of the issuer: **no share**

### **7. LUTSKI ALEXANDER ALEXANDROVICH**

Year of birth: **1972**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Deputy Director General – Financial Director of CenterTelecom OJSC since 2006

Member of the Board of Directors of OAO PTC

Member of the Board of Directors of ZAO CenterTelecomService

Chairman of the Board of Directors of ZAO ATS

Share in the authorized capital of the issuer: **no share**

#### **8. NAZAROV SERGEY VICTOROVICH**

Year of birth: **1971**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Deputy Director General – Commercial Director of CenterTelecom OJSC since 2006

Chairman of the Board of Directors of ZAO CenterTelecomService

Member of the Board of Directors of OAO PTC

Member of the Board of Directors of ZAO ATS

Share in the authorized capital of the issuer: **no share**

#### **9. PARKHOMENKO DMITRY ANATOLIYEVICH**

Year of birth: **1972**

Education: **higher**

Nationality: **Russian**

Major job as well as other position held in the Company and other organizations:

Member of the Management Board, Director on Legal Issues and Co-Operation with Government Authorities of CenterTelecom OJSC since 2006.

Share in the authorized capital of the issuer: **no share**

### **Criteria of determination and amount of remuneration (indemnification of expenses) of members of the Management Board paid in the reported year**

Members of the Management Board of the Company are paid out a remuneration and are indemnified their expenses connected with implementation of functions of members of the Management Board during the period of implementation of such functions.

Criteria of remuneration of members of the Management Board applicable during the period from January, 1, 2006, to August, 1, 2006, inclusive, were determined by norms of the Provision on remuneration of members of the Management Board of CenterTelecom OJSC, in accordance with which the resolution of the Board of Directors of the Company determined the total amount of quarterly remuneration to the whole Management Board, at that, the remuneration of each member of the Management Board could not exceed 150,000 rubles (maximal amount of quarterly remuneration).

Norms of the Provision on awarding bonuses to members of the Management Board of CenterTelecom OJSC, active since August, 2, 2006, are applied to members of the Management Board, in compliance with which the remuneration consists of the fixed monthly extra payment and quarterly bonus.

Total amount of the quarterly bonus to the whole Management Board is determined with a resolution of the Board of Directors of the Company, at that, the amount of bonus of each member of the Management Board cannot exceed 75,000 rubles (maximal amount of the quarterly bonus).

The decision on determination of the amount of quarterly bonus is taken by the Board of Directors of the Company after reviewing the issues on results of implementation of the budget of the Company at the end of the quarter, during implementation of the resolutions of the Board of Directors and of the General Meeting of Shareholders of the Company accepted earlier (taking into account the quality of preparation of materials to meetings of the Board of Directors and Committees of the Board of Directors of the Company).

The issue on determination of the amount of quarterly bonus to the whole Management Board shall be obviously reviewed by the Committee on Personnel and Remunerations of the Board of Directors of the Company. The corresponding recommendations of the Committee are provided within materials to members of the Board of Directors.

In case the composition of the Management Board is changed during a quarter, the remuneration for the quarter is paid out proportionally to the time actually worked during the quarter (in calendar days).

The amount of remuneration of members of the Management Board of the Company comprised 4 478 402 rubles in 2006.

No transactions on purchase or alienation of shares of the Company were implemented by members of the Management Board of the Company in 2006.

#### **12.4. Audit Commission**

The Audit Commission was appointed by the Meeting of Shareholders in the amount of 7 persons in the following composition on June, 28, 2006:

1. Koroleva Olga Grigoriyevna (Chairman of the Audit Commission)
2. Avdiyants Stanislav Petrosovich
3. Veremiyana Valentina Fiodorovna
4. Degtyareva Yelena Petrovna
5. Podosinov Sergey Vladimirovich
6. Ponomarev Iliya Vladimirovich
7. Topolya Ivan Vladimirovich

### ***XIII. DATA ON COMPLIANCE WITH THE CODE OF CONDUCT***

#### **13.1. Information on the Code of Conduct**

For the first time the regulations of the corporate conduct of public corporation CenterTelecom were specified by the Company in the officially approved Code of Corporate Management of CenterTelecom OJSC adopted by the Board of Directors on February 20, 2004.

The aim of this document consummation is to use the principals and regulations of the corporate management contributed to the successful Company development, the increase of income and Company capital growth, the compliance with the legal rights and interests of all shareholders in the Company activity practice.

Taking into account the experience of advanced international practices in the field of corporate management, the change of the Russian Joint-Stock Law and the changes registered in the Statute and internal documents of the Company, on February 9, 2006 the new edition of the Code of Corporate Management was approved by the Board of Directors of CenterTelecom OJSC.

The main principals of the Code of Corporate Management of CenterTelecom OJSC 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 boards to the Management 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 cooperation with shareholders.**

One of the directions of the corporate policy conducted by CenterTelecom OJSC is the further consolidation of the shareholder and investor trust on the Company, the Company image raising contributed to its successful development.

The important step in the consolidation of the shareholder and investor trust of the Company is the compliance with their legal rights to participate in the Meeting of Shareholders, the assignment of their rights in the Statute, the Code of Corporate Management and other internal documents of the Company, and the timely informing of the shareholders about the significant events in the Company activity.

To provide the making of reasonable decisions by the Company shareholders on the agenda of the meeting the Company provides the possibility to learn the materials of the meeting in advance on the addresses mentioned in the report available to the majority of the shareholders.

The materials on any questions of the meeting are produced on the web-site of the Company in Russian and in English. The holders of American Depositary Notes (ADN) receive the whole necessary information on the meeting questions in English from the depositary.

To exercise the rights by shareholders to participate in the matters of the agenda of the Meeting of Shareholders the possibility of the absentee vote is provided.

The procedure of the cumulative voting is applied to the election of the Board of Directors at the Company Meeting of Shareholders and it gives the opportunity to account the opinion of minority shareholders at the grand total of the voting.

The full information for the shareholders about the places and time of reception, the Register holder of the Company and transfer-agents, the historical facts in respect of the Company stock is provided on the sites of the Company and its sister companies.

The dividend policy conducted by CenterTelecom OJSC is directed to the increase of the shareholders wealth and provision of the further capital growth of the Company.

To optimize the operations of the dividend payment the Internal Rules for the cooperation of the organization departments of the General Board of Administrators and the sister companies of CenterTelecom OJSC in the dividend accounting and payment was approved by the Company

in 2006. The Rules specifies the procedure of the accounting and payment of dividends, including the terms, place and the form of their payment.

During 2006 the Company completed the work for the organization of transfer-agent stations in all sister companies for the rendering of transfer-agent services to the shareholders of the Company in the document reception and transferring to the Register Holder necessary for the dealership conducting in the Register of the shareholders of the public corporation "CenterTelecom".

The activity of the Company employees responsible for the work with the shareholders in the sister companies is conducted according to the approved Regulations on the work with shareholders in the sister companies of CenterTelecom OJSC.

#### **Co-operation with the Registrar.**

Owing to the activity cession of ZAO Registrat-Svyaz by means of reorganization in the form of adjunction to the Joint-Stock Company United Registration Company (OAO "URC") on June 6, 2006 the public corporation signed the additional arrangement to the agreement for the servicing of registry conducting for the holders of registered stock in legal succession of all rights and liabilities of OAO URC resulted from the pre-contract.

According to the provisions of the agreement OAO URC during the year rendered services in gathering, registration, processing, keeping and presentation of the data contributed to the system of the registry conducting of the Company registered stock holders, in preparation and conducting of annual Meeting of Shareholders of the Company, in execution of returning board functions.

A new agreement with OAO URC was set up in August 2006 about the rendering of transfer-agent services to the Company shareholders in receiving and transferring the information and documents to the Registrar necessary for the operation conducting in the registry, and the execution of functions in receiving from the Registrar and transferring to the interested persons or their commissioners of the information and documents received from the Registrar.

### **13.2. The account about 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 of 04.30.2003 No03-849/r and by the requirements of the Order of FCSM of Russia of 06.22.2006 No06-68/пз-н "On Approval of Provisions about the Activity in Trade Organization on the Equity Market" (contained in the notes).

№	The provisions of the Code of the Corporate Conduct	Complied or non-complied	Notes
Meeting of Shareholders			
1.	The shareholder notification about the annual Meeting of Shareholders conducting not less then in 30 days before its conducting unless the longer terms are provided by the Law.	Complied	Chapter 2 p.2.2. of the Code of Corporate Management. Requirements of the Order of FCSM of Russia of 06.22.2006 No06-68/пз-н are complied with.
2.	The presence of the shareholder opportunity to acquire the list of persons who have the right to participate in the Meeting of Shareholders beginning from the day of notification of the shareholder meeting conducting and to the closing of the walk-in 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 of the Company Statute
3.	The shareholders opportunity to acquire the information (materials) which are to be provided during	Complied	On the Company internet-site



	the preparation for the Meeting of Shareholders conducting by means of electronic communication facilities including the Internet.		
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 8 p. 8.6 of the Company Statute
5.	The presence in the Statute or internal documents of the public company of the requirement to the obligatory presence of the Director General, 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 Management, the Company
6.	The obligatory presence of the candidates at the Meeting of Shareholders for the discussion of the election of the members of the Board of Directors, Director General, the Board, Audit Commission, Audit Organization.	Complied	Chapter 3 p.3.7. of the Code of Corporate Management The Company provides the presence of all members of the Board of Directors, the Management Board and makes necessary efforts to provide the presence of independent accountant representatives, the members of the available Audit Commission, of the candidates to the new membership of the Board of Directors.
7.	The presence in internal documents of the public company of the procedure for the registration of the Meeting of Shareholders members.	Complied	Chapter 13 p. 13.14 p. 2 of the Company Statute; Chapter 3 p.3.4. of the Provision of the Meeting of Shareholders
<b>Board of Directors</b>			
8.	The presence in the public corporation Statute the credential of the Board of Directors to approve the financial economic plan of the public corporation annually.	Complied	Chapter 14 p.14.4 of the Statute
9.	The presence of the procedure of risk management in the public corporation approved by the Board of Directors.	Complied	The procedures are specified by a number of internal documents of the Company, including the Provision of the procedures (system) of internal control which specified the risk management.
10.	The presence in the Statute of the public 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.	Out-of-date	The appointment of the Company Director General, the determination of his credential terms, pre-term cessation of his credentials are incompetence of Board of Directors (Chapter 14 p.14.4 sp.26 of the Statute) of the Company
11.	The presence in the Statute of the public 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.18, 22, 24 of the Company Statute
12.	The presence in the Statute of the public 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.33 of the Company Statute
13.	The presence in the Statute or internal documents of the	-	The conditions of the agreement with

	public 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 Director General and the members of the Board are recommended to the Board of Directors of the Committee on Personnel and Remuneration. Besides the members of the Board and the Director General of the Company do not part of the Board of Directors of the CenterTelecom OJSC.
14.	The presence in the Board of Directors of the public 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 Management. The requirements of the Order of FCSM of Russia of 06.22.2006 No06-68/ПЗ-Н are complied with.
15.	The absence in the Board of Directors of the public corporation of the persons who were guilty in offence in the field of economic activity or against the state power, 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 tollages, equity market.	Complied	The listed persons are not a part of the Management Board of Directors.
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 competed with the public corporation.	Complied	The listed persons are not a part of the Management Board of Directors.
17.	The presence in the Statute of the public corporation of the requirement for the election of the Board of Directors by cumulative voting.	Complied	Chapter 14 p.14.2 of the Company Statute
18.	The presence in the internal documents of the public corporation of the liability of the members of the Board of Directors to desist from the actions which can cause the conflict between their interests and the interests of the public corporation, and in the case of such conflict the presence of the liability to inform the Board of Directors about the conflict.	Complied	Chapter 3 p. 3.2 of the Provision for the Board of Directors; Chapter 4 p.4.3. of the Code of Corporate Management
19.	The presence in the internal documents of the public corporation of the liability of the Board of Directors members to notice in writing the Board of Directors about the intention to conclude the bargain using the public corporation or its affiliate company securities and to inform about the concluded securities bargains.	Complied	Chapter 3 p. 3.2.9 of the Provision for the Board of Directors; Chapter 4 p.4.6 of the Code of Corporate Management. The requirements of the Order of FCSM of Russia of 06.22.2006 No06-68/ПЗ-Н are complied with.
20.	The presence in the internal documents 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 Management
21.	The conducting of the Board of Directors meetings during the year of the annual report of the public corporation at least once every 6 weeks.	Complied	The meeting of the Management Board of Directors is conducted at least twice a month (33 meetings of the Board of Directors were conducted in 2006 )
22.	The presence in internal documents of the public corporation of the procedure for the conducting of the Board of Directors meetings.	Complied	Chapter 6 of the Provision for the Board of Directors
23.	The presence in the internal documents of the public corporation of the provision on the necessity of approval of the public corporation bargains to the amount of 10 or more % from the company assets value except the bargains concluded during the ordinary economic activity by the Board of Directors.	Complied	The deals of 0,4% from the balanced value of the assets are to be approved (Chapter 14 p.14.4 sp.19 of the Company Statute)
24.	The presence in the internal documents of the public corporation of the right of the Board of Directors	Complied	Chapter 3. p. 3.1.1 of the Provision for the Board of Directors

	members to get from the executive boards and directors of main organization departments of the public corporation the information necessary for the fulfillment of their functions and of the responsibility for nonprovision of such information.		
25.	The presence of the committee of strategy planning in the Board of Directors or giving the functions of the Committee of the strategy development to the other committee (except the Committee on Audit and the Committee on Personnel and Remuneration).	Complied	The Committee of the Strategy Development
26.	The presence of the committee in the Board of Directors (Committee on Audit) which recommends the Board of Directors the auditor of the public corporation and cooperates with him and the revision committee of the public corporation by organization (auditor) of the public corporation.	Complied	The Committee on Audit. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
27.	The presence in the Committee on Audit of independent and nonexecutive directors.	Complied	2 independent and 1 nonexecutive directors formed the Committee on Audit in the financial year. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
28.	The management of the Committee on Audit by independent director.	Complied	The management of the Committee on Audit is conducted by independent directors. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
29.	The presence in internal documents of the public corporation of the right to have access of all members of the Committee on Audit to any documents and information of the public corporation on conditions of non-disclosure of confidential information.	Complied	Chapter 6 p. 6.2.1 of the Provision of the Committee on Audit
30.	The establishment of the committee of the Board of Directors (Committee on Personnel and Remuneration) which functions are to determination of the criteria of selection of candidates to the members of the Board of Directors and development of the public corporation policy in the field of remuneration.	Complied	The Committee on Personnel and Remuneration. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
31.	The management of the Committee on Personnel and Remuneration by independent director.	Complied	The management of the Committee is conducted by independent directors. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
32.	The absence in the Committee on Personnel and Remuneration of public corporation officials.	Complied	The Company officials are not a part of the Committee. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
33.	The establishment of the Risk Committee of the Board of Directors or giving its functions to the other committee (except the Committee on Audit and the Committee on Personnel and Remuneration).	Complied partly	Every committee of the Board of Directors has the function of risk examination in its sphere.
34.	The establishment of the Committee of Corporate Conflict Regulation of the Board of Directors or giving its functions to the other committee (except the Committee on Audit and the Committee on Personnel and Remuneration).	Complied	These functions are exercised by the Committee of Corporate Management.
35.	The absence in the Committee of Corporate Conflict Regulation of public corporation officials.	Complied	According to the Provision of the Committee of Corporate Management in examination of matters of corporate conflicts the members of the

			Committee who are the Company officials do not participate.
36.	The management of the Committee of Corporate Conflict Regulation by independent director.	-	Nonexecutive director is the head of the Committee of Corporate Management.
37.	The presence of the public corporation internal documents approved by the Board of Directors providing the procedure of formation and work of the Committees of Directors.	Complied	The Board of Directors approved the Provisions for the Board of Directors.
38.	The presence in the public corporation Statute 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.	Complied partly	The Company produce to all directors including independent directors all opportunities for their opinion expressing at the meetings of the Board of Directors (in walk-in and absent form).
<b>Executive Boards</b>			
39.	The presence of the group executive board of the public corporation.	Complied	The Management Board. The requirements of the Order of FCSM of Russia of 06.22.2006 No06-68/ПЗ-Н are complied with.
40.	The presence in the public corporation Statute or internal documents of the provision on the necessity of approval real estate business by the Board, on receiving credits by public corporation if the mentioned bargains are not large-scale and their conclusion is the ordinary economic activity of the public corporation.	Complied	According to the sp.19 p.14.4 of the Statute the approval of the deals connected with the acquiring, disposition or the possibility to dispose the property which value is from 0.4 to 25% of the balanced value of assets of the Company is in the competence of the Board of Directors. A number of deals including the real estate business, credit agreement are related to the procedure of notification by the Director General of the Board of Directors. The Management Board handles the materials beforehand in bargaining and makes decisions whether to submit or not the bargaining for the approval by the Management Board of Directors.
41.	The presence in internal documents of the public corporation of the procedure for the operation agreement which is out of financial economic plan of the public corporation.	Complied	Chapter 14 p.14.4 sp.2 of the Company Statute
42.	The absence in the executive boards of persons who are participant, Director General (manager), authority member or official of the legal entity which competes with the public corporation.	Complied	The listed persons are not included into the Company's executive boards.
43.	The absence in the executive board of the public corporation of the persons who were guilty in offence in the field of economic activity or against the state power, 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 tallages, 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 listed persons are not included into the Company's executive boards
44.	The presence in the Statute or internal documents of the public corporation of the prohibition for the management organization (manager) to conduct	Out-of-date	The management organization is not provided by the Company Statute and internal documents.

	analogous functions in the competitive company and to be seated at any privity with the public corporation except the management organization (manager) servicing.		
45	The presence in the internal documents of the public corporation of the executive board duty to desist from the actions which can cause the conflict between their interests and the interests of the public 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 Management;
46	The presence in the public corporation Statute or internal documents of the criteria of management organization (manager) selection.	Out-of-date	The management organization is not provided by the Company Statute and internal documents.
47	The provision of monthly reports about the work by the executive boards to the Board of Directors.	Complied	The Board of Directors often considers the matters about the decisions made at shareholders and Board of Directors meetings.
48	The set up of liability for the offence of provisions on the use of confidential and overhead information in the agreements of the public corporation with Director General (management organization, manager) and the board members.	Complied	
<b>Company Secretary</b>			
49	The presence in the public corporation of a special official (the company Secretary) whose task is to provide the compliance of the public 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 Statute or internal documents of the public corporation of the procedure for the appointment (election) of the Company Secretary and his duties.	Complied	Chapter 14. p.14.4. sp 32; Chapter 17 sp.17.1–17.3 of the Company Statute. The Provision of the Corporate Secretary and the Company Corporate Secretary Office.
51	The presence in the public corporation Statute of the requirements to the Company Secretary candidate.	Complied	The requirements to the Corporate Secretary candidature according to the Company Statute are stated in the Provision of the Corporate Secretary and the Company Corporate Secretary Office (Chapter 2. p.2.4.)
<b>Significant Actions of the Company</b>			
52	The presence in the public corporation Statute or internal documents of the requirements for the bargain approval before its conclusion.	Complied	Chapter 14 p.14.4.p.20 of the Company Statute
53	The obligatory attraction of independent valuator for the estimation of the market value of the property which is the subject of the bargain.	Complied	The independent valuator is attracted for the estimation of the market value of the property which is the subject to the significant deals for the Company activity.
54	The presence in the Statute of the public corporation of the prohibition of conducting any actions during the acquisition of large share holdings (absorption) which are directed to the protection of the interests of executive boards (their members) and the members of the Board of Directors of the public corporation, and which can worsen the shareholders situation in comparison with the existing (the prohibition of making decision about issuing of additional shares, securities which are converted into shares or securities which provide the right to acquire the company shares	-	The presence of the direct prohibition is not necessary for there are no regulations in the Statute about the possibility of the action conducting which will protect the interests of the executive Boards (their members), members of the Board of Directors, etc.

	by the Board of Directors up to the end of the term of share acquisition, in particular, even if such right is provided to him by the Statute)		
55	The presence in the Statute of the public corporation of the requirement for the attraction of independent valuator when estimating the current market value of shares and possible changes in their market value as a result of absorption.	-	The independent valuator is attracted for the estimation of the market value of the shares and possible changes of their market value as a result of absorption.
56	The absence in the public corporation Statute of the exemption of the buyer from the obligation to propose the shareholders to sell their common stock of the Company (issuing securities, converted to the common) in the case of absorption.	Complied	
57	The presence in the public corporation Statute or internal documents of the requirement for the obligatory attraction of the independent valuator for the determination of the ratio of share conversion in the case of absorption.	-	The independent valuator is attracted for the estimation of 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 for the information disclosure (Provision on Information Policy).	Complied	Information Regulations; the Provision on the Information Policy. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/пз-н are complied with.
59	The presence in the public 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 the floated shares including the large share holding and about the participation of the supreme officials in taking up of the floated shares of the Company.	Complied	Information Regulations; the Provision on the Information Policy.
60	The presence in public corporation internal documents of the information, document and material list which shall be provided for the shareholders for the making decisions on the questions submitted to the Meeting of Shareholders.	Complied	Chapter 13.p.13.13 of the Company Statute
61	The presence of the public corporation website in the Internet and the regular information disclosure about the public corporation on it.	Complied	<a href="http://www.centertelecom.ru">www.centertelecom.ru</a>
62	The presence in public corporation internal documents of the requirement for the disclosure of information about the bargains of the public corporation with the persons who are considered to be the supreme public corporation officials according to the Statute, and about the bargains of the public corporation with the organizations where the supreme public corporation officials possess directly or indirectly 20% or more of the authorized capital stock of the public corporation or when such persons can influence on the bargains.	Complied	Information Regulations; the Provision on the Information Policy.
63	The presence in public corporation internal documents of the requirement for the disclosure of information about the bargains which can influence on the market value of the shares of the public corporation.	Complied	Information Regulations; the Provision on the Information Policy.
64	The presence of the internal document approved by the Board of Directors for the use of essential information about the public corporation activity, the shares and other securities of the Company and the bargains with them which is not available and which disclosure can influence the market value of the shares and other securities of the public corporation.	Complied	Information Regulations; the Provision on the Information Policy. The provisions on the procedure of the information use about the activity of CenterTelecom OJSC, its stock and dealership with them which is not available and its illegal use or disclosure can influence on the market value of the stock of CenterTelecom

			OJSC. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/ПЗ-Н are complied with.
<b>Control of financial 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 public corporation.	Complied	The Provisions on the Procedure (System) of Internal Control the Provision on the Department of internal Audit. The requirements of the Order of FCSM of Russia of 06.22.206 No06-68/ПЗ-Н are complied with.
66	The presence of a special subdivision of the public corporation which provides the compliance with the internal control procedures (Control Revision Board).	Complied	Department of Internal Audit
67	The presence in public corporation internal documents of the requirement for the determination of the structure and staff of the Control Revision Board of the public corporation by the Board of Directors.	Complied	Chapter 14 p.14.4 sp.18 of the Company Statute; Chapter 1 sp.1.3., sp.1.6-1.8. of the Provision on the Department of internal Audit.
68	The absence in the Control Revision Board of the public corporation of the persons who were guilty in offence in the field of economic activity or against the state power, 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 tallages, equity market.	Complied	The listed persons are not a part of the control audit board.
69	The absence in the Control Revision Board of persons who are participant, Director General (manager), authority member or official of the legal entity which competes with the public corporation.	Complied	The listed persons are not a part of the control audit board.
70	The presence in the public 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 Provision on the Audit Commission.
71	The presence in the public 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 public corporation.	Complied	Provision on the Department of internal Audit
72	The presence in the public corporation Statute of the requirement for the preliminary estimate of the operation conducting practicability by the Control Revision Board which is not specified in the financial economic plan (non-standard operations).	-	The requirements are specified in the Provision on the Audit Board of the Board of Directors and in the Provision on the Department of internal Audit.
73	The presence in the public corporation internal documents of the procedure for the agreement of non-standard operations with the Board of Directors.	Complied	The procedures are specified in the Provision on the Audit Board of the Board of Directors, in the Provision on the Department of internal Audit, in the Agreement with the Director General, etc.
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 public corporation by Control Revision Board.	Out-of-date	The procedure is specified in the Provision on the Audit Commission approved at the Meeting of Shareholders.
75	The conducting by the Audit Committee of the audit conclusion before its provision for the shareholders at the meeting.	Complied	
<b>Dividends</b>			
76	The presence of internal document approved by the Board of Directors which it is used when making	Complied	Provision on the Dividend Policy

	recommendations about the dividend amount. (Provisions on the Dividend Policy)		
77	The presence in the Provision on the Dividend Policy of the procedure of determination of the minimal portion of the public corporation clear profit used for the dividend payment and of the conditions when the senior stock dividends are not paid or are paid partially, according to which the dividend amount is determined in the public corporation Statute.	Complied	Chapter 3 of the Provision on the Dividend Policy of the Company
78	The publication of the information about the dividend policy of the public corporation and made changes in the periodical provided by the public corporation Statute for the publication of information about the conducting of Meeting of Shareholders and the placing of the mentioned information on the web-site of the public corporation in the Internet.	Complied	Provision on the Dividend Policy, and other information about the dividend policy of the Company is set up on the Internet-site of the Company.

#### ***XIV. INFORMATION FOR SHAREHOLDERS***

##### ***14.1. Authorized Capital and Securities of the Company as of 01.01.2007.***

- authorized capital of the Company comprises 6,311,998,965 rubles;
- placed and announced shares of the Company:

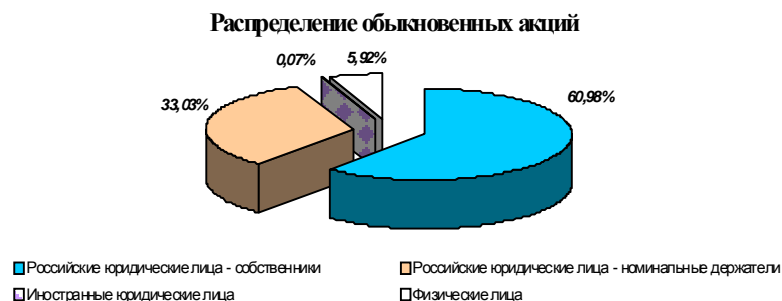
<b>Categories (types) of shares</b>	<b>Amount (pcs)</b>	<b>Nominal value (rubles)</b>
I. Shares placed:		
• ordinary	1,578,006,833	3.0
• preferred type A shares	525,992,822	3.0
II. Shares announced:		
• ordinary	76,166,167	3.0
• preferred type A shares	25,405,178	3.0

##### ***14.2. Structure of the Authorized Capital Stock as of 01.01.2007***

	<b>Amount of Shareholders</b>	<b>Amount of Ordinary Shares, pcs.</b>	<b>Amount of Preferred Type A Shares, pcs.</b>	<b>% in Authorized Fund</b>
Russian legal entities – owners	135	962,299,399	2,363,172	45.848989
Russian legal entities – nominal shareholders	30	521,257,974	437,637,390	45.574882
Foreign legal entities	22	1,136,859	11,732,645	0.611669
Natural persons	25,555	93,312,601	74,259,615	7.964460



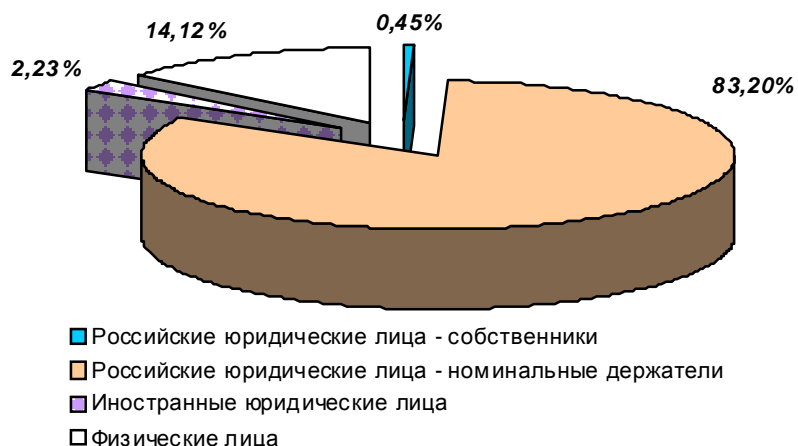
Diagram 3.



Распределение обыкновенных акций	Distribution of ordinary shares
Российские юридические лица – собственники	Russian legal entities – owners
Российские юридические лица – номинальные держатели	Russian legal entities – nominal shareholders
Иностранные юридические лица	Foreign legal entities
Физические лица	Natural persons

Diagram 4.

### Распределение привилегированных акций типа А



Распределение привилегированных акций типа А	Distribution of preferred type A shares
Российские юридические лица – собственники	Russian legal entities – owners
Российские юридические лица – номинальные держатели	Russian legal entities – nominal shareholders
Иностранные юридические лица	Foreign legal entities
Физические лица	Physical persons

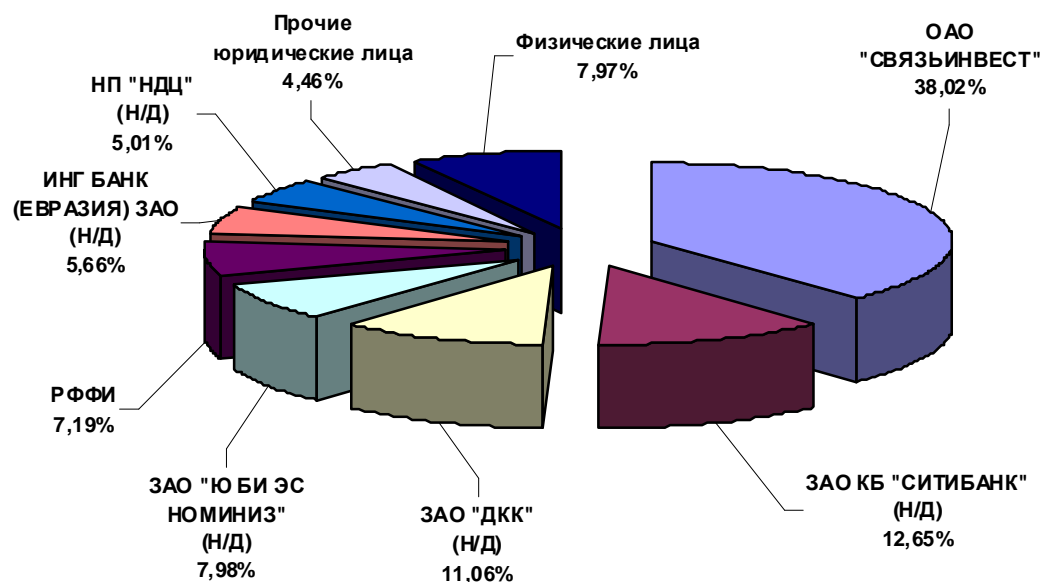
#### 14.3. Information about shareholders holding over 1% of the Authorized capital stock as of 01.01.2007

No.	Name	Ordinary Nominated Shares, pcs	Preferred Nominated Shares, pcs	% in Authorized Capital
1.	OPEN JOINT-STOCK COMPANY "INVESTMENT COMPANY OF COMMUNICATIONS"	799,867,813	0	38.016537
2.	CLOSED JOINT-STOCK COMPANY COMMERCIAL BANK "CITIBANK" (nominal shareholder )	102,956,185	163,265,461	12.653122

3.	CLOSED JOINT-STOCK COMPANY “DEPOSITARY CLEARING COMPANY” (nominal shareholder)	130,073,190	102,643,242	11.060669
4.	CLOSED JOINT-STOCK COMPANY “UBS NOMINEES” (nominal shareholder )	67,930,098	100,053,260	7.984001
5.	SPECIALIZED GOVERNMENTAL ESTABLISHMENT WITH THE GOVERNMENT OF THE RUSSIAN FEDERATION “RUSSIAN FUND OF FEDERAL PROPERTY”	151,356,274	0	7.193740
6.	ING BANK (EURASIA) ZAO (CLOSED JOINT- STOCK COMPANY) (nominal shareholder )	98,771,540	20,408,142	5.664434
7.	NON-PROFIT PARTNERSHIP “NATIONAL DEPOSITARY CENTER” (nominal shareholder )	71,058,971	34,412,893	5.012922

Diagram 5.

### **Распределение уставного капитала на 01.01.2007**



Распределение уставного капитала на 01.01.2007	Distribution of the authorized capital as of 01.01.2007
НП “НДЦ” (Н/Д)	NON-PROFIT PARTNERSHIP NATIONAL DEPOSITARY CENTER (nominal shareholder)
ИНГ БАНК (ЕВРАЗИЯ) ЗАО (Н/Д)	ING BANK (EURASIA) ZAO (nominal shareholder)
РФФИ	RUSSIAN FUND OF FEDERAL PROPERTY
ЗАО “Ю БИ ЭС НОМИНИЗ” (Н/Д)	CLOSED JOINT-STOCK COMPANY UBS NOMINEES (nominal shareholder )
ЗАО “ДКК” (Н/Д)	CLOSED JOINT-STOCK COMPANY DEPOSITARY CLEARING COMPANY(nominal shareholder)

ЗАО КБ "СИТИБАНК" (Н/Д)	CLOSED JOINT-STOCK COMPANY COMMERCIAL BANK CITIBANK (nominal shareholder )
ОАО "СВЯЗЬИНВЕСТ"	SVYAZINVEST OJSC
Физические лица	Physical persons
Прочие юридические лица	Other legal entities

#### 14.4. Information about trading floors (stock exchanges) where shares and ADRs (tickers, quotation lists) of the Company are listed

In 2006, shares of CenterTelecom OJSC were actively circulated on three Russian stock exchanges:

ZAO MMVB Stock Exchange (ZAO MMVB SE). Shares of the Company (CTLK, CTCLKP) were included into Rate List B.

Total volume of trading shares of the Company in 2006 comprised 5,057,738,314.71 rubles, including: ordinary shares – 4,789,117,400.64 rubles, preferred shares – 268 620 914,07 rubles in 2006.

NP Stock Exchange Russian Trade System (NP RTS). Ordinary shares of the Company (ESMO) were included into Rate List "A" of second level in 2006, preferred type A shares – were included into Rate List B.

Total volume of trading with shares of the Company comprised \$14,609,953 in 2006, including: ordinary shares - \$11,651,171, preferred shares – \$2,958,782 in 2006.

OAO Stock Exchange Russian Trade System (OAO RTS). Ordinary shares (ESMOG) and preferred type A shares (ESMOPG) were listed under the section of "Securities Allowed for Circulation but not Included into Rate Lists" in 2006.

Total volume of trading with shares of the Company comprised 73,682,069.0 rubles, including: ordinary shares – 59,358,691.0 rubles, preferred shares – 14,323,378.0 rubles in 2006.

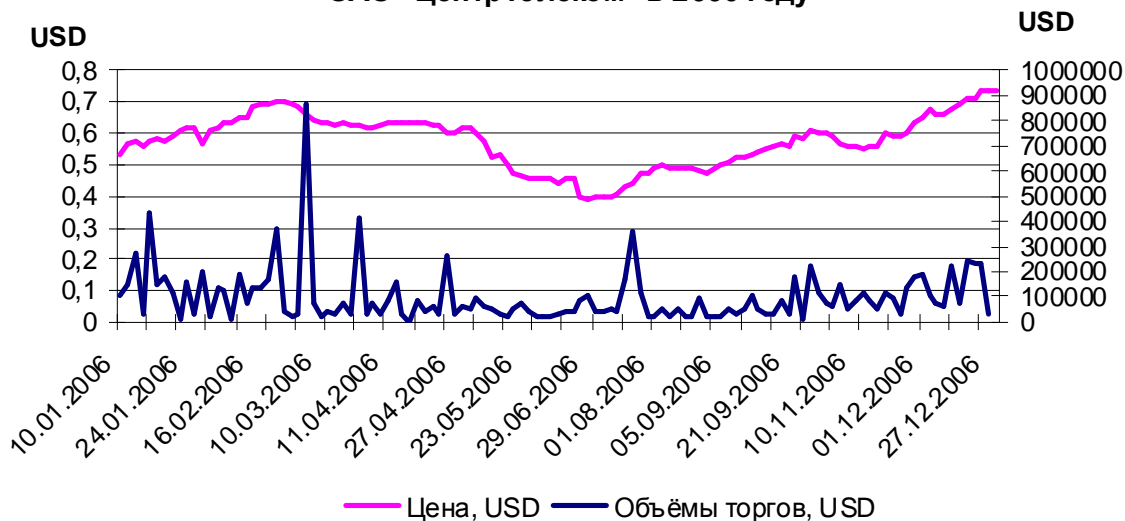
On 01.01.2007. transfer of the organization of trades at the classic market from NP RTS into OAO RTS was implemented. At present, shares of the Company are circulated at OAO RTS at the Classic and Stock Exchange markets – ordinary shares in Rate List A of the second level, preferred shares in Rate List "B".

ADR of the first level for ordinary shares of the Company are traded at the US OTC market (CRMUY), Berlin (CRMUY.BE) and Frankfurt (CRMUY.F) Stock Exchanges.

As of December, 31, 2006, 368,294 American Depositary Notes were circulated, which comprises 2.33% of the whole amount of ordinary shares of CenterTelecom OJSC .

Diagram 6.

**Динамика цены и объёмов торгов обыкновенными акциями  
ОАО "ЦентрТелеком" в 2006 году**



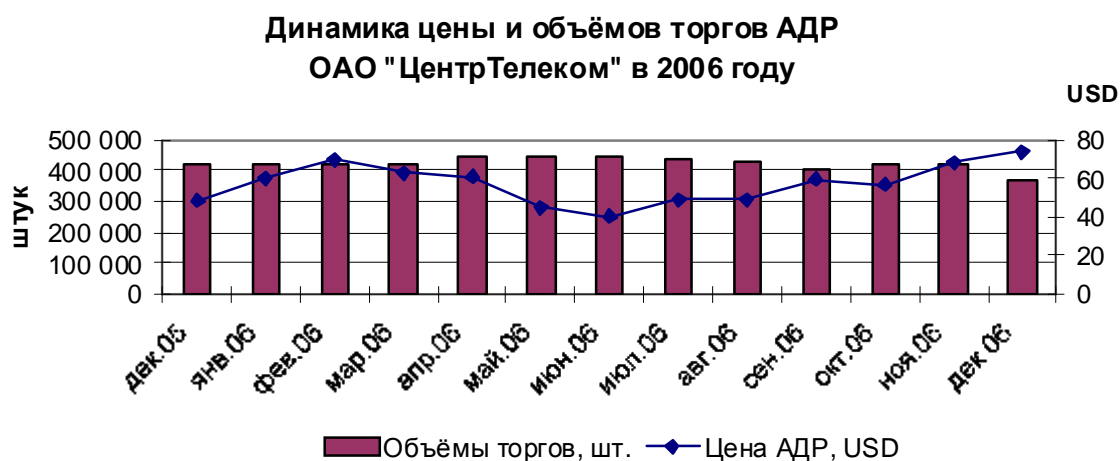
Динамика цены и объемов торгов обыкновенными акциями ОАО "ЦентрТелеком" в 2006 году	Dynamics of prices and volumes of trades with ordinary shares of CenterTelecom OJSC in 2006
Цена, USD	Price, USD
Объем торгов, USD	Volume of trades, USD

Diagram 7.



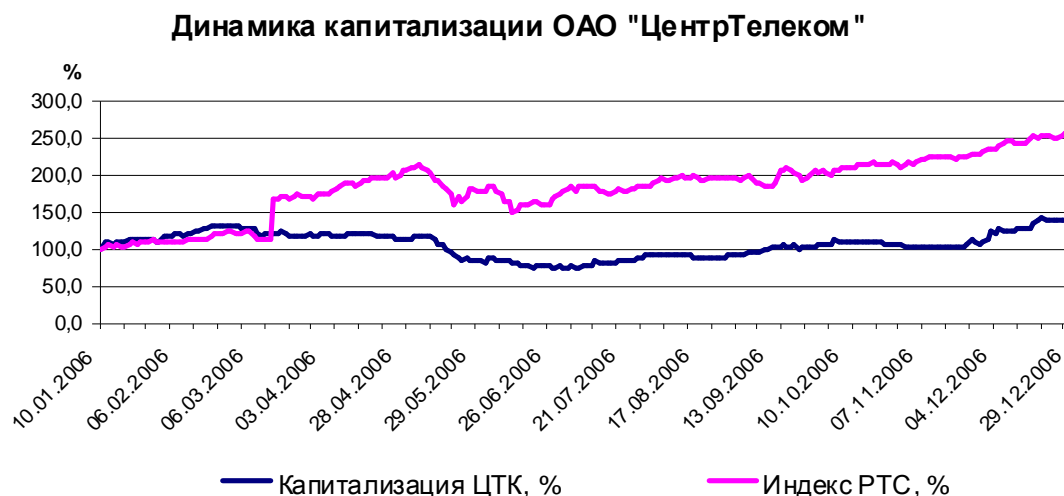
Динамика цены и объемов торгов привилегированными акциями ОАО "ЦентрТелеком" в 2006 году	Dynamics of prices and volumes of trades with preferred shares of CenterTelecom OJSC in 2006
Цена, USD	Price, USD
Объем торгов, USD	Volume of trades, USD

Diagram 8.



Динамика цены и объемов торгов АДР ОАО "ЦентрТелеком" в 2006 году	Dynamics of prices and volumes of trades with ADR of OAO "CenterTelecom" in 2006
Цена, USD	Price, USD
Объем торгов, USD	Volume of trades, USD

Diagram 9.



Динамика капитализации ОАО "ЦентрТелеком" в 2006 году	Dynamics of capitalization of CenterTelecom OJSC in 2006
Капитализация ЦТК	Central Telecommunications Company capitalization
Индекс РТС, %	RTS rate, %

Market capitalization of the Central Telecommunications Company grew by 37.2% as a result of trades at RTS from January to December of 2006 and comprised USD 1,470.2 million as of December, 29, 2006.

#### 14.5. Information on ADR Program of the Company.

CenterTelecom OJSC has the program of American Depositary Notes (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 securities allowed for circulation beyond the Russian Federation in the form of depositary notes comprises 623,312,699. One ADR contains 100 ordinary shares of the Company.

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.

For the 6 years of implementation of the ADR program it has been possible to achieve a significant increase of the amount of ADR, which witnesses the growing interest of foreign investors to CenterTelecom OJSC. Amount of ADR of the Company has grown practically by 36 times (from 10,000 pcs to 368,294 pcs). Accordingly, the ADR share in the authorized stock capital of the Company has been increased from 0.063% to 2.33%.

#### 14.6. Information on Credit Rating and Corporate Management Rating of the Company

International Rating Agency Fitch Ratings supported the long-term credit rating of CenterTelecom OJSC in foreign currency at the level of "B-" in June, 2006, having increased the rating forecast from "Negative" to "Stable". Short-term credit rating of CenterTelecom OJSC in foreign currency is supported at the "B" level. National rating of the Company was increased from "BB(rus)" to "BB+(rus)" level, the forecast is "Stable".

Agency changed the Fitch Ratings the long-term rating forecast in foreign currency from "Stable" to "Positive" in October, 2006, having confirmed the rating value at the "B-" level,

which was the reflection of the Company policy directed at increasing the efficiency and decreasing of debt burden of CenterTelecom OJSC. Short-term credit rating of CenterTelecom OJSC in foreign currency is supported at the “B” level.

Together with changing the rating of Fitch Ratings, International Rating Agency Standard&Poor’s increased the long-term credit rating of CenterTelecom OJSC from “B-“ to “B” (the forecast is “Stable”) and corporate credit rating on the national scale from “ruBBB-“ to “ruBBB+” in October, 2006, which was the result of strengthening of financial state and improvement of operational activities of the Company. Standard&Poor’s experts also noted improvement of business profile of CenterTelecom OJSC.

In November, 2006, CenterTelecom OJSC was included into the top list of the annual study of informational transparency of Russian companies held by Standard&Poor's Agency, having won the 19<sup>th</sup> position among 70 Russian participants of the study. General level of informational transparency of CenterTelecom OJSC comprised 62 percent according to assessment of the Agency experts.

Basic directions of activities of CenterTelecom OJSC in 2006 touched upon implementation of further improvement of the corporate management practice, keeping its goodwill at the Russian and international market, strengthening of trust of shareholders and investors, perfection of the dividend policy and increasing of the corporate rating of the Company.

In August, 2006, International Rating Agency Standart&Poor’s supported the corporate management rating of CenterTelecom OJSC at the level of RCM-4.9 according to the Russian scale.

In November, 2006, International Rating Agency Standart&Poor’s increased the corporate management rating of CenterTelecom OJSC (RCM) from “RCM-4+” to “RCM-5” according to the international scale. The RCM of the Company according to the Russian scale was increased from “RCM-4.9” to “RCM-5”. The increase of corporate management was connected with the growth of informational transparency of the Company.

National Rating Agency Expert RA also conveyed monitoring of the established practice of corporate management of the Company during 2006.

As a result of this study, the rating grade of “A” conferred to CenterTelecom before was confirmed in December, 2006.

In accordance with the methodology of the National rating of corporate management, this grade denotes that the established practice of corporate management of the Company is assessed as high. The received grade of the level of corporate management of the Company supposes the absence of risks of violation of rights of shareholders, careless activity of executive authorities of the Company, provision of non-quality information to shareholders and investors.

CenterTelecom OJSC complies with requirements of the Russian applicable law in the field of corporate management and follows the instructions of the Russian Code of Corporate Conduct.

#### **14.7. Information on the Company’s Auditor (in Accordance with Russian and Foreign Standards):**

Full company name of the Auditor:

***Ernst & Young Limited Liability Company***

Data on the Auditor’s license:

Number of license: *E002138*

Date of issue: *30.09.2002*

Expires on: *30.09.2007*

Issuing authority: *The Ministry of Finance of the Russian Federation*

#### 14.8. Information on the Registrar of the Company:

Full company name: ***Open Joint-Stock Company United Registration Company***

Shortened company name: ***OAO "URC"***

Location: ***70 Pyatnitskaya str., Moscow, 113095***

Postal address: ***p/o 162, Moscow, 107078***

Tel.: ***(495) 933-42-21*** Fax: ***(495) 933-42-21***

E-mail: ***ork@ork-reestr.ru***

Number of registrar's license for implementation of activities on keeping registers of stock holders: ***10-000-1-00314***

Date of issue: ***30.03.2004***

Expires on: ***no limitation***

Issuing authority: ***Federal Commission on Stock Market***

Date, since which the keeping of the register of the issuer's nominated stock has been implemented by the indicated registrar: ***13.12.2005***

#### 14.9. Information on the Branches of the Company

<i>Name of Branch</i>	<i>Postal Address</i>
<b>Belgorod branch</b>	3 Sobornaya branch, Belgorod, 308000
Bryansk branch	9 K.Marx square, Bryansk, 241050
The Upper Volga branch	22 Komsomolskaya str., Yaroslavl, 150000
Vladimir branch	42 Gorky str., Vladimir, 600000
Voronezh branch	35 Revolution ave., Voronezh, 394000
<b>Kaluga branch</b>	38 Teatralnaya str., Kaluga, 248000
<b>Kursk branch</b>	8 Krasnaya square, Kursk, 305000
Lipetsk branch	35-a Tereshkova str., Lipetsk, 398043
Moscow branch	29 Narodnogo Opolcheniya str., bldg 2., Moscow, 123154
Orel branch	43 Lenin str., Orel, 302028
Ryazan branch	43 Shchedrin str., Ryazan, 390006
Smolensk branch	6 October Revolution str., Smolensk, 214000
Tambov branch	2-b Astrakhan str., Tambov, 392002
Tver branch	24 Novotorzhskaya str., Tver, 170000
Tula branch	33-a Lenina str., Tula, 300000

Information on Transfer Agents of the Registrar on the Territory of the Central Federal County:

Name of region	Transfer Agent on the territory of the region	Address	Telephone/Fax	E-mail
Moscow region	General Board CenterTelecom OJSC	6 Degtyarny lane, bldg.2, Moscow, State Specialized Enterprise-3, 125993	t: (495)793-26-57 t/f: (495)793-26-54	<a href="mailto:vedeta@centertelecom.ru">vedeta@centertelecom.ru</a>
	Moscow branch of CenterTelecom OJSC	29 Narodnogo Opolcheniya str., bldg 2., Moscow, 123154	t: (495)793-22-01 t/f: (495)199-37-57	<a href="mailto:alexeeva@esmr.ru">alexeeva@esmr.ru</a>



Belgorod region	Belgorod branch of CenterTelecom OJSC	3 Sobornaya branch, Belgorod, 308000	t: (4722)35-03-92 f: (4722)33-67-95	<a href="mailto:ocb@upr.belsvyaz.ru">ocb@upr.belsvyaz.ru</a>
	Belgorod branch No.2 of ZAO Specializer Registrar Recom	69-a Victory str., Belgorod, 308600	t: (4722)33-63-13 (4722)27-08-01	<a href="mailto:reestr@bel.ru">reestr@bel.ru</a>
Bryansk region	Bryansk branch of CenterTelecom OJSC	9, K. Marks sq., Bryansk, 241050	t: (4832)72-15-75 f: (4832)72-20-00	<a href="mailto:ocb@svyaz.debryansk.ru">ocb@svyaz.debryansk.ru</a>
Vladimir region	Vladimir branch of CenterTelecom OJSC	42 Gorky str., Vladimir, 600000	t/f: (4922)35-33-50 f: (4922)33-06-63	<a href="mailto:root@revina.elcom.ru">root@revina.elcom.ru</a>
Voronezh region	Voronezh branch of CenterTelecom OJSC	35 Revolution ave., Voronezh, 394000	t/f: (4732) 53-06-51	<a href="mailto:ocb@adm.vsi.ru">ocb@adm.vsi.ru</a>
	Branch of OAO URC URC- Voronezh	39 Labour ave., Voronezh, 394026	t: (4732)72-88-64 f: (4732)71-08-76	<a href="mailto:voronezh@ork-reestr.ru">voronezh@ork-reestr.ru</a>
Ivanovo region	The Upper Volga branch of CenterTelecom OJSC Ivanovo Unified Electric Communications Point	1 10 <sup>th</sup> August str., Ivanovo, 153000	t: (4932)47-13-36 f: (4932)47-13-28	<a href="mailto:stsymaenko@ivtelecom.ru">stsymaenko@ivtelecom.ru</a>
Kaluga region	Kaluga branch of CenterTelecom OJSC	38 Teatralnaya str., Kaluga, 248000	t: (4842)79-62-05 f: (4842)53-10-40	<a href="mailto:iug@elecs.kaluga.com">iug@elecs.kaluga.com</a>
	Kaluga Gas and Power Joint-Stock Bank GasenergoBank (Open Joint-Stock Company)	4 Plekhanova Str., Kaluga, 248010	t: (4842)53-13-94, (4842)55-77-55 f: (4842)53-13-95	<a href="mailto:557755@gebank.ru">557755@gebank.ru</a>
Kostroma region	The Upper Volga branch of CenterTelecom OJSC Kostroma Interdistrict Electric Communications Point	1 Polipayeva str., Kostroma, 156961	t: (4942)62-10-23 f: (4942)62-10-64	<a href="mailto:Ohapkina@telecom.kostroma.ru">Ohapkina@telecom.kostroma.ru</a>
Kursk region	Kursk branch of CenterTelecom OJSC	8 Krasnaya square, Kursk, 305000	t/f:(4712)70-10-30	<a href="mailto:tagent@kursknet.ru">tagent@kursknet.ru</a>
Lipetsk region	Lipetsk branch of CenterTelecom OJSC	35-a Tereshkova str., Lipetsk, 398043	t:(4742)38-12-48 f:(4742)38-12-49	<a href="mailto:pmv@adm.les.lipetsk.ru">pmv@adm.les.lipetsk.ru</a>
Orel region	Orel branch of CenterTelecom OJSC	43 Lenin str., Orel, 302028	t/f:(4862)43-18-96	<a href="mailto:reestr@orel.ru">reestr@orel.ru</a>
Ryazan region	Ryazan branch of CenterTelecom OJSC	43 Shchedrin str., Ryazan, 390006	t:(4912)27-22-05 f:(4912)21-61-66	<a href="mailto:Gsorokina@esv.ryazan.ru">Gsorokina@esv.ryazan.ru</a>
Smolensk region	Smolensk branch of CenterTelecom OJSC	6 October Revolution str., Smolensk, 214000	t:(4812)68-31-76 f:(4812)16-33-11	<a href="mailto:cbgch@sci.smolensk.ru">cbgch@sci.smolensk.ru</a>
	Smolensk branch of ZAO IRKOL	19 Dzerzhinskogo str., Smolensk, 214000	t:(4812)68-35-89 f:(4812)65-64-87	-
Tambov region	Tambov branch of CenterTelecom OJSC	2-B Astrakhan str., Tambov, 392002	t:(4752)75-05-88 f:(4752)75-23-10	<a href="mailto:reestr@tesv.tmb.ru">reestr@tesv.tmb.ru</a>



	Branch of OAO URC URC Tambov	14 Kronstadt str., Tambov, 392026	t:(4752)71-50-86 f:(4752)71-50-86	<a href="mailto:tambov@ork-reestr.ru">tambov@ork-reestr.ru</a>
Tver region	Tver branch of CenterTelecom OJSC	24 Novotorzhskaya str., Tver, 170000	t:(4822)35-79-79 f:(4822)3236-30	<a href="mailto:romanova@tversvyaz.ru">romanova@tversvyaz.ru</a>
Tula region	Tula branch of CenterTelecom OJSC	33-a Lenina str., Tula, 300000	t:(4872)21-73-51 f:(4872)36-25-32	<a href="mailto:shestova@mtis.tulatelecom.ru">shestova@mtis.tulatelecom.ru</a>
Yaroslavl region	The Upper Volga branch of CenterTelecom OJSC	22 Komsomolskaya str., Yaroslavl, 150000	t:(4852)73-24-40 f:(4852)32-84 91	<a href="mailto:oio@yartelecom.ru">oio@yartelecom.ru</a>

**General Director**

**S.V.Pridantsev**

**Chief Accountant**

**A.D.Kartashov**