

**Tentatively approved by
the Board of Directors
of JSC CenterTelecom
May _____, 2004
Minutes # _____**

**ANNUAL REPORT
of JSC CenterTelecom
for 2003**

Moscow
2004

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I. GENERAL INFORMATION about THE COMPANY

1.1. Full corporate name

Открытое акционерное общество «Центральная телекоммуникационная компания» (in Russian)

Joint-Stock Central Telecommunication Company (in English)

1.2. Registered address, contact phone of the Company, fax number, e-mail address and website URL:

23 Proletarskaya Street, Khimki, Moscow region, 141400, Russia

Mailing address: 6 Degtiarny Pereulok, Building 2, Moscow, GSP-3, 125993, Russia

Phone: (+7 095) 209-3434; Fax: (+7 095) 209-3007

e-mail: info@centertelecom.ru

Website: www.centertelecom.ru.

1.3. Date of the state registration and registration number of the Company

The Company was registered pursuant to Ordinance of the Chief of the Moscow region Administration of June 9, 1994 # 567-r; registration certificate # 127 of June 20, 1994.

According to the Federal Law On the State registration of Legal Entities the Company was registered in the Unified State Register of Legal Entities, under #1025006174710, dated November 1, 2002.

1.4. Charter (authorized) capital and ownership structure

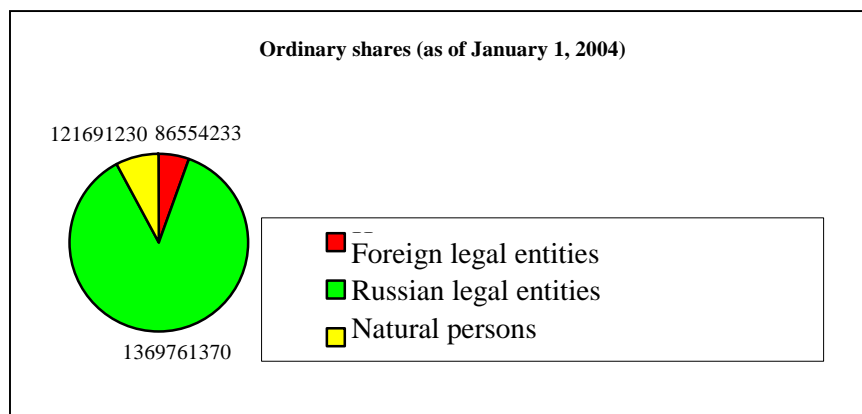
The Charter (authorized) capital of the Company is **RUR631,199,896.50 (Russian roubles)**.

Placed (outstanding) and authorized shares of the Company as on January 1, 2004. Table 1

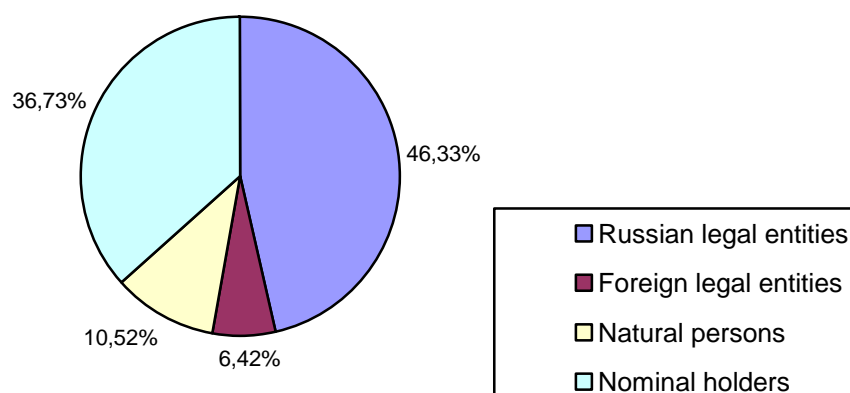
Type (category) of shares	Amount, (pieces)	Nominal value, RUR
I. Placed shares:		
• ordinary (common stock)	1,578,006,833	0.3
• preference (preferred stock) Class A	525,992,822	0.3
II. Authorized shares:		
• ordinary (common stock)	76,166,167	0.3
• preference (preferred stock) Class A	25,405,178	0.3

Ownership structure as on January 1, 2004

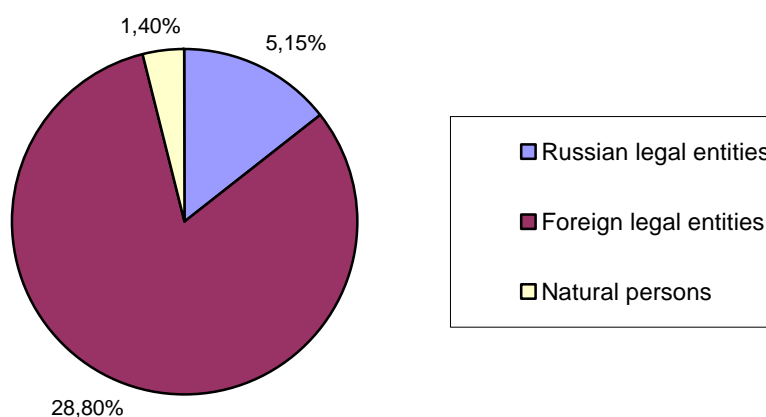
	Number of accounts in the register of shareholders	Number of ordinary shares, pieces	Number of preference Class A shares, pieces	Percentage of the Charter Capital, %
Foreign legal entities	35	86,554,233	48,455,851	6.42
Russian legal entities	244	1,369,761,370	377,904,050	83.06
Natural persons	29,677	121,691,230	99,632,921	10.52



% of the Charter (authorized) capital of JSC CenterTelecom as on January 1, 2004 (according to entries in the shareholders's register)



Information provided by nominal holders about owners of shares as on May 5, 2003 (the record date of compiling the list of persons eligible to take part in the general meeting of shareholders on June 24, 2003)



Information about owners of one and more percent of the Company's shares of the Charter capital as on January 1, 2004.

	Name			Ordinary shares, pieces	% of voting shares	Preference, pieces	% of the total	Total, shares	% of the Charter capital
1.	JOINT-STOCK COMPANY INVESTITSIONNAYA KOMPANIA SVYAZI		RES	799,867,813	50.6885%	0	0.0000%	799,867,813	38.0165%
2.	PRIVATE JOINT-STOCK COMPANY DEPOSITORY CLEARING COMPANY	#	NR	126,621,129	8.0241%	89,084,271	16.9364%	215,705,400	10.2522%
3.	PRIVATE JOINT-STOCK COMPANY BRUNSWICK UBS WARBURG	#	RES	89,865,079	5.6948%	115,816,993	22.0187%	205,682,072	9.7758%
4.	PRIVATE JOINT-STOCK COMPANY ABN AMRO BANK AO	#	RES	51,094,753	3.2379%	117,324,922	22.3054%	168,419,675	8.0047%

5.	SPECIALIZED STATE INSTITUTION with the GOVERNMENT OF the RUSSIAN FEDERATION RUSSIAN FEDERAL PROPERTY FUND		RES	151,356,274	9.5916%	0	0.0000%	151,356,274	7.1937%
6.	ING BANK (EURASIA) ZAO (PRIVATE JOINT-STOCK COMPANY)	#	RES	79,790,729	5.0564%	18,435,620	3.5049%	98,226,349	4.6686%
7.	LINDSELL ENTERPRISES LIMITED		NR	49,065,707	3.1093%	36,037,268	6.8513%	85,102,975	4.0448%
8.	JOINT-STOCK COMMERCIAL BANK PROMSVYAZBANK (PRIVATE JOINT-STOCK COMPANY)	#	RES	29,022,992	1.8392%	12611951	2.3977%	41634943	1.9788%
9.	PRUETT ENTERPRISES LIMITED		NR	24,209,238	1.5342%	3,653,275	0.6945%	27,862,513	1.3243%

- nominal holder

RES – resident

NR – non-resident

1.5. Securities issued by the Company

Aggregation of the additional issues of securities issued by JSC CenterTelecom

Pursuant to Order of Federal Securities Market Commission of the RF #03-2110/r of September 30, 2003 additional issues of securities issued by JSC CenterTelecom were united, resulting in:

1. Cancellation of the following state registration numbers assigned to issues of ordinary book-entry registered shares of Joint-Stock Central Telecommunication Company:

1-04-00194-A of 11.10. 2002
1-05-00194-A of 11.10. 2002
1-06-00194-A of 11.10. 2002
1-07-00194-A of 11.10. 2002
1-08-00194-A of 11.10. 2002
1-09-00194-A of 11.10. 2002
1-10-00194-A of 11.10. 2002
1-11-00194-A of 11.10. 2002
1-12-00194-A of 11.10. 2002
1-13-00194-A of 11.10. 2002
1-14-00194-A of 11.10. 2002
1-15-00194-A of 11.10. 2002
1-16-00194-A of 11.10. 2002
1-17-00194-A of 11.10. 2002
1-18-00194-A of 11.10. 2002
1-19-00194-A of 11.10. 2002.

The above listed issues of ordinary registered book-entry shares of Joint-Stock Central Telecommunication Company were assigned a single state registration number 1-03-00194-A of September 30, 2003.

2. Cancellation of the following state registration numbers assigned to issues of preference registered book-entry shares of Joint-Stock Central Telecommunication Company:

2-04-00194-A of 11.10.2002
 2-05-00194-A of 11.10.2002
 2-06-00194-A of 11.10.2002
 2-07-00194-A of 11.10.2002
 2-08-00194-A of 11.10.2002
 2-09-00194-A of 11.10.2002
 2-10-00194-A of 11.10.2002
 2-11-00194-A of 11.10.2002
 2-12-00194-A of 11.10.2002
 2-13-00194-A of 11.10.2002
 2-14-00194-A of 11.10.2002
 2-15-00194-A of 11.10.2002
 2-16-00194-A of 11.10.2002
 2-17-00194-A of 11.10.2002
 2-18-00194-A of 11.10.2002
 2-19-00194-A of 11.10.2002.

The above listed issues of ordinary registered book-entry shares of Joint-Stock Central Telecommunication Company were assigned a single state registration number 2-03-00194-A of September 30, 2003.

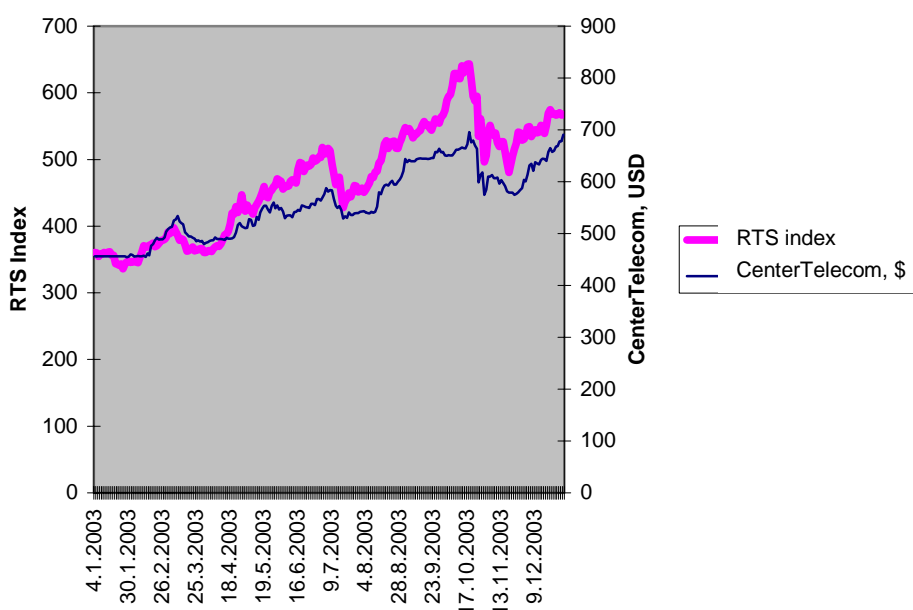
On October 17, 2003 based on the Notice #03-DG-04/14682 of October 9, 2003 served by FCSM of RF Private JSC Registrator-Svyaz performed aggregation of securities issues of Joint-Stock Central Telecommunication Company simultaneously canceling the state registration numbers or the aggregated securities issues.

The Company Market Capitalization

Market capitalization of the Company as of end of 2003 totaled to USD690,638,646

Since trading in the shares of the united Company was resumed on January 21, 2003 the Company market capitalization has grown from USD456,173,963 up to USD690,638,646, i.e. increased by USD234,464,683 or by 51.3 percent.

The Company market capitalization in 2003



Corporate bonds

In order to finance its investment program the Company continues to develop market of its own securities.

In 2003 there were 15 outstanding telephone bond issues totaling RUR28,026,050 and 3 bond issues series 01, 02, and 03 with the total value of RUR3,200,000,000.

Certified (documented) interest bearing bearer bonds series 01, totaling RUR600 million, with par value of RUR1,000 per bond were placed in 2001. In 2003 interest payments of the fourth (on May 20, 2003) and fifth (on November 18, 2003) coupons were made, each totaling RUR53,850,000. On November 18, 2003 certified interest-bearing series 01 bearer bonds were redeemed.

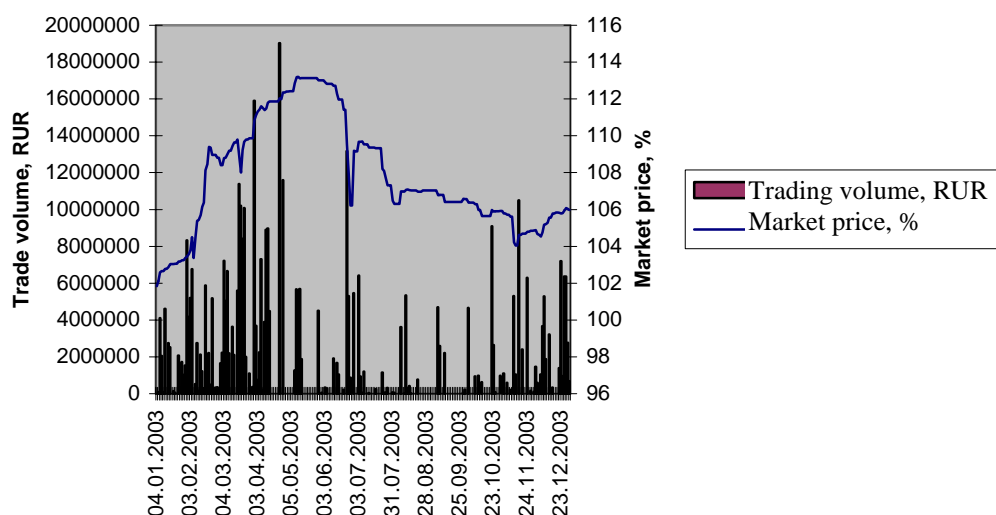
Certified (documented) interest bearing nonconvertible bearer bonds series 02 were placed in 2002, with total value of RUR600 million and a par value of RUR1,000. The bonds of the issue are traded on MICEX since July 23, 2002 and were included in listing B on February 1, 2003. An irrevocable offer for series 02 bond issue was executed on April 22, 2003. Coupon income was paid on April 22, 2003 (the second) and on October 22, 2003 (third) in the amount of RUR59,838,000 and RUR54,150,000 respectively. Altogether some 427 deals with the bonds of the issue were concluded on MICEX in 2003. The minimal price (as a percentage of par value) in 2003 was 101.84%, while maximum price was 113.2%.

Certified (documented) interest bearing bearer bonds series 03 were placed on September 16-17, 2003, with the total value of RUR2,000,000,000, having three year maturity, and coupon period of half a year. The first coupon is equal to five subsequent coupons and amounted to 12.35%; and was determined at the auction on MICEX. Despite concern over rouble-denominated liquidity placement was successfully completed with a favorable interest rate. A one year offer at the price of 101.5% of the nominal value is proposed. All in all 764 deals with series 03 bonds were concluded on MICEX in 2003. The minimal price (as a percentage of par value) in 2003 was 100.2%, while maximum price was 103.52%.

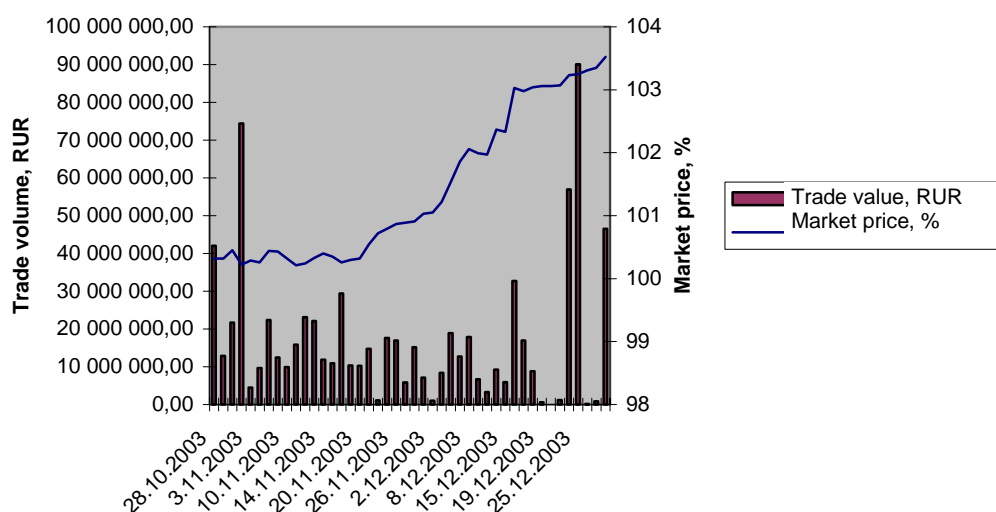
The second bond issue was more attractive as a long-term investment which is evidenced by a high coupon interest rate and number of deals made with the bonds of the issue. Investors prefer to include series 02 bonds in their portfolios. Bonds of the third issue are traded more actively. Number of deals with bonds of this issue over the period is significantly higher than the number of deals with the second bond issue over the year. With the third bond issue investors prefer to make money on the varying market price.

Bond issues became one of the most liquid instruments on the Russian financial markets.

The second bond issue. Market price performance in 2003, (% of the par value).



The third (series 03) bond issue. Market price performance in 2003, (% of the par value).



Establishment and support of ADR Program

Level 1 American Depositary Receipt (ADR) Program for underlying ordinary shares of JSC CenterTelecom was registered on August 22, 2001 by the US Securities and Exchange Commission. ADRs are traded on OTC market (ticker: CRMUY).

One ADR represents 100 underlying ordinary shares of the Company.
JPMorgan Chase Bank is the depositary bank for the ADR Program of the company.

Measures supporting the ADR program were undertaken on a regular basis in 2003, including the following:

- drafting documents required under the ADR program and interactions with the depositary bank (JPMorgan) according to the depositary agreement;
- working with the legal advisor (Clifford-Chance) under the ADR Program of the Company (exchange of information and discussions with the legal advisor; taking steps to comply with SEC requirements, and the depositary agreement);
- interactions with the US SEC to meet the Company's obligations as an issuer of underlying shares;
- preparation and dissemination to the Company's ADRs holders of materials of shareholders' meetings, working with the depositary bank and bank-custodian (ING Bank Eurasia) on the issues of making arrangements and conducting shareholders' meetings.

Considering enactment of some significant pieces of legislation in the US regulating securities markets (Sarbanes-Oxley Law, etc.) new requirements of the US SEC, FCSM of Russia were monitored and analyzed with respect to the Company. A contract was concluded with a legal firm Monastyrski, Zyuba and Partners. Legal Services in CIS to conduct an expert assessment of compliance by the Company with requirements of international stock exchanges.

1.6. The Company's Auditor:

The auditor's name: PRIVATE JOINT-STOCK COMPANY Ernst&Young Vneshaudit
License No:003246
Date of issue: January 17, 2003
Valid till: January 17, 2008

License issuing body: Ministry of Finance of the Russian Federation

The effective term of the contract (the auditor's obligation is auditing financial accounts of JSC CenterTelecom for the period from January 1, 2003 through December 31, 2003).

1.7. Registrar of the Company:

Registrar: PRIVATE JOINT-STOCK COMPANY Registrar-Svyaz

Domicile: 15a Kalanchevskaya Street, Moscow, 107078, Russia

Mailing address: 15a Kalanchevskaya Street, subscriber box 45, Moscow, 107078, Russia

Phone: (+7 095) 933-42-21 Fax: +7 (095) 933-42-21

e-mail: regsw@asvt.ru

License number: 10-000-1-00258

Date of issue: **01.10.2002**

Term of validity: unlimited

License issuing authority: Federal Securities Market Commission

1.8. Subsidiaries (regional branches) of the Company

The following subsidiaries are included in the Company:

1. **Belsvyaz** – subsidiary of JSC CenterTelecom

Domicile: 3 Revolution Square, Belgorod, 308000, Russia

2. **Bryansksvyazinform** – subsidiary of JSC CenterTelecom

Domicile: 9 Karl Marx Square, Bryansk, 241000, Russia

3. **Elektrosvyaz of the Vladimir region** – subsidiary of JSC CenterTelecom

Domicile: 42 Gorkogo Street, Vladimir, 600000, Russia

4. **Voronezhsvyazinform** – subsidiary of JSC CenterTelecom

Domicile: 35 Revolution Prospekt, Voronezh, 394000, Russia

5. **Ivtelecom** – subsidiary of JSC CenterTelecom

Domicile: 1 10th of August Street, Ivanovo, 153000, Russia

6. **Kaluzhski** subsidiary of JSC CenterTelecom

Domicile: 38 Teatralnaya Street, Kaluga, 248600, Russia

7. **KostromaTelecom** – subsidiary of JSC CenterTelecom

Domicile: 1 Podlipaeva Street, Kostroma, 156961, Russia

8. **Kurski** subsidiary of JSC CenterTelecom

Domicile: 8 Krasnaya Square, Kursk, 305000, Russia

9. **Lipetsksvyazinform** – subsidiary of JSC CenterTelecom

Domicile: 61 Oktyabrskaya Street, Lipetsk, 398000, Russia

10. **Moscow** subsidiary of JSC CenterTelecom

Domicile: 23 Proletarskaya Street, Khimki, Moscow region, 141400, Russia

Mailing address: 29 Narodnogo Opolchenya Street, Building 2, Moscow, 123154, Russia

11. **Orlovski** subsidiary of JSC CenterTelecom

Domicile: 43 Lenina Street, Orel, 302000, Russia

12. **Ryazanski** subsidiary of JSC CenterTelecom

Domicile: 43 Schedrina Street, Ryazan, 390006, Russia

13. **SmolenskTelecom** – subsidiary of JSC CenterTelecom

Domicile: 6 Oktyabrskoy Revolution Street, Smolensk, 214000, Russia

14. **Tambovskaya elektrosvyaz** – subsidiary of JSC CenterTelecom

Domicile: 32-B Astrakhanskaya Street, Tambov, 392002, Russia

15. **Tverskoy** subsidiary of JSC CenterTelecom

Domicile: 24 Novotorzhskaya Street, Tver, 170000, Russia

16. **TulaTelecom** – subsidiary of JSC CenterTelecom

Domicile: 33 Lenina Prospekt, Tula, 300000, Russia

17. **Yartelecom** – subsidiary of JSC CenterTelecom

Domicile: 22 Komsomolskaya Street, Yaroslavl, 150000, Russia

II. KEY CORPORATE MILESTONES IN 2003

General meetings of shareholders (extraordinary and annual)

An extraordinary general meeting of shareholders of the united company was held on **February 20, 2003** jointly attended by shareholders. Decisions on the following agenda issues were passed at the meeting:

- Early termination of the authorities of the General Director, appointment of General Director of the Company and determination of the term in office.
- Early termination of the authorities of members of the Board of Directors and election of the Company's Board of Directors.
- Early termination of the authorities of the Audit Commission members and election of members of the Audit Commission.
- Approval of a new issue of the Company's Charter.
- Approval of a new issue of the Regulations on conducting general meeting of shareholders of the Company.
- Approval of a new issue of the Regulations on the Board of Directors of the Company.
- Approval of a new issue of the Regulations on the Management Board of the Company.

The record date (to compile the list of persons entitled to take part in the extraordinary general meeting of shareholders of JSC CenterTelecom): **December 17, 2002.**

An annual general meeting of shareholders of JSC CenterTelecom was held on **June 24, 2003** jointly attended by shareholders. Shareholders reviewed a report of the General Director on the results of the united company's activities in 2002.

Shareholders discussed the agenda items and passed decisions on the issues of the annual general meeting of shareholders:

- New Board of Directors and Audit Commission of the Company were elected
- The Company's Auditor for 2003 was approved.
- The annual report and annual financial statements were approved, as well as profit allocation, including dividend payment (declaration) for 2002
- A new issue of the Regulations on the general meeting of shareholders of the Company was approved.

The record date (to compile the list of persons entitled to take part in the annual general meeting of shareholders of JSC CenterTelecom): **May 5, 2003**

Approval of the budget (business plan) of the Company for 2003

The budget (business plan) of JSC CenterTelecom for 2003 was approved by the Board of Directors on April 7, 2003 (Minutes #5).

The adjusted budget of JSC CenterTelecom for 2003 was approved at the meeting of the Board of Directors on October 1, 2003 (Minutes # 41, agenda item Approval of the adjusted business plan for 2003).

As bringing into service of 50 thousand telephone lines and 150 km of fiber-optic cable links was put off until the 1Q2004 due to longer terms of commissioning for operation of facilities and sites the Company's business plan was revised on December 25, 2003 at a meeting of the Board of Directors (Minutes #23, agenda item – Some performance indicators of the Company in 2003).

Revising credit rating

In 2003 the Company continued working with rating agencies. Consolidation of regional operators within the framework of a single company set new fairly ambitious plans for JSC CenterTelecom. All this required investment of additional funds into the Company development. International debt markets were not ignored in making choice of fund-raising. As two international credit ratings are a prerequisite for Eurobond issues, and realizing inadequacy of the current international credit rating of the Company assigned by Standard&Poor's for inexpensive borrowing it was decided to appoint ABN AMRO Bank as the advisor on interactions with international rating agencies. Recognizing the paramount importance of compliance with international requirements JSC CenterTelecom held a tender in selecting a second rating agency. The winner was Fitch Ratings. Currently (April 2004) the Company undertook steps to revise the international credit rating assigned by Standard&Poor's and embarked on the process to get a second rating from Fitch.

Charity and sponsor activities

Policy Statement for charity of JSC CenterTelecom approved by the Management Board of the Company on November 14, 2003 identifies arrangements and procedures for aiding not-for-profit organizations and private citizens.

Charity Commission is in charge of arranging and coordination of charity activities.

The Commission conducts preliminary review of the application for charity to decide on expediency, amounts and time of rendering aid and prepares detailed justified proposals for the relevant body of the Company on providing charity aid.

Procedures and form of rendering charity aid (through entering into a contract between the Company and specific person, remittance of funds into relevant account of the aid recipient based on the passed decision) are determined on a case-by-case basis.

The volume of funds allocated for charity activities is approved in the annual budget of the Company.

Decision on rendering charity aid is made by the General Director on solicitation of the Commission.

Total aid amount paid to a single person cannot exceed RUR15 million per year.

Control over the appropriation of funds allocated in the budget of the Company for charity aid is exercised by the Charity Commission.

A report of fund appropriation allocated by the Company for charitable purposes is quarterly reviewed by the Management Board within the framework of budget execution report.

Charity and sponsorship aid rendered by JSC CenterTelecom in 2003		
	Organization-recipient	Amount, RUR
1	State and municipal social institutions, local administrations, committees, cultural and education institutions.	4,888,749.28
2	Orphanages, hospices for children, boarding-schools	1,204,316.89
3	Kindergartens, schools	271,453.85
4	Higher education institutions	698,000.00
5	Hospitals	444,688.00
6	Churches, parishes, temples, convents	3,917,371.50
7	Saint-Trinity Sergiev Laura	8,008,000.00
8	Police	150,400.00
9	Military institutions	206,000.00
10	Security Services	85,200.00

11	Regional public fund for assisting Moscow police force	60,000.00
12	Charity foundations	665,700.00
13	Associations of war veterans (pensioners), senior citizens and disabled people	545,287.00
14	Russian Children Fund	103,000.00
15	Russian Foundation for Telecommunications History	22,100,000.00
16	Governor's Fund of Special Purpose Programs	100,000.00
17	Public organizations	877,345.00
18	Foundation for support of UNITY party	50,000.00
19	Regional hunting regulatory body	150,000.00
20	Marathon Love your teacher	400,000.00
21	Association of economic interaction of constituent entities of the Central Federal District Black-Soil	303,532.00
22	All-Russian Foundation for support of United Russia party	35,000.00
23	State education institution School of Forestry	500,000.00
24	Trade Union of the Russian Ministry of Communications	100,000.00
25	Telecommunications Association of the CFD	255,000.00
26	Info-Elektrosvyaz LLC	100,000.00
27	Subsidiary Gorno-Altaysktelecom of JSC SibirTelecom	200,000.00
28	Documentary telecommunications association	447,150.00
29	Telecommunications Network and Systems LLC	933,000.00
30	Secretariat of MPA Council of CIS	786,200.00
31	International Telecommunication Academy	717,227.50
32	Museum Control Center of the Central Front	250,000.00
33	Sports federations, clubs, organizations	6,280,157.00
34	Payments for cellular service for war veterans, and customers eligible for benefits	5,221,511.60
35	Free gifts of radio receivers to natural persons	383,783.00
36	Other	1,736,750.25
TOTAL		63,174,822.87

Corporate events and publications

Corporate events are an efficient means of fostering corporate culture and internal PR of the Company.

In 2003 a new corporate publication News of CenterTelecom was first published, becoming the primary means of communication between employees. To ensure awareness of the Company's employees of major developments a daily review of federal and regional electronic and printed press is compiled and disseminated among structural units and subsidiaries.

A monthly gathering to congratulate employees celebrating their birthdays and jubilees became a well-established tradition. The General Director R. Amaryan attends the gathering in person and gives them many happy returns.

Another traditional corporate event is giving corporate awards to employees for excellence in service: badge of distinction for service to the Company, an honorary title Veteran of Telecommunications, and commendation of the General Director. In 2003 some 478 employees received various corporate awards.

A number of subsidiaries held professional contests for cablemen-splicers and operators, best telecom service office, etc. Winners were awarded with diplomas, prizes, bonuses and gifts.

Sport is a uniting force for fostering corporate loyalty. In 2003 there were sports competitions and tourist outings.

Taking part in contests and exhibitions/shows

- May 12-16, 2003 JSC CenterTelecom took part in the 15th International Show Svyaz-Expocomm'2003. For the first time the Company was presented as a unified multiregional entity. The exposition was focused on roll out of new telecom services in the CFD.
- 3rd international exhibition and forum InfoCom'2003 was opened on September 10, 2003 in Moscow. The Company stand featured InfoCity project commissioned by JSC CenterTelecom and developed by experts from MTUSI.
- September 16, 2003 the Minister for Communications and Informatics Mr. L. Reyman awarded JSC CenterTelecom with a diploma for contribution to development and promotion of innovative telecommunications and information technologies.
- JSC CenterTelecom played an active role in the 4th international conference State of affairs and development outlook of Internet in Russia held on September 30, 2003 and organized by Association for document telecommunications and supported by the Russian Ministry of Communications. JSC CenterTelecom presented its exposition in the course of the conference.
- In October 2003 one of the most prestigious telecommunications events ITU-Telecom 2003 was held in Geneva. JSC CenterTelecom for the first time was an exhibitor at the show as one of Russia's largest multiregional telecoms.
- November 18, 2003. At the ceremony in the State Kremlin Palace JSC CenterTelecom was named by the Honorary Olympic Jury a winner in the nomination Construction. Transport. Telecommunications and awarded with an all-Russian public prize Russian National Olymp. CenterTelecom's General Director R. Amaryan was given a public award for contribution to social and economic development of Russia and service to motherland – the Order for Honor and merit.
- RTS Stock Exchange jointly with Securities Market magazine held the 6th contest of annual reports and corporate websites of companies. The contest results were published on November 28, 2003. The annual report 2002 of CenterTelecom presented at the contest won a diploma for disclosure of information in the annual report, while CenterTelecom's corporate website design won in two nominations: Design and navigation and Information disclosure.

The year's highlights and corporate milestones in 2003

- March 26, 2003. Standard&Poor's assigned an initial Corporate Governance Score of 5.3 to the Company. Currently (April 2004) the initial CGS is being revised.
- April 3, 2003. Standard&Poor's announced upgrading of the long-term credit rating of Russian telecom operator JSC CenterTelecom from CCC to CCC+ with a "Stable" outlook. Currently (April 2004) the rating is being revised.
- April 22, 2003. The second coupon income on documented interest bearing non-convertible series 02 bearer bonds was paid, totaling RUR59,838,000 (fifty nine million eight hundred and thirty eight thousand roubles).

- May 14, 2003. The Board of Directors approved the Program of Increasing market Capitalization of the Company, featuring key measures to develop investors relations, improve information transparency of the Company.
- May 20, 2003. The fourth coupon income on documented interest bearing non-convertible series 01 bearer bonds was paid, totaling RUR53,850,000 (fifty three million eight hundred and fifty thousand roubles).
- May 22, 2003. The first regional world-class telephone directory Moscow region - Yellow pages 2003 was presented to the public.
- June 11, 2003. CenterTelecom's subsidiary in the Ivanovo region – Ivtelecom was awarded with a gift and prize of the Russian Government for quality in telecommunications in 2002.
- June 26, 2003. Smolensksktelecom - CenterTelecom's subsidiary in the Smolensk region was name a winner of the contest Regional Economy Leader held by Real Economy Academy in the nomination Innovative telecommunications services.
- July 24, 2003. The Vladimirski subsidiary of JSC CenterTelecom inaugurated the regional telecommunications transport network built on the basis of fiber-optic links using digital SDH technology with 622 Mbps bit-rate.
- August 5, 2003. Standard&Poor's announced assignment of a long-term Russian-scale credit rating of ruBB+ to JSC CenterTelecom. Simultaneously Standard&Poor's assigned ruBB+ rating to the unsubordinated unsecured rouble denominated bond issue of JSC CenterTelecom valued at RUR2 billion with maturity in 2006, as well as to two previous issues of unsubordinated unsecured bonds each valued at RUR600 million at par and maturity in November 2003 and April 2005 respectively.
- August 14, 2003 polar historical and memorial expedition led by City Network Director of Ivtelecom Mr. Oleg Volynkin reached Bennet island in the East-Siberia Sea and set the flag of JSC CenterTelecom and a five meter live-giving sacred cross there. Members of the expedition presented a report and video at a special extended meeting of the Russian Geographic Society.
- September 24, 2003. JSC CenterTelecom for the first time published audited consolidated financial statement according to International Accounting Standards (IAS).
- October 22, 2003. The third coupon income on documented interest bearing non-convertible series 02 bearer bonds was paid, totaling RUR54,150,000 (fifty four million one hundred and fifty thousand roubles).
- October 30, 2003. Belgorod telephone network celebrated its one hundredth anniversary.
- November 18, 2003. The fifth coupon income on documented interest bearing series 01 bearer bonds issued by JSC CenterTelecom was paid, totaling RUR653,850,000 (six hundred and fifty three million eight hundred and fifty thousand roubles).

- December 5, 2003. Senior executives of JSC CenterTelecom met in Marriott-Grand Hotel with leading investors, Russian analysts, reporters. The meeting was dedicated to the first year of CenterTelecom operation as a MultiRegional consolidated company – telecommunications carrier in the Central Federal District.
- December 26, 2003. JSC CenterTelecom was granted a permit issued by the Ministry of Communications for network operation providing for introduction of a new area code 498.
- In 2003 there were over 40 meetings with analysts and leading investment companies on the issues of further cooperation and the Company's development outlook, revenue planning structure, pricing policies of the Company.

III. THE COMPANY POSITION IN THE TELECOM INDUSTRY

By the end of 2003 the telecom market in the CFD (excluding Moscow) totaled over RUR32 billion with growth rates of 140% over 2002. In 2004 the market is expected to grow reaching RUR49 billion.

Analyzing the Company's revenue breakdown year over year one can confidently assert that changes in the CenterTelecom's revenue structure follows that of the telecom industry as a whole, viz. the share of the traditional services decreases, while revenues generated by Internet, data and In services are on the rise.

Currently, the Company captured the leading position on the telecom market in the CFD with a 64 percent market share taking into account national cellular operators and excluding Moscow, and a 73 percent market share excluding both Moscow and national cellular operators.

In 2003 the market situation across various services offered by the Company was as follows:

- local service – 91%;
- long-distance service – 86% (including IP telephony providers);
- Internet access – 50%
- Intelligent Network (IN) services (virtual networks, Prepaid Card, ISDN) – 80%.

IV. TOP PRIORITIES OF THE COMPANY'S ACTIVITIES

4.1. Key areas of the Company focus:

In 2003 the Company network development activities including wireless communications were focused on the following areas:

1. Digitalization of the telephone network through installation of new digital switches and network nodes, replacement of obsolete analog equipment, provisioning of integrated service network based on public digital network, implementation of SS7, introduction of dynamic network load management;
2. Increasing the number of public telecom service offices offering new services (Internet, receive and send customer's messages over the transport network);
3. Implementation of network resource monitoring and management system to ensure dynamic load management;
4. Deployment of broadband access systems;
5. Creation of multiservice and intelligent networks to provide integrated services; deployment of interactive multiservice networks based on Cable TV networks; transformation of public networks into multiservice networks featuring diverse multitude of services;
6. Digitalization of public trunk networks through construction of new digital transmission links using Synchronous Digital Hierarchy (SD) and implementing ring structures with high throughput;

7. Securing frequency resources in the most demanded frequency bands for deployment of wireless access networks in regional centers and towns of the CFD using state-of-the-art wireless technologies and interactive multiservice networks;
8. Completion of ground laying work to deploy in 2004 a new generation cellular network using IMT-MC-450 (CDMA-450) standard;
9. Development of wireless systems to increase the number of subscribers in hard-to-reach urban areas, suburbs, private house estates and settlements, sparsely populated rural areas;
10. Transition of rural wireline broadcasting networks to on-air broadcasting to improve margin and cut traditional broadcasting costs;
11. Laying grounds for transition to a new digital mobile telephone standard TETRA;
12. In the information transmission field – further increase of the throughput of existing lines and telecom nodes by developing technologically information transmission methods and compression techniques (development of transmission systems based on optical technology, and digital wireless technology);
13. In the information distribution - implementation of packet switching (SoftSwitch) to offer all telecommunications services, adaptation of legacy transmission system to packet switching techniques of transmission.

4.2. Pricing and tariff policies of the Company:

The Company tariff policies in 2003 were aimed at introduction of economically feasible and viable pricing calculated on the basis of separate cost accounting across various service types and including target margin to ensure sustainable growth of the Company and cutting down cross-subsidizing.

Given wide discrepancy of long-distance and local telephone rates in regions of the Central and Central Black Soil areas after consolidation of the telecom companies, unification of tariffs charged by regional subsidiaries became one of the top priorities of the Company's pricing policies.

As of March 15, 2003 common tariffs for long-distance telephone calls within one tariff band were introduced depending on the distance and time of the day, as well as on the subscriber category.

In line with the policy of alignment of rates for the same services for all types of customers (the monthly rental for local telephone service was changed twice in 2003: as of May 15 and August 1) by the year end common tariff of RUR110 (RUR130 in the Moscow region) per month was made effective for provision of local telephone calls under rental payment scheme for urban population in all regions. In rural areas the monthly rental varies from RUR95 to RUR110 (RUR130 in the Moscow region). Monthly rentals for organizations in urban and rural areas are set at RUR140 except subscribers in Kostroma and Yaroslavl regions where the monthly rental is RUR150.

Per-minute rates differ across the regions. On average, monthly rentals grew some 30 percent in 2003. Rates for TV and radio broadcasting (provision of sound transmission channels for state broadcasting company) are set by Ministry for Antimonopoly Policies and common for MRC, growing by 15 percent in 2003. The growth rate of revenues in 2003 generated by increasing the sales of main services in key sub-sectors was 52.6%, while the growth rate of revenues due to tariff hikes and other factors affecting the revenues from sub-sectors was only 47.4 %.

Streamlining tariffs and rates will be continued based on the marketing strategies of the Company with due consideration of the regional market specifics.

4.3. Other priorities recognized as strategically important for the Company development in the marketing strategies, service sectors, customer segments, and in the regional policies.

1. Promotion of unregulated services for which the growing demand is evident (data, Internet access, IN services).
2. Streamlining sales organization and after sale service. Setting up commercial units (sales forces) with incentive compensation.
3. Focus on business users.

4. Making more important the role of analytics based marketing in the enterprise; establishing compulsory preliminary marketing analysis of investment decisions.
5. Shaping service packages differentiated according to various customer categories; convergence of services.
6. Consolidation of efforts to serve existing customers. Establishing customer service units operating on a 24/7 basis.
7. Expansion of customer communications channels, utilization of database marketing techniques (including Call Centers).
8. Development of a universal payment system with respect to telecom services (single roaming TSC (telephone service card)).
9. Development and promotion of services based on multiservice networks.
10. Development of inter-regional and transport networks.
11. Elaboration of approaches to working with interconnected operators, including acquisition of controlling interests in them.
12. Finding ways of transforming low margin and loss making units (paging, telegraph, sound broadcasting wireline installations) into profitable ones (canceling service, diversification).

V. RESULTS OF THE COMPANY DEVELOPMENT IN THE TOP PRIORITY AREAS

The Company implemented the following measures in line with top development priorities:

Preparatory works are completed for creation in 2004 of a new generation cellular network using IMT-MC-450 (CDMA-450) standard. To this end a Decision of State Radio-frequency Allocation Commission (GKRCh) # 8107-OR of December 26, 2003 and licenses to provide cellular services using the new standard Nos 30244, 30245, 30346 in the territory of the Yaroslavl, Ivanovo and Kostroma regions were obtained.

In 2003 the Company continued to deploy wireless access systems in the Moscow, Ivanovski, Smolenski, Tambovski and Orlovski subsidiaries of the MRC, enabling provisioning of over 20 subscriber lines. Deployment of multiservice networks based on Cable TV was intensified in the Moscow, Kostromskoy and Orlovski subsidiaries; thus, increasing the number of subscribers in hard-to-reach urban areas, suburbs, private housing areas, sparsely populated rural areas, and expanding the range of the offered services.

In the Belgorodski, Vladimirski, Moscow, Tambovski, Tverskoy, Lipetski subsidiaries rural wireline sound broadcasting networks were migrated to on-air sound broadcasting. Kaluzhski and Voronezhski subsidiaries continue to work hard to complete the same transition to on-air broadcasting.

The Company continued to provide telephones to benefit eligible customers and in remote rural areas of the CFD using various wireless access systems. In 2003 over 850 communities and 620 disabled war veterans were provided with telephone service on the basis of radio-telephone Protocol MRT 1327 in 300 MHz band.

Preliminary works are completed laying grounds for transition to a new digital standard of mobile radio-telephone communications (TETRA). For this purpose JSC CenterTelecom pursuant to decision of GKRCh #57 of July 2, 2003 made a contribution into development of a joint project Federal Mobile Radio Communications Network Using TETRA standard (code TETRARUS).

Deployment of new and expansion of existing multiservice networks continued. All projects made use of a promising MPLS protocol (Multi Protocol Label Switching), enabling best routing solutions for all traffic types. Implementation of the MPLS routing will allow provision of all data services to customers with the highest scalability possible at the moment and ensure the required security and Quality of Service.

Realization of these projects will make it possible to expand the range of services offered to subscribers and extend the service area, consolidate the Company position and imbue a positive image of the Company which offers the whole range of telecom services both traditional (POTS), and

advanced and value-added (broadband Internet access, packet telephony, provisioning of Virtual Private IP networks for corporate customers).

The design capacity of the existing Cable TV network was increased by 24,400 subscribers. Cable TV networks in the Kostromskoy, Moscow and Yaroslavski subsidiaries offer an opportunity of providing interactive services.

In order to implement in Russia the Single Payphone Card concept as approved by the Ministry of Communications, payphones were upgraded to allow for usage of the Unified Payphone Card (UPC). Contracts for supply of the cards and security units ProSAM 320 required for adoption of cards were entered into by and between JSC CenterTelecom and JSC NTC. A feasibility study of upgrading legacy universal payphones and selection of new equipment suppliers given the existing operating payphones types was carried out. Contracts on supply of new payphone equipment and upgrading the existing to enable using UPCs were concluded. Simultaneously focused programs of payphone installation and establishing NTC card sale offices were developed.

As of January 1, 2004 there have some 1,223,119 subscribers equipped with per-minute call accounting system. In 2003 the system was commissioned for service in Smolensk and Tula. In Smolensk customers are billed from February 2, 2003, while in Tula individual subscribers are billed from June 1, 2003.

Due to lack of legal regulatory base and enactment of the new Telecommunications Act of July 7, 2003 decision-making on continuing introduction of per-minute call accounting and billing is put off.

In order to provide telecommunications services of JSC CenterTelecom using radio electronic means the following frequency resources are granted:

1. Provision of cellular radio-telephone services using NMT-450 standard in the Ivanovo, Kostroma and Yaroslavl regions.
2. Provision of cellular radio-telephone services using GSM-900 and GSM-1800 standards in the Tambov region.
3. Provision of cellular radio-telephone services using AMPS/DAMPS standards in the city of Tula.
4. Provision of mobile radio-telephone services using MRT 1327 standard (Altay).
5. Provision of paging services; local telephone service using wireless access systems; on-air TV and sound program broadcasting; provisioning of transmission systems using local and trunk lines by means of microwave systems.

Applications are filed for granting permit and allocation of frequency resources, and partially the relevant decisions of GKRCh are obtained for deployment of multiservice MMDS networks and wireless access networks based on the state-of-the-art equipment: I-Brain and IAS-W (from Intracom, Greece), AS4000 (Airspan, UK), Conopy (Motorola, US) and WipLL (Airspan, UK).

5.1. Investment policies

In 2003 the Company's capital expenditures employed for development totaled RUR7,562 million, or 157.8 % of the actual amount in 2002. Value of fixed assets commissioned for service in 2003 was RUR7,080.1 million, construction in progress was valued at RUR2,036 million.

Investment in fixed assets was financed by the following sources:

- the Company's own funds - RUR2,173.7 million
- including from net profit - RUR500,7 million
- depreciation - RUR1,673.0 million
- raised funds - RUR5,388.2 million
- of which bank loans RUR3,018.8 million
- financing from budgets of constituent entities of the RF: RUR4.7 million

Main areas of capital expenditures in the fixed assets:

- telephone exchanges including transmission lines: RUR5,053.4 million

- intra tariff band trunk lines: RUR447.4 million
- core trunk lines – RUR136.5 million
- long-distance exchanges and switching nodes: RUR65.6 million
- TV and radio broadcasting, radio and satellite communications: RUR8.3 million
- mobile communications: RUR69.67 million
- document transmission: RUR0.16 million
- other: RUR1,620.8 million

The following facilities financed from all sources were commissioned for service:

- 532,636 subscriber telephone lines at telephone switches (120.2% of the planned figure);
- long-distance exchanges: 9,840 circuits (102.9% of the planned number);
- fiber-optic cable links (length): 2,835.8 km (104.1% of the planned figure);

Some RUR760.8 million were invested in adoption of advanced technologies, or over 10% of the total capital expenditures. The funds were channeled to implementation of new technologies, expansion and deployment of multiservice networks, procurement of broadband access equipment including wireless and Cable TV networks.

Table 2

#	Description	measurement unit	2002	2003	YoY growth rate (2003/2002), %
1	Investment into fixed assets, total including:	RUR million	4,791	7,562	158%
1a.	across industry segments	RUR million	4,791	7,562	158%
	traditional telephony		3,385	4,531	134%
	Domestic long-distance and international telephone service		547	649	119%
	new services and other		859	2,382	277%
1.b	reproductive facilities:	RUR million	4,791	7,562	158%
	new construction		793	1,392	176%
	expansion/development		2,511	3,771	150%
	reconstruction		799	1 429	179%
	upgrade (modernization)		688	970	141%
2.	Company's own funds channeled to financing investment in fixed assets	RUR million	1,744	2,174	125%
3.	Raised funds channeled to financing investment in fixed assets	RUR million	3,047	5,388	177%
4.	Fixed assets commissioned for service	million	4,271	7,080	166%
5.	Subscriber lines commissioned for service	thousand lines	497,661	532,636	107%

5.2. Key network development indicators

Table 3

#	Description	Measurement unit	2002	2003	YoY growth rate (2003/2002), %
1	2	3	4	5	6
1.	Growth of - trunk (intra tariff band) telephone channels, total	channel x km in thousands	8,875.0	16,440.2	185.2
	including using digital transmission systems	channel x km in thousands	9046,5	16,566.85	183.1
2.	Growth of subscriber telephone sets: total including	pieces	259,584	311,558	120.0
	- urban networks	pieces	221,913	274,693	123.8
	- rural networks	pieces	37,671	36,865	97.9
3.	Growth of outgoing IDD circuits at long-distance exchanges, total	circuits	2,184	2880,5	131.9
	including area code zone	circuits	1,721	1,999	116.2

Network development

In 2003 local network development was continued based on installation of digital switches enabling expansion of services and improving quality of service.

Local network digitalization (general) as of January 1, 2004 was 42.5 %, with urban networks being 47.8% digital, and rural network digitalization was only 12.6%. The number of electronic switches in 2003 grew by 262, of which 123 was installed on urban networks and 139 switches – in rural networks. Install switching capacity of electronic switches grew by 551,571 lines, of which 515,531 lines were on urban, and 36,040 lines on rural networks.

As of January 1, 2004 there were altogether 8,568 automatic telephone switches in operation on the local network of JSC CenterTelecom having total installed capacity of 6,437,246 lines; on rural networks there were 1,575 automatic telephone switches with total capacity of 5,464,096 lines, and 6,993 switches with 973,150 lines on rural networks. Installed capacity grew by 551,571 lines, of which 515,531 lines on urban, and 36,040 lines on rural networks.

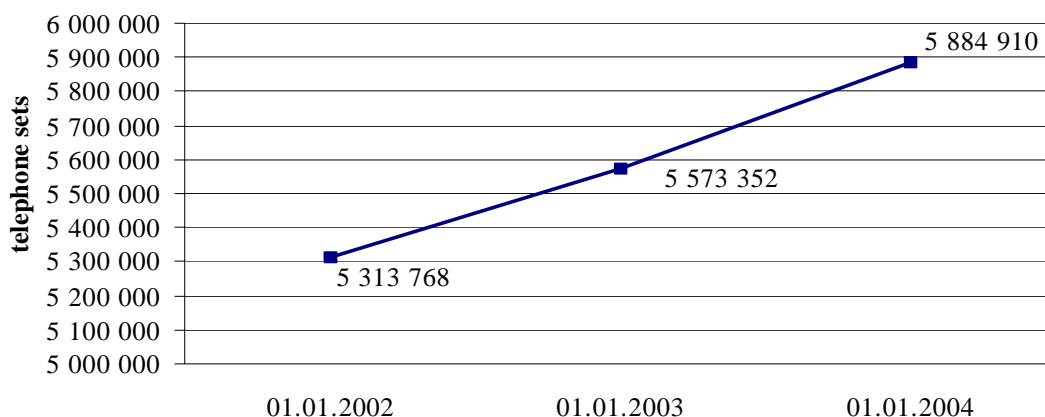
Newly installed, upgraded, reconstructed exchange equipment for 598,873 lines, of which 551,683 lines on urban and 47,190 lines on rural exchanges. Newly installed capacity numbered 408,366 lines, reconstruction added 175,081 more lines; other organizations gave back 15,426 lines, and 270,113 lines were dismantled.

In order to ensure direct dialing for long-distance telephone service and improve quality of local telephone service the Company continued to install electronic equipment for identification of the calling party telephone number. AS of January 1, 2004 some 6,332,097 were equipped with this units (98.4% of the total installed switching capacity of telephone exchanges), of which 5,399,152 lines on urban (98.8% of the total) and 932,945 (95.9%) on rural exchanges. Over 98.9% of the total switching capacity of exchanges was provided with access to IDD.

During the year the Company continued to install fiber-optic cable lines (FOCL) to provide trunk links. Over 2003 the length of FOCLs grew by 1,920 km and reached 4,992 km, of which 4,612 km on urban and 380 m on rural networks. The total number of channels by the year end was 740,649, of which 93.8% was digital transmission channels.

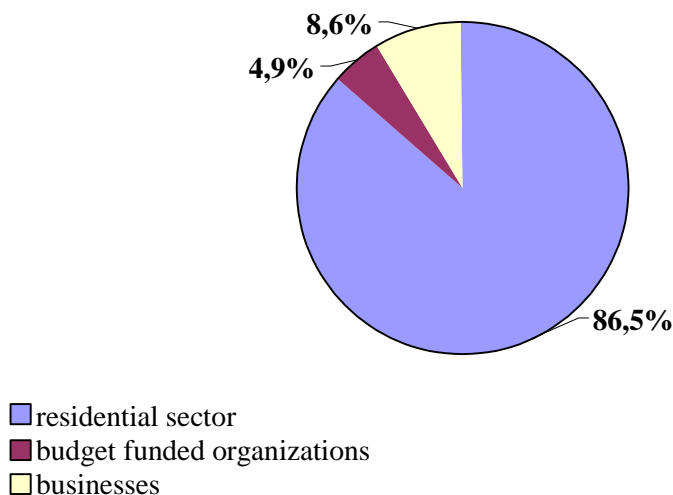
Effort to improve performance of local network continued in 2003. The trend toward better quality of service is evident. Quality indicators significantly improved as compared to the previous year.

Basic telephone sets in CenterTelecom's networks



The total number of subscriber telephone sets as of January 1, 2004 was 5,884,910, of which 4,982,718 sets were on urban, and 902,192 sets on rural networks. Telephone penetration (per 100 inhabitants) was 23 on average across the whole service area of MRC.

Breakdown of CenterTelecom subscribers by segments



In 2003 CenterTelecom granted 344,158 applications for provision of access to telephone network. In the reporting year 59,127 individuals eligible for benefits were provided with a telephone line. The total number of remaining applications in 2003 was reduced by 119,007 and totaled 1,105,927.

Breakdown of subscribers by categories did not undergo any substantial changes. Organizations not funded by the relevant budget account for 8.6%; organizations funded by a budget of some level (local, regional, federal) account for 4.9%. Residential sector's share was 86.5% in

2003 making the bulk of subscriber and posing formidable social challenges to JSC CenterTelecom. Technical policies and attention of operating staff are aimed at adequately meeting these challenges.

In the reporting year efforts were continued to upgrade and increase digitalization of long-distance network resources in order to improve quality of operation and service.

In 2003 over 3,328.6 km of fiber-optic transmission links (FOCL) were commissioned for service; the length of intra-tariff band transmission links in the MRC as of the end of 2003 was 29,649 km? with FOCL accounting for 10,748.8 km.

Altogether, installation and making operational intra tariff band FOCLs and upgrade of network node equipment to higher STM levels ensured growth by 16,439.8 thousand channel x km of the intra tariff band long-distance channels, reaching some 37,536.8 thousand channel x km in the whole MRC.

At the moment in all regions of the Company service area digital long-distance switches (EWSD, S-12, AXE-10) are installed. Over the year further efforts were made for further activation of electronic switches making it possible to augment the number of trunk and intra tariff band channels and ensure routing of traffic offered by cellular operators. Utilization level of digital long-distance exchanges at the end of 2003 reached 78%. The increase in utilization level was due to using of SS7 signaling circuits.

New services

Over 2003 JSC CenterTelecom consolidated its positions on the new services market. Within the framework of development in this lucrative and high priority market the Company undertook measures to upgrade and expand existing public and data networks making it possible to improve quality of service and expand their range. In some subsidiaries works continued to deploy wideband access multiservice networks based on FOCL.

These efforts enabled rising visibility and profile of the Company in the eyes of potential customers. Improved Internet access, IP-telephony quality of service, expanded opportunity for VPN provisioning, offerings of high-quality digital TV and radio broadcasting helped the Company fight off customer outflow (churn) to alternative operators, and as consequence, resulted in rising revenues from provision of new advanced services.

For instance, revenue from provision of Internet access jumped by RUR155.6 million reaching (46.2%) RUR492.4 million. Data volume sent over Internet in 167,594 Gb or 1.4 times more than in 2002; including 39,061 Gb over dedicated lines, i.e. 1.6 times up from 2002 level. Usage of switched Internet access via PSTN (dial-up) in 2003 reached 1,149,732 thousand minutes.

The number of CPE units for data and telematic services in 2003 was 202,640; of which 198,474 customers used PSTN access. 194,055 CPE units used Internet, and 190,955 customers used PSTN access.

The second phase of a multiservice network was made operable in the Moscow subsidiary offering advanced services; data networks upgrades were completed in several regional subsidiaries.

In 2003 the Company identified key areas of new service development:

- the Company focus on corporate customers and major accounts;
- promotion of VPN deployment;
- promotion and provisioning of service packs;
- development of IP-telephony;
- provision of Internet access to a wider range of customers.

Serving corporate customers and major accounts

Working with corporate customers and major accounts is one of the Company's pot priorities aimed at new customer acquisition and improving retention rate and loyalty of existing customers.

This market segment both generates stable and substantial revenues (these customers were numbered 1,280 by the end of 2003, while gross revenues amounted to RUR1,835 million, and offer an opportunity to efficiently develop business and rise profile of the Company and its regional

subsidiaries. In 2003 the Company initiated development of common arrangements for interaction with corporate customers and major accounts, like Saving Bank of the RF, Pension Fund (state owned), the Ministry of Defense, etc.

The Company treated as a matter of utmost importance its participation in the implementation of the Federal special purpose program e-Russia 2002-2010 approved by the Russian Government. The efforts resulted in provisioning of private networks for several state agencies including the office of the Prosecutor General, Controller's bodies, legislative bodies, State Nuclear Control bodies, State Enterprise Russian Post, State TV and Radio Broadcasting Corporation, the Ministry of Nature of the RF, the Ministry of Education, etc.

Working with Rostelecom and other major telecommunications carriers

In 2003, Order #237 of July 4, 2003 issued by Ministry for Antimonopoly Policies (MAP) of the RF changed arrangements for interconnection settlements between operators for outgoing long-distance traffic. Complying with the Order and making contractual relations between JSC CenterTelecom and OJSC Rostelecom consistent with the respective licenses a Service Agreement between the two companies was concluded and entered into force identifying arrangements for routing domestic long-distance and international traffic between the two parties.

The Agreement became the first centralized contract concluded by the Company with Russia's largest international and domestic long-distance carrier – Rostelecom, and effective across the whole territory of the Central Federal District.

JSC CenterTelecom completed conclusion of common contracts on interconnection and network interoperation with the “big three” cellular operators – JSC MTS, JSC Vimpelcom, JSC MegaFon. A package of unified contracts with JSC MTT was executed.

The consistent efforts by October 2003 resulted in interconnection to JSC CenterTelecom network on various levels of the following operators:

- JSC MTS - 12 E1s;
- JSC Vimpelcom-Region - 27 E1s;
- JSC MegaFon - 15 E1s;
- JSC MTT - 5 E1s.

Additionally, some 4 thousand subscribers numbers were assigned from JSC CenterTelecom's numbering plan.

5.3. Key economic performance indicators of the Company:

The approved Company's budget (business plan) was executed in line with all key performance indicators.

The Company operations in 2003 generated some RUR20,890 million of revenues from sales of services, exceeding the planned amount by 0.4%, and reaching 127.5% of 2002 revenues.

Production costs in 2003 were by 99.9% in line with the plan and amounted to RUR15,648.5 million, or 128.9% of 2002 costs. The planned costs to generate RUR100 of revenues were 99.5% of the planned amount and in 2003 reached RUR74.9, i.e. by 1.2% higher than the same in 2002, due to new interconnection fees put in place for account settlements with Rostelecom.

Revenues from telecom service totaled RUR20,565.3 million, exceeding by 0.3% the planned amount and amounting to 129.8% of 2002 revenues.

Profit from sales last year totaled RUR5,241.5 million, or 1.9% higher, than was planned, and amounting to 123.1% of 2002 sales profit.

Pre-tax profit reached RUR2,303.9 million, or 6.9 % higher than planned, and 143.6 % of the same in 2002.

Net (undistributed) profit was RUR1,502.6 million, exceeding the planned amount by RUR332.0 thousand (+ 0.02% to the planned amount), and in excess of 138% to 2002 net profit.

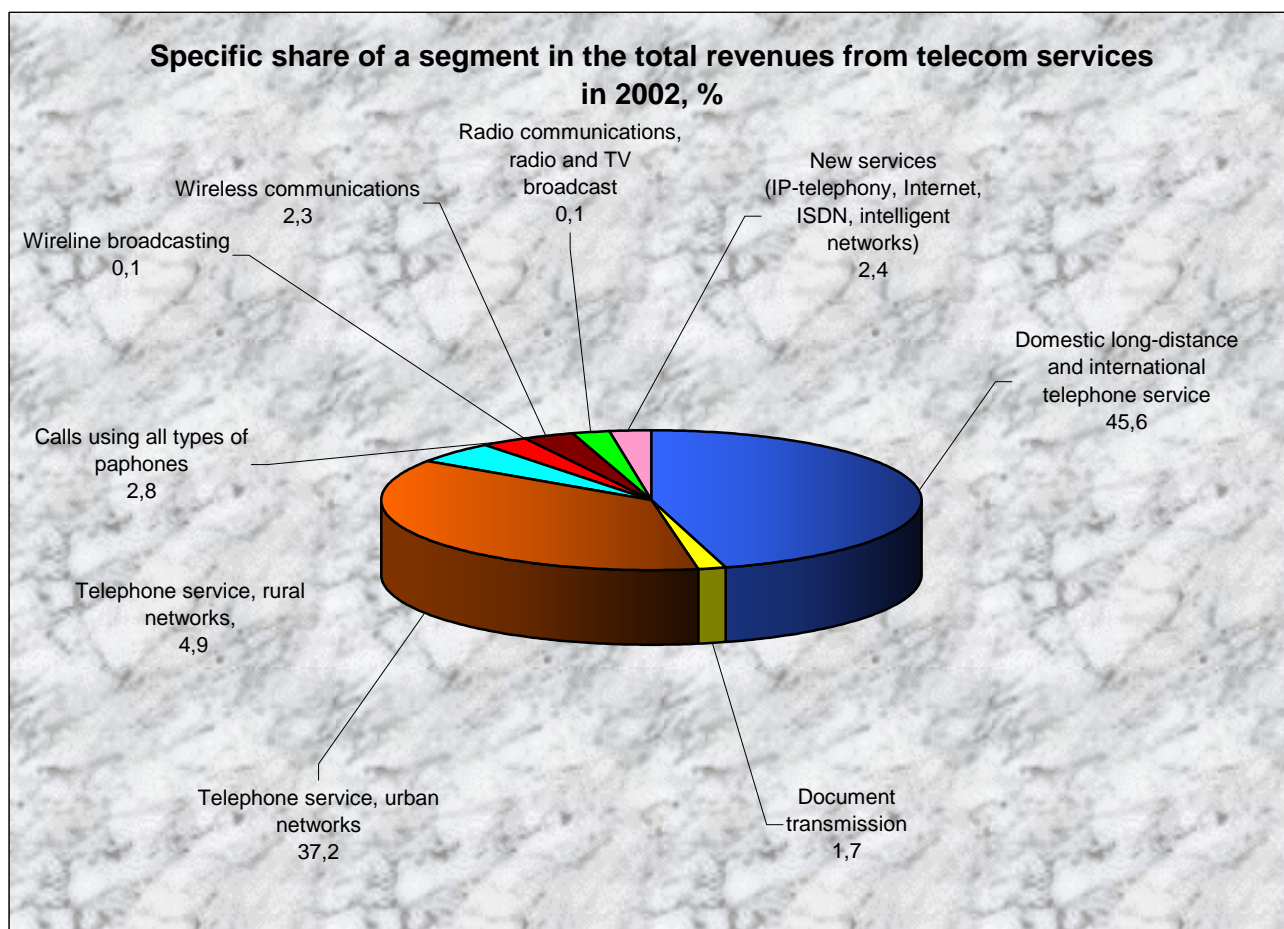
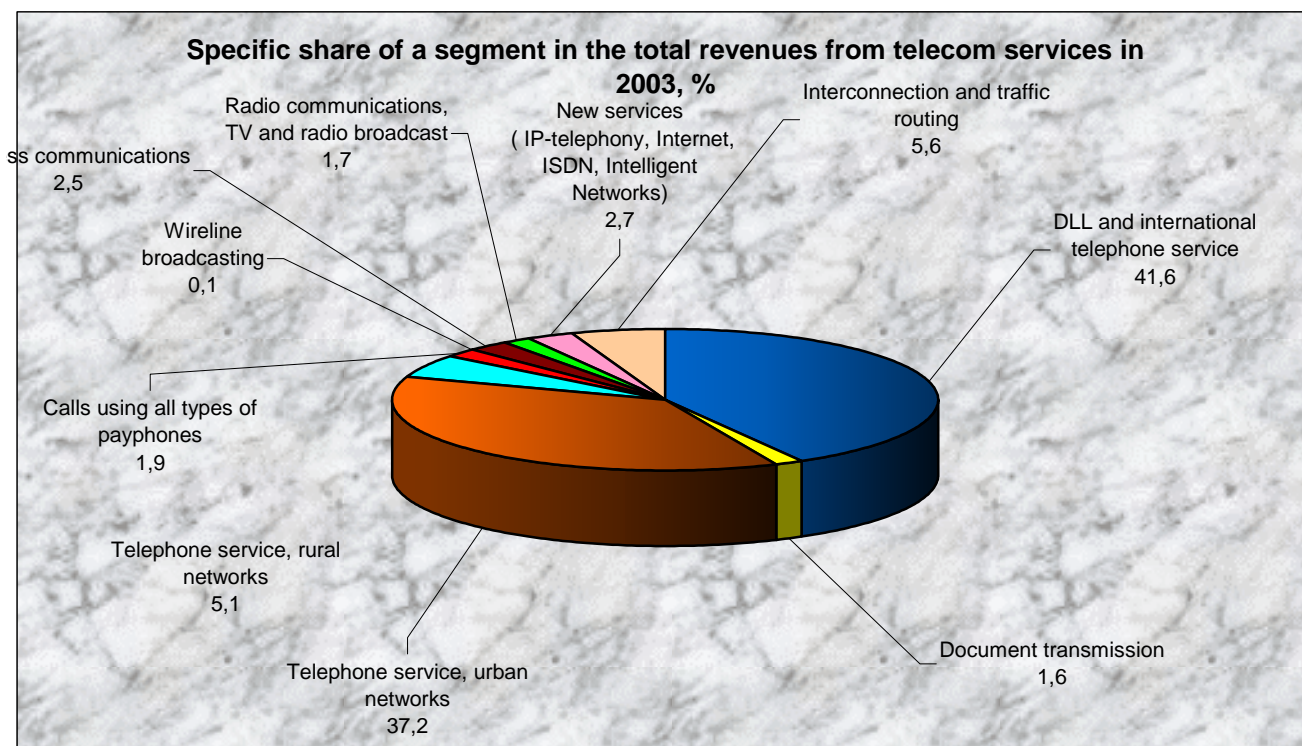
Per employee revenue in 2003 amounted to 131.5% of 2002 level, while average monthly salary was RU6,589 last year or 133.1% of 2002 level.

Table 4

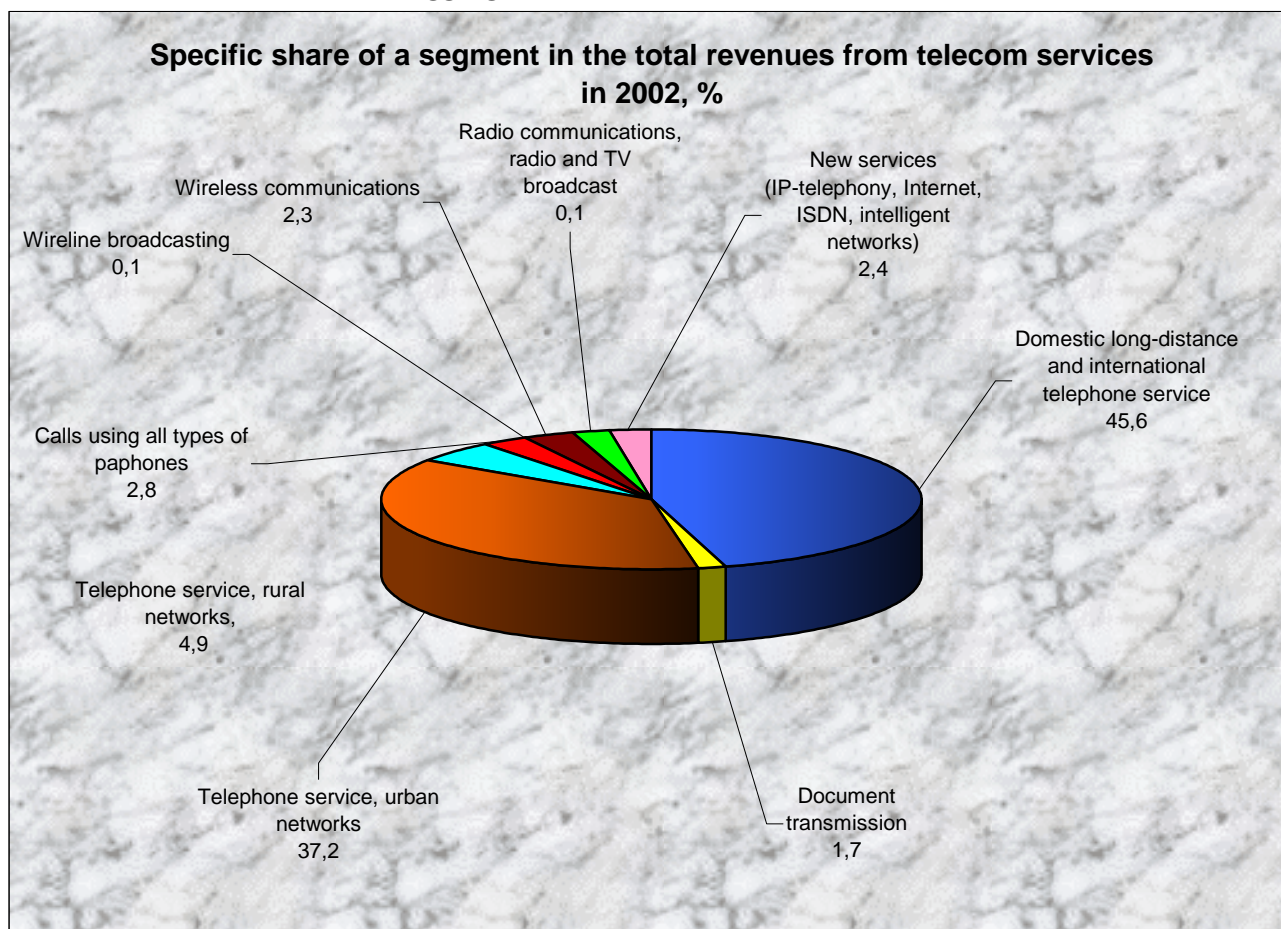
Description	2002	2002 in comparable conditions of 2003 (Order of MoF #674 of 22.07.2003)	2003	Annual growth rates (2003 over 2002), %
Revenues (less VAT), RUR in thousands	16,389,267	16,389,267	20,890,007	127.5
Tariff revenues, RUR in thousands	15,840,176	15,840,176	20,565,278.2	129.8
Costs and expenses, RUR in thousands	12,131,919	12,131,919	15,648,552	129.0
Pre-tax profit, RUR in thousands	1,641,507	1,603,940	2,303,866	140.4
Pre-tax profit margin, %	13.5	13.2	14.7	1.2
Costs of RUR100 of revenues, RUR	74.0		74.9	101.2

5.4. Revenue breakdown by customer type and category**Table 5**

Service	Total (less VAT and sales tax), RUR in thousands	including	
		budget funded organizations, RUR in thousands	residential sector, RUR in thousands
Revenues, total including:	20,565,278.2	1,415,258.8	12,654,632.0
domestic long-distance and international telephone service	8,553,496.5	589,843.0	4,681,207.0
telephone service, urban networks	7,643,688.0	595,329.3	5,644,934.4
telephone service, rural networks	1,054,306.4	89,998.8	833,645.7
calls from all types of payphones	396,716.5	543.4	377,644.6
document transmission	811,254.2	83,394.8	373,256.6
radio communications and broadcasting, TV and satellite communications	28,122.9	3,459.2	18,311.0
wireline broadcasting	516,118.7	43,703.8	431,140.0
mobile communications	347,640.3	5,786.7	278,584.8
ISDN service	35,694.7	3,137.9	2,840.0
Intelligent Network services	28,281.8	61.9	13,067.9
interconnection and traffic routing	1,149,958.2	0	0



5.5. 2003 Revenue breakdown (aggregate)



5.6. Key efficiency indicators of the Company activities

In 2003 all key efficiency targets were met (cf. Table 6). Planned target value of per-line revenue was met by 100.5%, with annual growth rate of 119.1% (over 2002). Planned pre-tax per-line profit was exceeded by 7.1%, and amounted to 133.0% of 2002 level.

Number of lines per employee also grew and reached 84 lines (77 lines per employee in 2002).

Table 6

#	Description	2002	2003	Growth rate, %
1.	Revenue from telecom services per line	2,963	3,528	119.1
2.	Pre-tax profit per line, RUR	297	395	133.0
3.	Revenue per employee, RUR in thousands	227.4	299.1	131.5
4.	Pre-tax profit per employee, RUR in thousands	22,771	32,985	144.9
5.	Number of line per employee, lines	77	84	109.0

5.7. Net assets of the Company

Table 7

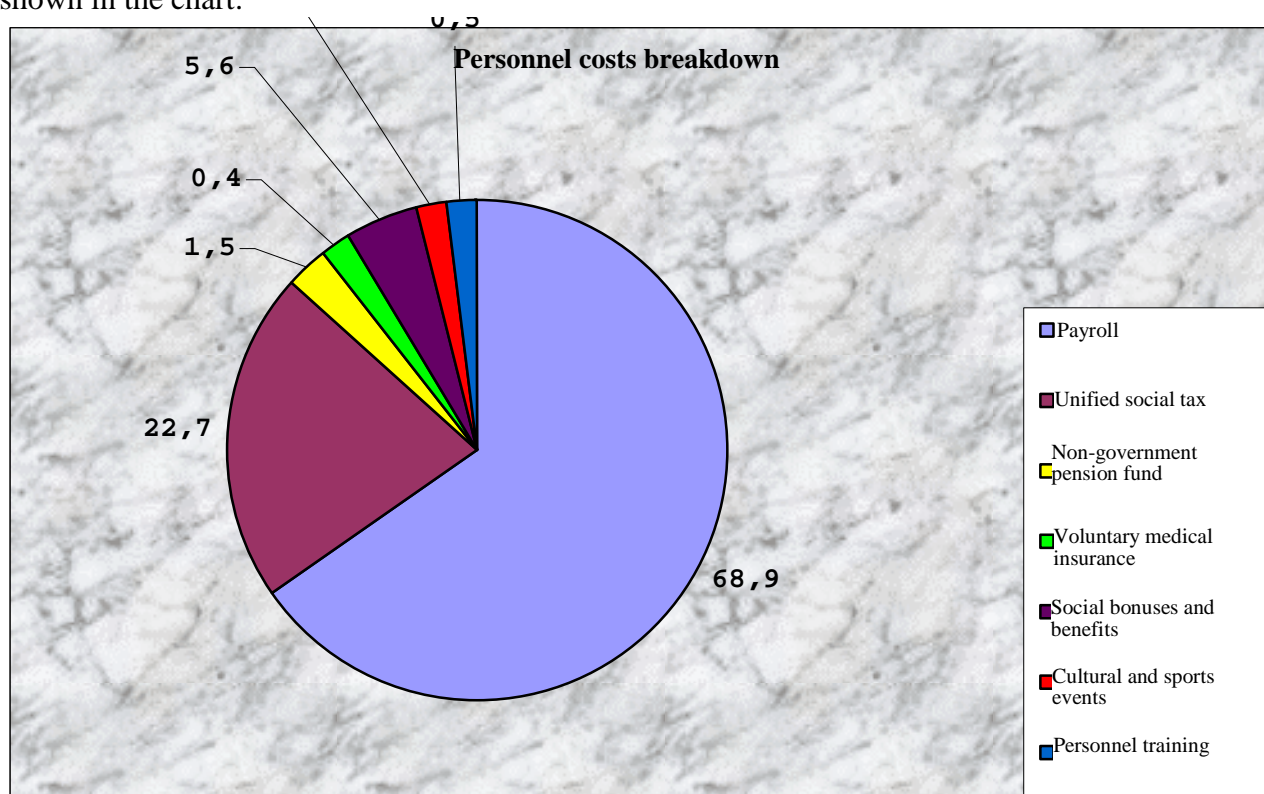
	As of January 1, 2004
1. Net assets (total), RUR in thousands	15 530 531
2. Charter (authorized) capital, RUR in thousands	631 200
3. Reserves, RUR in thousands	31 560
4. Ratio of net assets to Charter capital (line 1 to line 2), %	2460,47
5. Ratio of net assets to sum of Charter capital and reserves (line 1/(line 2 + line 3)), %	2343,31

Over the reporting period the Company's net assets grew by RUR1,313,962 thousand or by 109.2%.

VI. HUMAN RESOURCE POLICIES

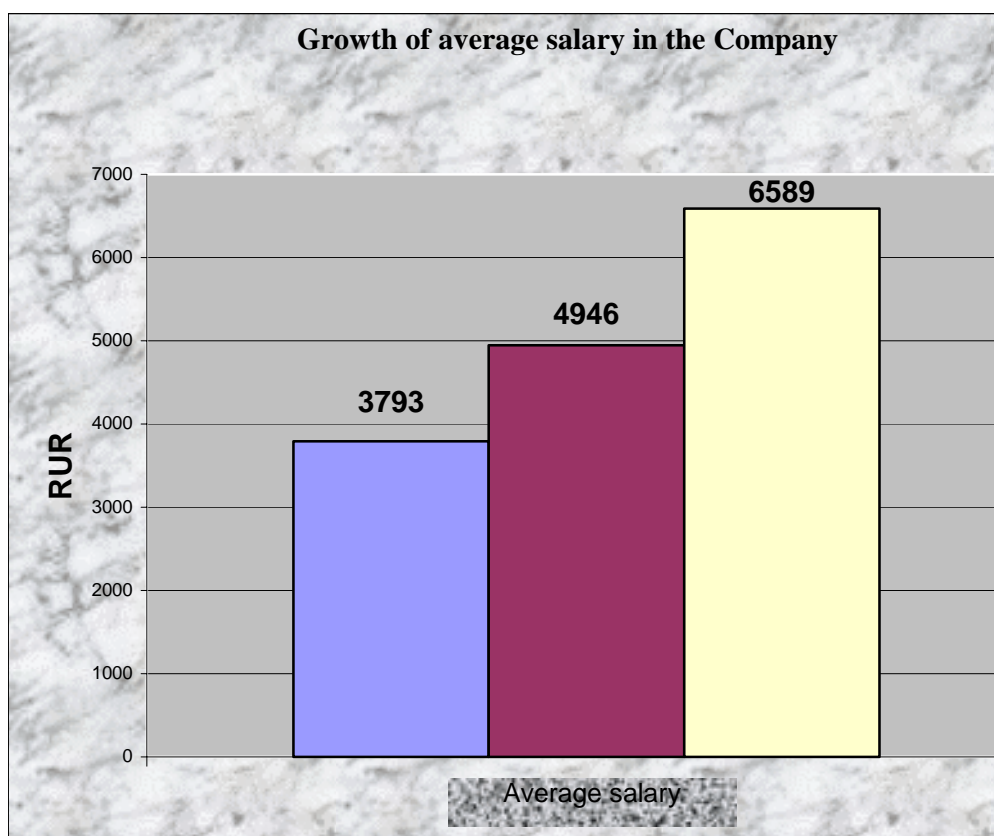
In the reporting year the key focal points of the human resource policies were strategic and organizational development, motivation and incentive compensation, personnel relations management.

On the incentive compensation side an itemized personnel costs budget was developed, control of its execution was exercised, separate item optimization. The share of personnel costs in the revenues from sales of goods, works and services was 35.9%. The personnel costs breakdown is shown in the chart:



Payroll (salary expenses) accounts for the largest share in the personnel costs structure. Overall the Company's payroll expenses grew by 28% over 2002. Average salary per employee grew RUR335 and reached RUR6,589.

Growth of average salary in the Company is shown in the chart:



Human resource efficiency was enhanced and improved. Revenue per employee totaled RUR299.1 thousand. Measures were taken to optimize staffing in subsidiaries.

Average workforce in 2003 was 71,645 employees and was reduced by 2.6% as compared to 2002, while average number of full-time employees was reduced by 3.6% (2,657 employees) as compared to 2002 and totaled 69,847 employees.

Social benefits and compensations, salaries and job arrangements in the field were streamlined and unified.

An agreement between CenterTelecom and chairs of regional divisions of the Russian Telecommunications Workers Trade-Union was concluded in 2003 setting forth unified approaches to payroll arrangements for the regional subsidiaries.

The agreement enabled in 2003 smoothly for employees and in compliance with effective legislation streamline fixed part of salaries and benefits and bonuses for job achievements, and package of social benefits and guarantees. The agreement also identified a unified approach to salary setting and job descriptions, work and rest/recuperation. Packages of social benefits and compensations were made to comply with the agreement; the Company continues to work with subsidiaries to make uniform the absolute amount of social expenses and benefits per employee.

Incentive compensation system in the Company is aimed at creating conducive conditions for self-fulfillment by balancing interests of the Company and employees.

During 2003 steps were taken to develop competitive compensation packages for employees.

A single monthly fixed rate for a first grade employee under the Unified Wage Plan was set RUR1,500. In several subsidiaries given differences in the living standards across the regions and average wages in the relevant region the minimal monthly rate was RUR1600, RUR1,650, and RUR1,700 (SmolenskTelecom, Voronezhsvyazinform, Orlovski subsidiary). Raising minimal pay rate enabled changes in salary structure. In a majority of subsidiaries the fixed rate accounted for over 60% of the total.

Staffing policies of the Company aimed at shaping a highly professional staff resulted in qualitative changes of the staff; half of the Company employees has a higher education degree or college education (54% of the total), 73 employees received a Ph.D. or science degree; average age of the employees is 41.2 years. Almost 95 percent of key managers (4,531) has higher education and professional education, while 50 has two higher education degrees, 38 managers have a science degree or academic rank. Top managers and executives are all have higher education, 8 of them has either a Ph.D. or academic rank, and average age of 51.2 years (53.3 years in 53.3).

In 2003 nominees for promotion to higher positions were identified numbered 4,531 taking into account professional, business qualities and age. Of these nominees some 3,323 (734%) has higher education, with 18 nominees (0.545) boasting a Ph.D. or science degree; 29% of the total spent over 5 years in a managerial position. This became a powerful driving force for staff motivation and changes.

As on January 1, 2004 the Company staff positions were by 98.8% filled. Staff replacements were used to fill in most of vacant positions; staff changes in 2003 involved 918 employees, i.e. 84.4% vacant positions were filled with the Company staff. Some positions were filled on a competitive basis with 537 jobs awarded to externally hired employees (Kaluzhski and Tverskoy subsidiaries, Yartelecom, etc.).

Various approaches were used to attract younger professionals having adequate professional expertise, including conclusion of special purpose contracts with higher education institutions and colleges to educate young professionals; campaigns to raise awareness among graduates and school leavers; offering apprentice courses and practical work to students and further employment subject to positive results; awarding special stipends and grants to students and post-graduates.

In 2003 average staff turnover in the Company was reduced by 2.1% as compared to 2002 and totaled 8.5%. Altogether 10,172 staff members discontinued their employment, of whom 566 (5.6%) were made redundant, 709 (6.9%) employees retired, and 5,833 (57.3%) staff left voluntarily. Workers account for 78% of the staff who left the Company, while managers and senior staff account for (21.1%). During the year staff leaving the Company were surveyed to identify the reasons for parting with the Company. Prevailing grounds for leaving the Company voluntarily were personal reasons not related to job (52.3%), dissatisfaction with salary was cited as the reason by 39% of leaving employees. To reduce the staff turnover and improve motivation, anonymous surveys and studies of staff satisfaction with the jobs are made, enabling to identify key issues and develop measures to settle them.

Staff training and human resources development were one of the key objectives of the Company's human resource development policies in 2003. Production and technology development require continuous education, refreshing courses and training, gaining of expertise and knowledge by personnel. In 2003 24,144 employees took refreshing and training courses, 107 more staff were trained abroad, i.e. 33.8% of the total staff took some training in 2003.

In-house training included on-the-job training (tutorship, performing training tasks, job rotation), economic and production training and training courses at 6 training centers of the Company. Out of the Company training was arranged on the basis of contracts on personnel development and higher qualification of the Company staff with various educational and training institution (MTUSI Institute of Higher Qualification, training center Sodeistvie, Science and Training Center Rezonanse, Business-Seminars LLC, etc.). Overall 2,392 employees are involved in additional education programs, or 3.3% of the total staff, of which 16 are trained under the Presidential and MBA programs.

VII. The COMPANY DEVELOPMENT OUTLOOK

The total installed switching capacity of CenterTelecom is over 6,437 thousand lines and currently its network is the largest public telephone network in Russia.

B itching equipment of more than 20 makes is now used in the network. Some are foreign made (EWSD, S-12, Si-2000, AXE-10 as long-distance exchanges), other are locally produced (EuroKvant, TOC, Elcom, etc.). Uncoordinated development of regional telephone networks resulted

in installation of superfluous equipment, numerous software versions; so the task of gradually reducing the variety of equipment and software is one the Company's key objectives.

Switching equipment to be installed and put into service in 2004 will be in line with the industrial recommendations (makes of the switches are EWSD, S-12, Si-2000, EuroKvant).

By the end of 2004 it is planned to install over 630 thousand lines at telephone exchanges of JSC CenterTelecom.

CenterTelecom's subsidiary in the Tambov region (Tambov Elektrosvyaz) plans to extend coverage and further develop its cellular network using GSM standard, increasing capacity by 20 thousand subscribers.

In 2004 JSC CenterTelecom will start building Network Call Center. At the initial stage the Center equipment will be installed in the Moscow, Kaluzhski and Yaroslavski subsidiaries of JSC CenterTelecom.

In order to improve quality of domestic long-distance and intra-tariff band service, long-distance exchanges are planned to be installed in Tula and Yaroslavl; several subsidiaries will upgrade their long-distance exchanges implementing SSP/IP in 2003.

Outgoing international telephone traffic of the MRC should reach 1,271.88 million calls by the end of 2004.

Deployment of rings and radial lines with digital transmission systems will make it possible to link to the trunk network some 409 exchanges (of which 396 are digital ones) by 2007 end (across the CFD and merged companies), or 95.6% of the total number of exchanges by 2007 end and 99% of the total number of digital exchanges.

In order to offer a broader range of services on the network implementation of a new promising technology – packet switching (SoftSwitch) will start this year based on the following premises:

- packet switching is viewed not as a competitor to the traditional telephony, but as a basic technology for telephony;
- the existing public network equipment should be modernized and upgraded in line with convergence with the multiservice network being deployed;
- in selecting new equipment for installation preference should be given to switches supporting SoftSwitch functions.

Development of the access network will enable to ensure uniform access not only to the public telecommunications network, but also to other networks including multiservice networks. Wireless access systems, V.5 interface units, xDSL equipment will be used to ensure network access. A contract with Intracom is signed for installation in 2004 of broadband access equipment IAS-W and IAS-F with total capacity of 3,730 ports.

Selection of suppliers of basic equipment and materials is made on a competitive basis according to provisions on conducting tenders approved by a decision of the Company's Management Board on December 30, 2003.

The choice of suppliers is made ensuring level playing field for all bidders, subject to technical policies pursued by the Company, quality of the offered equipment (services), delivery cost, price quotations for the equipment and accessories, installation and maintenance services, payment terms and conditions. Price quotation is not the ultimate characteristic for the supplier selection.

Bidders and their bids are qualified according to criteria, requirements or procedures identified before publishing tender invitation. Depending on specifics of the product group the tender commission makes a decision on the priorities of the criteria for awarding a contract.

Criteria, requirements and procedures shall be non-discriminatory and equal for all bidders.

Tenderers shall not be directly or indirectly connected at any level of corporate management or linked to organizations engaged for providing consulting services for arranging the tender.

Selection of the supplier is started from reviewing the most competitive bid.

Currently a rural network development program is developed, anticipating deployment of wireless point-to-multipoint access and DECT technology. These have been already implemented for telephone service provision in sparsely populated localities of the CFD. Advantages of wireless

access systems are: lower capital expenditure requirements as compared to wire line access, reduced duration of system installation and subscriber connection, quality service in the range of 5 km of the base station; provision of local international, domestic long-distance services and Internet access.

For the current year it is planned to install 3 thousand km of fiber-optic links; around 3,900 km of digital transmission lines will be built to connect digital switches to long-distance exchanges. On intra-tariff band distribution networks, which are expected to remaining mixed analog-digital within next 3 years, SDH equipment level 1, 2 and 3 is to be installed combined with existing PDH systems. SDH equipment manufactured by Siemens, Alcatel, ECI, etc. will be used as basic transmission systems.

At the urban network level the main solution is transition to ring topologies, improving reliability and resilience of networks. Local distribution networks will be developed using hybrid fiber-optic and metallic cables. Trunk links connecting local and long-distance exchanges on urban networks will be installed using only fiber-optic cable links featuring state-of-the-art transmission systems.

In order to improve transport of all traffic types a part of SDH transport resources of public networks will be used to provision higher level transport networks using MPLS/IP, ATM and other packet switching technologies.

Deployment of a state-of-the-art transport network will enable implementation of network management system in CenterTelecom complying with the general concept of network management (TMN), and in future – support of intelligent network and integration into network management system of Russian Nationwide Interconnected Network.

Local telephony

The top priorities of the Company in the development of local service:

- improving telephone penetration based only on effective demand to ensure pay off of investment. Primary focus on businesses and affluent population (condominiums and town-house settlements);
- improving local network digitalization through upgrade of outdated equipment;

Long-distance service.

Given the growing intensity of long-distance service usage and its contribution to the Company's revenues the Company put the emphases in the development of long-distance services:

- expansion of intra-tariff band circuits to cut the number of failed calls;
- introduction of unified phone cards enabling roaming across the whole services area of the MRC;
- elaboration of measure to market and promote phone cards;
- implementation of new technologies encouraging existing customer to use long-distance services;
- development of new services encouraging usage of long-distance service (conference calls, telemedicine, etc.);
- focus on customers – potentially high-volume users of long-distance service (business sector).

Internet access

Currently Internet penetration in the CFD is fairly high. Promoting Internet access in the district the Company aims at:

- more aggressive offerings of dedicated access as an alternative to dial-up access;
- developing offerings of broadband network access;
- aggressive marketing of corporate solutions;
- aggressive promotion of services based on multiservice networks;
- participation in e-Russia program.

Promoting Internet access for the residential sector the Company aims at:

- focusing on urban youth audience (setting up Internet cafes, etc.);

- working with educational, training and other social institutions;
- issuing a unified phone card including opportunity of using Internet access.

Packaged services

Packaged services are among the most promising, as can include the whole range of services offered by the Company and improve customer value and profit margins. Priorities in the service packs are given to shaping standard service racks making use of multiservice network features and focusing on various user categories.

Intelligent Network Services

Demand for IN services in the West grows exponentially. In Russia increasing attention to these services is also evident (personal portable number, free 800-number, VPNs, Call Centers, etc.). That is why development of Call Center services and VPNs (including based on multiservice networks) is one of the top priorities of JSC CenterTelecom. The services may be targeting both residential and business customer.

IP-telephony based services

One of the most promising development areas of telecommunications. The Company pays significant attention to it.

Prepaid cards (Internet cards, Unified universal cards, payphone cards) and universal payment cards.

Prepaid cards offers a convenient and well-established among users means of payment for telecom services. Particularly promising is the universal (unified) card, which in addition to above features encourages demand for various services.

VIII. APPROPRIATION OF THE UNDISTRIBUTED PROFIT BY THE COMPANY

8.1. Key channels of undistributed profit applications in 2003

Table 8

#	Description	Unit	2003год	
			Approved by general meeting of shareholders	Reported
1	2	3	4	5
1.	Remaining undistributed profit of the previous years as on 01.01.03, to be allocated	RUR in thousands		
	Main usages			
a)	to cover losses	RUR in thousands		
b)	allocations to reserves			
c)	to increase shareholder capital in the part of undistributed profit of previous years	RUR in thousands		
2.	Undistributed profit of the reporting year	RUR in thousands	1084300	1084300
	Main channels of using the undistributed profit of the reporting year;			
a)	to cover losses of previous years			
b)	allocations to reserves % of the net profit	RUR in thousands %	3722 0.34	3722 0.34
c)	allocations to special employee stock ownership fund (if provided for by founding documents)	RUR in thousands %		

	% of the net profit			
d)	dividend payments % of the net profit	RUR in thous, %	260000 23.98	260000 23.98
e)	to increase shareholder capital in the part of undistributed profit of the reporting year % of the net profit	RUR in thousands %	820578 75.7	820578 75.7

8.2. Main planned allocations of undistributed profit for 2004

Table 9

#	Description	Unit	2004
			Plan
1	2	3	4
1.	Undistributed profit of the reporting year	RUR in thousands	1502563
Main channels of using the undistributed profit of the reporting year:			
a	to cover losses of previous years	RUR in thousands	
b	allocations to reserves % of the net profit	RUR in thousands %	
c	allocations to special employee stock ownership fund (if provided for by founding documents) % of the net profit	RUR in thousands %	
d	payments of dividends, % of the net profit	RUR in thousands %	347297 23.11
e	to increase shareholder capital in the part of undistributed profit of the reporting year, % of the net profit	RUR in thousands %	1155266 76.9

IX. REPORT ON DECLARED (ACCRUED) DIVIDENDS ON THE COMPANY SHARES

- date of passing the decision on payment of yearly dividends for 2002 at the general meeting of shareholders – June 24, 2003;
- the general meeting of shareholders on June 24, 2003 passed a decision to pay dividends:
 - on preference Class A shares – by August 23, 2003;
 - on ordinary shares – by December 31, 2003.
- actual date of starting making dividend payments on ordinary and preference shares – August 13, 2003;
- dividends due per share:
 - RUR0.206143 per preference Class A share;
 - RUR0.096052 per ordinary share
- payments are made in cash;
- total amount of paid dividends for 2002 as on March 31, 2004: on ordinary shares – RUR149,638,127.21; on preference share - RUR107,068,052.40;
the ratio of paid out dividends to the total dividends due for payment is 98.7329%.

Declared (accrued) dividends on the Company's shares (per share amount) over years.

Table 10

Type of shares	2002		2003*	
	amount RUR	% of the par value	amount RUR	% of the par value
Ordinary	0.096052	32	0.124867	41.6
Preference Class A	0.206143	68.7	0.285662	95.2

Note: * The dividend amount is recommended by the Board of Directors for approval by general meeting of shareholders.

X. INFORMATION ON THE MOST SIGNIFICANT DEALS

In the reporting year the Board of Directors of the Company reviewed and approved the following transactions, deals and agreements:

1. Requiring approval of the Board of Directors pursuant to the Company's Charter;

- Two transactions with ACB Moscow Business World (MDM)

Loan agreement

Subject-matter: Granting loan facility

- Loan facility, amount RUR375,000,000.00
- Enter into force: as of signing.
- Effective until obligations are met in full
- Other essential terms and conditions: application of the loan: ordinary business activities, interest rate: 15 percent p.a.

Loan agreement

- Subject-matter: Granting loan facility
- Loan facility, amount: RUR375,000,000.00
- Enter into force: as of signing
- Effective until obligations are met in full
- Other essential terms and conditions: interest rate: 15 percent p.a.

- Two transactions to pledge property as security of a loan facility granted by ACB MDM Bank and Private JSC MDM-Trust.

Property pledge agreement

- Value of the pledged property: RUR457,828,770.00

Property pledge agreement

- Value of the pledged property: RUR457,828,770.00
- Both agreements are Effective as of: date of signing
- Effective until obligations under loan agreements are met in full
 - Other essential terms and conditions: pledged property is retained by the Chargor – JSC CenterTelecom with ownership and usage rights.

- Two deals with Private JSC Verisell-Telecom on supply of equipment and software.

Contract #21-VT

- Contract value is USD5,468,310.00
- Effective as of: date of signing

Contract #22-VT

- Contract value is RUR12 028 506,00
- Effective as of: date of signing

Both deals are effective until obligations are met in full.

Other essential terms and conditions: payment with promissory notes issued by Vneshtorgbank.

- Two deals with Vneshtorgbank (VTB):

Loan agreement

- Subject-matter: granting loan facility
- Loan facility amount: USD17,496,816.00

Property pledge agreement

- Subject-matter: property pledge as loan security.
- Value of pledged security: USD12,247,771.20
- Other essential terms and conditions: pledged property is retained by the Chargor – JSC CenterTelecom with ownership and usage rights.

Both agreements enter into force as of the date of signing and are effective until obligations under loan agreement are met in full.

- Three deals involving ACB Saving Bank of the RF

Surety agreement

- Subject-matter: surety in favor of RTC Leasing under loan facility agreement for the CFD concluded between JSC RTC-Leasing and AB Saving Bank of Russia.
 - The Company's liabilities will not exceed the following amounts:
loan facility amount for 5 years not exceeding Russian rouble equivalent of Euro60,148,290; to be withdrawn in Russian roubles at the Central Bank exchange rate effective at the drawing date according to loan facility agreement #9175 between JSC RTC-Leasing and Saving Bank of the RF.
maximal interest rate: 16 percent p.a.
use fee for available loan facility: 0.1 percent p.a.;
delayed payment charge for principal or interest repayment at the CB refinancing rate multiplied by 1.5;
 - other essential terms and conditions: the right of direct debiting of the overdue debt from the surety accounts specified in the surety agreement;
- General framework loan facility agreement
- Loan facility amount: RUR800,000,000
 - Other essential terms and conditions: interest rate shall not exceed 15.5 percent p.a.; loan availability (commitment) fee of 0.05 percent p.a. is charged from the available amount; loan facility maturity term is one a half years.

General framework loan facility agreement

- Loan facility amount: RUR2,000,000,000
- Other essential terms and conditions: interest rate not in excess of 16 percent p.a., maturity term: 5 years.

All agreements enter into force as of the date of signing and remain in effect until obligations are met in full.

- Loan agreement with IC Troyka-Dialog

- Subject-matter: loan facility
- Loan amount: RUR375,000,000.00
- Effective of the date of loan granting.
- Remains in force until obligations are met in full.
- Other essential terms and conditions: interest rate is 15 percent p.a., repayment not later than placement end date of bonds set by the bond issue prospectus, or not later than upon expire of 3 months from receiving the loan amount on the borrower's correspondent account with the bank where the borrower opened its account, whichever occurs earlier.

- Loan agreement with Private JSC Commercial Bank for Entrepreneurial Activities GUTA-BANK

- Subject-matter: granting loan facility
- Loan facility amount: RUR450,000,000.00
- Effective as of the date of signing.
- Remains in force until obligations are met in full.

- Other essential terms and conditions: the loan usage: financing current assets; interest rate: 15 percent p.a.

- Loan facility agreement with JSC Joint-Stock Commercial Bank Trust and Investment Bank

- Subject-matter: granting a loan facility.
- Loan facility amount: RUR500,000,000.00
- Effective as of: date of signing
- Remains in force until obligations are met in full.
- Other essential terms and conditions: loan facility purpose: financing current assets; interest rate up to 16 percent par annum.

2. Related party transactions: the related party: V. Belov

- 46 transactions with JSC RTC-Leasing under financial lease agreements (property lease):

Contract # 797-204/03

- The price of equipment is RUR17,755,651.00 (including VAT).

Contract #795-204/03

- The price of equipment is RUR50,161,113.60 (including VAT).

Contract #796-204/03

- The price of equipment is RUR85,899,533.00 (including VAT).

Contract #816-204/03

- The price of equipment is RU225,228,779.00 (including VAT).

Contract #817-204/03

- The price of equipment is RUR185,235,481 (including VAT).

Contract #818-204/03

- The price of equipment is RUR71,893,865 (including VAT).

Contract #822-204/03

- The price of equipment is RUR40,856,807 (including VAT).

Contract #829-204/03

- The price of equipment is RUR128,168,569.00 (including VAT).

Contract #830-204/03

- The price of equipment is RUR143,688,934.00 (including VAT).

Contract #831-204/03

- The price of equipment is RUR57,674,838 (including VAT).

Contract #832-204/03

- The price of equipment is RUR48,461,281 (including VAT).

Contract #833-204/03

- The price of equipment is RUR72,850,765 (including VAT).

Contract #785-204/03

- The price of equipment is RUR17,685,676.00 (including VAT).

Contract #894-204/03

- The price of equipment is RUR49,467,584.40 (including VAT).

Contract #798-204/03

- The price of equipment is RUR309,936,259.00 (including VAT).

Contract #800-204/03

- Contract value is RUR94,785,295.00 (including VAT).

Contract #801-204/03

- Contract value is RUR185,057,319.00 (including VAT).

Contract #803-204/03

- Contract value is RUR73,457,213.00 (including VAT).

Contract #863-204/03

- Contract value is RUR15,849,596.00 (including VAT).

Contract #865-204/03

- Contract value is RUR90,608,328.00 (including VAT).

Contract #866-204/03

- Contract value is RUR25,444,286.00 (including VAT).

Contract #860-204/03

- Contract value is RUR12,247,003.00 (including VAT).

Contract #861-204/03

- Contract value is RUR57,137,384.00 (including VAT).

Contract #862-204/03

- Contract value is RUR16,149,388.00 (including VAT).

Contract #867-204/03

- Contract value is RUR30,551,784.00 (including VAT).

Contract #864-204/03

- Contract value is RUR83,353,834.80 (including VAT).

Contract #869-204/03

- Contract value is RUR12,647,260.00 (including VAT).

Contract #871-204/03

- Contract value is RUR17,623,472.00 (including VAT).

Contract #872-204/03

- Contract value is RUR169,696,502.00 (including VAT).

Contract #875-204/03

- Contract value is RUR320,975,525.00 (including VAT).

Contract #878-204/03

- Contract value is RUR18,242,246.40 (including VAT).

Contract #879-204/03

- Contract value is RUR8,665,009.20 (including VAT).

Contract #880-204/03

- Contract value is RUR22,095,768 (including VAT).

Contract #881-204/03

- Contract value is RUR3,610,981.20 (including VAT).

Contract #882-204/03

- Contract value is RUR4,750,754.40 (including VAT).

Contract #888-204/03

- Contract value is RUR4,204,269.60 (including VAT).

Contract #891-204/03

- Contract value is RUR44,802,984.00 (including VAT).

Contract #907-204/03

- Contract value is RUR40,170,406.80 (including VAT).

Contract #908-204/03

- Contract value is RUR33,179,114.40 (including VAT).

Contract #911-204/03

- Contract value is RUR181,349,511.60 (including VAT).

Contract #791-204/03

- Contract value is RUR64,986,745.00 (including VAT).

Contract #792-204/03

- Contract value is RUR45,506,333.00 (including VAT).

Contract #789-204/03

- Contract value is RUR44,829,358.00 (including VAT).

Contract #786-204/03

- Contract value is RUR117,341,492.00 (including VAT).

Contract #784-204/03

- Contract value is RUR57,261,904.00 (including VAT).

Contract #790-204/03

- Contract value is RUR148,392,972.00 (including VAT).

All contracts entered into with JSC RTC-Leasing enter into force as of the date of approval by governing bodies of the parties involved and signing by their authorized representatives.
Remain in force until obligations are met in full.

Other essential condition of all agreements: ownership rights are transferred to the Lessee after all leasing payments are made.

- Three deals with Private JSC RusLeasingSvyaz under financial leasing (property lease) agreements, where the following persons were related parties: R. Amaryan, A. Lopatin.

Contract #85

- Contract value is RUR147,429.47 (including VAT).

Leasing agreement

- Contract value is RUR2,755,131.69 (including VAT).

Leasing agreement

- Contract value is RUR5,704,855.14 (including VAT).

All agreements with Private JSC RusLeasingSvyaz enter into force as of the date of signing of the agreement, loan agreement with the bank and approval by governing bodies of the parties.

Remain in force until obligations are met in full.

Other essential condition of all agreements: the Lessor shall transfer the leased item to the ownership of the Lessee within 14 days after fulfillment by the latter of all terms and conditions of Leasing Agreement and payment by the Lessee of the full amount of leasing payments; insurance of the leased item is by the Lessee.

- Services of maintaining the register of owners of bearer securities with Private JSC Registrator-Svyaz

- Related party transaction: R. Amaryan

- Subject-matter: provision of services for maintaining register of owners of bearer securities issued by JSC CenterTelecom

- Subscriber fee is RUR7.50 quarterly per owner registered in the register

- Effective as of: date of signing

- Validity term: valid for indefinite term.

- Three deals with JSC National Payphone Network (NTS): related parties: R. Amaryan, V. Yashin

Agency agreement

- Subject-matter: sales of payphone cards of JSC NTS.

- Cost of services provided under the agency agreement for sales of payphone cards of NTS is RUR12,000,000.00

- Validity term– 1 year as of the signing date

- Other essential terms and conditions: the agent set the retail price of the cards independently; upon submitting an order the agent shall pay to the principal an advance of RUR15 per card.

Card acceptance agreement

- Subject-matter: regulation of relations between JSC NTS and JSC CenterTelecom in the course of using payphone cards of NTS by users for making payments for telephone calls placed via payphones operated by JSC CenterTelecom.

- The uniform internal price of one unit of the payphone cards of NTS regardless of its capacity is RUR1.08 (including VAT).

- Validity term– one year from the signing date.
- Other essential terms and conditions: JSC CenterTelecom shall provide services paid for through payphone cards of NTS according to independently set rates.

Sale-purchase agreement

- Subject-matter: sale-purchase of security modules ProSam 320.
- The price of security modules ProSam 320 is USD12,000
- Validity term– until obligations are met in full.
- Other essential terms and conditions: the quantity of security ProSam 320 is 375 pieces, the price of a security module ProSam 320 is USD32; delivery – 1Q2003

Agreement on cooperation in provision of telecommunications services according to the Program of Telephone Line Installation in sparsely populated areas of the Central Federal District.

- Subject-matter of the agreement: transfer of payphone equipment by JSC National Payphone Network to the operator – JSC CenterTelecom for free of charge operation. The equipment was purchased at the expense of the Ministry of Communications. JSC CenterTelecom shall install the payphone equipment and provide line and switching capacity; provision of telecom services by JSC CenterTelecom.
- The settlement rate for telecommunications services rendered by JSC CenterTelecom to residential customers shall be calculated as the traffic volume (measured in accounting units) multiplied by RUR1.08 (one rouble eight copecks) (including VAT).
- Remain in force within 5 years from the date of signing.
- Other essential terms and conditions: the period for payphone equipment installation is June-July 2003.

All agreements enter into force from the date of signing.

- Four deals with JSC Central Telegraph for rent of non-inhabited buildings. Svyazinvest was a related party in making the deals, as Svyazinvest owns over 20% of voting shares of JSC CenterTelecom and over 20% of voting shares of JSC Central Telegraph.

Rental contract

- Rental payment for 11 months and 25 days amounted to RUR74,919.44, including VAT.
- Rent period: from December 1, 2002 through November 25, 2003

Rental contract

- Rental payment for 11 months and 25 days amounted to RUR223,693.14; including VAT (20 %) of RUR37,282.19
- Rent period: from January 5, 2003 through December 31, 2003

Rental contract

- Annual rental payment amounted to RUR195,741.40, including VAT.
- Rent period: from July 30, 2002 through June 30, 2007

Rental contract

- Annual rental payment amounted to RUR17,525.41, including VAT.
- Rent period: from July 30, 2002 through June 30, 2007

- Four deals with JSC Central Telegraph for rent of non-inhabited buildings. Mr. V. Yashin and Mr. A. Lopatin were related parties in making the deals.

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Rental contract

- Total rental payment amounted to RUR874,800.00, including VAT.
- Rent period: through June 29, 2004

Rental contract

- Total rental payment amounted to RUR41,040.00, including VAT.
- Rent period: through June 29, 2004

Rental contract

- Total rental payment amounted to RUR674,100.00, including VAT.
- Rent period: through June 29, 2004

Rental contract

- Total rental payment amounted to RUR347,400.00, including VAT.
- Rent period: through June 29, 2004
 - Three deals in making which Mr. V. Yashin, Mr. A. Lopatin, Mr. V. Belov and Mr. G. Finger were related parties.

Rental contract

- Total rental payment amounted to RUR17,820.00, including VAT. Total monthly rental payment amounted to RUR1,620.00, including VAT.
- Rent period: from August 1, 2003 through June 30, 2004

Rental contract

- Rental payment for 11 months and 25 days amounted to RUR74,919.44, including VAT.
- Rent period: 11 months from the date of signing.

Telecommunications service agreement

- Subject-matter: provision of telecommunications services.
- Contract value is based on the effective rates charged for telecommunications services
- Remains in force through December 31, 2003 with an option of renewal.

All agreements enter into force from the date of signing.

- Equipment supply contract and provision of services with NTC COMSET
Mr. R. Amaryan is a related party in making the deal.
- The contract price is USD1,261,210.00 (one million two hundred and sixty one thousand two hundred and ten dollars).
- Remains in force until obligations are met in full.
Effective as of: date of signing

- Three deals with JSC Moscow City Telephone Network. The following persons were related parties in making the deals: Mr. R. Amaryan, Mr. A. Lopatin.

Contract for Right of Way in the telephone cable ducts

- Contract price per month is RUR34,855.20, VAT excluding.
- Rent period: from July 1, 2003 through June 1, 2004 r., under the condition of renewal.

Contract for Right of Way in the telephone cable ducts

- Contract price per month is RUR34,683.60, VAT excluding.
- Rent period: from May 1, 2003 through April 1, 2004, under the condition of renewal.

Agreement for rent of uninhabited buildings. JSC Svyazinvest was a related party in making the deal as Svyazinvest owns over 20% of voting shares of JSC CenterTelecom and over 20% of voting shares of JSC Moscow City telephone Network.

- Annual rental payment amounted to RUR1,026,630.00, including VAT.
 - Rent period: from January 3, 2003 through December 15, 2003
- All agreements enter into force from the date of signing.

- Three deals with JSC Rostelecom in making which the following persons were related parties: Mr. R. Amaryan, Mr. V. Belov, Mr. V. Yashin, Mr. A. Lopatin, Mr. S. Avdians.

Agreement on terminating contracts between JSC CenterTelecom and JSC Rostelecom on provision of telephone traffic carrying services to each other.

- Subject-matter: agreement on arrangements for terminating contracts in the part governing provision of telephone traffic carrying services to each other due to conclusion of a new network interconnection agreement.
- Remains in force until obligations are met in full.

Network interconnection agreement

- Subject-matter: provision of services of carrying international and domestic long-distance telephone traffic by the parties to each other.
- Settlements for carrying domestic long-distance outgoing traffic in the ABC area of JSC CenterTelecom shall be performed according to approved Orders of the Ministry for Antimonopoly Policies (MAP) #237 and #1078 of July 4, 2003 and October 15, 2001 respectively according to linear accounting rates of JSC Rostelecom and terminating accounting rates of ABC/DEF areas of other telecommunications carriers (and other ABC areas of the Company) terminating the calls.
- settlements for services related to carrying domestic long-distance telephone traffic incoming to ABC areas of JSC CenterTelecom shall be performed according to terminal settlement rates of ABC areas of JSC CenterTelecom approved by Order #1078 of the MAP of Russia of October 15, 2001.
- Validity term: valid for indefinite term.

Rental contract for uninhabited buildings

- Total rental payment amounted to RUR26,100.00 (VAT exclusive) per month.
 - Rent period: from November 1, 2003 through August 31, 2004
- All agreements enter into force from the date of signing.

- Two deals with Girposvyaz in making which JSC Svyazinvest was a related party as owning over 20% of voting shares of JSC CenterTelecom and owning over 20% of voting shares of JSC Giprosvyaz.

Contract for survey and design works

- Total contract value is RUR8,129,591, plus VAT.
- The period of completing the works for all sites: from February 12, 2003 through December 29, 2003

Rental contract for a part of an uninhabited building

- The total amount of rent for one quarter is RUR318,012.50, VAT excluding.
 - Rent period: from April 15, 2003 through March 15, 2004
- All agreements enter into force from the date of signing

- Contract with Private JSC Mobile telecommunications for provision of services related to making preparations for seminars

- The following persons were related parties in making the deal: Mr. R. Amaryan, Mr. A. Lopatin
- Contract value is RUR430,000 (including VAT).
- Effective as of: date of signing
- Remains in force until obligations are met in full.

- Rental contract for a part of an uninhabited building with Private JSC CenterTelecomService

- The following person was a related party in making the deal: Mr. R. Amaryan
- The contract price – the quarterly rental is an amount equivalent to USD13,011.77, including VAT.
- Effective as of: date of signing
- Rent period: 360 days from the execution

XI. INFORMATION ABOUT THE COMPANY'S INTEREST IN OTHER ORGANIZATIONS PROVIDING TELECOMMUNICATIONS SERVICES (INTEREST IN THE CHARTER CAPITAL IS AT LEAST 10%)

Table 12

#	Organization	Core business	Share in the Charter capital of the Organization, %	Contribution to the Charter capital, RUR in thousands	Key performance indicators		
					Number of subscribers/lines	Revenues, RUR in thousands	Net profit, RUR in thousands
1.	Teleport Ivanovo LLC	data services; cellular and paging services; trade in communications equipment	100,00	151,250	1,179 subscribers	5,742	-361
2.	MobilCom LLC	mobile telephone service using MPT-1327, ST-II	100,00	2 250,000	220 subscribers	3688	-2015
3.	VladPage LLC	personal radio paging services using ROSSAG standard and 157.925 Hz frequency	75,00	41,250	160 subscribers	506	-74
4.	Private JSC CenterTelecom Service	telecom and data services, telematic services, circuit lease	74,90	74,900	60 lines	6284	454
5.	Private JSC CenterTelecom Service of the Moscow region, CTCS MO	data and Internet	51,00	51,000	425 subscribers	64153	8302
6.	Vladimirski Payphone LLC	deployment of universal card payphones for local, DLD and international telecom services, telephone service cards	51,00	92,500	1 307 lines	15652	374
7.	Private JSC Telecom of the Ryazan region	local telecom services	50,90	22,905	8 224 subscribers	25572	-8481

8.	Private JSC TeleRossVoronezh	an agent of Sovintel for telecom and information services, investments in telecom network development	50,00	585,361	operating under an agency agreement	15177	960
9.	Private JSC Vladimir Teleservice	telematic and data services	50,00	11,000	1 045 subscribers	13238	522
10.	Private JSC Cellular Communications of Black Soil Area (Chernozemie)	cellular NMT-450 communications	45,00	28,800	4 968 subscribers	41325	-25536
11.	Private JSC Kaluzhskaya Cellular Communications	cellular NMT-450 communications	42,00	8,400	1 429 subscribers	12778	-320
12.	Private JSC Smolenskaya Cellular Communications	cellular communications AMPS-800, GSM-900 standards	40,00	2 349,200	2 827 subscribers	20135	-22932
13.	Private JSC Ryazanskaya Cellular Communications	cellular NMT-450 communications	40,00	12,000	1 400 subscribers	12264	-1994
14.	Private JSC Tverskaya Cellular Communications	cellular NMT-450 communications	40,00	12,000	1 444 subscribers	17362	-3370
15.	Private JSC Bryanskies Cellular Networks	cellular NMT-450 communications	34,38	275,000	699 subscribers	9440	-56354
16.	Private JSC Belgorodskaya Cellular Communications	cellular AMPS-800 communications	30,00	1 749,000	1 975 subscribers	6545	-7144
17.	Radiopaging Inc. Company Private Stock Company	liquidation underway	30,00	147,233	liquidation underway		
18.	Rating LLC	UHF, VHF, FM on-air and wireline broadcasting	29,39	36,316	no	824	-284
19.	Tver Telecom LLC	local and intra area code telephone service; data,	26,00	50,436	250 subscribers	42782	-14785

		telematic services, local, DLD and international service on a dedicated network					
20.	JSC Telecommunications Company Rinfotels	data and telematic services, Internet access	26,00	79,040	300 subscribers	8852	463
21.	Trunksvyaz LLC	mobile telephone services	25,00	25,000	18 subscribers	278,1	12,6
22.	RadioLine LLC	works and services for deployment and operation of paging service	13,00	0,650	140 subscribers	603	45
23.	Private JSC OskolTelecom	Cable TV, telematic service, local telephone service, data	12,41	1,886	15 921 subscribers	11558	-4601

EXPLANATORY NOTES

to Table 12 of the Annual Report of JSC CenterTelecom for 2003

1. Teleport Ivanovo LLC

Core business: data network services (license #10855 of 09.10.1998) and telematic services (license #14770 of 07.04.00). Teleport Ivanovo LLC also offers agent and commission service (cellular NMT 450i communications Yartelecom, JSC Vympelcom (trade mark BeeLine), paging of Ivtelecom – a subsidiary of JSC CenterTelecom) and sells communications equipment wholesale and retail.

Teleport Ivanovo LLC provides a range of services using dedicated and dial-up access. The Its network topology interconnected with national and foreign networks, its reliability, making use of high-speed transmission channels, modern equipment and advanced data technologies, Frame Relay, TCP/IP enable to satisfy demand for modern telecom services of various customer types.

In February 2003 a dial-up prepaid card Internet access platform was put into operation.

In March 2003 Teleport-Ivanovo LLC opened a data node (ATC-30/32) and started provision of high-speed Internet access using SDSL lines; in October a data network node was put into service (ATC-23/29) based on ADSL technology.

2. MobilCom LLC.

MobilCom LLC offers mobile telephone radio communications services using MRT-1327 and ST-II standards, license #20865 for provision of mobile radio telephone services valid till February 7, 2007.

As of early 2003 the company served 10 base stations in Vladimir and the region: towns of Murom, Sugoda, Kovrov, Gus'-Khrustalny, Vyazniki, Yuriev-Polski, and Krasnaya Gorbatka community (Selivanovo area), Vol'ginski community (Petushinski area).

In 2003 MobilCom LLC technical department made software upgrade enabling improved quality of service; and provisioning of digital channels in the towns of Alexandrov, Murom, Krasnaya Gorbatka.

3. *VladPage LLC.*

VladPage LLC offers personal radio-paging services using ROSSAG standard and the frequency of 157.925 Hz, having license #18583 for provision of personal radio-paging services valid till June 29, 2006.

4. *Private JSC CenterTelecomService*

Private JSC CenterTelecomService was set up in 2003 for provision of local, domestic long-distance and international service in the CFD, and data, telematic and channel lease in Moscow and the region and CFD.

The company obtained licenses for types activities.

- #28993 of 01.12.03 – local telephone services in the CFD
- #28608 of 31.12.03 lease of channels in the Central Federal District
- #28227 of 02.10.03 telematic services in the Central Federal District
- #28228 of 02.10.03 data services in the Central Federal District
- #28429 of 31.10.03 local, domestic long-distance and international services in the Central Federal District
- #26264 of 23.05.03 international telecom services and channel lease in Moscow and the Moscow region
- #25921 of 23.05.03 data services in Moscow and the Moscow region
- #25922 of 23.04.03 telematic services in Moscow and the Moscow region

5. *Private JSC CenterTelecomService of the Moscow region*

Private JSC CenterTelecomService of the Moscow region (henceforth CTCS MO) offers dial-up and dedicated Internet access and data services based on analog X.25 network and digital technologies Frame Relay and Clear Channel, having the following licenses:

#24196 of 14.11.02 local telephone service

#24086 of 31.10.02 data transmission services

#23610 of 12.09.02 channel lease

#20077 of 22.11.01 telematic services

6. *Vladimirski payphone LLC*

The core business: installation of payphones and provision of local, domestic long-distance and international telephone services, license #14040, valid till 30.12.04.

7. *Private JSC Telecom of the Ryazan region*

Core business: provision of local telephone service, license # 4613 of 02.08.96.

8. *Private JSC TeleRossVoronezh*

The company is an agent of Sovintel LLC, offering telecom services and carrying out investment activities in communications network deployment in the city of Voronezh.

In 2003 over 60 km of fiber were installed, 20 nodes were built.

9. *Private JSC Vladimir-teleservice*

The company's core business is provision of public telematic services (access to information resources, directory and inquiry services, message handling and processing, voice message transmission, voice-mail service) in the Vladimir region.

The company has license #19322 for provision of telematic services, valid till 13.09.06.

The key Internet provider of the company is Global One, ensuring provision of the following services:

- packet switching X.25 network service
- Global Frame Relay
- lease of private lines
- Global Internet
- telephone service
- ISDN
- IP-telephony
- financial communications

10. Private JSC Cellular Communications of Black Soil Region (Chernozemia)

The company offers cellular radio-telephone services in 450 MHz frequency band using NMT-450 standard, based on licenses ## 6407 – 6412, valid till 01.06.05.

In 2003 licenses were obtained for provision of cellular radio-telephone services in 450 MHz frequency band using IMT-MC-450 standard, ##27187 – 27192, valid till 01.07.13.

11. Private JSC Kaluzhskaya Cellular Communications

The company offers cellular radio-telephone services in 450 MHz frequency band using NMT-450 standard, based on license # 6979 of 04.04.97.

12. Private JSC Smolenskaya Cellular Communications

The company offers cellular radio-telephone services in 450 MHz frequency band using GSM-900 standard, based on license # 19754, and in 800 MHz frequency band using AMPS on the basis of license #6414, valid till 01.12.05.

In 2003 a cellular GSM network was deployed, 6 base stations were installed.

13. Private JSC Ryazanskaya Cellular Communications

The company offers cellular radio-telephone services in 450 MHz frequency band using NMT-450 standard, based on license #6980 of 04.04.97.

In 2003 license #30233 of 30.12.03 was granted for provision of cellular radio-telephone services in 450 MHz frequency band using IMT-MC-450 standard.

14. Private JSC Tverskaya Cellular Communications

The company offers cellular radio-telephone services in 450 MHz frequency band using NMT-450 standard, based on license #7125 of 26.06.97.

In 2003 license #30212 of 30.12.03 was granted for provision of cellular radio-telephone services in 450 MHz frequency band using IMT-MC-450 standard; network upgrade and modernization continued.

15. Private JSC Bryanskaya Cellular Networks

The company offers cellular radio-telephone services in 450 MHz frequency band using NMT-450 standard, based on license #9158 of 16.01.98.

In 2003 license #30223 of 30.12.03 was granted for provision of cellular radio-telephone services in 450 MHz frequency band using IMT-MC-450 standard.

16. Private JSC Belgorodskaya Cellular Communications

The company offers cellular radio-telephone services in 800 MHz frequency band using AMPS-800 technology, based on license # 6980 of 04.04.97.

In 2003 Fora software suite was implemented for buying "on-air time" cards to control by a subscriber of his/her account.

17. Private Stock-Company Radiopaging Inc. company

The company is being wound-up.

18. Rating LLC

Core business: sound program broadcasting in FM 104.5 MHz and UHF 68.3 MHz wireline broadcasting, radio advertising.

19. Tver Telecom LLC

Core business of the company is local and intra area code telephone service, telematic and data services, channel lease.

The company has the following licenses:

- TVR – 003625 of 30.12.98 for acting as purchaser for construction and refurbishment of telecommunications sites and facilities, production facilities of its own and houses;
- #11019 of 24.11.98 for provision of channels for lease; validity term expired, efforts are now under way to renew the license;
- #10899 of 23.10.98 for provision of local and intra area code telephone service;
- #16451 of 26.10.00 for provision of telematic services;
- #6328 of 13.10.00 for provision of local, domestic long-distance and international telecom services over a dedicated network;
- #16426 of 26.10.00 for provision of data services.

20. Public JSC Telecommunications company Rinfotels

Core business: provision of data and telematic services. The company has the following licenses:

- #18557 for provision of data services, of 29.06.01
- #12610 for provision of telematic services, of 25.08.99
- #LF/07-3820 of 06.03.03 for distribution of cryptography units;
- #LF/07-3821 of 06.03.03 for technical maintenance of cryptography units;
- #LF/07-3822 of 06.03.03 for information encryption services.

21. Trunksvyaz LLC

The company provides mobile radio telephone services in the Voronezh region.

22. Radioline LLC

The company offers works and services for deployment and operation of paging networks in Tula and the region and is an agent of a paging company MobilCom.

23. Private JSC Oskoltelecom

Core business: cable TV services in the town of Stary Oskol in the Belgorod region.

Currently JSC CenterTelecom embarked on development of a model of strategic management of the daughter and affiliated companies. The key development objectives of the affiliated businesses are: assessment of the efficiency of participation and making timely decisions on selling or improving margins of the companies, sale of non-core businesses and analysis of efficiency of having interests in core and auxiliary companies, identifying key development areas. Implementation of the model implies putting in place uniform requirements to be met in developing business plans, budgeting and controlling arrangements, new services, promotion and incentives for sales growth.

XII. KEY RISKS

The key risk factors taken into account by the Company in conducting its activities are:

- passing of the new federal Telecommunications Act. Summing up the implications, mounting pressure of the government on JSC CenterTelecom can be expected with the aim of solving social tasks; setting priorities in favor of customers and simplifying licensing arrangements, lowering the barrier for new market entrants-competitors to penetrate the market.
- ongoing integration of alternative telecom operators into large international holdings;

However, it should be stressed that CenterTelecom anticipates possible negative implications of the risks and undertakes countermeasures to overcome them.

XIII. INFORMATION ON THE GOVERNING and CONTROL BODIES OF THE COMPANY

General meeting shareholders is the supreme governing body of the Company.

The Board of Directors – a collective (collegial) governing body of the Company generally running the Company.

The Company's Board of Directors is elected by the annual general meeting of shareholders, the membership is 11 members elected by a cumulative voting.

A general meeting of shareholders is entitled to pass a resolution on early termination of authorities of members of the Board of Directors; the resolution however shall be passed only for all members of the Board of Directors at the same time.

In the event of early terminations of authorities of the Board of Directors, the term in office of new Board of Directors shall be valid until the next coming annual meeting of shareholders.

In order to improve efficiency of the Board activities Committees of the Board of Directors are set up for preliminary review of the most important issues of the Company's activities and drafting recommendations to the Board of Directors for making decisions on those issues.

The following permanent Committees of the Board of Directors are set up: Corporate Governance Committee, Budgetary and Investment Planning Committee, Staff and Remuneration Committee, Audit Committee.

Setting up other permanent or ad-hoc committees is possible pursuant to decisions of the Board of Directors.

The Management Board is a collective (collegial) executive body ensuring implementation of decisions passed by general meetings of shareholders and the Board of Directors of the Company.

Membership and composition of the Management Board are defined by a decision of the Board of Directors on a proposal of the General Director, members of the Board of Directors.

The Management Board is elected for a term determined by the Board of Directors when making appointments of its members.

The Company's Board of Directors may pass a resolution terminating before expiry authorities of any (all) member(s) of the Management Board.

In the event of early termination of authorities of certain members of the Management Board, the term in office of newly appointed members shall be valid until expiry of the term for which the current Management Board was appointed.

The General Director is a sole person executive body managing the current activities of the Company. The General Director is appointed by the Board of Directors.

The General Director shall take decisions on issues not referred by the Company's Charter to the competencies of annual meeting of shareholders, the Board of Directors and the Management Board.

The General Directors performs the duties of the Chairman of the Management Board.

The (internal) Audit Commission is an independent body elected by the annual meeting of shareholders according to provisions of the applicable law and the Company's Charter for a term of one years and membership of at least 3 persons.

Authorities of some or all members of the Audit Commission can be early terminated pursuant to a decision of the general meeting of shareholders.

In the event of early termination of authorities of certain members of the Management Board, the term in office of newly appointed members of the Audit Commission shall be valid until the next coming general meeting of shareholders.

In the vent that the number of members of the Audit Commission becomes less than a half of the elected members of the Audit Commission the Board of Directors shall convene an extraordinary meeting of shareholders to elect new Audit Commission.

13.1. The Board of Directors

Personal membership and number of directors

The number of directors is 11, and their names and current positions are:

- | | | |
|-----|----------------------------|--|
| 1. | Mr. Valeriy N. Yashin | General Director
JSC Svyazinvest |
| 2. | Mr. Vadim E. Belov | Deputy General Director
JSC Svyazinvest |
| 3. | Mr. Stanislav P. Avdiants | Executive Director of Economic Policies and tariff
Department, JSC Svyazinvest |
| 4. | Ms. Oksana V. Petrova | Deputy Chief of Methodology and Information
Division, Corporate Governance Department,
JSC Svyazinvest |
| 5. | Mr. Alexander V. Lopatin | Deputy General Director
JSC Svyazinvest |
| 6. | Mr. Boris D. Antonyuk | First Deputy Minister, the Ministry of Communications
of the RF |
| 7. | Mr. Ruben A. Amaryan | General Director
JSC CenterTelecom |
| 8. | Mr. Aleksey B. Panteleev | First Deputy Chairman of the Moscow region
Government |
| 9. | Mr. Alexander P. Gribov | Deputy Chief of Department, Head of Division of the
Russian Federal Property Fund |
| 10. | Mr. Alexander V. Ikonnikov | Executive Director
Investor Right Protection Association |
| 11. | Mr. Grigoriy M. Finger | Executive Director
Moscow Representative Office of NCH Advisors Inc. |

Changes in the membership in the Board of Directors

Members from June 05, 2002 through February 20, 2003

- | | | |
|----|--------------------------|--|
| 1. | Mr. Valeriy N. Yashin | General Director
JSC Svyazinvest |
| 2. | Mr. Alexander V. Lopatin | Deputy General Director
JSC Svyazinvest |
| 3. | Mr. Vadim E. Belov | Deputy General Director
JSC Svyazinvest |

4. Ms. Oksana V. Petrova Deputy Chief of Methodology and Information Division, Corporate Governance Department, JSC Svyazinvest
5. Mr. Yuri A. Pavlenko General Director
Public JSC MegaFon
6. Mr. Alexander P. Gribov Deputy Chief of Department, Head of Division of the Russian Federal Property Fund
7. Mr. Oleg I. Betin Chief of Administration of the Tambov region
8. Mr. Ruben A. Amaryan General Director
JSC CenterTelecom
9. Mr. Alexander V. Ikonnikov Executive Director
Investor Right Protection Association

Members of the Board of Directors from February 20, 2003 through June 24, 2003

1. Mr. Valeriy N. Yashin General Director
JSC Svyazinvest
2. Mr. Vadim E. Belov Deputy General Director
JSC Svyazinvest
3. Mr. Stanislav P. Avdiants Executive Director of Economic Policies and tariff Department, JSC Svyazinvest
4. Mr. Viktor D. Savchenko Director of Legal Department, JSC Svyazinvest
5. Ms. Oksana V. Petrova Deputy Chief of Methodology and Information Division, Corporate Governance Department, JSC Svyazinvest
6. Mr. Alexander V. Lopatin Deputy General Director
JSC Svyazinvest
7. Mr. Ruben A. Amaryan General Director
JSC CenterTelecom
8. Mr. Aleksey B. Pantelev First Deputy Chairman
of the Moscow region Government
9. Mr. Alexander P. Gribov Deputy Chief of Department, Head of Division of the Russian Federal Property Fund
10. Mr. Alexander V. Ikonnikov Executive Director
Investor Right Protection Association
11. Mr. Grigoriy M. Finger Executive Director
Moscow Representative Office of NCH Advisors Inc.

Members of the Board of Directors from June 24, 2003 through December 31, 2003

1. Mr. Valeriy N. Yashin General Director
JSC Svyazinvest
2. Mr. Vadim E. Belov Deputy General Director
JSC Svyazinvest
3. Mr. Stanislav P. Avdiants Executive Director of Economic Policies and tariff Department, JSC Svyazinvest
4. Ms. Oksana V. Petrova Deputy Chief of Methodology and Information Division, Corporate Governance Department, JSC Svyazinvest
5. Mr. Alexander V. Lopatin General Director
Public JSC Virtual etalons
6. Mr. Boris D. Antonyuk First Deputy Minister, the Ministry of Communications of the RF
7. Mr. Ruben A. Amaryan General Director
JSC CenterTelecom
8. Mr. Aleksey B. Pantelev First Deputy Chairman

- | | | |
|-----|----------------------------|---|
| 9. | Mr. Alexander P. Gribov | of the Moscow region Government
Deputy Chief of Department, Head of Division of the
Russian Federal Property Fund |
| 10. | Mr. Alexander V. Ikonnikov | Executive Director
Investor Right Protection Association |
| 11. | Mr. Grigoriy M. Finger | Executive Director
Moscow Representative Office of NCH Advisors Inc. |

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

Remuneration paid to members of the Board of Directors consists of an annual and quarterly payments.

Quarterly remuneration to each members of the Board of Directors is determined as a percentage of the Company's revenues from sales of merchandise, products, works, services for the reporting period according to accounting reports of the Company.

The Chairman of the Board of Directors is paid remuneration using a multiplier of 1.3.

Remuneration payable to a member of the Board of Directors shall be reduced:

by 30% if the member attended in person less than half of the Board meetings held in the form of joint presence;

by 100% if the member attended less than half of the total number of the conducted Board meetings.

For the quarter in which elections of the Board members took place, remuneration to the Board member shall be paid pro rata to the actual time in office in the quarter in question.

Amount of annual remuneration for the whole Board of Directors is set as a percentage of the Company's net profit for the reporting year according to accounting reports of the Company.

Amount of annual remuneration for each member of the Board of Directors shall be determined by a decision of the Board passed simultaneously with tentative approval of the annual report of the Company.

The general meeting of shareholders at which the relevant Board of Directors is elected shall decide on the percentage of allocations to calculate the annual and quarterly remuneration.

Meetings of the Board of Directors and key decisions passed by it.

Altogether 40 meetings of the Board of Directors were held in 2003. The following vital for the Company activity decisions were passed at the meetings:

- Arranging a bond issue of JSC CenterTelecom in 2003
- Conducting an extraordinary general meeting of shareholders of JSC CenterTelecom.
- Insurance coverage for electronic equipment of the Company
- Approval of the budget for 2003
- Implementation of the project of placement of CenterTelecom's bond issue
- Approval of the Program for Increasing the Company's market capitalization for 2003
- Implementation of Enterprise Resource Planning system (ERP).
- Approval of the Declaration of Corporate Conduct Principles of JSC CenterTelecom.
- Creation of the Management Board of the Company
- Approval of Regulations on Information Provision of JSC CenterTelecom.

- Implementation of new approaches to investment planning in the Company
- Approval of the marketing strategy of JSC CenterTelecom
- Approval of the Company's economic development forecast for 2004-2010
- Acquisition by JSC CenterTelecom of 100% of the stock of JSC Russian Telecommunications Networks

13.2. The General Director

Personal data of the General Director of JSC CenterTelecom

Ruben A. Amaryan was born on May 12, 1949 in Moscow; and graduated from Moscow Electro-technical Telecommunications Institute in 1971, receiving a master degree in automatic telecommunications. Married with two children.

He received higher education in 1971, graduating from Moscow Electro-technical Telecommunications Institute. In 1993 Mr. R. Amaryan took top executive course at Duke University Fuqua School of Business (USA).

His working carrier started in 1973. Since 1981 Mr. R. Amaryan has been involved with telecommunications industry, holding executive positions in JSC MGTS; as of June 30, 2000 was in charge of JSC CenterTelecom.

PREVIOUS EMPLOYMENT

07.97	06.2000	Deputy General Director, Chief of Supply and Logistics Division Service of Public Joint-Stock Company Moscow City Telephone Network, Moscow
06.2000	06.2001	General Director, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	up to now	General Director, Joint-Stock Central Telecommunication Company, Moscow

In July 2002 Mr. R. Amaryan was named CIS Director of the year.

Academic and scientific degrees:

received Doctor of Sciences degree in technology in 1998;
 appointed a senior researcher of the Academy of Defense Industries in 1998;
 full member of the Russian Academy of Nature Sciences, as of 2000;
 academician of the International Telecommunication Academy, 2001;
 professor of Moscow Academy of Labor Market and Information Technology, 2002

Mr. R. Amaryan is an author of over 20 scientific papers and monographs.

Awards

- medal in commemoration of 850th anniversary of Moscow - 1997;
- an honorary title of Master of Telecommunication - 1999;
- badge of Honorary Radio Engineer - 2001;
- honorary title of distinguished telecommunication expert of the Moscow region - 2001;
- ministerial medal of the Federal Special Construction Service for Service, 2002;
- sign of honor of the Ministry for Civil Defense, Emergencies and Natural Disaster Recovery For Merits - 2002;

- medal for service in completing Russia Sensus - 2003;
- commendation of the Minister of the RF for Telecommunications and Informatics - 2003.

13.3. The Management Board

Current membership of the Company's Management Board (11 members) from July 17, 2003 through December 31, 2003.

1. R. Amaryan, Chairman of the Management Board
2. A. Lokotkov
3. M Pegasov
4. E. Zhuravleva
5. S. Pridantsev
6. V. Sychev
7. R. Konstantinova
8. T. Sotskova
9. A. Polnikov
10. A. Khaustovich
11. N. Mezhuev

Changes in the Management Board

Members of the Management Board from January 1, 2003 through March 1, 2003

1. R. Amaryan, Chairman of the Management Board
2. A. Lokotkov
3. M Pegasov
4. N. Mezhuev
5. A. Polnikov
6. E. Zhuravleva
7. R. Martyshechkin
8. A. Galaev
9. R. Konstantinova

Members of the Management Board from March 28, 2003 through July 14, 2003

1. R. Amaryan, Chairman of the Management Board
Members of the Management Board
2. A. Lokotkov
3. E. Zhuravleva
4. M Pegasov
5. S. Pridantsev
6. V. Sychev
7. R. Konstantinova
8. T. Sotskova
9. A. Polnikov
10. G. Kuzmenko
11. V Gapeenko
12. A. Korovin

13. A. Khaustovich
14. G. Brusentsev
15. V. Ledkov
16. A. Saprykin
17. A. Maslov
18. V. Nikolaev
19. N. Mezhuev
20. I. Makhov
21. V. Shevnev
22. N. Chugunkov
23. S. Klychev
24. E. Savenkov
25. Yu. Lepikhov
26. V. Kotolkov

Information about members of the Management Board

Given name, second name initial, surname: RUBEN A. AMARYAN

(for information refer to item 13.2. of this Report)

Given name, second name initial, surname: ALEKSEY A. LOKOTKOV

Born in: 1950 г.

Education: higher education received in All-Union Extra-Mural Construction and Engineering Institute, graduated in 1977

received his Ph.D. in technology in 2001.

PREVIOUS EMPLOYMENT

06.1992	07.2000	Deputy Chief of Supply and Logistics Division Service, JSC Moscow City Telephone Network, Moscow
07.2000	06.2001	First Deputy General Director, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	02.2003	First Deputy General Director Joint-Stock Central Telecommunication Company, Moscow
02.2003	up to now	First Deputy General Director – Financial Director, JSC CenterTelecom, Moscow

Given name, second name initial, surname: MAXIM A. PEGASOV

Born in: 1966

Education: higher, graduated from Moscow Electro-technical Telecommunications Institute in 1984

PREVIOUS EMPLOYMENT

08.1988	07.2000	engineer, deputy chief of central office, chief of Sovetski telecommunications office, Public JSC Moscow City Telephone Network, Moscow
07.2000	06.2001	Deputy General Director, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	02.2003	Deputy General Director, Joint-Stock Central Telecommunication Company, Moscow
02.2003	up to now	Deputy General Director, Technical Director,

Given name, second name initial, surname: ELLA M. ZHURAVLEVA

Born in: 1961

Education: higher, graduated from Moscow Plekhanov Institute of Industry in 1984
received Ph.D. degree in 2002

PREVIOUS EMPLOYMENT

04.1992	09.2000	chief pf planning and economic department, chief of accounting, financing and borrowing department, first deputy chief accountant, deputy head for economics and finances – chief accountant, Supply and Logistics Division Service, JSC Moscow City Telephone Network
09.2000	10.2000	Chief of Personnel, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
11.2000	06.2001	Deputy General Director–Head of Personnel Division, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	02.2003	Deputy General Director – Head of Personnel Division, JSC CenterTelecom, Moscow
02.2003	up to now	Deputy General Director – Director for Personnel, JSC CenterTelecom, Moscow

Given name, second name initial, surname: SERGEI V. PRIDANTSEV

Born in: 1967

Education: higher, graduated from Order of Red Banner, Moscow Automobile and Motoroad Institute in 1993

PREVIOUS EMPLOYMENT

05.1997	10.2002	lead sales manger, sales director, Lucent Technologies, Moscow
10.2002	04.2003	advisor to General Director, JSC CenterTelecom, Moscow
04.2003	up to now	Deputy General Director – Commercial Director JSC CenterTelecom, Moscow

Given name, second name initial, surname: VALERIY P. SYCHEV

Born in: 1947

Education: higher, graduated from border-guard military school of KGB, in 1969

assistant professor, chair of tactical skills and operative strategy of border guard units

PREVIOUS EMPLOYMENT

03.1997	10.2000	deputy director, chief of guard, private security company SBB Security, Moscow
10.2000	06.2001	Deputy General Director, chief of Security Division, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	06.2002	Deputy General Director, chief of Security Division, JSC CenterTelecom, Moscow
06.2003	up to now	Deputy General Director for security and confidentiality enforcement, JSC CenterTelecom, Moscow

Given name, second name initial, surname: RAISA P. KONSTANTINOVA

Born in: 1954

Education: higher, graduated from Moscow Institute of Steel and Alloys, in 1977

PREVIOUS EMPLOYMENT

06.1993	09.2000	Chief Accountant, Public Joint-Stock Company Moscow City Telephone Network, Moscow
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09.2000	06.2001	Chief Accountant, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
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06.2001	up to now	Chief Accountant, JSC CenterTelecom, Moscow
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Given name, second name initial, surname: TATYANA N. SOTSKOVA

Born in: 1958

Education: higher, graduated from All-Union Extra-Mural Institute of Law in 1990

PREVIOUS EMPLOYMENT

09.1997	01.2001	Chief of Legal Division, Ministry of Fuel and Power of the RF, Moscow
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01.2001	03.2003	Chief of Legal Division, JSC CenterTelecom, Moscow
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04.2003	up to now	Director of Legal Department, JSC CenterTelecom, Moscow
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Given name, second name initial, surname: ALEXANDER I. POLNIKOV

Born in: 1943 r

Education: higher, graduated from Kuybyshev Electro-Technical Institute, Academy of Industry and Economics

Scientific degree: Academician

PREVIOUS EMPLOYMENT

1998	up to now	Executive Director, Director of Capital Investments Management, JSC Svyazinvest
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Given name, second name initial, surname: ALEXANDER V. KHAUSTOVICH

Born in: 1949

Education: higher, graduated from Order of Red Banner Moscow Electro-Technical Telecommunications Institute in 1971

Ph.D. in technology received in 1997;
academic degree – assistant professor, since 2000

PREVIOUS EMPLOYMENT

11.1993	06.2001	First Deputy General Director, JSC Voronezhsvyazinform, Voronezh
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06.2001	11.2002	General Director, JSC Voronezhsvyazinform, Voronezh
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12.2002	up to now	Deputy General Director – Director of Voronezhsvyazinform, a subsidiary of JSC CenterTelecom, Voronezh
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Given name, second name initial, surname: NIKOLAY V. MEZHUEV

Born in: 1962

Education: higher, Kiev Higher Military School of Telecommunications in 1984

PREVIOUS EMPLOYMENT

09.1979	09.1999	military service, USSR armed forces
01.2000	07.2000	Deputy General Director, Private JSC Teleintercom, Moscow
07.2000	06.2001	Deputy General Director, Joint-Stock Company Elektrosvyaz of the Moscow region, Moscow
06.2001	02.2003	Deputy General Director, Joint-Stock Central Telecommunication Company, Moscow
03.2003	up to now	Deputy General Director, director of Moscow subsidiary of JSC CenterTelecom, Moscow

Criteria for determination and remuneration amount (compensation of expenses) of payable to members of the Management Board

Amounts of remuneration are set as percentages of the Company net profit for the relevant quarter according to accounting reports of the Company and shall be paid quarterly.

Paid amounts and their distribution between the Management Board members shall be determined by a decision of the Board of Directors as proposed by the Management Board Chairman.

The Board of Directors shall decide on the percentage of allocations to calculate the remuneration amount.

Remuneration payable to the General Director is set forth by the Contract concluded between the General Director and the Company.

Remuneration paid to members of the Board of Directors, members of the Management Board and General Director of the Company:

#	Name	Title	Amount, RUR
	R. Amaryan	General Director	4,357,936
1.	V. Yashin	Chairman of the Board of Directors	
2.	R. Amaryan	Member of the Board of Directors	
3.	S. Avdians	Member of the Board of Directors	
4.	B. Antonyuk	Member of the Board of Directors	
5.	V. Belov	Member of the Board of Directors	
6.	A. Gribov	Member of the Board of Directors	
7.	A. Ikonnikov	Member of the Board of Directors	
8.	A. Lopatin	Member of the Board of Directors	
9.	O. Petrova	Member of the Board of Directors	
10.	A. Panteleev	Member of the Board of Directors	
11.	G. Finger	Member of the Board of Directors	
Total			9,934,433
	R. Amaryan	Chairman of the Management Board	
12.	A. Lokotkov	Member of the Management Board	
13.	M. Pegasov	Member of the Management Board	
14.	S. Pridantsev	Member of the Management Board	
15.	V. Sychev	Member of the Management Board	
16.	E. Zhuravleva	Member of the Management Board	
17.	R. Konstantinova	Member of the Management Board	

18.	T. Sotskova	Member of the Management Board	
19.	A. Polnikov	Member of the Management Board	
20.	N. Mezhuev	Member of the Management Board	473,021.12
21.	A. Khaustovich	Member of the Management Board	344,932.12
Amount			19,076,186.24

Shares of the Company owned by members of the Board of Directors, the Management Board and the General Director (as of December 31, 2003):

#	Name	Title	Class and number of shares (pieces)	Share in the Charter Capital, %
1.	V. Yashin	Chairman of the Board of Directors	Ordinary: 30,000	0.0014
2.	R. Amaryan	Member of the Board of Directors, Chairman of the Management Board, General Director of the Company	Ordinary: 292,718	0.0139
3.	S. Avdians	Member of the Board of Directors		
4.	V. Belov	Member of the Board of Directors	Ordinary: 4,091	0.0002
5.	A. Gribov	Member of the Board of Directors		
6.	A. Ikonnikov	Member of the Board of Directors		
7.	A. Lopatin	Member of the Board of Directors		
8.	O. Petrova	Member of the Board of Directors		
9.	G. Finger	Member of the Board of Directors		
10.	A. Lokotkov	Member of the Management Board	Ordinary: 241,888	0.0115
11.	M. Pegasov	Member of the Management Board	Ordinary: 3,000	0.0001
12.	S. Pridantsev	Member of the Management Board		
13.	V. Sychev	Member of the Management Board		
14.	E. Zhuravleva	Member of the Management Board	Ordinary: 7,000	0.0003
15.	R. Konstantinova	Member of the Management Board		
16.	T. Sotskova	Member of the Management Board		
17.	A. Polnikov	Member of the Management Board		
18.	N. Mezhuev	Member of the Management Board	Ordinary: 1,000	0.00004

19.	A. Khaustovich	Member of the Management Board	Ordinary: 2,105,028 Preference: 60,685	0.1029
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13.4. The Internal Audit Commission

Prior to the extraordinary general meeting of shareholders of JSC CenterTelecom, held on February 20, 2003 there were 3 members of the Audit Commission of the Company

Chairperson: **Irina V. Prokofieva** – Deputy Director – Head of Division, Department of Internal Audit and Economic Analysis, JSC Svyazinvest

Born in: 1968

Education: *higher*

Positions held over the past 5 years:

Period: 1998 - 2001

Organization: *Public Joint-Stock Company Telecominvest*

Position: *expert*

Period: 2001 - 2001

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Deputy chief, Division of Internal Audit and Economic Analysis*

Period: 2001 – 2003

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Deputy Director- Chief of Division of Internal Audit, Department of Internal Audit and Economic Analysis*

Period: 2003 – up to now

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Director, Internal Audit Department*

Holding shares of the Company in the reporting year: *no*

Members of the Commission: **Arseniy B. Plyusnin** – Head of Corporate Reorganization Department, JSC CenterTelecom

Born in: 1946

Education: *higher*

Positions held over the past 5 years:

Period: 1997 - 1999

Organization: *Private Joint-Stock Company FAST-VILS*

Position: *General Director*

Period: 1992 - 2000

Organization: *Limited Liability Partnership TREMACO*

Position: *General Director*

Period: 2000 - 2001

Organization: *Public Joint-Stock Company Elektrosvyaz of the Moscow region*

Position: *Lead expert, Head of Management Structure Division*

Period: 2001 – up to now

Organization: *JSC CenterTelecom*

Position: *Deputy Director of Personnel Department – Head of Staffing and Organizational Development*

Holding shares of the Company in the reporting year: *no*

Konstantin V. Belyaev – Chief Accountant, JSC Svyazinvest

Born in: 1968

Education: *higher*

Positions held over the past 5 years:

Period: 1996 - 2001

Organization: *Public Joint-Stock Company Artelecom*

Position: *Chief accountant*

Period: 2001 – up to now

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief accountant*

Holding shares of the Company in the reporting year: *no*

At the extraordinary general meeting of shareholders of JSC CenterTelecom, held on February 20, 2003 five members of the Company's Audit Commission were elected:

Chairperson: **Irina V. Prokofieva**- Deputy Director – Chief of Division, Department of Internal Audit and Economic Analysis, JSC Svyazinvest

Members of the Commission: **Konstantin V. Belyaev** - Chief accountant, JSC Svyazinvest

Arseniy B. Plyusnin – Head of Corporate Reorganization Department, JSC CenterTelecom

Kirill V. Frolov – Chief Expert, Department of Internal Audit and Economic Analysis, JSC Svyazinvest

Born in: 1977

Education: *higher*

Positions held over the past 5 years:

Period: 1997 - 2000

Organization: *Limited Liability Company Dubrovki*

Position: *Chief accountant*

Period: 2000 - 2001

Organization: *Company A-Hold*

Position: *Auditor*

Period: 2001 – 2001

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief Expert, Division of Internal Audit and Economic Analysis*

Period: 2001 – 2003

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*
Position: *Chief Expert, Division of Internal Audit, Department of Internal Audit and Economic Analysis*

Period: *2003 – up to now*

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*
Position: *Deputy Director – Head of Division of Internal Audit of Daughter and Affiliated Companies of JSC Svyazinvest, Department of Internal Audit*

Holding shares of the Company in the reporting year: *no*

Konstantin Yu. Kravchenko – Chief Expert, Department of Telecommunications, JSC Svyazinvest

Born in: *1973*

Education: *higher, Ph.D. in technology*

Positions held over the past 5 years:

Period: *1999 - 2000*

Organization: *Public Joint-Stock Company Mostelecom*

Position: *Deputy Department Head*

Period: *2000 - 2002*

Organization: *Limited Liability Company VILCOM-INET*

Position: *Technical Director*

Period: *2002 – up to now*

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief Expert, Department of Telecommunications*

Holding shares of the Company in the reporting year: *no*

At the annual general meeting of shareholders of JSC CenterTelecom, held on June 24, 2003 the following five members of the Company's Audit Commission were elected:

Chairperson: **Irina V. Prokofieva**- Director of Internal Audit Department, JSC Svyazinvest

Members of the Commission: **Konstantin V. Belyaev** - Chief accountant, JSC Svyazinvest

Lyubov A. Greseva – Chief Expert, Internal Audit Department, JSC Svyazinvest

Born in: *1976*

Education: *higher*

Positions held over the past 5 years:

Period: *1998 - 1998*

Organization: *Private Joint-Stock Company Master-Design*

Position: *Chief accountant*

Period: *1998 – 2000*

Organization: *Limited Liability Company Perm'lescontract*

Position: *deputy chief accountant, acting chief accountant*

Period: 2000 - 2000

Organization: *Limited Liability Company Prikamie Lada Plus*

Position: *Chief accountant*

Period: 2000 – 2002

Organization: *Limited Liability Company Sargona-Pro*

Position: *Chief accountant*

Period: 2002 - 2003

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief expert, Internal Audit Division, Department of Internal Audit and Economic Analysis*

Period: 2003 – up to now

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief expert, Division of internal audit of affiliated companies of JSC Svyazinvest, Internal Audit Department, JSC Svyazinvest*

Holding shares of the Company in the reporting year: *no*

Elena N. Kukudzhanova – Chief expert, Internal Audit Department, JSC Svyazinvest

Born in: 1972

Education: *higher*

Positions held over the past 5 years:

Period: 1999 - 2000

Organization: *Limited Liability Company Odeks*

Position: *Accountant*

Period: 2000 - 2000

Organization: *Private Joint-Stock Company Soyuzsnab*

Position: *Chief accountant*

Period: 2000 – 2002

Organization: *Limited Liability Company Company-RIL*

Position: *Accountant*

Period: 2002 – 2003

Organization: *Public Joint-Stock Company Investitsionnaya Kompania Svyazi*

Position: *Chief expert, Internal Audit Division, Department of Internal Audit and Economic Analysis*

Period: 2003 – up to now

Organization: *Public Joint-Stock Company Svyazinvest*

Position: *Chief expert, Division of internal audit of affiliated companies of JSC Svyazinvest, Internal Audit Department, JSC Svyazinvest*

Holding shares of the Company in the reporting year: *no*

Kirill V. Frolov – Deputy Director – Head of Division, Internal Audit
Department, JSC Svyazinvest

In the reporting year the Audit Commission held 3 meetings.

Total number of audits: 2 audits

of which: on a commission of the general meeting of shareholders – no; on the Commission's own initiative – two; at the request of shareholders owning on aggregate over 10% of the Company voting shares – no.

The audits of financial and business activities were conducted with the following objectives:

- verify credibility and accuracy of data contained in the accounting reports for 2003;
- bookkeeping and accounting and reporting arrangements in 2003.

Upon the results of the audits of the financial and business activities the Audit Commission issued a Report of The Audit Commission of JSC CenterTelecom on the annual accounting reports and accuracy of data contained in the annual report and financial statements of the Company for 2003.

XIV. CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

In the reporting year JSC CenterTelecom paid particular attention to streamlining corporate governance as a system of interaction between shareholders, the Board of Directors, executive bodies of the Company and other stakeholders and interested parties.

The Board of Directors and executive bodies of JSC CenterTelecom were guided by basic principles and recommendations of the code of corporate conduct approved by the Russian government and standards recognized by the world investment community (Principle of Corporate Governance of OECD):

- integrity;
- transparency;
- accountability;
- responsibility;
- ensuring opportunity for shareholders to exercise their rights related to having interest in the Company;
- equal treatment of shareholders;
- building an efficient system of control and interaction between shareholders, the Board of Directors and executive bodies of the Company as a set of rules and incentives that enables shareholders to exercise control over the Company management and influence running to maximize profits and shareholders' value;
- ensuring timely and complete disclosure of full and credible information about the Company, including its financial position, performance indicators, ownership structure and management in order to enable making informative decisions by shareholders and potential investors of the Company;
- giving due consideration to and compliance with provisions of law securing rights of a wider stakeholder circle, including the Company employees; encouraging active collaboration of the Company and stakeholders in order to improve financial position, increase share price and market value of other securities of the Company.

In March 2003 international rating agency Standard&Poor's assigned JSC CenterTelecom an initial Corporate Governance Score of (CGS) of 5.3 point (on 10 point scale). The CGS was determined evaluating four major areas: ownership structure and influence of shareholders; stakeholders rights and relations; financial transparency and information disclosure; and structure and practices of the Board of Directors.

The analytical report of Standard&Poor's was carefully studied and to a great extent serves as the basis for implementing measures to streamline corporate governance practices in the Company.

The Company's the Board of Directors on June 18, 2003 approved Declaration stating principles of Corporate Conduct of JSC CenterTelecom. In order to implement these principles, A Program of Improvement Corporate Governance Practices was developed and approved by the Company's the Board of Directors on August 4, 2003.

The Program identified key objectives facing the Company and essential measures aimed at rising investors' appeal of the Company, implementation of best practices of corporate governance in the management of the Company.

The activities conducted according to the sections of the Program:

- Monitoring of the system of corporate governance put in place in the Company;
- Setting up and arranging for activities of Committees of the Board of Directors;
- Setting up the office of the Company Corporate Secretary;
- Refining interactions and relations with shareholders and investors;
- Providing support for management decision making;
- Development of the Company's Code of Corporate Conduct;
- Working with Standard&Poor's rating agency to support and further improvement of the CGS assigned to the Company;
- Streamlining the management structure of the Company.

In the reporting year the Company's Code of Corporate Governance was developed which is a set of voluntarily obligations undertaken by the Company based on balanced interests of shareholders, governing bodies and other stakeholders of the Company. Provisions of the Code were developed on the basis of the Code of Corporate Conduct recommended by the federal Securities Market Commission of the RF, basic corporate governance principles of the OECD, Federal Law On Joint-Stock Companies, the Company's Charter, Declaration of corporate governance principles of JSC CenterTelecom.

The Draft Code was assessed by leading institutions in the area of best practices of corporate governance: Russian Institute of Directors, Association of Independent Directors, International Financial Corporation, and was generally praised. At the meeting of the Board of Directors held on February 20, 2004 the Code of Corporate Governance (best practices) was unanimously approved.

Another essential step in streamlining corporate governance was taken by the Board of Directors setting up four permanent committees of the Board assisting in its activities:

- Audit Committee
- Staff and Remuneration Committee;
- Corporate Governance Committee;
- Budgetary and Investment Planning Committee.

Members of the Committees are identified and carry out activities preliminary reviewing materials and referred to the competency of the Board of Directors and issuing unbiased objective recommendations aimed at honoring shareholders' and other stakeholders' interests.

For instance, in the reporting year the Corporate Governance Committee considered the issues of development of the Code of Corporate Governance (Conduct) of the Company, setting up the Audit Commission, establishment of the office of the Corporate Secretary, implementation of the program of increasing market capitalization of the Company, changes in the Company's organizational chart, etc.

The Staff (Nomination) and Remuneration Committee worked on streamlining and improving transparency of system of compensation and remuneration to the Board members, its Committees, the Management Board and the internal Audit Commission; incentives for the Company management.

Budgetary and Investment Planning Committee reviewed planning rules of procedure, approval, execution and control of the Company's budgets; draft budgets for 2004 and prospects for up to 2010.

The Audit Committee initiated work on organizing communication and interaction with the independent auditor, and supervision of audits and checks.

For the purpose of implementation of best practices in managing activities of daughter and affiliated companies (DACs) JSC CenterTelecom developed basics of Corporate Governance of DACs, identifying principles of participation of the Company's representatives in the governing bodies of DACs and interoperation of structural units of JSC CenterTelecom in reviewing material prepared to general meetings of shareholders, meeting of Boards of Directors of DACs. The document is aimed at:

- delimitation of competencies of DACs governing bodies and their compliance with effective law and internal rules of decision making;
- implementation of rules and forms of accounting and reports of DACs executive bodies on their financial and business activities;
- enabling control on the part of shareholders (participants) and board of directors on asset management of DACs; including compliance with regulatory provisions governing closing major deals and related party transaction; disclosure of information on the deals made by DACs involving property;
- development of an efficient system of communication and interaction with managers, shareholders and creditors of the daughter and affiliated companies, and activities of the Company's representatives in the governing and controlling bodies of DACs.

In the reporting essential measures were taken to prepare setting up of the Corporate Secretary office, whose key tasks would be to ensure compliance with rules of procedures and requirements securing exercising of rights and interests of the Company's shareholders.

The Management Board and Corporate Governance Committee of the Board of Directors reviewed and approved draft documents setting forth rights and duties of the Corporate Secretary and its staff, identifying criteria to be met by applicants to fill the position of the Company's Corporate Secretary. JSC CenterTelecom is active in shaping general approaches to the status and regulations of the activities of corporate secretaries. The Company's representatives are members of Business Club of corporate secretaries with Russian Institute of Directors, and in the Task Force for development of professional standards and qualification prerequisites of the corporate secretary.

Completion of the reorganization of telecommunications companies in 17 regions of the Central Federal District posed new tasks and challenges in creating organizational structures and putting in place management systems.

Coordination of activities of subsidiaries and General Directorate across all business became an immediate task. To this end the efficiency of the organizational structures of subsidiaries was regularly assessed and analyzed, and over a hundred recommendations were put in place.

A concept of restructuring the procurement, supply and logistics organizations and a New investment planning and control arrangements were studied, reviewed, customized and implemented in the management system.

During the year consolidation of local telecommunication offices continues to make them meet manageability requirements. For instance, in the Orlovski subsidiary the restructuring resulted in setting up 6 units instead of 12.

The Company's subsidiaries also continued working on development and implementation of quality management system meeting requirements of GOST R ISO 9001-2001.

In order to ensure timely and complete disclosure of information about the Company for shareholders, investors, and other stakeholders the Company paid significant attention to development of a new information policy with the following key priorities:

- streamlining information policies, improving awareness of investing community and quality of information disclosures by the Company;
- building up consistent relations with Russian and international investor communities, focusing on their needs, managing their expectations;
- support of liquidity of the Company's shares and maximization of their market prices.

The Board of Directors on August 4, 2003 approved the Information Rules of Procedure of the Company. This is a comprehensive document specifying lists of data items to be disclosed, and those considered confidential and proprietary; and sets out arrangements for interoperation of structural units and subsidiaries of the Company in organizing the process of information gathering, processing and dissemination of information and analytical information about the Company.

In 2003 JSC CenterTelecom for the first time published audited by Private JSC Ernst&Young Vnesheaudit financial statements according to IAS. The audited accounts were provided to FCSM of Russia, SEC, professional arrangers and stock-market participants, shareholders and potential investors.

The Company compiled and disseminated its annual public report. Its structure and content were focused on analysts to offer them an opportunity to carefully study the processing ongoing in the Company, assess its development outlook. On November 28, 2003 announcing results of the VIth contest of annual reports held jointly by RTS Stock Exchange and Securities Market magazine, the organizers awarded the annual report of JSC CenterTelecom with a diploma in the nomination For level of information disclosure in the annual report. Some 85 organizations including 56 issuers of RTS listed securities took part in the contest.

In the course of improving the information disclosure policies a new website structure was designed, Coordination Council to facilitate the website promotion and raising its visibility was established which includes the General Director, key managers of the Company, independent directors and an external consultant Private JSC Cominfo Consulting. New sections appeared, website navigation and its content were significantly improved, the English version of the site mirroring the Russian appeared. The Company conducts web-conference on significant events; a new section "Question and answers" was specifically introduced targeting analysts and investors.

These concerted efforts resulted in naming JSC CenterTelecom a winner of the Corporate Site contest in the nominations Design and navigation and Information disclosure. The second contest of issuers' websites was held by RTS; twenty five companies from various industries: telecommunications, energy and power, oil and gas featured at the contest. All this evidences sound decisions made for website development and its significant role in improving information transparency of the Company.

The Company continued working with rating agencies. To improve the efficiency the Rating agency relations advisor – ABN AMRO Bank was engaged. Realizing vital importance of meeting internationally accepted requirements JSC CenterTelecom held a tender to select a second rating agency. Fitch Ratings was finally selected. Currently (April 2004) the Company completed measures to revise the international credit rating issued by Standard&Poor's, and is making preparations for starting rating assignment process with Fitch.

The Company on a regular basis works with representative of leading investment and analytical companies (Troyka-Dialog, FINAM, Alfa-Bank, Brunswick UBS, ABN AMRO Bank, RosBusinessConsulting, etc.).

In April 2003 pushing forward and extending business practices JSC CenterTelecom arranged road-show in London, and had meetings with leading Western investment funds and managing companies. Experts from United Financial Group were engaged as consultants.

Over 40 meeting were held including round-tables, attended by representatives of numerous companies, including shareholders of JSC CenterTelecom, analysts, executives from investment companies. The Company development outlook and forecast were discussed, as well as key issues of financial, investment and tariff policies of the Company. Common position was agreed concerning desired and needed volumes, forms and ways of preparing and disseminating vital information about the Company.

The Company practices rendering invitations of investors, analysts, representative of financial publications to visit subsidiaries of the Company. In July the first such visit was arranged for Yaroslavlski subsidiary. Investors and analysts were offered an opportunity to see with their own eyes the work in the field, get a taste of the business in the region, visit service centers, access nodes

and PoPs. The Company's management held a round-table discussion. Such outing are planned to arrange on a regular basis.

The Company builds up its efforts in publication of feature articles and other materials aimed at satisfying interest of investing community and describing the Company's undertakings in improving investor's appeal and streamlining corporate governance. A number of features was prepared and made public in periodicals, like Securities Market, Svyazinvest, The Russia Journal, Euromoney.

Checklist of the Company compliance with the Code of Corporate Conduct recommended by FCSM of Russia is presented following the guidelines on the content and form of presenting data on compliance with the code of corporate conduct in annual reports of joint-stock companies approved by FCSM ordinance # 03-849/r of April 30, 2003, and based on the practices of corporate conduct of the Company in the reporting period.

The complete volume of information describing the obligations undertaken by the Company in the area of corporate conduct can be reviewed looking into the Code of Corporate Governance of JSC CenterTelecom, posted on the corporate website at:

<http://www.centertelecom.ru/index.html?d=337>.

#	Provisions of the Code of Corporate Conduct (wordings are according to resolution of FCSM # 03-849/r of 30.04.2003 Guidelines on the composition and content of the provision of data regarding compliance with the code of corporate conduct in annual reports of stock companies)	Statement of compliance	Notes
General meeting of shareholders			
1.	Giving notice of general meetings of shareholders at least 30 days prior to the meeting regardless of the agenda items, unless the applicable law provides otherwise.	Intends to comply	Chapter 2 of the Code of Corporate Governance
2.	Provision to shareholders of an opportunity to review the list of persons eligible for taking part in a general meeting of shareholders starting from the day of announcing the date of the meeting and up to the closing of a personally attended meeting of shareholders, and in the event of an absentee meeting – up to the cut-off date for submitting ballot papers.	Complied	Par. 8.2.11 of the Charter
3.	Provision an opportunity for shareholders to review information (materials) to be submitted in the course of making preparations to holding a general meeting of shareholders through electronic communications, including via Internet.	Complied	On the Company's website
4.	Provision of an opportunity for shareholders to put an issue on the agenda of a general meeting of shareholders or request convening a general meeting of shareholders without submitting any documents, if the shareholder's rights are recorded in the register, and in the event that the rights are recorded on a depo account a depo account statement should suffice for exercising the rights.	Complied	Par. 8.6 of the Charter; Regulations on the general meeting of shareholders
5.	Provisions in the charter or in internal regulations of a joint-stock company stipulating mandatory attendance of a general meeting by the general director, members of the management board, members of the board of directors, members of the audit commission and auditor of the joint-stock company.	Intends to comply	Chapter 3 of the Code of Corporate Conduct, the Company sends invitations to attend general meeting of shareholders to members of these bodies and provides an opportunity for their attendance.

6.	Mandatory attendance by nominees during reviewing at a general meeting of shareholders the issues of elections of the board of directors, the general director, members of the management board, members of the audit commission, and approval of the auditor of the joint-stock company.	Complied	Chapter 3 of the Code of Corporate Conduct, the Company sends invitations to attend general meeting of shareholders to members of these bodies and provides an opportunity for their attendance; the General Director and members of the management board are appointed by the Board of Directors of the Company according to the Charter.
7.	Provisions in internal documents of the joint-stock company regulating registration procedure of participants of a general meeting of shareholders.	Complied	Par. 13.11 and 13.14 of the Charter, Regulations on the general meeting of shareholders
Board of Directors			
8.	Provisions in the Charter of the joint-stock company entitling the board of directors to approve annual financial and business plan of the joint-stock company.	Complied	Par. 14.4 of the Charter
9.	Risk management rules approved by the board of directors	Complied partially	Risk management is defined by a number of internal documents of the Company, including the Corporate restructuring program as a comprehensive document identifying risk management procedures.
10.	Provisions in the Charter of the joint-stock company authorizing the board of directors to suspend from office the general director appointed by a general meeting of shareholders.	-	Appointment of the general director, determination of his/her term in office and early termination of his/her authorities is referred to the authorities of the board of directors (items 26 Par. 14.4 of the Charter).
11.	Provisions in the charter entitling the board of directors to set out qualification requirements and compensations as far as the general director, members of the management board and heads of key structural units of the joint-stock company are concerned.	Complied	Items.18,22,24, Par. 14.4 of the Charter
12.	Provisions in the Charter of the joint-stock company entitling the board of directors to approve terms and	Complied	Item 33 Par.14.4 of the Charter

	conditions of contracts with the general director and members of the management board.		
13.	Provisions in the Charter or internal regulations of the joint-stock company to the effect, that in approving terms and conditions of contracts with the general director (managing director or organization) and members of the management board, votes of the board members who are the general director or members of the management board are not counted in voting.	-	Members of the Management Board are not members of the Board of Directors (except the General Director who by duty is the Chairman of the Management Board).
14.	At least three independent directors sitting on the Board of Directors complying with requirement of the Principles of Corporate Conduct	Intends to comply	Chapter 4 of the Code of Corporate Conduct
15.	No members of the board of directors found at some time guilty in economic crimes or crimes against the state, interests of public service and service in local self-governing bodies, or who were punished administratively for violations/breaches in the sphere of finances, taxation and duties, and securities market.	Complied	
16.	No members of the board of directors of the joint-stock company who are participants, general director (administrator), member of a governing body or officer of a legal entity-competitor of the joint-stock company in question.	Complied	
17.	Provisions in the Charter of the joint-stock company stipulating election of the board of directors by a cumulative voting.	Complied	Par. 14.2 of the Charter
18.	Provisions in internal regulations of the joint-stock company requesting members of the board of directors to refrain from any actions that may or likely to lead to a conflict of interests between those of the Company and the members of the board in question; and in the event of such a conflict the affected directors shall disclose the information about the conflict to the board of directors.	Complied	Par. 3.2 Regulations on the Board of Directors; Chapter 4 of the Code of Corporate Governance
19.	Provisions in the regulations of the joint-stock company requesting members of the board of directors to advise the board of an intention to make deals with securities of the joint-stock company where they sit on the board, or its daughter (affiliated) companies and disclose information on deals made by them with such securities.	Complied	Par. 3.2.10 of the Regulations on the Board of Directors; Chapter 4 of the Code of Corporate Governance
20.	Provisions in the internal regulations requesting holding meeting of the board of directors at least once in six weeks.	Complied	Chapter 4 of the Code of Corporate Governance
21.	Holding meetings of the board of directors in the reporting year at least once in six weeks.	Complied	Actually 40 meeting of the board of directors were held in 2003
22.	Provisions in the internal regulations of the joint-stock company regulating rules of procedure of the board meeting.	Complied	Chapter 6 of the Regulations on the Board of Directors
23.	Provisions of the internal regulations of the joint-stock company stipulating seeking mandatory approval by the board of directors of transaction of the joint-stock company involving amounts in excess of 10% of the company's assets, excluding deals made in the course of regular ordinary activities.	Complied	Deals valued in excess of 0.4% of the assets are to be approved by the Board of Directors (item 19, Par. 14.4 of the Charter)
24.	Provisions of the internal regulations of the joint-stock	Complied	Par. 3.1.1 of the

	company stipulating the right of members of the board of director to receive from executive bodies and heads of structural units of the joint-stock company information necessary for discharging their duties; and responsibilities for non-provision of such information.		regulations on the Board of Directors
25.	Setting up a committee of the board of directors on strategic planning or entrusting these functions with other committee (except audit committee and staff and remuneration committee)	Complied	Budgetary and Investment Planning Committee
26.	Committee of the board of directors (Audit Committee) that makes recommendations to the board regarding auditor of the joint-stock company, and works with the auditor and the internal audit commission of the joint-stock company in question.	Complied	The Audit Commission
27.	Only non-executive and independent directors serve on the audit committee of the board.	-	The Audit Committee comprises 1 independent director, 1 no-executive director and 1 representative of the majority shareholders and 1 representative of the Company's management.
28.	An independent director is in charge of the audit committee.	Complied	
29.	Provisions of the internal regulations of the joint-stock entitling all members of the audit committee to have unrestricted access to all documents and information of the joint-stock company subject to non-disclosure of confidential information.	Complied	Par. 6.2.1 of the Regulations on the audit committee
30.	Setting up a committee of the board of directors (staff (nomination) and remuneration committee) having the duties of defining criteria to be met by nominees to the board of directors, and development of compensation and remuneration policies of the joint-stock company	Complied	Staff (Nomination) And Remuneration Committee
31.	AN independent director is in charge of the staff (nomination) and remuneration committee	Complied	
32.	No executives/officers of the joint-stock company in the staff (nomination) and remuneration committee	-	The Committee includes 1 independent director, and 1 representative of the major shareholder and 1 representative of the Company management.
33.	Setting up a committee of the board of directors dealing with risks or entrusting the duties of the risk management committee to another committee (except staff (nomination) and remuneration committee).	-	Those issues are referred to the authorities of the Audit Committee and department of internal audit reporting to the board of directors.
34.	Setting up a committee of the board of directors for corporate conflict settlement or entrusting the duties of the committee with another committee (except audit	Complied	Corporate Governance Committee

	committee and staff (nomination) and remuneration committee).		
35.	No executives/officers of the joint-stock company on the corporate conflict settlement committee.	-	The Committee includes: 1 independent director, 1 non-executive director and 1 representative of the Company management.
36.	An independent director shall be in charge of the corporate conflict settlement committee	-	An independent director chairs the Corporate Governance Committee.
37.	Internal documents (regulations) of the joint-stock company, approved by the board of directors, setting forth the rules for staffing and working arrangements of the committees of the board of directors.	Complied	Regulations on the committees of the board of directors are approved.
38.	The Charter of the joint-stock company shall contain provisions identifying quorum determination procedure at the meetings of the board of directors ensuring mandatory participation of independent directors in the meetings of the board of directors.	Complied partially	The Company ensures all necessary conditions for independent directors to voice their opinions at the meetings of the board of directors (both held with personal attendance and by absentee voting).
Executive bodies			
39.	Existence of collective (collegial) executive body (the management board) of the joint-stock company	Complied	The Management Board of the Company
40.	Provisions in the Charter or internal regulations of the joint-stock company to the effects that the management board shall approve transaction involving property, loans granted to the company, unless the transactions are not significant or in the course of regular ordinary business of the joint-stock company.	Complied	Chapter 6 of the Code of Corporate Governance; the transactions are partially referred to the responsibilities of the board of directors and dealt with in the procedure of advising members of the board of directors by the General Director of the intention to conduct the transaction.
41.	Provisions of the internal regulations of the joint-stock company setting forth a procedure to approve operations beyond the framework of the financial and business plan of the joint-stock company	Complied	Item Par. 14.4 and 15.4 of the Charter
42.	there are no members of executive bodies who are participants, the general director (administrative manager), members of governing bodies or officers/employees of a legal entity competing with the joint-stock company in question.	Complied	
43.	No members of the executive bodies found at a certain time guilty in economic crimes or crimes against the state	Complied	

	authorities, interests of public service and service in local self-governing bodies, or who were punished administratively for violations/breaches in the sphere of entrepreneurial activities or finances, taxation and duties, and securities market. If the duties of the sole person executive body are performed by a managing organization or external administrator, both the general director and members of the management board of the managing organization or the external administrator shall comply with requirements to be met by the general director and members of the management board of the joint-stock company.		
44.	Provisions in the Charter of internal regulations of the joint-stock company forbidding the managing organization (administrator) to perform similar duties in a competing organization or have some property relations to the joint-stock company beyond serving as managing organization (administrator).	-	Day-to-day running of the Company is performed by the sole person executive body – the General Director of the Company.
45.	Provisions of the internal regulations of the joint-stock company requesting the executive bodies to refrain from actions that are likely to or might lead to a conflict of interests of their interests and those of the joint-stock company, and in the event of occurrence of this – to advise the board of directors of it.	Complied	Chapter 6 of the Code of Corporate Governance.
46.	Provisions in the charter or internal regulations of the joint-stock company identifying criteria for selecting managing organization (administrator).	-	Day-to-day running of the Company is performed by the sole person executive body – the General Director of the Company.
47.	Executive bodies submit monthly reports of their activities to the board of directors	Complied	The board of directors regularly reviews issues related to fulfillment of decisions made by general meetings of shareholders and the board of directors. Budget execution reports are submitted quarterly.
48.	Contracts entered into with the general director (managing organization, administrator) and members of the governing bodies setting forth responsibility for breach of provisions regulating handling of confidential and proprietary information.	Complied	
The Company Secretary			
49.	A special office of the joint-stock company (The Company Secretary) is established with the aim of ensuring compliance of officers and bodies of the joint-stock company with rules of procedure that guarantee exercising rights and honoring interests of shareholders of the joint-stock company.	Complied partially	Currently the majority of the duties are performed by the Secretary of the board of directors. In the near future the Corporate Secretary office will be set up; the necessary

			provisions are stated in Section 17 of the Charter.
50.	Provisions in the charter or internal regulations of the joint-stock company regulating rules of appointment (election) of the company secretary and duties of the company secretary.	Complied	Items 32 Par. 14.4. and Par. 17.1 –17.3 of the Charter
51.	Provisions in the charter of the joint-stock company identifying requirements to be met by a nominee to the company secretary.	-	The requirements are stated in the Regulations on the office of the Corporate Secretary and its staff.
Significant corporate actions			
52.	Provisions in the charter of internal regulations of the joint-stock company requesting approval of a major deal before closing it.	Complied	Items 19-21 Par. 14.4 of the Charter
53.	Mandatory engagement of an independent appraiser to assess the market value of property which is a subject-matter of major deals.	Complied	In practice an independent appraiser is engaged for assessing the market value of property which is subject-matter of deals significant for operations of the Company.
54.	Provisions in the charter of the joint-stock company forbidding any actions to be taken in the course of acquisition of large blocks of shares of a joint-stock company (merger/take-over) aimed at protection interests of executive bodies (members of these bodies) and those of members of the board of directors, and actions impairing positions of shareholders as compared to the current situation at that moment (in particular, prohibiting the board of directors from taking a decision to issue additional shares or convertible securities or rights for purchasing shares of the joint-stock company before expiry of the anticipated period for the acquisition of the block of shares, even if the right to take such decision by the board is secured by the Charter.)	-	
55.	Provisions in the charter of the joint-stock company requiring mandatory engagement of an independent appraiser for assessing the current market value of shares and possible changes in their market value resulting from merger/acquisition.	-	An independent appraiser is engaged for assessing current market value of shares and possible changes resulting from merger/acquisition.
56.	No provision in the charter of the joint-stock company relieving a purchaser from the obligation to offer shareholders to sell ordinary shares owned by them (issued convertible securities) in the course of the acquisition.	Complied	Par. 8.12 of the Charter
57.	Provisions in the charter or internal regulations of the joint-stock company requesting mandatory engagement of an independent appraiser to determine conversion ratio of in the event of reorganization.	-	In practice an independent appraiser is engaged for defining the conversion ratio of shares in the case of

			reorganization.
Information disclosure			
58.	An internal document approved by the board of directors setting forth rules and approaches of the board of directors to information disclosure policies (Information policies statement).	Complied	Information disclosure regulations
59.	Provisions of the internal regulations of the joint-stock company requesting disclosure of information regarding aims of share placement, persons intending to acquire the shares to be placed, including a large block of shares, and whether top executives/directors will take part in purchasing placed shares of the joint-stock company.	Complied	Information disclosure regulations
60.	Provisions of the internal regulations of the joint-stock company identifying list of information items, documents and materials to be provided to shareholders for review in order to make decisions on issues to be decided by a general meeting of shareholders.	Complied	Par.13.13 of the Charter
61.	Setting-up a corporate website and regular disclosures of information about the joint-stock company by posting on the website.	Complied	http://www.centertelec om.ru/
62.	Provisions of the internal regulations of the joint-stock company requesting information disclosure regarding deals of the joint-stock company with persons falling according to the charter in the category of senior officers/officials of the joint-stock company, and about deals of the joint-stock company with organizations where senior officials of the joint-stock company directly or indirectly own 20 and more percent of the organization's charter capital or are able to otherwise exercise material influence.	Complied	Information disclosure regulations
63.	Provisions of the internal regulations of the joint-stock company requesting disclosure of information regarding any deals that may affect the market value of shares of the joint-stock company.	Complied	Information disclosure regulations
64.	A document approved by the board of directors regulating usage of significant information about activities of the joint-stock company, shares and other securities of the joint-stock company and transactions with them, that is not in the public domain and disclosure of which may significantly affect the market value of shares and other securities of the joint-stock company.	Complied	Information disclosure regulations
Control over the financial and business activities			
65.	Special rules approved by the board of directors regarding internal control of the financial and business activities of the joint-stock company.	Complied	Regulations on the internal audit department, budgeting and investment planning
66.	Existence of a special unit of the joint-stock company ensuring compliance with internal control regulations (control and audit unit).	Complied	Internal Audit Department
67.	Provisions of the internal regulations of the joint-stock company requesting determination by the company's board of directors of the structure and composition of the control and audit unit.	Complied	Par.18.3. of the Charter Par. 1.3.; Par. 1.4.-1.8. Regulations on the Internal Audit

			Department
68.	No persons in the control and audit unit were found at some time guilty in economic crimes or crimes against the state, interests of public service and service in local self-governing bodies, or who were punished administratively for violations/breaches in the sphere of finances, taxation and duties, and securities market.	Complied	
69.	No persons in the control and audit unit who are members of executive bodies of the joint-stock company participants, general director (administrator), a member of a governing body or officer of a legal entity-competitor of the joint-stock company in question.	Complied	
70.	Provisions of the internal regulations of the joint-stock company identifying period for submitting to the control and audit of documents and materials for conducting checks and audits of financial operations, and responsibility for non provision of the required materials within the identified period.	Complied	Regulations on the Internal Audit Department
71.	Provisions of the internal regulations of the joint-stock company setting out duties and obligations of the control and audit unit to report the violations/breaches found by it to the Audit Committee, and if the latter do not exist, to the board of directors of the joint-stock company.	Complied	Regulations on the Internal Audit Department
72.	Provisions in the charter of the joint-stock company requiring preliminary (tentative) statement of the control and audit unit regarding reasonable and desirable character of operations not provided for by the financial and business plan (unconventional operations).	Complied partially	The requirements are set out in the regulations on the audit committee of the board of directors and regulations on the internal audit department.
73.	Provisions of the internal regulations of the joint-stock company setting forth the procedures of approval of an unconventional operation by the board of directors.	Complied	The procedures are set out in the regulations on the audit committee of the board of directors and regulations on the internal audit department, contracts with the general directors, etc.
74.	An internal document approved by the board of directors identifying the arrangements for conducting audits/checks of financial and business activities of the joint-stock company by the internal audit commission.	-	The procedure is identified in the regulations on the audit commission approved by a general meeting of shareholders.
75.	The audit committee issues a statement of opinion regarding auditor's report before submitting it to shareholders at the general meeting of shareholders.	Complied	
Dividends			
76.	An internal document approved by the board of directors, providing guidance for the board of directors in making recommendations on the amount of dividends (Dividend policies statement)	Intends to comply	Dividend policies regulations are developed, but not

77.	Provision in the Dividend policies regulations identifying procedure of determining minimal percentage of the net profit of the joint-stock company allocated for dividend payments, and conditions for non-payment or partially payment of dividends on preference shares with dividend amount set out in the charter of the joint-stock company.		approved yet. The draft regulations sets forth procedure of determining minimal percentage of the net profit of the Company allocated for dividend payments; dividend payment history of the Company is posted on the website.
78.	Making public information on dividend policies of the joint-stock company and amendments/changes in them by publishing it a regular publication specified in the charter as the publication for publishing notices of general meetings of shareholders, and posting the information on the corporate website.		

R. Amaryan
General Director

R. Konstantinova,
Chief Accountant