



APPROVED by

Annual general meeting of shareholders of Open
Joint Stock Company "VolgaTelecom" on
June 22, 2007

Minutes № 7 of June 25, 2007

Chairman of the meeting,
OJSC "VolgaTelecom" General Director

_____ S.V. Omelchenko

ANNUAL STATEMENT of OJSC "VOLGATELECOM"

FOR YEAR 2006

Nizhny Novgorod city,
2007

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INFORMATION ABOUT THE COMPANY

Full brand name.

Open Joint Stock Company “VolgaTelecom”.

Location.

Dom Svyazi, M.Gorky square, Nizhny Novgorod city, 603000, the Russian Federation.

The date of state registration of the Company and the registration number.

The certificate of legal entity state registration - series HPII-HH № 203362, the date of registration – December 15, 1993; state registration number - 448 was issued on June 28, 2002.

OJSC “VolgaTelecom” was registered in Uniform State Register of Legal Entities by the Inspection of Russia’s Ministry of Taxation for Nizhegorodskiy district of Nizhny Novgorod city on August 1, 2002 under the basic state registration number 1025203014781.

The Company was registered by Order of the head of administration of Nizhny Novgorod city № 1605-p of December 15, 1993 as Open Joint Stock Company “Svyazinform” of Nizhny Novgorod oblast (OJSC “Nizhegorodsvyazinform”) as a result of privatization of state enterprise of communication and informatics “Rossvyazinform” and is the assign of all its rights and obligations.

Basing on the resolution of general meeting of shareholders of OJSC “Nizhegorodsvyazinform” of November 9, 2001 the Company was reorganized by way of affiliation to it of OJSC “Kirovelectrosvyaz”, OJSC “Martelcom”, OJSC “Svyazinform” of the Republic of Mordoviya, OJSC “Electrosvyaz of Orenburg oblast”, OJSC “Svyazinform” of Penza oblast, OJSC “Svyazinform” of Samara oblast, OJSC “Saratovelectrosvyaz”, OJSC “Udmurt Telecom”, OJSC “Ulyanovskelectrosvyaz”, and OJSC “Svyazinform” of Chuvash Republic.

On June 28, 2002 general meeting of shareholders of OJSC “Nizhegorodsvyazinform” passed the resolution to rename the Company into OJSC “VolgaTelecom”.

ADDRESS OF THE GENERAL DIRECTOR

Dear shareholders,

Year 2006 was uniquely rich in reforms. The adopted regulatory documents exercised a significant influence on the development trends both of OJSC “VolgaTelecom” and of the industry upon the whole. Shaping of competitive market with a large number of players has offered the challenges of introducing new technologies and taking dynamic actions in end-user relations. New principles of mutual settlements with operators, introduction of “CPP” principle have required from us the solutions of creating clean-cut and efficient interaction patterns.

In the past year these factors significantly influenced the Company’s activity and we are presenting to your attention the document containing generalized results of the activities of the entire collective of Open Joint Stock Company “VolgaTelecom” in 2006.

We are happy to state that the lines of activities selected by us as the priority trends oriented to ensure dominance in key segment of communication services market, further network development and also business diversification have yielded positive results.

At 2006 year-end OJSC “VolgaTelecom” has become the leader among “Svyazinvest” group companies by the number of Internet wideband access users, is ranked the second by the volume of fixed line subscribers’ base and is the third by digitalization level.

High level of competition encourages the Company to follow advanced trends of telecommunication market and actively utilize new technologies in order not to lose the leadership position. This fact works towards diversification of revenue structure. It is important to note that the revenues from new technology services have significantly increased. The major share in their structure is data transfer and Internet access services. Moreover, the highest growth is in the sector of Internet users with ADSL-based access. Introduction on the market of new trademark “J” in May 2006 contributed to the fact that their number grew 4,4 times to 120 000.

The achievement of these positions required to change marketing policy emphases: in 2006 the Company reorganized its marketing service, introduced on the market a line of demonstrative brands, started to realize the projects of promoting comprehensive services. Our immediate objective – to build up subscriber’s loyalty, to introduce on the market package services, their perspectives seem to be far more advantageous than to provide each of the service separately.

Active modernization of communication networks, raising the level of digitalization and implementation of new technologies are the major challenges met currently by OJSC “VolgaTelecom” within the framework of technical infrastructure development. Today the Company is actively building multiservice networks based on NGN-platform, the works are scheduled to be completed in 2007-2008. Utilization of this technology assumes the capability of providing unlimited range of services, opens up wide capabilities to develop more flexible approaches when forming the packages of services and tariff rates.

Steadily keeping leadership position in telecommunication market of the Volga Federal district OJSC “VolgaTelecom” in 2006 successfully continued to solve the tasks of communication infrastructure development and modernization. The first stage of transport network modernization project was realized; the project is carried out on the basis of NGN technology and opens up new additional capabilities for doing business.

Year 2006 was noted for steady strengthening of positions on securities market. The Company’s capitalization achieved its new historical maximum at the level of US\$ 1,82 billion. International rating agency “Standard & Poor’s” raised OJSC “VolgaTelecom” long-term credit rating from “B+” to “BB-“, outlook “Stable”. At the same time the Company’s long-term credit rating by Russian scale was raised from “ru A+” to “ru AA-”.

Strategic initiatives of the management and shareholders aimed to improve corporate governance system gained the attention of business community. At 2006 year-end OJSC “VolgaTelecom” is among the most transparent Russian companies; being the sixth in transparency rating. Corporate governance rating service of “Standard & Poor’s” raised OJSC “VolgaTelecom” corporate governance rating from CGR-4+ to CGR-5. “Standard & Poor’s” also raised the Company’s rating by Russian scale from CGR-4,8 to CGR-5,1. “Expert RA” rating agency having conducted the monitoring of corporate governance in 2006 raised earlier assigned rating to A level and declared OJSC “VolgaTelecom” as one of the leaders in management quality in Russia. “VolgaTelecom” corporate secretary won all-Russia contest “Leaders in corporate governance-2006” in “The best corporate secretary” nomination.

We are aware of prime importance and value of our employees; in many ways owing to them it became possible to achieve considerable growth of the Company’s operating efficiency and as consequence the growth of its shareholder value. That is why “VolgaTelecom” places special emphasis on social policy, personnel development and its motivation. In 2006 the Company successfully realized the project “Personnel reserve”, thousands of employees underwent professional training in various programs.

One more recognition of our achievements was OJSC “VolgaTelecom” winning in all-Russia contest “Russian entity of high social efficiency”; at this contest we got the prize in “Staff qualification, system of staff training and retraining” nomination. Besides, at the year-end competent experts recognized OJSC “VolgaTelecom” as the company having “The best personnel service” and “The best Russian bookkeeping service-2006”.

The appraisal of high professionalism and creative approach to business of the Company’s employees was the serving in 2006 to OJSC “VolgaTelecom” of certificate of compliance of the Company’s quality management system with ISO 9001-2001 standard as applied to communication services.

Our future is integration of services on the basis of wire networks, considerable growth of range of services and building up of the subscriber’s loyalty. It is these key factors which are the earnest of the Company’s dynamic development in the future.

I am confident, dear shareholders that with your support OJSC “VolgaTelecom” will gain new achievements.

Sincerely yours,

OJSC “VolgaTelecom” General Director
Sergey Omelchenko

I. BOARD OF DIRECTORS REPORT

1.1. General assessment of the Company's financial-economic performances in the reporting year.

Changes to legislation effective since January 2006 materially affected financial results of the Company's operation. Demonopolisation of long-distance communication market, change of the procedure of settlements with operators and introduction since 01.07.2006 of "Calling Party Pays" (CPP) system had the effect both on revenue and expenditure parts of the budget.

The change of the procedure of payment for outgoing calls to mobile phones and the settlements with operators yielded additional revenue to the Company, which had the effect on outstripping 2006 plan for revenues by RUR 779 million or 3,7%, and also extra expenses to the amount of RUR 483 million, which in its turn resulted in excess over the budgeted figures by 2,9%.

As a result of quite efficient cost management the Company secured sales profit to the amount of RUR 4 741,5 million (4,9% higher vs. budgeted targets).

Pretax earnings amounted to RUR 3 534,2 million, with the growth rate of 103,2% vs. 2005.

The Company's net profit amounted to RUR 2 453,6 million, which exceeds year 2005 level by 8,8%.

The Company's policy aimed to optimization of expenditures and headcount had the effect on the improvement of such performances as revenue per an employee (growth rate - 112,2%), costs per a line (growth rate - 98,9%), pretax earnings per an employee (114%).

Communication services revenue structure changed, the share of new technologies services revenue grew from 7,3% to 10,6%. The number of lines per an employee accounted for 114,8 (the gain of +17,9% vs. the past year).

EBITDA improved by 1,2%, EBITDA to proceeds ratio grew from 31,7% in 2005 to 32,9% in 2006.

1.2. Information about the Board of directors' activity as related to implementation of the priority trends of the Company's development, about the BoD's sessions, the BoD's committees and the most important decisions made at the sessions.

The Board of directors exercises strategic management of the Company's activity and efficient control over reasonable and bona fide performance by the Company's executive bodies of the Company's current activity in order to ensure long-term stable development of the Company and to get benefit from this activity by the shareholders. It makes decisions on active cooperation of the Company with investors, creditors and other interested parties in order to increase the growth of the Company's capital, including the growth of its assets, the price of shares and other securities, and to enhance the Company's image.

In 2006 the Company's Board of directors held 34 sessions, out of them: in the form of joint attendance – 12, and in the form of absentee voting – 22. In all the Company's Board of directors considered 313 issues.

Major issues considered at the sessions of the Company's Board of directors in 2006:

January 18 – the decisions were made: to terminate equity participation of OJSC "VolgaTelecom" in OJSC "Russia's Savings Bank"; to change the quantity of OJSC

“National TV company “ZVEZDA” stock by purchasing ordinary, registered, uncertified stock of additional issue.

February 22 – OJSC “Obiedinennaya registratsionnaya kompaniya” was approved as the Company’s registrar, it was reorganized in the form of affiliation to it of CJSC “Registrator-Svyaz” and is the latter’s assign in relation to all rights and obligations.

March 15 – the strategy of OJSC “VolgaTelecom” cellular business development was approved; it stipulates the establishment of OJSC “VolgaTelecom” subsidiary – single cellular operator on the basis of CJSC “Nizhegorodskaya sotovaya svyaz”; the Company’s Management board structure was changed (the authorities of Mr. Kirillov A.I. – OJSC “VolgaTelecom” Management board member – were early terminated).

April 3 – the decision was made to place OJSC “VolgaTelecom” inconvertible interest bearing certified bearer bonds of BT-4 series with obligatory central storage to the number of 3 000 000 (Three million) bonds with the par value of RUR 1 000 (One thousand) each, and the total par value of RUR 3 000 000 000 (Three billion).

April 21 – the decision was made to bring OJSC “VolgaTelecom” equity share in CJSC “Nizhegorodteleservice” up to 80%.

April 28 – the following documents were approved: the Company’s adjusted budget (business-plan) for 2006; OJSC “VolgaTelecom” investment priorities for 2007; Decision on securities issue along with the supplement (specimen of the Certificate of OJSC “VolgaTelecom” inconvertible interest bearing certified bearer bonds of BT-4 series with obligatory central storage) and the securities Offering memorandum of OJSC “VolgaTelecom” inconvertible interest bearing certified bearer bonds of BT-4 series with obligatory central storage to the number of 3 000 000 (Three million) bonds with the par value of RUR 1 000 (One thousand) each.

May 11 – the Provision on OJSC “VolgaTelecom” Corporate secretary and its back office (redrafted) was approved.

May 19 – the Provision on OJSC “VolgaTelecom” Department of internal audit (redrafted) and the Provision on OJSC “VolgaTelecom” integrated checkouts were approved.

May 31 – the decision was made to bring OJSC “VolgaTelecom” equity share in CJSC “Transsvyaz” up to 100%.

June 15 – the Concept of OJSC “VolgaTelecom” budgeting system (redrafted) was approved.

June 20 – the decisions were made to bring OJSC “VolgaTelecom” equity share in CJSC “Saratov-Mobile” and CJSC “Chuvashiya Mobile” up to 100%.

June 26 – the decision was made to bring OJSC “VolgaTelecom” equity share in CJSC “Penza Mobile” up to 100%.

July 31 – for the term of its powers the Company’s Board of directors established the following Committees with the Company’s Board of directors:

- The BoD’s Committee for staff and remuneration;
- The BoD’s Committee on corporate governance;
- The BoD’s Committee for strategic development;
- The BoD’s Committee for audit.

The Company’s Management board with a new structure was formed.

OJSC “VolgaTelecom” Information concept for 2006-2008 and the Company’s Information Regulation were approved.

August 31 – the following documents were approved: terms and conditions of audit services contract concluded by and between OJSC “VolgaTelecom” and LLC “Ernst & Young”; the effective date of OJSC “VolgaTelecom” inconvertible interest bearing certified bearer bonds of BT-4 series with obligatory central storage.

September 20 – the Company’s financial strategy, financial budget for 2007 and financial budget for 2007-2009 were approved.

Changes and amendments were introduced to OJSC “VolgaTelecom” Corporate Governance Code.

October 3 – the following documents were approved: the Company’s adjusted budget for 2006; forecast of the Company’s budget for 2007-2009; Report on the results of issue of OJSC “VolgaTelecom” inconvertible interest bearing certified bearer bonds of BT-4 series with obligatory central storage.

October 16 – the candidature of Mrs. Zuikina T.V. was agreed upon for the office of the director of the department of internal audit of OJSC “VolgaTelecom”.

December 22 – the Company’s budget for 2007 was approved; OJSC “VolgaTelecom” Management board structure was changed (the authorities of Mrs. Kormilitsyna L.A. and Mrs. Ganeeva A.A. were early terminated; numerical strength of the Management board was changed (9 persons); Mr. Ulyanov Vladimir Vasilievich was appointed a member of OJSC “VolgaTelecom” Management board).

Enhancement of efficiency and quality of the Board of directors’ operation was promoted by the established Committees with the Board of directors; these Committees by way of preliminary examination of some of the issues, related to the competence of the Board of directors, prepared recommendations on making decision on the issues relating to their competence.

The Committee for staff and remuneration with the Company’s Board of directors and the Committee for audit with the Company’s Board of directors are headed by independent directors of the Company’s Board of directors.

In 2006 the **Committee for audit** held 14 sessions.

The materials presented for discussion in accordance with approved functions of the committee included the issues of interaction with bodies performing external and internal control and also the issues of the Company’s financial statements; the committee’s members considered and discussed with auditors (with involvement of structural subdivision of bookkeeping, the subdivision performing the functions of internal control, the Company’s management) the results of audit, and also information and data contained in the audit prior to their presentation for the Board of directors consideration. The committee for audit effected control over the performance of the auditor’s recommendations by the Company’s management and estimated the audit opinion on the Company’s accounting statement for 2005 in order to present it to the Company’s shareholders at the annual general meeting.

During the reporting period the **Committee for staff and remuneration** held 15 sessions and considered the following issues:

- Regular appraisal of General Director’s activity, of the members of the Management board;

- Preliminary approval of candidates for the post of managers of branches and representation offices and dismissal of the managers of the specified structural subdivisions from office;
- Forming the proposals on the structure of the Management board, determination of term of its powers and also on early termination of powers of Management board members;
- Consideration of terms and conditions of contracts (additional agreements) with managers of branches, etc.

In 2006 the **Committee on corporate governance** held 16 sessions. The following issues were considered:

- The issues related to convening, preparation and holding of annual general meeting of the Company's shareholders;
- Proposals on introducing changes and amendments to the Charter and other internal documents of the Company subject to approval by general meeting of shareholders and the Board of directors of the Company;
- The issues of implementing corporate transformations in the Company;
- Determination of basic principles of building the Company's corporate structure.

The Committee for strategic development held 9 sessions and elaborated proposals and recommendations:

- On priority trends of the Company's activity, including on the budgets of various levels, on perspective plans, strategies and programs of the Company's development;
- On improving the system of budgeting, the process of investment planning, monitoring and analysis in the Company;
- On the policy of assets and liquidity management;
- On the strategy of capitalization increase;
- On the Company's dividend policy;
- On determining the procedure of the Company's interaction with entities where the Company has equity stake.

II. MAJOR CORPORATE EVENTS IN 2006

2.1. About holding general meetings of shareholders (annual and extraordinary).

On June 26, 2006 annual general meeting of shareholders of OJSC "VolgaTelecom" in the form of shareholders joint attendance was held.

The agenda of the general meeting of shareholders:

1. Approval of the annual report, annual accounting statement, including profit and loss statement (profit and loss accounts), distribution of profit and loss of the Company based on the results of the reporting (2005) fiscal year.
2. On payment of dividends for 2005, the size, time and form of their payment on the shares of each category.
3. Introduction of changes and addenda to the Company's Charter.
4. Introduction of changes and addenda to the Provision on the Company's Board of directors.
5. Introduction of changes and addenda to the Provision on the procedure of holding a general meeting of stockholders of the Company.
6. Introduction of changes and addenda to the Provision on the Company's Auditing committee.
7. Election of the members of the Company's Board of directors.
8. Election of the members of the Company's Auditing committee.
9. Approval of the Company's auditor for 2006.

10. Determination of requirement criteria (percentage) of deductions for calculation of annual remuneration to the members of the Company's Board of directors.

11. On termination of the Company's participation in Chamber of Commerce and Industry of the Republic of Mariy El by leaving its membership.

12. On termination of the Company's participation in non-commercial organization "Association of communication enterprises of the Volga region" by leaving its membership.

2.2. About participation in road-shows, large exhibitions and conferences.

Road-show:

In November 10-15 in London and in Stockholm the Company participated in the road-show, in the course of which there were 22 meetings with representatives of banks and investment companies. The road-show's topic: OJSC "VolgaTelecom": bottom line and development prospects.

Conferences, exhibitions and contests:

In 2006 OJSC "VolgaTelecom" took part in a number of large conferences, subject exhibitions and contests.

February.

OJSC "VolgaTelecom" participated in the exhibition of IT of Nizhny Novgorod oblast; the exhibition was occasional to holding of visiting session of the presidium of RF State council on the problems of information and communication technologies development, this session was held in Nizhny Novgorod.

The President of the Russian Federation using videoconferencing equipment installed at "VolgaTelecom" exhibition stand was able to communicate with the students of four rural schools of Nizhny Novgorod oblast.

OJSC "VolgaTelecom" Internet-site (www.vt.ru) was recognized as the best site at regional contest of corporate editions and sites "Tambour – Povolzhie-2006". The Company's corporate newspaper "VolgaTelecom is on line" was rated the third for "efficient editorial climate and content".

April.

The Company's management participated in conference "Communication and investments in Russia" and made the presentation of the Company's activity and the prospects of its development.

OJSC "VolgaTelecom" Ulyanovsk branch took part in specialized exhibition "E-COMMUNICATIONS" which brought together IT market leaders of Ulyanovsk oblast and of neighboring regions.

"VolgaTelecom" Kirov branch participated in the III-rd interregional exhibition "Informresource 2007", the visitor were able to see the entire range of new services provided by the Company. By the end of the exhibition OJSC "VolgaTelecom" was awarded the diploma "For the best information system of real business support".

May.

OJSC "VolgaTelecom" branch in Udmurtiya Republic took part in exhibition "City of the XXI-st century" in Izhevsk Expocenter and presented the latest telecommunication technologies.

OJSC “VolgaTelecom” Ulyanovsk branch participated in the First economic forum “Modern trends of regional economics development” organized by the government of Ulyanovsk oblast.

June.

OJSC “VolgaTelecom” was a nominee of National Award “Taxpayer of the year” instituted by Mega-Regional Organization of Entrepreneurs with the support of Accounting Chamber of the Russian Federation, faction “United Russia” of State Duma of the Russian Federation and the Committee for budget and taxes of State Duma of the Russian Federation.

OJSC “VolgaTelecom” Saratov branch took part in the 7-th specialized exhibition “Citystoiexpo.2006” organized by Exhibition Center “Sofit-Expo”. 153 companies from 12 regions of Russia participated in the exhibition.

July.

OJSC “VolgaTelecom” Orenburg branch was the winner of the sixth annual contest “Leader in economics – 2006” held by the Government and Legislative assembly of Orenburg oblast. The prize was awarded in nomination “Organization of high social efficiency”.

OJSC “VolgaTelecom” was a prize winner of International project “Transparency Award”, this project is a joint initiative of Russian-Swiss business club (Switzerland), High institute of business and management INSAM (Switzerland) and is realized with the support of audit company “PricewaterhouseCoopers”, Center of anticorruption investigations and initiatives “Transparency International”, and International public organization “Association of accounting officers and auditors “Commonwealth”.

September.

“VolgaTelecom” Nizhny Novgorod branch took part in the 11-th International industrial-economic forum “Russia Unified”.

OJSC “VolgaTelecom” branch in Udmurtiya Republic in Administration of Izhevsk city made the presentation of modern communication services provided by the Company within the framework of “E-Izhevsk” program aimed to implementation of new telecommunication technologies in different industries of municipal services.

OJSC “VolgaTelecom” Ulyanovsk branch held regional conference “Internet and business”.

October.

OJSC “VolgaTelecom” took part in International exhibition “InfoCom-2006” held under the auspices of Ministry of IT and communication of the Russian Federation. The major topic of the exhibition – utilization of modern info-communication technologies in social sphere. The exhibition was to demonstrate the innovations and achievements of telecom industry and info-communication technologies in such areas as healthcare, education, info-communication technologies in government and business management. OJSC “VolgaTelecom” presented its exhibit at the stand in Samara city.

OJSC “VolgaTelecom” Penza branch participated in the IV-th Mega-Regional specialized exhibition-fair “E-Penza”.

November.

OJSC “VolgaTelecom” Samara branch was a winner of regional contest of PR projects “Bolshoi krug-2006” in nomination “The best PR project for commercial sector”. The judges of the contest highly appraised “VolgaTelecom” activity and of its Samara branch for positioning OJSC “VolgaTelecom” as high-tech multi-service communication operator within the framework of exhibition-fair “InfoCom-2006”.

OJSC “VolgaTelecom” Ulyanovsk branch won the 1-st place in show-contest of the best organization of safety arrangements and precautions work among the enterprises of Ulyanovsk oblast. The show-contest was held within the framework of the oblast’s program of improving labor conditions and safety arrangements and precautions.

December.

OJSC “VolgaTelecom” Saratov branch was a winner of annual oblast’s contest of the best organization of personnel development; the contest was held by the Ministry of healthcare and social assistance of Saratov oblast.

OJSC “VolgaTelecom” Samara branch was a winner of the V-th annual contest “The Company of the year: the salt of the earth and the best enterprises of Samara oblast” among communication industry enterprises in nomination “For high cost effectiveness”.

OJSC “VolgaTelecom” branch in Mordoviya Republic was a winner of All-Russia contest “100 best products of Russia”.

At year 2006 end.

Participation in All-Russia contest “The best Russian personnel service – 2006”. OJSC “VolgaTelecom” was awarded the diploma of honor of the contest’s winner.

Participation in All-Russia contest “Russian company of high social efficiency”; the contest was held according to the Russian Federation Government regulation under the auspices of ministries and authorities and with the participation of all-Russian associations of employers and trade unions. OJSC “VolgaTelecom” was awarded the prize for winning in nomination “Staff qualification, system of staff training and retraining”.

OJSC “VolgaTelecom” was a winner of contest “The best Russian bookkeeping service-2006”.

2.3. About top management meetings with Wall Street.

During 2006 the Company held 7 meetings with Russian and international analysts, representatives of international and Russian investment companies and banks. The meetings were held both in the Company’s headquarters in Nizhny Novgorod and in Moscow.

2.4. About investor relations.

During 2006 the Company continuously worked with its investors: timely replies to requests, consultations as regards the work with the Company’s registrar, with transfer-agents, provision of information and reporting about the results of the Company’s activity, provision of copies of constituent documents and of other internal documents of the Company, timely posting of information at the Company’s web-site in the Internet in section “For Investors and shareholders”, preparation and provision of presentation materials at the meetings with analysts and CEOs of investment companies and funds, and other activities. The Company provides transfer-agents servicing of its shareholders in its three branches: Ulyanovsk branch,

Orenburg branch and the branch in Udmurtiya Republic. At the Company's site there are the sections: "FAQ" where any interested party may ask a question about OJSC "VolgaTelecom" activity and the answer to it will be provided in time, and "Shareholder's center" which is to make easier the process of the shareholders' interaction with the registrar, the information what a shareholder should know, and document forms for shareholders interaction with the Company's registrar is posted in this section.

2.5. About assignment (revision) of credit rating and of corporate governance rating.

On July 20, 2006 "Expert RA" rating agency within the framework of National corporate governance rating "RID – Expert RA" raised the Company's rating from "B++" to "A" level.

On August 2, 2006 "Standard & Poor's" raised "VolgaTelecom" corporate governance rating from CGR-4+ to CGR-5 by International scale and from CGR-4,8 to CGR-5,1 by Russian scale.

On September 27, 2006 "Standard & Poor's" raised "VolgaTelecom" credit rating by International scale in national currency from "B+", outlook – "Stable" to "BB-", outlook – "Stable". At the same time the Company's and its inconvertible interest bearing certified bearer bonds of BT-2, BT-3 and BT-4 series with obligatory central storage credit rating by Russian scale was raised from "ru A+" to "ru AA-".

2.6. About placement of bonded loans.

In June 2006 OJSC "VolgaTelecom" inconvertible interest bearing certified bearer bonds of BT-2 and BT-3 series with obligatory central storage were included into Quotation list "A" of the first level of CJSC "SE MICEX".

In 2006 the Company floated one bonded loan.

On September 12, 2006 OJSC "VolgaTelecom" inconvertible, interest bearing, certified, bearer bonds of BT-4 series with obligatory central storage were floated at CJSC "Stock Exchange MICEX". The maturity of bonds is 7 years, with 3-years offer. The total make of BT-4 series bonds was RUR 3 billion. The quantity of issued bonds was 3 000 000 pieces of the par value of RUR 1 000 of each bond. Based on the results of competitive tendering to determine the interest rate of the first coupon of BT-4 series bonded loan the rate of the first coupon was set to be equal to 7,99% per year. Efficient yield to offer – 7,95 p.p.a.

The issue's arranger: LLC "Duetsche Bank".

Co-arrangers: OJSC "Svyaz-Bank", JSCB "Promsvyazbank" (CJSC).

Co-underwriters: CJSC "ABSOLUTBANK", LLC CB "AGROPROMCREDIT", JSCB "SOUYZ" (OJSC), OJSC "Investment Bank "TRUST", JSB "Gazprombank" (CJSC), OJSC JSCB "EVROFINANS MOSNARBANK", CJSC IC "Solid", OJSC "MDM-Bank", LLC FC "Megatransoil", CJSC "MMB", "NOMOS-BANK" (CJSC), CB "Renaissance Capital" (LLC), CJSC IC "Troika-Dialog".

The basic objective of the bonds issue is restructuring of the credit portfolio and financing of the investment program. The funds raised by the loan will be allocated for optimization of debt obligations structure for account of duration increase and decrease of debt servicing cost. In addition, the Company is planning to continue the development of its cellular business and to realize a number of projects of IT-systems creation aimed to enhance the efficiency of business.

BT-4 series bonds were included into the list of non-listed stock at CJSC "Stock Exchange MICEX". The bonds trading volume in 2006 amounted to RUR 249 136 thousand.

2.7. Information about the activities to keep the Company's securities in quotation lists.

During the reporting period the Company fulfilled the requirements of the Russian legislation and stock exchanges as regards the keeping of the Company's securities in quotation lists of Russian trading organizers at securities market: Non-Commercial Partnership "Stock Exchange RTS", OJSC "Stock Exchange RTS" and CJSC "Stock Exchange MICEX".

2.8. Information about realization of IR measures and development of equity secondary market (description of major measures).

During the reporting period OJSC "VolgaTelecom" carried out goal-oriented activity aimed at improving information and investment transparency of the Company in order to increase the market price of its shares and to promote the Company at capital markets by way of IR methodical efforts with investment community.

The basis of this work was the measures provided in the Concept of OJSC "VolgaTelecom" capitalization rise for 2005 – 2007 approved by the Company's Board of directors in 2005.

Within the framework of pursuing the policy of information transparency the Company informed, via distribution of press-releases, face-to-face meetings and conference calls with representatives of investment community, the target interested groups about the Company's activity, results of its development, plans and perspectives.

During the reporting period the Company fulfilled all the requirements of the Russian legislation as regards the disclosure of information at securities market.

As a result of performed work the information about the Company regularly came out in analytical reviews of investment companies dedicated not only to telecommunication sector, but to Russia upon the whole, it was published in national and local mass media, it was permanently present at the news wires of national and regional information agencies.

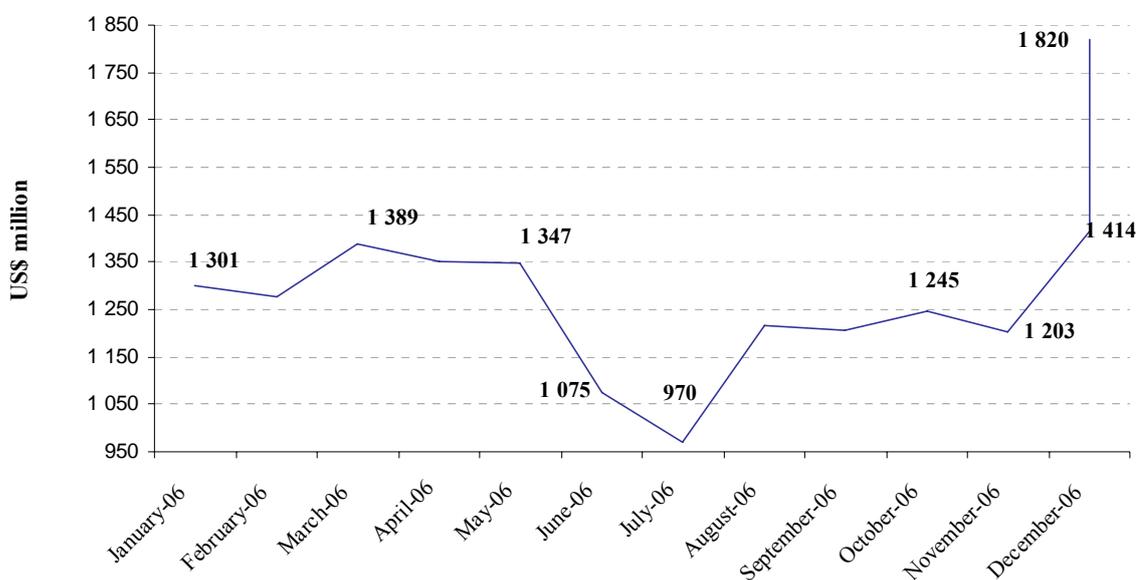
Alongside with carrying-out of all the requirements of the Russian legislation as regards holding of annual general meeting of shareholders the Company carried out a number of measures within the framework of supporting the effective level 1 ADR program (hereinafter ADR program): timely informing the depositary bank about the meeting's holding, providing the materials designed for familiarization of shareholders-participants of the meeting in English, adjustment of ballots for voting by ADR holders (proxy-cards).

Also in the second half year of 2006 the Company in order to support ADR program realized the project of preparation of Memorandum of keeping in force the Exemption according to Rule 12g3-2 (b) from requirements of Securities Exchange Act on registration and reporting; within this project the package of required documents was prepared and sent to USA SEC. In addition, during the reporting period the Company distributed the documents and materials about its activity in English among the Company's ADR holders via JPMorgan Chase Bank, and updated the information at English version of the Company's web-site.

For year 2006 the Company's market capitalization grew by 40% and by the year end it amounted to US\$1,8 billion.

Chart 1.

Changes in OJSC “VolgaTelecom” capitalization



2.9. About realization of measures to improve corporate governance.

In 2006 the Company purposefully carried out the measures related to further improvement of corporate governance quality and advancing it to the best national and world practices.

Pursuant to implementing order of the Company’s General Director № 53 of April 5, 2006 “On carrying out the measures for improving the system of corporate governance in the Company” the following measures were carried out:

- with a view to ensure the efficiency of contractual campaign in 2006 and to realize the procedures of procurement of goods, works and services the General Director’s order of February 15 approved Provisional procedures of organization of regulated competitive procurements by OJSC “VolgaTelecom”;

- changes and amendments to OJSC “VolgaTelecom” Corporate Governance Code were worked out and approved by the Company’s Board of directors on September 20, 2006; these changes and amendments comprise additional section “Corporate ethics” stating the principles according to which the Company carries out its activity and allowing for establishing in the Company the elements of corporate culture and ideology having beneficial effect on the Company’s image among the counterparties;

- “Provision on settlement of corporate conflicts in OJSC “VolgaTelecom” was worked out and agreed upon with the BoD’s Committee on corporate governance;

- new structure of section “For investors and stockholders” of the Company’s web-site in the Internet was worked out;

- the information describing the effective system and processes of making the decisions about the remuneration of the BoD’s members, the members of the Management board, of the Auditing committee and the Company’s General Director was prepared and posted at the Company’s web-site;

- the information about large transactions and related-party transactions made in 2003-2006 was prepared and posted at the Company’s web-site; this information is permanently updated.

In the reporting year with a view to improve the internal structure of management organization and pursuant to General Director's Order № 327 of July 05, 2006 the quality management system (QMS) was implemented in the Company. All mandatory documented procedures in accordance with GOST R ISO 9001-2001 "Quality management system. Requirements." and the standards for QMS processes were worked out and the following documents were approved by the Company's General Director:

- OJSC "VolgaTelecom" policy and objectives in the area of quality. The Company's strategic objective in the quality area is the satisfaction of users needs in telecommunication services in accordance with their expectations as the basic factor ensuring steady growth of the Company's revenues. The improvement of users' satisfaction with the quality of services owing to efficient application of quality management system. Involvement of the Company's employees into the process of quality management at the expense of personnel motivation system development. Establishment of mutually beneficial relations with business partners.

- Matrix of responsibility of officials in the course of QMS operation.

In October 2006 Certification Center of Quality Systems "Interecoms" (Moscow) conducted certification audit of OJSC "VolgaTelecom" quality management system. The outcome of the audit was the Company's receipt of the certificate of compliance for quality management system.

In October 2006 the Company completed "Corporate portal" project. Intranet-portal was created in the Internet; it is internal corporate information system based on Internet technologies. The major objective of the project is to create a reliable source of internal corporate information, corporate information structuring and to organize prompt access to the information inside the Company. The Intranet-portal enables every Company's employee to be an active participant of intracorporate events.

In 2006 the Company worked hard to reduce the time of the Company's IFRS 2005 statement preparation. And for the first time the Company published this statement prior to holding the annual general meeting of shareholders. On June 20, 2006 the Company's top-management held Internet on-line conference "VolgaTelecom IFRS 2005 bottom line". This event was appreciated by "Standard & Poor's" when revising the Company's CGR.

In 2006 OJSC "VolgaTelecom" corporate governance ratings were revised:

- Russian rating agency "Expert RA" raised national corporate governance rating from "B++" to "A";
- International rating agency "Standard & Poor's" raised CGR from "4+" to "5" by international scale and from "4,8" to "5,1" by Russian scale.

Evaluation of information transparency.

In 2006 "Standard & Poor's" raised OJSC "VolgaTelecom" transparency index. The Company advanced 5 positions in the rating, being the sixth (74% vs. 54% in 2005).

At the contest of "Annual statements" in 2006 held by Stock Exchange "Russian Trading System" jointly with rating agency "Expert RA" the web-site of OJSC "VolgaTelecom" was a winner in "Corporate site" nomination.

At the IX-th annual federal contest of annual statements and sites 2006 held by Stock Exchange MICEX and "Securities market" magazine the Company was awarded the diploma of the third degree "For the best level of disclosing information for investors at the issuer's site".

2.10. About adopting the provisions in information policy area.

The Company's information policy is built on the principles of information transparency, reliability and regularity. The information is distributed in accordance with Russian current legislation, Provision on information policy and Corporate Governance Code of the Company. These Company's documents are posted at corporate site at: <http://www.vt.ru/?id=3547>. In 2006 with a view to shape a positive information medium, to create favorable conditions for the Company's operation and to realize strategic goals and tasks declared by OJSC "VolgaTelecom", the Board of directors approved the Company's Information concept for 2006-2008 and Information Regulation.

III. THE VOLGA FEDERAL DISTRICT. THE REGION'S MACROECOMONICS. DEVELOPMENT TRENDS.

OJSC "VolgaTelecom" basic licensed territory for providing communication services is the Volga Federal district (hereinafter - VFD or District). The Volga Federal district comprises 14 subjects of the Russian Federation*, including:

- ✓ 6 republics: Bashkortostan, Mariy-El, Mordoviya, Tatarstan, Udmurtiya, and Chuvashiya,
- ✓ 7 oblasts: Kirov, Nizhny Novgorod, Orenburg, Penza, Samara, Saratov, and Ulyanovsk, and Perm area (the region comprises Perm oblast and Komi-Permyak Autonomous Area).
- ✓ Perm area (the region comprises Perm oblast and Komi-Permyak Autonomous Area).

VFD territory is 1 038 thousand km², which is equal to 7,27% of the Russian Federation territory. 32 019 thousand people are living here - 22,1% of the total population of Russia. This is the second outman (after Central Federal district) and the most multi-national federal district (about 140 various nations, nationalities and ethnic groups are living here).

The majority of VDF population lives in towns and cities - 70,8 %, which is higher than All-Russia's figure. In the Company's cover area there are two cities with population over 1 million people: Nizhny Novgorod and Samara.

Year 2006 was noted by the growth of industrial production and the improvement of social situation in VFD. So, with the average growth of consumer cost by 8% the real income of VFD population grew by 18%, and the salary - by 26%. In 2006 the average wage in VFD was RUR 8 600. During the reporting period the growth of the production sector in VFD was 6%, and direct investments in fixed-capital assets grew by 12% which is higher than in Russia upon the whole.

Such industries as machine manufacturing and fuel and energy complex are the leaders in the structure of production sector. Agricultural sector, chemical industry and light industry make a substantial input into the volume of industrial production of the Volga Federal district. Electric-power supply industry is an important industry of market specialization of the Volga Federal district. Large hydroelectric power stations on the Volga and Kama rivers are located in the district; nuclear power is represented by Balakovo's A-plant – the largest in the region.

Large investment projects (e.g. construction of the plant for the production of blood components in Kirov oblast) are successfully realized in VFD, and also national priority projects: "Education", "Healthcare", "Housing" and "Agro-industrial complex development".

¹ OJSC "VolgaTelecom" does not provide its services in the Republics of Bashkortostan and Tatarstan, and also in Perm Area.

IV. RUSSIA'S TELECOMMUNICATIONS INDUSTRY TRENDS. THE COMPANY'S POSITION IN THE INDUSTRY.

Russia's telecommunications industry development.

In 2006 the development of RF telecommunications market was considerably affected by the industry regulator. The following changes were introduced into legislation:

- ✓ New statutory regulations governing telecommunications industry introduced changes into the principles of providing long-distance communication services to the end-users and also into the principles of interaction of operators when rendering these services; these regulations became effective since January 1, 2006;
- ✓ Amendments to clause 54 of Federal law "On communication" abolishing payment for incoming calls to any phone – "Calling Party Pays" principle – became effective since July 1, 2006;
- ✓ Limit prices for connection and traffic transit services, including for the service of local call initiation for operators occupying essential position in PSTN (Rossvyaznadzor's order № 51 of 19.06.2006) became effective since July 1, 2006;
- ✓ Three tariff plans for local calls services were introduced (Rule № 637 of 24.10.2005 became effective since 09.11.2005).

According to the data of the Ministry of IT and Communications for 9 months of 2006 Russia's telecommunications market grew by 123,7% vs. similar period of 2005 and amounted to RUR 592,6 billion. The growth was in all sectors of telecommunications industry. However, the highest growth was with cellular operators: for 9 months of 2006 the market volume amounted to RUR 273,3 billion, which is 1,33 as much as for 9 months of 2005. Recording communication market, including Internet access services, for 9 months of 2006 amounted to RUR 44,7 billion (growth rate - 124,9% vs. similar period of 2005).

The growth of investments into Russian long-distance communication industry for 9 months of 2006 was 205% and amounted to US\$3,9 billion.

VFD telecommunications market development.

The market of telecommunications services in VFD is developing at high rates and outstrips GDP growth in the Russian Federation.

According to initial estimations, in 2006 the actual volume of telecommunications services in the regions where "VolgaTelecom" is operating amounted to about RUR 57,0 billion.

The following trends have the effect on the development of the region's telecommunications market:

- Local communication market:
 - ✓ Deterioration in demand for the service among new customers (actual saturation of market) – market stagnation;
 - ✓ Raising of tariff rates – major factor of market growth which is directly dependent upon the regulator's actions;
 - ✓ Improvement of competition with alternative operators in the segment of legal entities and in the segment of new buildings (dwelling-houses and office centers) in large cities;
 - ✓ Traffic substitution by mobile communication. Improvement of competition with mobile communication operators resulting in the churn of existing customers;
 - ✓ Refusal of corporate PBX owners to conduct non-core business, to keep and maintain the exchanges, or they are taken-over by larger market players.
- Long-distance communication market (DLD/ILD, zonal communication):
 - ✓ Shaping of competition at the market;

- ✓ Increase in mobile substitution;
- ✓ Market stagnation resulted form a fall in prices (the prices for DLD/ILD and mobile communication are coming closer to each other; VoIP development).
- Mobile communication market:
 - ✓ Deterioration in demand for the service (actual saturation of market) – market stagnation;
 - ✓ Tariff rates reduction – the tariff rates for mobile and fixed-line communication, mobile and DLD/ILD communication are coming closer to each other;
 - ✓ Service growth point – increase in monthly ARPU.
- Internet wideband access market:
 - ✓ Active growth of demand for the service, particularly in “home” market segment;
 - ✓ Concentration of market in large cities and towns;
 - ✓ Churn of dial-up access users towards leased channels;
 - ✓ Reduction in cost of service access and traffic cost;
 - ✓ Competition tightening (including the emergence of new competitors) at the market between the players and wire technologies of wideband access (ADSL, Ethernet, cable Internet access);
 - ✓ Emergence and development of wireless technologies of Internet access;
 - ✓ Development of quality local content generating traffic.
- Market of Internet dial-up access:
 - ✓ Saturation of dial-up access market;
 - ✓ Stabilization of tariff rates at minimum competitive level;
 - ✓ Churn of dial-up access users towards leased channels.
- Wholesale market (connection and traffic transit services, channel lease, and data transfer services):
 - ✓ Market growth rates are defined by the change of retail demand, behavior of competitors and the regulator and are growing in physical terms;
 - ✓ Growth of services revenues, despite the reduction in prices for channel lease and for wholesale data transfer.

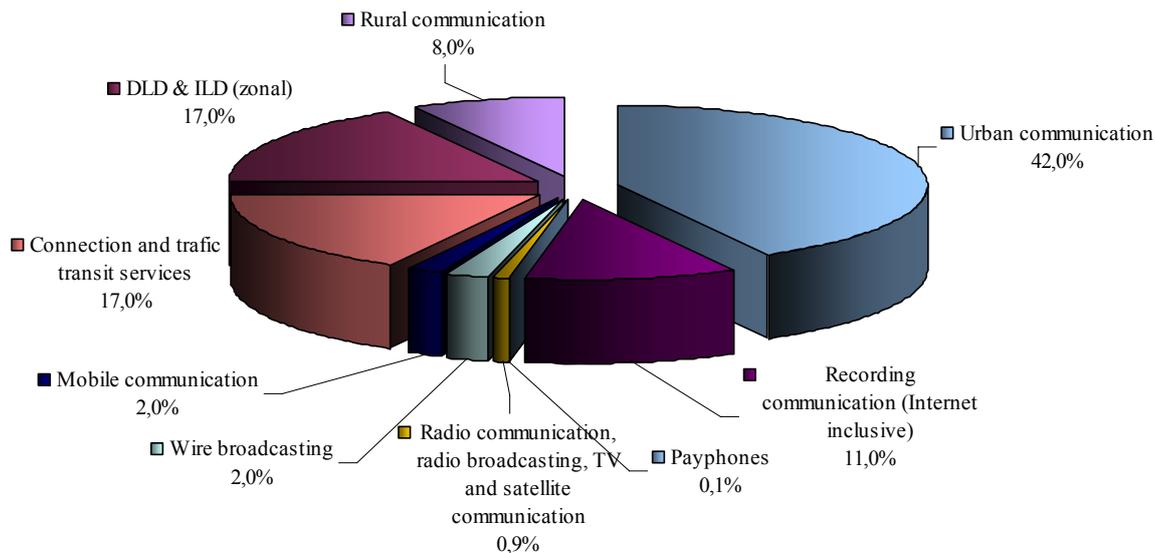
The Company’s position in the industry.

OJSC “VolgaTelecom” is one of the major players of telecommunications market of the Volga Federal district.

OJSC “VolgaTelecom” branches are located in 11 regions of the district - in Republics of: Mariy-El, Mordoviya, Udmurtiya, and Chuvashiya and also in Kirov, Nizhny Novgorod, Orenburg, Penza, Saratov, Samara and Ulyanovsk oblasts.

Chart 2.

“VolgaTelecom” revenues from communication services, connection and traffic transit in 2006.



In 2006 the revenues from providing the services with application of new technologies accounted for 10,6% (in 2005 - 7,3%) of the total amount of communication services revenues for 2006. The growth rate was 143,5%.

According to preliminary data OJSC “VolgaTelecom” share at January 1, 2007 is 36,0% of all revenues of telecommunications sector.

The Company’s market positions at the market of telecommunications services in 2006 are provided below:

Table 1.

Services	Market share by 2006 end, %*
Local communication	88,5%
Zonal communication	96,3%
Internet services via dedicated channel	68,4%
Internet services via dial-up channel	73,7%
TV services	22,6%

* Market shares were calculated with due account for:
 - Preliminary estimate of volumes of telecommunications market segments;
 - Correction of indexes for Internet services market with due account for the development of connection technology via home networks which are characterized by high fragmentation.

V. THE COMPANY’S BUSINESS PRIORITIES.

5.1. Building and modernization of DWDM-based backbone and intrazonal transport networks and building of MPLS and RPR-based data transfer networks.

The major priority trends of the Company’s business are:

- Building and modernization of DWDM-based intrazonal transport networks.
- Building of MPLS and RPR-based data transfer networks.
- Further construction of intrazonal fiber-optic links with ring networks allowing for maximum protection of the networks from communication interruption.

- Building of new and expansion of existing networks of on-air digital broadcasting of DVB-T standard.
- Improvement in quality of communication.
- Carrying out the measures to prepare PSTN for introduction of Russian system and plan of numbering in accordance with order of the Ministry of IT and Communications № 142 of 17.11.2006.

5.2. NGN development, development of mobile networks and the networks of wire and wideband wireless access. Expansion of the range of provided services on the basis of intelligent networks, new content and services provided within Triple play concept, inclusive of IP-TV.

The major priority trend of the Company's activity is NGN development. NGN comprises the convergence of PSTN, mobile communication, the networks of wire and wireless wideband access. This technology enables to expand the range of provided services on the basis of intelligent networks, new content and services provided within the concept of Triple Play, inclusive of IP-TV.

Takeover of all cellular subsidiaries to CJSC "NSS" will allow for establishing a single GSM operator in the Volga region. Further expansion of cellular communication network on the licensed territory will allow for developing CRM strategies, new value-added services (GPRS, EDGE, WiFi, development of exclusive content), and also optimizing the expenditures of subsidiaries and rising their profitability.

5.3. Introduction and modernization of IT solutions, including realization of centralized IT programs.

Major activities in IT area are aimed to automation of technological and managerial processes of the enterprise, to centralization of information resources in order to enhance the transparency of the Company's governance, to unification of business processes, to reduction of expenditures for the development and operation of information systems and to optimization of information flows. Within the framework of these activities OJSC "VolgaTelecom" is implementing uniform management system based on ORACLE E-BUSINESS SUITE software (ERP program) and common billing system of "Amdocs" company (Billing Transformation Program). Introduction of these systems is the next stage of the Company's corporate restructuring aimed at optimization of business processes through creation of single information resource.

VI. THE COMPANY'S EXPECTED FUTURE DEVELOPMENT.

The basic trends and priorities of OJSC "VolgaTelecom" development for 2007 are defined in medium-term programs of the Company's development.

Basic trends and priorities of the development in the area of communication services and customer segments.

Based on the results of market situation analysis the Company defines for itself the following markets as the target ones:

- ✓ Internet and data transfer market as the most rapid-growing segment of communication market;
- ✓ Traditional telephony market which is the largest source of the Company's revenues;
- ✓ Mobile communication market.

Thereby, the Company assumes to keep the leading positions in all key segments (residential sector and enterprises) diversifying marketing strategy depending on the segments needs.

In accordance with it the Company defines the following strategic priorities:

- ✓ Maximization of revenues from traditional telephony services;
- ✓ Faster growth of wideband access;
- ✓ Yield increase and consolidation of market positions in the segment of legal entities;
- ✓ Consolidation of cellular assets;
- ✓ Cost reduction initiatives:
 - Sales channels reforming;
 - Procurement process optimization;
 - Reduction of operated own premises;
 - Reduction of administrative (overhead) costs;
 - Reduction of costs for the network maintenance and operation.

Basic trends of technical policy.

The basic objectives of technical policy in 2007 will be:

- ✓ PSTN development chiefly applying the equipment with NGN elements. Upgrading telephone networks in county towns applying switching systems comprising the equipment of subscriber's wideband access.
- ✓ Preparation of PSTN for introduction of Russian system and plan of numbering in accordance with order of the Ministry of IT and Communications № 142 of 17.11.2006 (I stage).
- ✓ Continue work to equip PSTN with the facilities of time charging for local calls.
- ✓ Replacement of more than 90 hops of outdated microwave radios of "Radan" and "Malyutka" type with "BIST-13" and "Strela-450" equipment.
- ✓ Removing from service of 62 analog transmission systems of intrazonal links of the length of 2 566,5 km of the total capacity of 4 302 channels.

In 2007-2009 it is scheduled to increase the capacity of intrazonal communication network by 7 970 thousand channel-km.

It is assumed that the gain in the extension of intrazonal primary network will be 4 804,4 km, including due to the construction of fiber-optic links – 4 328,9 km.

Basic trends of IT development.

To achieve the set strategic goals the commercial and technical blocks should be supported by information systems. The activities of IT block in 2007 and in the next 2-3 years should be aimed to perform the following tasks:

- ✓ Creation and implementation of uniform system of the enterprise management; the system integrates the management of finances, personnel, procurement and sales. (Further implementation of ORACLE E-BUSINESS SUITE enterprise management system and the system of electronic flow of documents "Documentum");
- ✓ Creation and implementation of uniform system of subscribers' service (Implementation of "AMDOCS" billing system, the customer relationship management system "CRM system", the system of mutual settlements with connected operators);
- ✓ Automation of the enterprise's technological processes (Implementation and integration of the systems of acquisition and processing of detailed information

about provided services from telecom equipment (preliminary billing systems), network management and monitoring system, telecom equipment management system for activation and upgrading of services, the system of customer technical support).

These measures will allow for improving the transparency of information flows, to improve the Company's manageability, labor efficiency and to reduce the costs of business processes execution, and the costs for the development, modernization and operation of information systems.

Basic trends of investment policy.

To achieve the set tasks the Company is planning to allocate RUR 17 billion to investment program to year 2009. In many ways the volume of investment plan to year 2009 is defined by the projects which the Company started to realize in 2006, and also in accordance with developed Strategic plan of OJSC "VolgaTelecom" development for 2007-2011.

The volume of investments allocated by the Company to realize the development program of year 2007 will amount to RUR 7,9 billion, including:

- ✓ RUR 2,23 billion will be invested by the Company into the development of universal communication services, and namely the construction of communication links to provide universal communication services by means of payphones. More than 16 000 payphones are scheduled for installation and connection in the entire Company;
- ✓ RUR 0,49 billion will be allocated for realization of national project of providing Internet access to educational institutions. This project is referred to social projects;
- ✓ RUR 0,5 billion are scheduled to continue the creation of technical architecture for billing transformation system, CRM, and ERP system. The Company will continue to create centralized technical architecture for the deployment of global programs aimed to creation of uniform management system, centralized billing and subscribers' servicing system. All in all in 2007-2009 RUR 1,1 billion are scheduled to invest into this area;
- ✓ RUR 0,6 billion will be invested into the second stage of NGN-based communication network construction in five branches of the Company: Kirov, Samara, Penza, Udmurtiya and Chuvash Republics. The completion of this project is scheduled in 2009. Due to realization of universal service project the greater part of investments in NGN project was transferred to 2008. In 2007-2009 NGN investments in five branches will amount to RUR 1,9 billion;
- ✓ RUR 1,65 billion will be allocated for Internet wideband access services development. The investments into this market sector are most feasible, as they have the largest return and fast cost recovery. Return on these investments is estimated to be 2,5 - 3 years, herewith the approximate period of the equipment service is 5 years, and obsolescence of technology is 4 years. Subject to network's modernization and diversion of small investments to fixed line communication network, in the longer term it is possible to orient to high technologies services market with permanent infusion of money into this market segment at the cost of derived revenues. In the longer term this will allow for putting emphasis on dynamical markets and for providing services of small life cycle (less than 5 years) with maximum cost effectiveness for the Company in order not to loose the most attractive market segments of subscribers who are ready to pay good money for high technology services. To achieve this in the next three years it is scheduled to invest more than RUR 5 billion into the development of wideband access services. By 2009 end the

Company forecasts to render Internet wideband access services to 1 million subscribers;

- ✓ In 2007 RUR 1,3 billion will be allocated by the Company to modernize data transfer links and the infrastructure objects. The investments into infrastructure, the replacement of analog transmission systems with digital ones will encourage the development of services with high added value.
- ✓ Besides, in accordance with adopted regulatory documents additional cost loading is forecasted which is connected with compulsory fulfillment of license and other requirements. Basic technical measures aimed to ensure the above requirements are:
- ✓ Modification of communication networks in accordance with the requirements to PSTN construction (Order of the Ministry of IT and Communications № 97 of 08.08.2005);
- ✓ Introduction of new system and plan of numbering at PSTN (Order of the Ministry of IT and Communications № 142 of 17.11.2006);
- ✓ The investments will amount to RUR 3,2 billion, including: in 2007 – RUR 173 million, in 2008 – RUR 1 528 million, and in 2009 – RUR 1 523 million. These costs are accounted for in the Company's investment plan for medium-term prospect.

Starting since 2007 the Company reduced as much as possible the investments into the development of rural telephone communication. This is caused by on-going earnings dilution of the service. The churn of subscribers in rural area for 2005-2006 doubled vs. 2003-2004 and annually is about 20 000 phone sets, annual loss of revenues from this is about RUR 26 million.

Assessment of efficiency of replacement-upgrading of exchanges in rural areas showed that the cost recovery of investment projects is 10 years and more. The Company is planning major development of traditional telephony in urban telephone communication, completing upgrading of urban switches and strengthening its presence in new buildings.

The Company will continue to develop cable TV in its branches in the Republic of Mariy-El and in Chuvash Republic, i.e. there where the service cost-efficiency is positive.

Taking into account the reduction of total volume of investments, the share of projects with financial payback in the structure of investments will grow and by 2009 end will amount to 80%. The necessity of investing into the market segments where during the period under review there will be solvent demand is explained by the growth of share in the projects with definable financial payback.

During the period under review the Company will keep all the figures of key indicators of investments efficiency relative to reference period by using own sources of financing the investment program; by 2009 the share of own sources will grow to 85-90%.

Total amount of investments to 2009 is provided in the table below:

Table 2.
(RUR thousand)

Investments categories	2007	2008	2009
Traditional telephony	3 058 066	1 150 910	616 815
Investments into IT, Oracle	401 000	376 017	156 610
Other investments into IT	129 421	10 000	10 000
Internet	1 651 724	1 907 500	1 626 000
Mobile communication	75 754	0	0
Cable TV	61 324	26 000	33 000
Softswitch	617 073	1 250 900	53 500
Transmission links and infrastructure objects	1 301 404	553 300	697 000
Construction, renovation of buildings and premises,	114 800	72 500	96 500

buyout of land plots			
Other	500 291	227200	260600
TOTAL	7 910 857	5 574 327	3 550 025

VII. THE RESULTS OF THE COMPANY'S DEVELOPMENT IN PRIORITY TRENDS.

Development of existing network infrastructure to expand the range and improve the quality of provided communication services.

In 2006 OJSC "VolgaTelecom" branches carried out the activities of expansion and modernization of regional data transfer networks. Within the framework of the project's realization of NGN building in 2006 the transport data transfer networks were modernized in Kirov, Penza, Samara branches, in the branches of Udmurtiya and Chuvash republics. "Juniper" backbone routers were installed; transport networks are being developed on the basis of WDM technology.

In 2006 the construction of interbranch corporate data transfer network was continued; its total length is more than 4 720 km, the network will connect all 11 regional centers covered by OJSC "VolgaTelecom". At the initial stage the carrying capacity of data transfer network will be 2,5 Gbps, there will be the capability to raise the rate to 10 Gbps.

The system is scheduled for commissioning in 2007.

Development of high rate access to Internet.

xDSL wideband access services development is one of the priorities in the Company's activity. The share of ADSL subscribers in the total number of dedicated line access users in 2006 grew from 85% to 96%. In 2006 to ensure the capability of providing wideband access services the Company increased the number of installed xDSL ports from 48 000 to 159 100, i.e. 3,3 times. This allowed in 2006 for increasing the subscriber's base of xDSL users from 27 100 to 115 600. By 2006 end 120 400 ports were engaged to provide the services of dedicated line access.

Realization of project of implementation of ERP-system of Oracle E-business suite and of Billing Transformation Program.

In IT area OJSC "VolgaTelecom" is realizing two centralized projects. This is the project of implementation of ERP-system of Oracle E-business suite and Billing Transformation Program.

In 2006 within the framework of the project of implementation of ERP-system of Oracle E-business suite OJSC "VolgaTelecom" carried out the following basic measures: united Data Processing Center was established which accumulates all financial and economic information of the Company; the first modules of Oracle E-business suite – personnel management and fixed assets management – were implemented; the users were trained in operation of the system; Local Center of competences was established to support the system's users and now it is successfully operating.

In 2006 within the framework of Billing Transformation Program the following basic measures were carried out: "Design of unified files for conversion" and "Recommended system parameters settings for installation of Master-system release" were designed; OJSC "VolgaTelecom" specialists were trained in installation, setting up and implementation of AMDOCS billing solution; IT was deployed – the infrastructure of centralized management of program by using information systems SharePoint and Rational Portfolio Manager;

specifications of Local level of extension and the software of release 1 of Master-System were supplied.

Development of traditional communication services.

- *Granting the applications for access to telephone network.*

In 2006 OJSC “VolgaTelecom” commissioned, owing to new construction, expansion and upgrading the equipment of exchanges of local telephone networks of total installed capacity of 433 500 numbers, including 368 600 numbers in urban networks and 64 900 numbers in rural networks. Out of the commissioned capacity 284 600 numbers were used to replace the outdated switching equipment.

The major commissioning of installed capacity at the Company’s networks falls on digital exchanges. In 2006 the share of digital switches in the total capacity of switching equipment of exchanges at local networks grew from 63,3% to 68,5%.

The gain in installed capacity of radio access systems was 4 414 numbers, as a result the total installed capacity of radio access systems grew to 37 000 numbers.

With the commissioning of digital exchanges the number of basic phone sets with automatic access to intercity telephone network grew by 142 200 units and amounted to 4 711 400 basic phone sets, including 3 938 700 basic phone sets in urban networks and 772 700 basic phone sets in rural networks.

In 2006 the gain in basic phone sets amounted to 152 984 units, including at urban network – 119 610 units and at rural networks – 33 374 units.

According to the plan the gain was to be 153 740, including at urban network – 121 678 units and at rural networks – 32 062 units.

Accomplishment of the plan of gain was 99,5% , including at urban network – 98,3%, and at rural networks – 104,1%.

- *Growth of factor of equipped capacity.*

The factor of utilization of equipped capacity of exchanges installed at “VolgaTelecom” PSTN is 93%, including 93,4% at urban networks and 91,5% at rural networks.

- *Introduction of time charging equipment system at local networks.*

Due to the commissioning of new digital exchanges and change-over of considerable part of subscriber lines to them 304 analog exchanges were disassembled, out of them 8 step-by-step decimal switches of ATC-54 and ATC-54A type.

As of 31.12.2006 the total number of automatic exchanges in cities, towns and settlements was 5 737 units of the total installed capacity of 5 109 600 numbers, including 4 307 700 numbers at urban networks and 801 900 at rural networks.

The installed capacity of automatic exchanges with the function of time charging for local calls increased by 382 300 numbers and accounted for 4 275 600 numbers, including 3 972 800 numbers at urban networks and 302 800 numbers at rural networks.

As a result of carried out measures the factor of switches implementation with time charging function grew and amounted to 83,7%, including 92,2% at urban networks and 37,8% at rural networks.

- *Replacement of analog transmission systems at zonal and local networks.*

In 2006 2 554 km of fiber-optic communication links and 219 km of digital microwave radio communication links were commissioned. The total length of intrazonal networks accounted for 21 171,3 km, including fiber-optic – 13 402,4 km, and microwave radio – 3 321,5 km. Digitalization of intrazonal networks was 96,6%.

About providing communication services to the Company’s clients.

Local and zonal telephone communication services.

In 2006 the services of local and intrazonal communication generated the greater part of “VolgaTelecom” revenues from communication services upon the whole.

In the structure of local communication services the largest share falls on “residential sector” segment which generates 75,4% of revenues from local communication services.

In 2006 the growth of revenues from local telephony services was secured by the following measures:

- Development of joint standards of servicing allowing for ensuring the level of service of satisfactory quality;
- Maintaining permanent interaction with entities operating at the market of commercial house property and with building projects of administrations of municipal formations for the purpose of prompt solution of issues of telephonization of newly built houses and commercial-business buildings;
- Application of non-price marketing tools (payment by installments for phone installation to individuals, “phone set as a gift”, etc.);
- Local price marketing events;
- Implementation of the system of active sales of services in regional communication centers and in Customer Service Centers of the branches.

The Company sees the potential of increasing the revenues from local communication services in executing the following business events:

- Introduction of subscribers churn management system;
- Optimization of tariff policy as related to:
 - Determination/development of the best offers from the point of view of increase in ARPU,
 - Determination/development of additional tariff offers in order to reduce the churn,
 - Soft raising of tariffs to the level of economically justified costs;
- Sales promotion at the expense of “spot” reduction of access cost and improvement of efficiency of activities with property developers;
- Development and introduction of package offers to increase the value of subscriber line;
- Unification of the system of end-users servicing in the branches’ service-centers;
- Active support to agency network of sales of communication services, including the traditional services;
- Expansion of agency network of payments collection, optimization of own network of payments collection.

“Internet wideband access” service.

In 2006 the development of “Internet wideband access” service was continued. The following business events were executed:

1. ADSL-based uniform brand “J” was designed and introduced to the market;
2. www.jdsl.ru site was set up for the clients of wideband access services, by means of this site the clients are informed about tariff plans and tariff rates for wideband access services, about trade mark “J”, about terms and conditions of connection to the service; the applications for the check of technical capability and connection to the service, answers are provided to frequently asked questions;
3. A line of tariff plans with included traffic volume was developed and introduced: “JUST”, “JUMP”, “JET” and unlimited tariff plans – “J.OPEN-64” and “J.OPEN-128”;
4. Three large scale advertising campaigns were conducted to promote trade mark “J” and the sales of Internet services:
 - May 2006 – trade mark “J” was introduced to the market,

- September 2006 – unlimited tariff plans “J.OPEN-64” and “J.OPEN-128” were introduced to the market,
 - December 2006 – sales promotion by means of advertising campaign “J presents gifts”;
5. The system of sales and servicing was improved:
- Information and technical support services were set up to help wideband access and “J” clients, special phone numbers were allocated,
 - Key Performance Indicators and monitoring system of operation of information and technical support services were developed,
 - A number of business events was executed to develop dealer network;
6. Single Internet-portal for ADSL subscribers’ entertainment content “J-net”, “J-zone” and “J-play” was commissioned.

The executed business events resulted in the following: in 2006 the number of connections to wideband access service amounted to 88 537, and by 2006 end the number of subscribers over dedicated line was 120 382.

Services of Call Processing Centers.

The objectives of the development of services of Call Processing Centers (hereinafter – CPC):

1. Provision of quality information and technical support to the Company’s clients.
2. Increase in revenues from providing commercial inquiry and communications services.

To pursue the objectives set in 2006 OJSC “VolgaTelecom” continued the construction of Call Processing Centers. CPCs were commissioned in Penza and in Samara branches, CPC in Ulyanovsk branch is in trial operation.

Thus, at January 1, 2007 Call Processing Centers are operating in Kirov, Nizhny Novgorod, Penza, Samara, Saratov, Ulyanovsk branches, and in “VolgaTelecom” branches in the Republic of Mariy-El, Mordoviya Republic and Udmurtiya Republic.

Priority trend of CPC services development became the improvement of quality of clients’ servicing. In 2006 information and technical support services were set up to help Internet wideband access service users. Information support is also provided to key corporate clients.

On the basis of CPC and Reference and Information Services (hereinafter RIS) all the Company’s branches 24 hours and free of charge provide enquiry and communications services in accordance with Government Regulation № 310 of 18.05.2005. Commercial enquiry and communications services are being actively developed.

During 2006 CPC and RIS of “VolgaTelecom” branches received more than 58 million calls, including more than 7,9 million calls to commercial reference and information services.

Relations with key corporate clients.

In 2006 one of the priorities of OJSC “VolgaTelecom” marketing activities was forming-up of the system of servicing of large corporate clients with monthly costs for communication services from RUR 20 000 to RUR 100 000.

At January 1, 2007 the Company provides services to more than 1,35 thousand large corporate clients. In 2006 the share of revenues from large corporate clients in the structure of revenues received by the Company from business sector accounted for 20,3%.

The following business events were executed within this trend:

- New regulatory documents were developed; they define the assignment of large corporate client status and the procedure of relations with it. In 2007 it is scheduled to introduce uniform criterion of large corporate client for the entire Company (the costs of large corporate client for communication services exceed RUR 30 000). “Business processes of relations with property developers” were also elaborated;

- Unification of business processes was continued for the purposes of improving the efficiency and quality of large corporate clients servicing;
- To raise the level of professional standard the personnel in the branches was trained in “relations with large corporate clients” and “Direct sales to large corporate clients”;
- Individual and group offers were developed for corporate clients, business events were executed to raise the clients loyalty (congratulations to entities’ CEOs, a number of presentations was made, publications in regional mass media, and other events);
- Database of corporate clients was created;
- The list of property developers and the list of construction projects for 2006-2008 were made up and the process of making up business files of property developers began;
- The satisfaction of large corporate clients was analyzed;
- In order to ensure the continuity of the process of new transactions conclusion extra cash resources were allocated to build the networks for large corporate clients not included into the investment plan.

In 2006 the basic measures of “Program of improving relations with corporate clients in 2006” were executed. At January 1, 2007 the average annual income from one corporate client amounts to RUR 1 012 000, which is by 26,5% exceeds the key indicator of average annual income from one key corporate client set for 2006.

7.1. Investment policy.

For year 2006 the Company investments amounted to RUR 5 882,44 million. The investments to fixed-capital assets amounted to RUR 5 710,1 million, out of them RUR 5 584,7 million were allocated to communication objects, and RUR 125,4 million – to other types of activity. In the reporting year the volume of construction and installation activities amounted to RUR 1 887,93 million. The equipment worth RUR 3 690,6 million was purchased. Fixed assets worth RUR 5 892,2 million were commissioned.

Table 3.

№	Indicator’s description	Measure unit	2005	2006	The rate of indicators’ change 2006/2005 (%)
1.	Funds invested into fixed-capital assets - total,	RUR million	5 208,7	5 710,1	109,6
1.a	Trends of investments:				
	- fixed-line telephone communication	RUR million	2 965,5	1 713,9	57,8
	- cellular communication	RUR million	239,2	203,2	85,0
	- zonal telephone communication	RUR million	530,1	807,4	152,3
	- new services and technologies	RUR million	178,1	1511,4	848,6
	- data transfer network and organization of xDSL access to Internet services.	RUR million	377,4	707,2	187,4
1.b	- investments into IT	%	7,6	7,6	X
	- other	%	10,0	5,8	X
2.	Share of proprietary resources allocated for investments financing	%	66,9	48,7	X
3.	Share of raised funds allocated for investments financing	%	33,1	51,3	X

Trends of investments in 2006.

By 2006 end the costs for local telephony development amounted to RUR 1 713,87 million or 29% of the total volume of investments. This allowed for putting into operation additional numbers of PBX subscriber's capacity. A large share in the investment program still falls on the investments into modernization and expansion of objects of traditional telephony. So, for 2006 the volume of investments in this market segment amounted to RUR 1 588,2 million or 27% of the total volume of investments. A large share of investments into traditional telephony is explained by the necessity to modernize the existing network to expand the range of provided services and to improve their quality.

In 2006 the share of investments into the development of new services and technologies, data transfer networks amounted to 37,7% of the total volume of investments, which exceeds the level of investments in 2005 3,9 times. RUR 2 218,6 million were allocated for the development of new services and data transfer networks, including:

- RUR 1 266 million (21,5%) – for the construction of communication networks with the application of Softswitch technology;
- RUR 707,2 million (12,0%) – for the construction of data transfer network and organization of xDSL access to Internet services;
- RUR 40,4 million (0,7%) – for organization of Internet dial-up access;
- RUR 163,9 million (2,8%) – for the construction and expansion of cable TV network;
- RUR 41,1 million (0,7%) – other services.

RUR 807,4 million or 13,7% of the total volume of investments were allocated for the development of network infrastructure of intrazonal communication. Out of them:

- RUR 770,9 million (13,1%) were allocated for the construction of intrazonal communication links (fiber-optic and microwave radio links);
- RUR 36,5 million (0,6%) were allocated for the expansion and upgrading of zonal transit nodes.

As a result it allowed for increasing the capacity of network links and to improve the quality and reliability of provided services.

In 2006 the volume of investments into social and special projects grew due to the inclusion of the program of ensuring Internet access to RF educational institutions within the framework of national project "Education" to the Company's implementation plan. RUR 195,4 million were allocated by the Company to realize this program, and 4 900 schools were connected to the Internet.

The Company increased the share of investments financed at the expense of raised funds vs. 2005 by 17,83 per cent points. In 2006 the increase in the share of financing at the expense of raised funds was caused by the supply of equipment under leasing contracts for the projects of communication networks upgrading on the basis of NGN equipment.

7.2. Basic indicators of network development.

Table 4.

№	Indicators' description	Measure unit	2005	2006	The rate of indicators' change 2006/2005 (%)
1	2	3	4	5	6

1.	The gain of haul of - DLD (intra-zonal) VF channels - total	Thousand channel/km	3193,4	6 668,3	208,8
	Including those formed by digital transmission systems	Thousand channel/km	2977,2	7 077,7	237,7
2.	The gain in quantity of basic telephone sets - total	Thousand units	257,6	153,0	59,4
3.	xDSL ports installed capacity – total (as of the reporting period end)	ports	47 755	159 100	330,0
4.	The quantity of subscriber units connected to mobile radiotelephone communication networks (as of the reporting period end)	Thousand units	202,8	311,1	153,4

7.3. The Company's key economic performance indicators.

Table 5.

Indicators description	Measure unit	2005	2006	The rate of indicators' change 2006/2005 (%)
Proceeds from sales of goods, products, works and services	RUR million	21 348,4	21 691,2	101,6%
Communication services revenues	RUR million	20 787,6	20 367,0	98,0%
Expenditures	RUR million	16 059,4	16 949,8	105,5%
Sales profit	RUR million	5 289,0	4 741,5	89,6%
Pretax earnings	RUR million	3 424,0	3 534,2	103,2%
Net profit	RUR million	2 255,6	2 453,6	108,8%

At 2006 year-end the Company's proceeds amounted to RUR 21 691,2 million with the gain of RUR 342,8 million and growth rate of 101,6 % vs. 2005.

The share of communication services revenues in the proceeds accounted for 93,9% which is by 3,5% less than in the past year. The revenues from non-core activities grew due to income generation under the contract of assistance with long-distance communication operators to the amount of RUR 670,6 million or 3,1% in the volume of proceeds. Immediate revenues from non-core activities amounted to RUR 653,8 million (3% in the volume of proceeds) and grew by RUR 93,1 million vs. 2005.

At 2006 year-end the Company's revenues from communication services amounted to RUR 20 367 million.

In the structure of revenues the largest share falls on local telephone communication revenues - 50,9% or RUR 10 360,8 million, intra-zonal telephone communication - 17,5% or RUR 3 573,6 million, revenues from connection and traffic transit services - 16,5% or RUR

3 362,6 million. The revenues from communication services provided with the application of new technologies grew by 43,8% and amounted to RUR 2 164,1 million.

Loss of revenue due to the change of provisions to render DLD and ILD services amounted to RUR 4 020 million (in 2005 prices).

The growth rate of communication services revenues, if DLD and ILD revenues are excluded, amounted to 121,5%.

As before local telephone communication revenues occupy a considerable share in the structure of the Company's revenues - 50,9% or RUR 10 360,8 million for 2006. The growth rate vs. 2005 was 105,1%. The major share of local telephone communication revenues – 85% were received from the services of city's telephone network.

Many factors impact the generation of income from local telephone communication. Under the conditions of saturation of the market of traditional communication services year after year it becomes more difficult to secure the gain in local telephone communication revenues. In 2006 the gain in revenues amounted to RUR 500,5 million, which is more than three times smaller than in 2005. The major source of revenue gain is the revenues from current payments – RUR 1 351,1 million, out of them – RUR 1 033,3 million owing to current payments of subscriber fee.

In 2006 the revenues from providing access to local telephone network reduced by RUR 673,8 million vs. 2005. In the first place it is connected to the reduction in quantity of installed phone sets (from 351 700 basic telephone sets to 214 100), and also to loss in value of installation (in 2006 average profitable rate of installation of one basic telephone set in urban telephone networks was RUR 3 822 and RUR 2 668 at rural telephone networks, RUR 4 354 and RUR 2 917 in 2005 accordingly), and also due to change of rules of providing communication services as related to providing access in the premises having connection to PSTN.

Thus, the share of revenues from providing access to local telephone network is steadily reducing year after year. In 2006 it was 7,3%, i.e. it reduced two times vs. 2005.

Taking into account low level of gain in revenues the Company pays special attention to the efficiency of projects and rendered communication services, takes measures related to optimization of expenses and reduction of services prime cost.

One of the measures aimed to improve the cost-efficiency of the industry of the Company's rural telephone communication in mid-term perspective is to keep the subscriber's base existing at 2006 end (770 903 subscribers).

The revenues from radio and TV broadcasting services amounted to RUR 196,7 million, which is by RUR 41,8 million or 27% more than in 2005. In the structure of this industry revenues the major share falls on cable TV revenues – RUR 122,6 million or 62,3%.

At 2006 year-end in Chuvash Republic branch the revenues from cable TV services amounted to RUR 86,7 million or 70% of the Company's revenues from cable TV services and 61% of revenues from all TV broadcasting services of the Company. In perspective of the Company's further development of cable TV services in the regions the major task is set – cost-efficiency of the service.

One of the strategic trends as regards yield increase and successful development of OJSC "VolgaTelecom" is the development of new communication services. At the year-end the revenues from communication services with application of new technologies amounted to RUR 2 164,1 million or 10,6% of the total amount of revenues from communication services for 2006. The gain in revenues – RUR 659,6 million or 43,8% vs. 2005.

In 2006 the revenues from providing the services of Internet access over dedicated line amounted to RUR 1 084,6 million with the gain of RUR 538,5 million vs. 2005 revenues (81,6% of the gain in revenues from communication services based on new technologies), inclusive of revenues from xDSL-based services to the amount of RUR 511,6 million. The basic factor which allowed for securing dynamic development of Internet wideband access services is the increase in the volume of provided services.

Faster growth of Internet wideband access development is the strategic trend of the Company for 2007-2011. Substantial presence at wideband access market is required for keeping the leading positions at telecommunications market of the territories where the Company provides communication services.

7.4. The structure of revenues by types and categories of subscribers for 2006.

Table 6.

Services description	Total (exclusive of VAT), RUR thousand	Including from residential sector, RUR thousand
Revenues from communication services – total	20 366 969	11 170 455
including:		
From intrazonal, DLD and ILD services	3 573 604	1 652 448
From local telephone communication services	10 360 773	7 818 116
From recording communication services	2 176 179	962 960
From mobile communication services	353 404	307 117
From connection and traffic transit services	3 362 613	
Other	540 396	429 815

The information is provided on the basis of data of form 65-communication for 2006.

7.5. Expenditure pattern (aggregatory) for 2006.

In 2006 the Company's expenditures accounted for RUR 16 949,8 million. In 2006 the growth rate of expenditures was 105,5%.

In the Company's prime cost structure the share of expenses for OJSC «Rostelecom» reduced substantially – from 12,6% to 0,8%. Due to the fact that since January 1, 2006 the revenues from DLD and ILD services are the revenues of DLD and ILD operators, in the structure of the Company's costs there are no payments for OJSC «Rostelecom» (hereinafter Rostelecom) traffic transit.

Since 01.01.2006 the structure of OPEX changed vs. 2005:

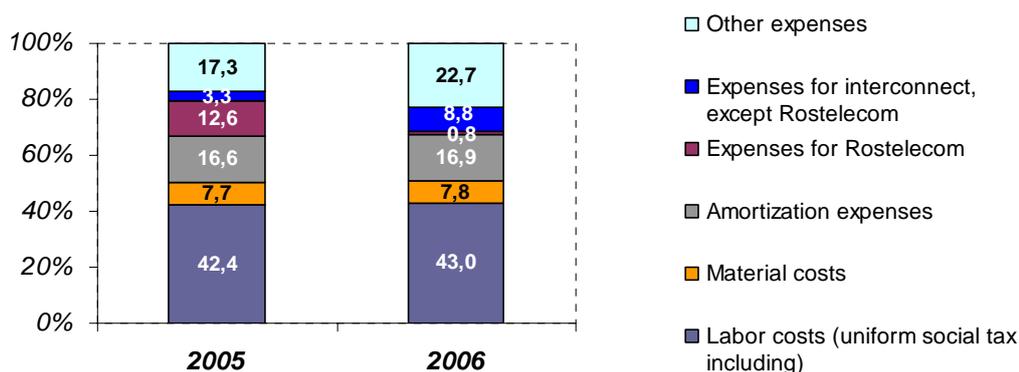
- within the framework of the change of tax legislation and the pattern of financing pensions with their entering to employees' personal accounts at the time of cash resources transfer, the procedure of reflecting the expenses for deductions to non-government pension fund (NGPF) was changed; the expenses are recognized as prime cost;

- due to the conclusion of uniform collective agreement all the payments to the Company's employees made in favor of employees and stipulated by labor and (or) Collective agreements are recognized as prime cost.

At 2006 year-end the share of expenses for NGPF and payments under collective agreement accounted for 3% in the structure of OPEX.

Chart 3.

The structure of the Company's expenditures



The gain in expenditures for 2006 vs. the past year amounted to RUR 890,4 million which for the most part is connected with the growth of costs in the following items:

- Expenses for interconnect (except Rostelecom);
- Labor costs (uniform social tax including);
- Amortization expenses.

Costs items which had the greatest impact on the gain in prime cost:

Table 7.

	Actually in 2005, RUR million	Actually in 2006, RUR million	Growth rate, %	Gain in expenses, RUR million	Share of gain in the item in the total amount of gain in expenses, %
Expenses for interconnect, except Rostelecom	499,5	1 498,2	300,0	998,8	61,8
Labor costs (uniform social tax including)	6 497,7	7 287,4	112,2	789,7	48,8
Amortization expenses	2 550,1	2 862,0	112,2	311,9	19,3

Threefold increase in the expenses for interoperator's settlements in 2006 vs. the past year is connected to objective causes. In 2006 the Company's interrelations with the operators of local and mobile communication changed. In accordance with regulatory documents the Company starting since 01.07.2006 receives income from termination of traffic to its own network, herewith; the expenses grew by the amount of price for local call completion to the network of local communication operator, and also the payment of cost of call completion of mobile operator.

Amortization expenses (the share in expenditures - 16,9% vs. 16,6% in 2005) amounted to RUR 2 862,0 million, with the growth rate of 112,2% vs. the past year, which is caused by the commissioning of fixed-capital assets at the end of 2005 and during the period under analysis. By and large for the Company the amortization expenses do not exceed target figures (RUR 2 888,9 million).

7.6. Key indicators of the Company's operating efficiency.

Major factor related to demonopolization of long-distance communication market and the change of settlements with operators had the effect on achieved performance criteria.

Table 8.

Indicator description	Measure unit	2005	2006	Rate of indicator change (%)
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Sales profit margin	%	33,0	28,0	-5,0
Net profit margin	%	14,0	14,5	0,5
Prime cost of 100 rubles of proceeds	RUR	75,2	78,1	103,9
EBITDA	RUR million	6 767,4	7 136,6	105,5
EBITDA margin	%	31,7	32,9	
Revenue per a line	RUR	4 605	4 383	95,2
Sales profit per a line	RUR	1 141	958	84,0
Revenue per an employee*	RUR	459 609	509 244	110,8
Sales profit per an employee*	RUR	113 868	111 315	97,8
Number of lines per an employee*	Lines	99,8	116,2	116,4

* - staff on the payroll for the reporting period is taken into account.

7.7. Information about the size of the Company's net assets.

Table 9.

	At 01.01.2007.
1. The amount of net assets (RUR thousand)	18 335 183
2. Authorized capital (RUR thousand)	1 639 765
3. Required reserve (RUR thousand)	81 988
4. Ratio of net assets to authorized capital (line 1/line 2) (%)	1 118,16
5. Ratio of net assets to the amount of authorized capital and required reserve (line 1/(line 2+line 3)) (%)	1 064,91

For the reporting period the net assets grew by RUR 1 837 771 thousand or by 111,14%.

VIII. POLICY IN REGARD TO TRADEMARKS

OJSC "VolgaTelecom" brands' portfolio comprises:

- "VolgaTelecom" trademark – telephony, Internet access and data transfer network, TV broadcasting services;
- "J" trademark – Internet wideband access service;
- "Internet for all" – Internet dial-up access service;
- "StriZh" trademark (Samara city), "Aline GSM" trademark (Mariy-El Republic) – mobile communication services;
- "TBK" trademark (Mariy-El Republic) – cable TV services (currently it is represented as logo).

In 2007 the Company's services positioning will be defined as trademarks positioning:

✓ "VolgaTelecom" TM

It is positioned by the end-users as the largest and best known Company at telecommunication services market.

The trademark has firm positions at priority markets. Herewith, the end-users perceive "VolgaTelecom" TM as the trademark of the Company characterized by the following features:

- Modern, applying state-of-the-art technologies;
- Providing services at mass market for the end-users of all age groups.

TM general notoriety and the quality of provided services will allow the TM in 2007 for successfully competing at the market.

In 2007 it is assumed to further promote “VolgaTelecom” brand by using various communication channels, carrying out PR activities, participating in sponsor events and activities maintaining the Company’s image.

✓ **“J” TM**

In 2006 specialized product trademark of Internet access “J” was introduced to the market.

In comparison with “VolgaTelecom” TM “J” trademark is perceived by the end-users as youth-orientated and active which creates prerequisites for its more successful competition with local Internet providers. Also this TM is positioned by the end-users as stylish and modern.

“J” TM may act as TM-expert in the area of new technologies having inherited and developed the attribute of technological lead.

✓ **“Aline GSM” TM**

The branch in the Republic of Mariy-El is the first operator which started to provide cellular communication services in the Republic. The objective of “Aline GSM” TM creation was to introduce a new product to untapped market, to build and maintain the operator’s image and to attract the subscribers.

The key features of “Aline GSM” TM positioning are availability, simplicity, convenience and loyalty. Due to historically prevailing situation and also due to high quality of provided services the brand has high recognizability, end-users’ positive associativeness which creates prerequisites for successful competition and maintaining leading positions at the market.

In 2007 it is assumed to further develop and promote “Aline GSM” TM. However, due to market saturation, the marketing communication emphases will be shifted from pure awareness (informing the subscribers about some changes in pricing policy, business events, etc.) towards creation of emotional loyalty to the brand. These changes should result in improvement of the loyalty of existing subscribers and also mean the transition to non-price methods of drawing the subscribers.

✓ **“StriZh” TM**

In Samara branch cellular communication services are provided under “StriZh” TM. Samara branch is the only CDMA-450 cellular operator, but at mobile communication market it occupies a small share of the market.

In 2007 it is assumed to further promote “StriZh” brand, mainly by means of activities related to the improvement of the subscribers’ loyalty and the quality of servicing. Also it is possible to expand the range of information and entertainment services on the basis of high-rate data transfer technologies, which will allow for improving the brand’s appeal.

IX. REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON THE COMPANY’S SHARES

- The resolution on payment of dividends for 2005 was passed by the general meeting of stockholders on June 26, 2006;
- The resolution of the general meeting of stockholders set July 15, 2006 as the date of dividends payment start;
- July 15, 2006 is the actual date of dividends payment start;
- The size of dividends to be paid on one share:
 - ordinary stock – RUR 1,4744,

- preferred stock – RUR 2,7583;
- The dividends are paid in cash, by bank transfer, and by wire transfer;
- For 2005 the dividends were accrued in the amount of RUR 588 792 407. At December 31, 2006 the amount of paid dividends was RUR 543 875 771 or 92,4% of the total amount of dividends due to payment. The balanced amount of dividends (RUR 44 916 636) was not paid due non-appearance of stockholders in the issuer’s office to receive dividends in cash, wrong (incomplete) outdated data on the bank requisites of the shareholders in the information of customer accounts in the register of OJSC “VolgaTelecom” securities, wrong (incomplete) outdated data on mail address of the shareholders in the information of customer accounts in the register of OJSC “VolgaTelecom” securities, probate cases proceedings.

**Behavior of declared (accrued) dividends on the Company’s shares
(on per a share basis).**

Table 10.

Security’s kind	2003	2004	2005	2006*
	Amount (RUR)	Amount (RUR)	Amount (RUR)	Amount (RUR)
Ordinary stock	0,9186	1,3779	1,4744	1,5776
Type A preferred stock	2,451	2,5082	2,7583	2,9928

* The size of dividends proposed by the Company’s Board of directors for the approval at annual general meeting of shareholders is provided.

***X. INFORMATION ABOUT MOST REVENUE-INTENSIVE
TRANSACTIONS MADE BY THE COMPANY***

In 2006 the Company did not make revenue intensive transactions.

The Company’s body which adopted the decision on the approval of related party transactions is the Board of directors.

Information about related party transactions is provided in Supplement 1.

XI. MAJOR RISK FACTORS

11.1. Competitive risks.

With the course of time the competitors’ market positions become stronger and it is particularly obvious at the market of new services. Along with a large number of regional alternative operators at the markets there are also such large federal level players as “Golden Telecom, Inc”, CJSC “TransTeleCom Company”, LLC “Global One”, OJSC “Comstar” and regional company “Air Telecom”.

The major competitive risks for OJSC “VolgaTelecom” are:

- ✓ Emergence of new large players at promising market of new communication services;
- ✓ Attack of regional markets by metropolitan communication operators having large investment capital;
- ✓ Merger of small telecom market players by way of their buy-out;

- ✓ Active generation of alternative modern infrastructure of telecom market;
- ✓ Improvement of price competition of telecom market players;
- ✓ Active development of fiber-optic and wireless technologies of Internet access by the competitors;
- ✓ Expansion of mobile network cover area and mobile substitution of traffic and lines.

Taking into account RF Government strategic objectives intended to demonopolization of communications market the probability of the above risks occurrence is high. So, according to law “On communication” OJSC “VolgaTelecom” should ensure equal access to its infrastructure for all communication market operators, which allows small operators, without investing considerable funds, for successful competition with “VolgaTelecom” owing to their mobility and flexibility. Large federal level players prefer to develop their own digital infrastructure (excelling in technical features “copper” infrastructure of OJSC “VolgaTelecom”), and on its basis they make package offers of communication services taking into consideration the clients’ requirements.

11.2. Country and regional risks.

The risks related to economic situation in the country and in the region.

Government regulation of telecom industry brings in to the Company’s activity risks and uncertainty common for all Mega-Regional Companies; these risks and uncertainty being connected with the change of tariffs and reduction of volumes of cross-subsidy.

The economic situation in the regions and the relations with authorities of the Russian Federation subjects and with local authorities of actually all the regions are developing positively, which influences favorably the Company’s activity and its capability to perform its obligations.

In future, the reasons of the situation destabilization may be:

- ✓ The worsening of economic situation in the Volga Federal district, including drastic changes of national currency rate that may result in the reduction of the number of industrial and agricultural enterprises of all forms of ownership operating in the region, growth of unemployment, slowdown of solvent demand of general public;
- ✓ Interference of the government regulatory bodies in the activity;
- ✓ Reduction by regional authorities of financing of programs of telephonization of their regions.

The risks related to political situation in the country and in the region.

In the first place to regional political risk is referred the change of management in the Volga region, the rise to power of opposition.

The major factors of political risks occurrence are:

- ✓ Imperfection of legislative base governing economic relations;
- ✓ Insufficient efficiency of judicial system;
- ✓ Instability of authority of the Russian Federation subjects;
- ✓ Change of government policy in relation to telecommunications industry development (elections to the RF State Duma in 2007, and elections of the President in 2008);
- ✓ Lobbying of interests of international capital in RF telecom industry by changing the legislative base.

Risks related to potential military conflicts, imposing of the state of emergency and strikes in the country (countries) and the region where the Company is registered as a taxpayer and/or carries out core activity.

The probability of occurrence of military conflicts, imposing of the state of emergency and strikes in the country and the region where the Company is registered as a taxpayer and carries out its core activity is estimated as insufficient in order to consider these risks as circumstances capable to affect substantially the Company's activity. Such conclusion is confirmed by current level of the Russian Federation credit rating, this rating being the investment one. So, at the turn of 2006 "Standard & Poor's" raised long-term credit rating of the Russian Federation:

- ✓ For international exchange liabilities from "BBB" to "BBB+";
- ✓ For native currency liabilities from "BBB+" to "A-".

To minimize the risks of terrorist acts the Company took additional measures for security assurance at the enterprise.

The risks related to geographical features of the country (countries) and of the region where the Company is registered as a taxpayer and/or carries out core activity, including heightened danger of acts of God, potential termination of transport due to remoteness and/or inaccessibility.

The risks related to geographical features of the region, including heightened danger of acts of God, potential termination of transport due to remoteness and inaccessibility are assessed as minimal.

11.3. Industry risks.

The major industry risks are:

- ✓ Regulatory risks related to the influence of the industry regulator on the Company's activity;
- ✓ Risks related to malfunctions of networks and systems, which may negatively affect the Company's operation and its financial performances. OJSC "VolgaTelecom" is continuously improving its strategy to overcome the consequences of the events of such kind;
- ✓ Risks related to the increase in value of equipment, electric power and other services (products) required for the Company's operation; this may result in the increase in prime cost of products (services) and affect the Company's efficiency performances.

Upon the whole the impact of industry risks on the Company's activity is assessed as minimal, as OJSC "VolgaTelecom" has the unified infrastructure and technical facilities allowing for providing communication services within the Volga Federal district. This allows for providing the widest range of communication services, and also for optimal developing of interregional communication networks in order to reduce the prime cost of services and to raise their cost effectiveness.

XII. INFORMATION ABOUT THE COMPANY'S PARTICIPATION IN OTHER ORGANIZATIONS PROVIDING COMMUNICATION SERVICES (THE COMPANY'S EQUITY STAKE IN THE CHARTER CAPITAL OF THESE ORGANIZATIONS IS AT LEAST 10%)

In 2006 in accordance with the "Model of subsidiary business reorganization" and the "Strategy of GSM cellular business development" approved by the Company's Board of directors OJSC "VolgaTelecom" executed the following measures:

- Share acquisition:

- 50% of the charter capital of CJSC “Saratov-Mobile”;
- 60% of the charter capital of CJSC “Penza Mobile”;
- 70% of the charter capital of CJSC “Chuvashiya Mobile”;
- 40% of the charter capital of CJSC “Nizhegorodteleservice”;
- 20% of the charter capital of CJSC “Transsvyaz”;
- 0,334% of the charter capital of “National TV company “ZVEZDA”.
 - Termination of participation by way of sale, application of quitting and liquidation:
- OJSC “Euro-Asian bank of economic development”;
- LLC “PACT”;
- LLC “IZHCOM”;
- CJSC “TeleSvyazInform”.

The information about the Company’s participation in other entities providing communication services (the Company’s equity stake in the charter capital of these entities is at least 10%) is provided in Supplement 2.

XIII. PERSONNEL DEVELOPMENT

13.1. Labor and wages.

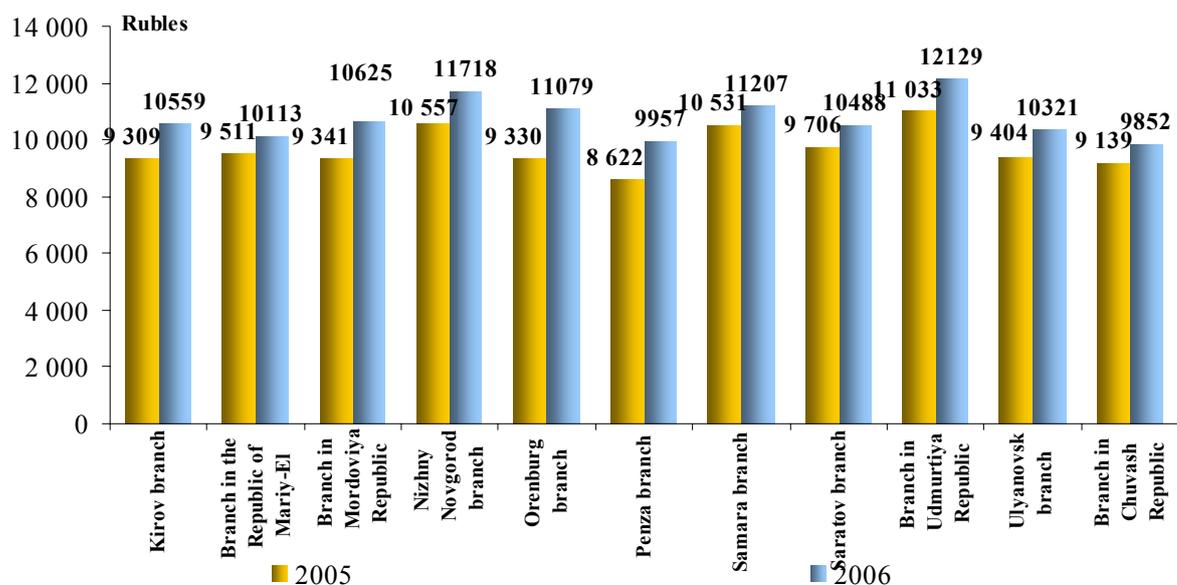
Organization of labor and wages in OJSC “VolgaTelecom” is aimed at optimization of the Company’s headcount and implementation of modern types of wages motivating increase in labor productivity.

In 2006 the average monthly wages of OJSC “VolgaTelecom” employees amounted to RUR 11 301, with increase of 111,8% vs. the past year. During the year the wages were raised in all the branches. The following figures prove it: the wages were raised in Kirov branch by 22,1%, in branch in the Republic of Mariy-El - by 6,3%, in branch in the Republic of Mordoviya by 13,7%, in Nizhny Novgorod branch - by 11,0%, Orenburg branch - by 18,7%, in Penza branch - by 15,5%, in Samara branch - by 6,4%, in Saratov branch - by 8,0%, in the Republic of Udmurtiya branch - by 9,9%, in Ulyanovsk branch - by 9,8%, and in branch in the Republic of Chuvashiya – by 7,8%.

The wage fund increased vs. 2005 by 1,2% and in 2006 amounted to RUR 5 848 073,9 thousand.

Chart 4.

Average monthly wages of an employee in OJSC “VolgaTelecom” branches for 2006.



In 2007 the growth of average wage vs. 2006 should be 116,1% and amount to RUR 13 117.

In the reporting year social benefits were paid in the amount of RUR 151 547,3 thousand; the growth of 126,1% vs. the past year.

Table 11.

Social benefits paid to employees for 2005-2006.

Branch name	Social benefits per an employee (RUR)		
	2006	2005	%
Kirov branch	248,4	132,3	187,8
Branch in the Republic of Mariy-El	177,8	75,9	234,3
Branch in Mordoviya Republic	184,3	310,7	59,3
Nizhny Novgorod branch	280,4	287,7	97,4
Orenburg branch	332,6	122,1	272,5
Penza branch	222,3	113,0	196,7
Samara branch	246,6	102,5	240,5
Saratov branch	346,5	320,0	108,3
Branch in Udmurtiya Republic	431,7	159,3	270,9
Ulyanovsk branch	313,9	228,1	137,6
Branch in Chuvash Republic	345,9	184,1	187,9
OJSC "VolgaTelecom"	292,9	210,2	139,3

Since 2006 uniform bonus plan for the employees is effective in OJSC "VolgaTelecom". The bonus plan is built in such a way that in the end all the employees are

paid bonuses for final results of activity: structural sub-division employees – by the results of the structural sub-division operation, the employees of administrative staff of a branch – by the results of the branch operation, employees of the General directorate – by the results of the Company’s operation upon the whole.

The provision on bonus payment stipulates 2 kinds of bonus payment: time bonus – for fulfillment of financial-economic activity indicators and on the principle of management by objectives.

During 2006 OJSC “VolgaTelecom” carried out the activities to shape the system of grades within the framework of creation of uniform wage and labor incentives system. The universalism of this system is in the fact that it allows for defining the level of wage exactly with the value of particular employee for the Company and his/her influence on the results of the Company’s activity upon the whole. It is important to note that the increase in salary within one grade occurs depending on individual performance of employees provided that the results of competences evaluation are improved.

The transition to new uniform grade system will allow for developing clear and transparent method enabling to define the correlation of potential level of income of an employee of certain post with relative value of this post among all such posts existing in the Company. In addition, grade system will allow the employees to get a foretaste of potential change of their income level in case of various career promotions, the Company’s management - to help in making decisions when indexing the wages and defining the allowed size of remuneration at new posts, HR-service – to streamline the administering of corporate system of material incentives. One more factor of no little significance: adopted and fixed grade system will become the basis of all corporate policy of compensations and benefits. Thus, having created efficient grade system the Company gets the leverage on at least three components of personnel costs: salaries, bonuses and social benefits package.

The transition to grade system of remuneration of labor is scheduled for step-by-step implementation during 2007 combining it with wage indexation in the branches.

13.2. Improvement of management structure.

In 2006 the activities for the improvement of organizational structures of branches were going on.

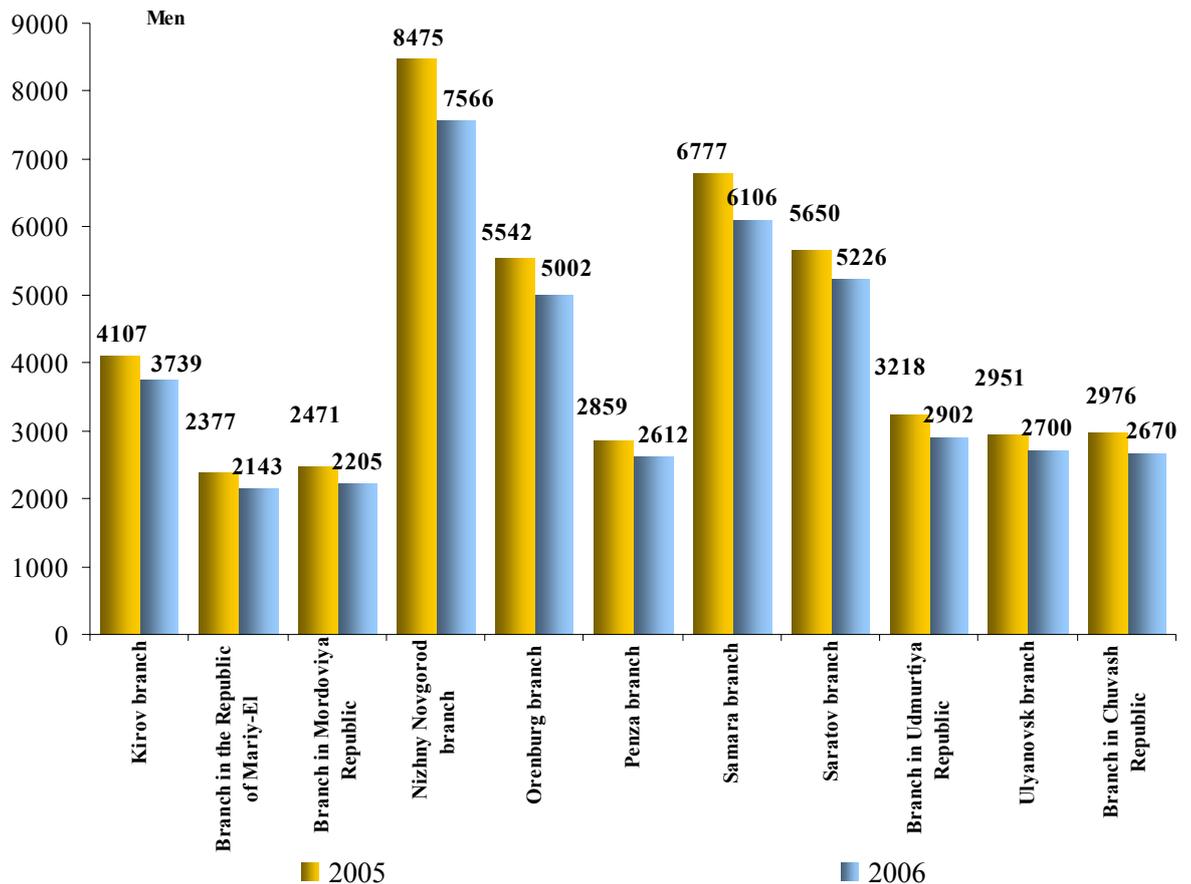
In 2006 the names of sub-divisions and posts were completely unified; unified staff schedules were put into effect. The activities are under way for commercial operation of Release 1 of Master-system of section “Staff”.

The activities on headcount optimization are being permanently carried out in the Company. As a result of measures carried out the headcount decreased by 9,5% (at scheduled decrease in number by 8,2%) and amounted to 43 122 men. The largest decrease occurred in the branch in Mordoviya Republic – 10,8%, in Nizhny Novgorod branch – 10,7%, in the branch in Chuvash Republic – 10,3%, and in Samara branch – 9,9%. The basic measures of headcount optimization in 2006 were:

- Transfer of functions of telegrams delivery and of other dispatches, cleaning of premises to outside agencies, non-core activities – 3 617 men;
- Improvement of labor organization and labor rate setting – 2 672 men;
- Structure’s improvement – 1 469 men.

Chart 5.

Decrease in average headcount



In the second half of year 2006 the “Concept of organization development of OJSC “VolgaTelecom” for 2007-2008” was elaborated and approved by the Company’s Management board on October 16, 2006 (minutes № 10 of October 18, 2006). The “Concept of organization development of OJSC “VolgaTelecom” is one of the most important documents governing the Company’s activity for the next 2 years. The Concept defines the trends of reforming commercial block, of improving organization structure of local communication centers and city’s technical sub-divisions, of centralizing management functions.

In 2007 the activities for improvement of management structure and headcount optimization will be continued.

13.3. Staff relations.

In 2006 OJSC “VolgaTelecom” HR service was awarded honorary title “The best Russian personnel service – 2006”. This blue ribbon is the incentive for improving personnel policy and the structure of HR management, and thus contributes to the Company’s development in new environment.

Staff training and development.

One of the major objectives of OJSC “VolgaTelecom” staff policy is to provide the Company with highly qualified staff and to develop the employees’ potential. Systematic and planned development of employees’ potential is stated in the Company’s Collective agreement. Timely personnel education and training allows for utilizing new technologies and implementing new information systems.

Basic tasks in this trend:

- Introduction of uniform methodology of staff training and development processes management in accordance with developed Standard of the Company.
- Building integral staff training and development system on the basis of Policy regulating the sequence of execution and the content of processes in the course of staff training and development: determination of training need; annual planning of training; operational planning of training; organization of training; assessment of training efficiency.
- Optimization of staff training and development costs, budgeting of staff training and development costs.

In 2006 16 850 employees were trained (the growth is 131% vs. 2005). The share of trained employees of the total headcount is 43%. The total costs for the Company's staff training and development amounted to RUR 63,65 million (the growth is 111% vs.2005).

The priority forms of the Company's personnel training are:

- *Corporate training* is initiated and organized within OJSC "Svyazinvest" holding which is the Company's principal shareholder. Top and mid-level management is trained according to the programs common for the entire Company.
- *OJSC "VolgaTelecom" centralized training* is developed for mid-level managers and the candidates of the Company's personnel reserve and is aimed at getting knowledge in modern techniques of leadership potential management and development. In 2004-2006 150 executives of various levels were trained and more than 50 of them were promoted. The graduates of modular programs get the diploma of successful graduation from OJSC "VolgaTelecom" Corporate university.

Training at Corporate university enables the Company's employees not only to get required knowledge for work and keep personal and professional contacts between each other, but is a good incentive for further promotion and development.

- *"VolgaTelecom" commercial block employees training and development.* Centralized training of managers and specialists of marketing Department of General directorate and branches' marketing services was organized in the following topics: "Training in direct sales", "Sales channels management", "Incentive tools in management", "How to work out a marketing plan: comments and recommendations", "Project management".

Besides the above trends great attention is paid to mechanical training: training of workers (telephone switchboard operators, telegraph operators, communication operators, electricians, cable splicers-cable jointers) in basic technical courses, courses in safety arrangements and precautions. This training was organized on site and was in-service training with the involvement of trainers. Knowledge and experience got in the course of training enable many workers to improve their grades, qualification and accordingly their salary level. In 2006 14 000 employees were trained in these courses; the growth is 148% vs. 2005.

16 670 employees were trained in 2006 in basic functional blocks:

- Technical training – 3 539;
- Functional training – 5 128;
- Administration/management programs – 875;
- Auxiliary training – 6 503;
- Educational level raising – 625.

Within the framework of realization of plan of introducing unified enterprise management information system on the basis of Oracle EBS, 1 888 system users were trained in 2006.

The training of more than 17 000 Company's employees is scheduled for 2007. RUR 82,2 million will be allocated to realize the training programs.

Based on the results of 2004-2006 operation “VolgaTelecom” was a winner of the VI-th All-Russian contest “Russian company of high social efficiency” in nomination “Staff qualification, system of staff training and retraining”.

The contest was held according to the Russian Federation Government regulation under the auspices of ministries and authorities and with the participation of all-Russian associations of employers and trade unions and is one of the major contests of the country.

The basic goal of the contest was to draw attention to the social issues resolution and to show high efficiency of social work by the example of the best companies, to disseminate widely and encourage positive experience in the sphere.

“VolgaTelecom” winning in “Staff qualification, system of staff training and retraining” nomination is a just appraisal of the Company’s activity in this trend.

Projects.

In 2006 OJSC “VolgaTelecom” realized unique personnel projects: “Personnel reserve – 2006” and “Implementation of competences Model and Uniform Policies in HR management”.

The project’s objectives were:

- to evolve perspective, professionally trained, having managerial potential employees of OJSC “VolgaTelecom”;
- to form personnel reserve from among the employees capable to hold managerial posts.

The project’s realization started on December 1, 2005.

The contest results:

- 594 questionnaires were provided;
- 102 persons were enlisted to reserve to various levels;
- 37 persons – to the post of deputy to branch director;
- 52 persons – to the post of structural sub-division director;
- As of 01.02.2007 20 persons were promoted to higher posts.

“Personnel reserve – 2006” project enabled to form quality personnel reserve. The project was further continued in the Company’s such branches in Udmurtiya Republic and in the Republic of Mariy-El.

“Implementation of competences Model and Uniform policies in HR management” and also the development and correlation of training programs in order to develop corporate and special competences is of great importance for the Company. Optimization and unification of HR management business processes will enable to substantially enhance the quality of HR relations. In accordance with the plan of realization of Uniform Policies, personnel services of the Company’s branches carried out the activities to work out the requirements to a post which are the basis for selection of personnel for vacant positions, for evaluation of personnel competences, for forming personnel reserve and evaluation of training efficiency. Evaluation of personnel competences results in the formation of plan of personnel training and development for the next training year.

Awarding.

Within the framework of corporate culture development OJSC “VolgaTelecom” employees were awarded departmental prizes: “Master of communication” title was bestowed to 72 employees, 11 persons were awarded “Honorary radio operator” badge. 58 persons were awarded Certificate of honor of OJSC “Svyazinvest”, and 110 persons – Certificate of honor of OJSC “VolgaTelecom”.

One more element of corporate culture – the Provision on Book of Honor of OJSC “VolgaTelecom” approved on 22.12.2006, which governs the procedure and defines the grounds for entering the Company’s employees to Book of Honor. Publication of Book of Honor is manifestation of solid respect to the merits of employees who made particular contribution to the development of operating and social activity. The employees of branches

and General directorate, who specially distinguished themselves in labor activity, immaculately observed discipline and having at least 10 years record of work in the Company and in entities of which the Company is the legal successor are singled out for entering Book of Honor. Entering Book of Honor is made on the basis of General Director's order once a year to May 7 – Day of employees of all communication industries.

XIV. THE COMPANY'S SOCIAL RESPONSIBILITY

14.1. Environment-related and ecological activity.

The activities carried out in 2006 by the Company's environment protection sub-divisions allow for reducing the impact of productive activity on native habitat components. Stationary and switching equipment currently in operation does not have adverse effect on man and nature.

Attended lead/acid, alkaline nickel-cadmium stationary storage batteries utilized for standby electrical power are gradually replaced with leak-proof lead/acid batteries with gelled electrolyte; these new batteries meet environmental standards. Utilization of such batteries prevents the emission of sulfuric acid into open air.

In accordance with production technological regulations diesel power plants are used only in emergency situations in order to provide electric power supply, therefore their emissions are not standardized and are of short-time nature and have insignificant effect on open air.

When designing the construction of cable-line communication facilities, as agreed with the appropriate organizations the section of environment protection stipulated economic and environmental appraisal of investments in construction and environmental actions. So, when trenching and excavating for cable laying on cultivated land (plowland, pasture land, etc.) as agreed with land users the activities were carried out to recultivate the land temporarily allocated for the period of construction. Forest ranges were not cut.

According to recommendations of instructional guidelines for designing of USSR Ministry of communication "Communication cable water crossing with due account for environment protection requirements" the projects of cable water crossing stipulated the activities excluding the capability of environment pollution, and also ensuring fishery conservation when realizing these projects.

According to "Provision on assessment of impact on environment in the Russian Federation", "Manual of environmental impact audit of preliminary design and project documentation" DVB-T standard over-the-air-cable TV network is not referred to environment-damaging objects of business activity. During the entire period of operating life the equipment and cables do not have adverse impact on environment – all installed equipment does not produce noise, vibration and shaking. The materials of cable shielding and cable sheath do not send off harmful chemical substances and biowaste. Primary and optic equipment used in construction does not pollute the environment with exhaust gases and petroleum, oil, and lubricant.

In the Company's sub-divisions in the course of operating activities 35 industrial waste streams are formed. The wastes were transferred to specialized licensed organizations for their use, utilization, neutralization and burial.

14.2. Social partnership.

Availability and execution of collective agreement.

In February 2006 single Collective agreement for 2006-2008 was concluded in OJSC "VolgaTelecom". The Collective agreement is one of the most important documents defining the relations of employees and employer, including as related to employees incentive.

The Collective agreement stipulates the provision of compulsory social schemes and corporate social schemes to the employees. These are extra days to leave, pecuniary aid to employees, corporate lumpsum remuneration, payments in employee's favor. Provision of corporate social schemes contributes to employee's incentive, increases his/her income, and also secures the stay of qualified personnel at the enterprise.

In 2006 all the Company's obligations of providing social benefits and guarantees within the Collective agreement are performed in full. So, taking into account the payments of social nature the average income of OJSC "VolgaTelecom" employees for 2006 amounted to RUR 11 594,3; the growth rate of 112,3% vs. the relevant period of 2005.

For the purpose of creating positive labor incentives of the Company's employees in 2006 the Provision on corporate emulation of OJSC "VolgaTelecom" branches collectives was approved. The objective of corporate emulation is to improve the efficiency of the branches operation, to increase profit, to enhance the quality of communication, to expand the range of provided services, to stimulate the development of new services and technologies. The results of corporate emulation will be summarized basing on the results of the branches operation for 2006 by May 7, 2007.

Intracorporate publications.

The prime tool of intracorporate communication is "VolgaTelecom" is on line" newspaper which is published since 2003. In 2006 the newspaper highlighted the topics relevant for the Company; the Company's top executives' interviews were regularly published in it. The publication wrote a lot about social and personnel topics. The topic was disclosed by publication in each issue of news from different branches, the stories about social programs carried out in the regions, portraits of persons who are creative in their work, and the contests held by the editorial staff.

During 2006 the newspaper time and again was a winner of inter-regional contests among corporate publications.

14.3. Social programs.

Non-government pension fund scheme.

As of today one of the major tasks of OJSC "VolgaTelecom" in social policy area is the creation of favorable job conditions for the employees in the Company. These conditions mean not only worthy wages but comprehensive social package, which includes non-government pension fund scheme of the Company's employees.

To this effect at the end of 2004 the Contract of non-government pension fund scheme was concluded by and between OJSC "VolgaTelecom" and non-government pension fund "Telecom-Soyuz", and on the basis of this Contract the employees are provided non-government pension insurance.

In 2006 OJSC "VolgaTelecom" allocated more than RUR 250,8 million for non-government pension insurance. More than 1 500 employees of the Company were set non-government pensions, their average size exceeded RUR 900 which is by RUR 100 more than in the past year.

- For the purpose of keeping highly qualified perspective employees at the enterprise in 2006 OJSC "VolgaTelecom" and OJSC IC "ROSNO" concluded the contract of voluntary medical insurance; according to this contract more than 460 key experts of the Company were insured. RUR 9,44 million were allocated for these purposes.

- in 2006 26 000 employees of OJSC "VolgaTelecom" were insured against industrial accidents within the framework of the contract by and between OJSC "VolgaTelecom" and CJSC "Insurance Company "COSTARS" to the total amount of RUR 2,6 million. In 2007 it is scheduled to insure 22 000 employees of the Company.

Recreation, sports-mass and other intracorporate activities.

OJSC “VolgaTelecom” pays great attention to the formation of unified corporate culture. The Company’s internal policy is focused on the fact that each employee has the opportunity to develop, improving his/her professional skills and realizing his/her creative potential. “VolgaTelecom” employees are proud of the traditions of common corporate activities and holidays aimed at banding the collective together, framing common values, enhancing true corporate spirit, which beyond all doubt is one of the major factors of the Company’s success.

In the reporting period the branches held traditional contests of professional skills, the activities dedicated to Day of radio were carried out, various holidays and branches anniversaries, e.g. 120-th anniversary of city’s exchange in Nizhny Novgorod and Samara cities.

As before, the most popular corporate events in our Company are sports events. Actually in all the branches annually there are sports events in football, volleyball, tennis, ski, chess, sports events “Father, mother and me are sports family” for the employees and their family members.

For the first time in the Company’s history inter-regional corporate event was organized – “First Autumn Olympics of OJSC “VolgaTelecom” between the teams of the branches and General directorate was held.

Social benefits (provision of targeted social assistance to nonworking pensioners of the Company, to young specialists, to mothers and families having kids, availability of corporate crediting).

The Company constantly pays great attention to social programs aimed at assistance to families having kids. In accordance with the Collective agreement pecuniary aid is paid to families with many children and to unmarried mothers, disadvantaged families are partially paid for their kids stay in kindergartens, for permits to children's recreation camps, young parents are paid pecuniary aid if a kid is bourn. The Company’s former employees are also paid attention to. Nonworking pensioners are paid pecuniary aid to festive dates; they are partially paid for subscriber fee of phone services. Particularly indigent lonely pensioners, upon application, were paid pecuniary aid for operations, roof repair, gas and water supply connection, etc. Since December 1, 2005 “Procedure of employees crediting under “VolgaTelecom” guarantee” is effective in the Company. In accordance with the Procedure provisions the Company acts as a guarantor for employees when they get credits in banks and is responsible to the bank for its employees’ performance of credit obligations.

Industrial safety, safety arrangements and precautions, and medical service, including availability of medical insurance.

Activities of industrial control over the compliance with industrial safety requirements during operation of hazardous facilities, and of safety arrangements and precautions were carried out in accordance with Russian Federation legislation requirements.

In 2006 OJSC “VolgaTelecom” operated 200 hazardous facilities, including:

- gas consumption systems (steamshops) – 89 units;
- gas tank installation – 1 unit;
- petroleum, oil, and lubricant depots – 2 units;
- facilities where stationary installed hoisting machines are operated – 108 units. 158

hoisting machines were in operation at these facilities, including:

- hoisting cranes – 28 units;
- lifting devices (towers) – 43 units;
- elevators – 87 units.

During the reporting period there were no registered cases of emergency and individual accidents at hazardous facilities.

Total occupational traumatism reduced by 1 case vs. 2005, when 29 industrial accidents were registered.

The number of severe accidents reduced twofold (in 2005 – 4 accidents, and 2 accidents in 2006).

The number of fatal accidents reduced by 2 accidents (in 2005 – 3 accidents, and in 2006 – 1).

In the past year there were none at all group industrial accidents.

The employees engaged in heavy work and in work with occupational hazards stand compulsory preliminary and periodic health examinations to determine the fitness of these workers to perform the work and to prevent occupation diseases.

For the purpose of protection of the employees' interests in health protection, and also of compensation for harm done to their life and health when they exercised their functions under the labor contract, in OJSC "VolgaTelecom" all the employees are compulsory insured against industrial accidents and occupation diseases, and have compulsory medical social insurance policy.

Besides, blue-collar occupation employees were collectively and voluntarily insured in CJSC "Insurance Company of communication workers' trade union "COSTARS" under contract-policy № 4 "H" of 01.02.2006. Insurance contribution – RUR 2 600 000. The number of the Company's insured employees – 26 000 persons.

The number of insurance events in 2006 – 5, out of them - 4 events with electricians and 1 event with cable splicer-cable jointer.

Voluntary medical insurance of the Company's employees is carried in OJSC "Russian insurance public company" (ROSNO); the amount of insurance contribution – RUR 9 438 694, and the number of insured persons – 461.

Charity and sponsored program, including preservation of cultural and spiritual heritage, patronage, participation in local events and other forms of charity.

The Company established the Commission on sponsorship and charity of OJSC "VolgaTelecom", its activity is governed by the Provision "On sponsor and charity activity of OJSC "VolgaTelecom" approved by the Management board and by the Provision "On commission of sponsor and charity activity of OJSC "VolgaTelecom".

During 2006 the Commission considered more than 80 letters of employees' and pensioners' applications of pecuniary aid provision due to hard living conditions. The total amount allocated by the Company to extend pecuniary aid to "VolgaTelecom" employees and pensioners amounted to RUR 1 213 365. About RUR 650 000 were allocated to extend aid to an orphan homes, boarding schools, orphan asylums and other day-care services, considerable amount of funds was allocated to sponsored institutions. Year in year out the Company extends assistance to Russian fund of history of communication (Saint-Petersburg).

Since 2003 OJSC "VolgaTelecom" is the sponsor of Nizhny Novgorod woman's field hockey team "VolgaTelecom"; the team is the basis of Russia's national team in this sport. In 2006 the team became 5 times champion of Russia, won European Champion's Cup and Russia's Cup third time at a run.

XV. INFORMATION ABOUT THE COMPANY'S BODIES

- General meeting of stockholders – supreme management body of the Company;
- Board of directors;
- General Director;
- Management board;
- Auditing committee.

15.1. The Board of directors.

1. The structure of the Board of directors functioning before annual general meeting of shareholders in 2006:

1. Belyaev Konstantin Vladimirovich
2. Andreev Vladimir Alexandrovich
3. Bobin Maxim Victorovich
4. Bulancha Sergey Anatolievich
5. Grigorieva Alla Borisovna
6. Degtyarev Valeryi Victorovich
7. Kuznetsov Sergey Ivanovich
8. Kulikov Denis Victorovich
9. Slizen Vitalyi Alexandrovich
10. Fedorov Oleg Romanovich
11. Chernogorodskiy Sergey Valerievich

2. Quantitative and personal structure of operating Board of directors:

The Board of directors is the Company's collegial management body carrying out general management of the Company's activity.

The Company's Board of directors is elected annually by the annual general meeting of shareholders with the structure of 11 persons by cumulative voting.

At the annual general meeting of shareholders held on June 26, 2006 the Board of directors was elected in the following structure:

Table 12.

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Possession of the Company's shares	Record of work in OJSC "VolgaTelecom" Board of directors
1.	Kuznetsov Sergey Ivanovich	1953	Postsecondary education, North-West corresponding polytechnic institute; Columbia university business school (NY); Business school of Fuke university of business management	Chairman of the Board of directors of OJSC "VolgaTelecom"	<u>Member of the Board of directors of:</u> OJSC "Sibirtelecom", OJSC "Rostelecom", OJSC "CenterTelecom"	RF	Does not possess the Company's shares	Since 2005
2.	Andreev Vladimir Alexandrovich	1951	Postsecondary education, Kuibyshev electrotechnical institute of communication	Rector of Povolzhskiy state academy of telecommunications and informatics	None	RF	Does not possess the Company's shares	Since 2004
3.	Bulancha Sergey Anatolievich	1959	Postsecondary education, Odessa electrotechnical institute of communication after A.S.Popov	Deputy to the head of Federal Agency of Communications	<u>Member of the Board of directors of:</u> OJSC "MMTC-9"	RF	Does not possess the Company's shares	Since 2005
4.	Grigorieva Alla Borisovna	1967	Postsecondary education, Alma-Ata institute of national economy	Deputy to the director of the Department of corporate governance and legal provision of OJSC "Svyazinvest"	<u>Member of the Board of directors of:</u> OJSC "Uralsvyazinform"	RF	Stake in charter capital-0,00122% Preferred registered shares - 2 000 pieces, Ordinary registered shares - 2 007 pieces	Since 1996

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Possession of the Company's shares	Record of work in OJSC "VolgaTelecom" Board of directors
5.	Degtyarev Valeryi Victorovich	1957	Postsecondary education, Omsk institute of engineers of railroad transportation; Saint-Petersburg state university of economics and finances; Ph.D. (engineering science); Ph.D. (economics)	General Director of CJSC "Professional Telecommunications"	<u>Member of the Board of directors of:</u> CJSC "Professional Telecommunications", CJSC "RadioTel", OJSC "CenterTelecom", OJSC "Dalsvyaz", OJSC "Rostelecom", OJSC "Tetrasvyaz"	RF	Does not possess the Company's shares	Since 2004
6.	Enin Evgenyi Petrovich	1958	Postsecondary education, Leningrad State University after A.A. Zhdanov	Deputy to director of Non-Commercial Partnership "Russian institute of directors"	<u>Member of the Board of directors of:</u> OJSC "Southern Telecommunication Company", OJSC "Uralsvyazinform"	RF	Does not possess the Company's shares	Since 2006
7.	Morozov Andrey Vladimirovich	1978	Postsecondary education, Russian Law Academy of RF Ministry of justice	Chief of legal sector of Moscow's representation office of "NCH Advisors, Inc."	None	RF	Does not possess the Company's shares	Since 2006
8.	Omelchenko Sergey Valerievich	1963	Postsecondary education, Novocherkassk military academy	OJSC "VolgaTelecom" General Director	<u>Chairman of the board of directors of:</u> CJSC "NSS", CJSC "Orenburg-GSM" <u>Member of the Board of directors of:</u> OJSC "TATINCOM-T", OJSC "VolgaTelecom" <u>Member of Management board of:</u>	RF	Does not possess the Company's shares	Since 2005

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Possession of the Company's shares	Record of work in OJSC "VolgaTelecom" Board of directors
					NCP "Center for investigation of telecommunications development problems" <u>Chairman of the Management board of:</u> OJSC "VolgaTelecom"			
9.	Savchenko Victor Dmitrievich	1960	Postsecondary education, Moscow State University after M.V. Lomonosov	Executive director – director of the Department of corporate governance and legal provision of OJSC "Svyazinvest"	<u>Member of the Board of directors of:</u> OJSC "MGTS", OJSC "CenterTelecom", OJSC "Information technologies of communication"	RF	Does not possess the Company's shares	2003–2005. Since 2006 – present time
10.	Fedorov Oleg Romanovich	1968	Postsecondary education, Moscow State University after M.V. Lomonosov	Executive director of CJSC "Joint financial group"	<u>Member of the Board of directors of:</u> Association for investors rights protection	RF	Does not possess the Company's shares	Since 2003
11.	Chernogorodskiyi Sergey Valerievich	1977	Postsecondary education, Moscow State Institute for International Relations; Moscow higher school of social and economic relations; Manchester university	Director of the Department of joint-stock capital of OJSC "Svyazinvest"	<u>Member of the Board of directors of:</u> CJSC "NSS"	RF	Does not possess the Company's shares	Since 2003

3. Data on independent directors present in the structure of the Board of directors.

According to Supplement 1 to the Provision approved by RF FSFM order № 06-68/ПЗ-Н of 22.06.2006 the Company's Board of directors comprises 5 independent directors: Andreev V.A., Degtyarev V.V., Enin E.P., Morozov A.V., and Fedorov O.R.

In 2006 the Board of directors' structure was elected once in accordance with annual general shareholders meeting held on June 26, 2006.

4. Information about remuneration of the Board of directors' members (criteria of defining and individual size of remuneration (reimbursement of expenses) of the members of the Company's Board of directors), the specified remuneration being paid in the reporting year.

The members of the Company's Board of directors during the performance of their duties are paid remuneration and compensations for expenses related to the performance of their duties of the members of the Board of directors.

Remuneration to the members of the Board of directors consists of quarterly and annual one.

Quarterly remuneration to each member of the Board of directors is established in the amount of RUR 200 000.

The remuneration of the Board of directors' Chairman is established with the coefficient 1,5.

Quarterly remuneration of a member of the Board of directors is decreased by:

30% - in case of his/her presence at less than half of sessions of the Board of directors held in the form of joint attendance;

100% - if he/she participated in less than half of all held sessions of the Board of directors.

For the quarter, in which the re-election of the Board of directors occurred, the remuneration to a member of the Board of directors is paid proportionally to the time worked in this quarter.

Annual remuneration for the entire structure of the Company's Board of directors is established as the sum of deductions according to rates (percent):

- of the Company's EBITDA by IFRS accounting statement data for the reporting year;

- of the Company's net profit by the results of the reporting year, allocated to the payment of dividends.

Annual remuneration is distributed among all members of the Board of directors in equal shares.

Annual remuneration of a member of the Board of directors is decreased by 50% in case of his/her participation in less than half of all Board of directors sessions held during the period of his/her term of office.

The rates (percent) of deductions for the calculation of annual remuneration are defined by the resolution of the shareholders general meeting electing the specified structure of the Board of directors.

Annual remuneration to a member of the Board of directors is paid not later than 3 months after the termination of the term of office of the specified Board of directors' structure.

The Board of directors' members who are the members of the Company's Board of directors committee, are paid an increment to quarterly remuneration, connected with performance by them of their functions of the Board of directors committees' members, in the amount of RUR 40 000 (for participation in each Committee), herewith the Board of directors' member may not be in more than two Board of directors' committees simultaneously.

According to the resolution of the annual general meeting of shareholders of June 26, 2006, (minutes № 6), the following rates (percent) of deductions are approved for calculating

annual remuneration to the Board of directors' members being elected at the specified annual general meeting of shareholders:

- in the amount of 0,26% (twenty six hundredth of percent) of the Company's EBITDA by IFRS accounting statement data for 2006;
- in the amount of 0,78% (seventy eight hundredth of percent) of the Company's net profit for 2006 allocated to the payment of dividends".

For the Chairman of a committee of the Board of directors the specified increment is established with coefficient of 1,25.

Board of directors' members are entitled to participate in options programs realized by the Company. In the reporting period the Company did not realize the option programs for the Board of directors' members.

The remuneration of the members of the Company's Board of directors for 2006 amounts to RUR 15 987 808,66.

5. Data on availability and the structure of the committees with the Board of directors.

On July 31, 2006 the following Committees with the Board of directors were established:

Corporate governance committee

1. Grigorieva Alla Borisovna - The Committee's Chairman
2. Morozov Andrey Vladimirovich
3. Pokrovskaya Nataliya Ivanovna
4. Fedorov Oleg Romanovich
5. Chernogorodskyi Sergey Valerievich

Strategic development committee

1. Andreev Vladimir Alexandrovich - The Committee's Chairman
2. Bulancha Sergey Anatolievich
3. Degtyarev Valeryi Victorovich
4. Omelchenko Sergey Valerievich
5. Fedorov Oleg Romanovich

Staff and rewards committee

1. Morozov Andrey Vladimirovich - The Committee's Chairman
2. Grigorieva Alla Borisovna
3. Enin Evgenyi Petrovich
4. Savchenko Victor Dmitrievich

Committee for audit

1. Degtyarev Valeryi Victorovich - The Committee's Chairman
2. Enin Evgenyi Petrovich
3. Chernogorodskyi Sergey Valerievich

6. Data on transactions on acquisition or carve-out of the Company's shares during the reporting year by the members of the Company's Board of directors (in accordance with order of RF FSFM of October 10, 2006 № 06-117/пз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

The members of the Company's Board of directors did not make transactions of acquisition or carve-out of OJSC "VolgaTelecom" shares during the reporting year (in accordance with order of RF FSFM of October 10, 2006 № 06-117/пз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

15.2. General Director.

1. Data on the person holding the post of the single executive body.

General Director is the single executive body carrying out management of the Company's current activity. The General Director is appointed by the Company's Board of directors.

Omelchenko Sergey Valerievich was appointed General Director of OJSC "VolgaTelecom" in April 2005.

Omelchenko Sergey Valerievich was borne in 1963.

In 1984 he graduated from Novocherkassk higher military command academy, qualification – electric conduction communication facilities exploitation.

From 1980 till 1991 he served in RF Armed forces.

After termination of military service he started his activity in Bataisk town of Rostov oblast as an installer of small enterprise "Module"; in 1993-1997 he headed the linearly repair team of Technical trunk communication center-3, worked as the chief expert of the wire trunk service of Territorial center for DLD communications and television-9, from 1997 till 2002 he was chief engineer, and later - the director of Technical trunk communication center-3.

From January 2002 till April 2005 he headed the Volga branch of OJSC "Rostelecom".

Criteria of definition and the size of remuneration of the Company's General Director are stipulated by terms and conditions of the labor contract.

The amount of payments made to the Company's General Director for 2006 – RUR 6 575 532,76 (exclusive of his remuneration as the member of the Management board).

S.V.Omelchenko does not hold the Company's shares.

2. Data on transactions on acquisition or carve-out of the Company's shares during the reporting year by the Company's General Director (in accordance with order of RF FSFM of October 10, 2006 № 06-117/пз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

The Company's General Director did not make transactions of acquisition or carve-out of OJSC "VolgaTelecom" shares during the reporting year (in accordance with order of RF FSFM of October 10, 2006 № 06-117/пз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

15.3. Management board.

Information about the Company's Management board:

The Management board is a collegial executive body organizing the fulfillment of resolutions of stockholders general meeting and of the Company's Board of directors.

In 2006 the Company's Management board held 50 sessions at which 475 issues were considered.

1. Quantitative and individual structure of current Management board.

Quantitative and individual structure of the Management board is defined by the decision of the Company's Board of directors following the proposal of the General Director, members of the Company's Board of directors.

On July 31, 2006 the Board of directors upon the recommendation of the General Director formed the Company's Management board to the number of 10 persons in the following structure:

1. Omelchenko S.V.
2. Astakhova S.L.

3. Ganeeva A.A.
4. Dyakonov M.V.
5. Ershov O.V.
6. Ketkov A.Yu.
7. Kormilitsyna L.A.
8. Petrov M.V.
9. Pozdnyakov D.V.
10. Popkov N.I.

On December 22, 2006 according to the Board of directors' decision the quantitative and individual structure of OJSC "VolgaTelecom" Management board was changed - the authority of Kormilitsyna L.A. and Ganeeva A.A. were early terminated, and Ulyanov Vladimir Vasilievich was appointed a member of OJSC "VolgaTelecom" Management board; the Company's Management board consists of 9 persons.

**Quantitative and individual structure of the Company's Management board,
at December 31, 2006.**

Table 13.

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Time of post holding	Other posts held in the Company and in other organizations	Shares possession
1.	Omelchenko Sergey Valerievich	1963	Postsecondary education, Novocherkassk higher military command academy.	Chairman of the Management board – OJSC “VolgaTelecom” General Director	Since 2005	Chairman of the Board of directors of: CJSC “Orenburg –GSM”, CJSC “NSS”. Member of the Board of directors of: OJSC “NATINCOM-T”, OJSC “VolgaTelecom”. Member of supervisory Council of NCP “Center of investigations of telecommunication development problems”	Does not possess the Company's shares
2.	Astakhova Svetlana Leonidovna	1974	Postsecondary education, All-union corresponding financial and economic institute; Nizhny Novgorod state university after N.I. Lobachevsky	Deputy to the General Director of the joint-stock company – personnel director	Since 2005	None	Does not possess the Company's shares
3.	Dyakov Mikhail Vasilievich	1954	Postsecondary education, Mordovian state university after N.P. Ogarev	Deputy to the General Director of the joint-stock company for capital construction	Since 1999	None	Does not possess the Company's shares
4.	Ershov Oleg Vladimirovich	1977	Postsecondary education, Nizhny Novgorod commercial institute	Deputy to the General Director of the joint-stock company – commercial director	Since 2005	Member of the Board of directors of: CJSC “RTCOM”, OJSC “NATINCOM-T”.	Does not possess the Company's shares
5.	Ketkov Alexander Yulievich	1972	Postsecondary education, Nizhny Novgorod state university after N.I. Lobachevsky	Deputy to the General Director of the joint-stock company – technical director	Since 2006	Chairman of Supervisory Council of CJSC “Transsvyaz”	Does not possess the Company's shares
6.	Petrov Mikhail Victorovich	1973	Postsecondary education, Saratov technical university	Deputy to the General Director of the joint-stock company	Since 2005	Chairman of the Board of directors of: CJSC “Ulyanovsk-GSM”, OJSC “NATINCOM-T”.	Does not possess the Company's shares

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Time of post holding	Other posts held in the Company and in other organizations	Shares possession
						CJSC "Saratov Mobile", CJSC "RTCOM". Member of the Board of directors of: CJSC "NSS", CJSC "Orenburg-GSM", CJSC "Ulyanovsk-GSM", CJSC "Saratov Mobile", CJSC "Narodnyi telephone Saratov". Chairman of Management board of CJSC "NSS"	shares
7.	Pozdnyakov Denis Vyacheslavovich	1976	Postsecondary education, Saint-Petersburg state sea technical university, Ph.D. (economics)	First deputy to the General Director of the joint-stock company for economics and finances	Since 2005	Member of the Board of directors of: OJSC "NATINCOM-T", CJSC "RTCOM", CJSC "NSS"	Does not possess the Company's shares
8.	Popkov Nikolai Ivanovich	1973	Postsecondary education, Nizhny Novgorod state university after N.I. Lobachevsky	OJSC "VolgaTelecom" chief accountant	Since 2003	None	Does not possess the Company's shares
9.	Ulyanov Vladimir Vasilievich	1951	Postsecondary education, technological college-factory with Karaganda steel plant in Temirtau town	Deputy to the General Director for security	Since 2006	None	Does not possess the Company's shares

The members of the Company's Management board during the term of their duties performance are paid remunerations and compensations for the expenses related to their performance of functions of the Management board members, as stipulated by the Provision on the Company's Management board approved by general meeting of the Company's stockholders. The size and the procedure of remunerations payment and also remunerations distribution among the Management board members are defined by the decision of the Company's Board of directors according to the Provision on remuneration of OJSC "VolgaTelecom" Management board members, the specified Provision being approved on March 29, 2005, and amendments introduced into the Provision on remuneration of Management board members and approved by the Company's Board of directors on December 22, 2006. The Management board members are entitled to participate in option programs carried out by the Company.

The remunerations paid to the Company's Management board members for 2006 amount to RUR 6 336 847,82.

2. Data on transactions on acquisition or carve-out of the Company's shares during the reporting year by the members of the Company's Management Board (in accordance with order of RF FSFM of October 10, 2006 № 06-117/нз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

The members of Company's Management board (of the structure as of 31.12.2006) did not make transactions of acquisition or carve-out of OJSC "VolgaTelecom" shares during the reporting year (in accordance with order of RF FSFM of October 10, 2006 № 06-117/пз-н "On approval of the provision on information disclosure by the issuers of issuing securities").

15.4. Auditing committee.

1. Quantitative and individual structure of current Auditing committee.

Auditing committee is the Company's independent body of control elected at the annual general meeting of shareholders for the period till the next annual general meeting of shareholders, and consisting of 5 persons.

The control over OJSC "VolgaTelecom" financial-economic activity is performed by the Auditing committee elected at the annual general meeting of shareholders on June 26, 2006 in the following structure:

Table 14.

№	Surname, name and patronymic name	Place of employment and work status
1.	Koroleva Olga Grigorievna	Chairman of the Company's Auditing committee, OJSC "Svyazinvest" chief accountant
2.	Belyakova Nataliya Yurievna	Deputy to the director of finances department of OJSC "Svyazinvest"
3.	Golubitskyi Bogdan Ivanovich	Chief of sector of the Department of economic planning and budgeting of OJSC "Svyazinvest"
4.	Zubova Tatiana Yurievna	Deputy to the chief of sector of methodology of the Department of accounting of OJSC "Svyazinvest"

2. Information about the Company's Auditing committee activity.

The activity of the Auditing committee was conducted in the following areas:

- The check of legality of decisions and acts of the Company's executive officers, inclusive of made transactions;

- The check of compliance of conditions of transactions made by the Company with the conditions of transactions, made in comparable circumstances;
- Compliance with industry legislation requirements in communication area;
- Compliance with established procedures of bookkeeping;
- Organization of internal control;
- Observance of budgetary discipline;
- Validation of data contained in annual statements for 2006.

The Auditing committee held 7 sessions. The sampling check of financial and economic activity of General directorate, Nizhny Novgorod, Saratov, Samara and Orenburg branches of the Company for 2006 was carried out.

By the results of activities OJSC “VolgaTelecom” Auditing committee report for 2006 was made. The infringements detected by the Auditing committee do not have material effect on the reliability of OJSC “VolgaTelecom” accounting statement for 2006.

XVI. INFORMATION ABOUT THE COMPANY’S COMPLIANCE WITH CORPORATE GOVERNANCE CODE

16.1. Information about the Company’s corporate governance Code.

Introduction of corporate governance principles and rules into day-to-day activity contributes to the Company’s successful development, expressed in the first instance in long-term perspectives of the Company’s development, increase in its investment attractiveness. Steadfast compliance with the Code is aimed at establishing and maintaining reliable partnership relations with shareholders, employees, clients and other interested persons of the Company and shaping the Company’s positive image as a whole.

OJSC “VolgaTelecom” corporate governance Code was approved by the Company’s Board of directors on March 11, 2004, the changes were introduced on September 24, 2004, May 20, 2005 and September 20, 2006.

The latest changes put in force article 11 “Corporate ethics” containing ethic norms of business communication which are the basis of the Company’s corporate governance policy shaping.

Within the framework of enhancement of corporate governance efficiency the Committee for corporate governance with the Board of directors agreed upon the Provision on settlement of corporate conflicts of OJSC “VolgaTelecom”; this Provision was approved by the Company’s Management board on December 14, 2006.

By declaring its intention to comply with the provisions of corporate governance Code, the Company assumed the liability to improve the Company’s corporate governance in accordance with the principles ensuring:

- Actual capability for the stockholders to exercise their rights related to participation in the Company;
- Equal treatment of stockholders possessing the shares of the same type (category), including minority and international stockholders;
- Exercising by the Board of directors of strategic management of the Company’s activity and efficient control by the Board of directors over the activity of the Company’s executive bodies, and also the accountability of the members of the Board of directors to the Company’s stockholders;
- Reasonable and bona fide exercising by the Company’s executive bodies of efficient management of the Company’s current activity to ensure its long-term, stable development and obtaining profit by the stockholders from this activity; the accountability of executive bodies to the Company’s Board of directors and its stockholders;

- Timely disclosure of exact and true information about the Company, including about its financial status, economic indicators, the structure of property and management, essential corporate actions in order to ensure the capability to take informed decisions by the Company's stockholders and investors;
- Efficient control over the Company's financial-economic activity in order to protect the rights and legitimate interests of the stockholders;
- Observance of legitimate rights of the Company's employees, development of partnership relations between the Company and the employees in solution of social issues and regulation of labor conditions;
- Active cooperation of the Company with investors, creditors and other interested parties in order to increase the Company's value, including the growth of its assets, the price of shares and other securities, raising its reputation.

The principles and the rules of OJSC "VolgaTelecom" Code of corporate governance meet international standards of corporate governance practice and contain requirements to the functioning of the Company's bodies of management and control and to observance of high ethic norms and business communication culture by all persons of the Company.

On June 26, 2006 the annual general meeting of shareholders elected the Company's Board of directors by cumulative voting to the number of 11 persons. The following five members of OJSC "VolgaTelecom" Board of directors are recognized as independent directors: Andreev V.A., Degtyarev V.V., Enin E.P., Morozov A.V. and Fedorov O.R. Besides independent directors the Board of directors comprises one executive director (Omelchenko S.V. – OJSC "VolgaTelecom" General Director) and five non-executive directors. In experts' opinion, such structure of the Board of directors is balanced which enables the Board of directors to make informed and efficient decisions and contributes to respecting the interests of all Company's shareholders.

All members of the Company's Board of directors are professionals; each of them applies their knowledge, experience and skills to organize the Company's activity to attain the highest objectives.

In 2006 the Board of directors was headed by Kuznetsov Sergey Ivanovich who has vast service background in communications industry, skillfully guides the Board of directors' activity to the solution of the most important issues facing both the Company and telecommunications market as a whole.

The Board of directors is balanced in professional aptitude. It comprises the specialists in telecommunications, economists, and lawyers, specialists in securities market and in corporate governance.

For the purpose of efficient performance of the Board of directors' functions in the light of requirements of OJSC "VolgaTelecom" corporate governance Code, the Board of directors' Committees are operating: the Committee for audit, corporate governance committee, strategic development committee and staff and rewards committee. The BoD committees' activity is governed by the relevant Provisions on each of the committee.

The Committees preliminary consider the issues referred to the competence of the Board of directors, and prepare the recommendations on them for the Board of directors, and also agree upon some of the issues not referred to the Board of directors competence but requiring more competent and careful approach when resolving them.

Since August 19, 2004 the institute of Corporate secretary is effective in OJSC "VolgaTelecom". The Corporate secretary is an authorized person whose tasks are to ensure the observance of the rules and procedures of corporate governance guaranteeing realization of the rights and interests of shareholders by bodies and officials of the Company and to organize interaction between the Company and its stockholders. With a view of providing for the effective performance by the Corporate secretary of his/her duties, the back office of the Corporate secretary of the Company was established. The Company's Corporate secretary and the back office of the Corporate secretary carry out their activity in accordance with current

legislation, the Company's Charter, the Company's internal documents and also with the resolutions of general meeting of shareholders and the Company's Board of directors.

In 2006 basing on the results of the activity, OJSC "VolgaTelecom" Corporate secretary Mrs. Nataliya Pokrovskaya became a winner of All-Russia contest "Leaders in corporate governance-2006" in "The best corporate secretary" nomination; the contest was held by the Association for investors rights protection.

In accordance with the Code of corporate governance requirements OJSC "VolgaTelecom" has the service of internal control over the Company's financial-economic activity independent of the Company's executive bodies.

The department of internal audit of the Company comprises the following structural sub-divisions:

- sector of internal audit;
- sector of internal audit methodology;
- service of internal audit of the Company's branches.

In accordance with the audit plan of financial-economic activity of branches and their structural sub-divisions for 2006 approved by the Company's Board of directors on 09.12.2005, OJSC "VolgaTelecom" department of internal audit conducted 5 audits of branches including 4 complex and 1 case audits; 70 audits of structural sub-divisions of the Company's branches including 27 complex and 43 case audits. Besides, the employees of the Department and services of internal audit were engaged in 4 unscheduled check-outs of the branches, and the employees of internal audit services in 12 unscheduled check-outs of structural sub-divisions of the Company's branches. In 2006 the Department had been carrying out the activities of searching the ways of improving the quality and efficiency of audits. With obvious advantage of complex audits comprising overall estimate of the activity of checked structural sub-division, the complex audits have a number of material weaknesses (low efficiency, high costs for their conduct). That is why along with complex audits it is necessary to implement case audits, as deeper and more concentrated on priority activity trends, into practice. The department of internal audit monitors and controls the performance of plan of measures of remedy of violations revealed during the audits. In the course of monitoring the Department interacts with operating services to estimate the performance of the plan of measures.

16.2. Report on compliance with recommendations of FFMS's Code of corporate governance.

Table 15.

№	Provision of corporate governance Code	Conformed or not conformed	Comment
<i>General meeting of stockholders</i>			
1.	Notification of stockholders on holding of general meeting of stockholders at least 30 days prior to the date of its holding irrespective of the issues included into the agenda, if legislation does not stipulate longer period.	Conformed	Item 12.12 of the Company's Charter.
2.	Availability with the stockholders of the capability to get familiarized with the list of persons/entities having the right to participate in general meeting of stockholders starting from the date of announcing the holding of general meeting of stockholders and to the closing of formal general meeting of stockholders, and in case of absentee general meeting of stockholders – to the date of the end of acceptance of the voting ballots.	Conformed	Item 7.5. of the Company's Charter.
3.	Availability with the stockholders of capability to get familiarized with the information (materials) subject to provision during the preparation to holding general	Conformed	The Company has the web-site in the Internet: www.vt.ru , where the information provided to shareholders at

	meeting of stockholders by means of electronic facilities, the Internet including.		the preparation for the meeting is posted.
4.	Availability with a stockholder of capability to bring forward the motions into the agenda of the general meeting of stockholders or to demand the convocation of general meeting of stockholders without providing an extract from the stockholders' register, if his/her rights for the shares are accounted in the system of stockholders' register keeping, and in case if his/her rights for shares are accounted at custody account, - it is sufficient to provide an extract from the custody account to exercise the above rights.	Conformed	Item 12.6. of the Company's Charter, item 2.6. of the Provision on the procedure of holding general meeting of the Company's stockholders.
5.	Availability in the Company's Charter or in internal documents of the requirement of obligatory presence of the General Director, members of the Management board, members of the Board of directors, members of the Auditing committee and the Company's auditor at the general meeting of stockholders.	Conformed	Item 12.17. of the Company's Charter, item 3.17. of the Company's Code of corporate governance
6.	Obligatory presence of nominees at general meeting of stockholders during consideration of issues of electing the members of the Board of directors, the General Director, members of the Management board, members of the Auditing committee, and also of the issue of the approval of the joint-stock company's auditor.	Conformed	The Company provides for the presence of nominees to the Company's bodies of management and control at general meeting of stockholders.
7.	Availability in the Company's internal documents of the procedure of registration of the participants of general meeting of stockholders.	Conformed	Items 3.4. and 8.1. of the Provision on the procedure of holding general meeting of stockholders of the Company.
<i>The Board of directors</i>			
8.	Availability in the joint-stock company's Charter of the authority of the Board of directors to approve annual financial-economic plan of the joint-stock company.	Conformed	Sub-item 1 of item 13.4 of the Company's Charter.
9.	Availability of the procedure of risk management in the joint-stock company approved by the Board of directors,	Conformed	It is implemented in accordance with the Company's quality management system; the Provision on the Company's budgeting.
10.	Availability in the joint-stock company's Charter of the right of the Board of directors to take a decision to suspend the powers of the General Director being appointed by the stockholders' general meeting.	Conformed	Sub-item 26 of item 13.4, item 15.5 of the Company's Charter.
11.	Availability in the joint-stock company's Charter of the right of the Board of directors to establish the requirements to the qualification and to the size of remuneration of the General Director, members of the Management board, heads of the basic structural subdivisions of the joint-stock company.	Conformed	Sub-item 33 of item 13.4; item 14.7; item 15.4. of the Company's Charter.
12.	Availability in the joint-stock company's Charter of the right of the Board of directors to approve the terms and conditions of contracts with the General Director and the members of the Management board.	Conformed	Sub-item 33 of item 13.4 of the Company's Charter.
13.	Availability in the joint-stock company's Charter or in the internal documents of the requirement that when approving the terms and conditions of contracts with the General Director (managing organization, manager) and with the members of the Management board, the votes of the members of the Board of directors who are being the General Director and the members of the Management board are not taken into account during the vote tabulation.	Not applicable	-
14.	Availability in the structure of the joint-stock	Conformed	The following directors: Andreev V.A.,

	company's Board of directors of at least 3 independent directors meeting the requirements of the corporate governance Code.		Degtyarev V.V. Enin E.P., Morozov A.V. and Fedorov O.R. meet the requirements of item 2 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
15.	The absence in the structure of the joint-stock company's Board of directors of the persons who were found guilty of committing offences in the area of economic activity or offences against state authority, interests of state service and local authority service, or to whom administrative punishment was administered for violation of law in the area of entrepreneurial activity or in the area of finances, taxes and dues, securities market.	Conformed	-
16.	The absence in the structure of the joint-stock company's Board of directors of the persons who are participants, general director (manager), members of the management body or an employee of a legal entity competing with the joint-stock company.	Conformed	-
17.	Availability in the joint-stock company's Charter of the requirement of electing the structure of the Board of directors by cumulative voting.	Conformed	Item 13.2 of the Company's Charter.
18.	Availability in the joint-stock company's internal documents of the duty of the members of the Board of directors to abstain from actions that will result in or potentially may result in the occurrence of conflict between their interests and the joint-stock company's interests, and in case of occurrence of such a conflict – of the duty to disclose the information about this conflict to the Board of directors.	Conformed	Item 4.20 of corporate governance Code; item 3.2 of the Provision on the Board of directors.
19.	Availability in the joint-stock company's internal documents of the duty of the members of the Board of directors to notify in writing the Board of directors on the intent to make transaction with the securities of the joint-stock company where they are the members of the Board of directors, or with the securities of subsidiary (associated) companies, and also to disclose the information on transactions with such securities made by them.	Conformed	Item 4.20. of corporate governance Code; Item 3.3 of the Provision on the Procedure of using the information on OJSC "VolgaTelecom" activity, on its securities and transactions with them, the specified information not being accessible to the public, and its misuse or disclosure is capable to affect materially the market value of OJSC "VolgaTelecom" securities. Item 6 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
20.	Availability in the joint-stock company's internal documents of the requirement that the sessions of the Board of directors should be held at least once in six weeks.	Conformed	Item 6.2. of the Provision on the Company's Board of directors, Item 4.8. of the Company's corporate governance Code.
21.	Holding of sessions of the joint-stock company's Board of directors during the year for which the Company's annual report is drawn up with periodicity of at least one time in six weeks.	Conformed	-
22.	Availability in the joint-stock company's internal documents of the procedure of holding the sessions of the Board of directors.	Conformed	Chapter 6 of the Provision on the Company's Board of directors.
23.	Availability in the joint-stock company's internal documents of the provision that it is necessary for the Board of directors to approve the Company's transactions for the amount of 10 and more per cent of the joint-stock company's asset value, excluding the transactions made in the course of ordinary economic activity.	Conformed	Sub-item 19 and 20 of item 13.4. of the Company's Charter.
24.	Availability in the joint-stock company's internal documents of the right of the members of the Board	Conformed	Item 3.4. of the Provision on the Company's Board of directors.

	of directors to receive the information required for the performance of their duties from executive bodies and heads of basic structural sub-divisions of the joint-stock company, and also of the responsibility for non-providing such information.		
25.	Availability of the committee of the Board of directors for strategic planning or assignment of functions of the said committee to other committee (except for the committee for audit and for the staff and rewards committee).	Conformed	Item 4.24. of the Company's corporate governance Code. There is the strategic development committee with the Board of directors.
26.	Availability of the committee of the Board of directors (committee for audit) which recommends the joint-stock company's auditor to the Board of directors and interacts with the auditor and the joint-stock company's auditing committee.	Conformed	Item 4.24. of the Company's corporate governance Code, Item 3 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006
27.	Availability in the structure of the committee for audit of only independent and non-executive directors.	Conformed	Item 3 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006
28.	Performance of management of the committee for audit by an independent director.	Conformed	Item 3 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006. The committee's chairman is Degtyarev V.V.
29.	Availability in the joint-stock company's internal documents of the right for access of all members of the committee for audit to any documents and information of the joint-stock company provided they do not disclose confidential information.	Conformed	Item 4.21. of the Company's corporate governance Code.
30.	Establishment of the committee of the Board of directors (staff and rewards committee), its function being definition of criteria of selecting the candidates to the members of the Board of directors and formulation of the joint-stock company's policy in remuneration area.	Conformed	Item 4.23. of the Company's corporate governance Code, Item 4 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
31.	Performance of management of the staff and rewards committee by an independent director.	Conformed	Item 4 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006. The committee's chairman is Morozov A.V.
32.	The absence of the joint-stock company's office holders in the structure of the staff and rewards committee.	Conformed	Item 4 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
33.	Establishment of the risk committee of the Board of directors or assignment of functions of the said committee to other committee (except for the committee for audit and the staff and rewards committee).	Conformed partially	The committee for audit.
34.	Establishment of the corporate conflict settlement committee of the Board of directors or assignment of functions of the said committee to other committee (except for the committee for audit and the staff and rewards committee).	Conformed	Item 4.24. of the Company's corporate governance Code. Corporate governance committee.
35.	The absence of the joint-stock company's office holders in the structure of the corporate conflict settlement committee.	Conformed	Corporate governance committee does not comprise the Company's office holders.
36.	Performance of management of the corporate conflict settlement committee by an independent director.	Conformed partially	The committee is headed by a non-executive director.
37.	Availability of the joint-stock company's internal documents, stipulating the procedure of formation and operation of the committees of the Board of directors, the documents being approved by the Board of directors.	Conformed	The Provisions on the committees of Company's Board of directors.
38.	Availability in the joint-stock company's Charter of the procedure of defining the quorum of the Board of directors allowing for providing for compulsory	Conformed partially	Items 13.6; 13.7; 13.12; 13.13 of the Company's Charter.

	participation of independent directors in the sessions of the Board of directors.		
<i>Executive bodies</i>			
39.	Availability of collegial executive body (the Management board) of the joint-stock company.	Conformed	Article 14 of the Company's Charter, Item 5 of Supplement 1 to the Provision approved by RF FSM order №06-68/ПЗ-Н of 22.06.2006.
40.	Availability in the joint-stock company's Charter or in the internal documents of the provision on the necessity of the Management board's approval of real estate transactions, of the joint-stock company's obtaining the credits, if the specified transactions are not related to material transactions and their making is not related to the joint-stock company's ordinary economic activity.	Conformed	Sub-item 5 of item 14.4. of the Company's Charter.
41.	Availability in the joint-stock company's internal documents of reconciliation procedure of operations falling outside the scope of the joint-stock company's financial-economic plan.	Conformed	Sub-item 2 of item 13.4. of the Company's Charter.
42.	The absence in the structure of the Company's executive bodies of the persons who are a participant, general director (manager), a member of the management body or an employee of a legal entity competing with the joint-stock company.	Conformed	-
43.	The absence in the structure of the joint-stock company's executive bodies of the persons who were found guilty of committing offences in the area of economic activity or offences against state authority, interests of state service and local authority service, or to whom administrative punishment was administered for violation of law in the area of entrepreneurial activity or in the area of finances, taxes and dues, securities market. If the functions of a single executive body are carried out by a managing organization or by a manager – compliance of general director and members of management board of managing organization or a manager with the requirements made to the General Director and members of the Management board of the joint-stock company.	Conformed	-
44.	Availability in the joint-stock company's Charter or in the internal documents of prohibition to a managing organization (a manager) to carry out similar functions in a competing company, and also to be in any property relations with the joint-stock company apart from rendering the services of a managing organization (a manager).	The control pattern is not applicable.	-
45.	Availability in the joint-stock company's internal documents of the duty of executive bodies to abstain from actions that will result in or potentially may result in the occurrence of conflict between their interests and the joint-stock company's interests, and in case of such conflict occurrence – the duty to inform the Board of directors about it.	Conformed	Article 10 of the Company's corporate governance Code.
46.	Availability in the joint-stock company's Charter or in the internal documents of the criteria of selection of a managing organization (a manager).	The control pattern is not applicable.	-
47.	Provision by the joint-stock company's executive bodies of monthly reports on their work to the Board of directors.	Conformed	-
48.	Incorporation of responsibility for the breach of provisions about using confidential and insider information in the contracts concluded by the joint-	Conformed	Item 3.1.10 of the labor contract with the General Director, and also the Provision on the protection of the

	stock company with the General Director (a managing organization, a manager) and the members of the Management board.		Company's confidential information.
<i>The Company's secretary</i>			
49.	Availability in the joint-stock company of a special office holder (the Company's secretary), whose task is to ensure the compliance of the joint-stock company's bodies and office holders with the procedural requirements guaranteeing realization of rights and legitimate interests of the Company's stockholders.	Conformed	-
50.	Availability in the joint-stock company's Charter or in the internal documents of the procedure of appointment (election) of the Company's secretary and the functions of the Company's secretary.	Conformed	Article 16 of the Company's Charter.
51.	Availability in the joint-stock company's Charter of the requirements to the candidacy of the Company's secretary.	Conformed	Item 2.4. of the Provision on the Corporate secretary and the back office of the Corporate secretary.
<i>Essential corporate actions</i>			
52.	Availability in the joint-stock company's Charter or in the internal documents of the requirement on the approval of a material transaction prior to its making.	Conformed	Sub-item 17 of item 12.2; sub-items 19, 20 of item 13.4 of the Company's Charter.
53.	Obligatory involvement of independent appraiser for the assessment of market value of property being the subject of a material transaction.	Conformed	-
54.	Availability in the joint-stock company's Charter of the prohibition for taking any actions during the acquisition of large blocks of shares of the joint-stock company (takeover); the actions being meant for the protection of interests of executive bodies (members of these bodies) and the members of the joint-stock company's Board of directors, and also aggravating the situation of the stockholders as compared with the existing one (in particular, the prohibition for the Board of directors to make the decision on the issue of additional shares, on the issue of securities convertible into shares, or securities granting the right of acquisition of the Company's shares, even if the right for taking such a decision is granted to it by the Charter, before the end of the assumed period of shares acquisition).	Not conformed	The availability of direct prohibition for rights violation is needless, as the absence in the Charter of provisions on the possibility of actions aimed at protection of interests of executive bodies (members of these bodies), members of the Board of directors and others shows the impossibility of taking such actions.
55.	Availability in the joint-stock company's Charter of the requirement of obligatory involvement of an independent appraiser for the assessment of current market value of shares and potential changes of their market value as a result of takeover.	Not conformed	The Company when carrying out takeover transaction will obligatory involve an independent appraiser for the assessment of current market value of shares and potential changes of their market value as a result of takeover.
56.	The lack in the joint-stock company's Charter of the exemption of the acquirer from the obligation to offer the stockholders to sell the Company's ordinary shares belonging to them (issuing securities convertible into ordinary shares) during the takeover.	Conformed	-
57.	Availability in the joint-stock company's Charter or in the internal documents of the requirement of obligatory involvement of an independent appraiser for determination of the ratio of shares conversion during reorganization.	Not conformed	The Company, when affiliating communication operators of the Volga region in 2002, obligatory involved an independent appraiser for determination of the ratio of shares conversion during reorganization.
<i>Information disclosure</i>			
58.	Availability of the internal document approved by the Board of directors defining the rules and approaches of the joint-stock company to the information	Conformed	Provision on information policy is approved by the Board of directors on June 27, 2005

	disclosure (Provision on information policy).		Item 7 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
59.	Availability in the joint-stock company's internal documents of the requirement of disclosing the information on the purposes of shares placement, on the persons who are going to acquire the shares being placed, including a large block of shares, and also on the fact if top office holders of the joint-stock company are going to participate in the acquisition of the Company's shares being placed.	Conformed	Provision on information policy.
60.	Availability in the joint-stock company's internal documents of the list of information, documents and materials that should be provided to the stockholders for the solution of issues of the stockholders' general meeting.	Conformed	Item 12.13 of the Company's Charter; Article 3 of Provision on information policy of OJSC "VolgaTelecom".
61.	Availability with the joint-stock company of the web-site in the Internet and regular disclosure of information about the joint-stock company at this web-site.	Conformed	The Company has the web-site in the Internet: www.vt.ru, where the information about the Company is regularly disclosed.
62.	Availability in the joint-stock company's internal documents of the requirement of disclosing information on the joint-stock company's transactions with persons who as per the Charter are top office holders of the joint-stock company, and also on the joint-stock company's transactions with organizations where the joint-stock company's top office holders directly or indirectly own 20 and more per cent of the joint-stock company's charter capital or which may be materially affected by such office holders.	Conformed	Article 5 of Provision on information policy of OJSC "VolgaTelecom".
63.	Availability in the joint-stock company's internal documents of the requirement of disclosing information on all transactions that may affect the market cost of the joint-stock company's shares.	Conformed	Item 7.5. of corporate governance Code.
64.	Availability of the internal document, approved by the Board of directors, for using essential information about the joint-stock company's activity, shares and other securities of the Company and transactions with them; this information is not publicly accessible and its disclosure may materially affect the market cost of shares and other securities of the joint-stock company.	Conformed	The Provision on the procedure of using the information on OJSC "VolgaTelecom" activity, on its securities and transactions with them, the information not being publicly accessible and its misuse or disclosure is capable to affect materially the market value of OJSC "VolgaTelecom" securities was approved by the Board of directors on June 27, 2005. Item 8 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
<i>Control over financial and economic activity</i>			
65.	Availability of procedures of internal control over the joint-stock company's financial-economic activity, these procedures being approved by the Board of directors.	Conformed	The Company's Board of directors approved: - the Provision on the procedures (system) of internal control of OJSC "VolgaTelecom" (minutes № 35 of 29.06.2005); - the Provision on complex audits of OJSC "VolgaTelecom" (minutes № 32 of 19.05.2006). Item 9 of Supplement 1 to the Provision approved by RF FSFM order №06-68/ПЗ-Н of 22.06.2006.
66.	Availability of the joint-stock company's special sub-division ensuring the compliance with the procedures of internal control (auditing service).	Conformed	The functions of the sub-division ensuring the compliance with the procedures of internal control are carried

			out by the Department of internal audit.
67.	Availability in the joint-stock company's internal documents of the requirement that the structure and the membership of auditing service of the joint-stock company is to be defined by the Board of directors.	Conformed	Sub-item 18 of item 13.4 of the Company's Charter.
68.	The absence in the structure of the audit service of the persons who were found guilty of committing offences in the area of economic activity or offences against state authority, interests of state service and local authority service, or to whom administrative punishment was administered for violation of law in the area of entrepreneurial activity or in the area of finances, taxes and dues, securities market.	Conformed	-
69.	The absence in the structure of the audit service of the persons who are members of the joint-stock company's executive bodies, and also of persons who are a participant, general director (manager), a member of the management body or an employee of a legal entity competing with the joint-stock company.	Conformed	-
70.	Availability in the joint-stock company's internal documents of the time for submission of documents and materials for appreciation of carried out financial-economic operation to the audit service, and also the responsibility of the joint-stock company's officeholders and employees for their non-submission at date designated.	Conformed	The time for submission of documents and materials for appreciation of carried out financial-economic operation to the Department of internal audit is provided in item 5.2.4., sub-item 7.2.2. of the Provision on the Department of internal audit, in item 2.2. of the Regulation of organizing and conducting complex audits of OJSC "VolgaTelecom" branches, in item 3.2.2. of the Regulation of organizing and conducting complex audits of OJSC "VolgaTelecom" structural subdivisions. The responsibility is stipulated by item 4.5. of the Regulation of organizing and conducting complex audits of OJSC "VolgaTelecom" branches, in item 4.5. of the Regulation of organizing and conducting complex audits of OJSC "VolgaTelecom" structural subdivisions.
71.	Availability in the joint-stock company's internal documents of the duty of the audit service to inform the committee for audit, and in case of its non-availability, the joint-stock company's Board of directors about revealed violations.	Conformed	The Department of the internal audit informs the joint-stock company's Board of directors about revealed violations in accordance with the Provision on the Department of internal audit.
72.	Availability in the joint-stock company's Charter of the requirement of preliminary appreciation by the audit service of the expediency of making operations not envisaged by the joint-stock company's financial-economic plan (non-standard operations).	Conformed	When the Company's Board of directors and the Management board approach the Company's auditing committee and the Department of internal audit, they may preliminary appreciate the operations not envisaged by the joint-stock company's financial-economic plan (non-standard operations); For the sessions of the Board of directors and the Management board the Department of internal audit conducts the check-out of risks availability.
73.	Availability in the joint-stock company's internal documents of the procedure of reconciliation of a non-standard operation with the Board of directors.	Conformed	Sub-item 2 of item 13.4. of the Company's Charter, Labor contract with the Company's General Director.
74.	Availability of the internal document, approved by the	Conformed	Provision on the Company's Auditing

	Board of directors, defining the procedure of carrying out the checks of the joint-stock company's financial-economic activity by the Auditing committee.		Committee, approved on March 26, 2003 by joint (extraordinary) general meeting of shareholders.
75.	Appreciation of the auditor's report by the Committee for audit before its presentation to stockholders at general meeting of stockholders.	Conformed	Item 2.2.1 of the Provision on the Committee for audit.
<i>Dividends</i>			
76.	Availability of the internal document, approved by the Board of directors, which serves as a guide for the Board of directors when adopting the recommendations about the size of dividends (Provision on dividend policy).	Conformed	Provision on the Company's dividend policy was approved by the Board of directors on March 30, 2005.
77.	Availability in the Provision on dividend policy of the procedure of defining the minimum share of the joint-stock company's net profit allocated for dividends payment, and of the terms and conditions under which the dividends on preferred shares, the size of dividends on them being defined in the joint-stock company's Charter, are not paid or are paid not in full.	Conformed	Articles 3, 8 of the Provision on the Company's dividend policy.
78.	Publication of data on the joint-stock company's dividend policy and amendments introduced into it in the periodical stipulated by the joint-stock company's Charter for publication of communications about holding of general meetings of stockholders, and also posting of these data at the joint-stock company's web-site in the Internet.	Conformed	The resolution of general meeting of stockholders on the payment of the Company's dividends is published in the periodical stipulated by the Company's Charter, and also the posting of the said data at the joint-stock company's web-site in the Internet.

The information is presented in accordance with "Recommended practice on the structure and the form of presentation of information on compliance with the Code of corporate governance in annual reports of joint-stock companies" approved by FFMS order № 03-849/p of 30.04.2003.

As OJSC "VolgaTelecom" securities are included in quotation lists "A" of stock exchanges and are put out to tender, the compliance with the requirements of the Provision on activity of trade organizing at the securities market, approved by RF FFMS order № 06-68/пз-н of 22.06.2006, is mandatory for the Company.

XVII. INFORMATION FOR SHAREHOLDERS

17.1. The Company's charter capital and securities.

At January 1, 2007 OJSC "VolgaTelecom" charter capital amounts to RUR 1 639 764 970 and consists of 245 969 590 ordinary registered paperless shares and 81 983 404 preferred registered paperless type A shares. The par value of shares is RUR 5,00.

The Company's placed and declared shares as of January 1, 2007.

Table 16.

Shares categories (types)	Quantity (pieces)	Face value (RUR)
Placed shares:	327 952 994	5
• ordinary shares – total	245 969 590	5
• preferred type A shares – total	81 983 404	5
Declared shares:	1 830 589	5
• ordinary shares	1 299 093	5

• preferred type A shares	531 496	5
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17.2. The structure of stock capital.

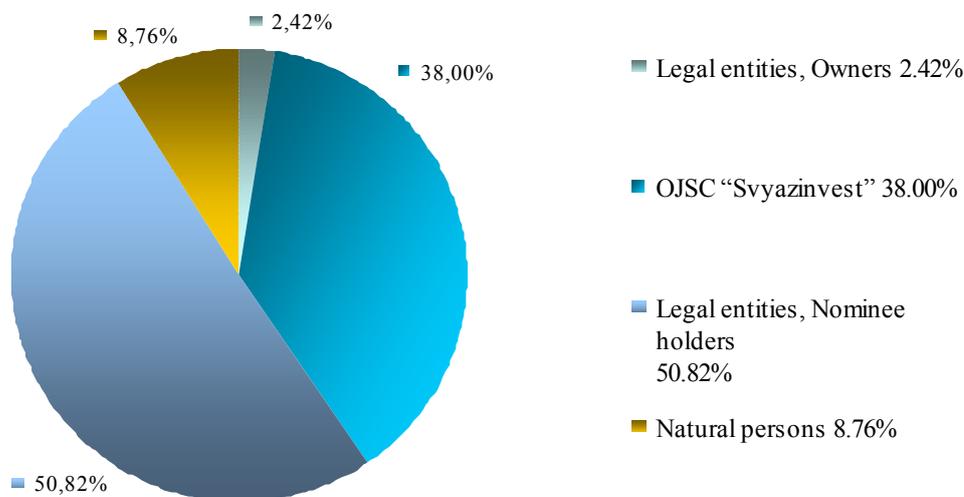
Distribution of OJSC “VolgaTelecom” shares among shareholders at January 1, 2007.

Table 17.

Shareholders	Number of shareholders	Ordinary registered stock, share in charter capital, %	Preferred registered stock, share in charter capital, %	Share in charter capital, %
Legal entities, including	188	71,96	19,28	91,24
Owners, including	165	39,66	0,76	40,42
OJSC “Svyazinvest”	1	38,00	-	38,00
Nominee holders	23	32,30	18,52	50,82
Natural persons	26 938	3,04	5,72	8,76

Stock capital distribution between legal entities and natural persons at January 1, 2007.

Chart 6.



17.3. Information about the holders of the largest equity stakes.

Information about the holders of the largest equity stakes (the share in the Company’s charter capital is more than 1%) at January 1, 2007.

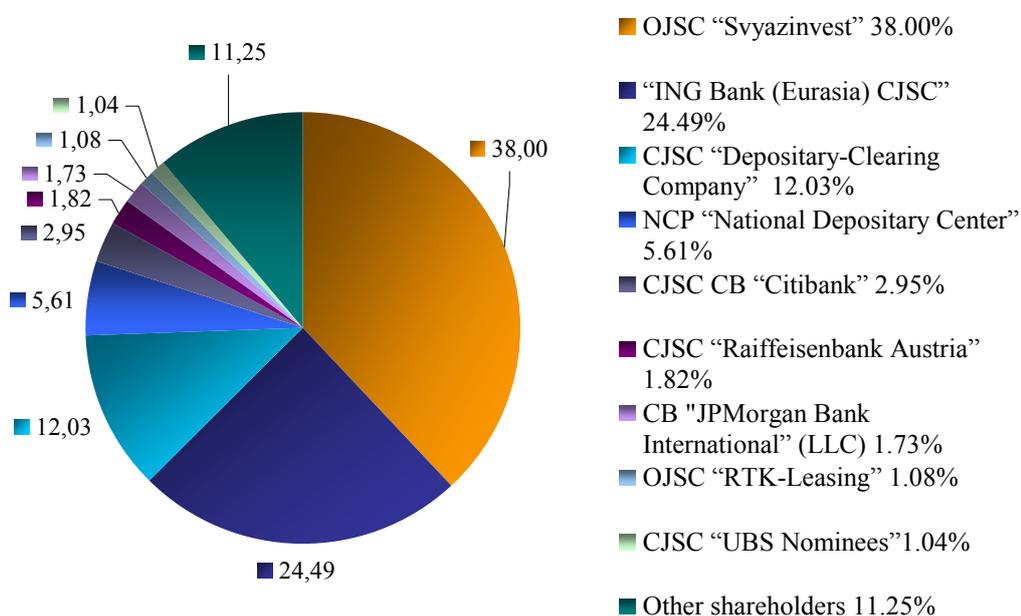
Table 18.

№	Name	Account category	Ordinary stock, % of charter capital	Preferred stock, % of charter capital	Share in charter capital (%)
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1	Open Joint Stock Company “Investment communication company”	Owner	50,67	0,00	38,00
2	“ING Bank (Eurasia) CJSC” (Closed Joint Stock Company)	Nominee holder	20,77	35,64	24,49
3	Closed Joint Stock Company “Depositary-Clearing Company”	Nominee holder	7,78	24,79	12,03
4	Non-Commercial Partnership “National Depository Center”	Owner	5,41	6,20	5,61
5	Closed Joint Stock Company Commercial Bank “Citibank”	Nominee holder	2,75	3,54	2,95
6	Closed Joint Stock Company “Raiffeisen Bank Austria”	Nominee holder	2,15	0,83	1,82
7	Commercial bank “JPMorgan Bank International” (Limited Liability Company)	Nominee holder	1,80	1,54	1,73
8	Open Joint Stock Company “RTK-Leasing”	Nominee holder	1,43	0,00	1,08
9	Closed Joint Stock Company “UBS Nominees”	Owner	1,34	0,13	1,04
10	Other shareholders		5,90	27,33	11,25

**Stock capital distribution between shareholders,
which equity stakes are more than 1%
at January 1, 2007.**

Chart 7.



17.4. Distribution of stock capital between residents and non-residents at the date of making up the list of persons/entities having the right to participate in annual general meeting of shareholders held in 2006.

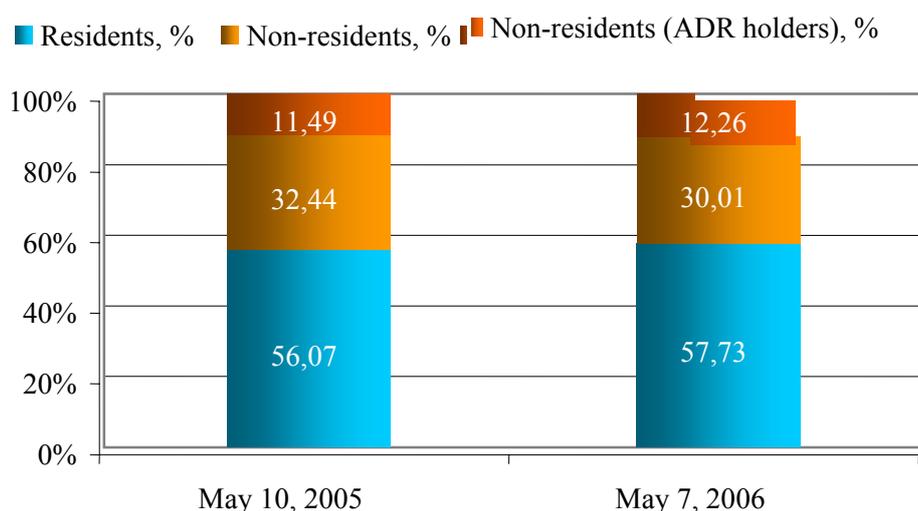
Stock capital structure at May 7, 2006.

Table 19.

Shareholders	Quantity	Ordinary stock, % of charter capital	Preferred stock, % of charter capital	Share in charter capital (%)
Legal entities, including	811	94,74	74,09	89,58
<i>RUSSIAN</i> , Including	601	58,87	12,66	47,32
OJSC Svyazinvest	-	50,67	-	38,00
<i>INTERNATIONAL</i> , including	210	35,87	61,43	42,26
JPMORGAN CHASE BANK N.A. (ADR holders)	-	16,35	-	12,26
Natural persons	28 925	5,26	25,91	10,42
<i>RUSSIAN</i>	28 914	5,25	25,90	10,41
<i>INTERNATIONAL</i>	11	0,01	0,01	0,01

Distribution of stock capital between residents and non-residents at the date of making up the list of persons/entities having the right to participate in annual general meeting of shareholders held in 2006.

Chart 8.



17.5. Information about stock exchanges where the Company's shares and ADRs are quoted.

In 2006 OJSC “VolgaTelecom” shares circulated at three stock exchanges of the Russian securities market:

Table 20.

		Ticker	Quotation list	Trading volume in money terms for 2006
NCP “RTS”	Ordinary shares	NNSI	A2	41 949 120 USD
	Preferred shares	NNSIP	A2	6 452 569 USD
OJSC “RTS”	Ordinary shares	NNSIG	A2	281 858 564 RUR
	Preferred shares	NNSIPG	A2	130 152 867 RUR
CJSC “SE MICEX”	Ordinary shares	VTEL	A2	2 698 276 950 RUR
	Preferred shares	VTELP	A2	840 767 549 RUR

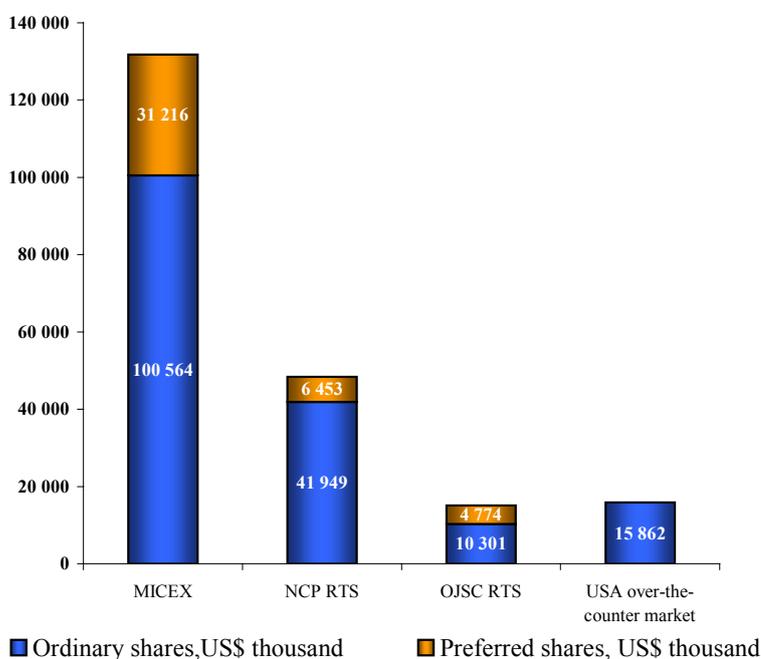
The Company’s shares are taken into account at calculation of the following stock indexes:

- RTS index, RTS-2 index, TRS- telecommunications index.
- AK&M index (consolidated AK&M index, industry AK&M index).
- MSCI EM.

OJSC “VolgaTelecom” American Depositary Receipts are traded at the USA over-the-counter market (OTC USA) (ADR ticker – VLGAY) and in Europe at Frankfurt (FSE) (ADR ticker - NZH), Berlin (BerSE) (ADR ticker – NZH) and Stuttgart stock exchanges (SSE) (ADR ticker – NZH).

Trading volume of the Company’s shares at different stock exchanges in 2006 (US\$ thousand).

Chart 9.



**Price of OJSC “VolgaTelecom” share (in US\$)
Price of one ordinary share at NCP “RTS”.**

Table 21.

	Minimum	Maximum	At the period end

2003	1,20	2,69	2,69
2004	2,40	3,45	3,21
2005	3,11	4,20	3,91
2006			
Quarter I	3,95	4,60	4,26
Quarter II	2,85	4,37	3,07
Quarter III	3,06	4,1	4,02
Quarter IV	3,75	6,05	6,05

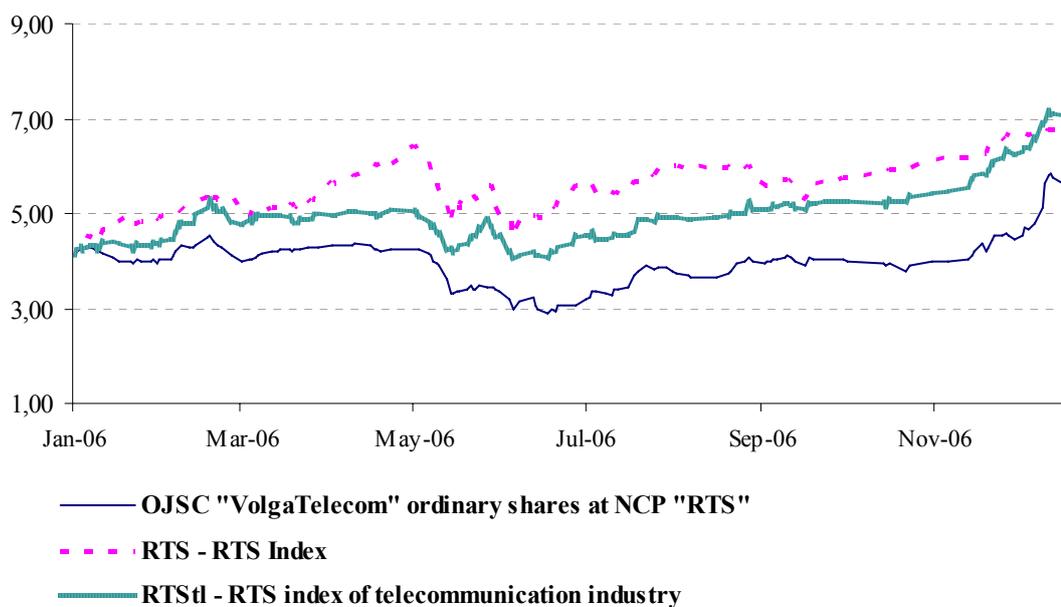
Price of one preferred share at NCP "RTS".

Table 22.

	Minimum	Maximum	At the period end
2003	0,80	1,74	1,74
2004	1,65	2,49	2,26
2005	2,17	3,55	3,55
2006			
Quarter I	3,50	3,84	3,73
Quarter II	2,75	3,77	2,75
Quarter III	2,80	3,20	3,10
Quarter IV	3,02	4,35	4,25

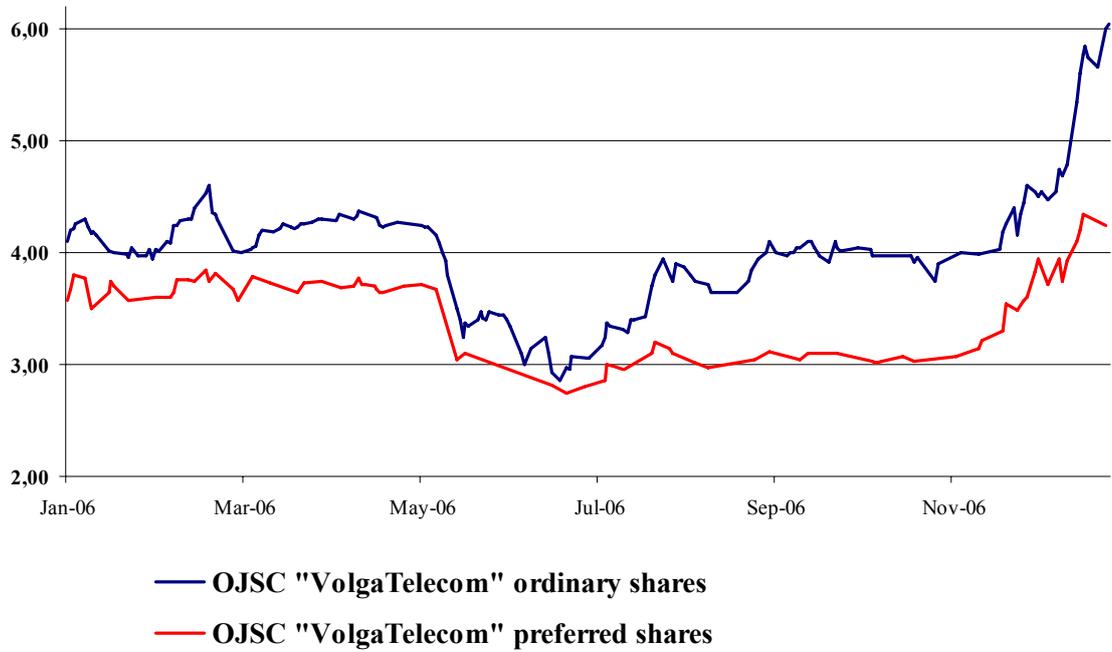
Dynamics of OJSC "VolgaTelecom" stock prices at NCP "RTS" and of stock indexes (in US\$ for OJSC "VolgaTelecom" shares, the values of indexes are adjusted to OJSC "VolgaTelecom" stock prices).

Chart 10.



Dynamics of OJSC “VolgaTelecom” stock prices at NCP “RTS” (in US\$).

Chart 11.



Dynamics of prices of ADRs for OJSC “VolgaTelecom” ordinary shares at the USA over-the-counter market (in US\$).

Chart 12.



17.6. Information about ADR Program issue (support) development.

The Company's level-I ADR program was registered in October 1997.

In 1997 the Bank of New York was selected as the Depository Bank of level-I ADR program, and in 2002 the Program was transferred to JPMorgan Chase Bank.

"ING Bank (Eurasia) ZAO" is the custodian bank.

"Clifford Chance Punder" company is the legal adviser on the specified program.

One American Depositary Receipt corresponds to 2 registered paperless ordinary shares of the Company.

At 2006 end the number of ADR was 18 893 631 pieces, which is 15,36% of voting shares and 11,52% of the Company's charter capital.

Additional information on the Company's ADR Program is available in the Internet at: <http://www.vt.ru/?id=551>, <http://www.adr.com>.

17.7. Information about the assignment to the Company of credit rating and of corporate governance rating.

OJSC "VolgaTelecom" credit rating.

Table 23.

Rating agency	Rating as per international scale		Rating as per national scale	Date of assignment
	In foreign currency/Outlook	In native currency /Outlook		
Standard & Poor's	BB-/Stable	BB-/Stable	ru AA-	27.09.2006

OJSC "VolgaTelecom" corporate governance ratings.

Table 24.

Rating agency	Rating name	Value	Date of assignment
Standard & Poor's	Corporate governance rating as per international scale	5	02.08.2006

Standard & Poor's	Corporate governance rating as per national scale	5,1	02.08.2006
Expert RA	National rating of corporate governance	A	20.07.2006

The information about credit ratings and the Company's corporate governance rating is available in the Internet at:

<http://www.vt.ru/?id=310>, <http://www.vt.ru/?id=2340>,
<http://www.standardandpoors.ru>, <http://www.raexpert.ru/ratings/corporate>.

17.8. Information about the Company's auditors (Russian and International accounting standards).

Limited Liability Company "Ernst & Young" (LLC "Ernst & Young").

Location: Sadovnicheskaya naberezhnaya 77, building 1, Moscow, Russia, 115035.

The license for audit activity, including general and bank audit, and also the audit of insurance companies, funds and exchanges, № E002138, approved by order of September 30, 2002 of the Ministry of Finance of the Russian Federation, license validity term – till September 30, 2007.

LLC "Ernst & Young" provides OJSC "VolgaTelecom" with the services of audit of accounting statement made in accordance with RF legislation and of consolidated financial statement drawn up in accordance with IFRS.

Contract for audit services provision № I&C/2006-256 of 15.09.2006 stipulates rendering audit services of accounting statement forms and of explanatory memorandum to OJSC "VolgaTelecom" accounting statement in accordance with Russian accounting standards (RAS) for the period from January 01, 2006 till December 31, 2006, and also the audit services of OJSC "VolgaTelecom" consolidated financial statement drawn up in accordance with International Financial Reporting Standards (IFRS) at December 31, 2006 and for 2006.

The cost of services amounts to US\$720 000.

The contract is valid till LLC "Ernst & Young" performs in full its obligations on audit of the Company's accounting statement and consolidated financial statement for 2006.

17.9. Information about the Company's registrar.

Open Joint Stock Company "Obiedinennaya registratsionnaya kompaniya".

License № 10-000-1-00314 issued on 30.03.2004 by RF FFMS with no limitation of validity term.

Mail address: P.O.Box 162, Kalanchevskaya Street 15 "A", Moscow, 107078.

Telephone/fax: (495) 933-42-21.

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

Web site: <http://www.ork-reestr.ru>.

17.10. Information about the Company's branches.

OJSC "VolgaTelecom" consists of General directorate and 11 branches:

- *General directorate*

Dom Svyazi, Maxim Gorky square, Nizhny Novgorod city, 603000

Phone/fax: +7(8312) 37-50-00, 37-50-09/30-67-68,

E-mail: gd@vt.ru, <http://www.vt.ru>

- *Kirov branch*

Drelevsky street 43/1, Kirov city, 601000

Phone: (8332) 62-98-31, fax: (8332) 62-12-46

E-mail: dir@kirov.vt.ru, www.kirov.vt.ru.

- *Branch in the Republic of Mariy-El*
Sovetskaya street 138, Ioshkar Ola town, the Republic of Mariy-El, 424000
Phone: (8362) 66-45-71, fax: (8362)63-00-99
E-mail: info@mari.vt.ru, <http://www.mari.vt.ru>
- *Branch in the Republic of Mordoviya*
Bolshevistskaya street 13, Saransk town, the Republic of Mordoviya, 430000
Phone: (8342) 32-70-04, fax: (8342) 47-60-70,
E-mail: office@rm.vt.ru, <http://www.rm.vt.ru>.
- *Nizhny Novgorod branch*
B. Pokrovskaya street 56, Nizhny Novgorod city, 603000
Phone: (8312) 30-55-32, fax: (8312) 34-05-19,
E-mail: director@nnov.vt.ru, <http://www.nnov.vt.ru>
- *Orenburg branch*
Volodarsky street 11, Orenburg city, 460000
Phone: (3532) 77-34-10, fax: (3532) 72-01-62
E-mail: office@reg.esoo.ru, <http://www.orenburg.vt.ru>.
- *Penza branch*
Kuprin street 1/3, Penza city, 440606
Phone: (8412) 52-17-12, fax: (8412) 52-41-00,
E-mail: office@penza.vt.ru, <http://www.penza.vt.ru>.
- *Samara branch*
Krasnoarmeiskaya street 17, Samara city, 443010
Phone: (846) 332-10-20, fax: (846) 340-05-10,
E-mail: director@samara.vt.ru, <http://www.samara.vt.ru>.
- *Saratov branch*
Kiselev street 40, Saratov city, 410012
Phone: (8452) 27-14-18, fax: (8452) 50-84-53
E-mail: office@saratov.vt.ru, <http://www.saratov.vt.ru>
- *Branch in Udmurtiya Republic*
Pushkinskaya street 278, Izhevsk city, Udmurtiya Republic, 426008
Phone: (3412) 45-92-02, fax: (3412) 45-94-59,
E-mail: utc@utc.ru, <http://www.udm.vt.ru>.
- *Ulyanovsk branch*
L.Tolstoy street 60, Ulyanovsk city, 432980
Phone: (8422) 41-20-10, (8422) 41-13-52
E-mail: office@ul.vt.ru, <http://www.ul.vt.ru>
- *Branch in Chuvash Republic*
Lenin avenue 2, Cheboksary town, Chuvash Republic, 428000
Phone: (8352) 62-43-04, fax: (8352) 66-22-93
E-mail: director@chr.vt.ru, www.chr.vt.ru.

17.11. Information about the Company's contact phone numbers, fax number, e-mail address and Internet address.

The Company's contact phone number: +7 (8312) 37-50-00, 37-50-09
 Fax: +7 (8312) 30-67-68
 E-mail: gd@vt.ru
 Website address in the Internet: <http://www.vt.ru>

**OJSC “VolgaTelecom”
General Director**

S.V. Omelchenko

**OJSC “VolgaTelecom”
Chief accountant**

N.I. Popkov

The Company’s annual statement was preliminary approved by OJSC “VolgaTelecom” Board of directors on May 15, 2007 (minutes № 24 of May 16, 2007).

Supplement 1.

Information on related party transactions is provided in the tables below:

Table 1.

Transactions approved by the Company's Board of directors in 2005 and concluded by the Company in 2006.

№	Information about parties interested in transaction	Subject matter of contract	Contractor's name	Contract price	Date of the contract entry into force	Contract validity term	Other essence of contract
1.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares.	OJSC "RTComm.RU" (the Operator) provides services of access to the system of on-line filling in tax returns and accounting forms, their authentication with electronic digital signature and dispatch to Interdistrict Office of Federal Tax service № 7 (Moscow) for the largest taxpayers with notification of dispatch to OJSC "VolgaTelecom" (the Client), and also the services of support of business flow of documents in electronic form with Interdistrict Office of Federal Tax service № 7 (Moscow) for the largest taxpayers, the specified documents being authenticated with electronic digital signature and having notifications of dispatch. Characteristics of services are specified in Order forms being integral part of the contract.	OJSC "RTComm.RU"	RUR 83 100, exclusive of VAT (18%)	11.04.2006.	Valid during one year, upon which it is automatically prolonged for subsequent periods with one year duration provided that there are no objections of the Parties, sent 30 days prior to the end date of recurrent period of the Contract validity term.	During the Contract validity term and 3 years after its termination each of the Parties regards all information obtained due to the Contract execution as confidential and protects it, including the texts of the Contract and of the Provisions on the Operator's services rendering.

Table 2.

Transactions approved by the Company's Board of directors and concluded by the Company in 2006.

№	Information about parties interested in transaction	Subject matter of contract	Contractor's name	Contract price	Date of the contract entry into force	Contract validity term	Other essence of contract
<i>Approved by the Board of directors in quarter I of 2006</i>							
1.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.V. Omelchenko - OJSC "VolgaTelecom" General Director and simultaneously the Chairman of the Board of directors of CJSC "NSS". 3. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom" Management board and simultaneously a member of the Board of directors of CJSC "NSS"	Supplementary agreement №1 to Contract of rent of non-residential premises № 26701/7-05 of 20.01.2005.	CSJC "NSS"	RUR 132 631,35 per month, as well as VAT - RUR 23 873,64	26.01.2006	-	Terms and conditions of Supplementary agreement №1 to the Contract are applicable to the relations between the parties which occurred since 01.08.2005.
2.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.V. Omelchenko - OJSC "VolgaTelecom" General Director and simultaneously the Chairman of the Board of directors of CJSC "NSS".	Supplementary agreement №1 to Contract of rent of non-residential premises № 149 of 30.12.2004.	CSJC "NSS"	RUR 1 243 659,5 per month, as well as VAT - RUR 223 858,71	26.01.2006	-	Terms and conditions of Supplementary agreement №1 to the Contract are applicable to the relations between the parties which occurred since 01.07.2005.

	3. D.V. Pozdnyakov – member of OJSC “VolgaTelecom” Management board and simultaneously a member of the Board of directors of CJSC “NSS”						
3.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	Contract of voluntary collective insurance of employees against industrial accidents	CJSC “Insurance company of telecommunication employees’ trade union “Costars”	Total insurance premium under the Contract – RUR 2 600 000; somma grande – RUR 78 000 000	01.02.2006	Till 01.02.2007	<ul style="list-style-type: none"> • Insurance payments are made in the procedure and according to the terms and conditions stipulated by section 6 of the Contract; • In case of delay in insurance payments due to the Insurer’s fault, it pays penalty fee to the Insured in the amount of 0,1%; • 26 000 persons are to be insured
4.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	CJSC “Digital telecommunications” (Lessor) grants radio access equipment for value for temporary possession and use to OJSC “VolgaTelecom” (Lessee) according to Supplement №1 to the Contract	CJSC “Digital telecommunications”	Monthly lease payment amounts to RUR 92 062,37, VAT (18%) including - RUR 14 043,41	28.02.2006	Sine die	-
5.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	CJSC “Digital telecommunications” (Lessor) grants telecommunication equipment for value for temporary possession and use to OJSC “VolgaTelecom” (Lessee), according to Supplement №1 to the Contract	CJSC “Digital telecommunications”	Monthly lease payment amounts to RUR 141 816,06, VAT (18%) including - RUR 21 632,96	28.02.2006	Sine die	-

6.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	CJSC "Digital telecommunications" (Operator 1) transfers all rights and obligations under telephone communication services provision contracts concluded with subscribers to OJSC "VolgaTelecom"(Operator 2); the said rights and liabilities are specified in Supplement № 1 to the Agreement	CJSC "Digital telecommunications"	-	01.03.2006	-	Rights and obligations are transferred in the amount existing at the time of signing the Agreement. During 3 days from the time of signing the Agreement Operator 1 transfers to Operator 2 documents specified in item 3 of the Agreement and certifying rights and obligations under telephone communication services provision contracts with subscribers.
7.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Supplementary agreement №2 to contract of non-government retirement insurance № 12/2004-BIO of 24.12.2004	Non-government pension fund "Telecom-Soyuz"	-	01.01.2006	-	Terms and conditions of supplementary agreement are applicable to the relations of the parties which occurred since 01.01.2006
8.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. K.V. Belyaev – the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously he is a member of OJSC "Rostelecom" Management board; 3. V.V. Degtyarev 4. S.I. Kuznetsov 5. V.A. Slizen – members of OJSC	Supplementary agreement № 1 to contract № 43 of 27.06.2005 for operational service and engineering maintenance of digital transmission systems (DTS)	OJSC "Rostelecom"	DTS equipment disposition and operational service and engineering maintenance cost is RUR 253 423,20 (exclusive of VAT) per month	03.03.2006	-	Supplementary agreement is applicable to the relations of Parties which occurred since September 1, 2005. According to Supplementary agreement terms and conditions Supplement №2 to Contract № 43 of 27.06.2005 and Supplement №3 to Contract №43 of 27.06.2005 are terminated since September 1, 2005 and Supplements № 2/1 to Contract № 43 of 27.06.2005 and Supplement №3/1 to Contract №43 of 27.06.2005 enter into force

	members of OJSC "VolgaTelecom" Board of directors, simultaneously they are the members of OJSC "Rostelecom" Board of directors						
9.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Supplementary agreement № 3 to Contract of rendering services on keeping the register of holders of OJSC "VolgaTelecom" securities №16-02 of 04.02.2002	OJSC "Obiedinennaya registratsionnaya kompaniya"	-	20.04.2006	-	Introduction of changes into the Contract, the said changes being related to the reorganization of CJSC "Registrator-Svyaz" in the form of affiliation to OJSC "Obiedinennaya registratsionnaya kompaniya"
10.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Services of CRM system implementation control	OJSC "Svyazintek"	US\$528 872,19, VAT including – US\$80 675,43	28.03.2006	Services provision dates: <ul style="list-style-type: none"> • services provision date within stage 1 – from 01.12.2005 through 31.03.2006; • services provision date within 2 – from 01.04.2006 through 30.06.2006; services provision date within stage 3 – from 01.07.2006 through 31.12.2006	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since December 01, 2005
11.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Carrying out a range of works on development of CRM (Customer Relationship Management) master system	OJSC "Svyazintek"	US\$2 250 900,59; VAT (18%) including - US\$343 357,72	28.03.2006	<ul style="list-style-type: none"> • Stage 1 – from 01.12.2005 through 30.06.2006; • Stage 2 – from 01.07.2006 through 31.12.2006 	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since December 01, 2005
12.	V.A. Andreev, Rector of	Services on conducting	State educational	Total cost of	09.03.2006	Starting date of service	The Contract's terms and

	Povolzhskiy State Academy of Telecommunications and Informatics and simultaneously a member of OJSC "VolgaTelecom" Board of directors	extension courses for 26 top executive employees and specialists of OJSC "VolgaTelecom"	institution "Povolzhskiy State Academy of Telecommunications and Informatics"	services amounts to RUR 291 400		provision - 31.01.2005, end date of services provision - 25.11.2005	conditions are applicable to the relations of the Parties which occurred since 18.01.2005
13.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.V. Omelchenko-OJSC "VolgaTelecom" General Director and simultaneously a member of the Board of directors of OJSC "TATINCOM-T"; 3. D.V. Pozdnyakov –a member of OJSC "VolgaTelecom" Management board and simultaneously a member of the Board of directors of OJSC "TATINCOM-T"; 4. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously the Chairman of the Board of directors of OJSC "TATINCOM-T".	Supplementary agreement № 1 to Contract of Equipment leasing with subsequent passing into ownership № 691-05 of 18.10.2005	OJSC "TATINCOM-T"	Monthly lease payment for provided equipment in the amount of RUR 525 585,33, VAT (18%) including, and overall size of equipment lease payment which is redemption price, in the amount of RUR 21 023 413,36, VAT (18%) including	16.03.2006	-	The terms and conditions of Supplementary agreement №1 to Contract are applicable to the relations between the Parties which occurred since 01.11.2005

Approved by the Board of directors in quarter II of 2006

14.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Supply of "SOLO PII-201-3" radio-receiving sets to the number of 12 600 units and of "SOLO PII-201" radio-receiving sets to the number of 2 500 units	LLC "VYATKASVYAZ SERVICE"	RUR 6 560 800, VAT (18%) including	17.04.2006	Till December 31, 2006	OJSC "VolgaTelecom" branches are the receivers of cargo and payers under the Contract
15.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. K.V. Belyaev – the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously he is a member of OJSC "Rostelecom" Management board; 3. V.V. Degtyarev 4. S.I. Kuznetsov 5. V.A. Slizen – members of OJSC "VolgaTelecom" Board of directors, simultaneously they are members of OJSC "Rostelecom" Board of directors	OJSC "VolgaTelecom" transfers and OJSC "Rostelecom" (the Operator) accepts duct-work sites for locating communication cable at hops stipulated in Supplement №2 to the Contract.	OJSC "Rostelecom"	RUR 233 274,40, per month, VAT (18%) including	05.07.2006	Through December 31, 2006. If neither Party claims the Contract termination one month prior to its expiry, the Contract is deemed to be prolonged for the next period of one year.	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since January 1,2006
16.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. K.V. Belyaev – the	Agreement on the procedure of termination of contract № Д-00990 of January 01, 2001 since January 01,2006	OJSC "Rostelecom"	-	05.07.2006	-	-

	<p>Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously he is a member of OJSC “Rostelecom” Management board;</p> <p>3. V.V. Degtyarev 4. S.I. Kuznetsov 5. V.A. Slizen – members of OJSC “VolgaTelecom” Board of directors, simultaneously they are members of OJSC “Rostelecom” Board of directors</p>						
17.	<p>1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares;</p> <p>2. K.V. Belyaev – the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously he is a member of OJSC “Rostelecom” Management board;</p> <p>3. V.V. Degtyarev 4. S.I. Kuznetsov 5. V.A. Slizen – members of OJSC “VolgaTelecom” Board of directors, simultaneously they are members of OJSC</p>	<p>Agreement on the procedure of termination of contract № ДАК-42/1 of January 01, 2003 since January 01,2006</p>	OJSC “Rostelecom”	-	05.07.2006	-	-

	“Rostelecom” Board of directors						
18.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares; 2. K.V. Belyaev – the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously he is a member of OJSC “Rostelecom” Management board; 3. V.V. Degtyarev 4. S.I. Kuznetsov 5. V.A. Slizen – members of OJSC “VolgaTelecom” Board of directors, simultaneously they are members of OJSC “Rostelecom” Board of directors	Agreement on the procedure of termination of supplementary agreement №1 of 01.07.2003 to contract № №638 of 10.11.2000 since January 01,2006	OJSC “Rostelecom”	-	05.07.2006	-	-
19.	K.V. Belyaev – the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC JSCB “Svyaz-Bank” Board of directors	OJSC “VolgaTelecom” (the Issuer) appoints OJSC JSCB “Svyaz-Bank”(the Bank), and the Bank accepts its appointment as paying agent of the Issuer with respect to Bonds in the procedure and subject to terms and conditions stipulated by the Agreement.	OJSC JSCB “Svyaz-Bank”	RUR 1 000, exclusive of VAT	05.06.2006	Till the Parties perform in full their obligations under the Agreement	-
20.	K.V. Belyaev – the	Provision of services on	OJSC JSCB	RUR 8 000 000,	11.05.2006	Till the Parties perform in	-

	Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC JSCB "Svyaz-Bank" Board of directors	arranging bonds issue and their floatation	"Svyaz-Bank"	exclusive of VAT		full their obligations	
21.	K.V. Belyaev – the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC JSCB "Svyaz-Bank" Board of directors	Definition of procedure of organizational and technical support of electronic reciprocation between OJSC JSCB "Svyaz-Bank" (the Bank) and OJSC "VolgaTelecom" (Client) and carrying out settlements on the instructions of the Client by means of the system of electronic reciprocation (SER), and also the method of authorship confirmation and the procedures of electronic documents authentication	OJSC JSCB "Svyaz-Bank"	Price of SER ("Client" subsystem) installation is RUR 800, and also the amount of monthly payments for the Bank's services for using the above-mentioned subsystem is according to current Bank Tariffs of RUR 300	10.07.2006	During sine die	The Client has the right to unilaterally cancel the Contract in case of the Bank's changing Tariffs for SER servicing.
22.	K.V. Belyaev – the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC JSCB "Svyaz-Bank" Board of directors	Account Agreement (Russian Federation currency)	OJSC JSCB "Svyaz-Bank"	The amount and the terms and conditions are defined by the Bank Tariffs (Supplement № 1 to the Agreement)	10.01.2006	During sine die	-
23.	V.A. Andreev, Rector of Povolzhskiy State Academy of Telecommunications and	Services on conducting extension courses of 43 top executive employees and specialists of OJSC	State educational institution of higher professional education	RUR 695 700	31.05.2006	Starting date of services provision – 23.01.2006, end date of services provision – 08.12.2006	The Contract's terms and conditions are applicable to the relations between the Parties which occurred since 13.01.2006

	Informatics and simultaneously is a member of the Board of directors of OJSC "VolgaTelecom"	"VolgaTelecom"	"Povolzhskiy State Academy of Telecommunications and Informatics"				
24.	S.V. Omelchenko - OJSC "VolgaTelecom" General Director and simultaneously is a member of the Partnership Council of Non-Commercial Partnership "Center for investigation of telecommunications development problems"	Transfer of target membership fees to Non-Commercial Partnership "Center for investigation of telecommunications development problems"	Non-Commercial Partnership "Center for investigation of telecommunications development problems"	RUR 138 955 000	30.05.2006	-	-
25.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Provision of services of management and development of ERP Master-System Release 1, 2	OJSC "Svyazintek"	US\$10 249 903,92, VAT including	22.08.2006	Services are rendered at dates stipulated by Supplements №4-6 of the Contract	The Contract's terms and conditions are applicable to the relations between the Parties which occurred since January 01, 2006
26.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Provision of services on arranging OJSC "VolgaTelecom" employees participation in commercial consultative seminar on "Sales policy and major account handling"	CJSC "Mobile Telecommunications"	RUR 80 000, VAT (18%)	27.06.2006	Services provision period: 1-st group - from March 21 through March 22, 2006; 2-nd group - from March 23 through March 24, 2006	The Contract's terms and conditions are applicable to the relations between the Parties which occurred since 10.03.2006
<i>Approved by the Board of directors in quarter III of 2006</i>							
27.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board	Supplementary agreement № 1 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)	OJSC "Rostelecom"	-	24.07.2006	-	The terms and conditions of Supplementary agreement № 1 to the Contract are applicable to the relations between the Parties which occurred since the date of conclusion of the Contract № 05-21/0155 of October 24, 2003

	of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors; 3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors						2003
28.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors; 3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors	Supplementary agreement № 2 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)	OJSC "Rostelecom"	-	24.07.2006	-	The terms and conditions of Supplementary agreement № 2 to the Contract are applicable to the relations between the Parties which occurred since the date of conclusion of the Contract № 05-21/0155 of October 24, 2003
29.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting	Supplementary agreement № 3 to the contract of electric communication networks connection	OJSC "Rostelecom"	As per tariffs according to Supplement №1 to Supplementary	24.07.2006	-	The terms and conditions of Supplementary agreement № 3 to the Contract are applicable to the relations between the Parties

	<p>shares;</p> <p>2. S.I. Kuznetsov- the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of directors;</p> <p>3. V.V. Degtyarev - a member of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of directors</p>	<p>№ 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)</p>		<p>agreement №3 to the Contract</p>			<p>relations between the Parties which occurred since the date of conclusion of the Contract</p>
30.	<p>1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares;</p> <p>2. S.I. Kuznetsov- the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of directors;</p> <p>3. V.V. Degtyarev - a member of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of directors</p>	<p>Supplementary agreement № 4 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)</p>	<p>OJSC “Rostelecom”</p>	-	24.07.2006	-	<p>The terms and conditions of Supplementary agreement № 4 to the Contract are applicable to the relations between the Parties which occurred since the date of conclusion of the Contract № 05-21/0155 of October 24, 2003</p>

31.	<p>1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares;</p> <p>2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors;</p> <p>3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors</p>	<p>Supplementary agreement № 5 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)</p>	OJSC "Rostelecom"	-	24.07.2006	<p>Till 01.04.2006. In neither Party claims the termination of Supplementary agreement №5 to the Contract 30 (thirty) calendar days prior to its expiry, it is automatically prolonged for each subsequent period lasting 3 calendar months. The number of periods for which the Supplementary agreement №5 may be prolonged is not limited.</p>	<p>The terms and conditions of Supplementary agreement № 5 to the Contract are applicable since the date following the effective date of Contract № 05-21/0155 of October 24, 2003</p>
32.	<p>1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares;</p> <p>2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors;</p> <p>3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors,</p>	<p>Supplementary agreement № 6 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)</p>	OJSC "Rostelecom"	-	24.07.2006	-	<p>The terms and conditions of Supplementary agreement № 6 to the Contract are applicable to the relations of the Parties which occurred since the date of concluding Contract № 05-21/0155 of October 24, 2003</p>

	simultaneously is a member of OJSC "Rostelecom" Board of directors						
33.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors; 3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors	Supplementary agreement № 7 to the contract of electric communication networks connection № 05-21/0155 of October 24, 2003 (in the wording of Agreement № 1097-05 of 27.12.2005)	OJSC "Rostelecom"	-	24.07.2006	-	The terms and conditions of Supplementary agreement № 7 to the Contract are applicable to the relations of the Parties which occurred since the date of concluding Contract № 05-21/0155 of October 24, 2003
34.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of	Supplementary agreement № 1 to contract № 1096-05 of December 27, 2005	OJSC "Rostelecom"	-	24.07.2006	-	Its terms and conditions are applicable since the time of entry into force of Contract № 1096-05 of December 27, 2005

	directors; 3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors						
35.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of CJSC "Ulyanovsk-GSM".	OJSC "VolgaTelecom" (Lessor) transfers and CJSC "Ulyanovsk-GSM" (Lessee) accepts non-residential premises for temporary possession and use in order to locate CJSC "Ulyanovsk-GSM" subscriber servicing and sales department.	CJSC "Ulyanovsk-GSM"	The rental fee amounts to RUR 56 651,21 per month, VAT including	01.08.2006	Sine die	The terms and conditions of the Contract are applicable to the relations of the Parties which occurred since 01.04.2006
36.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Receipt of payments for electric communication services	LLC "VYATKASVYAZ SERVICE"	Commission in the amount of 1% of payments received for the reporting period (month), VAT including	01.09.2006	Till 31.12.2006. In neither Party claims the termination of the Contract at least 30 days prior to its expiry, it is prolonged for the next year. The number of prolongations is not limited.	-
37.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Cash registers leasing	LLC "VYATKASVYAZ SERVICE"	Monthly lease payment in the amount of RUR 30 599,81, VAT including	01.10.2006	Through 31.12.2006. The contract is deemed to be prolonged for the next year if neither Party claims its dissolution at least one month prior to its expiry.	-

38.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Service maintenance of cash registers	LLC "VYATKASVYAZ SERVICE"	The cost of service maintenance: routine service maintenance of one fiscal register «Прим-07К» in the amount of RUR 118 per month, VAT (18%) including; one annual servicing of one fiscal register «Прим-07К» in the amount of RUR 5 487, VAT (18%) including	10.10.2006	Through 31.12.2006. The contract is deemed to be prolonged for the next year if neither Party claims its dissolution at least one month prior to its expiry.	-
39.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	On non-disclosure of confidential information	LLC "VYATKASVYAZ SERVICE"	-	01.10.2006	Valid till termination of all contracts specified in section "Definitions" of the Contract	The contract is in force as long as at least one of the contracts specified in section "Definitions" is in force.
40.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares 2. S.I. Kuznetsov- the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is the Chairman of OJSC "Central telegraph" Board of directors	OJSC "Central telegraph" (the Seller) sells and OJSC "VolgaTelecom" (the Buyer) purchases ordinary registered paperless shares of closed joint-stock company "Nizhegorodteleservice" with par value of RUR 10 to the number of 120 000 pieces, state registration number of the securities issue 1-01-15141-P	OJSC "Central telegraph"	The price of purchased shares amounts to RUR 2 500 000. VAT is not imposed.	04.08.2006	-	The Parties' obligations under the contract come in force if the consent of Federal Anti-Monopoly service is given for the Buyer's purchase of CJSC "Nizhegorodteleservice" shares. The said condition is deemed to occur since the date of signing the Act of condition precedent occurrence according to the form, attached to the Contract. Share ownership is transferred to the Buyer from the time of shares

							nominee holder's making receiving entry at the Buyer's custody account
41.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Customer) assigns, and OJSC "Giprosvyaz" (the Contractor) obliges to carry out design and survey works for object "Reconstruction of telecommunication network of Samara city on the basis of NGN equipment"	OJSC "GIPROSVYAZ"	RUR 6 015 042,92, VAT (18%) including	15.08.2006	The dates of works start and end are set by Timing schedule (Supplement № 2) to the Contract	-
42.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Customer) assigns, and OJSC "Giprosvyaz" (the Contractor) obliges to carry out design and survey works for object "Reconstruction of telecommunication network of Tolyatti city on the basis of NGN equipment"	OJSC "GIPROSVYAZ"	RUR 5 583 782,42, VAT (18%) including	15.08.2006	The dates of works start and end are set by Timing schedule (Supplement № 2) to the Contract	-
43.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Customer) assigns, and OJSC "Giprosvyaz" (the Contractor) obliges to carry out design and survey works for object "Reconstruction of PSTN of Kirov branch on the basis of NGN equipment"	OJSC "GIPROSVYAZ"	RUR 1 916 163,06, VAT (18%) including	16.08.2006	The dates of works start and end are set by Timing schedule (Supplement № 2) to the Contract	-
44.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (Lessor) transfers and LLC "VYATKASVYAZSERVICE" (Lessee) accepts non-residential premises for	LLC "VYATKASVYAZSERVICE"	Rental fee – RUR 39 431,38 per month, as well as VAT – RUR 7 097,65	29.08.2006	Sine die	The terms and conditions of the Contract are applicable to the relations of the Parties which occurred since 01.02.2006

	shares	residential premises for temporary possession and use.		097,65			
45.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (Lessor) transfers and LLC "VYATKASVYAZSERVICE" (Lessee) accepts non-residential premises for temporary possession and use.	LLC "VYATKASVYAZSERVICE"	Rental fee – RUR 22 017,75 per month, as well as VAT – RUR 3 693,19	29.08.2006	Sine die	The terms and conditions of the Contract are applicable to the relations of the Parties which occurred since 15.12.2005
46.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Supplementary agreement № 1 to the Contract of rental of non-residential premises № KBT06/400 of 01.09.2005	LLC "VYATKASVYAZSERVICE"	The rental fee under the Contract due to the decrease in rented space will amount to: - from 01.09.2005 through 17.10.2005 – RUR 181 323,68 per month, VAT including; - from 18.10.2005 - RUR 179 115,45 per month, VAT including	29.08.2006	-	The terms and conditions of Supplementary agreement № 1 to the Contract are applicable to the relations of the Parties which occurred since 01.09.2005
47.	V.A. Andreev, Rector of Povolzhskiy State Academy of Telecommunications and Informatics and simultaneously is a member of OJSC "VolgaTelecom" Board of directors	Money contributions for the purposes of realization of activity programs of Povolzhskiy State Academy of Telecommunications and Informatics in accordance with Supplement №1 to the contract	State educational institution of higher professional education "Povolzhskiy State Academy of Telecommunications and Informatics"	RUR 4 704 000,00	01.09.2006	Contributions are made to the account of Povolzhskiy State Academy of Telecommunications and Informatics prior to September 15, 2006	Contract financing is made within the limits of resources allocated for charity in approved Budget of OJSC "VolgaTelecom" for 2006
48.	OJSC "Svyazinvest" possessing more than 20% of OJSC	Provision of service on arranging OJSC "VolgaTelecom"	CJSC "Mobile Telecommunications"	The total cost of services under the Contract is not	20.09.2006	Through December 31, 2006	The terms and conditions of the Contract are applicable to the relations of the Parties which

	“VolgaTelecom” voting shares	employees participation in commercial and non-commercial information and consultative seminars, round tables, conferences, etc (hereinafter- Seminar)		more than RUR 1 000 000, on the principle that the cost of organization of one Seminar for one participant of the Seminar is not more than RUR 25 000			occurred since 01.03.2006
49.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares; 2. M.V. Petrov, a member of OJSC “VolgaTelecom” Management board and simultaneously is a member of the Board of directors of CJSC “Ulyanovsk-GSM”	CJSC “Ulyanovsk-GSM” (the Operator) provides the services of mobile wireless telephony of GSM standard to OJSC “VolgaTelecom” (the Subscriber) according to the tariff plan “Capital” chosen by it, the terms and conditions of this plan being stipulated in Supplements №№1,2 to the Contract, and also additional services, the list of which and provision conditions are stated in Supplements №№ 1,2 to the Contract	CJSC “Ulyanovsk-GSM”	Telecommunication services and additional services of the Operator under the Contract are paid in accordance with current tariff rates of the Operator	01.09.2006	Sine die	Start date of telecommunication services provision - 01.09.2006
50.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	OJSC “VolgaTelecom” (Lessor) transfers and CJSC “Chuvashiya Mobile” (Lessee) accepts non-residential premises for temporary possession and use	CJSC “Chuvashiya Mobile”	Rental fee – RUR 36 178,25 per month, as well as VAT - RUR 6 512,09	12.09.2006	Sine die	-
51.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting	Carrying out design and survey works - detailed design development for object: “Reconstruction of	OJSC “GIPROSVYAZ”	RUR 8 893 183,02, VAT (18%) including	16.08.2006	Works start and end dates are established in accordance with Timing schedule of works	-

	shares	PSTN of the branch in Chuvash Republic on the basis of NGN equipment”				(Supplement №2 to the Contract)	
52.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	OJSC “VolgaTelecom” (the Customer) assigns and OJSC “Svyazintek” (the Contractor) obliges to render services on controlling the Program of billing transformation, which purpose is to implement and put into commercial service a unified billing solution for the Customer	OJSC “Svyazintek”	RUR 6 872 320, VAT including	25.09.2006	The services under the Contract are rendered in stages: 1-st stage: Definition and rolling out of IT-infrastructure of the Program control - since the date of the Contract signing through 29.09.2006 2-nd stage: Coordination of works under the Program - since the date of the Contract signing through 25.12.2006	-
53.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares; 2. S.I. Kuznetsov - the Chairman of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of directors; 3. V.V. Degtyarev - a member of OJSC “VolgaTelecom” Board of directors, simultaneously is a member of OJSC “Rostelecom” Board of	Confidentiality agreement	OJSC “Rostelecom”	-	30.08.2006	It is in force during the period for which the Contracts specified in art.1 of the Agreement are concluded	Receiving Party obligations stipulated by item 3.4.2. of the Agreement are valid during 3 years since the date of the Agreement termination.

	directors						
54.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Agreement on dissolution of Contract №TA – 1426-04 on transfer-agency relations of 31.12.2004	OJSC "Obiedinennaya registratsionnaya kompaniya"	-	01.12.2006	-	-
55.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "Obiedinennaya registratsionnaya kompaniya" (Registrar) assigns and OJSC "VolgaTelecom" (Transfer-agent) obliges to exercise functions on receiving information and documents necessary for operations in security holders register (hereinafter - Register) from registered persons (entities) or their authorized representatives and the transfer of the specified information and documents to the Registrar, and also the functions of receipt from the Registrar and transfer to the registered persons (entities) or their authorized representatives of information and documents received from the Registrar	OJSC "Obiedinennaya registratsionnaya kompaniya"	The cost of services rendered by the Transfer-agent to the Registrar under the Contract is 50% of the cost of operations made by the Registrar in the Register in accordance with documents, received from registered persons (entities) through Transfer-agent and according to the effective price list of the Registrar	01.12.2006	Unlimited	-
56.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	CJSC "Saratov-Mobile" (the Carrier) provides mobile telecommunication services of GSM and AMPS/D-AMPS standards	CJSC "Saratov-Mobile"	Telecommunication services and Additional services under the Contract are paid	28.09.2006	Sine die	Telecommunications services provision start date – October 1, 2006

		(telecommunication services) to OJSC "VolgaTelecom" (the Subscriber) and also additional services, which are technologically inseparably related to mobile telecommunication services and are aimed at increasing their consumption value (Additional services)		in accordance with current tariff rates of the Carrier			
57.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; S.I. Kuznetsov - the Chairman of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors; 3. V.V. Degtyarev - a member of OJSC "VolgaTelecom" Board of directors, simultaneously is a member of OJSC "Rostelecom" Board of directors	OJSC "Rostelecom" (Lessor) transfers and OJSC "VolgaTelecom" (Lessee) accepts non-residential premises for temporary use	OJSC "Rostelecom"	Rental fee is RUR 41 193,17, VAT including	11.10.2006	Through 30.12.2006. If neither Party declares its intention to terminate contractual relations by the time of the Contract validity term expiry, the Contract is deemed to be prolonged on the same conditions for indefinite period of time	The Contract's terms and conditions are applicable to the Parties' relations which occurred since 01.01.2006.
<i>Approved by the Board of directors in quarter IV of 2006</i>							
58.	V.A. Andreev, Rector of Povolzhskiy State Academy of Telecommunications and	Provision of services on conducting extension courses for the employees of Samara branch of OJSC	State educational institution "Povolzhskiy State Academy of	RUR 133 040	15.11.2006	Services provision start date - November 20, 2006, end date of services provision - December 08,	-

	Informatics and simultaneously is a member of OJSC "VolgaTelecom" Board of directors	"VolgaTelecom"	Telecommunications and Informatics"			2006	
59.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of OJSC "TATINCOM-T"; 3. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of OJSC "TATINCOM-T"	OJSC "VolgaTelecom" (the Bailor) obliges to grant cellular wireless telephony equipment, transferred to it by OJSC "RTK-Leasing" (Lessor) under financial lease contract N1305-204/05 of 15.09.2005, to OJSC "TATINCOM-T" (Lease holder) for temporary possession and use with the right of subsequent redemption	OJSC "TATINCOM-T"	Total amount of the rent is RUR 78 738 557, exclusive of VAT, the Equipment repurchase value amounts to RUR 14 000, exclusive of VAT	29.11.2006	-	The Bailor is obliged to transfer the Equipment to the Lease holder during 10 business days since the time of the Contract conclusion. The Equipment is transferred to temporary possession and use subject to the Contract terms and conditions for the period of 35 months since the time of signing the Equipment delivery-acceptance certificate
60.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of OJSC "TATINCOM-T"	OJSC "VolgaTelecom" (the Bailor) obliges to grant cellular wireless telephony equipment, transferred to it by OJSC "RTK-Leasing" (Lessor) under financial lease contract N1310-204/05 of November 15, 2005, to OJSC "TATINCOM-T" (Lease holder) for temporary possession and	OJSC "TATINCOM-T"	Total amount of the rent is RUR 26 527 804, exclusive of VAT, the Equipment repurchase value amounts to RUR 9 500, exclusive of VAT	29.11.2006	-	The Bailor is obliged to transfer the Equipment to the Lease holder during 10 business days since the time of the Contract conclusion. The Equipment is transferred to temporary possession and use subject to the Contract terms and conditions for the period of 36 months since the time of signing the Equipment delivery-acceptance certificate

	directors of OJSC "TATINCOM-T"; 3. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of OJSC "TATINCOM-T"	use with the right of subsequent redemption.					
61.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of OJSC "TATINCOM-T"; 3. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of OJSC "TATINCOM-T"	OJSC "VolgaTelecom" (Lessor) transfers and OJSC "TATINCOM-T" (Lessee) accepts microwave radio equipment for temporary possession and use subject to the terms and conditions of the Contract	OJSC "TATINCOM-T"	Monthly rental fee is RUR 175 920, exclusive of VAT, total rental fee amounts to RUR 7 036 800, exclusive of VAT, the Equipment repurchase value amounts to RUR 3 853 639, exclusive of VAT	08.11.2006	-	The Bailor is obliged to transfer the Equipment to the Lease holder during 10 business days since the time of the Contract conclusion. The Equipment is transferred to temporary possession and use subject to the Contract terms and conditions for the period of 40 months since the time of signing the Equipment delivery-acceptance certificate
62.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Contractor) obliges to render services to OJSC "RTComm.RU" (the Customer) on organization of virtual communication	OJSC "RTComm.RU"	The cost of services of organization of one channel at the rate not lower than	04.10.2006	Effective till December 31, 2007. The services of communication channels organization under the Contract are provided in stages:	The Contract's terms and conditions are applicable to the Parties' relations corresponding to the Contract subject-matter and which occurred since September 13, 2006.

		channels at the rate not lower than 128 kbps to the number of 8 075 from general education institutions to the Customer access nodes, specified in Supplement №1 to the Contract. The Contractor provides for 24-hours granting to use of the organized telecommunication channels		128 kbps, including installation and tuning of terminal equipment – RUR 2 200, VAT including (lumpsum payment). The cost of services for 24-hours granting one telecommunication channel to use – RUR 1000 per month, VAT including		-stage: from 13.09.2006 through 31.12.2006 - organization of 4 658 communication channels; - stage: quarter 1 of 2007 - organization of 679 communication channels ; - stage: quarter 2 of 2007 - organization of 921 communication channels; - stage: quarter 3 of 2007 - organization of 1 005 communication channels; - stage: quarter 4 of 2007 - organization of 812 communication channels	
63.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	OJSC “VolgaTelecom” (the Customer) assigns and OJSC “GIPROSVYAZ” (Contractor) obliges to make a draft design, justification of investments and conduct a survey on the object: “IP-TV services provision at the networks of OJSC “VolgaTelecom” eight branches”	OJSC “GIPROSVYAZ”	RUR 2 360 000,00, VAT including	21.11.2006	Start and end dates of works under the Contract are defined in accordance with Timing schedule	-
64.	OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares	Carrying out design and survey works on the object “Data transfer network extension in Orenburg city and in Orenburg oblast”	OJSC “GIPROSVYAZ”	RUR 1 986 636,20, VAT including	20.11.2006	Start and end dates of works under the Contract are defined in accordance with Timing schedule	-
65.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares;	OJSC “VolgaTelecom” (the Guarantor) irrevocably obliges to pay jointly with CJSC “RTCOM” (the Borrower) any amount due and	CJSC “International Moscow Bank”	-	05.12.2006	It is effective during the period, ending in one year since the date when the Credit is to be repaid in full according to the terms and conditions of Credit	<ul style="list-style-type: none"> ▪ Credit amount – US\$4 million; ▪ Interest rate under Credit Agreement – LIBOR rate plus 3,25% annually; ▪ Credit term – 24 months since the date of signing the Credit

	<p>2. M.V. Petrov, a member of OJSC “VolgaTelecom” Management board and simultaneously is the Chairman of the Board of directors of CJSC “RTCOM” which obtains benefit under the specified transaction;</p> <p>3. D.V. Pozdnyakov – a member of OJSC “VolgaTelecom” Management board and simultaneously is a member of the Board of directors of CJSC “RTCOM”;</p> <p>4. O.V. Ershov - a member of OJSC “VolgaTelecom” Management board and simultaneously is a member of the Board of directors of CJSC “RTCOM”</p>	<p>payable by the Borrower to CJSC “International Moscow Bank” (the Bank) under Credit accommodation agreement to the Bank at the Bank’s short notice, within the limits of the amount specified in item 7 of the Contract of Guarantee.</p>				<p>Agreement. In case of Credit Agreement termination the Contract of Guarantee terminates.</p>	<p>Agreement.</p>
66.	<p>1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares;</p> <p>2. V.D. Savchenko – a member of OJSC “VolgaTelecom” Board of directors and simultaneously is a member of OJSC “Svyazintek” Board of</p>	<p>Providing services /carrying out works on centralized management of ERP roll-out within the frameworks of the Program. The Program - the measures aimed at creation and roll-out of ERP-system in seven electric communication companies. The works and the services within the framework of the Program</p>	OJSC “Svyazintek”	US\$1 138 287,63, VAT including	12.12.2006	-	<p>The Contract’s terms and conditions are applicable to the relations of the Parties which occurred on January 10, 2006</p>

	directors	framework of the Program are carried out in the interests of seven Mega-Regional Companies (MRCs)					
67.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Agency contract	OJSC "RTComm.RU"	The Agent's fee for performing acts stipulated in item 1.1. of the Contract, for one educational institution amounts to RUR 318,04, VAT including	20.12.2006	Till December 31, 2007	The present Contract terms and conditions are applicable to the relations of the Parties corresponding to the Contract subject-matter and which occurred since September 13, 2006
68.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of CJSC "Saratov-Mobile"	OJSC "VolgaTelecom" (the Carrier) provides the capability of access to local telephone communication network and the use of telephone communication to CJSC "Saratov-Mobile" (the Subscriber) with rendering services according to the List of services specified in Supplement №2 "The list and the cost of telecommunication services"	CJSC "Saratov-Mobile"	Telephone communication services under the Contract are paid in accordance with effective tariff rates of OJSC "VolgaTelecom"	29.12.2006	It is effective till termination on the following grounds: - at the Parties' consent; - in unilateral extrajudicial procedure: - by the Subscriber - on condition that the Carrier pays actually incurred expenses on electric communication services provision, - by the Carrier in case of non-removing infringements of requirements established by regulations or the Contract during 6 months from the date of the Subscriber's receipt of notice on intention to suspend telecommunication services provision,	Services provision start date - December 1, 2006

						including the case of non-payment by the Subscriber of rendered services	
69.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of CJSC "Ulyanovsk-GSM" which obtains benefit under the specified transaction	OJSC "VolgaTelecom" (the Guarantor) irrevocably obliges to pay jointly with CJSC "Ulyanovsk-GSM" (the Borrower) any amount due and payable by the Borrower to CJSC "International Moscow Bank" (the Bank) under Credit accommodation agreement to the Bank at the Bank's short notice, within the limits of the amount specified in item 6 of the Contract of Guarantee.	CJSC "International Moscow Bank"	-	22.12.2006	It is effective during the period, ending in one year since the date when the Credit is to be repaid in full under the terms and conditions of Credit Agreement	Credit amount – RUR 33 000 000. Interest rate under Credit Agreement – 10 % annually. Credit term – 24 months since the date of signing the Credit Agreement
70.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Carrying out design and survey works – detailed design development for object: "Networking bit synchronization network of Orenburg branch of OJSC "VolgaTelecom"	OJSC "GIPROSVYAZ"	RUR 867 248,08, VAT including	14.12.2006	Start and end dates of works are defined in accordance with Timing schedule	-
71.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	LLC "YATKASVYAZSERVICE" (the Contractor) obliges to render services on delivery to OJSC "VolgaTelecom" (the Customer) of presentations-notifications (letters of advice) and unified payment documents (UPD) of telecommunication to the	LLC "YATKASVYAZSERVICE"	The cost of services of delivery one presentation-notification (letter of advice) at delivery with receipt acknowledgement amounts to RUR 18 50 kopeks, VAT	15.12.2006	Valid till 31.12.2007	The contract is prolonged for the next year if neither Party claims its termination 30 days prior to the contract validity period end. The number of prolongations is not limited.

		Customer Subscribers		including; for the delivery of one unified payment document (UPD) of telecommunication - RUR 1 3 kopeks, VAT including			
72.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Contractor) renders services on locating telecommunication facilities, owned by OJSC "RTComm.RU" (the Customer) in its operational building at the address: M.Gorky street, 24a, Penza city, (Automatic telephone exchange -55).	OJSC "RTComm.RU"	The cost of services of the Equipment location amounts to RUR 15 000 per month, VAT including	28.12.2006	It is effective during 1 year. If 30 days prior to the end of the contract validity period neither Party makes written renunciation of its prolongation, the Contract is deemed to be automatically prolonged for 1 year.	Services provision start date – during 15 days since the time of signing the contract
73.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	Carrying out design and survey works at the object located in Nizhny Novgorod city and Nizhny Novgorod oblast: "Data transfer network development of Nizhny Novgorod branch of OJSC "VolgaTelecom", 6-th stage"	OJSC "GIPROSVYAZ"	RUR 6 844 000,00, VAT including	28.12.2006	Start and end dates of works are defined in accordance with Timing schedule of works	-
74.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Contractor) renders services of locating telecommunication facilities, owned by CJSC "Penza Mobile" (the Customer) on the roof of its industrial premises and	CJSC "Penza Mobile"	RUR 12 315,66, VAT (18%) including	28.12.2006	Valid through August 31, 2007	The Contract's terms and conditions are applicable to the relations of the Parties which occurred on October 01, 2006, except for the service of locating the Equipment in operational building to the address: Penza city, Rakhmaninov street, 9,

		in its operational building to the Customer.					Automatic telephone exchange-45. The period of equipment location at the address: Penza, Rahmaninov street, 9, Automatic telephone exchange-45 is established according to the Contract. Contract of onerous services provision №22/05 of June 28, 2005 ceases to be in force since the time of signing the Contract.
75.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (VolgaTelecom) obliges in accordance with connection terms and conditions, stipulated in the Contract, to render connection service and traffic transit service to CJSC "Nizhegorodskiy radiotelephone" (the Operator). The Operator obliges to render services of traffic transit and updating information about subscribers in the database to VolgaTelecom.	CJSC "Nizhegorodskiy radiotelephone"	The cost of services being acquired and disposed of is defined in Supplement №1 to the Contract	28.12.2006	It is effective till March 07, 2007. The Contract is deemed to be prolonged till 31.12.2007 and for each subsequent year (within the limits of the Parties' licenses validity term), if neither Party claims the Contact termination 3 days prior to its validity period end.	The Contract's terms and conditions are applicable to the relations of the Parties since July 01, 2006. Contract №17000 of October 01, 2002 on network interconnection of electric communication networks in the course of communication services provision earlier concluded between OJSC "VolgaTelecom" and CJSC "Nizhegorodskiy radiotelephone" and Supplementary agreements to the specified contract cease to be in force from July 1, 2006.
76.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board	OJSC "VolgaTelecom" (VolgaTelecom) obliges in accordance with connection terms and conditions, stipulated in the Contract, to render connection service and traffic transit service to CJSC "Saratov-Mobile" (the Operator). The Operator obliges to render	CJSC "Saratov-Mobile"	The cost of services being acquired and disposed of is defined in Supplement №1 to the Contract	29.12.2006	It is effective during one calendar year. The Contract is deemed to be prolonged (within the limits of the Parties' license validity term) for each subsequent year if neither Party claims the Contact dissolution 30 days prior to its validity period end.	The Contract's terms and conditions are applicable to the relations of the Parties since July 01, 2006. Contract number №65 of 11.10.2001 of electric communication network operators' interaction and of telecommunication services provision concluded earlier ceases to be in force from July 1, 2006, in its part relating to the Parties'

	Chairman of the Board of directors of CJSC "Saratov-Mobile" which obtains benefit under the specified transaction	services of traffic transit to VolgaTelecom.					rights and liabilities on rendering services of connection and traffic transit.
77.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of CJSC "RTCOM"; 3. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of CJSC "RTCOM"; 4. O.V. Ershov - a member of OJSC "VolgaTelecom" Management board and simultaneously is a member of the Board of directors of CJSC "RTCOM"	OJSC "VolgaTelecom" (VolgaTelecom) obliges in accordance with connection terms and conditions, stipulated in Supplement 1 to the Contract, to render connection service and traffic transit service to CJSC "RTCOM" (the Operator). The Operator obliges to render services of traffic transit to VolgaTelecom.	CJSC "RTCOM"	The cost of rendered services is defined in the Supplement №3 to the Contract	29.12.2006	It is effective during one calendar year. The Contract is deemed to be prolonged (within the limits of the Parties' license validity term) for each subsequent year if neither Party claims the Contract termination 30 days prior to its validity period end.	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since July 01, 2006
78.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting	OJSC "VolgaTelecom" obliges in accordance with connection terms and conditions, stipulated in	CJSC "Chuvashiya Mobile"	The cost of rendered services is defined in Supplement №3	28.12.2006	Contract validity period - during one year. The Contract is deemed to be prolonged for a year if	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since July 01, 2006

	shares	Supplement 1 to the Contract, to render connection service and traffic transit service to CJSC “Chuvashiya Mobile” (the Operator). The Operator obliges to render services of traffic transit to VolgaTelecom.		to the Contract		neither Party claims the Contract dissolution 30 days prior to its validity period end. The number of prolongations is not limited.	
79.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares; 2. M.V. Petrov, a member of OJSC “VolgaTelecom” Management board and simultaneously is the Chairman of the Board of directors of CJSC “Narodnyi telephone Saratov”	OJSC “VolgaTelecom” obliges in accordance with connection terms and conditions, stipulated in the Contract, to render connection service and traffic transit service to CJSC “Narodnyi telephone Saratov” (the Operator). The Operator obliges to render services of traffic transit to VolgaTelecom.	CJSC “Narodnyi telephone Saratov”	The cost of services being acquired and disposed of is defined in Supplement №1 to the Contract	29.12.2006	It is effective during one calendar year. The Contract is deemed to be prolonged (within the limits of the Parties’ license validity term) for each subsequent year if neither Party claims the Contract dissolution 30 days prior to its validity period end.	The Contract’s terms and conditions are applicable to the relations of the Parties which occurred since July 01, 2006
80.	1. OJSC “Svyazinvest” possessing more than 20% of OJSC “VolgaTelecom” voting shares; 2. S.V.Omelchenko, OJSC “VolgaTelecom” General Director, simultaneously is a member of the Board of directors of OJSC “TATINCOM-T”; 3. M.V. Petrov, a member of OJSC “VolgaTelecom”	Supplementary agreement № 2 to the Contract of equipment leasing with subsequent passing into ownership № 691-05 of 18.10.2005	OJSC “TATINCOM-T”	Monthly lease payment for provided equipment amounts to RUR 346 819, as well as VAT (18%), total rental fee for the equipment is RUR 13 872 773, as well as VAT (18%), the equipment redemption value is RUR 3 943	29.12.2006	-	The agreement is applicable to the relations of the Parties which occurred since November 01, 2005

	<p>Management board and simultaneously is the Chairman of the Board of directors of OJSC "TATINCOM-T";</p> <p>4. D.V. Pozdnyakov – a member of OJSC "VolgaTelecom"</p> <p>Management board and simultaneously is a member of the Board of directors of OJSC "TATINCOM-T";</p> <p>5. O.V. Ershov - a member of OJSC "VolgaTelecom"</p> <p>Management board and simultaneously is a member of the Board of directors of OJSC "TATINCOM-T"</p>			680, as well as VAT			
81.	<p>1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares;</p> <p>2. S.V.Omelchenko, OJSC "VolgaTelecom" General Director, simultaneously is the Chairman of the Board of directors of CJSC "Orenburg-GSM";</p> <p>3. M.V. Petrov, a member of OJSC "VolgaTelecom"</p> <p>Management board and simultaneously is a</p>	<p>OJSC "VolgaTelecom" (the Guarantor) irrevocably obliges to pay jointly with CJSC "Orenburg-GSM (the Borrower) any amount due and payable by the Borrower to CJSC "International Moscow Bank" (the Bank) under Credit accommodation agreement to the Bank at the Bank's short notice, within the limits of the amount specified in item 7 of the Contract of Guarantee.</p>	<p>CJSC "International Moscow Bank"</p>	-	27.12.2006	<p>It is effective during the period ending in one year since the date when the credit is to be repaid in full according to Credit Agreement terms and conditions. The Contract of Guarantee terminates in case of Credit Agreement termination.</p>	<ul style="list-style-type: none"> ▪ Credit amount – US\$1 259 000,00; ▪ Interest rate under the Credit Agreement – LIBOR rate plus 3,25% annually; ▪ Credit period – 24 months since the date of signing the Credit Agreement

	member of the Board of directors of CJSC "Orenburg-GSM" which obtains benefit under the specified transaction						
82.	1. OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares; 2. M.V. Petrov, a member of OJSC "VolgaTelecom" Management board and simultaneously is the Chairman of the Board of directors of CJSC "Saratov-Mobile" which obtains benefit under the specified transaction	OJSC "VolgaTelecom" (the Guarantor) irrevocably obliges to pay jointly with CJSC "Saratov-Mobile" (the Borrower) any amount due and payable by the Borrower to CJSC "International Moscow Bank" (the Bank) under Credit accommodation agreement to the Bank at the Bank's short notice, within the limits of the amount specified in item 7 of the Contract of Guarantee.	CJSC "International Moscow Bank"	-	27.12.2006	It is effective during the period ending in one year since the date when the credit is to be repaid in full according to Credit Agreement terms and conditions. The Contract of Guarantee terminates in case of Credit Agreement termination.	<ul style="list-style-type: none"> ▪ Credit amount – US Three million one hundred and fifty thousand; ▪ Interest rate under the Credit Agreement – LIBOR rate plus 3,25% (three point twenty five hundredth percent) annually; ▪ Credit period – 36 months since the date of signing the Credit Agreement
83.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Guarantor) irrevocably obliges to pay jointly with CJSC "Chuvashiya Mobile" (the Borrower) any amount due and payable by the Borrower to CJSC "International Moscow Bank" (the Bank) under Credit accommodation agreement to the Bank at the Bank's short notice, within the limits of the amount specified in item 7 of the Contract of Guarantee.	CJSC "International Moscow Bank"	-	27.12.2006	It is effective during the period ending in one year since the date when the credit is to be repaid in full according to Credit Agreement terms and conditions. The Contract of Guarantee terminates in case of Credit Agreement termination.	<ul style="list-style-type: none"> ▪ Credit amount – US\$1 750 000; ▪ Interest rate under the Credit Agreement – LIBOR rate plus 3,25% (three point twenty five percent) annually; ▪ Credit period – 24 months since the date of signing the Credit Agreement

84.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (the Guarantor) irrevocably obliges to pay jointly with CJSC "Penza Mobile" (the Borrower) any amount due and payable by the Borrower to CJSC "International Moscow Bank" (the Bank) under Credit accommodation agreement to the Bank at the Bank's short notice, within the limits of the amount specified in item 7 of the Contract of Guarantee.	CJSC "International Moscow Bank"	-	27.12.2006	It is effective during the period ending in one year since the date when the credit is to be repaid in full according to Credit Agreement terms and conditions. The Contract of Guarantee terminates in case of Credit Agreement termination.	<ul style="list-style-type: none"> ▪ Credit amount – US Two million nine hundred and eight thousand; ▪ Interest rate under the Credit Agreement – LIBOR rate plus 3,25% (three point twenty five hundredth percent) annually; ▪ Credit period – 24 months since the date of signing the Credit Agreement
85.	OJSC "Svyazinvest" possessing more than 20% of OJSC "VolgaTelecom" voting shares	OJSC "VolgaTelecom" (Contractor) provides the service of locating equipment owned by OJSC "RTComm.RU" (the Customer) in its industrial premises at the address: Orenburg city, Tereshkova street, 10 (Automatic trunk exchange building) to the Customer	OJSC "RTComm.RU"	RUR 17 257, exclusive of VAT	14.08.2006	Through 31.12.2006.	The Contract's terms and conditions are applicable to the relations of the Parties which occurred since May 01, 2005

OJSC "VolgaTelecom"
General Director

_____ **S.V. Omelchenko**

OJSC "VolgaTelecom"
Chief accountant

_____ **N.I. Popkov**

Supplement 2.

Data on the Company's participation in other entities providing telecommunication services (the Company's equity stake in their charter capital is at least 10%).

№	Entity's name*	Core activity	Equity stake in entity's charter capital, %	Contribution to charter capital, RUR thousand	Key performance indicators		
					Number of Subscribers/lines	Proceeds, RUR thousand	Net profit, RUR thousand
1	CJSC "NSS"	GSM cellular communication services	100	21629,4	1 200 999	2 194 344	582 728
2	CJSC "RTCOM"	GSM cellular communication services	100	20,6	88 144	55 523	- 39 352
3	LLC "NIZHEGORODS KYI TELESERVICE"	Data transfer services, telematic services	100	300,0	446	48 807	3 550
4	CJSC "Digital telecommunication s"	Local telephone communication services	100	8,0	The company is in the process of liquidation		
5	CJSC "Transsvyaz"	Local telephone communication services	100	400,0	5 983	15 475	1 067
6	CJSC "Saratov-Mobile"	DAMPS and GSM cellular communication services	100	6 601,5	113 968	155 588	692
7	CJSC "Penza Mobile"	DAMPS cellular communication services	100	3 025	850	2 176	- 5 900
8	CJSC "Chuvashiya Mobile"	GSM cellular communication services	100	1 672,9	46 269	57 260	- 326
9	CJSC "Nizhegorodtelese rvice"	Data transfer services, telematic services	80	2 400	149	13 926	845
10	OJSC "Information Commercial Networks "OMRIX"	Internet services, data transfer services	73,6	146,2	747	2 708	- 48
11	CJSC "Ulyanovsk-GSM"	GSM cellular communication services	60	60,0	248 615	490 496	25 802
12	CJSC "Orenburg-GSM"	GSM cellular communication services	51	102,0	161 350	233 706	16 727
13	OJSC "TATINCOM-T"	DAMPS and GSM cellular communication services	50+1 ordinary share	170 941,9	404 227	689 143	37 313
14	CJSC "Narodnyi	Wireless	50+1	50,01	66 011	103915	- 2 255

	Telephone Saratov”	communication services	preferred share				
15	CJSC “Chery Page”	Paging communication services	50	95,0	The company is in the process of liquidation		
16	CJSC “NIZHEGORODS KYI RADIOTELEPHONE”	Wireless communication services	50	50,0	2 014	14 839	3 993
17	CJSC “Samara Telecom”	Local telephone communication services	27,8	75,01	13 265	257 861	41 380
18	LLC “CPF “N.N.-ROSSVYAZINFORM”	Local telephone communication services	20	0,25	5 854	34 860	- 57
19	LLC “Samara payphone”	Public telephone communication services	10	10,0	The company is in the process of liquidation		

* *Entity's name where the Company is:*

a) promoter;

b) shareholder (participant).

CJSC “NSS”.

Full name: Closed Joint Stock Company “Nizhegorodskaya Sotovaya Svyaz”;

Location: Dom Svyazi, Gorky square, Nizhny Novgorod city, Russia;

Registration date: 30.03.1995;

Year of OJSC “VolgaTelecom” entry: 1995;

Core activity: provision of GSM cellular communication services.

CJSC “RTCOM”.

Full name: Closed Joint Stock Company “RTCOM”;

Location: Kosarev street 15, Saransk town, Russia;

Registration date: 24.02.1995;

Year of OJSC “VolgaTelecom” entry: 2005;

Core activity: provision of GSM cellular communication services.

LLC “NIZHEGORODSKYI TELESERVICE”.

Full name: Limited Liability Company “NIZHEGORODSKYI TELESERVICE”;

Location: Dom Svyazi, Maxim Gorky square, Nizhny Novgorod city, Russia;

Registration date: 25.12.2000;

Year of OJSC “VolgaTelecom” entry: 2005;

Core activity: provision of data transfer services and telematic services.

CJSC “Digital telecommunications”.

Full name: Closed Joint Stock Company “Digital telecommunications”;

Location: Shumilov street 20, Cheboksary town, Russia;

Registration date: 17.04.1996;

Year of OJSC “VolgaTelecom” entry: 1996;

Core activity: provision of local telephone communication services, putting liquidation measures into effect.

CJSC “Transsvyaz”.

Full name: Closed Joint Stock Company “Transsvyaz”;
Location: Chaadaev street 2, Nizhny Novgorod city, Russia;
Registration date: 03.06.1997;
Year of OJSC “VolgaTelecom” entry: 1997;
Core activity: provision of local telephone communication services and construction of line and cable telecommunication facilities;
Material facts regarding participation which occurred in 2006: due to acquisition of 20% of shares, OJSC “VolgaTelecom” equity stake in charter capital amounted to 100%.

CJSC “Saratov- Mobile”.

Full name: Closed Joint Stock Company “Saratov- Mobile”;
Location: Kiselev street 40, Saratov city, Russia;
Registration date: 19.09.1995;
Year of OJSC “VolgaTelecom” entry: 1995;
Core activity: provision of DAMPS and GSM cellular communication services;
Material facts regarding participation which occurred in 2006: due to acquisition of 50% of shares, OJSC “VolgaTelecom” equity stake in charter capital amounted to 100%.

CJSC “Penza Mobile”.

Full name: Closed Joint Stock Company “Penza Mobile”;
Location: Kuprin street 1/3, Penza city, Russia;
Registration date: 31.07.1995;
Year of OJSC “VolgaTelecom” entry: 1995;
Core activity: provision of DAMPS cellular communication services;
Material facts regarding participation which occurred in 2006: due to acquisition of 60% of shares, OJSC “VolgaTelecom” equity stake in charter capital amounted to 100%.

CJSC “Chuvashiya Mobile”.

Full name: Closed Joint Stock Company “Chuvashiya Mobile”;
Location: K.Ivanov street 83, Cheboksary town, Russia;
Registration date: 06.01.1995;
Year of OJSC “VolgaTelecom” entry: 1994;
Core activity: provision of GSM cellular communication services;
Material facts regarding participation which occurred in 2006: due to acquisition of 70% of shares, OJSC “VolgaTelecom” equity stake in charter capital amounted to 100%.

CJSC “Nizhegorodteleservice”.

Full name: Closed Joint Stock Company “Nizhegorodteleservice”;
Location: Dom Svyazi, Gorky square, Nizhny Novgorod city, Russia;
Registration date: 26.02.1997;
Year of OJSC “VolgaTelecom” entry: 1997;
Core activity: provision of data transfer services and telematic services;
Material facts regarding participation which occurred in 2006: due to acquisition of 40% of shares, OJSC “VolgaTelecom” equity stake in charter capital amounted to 80%.

OJSC “Information Commercial Networks “OMRIX”.

Full name: Open Joint Stock Company “Information Commercial Networks “OMRIX”;
Location: Tereshkova street 10, Orenburg city, Russia;
Registration date: 21.12.1991;
Year of OJSC “VolgaTelecom” entry: 1991;
Core activity: provision of Internet services and data transfer network services.

CJSC “Ulyanovsk-GSM”.

Full name: Closed Joint Stock Company “Ulyanovsk-GSM”;
Location: Goncharov street 52, Ulyanovsk city, Russia;
Registration date: 05.05.1998;
Year of OJSC “VolgaTelecom” entry: 1998;
Core activity: provision of GSM cellular communication services.

CJSC “Orenburg-GSM”.

Full name: Closed Joint Stock Company “Orenburg-GSM”;
Location: Volodarskiy street 11, Orenburg city, Russia;
Registration date: 01.07.1996;
Year of OJSC “VolgaTelecom” entry: 1996;
Core activity: provision of GSM cellular communication services.

OJSC “TATINCOM-T”.

Full name: Open Joint Stock Company “TATINCOM-T”;
Location: Lomzhinskaya street 20 A, Kazan city, Russia;
Registration date: 28.11.1997;
Year of OJSC “VolgaTelecom” entry: 2003;
Core activity: provision of DAMPS and GSM cellular communication services; premises leasing.

CJSC “Narodnyi Telephone Saratov”.

Full name: Closed Joint Stock Company “Narodnyi Telephone Saratov”;
Location: Kiselev street 40, Saratov city, Russia;
Registration date: 09.09.1998;
Year of OJSC “VolgaTelecom” entry: 1998;
Core activity: provision of local telephone communication services using radio access equipment.

CJSC “Chery Page”.

Full name: Closed Joint Stock Company “Chery Page”;
Location: K.Ivanov street 83, Cheboksary town, Russia;
Registration date: 14.10.1994;
Year of OJSC “VolgaTelecom” entry: 1994;
Core activity: provision of paging communication services, putting liquidation measures into effect.

CJSC “NIZHEGORODSKYI RADIO TELEPHONE”.

Full name: Closed Joint Stock Company “NIZHEGORODSKYI RADIOTELEPHONE”;
Location: Dom Svyazi, Gorky square, Nizhny Novgorod city, Russia;
Registration date: 26.08.1999;
Year of OJSC “VolgaTelecom” entry: 1999;
Core activity: provision of local telephone communication services using radio access equipment.

CJSC “Samara Telecom”.

Full name: Closed Joint Stock Company “Samara Telecom”;
Location: Polevaya street 43, Samara city, Russia;
Registration date: 29.03.1996;
Year of OJSC “VolgaTelecom” entry: 1996;
Core activity: provision of local telephone communication services.

LLC “CPF “N.N.-ROSSVYAZINFORM”.

Full name: Limited Liability Company “Commercial and Production Firm “N.N.-ROSSVYAZINFORM”;
Location: Dom Svyazi, Gorky square, Nizhny Novgorod city, Russia;
Registration date: 01.04.1992;
Year of OJSC “VolgaTelecom” entry: 1992;
Core activity: provision of local telephone communication services.

LLC “Samara payphone”.

Full name: Limited Liability Company “Samara payphone”;
Location: Penzenskaya street 68, Samara city, Russia;
Registration date: 23.01.1998;
Year of OJSC “VolgaTelecom” entry: 1998;
LLC “Samara payphone” is in the process of liquidation since 2001.

OJSC “VolgaTelecom”

General Director _____ **S.V. Omelchenko**

OJSC “VolgaTelecom”

Chief accountant _____ **N.I. Popkov**