



**APPROVED** by  
Annual general meeting of shareholders of  
Open Joint Stock Company VolgaTelecom on  
June 24, 2008  
Minutes № 8 of June 26, 2008

Chairman of the meeting,  
OJSC VolgaTelecom General Director

*signature*

S.V. Omelchenko

# ANNUAL REPORT of OJSC VOLGATELECOM

## FOR YEAR 2007

Nizhny Novgorod city,  
2008

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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 the Company's state registration 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 the 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 the 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 communications and IT "Rossvyazinform" and is the successor 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 Mordovia, 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.

## ***GENERAL DIRECTOR'S ADDRESS***

Dear shareholders,

Presenting this report I am happy to note that year 2007 was marked for VolgaTelecom by sustainable growth and the Company in accordance with its strategy continued to strengthen its leadership in communications industry of the Volga Federal district.

The reporting year was anniversary for us – VolgaTelecom has reached the age of five, and we appraise these five years as the period of the Company's development under the conditions of transit to client-oriented business principles in competitive environment. Under the conditions of progressive advance of Russian telecommunications industry we have achieved meaningful results in strengthening positions in value-added services market, and also in implementation of projects intended to the development and modernization of the Company's telecommunications infrastructure, enhancement of business efficiency.

In 2007 VolgaTelecom's market capitalization amounted to US\$1,8 billion, which is 5 times more than the initial level when the shares of consolidated company were traded early in 2003.

In 2007 we have achieved positive results in all trends of activities which ensured favorable perspective of the Company's development.

The most important factor of VolgaTelecom's growth is the expansion of high-tech services range and increase in their share in the Company's revenues. So, the number of Internet broadband access users has grown more than threefold and in 2007 accounted for more than 370 000. According to estimates of telecom market analysts VolgaTelecom having achieved such results was ranked the first in amount of the number of Internet broadband access users among regional providers in Russia.

In 2007 the Company continued to solve successfully the tasks of communications infrastructure development. In five regional subsidiaries transport network was upgraded on the basis of NGN technology within the framework of implementation of the first phase of the project of transport network modernization. This opens up additional opportunities of business development in terms of providing actually unlimited volume of services, working out more flexible approaches to generation of service packages and line of tariff plans.

VolgaTelecom actively participated in implementation of priority national project "Education" and the program of providing universal communications service. The efforts of the Company's employees ensured Internet access to 8323 educational institutions of the Volga Federal district. For these activities the collective was awarded the Certificate of honor of the Ministry of IT and Communications of the Russian Federation. In 2007 the Company has installed more than 17 000 payphones providing reliable communications to residents of remote rural settlements of the Volga Federal district.

An essential condition of realizing the Company's current and long-range plans is improvement of corporate governance based on strategic initiatives of management and shareholders. These efforts were positively appraised by corporate community. "Expert RA" rating agency basing on the results of its monitoring confirmed the Company's earlier assigned rating of A level (at 7+ in digital scale). Furthermore, VolgaTelecom's achievements and its established business reputation were confirmed by the ratings of international rating agencies. In 2007 international rating agency Standard & Poor's raised VolgaTelecom's corporate governance rating to 5,2 and

confirmed the Company's long-term corporate foreign currency credit rating at "BB-" and national rating at "ruAA-", outlook – "Stable".

We traditionally give higher priority to social policy, to the development of vocational competence of personnel and implementation of modern approaches to its motivation; we are aware of significance and value of our employees, of their role in enhancement of efficiency of the Company's operations. In 2007 the Company has realized a number of personnel policies projects which were appraised not only by the Company's employees but also by professional community. At 2007 year-end competent experts recognized VolgaTelecom as the company having "The best personnel service" – "For active implementation of innovation methods in personnel service activities". Appraisal of high professionalism and creative approach to HR management was the winning in VII All-Russia Contest; VolgaTelecom was awarded honorary title "Russian entity of high social efficiency" in the field of IT and communications".

In 2007 we succeeded in many things and we will have to do more. The Company has tremendous potential. We have experience, highly professional hard-working collective, leading-edge technologies, confidence of clients and shareholders. This is invaluable capital allowing for developing and looking forward with confidence.

Sincerely yours,

OJSC VolgaTelecom General Director  
S.V. Omelchenko

## ***I. MAJOR CORPORATE EVENTS IN 2007***

### **January**

- The function of switching the last subscriber of local urban phone network to new digital NGN-based exchange was held in Zavolzhie town of Nizhny Novgorod oblast. The event was held within the framework of the first phase of the project of urban phone network modernization in five regional subsidiaries of the Company: Kirov, Penza, Samara, Udmurtia and Chuvash Republics.
- VolgaTelecom has started to put into operation universal payphones in settlements of the Volga Federal district within the framework of contract with Federal Agency for Communications.

### **February**

- VolgaTelecom's Kirov regional subsidiary has completed the first phase of IP-TV service installation and connection enabling the users of "J" high-rate Internet to watch up to 25 digital satellite TV channels over standard phone line.
- The first meeting of VolgaTelecom's Coordinating council was held. The council was established to improve the quality of corporate governance. The members of the council are the General Director, his deputies in lines of activities and deputies to the General Director – directors of 11 regional subsidiaries of OJSC VolgaTelecom.
- In accordance with the order of Russia's Federal Tariff Service of November 17, 2006 VolgaTelecom in its cover area has introduced mandatory tariff schedules for local telephony services for residents: tariff schedule with time-based billing; tariff schedule with subscriber's fee; and tariff schedule with combined payment system. In 2007 as a result of tariff change local telephony services revenues in "residents" segment have grown by 9,2% vs. the previous year.
- On February 16, 2007 the conference of VolgaTelecom's labor collective was held; the conference adopted restated version of VolgaTelecom's Collective agreement for 2006-2008.

### **March**

- Samara regional subsidiary has taken out of service the last step-by-step decimal exchanges in Samara city and switched them to modern NGN digital equipment.
- VolgaTelecom was "Radiomania-2007" prize winner in "For achievements in expansion of broadcasting volume" nomination.

### **April**

- VolgaTelecom's BT-4 series bonds have passed through listing procedure of CJSC Stock Exchange MICEX and were included in quotation list "A" of the first level. Inclusion into "A1" list, where a few corporate bonds are present, ensured VolgaTelecom's securities additional demand and higher liquidity.
- Within the framework of the process of creating unified cellular operator in the Volga region VolgaTelecom declares the beginning of GSM mobile services provision in Penza oblast. VolgaTelecom's subsidiary company – ZAO Penza Mobile has started to provide GSM mobile services since April 20, 2007 and ceased to provide DAMPS services.
- VolgaTelecom and the Government of Orenburg oblast have concluded the agreement "On construction, reconstruction and utilization of rural communications facilities in 2007 within the framework of the oblast's target program "Development of communications infrastructure in rural area of Orenburg oblast in 2002-2010".
- By its decision the Board of directors has extended the powers of Sergey Omelchenko – VolgaTelecom's General Director.
- In 2007 the Company for the first time has selected the auditor through open tender for its further approval at annual general meeting of shareholders. LLC Ernst&Young won the tender for the right to conclude the contract for mandatory audit of the Company's bookkeeping, RAS and IFRS financial (accounting) statements for 2007.

## **May**

- VolgaTelecom organized city's contest "Leaders of Ulyanovsk Internet-2007" among the students of secondary schools. The contest was held jointly with the Department of education of the administration of Ulyanovsk city.
- Annual meeting of VolgaTelecom's Board of directors was held on May 15, 2007. Its agenda comprised the issues related to preparation and holding of annual general meeting of VolgaTelecom's shareholders.

## **June**

- VolgaTelecom has presented the results of its operations for 2006 in accordance with International Financial Reporting Standards (IFRS) prior to the date of holding annual general meeting of shareholders.
- Annual general meeting of VolgaTelecom's shareholders was held on June 22, 2007 in Nizhny Novgorod city. The shareholders approved annual report, annual accounting statements, introduced modifications into the Company's articles of association and in a number of Regulations governing the Company's activities and its management bodies. The Company's Board of directors and Auditing committee were elected.
- The resolution of annual general meeting of the Company's shareholders reduced the time period of dividend payment on ordinary and preferred shares. The dividends for 2006 are to be paid before November 1, 2007. From now on in accordance with the Company's Articles of association the payment of preferred shares dividends will be made within 60 days since the date of passing the resolution of dividend payment.
- Nizhny Novgorod city hosted All-Russia meeting "Rural communications-2007". Among the participants of the meeting were L.D. Reiman – Minister of IT and Communications of the Russian Federation, B.D. Antonyuk – deputy to the Minister of IT and Communications of the Russian Federation, V.P. Shantsev – Nizhny Novgorod oblast Governor, representatives of Russia's Ministry of Agriculture, Federal Agency for Communications, OJSC Svyazinvest and also Russian communications operators and industry's R&D enterprises.

## **July**

- Telephone network of Nizhny Novgorod city, one of the largest in the country, was switched to 7-digit numbering. As a result of works done the total numbering resource of Nizhny Novgorod city's telephone network accounted for 1 300 000 numbers, and the total gain in the network numbering resource – 500 000 numbers.
- The Federation Council's committee for the young and sports expressed gratitude to VolgaTelecom's Ulyanovsk regional subsidiary for assistance in arranging All-Russia conference "Internet and the young: new opportunities"; within the framework of which videoconferencing was arranged with the Federation Council of the Federal Assembly of the Russian Federation. On-line conference from Ulyanovsk allowed for demonstrating the level of Internet technologies development in Russia's regions to the participants of All-Russia conference.
- VolgaTelecom participated in All-Russia meeting "Rural communications-2007" held in Nizhny Novgorod city. In the course of All-Russia meeting the participants got familiarized with routine solutions offered by VolgaTelecom for arranging rural communications networks in Nizhny Novgorod oblast and also with the results of the Company's activities in implementing priority national project "Education" and federal target program "Universal communications services".

## **August**

- VolgaTelecom's Board of directors meeting was held on August 1, 2007. Basing on the decision of the Board of directors the Company's Management board consisting of 10 persons was formed. The term of office of the new Management board is defined from August 1, 2007 to July 31, 2008.

## September

- VolgaTelecom's Board of directors has made the decision of ZAO Nizhegorodskaya Sotovaya Svyaz (NSS) reorganization in the form of takeover to it of OJSC TATINCOM-T, ZAO RTCOM, ZAO Saratov-Mobile, ZAO Chuvashia Mobile and ZAO Penza Mobile. The Board of directors approved the affiliation agreement by and between ZAO NSS and the five companies listed above.
- VolgaTelecom participated in international industrial-economic forum "Russia unified" where the Company presented its exhibition stand and demonstrated priority trends of its activities: digital telephony and mobile communications development, as well as advanced telecommunications services, such as remote viewing by means of controlled WEB-cameras, remote monitoring of devices and IP-TV.
- Sergey Omelchenko – VolgaTelecom's General Director and Alexander Volkov – Udmurtia Republic President signed the Agreement by and between Udmurtia Republic Government and OJSC VolgaTelecom about cooperation in the area of improvement and development of communications in the territory of Udmurtia Republic.
- Within the framework of realization of the program of universal service provision VolgaTelecom has completed the first phase of installation of universal service payphones in the settlements of the Volga Federal district.
- International rating agency Standard & Poor's has raised VolgaTelecom's national corporate governance rating from CGR-5,1 to CGR-5,2. The Company's international rating was confirmed at CGR-5.

## October

- VolgaTelecom has completed realization of priority national project "Education". In 2007 the Company's regional subsidiaries have connected 3 437 educational institutions to the Internet with the rate of at least 128 Kbps. The total number of educational institutions for which communications channels were arranged during the time of the project implementation (2006-2007) accounted for 8 323 objects.
- The Company's Board of directors has approved "Program of OJSC VolgaTelecom's development for 2008-2012" (hereinafter the Program) which defines basic trends of the Company's development. The Program is the management vision of development of markets and business in the longer term.  
*The primary strategic objective of the Company's development: taking the lead in developing market of high-tech and gainful communications services subject to maintaining the share of traditional telephony market and enhancing the efficiency of the Company's operations.*
- VolgaTelecom is "Taxpayer – 2007" national prizewinner.
- By its decision the Board of directors has introduced modifications in Dividend Policy Regulations relating to the procedure of dividend distribution and disbursement.
- VolgaTelecom took part in VII international exhibition "InfoCom-2007". The exhibition was held under the auspices of the Ministry of IT and Communications of the Russian Federation. At VolgaTelecom's stand the exhibition's visitors were able to get familiarized with the Company's achievements in implementation of national projects "Education" and "Universal service", as well as to learn about VolgaTelecom's capabilities to render both traditional and high-tech communications services, such as Internet access, mobile communications, digital and cable TV, intelligent network, etc.

## November

- VolgaTelecom was awarded "OLYMPUS OF QUALITY" national prize for distinguished achievements in providing communications services.
- On November 30, 2007 VolgaTelecom celebrated its fifth anniversary since the date of establishing integrated mega-regional communications company in the Volga Federal district. In a span of 5 years VolgaTelecom not only consolidated 11 regional communications operators, but also fostered the integration of 11 oblasts and republics of

the Volga region into unified information-communication space. The Company's participation in implementation of national projects, such as "Education" and universal service provision, has considerably contributed to social-economic development of the Volga region territories.

#### **December**

- VolgaTelecom has completed the course of law of consolidation of its six mobile subsidiaries. On December 1, 2007 VolgaTelecom's mobile subsidiaries OJSC TATINCOM-T, ZAO RTCOM, ZAO Saratov-Mobile, ZAO Chuvashia Mobile and ZAO Penza Mobile were excluded from the Uniform State Register of Legal Entities. In accordance with the decision of ZAO NSS Board of directors these companies served as the basis for establishing regional subsidiaries of ZAO NSS; these regional subsidiaries are operating in Mordovia Republic, Nizhny Novgorod oblast, Penza oblast, and Saratov oblast, the Republic of Tatarstan and Chuvash Republic. So, since December 1, 2007 ZAO NSS became mega-regional cellular operator of the Volga Federal district.
- VolgaTelecom has won open tenders held by Federal Agency for Communications for the right to participate in the second phase of the program of universal service provision by means of payphones in 11 regions of the Volga Federal district where the Company is operating. All in all within the framework of the second phase of the project of universal service provision the Company will install 6 531 payphones. In 2007 within this program implementation the Company has installed 17 070 payphones, including 16 468 payphones during the first phase (tenders of 2006) and 602 payphones during the second phase (tenders of 2007). In accordance with the tender's terms and conditions 100% of payphones were installed ahead of schedule in the Company's regional subsidiaries in Mordovia Republic and in Ulyanovsk city.
- VolgaTelecom was rated the fifth in "National rating of transparency of procurement 2007". The Company was assigned the highest rating – "guaranteed transparency" (PIP++).
- VolgaTelecom was a winner of VII All-Russia contest "Russian entity of high social efficiency" being awarded honorary title "Entity of high social efficiency - 2007 in the field of IT and communications".
- Sergey Omelchenko, VolgaTelecom's General Director, is awarded Certificate of honor of the Ministry of IT and Communications of the Russian Federation.
- VolgaTelecom was awarded two prizes of the contest "The best Russian personnel service – 2007". The blue ribbon of the contest was awarded to VolgaTelecom for successful activities in development and realization of efficient personnel policies under transition to market economy conditions. The Company's HR management department was also awarded the diploma of honor of a winner of All-Russia's contest "The best Russian personnel service - 2007" in nomination "Active implementation of innovations in personnel services activities".
- VolgaTelecom's collective was awarded Certificate of honor of the Ministry of IT and Communications of the Russian Federation for substantial contribution to implementation of priority national project "Education".
- The Company's Board of directors has approved "Program of risk management". The basic objective of the Program of risk management is to enhance the efficiency of management of threats and opportunities which should contribute to the process of the Company's capitalization growth. The Program is a document establishing key principles and approaches to identification of the Company's risks, and defining the methods of risk management within the framework of the Company's day-to-day operations, it allocates and fixes responsibility of specific managers and the Company's management bodies of risk management. Furthermore, the Program upbuilds the feedback of risk management processes with the processes of strategic, operating and budget planning when the risk holder gets financial resources to manage the threats efficiently.

- The Company has completed the annual program of Internet broadband access users' connection. At 2007 year-end the number of Internet broadband access subscribers in VolgaTelecom has grown more than threefold vs. the year's beginning and accounted for 372 500. In our estimates at 2007 year-end VolgaTelecom's share of Internet broadband access services market was at least 59%.
- In 2007 within the framework of compliance with industry's regulations the Company introduced the system of selection of DLD&ILD operator for all the Company's subscribers.
- For the first time the Company has made corporate social report "Report in the area of sustainable development for 2006-2007".
- In 2007 optimization of the Company's corporate structure and expenditures, reasoned marketing policy which allowed to strengthen market positions in high-yielding segments of telecommunications market enabled the Company to enhance business efficiency thus ensuring net profit growth by 35,4% vs. 2006. The Company's net profit amounted to RUR 3 323,1 million; the share of revenues from new technologies-based services in communications services revenues has grown from 10,6% to 13,7%. The number of lines per an employee accounted for 139 (the gain of +19,7% vs. the past year), EBITDA has grown by 26,4%, and EBITDA margin has grown from 32,9% in 2006 to 35,8% in 2007.
- In 2007 the next phases of projects of network reconstruction on the basis of NGN equipment were successfully realized in four regional subsidiaries (Penza, Samara, Udmurt and Chuvash Republics). 116 742 numbers were put into operation using NGN equipment.
- In 2007 DWDM intra-regional data transmission network with the center in Nizhny Novgorod city was constructed. This network will allow the Company to improve reliability of providing the services of data transmission and Internet to customers, to optimize the Company's backbone Internet traffic expenses.
- In 2007 the Company held 11 open tenders to select entities for rendering financial services of concluding the agreements of: credit arrangement, cash collection, compulsory civil liability insurance of owners of transport vehicles, optional insurance of transport vehicles, optional medical insurance of employees, insurance against risk of harm-doing while operating hazardous facilities, finance lease of telecommunications equipment, insurance of electronic equipment. In addition to compliance with the requirements of antitrust legislation, development of bona fide competition, publicity and transparency of selection of financial counterparties, the Company obtained meaningful economic benefit from tenders holding. So, the total saving of debt service expenses due to the reduction in interest rates obtained in the course of open tenders amounted to RUR 114,45 million.
- In the second half of 2007 the Company's activities with rating agencies resulted in:
  - In January 2008 "Expert RA" rating agency within the framework of monitoring of national rating of corporate governance confirmed VolgaTelecom's earlier assigned rating of A level (at 7+ in digital scale);
  - In January 2008 international rating agency Standard & Poor's confirmed the Company's long-term corporate foreign currency credit rating at "BB-" and national rating at "ruAA-", outlook – "Stable";
  - In February 2008 international rating agency Fitch Ratings assigned VolgaTelecom long-term Issuer Default Rating (IDR) of "BB-"; national long-term rating of "A+(rus)" and short-term IDR of "B". The outlooks on the long-term IDR and national long-term ratings are "Stable". Fitch Ratings also assigned national rating of "A+(rus)" to three VolgaTelecom's outstanding domestic bonds, structured as senior unsecured obligations, as follows: Series 2, RUR 3 billion, the bonds are to be repaid on November 30, 2010; Series 3, RUR 2.3 billion, the bonds are to be repaid on November 30, 2010; and Series 4, RUR 3 billion, the bonds are to be repaid on September 3, 2013.

## VolgaTelecom's key financial indicators at 2007 year-end

Table 1

	<b>2005</b>	<b>2006</b>	<b>2007</b>
Proceeds, RUR thousand	21 348 394	21 691 242	25 162 745
EBITDA*, RUR thousand	6 802 093	7 120 666	9 017 792
EBITDA margin,%	31,9%	32,8%	35,8%
Net profit, RUR thousand.	2 255 612	2 453 588	3 323 108
ROIC,% (calculated as per OJSC Svyazinvest methodology 2008)	11,9%	10,6%	11,4%
Sales profit margin,%	32,9%	27,9%	32,0%
Net profit margin,%	14,0%	14,5%	17,4%
Assets at the period end, RUR thousand	31 806 003	36 207 296	40 858 750
Earnings per share (net profit to total quantity of outstanding stock)	6,9	7,5	10,1

\* in accordance with computational strategy of 2007 indicators.

## **II. THE COMPANY'S POSITION IN THE INDUSTRY**

### **2.1. Service area.**

The Volga Federal district (VFD) comprises 14 subjects of the Russian Federation, including;

- ✓ 6 Republics: Bashkortostan, Mariy-El, Mordovia, Tatarstan, Udmurtia, and Chuvashia;
- ✓ 7 oblasts: Kirov, Nizhny Novgorod, Orenburg, Penza, Samara, Saratov, and Ulyanovsk; ,
- ✓ Perm area (the region comprises Perm oblast and Komi-Permyak Autonomous Area).

VFD territory is 1 038 thousand km<sup>2</sup>, which is equal to 7,27% of the Russian Federation territory. 32 million people are living here or 22,1% of the total population of Russia. The Volga Federal district 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.

In VFD there five Russian largest cities with the population more than 1 million people: Nizhny Novgorod, Samara, Kazan, Ufa and Perm.

In 2007 all the regions in VFD demonstrated positive dynamics of development of economic, social, cultural and other domains. The development of public infrastructure, road network, bridge crossings, viaducts, gas pipelines is going on, which is a key factor of development both of industry and of social domain. The realization of priority social-oriented national projects is going on. An important component of social policy is optimization of financing of the most important social domains, in particular transition to single-channel financing of medicine and standard-per capita financing of education.

In 2007 the growth of industrial production was 7,3%. With the average growth of consumer cost by 8,3% the real income of VFD population has grown by 16,5%, and nominal accrued wages by 26%. In 2007 the average wages in VFD was RUR 8911,1. In January-September 2007 RUR 653,5 billion were invested in fixed-capital assets for the development of economics and social domain of the Volga Federal district, which is 123,9% to the level of relevant period of the prior year.

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.

## **2.2. Russia's telecommunications industry development**

As per the data of Federal State Statistics Service for 2007 the Russian Federation telecommunications market has grown by 118,4% vs. 2006 (for reference: 2006 vs. 2005 - 123,7%) and amounted to RUR 1032,3 billion. All sectors of telecommunications industry are growing.

The leader in growth rate was connection and traffic transit services market. At 2007 year-end the market volume has grown 1,6 times vs. 2006 and accounted for RUR 136,3 billion.

At 2007 year-end recording communication market, including Internet access, amounted to RUR 81,9 billion, which is 1,21 more than in 2006.

As before cellular business is the first in the amount of revenues in communications industry (RUR 454,5 billion), however, the growth rate has slowed down: from 1,3 times in 2006 vs. 2005 to 1,2 times in 2007.

## **2.3. 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 the data of Information and Publishing Center "Statistics of Russia" in 2007 the amount of telecommunications market of regions where VolgaTelecom is operating accounted for RUR 94,9 billion.

VDF telecommunications market development is shaped by the impact of tendencies observed in each individual segment of communications services:

### ➤ **Local telephony market**

- Deterioration in demand for the service among new customers. The market is stagnating.
- 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.
- Continuation of the process of traffic substitution by mobile communication and 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)**

- DLD/ILD operators getting a foothold in the regional market, in particular in VFD regions.
- 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 communications market**

- Deterioration in demand for the service among new customers (actual saturation of market) – the market is transiting to stagnation.
- Tariff rates reduction – the tariff rates for mobile and fixed-line communication, mobile and DLD/ILD communication are coming closer to each other.
- Increase in monthly ARPU is a key parameter of service growth.

### ➤ **Internet broadband access market**

- Increase in demand for the service, particularly in "home" market segment.
- Market concentration in large cities and towns.
- Preferences of the most active dial-up users are shifted towards the technologies of access through leased channels.
- Reduction in cost of service access and traffic cost.

- Competition tightening in the market between the players and wire technologies of broadband access (ADSL, Ethernet, Internet cable access).
- Development of wireless technologies of Internet access.
- Development of quality local content generating traffic.
- ***Internet dial-up access market***
  - Stabilization of tariff rates at minimum competitive level.
  - Migration of dial-up access users towards leased channels.
- ***Wholesale market (connection and traffic transit services, channel lease, and data transmission services)***
  - Market growth rates are defined by the change of retail demand, behavior of competitors and the regulator and are growing in physical terms.
  - Substantial growth of services revenues, despite the reduction in prices for channel lease and for wholesale data transmission.

#### **2.4. The Company's position in the industry**

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

VolgaTelecom's regional subsidiaries are located in 11 regions of the district - in Republics of: Mariy-El, Mordovia, Udmurtia, and Chuvashia and also in Kirov, Nizhny Novgorod, Orenburg, Penza, Saratov, Samara and Ulyanovsk oblasts.

A large share of the Company's revenues falls on Nizhny Novgorod (20,2% in revenues), Samara (15,1%) and Saratov (12,2%) regions.

As before the major source of communications services revenues is local telephony, its share in the total amount of revenues is 46,9% (in 2006 – 50%).

In 2007 the growth rate of the Company's revenues from communications services accounted for 117,3% vs. 2006.

## Communications, connection and traffic transit services revenues structure in 2007

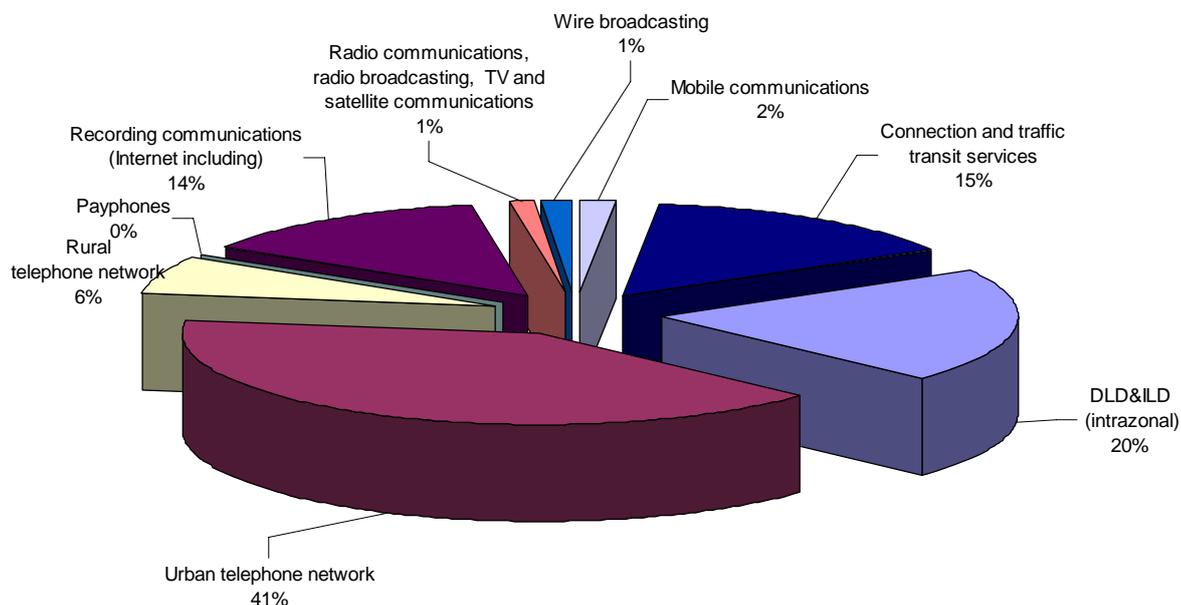


Chart 1.

In 2007 new technologies-based services revenues accounted for 13,7% (2006 – 10,6%) of the total amount of communications services revenues received in 2007. The growth rate was 151%.

According to preliminary data at 31.12.2007 VolgaTelecom's share is 25,0% of all the revenues of telecommunications sector.

Comparison of the Company's market positions in telecommunications services market in 2006-2007:

Table 2.1.

Services	Market share at 2006 end, %*	Market share at 2007 end, %*
Local telephony	82,2	82,2
Zonal communications	97,6	97,5
Internet and data transmission network	57	59
Radio communications, radio broadcasting, TV, satellite communications	10,8	10,7

\* Market shares were calculated with due account for:

- Data of Federal State Statistics Service "Data of communications services revenues for 2007";
- Revenues from cellular operators business and Federal State Unitary Enterprise "Russian Post".

### ***III. THE COMPANY'S BUSINESS PRIORITIES***

#### **3.1. Priorities in services provision.**

Basing on the results of market situation analysis in 2007 the Company defined the following markets as the target ones:

- ✓ Traditional telephony market which is the largest source of the Company's revenues;
- ✓ Internet and data transmission market as the most growth segment of communications market.

In accordance with this basic strategic priorities were defined: maximization of traditional telephony services revenues and faster growth of Internet broadband access services.

#### **3.2. Construction and modernization of DWDM-based backbone and intrazonal transport networks and construction of MPLS-based data transmission networks.**

In 2007 the Company has completed the construction of backbone DWDM network with the center in Nizhny Novgorod city. The channels of 2 Gbps carrying capacity were arranged between the network's central node and each oblast/republic center.

In 2007 three regional subsidiaries (Nizhny Novgorod, Orenburg and Samara) successfully completed the projects of constructing intrazonal networks on the basis of WDM technology.

Juniper Networks equipment is used as central routers of IP/MPLS networks in all the Company's regional subsidiaries and at intraregional level (in Nizhny Novgorod and Samara cities).

VolgaTelecom's regional subsidiaries have expanded and modernized regional IP/MPLS networks. The carrying capacity of these regional subsidiaries' data transmission networks has been substantially increased. Central nodes of data transmission networks were additionally equipped with broadband access aggregators (BRAS) designed for termination of the sessions of broadband access users and flexible management of subscribers' services.

These projects' realization will enable the Company to improve reliability of providing the services of data transmission and to Internet-clients, to optimize the Company's backbone Internet traffic expenses. Also these networks will enable to expand the range of provided services, and in particular the Company will be able to provide the services of corporate networks construction for customers having distributed structure of subsidiaries within the Volga region. Various services and entertainment services (content) will be available to a wide range of users.

#### **3.3. Development of NGN and wire broadband access networks**

In 2007 the next phases of projects of network reconstruction on the basis of NGN equipment were successfully realized in four regional subsidiaries (Penza, Samara, Udmurt and Chuvash Republics). 116 742 numbers were put into operation using NGN equipment.

NGN technology is defined as the key development trend. And in future it may serve as the basis for marketing hi-tech services combining the transmission of voice, video and data. Concurrently with implementation of actually unlimited range of services and reduction of costs for the construction and operation of the network the Company gets the opportunity to conduct flexible pricing policy. This will allow stimulating mass demand for new services the tariffs for which are not regulated by the government.

In the first place the implementation of advanced NGN-based solutions is advantageous for the customer. In the long view through one phone jack the subscriber will get access to high quality voice services, broadband access to the Internet and distance education. In addition, the subscriber will be able to watch video on demand, to participate in interactive TV, etc. A good

feature of this technology is that ADSL purchased equipment will not be replaced. NGN development opens up for the Company additional resources in TV broadcasting both over cable and Internet channels. In fact, NGN is the result of convergence of capabilities of Internet and telephony networks, and it combines their advantages. In practice it means guaranteed quality of voice and data transmission services.

During the reporting year the Company's regional subsidiaries have modernized and expanded wire broadband access networks; they have constructed 1 047 access nodes of data transmission network, and modernized 1 074 access nodes of data transmission network. So, at 2007 year end the number of the Company's access nodes of data transmission network was 2 341.

In 2007 in order to ensure the capability of providing broadband access services the Company has increased the number of installed DSL ports from 159 100 to 529 900, i.e. 3,3 times.

### **3.4. Introduction and modernization of IT solutions, including realization of centralized IT programs.**

Major activities in IT area are intended 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 intended at optimization of business processes through creation of common information resource.

## ***IV. THE COMPANY'S EXPECTED FUTURE DEVELOPMENT***

The Company's basic trends and development prospects are defined in "Program of OJSC VolgaTelecom's development for 2008-2012" (hereinafter the Program).

The primary strategic objective of the Company for the expectational horizon is to take the lead in developing market of high-tech and gainful communications services subject to maintaining the share of traditional telephony market and enhancing the efficiency of the Company's operations.

The Program defines strategic initiatives in the following trends:

- strategic commercial initiatives;
- initiatives of corporate development;
- initiatives of enhancement of operating efficiency and of cost reduction;
- network architecture modernization.

Basing on the results of market situation analysis the Company defines the following markets as the target ones:

- Internet and data transmission market as the most growth segment of communications market;
- Traditional telephony market which is the largest source of the Company's revenues.

However, the Company assumes to keep the lead in all clients' segments: residential sector, SME, large corporate clients; diversifying marketing strategy depending on the segments needs.

In accordance with this the Company defines the following *strategic initiatives*:

- Faster growth of Internet broadband access services;
- Maximization of traditional telephony services revenues;
- Increase in revenues in large corporate clients segment;
- Strengthening of market positions in SME segment.

The Company assumes that half the battle in realization of initiatives set forth by the Program should be organizational reassignments encouraging clear-cut, upbuilt and functional management structure. To this end the Company defines *key trends of organizational development*:

- cellular business split-off;
- corporate structure harmonization;
- harmonization of organizational structure of intra-region communications nodes and urban technical units;
- non-core business split-off;
- initiatives of organizational development of technical bloc.

Organizational development trends should result in the emergence of more efficient organizational system which will enhance the efficiency of managerial decisions and which is the most important it will enable to reduce substantially the Company's costs.

*In the Program the initiatives of enhancement of operating efficiency and cost reduction are as follows:*

- sales channels rearrangement;
- procurement process optimization;
- reduction of operated own premises;
- reduction of administrative (overhead) costs;
- reduction of costs for the network maintenance and operation.

Major objectives in realization of these initiatives are:

- reduction of the Company's services provision costs without loss of clients' servicing quality;
- developing services costs management in such a way so that to maximize the Company's profit per a unit of rendered service;
- the effect of these activities should contribute to EBITDA growth.

In working out strategic initiatives in terms of revenues increase, the Company assumes to match realization of commercial initiatives with technical solutions which will be most balanced in regard to market requirements and the cost of their realization.

In the near term the volume of investment plan will be affected by the projects related to the development of new, advanced communications services.

In 2008-2012 the Company assumes to make substantial investments, more than RUR 6,5 billion (in 2008 more than RUR 1,5 billion), into the development of data transmission network, creating the basis to achieve by 2012 the level of broadband access users penetration to the number of households at 20%. Payback period of these investments at discount rate of 12% will be 5-7 years.

The Company is planning the following at intrazonal communications networks:

- To arrange common transportation network for broadband access users' traffic transit through the completion of reconstruction of intrazonal primary networks on the basis of fiber-optic cables and wide utilization of DWDM technologies of optical multiplexing and total removal of overhead lines.
- To ensure double binding of networks of each country town with digital transmission systems (SDH, Ethernet) to zonal transit nodes of oblast's (republic's) centers.

- To arrange the Company's common intra-region transportation network to provide for multiservice content transmission and for traffic transit of internal technological and information systems.

In 2008-2012 the total investments into the development of intrazonal primary networks will amount to RUR 1,8 billion.

Pursuing the Company's technical strategy and also for maintaining fixed line services quality it is necessary to develop and upgrade the network with more efficient equipment. In 2008-2010 the Company will continue to modernize local telephony network within the framework of meeting the requirements of regulatory framework (obedience to order № 142 of 17.11.2006 of the Ministry of IT and Communications of the Russian Federation, etc.); more than RUR 2 billion are scheduled to allocate for these purposes.

***Situation and development prospects of competition in accordance with regional telecommunications market researches.***

By the Company's estimates in medium-term perspective the market structure will essentially change, in the first place these changes are related to the increase in demand for Internet access services, retardation of growth of long distance communications market and considerable redistribution of traffic and revenues in favor of mobile communications.

Sharpening of competition in 2007 was particularly vivid in the market of Internet leased lines services. However, despite the sharpening of competition VolgaTelecom has maintained the lead in this segment of telecommunications market. In medium-term perspective the Company assumes to keep the share of Internet leased lines market at the achieved level.

Among major players of Internet leased lines market there are large intraregional and federal operators, such as OJSC Golden Telecom (presence in VFD: Nizhny Novgorod, Orenburg and Samara oblasts, Chuvash Republic), Comstar (presence in VFD: Nizhny Novgorod, Samara, Saratov and Ulyanovsk oblasts, Udmurtia Republic), ZAO Air-Telecom (presence in VFD: Kirov, Orenburg, Penza, Samara oblasts, the Republic of Mariy-El and Udmurtia Republic). The operations of these companies are characterized by aggressive marketing and sales policies, and also by vigorous development of their proprietary transportation networks both at the expense of takeover of small regional operators having their proprietary networks (Comstar, Golden Telecom) and the expense of construction of their proprietary multiservice network (Air-Telecom). In the first place VolgaTelecom's advantage results from the availability of proprietary extensive network infrastructure with larger cover area. Phase-by-phase the Company is realizing the projects of NGN-based network reconstruction. In 2007 the Company has completed the construction of DWDM-based intraregional data transmission network with the center in Nizhny Novgorod city (the equipment was supplied by Huawei Technologies). The channels of 2 Gbps carrying capacity were arranged between the network's central node and each oblast/republic center. The project's realization will enable the Company to improve reliability of providing the services of data transmission and Internet to customers, to optimize the Company's backbone Internet traffic expenses, and also to expand the range of provided services.

***V. THE RESULTS OF THE COMPANY'S DEVELOPEMNT IN PRIORITY TRENDS***

The past year is characterized by considerable growth of indicators of key trend of the Company's operations in the area of providing broadband access services – more than threefold increase vs. the top of the year in the subscriber base of Internet broadband access users. Taking into account the changes in the market and also VolgaTelecom's technical and marketing

capabilities the development of broadband access services remains the Company's priority. In our estimate at 2007 year-end VolgaTelecom's share in Internet broadband access services was at least 59%, and in future the Company intends to keep the lead through introducing new tariff offers to the market, improving the level of subscribers' servicing and expanding their capabilities to work in Internet.

### 5.1. Investment policy.

In 2007 RUR 7 454,204 million were spent for investments. Total amount of investments into fixed-capital assets accounted for RUR 7 425,438 million. Out of the investments into fixed-capital assets RUR 7 421,378 million were allocated for communications facilities, and RUR 4,06 million for other kinds of activities. In the reporting year the volume of construction and installation activities accounted for RUR 2 901,815 million. RUR 4 131,033 million were spent for the equipment acquisition. The Company commissioned fixed-capital assets worth of RUR 7 475,702 million. In 2007 the Company has commissioned 369 200 numbers, the commissioning of intrazonal fiber-optic lines accounted for 1991 km.

Table 5.1.

№	Indicator description	Measure unit	2006	2007	Rate of indicator change 2007/2006 (%)
1.	Invested funds into fixed-capital assets - <b>total,</b>	RUR million	<b>5 710,1</b>	<b>7 425,4</b>	<b>130,0</b>
1.a	Investment areas:				
	<b>Local telephony</b>	RUR million	<b>1 713,9</b>	<b>3 615,4</b>	<b>210,9</b>
	• Traditional telephony	RUR million	1 588,2	3 164,3	199,2
	• Construction of Softswitch-based communications networks	RUR million	1 266,1	224,7	17,7
	• Construction of special services nodes	RUR million	1,2	56,7	by 47,2 times
	• Links of interswitch networks	RUR million	124,5	169,8	136,4
	<b>Zonal communications</b>	RUR million	<b>807,4</b>	<b>672,9</b>	<b>83,3</b>
	• Zonal transit node	RUR million	36,5	13,7	37,5
	• Fiber-optic links	RUR million	720,8	633,5	87,9
	• Microwave radios	RUR million	50,1	25,7	51,3
	<b>New services</b>	RUR million	<b>2 218,6</b>	<b>1 935,2</b>	<b>87,2</b>
	• Data transmission network and arrangement of x-DSL-access to Internet services	RUR million	707,2	1 646,8	232,9
	• Dial-up Internet access	RUR million	40,3	0,0	0,0
	• Cable TV	RUR million	163,9	68,3	41,7
	• Investments into Call Processing Centers and Internet-café	RUR million	41,1	42,1	102,5
	<b>Mobile radiotelephony</b>	RUR million	<b>203,2</b>	<b>49,0</b>	<b>24,1</b>
1.b	<b>Investments into IT</b>	%	7	10	X
	<b>Other investments</b>	%	9	6	x

№	Indicator description	Measure unit	2006	2007	Rate of indicator change 2007/2006 (%)
2.	Share of proprietary resources allocated for investments financing	%	48,6	53,8	x
3.	Share of raised funds allocated for investments financing	%	51,4	46,2	x

### *Investments trends in 2007.*

As before the major share in investments program are the investments into expansion, reconstruction and modernization of local telephony. In 2007 the investments into this market segment amounted to RUR 3 615,4 million or 48,5% of the total investments. A large share of investments is explained by the need to realize the program of universal service provision by means of payphones which accounts for 30,9% of the total volume of spent investments.

RUR 672,86 million were allocated for the development of zonal communications or 9% of the total investments. Of which:

- RUR 659,2 million (8,8%) were allocated for the construction of intra-zonal links (fiber-optic links and microwave radios);
- RUR 13,7 million (0,2%) for the expansion and reconstruction of zonal transit nodes.

In 2007 the share of investments into new services development accounted for 26,0%. The reduction of share in this field vs. 2006 (by 12,8%) was connected with the change of financing structure of projects of reconstruction of NGN-based equipment networks – the equipment was supplied under financial leasing contracts. This equipment to the amount of RUR 540,9 million is kept record of in the balance of the lessor. By taking into account this equipment the share of investments into new services development accounts for 33%.

RUR 1 935,2 million were spent for the development of new services and technologies, of which:

- RUR 1 648,3 million (22,1% of the total investments) were spent for arranging x-DSL-access to Internet services;
- RUR 173,9 million (2,3%) were spent for the construction of data transmission network and communications networks between regional subsidiaries;
- RUR 112,9 million (1,5%) – other communications services.

Within the framework of 2007 investment plan the Company has connected educational institutions to Internet; RUR 496,9 million (6,7% of the total investments) were allocated for these purposes.

In 2007 the Company continued to implement centralized software products providing for optimization of business processes and requiring the upgrade of existing technical architecture (more than 9,9%). The total investments into IT creation and development accounted for RUR 739,3 million, which is by 59,1% more vs. 2006. Of which:

- RUR 295,8 million were allocated for billing implementation and upgrade;
- RUR 211,9 million were spent for implementation of accounting systems;
- RUR 231,6 million were spent for implementation of other IT solutions.

In IT area VolgaTelecom is implementing two centralized projects. These are implementation of ERP-system of Oracle E-business suite and Joint Program of Ensuring Settlements and Relations with Clients.

In 2007 within the project of implementation of ERP-system of Oracle E-business suite VolgaTelecom has performed the following:

- Common Data Processing Center was established; it accumulates all financial and economic information of the Company;

- The first modules of Oracle E-business suite – HR management and property, plant and equipment management are in commercial operation;
- Joint Master-system comprising all modules of ERP-system (general ledger, debtors, creditors, financial management, salary calculation, HR management, logistics management, etc.) was designed and transferred for implementation in VolgaTelecom;
- For the users’ support Local Center of competencies was established and is successfully operating.

In 2007 within the framework of Joint Program of Ensuring Settlements and Relations with Clients billing business-processes and software were aligned on the basis of “START” automated settlements system. The database with common centralized directory of “START” billing system was created; it ensures harmonization of business processes in all regional subsidiaries. “START” billing system was implemented in Saratov and Penza regional subsidiaries. At 2007 end “START” billing system was in operation in 8 VolgaTelecom’s regional subsidiaries. Test calculations in this system were made in 3 remaining regional subsidiaries: in Samara, in the Republic of Mariy-El and in Chuvash Republic. Technical architecture for deployment and operation of “START” billing system was created.

The centralized projects in VolgaTelecom are performed within scheduled time and in accordance with project and regulating documents and approved Master-plans.

The following should be noted in regard to arrangements performed within large and important projects in the field of technical development, construction of communications links and implementation of federal programs:

1. In 2007 within the program of universal service provision by means of payphones, the Company has installed 17 070 payphones, of which 16 468 payphones were installed during the first phase of implementation of the program of universal service provision (tenders of 2006), and 602 payphones were installed during the second phase of the program (tenders of 2007). In accordance with the tender’s terms and conditions 100% of payphones were installed ahead of schedule in regional subsidiaries in Mordovia Republic and in Ulyanovsk.

2. In 2007 the Company’s regional subsidiaries within priority national project “Education” have connected 3 437 educational institutions to Internet at the rate of at least 128 Kbps. The total number of educational institutions for which Internet channels were arranged during the time of the project realization (2006-2007) accounts for 8 323 objects.

3. Four regional subsidiaries (Penza, Samara, Udmurtia and Chuvash Republics) have successfully realized the next phases of the project of networks reconstruction on the basis of NGN equipment. 116 742 numbers were put into operation using NGN equipment.

4. In 2007 the Company has completed the construction of DWDM-based intra-regional data transmission network with the center in Nizhny Novgorod city (the equipment was supplied by Huawei Technologies). The channels of 2 Gbps carrying capacity were arranged between the network’s central node and each oblast/republic center. Juniper Networks equipment is used as master routers in all the Company’s regional subsidiaries and at intra-regional level (In Nizhny Novgorod and Samara cities).

## 5.2. Basic indicators of network development

Table 5.2.

№	Indicator description	Measure unit	2006	2007	Indicator change rate 2007/2006 (%)
1.	Gain in extension of long-distance (intrazonal) phone channels - total	Thousand channel-km	6 668,3	761,6	11,4
	<i>Of which</i> arranged by digital transmission systems	Thousand channel-km	7 077,7	939,6	13,3
2.	Gain in the number of basic phone sets - total	Thousand units	152,98	61,53	40,2

3.	Installed capacity of xDSL ports - total (at the reporting period end)	Ports	159 121	529 855	333,0
4.	The number of subscriber units connected to mobile radiotelephony networks (at the reporting period end)	Thousand units	219	238	108,7

### 5.3. The Company's major economic indicators (RUR million)

Table 5.3.

Indicator description	2006	2007	Indicator change rate 2007/2006 (%)
Proceeds from sales of goods, works and services	21 691	25 163	116,0
Communications services revenues	20 367	23 887	117,3
Expenditures	16 959	19 061	112,4
Sales profit	4 732	6 102	129,0
Pretax earnings	3 534	4 710	133,3
Net profit	2 454	3 323	135,4

At 2007 year-end VolgaTelecom's proceeds amounted to RUR 25 162,7 million with the gain of RUR 3 471,5 million and growth rate of 116% vs. 2006.

Communications services revenues generated 95% of proceeds (by 1% more than in the past year), 2,3% (or RUR 589,5 million) fall on revenues from contracts of agency. Non-core business revenues accounted for RUR 685,9 million (2,7% in the volume of proceeds) and have grown by RUR 32,1 million vs. 2006.

At 2007 year-end communications services revenues amounted to RUR 23 887,3 million.

The largest share in revenue structure is local telephony revenues – 46,9%, intrazonal telephony – 20,2%, connection and traffic transit services revenues – 15,1%. New technologies-based services revenues have grown by 51% and accounted for RUR 3 267,4 million.

Today intrazonal communications is highly profitable industry and produces substantial revenues gain for the Company. Intrazonal communications services revenues amounted to RUR 4 830,2 million with the growth rate of 135,2%. Major factors that affected substantial growth of revenues are increase in consumed traffic, cost factor and also the change of requirements of accounting of traffic outgoing from the network.

At 2007 year-end intrazonal traffic of fixed-line network users accounted for 2 488,2 million minutes which is by 37,9% more vs. 2006. Considerable growth of intrazonal traffic resulted from full year of practice of new procedure of settlements for F2M connection initiated by a subscriber (CPP principle was put in force since 01.07.2006). In 2007 the volume of intrazonal traffic of data transmission network subscribers has grown twofold vs. 2006 and in the reporting period it accounted for 1 666,7 million minutes or 67% of the total volume of intrazonal traffic of fixed-line network users.

In 2007 the total amount of connection and traffic transit services revenues accounted for RUR 3 599,5 million, the growth rate of 107% vs. 2006. The growth of revenues of this item resulted from the change of legislation regulating the settlements for transited traffic effective since 01.07.2006. Basing on this, the growth dynamics resulted from the full year of practice of new procedure of settlements for transited traffic. It should be also noted that in accordance with Order №278-c/2 of 17.11.2006 of Federal Tariff Service since 01.02.2007 the compensation mark-up to the price of local and zonal call initiation to establish intrazonal, DLD-ILD call was reduced to 44 kopecks (in 2006 this compensation mark-up was 54 kopecks), which resulted in the decrease in revenues from the services of local initiation of DLD and ILD traffic.

Since 2008 this compensation mark-up is abolished.

In 2007 local telephony services revenues amounted to RUR 11 205,5 million, the growth rate of 108,2% vs. 2006 (86% of received money – urban telephone network services revenues). The major source of revenues gain is current payment revenues – RUR 1 076,8 million. Dominant factor of generation of current payment revenues gain is annual increase in tariffs for communications services.

Major influence on tariffs in 2007 was decision № 278-c/206 of 17.11.06 of Federal Tariff Service of establishing three tariff schedules for residential sector segment.

In particular, since 01.02.2007 three tariff schedules were introduced for subscribers having technical capability of time-based billing for calls:

- Tariff schedule with fixed subscriber's fee without traffic limits;
- Combined tariff schedule comprising the cost of providing subscriber's line, the cost of fixed volume of minutes and per minute billing if the fixed limit is exceeded;
- Tariff schedule with time-based billing comprising the cost of providing subscriber's line and per minute billing for every minute of a call.

In H 1 2007 the subscribers selected their most attractive tariff schedules which resulted in the reduction of revenues from this item if compared with earlier effective tariff schedules (in 2006 the growth rate of current payments revenues vs. the past year was 118%, and in 2007 – 112%), but it was evened by the increase in the cost of providing the subscriber's line and the cost of a minute.

In addition, the tariff schedules were introduced since the same date for the subscribers not having technical capability of selecting the tariff schedule; for them the tariff was fixed on average by 30,4% lower than the tariff with subscriber's fee (for urban subscribers).

The share of revenues from providing access to local telephony network in local telephony services revenues is steadily declining year in year out. In 2007 it accounted for 4,5%, i.e. it has declined by 3% vs. 2006. The reduction of basic phone sets installations, and also attractive cost of connection (marketing actions and reduction of cost of providing access to local telephony network in premises having connection to PSTN to 30% of monthly subscriber's fee starting since August 2007) resulted in the fact that the Company received from providing access to local telephony network RUR 275,5 million less (or by 35,6%) vs. the past year.

At present digitalization of local telephony network allows not only for providing traditional services, but also the services rendered by using new technologies: Internet access services, intelligent platform services, additional services, etc.

In 2007 the revenues from providing the services of Internet access over leased lines amounted to RUR 1 953,4 million, the gain of RUR 868,8 million vs. 2006 (78,8% of gain of new technologies-based services revenues), of which xDSL revenues accounted for RUR 1 757,7 million.

Faster growth of Internet broadband access services development is the Company's strategic trend 2007-2012. Substantial presence at broadband access market is required for maintaining the lead in telecommunications market of the territories where the Company is providing communications services.

At 2007 year-end Internet dial-up access services revenues amounted to RUR 787,4 million, the gain of RUR 13,8 million vs. 2006 or 1,6% of the total gain of Internet access services revenues. The number of dial-up users and Internet dial-up traffic reduced by 21% and 13% accordingly vs. 2006 which is related to active exploitation of Internet access services on the basis of leased lines.

Within the framework of Intelligent communications network VolgaTelecom has realized the following services:

- FPH: 8-800-707-XXXX (free call);
- VOT: 8-803-707-XXXX (televoting);
- UAN: 8-804-707-XXXX (universal access number);
- PRM: 8-809-707-XXXX (call with extra charge).

In 2007 Intelligent communications network services were provided in all the Company's regional subsidiaries except for Saratov subsidiary.

At 2007 end the number of allocated logical numbers accounted for 151 units which is by 22 units (growth rate - 117%) more than in 2006.

At 2007 year-end Intelligent communications network services revenues amounted to RUR 1, 1 million.

It should be noted that along with traditional local telephony services the Company provides additional services (abbreviated dialing, call redirection, etc.). In 2007 additional services revenues accounted for RUR 43,1 million, which is by RUR 11,6 million (or by 36,7%) more vs. 2006. If compared with 2006 the quantity of phone numbers with additional services has grown actually 1.5 times and at 2007 end it was 266 000.

#### 5.4. Revenue structure by types and categories of subscribers for 2007\*

Revenue structure as regards to communications services consumers has changed in a minor way. The share of business sector revenues has declined by 0,1% which is caused by the increase in the share of revenues from communications services rendered by using new technologies, and natural persons are their principal consumers. In its turn, the increase in the share of revenues from communications services rendered to residential sector was affected by the growth of consumption of Internet access services in 2007, particularly of broadband access. In 2007 the growth rate of revenues from Internet access services over leased channels vs. 2006 was as follows:

- Residential sector – 308%;
- Non-profit organizations – 126%;
- Business entities – 140%.

Table 5.4.

Services description	Total (exclusive of VAT), RUR thousand	Including from residential sector
Communications services revenues – total		
Of which:	23 887 329	13 118 734
Intrazonal, DLD & ILD telephony	4 830 180	2 232 666
Local telephony	11 205 515	8 533 738
Recording communication	3 253 061	1 536 750
Mobile communications	378 479	326 582
Connection and traffic transit services	3 599 538	0
Other	620 556	488 998

\* on the basis of data of form №65- communications for 2007.

#### 5.5. Expenditure pattern for 2007

In 2007 within the Program of the Company's development to 2012 VolgaTelecom has worked out the strategy of operating expenses reduction. The major objectives contemplated by the Company while realizing this strategy are as follows:

- reduction of the Company's communications services provision costs without loss of clients' servicing quality;
- developing services costs management in such a way so that to maximize the Company's profit per a unit of rendered service;
- the effect of these activities should contribute to EBITDA margin growth.

Taking into account competitive environment in telecommunications market and also the Company's heavy social responsibility in 2007 major efforts were focused on minimization of potentially controllable core business expenses. This allowed for reducing the growth rate of the

Company's expenses to 112,4% vs. 2006, and in 2007 the expenses amounted to RUR 19 061 million.

### Behavior of expenditure pattern (%).

Table 5.5.

Indicator description	2006	2007
Labor costs (including deductions to social insurance)	44,7	38,7
Material costs	11,4	10,0
Depredation and amortization of property, plant and equipment	16,9	18,3
Rostelecom expenses	0,8	0,4
Interconnect expenses	8,8	14,4
Other	17,4	18,3

### Behavior of expenditure pattern.

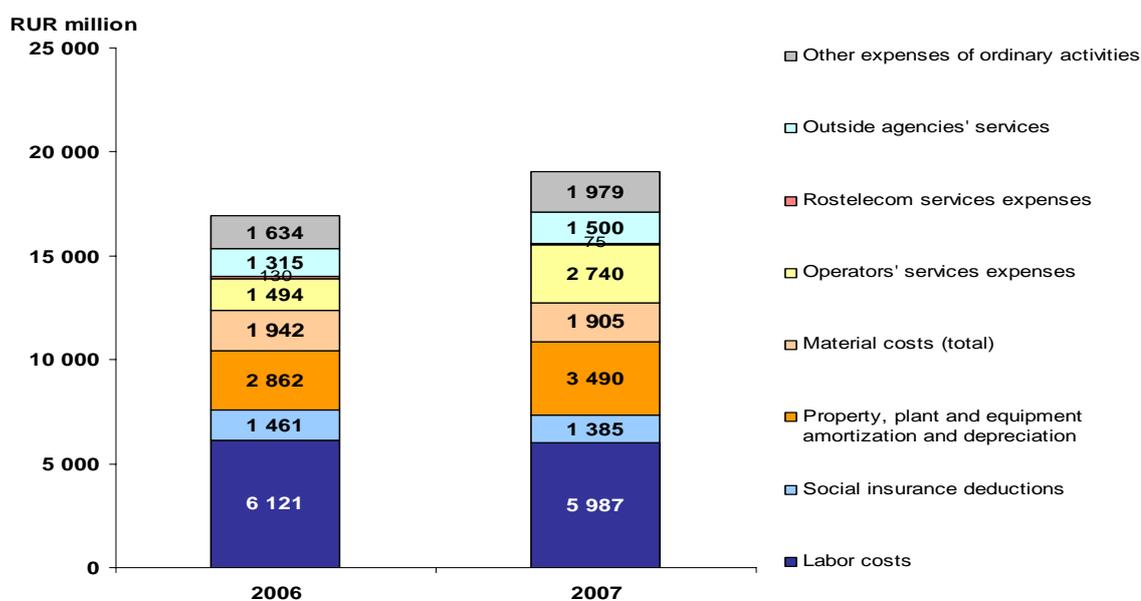


Chart 2.

In 2007 due to the Company's aggressive policy of winning the market of Internet access services over leased channels the investments into the industry, amortization charges and interconnect expenses have substantially grown.

#### *Amortization charges.*

The Company's strategy intended to maintain the market share in one segments and intensive expansion in others results in material investment outlays. So, in 2007 the Company has spent RUR 7 454,2 million for investments. Commissioning of property, plant and equipment amounted to RUR 7 425,4 million. In the reporting year the total amortization accounted for RUR 3 490,3 million, the growth rate of 121,9% vs. 2006. The share of this item in prime cost structure is 18,3% vs. 16,9% in 2006.

### ***Interconnect expenses.***

In 2007 the expenses of item “Interconnect settlements” have grown to RUR 2 814,8 million, the growth rate of 173,3% vs. 2006. Such high growth of the expense item was caused by the change effective since 01.07.2006 of settlement pattern with operators for transited traffic. The Company pays for traffic outgoing from its network and terminated at other operators’ networks, and also pays for Internet traffic passbands and for technical facilities rental. In prime cost structure the share of traffic transit expenses has grown by 4,8% vs. the past year, and in 2007 the expenses accounted for RUR 1 961,8 million.

Furthermore, in 2007 the Company incurred additional expenses vs. 2006 related to the provision of universal service and classified as services prime cost. In 2007 the expenses for universal service provision amounted to RUR 289,3 million.

## **5.6. Key indicators of the Company’s operating efficiency**

Table 5.6.

<b>Indicator description</b>	<b>Measure unit</b>	<b>2006</b>	<b>2007</b>	<b>Rate of indicator change 2007/2006, (%)</b>
Sales profit margin	%	27,9	32,0	+4,1 per cent point
Net profit margin	%	14,5	17,4	+2,9 per cent point
Prime cost of RUR 100 of proceeds	RUR	78,19	75,75	96,9%
EBITDA	RUR million	7 120,7	9 017,8	126,6%
EBITDA margin	%	32,8%	35,8%	+3 per cent point
Revenue per a line	RUR	4 394	5 007	113,9%
Profit per a line	RUR	959	1 214	126,7%
Revenue per an employee*	RUR/man	509 268	694 241	136,3%
Profit per an employee*	RUR/man	111 092	168 342	151,5%
Number of lines per an employee*	Lines	115,9	138,7	119,6%

\* staff on the payroll for the reporting period was taken.

Due to pursued policy of restructuring and optimizing the costs in 2007 the Company has substantially improved the efficiency of its operations, both in utilization of labor resources and in utilization of property, plant and equipment – communications network, which is confirmed by key indicators referenced in the table.

## **5.7. Information about the size of the Company's net assets**

Table 5.7.

	<b>At 01.01.2008</b>
1. Net assets (RUR thousand)	21 051 445
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) (%)	1283,81
5. Ratio of net assets to authorized capital and required reserve (line 1/(line 2+line 3)) (%)	1222,67

For the reporting period net assets have grown by RUR 2 674 202 thousand or by 14,55%.

# ***VI. RISK MANAGEMENT***

## **6.1. The Company’s activity in risk management area**

In 2007 the Company's Board of directors has approved the Program of the Company's risks management. The basic objective of the Program is to enhance the efficiency of management of threats and opportunities which should contribute to the process of the Company's capitalization growth. The Program is a document establishing key principles and approaches to identification of the Company's risks, and defining the methods of risk management within the framework of the Company's day-to-day operations, it allocates and fixes responsibility of specific managers and the Company's management bodies of risk management. The approved Program is treated as the instrument for enhancement of efficiency of adopted decisions; it enables to incorporate the complex of managerial activities related to information acquisition, analysis, work out of decisions and their monitoring to achieve the set tasks.

The Program also upbuilds the feedback of risk management processes with the processes of strategic, operating and budget planning when the risk holder gets financial resources to manage the threats efficiently, which increases his/her responsibility for achieving the result.

The adopted Program of risk management defines the following types of risks:

**Strategic risks** – threats and opportunities arising at the level of strategic decisions making by the management.

**Operational risks** – threats and opportunities arising in the course of day-to-day/routine operating activities related to the Company's strategy realization.

**Operating management risks** – threats and opportunities arising in the course of operating planning and operating managerial decisions making.

**Financial risks** – threats and opportunities arising in the course of the Company's performance of day-to-day/routine financial operations and at most caused by unexpected changes of external financial and macroeconomic factors.

**Risks related to emergency** – threats arising in the course of the Company's day-to-day/routine operating activities and at most caused by external emergency factors.

Risk management is distributed at responsibility levels proceeding from the level of risk relevance. Decision making on fundamental risks is referred to the competencies of the Company's Board of directors.

Principal supplement to the Program of risk management is Risks Register defining the risk category, the level of its relevance, the person responsible for its management, key efficiency indicators testifying to risk management efficiency, and also the basic set of methods of actions both of preventive nature and of subsequent actions when the risk arises.

## **6.2. The Company's risks capable to affect materially its activities**

The Company's basic risks the occurrence of which may materially affect the indicators of the Company's financial and economic activities are the following:

***Regulatory risks related to the change of principles of government regulation of communications services tariffs.***

As of today, the share of revenues received by the Company from regulated communications services accounts for 69,1%, the level of profitability of local and intrazonal telephony services as per regional communications centers data accounts for 32,1% in 2007. The level of profitability of regulated communications services allows the Company for covering the losses from providing socially important services, such as rural communications, telegraphy services, wire broadcasting. The regulator's fixing of tariffs with the growth rate matching the inflation rate in the current year (7%) will result in the reduction of revenues vs. the targeted level; setting of new tariffs with 1 quarter delay may substantially reduce the Company's expected income in 2008.

***Market risks based on improvement of competition level.***

Primary trends of telecommunications market - sharpening of competition in all areas of the Company's activities. Rival companies are consolidating through intensification of M&A processes, principal competitors are expanding on new territories, and new players are appearing in the market. Technologies are being substituted; competitors are securing supplementary licenses for new services, they provide bundled services thus strengthening their competitive capacity.

Particularly heavy competition is in the market of Internet access services over leased lines. As one of the Company's strategic initiatives is faster growth of Internet broadband access services, special emphasis should be laid on the development of competitive situation in this trend. The Company's risk management strategy consists of carrying out of measures intended for raising the Company's competitive capacity, and also of assessment of opportunities of entering new territories, securing new licenses and acquiring alternative operators.

The Company assumes as risk management strategy the expansion of the range of provided services, to put new and additional services into the package, and ARPU increase upon the whole in the Company.

***Financial risks related to the need to finance the Company's development programs under financial market liquidity crisis conditions.***

To realize the adopted programs the Company in its operations actively uses the borrowings in the form of various financial instruments (bank credits, loans, bills of exchange, bonds and leasing) for the purposes of replenishing current assets and financing the investments.

Interest rate risk for the Company as for the borrower has dual nature. Getting the borrowing at fixed rate, the Company runs the risk due to the fall in rates. In case of borrowing at variable rate, the Company runs the risk of increase in value of the borrowing.

Risk forming factors are the changes of economic situation, of investment climate, and of macroeconomic indicators in the country. The impact of world global economic factors is also possible.

It was the beginning of financial crisis signs in 2007 that caused serious concern to interest rate risk management.

Identification of risk is based on the analysis of variances of cost of borrowings for 2008 between the planned in the prior year and projected in the current period with due account for the impact of money market trends.

Furthermore, the Company does not rule out the threat of occurrence of risks related to carrying on of operating activities, claims of fiscal agencies, and occurrence of emergency situations.

## ***VII. PERSONNEL DEVELOPMENT***

### **7.1. Labor and wages**

Organization of labor and wages in OJSC VolgaTelecom is intended for optimization of the Company's headcount and implementation of advanced types of wages motivating increase in labor productivity.

In 2007 the average monthly wages of VolgaTelecom's employees amounted to RUR 13 901, growth of 23,0% vs. the past year. In the reporting year the wages were raised in all regional subsidiaries. The following figures prove it: the wages were raised in Kirov regional subsidiary by 23,5%, in regional subsidiary in the Republic of Mariy-El - by 21,5%, in regional subsidiary in the Republic of Mordovia by 20,3%, in Nizhny Novgorod regional subsidiary - by 21,6%, Orenburg regional subsidiary - by 22,5%, in Penza regional subsidiary - by 24,8%, in Samara regional subsidiary - by 26,5%, in Saratov regional subsidiary - by 17,7%, in the Republic of Udmurtia regional subsidiary - by 19,7%, in Ulyanovsk regional subsidiary - by 22,4%, and in regional subsidiary in the Republic of Chuvashia – by 28,4%. The wage fund has grown by 3,7% vs. 2006 and in 2007 it amounted to RUR 6 061 901,5 thousand.

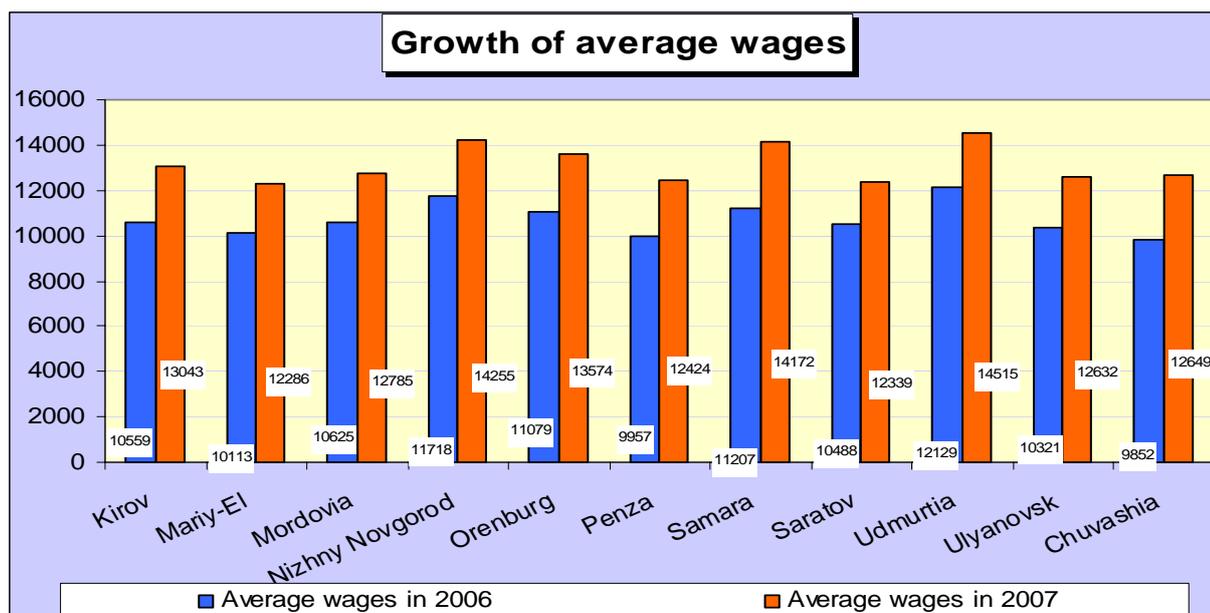


Chart 3.

Social benefits amounted to RUR 155 085,6 thousand; the growth of 102,3% vs. the past year.

**Social benefits per 1 employee per a month for 2006-2007.**

Table 7.1.

Regional subsidiary	Social benefits per 1 employee (RUR)		Change of social benefits, %
	2007	2006	
Kirov regional subsidiary	277,1	248,4	111,5
Regional subsidiary in the Republic of Mariy-El	246,9	177,8	138,8
Regional subsidiary in Mordovia Republic	234,3	184,3	127,2
Nizhny Novgorod regional subsidiary	366,8	280,4	130,8
Orenburg regional subsidiary	505,8	332,6	152,1
Penza regional subsidiary	307,8	222,3	138,4
Samara regional subsidiary	466,4	246,6	189,1
Saratov regional subsidiary	316,1	346,5	91,2
Regional subsidiary in Udmurtia Republic	268,0	431,7	62,1
Ulyanovsk regional subsidiary	353,8	313,9	112,7
Regional subsidiary in Chuvash Republic	250,3	345,9	72,4
<b>OJSC VolgaTelecom</b>	<b>355,6</b>	<b>292,9</b>	<b>121,4</b>

On February 14, 2007 the Management board approved uniform Regulation on VolgaTelecom's employees' remuneration of labor (minutes № 27 of 14.02.2007). The basis of remuneration of labor is the system of grades. In quarter 1 arrangements were made to changeover to uniform system of remuneration of labor: orders were issued to put stepwise into effect the Regulation on remuneration of labor in regional subsidiaries since June 1, July 1 and October 1, 2007; groups of regional subsidiaries and structural units for remuneration of labor of

executive employees were approved; basic rates of grade for remuneration of labor of regional subsidiaries' employees were approved; the List of posts and professional occupations with reference to grades as regards remuneration of labor was approved; grade system staffing tables of regional subsidiaries were worked out and approved; arrangements were scheduled to changeover the employees to new conditions of remuneration of labor. The Procedure of setting and raising the tariff rates, salaries in grades system was worked out. Criteria for raising tariff rates and salaries are efficiency and labor productivity.

1) For executives and specialists:

- Improvement of competencies assessment results vs. the prior one;
- Regular performance of extra volume of work at the stated time;
- The number of subordinate employees is more than set by requirement criteria;
- Participation in project activities subject to successful completion of the project;
- Employee's listing as a key employee.

2) For working men:

- Regular overfulfilment of rate time or output rate;
- Performance of extra volume of work at the stated time;
- Participation in projects;
- Worker's listing as a key worker.

Implementation of grade system enabled to assess work places in accordance with the significance of work place for the Company and to utilize the wage fund more efficiently.

For the purposes of stirring up material self-interest of employees in improvement of professional skill and responsibility for product quality, and retaining qualified personnel in Q 3-2007 the procedure of setting increment for professional skill and high qualification was worked out.

Since 2006 VolgaTelecom has been applying uniform system of bonus payment. The bonus payment system 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 regional subsidiary – by the results of the regional subsidiary's operation, employees of the General directorate – by the results of the Company's operation upon the whole.

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

## **7.2. Improvement of management structure**

In 2007 the Company continued the improvement of operational structures of regional subsidiaries in accordance with the "Concept of organization development of OJSC VolgaTelecom for 2007-2008" approved by the Company's Management board on October 16, 2006 (minutes № 10 of October 18, 2006) through reforming commercial bloc, improvement of operational structure of local communications centers and urban technical units, centralization of management functions.

The Company consistently optimizes the headcount. As a result of this optimization the average headcount has been reduced by 15,7% and accounted for 36 340 employees. The largest reduction was in Orenburg regional subsidiary – 20,0%, in regional subsidiary in the Republic of Mariy-El – 19,0%, in Nizhny Novgorod regional subsidiary – 17,2%, and in Samara regional subsidiary – 17,0%. The basic measures of headcount optimization in 2007 were:

- improvement of operational structure;
- improvement of labor organization and labor rate setting;
- implementation of new equipment and advanced technologies;
- conclusion of service contracts with outside agencies (outsourcing).

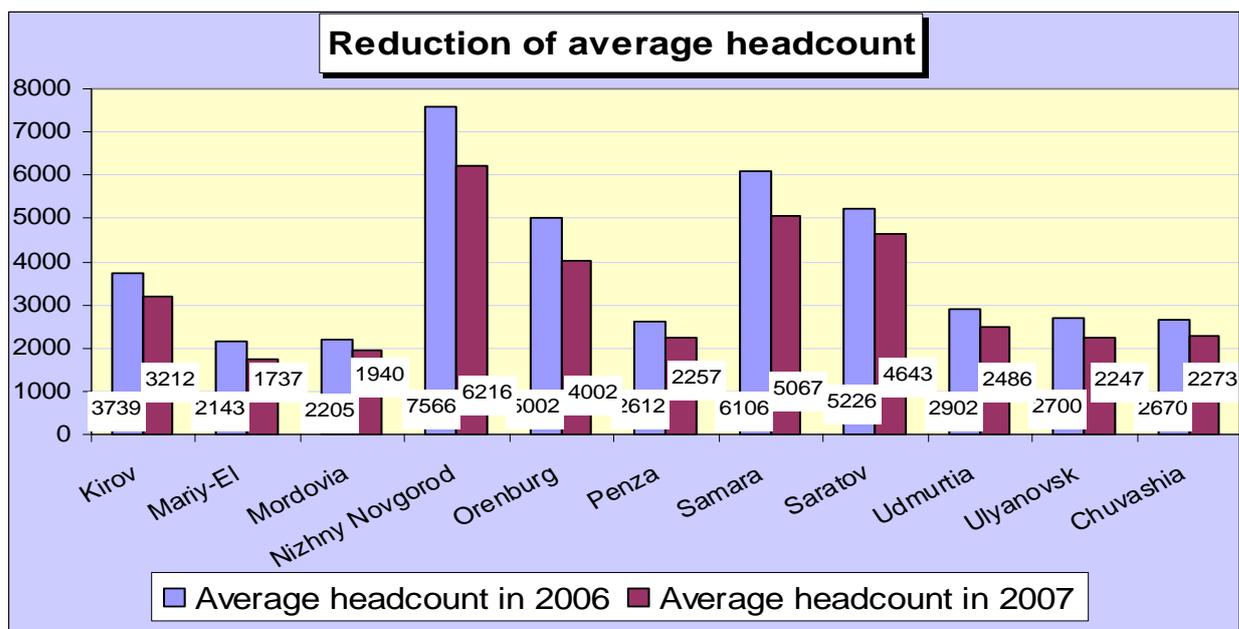


Chart 4.

For the purposes of improving management efficiency and fitting operational structure with hierarchy levels and status features of sub-divisions “Criteria of management (subordination) of OJSC VolgaTelecom” were worked out and approved by the Management board on December 28, 2007 (minutes № 19 of 28.12.2007). The criteria of management were worked out on the basis of actual data of staffing tables and are oriented to the best practice, to more successful and efficient management model. Application of these criteria should result in the changes of operational structure of regional subsidiaries – consolidation of local communications centers, line-technical shops, workshop sections, and also in the change of status of sub-divisions. Implementation of management criteria is scheduled for 1 H-2008.

In 2008 the Company will continue to improve operational structure and to optimize the headcount.

### 7.3. Staff relations

Second year at a run the Company’s HR department is a winner of “The best Russian personnel service” contest. In 2007 VolgaTelecom was awarded two prizes of “The best personnel service” contest: “For active implementation of innovation methods in personnel service activities” and “For successful activities in development and realization of efficient personnel policies under transition to market economy conditions”.

#### Staff training and development.

Staff training and development is a key function in HR management. This is the main channel for the Company's strategy realization and prompt implementation of changes.

One of the major objectives of VolgaTelecom’s staff policy is to provide the Company with highly qualified staff, to train, to develop and improve the employees’ potential.

The priorities in the Company’s personnel training and development are:

*Corporate training*, initiated and organized within OJSC Svyazinvest holding and realized in accordance with top and mid-level management programs common for all the Companies of the holding. In 2007 170 employees were trained in various programs of corporate training, the cost of this training amounted to RUR 5 638 thousand (growth of 170% vs. 2006).

*VolgaTelecom’s centralized training* for mid-level managers and the candidates of the Company’s personnel reserve intended for getting knowledge in modern techniques of leadership potential management and development. In 2007 1188 employees were trained in various

programs of centralized training, the cost of this training amounted to RUR 10 773 thousand (growth of 233% vs. 2006).

*In regional training* the priority is technical training of personnel of blue-collar jobs: working men, telephonist, telephone switchboard operator, electricians, cable splicers-cable jointers, etc.); compulsory annual training with confirmation of qualification in basic technical courses, courses in safety arrangements and precautions. Technical training was organized on site and was in-service training with the involvement of trainers. In 2007 21 638 workers were involved in in-service training in various programs (growth of 149% vs. 2006).

In determining the form of training the priority is given to internal training. This is involvement of internal trainers among the Company's employees and training on the basis of the Company's proprietary training classes. In 2007 this form of training enabled to train 32 774 employees in various programs which is 4,5 times more than the training in external training centers.

All in all 17 037 persons were trained in 2007 (growth of 101% vs. 2006). The share of trained employees to the total headcount accounted for 49% and this is a half of the Company's workers.

Total costs for the Company's personnel training and development amounted to RUR 70,53 million (growth of 111% vs. 2006). 697 system users were trained in 2007 within the framework of realization of plan of implementation of unified enterprise management information system on the basis of Oracle EBS.

Mean age of trained employees was 35 years old (in 2006 it was 38 years old). Among the trained persons 525 employees were promoted. Trained candidates for personnel reserve – 331 men. The volume of training accounted for 254 091 hours.

In 2007 the following tasks and projects were realized in staff training and development:

Trial operation was completed and the Model of competencies of the Company's employees and Uniform policies in HR management was implemented. This enabled to optimize and unify business processes of HR management. Uniform approaches and principles will enable to substantially enhance the quality of HR relations. The Model of competencies is the core of Uniform policies and they, in their turn, define the procedures and requirements to uniform approach of selection and adaptation, assessment of employees' competencies, training and development, personnel reserve forming and personnel incentive.

Within the framework of arrangements of personnel reserve development in September 2007 the candidates were selected through assessment procedure of Assessment Center and strategic reserve group was formed.

*Objective:* to obtain objective information about professional abilities, human personality and business qualities, management potential, and the level of readiness of employees qualifying for inclusion into the strategic reserve group to be appointed deputy to director of regional subsidiary – chief engineer.

The group consists of 14 mid-level managers of regional subsidiaries. The schedule of internship was worked out and individual plan of internship in the Company's regional subsidiaries and General Directorate was drawn up. The internship is intended for gaining practical experience of work of target post – first deputy to director of regional subsidiary – chief engineer.

Within the framework of realization of strategic initiative of implementation and provision of Internet broadband access services "J-STAR-2007" was started up.

About 2000 of the Company's employees participated in "J-STAR" project, and not only the workers of commercial bloc, but also those who due to their work specific nature are operating with clients and actively promote Internet broadband access services (e.g. software engineers, electronic engineer and the Company's other employees).

"J-STAR" project decisively demonstrated the fruitfulness of contest idea expressed by "Be the first, be the best" slogan.

The training of more than 11 000 Company's employees is scheduled for 2008. About RUR 60,0 million will be allocated to realize training programs.

#### ***Awards.***

In 2007 within the framework of corporate culture development VolgaTelecom's employees were awarded departmental prizes: "Master of communication" title was bestowed to 91 employees, 10 persons were awarded "Honorary radio operator" badge. 79 persons were awarded Certificate of honor of OJSC Svyazinvest, and 207 persons – Certificate of honor of OJSC VolgaTelecom.

Creation of positive labor incentive is facilitated by effective Regulation on Book of Honor of OJSC "VolgaTelecom" (approved on 22.12.2006). The Regulation 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 Company's employees 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.

Regulation on VolgaTelecom's honors board was approved on 21.08.2007. Twelve best employees were entered the honors board on the fifth anniversary of the Company celebrated in November 2007.

## ***VIII. CORPORATE GOVERNANCE***

### **8.1. Fundamental principles of corporate governance**

Fundamental components of corporate governance practice in the Company are:

- Shareholders rights;
- Management and control bodies activities;
- Information disclosure;
- Safeguarding the interests of other interested parties and corporate social responsibility.

Within the framework of "Shareholders rights" component the Company realizes the following aspects of corporate governance practice: securing shareholders' exercise property right, right to participate in the Company's management, right to getting dividends.

Shareholders' rights of property are separated from the right to participate in management and are characterized in the Company by the lack of restrictions for acquisition and sale of the Company's shares; by efficient methods of record of share ownership and also by the opportunity of free and prompt disposal of shares they hold which is achieved through the transfer of function of custody and the Company's shareholders register maintaining to independent registrar having positive reputation in the market of registrar services; by the lack of the Company's shareholder possessing 75% or more of ordinary shares, balance of the Board of directors composition and low share of authorized stock in the total quantity of outstanding ordinary stock which substantially reduces the risk of the Company's shareholding dilution; and also by the reduction of risks of the Company's asset stripping and by tightening control over their preservation which are achieved through the expansion of the competencies of the Board of directors as related to making decisions on major transactions.

Advance notification of shareholders general meetings holding is necessary for providing the shareholders with the opportunity to study carefully provided materials and to prepare for meeting. In accordance with VolgaTelecom's Articles of association the communication about shareholders general meeting holding should be released at least 30 days prior to its holding.

Communication about holding shareholders annual general meeting at 2006 year-end (the meeting was held on June 22, 2007) was posted at the Company's web-site in the Internet on May 2, 2007. The communication about holding VolgaTelecom's shareholders annual general meeting at 2006 year-end stated that the shareholders could get familiarized with the information at the place of location of the Company's single executive body and at locations of the Company's regional subsidiaries, as well as at the Company's web-site in the Internet. The Company in advance prior to shareholders annual general meeting holding had posted all the information (materials) provided by legislation requirements at its web-site in the Internet. The existing procedure in the Company of providing the shareholders with the opportunity to get familiarized with these materials meets recommendations of international and Russian best practices of corporate governance.

VolgaTelecom abides to the practice of annual declaration and payment of dividends. Furthermore, the Company is permanently working to safeguard shareholders rights to get dividends. So, VolgaTelecom's shareholders annual general meeting held on June 22, 2007 approved modifications to the Company's Articles of association related to the time of dividends payment. By the decision of VolgaTelecom's Board of directors of October 1, 2007 modifications and amendments were introduced into the Regulation on dividend policy. So, the Regulation is adjusted for the Company's articles of association which, in accordance with adopted modifications, provides for shorter time of dividends payment on preferred shares. At October 31, 2007 VolgaTelecom had completed the payment of dividends having transferred to shareholders RUR 624,2 million on ordinary and preferred shares accrued based on the results of the Company's operations in 2006 fiscal year.

One of the basic conditions of enhancing the efficiency of the Company's Board of directors activities and securing objectivity and independence of decisions made by it is the election of independent director to it; these directors do not hold any offices in the Company and in entities affiliated with the Company, they do not have business and kindred relations with the management, shareholders and counterparties. Independent directors make substantial contribution to the improvement of the Board of directors' activities and to the enhancement of efficiency of the Company's operations upon the whole in the following basic lines of activities:

- Securing safeguarding of rights of all groups of shareholders and respect their interests in making decisions of great moment in the Company's activities;
- Securing objective and independent assessment of the Company's development strategy and control of the Company's management work.

In 2007 5 independent directors were elected to the Company's Board of directors: Andreev V.A., Gavrilenko A.A., Degtyarev V.V., Enin E.P., and Fedorov O.R.

In 2007 the Company laid special emphasis to internal audit development. VolgaTelecom has set up the Department of internal audit; its main functions are audit of reliability of accounting statements and the Company's operation information, control of compliance with legislation requirements, preparation of recommendations of improvement of internal control procedures and other functions, which is in line with the best practice of corporate governance. In 2007 independent director Enin E.P. initiated the arrangements to improve the activity of the Department of internal audit; these arrangements resulted in restated version of the Regulation on internal audit Department approved by the Company's Board of directors on December 4, 2007.

In February 2007 the first meeting of VolgaTelecom's Coordinating council was held, the council was set up with a view to improve the quality of corporate governance. The members of the council are the General Director, his deputies in lines of activities and deputies to the General Director – directors of 11 regional subsidiaries of OJSC VolgaTelecom. During the year 4 meetings of the Company's Coordinating council were held. The council members discussed hot issues; they shared their experience, elaborated strategy and tactics of solving tangled situations.

In 2007 VolgaTelecom for the first time invited the tender of auditor selection. In preparation for tender selection the Company worked out and the Board of directors approved

“Regulation on the procedure of holding tender of selecting an audit entity for mandatory audit of VolgaTelecom's bookkeeping, accounting and financial statements” and “Regulation on tender committee for selection of an audit entity for mandatory audit of VolgaTelecom’s bookkeeping and drawing up of financial (accounting) statements”. On April 16, 2007 the tender committee summarized the results of the tender – LLC Ernst&Young was the tender winner and recommended for approval by shareholders as the company selected for mandatory annual audit of the Company’s RAS and IFRS financial statements for 2007.

In early June 2007 VolgaTelecom summarized the results of its operations for 2006 in accordance with International Financial reporting Standards (IFRS). Financial statements were audited by independent auditor LLC Ernst&Young. According to the data of audited reporting as a result of realization of VolgaTelecom’s development strategy in 2006 the Company demonstrated positive dynamics of key financial and performance indicators.

VolgaTelecom’s practice as related to information disclosure meets most of criteria of international and Russian best practices of corporate governance and fundamental provisions of S&P CGR technique. In annual report, at Internet web-site, and in quarterly reports the Company shows the names of shareholders – final owners possessing 1% and more of ordinary stock, discloses the information about total quantity of ordinary stock and the information about the share of every shareholder, the information about ADRs, about shares possession by the Board of directors members and about the shares belonging to the members of executive bodies.

At present quarterly report of the issuer of issuing securities is one of the most essential source of information about the Company. In this connection prompt and full disclosure of information in the form of quarterly report is an essential element of the Company’s information transparency. Also, interested parties should have the opportunity to assess the results of the Company’s operations and its condition in inter-temporal changes for a certain period of time. All Company’s quarterly reports, starting from Q 1-2002, are posted at VolgaTelecom’s web-site in the Internet in a separate section and as new reports appear they are posted in this section at once.

In 2007 the information posted at the Company’s Internet site about the members of the Board of directors and the management board was detailed, on a quarterly basis the Company posted the information about related party transactions.

Furthermore, in 2007 corporate web-sites of Russian and foreign companies were analyzed, the English version of the Company’s web-site was audited, and basing on the results of these arrangements VolgaTelecom’s Internet site is being improved.

The following corporate events speak about the Company’s commitment to improve the safeguarding of interests of other interested parties:

In 2007 VolgaTelecom was “Taxpayer of the year-2007” National prizewinner. The prize was instituted by Megaregional Employers' Organization with the support of the Accounting Chamber of the Russian Federation, the Committee of budget and taxes of the State Duma, Federal Internal Revenue Service, and Ministry of Finance of the Russian Federation. The prize is awarded for the second time and again VolgaTelecom was awarded the high prize.

VolgaTelecom got national award “Olympus of quality” for outstanding achievements in communications services provision. The prize awarded within Global project “New quality of growth to Russia” was awarded during International congress “Management of successful business” held in Moscow in “President-hotel” on November 1, 2007.

Within the project “Rating of transparency” government and corporate structures of the Russian Federation are annually rated for the level of transparency and efficiency of procurement procedures. The project is realized by National association of E-commerce participants with the support of Russia’s Federal Antimonopoly Service. In 2007 328 organizations took part in the project. VolgaTelecom was rated the fifth in “National rating of transparency of procurement 2007”. The Company was assigned the highest rating – “guaranteed transparency” (IIP++).

With a view to improve the system of quality management and to enhance orientation to client the Company’s corporate structure was changed; quality management sector was

transferred to commercial bloc and the appropriate business processes were optimized. These efforts were highly appreciated by business community: at the year-end VolgaTelecom was awarded two prizes of “The best Russian personnel service – 2007” contest. The blue ribbon of the contest was awarded to VolgaTelecom for successful activities in development and realization of efficient personnel policies under transition to market economy conditions.

In January 2008 “Expert RA” rating agency conducted monitoring of VolgaTelecom’s corporate governance rating and confirmed earlier assigned “A” rating (“7+” in numerical rating). “Expert RA” report states: “based on the monitoring results the Company is recognized as one of the leaders in management quality in Russia”. “VolgaTelecom’s corporate governance system is developing fast which is contributed by strategic initiatives of the management and shareholders of the Company”, - states the report.

## 8.2. The Company's corporate structure

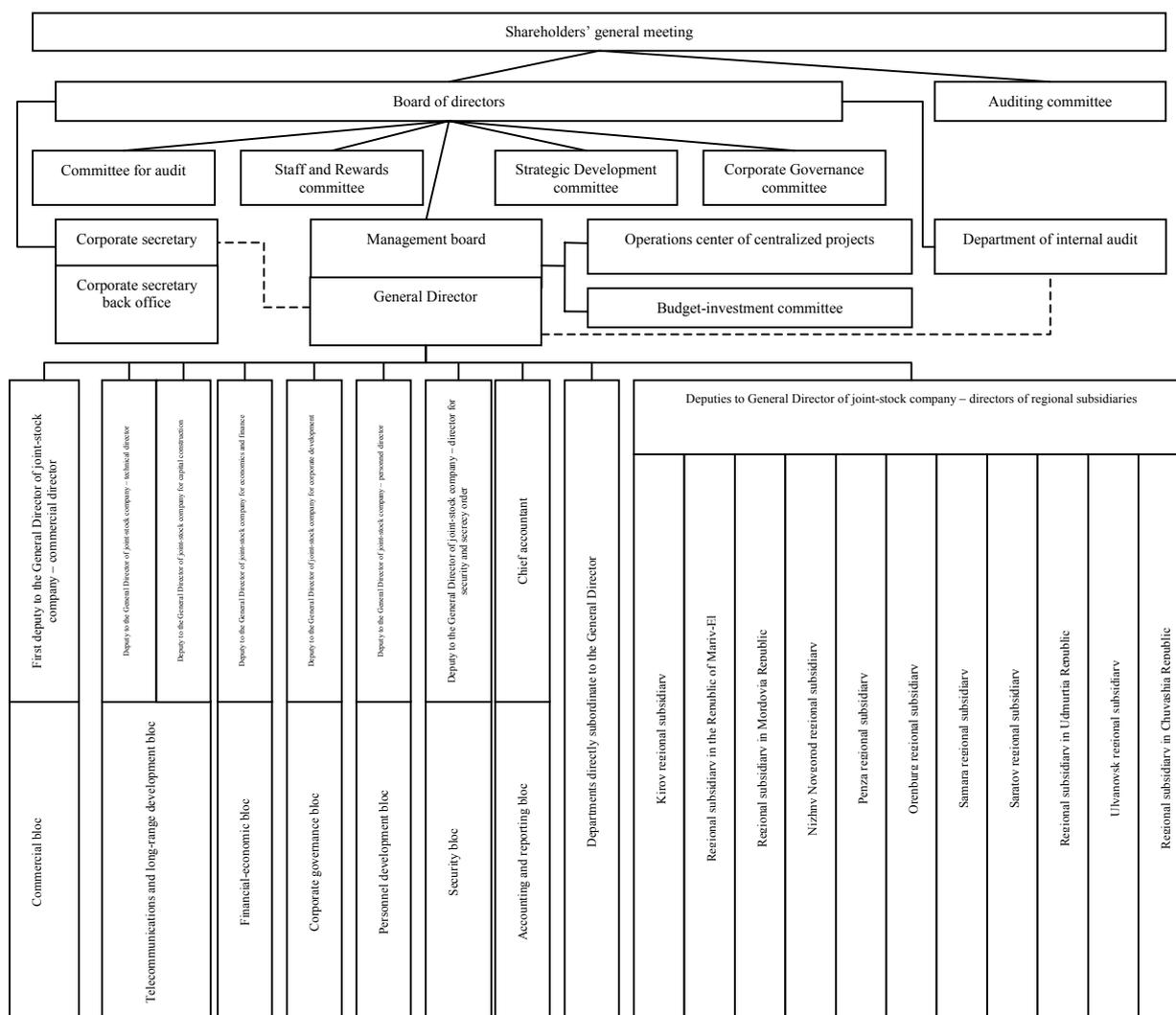


Chart 5.

## 8.3. Board of directors

Information about the Company's Board of directors:

1. *The Board of directors functioning before annual general meeting of shareholders held on June 22, 2007:*

1. Kuznetsov Sergey Ivanovich
2. Andreev Vladimir Alexandrovich
3. Bulancha Sergey Anatolievich
4. Grigorieva Alla Borisovna
5. Degtyarev Valeryi Victorovich
6. Enin Evgenyi Petrovich
7. Morozov Andrey Vladimirovich
8. Omelchenko Sergey Valerievich
9. Savchenko Victor Dmitrievich
10. Fedorov Oleg Romanovich
11. Chernogorodskiyi Sergey Valerievich

*2. Quantitative and personal structure of operating Board of directors, including their brief biographical data:*

The Board of directors is the Company's collegial management body performing corporate management of the Company's activities.

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.

The following Board of directors was elected by annual general meeting of shareholders on June 22, 2007:

Table 8.1.

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Share ownership of the Company's stock	Record of work in OJSC VolgaTelecom's Board of directors
1.	Kuznetsov Sergey Ivanovich	1953	Higher education, North-West corresponding polytechnic institute; Columbia university business school (NY); Business school of Fuke university of business management	Chairman of OJSC VolgaTelecom's Board of directors	<u>Chairman of the Board of directors of:</u> CJSC "BaltAvtoPoisk". <u>Member of the Board of directors of:</u> OJSC Sibirtelecom, OJSC Rostelecom, OJSC CenterTelecom.	The Russian Federation	Does not hold the Company's shares	Since 2005
2.	Andreev Vladimir Alexandrovich	1951	Higher education, Kuibyshev electrotechnical institute of communications; Moscow technical university of communications and IT; received instructions and was trained in specialized telecommunications training centers in England, France and Germany; Doctor of Engineering Science, professor.	Rector of Povolzhsky state academy of telecommunications and IT	<u>Member of International society</u> "International society of engineers- opticians SPIE". <u>Member of Board of rectors of Samara oblast</u> Institutions of Higher Education. <u>Vice-president</u> of Non-government Educational Institution Povolzhsky association of engineers of telecommunications and IT "TELEINFO". <u>Chairman of editorial board</u> , editor in chief of science-engineering and	The Russian Federation	Does not hold the Company's shares	Since 2004

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Share ownership of the Company's stock	Record of work in OJSC VolgaTelecom's Board of directors
					<p>information-analytical magazine  “Infocommunications technologies” (Samara city).  <u>Chairman of editorial board</u> of “Telecommunications field of regions” magazine.  <u>Member of editorial board</u> of science-engineering magazines: “Herald of communication”, “Electric communication” (Moscow).  <u>Member of editorial board</u> of science-engineering magazine “Physics of wave processes and radiotechnical systems”.</p>			
3.	Bilibin Yuri Alexandrovich	1971	Higher education, Saint Petersburg State technical university, specialty – engineer-thermal physicist, and special faculty of international economic relations	First deputy to General Director of ZAO SkyLink	<u>Chairman of the Board of directors of:</u> OJSC Giprosvyaz, OJSC Information technologies of communications. <u>Member of the Board of directors of:</u>	The Russian Federation	Does not hold the Company's shares	Since 2007

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Share ownership of the Company's stock	Record of work in OJSC VolgaTelecom's Board of directors
					OJSC Uralsvyazinform, ZAO RTC-Invest, OJSC ORK, OJSC South Telecommunications Company, ZAO Baikalvestcom. <u>Chairman of Partnership Council of Non-Commercial Partnership</u> "Center for investigations of telecommunications development problems"			
4.	Gavrilenko Anatolyi Anatolievich	1972	Higher education, Moscow State University after M.V. Lomonosov, specialties - economic cybernetics and civil law	General Director of Closed Joint Stock Company "Leader" (the Company for administration of assets of pension fund)	<u>Member of the Board of directors of:</u> CJSC "Leader", OJSC Unified machine-building plants (Uralmash-Izhora Group), OJSC "Moscow heating network company", OJSC "Moscow city electric network company", OJSC "Moscow incorporated electric network company", OJSC "Mosenergo", "Gazprombank" (open joint-stock company),	The Russian Federation	Does not hold the Company's shares	Since 2007

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Share ownership of the Company's stock	Record of work in OJSC VolgaTelecom's Board of directors
					OJSC Rostelecom, OJSC CIBUR-holding.			
5.	Grigorieva Alla Borisovna	1967	Higher education, Alma-Ata institute of national economy	Deputy to the director of corporate governance and legal support Department of OJSC Svyazinvest	<u>Member of the Board of directors of:</u> OJSC Uralsvyazinform. <u>Member of partnership:</u> Non-commercial partnership "Russian institute of directors".	The Russian Federation	Share in authorized capital - 0,00122% (preferred registered shares – 2000 pieces, ordinary registered shares – 2007 pieces); Share of ordinary stock - 0,00082%.	Since 1996
6.	Degtyarev Valeryi Victorovich	1957	Higher education, Omsk institute of engineers of railroad transportation, St. Petersburg state university for economics and finance, PhD (engineering), PhD (economics)	General director of ZAO "Professional telecommunications"	<u>Chairman of the Board of directors of:</u> OJSC "Tetrasvyaz". <u>Member of the Board of directors of:</u> ZAO "Professional telecommunications", OJSC Rostelecom.	The Russian Federation	Does not hold the Company's shares	Since 2004
7.	Enin Evgenyi Petrovich	1958	University of knowledge	Deputy to the director of Non-commercial	<u>Member of the Board of directors of:</u>	The Russian Federation	Does not hold the	Since 2006

№	Surname, name and patronymic name	Year of birth	Education	Place of employment and work status	Other posts held	Citizenship	Share ownership of the Company's stock	Record of work in OJSC VolgaTelecom's Board of directors
			methodology, Leningrad State University after A.A. Zhdanov	Partnership "Russian Institute of Directors"	OJSC Southern Telecommunications Company.		Company's shares	
8.	Zhelonkin Vladimir Borisovich	1967	University of knowledge methodology, University of knowledge methodology	Deputy to OJSC Svyazinvest General Director	<u>Chairman of the Board of directors of:</u> OJSC Central telegraph. <u>Member of the Board of directors of:</u> OJSC Dalsvyaz, OJSC South Telecommunications Company, OJSC North-West Telecom. <u>Member of the Management board of:</u> OJSC Svyazinvest.	The Russian Federation	Does not hold the Company's shares	Since 2007
9.	Omelchenko Sergey Valerievich	1963	Higher education, Novochoerkassk military academy	OJSC VolgaTelecom General Director	<u>Chairman of the Board of directors of:</u> ZAO NSS, ZAO Orenburg-GSM. <u>Member of Partnership Council of:</u> Non-commercial partnership "Center for investigations of telecommunications development problems". <u>Chairman of the Management Board of</u>	The Russian Federation	Does not hold the Company's shares	Since 2005

<b>№</b>	<b>Surname, name and patronymic name</b>	<b>Year of birth</b>	<b>Education</b>	<b>Place of employment and work status</b>	<b>Other posts held</b>	<b>Citizenship</b>	<b>Share ownership of the Company's stock</b>	<b>Record of work in OJSC VolgaTelecom's Board of directors</b>
					OJSC VolgaTelecom.			
10.	Savchenko Victor Dmitrievich	1960	Higher education, Moscow State University after M.V. Lomonosov	Executive director – director of the Department of corporate governance and legal support of OJSC Svyazinvest	<u>Member of the Board of directors of:</u> OJSC MGTS, OJSC Center Telecom.	The Russian Federation	Does not hold the Company's shares	2003–2005. Since 2006 – to present time.
11.	Fedorov Oleg Romanovich	1968	Higher education, Moscow State University after M.V. Lomonosov	Executive director of corporate finance Department of LLC Deutsche Bank	<u>Member of the Board of directors of:</u> Association for investors rights protection.	The Russian Federation	Does not hold the Company's shares	Since 2003

*3. Data on independent directors in the Board of directors as treated by Order № 07-102/пз-н of 09.10.2007 (Supplement 1 item 2) of RF FFMS.*

According to item 2 of Supplement № 1 to the Regulation on activities of organizing trading in securities market approved by RF FFMS Order № 07-102/пз-н of 09.10.2007 “On the approval of the Regulation on activities of organizing trading in securities market” 5 independent directors – Andreev V.A., Gavrilenko A.A., Degtyarev V.V., Enin E.P. and Fedorov O.R. are the members of the Company’s Board of directors.

In 2007 the Board of directors was elected once in accordance with the resolution of annual general meeting of shareholders held on June 22, 2007.

*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) paid in the reporting year.*

The Company incurs charges related to the Board of directors’ activities and reimburses for all document supported costs related to exercise of their functions, to the Board of directors’ members.

The Company’s Board of directors’ member exercising his/her functions for a fee is charged and paid a fee for exercising his/her functions, and also an increment to the remuneration.

The remuneration to the Board of directors’ member consists of a quarterly and an annual remuneration.

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

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

Quarterly remuneration of the Board of directors’ member is reduced by:

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

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

Annual remuneration for the entire composition of the Company’s Board of directors is established as the total of deductions according to requirement criteria (percentage):

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

- of the Company’s net profit at the reporting year-end allocated to the payment of dividends.

Annual remuneration to a member of the Board of directors is paid not later than 3 months after the expiry of the term of office of the present Board of directors’ composition.

The Board of directors’ members who are the members of the Company’s Board of directors committee are paid an increment to quarterly remuneration, related to their exercise of functions of the Board of directors committees members, in the amount of RUR 40 000 (for participation in each committee), and the Board of directors’ member may not be in more than two Board of directors’ committees.

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

According to the resolution of the annual general meeting of shareholders of June 22, 2007 (minutes № 7), the following requirement criteria (percentage) of deductions are approved for calculating annual remuneration to the Board of directors’ members being elected at the specified annual general meeting of shareholders:

0,26% (twenty six hundredth of percent) of the Company’s EBITDA based on the data of IFRS accounting statement for 2007;

0,78% (seventy eight hundredth of percent) of the amount of the Company’s net profit allocated for dividend payment at 2007 year-end.

The Board of directors' members are entitled to participate in option programs realized by the Company.

The remuneration of the members of the Company's Board of directors paid in the reporting year amounts to RUR 23 342 079,20.

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

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

*6. Data on the Board of directors' committees and their membership.*

On August 1, 2007 the Board of directors established the following Committees of the Company's Board of directors for the term of its office:

Corporate Governance Committee:

1. Grigorieva Alla Borisovna - The Committee's Chairman
2. Pokrovskaya Nataliya Ivanovna
3. Kulikov Denis Victorovich
4. Tushunov Dmitry Yurievich

Strategic Development Committee:

1. Andreev Vladimir Alexandrovich - The Committee's Chairman
2. Degtyarev Valeryi Victorovich
3. Omelchenko Sergey Valerievich
4. Belyakova Natalia Yurievna
5. Vorobieva Natalia Sergeevna
6. Shevchuk Alexander Victorovich
7. Kerber Sergey Mikhailovich

Staff and Rewards Committee:

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

Committee for Audit:

1. Degtyarev Valeryi Victorovich - The Committee's Chairman
2. Enin Evgenyi Petrovich
3. Savchenko Victor Dmitrievich

On August 31, 2007 the Board of directors decided to make the following changes in Corporate Governance Committee of the Board of directors:

- Kulikov D.V was excluded from the Committee
- Morozov A.V. was included into the Committee.

*7. Data on the Board of directors' activities as related to securing the performance of the Company's development priority trends, on the Board of directors' meetings, on the meetings of the Board of directors' committees and the most important decisions made.*

The Board of directors performs strategic management of the Company's operations, control of reasonable and bona fide performance by executive bodies of efficient management of the Company's day-to-day operations in the interests of securing its long-term sustainable development. It makes decisions of the Company's active cooperation with investors, creditors and other interested groups for the purposes of increase in the Company's value growth, including its assets growth, price of shares and other securities, improvement of the Company's image.

In 2007 the Company's Board of directors held 31 meeting, of which: 11 – in the form compresence and 20 – in the form of absentee voting; all in all the Company's board of directors has considered 276 issues.

*FUNDAMENTAL ISSUES CONSIDERED AT THE COMPANY'S BOARD OF DIRECTORS MEETINGS IN 2007.*

**January 30, 2007** – the decisions were made: to terminate VolgaTelecom's equity participation in LLC VYATKASVYAZSERVICE through the sale of its equity share of 100% of the authorized capital of LLC VYATKASVYAZSERVICE; to terminate the Company's equity participation in Joint-stock commercial bank "Vyatka-bank" (open joint stock company) through the sale of 28 336 registered ordinary stock and 1 800 registered preferred stock of the Bank.

**February 27, 2007** – the Board of directors approved: "Regulation on the procedure of holding tender of selecting an audit entity for mandatory audit of VolgaTelecom's bookkeeping and drawing up of financial (accounting) statements" and "Regulation on tender committee for selection of an audit entity for mandatory audit of VolgaTelecom's bookkeeping and drawing up of financial (accounting) statements"; the Board of directors considered the arrangements of the Company's realization of Concept of the Company's capitalization improvement for 2005-2007 and the Program of providing advanced services to residential sector and to business sector.

**April 20, 2007** – Omelchenko Sergey Valerievich is appointed VolgaTelecom's General Director and the term of his office is defined 27.04.2007 through 26.04.2009.

**May 15, 2007** – the Board of directors approved preliminarily the Company's annual report for 2006 fiscal year; it considered modifications and amendments to VolgaTelecom's Articles of association, Regulation on the Company's Board of directors, and the Regulation on the procedure of holding general meeting of the Company's shareholders and proposed to the annual general meeting of shareholders to introduce these modifications and amendments.

**June 8, 2007** – the Board of directors considered realization of strategy of the Company's cellular business development for 2006; it made decisions on the issues of agendas of annual general meetings of shareholders of ZAO Nizhegorodskaya Sotovaya Svyaz, ZAO RTCOM, ZAO Penza Mobile, ZAO Saratov-Mobile, ZAO Chuvashia Mobile, OJSC TATINCOM-T, ZAO Transsvyaz, LLC NIZHEGORODSKYI TELESERVICE where VolgaTelecom is a sole shareholder entitled to vote at general meetings of shareholders.

**June 22, 2007** – the Board of directors approved "VolgaTelecom's investment priorities for 2008" and VolgaTelecom's adjusted budget for 2007.

**August 1, 2007** – the Board of directors established the following Committees of the Company's Board of directors for the term of its office:

- Staff and Rewards Committee;
- Corporate Governance Committee;
- Strategic Development Committee;

➤ **Committee for Audit.**

The Board of directors formed the Company's Management board and approved terms and conditions of contracts concluded with VolgaTelecom's Management board members.

**August 31, 2007** – the Board of directors approved terms and conditions of audit services contract concluded by and between OJSC VolgaTelecom and LLC Ernst&Young; the Board of directors introduced modifications into the Regulation on Corporate Governance Committee and the Regulation on Strategic Development Committee of the Company's Board of directors; the Board of directors changed the composition of Corporate Governance Committee of VolgaTelecom's Board of directors.

**September 11, 2007** – the Board of directors introduced modifications and amendments into the Concept of VolgaTelecom's budgeting system; the Board of directors made decisions on the issues referred to the competencies of general meetings of shareholders of ZAO RTCOM, ZAO Penza Mobile, ZAO Saratov-Mobile, ZAO Chuvashia Mobile, OJSC TATINCOM-T, where VolgaTelecom is a sole shareholder, of their reorganization in the form of affiliation to Closed Joint Stock Company (ZAO) Nizhegorodskaya Sotovaya Svyaz.

**October 1, 2007** – the Board of directors approved the Programs of VolgaTelecom's development for 2008-2012; the Board of directors introduced modifications and amendments into the Regulation on the Company's dividend policy.

**October 25, 2007** – the Board of directors made the decision to terminate VolgaTelecom's equity participation in LLC NIZHEGORODTELESERVICE due to reorganization of LLC NIZHEGORODTELESERVICE through affiliation to LLC NIZHEGORODSKYI TELESERVICE.

**November 16, 2007** – VolgaTelecom's Management board composition was changed (the authority of Shaginov Yu.A. was early terminated since October 31, 2007).

**December 4, 2007** – the Board of directors approved the Regulation on the Department of internal audit of OJSC VolgaTelecom (restated version) and the Regulation on the Committee for Audit (restated version) of the Company's Board of directors; the Board of directors made the decision of reorganization of LLC NIZHEGORODSKYI TELESERVICE in the form of affiliating LLC NIZHEGORODTELESERVICE to it.

**December 20, 2007** – the Board of directors approved: VolgaTelecom's budget for 2008, the Program of risk management; the Board of directors defined functional blocs of corporate structure and basic functions of subdivisions comprising functional blocs of VolgaTelecom's corporate structure since January 1, 2008.

Enhancement of efficiency and quality of operation of the Company's Board of directors was facilitated by the establishment of the Committees of the Board of directors, which based on the results of prior consideration of individual issues referred to the competencies of the Board of directors prepared recommendations of making decisions of issues matching their competencies.

Staff and Reward Committee, Strategic Development Committee and Committee for Audit of the Company's Board of directors are headed by independent directors of VolgaTelecom's Board of directors.

In 2007 the **Committee for Audit** held 11 meetings.

The materials submitted for discussion in accordance with approved functions of the Committee included the issues of interaction with the bodies exercising external and internal control, and also the issues of the Company's financial reporting; the Committee considered and discussed with auditors (involving bookkeeping structural unit 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 submitting them for consideration by the Company's Board of directors. The Committee for Audit exercised control of the Company's management implementation of auditor's recommendations and assessed audit opinion of the Company's accounting statements for 2006 with a view to present it to the Company's shareholders at annual general meeting.

**Staff and Reward Committee** held 13 meetings in the reporting period and considered the following issues:

- Regular appraisal of activity of the General Director and Management board members and preparation for the Board of directors of proposals of feasibility of their reappointment;
- Prior approval of candidates for the posts of heads of regional subsidiaries and representation offices and their dismissal;
- Generation of proposals of Management board composition, of defining the term of its powers, and also early termination of Management board members powers;
- Working out proposals of defining essential conditions of contracts with Management board members, General Director and directors of regional subsidiaries.

In 2007 **Corporate Governance Committee** held 17 meetings and considered the following issues:

- The issues related to convocation, preparation and holding of annual general meeting of the Company's shareholders;
- Proposals of introducing modifications and amendments into the Company's Articles of association and other internal documents approved by general meeting of shareholders and the Company's Board of directors;
- The issues of corporate reorganization in the Company;
- Defining fundamental principles of arrangement of the Company's corporate structure.

**Strategic Development Committee** held 8 meetings to work out the following proposals and recommendations:

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

#### **8.4. General Director**

*1. Information about the person holding the post of single executive body, including brief biographical data:*

General Director is the single executive body carrying out management of the Company's day-to-day operations. General Director is appointed by the Company's Board of directors.

Omelchenko Sergey Valerievich was appointed General Director of OJSC VolgaTelecom in April 2005. In April 2007 due to the expiry of term of office of the Company's General Director the Board of directors made the decision to re-appoint Omelchenko S.V. General Director.

Omelchenko Sergey Valerievich was borne in 1963.

In 1984 he graduated from Novochoerkassk 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 chief expert of 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 regional subsidiary of OJSC Rostelecom.

Criteria of defining 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 2007 as per the labor contract accounted for RUR 9 630 697,17.

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

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

## **8.5. Management board**

Information about the Company's Management board:

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

The objective of Management board activity is to ensure the Company's efficient operations of profit generation. The Company's Management board works out proposals of basic trends of the Company's activities, including drafts of annual budget, budgets for medium-term and long-term perspective, strategies and programs of the Company's development, proposals of introducing modifications into the specified documents; it approves internal control procedures, defines personnel and social policy of the Company, prepares materials and draft decisions of issues subject to consideration at general meeting of shareholders; it defines the Company's technical, finance-economic and tariff policy and also makes decisions on other issues referred to its competencies.

The Company's Management board works out and submits the materials to the Company's Board of directors, to the Committees of the Company's Board of directors in accordance with approved action plans, and also on the instructions of the Board of directors.

In 2007 the Company's management board held 43 meetings and considered 409 issues.

*1. Quantitative and individual composition of operating Management board, including their brief biographical data:*

Quantitative and individual composition of 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.

VolgaTelecom's Board of directors by its decision of 01.08.2007 formed the Company's Management board consisting of the following 10 persons:

1. Omelchenko S.V. - VolgaTelecom's General Director, Chairman of the Company's Management board;
2. Astakhova S.L. - Deputy to the General Director of joint-stock company – personnel director;
3. Dyakonov M.V. - Deputy to the General Director of joint-stock company for capital construction;
4. Ershov O.V. - Deputy to the General Director of joint-stock company – commercial director;
5. Ketkov A.Yu. - Deputy to the General Director of joint-stock company – technical director;
6. Kostin D.B. - Deputy to the General Director of joint-stock company for corporate development;
7. Petrov M.V. - General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;
8. Popkov N.I. - Chief accountant;
9. Ulyanov V.V. - Deputy to the General Director of joint-stock company – director for security and secrecy order;
10. Shaginov Yu.A. - Deputy to the General Director of joint-stock company for economics and finance.

By VolgaTelecom's Board of directors decision of November 16, 2007 the authority of Shaginov Yu.A. the Company' Management board member was early terminated.

**Quantitative and individual composition of the Company's Management board operating at December 31, 2007.**

Table 8.2.

<b>№</b>	<b>Surname, name and patronymic name</b>	<b>Year of birth</b>	<b>Education</b>	<b>Place of employment and work status</b>	<b>Record of work in the office</b>	<b>Other posts held in the Company and in other entities</b>	<b>Share ownership of the Company's stock</b>
1.	Omelchenko Sergey Valerievich	1963	Higher education, Novocherkassk military academy	Chairman of the Management board – OJSC VolgaTelecom's General Director	Since 2005	<u>Chairman of the Board of directors of:</u> ZAO Orenburg –GSM, ZAO NSS. <u>Member of the Board of directors of:</u> OJSC VolgaTelecom. <u>Member of Partnership Council of:</u> Non-commercial partnership "Center for investigations of telecommunications development problems".	Does not hold the Company's shares
2.	Astakhova Svetlana Leonidovna	1974	Higher education, All-union corresponding financial and economic institute; Nizhny Novgorod state university after N.I. Lobachevsky	Deputy to the General Director of joint-stock company – personnel director	Since 2005	None	Does not hold the Company's shares
3.	Dyakov Mikhail Vasilievich	1954	Higher education, Mordovian state university after N.P. Ogarev	Deputy to the General Director of joint-stock company for capital construction	Since 1999	None	Does not hold the Company's shares
4.	Ershov Oleg Vladimirovich	1977	Higher education, Nizhny Novgorod commercial institute	Deputy to the General Director of joint-stock company – commercial director	Since 2005	<u>Member of the Board of directors of:</u> ZAO NSS, OJSC OMRIX.	Does not hold the Company's shares
5.	Ketkov Alexander Yulievich	1972	Higher education, Nizhny Novgorod state university after N.I. Lobachevsky	Deputy to the General Director of joint-stock company – technical director	Since 2006	<u>Member of the Board of directors of:</u> ZAO NSS.	Does not hold the Company's shares

<b>№</b>	<b>Surname, name and patronymic name</b>	<b>Year of birth</b>	<b>Education</b>	<b>Place of employment and work status</b>	<b>Record of work in the office</b>	<b>Other posts held in the Company and in other entities</b>	<b>Share ownership of the Company's stock</b>
6.	Kostin Denis Borisovich	1969	Higher education, Moscow State Institute for International Relations of the USSR Ministry of Foreign Affairs; London Business School, MBA; HEC School of Management, MBA	Deputy to the General Director of joint-stock company for economics and finance	Since 2007	<u>Chairman of the Board of directors of:</u> ZAO Ulyanovsk-GSM. <u>Member of the Board of directors of:</u> ZAO Rostelegraph, ZAO NSS, ZAO Samara Telecom.	Does not hold the Company's shares
7.	Petrov Mikhail Victorovich	1973	Higher education, Saratov state technical university; Professional training at the department of academic training programs of the Academy of National Economy with the RF Government in MBA program	ZAO NSS General Director	Since 2002	<u>Member of the Board of directors of:</u> ZAO Orenburg-GSM, ZAO NSS, ZAO Ulyanovsk-GSM, ZAO Narodnyi Telephone Saratov. <u>Chairman of management board of:</u> ZAO NSS.	Does not hold the Company's shares
8.	Popkov Nikolai Ivanovich	1973	Higher education, Nizhny Novgorod state university after N.I. Lobachevsky	OJSC VolgaTelecom's chief accountant	Since 2003	None	Does not hold the Company's shares
9.	Ulyanov Vladimir Vasilievich	1951	Higher education, technological college-factory with Karaganda steel plant in Temirtau town	Deputy to the General Director for security	Since 2006	None	Does not hold the Company's shares

The members of the Company's Management board during the period of exercising their functions are paid remuneration and compensations of expenses related to exercising the functions of the members of the Management board, as provided by the Regulation on the Company's Management board approved by general meeting of the Company's shareholders.

The size and the procedure of remuneration payment and also its distribution among the Management board members are defined by the decision of the Company's Board of directors according to the Regulation on remuneration of OJSC VolgaTelecom Management board members, the specified Regulation being approved on March 29, 2005, and amendments introduced into the Regulation and approved by the Company's Board of directors on December 22, 2006.

The Management board members are entitled to participate in option programs realized by the Company.

The remuneration paid to the Company's Management board members in the reporting year amounts to RUR 66 662 409,17.

*2. Data on transactions of the Company's shares acquisition or disposal in the reporting year by the Company's Management board members (in accordance with RF FFMS order № 06-117/пз-н of October 10, 2006 "On approval of the Regulation on information disclosure by the issuers of issuing securities").*

In the reporting year the Company's Management board members did not make transactions of VolgaTelecom's shares acquisition or disposal (in accordance with RF FFMS order № 06-117/пз-н of October 10, 2006 "On approval of the Regulation on information disclosure by the issuers of issuing securities").

## **8.6. Auditing committee**

Information about the Company's Auditing committee:

*1. Quantitative and individual composition of operating Auditing committee:*

Auditing committee is an independent body of the Company's 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 VolgaTelecom's financial-economic activities is exercised by the Auditing committee elected at the annual general meeting of shareholders on June 22, 2007 in the following composition:

Table 8.3.

<b>№</b>	<b>Surname, name and patronymic name</b>	<b>Place of employment and work status</b>
1.	Koroleva Olga Grigorievna	Chairman of the Company's Auditing committee, OJSC Svyazinvest chief accountant
2.	Arzhannikova Lyudmila Alexandrovna	Deputy to sector chief of monitoring of strategic positions of the Group's companies in the market of info-telecommunications technologies of the Department of strategic development of OJSC Svyazinvest
3.	Konkova Elena Olegovna	Main specialist of internal audit Department of OJSC Svyazinvest
4.	Feoktistova Nataliya Vadimovna	Chief of sector of relations with associated companies of corporate governance and legal support Department of OJSC Svyazinvest
5.	Chernikova Tamara Alexeevna	Chief of sector of borrowed capital management of the Department of economics and finance of OJSC Svyazinvest

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

The Auditing committee's activities were in the following areas:

- Monitoring of legality of decisions and acts of the Company's executive officers,

- inclusive of made transactions;
- The check of compliance of terms and conditions of transactions made by the Company with the terms and conditions of transactions made in comparable circumstances;
- Compliance with industry legislation requirements in communications area;
- Compliance with established procedures of bookkeeping;
- Organization of internal control;
- Observance of budgetary discipline;
- Validation of data reliability contained in annual reports for 2007.

The Auditing committee held 5 meetings. The sampling audit of financial and economic activity of General directorate, Nizhny Novgorod, Saratov, Samara and Orenburg regional subsidiaries of the Company for 2007 was conducted.

The Auditing committee has drawn up the Findings of the Auditing committee based on the results of OJSC VolgaTelecom's operations in 2007. The violations identified by the Auditing committee do not have material effect on the reliability of OJSC VolgaTelecom's accounting statements for 2007.

### **8.7. Information about assignment of corporate governance rating to the Company**

Table 8.4.

<b>Rating agency</b>	<b>Rating description</b>	<b>Value</b>	<b>Date of assignment</b>
Standard & Poor's	International corporate governance rating	5	19.09.2007
Standard & Poor's	National corporate governance rating	5,2	19.09.2007
Expert RA	National corporate governance rating	A (in digital scale 7+)	17.01.2008

Information about the Company's corporate governance ratings is available at:

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

### **8.8. Information policy**

The Company's information policy is built in accordance with VolgaTelecom's Information concept for 2006-2008 and also the Regulation on information policy governing the procedure of distribution of information about the Company's activities in accordance with legislation. The major objective of this activity is to shape a positive information environment, which in its turn creates favorable conditions for activities and realization of strategic objectives and tasks declared by the Company.

With a view of compliance with the principle of information transparency and timely information of multiple key audiences about VolgaTelecom's activities the Company used various instruments of information disclosure:

In 2007 VolgaTelecom initiated publications about the Company's activities in Russian leading mass media, such as newspapers «Vedomosty», «KommersantЪ», «Rossiiskaya gazeta», magazines «Connect. Mir svyazi», «Standard», «Securities market», «Expert», information agencies ComNews, PRIME-TASS, Interfax. These mass media published the interviews with the Company's executives, their comments about burning questions of telecommunications industry development, informative articles about VolgaTelecom's activities.

VolgaTelecom's Internet site has sections disclosing the information about the Company's activities through integration of news from all regional subsidiaries into common information newswire. Furthermore, "For investors and shareholders" section has a block of comprehensive information disclosed by the Company in accordance with legislation requirements (material facts, data that may materially affect the cost of the issuer's securities, accounting balance-sheet, report of the issuer of issuing securities, annual reports, etc.), and information block disclosing the information about the most significant events in the Company's life (conferences, question-reply, presentations, etc.).

In the reporting period the Company prepared and distributed (as per the distribution list containing about 60 publishers and through Internet) press-releases with the information about the Company's day-to-day operations, the results of its development, plans and perspectives. The information about material facts affecting the Company's financial-economic activities, data that may materially affect the cost of the issuer's securities was posted at the Company's site in the Internet and published in "Rossiiskaya gazeta" newspaper and supplement to "FFMS Herald" as soon as it appears.

The information about VolgaTelecom's activities was distributed as per the distribution list containing about 90 Russian and foreign analysts. Information about the assessment of VolgaTelecom's operations regularly appeared in analytical reviews of the largest investment companies, such as IC "Renaissance Capital", IC "Advanced Research", IFC Metropol", IC "Financial Bridge", IC "Troika Dialog", IC "Antanta Capital" and banks "Uralsib", "Promsvyazbank", bank "Zenith", "Goldman Sachs", and "Deutsche Bank". Detailed analysis of VolgaTelecom's operations was published by the following companies - Financial Bridge, Veles Capital, AlfaBank, Bank of Moscow, UBS, Troika Dialog, and Antanta Capital.

In 2007 VolgaTelecom's management held 2 road-shows, and also the meetings conference calls with analysts and managers of Russian and foreign investment companies and funds. In 2007 VolgaTelecom's management held face-to-face meetings with representatives of 30 investment companies and banks (5 meetings in Russia and 25 during road-shows).

For more detailed disclosure of the Company's IFRS statements on June 6, 2007 VolgaTelecom arranged Internet conference with participation of representatives of leading mass media and analytical agencies.

#### ***Intracorporate mass media.***

For the purposes of shaping intracorporate information environment the Company on a monthly basis publishes intracorporate newspaper "VolgaTelecom is on line" and supports intracorporate information portal. Every year intracorporate newspaper is a winner of regional contests of corporate press. In 2007 VolgaTelecom started to publish "Communications corporation" magazine for corporate clients; it contains the information not only about the Company's activities and communications market of the Volga Federal district, but also analytic materials of Russia's communications market survey.

#### **8.9. Information about the Company's auditors (RAS and IFRS):**

*Full brand name:*

Limited Liability Company Ernst & Young.

*Location:* Building 1, Sadovnicheskaya naberezhnaya 77, Moscow, Russia, 115035.

*Mailing address:* Building 1, Sadovnicheskaya naberezhnaya 77, Moscow, Russia, 115035.

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

*Data about the auditor's license:*

*License number:* E002138.

*Date of issue:* September 30, 2002.

*Licensing authority:* the Ministry of Finance of the Russian Federation.

*License validity term:* 5 years. The license was extended to September 30, 2012 by order № 573 of September 17, 2007 of the Ministry of Finance of the Russian Federation.

#### **8.10. Information about the Company's registrar:**

*Full brand name:*

Open Joint Stock Company "Obiedinnennaya registratsionnaya kompaniya".

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

*Internet web-site:* <http://www.ork-reestr.ru>.

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

*Phone/fax:* (495) 933-42-21.

*Data about the registrar's license:*

*License number:* 10-000-1-00314.

*Date of issue:* March 30, 2004.

*Licensing authority:* RF FFFMS

*License validity term:* no limit of validity term.

## **IX. SOCIAL RESPONSIBILITY**

### **9.1. Fundamental principles of social policy**

Currently one of the major objectives of VolgaTelecom in social policy is to create favorable conditions of employees work. These conditions mean not only fair wages but also comprehensive social package. The list of social benefits and guarantees is stated in Collective agreement for 2006-2008. The Collective agreement provides for compulsory state social programs and for corporate social programs. Provision of corporate social programs contributes to additional incentive of employees, secures the stay of qualified personnel in the Company and takes effect on maintaining the Company's image as a socially responsible entity.

### **9.2. Environment-related and ecological activity**

Implementing a wide range of production measures VolgaTelecom traditionally pays great attention to the issues of ensuring environmental safety of its objects, to sustainable use of natural resources.

VolgaTelecom's priorities in environment protection are as follows:

- Ensuring sustainable economic growth without environmental damage;
- Preservation of natural environment in the zone of communications facilities location and sustainable use of natural resources involved in production process.

In 2007 VolgaTelecom's ecological activity and measures intended to its perspective development were implemented with due account for balance of environmental factors (requirements of environmental law).

#### **9.2.1. Environment-related activity planning**

VolgaTelecom's environment-related activity at all levels is conducted on the basis of perspective planning. All the Company's structural sub-divisions work out annual plans of environmental measures carrying out.

Table 9.1.

	<b>Costs in 2007, RUR thousand</b>
Environmental costs – total, of which:	18 525,84
Environmental payment	5 580,4
Environmental education	397,2
Capital repairs of property, plant and equipment	200,05

Recultivation of disturbed soils	3 423,94
Protection of water resources, protection of atmospheric air, and protection of the environment from production and consumption wastes	8 924,29

The following environmental measures were carried out in the current year:

- *Protection of atmospheric air.*
- *Protection and sustainable use of water resources.*
- *Protection of the environment from production and consumption wastes.*

In the reporting year the Company continued the work of records, inventory of sources of formation and landfill and waste burial sites, the wastes transfer to outside entities for their utilization and recycling, burial of production wastes at specially allotted territories.

### **9.2.2. Environmental education**

The efficiency of environmental measures in many ways depends on environmental literacy of executives and specialists. Development of vocational competence of VolgaTelecom's executives and specialists is one of the factors of environment-related activity efficiency. In 2007 the Company allocated RUR 416 700 for its executives and specialists training in environment-related activity.

In the past year 47 Company's employees were trained in various educational institutions and centers in the area of protection of the environment. The programs of development of vocational competence covered actually all the aspects of the Company's environment-related activity. The Company's executives and specialists were trained in more than 10 special courses:

- Fundamentals of legislation of waste management in the Russian Federation, hazardous waste management, licensing of activity of hazardous waste management;
- Calculation of payments for environment pollution;
- New legislation of certification of hazardous waste and setting the limits on waste disposal;
- Professional training course in hazardous waste operations (the program of 112 hours);
- Development of vocational competence of executives and specialists securing environmental safety of objects;
- Burning questions of environmental safety and protection of the environment in the Volga Federal district;
- Regulatory framework for project planning, ecological-judicial aspects;
- Fundamentals of ecosystem exploitation in protection of the environment and industrial ecological monitoring at the enterprise.

### **9.2.3. Control of environmental laws compliance**

In 2007 the Company's regional subsidiaries were inspected for the compliance with environmental laws requirements. These were both internal inspections and the inspections of controlling authority. Supervisory authorities did not identify any significant departures from environmental laws requirements.

In the past year no sanctions for violation of rules and environmental standards were imposed on the Company.

## **9.3. Social partnership**

### **9.3.1. Collective agreement and its execution**

On February 7, 2007 VolgaTelecom's Collective agreement for 2006-2008 was concluded; and on February 16, 2007 the conference of the Company's labor collective approved restated version of VolgaTelecom's Collective agreement for 2006-2008 due to entry into effect of modifications and amendments to RF Labor code since October 2006 (as

modified and amended) and implementation of unified wage system in 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 approval of restated version of the Collective agreement in 2007 introduced modifications and amendments into existing benefits and compensations intended for improving social security of employees and nonworker pensioners.

In 2007 all the Company's obligations of providing social benefits and guarantees within the Collective agreement were performed in full. Taking into account the payments of social nature the average income of VolgaTelecom's employees for 2007 amounted to RUR 14 257; the growth rate of 23% vs. 2006.

For the purposes of creating positive labor incentives of the Company's employees on September 4, 2006 the Regulation on corporate emulation of OJSC VolgaTelecom's regional subsidiaries' collectives was approved. The objective of corporate emulation is to improve the efficiency of regional subsidiaries operations, to increase profit, to enhance the quality of communications, to expand the range of provided services, to stimulate the development of new services and technologies.

The results of corporate emulation for 2006 were summarized by May 7, 2007.

The winners at 2006 year-end were:

I place – Kirov regional subsidiary;

II place – regional subsidiary in Chuvashia Republic;

III place – Nizhny Novgorod regional subsidiary.

The collectives of regional subsidiaries – winners of corporate emulation were awarded Diplomas of I, II, III degree and bonuses amounting to RUR 10 million, RUR 6 million and RUR 4 million accordingly.

### ***9.3.2. Top management meetings with labor collectives***

The Company has and is developing such a good tradition as permanent meetings of the top management with labor collectives. People are concerned about many things, there are always questions. During the year VolgaTelecom's top management once and again visited structural sub-divisions of regional subsidiaries to get to learn from the employees about work, problems, to tell about the perspectives of the Company's development, about the challenges issued to the collectives.

So, on December 14, 2007 VolgaTelecom's General Director Sergey Omelchenko visited the Company's regional subsidiary in Mordovia Republic. This day Sergey Omelchenko visited several dial central offices, got himself familiar with the operation of shops and communications units. At the meeting with the collective and heads of structural sub-divisions of VolgaTelecom's regional subsidiary in Mordovia Republic the General Director defined the priorities facing the Company – these are the development of commercial bloc, and in the first place the development of new services salable in telecommunications market due to new technologies.

### ***9.3.3. Corporate publications***

“VolgaTelecom is on line” corporate newspaper being published since 2003 is an efficient tool of intracorporate communications. The newspaper expeditiously highlights relevant topics; it regularly publishes the Company's top executives' interviews, the newspaper writes a lot about the Company's social and personnel policies. The topic is disclosed by publication in each issue of news from different regional subsidiaries, 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. The Company's newspaper time and again was a winner of intraregional contests among corporate publications. In 2007 it was awarded the prize in nomination “The best style” of national contest of corporate media “Silver lines-2007”.

The Company's corporate site was awarded a diploma of "Silver lines-2007" contest in "The best corporate site" nomination.

#### **9.4. Social programs**

##### ***9.4.1. Non-government corporate 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 fund scheme.

In 2007 VolgaTelecom allocated more than RUR 208,3 million for non-government pension fund scheme. In 2007 1161 employees of the Company were set non-government pensions, their average size exceeded RUR 1000 which is by RUR 100 more than in the past year.

For the purposes of keeping highly qualified perspective employees at the enterprise in 2007 OJSC VolgaTelecom and OJSC IC "ROSNO" concluded the contract of voluntary medical insurance; according to this contract more than 450 key experts of the Company were insured. All in all RUR 6,5 million were allocated for these purposes.

##### ***9.4.2. Intracorporate events***

VolgaTelecom pays great attention to the formation of common corporate culture, seeking after not only informing the employees about the most important events of the Company's life, but also after the collective rallying. Support of common spirits and traditions, creation of cooperation and mutual understanding climate in the Company – all these objectives are achieved through activities intended for the development of intracorporate communications – creation of system of informing the employees about the Company's activities and execution of corporate events.

In the reporting period the Company's regional subsidiaries held traditional contests of professional skills, the events dedicated to Day of radio, regional subsidiaries anniversaries such as 80-th anniversary of wire radio in Samara regional subsidiary, 110-th anniversary of urban phone network in Penza regional subsidiary and 70-th anniversary of regional subsidiary in Udmurtia Republic were executed.

As before, the most popular corporate events in our Company are sports events. All regional subsidiaries annually hold sports events in football, volleyball, tennis, ski, chess, sports events "Father, mother and me are sports family" for the employees and their family members.

Holding of VolgaTelecom's Olympics between the teams of regional subsidiaries and General directorate has served to revive the traditions of sports contests holding, to healthy lifestyle promotion.

##### ***9.4.3. Social aspects of personnel policy***

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. Nonworker pensioners are paid pecuniary aid to festive dates; they are

partially paid for subscriber fee of telephony 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’s 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.

#### ***9.4.4. Safety arrangements and precautions and medical insurance***

Safety arrangements and precautions activities in the Company are carried out in accordance with Labor Code of the Russian Federation, “Regulation on safety arrangements and precautions management in “Communications” industry” approved by order № 187 of October 26, 2000 of Russia’s Ministry of Communications and CTO 1142788.640.01.01-2006 standard.

At 01.01.2008 VolgaTelecom’s safety arrangements and precautions service totals 128 specialists.

In 2007 in VolgaTelecom’s sub-divisions there were 25 industrial injuries (in 2006 – 28 injuries), including 4 severe accidents and 2 fatal accidents. Injury disability accounted for 1 398 man/days. In the reporting period occupation diseases among the Company’s employees were not registered.

Provision of workers with special clothes, special footwear and personal protective gear was made in accordance with approved calculations of requirements of special clothes, special footwear and other personal protective gear for 2007 and quarterly specification. In 2007 the supply in the whole Company was 99,54% (general index). All supplied special clothes have certificate of compliance.

All in all in 2007 VolgaTelecom spent RUR 98352,11 thousand for safety arrangements and precautions or 0,5% of costs for output of products (services) which complies with the requirements of article 226 of Labor Code of the Russian Federation (at least 0,2%). Safety arrangements and precautions measures were financed in accordance with real needs.

Major costs fall on the employer performance of obligation to secure occupational safety and safety arrangements and precautions stipulated by article 212 of Labor Code of the Russian Federation. So, in 2007 VolgaTelecom spent:

- RUR 40 257,43 thousand for providing the workers with certified personal protective gear and collective protective means;
- RUR 3 079,89 thousand for provision of milk and other equal stuff;
- RUR 5 875,78 thousand for certification of workstations, for certification of safety arrangements and precautions activity;
- RUR 3 032,38 thousand for training of executives, specialists and workers in safety arrangements and precautions;
- RUR 7 665,94 thousand for medical examinations.

The Company is doing methodical work of workstations certification in accordance with Regulation № 12 of March 14, 1997 of RF Ministry of labor.

Based on the results of workstations certification regional subsidiaries worked out the plans of measures of improving labor conditions at workstations falling short of regulatory requirements.

In 2007 all regional subsidiaries arranged periodic health examination of employees. Workers engaged in vehicles driving stand medical examination before the ride.

The training and certification of employees in knowledge of rules and guidelines of safety arrangements and precautions in the Company are arranged in accordance with the requirements of joint Regulation № 1/29 of 13.01.2003 of RF Ministry of labor and Ministry of Education, order № 86 of 23.07.2002 of the Ministry of communications and government

standard 12.0.004-90 “Organization of training in safety arrangements and precautions” of standards system of labor safety. In the reporting year training and knowledge assessment were arranged for 1 168 executive officers (managers of regional subsidiaries and structural sub-divisions, and also members of permanent commissions) and for 25 499 specialists and workers of production personnel.

All VolgaTelecom’s employees are insured against industrial accidents in accordance with the requirements of Federal Law № 125-Φ3 of 24.07.1998 “On compulsory social insurance against industrial accidents and occupation diseases”. In accordance with RF Labor Code the Company provides compulsory medical insurance to all its employees. The Company pays insurance premia of compulsory medical insurance in time and in full.

#### **9.4.5. Charity and sponsored programs**

The Company pays great attention to sponsorship and charitable cause activities carried out on the basis of Regulation “On sponsorship and charitable cause activities of OJSC VolgaTelecom” and Regulation “On commission of sponsorship and charitable cause activities of OJSC VolgaTelecom”.

The Company plays significant role in social and economic life of the Volga Federal district, in its progressive development, efficiently cooperating with educational institutions, and also assists to the development of culture and sports. VolgaTelecom furnishes targeted assistance to former employees, and also to socially disadvantaged groups, including children and disabled persons.

Within charitable cause activities the Company pays special attention to activities with the younger generation and realizes a number of programs of the young and children development. So, in 2007 VolgaTelecom jointly with the League of the Club for the Lightheaded and Quick-witted PluS (the Volga region) realized a number of projects of supporting regional games of the Club for the Lightheaded and Quick-witted.

Existing program of corporate assistance to educational institutions is oriented to create in patronized institutions the conditions contributing to efficient realization of teaching process, to the development of children and their labor nurturing (Nolinsk and Alnash orphan homes, Slobodskaya boarding school, Ulyanovsk state university, Nizhny Novgorod state technical university, and others).

Year in year out the Company lends charity support to Russian fund of history of communications (Saint-Petersburg).

Since 2003 VolgaTelecom is the sponsor of Nizhny Novgorod woman's field hockey team of the same name “VolgaTelecom”; the team is the basis of Russia’s national team in this sport. In 2007 the team became 6 times champion of Russia, won European Champion’s Cup and Russia’s Cup fourth time at a run.

## **X. SECURITIES**

### **10.1. The Company’s authorized capital and securities**

The Company’s authorized capital amounts to RUR 1 639 764 970.

#### **The Company’s outstanding and authorized shares at 01.01.2008.**

Table 10.1.

<b>Shares categories (types)</b>	<b>Quantity (pieces)</b>	<b>Par value (RUR)</b>
I. Outstanding shares:	327 952 994	5
• ordinary	245 969 590	5
• preferred A type shares	81 983 404	5
II. Authorized shares:	1 830 589	5

• ordinary	1 299 093	5
• preferred A type shares	531 496	5

## 10.2. Shareholder's equity structure

### Distribution of shareholder's equity among legal entities and natural persons at 01.01.2008.

Table 10.2.

Shareholders	Number of shareholders	Ordinary stock, share in authorized capital, %	Preferred stock, share in authorized capital, %	Share in authorized capital, %
<b>Legal entities,</b> of which	177	72,34	19,74	92,08
Owners, of which	154	39,45	0,68	40,13
OJSC Svyazinvest	1	38,00	-	38,00
Nominee holders	23	32,89	19,06	51,95
<b>Natural persons</b>	25 990	2,66	5,26	7,92

### Distribution of shareholder's equity among residents and non-residents at the date of drawing up the list of persons entitled to participate in annual general meeting of shareholders held in 2007.

#### Shareholder's equity structure at 03.05.2007.

Table 10.3.

Shareholders	Number of shareholders	Ordinary stock, share in ordinary, registered stock, %	Preferred stock, share in preferred, registered stock, %	Share in authorized capital, %
<b>Legal entities,</b> Of which	923	95,50	75,65	90,53
<b>RUSSIAN,</b> Of which	705	64,67	12,92	51,73
OJSC Svyazinvest	-	50,67	-	38,00
<b>FOREIGN,</b> Of which	218	30,83	62,73	38,80
JP MORGAN CHASE BANK N.A. (ADR holders)	-	13,28	-	9,96
LINSELL ENTERPRISES LIMITED	-	0,00	23,34	5,83
<b>Natural persons,</b> Of which	28 450	4,50	24,35	9,47
<b>RUSSIAN</b>	28 437	4,49	24,31	9,45
<b>FOREIGN</b>	13	0,01	0,04	0,02

**Distribution of shareholder's equity among residents and non-residents at the date of drawing up the list of persons entitled to participate in annual general meeting of shareholders held in 2007.**

**Shareholder's equity structure at 03.05.2007.**

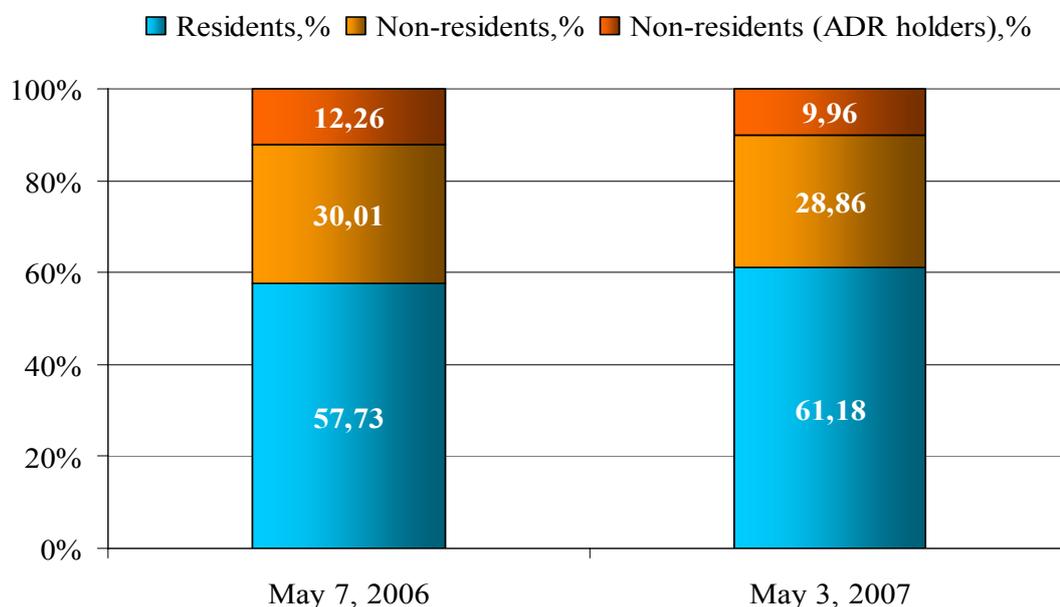


Chart 6.

**10.3. Information about the owners of the largest equity stakes**

**Information about the owners of the largest equity stakes (the share in the Company's authorized capital is more than 1%) at 01.01.2008.**

Table 10.4.

Shareholder's name	Account type	Ordinary stock, pieces	Preferred stock, pieces	Share of ordinary stock, %	Share of preferred stock, %	Share in authorized capital, %
Open Joint Stock Company "Investment communications company"	Owner	124 633 745	0	50,67	0,00	38,00
"ING Bank (Eurasia) ZAO" (Closed Joint Stock Company)	Nominee holder	43 708 863	28 582 801	17,77	34,86	22,04
Closed Joint Stock Company "Depository-Clearing Company"	Nominee holder	28 763 233	22 107 154	11,69	26,97	15,51
Non-Commercial Partnership "National Depository Center"	Nominee holder	20 181 161	9 131 143	8,20	11,14	8,94
Closed Joint Stock Company Commercial Bank "Citibank"	Nominee holder	2 943 656	985 296	1,20	1,20	1,20
Commercial bank "JPMorgan Bank International" (Limited Liability Company)	Nominee holder	3 681 235	0	1,50	0,00	1,12
Open Joint Stock Company "RTK-Leasing"	Owner	3 528 547	0	1,43	0,00	1,08
Other shareholders		18 529 150	21 177 010	7,54	25,83	12,11

**Distribution of shareholder's equity among shareholders having the share in authorized capital of more than 1% at 01.01. 2008.**

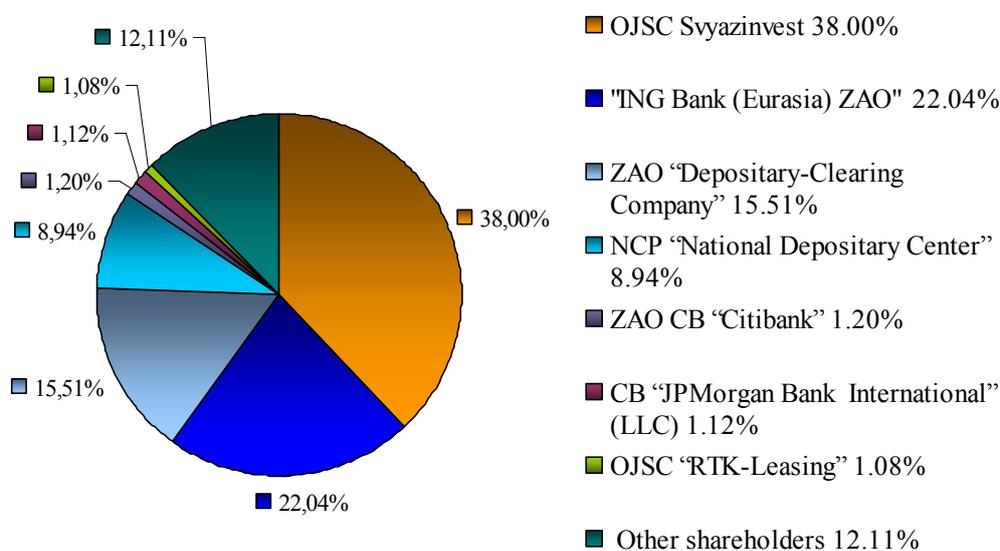


Chart 7.

**10.4. Report on declared (accrued) dividends payment on the Company's shares**

- The resolution of 2006 dividends payment was passed by annual general meeting of shareholders on June 22, 2007;
- The resolution of annual general meeting of shareholders set July 15, 2007 as the date of dividends payment beginning;
- Actual date of dividends payment beginning was July 15, 2007;
- The amount of dividends due to payment per a share:
  - RUR 1,5776 – per ordinary share,
  - RUR 2,9928 – per preferred share;
- Dividends are paid by cash, by bank transfer and by postal transfer;
- Dividends accrued for 2006 amounted to RUR 633 401 556. At 31.12.2007 dividends paid amounted to RUR 624 042 601 or 98,5% of the total dividends due to payment. The remaining dividends (RUR 9 358 955) were not paid due: to non-appearance of shareholders in the issuer's office for receiving dividends by cash; incorrect (incomplete) outdated information on the bank account details of shareholders in information about client accounts in the register of VolgaTelecom's securities; incorrect (incomplete) outdated information about the mailing addresses of shareholders in information about client accounts in the register of VolgaTelecom's securities; probate cases proceedings.

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

Table 10.5.

Securities	2004	2005	2006	2007*
	Amount (RUR)	Amount (RUR)	Amount (RUR)	Amount (RUR)
Ordinary shares	1,3779	1,4744	1,5776	2,1346
Preferred A type shares	2,5082	2,7583	2,9928	4,0534

\* The size of dividends proposed by the Company's Board of directors for its approval at annual general meeting of shareholders.

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

In 2007 VolgaTelecom's shares circulated at three stock exchanges of the Russian securities market:

Table 10.6.

Stock exchange	Securities	Ticker	Quotation list	Trading volume in money terms for 2007
OJSC RTS Classical market	Ordinary shares	NNSI	A2	US\$42 259 768
	Preferred shares	NNSIP	A2	US\$6 168 257
OJSC RTS Stock market	Ordinary shares	NNSIG	A2	RUR 56 703 101
	Preferred shares	NNSIPG	A2	RUR 40 071 925
ZAO Stock Exchange MICEX	Ordinary shares	VTEL	A2	RUR 6 467 597 497
	Preferred shares	VTELP	A2	RUR 1 307 788 631

The Company's shares are taken into account in calculation of the following stock indexes:

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

VolgaTelecom's 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 2007 (US\$ thousand).**

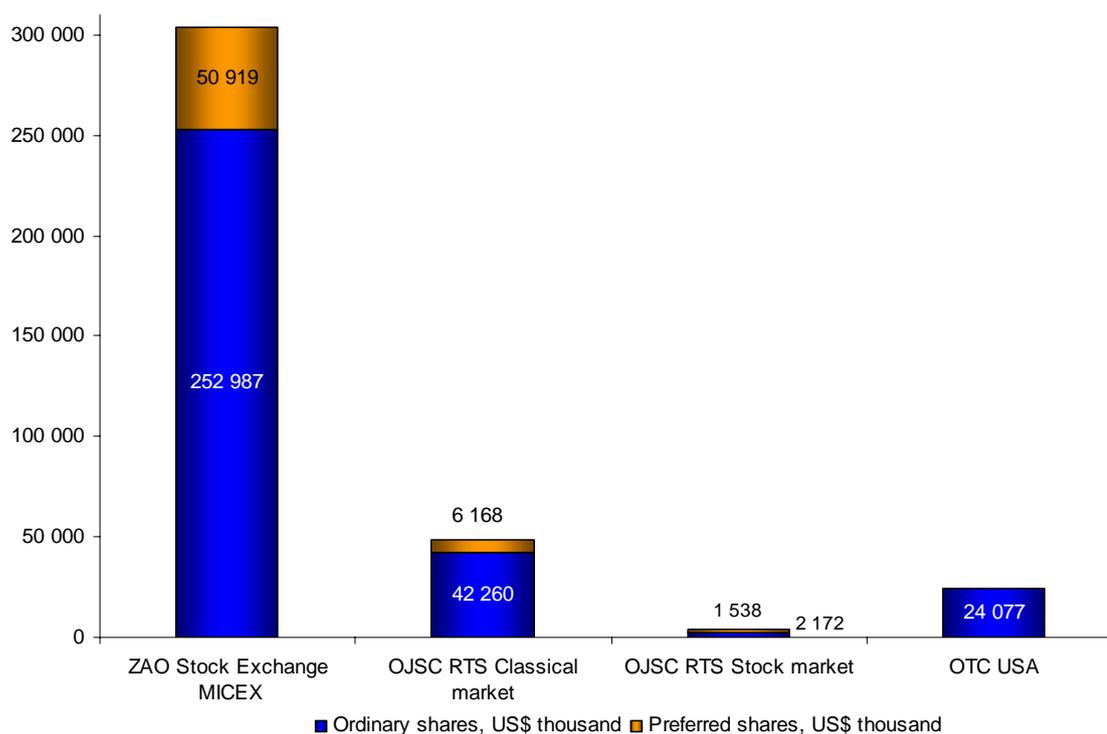


Chart 8.

**10.6. 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 moved to JPMorgan Chase Bank.

“ING Bank (Eurasia) ZAO” is the custodian bank.

The Company's 2 registered uncertified ordinary shares underlie one American Depository Receipt.

At 2007 end the number of ADR was 14 481 559 pieces, which is 11,78% of voting shares and 8,83% of the Company's authorized capital.

In 2007 within ADR Program development the Company carried out the following activities intended to the upsurge of liquidity of this Program:

- the Company interacted with International and Russian rating agencies to maintain the Company's credit ratings and corporate governance ratings;
- the English version of the Company's web site was constantly audited in order to ensure the most complete disclosure of information for ADR holders;
- the Company regularly distributed the information in English about the Company's operations to Proxy Services Corporation for ADR holders and to the USA Securities and Exchange Commission;
- within IR activities the Company held road-shows and one-to-one meetings;
- Due to the expiry of validity term of Deposit agreement and the decision to extend the authority of JPMorgan Chase Bank as the depository bank of ADR program servicing for 7 years, in 2007 end the amendments in deposit agreement were agreed upon with the depository bank.

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

### 10.7. Information about the assignment of credit rating to the Company

#### The Company's credit ratings.

Table 10.7.

Rating agency	International rating		National rating	Date of assignment
	Foreign currency/outlook	National currency/outlook		
Standard & Poor's	BB-/Stable	BB-/Stable	ruAA-	21.01.2008

Table 10.8.

Rating agency	International long-term Issuer Default Rating /outlook	International short-term Issuer Default Rating	National rating/outlook	Date of assignment
Fitch Ratings	BB-/ Stable	B	A+(rus)/ Stable	14.02.2008

The information about the Company's credit ratings is available in the Internet at:  
<http://www.vt.ru/?id=310>, <http://www.standardandpoors.ru>, <http://www.fitchratings.ru>.

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

### **1. Information about the Company's regional subsidiaries**

VolgaTelecom consists of General directorate and 11 regional subsidiaries:

- *General directorate*

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

Phone/fax: +7(831) 437-50-00, 437-50-09/430-67-68,

e-mail: [gd@vt.ru](mailto:gd@vt.ru), <http://www.vt.ru>.

- *Kirov regional subsidiary*

Drelevsky Street 43/1, Kirov city, 601000

Phone: (8332) 64-98-31, Fax: (8332) 33-02-53,

e-mail: [dir@kirov.vt.ru](mailto:dir@kirov.vt.ru), [www.kirov.vt.ru](http://www.kirov.vt.ru).

- *Regional subsidiary 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](mailto:info@mari.vt.ru), <http://www.mari.vt.ru>.

- *Regional subsidiary in Mordovia Republic*

Bolshevistskaya Street 13, Saransk town, the Republic of Mordovia, 430000

Phone: (8342) 32-70-04, Fax: (8342) 47-60-70,

e-mail: [office@rm.vt.ru](mailto:office@rm.vt.ru), <http://www.rm.vt.ru>.

- *Nizhny Novgorod regional subsidiary*

Bolshaya Pokrovskaya Street 56, Nizhny Novgorod city, 603000

Phone: (831) 430-55-32, Fax: (831) 30-87-53,

e-mail: [office@nnov.vt.ru](mailto:office@nnov.vt.ru), <http://www.nnov.vt.ru>.

- *Orenburg regional subsidiary*

Volodarsky Street 11, Orenburg city, 460000

Phone: (3532) 77-34-10, Fax: (3532) 72-01-62,

e-mail: [office@orenburg.ru](mailto:office@orenburg.ru), <http://www.orenburg.vt.ru>.

- *Penza regional subsidiary*

Kuprin Street 1/3, Penza city, 440606

Phone: (8412) 52-17-12, Fax: (8412) 52-36-88,

e-mail: [office@penza.vt.ru](mailto:office@penza.vt.ru), <http://www.penza.vt.ru>.

- *Samara regional subsidiary*

Krasnoarmeiskaya Street 17, Samara city, 443010

Phone: (846) 332-10-20, Fax: (846) 340-05-10,

e-mail: [director@samara.vt.ru](mailto:director@samara.vt.ru), <http://www.samara.vt.ru>.

- *Saratov regional subsidiary*

Kiselev Street 40, Saratov city, 410012

Phone: (8452) 27-14-18, Fax: (8452) 50-84-53,

e-mail: [office@saratov.vt.ru](mailto:office@saratov.vt.ru), <http://www.saratov.vt.ru>.

- *Regional subsidiary in Udmurtia Republic*

Pushkinskaya Street 278, Izhevsk city, Udmurtia Republic, 426008

Phone: (3412) 45-92-02, Fax: (3412) 45-94-59,  
e-mail: [office@udm.ru](mailto:office@udm.ru), <http://www.udm.vt.ru>.

- *Ulyanovsk regional subsidiary*

L.Tolstoy Street 60, Ulyanovsk city, 432063

Phone: (8422) 41-20-10, Fax: (8422) 41-13-52,

e-mail: [office@ul.vt.ru](mailto:office@ul.vt.ru), <http://www.ul.vt.ru>.

- *Regional subsidiary in Chuvashia Republic*

Lenin Avenue 2, Cheboksary town, Chuvashia Republic, 428000

Phone: (8352) 66-11-93, Fax: (8352) 66-22-93,

e-mail: [director@chr.vt.ru](mailto:director@chr.vt.ru), [www.chr.vt.ru](http://www.chr.vt.ru).

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

The Company's contact phone number: +7 (831) 437-50-00, 437-50-09.

Fax: +7 (831) 430-67-68.

E-mail: [gd@vt.ru](mailto:gd@vt.ru).

Internet web site: <http://www.vt.ru>.

**General director**

**S.V. Omelchenko**

**Chief accountant**

**N.I. Popkov**

**VolgaTelecom's annual report was preliminary approved by the Company's Board of directors (minutes № 24 of May 16, 2008).**

**INFORMATION ABOUT REVENUE INTENSIVE TRANSACTIONS MADE BY THE COMPANY**

In 2007 the Company did not make revenue intensive transactions and the transactions approved by the resolution of general meeting of the Company's shareholders.

**Information about related party transactions.**

Transactions approved by the Company's Board of directors in 2006 and closed in 2007.

Table 11.1.

№	Information about persons interested in transaction	Subject matter of contract	Name of counterparty	Contract value	Effective date of contract	Contract validity period	Other essence of contract
1.	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom's Management board and he is also a member of Board of directors of ZAO Narodnyi Telephone Saratov	Contract № 58/HPV-06 of services of communication equipment placement	ZAO Narodnyi Telephone Saratov	RUR 3 111,70 per month inclusive of VAT (18%) – RUR 474,66	05.03.2007	Sine die	The Contract's terms and conditions are applicable to the Parties' relations occurred since September 1, 2006.
2.	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. S.V. Omelchenko is OJSC VolgaTelecom General Director and he is also the chairman of ZAO NSS Board of directors;	Contract of networking	ZAO Nizhegorodskaya Sotovaya Svyaz	The cost of networking services and the services of traffic transit is defined in Supplement №1 to the Contract.	17.01.2007	The Contract is effective during 1 official year. The Contract is held to be prolonged (within the validity term of the Parties' license) for each subsequent year, if neither Party declares its	The Contract's terms and conditions are applicable to the Parties' relations since July 1, 2006.  Earlier concluded Contract № 17002 of November 01, 2002 of network interconnection in the

	<p>3. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body (Management board) and he is also a member of the Board of directors and the General Director of ZAO NSS;</p> <p>4. D.V. Pozdnyakov is a member of OJSC VolgaTelecom collegial executive body (Management board) and he is also a member of ZAO NSS Board of directors</p>					declares its cancellation 30 days prior to the contract expiry.	interconnection in the course of electric communication services provision and Supplementary agreements to this contract become inoperative since July 1, 2006.
3.	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom voting shares	Contract of networking	ZAO Transsvyaz	The cost of VolgaTelecom's acquired and disposed of services is defined in Supplement №1 to the Contract.	17.01.2007	The Contract is effective during 1 official year. The Contract is held to be extended (within the validity term of the Parties' license) for each subsequent year, if neither Party declares its cancellation 30 days prior to the contract expiry.	<p>The Contract's terms and conditions are applicable to the Parties' relations since July 1, 2006.</p> <p>Earlier concluded Contract № without number of January 01, 2002 of network interconnection in the course of electric communication services provision and Supplementary agreements to this contract become inoperative since July 1, 2006.</p>

Transactions approved by the Company's Board of directors and closed in 2007.

Table 11.2.

№	Information about persons interested in transaction	Subject matter of contract	Name of counterparty	Contract value	Effective date of contract	Contract validity period	Other essence of contract
1	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is OJSC VolgaTelecom Board of directors' member, concurrently he is a member of OJSC Rostelecom Board of directors</p>	<p>Contract № 76/OP of property purchase and sale. OJSC Rostelecom (Seller) commits to transfer to OJSC VolgaTelecom ownership (Buyer) and the Buyer commits to accept and pay for K60B cable circuit at hop 06877-87702</p>	OJSC Rostelecom	RUR 2 991 303 including VAT – RUR 456 300 and 46 kopecks	28.02.2007	-	-
2	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and also he is the Chairman of ZAO RTCOM Board of directors;</p>	<p>Agreement. ZAO RTCOM (Borrower) commits to pay to OJSC VolgaTelecom (Guarantor) the fee for the guarantee furnished to ZAO International Moscow Bank (<i>Creditor</i>) subject to the terms</p>	ZAO RTCOM	For furnished guarantee the Borrower on a monthly basis pays to the Guarantor the fee of 1,5% per annum of the amount outstanding as of the end of each month of the principal and interest charged by the Creditor on the principal subject to the terms and conditions of the Credit Agreement.	24.03.2007	-	In case the Borrower violates the payment dates, the Guarantor is entitled to call the Borrower for payment of late payment interest in the amount of 0,05% of overdue amount for each day of payment delay.

	<p>3. D.V. Pozdnyakov is a member of OJSC VolgaTelecom collegial executive body and also he is a member of ZAO RTCOM Board of directors;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is also a member of ZAO RTCOM Board of directors.</p>	subject to the terms and conditions, in amounts and at dates stipulated by the Agreement.					
3	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Agreement. ZAO Penza Mobile (Borrower) commits to pay to OJSC VolgaTelecom (Guarantor) the fee for the guarantee furnished to ZAO International Moscow Bank ( <i>Creditor</i> ) subject to the terms and conditions, in amounts and at dates stipulated by the Agreement.	ZAO Penza Mobile	For furnished guarantee the Borrower on a monthly basis pays to the Guarantor the fee of 1,5% per annum of the amount outstanding as of the end of each month of the principal and interest charged by the Creditor on the principal subject to the terms and conditions of the Credit Agreement.	24.03.2007	-	In case the Borrower violates the payment dates, the Guarantor is entitled to call the Borrower for payment of late payment interest in the amount of 0,05% of overdue amount for each day of payment delay.
4	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and he is also the chairman of ZAO Saratov-Mobile Board of directors</p>	Agreement. ZAO Saratov-Mobile (Borrower) commits to pay to OJSC VolgaTelecom (Guarantor) the fee for the guarantee furnished to CJSC International Moscow Bank ( <i>Creditor</i> ) subject to the terms	ZAO Saratov-Mobile	For furnished guarantee the Borrower on a monthly basis pays to the Guarantor the fee of 1% per annum of the amount outstanding as of the end of each month of the principal and interest charged by the Creditor on the principal subject to the terms and conditions of the Credit Agreement.	16.04.2007	-	In case the Borrower violates the payment dates, the Guarantor is entitled to call the Borrower for payment of late payment interest in the amount of 0,05% of overdue amount for each day of payment delay.

		and conditions, in amounts and at dates stipulated by the Agreement.					
5	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Agreement. ZAO Chuvashia Mobile (Borrower) commits to pay to OJSC VolgaTelecom (Guarantor) the fee for the guarantee furnished to CJSC International Moscow Bank ( <i>Creditor</i> ) subject to the terms and conditions, in amounts and at dates stipulated by the Agreement.	ZAO Chuvashia Mobile	For furnished guarantee the Borrower on a monthly basis pays to the Guarantor the fee of 1,5% per annum of the amount outstanding as of the end of each month of the principal and interest charged by the Creditor on the principal subject to the terms and conditions of the Credit Agreement.	02.04.2007	-	In case the Borrower violates the payment dates, the Guarantor is entitled to call the Borrower for payment of late payment interest in the amount of 0,05% of overdue amount for each day of payment delay.
6	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Telecommunications equipment purchase and sale contract	ZAO Digital Telecommunications	RUR 9 087 145, including 18% VAT	28.03.2007	-	In case the Seller violates the dates of Equipment transfer, the Buyer is entitled to call the Seller for the payment of late payment interest of 0,05 % of the amount specified in item 2.2. of the Contract for each day of delay, but not more than 10% of the said amount.  In case the Buyer violates payment dates stipulated by the Contract, the Seller is entitled to call the Buyer for the

							payment of late payment interest of 0,05% overdue amount for each day of delay, but not more than 10% of the amount specified in item 2.2. of the Contract.
7	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V.Omelchenko is OJSC VolgaTelecom General Director and concurrently he is the Chairman of the Board of directors of ZAO NSS;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and he is a member of the Board of directors and the General Director of ZAO NSS;</p> <p>4. D.V. Pozdnyakov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO NSS Board of directors</p>	The contract of services of providing communication channel for use	ZAO Nizhegorodskaya Sotovaya Svyaz	RUR 20 440,00 per month, exclusive of VAT	16.03.2007	The contract is valid till 31.12.2007. The contract is held to be prolonged (within the limits of the Parties license validity term) for each subsequent year, if neither Party declares the Contract's cancellation 30 days prior to the Contract expiry.	-
8	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Supplementary agreement № 1 to Contract №23 of communications equipment rent of 28.02.2006.	ZAO Digital Telecommunications	RUR 124 873,78 per month, inclusive of VAT of RUR 19 048,54	01.04.2007	-	-
9	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Supplementary agreement № 3 to contract of non-	Non-government pension fund Telecom-Soyuz	-	23.03.2007	-	Terms and conditions of Supplementary agreement № 3 are

		government retirement insurance № 12/2004-BIO of 24.12.2004.					applicable to the relations of the parties which occurred since 01.01.2007.
10	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and he is the chairman of ZAO RTCOM Board of directors;</p> <p>3. D.V. Pozdnyakov is a member of OJSC VolgaTelecom collegial executive body and he is the chairman of ZAO RTCOM Board of directors;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO RTCOM Board of directors.</p>	The contract of providing digital communication channels for use	ZAO RTCOM	The amount of single payment for arranging and enabling digital channels, single payment for changing the bit rate of digital channels, and also the fee for digital channels use are defined in accordance with Supplements № 1 and № 2 to the Contract.	23.03.2007	The contract is valid till December 31, 2007. The contract's effective period is held to be prolonged for each subsequent year, if neither Party declares the intention to cancel it a month prior to the contract expiry.	Earlier concluded Contract № 133 of 24.02.2004 ceases to be in force since the date of the Contract's signing as related to the Parties rights and liabilities related to services of providing digital communication channels for temporary use.
11	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract № 7900 of services of equipment placement	OJSC RTComm.RU	Monthly fee – RUR 16 200, exclusive of VAT	21.03.2007	The Contract is valid till 31.12.07. If there are no Parties objections forwarded to the other Party at least 30 days prior to the Contract expiry, the Contract is extended for 1 year. The number of	-

						prolongations is not limited.	
12	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. A.B. Grigorieva is a member of OJSC VolgaTelecom Board of directors and she is also a member of OJSC Uralsvyazinform Board of directors;</p> <p>3. E.P. Enin is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Uralsvyazinform Board of directors.</p>	<p>Shares purchase and sale contract. OJSC Uralsvyazinform (Seller) commits to transfer to OJSC VolgaTelecom (Buyer) ownership OJSC TATINCOM-T securities (shares), and the Buyer commits to accept the shares to pay for them to the Seller as per the procedure and subject to the terms and conditions set forth by the Contract.</p>	OJSC Uralsvyazinform	RUR 519 764 000	09.04.2007	-	The Parties commitments under the Contract become effective subject to obtaining prior consent of Federal Antimonopoly Service for the shares acquisition by the Buyer.
13	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	<p>Contract of communications networking. OJSC VolgaTelecom (VolgaTelecom) commits to render to CJSC Penza Mobile (Communication operator) the services of networking as per the procedure and subject to the terms and conditions set forth in section 3 of the Contract, and also traffic transit services. Communication operator commits to render traffic transit services to</p>	ZAO Penza Mobile	The cost of services rendered by the Parties is defined in accordance with Supplement № 3 to the Contract.	27.04.2007	Contract validity term– during one year. The Contract is held to be prolonged if neither Party declares the Contract cancellation at least 30 days prior to the contract expiry of its effective period. The number of prolongations is not limited.	-

		VolgaTelecom.					
14	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract of providing digital communication channels for use. OJSC VolgaTelecom (Operator) commits to arrange and provide to CJSC Penza Mobile (User) digital communication channels (hereinafter – Channels) for use, and the User commits to pay the services rendered to it. The Channels list and features, and the cost of services are provided in Supplement № 1 to the Contract.	ZAO Penza Mobile	The price includes one-time payment amount for the services of the Channels arranging and also monthly fee for the services of providing the Channels for use and is defined in accordance with Supplement № 1 to the Contract.	17.05.2007	The Contract is effective during 12 months. If neither party 30 days prior to the Contract expiry notifies in writing the other party on the Contract termination due to the expiry of its effective period, the Contract is extended for the same time period and on the same terms and conditions.	-
15	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Supplementary agreement № 4 to Contract of rendering services of keeping the register of OJSC VolgaTelecom registered securities holders №16-02 of 04.02.2002	OJSC Obiedinennaya registratsionnaya kompaniya	The cost of the Registrar's services of accepting the ballots during one general meeting of the Issuer's shareholders is RUR 150 000, exclusive of VAT.	21.05.2007	-	-
16	S.V.Omelchenko is OJSC VolgaTelecom General Director and concurrently he is a member of the Partnership Council of Non-Commercial Partnership "Center for investigation of telecommunications development problems"	Contract of transfer of target membership fees for 2007.	Non-Commercial Partnership "Center for investigation of telecommunications development problems"	RUR 219 715 000	01.06.2007	-	-

17	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract № 600-06 of design and survey work of the object located in Saransk town: "Upgrade of Communications Center in Saransk town".	OJSC GIPROSVYAZ	RUR 1 293 257,58 Inclusive of VAT - RUR 197 276,58	13.06.2007	The dates of commencement and completion of works under the Contract are defined in accordance with Timing schedule.	-
18	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and he is the chairman of ZAO RTCOM Board of directors; 3. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO RTCOM Board of directors	Supplementary agreement № 1 to Contract № 1026/06 of December 29, 2006 of networking	ZAO RTCOM	The cost of services rendered to Communication Operator for arranging connection point at zonal level of connection is defined in accordance with VolgaTelecom's tariff rates established in accordance with current legislation.	13.06.2007	-	-
19	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Supplementary agreement № 1 to Contract № 947 of 04.10.2006.	OJSC RTComm.RU	RUR 37 000, inclusive of VAT – lumpsum payment for arranging one communication channel of the rate at least 128 kbps, including installation and configuring of terminal equipment in the territory of educational institutions specified in Supplement 1 "A" to the Contract in the wording of Supplement № 3 to Supplementary agreement № 1.	15.06.2007	-	The provisions of Supplementary agreement № 1 are applicable to the Parties relations occurred since 13.09.2006, except for the provisions of sub-items 1,2 of Supplementary agreement № 1, which are applicable to the Parties relations occurred since 31.01.2007.
20	1. OJSC Svyazinvest possessing more than 20% of	Contract of services of communication	ZAO RTCOM	RUR 84 709,96 per month, inclusive of VAT – RUR 12	04.06.2007	The contract is concluded for the	The contract's provisions are

	<p>OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and he is the chairman of ZAO RTCOM Board of directors;</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO RTCOM Board of directors</p>	equipment placement.		921,86		period of 11 months and comes into force since the time of its signing by the Parties. If neither party one month prior to the contract expiry declares its cancellation in writing, then the contract is held to be renegotiated for the same time period and on the same terms and conditions.	applicable to the Parties relations actually occurred since 01.06.2007.
21	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom collegial executive body and he is the chairman of ZAO RTCOM Board of directors;</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO RTCOM Board of directors</p>	Supplementary agreement № 1 to Contract № 170-И/05 of 09.11.2005 of non-residential premises rental.	ZAO RTCOM	RUR 76 462,81 per month, including VAT – RUR 11 663,82	04.06.2007	-	The agreement's provision are applicable to the parties relations actually occurred since 01.06.2007.
22	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom collegial</p>	Rental contract. OJSC VolgaTelecom (Lessor) transfers and CJSC RTCOM (Tenant) accepts for temporary possession	ZAO RTCOM	RUR 35 601,12 per month, including VAT – RUR 5 430,68	04.06.2007	Sine die	The contract's provisions are applicable to the parties relations actually occurred since 01.06.2007

	<p>executive body and he is the chairman of ZAO RTCOM Board of directors;  3. O.V. Ershov is a member of OJSC VolgaTelecom collegial executive body and he is a member of ZAO RTCOM Board of directors</p>	<p>and use non-residential premises for placement of the equipment of mobile communication base stations, and namely:  - non-residential premises of the total area of 5,8 m2, located at the last floor of three-floored brick building of Romodanov's local communication center at: Lenin street 155, settlement Romodanovo, the Republic of Mordovia;  - non-residential premises of the total area of 9,62 m2, located at the last floor of three-floored brick administrative building of Bolshebereznyaki's local communication center at: Lenin street 2, settlement B-Bereznyaki, the Republic of Mordovia.</p>					01.06.2007.
23	<p>V.A. Andreev is Rector of Povolzhskiy State Academy of Telecommunications and IT and concurrently he is a member of OJSC VolgaTelecom Board of directors</p>	<p>Agreement for cooperation of arranging traineeship of the students of State educational institution of higher professional education "Povolzhskiy State Academy of Telecommunications</p>	<p>State educational institution of higher professional education "Povolzhskiy State Academy of Telecommunications and IT"</p>	-	28.06.2007	-	-

		and IT” in 2007.					
24	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom’s voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and he is also the chairman of OJSC TATINCOM-T Board of directors	Agreement of advance buy out of equipment to Contract of equipment lease with further passing into the ownership № 691-05 of 18.10.2005.	OJSC TATINCOM-T	Total rental fee amounts to RUR 6 936 380, as well as 18% VAT – RUR 1 248 548,4 and the Equipment redemption value – RUR 7 903 208, as well as 18% VAT – RUR 1 422 577,44	28.06.2007	-	-
25	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom’s voting shares; 2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors; 3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors	Supplementary agreement № 2 to contract №748-05-23 (1096-05) of 27.12.2005.	OJSC Rostelecom	OJSC VolgaTelecom” commission to the tune of 20% of earned revenue transferred by OJSC VolgaTelecom to OJSC Rostelecom for the relevant reporting period.	29.06.2007	-	The agreement is applicable to the Parties actual relations occurred since 01.06.2007.
26	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom’s voting shares	Agreement. Settlement of ZAO Chuvashia Mobile ( <i>Promisor</i> ) debt to OJSC VolgaTelecom ( <i>Creditor</i> ) by consolidating and restructuring the obligations.	ZAO Chuvashia Mobile	Interest rate for use of borrowed funds  - to the tune of weighted average interest rate, worked out by actual debt under RUR credit and loans raised by OJSC VolgaTelecom as of the last day of the last month of the preceding quarter increased by 2% per annum.	30.06.2007	-	-
27	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom’s voting shares	Contract of works and services.	OJSC Svyazintek	RUR 186 688 378,20, inclusive of VAT – RUR 28 477 888,20	29.06.2007	-	The Contract’s terms and conditions are applicable

	OJSC VolgaTelecom's voting shares; 2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors	OJSC Svyazintek (Contractor) commits to execute works/render services of centralized activities within the framework of ERP implementation program in Svyazinvest group companies, subject to the Contract terms and conditions.		of VAT – RUR 28 477 888,20			to the Parties relations occurred prior to its signing, and namely since January 3, 2007.
28	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors	Contract of works and services. OJSC Svyazintek (Contractor) commits, in accordance with the Contract's terms and conditions, to execute works/render services of regional activities within the framework of ERP implementation program in Svyazinvest group companies.	OJSC Svyazintek	RUR 350 014 361,20, inclusive of VAT – RUR 53 392 021,20	29.06.2007	-	The Contract's terms and conditions are applicable to the Parties relations occurred prior to its signing, and namely since 09.01.2007
29	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and he is also the chairman of OJSC TATINCOM-T Board of directors	Supplementary agreement № 1 to Contract of equipment lease with further buy out №APД 1063-06 of 08.11.2006.	OJSC TATINCOM-T	Monthly rental fee for provided Equipment is RUR 175 920 exclusive of VAT; total rental fee for the Equipment is RUR 1 407 360 exclusive of VAT, and the Equipment redemption value is RUR 6 709 352 exclusive of VAT, as well as VAT – RUR 1 207 683,36	28.06.2007	-	Transfer of title to the Equipment is executed by the Deed of conveyance of the equipment not later than 20 days after the Lessor's receipt of the amount of redemption value and rental fees specified in Supplement № 1 to the Agreement.  In case the Lessee

							buys out the equipment on terms and conditions set forth by the Agreement, the Contract is terminated since the time of the Parties' signing the Deed of transferring the ownership of the equipment.
30	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors</p>	Supplementary agreement № 8 to Contract of networking № 05-21/0155 of 24.10.2003 (in the wording of Agreement № 1097-05 of 27.12.2005).	OJSC Rostelecom	The cost services rendered to Rostelecom is defined by the Operator's tariff rates established in accordance with current legislation.	04.06.2007	Supplementary agreement is effective till the expiry of the Contract of networking № 05-21/0155 of 24.10.2003 (in the wording of Agreement № 1097-05 of 27.12.2005).	The terms and conditions of Supplementary agreement № 8 are applicable to the Parties relations occurred since 01.07.2006.
31	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. Y.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.</p>	Contract № 06182072 for carrying out design and survey works for object "Reconstruction of PSTN of OJSC VolgaTelecom Udmurtia regional subsidiary" located in Izhevsk, on the basis of NGN equipment (second launch area).	OJSC GIPROSVYAZ	RUR 3 285 250,98, including VAT RUR 501 139,98	04.07.2007	The dates of works start and end for each object are set by Supplement No 1 to the Contract	-
32	1. OJSC Svyazinvest possessing more than 20% of	Contract 1) OJSC	ZAO Narodnyi Telephone Saratov	1) The cost of services being rendered and stipulated by sub-	24.07.2007	The contract is effective one	-

	<p>OJSC VolgaTelecom's voting shares;  2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of the Board of directors of ZAO Narodnyi Telephone Saratov</p>	<p>VolgaTelecom (VolgaTelecom) assigns and ZAO Narodnyi Telephone Saratov (Operator) obliges to perform the following legal and real actions on behalf and for account of VolgaTelecom for a fee: collection of payments, claim administration, information and reference servicing of users.  2) Operator obliges to provide VolgaTelecom with the following services for value: billing processing of telecommunications services; generating, printing and making copies of invoices; generating, printing, storing and making copies of tax invoices, acceptance certificates; signing payments reconcilement acts with clients; report forms preparation; document delivery.</p>		<p>items 2.2.1., 2.2.3. and 2.2.4. of the Contract amounts to 2% of Accrued revenue, exclusive of VAT;  2) The cost of services being rendered and stipulated by sub-item 2.2.2 of the Contract, amounts to 1% of Accrued revenue, exclusive of VAT;  3) The fee for performing acts stipulated by sub-items 2.1.1., 2.1.2, and also the cost of services being rendered and stipulated by sub-item 2.2.5 of the Contract, amount to 2% of Received revenue, exclusive of VAT;  4) The fee for performing actions stipulated by sub-item 2.1.3 of the Contract amounts to 2% of Accrued revenue, exclusive of VAT.</p>		<p>year since the date of its entry into force. If neither Party declares the Contract termination 30 calendar days prior to its expiry, it is automatically prolonged for each subsequent year. The number of periods for which the Contract may be prolonged is not limited.</p>	
33	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;  2. M.V. Petrov is a member of</p>	<p>Supplementary agreement № 1 to Contract № 7-2007 of 28.12.2006</p>	ZAO Penza Mobile	-	22.08.2007	<p>Till expiry of Contract № 7-2007 of December 28, 2006.</p>	-

	<p>OJSC VolgaTelecom Management board and at the same time he is the Chairman of the Board of directors of ZAO Penza Mobile;</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors;</p> <p>4. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors,</p> <p>5. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors,</p> <p>6. A.V. Baev is deputy to General Director, Director of Penza regional subsidiary of OJSC VolgaTelecom, and also he is a member of ZAO Penza Mobile Board of directors</p>						
34	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya</p>	Real property assets rent contract.	ZAO Nizhegorodskaya Sotovaya Svyaz	RUR 1 973 026, 26 per month, including VAT – RUR 300 970,11	04.07.2007	The contract is concluded for indefinite period of time. The Tenant pays the rental fee starting from the time of signing the assets delivery-acceptance	The Parties conclusion of the Real property assets rent Contract entails termination of the Parties obligations under earlier concluded Rent contract № 149 of 30.12. 2004.

	<p>Svyaz;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz</p>					certificate.	
35	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares»;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom</p>	Real property assets rent contract.	ZAO Nizhegorodskaya Sotovaya Svyaz	RUR 1 403 625,25 per month, including VAT - RUR 214 112,33.	04.07.2007	The contract is concluded for indefinite period of time. The Tenant pays the rental fee starting from the time of signing the assets delivery-acceptance certificate.	The Parties conclusion of the Real property assets rent Contract entails termination of the Parties obligations under earlier concluded Rent contract № 26701/7-05 of January 20, 2005, as related to assets located at the address: Turgenev street 13A, Nizhny Novgorod city, and being the subject matter of the present Contract.

	Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz						
36	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz</p>	<p>The contract for providing communication channel for use. OJSC VolgaTelecom (Operator) renders to CJSC Nizhegorodskaya Sotovaya Svyaz (User) the services of arranging and round-the-clock providing for use of communication channel (hereinafter-Channel), for electric communication signals transmission in the territory according to the Operator license, and the User obliges to pay for them.</p>	CJSC Nizhegorodskaya Sotovaya Svyaz	The cost of services of channel arranging – RUR 12 000 exclusive of VAT, the cost of services of the channel providing for use – RUR 753 854 per month, exclusive of VAT.	17.07.2007	The contract is valid till 31.12.2007. The contract is considered to be prolonged (within the limits of the Parties license validity term) for each subsequent year, if neither Party declares the Contract cancellation 30 days prior to its expiry.	-
37	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the</p>	Supplementary agreement № 1 to contract № 735/06 of 23.03.2007 for providing digital communication channels for use, the	ZAO RTCOM	Cost of services of channels preparation and enabling – RUR 93 126,00 exclusive of VAT, the cost of services of the channels provision for use – RUR 26 883,00 per month exclusive of VAT.	26.09.2007	-	The Operator arranges, enables and provides digital channels for use within 5 business days after the User has made the payment for channels preparation

	<p>same time he is the Chairman of ZAO RTCOM Board of directors;</p> <p>3. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO RTCOM Board of directors;</p> <p>4. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO RTCOM Board of directors;</p> <p>5. I.I. Shubin is deputy to the General Director of OJSC VolgaTelecom, director of its regional subsidiary in the Republic of Mordovia, and also he is a member of the Board of directors of ZAO RTCOM</p>	<p>supplementary agreement being concluded by and between OJSC VolgaTelecom and ZAO RTCOM (change of list of services rendered under the Contract).</p>					and enabling service.
38	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. Y.A. Bilibin is member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.</p>	<p>Contract № 609-07 OJSC VolgaTelecom (Customer) assigns, and OJSC Giprosvyaz (Contractor) obliges to carry out design and survey works for the object located in Ioshkar Ola town of Mariy-El Republic "Completion of equipping Zone transit center/Automatic trunk exchange/Principal transit exchange-6 of Ioshkar Ola town of Mariy-El Republic".</p>	<p>OJSC GIPROSVYAZ</p>	<p>RUR 1 258 324,42, including VAT - RUR 191 947,79</p>	<p>09.08.2007</p>	<p>-</p>	<p>The Contractor starts carrying out Works under the Contract after having received initial data and advance payment in the amount of 30% of the Contract value; the advance payment is transferred to the Contractor settlement account within 10 days after the Customer receipt of the invoice. The Contractor makes out the invoice not later than 10 days since the Contract</p>

							<p>signing.</p> <p>The remaining amount under the Contract is paid by the Customer by its transfer to the Contractor settlement account within 10 days since the day of signing Acceptance certificate of carried out works or since expiration of a period established for sending the Customer reasoned refusal to sign the Acceptance certificate, on the basis of invoice made out by the Contractor. The dates of the Works start and completion are defined by Timing schedule (Supplement № 2 to the Contract).</p>
39	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors</p> <p>3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors</p>	Contract № 08K0222 for providing communication channels for use	OJSC Rostelecom	The cost of services of providing communication channels for use is defined in accordance with Supplement № 2 to the Contract.	01.09.2007	The contract is valid till December 31, 2007. If neither Party declares the Contract termination 30 calendar days prior to its expiry, the Contract is automatically prolonged for each subsequent year.	

40	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors</p>	<p>Contract № 04K0185 for DLD and ILD communication services provision with preselection of operator</p>	OJSC Rostelecom	DLD tariff rates are established and changed in accordance with RF applicable law.	28.05.2007	<p>The contract was concluded for the period of 1 year since the time of start of the contract. The parties have agreed that the Contract terms and conditions are applicable to the parties' relations that have occurred since 01.01.2006. The contract is automatically extended for the subsequent year provided that neither Party has declared the opposite two months prior to the Contract expiry.</p>	<p>In case of receipt of Users' notification of refusal to preselect OJSC Rostelecom as DLD and ILD Operator, the Contract is considered to be repudiated since the date from which preselection of OJSC Rostelecom as DLD and ILD operator is not made.</p>
41	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board</p>	<p>Supplementary agreement № 1 to the Contract № 04K0185 of 28.05.2007 for DLD and ILD communication services provision</p>	OJSC Rostelecom	The amount of discount on Rostelecom general tariffs – 25%	29.08.2007	<p>The contract is deemed to be concluded for indefinite period of time.</p>	<p>The terms and conditions of Supplementary Agreement № 1 are applicable to the Parties relations which occurred since 01.01.2006.</p>

	of directors, and at the same time he is a member of OJSC Rostelecom Board of directors						
42	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of the Board of directors of ZAO Penza Mobile;</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors;</p> <p>4. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors,</p> <p>5. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he a member of ZAO Penza Mobile Board of directors,</p> <p>6. A.V. Baev is deputy to the General Director - director of Penza regional subsidiary of OJSC VolgaTelecom, and he is also a member of ZAO Penza Mobile Board of directors</p>	<p>Agreement. Settlement of ZAO Penza Mobile (<i>Promisor</i>) debt to OJSC VolgaTelecom (<i>Creditor</i>) by consolidating and restructuring the obligations.</p>	ZAO Penza Mobile	<p>Interest rate for use of borrowed funds</p> <p>- to the tune of weighted average interest rate, worked out by actual debt under RUR credit and loans raised by OJSC VolgaTelecom as of the last day of the last month of the preceding quarter increased by 2% per annum.</p>	30.06.2007	-	-
43	1. OJSC Svyazinvest possessing more than 20% of	Agreement. Settlement of ZAO	ZAO Saratov-Mobile	Interest rate for use of borrowed funds - to the tune of	30.06.2007	-	-

	OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and is also the chairman of ZAO Saratov-Mobile Board of directors	Saratov-Mobile ( <i>Promisor</i> ) debt to OJSC VolgaTelecom ( <i>Creditor</i> ) by consolidating and restructuring the obligations.		borrowed funds - to the tune of weighted average interest rate, worked out by actual debt under RUR credit and loans raised by OJSC VolgaTelecom as of the last day of the last month of the preceding quarter increased by 2% per annum.			
44	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Y.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	Contract № 100 /TC-431 for carrying out design and survey works	OJSC GIPROSVYAZ	RUR 49 419 988,00, including VAT - RUR 7 538 642,24.	10.07.2007	The dates of works start and completion for each object are defined in Supplement № 1 to the Contract.	-
45	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors; 3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors	Contract № 78/OP of property purchase. OJSC Rostelecom (Seller) is obliged to transfer the ownership of Cable line K36A in sector 06875-60608 to OJSC VolgaTelecom (Buyer), and the Buyer is obliged to accept and pay for the said Cable line.	OJSC Rostelecom	RUR 3 593 100, including VAT - RUR 548 100	27.08.2007	-	-
46	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;	Contract № 77/OP of property purchase. OJSC Rostelecom (Seller) is obliged to	OJSC Rostelecom	RUR 2 360 000, including VAT - RUR 360 000	03.08.2007	-	-

	2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors; 3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors	transfer the ownership of microwave radio link PPJI-61B in sector Murashi - Pinyug to OJSC VolgaTelecom (Buyer), and the Buyer is obliged to accept and pay for the said link.					
47	S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the insured under the Contract	Contract of optional medical insurance (VIP category)	OJSC Rossiiskoye strakhovoe narodnoe obshchestvo "ROSNO"	The Insurance contribution per one Insured amounts to RUR 194 550 per year. The Total insurance contribution under the Contract amounts to RUR 389 100.	01.09.2007	The contract becomes effective at 00:00 of 01.09.2007 and valid till 12 p.m. of 31.08.2008	-
48	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of the Board of directors of ZAO Penza Mobile; 3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors; 4. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of	Contract № 44-2007 for provision of services of locating telecommunications facilities	ZAO Penza Mobile	The cost of services of facilities location rendered to the Customer amounts to RUR 23 937,48 per month, including VAT - RUR 3 651,48 (Supplement № 9 to the Contract)	17.10.007	The contract is effective till December 31, 2007. Provided that there is no Party objection sent to the other Party not later than 30 calendar days prior to the Contract expiry, the Contract is prolonged for one year. The number of prolongations is not limited.	Every month the Customer makes settlement month payment in favor of the Contractor for the services rendered under the Contract, by means of funds transfer to the Contractor settlement account on the basis of made out invoice within 10 business days from its receipt, but not later than on the 25-th day of settlement month.

	<p>ZAO Penza Mobile Board of directors,  5. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he a member of ZAO Penza Mobile Board of directors,  6. A.V. Baev is deputy to the General Director - Director of Penza regional subsidiary of OJSC VolgaTelecom, and also he is a member of ZAO Penza Mobile Board of directors</p>						
49	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;  2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of the Board of directors of ZAO Penza Mobile;  3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors;  4. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors,  5. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the</p>	<p>Contract № 59-2007 for provision of services of locating telecommunications facilities</p>	<p>ZAO Penza Mobile</p>	<p>The cost of services of facilities location rendered to the Customer amounts to RUR 13 933,44 per month, including VAT - RUR 2 125,44 (Supplement № 5 to the Contract).</p>	<p>17.10.2007</p>	<p>The contract is effective till December 31, 2007. Provided that there is no Party objection sent to the other Party not later than 30 calendar days prior to the Contract expiry, the Contract is prolonged for one year. The number of prolongations is not limited.</p>	<p>Every month the Customer makes settlement month payment in favor of the Contractor for the services rendered under the Contract, by means of funds transfer to the Contractor settlement account on the basis of made out invoice within 10 business days from its receipt, but not later than on the 25-th day of settlement month.</p>

	<p>same time he a member of ZAO Penza Mobile Board of directors,          6. A.V. Baev is deputy to the General Director - Director of Penza regional subsidiary of OJSC VolgaTelecom, and he is also a member of ZAO Penza Mobile Board of directors</p>						
50	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;          2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of the Board of directors of ZAO Penza Mobile;          3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors;          4. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Penza Mobile Board of directors,          5. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he a member of ZAO Penza Mobile Board of directors,          6. A.V. Baev is deputy to the General Director - Director of</p>	<p>Contract of nonresidential premises rental. OJSC VolgaTelecom (Lessor) transfers and ZAO Penza Mobile (Tenant) accepts real property for temporary possession and use, and namely: non-residential premises of the total area of 569,6 m<sup>2</sup> in two-floored administrative-industrial building located at the address: Popov street 2a, Penza city.</p>	ZAO Penza Mobile	<p>The rental fee for possessing and using the Property under the Contract amounts to RUR 190 669,27 per month, including VAT - RUR 29 085,14. The rental fee is calculated in Supplement № 2 to the Contract. The Tenant recompenses utility service cost and the premises maintenance cost under invoices made out to Lessors according to calculation (Supplement № 3 to the Contract).</p>	06.11.2007	<p>The contract is concluded for indefinite period of time.</p>	-

	Penza regional subsidiary of OJSC VolgaTelecom, and he is also a member of ZAO Penza Mobile Board of directors						
51	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares,</p> <p>2. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of ZAO Chuvashia Mobile Board of directors,</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Chuvashia Mobile Board of directors;</p> <p>4. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Chuvashia Mobile Board of directors,</p> <p>5. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of the Board of directors of ZAO Chuvashia Mobile,</p> <p>6. B.Ya. Zaraiskiy is deputy to the General Director - director of Chuvash Republic regional subsidiary of OJSC VolgaTelecom, and he is also a member of the Board of directors of ZAO Chuvashia</p>	Supplementary agreement № 1 to Contract № 234 of December 28, 2006	ZAO Chuvashia Mobile	The cost of services of arranging the point of connection at zonal level of connection, these services being rendered to the CARRIER, is defined according to OJSC VOLGATELECOM tariffs rates established in sub-item 1.1 of item 1 of Supplement № 3 to the Contract in the wording of Supplementary agreement № 1.	09.11.2007	-	-

	Mobile						
52	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares,</p> <p>2. A.Yu. Ketkov is a member of OJSC VolgaTelecom Management board and at the same time he is the Chairman of ZAO Chuvashia Mobile Board of directors,</p> <p>3. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Chuvashia Mobile Board of directors;</p> <p>4. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Chuvashia Mobile Board of directors,</p> <p>5. M.V. Petrov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of the Board of directors of ZAO Chuvashia Mobile,</p> <p>6. B.Ya. Zaiskiy is deputy to the General Director - director of Chuvash Republic regional subsidiary of OJSC VolgaTelecom, and he is also a member of the Board of directors of ZAO Chuvashia Mobile</p>	<p>Contract of nonresidential premises rental. OJSC VolgaTelecom (Lessor) transfers and ZAO Chuvashia Mobile (Tenant) accepts real property for temporary possession and use, and namely: non-residential premises № 21 of the total area of 17,8 m<sup>2</sup> in building located at the address: Shumilov street 20 A (forth floor), Cheboksary town.</p>	ZAO Chuvashia Mobile	<p>The rental fee for possessing and using the Property under the Contract according to the Memorandum of Agreement of contractual price (Supplement № 2 to the Contract) amounts to RUR 11 176,48 per month, including VAT - RUR 1 704,89.</p>	26.11.2007	<p>The contract is concluded for indefinite period of time.</p>	<p>The Lessor has the right to change the rental rate not more than once a year in cases of change of rental fee basic rates for 1 m<sup>2</sup>, calculation ratios of rental fee and other circumstances affecting real property market situation. Every month not later than on the 10-th day of the current month the Tenant pays the rental fees for the current month on the basis of invoice documents made out by the Lessor.</p>

53	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, and he is also a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz.</p>	<p>Contract №1409 of real property purchase. OJSC VolgaTelecom (Seller) transfers (sells) the ownership of real property located at the address: Turgenev street 13 A, Nizhny Novgorod city (hereinafter - Property) to ZAO Nizhegorodskaya Sotovaya Svyaz (Buyer) and the Buyer accepts (buys) the said Property.</p>	<p>ZAO Nizhegorodskaya Sotovaya Svyaz</p>	<p>RUR 52 450 000,00, including VAT - RUR 8 000 847. For the purpose of working out the transaction price independent appraiser was engaged – Nizhny Novgorod branch of the Federal State Unitary enterprise “Rostekhinventarizatsia”</p>	20.11.2007	-	<p>Lumpsum payment by means of monetary assets transfer to the Seller settlement account within 10 business days after the Contract conclusion. The Property is transferred under delivery-acceptance certificate within 10 business days after the Buyer meeting the obligation on payment in full. Starting from the date of the Buyer's signing delivery-acceptance certificate the Buyer is liable for the Property safety and bears risks of accidental injury or perishing of goods. In case of delay in payment the forfeit penalty is established with respect to the Buyer in the amount of 0,1% of the Property value for each day of delay. The Buyer acquires the ownership right with respect to property under the Contract from the time of ownership transfer state registration in the Department of RF</p>
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							Federal Registration Service for Nizhny Novgorod oblast. Expenses related to state registration of ownership transfer with regard to the Property are borne by the Buyer. The right to use the land plot where the Property is located is transferred to the Buyer in the procedure established by RF applicable law.
54	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract № 5/12-3 of nonresidential premises rental. OJSC VolgaTelecom (Lessor) transfers and LLC NIZHEGORODTELE SERVICE (Tenant) accepts real property in the building located at the address: Gagarin avenue 11/11 (A), (the 1-st floor), Nizhny Novgorod city, for temporary possession and use for administrative and production purposes.	LLC NIZHEGORODTELE SERVICE	Rental fee for possessing and using the Property under the Contract amounts to RUR 43 903,56 per month, including VAT - RUR 6 697,15.	14.11.2007	The contract is concluded for indefinite period of time.	Every month not later than on the 10-th day of the current month the Tenant pays rental fee for the current month on the basis of invoices made out by the Lessor according to rental fee calculation (Supplement №2 to the Contract). The rental fee size may be revised by the Lessor unilaterally due to the change of rental fee basic rates for 1 square meter, calculation ratios of rental fee, inflation rate or other circumstances affecting property market situation and it is accepted by the Tenant without reservation.

							The change of rental fee size is executed by means of sending by the Lessor of written notice to the Tenant by registered mail or by return receipt requested delivery, prior to expiry of current month payment period and may not be made more than once a year.
55	1. M.V. Petrov is a member of OJSC VolgaTelecom Management board and he is also the Chairman of the Board of directors of ZAO Ulyanovsk-GSM	Contract № 04-67. ZAO Ulyanovsk-GSM (Party 1) renders to OJSC VolgaTelecom (Party 2) the services of locating radio broadcasting station equipment of Party 2 at the production space of Party 1.	ZAO Ulyanovsk-GSM	RUR 20 060 per month, including VAT - RUR 3 060	16.11.2007	The Contract is valid till 31.12.2007. The present Contract is deemed to be prolonged for subsequent official year and to have the same terms and conditions, unless one of the Parties to the Present Contract has notified the other Party in writing on the reverse at least 30 days prior to the Contract expiry.	-
56	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of	Contract № 642-07 for carrying out design and survey works for object located in Nizhny Novgorod oblast "Construction of	OJSC GIPROSVYAZ	RUR 1 829 000,00, including VAT - RUR 279 000,00	05.07.2007	The dates of start and completion of works under the Contract are defined in accordance with	-

	directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	Digital Microwave Radio Links of local communication networks of Nizhny Novgorod oblast".				the Time Schedule.	
57	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	Contract № 646-07 for carrying out design and survey works for object located in Nizhny Novgorod oblast "Construction of Digital Microwave Radio Links at sites: Gorodets-Chkalovsk-Sokolskoe".	OJSC GIPROSVYAZ	RUR 240 448,60, including VAT - RUR 36 678,60	05.07.2007	The dates of start and completion of works under the Contract are defined in accordance with the Time Schedule.	-
58	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	Contract № 682-07 for carrying out design and survey works for object located in Nizhny Novgorod city "Change-over of Nizhny Novgorod city telephone network to 7-digit numbering" (adjustment of working schedule of 2005).	OJSC GIPROSVYAZ	RUR 1 623 954,94, including VAT - RUR 247 721,94	05.07.2007	The dates of start and completion of works under the Contract are defined in accordance with the Time Schedule.	-
59	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	Contract № 683-07 for carrying out design and survey works for object located in Nizhny Novgorod city "Construction of Electronic Center for Special Services in Nizhny Novgorod city".	OJSC GIPROSVYAZ	RUR 2 258 617,94, including VAT – RUR 344 534,94	05.07.2007	The dates of start and completion of works under the Contract are defined in accordance with the Time Schedule.	-
60	1. OJSC Svyazinvest possessing more than 20% of	Contract for carrying out design and survey	OJSC GIPROSVYAZ	RUR 287 038,54, including VAT - RUR 43 785,54	07.09.2007	The dates of start and completion	The Contractor starts carrying out Works

	<p>OJSC VolgaTelecom's voting shares;  2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.</p>	<p>works for object located in Samara oblast "Upgrade of Microwave Radio Link in segment Tolyatti city - village Yagodnoe of Stavropol district".</p>				<p>of works under the Contract are agreed by the Parties in accordance with item 1.3. of the Contract</p>	<p>under the Contract after having received initial documentation and advance payment in the amount of 25% of the works cost; the advance payment is transferred to the Contractor settlement account within 20 business days after the Customer's receipt of the invoice. The Contractor makes out the invoice not later than 5 business days since the Contract signing. The remaining sum which amounts to 75% of the Contract value is paid by the Customer by its transfer to the Contractor settlement account within 20 business days since the day of signing Acceptance certificate of carried out works or since expiry of a period established for sending the Customer's reasoned refusal to sign the Acceptance certificate, on the basis of invoice made out by the Contractor.</p>
61	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting</p>	<p>Contract for carrying out design and survey works for object</p>	<p>OJSC GIPROSVYAZ</p>	<p>The cost of Works amounts to RUR 297 709,28, including VAT - RUR 45 413,28</p>	<p>07.09.2007</p>	<p>The dates of start and completion of works under</p>	<p>The Contractor starts carrying out Works under the Contract after</p>

	<p>shares;</p> <p>2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.</p>	<p>located in Samara oblast "Upgrade of Microwave Radio Link: Tolyatti city - village Podstepki of Stavropol district".</p>				<p>the Contract are agreed by the Parties in accordance with item 1.3. of the Contract.</p>	<p>having received initial documentation and advance payment in the amount of 25% of the works cost; the advance payment is transferred to the Contractor settlement account within 20 business days after the Customer's receipt of the invoice. The Contractor makes out the invoice not later than 5 business days since the Contract signing.</p> <p>The remaining sum which amounts to 75% of the Contract value is paid by the Customer by its transfer to the Contractor settlement account within 20 business days since the day of signing</p> <p>Acceptance certificate of carried out works or since expiry of a period established for sending the Customer's reasoned refusal to sign the Acceptance certificate, on the basis of invoice made out by the Contractor.</p>
62	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting</p>	<p>Contract for carrying out design and survey works for object</p>	<p>OJSC GIPROSVYAZ</p>	<p>The cost of Works amounts to RUR 297 709,28, including VAT - RUR 45 413,28</p>	<p>07.09.2007</p>	<p>The dates of start and completion of works under</p>	<p>The Contractor starts carrying out Works under the Contract after</p>

	<p>shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.</p>	<p>located in Samara oblast "Upgrade of Microwave Radio Link: Samara city - village Rozhdestveno of Volzhskiy district".</p>				<p>the Contract are agreed by the Parties in accordance with item 1.3. of the Contract.</p>	<p>having received initial documentation and advance payment in the amount of 25% of the works cost; the advance payment is transferred to the Contractor settlement account within 20 business days after the Customer's receipt of the invoice. The Contractor makes out the invoice not later than 5 business days since the Contract signing.</p> <p>The remaining sum which amounts to 75% of the Contract value is paid by the Customer by its transfer to the Contractor settlement account within 20 business days since the day of signing Acceptance certificate of carried out works or since expiry of a period established for sending the Customer's reasoned refusal to sign the Acceptance certificate, on the basis of invoice made out by the Contractor.</p>
63	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p>	<p>Contract for carrying out design and survey works for object located in Samara</p>	<p>OJSC GIPROSVYAZ</p>	<p>The cost of Works amounts to RUR 297 709,28, including VAT - RUR 45 413,28</p>	<p>07.09.2007</p>	<p>The dates of start and completion of works under the Contract are</p>	<p>The Contractor starts carrying out Works under the Contract after having received initial</p>

	2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is the Chairman of OJSC GIPROSVYAZ Board of directors.	oblast "Upgrade of Microwave Radio Link: Tolyatti city - village Khryashchevka of Stavropol district".				agreed by the Parties in accordance with item 1.3. of the Contract.	documentation and advance payment in the amount of 25% of the works cost; the advance payment is transferred to the Contractor settlement account within 20 business days after the Customer's receipt of the invoice. The Contractor makes out the invoice not later than 5 business days since the Contract signing. The remaining sum which amounts to 75% of the Contract value is paid by the Customer by its transfer to the Contractor settlement account within 20 business days since the day of signing Acceptance certificate of carried out works or since expiry of a period established for sending the Customer's reasoned refusal to sign the Acceptance certificate, on the basis of invoice made out by the Contractor.
64	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract № 16936 for provision of services of locating telecommunication facilities.	ZAO Transsvyaz	RUR 61 439,69 per month, including VAT - RUR 9 372,16	06.07.2007	The Contract is valid till December 31, 2007.	-

						Provided that there is no Party's objection sent to the other Party at least 30 calendar days prior to the Contract expiry, the Contract is prolonged for one year. The number of prolongations is not limited.	
65	I. V.A. Andreev is the Rector of State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT and at the same time he is a member of OJSC VolgaTelecom Board of directors	Contract № 29580/ДАЦ-10 for providing communication channel for use	State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT	The cost of services of arranging the channel – RUR 21 000 exclusive of VAT, the cost of services of providing the channel for use – RUR 6 000 per month exclusive of VAT	27.09.2007	The Contract is valid till December 31, 2007. The contract is considered to be prolonged (within the limits of the Parties license validity term) for each subsequent year, if neither Party declares the Contract cancellation 30 days prior to its expiry.	Within 1 business day since the Contract signing date the Operator makes out the invoice to the User on payment the cost of services of arranging the Channel; this invoice is to be paid by the User within 5 business days since the date of receipt. The payment of services of providing the Channel for use is made by the User for the current month by means of monthly transfer of monetary assets to the Operator's settlement account on the basis of made out invoice, within 10 (ten) business days from the day of its receipt, but

							not later than on the 25-th day of the current month.
66	<p>I. V.A. Andreev is the Rector of State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT and at the same time he is a member of OJSC VolgaTelecom Board of directors</p>	<p>Contract № 29580/AK-401 for providing services of cable laying in the channels of telephone duct-work</p>	<p>State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT</p>	<p>The cost of service of cable laying in telephone duct-work amounts to RUR 1159.25 per month.</p>	05.10.2007	<p>The Contract is valid till December 31, 2007. Provided that there is no Party's objection sent to the other Party at least 30 calendar days prior to the Contract expiry, the Contract is prolonged for one year. The number of prolongations is not limited.</p>	<p>The Subscriber makes the payment under the contract for settlement month according to current tariff rates, by means of monetary assets transfer to the Operator's settlement account on the basis of made out invoice, within 10 (ten) business days from the day of its receipt, but not later than on the 25-th day of the settlement month.</p>
67	<p>I. V.A. Andreev is the Rector of State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT and at the same time he is a member of OJSC VolgaTelecom Board of directors</p>	<p>Contract № 29581/PIII-44 for provision of services of locating telecommunication facilities</p>	<p>State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT</p>	<p>The cost of services under the Contract – RUR 845,02 per month exclusive of VAT</p>	05.10.2007	<p>The contract is considered to be prolonged (within the limits of the Parties' license validity term) for each subsequent year, if neither Party declares the Contract cancellation 30 days prior to its expiry.</p>	<p>Within 1 business day since the Contract signing date the Operator makes out the invoice to the User on payment the cost of services of arranging the Channel; this invoice is to be paid by the User within 5 business days since the date of receipt. The payment of services of providing the Channel for use is made by the User for the current month by means of monthly</p>

							transfer of monetary assets to the Operator's settlement account on the basis of made out invoice, within 10 (ten) business days from the day of its receipt, but not later than on the 25-th day of the current month.
68	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of ZAO Samara Telecom Board of directors</p>	<p>Contract №ДІАВ – 45/4P on provision for temporary use of optical fiber in fiber-optic cables. The list of "Optical fibers", provided for temporary use and their technical features are specified in Supplement 1 to the Contract.</p>	ZAO Samara Telecom	<p>The cost of providing "Optical fibers" for temporary use amounts to RUR 33 044, 00 (thirty three thousand forty four rubles 00 kopecks) per month, exclusive of VAT.</p>	01.10.2007	<p>The contract is valid for 11 months. The present Contract is prolonged as having the same terms and conditions and for the same period, provided that neither Party declares the reverse at least 1 calendar month prior to the Contract expiry.</p>	<p>The calculation of cost of services of providing "Optical fibers" for temporary use under the Contract is specified in Supplement № 3 to the Contract.</p> <p>Prior to the 10-th day of settlement month the Operator makes out the invoice on payment, tax invoice and Acceptance certificate to the User. The User pays invoices and signs Acceptance certificate of rendered services not later than 10 (ten) banking days after payment documents receipt.</p>
69	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. D.B. Kostin is a member of OJSC VolgaTelecom Management board and at the same time he is a member of</p>	<p>Contract for rendering services of providing space in duct-work. The location and the length of duct-work, where the cable is laid, and the cable technical features are specified</p>	ZAO Samara Telecom	<p>The cost of rendered services of providing space in duct-work amounts to RUR 247 107,90 per month exclusive of VAT.</p>	01.10.2007	<p>The contract is valid for 11 months. The present Contract is prolonged as having the same terms and conditions and</p>	<p>The User makes the payment under the Contract every month on the basis of current tariff rates and invoices made out by OJSC VolgaTelecom. At the date of the</p>

	ZAO Samara Telecom Board of directors	un Supplement № 1 to the Contract.				for the same period, provided that neither Party declares the reverse at least 1 calendar month prior to the Contract expiry.	Contract signing the cost of services being rendered is defined by the length of cables, laid in duct-work of VolgaTelecom's Samara regional subsidiary and by current tariff rates of VolgaTelecom's Samara regional subsidiary. The list of cables laid in VolgaTelecom duct-work and their length are specified in Supplement №1 to the Contract. The User makes the payment every month not later than on the 20-th day of the settlement month by means of transfer to OJSC VolgaTelecom settlement account.
70	I. V.A. Andreev is the Rector of State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT and at the same time he is a member of OJSC VolgaTelecom Board of directors	Contract №_ /ТІІ-07 for OJSC VolgaTelecom employees training in 2007-2008 academic year for the purpose of their getting higher professional education according to the chosen specialty and under state educational standard of higher professional education.	State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT	The cost of training of the Company's employees in 2007-2008 academic year is defined by Memorandum of Agreement of contractual price (Supplement № 1) and amounts to RUR 430 500.	01.09.2007	Valid till June 30, 2008	The Customer pays for the training within 10 (Ten) business days since the date of invoice issuing for each training semester according to the Memorandum of Agreement of contractual price. OJSC VolgaTelecom sends its employees to the State educational institution of higher professional education Povolzhskiy

							<p>State Academy of Telecommunications and IT for training, according to the list (Supplement № 2 to the Contract).</p> <p>In case of successful completion of training in the State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT, the employees are given Diplomas of Higher Professional education and qualification in specialties:</p> <ul style="list-style-type: none"> <li>- 200900 (Telecommunications networks and communication systems),</li> <li>- 201000 (Multichannel telecommunications systems).</li> </ul>
71	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is a member</p>	<p>Supplementary agreement № 2 to Contract № 43 of 27.06.2005 for operational and maintenance service of digital transmission systems (DTS)</p>	OJSC Rostelecom	<p>The cost of services rendered by the Contractor amounts to RUR 439 351,76 including VAT - RUR 67 019,76 per month.</p>	01.10.2007	-	-

	of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors						
72	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. M.V. Petrov is a member of OJSC VolgaTelecom Management board and he is also the Chairman of the Board of directors of ZAO Ulyanovsk-GSM	Supplementary agreement № 1 to Contract № 100/016957 of 26.09.2006 on mobile communication services provision	ZAO Ulyanovsk-GSM	Communication services and complementary services acquired by the Subscriber under the Contract are paid according to effective tariff rates of the Operator as per Supplements № 1, 2, 9, 10, 11, 12 to the Contract in the wording of Supplementary agreement №1, including VAT.	12.12.2007	-	-
73	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors; 3. V.V. Degtyarev is a member of OJSC VolgaTelecom Board of directors, and at the same time he is a member of OJSC Rostelecom Board of directors	Agreement on the dissolution of contract of non-residential premises rental № 23 of 11.10.2006	OJSC Rostelecom	The Parties obligations under the Contract as related to rental fee payments for actual use of non-residential premises are in force till complete repayment of debt by OJSC VolgaTelecom and cease to be effective since the date of rental payment amount transfer to OJSC Rostelecom settlement account.	31.10.2007	-	The Agreement becomes effective and the Parties' obligations under the contract cease to be effective since the time of signing the Agreement by the Parties.
74	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. Yu.A. Bilibin is a member of OJSC VolgaTelecom Board of directors and at the same time he is a member of OJSC GIPROSVYAZ Board of	Contract № 838-07 for carrying out design and survey works for object located in N izhny Novgorod city and Nizhny Novgorod oblast: "Building broadband subscriber access (xDSL)	OJSC GIPROSVYAZ	The value of work under the Contract amounts to RUR 13 865 000,00, including VAT – RUR 2115000,00 (Exhibit №3 to the Contract).	14.12.2007	The dates of start and completion of works are stipulated by Timing schedule (Exhibit №2 to the Contract).	-

	directors.	network in Nizhny Novgorod regional subsidiary of OJSC "VolgaTelecom".					
75	OJSC Svyazinvest possessing more than 20% of OJSC "VolgaTelecom's" voting shares	Contract № 16952 on communication facilities location services provision	LLC NIZHEGORODTEL ESERVICE	RUR 230 731,3 per month, including VAT – RUR 35 196,3	05.07.2007	The contract is valid till December 31, 2007. If there are no Parties' objections forwarded to the other Party at least 30 days prior to the Contract expiry, the Contract is extended for 1 year. The number of prolongations is not limited.	-
76	OJSC Svyazinvest possessing more than 20% of OJSC "VolgaTelecom's" voting shares	Contract of real property rental for administrative and production use, and namely: non-residential premises of the total area of 353,8 m2 located at the address: Marshal Zhukov sq., 3, Nizhny Novgorod city.	LLC NIZHEGORODTEL ESERVICE	Rental fee for possessing and using the Property under Supplement №2 to the Contract amounts to RUR 160 710,47 per month, including VAT - RUR 24 515,16	01.12.2007	Sine die	The rental fee size may be revised by the Lessor unilaterally due to the change of rental fee basic rates for 1 square meter, calculation ratios of rental fee, inflation rate or other circumstances affecting property market and it is accepted by the Tenant without reservation.  Every month not later than on the 10-th day of the current month the

							Tenant pays rental fee for the current month on the basis of invoices made out by the Lessor.
77	OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares	Contract № 07522021 for carrying out design and survey works for object located in Nizhny Novgorod: "Reconstruction of PSTN network of Nizhny Novgorod regional subsidiary, 3-rd stage".	OJSC GIPROSVYAZ	Total value of Work amounts to RUR 2 483 941,30 including VAT RUR 378 906,30.	19.06.2007	The dates of start and completion of works are stipulated by Timing schedule (Exhibit №2 to the Contract).	-
78	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz; 3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, and he is also a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz; 4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of	Contract № 16910 of communication facilities location services provision	ZAO Nizhegorodskaya Sotovaya Svyaz	RUR 279 433,44 per month including VAT RUR 42 625,00.	02.07.2007	The contract is valid till December 31, 2007. If there are no Parties' objections forwarded to the other Party at least 30 days prior to the Contract expiry, the Contract is extended for 1 year. The number of prolongations is not limited.	-

	Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz						
79	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, and he is also a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;</p> <p>4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz</p>	<p>Contract № 19115. OJSC VolgaTelecom (hereinafter – VolgaTelecom) renders services on providing space in duct-work located in Dzerzhinsk town of Nizhny Novgorod oblast to ZAO Nizhegorodskaya Sotovaya Svyaz (hereinafter – Operator), the space being provided for laying a cable which is the Operator's property.</p>	<p>ZAO Nizhegorodskaya Sotovaya Svyaz</p>	<p>RUR 5 058,06 per month exclusive of VAT</p>	<p>17.07.2007</p>	<p>The contract is valid till December 31, 2007. If there are no Parties' objections forwarded to the other Party at least 30 days prior to the Contract expiry, the Contract is extended for 1 year. The number of prolongations is not limited.</p>	-
80	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.V. Omelchenko is OJSC VolgaTelecom General Director and at the same time he is the Chairman of the Board of directors of ZAO</p>	<p>Supplementary agreement № 1 to Contract of networking № 17002 of January 17, 2007</p>	<p>ZAO Nizhegorodskaya Sotovaya Svyaz</p>	<p>The cost of services rendered to Communication Operator for arranging connection point at zonal level of connection is defined at VolgaTelecom's tariff rates established in accordance with applicable law</p>	<p>12.09.2007</p>	-	-

	<p>Nizhegorodskaya Sotovaya Svyaz;  3. M.V. Petrov is a member of OJSC VolgaTelecom Management board, and he is also a member of the Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz and the General Director of ZAO Nizhegorodskaya Sotovaya Svyaz;  4. O.V. Ershov is a member of OJSC VolgaTelecom Management board and at the same time he is a member of Board of directors of ZAO Nizhegorodskaya Sotovaya Svyaz</p>			(sub-item 1.1 of item 1 of Exhibit № 1 to the Contract in the wording of Supplementary agreement № 1).			
81	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;  2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>Works contract №646.  OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on designing technical architecture of unified ERP system on the basis of "Oracle" bundled software products "e-Business Suite".</p>	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 59 361 310,43, including VAT RUR 9055115,15.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	<p>As to information privacy issues, the Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data constituting commercial secret, the said contract being concluded earlier by and between the Contractor and the Customer.  The works are carried out according to 2 stages:  - Stage 1  Work specification formulation.  Stage 1 works are carried out within 40</p>

							<p>business days since the works start date specified in item 6.1. of the Contract.</p> <p>The Work specification is developed according to the Customer's assignment (Exhibit №1 to the Contract). The Work specification becomes the integral part of the contract.</p> <p>- Stage 2- Technical and production project development. The dates of Stage 2 works carrying-out are established in Timing Schedule worked out at Stage 1 and approved by the Customer together with Work specification.</p>
82	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>Works contract №647.</p> <p>OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on formulation of Work specification for establishing amplified (two-factor) authentication and user accounts</p>	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 2989742,40 including VAT RUR 456062,40.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	<p>Performance time – 51 day since work start date specified in item 6.1. of the Contract. The work start date is set within 10 business days since the date of making the first payment specified in item 3.2.1. of the Contract.</p> <p>As to information</p>

		management subsystem for integrated ERP master-system and automated settlements system in accordance with Assignment of Work specification formulation (Exhibit №1 to the Contract).					privacy issues, the Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data constituting commercial secret, the said contract being concluded earlier by and between the Contractor and the Customer.
83	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors	Works contract №648.  OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on designing technical architecture of automated settlements system on the basis of LLC Scientific and production center "Infosfera" bundled software products.	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 25038684,00, including VAT RUR 3819460,27.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	The works are carried out according to the following stages: - Stage 1 Work specification formulation. Stage 1 works are carried out within 40 business days since the works start date specified in item 6.1. of the Contract. The Work specification is developed according to the Customer's Assignment (Exhibit №1 to the Contract).  - Stage 2- Technical and production project development. The dates of Stage 2 works carrying-out are established in Timing Schedule worked out at Stage 1 and approved by the Customer

							<p>together with Work specification.</p> <p>- Stage 3 – arranging expert examination of technical and production project with the Federal State Institution “Training and methodic center of Rossvyaznadzor”.</p> <p>The dates of Stage 3 works carrying-out are established in Timing Schedule worked out at Stage 1 and approved by the Customer together with Work specification.</p> <p>Performance time – 8 calendar months since work start date specified in item 6.1. of the Contract. The work start date is set within 7 business days since the date of making the first payment specified in item 3.3.1. of the Contract.</p> <p>As to information privacy issues, the Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data constituting commercial secret, the said contract</p>
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							being concluded earlier by and between the Contractor and the Customer.
84	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>Works contract №649.</p> <p>OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on designing a Complex of tools for providing information security of integrated ERP system on the basis of "Oracle" software products "e-Business Suite" and automated settlements system on the basis of LLC Scientific and production center "Infosfera" software products in accordance with Assignment of developing technical and production project "Complex of tools for providing information security of integrated ERP system on the basis of "Oracle" software products "e-Business Suite" and automated settlements system on the basis of software products of LLC Scientific and</p>	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 6476916,67 including VAT RUR 988004,23.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	<p>The works are carried out according to the following stages:</p> <p>- Stage 1 Work specification formulation. Stage 1 works are carried out within 40 business days since the start date of works under the Contract. The Work specification is developed according to the Customer's Assignment. Work specification approved by the Customer becomes the integral part of the Contract.</p> <p>- Stage 2- Technical and production project development. The dates of Stage 2 works carrying-out are established in Timing Schedule worked out at Stage 1 and approved by the Customer together with Work specification.</p> <p>Performance time – 8 calendar months since work start date</p>

		production center "Infosfera".					specified in item 6.1. of the Contract. The work start date is set within 7 business days since the date of making the first payment specified in item 3.3.1. of the Contract.
85	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>Works contract №650.</p> <p>OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on designing technical architecture of System of Monitoring and managing Corporate data network of level 1 in accordance with Assignment of developing technical project "Systems of Monitoring and managing Corporate data network of level 1".</p>	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 993750,00 Including VAT RUR 151588,98.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	<p>The works are carried out according to the following stages:</p> <p>- Stage 1</p> <p>Formulation of Work specification of designing the System of Monitoring and managing Corporate data network of level 1 (hereinafter - SMM of CDN-1)</p> <p>Stage 1 works are carried out within 20 business days since the start date of works under the Contract. The Work specification is developed according to the Customer's Assignment. Work specification approved by the Customer becomes the integral part of the Contract.</p> <p>- Stage 2- Developing technical project of SMM of CDN-1 main center. The dates of Stage 2 works carrying-</p>

							<p>out are established in Timing Schedule worked out at Stage 1 and approved by the Customer together with Work specification.</p> <p>Stage 3 – developing technical project of SMM of CDN-1 peripheral part located at OJSC VolgaTelecom data processing center. The dates of Stage 3 works carrying-out are established in Timing Schedule worked out at Stage 1 and approved by the Customer together with Work specification.</p> <p>Performance time – 8 calendar months since work start date specified in item 6.1. of the Contract. The work start date is set within 7 business days since the date of making the first payment specified in item 3.3.1. of the Contract.</p> <p>As to information privacy issues, the Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data</p>
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							constituting commercial secret, the said contract being concluded earlier by and between the Contractor and the Customer.
86	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>Works contract №651. OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works on: elaboration and coordination with Russia's Federal Security Service Department of requirements to information systems containing data bases of carrier subscribers and communications services provided to them by interacting with competent bodies carrying out investigative activities (IS SORM); on developing a program and methods of testing to check the compliance with requirements; on stand roll-out and making tests to check the compliance of solutions</p>	OJSC Svyazintek	Total value of work under the Contract amounts to RUR 1 205 750,00 including VAT RUR 183 927,97.	29.12.2007	The Contract is effective till the Parties meet the assumed commitments.	<p>Stages and works execution periods are established by Timing Schedule (Exhibit №2 to the Contract)</p> <p>The work start date is set within 7 business days since the date of making the first payment specified in item 3.2.1. of the Contract.</p> <p>As to information privacy issues, the Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data constituting commercial secret, the said contract being concluded earlier by and between the Contractor and the Customer.</p>

		implementing IS SORM with requirements.					
87	V.A. Andreev is the Rector of State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT and at the same time he is a member of OJSC VolgaTelecom Board of directors	Contract №03 /TII-08 for advance training and education of OJSC VolgaTelecom top executives and employees (500 persons).	State educational institution of higher professional education Povolzhskiy State Academy of Telecommunications and IT	The price of extension courses per one person is defined in accordance with Memorandum of Agreement of contractual price (Supplement № 1 to the Contract). The total cost of services according to Supplement № 1 to the Contract is RUR 9 861 300.	17.12.2007	The contract is effective till the Parties' commitments are met in full.	The Customer pays for the training according to the Contractor's invoices within 10 (Ten) banking days since the date of invoice issuing.  The starting date for the services provision – January 14, 2008, finishing date of the services provision – December 19, 2008.
88	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors	Supplementary agreement № 1 to the Contract on carrying-out works and services provision № 573 of June 29, 2007	OJSC Svyazintek	The cost of works/services acquired by the Company under Contract № 573 of 29.06.2007, as modified by Supplementary agreement, amounts to RUR 38 252 449,40 including VAT RUR 5835119,40.	29.12.2007	Additional agreement is effective till the Parties meet the assumed commitments.	-
89	1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares; 2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors	Supplementary agreement to Contract № 771 of August 22, 2006 on services provision.	OJSC Svyazintek	The cost of services rendered by OJSC Svyazintek (Contractor) under the Contract, as modified by Supplementary agreement, amounts to US\$ 6823 389,04 including VAT US\$ 1040855,96 .	29.12.2007	Additional agreement is effective till the Parties meet the assumed commitments.	-
90	1. OJSC Svyazinvest possessing more than 20% of	Works contract №1268	OJSC Svyazintek	Total price of works/services under the Contract amounts to	29.12.2007	The contract is effective till the	As to information privacy issues, the

	<p>OJSC VolgaTelecom's voting shares;</p> <p>2. V.D. Savchenko is a member of OJSC VolgaTelecom Board of directors and he is also a member of OJSC Svyazintek Board of directors</p>	<p>№1268.</p> <p>OJSC VolgaTelecom (Customer) assigns and OJSC Svyazintek (Contractor) commits to carry out works/render services related to implementation of system of remote training for the purpose of solving the problem of users training within the framework of centralized IT programs realized in OJSC VolgaTelecom.</p>		<p>RUR 64 948 239,36, including VAT RUR 9 907 358,55 including:</p> <ul style="list-style-type: none"> <li>- of works/services specified in Supplement №1 – RUR 33 207 965,32 including the Contractor's remuneration for rights to use Systems of remote education transferred to the Customer – RUR 531 472,00;</li> <li>- of works/services specified in Supplement №2 – RUR 3 261 538,88;</li> <li>- of works/services specified in Supplement №3 – RUR 19 476 318,16;</li> <li>- of works/services specified in Supplement №4 – RUR 9 002 417,00.</li> </ul>		<p>Parties' commitments are met in full. The contract terms and conditions are applicable to the Parties' relations that have occurred prior to its signing, and namely starting from August 01, 2007.</p>	<p>Parties have agreed to be guided by Contract № 423-05 of 02.06.2005 on confidentiality of data constituting commercial secret, the said contract being concluded earlier by and between the Contractor and the Customer.</p>
91	<p>1. OJSC Svyazinvest possessing more than 20% of OJSC VolgaTelecom's voting shares;</p> <p>2. S.I. Kuznetsov is the Chairman of OJSC VolgaTelecom Board of directors, concurrently he is a member of OJSC Rostelecom Board of directors;</p> <p>3. V.V. Degtyarev is OJSC VolgaTelecom Board of directors' member, concurrently he is a member of OJSC Rostelecom Board of directors</p>	<p>Contract № 07K0033 OJSC Rostelecom (Contractor) commits to render a service of connecting bit synchronization (hereinafter – BS) networks of OJSC VolgaTelecom (Customer) to the Contractor's BS core network in Nizhny Novgorod, Kirov, Orenburg, Cheboksary, Chapaevsk and Neftegorsk of Samara oblast, subject to the Contract terms and conditions, and also to ensure BS signal</p>	OJSC Rostelecom	<p>The cost of services acquired by the Company under the Contract consists of one-time payment for connecting bit synchronization networks in the amount of RUR 54 003 exclusive of VAT for one connection point and cost of services of delivering the signal of bit synchronization network in the amount of RUR 60 705 per month exclusive of VAT (Exhibit №2 to the Contract).</p>	01.11.2007	<p>The contract is effective till December 31, 2007. If neither Party declares in writing its intention to terminate the Contract at least one month prior to its expiry, it is automatically prolonged for each subsequent official year.</p>	<p>Since the time of the present Contract signing the following contracts are terminated early:</p> <ul style="list-style-type: none"> <li>№ 195 of May 30, 2002 OJSC Svyazinform of Penza oblast;</li> <li>№ 06/106 of June 14, 2002 OJSC Martelcom of Mariy-El Republic;</li> <li>№ 05-21/0282 of September 05, 2003 Saratov regional subsidiary of OJSC VolgaTelecom;</li> <li>№ 252 of August 07, 2002 OJSC Telekommunikatsionniye seti svyazi of</li> </ul>

		delivery from the Contractor's BS core network to the Customer's BS networks in the territory of the Customer's license № 24345 during the contract time.					Udmurtia Republic; № 05-21/0080 of April 01, 2001 OJSC Svyazinform of Samara oblast; № 05-21/0089 of April 01, 2001 OJSC Svyazinform of the Republic of Mordovia; № 05-21/0091 of April 01, 2001 OJSC Electrosvyaz of Ulyanovsk oblast.
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**INFORMATION ABOUT THE COMPANY'S EQUITY PARTICIPATION IN OTHER ENTITIES PROVIDING TELECOMMUNICATIONS SERVICES (THE COMPANY'S EQUITY STAKE IN THEIR AUTHORIZED CAPITAL IS AT LEAST 25%).**

Table 12.1.

№	Entity	Core activity	Equity stake in authorized capital of entity, %	Contribution to authorized capital, RUR thousand	Key performance indicators		
					Number of subscribers/lines	Proceeds, RUR thousand	Net profit, RUR thousand
1.	ZAO Nizhegorodskaya Sotovaya Svyaz	D-AMPS and GSM cellular communications services	100	21 629,4	2 260 753	4 321 209	806 988
2.	LLC NIZHEGORODSKYI TELESERVICE	Data transmission services, telematic services	100	300,0	478	61 124	7 579
3.	ZAO Transsvyaz	Local telephony services	100	400,0	5 960	23 608	1 438
4.	LLC NIZHEGOROD-TELESERVICE	Data transmission services, telematic services	80	2 400	122	15 114	1 029
5.	OJSC Information Commercial Networks "OMRIX"	Internet, data transmission services	73,6	146,2	482	720	- 965
6.	ZAO Ulyanovsk-GSM	GSM cellular communications services	60	60,0	388 801	735 170	115 046
7.	ZAO Orenburg-GSM	GSM cellular communications services	51	102,0	215 330	272 823	9 939
8.	ZAO Narodnyi Telephone Saratov	Wireless telecommunications services	50+1 preferred share	50,01	41 867	80 515	- 23 171
9.	ZAO NIZHEGORODSKYI RADIOTELEPHONE	Wireless telecommunications services	50	50,0	2 162	10 883	- 8 006
10.	ZAO Samara Telecom	Local telephony services	27,8	75,01	16 020	324 922	53 376

**ZAO Nizhegorodskaya Sotovaya Svyaz**

Full name: Closed Joint Stock Company Nizhegorodskaya Sotovaya Svyaz;

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

Registration date: 30.03.1995;

Year of OJSC VolgaTelecom's entry: 1995;

Core activity: provision of GSM and D-AMPS cellular communications services.

**LLC NIZHEGORODSKYI TELESERVICE**

Full name: Limited Liability Company NIZHEGORODSKYI TELESERVICE;

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

Registration date: 25.12.2000;

Year of OJSC VolgaTelecom's entry: 2005;

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

### **ZAO 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's entry: 1997;  
Core activity: provision of local telephony services and construction of line and cable telecommunication facilities;

### **LLC NIZHEGORODTELESERVICE**

Full name: Limited Liability Company NIZHEGORODTELESERVICE;  
Location: Dom Svyazi, M. Gorky square, Nizhny Novgorod city, Russia;  
Registration date: 26.02.1997;  
Year of OJSC VolgaTelecom's entry: 1997;  
Core activity: provision of data transmission services and telematic services;

### **OJSC Information Commercial Networks "OMRIX"**

Full and abbreviated brand names: Open Joint Stock Company Information Commercial Networks "OMRIX";  
Location: Tereshkova Street 10, Orenburg city, Russia;  
Registration date: 21.12.1991;  
Year of OJSC VolgaTelecom's entry: 1991;  
Core activity: provision of Internet services and data transmission services.

### **ZAO 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's entry: 1998;  
Core activity: provision of GSM cellular communications services.

### **ZAO 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's entry: 1996;  
Core activity: provision of GSM cellular communications services.

### **ZAO 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's entry: 1998;  
Core activity: provision of local telephony services by using radio access equipment.

### **ZAO NIZHEGORODSKIY RADIO TELEPHONE**

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

**ZAO Samara Telecom**

Full name: Closed Joint Stock Company Samara Telecom;  
Location: Polevaya Street 43, Samara city;  
Registration date: 29.03.1996;  
Year of OJSC VolgaTelecom's entry: 1996;  
Core activity: provision of local telephony services.

## ***INFORMATION ABOUT THE COMPANY'S COMPLIANCE WITH CORPORATE GOVERNANCE CODE***

### **1. Information about the Company's Corporate Governance Code.**

OJSC VolgaTelecom's Corporate Governance Code was approved by the Company's Board of directors on March 11, 2004; modifications were introduced on September 24, 2004, May 20, 2005 and September 20, 2006.

The principles and the rules of OJSC VolgaTelecom's Corporate Governance Code meet international standards of corporate governance practices and contain requirements to the functioning of the Company's management and control bodies and to compliance with high ethic standards and business communication culture by all persons of the Company.

By approving Corporate Governance Code as one of fundamental regulatory document, the Company assumed the liability to improve the Company's corporate governance in accordance with the principles ensuring:

- Real opportunity for shareholders to exercise their rights related to participation in the Company;
- Equal treatment of shareholders possessing the shares of the same type (category), including minority and non-resident shareholders;
- Exercising by the Board of directors of strategic management of the Company's activity and efficient control by the Board of directors of the activity of the Company's executive bodies, and also the accountability of the Board of directors' members to the Company's shareholders;
- Reasonable and bona fide exercising by the Company's executive bodies of efficient management of the Company's day-to-day operations to ensure its long-term, stable development and shareholders' obtaining benefit 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 position, 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 shareholders and investors;
- Efficient control of the Company's financial-economic activity in order to protect the rights and legitimate interests of shareholders;
- 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 ensure the increase in the Company's value, including the growth of its assets, the price of shares and other securities, improving its image.

On June 22, 2007 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's Board of directors are recognized as independent directors: V.A. Andreev, A.A. Gavrilenko, V.V. Degtyarev, E.P. Enin and O.R. Fedorov. Besides independent directors the Board of directors comprises one executive director (OJSC VolgaTelecom General Director S.V. Omelchenko) and five non-executive directors. In experts' opinion, such composition 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. OJSC VolgaTelecom Board of directors is composed of persons having knowledge and professional experience in the sphere of strategic and financial

management, financial accounting, corporate governance and law, as well as in the Company's specific areas.

In 2007 Sergey Ivanovich Kuznetsov was again elected the Chairman of the Board of directors which shows the Board of directors' striving to follow the chosen path of long-term goal-oriented development of the Company.

The pre-requisite of the Board of directors' efficient functioning is the establishment of the Board of directors' Committees. The Committees are designed for preliminary consideration of the most fundamental issues referred to the Board of directors' competencies, and for preparation of recommendations for the Board of directors for making decisions on them.

The Board of directors' Committee for Audit is established for consideration of issues of interaction between the Company and its external independent auditor, financial statements, assessment of internal control system efficiency and other issues.

The Board of directors' Staff and Rewards Committee is established for preliminary consideration of issues related to defining criteria of selecting nominees to the Board of directors and the Company's executive management, assessment of their work and setting their remuneration.

Besides, OJSC VolgaTelecom established Strategic Development Committee and Corporate Governance Committee. The competencies of these committees are defined with due account for recommendations of international and Russian best practice of corporate governance and include a wide range of issues related to appropriate aspects of the Company's activity.

The activity of each Committee is regulated by a special Regulation which sets forth the objectives of Committee's establishment and its functions, its composition and formation procedure, procedure of holding committee meetings and cooperation with other management bodies of the Company, as well as rights and duties of Committee's members.

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 compliance with the rules and procedures of corporate governance guaranteeing realization of shareholders' rights and interests by the Company's bodies and executive officers and to organize interaction between the Company and its shareholders. With a view of providing for the effective performance by the corporate secretary of his/her duties, the back office of the Company's corporate secretary was established. The Company's corporate secretary and the back office of the corporate secretary carry out their activity in accordance with applicable law, the Company's Articles of association, the Company's internal documents and also with the resolutions of general meeting of shareholders and the Company's Board of directors.

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

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 intended at establishing and maintaining reliable partnership relations with shareholders, employees, clients and other interested persons of the Company and building up the Company's positive image as a whole.

## 2. Report on compliance with recommendations of FFMS's Corporate Governance Code.

Table 13.1.

№	Provision of Corporate Governance Code	Complied or not complied	Comment
<b>General meeting of shareholders</b>			
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 provide for longer period.	Complied	Item 12.12 of the Company's Articles of association.
2.	Availability with the stockholders of possibility to get familiarized with the list of persons entitled to participate in general meeting of stockholders starting from the date of announcing stockholders general meeting holding and till closing of formal general meeting of stockholders, and in case of absentee general meeting of stockholders – till the end date of voting ballots acceptance.	Complied	Item 7.5. of the Company's Articles of association.
3.	Availability with the stockholders of possibility to get familiarized with the information (materials) subject to provision during the preparation for holding general meeting of stockholders by means of electronic communication facilities, the Internet including.	Complied	The Company publishes the information provided to shareholders at the preparation for the meeting at official web-site in the Internet: <a href="http://www.vt.ru">www.vt.ru</a>
4.	Availability with a stockholder of possibility to introduce an issue 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.	Complied	Item 12.6. of the Company's Articles of association, item 2.6. of the Regulation on the procedure of holding general meeting of the Company's stockholders.
5.	Availability in the Company's Articles of association 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.	Complied	Item 12.17. of the Company's Articles of association, item 3.17. of the Company's Corporate Governance Code.
6.	Compulsory attendance of nominees of 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.	Complied	The Company provides for the attendance of nominees to the Company's bodies of management and control at general meeting of stockholders.
7.	Availability in the joint-stock company's internal documents of the procedure of stockholders general meeting participants' registration.	Complied	Items 3.4. and 8.1. of the Regulation on the procedure of holding general meeting of stockholders of the Company.
<b>The Board of directors</b>			
8.	Availability in the joint-stock company's Articles of association of the authority of the Board of directors to approve annual financial-economic plan of the joint-stock company.	Complied	Sub-item 1 of item 13.4 of the Company's Articles of association.
9.	Availability of the joint-stock company's risk management procedure approved by the Board of directors.	Complied	Risk management program was approved by the Company's Board of directors on December 20, 2007.
10.	Availability in the joint-stock company's Articles of	Not applicable	The Company's General Director is not

	association of the Board of directors' right to take a decision to suspend the powers of the General Director being appointed by the stockholders' general meeting.		appointed by shareholders' general meeting.
11.	Availability in the joint-stock company's Articles of association of the Board of directors' right to set requirements to the qualification and to the remuneration size of the General Director, the Management board members, heads of the basic structural subdivisions of the joint-stock company.	Complied	Sub-item 33 of item 13.4; item 14.7; item 15.4. of the Company's Articles of association.
12.	Availability in the joint-stock company's Articles of association of the Board of directors' right to approve the terms and conditions of contracts with the General Director and the Management board members.	Complied	Sub-item 33 of item 13.4 of the Company's Articles of association.
13.	Availability in the joint-stock company's Articles of association 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 Management board members, the votes of the Board of directors' members being the General Director and the Management board members are not taken into account at the votes counting.	Complied in part	This requirement is not set forth in internal documents, but it is complied with in practice.
14.	Availability in the composition of the joint-stock company's Board of directors of at least 3 independent directors meeting the requirements of Corporate Governance Code.	Complied	The following directors: V.A. Andreev, V.V. Degtyarev, E.P. Enin, A.A. Gavrilenko and O.R. Fedorov meet the requirements of item 2 of Supplement 1 to the Regulation approved by RF FFMS order № 07-102/ПЗ-Н of 09.10.2007.
15.	Non-availability in the composition 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.	Complied	
16.	Non-availability in the composition of the joint-stock company's Board of directors of the persons who are participants, general director (manager), management body members or employees of legal entity competing with the joint-stock company.	Complied	
17.	Availability in the joint-stock company's Articles of association of the requirement of electing the Board of directors by cumulative voting.	Complied	Item 13.2 of the Company's Articles of association.
18.	Availability in the joint-stock company's internal documents of the duty of the Board of directors' members to refrain from actions that will result in or potentially may result in the 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.	Complied	Items 4.20, 4.22 of Corporate Governance Code; item 3.2 of the Regulation on the Board of directors.
19.	Availability in the joint-stock company's internal documents of the duty of the Board of directors' members to notify the Board of directors in writing of the intent to make transaction with the securities of the joint-stock company where they are the Board of directors' members, or with the securities of subsidiary (associated) companies, and also to disclose the information on transactions with such	Complied	Item 4.20. of Corporate Governance Code; Item 3.3 of the Regulation 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

	securities made by them.		materially the market value of OJSC VolgaTelecom's securities. (Item 6 of Supplement 1 to the Regulation approved by RF FFMS order № 07-102/ПЗ-Н of 09.10.2007).
20.	Availability in the joint-stock company's internal documents of the requirement that the Board of directors' meetings should be held at least once in six weeks.	Complied	Item 4.8. of the Company's Corporate Governance Code, item 6.2. of the Regulation on the Company's Board of directors.
21.	Holding of meetings of the joint-stock company's Board of directors during the year for which the joint-stock company's annual report is drawn up with periodicity of at least once in six weeks.	Complied	
22.	Availability in the joint-stock company's internal documents of the procedure of holding the Board of directors' meetings.	Complied	Items 13.10.-13.16. of the Articles of association, Article 6 of the Regulation 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 joint-stock company's transactions for the amount of 10 and more per cent of the joint-stock company's assets value, excluding the transactions made in the normal course of business.	Complied	Sub-items 19 and 20 of item 13.4. of the Company's Articles of association.
24.	Availability in the joint-stock company's internal documents of the right of the Board of directors' members to receive information required for their functions exercise from executive bodies and heads of basic structural subdivisions of the joint-stock company, and also of the responsibility for non-providing such information.	Complied	Item 3.4. of the Regulation on the Company's Board of directors.  Item 5.7. of the Company's Corporate Governance Code.
25.	Availability of the Board of directors' committee for strategic planning or assignment of the said committee functions to other committee (except for the committee for audit and for the staff and rewards committee).	Complied	Item 4.24. of the Company's Corporate Governance Code. The Board of directors established strategic development committee.
26.	Availability of the Board of directors' committee (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.	Complied	Item 4.24. of the Company's Corporate Governance Code, The Board of directors established the Committee for Audit. (item 3 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
27.	Availability in the composition of the committee for audit of only independent and non-executive directors.	Complied	The composition of the Committee for Audit comprises 2 independent and 1 non-executive directors. (item 3 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
28.	The committee for audit should be headed by an independent director.	Complied	The Chairman of the Committee is V.V. Degtyarev (item 3 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
29.	Availability in the joint-stock company's internal documents of the right of 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.	Complied	Item 4.22. of the Company's Corporate Governance Code. Item 3.2.4. of the Regulation on the Company's Board of directors.
30.	Establishment of the committee of the Board of directors (staff and rewards committee), its function being defining criteria of selecting nominees to the	Complied	Item 4.23. of the Company's Corporate Governance Code, (Item 4 of Supplement 1 to the

	Board of directors and formulation of the joint-stock company's policy in remuneration area.		Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
31.	Staff and rewards committee should be headed by an independent director.	Complied	The Chairman of the Committee is E.P. Enin (Item 4 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
32.	Non-availability of the joint-stock company's executive officers in the composition of the staff and rewards committee.	Complied	Item 4 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007.
33.	Establishment of 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).	Complied	Strategic Development Committee.
34.	Establishment of 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).	Complied	Corporate Governance Committee. Item 3.5. of Regulations for corporate conflicts resolution of the Company
35.	Non-availability of the joint-stock company's executive officers in the composition of the corporate conflict settlement committee.	Complied	Corporate Governance Committee does not comprise the Company's executive officers.
36.	Corporate conflict settlement committee should be headed by an independent director.	Complied in part	The committee is headed by non-executive director A.B. Grigorieva.
37.	Availability of the joint-stock company's internal documents providing for the procedure of formation and operation of the Board of directors' committees, the documents being approved by the Board of directors.	Complied	Regulations on the Committees of Company's Board of directors.
38.	Availability in the joint-stock company's Articles of association of the procedure of defining the Board of directors' quorum allowing for providing for compulsory participation of independent directors in the Board of directors' meetings.	Complied in part	Items 13.6; 13.7; 13.12; 13.13 of the Company's Articles of association.
<b>Executive bodies</b>			
39.	Availability of collegial executive body (the Management board) of the joint-stock company.	Complied	Article 14 of the Company's Articles of association, (Item 5 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
40.	Availability in the joint-stock company's Articles of association or internal documents of the provision of the necessity of the Management board's approval of real property transactions, of the joint-stock company's raising credits, if the specified transactions are not related to material transactions and their making is not related to the joint-stock company's normal course of business.	Complied	Sub-item 5 of item 14.4. of the Company's Articles of association. Real property transactions approval is within the competencies of the Board of directors, the Company's Management board considers these issues at preparation of materials for the Board of directors' meetings.
41.	Availability in the joint-stock company's internal documents of procedure of approval of operations falling outside the scope of the joint-stock company's financial-economic plan.	Complied	Sub-item 2 of item 13.4. of the Company's Articles of association.
42.	Non-availability in the composition of the Company's executive bodies of the persons who are a participant, general director (manager), management body member or an employee of legal entity competing with the joint-stock company.	Complied	
43.	Non-availability in the composition of the joint-stock company's executive bodies of the persons who were found guilty of committing offences in the area of	Complied	

	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 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 to the General Director and Management board members of the joint-stock company.		
44.	Availability in the joint-stock company's Articles of association or internal documents of prohibition for a managing organization (a manager) to carry out similar functions in a competing company, and also to be in any other property relations with the joint-stock company apart from rendering the services of a managing organization (a manager).	The management pattern is not applicable.	
45.	Availability in the joint-stock company's internal documents of executive bodies' duty to refrain 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.	Complied	Item 5.6. of the Company's Corporate Governance Code.
46.	Availability in the joint-stock company's Articles of association or internal documents of the criteria of selection of a managing organization (a manager).	The management pattern is not applicable.	
47.	Provision by the joint-stock company's executive bodies of monthly reports on their operations to the Board of directors.	Complied	
48.	Establishing responsibility for the breach of provisions about using confidential and insider information in the contracts concluded by the joint-stock company with the General Director (a managing organization, a manager) and the Management board members.	Complied	Item 3.1.10 of labor contract with the General Director, item 3.1.7. of labor contracts with Management board members and also the Regulation on the protection of the Company's confidential information.
<b>The Company's secretary</b>			
49.	Availability in the joint-stock company of a special executive officer (the Company's secretary), whose task is to ensure the compliance of the joint-stock company's bodies and executive officers with the procedural requirements guaranteeing exercising rights and legitimate interests of the Company's stockholders.	Complied	Regulation on the corporate secretary and the back office of the corporate secretary.
50.	Availability in the joint-stock company's Articles of association or internal documents of the procedure of appointment (election) of the Company's secretary and the functions of the Company's secretary.	Complied	Article 16 of the Company's Articles of association.
51.	Availability in the joint-stock company's Articles of association of the requirements to the candidacy of the Company's secretary.	Complied	Item 2.4. of the Regulation on the corporate secretary and the back office of the corporate secretary.
<b>Material corporate actions</b>			
52.	Availability in the joint-stock company's Articles of association or internal documents of the requirement to approve a revenue-intensive transaction prior to its making.	Complied	Sub-item 19 of item 13.4 of the Company's Articles of association.
53.	Obligatory involvement of independent appraiser for the assessment of market value of property being the subject of a revenue-intensive transaction.	Complied	

54.	Availability in the joint-stock company's Articles of association of the prohibition to take any actions during the acquisition of large blocks of joint-stock company's shares (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 of the issue of additional shares, of the issue of securities convertible into shares or securities granting the right of acquisition of the Company's shares, even if the right to take such a decision is granted to it by the Articles of association, before the end of the expected period of shares acquisition).	Not complied	The availability of direct prohibition to violate rights is needless, as the absence in the Articles of association of provisions on the possibility of actions aimed at safeguarding 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 Articles of association 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.	Complied	Item 2.1.8. of Procedural rules of preparation and provision of information (materials) on the issues proposed to the Board of directors, the Board of directors' committees and the Company's Management board.
56.	The lack in the joint-stock company's Articles of association 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.	Complied	
57.	Availability in the joint-stock company's Articles of association or internal documents of the requirement of obligatory involvement of an independent appraiser for determination of shares conversion ratio during the Company's restructuring.	Not complied	Item 2.1.8. of Procedural rules of preparation and provision of information (materials) on the issues proposed to the Board of directors, the Board of directors' committees and the Company's Management board.
<b>Information disclosure</b>			
58.	Availability of internal document approved by the Board of directors defining the rules and approaches of the joint-stock company to the information disclosure (Regulation on information policy).	Complied	Regulation on information policy is approved by the Board of directors on June 27, 2005. (item 7 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
59.	Availability in the joint-stock company's internal documents of the requirement to disclose 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 executive officers of the joint-stock company are going to participate in the acquisition of the Company's shares being placed.	Complied	Item 7.4. of the Company's Corporate Governance Code.
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 stockholders' general meeting.	Complied	Item 12.13 of the Company's Articles of association; Item 3.7. of article 3 of Regulation on information policy of OJSC VolgaTelecom.
61.	Availability with the joint-stock company of Internet web-site and regular disclosure of information about the joint-stock company at this web-site.	Complied	The Company has Internet web-site: 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 to disclose information on the joint-stock company's transactions with persons who as per the Articles of association are top	Complied	Article 5 of Regulation on information policy of OJSC VolgaTelecom.

	executive officers of the joint-stock company, and also on the joint-stock company's transactions with organizations where the joint-stock company's top executive officers directly or indirectly own 20 and more per cent of the joint-stock company's authorized capital or which may be materially affected by such executive officers.		
63.	Availability in the joint-stock company's internal documents of the requirement to disclose information on all transactions that may affect the market value of the joint-stock company's shares.	Complied	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 operations, 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 value of shares and other securities of the joint-stock company.	Complied	Regulation 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's securities was approved by the Board of directors on June 27, 2005. (Item 8 of Supplement 1 to the Regulation approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007).
<b>Control of financial and economic activity</b>			
65.	Availability of procedures of internal control of the joint-stock company's financial-economic activity, these procedures being approved by the Board of directors.	Complied	The Company's Board of directors approved: - Regulation on the procedures (system) of internal control of OJSC VolgaTelecom (minutes № 35 of 29.06.2005); - Regulation on integrated audits of OJSC VolgaTelecom (minutes № 32 of 19.05.2006). (Item 9 of Supplement 1 to the Regulation approved by RF FFMS order № 07-102/ПЗ-Н of 09.10.2007).
66.	Availability of the joint-stock company's special subdivision ensuring the compliance with the procedures of internal control (auditing service).	Complied	The functions of subdivision ensuring the compliance with internal control procedures are exercised by the Department of internal audit.
67.	Availability in the joint-stock company's internal documents of the requirement that the structure and the composition of auditing service of the joint-stock company is to be defined by the Board of directors.	Complied	Sub-item 18 of item 13.4 of the Company's Articles of association.
68.	Non-availability in the auditing service composition of 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.	Complied	
69.	Non-availability in the auditing service composition of the persons who are members of the joint-stock company's executive bodies, and also of persons who are participants, general director (manager), management body members or employees of legal entity competing with the joint-stock company.	Complied	
70.	Availability in the joint-stock company's internal documents of established period for submission of	Complied	The time for submission of documents and materials for assessment of carried

	documents and materials to the auditing service for the purpose of assessment of carried out financial-economic operation, and also established responsibility of the joint-stock company's executive officers and employees for their non-submission at date designated.		out financial-economic operation to the Department of internal audit is provided in item 3.2.2 of Procedural rules of arranging and conducting integrated audits of OJSC VolgaTelecom's regional subsidiaries, item 3.2.2 of Procedural rules of arranging and conducting integrated audits of OJSC VolgaTelecom's structural subdivisions. The responsibility is provided for by item 4.5. of Procedural rules of arranging and conducting integrated audits of OJSC VolgaTelecom's regional subsidiaries, item 4.5 of Procedural rules of arranging and conducting integrated audits of OJSC VolgaTelecom's structural subdivisions.
71.	Availability in the joint-stock company's internal documents of the duty of auditing service to inform the committee for audit, and in case of its non-availability, the joint-stock company's Board of directors about identified violations.	Complied	Items 4.6., 5.9., 8.4.6. of the Regulation on the Company's Department of internal audit.
72.	Availability in the joint-stock company's Articles of association of the requirement of preliminary assessment by auditing service of the expediency of making operations not envisaged by the joint-stock company's financial-economic plan (non-standard operations).	Complied	Item 2.1.2. of Procedural rules of preparation and provision of information (materials) on the issues proposed to the Board of directors, Board of directors' committees and the Management board of the Company.
73.	Availability in the joint-stock company's internal documents of the procedure of approval of non-standard operations by the Board of directors.	Complied	Sub-item 2 of item 13.4. of the Company's Articles of association, Labor contract with the Company's General Director.
74.	Availability of the internal document approved by the Board of directors defining the procedure of conducting the audits of the joint-stock company's financial-economic operations by the Auditing committee.	Complied	Regulation on the Company's Auditing committee, approved on March 26, 2003 by joint (extraordinary) general meeting of shareholders.
75.	Assessment of the auditor's opinion by the Committee for audit before its presentation to shareholders at general meeting of stockholders.	Complied	Item 2.2.1 of the Regulation on the Committee for audit.
<b>Dividends</b>			
76.	Availability of the internal document approved by the Board of directors and which is followed by the Board of directors when adopting recommendations about dividend size (Regulation on dividend policy).	Complied	Regulation on the Company's dividend policy was approved by the Board of directors on March 30, 2005.
77.	Availability in the Regulation 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 preferred dividends are not paid or are paid not in full, their size being defined in the joint-stock company's Articles of association.	Complied	Articles 3, 8 of the Regulation 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 provided for by the joint-stock company's Articles of association 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.	Complied	The resolution of general meeting of stockholders on the Company's dividend pay-out is published in the periodical provided for by the joint-stock company's Articles of association, and also the said data are posted 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 RF FFMS order № 03-849/p of 30.04.2003.

As OJSC VolgaTelecom’s securities are included in quotation lists “A” of Russian stock exchanges and are put out to tender, the compliance with the requirements of the Regulation on activity of trade organizing at the securities market approved by RF FFMS order №07-102/ПЗ-Н of 09.10.2007 is mandatory for the Company.