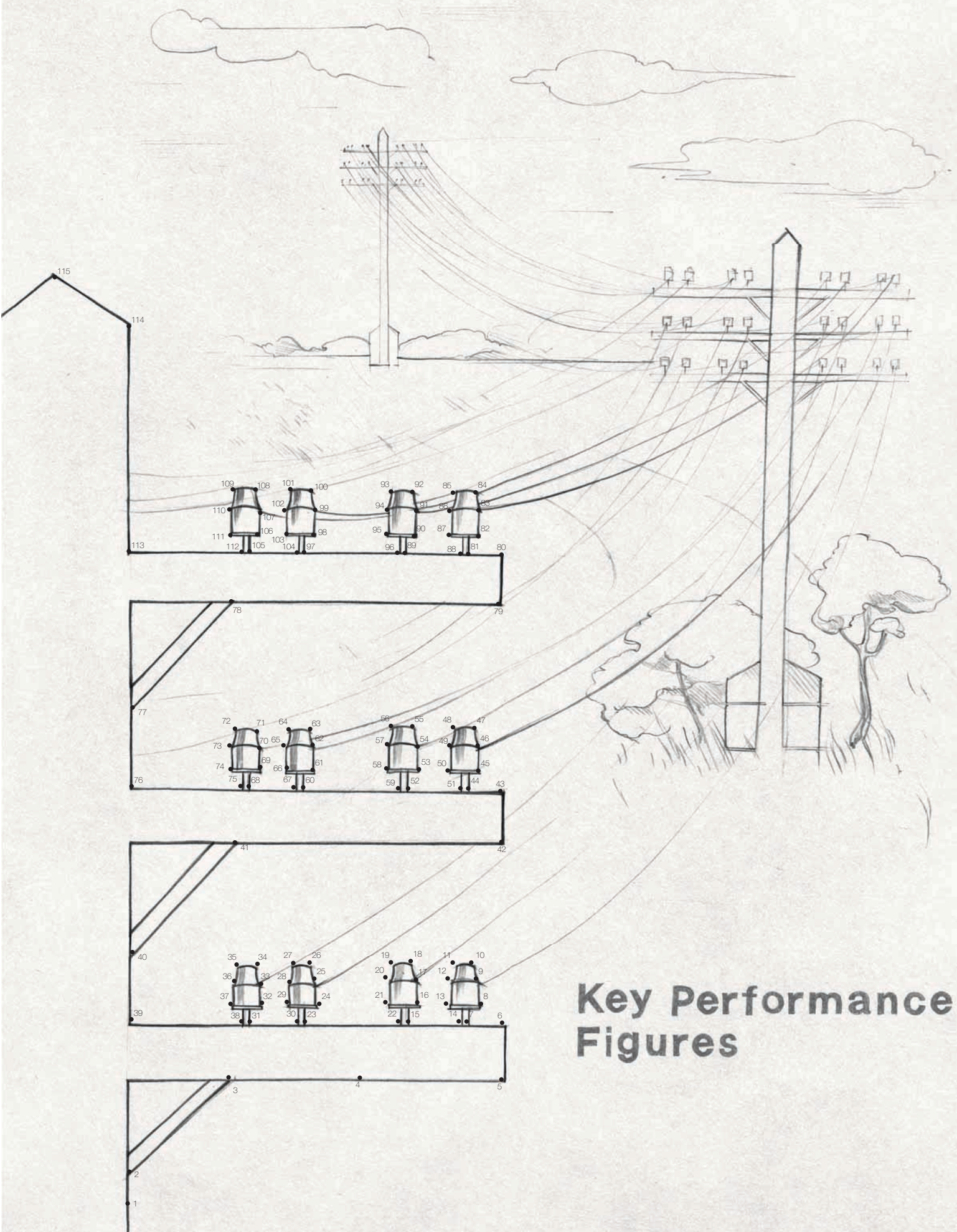


Annual Report CenterTelecom OJSC

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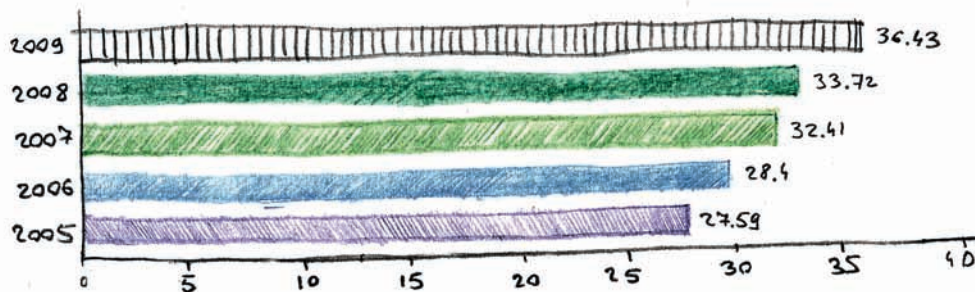


Key Performance Figures

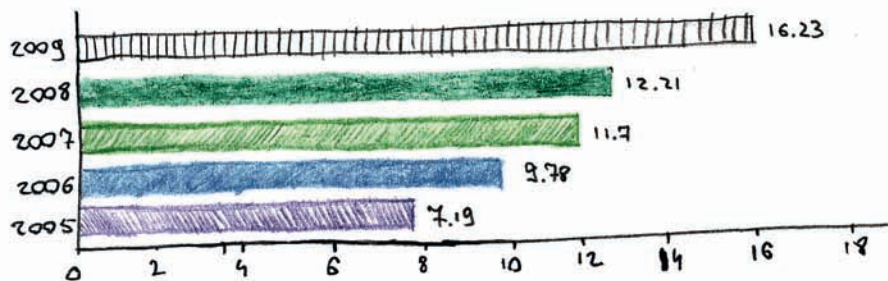
Key Performance Figures	2009	2008	Change, %
Revenues from core operations, RUB million	36,434	33,715	+8.06
Expenses on core operations, RUB million	30,530	26,351	+15.86
EBITDA*, RUB million	16,233	12,207	+32.98
CAPEX, RUB million	4,391	6,807	-35.49
Depreciation, RUB million	4,289	4,278	+0.26
Sales profit, RUB million	5,904	7,364	-19.83
Net profit, RUB million	5,059	2,585	+95.71
Basic earnings per share, RUB	2,885	1,475	+95.59
EBITDA margin	44.55%	36.21%	-
Profitability on sales profit	16.20%	21.84%	-
Profitability on net profit	13.89%	7.67%	-
Net debt/EBITDA	1.28	2.04	-
Share price at year end, RUB	18.00	3.40	+429.41%

* EBITDA is calculated as earnings before taxes plus interest payable plus depreciation plus leasing payment minus interest receivable.

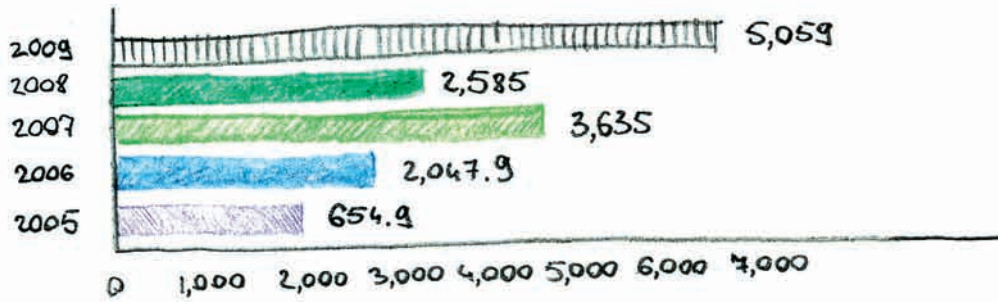
Revenues, RUB billion



EBITDA, RUB billion



Net Profit, RUB billion

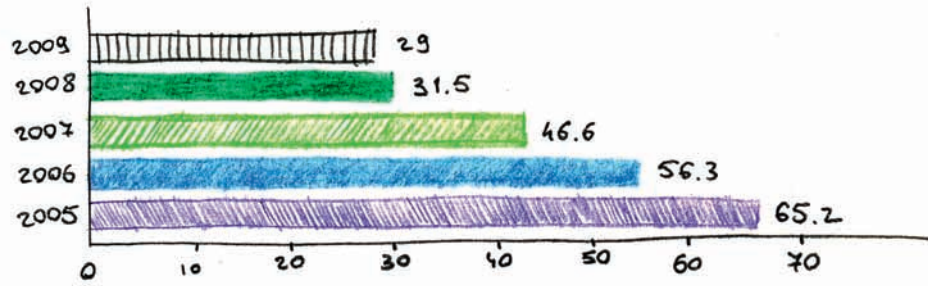


Key Operating Indicators

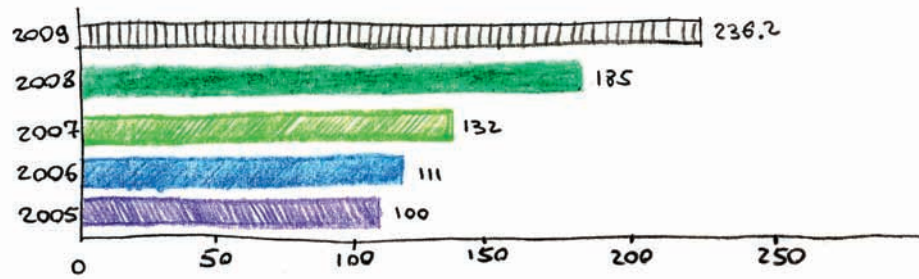
	2009	2008	Change, %
Number of employees	29,005	31,517	-7.9
Number of lines	6,873,749	6,842,992	+0.45
Number of lines per employee*	236.2	187.1	+26.24
Installed capacity of telephone network including	7,284,061	7,233,510	+0.70
city telephone network (CTN), numbers	6,251,84	6,198,059	+0.86
rural telephone network (RTN), numbers	1,032,877	1,035,451	-0.25
Activated capacity of local telephone network including	6,759,073	6,763,530	
CTN, numbers	5,878,240	5,866,901	
RTN, numbers	880,833	896,629	
Level of digitalization of local telephone network including	67.5%	66.0%	-
CTN	71.7%	70.2%	-
RTN	42.2%	40.6%	-
Number of automatic telephone exchanges	8,317	8,358	
Number of ADSL Internet users	1,191,000	705,000	
Length of fiber optic intra-zone telecommunications lines, km	20,699,3	19,009,5	

* The indicator is calculated using the figure "average number of employees" which reached 29,100 and 37,026 people for 2009 and 2008 respectively.

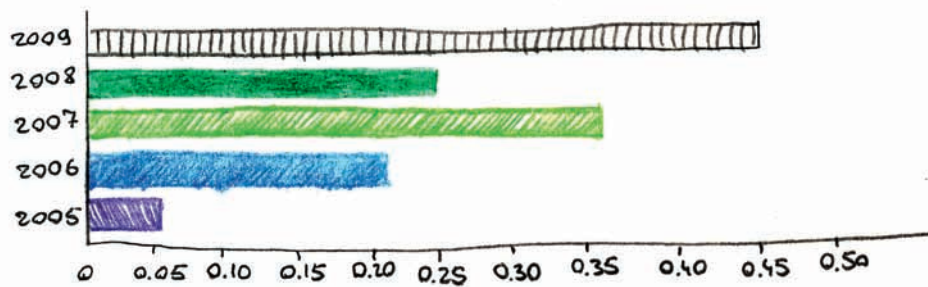
Average Personnel Number, thousand people

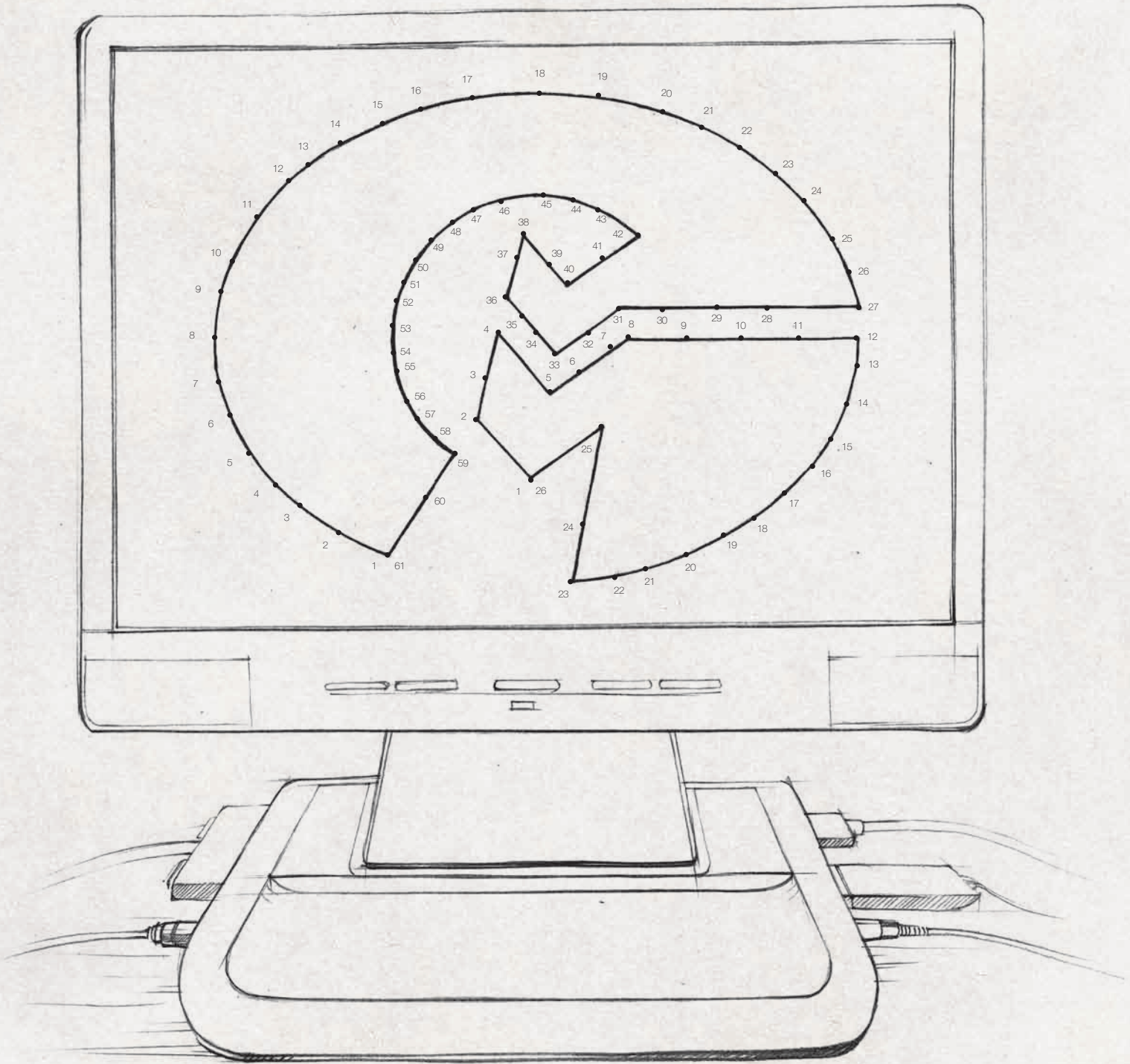


Number of Lines per Employee, items



Dividend per Common Share, RUB





Company Profile

Company Profile

Open Joint Stock Company Central Telecommunication Company (CenterTelecom OJSC) is the largest fixed line communications operator in the Russian Federation supplying a wide range of communications services and providing access to global information resources to private individuals, corporate clients and governmental bodies in Russia's Central Federal District.

The Company's history dates from 1890. CenterTelecom has 15 branches formed as a result of the Company's reorganization merging 17 leading regional operators on the basis of the Moscow region telecommunications operator. The Company's biggest shareholder is Svyazinvest OJSC.

CenterTelecom successfully operates in all segments of the telecommunications market providing local and intra-zone telephone communications services, data transmission services, intellectual services, ISDN, dial up and dedicated Internet access, cable TV, wired and over-the-air broadcasting and communications channel leasing.

The improvement and promotion of services based on multiservice networks, creation of service packages and rates for various categories of users, development of interregional and telecommunications transport networks are among the Company's strategic development directions.

Emphasizing investors' and partners' confidence to the Company, CenterTelecom management is continuously improving corporate standards of information disclosure and is working on increase in the Company's business transparency. Currently the Company reports in accordance with both Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS). The Company's auditor for 2009 was KPMG.

CenterTelecom is a public company. Its stock is traded on the Russian Trading System (RTS), Moscow Interbank Currency Exchange (MICEX) and on international stock exchanges through its ADR program. Investors' confidence and efficiency of investment policy have allowed the Company to attract financial resources in the domestic debt markets. CenterTelecom has BB- long term credit

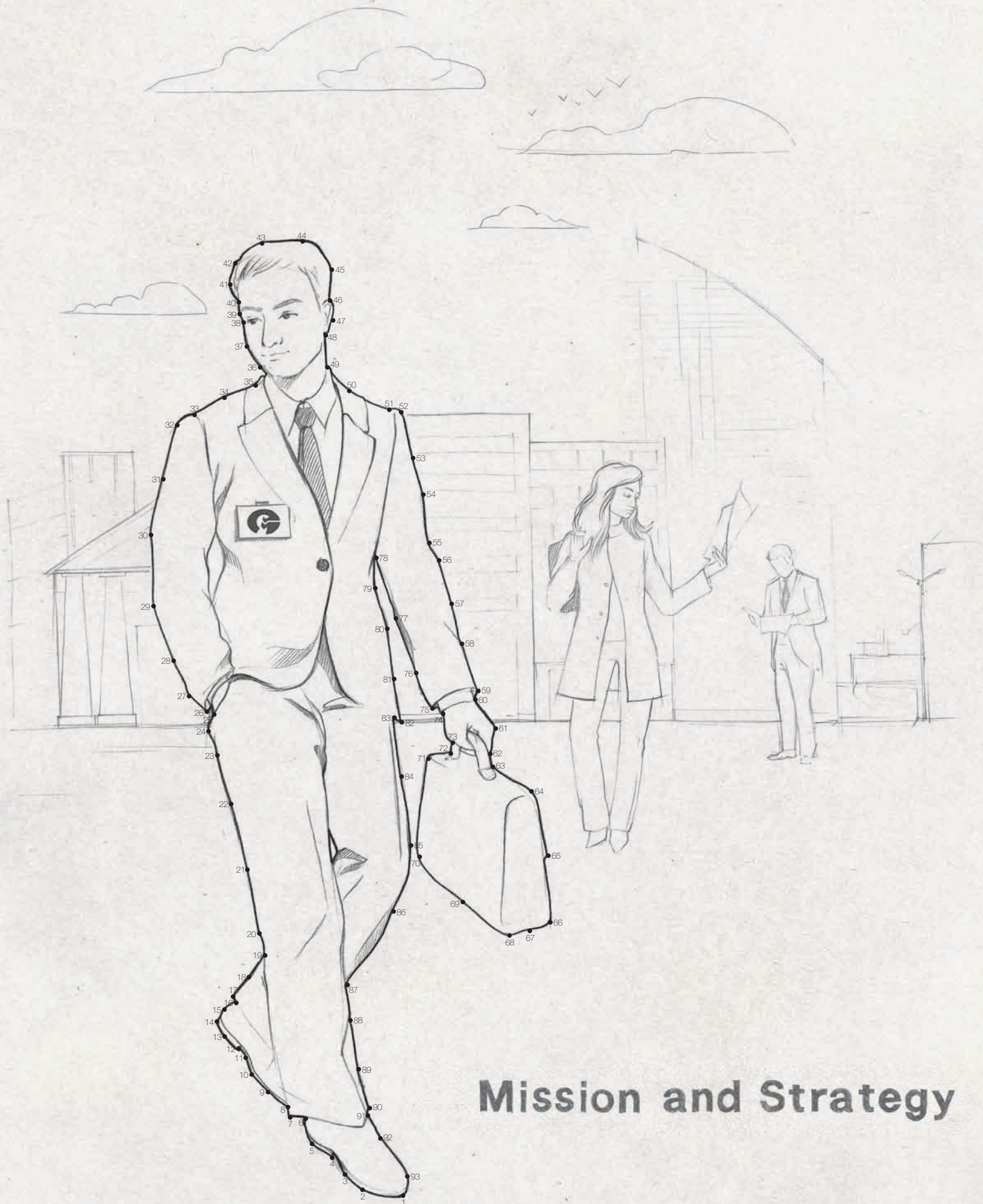
rating (Stable Outlook) and ruAA- long term credit rating according to the Russian credit rating scale of Standard & Poor's. Fitch Ratings international rating agency has assigned CenterTelecom a BB priority uncovered rating in foreign currency (Stable Outlook), B short term credit rating in foreign currency, and AA- (rus) national rating (Stable Outlook).

The Company's management pays special attention to the improvement of its corporate governance system. An important assessment of positive changes in this sphere is a 8 corporate governance rating (signifying a company with a developed level of corporate governance) assigned by Russian Institute of Directors jointly with Expert RA rating agency in 2009.

The integrated interregional Company employs more than 29,000 people. The Company's HR policy is focused on the formation of a highly professional team, improved professionalism among employees, harmonious professional development of personnel and improvement of the incentive system.

Following the social responsibility principles CenterTelecom implements a wide range of social programs. Among the company's social policy priorities is provision of the telephone communications services to disabled persons and veterans of World War II, as well as installation of telecommunications network in under-populated and distant localities. Moreover CenterTelecom supports church, orphan homes and distressed people.

A unique corporate policy, implementation of the latest technologies, and modern forms of business development have allowed the Company to retain its leading position in the Russian telecommunications market.



Mission and Strategy

Mission and Strategy

As the biggest telecommunications operator in Russia's Central Federal District, CenterTelecom sees its mission as the provision of newest high quality telecommunications solutions and world class services within the district.

The Company seeks to:

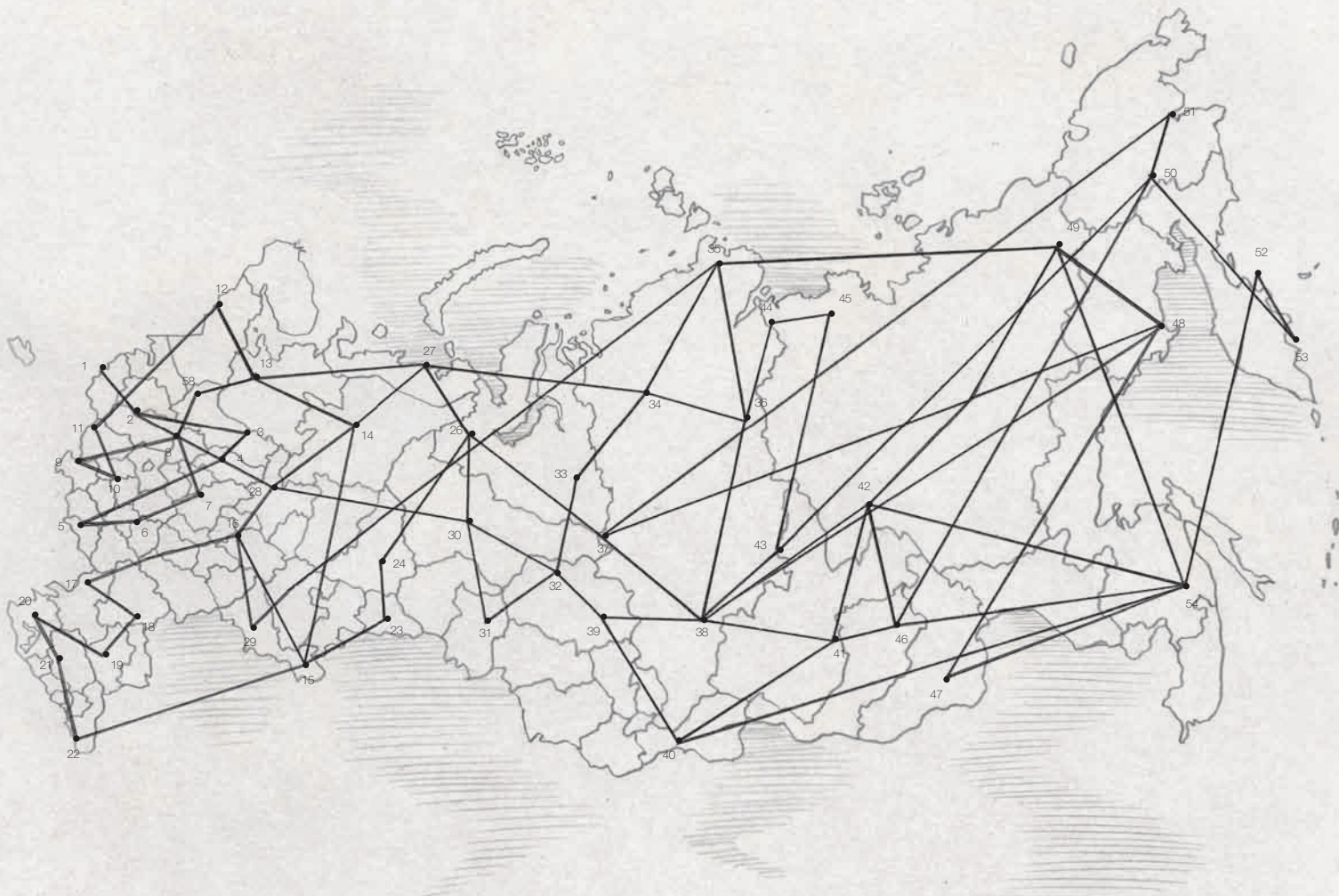
- meet customer demand for telecommunications products and services and create a single information and communications field in Central Federal District's regions
- take part in the creation of new markets implementing new information and telecommunications services in the Central Federal District
- secure increased revenues for the Company's shareholders and contribute to the development of the society in which the Company operates
- develop long term mutually beneficial relations with partners on the basis of mutual trust, fairness and transparency
- provide all necessary conditions for harmonious development of each employee

CenterTelecom's activities are aimed at:

- development of the Russian Federation's economy through the formation of information infrastructure in the Central Federal District
- development of the latest telecommunications infrastructure in the Central Federal District in conjunction with the rate of development of business and people
- increase the well-being and level of information and communications development of the population by providing high quality telecommunications services and access to information technologies
- increase the Company's profitability to make it more attractive for investors

Among CenterTelecom's key strategic lines are:

- maintenance of its leadership and maximum increase of revenues in the traditional telephony segment in Central Federal District's market
- advanced development of broadband Internet access services
- product range expansion
- technical modernization of the network
- increased efficiency of investment activities
- debt reduction



Address to Shareholders

Address to Shareholders



Vaagn Martirosyan
General Director

Dear shareholders,

You have in your hands the annual report of CenterTelecom OJSC, the biggest fixed line telecommunications operator in Russia's Central Federal District, for 2009. In the course of preparation of the report the members of CenterTelecom's Board of Directors and senior managers strived to reflect in full the Company's core areas of activities, the key events and results of the past year, and to present our forecasts regarding CenterTelecom's development prospects to the Company's its shareholders.

Now we can say that CenterTelecom coped with the challenge of 2009, the year of crisis. The Company achieved great financial and economic indicators despite necessity to overcome consequences of recession in world economics in general and Russian economic system in particular. In 2009 for the first time in the Company's history its net profit exceeded RUB5 billion reaching RUB5.095 billion. This is 95% more than for 2008. Definitely it was good news for our shareholders as well as 350% increase in the Company's market value for 2009: from US\$263 million to US\$1.191 billion. Speaking on other financial and economic indicators, the Company's revenues for 2009 exceeded RUB36.434 billion (108.06% increase against 2008); rate of growth of expenses amounted to 15.86%; EBITDA for

2009 amounted to RUB16.233 billion against RUB12.207 billion for 2008. EBITDA margin for 2009 amounted to 44.55%. EBITDA growth was mainly due to increase in operational efficiency and also to the management's efforts aimed at costs reduction.

Obviously a program of CenterTelecom's reorganization implemented by the company in 2007-2008 became a basis for its sustainable development in conditions of economic instability. CenterTelecom's switch to two level management system, optimization of a process of telecommunications services provision, development of telecommunications infrastructure, personnel reduction, non-core functions outsourcing and implementation of newest IT solutions represented a base which allowed the company to focus on transformation of customer relations system and on expansion of the range of services in crisis year.

Among most important events for CenterTelecom's subscribers, employees and managers in 2009 were launch of the unified Customer Relations Center, opening of over 40 unified Sales and Maintenance Centers in the regions where the company operates, widespread use of FTTx Internet access services in urban localities simul-



Yevgeny Yurchenko

Chairman of the Board of Directors

taneously with expanded Internet access through ADSL technology in rural settlements, and implementation of interactive TV services all over the territory where the Company operates.

The Unified Customer Relations Center formed on basis of Lipetsk branch of the Company became its unified knowledge warehouse with regard of interactions with subscribers. The Center functioning in accordance with the newest customer relations standards allows to consult the company's subscribers on settlements for telecommunications services, tariffs, means of payment and payment office locations, to handle the complaints related to non-provision or low quality services and the requests for access to the company's services. This key element of all our efforts aimed at modernization of sales and maintenance system allowed CenterTelecom to interact quickly and efficiently with each of its 6.7 million customers. Moreover currently CenterTelecom is actively selling new services using the Center's capabilities.

As it has been already pointed out, in 2009 the Company began switching its Internet access subscribers in urban localities to FTTx technology in compliance with CenterTelecom's Development Program for 2009-2013 approved by

the Company's Board of Directors. Gradual connection of city districts with maximal consumer demand to the new Internet access technology allowed us to improve the quality of services, to increase their attractiveness for the subscribers and to raise the Company's revenues. Moreover use of FTTx networks allows to release ADSL ports' equipped capacity which are to be installed and used in the rural localities. Thus CenterTelecom provides Internet access services to its customers in rural areas, increases data transmission speed in urban localities and expands the range of services. Furthermore in 2009 CenterTelecom expanded geography of IP TV service which had been previously provided in only five regions as a part of a pilot project. Now IP TV service is available for CenterTelecom's subscribers in all the regions where the Company operates. All these activities let us increase the number of our Internet subscribers to over 1.191 million people, and also allowed us to form a basis for 31.95% rise in CenterTelecom's revenues from data transmission and Internet access services (RUB6.054 billion for 2009 against RUB4.588 billion for 2008).

It is also worth adding that in 2009 CenterTelecom significantly reduced an amount of its debt. We allocated approximately RUB13.9 billion for debt re-

demption and restructuring in order to improve the quality of our debt portfolio, to decrease debt servicing cost and the amount of debt liabilities. Net debt/EBITDA ratio decreased by 1.28 for 2009.

These are significant events of the past year for CenterTelecom from our point of view. In 2010 the Company's management plans to continue developing new telecommunications services, improving customer servicing system, modernizing network infrastructure and creating Russia's unified information and communications space. We speak about Russia as we have in view an emergence of a unified telecommunications company which will be the most powerful player in domestic telecommunications market and the obvious leader of the industry using consolidated

resources of all subsidiaries of Svyazinvest holding company. Therefore we expect CenterTelecom's shareholders to support initiatives aimed at formation of the unified operator given the Company's dynamic development.

In conclusion we would like to thank all employees of CenterTelecom whose contribution to our Company's development allowed us to achieve such strong results. We also express appreciation to the Company's shareholders for their confidence in the members of the Board of Directors and expect them to evaluate positively the activities of the biggest telecommunications operator in Russia's Central Federal District in the course of the Annual General Meeting of CenterTelecom shareholders in June 2010.

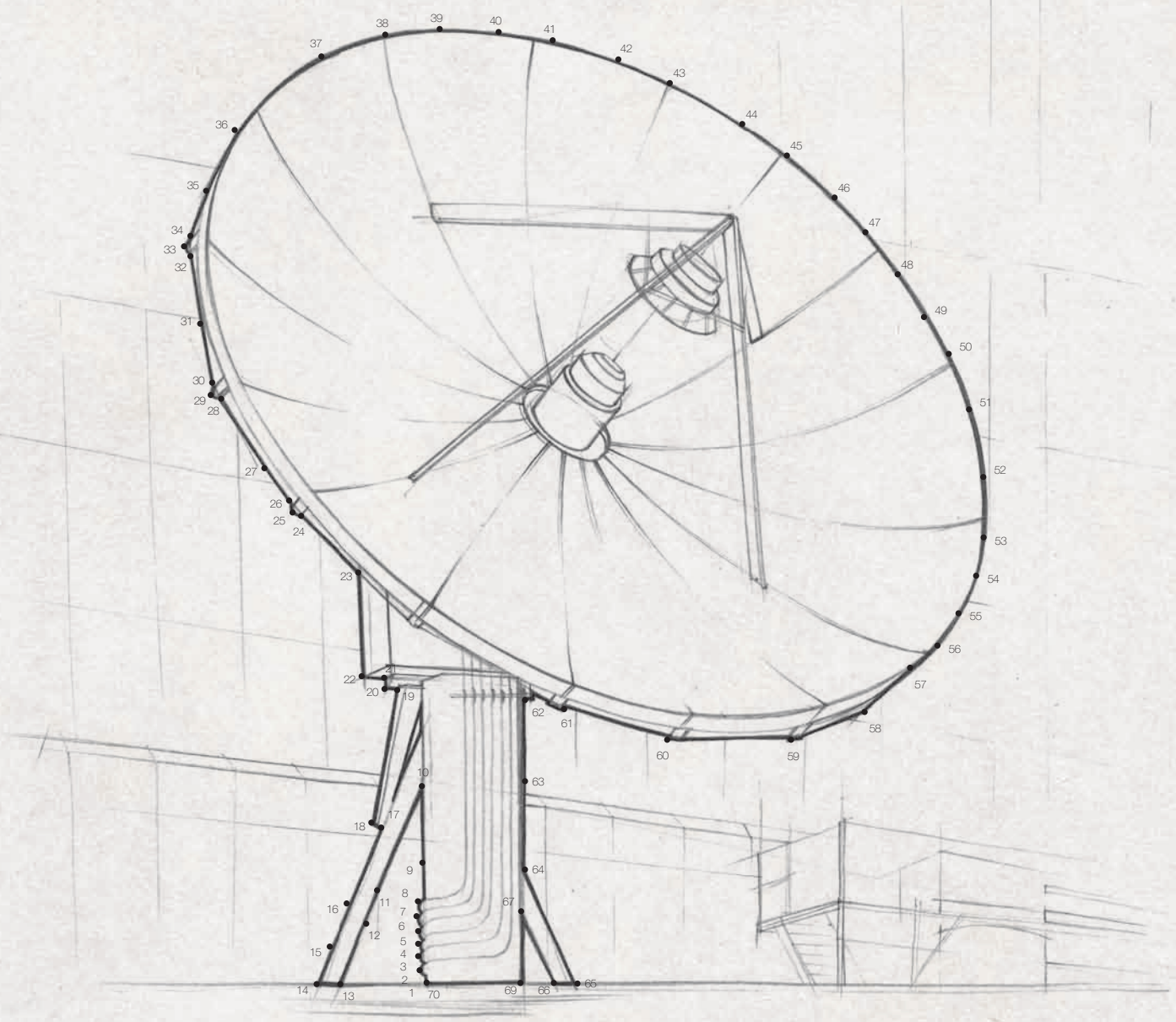
Yevgeny Yurchenko

Chairman of the Board of Directors

Vaagn Martirosyan

General Director

Moscow, May 13, 2010



Key 2009-2010 Events

Key 2009 - 2010 Events

January

Starting January 1, 2009 in accordance with Order #398-s/1 by the Federal Tariff Service dated December 24, 2008 new tariffs for All-Russia TV program broadcasting were introduced.

CenterTelecom received a new certificate for conformance of its quality management system with GOST R ISO 9001-2001 state standard, an analogue to international ISO 9001:2000.

CenterTelecom terminated its participation in Svyaz-Service-Irga LLC.

February

Starting February 1, 2009 in accordance with the Federal Tariff Service's Order #298-s/3 dated October 28, 2008 the Company established new tariffs for the transmission of a local telegram.

CenterTelecom effected the payment of RUB389,027,348.05 under the ninth coupon of its series 4 interest-bearing documentary non-convertible bearer bonds.

March

In accordance with Order #297-c/2 by Russia's Federal Tariff Service (FTS) dated November 28, 2008, starting March 1, 2009 CenterTelecom increased tariffs for local telecommunications services for residential and corporate subscribers, amended tariffs for intra-zone telecommunications services and introduced new tariff plans based on the combined payment scheme.

Standard & Poor's Ratings Services affirmed CenterTelecom's long-term corporate credit rating at B+, with Stable Outlook.

On March 12, 2009 Expert RA Rating Agency confirmed the National Corporate Governance Rating for CenterTelecom at 7+.

CenterTelecom effected payment in full of RUB5,848,416.25 under the fifth coupon of its series 5 interest-bearing documentary non-convertible bearer bonds.

CenterTelecom redeemed in full its debt on an agreement concluded with Sberbank of Rus-

sia for RUB3 billion revolving loan ahead of schedule.

CenterTelecom put into operation a multi-service telecommunications NGN as a part of a program of reconstruction of its Moscow branch's local telephone network.

On March 13, 2009 the Board of Directors of CenterTelecom approved the termination of powers of its Chairman Alexander Kiselev and elected Sergei Kuznetsov the new Chairman of the Board of Directors.

CenterTelecom, working jointly with British Telecom, completed an urgent project connecting Volvo Automotive Plant located in Kaluga, Russia, to its headquarters in Sweden. A new optical fiber line with 34 Mbps transmission capacity and basic telecommunications channel built by CenterTelecom in August 2008 have linked network infrastructure at the Volvo Automotive Plant located in Kaluga-South technology park with Volvo's representative office in Russia and its Swedish headquarters connecting the Russian units to Volvo's corporate network linking plants producing Volvo trucks all over the world.

April

CenterTelecom, working jointly with Rostelecom, completed the construction of telecommunications infrastructure for Volkswagen Group Rus LLC in the Kaluga region. The work was conducted as part of a connection project by Deutsche Telekom for Volkswagen's branch in Kaluga to its corporate network through the Russian division of T-Systems CIS. The completion of the project allowed Volkswagen's Russian branch to conduct its operations in accordance with unified information standards on the basis of T-Systems BS IntraSelect MPLS (FlexSolution), an international network platform.

On April 6, 2009 the Board of Directors of CenterTelecom approved the new version of CenterTelecom's Regulations on Dividend Policy.

On April 9, 2009, Fitch Ratings, an international rating agency, upgraded CenterTelecom's ratings of Long-term Issuer Default (IDR) from B to B+ (B plus), and National

Long-term from BBB(rus) to A(rus). Short-term IDR was affirmed at B.

CenterTelecom held a meeting of a bilateral commission which summed up results of the company's Collective Agreement fulfillment for 2008. After consideration of the results of the company's Collective Agreement fulfillment for 2007-2009 the meeting participants recognized the Collective Agreement for 2008 as fulfilled and approved a report on its fulfillment.

After an open tender held by CenterTelecom the Company concluded an agreement with ORGRESBANK AB OJSC for provision of €27.83 million credit line for two years.

CenterTelecom developed and approved a Program of Internal Audit of the Company's Quality Management System for 2009.

In connection with switch of financing of Education National Priority Program from the federal to regional level RTComm.RU OJSC had to conclude agreements for provision of Internet access services directly with the regional branches of the Russian Ministry of Education and Science or with separate educational organizations. Owing to heavy workload RTComm.RU suggested CenterTelecom to conclude a centralized agency agreement providing CenterTelecom branches' participation in tenders for provision of Internet access, conclusion of agreements and conducting settlements on these agreements. The agency agreement was concluded in April 2009. Since the moment of the agreement signing CenterTelecom branches concluded over 7,400 contracts for provision of Internet access to educational organizations in the territory of Russia's Central Federal District.

CenterTelecom successfully completed implementation of its Oracle E-Business Suite (OEBS). Currently OEBS successfully functions at all regional branches of the Company as a part of their day-to-day operations. The Company completed implementation of the functional units of ERP-system (including Finance, Logistics, Personnel, and Wages), creation of the Company's unified guides and conversion of CenterTelecom's historical data. With the aim of providing complete support for the accounting system in accordance with Russian Accounting Standards the ERP system implemented a sub-system for correspondent accounts.

May

CenterTelecom and the Government of the Ryazan Region signed a cooperation agreement aimed at further development of telecommunications infrastructure in the territory of the region. The agreement was signed by Vaagn Martirosyan, General Director, CenterTelecom, and Alexander Revyakin, Deputy Chairman of the Ryazan region's Government.

CenterTelecom took part in 21st International Telecommunications Forum Svyaz-Expocomm. During four days of the exhibition CenterTelecom was presenting a wide range of telecommunications services to the visitors of its stand.

After an open tender held by CenterTelecom on May 19, 2009 the Company concluded a deal on redemption leasing with RG Leasing CJSC. According to the contract RG Leasing CJSC purchased a set of telecommunications equipment from CenterTelecom and passed it for leasing to the Company. An amount of attracted funds was RUB4.317 billion. Lease payments are to be paid within five years on quarterly basis.

CenterTelecom completed installation of telecommunications infrastructure for Mid-Russian Bank in the Sberbank of Russia within the framework of a project of incorporation of the networks of Mid-Russian Bank's branches into unified corporate network in the territory of Russia's Central Federal District. The inter-regional corporate data transmission network built on basis of optic fiber telecommunications line now connects Mid-Russian Bank's branches in Moscow, Bryansk, Kaluga, Ryazan, Smolensk, Tver and Tula regions with the bank's headquarters in Moscow. It also allows to carry out video conferencing sessions. The network's transmission capacity amounts to 160 Mbps.

June

The annual general meeting of CenterTelecom's shareholders took place on June 6, 2009.

CenterTelecom and the Administration of the Lipetsk Region have signed a cooperation agreement aimed at further development of telecommunications infrastructure and information technologies in support of economic development in the region, increased securi-

ty and improved quality of life for population. The agreement was signed by Vaagn Martirosyan, General Director, CenterTelecom, and Oleg Korolev, Governor of Lipetsk region.

CenterTelecom received a RUB3 billion revolving credit line from Globex Bank. According to the agreement concluded by CenterTelecom and Globex Bank the loan's term is three years.

CenterTelecom sold 2,873,875 series 5 bonds previously bought from their owners based on offer of September 4, 2008. The bonds were sold by the Company in the secondary market. Thus after the sale CenterTelecom's series 5 bond issue was circulating in debt market in full. One bond's price amounted to 90.26% of its nominal value. The bond issue's total nominal value was RUB3 billion.

CenterTelecom repaid US\$115 million loan with 1.17% discount. The loan had been granted by Deutsche Bank. The Company repaid the loan in order to reduce foreign currency risks and to waive significant loan covenants.

CenterTelecom put into operation a 10G Metro Ethernet multi-service data transmission network in the Tver region. The company's network was built on the basis of CX600 10G routers and S5000 10G switches by Huawei Technologies.

CenterTelecom's series 5 bonds were transferred from MICEX Stock Exchange CJSC's Quotation List B to the Quotation List A1.

July

On July 1, 2009 Moscow Region's Inter-Regional Office #13 of the Federal Tax Service registered ninth version of CenterTelecom's Charter approved by a decision of the Company's annual general meeting of the shareholders.

CenterTelecom increased tariffs for wired radio broadcasting services starting July 1, 2009.

Igor Schegolev, the Minister of Telecoms and Mass Communications of the Russian Federation, visited CenterTelecom's Tver branch during his working visit to this region. The Company's specialists demonstrated to the Minister the capabilities of a new multi-service network put in operation by CenterTelecom's Tver branch in June 2009.

CenterTelecom formed the Committees of the Board of Directors.

On July 21, 2009 CenterTelecom approved the new versions of the Regulations on The Committees of the Board of Directors.

CenterTelecom exited the authorized capital of LINK-bank AKB OJSC by selling its stake in the company.

CenterTelecom formed the Management Board.

CenterTelecom's Board of Directors approved CenterTelecom's Program of Transformation of the Company's Sales and Maintenance System.

CenterTelecom's General Director approved CenterTelecom's Sales Channels Development Strategy and CenterTelecom's Maintenance System Development Strategy.

After an open tender held by CenterTelecom the Company concluded a contract with Moscow Industrial Bank AKB OJSC for the provision of a revolving line of credit with RUB2 billion debt limit for three years.

CenterTelecom's Board of Directors has re-appointed Vaagn Martirosyan the Company's General Director on basis of recommendations by the Committee for HR and Remuneration of the Board of Directors. The Board also approved the terms of a labor contract which will be concluded with Mr. Martirosyan and determined the term of his tenure of employment – July 31, 2009 to July 30, 2011. The issue was considered by the Board of Directors in connection with expiry of powers of the Company's General Director on July 30.

August

In accordance with CenterTelecom AGM's decision the Company effected payment of dividend on type A preferred shares for 2008 in the amount of RUB0.4915455 per share. The payment was effected on the due date (August 6, 2009).

In August 2009 CenterTelecom effected the payment under the tenth coupon of its series 4 bonds and redeemed the bond issue. The aggregate sum of coupon income amounted to RUB389,027,348.05; total amount of payment to the owners of series 4 bonds in the course of nominal value repayment was RUB5,622,595,000.

CenterTelecom won the tender for provision of telecommunications services to Peugeot Citroen Automobiles RUS CJSC. In accordance with the terms of the tender CenterTelecom is to provide telephone communications and high speed Internet access services to Peugeot Citroen Automobiles RUS's office in Kaluga and to its automotive plant located in Rosva Industrial Park, Kaluga region. The Company will also build digital data transmission channel to a long distance telecommunications operator's network.

Expert RA Rating Agency upgraded the Corporate Governance Rating for CenterTelecom to 8 (Developed Corporate Governance Practice). According to the results of a research conducted by the agency, the Company is one of the leaders in Russian corporate governance sphere.

CenterTelecom formed a Sales Center for Corporate Customers which began trial sales of the Company's services to the corporate customers in Moscow. The Company was working hard on preparation of own resources to organization of sales and maintenance for the corporate customers with regional networks in the territory of Moscow and Moscow region. The Company plans to work with other corporate customers having branches in other regions of Russia's Central Federal District.

September

CenterTelecom effected payment under the sixth coupon of its series 5 interest-bearing documentary non-convertible bearer bonds in full in the sum of RUB139,110,000.

CenterTelecom's HR Department has been pronounced a winner of the Fifth All-Russian Award «Best Russian HR Service-2009.»

CenterTelecom has been included into a list of 100 biggest Russian companies for 2009. The company was ranked 92nd on basis of its market capitalization. The list was published by Kommersant Publishing House.

CenterTelecom liquidated Telecom-Stroi LLC, its 100% subsidiary.

CenterTelecom and Sky Link CJSC launched a joint project providing sale of 3G Internet services in the form of «500 Megabyte Box» boxed sets available for purchase in 40

CenterTelecom's points of sales located in major cities of Moscow region.

Within the framework of the planned audit of CenterTelecom's Quality Management System the Company successfully passed an inspection by ANO-Svyaz Certificate, a certifying organization, which affirmed CenterTelecom's Quality Management System conformance with the standards of provision of telecommunications and broadcasting services.

October

Expert RA Rating Agency has published an annual ranking of 400 biggest companies operating in Russia in 2009. The ranking included a list of 200 major Russian firms based on capitalization. CenterTelecom was ranked 67th among these 200 companies.

CenterTelecom was ranked 28th in the list of 90 most transparent Russian companies for 2009 published by Standard&Poor's, international rating agency.

CenterTelecom began implementation of CRM system on basis of Amdocs CRM. Amdocs CRM combines solutions for customer relations management, client self maintenance, order management, operational support and some other modules contributing to implementation of a strategy of complex customer relations management. The Company's project related to implementation of CRM system is aimed at optimization of all processes of interactions with customers and at increase of their loyalty.

After an open tender held by CenterTelecom the Company concluded a loan agreement with Sberbank of Russia. In compliance with the agreement Sberbank provided a revolving line of credit with RUB3 billion debt limit. The loan's term is three years.

CenterTelecom has put IP TV and Video on Demand services into commercial operation in the territory of Russia's Central Federal District. The list of TV channels available for subscribers of IP TV service was expanded to 70.

CenterTelecom presented its new Internet portal Ojournal.ru for young audience within the framework of Mir Detstva International Exhibition.

CenterTelecom's common registered non-documentary shares were transferred from MICEX Stock Exchange CJSC's Quotation List B to Quotation List A1.

The Board of Directors of CenterTelecom at its meeting held October 26, 2009 made decision on placement of seven issues of series BO-01-BO-07 interest rate documentary non-convertible bearer commercial papers for a total amount of RUB10 billion. Each paper's nominal value was RUB1,000; total nominal value of the issues was RUB10 billion.

November

CenterTelecom's seven issues of series BO-01-BO-07 interest rate documentary non-convertible bearer commercial papers for a total amount of RUB10 billion were admitted to trading in MICEX in the course of placement without listing assignment. The decision was made by MICEX Directorate on November 11, 2009 (Protocol #184).

Standard & Poor's Ratings Services upgraded CenterTelecom's long-term corporate credit rating on the company from B+ to BB-, Outlook Stable. CenterTelecom's rating on the Russia national scale was also upgraded from ruA+ to ruAA-.

CenterTelecom won Russian Economics Leader National Award and was included into a list of 100 Best Customer Focused Companies by an expert council of «New Quality Growth to Russia» Global Project for the Company's contribution to Russian telecommunications market development.

CenterTelecom and Sky Link CJSC have signed an Agreement of Intent aimed at development of Mobile Virtual Networks on basis of IMT-MC-450 resources.

CenterTelecom reports that it has put into operation a Unified Client Relations Center in its Lipetsk branch. The new Center provides compliance with unified standard for provision of telephone communications services, specifies a unified numbering scheme of the customer relations services and represents a universal entry point for the Company's existing and potential customers.

CenterTelecom concluded agreements with right holders regarding formation of packages containing the following TV channels:

Hallmark, Universal Channel, Sci Fi, Jetix, Euronews, Eurosport, Discovery channel, Axn Sci Fi, Set, Animal Planet, BBC, Nickelodeon.

CenterTelecom took first place for «Best Annual Report in the Telecommunications Industry for 2008» in the 12th Federal Annual Reports and Corporate Web Sites Awards. The company also won in the category «Professionalism and Quality of Company Presentation in an Annual Report.»

December

CenterTelecom and the Government of the Belgorod Region signed a cooperation agreement. The agreement was signed by Vaagn Martirosyan, General Director, CenterTelecom, and Oleg Polukhin, Deputy Governor of the Belgorod region.

Moscow District Federal Arbitration Court considered a cassation filed by CenterTelecom regarding a decision by the Ninth Arbitration Appellation Court which canceled Moscow Arbitration Court's ruling on cancellation of the Federal Anti-Monopoly Service's decision and order dated 19 March, 2009 on case #1 10/10-09 related to breach of anti-monopoly legislation by CenterTelecom. The Federal Anti-Monopoly Service's decision and order were made upon the claim filed by EDN Sovintel LLC.

CenterTelecom concluded agreements for provision of loans on overdraft with:

- Bank of Moscow AKB OJSC with RUB1 billion debt limit; the term of the loan is one year; only three loan extensions are permitted;
- Svyaz-Bank AKB OJSC with RUB1 billion debt limit; the term of the loan is one year; only three loan extensions are permitted.

Standard & Poor's Ratings Services affirmed CenterTelecom's long-term corporate credit rating on the company at BB-, Outlook Stable. CenterTelecom's rating on the Russia national scale was also affirmed at ruAA-.

CenterTelecom concluded non-deliverable forward (NDF) contract for one month term for hedging of foreign currency risk connected with debt on US\$42 million foreign currency loan agreements concluded with Nordea Bank OJSC. As a result of the deal the total sum of funds received by CenterTelecom from

Nordea Bank OJSC amounted to RUB20.6 million.

Russia's Ministry of Agriculture held a tender for construction and provision of telecommunications channels for implementation of a target program «Formation of a Unified Information System for Russia's Agricultural Complex for 2008-2011.» RTComm.RU OJSC won the tender; due to lack of own telecommunications channels (last mile) it filed a request to CenterTelecom to provide its channels. Within the framework of the

program CenterTelecom arranged 123 telecommunications channels in the territory of Russia's Central Federal District by December 20, 2009. The second stage of the program was also completed; 34 telecommunications channels were put into operation by March 20, 2010.

In accordance with its AGM's decision CenterTelecom paid dividend on common shares for 2008 by December 31, 2009 in the amount of RUB0.2457683 per one share.

Developments Occurring after the Reporting Date

February 2010

In accordance with the Order by Russia's Federal Tariff Service starting February 1, 2010 CenterTelecom changed tariffs for local telecommunications services; starting January 31, 2010 it also changed tariffs for intra-zone telecommunications services for residential and corporate subscribers in the territory of 17 regions in Russia's Central Federal District.

In accordance with the Order #381-s/3 by Russia's Federal Tariff Service of December 11, 2009 CenterTelecom changed tariffs for telegraph communications services starting February 7, 2010.

Starting February 2010 CenterTelecom introduced new tariffs for broadband Internet access based on DSL and FTTx technologies. New tariffs are divided into two plans according to sub-brands: Domolink UNO and Domolink NEO.

CenterTelecom effected payment in the sum of RUB139,110,000 under the seventh coupon of its series 5 interest-bearing documentary non-convertible bearer bonds and redeemed 10% of the nominal value of the bonds. The value of the interest paid per bond was RUB46.37. Total sum of payment in the amount of 10% of nominal value reached RUB300,000,000. The payment was made in time in accordance with the Decision on Issuance of Securities and with the Securities Prospectus.

March 2010

CenterTelecom and the Government of the Orel Region have signed a cooperation agreement aimed at development of information and telecommunications infrastructure in support of economic progress in the region and improved quality of life for population.

Fitch Ratings, an international rating agency, upgraded CenterTelecom from B+ to BB. The company's National Long-term rating has been upgraded from A (rus) to AA- (rus) (Outlook Stable).

On March 3, 2010 Vaagn Martirosyan, General Director, CenterTelecom, and Vyacheslav Makrushin, Chairman of Inter-Regional Trade Union Organization of CenterTelecom, signed a collective agreement for 2010-2012 regulat-

ing rights and mutual responsibilities of the employer and employees.

CenterTelecom and the Smolensk region's Administration have concluded a cooperation agreement. The agreement has been signed by Sergei Antufiev, Governor of Smolensk Region, and Vaagn Martirosyan, General Director, CenterTelecom.

Starting March 15, 2010 CenterTelecom introduced new unlimited tariff plans for intra-zone telephone communications services.

Lyudmila Kolesnikova from Podolsk, Moscow region, became one millionth subscriber of DOMOLINK, CenterTelecom's broadband Internet access service. CenterTelecom held an award ceremony for Ms. Kolesnikova on March 24 in Domodedovo, Moscow region.

April 2010

CenterTelecom introduced a new service «TV in Your PC» to Domolink TV subscribers who now can use the new service through TV Player software installed in their computers. The new service is available for subscribers of Belgorod, Bryansk, Vladimir, Voronezh, Ivanovo, Kostroma, Lipetsk, Orel, Smolensk, Ryazan, Tambov, Tula and Yaroslavl regions in Russia's Central Federal District.

Igor Schegolev, Russia's Minister of Telecommunications and Mass Media, chaired a meeting of a Space and Telecommunications Working Group #6 of the Presidential Committee for Modernization and Technical Development of Economics. The meeting was held in Obninsk, Kaluga region.

CenterTelecom's representatives who took part in the meeting presented results of a functioning of a test zone for integration of centralized service platform using RTU softswitch.

CenterTelecom adopted a new standard «Unified Quality Requirements to Telephone Services Provided to CenterTelecom Customers» based on Russian and foreign telecommunications operators' best practices.

CenterTelecom completed construction of a centralized platform for data collection and preparation based on HP UIM. The mediation platform collects and processes inventory data from over 1,500 sources represented by more than 50 various types of telecommunications equipment.



**Event of the Year:
Formation of Customer
Relation Center**

Event of the Year: Formation of Customer Relations Center

Call centers became a popular means of interactions between companies and their customers long ago. Such centers allow to get a feedback from the clients, and this is very important factor. Very often such form of interactions represents not only emergency aid or inquiry service for potential clients but what is more important it also reflects a company's services quality and allows to correct it if necessary.

On January 23, 2009 Vaagn Martirosyan, General Director, CenterTelecom, signed an order on implementation of a project «Formation of CenterTelecom's Unified Call Center.» In November 2009 a ceremony of opening of the Customer Relations Center (CRC) was held. The Center was opened on basis of CenterTelecom branch in Lipetsk; best international standards in corporate call centers' functioning were used during the Center development. CRC became a key part of CenterTelecom's modernized sales and maintenance system. Solving general problems of qualitative and operative maintenance, technical support of users' operations, services' sales and promotion, the Center in fact represents the Company's unified regularly updated knowledge base containing all aspects of interactions with customers.

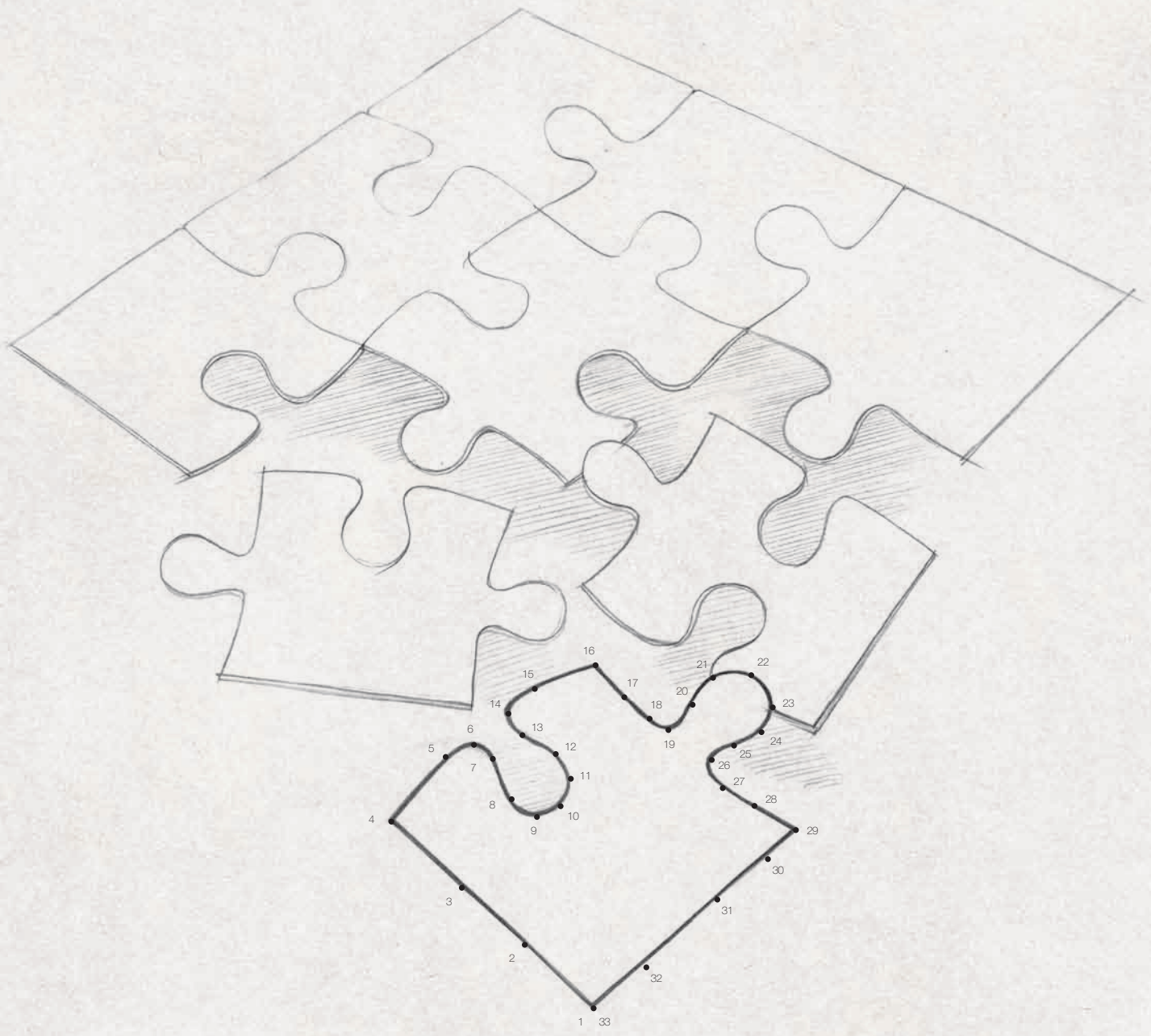
Establishment of a unified Customer Relations Center allowed CenterTelecom to organize functioning of all the Company's divisions involved in services provision in accordance with unified standards and on basis of a unified model of interactions in the Company. The Center provided all necessary conditions for organization of processes of sales, maintenance and rendering of information services in compliance with customers' requirements.

CenterTelecom being fixed line telecommunications operator used conceptually new approaches in the course of formation of CRC. The Center's

functioning is based on use of the unified information space through its CRM system. It combines functions of customer relations management, client self maintenance, order management, operational support and some other modules contributing to implementation of a complex customer relations management strategy. Use of combination of Cisco Systems technologic platform with Amdocs CRM integrated with billing system, technical inventory system and services management system allows CenterTelecom to improve services quality and to reduce time of user requests processing through use of the corporate knowledge base.

The unified Center allows the receipt and processing of up to 600 requests simultaneously through a variety of channels including public telephone networks, email, web portal, etc. The operators will be consulting the company's subscribers on settlements for telecommunications services, means of payment and payment office locations. The subscribers may inform the Company about non-provision or low-quality services, get information of the cause of the fault, and if it can't be fixed in online regime they may agree on time of the specialist's visit. At the same time a CRC operator may remotely check the subscriber line, manage services and subscriber equipment in remote regime in all the territory of Russia's Central Federal District.

In 2009 CenterTelecom began connect the Company's branches to the complex servicing system. In April 2010 the subscribers of Lipetsk, Tambov, Orel, Smolensk, Ryazan, Vladimir, Bryansk, Belgorod, Yaroslavl, Ivanovo and Kostroma regions were connected to the CRC. The CRC operators process over 55,000 requests per day. In the first half of 2010 all remaining regions where the Company operates are to be connected to the Customer Relations Center.



**Key Results of 2009
and Objectives
for 2010-2011**

Key Results of 2009 and Objectives for 2010-2011

Results of 2009

Objectives for 2010-2011

Maintenance of leadership in Central Federal District telecommunications market

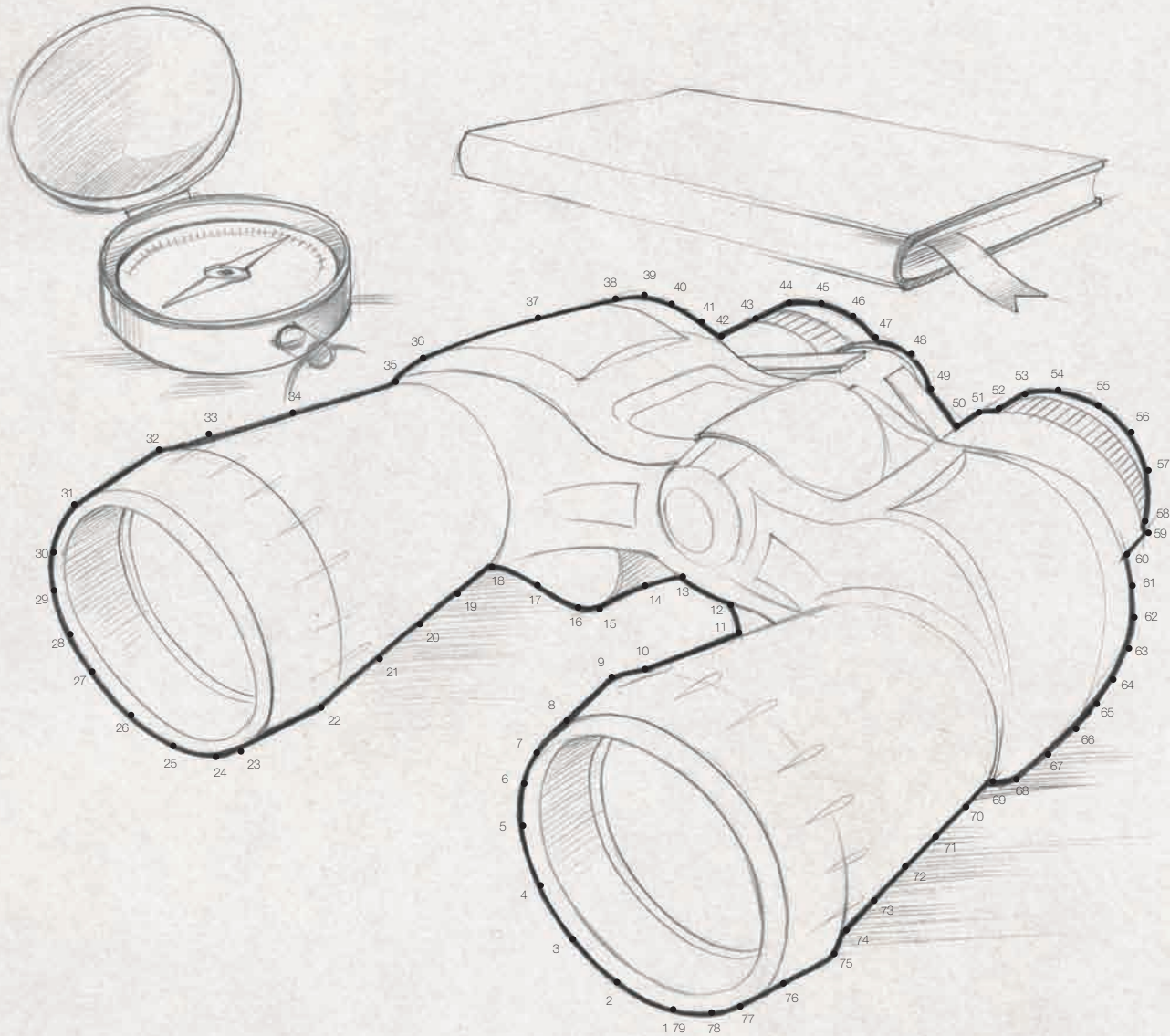
- growth of the Company's revenues up to RUB36.43 billion given that total volume of the Central Federal District telecommunications market was RUB56.81 billion (excluding Moscow city market and mobile operators income)
- the Company's share in the Central Federal District market was 64% (excluding Moscow city market and mobile operators)
- the number of traditional telephony subscribers exceeded 6.76 million people
- the number of subscribers of CenterTelecom's xDSL broadband Internet access service exceeded 1.191 million people
- development of segment focused products within the framework of CenterTelecom Product Policy
- formation of local content services
- development of multimedia platform for provision of TV services
- development of service packages for the corporate customers
- qualitative change in revenue base by means of increase in latest and most highly profitable telecommunications services' contribution to the Company's total income up to 37.9%
- strengthening of the Company's positions in the corporate segment and provision for a share of income from corporate customers of not less than 33.8% by 2014 by means of proactive expansion in Moscow and Moscow region corporate markets
- reorganization of sales and maintenance system in mass market segment, strengthening of the role of indirect and distance sales
- provision of broadband services in existing networks through xDSL and FTTx technologies given that the company's priority includes modernization and development of its networks and provision of broadband access on basis of FTTx technology
- active operations in fast developing state sector representing a solvent market segment
- increase in operating efficiency and reduction of costs through optimization of business processes
- one-stop-shopping: provision of solutions developed jointly with other mega regional companies of Svyazinvest and CenterTelecom's subsidiaries

Development of telecommunications infrastructure using the latest telecommunications technologies

- switch of access networks in construction to FTTx technologies
- switch to NGN/IMS technologies by means of reconstruction of analog exchanges and modernization of digital exchanges
- expansion of transmission capacity of inter-regional data transmission network and provision of competitive services on basis of the network
- development of new system solutions, use of broad range of equipment with different transmission capacity.
- modernization of telecommunications media for provision of time based charging system
- modernization of existing technical infrastructure with the purpose of development of priority commercial business directions; development of united flexible multiservice network infrastructure based on NGN technologies in 90% of the Central Federal District
- further modernization of inter-regional data transmission network by means of switch to «double star» topology and increase in transmission capacity
- construction of intra-zone optic fiber telecommunications lines with full switch to DOKC by 2013
- creation of a convergent FMC network based on NGN platform
- construction of mobile communications network based on MVNO model
- implementation of the monitoring of the Company's resources on basis of CenterTelecom's Main Network Administration Center

Implementation of latest information systems at CenterTelecom

- work on Unified Customer Relations and Settlement Program
- development of ERP system based on Oracle E-Business Suite (OEBS)
- development of the technical architecture of centralized IT systems
- implementation of information systems supporting technological processes, new services provision and development of information and communications systems in CenterTelecom branches
- development of centralized client oriented portal for CenterTelecom customers' settings management as a part of the service quality improvement program
- implementation of centralized IT programs including implementation of CRM system, straight line technical record keeping and centralized maintenance bureau
- implementation of personal data protection system
- development of ERP system based on Oracle E-Business Suite
- implementation of centralized EDI and a system of services' activation and management



Key Business Directions of the Company

Short Summary of Telecommunications Industry Development in Russia

Global financial crisis has made a negative impact on Russian economics in 2009. Gradual deceleration in economic growth was mainly caused by decrease in export prices and limited access to foreign borrowings. Russian telecommunications market was influenced by basic economic processes. In particular the financial crisis caused a slowdown in telecommunications segment in 2009 (107% growth of telecommunications segment for 2009 against 116% for 2008). The market structure was also changing.

Reduction of the population's effective demand for telecommunications services was mainly caused by decrease in real income (92.5% for 2009) and slowdown in housing construction (92% for 2009). Increasing unemployment represented an indirect but very important indicator reflecting the level of the population's real income. Reduction of effective demand was registered in the corporate segment. It was mainly due to drop of basic growth drivers: the number of new companies and the number of efficient business organizations (10-20% reduction depending on region).

Shares of local and long distance telecommunications in market structure continued decreasing by 1.3% and 1.1% correspondingly for 2009 against 2008. Increase in the share of Internet access services amounted to 1.1% against the previous year. At the same time the telecommunications market in 2009 was not developing dynamically as in the past years. All this reflects stagnation of the telecommunications market. The analysts agreed that these trends are to continue making impact on development of telecommunications services segment in mid-term prospect.

The economic crisis of 2009 had an impact of the subscribers' behavior: they were looking for cheaper telecommunications means and tend to economize. A process of replacement of fixed line telephony with mobile telecommunications

made significant impact on revenues from traditional voice telecommunications either in local or in intra-zone telecommunications segment.

In the meantime Russia's broadband Internet access market is growing despite crisis situation. According to the experts' estimations its volume for 2009 was RUB46.3 billion against RUB33.4 billion for 2008. Among key factors of demand was an increase in the number of personal computers, expansion of use of Internet from search of information and email checking to use of IP TV, video telephony services and downloading of big volumes of information, increasing demand for VPN service in the corporate segment, higher speeds and unlimited tariff plans.

Russian wired broadband Internet access market is quite far from saturation because Russian regions' «internetization» level is still very low as distinguished from Moscow. However the experts forecast slowdown in growth of subscriber base in 2010-2011 while the operators will be covering Russian regions. Only increase in traffic consumption by existing subscribers will allow the operators to retain a level of revenues growth.

Replacement of xDSL technology with FTTx, a competing technology, is a core trend in the broadband Internet access market. In 2008 all Russia's major federal telecommunications operators began laying the foundation for FTTx networks. Then owing to crisis impact the volume of the companies' investment into big FTTx projects reduced. Therewith the alternative telecommunications operators did not refuse from development of optical networks in Russian regions, however their rate of networks development reduced significantly. In 2009 the competition in domestic broadband Internet access market weakened to some extent as the operators either suspended the regional expansion or even withdrew from some cities. However most market participants think that slowdown of FTTx projects development is temporary.

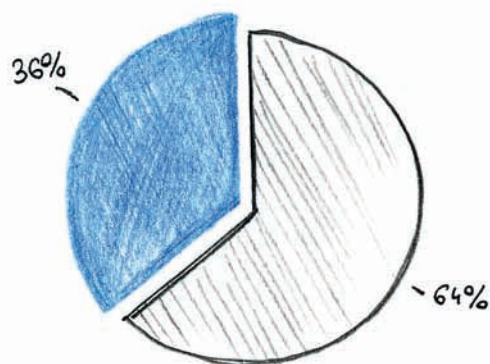
The Company's Position in the Telecommunications Services Market of the Central Federal District in Russia

CenterTelecom retains a leading position in the telecommunications market in Central Russia. In 2009 the Company's position with regard to separate types of telecommunications services was as follows:

- 64% of telecommunications services
- over 80% of local telecommunications
- 96% of intra-zone telecommunications
- more than 40% of Internet access and data transmission

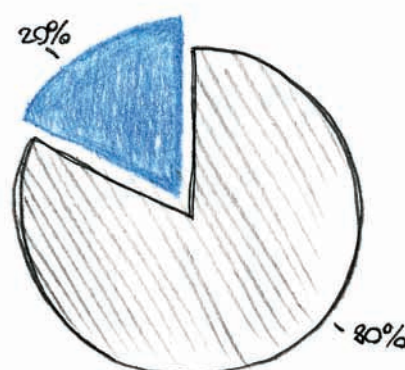
CenterTelecom's share in the telecommunications market of Central Federal District *

- CenterTelecom – 64%
- Other operators – 36%



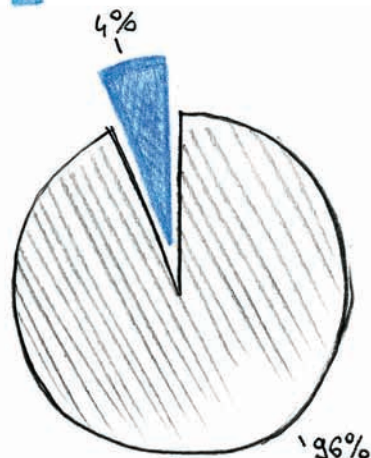
CenterTelecom's share in the local telecommunications market of the Central Federal District*

- CenterTelecom – 80%
- Other operators – 20%



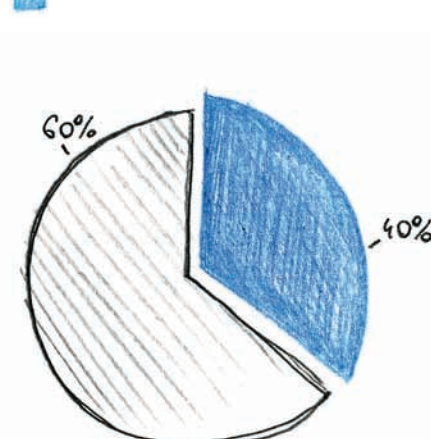
CenterTelecom's share in the intra-zone telecommunications market of the Central Federal District*

- CenterTelecom – 96%
- Other operators – 4%



CenterTelecom's share in the data transmission and Internet access market of the Central Federal District*

- CenterTelecom – 60%
- Other operators – 40%



* For 2009 excluding Moscow city market and mobile operators' revenues.

Basic results of social and economic development of Russia's Central Federal District for 2009 reflect negative impact of the financial crisis on the economics of the macroregion. According to Russia's Ministry of Economic Development the crisis's impact on Central Federal District's region was more serious than on Russian economics on the average. Central Federal District's Industrial Production Index for 2009 was 79% of the same indicator for 2008; this is less than comparable indices of other federal districts of the Russian Federation. Social and economic indices reflecting paying capacity of the population of the Central Federal District (excluding Moscow) are lower than in Russia on the average. For instance, retail turnover per person in the Central Federal District is 15% less than in Russian at the mean (RUB82,800 per person annually). Russia's Central Federal District's average income is 20% less than in Russia on the average.

The telecommunications market of the Central Federal District in its development follows all basic trends of Russia's telecommunications market. In the meantime the speed of market volume reduction in traditional telecommunications segment and broadband Internet access segment's growth is slightly higher than in Russia on the average.

Russian Central Federal District's competitive environment is defined by continuing formation of alliances, proactive expansion of Moscow operators in regional markets and their entry in the national market, by alternative telecommunications operators' construction of own last mile mainly on basis of FTTH technologies. It is typical for all market participants to invest in new technologies development. Mobile operators and the companies providing Internet access services through WiFi, WiMAX, 3G and 4G technologies are actively promoting their services.

Among CenterTelecom's core competitors for 2009 are the major national operators working throughout the Central Federal District: Mobile TeleSystems OJSC, MegaFon OJSC, VimpelCom Group of Companies, TransTeleCom Company CJSC. Telecommunications operators functioning in the territory of several regions of the Central Federal District are actively forming their own regional network. Among them are COMSTAR-United TeleSystems OJSC, Multiregion CJSC, Electro-Com Holding Company and few regional operators including Kostroma City Telephone Network OJSC, SeverTransCom OJSC (LancTelecom), Oskolnet CJSC, Belrogodskiy Tsifrovyy Magistrali CJSC (Magistrali Telecom) etc.

Core Development Trends of the Company

In 2009 the Company's activities were conducted in conformity with CenterTelecom's Development Program for 2009-2012 and Budget for 2009 which included a number of measures aimed at minimizing of a negative impact of Russia's Central Federal District's financial situation on the operator's business.

CenterTelecom's activities were aimed at the creation of a unified multifunctional and user friendly information and communications space and also at use of the potential of the Company's subsidiary business.

In 2009 CenterTelecom used the following development directions in order to maintain the leading positions in the telecommunications market of the District:

- increased share of new telecommunications services in all volumes of services provided by the Company
- strengthening of positions in the corporate sector and increased revenue share from the corporate segment
- reorganization of the sales and maintenance system in the mass market segment, strengthening of the role of indirect and distance sales
- maximum increase in revenues from traditional telecommunications services by means of efficient management of tariff plans and packages of services
- modernization of existing telecommunications infrastructure of the Central Federal District with a view to development of priority commercial business directions, and formation of a unified flexible multi-service telecommunications infrastructure based on NGN technologies
- provision of broadband Internet access services through existing networks on the basis of xDSL and FTTx technologies with priority focus on modernization and development of networks based on FTTx and broadband access based on FTTB
- increase in operating efficiency and reduction of costs by means of business process optimization, centralization of functions, outsourcing

ing of auxiliary functions, and switch to new network technologies and implementation of information systems.

One of the key business directions of CenterTelecom was a development of segment oriented products as a part of implementation of Center-

Telecom's Product Policy aimed at development of a range of unique solutions for mass and corporate segments. In the meantime among most important developments were local content services added to broadband Internet access service, multimedia platform providing TV services, and package solutions for the corporate customers.

In 2009 the Company was focusing on the following factors with regard to local content services:

- formation of a platform for provision of free additional services and content such as photos, games, blogs, radio, video
- development of paid content such as software, audio books, music, games etc.

Among core objectives of the Company's work on development of multimedia platform for TV services provision were:

- development and implementation of PC Player service for provision of interactive IP TV services through the subscribers' personal computers using hardware and software system
- development of WEB-TV services
- implementation of interactive services such as electronic navigator and Electronic Program Guide
- development a Video on Demand service with increase of video library up to 1,000 films
- provision of Personal Video Recorder service
- expansion of IP TV Basic Package to 80 channels and of IP TV Expanded Package to 100 channels
- broadcasting of up to 100 TV channels; introduction of information channels (weather, news etc), TV karaoke

With regard to development of service packages for the corporate customers in 2009 the Company focused on:

- IP PBX services
- value added services package provided to the corporate customers
- development of package solutions including telephony, TV and Internet services provided to the residential subscribers, office centers, hotels
- development of business solutions for provision of telecommunications services to financial companies including IP VPN services, high speed Internet access for connection with financial services, newswires and exchanges
- implementation of DATA Center service (colocation) with regard to placement of a customer's servers on specialized sites
- development of IP VPN for integration of a customer's units into a unified data transmission network; signing of Service Level Agreement (SLA) with the customers and formation of the tariff policy with regard to SLA's level
- Shared, Virtualized & VPS Hosting service: placement of a customer's online resources on the Company's servers, provision of business email, high speed of Internet connection, flexible tariffs, simple and user friendly web interface of the management system, development of online shop for purchase of hosting services
- provision of full range of telecommunications services in new buildings: traditional telephony, high speed Internet access, cable TV, additional services (security system services)
- development of targeted promotional model project

For the accomplishment of priority tasks, CenterTelecom sees several basic directions in the technical development including:

- switch of construction of networks to FTTx (VDSL2 and Ethernet), and further transfer to PON technologies with a reduction in the length of copper distributing sections
- switch to NGN/IMS technology through replacement of analogue exchanges and modernization of digital exchanges
- development of basic infrastructure through consistent completion of the construction of intra-zone optic fiber lines to each district's center. It is planned to 100% complete construction of intra-zone optic fiber lines by 2013.
- gradual increase in network digitalization coefficient by 100% by 2013
- expansion of transmission capacity of the inter regional data transmission network and provision of competitive and attractive services on basis of it; implementation of QoS and ability to differentiate traffic by various customers and applications.
- provision of a unified NGN's central role in the Company's telecommunications infrastructure by 2013
- development of new system solutions, use of wide range of equipment with varying transmission capacity
- development of mobile telephone communications based on WiMAX, CDMA (with use of EV-DO data transmission technology), and construction of mobile communications networks based on MVNO model
- completion of modernization of telecommunications means for provision of time based charging system
- centralizing of the monitoring, management, diagnostics and control over the Company's telecommunications means on basis of CenterTelecom's Main Center of Network Administration
- centralization of technical records

Development of information technologies in the Company was being held in compliance with the approved CenterTelecom's IT Development Strategy Program based on the Company's strategic goals set by the Program. In 2009 among core directions of CenterTelecom's information systems development were the following:

- work on Unified Program for Provision of Settlements and Customer Relations
- development of ERP system based on Oracle E-Business Suite (OEBS)
- development of the technical architecture of centralized IT systems
- implementation of other IT systems for support of technological processes, provision of new services and development of information and communications systems in the Company's branches.

Prospects for Development

CenterTelecom's main competitive advantage in short and long term prospect is well developed telecommunications infrastructure. At the same time the Company is actively developing; it follows proactive commercial approach implementing newest telecommunications technologies. CenterTelecom is one of few operators which are able to provide full range of newest telecommunications services from traditional telephony to construction of VPN networks with integrated multimedia services.

The Company considers Central Federal District's telecommunications market as highly competitive and fast growing. Among core trends reflecting the market's development in mid-term prospect are active implementation of the new services based on NGN technology, migration of traditional services to new technologies, mobile

services expansion including data transmission sector, and consequent growth of competition which would be strengthening in technological and marketing sphere.

In connection with this development of CenterTelecom's priority business directions is followed by modernization of existing telecommunications infrastructure with use of innovation technologies, increase in operating efficiency and reduction of operating costs.

In order to accomplish its priority development tasks and to contribute to its efficient business growth the Company implements a number of strategic initiatives aimed at:

- qualitative change in the Company's income basis through increase in share of newest cost

effective services in CenterTelecom's revenues up to 37.9%. The growth is to be mostly due to further development of broadband Internet access services, introduction of new segment focused products, content services and applications

- strengthening of the Company's positions in the corporate sector and provision for a not less than 33.8% share of revenues from Moscow and Moscow region corporate users by 2014 through the use of core subsidiary resources
- reorganization of the sales and maintenance system in mass market client segment, strengthening of the role of indirect and distance sales
- maximal increase in revenues from traditional telecommunications services by means of efficient tariff plans management and formation of service packages
- modernization of existing technical infrastructure for development of priority business directions, formation of unified flexible multiservice telecommunications infrastructure based on NGN technologies in not less than 90% of Russia's Central Federal District's territory
- provision of broadband Internet access services through existing networks on the basis of xDSL and FTTx technologies with priority focus on modernization and development of networks based on FTTx and broadband access based on FTTB
- accomplishment of state tasks with simultaneous modernization of the corporate network infrastructure on basis of NGN technologies
- active operations in the state sector representing a fast developing and solvent market segment
- increased operating efficiency and reduced costs through optimization of business processes, centralization of functions, auxiliary functions outsourcing, the adoption of new network technologies and implementation of information systems
- one-stop-shopping: provision of solutions developed jointly with other mega regional Svyazinvest companies, Central Telegraph OJSC, Rostelecom OJSC, and the Company's subsidiaries (RTS OJSC and CenterTelecom Service CJSC)

In the field of products and services management CenterTelecom has set a number of strategic tasks for correspondence of the corporate product portfolio with client requirements and for the development of specialized product packages focused on target user segments. CenterTelecom will observe a strategy of following leaders

with regard to inclusion into its product portfolio of innovative products which demonstrated their value and efficiency.

The most important part of CenterTelecom's successful activities is the development of new services for the mass market client segment. Currently the most promising sector is the development of broadband Internet access. CenterTelecom plans to provide content services on the basis of broadband networks including multimedia and Internet content services.

The Company's technical development will be based on existing technologies with the use of new system solutions and changed approaches to the construction of local networks (replacement of main copper lines with optical fiber lines and reduced length of copper distribution sections), as well as expansion of the range of equipment with varying transmission capacities, and also on provision of the broadest possible service range to the clients.

In future a modernization of inter-regional data transmission will be conducted on the basis of the need to switch to double star topology. The trunk network will have not less than 20 Mbps transmission capacity in each region with possible increased capacity up to 40 Gbps. Equipment for a typical transit node will support from three to six 10GE ports for trunk connections and not less than two 10GE ports for interconnection with Autonomous System Boundary Router (ASBR) regional networks nodes.

In 2010 new intra-zone optic fiber lines will be built in CenterTelecom's branches. Total length of the lines will be 1,593 kilometers. By 2013 the Company plans to switch to optic fiber intra-zone lines in full.

For the development of data transmission and Internet access services in major cities of the Central Federal District with dense population the Company plans to develop an Internet access infrastructure based on FTTx (FTTB or FTTC) allowing provision to subscribers of an access channel with up to 100 Mbps speed in both directions and NGN services. This technological solution's progress is related to a possible increase in regional expansion in the course of demand growth given low costs and use of existing infrastructure. As distinct from traditional method of construction of broadband channels on copper trunk cables using ADSL technologies, FTTx has great potential from the point of view of growth in the subscriber base. It

is possible to replace outdated switching equipment with the latest ones (equipment providing 1Mbps speed can be replaced with the equipment providing 10Gbps speed) on the basis of existing optic fiber lines. In the meantime the volume of provided broadband Internet access services is to be increased several-fold; it in turn increases attractiveness of the services and contributes to growth of subscriber base. Moreover optical infrastructure of FTTx projects represents a basis for switch of the Company's subscribers to NGN.

An important direction of CenterTelecom's network development is a convergence of fixed and mobile telecommunications (FMC) on the basis of NGN, i.e. formation of a network on unified platform and with unified core for either mobile or fixed telecommunications. Joint use of NGN and mobile telecommunications network, their full convergence will allow the subscribers to have unique set of opportunities and services. The subscribers with various types of access will be able to use all services regardless of location and interfaces (Ethernet, xDSL, WiFi etc). The subscribers of FMC network will have a single number for mobile and fixed line telephones and will use additional convergent services.

CenterTelecom is going to implement technical solutions allowing to provide FMC services including technological upgrade of equipment used in zonal level of fixed telecommunications network of Upper Volga branch which takes part in beginning of construction and further development of NGN in the territory where Upper Volga branch operates. Development of the Company's own wireless network with development of infrastructure of basic exchanges, modernization of existing basic exchanges to EV-DO rev.A., which allow to provide services to bigger number of subscribers with increase in access

speed up to 3.1 Mbps. Modernization of a mobile network core including use of solutions related to construction of NGN/IMS network.

Construction of mobile telecommunications network on basis of MVNO model is a priority direction of development of CenterTelecom network. The Company's Moscow branch plans to implement a model of a virtual mobile operator with use of radio frequency resource and infrastructure of basic stations of Sky Link. Within the framework of the project it is planned to install a mobile switching center based on NGN/IMS architecture and implementation of appropriate interconnection with Sky Link.

CenterTelecom plans to monitor the Company's resources through its Main Center of Network Administration with the aim of providing of high quality of network services, reducing of recovery period, automating of the management processes, increasing in labor efficiency of CenterTelecom's technical personnel. The Center of Network Administration includes such functions as centralized monitoring of networks errors, audit of crucially important indicators of the network and IT infrastructure, fast detection of problems connected with services quality, improvement of services quality and SLA monitoring in the first instance for the corporate customers.

In 2010 the Company also plans to maintain implementation of centralized IT programs including CRM system, straight line technical record keeping and centralized maintenance bureau, personal data protection system, unified directory service in the Company's branches and development of ERP system based on Oracle E-Business Suite (OEBS). Furthermore it is planned to begin work on projects related to implementation of centralized EDI, a system of services activation and management.



Results of the Company's Operations in 2009

Key Economic Figures

In April 2010 CenterTelecom reported its audited financial results for 2009 in accordance with Russian Accounting Standards (RAS). The Company's results were as follows:

- 8.06% increase in CenterTelecom revenues from core operations to RUB36.434 billion for 2009 against RUB33.715 billion for 2008
- 15.86% increase in expenditures on core operations, to RUB30.53 billion
- EBITDA growth to RUB16.233 billion or a 32.98% increase against 2008; profitability based on EBITDA reached 44.55%
- net profit increased by 95.71% from RUB2,585 billion in 2008 to RUB5,059 billion in 2009
- production cost per ruble of revenues increased by RUB5.63 and reached RUB0.8379 (against RUB0.7816 in 2008)
- 27.81% rise in number of lines per employee, to 236 lines (compared with 185 for 2008)

RUB Million	2009	2008	Change, %
Revenue from core operations	36,434	33,715	+8.06
including revenue from telecommunications services	34,332	31,872	+7.72
Expenditure on core operations	30,530	26,351	+15.86
including depreciation	4,289	4,278	+0.26
EBITDA*	16,233	12,207	+32.98
EBITDA margin**	44.55%	36.21%	–
Sales profit	5,904	7,364	–19.83
Net profit	5,059	2,585	+95.71
Profitability on sales profit	16.2%	21.84%	–
Profitability on net profit	13.89%	7.67%	–

* EBITDA is calculated as earnings before taxes plus interest payable plus depreciation plus leasing payment minus interest receivable.

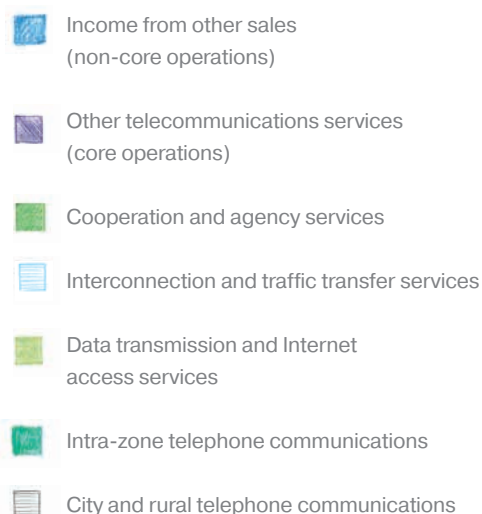
** EBITDA margin is calculated as EBITDA/revenues.

CenterTelecom Income Structure for 2009, RUB million

Indicator	2009	2008	Change, %
Intra-zone telephone communications*	6,097	6,250	–2.45
City and rural telephone communications	17,237	16,012	+7.65
Data transmission and Internet access services	6,054	4,588	+31.95
including Internet access services	5,151	3,843	+34.04
Interconnection and traffic transfer services	3,657	3,793	–3.59
Cooperation and agency services	1,036	1,055	–1.80
Other telecommunications services (core operations)	1,288	1,229	+4.80
Income from other sales (non-core operations)	1,065	788	+35.15
including income from assets lease	784	572	+37.06
TOTAL	36,434	33,715	+8.06

* Income from intra-zone telecommunications services including income from intra-zone communications through public pay phones and from the provision of intra-zone telecommunications channels.

CenterTelecom's Income Structure in 2008 – 2009, RUB million



Aggregate increase in revenues from operating activities for 2009 amounted to RUB2.719 billion including RUB1.032 billion from increase in volume of provided services and RUB1.520 billion from increase in tariffs. Among key drivers of growth were local telephony services (provision of access to the network, provision of a subscriber line, provision of a local telephone connection) and new telecommunications services (Internet access, data transmission, intellectual networks, IP telephony).

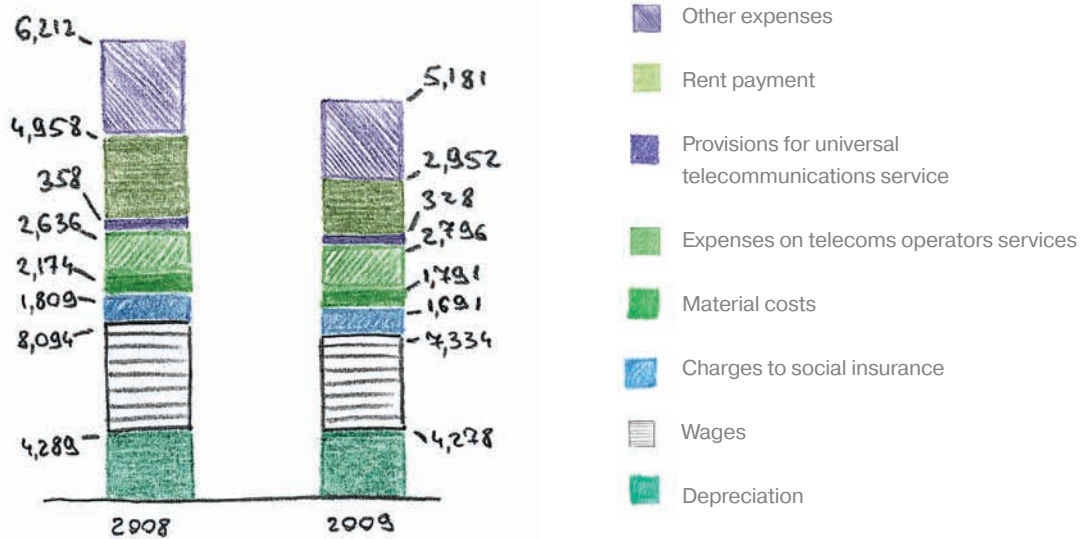
In 2009 the growth of revenues from local telephone communications services was mainly due to 8% average increase in tariffs for a provision of a subscriber line and telephone connections from March 1, 2009.

The rise in revenues from new telecommunications services was mainly caused by growth of users of Internet access services because of dynamic development of Domolink project. In 2009 the number of subscribers of CenterTelecom's broadband Internet access services increased by over 70.14% exceeding 1.191 million people as of the end of the reporting period. The main cause of reduction of revenues from public pay telephone communications, wire broadcasting services and telegraph communications services was related to decrease in volume of these services rendered in 2009.

CenterTelecom Expenses Structure for 2009, RUB million

Indicator	2009	2008	Change, %
Depreciation	4,289	4,278	+0.26
Wages	8,094	7,334	+10.36
Social insurance	1,809	1,691	+6.98
Material costs	2,174	1,791	+21.38
Expenses on telecommunications operators' services	2,636	2,796	-5.72
Provisions for universal telecommunications service	358	328	+9.15
Rent payment	4,958	2,952	+67.95
including lease payments	4,248	2,311	+83.82
Other expenses	6,212	5,181	+19.9
TOTAL	30,530	26,351	+15.86

CenterTelecom Expenses Structure for 2008 – 2009, RUB million



The increase in expenses on core operations in 2009 in comparison with 2008 increased by 15.9% (RUB4.178 billion) reaching RUB30.529 billion. Increase in expenses was mainly due to:

- rise in expenses on wages to RUB7.822 billion (10.6% more against 2008), and consequent increase in mandatory social insurance and charges to Pension fund by 7% (RUB1.809 billion)
- 20.6% growth of material costs to RUB951 million. The change is caused by additional expenses on construction materials for buildings' repair throughout organization of new sales and maintenance centers, on replacement of outdated computers in the corporate information systems with the new ones, and on inclusion into expenses of the cost of modems and STBs passed to the subscribers for lease for connection to Internet and IP TV
- increase in expenses on outsourced current repairs services up to RUB1.728 billion. This is 48.9% more than in 2008. The expenses grew owing to a necessity for maintenance of public pay telephones installed in line with universal telecommunications service program, and also to additional expenses on maintenance of the equipment owing to increased number of digital exchanges' ports and DSL equipment units, and to maintenance of inter-regional data transmission network's equipment
- 11.5% growth of expenses on "Other outsourced services" to RUB2.607 billion which is mainly due to increase in expenses on agency services; this is connected with transfer to the agents of a function of receipt of residential subscribers' payments for telecommunications services owing to reduction of the Company's own payment receipt offices

Moreover the rise in CenterTelecom expenses was connected with increased expenses on electric and heat power, operational lease, growth of amounts of lease payments, tax payments and the Company's other expenses due to putting into full operation of Oracle E-Business Suite and Start Automated Billing System.

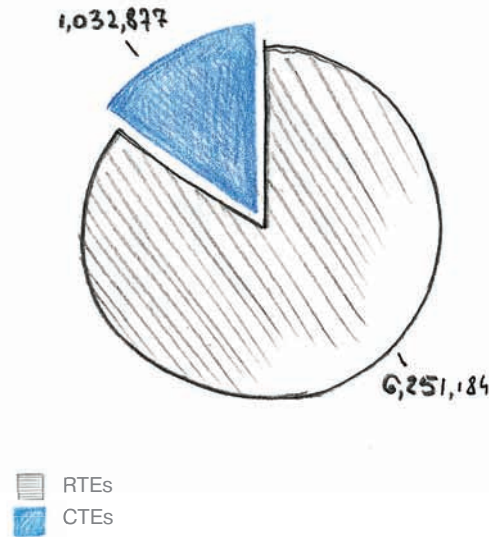
Revenues Structure from Telecommunications Services for 2009

Analysis of CenterTelecom's revenues structure for 2009 reflects maintained trend of stable growth of revenues from new non-regulated telecommunications services. In 2009 the Company's management continued working on increase in share of revenues from new services in the Company's revenues structure striving to decrease CenterTelecom's dependence on the tariffs for local and intra-zone telecommunications regulated by the state.

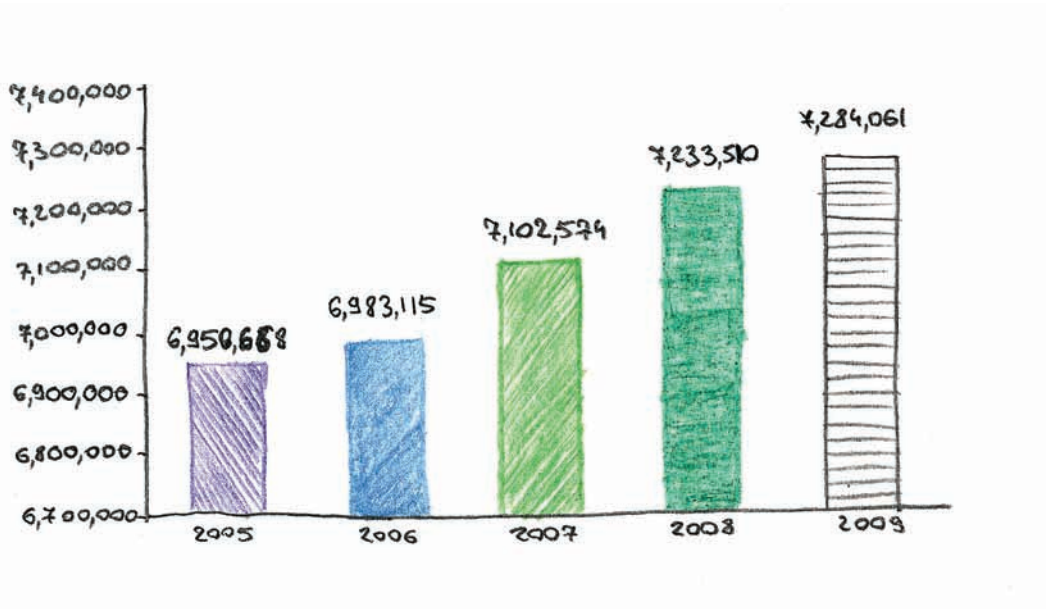
Local telecommunications

As of December 31, 2009 CenterTelecom's local telephone network consists of 8,317 automated telephone exchanges with 7,284,061 numbers total installed capacity including 1,607 City Telephone Exchanges (CTEs) with installed capacity for 6,251,184 numbers and 6,710 Rural Telephone Exchanges (RTEs) with installed capacity for 1,032,877 numbers. During 2009 the installed capacity of local telephone networks increased by 50,551 numbers.

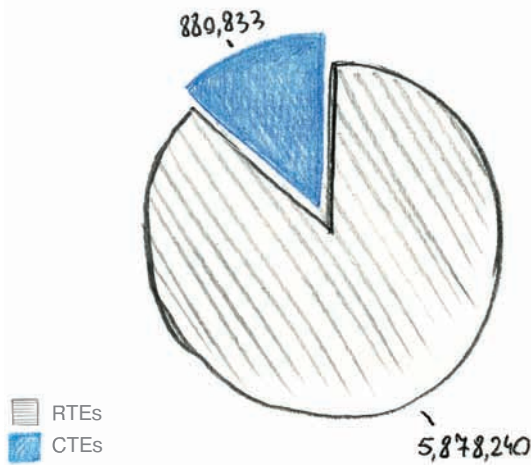
CenterTelecom's Installed Capacity in 2009, numbers



Dynamics of CenterTelecom Network's Installed Capacity, numbers



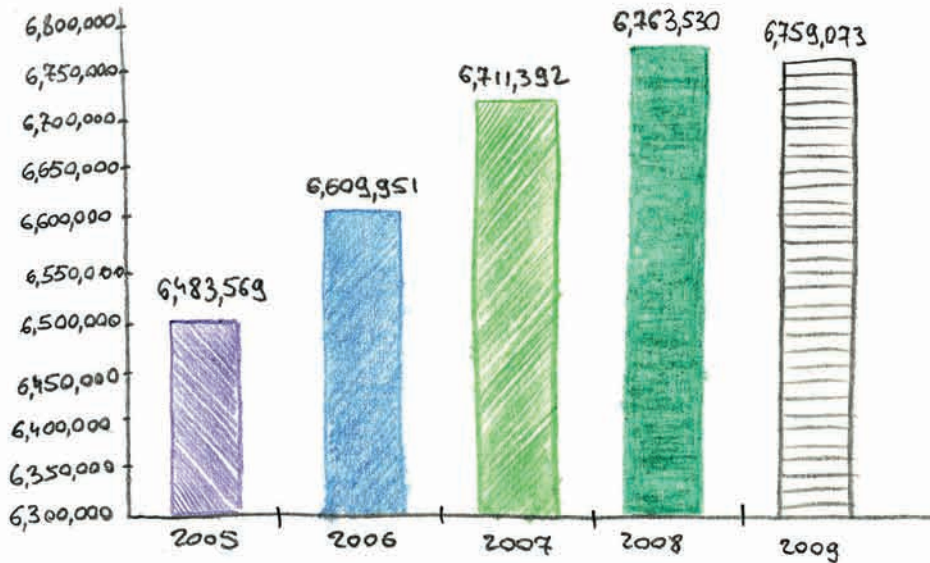
CenterTelecom's Activated Capacity, for 2008, numbers



The level of digitalization of the local telephone network as of December 31, 2009 reached 67.5% (66% as of the end of 2008), including 71.7% in CTEs and 42.2% in RTEs (70.2% and 40.6% in 2008 accordingly). In 2009 the number of electronic telephone exchanges increased by 116, including 30 city electronic telephone exchanges and 86 rural electronic telephone exchanges. Installed capacity at electronic telephone exchanges increased by 146,932 numbers, including 130,852 numbers at city electronic telephone exchanges and 16,080 numbers at rural electronic telephone exchanges.

Use of installed capacity at local telephone networks was 92.8% as of December 31, 2009 (93.5% as of December 31, 2008) including 94% at CTEs (94.7% as of December 31, 2008) and 85.3% at RTEs (86.6% as of December 31, 2008).

Dynamics of CenterTelecom's Activated Capacity for 2009, numbers



The number of the Company's main telephone sets as of December 31, 2009 reached 6,703,713 items, including 5,756,121 main telephone sets at CTEs and 947,592 main telephone sets at RTEs. In 2009 the number of main telephone sets rose by 3,462 items including growth of CTEs' main telephone sets by 17,522 items and reduction of RTEs' main telephone sets by 14,060 items.

Capacity of telephone exchanges which have access to automated long distance exchanges reached 7,279,754 numbers as of December 31, 2009 including 6,247,073 CTEs' numbers and 1,032,681 RTEs' numbers. The ratio of capacity of

telephone exchanges which have access to automated long distance exchanges to total installed capacity of the Company's telephone exchanges reached 99.94% as of December 31, 2009 (99.87% as of December 31, 2008). Installed capacity of telephone exchanges with the technical capability for time-based local billing reached 6,058,288 numbers as of December 31, 2009 including 5,514,257 CTEs' numbers and 544,031 RTEs' numbers. The ratio of capacity of telephone exchanges with the technical capability for time-based local billing to total installed capacity of the Company's telephone exchanges reached 83.2% as of December 31, 2009 (82.4% as of December 31, 2008).

In 2009 the Company was building optic fiber telecommunications lines in its local networks. Length of the optic fiber telecommunications lines increased by 2,110 kilometers reaching 10,336 kilometers. Total number of carrier channels reached 1,136,902 channels as of December 31, 2009, and digital channels represent 99.4% of all channels.

CenterTelecom, striving to improve the quality and reliability of its telecommunications network, has been laying cable telecommunications lines in place of overhead circuits, and has transitioned interconnecting lines from low traffic to multichannel systems, including to digital systems, increasing the number of telecommunications channels. In 2009, 1,704 kilometers of overhead wire were taken out of operation.

As of December 31, 2009 CenterTelecom had 62,937 public pay telephones including 54,778 public pay telephones installed in line with universal telecommunications service program.

Intra-zone telecommunications

In 2009 CenterTelecom focused on further increasing the automation and digitalization levels of long distance communications and further improvement of the telecommunications means' operating quality. The length of intra-zone cable circuits as of December 31, 2009 was 30,029.3 kilometers including 20,699.3 kilometers represented by optic fiber lines.

Generally a significant increase in the length of intra-zone long distance circuits occurred owing to construction and putting intra-zone optic fiber telecommunications lines into operation and to upgrading of the equipment up to the higher STM level. The total increase in length of CenterTelecom's intra-zone long distance circuits for 2009 was 24,809,200 kilometers.

Currently 33 zonal telephone centers with 487,084 data ports are operating in CenterTelecom's network. Digital zone transit centers of EWSD, S-12, AXE-10, SoftX3000 and SI-3000 types are installed in all regions where the Company operates.

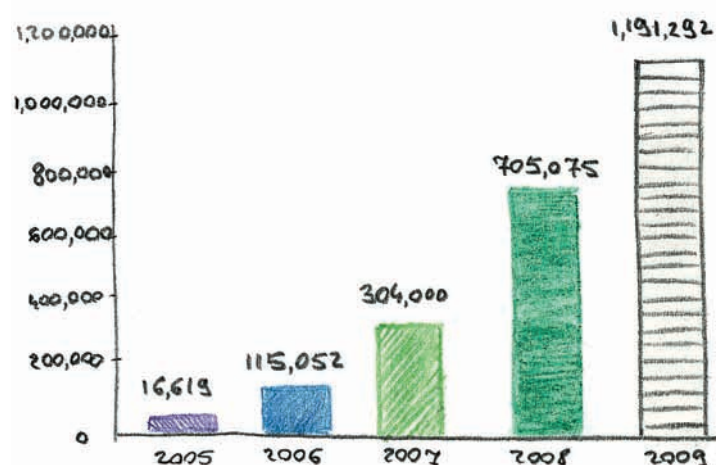
New Telecommunications Services

In 2009 CenterTelecom significantly strengthened its positions in the broadband xDSL Internet access market. Being a part of the DOMOLINK project launched in 2006, an Internet access service based on xDSL technology is available now for the inhabitants of all regions in Russia's Central Federal District. Now CenterTelecom's broadband networks are mainly built on basis of

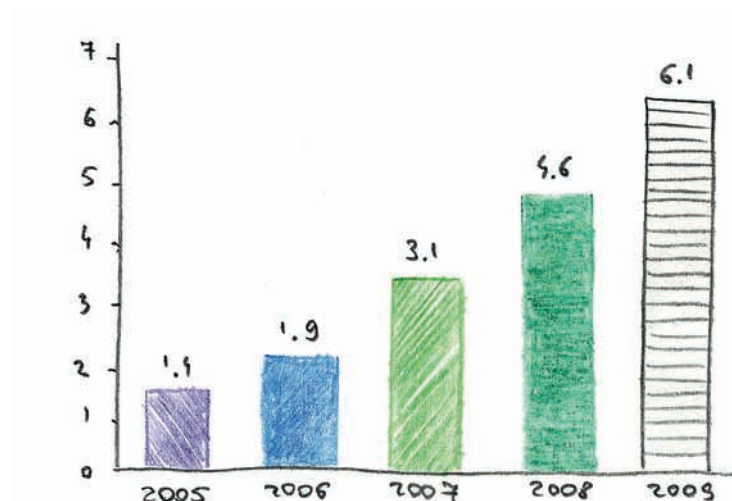
xDSL technology which allows to render services needed to use high speed digital transmission channel through existing telephone networks with copper wires. For 2009 xDSL installed capacity amounted to 1,238,814 ports.

However in 2009 the Company continued implementation of a Project "Construction of Broadband Networks on Basis of FTTx Technology." For the reporting period CenterTelecom built and put into operation 194,185 FTTx ports in 4,974 residential buildings in the territory where the Company operates.

Dynamics of CenterTelecom's Broadband Internet Access Services' Subscriber Base, people



Revenues from New Telecommunications Services, RUB billion



In 2009 the volume of Internet traffic through dedicated lines 350% grew against 2008 and reached 75,164,729.9 GB. At the same time for 2009 the volume of Internet traffic transferred through dial up lines decreased by 50.8% against 2008 and reached 1.041 million minutes.

In 2009 the Company conducted the following work on modernization of CenterTelecom branches' regional IP/MPLS networks:

- The Company built the regional data transmission network in Tver branch; the new network includes 55 nodes of IP/MPLS network connected with Huawei Technologies equipment and Cisco CRS-1 core router.
- The Company built regional data transmission network in Kursk branch; the new network includes 25 nodes of IP/MPLS network connected with Huawei Technologies equipment.

Moreover the Company worked on strengthening of resources of inter-regional data transmission network (IRDTN):

- The Company built IRDTN channel with 10GE transmission capacity in the Kursk-Orel sector. The Company built two new DWDM nodes in Shablykino and Zheleznogorsk and modernized two outdated DWDM nodes in Orel and Kursk.
- The Company built IRDTN channel with 10GE transmission capacity in the Kaluga-Tula sector. The Company built the new DWDM node in Oktyabrsky and modernized two outdated DWDM nodes in Kaluga and Tula. Furthermore the Company also built DWDM channel for zonal telecommunications with 2.5GE transmission capacity.
- The Company built IRDTN channel with 10GE transmission capacity in the Tula-MMTS-9 sector. The Company modernized four outdated DWDM nodes in MMTS-9, Vidnoye, Chekhov and Tula.
- In order to increase transmission capacity and optimization of traffic transfer scheme the Company built new 10GE Ryazan-Lipetsk channel instead of previous Ryazan-Tambov channel. The Company modernized

six outdated DWDM nodes in Tambov, Dmitriyevka, Michurinsk, Pervomaysky, Chaplygin and Ryazan.

- The Company built new 10GE channel in the sector Kursk-Oboyan.

For provision of high quality mobile communications services to its subscribers in 2009 CenterTelecom was focusing on maintenance in operating condition of CDMA-450 mobile telecommunications equipment in the territory of Ivanovo, Kostroma, Yaroslavl region, and of GSM equipment in the territory of Tambov region.

During 2009 all basic CDMA-450 stations built in 2008 were put into operation. Thus total number of basic mobile communications stations in Ivanovo, Kostroma and Yaroslavl regions amounted to 115. Eventually mobile communications service is provided practically all over the territory of these three regions. High speed mobile Internet access is provided in Yaroslavl, Kostroma, Ivanovo and few major cities such as Rybinsk, Uglich, Tutayev, Rostov, Pereslavl-Zalessky, Nekrasovsk, Myshkin, Gavrilov-Yam and Kineshma. For provision of this service EV-DO data transmission technology was implemented in 31 basic CDMA stations.

CenterTelecom also completed the next stage of expansion of numbering capacity of CDMA switches. The capacity of a switch in Ivanovo city was increased to 20,000 numbers; total capacity of 3G CDMA-450 network used by CenterTelecom was increased by 65,000 numbers.

In 2009 the Company continued development and strengthening of partner relations with SkyLink, a mobile operator. In particular the parties signed an agreement of intent regarding organization of virtual mobile communications networks on basis of use of resources of IMT-MC-450 network.

Resources of CenterTelecom's CDMA-450 and GSM networks were used in full for provision of universal telecommunications services through public pay telephones connected through mobile communications channels in the territory of Ivanovo, Kostroma, Yaroslavl and Tambov regions.

Financial Activities

In 2009 CenterTelecom's financial policy included the following key directions:

- reduction and refinancing of debt portfolio
- increase in liquidity indicators by means of replacement of short term debt
- decrease in foreign currency risk level
- strengthening of control over costs, optimization of investment program by means of priority implementation of investment projects with high financial return in short term period

After decrease in debt burden for 2009 the Company's Net Debt/EBITDA ratio amounted to 1.28 (2.04 for 2008), and the amount of debt for 2009 reduced by RUB5.8 billion. In 2009 CenterTelecom strived to repay debt for an aggregate sum of RUB12.9 billion (excluding lease payments). The redemption was held out from the Company's own resources and from borrowed funds:

- the Company's own resources – RUB3.6 billion
- leaseback – RUB5.6 billion
- loans and borrowings – RUB3.7 billion.

In particular in 2009 the Company repaid and refinanced the following liabilities:

- loan granted by Deutsche Bank - US\$115 million
- series 4 bond issue – RUB5.6 billion
- Promsvyazbank's promissory notes – RUB1.2 billion

In 2009 in order to increase liquidity level CenterTelecom concluded agreements for provision of credit lines and overdraft loans for a total sum of RUB10 billion. These measures taken by the Company in 2009 allowed it to improve its debt portfolio's structure in terms of maturity, to reduce debt servicing cost and foreign currency risks.

Investment Activities

In 2009 CenterTelecom secured RUB4.392 billion for its investment program. This is 35.5% less than in 2008. Capital assets reached RUB4.804 billion for 2009 or 31.1% less than in 2008.

One of CenterTelecom's priorities in its investment activities was implementation of programs with high levels of profitability and short terms for returns on investment. Among them were the programs focused on development of the

Company's broadband Internet access services for the corporate clients, provision of broadband Internet access in existing networks via xDSL and FTTx technologies, and also IP TV services. Implementation of these programs allowed the Company to apply new technologies, to expand considerably the range of services rendered through digital networks and to strengthen its competitive position in the telecommunications services market.

Indicator	Measurement Unit	2008	2009	Change, 2009/2008 (%)
Investments into the Company's equity capital in total, including:	RUB million	6,807.4	4,391.9	64.5
investment into traditional telephony	RUB million	2,879.2	1,182.3	41.1
investments in new services and IT	RUB million	1,896.5	1,944.9	102.6
investments into transmission lines and telecommunications network infrastructure	RUB million	1,575.9	864.6	54.9
other investments	RUB million	455.8	400.1	87.8
Share of equity funds for financing of investments	%	98.7	98.8	–
Share of attracted funds for financing of investments	%	1.3	1.2	–
Fixed assets put into operation	RUB million	6,997.5	4,803.9	68.7

Tariff Policy

CenterTelecom's tariff policy is conducted in accordance with legislation of the Russian Federation and is aimed at increase of profitability and investment attractiveness of the Company and also at raise of competitiveness of CenterTelecom in the telecommunications market. CenterTelecom's tariff policy for 2009 was focused on provision of a full range of services to its customers, maintenance of leadership in the Central Federal District telecommunications market, and increased profitability.

Formation of the Company's tariff policy is influenced by market and off-market factors including state regulators' activities. With regard to regulated services the following changes occurred in 2009:

- starting January 1, 2009 in accordance with Order #398-s/1 by the Federal Tariff Service dated December 24, 2008 new tariffs for All-Russia TV program broadcasting were introduced. The tariffs rose by 18%
- starting February 1, 2009 in accordance with the Federal Tariff Service's Order #298-s/3 dated October 28, 2008 the Company established new tariffs for the local telegram transmission. The tariffs were increased by 22%
- in accordance with Order #297-c/2 by Russia's Federal Tariff Service (FTS) dated November 28, 2008, starting March 1, 2009 CenterTelecom increased tariffs for local telecommunications services for residential and corporate subscribers, amended tariffs for intra-zone telecommunications services and introduced new tariff plans based on the combined payment scheme
- in Central Federal District's localities where time based billing is technically possible City Telephone Network (CTN) tariffs (including provision of a telephone line on a permanent basis) based on subscriber payment system increased by 10% on average for residential customers, and by 2.2% for the corporate customers
- CTN tariffs based on time based payment system increased on average by 8.1% per a subscriber line, by 6.9% per a subscriber line for residential subscribers, and by 11.5% per minute of local connection for the residential and corporate customers
- CTN tariffs based on combined payment system increased on average by 7.4% for residential subscribers and by 5% for the corporate customers
- in Central Federal District's localities where time based billing is technically impossible CTN tariffs (including provision of a telephone line on a permanent basis) increased by 7.9% on average for the residential subscribers, and by 6.1% for the corporate customers
- in Central Federal District's localities where time based billing for local telephone connections is technically possible Rural Telephone Network (RTN) tariffs increased by 6.6% on average for the residential subscribers, and by 2.2% for the corporate customers
- RTN tariffs for a minimal volume of local telephone connections based on combined payment system increased on average by 7% for the residential subscribers and by 5% for the corporate customers
- in Central Federal District's localities where time based billing for local telephone connections is technically impossible RTN tariffs (including provision of a telephone line on a permanent basis) increased by 7.8% on average for the residential subscribers, and by 5% for the corporate customers
- starting March 1, 2009 CenterTelecom decreased tariffs for intra-zone telephone connections in the second tariff zone (from 101 to 600 kilometers) for fixed telephone network subscribers for voice, fax and data transmission by 21% on average. A unified tariff for intra-zone telephone connections in the first tariff zone (up to 100 km) was established for Moscow region's subscribers
- starting March 1, 2009 CenterTelecom introduced new tariff plans based on combined payment system for the subscribers of 17 regions of Russia's Central Federal District: Social Tariff Plan, Weekend Tariff Plan and Combined 450 Tariff Plan (for residential subscribers and corporate customers)
- starting July 12, 2009 in accordance with the Federal Tariff Service's Order on approval of delivery tariffs (telegraph fee) to the localities without access to telegraph, fax and telephone communications services CenterTelecom changed its delivery tariffs. The new tariffs are equal to the Russian Post's ones (RUB24.15)

- starting October 1, 2009 CenterTelecom in accordance with its Tariff Committee's decision #27-09 of August 31, 2009 canceled differentiation of tariffs for provision of intra-zone telephone connections depending on time of day and day of week. The Company's tariffs for provision of intra-zone telephone connections were established at the limit tariff level approved by the Federal Tariff Service

With regard to unregulated services the core working directions in 2009 were:

- further unification of unregulated tariffs for telecommunications services
- consideration of regional specifics and competitive situation by means of flexible discount system
- Development and introduction of unlimited tariff plans for DOMOLINK services
- formation of service packages

Implementation of Information Technologies in Business Administration

With regard to implementation of centralized IT programs in 2009 the Company conducted a number of events related to implementation of the unified Customer Relations Management (CRM) system and development of the Enterprise Resource Planning (ERP) system.

Within the framework of the Unified Program of Settlements Provision and Customer Relations CenterTelecom's specialists were working on implementation of CRM system based on Amdocs software. In particular they developed and approved the technical design for CRM Solution, developed and installed CRM Master System (Phase 1) in Data Processing Center, and also conducted trial operation of CRM system in Lipetsk branch.

Within the framework of development of ERP system based on OEBS the Company completed implementation of the additional functional unit for payment control, keeping a record of contracts, preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) and also implemented consolidated sale and purchase books.

The Company also implemented new modules (Logistics, Dividends, Self-Service) and simultaneously prepared automated working places. Moreover ERP system's functions for centralization of the services of settlements with personnel, fixed assets and capital investments record keeping and Treasury (with regard to outgoing payments) were also implemented.

In the reporting year the Company modernized Data Processing Center equipment and com-

pleted implementation of the Payment Gateway system as a part of the technical architecture development. The technical architecture was prepared; the system was installed, tested and put into trial operation.

In 2009 the Company implemented other IT systems for support of technological processes and provision of new services and also for development of information and telecommunications systems in CenterTelecom's branches:

- The Company completed implementation of the unified mediation platform based on HP OpenView Internet Usage Manager. The platform was put into operation in November 2009.
- The Company put the Corporate Reporting System based on MicroStrategy software into operation
- Start-IP module of the Start Automated Billing System was put into operation in Moscow, Lipetsk and Kaluga branches
- The Company rolled out all modules of Svyaz Geoinformation System, a system of straight line technical record keeping and centralized maintenance bureau, conducted work on migration of data from replaced systems and on integration with adjoining information systems.

In 2009 CenterTelecom continued developing information and communications technologies in its branches including work on centralization of information systems, modernization of telecommunications channels necessary for functioning of the centralized systems. In con-

nection with implementation of centralized IT systems the Company replaced outdated computer and office equipment with newest one. In order to reduce time necessary for answering to the customers' inquiries regarding functioning of computer and office equipment, adjustment of software and hardware tools and for provision of consulting services CenterTelecom provided connection to ServiceDesk, a centralized customer support system based on HP OpenView ServiceDesk.

With regard to implementation of new products and services the Company began:

- providing multimedia IP TV services all over the territory of Russia's Central Federal District; the list of broadcasted TV channels and the catalogue of VOD library were expanded
- implementing Universal Intellectual Services Platform project; the Platform will allow to render the following services: Virtual Office, Virtual PBX and Virtual Call Center



Equity Capital and Securities

Charter Capital

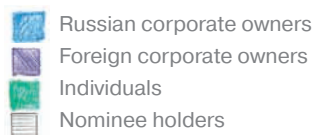
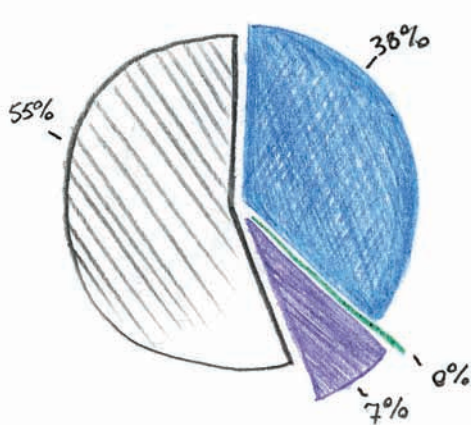
CenterTelecom's charter capital and its securities as of December 31, 2009:

- charter capital was RUB6,311,998,965
- outstanding and declared shares:

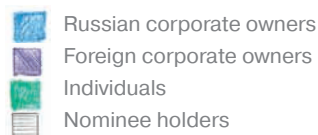
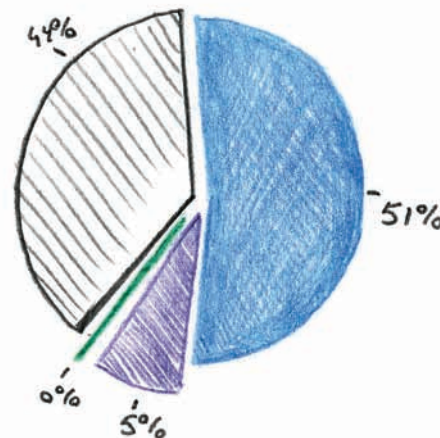
Categories (types) of shares	Number, items	Nominal value, RUB
I. Outstanding shares:		
Common shares	1,578,006,833	3.0
Type A preferred shares	525,992,822	3.0
II. Declared shares:		
Common shares	76,166,167	3.0
Type A preferred shares	25,405,178	3.0

Registered shareholders	Number of shareholders	Number of common shares	Number of type A preferred shares	% in charter capital	% of common shares
Russian corporate owners	114	808,505,535	1,405,163	38	51
Foreign corporate owners	17	314,332	655,553	0	0
Individuals	23,659	82,020,636	69,364,094	7	5
Nominee holders	21	687,166,330	454,568,012	55	44
Total	23,811	1,578,006,833	525,992,822	100	100

Distribution of Charter Capital

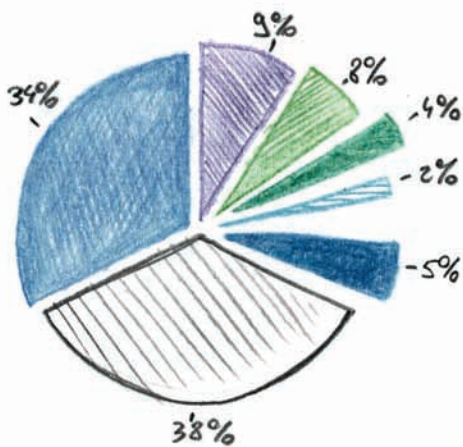


Distribution of Common Shares

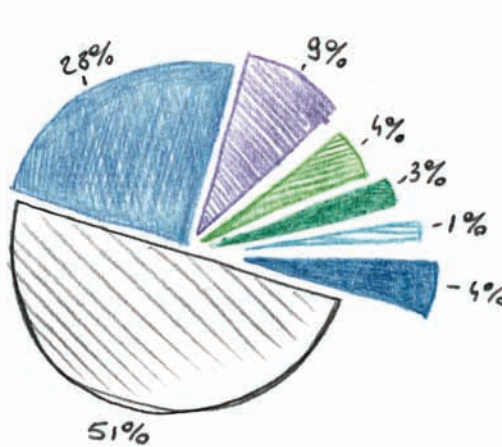


Registered shareholders	Number of common shares	Number of type A preferred shares	% in charter capital	% of common shares
Investitsionnaya Kompaniya Svyazi OJSC (owner)	799,867,813	0	38	51
Depository Clearing Company CJSC (nominee holder)	435,264,815	277,698,866	34	28
National Depository Center CJSC (nominee holder)	145,342,676	53,633,683	9	9
UBS Nominees CJSC (nominee holder)	61,950,858	99,003,245	8	4
Other corporate shareholders	53,560,035	26,292,934	4	3
Individuals (CenterTelecom employees)	18,497,141	18,952,333	2	1
Other individuals	63,523,495	50,411,761	5	4
Total	1,578,006,833	525,992,822	100	100

Distribution of Charter Capital among Registered Shareholders



Distribution of Common Shares among Registered Shareholders



- Svyazinvest OJSC
- DCC CJSC
- NDC CJSC
- UBS Nominees CJSC
- Other corporate shareholders
- Individuals CenterTelecom employees
- Other individuals

- Svyazinvest OJSC
- DCC CJSC
- NDC CJSC
- UBS Nominees CJSC
- Other corporate shareholders
- Individuals CenterTelecom employees
- Other individuals

Shares

CenterTelecom shares are traded in exchange and OTC markets. The Company's shares are circulated in the following Russian exchanges:

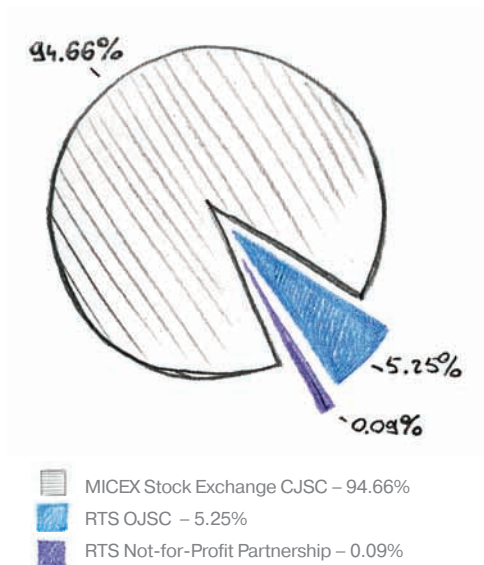
- MICEX Stock Exchange CJSC: common shares (CTLK) are listed in Quotation list A of the first level; preferred shares (CTLKP) are listed in Quotation list B
- RTS OJSC's Classic and Order-Driven Markets: common shares (ESMO, ESMOG) are listed in Quotation list A 2; preferred shares (ESMOP, ESMOPG) are listed in a section of the List "Securities Admitted to Trading without Listing Procedure"

The Company's shares are included in the following indices:

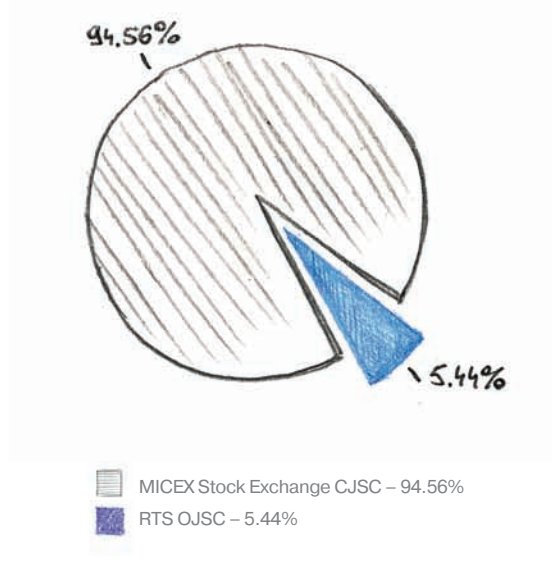
- common shares:
 - RTS;
 - RTS-2;
 - RTS –Telecom;
 - MICEXC TLC
- preferred shares – RTS-2

The aggregate value of CenterTelecom's shares for 2009 was RUB2,107,683,900 including RUB1,451,638,400 representing the value of common shares and RUB656,045,500 representing the value of preferred shares.

Trading volumes for CenterTelecom common shares for 2009



Trading volumes for CenterTelecom preferred shares for 2009

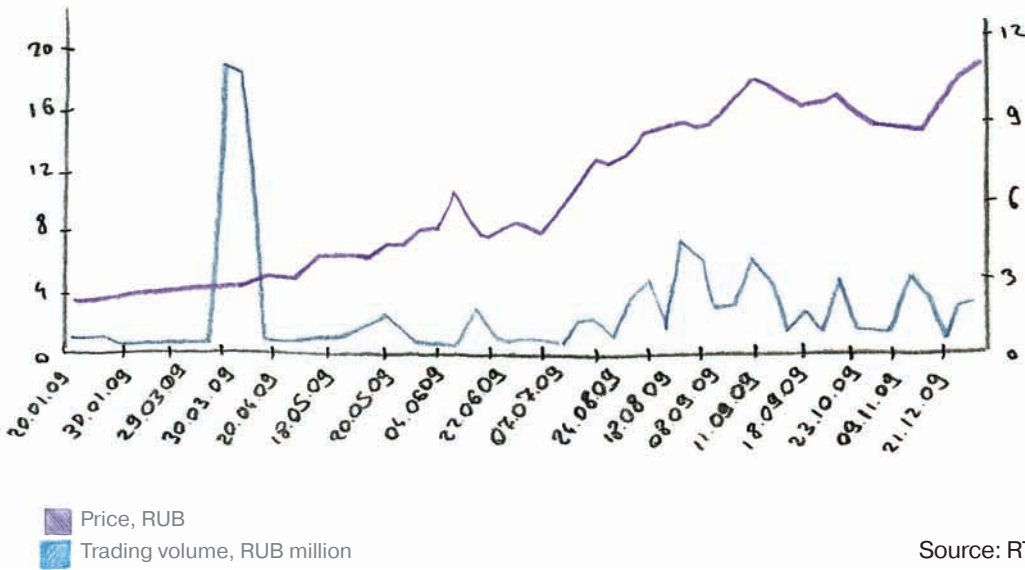


Source: Cbonds, RTS OJSC.

Price and Trading Volume Trends for CenterTelecom Common Shares in 2009 at RTS OJSC

Price, RUB

Volume, RUB million

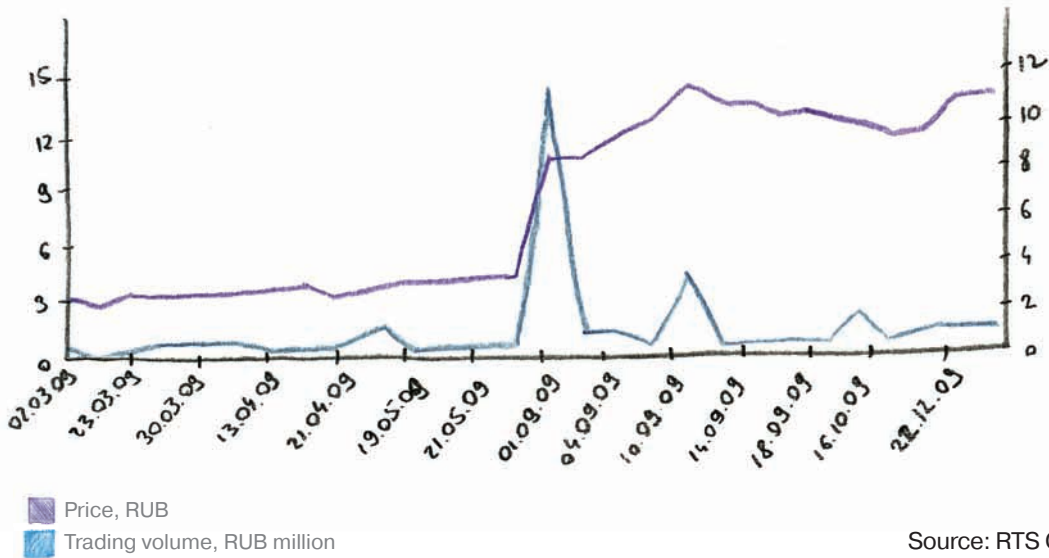


Source: RTS OJSC.

Price and Trading Volume Trends for CenterTelecom Preferred Shares in 2009 at RTS OJSC

Price, RUB

Volume, RUB million



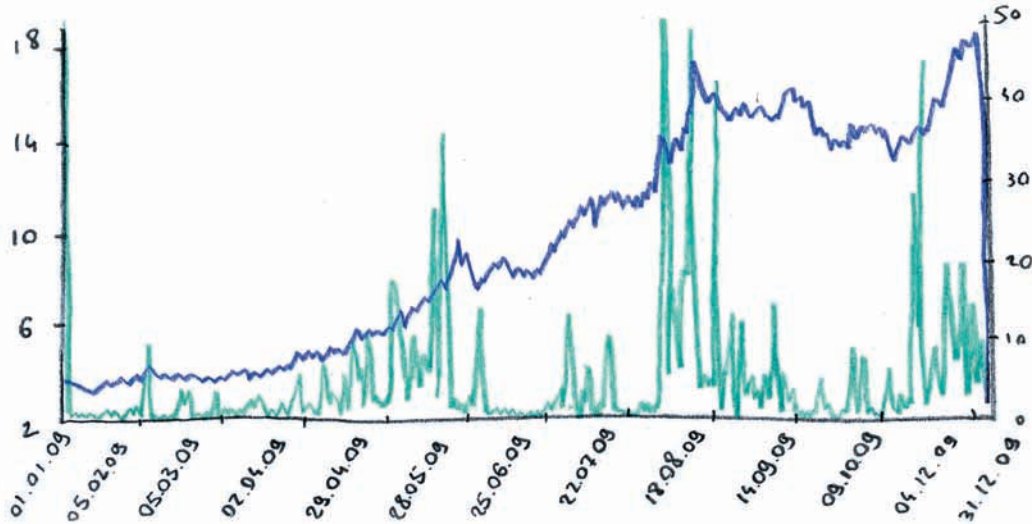
Source: RTS OJSC.

MICEX Stock Exchange was the main stock exchange trading in CenterTelecom's shares for 2009.

Price and Trading Volume Trends for CenterTelecom Common Shares in 2009 at MICEX CJSC

Price, RUB

Volume, RUB million



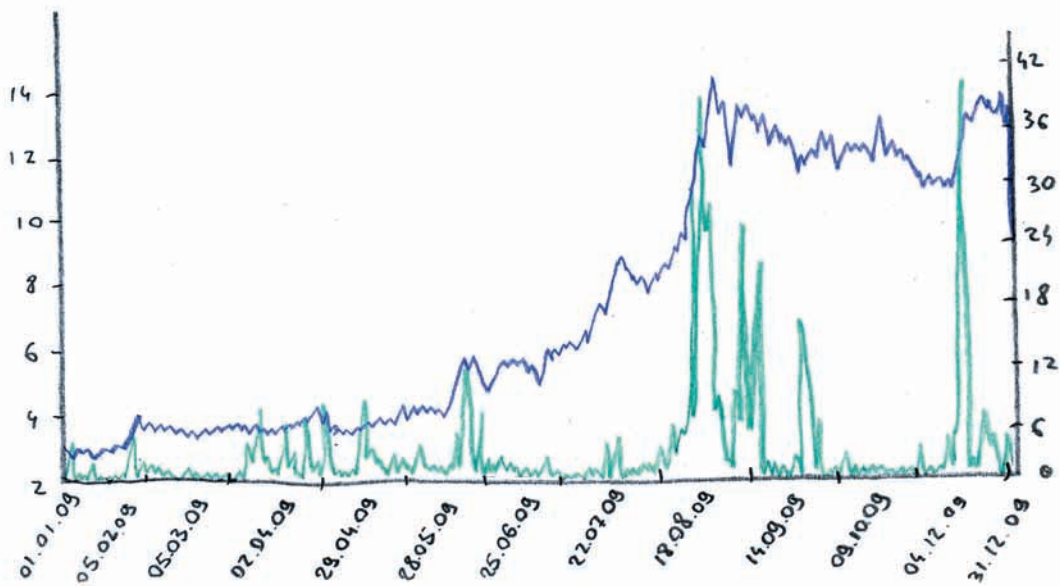
Price, RUB
Trading volume, RUB million

Source: Cbonds.

Price and Trading Volume Trends for CenterTelecom Preferred Shares in 2009 at MICEX CJSC

Price, RUB

Volume, RUB million



Price, RUB
Trading volume, RUB million

Source: Cbonds.

Market Capitalization

Active anti-crisis measures taken by financial authorities of the leading countries of the world and investors' growing confidence in future economic revival contributed to recovery of the markets in 2009 after their drop in the second half of 2008.

CenterTelecom's capitalization in RTS increased by 380% for 2009 and reached RUB36,284,476,100 as of December 31, 2009. Capitalization of the Company in MICEX increased by 240% amounting to RUB25,053,395,000. Growth of CenterTelecom's capitalization for 2009 exceeded by 180% the RTS index growth which increased by 130% for 2009. The Company's capitalization for 2009 was 50% more than MICEX index growth which increased by 121% for 2009.

Dynamics of CenterTelecom's Capitalization for 2009



American Depository Receipts

On August 22, 2001, the US Securities and Exchange Commission registered CenterTelecom's Level 1 American Depository Receipts (ADR) Program. The number of common shares permitted to circulate outside the Russian Federation was 623,312,699.

JPMorgan Chase Bank, N.A. is depository for CenterTelecom's ADR Program. In accordance with the depository agreement concluded by CenterTelecom, JPMorgan Chase Bank and holders of ADRs on September 4, 2001, reviewed and amended on December 10, 2001, one ADR represented 100 common shares. Currently each CenterTelecom's ADR represents 25 common shares of the Company in accordance with amendment to the depository agreement of June 3, 2008. Review of the coefficient of conversion of

the Company's shares into ADRs has been held with the purpose of increase of ADR market price's attractiveness for investors.

Disclosure of information in accordance with 12g3-2(b) Rule is being held by CenterTelecom in its web page <http://www.centertelecom.ru/en/about/disclosure/12g/Pages/default.aspx>. In 2009 the Company prepared and translated in English over 100 corporate documents for ADR holders. These documents included annual and interim financial statements, quarterly reports by the securities issuer, information of significant facts and events which could make a considerable impact on securities value, press releases, the Company's annual report on its financial and economic activities for 2008, and materials for the annual general meeting of the shareholders.

Level 1 ADRs are traded on the OTC market of ADRs in circulation was 160,836 or 0.25% of of the US (CRMUY), Berlin Stock Exchange CenterTelecom's common shares. Significant (CRMUY.BE) and Frankfurt Stock Exchange decrease in ADRs number in 2009 was connect- (CRMUY.F). As of January 1, 2009 the number ed with general situation in stock market and of ADRs in circulation was 843,848 or 1.34% foreign investors' cautious approach to Russian of the total number of the Company's common companies' shares amid the global economic shares. As of December 31, 2009 the number crisis.

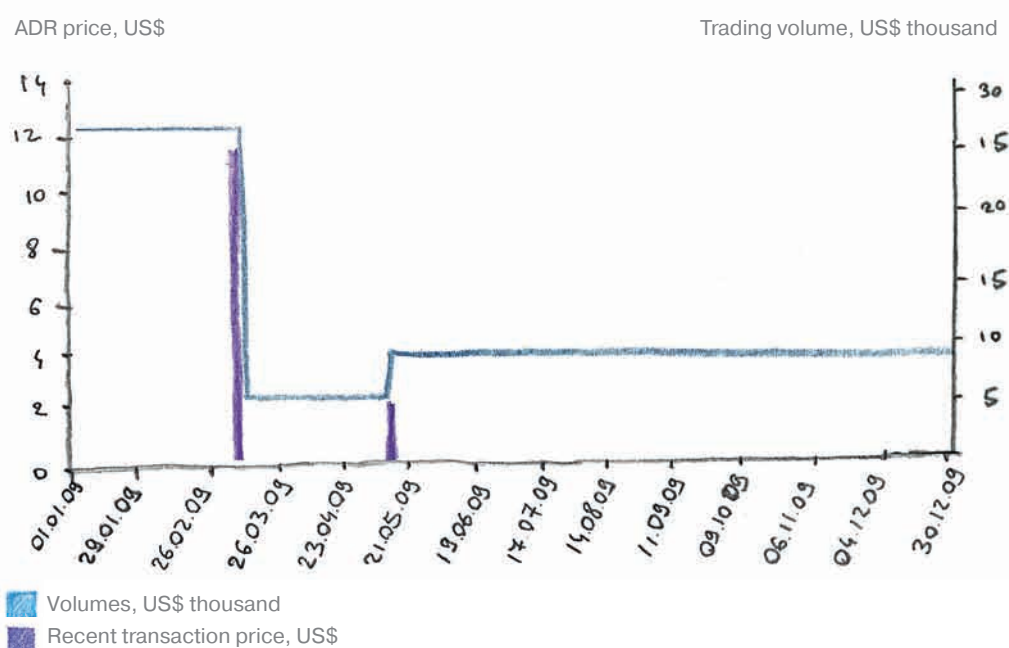
Review of ADR Program for 12 Months of 2009

Date	Issued	Can- celed	Net change	Unredeemed depository receipts	Price, US\$	Depository receipts' market capitalization
January 2009			0	843,848	12.40	10,463,715
February 2009			0	843,848	12.40	10,463,715
March 2009		26,920	(26,920)	816,928	2.58	2,103,590
April 2009			0	816,928	2.58	2,103,590
May 2009	605,964		(605,964)	210,964	4.23	892,378
June 2009		3,780	(3,780)	207,184	4.23	876,388
July 2009		8,560	(8,560)	198,624	4.23	840,180
August 2009			0	198,624	4.23	840,180
September 2009			0	198,624	4.23	840,180
October 2009		37,788	(37,788)	160,836	4.23	680,336
November 2009			0	160,836	4.23	680,336
December 2009			0	160,836	4.23	680,336

Economic crisis's impact on the Company's shares showed up in March 2009; it led to six fold reduction of ADR price and consequently contributed to decrease in CenterTelecom's capitalization. The negative trend changed in May 2009; ADR price increased and remained stable until the end of the year.

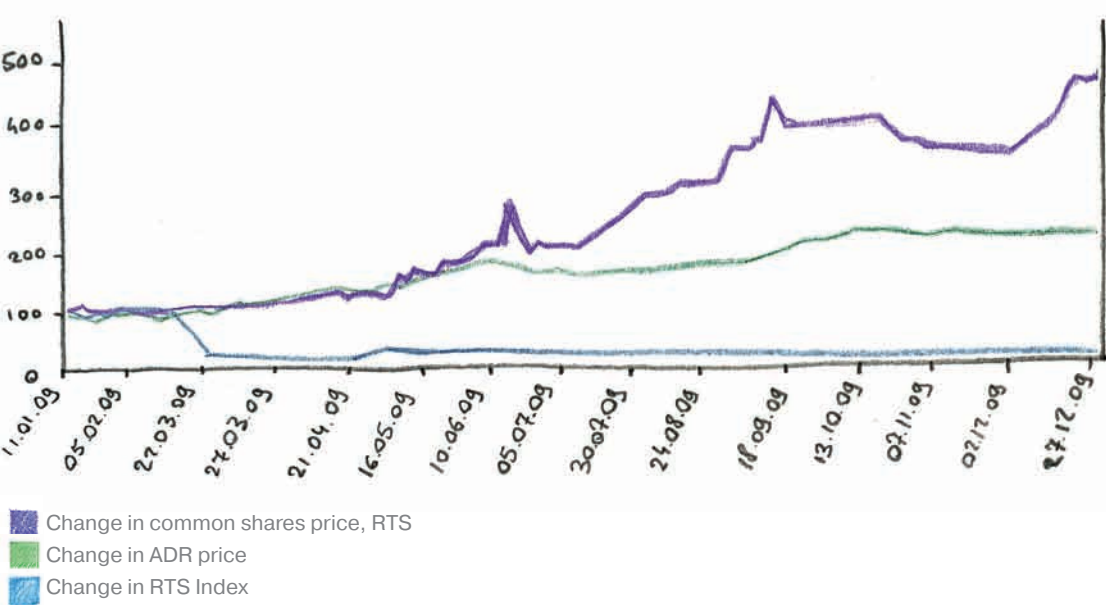
Price and Trading Volumes Trends for CenterTelecom's ADR (common shares) on the US OTC Market in 2009

ADR price and trading volumes in OTC market for 2009



Trading volume of CenterTelecom's ADRs on the US OTC market for 2009 reached US\$29,200 decreasing almost twenty fold against 2008 (US\$577,530).

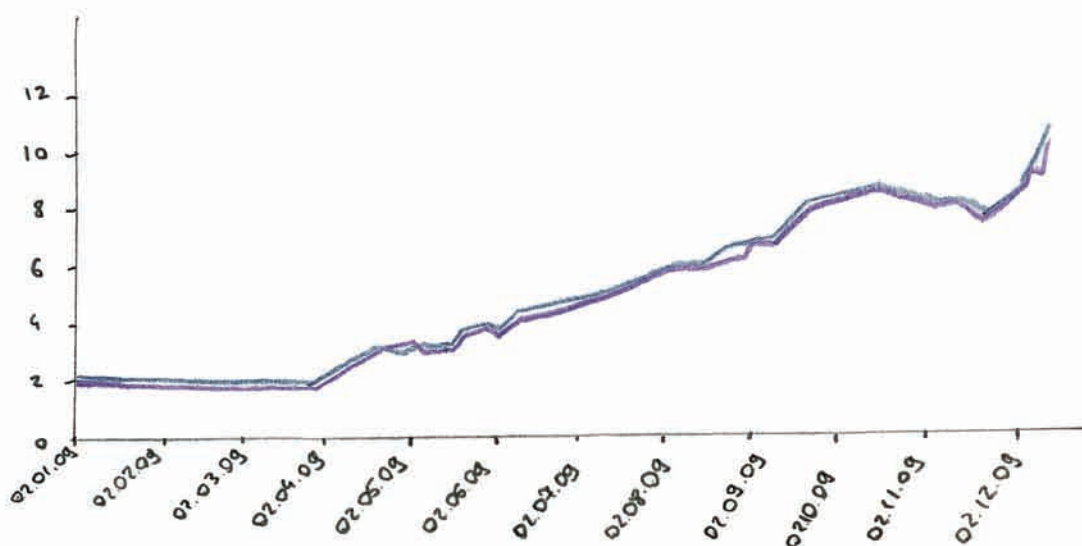
Change in ADR Price, Underlying Asset and RTS Index for 2009



Price and Trading Volumes Trends for CenterTelecom's ADR (common shares) in Frankfurt and Berlin Stock Exchanges in 2009

ADR price in Frankfurt and Berlin Stock Exchanges in 2009

ADR price, Euro



■ ADR price in Frankfurt Stock Exchange
■ ADR price in Berlin Stock Exchange

Trading volume of CenterTelecom's ADRs on Frankfurt Stock Exchange for 2009 reached €17,000. There were no transactions with CenterTelecom's ADRs at Berlin Stock Exchange in 2009.

Corporate Bonds

In 2009 two CenterTelecom bond issues (series 4 and 5) for the total sum of RUB8.6 billion were in circulation.

In accordance with requirements of the Resolution on the Issue and Prospectus CenterTelecom series 5 bonds were repaid on August 21, 2009.

In June 2009 CenterTelecom sold 2,873,875 series 5 bonds previously bought from their owners based on offer of September 4, 2008. The bonds were sold by the Company in the secondary market. Thus after sale of the bonds CenterTelecom's series 5 bond issue is being circulated in debt market in full. The bond issue with RUB3 billion total nominal value is circulated in MICEX Stock Exchange

CJSC and is included into the section of the List "Securities Admitted to Circulation but not Included into Quotation Lists" of RTS OJSC.

In the first half of 2009 CenterTelecom's series 5 bonds were included into Quotation List B of MICEX Stock Exchange CJSC. On June 23, 2009 pursuing to CenterTelecom's application MICEX Stock Exchange CJSC's Directorate made decision on transfer of CenterTelecom's series 5 bonds to the Quotation List A1 of MICEX Stock Exchange CJSC.

CenterTelecom's series 5 bonds were included into a Lombard List of the Central Bank of the Russian Federation and are accepted as collateral on the Central Bank of the Russian Federation's loans.

Key parameters of bond issue	Series 4	Series 5
Issue's amount	RUB5,622,595,000	RUB3,000,000,000
Issue's start/close date	17.08.2004/31.08.2004	05.09.2006/05.09.2006
Maturity date/circulation period	21.08.2009/1830 days	02.03.2010 / 1274 days – 10% of nominal value; 31.08.2010 / 1456 days – 20% of nominal value; 01.03.2011 / 1638 days – 30% of nominal value; 30.08.2011 / 1820 days – 40% of nominal value
Repayment date and coupon rate	16.02.05, 18.08.05, 17.02.06, 19.08.06, 18.02.07, 20.08.07, 19.02.08, 20.08.08, 19.02.09, 21.08.09 – 13.8% per annum	06.03.07, 04.09.07, 04.03.08, 02.09.08 – 8.09% per annum, 03.03.09, 01.09.09, 02.03.10, 31.08.10, 01.03.11, 30.08.11 – 9.3% per annum
Members of syndicate	Organizer and underwriter: ROSBANK Co-organizers and co-underwriters: Troika Dialog, Promsvyazbank, Bank SOYUZ, Guta-Bank, Svyaz-Bank Co-underwriters: Bank ZENIT, Web-Invest Bank, International Moscow Bank, Gazprombank Paying agent: ROSBANK	Key organizer and underwriter: Bank of Moscow Co-organizers: Svyaz-Bank, Deutsche Bank, Promsvyazbank Underwriters: Drezdner Bank, International Moscow Bank, Nomos-Bank, BK Region, IG Renaissance Capital Co-underwriters: Agropromcredit, IK Veles Capital, MDM-Bank, IFG RIGroup-Finance, Shipbuilding Bank Paying agent: Svyaz-Bank
Additional information	Offer: 16.11.06 – 100% of nominal value plus accumulated coupon income on date of offer. As of date of offer no bond was submitted to the repurchase by the owners of the bonds Guarantor: Telecom-Terminal LLC	Offer: 04.09.08 – 100% of par value plus accumulated coupon income on date of offer. As of date of offer CenterTelecom repurchased 2,873,875 bonds with RUB2,873,875,000 aggregate nominal value and paid accumulated coupon income in the sum of RUB1,465,676.25. Guarantor: CenterFinance LLC
Trading sites/trading codes	MICEX CJSC/ RU000A0DBR52 RTS OJSC/ ESMO04	MICEX CJSC/ RU000A0JNK18 RTS OJSC/ ESMO05

In October 2009 the Board of Directors of CenterTelecom made decision on placement of seven issues of series BO-01-BO-07 interest rate documentary non-convertible bearer commercial papers for a total amount of RUB10 billion. Each paper's nominal value was RUB1,000; total nominal value of the issues was RUB10 billion.

On 11 November, 2009 in accordance with MICEX Stock Exchange CJSC's Rules of Admittance of Commercial Papers to Trading (Protocol#184 dated 11 November, 2009), MICEX Stock Exchange CJSC made decision to admit 10 million CenterTelecom's series BO-01-BO-07 commercial papers to trading in MICEX in the course of placement without listing assignment. In the meantime MICEX's Directorate decided to assign the following identification numbers to the Company's commercial papers:

4B02-01-00194-A of 11 November, 2009;
4B02-02-00194-A of 11 November, 2009;
4B02-03-00194-A of 11 November, 2009;
4B02-04-00194-A of 11 November, 2009;
4B02-05-00194-A of 11 November, 2009;
4B02-06-00194-A of 11 November, 2009;
4B02-07-00194-A of 11 November, 2009.

The commercial papers have six coupons. Coupon payments are to be held every 182 days since the placement date. The date of the commercial papers' placement and the coupon rates are to be established by the Company's authorized management body in accordance with the Resolution on the Issue and Prospectus (on series BO-01-BO-07 commercial paper issues) approved by the Company's Board of Directors on 26 October, 2009.



Social Responsibility

Personnel and HR Policy

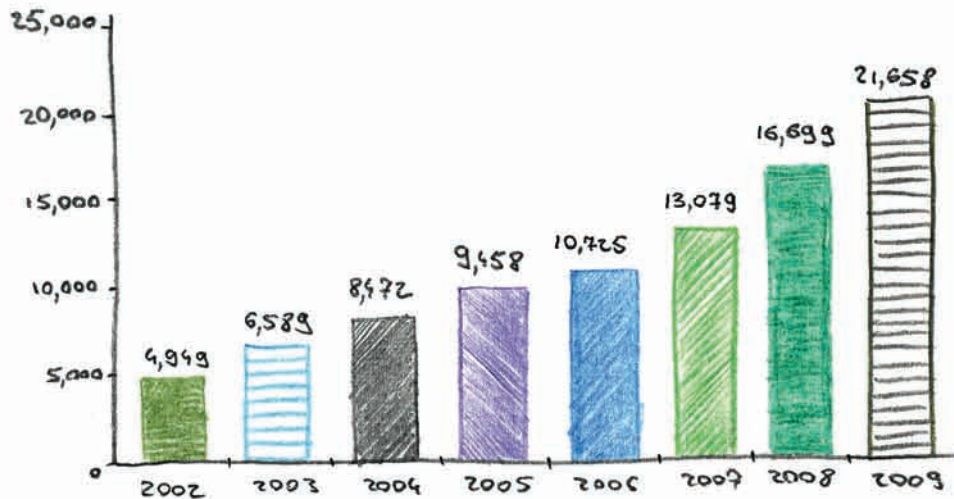
In 2009 the Company's operations in the HR sphere were aimed at improving remuneration, optimization of headcount, creation of incentives for the Company's efficient operations.

CenterTelecom's aggregated expenses for personnel for 2009 were RUB10,198,681,000. This is 7% or RUB709,622,000 more than in 2008. Labor costs for 2009 increased by RUB750,685,000 or 10.6%, reaching RUB7,821,940,000. The increase in labor costs was mainly caused by pay-

ment of bonus for overfulfilment of plan for 1H 2009 by the Company's branches, and also by formation of provision for bonus payment for 2009 in accordance with the Company's Regulations on Bonus Payment to CenterTelecom Employees.

Growth of salaries expense and reduced headcount provided a 29.7% rise of average wages (from RUB16,699 in 2008 to RUB21,658 in 2009).

CenterTelecom's Average Salary Trends, RUB



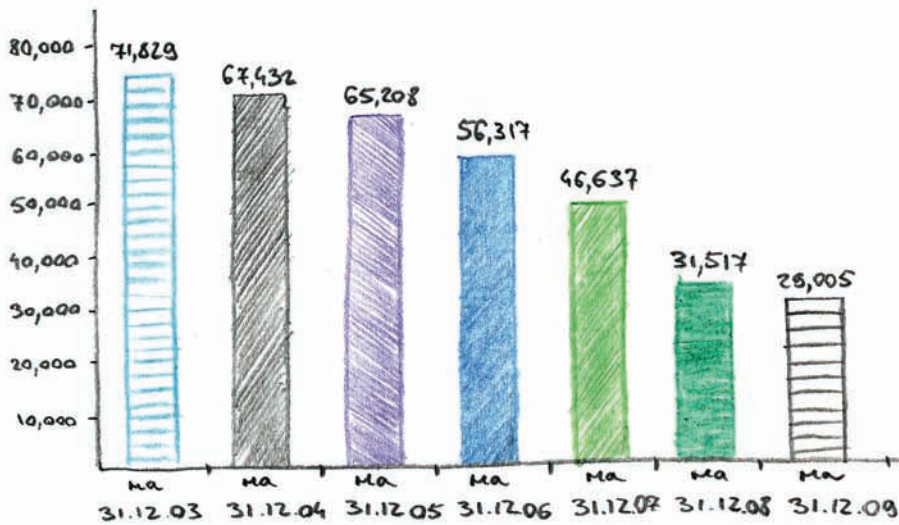
Expenses for voluntary medical insurance for 2009 were RUB44,083,000. This is 1.4% or RUB617,000 less than for 2008.

Social benefits and guarantees in 2009 amounted to RUB383,244,000. Increase in this type of expenses amounted to 24,514,000 or 6.8%. An amount of average monthly social package per employee in 2009 was RUB1,907. This is 36% more than in 2008.

Expenses for personnel training for 2009 reached RUB32.008 million. The growth of expenses in comparison with 2008 reached 17.7% or RUB4.814 million.

The average number of the Company's employees in 2009 was reduced by 7,904 people or 21.3% reaching 29,216 employees. The average number of enrolled personnel for 2009 reached 29,100 people, a decrease of 7,926 or 21.4% against 2008.

CenterTelecom's Employee Number Trends



In 2009 among the key directions of CenterTelecom's personnel number optimization program were:

- centralization of functions in CenterTelecom and few branches
- review of labor standards, comparison of executed works to physical indicators and consequent comparison of works executed by various branches' divisions
- implementation of centralized systems, new technologies, replacement of outdated equipment
- forecasting of change in demand for traditional services and corresponding change in personnel number
- active cooperation with the Company's partners in the sphere of non-core services provision

To improve efficiency, CenterTelecom developed and implemented the following documents:

- new Unified Wages Scale
- Regulations on Financial Aid for CenterTelecom's Employee Vacations
- amendments to Regulations on Bonus Payments to the Employees of CenterTelecom General Directorate, CenterTelecom Branches' Senior Managers and Employees, and the Company's Employees Involved in Sales of CenterTelecom Services
- New version of Regulations on Bonus Payments to CenterTelecom Branches' Employees Involved in Sales of CenterTelecom Services
- New version of Regulations on Provisions for Industrial Competition

Personnel Development

In 2009 the Company took measures aimed at strategic development of its human resources, their professional compliance with newest business requirements, implementation of modern technologies, increase of the personnel's work and social support satisfaction.

The Company's core directions of activities in 2009 included improvement of the Company's structure and standardization of business processes and quality management.

In 2009 CenterTelecom was working on improvement of the social situation in the collective. In 2009 the personnel's Index of Job Satisfaction amounted to 54.3% or 13.8% more than in 2008. CenterTelecom implemented the Plan of Ideological Work with Personnel aimed at increase of employees' awareness of the positive changes in the Company. The Company was working on standardization of business processes connected with Human Resources. In 2009 the Company conducted few professional

contests and contests aimed at development of the employees' creativity.

Within the framework of the personnel management system in 2009 the Company took the following measures:

- a program of internal audit of the Quality Management System was developed and approved
- an Efficient Manager School program was launched for the personnel reserve
- managerial processes including control over settlements with personnel, asset management, billing systems were centralized in the General Directorate for Managerial Processes
- CenterTelecom Regulations on Competitive Selection of Candidates to Managerial Posts was developed and put into effect
- an assessment of efficiency of CenterTelecom General Directorate's divisions was held by the General Directorate's and branches' experts
- an open competitive contest for selection of the candidate for the post of the first deputy

director of CenterTelecom branch, business development and sales director was held in all branches

- CenterTelecom Project Management System was implemented.

An importance of the educational level of the personnel is growing in line with constant growth of demand for highly qualified employees. In 2009 40.5% of CenterTelecom's employees had higher education (this is 3.3% more than in 2008), 31% of employees had secondary vocational education. Three employees had doctoral degree, and 50 employees had master of sciences degree.

The number of managers with was 8.3% of all employees amounting to 2,420. In 2009 85% CenterTelecom's top managers have higher education, and 13% managers had secondary vocational education. Average age of the managers is 47 years. All CenterTelecom's senior managers have higher education, and 27 managers have advanced degrees.

CenterTelecom's Personnel Structure

Category of employees	Number of personnel as of 01.01.09	Number of personnel as of 01.01.10	According to education		According to age				
			Higher	Professional secondary	Up to 20 years	21-35 years	31-40 years	41-50 years	51 years and older
Senior managers	2,516	2,420	2,045	308	0	120	582	815	903
Specialists	17,150	16,154	8,711	5,621	43	2,164	4,075	5,513	4,359
Departmental officers	93	79	22	31	1	15	21	21	21
Workers	11,758	10,352	962	3,109	67	1,261	2,856	3,456	2,712
Total	31,517	29,005	11,740	9,069	111	3,560	7,534	9,805	7,995

As of December 31, 2009 the share of employees aged up to 40 years was 39% of all personnel number (36.6% in 2008); the share of employees at the age of 50 years and older was approximately 28% (30% in 2008). The average age of CenterTelecom's employees is 42.95 years (against 42.65 years in 2008). CenterTelecom's collective is stable enough. Only 4% of CenterTelecom employees have less than one year length of service in the Company; 18% of employees work for CenterTelecom for 10-15 years, and 48% of employees work for CenterTelecom for more than 15 years.

In 2009 personnel turnover in the Company decreased by 5.6% against 2008 and reached

5.3%. In 2009 the Company arranged non-state pensions for 842 dismissed employees (against 1,873 employees in 2008). 4,479 people were dismissed for the reporting period, including 1,888 employees dismissed in connection with personnel reduction (42.1% of all employees dismissed). The analysis of the causes of dismissals initiated by the employees revealed that over 55% of employees dismissed on personal grounds (inconvenient location of the office, family circumstances, retirement), and 31% of employees dismissed due to salary dissatisfaction.

One of the elements of the personnel incentive system which is considered by the Company as very important issue is nomination

of CenterTelecom's best employees to state, industry's and corporate awards. In 2009 563 employees of CenterTelecom were awarded; among them:

- 2 employees were awarded the Medal of the Order of Merit for the Motherland of the II Degree and a degree of Honored Telecommunications Worker of the Russian Federation
- 55 employees were awarded a honorary title of Master of Telecommunications
- 15 employees were awarded a honorary title of Master of Radio Communications
- 491 employees received corporate awards including 5 employees awarded the Svyazinvest's Diploma of Merit

Personnel assessment and training was being held in 2009 in accordance with CenterTelecom's strategic development plan for 2008-2012 and with CenterTelecom's Order #589 «On Organization of Corporate Personnel Trainings» dated October 22, 2007.

Organization of trainings for the personnel included analysis of training need on basis of assessment programs' results; it also comprised selection of training goals, training programs and methods, estimation of training efficiency, organizational supervision over trainings held directly in CenterTelecom branches' divisions, and methodological assistance to employees involved in training organization in the Company.

Provision of the necessary level of the employee competence was achieved owing to the continuous upgrade of their qualifications. For 2009, 19,931 employees upgraded their qualifications (against 19,150 employees for 2008). This is 69% of all personnel (61% for 2008). Expenses for upgrading qualifications reached RUB32.008 million or 0.32% of all costs related to personnel development (RUB27.193 million or 0.3% in 2008).

The following types of professional trainings were used by the Company:

- internal corporate trainings
- external corporate trainings
- external open trainings
- technical trainings
- external distant education
- internal distant education

Internal corporate educational programs included trainings held at the workplace, industrial and economic trainings and trainings held in five educational centers of the Company. In educational centers the trainings were conducted by line managers and highly qualified training managers hired by the Company. CenterTelecom was improving its practice of conducting of the corporate trainings, training sessions and trainings held by external educational organizations and the Company's own business training specialists in training centers. Regular surveying of the training attendees after completion of training sessions revealed high level of their satisfaction with the quality of the trainings, their topics and organizational issues.

External educational programs was held by means of CenterTelecom's employees' participation in training sessions and qualification upgrade programs for mega-regional telecommunications companies held by Svyazinvest OJSC. The Company was cooperating with industrial and regional educational organizations such as Moscow Technical University of Communications and Informatics, St. Petersburg State University of Telecommunications, Sodestviye Educational and Scientific Center, Rezonans Non-State Educational Enterprise, Informzaschita Educational Center etc.

In the course of training programs the Company's priority task was qualification upgrade of the employees of divisions involved in sales of telecommunications services, telecommunications means' development and operating, marketing and economic activities. It was in line with accomplishment of CenterTelecom's strategic tasks.

In 2009 the Company successfully launched Efficient Manager School, a pilot program aimed at development of managers' competence which was held in Tula branch. On basis of the pilot program results CenterTelecom developed a plan of qualification upgrade and an educational budget for 2010. The Company also formed personnel reserve on basis of assessment held during the program and opened Efficient Manager School in 14 branches. Currently 165 employees of CenterTelecom branches take part in the program; they work on increase of efficiency in the Company's branches. The program is to be completed in 2010.

Social Responsibility and Charity

CenterTelecom emphasizes implementation of social projects, providing for improvements in Russian citizens' living standards through the support of disadvantaged groups and executing a number of long-term programs in the fields of culture, education, sport.

The Company's priority social activities are the following:

- supporting and implementing programs and activities providing financial assistance, medical and social rehabilitation of poor, unemployed people, as well as persons who need care and those who are disabled
- health protection and disease prevention, popularization of a healthy life style, improvement of the moral and psychological conditions of citizens, fitness and mass sports
- protection and proper maintenance of buildings, facilities and areas which are historically, culturally or environmentally significant, as well as storage sites

CenterTelecom not only participates in federal programs but also strives to actively take part in the Central Federal District's regional life by granting sponsorships and charitable aid to organizations and individuals. The main principles of CenterTelecom's philanthropic work are included in the Company's Concept for Charitable Activities. A Charities and Sponsorship Committee of the Company formed in April 2006 coordinates the Company's philanthropic activities. In 2009, 7 meetings of the Committee considered over 210 applications for aid. In 2009, among CenterTelecom's key philanthropic and sponsorship programs were support of Russian Telecommunications History Foundation, Ruza Orphan Home, Russian Charitable Association for Maternity and Childhood Protection.

CenterTelecom also financed reconstruction of the Novospassky Convent and construction of the Cathedral of St. Anastasia as a part of its charitable program.

A Committee for Compensation and Social Issues was also active simultaneously with the Charities and Sponsorship Committee. It considers applications from individuals and non-commercial organizations located in the Central Federal District's regions, related to issues of financial assistance for medical rehabilitation, support of victims of accidents and natural disasters, and the sale of CenterTelecom housing property to employees, etc. In 2009, 7 meetings of the Committee considered 21 applications for aid. RUB655,000 was spent on aid to CenterTelecom employees.

It is worth mentioning that social policies of CenterTelecom aimed at its employees are among the core directions of the Company's general social policy. The basic local legal act regulating the Company's social issues is a Collective contract for 2007-2009.

The contract is aimed at the creation of a social partnership system in the field of labor relations, at increasing the Company's efficiency, incentive related activities, strengthening of employee and employer social responsibility for the Company's production results, and provision for growth of employees' well being and social protection level. The collective contract established mutual obligations for employees and the employer, provides a social benefits system for both employees and pensioners and World War Two veterans.

On April 29, 2009 the participants of the extended meeting of a bilateral commission for summing up of the results of the collective contract implementation pointed out that the contract fully reflects all existing possibilities for solutions of problems related to labor remuneration, implementation of employee social requests, and has also become a major example of equal social partnership. According to CenterTelecom management's and trade union's assessments, mutual obligations allow the creation of favorable conditions for the Company's dynamic development and improvement of the Company's employees' well being.



Corporate Governance

Board of Directors

At the annual general meeting held June 6, 2009, CenterTelecom's shareholders elected the following members of the Board of Directors:

#	Name	Job Title
1.	Evgeny Yurchenko	Chairman of the Board, CenterTelecom OJSC General Director, Svyazinvest OJSC
2.	Nikolai Arutyunov	Member of the Board, CenterTelecom OJSC; Director of Research Department, Moscow representative office of NCH Advisors, Inc.
3.	Igor Danilenko	Member of the Board, CenterTelecom OJSC; Director of representative office of Prosperity Capital Management (RF) Ltd.
4.	Alexander Ivanov	Member of the Board, CenterTelecom OJSC; President, MFI Soft LLC
5.	Mikhail Leschenko	Member of the Board, CenterTelecom OJSC; Deputy General Director, Svyazinvest OJSC
6.	Alexei Lokotkov	Deputy Chairman of the Board, CenterTelecom OJSC Deputy General Director, Svyazinvest OJSC
7.	Oksana Petrova	Member of the Board, CenterTelecom OJSC; Chief of Methodology and Information Department in the Corporate Governance and Law Directorate, Svyazinvest OJSC
8.	Alexander Provotorov	Member of the Board, CenterTelecom OJSC; First Deputy General Director, Svyazinvest OJSC
9.	Vladimir Statyin	Member of the Board, CenterTelecom OJSC; General Director, Not-For-Profit Partnership "Association for Shareholders Interests Protection"
10.	Elena Umnova	Member of the Board, CenterTelecom OJSC; Deputy General Director, Svyazinvest OJSC
11.	Maxim Tsyganov	Member of the Board, CenterTelecom OJSC; General Director, KIT Finance Investment Bank (LLC)

Management Board

The Board of Directors of CenterTelecom OJSC at its meeting held July 29, 2009, made decision on formation of the Company's Management Board which included the following members:

#	Name	Job Title
1.	Vaagn Martirosyan	Chairman of the Management Board, CenterTelecom OJSC; General Director, CenterTelecom OJSC
2.	Alexander Gribov	Member of the Management Board, CenterTelecom OJSC; Administrative Director, CenterTelecom OJSC
3.	Konstantin Zverev	Member of the Management Board, CenterTelecom OJSC; Director for Information Technologies, CenterTelecom OJSC
4.	Alexei Kamyshev	Member of the Management Board, CenterTelecom OJSC; Deputy General Director, Financial Director, CenterTelecom OJSC
5.	Andrei Kartashov	Member of the Management Board, CenterTelecom OJSC; Chief Accountant, CenterTelecom OJSC
6.	Vadim Kondratov	Member of the Management Board, CenterTelecom OJSC; Deputy General Director, Technical Director, CenterTelecom OJSC
7.	Stanislav Panchenko	Member of the Management Board, CenterTelecom OJSC; Deputy General Director responsible for Security and Special Programs, CenterTelecom OJSC
8.	Dmitry Parkhomenko	Member of the Management Board, CenterTelecom OJSC; Director for Legal Issues and Government Relations, CenterTelecom OJSC
9.	Viktoria Polikarpova	Member of the Management Board, CenterTelecom OJSC; Advisor to the General Director, CenterTelecom OJSC
10.	Evgeny Stepanov	Member of the Management Board, CenterTelecom OJSC; Deputy General Director, HR Director, CenterTelecom OJSC

Audit Committee

The Audit Committee is an independent body of CenterTelecom OJSC which includes seven members, controls the Company's financial and economic operations. The Audit Committee is elected by the Company's annual general meeting of the shareholders until next annual general meeting. At the annual general meeting held June 6, 2009, CenterTelecom's shareholders elected the following members of the Audit Committee:

#	Name	Job title
1.	Olga Koroleva	Chairman of the Audit Committee, CenterTelecom OJSC; Chief Accountant, Svyazinvest OJSC
2.	Polina Burmistrova	Deputy Chief of Legal Department in the Corporate Governance and Law Directorate, Svyazinvest OJSC
3.	Natalia Vorobyova	Director of Middle Term Planning Department, Svyazinvest OJSC
4.	Ivan Kiselev	Chief of Budget Policy Department in the Economic Planning and Budget Directorate, Svyazinvest OJSC
5.	Lyudmila Kormilitsyna	Chief of Department in the Corporate Governance and Law Directorate, Svyazinvest OJSC
6.	Natalia Uzlova	Deputy Chief of the Accounting Department in the Directorate for Accounting, Taxation and Statistics, Svyazinvest OJSC
7.	Olga Chetverkina	Chief of Design Work Support in the Telecommunications Department, Svyazinvest OJSC

Corporate Governance System

CenterTelecom's priorities in corporate governance sphere for 2009 were related to removing or minimizing of existing negative factors of the corporate practice, further building of the shareholders and investors' confidence in the Company, optimization of the Company's dividend policy along with increase in information transparency.

In 2009 CenterTelecom's corporate rating was upgraded to 8 (Developed Corporate Practice) based on analysis of the Company's ownership structure, shareholders' rights, financial and operating information, Board of Directors' and Managing Board's membership and working procedures. Despite crisis period the Company retained its position of

one of Russia's leaders in corporate governance sphere. CenterTelecom's corporate governance system is developing due to its managers' and shareholders' strategic initiatives.

Among other things CenterTelecom reduced terms of preparation of its IFRS financial statements; the structure of the Company's Board of Directors became more balanced. According to experts the Company abided by its obligations in crisis period owing to its good corporate governance system. CenterTelecom was ranked 67th among other 200 companies included in Expert RA rating agency's list of Russian companies with highest level of capitalization in 2009.

Dividend Policy

In accordance with a decision by CenterTelecom's annual general meeting of shareholders of June 6, 2009, a dividend payment for 2008 was to be made in July 2009.

- failure by a shareholder or his/her heir to appear at the Company's cash office to pick up dividends
- failure by a shareholder to supply correct banking details for the transfer of dividend payouts

As of March 31, 2009 the amount of dividend paid was as follows:

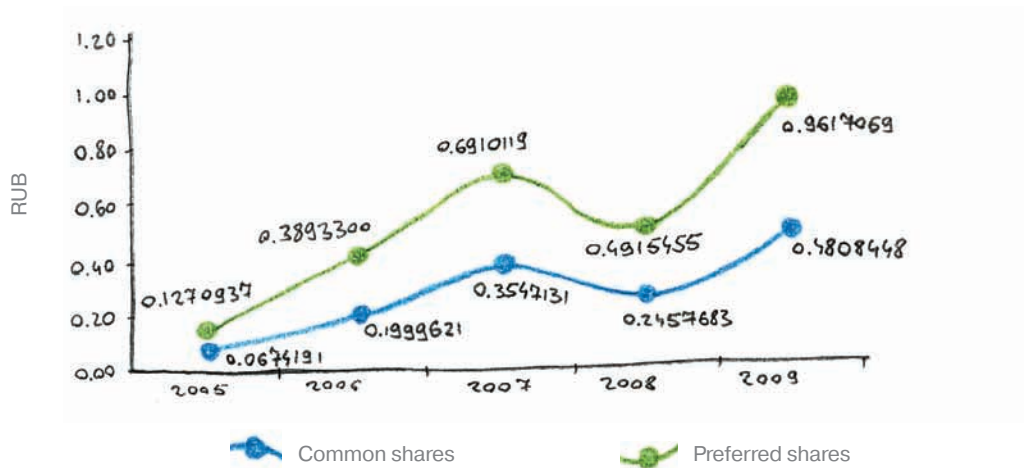
- dividend on common shares was RUB386,233,202.71
- dividend on type A preferred shares was RUB254,568,664.78

The Company's Board of Directors established the amount of dividend for 2009 on the basis that the amount of dividend should be not less than 25% of net profit indicated in the Company's consolidated financial statements (10% of net profit sum is to be used for dividends on preferred shares, and 15% of net profit sum is to be used for dividends on common shares).

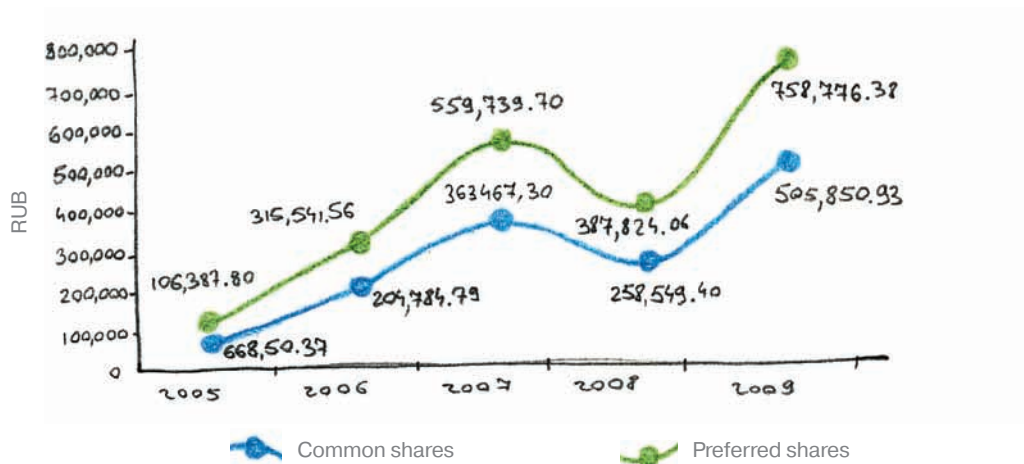
This represents 99.11 % of all dividends payable.

Key reasons for non-payment are the following:

Trends in Declared (Accrued) Dividend on CenterTelecom shares (per share)



Trends in Amounts of Declared (Accrued) Dividend on CenterTelecom shares



Subsidiaries and Affiliates

A Model for Reorganization of Subsidiary and Affiliated Companies of CenterTelecom provides the following guidelines for management of subsidiary businesses:

- monitoring of financial and economic activities of the Company's subsidiaries and affiliates
- acquisition of core-business companies
- sale of inefficient and non-core business companies
- diversification of subsidiary business
- formation of an optimal corporate structure for a subsidiary business

In 2009 in line with optimization of the Company's investment portfolio CenterTelecom sold 5.42% stake in LINK-Bank AKB OJSC and liquidated Telecom-Stroi LLC (decision on its liquidation was made in 2008).

CenterTelecom revised a scheme of its interactions with key subsidiaries (Vladimir Teleservis CJSC, Teleport Ivanovo CJSC and Operatorsky Tsentri CJSC) in order to receive additional revenues from core activities. Currently CenterTelecom uses these subsidiaries as agency companies focused on promotion and support of the Company's core telecommunications services. In

2009 the Company prepared development programs for RTS OJSC and CenterTelecom Service CJSC providing the subsidiaries focusing on development of high yield services including intellectual services, and also on provision of services to the corporate customers, governmental and municipal organizations.

The Company focuses on the following directions with regard to the corporate governance:

- development and implementation of an optimal management structure for subsidiaries
- development and implementation of unified corporate standards
- building of a good corporate governance system in the Company's subsidiaries and affiliates
- formation of managing bodies in the Company's subsidiaries and affiliates
- development of key managerial solutions in the Company's subsidiaries and affiliates

CenterTelecom regards increased economic efficiency of its subsidiaries, and strengthening of its branches and subsidiaries' market positions as strategic goals of its subsidiary business.

#	Name of the company	Key type of operations	CenterTelecom's share in the Company, %
1.	RTS OJSC	telephony services, data services, telematic services, channels of communications leasing, system integration	100
2.	Operatorsky Tsentri CJSC	data transmission and telematic services	100
3.	Teleport Ivanovo CJSC	data transmission and telematic services	100
4.	Vladimir Teleservis CJSC	data transmission and telematic services	100
5.	CenterTelecom Service CJSC	Provision of the following services:	74.9
6.	Vladimirsky Taksofon LLC	Lease of telecommunications channels, data transmission, telematic services; in prospect it will provide maintenance, design and construction of telecommunications services, development of system projects	51
7.	TK Rinfotels OJSC	Public pay telephones maintenance data transmission and telematic services	26

Public and Investor Relations

Public relations represent one of the most important functions in CenterTelecom's management system. CenterTelecom's management pays considerable attention to the building of the Company's positive image and reputation. In 2009 the Company was focusing on the following aspects of PR activities: development of a system of interactions with Russia's national and regional mass media, conducting of PR campaigns aimed at increase in the customers' loyalty, building of reputation of CenterTelecom's senior managers, and strengthening of a system of partner and mutually beneficial relations with administrations of the regions where the Company operates.

During 2009 the Company's specialists prepared over 120 news releases related to the Company's most important developments. The Company's PR and IR Department is involved in preparation of CenterTelecom senior managers' comments on main directions of telecommunications industry development in Central Russia, various aspects of CenterTelecom's technical policy and on its financial and economic performance.

In 2009 CenterTelecom launched a new version of the corporate web site with updated structure of information representing the Company's business activities, revised format of financial statements placed on site, and new opportunities for investment community. The Company also developed a new online resource Ojournal.ru, a web platform of Otlichny Zhurnal, a magazine focused on young Internet users which is being published by CenterTelecom since 2007. The new online portal is not only a basis for the journalists' and teenagers' joint work on the magazine but also a starting point for Domolink users' Internet community.

In 2009 CenterTelecom held PR campaigns focused on development of a positive reputation of the Company and its Domolink brand in the regions where the Company operates. The Company traditionally takes part in celebration of cities' anniversaries, historical anniversaries, and regional exhibitions. CenterTelecom was also conducting special promotional events. In particular, in September-December 2009 it held a centralized PR campaign "Domolink Team – Meet the Challenge". Within the framework of the campaign the Company organized large scale sport and intellectual competitions

among students of Central Russia's secondary educational organizations. The campaign was received well by regional administrations and mass media and strengthened the reputation of Domolink as reliable, affordable and socially responsible brand.

Working on mutually advantageous cooperation with Central Russia's regional administrations CenterTelecom organized meetings of its General Director with the governors of the regions. These activities led to signing of cooperation agreements with administrations of the Ryazan, Lipetsk, Belgorod and Orel regions establishing main directions of interactions between CenterTelecom and the regional administrations with regard to telecommunications infrastructure development and formation of the unified information space.

The Company was conducting voluntary and compulsory information disclosure in 2009. Compulsory information disclosure was conducted in full compliance with requirements set out in federal laws and standards regulating procedures of disclosure by securities issuers. CenterTelecom published four quarterly reports and 37 factual notices concerning the Company's financial and economic activities. This information was addressed to the Federal Financial Markets Service of the Russian Federation (FFMS), to Russian and foreign stock exchanges, and was published by information agencies authorized by FFMS as well as in print media and on the corporate web site.

During 2009, CenterTelecom disclosed information to the investment community. The Company held meetings with the analysts of Russian and foreign investment funds and banks. During 2009, analysts conducted monitoring and analysis of basic estimates of CenterTelecom performance. These measures allowed to get the target audience's feedback regarding the Company's activities and financial results, and also allowed the Company to get the analysts' forecasts on CenterTelecom's future development.

CenterTelecom won a number of awards in 2009. In particular the Company won Russian Economics Leader National Award and was included into a list of 100 Best Customer Focused Companies by an expert council of "New Quality Growth to Russia" Global Project. The

Company's annual report won the Best Annual Report in the Telecommunications Industry nomination in the 12th Federal Annual Reports and Corporate Web Sites Awards and also won in the category "Professionalism and Quality of

Company Presentation in an Annual Report". Moreover CenterTelecom was ranked 28th in the list of Russia's 90 most transparent companies for 2009 published by Standard&Poor's, international rating agency.

Ratings

In 2009 CenterTelecom management held few meetings with experts of leading international rating agencies and presented its detailed analysis of the Company's operations, its basic operating and economic indicators, industry's trends and outlook of development of the Company as the biggest operator of traditional telecommunications services in Central Russia.

On basis of the presented information and analysis of the Company's operating performance and financial statements the analysts of rating agencies made the following decisions:

- in April 2009 Fitch Ratings, an international rating agency, upgraded CenterTelecom's ratings to Long-term Issuer Default (IDR) from B to BB (Outlook Stable), and National Long-term from BBB(rus) to AA-(rus) (Outlook

Stable). Short-term IDR was affirmed at B

- in November 2009 Standard & Poor's Ratings Services (S&P) has upgraded CenterTelecom's long-term corporate credit rating on the company from B+ to BB-, Outlook Stable. CenterTelecom's rating on the Russia national scale has been also upgraded from ruA+ to ruAA-

As it was already pointed out the Company's efforts aimed at improvement of the quality and implementation of the newest standards in its corporate government system made positive impact on CenterTelecom's national corporate governance rating in 2009. In August 2009 Expert RA National Rating Agency upgraded the Corporate Governance Rating for CenterTelecom to 8 (Developed Corporate Governance Practice).

Improvement of Corporate Governance Practices

Throughout the year the Company worked on the improvement of its corporate governance practices including on improvement of CenterTelecom's dividend policy aimed at further protection of CenterTelecom shareholders' rights and interests, at use of best international experience, compliance with the requirements of legislation regulating joint stock company operations, FFMS and other expert organizations recommendations on corporate governance.

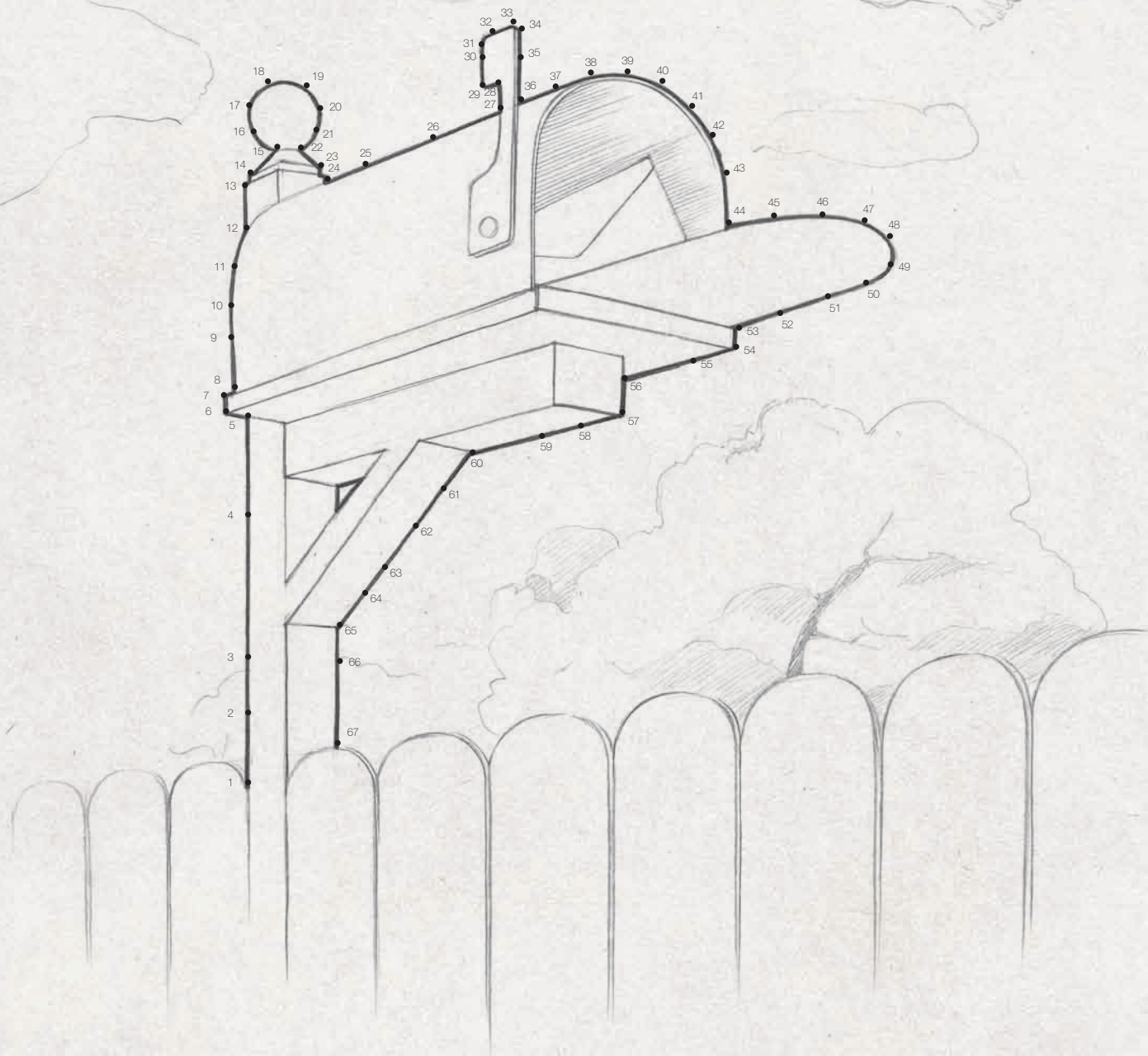
The Company constantly monitored the compliance of the Charter, Corporate Governance Code, and internal Regulations with the current legislation of the Russian Federation, FFMS recommendations and rules of listing of stock exchanges. In the course of these activities new version of Regulations on the Board of Directors, was prepared and approved at the annual general meeting of shareholders of CenterTelecom as well as new (ninth) version of the CenterTelecom's Charter.

In 2009 the Board of Directors of CenterTelecom has approved a new version of the Regulations on Dividend Policy. The new version provides opportunity of interim dividend payment for the first quarter, first half and nine months of the reporting year. The new Regulations also charges

to CenterTelecom all expenses for dividend payment including postal expenses and bank transfer costs.

In 2009 the Company was acting in line with its practice of insurance of liabilities of CenterTelecom's members of the Board of Directors, Management Board and the Company's General Director, as well as other persons who had taken or will take these posts, in order to protect the property interests of CenterTelecom senior managers and officers in case of submission of claims by the third parties such as the Company's shareholders, employees, customers and state bodies.

According to the results of research conducted by Expert RA Rating Agency held in March-April 2009, the experts reported on positive changes in CenterTelecom's corporate governance practice. Expert RA Rating Agency made decision to confirm the Corporate Governance Rating for CenterTelecom at 8 (Developed Corporate Governance Practice). CenterTelecom is the first Russian company received the highest grade in Expert RA's National Corporate Governance Rating in Developed Corporate Governance Practice's section.



Information for Shareholders

Information for Shareholders

CenterTelecom's Annual Report for 2009 is available in the Russian and English languages; a Russian electronic version is placed on the web site www.centertelecom.ru, and the English electronic version is available at www.centertelecom.ru/en. You can also request additional information about the Company from CenterTelecom's General Directorate.

At the annual general meeting held June 6, 2009, CenterTelecom's shareholders elected the following members of the Board of Directors:

Job title	Name	Telephone	Fax	E-mail
Director of PR and IR Department	Yana Lavrentyeva	+7 495 793 2486	+7 495 793 2999	pr@centertelecom.ru
Corporate Secretary	Sergey Grushin	+7 495 793 2358	+7 495 699 0436	corp@centertelecom.ru
Telephone numbers for shareholder inquiries				
Deputy Chief of Shareholder and Registrar Relations Department	Tatyana Vedeneyeva	+7 495 793 2654, +7 495 793 2569	+7 495 793 2654	vedeta@centertelecom.ru
Leading Specialist of Shareholder and Registrar Relations Department	Ksenia Dugina	+7 495 793 2657	+7 495 793 2654	k.dugina@centertelecom.ru

CenterTelecom informs its shareholders that in the near future it will stop paying dividend in cash form in CenterTelecom branches' pay offices due to centralization of settlements on all types of the Company's operations. The shareholders who indicated cash form of dividend payment in the Company's register will be able to receive dividends for 2009 only in CenterTelecom branch in Moscow (bldg 2 29 Narodnogo Opolcheniya, Moscow).

Bank transfer is the most convenient way of dividend payment owing to the following reasons:

- funds are to be placed on the purchaser's account within one day since the moment of dividend transfer
- in accordance with the type of deposit the interest is added since the moment of dividend transfer

- the amount of bank transfer and the period of funds keeping in the bank are not limited
- a shareholder can open an account for receipt of dividends in any bank

Dividend payment by means of postal transfer takes more time than the bank transfer. In case of non-receipt of the postal transfer in established term the funds are to be returned to CenterTelecom. Repeated postal transfer is available only on a shareholder's written application.

It is necessary to inform the Company's registrar about the most convenient way of dividend payment receipt and about any change in a shareholder's details by means of completing of the registered person's form and to send it to the points of receipt of documents for conduc-

tion of operations in CenterTelecom's register of shareholders.

From April 1 to September 30, 2010 the individual shareholders may update information on their accounts for free by means of sending of the registered person's form either directly to the registrar or its branches or to other points of receipt of the documents of CenterTelecom's transfer agent. If the shareholders submit the documents to other points of receipt of documents (other transfer agents) they should pay for update of the documents.

It is necessary to inform the Company's registrar about any change in a shareholder's details, in accordance with paragraph 5 clause 44 of the Federal Law #208-FZ On Joint Stock Companies' of November 24, 1995. If such

information is not submitted, the Company and the registrar are not liable for losses which may arise.

The Company's shareholders may address inquiries related to CenterTelecom's shareholders' rights and liabilities to:

Sergey Grushin, the Company's Corporate Secretary:

Tel +7 495 793 2358

E-mail: corp@centertelecom.ru

Office location: bldg 2, 6, Degtyarny per., Moscow

CenterTelecom's Department for Interactions with Shareholders and Registrar

Tel +7 495 793 2654/2657/2569

E-mail: vedeta@centertelecom.ru

Office location: entrance 1, 7, Tverskaya str., Moscow

The Company's shareholders may request information related to their rights and obligations in the following points for interactions with shareholders in CenterTelecom's branches:

Address	Telephone	E-mail
3 Sobornaya plotschad, Belgorod, 308000	(4722) 35-03-92 35-03-87	pastuhovain@upr.belsvyaz.ru
9 pl.Karla Marksa, Bryansk, 241050	(4832) 64-55-88 72-22-90	shulga@hg.brsm.ru
22 Komsomolskaya, Yaroslavl, 150000	(4852) 20-40-82 30-58-70	Natalia.Kostina@vf.centertelecom.ru
1 10 Avgusta, Ivanovo, 153000	(4932) 47-16-82 47-12-94	Irina.kurchaninova@vf.centertelecom.ru
1 Podlipayeva, Kostroma, 156961	(4942) 62-10-23 62-11-42	Antonina.Ohapkina@telecom.kostroma.ru
42 Gorkogo, Vladimir, 600000	(4922) 35-33-50	revina@vf.vladimir.ru
35 Revolutsii prosp., Voronezh, 394000	(4732) 53-34-73 53-06-51	ocb@adm.vsi.ru
38 Teatralnaya, Kaluga, 248600	(4842) 79-62-05 53-10-40	iug@elecs.kaluga.com
8 Krasnaya plotshad, Kursk, 305000	(4712) 70-10-30	bauman@kursknet.ru

35A Tereshkovoy, Lipetsk, 398000	(4742) 38-12-48 35-34-35	pmv@adm.les.lipetsk.ru
32 Marshala Zhukova, Odintsovo, Moscow region, 143000	(495) 599-30-72	plastinina_ea@esmr.ru
43 Lenina, Orel, 302028	(4862) 43-18-96	reestr@orel.ru
43 Tschedrina, Ryazan, 390006	(4912) 27-22-05 21-61-66	Gsorokina@esv.ryazan.ru
6 Oktyabrskoi Revolutsii, Smolensk, 214000	(4812) 38-58-23 68-31-76	cbgch@sci.smolensk.ru
2V Astrkhanskaya, Tambov, 392002	(4752) 75-05-88	reestr@tesv.tmb.ru
28 Simeonovskaya, Tver, 170100	(4822) 32-37-17 32-36-30	romanova@tversvyaz.ru
33A Lenina prosp., Tula, 300000	(4872) 21-73-51 36-00-35	shestova@mtis.tulatelecom.ru

Other points of receipt of documents related to transactions in the CenterTelecom's register of shareholders:

Registrar	OJSC Obyedinennaya Registratsionnaya Kompaniya	Floor 4 Omega Plaza Business Center, 19 Leninskaya Sloboda, Moscow, 115280	(495) 775-18-20	ork@ork-reestr.ru
Registrar branch	OJSC Obyedinennaya Registratsionnaya Kompaniya	13A Nevskaya Volgograd, 400087	(8442) 37-99-19, 37-52-40	volgograd@ork-reestr.ru
Registrar branch	ORK-Volgograd - OJSC Obyedinennaya Registratsionnaya Kompaniya	39 Truda, Voronezh, 394026	(4732) 46-73-72, 46-80-16	voronezh@ork-reestr.ru
Registrar branch	Krasnodar Regional Branch of OJSC Obyedinennaya Registratsionnaya Kompaniya	182 Krasnaya, Krasnodar, 350020	(8612) 51-74-39, 53-64-60	krasnodar@ork-reestr.ru
Registrar branch	ORK-Omsk OJSC Obyedinennaya Registratsionnaya Kompaniya	36 Gagarina, Omsk, 644043	(3812) 23-28-89, 23-28-89	omsk@ork-reestr.ru
Registrar branch	ORK-Penza OJSC Obyedinennaya Registratsionnaya Kompaniya	62 Moskovskaya, Penza, 440600	(8412) 52-01-85	penza@ork-reestr.ru
Registrar branch	ORK-Rostov-na-Donu OJSC Obyedinennaya Registratsionnaya Kompaniya	Office 404, 14A M.Nagibina, Rostov-na-Donu, 344038	(863) 243-07-77, 243-07-55	rostov-don@ork-reestr.ru

Registrar branch	ORK-Samara OJSC Obyedinennaya Registratsionnaya Kompaniya	3 Lenina, Samara, 443110	(846) 263-73-75, 336-17-60	samara@ork-reestr.ru
Registrar branch	ORK-St. Petersburg OJSC Obyedinennaya Registratsionnaya Kompaniya	16A, Bolshaya Monetnaya, St. Petersburg, 197101	(812) 336-51-06	spb@ork-reestr.ru
Registrar branch	ORK-Tambov OJSC Obyedinennaya Registratsionnaya Kompaniya	14 Kronshtadtskaya, Tambov, 392000	(4752) 71-50-86	tambov@ork-reestr.ru
Registrar branch	ORK-Tcheboksary OJSC Obyedinennaya Registratsionnaya Kompaniya	69, 79/16, Konstantina Ivanova, Tcheboksary, 428018	(8352) 583-938, 586-055	cheboksary@ork-reestr.ru
Transfer agent *	Belgorodskiy branch №2 CJSC of Specialized Registrar Rekom	69A Pobedy, Belgorod, 308000	(4722) 33-63-13, 27-08-01	Sr_rekom@tzbcl.ru
Трансфер-агент *	Kaluzhskiy Gazovy I Energeticheskiy Bank Gazenergobank (OJSC)	4 Plekhanova, Kaluga, 248030	(4842) 54-85-80, 53-13-94	wwblack@mail.ru
Трансфер-агент *	Severo-Zapadnaya Finansovaya Kompaniya LLC	A bldg 2 94 Ligovsky prosp., St.Petersburg	(812) 333-25-18	office@nwfc.ru

* Points which will charge for the Registrar's services from April 1 to September 30, 2010 in full.

Risk Management

CenterTelecom's policy aimed at lowering risks related to its operations is focused on expansion of the types of services provided by the Company, changing the structure of the services with a view to profit growth, and control over the Company's expenses. The Company conducts regular evaluations of its internal control system and works on its improvement increasing its competitiveness.

CenterTelecom's risk management system is a continuous process including few stages of risks revealing, risks assessment, risk management and control over it. The system is being built in accordance with:

- requirements by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (Organizations' Risk Management: Integrated Model)
- requirements by the Federation of European Risk Management Associations (FERMA) (Risk Management Standards)

Existence of risk management system not only allows to minimize losses and damages but also contributes to the Company's investment attractiveness.

With the purpose of improvement of risk management in 2009 the Company developed Risk Management Program for 2009 approved by the Board of Directors (Protocol #22 dated April 22, 2009). The Program establishes:

- organizational structure of CenterTelecom's risk management system and its members' powers
- a Classifier of Risks, and a risk level acceptable for the shareholders
- a risk register including basic risks of the Company which are under constant surveillance of the CenterTelecom's Board of Directors
- Key Performance Indicators (KPI)
- a list of significant risks and plans of actions related to significant risks management

The Company developed strategies of response and plans of actions related to risk management. The Company defines Key Performance Indicators which allow to evaluate risks. KPI also reflect efficiency of risk management measures taken by CenterTelecom specialists in order to minimize probability of a risk event emergence and to reduce its impact.

The Company regularly monitors and controls implementation of KPI and taking of risk management measures. The Risk Commission functions in the Company in order to provide objectivity of decisions in the course of risk management and an appropriate level of control over results of risk management and over coordination of the activities of all divisions and employee involved in risk management.

Among key industry risks taken by CenterTelecom into consideration in the course of its operations are the following:

- processes of integration of alternative telecommunications companies into major international holding companies
- growth of competition in telecommunications industry with Russian and foreign telecommunications operators, expansion of operators of competing formats in the telecommunications market
- economic risks related to the general situation in the Russian Federation including financial and economic uncertainty of development, possible changes in the legislation

Implementation of the risk factors mentioned above can lead to possible decrease in outflow of

client base, ARPU decline, change in profitability of the services and consequently to decrease in the Company's profit.

State regulation of the telecommunications industry brings risks and uncertainty into CenterTelecom's and other mega-regional telecommunications companies' operations. These risks are connected with changes in tariffs and decreased cross subsidies. Changes in tariffs for telecommunications operators which are natural monopolies must be approved by Russia's antimonopoly services, with the result that subsequent tariff changes can be in arrears of the change in operator expenses and of the real economic situation. Thus the telecommunications operators which are natural monopolies face a risk of delayed change in tariffs. This decreases their competitiveness and can have a negative impact on their efficiency. In such conditions CenterTelecom actively promotes its services provided under unregulated tariffs. This allows the Company to maintain its revenues level.

CenterTelecom takes the potentially negative impacts of the aforementioned risks into consideration in striving to follow the newest business requirements and to successfully compete with other telecommunications companies. The Company tends to neutralize negative market factors and strengthen its market position by means of restructuring its network infrastructure, launching new services, optimization and standardization of its business processes, and increasing sales and maintenance system's efficiency.

Glossary

Asymmetric Digital Subscriber Line (ADSL) is a data communications technology enabling faster data transmission over copper telephone lines. It provides a subscriber with an opportunity to receive data at high speed (inbound channel capacity —up to 24 Mbps) and to transmit from the subscriber's less data-intensive streams (outbound channel capacity up to 1 Mbps).

Average Revenue per User (ARPU) is average revenue per one subscriber.

ASBR – Autonomous System Boundary Router, IP/MPLS equipment installed at the joint of the regional data transmission network and inter-regional data transmission system.

BRAS – Broadband Remote Access Server, an equipment allowing to conduct authorization of broadband Internet access services.

Ethernet is a transport technology providing data, voice and video transmission through all types of media (copper, optic fiber). The technology allows to change in wide range an access speed without replacement of equipment. The local networks using Ethernet support the band with up to several tens of Mbps speed; urban networks to which the local networks are connected provide data transmission with up to several Gbps speed.

CRM – Customer Relationship Management system, a corporate information system designed for automation of a company's CRM strategy.

CDMA – Code Division Multiple Access.

DSLAM – Digital Subscriber Line Access Multiplexer, exchange equipment providing broadband access channels through xDSL technologies to a company's customers.

DWDM – Dense Wavelength Division Multiplexing, a technology allowing to carry up to 40 channels per a single optical fiber.

EBITDA – an analytical indicator equal to an amount of earnings before interest, taxes, depreciation and amortization.

EV-DO – Evolution-Data Optimized, a technology of high speed data transmission used

in CDMA mobile communications networks. A speed of data transmission based on EV-DO technology reaches 2.4 Mbps (Rev.0) and 3.1 Mbps (Rev.A).

EPG – Electronic Program Guide, an interactive digital TV and radio service providing flexible approach to digital content management.

ERP System – Enterprise Resource Planning System, a corporate information system designed for automation of record keeping and management. As a rule ERP systems are built on basis of modular approach and cover all the Company's core processes.

FMC – Fixed Mobile Convergence, a technology of provision of convergence services to the fixed and mobile telecommunications services subscribers.

FTTx – Fiber To The x (to The B (Building), to The C (Cabinet or Curb), to The H (Home)), a family of technologies for construction of optic fiber telecommunications lines.

HDTV – High-Definition Television, a set of standards of TV broadcasting through telecommunications channels (cable and satellite networks, digital media).

IMS – IP Multimedia Subsystem, architecture of network allowing an operator to provide various services to its subscribers and to build a unified flexible network independent of access technology.

IP – Internet Protocol, a routable network protocol, a protocol of TCP/IP family. IP (RFC 791) is used for transmission of data divided into packets from one node of a network to another one.

IP-Telephony – Voice-over-IP, a telecommunications system providing voice signal transmission through Internet or other IP networks.

IP-PBX – corporate telephone exchange functioning on basis of Internet Protocol.

IP TV – Internet Protocol Television, a digital interactive TV functioning in data transmission networks on basis of Internet Protocol.

IT – Information Technologies.

MPLS – Multiprotocol Label Switching, a technology of data transmission providing high speed data transmission between IP network's nodes.

MSAN – MultiService Access Node, a universal NGN equipment providing broadband Internet access and IP telephony services to a company's subscribers.

MVNO – Mobile Virtual Network Operator, a mobile communications operator using another operator's network but selling telecommunications services under its own brand.

NPVR – Network Personal Video Recorder, a service allowing to record any TV program, to save it in the network for watching it later at a convenient time, and then to erase it if necessary.

New Generation Network (NGN) is concepts of new generation networking, offering unlimited sets of services with flexible facilities for control, personalization and the creation of new services owing to unification of network solutions.

Oracle E-Business Suite – an ERP system developed by Oracle Corporation, a fully functional complex of integrated business solutions covering a company's following business directions: finance, production, HR, purchases, logistics, marketing, sales, maintenance, interactions with suppliers and customers etc.

OSS/BSS – Operations Support Systems/Business Support Systems representing a tool for management of telecommunications resources of a company.

PON – Passive Optical Network based on tree structured optic fiber architecture with passive optical splitters in nodes. It represents a cost effective way to provide broadband data transmission. PON architecture allows to increase efficiently the number of the nodes of network, and their transmission capacity depending on existing and future demand.

QoS – Quality of Service.

SHDSL – Single-Pair High-Speed Digital Subscriber Line, a broadband technology allowing to provide synchronized symmetric channel with 15Mbps bandwidth.

SLA – Service Level Agreement, an official agreement concluded by a customer and a

service provider which contains a description of the service, rights and liabilities of the parties and agreed level of quality of the provided service.

Softswitch is one of key elements of NGN allowing to manage call routing, various traditional and packet telephony services, supporting all range of protocols (SIP, MGCP, H.323 dialects, Megaco/H.248, SS7) providing connection through one of few networks.

Time Division Multiplexing (TDM) is a technology for global SDH and PDH telecommunications networking. These switchboards attach fixed share of the bandwidth for each voice or data channel. Voice channels can be multiplexed in order to save bandwidth, and the transmission capacity is closed anyway regardless whether data are being transmitted or not.

VDSL2 – Very High-Speed Digital Subscriber Line, a newest broadband technology allowing to provide high speed asymmetric channels (with up to 100 Mbps transmission capacity of an incoming channel and up to 60 Mbps transmission capacity of an outgoing channel).

VoIP – Voice over IP, a set of technologies providing voice data transmission on basis of Internet Protocol.

VoD – Video on Demand, a technology of video content transmission on a subscriber's demand through Internet Protocol.

VPN – Virtual Private Network, a technology of integration of a subscriber networks through trunk data transmission networks.

Wi-Fi – “Wireless Fidelity”, a standardized technology of wireless information exchange at radio frequencies with simplified frequency regulation.

WiMAX – Worldwide Interoperability for Microwave Access, a broadband radio communications protocol providing wireless broadband Internet access.

xDSL – Digital Subscriber Line, a family of technologies that provides digital data transmission over the wires of a local telephone network.

3G – Third Generation, technologies of the third generation mobile communications, a set

of services which includes high speed mobile Internet access and radio communications technology allowing to create data transmission channel.

4G – Fourth Generation, prospect technologies of the fourth generation mobile communications based on high speed data transmission and improved quality of voice telecommunications. 4G data transmission speed exceeds 100Mbps for mobile subscribers and 1Gbps for fixed line subscribers.

Optic Fiber Telecommunications Lines represent a means of transmitting information through optic dielectric guides – “optic fiber”.

CTN – City Telephone Network, a complex of automatic telephone exchanges, switching nodes, lines, telephone network channels and terminal equipment for provision of telephone services in urban areas.

Data Center – a specialized building or site for placement of server and telecommunications equipment and connection to the Internet. Data centers are connected to various telecommunications nodes/channels.

Macroregion – otherwise unrelated economic regions and districts, which may be distinguished for their similar natural conditions, economic features, and further development trends. Basic principles of distinction include level of economic development in the area, ratio between the most important resources and how they are used, similar social and economic problems.

IRD TN – CenterTelecom's inter-regional data transmission network providing data transmission between CenterTelecom's regions and connection with Internet access providers.

Multiservice Communications Network is a universal, high-speed, data-transfer network, built on the basis of packet switching technology, the technical conditions of which allow the provision of triple-play services – voice, data, video. This approach is based on integration of all users in a unified network of broadband access, providing various kinds of services – high-speed Internet access, IPTV, IP-telephony, local networking and various multimedia services.

New telecommunications services – a set of telecommunications services which have be-

come topical within recent years. First of all, they include Internet access, IPTV, etc.

Mobile (cellular) telecommunications is telecommunications between two subscribers, one or both of which change their locations.

The last mile (last inch) is an area of subscriber's line from the client to the telecoms operator connection point. Usually, a copper cable or fiber optic line is used for these purposes. The problem of the last mile is choosing how to arrange the subscriber's network access and choosing relevant equipment.

RTN – Rural Telephone Network, a complex of automatic telephone exchanges, switching nodes, lines, telephone network channels and terminal equipment for provision of telephone services in rural areas.

QMS – Quality Management System (paragraph 3.2.3. of GOST R 9000-2008 State Standard).

Hybrid Fiber Coax Technology (HFC) is a technology of modern telecommunications networking, providing subscribers with packages of TV and radio programs as well as a wide choice of interactive multimedia services. HFC technology application guarantees: wide range of services, offered in the net, which consists of RTV program translation, as well as modern telecommunications services (for example: data transfer, net telephony, video on demand), wide network access radius, allowing integration of remote cable networks, high quality and reliability of transmission, an opportunity to enlarge available range of transmitting by means of network segmentation, wide network capacity, available due to multiplexing technology application (DWDM), simple and inexpensive migration in the direction of the network access FTTC (Fiber To The Curb), FTTB (Fiber To The Building), FTTH (Fiber To The Home) types.

Traditional telephony (traditional telecommunications services) is a set of telecommunications services which telecoms operators have provided users in recent decades. They include, first of all, local, intercity and international services, including intercity automatic telephone communications.

Triple Play services are services provided via a single telecommunications channel for transferring voice, video and data; data transfer services (high speed Internet access), network

backup, personal file resources on the Internet, and game servers access; voice services (in-city and intercity telephony, voice mail, broadcasting via IP); videoservices (telecasting via IP (IP-TV, HD-IP-TV), chargeable videochannels PPV (Pay Per View), video on demand (VoD), personal videorecorder (PVR), videotelephony, videoconference telecommunications, video surveillance, video playstations).

Fixed telecommunications is telecommunications between two immobile (fixed-line) subscribers.

Hosting – a service related to provision of computational capabilities for placement of information on Internet server or to placement of a customer's equipment in the territory of a provider with the customer's connection to the telecommunications channels with high transmission capacity (colocation).

Broadband access – services providing data transmission with over 64 Kbps transmission speed on basis of xDSL or FTTx.

Forward-looking statements

Some of statements contained in this Annual Report do not present facts, but are of a forward-looking character. Occasionally, we may state in writing or orally some forecasts in reports addressed to shareholders, and via other channels of interaction and data exchange. Examples of such statements are the following:

- statements concerning our plans, objectives and tasks, including those connected with telecommunications services
- statements about future results of our economic activities
- information on assumptions, which form the basis for such statements

Forward-looking statements, issued occasionally, (but not included in the present document), may contain planned or expected data on receipts, profits (losses), profit (loss) per share, dividends, capital structure and other financial performance and factors as well. Such words as “considers”, “supposes”, “expects”, “estimates”, “intends”, “plans” and similar expressions may indicate that this is a case where a forecast is presented, although these are not the only ways to indicate the forecasting character of statements or information offered. On account of their special features forward-looking statements are connected to risk and uncertainty, either general or particular. There is always some risk that preliminary estimations, forecasts, plans and other forward-looking statements will not occur in fact. It is necessary to remember that being affected by a large number of material circumstances factual results may significantly differ from per-

formance as planned and targeted, expected results, estimations and intensions, contained in forward-looking statements. These circumstances include the following:

- inflation, interest rate and currency exchange rate fluctuations
- influence of Russian government policy and alterations in it
- influence of competition in other regions and fields of the Company's activity
- influence of amendments to legal or other regulating documents, taxation regulations, standards and order of accounting
- the Company's opportunities to increase a share of telecommunications services markets and to control expenditures
- purchasing and selling assets
- changes in technologies
- the Company's successes in the management of these risk factors.

This list of essential factors is not exhaustive. Using forward-looking statements it is necessary to consider carefully all the above mentioned factors as well as other events and uncertainty componentry, especially from the point of view of social, political, economic and legal conditions of a company's business. Forward-looking statements are effective on the date they are made only. We cannot state, guarantee or predict that the desired results, contained in forward-looking statements, will be achieved in fact. In each case such statements represent only one of many possible evolutionary scenarios, which is why they are not to be considered as the most probable or typical scenario.

Information about the Company

Open Joint Stock Company “Central Telecommunication Company”

The Company's registered office: 23 Proletarskaya str., Khimki, Moscow Region, 141400, Russian Federation.

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E-mail: info@centertelecom.ru

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State registration data and registration number

State registration certificate #127 of June 20, 1994; registered by an Order #567-r by the Chief of Moscow Region's Administration dated June 9, 1994. In accordance with the Federal Law «On Legal Entities' State Registration» the Company was registered in the Uniform State Register of Legal Entities under #1025006174710 on November 01, 2002.

Audit Company:

KMPG Closed Joint Stock Company (KPMG CJSC)

Registered address: Office 3035, 18/1 Olimpiysky prospect, 129110, Moscow, Russia

Postal address: 31 floor, C bldg, 10 Krasnopresnenskaya naberezhnaya, 123317, Moscow, Russia

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State Registration Data: Certificate #011.585 registered by the Moscow Registration Chamber on May 25, 1992. Certificate 77 #005721432 of an entry made to the Uniform State Register of Legal Entities by Moscow Inter-Regional Inspectorate #39 of the Ministry of Tax and Duties of the Russian Federation, main registration #1027700125628 of August 13, 2002.

Registrar:

OJSC Obyedinennaya Registratsionnaya Kompaniya

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