

Approved by
the Board of Directors of OJSC «Uralsvyazinform»
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**Corporate Conduct Code
of
OJSC «Uralsvyazinform»**

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Introduction

Open joint-stock company «Uralsvyazinform» (hereinafter the “Company”) is the biggest telecommunications operator in the Urals region.

Realizing its mission in shaping and meeting its clients’ demands in telecommunications and information services, integration into global information society of the XXI century the Company voluntarily undertakes to follow in its business the principles and rules of corporate conduct set forth in the Code.

This Code is aimed at the shaping and introduction of principles and rules of corporate conduct into daily business practice of the Company for successful implementation of its Charter activities, revenues increase and market capitalization growth, protection of legal interests and rights of all the Company’s shareholders and its positive image making at its shareholders, employees and clients and at other interested parties.

Principles and rules set forth herein agree with international recognized standards based both on implicit observance of laws and application standards of advanced practice of corporate governance and ethic norms of business conduct.

This Code is a corpus of voluntary taken liabilities based on balanced recognition of interests of Company’s shareholders, its management and other interested parties.

This Code is carried out on the basis of Code of Corporate Conduct recommended by the Federal Commission for Securities Market (FCSM) of Russia.

As the corporate governance practice in Russia and abroad develops, the Company will be bent on further improvement of this Code provisions and on their full introduction in regard of relations arising from the Company governance.

1. Principles of corporate conduct

Corporate conduct is a system of principles, norms and rules based on which the Company is governed and controlled. This system regulates the relationship between shareholders, members of the Board of Directors, the Company's executive bodies and other participants of corporate relations.

1.1. The Company develops corporate relations pursuant to the principles ensuring:

- Actual opportunity of the shareholders to execute their rights related to their participation in the Company;
- Equal treatment of all shareholders possessing shares of the same type (category) including minority and foreign shareholders. All shareholders shall have the opportunity to be efficiently protected in case of their rights violation;
- Provision of strategic governance of the Company activities by the Board of Directors and its efficient control over the Company's executive bodies, as well as accountability of the Board of Directors' members towards Company's shareholders;
- Reasonable and bona fide exercising by the Company's executive bodies of efficient management of the Company's current activity and the accountability of executive bodies to the Company's Board of Directors and its shareholders;
- Timely disclosure of exact and true information on the Company, including on its financial status, economic indicators, the structure of property and management, major corporate actions;
- Active cooperation of the Company with investors, creditors and other interested parties in order to increase the price of Company's shares and other securities and to raising the corporate and other ratings of the Company.
- Observance of all the norms of current legislation and local regulations;
- Efficient control over the Company's financial and economic activity;

1.2. The Company realizes the importance of perfecting the corporate governance over its affiliated and dependent companies and is seeking after the openness and transparency of the activity of the said organizations and also the introduction the basic principles of this Code thereto.

2. General Shareholder Meeting

2.1. Company's shareholders

In its activity the Company shall proceed from the assumption that its shareholders possess the collect of rights towards the Company which observance and protection shall be ensured by the Board of Directors, the Company's Management Board and General Director.

The Company shall ensure reliable and efficient accounting of property rights of the shareholders for the shares by transferring the registration of property rights and keeping the register of shareholders to a special-purpose registrar who is independent in relation to the Company and has proper technical facilities and control systems as well as the due license on these activities.

In its activity the Company shall proceed from regular and timely ensuring of receipt of information by the shareholders allowing them to take better and reasoned decisions on stock power in their possession.

The Company shall ensure the right of the shareholders to participate in the management of the Company's activity and decisions-making on the most important issues of the Company's activity.

The shareholders have the right at their discretion to freely perform any acts with the shares in their possession, not contradicting the law and not violating the rights and law-protected interests of other parties, including free and quick carve-out of shares in their possession, involving, among others, the transfer agent services.

The Company shall observe the shareholders' right to participate in allocation of the Company's profit. It shall aim at payment of funds, which cannot be used, for implementation of high-performance projects raising the Company's and its securities' value, as dividends both on preference and common shares.

The Company expects that different groups of shareholders will not perform the acts aimed at impairment of other shareholders' and the Company's rights.

2.2. Preparation for General Shareholders Meeting

The procedure of preparation and holding of the General Shareholders Meeting is regulated by the Company Charter and the internal document of the Company – "Holding Procedure of the General Shareholders Meeting" of OJSC "Uralsvyazinform".

The Company shall comply with the requirements of Russian Federation legislation determining the contents of notice on General Shareholders Meeting and shall take all the efforts to include into the notice all the possible amendments into the procedures of preparation and holding of the General Shareholders Meeting, improve the quality of information therein in order a shareholder could take a better decision on his/her participation in the meeting .

The Company shall apply the methods of giving notice to the shareholders on the convocation of general meeting of shareholders, ensuring timely provision of the information to all the persons included into the list of persons having the right to participate in General Shareholders Meeting.

Along with the major method of notifying the shareholders by delivery by hand a notice to every person, included into the list of persons having the right to participate in General Shareholders Meeting, the Company shall use additional channels: publication of information on convocation of the General Shareholder Meeting in “Rossiiskaya gazeta” and also in a number of leading mass media of the constituents of the Russian Federation on which territory the Company is operating. The Company shall use its corporate Internet site www.uralsviazinfrom.ru as an additional method of notifying the shareholders on the holding of the General Shareholders Meeting.

The Company shall provide shareholders, possessing at least 1 per cent of votes at the General Shareholders Meeting, with the right to familiarize with the list of persons authorized to participate in the meeting.

The Company shall enable shareholders to obtain abstracts from the lists of persons authorized to participate in the general meeting and statements confirming non-inclusion, starting from the date of the general meeting notice

The Company shall provide comprehensive information on its activities allowing its shareholders to take better decisions on the agenda items. The volume of this information is regulated by the Company’s Charter. When preparing the General Shareholders Meeting, the information is provided to the persons authorized to participate in it at the place where the Company’s sole executive is located as well as at the Company’s departments (branches). As electronic means of communications, methods and legal base of identification of information receivers via electronic channels (the use of digital signature) develop, the Company shall seek to use electronic channels to provide its shareholders with information for preparation to the General Shareholders Meeting.

The Company shall provide the registration of the participants of General Shareholders Meeting allowing all the shareholders authorized to participate in it to come through this procedure before the meeting begins. The description of this procedure is stated in the internal document “Holding Procedure of the General Shareholders Meeting “ of Uralsvyazinfrom.

General Shareholders’ Meeting agenda items must be clearly defined and precisely formulated by the Company, leaving no room for multiple interpretations.

When approving the General Shareholders Meeting’ agenda the Company’s Board of Directors deems it possible, in case of practicability, to combine two or more issues into one item of the agenda. The principle of such combination is regulated by the internal document “Holding Procedure of the General Shareholders Meeting “ of Uralsvyazinfrom.

The Company shall grant to its shareholders who are in total the owners of at least 2 percent of the Company’s voting shares the right to introduce the issues to the agenda of the General Shareholders Meeting in a way not requiring excessive proof thereto. .

Procedures related to the realization of this right are regulated by the Company’s Charter.

The Company shall enable their shareholders to introduce an item to the agenda or request the convocation of extraordinary general meeting of shareholders without submitting any abstract from the shareholders’ register if their rights for the shares are accounted for in the register of shareholders, and submitting the statement of depot account if their rights for the shares are accounted for at depositary.

When defining the location, the date and the time of the General Shareholders Meeting the Company shall proceed from the necessity to provide the shareholders with real and easy access for participation in the meeting.

2.3. General Meeting Procedures

The Company shall ensure the procedures of the General Shareholders Meeting which guarantee reasonable, equal capability to all the shareholders present at the meeting to express their opinion and ask questions on the agenda.

The Company shall assure the presence of members of the acting Board of Directors and those of Management Board of the Company in order to enable its shareholders to receive answers to their questions directly from the Company officials at the General Shareholders Meeting.

The Company shall seek to ensure the presence of representatives of independent Auditors as well as nominated candidates to the new structure of the Company's Board of Directors, its Management Board and independent Auditors.

The procedure used by the Company to register General Shareholders Meeting's participants shall allow to properly organize the meeting and shall not prevent shareholders from participating thereat.

The Company shall provide to each shareholder with the opportunity to exercise his/her voting rights in a simple and convenient way pursuant to the laws of the Russian Federation, Company's Charter and internal document "Holding Procedure of the General Shareholders Meeting" of Uralsvyazinform. Shareholders are authorized to vote either by personal participation in the General Shareholders Meeting, or by sending completed absentee ballots to the Company.

As electronic means of communications, methods and legal base of identification of information receivers via electronic channels (the use of digital signature) develop, the Company shall seek to use electronic channels to receive completed ballots from their shareholders.

The voting at the General Shareholders Meeting shall be done on the basis "one share – one vote".

The Company shall ensure the observance of shareholders' rights when totaling the results of voting at the General Shareholders Meeting by transferring the functions of the Company's counting commission to an independent registrar.

The Company's Charter regulates the procedure of a repeated Shareholders Meeting. A repeated Annual General Shareholders Meeting shall be legally qualified (shall secure a quorum), provided it was participated by shareholders owning in aggregate at least 30 per cent of the voting shares placed by the Company.

3. Company's Board of Directors

3.1. General provisions

The Board of Directors is a joint management body of the Company carrying out general management of its activity, excluding the solution of issues referred by federal laws and the Company's Charter to the competence of General Shareholders Meeting and the Company's executive body.

The goal of the Board of Directors is efficient management of the Company's activities in order to ensure long-term stable growth of revenues and net assets of the Company and protection of rights and legitimate interests of its shareholders.

The major trends of the activity of the Board of Directors are:

- ◆ Framing the strategy of the Company's development and supervision of its implementation;
- ◆ Ensuring the efficient activity of the internal control mechanisms and their permanent improvement;
- ◆ Ensuring the disclosure of the information on the Company for shareholders and interested parties.
- ◆ Ensuring the observance of current legislation by the Company
- ◆ Regular assessment of the Company's executive bodies and top managers and that of the Board of Directors itself including development, approval and improvement of remuneration system of key managers.

In the course of preparing and taking the decisions the Board of Directors shall seek to take into account the interests of labor collective, partners, creditors, local public and other interested groups of the Company.

The purposes, principles of activity, competence, operating procedures of the Board of Directors, the rights and duties of the members of the Board of directors are stated in the Charter and in the Company's internal document "Regulation on the Board of Directors" of OJSC "Uralsvyazinform"

3.2. Composition and Election of the Board of Directors

The composition of the Board of Directors shall present an efficient combination of professional experience, knowledge and personal abilities of its members and shall comply with the requirements of the legislation in respect of the composition of the Board of Directors.

The Company shall proceed from the assumption that the persons nominated to the Board of Directors should enjoy the shareholders' trust and have knowledge, skills and experience required for adopting the decisions on the issues related to the competence of the Board of Directors, honesty, sufficient time and personal abilities allowing for efficient execution of their duties and build up their relations with other members of the Company's Board of Directors and executive body.

The members of the Board of Directors shall perform the obligations they are charged with, bona fide and rationally in the Company's and shareholders' interests based on all the necessary information.

Within the course of assessing the quality of its operation the Board of Directors shall seek to estimate the existing balance of knowledge, skills and experience of its members and which changes into this balance could be useful to ensure the maximum successful development of the Company.

The Company shall attach importance to the participation of independent directors in the Board of Directors to shape objective opinion on the issues discussed.

The major requirement of the Company to an independent director shall be the ability to give independent estimations of the issues under discussion, which assumes the lack of any circumstances that may affect the formation of his /her opinion.

A member of the Company's Board of Directors shall be considered an independent director if he/she complies with the definition of Article 83.3 of the Federal law "On joint-stock companies" and meets the following additional requirements:

- is not a sole executive body or a member of a collegial body of any other company where a Company's official is a member of staff or rewards committee of the Board of Directors;
- is not bound by contractual relations with the Company whereby he/she may acquire property (receive monies) with a value in excess of 10 percent of such person's aggregate annual income, other than through receipt of remuneration for participation in the operations of the Board of Directors.;
- is not a large contracting party of the Company (the contracting party, which has within a year effected deals with a value in excess of 10 percent of the Company's book value) he/she may acquire property (receive monies) with a value in excess of 10 percent of such person's aggregate annual income;
- is not an official or employee of a Company's shareholder or is bound by material relations with him/her whereby he/she may acquire property (receive monies) with a value in excess of 10 percent of such person's aggregate annual income ;
- is not a representative of the government.

The Company shall require that from time to time the independent director makes a written declaration, disclosing the information allowing for ascertaining whether he is an affiliated person in relation to the shareholders or contracting parties of the Company, and also with their affiliated persons.

The members of the Board of Directors shall refrain from any actions, which result in or may result in the conflicts of interest. Should such a conflict arise, they shall disclose information thereon to the Board of Directors.

The Board of Directors of the Company shall be elected at the General Shareholders Meeting by cumulative voting, which contributes to the consideration of opinions of all shareholders, including those possessing modest block of shares (minority shareholders)

3.3. Operations of the Board of Directors

The Board of Directors is headed by the Chairman whose main task is to ensure efficient organization of operations of the Board of Director and interaction between the Board of Directors and other Company's bodies.

The Chairman of the Company's Board of Directors should organize the Board's work, convene its meetings and chair thereon, arrange taking of minutes and ensure efficient work of committees established by the Board of Directors.

A person who is the Chairman of the Company's Management Board cannot simultaneously be the Chairman of the Board of Directors of the Company.

Meetings of the Board of Directors shall be conducted on a regular basis at least 9 times a year in accordance with a plan approved by the Board of Directors.

It should be possible to conduct meetings of the Board of Directors both in person (including conference-call) and by absentee vote.

The Board of Directors shall select the format in which the meeting is held based on the importance of the matters on the agenda.

The Company shall seek to take the decisions on the following matters only by personal vote at the meeting of the Board of Directors: approval of priority areas of the Company's operations and the Company's financial and business plan; convening the General Shareholders Meeting; preliminary approval of the annual report of the Company; convening or refusing a request to convene an extraordinary General Shareholders Meeting; election and reelection of the Chairman of the Board of Directors; creation and early termination of executive bodies of the Company; and submittal for consideration by the General Shareholders Meeting the proposals with respect to reorganization or liquidation of the Company.

Company's shareholders owing in aggregate at least 5 percent of Company's voting shares shall have the right to demand convocation of a meeting of the Board of Directors to consider the matters that they regard as important for the Company.

The procedure of meetings of the Board of Directors is regulated by the "Regulation on the Board of Directors" of OJSC "Uralsvyazinform". The Company shall seek to improve this procedure to give all members of the Board of Directors an opportunity to properly prepare for such meetings.

To arrange the work of the Board of Directors and to settle all the matters related to the preparing and convening meetings of the Board of Directors a Secretary of the Board of Directors shall be appointed.

Members of the Board of Directors shall have access to all information that they need to properly discharge their duties and shall realize their responsibility related to the usage of confidential information which disclosure could damage the interests of the Company.

Permanent and interim (for some matters) committees shall be established for preliminary consideration of the most important matters and preparation of recommendations to the Board of Directors for decisions taking. The number of committees, their composition and functions are regulated by the "Regulation on the Committees of the Board of Directors" of OJSC "Uralsvyazinform" and by the decisions of the Board of Directors.

Before taking the decision on the matter preliminarily considered by the committees the members of the Board of Directors shall have an opportunity to familiarize with the conclusions (recommendations) of the relevant committees.

While discharging their duties the members of the Board of Directors shall be paid remuneration and compensation for their expenses related to their functions thereof.

Criteria for determining the amount of remuneration payable to the members of the Board of Directors and the procedure of its payment is regulated by the “Regulation on the Board of Directors” of OJSC “Uralsvyazinform” and by the decisions of General Shareholders Meeting .

Compensations and remunerations payable to the members of the Board of Directors shall comply with their contribution to performance of the Board and success of the Company.

The Board of Directors shall create and improve a transparent mechanism for evaluation of its performance as a whole and of each its member personally. The annual report of the company should information on the total amount of remuneration and/or compensation paid to members of the Board of Directors.

4. Executive Bodies of the Company

4.1. General Provisions

For the purpose of providing management of the Company's current affairs, the Board of Directors shall elect the collective executive body (the Management Board) and appoint single executive body (General Director) of the Company.

The competence of executive bodies of the Company is defined by the Charter of the Company.

Resolution of issues lying beyond the framework of customary business operations of the Company and matters that, although they can be characterized as customary, may have significant impact on the Company shall be predominantly the competence of the collective executive body.

The executive bodies are accountable to the Board of Directors of the Company. They are free to take decisions in the frame of the policy, mission and goals set by the shareholders and the Board of Directors.

The General Director and the Management Board of the Company admit their responsibility in relation to the shareholders and are aimed at bona fide and competent performance of obligations on the current activity management providing steady and long-term development of the Company.

4.2. Composition and Creation of Executive Bodies

Composition of executive bodies of the Company shall provide for the most effective performance of functions vested in the executive bodies.

The General Director is a sole executive body performing the management of the Company's current operations. The General Director shall be appointed by the Company's Board of Directors .

The number and composition of the Management Board shall be defined by the decision of the Board of Directors at the suggestion of the General Director or members of the Board of Directors so as to provide productive and constructive discussion of the matters and to result in timely and best decisions taking.

When forming the executive bodies the Company shall not allow the candidates to the members of the Management Board to have a conflict of interests due to their participation or membership in the governing bodies of or holding official positions with legal entities competing with the Company.

The members of the Management Board, including the General Director, should avoid actions resulting or capable to result in conflicts between the interests of the Company and their own interests, and in the case of such conflict should disclose the information about this conflict to the Board of Directors.

4.3. Responsibilities of Executive Bodies

The General Director and members of the Management Board shall act reasonably, in good faith and in the best interests the Company.

Company's executive bodies shall be responsible for arrangement, status and trustworthiness of Company's business accounting, timely provision of annual report and other financial statements to appropriate bodies as well as information on the Company's activity provided to shareholders, creditors and mas-media.

Executive bodies shall pursue a Company's manpower and social policy aimed at creation of employees' motivation in efficient operation of the Company, establishment of the atmosphere of mutual respect and conditions for employees' professional skills improvement .

The executive bodies of the Company in their cooperation with business associates shall be guided by the high standards of business ethics; follow the principles of building long-term relations, development of interaction and mutually advantageous cooperation.

The General Director and the members of the Management Board shall be responsible for violations of provisions on the use of confidential, official and insider information about the Company in their personal interests and the interests of any third parties.

Rights, duties and responsibilities of the members of the Management Board shall be defined in a contract to be concluded between each of them and the Company. On behalf of the Company the Contract shall be signed by its General Director.

Rights, duties, remuneration and responsibilities of the General Director shall be defined in a contract to be concluded between him/her and the Company. On behalf of the Company the Contract shall be signed by the Chairman of the Company's Board of Directors.

4.4. Operations of executive Bodies

The procedures of calling and holding of the Management Board 's meetings as well as those of decision taking shall be approved by the General Shareholders Meeting of the Company.

Regular meetings of the Management Board shall provide optimal conditions for managerial decisions in the interests of the Company.

The notice on the Management Board's forthcoming meeting containing the format, place and time (in case of joint attendance) and agenda shall be delivered to the memebers of the Management Board at least 5 working date prior to the date of the meeting. The memebers of the Management Board shall be provided with all necessary materials to prepare for the meeting.

When taking a decision each member of the Management Board shall have one vote. A member of the Management Board shall not transfer his/her voting right to anybody including any othe member of the Management Board of the Company. In case of tie-vote of the members of the Management Board when decision making, the Chairman of the Management Board shall have a decisive vote.

The remuneration of the General Director and of the members of the Management Board shall correspond to their participation in the Company's activity and to their role in the development of the Company. The criteria determining the amount of remuneration of the members of the

Management Board and the procedure of its payment are defined by the “Regulation on the Management Board” of OJSC “Uralsvyazinform” and by the resolutions of the Board of Directors of the Company.

5. Corporate Secretary of the Company.

The main task of the Corporate Secretary of the Company is to provide observance of the procedural requirements ensuring realization of the rights and interests of shareholders of the Company by bodies and officials of the Company

The Corporate secretary of the Company shall promote the efficiency of the Board of Directors activity, raising the level of transparency of the Company, effectiveness of the Company's cooperation with its shareholders and other participants of corporate relations.

Appointment and dismissal of the Corporate Secretary of the Company is within the scope of authority of the Board of Directors.

The Corporate Secretary of the Company shall be responsible for:

- preparation and holding of the General Shareholders Meeting in accordance with existing legislation, the Charter of the Company and "Holding Procedure of the General Shareholders Meeting".
- preparation and holding of the sessions of the Board of Directors and of its Committees' meetings, in accordance with current legislation, the Charter of the Company, the "Regulation on the Board of Directors" and "Regulations on the Committees of the Board of Directors";
- assistance to the members of the Board of Directors in performance of their functions;
- disclosure (provision) of information about the Company and maintenance of the Company's records;
- due consideration by the Company of the shareholders' petitions and resolution of conflicts, arising out of the violation the shareholders' rights;
- notification of the Chairman of the Board of Directors of all violations of corporate procedures, compliance with which must be ensured by the Corporate Secretary of the Company.

The Corporate Secretary of the Company is accountable to the Board of Directors whose competence is to appoint the Secretary and to define the terms and conditions of the Contract to be concluded with him/her including the amount of remuneration.

To ensure the efficient performance by the Corporate Secretary of his/her duties, the Company may establish the apparatus of the Corporate Secretary.

If the Corporate secretary of the Company is not appointed, his/her functions shall be performed by the Secretary of the Board of Directors or by corresponding structural sub-divisions of the Company.

6. Major Corporate Actions

Major corporate actions include:

- execution of major and interested-party transactions;
- acquisition of 30% (and more) block of placed common shares (takeover);
- reorganization and liquidation of the Company;
- increase or decrease of the Charter capital of the Company;
- changes into the Company Charter;
- establishment and liquidation of Company branches and representative offices;
- other major corporate actions recognized as such by the current legislation.

The Company shall enable its shareholders to effectively influence their course and outcome through implementation of transparent and fair procedures based upon proper disclosure of information about the consequences that such actions may have on the Company.

Major transactions and interested-party transactions shall be approved prior to their consummation by the appropriate Company's bodies.

The procedures of entering into major transactions, interested-party transactions as well as transactions which should be approved by the Board of Directors are regulated by the "Provision on entering into transactions to be approved by the Board of Directors" of Uralsvyazinform.

The Company reorganization may be done in the form of merger, affiliation, split-up, spin-off, and transformation into other legal organization form pursuant to the procedure provided for in the Federal law "On joint-stock companies".

To protect the shareholders and other parties' interests the actions related to reorganization and liquidation of the Company shall be taken only according to the procedure provided for by the legislation of the Russian Federation.

7. Disclosure of Information about the Company

The disclosure of information on the Company shall be based on internal document “ «Regulation on information policy of OJSC «Uralsvyazinform»».

The goal of disclosure is to provide sufficient information to all interested parties to enable them to make informed decisions regarding participation in the company or taking actions that can affect the company's financial and business transactions.

The main rules of the Company information disclosure shall include its accessibility to most shareholders and other interested parties, completeness and reliability taking into account the reasonable balance between the Company's transparency and its commercial interests security as well as its timely availability.

At the disclosure of information about the Company's activity, the Company shall provide equal access to it for all groups of its recipients and prevent priority of one group over the others.

The Company's selection of information distribution channels shall be based on the principle of providing free, unhindered and low-cost access for persons interested in the disclosed information.

The Company shall provide the disclosure of information on all essential issues of the Company's activity in accordance with the requirements of the legislation and regulations of the Russian Federation, principles of corporate governance and existing international practice

The Company shall pay special attention to the disclosure of information about its property structure.

The management and authorized employees of the Company shall submit the information at the meetings with investors and shareholders of the Company, cooperating with rating agencies, at press conferences, and also by means of publications in the mass media, brochures and booklets. The information shall be also disclosed at the website of the Company in the Internet: www.uralsviainform.ru.

The Company shall annually submit Annual Reports about its activity to the shareholders. The content of information shall allow the shareholders to evaluate the results of the Company's operations for the year. In particular the Annual Report shall contain:

- ◆ Company's position in the industry;
- ◆ foreground areas of the Company's activity;
- ◆ the report of the Board of Directors on the results of the Company's development in the foreground areas of its activity;
- ◆ prospects of the Company's development;
- ◆ report on the payment of declared (accrued) dividends;
- ◆ description of the main risk factors, related to the Company's activity;
- ◆ the list of transactions effected by the Company in the reporting year and considered by the legislation to be major transactions and interested-party transactions with indication of essential conditions of each transaction and the Company's body which has approved each transaction;
- ◆ the structure of the Board of Directors and its modifications in the reporting year, information about the members of the Board of Directors ;

- ◆ information about the General Director of the Company and the members of the Management Board, including their biographical data and holding of Company's shares during the reporting year;
- ◆ criteria for determining of and the total amount of remuneration of the General Director, the members of the Management Board and those of the Board of Directors of the Company, in accordance with the results of the reporting year;
- ◆ information about the observance of the Code of Corporate Governance by the Company;

The Company tends to include some additional information into its annual reports allowing the shareholders to make better decisions, for example: information about the number and structure of clients and the dynamics of their change; about the tariff policy of the Company, about effecting technical policy of the Company and implementation of new technologies; the Corporate Secretary's report; report on the work of the Board of Directors and of the Management Board; information on the shareholders' letters, applications and claims and corporate conflicts, as well as on a response to them.

Disclosing information on itself the Company shall maintain reasonable balance between the Company's openness and the need to protect its commercial interests legislated by the trade secret principles.

Taking charge of protection of official and commercial secrets, the Company shall assume the responsibility for non-disclosure of confidential information, and also effect control over the use of insider information. All employees of the Company shall be obliged to protect confidential information and to observe the rules related to the use of insider information.

8. Supervision of Financial and business operations of the Company

Main objective of supervision of financial and business operations is to protect shareholders investments and the assets of the Company.

This objective may be attained under the increased efficiency and transparency of the management system and internal audit in the Company including implementation of the corporate information system.

One of the priorities of the Company's supervision system is prevention, revealing and limiting of financial and operational risks.

Supervision of financial and business operations of the company is the responsibility of the audit commission of the company and the internal control department of the company. An independent auditor shall be also involved in the supervision.

The Audit Commission shall be elected by the General Shareholders Meeting according to the procedure established by the current legislation and the Company's Charter for the period of one year. The Company shall seek to improve the competence of Audit Commission's members and their ability to give objective estimations.

The Audit Commission shall supervise financial and business activities of the Company as a whole including its branches and representative office.

For efficient control of financial and business activities the Company shall perform regular internal supervision. The internal control department shall develop routine internal control procedures to be approved by the Board of Directors.

The Board of Directors shall control the application of internal control procedures.

The Board of Directors shall preliminarily approve operations exceeding the limits established by the annual budget.

To examine and confirm the correctness of the annual financial records, the Company shall annually involve a professional auditor, whose material interests are not interconnected with the Company or its shareholders.

An independent auditor shall be approved by the General Shareholders Meeting. General terms and conditions of the contract to be signed with the auditor, including the amount of remuneration, shall be approved by the Board of Directors.

The Board of Directors of the Company shall effect regular control aimed at the prevention of conflict of interests in the activity of the involved independent auditor.

The independent auditor shall audit the financial and economic activity of the Company in accordance with legal acts of the Russian Federation and on the basis of the contract concluded with him.

The audit of the Company shall result in objective and full information on the Company's activity.

9. Dividends

The Company shall recognize the importance of ensuring the receipt by the shareholders of their share of the Company's profits in the form of dividends to the investments they made by acquisition of the Company's shares.

The dividend policy of the Company is based on the principle of rational distribution of the profit received by the Company taking into account its investment needs.

Information on the Company's principles and policy on determination of dividends and their pay-out shall be articulated in the Company's internal "Regulations on Dividend Policy"

The resolution on the pay-out of annual dividends, the amount of the annual dividend and the method of its payment in respect of each category (type) of shares, shall be approved by the General Shareholders Meeting. The amount of annual dividends shall not be higher than that recommended by the Company's Board of Directors

The Company shall inform its shareholders about its dividend policy by means of placing the information in mass media and at the website of the Company in Internet.

The dividends declared by the Company shall be paid out in cash.

Dividends shall be paid out within the terms determined by the Company's Charter and resolutions of the General Shareholders Meeting, or in shorter periods.

10. Resolution of Corporate Conflicts

The Company shall recognize the interconnection between its efficient operations and timely prevention of corporate conflicts.

In relation to the corporate conflicts the Company shall follow the principle of prevention of conflicts at their earliest stages and address them.

Company's position in corporate conflict shall be based on the provisions of the legislation of the Russian Federation.

In case the subject of a corporate conflict is within authority of the Company's Board of Directors or its sole executive body, the Board of Directors shall form an interim conflict resolution committee to settle this conflict.

In case the corporate conflict between the shareholders of the Company may affect the Company's interests or the interests of other shareholders of the Company, a body of the Company responsible for consideration of such dispute shall decide whether or not this dispute affects the Company's interests or the interests of other shareholders, and also whether or not its participation may contribute to the settlement of the corporate conflict.

Subject to the consent of shareholders who are parties to the corporate conflict, the Company's bodies (their members) may participate in negotiations between the shareholders, provide the shareholders with available information and documents related to the conflict, explain provisions of laws and the company by-laws, give advice and recommendations to the shareholders, prepare draft documents on the conflict resolution to be signed by the shareholders, and, on behalf of the Company and within their authority, take responsibility to the extent that can help resolve the conflict.

In case of impossibility to settle the corporate conflict between the Company and a shareholder (a group of shareholders), between the shareholders of the Company or between the shareholders and some Company's bodies of management, the dispute may be transferred to the Arbitration court for consideration.

11. Closing Provisions

The present Code shall come into effect since the date of its approval by the Board of Directors.

The Board of Directors at its sessions shall regularly consider the issues related to observance of the present Code and ensure publication of information on the results of consideration.

The Company will be improving the present Code subject to new standards of corporate governance to be established in Russian and international practice and taking into account the interests of shareholders, as well as those of the Company and other interested groups.

Issues, not stipulated by the present Code, are regulated by the current legislation of the Russian Federation, international contracts and agreements and by the Charter of the Company. In case of any discrepancies between the norms of Russian law and international contracts and agreements concerning any issues under this Code, the norms of laws of international contracts and agreements in which the Russian Federation participates shall prevail.

Corporate relations in the Company shall be regulated both by the Code and Company's by-laws.