

To agenda item 1



JSC CenterTelecom
**INDEPENDENT AUDITOR'S REPORT
ON ACCOUNTS OF JSC CENTERTELECOM
FOR THE YEAR 2004**
May 2005

AUDITOR'S REPORT

Contents	page
Auditor's report on financial statements of JSC CenterTelecom	3
Annexes:	6
1. Financial Statements of JSC CenterTelecom for the period from January 1, 2004 through December 31, 2004 inclusively.	
Balance sheet	
Profit and loss account	
Statement of changes in equity	
Cash flow statement	
Annexes to the balance sheet	
Explanatory notes	

**INDEPENDENT AUDITOR'S REPORT
ON ACCOUNTS OF JSC CENTERTELECOM
FOR THE YEAR 2003**

To the shareholders of JSC CenterTelecom

AUDITOR'S DETAILS:

Name: Private JSC (ZAO) ERNST&YOUNG VNESHAUDIT

Domicile: 77 Sadovnicheskaya Embankment, Building 1, Moscow, 115035, Russia.

Certificate of making an entry into the Unified register of legal entities of a legal entity registered before July 1, 2002, the date of making the entry September 16, 2002 series 77 #008050714, registered by the State Institution Moscow Registration Chamber on August 30, 1994 #033.468, with the principal state registration number 10277391993333.

License to carry out auditing activities #E003246, approved by Order #9, issued by the Ministry of Finance on January 17, 2003, valid for 5 years.

DETAILS of the AUDITED COMPANY

Name: JSC CenterTelecom

Registered address: 23 Proletarskaya Street, Khimki, Moscow region, 141400, Russia

State registration: #1025006174710 of November 1, 2002, the Moscow Region Registration Chamber.

We have conducted an audit of JSC CenterTelecom's accounting reports (financial statements) for the period from January 1 through December 31, 2003 inclusively. JSC CenterTelecom's accounting reports include the balance sheet, profit and loss account, statement of changes in equity, cash flow statement, the annexes to the balance sheet, and the explanatory notes, notes 2, 3, 4, 6-13. Preparation and provision of these accounting reports are the responsibilities of JSC CenterTelecom's management. Our responsibility is to express opinion based on the conducted audit regarding true and fair nature in all material aspects of these accounting reports and compliance of bookkeeping and accounting with the applicable law of the Russian Federation.

We have conducted the audit in accordance with the Federal Law On auditing activities and approved federal rules (standards) of auditing activity, Rules (standards) of auditing activity approved by the Commission on auditing activity under the President of the Russian Federation, and International Auditing Standards where they do not contradict the said Rules.

The audit was planned and conducted in such a way as to obtain reasonable assurance that the Accounting reports are free from material misstatements. The audit was conducted selectively, and included examination on a test basis of evidence confirming numbers and disclosure of information on financial and business activities in the accounting reports, assessment of compliance with principles and rules applied in preparation of the accounting reports, and review of significant estimated values derived by the management of the audited company, as well as an assessment of the general presentation of the accounting reports. We believe that the conducted audit provides sufficient basis to express our opinion regarding true and fair nature in all material aspects of the Accounting reports and about compliance of bookkeeping and accounting with applicable laws of the Russian Federation.

In 2004 JSC CenterTelecom announced an irrevocable offer to redeem before maturity series 03 bonds of September 19, 2005. As on December 31, 2004 the outstanding debt related to series 03 bonds amounted to 2,000,000 thousand rubles was classified as a long-term liability. In so doing JSC CenterTelecom violated provisions of PBU 15/01 (accounting rules) Accounting for loans and credits and their servicing costs, with respect to dividing loans into short-term and long-term ones. As a result, the amount of long-term liabilities on December 31, 2004 shown in line 510 Long-term credits and loans was overstated by 2,000,000 thousand rubles, while the amount of short-term liabilities shown in line 610 Short-term credits and loans was understated by 2,000,000 thousand rubles.

In our opinion, apart from corrections stated in the paragraph above, affecting the accounting reports, accounting and bookkeeping with respect to the preparation of the accounting reports of JSC CenterTelecom in 2004 met requirements of Federal Law On accounting #129-FZ of November 21, 1996 and the said accounting reports (financial statements) prepared according to this law give a true and fair view in all material aspects of the financial position of JSC CenterTelecom as at December 31, 2004 and results of its financial and business activities over the period from January 1, 2003 through December 31, 2003 inclusively, according to requirements of the legislation of the Russian Federation governing preparation of accounting reports.

Without qualifications in our opinion we draw attention to the fact that as was pointed out in our auditor's report on accounts of JSC CenterTelecom for the period from January 1 through December 31, 2003 the doubtful accounts receivable provisions and deferred tax assets were understated by 194,384 thousand rubles and 46,652 thousand rubles respectively. When compiling financial statements for the period from January 1 through December 31, 2004 JSC CenterTelecom made adjustments as required regarding calculation of the doubtful accounts receivable provisions and deferred tax liabilities reflected in 2004.

The attached financial statements are not intended to present the financial position and results of operations according to accounting methods or principles generally accepted in countries and administrative-territorial entities other than the Russian Federation. Therefore, the attached financial statements are not intended for those not familiar with the Russian principles, procedures and methods of accounting and bookkeeping.

May 6, 2005

Signature

Vadim Balashov

Partner

Qualification certificate for general audit #K003303, renewed on April 14, 2003 for an unlimited term.

Round seal

Signature

Denis Slepov

Partner

Qualification certificate for general audit #K002634, renewed on January 31, 2003 for an unlimited term.