

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

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**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: 20/12 Podsosenski per., Building 1-1A, Moscow, 105062, Russia.

Certificate of making an entry into the Unified register of legal entities of a legal entity registered before July 1, 002, 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.

Licenses to carry out activities to be licensed.

Type of activity	License number	Issued by	Date of issue	Valid till
Provision of local and intra tariff band telephone service	24064	Ministry of the Russian Federation for Communication and Informatics	October 24, 2002	October 24, 2012
Provision of domestic long-distance and international telephone service	23250	Ministry of the Russian Federation for Communication and Informatics	November 14, 2002	November 14, 2007
Provision of telecommunications channels for lease	23247	Ministry of the Russian Federation for Communication and Informatics	November 14, 2002	November 14, 2007

Altogether 55 licenses.

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 marked with the words "Over the reporting period", statement of changes in equity for the period from January 1 through December 31, 2003, cash flow statement marked with the words "Over the reporting year", the annexes to the balance sheet in the part of financials in the period from January 1 through December 31, 2003, and the explanatory notes, notes 2,3,4,6-13 in the part of information referring to the period from January 1 through December 31, 2003 (henceforth the "Accounting reports"). 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 not audited comparable data for the period preceding the reporting period, presented in the profit and loss account, statement of changes in equity, Annexes to the balance sheet and explanatory notes, notes 2,3,4,6-13 in the part of information referring to the period from January 1 through December 31, 2002, which were prepared by JSC CenterTelecom taking into account organizations merged on November 30, 2002, according to the principles stated in Note 4 of the explanatory notes. Neither have we audited the data presented in Annex 1 to the Accounting reports for the period January 1 through December 31, 2001 and from January 1 through December 31, 2002 presented taking into the merged companies as if the reorganization had happened as on January 1, 2001.

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.

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 significance and disclosure of information on financial and business activities in the Accounting reports, assessment of principles and methods of bookkeeping and accounting, and rules for preparation of the Accounting reports, and significant estimated values reported to the management of the audited company, as well as assessment of 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.

As on December 31, 2003 provisions for doubtful accounts receivable is understated by the amount of RUR194,384 thousand, making necessary the following corrections in the Accounting reports: the figure in line 240 Accounts receivable (with payment expected within 12 months from the reporting date) (At the reporting period end) the balance sheet should be less by RUR194,384 and equal to RUR2,163,154 thousand; the figure in line 145 Deferred tax assets (at the reporting period end) of the balance sheet should be increased by RUR46,652 thousand and equal to RUR58,179; the figure in line 470 Undistributed profit (not covered loss) in the reporting year (At the reporting period end) should be decreased by RUR147,732 thousand and equal to RUR1,354,831 thousand; the figure in line 190 Net profit

(undistributed profit (loss) of the reporting period) (Over the the reporting period of the profit and loss account should be less by RUR147,732 and equal to RUR1,354,831.

In our opinion apart from corrections stated in the paragraph above, affecting the Accounting reports, accounting and bookkeeping with respect to preparation of the Accounting reports of JSC CenterTelecom in 2002 met requirements of the 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, 2003 and results of its financial and business activities over the period from January 1, 2003 through December 31, 2003 inclusively.

Without qualifications in our opinion we draw attention to the unaudited Note 5 of the explanatory notes, stating the excess of short-term liabilities of JSC CenterTelecom over current assets by RUR2,452,224 thousand as at December 31, 2003.

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 17, 2004

Signature

Alexander Svistich

Partner

Round seal

Signature

Mikhail G. Tabakov

Partner

Certificate of Qualification for general audit #K002747, renewed on February 28, 2003 for indefinite term