

To the 1-st question of the AGM's Agenda

JSC CenterTelecom
Auditor's report
on the accounts for 2002
April 2003

**AUDITOR'S OPINION
ON ACCOUNTS OF JSC CENTERTELECOM
OF AN INDEPENDENT AUDIT FIRM**

To the shareholders of JSC CenterTelecom

AUDITOR'S DETAILS:

Name: Private JSC (ZAO) Ernst&Young Vneshaudit

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

State registration: #033.468, series JIO-011903, issued by Moscow registration chamber on March 23, 2000.

License to carry out auditing activities including general and bank audit, and audit of insurance organizations, funds and exchanges, #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

Location: 23 Proletarskaya Street, Khimki, Moscow region, 141400, Russia

State registration: #127 of June 20, 1994 with 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 inside area code telephone service	24064	Ministry of the Russian Federation for Communication and Informatization	October 10, 2002	October 10, 2012
Provision of domestic long-distance and international telephone service	23250	Ministry of the Russian Federation for Communication and Informatization	November 11, 2002	November 11, 2007
Provision of telecommunications channels for lease	23247	Ministry of the Russian Federation for Communication and Informatization	November 11, 2002	November 11, 2007

Altogether 52 licenses.

1. We have conducted an audit of CenterTelecom's accounting reports for the period from January 1 through December 31, 2002 inclusively.
2. JSC CenterTelecom's accounting reports include the (consolidated) balance sheet marked with the words "As at the reporting period end taking into account data on the merged companies", profit and loss account marked with the words "Over the reporting period", statement of changes in equity, statement of cash flow, the annex to the balance sheet and the explanatory notes in the part, marked by the words "As at the reporting period end taking into account data on the merged companies" and "Over the reporting period". 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.
3. Audit of JSC CenterTelecom's balance sheet as at December 31, 2001 in the part marked by the words "As at the reporting period start" was conducted by another audit organization whose opinion regarding true and fair nature of JSC CenterTelecom's accounting reports for the year ended December 31, 2001 was expressed in a qualified auditor's opinion dated March 29, 2002. The opinion of that auditor contained reservations with respect to accounting for provision of telecommunications services by Lyuberetski telecommunications node, lack of provisions for doubtful accounts receivable and failure to reflect in accounts foreign currency translation adjustments with respect to the loan granted by Svyazinvest, which materially affected consistency and true and fair nature of the accounting reports.
4. 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.
5. The audit was planned and conducted in such a way as to obtain reasonable assurance that the accounting reports marked with the words "As at the reporting period end taking into account data on merged companies" and "Over the reporting period" 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 maintained in the accounting reports, assessment of principles and methods of bookkeeping and accounting, and rules for preparation of these reports, and significant estimated values reported to the management of the audited company, as well as assessment of general presentation of these accounting reports. We believe that the conducted audit provides sufficient basis to express our opinion regarding true and fair nature of the accounting reports identified above and about compliance of bookkeeping and accounting with applicable Russian laws.
6. In course of our audit we failed to obtain sufficient evidence with respect to accounting for operations related to sales of services by Lyuberetski telecommunications node of JSC CenterTelecom for the period from January 1, 2002 through September 30, 2002. JSC CenterTelecom had no information about sales amount and costs of the services rendered, as well as about amount of accounts receivable due from subscribers of Lyuberetski telecommunications node, as processing of international and long-distance telephone call records, billing and account settlements with subscribers of Lyuberetski telecommunications node of JSC CenterTelecom over the period from January 1, 2002 through September 30, 2002 were carried out by Private JSC Lyuberetski technical and production telecommunications node. Due to the foregoing we were unable to obtain information sufficient to form an opinion about credibility of amounts shown in line 010

“Revenues from sale of goods, products, works, services” and line 020 “Costs of sold goods, products, works, services” of the profit and loss account for 2002 and line 240 “Accounts receivable” of the balance sheet as at December 31, 2002 in the part related to sale of services by Lyuberetski telecommunications node over the period from January 1, 2002 through September 30, 2002.

7. In our opinion apart from adjustments (if any) that could have been proved necessary, if we had been able to check the circumstances described in paragraph 6 above, accounting and bookkeeping with respect to preparation of accounting reports marked by the words “As at the reporting period end taking into account data on merged companies” and “Over the reporting period” 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, 2002 and results of its financial and business activities over the period from January 1, 2002 through December 31, 2002.
8. As indicated in the unaudited Section 6 “Comparability of accounting reports”, JSC CenterTelecom underwent a re-organization on November 30, 2002 by way of merging into it a number of telecommunications companies of Russia’s Central and Central Black Soil areas. We have not audited the comparative financial statements or any part of them marked by the words “As at the reporting period start taking into account data on merged companies” and “Over the same period of the previous year taking into account data on the merged companies” and “Over the reporting period taking into account data on the merged companies”. These statements were included into the attached accounting reports exclusively for the purpose of comparable financial data presentation.
9. Without qualifications in our opinion we draw your attention to the fact that as at December 31, 2002 short-term liabilities of JSC CenterTelecom exceeded its current assets by RUR2,248,894 thousand, and to Section 4 “Analysis and evaluation of the balance sheet structure” of the explanatory notes where a description of the liquidity ratios and management plans to improve the liquidity qualities is given.
10. 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 Russia. Therefore, the attached financial statements are not intended for those not familiar with the Russian principles, procedures and methods of accounting and bookkeeping.

April 28, 2003

Dmitri E. Lobachev
Partner

Yaroslav A. Vershinin
Certificate of Qualification for general audit #034756
valid till December 28, 2003