



Appendix

RESOLUTION
of OJSC Rostelecom Audit Commission on the Results of a Review of the Company's
Financial and Economic Activity, the Company's Annual Financial Statements
and the Credibility of Data Contained in the Company's 2004 Annual Report
and the Company's 2004 Annual Financial Statements

March 31, 2005

Moscow

In accordance with the Company's Charter and the Regulations for the Audit Commission of the Open Joint Stock Company Rostelecom, the Company's Audit Commission composed of:

- Irina V. Prokofyeva;
- Konstantin V. Belyaev
- Evgueni A. Pelymski

the 2004 annual financial statements were reviewed.

Between March 21-31, 2005, there were reviewed the following aspects:

- the credibility of data contained in the 2004 annual report and financial statements;
- the procedure of bookkeeping and providing the 2004 financial statements.

General Information

Full Company Name: Open Joint Stock Company Long-Distance and International Telecommunications Rostelecom.

Legal Address: Delegatskaya Ulitsa, 5, 127091, Moscow.

Location: 1st Tverskaya-Yamskaya Ulitsa, 14, 125047, Moscow.

Date of State Registration: September 23, 1993.

State Registration Number: 021.833

Responsible for the Company's financial and economic activity during the period under review are the following people:

General Director Dmitry Ye. Yerokhin;

Chief Accountant Alexander A. Lutsky.

The Company's highest governing body is the General Shareholders' Meeting. Between the meetings the Company's highest governing body is the Board of Directors led by the Chairman. OJSC Rostelecom executive board is the Management Board chaired by the General Director.

This Review (Internal Audit) Established the Following:

The review aimed to examine on a selective basis the confirmations of numeric data and explanations contained in the financial statements.

The review established that the Company's economic activity complies with the provisions of the RF Civil Code, the RF Tax Code and other Russia's statutory acts.

The Company's financial position as of December 31, 2004, is characterized as stable. Key financial figures have sound values. For example, current assets to short-term liabilities ratio equals 2.4 to 1, which is treated as a sufficient value. Own current capital to total current capital ratio equals 0.718 (should be not less than 0.1). Own capital to total assets ratio reaches 72%. The major part (59%) of total assets is construed by non-current assets.

Ratio	Dec. 31, 2003	Dec. 31, 2004
Current liquidity ratio (should be not less than 2)	1.666	2.354
Own capital security ratio (should be not less than 0.1)	0.603	0.718
Liquidity recoverability ratio (should be more than 1)	0.970	1.147

Current liquidity ratio for the reporting period has increased from 1.4 to 2.4 (should be not less than 2). This ratio's trend stated above is a good example of the increased attractiveness of the Company's financial statements.

Ratio	Dec. 31, 2003	Dec. 31, 2004
Return on sales	30.17%	31.81%
Return on principal activity (cost efficiency)	43.20%	46.65%

Also the average value of the return on sales ratio characterizing the business efficiency, for the reporting period reached not less than 33%, and average value of the return on principal activity (cost efficiency) totaled 50%, which is considered to be the optimal values.

The Company is actively using the financial instruments, such as bonds, deposits, depositary certificates etc.

Turnover on financial investments in 2004:

Purchase – RUR 26,023,141,001.79;

Sale – RUR 24,339,351,902.92;

Position as of Dec.31, 2004 – RUR 9,303,519,840.09.

Average rates on financial investments in 2004:

Instruments	RUR	USD	EUR
Bonds	8.97 %	5.58 %	-
Deposits	9.02 %	7.00 %	5.70 %
Depositary certificates	10.90 %	-	-
Loans granted	10.00 %	-	-

The Company has established the regulations on the contract activity defining the clear procedure of expertise and discussion of the contracts to be signed by the Company. These regulations are generally obeyed, however, in some cases the execution of the set procedures takes up to 2-2.5 months and rarely – up to 6 months. Such lengthy procedure of contracts discussion decreases the efficiency of the management decisions and business activity.

Agreements with sub-contractors on construction and assembling projects have provisions on significant amounts for purchasing additional equipment and materials but not including specifications of such equipment and materials.

The Company is usually advancing sub-contractors on construction and assembling projects up to 50% of the total contract price what has material and prolonged negative effect on the Company's cash flow.

For the settlements for long-distance and international traffic the Company uses two automated settlement systems to provide data for the revision of traffic transit. After revision invoices are issued by operator using MS Excel that may result in mistakes in billing and it may cause the distortion of the financial statements.

The financial statements were prepared based on the Federal Law "On Bookkeeping" No. 129-FZ dated November 21, 1996 (with further amendments and additions), the Regulations for Bookkeeping and Financial Statements approved by the RF Finance Ministry's Order No. 34n dated July 29, 1998 (with further amendments and additions), by the RF Finance Ministry's Order "On Approval of the Regulations for Bookkeeping

“Corporate Financial Statements” No. 43n dated July 6, 1999 (the Regulations for Bookkeeping 4/99), by RF Finance Ministry’s Order “On Forms of Corporate Financial Statements” No. 67n dated July 22, 2003.

The Company’s Audit Commission did not detect serious violations of the set procedure for bookkeeping and preparing financial statements, which could have produced a significant effect on the credibility of financial statements.

Conclusion

Based on the results of a review of OJSC Rostelecom’s financial and economic activity in 2004 and the Company’s 2004 annual financial statements, the Audit Commission members have concluded that the Company has prepared its financial statements so that the Company’s assets and liabilities as of December 31, 2004 and the Company’s 2004 financial figures be credibly reflected based on the Federal Law “On Bookkeeping” No. 129-FZ dated November 21, 1996, and the RF Finance Ministry’s statutory acts (Order No. 34n dated July 29, 1998 /with further amendments and additions/, Order No. 43n dated July 6, 1999, and Order No. 67n dated July 22, 2003).

Irina V. Prokofyeva
Chairwoman, Audit Commission

Konstantin V. Belyaev
Member, Audit Commission

Evgueni A. Pelymski
Member, Audit Commission