

Audit Report

To Shareholders of OJSC Far Eastern Telecommunications Company

We have audited the enclosed financial (accounting) statements of OJSC Far Eastern Telecommunications Company (hereinafter “Company”) for the period from January 1st to December 31st 2007 inclusive.

The financial (accounting) statements on 78 pages consist of the following:

- Accounting Balance Sheet as of December 31st 2007;
- Loss and Profit Report for 2007;
- Appendixes to Balance Sheet and Loss and Profit Report, including
 - capital changes statement for 2007;
 - cash flow statement for 2007;
 - annexes to Balance Sheet;
- Explanatory Note.

Company executive body is responsible for accounting and preparation of the financial (accounting) statements). We are responsible for expressing our opinion on the reliability of the financial (accounting) statements in all the material aspects and accounting procedures compliance with Russian Federation legislation in all the material aspects, based on the audit performed.

We have performed audit in accordance with Federal Law “On Audit Activities” (as amended). Federal audit activity rules (standards), KPMG internal audit standards and rules and standards approved by Russian Audit Chamber and Russian Institute of Professional Accountants and Auditors.

The audit was planned and performed so as to achieve reasonable confidence that the financial (accounting) statements are free from material discrepancies. The audit was performed on a sample basis and included testing of evidences of the financial (accounting) statements figures and representation of information about business transactions, evaluation of accounting principles and rules observance in preparation of the financial (accounting) statements, examination of the key evaluation indices obtained by Company management, as well as evaluation of the financial (accounting) statements presentation. We believe that the audit performed provides sufficient grounds for expressing our opinion on the reliability of the financial (accounting) statements in all the material aspects and accounting procedures compliance with Russian Federation legislation in all the material aspects.

KPMG

OJSC Far Eastern Telecommunications Company
Audit Report
on 2007 financial (accounting) statements

In our opinion the financial (accounting) statements enclosed to the Audit Report reflects Company financial satiation reliably in all the material aspects as of December 31st 2007 and Company business transactions for the period from January 1st to December 31st 2007 inclusive; procedures for accounting in the Company followed for preparation of the financial (accounting) statements is in compliance with Russian Federation legislation in all the material aspects.

March 31st 2008

Shvetsov Andrey Viktorovich (signature)

Director

JSC KPMG

(Power of Attorney No. 182 dated October 2nd 2006),
qualification certificate for auditing activities, general audit,
No. K 019316, issued for an unlimited period of time

Seal: JSC KPMG * Moscow

State registration number 011585

Pereverzentsev Denis Gennadievich (signature)

Audit Team Leader

qualification certificate for auditing activities, general audit,
No. K 025632, issued for an unlimited period of time

BALANCE SHEET

as of	December 31 st 2007	All-Russia Classifier of Management Documentation Form 01	CODES
			0710001
Organization	OJSC Far East Telecommunications Company	Date (year, month, day)	01163193
Taxpayer identification number	2540014227	Russian National Nomenclature of Businesses and Organizations	2540014227
Type of activities	communications services rendering	Taxpayer identification number	05401364000
Form of incorporation / form of ownership	mixed	All-Russia Classifier of Economic Activities	49
Measurement unit:	thousand rubles	All-Russia Classifier of Forms of Incorporation / All-Russia Classifier of Forms of Ownership	384
Address:	57 Svetlanskaya St., Vladivostok 690950	All-Russia Classifier of Management Units	
			Approval date
			Forwarding (approval) date

ASSETS	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
I. CAPITAL ASSETS					
Intangible assets		110	110	65	104
Fixed assets		120	120	8 324 258	8 300 166
Capital investments		130	130	496 898	712 599
Income yielding investments into tangible assets		135	135	1 189	
Long-term financial investments including:		140	140	370 019	2 571 014
investments to subsidiary companies			141	252 698	2 564 460
investments to affiliated companies			142	369	39
investments to other organizations			143	53 827	6 421
other long-term financial investments			144	63 125	94
Deferred tax assets		145	145	115 837	160 951
Other capital assets		150	150	3 421 510	1 249 093
Total for section I		190	190	12 729 776	12 993 927

ASSETS	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
II. CURRENT ASSETS					
Stocks		210	210	412 683	375 600
including:					
raw stuff, materials, other similar values		211	211	351 868	334 690
expenses in incomplete production (distribution costs)		213	213	3 735	
finished products and goods for resale		214	214	6 668	3 103
shipped goods		215	215	679	1 077
prepaid expenses		216	216	49733	36 730
other stocks and expenses		217	217		
Value added tax on values purchased including		220	220	317 149	148 409
reimbursable more than 12 months after report date			221	125 258	46 636
reimbursable within 12 months after report date			222	191 891	101 773
Accounts receivable (payments expected more than 12 months after report date)		230	230	27 557	13 727
including:					
buyers and customers		231	231	283	43
advance money paid			232		
other debtors			233	27 274	13 684
Accounts receivable (payments expected within 12 months after report date)		240	240	1 164 100	1 290 106
including:					
buyers and customers		241	241	941 970	958 524
advance money paid			242	110341	84 613
other debtors			243	111 789	246 969
Short term financial investments		250	250	55 262	774 596
Cash assets		260	260	173 287	144 650
Other current assets		270	270	215	405
Total for section II		290	290	2 150 253	2 747 493
BALANCE (sum of lines 190+290)		300	300	14 880 029	15 741 420

LIABILITIES	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
III. CAPITAL AND RESERVES					
Authorized capital		410	410	2 535 006	2 535 006
Surplus capital		420	420	628 637	611 128
Reserve capital		430	430	126 751	126 751
Treasury shares purchased from shareholders		411	440		
Retained profit (uncovered loss) from previous years		470	460	2 524 355	2 392 081
Retained profit (loss) of report year		470	470	X	873 672
Total for section III		490	490	5 814 749	8 538 638
IV. LONG-TERM LIABILITIES					
Credits and loans		510	510	3 200 000	4 405 000
including:					
credits			511		1955 000
loans			512	3 200 000	2 450 000
Deferred tax liabilities		515	515	289 880	344 288
Other long-term liabilities		520	520	829 975	305 746
Total for section IV		590	590	4 319 855	5 055 036
V. SHORT-TERM LIABILITIES					
Credits and loans		610	610	2 278 919	1 782 424
including:					
credits			611		1 011 696
loans			612	2 278 919	770 728
Accounts payable		620	620	1 511 544	1583 491
including:					
suppliers and contractors		621	621	975 688	935 466
advance money received		625	622	263 590	261 052
indebtedness to company personnel		622	623	63 376	44825
indebtedness to governmental off-budget funds		623	624	30 221	29 067
taxes and fees payable		624	625	78 712	99 809
other creditors		625	626	79 957	213 252
Income payable to members (founder members)		630	630	24 088	34879
Deferred income		640	640	59 349	55 952
Provisions for liabilities and charges		650	650	331 459	336 516
Other short-term liabilities		660	660	540 066	354 484
Total for section V		690	690	4 745 425	4 147 746
BALANCE (sum of lines 490+590+690)		700	700	14 880 029	15 741 420

Statement of value charged on off-balance accounts

INDEX NAME	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
Rented fixed assets		910	901	308 364	411 727
including leased assets		911	911	120 558	120 558
Inventory items accepted for custody		920	902	8 417	10 112
Commodities accepted for commission		930	903	164	177
Written-off indebtedness of insolvent debtors		940	904	241 902	218 324
Liability and payment securities received		950	905	178 003	713 153
Liability and payment securities granted		960	906	947 218	3 354 937
Housing stock depreciation		970	907	17 438	13 628
Depreciation of outside improvement objects and other similar objects		980	908	1 055	47
Communications service payment terms			909	329 712	350 011

Statement of net assets value

INDEX NAME	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
Net assets			1000	5 874 098	6 594 590

General Director (signature) A.Yu. Kolpakov
(signature) (full name)

Chief Accountant (signature) E.V. Sidorova
(signature) (full name)

31.03.2008

Seal: Open Joint Stock Company
Far East Telecommunications Company
Vladivostok * TIN 2540014227

LOSS AND PROFIT REPORT

as of

All-Russia Classifier of Management
Documentation Form 02

Organization **OJSC Far East
Telecommunications Company**

Date (year, month, day)

Russian National Nomenclature of
Businesses and Organizations

Taxpayer identification number **2540014227**

Taxpayer identification number

Type of activities communications services rendering

All-Russia Classifier of Economic
Activities

Form of incorporation / form of
ownership mixed

All-Russia Classifier of Forms of
Incorporation / All-Russia Classifier of
Forms of Ownership

Measurement unit: **thousand rubles**

All-Russia Classifier of Management
Units

CODES
0710002
01163193
2540014227
05401364000
49
384

INDEX NAME	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
I. Income and expenses on ordinary types of activity					
Proceeds (net) from sale of goods, products, works, services (less value added tax, excise and similar mandatory payments)		010	010	11 203 165	10 290 802
including proceeds from sale of : communication services			011	10 611 865	9 652 257
Prime cost of goods, products, work and services sold		020	020	(8 299 113)	(7 707 640)
including: communications services			021	(8 092 981)	(7 436 071)
Profit (loss) from sale (lines 010-020)		050	050	2 904 052	2 583 162
II. OTHER REVENUES AND EXPENSES					
Interest receivable		060	060	75 649	89 489
Interest payable		070	070	(509 342)	(369 143)
Revenues from participation in other organizations		080	080	1 931	719
Other revenues		090	090	406 035	179 855
Other expenses		100	100	(1 430 061)	(1 196 588)
Profit (loss) before tax (line 050+060-070+080+090-100)		140	140	1 448 264	1 287 494
Expenses in profit tax (lines -151+/-152+/-153) including:			150	(574 592)	(526 760)
deferred tax liabilities		142	151	(60 898)	(88 278)
deferred tax assets		141	152	45 682	(13 627)
current profit tax		150	153	(553 038)	(424 855)
additional profit tax payments for previous tax (report) periods		151	154	(6 338)	
Net profit (loss) of report period (lines 140-150)		190	190	873 672	760 734
FOR REFERENCE					
Conditional income / income from income tax			201	(347 583)	(308 998)
Permanent tax liabilities		200	202	(271 567)	(233 723)
Permanent tax assets		200	203	44 558	15 961

INDEX NAME	Explanations	Index Code	Line Code	As of the beginning of report period	As of the end of report period
1	1a	2	2a	3	4
Base profit (loss) per share			301	8.24100	7.17600
Diluted profit (loss) per share			302		

* To be filled out in annual accounting statements

Interpretation of certain profits and losses

INDEX NAME	Index Code	Line Code	As of the beginning of report period		As of the end of report period	
			profit	loss	profit	loss
1	1a	2	3	4	5	6
Fines, penalties and forfeits admitted or for which court (arbitration court) decisions have been received for collection		401	701	(410)	3 988	(1 615)
Profit (loss) of previous years		402	69 318	(87 444)	43 101	(55 203)
Reimbursement of losses caused by nonfulfillment of improper fulfillment of obligations		403	3 374	(4 310)	5 752	(1 138)
Foreign exchange difference in foreign currency operations		404	4 185	(4 045)	10 432	(877)
Deductions to allowances		405	4 077			(123 535)
Writing-off accounts receivable and accounts payable		406	4 190	(1 562)	4 585	(7 072)

General Director (signature) A.Yu. Kolpakov
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