

CONCLUSION
of the audit commission
on annual statements of Central Telecommunication Company Open Joint-Stock Company
(CenterTelecom OJSC)
for the year 2007

Moscow

April 21, 2008

The audit commission of CenterTelecom OJSC elected by the General Meeting of Shareholders on June 18, 2007 consisting of:

Commission Chairperson O.G. Koroleva

Commission Members P.V. Burmistrova, E.A. Nechaev, I.P. Pavlov, S.V. Podosinov, M.V. Tretiyakov, N.V. Uzlova,

guided by the powers as defined by the Federal Law “On Joint-Stock Companies”, the Charter of CenterTelecom OJSC and Regulations on Audit Commission has inspected the financial and economic activity of the Company in 2007.

The audit of the annual statements of the Company for the fiscal year from January 1 to December 31, 2007 was performed according to the decision of the Audit Commission of CenterTelecom OJSC (Minutes No. 3 dated March 3, 2008) during the period from March 5, 2008 to April 11, 2008.

The analysis was carried out on the basis of documents, registers of the accounting and tax account, registers and the comments given by the management of the Company. The analysis included studying of the disclosure in the financial (accounting) statements of the information on financial and economic activity, an estimation of principles and book-keeping methods as well as rules of preparation of the financial (accounting) statements and annual report.

The Audit Commission used sampling methods of audit of certain operations.

Brief Information on the Company

Full company name: Central Telecommunication Company Open Joint-Stock Company

Legal address: 23 Proletarskaya Street, Khimki, Moscow Region, 141400.

Address of location of the executive body: 6 Degtyarny Lane, Building 2, GSP-3, 125993 Moscow.

Information on registration: the Company was registered by Order of Moscow Region Governor No 567-p dated June 9, 1994, State Registration Certificate No. 127 dated June 20, 1994.

According to the Federal Law On Registration of Legal Entities the Company was registered in the Uniform State Register of Legal Entities on 1 November, 2002, registration number 1025006174710.

Persons responsible for book-keeping and preparation of the Company’s accounting statements in the period under review are as follows:

- General Director – V.A. Martirosyan
- Chief Accountant – A.D. Kartashov

The Company’s supreme management body is the General Meeting of Shareholders, in the intervals between meetings – the Board of Directors presided over by the Chairman. The Collegial Executive Body of CenterTelecom OJSC – the Management Board.

Major Financial and Economic Indicators of the Company's Activity for the Year 2007

No	Indicator	Unit	2007	2006
1.	Proceeds from the sale of goods, works, services	million RUR	32 409	28 395
2.	Including communication services	million RUR	30 821	26 637
3.	Prime cost of goods (works, services) sold	million RUR	23 969	21 209
4.	Including communication services	million RUR	23 123	20 395
5.	Profit on sales	million RUR	8 440	7 186
6.	Profit before tax	million RUR	5 346	3 370
7.	Net profit	million RUR	3 635	2 048
8.	OIBDA	million RUR	12 274	10 953
9.	Operating margin (profitability of sales)	%	26.06	25.31
10.	Profitability on profit on sales	%	35.21	33.88
11.	Prime cost of 100 RUR in proceeds.	RUR	73.96	74.69
12.	OIBDA share in proceeds	%	37.87	38.58
13.	Proceeds per employee	thousand RUR.	635.2	478.4
14.	Financial independence ratio	-	0.43	0.36
15.	Long-term borrowings ration	-	0.45	0.54
16.	Intermediate coverage ratio	-	0.52	0.59
17.	Current liquidity ratio	-	0.69	0.83
18.	Current assets support by own working capital ratio	-	-0.44	-0.21
19.	Average receivables redemption time	days	36.9	34.0
20.	Payables redemption time	days	74.1	81.3
21.	Return on equity by net profit	%	19.33	12.56

Accounting Statements

Book-keeping in the Company is organized according to the requirements to book-keeping in the Russian Federation set out in the regulatory legal instruments and conducted on the basis of the Registration Policy confirmed by Order of the Director General of the Company No. 755 dated December 29, 2006 (amended by Order No. 609 dated October 31, 2007).

The accounting statements for 2007 are prepared in the terms established by the Federal Law "On Book-Keeping", in the scope of Balance Sheet, Profit and Loss Report, Appendices to them, an schedule on the basis of the reports presented under confirmed forms by branches of the Company.

Audit commission during audit of financial and economic activity of the Company for 2007 has not established essential infringements in observance of requirements of the legislation of the Russian Federation and essential distortions at reflexion of financial and economic operations.

The accounting statements of the Company allows to generate the full and objective information on financial and economic activity of the Company and its results, necessary for an operative management and control, as well as use by investors, creditors, state bodies and other interested organizations and persons.

Economic Activity Essential Facts

The Company applies the Code of Corporate Conduct in accordance with which the corporate procedures are followed.

General rules stipulated by the Code are implemented by the Company on the basis of its provisions and the rules of current legislation including secondary regulatory legal instruments, its (Company's) Charter and internal documents (Regulations on the procedure of the General Meeting of Shareholders, Regulations on the Board of Directors, Regulations on the Management Board, Regulations on the Committees of the Board of Directors, Regulations on the Information Policy of the Company, Regulations on the procedure (system) of internal control).

The Company has formed the system of management and control bodies which efficient activity can ensure normal development of the Company and the interests of its shareholders. The Board of Directors, the Committees of the Board of Directors (Committee for Personnel and Remuneration, Corporate Governance Committee, Strategic Development Committee, Audit Committee headed by independent members of the Board of Directors) are established, the Corporate Secretary is appointed and the statutes governing their work are adopted.

The Audit Commission found no gross violations of the Code requirements, current legislation, Charter and internal documents during the Company's activity.

In compliance with Clause 25 and Clause 14.4 of Article 14 of the Charter V.A. Martirosyan was appointed Director General by the decision of Board of Directors from June 8, 2007 till July 30, 2009. The employment agreement with Director General is confirmed by the Board of Directors at the same meeting.

In compliance with Clause 27 and Clause 14.4 of Article 14 of the Charter on July 26, 2007 the Board of Directors forms the membership of the Management Board of 11 persons with the powers valid till August 1, 2008.

In 2007, the Company did not close major transactions (as defined by the Federal Law "On Joint-Stock Companies").

Transactions, in which there is interest, were closed by the Company in 2007 many times. The Company did not allow rough infringements of the established order of their fulfilment, enabling to recognize such transactions void.

Disclosing of the information on the securities market was carried out by the Company according to the order provided by Regulations on disclosing of the information by emitters of equity securities approved by Order of the Federal Service for Financial Markets of the Russian Federation No. 05-5/ПЗ-Н dated March 16, 2005 (in force till February 2, 2007) and No. 06-117/ПЗ-Н dated October 10, 2006. No facts of rough infringements of the given order have been revealed.

In 2007, the Company rendered universal communication services which resulted in profit of 17 thousand rubles. Losses of the Company caused by provision of universal communication services and proved by the auditor made 63,992 thousand rubles in 2007. Reimbursement of expenses was received from the universal servicing reserve in the amount of 36,873 thousand rubles, including 172 thousand rubles for 2006 and 36,701 thousand rubles for the 9 months of 2007.

Internal Control System

The Audit Committee of the Board of Directors operates according to the Company's Charter, the Code of Corporate Conduct, and Regulations on Audit Committee of the Board of Directors. The Audit Committee of the Board of Directors carries out functions of the internal control by means of preliminary consideration and preparation of recommendations to the Board of Directors concerning the financial statements, external independent audit, internal audit, procedures of the internal control, and also the risks connected with completeness of disclosing of the information.

The department of internal audit inspects the efficiency of operating internal control procedures according to regulations. Results of checks are presented to Audit Commission at least once in a quarter.

Conclusion

The results of control procedures enable the Audit Commission to make the following conclusion:

- Decisions pertaining to the financial and economic activity were adopted in 2007 by the Management Board and the Company's Board of Directors according to the effective legislation and the Company's Charter.
- The accounting statements for 2007 adequately reflect every essential aspect of the financial situation at the Company and results of its financial and economic activity in the period from January 1 to December 31, 2007 ,
- The key provisions of the annual report presented by the Company which must be reflected under the current legislation contain true information,

Audit Commission Chairperson
CenterTelecom OJSC

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