



## Appendix

### **RESOLUTION of the Audit Commission of OJSC Rostelecom 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 2005 Annual Report and the Company's 2005 Annual Financial Statements**

April 17, 2006

Moscow

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

- Gennady I. Kovalenko and
- Svetlana P. Sinadskaya

reviewed the 2005 annual financial statements.

Between March 30, 2006, and April 6, 2006, the Audit Commission reviewed:

- the credibility of data contained in the 2005 annual report and financial statements;
- the compliance of legislation by the Company in operating and financial activities.

#### **General Information**

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

Location: 5, Delegatskaya Ulitsa, 127091, Moscow.

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

Date of State Registration: September 23, 1993.

State Registration Number: 021.833

Officers 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 main governing body is the General Shareholders' Meeting. Between the meetings of Rostelecom's shareholders the Company is governed by 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 was aimed to examine on a selective basis the confirmations of numeric data and notes 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, 2005, is characterized as stable. Key financial figures have sound values. For example, current assets to short-term liabilities ratio equals as 3.1 to 1, which is treated as a sufficient value. Own current capital to total current capital ratio equals 0.669 (should be not less than 0.1). Own capital to total assets ratio reaches 70%. The major part (57%) of total assets is construed by non-current assets.

<b>Ratio</b>	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2005</b>
Current liquidity ratio (should be not less than 2)	2.194	3.088
Own current capital to total current capital ratio (should be not less than 0.1)	0.531	0.669
Liquidity recoverability ratio (should be more than 1)	1.563	1.823

Current liquidity ratio for the reporting period increased by 32.2% from 2.2 to 3.09 (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.

<b>Ratio</b>	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2005</b>
Return on sales	31.81%	29.69%
Return of core activities (cost efficiency)	46.65%	42.22%

Compared to 2004 the return on sales ratio that reflects the business efficiency, for the reporting period decreased by 2.2 percentage points, and the return of core activities (cost efficiency) fell by 4.4 percentage points.

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

Turnover on financial investments in 2005:

Purchase – RUR 31,362,376,632.66;

Sale – RUR 27,794,913,721.84;

As of December 31, 2005 the Company's position totaled to– RUR 16,567,999,974.44.

Average rates on financial investments in 2005:

<b>Instruments</b>	<b>RUR</b>	<b>USD</b>	<b>EUR</b>
Bonds	9,41%	5,00%	4,00%
Deposits	9,06%	7,00%	5,53%
Depositary certificates	9,46%	-	-

The financial statements were prepared in compliance with 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 any serious violations of the stated procedure for bookkeeping and preparing financial statements, which could have produced a material effect on the credibility of the financial statements.

### **Conclusion**

Based on the results of the review of OJSC Rostelecom's financial and economic activity in 2005 and the Company's 2005 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, 2005 and the Company's 2005 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).

Gennady I. Kovalenko  
Chairman, Audit Commission

Svetlana P. Sinadskaya  
Member, Audit Commission