

ABCD

To the Shareholders of  
Public Joint –Stock Company  
**"Southern Telecommunications Company"**

**Auditors' Report**  
on the financial (accounting) statements of  
Public Joint –Stock Company  
"Southern Telecommunications Company"  
For the period from January 1, 2007 to December 31, 2007

### INFORMATION ON THE AUDITOR

<b>Name:</b>	Closed Joint –Stock Company «KPMG»
<b>Location (legal address):</b>	Office 3035, 18/1, Olimpiyskiy Prospect, Moscow, 129110
<b>Mailing address:</b>	Building “Bashnya na Naberezhnoy”, block “C”, 18, Krasnopresnenskaya Naberezhnaya, Moscow, 123317
<b>State registration:</b>	Registered by the Moscow Registration Chamber. Certificate № 011.585 of May 25, 1992.  Entry № 1027700125628 in the Single State Register of Legal Entities was made by Moscow Inter-regional Tax Inspection № 39 on August 13, 2002. Certificate series 77 № 005721432.
<b>License:</b>	For auditing № E 003330 issued by Order No. 9 of the Ministry of Finance of the Russian Federation of January 17, 2003. Period of the license validity was extended till January 17, 2013.
<b>Membership in the accredited professional association of auditors</b>	Member of the Audit Chamber of the Russian Federation  Member of the Russian Institute of Professional Accountants and Auditors

## **Information on the audited party**

**Name:** Public Joint –Stock Company "Southern Telecommunications Company"

**Location  
(legal address):** 66, Karasunskaya Str., Krasnodar, 350000

**Mailing address:** 66, Karasunskaya Str., Krasnodar, 350000

**State registration:** Certificate of making an entry in the Single State Register of Legal Entities on legal entities registered before 1<sup>st</sup> July 2002:  
date of making an entry: August, 2 2002  
number of the certificate: series 23 № 003062350  
registered by the Krasnodar City Administration on May 20, 1994 № 186-p under the Basic State Registration Number: 1022301172112

## **AUDITORS' REPORT**

To the shareholders of Public Joint –Stock Company "Southern Telecommunications Company"

We have audited the accompanying financial (accounting) statements of Public Joint – Stock Company "Southern Telecommunications Company" (hereinafter referred to as "the Company") for the period from January 1, 2007 to December 31, 2007 inclusive.

83 pages of the attached financial (accounting) statements comprise:

- Balance Sheet as of December 31, 2007;
- Income Statement for 2007;
- Appendices to Balance Sheet and Income Statement including:
  - Capital Movement Statement for 2007;
  - Cash Flow Statement for 2007;
  - Appendix to Balance Sheet;
- Explanatory note.

Book-keeping, preparation and presentation of these financial (accounting) statements is the responsibility of the Company's executive body. Our responsibility is to express an opinion on reliability, in all material aspects, of the financial (accounting) statements and conformity, in all material aspects, of the accounting principles used with the applicable legislation of the Russian Federation, based on our audit.

We conducted our audit in accordance with the Federal Law "On Auditing" (amended and restated), federal rules (standards) of audit activities, KPMG internal standards on audit as well as Auditing Rules and Standards approved by the Audit Chamber of the Russian Federation and the Russian Institute of Professional Accountants and Auditors..

We planned and performed the audit to obtain reasonable assurance about whether the financial (accounting) statements are free of material misstatements. The audit was performed on a sample basis and included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Company's management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion on reliability, in all material aspects, of the financial statements, and on compliance, in all material aspects, of the bookkeeping procedure with the laws of the Russian Federation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and the results

ABCD

of its operations for the period from January 1, 2007 to December 31, 2007 inclusive. The bookkeeping procedure related to preparing the financial statements comply, in all material respects, with the requirements of the Russia law.

March 31, 2008

Shvetsov Andrey Viktorovich

Director

CJSC "KPMG" (Power of Attorney № 182 of October 2, 2006)

Perevezentsev Denis Gennadievich

Head of the audit,

Qualification Certificate in General Auditing No. 025632  
for unlimited time period