

Recommendations
to the General Shareholders' Meeting reflecting reasoned position of UTK's Board of Directors in relation to voting on each agenda item of the annual General Shareholders' Meeting.

1. On the agenda item of the General Shareholders' Meeting: Approval of annual report, annual financial accounts including income statement and distribution of profits and losses on the basis of the reported fiscal year 2005 financial results.

According to the Company's financial reporting assets value as of 31.12.2005 made 43,468.5 million rubles. Net assets decreased by 126.7 million rubles to 12,883.4 million rubles. Authorized capital of the Company was 1,297.8 million rubles. 2005 net profit was 305.2 thousand rubles.

In the opinion of the members of the Auditing Commission of "UTK" PJSC based on the results of the audit of the financial and business activity of "Southern Telecommunications Company" PJSC for 2005 financial statements of "Southern Telecommunications Company" PJSC reliably present, in all material aspects assets and liabilities of "Southern Telecommunications Company" PJSC as of 31.12.2005 and its financial results for 2005 and have been prepared in accordance with the requirements of the Federal law № 129-FZ of 21.11.96 «On Accounting» and statutory acts of the Ministry of Finance of the Russian Federation.

According to the Auditor's opinion, in 2005 the bookkeeping procedure related to preparing the Financial accounts of "Southern Telecommunications Company" PJSC complied in all material respects with the requirements of Federal Law "On Accounting" No. 129-FZ of November 21, 1996, and the above accounts prepared in compliance with the said Law reliably present, in all material respects the financial standing of "Southern Telecommunications Company" PJSC as of December 31, 2005 and its financial results for the period from January 1, 2005 till December 31, 2005 inclusive, in accordance with the requirements of the Russia laws on bookkeeping procedure.

Having considered this item, the Board of Directors of "UTK" PJSC recommends

to approve annual report, annual financial accounts including income statement and distribution of profits and losses on the basis of the reported fiscal year 2005 financial results.

2. On the agenda item of the General Shareholders' Meeting: Approval of 2005 dividend size, its payment form, schedule and procedure under each category of shares

According to the Charter of the Company, the Provisions on Dividend Policy of "UTK" PJSC 10 % of net profit should be allocated to dividend payment under preference shares.

According to the Charter of the Company, the Provisions on Dividend Policy of "UTK" PJSC at least 10 % of net profit should be allocated to dividend payment under ordinary shares.

Therefore, the Board of Directors recommends to the General Shareholders' Meeting to take the decision:

To pay the following dividend for the fiscal year 2005:

a) preference share dividend amounting to 0. 031395 rubles per one share. The dividend should be paid in cash prior to 25 August 2006;

б) ordinary share dividend amounting to 0. 01031 rubles per one share. The dividend should be paid in cash prior to 15 December 2006.

To determine the following procedure for payment of dividends to the persons included in the list of persons entitled to receive dividends, made up according to the data in the register of shareholders of the Company as of May 11, 2006:

- transfer to bank accounts of shareholders (shareholders shall bear expenses related to the dividends to be received by them);
- postal order (shareholders shall bear postal expenses related to the dividends to be received by them);
- cash payment in the Company's pay-offices (only to the Company's employees).

3. On the agenda item of the General Shareholders' Meeting: Election of the members to the Company's Board of Directors.

On March 3 2006r. the Board of directors considered the question on nomination of candidates to the Board of directors of the Company (Minutes № 27).

The Board of Directors took a decision to include the following persons in the list of candidates to be voted for election to the Board of Directors of the Company:

№	Full name of the candidate	Place of employment and position held
1.	Antonyuk Boris Dmitrievich	Deputy Minister for Information Technologies and Communications of the Russian Federation
2.	Borisova Olga Sergeevna	Back office specialist of Moscow representative office of "Prosperity Capital Management Ltd."
3.	Branis Alexander Markovich	Director, Head of Moscow representative office of "Prosperity Capital Management Ltd."
4.	Brylkov Vladislav Viktorovich	First Deputy Director General of CJSC "Leader"
5.	Vasilyev Mikhail Borisovich	Head of Saint Petersburg representative office of "NCH Advisors Inc."
6.	Veremianina Valentina Fyodorovna	Deputy Director of the Legal department of "Svyazinvest" OJSC
7.	Vinkov Andrey Aleksandrovich	Reviewer of ANO "Magazine "Expert"
8.	Gavrilenko Anatoliy Anatolievich	General Director of "Leader" CJSC (Pension fund assets management company)
9.	Yenin Evgeny Petrovich	General Director of IK "Russkiy Monolit"
10.	Zabuzova Elena Viktorovna	Director of Economic Planning and Budgeting Department of "Svyazinvest" OJSC
11.	Kokin Andrey Anatolievich	Deputy Director General – Director for business development of "Leader" CJSC (Pension fund assets management company)
12.	Kuznetsov Sergey Ivanovich	First Deputy Director General of "Svyazinvest" OJSC
13.	Kulikov Denis Viktorovich	Expert of Investor protection association
14.	Logovinsky Evgeny Ilyich	Deputy Director General for Economics and finance of "Leader" CJSC (Pension fund assets management company)
15.	Lain Olga Vladimirovna	Unit investment trust assets management specialist of Moscow representative office of Prosperity Capital Management Ltd.
16.	Mazalov Ivan Nikolaevich	Director of Moscow representative office of Prosperity Capital Management Ltd.
17.	Panchenko Stanislav Nikolaevich	Deputy Director General of "Svyazinvest" OJSC
18.	Punina Ekaterina Aleksandrovna	Chief specialist of the methodology and information section of Corporate Governance Department of "Svyazinvest" OJSC»
19.	Romsky Georgy Alekseevich	General Director of "UTK" PJSC
20.	Selvich Elena Petrovna	Director of Finance department of "Svyazinvest" OJSC
21.	Sokolenko Yuliana Yurievna	Deputy Director of Information Department, head of IR section of "Svyazinvest" OJSC
22.	Tushunov Dmitry Yurievich	Chief economist of "Leader" CJSC (Pension fund assets management company)
23.	Fyodorov Oleg Romanovich	Executive Director of CJSC "United Financial Group"
24.	Filkin Roman Alekseevich	Director of Moscow representative office of Prosperity Capital Management Ltd.

25.	Yuriev Vladimir Pavlovich	Head of Economy, Finance and Public Property Board of Federal Communication Agency
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According to item 13.2. of article 13 of the Charter of the Company the Board of director shall consist of 11 person to be elected at annual General Shareholders' Meeting by cumulative voting.

Thus, 11 persons out of 25 proposed candidates should be elected to the Board of Directors .

Biographic data of the proposed candidates to the Board of directors of "UTK" PJSC is enclosed.

4. On the agenda item of the General Shareholders' Meeting: **Election of the members to the Company's Auditing Commission.**

On March 3 2006г. the Board of directors considered the question on nomination of candidates to the Auditing Commission of the Company (Minutes № 27).

The Board of Directors took a decision to include the following persons in the list of candidates to be voted for election to the Auditing Commission of the Company:

№	Full name of the candidate	Place of employment and position held
1.	Alla Albertovna Ganeeva	Head of the section of telecommunication networks of "Svyazinvest" OJSC
2.	Tatiana Yurievna Zubova	Deputy head of the methodology section of Accounting Department of "Svyazinvest" OJSC
3.	Dmitry Anatolievich Loshakov	Chief specialist of the investment projects section of Economic Planning and Budgeting Department of "Svyazinvest" OJSC
4.	Igor Nikolaevich Repin	Deputy Executive Director of Investor Protection Association
5.	Natalia Vadimovna Feoktistova	Head of the section of analysis and improvement of the legislation of Legal Department of "Svyazinvest" OJSC
6.	Kirill Viktorovich Frolov	Deputy Director - head of the section of Internal Audit Department of "Svyazinvest" OJSC
7.	Alexander Viktorovich Shevchuk	Expert of Investor Protection Association

According to item 17.2. of article 17 of the Charter of the Company the Auditing Commission shall consist of 5 person to.

Thus, 5 persons out of 7 proposed candidates should be elected to the Auditing Commission .

Biographic data of the proposed candidates to the Auditing Commission of "UTK" PJSC is enclosed.

5. On the agenda item of the General Shareholders' Meeting: Approval of the Company's Auditor for the year 2006.

The Board of Directors suggests to consider LLC "Ernst and Young" as a probable auditor of the Company for 2006. LLC "Ernst and Young" acted as the Company's Auditor in 2005.

"Ernst and Young" is one of four largest international auditing companies having great experience in the sphere of audit of telecommunication companies both in Russia and abroad. The company has been present in the telecommunications market for more than 25 years.

Experts of this company is highly qualified in the sphere of international audit as well as have deep knowledge of specific character of telecom sector, tendencies and factors of local markets and their main participants.

Taking into account the above mentioned facts and positive cooperation experience with this auditing company, the Board of Directors recommends to approve "Ernst and Young" LLC as the Company's Auditor for 2006.

6. On the agenda item of the General Shareholders' Meeting: Determination of the size of annual remuneration to be paid to the members of the Board of Directors.

In accordance with the Statute on the Board of Directors the size of remuneration payable to the members of the Board of Directors shall be determined at the General Shareholders' Meeting at which they were elected. As the agenda of the General Shareholders' Meeting includes the item on election of the members to the Board of Directors of the Company, the size of their remuneration shall also be determined.

"UTK" PJSC annual General Shareholders' Meeting held on June 25, 2003 rated the annual remuneration for the entire body of the Board of Directors of the Company as 0.4 % of the Company's net profit for the reporting year in accordance with the accounting reports of the Company.

Pursuant to item 7.4 of Article 7 of the Statute of the Board of Directors annual remuneration for the entire body of the Board of Directors of the Company shall be rated as a sum of:

percentage of the Company's EBITDA for the reported year as per the Company's financial statements in accordance with IAS;

percentage of the Company's net profit allocated to dividend payment according to the financial results of the reporting year;

Therefore, the Board of Directors recommends

to approve the following rates of deductions for calculation of the annual remuneration payable to the members of the Board of Directors to be elected by the annual General Shareholders' Meeting:

0.26% of the Company's EBITDA stated in the Company's 2006 financial statements in accordance with IFRS;

0.78% of the Company's net profit allocated to dividend payment according to 2006 financial results

7. On the agenda item of the General Shareholders' Meeting: Introduction of amendments and additions to the Company's Charter

In order to improve corporate governance practice and comply with effective rules and regulations, the Board of Directors recommend to the General Shareholders' Meeting to introduce the following amendments and additions into the Company's Charter:

№	Charter article	Proposed wording	Grounds for introduction of amendment and additions
1.	Article.5, item.5.4	5.4. The Company's branches and representative offices shall operate in accordance with the Provisions thereon to be approved by the Board of Directors. The Board of Directors shall	Additions are introduced in order to define concretely the terms of reference of the Management Board (paragraph 18 item 14.4

№	Charter article	Proposed wording	Grounds for introduction of amendment and additions
		<p>adopt resolutions on establishment of branches, representative offices and on their liquidation.</p> <p>Branches of the Company have multilevel structure including structural subdivisions situated outside registered location addresses of the branches indicated in item 5.2 hereof.</p> <p>Heads of branch establishments and representative offices shall be nominated and relieved of their posts by the Company's General Director by preliminary agreement with the Board of Directors. Heads of branches and representative offices shall act on behalf of the Company on the basis of the Power of Attorney.</p> <p>By resolution of the Management Board a collegiate executive body of the branch can be set up for organizing the execution of decisions of the Company's bodies and acting on the basis of the Provisions approved by the Management Board of the Company.</p>	of the Charter).
2.	Article.7, item.7.12	7.12. Shareholders – owners of the Company's ordinary shares shall have other obligations as provided for by the current legislation of the Russian Federation and this Charter	Item 7.12 should be amended to comply with the Federal law №7-FZ of 05.01.2006 (paragraph.3, 4 Article 1 №7-FZ).
3.	Article.8, item.____	8.11. Shareholders – owners of the Company's preference shares shall have other obligations as provided for by the current legislation of the Russian Federation and this Charter	This information should be concluded in the Charter to comply with the Federal law №7-FZ of 05.01.2006 (paragraphs3, 4 Article 1 №7-FZ).
4.	Article.12, item.12.2, paragraph.22	To be deleted	paragraph 22) of item 12.2 should be deleted to comply with the Federal law №7-FZ of 05.01.2006 (paragraph 3, 4 Article 1 №7-FZ).
5.	Article.13, item.13.4, paragraph.17	17) recommendations on the amount of remuneration and compensation to be paid to the members of the Company's Auditing Commission, approval of the terms of the Agreement with the Company's Auditor on audit services and determination of the fee payable for audit services	The terms of reference of the Board of Directors are to be defined more exactly with regard to regulation of relationship with the Company's Auditor
6.	Article.13, item.13.4, paragraph.18	approval of the Provisions on structural subdivision of the Company performing the functions of internal control as well as consideration of other issues, decisions on which shall be taken by the Board of Directors in accordance with the Provisions on the indicated subdivision	The terms of reference of the Board of Directors are to be defined more exactly with regard to approval of the relieving of the head of the structural subdivision performing internal control functions of his/her post
7.	Article.13, item.13.4, paragraph.22	22) determination (change) of functional blocks of the Company's organizational structure and of the main functions of subdivisions incorporated in the functional blocks of the Company's organizational structure (except for structures of the Company's branches and representative offices)	The terms of reference of the Board of Directors are to be defined more exactly
8.	Article.13, item.13.4, paragraph.24	24) preliminary agreement on the candidates to the posts of directors of branches, representative offices, structural subdivision of the Company performing internal control functions and relieving the indicated directors of their posts at the Company's initiative	The terms of reference of the Board of Directors are to be defined more exactly with regard to approval of the relieving of directors of branches and representative offices of their posts.
9.	Article.13, item.13.4, paragraph.28	28) forming a collegiate executive body (Management Board), determination of its term of office as well as appointment of the members of the Management Board and early termination of their authority	The terms of reference of the Board of Directors are to be defined more exactly with regard to appointment of the members of the Management Board
10.	Article.13 item.13.4, paragraph.____	<p>Paragraph 41 of item 13.4 of Article 13 of the Charter "41) other matters provided for by the Federal Law "On Joint Stock Companies" and the present Charter" shall be considered paragraph 46 of item 13.4 of Article 13 of the Charter "46) other matters provided for by the Federal Law "On Joint Stock Companies" and the present Charter"; the following paragraph shall be added to item 13.4 of Article 13 of the Charter:</p> <p>42) preliminary agreement on engagement on a paid basis of outsider experts in the</p>	<p>Editorial correction</p> <p>The terms of reference of the Board of Directors are to be defined more exactly. The amendments bring them to</p>

№	Charter article	Proposed wording	Grounds for introduction of amendment and additions
		audit performed by the Auditing Commission of the Company	defined more exactly. The amendments bring them to conformity with item 5.4 Article 5 of the Auditing Commission of the Company.
11.	Article.13 item.13.4, paragraph.__	43) determination of payment procedure and other material conditions of engagement on a paid basis of outsider experts in the audit performed by the Auditing Commission	The terms of reference of the Board of Directors are to be defined more exactly. The amendments bring them to conformity with item 5.4 Article 5 of the Auditing Commission of the Company.
12.	Article.13, item.13.4 paragraph.__	44) approval of sale and purchase contracts on the Company's bonds except for the transactions approved by General Shareholders' Meetings and the Board of Directors of the Company on other grounds stipulated by the Federal law "On Joint –Stock Companies" and this Charter	The terms of reference of the Board of Directors are to be defined more exactly.
13.	Article.13, item.13.4 paragraph.__	46) determination of corporate social responsibility policy of the Company and its branches.	The terms of reference of the Board of Directors were defined more exactly.
14.	Article.13, item.13.6	<p>13.6. Resolutions on matters described under paragraphs 7, 9, 20 of item 13.4 of this Charter shall be passed by a solid vote by all the members of the Board of Directors, except for the votes of retiring members of the Board of Directors.</p> <p>Where a solid vote of the Board of Directors on matters provided under paragraph 2 of item 13.4 of this Charter cannot be reached, this matter may, by decision of the Board of Directors, be introduced for resolution by the General Shareholders Meeting. In this case, a decision shall be passed by a majority of votes of holders of the Company's voting shares attending the meeting.</p> <p>Resolution on matters described under paragraph 21 of item 13.4 hereof shall be passed by a majority of votes of independent directors not interested in effecting the transaction.</p> <p>Should all the members of the Company's Board of Directors be recognized as the related parties and (or) are not independent directors, the transaction can be approved by resolution of the General Meeting of the Shareholders by a majority of votes of all holders of voting shares not interested in the transaction</p>	<p>Voting procedure was defined more precisely in accordance with item.3 Article. 2 FZ of 27.12.2005 № 194-FZ of 27.12.2005</p> <p>The wording of the item should be defined more exactly</p>
15.	Article.13, item.__	<p>13.8. When submitting the issue stipulated by paragraph 19 of item 13.4 of the present Charter to the Board of Directors for taking decision, the price of property (works, services) to be acquired or disposed shall be compared to balance sheet value of the Company's assets:</p> <ul style="list-style-type: none"> - when acquiring property – acquisition price including VAT and other indirect taxes and duties; - when disposing or possibility of disposing property – price of disposal of property excluding VAT and other indirect taxes and duties, determined by the parties of the transaction, or balance sheet value of the property, depending on what value is larger 	Procedure for determination of the price of acquired or disposed property should be defined more exactly.
16.	Article.14, item.14.4, paragraph.5	5) Preparing materials and draft resolutions on the matters to be considered by the Company's Board of Directors, except for the issues specified in paragraphs 24, 26, 27, 28, 31, 32, 33 of item 13.4 of Article 13 of this Charter and those submitted for consideration in accordance with the legislation of the Russian Federation and the Company Charter with indication of the fixed time of their consideration by the Board of Directors making impossible their preliminary examination by the Company's Management Board;	Interaction procedure between the Management Board and the Board of Directors should be defined more exactly in accordance with the existing practice.

№	Charter article	Proposed wording	Grounds for introduction of amendment and additions
		preparation of materials to be considered by the Committees of the Board of Directors	
17.	Article.14, item.14.4, paragraph.13	13) preliminary approval of the candidates to be appointed deputy directors, chief accountants of branches and representative offices as well as relieving the aforesaid persons of their positions at the Company's initiative	The terms of reference of the Management Board are to be defined more exactly with regard to approval of the relieving of the specified persons of their post.
18.	Article.14, item.14.4, paragraph.18	18) determination (change) of the Company's organizational structure including determination of the main functions of structural subdivisions (except for structures and functions of the Company's representative offices and branches' structural subdivisions situated not at the branches' location addresses)	The terms of reference of the Management Board are to be defined more exactly.
19.	Article.14, item.14.4 paragraph.	19) determination of the Company's corporate ethics rules	The terms of reference of the Management Board are to be defined more exactly.
20.	Article.14 item.14.4 paragraph.	20) formation of the Company's advisory collegiate body – Coordinating Council, appointment of the members of the Coordinating Council and release them of their duties	The terms of reference of the Management Board are to be defined more exactly.
21.	Article.14, item.14.5	14.5. The Management Board can also take decisions on other matters of the Company's current business by assignment of the Board of Directors, proposals of the BoD Committees or by presentation of the General Director of the Company	Interaction procedure between the Management Board and the Board of Directors' Committees should be defined more exactly in accordance with the existing practice.
22.	Article.14, item.14.6	14.6. The procedure of calling and holding of the Management Board meetings, the procedure of decision-making by the Management Board shall be established in the Statute on the Company's Management Board to be approved by the General Shareholders Meeting of the Company	Field of the Company's by-laws is to be defined more precisely in accordance with the existing practice
23.	Article.14, item.14.7	14.7. Rights, obligations and responsibility of the members of the Management Board shall be defined in the agreement to be signed between each of them and the Company. Terms of the agreement should entitle a member of the Management Board to receive compensation of documented expenses associated with discharge of his/her duties as a member of the Management Board as well as to receive remuneration, which size and payment procedure shall be determined by the Company's by-law approved by the Board of Directors. The Company's General Director shall sign the contract on behalf of the Company...»;	Procedure of execution of relationship between the Management Board and the field of the Company's by-laws should be defined more exactly in accordance with the existing practice..
24.	Article.19, item.____	19.4. Should a decision on liquidation of the Company as a legal entity without transfer of its functions to other organizations been taken, the Company shall take measures on protection of the information being a state secret and its carriers. The Company shall inform in writing the body which issued the license for the works related to information being a state secret on the liquidation of the Company	The additions are to be introduced in accordance with the requirements of the Russia Federal Security Service (Instructions №8/JI3/4-790 of 27.03.2002).
25.	paragraph 5.2.9 item 5.2 Article 5	5.2.9. Branch "Electrosvyaz" of Stavropol Territory" with registered location address at 10/12, Oktyabrskoi Revolutsii pr., Stavropol, 355 035	Simplification of the branch's name

8. On the agenda item of the General Shareholders' Meeting: Introduction of amendments and additions to the Company's Regulations on the procedure for conducting a General Shareholders' Meeting

In order to improve corporate governance practice the Board of Directors recommend to the General Shareholders' Meeting to introduce the following amendments and additions into the Company's Regulations on the procedure for holding a General Shareholders' Meeting :

№	Regulations article	Proposed wording	Grounds for introduction of amendment and additions
1.	Article.6 item 6.2	<p>6.2. Issues in the terms of reference of the General Shareholders' Meeting, for voting on which the voters' groups are determined separately, include:</p> <ol style="list-style-type: none"> 1) election of the members of the Auditing Commission and early termination of their powers; 2) approval of related-party transactions; 3) reorganization of the Company; 4) liquidation of the Company, appointment of the liquidation commission and approval of intermediate and final liquidation balance sheets; <p>introduction of amendments and additions to the Company's Charter restricting the rights of shareholders- holders of the preferred stock of a certain type including the cases of determining or increasing the size of the dividend and (or) determining or increasing the liquidation value to be paid under preferred stock of the previous priority as well as granting priority in payment of dividends and (or) liquidation value of the shares to the shareholders – holders of other types of preferred stock.</p>	Paragraph 3 in the current edition «absolving a person who has acquired independently or jointly with his affiliated persons 30 (thirty) and more percent of the Company's registered common shares from the obligation to acquire shares from other Company's shareholders” is to be removed due to coming into force of Federal Law №7-FZ of 05.01.2006. (paragraphs 3, 4 of article 1 №7-FZ).
2.	Article.6, item.6.3	<p>6.3. Shareholders of the Company – holders of the shares granting the voting right on all the issues within the competence of the General Shareholders' Meeting except for the members of the Board of Directors of the Company or the persons holding posts in the governing bodies of the Company shall have the right to vote on the issue specified in paragraph 1 of item 6.2. herein.</p> <p>Shareholders of the Company – holders of the shares, granting the voting right on all the issues within the competence of the General Shareholders' Meeting, who are not interested in making the transaction, shall have the right to vote on the issue specified in paragraph 2 of item 6.2. herein.</p> <p>Shareholders of the Company – holders of ordinary shares of the Company and holders of preferred shares of any type shall have the right to vote at the General Shareholders' Meeting on the issues specified in paragraphs 3, 4 of item 6.2. herein.</p> <p>Shareholders of the Company – holders of the shares granting the voting right on all the issues within the competence of the General Shareholders' Meeting and holders of preferred shares of the Company of each type , the rights for which are restricted, shall have the right to vote on the issue specified in paragraph 5 of item 6.2. herein .</p>	Structure of voting shareholders at a General Shareholders' Meeting should be changed due to coming into force of Federal Law №7-FZ of 05.01.2006. (paragraphs 3, 4 of article 1 №7-FZ).
3	Article.7, item.7.4	7.4. The Corporate Secretary of the Company shall act as the Secretary of a General Shareholders' Meeting .	These amendments should be introduced due to appointment of the Company's Corporate Secretary (minutes of the Board of

№	Regulations article	Proposed wording	Grounds for introduction of amendment and additions
4	Article.7, item.7.5	<p>7.5. The Secretary of the General Shareholders' Meeting shall:</p> <ul style="list-style-type: none"> - inform the participants of the General Shareholders' Meeting on the procedures for its conducting, take steps to resolve conflicts arising in connection with preparation and holding of the General Shareholders' Meeting; - keep minutes of General Shareholders' Meetings; - inform the persons included in the list of persons entitled to participate in the General Shareholders' Meeting on the voting results at the General Shareholders' Meeting; <p>Pursuant to the Provisions on the Corporate Secretary and Office of the Corporate Secretary, the Corporate Secretary of the Company shall perform all the abovementioned functions of the Secretary of the General Shareholders' Meeting as well as other functions relating to preparation and holding of General Shareholders' Meetings</p>	Directors №30 of 25.03.2005), stipulated by the Charter and Corporate Governance Code of "UTK" PJSC

9. On the agenda item of the General Shareholders' Meeting: Introduction of amendments and additions to the Company's Statute on the Board of Directors.

In order to improve corporate governance practice the Board of Directors recommend to the General Shareholders' Meeting to introduce the following amendments and additions into the Statute on the Board of Directors of "Southern Telecommunications Company" PJSC:

№	Statute article	Proposed wording	Grounds for introduction of amendment and additions
1.	Article5	<p>5. Ensuring the Board of Directors activity</p> <p>5.1. The Corporate Secretary of the Company shall ensure the work of the Board of Directors. Functions of the Corporate Secretary on ensuring the work of the Board of Directors are determined in the Provisions on the Corporate Secretary and Office of the Corporate Secretary.</p> <p>5.2. Should the Corporate Secretary be absent, the work of the Board of Directors is ensured by another person appointed by the Board of Directors for the period of absence of the Corporate Secretary .</p>	These amendments should be introduced due to appointment of the Company's Corporate Secretary (minutes of the Board of Directors №30 of 25.03.2005), stipulated by the Charter and Corporate Governance Code of "UTK" PJSC
2.	paragraph 1 item.6.11 Article6	6.11. Minutes shall be kept at the meeting of the Board of Directors	
3.	paragraph 10 item.6.11 Article6	The Minutes of the Board of Directors meeting shall be signed by the Chairman of the meeting and the Corporate Secretary of the Company.	
4.	paragraph 14 item. 6.11 Article6	extracts from minutes of the Board of Directors meetings shall be given and signed by the Corporate Secretary and bear the stamp of the Company..	This paragraph should be added to the Article in order to define more exactly the procedure for giving and executing extracts from minutes of the Board of Directors.
5.	Paragraph 2 of item 6.8 of Article 6	Should the submitted written opinion contain a proposal of draft resolution differing substantially from that initially put to the vote, the Secretary of the Board of Directors shall before drawing-up the minutes acquaint other members of the Board of Directors with the said	The words “Secretary of the Board of Directors” shall be substituted for the words “the Corporate Secretary”

№	Statute article	Proposed wording	Grounds for introduction of amendment and additions
		opinion, proposing to express their views on it by voting, in writing or other way convenient for them (including by post, cable, telex, telephone, e-mail or otherwise).	
6.	paragraph 2 item. 7.1 Article7	7.1. Members of the Board of Directors of the Company shall receive remuneration related to discharge of their duties as the members of the Board of Directors. The Company shall bear other expenses associated with the work of the Board of Directors . Among other, the Company shall compensate documented expenses incurred by the members of the Board of Directors in connection with discharge of their duties	The Statute should fix this procedure in accordance with the existing order for holding sessions of the Board of Directors in order to reduce taxation risks
7.	item. 7.8 Article7	7.8. Members of the Board of Directors being civil agents shall not receive remuneration and bonuses set forth in Article 7 of the Statute, except for the cases stipulated by the federal laws	This item should be added to the Statute in order to comply with the requirements of Federal law № 79-FZ of 27.07.2004 "On Civil Service in the Russian Federation " (Article 17)

10. On the agenda item of the General Shareholders' Meeting: **Introduction of amendments and additions to the Company's Statute on the Management Board**

In order to improve corporate governance practice the Board of Directors recommend to the General Shareholders' Meeting to introduce the following amendments and additions into the Statute on the Company's Management Board :

№	Statute article	Proposed wording	Grounds for introduction of amendment and additions
1.	item..5.10, paragraph.. 7	extracts from minutes of the Management Board meetings shall be given and signed by the Secretary of the Management Board of the Company.	This item should be added in order to define more exactly the procedure for giving and executing extracts from minutes of the Management Board of "UTK" PJSC
2.	item..6.3	Members of the Management Board shall have the right to take part in optional programs realized by the Company.	The wording is to be changed to remove a misprint (editorial correction)

11. On the agenda item of the General Shareholders' Meeting: **Introduction of amendments and additions to the Company's Provisions on the Auditing Commission**

In order to improve corporate governance practice the Board of Directors recommend to the General Shareholders' Meeting to introduce the following amendments and additions into the Provisions on the Auditing Commission of "UTK" PJSC:

№	Provisions article	Proposed wording	Grounds for introduction of amendment and additions
1.	Item .3.2 article 3	3.2. The Auditing Commission shall be entitled to demand convocation of meetings of the Management Board, Board of Directors, Extraordinary General Shareholders' Meeting in order to resolve the issues being within the competence of the said governing bodies of the Company; The Auditing Commission of the Company shall be entitled to submit any question for consideration to the Audit Committee of the Board of Directors being within the terms of reference of the given Committee.	These additions should be introduced to state the right of the Auditing Commission to submit any question for consideration to the Audit Committee of the Board of Directors being within the terms of reference of the given Committee. (in compliance with the current Provisions on the Audit Committee).

№	Provisions article	Proposed wording	Grounds for introduction of amendment and additions
		Procedure for convoking meetings of the Management Board, Board of Directors, Extraordinary General Shareholders' Meeting at the request or demand of the Auditing Commission shall be determined by the active legislations, the Company's Charter and the Provisions on the respective governing body of the Company. Should the procedure be not determined, the meeting shall be held within a reasonable period of time after the date of request or demand.	
2.	Item.3.6 article 3	3.6. The Auditing Commission shall be entitled to engage outside experts (individuals or legal entities) in audits in order stipulated by item.5.4. hereof.	The procedure for engaging outsider specialists in the work of the Auditing Commission of "UTK" PJSC should be defined more precisely.
3.	Item.4.1.4 article 4	4.1.4. to perform obligatory audit of the Company's economic and financial operations on the results of the activity of the Company for a year and to present their opinion to the Board of Directors of the Company no later than 14 business days before the date of preliminary approval of the Company's annual report by the Board of Directors.	Date of presenting the report of the Auditing Commission should be brought to conformity with item 6.5 of the Statute on the Board of Directors of "UTK" PJSC.
4.	Item.5.1.3 article 5	To be deleted.	This item should be deleted in order to eliminate the contradiction in the voting procedure for election of the Chairman of the Auditing Commission set forth in paragraph 5.1.1 of article 5 of the Provisions on the Auditing Commission.
5.	Item.5.1.4 article 5	Item 5.1.4 of Article 5 of the Provisions shall be considered item 5.1.3 and shall be stated as follows: 5.1.3. Chairman of the Auditing Commission shall arrange the work of the Auditing Commission, convoke meetings of the Auditing Commission and preside there, organize keeping minutes at the meetings.	Functions of the Chairman of the Auditing Commission should be defined more exactly. The wording of the first paragraph has been made the same as in the Statute on the Board of Directors . The second paragraph has been deleted because it provided for obligatory execution of the Chairman's instructions and taking decision on the necessity of the audit at the session of the Auditing Commission. The third paragraph has been deleted, since item 5.5.4 stipulates statement of the opinion in written form by the members of the Auditing Commission, not agreeing to the conclusions contained in the report.
6.	Item.5.2.4 article 5	5.2.4. Minutes shall be kept at the meetings of the Auditing Commission. Should the Chairman and/or the Secretary of the Auditing Commission be absent, their substitutes at the meeting shall be appointed by the majority of votes of the members of the Auditing Commission attending the meeting. The Minutes shall be signed by the Chairman of the meeting.	Arrangement procedure for conducting sessions of the Auditing Commission should be defined more precisely. The Minutes shall be signed by the Chairman of the meeting
7.	Item.5.4.1 article 5	5.4.1. The Board of Directors as well as any member of the Auditing Commission shall be entitled to apply to the Chairman of the Auditing Commission at any time with a proposal on engaging outside experts in the audit. The resolution on engaging outside experts shall be approved at the meeting of the Auditing Commission.	The terms of reference of the Auditing Commission with regard to engagement of outsider experts in audits should be defined more exactly
8.	Item.5.4.2 article 5	5.4.2. If outside experts can be employed on a paid basis only, this shall be done upon preliminary agreement with the Board of Directors of the Company. In its decision, the Board of Directors shall establish the payment method and other important terms of the participation of independent specialists in an audit carried out by the Auditing Commission.	The contract with an outside expert should be concluded by the General Director on behalf of the Company. The item should include obligations of engaged experts not to disclose certain information.

№	Provisions article	Proposed wording	Grounds for introduction of amendment and additions
		<p>The engaged experts shall be obliged not to disclose confidential information (to keep a trade secret) known by them during audit.</p> <p>The contract with an outside expert shall be concluded by the General Director on behalf of the Company on the conditions determined by the Board of Directors.</p>	
9	Item.5.5.5 article 5	<p>5.5.5. The Report shall be made up no later than 10 days from the last date of the audit.</p> <p>Within five days from making up the Report of the Auditing Commission, it shall be presented to the Board of Directors, General Director of the Company as well as to the initiator of the audit.</p>	Date and procedure for making up and presentation of the report of the Auditing Commission should be defined more exactly.
10	Item.5.5.6 article 5	To be deleted.	Editorial correction.. This item duplicates item 5.5.5 of Article 5 of the provisions on the Auditing Commission of the Company.
11	Item.5.5.7 article 5	To be deleted.	Editorial correction.. This item duplicates item 5.5.5 of Article 5 of the provisions on the Auditing Commission of the Company.
12	Item.6.2 article 6	6.2. Reports of the Auditing Commission shall be retained at the seat of the Company's executive body	The item should be brought to conformity with Article 89 of the Federal law «On Joint –Stock Companies»
13	Item. 7.3 article 7	7.3 In addition to expenses stipulated in paragraphs 7.1., 7.2 hereof the Company bears other expenses associated with the work of the Auditing Commission. Among other, the Company shall compensate documented expenses incurred by the members of the Auditing Commission in connection with discharge of their duties.	This amendment should be introduced in accordance with the existing order for holding sessions of the Auditing Commission in order to reduce taxation risks.
14	Last paragraph of Item.7.4 article 7	Remuneration for the quarter in which the Auditing Commission has been re-elected or some members of the Auditing Commission have been removed from its structure in order stipulated in item 8 hereof shall be paid to a member of the Auditing Commission in proportion to the time worked in the quarter.	The amendment should be made to define more precisely the procedure of remuneration payable to the members of the Auditing Commission who have been removed from its structure, in accordance with article.8 of the provisions on the Auditing Commission.
15	Item.9.2 article 9	<p>To be deleted</p> <p>items 9.3, 9.4 of the Provisions shall be considered items 9.2, 9.3 respectively</p>	The item should be deleted as pursuant to the Company's Charter the issue on making amendments and additions into internal documents of the Company is to be presented to a General Shareholders' Meeting at the initiative of the Board of Directors only.