

May 15, 2007

Krasnodar

LETTER TO SHAREHOLDERS ON REORGANIZATION

Dear shareholder of Public Joint –Stock Company "Southern Telecommunications Company"!

Board of Directors and Management of Public Joint –Stock Company "Southern Telecommunications Company" hereby inform you of the Company's proposed **reorganization through merger of OJSC "Kuzminov Stavtelecom" into "Southern Telecommunications Company" PJSC.**

At the session held on **May 15, 2007, the Board of Directors** of "Southern Telecommunications Company" PJSC took a decision to include the item on the reorganization into the agenda of the Annual General Shareholders' Meeting, thus approving expediency and conditions of the merger.

So the item on the reorganization is submitted for consideration and final approval at the forthcoming **annual General Shareholders' Meeting** to be held on **June 26, 2007.**

It is certainly important for you to know the goals of the reorganization and its benefits for shareholders. We believe it necessary for taking a reasoned decision when voting at the forthcoming annual General Shareholders' Meeting of "Southern Telecommunications Company" PJSC. We hope that the information presented herein will help you to take the decision.

We would like to emphasize some important aspects of the proposed corporate reconstruction:

- The reorganization is an accession of the subsidiary company "Kuzminov Stavtelecom" OJSC, which is 100% owned by "Southern Telecommunications Company" PJSC, with "UTK" PJSC.
- Your interests will not be infringed when voting at the AGM as holders of both ordinary and preferred shares will have equal rights when voting on the agenda item dealing with the reorganization.
- There is no need to convert shares and to increase UTK's authorized capital.
- Property of the subsidiary «Kuzminov Stavtelecom" OJSC will pass into ownership of "Southern Telecommunications Company" PJSC.
- Equipped capacity of "Southern Telecommunications Company" PJSC will increase by 10 thousand lines.
- "UTK" PJSC will increase its revenues from the merged business.
- The form of a merger will allow it to avoid taxes.
- "Southern Telecommunications Company" PJSC will enhance its investment appeal.

The main goal of the proposed corporate reconstruction is to increase value and liquidity of UTK's share capital.

In addition to equity value growth, the Company is expected to gain a number of advantages for its production and economic activities such as:

- unified technical, technological and marketing policy;
- growing capabilities of strategic planning and priority programs' development in the long term;
- increase in management efficiency;
- increase in debt service capacity due to cash flows consolidation;
- concentration of resources on priority directions, and others.

"Svyazinvest" OJSC and some principal shareholders have already expressed their positive attitude towards the proposed corporate reconstruction.

The Company's reorganization to be approved, no less than 75% of shareholders participating in the annual General Shareholders' Meeting of "Southern Telecommunications Company" PJSC shall vote in favor of it.

Your vote is very important for approval of the proposed corporate reconstruction. So we kindly ask you to take an active part in the voting at the forthcoming annual General Shareholders' Meeting. We hope that you share our opinion on key goals and benefits of the corporate reconstruction for you and for the Company and that you will vote in favor of the reorganization.

Yours sincerely,

S.N. Panchenko
Chairman of the Board of Directors
of "Southern Telecommunications Company" PJSC

A. V. Andreev
General Director
of "Southern Telecommunications Company" PJSC