

**PUBLIC JOINT-STOCK COMPANY
“SOUTHERN
TELECOMMUNICATIONS
COMPANY”**

**OCCUPIES LEADERSHIP POSITION IN
THE TELECOMMUNICATIONS
MARKET OF THE SOUTH OF RUSSIA**

November, 2006

Disclaimer

Certain statements of this presentation are “forward-looking statements”. By their very nature, forward-looking statements involve inherent risks, uncertainties and other factors which could cause actual results to differ materially from the results stated in this presentation.

Such risks include the possibility that the economic and financial environment in which the Company operates may change affecting its development prospects. There are also risks related to possible changes in political and economic conditions in Russia, changes in the Russian legislation, changes in the current or future regulation of the Russia telecommunications sector as well as the effects of competition and other factors.

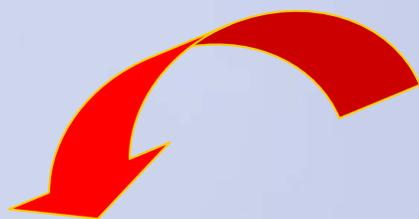
Most of the abovementioned factors cannot be controlled or predicted by the Company. Therefore, we do not recommend to rely unreasonably on any statements of this presentation containing forecasts of future events.

The Company does not undertake any obligation to publicly update or revise any information of this presentation whether to reflect events or circumstances which took place after the date of the presentation or to specify unforeseen events that took place, except as maybe required by the Russian federal laws on securities.

Compactness and high economic potential of UTK's licensed territory

Southern federal district (apart from Dagestan, Ingush and Chechen Republics)

- UTK's licensed territory - 520 ths sq km
- Population – 18.499 mln people
- Telephone penetration – 24.9 basic telephone sets per 100 inhabitants
- Well-developed business sector – 475 ths enterprises (+17%)
- Industrial output – RUR 567 bln (+28%)
- Volume of foreign investments – USD 689 mln (+3.5%)



Volgograd

Rostov-on-Don

Astrakhan

Krasnodar

Elista

Maikop

Stavropol

Nalchik

Cherkessk

Vladikavkaz

General information

The Company renders the following services:

- Local (urban and rural telephony)
- Internet and data transmission
- Intelligent services
- Construction of VPN
- Cable TV
- Documentary services
- Services of Call centers

Financial highlights

Description	2005 (IFRS)	2005 (RAS)	9 months 2006 (RAS)
Revenue, RUR bln	18.77	18.13	12.87
EBITDA, RUR bln	5.2	5.42	5.44
Revenues from value-added services, RUR bln	1.40	1.48	1.29

Operational highlights

Description	2005	9 months 2006
Total installed capacity, million lines	4.25	4.29
Digitization rate, total, % including:	62.31	64.2
Urban TN, %	66.9	68.83
Rural TN, %	47.8	49.7
Staff number, ths people	37.7	35.5

Commercial highlights

Market share:

- local telephony – 91%
- zonal telephony – 38%*
- value-added services – 52%

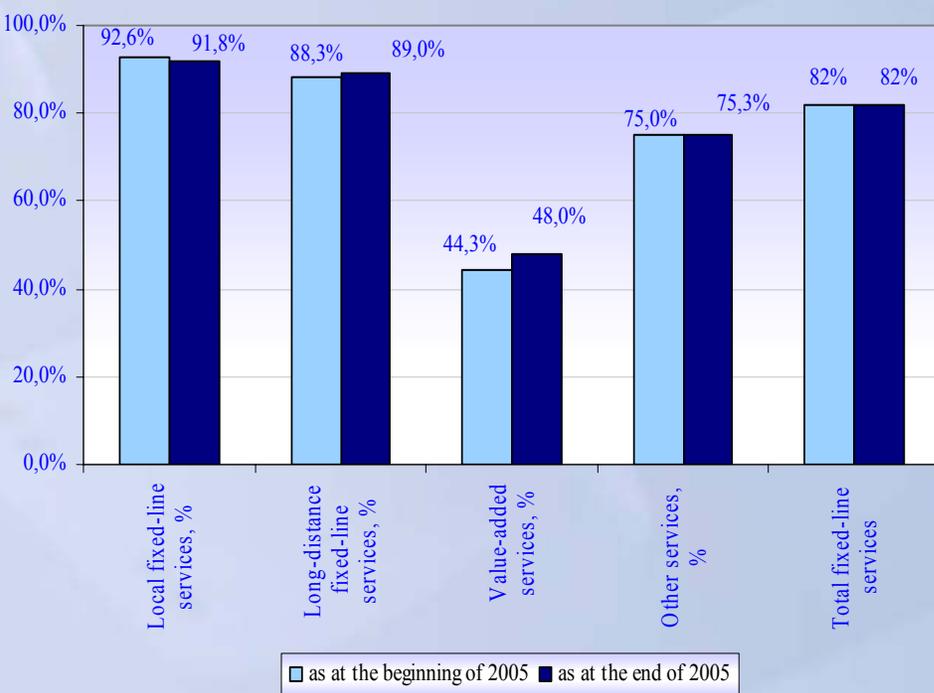
Fixed-line market share – 61%*

UTK's share in the SFD telecommunications market – 28%*

*c taking into consideration introduction of new settlement system with Rostelecom and other long-distance operators

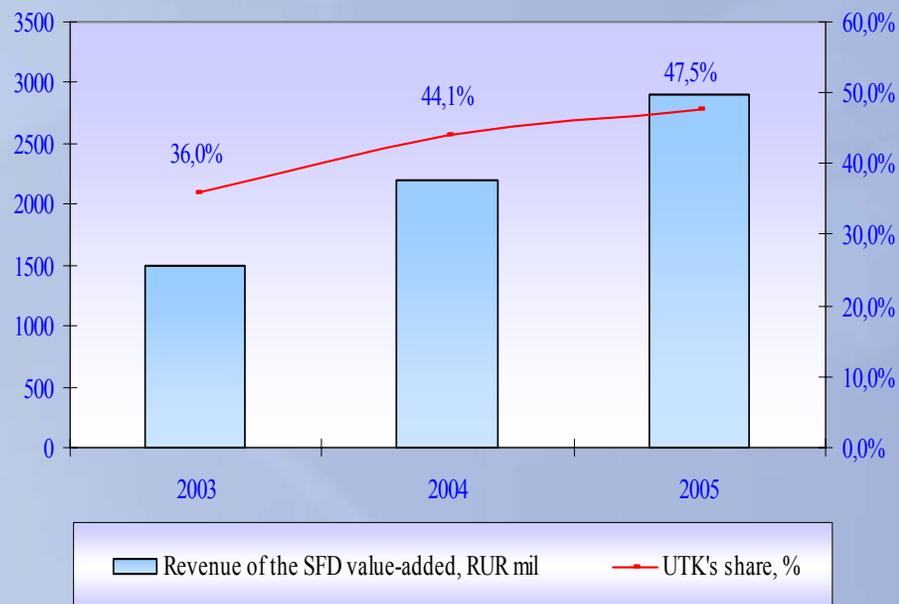
UTK occupies a leading position in the Southern Russia telecommunications market

2005 market share for fixed-line services*



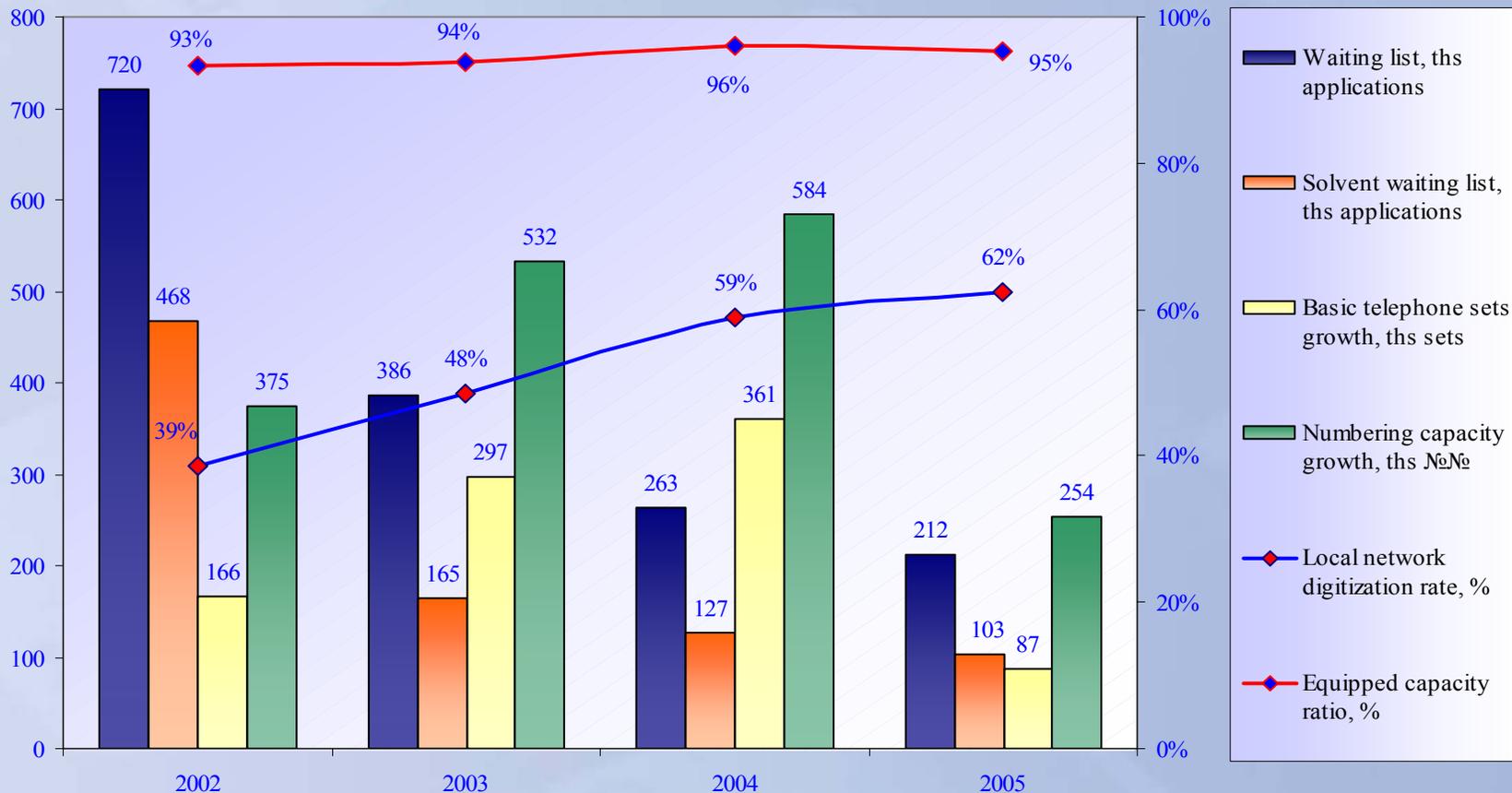
- Maintaining the Company's positions in all segments of the fixed-line market

- Leadership in the value-added market



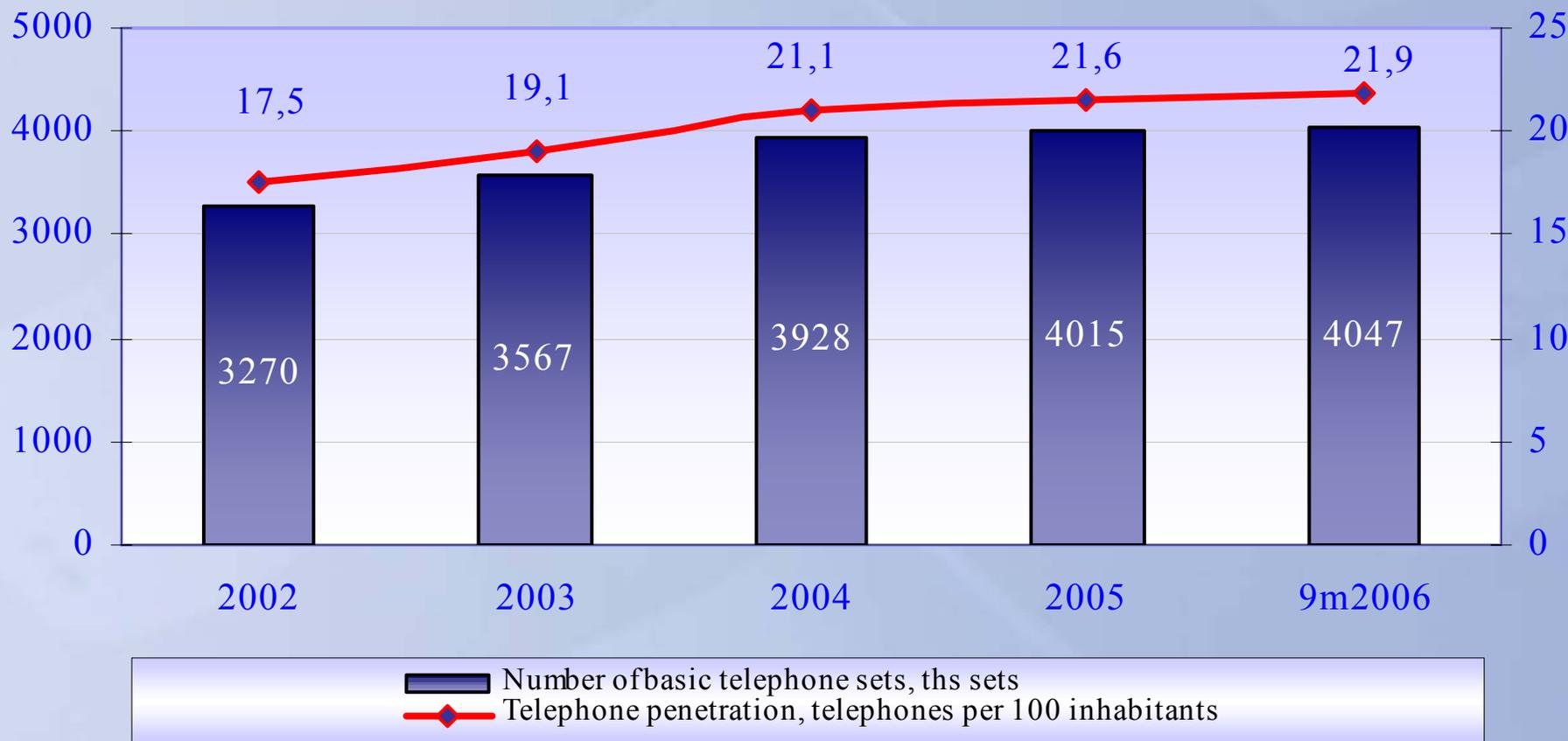
* Sources: Federal Statistics Service (as at the beginning of 2005), "UTK" PJSC (as at the end of 2005)

Local Network Development



9 months of 2006: waiting list, the applications – **174.6**, increase in number of basic telephone sets, the sets – **31.9**, local network digitization rate – **64.2%**, equipped capacity ratio - **94.92%**

Enlargement of the Company's subscriber base contributes to revenue growth from all types of telecom services



Development of New Technologies

Internet traffic, mln minutes



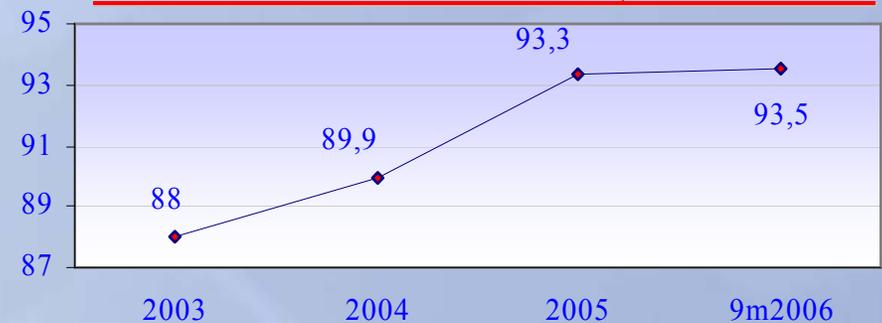
Number of xDSL subscribers, users



Internet traffic, Tbytes



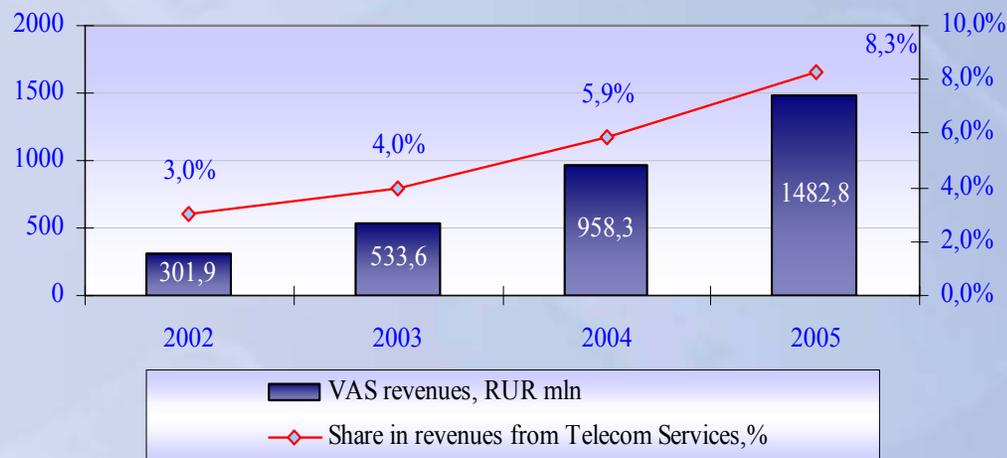
Number of cable TV subscribers, ths subscribers



Number of VPN ports, ports



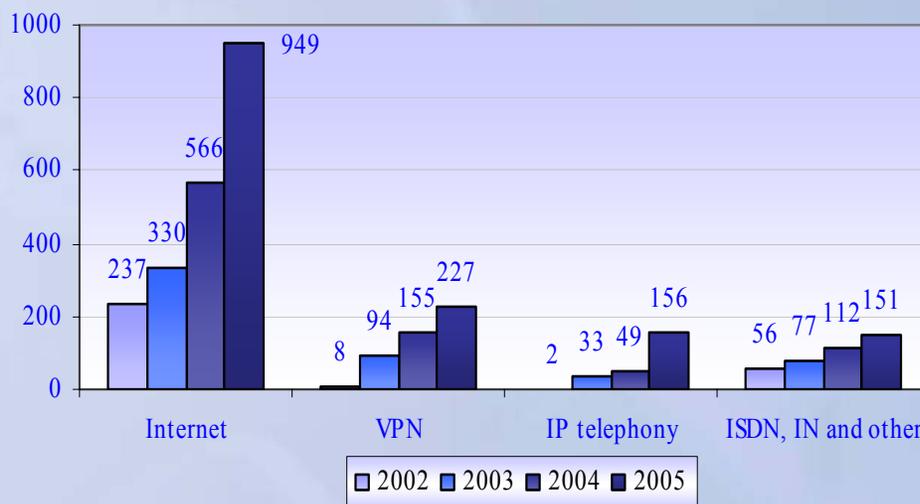
Strong revenue growth from value-added services



9 months 2006

Revenues from value-added services
 – **1,292.5 mln rubles**
 Share in revenues from Telecom
 Services –
10.7%

Breakdown of revenues from value-added services, RUR mln



9 months 2006

Internet – **1,044.7 million rubles**
 VPN – **235.2 mln rubles**

The highest growth rate in
 Telecom Services revenue
 structure

Main Trends of UTK's Strategy

Technical Policy:

- ✓ Construction and development of ADSL2+-based broadband access networks and multi-service access nodes MSAN, development of Triple Play services
- ✓ Construction of digital cable and air TV networks based on MetroEthernet, ADSL+, HFC, HFpC, DVB-T technologies
- ✓ Construction and updating of data transmission networks on the basis of IP/MPLS technology
- ✓ Introduction of Call-centers, development of their services
- ✓ Broadening the range of services provided on the basis of uniform intelligent network (IN)
- ✓ Introduction of uniform automated billing system

Marketing Policy:

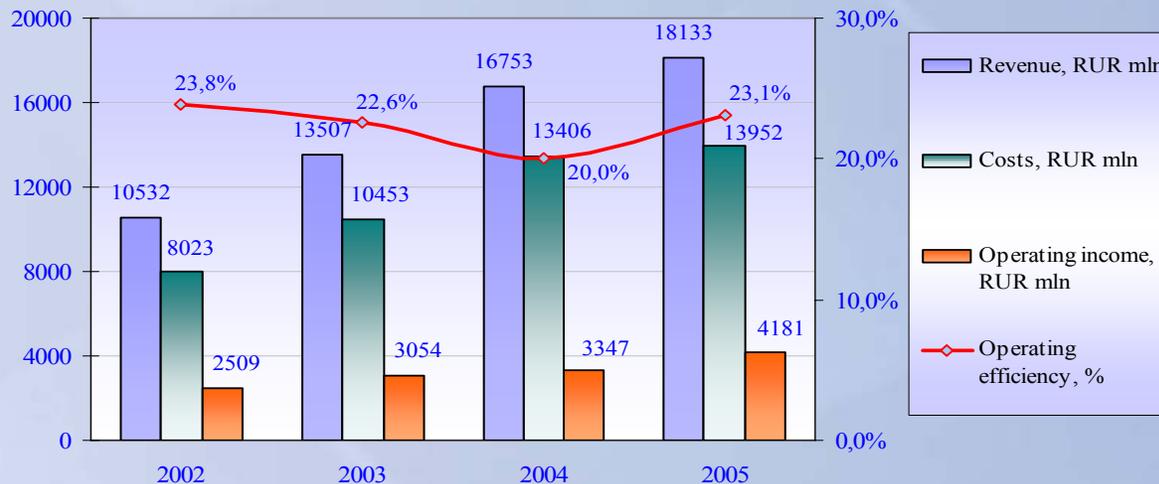
- ✓ Creation of the competitive advantages providing customers with additional value of traditional services
- ✓ Levelling of competitive backlog from cellular operators with regard to obtaining additional consumer value, increase in efficiency and service quality
- ✓ Organization of the systems of traffic accounting and analysis in telephone and data transmission networks in order to prevent decrease in volume of traffic transit services to the connected operators

Investment Policy:

- ✓ Minimization of investments in unprofitable projects, including in rural telephony, taking into consideration the requirements of the Federal law "On Communications"
- ✓ Investments in traditional telephony sufficient to complete the projects having been under construction since 2003-2004
- ✓ Growing investments in the sector of advanced technologies
- ✓ Increase in investment efficiency due to pay-back period reduction

Sound Profitability and Sales Growth

(RAS)



9 months 2006 (RAS)

Revenue –
12,866.9 mln rubles

Costs –
8,948.5 mln rubles

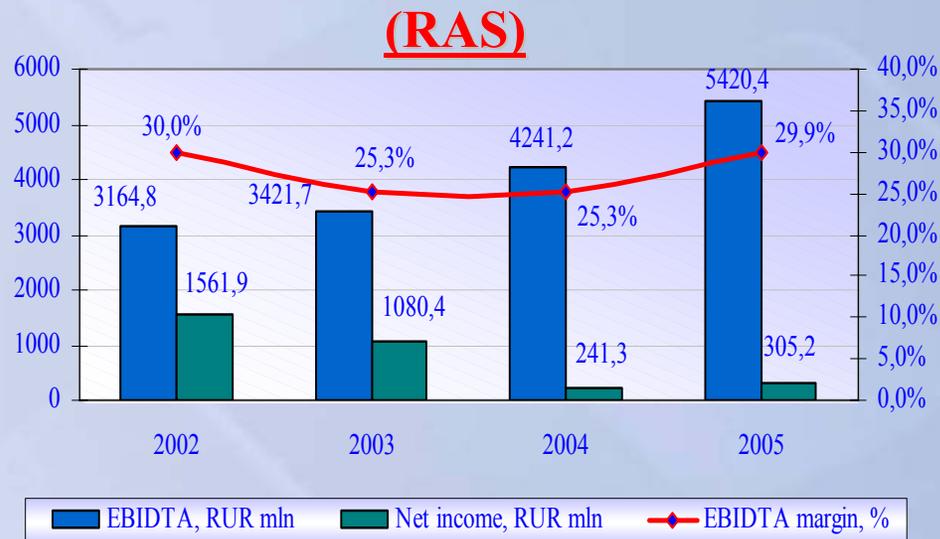
Operating income
3,918.4 mln rubles

Operating margin –
30.5%

(IFSR)



EBITDA and Net Income, RUR mln

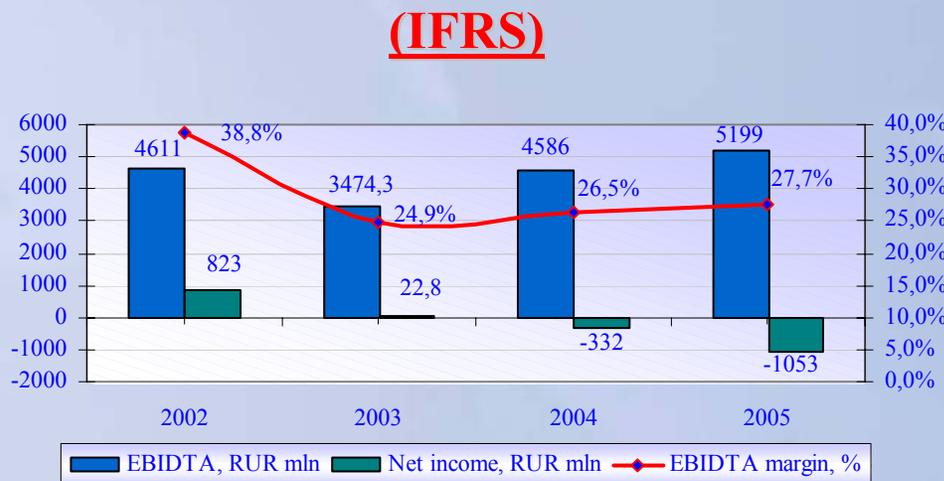


9 months 2006 (RAS)

EBITDA – **5,439.9 mil rubles**

Net income – **1,402.2 mil rubles**

EBITDA margin – **42.3%**



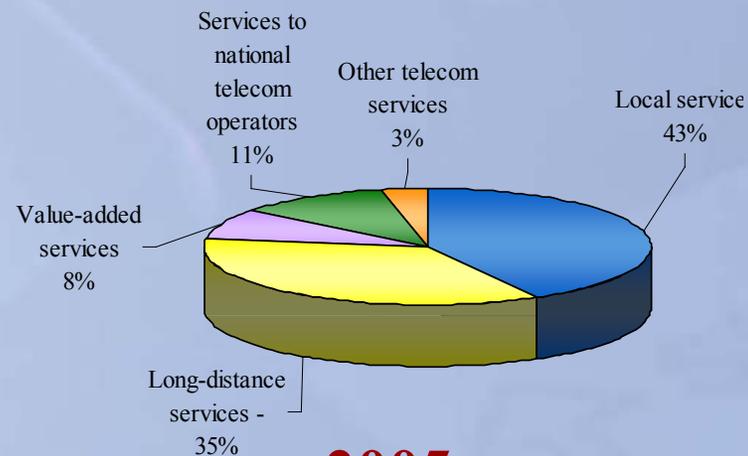
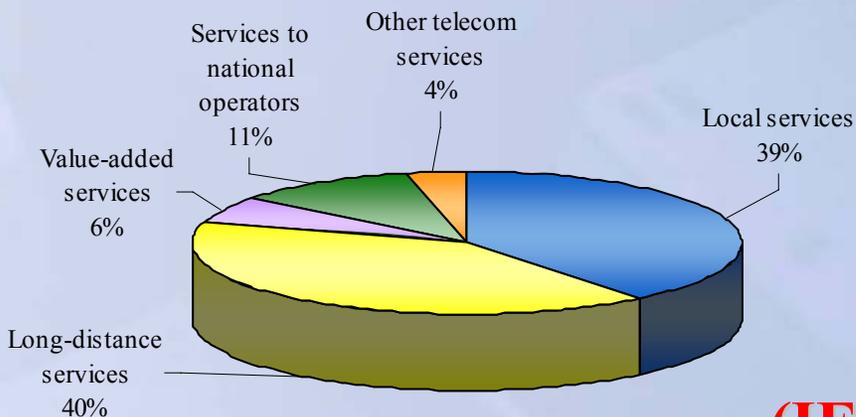
** EBITDA includes Earnings Before Interest, Taxes, Depreciation and Amortization*

Telecom Revenue Structure

2004

(RAS)

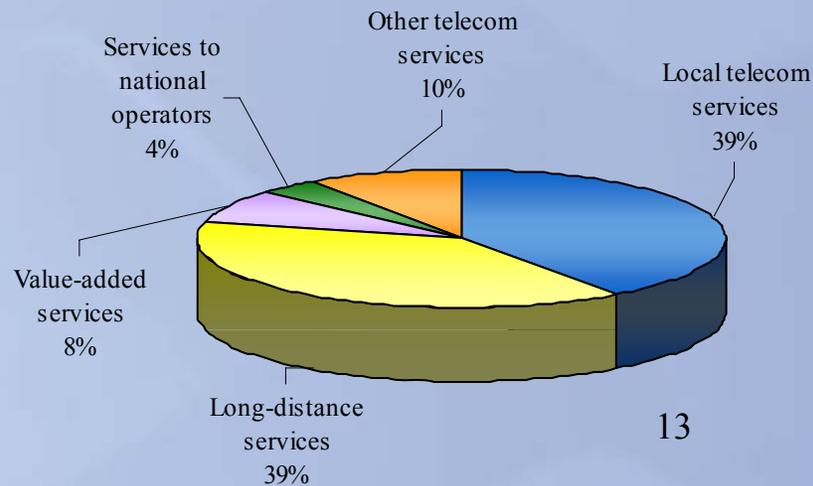
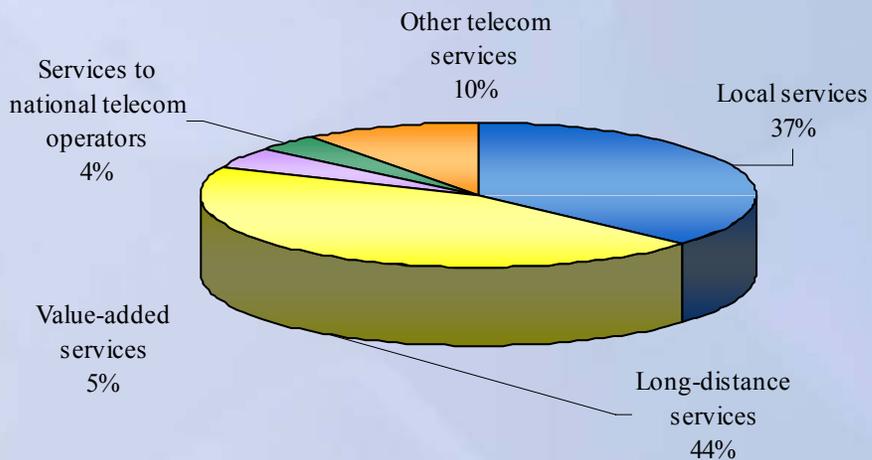
2005



2004

(IFRS)

2005

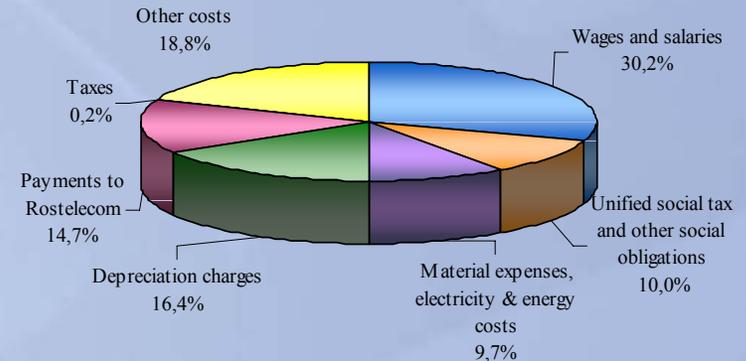
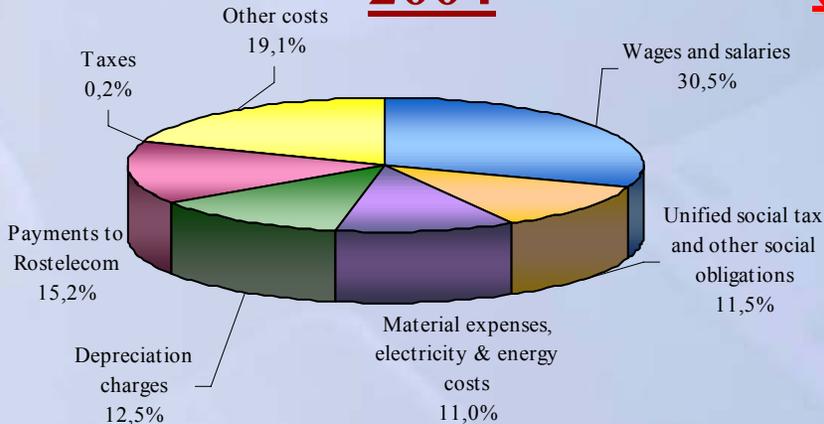


Costs Structure

2004

(RAS)

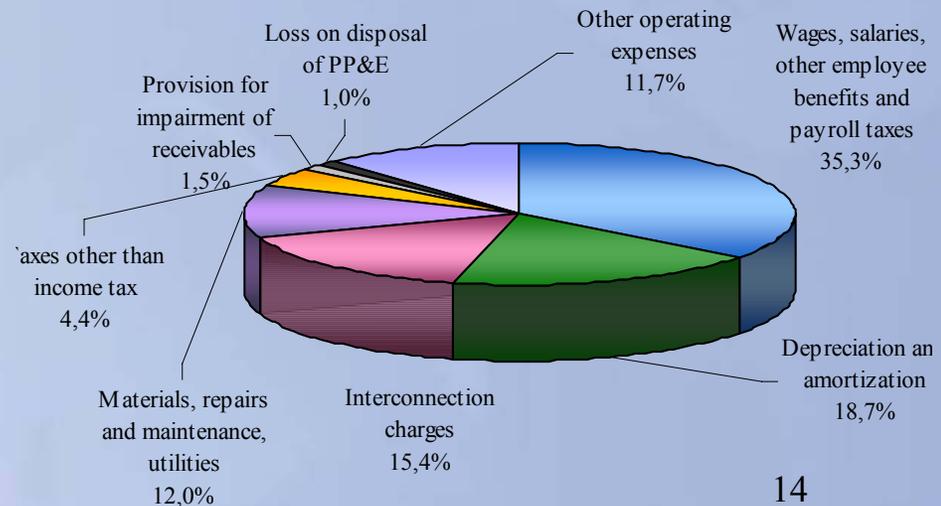
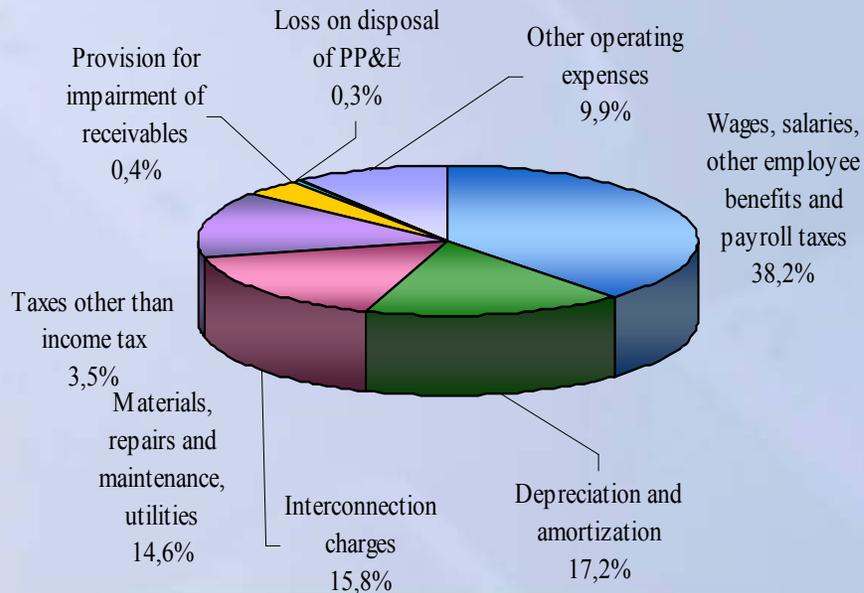
2005



2004

(IFRS)

2005



Staff Number Optimization

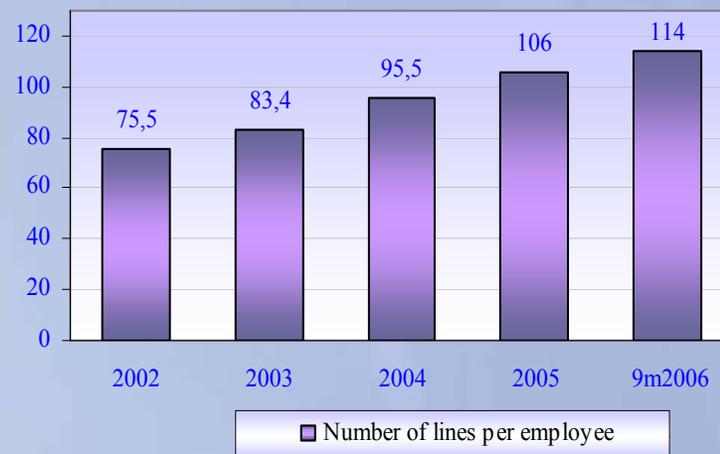
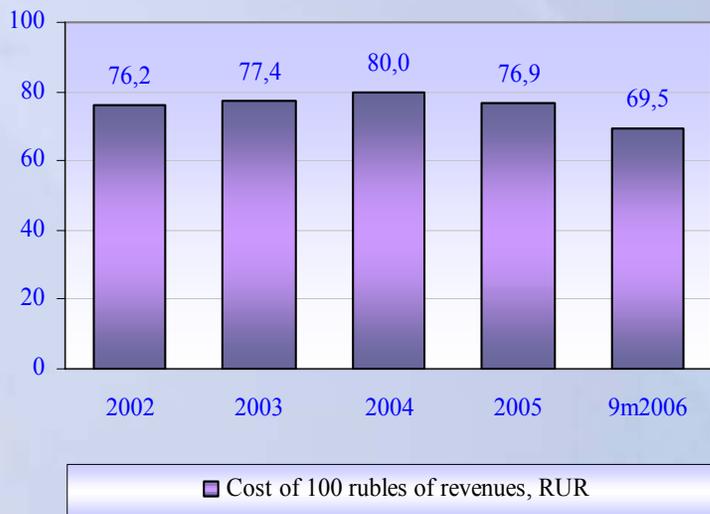
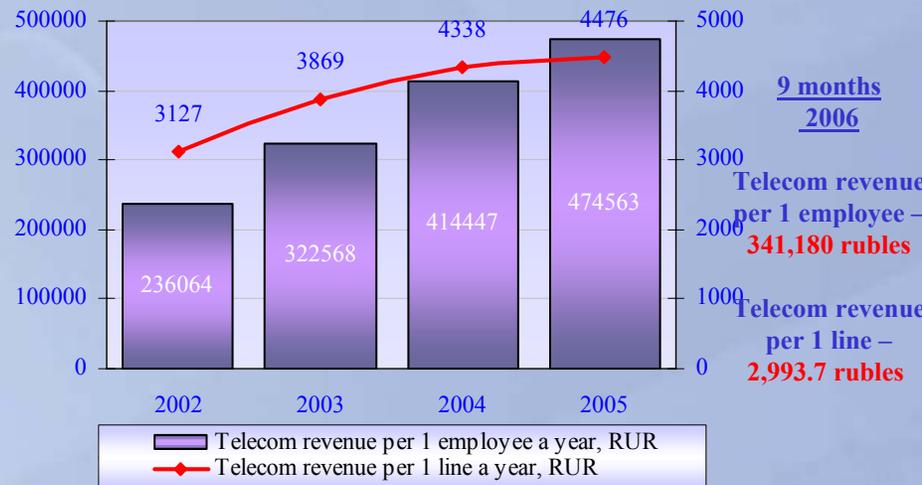
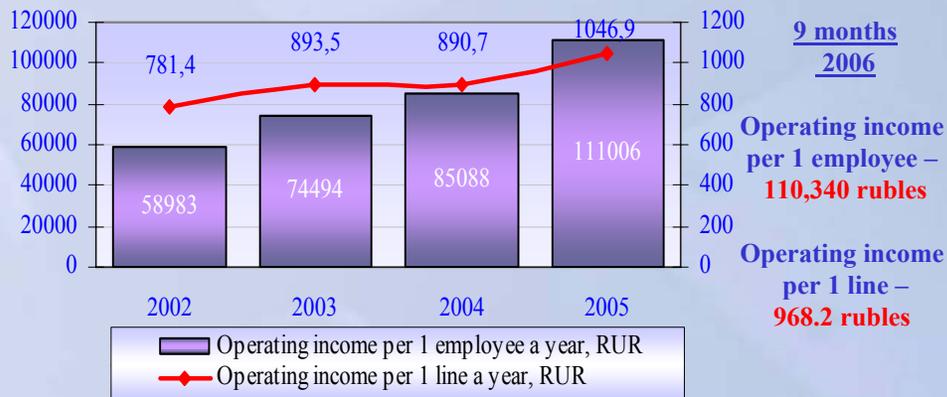


9 months 2006
 Number of employees
 on payroll -
35,512 people
 Revenue per one
 employee -
362.3 thousand rubles

■ Number of employees on payroll, people —◇— Revenue per one employee, this rub

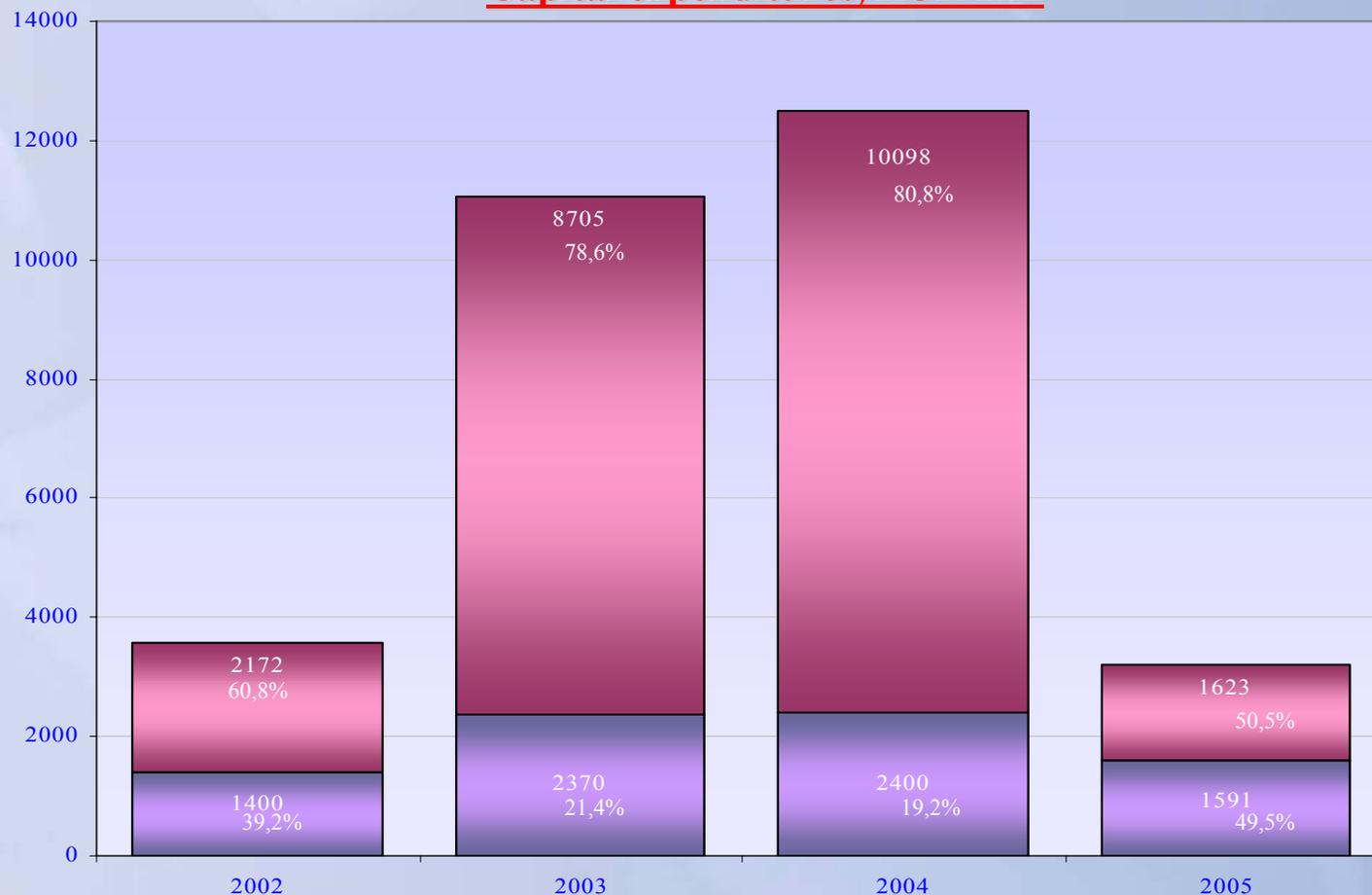
Digitization and reorganization of business processes allow to reduce the staff size, thus contributing to the Company's business efficiency growth

Business Efficiency Indicators



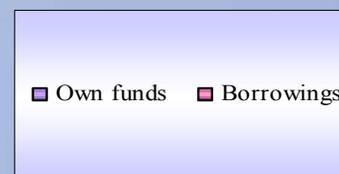
Financing of the Investment Program

Capital expenditures, RUR mln



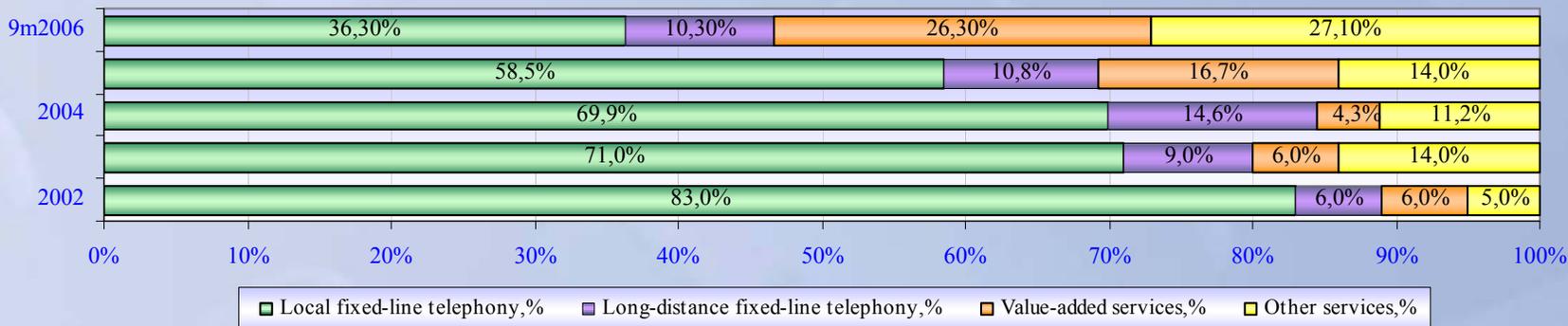
9 months 2006:

Total capex –
949.2 mln rubles
Own funds – **100%**
Borrowings – **0%**

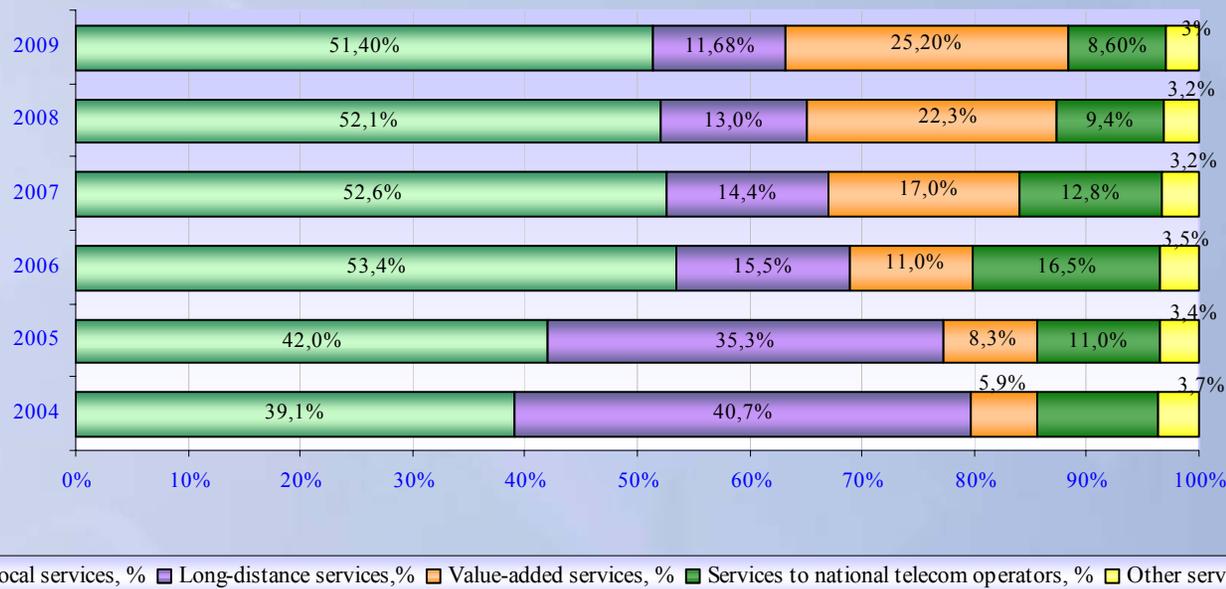


Sound Investment Policy Guarantees a Success

Capex breakdown by type of services, %

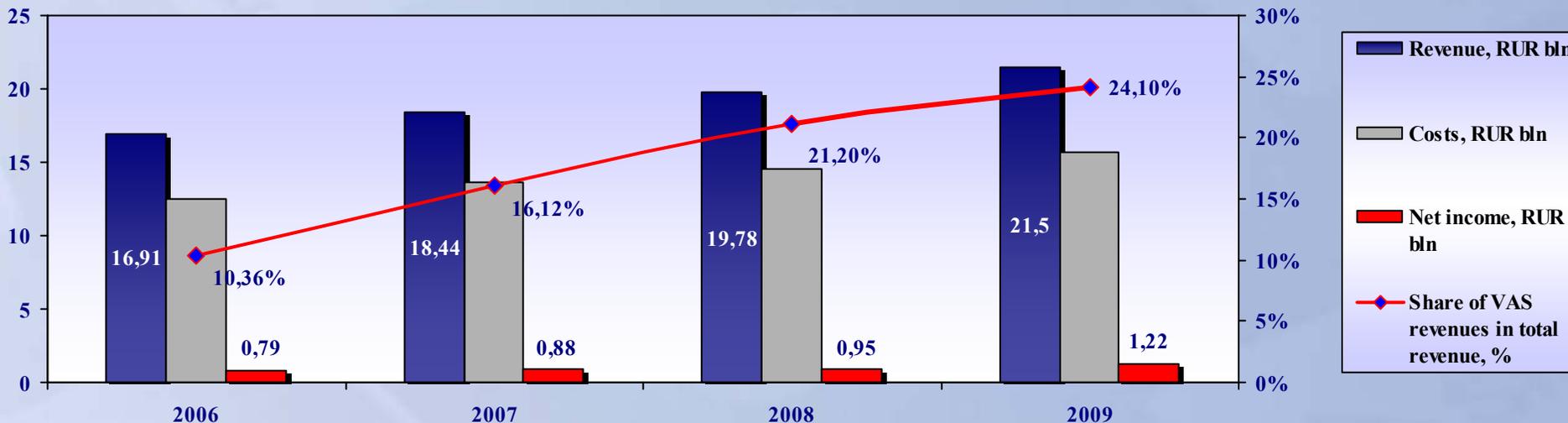


Telecom revenue breakdown by type of services, %

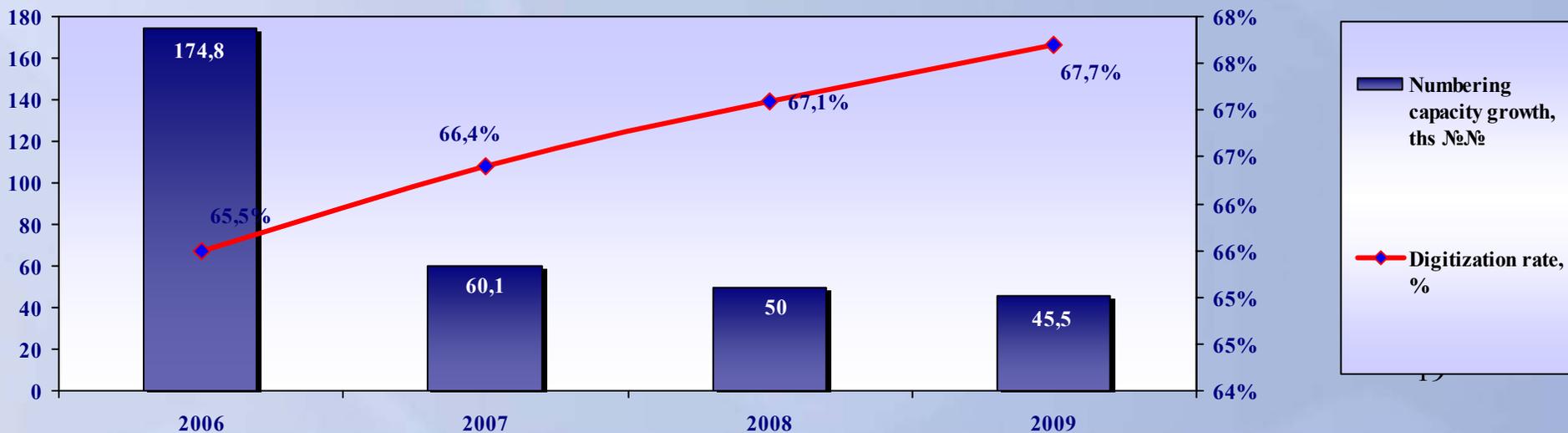


Development Prospect

Financial prospect

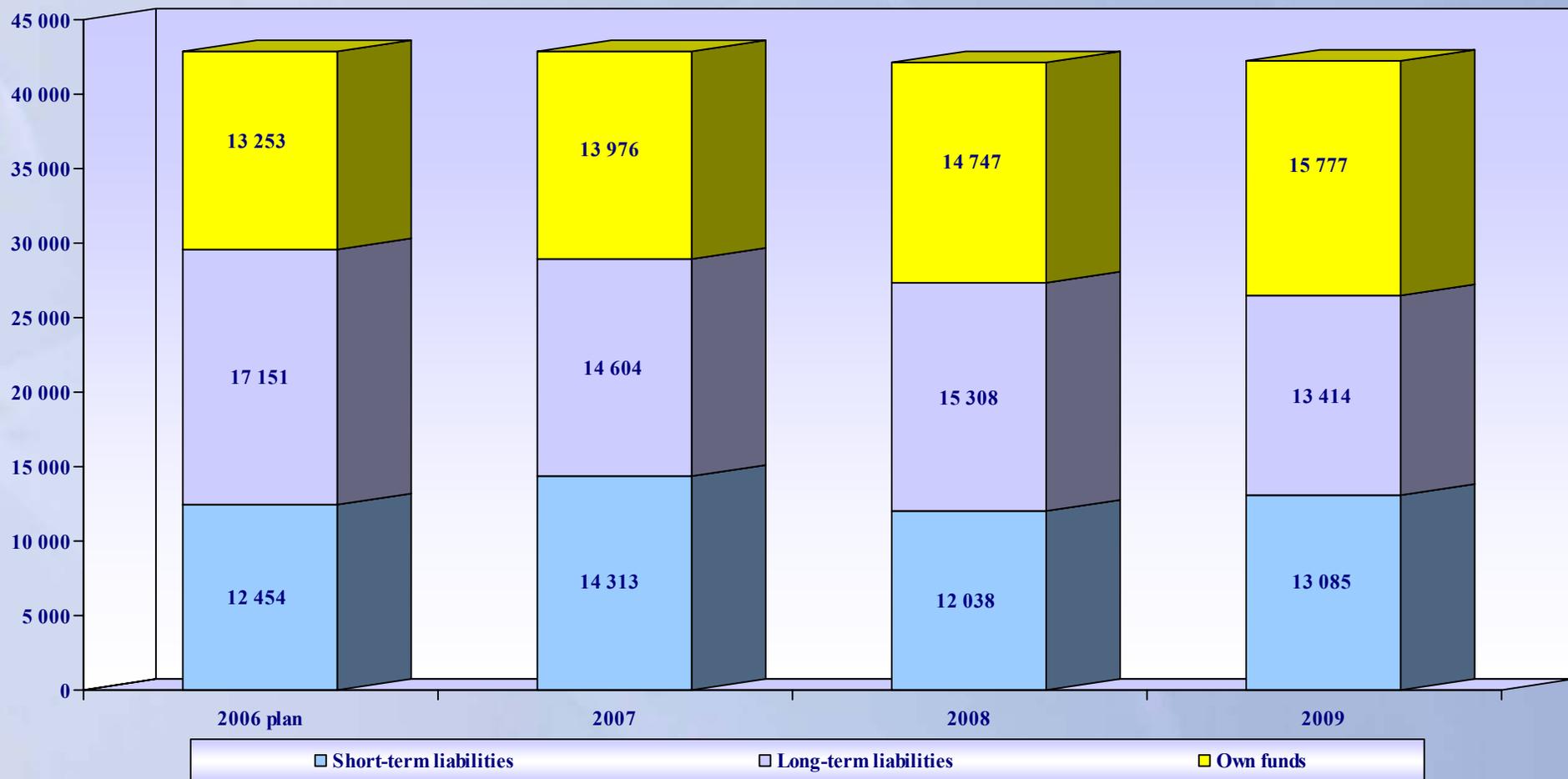


Telecommunications development prospect



Development Prospect

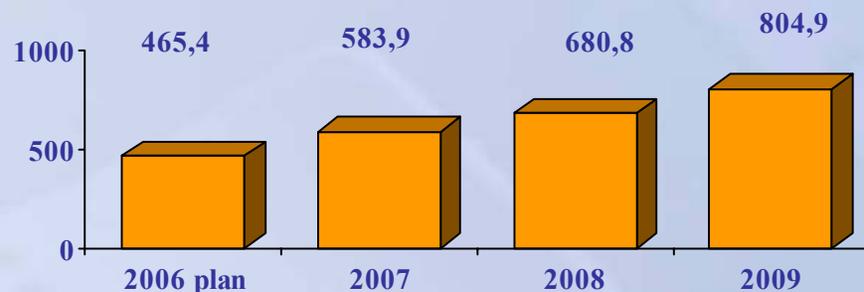
Capital Structure, RUR mln



Development Prospect

Dynamics of Business Efficiency Indicators

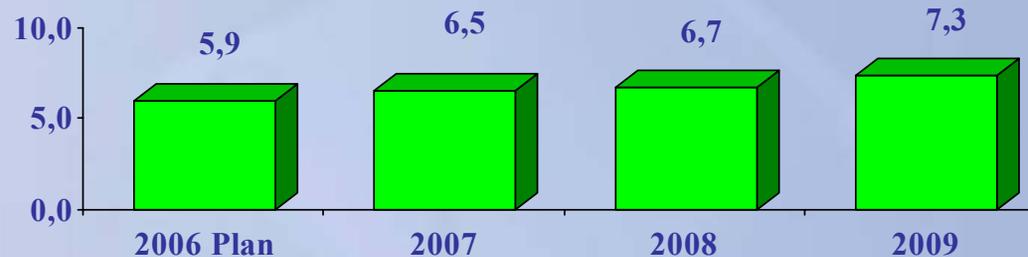
Revenue per 1 employee, RUR ths



Number of lines per 1 employee, lines per employee



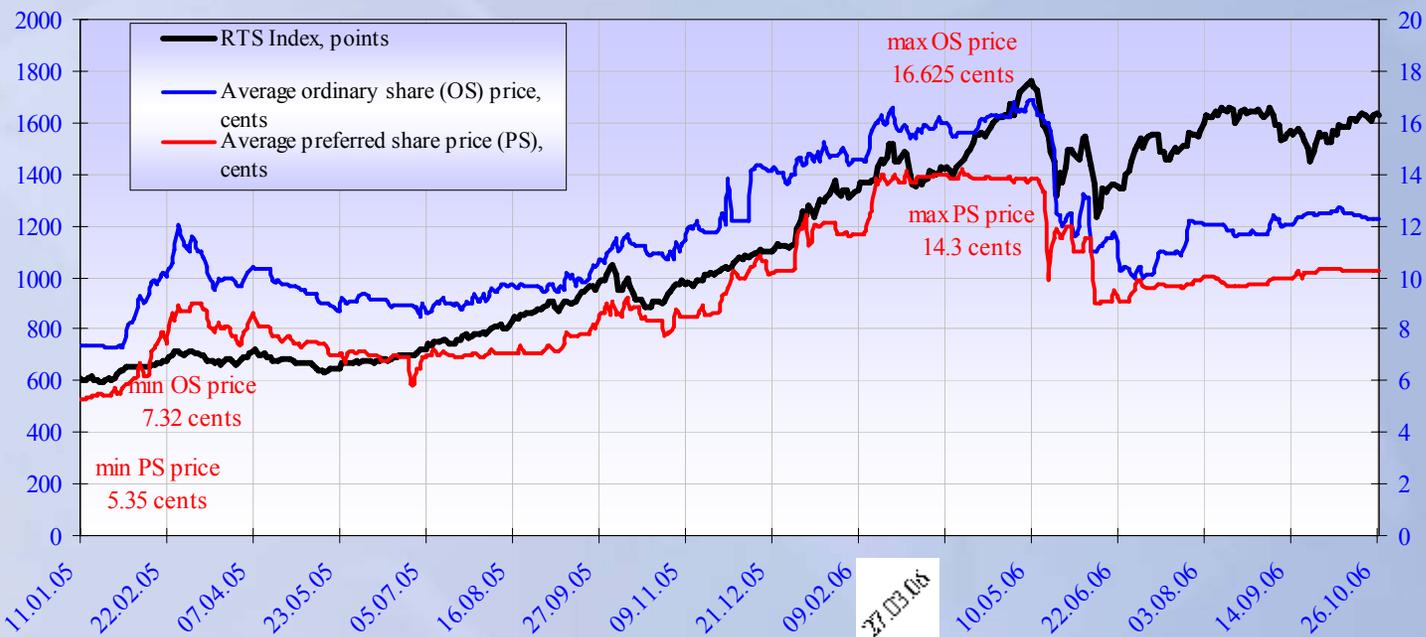
EBITDA, RUR bln



Market of UTK's Shares

2005	NP RTS Stock Exchange (RTS)		OJSC RTS Stock Exchange		Moscow Interbank Currency Exchange (MICEX)	
	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Tickers	KUBN	KUBNP	KUBNG	KUBNPG	UTEL	UTELP
Listing	A2	B	A2	B	A2	A2
Trading volume	286,385 USD	10,650 USD	474,109,517 RUR	143,798,711RUR	180,117,592 RUR.	58,807,520RUR

Average share price performance in NP RTS



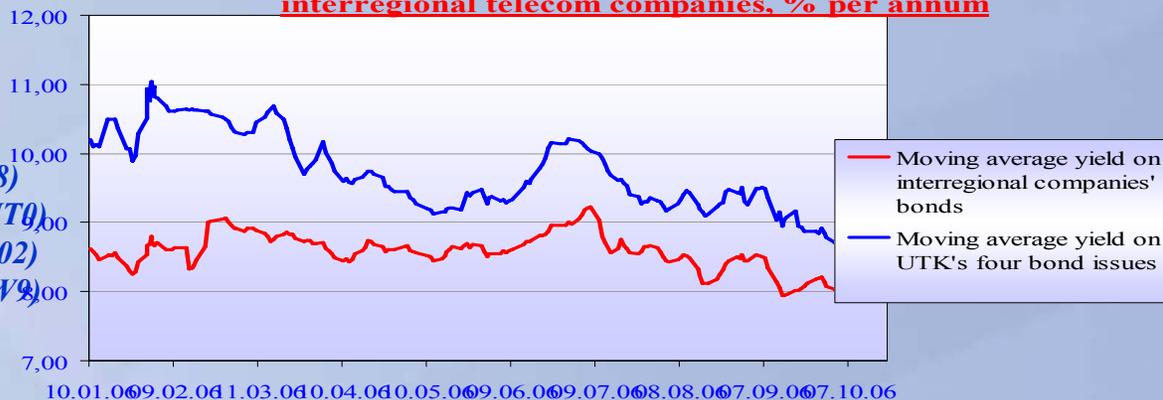
2005 capitalization increased 90.7% over 2004 to 515 million US dollars

Market of UTK's Bonds

Comparing the effective yield of UTK's bonds with similar interregional telecom companies, % per annum

CJSC SE MICEX

- 01-series bond issue (UTK - 01 ob., RU0009071088)
- 02-series bond issue (UTK - 02 ob., RU000A0AUUT9)
- 03-series bond issue (UTK - 03 ob., RU000A0DD202)
- 04-series bond issue (UTK - 03 ob., RU000A0GK2W9)



Characteristics of the bond issues

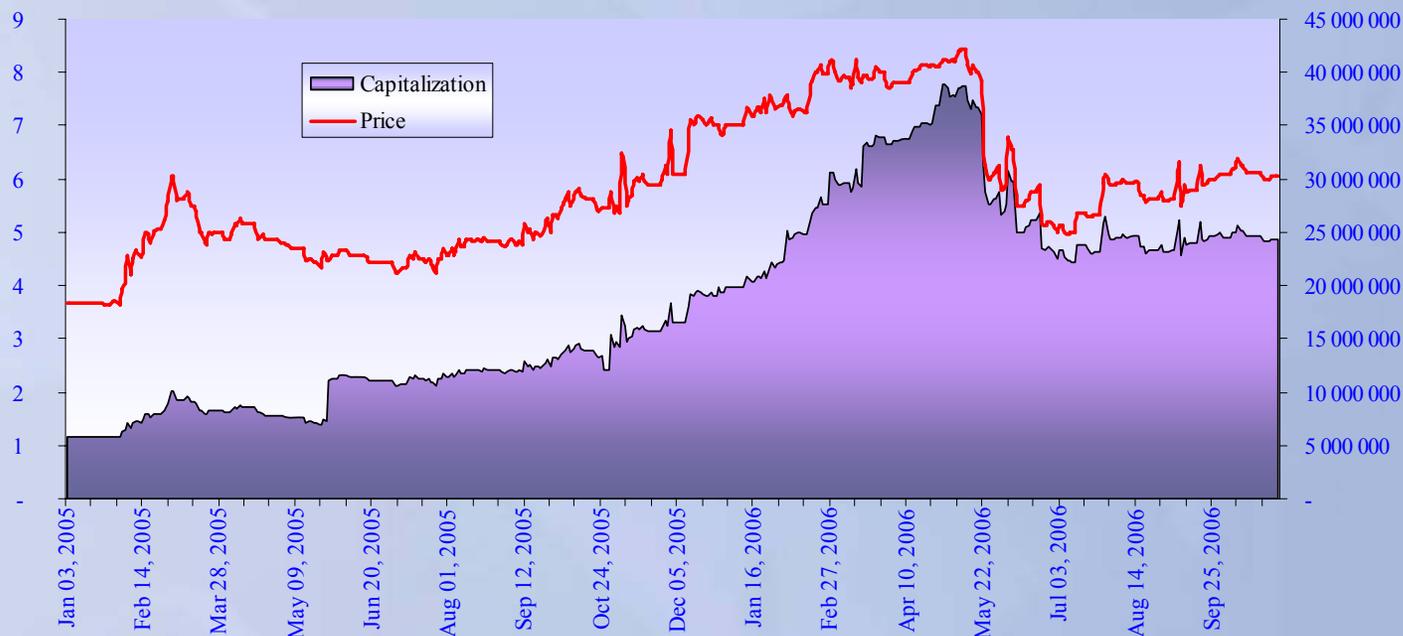
Issue	Maturity period	Placement date	Maturity date	Face value, RUR	Quantity, bonds	Number of coupons	Coupon rate, %
01	3 years	18.09.2003	14.09.2006	1,000	1,500,000	1-6	14.24
02	3 years	11.02.2004	07.02.2007	1,000	1,500,000	1-2	9.25
						3-4	12.0
						5-6	10.5
03	5 years	06.10.2004	10.10.2009	1,000	3,500,000	1-3	12.3
						4-6	10.9
						7-10*	-
04	4 years	14.12.2005	09.12.2009	1,000	5,000,000	1-4	10.5
						5-16	10.0

* The interest rate shall be fixed by the Issuer in numerical value and published in the newspaper "Vedomosti" or "Izvestiya" not later than 10 (ten) working days prior to the date of the sixth coupon payment

Market of UTK's ADRs

Trading sites	ADR ticker	CUSIP (WKN)	ISIN
US over-the-counter market (OTC USA)	STJSY	843899105	S1843899105
Frankfort Stock Exchange (FSE)	KUE.FRA	912640	US8438991056
Berlin Stock Exchange (BerSE)	KUE	912640	US8438991056
NEWEX (Vienna, Austria)	KUE	912640	US8438991056

Capitalization and price performance of UTK's ADR



Transition to the new system of interaction of telecommunications operators

Pursuant to order # 51 dated June 19, 2006 “On establishment of ceiling prices on connection services and transfer of traffic” as well as according to “Methodology for calculation of economically justified costs and statutory profits on interconnection and traffic transit services and on universal communication services” “UTK” PJSC has changed public **«Conditions of interconnection of UTK’s communication networks with communication networks of other operators» (published on the corporate website and in the newspaper «Rossiyskaya gazeta» of July 6, 2006)**

In accordance with the new regulations that came into effect on January 1, 2006 OJSC “Rostelecom” provides long-distance services to end users. The Company and OJSC “Rostelecom” signed an agreement according to which the Company undertakes rendering the **following services** to OJSC “Rostelecom”:

- Subscriber orders’ processing services for access to intercity and international telecommunications services provided through the direct operations;
- Billing processing services for intercity and international telecommunications services;
- Preparation, formation and storage of necessary data and reports;
- Agency services on collection of payments from subscribers and on call center support in the name and on behalf of OJSC “Rostelecom”;
- Claims administration, documents delivery.

The Company signed similar agreement with OJSC “Multiregional Transit-Telecom”. Agreements of interconnection and traffic transmission have been also concluded with LLC “Sovintel”, OJSC “Transtelecom”, CJSC “Ekvant”.

In 2006 “UTK” PJSC should accomplish the **following tasks**:

- change of the existing scheme of communication and switching of all operating networks of the connected operators according to their status;
- providing customers with an opportunity to choose a long-distance operator;
- ensuring calculation of the traffic of the interconnected operators from the first second of making a connection;
- regulation of price structure for interconnection and traffic transit services;
- change of contractual relationship with subscribers.

Tax claims to “UTK” PJSC

- On **16th December 2005** "UTK" PJSC received a RUR 916.9 mln back-tax claim from Russia's tax authorities (Decision № 9 of Russia's Inter-regional Tax Inspectorate № 7 dated 16 December 2005). The back-tax and penalty claims relate to 2002-2003 reporting years and are based on the results of the scheduled traveling tax check. The bulk of the claims (RUR 677.4 mln) are for taxes. Three fourth of the claim amount relate to the tax authorities' attempt to revise the terms of interconnection settlements for DLD and ILD traffic transit.
- At present the preliminary examination of the case related to tax claim against "UTK" PJSC has been completed and the chief trial has started. On 16th October 2006 the Moscow Arbitration Court postponed the hearing of the case till 20th November 2006 because of continuation of tax computation with respect to availability of taxes and duties overpaid by "UTK" PJSC
- **The Company considers prospect of its back-tax claim appeal to be positive.**

External Audit IFRS

Ernst and Young LLC is the Company's Auditor now.

“UTK” PJSC plans to conduct a contest on choosing the Company's Auditor for 2007.

Estimation uncertainty with respect to IFRS statements:

- ***Pensions Liabilities*** (the reprimands have been eliminated on the basis of 2005 audit results)
The Company concluded agreements with an actuary to perform a valuation of the pension obligations and the related expenses under the existing defined benefit pension plans, as well as with the Company's Auditor to perform audit of the actuary's valuation.
- **Property, Plant and Equipment**
The Company plans to engage an independent appraiser to perform a valuation and confirm the fair value of its PP&E.

IR Policy

Every year the Company approves its **Investor Relations Program**.

The main goals of the program are:

- to ensure the Company's information openness meeting the requirements of the market environment
- to expand the Company's relationships with investors.

The Company discloses information on its economic and financial operations as well as on its main corporate actions in accordance with **the Provisions on the Information Policy, Information Regulations** and other by-laws of "UTK" PJSC.

In December 2005 "UTK" PJSC was the first in the nomination "**Best level of disclosing information for investors**" at VIII Contest of annual reports and corporate sites sponsored by RTS Stock Exchange.

Within the framework of V International Economic Forum "Kubanj-2006" held in October 2006

"Southern Telecommunications Company" PJSC became an **overall winner** in the contest of annual reports.

In order **to enhance its transparency** the Company:

- organizes conference calls with the Company's management;
- takes an active part in international investment conferences to insure that investors fully understand and appreciate the Company's business profile, to expand direct contacts, to make the Company more popular among the investment community.
- increases the number of publications in special business media.

THANK YOU FOUR YOUR TIME

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Additional information about the Company can be accessed on the corporate website www.stcompany.ru, in the systems **Bloomberg** (KUBNS_RU) and **SKRIN**