



Completion of reorganization of Rostelecom

Conference call with Alexander Provotorov,
President of Rostelecom, April 05, 2011



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Date	Description
May - 2009	The Government Commission on Transport and Communication approved the concept of state –owned assets restructuring by means of merger of regional operators on the basis of OJSC Rostelecom.
Oct - 2009	SvyazInvest Board of Directors approved the merger of Regional Telecommunication Companies (RTOs) and OJSC Dagsvyazinform with OJSC Rostelecom.
June 2010	Obtaining of Corporate approvals - during Annual General Meetings of RTOs and Rostelecom the shareholders voted for the merger with Rostelecom and approved applicable SWOP ratios. The shareholders who voted against reorganization or did not vote at all gained the right to demand the redemption of own shares.
Oct - 2010	Rostelecom acquired 25%+1 share of Svyazinvest from COMSTAR Group for RUR 26.0 bln
Oct - 2010	Rostelecom and the RTOs repurchased shares representing, in aggregate, 2.27% of the ordinary shares and 28.8% of the preferred shares of the merged company, for approximately 14 billion rubles. The shares were repurchased from the Rostelecom and RTOs shareholders who voted against or did not vote on the reorganization.
Feb - 2011	Russian Federal Service for the Financial Markets (FSFM) registered the additional share issue of 2,216,163,000 ordinary shares with a nominal value of RUB 0.0025 each and bond issues of Rostelecom for up to RUR 31.56 bln. The share and bond issues were effected through the conversion of ordinary and preferred shares, and bonds, respectively, of RTOs and Dagsvyazinform into Rostelecom ordinary shares and bonds, respectively, during the merger process.
Mar 25, 2011	The RTOs and OJSC Dagsvyazinform provided the regulatory bodies with the required documents regarding the registration of termination of their activities in the Unified State Register of Legal Entities (the “EGRUL”)
Mar 28, 2011	Termination of RTO’s shares’ trading on MICEX
By end of March, 2011	Rostelecom and each of the RTOs contributed their respective repurchased shares to the share capital of Mobitel, which became a 99.9% owned subsidiary of new Rostelecom when the merger was completed. Mobitel therefore holds 2.27% of Rostelecom’s outstanding ordinary shares and 28.8% of our preferred shares which we intend to use in M&A transactions and financing opportunities going forward.
Apr 1, 2011	Reorganization completed. RTOs’ shareholders get new Rostelecom shares in exchange of RTOs’ shares.
End Apr-2011	Registration of the additional share issue reports with FSFM
Commencement of trading of the new ordinary shares, exchange – traded bonds on Russian stock exchanges	

Synergies

To realize synergies from merger process by:

- Optimization of CAPEX due to cost reduction on construction of overlapping infrastructure and centralization of equipment procurement
- Optimization of administrative and management expenses by economies of scale, centralized management and elimination of overlapping functions
- Ability to use access liquidity of certain RTOs to fund the operations of the combined company

Creation of competitive integrated Operator

- Elimination of intercompany conflicts of interest & territorial limitations
- Increased competitiveness of the combined company
- Retained leadership in fixed-line and BB segments and strengthen position in the mobile segment, as well as an ability to expand beyond Russia in the future

Flexibility

- Increased flexibility in adopting strategic and managerial decisions by management levels' reduction.
- Improved ability to restructure mobile assets and assets located in Moscow and the Moscow Region

Share liquidity

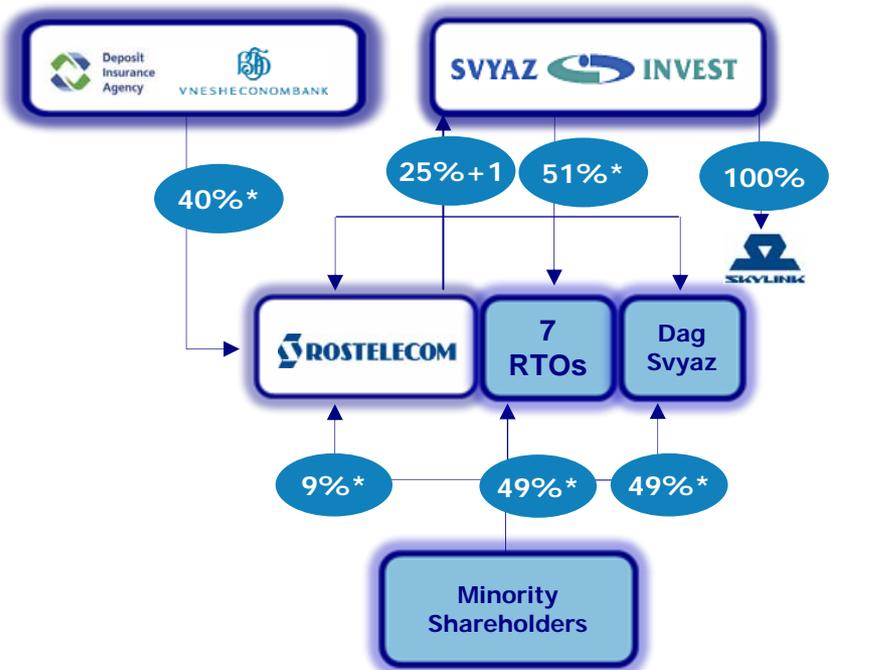
- Enhance share liquidity of the merged company by switching of all the minority shareholders of the merged companies, including the holders of preferred shares, into a single share.
- Listings on Russian and foreign stock exchanges (to be obtained in the future). Inclusion of the shares in the combined company into the key Russian industrial and country/regional indices

Credit rating / MSCI

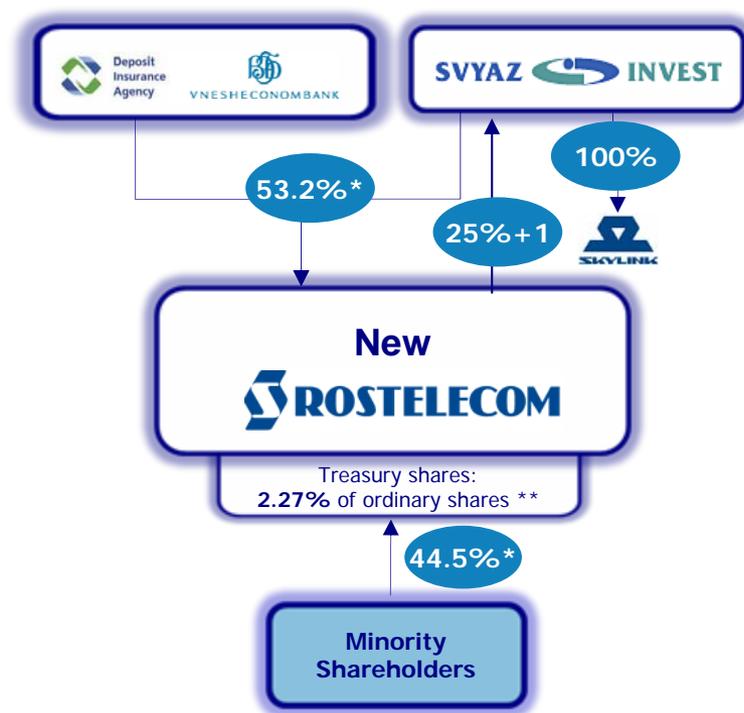
- Stronger credit rating and lower the cost of borrowing by bolstering the financial stability and market positions of the merged company.
- Opportunity for New Rostelecom to become a significant constituent of MSCI Russia index

The achievement of these goals is aimed at increasing the market value of the merged company

Before April 1, 2011



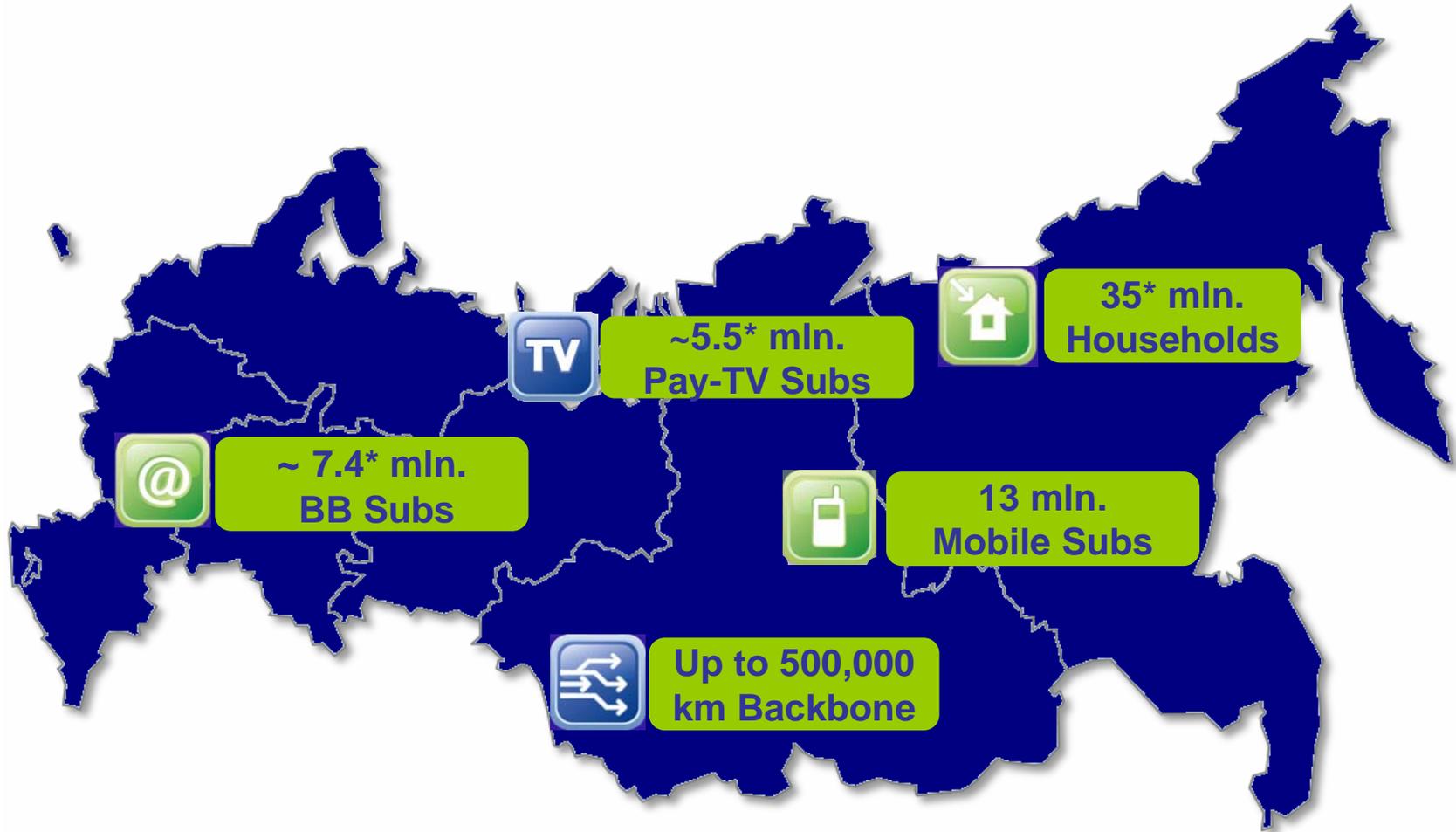
After April 1, 2011



* Percentage of voting shares

** Plus 28.8% of preferred shares

		RTO shares before conversion	Buy-back in RTOs shares	# of shares of RTO per 1 Rostelecom ord share	# of issue of Rostelecom shares	Total # of shares after conversion
Volga	ord	245 969 590	3 450 386	0,891	1-01-00124-A-003D	276 060 023
	pref	81 983 404	21 978 733	1,134	1-01-00124-A-002D	72 295 873
Dagestan	ord	6 312 700	3 116	1,795	1-01-00124-A-004D	3 516 850
	pref	2 104 233	105 780	2,284	1-01-00124-A-005D	921 323
Far East	ord	95 581 421	616 493	0,939	1-01-00124-A-007D	101 790 972
	pref	31 168 901	8 581 639	1,195	1-01-00124-A-006D	26 082 618
North-West	ord	881 045 433	5 437 821	4,102	1-01-00124-A-008D	214 784 018
	pref	250 369 337	46 981 226	5,220	1-01-00124-A-010D	47 963 263
Siberia	ord	12 011 401 829	162 664 244	46,537	1-01-00124-A-009D	258 103 750
	pref	3 908 420 014	659 321 796	59,373	1-01-00124-A-012D	65 827 745
Ural	ord	32 298 782 020	214 854 899	87,341	1-01-00124-A-011D	369 801 204
	pref	7 835 941 286	500 334 220	111,598	1-01-00124-A-013D	70 215 861
Center	ord	1 578 006 833	8 639 034	3,867	1-01-00124-A-014D	408 070 402
	pref	525 992 822	49 353 047	4,920	1-01-00124-A-015D	106 909 489
South	ord	2 960 512 964	19 791 113	19,378	1-01-00124-A-017D	152 776 553
	pref	972 151 838	66 977 772	24,648	1-01-00124-A-016D	39 441 703
Rostelecom	ord	728 696 320	151 113	-	1-01-00124-A	728 696 320
	pref	242 831 469	70 041 903	-	2-01-00124-A	242 831 469
Total						3 186 089 436
	ord					2 943 257 967
		% of total				92,38%
	pref					242 831 469
		% of total				7,62%



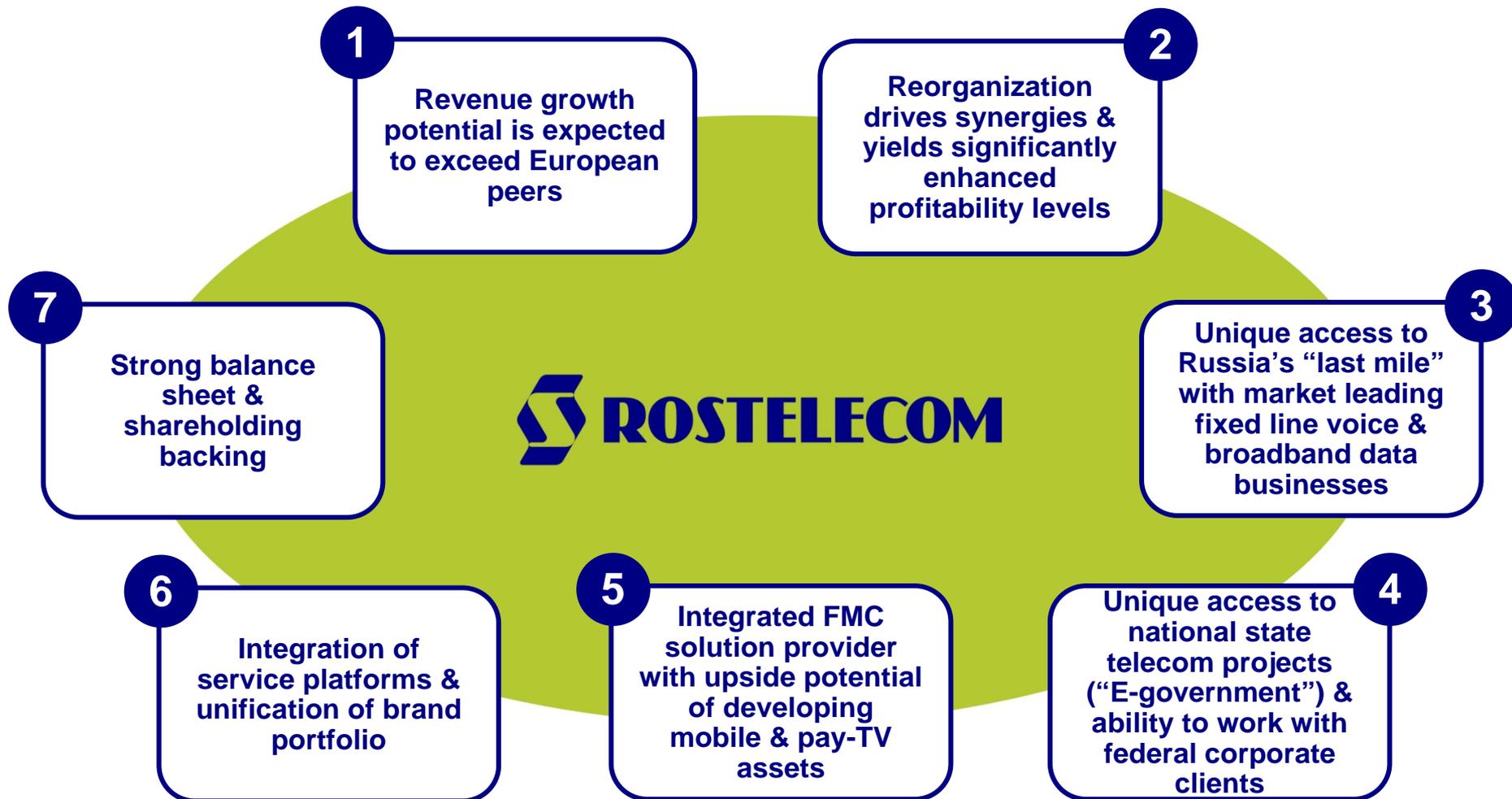
* Including NTK subs

- Strong fundamentals supporting growth in the Russian telecommunications market.
- Leading/significant positions in all segments of the Russian telecommunications market.
- Largest network infrastructure in Russia, with regulatory permits to support future growth.
- Strong brand awareness and marketing expertise.
- Solid financial platform for further development.
- Experienced management team.

New Rostelecom strategy includes development of a universal telecom operator that provides full range of services (telephony, internet data, TV, and Value-Added- Services) to B2B, B2C, B2G and B2O clients. The company plans to send resources for development of the most prospective market segments as well as maintaining company's traditional business

	Residential	Corporate	Government Entities	Operators
Voice	✓	✓	✓	✓
BroadBand	✓	✓	✓	✓
Pay-TV	✓	✓	✓	✓
VAS	✓	✓	✓	✓

- Develop our position as one of Russia's leading **mobile** operators.
- Consolidate our position as Russia's number one provider of **fixed line broadband** internet access.
- Grow our presence in the **pay-TV** market.
- Extend our leadership in the **corporate** telecommunications segment.
- Maintain our number one position as a national provider of **traditional voice** telephony services, by launching a range of initiatives to minimize the effects of mobile substitution.
- Build our leadership in the **B2O** segment.
- Generate and realize substantial **synergies** by increasing operating and financial efficiency levels
- Transfer the overall business to a **single** unified Rostelecom **brand**. This corporate identity is under development at the moment and will be unveiled later this year.



New Rostelecom: combination of unrealized growth potential & generation of sustainable dividend flow

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