



Rostelecom Analyst Day
JUNE 5, 2012

**En route to a services company model:
success on key strategic initiatives**

Alexander Provotorov, President & CEO

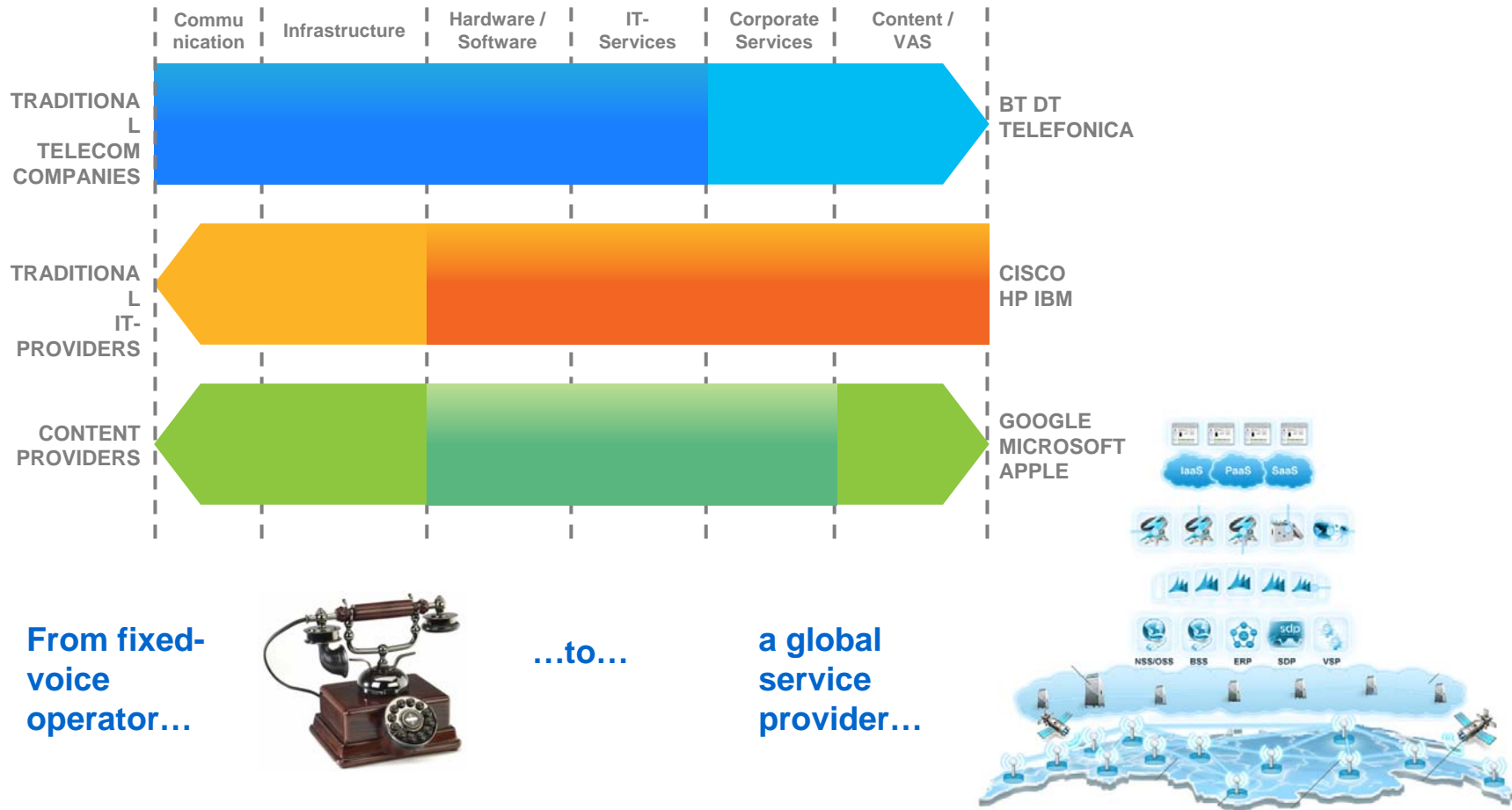




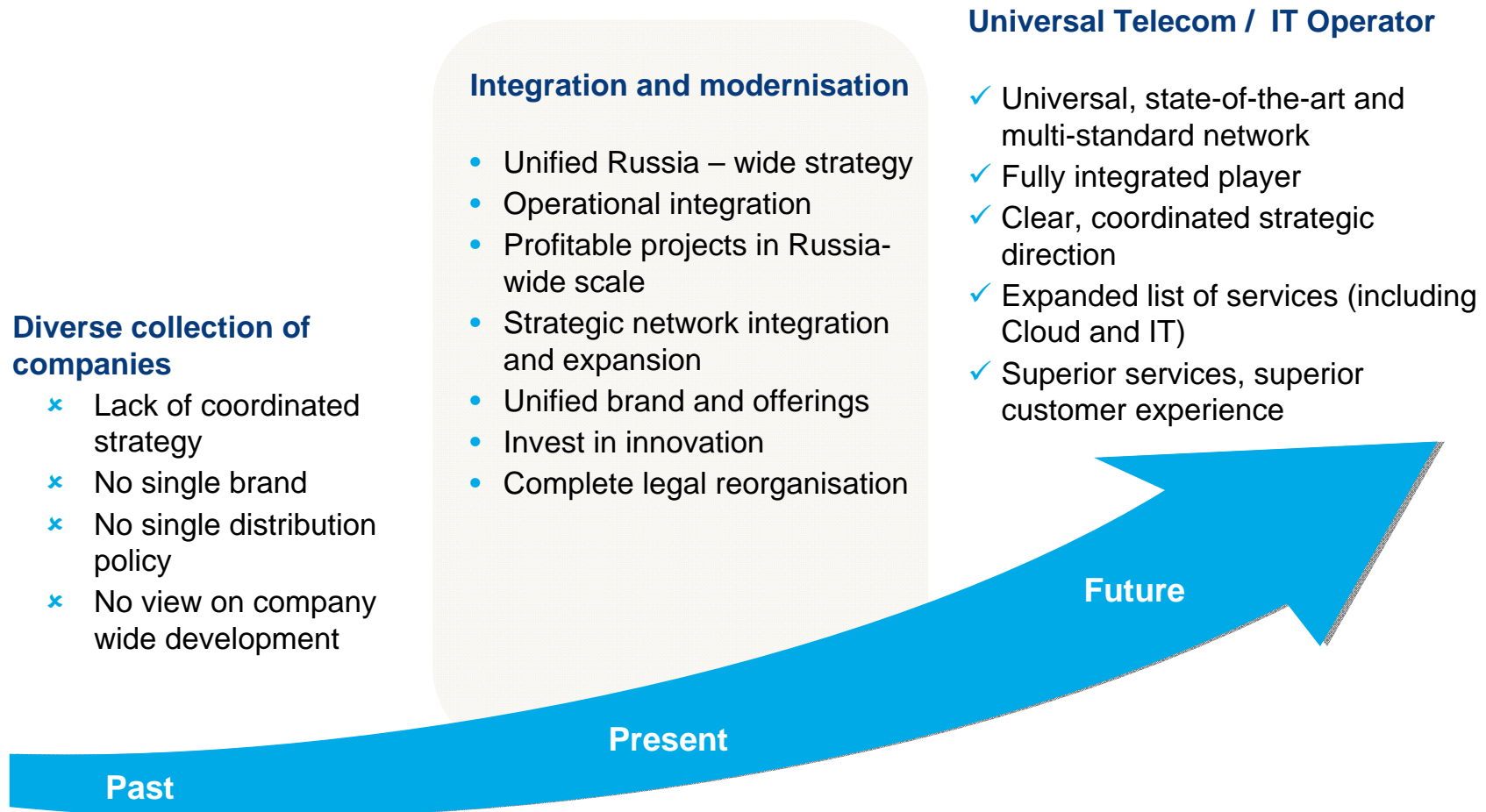
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Key global trends: Telecom, IT and content convergence



Rostelecom transition from fixed voice operator to a global service provider





- 1 Integration & cost optimization
- 2 Network modernization
- 3 Federal full-scale mobile coverage
- 4 Bundle offers and up-sell potential
- 5 Cloud & IT services – new growth opportunities

1 Integration: becoming one company

Integrated infrastructure

- ✓ Fixed networks: migration to a single full IP network
- ✓ Mobile networks: upgrade of existing 2G networks and focus on development of universal 3G and LTE infrastructure
- ✓ Unified IT systems: billing, customer care and management

Integrated management

- ✓ Centralised group management structure
- ✓ Unified KPIs
- ✓ Unification of HR systems and new unified trade union contract
- ✓ Unified salaries and remuneration systems

Single brand

- ✓ New positive image
- ✓ Unification of over 50 brands in a single “Rostelecom” brand
- ✓ New brand well received by all target audiences
- ✓ Selected strong product brands will be kept during 2012-2013

Cost management

- ✓ Effective real estate management
- ✓ Personnel expenses optimization
- ✓ Unification of procurement processes
- ✓ Outsourcing of maintenance functions
- ✓ Energy effective initiatives

Continuing cost optimization and synergies realization will help enhance the margins

Infrastructure

- All-IP fixed network
- Backbone capacity increase
- Multi-standard mobile network development
- Access-migration to FTTx
- CATV migration to IPTV
- Rural network to CDMA 450
- Data centres

Products and services

- Unified federal packages
- Services Up-sell
- Mobile data offering and VoIP
- Unified portfolio of media services
- Development of advanced corporate services
- Cloud & IT services

Superior network infrastructure to achieve sustainable competitive advantage in the Russian ICT market

Key levers

Development of own infrastructure – **3G** networks licenses in 69 regions



MVNO agreement with Scartel and BIG3



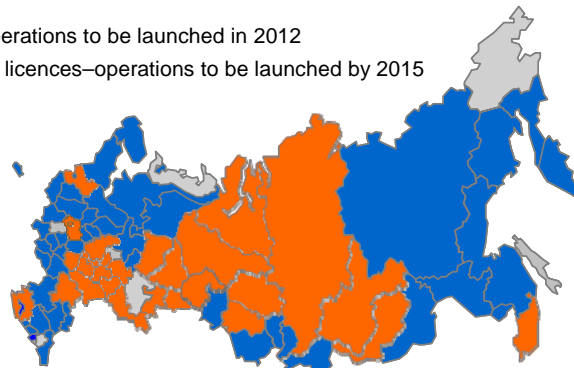
Participation in upcoming **4G** licenses auctions



Data-focused **federal** mobile operator

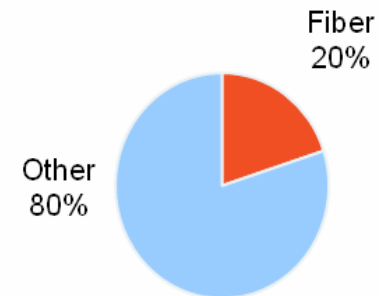
3G network development

- Operations to be launched in 2012
- 3G licences—operations to be launched by 2015



Source: Company information

Capital expenditure forecast (2010-2015)



Source: Company information
Note: % of total CAPEX spent

Today

- Strong position in B2C segment
- 22% penetration of fiber in our subscriber base
- Access to 24.4 mm households

Action Plan

- Launch of last mile modernization project to migrate xDSL customer to fibre
- Greenfield network development in smaller towns

Tomorrow

- Ability to offer high speed broadband and exciting Pay-TV and other premium services
- Use of attractive bundled offering, cross-selling and up-selling initiatives

Long-term impact

- Enhanced customer loyalty
- Subscriber base growth
- Blended ARPU growth

Servicing the Government

- **E-Government**
 - ✓ Federal Infrastructure
 - ✓ 70 out of 83 regional governments subscribed
 - ✓ Over 200,000 local authorities to be reached in the next 3-5 years

Helping businesses

- **Housing services and utilities**
 - ✓ Over 100k local management companies to sign-up
- **Virtual office (SMEs and SoHo)**
 - ✓ Business processes optimization
 - ✓ Hard and software for SME & SoHo (Microsoft and 1C)
 - ✓ Electronic document flow

Making people's lives better

- **State focus on transferring all the services into electronic format:**
 - ✓ E-medicine
 - ✓ E-Education
 - ✓ Secure city (System 112)

Undisputable leadership in the segment and over RUB 50 bn of revenue from innovative services in 2015*

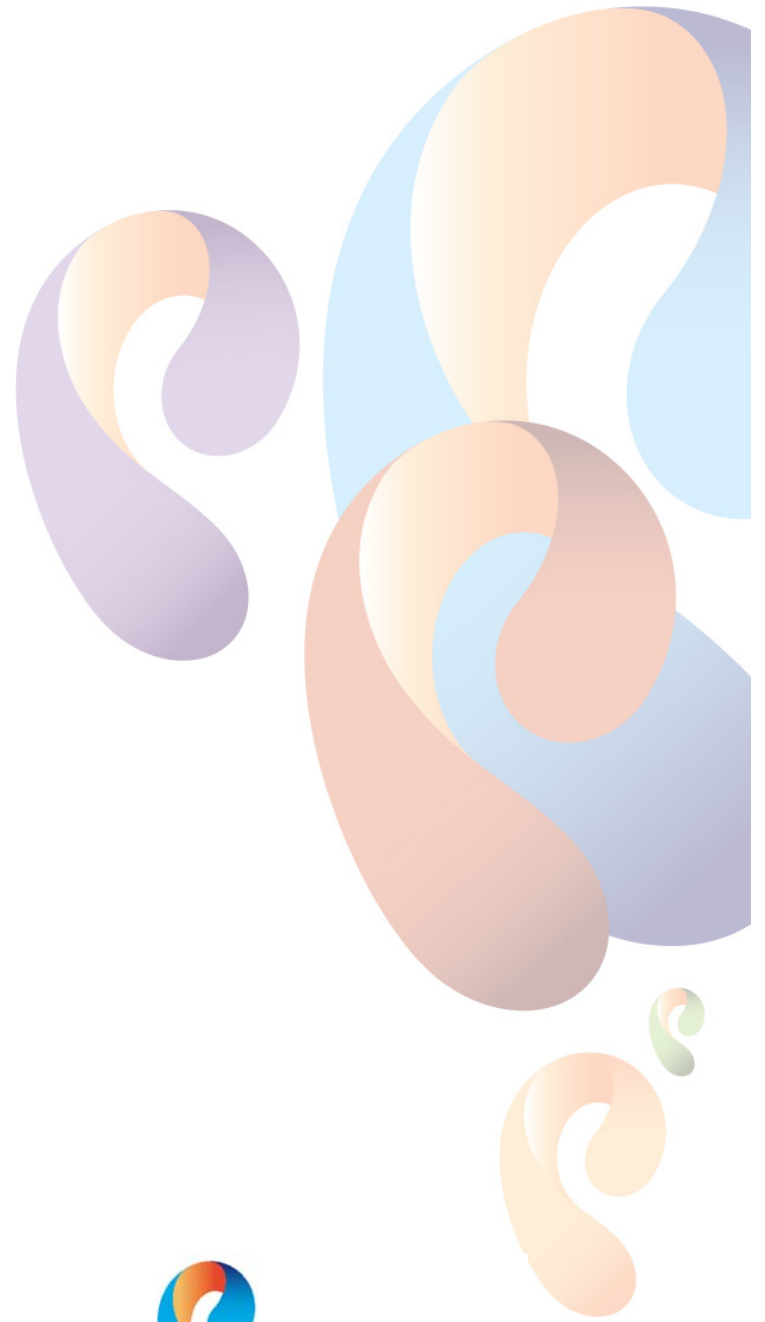
Clear outcome from structural changes

- LSE listing
- Elimination of cross – ownership with Svyazinvest and decrease of number of shares
- Svyazinvest’s assets consolidation (SkyLink, Central Telegraph, Bashinformsvyaz, etc.)
- Consider preferred shares and treasury shares questions

Capitalization Growth

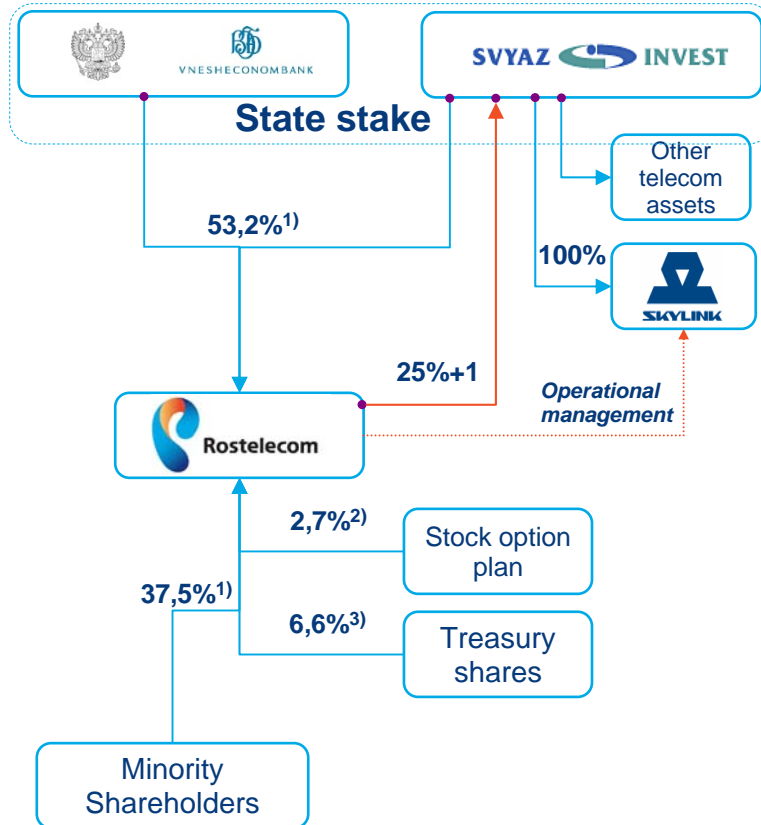
- Universal Multistandard Network
- Full spectrum of packaged mobile and fixed telecom services
- Expanded service offer (including Cloud solutions, IT)

Appendix

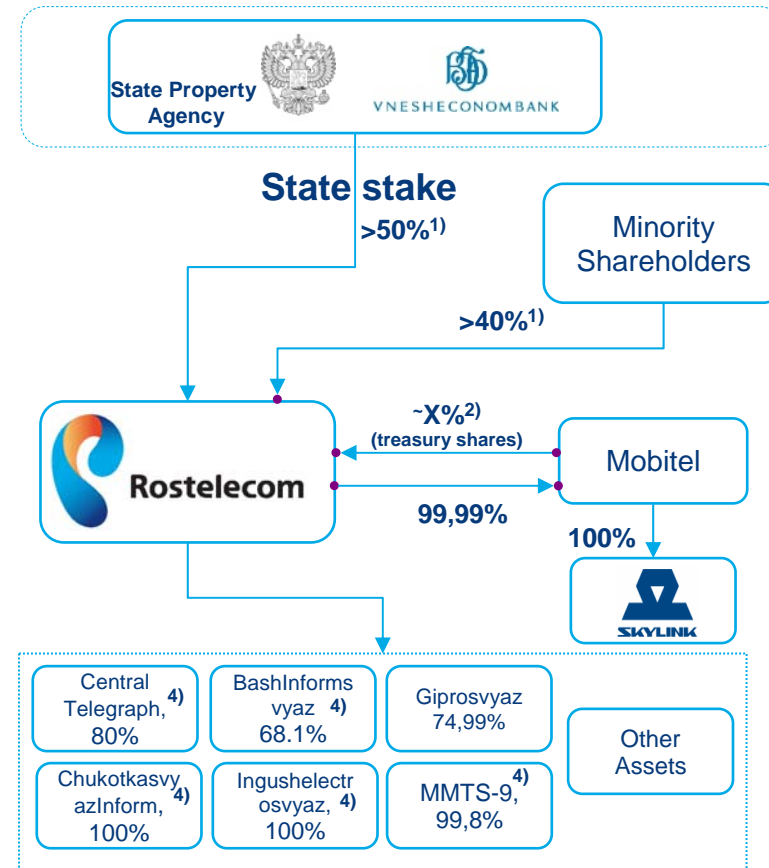


Shareholders' structure after the merger with Svyazinvest

Today



Tomorrow



* Additionally the Company considers the possibility to merge some of its subsidiaries into Rostelecom at the time of merger with Svyazinvest

1) Percentage of voting shares
 2) In Dec 2011 the stock option program was partially exercised
 3) X will depend on the valuation of Svyazinvest assets
 4) Only after State Property agency contributes the assets into Svyazinvest