



# 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.   |
| <b>Apr 1, 2011</b>  | <b>Reorganization completed. RTOs’ shareholders get new Rostelecom shares in exchange of RTOs’ shares.</b>  |
| End Apr-2011  | Registration of the additional share issue reports with FSFM  |
| <b>Commencement of trading of the new ordinary shares, exchange – traded bonds on Russian stock exchanges</b> |   |

## 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

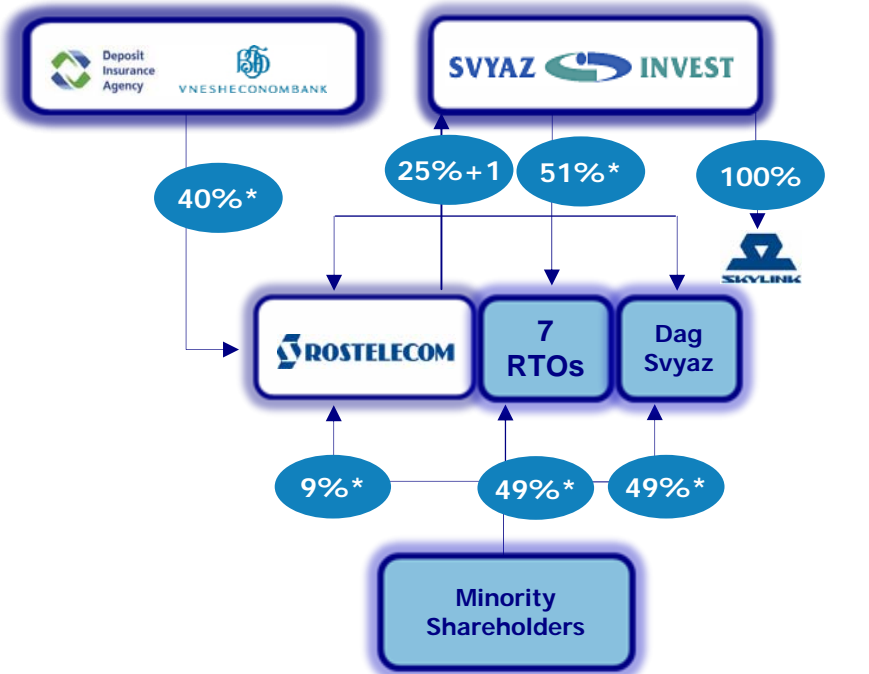
- Enhance share liquidity of the merged company by switching of all the minority shareholders of the merged companies, including the holders of preferred shares, into a single share.
- Listings on Russian and foreign stock exchanges (to be obtained in the future). Inclusion of the shares in the combined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

## Credit rating / MSCI

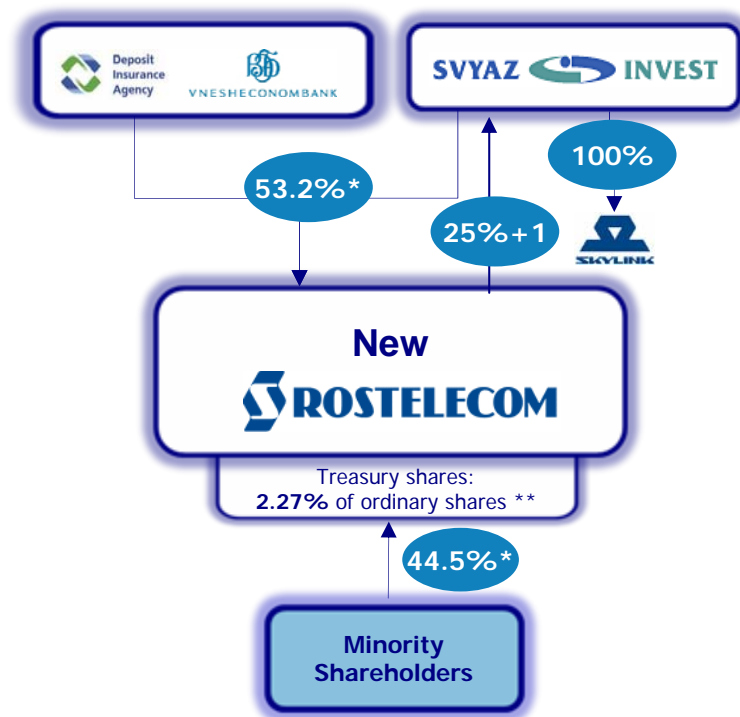
- Stronger credit rating and lower the cost of borrowing by bolstering the financial stability and market positions of the merged company.
- Opportunity for New Rostelecom to become a significant constituent of MSCI Russia index

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

## Before April 1, 2011



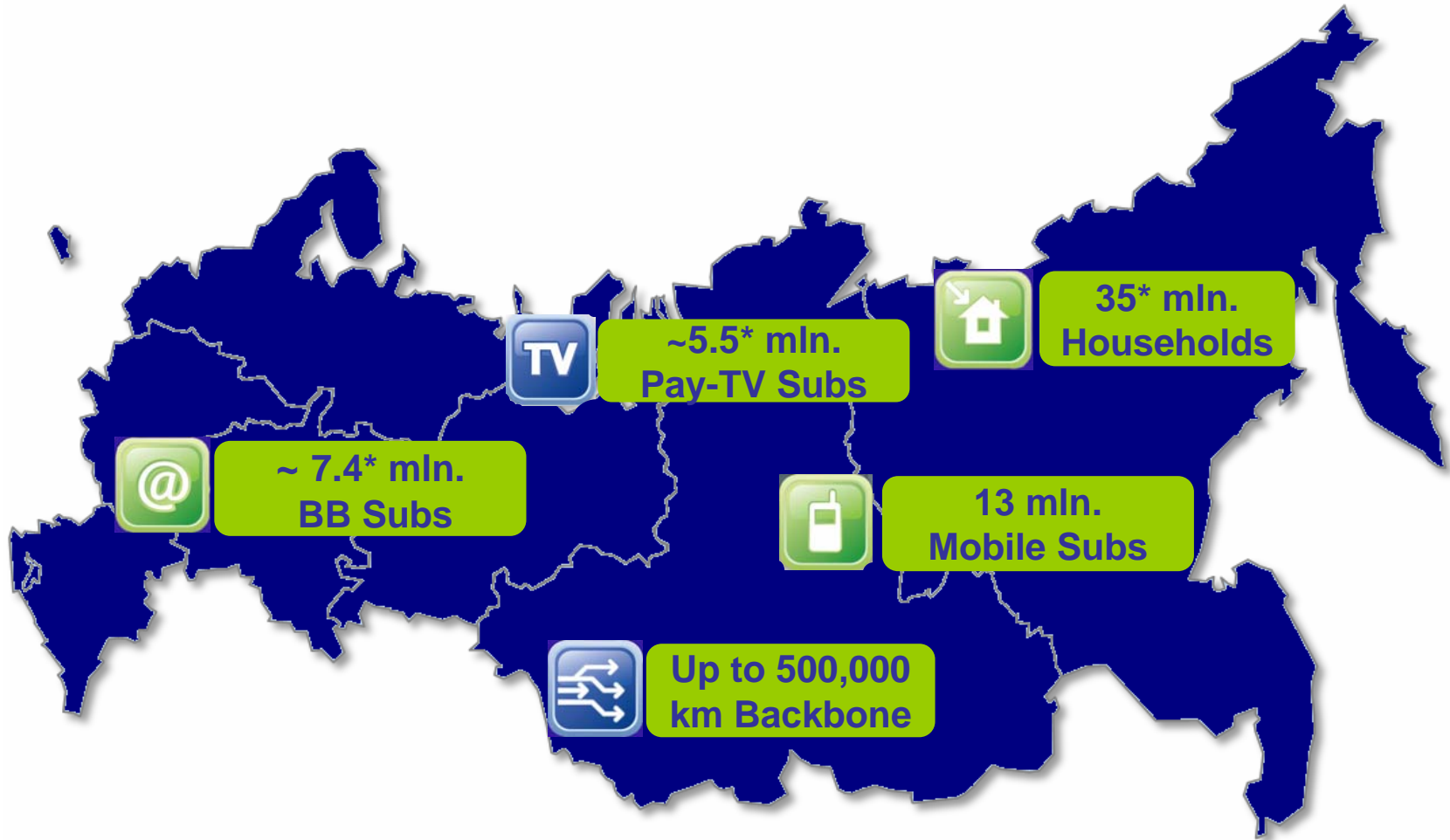
## After April 1, 2011



\* Percentage of voting shares

\*\* Plus 28.8% of preferred shares

|              |      | RTO shares<br>before<br>conversion | Buy-back in<br>RTOs shares | # of shares of RTO<br>per 1 Rostelecom<br>ord share | # of issue of<br>Rostelecom shares | Total # of shares<br>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                           |
| <b>Total</b> |      |                                    |                            |   |                                    | <b>3 186 089 436</b>                  |
|              | ord  |                                    |                            |   |                                    | 2 943 257 967                         |
|              |      | <b>% of total</b>                  |                            |   |                                    | 92,38%                                |
|              | pref |                                    |                            |   |                                    | 242 831 469                           |
|              |      | <b>% of total</b>                  |                            |   |                                    | 7,62%                                 |



\* Including NTK subs

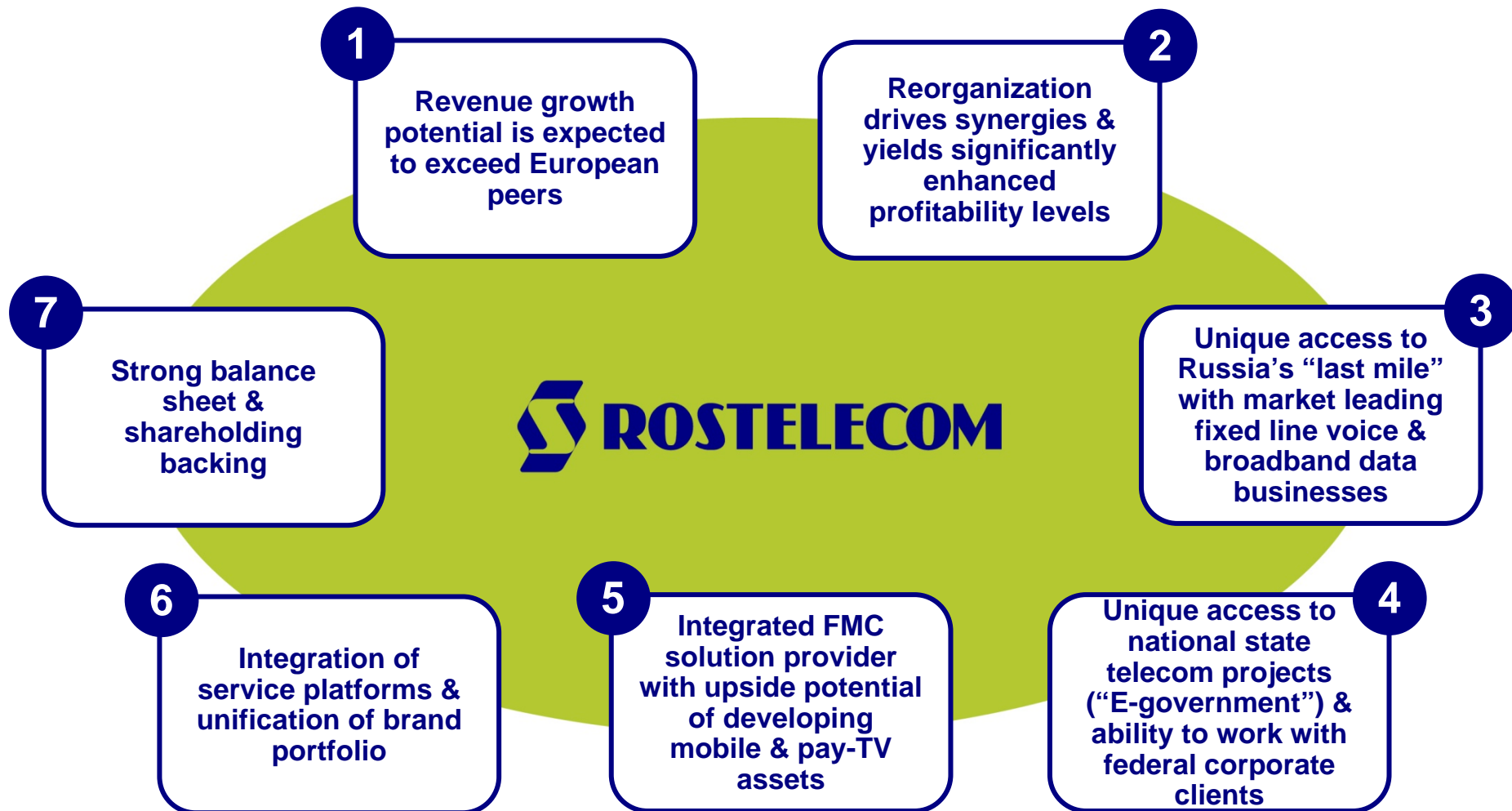
- Strong fundamentals supporting growth in the Russian telecommunications market.
- Leading/significant positions in all segments of the Russian telecommunications market.
- Largest network infrastructure in Russia, with regulatory permits to support future growth.
- Strong brand awareness and marketing 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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