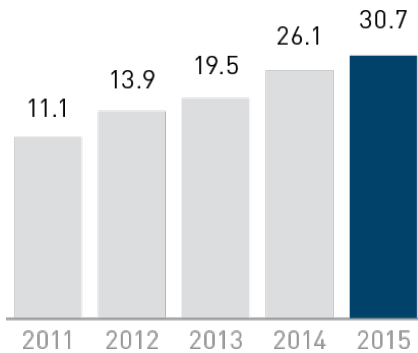




Technological Advantages

Modernization of “last mile” networks

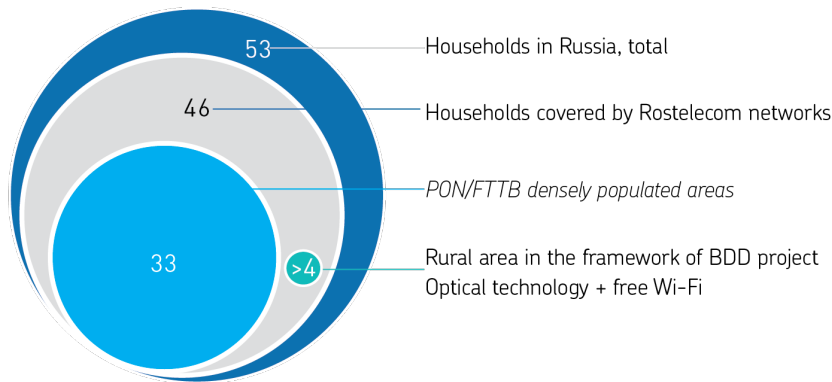
Number of households connected to optical fiber network, mln



The company implements a large-scale “last mile” network modernization project, aimed at covering with fiber-optic network 33 mln Russian households by the end of 2016. This will allow the Company to provide customers with a full range of modern telecommunications services at speeds of up to 1 Gb/s.

By the 2015 year-end, Rostelecom covered with optical fiber 30.7 mln households, and the capacity of IP MPLS backbone network was increased up to 12.3 Tbit/s. Rostelecom uses a variety of technology solutions for the “last mile” modernization to meet the needs of customers, while ensuring the efficiency of its own investments.

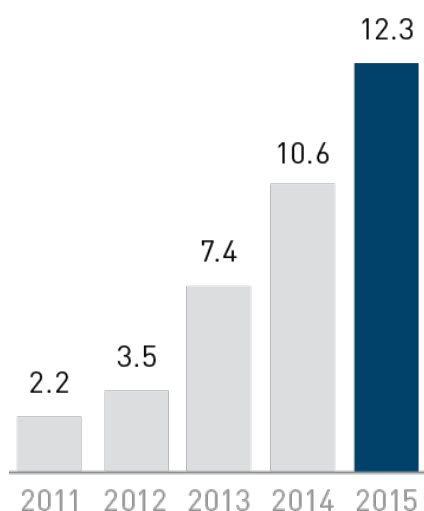
Balanced approach to the “last mile” modernization



We use a variety of technology solutions for the “last mile” modernization to meet customers’ request, meanwhile providing efficiency of our investments

Increased capacity of backbone network

Capacity backbone network IP/MPLS, Mbit/s



The transport component is the most important element of the network infrastructure to absorb the non-linear increasing volume of traffic, including video content. In this regard, it is important to provide the necessary resources, the backbone network to provide highquality services based on Rostelecom infrastructure.

Implementation of investment programs in 2014-2015 and forecast for 2016

Investment program	2014 (actual)	2015 (actual)	2016 (forecast)
Funds invested (planned for investment) in fixed assets (CAPEX), RUB mln			
— by cash flow	57,666	62,726	62,45
— by accruals	61,527	66,047	63,90
Investments by areas, %:			
Broadband access (B2C)	31	31	2
Broadband access (B2B)	10	9	1
Sectral services (B2G)	—	4	
IP/MPLS backbone network development	14	13	1
Traditional telephony development	3	1	
Digital TV, Internet services	2	3	
E-government, innovations	6	3	
Organization of points of sales, call centres	2	1	
Implementation of IT solutions	8	5	
DPC creation, support	—	1	
Bridging the Digital Divide	2	6	
Operational efficiency, rural communication	—	6	
Other	14	17	1
Sochi — 2014	1	—	-
Development of the federal mobile business	7	—	-

Reducing the share of capital expenditure allocated for the development of the IP / MPLS backbone network and broadband (B2C) due to the completion of the main stage of the construction of fiber-optic networks for retail clients. There is a shift of the investment program priorities towards the development of B2B/B2G segments and transformation of IT systems.