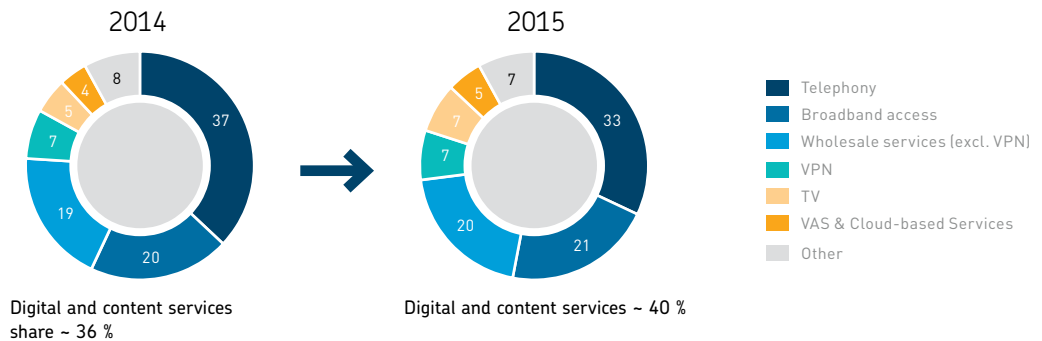


Differentiated Offerings

THE COMPANY CONTINUES TO INCREASE THE SHARE OF DIGITAL AND CONTENT SERVICES, TRANSFORMING INTO THE DIGITAL SERVICES PROVIDER.

Digital and content services share by years



B2C

In 2015, Rostelecom focused its main efforts in the mass segment on retaining the voice subscribers communication and growing its subscriber base in the broadband access services and Pay TV market. To form the subscriber base and increase ARPU in 2015, it carried a series of federal special offers of high-speed Internet service, as well as Double- and TriplePlay service packages. It expanded and upgraded ranges of the tariffs provided, launched special offers "Summer Forever" "Package for Ever", "Hardware 2015". All this enabled to successfully replace lost revenues from fixed voice services with the revenues from the growing broadband, Pay television and innovative services segments.

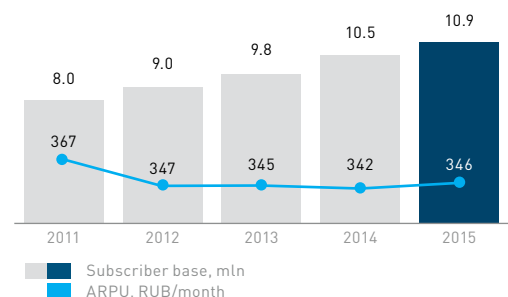
Broadband Internet access services

The number of subscribers to broadband Internet access in B2C segment increased by 6 % in 2015 y-o-y, taking into account the base recalculation after the audit (without taking into account the revision, the growth amounted to 4 %) and amounted to 10.9 mln subscribers.

The number of subscribers connected by optics increased by 22 % year on year, to 6.3 mln. In 2015, it was the first time that the share of subscribers connected by optics, exceeded 50 % and reached 54 % of the subscriber base.

In 2015, the Company launched the federal campaign "Powerful Internet" aimed at promoting the high-speed tariff plans of Home Internet service.

B2C broadband access



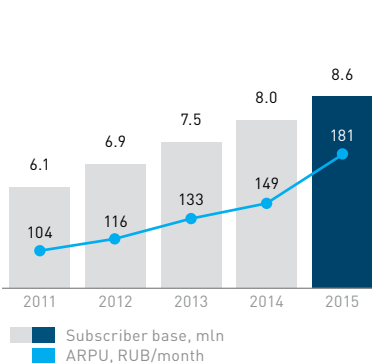


Pay TV

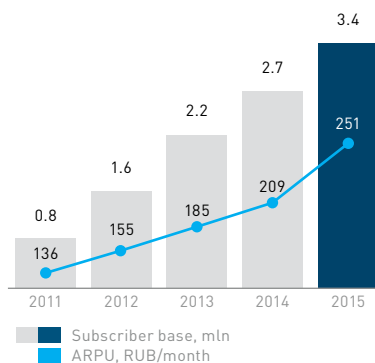
The number of pay TV subscribers in 2015 increased by 9 % y-o-y, taking into account the recalculation after the base audit (without taking into account the revision the growth was 8%) and amounted to 8.6 mln households. Of these, the number of Interactive TV subscribers has increased by 27 %, taking into account the recalculation after the base audit (without taking into account the revision the growth was 26 %), to 3.4 mln subscribers. New product Interactive TV 2.0 was put into commercial operation in 2015.

This is a box solution providing the possibility to watch digital TV and access to related interactive services on different types of subscriber devices, regardless of the broadband provider. Interactive TV from Rostelecom is a new TV format. The customer gets access to over 200 of the highest digital quality channels, including HD video anywhere where there is internet access. Service allows watching the latest movies sitting on the coach at home. It the video library contains more than 2 thou. domestic and foreign films. Interactive TV can be viewed simultaneously on up to five devices.

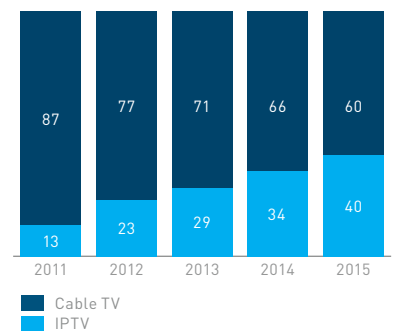
Pay TV



IPTV



Distribution by technology, %

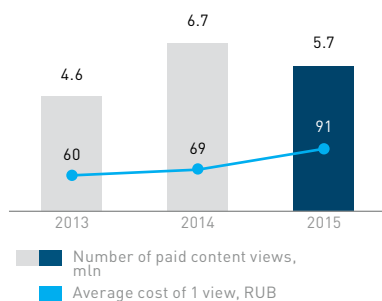


One of the key value-added services under Interactive TV is VoD service. Revenue from this service in 2015 increased by 23 % y-o-y. This was largely due to a 32 % increase in costs for onetime views of the content, as well as 15 % increase in the subscription fee. There was a tendency of the customers' transition from the one-time content

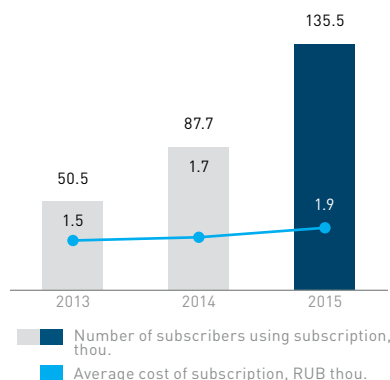
view model to a periodic subscription model, so that the number of subscribers at the end of 2015 increased by 55 % y-o-y, indicating an increase of customer loyalty to the product.



VoD paid views



VoD subscriptions

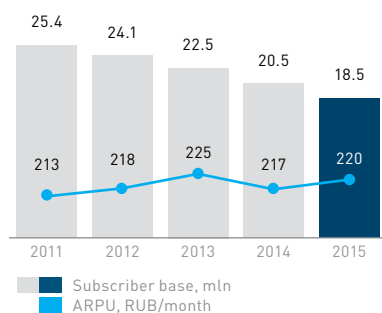


Traditional telephony services

The number of local telephone communication subscribers in the mass segment decreased by 9 %, taking into account the recalculation after the base audit (without taking into account the revision the growth was 10 %), to 18.5 mln of subscribers. To stimulate the consumption of Home Phone service in 2015 the Company introduced and continues

to actively offer the subscribers the tariff options for longdistance, intra-zone and international telephone services that allow subscribers to Rostelecom local telephone communication save significantly on long-distance and intra-zone telephone connections.

B2C local telephone communication



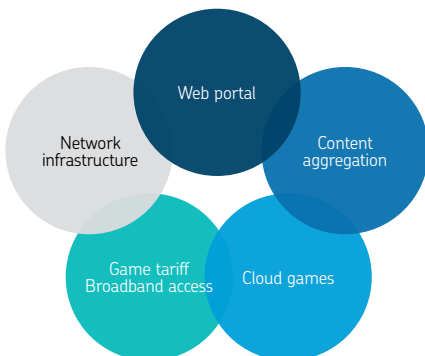


Game services

In 2015, Rostelecom entered the game services market by launching its own game portal. Catalog of games includes all the major trends and genres and is updated on a regular basis. Catalog of games includes all the major trends and genres and is updated on a regular basis. Rostelecom provides high speed and quality Internet connection that enables to download or update the content without delay.

For the customer's convenience, a simplified system of authorization using the login and password from the popular social networks is used. Native app for Windows enables to keep track of news, run the game and buy content without having to go to the browser. The users of Rostelecom's broadband access services and Interactive TV are given exclusive price offers.

Launching game portal



Open game platform

Involvement in the game without investing in a PC

Development of cloud-based services

E-sports promotion

Creating a gaming community



B2B/B2G

Broadband access

In 2015, the number of subscribers in the B2B segment using Rostelecom broadband access service declined by 3 %, or 20 thou. organizations. This reduction is due to the fact that in the complicated macroeconomic environment, some companies have to optimize their costs, including those for communications services, and a number of companies do not reach the required level of effectiveness and wind-up.

B2B broadband access

