

Letter from the Chairman



Dear Shareholders,

2015 was a year that saw Rostelecom continue to transform its business model by developing its digital services, increase its investment attractiveness and enhance its corporate governance system.

Decisions made by the Board of Directors, enabled Management to pursue new investments in the fast growing data services market, in cloud-computing platforms and in other innovative products to gradually transform what has traditionally been a telecommunications operator into a complete digital services provider. This approach not only reflects the Company's ethos, and indeed its 134-year position as a technological leader in the domestic communications sphere, it also simultaneously opens up further growth opportunities and potential for increased capitalization.

It is also worth noting that Rostelecom delivered on its main operating goals in 2015. The Company's digital segment continues to generate more revenue, reflecting the team's achievements in terms of growing its internet and Pay TV offering, and connecting almost 31 million Russian households with our fibre opt network by the end of 2015.

The Company plans to further increase its share of digital services, and our objective for the segment is that it accounts for 60% of the Company's total revenue by 2020, and is in a position to provide average annual revenue growth of between 1-2% and growth OIBDA growth of 3%.

The Board of Directors' key priorities now center on laying down the foundations that will secure the Company's sustainable development in the future, particularly with regards to increasing the effectiveness of investments we make in the business, optimising financial and operational activities, improving results and increasing transparency when it comes to the Company's internal mechanisms and control systems. Furthermore, as part of our drive to improve Rostelecom's equity story, the Board of Directors has approved a new dividend policy, which is intended to provide a greater level of visibility and transparency to shareholders. The Board has also agreed to implement a program that will enable the corporate real estate portfolio to deliver greater returns.

Rostelecom benefits significantly from having a Board of Directors that possesses significant expertise and experience. The Board takes its responsibilities very seriously, and remains dedicated to protecting the best interests of shareholders and corporate stakeholders. We are currently guiding Management through a critical phase whereby the Company is establishing best practice corporate governance policies, which in addition to delivering on our sustainability and governance objectives, will also contribute substantially to Rostelecom's business development plans and result in tangible growth in asset values.

Yours Sincerely,
Sergei Ivanov,
Chairman of the Board