



Strategic Priorities for the Development of Fixed Communication

The Company's fixed-line segment growth continues along 5 key strategic pillars

Technological Leadership

— Creation of an up-to-date high-speed network infrastructure based on fibre-optic technologies.

One of the Company's key competitive advantages is its powerful, extensive telecommunication network covering all regions in the Russian Federation. Today, most up-to-date innovative solutions are available on the telecommunications market, and there is constant transition to the next technological cycle, that is why it is crucial amid growing demand for high-quality and modern communication services to maintain and increase the Company's technological advantage, which provides services to mlns of Russian households. As the trend for growing consumer traffic persists, due primarily to higher video traffic and better picture quality, the availability of a state-of-the-art high-speed network is a recipe for success in the further development of a telecommunications operator.

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Differentiated offerings

— The Creation and delivery of new digital services to the market

The Company possesses unique opportunities in the Russian market both in terms of infrastructure and expertise to develop and offer a range of communication services ensuring unrivalled customer value. Rostelecom can offer optimal balance between the cost and composition of a packaged offer consisting of telecommunications, Internet and digital TV services. This is not just about the technical performance of services like data speeds, but also about quality and relevance of the content offered and customer service. The scale of the Company's operations enables it to design and offer to consumers unique and cost-saving products in association with content rights owners.

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Best-in-class customer care

— implementation of advanced customer services standards (SLA)

The enhancement of Customer services is a key target for the Company. The ability of easy to use and customerfriendly services, to solve customer problems and the availability of advice and information at any time and through various service channels (service offices, call centres, multimedia channels, self-service functionality) are the top priorities in this area.

The Company continues to examine carefully the best available customer service practices, concerning service delivery time, the response time of a helpdesk to customers' phone calls, etc.

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Organizational transformation

— streamlining the organizational chart and developing our customer oriented approach

Rostelecom is constantly in pursuit of radical improvement in its business processes, the streamlining of its management structure and the initiation of broader engagement of staff when it comes to achieving goals set by the Company. Particular attention will be devoted to personnel development and recruiting new highly skilled employees.

The main focus of personnel management is adopting an efficient internal corporate culture centred on external and internal customers. Social policy issues remain essential for Rostelecom, and there are plans to expand social guarantee packages for Company employees: which include improved intra-corporate rates and tariffs, housing programmes (about a thousand employees joined the programme in 2015). The Company also plans to introduce a new pension programme in the near future.

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Improving operational efficiency

— OPEX reduction

Cost cutting remains an ambitious goal for the next few years to come. Cost savings will be enabled by network upgrades and relinquishing overlay networks, management centralisation, the elimination of excessive management levels, and the reduction of real estate maintenance costs. The operational efficiency improvement programme should bring the Company's performance closer to best practices in terms of cost gap indicator, to reach 20-25% in 2018.

One of the key facets of the operational efficiency programme is to increase staff productivity, and its particular aims is to optimize the performance of technical and administrative personnel. The target headcount by 2020 should not exceed 110-130 thousand employees. This target is expected to be achieved by eliminating excessive management layers, network infrastructure transformation on to SDN/NFV, transition to digitised business processes, implementation of a balanced outsourcing framework and enhancing personnel engagement.

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