



Strategic Projects and Achievements in 2015

Rostelecom achieved the following milestones:

- OTT Interactive TV 2.0 service was launched
- New cloud based services were launched (virtual office, web video-conferencing, web teleconferencing).
- The number of remote sales increased by 25 %.
- National Data Centres, a JV between Rostelecom and Inter RAO was set up in August, to deploy a DC network and cloud platform designed for holding Geographical Information Systems and those of public authorities, state corporations and companies where the government holds an interest.
- Revenue per employee indicator grew up to RUB 2 mln.
- Implementation of the operational efficiency improvement program resulted in savings of RUB 8.5 bln.
- By the end of 2015, some 1.5 thou. access points were put in operation as part of the Bridging the Digital Divide project. The Company continues construction activities and new access points are being put into service ahead of schedule.
- Stage 1 construction and installation work was completed between Sakhalin and Magadan, including shore and deep water installation. The network length is 924 km.

Top Priority Projects for 2016

Program	How it affects			Key drivers
	Revenue	OPEX	CAPEX	
Real estate management optimisation		↓	↓	Reduction of used office and site areas: selling and leasing out
Network transformation (SDN/NFV)	↑	↓	↓	Cutting network management and customer service costs
Production framework deployment		↓	↓	End-to-end business economics improvement
B2B transformation	↑			Service cross-selling, migration to fibre, ARPU increase
Rural network upgrade	↑	↓		Operation staff downsizing, cross-sales
Customer service model transformation	↑	↓		Reducing churn, service cross-selling, cutting labor costs
Voice 2.0	→			Reducing churn rates
Total effect	↑	↓	↓	





INVESTMENT PROGRAMME

The Rostelecom investment programme is based on the identified top priorities and initiatives within the Company's Strategy implementation. In December

2015 the Board of Directors approved the Company's budget for 2016 (Minutes № 15 of 14 December 2015), and the investment programme for 2016 was approved within the budget limits.

Customer segment	Investment programme		2016
			planned
		Funds allocated for investing in fixed assets (CAPEX), RUB mln	63,900
Investment areas:			
B2C	Broadband (B2C)		28
B2B	Broadband (B2B)		14
B2G	Industry specific services		8
B2x	IP/MPLS core network development		11
B2C, B2B, B2G	Traditional telephone development		1
B2C, B2B, B2G	Digital TV, Internet services		2
B2G	Electronic government, innovations		3
B2C, B2B, B2G	Sales office deployment		1
B2x	IT solutions implementation		7
B2C, B2B, B2G	DC deployment and support		2
B2C	Elimination of digital inequality		8
B2x	Operational efficiency, Rural telecommunications		5
B2x	Other		10