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Cloud Solutions
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Advantages of cloud solutions

**Extensive development**
- Vast territory
- Lack of specialists for realizing significant projects
- Trillions of cost

**Innovative approach**
- Developed infrastructure
- Concentration of resources
- Billions of saving
National cloud initiative:
Upcoming leader in cloud computing solutions

Outstanding market growth opportunities
Significant advantages for users
- 30 times IT related expenses reduction
- 5 times lower systems implementation period
Russian national cloud platform is 3 years ahead of US

Market opportunity for cloud computing ($mm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Germany</th>
<th>Russia</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1200</td>
<td>35 CAGR 103%</td>
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</tbody>
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Key growth drivers
- Low levels of informatisation
  - deployment of SaaS less challenging
- Increased focus of corporates on cost and operating efficiency
- Multi-faceted state support to innovative initiatives

Source: IDS
Existing backbone and country-wide infrastructure: a unique competitive advantage

- Microsoft
- 1C
- Others

- attempts to replicate are unviable due to lack of qualified content providers
- unrivalled Research and Development capabilities

- 99.7% assured redundancy level
- up to 10 GBit/sec
- integration with other IP-based services

- multi-standard network design in line with demand patterns
- unrivalled country-wide availability of 'last mile' solutions
- high network resiliency

- impenetrable barrier to entry for competition on a large scale
- continued investment maintain the network at the forefront of technology

Partnerships with leading vendors

Consortium of 70+ software and content developers

Effective set of data centers across the country

Market-leading distributed data infrastructure

500,000+ km of company-owned backbone
Rostelecom

e-Government: off to a strong start, unlimited potential ahead

Timely, relevant, appropriate
- all public services to be processed and administered electronically by 2015
- potential to serve >200,000 state agencies
- flexible annual fee schedule (RUB 10-30mm) major attraction for clients
- Ready-made solutions – fast and cost-efficient service offer

Complete infrastructure in place
- minimum incremental CAPEX required
- additional revenue generation from lease of channels

Synergies with the state programs
- Rostelecom is well-positioned positioned to capture substantial share of Government-sponsored national initiatives

Growing share of Rostelecom’s revenue
- Revenue growth rates significantly surpassing Group-wide level – one of the highest projected 2010-2015 CAGR

Key facts
- Revenue for 2011 over RUB 2.7 bln
- 78 out of 83 regional governments already subscribed
- Over 2 million subscribed users
- 40,000 public services provided of which 1,500 in e-format
- 120 million accesses for 2 years

Consumers

83 regional governments*
23,000+ municipalities
200,000+ local authorities

Outstanding potential to build 2.7bn revenue business into a major future revenue generator

* Currently only 78 are subscribed

**E-government**
- United portal for public services
- Public services in e-format

**O7. Medicine**
- United electronic medical card
- E-front desk
- Medicine info systems

**O7. Education**
- E-School and E-Nursery
- Social network for school students
- Educational TV channel

**O7. Housing**
- Tariff and budget control
- Payments and financial assets

**O7. City**
- City infrastructure monitoring
- Predicting and prevention of emergency situations

**O7. 112**
- United contact number for admission and processing of messages
- Special services coordination

**O7. DOC**
- Office administration
- Document exchange

**O7. Business**
- Automation of key business processes
- Virtual office
Elections 2012: national significance, international scale

Key facts

- The largest project of its kind in the world completed in record time (3 months)
- Over 3 million people followed the broadcast
- Over 500 million accesses during the elections day
- 450,000 simultaneous broadcasts at the peak

Rostelecom benefit

- RUB10bn+ of revenue
- Accelerated channels modernization and capacity increase
- Limited additional CAPEX spent – all investment in broadband modernization are in 2010-2015 CAPEX program

Future

- Broadcast of regional elections
- Infrastructure for O7. Education cloud service
M2M functionality: at the forefront of the global market trend

**Driven by growth in global demand**
- 108 mm M2M connections in 2011 globally (37% YoY)
- 2.1 bn M2M connections by 2020 to account for 4-5% of total traffic

**Russian market surpassing global trends**
- M2M connections CAGR (2011-2015) of 65%
- 2 mm M2M devices in 2011
- 18.5 mm M2M SIM cards by 2015

**B2B currently the main driver...**
- remote monitoring, transport and retail account for majority of connections
- increased customer loyalty
- access new category of corporate clients
- evolutionary way to integration with content provider

**... but B2C holds biggest promise**
- navigation, ‘smart home’ and other personal applications

**Status of federal mobile operator and national fixed-line carrier will give Rostelecom a jump-start in the segment**

Source: IKS-consulting, Direct Info

2 million M2M devices (2011)
Proven economic viability

Capturing the growing demand
- revenue dynamics expected to capture significant portion of growth in demand from the overall Russian market
- projected annual market growth rate of 100%+
- potentially catching up with fixed broadband in terms of revenue generation by 2015

Investment requirement is reasonable
- technology becoming more affordable
- significant investment already made
- synergies with other lines of business
- Government projects accelerate investment

Developed infrastructure and scale to ensure cost optimization
- diversified pool of suppliers, application developers and service providers
- favorable contract terms and best-available quality
- ability to provide ready-made and fully-packaged solutions
- OIBDA margin for 2011 around 20% with upside potential in future

Superior growth with margins to be in line with Rostelecom average
Leadership in innovation: from strength to strength

Strategic combination of applied research with company vision

OVER 50 NEW PRODUCTS + OVER 70 RUSSIAN IT COMPANIES + 7 CORE ACADEMIC DEPARTMENTS AND COMPETENCE CENTERS + NEW DATA CENTERS + TELECOMMUNICATION CLUSTER + RT LABS

OPENING OF ROSTELECOM R&D CENTER IN 2012

OVER RUB50BN OF REVENUE FROM INNOVATIVE SERVICES IN 2015*
UNDISPUTABLE LEADERSHIP IN THE SEGMENT

* not limited to cloud computing
Effective distribution and post-sale support underlie commercial success

Vertical distribution network provides country-wide reach

Post-sale support is a major attraction for corporate and state clients