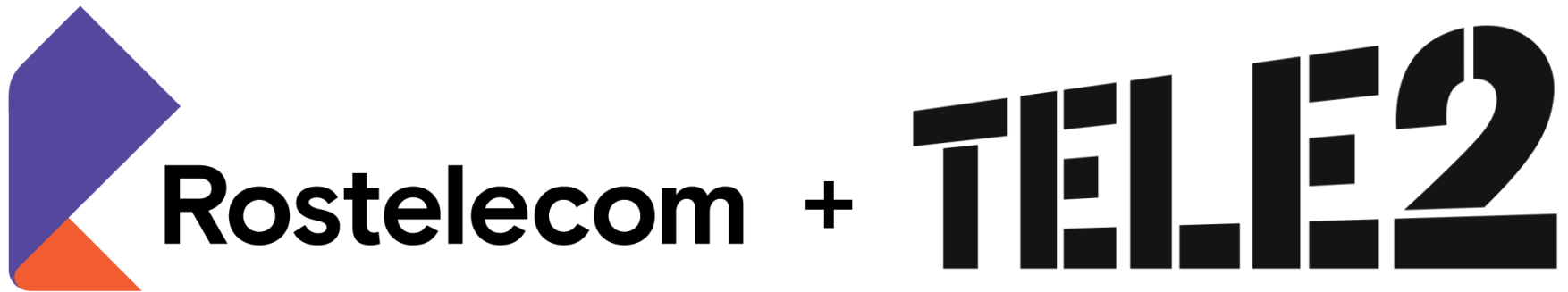


CREATION OF THE LARGEST CONVERGENT PROVIDER OF DIGITAL SERVICES IN RUSSIA



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Creation of the leading integrated provider of digital services in Russia

55% of Tele2 Russia to be acquired

Acquisition of a highly attractive business

- The fastest growing mobile player in Russia with 44 mn subscribers ⁽¹⁾ & developed 3G/4G network
- Unique management team of Tele2 Russia

Unprecedented potential for combining fixed and mobile assets

- Highly complementary assets
- High cross-selling opportunities
- Meeting growing customer demand with FMC products

Potential for 5G development in Russia

- Unprecedented potential for 5G development through combining Tele2 Russia's advanced 4G network with Rostelecom's unique fiber optic infrastructure

Creating value

- Attractive valuation at 6.0x EV / EBITDA 2019F (~ 5.2 EV / EBITDA 2020F)
- Significant potential to unlock synergies

Beneficial deal structure

- ca. 70% payment on the transaction – non-cash component
- Welcoming to Rostelecom's capital a long-term investor interested in growth of market capitalization

Maintaining financial stability

- Maintaining current dividend policy
- Maintaining a comfortable level of net debt

(1) Source: Forecast of Tele2 Russia for 2019 YE.

Transaction rationale



Acquisition of 100% control in a strategically important asset at an attractive cost

Favorable terms for financing the transaction – almost 70% non-cash component

Solid platform for 5G development



5.2x EV / EBITDA 2020F
– attractive multiple for Russian challenger

Support for a fixed business amid a trend for wireless technologies

Potential synergies from implementing a joint strategy

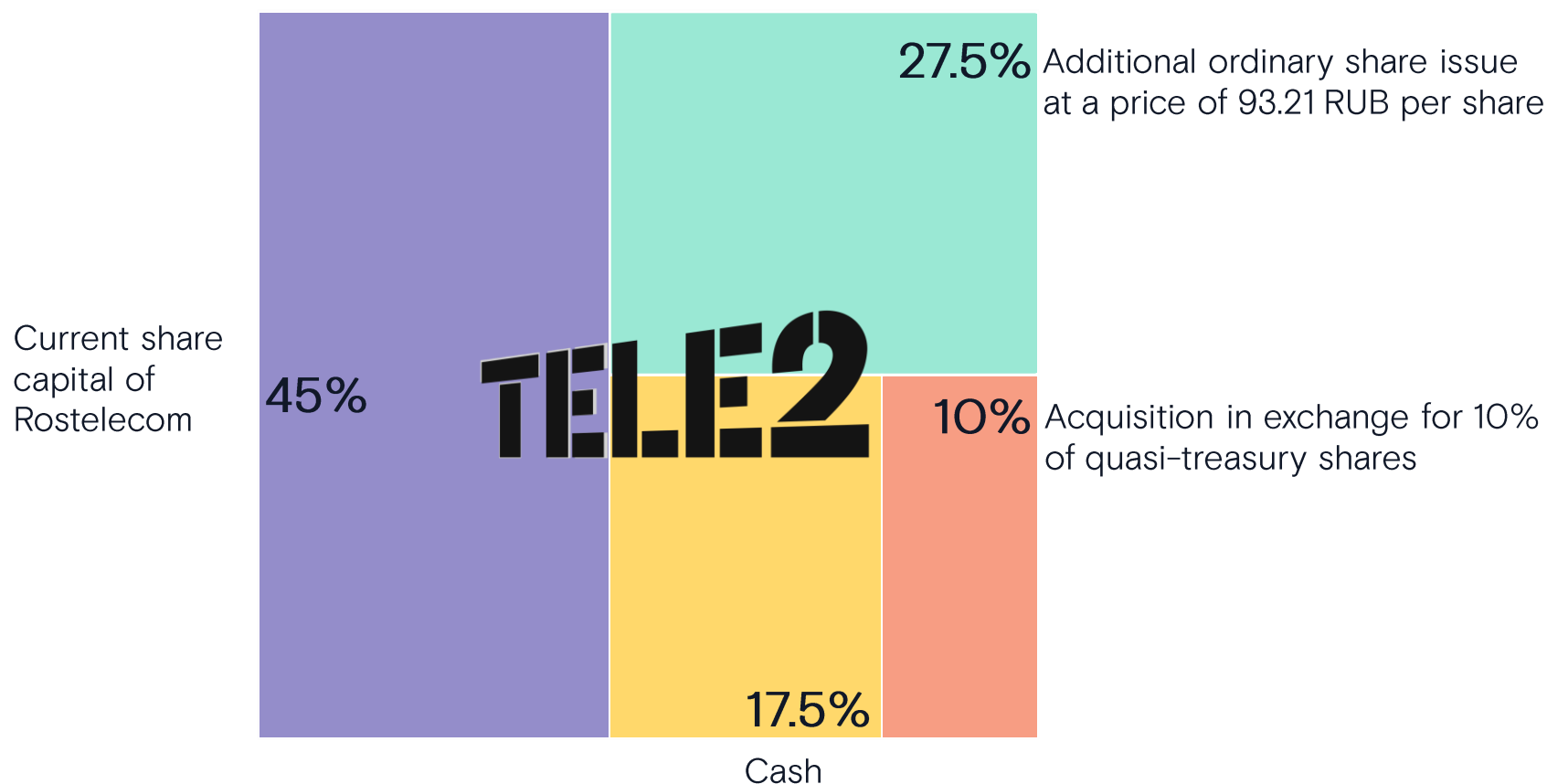
Transaction structure & financing



Rostelecom acquires 55% in Tele2 Russia and brings its stake to 100%

Transaction value

= **132 RUB bn**



= **66 RUB bn**

= **24 RUB bn**

= **42 RUB bn**

Attractive asset – Russian challenger



Strong market
positions

#1

By growth in
subscriber base ⁽¹⁾

44

mn subscribers ⁽²⁾

17%

Mobile market share ⁽¹⁾

High quality
services ⁽³⁾

#1

Best in the industry by
NPS & MNP

43%

NPS with margin > 10 p.p.
from nearest competitor

3.4k

Monobrand stores

Advanced
infrastructure

#2

By number of LTE base
stations ⁽⁴⁾

179/72_k

base stations in total /
LTE ⁽⁴⁾

67

Regions of coverage ⁽³⁾

(1) Source: AC&M Consulting subscriber data as of 1h19 excl. MVNO.

(2) Source: Forecast of Tele2 Russia for 2019 YE.

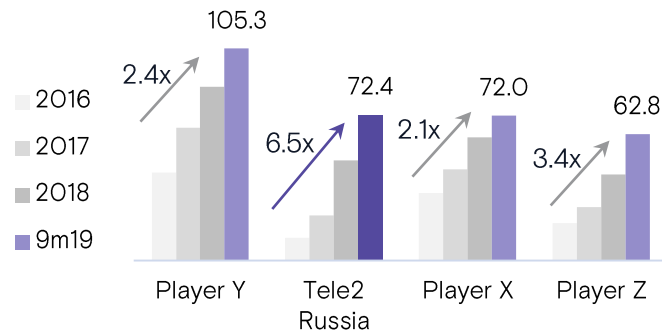
(3) Source: Tele2 Russia data as of 1h19.

(4) Source: Roskomnadzor data as of 01.10.2019.

Russian challenger: best dynamics in the industry...



LTE base stations, k ⁽¹⁾



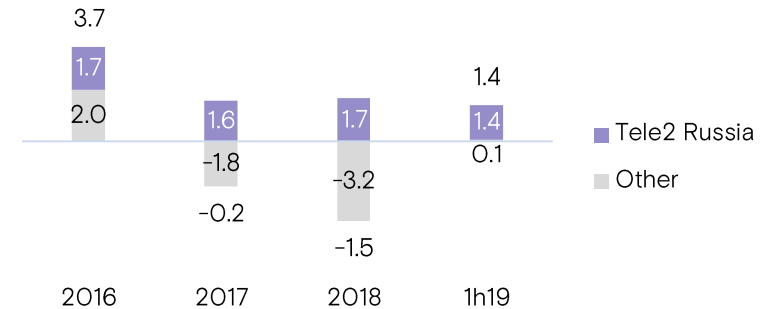
Fastest growing
LTE network:

6.5x growth
over 3 years

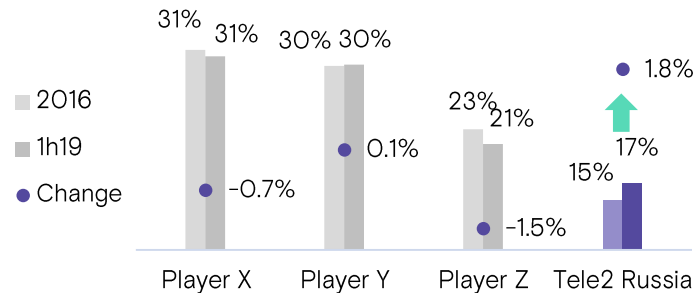
“Preferred
operator”:

Best NPS in the
industry ⁽²⁾

Subscriber base growth in Russia, mn ⁽³⁾



Market share dynamics of mobile operators in
Russia ⁽³⁾



+2 p.p.

Market share
increase over 3
years

(1) Source: Roskomnadzor data as of 01.10.2019.

(2) Source: Tele2 Russia data as of 1h19.

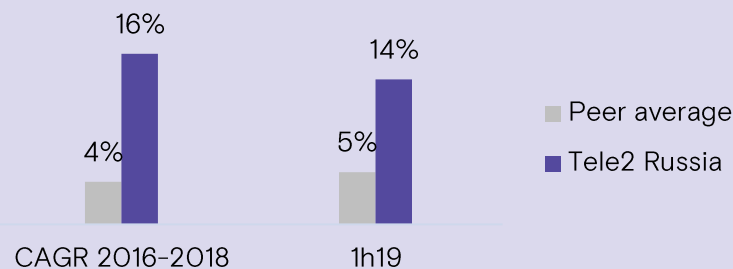
(3) Source: AC&M Consulting data excl. MVNO for 2016–1h19.

... backed up by outstanding financial results



Highest revenue growth in the industry

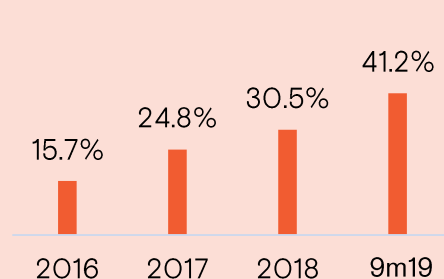
Revenue growth, %



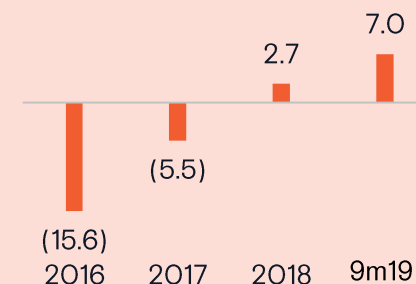
+30%
ARPU growth for 2016-2018

Strong growth in profitability and net profit

EBITDA margin, %

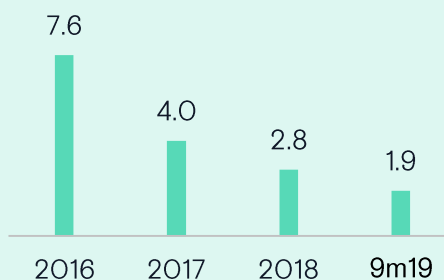


Net profit, RUB bn

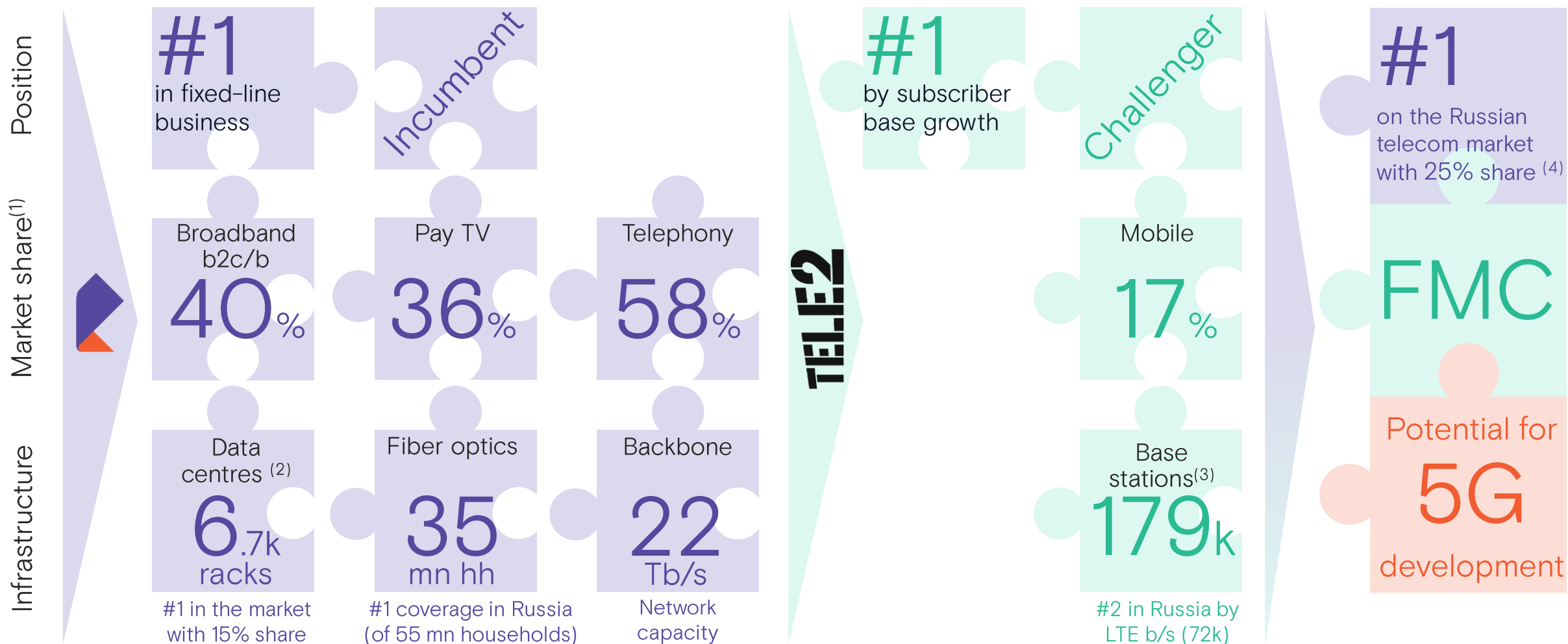


Improving leverage amid accelerated network development

Net debt / EBITDA reported, x



Creation of #1 integrated provider



(1) Source: For Rostelecom's market: Calculations based on TMT Consulting revenue data for 2h18-1h19. For Tele2 Russia: AC&M Consulting data as of 1h19 excl. MVNO. (2) Source: iKS-Consulting forecast for racks by 2019 YE. (3) Source: Roskomnadzor data as of 01.10.2019. (4) Source: TMT Consulting report «Russian Telecommunications Market», 2018.

Note: Incumbent – major market player with a significant market share; Challenger – a fast developing operator, which entered the market later than the main players and successfully gaining competitive positions in the existing market.

Synergies: revenue



Increased competitiveness through the development of converged services

Unique nation-wide convergent offer like no other in Russia

Additional income since convergent subscribers bring higher ARPUs

Increased customer loyalty since convergent subscribers are less likely to change operator

Expanding the ecosystem of products and services

Complementing the Rostelecom's product ecosystem with mobile and convergent services

Cross-selling and bundling products to clients of both companies

Transition from focus on household to focus on individual consumer – a new positioning

5G network development

Efficient construction of 5G networks by combining technologically complementary assets: frequency resource and fiber optic infrastructure of Rostelecom and mobile infrastructure of Tele2 Russia

Offering of products and services that require 5G-level connectivity

Synergies: cost efficiencies



Increased cost efficiency
with economies of scale

Optimization & joint support
for telecom infrastructure

Share cost of renting offices
and technological premises

Customer service
economies of scale

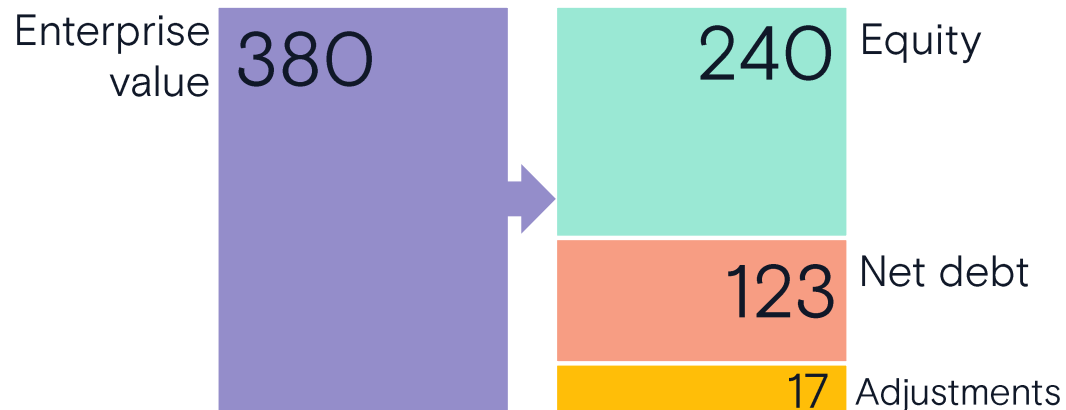
Optimization of expenses for
implementation of the
“Yarovaya Law” and other
regulatory requirements

Attractive acquisition price

Ambitious strategy of Tele2 Russia for 2018-2022

>10% Revenue CAGR **>20%** EBITDA CAGR **40+%** EBITDA margin

Value of Tele2 Russia, RUB bn



5.2 EV / EBITDA 2020F ⁽¹⁾

attractive multiple for Russian challenger

vs 7.5 EV / EBITDA 2020F ⁽²⁾

for challengers

Incumbents	EV / EBITDA 2020F	VS	Challengers	EV / EBITDA 2020F
Telekom Austria	5.2		Orange Belgium	5.3
Proximus	6.3		Telenet	7.8
O2	7.0		Iliad	7.2
Hrvatski Telekom	3.6		Bouygues	6.4
Elisa	13.7		Telefonica	6.0
Orange	5.9		Deutschland	6.0
Deutsche Telekom	6.3		United Internet	6.0
HTO	5.7		1&1 Drillisch	5.6
Magyar Telekom	4.2		Freenet	11.2
Telecom Italia	5.8		Altice Europe	7.8
KPN	4.9		PLAY	5.8
Telenor	7.3		Netia	5.0
Orange Polska	5.3		Masmovil Ibercom	8.1
MTS	4.6		Euskaltel	9.0
Telefonica	5.8		Tele2	12.2
Telia	9.3		Sunrise	7.7
Swisscom	8.2		TalkTalk	7.5
BT Group	4.9		Liberty Global	7.6
Median	5.8		Median	7.5

(1) EV for calculation of multiple EV / EBITDA for Tele2 Russia includes long-term lease obligations. (2) Source: Bloomberg data as of 11.11.2019.

Note: Incumbent – major market player with a significant market share; Challenger – a fast developing operator, which entered the market later than the main players and successfully gaining competitive positions in the existing market.

Financing approach



Transaction financing: ~70% non-cash component

10%
quasi-treasury
ordinary
shares

66 RUB bn

in the form of an
additional issue of
ordinary shares at a
price of 93.21 RUB per
share

- The additional share issue is conducted by private subscription in favour of PJSC VTB Bank
- Subject to approval by EGM, while existing shareholders receive a pre-emptive right to participate in the share issuance
- The maximum size of share issue is up to 1.2 bn ordinary shares

42 RUB bn

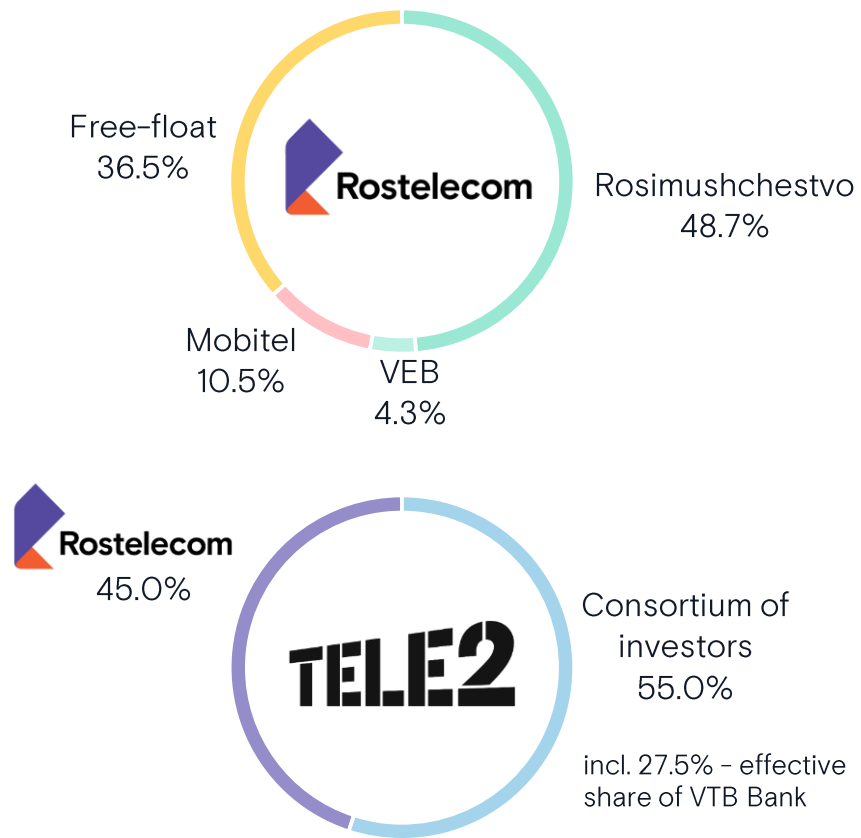
in the form of
cash

Current dividend policy
will be maintained

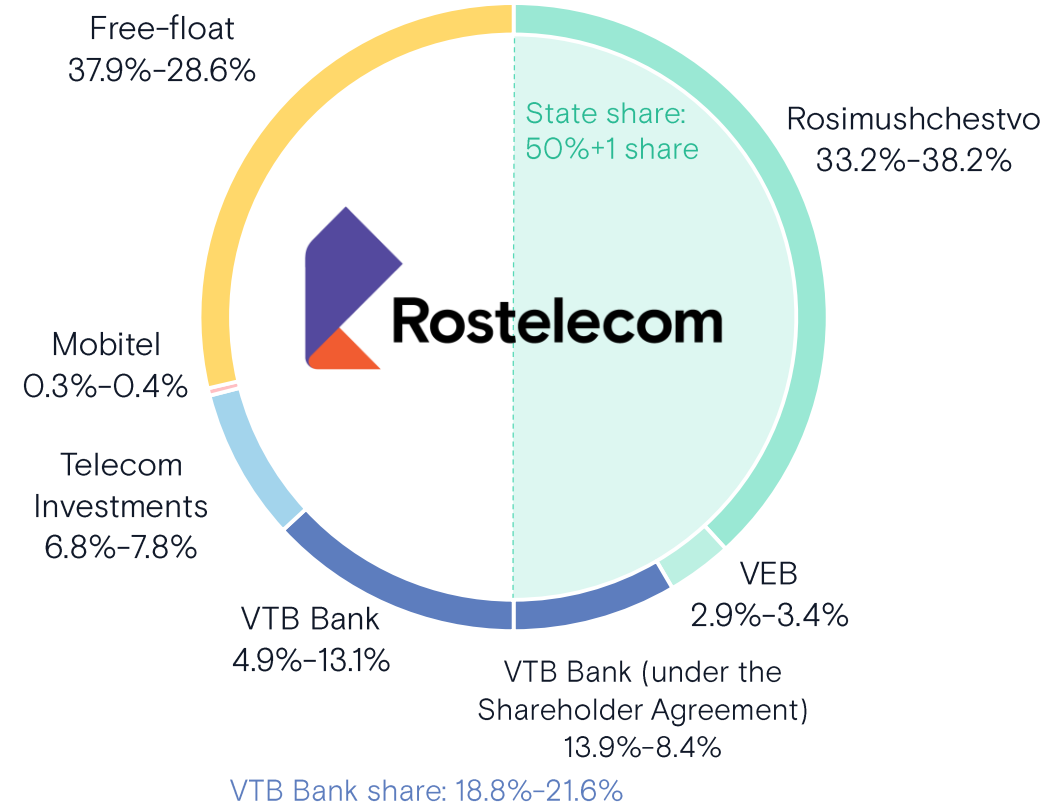
Ordinary shareholding structure



Before transaction

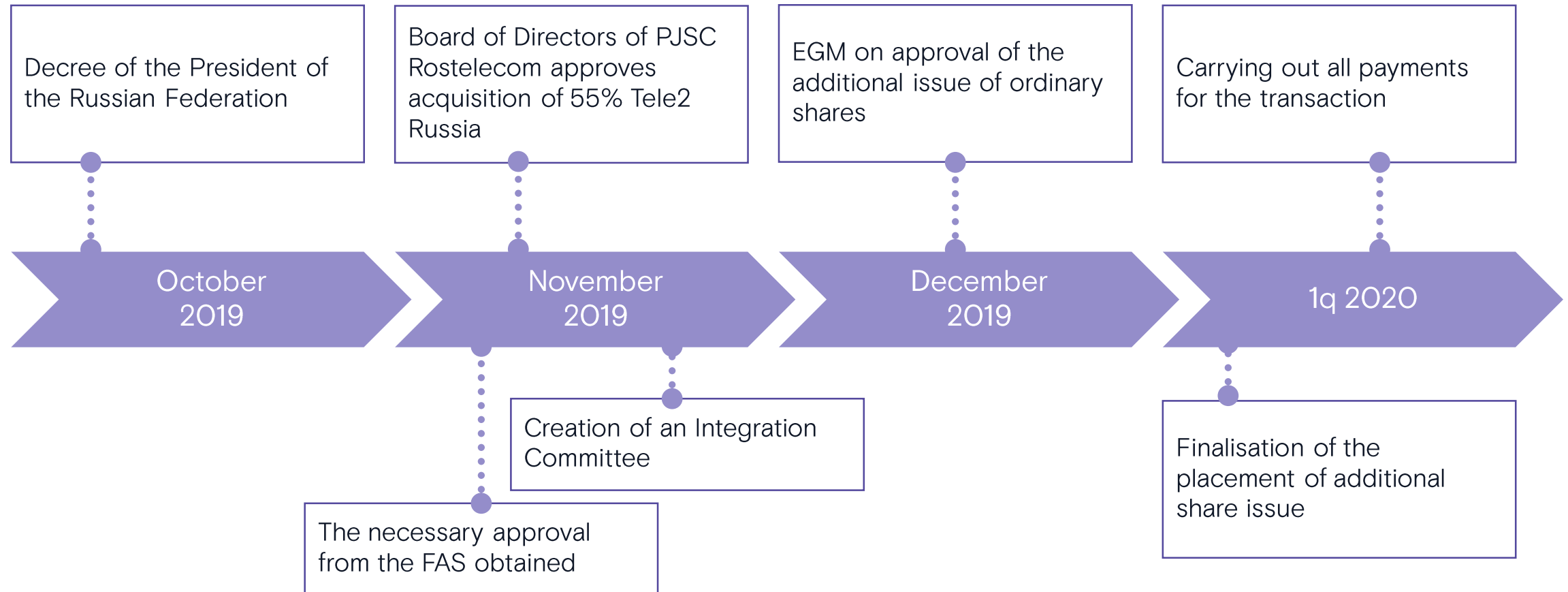


After transaction (preliminary estimate)



Note: The final share distribution will depend on the actual volume of the preemptive right execution by shareholders. The range of shares is defined as follows: left border – all minority shareholders exercise pre-emptive right, right border – none of the shareholders exercises pre-emptive right.

Next steps: transaction timeline



“Life after transaction”



TELE2

Tele2 Russia will remain an independent legal entity and retain its brand

Management of Tele2 Russia will remain in charge of the company. A new management motivation program is being developed

 **Rostelecom**

Rostelecom obtains a strategic shareholder interested in growth of the company's value

VTB considers the investment in Rostelecom as strategic and long-term, and also undertakes not to sell the block of shares under the Shareholder Agreement within 4 years

 **Rostelecom** + **TELE2**

Integration Committee has been created, the purpose of which is to unlock synergies while maintaining the business growth and corporate culture of Tele2 Russia

Strategy update of the Rostelecom Group will follow in 1h 2020

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