



STRATEGY

2021–2025

April 20th, 2021

Agenda

Strategic vision Concluding remarks

**Mikhail
Oseevskiy**
President – Chief
Executive Officer



Priorities and targets

**Sergey
Krylov**
Vice President for
Corporate Strategy



Q&A session



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Strategic vision



**Mikhail
Oseevskiy**
President – Chief
Executive Officer



Rostelecom – driving growth as the digital leader in Russia

Rostelecom today

Providing infrastructure that is powering up digital acceleration at a national scale

Offering services that supercharge the digital transformation of the State, economy and society



Rostelecom

Building digital
Russia

The role we play

Reliable, protected, resilient infrastructure for all stakeholders

Services that shape lifestyles in today's digital economy

Digital services of the future for people, businesses and the state

Successfully delivered on Strategy 2018–2022

What we planned

Enter a sustainable growth trajectory and new markets

What we achieved



FOR PEOPLE

- Leading growth rates, consolidation with Tele2, launch of convergent offers
- Brand-new digital products: Wink, gaming, Rostelecom key platform, Smart Home

12.4 mn

B2C broadband clients

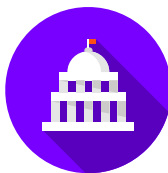


FOR BUSINESS

- Leading in data centres, information security, Hosted PBX, Wi-Fi
- Innovative solutions: M2M (IoT), pLTE, vertical (sector) solutions of national and regional scale

10.8 mn

Pay TV clients



FOR STATE

- Large-scale state programs for building a "digital" infrastructure have been implemented
- New products and solutions – video surveillance, biometry and digital signature, Digital Region
- Extended functionality of the Public Services e-platform

13.2 k

data centre racks

12.4 k

access points under the Bridging the Digital Divide project

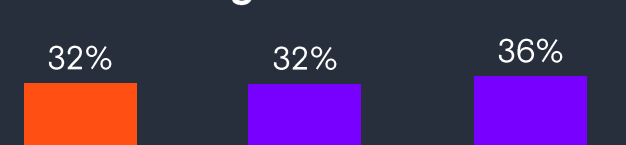
Financial targets achieved

2018–2022 Strategy targets	2020 Rostelecom standalone	2020 Rostelecom Group
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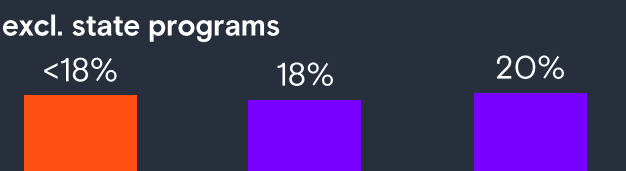
Revenue growth



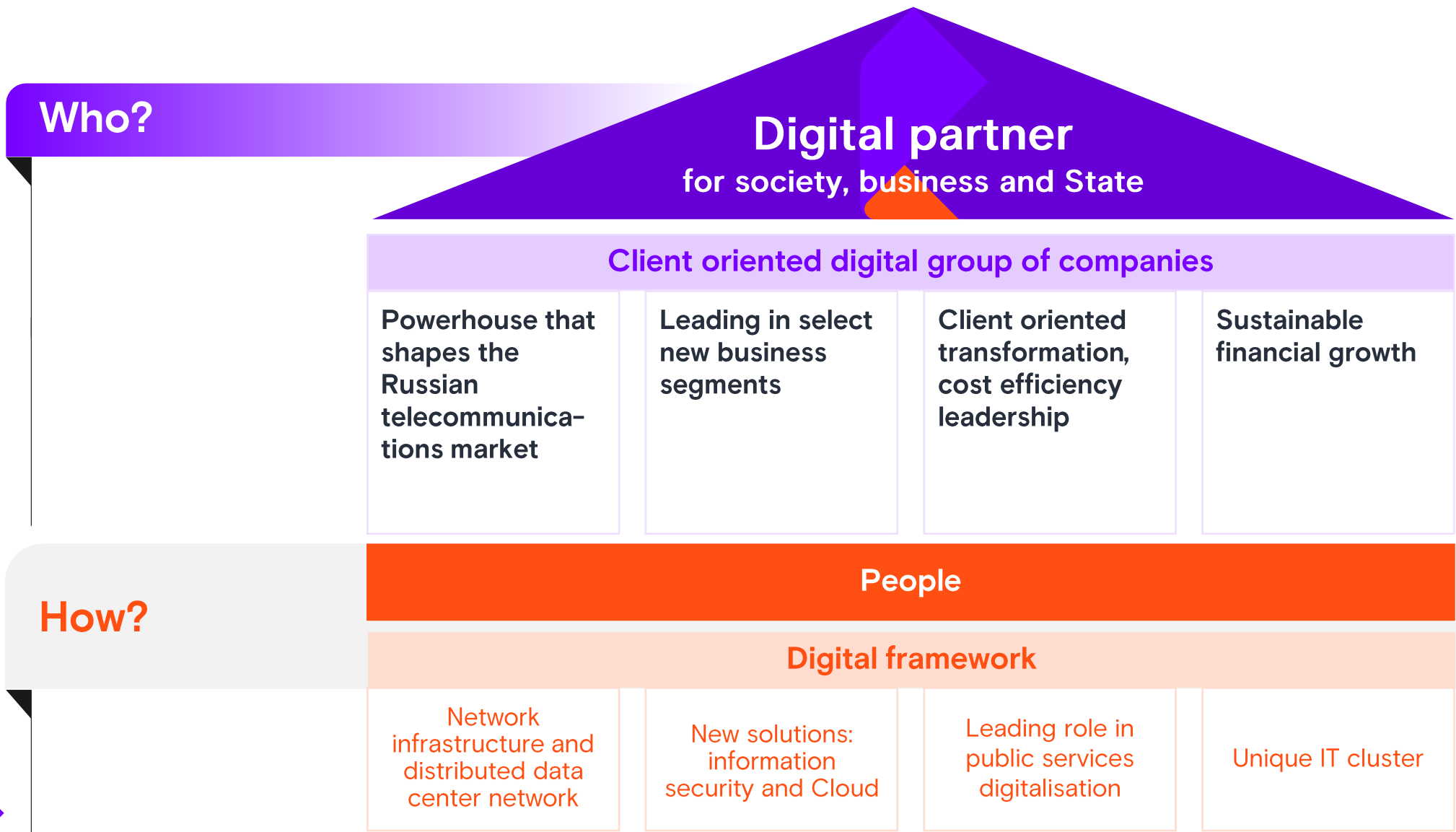
OIBDA margin



CAPEX / Revenue



Rostelecom 2025 vision



Priorities and targets

**Sergey
Krylov**

Vice President for
Corporate Strategy



Strategy 2021–2025 key focus areas

Smart growth of traditional business, ensuring an increase in return on investments and cash flows

01

Outstanding growth rates in selected new businesses – achieving leadership positions

02

Focus on expanding the role of a digitalisation partner to the state

03

Efficiency increase in traditional business segments

04



Rostelecom 2025 – a powerhouse that shapes the Russian telecommunications market

#1

for **PEOPLE**



Leader in providing services to households through the best customer service

#1

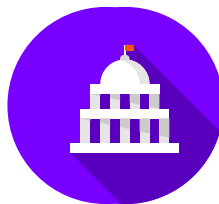
for **BUSINESS**



New digital products and sector solutions fostering competitive advantage

#1

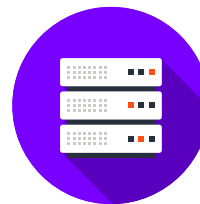
for **STATE**



Key digitalisation partner for public sector and leading infrastructure and communication provider

#1

in **NEW SEGMENTS**



Market leader in selected areas: Data centres & Cloud, information security, digital services for public sector, Digital Health, Digital Region

Growth targets

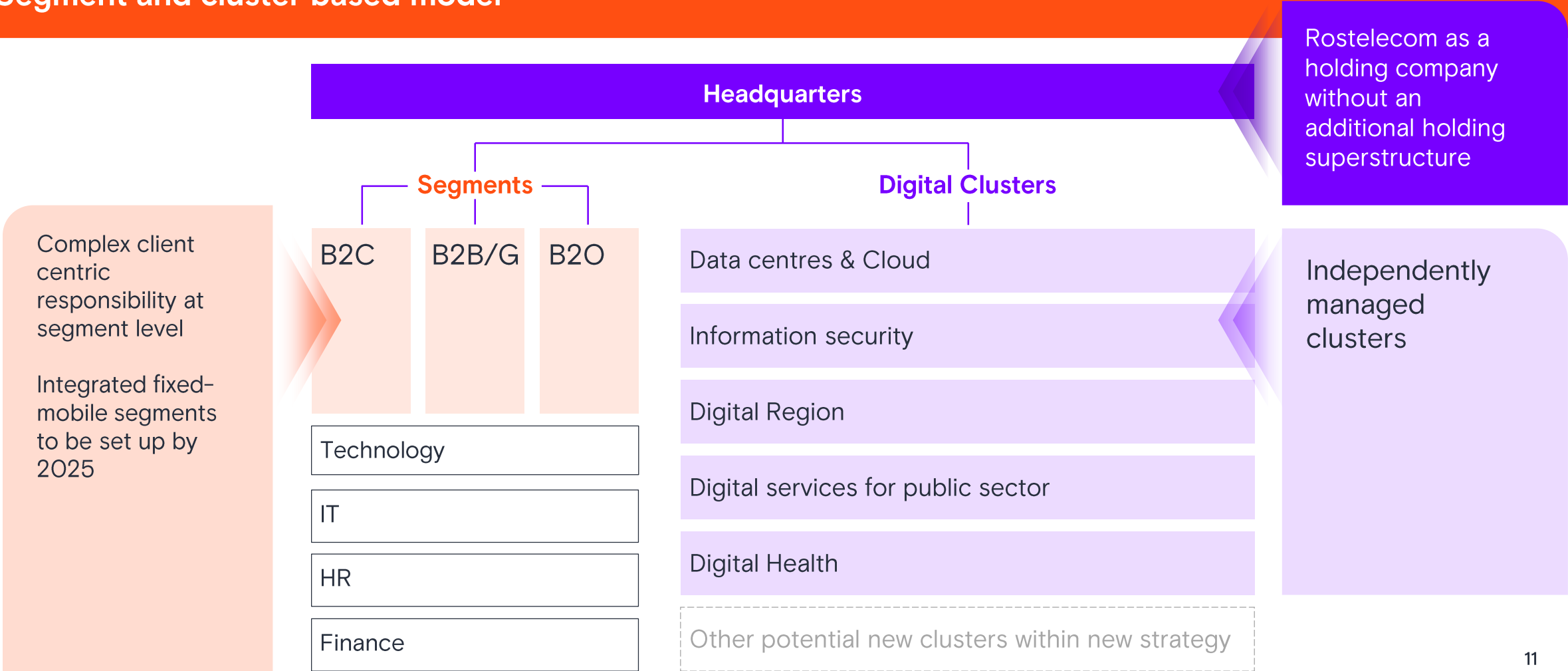
700+
RUB bn
Revenue in 2025

1,5x
OIBDA growth
over 5 years

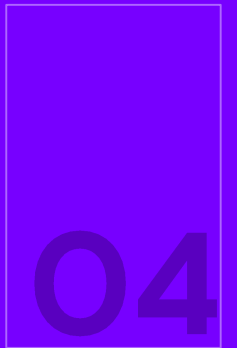
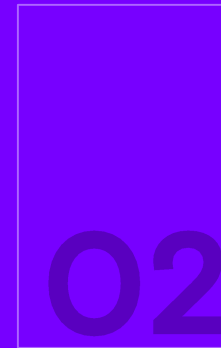
2x
Net profit growth
over 5 years

Holding company model to streamline execution of new strategy

Segment and cluster based model



Smart growth in traditional business



The telecommunications powerhouse: the largest player and sector trendsetter

Vision 2025



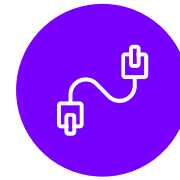
B2C

To become a leader in the telecommunications market by subscribers and revenue through the convergent offering and the best customer service



B2B/G

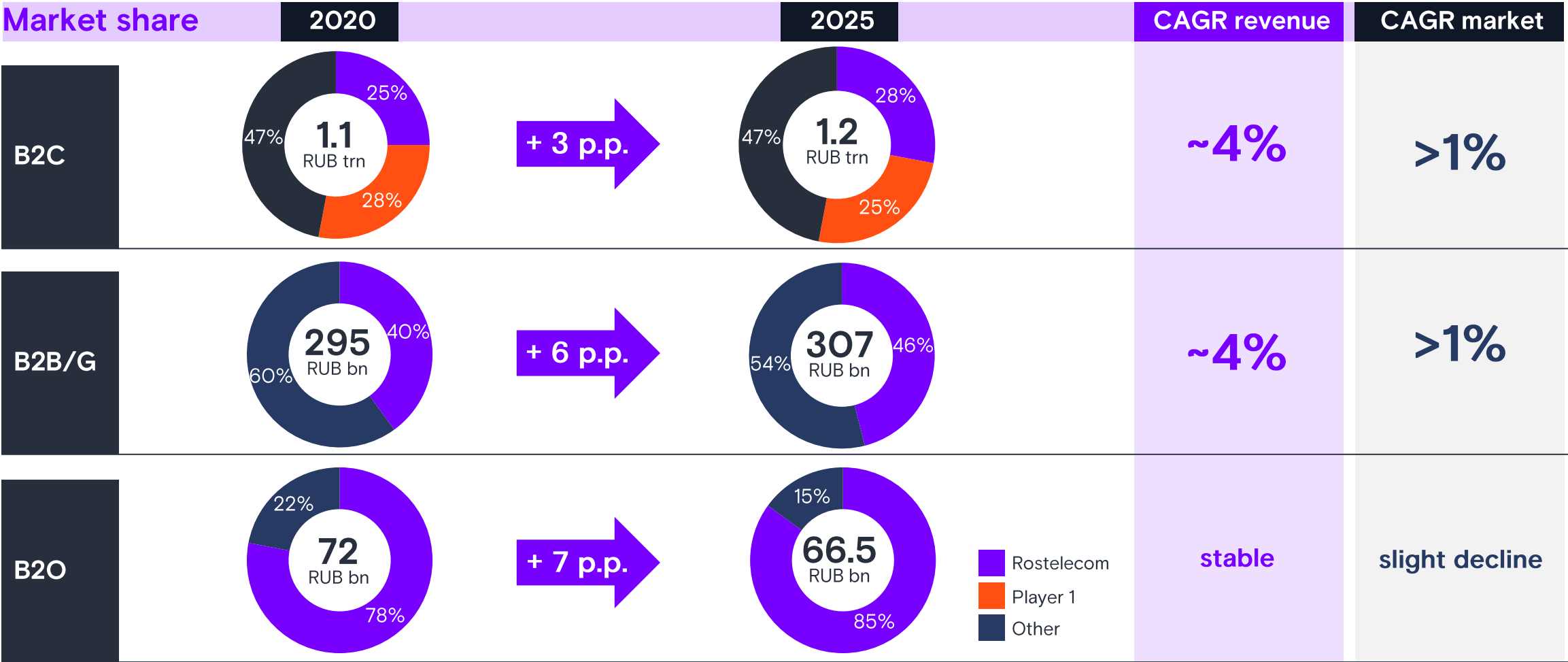
Unconditional leadership in the B2B market and the company of choice for government



B2O

Maintain leadership of the operators market

By 2025 Rostelecom will lead all the traditional segments of the communications market



Source: Market forecast by TMT Consulting, J'son, IKS-Media, Operator Statements, Company data.
Notes: B2C includes fixed telephony, broadband, mobile, cable TV and IPTV services. B2B includes fixed telephony (incl. Virtual ATS and IP), broadband, mobile, VPN and lease of channels, M2M. B2O includes interconnection and traffic transit, IP transit, VPN and channel lease, infrastructure services.

B2C: growing subscriber base and increased penetration of services

Ambition



To become the largest telecommunications provider for households

Key priorities



Developing a converged offering (FMC): building a unified customer base and end-to-end customer service



Maximising ARPU and increase of share in the wallet through the development of convergent and digital services



Improve the quality of customer services:

- ▶ development of digital channels and self-service channels
- ▶ digital products offering
- ▶ improving the quality of network services to decrease subscriber churn

Targets 2025

100 mn

Number of users

3+

Services per client

Top-3 NPS

Improve customer service and quality satisfaction

Mobile business: growing faster than the market and making a key contribution to B2C growth

Growth factors



Maintain market leadership in VFM, NPS, consideration ⁽¹⁾



Increased efficiency: digitalisation of processes and services, reduction of TTM, maintaining a high level of personnel involvement

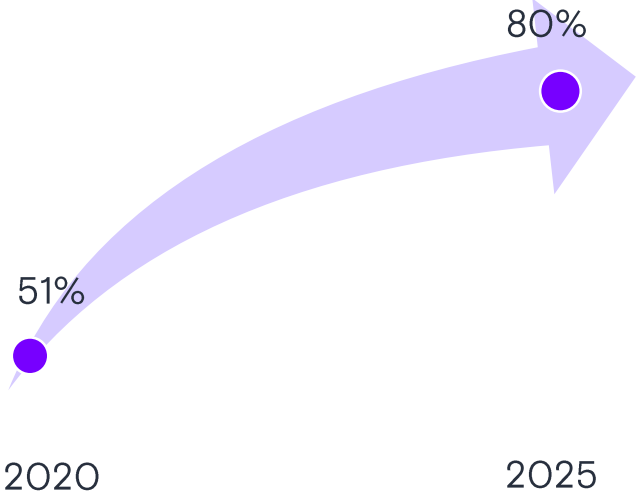


Improve network quality



Ensure unique offers are launched regularly

Share of active users of 4G mobile data, %



Targets 2025

5%

Average annual growth rate of ARPU

2%

Average annual growth in subscriber base

Top-3

Become one of the Top 3 operators in Russia

Note: VFM – Value for money, NPS – Net Promoter Score, TTM – Time-to-Market.

B2B/G: a strategy of unconditional leadership through digital and end-to-end solutions

Ambition



Maintain leadership and increase lead over competitors

Targets 2025

Key priorities



Move from a carrier concept to a comprehensive service provider

- ▶ Increase sales of digital and complex services to large clients
- ▶ Sell vertical industry solutions in selected industries



Provide a better service by digitising the processes of attracting, connecting and serving customers



Creation of end-to-end cascading responsibility for the development of a client within segment / cluster

50%

Share in the wallet of large clients from digital services

+100k

New SME clients per year

B2O: increase profitability and grow market share

Ambition



Become a partner of choice for operators providing basic telecom and digital services

Key priorities



- Launch of new infrastructure services: joint use of radio access networks and a core network for mobile operators; smart pillars with sensors to provide cellular communication, WiFi and SmartCity
- Transition to a full cycle of infrastructure partnership (from design to installation and service provision)



Construction and monetization of a new backbone line "Transit Europe - Asia" (TEA Next) with unique consumer characteristics



Additional services:

- Providing a portion of the optical spectrum
- Monetising interconnect data

Targets 2025

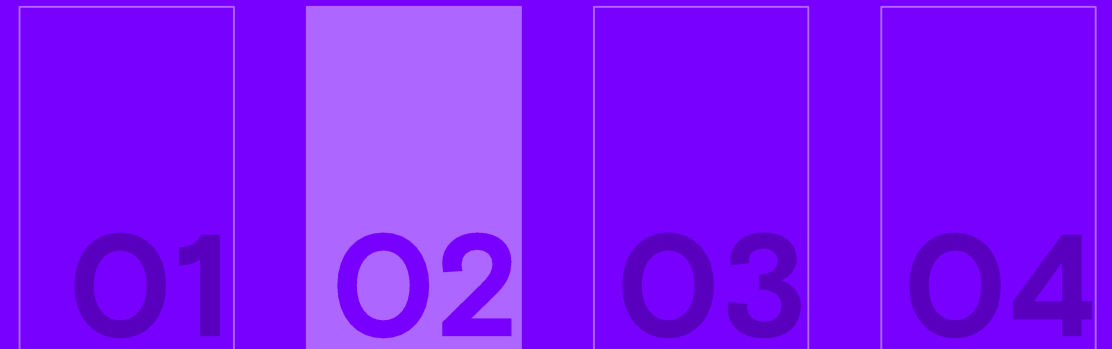
20%+

Market share for servicing fiber-optic communications lines and base stations of third-party operators

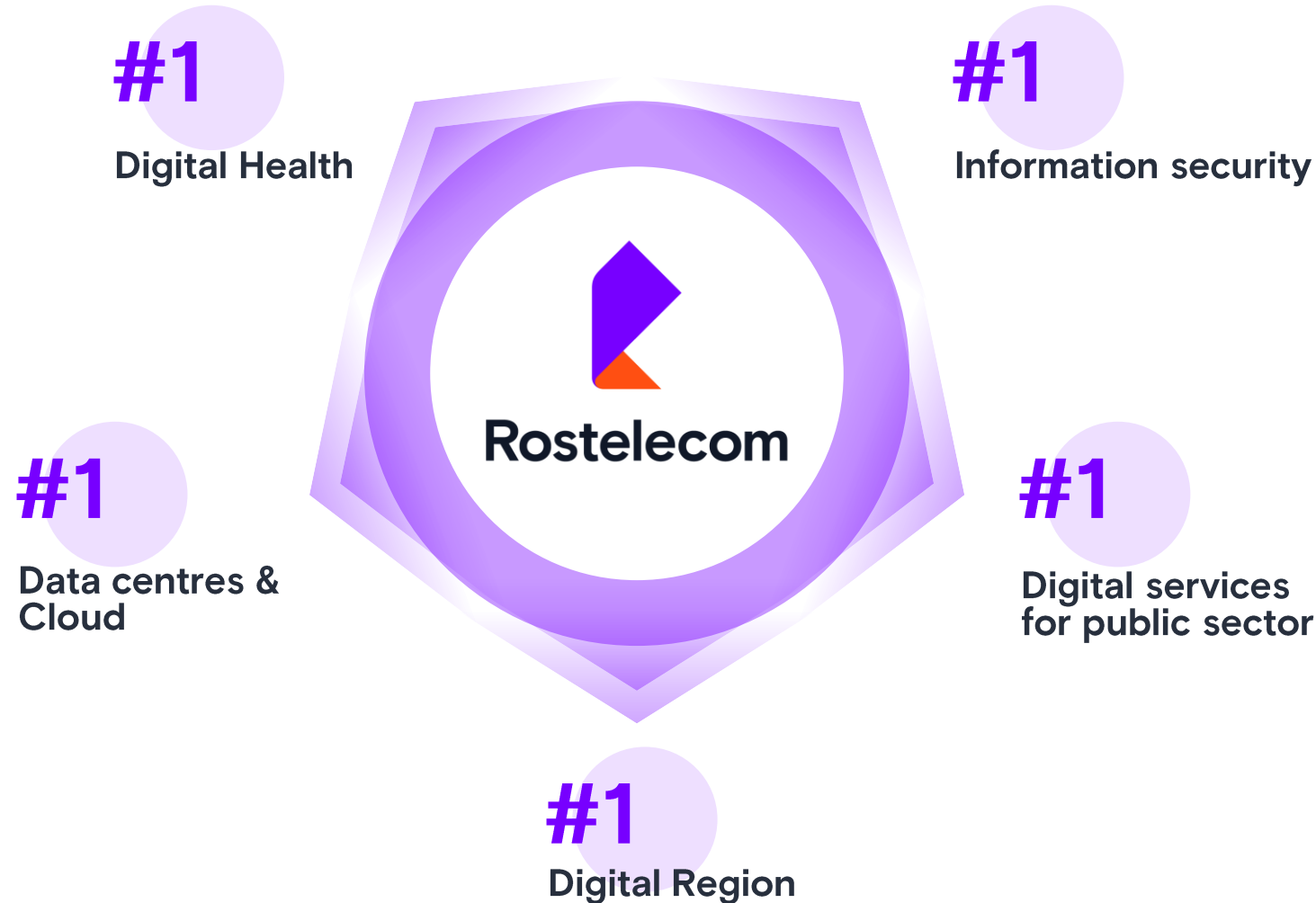
5%+

Share of revenue from new products in the segment

Outstanding growth in new businesses



Focus new businesses



Targets 2025

#1 player
In each selected market

25%
Share of revenue from clusters
and new digital products

IPO
New strategic partners and
listing of select business lines

Ensuring long-term leadership in the data centre and Cloud markets

Key priorities



Develop federal network of data centres and associated infrastructure



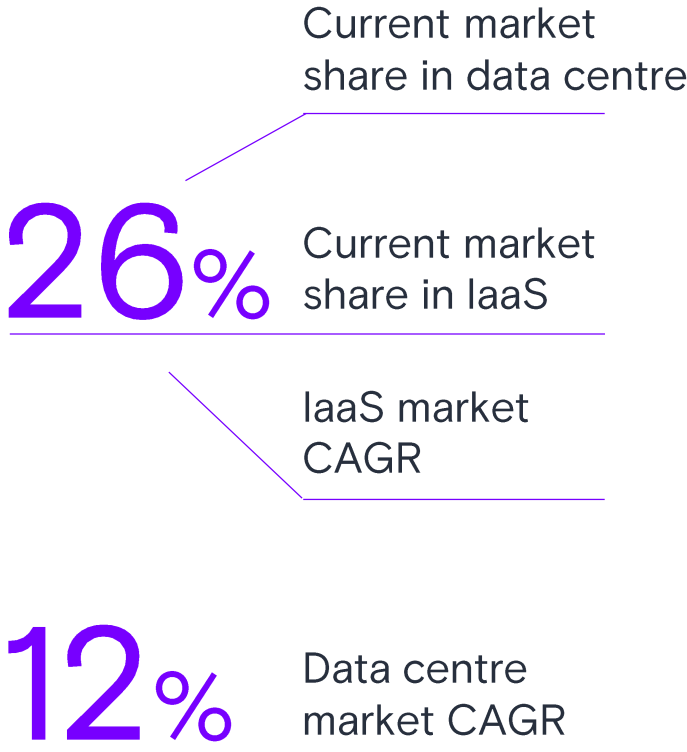
Develop cloud infrastructure capacity and capability



Introduce new services: active transition to PaaS and SaaS



Develop of original software and hardware import-substituted solutions



Targets 2025

Exceed market growth

Revenue growth rates outstrip market average

20+ k

Data centre racks

Development of information security services

Ambition



Largest player in the information security market for B2B/G



Development as a service provider



Factory of internally developed technologies and products and R&D



Flexible and adaptive go-to-market



Formation of new markets and development of demand for information security services

2x+

Revenue growth in 2020

70%

Share of internally developed services in portfolio

Targets 2025

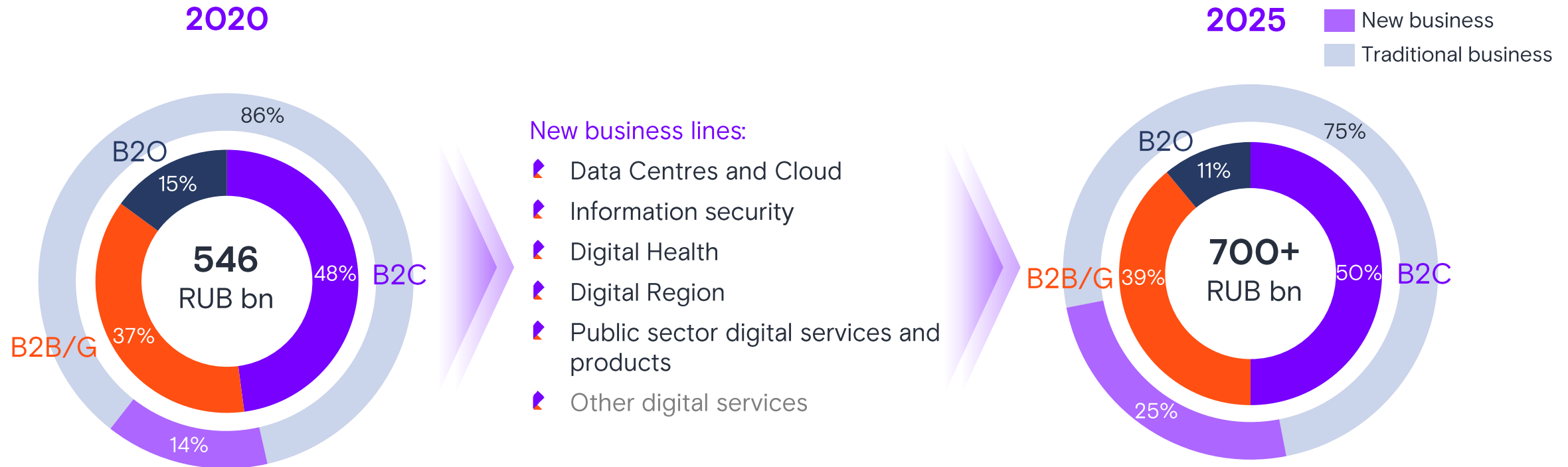
#1

Leadership in the information security market for B2B/G in Russia

20%+

Revenue CAGR over 5 years

Digital services share of Group revenue to increase



~1.5–2.0x Average EV / Revenue multiple for traditional business

~4–11x Average EV / Revenue multiple for new businesses

Digitalisation partner to the state



01

02

03

04

Public sector: priorities



Infrastructure and communication

- To expand coverage of key communication infrastructure
- To develop communication channels
- To develop technologies and infrastructure for ID and Biometry System

01

State projects and programmes

- To support the state in achieving its communications and infrastructure objectives (Digital Economy, Bridging the Digital Divide, connectivity for socially significant facilities)

02

Digitalisation of key processes

- To support state bodies (E-government, Digital Region)
- To facilitate the state's communication with business and people (single digital profile, extended functionality of the Public Services platform)

03

Transition to proactive interaction with the state on the digitalisation

Ambition



Remain key digitalisation partner for the state and cement leadership

Key priorities

- ◆ Remain preferred supplier of all traditional services
 - ◆ Become #1 mobile operator for state clients
-
- ◆ Develop e-Government and inter-institutional communication systems
 - ◆ Achieve leadership in providing Digital Region services
 - ◆ Participate in public health programmes
-
- ◆ Participate in Russia's Digital Economy program and contribute to achieving the state communication objectives (Bridging the Digital Divide, connectivity for socially significant facilities and other)

Targets

#1

Sustain leadership in traditional services for state clients

#1

Leadership in selected digitalisation processes for the state

Increase efficiency in traditional business



01

02

03

04

Improve business efficiency through aggressive cost reduction

Ambition



Aggressive cost optimisation and acceleration of business efficiencies

Key factors



Reduce share of personnel expenditures as proportion of revenue by increasing labour efficiency



Other indirect costs optimisation, incl.:

- Materials, repairs and maintenance
- Other operating expenses ⁽¹⁾



Improving operational efficiency:

- Reduce the number of levels of management
- Optimise of the asset portfolio, incl. sale of real estate
- Revise and simplify key processes through the operational efficiency improvement program

Targets 2025

20%

Target share of personnel expenditures in revenue

up to 2 p.p.

OIBDA margin increase due to optimisation of other costs

40%+

Target OIBDA margin

Notes: (1) Including maintenance expenses; fire and other security services; support and maintenance of software and databases; third party services and expenses related to administration; audit and consulting fees, etc.

Building a client-centric model of network development and operation

Ambition



Competitive advantage in priority regions while reducing maintenance costs



Leadership in cost efficiency



Network quality and reliability



Certified and automated technological solutions

Targets 2025

>15%

reducing TCO and CAPEX per unit

Top-1/Top-3

by NPS in optics
for B2B / B2C

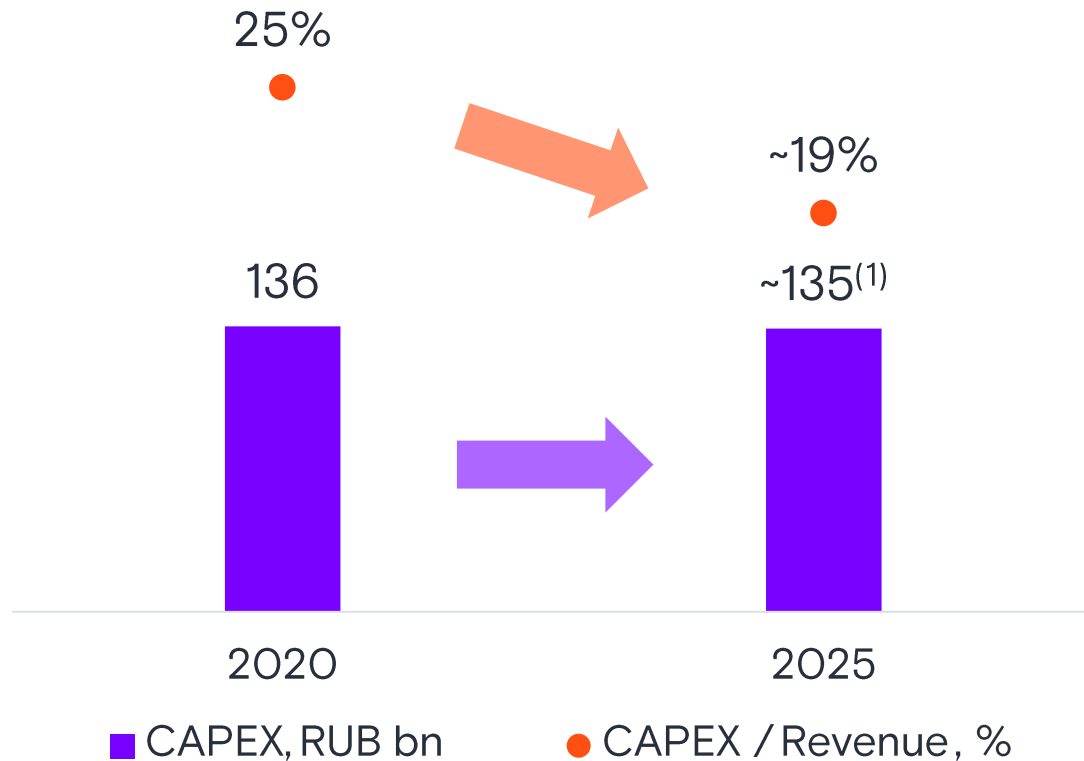
40–55%

share of Russian
equipment on backbone

Note: TCO – Total cost of ownership.

Smart approach to investments

CAPEX forecast



CAPEX approach

- ▶ Moving to a less capital-intensive growth model in traditional business
- ▶ Investment focus on priority regions in traditional business
- ▶ Increased investments in the development of the fastest growing products

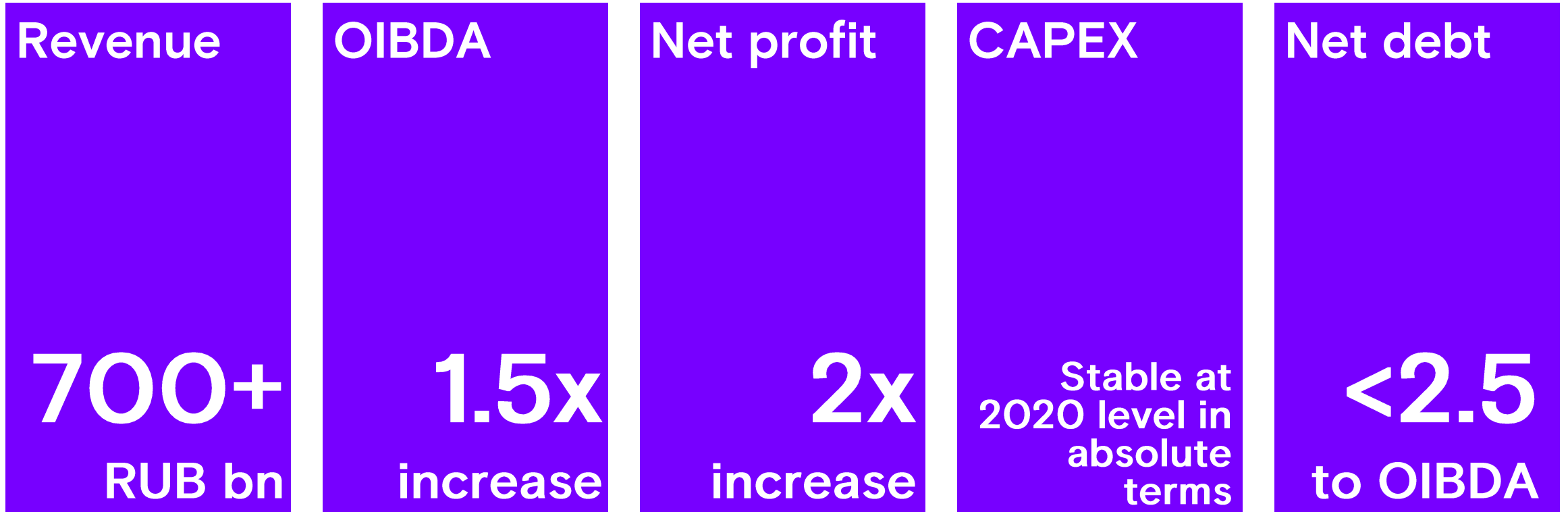
Note: (1) The forecast takes into account only investments in existing / known state projects.

Concluding remarks

**Mikhail
Oseevskiy**
President – Chief
Executive Officer



Targets 2025



Notes: Net Debt includes lease liabilities.

ESG initiatives

E

Environmental

- Reduce energy consumption by 15% by 2025 (excl. Data Centres and Cloud cluster)
- Increase renewable energy use
- Programmes to collect and recycle used cables, network equipment and devices
- Launch of Green Office environmental management systems across all offices by 2025

S

Social

- Gender equality: achieve female representation both at management and across the company at 40% by 2025
- Regional equality: functional decentralisation through company-wide competence centres in regions and creation of equal opportunities for career migration

G

Corporate governance

- Integration of ESG in procurement and supply management by 2025
- Promote ESG principles among clients by offering products and solutions that drive responsibility

ESG

Progressive dividend policy 2021–2023

Dividend increase
y-o-y

$\geq 5\%$

Dividend per share

≥ 5
RUB

Total dividend
payout as share of
Net Profit

$\geq 50\%$ &
 $\leq 100\%$



Strategy 2021–2025 results

Rostelecom becomes the largest integrated telecommunications and IT player and undisputable leader across all key client market segments by 2025

01

Company value to grow ca. 1.5x, supported by significant improvements in profitability and stable dividend growth

02

Firm foundation for future growth, underpinned by solid client base and 25% growth in revenues from new services

03

Rostelecom is a key digitalisation partner for the State

04



Q&A session

