

NEW OPPORTUNITIES IN THE DIGITAL WORLD



Investment highlights



#1

market leader

in Broadband, IPTV & Data centres in Russia



Exposure to markets with high **growth** potential



Ambitious **strategy** of growth and improving efficiency



Attractive **dividend** policy based on FCF



Exposure to **mobile** through fast-growing Tele2 Russia

Transaction to increase the stake in Tele2 Russia to 100% to be finalized in 1q20

Leadership across core markets



12.0 mn

broadband B2C subscribers

+15%

9m19 vs FY14

10.3 mn

pay TV subscribers

+29%

5.5 mn

IPTV subscribers

2x

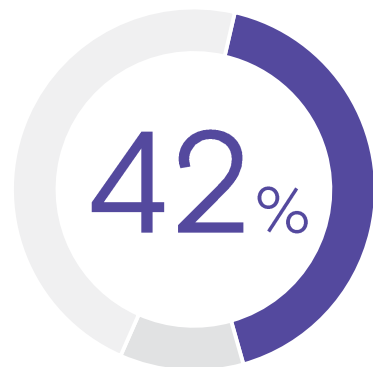
6.7 k

racks in data centres ⁽¹⁾

2.6x

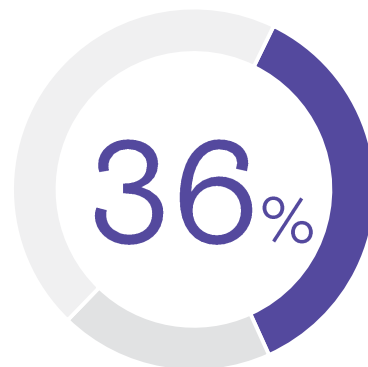
Market share ⁽²⁾

Broadband



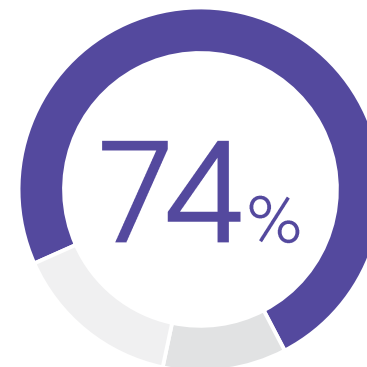
11%
ER-Telecom

Pay TV



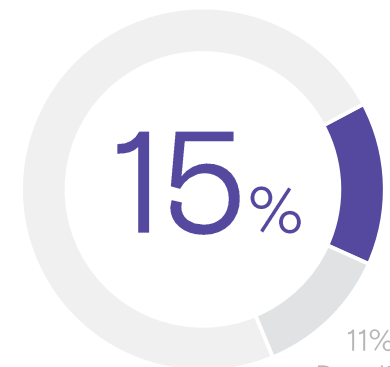
19%
Tricolor

IPTV



11%
VEON

Data centres



11%
Dataline

Notes: (1) Forecast for FY2019 by iKS-Consulting. (2) Source: revenue data for 3q19 LTM from TMT Consulting, data centers market share by racks in 2019F by iKS-Consulting.

Cementing the leadership by promotion of new services with high growth potential



b2c



Antivirus



Smart Home



OTT-video



Games



E-Medicine



E-Learning



Integrated solutions for the New Build

b2b/g



Information security services



Video surveillance



Virtual ATE



Wi-Fi



Call-centre



TV for Business



Managed telecommunication services

b2o

O2O

Maintenance of telecom operators' networks

NaaS

'Network as a service' for the operators

Ambitious strategy of growth

Strategic priorities

Developing ecosystems & improving customer experience

- Product ecosystems around customers
- Partner platforms
- Traditional business scaling

Technological platform modernization

- Modernisation and centralisation of IT
- Enhancement of fibre and optimisation of copper network
- SDN/NFV transformation

Efficiency increase

- Operational efficiency program
- Real estate optimisation

Human capital development

- Building digital competencies
- New approaches to personnel development and labor organisation
- Improvement of corporate culture

Targets
2018-2022

Revenue
CAGR with acceleration
4-5%

OIBDA
Margin
>32%

CAPEX / Revenue
Down to
17%
(excl. state programs)

Attractive dividend policy for 2018–2020



$\geq 75\%$
of Free Cash Flow

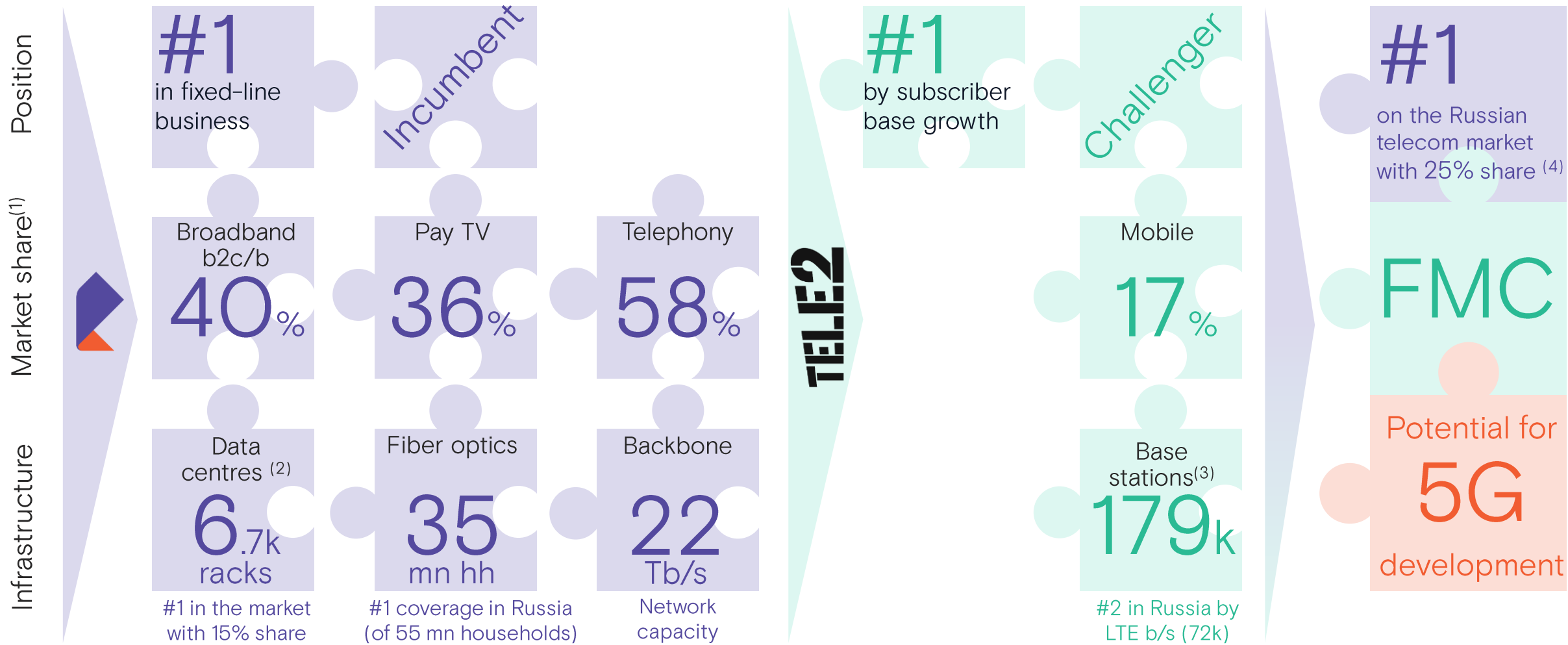
≥ 5 RUB
per ordinary share

DPS RUB 5
paid for FY18

$50\% \leq \& \leq 100\%$
of Net Income

Creation of #1 convergent provider

55% of Tele2 Russia to be acquired



(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.

Strategic priorities & projects





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

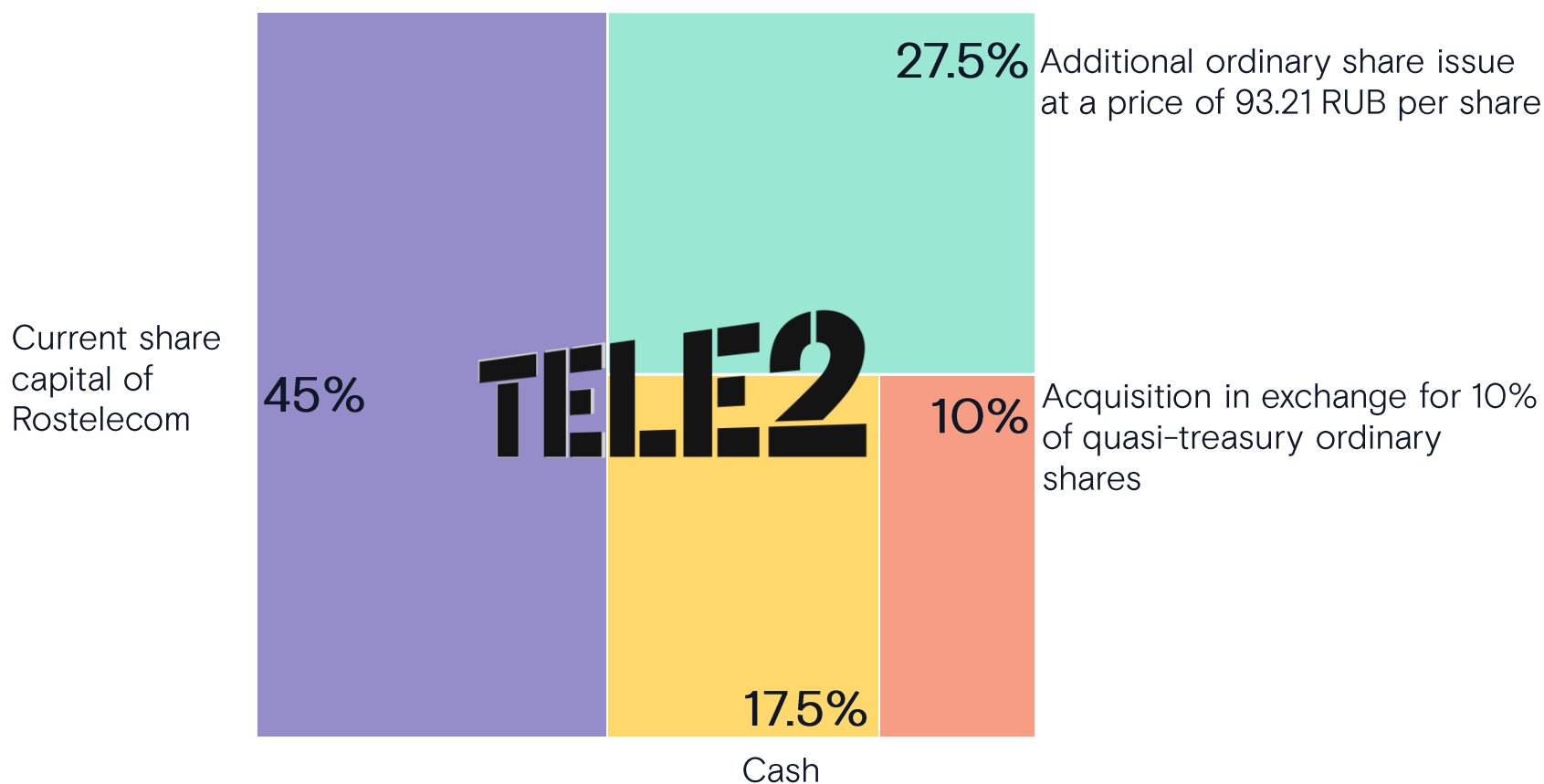
- Maintaining current dividend policy
- Maintaining a comfortable level of net debt

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

Transaction structure & financing



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



Transaction value

= **132 RUB bn**

= **66 RUB bn**

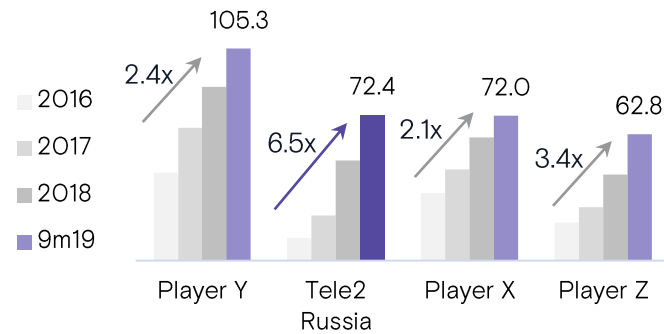
= **24 RUB bn**

= **42 RUB bn**

Russian challenger: best dynamics in the industry...



LTE base stations, k ⁽¹⁾



Fastest growing
LTE network:

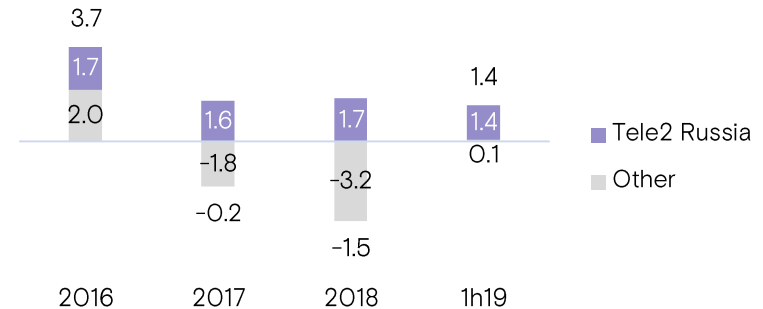
6.5x growth
over 3 years

‘Preferred
operator’:

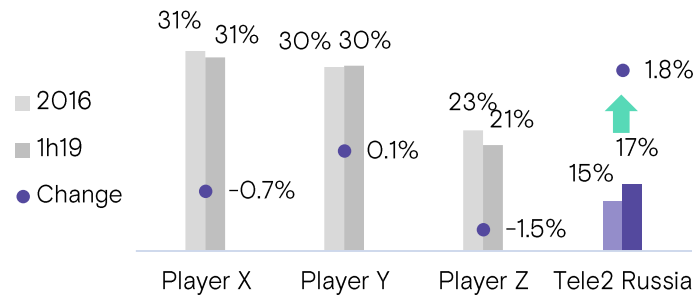
Best NPS in the
industry ⁽²⁾

(43% with margin > 10 p.p.
from nearest competitor)

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 with 44 mn
subscribers ⁽⁴⁾

(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.

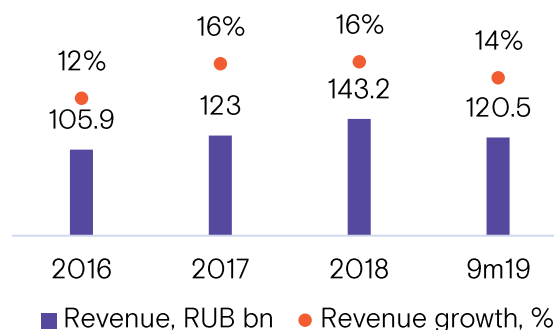
(4) Source: Forecast of Tele2 Russia for 2019 YE.

... backed up by outstanding financial results

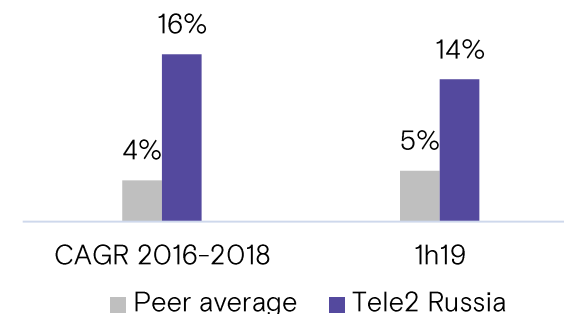


Highest revenue growth in the industry

Revenue

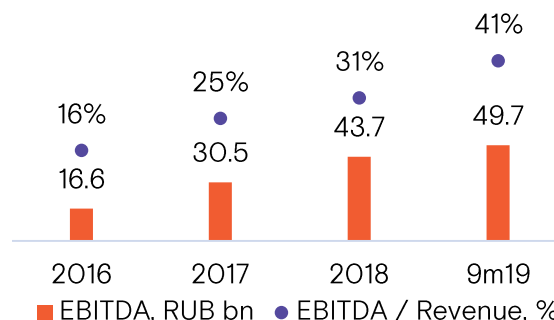


Average revenue growth, %

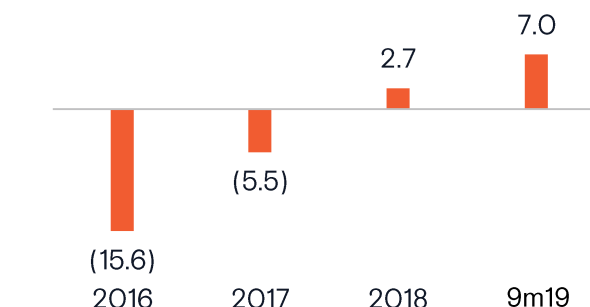


Strong growth in profitability and net profit

EBITDA

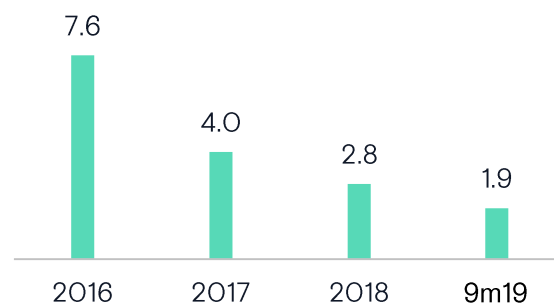


Net profit, RUB bn

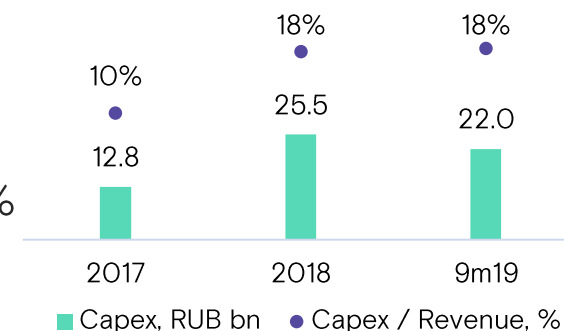


Improving leverage amid accelerated network development

Net debt / EBITDA reported, x



CAPEX / Revenue, %



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 - 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

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

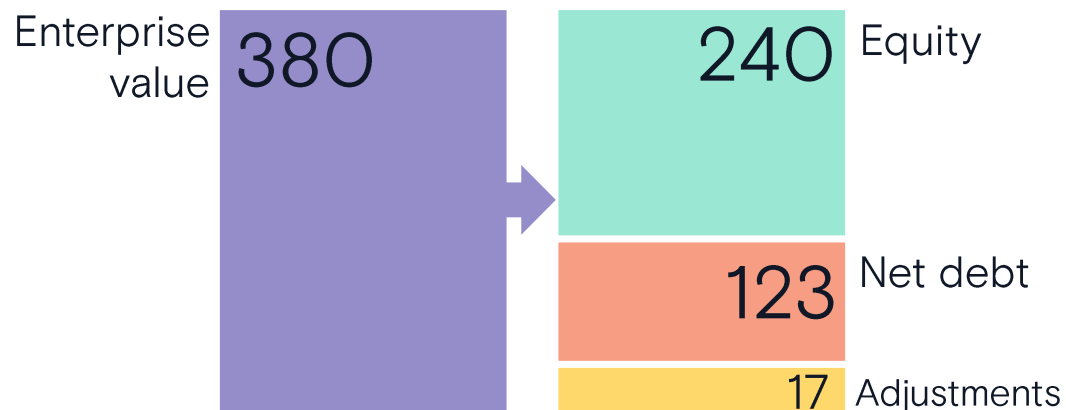
Optimization of expenses for implementation of the "Yarovaya Law" and other regulatory requirements

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

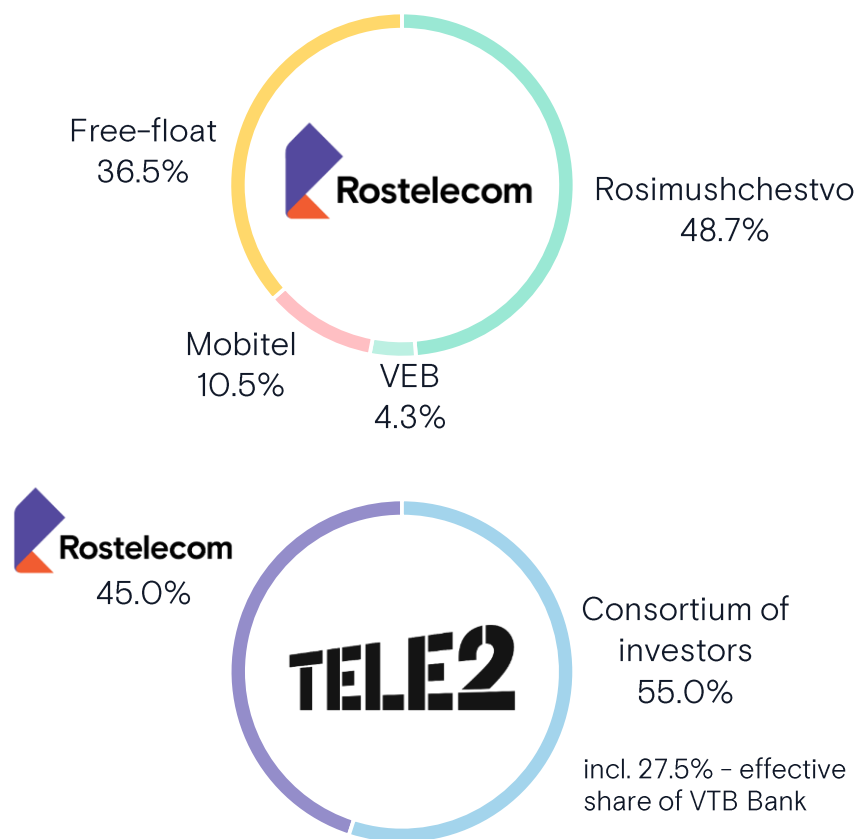
(1) EV for calculation of multiple EV / EBITDA for Tele2 Russia includes long-term lease obligations. (2) Source: Bloomberg data as of 11.11.2019.

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.

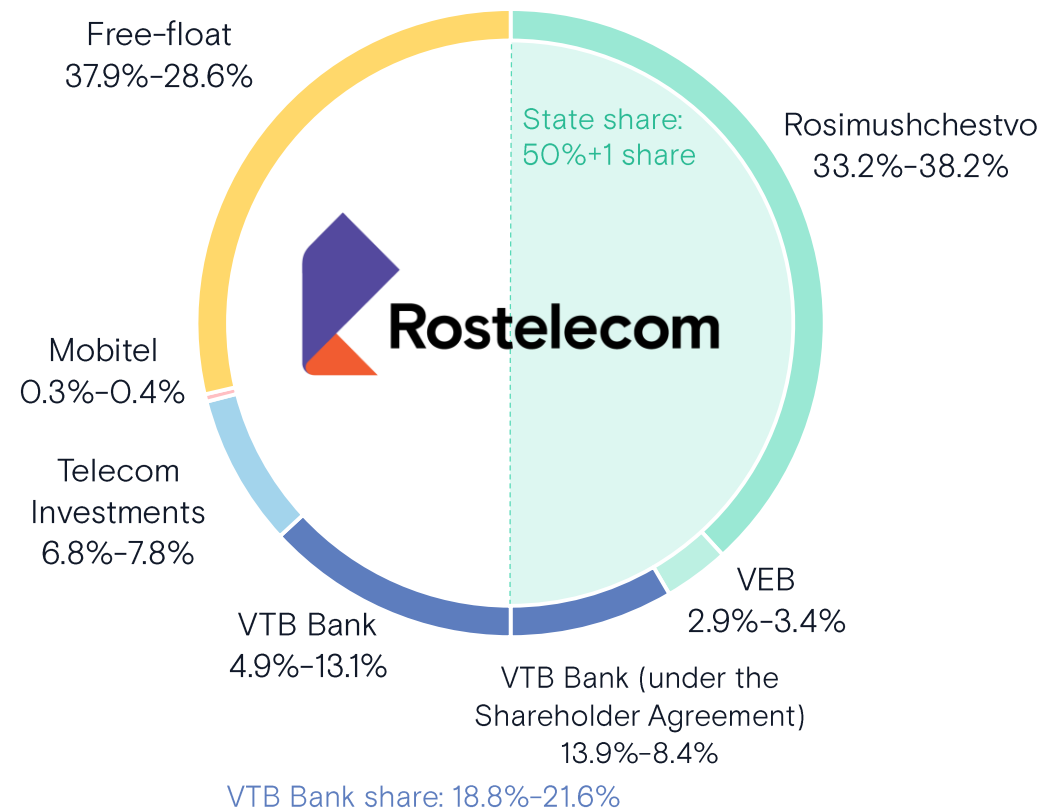
Ordinary shareholding structure



Before transaction



After transaction (preliminary estimate)



Note: The size of share issue and the final share distribution will depend on the actual volume of the preemptive right execution by shareholders (708 – 1,200 ordinary shares could be issued). 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.

‘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

Exposure to fast-growing data centres and clouds



Data centres 2019f ⁽¹⁾

Market size

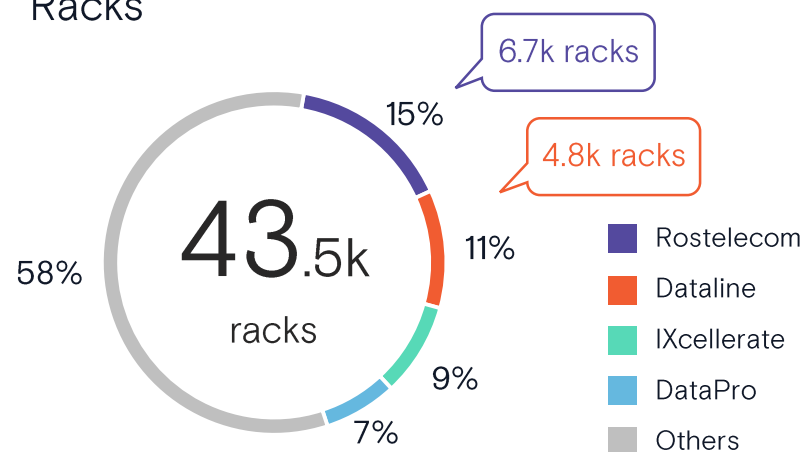
36 ^{+27% yoy} up to **15%**
RUB bn CAGR for rack capacity in 2019-2023

Cloud services 2018 ⁽²⁾

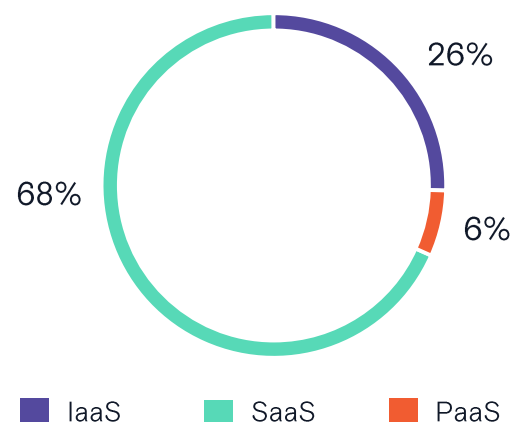
68 ^{+25% yoy} **+23%**
RUB bn CAGR 2018-2022, incl. +29% CAGR for IaaS

Racks

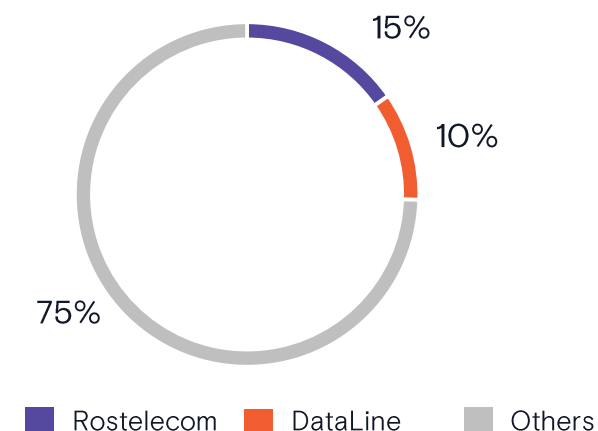
Market structure



Services



IaaS market



(1) Source: iKS-Consulting data forecast for 2019.

(2) Source: iKS-Consulting data for 2018.

'Digital economy' projects driving the revenue



2018

8.2k

settlements connected
under the BDD project

8.9k

medical institutions connected
(38k km fibre optic completed)

86 mn

state E-services portal
users (2x increase yoy)

+46%

Revenue growth yoy from
Smart City projects in 2018

Revenue (RUB bn)



E-Government



'Safe Roads'



CCTV safety platform



Urban intellectual
transportation platform



Energy efficiency



112 Hot Line



Emergency alert systems



Healthcare



E-Learning



Ecology

Unique network infrastructure at the core of technological advantage



22 Tb/s

Backbone network capacity

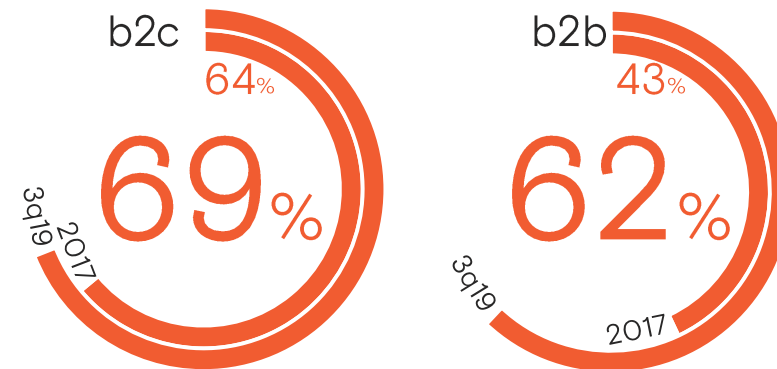
2x over 4 years

35 mn

Households covered by fibre (out of 55 mn)

+30% over 4 years

Broadband subscribers connected by fibre



Bridging the digital divide



a nation wide project to provide high speed internet access to rural population



Rostelecom to own the constructed fibre networks



Strong government commitment



NPV positive



Upside potential

up to

14k

Settlements

from 8.2k
in 2018

up to

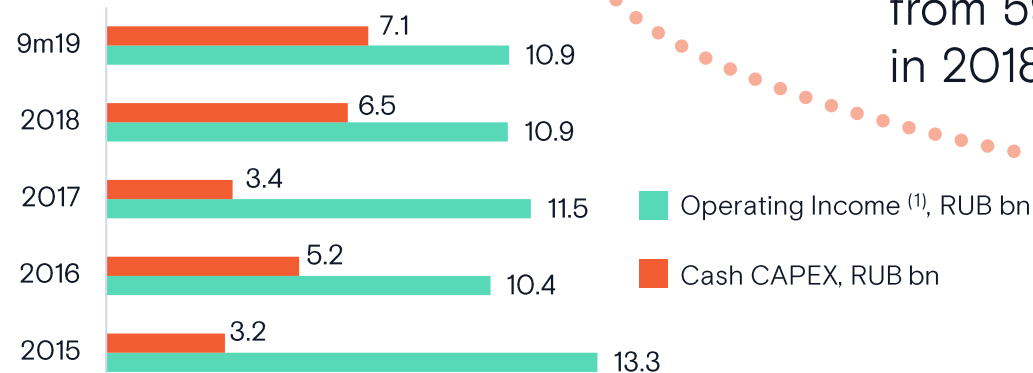
160k km

Fibre optic

from 59k km
in 2018

2024

Financial highlights



(1) Note: Operating income is state-funded and is reported under 'other operating income'.

Increasing operating efficiency



Targets 2018-2022:
Personnel

Productivity

+40%

Headcount

115-120k

Payroll / Revenue

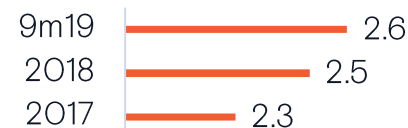
-2 pp

Highlights 9m19

+4%

Increase in staff
productivity

Revenue per employee
(RUB mn)



-1%

Headcount
optimisation

Number of employees (k)



1.6 RUB bn

Proceeds from sale of
real estate in 9m19

Targets 2018-2022:
Efficiency & Real Estate

Opex savings

up to **20**
RUB bn

Real estate
Portfolio

-20%

Opex savings

RUB **3** bn
cumulatively

Proceeds

>30
RUB bn

Long-term incentive programme 2017–2019



up to **1,000**

Employees to participate
in the programme

3

Annual cycles: 2017,
2018, 2019

6%

of ordinary shares dedicated
to the programme

SMP

Co-financing principle
(share matching plan)

KPI

FCF, Net Profit, ROIC

≥50%

Of additional shares granted
under previous cycles senior
management has to keep to
participate in the 2nd & 3rd cycles

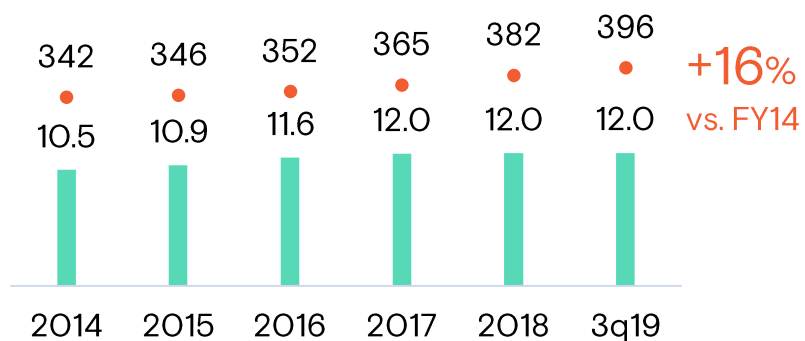
Operational & financial data



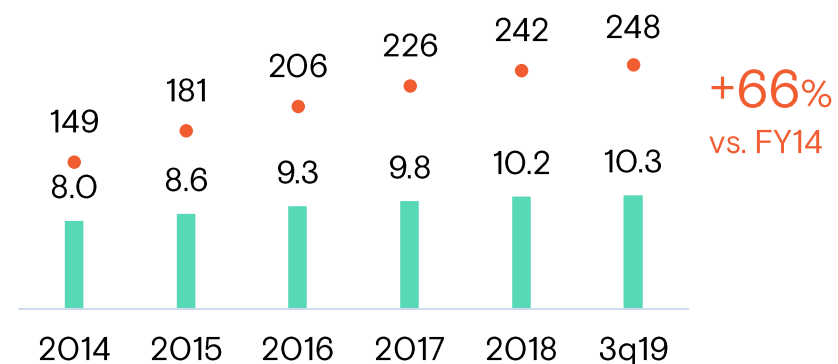
ARPU growth of anchor services in b2c is a priority



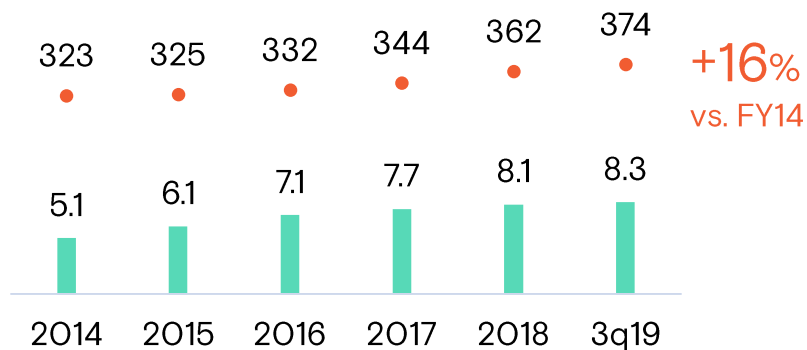
Broadband



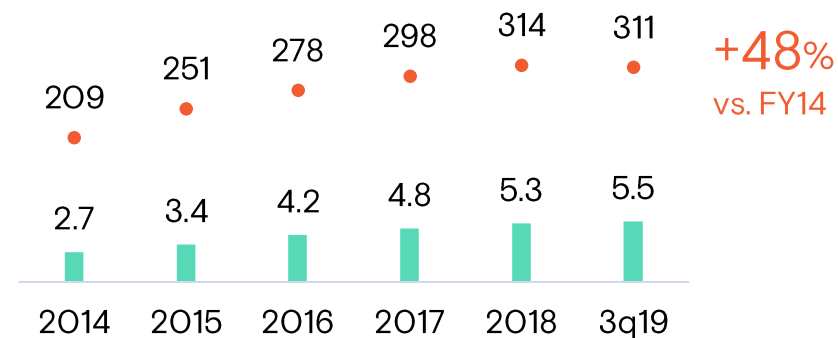
Pay TV



incl. FTTx



incl. IPTV



Leading positions in the broadband market



Market size ⁽¹⁾

b2c

Penetration
60%

143

RUB bn

36 mn

subscribers

b2b

55

RUB bn

2 mn

subscribers

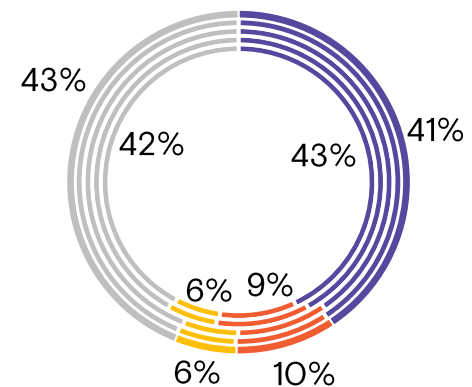
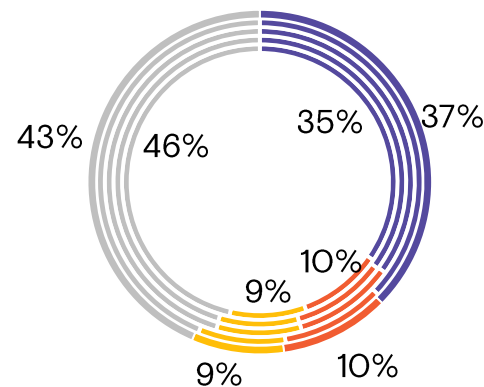
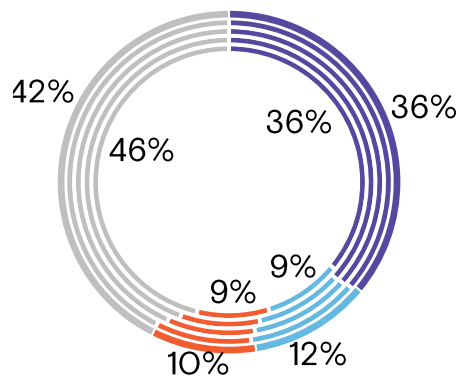
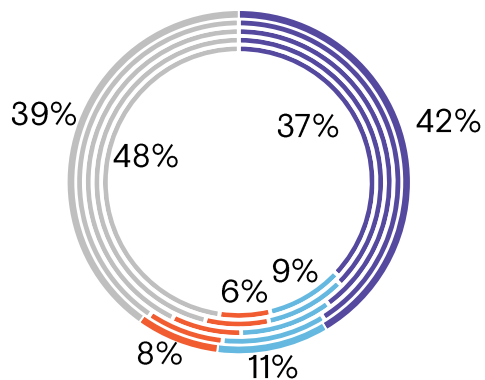
Revenue

Subscribers

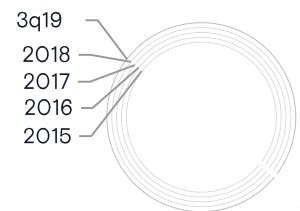
Revenue

Subscribers

Structure



■ Rostelecom
■ ER-Telecom
■ MTS
■ VEON
■ Others



(1) Source: data from TMT-Consulting by subscribers as of 3q19 and by revenues for 3q19 LTM.

Strong expansion in the pay TV market



Market size ⁽¹⁾

pay TV

Penetration
77%

101
RUB bn

45 mn
subscribers

incl. IPTV

32
RUB bn

9 mn
subscribers

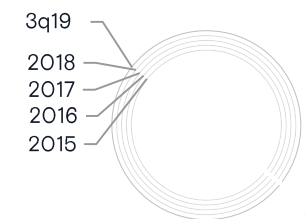
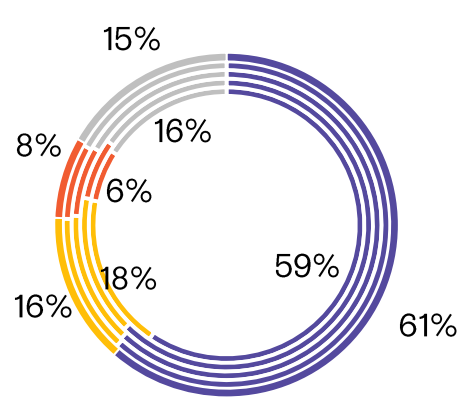
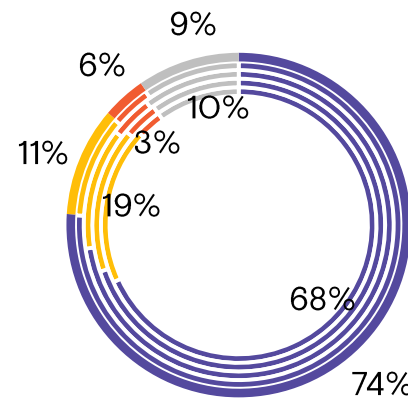
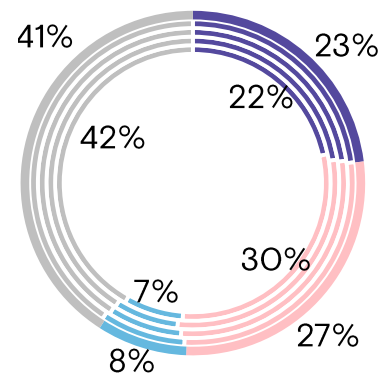
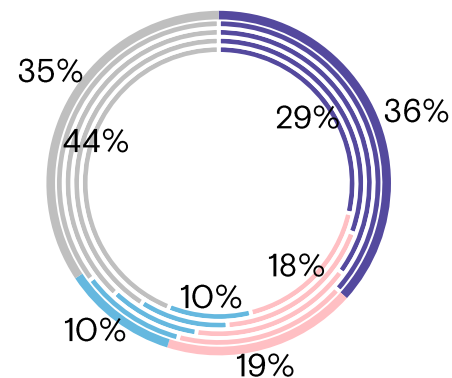
Revenue

Subscribers

Revenue

Subscribers

Structure



(1) Source: data from TMT-Consulting by subscribers as of 3q19 and by revenues for 3q19 LTM.

Key financial highlights



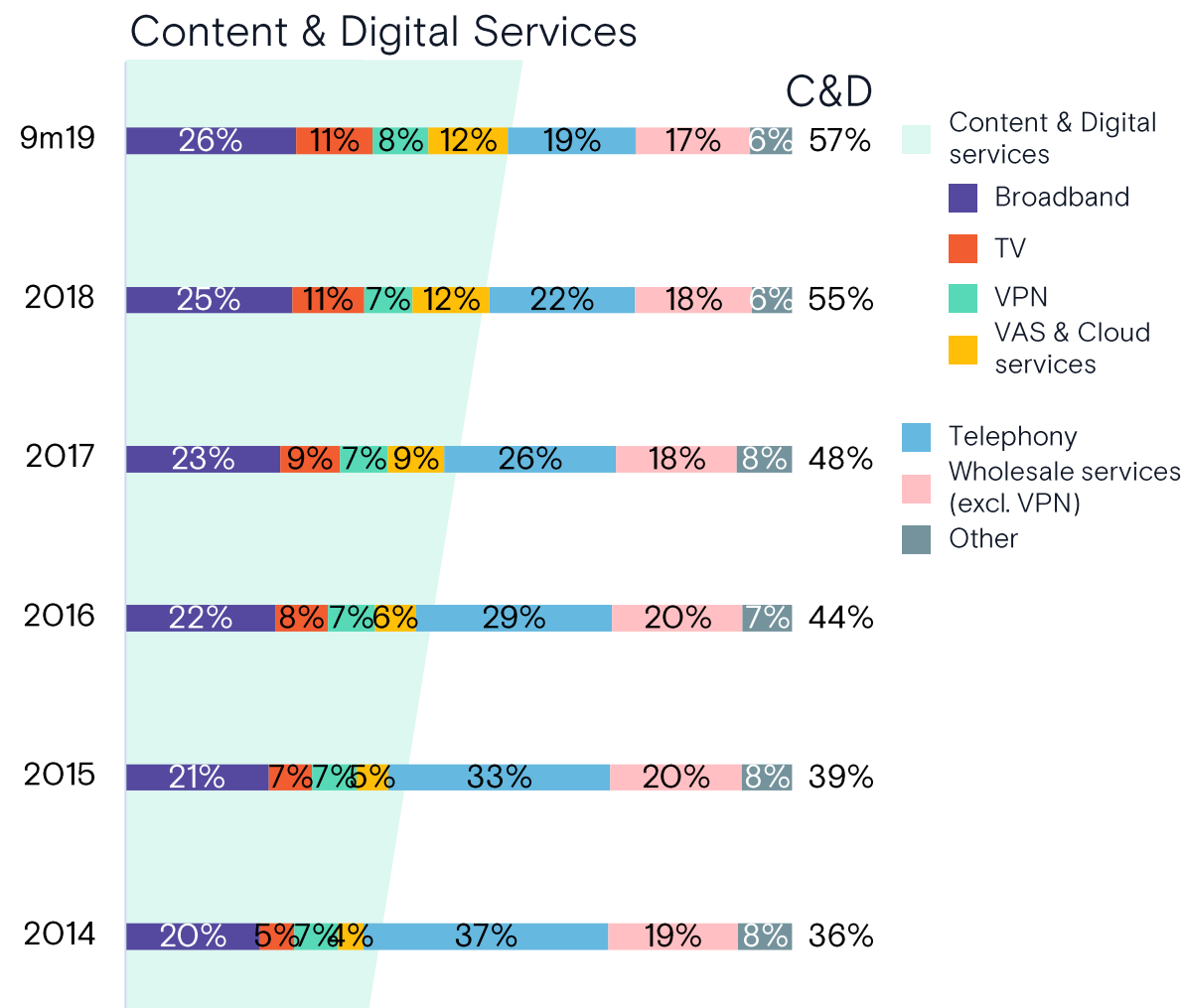
RUB bn	2017	2018	yoy	9m18	9m19	yoy
Revenue	305.3	320.2	4.9%	233.0	242.6	4.1%
Content & Digital Services revenue	146.1	174.8	19.6%	125.0	139.1	11.3%
OIBDA ⁽²⁾	96.7	100.9	4.4%	74.9	81.4	8.8%
OIBDA margin	31.7%	31.5%	-0.2 pp	32.1%	33.6%	1.4 pp
Net Profit	14.1	15.0	6.8%	12.7	16.4	29.2%
Free Cash Flow	20.4	14.8	-5.6	-3.3	4.1	7.4
CAPEX	60.8	73.2	20.5%	45.9	53.7	16.9%
CAPEX / Revenue	19.9%	22.9%	3.0 pp	19.7%	22.1%	2.4 pp
CAPEX excl. state programmes	55.9	59.0	5.6%	38.7	41.2	6.5%
CAPEX / Revenue excl. state programmes	18.3%	18.4%	0.1 pp	16.6%	17.0%	0.4 pp
Net Debt	181.6	186.7	2.8%	203.3	205.1	0.8%
Net Debt / OIBDA	1.9	1.9	-0.02	2.0	1.9	-0.12

Note: The Group adopted IFRS 9, 15 and 16 using the modified retrospective approach starting 1q18. These standards have not been applied to the 2017 information. The estimations of the effects on FY2018 in accordance with IFRS standards are presented in the financial statements for the period ended December 31, 2018.

Revenue growth & transformation



RUB bn	2017	2018	yoy	9m18	9m19	yoy
Content & Digital Revenue	146.1	174.8	19.6%	125.0	139.1	11.3%
Broadband	70.8	80.0	13.1%	58.7	62.1	5.9%
TV	27.3	34.5	26.0%	25.3	27.7	9.5%
VAS & Cloud services	26.0	36.9	41.9%	23.7	28.9	21.9%
VPN	22.0	23.4	6.6%	17.3	20.3	17.7%
Fixed Telephony	78.4	70.0	-10.8%	53.0	46.6	-12.1%
Wholesale Services (ex. VPN)	55.5	56.2	1.1%	41.9	41.6	-0.6%
Other	25.2	19.3	-23.6%	13.1	15.2	16.1%
Total Revenue	305.3	320.2	4.9%	233.0	242.6	4.1%

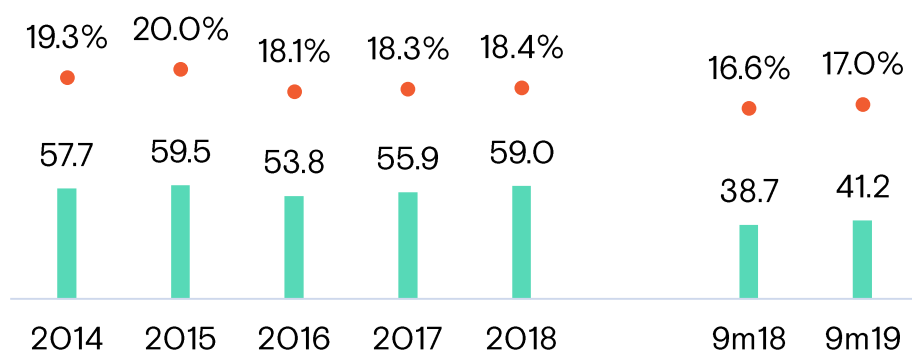


Note: C&D = Content & Digital services = Broadband + TV + VAS & Cloud services + VPN

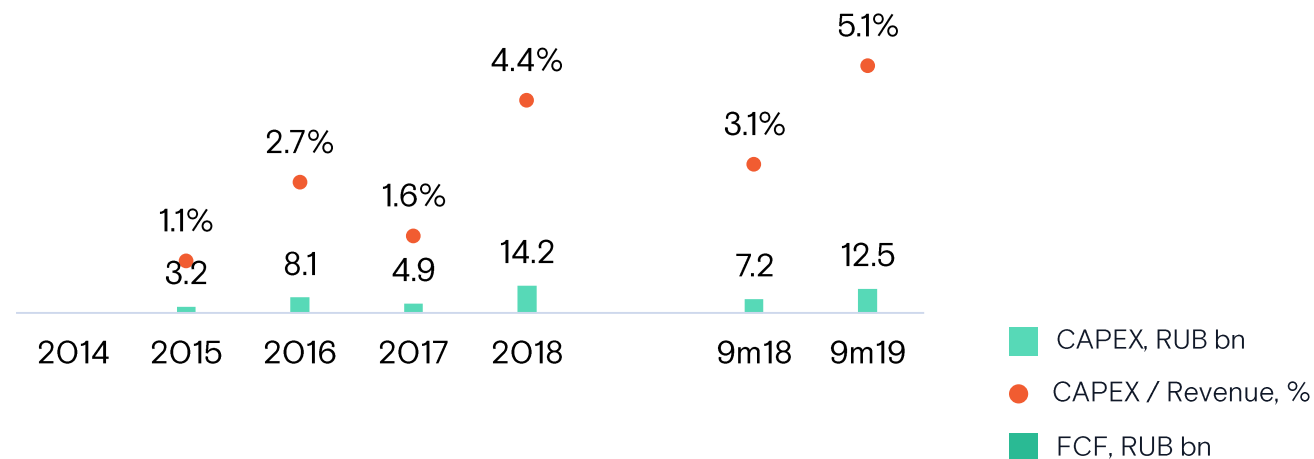
Capex & FCF dynamics



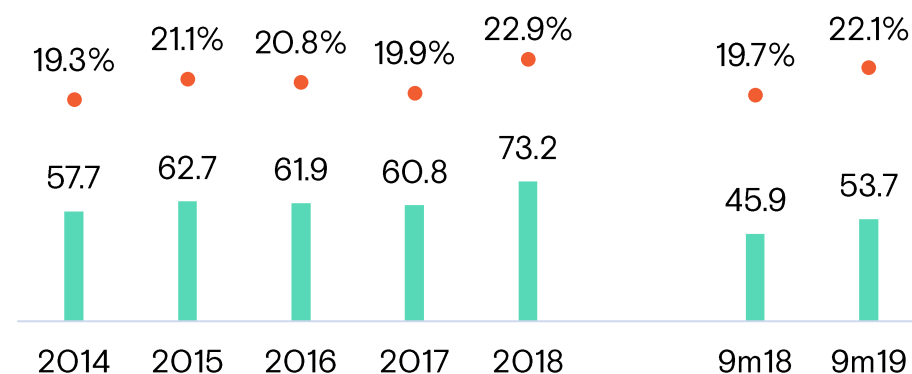
CAPEX excl. state programmes



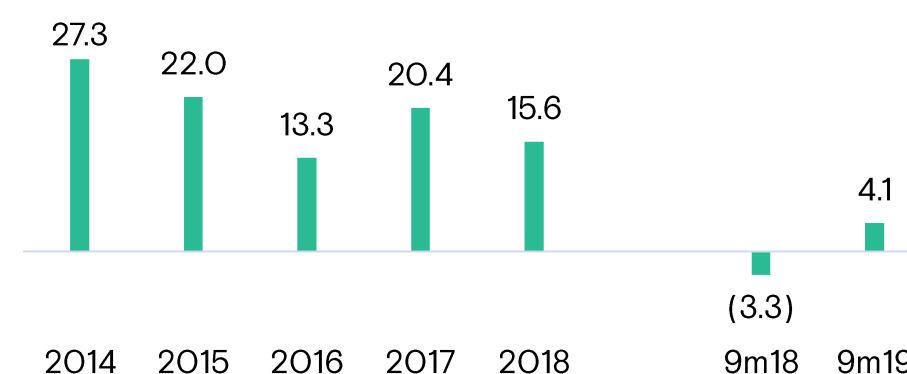
CAPEX for state programmes



CAPEX



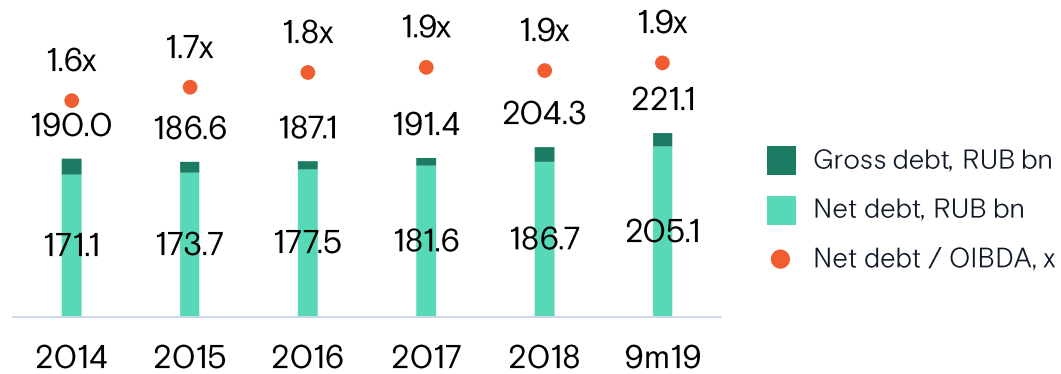
Free Cash Flow



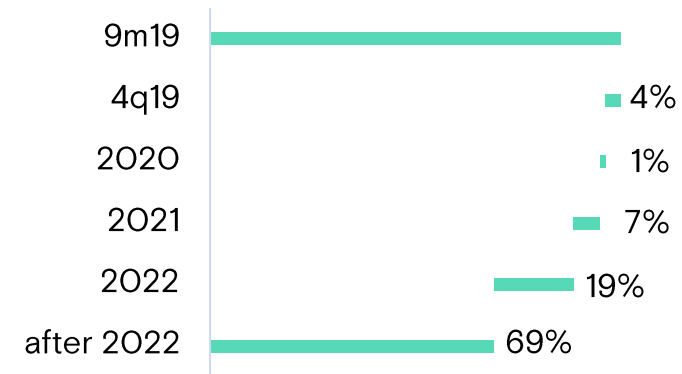
Stable leverage



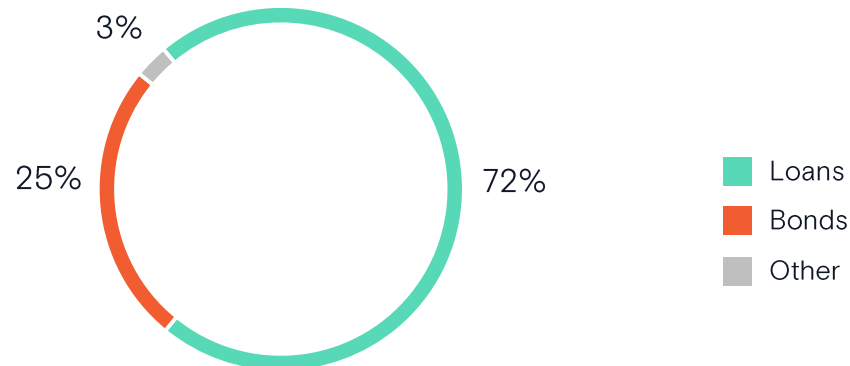
Gross & net debt



Debt structure by maturity



Debt structure by type



Ratings

FITCH	BBB- Stable outlook
S&P	BB+ Stable outlook
ACRA	AA(RU) Stable outlook

2019 guidance confirmed



Revenue
growth

$\geq 3\%$

OIBDA
growth

$\geq 3\%$

Cash CAPEX

65–70 RUB bn

(incl. ~7 RUB bn of regulatory Capex &
excl. sponsored state programmes)

By providing this outlook, we reserve the right to revise or update it at any subsequent period in case of events which, in our opinion, can increase uncertainty, including but not limited to regulatory decisions, currency devaluation, consumer spending contraction, budget cuts, or any other macroeconomic events and decisions which can affect the Company's actual results.

Balance sheet



RUB bn	2014	2015	2016	2017	2018	3q19	RUB bn	2014	2015	2016	2017	2018	3q19
ASSETS							EQUITY AND LIABILITIES						
Non-current assets							Equity						
Property, plant and equipment	328.266	338.699	343.667	348.430	373.839	374.239	Share capital	0.097	0.093	0.093	0.093	0.093	0.093
Investment properties	0.224	0.107	0.181	0.159	0.172	0.172	Additional paid in capital	1.601	0.087	0.090	0.091	0.115	0.115
Goodwill and other intangible assets	58.420	60.755	61.209	59.820	66.246	69.872	Treasury shares	(82.022)	(68.669)	(67.034)	(65.556)	(60.419)	(53.391)
Right of use assets					21.205	22.170	Retained earnings and other reserves	322.257	314.236	311.167	311.494	307.234	311.230
Trade and other accounts receivable	4.321	4.771	7.053	8.352	7.346	6.490	Total equity attributable to equity holders of the Group	241.933	245.747	244.316	246.122	247.023	258.047
Investment in associates and joint ventures	75.048	74.474	68.352	65.879	69.982	73.396	Non-controlling interest	3.294	3.916	4.317	3.242	3.930	3.836
Other financial assets	0.110	0.621	0.797	1.600	1.950	1.297	Total equity	245.227	249.663	248.633	249.364	250.953	261.883
Other non-current assets	5.311	4.096	5.551	4.352	4.667	7.211	Non-current liabilities						
Deferred tax assets				0.647	0.863	1.440	Loans and borrowings	137.872	126.620	124.510	166.660	174.371	209.090
Contract assets					0.501	1.174	Lease liabilities					16.855	19.083
Contract costs					12.323	12.452	Employee benefits	5.965	5.021	5.217	4.733	4.675	5.307
Total non-current assets	471.701	483.524	486.810	489.239	559.094	569.913	Deferred tax liabilities	31.206	30.238	36.165	35.681	38.411	41.782
Current assets							Accounts payable, provisions and accrued expenses				2.233	3.090	3.734
Inventories	4.827	4.060	6.444	6.169	7.631	9.693	Other non-current liabilities	5.120	9.088	7.097	6.383	21.142	20.256
Contract assets					9.511	9.789	Total non-current liabilities	180.163	170.967	172.989	215.690	258.544	299.252
Trade and other accounts receivable	45.056	43.152	45.884	47.813	44.189	54.067	Current liabilities						
Prepayments	4.363	2.822	2.166	3.455	4.380	4.256	Loans and borrowings	52.142	59.934	62.595	24.712	29.908	12.026
Prepaid income tax	2.241	0.927	1.957	0.159	0.984	2.140	Lease liabilities					4.791	3.927
Other financial assets	1.934	5.719	5.367	5.963	7.487	9.193	Accounts payable, provisions and accrued expenses	62.254	62.269	64.072	60.666	88.530	81.415
Other current assets	0.988	2.600	2.151	2.619	2.856	3.960	Income tax payable				1.162	0.644	0.131
Cash & cash equivalents	16.945	7.165	4.257	3.815	10.080	6.870	Other current liabilities	8.848	8.487	7.393	8.635	13.396	11.909
Asset classified as held for sale	0.579	1.351	0.646	0.997	0.554	0.663	Total current liabilities	123.244	130.690	134.060	95.175	137.269	109.408
Total current assets	76.933	67.795	68.872	70.990	87.672	100.631	Total equity and liabilities	548.634	551.319	555.682	560.229	646.766	670.543
Total assets	548.634	551.319	555.682	560.229	646.766	670.544	Net debt	171.135	173.670	177.481	181.594	186.712	205.053
							Net debt / OIBDA LTM	1.6x	1.7x	1.8x	1.9x	1.9x	1.9x
							Gross debt	190.014	186.554	187.105	191.372	204.279	221.116

Note: The Group adopted IFRS 9, 15 and 16 using the modified retrospective approach starting 1q18. These standards have not been applied to the 2017 information. The estimations of the effects on FY2018 in accordance with IFRS standards are presented in the financial statements for the period ended December 31, 2018.

Profit & loss statement



RUB bn	2014	2015	2016	2017	2018	9m19	15/14	16/15	17/16	18/17	9m19/18
Revenue	298.937	297.355	297.446	305.329	320.239	242.554	-0.5%	0.0%	2.7%	4.9%	4.1%
Operating expenses	(258.943)	(258.768)	(257.610)	(267.444)	(284.439)	(212.634)	-0.1%	-0.4%	3.8%	6.4%	3.5%
Wages, salaries, other benefits and payroll taxes	(89.929)	(91.081)	(90.340)	(93.381)	(97.350)	(75.222)	1.3%	-0.8%	3.4%	4.3%	5.6%
Depreciation, amortization and impairment losses	(60.623)	(60.599)	(55.589)	(56.628)	(60.329)	(47.970)	0.0%	-8.3%	1.9%	6.5%	10.0%
Interconnection charges	(47.429)	(49.825)	(52.161)	(52.762)	(58.293)	(43.477)	5.1%	4.7%	1.2%	10.5%	2.4%
Materials, utilities, repair and maintenance	(25.828)	(25.125)	(24.917)	(25.926)	(26.183)	(18.297)	-2.7%	-0.8%	4.0%	1.0%	-0.6%
Gain/(Loss) on disposal of PPE and intangible assets	1.475	2.133	4.556	5.344	7.184	2.455	44.6%	113.6%	17.3%	34.4%	4.9%
Impairment loss of financial assets measured at amortised cost	(2.006)	(0.882)	(2.775)	(2.776)	(4.925)	(2.936)	-56.0%	214.5%	0.0%	77.4%	-24.8%
Other operating income	12.950	14.630	12.948	13.444	13.673	12.698	13.0%	-11.5%	3.8%	1.7%	18.7%
Other operating expense	(47.553)	(48.020)	(49.332)	(54.759)	(58.216)	(39.885)	1.0%	2.7%	11.0%	6.3%	2.9%
Operating profit	39.994	38.586	39.836	37.885	35.800	29.920	-3.5%	3.2%	-4.9%	-5.5%	8.3%
Operating profit margin	13.4%	13.0%	13.4%	12.4%	11.2%	12.3%					
Share of net profit/(loss) of associates and joint ventures	(0.517)	(3.583)	(7.296)	(2.692)	(0.091)	3.111	593.0%	103.6%	-63.1%	-96.6%	330.9%
Finance costs	(15.519)	(16.311)	(17.175)	(17.350)	(17.275)	(14.601)	5.1%	5.3%	1.0%	-0.4%	14.1%
Other Investing and financial gain/(loss), net	(3.793)	(0.434)	1.061	0.941	1.602	1.640	-88.6%	-344.5%	-11.3%	70.2%	16.2%
Foreign exchange gain/(loss), net	0.228	(1.431)	0.515	0.122	(0.597)	0.380	-727.6%	-136.0%	-76.3%	-589.3%	-216.9%
Profit before income tax	20.393	16.827	16.941	18.906	19.439	20.450	-17.5%	0.7%	11.6%	2.8%	22.9%
Income tax expense	(7.211)	(2.436)	(4.692)	(4.856)	(4.427)	(4.088)	-66.2%	92.6%	3.5%	-8.8%	2.7%
Net profit	13.182	14.391	12.249	14.050	15.012	16.362	9.2%	-14.9%	14.7%	6.8%	29.2%
Net profit margin	4.4%	4.8%	4.1%	4.6%	4.7%	6.7%					
OIBDA	102.467	100.839	96.772	96.688	100.900	81.439	-1.6%	-4.0%	-0.1%	4.4%	8.8%
OIBDA margin	34.3%	33.9%	32.5%	31.7%	31.5%	33.6%					

Note: The Group adopted IFRS 9, 15 and 16 using the modified retrospective approach starting 1q18. These standards have not been applied to the 2017 information. The estimations of the effects on FY2018 in accordance with IFRS standards are presented in the financial statements for the period ended December 31, 2018.

Cash flow statement



RUB bn	2015	2016	2017	2018	9m18	9m19	RUB bn	2015	2016	2017	2018	9m18	9m19
Cash flows from operating activities							Cash flows from financing activities						
Profit before income tax	16.827	16.941	18.906	19.439	16.641	20.450	Sale of treasury shares		0.157	0.001			
Depreciation, amortization and impairment losses	60.599	55.589	56.628	60.329	43.616	47.970	(Purchase) of treasury shares	(2.867)	(0.314)	(0.981)			
Gain/(Loss) on disposal of PPE and intangible assets	(2.133)	(4.556)	(5.344)	(7.184)	(2.341)	(2.455)	Proceeds from bank and corporate loans	546.080	655.190	522.157	579.949	439.539	409.114
Impairment loss of financial assets measured at amortised cost	0.882	2.775	2.776	4.057	3.905	2.936	Repayment of bank and corporate loans	(550.410)	(665.936)	(519.403)	(564.785)	(414.848)	(400.647)
(Gain)/Loss from associates and joint ventures	3.583	7.296	2.692	0.091	(0.722)	(3.111)	Proceeds from bonds	10.000	15.000	20.000	10.000	10.000	
Finance costs excluding finance costs on employee benefit obligations	15.560	16.699	17.026	17.180	12.704	14.553	Repayment of bonds	(12.112)	(2.734)	(20.642)	(11.209)	(11.209)	
Other Investing and financial (gain)/loss, net	0.434	(1.061)	(0.941)	(1.602)	(1.411)	(1.640)	Repayment of vendor financing payable	(0.048)	(0.009)	(0.009)	(0.015)	(0.013)	(0.009)
Foreign exchange (gain)/loss, net	1.431	(0.515)	(0.122)	0.597	0.325	(0.380)	Proceeds from / (repayment of) other non-current financing liabilities	(0.004)	(0.001)	(0.007)	(0.001)		
Share-based motivation program	1.251	1.019	2.309	3.500	2.645	2.668	Proceeds from non-controlling shareholders of subsidiaries				0.024		
<i>Changes in net working capital:</i>	<i>1.408</i>	<i>(8.608)</i>	<i>(1.637)</i>	<i>2.726</i>	<i>(19.895)</i>	<i>(13.307)</i>	Repayment of lease liabilities	(0.057)	(0.160)	(0.118)	(4.034)	(2.227)	(3.960)
(Increase) / decrease in accounts receivable and contract assets	1.629	(3.941)	(5.078)	(8.634)	(20.436)	(12.856)	Acquisition of non-controlling interest	(2.350)		(2.318)			(0.904)
(Decrease) / increase in employee benefits	(1.356)	(0.561)	(0.066)	(0.353)	(0.507)	0.632	Dividends paid to shareholders of the Group	(7.676)	(13.295)	(12.195)	(11.547)		(11.725)
(Increase) / decrease in inventories	0.892	(2.351)	0.232	(1.414)	(0.932)	(1.999)	Dividends paid to non-controlling shareholders of subsidiaries	(0.308)	(0.258)	(0.190)	(0.226)		
(Decrease) / increase in accounts payable, provisions and accrued expenses	0.268	1.376	3.963	13.377	7.070	8.395	Options settlement repayments	(5.361)	(0.319)	(4.896)			
(Increase) / decrease in other assets	(0.024)	(3.131)	(1.917)	(4.245)	(4.458)	(2.741)	Net cash from financing activities	(25.112)	(12.679)	(18.601)	(1.844)	9.486	(1.333)
(Decrease) / increase in other liabilities			1.229	3.995	(0.632)	(4.738)	Effect of exchange rate changes on cash and cash equivalents	0.050	(0.456)	(0.152)	0.047	0.001	(0.058)
Cash generated from operations	99.842	85.579	92.293	99.133	55.467	67.684	Net (decrease)/increase in cash and cash equivalents	(9.780)	(2.908)	(0.442)	6.265	(0.219)	(3.210)
Interest paid	(17.082)	(18.410)	(17.548)	(18.174)	(13.448)	(14.244)	Cash and cash equivalents at the end of period	7.164	4.257	3.815	10.080	3.596	6.870
Income tax refund	2.559	4.391	1.825	0.230	0.000	0.072							
Income tax paid	(4.469)	(4.383)	(4.801)	(3.945)	(3.786)	(3.007)							
Net cash from operating activities	80.850	67.177	71.769	77.244	38.233	50.505	Free Cash Flow (FCF)	21.962	13.298	20.385	14.751	(3.312)	4.066
Cash flows from investing activities													
Purchase of PPE and intangible assets	(62.726)	(61.857)	(60.752)	(73.179)	(45.892)	(53.667)							
Proceeds from sale of PPE and intangible assets	3.838	7.978	9.368	10.097	3.906	4.147							
Acquisition of financial assets	(15.943)	(9.736)	(12.762)	(7.351)	(5.283)	(5.612)							
Proceeds from disposals of financial assets	10.442	10.831	11.574	5.296	4.353	3.699							
Interest received	1.495	1.029	0.637	0.589	0.441	0.523							
Subsidy from Government			0.772	3.641	0.010	2.558							
Dividends received	0.007	0.022	0.006	0.095	0.048	0.237							
Purchase of subsidiaries and business, net of cash acquired	(1.145)	(2.438)	(0.218)	(4.064)	(2.020)	(3.666)							
Proceeds from disposal of subsidiaries, net of cash disposed	0.240	(0.001)	0.347	0.080	0.080	0.000							
Acquisition of equity accounted investees	(2.098)	(2.778)	(2.430)	(4.386)	(3.582)	(0.543)							
Net cash used in investing activities	(65.567)	(56.950)	(53.458)	(69.182)	(47.939)	(52.324)							

Revenue structure



RUB bn	2014	2015	2016	2017	2018	9m19	15/14	16/15	17/16	18/17	9m19/18
By services:											
Broadband Internet	60.364	63.880	66.771	70.785	80.042	62.146	5.8%	4.5%	6.0%	13.1%	5.9%
TV services	15.250	19.368	23.599	27.348	34.464	27.724	27.0%	21.8%	15.9%	26.0%	9.5%
Fixed telephony	109.710	99.105	87.703	78.445	69.983	46.632	-9.7%	-11.5%	-10.6%	-10.8%	-12.1%
Wholesale services	77.895	78.266	79.010	77.525	79.593	61.962	0.5%	1.0%	-1.9%	2.7%	4.8%
<i>Rent of channels</i>	11.758	11.714	10.538	9.437	9.582	7.222	-0.4%	-10.0%	-10.4%	1.5%	2.0%
<i>Interconnect and traffic transit</i>	33.177	34.717	35.102	33.253	33.256	23.979	4.6%	1.1%	-5.3%	0.0%	-3.8%
<i>VPN</i>	19.711	19.711	20.823	21.981	23.433	20.342	0.0%	5.6%	5.6%	6.6%	17.7%
<i>Rent & maintenance of telecommunication infrastructure</i>	13.248	12.124	12.546	12.855	13.322	10.420	-8.5%	3.5%	2.5%	3.6%	5.7%
VAS & Clouds	11.384	14.224	18.245	26.013	36.902	28.891	25.0%	28.3%	42.6%	41.9%	21.9%
Other telecommunication services	16.554	14.498	14.352	16.854	12.076	9.803	-12.4%	-1.0%	17.4%	-28.4%	21.4%
Other non-telecommunication services	7.780	8.014	7.767	8.359	7.179	5.395	3.0%	-3.1%	7.6%	-14.1%	7.6%
% of total revenues											
Broadband Internet	20.2%	21.5%	22.4%	23.2%	25.0%	25.6%					
TV services	5.1%	6.5%	7.9%	9.0%	10.8%	11.4%					
Fixed telephony	36.7%	33.3%	29.5%	25.7%	21.9%	19.2%					
Wholesale services	26.1%	26.3%	26.6%	25.4%	24.9%	25.5%					
<i>Rent of channels</i>	3.9%	3.9%	3.5%	3.1%	3.0%	3.0%					
<i>Interconnect and traffic transit</i>	11.1%	11.7%	11.8%	10.9%	10.4%	9.9%					
<i>VPN</i>	6.6%	6.6%	7.0%	7.2%	7.3%	8.4%					
<i>Rent & maintenance of telecommunication infrastructure</i>	4.4%	4.1%	4.2%	4.2%	4.2%	4.3%					
VAS & Clouds	3.8%	4.8%	6.1%	8.5%	11.5%	11.9%					
Other telecommunication services	5.5%	4.9%	4.8%	5.5%	3.8%	4.0%					
Other non-telecommunication services	2.6%	2.7%	2.6%	2.7%	2.2%	2.2%					
By management units:											
B2C		136.764	133.917	136.304	137.745	104.558		-2.1%	1.8%	1.1%	2.1%
B2B/B2G		98.319	102.195	109.209	121.509	92.329		3.9%	6.9%	11.3%	8.5%
B2O		57.143	56.851	55.061	56.389	42.242		-0.5%	-3.1%	2.4%	0.5%
Other		5.129	4.483	4.756	4.595	3.425		-12.6%	6.1%	-3.4%	-0.7%
B2C		46.0%	45.0%	44.6%	43.0%	43.1%					
B2B/B2G		33.1%	34.4%	35.8%	37.9%	38.1%					
B2O		19.2%	19.1%	18.0%	17.6%	17.4%					
Other		1.7%	1.5%	1.6%	1.4%	1.4%					

Operational data



	2014	2015	2016	2017	2018	3q19	15/14	16/15	17/16	18/17	3q19/18
SUBSCRIBERS, mn											
Local telephony	24.4	22.1	20.6	19.1	17.4	16.1	-9.4%	-6.7%	-7.6%	-8.7%	-9.6%
B2C	20.5	18.5	17.1	15.7	14.2	13.0	-9.9%	-7.6%	-8.1%	-9.6%	-10.8%
B2B	3.9	3.6	3.5	3.3	3.2	3.1	-7.2%	-2.0%	-4.9%	-4.5%	-4.5%
Access	11.2	11.6	12.4	12.9	13.0	13.1	3.6%	6.3%	4.3%	0.8%	0.5%
B2C: Broadband	10.5	10.9	11.6	12.0	12.0	12.0	4.1%	6.5%	2.9%	0.4%	0.2%
B2B: Broadband + VPN				0.9	1.0	1.0				6.4%	4.1%
B2B: Broadband	0.7	0.7	0.8	0.8			-2.8%	3.7%	1.1%		
Broadband by technology	11.2	11.6	12.4	12.7	12.8	12.8	3.6%	6.3%	2.8%	0.3%	0.4%
xDSL	6.1	5.3	5.0	4.7	4.2	4.0	-12.3%	-6.6%	-5.6%	-9.7%	-7.6%
FTTx	5.2	6.3	7.4	8.0	8.5	8.8	22.4%	17.2%	8.5%	6.1%	4.5%
xDSL	54%	46%	40%	37%	33%	31%					
FTTx	46%	54%	60%	63%	67%	69%					
Pay TV	8.0	8.6	9.3	9.8	10.2	10.3	8.2%	7.8%	4.9%	4.1%	2.3%
IPTV	2.7	3.4	4.2	4.8	5.3	5.5	26.0%	24.4%	14.2%	9.0%	6.5%
Cable TV	5.3	5.2	5.1	4.9	4.9	4.8	-1.6%	-2.4%	-2.8%	-0.7%	-2.0%
IPTV	34%	40%	46%	50%	52%	53%					
Cable TV	66%	60%	54%	50%	48%	47%					
Mobile (MVNO with Tele2)				0.8	1.2	1.5				43.4%	37.2%
ARPU, RUB											
Access											
B2C: Broadband	342	346	352	365	382	396	0.9%	2.0%	3.4%	4.7%	4.5%
B2B: Broadband + VPN				1,875	3,123	3,475				66.5%	9.3%
incl. Broadband FTTx											
B2C	323	325	332	344	362	374	0.5%	2.2%	3.4%	5.4%	4.2%
B2B	3,974	3,512	3,598	2,955	2,504	2,121	-11.6%	2.5%	-17.9%	-15.3%	-10.5%
Local telephony											
B2C	246	246	257	249	240	227	-0.1%	4.6%	-3.2%	-3.6%	-3.3%
B2B	383	383	630	634	613	609	-0.1%	64.4%	0.7%	-3.4%	0.4%
Pay TV (B2C)	149	181	206	226	242	248	21.3%	13.7%	10.0%	6.9%	3.1%
incl. IPTV	209	251	278	298	314	311	19.9%	10.6%	7.4%	5.3%	0.3%
Blended ARPU			455	487	527	536			7.0%	8.3%	3.0%

Additional metrics



OIBDA

RUB bn	2014	2015	2016	2017	2018	9m18	9m19
Operating profit	39.994	38.586	39.836	37.885	35.800	27.633	29.920
Depreciation, amortization and impairment losses	60.623	60.599	55.589	56.628	60.329	43.616	47.970
Expenses related to long-term incentive programme	1.850	1.654	1.347	2.344	3.638	2.752	2.721
Expenses related to pension program subject to adjustment				(0.170)	1.133	0.861	0.828
OIBDA	102.467	100.839	96.772	96.688	100.900	74.862	81.439
OIBDA margin	34.3%	33.9%	32.5%	31.7%	31.5%	32.1%	33.6%

FREE CASH FLOW

RUB bn	2014	2015	2016	2017	2018	9m18	9m19
Net cash from operating activities	79.546	80.850	67.177	71.769	77.244	38.233	50.505
Purchase of PPE and intangible assets	(57.666)	(62.726)	(61.857)	(60.752)	(73.179)	(45.892)	(53.667)
Proceeds from sale of PPE and intangible assets	5.433	3.838	7.978	9.368	10.097	3.906	4.147
Interest received					0.589	0.441	0.523
Subsidy from Government							2.558
Free Cash Flow (FCF)	27.313	21.962	13.298	20.385	14.751	(3.312)	4.066

NET DEBT

RUB bn	2014	2015	2016	2017	2018	9m18	9m19
Non-current loans and borrowings	137.872	126.620	124.510	166.660	174.371	174.575	209.090
Current loans and borrowings	52.142	59.934	62.595	24.712	29.908	38.990	12.026
Gross debt	190.014	186.554	187.105	191.372	204.279	213.565	221.116
(-) Cash & cash equivalents	(16.945)	(7.165)	(4.257)	(3.815)	(10.080)	(3.596)	(6.870)
(-) Other financial assets	(1.934)	(5.719)	(5.367)	(5.963)	(7.487)	(6.622)	(9.193)
Net debt	171.135	173.670	177.481	181.594	186.712	203.347	205.053
Net debt / OIBDA LTM	1.6x	1.7x	1.8x	1.9x	1.9x	2.0x	1.9x

Note: The Group adopted IFRS 9, 15 and 16 using the modified retrospective approach starting 1q18. These standards have not been applied to the 2017 information. The estimations of the effects on FY2018 in accordance with IFRS standards are presented in the financial statements for the period ended December 31, 2018.

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