

NEW OPPORTUNITIES IN THE DIGITAL WORLD

Investment highlights



#1 market leader
in Broadband & IPTV in Russia

#1 market leader
in Data centres & IaaS in Russia

#1 revenue growth
in mobile market by Tele2 Russia



Digital transformation opportunity upside



Exposure to markets with high growth potential

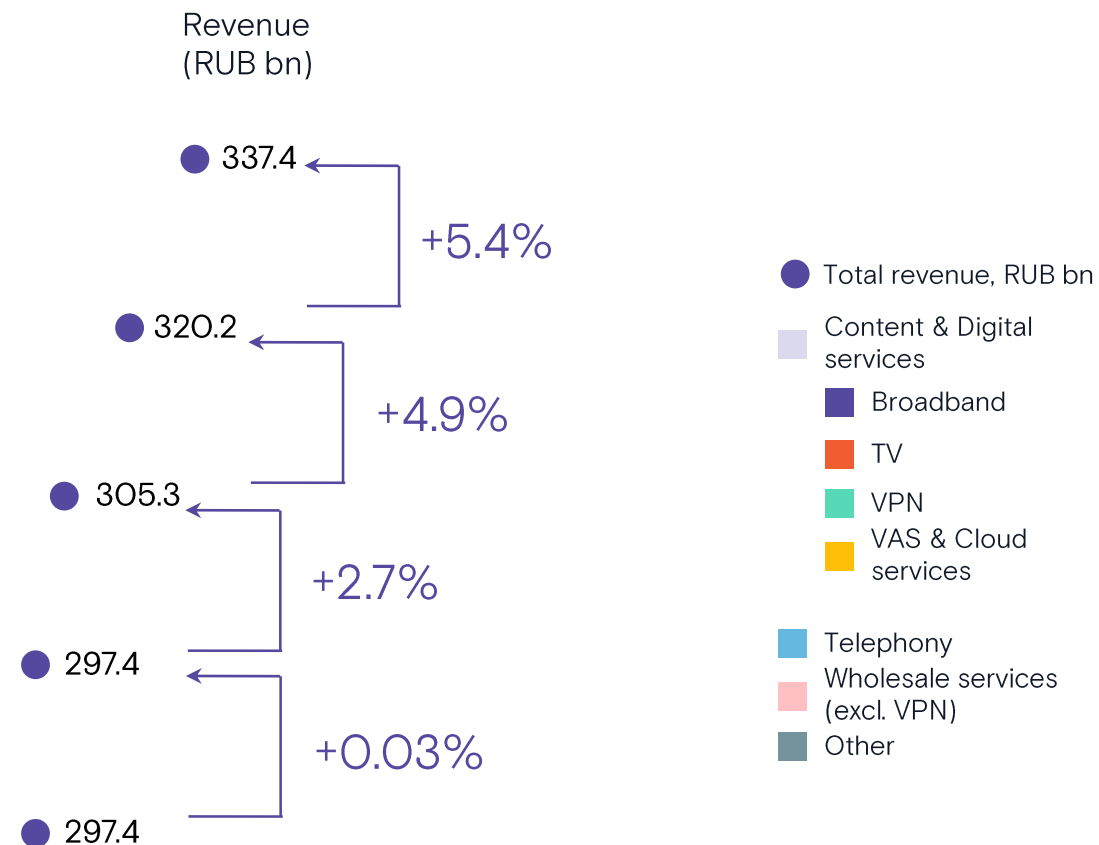
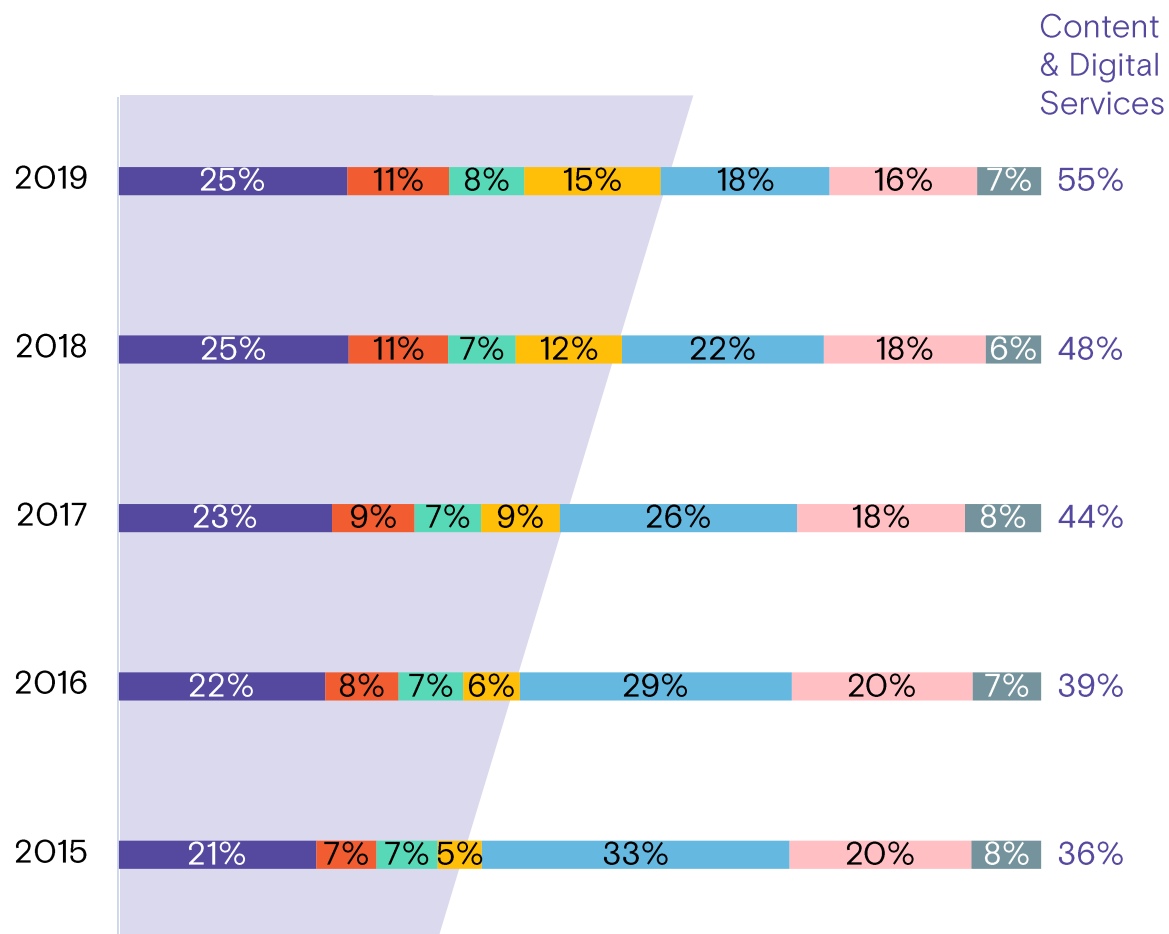


Attractive dividend policy based on FCF

Transforming into provider of digital services



Revenue structure transformation



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

Attractive dividend policy for 2018–2020



$\geq 75\%$
of Free Cash Flow

≥ 5 RUB
per ordinary share

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


Management will recommend a payment of RUB 5 per share for FY2019


Key revenue drivers




Leadership in core market of broadband services

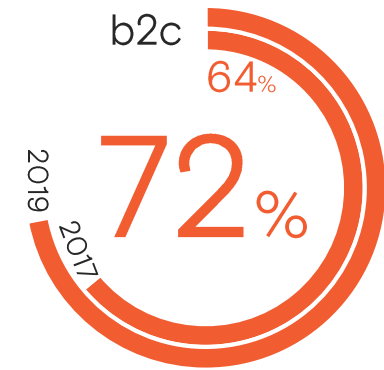


12.2 mn 
broadband b2c
subscribers


41% 
market share in
broadband b2c ⁽¹⁾


36.6 mn 
households covered by
fibre (out of 55 mn)

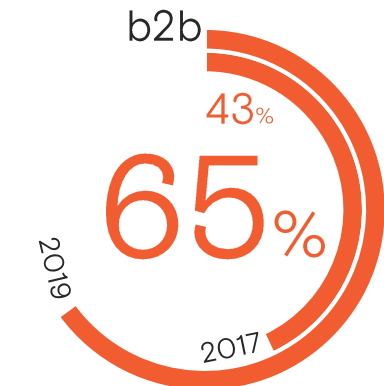
Broadband subscribers
connected by fibre



1.1 mn 
broadband & VPN
b2b subscribers

38% 
market share in
broadband b2b ⁽¹⁾


25.2 Tb/s 
backbone network
capacity (+15% in 2019)





Unique proposition of pay TV services


10.4 mn 
pay TV subscribers

36% 
market share in pay TV ⁽¹⁾

+61% 
revenue growth from TV
for Business in 2019

incl.

5.6 mn 
IPTV subscribers

73% 
market share in IPTV ⁽¹⁾

Notes: (1) Source: revenue data for 2019 from TMT Consulting.



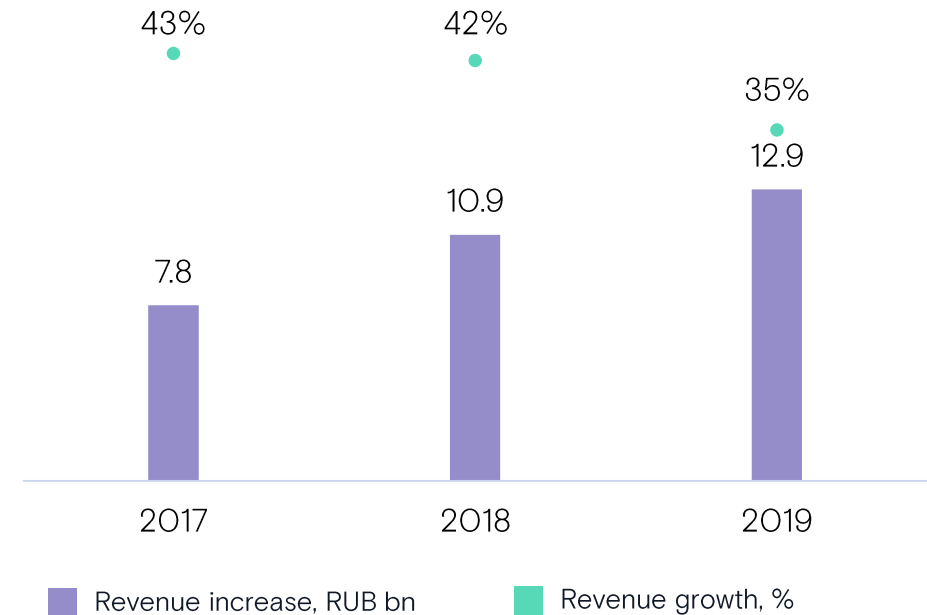
VAS & Cloud services as the main revenue driver



VAS & Clouds revenue structure



VAS & Clouds revenue increase



- SmartCity (incl. E-Government)
- Data centres & Clouds
- Videosurveillance
- Other VAS



Leadership in fast-growing data centres and cloud services

+50%



Revenue growth in 2019 from data centers and cloud services ⁽¹⁾

36 RUB bn



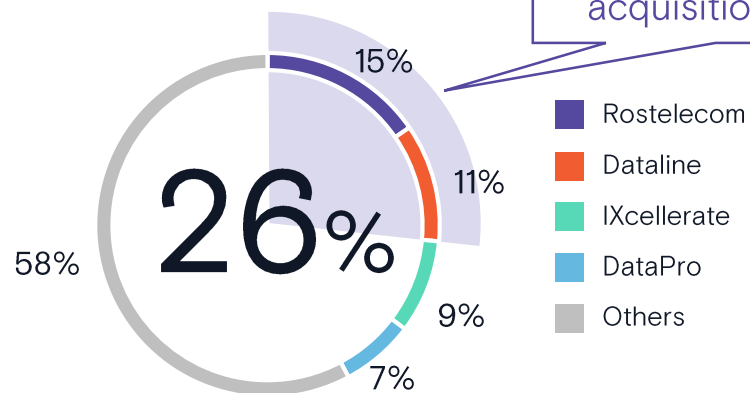
Data centers' market size with up to 15% CAGR 2019-2023f ⁽²⁾

68 RUB bn



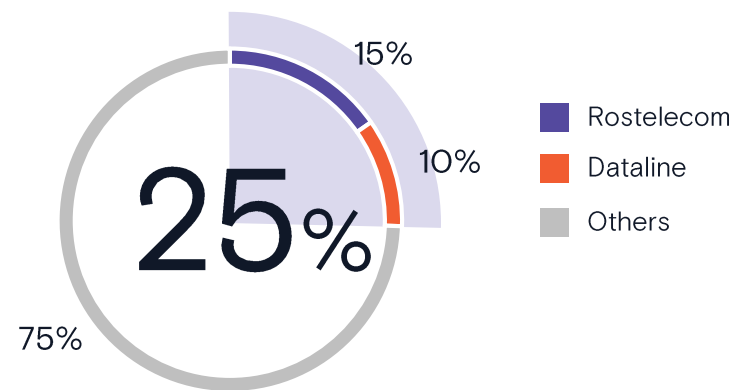
Cloud services' market size with 23% CAGR 2018-2022f, incl. IaaS (26% of the market) with 29% CAGR ⁽³⁾

#1 in Data centres ⁽²⁾



#1 player with 11.5k racks following DataLine acquisition in 2020

#1 in IaaS ⁽³⁾



Notes: (1) 2019 revenue does not include DataLine revenue. (2) Source: iKS-Consulting data forecast for 2019. Market structure and CAGR by rack capacity. (3) Source: iKS-Consulting data for 2018.



Active development of Smart City projects

+50% 

Revenue growth yoy from Smart City projects ⁽¹⁾

Revenue (RUB bn)



>250k 

Video cameras installed in 9 regions

230k 

Metering devices installed

3.1k 

complexes of photo and video recording of traffic violations in 47 regions

56 

Regions covered by 112 Hot Line system

80 

Weight-dimensional control systems installed in 18 regions

Rapid expansion of information security services



2.4x 

Revenue growth from
information security services

1.1 mn 

Cyberattacks repelled
in 2019

(40k servers and 1.2k
services under
constant protection)

86.7 bn 

Daily average security
events

>2k 

Clients across Russia

Other strategic priorities



Delivering on 'Digital Economy' program



2019

11.1k 


Settlements connected under the Bridging the Digital Divide project (85k km fibre optic completed)

64 mn 

Users of the state E-services portal with a verified account (100 mn registered overall)

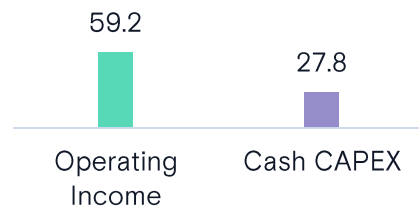
>7k 

Socially significant objects connected to high speed Internet

1.7k 

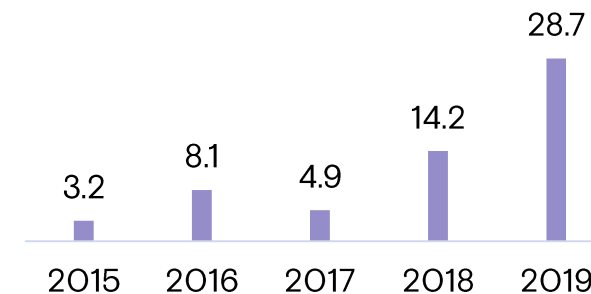
Objects of Federal State Unitary Enterprise "Russian Television and Radio Broadcasting Network" connected (9.4k km fibre optic completed)

BDD project financials 2015-2019 ⁽¹⁾, RUB bn



Target-2024: 14k settlements

Cash CAPEX for state programmes ⁽²⁾



Notes: (1) Operating income is state-funded and is reported under 'other operating income'. (2) The state programmes for this context mean specialised projects / programmes commissioned by the state and sponsored from the state budget, namely the "Bridging Digital Divide", programme for connecting medical institutions to the Internet, network construction projects directly funded by government subsidies.

Tele2 Russia: best operational dynamics...



Solid growth in subscriber base with the best NPS in the industry ⁽¹⁾

(42% with margin > 10 p.p. from nearest competitor)

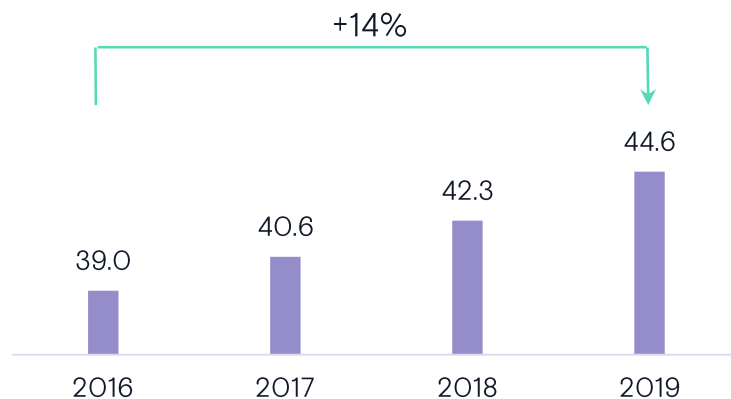
+2 p.p.

Market share increase over 3 years with 45 mn subscribers

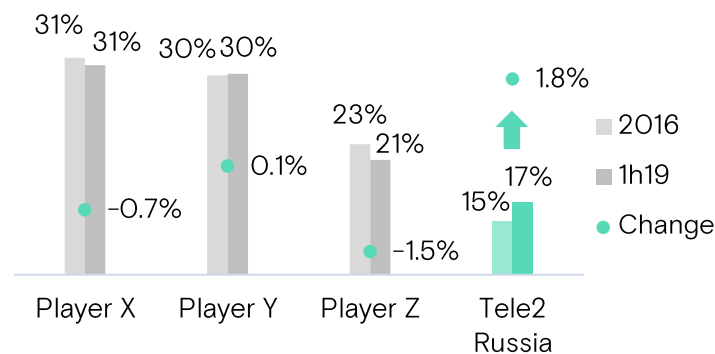
Fastest growing LTE network:

7x growth over 3 years

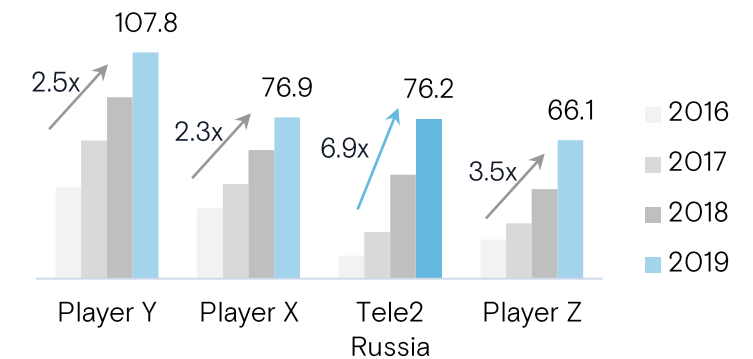
Subscriber base, mn



Market share dynamics of mobile operators in Russia ⁽²⁾



LTE base stations, k ⁽³⁾



Notes: (1) Source: Tele2 Russia data as of 2019.

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

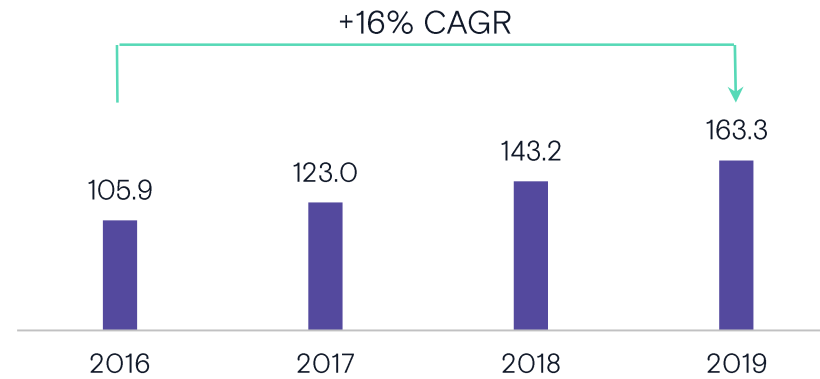
(3) Source: Roskomnadzor data as of 01.01.2020.

... backed up by outstanding financial results



Highest revenue growth in the industry

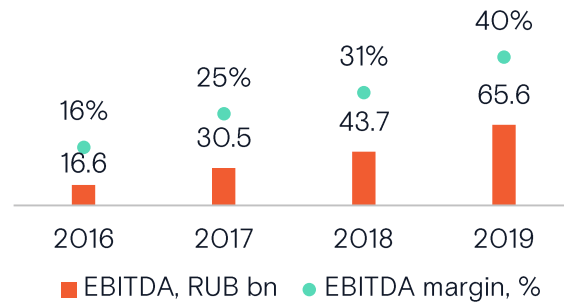
Revenue, RUB bn



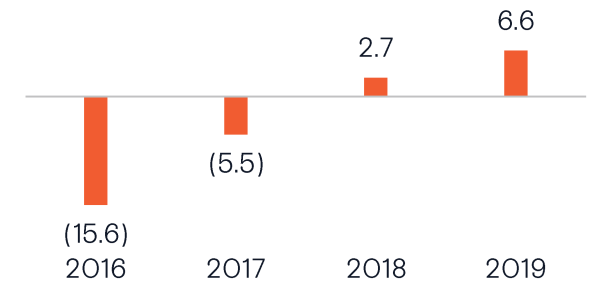
Tele2 Russia financials will be consolidated starting 1q20

Strong growth in profitability and net profit

EBITDA

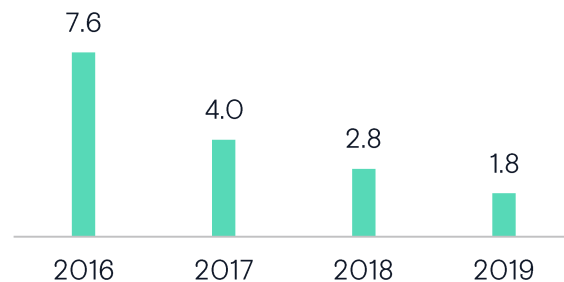


Net profit, RUB bn

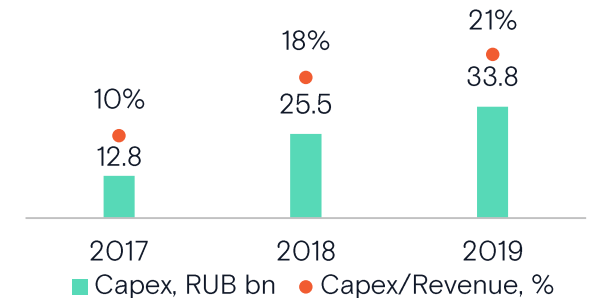


Improving leverage amid accelerated network development

Net debt / EBITDA reported, x



CAPEX



Note: Tele2 Russia adopted IFRS 16 using the modified retrospective approach starting 1q19. These standards have not been applied to the 2016-2018 information.

Synergies

Strategy update of the Rostelecom Group, including Tele2 Russia, will follow in 2h20



Revenue

Cost efficiencies

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

Increased cost efficiency with economies of scale

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

Optimization & joint support for telecom infrastructure

Share cost of renting offices and technological premises

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

Customer service economies of scale

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

Additional data





Leading positions in the broadband market

Market size (1)

b2c

Penetration
60%

147

RUB bn

33 mn

subscribers

b2b

55

RUB bn

2 mn

subscribers

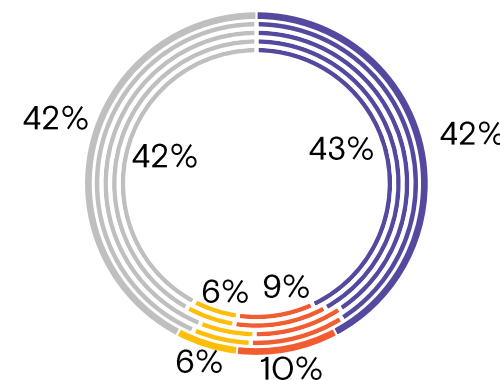
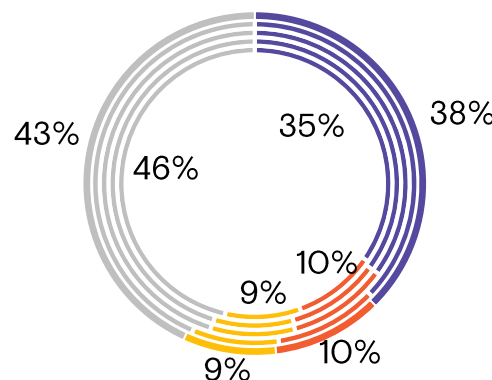
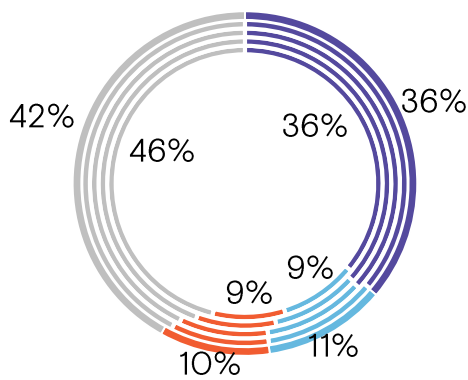
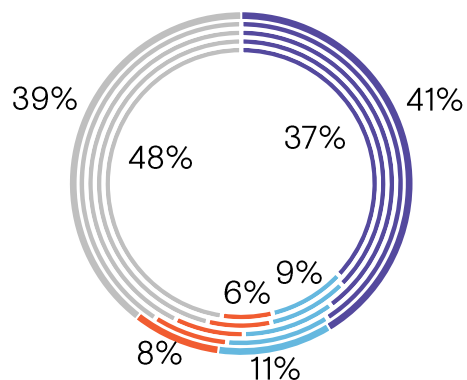
Revenue

Subscribers

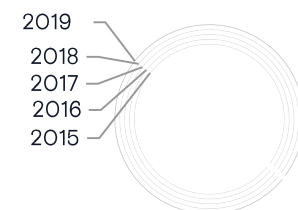
Revenue

Subscribers

Structure



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



Notes: (1) Source: data from TMT-Consulting.



Strong expansion in the pay TV market

Market size (1)

pay TV

Penetration
77%

104

RUB bn

45 mn

subscribers

incl. IPTV

32

RUB bn

9 mn

subscribers

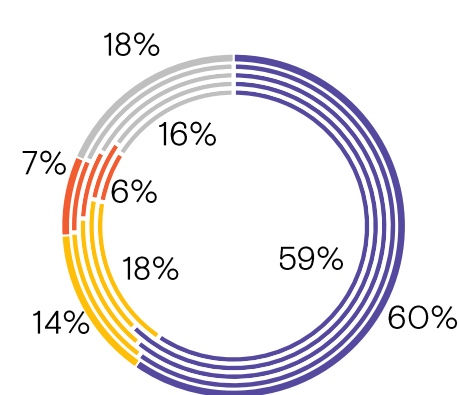
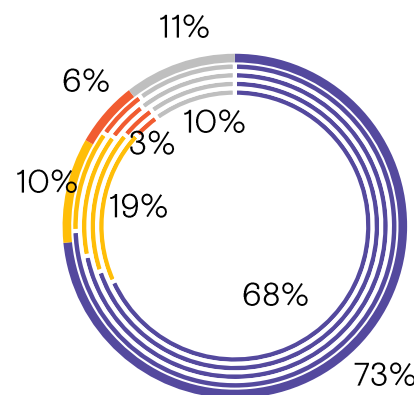
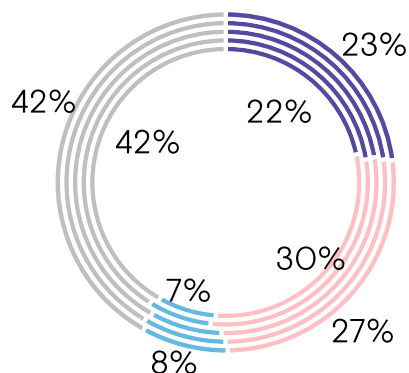
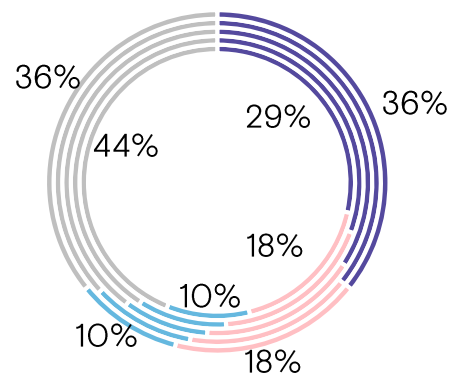
Revenue

Subscribers

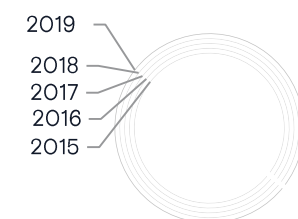
Revenue

Subscribers

Structure



- Rostelecom
- ER-Telecom
- MTS
- VEON
- Tricolor
- Others



Notes: (1) Source: data from TMT-Consulting.

Key financial highlights



RUB bn	2016	2017	2018	2019
Revenue	297.4	305.3	320.2	337.4
Growth, %	0.0%	2.7%	4.9%	5.4%
Content & Digital Services revenue	129.4	146.1	174.8	198.4
Growth, %	10.5%	12.9%	19.6%	13.5%
OIBDA ⁽²⁾	96.8	96.7	100.9	106.5
OIBDA margin, %	32.5%	31.7%	31.5%	31.6%
Net Profit	12.2	14.1	15.0	16.5
Net Profit margin, %	4.1%	4.6%	4.7%	4.9%
Free Cash Flow	13.3	20.4	14.8	22.8
CAPEX excl. state programmms	56.6	55.9	59.0	71.8
CAPEX / Revenue excl. state programmms	19.0%	18.3%	18.4%	21.3%
Net Debt	177.5	181.6	186.7	212.7
Net Debt / OIBDA	1.8	1.9	1.9	2.0

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.

Increasing operating efficiency



Targets-2022:
Personnel

Productivity

+40%

Headcount

115-120k

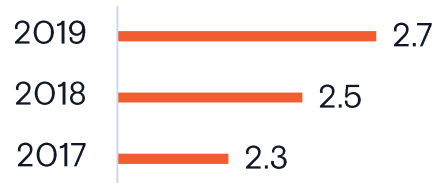
Payroll / Revenue

-2 pp

+7% 

Increase in staff
productivity

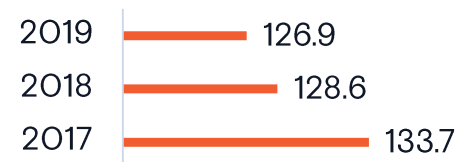
Revenue per employee
(RUB mn)



-1% 

Headcount optimisation

Number of employees (k)



-6% 

Real estate portfolio
optimisation

Real estate space
(mn sq. m)



11 RUB bn 

Proceeds from real estate

Includes 7.7 RUB bn from
sale and 3.2 RUB bn from
rent of real estate

Targets-2022:
Efficiency & RE

Opex savings

up to 20
RUB bn

Real estate
Portfolio

-20%

Opex savings

RUB 3 bn

cumulatively

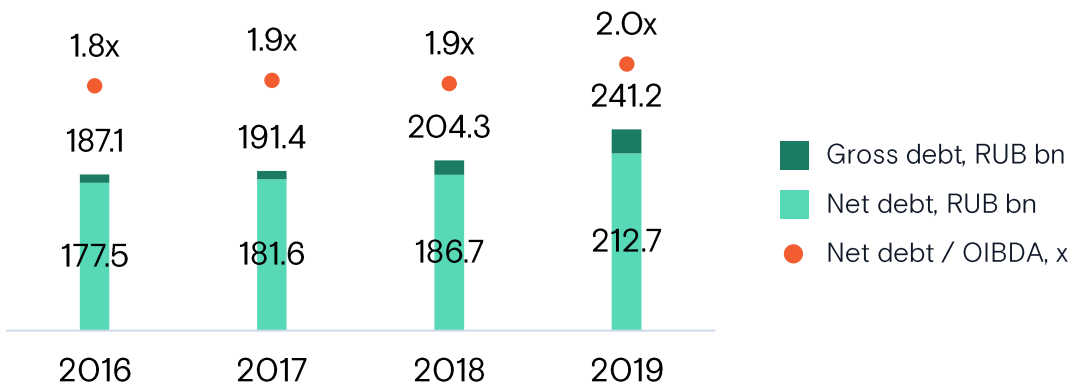
Proceeds

>30
RUB bn

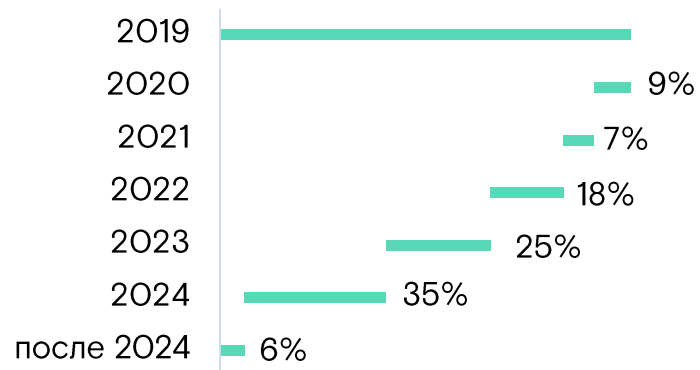
Stable leverage



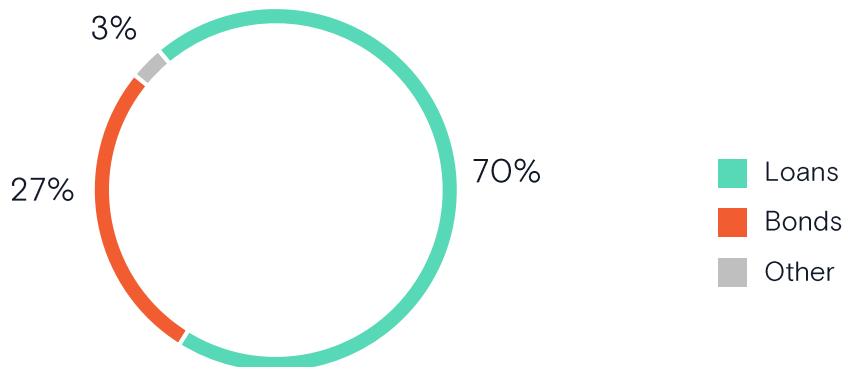
Gross & net debt



Debt structure by maturity



Debt structure by type



Ratings

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

2020 guidance

not including the acquisition of Tele2 Russia and DataLine



Revenue
growth

$\geq 5\%$

OIBDA
growth

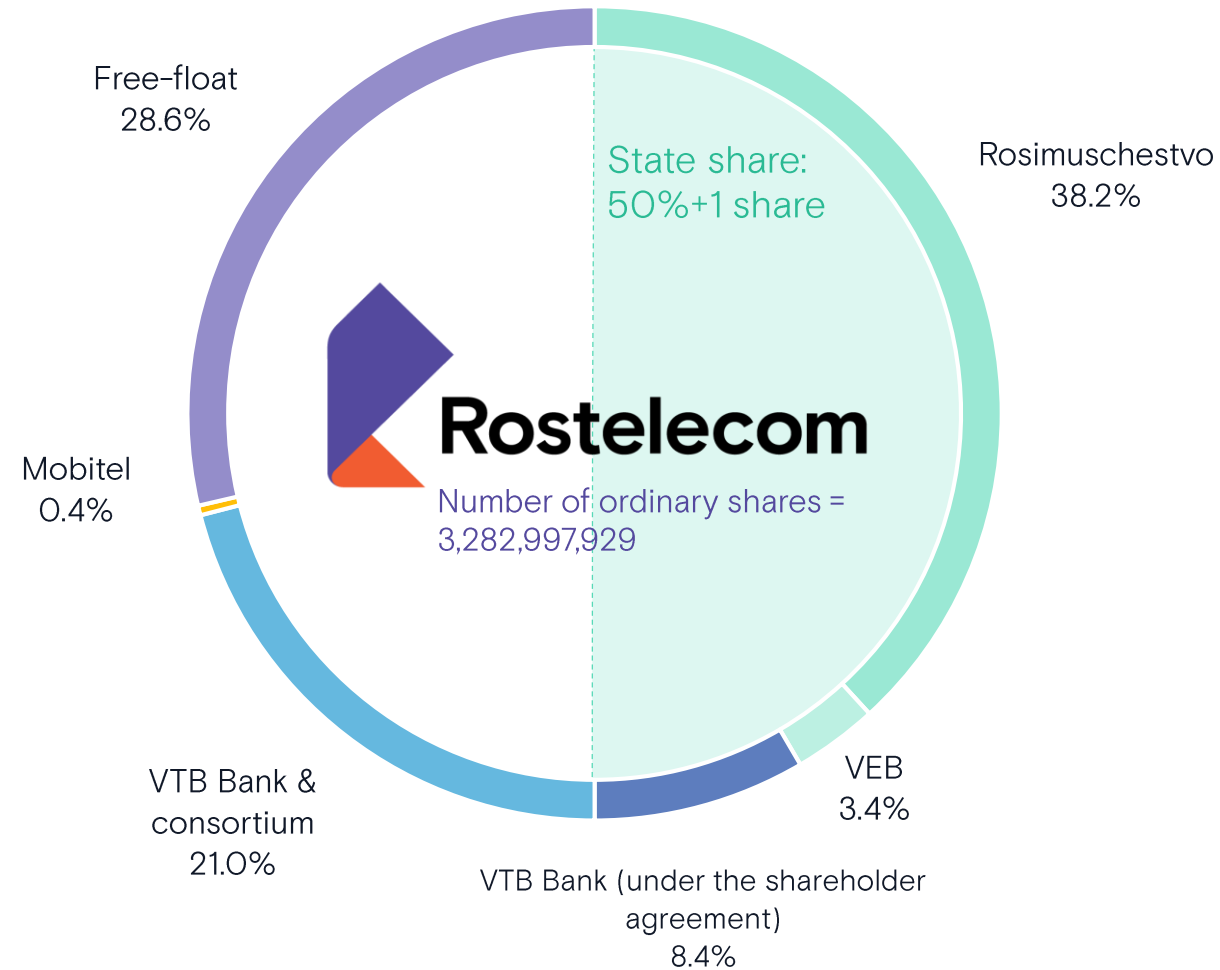
$\geq 5\%$

Cash CAPEX

70–75 RUB bn
(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.

Ownership structure of ordinary shares



Balance sheet



RUB bn	2016	2017	2018	2019	RUB bn	2016	2017	2018	2019
ASSETS					EQUITY AND LIABILITIES				
Non-current assets					Equity				
Property, plant and equipment	343.667	348.430	373.839	401.516	Share capital	0.093	0.093	0.093	0.093
Investment properties	0.181	0.159	0.172	0.181	Additional paid in capital	0.090	0.091	0.115	0.115
Goodwill and other intangible assets	61.209	59.820	66.246	91.318	Treasury shares	(67.034)	(65.556)	(60.419)	(53.391)
Right of use assets			21.205	28.890	Retained earnings and other reserves	311.167	311.494	307.234	310.807
Trade and other accounts receivable	7.053	8.352	7.346	6.131	Total equity attributable to equity holders of the Group	244.316	246.122	247.023	257.624
Investment in associates and joint ventures	68.352	65.879	69.982	72.850	Non-controlling interest	4.317	3.242	3.930	4.564
Other financial assets	0.797	1.600	1.950	2.667	Total equity	248.633	249.364	250.953	262.188
Other non-current assets	5.551	4.352	4.667	9.667	Non-current liabilities				
Deferred tax assets		0.647	0.863	1.133	Loans and borrowings	124.510	166.660	174.371	219.319
Contract assets			0.501	0.866	Lease liabilities			16.855	24.349
Contract costs			12.323	12.774	Employee benefits	5.217	4.733	4.675	5.881
Total non-current assets	486.810	489.239	559.094	627.993	Deferred tax liabilities	36.165	35.681	38.411	37.067
Current assets					Accounts payable, provisions and accrued expenses		2.233	3.090	4.671
Inventories	6.444	6.169	7.631	9.413	Other non-current liabilities	7.097	6.383	21.142	32.990
Contract assets			9.511	4.610	Total non-current liabilities	172.989	215.690	258.544	324.277
Trade and other accounts receivable	45.884	47.813	44.189	45.988	Current liabilities				
Prepayments	2.166	3.455	4.380	5.618	Loans and borrowings	62.595	24.712	29.908	21.873
Prepaid income tax	1.957	0.159	0.984	0.821	Lease liabilities			4.791	5.593
Other financial assets	5.367	5.963	7.487	8.888	Accounts payable, provisions and accrued expenses	64.072	60.666	88.530	86.504
Other current assets	2.151	2.619	2.856	4.640	Income tax payable		1.162	0.644	1.168
Cash & cash equivalents	4.257	3.815	10.080	19.556	Other current liabilities	7.393	8.635	13.396	26.673
Asset classified as held for sale	0.646	0.997	0.554	0.749	Total current liabilities	134.060	95.175	137.269	141.811
Total current assets	68.872	70.990	87.672	100.283	Total equity and liabilities	555.682	560.229	646.766	728.276
Total assets	555.682	560.229	646.766	728.276					

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	2016	2017	2018	2019	19/18
Revenue	297.446	305.329	320.239	337.421	5.4%
Operating expenses	(257.610)	(267.444)	(284.439)	(303.569)	6.7%
Wages, salaries, other benefits and payroll taxes	(90.340)	(93.381)	(97.350)	(106.193)	9.1%
Depreciation, amortization and impairment losses	(55.589)	(56.628)	(60.329)	(67.313)	11.6%
Interconnection charges	(52.161)	(52.762)	(58.293)	(57.151)	-2.0%
Materials, utilities, repair and maintenance	(24.917)	(25.926)	(26.183)	(26.168)	-0.1%
Gain/(Loss) on disposal of PPE and intangible assets	4.556	5.344	7.184	8.081	12.5%
Impairment loss of financial assets measured at amortised cost	(2.775)	(2.776)	(4.925)	(6.190)	25.7%
Other operating income	12.948	13.444	13.673	17.359	27.0%
Other operating expense	(49.332)	(54.759)	(58.216)	(65.994)	13.4%
Operating profit	39.836	37.885	35.800	33.852	-5.4%
Operating profit margin	13.4%	12.4%	11.2%	10.0%	
Share of net profit/(loss) of associates and joint ventures	(7.296)	(2.692)	(0.091)	1.971	-2265.9%
Finance costs	(17.175)	(17.350)	(17.275)	(19.519)	13.0%
Other Investing and financial gain/(loss), net	1.061	0.941	1.602	1.779	11.0%
Foreign exchange gain/(loss), net	0.515	0.122	(0.597)	0.438	-173.4%
Profit before income tax	16.941	18.906	19.439	18.521	-4.7%
Income tax expense	(4.692)	(4.856)	(4.427)	(2.047)	-53.8%
Net profit	12.249	14.050	15.012	16.474	9.7%
Net profit margin	4.1%	4.6%	4.7%	4.9%	

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	2016	2017	2018	2019
Cash flows from operating activities				
Profit before income tax	16.941	18.906	19.439	18.521
Depreciation, amortization and impairment losses	55.589	56.628	60.329	67.313
Gain/(Loss) on disposal of PPE and intangible assets	(4.556)	(5.344)	(7.184)	(8.081)
Impairment loss of financial assets measured at amortised cost	2.775	2.776	4.057	6.190
(Gain)/Loss from associates and joint ventures	7.296	2.692	0.091	(1.971)
Finance costs excluding finance costs on employee benefit obligations	16.699	17.026	17.180	19.454
Other Investing and financial (gain)/loss, net	(1.061)	(0.941)	(1.602)	(1.779)
Foreign exchange (gain)/loss, net	(0.515)	(0.122)	0.597	(0.438)
Share-based motivation program	1.019	2.309	3.500	4.028
<i>Changes in net working capital:</i>	<i>(8.608)</i>	<i>(1.637)</i>	<i>2.726</i>	<i>18.532</i>
(Increase) / decrease in accounts receivable and contract assets	(3.941)	(5.078)	(8.634)	(0.809)
(Decrease) / increase in employee benefits	(0.561)	(0.066)	(0.353)	0.858
(Increase) / decrease in inventories	(2.351)	0.232	(1.414)	(1.678)
(Decrease) / increase in accounts payable, provisions and accrued expenses	1.376	3.963	13.377	14.502
(Increase) / decrease in other assets	(3.131)	(1.917)	(4.245)	(6.950)
(Decrease) / increase in other liabilities		1.229	3.995	12.609
Cash generated from operations	85.579	92.293	99.133	121.769
Interest paid	(18.410)	(17.548)	(18.174)	(19.597)
Income tax refund	4.391	1.825	0.230	0.693
Income tax paid	(4.383)	(4.801)	(3.945)	(3.444)
Net cash from operating activities	67.177	71.769	77.244	99.421
Cash flows from investing activities				
Purchase of PPE and intangible assets	(61.857)	(60.752)	(73.179)	(100.513)
Proceeds from sale of PPE and intangible assets	7.978	9.368	10.097	9.532
Acquisition of financial assets	(9.736)	(12.762)	(7.351)	(8.152)
Proceeds from disposals of financial assets	10.831	11.574	5.296	4.809
Interest received	1.029	0.637	0.589	0.798
Subsidy from Government		0.772	3.641	13.572
Dividends received	0.022	0.006	0.095	0.232
Purchase of subsidiaries and business, net of cash acquired	(2.438)	(0.218)	(4.064)	(23.009)
Proceeds from disposal of subsidiaries, net of cash disposed	(0.001)	0.347	0.080	0.000
Acquisition of equity accounted investees	(2.778)	(2.430)	(4.386)	(0.544)
Net cash used in investing activities	(56.950)	(53.458)	(69.182)	(103.275)

RUB bn	2016	2017	2018	2019
Cash flows from financing activities				
Sale of treasury shares	0.157	0.001		
(Purchase) of treasury shares	(0.314)	(0.981)		
Proceeds from bank and corporate loans	655.190	522.157	579.949	555.802
Repayment of bank and corporate loans	(665.936)	(519.403)	(564.785)	(540.306)
Proceeds from bonds	15.000	20.000	10.000	25.000
Repayment of bonds	(2.734)	(20.642)	(11.209)	(7.389)
Proceeds from promissory notes				0.000
Repayment of promissory notes				(0.051)
Repayment of vendor financing payable	(0.009)	(0.009)	(0.015)	(0.011)
Proceeds from / (repayment of) other non-current financing liabilities	(0.001)	(0.007)	(0.001)	
Proceeds from non-controlling shareholders of subsidiaries			0.024	
Repayment of lease liabilities	(0.160)	(0.118)	(4.034)	(5.674)
Acquisition of non-controlling interest		(2.318)		(1.397)
Dividends paid to shareholders of the Group	(13.295)	(12.195)	(11.547)	(11.731)
Dividends paid to non-controlling shareholders of subsidiaries	(0.258)	(0.190)	(0.226)	(0.824)
Options settlement repayments	(0.319)	(4.896)		
Net cash from financing activities	(12.679)	(18.601)	(1.844)	13.419
Effect of exchange rate changes on cash and cash equivalents	(0.456)	(0.152)	0.047	(0.089)
Net (decrease)/increase in cash and cash equivalents	(2.908)	(0.442)	6.265	9.476
Cash and cash equivalents at the end of period	4.257	3.815	10.080	19.556

Revenue structure



RUB bn	2016	2017	2018	2019	17/16	18/17	19/18
By services:							
Broadband Internet	66.771	70.785	80.042	83.873	6.0%	13.1%	4.8%
TV services	23.599	27.348	34.464	37.132	15.9%	26.0%	7.7%
Fixed telephony	87.703	78.445	69.983	61.738	-10.6%	-10.8%	-11.8%
Wholesale services	79.010	77.525	79.593	81.391	-1.9%	2.7%	2.3%
<i>Rent of channels</i>	10.538	9.437	9.582	9.674	-10.4%	1.5%	1.0%
<i>Interconnect and traffic transit</i>	35.102	33.253	33.256	30.295	-5.3%	0.0%	-8.9%
<i>VPN</i>	20.823	21.981	23.433	27.558	5.6%	6.6%	17.6%
<i>Rent & maintenance of telecommunication infrastructure</i>	12.546	12.855	13.322	13.864	2.5%	3.6%	4.1%
VAS & Clouds	18.245	26.013	36.902	49.799	42.6%	41.9%	34.9%
Other telecommunication services	14.352	16.854	12.076	14.274	17.4%	-28.4%	18.2%
Other non-telecommunication services	7.767	8.359	7.179	9.215	7.6%	-14.1%	28.4%
% of total revenues							
Broadband Internet	22.4%	23.2%	25.0%	24.9%			
TV services	7.9%	9.0%	10.8%	11.0%			
Fixed telephony	29.5%	25.7%	21.9%	18.3%			
Wholesale services	26.6%	25.4%	24.9%	24.1%			
<i>Rent of channels</i>	3.5%	3.1%	3.0%	2.9%			
<i>Interconnect and traffic transit</i>	11.8%	10.9%	10.4%	9.0%			
<i>VPN</i>	7.0%	7.2%	7.3%	8.2%			
<i>Rent & maintenance of telecommunication infrastructure</i>	4.2%	4.2%	4.2%	4.1%			
VAS & Clouds	6.1%	8.5%	11.5%	14.8%			
Other telecommunication services	4.8%	5.5%	3.8%	4.2%			
Other non-telecommunication services	2.6%	2.7%	2.2%	2.7%			
By management units:							
B2C	133.917	136.304	137.745	140.338	1.8%	1.1%	1.9%
B2B/B2G	102.195	109.209	121.509	137.726	6.9%	11.3%	13.3%
B2O	56.851	55.061	56.389	55.096	-3.1%	2.4%	-2.3%
Other	4.483	4.756	4.595	4.261	6.1%	-3.4%	-7.3%
% of total revenues							
B2C	45.0%	44.6%	43.0%	41.6%			
B2B/B2G	34.4%	35.8%	37.9%	40.8%			
B2O	19.1%	18.0%	17.6%	16.3%			
Other	1.5%	1.6%	1.4%	1.3%			

Operational data



	2016	2017	2018	2019	17/16	18/17	19/18
SUBSCRIBERS, mn							
Local telephony	20.6	19.1	17.4	15.7	-7.6%	-8.7%	-9.9%
B2C	17.1	15.7	14.2	12.6	-8.1%	-9.6%	-11.1%
B2B	3.5	3.3	3.2	3.0	-4.9%	-4.5%	-4.6%
Access	12.4	12.9	13.0	13.2	4.3%	0.8%	1.6%
B2C: Broadband	11.6	12.0	12.0	12.2	2.9%	0.4%	1.2%
B2B: Broadband + VPN		0.9	1.0	1.1		6.4%	6.0%
B2B: Broadband	0.8	0.8			1.1%		
Broadband by technology	12.4	12.7	12.8	13.0	2.8%	0.3%	1.5%
xDSL	5.0	4.7	4.2	3.7	-5.6%	-9.7%	-12.2%
FTTx	7.4	8.0	8.5	9.2	8.5%	6.1%	8.3%
xDSL	40%	37%	33%	29%			
FTTx	60%	63%	67%	71%			
Pay TV	9.3	9.8	10.2	10.4	4.9%	4.1%	2.6%
IPTV	4.2	4.8	5.3	5.6	14.2%	9.0%	6.0%
Cable TV	5.1	4.9	4.9	4.8	-2.8%	-0.7%	-1.2%
IPTV	46%	50%	52%	54%			
Cable TV	54%	50%	48%	46%			
Mobile (MVNO with Tele2)		0.8	1.2	1.7		43.4%	40.7%
ARPU, RUB							
Access							
B2C: Broadband	352	365	382	398	3.4%	4.7%	4.3%
B2B: Broadband + VPN		1,875	3,123	3,426		66.5%	9.7%
incl. Broadband FTTx							
B2C	332	344	362	377	3.4%	5.4%	4.1%
B2B	3,598	2,955	2,504	2,155	-17.9%	-15.3%	-13.9%
Local telephony							
B2C	257	249	240	230	-3.2%	-3.6%	-4.1%
B2B	630	634	613	607	0.7%	-3.4%	-0.9%
Pay TV (B2C)	206	226	242	250	10.0%	6.9%	3.3%
incl. IPTV	278	298	314	316	7.4%	5.3%	0.5%
Blended ARPU	455	487	527	544	7.0%	8.3%	3.2%

Additional metrics



OIBDA				
RUB bn	2016	2017	2018	2019
Operating profit	39.836	37.885	35.800	33.852
Depreciation, amortization and impairment losses	55.589	56.628	60.329	67.313
Expenses related to long-term incentive programme	1.347	2.344	3.638	4.007
Expenses related to pension program subject to adjustment		(0.170)	1.133	1.354
OIBDA	96.772	96.688	100.900	106.526
OIBDA margin	32.5%	31.7%	31.5%	31.6%

FREE CASH FLOW				
RUB bn	2016	2017	2018	2019
Net cash from operating activities	67.177	71.769	77.244	99.421
Purchase of PPE and intangible assets	(61.857)	(60.752)	(73.179)	(100.513)
Proceeds from sale of PPE and intangible assets	7.978	9.368	10.097	9.532
Interest received			0.589	0.798
Subsidy from Government				13.572
Free Cash Flow (FCF)	13.298	20.385	14.751	22.810

NET DEBT				
RUB bn	2016	2017	2018	2019
Non-current loans and borrowings	124.510	166.660	174.371	219.319
Current loans and borrowings	62.595	24.712	29.908	21.873
Gross debt	187.105	191.372	204.279	241.192
(-) Cash & cash equivalents	(4.257)	(3.815)	(10.080)	(19.556)
(-) Other financial assets	(5.367)	(5.963)	(7.487)	(8.888)
Net debt	177.481	181.594	186.712	212.748
Net debt / OIBDA LTM	1.8x	1.9x	1.9x	2.0x

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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