



Rostelecom

CAPITAL MARKETS DAY

ROSTELECOM



March 21, 2018



Rostelecom

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SPEAKERS

Mikhail Oseevskiy
President and CEO



Vladimir Kirienko
First Vice President



Sergey Anokhin
Senior Vice President and CFO



AGENDA

14.00 - 15.00 Registration

15.00 - 16.00 Management presentation
“New Opportunities in the Digital World”

16.00 - 16.30 Closing remarks and Q&A

16.30 - 17.00 Launch of the New Experimental 5G Network



Rostelecom

NEW OPPORTUNITIES IN THE DIGITAL WORLD

Mikhail Oseevskiy, President and CEO



ROSTELECOM – A CLEAR LEADER ACROSS KEY MARKETS

12 

mln broadband subscribers

+14% over 3 years

5 

mln IPTV subscribers

+79% over 3 years

830 

ths MVNO subscribers


HOUSEHOLDS

33 

mln households

+26% over 3 years

ROSTELECOM – A CLEAR LEADER ACROSS KEY MARKETS

45% 

subscribers
connected by fibre

763 

ths broadband
subscribers

5.3 

ths racks in data
centres

+88% over 3 years

BUSINESS

ROSTELECOM – A RELIABLE PARTNER TO THE STATE

>6 

th settlements under the BDD project

64 

mln State E-services portal users

>50 

Regions use Rostelecom digital solutions: Medicine, Smart City, 112

STATE

ROSTELECOM – AN OPERATOR FOR OPERATORS

56% 

Market share of
traffic transit services

>1 Tb/s

Contracted within the
Europe-Asia Transit
project

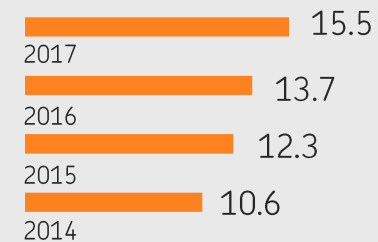
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Services for maintenance
of telecom operators'
networks

OPERATORS

ROSTELECOM – A TECHNOLOGY LEADER

Backbone network capacity, Tb/s



+46% 

Increase in backbone data transmission capacity over 3 years

100% 

Backbone networks backup

1798 

km network span

400 

Gb/s capacity

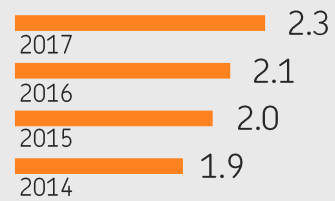
THE KAMCHATKA-SAKHALIN-MAGADAN SUBMARINE TRANSMISSION LINE PUT INTO OPERATION

ROSTELECOM – IMPROVEMENTS IN INTERNAL EFFICIENCY

+21% (₽)

Increase in revenue per employee

Revenue per employee, RUB mln



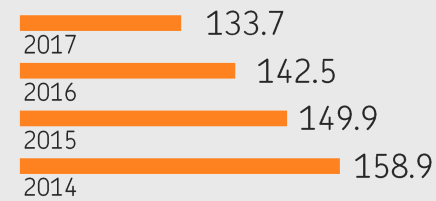
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RUB bln
cost savings as a result of
the efficiency improvement
programme

-16%

Headcount optimisation

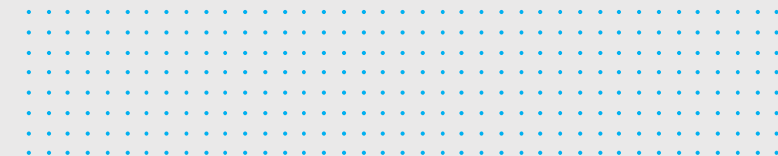
Number of employees, ths



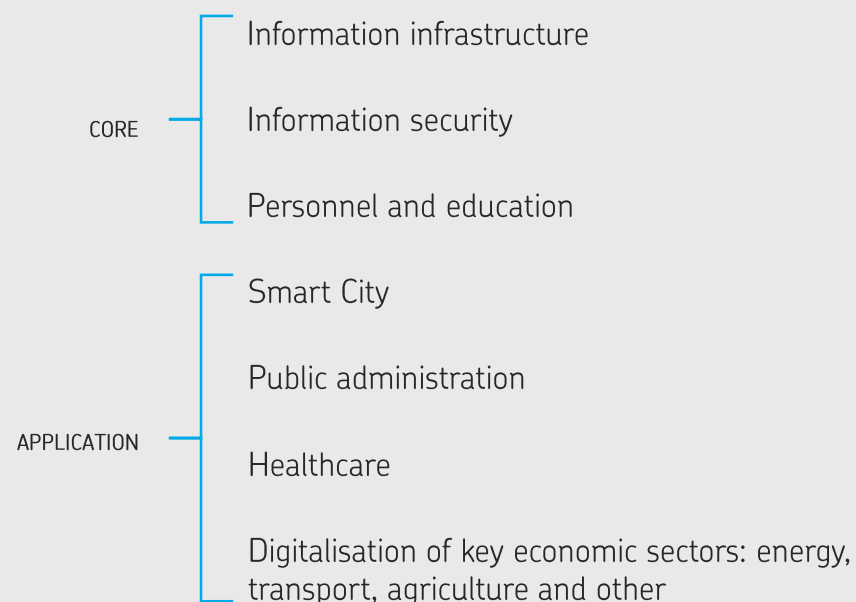
≈20

RUB bln
CF generated from the
sale of real estate over
3 years

ROSTELECOM – DIGITAL SOLUTIONS PROVIDER TO THE STATE



DIGITAL ECONOMY PROGRAMME

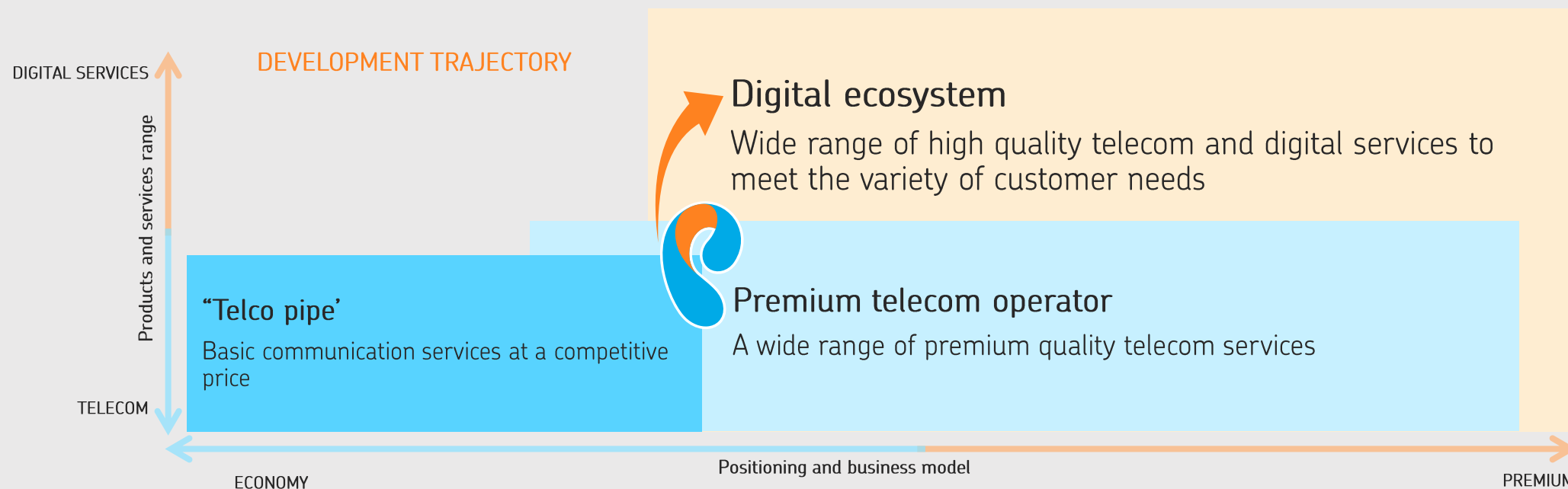


KEY PROJECTS

- Bridging Digital Divide, connecting medical institutions and public authorities
- Development and launch of the “Internet” information system
- E-government
- Unified state cloud data platform
- “Smart Cities”: safe roads, video surveillance, emergency management systems, energy, warning systems
- The creation of state information systems for spatial data
- Digitalization of medical institutions’ processes
- Education



STRATEGIC AGENDA: A DIGITAL PARTNER FOR HOUSEHOLDS, BUSINESS AND THE STATE



EVOLUTION OF THE STRATEGIC VISION AND PRIORITIES

STRATEGY 2018-2022

STRATEGY 2015-2020



Technology leadership in IP networks



Differentiated offerings



Best-in-class customer service




Organisational transformation



Efficiency improvement

Developing Products & Services Ecosystems and Improving Customer Experience 

- Ecosystems (products and services) around customers
- High standards of customer service
- Creation and development of partner platforms
- Traditional business scaling

Technological Platform Modernization 

- Modernisation and centralisation of IT
- Development of fibre and modernisation of copper network

Human Capital Development 

- Building digital competencies
- Retraining and internal migration of staff
- New approaches to personnel development and labor organisation
- Improvement of corporate culture and interaction patterns

Efficiency Increase 

- Continuation of the operational efficiency program
- Real estate optimisation
- Decision-making and business processes improvement

Vladimir Kirienko
First Vice-President



KEY PILLARS OF THE UPDATED STRATEGY

01 Developing Products & Services Ecosystems
and Improving Customer Experience

02 Human Capital Development

03 Technological Platform Modernization

04 Efficiency Increase

BEST CUSTOMER EXPERIENCE



IT storage system

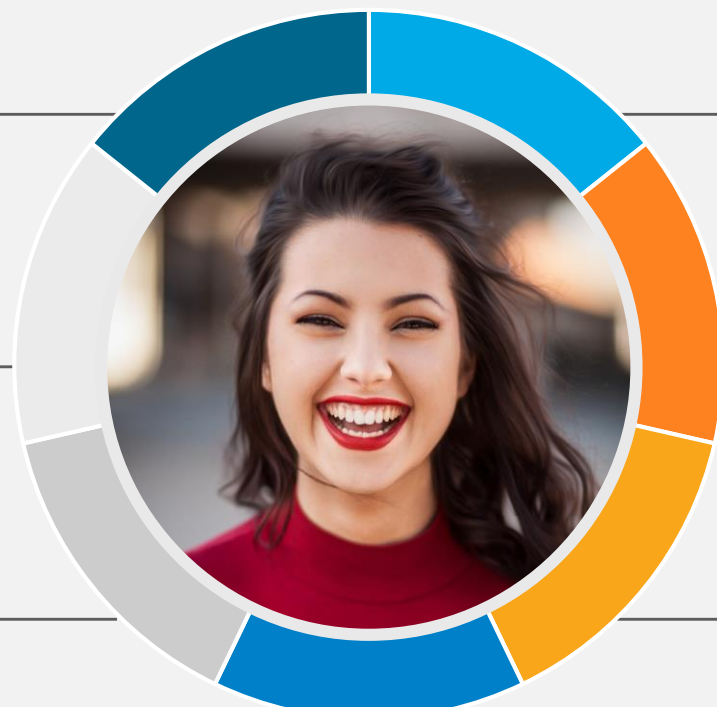


Technical support enhancement



Higher speed connections for clients

NPS



Shift to fibre optic



SLA



Staff training



NPS monitoring

FOCUS ON CLIENTS AND THEIR NEEDS

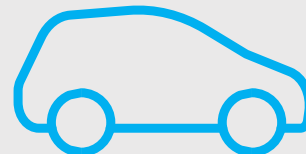
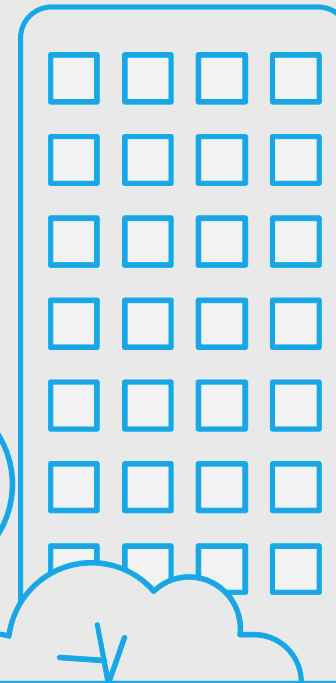


FREINDLY ECOSYSTEM FOR FAMILIES



CAPTURING THE NEW BUILD MARKET

Complex Solution for New Build



Complex Video Surveillance



Internet and Digital TV



IP-telephony



Smart Home



Smart Intercom



Smart Gate Bar

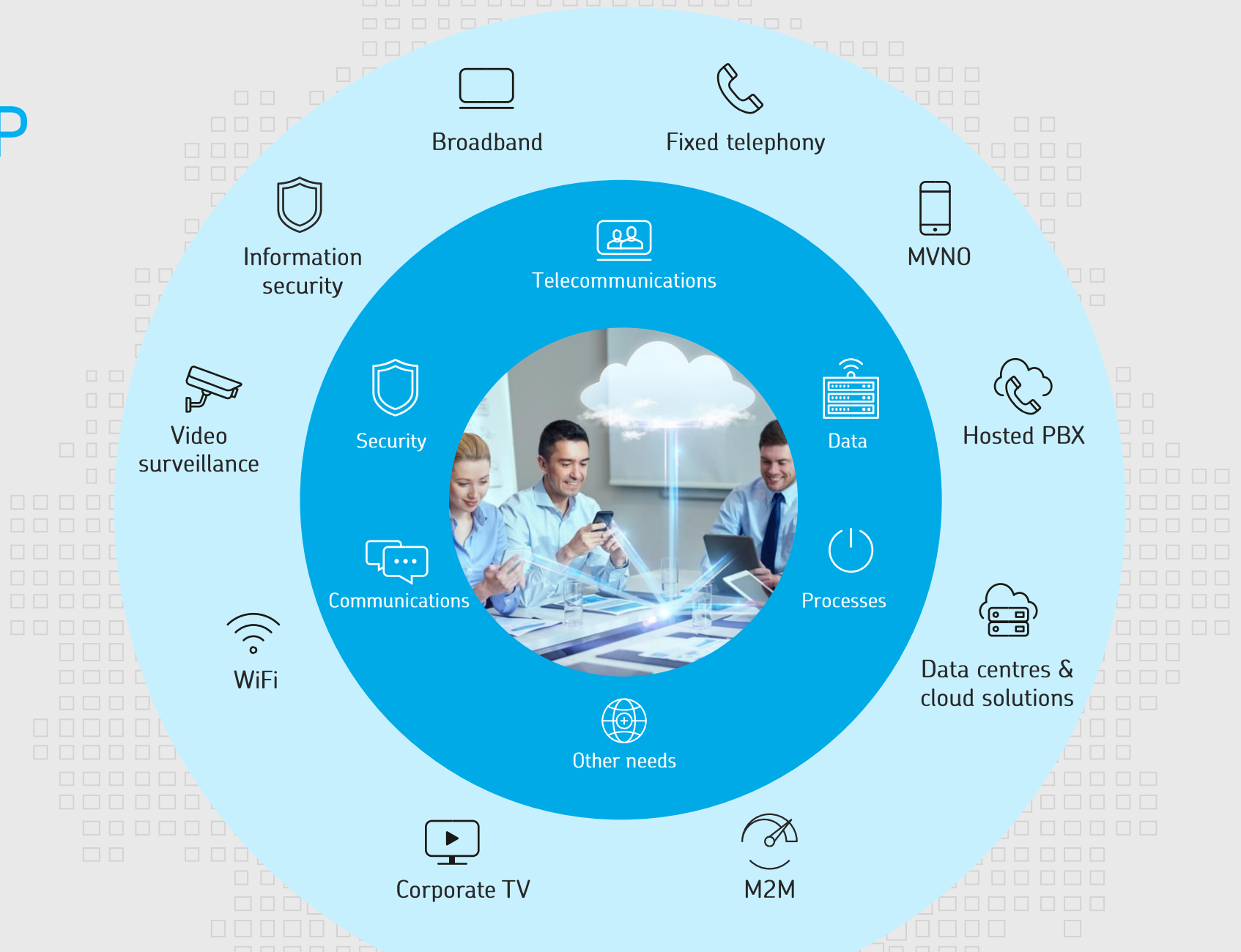


Interaction with developers and condominium partnerships to enter new buildings



Upsell in addition to 4-play proposition

ONE-STOP SHOP SOLUTIONS FOR BUSINESS



PRIORITIES TO ENHANCE BUSINESS CLIENTS SEGMENT



Focus on large business



Leadership in SMB market



Turnkey complex digital solutions



MARKET LEADER IN DATA CENTRES AND CLOUD SERVICES

TARGET 2022

>10 

ths racks

+70% 





market growth in 2018-
2022

NO1 

on data centres market



INFORMATION SECURITY AS A SERVICE

-  SOC - monitoring and response 24/7
-  Threats assessment and penetration tests
-  Complex approach to information security
-  Investments in client safety



COMPREHENSIVE IT SERVICES MODEL



Provision of
computing
infrastructure



Cloud services



XaaS



Information
security



Service
solutions



Standard
desktop
infrastructure



Traditional
connectivity

OPERATOR WITH AN INFRASTRUCTURE ADVANTAGE

TARGET 2022



Delivering turnkey infrastructure



O2O project development



Enhancing transit backbone infrastructure



ESTABLISHING SMART CITIES

+50%

Revenue Growth from Smart
City Projects by 2022





TECHNOLOGIES OF THE FUTURE

1% (5%)

of Revenue (CAPEX) will account for annual investments starting from 2019


Key Investment Priorities

 Network Virtualisation

 Artificial Intelligence

 IloT

 Cybersecurity

 Biometrics

Tools

M&A, syndicates and partnerships

Digital start-ups accelerator and digital sandbox

Venture investments

Partnerships



Start-ups



Universities



Development Institutes



Regional clusters



Technological platforms



Vendors



Staff

KEY PILLARS OF THE UPDATED STRATEGY

Sergey Anokhin
Senior Vice President and CFO



01 Developing Products & Services Ecosystems
and Improving Customer Experience

02 Human Capital Development

03 Technological Platform Modernization

04 Efficiency Increase

EMPLOYEES AT THE CENTRE OF BUSINESS DEVELOPMENT

up to 20% 20-25%



automation of the workplaces by >80%



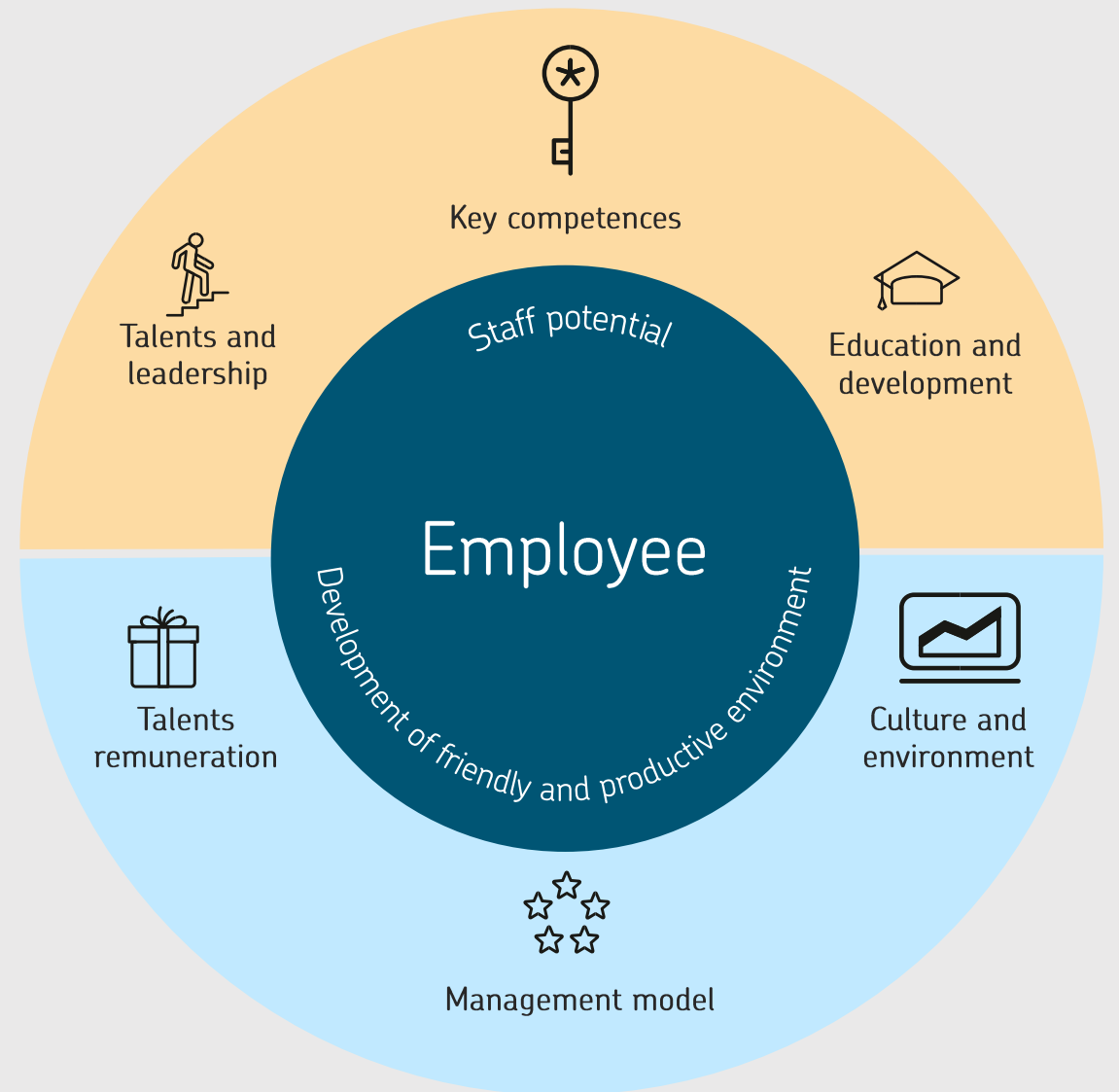
of workplace will be Generation Z by 2022



Increase in staff with digital skills and competences




Demand for digital expertise



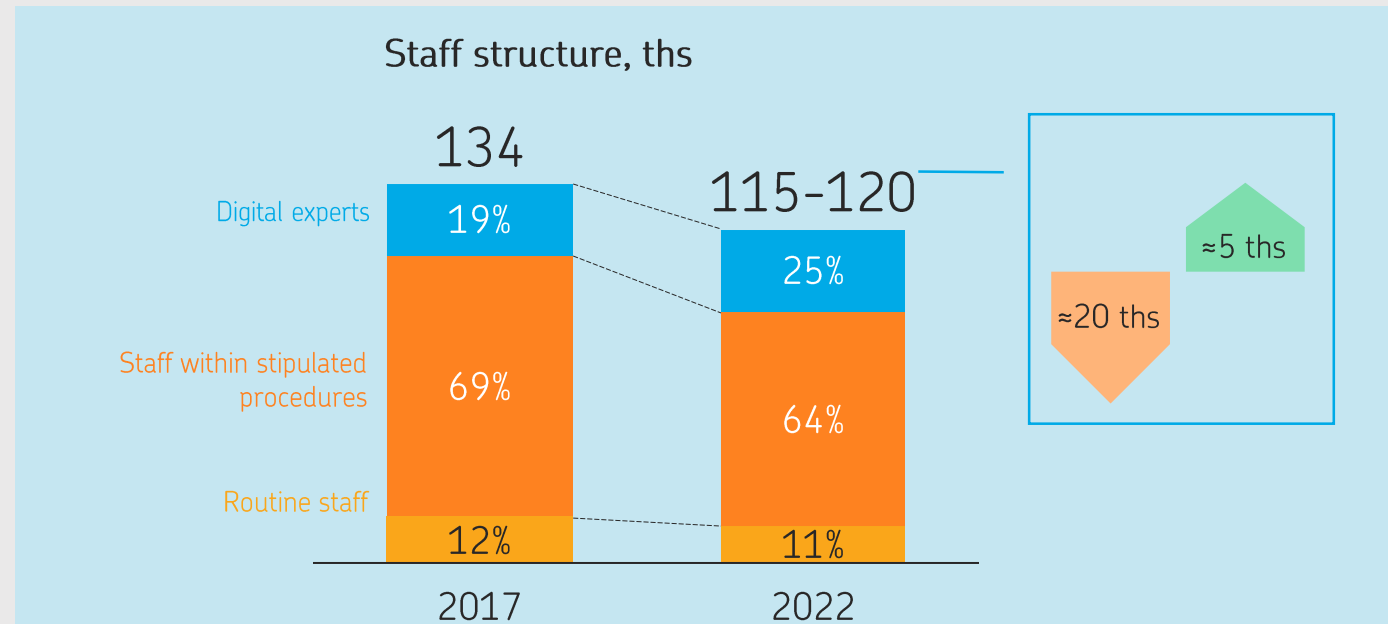
FOCUS ON PERSONNEL PRODUCTIVITY & PERFORMANCE

TARGETS 2022

+40% 
Increase in staff
productivity

-2 p.p. 
Decrease in payroll share
of revenue

10-15%
Headcount optimisation



FRIENDLY CORPORATE ENVIRONMENT



Tailored services



Digital
communications



Individual
learning



Targeted
motivation
system



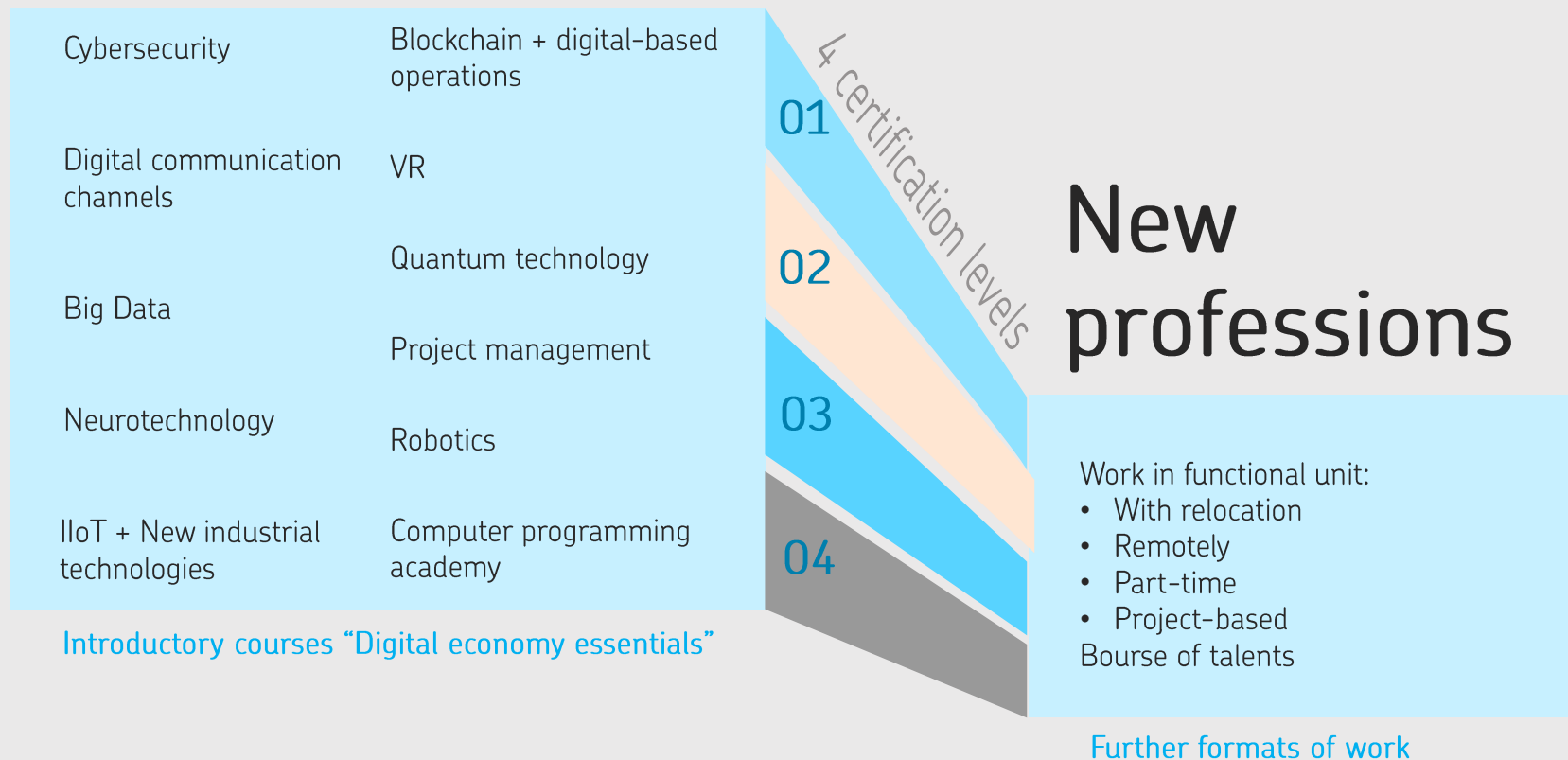
Individual
compensation
set



New work
formats

DIGITAL ECONOMY IS KNOWLEDGE ECONOMY

11 courses



THE BEST NETWORK

TARGETS 2022

Extending the IP network Capacity
to ensure higher speeds and heavy content
smooth delivery

1 / 10 Gb/s 

Speed for residential clients / B2B clients
(new connections)

Optimising the Access Network
to increase quality, decrease accident
rate and ensure connection of smart
devices IoT / SmartHome / SmartCity

x2 

Reduced time on configuring
client services

Rolling out SDN/NFV
to improve network management
and decrease maintenance costs

40% 

Use of NFV/SDN solutions
on our network

CONVENIENT IT UNLOCKS GREAT POTENTIAL FOR BUSINESS

TARGETS
2022

>30%
decrease in exploited IT systems

1-5 months
Time-2-market for new or developed products



KEY PILLARS

Streamlining of the IT landscape

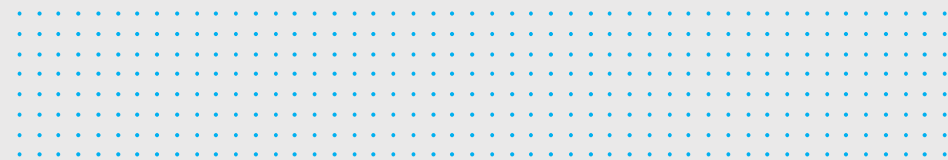


Ensuring transparency and flexibility



Developing information environment and analytics to ensure better understanding of clients' need

IMPROVING EFFICIENCY TO SUPPORT MARGINS



Increase in operational
efficiency

up to **20**

RUB bln
savings over 2018-
2022

Real-estate
management

>30

RUB bln
from real estate in 2018-2022

Decision making process

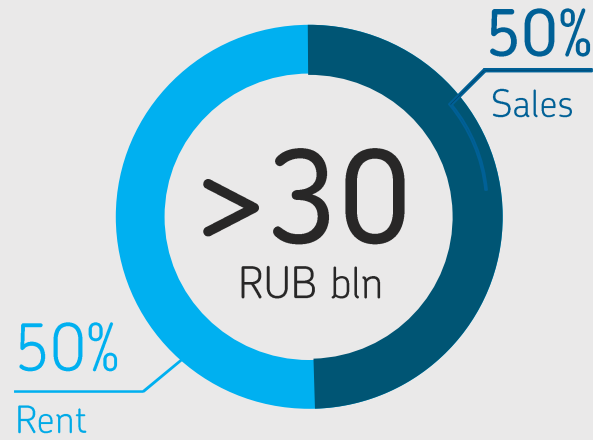
100%

Facilitation of decision
making processes

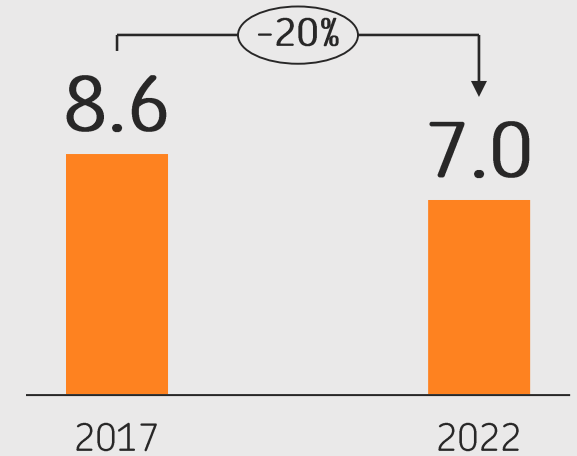
TARGETS
2022

OPTIMISED REAL-ESTATE PORTFOLIO DRIVES OIBDA

Proceeds from real estate in 2018-2022



Real estate space, sq.m mln



Operational expenditure savings due to reduced portfolio

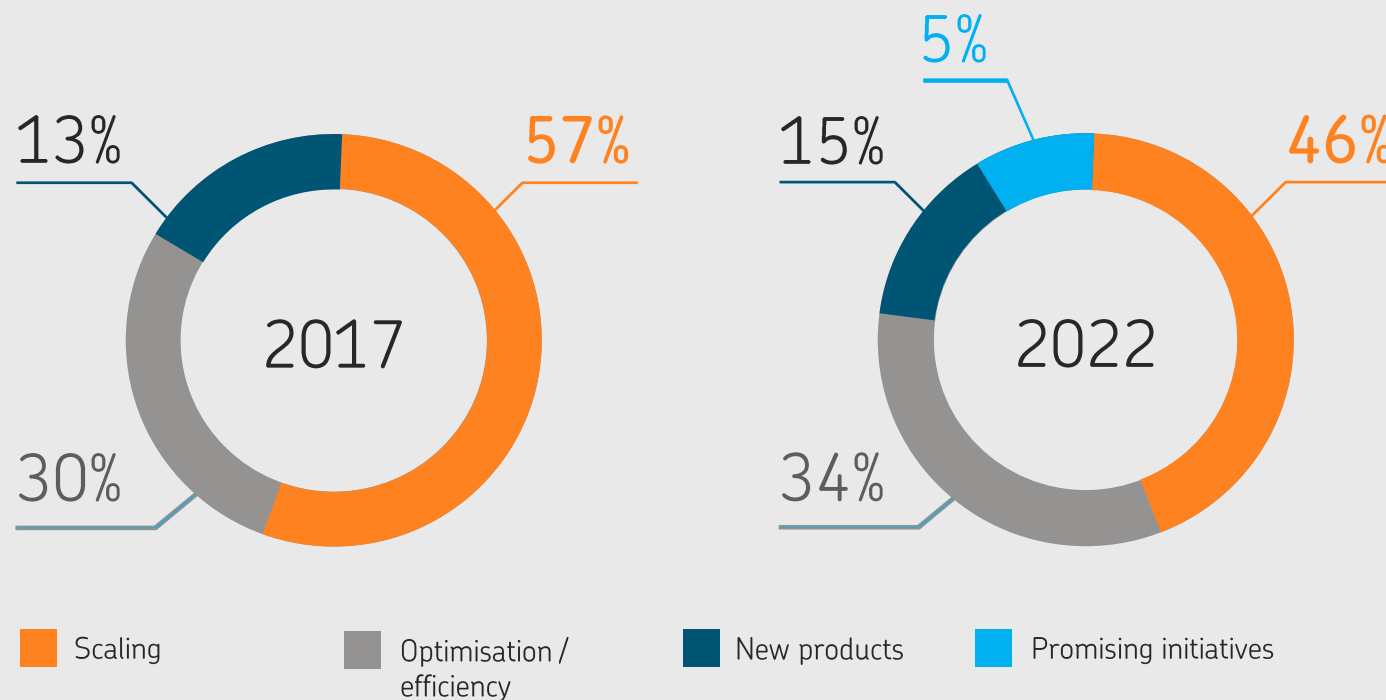
+3

RUB bln cumulatively for 2018-2022

>1

RUB bln annually starting from 2022

CAPEX – FOCUS ON NEW STREAMS AND EFFICIENCY




*Capital expenditures excluding state programmes.

REVENUE GROWTH COUPLED WITH STABLE MARGINS AND DECREASED CAPEX LEVELS

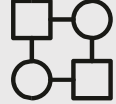
TARGETS
2018-2022

REVENUE

4-5% 

CAGR with acceleration

MARGINS

>32% 

OIBDA

CAPEX / REVENUE

Down to

17% 

(excl. state programs)



CLOSING REMARKS

Mikhail Oseevskiy, President





Dividend Policy

for 2018-2020

$\geq 75\%$

of FCF

&

$\geq 5 \text{ RUB}$

per ordinary share

&

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

of Net Income



Q&A



CONTACTS

Investor Relations

Office: +7 (499) 995 9780

E-mail: ir@rt.ru

Web: <https://www.rostelecom.ru/en/ir/>