

Investment Hotspot

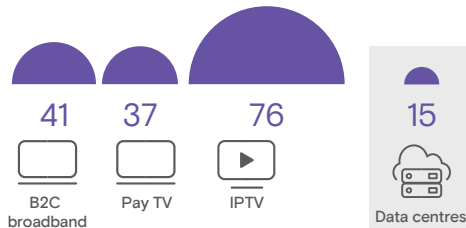
Rostelecom continues to pursue its strategy of transforming into a digital partner for retail, business and government customers. The Company is focused on building digital ecosystems, upgrading its technology, developing human capital and improving operational efficiency.

Investment Highlights

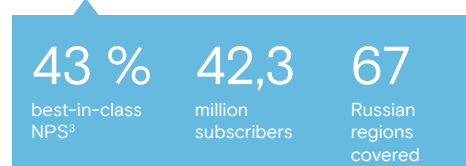
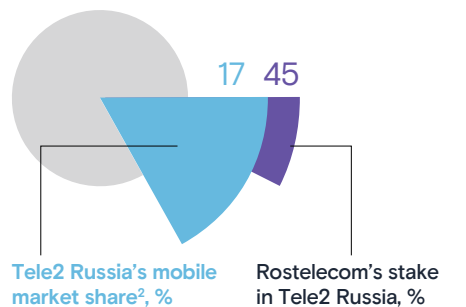
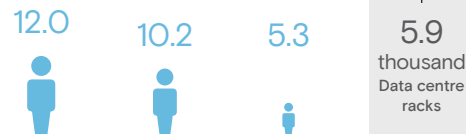


Leadership and the largest customer base in high-growth potential markets, as well as exposure to the mobile data market through a 45 % stake in fast-growing Tele2 Russia

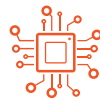
Market share¹, %



Subscriber base, million



1. Source: TMT Consulting. Data on data centre racks are for 2018. For other markets, revenue data are for 2018.
 2. Source: TMT Consulting, 2018.
 3. Source: Company data.



Unique expertise in all market segments and an ambitious strategy aimed at growing revenue from digital products and services

Advanced digital ecosystems for households and B2B, B2G, and B2O customers
 Rostelecom is:

- the operator of the Unified National Cloud Platform
- the operator of the national Unified Biometric System
- the leading contributor to the national Digital Economy programme.

8.9 thousand healthcare centres connected to broadband

86 million public services (e-government) portal users

8.2 thousand communities connected under the Bridging the Digital Divide (BDD) project



A network infrastructure unique for its coverage and capacity, providing the Company with a technology edge



35 million households passed with fibre



20.3 Tbps capacity of backbone network



Shortest data transit route – offered by the Transit Europe-Asia cable system

We continue to grow through our digital transformation and migration to a new business model based on the digital and content services segment. We set ambitious goals and take pride in our leading position in key markets.

Rostelecom's investment case is based on sustainable business growth and attractive dividend yield.



Potential to drive further operational efficiencies that generate cost savings

Operational excellence



3.3 RUB billion
generated in savings

Real estate management

> 11 RUB billion revenue from real estate operations (RUB 8 billion from sales and RUB 3 billion from leases)

8.3 million sq m real-estate portfolio

Labour productivity

+9 % increase in labour productivity

-0.6 pp decrease in payroll share of revenue



-4 %
headcount optimisation



Committed management focused on achieving the Strategy targets

KPI system for top management comprising key strategic targets and metrics linked to market capitalisation (in particular, TSR).

Long-term Incentive Programme for 2017–2019

Up to **1,000** employees are eligible for the Programme

3 annual implementation cycles 2017, 2018, 2019

up to **6 %** of ordinary shares

Aggregate share package size under the Programme

SMP (share matching plan) to provide longer-term, share-based incentives

KPIs

free cash flow, net profit, and return on invested capital (ROIC)

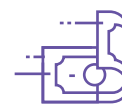
≥ 50 %

the number of matched shares provided during the first phase a top manager should keep to be eligible for the second and third phases



Attractive dividend policy

PJSC Rostelecom's Dividend Policy¹ for 2018–2020 stipulates the following dividend distribution:



≥ 75 %
of free cash flow



≥ 5
per ordinary share for three years



50 % ≤ & ≤ 100 %
of net profit

RUB 14.05 billion

total amount of dividends paid for 2017 on Rostelecom shares

RUB 6.96 billion

total amount of interim dividends paid on Rostelecom shares for the first nine months of 2018

1. Approved by PJSC Rostelecom's Board of Directors on 14 March 2018; Minutes No. 17 dated 14 March 2018. The full text of the Dividend Policy is available at www.company.rtr.ru/en/ir/dividends/Rostelecom_Dividend_Policy_for_2018-2020.pdf.