

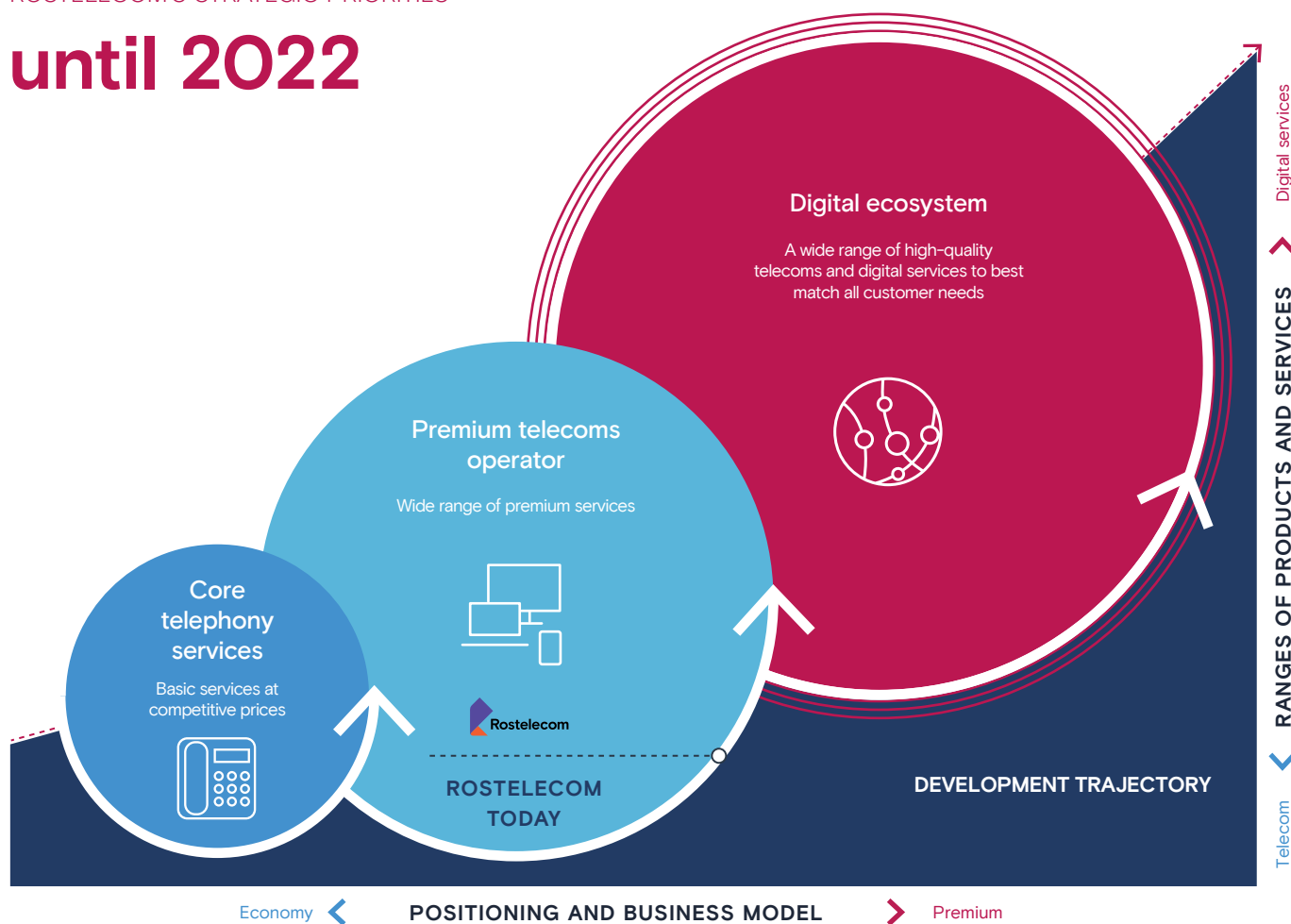
Development Strategy

In 2018, Rostelecom launched its strategy for 2018–2022¹ aimed at transforming the Company from a telecoms operator into a digital partner for households, business, and government customers.

Our mission: Rostelecom is a digital partner for households, business, and government customers.

FIG. 19.
ROSTELECOM'S STRATEGIC PRIORITIES

until 2022



1. Approved by the Board of Directors on 14 March 2018; Minutes No 17.

Developing product digital ecosystems & improving customer experience

- Development of product and service ecosystems around customers
- Ensuring high standards of customer service
- Developing and enhancing partner platforms
- Scaling-up traditional business

Human capital development

- Building digital skills and capabilities
- Staff retraining and internal migration
- Adaptation of approaches to staff development and corporate culture improvements to meet digital company requirements

Technology platform upgrade

- IT landscape upgrade and centralisation
- Expansion of fibre and upgrade of copper networks

Operational excellence

- Continued implementation of the operational efficiency programme
- Real estate portfolio optimisation
- Improved decision-making and business processes

Strategic objectives for 2018–2020**REVENUE**

4%–5%
accelerating CAGR

OIBDA MARGIN

>32%

CAPEX/REVENUE

down to 17%
(excluding government-sponsored programmes)

Details on Rostelecom's Strategy were presented in the Company's Annual Report 2017.

The full text of the Strategy is available at https://www.company.rt.ru/upload/protected/iblock/5d5/RT_AR_2017_final_eng.pdf.

Long-Term Development Programme

In 2018, we continued implementing Rostelecom Group's Long-Term Development Programme for 2017–2021, developed in accordance with the Russian Governmental directives and guidelines of the Russian Ministry of Economic Development and approved in December 2017. Along with the Long-Term Development Programme, the Board of Directors also approved Key Performance Indicators (KPIs) for 2017–2021.

The scope of the Long-Term Programme covers all activities of Rostelecom in consolidating its market position, driving infrastructure development, supporting innovation-driven growth, and improving business performance. Adequate investment, HR and management resources were allocated to support the activities set out in the Long-Term Programme. These activities are well balanced to reflect financing capabilities of the Company.

1. The Long-Term Development Programme and KPIs were approved by the Board of Directors on 29 December 2017; Minutes No. 13.

2. Actual performance against the KPI targets set in the 2018 Long-Term Development Programme is detailed in paragraph 7 of Appendix 4 Actual Results of Compliance with Instructions and Directives of the President of the Russian Federation and Instructions of the Government of the Russian Federation to this Annual Report.