

M&A Activities

Rostelecom strives to execute on good acquisition opportunities, buying high-quality assets that help strengthen its market position.

Major transactions in 2018: ¹

- Acquired 75% stakes in LLC Open Mobile Platform and LLC Votron, the copyright holders of Sailfish Mobile OS RUS and Sailfish OS mobile operating systems
- Acquired a 100% stake in LLC Solar Security, a technological leader in the Russian information security market
- Acquired a 100% stake in CJSC Netris and LLC Netris Group, a leading Russian video surveillance software developer serving government customers, businesses and telecoms operators
- Acquired a 99.92% stake in LLC Start2Com, a Russian developer of automated billing systems

Operating Review

Key product and segment highlights

42%

revenue growth in VAS² and cloud services

55%

revenue from content and digital services

8%

growth of blended ARPU in retail

1.2 million

MVNO subscribers

A twofold growth in Corporate TV sales

1.2 million

customers installed Wink

A twofold growth in Federal Wi-Fi sales

40%

growth in revenue from Virtual Data Centre/IaaS

A fourfold growth in information security service sales

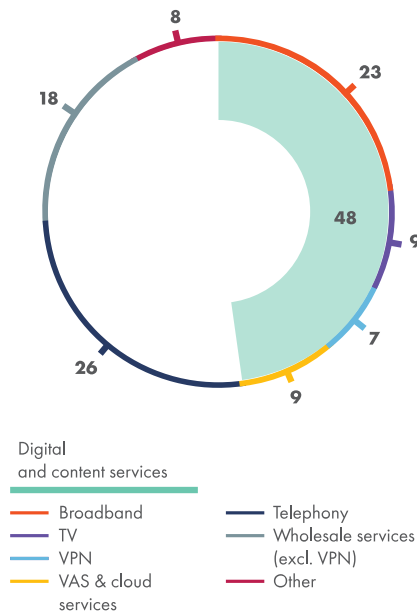
5,870

data centre racks
(up 11% year-on-year)

1. The full list of completed transactions is available in Appendix 9 Acquisition and Disposal of Interests in Other Companies to this Annual Report.

2. Value-added services.

FIG. 24.1 REVENUE BREAKDOWN IN 2017, %



Developing product ecosystems & improving customer experience

Rostelecom’s strategic priorities include, above all, developing and offering digital services for families, business, and government customers while continuously improving customer service.

We build convenient, robust ecosystems providing a wide range of services to every customer segment, including households (B2C), corporate (B2B), and government (B2G) customers, and other telecoms operators (B2O).

The Company is increasingly refocusing from technology to consumer needs, putting people and their emotions at the heart of our new brand, which emphasizes Rostelecom’s status as an advanced digital company that relates to every customer – from gamers to government organisations. The brand’s diverse graphics and colours reflect the wide range of opportunities we are creating for people, businesses, and the country.

All functions and business units of the Company were involved in the rebranding effort, which included launching Rostelecom’s new site – www.rt.ru, boosting conversion by 25%. We have also seen growth across other key metrics, including the subscriber base.

Rebranding and repositioning

A key highlight of 2018 was the presentation of our new positioning and brand. The Company launched its new development strategy, and presented new digital services and tariff lines driven by market changes and the Company’s priorities. Our refreshed brand reflects the ongoing changes within the Company and was relaunched to:

- raise our profile as a an advanced IT company;
- develop a universal visual language, easy to use across digital interfaces;
- communicate the new strategy to employees and market participants.

FIG. 24.2 REVENUE BREAKDOWN IN 2018, %

