

# Business model

## GOVERNMENT

Regulation of joint stock companies

Tariff regulation

## BUSINESS LINES

### FREIGHT TRANSPORTATION

**1,278**  
mt  
of freight handled

**3,305**  
bn tkm  
of freight turnover

**173**  
thousand  
freight cars

#### Subsidiaries and controlled companies

- Federal Freight Company
- TransContainer<sup>1</sup>

### PASSENGER TRANSPORTATION

**1,198**  
m  
transported  
passengers

**2,523**  
thousand  
scheduled runs made by  
passenger trains

**18**  
thousand  
passenger  
cars

#### Subsidiaries

- Federal Passenger Company (long-haul routes)
- Suburban passenger companies

### LOGISTICS SERVICES

#### Subsidiaries and controlled companies

- GEFCO (Europe's Top 5 logistics operator)
- RZD Logistics (the largest multimodal logistics operator in the CIS and the Baltics)

### OTHER BUSINESSES

#### Subsidiaries

- RRC-1 (railcar repair company)
- RRC-2 (railcar repair company)
- RRC-3<sup>1</sup> (railcar repair company)
- Company TransTeleCom (telecommunications)
- RZDstroy (infrastructure construction)

## PRICES

### Regulated tariffs

- Freight transportation
- III and IV class long-haul passenger transportation

### Market-based pricing

- Use of tariff corridor in freight transportation
- Income of railcar operators
- Unregulated passenger transportation segment

## Government

Charter capital contributions<sup>2</sup>

**RUB 79**  
bn

Subsidies<sup>3</sup>

**RUB 56**  
bn

## Headcount

**853**  
thousand people<sup>3</sup>

## Innovations

<sup>1</sup> Sold in Q4 2019.

<sup>2</sup> Including the funds provided by the Russian National Wealth Fund (preferred shares) and contributions in the form of real estate owned by the Federal Government.

<sup>3</sup> Data for the Russian Railways Group.

<sup>4</sup> The financing items of Russian Railways Group are stated on an amalgamated basis. For more details see the IFRS statements for 2019 at <https://eng.rzd.ru/en/9637>.

<sup>5</sup> Excluding depreciation and impairment of financial and non-current assets.

Antimonopoly  
regulationDrafting of the Transport Industry  
Development StrategyApproval of the Russian Railways Group's Long-Term  
Development Programme until 2025REVENUE  
GENERATIONRUB 2,508  
bnFreight  
transportation,  
infrastructureRUB 1,598  
bnPassenger  
transportationRUB 267  
bnLogistics  
servicesRUB 386  
bn

Other revenue

RUB 257  
bn

The revenue data are reported as per the IFRS statements for 2019.

DISTRIBUTION  
OF KEY FINANCIAL FLOWS<sup>4</sup>

## INVESTMENT ACTIVITIES

## Financing of capex

(through Government-allocated resources, the Company's own funds and borrowings), including RUB 99 bn to purchase locomotives

RUB 720 bn

## Intangible asset and R&amp;D expenses

RUB 11 bn

OPERATING ACTIVITIES<sup>5</sup>

## Payroll expenses

(including salaries, pension plan payments, payments under the Collective Bargaining Agreement, leave expenses, bonuses, voluntary health insurance, personal income tax, and extra-budgetary fund expenses)

RUB 862 bn

## Tax expenses

(including property tax, corporate income tax, VAT, and other taxes)

RUB 92 bn

Maintenance, repair  
and operating supply

RUB 300 bn

## Forwarding and logistics services

RUB 268 bn

## Power supply

RUB 180 bn

## Fuel

RUB 124 bn

## Other operating expenses

(security, travel, business and other operating expenses)

RUB 196 bn

## FINANCIAL ACTIVITIES

## Debt service

(interest paid)

RUB 91 bn

## Dividend payouts

(with the Russian Federation as the beneficiary)

RUB 13 bn

TAXES AND FEES OWED TO THE EXTRA-  
BUDGETARY FUNDS OF THE RUSSIAN  
FEDERATION FOR ALL TYPES OF ACTIVITIES

RUB 359 bn

## VALUE CREATION

The Group is implementing large-scale railway development projects of national significance

For more details see the Investment Activities section

Russian Railways participates in the Digital Economy of the Russian Federation programme

For more details see the Innovation Driven Development section

The Company is Russia's largest employer

For more details see the HR Management section

The Group is one of Russia's major taxpayers

For more details see the Analysis of Financial Results section

Russian Railways develops and maintains Russian railway infrastructure

For more details see the Railway Transportation and Infrastructure section

The Company provides comprehensive freight transportation services leveraging the advanced 2PL, 3PL and 4PL technologies

For more details see the Transportation and Logistics section

Russian Railways maintains leadership in energy efficiency among global railway companies

For more details see the Energy Efficiency and Conservation section

The Group is implementing an Energy Efficiency Programme seeking to reduce the consumption of energy

For more details see the Energy Efficiency and Conservation section

The Company ensures uninterrupted and efficient operation of its facilities offering high-quality services across its consumer base

The Company is a responsible capital markets borrower

For more details see the Securities section

The Group's dividend policy seeks to protect the shareholder rights as prescribed by the applicable laws of the Russian Federation

For more details see the Securities section

The Group is one of Russia's major taxpayers

For more details see the Analysis of Financial Results section