

# Key performance indicators

The Regulation on Key Performance Indicators of Russian Railways was adopted in 2014<sup>1</sup>. The Company's KPIs include two types of indicators: core, such as EBITDA margin and the Russian Railways Group's ROIC for Unregulated Types of Activities, and recommended ones, such as the Russian Railways Group' EBITDA, Reduction of Operating Costs (Expenses), Traffic Safety and Virtual Performance of Russian Railways' Infrastructure. The KPIs form a part of the incentive system for the Company's Management Board<sup>2</sup>.

KPI targets are set in line with the Russian Railways financial plan and can be revised in accordance with any decisions beyond the management's control or adjustments to the financial plan, budgets and/or investment programmes approved by boards of directors of the Russian Railways Group and/or Russian Railways throughout the year.

## Russian Railways' key performance indicators – progress in 2019

Indicator	Measurement unit	Actual for 2018	Target for 2019	Actual for 2019	% of the target	Change y-o-y, %
Dividend amount	RUB bn	8.755	13.364	13.364	100.0	152.6
Russian Railways Group's EBITDA <sup>3</sup>	RUB bn	527.4	575 <sup>4</sup>	576.9	100.3	109.4
Reduction of operating costs (expenses)	%	3.1	≥2	2.8	–	–
Russian Railways Group's ROIC for unregulated types of activities <sup>3</sup>	%	19.0	≥10	17.3	+7.3 pp	–1.7 pp
Traffic safety across the Russian Railways Group	accidents per million train kilometres	0.98	1.094	0.86	–	–
Virtual performance of Russian Railways' infrastructure	bn virtual tkm	3,438.2	3,462.8 <sup>5</sup>	3,442.2	99.4	100.1

<sup>1</sup> Drafted in accordance with the Russian Government's Directive No. 2579p-P13 of 25 April 2014 and Guidelines for KPI Application (approved by Order of the Russian Government No. ISh-P13-2043 of 27 March 2014). Approved by the Company's Board of Directors on 30 June 2014 (Minutes No. 15).

<sup>2</sup> Approved by the Company's Board of Directors on 30 June 2014 (Minutes No. 15).

<sup>3</sup> Under IFRS.

<sup>4</sup> The Russian Railways Group's EBITDA target was approved by the Company's Board of Directors on 18 December 2019 (Minutes No. 11).

<sup>5</sup> Target for the virtual performance of Russian Railways' infrastructure as per the Russian Railways financial plan for 2019 approved by the Company's Board of Directors on 25 October 2019 (Minutes No. 5).

## KPI ACHIEVEMENT IN 2019

The Dividend Amount and the Russian Railways Group's EBITDA under IFRS in 2019 were in line with the targets.

The Reduction of Operating Costs (Expenses) at 2.8% exceeded the target of at least 2% as a result of the Company's ongoing efficiency improvement efforts. The Traffic Safety across the Russian Railways Group was also improved, with the actual number of accidents per million train kilometres at 0.86 vs the target of 1.094.

The Russian Railways Group's ROIC for Unregulated Types of Activities stood at 17.3%, exceeding the target of 10%.

The Virtual Performance of Russian Railways' Infrastructure was 0.6% below the target due to reduced freight transportation (grain, crude oil and petroleum products, ferrous metals, timber, coal, ferrous scrap metals and industrial commodities).

### Group-wide KPI targets for 2020

The Regulation on Key Performance Indicators of Russian Railways (the "Regulation") was approved by the Company's Board of Directors<sup>6</sup> as prescribed by the Russian Government's Directive No. 9054p-P13 of 2 October 2019 and Guidelines for KPI Application<sup>7</sup>.

The Regulation provides the basis for setting Russian Railways' key performance indicators and includes

an updated list of Group-wide KPIs to be applied starting 1 January 2020. In line with these requirements, the updated list of Group-wide KPIs includes both core and recommended items such as Russian Railways' EBITDA Margin, the Russian Railways Group's ROIC for Unregulated Types of Activities, the Russian Railways Group's EBITDA, Reduction of Operating Costs (Expenses), Traffic Safety Across the Russian Railways Group and Virtual Performance of Russian Railways' Infrastructure.

The Group-wide KPI targets for 2020 were approved by the Company's Board of Directors on 18 December 2019 (Minutes No. 11).

### Group-wide KPI targets for 2020<sup>8</sup>

Indicator	Measurement unit	Target for 2020
Russian Railways' EBITDA margin <sup>9</sup>	%	24.5
Russian Railways Group's EBITDA <sup>10</sup>	RUB bn	582
Reduction of operating costs (expenses)	%	≥2
Russian Railways Group's ROIC for unregulated types of activities <sup>10</sup>	%	8
Traffic safety across the Russian Railways Group	accidents per million train kilometres	0.86
Virtual performance of Russian Railways' infrastructure	bn virtual tkm	3,596.2

<sup>6</sup>. Approved by Decree No. 1388-r of the Government of the Russian Federation dated 27 June 2019.

<sup>7</sup>. The Russian Railways Group's EBITDA target was approved by the Company's Board of Directors on 18 December 2019 (Minutes No. 11).

<sup>8</sup>. In the current context of the economic crisis and the global pandemic associated with the spread of coronavirus infection, the KPI targets for 2020 may be revised.

<sup>9</sup>. Under RAS.

<sup>10</sup>. The target value can be adjusted based on the results of approval of budgets of subsidiaries of the Russian Railways holding for 2020, decisions on which are made by the Board of Directors of JSC Russian Railways.