

Letter from the CEO and Chairman of the Management Board



Dear Partners and Colleagues,

2019 was the year of important milestones and new achievements for Russian Railways.

The Government of the Russian Federation approved the Company's Long-Term Development Programme until 2025. This is a fundamentally new system document providing for the digitalisation of programme initiatives, including the projects envisaged by the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024. The targets set by the Comprehensive Plan for 2019 were met in full.

In 2019, we achieved unparalleled results in certain areas of our business.

Russian Railways topped the UIC Global Safety Index (GSI), exceeding the global average by 22%.

The International Energy Agency (IEA) ranked Russian Railways No. 1 globally by energy efficiency of freight services.

The Company reconfirmed its commitment to being a responsible employer, ranking among the Top 3 most attractive companies in Russia. In 2019, we fulfilled

all our social obligations and signed a new collective bargaining agreement for 2020–2022. All our social commitments are supported by outstanding productivity improvements achieved in recent years. In the reporting year, the Company raised average monthly salary across all operations by 6.5%, or 1.9% in real terms.

2019 marked the 45th anniversary of launching the construction of the Baikal–Amur Mainline. The Eastern Operating Domain projects provide a new impetus

for the BAM development, and our key focus is on ensuring decent working conditions for all employees involved.

The Company is proud to have provided top quality transportation services to guests and participants of the XXIX Winter Universiade in Krasnoyarsk.

We delivered strong performance in the passenger transportation segment with 1,198 m passengers transported – a record high in the last 11 years. A large-scale upgrade programme for all types of passenger rolling stock was implemented. We launched new suburban trains in 18 regions, and extended long-haul routes to improve availability of transportation services in 27 regions across Russia.

In 2019, the Company firmly established itself on the urban transportation market, launching its Central Transport Hub projects, including the Moscow Central Circle and Moscow Central Diameters 1 and 2. On top of that, 12 cities were covered by the Urban Commuter Train project.

2019 marked the 10th anniversary of our high-speed Sapsan trains, which have since transported over 39 m passengers.

We completed the key projects to upgrade our rail infrastructure on the island of Sakhalin based on a 1,520 mm gauge track, and also launched a bypass for the Krasnodar Transport Hub, a key infrastructure development project in southern Russia boosting the carrying capacity on routes leading to the ports of the Azov and Black Seas.

In the freight segment, we maintained our focus on flexibility and agility needed to adjust to market trends. The strongest growth was seen in container shipments, with a 12.6% increase y-o-y and a record of over 5 m containers shipped. 96.3 m tonnes of coal – an all-time high – was shipped to Russia's Far East.

In 2019, Russian Railways further strengthened its reputation as an environmentally responsible business. In May, we became the first Russian company to enter the green bond market, achieving the lowest ever borrowing rate for a Russian issuer.

We continued our digital transformation journey, taking it further to cover more business processes, technologies and interactions with passengers, freight owners, suppliers, operators and authorities.

We launched all processes to ensure a breakthrough in quantum communications in line with the targets set by the President of the Russian Federation.

Today, we focus on implementing the Russian Railways' Long-Term Development Programme and the Comprehensive Plan for Upgrading and Expanding Core Infrastructure while also supporting the delivery of national projects. The coronavirus outbreak has brought new challenges, so we need to maintain maximum flexibility to respond to changes while making sure that we retain our top-notch team through this time. I am certain that the hard work and dedication of our employees will help Russian Railways deliver on its goals to ensure stability and prosperity in Russia.

Oleg Belozarov

CEO, Chairman of the Management Board