

Russian Railways Long-Term Development Programme until 2025: first performance results

The Long-Term Development Programme of Russian Railways until 2025¹ was approved by the Russian Government's Order No. 466-r dated 19 March 2019. It was developed in furtherance of the goals set forth in the Address of the President of the Russian Federation to the Federal Assembly dated 1 March 2018 and in line with the Russian President's Decree No. 204 On National Goals and Strategic Objectives of the Russian Federation through to 2024 dated 7 May 2018 (in terms of Russia's goal to enter the Top 5 of the world's largest economies).

The Programme also aims to contribute to achieving the goals set forth in the Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024, the action plan to expedite capital investment growth and increase its share to 25% of the GDP, the Transport Strategy of the Russian Federation until 2030, Russia's Railway Transport Development Strategy until 2030, Russia's Innovative Development Strategy until 2020 and the Russian Railways Group's 2030 Development Strategy. The Company's Development Programme and Long-Term Development Programme are aligned through a list of Group-wide key performance indicators (KPIs).

In order to achieve the goals set by the Russian President, the Programme provides for:

- an increase in the carrying capacity of the Baikal–Amur and Trans-Siberian main lines to 180 mt by 2024;
- an increase in the carrying capacity of the approaches to the ports of the Azov and Black Seas;
- a throughput increase to ensure a fourfold growth of transit container transportation;
- a reduction of container travel times (in particular, to seven days for containers transported from Russia's Far East to its western border).

Programme implementation in 2019

In 2019, the Company drafted the Standard for Assessing the Implementation of the Long-term Development Programme and KPI Achievement and the Terms of Reference for Assessing the Implementation of the Long-term Development Programme until 2025 and KPI Achievement in 2019. Both documents² were verified at the meeting of the Audit and Risk Committee on 28 January 2020 and recommended for further approval by Russian Railways' Board of Directors.

In 2H 2019, the Company faced continued negative macroeconomic headwinds due to trade wars, stagnation in some European economies, and a slowdown in China, leading to muted manufacturing activity and unfavourable global commodity prices for Russian exports, which resulted in lower demand for transportation services from shippers affecting the handling volumes and freight turnover.

Passenger turnover in 2019 exceeded the target, with the growth mainly driven by increased mobility of people, expanded

product portfolio and enhanced customer experience in rail travel.

As a result of lower handling volumes and freight turnover, Russian Railways' 2019 revenue was below the target. However, thanks to operational efficiency improvements, the Company's net profit was nearly twice as high as the Programme's target.

¹ Approved by the Company's Board of Directors (Minutes No. 14 dated 8 April 2019).

² Approved at the meeting of the audit and risk Committee of the Board of Directors of Russian Railways (Minutes No. 7 dated 28 January 2020).

Achievement of selected KPIs as part of the Long-Term Development Programme (LTDP) in 2019

KPI (unit of measurement)	LTDP target ³	2019 performance	Target achievement, %
Freight handling, mt	1,309.2	1,278.1	-2.4
Total freight turnover, bn tkm	3,373.4	3,305.0	-2
Loaded freight turnover, bn tkm	2,656.8	2,601.9	-2.1
Passenger turnover, bn pkm	127.4	133.4	+4.7
Passengers transported, m people	1,135.4	1,197.8	+5.5
Investment programme, RUB bn	681.9	674.1	-1.1
Length of public railway lines with limited throughput, thousand km	8.3	10.6 ⁴	+27.7
Length of railway tracks with exceeded limits of throughput in tonnes and useful life, thousand km	24.5	23.9	-2.4
Container transit volumes, thousand TEU	615	618 ⁵	+0.4
Average daily performance of a freight train locomotive, thousand tkm gross	2,165	2,139	-1.2
Average loaded freight car delivery speed, km/day	392	395	+0.7
Adherence to freight train schedules, %	74.67	69.58	-5.1 pp
Adherence to passenger train schedules, %	98.35	98.01	-0.3 pp
Integrated KPI for innovation efficiency	1	1.26	+26
Procurement from small and medium-sized businesses, %	18	62.8	+44.8 pp
Russian Railways' revenue, RUB bn	1,874.2	1,848.1	-1.4
Russian Railways' EBITDA (under RAS), RUB bn	415.5	417.2	+0.4
Russian Railways' net profit, RUB bn	26.9	53.5	+98.9
EBITDA margin (under RAS), %	22.2	22.6	+0.4 pp
Labour productivity growth in transportation operations, %	5	3.3	-1.7 pp

³ Under the base case scenario of Russian Railways' Long-Term Development Programme until 2025.

⁴ Estimate.

⁵ Including the return of empty containers from Europe to China as per new logistics schemes.