

# Business model

## GOVERNMENT

→ Regulation of joint stock companies

→ Tariff regulation

## BUSINESS LINES

### Freight transportation

**1,971**

mt of transported freight

**3,305**

bn tkm of freight turnover

**167**

thousand freight cars

#### Subsidiaries

Federal Freight Company  
(provision of railcars for freight transportation)

### Passenger transportation

**1,157**

m transported passengers

**2,407**

thousand scheduled runs made by passenger trains

**15**

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)

UTLC ERA  
(transit railway container services)

RZD Logistics (the largest multimodal logistics operator in the CIS and the Baltics)

### Other businesses

RRC-1,  
RRC-2,  
RRC-3  
(railcar repair companies)

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>1</sup>

**RUB 79**  
bn

### Subsidies<sup>2</sup>

**RUB 57**  
bn

<sup>1</sup>Including contributions in the form of real estate owned by the Federal Government.

<sup>2</sup>Data for the Russian Railways Group.

<sup>3</sup>The financing items of Russian Railways Group are stated on an amalgamated basis. For more details see the IFRS statements for 2018 at [http://en.rzd.ru/static/public/en?STRUCTURE\\_ID=4224](http://en.rzd.ru/static/public/en?STRUCTURE_ID=4224)

## Headcount

**911,000**  
employees<sup>2</sup>

## Innovations

→ Antimonopoly regulation

→ Drafting of the Transport Industry Development Strategy

→ Approval of the Russian Railways Group's Long-Term Development Programme until 2025

## REVENUE GENERATION, RUB bn



- Freight transportation, infrastructure
- Logistics services
- Passenger transportation
- Other revenue

The revenue data are reported as per the IFRS statements for 2018.

## DISTRIBUTION OF KEY FINANCIAL FLOWS<sup>3</sup>

### INVESTMENT ACTIVITIES

#### Financing of capex

(through Government-allocated resources, the Company's own funds and borrowings), including RUB 83.3 bn to purchase locomotives

**RUB 617 bn**

#### Intangible asset and R&D expenses

**RUB 8 bn**

### OPERATING ACTIVITIES

#### Payroll expenses

(including salaries, pension plan payments, payments under the Collective Bargaining Agreement, leave expenses, bonuses, voluntary health insurance expenses)

**RUB 562 bn**

#### Tax expenses

(including personal income tax, VAT, insurance contributions, corporate income tax and other taxes paid to the budget and extra-budgetary funds of the Russian Federation)

**RUB 359 bn**

#### Maintenance, repair and operating supply

**RUB 287 bn**

#### Forwarding and logistics services

**RUB 274 bn**

#### Power supply

**RUB 172 bn**

#### Fuel

**RUB 122 bn**

#### Other operating expenses

(security, communications, operating lease of rolling stock, road transportation services)

**RUB 191 bn**

### FINANCIAL ACTIVITIES

#### Debt service

(interest paid)

**RUB 77 bn**

#### Dividend payouts

(with the Russian Federation as the beneficiary)

**RUB 9 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 Energy Savings section

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

→ For more details see the Energy Efficiency and Energy Savings 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