

Vision ahead

THE LONG-TERM DEVELOPMENT PROGRAMME OF RUSSIAN RAILWAYS UNTIL 2025 OUTLINES A VISION AHEAD FOR THE NATIONAL ECONOMY THROUGH THE LENS OF THE TRANSPORT INDUSTRY.



AMBITIOUS AIMS CAN ONLY BE ATTAINED THROUGH RAPID ADVANCES IN TRANSPORT TECHNOLOGY AND INFRASTRUCTURE, AND ABOVE ALL THE RAILWAY INFRASTRUCTURE.

In May 2018, the Decree of the President of the Russian Federation No. 204 On National Goals and Strategic Objectives of the Russian Federation through to 2024 stated priority aims to step up R&D efforts and social and economic development across the nation.

Today, the railway industry faces new challenges outlined in the above-mentioned President's Decree, as well as in the President's Address to the Federal Assembly dated 20 February 2019, Comprehensive Plan for Upgrading and Expanding Core Infrastructure until 2024, and the action plan to expedite capital investment growth and increase its share to 25% of the GDP. These challenges include:

- › creating transport that will help Russia evolve into one of the world's five largest economies;
- › ensuring economic growth at rates above global;
- › fostering strong export-focused sectors in all the core industries driven by the latest technologies.

To respond to the challenges, by its Order No. 466-r dated 19 March 2019, the Russian Government approved the Long-Term Development Programme of Russian Railways until 2025.

The programme covers a variety of future scenarios based on social and economic growth forecasts, inflation and producer price growth, projected indexation of railway tariffs, and other factors.

This annual report relies on the base case scenario of social and economic development in Russia, which includes projections for GDP and industrial production volumes and is based on the conservative scenario by the Ministry of Economic Development and inflation and producer price growth as per the base case scenario. The models built under the Long-Term Development Programme are based on the projections of relevant indicators for 2018.

The Programme outlines the growth areas and target state of the Russian railway industry by 2025. Designed to be a major driver behind GDP growth and industries allied with railway transportation, the Programme is also expected to make a meaningful contribution to addressing government priorities and improving the quality of life in Russia.



THE LONG-TERM DEVELOPMENT PROGRAMME OF RUSSIAN RAILWAYS UNTIL 2025 WILL BE DRIVING FASTER GROWTH OF BUSINESS ACROSS ALL RELATED INDUSTRIES.

2025 TARGET RESULTS



FOR RUSSIAN RAILWAYS

- › **Greater reliability of transportation processes**
 - +**24%** traffic safety
- › **Lower costs**
 - 13%** against 2018 (in 2018 prices)
- › **Higher energy efficiency:**
 - 7.5%** – fuel consumption
 - 2.8%** – electricity consumption
- › **Improved labour productivity**
 - +**5%** (annual average) while maintaining social stability
- › **Return on assets** to ensure return on investment



FOR CUSTOMERS

- › **Availability of transportation services**
 - +**21%** growth in freight turnover
- › **Reduced costs of transportation as a share of the end price of cargo**
 - 1 pp**
- › **Improved quality for shippers:**
 - +**35 km/day** delivery speed
- › **Improved quality for passengers:**
 - +**20%** passenger turnover
 - +**4,200–4,300** new passenger cars
- › More rewarding customer experience as a result of improved quality and comfort of travelling



FOR MANUFACTURERS OF ROLLING STOCK AND OTHER RESOURCES

- › **Building effective demand for:**
 - materials and services for the infrastructure and rolling stock (up 20% by 2025)
 - new vehicles and equipment



FOR THE GOVERNMENT

- › **Meeting demand for transportation to foster economic growth**
RUB +2.8 tn increase in the industry's share of the GDP
 (from RUB 5.5 tn to RUB 8.3 tn)
- › **Greater contribution to the GDP**
7% of annual growth
- › **Making the Russian economy more competitive**
Inflation minus 0.1 pp as the long-term tariff model
- › **Tax payments taking into account contracts for Russian industries**
RUB 5 tn



FOR OPERATORS

- › **Increased performance of the railcar fleet**
 Better operational performance
- › **Improved profitability per car**
 Higher car turnaround
- › **Strong competitive edge of railway transport**
+18% growth in freight volumes



FOR INFRASTRUCTURE INVESTORS

- › **Effective ways to secure returns from public-private partnership**
+RUB 4 tn of private investment

FINAL OUTCOME

1.5_x

RISE IN THE GDP SHARE
OF THE RAILWAY SECTOR
(base case scenario)

INVESTMENTS,
A TOTAL OF

RUB 8.7_{tn¹}

(base case scenario)

RUB 4.7_{tn}

INVESTMENTS BY
RUSSIAN RAILWAYS
(base case scenario)

¹ Including private investments.