

STRATEGIC REPORT

Expanding horizons

The Company is working on large-scale railway projects of national significance aiming to boost the Russian economy, eliminate infrastructure constraints, and improve transportation safety, speed and reliability.

The expansion and upgrade of railway infrastructure is indispensable for the balanced economic development of a nation, establishment of the domestic production base, unlocking of the industrial potential, promotion of international economic relations, and the country's territorial integrity and security. Implementation of the investment programme is one of the key tools to deliver on the Company's strategic goals and objectives.

The Company's strategic investments will primarily target railway development projects of national significance. In the long run, an increase in the freight volumes and expansion of the cargo base are impossible without comprehensive solutions to enhance the throughput and carrying capacity of the railway infrastructure.



In the near term, Russian Railways' top priority will be to ensure accelerated development of the railway infrastructure. High-speed and ultra high-speed rail transportation also needs to be developed at a rapid pace, as by 2025 the annual passenger transportation is expected to come close to 25 million people.

In addition to the railway infrastructure, the Company will focus its investment efforts on the replacement of fixed assets, with track renewal, upgrade of automation, telematics and power supply equipment, and other work slated for completion.

In 2017, the Company presented its long-term development programme until 2025. Total railway investments under this programme are set to exceed RUB 7.5 trillion by 2025. Russian Railways' mid-term investment programme for 2018–2020 is viewed as the first stage of the broader investment push under the long-term development programme.

In 2018, Russian Railways' investments will total RUB 549.6 bn, including RUB 211.2 bn (approximately 38% of the total investment programme) allocated to fund ten projects launched at the instruction of the President and the Government of the Russian Federation.

In the first half of 2018, Russian Railways will fine-tune its investment projects taking into account the new goals set by the Russian President in his Address to the Federal Assembly on 1 March 2018.

On top of that, RUB 9.9 bn of FEED¹ funds are allocated in 2018 under Russian Railways' investment programme for the Company's own railway infrastructure development projects scheduled until 2025.

An additional RUB 99.6 bn is earmarked for safety-related projects in 2018 to ensure life safety (including transportation and fire safety, upgrade of civil defence facilities), guarantee reliability of processes and operations, enhance traffic safety and maintain the existing transportation capacities.

The total amount allocated in 2018 under Russian Railways' investment programme to deal with infrastructure bottlenecks will equal RUB 108.3 bn.

The Company is planning to roll out projects designed to enhance transportation accessibility in Russia, including by developing suburban passenger railway infrastructure and renovating train stations from the long-haul network. The funds earmarked for such projects in 2018 total RUB 9.6 bn.

The Company's initiatives to upgrade rolling stock seek to reduce wear and tear, increase performance and boost safety of the rolling stock, with RUB 102.3 bn allocated for these purposes in 2018. Further RUB 8.7 bn will be provided to finance other projects, including those focusing on resource-saving technologies and social improvements.



¹ FEED - front end engineering design