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INTERNATIONAL RAIL BUSINESS FORUM
STRATEGIC PARTNERSHIP 1520:
CENTRAL EUROPE



INFRASTRUCTURE FINANCING

Who pays?

Vadim Mikhaylov

First Deputy Chief Executive Officer
JSC RUSSIAN RAILWAYS



Global Infrastructure Investments in 2017 / Private Sector

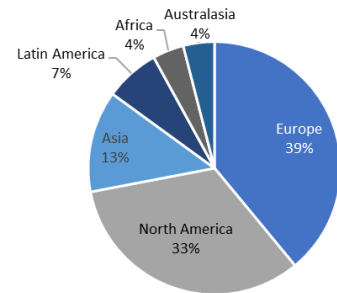
A regulatory environment not in tune with financial opportunities explains the relatively low level of Infrastructure projects available for private financing.

€736bn the estimated aggregate value of infrastructure deals completed

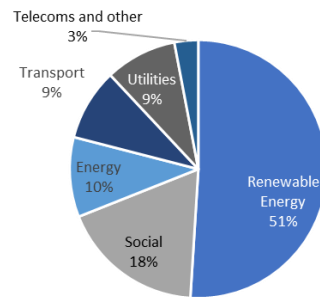
2,378 the total number of deals completed globally

€303m the average deals size of infrastructure deals completed

Infrastructure Deals Completed by Region 2017



Infrastructure Deals Completed by Industry 2017



Infrastructure Transport Investments 2008 - 2017

European Infrastructure projects need to be lifted to private financing as an alternative method to relieve public budgets

32% of all infrastructure deals were completed in Europe

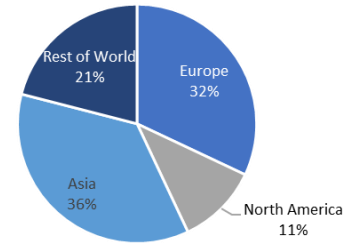
58% of all infrastructure deals involved roads

US\$ 4bn biggest deal in transport sector in 2017:
La Guardia Airport Expansion

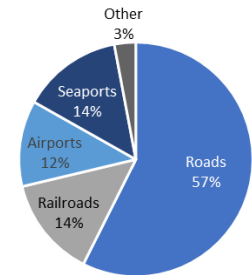
US\$ 2bn biggest deal in railway sector in 2017:
Florida East Coast Railway

€ 6.4bn The "European Railway Corridor" Project is the single largest European Infrastructure project today that may become available for public private finance

Transport Deals Completed by Region
2008 - 2017



Transport Deals Completed by Industry
2008 - 2017



Challenges of Infrastructure Financing (1/2)

- In Europe **less than 3%** of general government fixed capital have been invested in infrastructure - large investment gap!
- **Gap of €0.8tn per year** needs to be invested globally in infrastructure to meet growth forecasts by 2030 (Europe needs +/-40% of the total)
- **Outdated Public Sector** financing models need to shift **towards Private Sector financing** to match demand (i.e. Corporations, Private Public Partnerships and pure Private Investors)
- **Private Public Partnerships** have recently assumed a greater role in infrastructure financing – regulatory environment needs to be adapted
- Institutional investors and banks have **€100tn in Assets under Management** that could partially support new infrastructure projects
- Usage of **€120bn un-invested capital** held by infrastructure investment firms would support bridging the public gap

Challenges of Infrastructure Financing (2/2)

- The **need for high-quality, privately funded infrastructure** has never been clearer. However the **public sector is sceptical** about private investors actions and motivations without any substantial reason
- As more investors have entered the market, **competition** for available investments **has increased**. Railway professionals still refusing to consider new methods of financing.
- Private infrastructure investors show a **desire to engage with regulators and municipal bodies** to ensure public needs are being met (Private Public Partnership model).
- Private Public Partnership models show clear **performance improvements** versus pure play Public projects

Action Steps

- Ways to **attract private financing** by
 - ✓ Changes to rules and regulations
 - ✓ Better pipeline of well-developed projects
 - ✓ Cross-border infrastructure investment principles
 - ✓ Transparency and standardization – across borders
 - ✓ Securitize macroeconomic and social impacts
 - ✓ Active marketing of EU and other projects as PPP

RZD - Successful Private Infrastructure Financing

- We are one of the largest single contributors to Russian GDP (about 1% of GDP)
- Our revenue for all activities amounted to RUR 1'700bn (+/- €23.4bn)
- We are largest commercial employer in Russia with about 900 thousand employees
- Recent credit rating rise to investment grade Baa3 (Jan 2018) – Moody's

RZD is a successful role model and partner for tapping into Private Infrastructure Financing

- RZD placed over **US\$ 6.5bn Eurobonds** successfully in Institutional markets to finance its own infrastructure investments
- Additionally **RUR 82.5bn Eurobonds** (+/- € 1.13bn) placed in our local currency
- RZD has at total investment budget about **RUR 500bn per year** (+/- € 7bn)

Projects Underway for Railway Infrastructure Development in Support of Future Freight Volumes

Total investment in the development and renovation of railway infrastructure of **€110 billion** from 2017-2025, including approximately **25% to date** in funds from private investors

