

A list of performance indicators has been set out for the Company until 2020.

#### FPC performance indicators

INDICATORS <sup>1</sup>	2018	2019	2020
Investment volume net of VAT, RUB billion	44.9	52.9	43.4
Revenue, RUB billion	217.4	226.3	242.0
EBITDA margin (incl. subsidies), RUB billion	21.8	27.7	33.4
Subsidies, RUB billion	8.5	8.5	8.5
Traffic safety, incidents per thousand train km	8.80	8.69	8.51
Labour productivity growth rate, %	105.0	105.0	105.0
Passenger km travelled, billion	87.7	88.2	89.9
Net profit, RUB billion	2.2	4.8	8.3

<sup>1</sup> 2018–2020 indicators are target indicators approved by JSC FPC Board of Directors.

## STRATEGIC AREAS OF DEVELOPMENT

### Network

Fundamental rail network optimisation is planned:

- In the under 1,500 km route segment:
  - increase speeds
  - increase capacity
- In the over 1,500 km route segment:
  - improve efficiency
  - implement a hub-based model
  - develop high speed lines.

### Transitioning to innovative rolling stock

The railcar fleet will be timely and fully renewed, with gradual transition to innovative rolling stock, which will constitute approximately 35% of the total rolling stock by 2025. Almost 7,000 carriages will be replaced between 2018 and 2025.

The Company also plans to replace its traditional carriages with double-decker carriages, for which over 1,000 carriages will be purchased by 2025.

### Current condition of the passenger railcar fleet

The size of FPC's passenger railcar fleet as at 31 December 2017 was 19,386 carriages. The age of more than 10,300 carriages is over 20 years.

The average carriage age is a key metric showing the technical condition of a railcar fleet. As at 31 December 2017, the average age of FPC's carriages was 19.1 years.

### Rolling stock average age and wear

Carriage type	Description	Average age, years	Average wear, %
Luxury	(soft-seated) carriages (M) – compartment carriages equipped with showers and toilets in each compartment	10.1	36.3
First-class	First-class (double berth compartments)	19.2	65.0
RIC	Compartment carriages, European standard size	16.2	46.3
MIXED	Carriages with 50/50 Luxury and First-class compartments	4.0	12.1
K	Compartment carriages	18.9	67.6
KB	Compartment carriages with a buffet	22.6	82.3
KR	Administrative compartment carriages	20.4	65.9
O	Third-class sleeping carriages	18.3	58.9
MO	Interregional carriages	14.2	50.7
MOR	Interregional carriages with a radio compartment	11.5	43.8
B	Baggage carriages	20.2	73.4
BP	Baggage and mail carriages	34.0	100.0
PT	Dining carriages equipped with a coal stove	26.5	89.0
RZh	Dining carriages equipped with a gas stove	27.7	94.9
RE	Dining carriages equipped with an electric stove	26.4	70.7
Total		18.9	63.5

Over 5,000 carriages will be retired from FPC's passenger fleet by December 2020, and the Company has significantly increased

the previously planned investment into rolling stock replacement and upgrades to compensate for the railcar fleet shortage.



## Objectives and stages of the fleet replacement programme

The programme to develop innovative long-distance rolling stock up to 2025 has been adopted to meet the demand for long-distance rail passenger services with modern carriages that ensure safe and comfortable passenger travel. The Programme aims to:

- improve passenger travel comfort
- offer a wider range of passenger services
- decrease the passenger rolling stock's average age
- drive innovation
- adopt modern passenger service technologies
- improve rolling stock utilisation
- wider passenger service geography

- streamlined operating expenses
- introduction of a fundamentally new maintenance and repair system for the innovative rolling stock.

The programme's objectives will be implemented in three main stages:

- Stage I (2017–2019) – upgrading the purchased single-decker rolling stock
- Stage II (2019–2020) – upgrading the purchased double-decker rolling stock
- Stage III (2020–2025) – expanding the range of the rolling stock in operation.

## Fleet replacement principles

The innovative rolling stock will feature an improved carriage design that is characterised by:

- personal space and privacy during rest
- spacious accommodation and freedom of movement
- low floors for easy boarding and barrier-free environment
- dedicated baggage areas
- advanced technical equipment
- IT-driven development (Digital Railway).

Power outlets for mobile devices, uninterrupted high-speed Internet access, local train-hosted multimedia content portal, a climate control system in each compartment, and environmentally friendly toilet facilities will be available in all new carriages.

The following standards form the basis of FPC's long-term fleet optimisation programme:

- Conventional compartment and third-class sleeping carriages will not be purchased after 2020
- Third-class sleeping carriages will be replaced with carriages equipped with seats for short routes and double-decker compartment carriages for long routes
- Compartment carriages will be replaced with innovative (double-decker) carriages
- Innovative carriages will be purchased in increasingly larger volumes as their efficiency is confirmed through use.

## Expected outcomes

Stages I and II of the Programme will result in:

- adoption of state-of-the-art technical solutions
- next level of the passenger travel comfort
- achieving a balance between passenger capacity and comfort
- adopting semi-automated passenger service technologies
- improved cost and energy efficiency.

Programme Stage III will result in:

- utilisation of the same rolling stock on railway sections with different electrification systems
- lower locomotive traction requirements
- less time spent on locomotive change operations
- end-to-end passenger service provided at non-electrified sections

- option to split trains and reroute train sections to different destinations
- a wider passenger service geography with minimal extra costs
- end-to-end travel without the need for locomotive replacement, equipping, or inspection of technical condition
- high-tech solutions supporting the range of scheduled maintenance and repair services
- reduced expenditures on manned locomotive lease due trains having own traction units
- reduced traffic at rail yard and passenger station necks through fewer locomotive transfers to and from locomotive depots
- reduced expenditures through servicing innovative trains in shared depots
- eliminating the need for shunters.



## Product

The Company is preparing for transition to a new unified high-quality product offering that includes:

- three train types: daytime express trains, night trains, and traditional trains
- three service classes: economy, comfort, business

The older carriages lacking air conditioning units and composting toilets will be utilised under a separate, provisional “economy budget” brand until their eventual decommissioning.

### VALUE PROPOSITION TYPE

### SERVICE CLASS

#### Business



free

#### Comfort



## Daytime express trains

Quick travel within a business day. Travel time up to 6 hours, target distances under 600 km



180°

Premium comfort and hotel-grade service for productive use of travel time



140°  
160°

Comfort and an adequate range of services for affordable and comfortable travel during the day

## Night trains

Comfortable travel conditions for a proper night's rest. Travel time up to 12 hours, target distances under 1,200–1,500 km



180°

First-class, luxury carriages<sup>1</sup>



140°  
160°

Compartment carriages<sup>1</sup>

## Traditional trains

Low-cost relocation and tourist travel option. Travel time over 12 hours, long distances

Premium comfort and a full range of hotel-grade services for a proper night's rest during business and tourist trips

An adequate level of comfort and services for a proper night's rest at an affordable price for business and tourist trips

## Multimodality

Integrated multimodal solutions are to be developed utilising bus and air ticket aggregation (via code sharing).

The rail network will provide a platform for developing multimodal passenger transport chains comprising all modes of transport.

- 1 Selective use of long trains at short distances. Limited for this type of train.
- 2 Upgraded third-class sleeping carriages in the near future.
- 3 No air conditioning or environmentally friendly toilet facilities.

## Other types of activities and adjacent businesses

The Company's sustainability will be further enhanced by the Strategy, which encompasses diversification of activities as well as business development which improve profitability of the passenger services through value-added service offerings:

- On-train passenger services
- Services for passengers using any means of transport
- Logistics services (cargo, mail, etc.).

### Economy



An affordable and comfortable travel choice with access to value-added services

### Economy budget (separate provisional brand on FPC trains)



A low-cost travel choice with no value-added services



Open-plan carriages with high-density seating<sup>2</sup>



A third-class sleeping carriage that does not meet passenger needs<sup>1</sup>

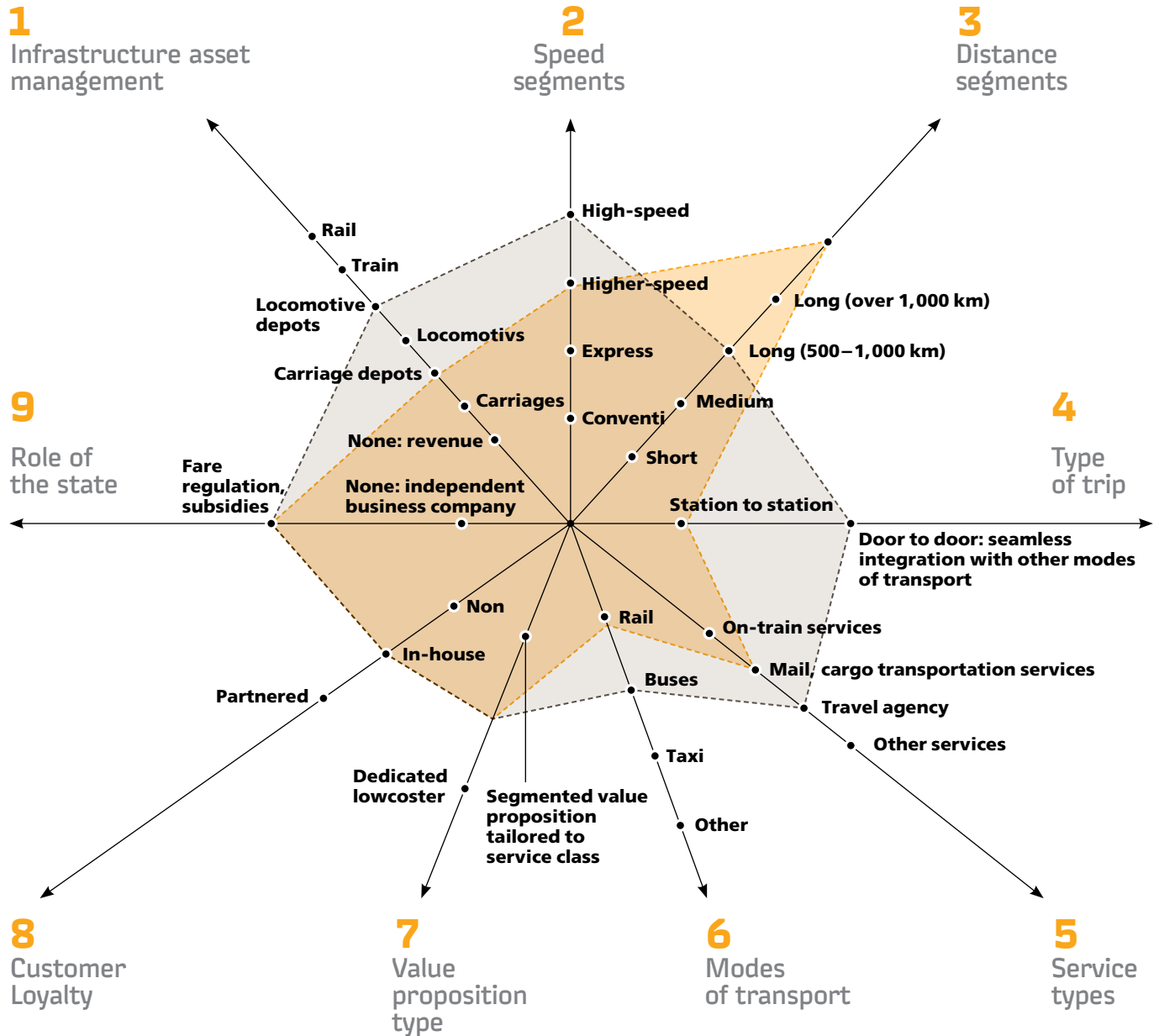
An affordable and comfortable travel choice with access to value-added services

An extra low-cost travel choice that allows for a full night's rest

### APPROACH:

- Taking stock of, and separating, insufficiently equipped<sup>3</sup> carriages that do not meet passenger needs into a dedicated brand within FPC
- Utilising in existing FPC trains at the reduced fares due to lack of services

# TARGET BUSINESS MODEL<sup>1</sup>



<sup>1</sup> Draft target business model underlying JSC FPC's 2030 Development Strategy Elements may be adjusted following review by the Board of Directors.

■ FPC's current state    ■ Target state



# KEY OBJECTIVES FOR 2018

## FPC's Key Objectives for 2018:

2017

2018



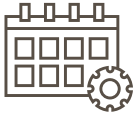
Stabilisation of the rail transport's share of the passenger services market

FIFA WORLD CUP  
**RUSSIA 2018**

Provision of quality transportation services to the 2018 FIFA World Cup participants and guests



Implementation of initiatives outlined in JSC FPC's 2030 Development Strategy



Implementation of measures aimed at reducing the rolling stock shortage

