

COMPANY

STRATEGY

In 2017, FPC updated its Development Strategy until 2030. At the end of the year, the Strategy's draft was approved by FPC's Board of Directors and submitted for approval to Russian Railways.

MISSION

To ensure the highest level of safety, comfort, and convenience in long-distance rail passenger services in Russia.

VISION

FPC is Russia's leader in passenger mobility, being a highly efficient, financially sound, and customer-focused company that strives to enhance value while ensuring sustainable development in passenger mobility across travel classes and regions of Russia as it transitions to franchise contracts for regular railway passenger services.

Russia's leader in passenger mobility:

- A national carrier providing traditional and high-speed long-distance rail passenger services both in Russia and abroad
- The leader by passenger traffic in long-distance transportation in Russia
- The leader in long-distance ticket aggregation services offering single multimodal tickets connecting rail passenger services across Russia's regions with bus and air transportation services at complementary destinations, as well as providing the most convenient range of multimodal route options covering the most popular, key long-distance destinations

89.9
billion

passenger km
travelled by 2020

Company Profile
Company Strategy
 Business Model and Assets
 Market Overview

Marketing Policy
 Government Relations
 Risk Management
 Passenger Service

Quality and Safety
 Operating Performance Review
 Investment Management
 Procurement

International Activities
 Corporate Governance
 Sustainable Development

Highly efficient and financially sound

Maximising financial results
and ensuring self-sufficiency in
operations

RUB 242
billion

target revenue
by 2020

Customer-oriented

Leader in service quality in
long- distance land transportation
providing high-quality value
proposition and a comfortable
long- distance travel experience,
including transit connections with
other modes of transport and
multimodal transportation

RUB 141.2
billion

in investments
by 2020, including
new rolling stock
purchases

A socially responsible business

Sustainably developing mobility
across travel classes and regions
of Russia including operating
less technically profitable routes
through franchise contracts for
regular rail passenger services

RUB 8.5
billion

in subsidies in 2020
to finance socially
significant services

STRATEGIC GOALS OF THE COMPANY

According to JSC FPC's draft 2030 development strategy, the Company's main focus will be on significantly increasing the average train speeds, developing comprehensive combined transport operations (such as multimodal transportation), increasing passenger traffic on the busiest routes in Russia, and improving competitiveness of our existing services. The Company will also continue to act as a public carrier, which means servicing single or socially significant routes. At the end of 2017, the Draft Strategy was approved by the FPC's Board of Directors and submitted to Russian Railways for approval.

2017

Rail carrier

- Reliance on subsidies
- Insufficient customer focus
- Ageing railcar fleet
- Complex value proposition
- Network optimisation potential
- Limited multimodal offering



Passenger km
travelled
billion

87



Number
of passengers
carried
million passengers

95



Average
speed¹
km/h

57



Capacity
utilisation
%

69



Net profit
RUB billion

8



Market share
%

28

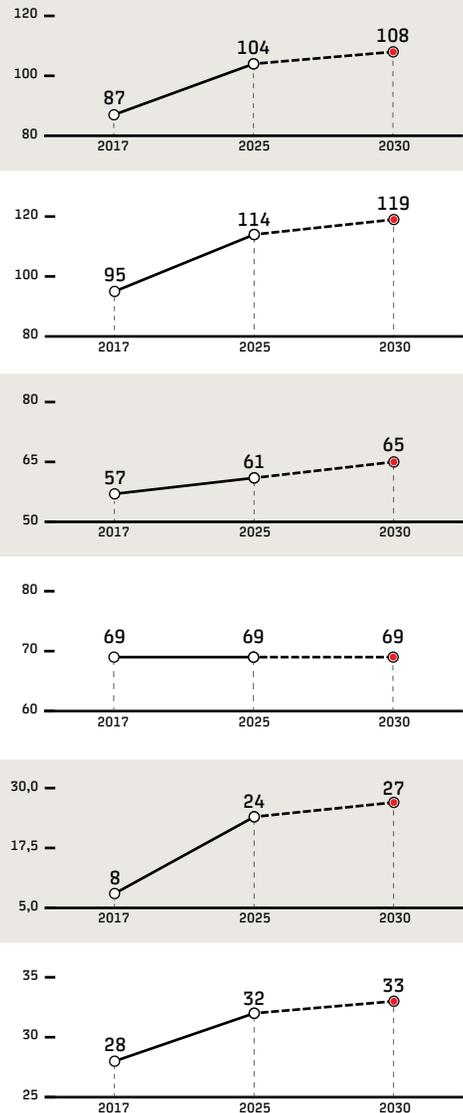
¹ Growth in average speed is mostly from key routes (e.g., the average speed on the Centre – South route is to increase from 68 to 99 km/h by 2025).

The Strategy’s key targets address changes in the transportation market, the competitive situation, customer demands, and development trends in the passenger transportation regulatory environment. JSC FPC’s Strategy assumes the Company’s current role is retained in the long-term strategic development programme of RZD Holding.

2025	2030
LDP	
104	108
114	119
61	65
69	69
24	27
32	33

Russia’s leader in passenger mobility

A highly efficient, financially sound, and customer-focused company that strives to enhance value while ensuring sustainable development in passenger mobility across travel classes and regions of Russia as it transitions to franchise contracts for regular railway passenger services.



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

FPC performance indicators

INDICATORS ¹	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

¹ 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.