

MESSAGE FROM THE CHAIRMAN

OF FPC'S BOARD OF DIRECTORS

Dear Shareholders and Colleagues,

Throughout 2017, FPC's key focus was on further developing a customer-centric approach to our passenger service, including active railcar fleet replacement and upgrades, expanding our service offering, and improving rail service affordability. FPC is a high-performing business unit of Russian Railways. The Company's net profit for the year grew by 49% to RUB 7.9 billion.

49 %

FPC's net profit
growth in 2017

We are pleased to see that Russia's residents and visitors recognise our enhanced services and increasingly choose to travel by long-distance trains. Throughout 2017, FPC carried over 95 million passengers while its domestic passenger traffic grew by 1.4%.

We are improving quality of the passenger service and comfort on our trains, reducing travel times, and expanding the double-decker train route network. Rolling stock replacement accounts for approximately 90% of FPC's CAPEX. Reduction of the VAT rate for passenger services to 0% allowed us to increase carriage purchases 1.5-fold to 425 carriages, including 41 double-decker carriages. We plan to purchase 600 new carriages in 2018 and continue upgrading FPC's passenger rolling stock. Far from being complacent, we are constantly working towards providing even greater comfort aboard our trains. Equipping the rest of its rolling stock with environmentally friendly toilet facilities and air conditioning units is the Company's priority at present, and consistent efforts have been made to complete these tasks by 2025.

> 95

million passengers

carried in 2017

In 2017, FPC implemented a strategy to reduce its transport fares. Last year, 75% of tickets subject to dynamic pricing were sold at prices lower than, or comparable to basic fares, and the Company ran various marketing campaigns to offer attractively-priced travelling experiences to its customers.

Environmental care and mitigating negative impacts are among FPC's priorities. Air pollutant emissions were reduced by 6.65% in 2017, and FPC joined Russian Railways in supporting the Year of the Environment, held in Russia in 2017. Last year, the Severnaya Palmira (Northern Palmyra) double-decker train operated on the Saint Petersburg – Adler route, its exterior showcasing Russia's unique ecosystem, environmental care initiatives, and the environmentally friendly nature of railway transport.

We also updated JSC FPC's 2030 Development Strategy in 2017 to lay the foundations for furthering the Company's development.

Increasing train speeds, developing comprehensive combined transport operations (such as multimodal

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transportation), increasing passenger traffic, and improving the competitiveness of our existing services will become the key focus areas of FPC's business development.

We believe that achieving our goals will drive further positive changes and sharpen FPC's competitive edge in both the domestic and international transportation industry.

Dmitry
PEGOV

