

DYNAMIC PRICING SYSTEM

The dynamic pricing system is a multifactor pricing tool that combines most approaches previously used as marketing promotion tools: pricing depending on seat/berth category (upper or lower berth), day of the week, booking window², etc. Unlike static marketing promotions which offer the rates set in advance for an extended period of time, the dynamic pricing system implies flexible ticketing reflecting internal dynamics and various external trends as at the sale date.

The system covers the entire commercial segment of FPC's domestic services, in particular, the deregulated segment of trains outside socially necessary train services.

The system helps identify the balance between the demand for, and cost of, services, ultimately driving the demand for rail services.

MARKETING PROMOTIONS AND THEIR RESULTS

An attractive price offer has always been a powerful tool to win more passengers for railway services.

The Company's Marketing Policy puts a special focus on retaining existing and acquiring new customers. We developed and successfully implemented a set of marketing initiatives aimed to boost passenger traffic. We estimated that in 2018 the flexible pricing policy and marketing initiatives increased the flow of passengers to FPC's deregulated segment by approximately 7.8%.

In 2018, 15 global marketing initiatives were delivered in the deregulated segment. In addition to the discounts offered for some destinations and seat categories (upper berths), we also offered special fares for certain passenger categories:

- Travel First Class: special fares for first-class sleeping carriages (approximately 122 trains).
- A 50% discount for upper berths in second-class sleeping carriages during the February and March holidays.
- A 50% discount for travelling in second-class sleeping carriages for children aged from 10 to 17 during the spring and autumn holidays and before summer school holidays.
- Free travel for Great Patriotic War (WWII) veterans, including disabled veterans, between 1 May and 31 May.
- Hero City: special fares for second-class sleeping carriages and carriages with seats in higher-speed trains (a separate list of trains departing between 7 May and 12 May).
- A 60% discount for upper berths in second-class sleeping carriages in certain trains departing from the Black Sea coast between 27 May and 14 June.

In 2018, approximately 72% of tickets covered by dynamic pricing were sold at prices below or comparable to basic fares (fares that would have been applied without dynamic pricing).

To reinforce its positions in the passenger services market, FPC has been running various marketing promotions to stimulate consumer demand in both the deregulated and regulated segments, and boost the Company's revenue.

- A 30% discount for second-class sleeping carriages during the 2018 FIFA World Cup (a separate list of trains).
- Indian Summer: special fares (RUB 1 = 1 km) for trains to the Black Sea coast departing between 1 October and 21 December, when booked 90 to 30 days before departure.
- The Day of Older Persons: on 29–30 September and 1 October, passengers aged over 60 were entitled to a 50% discount for second-class sleeping carriages in trains departing between 1 October and 31 October.
- New Year Night: a 50% discount for upper berths in second-class sleeping carriages in trains departing on 31 December 2018 (a separate list of trains).
- A 2%–10% discount, valid throughout the year, for second-class sleeping carriages not equipped with environmentally friendly toilet facilities and air conditioning units.

In the regulated segment, we delivered 11 global marketing initiatives grouped by the following periods:

- A 40% discount for side upper berths and upper berths at the end of third-class open sleeping carriages of trains departing between 10 January and 27 April (excluding the February and March holidays).

In addition, in 2018 we delivered

>2,000

one-time

marketing initiatives

A total of

7.1

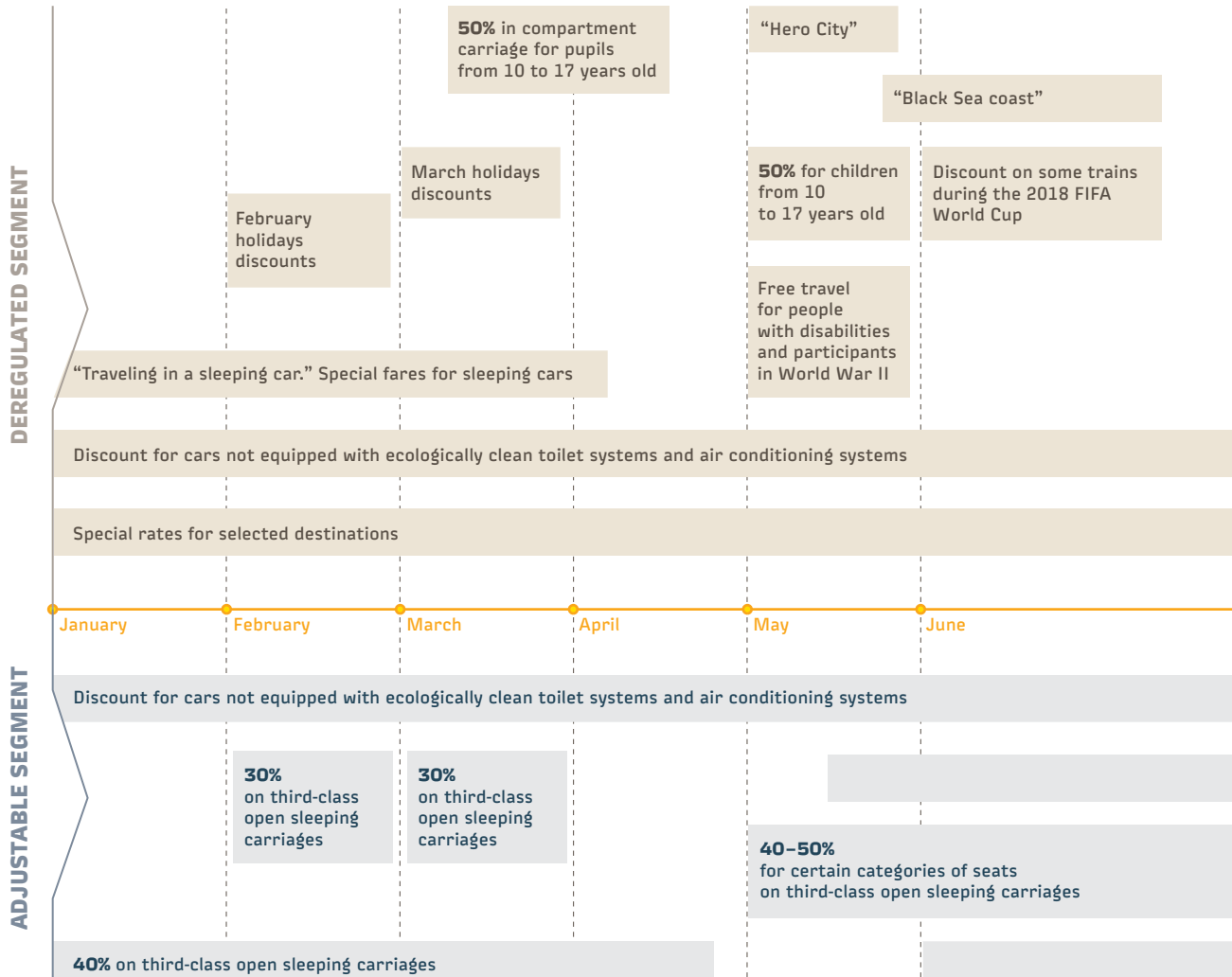
million passengers

benefited from our special offers

² In this case, a booking window is the starting date of advance train ticket sales.

- A 30% discount for upper berths and lower berths at the end of third-class open sleeping carriages during the February and March holidays.
- A 50% discount for children aged from 10 to 17 during summer holidays (between 1 June and 31 August, excluding trains numbered 701 to 788).
- Indian Summer: for certain trains (over 60 trains) departing between 1 October and 21 December we offered a 40% discount for upper and lower side berths when booked 30 or more days before departure.
- A 40% discount for upper berths at the end of third-class open sleeping carriages and upper side berths between 1 October and 21 December.
- New Year Night: a 50% discount for upper berths in third-class carriages departing on 31 December 2018 (some trains).

SPECIAL RATES FOR MARKETING IN 2018



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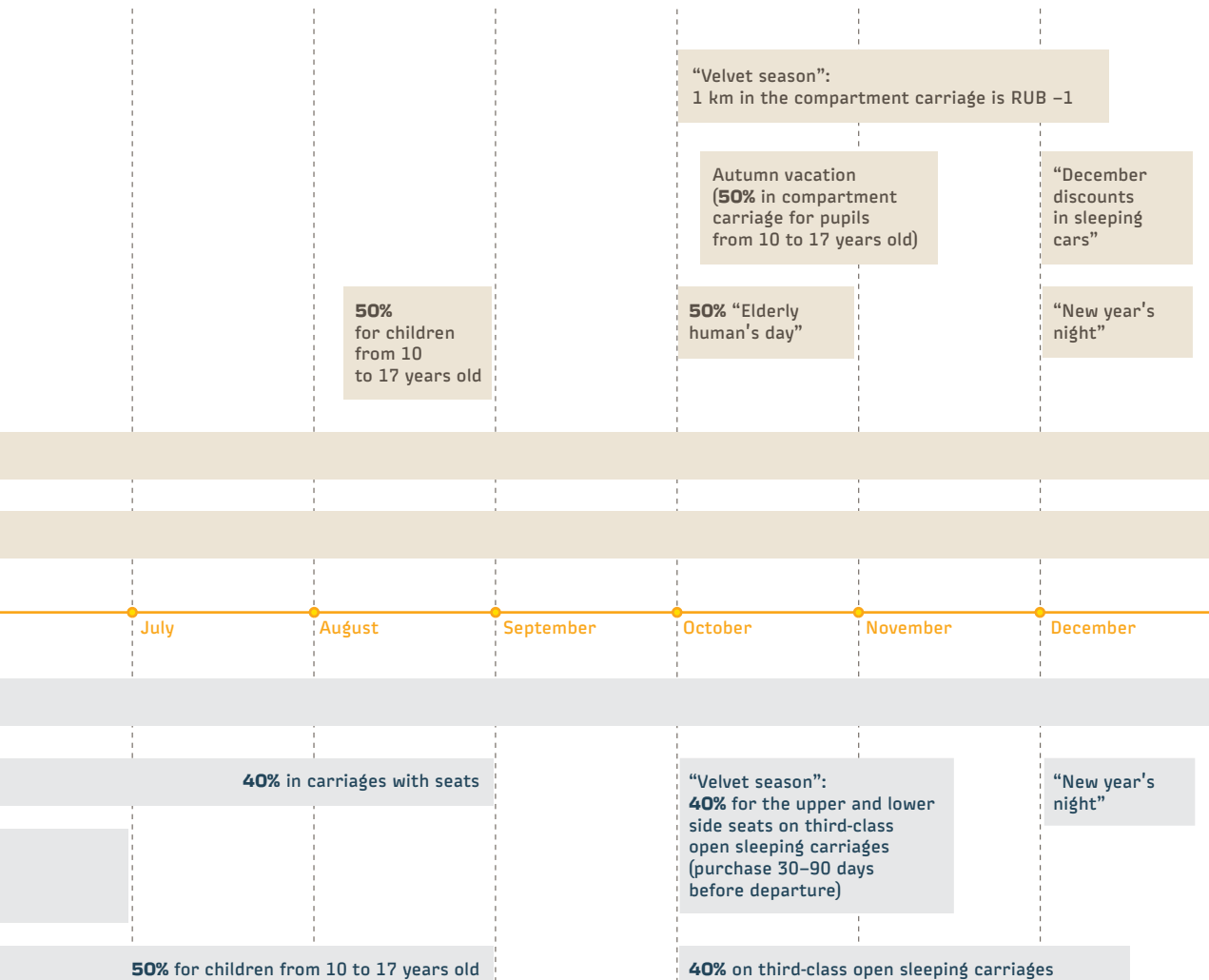
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- A 2%–5% discount, valid throughout the year, for carriages not equipped with environmentally friendly toilet facilities and air conditioning units.

Over nine million passengers were estimated to have benefited from special offers in the regulated segment.



International services

We made over 23 offers for international services in 2018 with discounts ranging from 5% to 70%. These discounts specifically applied to early

booking, families, groups (including small groups), children (50% discounts), round trips, senior passengers, etc.

SPECIAL FARES, DISCOUNTS AND MARKETING PROMOTIONS FOR INTERNATIONAL SERVICES IN 2018

SPECIAL FARES/DISCOUNTS FOR TICKETS TO WEST EUROPEAN COUNTRIES	DISCOUNTS FOR TICKETS TO POLAND	DISCOUNTS FOR TICKETS TO FINLAND	DISCOUNTS/LOWER FARES FOR TICKETS TO ASIAN COUNTRIES (CHINA, NORTH KOREA, MONGOLIA)
Family (compartment booked by two passengers)	Children under 12	Children under 12	Children aged from 4 to 12
Adult Senior and Junior (for passengers aged over 60 and between 12 and 26)	Group of six or more adults	Group of six or more adults	Round trip
Senior Single and Junior Single (whole compartment booked by a passenger aged over 60 or between 12 and 26)	Children's Group (double discount for children travelling in a group)	Plan Early! (from 1 January to 8 December, and from 9 December to 20 January)	Lower fares for trains running between Russia and Mongolia
Family (compartment booked by two passengers)	Booking 60–45 days before departure		Lower fares for trains running through Russia and North Korea, and FPC's third-class open sleeping carriages
Voyage (small groups from two to five people)	1st and 2nd classes		
Festive (seven days before or after birthday)			
Wedding (newly wedded couples, valid for one month)			

● Discounts
● Special/lower fares

Special fares, discounts and promotions are valid throughout the year

SYSTEM OF DISCOUNTS IN THE INTERNATIONAL SERVICES IN 2018

Discounts for individual passengers within the two-way cooperation in the message with the countries-participants MGMT for 2018

1	2	3	4
Depending on the terms of sale 10 to 58%	In dependence from location seats (reserved seat) Railway of Moldova – 70%, Belarusian Railways – 10%	At the same time the redemption of the whole compartment 25% (coupe, sleeping carriage)	At the same time registration of travel cards documents «there» and «back» (coupe, sleeping carriage) in the «back» direction 20%
15–20% between Russia and Belarus 15–20% between Russia and Moldova 10–15% between Russia and Estonia 10–25% between Russia and Lithuania 10–15% between Russia and Latvia 25–45% between Russia and Uzbekistan 46–58% between Russia and Tajikistan 15–55% between Russia and Kyrgyzstan, Kazakhstan	Between Russia and Moldova Between Russia and Belarus	Between Russia and Latvia	Between Russia and Belarus

In 2018

Discounts and marketing promotions in the message with countries participating in the interstate passenger tariff (ISPT) preserved at the level of 2017

In a message with Kyrgyzstan **increased the size of discounts**

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