

## KEY OPERATING HIGHLIGHTS

The year 2018 was more favourable for FPC than 2017.

### OPERATING PERFORMANCE

In 2018, FPC met the demand for passenger services by carrying over 102 million passengers (up 7.2% year-on-year), including 60.3 million in the regulated segment and 41.7 million in the deregulated segment.

By the end of the year, passenger km travelled totalled 91.6 billion, up 5.3% year-on-year, mainly driven by FPC's trains: passenger km travelled totalled 87.7 billion, including 33.6 billion in the deregulated segment and 54.1 billion in the regulated segment.

With the passenger km travelled (up 6% year-on-year) growing faster than the carriage km (up 2.8% year-on-year), we improved our carriage capacity utilisation rates to 71.1% (up 3.1% year-on-year).

### HIGHLIGHTS

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
<b>Passenger km travelled, billion</b>	<b>89.5</b>	<b>87.0</b>	<b>91.6</b>	<b>105.3</b>
On FPC's trains	85.1	82.8	87.7	106.0
Deregulated segment	26.0	28.1	33.6	119.5
Domestic traffic	24.3	26.5	31.9	120.4
Interstate traffic	1.7	1.7	1.8	106.4
Regulated segment	59.1	54.6	54.1	99.0
On trains of the CIS and Baltic states	4.4	4.2	3.8	91.8
<b>Passengers carried, million</b>	<b>93.8</b>	<b>95.1</b>	<b>102.0</b>	<b>107.2</b>
Deregulated segment	31.1	35.2	41.7	118.4
Regulated segment	62.7	59.9	60.3	100.6

### FINANCIAL RESULTS

In 2018, operating revenues amounted to RUB 226.1 billion, up 4.6% year-on-year.

Operating expenses increased to RUB 222.2 billion, or by 5.8% year-on-year.

Subsidies from the federal budget amounted to RUB 8.6 billion (RUB 7.8 billion in 2017).

EBITDA for 2018 was RUB 26.8 billion, down RUB 0.2 billion year-on-year.

FY2018 net profit was RUB 6.1 billion (RUB 7.9 billion in 2017).

The Company's non-current liabilities increased from RUB 24 billion to RUB 43 billion, or by 79.6%, driven by an increase in long-term loans and borrowings by RUB 18.2 billion.

Current liabilities rose to RUB 37.8 billion, or by RUB 5.2 billion year-on-year, driven, in particular, by an increase in short-term borrowings by RUB 4.9 billion.

## CHANGES IN NET ASSETS, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %	
Net assets	186.1	194.0	201.5		103.9

## FINANCIAL RESULTS, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017	
				+/-	%
<b>Operating revenues</b>	<b>201.2</b>	<b>216.2</b>	<b>226.1</b>	<b>9.9</b>	<b>104.6</b>
Passenger services	180.1	193.7	202.4	8.7	104.5
Other sales	21.1	22.5	23.7	1.2	105.4
<b>Operating expenses</b>	<b>207.1</b>	<b>210.0</b>	<b>222.2</b>	<b>12.2</b>	<b>105.8</b>
Passenger services	191.8	194.4	206.1	11.7	106.0
Other sales	15.3	15.6	16.1	0.5	103.5
<b>Operating result</b>	<b>-5.9</b>	<b>6.2</b>	<b>3.9</b>	<b>-2.3</b>	<b>63.3</b>
Passenger services	-11.7	-0.7	-3.7	-3.0	505.6
Other sales	5.8	7.0	7.6	0.7	109.7
<b>Other revenue</b>	<b>23.0</b>	<b>14.0</b>	<b>15.6</b>	<b>1.5</b>	<b>111.0</b>
Subsidies from the federal budget	18.9	7.8	8.6	0.9	111.2
<b>Other expenses</b>	<b>8.7</b>	<b>9.3</b>	<b>10.7</b>	<b>1.4</b>	<b>115.2</b>
<b>Other revenue and expenses</b>	<b>14.3</b>	<b>4.7</b>	<b>4.8</b>	<b>0.1</b>	<b>102.8</b>
<b>Profit (loss) before tax</b>	<b>8.5</b>	<b>10.9</b>	<b>8.8</b>	<b>-2.2</b>	<b>80.3</b>
EBITDA, including subsidies	24.3	27.0	26.8	-0.2	99.3
EBITDA margin, including subsidies	11.0%	12.1%	11.4%	-0.7 p.p.	94.7
Income tax and other similar liabilities	3.2	3.0	2.7	-0.3	89.1
<b>Net profit/loss</b>	<b>5.3</b>	<b>7.9</b>	<b>6.1</b>	<b>-1.8</b>	<b>76.9</b>
<b>Net profit margin</b>	<b>2.63%</b>	<b>3.66%</b>	<b>2.69%</b>	<b>-0.97 p.p.</b>	<b>73.5</b>

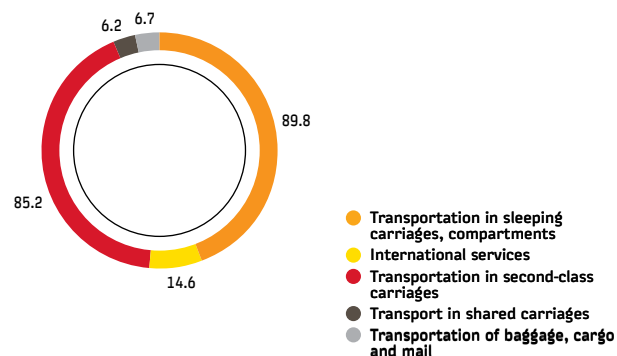
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## Revenue

### REVENUE FROM PASSENGER SERVICES, %



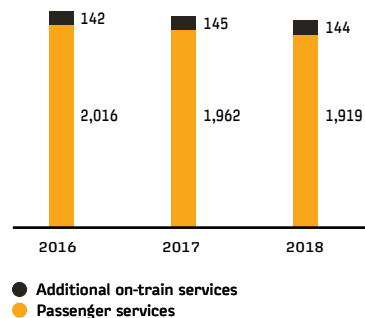
### Revenue from passenger services

In 2018, the Company had a much higher overall passenger traffic flow, up 5.3% year-on-year, which was the key driver behind the increased revenue from passenger services, also supported by no tariff indexation.

Revenue from domestic services in first-class and second-class sleeping carriages was RUB 89.8 billion, up 10.8% year-on-year, driven by a strong 19.5% growth in passenger traffic from the implementation of marketing initiatives.

Revenue from international services totalled RUB 14.6 billion, up 3.6% year-on-year. Despite an 8.2% decline in passenger traffic on trains of the CIS and Baltic states, revenue numbers were supported by the appreciation of the Swiss franc by approximately 8% year-on-year.

### AVERAGE REVENUE PER PASSENGER (INCLUDING VAT), RUB



A 0.3% decrease in revenue year-on-year was driven by a slight 1% decline in passenger traffic.

Revenue from baggage, unaccompanied baggage, and mail transport went down 4.6% year-on-year to RUB 6.7 billion due to a 14.9% decrease in freight km.

### CHANGES IN OPERATING REVENUES, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
<b>Passenger services</b>	<b>180.1</b>	<b>193.7</b>	<b>202.4</b>	<b>104.5</b>
Deregulated segment	85.6	95.1	104.3	109.7
First-class and second-class sleeping carriages	70.2	81.0	89.8	110.8
International services	15.4	14.1	14.6	103.6
Regulated segment	94.5	98.6	98.1	99.4
Passenger services	87.7	91.6	91.4	99.7
including: third-class open sleeping carriages	82.5	85.6	85.2	99.5
fourth-class seating carriages	5.2	6.0	6.2	102.8
Baggage, unaccompanied baggage, and mail transport	6.8	7.0	6.7	95.4

## Revenue from other activities

### Other FPC activities include:

- repairs of non-owned rolling stock
- additional on-train services
- lease of the rolling stock and property assets
- other services.

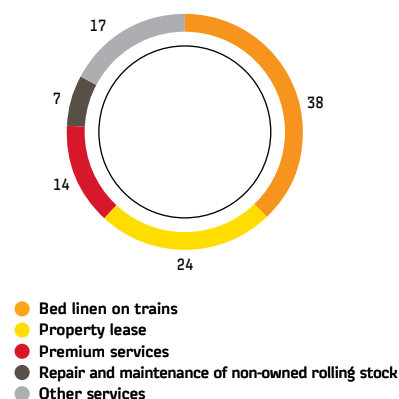
### CHANGES IN REVENUE FROM OTHER ACTIVITIES, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017	
				+/-	%
<b>Revenue from other activities</b>	<b>21.1</b>	<b>22.5</b>	<b>23.7</b>	<b>1.22</b>	<b>105.4</b>
Repairs of non-owned rolling stock	2.1	1.9	1.7	-0.15	92.0
Additional on-train services	11.3	11.7	12.4	0.72	106.1
Bed linen on trains	8.2	8.4	9.1	0.63	107.5
Premium services	3.1	3.3	3.4	0.09	102.6
Property lease	4.2	5.4	5.6	0.25	104.7
Other services	3.5	3.5	3.9	0.4	111.4

In 2018, revenue from other activities totalled RUB 23.7 billion, up 5.4% year-on-year.

The growth was driven by more additional on-train services (up 6.1%) coming from the higher passenger traffic, as well as by increased lease of the rolling stock (up 6.6%) coming from the higher rolling stock lease demand from the Transport Directorate of the 2018 FIFA World Cup Russia as part of the World Cup 2018.

### REVENUE FROM OTHER ACTIVITIES, %



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## Expenses

### Passenger service expenses

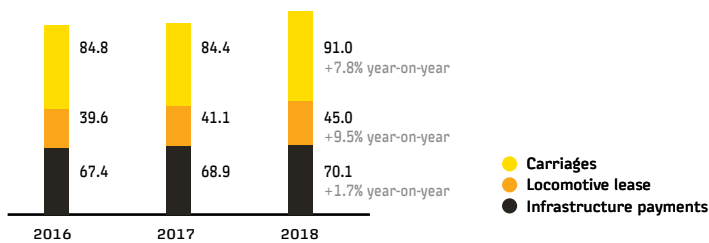
In 2018, passenger service expenses amounted to RUB 206.1 billion, up 6% year-on-year.

By the end of the year, the cost of passenger services totalled RUB 22.5 per 10 passenger km, up 0.7% year-on-year.

### PASSENGER SERVICE EXPENSES, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
<b>Total</b>	<b>191.8</b>	<b>194.4</b>	<b>206.1</b>	<b>106.0</b>
Payroll costs	29.9	30.4	32.6	107.4
Social contributions	8.1	8.4	8.9	106.2
Material costs	25.7	24.9	24.5	98.1
including:				
materials	5.5	5.5	6.2	113.0
fuel	0.6	0.6	0.7	114.3
electricity	0.4	0.4	0.4	109.9
other material costs	19.2	18.5	17.1	92.9
Other expenses	115.7	118.2	126.5	107.0
Infrastructure payments	67.4	68.9	70.1	101.7
Locomotive lease	39.6	41.1	45.0	109.4
Depreciation	12.5	12.6	13.6	108.3

### PASSENGER SERVICE EXPENSES, RUB BILLION



### Expenses on other activities

In 2018, expenses on other activities totalled RUB 16.1 billion, up 3.5% year-on-year.

In 2018, growing expenses on other activities were driven by the increase in additional on-train services and lease of the rolling stock under the contract with the Transport Directorate of the 2018 FIFA World Cup Russia as part of the World Cup 2018.

### CHANGES IN EXPENSES ON OTHER ACTIVITIES, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017	
				+/-	%
<b>Expenses on other activities, total</b>	<b>15.3</b>	<b>15.6</b>	<b>16.1</b>	<b>0.55</b>	<b>103.5</b>
Repairs of non-owned rolling stock	1.5	1.4	1.3	-0.13	91.2
Additional on-train services	9.0	8.7	9.3	0.53	106.1
Bed linen on trains	6.4	6.4	6.8	0.43	106.8
Premium services	2.5	2.3	2.4	0.1	104.3
Property lease	2.0	2.4	2.7	0.39	104.7
Other services	2.8	3.1	2.8	-0.25	91.9

### Overhauls

In 2018, actual expenses on overhauls of fixed assets were RUB 4.8 billion, or 92.7% of the 2017 level, including:

- RUB 4.6 billion on overhauls of passenger carriages (92.1% of the 2017 level)
- RUB 0.2 billion on overhauls of buildings and structures performed by third parties – only for facilities in need of an urgent overhaul (up 6.8% year-on-year).

### FIXED ASSETS OVERHAUL COSTS, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
<b>Overhauls of fixed assets, total:</b>	<b>5.7</b>	<b>5.2</b>	<b>4.8</b>	<b>92.7</b>
Carriages	5.5	5.0	4.6	92.1
Buildings and structures	0.2	0.2	0.2	106.8

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### Cost optimisation programme

The Company developed an Operational Efficiency and Cost Optimisation Programme for 2018–2020 to enhance FPC's performance. In 2018, the Programme had the budget of RUB 3,844.9 million.

#### The Programme aims to:

- assess and optimise current expenses
- improve management of maintenance and repair of equipment, buildings, and structures
- improve working capital management
- improve fixed asset management
- improve procurement and supply chain management
- streamline the remuneration and motivation system
- optimise headcount.
- other activities.

In 2018, labour productivity was up 8.5% year-on-year due to a 6% growth in traffic and headcount optimisation. The average headcount in transport services totalled 53,896 FTEs, down 2.3% year-on-year (1,293 FTEs).

### HEADCOUNT AND LABOUR PRODUCTIVITY

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
FPC headcount, FTEs	63,109	60,724	58,975	97.1
Including in transport services	58,071	55,189	53,896	97.7
Labour productivity, '000 passenger km/FTE	1,465	1,500	1,628	108.5

### Other income and expenses

In 2018, the financial result from other income and expenses amounted to RUB 4.8 billion.

### OTHER INCOME AND EXPENSES, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
<b>Other income</b>	<b>23.0</b>	<b>14.0</b>	<b>15.6</b>	<b>111.0</b>
Interest receivable	0.9	1.3	0.8	60.4
Proceeds from the disposal of fixed and other assets	0.2	0.3	0.8	240.9
Subsidies from the federal budget	18.9	7.8	8.6	111.2
Other	3.0	4.7	5.4	115.0
<b>Other expenses</b>	<b>8.7</b>	<b>9.3</b>	<b>10.7</b>	<b>115.2</b>
Interest payable	2.0	2.3	2.8	120.4
Expenses on the disposal of fixed and other assets	0.2	0.2	0.4	173.8
Cash management services	1.9	1.9	1.8	95.4
Other	4.6	4.8	5.7	118.0

Key revenues received as part of other FPC's income were government subsidies allocated as a compensation for the revenue shortfall caused by the government regulation of long-distance tariffs for third-class open sleeping and fourth-class seating carriages. In 2018, RUB 8.6 billion in subsidies were received from the federal budget (RUB 7.8 billion in 2017).

Interest expenses on loans were the key item in other expenses, amounting to RUB 2.8 billion in 2018 and to RUB 2.3 billion in 2017.

## Debt policy

As at 31 December 2018, FPC's debt amounted to RUB 45.5 billion (excluding a RUB 0.5 billion worth of accrued interest payable in the following quarter), including RUB 5.5 billion of loan liabilities and RUB 40 billion of bond liabilities.

FPC had no debt denominated in a foreign currency.

Earlier loans will be repaid in full by the end of 2021.

To secure financing for the Investment Programme, FPC placed a total of RUB 25 billion in bonds (three issues) on the Moscow Exchange: 6.5-year RUB 10 billion exchange-traded bonds at 7.2%, 5-year

RUB 5 billion bonds at 8.9%, and 10-year RUB 10 billion bonds at 8.4% during the first year to be followed by a floating coupon rate from the second year through maturity based on a 7-year zero coupon yield curve with an interest rate of 0.7% p.a.

In 2018, FPC did not open long-term credit facilities with any credit institutions.

The nearest maturity date is in 2019. The Company will also be repaying bonds for a total of RUB 35 billion from 2022 to 2028.

### FPC'S DEBT MATURITIES AS AT 31 DECEMBER 2018, RUB BILLION

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
6.8	1.8	1.8	10.0	5.0	10.0	0	0	0	10.0

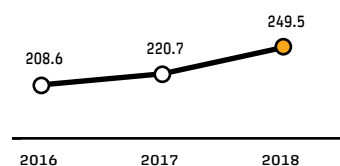
## Balance sheet total

In 2018, FPC's balance sheet total increased by RUB 32 billion, or by 13%.

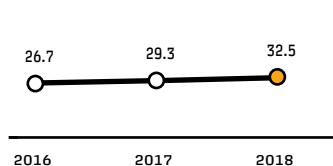
### KEY BALANCE SHEET ITEMS, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
Non-current assets	208.6	220.7	249.5	113.0
Current assets	26.7	29.3	32.5	111.0
<b>Assets</b>	<b>235.3</b>	<b>250.0</b>	<b>282.0</b>	<b>112.8</b>
Equity and reserves	185.6	193.5	201.2	104.0
Non-current liabilities	19.4	24.0	43.0	179.6
Current liabilities	30.2	32.5	37.8	116.1
<b>Liabilities</b>	<b>235.3</b>	<b>250.0</b>	<b>282.0</b>	<b>112.8</b>

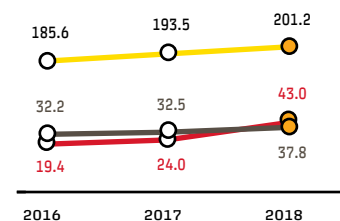
#### NON-CURRENT ASSETS, RUB BILLION



#### CURRENT ASSETS, RUB BILLION



#### LIABILITIES, RUB BILLION



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As at 31 December 2018, FPC's non-current liabilities totalled RUB 43 billion, including loans and borrowings for RUB 38.7 billion.

The size of FPC's share capital as at 31 January 2018 was RUB 171,961,040,539.

FPC placed 171,961,040,539 ordinary registered uncertified shares with the same par value of RUB 1 each.

In 2018, Russian Railways' shareholding in FPC's share capital was 99.999999999%, with JSC KRP-Invest holding 0.000000001%.

JSC FPC's registrar is Company STATUS, which maintains the FPC securities register under contract No. 201-14/FPC-14-216 dated 11 June 2014.

On 23 August 2018, FPC opened an account of the National Settlement Depository, the nominal shareholder of the central depository, in its securities register.

In the reporting year, the Company's net assets increased by 3.9% to RUB 201.5 billion.

#### NET ASSETS, RUB BILLION

INDICATOR	2016	2017	2018	CHANGE 2018/2017, %
Net assets	186.1	194.0	201.5	103.9

#### Inventories

As at 31 December 2018, FPC's inventories amounted to RUB 3.78 billion, including RUB 0.15 billion worth of fuel, whereas in 2017, inventories totalled RUB 3.53 billion, including RUB 0.13 billion worth of fuel.

In 2018, the total cost of FPC's inventories increased by RUB 0.25 billion, or by 7%, driven by growth in prices of purchased inventories and the increasing share of spare parts for next-generation passenger carriages.

## Payables and receivables

As at 31 December 2018, FPC's receivables totalled RUB 11.27 billion.

Taxes and charges receivable were 71.9%, or RUB 8.1 billion.

As at the end of 2018, trade receivables, except for transport services, made up RUB 0.49 billion, or 4.3% – a reduction by RUB 0.33 billion, or 40.2% year-on-year. The largest share of trade receivables was due for repair and maintenance of the rolling stock, amounting to RUB 0.26 billion, or 53.1%, and for lease of the rolling stock and property assets, amounting to RUB 0.14 billion, or 28.6%.

Trade receivables due for passenger services made up RUB 1.07 billion, or 9.5%, in line with the terms of relevant contracts.

As at 31 December 2018, prepayments totalled RUB 0.48 billion or 4.3%.

### RECEIVABLES AS AT 31 DECEMBER, RUB BILLION

RECEIVABLES	2016	2017	2018
Trade receivables (except for transport services)	1.21	0.82	0.49
Trade receivables (for transport services)	1.10	1.15	1.07
Prepayments	0.48	0.45	0.48
Taxes and charges	3.53	8.53	8.10
Other receivables	0.74	1.14	1.13
<b>Total</b>	<b>7.06</b>	<b>12.09</b>	<b>11.27</b>

By late December 2018, payables had increased by 1.5% year-on-year to RUB 24.8 billion. The largest share of payables was attributed to trade payables totalling RUB 9.96 billion, or 40.2%, and prepayments for transport services totalling RUB 8.7 billion, or 35.1%.

### PAYABLES AS AT 31 DECEMBER, RUB BILLION

INDICATOR	2016	2017	2018
Trade payables	9.22	10.22	9.96
Payroll liabilities	1.42	1.45	1.48
Taxes and charges, social insurance	1.77	1.65	1.87
Prepayments for other activities	0.16	0.64	0.29
Prepayments for transport services	7.48	7.82	8.70
Other payables	2.04	2.64	2.50
<b>Total</b>	<b>22.09</b>	<b>24.43</b>	<b>24.80</b>

As payables are above the receivables, the Company can use payables as an additional source of financing. Receivables to payables ratio was 0.45.

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## Cash flows<sup>1</sup>

As at 1 January 2018, FPC's balance of cash including short-term deposits totalled RUB 13.3 billion, including RUB 2.2 billion in the current account.

### Cash flows from operating activities

In 2018, the cash flow from operating activities totalled RUB 267.1 billion, including RUB 8.6 billion from the federal budget. Most cash (77%) was received from passenger services totalling RUB 205 billion less transit charges.

Operating expenses amounted to RUB 263.8 billion, including expenses for infrastructure services and locomotive lease totalling RUB 135.2 billion, or 51.3%.

Positive cash flow from operating activities was RUB 3.3 billion.

### CASH FLOWS FROM OPERATING ACTIVITIES, RUB BILLION

INDICATOR	2016	2017	2018
Net cash flow	17.0	4.1	3.3
Cash received	262.8	254.2	267.1
Cash used	245.8	250.0	263.8

### Cash flows from investing activities

Expenses for investment activities totalled RUB 62.1 billion.

In the reporting period, RUB 42 billion (96% of investment) were allocated for passenger rolling stock replacement and upgrades, including:

- RUB 30.9 billion for acquisition of new passenger carriages
- RUB 11.1 billion for upgrades of passenger rolling stock.

Negative cash flow from investing activities amounted to RUB 60.6 billion.

### CASH FLOWS FROM INVESTING ACTIVITIES, RUB BILLION

INDICATOR	2016	2017	2018
Cash flow	-20.2	-27.5	-60.6
Cash received	1.2	1.7	1.6
Cash used	21.4	29.2	62.1

### Cash flows from financing activities

In 2018, cash received from financing activities was RUB 55.2 billion (of which 45.3% was attributed to borrowings).

Cash used in the amount of RUB 4.7 billion resulted from:

- interest payments on loans and borrowings – RUB 2.4 billion
- repayment of loans and borrowings – RUB 2.3 billion.

Net cash flows from financing activities totalled RUB 50.5 billion.

### CASH FLOWS FROM FINANCING ACTIVITIES, RUB BILLION

INDICATOR	2016	2017	2018
Net cash flow	7.6	21.3	50.5
Cash received	25.2	43.9	55.2
Cash used	17.6	22.6	4.7

<sup>1</sup> In accordance with the management accounting data.

## 2018 results

FPC's negative cash flow for the year totalled RUB 6.8 billion.

As at 31 December 2018, FPC's balance of cash including short-term deposits was RUB 6.5 billion, including RUB 2.4 billion in the current account.

## Financial review

INDICATOR	2016	2017	2018
<b>Liquidity</b>			
Absolute liquidity ratio	0.51	0.41	0.45
Current liquidity ratio	0.88	0.90	0.86
Leverage ratio	0.79	0.77	0.71
<b>Margins, %</b>			
Sales margin (including subsidies)	5.94	6.25	5.35
Return on equity (ROE)	2.85	4.09	3.02
Return on assets, including subsidies (ROA)	2.25	3.16	2.16
<b>Liabilities</b>			
Liabilities in the balance sheet total	0.21	0.23	0.29
Financial leverage (interest-bearing borrowings/equity)	0.27	0.29	0.40
Total debt/EBITDA	0.81	0.85	1.72
Total debt/revenue (including subsidies)	0.09	0.11	0.20

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