

COMPANY STRATEGY



As a key business unit of RZD Holding, FPC's operations are focused on achieving financial, economic, and volume targets set out in the Long-Term Development Programme of Russian Railways to 2025 (LDP) approved by the Russian Government. As part of the effort to develop the LDP and to ensure the achievement of its goals related to long-distance passenger services, FPC designed a draft Long-Term Development Strategy to 2030 and set up a strategic project management office responsible for monitoring the progress on FPC-relevant strategic goals of Russian Railways' LDP.

MISSION

We are improving the quality of life by offering extremely safe, affordable, and comfortable passenger experience.

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 rail 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 transport 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 transport services at complementary destinations, as well as providing the most convenient range of multimodal route options covering the most popular, key long-distance destinations.

118

million passengers

will be carried
in 2025

Company Profile

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Highly efficient, financially stable company

- maximising financial results and ensuring self-sufficiency in operations.

330

RUB billion

estimated earnings in 2025

Customer-focused company

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

236

RUB billion

total amount of rolling stock purchases from 2019 till 2025

Socially responsible company

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

54

billion pkm

passenger turnover in the regulated passenger transportation segment in 2025

STRATEGIC GOALS OF THE COMPANY

According to the LDP, the Company's main focus will be on significantly increasing the average train speeds, developing comprehensive combined transport operations (such as multimodal transport services), increasing passenger traffic on the busiest routes in Russia, and improving the competitiveness of our existing services. The Company will also continue to act as a public carrier, which means servicing single or socially significant routes.

The LDP's key targets relevant to FPC address changes in the transport market, the competitive situation, evolving customer requirements,

and development trends in the passenger transport regulatory environment. FPC's Strategy assumes the Company retains its current role within the long-term strategic development programme of RZD Holding.

FPC today

FPC's Strategy goals

FPC tomorrow

2018

2025 (LDP)

Passenger turnover

92

billion passenger km



107

billion passenger km

RAIL CARRIER

Reliance on subsidies, insufficient customer focus, ageing fleet, complex value proposition, network optimisation potential, limited multimodal offering

Passengers transported

102

million passengers



118

million passengers

RUSSIA'S LEADER IN PASSENGER MOBILITY

A highly efficient, customer-focused company that strives to enhance value while improving passenger mobility across travel classes and regions of Russia as it transitions to franchise contracts for regular rail passenger services

Net profit

6

RUB billion



20

RUB billion

Market share¹

28

%



32

%

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¹ Including personal transport.



Target performance indicators have been set for the Company until 2021.

FPC TARGET PERFORMANCE INDICATORS

INDICATORS	2018		2019	2020	2021
	PLAN	ACTUAL			
Investment volume net of VAT, RUB billion	44.9	43.9	42.1	45.3	47.9
Revenue, RUB billion	217.4	226.1	231.7	243.0	256.2
EBITDA margin (incl. subsidies), RUB billion	22.5	26.8	27.7	33.8	38.7
Federal subsidies, RUB billion	8.5	8.6	7.7	8.5	8.6
Traffic safety, incidents per million train km	0.0098	0.0049	0.0064 ²	0.0063	0.0062
Labour productivity growth rate, %	105.0	108.5	103.5	101.2	105.0
Passenger km travelled, billion	88	92	92	93	98
Net profit, RUB billion	2.2	6.1	5.0	8.3	11.0

² Including service companies providing rolling stock maintenance services.

STRATEGIC AREAS OF DEVELOPMENT

Network

Fundamental rail network optimisation is planned:

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

Fleet

Over 4,400 carriages will be retired from FPC's passenger fleet between 2019 and 2021. To compensate for the carriage fleet shortage, the Company has significantly increased the previously planned investment into rolling stock replacement and upgrades.

5,200 carriages (a third of the total rolling stock) will be replaced between 2019 and 2025. The innovative rolling stock will make up approximately 36% of the total rolling stock by 2025.

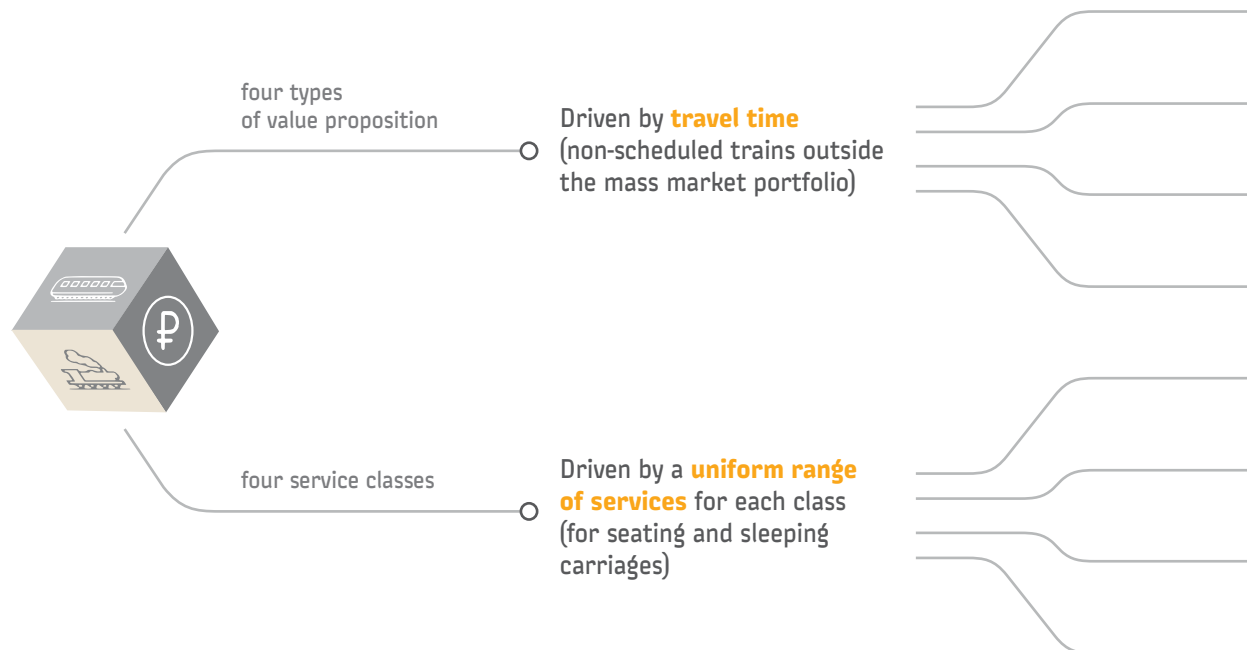
The carriages will be purchased under the long-term contract signed with JSC TVZ, valid until 2025 and providing for the supply of rolling stock in four batches:

- existing model range (Batch 2018)
- new single-decker carriages (Batch 2019)
- new double-decker carriages (Batch 2020)
- innovative single-deckers and double-deckers (Batch 2023).

The rolling stock will feature an improved carriage design 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).

FPC's target product portfolio



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Product offering

The Company is planning transition to a new unified high-quality product offering which includes:

- four train types – daytime express trains, night trains, traditional trains, and tourist trains
- four service classes – business, comfort, economy, and economy budget.

Multimodality

The Company provides transport services across six multimodal routes. A positive financial result in this segment was first achieved in 2018.









FPC is planning to further grow sales of its multimodal services and improve the performance of its existing routes by:

- running a marketing study across the Company's network to identify opportunities within the multimodal segment
- developing a ticket aggregation system for various modes of transport
- building a programme to launch FPC's multimodal services.

Other types of activities and adjacent businesses

FPC's sustainability will be further enhanced by diversifying its activities as well as developing businesses that improve profitability of passenger services through value-added service offerings:

- on-train passenger services
- services for travellers across transport modes
- logistics services (cargo, mail, etc.).

○ Daytime express trains		Quick travel within a business day. Travel time up to 6 hours. Target distances under 600 km
○ Night trains		Comfortable travel for a proper night's rest. Travel time up to 12 hours. Target distances under 1,200–1,500 km
○ Traditional trains		Low-cost, comfortable long-distance travel. Travel time over 12 hours
○ Tourist trains		Deluxe carriages offering five-star hotel-grade service. Unique branded trains (e.g. Red Arrow, Rossiya)
○ Business		Premium comfort and hotel-grade service for productive use of travel time during the day or night
○ Comfort		Comfort and an adequate range of services for affordable and comfortable travel during the day or night
○ Economy		An affordable and comfortable travel choice with access to value-added services on demand
○ Economy budget		The lowest-cost travel option offered on carriages from the earlier model range; service offering is limited