

DEVELOPMENT STRATEGY

MESSAGE FROM THE CHAIRMAN

Dear colleagues and shareholders,

Throughout its history, FPC has performed an important function for society by serving as a national long-distance rail carrier that connects cities, regions, and countries.

Long-distance rail services have increasingly become the travel option of choice for Russian citizens. In 2018, we dispatched over 227,000 long-distance passenger trains, and 99.41% of scheduled departures from originating and turnaround stations were on time. Improved customer service and our expanded route network contributed to a 6.0% year-on-year increase in passenger km travelled on FPC's trains to 87.7 billion passenger km in total for the year.

We continued to expand our long-distance route network in 2018, launching a new express train service between Veliky Novgorod and Nizhny Novgorod – a route which connects several large regions of Russia. We also launched new double-decker trains between Izhevsk and Moscow. The new international train service No. 363/364 between Tomsk and Karaganda has been in operation since 9 December 2018. Additionally, 19 new year-round scheduled trains were introduced on our most popular routes.

Operating modern rolling stock is a key component to providing a high-quality rail passenger service. In 2018, FPC increased its budget for acquiring new carriages and continued to replace and upgrade its passenger rolling stock. In 2018, we acquired a total of 724 new passenger carriages through our investment programme, including 659 single-decker and 65 double-decker carriages, while 584 carriages were repaired.

The number of passengers on double-decker trains has been growing, with 4.5 million recorded in 2018. Modern double-decker trains provide comfort for travellers while carrying double the amount of passengers their conventional counterparts do.

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In pursuit of high standards in passenger comfort, FPC presented a model of an upgraded third-class open sleeping carriage at the Transport of Russia international forum. The carriage's interior was reconceptualised, featuring comfortable berths, partitions with built-in ladders, and personal screens to provide each traveller with a comfortable level of privacy.

In order to drive customer demand for rail passenger services, we ran a number of marketing campaigns during the year and our RZD Bonus Loyalty Programme was also expanded. The programme is highly popular among passengers, with its member count rising over 4 million in 2018.

To sum up, I can confidently state that 2018 was a year of records and transformations for FPC. I am certain that in 2019 the Company will stay true to its mission: the provision of safe, reliable, and comfortable passenger services.

Dmitry Pečov

