

Passenger transportation

Development of new attractively priced products and services and enhancement of the railway competitiveness against air and road transport are some of the Company's priorities in this business line.



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// In 2017, Russian Railways transported over 1.1 billion passengers setting an eight-year record. The main driver behind that growth was the suburban segment with over 1 billion passengers transported.

KEY ACHIEVEMENTS IN 2017

- In 2017, passenger transportation volumes reached an eight-year high of 1,117.9 million people (up 7.8% y-o-y), with both suburban and long-haul routes contributing to the growth.
- The volumes of suburban transportation expanded by 8.6% to 1,015.7 million people, while those in the long-haul segment increased by 0.8% to 102.2 million people.
- On 14 December 2017, the Moscow Central Circle (MCC) set a new record with over 430,000 people transported. In 2017, the MCC transported a total of 110.8 million passengers – a 4.1-fold increase compared to 2016 (27.16 million).
- For the second year running, the Company offered, at its own expense, special prices on tickets for children aged between 10 and 17. In 2017, 180 scheduled runs were made by “children's” trains, with over 450,000 children transported in organised groups.
- Starting December 2017, long-haul tickets can be bought 90 days in advance (vs 60 days previously) to facilitate travel and holiday planning.
- The RZD Bonus loyalty programme attracted 36% more participants, increasing their number to 3 million people who made ca. 14.3 million travels. The 2017 income from banking and non-banking partners stood at RUB 103.7 m and RUB 1.47 m, respectively. Russian Railways also launched a family-friendly version of the RZD Bonus programme enabling all family members to have their bonus points credited to a single account.
- FPC added 3,442 high-speed scheduled runs (up 76.1% y-o-y), with the associated passenger transportation witnessing a 1.8x rise. Overall, high-speed and ultra high-speed trains (FPC, Sapsan, Allegro) transported ca. 12.4 million people (up 35% y-o-y).
- Multimodal¹ suburban transportation gained further traction as over 70 train&bus routes were launched in 2017. Rollout of the Innovative Mobility platform in 2018 will enable passengers to build efficient routes, calculate the price of door-to-door travel, and manage trips through a single user interface.
- Customer satisfaction in the long-haul and suburban transportation segments stood at 81.6 pp (vs 77.7 pp in October 2016) and 78 pp (vs 76.3 pp in October 2016), respectively².

¹ Multimodal transportation involves coordination of train and bus arrival and departure times to give passengers an opportunity to buy a single ticket for both means of transport.

² According to the fourth passenger satisfaction index survey Russian Railways – Public Opinion on Service Quality conducted by the Russian Public Opinion Research Centre (VCIOM) in October 2017.



PREPARATIONS FOR THE 2018 FIFA WORLD CUP™

In 2017, four Russian cities (Moscow, St Petersburg, Kazan and Sochi) hosted FIFA Confederations Cup. For the first time in the event's history, the Government allocated additional trains enabling fans to travel free of charge.

During the matches, security was tightened at all railway stations. Quick response teams were deployed with employees of Russian Railways and Transport Directorate 2018, representatives of law enforcement agencies and managers of volunteering organisations as their members. Volunteers and employees of Transport Directorate 2018 were there to help fans find their way around the railway station and board additional trains.

First-hand experience dealing with massive passenger flows during the Confederations Cup proved to be a valuable asset in planning passenger transportation for the 2018 FIFA World Cup™. The event will be hosted between 14 June and 15 July by 11 Russian cities (Kaliningrad, St Petersburg, Moscow, Nizhny Novgorod, Yekaterinburg, Kazan, Samara, Saransk, Sochi, Rostov-on-Don and Volgograd), with the long-haul transportation alone expected to exceed 2.6 million people.

444.6 thousand fans will be able to travel free of charge on Russian Railways' additional trains, with 728 runs scheduled to that end. A total of 75 trains (1,176 railcars) will be allocated to transport football fans.

Railway stations in host cities have been equipped with additional lockers, directional signs, dynamic digital displays, WiFi hotspots and iBeacon mobile navigation systems to be then integrated into a single customer mobile app developed by Russian Railways. Furthermore, additional screening equipment has been installed at station entrances to ensure smooth passenger flows and avoid congestion.

Passenger transportation in 2017

In the long-haul segment, the Group seeks to provide all Russian regions with affordable passenger transportation alternatives. High-speed and ultra high-speed transportation developments are underway to encourage travel between major metropolitan areas. In the suburban segment, Russian Railways focuses on developing an affordable high-speed alternative to personal cars and public buses in large metropolitan areas.

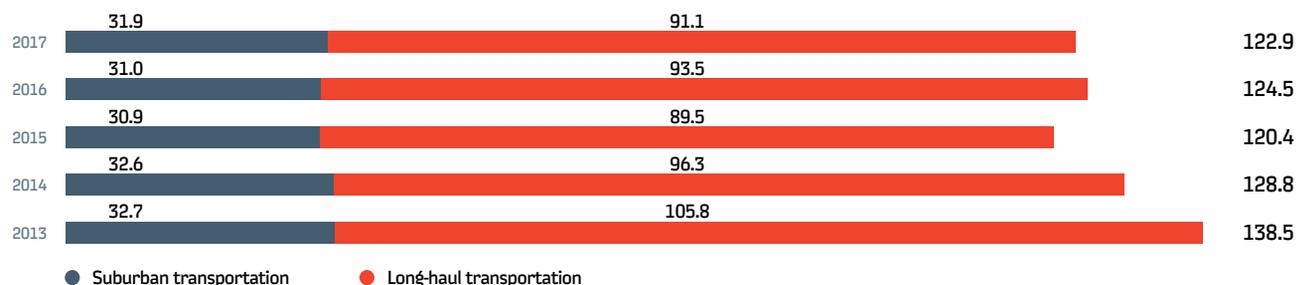
For the first time in the last eight years, passenger transportation in 2017 exceeded 1.1 billion people posting a growth of 7.8 % y-o-y. Both suburban and long-haul transportation volumes were on the rise.

Russian Railways' passenger transportation highlights

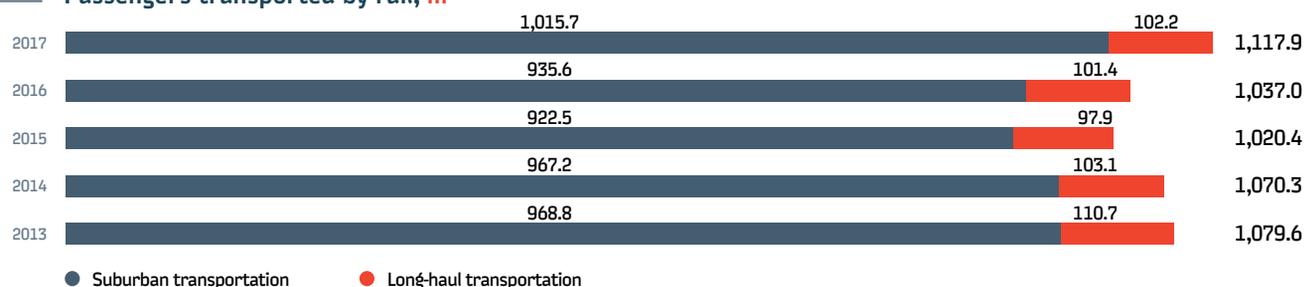
Items	2016	2017	+,-	%
Passenger turnover, bn pkm	124.5	122.9	-1.6	98.8
Suburban transportation	31.0	31.9	0.9	102.8
Long-haul transportation, including	93.5	91.1	-2.4	97.4
high-speed and ultra high-speed trains	4.6	6.1	1.5	132.6
Passengers transported, m	1,037.0	1,117.9	80.9	107.8
Suburban transportation	935.6	1,015.7	80.1	108.6
Long-haul transportation, including	101.4	102.2	0.8	100.8
high-speed and ultra high-speed trains	9.2	12.4	3.2	134.8



Railway passenger turnover, bn pkm



Passengers transported by rail, m



Suburban passenger transportation

Suburban transportation services are provided by 25 suburban passenger companies (SPC), with Russian Railways, regional bodies of executive power, private investors and Aeroexpress among the co-founders.

Suburban passenger turnover rose by 2.8% y-o-y to 31.9 bn

pkm. In 2017, 1,015.7 million passengers were transported in the suburban segment – a 8.6% increase vs 2016.

The 2017 growth was driven by a rise in certain suburban passenger categories, with students and full-price passengers adding 2.3% and 12.9%, respectively.

SPC performance in 2017

Suburban passenger companies' income from passenger transportation totalled RUB 65.4 bn, up 6% y-o-y, with 15 out of 25 carriers generating higher income as compared to 2016.

Transportation expenses amounted to RUB 72.4 bn, up 7% y-o-y. Due to the failure of Russian regional governments to fully reimburse

the operators' lost income, as at 31 December 2017, suburban passenger companies had accrued payables totalling RUB 44.0 bn (including RUB 39.5 bn owed to Russian Railways). In 2017, aggregate net profit of SPCs (including Central SPC) reduced to RUB 284.6 m vs RUB 1.92 bn in 2016.

Moscow Central Circle performance in 2017

By the end of 2017, the number of passengers serviced by the Moscow Central Circle (MCC) on a daily basis saw a 1.6x increase, as the time interval between trains shrank to 5 minutes. On 14 December, a new record was set with over 430,000 people

transported. In 2017, the MCC transported a total of 110.8 million passengers – a 4.1-fold increase compared to 2016 (27.16 million).

In 2018, the MCC is expected to transport 120.2 million people.

Progress on multimodal hubs in 2017

Creation of transport interchange hubs giving railway passengers an opportunity to switch to a different transport mode is the most successful approach to the integration of urban passenger systems. Such hubs are designed to ensure seamless passenger experience and efficiency of the transportation systems both in terms of technology and economics.

Pursuant to a trilateral agreement signed by the Ministry of Transport and Roads of the Nizhny Novgorod Region, Russian Railways and Volga-Vyatka SPC, works were launched in 2017 to build the Kanavinsky transport interchange hub, a facility included in the Infrastructure Programme for Hosting of the 2018 FIFA World Cup™.

Long-haul passenger transportation

In 2017, Russian Railways saw a long-haul passenger turnover of 91.1 bn pkm, or 97.4% vs 2016. A decrease in the turnover was driven by a slump in the distance travelled. The number of passengers transported stood at 102.2 million.

The following carriers are responsible for long-haul transportation: Federal Passenger Company, Grand Service Express TC, Tverskoy Express, TransClassService, Sakhalin Passenger Company, Kuzbass Suburb, Yakutian Railway, and High-Speed Transportation Directorate (branch of Russian Railways).

The share of long-haul transportation services provided by Russian Railways' subsidiaries and affiliates was as high as 94.9% of the passenger turnover. Trains made up by Federal Passenger Company accounted for 90% of total passenger turnover, with another 4.6% and 0.3% attributable to trains

Federal Passenger Company's performance

In 2017, Federal Passenger Company's passenger turnover totalled 87.0 bn pkm, down 2.8% y-o-y.

For the trains made up by Federal Passenger Company, passenger turnover along the route was 82.8 bn pkm, down 2.7% y-o-y (including 28.1 bn pkm, or up 8.4% y-o-y in the deregulated segment, and 54.6 bn pkm, or down 7.6% y-o-y in the regulated segment).

The reporting year saw over 95 million passengers transported by the Company. In 2017, Federal Passenger Company's income from core operations amounted to RUB 216.2 bn (up 7.5%), including RUB 193.7 bn from passenger transportation (up 7.5%).

High-speed passenger transportation

High-speed transportation services are provided by Federal Passenger Company and High-Speed Transportation Directorate (branch of Russian Railways). In 2017, high-speed and ultra high-speed passenger turnover grew by 32.6% to 6.1 bn pkm. The number of passengers transported by high-speed and ultra high-speed trains amounted to 12.4 million, or 135% against the previous year.

In 2017, double-unit Sapsan trains launched in August 2014 continued to run from Moscow to St Petersburg. On 28 June, the Sapsan train welcomed on board its 25-millionth passenger, and on 30 June, it transported a record high of 18.58 thousand passengers per day. The reporting year saw Sapsan trains carry over 5 million passengers (up 6.1% y-o-y) against a total of 9.3 million (up 5.7% y-o-y) transported along the Moscow–St Petersburg line.

Number of long-haul passengers transported, m passengers



made up by foreign railways and other subsidiaries and affiliates of Russian Railways, respectively. Russian Railways accounts for 3.7% of passenger turnover, while the share of independent carriers stands at 1.4%.

Higher income from passenger transportation compared to the previous year is due to:

- tariff indexation by 3.9% in the regulated segment;
- VAT rate reduction from 10% to 0%.

Operating expenses and net profit for the year also went up from RUB 207.1 bn and RUB 5.3 bn in 2016 to RUB 210.0 bn and RUB 7.9 bn in 2017, respectively.



More information is available at <http://fpc.ru>

As at 31 December 2017, the fleet of Federal Passenger Company featured 297 double-decker railcars. In 2017, double-decker trains transported over 3.3 million passengers (up 24% y-o-y), or 3.7% of total volumes transported by trains of Federal Passenger Company.

By December 2017, Federal Passenger Company had 27 five-car Lastochka trains in lease. In the reporting year, high-speed Lastochka trains transported over 4.8 million passengers (up 47.5% y-o-y), or 5.3% of total volumes transported by trains of Federal Passenger Company.

In 2017, the fleet of Federal Passenger Company featured 100 railcars making up high-speed Strizh trains. These trains operating on Moscow–Nizhny Novgorod and Moscow–Berlin routes transported some 1.2 million passengers (down 4.9% y-o-y).