

Rolling stock renewal

Rolling stock renewal is one of the suburban segment's priorities. In line with its approved investment programme for 2018, Russian Railways purchased 180 Lastochka cars (35 trains).

To enhance customer experience, the Company seeks to renew the rolling stock by:

- › purchasing the Federal Passenger Company's long-haul passenger

Suburban passenger transportation

Suburban transportation services are provided by 24 suburban passenger companies (SPCs), with Russian Railways, regional executive authorities, private investors and Aeroexpress among the co-founders.

Russian Railways holds more than 50% in the charter capital of 19 suburban passenger companies. In January 2018, the Company changed its holding in Central SPC by selling the stake through a public bidding process.

Thanks to the government support of suburban transportation by way of reimbursed infrastructure costs and a discount factor of 0.01, passengers can buy tickets at a socially affordable price. In 2018, most regions opted not to increase rail fares.

Federal support of the suburban segment made it possible to stabilise transportation volumes and even expand local transportation services. As the owner of the public infrastructure, the Company fulfilled its obligations to all carriers.

SPC performance in 2018

Suburban passenger companies' income from passenger transportation totalled

rolling stock to replace the railcar fleet;

- › purchasing Lastochka cars for suburban and long-haul Daily Express¹ transportation between the largest cities. This will help boost passenger traffic, create a brand new type of service with reduced travel time, and introduce innovative comfortable coach cars;
- › conducting overhauls of electric trains.

RUB 28.5 bn, up 6% y-o-y, with 19 out of 24 carriers generating higher income compared to 2017.

Transportation expenses rose by 4% y-o-y to RUB 37.4 bn.

In 2018, SPCs (Russian Railways' subsidiaries and affiliates) reduced their prior debt under agreements with Russian Railways by RUB 0.9 bn, with 20 companies reaching the break-even level².

Moscow Central Circle performance in 2018

In 2018, the MCC serviced 129.6 million passengers (up 17% y-o-y), with total passenger traffic since its launch in 2016 exceeding 267.6 million. This is driven by the opening of new Moscow metro stations and a large influx of tourists and fans seen in Moscow during the 2018 FIFA World Cup Russia™. Early autumn saw the commissioning of residential property located in close proximity to the MCC, which brought about more passengers.

At present, its daily traffic exceeds 400,000 people, and the number keeps growing. On 7 November, the MCC transported a record 501,767 people per day.



WINTER UNIVERSIADE IN KRASNOYARSK

In the run-up to the XXIX Winter Universiade in Krasnoyarsk, Russian Railways invested RUB 3.7 bn in building and upgrading 28 infrastructure facilities. The main facility, the Krasnoyarsk railway station, fully meets barrier-free design and safety requirements, with automated passenger information, Smart Railway Station and electronic queue systems put in place.

In March 2019, the Company used 23 pairs of long-haul trains and 58 daily intracity suburban trains, including 21 routes to sports venues, to transport sports delegations and fans.

The development of the MCC continues. The Company has done simulation modelling using five-, four- and three-minute intervals between trains. A four-minute interval between Lastochka electric trains will increase the MCC's throughput capacity in the range from 592,000 to as much as 806,000 passengers per day (215 and 295 million passengers per year, respectively).

Urban Commuter Train project

In 2018, passengers gave positive feedback on Urban Commuter Train, a regional project to integrate railway transportation

¹ Daily Express refers to day trains with a speed exceeding 100 km/h.

² North-West SPC, Moscow-Tver SPC, Volga-Vyatka SPC, Sodruzhestvo, North Caucasus SPC, Kuban Express Suburb, Chernozemye SPC, Saratov SPC, Volgogradtranspriigorod, Bashkortostan SPC, Samara SPC, Perm Suburban Company, Omsk Suburb, Express Suburb, Altai Suburb, Kraspriigorod, Baikal SPC, Zabaikalsk SPC, Primorye Express, and Sakhalin PC.

into the urban environment by establishing a train connection between districts.

The first Urban Commuter Train project that kicked off in 2012 in Krasnoyarsk is now viewed as similar to a surface metro. During the XXIX Winter Universiade these trains transported spectators and

various client groups. September 2016 saw Moscow launch of the MCC.

The advance of urban railway transport will contribute to:

- › reducing traffic congestion;
- › improving service quality and accessibility;

- › increasing passenger mobility;
- › reducing travel time from the suburbs.

Currently, the project is ongoing in 11 cities: Moscow, Krasnoyarsk, Ufa, Rostov-on-Don, Tambov, Voronezh, Volgograd, Kaliningrad, Kazan, Yaroslavl and Yekaterinburg.

Long-haul passenger transportation

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

The share of long-haul transportation services provided by Russian Railways' subsidiaries was as high as 94.7% of passenger turnover. Trains made up by Federal Passenger Company accounted for 94.4% of total passenger turnover, with another 0.3% attributable to trains made up by other subsidiaries and affiliates of Russian Railways. Russian Railways accounts for 4% of passenger turnover, while the share of independent carriers stands at 1.3%.

In 2018, Russian Railways saw a long-haul passenger turnover of 96.3 bn pkm, up 5.7% y-o-y. Passenger traffic increased by 7.9% to 110.3 million.

Federal Passenger Company's performance

In 2018, Federal Passenger Company's passenger turnover totalled 91.6 bn pkm (up 5.3% y-o-y). The Company transported some 102 million people. For the trains made up by Federal Passenger Company, passenger turnover along the route was 87.7 bn pkm (up 6% y-o-y), including

- › 33.6 bn pkm, or up 19.5% y-o-y in the deregulated segment,
- › 54.1 bn pkm, or down 1% y-o-y in the regulated segment.

The reporting year saw the number of passengers transported by day long-haul trains³ increase by 23% to as many as 15 million. The day service is popular with passengers due to convenient departure and arrival time, deployment of innovative rolling stock, shorter travel time and lower cost compared to air and road transport

In 2018, Federal Passenger Company's income from core operations amounted to RUB 226.1 bn (up 4.6%), including RUB 202.4 bn from passenger transportation (up 4.5%). This was due to a 5.3% y-o-y increase in transportation volumes across the Company.

International transportation

In 2018, 6.79 million passengers were transported in the international segment, down 4.8% y-o-y.

Passenger traffic between Russia and CIS and Baltic states decreased by 5.4% y-o-y to 5.79 million people, with the number of passengers transported to and from Kazakhstan, Azerbaijan and Estonia going up by 18.5%, 6.1%, and 0.7%, respectively. Uzbekistan and Moldova railway routes saw the largest decline in passenger traffic (by 18.1% and 1.6%, respectively).

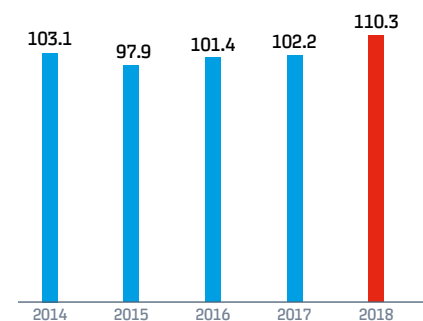
In 2018, passenger traffic to non-CIS countries fell by 0.6% y-o-y to 701,600 people. The number of passengers travelling to and from Finland, Germany and Italy rose by 0.5%, 3.6% and 14.4%, respectively, while a decline was seen across the routes between Russia and

North Korea (19.7%), China (7.9%), Poland (17.5%), Czech Republic (23.3%), Austria (54.2%) and France (23.1%).

High-speed passenger transportation

High-speed transportation services are provided by Federal Passenger Company and High-Speed Transportation Directorate (branch of Russian Railways).

Number of long-haul passengers transported, m people



³ Day trains are scheduled to complete its journey during daylight hours and comprised mostly of coach cars.