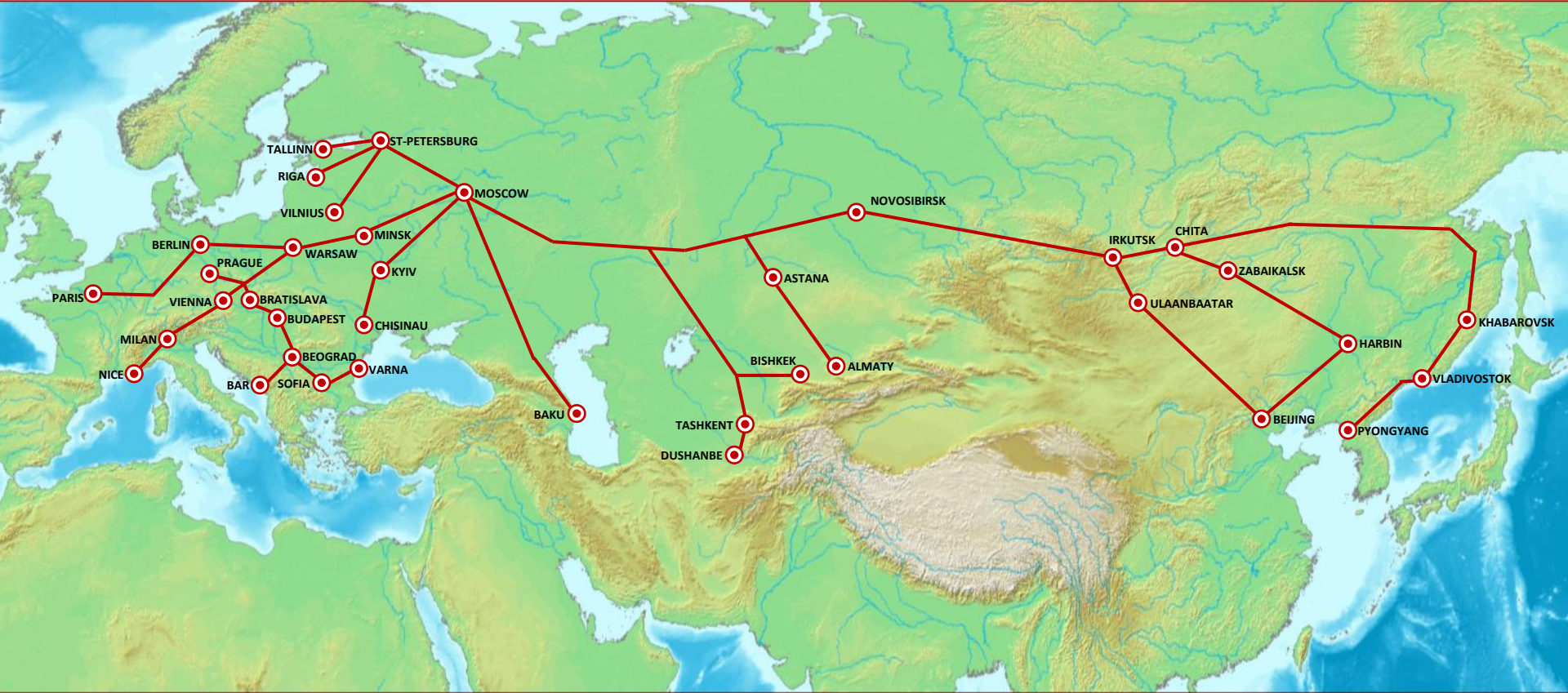




CURRENT SITUATION AND DEVELOPMENT PROSPECTS OF INTERNATIONAL PASSENGER CARRIAGE ON EAST – WEST DIRECTION

JSC FPC Vice Director General
O.Nikitin
November 22, 2016

FPC - transit carrier connecting Europe and Asia



JSC "Federal Passenger Company" in numbers

Socially oriented national rail carrier

Assets

20,6 railroad coaches,
thousand units

55 Passenger depots
and coach
servicing divisions

3,0 Assets value,
bln euro

Activity indicators

(2016 estimates)

88,5 passenger traffic,
bln passengers-km

2,8 income,
bln euro

285,0 investment
program,
mln euro per year

45,7 net income,
mln euro

Personnel and structure

65,1 employees,
thousand

15 company branches

3 subsidiaries and
affiliates

Principal target characteristics of passenger traffic on the Russian railways



High traffic safety standards



Service quality



Order and payment accessibility



Competitive price offer

High-speed traffic



Schedule compliance



Innovative rolling-stock



Customer oriented approach



Rolling-stock upgrade for transport connection with European countries

MODERN REGULAR TRAINS OF JSC FPC



JSC FPC's car fleet

200

RIC cars built in 2010-2015

New high-speed train Moscow-Berlin-Moscow

Distance: **1,896 km**

Run time: **20 h. 14 min./20 h. 35 min** → **In prospect up to 16 h.**

Train's debut: **December 17, 2016**

Start of sales: **October 27, 2016**

Attractiveness Enhancement

Discounts in JSC FPC trains: 20% to 58%



| | | |
|------------|-------------|--------|
| Senior | Junior | |
| Child fare | Child Group | |
| Family | Group | Voyage |
| Holiday | Wedding | |

Discounts for buying tickets in advance

Study of consumer satisfaction

30
studies



85 *thous.*
respondents

Growth of Internet sales

10% per year **50%** share of sales via websites and through the mobile application



RZD Bonus program

2 *mln* participants registered in the loyalty program

52% active participants



295 *thous.* joint bank cards VTB 24 - RZD **87** *thous.* joint bank cards Alfa Bank - RZD

Program partners:



CityGuideCard
— "a key to Latvia"

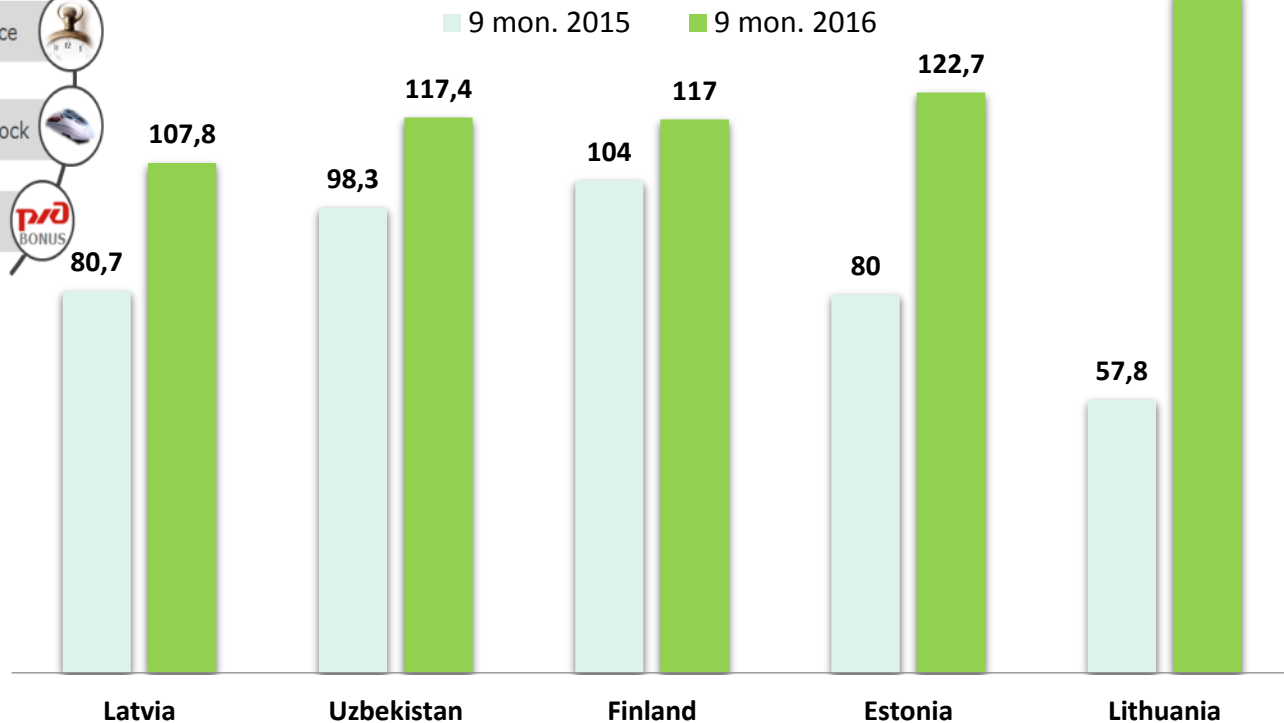


Radisson Royal Moscow
and hotel chain
CityHotelGroup

Effectiveness of applied measures



Cost/Income ratio, %

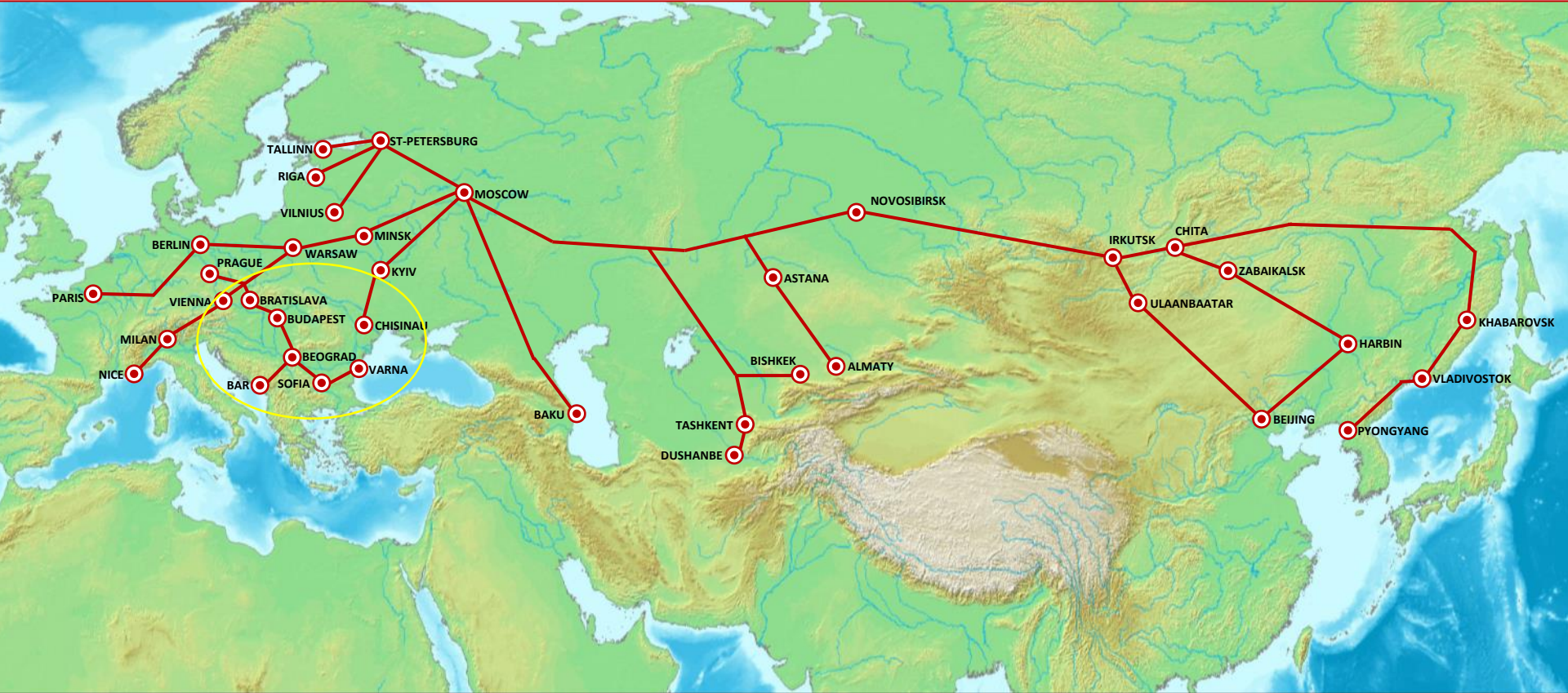


Major innovations of the draft of new Convention to Facilitate the Crossing of Borders in the International Railway Passenger Traffic

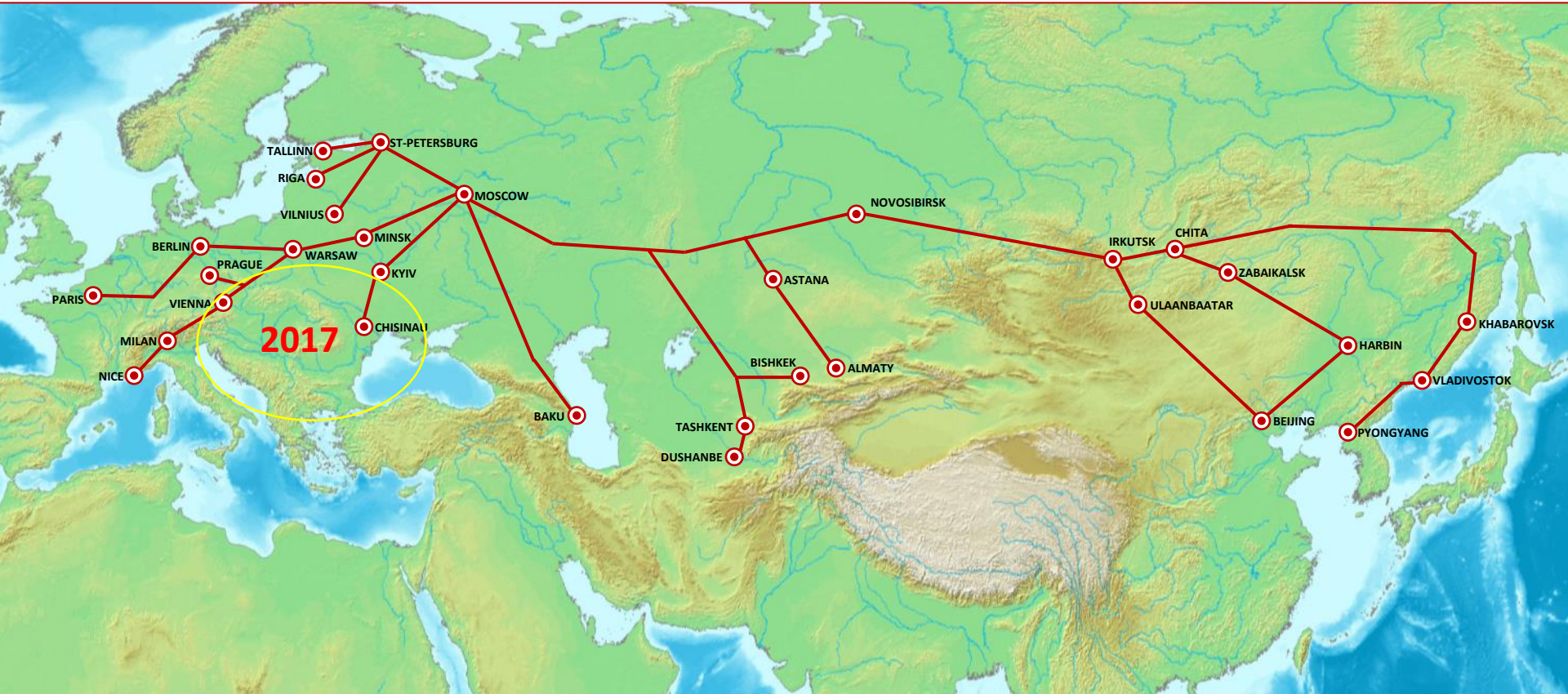
- ❑ An **actualized glossary**
- ❑ **Carriage of passengers, luggage and cargo-luggage** are exclusively regulated
- ❑ **Optimized customs control procedures** partially done at border stations and partially on board while train is moving
- ❑ **Intention of participants to comply with international standards** and to **use modern technology** and best practices in the area of railway carriage is confirmed
- ❑ The need to use **modern data exchange methods**
- ❑ **Particularities of data transfer**, being protected by legislation of a participant state
- ❑ **A commitment to facilitate visa issuing procedures**
- ❑ Possibility for **train crew and staff to cross borders** on the grounds of the **agreed staff list**
- ❑ Possibility for **regional economic integration organizations** to **participate as party to the Convention**
- ❑ A detailed **mechanism of dispute resolution**
- ❑ A new disposition providing a **method of making amendments to the Convention**
- ❑ An independent disposition **allowing participants to enter into bilateral agreements**



FPC - transit carrier connecting Europe and Asia

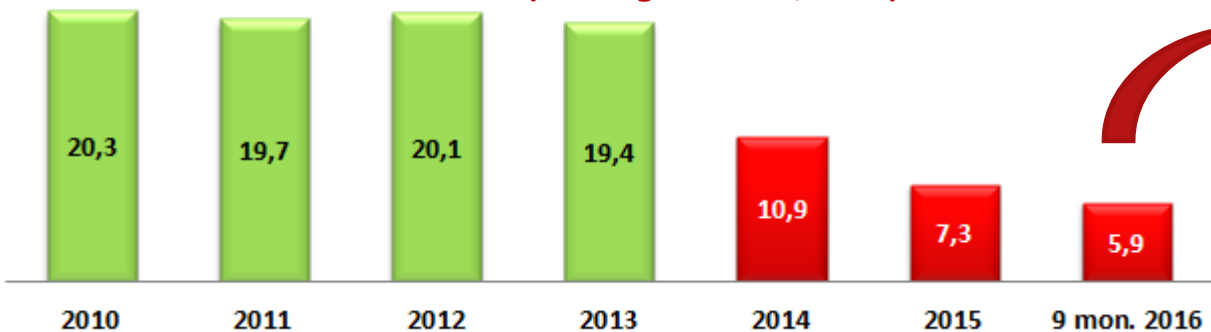


FPC - transit carrier connecting Europe and Asia



Dynamics of international passenger traffic and network in 2010-2016

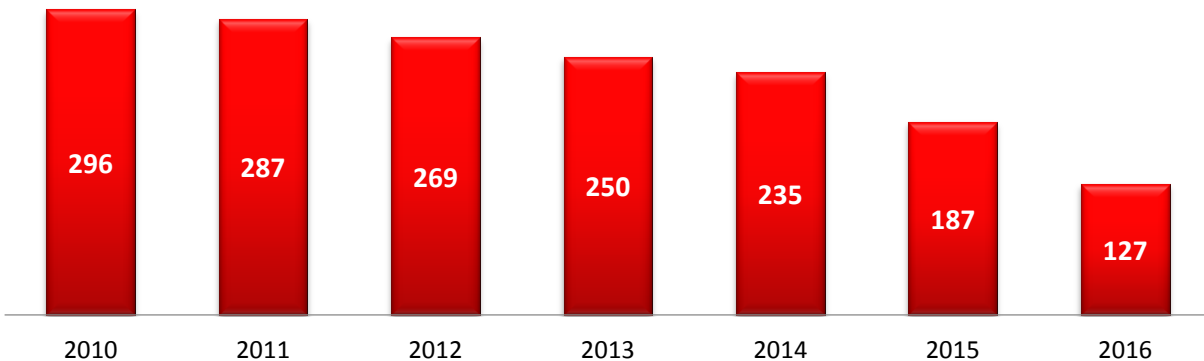
Direct international passenger traffic, mln. pass.



Risk of eventual extinction of international passenger transportation by rail

Urgent remedial action needed!

Fall of international traffic network



In 2010-2016 due to economic and geopolitical reasons 169 international routes were canceled

Comparison of approaches to the economy of international passenger trains

Individual responsibility

- ❑ Cost/income ratio less than 40 %
- ❑ Fee for infrastructure - more than 60 % of costs
- ❑ Fee for infrastructure does not depend on the number of passengers carried
- ❑ Limited effectiveness of available economy improvement tools
- ❑ Low motivation for joint work on improving the economy of trains




Parity responsibility

- ❑ Cost/income ratio from 55 % to 144%
- ❑ Costs and income are divided **proportionally** to the train mileage through each country
- ❑ Direct interest in increasing the volume of traffic: more passengers - more income
- ❑ Available economy improvement tools allow **to increase mutual benefit**



JSC FPC's appeal to the Inland Transport Committee of UN Economic Commission for Europe

JSC FPC addresses the **Inland Transport Committee of UNECE** with an appeal to recommend the governments of countries to pay attention to the situation with passenger traffic and to take effective measures for supporting international railway carriage in order to meet the needs of citizens in transportation:

- 
- Application of governmental support mechanisms for international trains;
 - Introducing a mechanism for parity partitioning of railway administrations' responsibility regarding the economy of international trains;
 - Optimizing border control procedures for all international trains

Basic principles of successful international cooperation



 mutually beneficial relationship



 equality of rights and parity



 non-discrimination