



Structure of investments

Expenditures for the FPC's Investment Programme totalled RUB 19.4 billion in 2016.

In the reporting period, RUB 17.9 billion (92.4% of investment) were allocated for the rolling stock replacement and upgrades, including:

- RUB 14.7 billion for acquisition of 294 new passenger carriages, including:
 - 115 third-class sleeping carriages,
 - 31 compartment carriages,
 - 2 dining carriages,
 - 86 double-decker carriages,
 - 60 Talgo carriages;
- RUB 3.2 billion for passenger rolling stock upgrades.

The remaining capex totalling RUB 1.5 billion, or 7.6 % of the Programme, was used to support depot upgrades, IT projects, and other initiatives.

The new rolling stock was purchased to upgrade the fleet and replace retired carriages.

The Company's Carriage Procurement Programme gives priority to the acquisition of new rolling stock for upgrading high-class trains. To achieve this goal, in 2016, the Company purchased 148 carriages worth RUB 5.3 billion, including 115 third-class carriages. The carriages were used to upgrade 15 trains running between:

- Belgorod – Moscow;
- Pskov – Moscow;

- Saransk – Moscow;
- Vologda – Saint Petersburg;
- Khabarovsk – Komsomolsk-on-Amur;
- Khabarovsk – Blagoveshchensk;
- Tynda – Blagoveshchensk;
- Novokuznetsk – Saint Petersburg.

Additionally, for high-demand profitable passenger destinations the Company purchased 86 double-decker carriages (worth RUB 6.7 billion), including 17 double-deckers (worth RUB 1.4 billion) for interregional services:

- Moscow – Saint Petersburg;
- Saint Petersburg – Adler;
- Moscow – Voronezh.

The double-deckers improved the Company's competitiveness by reducing passenger fares.

For the Moscow – Berlin route, in 2016, the Company purchased 60 Talgo carriages worth RUB 2.7 billion. The project seeks to ensure:

- comfortable passenger services on the above routes in terms of shorter travel time;
- more passenger traffic on the routes;
- higher profitability of the Company;
- better Russian Railways' image and brand awareness in the global market.

As part of its 2016 Investment Programme, the Company financed a RUB 3.2 billion Passenger Rolling Stock Upgrade project. Most funds (RUB 2.8 billion) were used to perform overhauls for 166 carriages

with service life extension (KVRs). During KVRs, carriages are equipped with air conditioners and environmentally friendly toilet units, making them comparable in terms of comfort with newly built carriages. KVR costs 2.4–2.6 times less than a new carriage, which is critical in a situation of mass retirement of rolling stock for reasons of expired service life.

In addition, the Investment Programme provided for depot upgrade projects and IT projects.

RUB 0.8 billion were spent on depot upgrades.

Investments in depots were used primarily to:

- upgrade existing production facilities (RUB 0.5 billion);
- purchase equipment to ensure continuous depot operations (RUB 0.2 billion);
- upgrade hazardous production facilities and install security and fire alarm systems at workshops (RUB 0.1 billion).



RUB **19.4**
billion

spent under the 2016 Investment Programme

RUB 0.3 billion were spent on IT projects in 2016 (setup of an information security management system, supply of software and hardware, network equipment, etc.).

Investments in other projects totalled RUB 0.4 billion. (implementation of the Comprehensive Transport Safety & Security Programme, and the Innovative Mobility project).

Sources of financing for the 2016 Investment Programme:

- equity (depreciation): RUB 13.7 billion.
- borrowings: RUB 5.7 billion.

INVESTMENT PROGRAMME STRUCTURE, RUB BILLION

Item	2015	2016	+/-
Rolling stock acquisition	12.6	14.7	2.1
Rolling stock upgrades	3.9	3.2	-0.7
Depot upgrades	0.8	0.8	-
IT projects	0.4	0.3	-0.1
Other projects	0.1	0.4	0.3
Total	17.8	19.4	1.6

The key reason for the year-on-year change in the size of capital investments was the larger number of passenger carriages purchased in 2016 (294 carriages vs. 185 in 2015), – 109 passenger carriages or RUB 2.1 billion more, year-on-year.

Priority investment areas

Customer-focused investment

In 2016, FPC spent RUB 17.8 billion to improve its customer experience through a number of initiatives, including:

- Transit time reduction and enhancement of passenger experience and transport safety by purchasing new highly efficient passenger carriages with improved performance and passenger comfort (294 new carriages for RUB 14.7 billion);
- Passenger carriage KVRs (166 carriages for RUB 2.8 billion).

In addition, RUB 0.3 billion were spent on the implementation of information technology innovations.