



Russian market of transport services

In 2016, domestic traffic reached 104.7% of the 2015 level, specifically, 103.9% in the regulated segment and 107.1% in the deregulated segment.

An upward trend in traffic in 2016 was due to higher demand transport services in Q2 and Q3 2016 (following the switch of passengers from international to domestic routes); in April–September 2016, traffic was up 9.8% year-on-year.

Higher demand for domestic transport services was driven by the rise of domestic tourism (including routes to the resorts in the Krasnodar Territory and the Caucasian Mineral Waters), particularly after leisure destinations in Egypt and Turkey were closed to Russians who had originally planned to go there on holiday. An increase in passenger numbers on routes

to the Black Sea coast in the Krasnodar Territory and the Crimea was also predictable. Passenger surveys regarding holiday plans for the summer of 2016 showed that over 38% of respondents intended to go to Russian resorts, while in 2015 they accounted for only 30%. The share of potential passengers still wishing to spend their holidays in Turkish and Egyptian resorts amounted to approximately 6% in 2016.

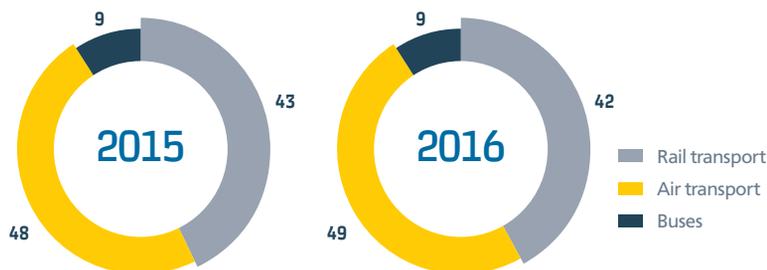
According to the Federal Air Transport Agency (Rosaviatsia), in 2016, airlines continued to experience a decline in passenger numbers on international flights, the key market growth driver

over recent years (–12.6% year-on-year), with an upward trend in domestic flights (+4.9% year-on-year).

In 2016, passenger traffic on FPC trains (passenger turnover) increased by 4.8% year-on-year.

4.8%
increase in passenger traffic on FPC trains

Domestic passenger turnover in 2015–2016, %



The structure of domestic traffic remained unchanged in 2016. The share of rail transport declined by 1%. These results were caused by an accelerated absolute increase in domestic air traffic.

Sources: Statistical Reporting Forms TsO-33 and TsO-32 for rail transport, Rosaviatsia (<http://www.favt.ru>) for air transport, an expert assessment based on Rosstat's data (<http://www.gks.ru>) for buses.