



Key events in 2016

Year of the Passenger

RZD Holding declared 2016 the Year of the Passenger. During the year, the Company became more transparent for its customers and introduced new passenger feedback channels: open meetings with passengers, online office of General Director, online trip feedback engine.



Route network expansion and rolling stock upgrades

Daytime express trains

Three new daytime express trains were launched in 2016:

- No. 120/119 Moscow – Saransk, as from 30 May 2016;
- No. 103/104 Ufa – Samara – Saratov, as from 10 June 2016;
- No. 250/249 Irkutsk – Ulan-Ude, as from 20 December 2016.

Second Lastochka train was put on existing routes No. 801/802 Adler – Krasnodar (as from 2 May 2016), and No. 721/724 Moscow – Kursk (as from 11 December 2016). Three Moscow – Belgorod trains were transferred to the higher-speed category.

In 2016, daytime express trains carried over 10 million passengers.

Double-decker trains

The geography of double-decker trains was expanded:

- a new Saint Petersburg – Adler train was launched;



- the number of double-decker trains on the Moscow – Saint Petersburg and Moscow – Voronezh routes was increased.

Since 27 December 2016, double-decker trains No. 69/70 and No. 45/46 Moscow – Voronezh have featured new administrative carriages with rest areas for passengers with children. Such playrooms have children's furniture, TV sets, cuddle toys and educational toys (toy blocks, mosaics, building sets), and painting sets.

International Strizh train

Since 17 December 2016, a new 13/14 Strizh train has been running between Moscow and Berlin.

The innovative technology helped reduce the travel time from Berlin to Moscow to 20 hours 14 minutes.

Each train includes various carriage types manufactured by Patentes Talgo S.L., Spain. Innovation technologies used in train design ensure higher comfort



Special projects

for passengers during a trip, in particular, compensate for centrifugal force on small-radius turns.

On board passengers, are offered Wi-Fi access to the Internet through a multimedia portal. The portal may be used to view a timetable, a dining carriage menu or passenger news, get information on a route, purchase a ticket or watch a film. In addition, passengers of first-class carriages with open-plan seating are provided, upon request, with tablets for viewing multimedia content.

In 2016, FPC trains were used to run major national social and educational projects.

As part of the Year of Russian Cinema, 12 double-decker trains were designed to celebrate famous writers, directors, actors and cameramen, and passengers were offered to watch masterpieces of Russian cinema.

To celebrate the 100th anniversary of the Trans-Siberian Railway and the 50th anniversary of the Rossiya train travelling from Moscow to Vladivostok, the Company jointly with the Russian Geographical Society launched the Road of Discovery scientific and educational project. Rossiya trains interiors were decorated with visual representations of the Trans-Siberian Railway: maps and layouts, photographs showing the history of the railway construction and launch, landscapes, and interesting facts. The country's largest railway stations hosted lectures and master classes by explorers,

scientists, travellers, photographers and members of the Russian Geographical Society dedicated to the Trans-Siberian Railway history, Russian geography, environmental protection, and historical and contemporary expeditions conducted by the Society.

The Company also supported the all-Russia Amur Tiger and Far Eastern Leopard Conservation Project by decorating a campaign train that crosses the entire country.

The 85th anniversary of the launch of the historical Krasnaya Strela (train No. 1/2) running between St Petersburg and Moscow was celebrated on 9 June 2016. The fifth anniversary of Moscow – Berlin – Paris train No. 23/24 was celebrated on December 14.





Key events in 2016

Development of electronic sales channels

2016 saw extensive development of electronic passenger services, including e-ticket sales. Days before departure were increased from 45 to 60, and Russian Railways' e-ticket purchase procedure has now three steps instead of seven.

Russian Railways website now offers e-tickets for international trains running to non-CIS countries at fares equal to first-class single ticket fares.

The Company launched an Android-based mobile app for purchasing tickets for long-distance trains.

FPC's website contains a page for corporate customers where legal entities can apply online for the transportation of organised groups of passengers and children.

Since 6 September 2016, Russian Railways' website has offered e-tickets to school students with a 50% discount for seats/berths in third-class sitting and sleeping carriages and carriages with open-plan seating on express and passenger domestic long-distance trains operated by FPC. In 2016, the share of electronic sales was 40.2% of the total number of tickets sold across RZD's network.

Improvements to on-board passenger services

By late 2016, Wi-Fi Internet access and access to on-board entertainment services platform were provided in 51 trains.

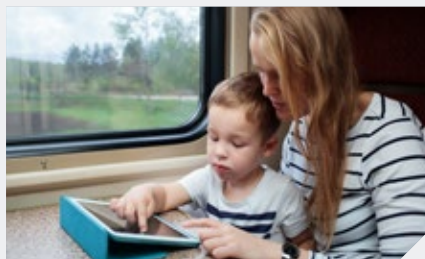
All FPC's trains have non-cash payment terminals to pay for goods or services on board.

Long-distance passengers are now offered an On-board Shower service available in 266 trains.

In 2016, over 1,600 carriages were fitted with additional power outlets to charge mobile devices.

Car transportation service by car carriers is gaining popularity. In 2016, FPC's trains carried 4 703 cars, up 44% year-on-year. In 2016, FPC started testing a motorbike transportation service by specialised car carriers included in passenger train sets on the Moscow – Saint Petersburg, Moscow – Petrozavodsk, Moscow – Astrakhan, Saint Petersburg – Astrakhan routes. In spring 2017, this service will become permanent. The Company also expects to launch motorbike transportation on the Saint Petersburg – Adler and Moscow – Adler routes.

FPC seeks to make its services affordable for all passenger groups. For example, in 2016, the Company purchased 565 wheelchairs enabling physically challenged passengers not only to travel in a specialised administrative carriage compartment, but also to use a lower berth in any compartment of the carriage. FPC purchased 18 administrative carriage with compartments for special needs passengers; overhauled 40 administrative carriage with service life extension to make compartments fit for passengers with reduced mobility. The Company also had 16 passenger carriage models certified to carry passengers with special needs.



Pricing policy and marketing promotions

In 2016, FPC offered a 50% discount for children aged 10 to 17 for the first time. The discount is effective from 1 June to 31 August. Before that, travel privileges were only available during the school year, from 1 September to 31 May. It resulted in a 16% growth of traffic in this passenger group in 2016. The number of passengers aged 10 to 17 totalled about 2.5 million in June–August.

In December 2016, the dynamic pricing system covered 100% of the deregulated domestic segment, excluding some socially necessary trains.

On 14 January 2017, another 150 regular trains were launched using the flexible pricing mechanism. Applied since 2013, the dynamic pricing system for long-distance trains is FPC's most flexible pricing tool.



RZD Bonus Loyalty Programme

On 19 November 2016, FPC greeted the two millionth RZD Bonus card holder at Kazan station.

Last year, the Programme card holders were offered new privileges. RZD Bonus card holders who are pensioners now enjoy a 5% discount for travelling in compartments. The discount is applicable to tickets for domestic trains departing from 1 September 2016 to 31 May 2017.

To boost the Loyalty Programme, in September 2016, FPC, Gazprombank and Mastercard launched the first joint project to issue co-branded bank cards for students using contactless payment technology. Card holders enjoy a year-round 25% discount for compartment carriages on domestic routes, which is a distinctive offer on the Russian banking market.

Allegro train passengers were also offered to join the RZD Bonus Loyalty Programme in 2016.

Awards

In 2016, the RZD Bonus Loyalty Programme won the Loyalty Award Russia 2016 for the Best Transportation Company Loyalty Programme.

FPC won the Best Employer for Young People 2016 award in the Reliable Partnerships category.

In December 2016, FPC, as a bond issuer, won a Cbonds Awards in the Debut of the Year category.

FPC 2015 Annual Report was awarded the Best Annual Report of a Non-Public Company by the Moscow Exchange.

