



Federal
Passenger
Company

UNITING RUSSIA

Annual Report 2019

THE MESSAGE

OF THE CEO – CHAIRMAN OF THE MANAGEMENT BOARD, RUSSIAN RAILWAYS

Dear partners and colleagues,

In 2019, FPC celebrated its tenth anniversary.

Over this time, close to one billion passengers travelled by FPC's trains. We have seen a rise in passenger traffic for a second year running, as more and more passengers are choosing trains.

Given the vast expanse of Russia, rail is particularly important for strengthening business ties, promoting cultural exchange and driving passenger mobility, both domestically and internationally.

Our success, however, would not have been possible without our improvements to the passenger experience, service quality and accessibility. We are offering new digital and multimodal services while increasing our fleet of higher-speed trains. We have launched new routes to improve connectivity for twenty-seven Russian regions in 2019.

FPC is implementing an ambitious rolling stock renewal programme, both replacing our legacy rolling stock with brand new carriages and refreshing the existing fleet. We are also designing new, advanced rolling stock in partnership with Russia's largest equipment manufacturers. The rising demand for passenger services creates a multiplier effect across a range of Russian industries.

I am convinced that seamless and coherent teamwork, as well as the leveraging of new approaches and solutions in response to challenges in the fast-paced global economy, will drive the future dynamic growth of the Company!

Oleg Belozеров

CEO – Chairman of the Management Board, Russian Railways

« Given the vast expanse of Russia, rail is particularly important for strengthening business ties, promoting cultural exchange and driving passenger mobility, both domestically and internationally. »

>105

MILLION PASSENGERS

TRANSPORTED BY LONG-DISTANCE
TRAINS IN 2019

>102%

THE GROWTH
IN PASSENGER TRAFFIC BY 2018

>130%

THE GROWTH
IN PASSENGER TRAFFIC IN DOUBLE-
DECKERS BY 2018



UNITING RUSSIA

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COMPANY PROFILE

FPC CARRIES OUT RAILWAY OPERATIONS PASSENGER TRANSPORT IN 77 OUT OF 85 REGIONS RUSSIAN FEDERATION, PROVIDING TRANSPORT ACCESSIBILITY AND GEOGRAPHICAL CONNECTIVITY OF TERRITORIES. IN THE FAR INTERNATIONAL FPC CARRIES OUT TRANSPORTATION PASSENGERS BY TRAINS OF THEIR OWN FORMATION IN DIRECT AND TRANSIT TRAFFIC TO 19 COUNTRIES.

IN **77**

**RUSSIAN
REGIONS**

passenger transportation
is carried out

27

**INTERNATIONAL
ROUTES**


in 20 countries

465

**TRAIN
PAIRS**

run on the railway
system

Train station.
Khabarovsk, Russia



CONNECTING HEARTS

OUR HISTORY¹

KEY MILESTONES

Carriage
operator



Integrated mobility
provider

2010

FPC was included in the Register of Natural Monopolies.

2012

FPC was awarded with the Company of the Year 2012 National Award by RosBusinessConsulting (RBC) information agency.

2014

Credit ratings were assigned to FPC by leading rating agencies.

2010 2011 2012 2013 2014

2011

FPC was officially admitted to the international Organisation for Cooperation of Railways (OSJD) and was made a member of the International Union of Railways (UIC).

2013

FPC was granted the observer status at the OSJD, enabling the representation of the Company's interests at meetings of OSJD's working bodies, which reinforced the Company's position in the international transport market.

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¹ In December 2009, PC FPC was established; in November 2014, the name of PC FPC was changed to JSC FPC

2015

FPC won the Best Loyalty Programme by a Transport Company category at the national loyalty marketing competition, Loyalty Awards Russia 2015.

A double-decker train seating 1,320 from Moscow to Voronezh was introduced into the Russian Book of Records as “the year-round scheduled long-distance train with the most passenger seats”.

2016

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

The Year of the Passenger Programme was successfully implemented: in 2016, FPC reversed its declining passenger rates for the first time in five years, achieving a growth of 4%.

2018

FPC won an award for promoting corporate volunteering, granted by the Volunteer Centres Association at the International Volunteer Forum.

FPC successfully passed a QMS inspection for compliance with GOST R ISO 9001-2015 (Quality Management Systems – Requirements).

2015 2016 2017 2018 2019

2017

FPC won the Moscow government's Best Employer for Young People 2017 award for Efficient Fulfilment of Student Team Potential.

2019

The corporate quality management system of FPC JSC has been successfully certified for compliance with the requirements of the international standard ISO 9001:2015 “Quality management Systems. Requirements”.

STATE AND RESTRUCTURING

2010

Restructuring of long-distance rail passenger services was completed under Stage III of the Railway Restructuring Programme.

2012

Cooperative agreements were signed with the governments of the Republic of Karelia, the Komi Republic, and the Republic of Ingushetia.

2010 2011 2012 2013 2014

2011

Regulatory and legal framework for calculating revenue shortfall was finalised.

2013

The Plan to Develop and Implement a Mechanism for Long-Term Subsidising of Long-Distance Rail Passenger Transport was approved by instruction of the Russian Deputy Prime Minister Arkady Dvorkovich.

2014

Third-class open sleeping and fourth-class seating carriage fares were reduced following a resolution by the Federal Tariff Service (FTS of Russia).

In accordance with Resolutions of the Russian Government No. 1223 dated 19 November 2014 and No. 1044 dated 11 October 2014, FPC was entitled to subsidies covering part of its interest expenses under loans granted to purchase rolling stock (double-decker carriages) and included as a beneficiary of the Programme to Support Investment Projects in Russia Based on Project Financing Arrangements.

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2015

The Russian Government resolved to reduce the VAT rate from 18% to 10% for long-distance rail passenger services between 1 January 2016 and 31 December 2017.

2016

The Federal Antimonopoly Service (FAS) of Russia agreed to reduce infrastructure tariffs for higher-speed trains travelling at 91 to 140 km/h.

2018

A federal law allowing carriers to sell non-refundable tickets was adopted on 18 April 2018 with effect from 1 January 2019.

2017

The VAT rate applicable to long-distance rail passenger services was reduced from 10% to 0% until 2030.

2019

Resolution of the Russian Government No. 545 dated 30 April 2019 permitted travelling with newborns on long-distance trains upon presentation of a medical birth certificate.

Ticket offices, including those of commuter companies, self-service ticket machines, and the Russian Railways website were equipped with cash registers supporting cash and card payments. Payment receipts, along with their fiscal data, can now be uploaded to the customers' accounts at pass.rzd.ru.

Arrangements to launch ticket sales for multimodal routes with destinations in the Kursk Region were timely completed. Tickets issued by Unified Transport Directorate Autonomous Nonprofit Organisation (main service provider) can now be purchased at FPC's ticket offices and via the Russian Railways website as part of single multimodal tickets connecting rail passenger services with bus services across the Kursk Region.

BUSINESS DEVELOPMENT

2009

In December 2009, FPC was established.

2010

FPC commenced independent operations.

2011

Online registration was made available on all FPC's domestic trains.

The Russian Railways website was modified to enable mobile sales of e-tickets for FPC's trains.

A controlling share of LLC RZD Travel was acquired to expand FPC's presence in the rail tourism market.

2013

A double-decker train was launched on the Moscow–Adler route.

A co-branded card was launched with Bank VTB 24 (PJSC).

A unified maintenance facility for double-decker rolling stock was launched at the Mineralnye Vody depot.

The procedure for e-ticket purchases and cancellations was simplified, and the English version of the website for ticket purchase was launched.

The High-Speed Traffic Improvement Programme was implemented.

2015

The high-speed Strizh train made up of Talgo carriages was launched on the Moscow–Nizhny Novgorod route.

A double-decker train made up of carriages with seats was launched between Moscow and Voronezh.

Sales of e-tickets for multimodal routes were launched.

The Cost Optimisation Programme was implemented, bringing RUB 15.7 billion in savings.

2016

The new international Strizh train embarked on its first passenger journey from Moscow to Berlin with a travel time of 20 hours – a 4.5-hour reduction.

Booking pattern dates for domestic trains were increased to 60 days.

Trains to resort destinations were accelerated.

Passengers were provided with the option to use bank cards to pay for goods purchased on board all FPC trains.

Shower rooms were made available on 93 trains operated by FPC.

2012

The draft Development Strategy of JSC FPC to 2030 was prepared.

Online registration was made available on all FPC's domestic trains.

The Russian Railways website was modified to enable mobile sales of e-tickets for FPC's trains.

A controlling share of LLC RZD Travel was acquired to expand FPC's presence in the rail tourism market.

2014

A pilot project on multimodal transport was implemented (Moscow–Valuyki).

FPC fully adopted technology for transporting baggage in a dedicated compartment.

Lastochka electric trains were launched.

The Cost Optimisation Programme was implemented, bringing RUB 15 billion in savings. Total effect in 2010–2014 reached RUB 39 billion.

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Development Strategy

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2017

The draft Development Strategy of JSC FPC to 2030 was prepared.

Over 3 million customers registered to the RZD Bonus Loyalty Programme of RZD Holding.

Booking pattern dates for domestic trains were increased to 90 days.

The Russian Railways website launched sales of e-tickets for wheelchair users and their accompanying persons.

Sales of e-tickets for trains going to and from the Kaliningrad Region via Lithuania were launched on the Russian Railways website.

During the FIFA Confederations Cup 2017, 42 additional trains for 262 journeys were added to the schedule.

Free transport totalling 33% of all passenger seating was provided for 52,900 football fans, and additional stops were introduced at Vladimir and Tver.

FPC conducted its first Net Promoter Score (NPS) survey, with an overall score registered at 4.1 on a five-point scale.

2018

Passenger km and the number of passengers carried increased by 6% and 8%, respectively, in 2018 – the largest year-on-year increases in FPC's history.

A record-high number of passenger carriage replacements and upgrades was conducted (70% increase year-on-year).

Over 4 million customers registered with the RZD Bonus Loyalty Programme of RZD Holding (35% increase year-on-year).

Further progress was made on new online passenger services such as electronic queue management at railway stations, refund notifications through a customer's account on the Russian Railways website, e-ticket booking for subsidised categories of passengers on presenting coupons from the Social Insurance Fund.

The Russian Railways website was modified to enable the sale of electronic carriage documents for baggage, pets, and hand luggage on FPC's trains.

During the 2018 FIFA World Cup Russia, free transport was provided for 318,900 football fans, with 734 journeys run by free trains across 31 routes.

2019

JSC FPC's Development Strategy until 2030 was approved.

A long-term agreement was signed with JSC Railwaycar Building Works Tver (TVZ) for passenger carriage design, manufacture, testing, certification and delivery until 2025.

New-design single-decker twin unit carriages of the 2019 batch were put in operation; the new design provides for semi-automated customer service on board.

An option to reissue an e-ticket via the Russian Railways website was introduced. Over 30,000 e-tickets were reissued.

An option to purchase tickets for FPC's second-class sleeping carriages and carriages with seats at non-refundable fares was introduced.

An option to cancel e-tickets with online registration via the Russian Railways website less than an hour before the train departs from the point of origin and to claim a refund online was introduced.

Booking windows for certain domestic long-distance trains were extended to 120 days.

Dynamic pricing and marketing initiatives aimed to boost passenger traffic were for the first time extended to international services within and beyond the CIS and Baltic states.

An open-ended campaign to celebrate the 75th anniversary of the Great Victory in the Great Patriotic War was launched to offer free travel to the Great Patriotic War veterans, including disabled veterans, and persons attending the veterans. In 2019, 4,388 free tickets were issued to the Great Patriotic War veterans and persons attending them.

Passengers can benefit from a new single-window lost property service.

A new service was launched whereby passengers may order food delivery from city restaurants to the train.

2017 2018 2019

GEOGRAPHY

85.6

'000 KM

OF THE COMPANY'S
ROUTE NETWORK –
RAILWAY
INFRASTRUCTURE
OF RUSSIAN RAILWAYS



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FPC provides rail passenger services across 77 out of 85 Russian regions, ensuring transport accessibility and regional pattern.

The Company's network includes several routes within Russia for which no other alternative modes of transport are available, such as Tynda–Komsomolsk, Petrozavodsk–Kostomuksha, Kamyshin–Moscow, and Tomsk–Bely Yar etc.

77

RUSSIAN REGIONS

ARE COVERED BY JSC FPC

17

YEARS

IS AVERAGE
FLEET AGE

Federal Passenger Company is a national rail passenger carrier of the Russian Federation, and an entity subject to antimonopoly regulation.

Russian Railways rail infrastructure forms the basis of FPC's route network (over 85,600 km as at the end of 2019) – the world's third-longest rail network.

60.4

'000 EMPLOYEES

WORK
IN THE COMPANY

FPC operates 27 international routes, providing direct and transit passenger services by its trains to and from 20 countries.

FPC's organisational structure includes administration, 13 regional branches, three subsidiaries, one central carriage site, and seven centres. The branches comprise 23 passenger carriage depots, 32 carriage sites, ten railway agencies, and the Vehicle Transport Centre.

17

'000 CARRIAGES

ARE AVAILABLE IN THE COMPANY'S
ROLLING STOCK FLEET

TYPES OF ACTIVITIES

FPC engages in:



2

Rail passenger services on domestic routes in the deregulated sector using:

- deluxe and saloon carriages
- first-class sleeping compartment carriages
- second-class sleeping compartment carriages
- carriages with seats
- “special order” passenger services and regular tourist trips
- all carriage types in higher-speed trains
- running of third-party carriages on FPC trains on domestic routes
- all carriage types in higher-speed trains

1

Rail passenger services on domestic routes in the regulated sector using:

- third-class open sleeping carriages
- fourth-class seating carriages
- motorised carriages

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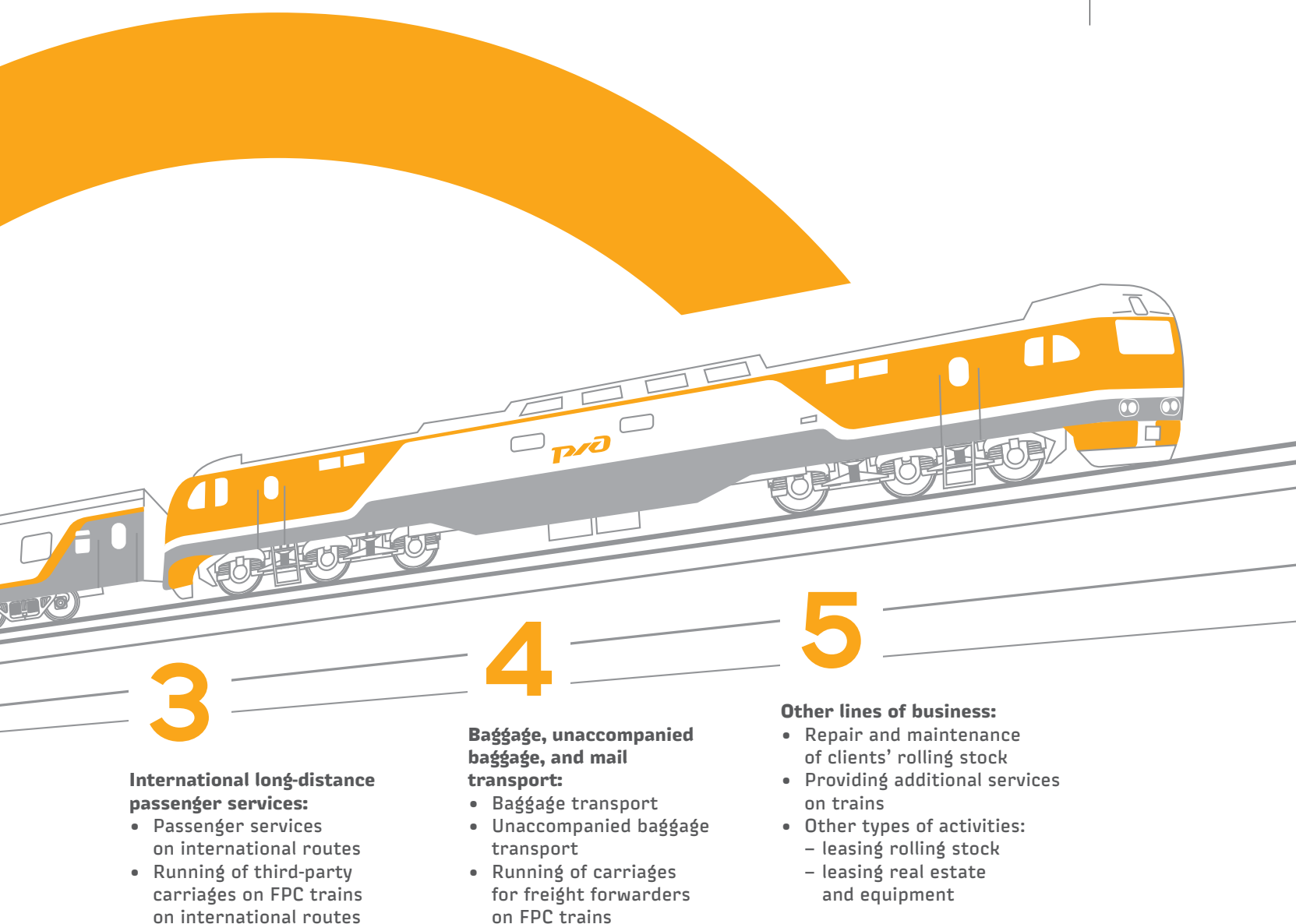
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International long-distance passenger services:

- Passenger services on international routes
- Running of third-party carriages on FPC trains on international routes

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Baggage, unaccompanied baggage, and mail transport:

- Baggage transport
- Unaccompanied baggage transport
- Running of carriages for freight forwarders on FPC trains

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Other lines of business:

- Repair and maintenance of clients' rolling stock
- Providing additional services on trains
- Other types of activities:
 - leasing rolling stock
 - leasing real estate and equipment

COMPETITIVE ADVANTAGES OF LONG-DISTANCE TRAINS

Competitive advantages of FPC's long-distance trains:

- Passenger safety
- Comfortable travel
- Provision for the carriage of passengers with special needs
- Children up to five years old travelling free of charge
- Increased baggage allowance: in addition to personal items, passengers are allowed to carry hand luggage of up to 36 kg, or up to 50 kg in first-class sleeping carriages, per each ticket for free
- No lengthy check-in procedure and railway station proximity to centres of cities and other locations
- An environmentally-friendly and safe mode of transport

KEY METRICS

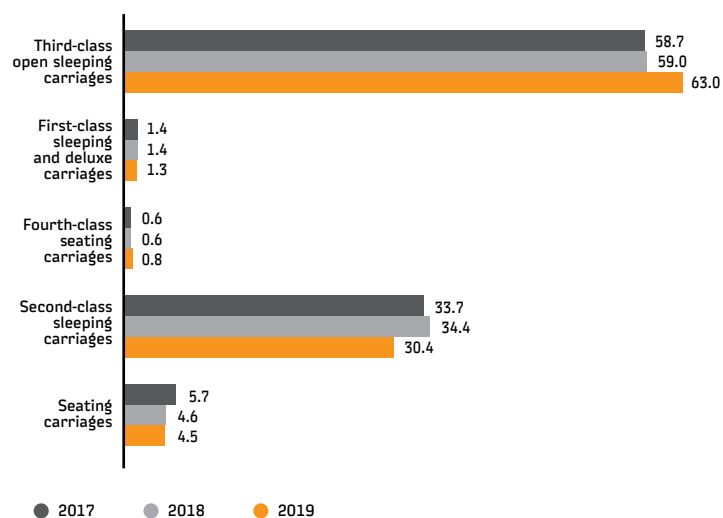
Operating highlights

METRICS	2017	2018	2019	CHANGE 2018, %
Passenger km travelled, billion	87.0	91.6	93.6	102.2
On FPC's trains	82.8	87.7	90.0	102.5
Deregulated segment	28.1	33.6	34.7	103.2
Domestic traffic	26.5	31.9	32.8	103.1
Interstate traffic	1.7	1.8	1.9	106.0
Regulated segment	54.6	54.1	55.2	102.1
On trains of the CIS and Baltic states	4.2	3.8	3.6	93.6
Passengers carried, million	95.1	102.0	105.8	103.7
Deregulated segment	35.2	41.7	43.8	105.0
Regulated segment	59.9	60.3	62.0	102.8
Average number of carriages in a train, carriages	12.8	12.7	12.5	98.4

Passenger km by carriage type,

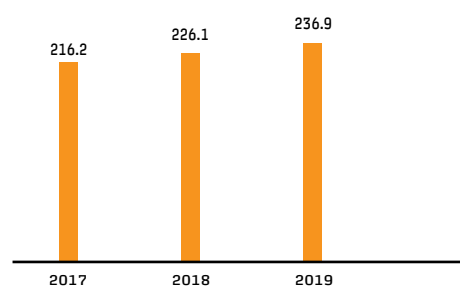
For reference

%

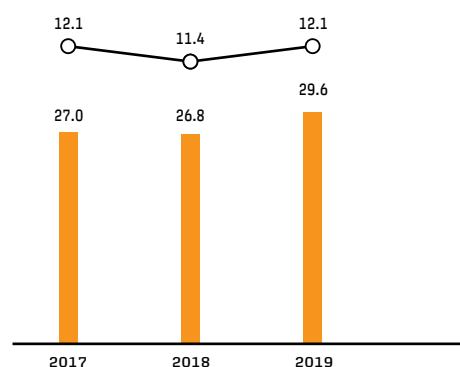


Operating revenues,

RUB billion

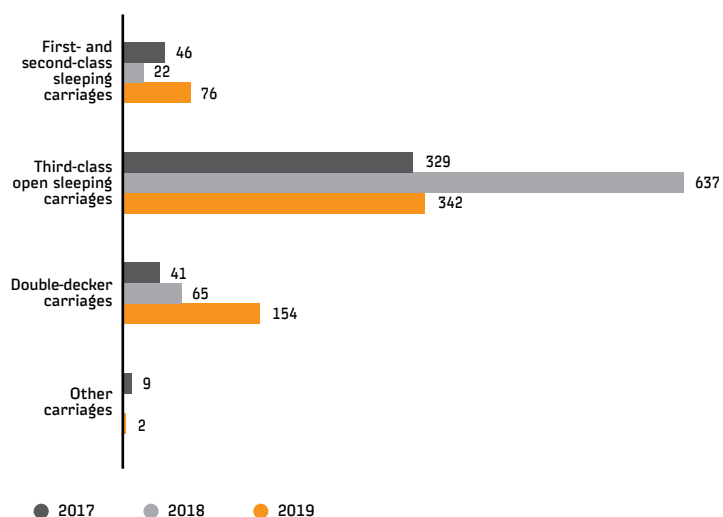


EBITDA and EBITDA margin (including subsidies)¹

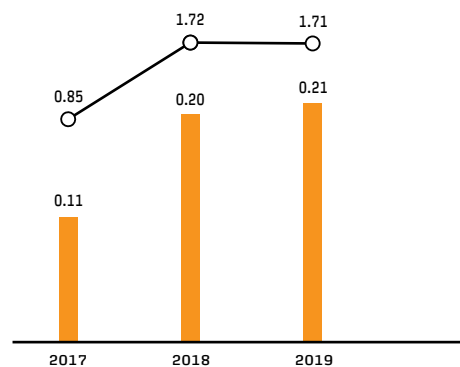


Rolling stock acquisition,

carriages



Total debt/EBITDA (including subsidies) ratio and total debt/revenue ratio



¹ The increase in EBITDA margin to the level of 2018 is due to the faster growth rate of revenues (104.8%) over expenses (103.9%).

FPC'S PEER COMPANIES

Key performance indicators of FPC and its foreign counterparts

METRICS	FPC			DB LONG DISTANCE (GERMANY) ¹			SNCF VOYAGES (FRANCE) ²		
	2018	2019	Growth rate, %	2018	2019	Growth rate, %	2018	2019	Growth rate, %
Passengers carried, million people	102.0	105.8	3.7	147.9	150.7	1.9	127.0	132.2	4.1
Revenue, EUR billion	3.1	3.3 ³	4.8	4.7	5.0	6.5	7.3	7.6	4.1



DB BAHN LONG DISTANCE (GERMANY)

DB Bahn Long Distance is a Deutsche Bahn Group business unit providing national and cross-border long-distance rail services and road transport services, and comprising several carriers with broad geography of operations across a range of business segments.

Rolling stock repair, maintenance, and management, as well as communications and IT technology services are provided by specialist companies within DB Services, another Deutsche Bahn Group business unit.

Federal
Passenger
Company



JSC FPC (RUSSIAN FEDERATION)

Unlike the cited peer companies, FPC's activities cover the majority of important business processes: acquisition, maintenance, and repair of rolling stock, sales organisation, revenue collection, as well as management and administration, IT, and communications. FPC has 13 regional branches and an extensive network of depots and carriage sites, as well as an ample amount of highly skilled personnel to support all business processes.



SNCF VOYAGES (FRANCE)

Voyages is a business unit of SNCF Holding, which comprises several companies offering rail and bus services in Europe, as well as specialist companies engaged in sales, customer relations, IT, and rolling stock management.

Repair operations are not part of the unit's activities and are provided by Masteris, a company within the Holding that offers services to SNCF Holding and third-party customers across Europe.

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¹ Deutsche Bahn – Deutsche Bahn Facts & Figures 2019.

² SNCF – SNCF group annual financial report (31 December 2019).

³ FPC's revenue is expressed in EUR using the average annual exchange rate for 2019: EUR 1 = RUB 72.49.

INVESTMENT APPEAL

Key drivers of FPC's investment appeal:

- A monopolistic position in the long-distance rail passenger transport market in Russia
- FPC is vital both socially and strategically to Russia as the leading transport operator for long- and medium-distance travel spanning most of the country, including travel to regions with extreme natural and climatic conditions and lacking road and air infrastructure
- Significant growth potential of population mobility
- Railway services to support major passenger flows in Russia
- A conservative financial policy and low debt level
- State-regulated fares for long-distance rail passenger services and compensation of revenue shortfall paid by the Russian Government
- Low competition from international companies in the domestic rail passenger services market due to high entry barriers for new players entering the Russian market
- Strategic importance in achieving the long-term objectives of the state-owned RZD Holding.

CREDIT RATINGS

In Q1 2019, rating agencies upgraded FPC's credit ratings:

- Moody's: from investment grade "Baa3" with a positive outlook to "Baa2" with a stable outlook, which is one notch higher than the sovereign credit rating
- Fitch: to investment grade "BBB-" with a positive outlook.

Standard & Poor's affirmed its "BBB-" rating on FPC, with a negative outlook.

Thus, the Company has maintained investment grade credit ratings from all three leading global rating agencies since regaining them in Q1 2019.

In August 2019, Fitch upgraded FPC's rating to "BBB" with a stable outlook.

In December 2019, the Russian national rating agency ACRA affirmed its "AA+(RU)" high credit quality rating for FPC, with a stable outlook.

FPC's credit ratings as at the end of 2019

AGENCY	RATING	FORECAST
Moody's	Baa2	Stable
Standard & Poor's	BBB-	Negative
Fitch	BBB	Stable
ACRA	AA+(RU)	Stable

EVENTS AFTER THE REPORTING DATE

In March 2020, Standard & Poor's revised its outlook on FPC from negative to stable and affirmed its credit rating at "BBB-".

KEY EVENTS IN 2019

NON-REFUNDABLE TICKET SALES

Tickets in FPC's second-class sleeping carriages and carriages with seats can now be bought at non-refundable fares (first made available for trips on 20 January 2019 and beyond).

LONG-TERM CONTRACT WITH JSC TVZ

On 14 February, during the third Russian Investment Forum, FPC and TVZ signed a long-term contract for rolling stock development, design, manufacturing, testing, and certification in 2019–2025. The agreement provides for the supply of more than 3,700 passenger carriages.

Single- and double-decker versions of existing carriage models as well as new models are produced under the contract.

LOST PROPERTY SERVICE FOR ITEMS LEFT ON TRAINS

Since March 2019, passengers travelling on FPC's long-distance trains can benefit from its new single-window lost property service.

About 12,000 items left on long-distance trains have been recovered as at the end of December 2019.

Clothes, tablets, e-readers, mobile phones, watches, headphones, other accessories, chargers, documents and suitcases are the items most often left behind by passengers on trains. The most unusual items recovered by train staff include a rafting paddle, an iron, a sewing machine, a roll of photo wallpaper, a briefcase with sheet music, and a hearing aid.



FIRST TRIPS OF UPGRADED OPEN SLEEPING CARRIAGES

On 18 March, an upgraded third-class open sleeping carriage with a modernised interior started on its first journey in branded train No. 19 Rostov-on-Don–Moscow. On 19 March, it carried passengers from Moscow to Anapa as part of train No. 12.

In November, carriages of this type started running between Novorossiysk and Moscow in train No. 29/30.

PRESENTATION OF A LONG-DISTANCE SECOND-CLASS SLEEPING CARRIAGE OF A NEW MODEL RANGE

A new long-distance second-class sleeping carriage designed as two coupled carriages was presented at Rizhsky station on 23 April.

Carriages of the new model range are fully equipped to provide comfortable travel experience to passengers. Fully sealed gangways provide for comfortable passage from one carriage to another. Thanks to the new layout solutions, the two-carriage unit has additional public areas.

THE NEW CHAPERON SERVICE FOR UNACCOMPANIED MINORS OFFERED ON MORE TRAINS

The Company has expanded the footprint of its new chaperon service for unaccompanied minors aged 10 to 16 (inclusive).



Minors can now travel chaperoned by the trainmaster and attendants on the Lastochka electric trains running between Yekaterinburg and Tyumen. Before, the service was available for minors aged 10 to 16 on the Lastochka trains travelling between Moscow and Nizhny Novgorod, Krasnodar and Adler, Krasnodar and Imeretinsky Resort as well as on the Nevsky Express higher-speed trains travelling between Saint Petersburg and Moscow.

The service was first launched in July 2018 on Nevsky Express higher-speed train No. 747/748 running between Moscow and Saint Petersburg.

UNLIMITED FREE TRAVEL FOR THE GREAT PATRIOTIC WAR (WWII) VETERANS, INCLUDING DISABLED VETERANS

In 2019, to celebrate the 75th anniversary of the Great Victory in the Second World War, an open-ended campaign was launched to offer free travel to the Great Patriotic War veterans, including disabled veterans, and persons attending the veterans.

As of 1 January 2020, these passengers can obtain free tickets for travel by sleeping carriages of any class, deluxe carriages and seating carriages in domestic trains of any category with no limit on the number of trips.

MEMORANDUM OF COOPERATION BETWEEN FPC AND SNCF

Representatives of the French national railway company SNCF came to Moscow on an official visit from 11 to 13 September. The main purpose of the event was to hold negotiations on current and future cooperation.

The delegation led by Rachel Picard, Managing Director of Voyages SNCF, met Petr Ivanov, FPC's General Director. A memorandum of cooperation in passenger train operation was signed during the meeting.

French guests also observed routine service procedures carried out for Moscow–Paris and Moscow–Nice trains and participated in managing the departure of a Moscow–Nice train.

TWO NEW NIGHT TRAINS CONNECTING MOSCOW AND TULA

On 1 November, ahead of the celebration of the 500th anniversary of the Tula Kremlin, FPC launched two new night trains connecting Moscow with Tula and some other neighbouring towns in the Moscow, Kaluga and Tula Regions.

PRESENTATION OF A NEW MODULAR OPEN CARRIAGE AT THE TRANSPORT WEEK 2019

During the 13th International Forum "Transport of Russia", FPC and TMH presented the first concept of a modular passenger carriage for long-distance trains.

The modular open carriage is one of the carriage concepts that can replace the traditional third-class open sleeping carriage. The main purpose of the planned change is to provide improved individual comfort and more personalised space to passengers.

The concept has kept traditional-layout berths convenient for large groups travelling together or senior passengers but also offers new berths for improved privacy. The concept was designed to keep the same traditional carriage dimensions as well as berth length and width.

Following the presentation, the life-size model of the open carriage with personalized spaces was installed at Kazansky station to test the concept with customers.

CELEBRATING THE 10TH ANNIVERSARY OF FEDERAL PASSENGER COMPANY

JSC Federal Passenger Company celebrated its tenth anniversary on 3 December 2019.

Over the ten years of its operation, the Company's long-distance trains have transported over 1 billion passengers, which is one-seventh of the entire population of planet Earth.

In 2019, the Company transported 105.8 million passengers, up 3.7% from 2018. Passenger-kilometres totalled 93.6 billion, also an increase over 2018 (by 2.2%).

LAUNCH OF THREE NEW DOUBLE-DECKER TRAINS

In the new train schedule for 2019–2020, the route network of double-decker trains has been expanded. In the new version, train No. 17/18 “Karelia” with the Petrozavodsk – Moscow service, train No. 52/51 “Sura” with the Penza – Moscow service, and train No. 737-741 “Day Express” with the Bryansk – Moscow service began to run. Now JSC FPC it carries passengers in 16 pairs of double-decker trains on 12 routes.



DEVELOPMENT STRATEGY

FPC'S ACTIVITIES AS A KEY BUSINESS UNIT
REFERENCES
RUSSIAN RAILWAYS HOLDING IS FOCUSED ON ACHIEVING
TARGET VOLUME AND FINANCIAL AND ECONOMIC INDICATORS
PARAMETERS INCLUDED IN THE APPROVED VERSION
GOVERNMENT OF THE RUSSIAN FEDERATION. LONG-TERM
DEVELOPMENT OF JSC RUSSIAN RAILWAYS UNTIL 2025.



107

BILLION PKM

estimated passenger
traffic in 2025

53

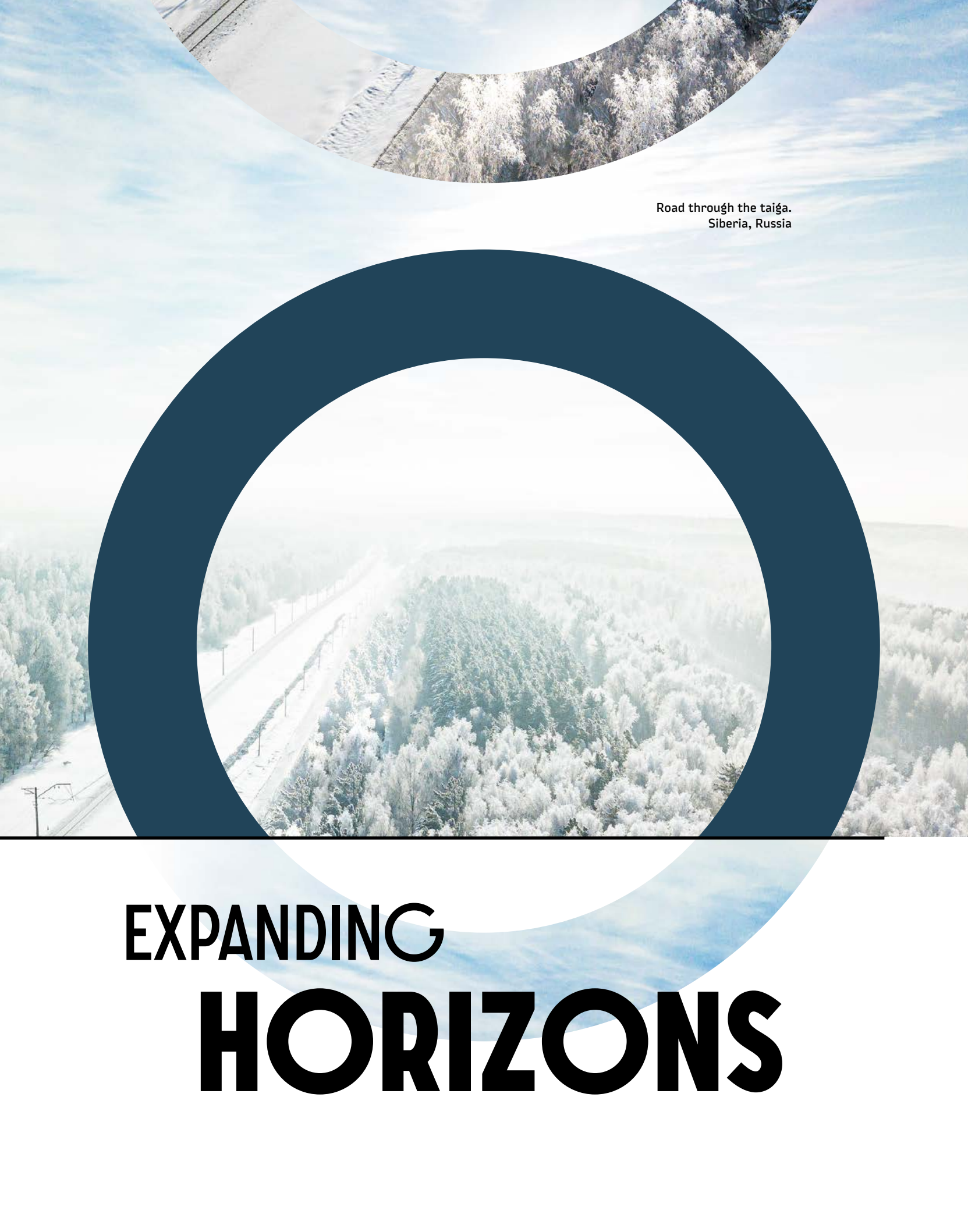
BILLION

estimated EBITDA
in 2025

20

BILLION

estimated net profit
in 2025



Road through the taiga.
Siberia, Russia

EXPANDING HORIZONS

MESSAGE FROM THE CHAIRMAN

Dear shareholders and colleagues,

The railway is constantly moving full steam ahead. Even today, FPC is already implementing projects that are rapidly changing people's ideas of passenger transportation. The development of new services (including electronic ones) and digital technologies, along with active upgrades of rolling stock dictate the need to change and adopt advanced management practices.

We are also focused on the continuous improvement of our e-ticketing system. In 2019, passengers bought more than 74.5 million e-tickets online, making up 57.4% of total sales. The growth came on the back of continued improvements to mobile services provided to passengers.

Daytime trains are in high demand with passengers: in 2019, 17.7 million passengers used these trains, an 18% increase in 2018. Double-decker passenger traffic also grew steadily, totalling 6 million passengers in 2019, up 30% from 2018. It was in part due to the launch of double-decker carriages on new routes, with 16 pairs of double-decker trains now running on railways across Russia.

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« The railway is constantly moving full steam ahead. Even today, FPC is already implementing projects that are rapidly changing people's ideas of passenger transportation. »

The Company also makes sure passengers with special needs are not overlooked – every year, Federal Passenger Company works to improve the rail travel experience and accessibility for passengers with reduced mobility. The procurement of new carriages and upgrades to existing rolling stock create a more comfortable on-train environment and increase the number of carriages with specialised compartments. The Company employees receive annual refresher sessions on etiquette and service for passengers with reduced mobility. Over 213,000 passengers with health impairments used FPC's trains in 2019, almost twice as much as in 2018.

To sum up, I can confidently state that the past year was one of remarkable performance and positive transformation for FPC. I am certain that in 2020 the Company will keep reaching its targets and provide safe, reliable, and comfortable passenger services.

Sincerely,
Dmitry Pečov



COMPANY STRATEGY

As a key business unit of RZD Holding, FPC's operations are focused on achieving financial, economic, and volume targets set out in the Long-Term Development Programme of Russian Railways to 2025 (LDP) approved by the Russian Government. As part of the effort to develop the LDP and to ensure the achievement of its goals related to long-distance passenger services, FPC designed a draft Long-Term Development Strategy to 2030¹ and set up a strategic project management office responsible for monitoring the progress on FPC-relevant strategic goals of Russian Railways' LDP.

MISSION

We are improving the quality of life by offering extremely safe, affordable, and comfortable passenger experience.

VISION

FPC is Russia's leader in passenger mobility. It is a highly efficient, financially sound, and customer-focused company that strives to enhance value while ensuring sustainable development in passenger mobility across travel classes and regions of Russia, covering key long-distance destinations in demand.

118

MILLION PASSENGERS

WILL BE CARRIED
IN 2025

RUSSIA'S LEADER IN PASSENGER MOBILITY:

- A national carrier providing traditional and high-speed long-distance rail passenger services both in Russia and abroad
- The leader by passenger traffic in long-distance transport in Russia
- The leader in long-distance ticket aggregation services offering single multimodal tickets connecting rail passenger services across Russia's regions

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¹ The development strategy of FPC for the period up to 2030 was approved on 27 December 2019. By the Board of Directors of JSC FPC.

330

BILLION

ESTIMATED EARNINGS
IN 2025

207

BILLION

TOTAL AMOUNT OF ROLLING STOCK
PURCHASES FROM 2020 TILL 2025

54

BILLION PKM

PASSENGER TURNOVER
IN THE REGULATED PASSENGER
TRANSPORTATION SEGMENT IN 2025**HIGHLY EFFICIENT,
FINANCIALLY STABLE
COMPANY**

- Maximising financial results and ensuring self-sufficiency in operations

**CUSTOMER-FOCUSED
COMPANY**

- Leader in service quality in long-distance land transport providing high-quality value proposition and comfortable long-distance travel experience, including transit connections with other modes of transport and multimodal transport services

**SOCIALLY RESPONSIBLE
COMPANY**

- Sustainably developing mobility across travel classes and regions of Russia



STRATEGIC GOALS OF THE COMPANY

According to the LDP, the Company's main focus will be on increasing the average train speeds, developing comprehensive combined transport operations (such as multimodal transport services), increasing passenger traffic on the busiest routes in Russia, and improving the competitiveness of our existing services. The Company will also continue to act as a public carrier, which means servicing single or socially significant routes.

The LDP's key targets relevant to FPC address changes in the transport market, the competitive situation, evolving customer requirements, and development trends in the passenger transport regulatory environment. FPC's Strategy assumes the Company retains its current role within the long-term strategic development programme of RZD Holding.

Strategic objectives

Passenger km travelled

Passengers carried

Net profit

EBITDA

82

RUB billion

28

RUB billion

122

million people

111

billion passenger km

53

RUB billion

20

RUB billion

118

million people

107

billion passenger km

1.8x

3.3x

+11%

+14%

29.6

RUB billion

6.6

RUB billion

105.8

million people

93.6

billion passenger km

2030 2025 2019

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FPC target performance indicators

INDICATORS	2019		2020	2021	2022
	PLAN	ACTUAL			PLAN
Investment volume net of VAT, RUB billion	49.0	43.7	53.6	49.8	42.5
Revenue, RUB billion	235.0	236.9	245.4	255.9	269.8
EBITDA margin (incl. subsidies), RUB billion	28.1	29.6	31.5	36.8	41.7
Federal subsidies, RUB billion	7.7	7.7	8.6	8.7	8.7
Traffic safety, incidents per million train km	0.0064	0.0018	0.006	0.006	0.0059
Labour productivity growth rate, %	102.5	102.6	105.0	102.1	101.4
Passenger km travelled, billion	93.0	93.6	95.4	98.2	102.3
Net profit, RUB billion	5.1	6.6	4.6	5.6	7.2

Target performance indicators have been set for the Company until 2022¹.



¹ In accordance with the Company's budget.

STRATEGIC AREAS OF DEVELOPMENT

NETWORK

Rail network optimisation is planned:

- In the under 1,500 km route segment:
 - accelerate trains
 - increase capacity
- In the over 1,500 km route segment:
 - improve efficiency
 - implement a hub-based model
 - develop high-speed lines after 2025.

The carriages will be purchased under the long-term contract signed with JSC TVZ, valid until 2025 and providing for the supply of rolling stock in four batches:

- Existing model range
- New single-decker carriages
- New double-decker carriages
- Innovative single-deckers and double-deckers.

FLEET

Over 4,400 carriages will be retired from FPC's passenger fleet between 2020 and 2022. To compensate for the carriage fleet shortage, the Company has significantly increased the previously planned investment into rolling stock replacement and upgrades.

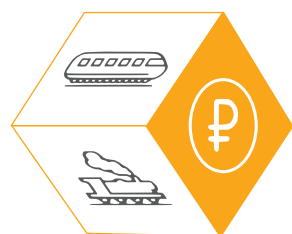
4,200 carriages (a third of the total rolling stock) will be replaced between 2020 and 2025. The innovative rolling stock will make up approximately 36% of the total rolling stock by 2025.

The rolling stock will feature an improved carriage design characterised by:

- personal space and privacy during rest
- spacious accommodation and freedom of movement
- low floors for easy boarding and barrier-free environment
- dedicated baggage areas
- advanced technical equipment
- IT-driven development (Digital Railway).

FPC's target product portfolio

is diversified by value proposition, service class and carriage age



Four types of the value proposition

Four service classes

Driven **by travel time**
(non-scheduled trains outside the mass market portfolio)

Driven **by a uniform range of services**
for each class (for sleeping and seating carriages)

PRODUCT OFFERING

The Company is planning the transition to a new unified product offering which includes:

- four train types – daytime express trains, night express trains, regular trains, and tourist trains
- four service classes – business, comfort, economy, economy budget.

MULTIMODALITY

The Company provides transport services across six multimodal routes. In 2019, three multimodal transport routes were launched with the participation of bus transport at a landfill in the Nizhny Novgorod region to test passenger information technologies and using the mobile AWP cashier¹.

To further develop our ticket aggregation system for different modes of transport, the Company designed a multimodal route builder, now available at ticket.rzd.ru, which can be used to build routes with up to four legs using different modes of transport.

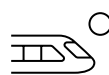
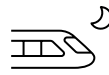



FPC is planning to further grow sales of its multimodal services and improve the performance of its existing routes by:

- launching at least 100 routes on ticket.rzd.ru by aggregating tickets for different modes of transport
- launching sales of multimodal tickets on trains.

OTHER TYPES OF ACTIVITIES AND ADJACENT BUSINESSES

FPC's sustainability will be further enhanced by diversifying its operations as well as developing businesses that improve the profitability of passenger services through value-added service offerings:

- On-train passenger services
- Services for travellers across transport modes
- Logistics services (cargo, mail, etc.).

	DAYTIME EXPRESS TRAINS	Quick travel within a business day. Travel time up to 6 hours. Target distances under 600 km
	NIGHT TRAINS	Comfortable travel conditions for a proper night's rest. Travel time up to 12 hours. Target distances under 1,200–1,500 km
	TRADITIONAL TRAINS	Low-cost travel option. Travel time over 12 hours, long distances
	TOURIST TRAINS	Deluxe carriages offering five-star hotel-grade service (Red Arrow, Rossiya)
	BUSINESS	Premium comfort and hotel-grade service for productive use of travel time during the day or night
	COMFORT	Comfort and an adequate range of services for affordable and comfortable travel during the day or night
	ECONOMY	An affordable and comfortable travel choice with access to value-added services on demand
	ECONOMY BUDGET	The lowest-cost travel option. Service offering is limited

¹ AWP – automated workplace.

TARGET BUSINESS MODEL¹



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¹ FPC's draft target business model outlined in the Long-Term Development Programme of Russian Railways to 2025. Elements may be adjusted.

KEY OBJECTIVES FOR 2020

FPC's Key Objectives for 2020:

1

Consolidating the Company's position in the passenger services market through route network expansion, offering a new level of customer service, significantly expanding the range of services, rolling stock upgrades, and passenger infrastructure upgrades and modernisation

2

Implementing the initiatives outlined in JSC FPC's Development Strategy until 2030. The key initiatives of the Strategy to be implemented in 2020: design together with Russian Railways of a feasibility study for launching and accelerating Centre-South trains, expansion of the double-decker service footprint, launches of new higher-speed trains, improving the competitiveness of the existing product line and rolling stock replacement under a long-term contract for rolling stock procurement from TVZ

3

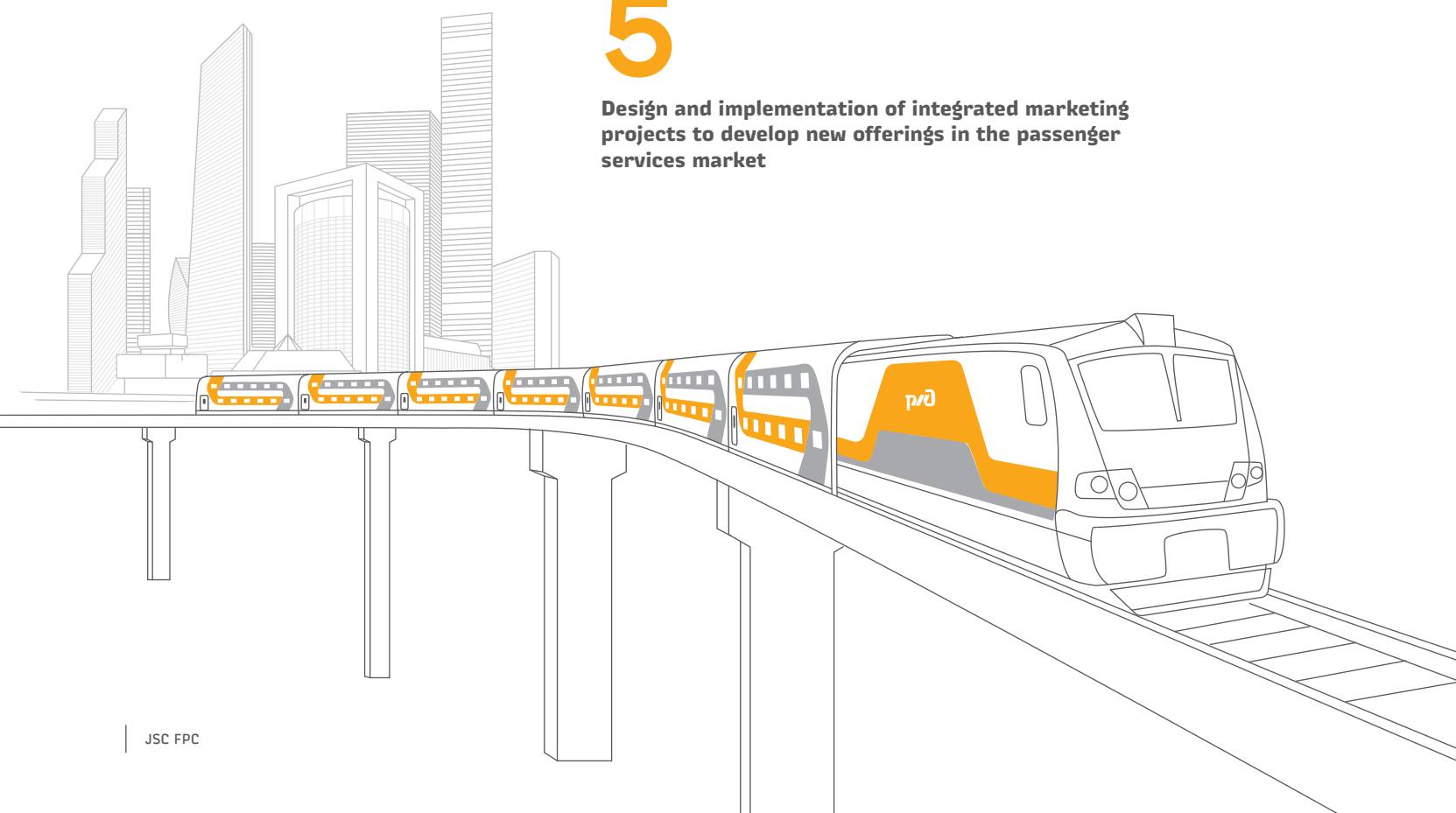
Ensuring sustainable transportation services

4

Building digital capabilities and active deployment of digital technologies to enhance the efficiency of internal processes, improve services and make customer management models more adaptable

5

Design and implementation of integrated marketing projects to develop new offerings in the passenger services market



BUSINESS MODEL

State

- Regulation, subsidies and interest in increased population mobility
- Control of service quality and safety levels to ensure they meet the approved standards
- Stronger investment case for the transport industry
- Higher budget efficiency of the transport industry

Key partners

RZD HOLDING

- **RUSSIAN RAILWAYS**
Provider of locomotive and infrastructure services
- **ROSZHELDORSNAB**
Supplier of equipment and materials
- **COMMUTER COMPANIES**
Ticket sales, multimodal transport services

MARKET

CARRIAGE SUPPLIER

- TVZ

RESOURCE SUPPLIERS

- Finance market
- Labour market
- Materials and equipment market
- Technology market
- Technical services and maintenance market

JSC FPC

Lines of business

- Regulated domestic long-distance passenger services
- Deregulated domestic long-distance passenger services
- International long-distance passenger services
- Long-distance baggage, unaccompanied baggage and mail transportation
- Other lines of business

Key resources

58,000
employees
staff (average headcount)

17,000
carriages
carriage fleet

>300
contractors
technical services and maintenance

3,048
million
carriage km

RUB 51
billion
loans and borrowings
(as at 31 December 2019)

Equipment and materials

23
depots

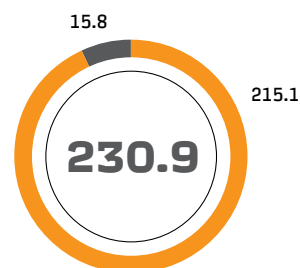
32
carriage sites

10
railway agencies

1
vehicle transport centre

Cost breakdown,

RUB billion



- Passenger services, for reference:
 - Infrastructure payments (RUB 72.7 billion)
 - Locomotive lease (RUB 46.7 billion)
- Other activities

Investment expenses

- Rolling stock acquisition
- Rolling stock upgrades
- Depot upgrades and safety
- IT programme
- Other carriages

RUB 43.7
BILLION

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Product range

Transport services



Branded trains: deluxe, first- and second-class sleeping carriages, third-class open sleeping carriages, motorised and seating carriages



Standard trains: deluxe, first- and second-class sleeping carriages, third-class open sleeping carriages, motorised and seating carriages



International service: deluxe, RIC and seating carriages

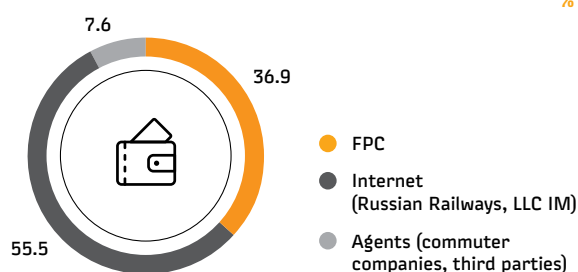


Tourist trains

Other carriages

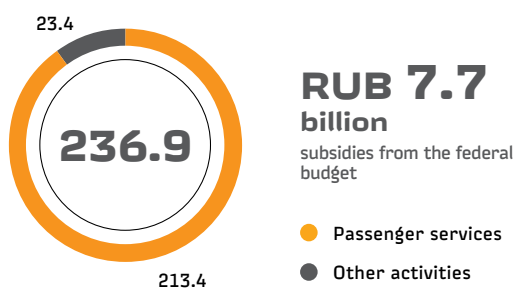
- Baggage, unaccompanied baggage and mail transportation
- Repair and maintenance of non-owned rolling stock
- Value-added services on trains
- Other services

Sales channels,



Revenue breakdown,

RUB billion



RUB 7.7 billion

subsidies from the federal budget

- Passenger services
- Other activities

Promotion

- Recognisable RZD brand
- RZD Bonus Loyalty Programme
- Marketing promotions
- Internet presence
- Advertising campaigns
- Poputchik (Fellow Passenger) multimedia portal

Key values

For the passengers



Safe, affordable and comfortable travel



Good travel experience



Saving time

For the state



Ensuring transport mobility of the population with the effectiveness of budget expenditures

For corporate clients and other consumers



High quality work at a reasonable price in a reasonable time

Customers

- Passengers
- Corporate clients
- Other consumers
- Government departments





Net profit

RUB 6.6
BILLION


ASSETS

ASSET MAP




1 Northwest Branch

 **218,000 m²**
 **6,800 m²**
 **2,100 units**
 **RUB 0.6 billion**





6 Volga Branch

 **249,300 m²**
 **100 m²**
 **1,500 units**
 **RUB 0.5 billion**





7 Kuybyshev Branch

 **112,200 m²**
 **1,300 units**
 **RUB 0.3 billion**





2 Moscow Branch

 **419,500 m²**
 **6,200 m²**
 **2,200 units**
 **RUB 2.3 billion**





3 Gorky Branch

 **101,500 m²**
 **1,600 m²**
 **1,400 units**
 **RUB 0.3 billion**

4 Northern Branch

 **95,600 m²**
 **13,600 m²**
 **1,100 units**
 **RUB 0.2 billion**

5 North Caucasus Branch

 **212,500 m²**
 **14,400 m²**
 **2,000 units**
 **RUB 0.7 billion**



FPC BRANCH LOCATIONS:

1. Northwest Branch – Saint Petersburg
2. Moscow Branch – Moscow
3. Gorky Branch – Nizhny Novgorod
4. Northern Branch – Yaroslavl
5. North Caucasus Branch – Rostov-on-Don
6. Volga Branch – Saratov

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8 Ural Branch

 **180,300 m²**
 **1,600 m²**
 **2,000 units**
 **RUB 0.5 billion**




9 West Siberian Branch

 **185,500 m²**
 **11,700 m²**
 **1,300 units**
 **RUB 0.4 billion**




10 Yenisey Branch

 **36,500 m²**
 **2,200 m²**
 **500 units**
 **RUB 0.1 billion**




11 East Siberian Branch

 **90,800 m²**
 **600 units**
 **RUB 0.1 billion**

12 Zabaikalie Branch

 **82,100 m²**
 **400 units**
 **RUB 0.1 billion**

13 Far East Branch


 **62,100 m²**
 **900 units**
 **RUB 0.2 billion**

10
Krasnoyarsk


12
Chita

11
Irkutsk

13
Khabarovsk

 Real estate

 Land

 Carriage fleet

 Other movable property¹

7. Kuybyshev Branch – Samara

8. Ural Branch – Yekaterinburg

9. West Siberian Branch – Novosibirsk

10. Yenisey Branch – Krasnoyarsk

11. East Siberian Branch – Irkutsk

12. Zabaikalie Branch – Chita

13. Far East Branch – Khabarovsk

¹ Excluding JSC FPC itself.

ASSET STRUCTURE AND CHANGES IN THE ASSET STRUCTURE

Passenger rolling stock is FPC's key asset, making up 87% of total assets. As at the end of 2019, the Company's carriage inventory totalled approximately 17,000 carriages.

Asset structure as at 31 December 2019,

	RUB billion
ASSETS	BOOK VALUE
Carriages	224.5
Real estate	26.8
Other movable property	6.4
Intangible assets	0.6
Land	0.2
Total	258.5




DYNAMICS OF CHANGES IN THE CARRIAGE FLEET STRUCTURE, CARRIAGES

CARRIAGE TYPE	DESCRIPTION	FLEET AS AT 31 DECEMBER 2018	ACQUIRED	RETIRED	FLEET AS AT 31 DECEMBER 2019
Deluxe	Compartment carriages, each compartment featuring a shower room, a washbasin, and a toilet	116	–	–	116
First-class sleeping	Compartment carriages with double berth compartments	646	5	114	537
RIC	Compartment carriages, Euro size	339	–	38	301
MIXED	Compartment carriages with deluxe and first-class sleeping compartments	13	–	–	13
K	Compartment carriages with four-berth compartments	8,413	194	652	7,955
O	Third-class open sleeping carriages	6,706	342	412	6,636
MO	Interregional carriages	654	20	6	668
B	Baggage carriages	222	–	5	217
R	Dining carriages	804	11	56	759
Other	Power cars and ancillary vehicles	46	–	3	43
Total		17,959	572	1,286	17,245

ORGANISATIONAL STRUCTURE

FPC's organisational structure includes administration, 13 regional branches, three subsidiaries, one central carriage site, and seven centres. The branches comprise 23 passenger carriage depots, 32 carriage sites, ten railway agencies, and the Vehicle Transport Centre.

FPC's organisational structure (as at 31 December 2019)

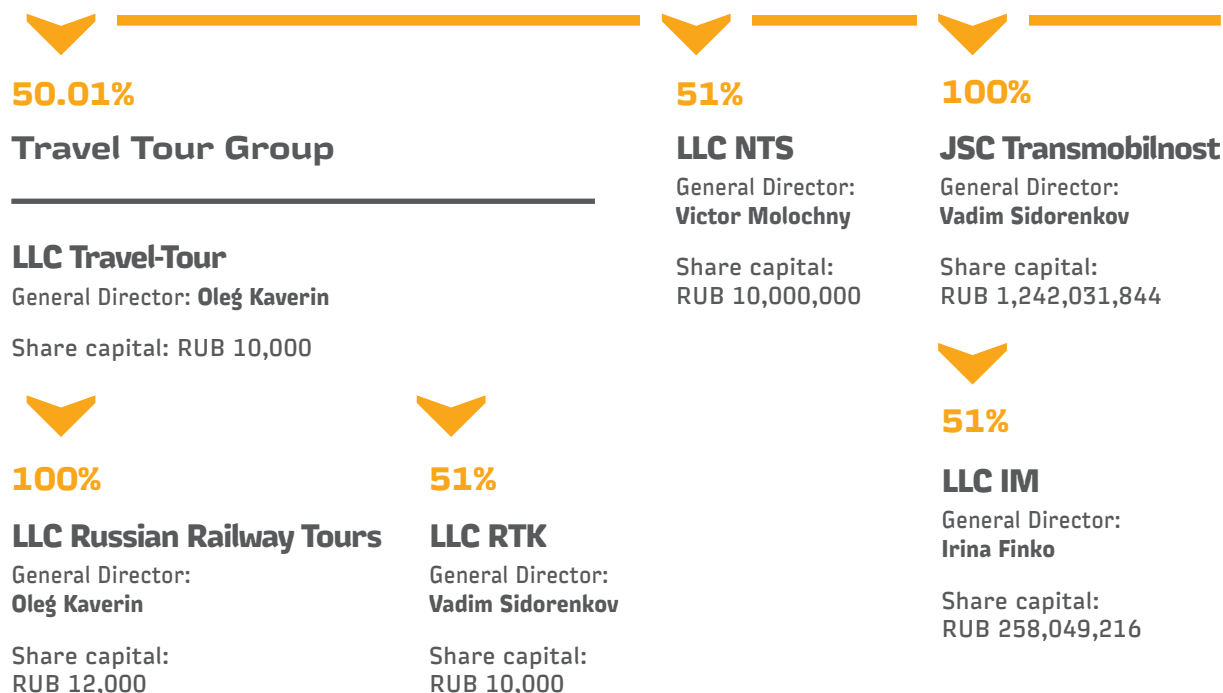
FPC's subsidiaries and affiliates	FPC's administration	FPC's structural units	FPC's branches (13)
	 <p>Units of the following sections:</p> <ul style="list-style-type: none"> • Transport Support • Business Development and Operations • Transport Management • Premium Services • Economics and Finance • External Relations and Legal Affairs • Marketing and Sales • Human Resources and Social Development • Safety and Security • Corporate Governance. <p>Other units supporting and supervising operations</p>	 <p>7 centres</p>	 <p>Branch administrations</p>  <p>Branch structural units (66)</p>  <p>32 carriage sites (CSs)</p> <p>23 passenger carriage depots (PCDs)</p> <p>10 railway agencies (RWAs)</p> <p>1 Vehicle Transport Centre</p>

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES

The following subsidiaries and affiliates are covered by FPC's corporate governance system: LLC NTS, LLC Travel-Tour, LLC Russian Railway Tours, LLC RTK, JSC Transmobilnost¹, and LLC IM.

FPC'S ORGANISATIONAL STRUCTURE

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¹ JSC FPC-Logistika was renamed JSC Transmobilnost on 22 April 2019.

LLC NTS

LLC NTS operates in the following areas directions:

- Delivering drinks, food, and non-food products to FPC's trains for sale to passengers via train attendants and independent operators on board
- Catering to passengers in bistros on the Strizh trains running to and from Moscow
- Small- and large-scale wholesale trade in beverages and food products from warehouses leased by LLC NTS to any company selling such goods in Russia
- Operating dining carriages
- Complimentary catering services for passengers

In 2019, sales volumes across almost all channels were up 48% year-on-year.

The most significant growth is seen in catering services due to an increase in the number of branches and trains with dining carriages operated by NTS in 2019. NTS also began providing services on the Strizh trains running to and from Moscow in Q3 2019.

LLC NTS

INDICATORS	2018	2019	CHANGE 2019/2018	
			RUB million	%
Net profit, RUB million	65.5	32.5	-33.0	49.6

Changes in sales volume by channel,

INDICATORS	2018	2019	CHANGE 2019/2018	
			RUB million	%
Sales of merchandise to passengers (via train attendants)	969.8	961.5	-8.3	99.1
Independent operators	54.4	55.6	1.2	102.2
Other buyers	110.4	139.0	28.6	125.9
Catering ²	448.3	1,089.6	641.3	243.1
Sale of services on Strizh trains	-	96.5	96.5	-
Total	1,582.9	2,342.2	759.3	148.0

² NTS provides catering services from Q2 2018.

TRAVEL TOUR GROUP

FPC bought into the Travel Tour Group's business to:

- develop rail tourism by building up new tourist-oriented rail routes
- increase the volume of rail services provided to organised passenger groups
- develop the middle-class rail travel segment
- meet foreign and domestic demand for visiting Russia's cultural and historical centres.

LLC Travel-Tour

LLC Travel-Tour provides legal services to its subsidiary LLC Russian Railway Tours and conducts virtually no other kinds of business. Financial and business operations of LLC Russian Railway Tours are LLC Travel-Tour's key source of profit.

LLC Russian Railway Tours

LLC Russian Railway Tours' key activities include:

- organising own rail tours
- hosting rail services, chartered VIP rail services, and tourist travel services for RZD Holding employees
- servicing tourist groups organised by travel agencies as well as corporate customers in rented trailing carriages or special trains.

The Company serviced over 280,000 passengers in 2019, up 8.5% year-on-year, with the most significant growth coming from the Rail Services business segment due to an increase in children and shift worker transportation services. These types of services are least profitable for the Company due to low pricing of trips. The number of passengers serviced in the Tourism and Comprehensive Services segments with higher trip pricing decreased.

The lower sales in the high-margin segments had a negative impact on Russian Railway Tours' bottom line in 2019, as its gross profit did not cover administrative expenses, which resulted in a loss of RUB 34.7 million in 2019.

LLC Russian Railway Tours

INDICATORS	2018	2019	CHANGE 2019/2018	
			RUB million	%
Net profit, RUB million	44.9	(34.7)	-79.6	-77.2

Passengers serviced by LLC Russian Railway Tours, by segment

SEGMENT	2018	2019	CHANGE 2019/2018	
			passengers	%
Tourism	196,304	133,250	-63,054	67.9
Comprehensive services	12,367	3,772	-8,595	30.5
Rail services	51,823	145,639	93,816	281.0
Total	260,494	282,661	22,167	108.5

JSC TRANSMOBILNOST

JSC Transmobilnost was established to improve the competitiveness of unaccompanied baggage transport services within FPC Group, achieve profitability in the segment, and regain FPC's leading position in the unaccompanied baggage transport market.

Core activities of JSC Transmobilnost:

- Providing carload services using baggage carriages
- Leasing baggage carriages.

In 2019, the number of carloads shipped by Transmobilnost grew by 20.6% year-on-year, as its operating fleet increased by 42 carriages, with 35 carriages contributed by FPC under an asset contribution agreement between FPC and Transmobilnost and the remaining rolling stock additions coming from carriage overhauls with reclassification from "carriages withdrawn from operation" to "carriages in operation".

LLC IM

LLC IM (a subsidiary of JSC FPC-Logistics) acts as the operator for the Innovative Mobility multimodal platform providing a single interface to offer passengers tools for planning, booking, and purchasing tickets for trips involving various modes of transport, as well as related value-added services. The multimodal platform integrates all modes of transport into a single network offering passengers door-to-door travel experience.

The number of tickets issued in 2019 grew by 5,070.7 thousand year-on-year as a result of the Company's efforts to grow its presence in the agency services market and increase sales not only in the railway segment but also in air travel, coach services, Aeroexpress, and insurance segments.

JSC Transmobilnost

INDICATORS	2018	2019	CHANGE 2019/2018	
			RUB million	%
Net profit, RUB million	45.1	85.9	40.8	190.5

JSC Transmobilnost's operating results

INDICATORS	2018	2019	CHANGE 2019/2018	
			Carriages	%
Number of carloads shipped	1,645	1,984	339	20.6
Operating fleet, carriages ¹	123	165	42	34.1

LLC IM

INDICATORS	2018	2019	CHANGE 2019/2018	
			RUB million	%
Net profit	123.5	106.5	-17.0	86.2

LLC IM's operating results

INDICATORS	2018	2019	CHANGE 2019/2018	
			'000 tickets	%
Number of e-tickets sold, '000 tickets	16,049.9	21,120.6	5,070.7	131.6

¹ Including operated and leased carriages.

PERFORMANCE OVERVIEW

THE QUALITY, SPEED AND AVAILABILITY OF TRANSPORTATION ALWAYS REMAIN THE KEY BENCHMARKS THAT DETERMINE THE ACTIVITY OF JSC FPC. KEEPING THE BEST TRADITIONS OF THE DOMESTIC RAILWAY PASSENGER COMPLEX, FPC IS CONFIDENTLY MOVING FORWARD.

93.6

BILLION PKM

passenger turnover
in 2019

236.9

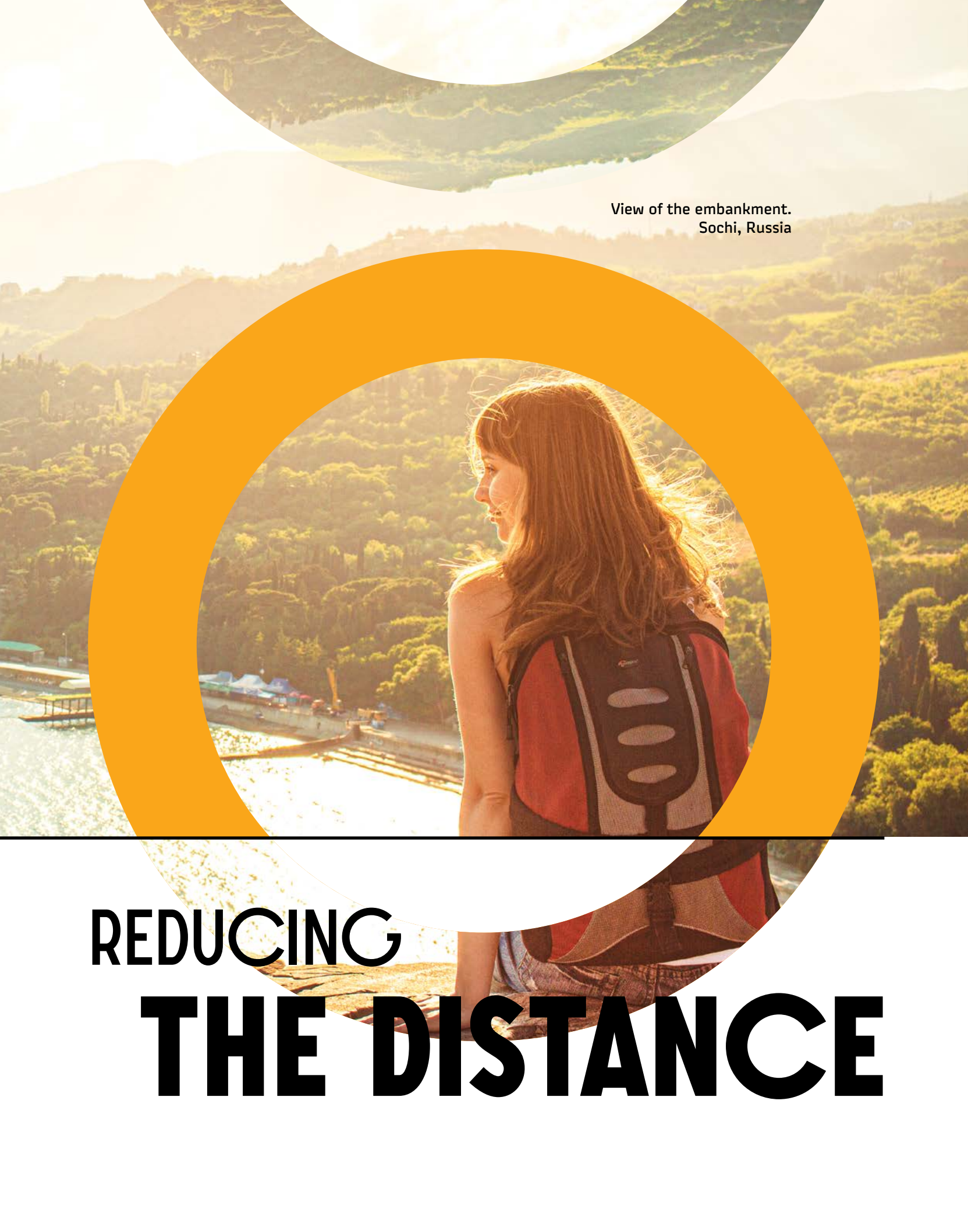
RUB BILLION

operating revenues

230.9

RUB BILLION

operating expenses



View of the embankment.
Sochi, Russia

REDUCING THE DISTANCE

MESSAGE

FROM THE GENERAL DIRECTOR

Dear shareholders, partners, and colleagues,

The year 2019 marked the tenth anniversary of JSC Federal Passenger Company. We have made great progress over that time, expanding our route network and introducing lots of useful services and products.

The Company begins a new decade with new goals and clear plans to achieve them. Our current activities, as always, are aimed at ensuring passenger comfort – from the moment they choose their destination and route to their feedback on arrival.

FPC always stays in touch with passengers, anticipating their choices throughout their customer journey. Various channels are employed to collect feedback, including social networks. Today, our specialists handle three times as many passenger queries as a decade ago, coming from both passengers en route and passengers that have already completed their trips and reached their final destinations. This two-way communication is very beneficial in helping the Company change for the better. And we also see positive responses from passengers to these changes. The share of negative feedback decreased from 41% in 2012 to just 6.5% in 2019, with our NPS (Net Promoter Score) at 43% in 2019.

During the year, FPC started offering new useful services to passengers to make travelling by rail even more comfortable. One of these is the lost property service. By the end of the year, we helped to return about 12,000 items left on FPC trains to their owners.

The Company offers its passengers comfortable travel by improving its rolling stock to match specific customer needs. In 2019, we signed a long-term contract with TVZ. Under the contract, FPC will receive more than 3,700 new carriages over seven years to replace more than 20% of the Company's overall fleet.

It is well known that one of the key criteria used by modern passengers when deciding on a mode of transport is speed. We have accelerated about 300 trains in our new schedule, with a total time reduction of 147 hours. Over 85 trains were accelerated by 30 minutes or more. In 2020, FPC will work together with RZD Holding to achieve even more impressive results.

We are striving to make sure that rail travel does not just leave our passengers with pleasant memories, but also gives our customers more value for their money. Since January 2019, our passengers have been able to buy tickets at non-refundable rates. Meanwhile, booking windows on some routes were increased to 120 days.

FPC is also making every effort to develop its loyalty programme. By the end of 2019, there were more than 5 million RZD Bonus card holders. The cardholders can now earn bonuses not only by travelling but also by using the services of the Programme's partners, including banks, stores and hotels.

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Points are now also awarded for travelling on international trains, and offline registration with the Programme is now available at FPC's ticket offices. Plans for the near future include expanding both privileges and our partner network.

Meeting the needs of a modern passenger remains our main task in 2020. Timely responses to customer requirements and continued improvements to our operating processes are the only way to defend our market share and stay ahead of the competition. These efforts will be bolstered by the new Development Strategy of JSC FPC, approved in December 2019. The Strategy sets forth our targets and goals for the next decade until 2030. It is focused on route network optimisation and expansion, a new product offering development, rolling stock replacement and upgrades, and business development and digitisation.

Innovations have started to play a dominant role in the development of passenger transport, with the digitisation of passenger services and smart management of operating processes. FPC's new IT strategy was developed to make sure the Company can keep abreast with market developments and stay ahead of the competition on metrics such as customer management, operating cost reduction and the speed of decision making. Its main purpose is to build upon the Company core capabilities and support the implementation of the Development Strategy.

Although FPC is operating in an unfavourable economic environment due to the current pandemic, we are optimistic about 2020 overall. With most of our passengers having to stay at home, the Company has focused on the further improvement of services, new route development, and rolling stock repair. We keep on working hard to make up for lost passenger-kilometres by the year-end and be ready to provide comfortable travel experience to Russian citizens once the lockdown is lifted.

Sincerely,
Petr Ivanov



MARKET OVERVIEW

In 2019, FPC's domestic passenger traffic grew by 3.8 million, or 3.9%.

MACROECONOMIC ENVIRONMENT

Key economic growth indicators,

share as compared to 2018, %

INDICATORS	2019
GDP	101.3
Consumer Price Index	104.5
Investment in fixed assets ¹	100.7
Real household disposable income	100.8
Real wages ²	102.5
Unemployment (as at the end of December) percentage	4.6
Retail sales	101.6
Sales of paid retail services	99.1

Source: Federal State Statistics Service (Rosstat)

In 2019, the consumer price index decreased to 4.5% (vs a 2.9% inflation rate in the previous year), while GDP grew by 1.3%.

Investment in fixed assets increased by 0.7%, with the investment structure showing nominal growth in all types of fixed assets except non-residential buildings and structures. Equity remains the main source of capital investments for large and medium businesses.

Real wages grew by 2.5% driven by improvements in nominal wages. Real household disposable income increased by 0.8%.

Improvements in the labour market contributed to higher wages as unemployment declined from 4.8% in December 2018 to 4.6% in December 2019.

RUSSIAN TRANSPORT MARKET

FPC's main competition in long-distance services is from airlines, other railway companies, coach service operators, and private transport.

The Russian transport market shows a trend for stronger competition and shrinking of areas dominated by rail as the main mode of transport.

Airlines are penetrating the segment of routes under 1,000 km by streamlining fleet operation and optimising travel costs and times.

At the same time, intercity coach services expanded on routes under 700 km, which are mostly not covered by regular trains.

In 2019, the share of rail in the total long-distance passenger traffic on domestic routes declined by 0.7 p.p. year-on-year (1.2 p.p. down from 2017). FPC's share also decreased to 35.5% (36.4% in 2018). The downward trend is driven by an accelerated absolute growth in domestic air traffic facilitated by aggressive pricing policies of airlines, aircraft fleet renewals, route network expansion, as well as governmental support of air transport (from financing air transport infrastructure and aircraft fleet development for regional and local air carriers to providing direct subsidies for operating certain regional and long-distance routes).

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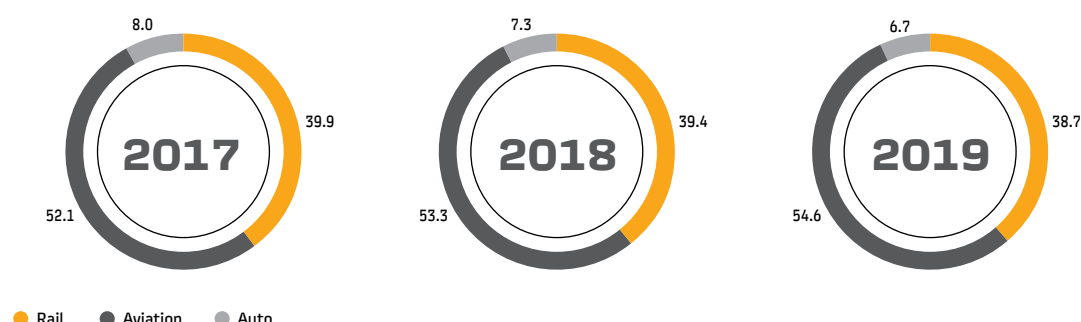
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¹ January – September 2019 to January – September 2018.

² January – November 2019 to January – November 2018.

Passenger km travelled on domestic long-distance routes by mode of transport,

%



INDICATORS, %	2017	2018	2019
FPC	36.9	36.4	35.5
Directorate for Higher-Speed Services, a branch of Russian Railways	1.5	1.6	1.8
TransClassService	0.5	0.5	0.4
Other	1.0	0.9	1.0

Sources: Statistical Reporting Form TsO-33 for rail transport, Federal Agency for Air Transport (Rosaviatsiya) (www.favt.ru) for air transport, expert estimates based on Rosstat's data (www.gks.ru) for road transport

This leading tendency is caused by the absolute growth of transportation volume on domestic routes, helped by aggressive pricing by air carriers, the renewal of the fleet, expanding the route network and the implementation of government measures to support air transport (from the financing of the development of aviation infrastructure and aircraft fleet for regional and local air transport direct subsidies to a number of regional and long-haul routes).

FPC accounted for 93.3% of long-distance passenger traffic on domestic routes operated by Russian rail carriers in 2019 (–0.7 p.p. year-on-year). The decline in the market share was due to increased competition in the market for long-distance rail passenger services.

In 2019, the number of passengers carried by FPC on domestic routes increased (103.9% of the 2018 level – 102.8% in the regulated segment and 105.9% in the deregulated one).

Overall, the long-distance rail passenger services market in 2019 grew by 5.1% year-on-year. The FPC's passenger-km on domestic routes stood at 102.5% of the 2018 level, with 102.1% in the regulated segment and 103.1% in the deregulated segment.

Growth in domestic air passenger traffic slowed down considerably in 2019 compared to 2018.

According to the Federal Agency for Air Transport (Rosaviatsiya), the total number of air passenger-km grew by 12.6% to 323 billion passenger-km in 2019. The year-on-year increase in passenger-km was 16.6% (11.1% in 2018) for international destinations and 7.4% (10% in 2018) for domestic services.

To address the negative trends and retain its competitive edge in the passenger services market, FPC works to improve customer experience, replace and upgrade its rolling stock, and accelerate trains while also focusing on its Dynamic Pricing Programme, RZD Bonus Loyalty Programme (including for corporate customers), and launching marketing promotions for both the regulated and deregulated segments.

INTERNATIONAL TRANSPORT MARKET

International long-distance passenger services

In 2019, FPC operated 11 international routes, providing direct and transit passenger services to and from 11 European and Asian countries, including Germany, France, Monaco, Poland, Austria, the Czech Republic, Italy, Finland, China, Mongolia, and North Korea. FPC also provided rail services on routes between Russia and 12 CIS and Baltic states, including Ukraine, Moldova, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Azerbaijan, Latvia, Lithuania, Estonia and Abkhazian.

The passenger traffic between Russia and the CIS and Baltic states on trains made up by foreign railways has trended downward, with a 5.5% decline in 2019. Growth (of more than 5%) is only seen in traffic to and from Kazakhstan (12.1%) and Uzbekistan (6.4%).

To mitigate the downward trend in international passenger traffic, marketing campaigns and discount schemes are used to promote international passenger services under bi- and multilateral agreements.



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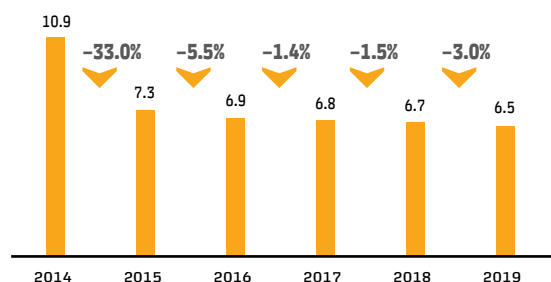
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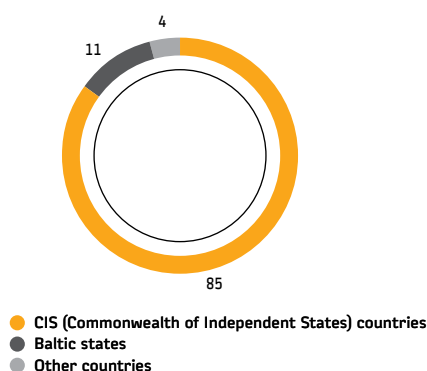
International passenger traffic,

million people



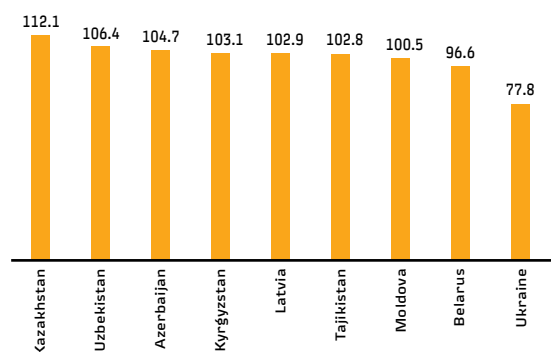
International passenger services in 2019,

%



Passenger traffic between Russia and the CIS and Baltic states on trains made up by foreign railways,

%



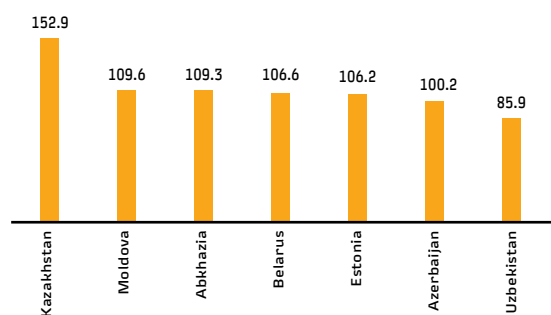
The CIS and Baltic states contribute to the bulk of passenger traffic on international routes. Therefore, the declines in passenger traffic for key traffic-generating destinations affected the total passenger traffic on international routes in 2019.

Overall, international passenger traffic amounted to 97% of the 2018 level, with 95% for the CIS and Baltic states and 114% for other countries.

The key destinations generating high passenger traffic with the CIS and Baltic states are Belarus with 32% of the total number of passengers carried, Ukraine with 20% and Kazakhstan with 17%. Ukraine's share decreased by 5% while passenger traffic between Russia and Ukraine dropped by 19% year-on-year.

Passenger traffic between Russia and the CIS and Baltic states on trains made up by FPC,

%



The most significant year-on-year decrease in international passenger traffic was on routes to and from Ukraine (19%), Lithuania (18%), and Kyrgyzstan (11%).

The highest passenger traffic growth was on routes to and from Mongolia (18%), Finland (16%), Italy and Germany (each 7%).

Overall, the passenger traffic on FPC's trains in 2019 was up 11% year-on-year. The most significant growth was seen in traffic to and from Kazakhstan (52.9%), Moldova (9.6%), Abkhazia (9.3%), Belarus (6.6%), and Estonia (6.2%).

MARKETING POLICY

As part of efforts to improve passenger travel comfort, we maintain a continued focus on adjusting passenger train timetables to offer more convenient arrival/departure times, maximise train travelling speeds considering the Russian Railways' infrastructure, develop and execute marketing strategies, and carefully elaborate our pricing approaches.

PRICING POLICIES

The Company's top priorities in executing its pricing policy in 2019:

- Agile and flexible pricing driven by changes in effective consumer demand and competitor moves
- Development of an effective schedule of fares for passenger services considering the competition from other modes of transport.

REGULATED TRANSPORTATION SEGMENT

The Tariff Guidelines approved by Decree No. 156-t/1 of the Federal Tariff Service (FTS of Russia) dated 27 July 2010 set the fares, fees, and charges for works (services) related to transportation of passengers, baggage and unaccompanied baggage by public rail transport on domestic routes using passenger carriages. The fares are indexed annually and depend on the train category and travelling distance.

Index values for the fares, fees, and charges for works (services) and the differentiated index values for calendar periods within a particular year are announced by relevant decrees of FAS Russia.

Since 2003, tariff differentiation is allowed by applicable laws. The coefficients set out in the Flexible Tariff Regulation Schedule are applied to the basic fares to mitigate seasonal demand fluctuations.

Starting from 2015, FPC may adjust tariffs for third-class open sleeping carriages within the set price limits, which enabled various marketing promotions in the segment.

A zero VAT rate for long-distance public rail passenger services was set as from 2017 under Federal Law No. 401-FZ On Amendments to Parts One and Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation, dated 30 November 2016.

Fares for third-class open sleeping carriages and fourth-class seating carriages were revised upwards by 3.9% as from 1 January 2019 (Decree of FAS Russia No. 1343/18 dated 21 September 2018).

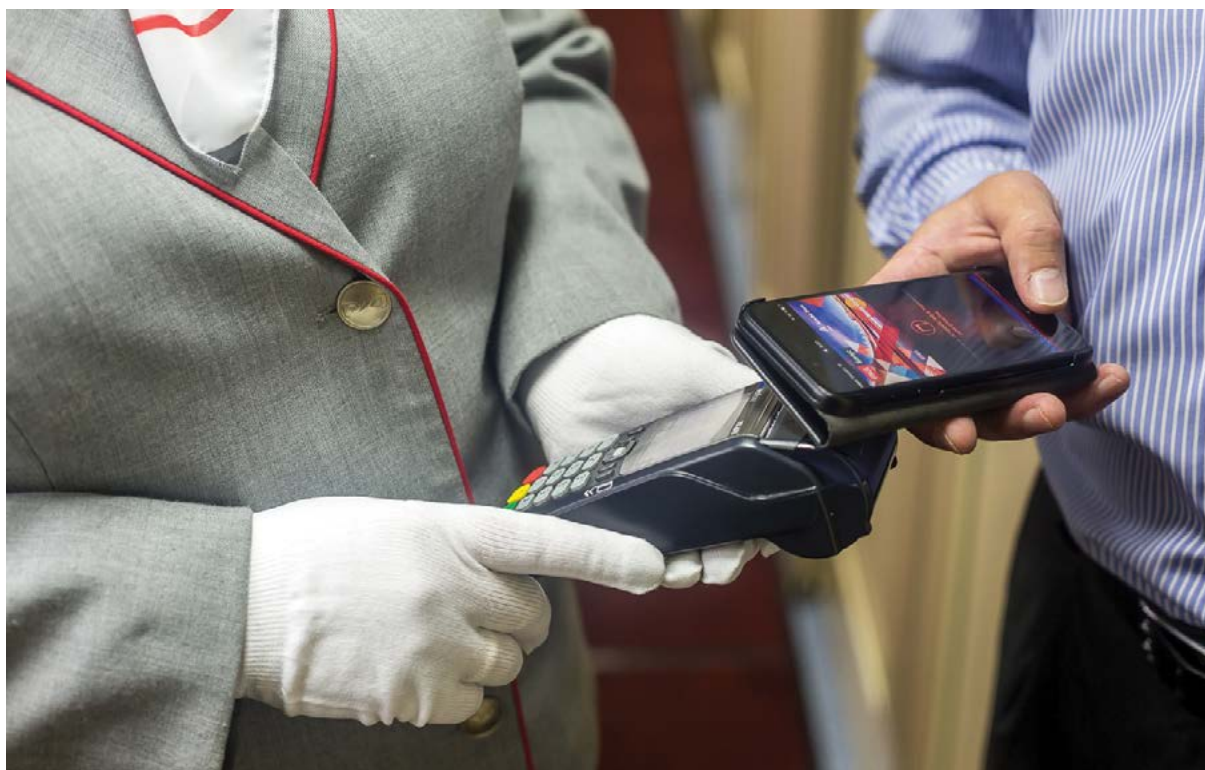
We continued to run marketing campaigns to generate demand for tickets in third-class open sleeping carriages and fourth-class seating carriages. Flexible ticketing depending on the location of berths has made passenger services more affordable for different passenger categories without exceeding the price limits set in Decree of FAS Russia No. 1343/18 dated 21 September 2018.

DEREGULATED TRANSPORTATION SEGMENT

FPC may set the prices of fares for first-class and second-class sleeping carriages at its discretion following item 5 of the List of Services¹ of Natural Rail Monopolies with Regulated Fares, Fees and Charges.

FPC may also set the prices of fares for domestic public rail passenger services on higher-speed trains at its discretion. This right is set out in Decree No. 431-t/1 of the FTS of Russia On Changing State Regulation of Natural Monopolies in the Context of Domestic Public Rail Passenger Services, as well as Bed Linen Provision Service, dated 14 December 2010.

¹ The List was approved by Resolution of the Russian Government No. 643 On Government Regulation of, and Control Over, Fares, Fees and Charges for Services of Natural Rail Monopolies, dated 5 August 2009.



As a result, in the deregulated segment, FPC provides passenger services in the second- and first-class sleeping carriages, deluxe carriages, and in all carriages of higher-speed trains. The deregulated segment also covers tourist and commercial services. In this segment, FPC may set the prices of passenger fares at its discretion.

Fundamental pricing mechanisms in the deregulated system include the dynamic pricing system and a range of marketing promotions and ticketing initiatives.

DYNAMIC PRICING SYSTEM

The dynamic pricing system is a multifactor pricing tool that combines most approaches previously used as marketing promotion tools: pricing depending on seat/berth category (upper or lower berth), day of the week, booking date², etc. Unlike static marketing promotions which offer the rates set in advance for an extended period, the dynamic pricing system implies flexible ticketing reflecting internal dynamics and various external trends as at the sale date.

The system covers the entire commercial segment of FPC's domestic services, in particular, the deregulated segment of trains outside socially necessary train services.

The pricing system helps identify the balance between the demand for, and cost of, services, ultimately driving the demand for rail services.

In 2019, approximately 75% of tickets covered by dynamic pricing were sold at prices below or comparable to basic fares (fares that would have been applied without dynamic pricing).

To reinforce its positions in the passenger services market, FPC has been running various marketing promotions to stimulate consumer demand in both the deregulated and regulated segments and increase in traffic volumes.

² In this case, a booking date is the starting date of advance train ticket sales.

MARKETING PROMOTIONS AND THEIR RESULTS

The Company's Marketing Policy puts a special focus on retaining existing and acquiring new customers. We developed and successfully implemented a set of marketing initiatives aimed to boost passenger traffic.

In 2019, 44 global marketing campaigns and approximately 900 targeted marketing initiatives were carried out in the deregulated segment. In addition to discounts offered for some seat categories (upper berths) and some destinations, we also offered special fares for specific passenger categories.

Passengers aged over 60 were entitled to a 5% discount for second-class sleeping carriages in trains departing between 23 January and 15 April or between 2 September and 25 December 2019.

For bookings made on or after 31 May 2019, large families were entitled to a 20% discount on domestic routes for second-class sleeping carriages in trains departing between 1 June and 31 July 2019.

For departure dates between 1 May and 31 December 2019, the Great Patriotic War veterans, including disabled veterans, and persons attending them (one such person per a war veteran or disabled veteran) were entitled to free travel between departure and destination points located within the Russian Federation in FPC's deluxe, first-class and second-class sleeping carriages or carriages with seats on long-distance trains of any category.

In addition, a 50% discount was offered to children aged 10 to 17 for travel within the Russian Federation in second-class sleeping carriages in trains departing between 25 May and 1 June 2019.

For bookings made on or after 10 July, special fares were offered for some of FPC's train services to and from Adler, Anapa and Novorossiysk for departure dates within the "velvet season", i.e. between 7 October and 19 December 2019.

>6

MILLION PASSENGERS

BENEFITTED FROM OUR GLOBAL
MARKETING CAMPAIGNS¹

>1

MILLION PASSENGERS

AVAILED THEMSELVES OF OUR TARGETED
MARKETING CAMPAIGNS¹

~55

'000 PASSENGERS

TOOK OUR SPECIAL OFFERS FOR LARGE
FAMILIES AND CHILDREN AGED 10 TO 17¹Company
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¹ In the deregulated segment.



REGULATED SEGMENT

In 2019, 14 global marketing campaigns were carried out in the regulated segment to offer discounts depending on berth location in third-class open sleeping carriages, discounts for children aged 10 to 17, discounts for fourth-class seating carriages and discounts for carriages with limited service options.

During the year, the following discounts off fares in third-class open sleeping carriages (upper side berths and upper berths at the end of the carriage) were offered up to 50%.

In addition, for bookings, children aged 10 to 17 were offered a 50% discount on domestic routes for third-class open sleeping carriages, fourth-class seating carriages, carriages with seats and second- and third-class motorised carriages for departures during the summer school holidays, i.e. between 1 June and 31 August.

Starting from 1 May and throughout the summer season, the following discounts were offered for carriages without bio-toilets and air conditioning: a 5% discount for third-class open sleeping carriages and a 10% discount for second-class sleeping carriages.

For bookings made on or after 10 July, discounts on certain types of berths were offered for some of FPC's train services to and from Adler, Anapa and Novorossiysk for departure dates within the "velvet season", i.e. between 7 October and 19 December 2019.

In 2019, over 4.5 million passengers benefitted from our global marketing campaigns involving third-class open sleeping carriages and fourth-class seating carriages; approximately 169,600 persons took advantage of our targeted marketing campaigns, and over 2.7 million passengers took our special offers for children aged 10 to 17.

CUSTOMER LOYALTY PROGRAMME

The RZD Bonus Loyalty Programme was launched in 2012, driven by a simple model: passengers are offered the opportunity to purchase railway tickets with points earned through travelling. Six largest banks have become the Loyalty Programme partners: ALFA-BANK, ROSBANK, Bank Otkritie Financial Corporation, Raiffeisenbank, Loyalty Programs Center (Spasibo from Sberbank), and Gazprombank. We also established a partnership with the MIR Russian national payment system.

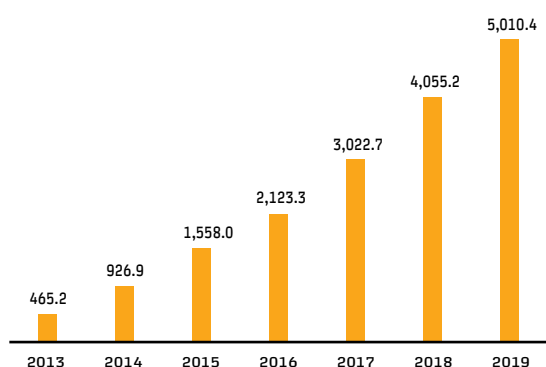
Partnerships enable customers to earn points faster through daily shopping and get faster access to the privileges offered by RZD Bonus Programme. Every sixth trip on average may be paid for with points, which is much faster than with airline loyalty programmes.

RZD BONUS LOYALTY PROGRAMME'S PERFORMANCE

1. New customers attracted to the RZD Bonus Loyalty Programme.

The number of customers who take advantage of the RZD Bonus Loyalty Programme has reached 5.1 million in 2019. Over 1.5 million tickets were purchased with points since the Programme started.

RZD Bonus Loyalty Programme members



In addition to such major banks as Alfa-Bank, ROSBANK, Bank Otkritie Financial Corporation, Raiffeisenbank, and Sberbank with its Spasibo from Sberbank loyalty programme, RZD Bonus Loyalty Programme was joined by a new partner, SMP Bank (a member of the MIR payment system). Under our agreement with VISA, Post Bank, Ak Bars Bank, UralSib Bank and FORA-BANK joined RZD Bonus Loyalty Programme.

Members of the RZD Bonus Loyalty Programme can now enjoy additional privileges in hotels. When visiting Irkutsk, Vladivostok, Saint Petersburg, Moscow, Petrozavodsk and other places, they are offered better deals and discounts on hotel rooms ranging from 10% to 20%.

In September 2019, a new, advanced website of RZD Bonus Loyalty Programme was launched, offering a "WhatsApp Assistant" feature that enables fast online processing of Programme-related queries.

Registration with RZD Bonus Loyalty Programme is now available at any ticket office operated by FPC, which makes it easier to join.

2. Marketing initiatives were launched to promote RZD Bonus Programme and encourage its members to earn points faster and enjoy other tangible benefits from participation.

A total of over 20 promotions were run together with the partners, with prizes including travel discounts, movie tickets, foreign language course vouchers, and bonus points.

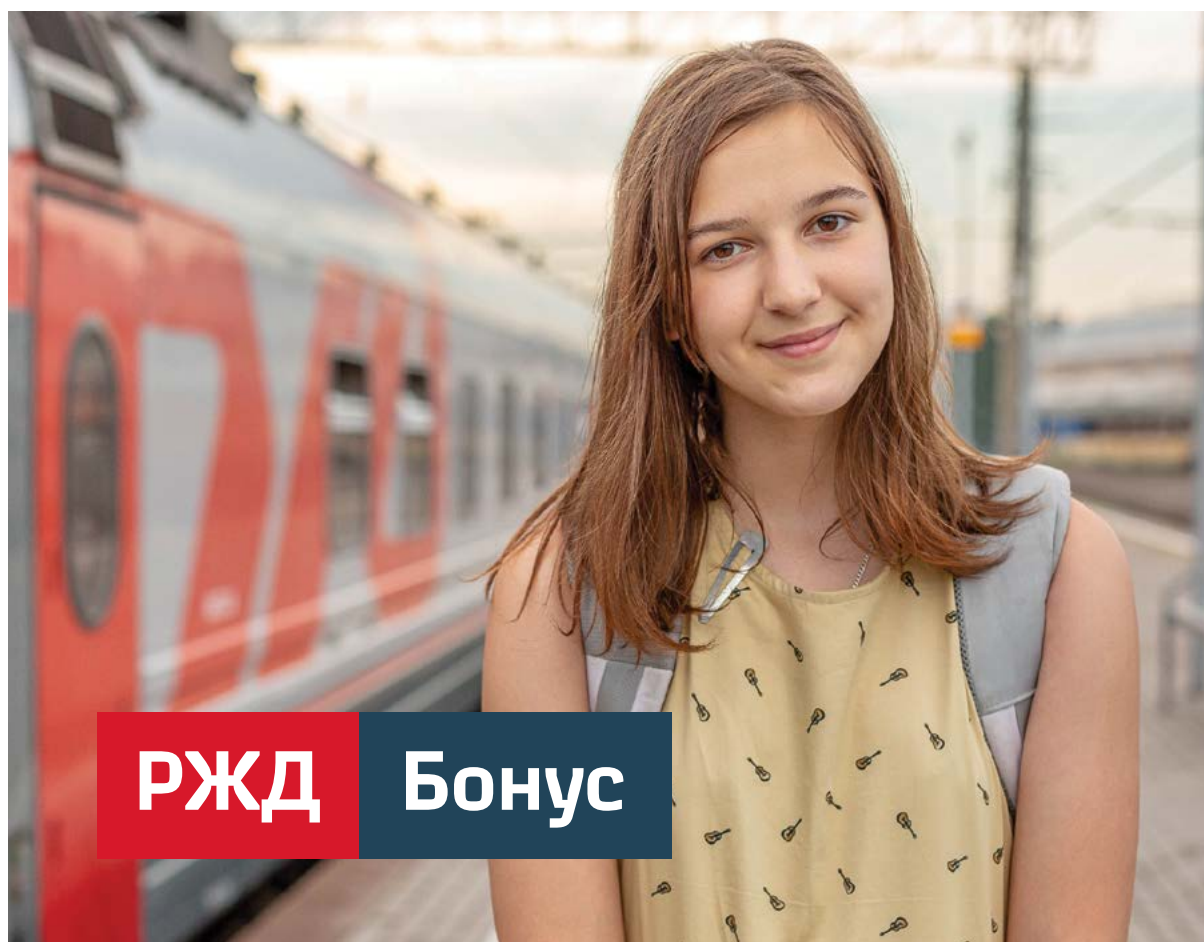
FPC has not borne any costs related to the prize fund. The wide-scale promotions with nationwide advertising support were carried out by ROSBANK and M.Video, jointly with Microsoft. All expenses related to the promotions are borne by the Programme's partners, which makes RZD Bonus Loyalty Programme even more beneficial for the Company.

3. We have boosted RZD Bonus Loyalty Programme's profile both within the business community and among the target audiences of potential customers through participation in major nationwide events.

As a partner, the Programme provided prizes (loyalty cards and bonus points) to winners and contestants at:

- Business Success Awards, January to September 2019
- "Gorkyfest" festivals
- New Wave contest in Sochi, September 2019.

In 2020, we intend to actively attract new members and expand our base to develop FPC's communications and marketing activities. We will also distribute tailored promo codes to Programme members and develop Family and Large Family special tariffs to be offered by the Programme.



MARKETING POLICY PLANS

A new product, Business Pass, was launched on 1 July 2018 together with the Directorate for Higher-Speed Services, a branch of Russian Railways, for Strizh higher-speed trains travelling between Moscow and Nizhny Novgorod. The Business Pass concept offers a new type of prepaid fares used in electronic travel cards. The pass will have a limited number of trips and a validity date.

On 25 September 2019, we launched digital Business Pass cards for the Red Arrow branded train operating between Moscow and Saint Petersburg.

This product offering will be extended to other routes in 2020.

According to Federal Law No. 73-FZ On Amendments to Article 83 of the Federal Law on the Railway Transport Charter of the Russian Federation, dated 18 April 2018, carriers are allowed to sell non-refundable tickets in the deregulated segment of rail passenger services (first-class, second-class, deluxe) as of 1 January 2019. Relevant amendments have been made to the passenger transport rules¹.

These novelties provide passengers with an option to book non-refundable long-distance fares (tickets) if such an option is enabled by the carrier.

NON-REFUNDABLE TICKETS ALLOW
PASSENGERS TO SAVE UP TO

20%

FROM THE TICKET PRICE

For bookings made on or after 20 January 2019, non-refundable fares have been available for FPC's second-class sleeping carriages and carriages with seats in trains departing on or after 19 April 2019.

Non-refundable tickets allow passengers to save between 5% and 20% of the main route leg fare. The exact price difference depends on the train and travel date.

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¹ Resolution of the Russian Government No. 111 On Approval of Rules on Rail Transport Services for Passengers, Cargo, Baggage, and Unaccompanied Baggage for Personal, Family, Household and Other Needs Not Related to Conducting Business, dated 2 March 2005; Decree of the Russian Ministry of Transport No. 473 On Approval of Passenger, Baggage, and Unaccompanied Baggage Rail Transport Rules, dated 19 December 2013.

Non-refundable fares in 2019 are available for 14 train pairs:

- No. 740/739 Moscow–Voronezh
- No. 737/738 Voronezh–Moscow
- No. 25/26 Izhevsk–Moscow
- No. 25/26 Saint Petersburg–Moscow
- No. 49/50 Samara–Moscow
- No. 642/642 Rostov–Adler
- No. 104/104 Adler–Moscow
- No. 15/15 Volgograd–Moscow
- No. 378/377 Kazan–Novy Urengoy
- No. 1/1 Volgograd–Moscow
- No. 19/20 Rostov–Moscow
- No. 22/21 Moscow–Labytnangí
- No. 42/41 Moscow–Saransk
- No. 116/115 Moscow–Severodvinsk.

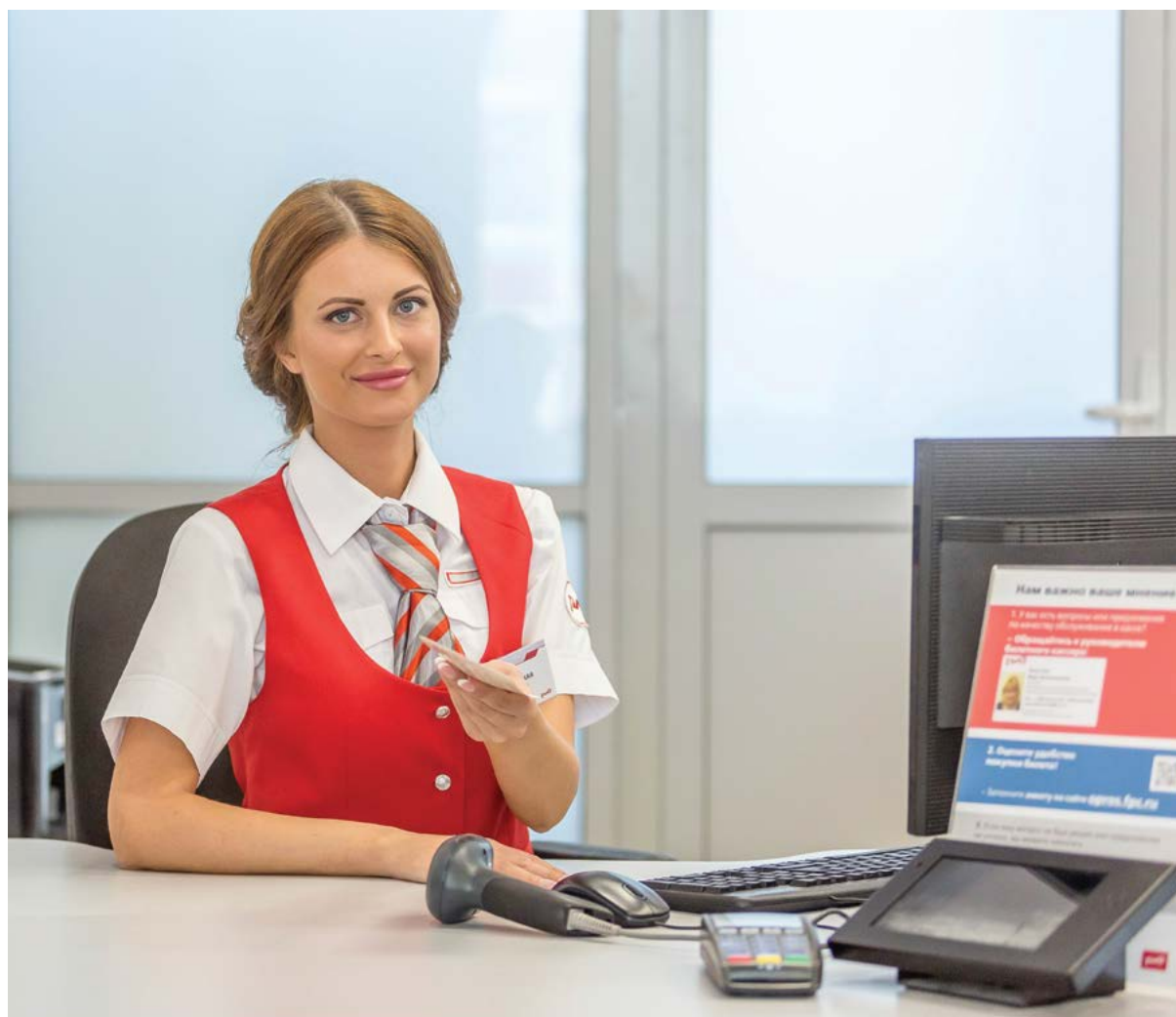
The 2020 objectives of the Company's Marketing Policy include a further roll-out of marketing campaigns and special fares to make passenger services more affordable and enhance transport mobility of the population.

A TOTAL OF

227.3

THOUSAND

NON-REFUNDABLE TRAIN TICKETS WERE
SOLD FOR DEPARTURE DATES IN 2019



OPERATIONS IN THE TRANSPORT MARKET

PROJECTS IMPLEMENTED IN 2019

Daytime trains

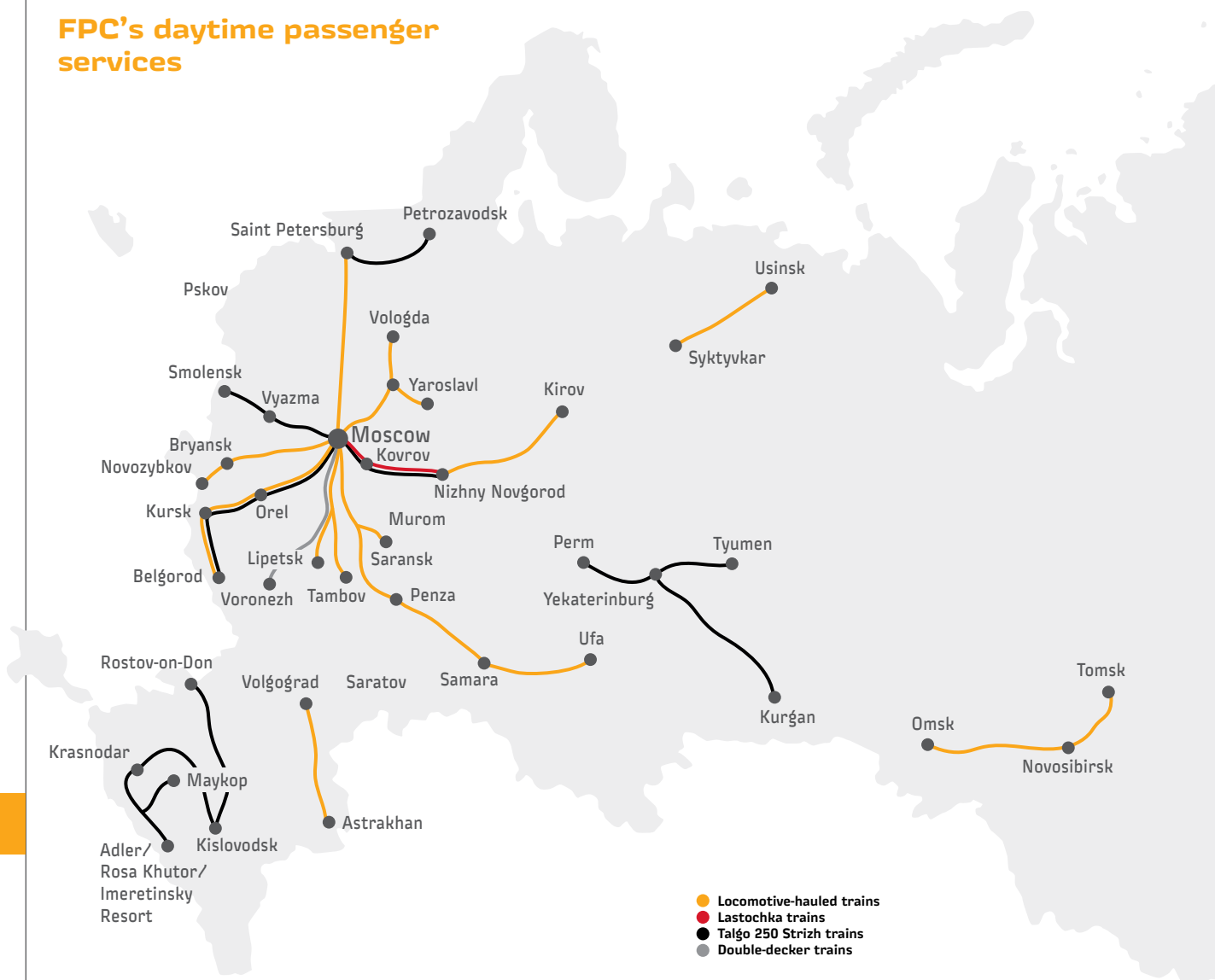
In 2019, the number of passengers carried in daytime trains increased by 18% to approximately 17.7 million. Daytime traffic accounted for 17.4% of FPC's total passenger traffic.

In the 2018/2019 train schedule, 59 daytime train pairs ran on 34 domestic routes, including Moscow–Tambov, Moscow–Lipetsk, Moscow–Yaroslavl, Moscow–Belgorod, Moscow–Smolensk, Moscow–Kursk, Moscow–Bryansk, Moscow–Saransk, Krasnodar–Adler, and Krasnodar–Imeretinsky Resort.

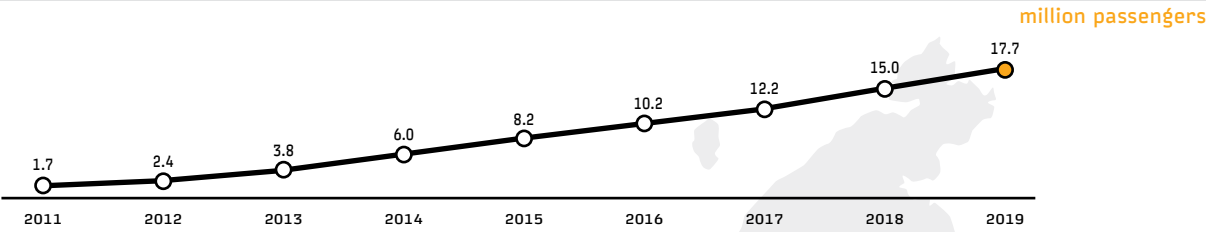
As per the recently introduced 2019/2020 schedule:

- Train No. 48/47 Moscow–Nizhny Novgorod calling at Murom and Arzamas operates once a day
- Lastochka train No. 735/736 Moscow–Nizhny Novgorod operates once a day
- Lastochka train No. 802/803 Perm–Yekaterinburg operates once a day
- Lastochka train No. 811/814 Tyumen–Yekaterinburg operates once a day
- Lastochka Standard splitting train No. 825/826 operates the Armavir/ Maykop–Imeretinsky Resort route.

FPC's daytime passenger services



Passenger traffic on daytime trains since the start of operation,

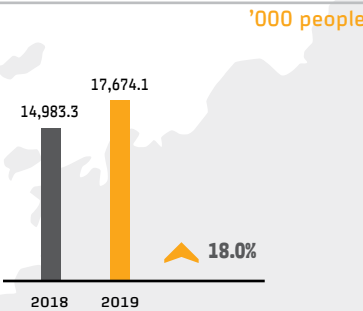


Summary of train services

59
train pairs

34
routes

Number of passengers carried in 2019,



IN 2019 CARRIED

17.7

MILLION PASSENGERS

Irkutsk
Ulan-Ude

Khabarovsk
Vladivostok

Double-decker trains

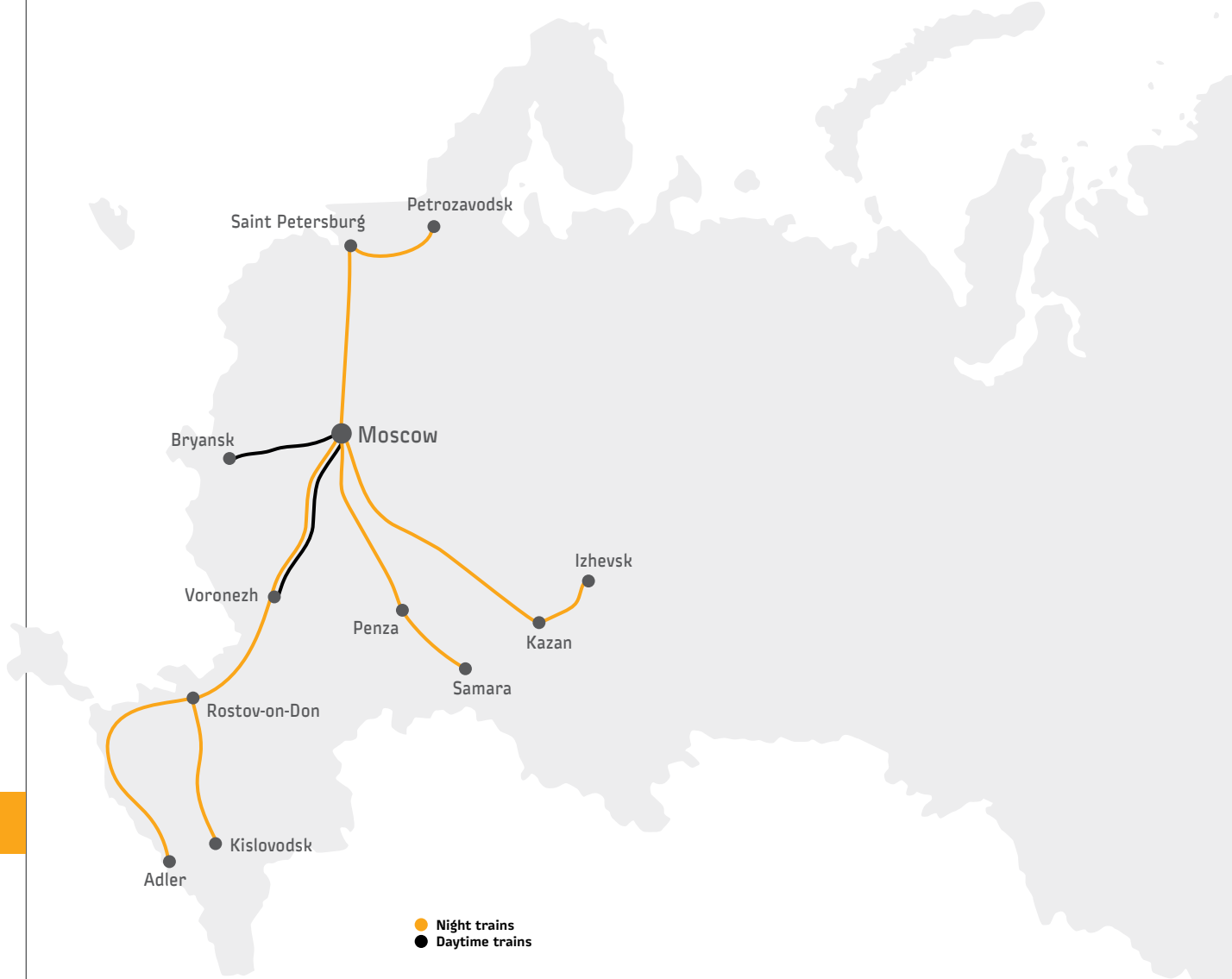
In 2019, the number of passengers carried in double-decker trains increased by 30.7% to approximately 6 million. Double-decker traffic accounted for 5.9% of FPC's total passenger traffic.

In 2019, new double-decker trains were introduced:

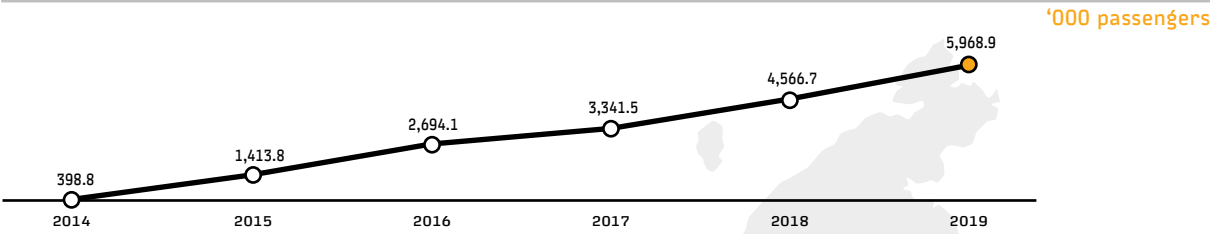
- From 7 July, train No. 28/27 Moscow–Anapa (operated during the 2019 summer season)
- From 3 December, train No. 17/18 Petrozavodsk–Moscow
- From 8 December, train No. 51/52 Penza–Moscow
- From 25 December, trains Nos. 737/738, 739/740 and 741/742 Moscow–Bryansk.

Double-decker carriages are used on 12 routes (between Moscow and Saint Petersburg, Adler, Voronezh, Kazan, Samara, Kislovodsk, Izhevsk, Penza, Petrozavodsk, and Bryansk; between Saint Petersburg and Adler; between Rostov-on-Don and Adler).

FPC's passenger services operating double-decker carriages



Passenger traffic on double-decker trains since the start of operation,

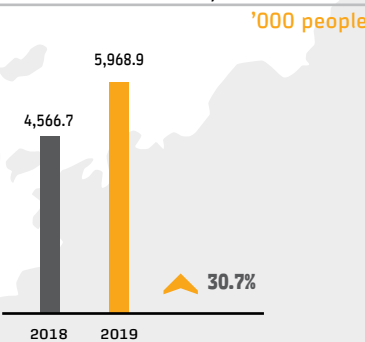


Summary of train services

16
train pairs

12
routes

Number of passengers carried in 2019,



IN 2019 CARRIED

~6

MILLION PASSENGERS

Higher-speed trains

In 2019, the number of passengers carried in FPC's higher-speed trains increased by 8.8% year-on-year to 10.2 million. Higher-speed traffic accounted for 10.1% of FPC's total passenger traffic.

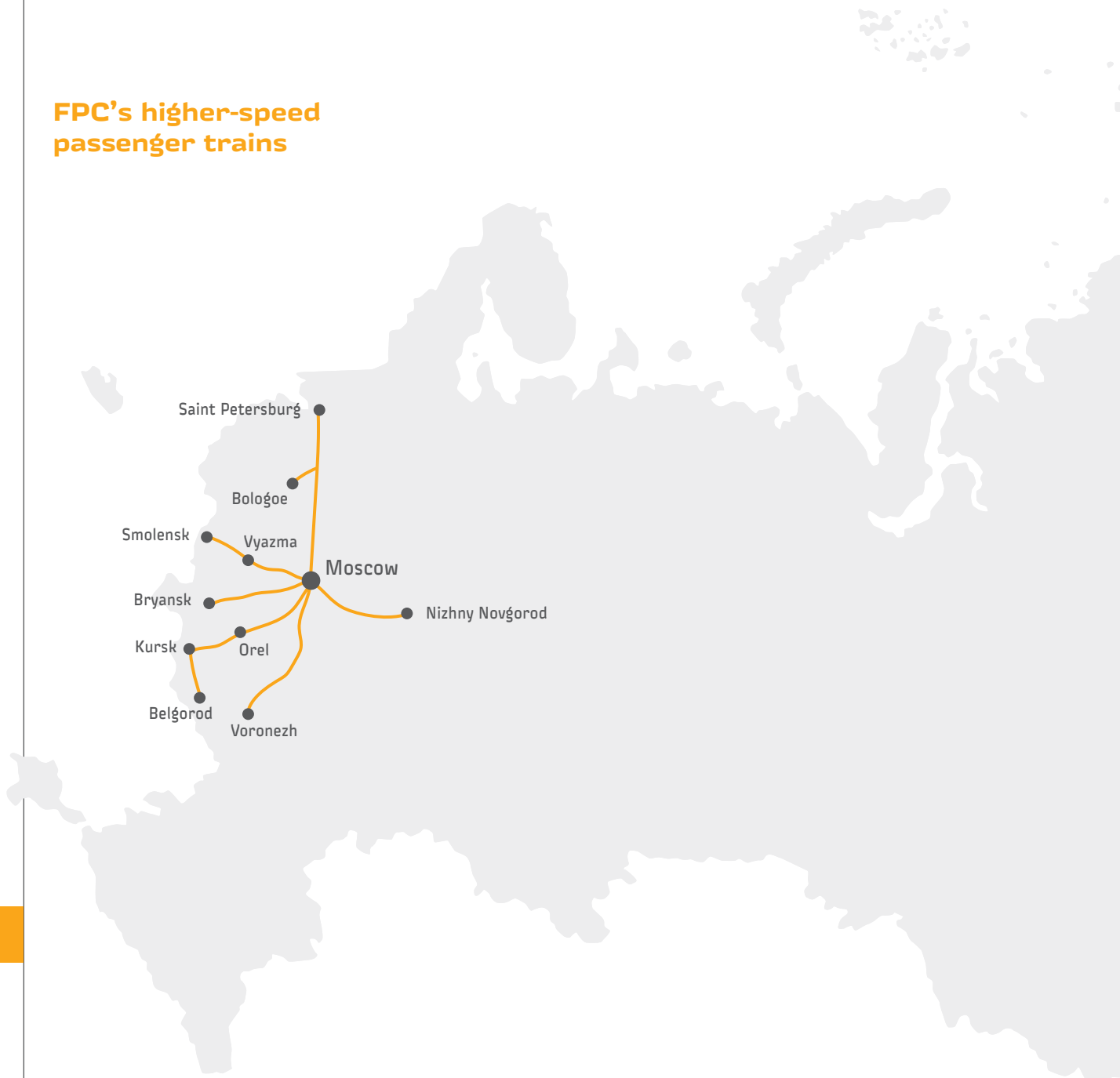
In order to improve the service quality for Lastochka train passengers, Standard carriages were replaced with Premium carriages:

- From 1 November, in trains No. 729/734 Moscow–Smolensk and No. 745/745 Moscow–Belgorod
- From 8 December, in train No. 743/744 Moscow–Belgorod.

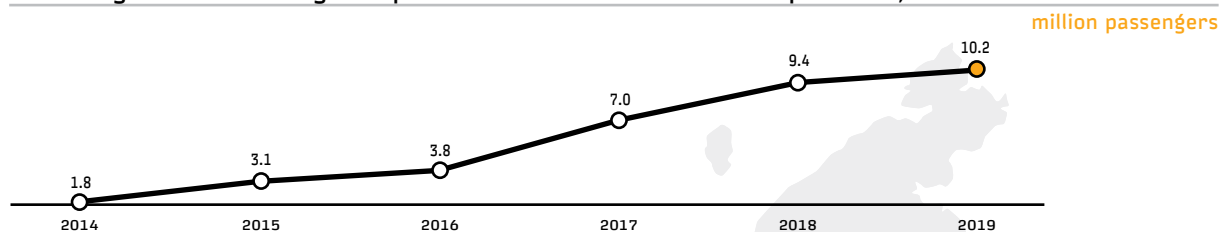
In 2019, FPC had 26 higher-speed train pairs operating across eight routes (between Moscow and Nizhny Novgorod, Smolensk, Voronezh, Orel, Kursk, Bryansk, Belgorod, and Saint Petersburg).

FPC's higher-speed trains, including Lastochka trains, carried 7.8 million passengers in 2019, up 14.5% year-on-year. Lastochka trains accounted for 7.7% of FPC's total passenger traffic.

FPC's higher-speed passenger trains



Passenger traffic on higher-speed trains since the start of operation,

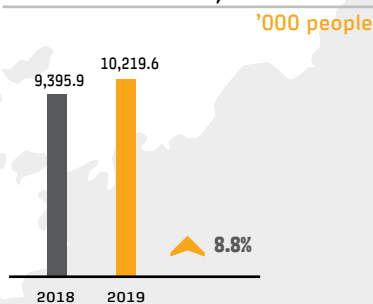


Summary of train services

26
train pairs

8
routes

Number of passengers carried in 2019,



IN 2019 CARRIED

10.2

MILLION PASSENGERS

Car transporters in FPC's trains carried 5,500 vehicles in 2019, up 0.2% year-on-year.

Moscow–Berlin Talgo train carried 50,000 passengers in 2019, a 1.6x increase year-on-year. Since its launch (on 17 December 2016), the train has carried a total of 109,100 passengers.

Multimodal transport services (fourteen routes) were used by a total of 70,900 passengers in 2019.

In 2019, booking windows for certain domestic long-distance trains were extended to 120 days.

EXPANDING PRESENCE IN THE INTERNATIONAL TRANSPORT MARKET

In line with the Comprehensive Long-Term Programme to Introduce Double-Decker Passenger Carriages on Russian Railways' Network, in 2019, the following rolling stock renewal initiatives were carried out:

- For Karelia branded train No. 17/18 Petrozavodsk–Moscow: on 3 December 2019, the first double-decker train set out from Petrozavodsk
- For Sura branded train No. 52/51 Penza–Moscow: on 8 December 2019, the first double-decker train set out from Penza

- For Ivan Paristy branded trains Nos. 737/738, 739/740 and 741/742 Moscow–Bryansk: on 25 December 2019, the first double-decker train set out from Bryansk.

In 2020, regular carriages will be replaced with double-deckers in passenger trains No. 29/30 Saint Petersburg–Moscow and No. 22/21 Saint Petersburg–Murmansk.

Rolling stock renewal



KEY PRINCIPLES OF FPC'S PASSENGER SERVICES

As part of our efforts to improve passenger travel comfort, we maintain a continued focus on collecting proposals for train timetable adjustments to offer more convenient arrival/departure times and maximise train travelling speeds subject to capacity constraints of Russian Railways' infrastructure.

TRAFFIC AND ACCELERATION

In the 2019/2020 standard train schedule, the overall traffic of FPC's passenger trains amounts to 455 train pairs, including 266 pairs of express trains, 162 pairs of passenger trains and 27 pairs of higher-speed trains.

126 splitting train pairs were included in the schedule to improve operating performance and rolling stock efficiency, including 88 pairs of year-round trains, 33 pairs of summer trains and 5 pairs of winter trains.

Several initiatives were implemented to accelerate FPC's passenger trains in the 2019/2020 schedule. In total, the train travel time was reduced by 147 hours. For 85 trains, the new table reduced their travel time by 30 minutes or more, for a total of 115 hours.

To improve the passenger experience and attract more passengers to rail, the 2019/2020 schedule includes new long-distance train pairs made up by FPC.

New daytime trains:

- Locomotive-hauled trains with passenger carriages (two pairs):
 - No. 48/47 Moscow–Nizhny Novgorod (calling at Murom and Arzamas)
 - No. 201/202 Khabarovsk–Vladivostok
- Lastochka (four pairs):
 - No. 735/736 Moscow–Nizhny Novgorod
 - Nos. 801/802 and 803/804 Perm–Yekaterinburg
 - Nos. 811/812 and 813/814 Tyumen–Yekaterinburg
 - No. 825-811/826-812 Armavir/Maykop–Imeretinsky Resort.

New night trains:

- No. 47/48 Omsk–Vladivostok
- No. 77/78 Abakan–Moscow
- No. 99/100 Belgorod–Moscow
- No. 160/159 Moscow–Petrozavodsk (calling at Saint Petersburg and Sortavala)
- No. 547/548 Belgorod–Imeretinsky Resort
- No. 603/604 Kievsky Railway Station–Paveletsky Railway Station
- No. 686/685 Belgorod–Voronezh (Belgorod–Novorossiysk direct carriage group coupled to train No. 505/506 Tambov–Novorossiysk)
- No. 687/688 Kavkazskaya–Stavropol (Stavropol–Moscow direct carriage group coupled to train No. 61/62 Nalchik–Moscow instead of train No. 77/78 Stavropol–Moscow)

- No. 691/692 Novorossiysk–Kavkazskaya (Novorossiysk–Baku direct carriage group coupled to train No. 391/392 Rostov–Baku)
- No. 277/278 Belgorod–Blagoveshchensk (Vladivostok–Blagoveshchensk direct carriage group coupled to train No. 7/8 Vladivostok–Novosibirsk).

NEW PRODUCT RANGE

The names of products within FPC's current product range are over 90 combinations of train categories (passenger, express, higher-speed, branded), carriage types (deluxe, first-class sleeping, second-class sleeping, third-class open sleeping, with seats), and on-train services (catering, travel kit, press, etc.).

To help passengers better understand our product offering, FPC's Strategy provides for transitioning to a new product range with a clearer value proposition.

The fundamentally new classification will include four service classes across four transport products:

- Four train types (daytime express trains, night express trains, conventional trains, and tourist trains)
- Four service classes (business, comfort, economy, and economy budget).

CUSTOMER SERVICE

CUSTOMER SERVICE LEVELS

The Company maintains a strong focus on continuous monitoring of customer satisfaction with its services by running passenger surveys.

Modern feedback channels like online surveys on the fpc.ru website, provide up-to-date trip reviews and service quality ratings, enabling the Company to promptly respond to passenger proposals and complaints.

In 2019, the number of respondents providing feedback via this channel almost tripled year-on-year to approximately 489,000.

Customer service quality aspects are rated against a set of criteria, such as:

- Ticket purchasing experience (website, mobile app, ticket office)
- Service pricing
- Passenger service on-board (travel comfort, including for travel with children; safety and security; technical condition and cleanliness of carriages; attendants' performance; bed linen and travel kit)
- Meals and catering (prepaid meals, merchandise offered by attendants, dining carriage services)
- RZD Bonus Loyalty Programme.

Overall passenger service level score in 2019¹

PASSENGER SERVICE LEVEL SCORE

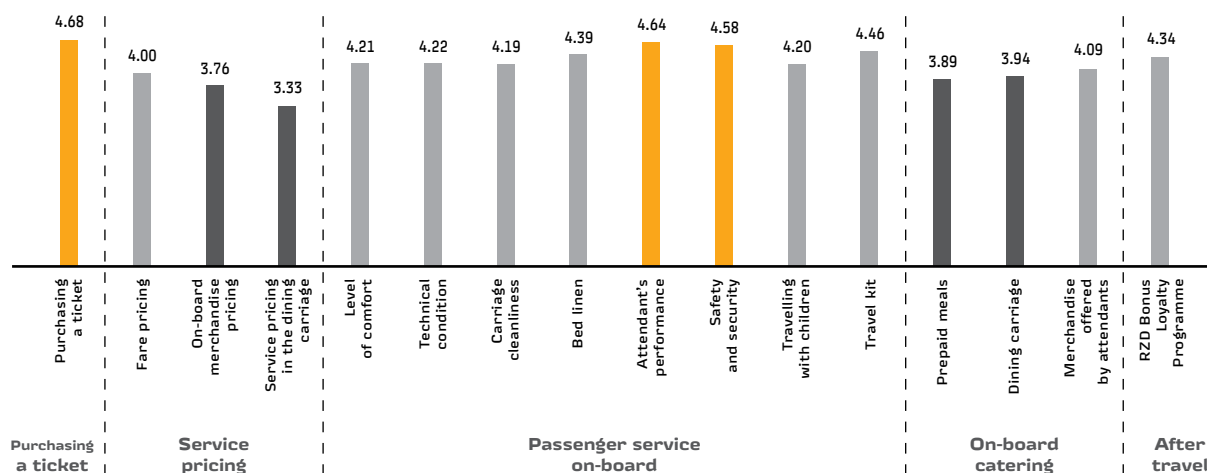


CSI² = 4.33 ▲ +0.11

NUMBER OF RESPONDENTS

488,775

KEY SERVICE QUALITY METRICS



¹ On a 1 to 5 scale, where 1 is very poor, and 5 is excellent.

² Customer Satisfaction Index.

Based on the 2019 surveys, we earned an overall customer service level score of 4.33 (on a 1 to 5 scale), up 0.11 points year-on-year.

Passenger ratings and feedback enable us to identify and address areas for improvement in customer service and service categories. The Company is maintaining its competitive edge by enhancing our customer service in such targeted areas through boosting the performance of relevant units, developing initiatives to expand the range and improve the quality of services, and drive customer service innovation across ticket offices and long-distance trains.

In order to measure passenger loyalty to the Company and willingness to recommend it to others, a Net Promoter Score (NPS) index monitoring was carried out in 2019.

According to the surveys carried out in 2019, we earned an NPS score of 43 (up 1 point year-on-year). The number of respondents was approximately 32,000.

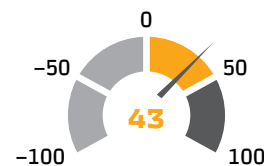
We will continue to measure our NPS score to track the dynamics of loyalty metrics and evaluate the performance of initiatives implemented to improve the quality of our services.

The Company's key customer loyalty initiatives include rolling stock renewals; improvements to passenger service, including customer service standards; adopting new service delivery approaches; and introducing and developing a new product offering, i.e. transitioning to a new product line.

Passenger Net Promoter Score in 2019¹

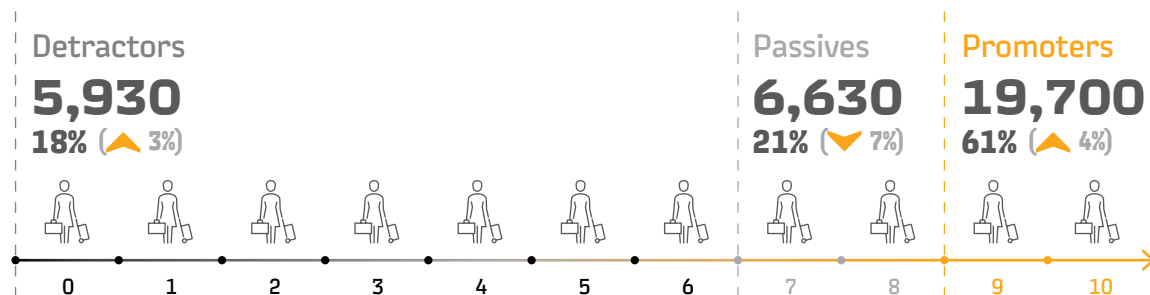
Convenience of using the services, comfort of the trip and trust in the company are key strengths FPC, marked by passengers in the course of the study.

Most passengers are ready to recommend the company's services (high loyalty) – the share of promoters is more than three times higher than the share of critics.



NPS = 43

UP 1 POINT YEAR-ON-YEAR



NUMBER OF RESPONDENTS

32,260

SURVEY TYPE

Online survey

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Profile

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

























































Sustainable
Development

Appendices

¹ NPS = share of promoters – share of critics.

SERVICE CLASSES

Services by carriage type

CARRIAGE TYPE	SERVICE CLASS	SERVICES
Deluxe (VIP)		
Deluxe	1A (4 compartments and a bar)	 WC    
Double berth compartments.	1M (5 compartments)	      
The compartment can only be booked as a whole, accommodating 1 to 2 adult passengers with the option to include 1 child up to 5 years of age and 1 child up to 10 years of age, regardless of the number of adults travelling	1M (6 compartments)	
First-class sleeping or RIC carriages (double berth compartments)		
First-class sleeping	1B (not more than 1 passenger)	 WC     
Double berth compartments	13	  
	1T	 WC     
	1Y	  
	1J	 WC  
	1J (tourist)	   
	1X	 WC    
	1Φ	 WC    
Strizh train		
1E (all berths must be booked by 1 or 2 passengers)	13	 WC    
	1T	    
	1T	 WC    
		    
Second-class sleeping (K)		
K (second-class sleeping)	23	 WC       
Four-berth compartments	2T	 WC       
	2B	        

CARRIAGE TYPE	SERVICE CLASS	SERVICES
K (second-class sleeping) Four-berth compartments	2K	WC
	2Y	
	2Φ	WC
	2X	WC
	2Ц	
	2H	WC
	2Л	
	2Д (tourist)	
Third-class open sleeping (П)		
П (third-class open sleeping) Open sleeping carriage	3З	WC
	3Т	
	3Д	
	3У	
	3Л	
	3Б	WC
	3П (for organised groups of children, based on second-class sleeping)	WC
Carriages with seats (С)		
Improved seat arrangement	1P	WC
	1Ж	WC
	1P (Strizh train)	WC
	1P (double-decker trains)	WC
	1B (with single occupancy; all seats must be booked)	WC

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Appendices

























































Learn more about
the Multimedia portal service
“Traveling companion”



Learn more about
the service “Waiting room”



Learn more about
the “transfer” service

CARRIAGE TYPE	SERVICE CLASS	SERVICES		
Standard arrangement	2P	 WC   		
	2C	 WC 		
	2Ж	 WC 		
	2B	  WC		
	2E	 WC 		
	3Ж	 WC 		
	3C	 WC 		
Motorised carriages				
Improved seat arrangement	1C	 WC 		
	1P	 WC   		
Standard arrangement	2C	 WC 		
	2Ж	 WC 		
	2B	  WC		
	2E	 WC 		
	2M	 WC 		
	3Ж	 WC 		
	3C	 WC 		
Fourth-class seating carriages				
O (fourth-class seating carriage)	3O	 WC 		
Open seating carriage	3B (with no seat numbers)	 WC 		
	Air conditioning in the compartment	 Meals	 TV	 Waiting room ³
	Bio toilet in the compartment	 Travel kit ¹	 Press ¹	 Transfer ⁴
	Washbasin	 Pets allowed	 Bed linen	
	Shower room in the compartment	 Poputchik multimedia portal ²	 Lap blanket	

¹ Print media and travel kits are provided to passengers, including those entitled to appropriate social benefit packages.

² On board, passengers can access a multimedia content and services portal as well as free Wi-Fi depending on bandwidth use and network coverage.

³ Deluxe and first-class passengers may use our premium lounges (for first-class passengers, this option was made available on 5 December 2019).

⁴ Transfer on arrival at the destination station.

CUSTOMER SERVICE INNOVATIONS

TRANSPORTING PETS IN A DEDICATED COMPARTMENT

In 2019, we continued to successfully grow our service of transporting pets in baggage compartments unaccompanied. In 2019, over 10,000 pets were carried on a total of 237 FPC's trains.

CHILDREN'S TRAVEL KITS

Between 15 July and 31 December 2019, FPC held an Exciting Railway Journey! promotion targeting passengers travelling in premium carriages, which are mostly found on our branded trains. Young passengers travelling in the carriages covered by the promotion received travel kits for ages under five or from five to ten. During the promotion period, FPC delivered kits to over 300,000 children.

LOST PROPERTY SERVICE ON THE RUSSIAN RAILWAYS WEBSITE

On 1 March 2019, an automated feedback channel was launched on the pass.rzd.ru website, whereby any passenger may inquire about personal items they have left behind on a train.

Over the nine months since the service launch, more than 15,000 lost items were returned to their owners.

PURCHASING TICKETS ON-BOARD

As of 1 July 2019, all FPC's trains are equipped with a new software solution enabling passengers to purchase their tickets from the trainmaster. New options have also been added for passenger convenience: e-ticket registration, amending passenger details, upgrading to a higher-category carriage and replacement ticket issuance.

The new software has enabled the Company to minimise the number of passengers denied boarding due to ticket data discrepancies.

SOLD ON-BOARD IN 2019

> 43

'000 TICKETS

FOR A TOTAL OF RUB 6.4 MILLION

PASSENGER CARRIAGE DISINFECTION PROCEDURES

Since the start of 2020, the spread of COVID-19 has become the most acute problem. We understand our passengers' desire to make sure their journey does not expose them to health risks. As the country's largest carrier, we are fully aware of our responsibility in this challenging situation, and we would like to detail the measures we are taking to make travelling with us safer.

As per Sanitary Rules for the Organisation of Passenger Transport by Rail SP 2.5.1198-03 ("Sanitary Rules"), preventive passenger carriage disinfection, including toilet and waste bin disinfection, is done in each carriage within a train during pre-trip preparations at each originating and turnaround station.

These disinfection procedures are carried out by medical disinfection staff of Hygiene and Epidemiology Centres of the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor).

As per Rospotrebnadzor's recommendations, disinfection procedures on trains were stepped from 23 January 2020: after each trip, all surfaces in the carriages are now decontaminated. Door handles, tables, internal walls and other high-touch surfaces are disinfected with particular care. Disinfectants active against coronaviruses are used.

After each disinfection carried out at an originating or turnaround station, carriage attendants or outsourcing contractor employees clean all spaces within the carriages. Following the carriage cleaning, all cleaning equipment and wiping cloths are sanitised by immersing in a disinfectant solution, rinsed and dried.

During journeys, disinfectant cleaning agents are used for routine carriage cleaning. At least four times a day, all door handles within each carriage are wiped with a disinfectant solution, and all toilets, as well as floors and lower wall surfaces up to 1.5 m in toilet facilities are cleaned with disinfectant cleaning agents with the same frequency. Following each cleaning, carriage attendants treat their hands with skin antiseptics.

ENHANCING MEAL QUALITY

ON-BOARD CATERING

In 2019, we continued to successfully grow our on-board catering service. Meals may be pre-ordered when purchasing a ticket at a ticket office or online, or ordered directly from a carriage attendant during the journey.

CATERING FOR ORGANISED GROUPS OF CHILDREN

To improve customer service for organised groups of children and simplify the meal ordering process for them, in July 2019, we provided children group leaders with an option to order Sanitary Rules-compliant catering services for their groups when purchasing their tickets.

FOOD DELIVERY TO A CARRIAGE DOOR

In mid-December 2019, the Company launched a new service whereby passengers can order door-to-door food and add-on items delivery from restaurants located in cities where FPC's trains have stops on their journeys.

Towards the end of December, passengers were already using the Russian Railways official website to order door-to-door food deliveries from Papa John's, the first restaurant to join the service, to trains departing from four railway stations in Moscow (Leningradsky, Kursky, Yaroslavsky and Kazansky).

~210

'000 PASSENGERS

USE THE SERVICE "ON-BOARD CATERING"

>27

'000 MEALS

WERE PROVIDED IN 2019¹

¹ Meals were provided to 6,500 pre-school and primary-school passengers.

ROLLING STOCK

CURRENT CONDITION OF THE PASSENGER CARRIAGE FLEET

FPC's rolling stock is diverse:

- Carriages of different types and ages (average age: about 17 years)
- Average wear: approximately 57%
- Approximately 80% of carriages are equipped with air conditioning units

- Approximately 70% of carriages are equipped with environmentally friendly toilet facilities.

In recent years, the average age of our carriages has been decreasing.



Changes in carriage fleet structure,

carriages

CARRIAGE TYPE	DESCRIPTION	FLEET AS AT 31 DECEMBER 2018	ACQUIRED	RETIRED
Deluxe	Compartment carriages, each compartment featuring a shower room, a washbasin, and a toilet	116		
First-class sleeping	Compartment carriages with double berth compartments	646	5	114
RIC	Compartment carriages, Euro size	339		38
MIXED	Compartment carriages with deluxe and first-class sleeping compartments	13		
K	Compartment carriages with four-berth compartments	8,413	194	652
O	Third-class open sleeping carriages	6,706	342	412
MO	Interregional carriages	654	20	6
B	Baggage carriages	222		5
R	Dining carriages	804	11	56
Other	Power cars and ancillary vehicles	46		3
Total		17,959	572	1,286

17,245

CARS

TOTAL PASSENGER CARRIAGE FLEET
AS ON 31 DECEMBER 2019



FLEET AS AT 31 DECEMBER 2019	AVERAGE AGE OF CARRIAGES AS AT 31 DECEMBER 2018, YEARS	AVERAGE AGE OF CARRIAGES AS AT 31 DECEMBER 2019, YEARS	AVERAGE WEAR, %
116	11.2	12.2	42.9
537	17.0	15.6	53.6
301	15.9	14	41.7
13	6.0	7	18.1
7,955	19.3	19.5	67.8
6,636	15.1	14.4	43.4
668	14.6	15.3	54
217	20.4	21.2	77.3
759	27.0	27	72.8
43	22.1	21.9	64.4
17,245	17.7	17.4	57.1

MODERN ROLLING STOCK

To meet the demands of increasing passenger traffic, reduce travel times, improve consumer properties, and reduce ticket prices, FPC purchases carriages with advanced technical features and improved interior design. All new rolling stock is equipped with environmentally friendly toilet facilities (bio-toilets) and air conditioning units.

DOUBLE-DECKER CARRIAGES

The Company's inventory fleet comprises 442 double-decker carriages.

The fundamental advantage of a double-decker carriage is its increased passenger capacity allowing to carry more passengers on busy routes, especially to southern resorts.

Double-decker carriages are as comfortable and equipped as modern conventional carriages, and even surpass them in many other respects. Depending on the class, double-decker carriages have double-berth or four-berth compartments. Air conditioning and heating units in each carriage help constantly maintain a comfortable microclimate.

Environmentally friendly toilet facilities with three cabins allow passengers to use toilets at stops and in resort areas. Slackless couplings and pressure-proof gangways helped

reduce noise and vibration in carriages and increase the safety of passengers when moving from carriage to carriage.

The demands of disabled persons have also been considered: one of the carriages in each train (administrative carriage) is equipped with special lifts for boarding wheelchair users from low platforms and has a special compartment and toilet.

A double-decker carriage with seats was designed in Russia using the latest technology, equipment, and materials, as well as advanced passenger carriage building expertise and know-how of TVZ. One of the key features of the new rolling stock is the change of the side wall shape and curved glass windows used for the first time in the history of Russian carriage building.

The carriage is equipped with new modern rigid slackless couplings and gangways which ensure the safe and convenient move from carriage



to carriage, protection of passengers and staff in gangways from noise, precipitation, dust, sudden temperature and pressure drops. For visually impaired passengers, all signage in carriages is duplicated in Braille.

Double-decker carriages with seats are operated on the Moscow–Voronezh route.

RIC CARRIAGES

From 2012 to 2015, the Company purchased 200 RIC carriages to replace rolling stock on international routes.

The RIC sleeping carriage, model 61-4476 (WLABmz), is intended for international passenger services in the UIC countries (1,435 mm gauge), the European part of the Russian Federation, the CIS, and Baltic countries (1,520 mm gauge).

The carriage complies with mandatory standards of the Russian Federation and the European Community in terms of conception, as well as exterior and interior design.

Operation between railway networks with different track gauges is carried out by replacing bogies at gauge-changers using existing infrastructure facilities.

The maximum operating speed is 200 km/h on 1,435 mm gauge tracks and 160 km/h on 1,520 mm gauge tracks.

The Company obtained permits for operating new RIC carriages in 16 European countries.



TALGO TRAINS

The Company has purchased 140 Talgo carriages since 2015. Seven trains with 20 carriages per train are currently in operation. The maximum speed of the trains in service is 200 km/h.

Due to their original design and technology solutions, passenger carriages by Patentes Talgo S.L. have several specific technical features, which significantly increase the average speed of the rolling stock on the existing track infrastructure, including:

- natural (passive) tilting system
- no wheelsets – trucks with independently rotating wheels
- radial positioning of trucks in curves
- variable-gauge system
- independent power supply
- articulated flexible connection (coupling).

The natural tilting system allows increasing the speed of the train on curved tracks while reducing the negative impact of unbalanced lateral force on passenger comfort.

The system for radial positioning of trucks in curves allows increasing the service life of running gear while reducing rail wear.

The use of air suspension in conjunction with the natural tilting system and the system for radial positioning of trucks in curves provides soft riding and, thereby, significantly improves the passenger comfort.

To continuously diagnose the most safety-critical systems, the train is equipped with an automatic monitoring system allowing to monitor the brake system parameters (including antiskid device), and the operation of the climate system, electrical equipment, safety systems, fire alarm, fire extinguishing system, etc.

Currently, Talgo trains run on the Moscow–Nizhny Novgorod and Moscow–Berlin routes.

The Moscow–Berlin train does not need bogie exchange to operate on the European track gauge, which allows reducing travel time significantly.



CARRIAGE-2019

Following the approved technical specifications, TVZ has developed the carriage model range provided for by the Carriage-2019 project. Starting from 2019, delivery of model 61-4516 (third-class open sleeping), model 61-4517 (second-class sleeping) and model 61-4529 (administrative compartment) carriages have been carried out under a long-term contract. The carriage design has incorporated the most advanced features popular with passengers.

Specific features of the new model range carriages:

- Use of semi-automated passenger service technologies with a single service compartment for two carriages
- No redundant vestibules, which allows creating additional areas for extra passenger comfort during travels (shower, multifunctional service area with vending machines, purifier for distribution of drinking water, and other equipment).

This design means that new carriages are included in a train set as twin units: one carriage with a service compartment + one carriage with no service compartment. A second-class sleeping carriage sits 36 passengers, while a third-class open sleeping carriage has berths for 54 people.

The design features of the new model range carriages also include:

- the use of pressure-proof gangways
- full LED lighting
- power sockets (220 V) and USB ports at each berth
- sensor taps, hand driers and baby changing tables in toilets
- convertible tables and individual safes for each passenger in compartment carriages
- automated sliding interior doors
- refreshed interior design.

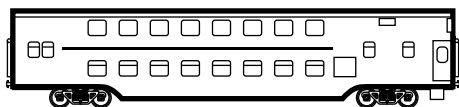
The staff carriage features a compartment to accommodate two wheelchair users along with their travelling companions, a specially designed toilet with shower and boarding lifts in the redundant vestibule. The disabled passenger compartment is equipped with a passenger information display with a text-to-voice service activated by a button.

In 2019, a total of 103 carriages were delivered for trains No. 99/100 (Moscow–Vladivostok) and No. 71/72 (Moscow–Belgorod).



New carriage types¹

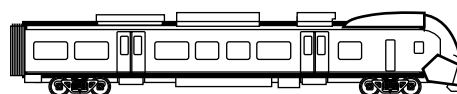
Double-decker compartment carriage with berths. Model 61-4465



64 **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner
- Water cooler
- Audio and video system

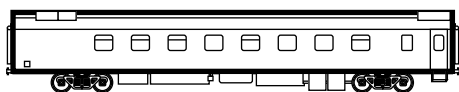
Lastochka higher-speed electric train (Desiro RUS)



443 **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner (an individual unit in each cab and passenger compartment)
- Retractable steps for easy boarding from and alighting to low platforms (200 mm)
- Passive safety system for passengers
- Floor-mounted racks for large hand luggage

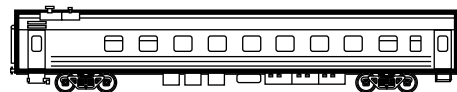
RIC type sleeping carriage for use on international routes. Model 61-4476



32 **160-200**
passengers km/h

- Environmentally friendly toilet facility, including a shower
- Climate control (heating, ventilation, and cooling)
- Water supply system
- Reading lights
- Power sockets to charge mobile phones or laptops
- Public address system with a volume control

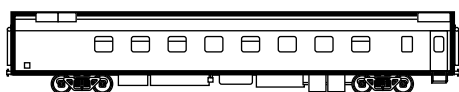
Passenger carriage with seats. Model 61-4458



60 **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner
- Water cooler
- Audio and video system
- Attendant call buttons

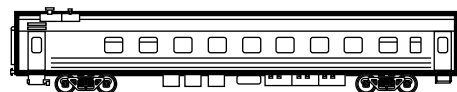
Compartment carriage for train sets. Model 61-4462



36 (18) **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner
- Water cooler
- Audio and video system

Open sleeping carriage. Model 61-4447

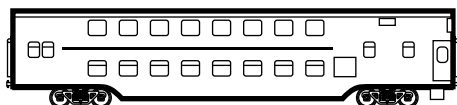


54 **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner
- Fire-extinguishing system connected to the on-board water supply system

¹ Average carriage life: at least 40 years.

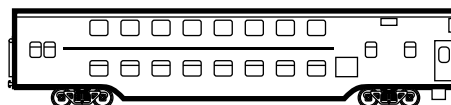
Double-decker compartment carriage with seats. Model 61-4465



64 **160**
passengers km/h

- Environmentally friendly toilet facility
- Air conditioner
- Water cooler
- Audio and video system

Double-decker carriage with berths. Model 61-4492



160 **60** **104**
km/h berths per first-class carriage berths per second-class carriage

- Environmentally friendly toilet facility
- Air conditioning and purification system
- Passenger information display
- Audio and video system
- Fire alarm system
- Train security and communication monitoring and control system

Strizh higher-speed train (Talgo)



443 **160**
passengers km/h

7

TRAINS

BY PATENTES TALGO S.L.

20

CARRIAGES

PER TRAIN, INCLUDING:

1

buffet carriage



1

dining carriage



2

railway service carriages with a diesel generator



- Environmentally friendly toilet facility (motorised carriages)
- Air conditioner (an individual unit in each cab and passenger compartment)
- Retractable steps for easy boarding from and alighting to low platforms (200 mm)
- Passive safety system for passengers
- Floor-mounted racks for large hand luggage

For use on international routes

3

train sets with 1,520/1,435 mm variable-gauge wheelsets

216

passenger seats

- 2 first-class carriages with seats
- 9 first- and second-class sleeping carriages
- 2 VIP sleeping carriages with a toilet and a shower in each compartment
- 3 first-class sleeping carriages, each with a compartment for special needs passengers

Commissioned in 2016

For use on domestic routes

4

train sets with fixed-gauge wheelsets

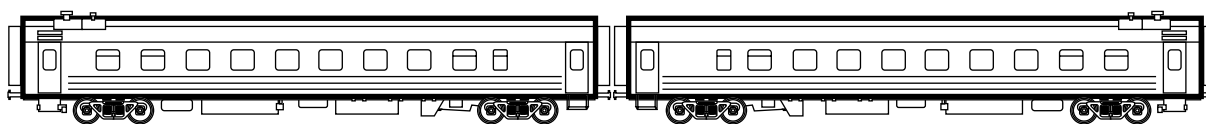
414

passenger seats

- 11 first- and second-class carriages with seats
- 5 VIP sleeping carriages with a toilet and a shower in each compartment

Commissioned in June 2015
(Moscow–Nizhny Novgorod route)

Carriage-2019



- Twin units: transition to semi-automated passenger service technologies with a single attendant team per two carriages; smart use of the carriage space, divided into service areas and shower cubicles
- Single-vestibule body: reduced labour intensity of carriage equipment maintenance
- LED lighting: reduced energy consumption and operating expenses
- Autonomous operation of bio-toilets: continued operability of toilet modules, translating into improved equipment reliability

UPGRADING THE ROLLING STOCK IN 2020–2025

FPC is continuously working to improve passenger carriage design with a particular focus on the comfort and functionality of a passenger seat.

One of the focus areas is improving the tested types of open sleeping carriages.

In 2019, by order of FPC, the concept was developed of a modular open sleeping carriage, scheduled for production by JSC TVZ in 2020. The carriage features the traditional layout of passenger berths; however, the design and ergonomics will change dramatically. The primary purpose of these changes is to improve personal comfort and provide passengers with the opportunity to tailor the space to their individual needs.

This version of the modular carriage concept offers a combination of the passenger berth arrangement typical of the traditional open sleeping carriage model and “compartments” that are partitioned off with modular closet sections. In this way, the concept has kept traditional-layout berths convenient for large groups travelling together or senior passengers but also offers new berths for improved privacy achieved by using individual partitioning sections that can also be used to hold hand luggage and outerwear.

Given the planned transition to larger carriages (size T, used for electric trains), the implementation of this concept will enable adding one more passenger compartment to a carriage, increasing the length of berths and fitting a shower into a dedicated cubicle.

A life-size model of a carriage featuring this modular interior was presented at the 13th International Forum “Transport of Russia”, with the model to be showcased during 2020 at railway stations in major Russian cities to test the concept with customers. A final go/no-go decision on the concept will be taken based on a passenger survey to be organised by JSC Federal Passenger Company.



The modular carriage concept enables creating a personal space for each passenger by using individual curtains closing off a berth, a ladder and a handrail to access the upper berth, lights above the individual tables complementing general ceiling light, as well as individual reading lights, individual air nozzles, power sockets (220 V) and USB ports. The modular sections have a storage module – closets to leave luggage, small items, outerwear and shoes.

The two proposed carriage versions vary notably, but they both mark a new stage in the evolution of an open sleeping carriage.

Another R&D focus area is double-decker carriages envisaged by the Carriage-2020 project. Their specific features are expected to include:

- use of twin units
- increased double-decker height improving the passenger comfort on upper berths of the second deck by increasing the distance between the berth and the ceiling
- refreshed interior and modern design
- bogies with air suspension system (improved smoothness and passenger comfort)
- a next-generation system for detecting potential failures (mechanical parameters monitoring, real-time data

transmission to the situation centre, mileage intervals before first maintenance increased to 10,000 km)

- semi-automated passenger service technologies with a single service compartment for two carriages (improving labour productivity of the train crew).

Features to provide additional comfort for passengers in the carriage include a modern design, developed using international best practices and high-quality finishing materials; improved soundproofing and vibration insulation; Wi-Fi hotspot; intercoms for communication with a train attendant; a full-fledged self-service area complete with vending machines and a purifier; convertible tables and personal safes in compartments; automated sliding interior doors; individual temperature control at each compartment; a shower cubicle in each carriage. Planned production time of the prototype – 2020.

UPGRADING THE CARRIAGES

In addition to the purchase of new rolling stock, FPC focuses on upgrading and improving the equipment of carriages built earlier.

The new third-class open sleeping carriage concept, developed by Vagonremmash, has been implemented in a pilot batch of carriages converted from existing mass-produced carriages through overhauls with service life extension.

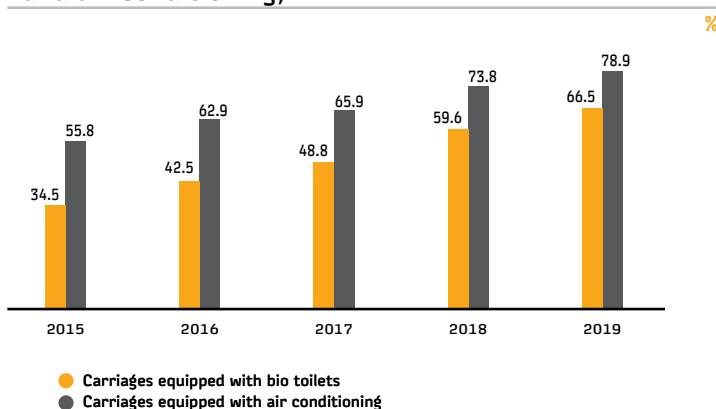
The main difference from the existing design is the personal space optionality offered to each passenger by using partitions installed along the aisle and individual curtains.

The upgraded carriage has more comfortable sofas with headrests, individual lights, power sockets, and USB ports. Upholstery is made of materials that meet fire safety regulations and are resistant to abrasion and other fabrics dyeing. The passengers on the upper berths now have an extra table.

The refreshed third-class open sleeping carriage provides for a modular replacement of interior elements, which will help reduce repair time and costs and also enable changes to the interior over the service life of the carriage.

The Company operates 11,554 carriages with power sockets for device charging, with the share of such carriages in the total fleet at 72.2%.

Percentage of the carriages equipped with bio toilets and air conditioning,



THE PERCENTAGE OF CARRIAGES EQUIPPED WITH AIR CONDITIONING UNITS INCREASED BY

5.1%

THE NUMBER OF CARRIAGES WITH ENVIRONMENTALLY FRIENDLY TOILET FACILITIES INCREASED BY

6.9%

FPC has completed the project to equip its branded trains with high-speed data lines, with a total of 5,765 carriages equipped with this new feature. The data line is used to provide passengers with access to the Poputchnik (Fellow Passenger) multimedia portal, as well as for technical purposes – the operation of the carriage equipment monitoring and diagnostics system, the CCTV system, and the passenger boarding control system. The Company also plans to use the data line for providing voice communication for the train crew and for deploying the software to replace legacy equipment used in the passenger train security and communication monitoring and control system.

Water and air sanitisers are also being installed, with the percentage of carriages already equipped with them standing at 26% and 36%, respectively.

GOVERNMENT RELATIONS

In 2019, FPC, together with federal and regional authorities, implemented measures to increase the attractiveness and competitiveness of rail passenger services.

At the federal level, the Company focused its efforts mostly on improving the regulatory and legal framework as well as the pricing system for long-distance passenger services.

The Company representatives were included in key working bodies at the level of the Russian Government, ministries and agencies to implement the regulatory guillotine mechanism.

Resolution of the Russian Government No. 545 On Amendments to the Rules on Rail Transport Services for Passengers, Cargo, Baggage, and Unaccompanied Baggage for Personal, Family, Household and Other Needs Not Related to Conducting Business dated 30 April 2019 simplified the transportation terms for travelling with newborns on long-distance trains. Travelling with newborns on long-distance trains is now allowed upon presentation of a medical birth certificate, not just a birth certificate issued by a civil registry office.

On the tariff front, FPC pulled efforts with Russian Railways and FAS Russia in 2019 to develop new approaches to government regulation of fares. The Company believes that in the current market landscape, the procedure for regulating fares for passenger services in third-class open sleeping carriages and fourth-class seating carriages and for subsidising these services, in force since 2007, has lost its relevance and needs to be updated. We will continue our efforts in this regard into 2020.

By Decree of FAS Russia No. 1232/19 dated 20 September 2019, regulated segment tariffs for 2020 have been revised upwards by 3.5%.

It should be noted that by rolling out major marketing campaigns and offering discounts for both individual passengers and certain groups (children, people of retirement age, large families) FPC succeeded in keeping the growth of fares in the regulated segment at 2.9% in 2019, well below the official indexation rate established by FAS Russia at 3.9%.

As part of its interactions with regional authorities, the Company's management has regular working meetings with leaders of Russian regions to discuss improvements to the quality of services provided to the local population. For instance, in 2019, we held meetings and joint events with governors of the Amur, Ryazan, Belgorod and Penza Regions, and the leaders of the Udmurt Republic and the Republic of Karelia to mark the launches of new or refreshed trains in their respective regions.

RISK MANAGEMENT. INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

OVERVIEW OF FPC'S OVERALL RISK MANAGEMENT SYSTEM

In 2019, we launched a risk management transformation project at FPC to build an integrated risk management system into a continuous and systematic process embedded throughout the organisation, incorporated into both business processes and decision making, and aimed at increasing the assurance that objectives will be achieved.

An important milestone in FPC's risk management transformation journey was the adoption of an approach which reflects the continuity of experience and the inherent links between risk management and internal control. In this approach, internal control is seen as an integral, indispensable part of the risk management system, while the risk management and internal control system is part of corporate governance. The approach was reflected in the newly adopted Risk Management and Internal Control Policy (the "Policy"), approved by FPC's Board of Directors and developed in line with the Risk Management and Internal Control Policy of Russian Railways.

In accordance with the Policy, the main purpose of risk management is to provide reasonable assurance that the Company's objectives will be achieved. They include, but are not limited to:

- strategic objectives
- operational objectives
- objectives in ensuring compliance with the requirements of applicable international regulations, regulations of the Russian Federation and internal regulations of the Company
- objectives in ensuring the reliability, timeliness and quality of all types of reporting.

The risk management and internal control system (the "RMICS") at FPC is set up and operated in accordance with the principles set out in GOST R ISO 31000:2010 Risk Management. Principles and Guidelines, namely:

- risk management creates and protects value
- risk management is an integral part of all organizational processes

- risk management is part of the decision-making process
- risk management is explicitly associated with uncertainty
- risk management is systematic, structured and timely
- risk management is based on the best available information
- risk management is adaptable
- risk management takes into account human and cultural factors
- risk management is transparent and takes into account the interests of interested parties
- risk management is dynamic, iterative and responsive to changes
- risk management contributes to the continuous improvement of the organization.

FPC's RMICS aims to address the following tasks:

- creation of infrastructure and a regulatory and methodological basis for the effective functioning of the risk management process;
- integration of risk management and internal control procedures into the strategic and operational activities of the Company, which will allow proactively responding to risks and negative changes in the external and internal environment (through planning and implementation of measures to influence the risk);
- raising awareness among RMS and VK participants and other interested parties about the risks;
- reduction in the number of unforeseen events that could have a negative impact on the achievement of the goals of JSC FPK.

The Policy also defines risk management actors and their skills and functions based on the three lines of defence model which provides for roles and responsibilities sharing. Each of the three lines increases the likelihood of FPC successfully achieving its objectives.

Specifically, in accordance with the Policy, all FPC's units are involved in the risk management process within their scope of responsibility.

Coordination, implementation and improvement of the risk management system is the responsibility of the Risk Management Unit.

The Internal Audit Unit is responsible for assessing the reliability and effectiveness of the risk management and internal control systems.

Central decision-making bodies for risk management at FPC are its Board of Directors and the General Director.

The Company has the Audit and Risk Committee at the Board of Directors and the Risk Management Committee to prepare recommendations for management decision making.

Notably, the Risk Management Unit and the Internal Control Unit are not only functionally separate, but are also hierarchically independent of one another.

Roles allocation

FUNCTION	RISK MANAGEMENT	INTERNAL AUDIT
Responsible structural unit	Risk Management Unit	Internal Audit Unit
Reporting to	Reporting to FPC's Deputy General Director responsible for the risk management system	Functional reporting to the Board of Directors (the Audit and Risk Committee of FPC's Board of Directors) and administrative reporting to the General Director
Full name of the unit head	Sergey Selishchev	Yulia Denisova

Three lines of defence model

Board of Directors

Audit and Risk Committee of the Board of Directors

General Director

Deputy General Directors

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Identifies risks that can affect the achievement of goals	Develops a uniform risk management and internal control methodology	<ol style="list-style-type: none"> 1. Assesses the performance of the risk management and internal control systems and corporate governance practice 2. Organises the monitoring process and follows up on remedial actions taken by FPC's units to eliminate flaws and gaps in risk management, internal control, and corporate governance practices
Risk analysis	<ol style="list-style-type: none"> 1. Evaluates identified risks 2. Provides general advisory support to units throughout the risk management process 3. Develops a risk map and a risk matrix 4. Identifies key risks 	
Develops and undertakes risk management activities	<ol style="list-style-type: none"> 1. Monitors and controls the provision of information on risk occurrence 2. Carries out inspections and audits of FPC's operating, financial, and business activities 3. Prepares summary reporting on risk occurrence 4. Informs the Company's management of risk occurrence, effectiveness of risk management activities and control procedures, and results of inspections and audits 	
Develops plans of activities to mitigate consequences should the risk occur		
Implements control procedures		
Gathers, consolidates, and provides information on risk occurrence		
Structural units	Risk Management Unit Units with certain control and/or approval responsibilities FPC's Control and Audit Centre	Internal Audit Unit

Key risk factors

In 2019, we noted the following factors influencing the risks associated with FPC's activities:

- lower GDP growth
- higher CPI growth
- significant fluctuations in inventory and fuel and energy prices
- increased competition (adjustments to pricing policy and dumping by FPC's competitors, expansion of air transport infrastructure)
- lower or no price indexation
- changes in the economic and political environment in Russia
- deteriorating social and demographic situation in urban and rural areas
- lower household purchasing power and real disposable income
- FX rate fluctuations
- increased governmental support for air transport.

Risk mitigation approaches

In treating its risks and risk factors in 2019, FPC employed a wide range of measures based on different risk treatment strategies, such as:

- Risk avoidance – withdrawing from an activity or project associated with a particular (inherent) risk where other treatment strategies (risk mitigation, risk sharing, risk acceptance) are not economically viable or feasible. Given that any activity of the Company is associated with risks and complete withdrawal from any activity leads to its discontinuation, this strategy can be used to manage individual, specific risks (and/or new activities, projects)
- Risk mitigation – risk treatment involving activities to reduce the likelihood of a risk event and/or the potential impact of its occurrence to an acceptable level Risk mitigation activities may include both the deployment and execution of control procedures and the implementation of other measures (e.g. creating provisions to cover losses caused by a risk event)

- Risk acceptance – a risk treatment method where no active risk treatment is used, applied where:
 - a) the level of risk is acceptable;
 - b) risk avoidance, mitigation or sharing are not economically viable or feasible (e.g. political or macroeconomic risks)
- Risk sharing – transfer of a risk where the Company's risk mitigation is ineffective, while the level of risk is not acceptable (the risk cannot be accepted) and a third-party services can be used for risk treatment (risk sharing is mostly aimed at reducing the consequences, not the likelihood of risk occurrence).

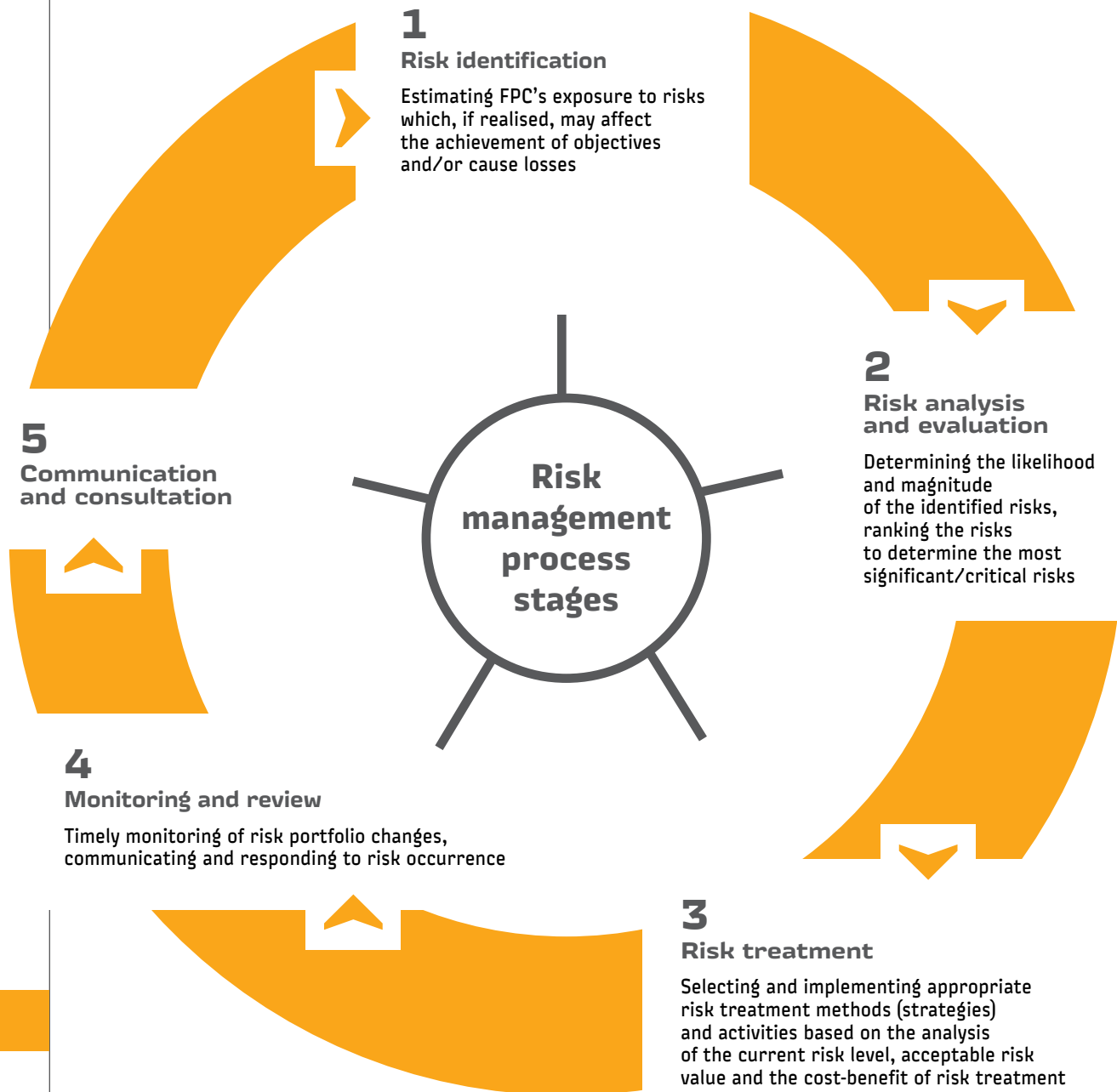
Risk management process stages

In line with the Policy, the risk management process consists of five stages:

1. Risk identification
2. Risk analysis

3. Risk mitigation
4. Monitoring and control
5. Data sharing and advice

Risk management process



Company Profile

Development Strategy

Performance Overview

Corporate Governance

Sustainable Development

Appendices

FPC's Risk register

In 2019, a total of 121 risks were identified by FPC:

- 10 high risks
- 18 medium risks
- 93 low risks.

Key risks and the Company's strategy

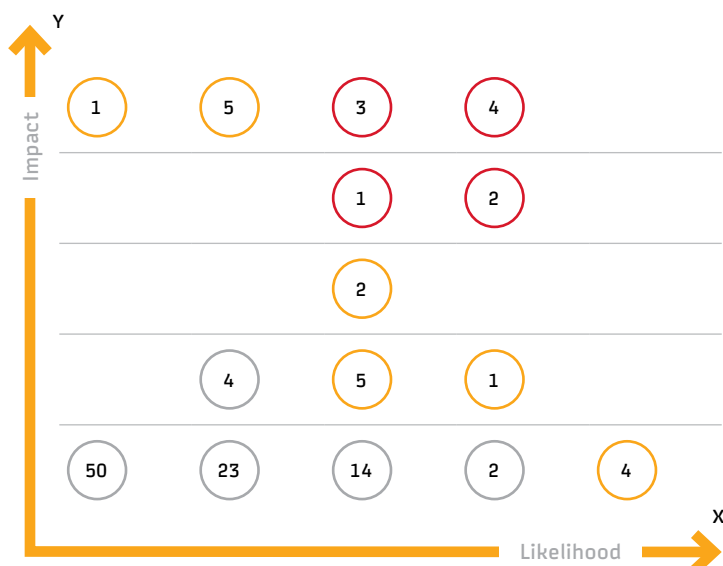
FPC's operations comply with the regulations adopted by the Russian Government and Russian Railways, as well as with the Transport Strategy of the Russian Federation to 2030 and the Railway Transport Development Strategy to 2030. Seeking to follow the strategies, the Company devised the Development Strategy of JSC FPC to 2030, which is aligned with the Long-Term Development Programme of Russian Railways to 2030.

All risks faced by FPC are associated with its strategy and reflected via risk indicators based on targets and metrics.

Specifically, FPC's key risk register for 2019 included the following key risk indicators for the risks of not achieving the strategic development targets:

- Passenger km travelled
- EBITDA.

FPC is implementing a range of risk treatment measures to mitigate the risks or eliminate their negative impact on the achievement of strategic objectives, including by keeping down or reducing the key risks.



FPC'S RISK MAP

FPC's risk map is based on the risk level as shown in the risk matrix, which has severity of consequences in the X direction and risk likelihood in the Y direction.

FPC's risk map

The risk map is a tool providing graphical representation of risk levels by combining severity of consequences, in the Y direction, and likelihood, in the X direction.

RISK LEVEL	OVERALL SCORE RATING	NUMBER OF RISKS
● High	12-25	10
● Medium	5-10	18
● Low	1-4	93

4 Number of risks per cell

INTERNAL CONTROL SYSTEM

FPC's internal control is governed by the Company's Risk Management and Internal Control Policy approved by FPC's Board of Directors in 2019.

Internal control is an integral, indispensable part of the risk management system, while the risk management and internal control system is part of corporate governance.

Internal control is a key risk management tool, addressing the following tasks:

- Creation of a control environment enabling both the development and implementation of risk treatment control procedures and the operation of the risk management process across all stages
- Effective information sharing and communication both within the Company and with external stakeholders
- Ensuring proper monitoring of the set-up and maintenance of the risk management process across all stages.

THE INTERNAL AUDIT DEPARTMENT ASSESSED THE RELIABILITY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The internal audit Department assessed the reliability and effectiveness of the management system risk management and internal control.

During 2019, the Company worked to improve its risk management and internal control system, including improving the level of risk culture, strategic risk management, and the quality of risk management reporting.

The results of the assessment of the reliability and effectiveness of the risk management and internal control system for 2019 showed that the overall risk management and internal control system is reliable and effective:

- elements of the risk management and internal control system of FPC JSC are built in accordance with the principles and approaches to its organization approved by the Board of Directors, COSO documents and GOST R ISO 31000;
- individual comments in the functioning of the risk management and internal control system did not affect the achievement of the Company's goals.

CENTER FOR CONTROL AND AUDIT ACTIVITIES

The center for control and audit activities is a structural division of FPC (hereinafter referred to as the Center) under the authority of the General Director of FPC.

The center consists of eleven regional Centers branches and two regional sections formed at the location of branches of FPC.

THE MAIN TASKS OF THE CENTER ARE:

1. Organization and conduct of internal control of passenger transportation, customer services in passenger trains and points of sale of travel documents, cargo and mail transportation.
2. Identification and prevention of violations and deficiencies in the production, financial, and economic activities of FPC and its subsidiaries and affiliates (hereinafter referred to as SDCs).
3. Conducting inspections and surveys on behalf of the General Director of FPC in the divisions of the management staff and structural divisions of FPC, branches of FPC and their structural divisions.
5. Control over the accuracy and completeness of information on expenses incurred related to the performance of works and services for all types of activities reflected in the accounting (financial) statements of FPC, as well as subsidiaries and affiliates.
6. Monitoring the implementation of measures by divisions of FPC, as well as subsidiaries and affiliates based on the results of audits and inspections, timely elimination of identified violations and deficiencies in the production, financial and economic activities of divisions.
7. Formation of a unified information base on identified violations and shortcomings in production, financial and economic activities.

TO PERFORM THESE TASKS, THE CENTER PERFORMS THE FOLLOWING MAIN FUNCTIONS:

1. Conducting audits and inspections of the production, financial and economic activities of FPC, as well as subsidiaries of FPC, compliance with the requirements of legislative and regulatory legal acts, regulatory documents of FPC and Russian Railways when they perform production and financial and economic operations.
2. Participation in inspections (inspections) of the technical condition of fixed assets when they are written off.
3. Organization of operational checks based on information received from appeals of citizens and employees of FPC.
4. Monitoring compliance with the established rules and regulations for the carriage of passengers, baggage, cargo and mail, passenger service, compliance by train crews with labor and industrial discipline along the route of passenger and mail and baggage trains, the work of ticket offices for the registration of travel and transportation documents.
8. Development and improvement of the methodology of control and audit activities.
9. Development of regulatory documents of FPC regulating the organization of control and audit activities.
10. Conducting audits and checks of performance of contractual obligations by contractors of JSC FPC in the delivery of goods, performance of works, provision of services, as well as compliance with technological processes, regulations and instructions.
11. Participation in the work of commissions of FPC on certification of passenger trains and wagons for compliance with the requirements of standards and regulatory documents of FPC.

SAFETY

MEASURES TO IMPROVE TRAFFIC SAFETY

TRAIN OPERATION SAFETY

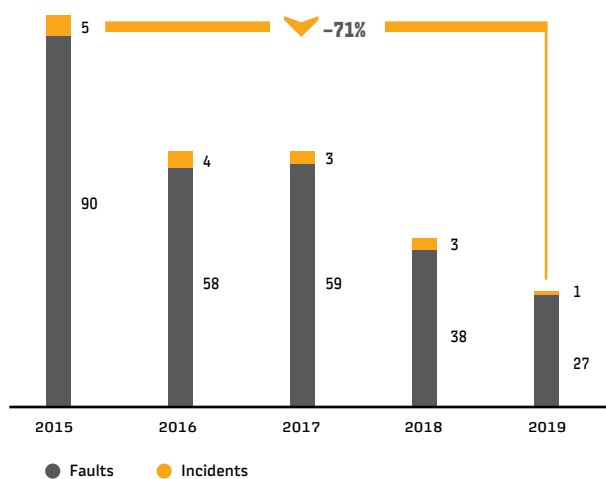
Safety and reliability are the passengers' basic requirements.

Since its inception, JSC Federal Passenger Company has been annually meeting the key targets for traffic safety and improved reliability of technical equipment.

This consistent performance is driven by the traffic safety policy adopted at FPC and the systematic efforts to implement the tasks set by the review meeting of Russian Railways' Management Board across the following areas:

- Implementation of FPC's Programme of Measures to Reduce the Frequency of Traffic Incidents and Accidents and the Severity of their Consequences, and to Achieve the Set Targets for Traffic Safety
- Implementation of the roadmap to ensure functional traffic safety at FPC
- Continued expansion of the annual scope of activities of structural units responsible for technical audits of operational processes
- Adoption of digital capabilities and technologies in traffic safety
- Maintaining staff competencies through training, professional development and mentoring.

Number of train operation safety breaches



FIRE SAFETY

In 2019, there was one fire affecting the Company's assets. was caused by an external ignition source (smoking).

In 2019, the Company implemented a RUB 140 million plus operational fire safety programme:

- fire safety systems (total costs: over RUB 46.5 million)
- procurement materials and equipment (total costs: RUB 32 million), including fire extinguishers, Strazhnik-3 fire extinguishing aerosol generators, eye and respiratory personal protective equipment (PPE), entrenching tools, etc.
- measures to ensure compliance with statutory and mandatory fire safety requirements (total costs: over RUB 15 million), including:
 - servicing fire extinguishers, fireproofing facilities, testing escape ladders and roof railings, assigning explosive and fire hazard classes to premises following the Electric Installation Guidelines, installation of fire-rated doors.

Fire work on rolling stock and stationary objects of FPC was carried out jointly FGP Security of Railway Transport.

As part of its Investment Programme, the Company installed and commissioned 77 fire protection systems at its stationary facilities in 2019.

INDUSTRIAL SAFETY

In 2018, FPC implemented a Centralised Industrial Safety Programme, investing RUB 33.7 million in 523 activities at hazardous facilities, including expert assessments of industrial safety, and inspections and certifications of machinery.

By improving operations and ensuring compliance with federal laws, the Company reduced the number of hazardous facilities in 2019 from 198 to 180, cutting the number of machinery items at hazardous facilities from 467 to 454.

As part of the Programme, FPC replaced equipment at hazardous facilities that reached the end of its standard service life in 2019 for RUB 118.6 million.

In line with Federal Law No. 225-FZ On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Facility for Inflicting Damage as a Result of an Accident at the Hazardous Facility dated 27 July 2010, all FPC's hazardous operating facilities are insured.

In 2019, police officers, transport security officers, and private security guards ensured security on 81% of FPC's long-distance trains (80% in 2018). The Company strongly focused on providing security for children travelling in organised groups.

International passenger trains put together in other countries and travelling in Russia were escorted by transport security officers, which helped significantly decrease technical failures in carriages, on-board equipment, electrical equipment, and firefighting systems, as well as reduce violations of the rules of passenger services, baggage and unaccompanied baggage transport.

During 2019, the Company had zero incidents of unlawful interferences on its passenger trains.

TRANSPORT SAFETY

FPC's arrangements for transport safety and security are governed by Federal Law No. 16-FZ On Transport Safety dated 9 February 2007.

Seeking to protect passengers from unlawful interference¹ on long-distance trains, FPC started to engage certified providers of transport security services.

During the preparation and holding of the 29th Winter Universiade in Krasnoyarsk in 2019, FPC implemented a range of transport security measures, including:

- deployment of transport security officers travelling end-to-end on FPC's 21 passenger trains carrying passenger groups for the Company clients
- deployment of FPC's transport security officers travelling end-to-end within Russia on two foreign trains (Ulaanbaatar Railbus and China State Railway Group Company) running through Krasnoyarsk.

¹ Unlawful interference is an unlawful action (omission), including a terror attack, such as to jeopardise the safety of the transport system, resulting in damage to life and health of individuals, financial damage or posing a threat of such consequences; unlawful and illegal actions, etc.

CORPORATE AND FINANCIAL SECURITY

In 2019, FPC's corporate and financial security measures were focused on the following areas:

- Preventing and deterring potential damage caused by deliberate or accidental unauthorised interference in FPC's operations
- Prevention of losses, including theft of funds and inventory, destruction of property and valuable assets
- Implementation of measures to prevent threats of property loss (destruction)
- Compensation for material damage caused by illegal (unlawful) actions of isolated legal entities or individuals
- Timely identification, prevention and containment of internal and external threats to FPC's economic interests, as well as arranging and implementing measures to minimise (compensate for) the damage caused
- Engagement with law enforcement bodies on preventing and deterring offences directed against FPC's interests.

INFORMATION SECURITY

According to Federal Law No. 187-FZ On the Security of Critical Information Infrastructure of the Russian Federation dated 26 July 2017, FPC established a permanent commission for assigning classes to critical information infrastructure (CII) facilities, defined the critical processes and prepared the list of the Company's CII facilities, with the information on FPC's CII facilities submitted to the Federal Service for Technical and Export Control (FSTEC Russia) within the timeframe specified by Resolution of the Russian Government No. 452 dated 13 April 2019. The Company is working to ensure the security of its CII facilities and comply with the regulatory requirements.

Information security regulations were updated to reflect changes in legislation and best practices. Data protection tools are maintained on an ongoing basis to prevent information security threats to FPC's infrastructure.

The IT infrastructure of FPC's passenger trains was checked for existing vulnerabilities, and measures were developed to eliminate them.

According to Federal law No. 152-FZ On Personal Data dated 27 July 2006 and its secondary legislation, the measures were implemented to ensure the security of personal data during its processing in personal data systems. A secure infrastructure has been built, and personal data systems were properly certified.

OCCUPATIONAL HEALTH AND SAFETY

In 2019, FPC noted a 7.5% year-on-year decrease in the rate of work-related injuries.

The terms of FPC's Collective Bargaining Agreement have been met, with RUB 396.3 million, or 0.76% of total operating expenses, spent on occupational health and safety measures, excluding expenses on special clothing and footwear and other personal protective equipment, including:

- RUB 236.8 million spent on measures to prevent work-related injuries, remove staff from hazardous working areas and deploy new technical equipment
- RUB 159.5 million was spent on measures aimed at improving working conditions.

Using the repayable funds provided by regional branches of the Social Insurance Fund, a range of preventive measures were taken in 2019 to reduce work-related injuries and occupational diseases among employees, worth a total of RUB 24.9 million.

A TOTAL OF

602.9

RUB MILLION

WAS SPENT ON OCCUPATIONAL HEALTH AND SAFETY ACTIVITIES

Company
Profile

Development
Strategy

Performance
Overview

Corporate
Governance

Sustainable
Development

Appendices

KEY OPERATING HIGHLIGHTS

The year 2019 was more favourable for FPC than 2018.

MESSAGE FROM DEPUTY GENERAL DIRECTOR FOR ECONOMICS AND FINANCE




In 2019, the Company delivered a balanced performance across key metrics and continued its growth trend of recent years.

The increase in traffic enabled the Company to boost its revenue (104.8% of the 2018 level), which, combined with lower cost growth, resulted in a net profit of RUB 6.6 billion. In line with JSC FPC's Strategy guidance, our EBITDA reached RUB 29.6 billion.

Throughout 2019, we continued delivering on our extended Investment Programme aimed at accelerated rolling stock renewal. The Company channelled all available financial resources towards financing this programme, including ploughing back profits and raising long-term debt financing.

Long-term bond issues placed at favourable coupon rates accounted for 95% of the debt raised by the Company in 2019 and ensured a healthy diversification of our financing sources.

Accordingly, in 2019, three international rating agencies reaffirmed their investment-grade credit ratings on FPC. 

Best regards,
Alexander Muslovets

KEY FACTORS

- The Company's revenue increased by 5% year-on-year to RUB 236.9 billion, due to a passenger traffic increase (by 2.2% year-on-year).
- EBITDA was up by 10% year-on-year to RUB 29.6 billion, due to the Company's revenue growth, cost containment (the cost of passenger services increased by just 2.2% year-on-year) and the implementation of the Optimisation Programme.
- Capital expenditures were flat year-on-year at RUB 43.7 billion, with 96% of the CAPEX allocated towards passenger rolling stock replacement and upgrades.
- Debt coverage ratio (net debt/ EBITDA) was down to 0.93x at end-2019.
- Non-current liabilities increased by 25% to RUB 54 billion.
- Current liabilities decreased by 10% to RUB 34 billion.
- As part of debt portfolio optimisation, in the first half of 2019, the Company raised debt through the issue of series 001R-06

Financial results,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018	
				+/-	%
Operating revenues	216.2	226.1	236.9	10.7	104.8
Passenger services	193.7	202.4	213.4	11.1	105.5
Other sales	22.5	23.7	23.4	-0.3	98.7
Operating expenses	210.0	222.2	230.9	8.7	103.9
Passenger services	194.4	206.1	215.1	9.0	104.4
Other sales	15.6	16.1	15.8	-0.3	97.8
Operating result	6.2	3.9	6.0	2.1	152.4
Passenger services	-0.7	-3.7	-1.7	2.0	45.4
Other sales	7.0	7.6	7.7	0.1	100.7
Other revenue	14.0	15.6	23.6	8.0	151.3
Subsidies from the federal budget	7.8	8.6	7.7	-0.9	89.4
Other expenses	9.3	10.7	20.5	9.8	192.0
Other revenue and expenses	4.7	4.8	3.1	-1.7	63.6
Profit (loss) before tax	10.9	8.8	9.1	0.3	103.2
EBITDA, including subsidies	27.0	26.8	29.6	2.7	110.2
EBITDA margin, including subsidies, %	12.1	11.4	12.1	0.7	106.1
Income tax and other similar liabilities	3.0	2.7	2.4	-0.3	90.1
Net profit/loss	7.9	6.1	6.6	0.5	109.0
Net profit margin, %	3.66	2.69	2.80	0.11 p.p.	104.0

exchange bonds, with proceeds used to refinance series 01 corporate bond issue (placed on 16 June 2016), and a long-term loan with VTB Bank.

- At the end of 2019, RUB 15 billion was received from the parent company, Russian Railways, as part of the financing for the Investment Programme and a contribution to the Company's authorised capital.
- Net profit increased by 9% to RUB 6.6 billion year-on-year.
- In 2019, credit ratings from three leading international agencies have returned to investment grade.
- In December 2019, the Russian national rating agency ACRA affirmed its "AA+(RU)" high credit quality rating on FPC, with a stable outlook.

KEY OPERATING HIGHLIGHTS

In 2019, FPC met the demand for passenger services by carrying over 105.8 million passengers (103.7% of the 2018 level), including 62.0 million in the regulated segment and 43.8 million in the deregulated segment.

Passenger km travelled totalled 93.6 billion in 2019 (102.2% of the 2018 level). Passenger turnover increased to 90.0 billion passenger-km (102.5% of the 2018 level) on trains made up by FPC, including 55.2 billion passenger-km in the regulated segment (102.1% of the 2018 level)

and 34.7 billion passenger-km in the deregulated segment (103.2% of the 2018 level).

With the passenger-km travelled (102.5% of the 2018 level) growing faster than the carriage km (100.9% of the 2018 level), we improved our carriage capacity utilisation rates to 71.8% (101.0% of the 2018 level).

Volume-based indicators

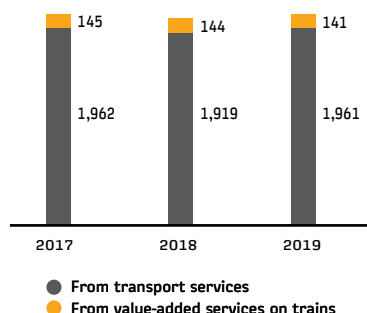
INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Passenger km travelled, billion	87.0	91.6	93.6	102.2
On FPC's trains	82.8	87.7	90.0	102.5
Deregulated segment	28.1	33.6	34.7	103.2
domestic traffic	26.5	31.9	32.8	103.1
interstate traffic	1.7	1.8	1.9	106.0
Regulated segment	54.6	54.1	55.2	102.1
On trains of the CIS and Baltic states	4.2	3.8	3.6	93.6
Passengers carried, million	95.1	102.0	105.8	103.7
Deregulated segment	35.2	41.7	43.8	105.0
Regulated segment	59.9	60.3	62.0	102.8

FINANCIAL RESULTS

REVENUE

Average revenue per passenger (including VAT),

RUB



IN 2019,
REVENUE FROM PASSENGER SERVICES
AMOUNTED TO

213.4

RUB BILLION

Changes in operating revenues,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Total	216.2	226.1	236.9	104.8
Passenger services	193.7	202.4	213.4	105.5
Deregulated segment	95.1	104.3	109.2	104.7
First-class and second-class sleeping carriages	81.0	89.8	95.1	106.0
International services	14.1	14.6	14.0	96.5
Regulated segment	98.6	98.1	104.2	106.3
Passenger services	91.6	91.4	98.1	107.4
third-class open sleeping carriages	85.6	85.2	91.4	107.3
fourth-class seating carriages	6.0	6.2	6.8	109.5
Baggage, unaccompanied baggage, and mail transport	7.0	6.7	6.1	90.8
Revenue from other activities	22.5	23.7	23.4	98.7
Repair and maintenance of non-owned rolling stock	1.9	1.7	1.9	111.0
Additional on-train services	11.7	12.4	13.5	108.7
Premium services	3.3	3.4	3.7	110.0
Bed linen on trains	8.4	9.1	9.8	108.3
Other lines of business (property lease to third parties, agency contracts)	8.9	9.6	8.0	83.5

Revenue from passenger services

In 2019, revenue from passenger services amounted to RUB 213.4 billion, up 5.5% year-on-year.

In 2019, the Company's overall passenger traffic increased by 2.2% year-on-year, which was the key driver behind the increased revenue from passenger services.

Revenue in the deregulated segment amounted to RUB 95.1 billion on domestic routes, up 6.0% year-on-year due to increased demand from passengers for this type of services amidst the annual fare growth of no more than 2%–3% on average.

Revenue from international services totalled RUB 14.0 billion, down 3.5% year-on-year, due to reduced traffic on trains made up in the CIS and Baltic states. A 7.4% year-on-year increase in revenue from passenger services in third-class open sleeping carriages and fourth-class seating carriages was driven by higher population mobility in 2019, also observed in the regulated segment, and a 3.9% tariff indexation by the government.

Revenue from baggage, unaccompanied baggage, and mail transport was down 9.2% year-on-year to RUB 6.1 billion due to an average year-on-year reduction of 13.6% in the mileage of baggage and mail carriages.

Revenue from other activities

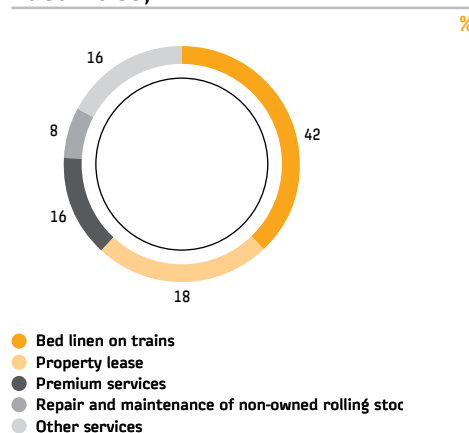
Other FPC activities include:

- repairs of non-owned rolling stock
- additional on-train services
- lease of the rolling stock and property assets
- other services.

In 2019, revenue from other activities totalled RUB 23.4 billion, up 1.3% 2018 year.

Lower performance vs 2018 was mostly recorded in income from property lease (76.5% of the 2018 level) as a result of income recognition in 2018 for payments under one-off carriage lease contracts with ANO Transport Directorate of the 2018 FIFA World Cup Russia as part of the World Cup 2018, as well as with the Central Directorate for Infrastructure, a branch of Russian Railways, for the arrangement of employee accommodation.

Structure of revenue from other activities,



Changes in revenue from other activities,

INDICATORS	RUB billion				
	2017	2018	2019	CHANGE 2019/2018	
				+/-	%
Total	22.5	23.7	23.4	-0.3	98.7
Repairs of non-owned rolling stock	1.9	1.7	1.9	0.2	111.0
Additional on-train services	11.7	12.4	13.5	1.1	108.7
Bed linen on trains	8.4	9.1	9.8	0.8	108.3
Premium services	3.3	3.4	3.7	0.3	110.0
Property lease	5.4	5.6	4.3	-1.3	76.5
Other services	3.5	3.9	3.7	-0.3	93.4

EXPENSES

Passenger service expenses

In 2019, passenger service expenses amounted to RUB 215.1 billion, up 104.4% year-on-year.

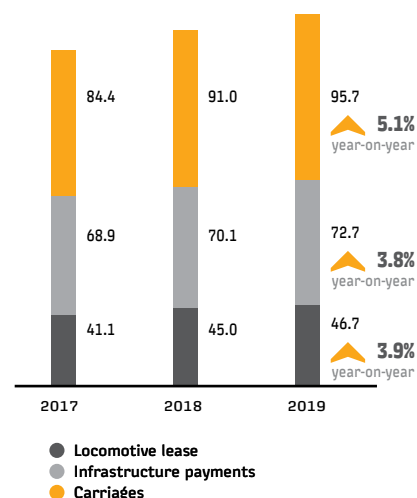
In 2019, by the end of the year, the cost of passenger services totalled RUB 22.99 per 10 passenger-km, or 102.2% compared to the level of 2018.

In 2019, expenses on other activities totalled RUB 15.8 billion, down 2.2% year-on-year.

Lower performance vs 2018 was mostly recorded in income from property lease (67.9% of the 2018 level) due to the expenses incurred under one-off carriage lease contracts with ANO Transport Directorate of the 2018 FIFA World Cup Russia as part of the World Cup 2018, as well as lower overhead costs for other activities.

Passenger service expenses,

RUB billion



Passenger service expenses,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Total	194.4	206.1	215.1	104.4
Payroll costs	30.4	32.6	34.0	104.4
Social contributions	8.4	8.9	9.5	106.9
Material costs	24.9	24.5	26.4	107.9
materials	5.5	6.2	6.5	105.4
fuel	0.6	0.7	0.7	104.9
electricity	0.4	0.4	0.5	106.2
other	18.5	17.1	18.7	108.9
Other expenses	118.2	126.5	129.9	102.7
Infrastructure payments	68.9	70.1	72.7	103.8
Locomotive lease	41.1	45.0	46.7	103.9
Depreciation	12.6	13.6	15.3	112.1

Expenses on other activities

INDICATORS	2017	2018	2019	CHANGE 2019/2018	
				+/-	%
Total	15.6	16.1	15.8	-0.3	97.8
Repairs of non-owned rolling stock	1.4	1.3	1.5	0.2	113.9
Additional on-train services	8.7	9.3	9.9	0.6	106.6
Bed linen on trains	6.4	6.8	7.0	0.2	103.0
Premium services	2.3	2.4	2.8	0.4	116.7
Property lease	2.3	2.7	1.9	-0.9	67.9
Other services	3.1	2.8	2.6	-0.3	90.6

OVERHAULS PROGRAM

In 2019, actual expenses on overhauls of fixed assets were RUB 5.4 billion, or 112.4% of the 2018 level, including:

- RUB 5.2 billion on overhauls of passenger carriages (113.0% of the 2018 level)
- RUB 0.2 billion on overhauls of buildings and structures performed by third parties – only for facilities in need of an urgent overhaul (up 98.6% year-on-year).

OPERATIONAL EFFICIENCY AND COST OPTIMISATION PROGRAMME

The Company developed an Operational Efficiency and Cost Optimisation Programme for 2018–2020 to enhance FPC's performance. In 2019, the total impact of the programme was RUB 5.05 billion.

The Programme aims to:

- assess and optimise current expenses
- improve maintenance and repair management for equipment, buildings, and structures
- improve working capital management
- improve fixed asset management
- improve procurement and supply chain management
- streamline the remuneration and motivation system
- optimise headcount
- other activities.

Fixed assets overhaul costs,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %	
Total	5.2	4.8	5.4		112.4
Carriages	5.0	4.6	5.2		113.0
Buildings and structures	0.2	0.2	0.2		98.6

HEADCOUNT AND LABOUR PRODUCTIVITY

In 2019, labour productivity was up 2.5% year-on-year due to a 2.6% growth in traffic and headcount optimisation. The average headcount in transport services totalled 53,861 FTEs, down 0.1% year-on-year (35 FTEs).

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
FPC headcount, FTEs	60,724	58,975	58,224	98.7
Including in transport services	55,189	53,896	53,861	99.9
Labour productivity, '000 passenger km / FTE	1,500	1,628	1,670	102.6

OTHER INCOME AND EXPENSES

In 2019, the financial result from other income and expenses amounted to RUB 3.1 billion.

Key revenues received as part of other FPC's income were government subsidies allocated as compensation for the revenue shortfall caused by the government regulation of long-distance tariffs for third-class open sleeping and fourth-class seating carriages. In 2019,

RUB 7.7 billion in subsidies were received from the federal budget (RUB 8.6 billion in 2018).

Interest expenses on loans were the key item in other expenses, amounting to RUB 4.0 billion in 2019 (RUB 2.8 billion in 2018).

Other income and expenses,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Other income	14.0	15.6	23.6	151.3
Interest receivable	1.3	0.8	1.0	125.5
Proceeds from the disposal of fixed and other assets	0.3	0.8	10.1	1,268.1
Subsidies from the federal budget	7.8	8.6	7.7	89.4
Other	4.7	5.4	4.8	88.2
Other expenses	9.3	10.7	20.5	192.0
Interest payable	2.3	2.8	4.0	143.6
Expenses on the disposal of fixed and other assets	0.2	0.4	9.6	2,403.7
Cash management services	1.9	1.8	2.1	115.2
Other	4.8	5.7	4.8	84.8

DEBT POLICY

As at 31 December 2019, FPC's debt amounted to RUB 49.9 billion (excluding a RUB 0.6 billion worth of accrued interest payable in the following quarter), including RUB 1.4 billion of loan liabilities and RUB 48.5 billion of bond liabilities.

FPC had no debt denominated in a foreign currency.

Earlier loans will be repaid in full by the end of 2021.

To secure financing for the Investment Programme, FPC placed a total of RUB 13.5 billion in bonds (2 issues): RUB 8 billion for five years at 8.4% p.a. and RUB 5.5 billion for 6.5 years at 6.9% p.a. In 2019, FPC did not open long-term credit facilities with any credit institutions.

In 2019, FPC did not open long-term credit facilities with any credit institutions.

The nearest maturity date is in 2022, with a total of RUB 38.5 billion of bonds expected to be repaid between 2023 and 2028.

FPC's debt maturities as at 31 December 2019,

RUB billion

INDICATORS	2020	2021	2022	2023	2024	2025	2026	2027	2028
Debt settlement	0.7	0.7	10.0	13.0	10.0	5.5	0.0	0.0	10.0

BALANCE SHEET TOTAL

In 2019, FPC's balance sheet total increased by RUB 29 billion, or by 10%.

Key balance sheet items,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Non-current assets	220.7	249.5	267.9	107.4
Current assets	29.3	32.5	42.8	131.8
Assets	250.0	282.0	310.7	110.2
Equity and reserves	193.5	201.2	222.8	110.7
Non-current liabilities	24.0	43.0	54.0	125.3
Current liabilities	32.5	37.8	34.0	90.0
Liabilities	250.0	282.0	310.7	110.2

As at 31 December 2019, FPC's non-current liabilities totalled RUB 54 billion, including loans and borrowings for RUB 49.2 billion.

The size of FPC's share capital as at 31 January 2019 was RUB 171,961,040,539.

As at 31 December 2019, FPC had 186,961,040,539 ordinary registered uncertified shares issued with the same par value of RUB 1 each.

Shareholding in FPC's share capital – 99.9999999995%.

Shareholding in JSC KRP-Invest holding – 0.0000000005%.

JSC FPC's registrar is Company STATUS, which maintains the FPC securities register under contract No. 201-14/FPC-14-216 dated 11 June 2014. On 23 August 2018, FPC opened an account of the National Settlement Depository, the nominal shareholder of the central depository, in its securities register.

In the reporting year, the Company's net assets increased by 10.7% to RUB 223.1 billion.

Changes in net assets,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018, %
Net assets	194.0	201.5	223.1	110.7

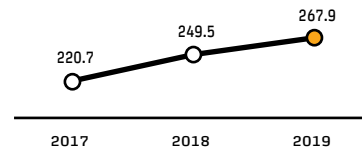
INVENTORIES

As at 31 December 2019, FPC's actual inventories amounted to RUB 3.69 billion, including RUB 0.12 billion worth of fuel, against the set standard of RUB 4.029 billion, including RUB 0.19 billion worth of fuel. As at 31 December 2018, FPC's actual inventories were RUB 3.78 billion, including RUB 0.15 billion worth of fuel.

The total value of FPC's inventories was down by RUB 0.09 billion, or 2.4%, in 2019, due to the release of inventories into production and sales of wheelsets not used in operations.

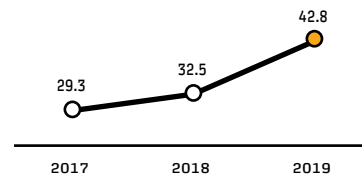
Non-current assets,

RUB billion



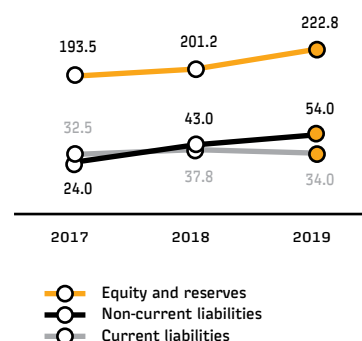
Current assets,

RUB billion



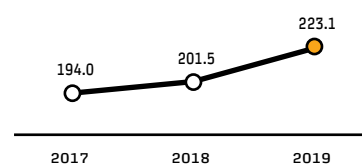
Liabilities,

RUB billion



Net assets,

RUB billion



PAYABLES AND RECEIVABLES

As at 31 December 2019, FPC's receivables totalled RUB 15.71 billion.

Taxes and charges receivable were 73.1%, or RUB 11.5 billion.

The largest share of trade receivables was due for repair and maintenance of the rolling stock, amounting to RUB 0.28 billion, or 47.0%, and for the lease of the rolling stock and property assets, amounting to RUB 0.14 billion, or 23.9%.

Trade receivables due for passenger services made up RUB 1.79 billion, or 11.4%, in line with the terms of relevant contracts.

As at 31 December 2019, prepayments totalled RUB 0.97 billion, or 6.2%.

By late December 2019, payables had increased by 9.7% year-on-year to RUB 27.2 billion. The largest share of payables was attributed to trade payables totalling RUB 12.39 billion, or 45.5%, and prepayments for transport services totalling RUB 9.31 billion, or 34.2%.

As payables are above the receivables, the Company can use payables as an additional source of financing. Receivables to payables ratio were 0.58.

Receivables as at 31 December 2019,

	RUB billion		
RECEIVABLES	2017	2018	2019
Total	12.09	11.27	15.71
Trade receivables (except for transport services)	0.82	0.49	0.59
Trade receivables (for transport services)	1.15	1.07	1.79
Prepayments	0.45	0.48	0.97
Taxes and charges	8.53	8.11	11.49
Other receivables	1.14	1.13	0.87

Payables as at 31 December 2019,

	RUB billion		
INDICATORS	2017	2018	2019
Total	24.43	24.80	27.20
Trade payables	10.22	9.95	12.39
Payroll liabilities	1.45	1.48	1.59
Taxes and charges, social insurance	1.65	1.87	1.25
Prepayments for other activities	0.64	0.29	0.26
Prepayments for transport services	7.82	8.70	9.31
Other payables	2.64	2.50	2.41

CASH FLOWS¹

As at 1 January 2019, FPC's balance of cash including short-term deposits totalled RUB 6.5 billion, including RUB 2.4 billion in the current account.

Cash flows from operating activities

In 2019, the cash flow from operating activities totalled RUB 275.7 billion, including RUB 7.7 billion from the federal budget. Most cash (78%) was received from passenger services totalling RUB 215.9 billion less of transit charges.

Operating expenses amounted to RUB 277.6 billion, including expenses for infrastructure services and locomotive lease totalling RUB 143.9 billion, or 51.8%.

Negative cash flow from operating activities was RUB 1.8 billion.

Cash flows from operating activities,

RUB billion

INDICATORS	2017	2018	2019
Net cash flow	4.1	3.3	-1.8
Cash received	254.2	267.1	275.7
Cash used	250.0	263.8	277.6

Cash flows from investing activities

Expenses for investment activities totalled RUB 289.3 billion.

In the reporting period, RUB 41.9 billion (96% of investment) were allocated for passenger rolling stock replacement and upgrades, including:

- RUB 30.7 billion for the acquisition of new passenger carriages
- RUB 11.2 billion for upgrades of passenger rolling stock.

Negative cash flow from investing activities amounted to RUB 47.8 billion.

Cash flows from investing activities, RUB billion²,

RUB billion

INDICATORS	2017	2018	2019
Cash flow	-27.5	-60.6	-47.8
Cash received	1.7	1.6	241.6
Cash used	29.2	62.2	289.3

¹ The structure of cash flows for investment activities reflects, among other things, the repayment of loans in accordance with the agreement concluded between Russian Railways and FPC on the provision and repayment (repayment) of cash (loans).

² In accordance with the management accounting data.

Cash flows from financing activities

In 2019, cash received from financing activities was RUB 68.5 billion (of which 34% was attributed to borrowings).

Cash used in the amount of RUB 23.05 billion resulted from:

- interest payments on loans and borrowings – RUB 3.96 billion
- repayment of loans and borrowings – RUB 19.09 billion.

Net cash flows from financing activities totalled RUB 45.5 billion.

FPC's negative cash flow for the year totalled RUB 4.1 billion.

As at 31 December 2019, FPC's balance of cash including short-term deposits was RUB 2.4 billion, including RUB 1.7 billion in the current account.

Cash flows from financing activities,

RUB billion

INDICATORS	2017	2018	2019
Net cash flow	21.3	50.5	45.5
Cash received	43.9	55.2	68.5
Cash used	22.6	4.7	23.0

FINANCIAL REVIEW

INDICATORS	2017	2018	2019
Liquidity			
Absolute liquidity ratio	0.41	0.45	0.67
Quick liquidity ratio	0.78	0.75	1.14
Current liquidity ratio	0.90	0.86	1.26
Leverage ratio	0.77	0.71	0.72
Margins, %			
Sales margin (including subsidies)	6.25	5.35	5.60
Return on equity (ROE)	4.09	3.02	2.98
Return on assets, including subsidies (ROA)	3.16	2.16	2.13
Liabilities			
Liabilities in the balance sheet total	0.23	0.29	0.28
Financial leverage (interest-bearing borrowings/equity)	0.29	0.40	0.39
Total debt/EBITDA	0.85	1.72	1.71
Total debt/revenue (including subsidies)	0.11	0.20	0.21

Absolute liquidity ratio – 0.67

The ratio is the most stringent solvency criterion. It shows how much short-term debt can be covered by the Company immediately if necessary by the available cash and highly liquid short-term investments.

The ratio increased by 0.22 year-on-year (0.45 in 2018), mostly due to the short-term loans extended by Russian Railways in 2018 (as at 31 December 2019, the balance was RUB 20,550 million).

Quick liquidity ratio – 1.14

The ratio shows how much short-term debt can be covered by the Company if its receivable is fully repaid (payments expected within 12 months after the reporting date).

The ratio increased by 0.39 year-on-year (0.75 in 2018).

Current liquidity ratio – 1.26

The ratio shows how much short-term debt can be covered by the Company by its current assets. In contrast to the absolute and quick liquidity ratios, this indicator shows solvency over a relatively longer term.

The ratio increased by 0.40 year-on-year (0.86 in 2018), which improved the Company's overall working capital availability to support business operations and repay current liabilities compared to 2018.

Leverage ratio – 0.72x

The ratio shows the share of the Company's assets that are covered by its funds. The higher the ratio, the more financially stable the Company is and the lower its dependence on third-party loans. From an investor or creditor's perspective, the higher the ratio, the lower the risk of losing investments in the Company or loans extended to it.

The ratio increased by 0.01 year-on-year (0.71 in 2018), a sign of the Company's increased financial stability.

Sales margin (including subsidies) – 5.60

It is an indicator of the Company's financial performance, showing the share of profit in its revenue. Sales margin is a metric showing the effectiveness of the Company's pricing policy and its ability to control costs, as well as indicating the share of gross profit in the Company's sales.

The ratio increased by 0.25 p.p. year-on-year (5.35% in 2018), suggesting an increase in the share of gross profit in total sales.

Return on equity (ROE) – 2.98

It is one of the key metrics of the Company's performance, used to evaluate its investment case over the longer term and showing how many units of net profit the Company generates with each unit of shareholders' equity.

The ratio decreased by 0.04 p.p. year-on-year (3.02% in 2018).

Return on assets, including subsidies (ROA) – 2.13

This financial ratio shows the return on all assets used by the Company, indicating the Company's ability to generate profit without taking into account its capital structure (financial leverage), as well as the quality of asset management.

The ratio slightly decreased by 0.03 p.p. year-on-year (2.16% in 2018).

Liabilities in the balance sheet total – 0.28

The lower share of borrowings in the balance sheet total (0.29 in 2018) demonstrates the trend of stronger financial stability of the Company. Accordingly, the higher the percentage of own funds in the balance sheet total, the better the financial position of the Company.

Financial leverage (interest-bearing borrowings/equity) – 0.39

Financial leverage indicates the ratio of borrowings to total capitalisation, showing how efficiently the Company uses equity, as well the degree of its reliance on borrowings. The capitalisation ratio is used only in the same industry context and in the context of the Company's revenue and cash flows.

Total debt/EBITDA – 1.71x

This indicator shows the Company's debt burden and its ability to repay existing liabilities (solvency).

The ratio slightly decreased by 0.01 year-on-year (1.72x in 2018).

Total debt/revenue (including subsidies) – 0.21x

This indicator shows the Company's debt burden vs its total revenue (0.20x in 2018).

INVESTMENT MANAGEMENT

INVESTMENT RANKING

As an integral component of the Development Strategy, the Company's Investment Policy establishes investment priorities, structure, criteria, areas, and sources.

The Company's investment projects are ranked into five categories:

- Long-term projects
- Replacement of retired fixed assets generating financial impact

- Cost-effective projects
- Replacement of retired fixed assets generating technological impact
- Technology and social projects.

Each project is ranked from 0 to 100. The higher the score, the higher priority is given to the project within the investment programme.

Investment programme structure by project category

PROGRAMME	SHARE IN THE PROGRAMME, %	RANK
Long-term projects Renovation of the Orekhovo-Zuyevo PCD, carriage-washing, as well as blasting and painting facilities Acquisition of RIC carriages	3	From 63 to 100
Replacement of retired fixed assets with a direct financial impact Rolling stock replacement and upgrades for branded trains	36	From 46 to 100
Projects with a direct financial impact Acquisition of double-decker carriages and development of e-ticket sales	33	From 26 to 80
Replacement of retired fixed assets with a technological impact Upgrading rolling stock and re-equipping depot facilities	25	From 18 to 45
Technology and social projects	3	From 0 to 25
Total	100	

INVESTMENT STRUCTURE

In the reporting period, RUB 41.9 billion (95.9% of investment) were allocated for passenger rolling stock replacement and upgrades, including:

- RUB 30.7 billion for the acquisition of 574 new passenger carriages including:
 - 420 carriages for branded rolling stock replacement and upgrades
 - 154 double-decker carriages
- RUB 11.2 billion for passenger rolling stock upgrades, including:
 - RUB 10.8 billion was used to perform overhauls for 537 carriages with service life extension
 - RUB 0.4 billion was used for other upgrades enhancing traffic safety and improving the passenger experience.

The remaining CAPEX totalling RUB 1.8 billion, or 4.1%, 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 prioritises rolling stock acquisition to upgrade its branded trains. To achieve this goal, the Company purchased 420 carriages (worth RUB 16.8 billion) in 2019, including 342 third-class open sleeping carriages.

For profitable, high-demand passenger destinations, the Company also purchased 154 double-decker carriages (worth RUB 13.9 billion) to introduce trains on the following routes: Moscow–Izhevsk, Moscow–Penza, Moscow–Petrozavodsk and Moscow–Bryansk.

As part of its 2019 investment programme, the Company financed a RUB 11.2 billion Passenger Rolling Stock Upgrade project. A large portion of the funds (RUB 10.8 billion, or 96.4%) was used to perform overhauls with service life extension (overhaul reconditioning) and upgrades for 537 carriages.

EXPENDITURES FOR FPC'S INVESTMENT PROGRAMME TOTALLED

43.7

RUB BILLION

The investment programme also provided for depot upgrade projects and IT projects.

RUB 1.1 billion were invested in depot upgrades. Investments in depots were primarily used to:

- upgrade existing production facilities (RUB 0.9 billion)
- purchase equipment to ensure uninterrupted depot operations (RUB 0.2 billion).

In 2019, FPC spent RUB 0.4 billion on IT projects (development of software and hardware using cloud solutions to expand the use of electronic carriage documents and e-tickets; supply of software and hardware, network equipment, etc.).

Investments in other projects totalled RUB 0.3 billion (acquisition of equipment for transport safety and security, Train Master's Mobile Workstation software and hardware, etc.).

Sources of financing for the investment programme:

- Equity (depreciation, retained earnings) – RUB 22.2 billion
- Borrowings (additional share and bond issues) – RUB 21.5 billion.

Investment programme structure,

RUB billion

INDICATORS	2017	2018	2019	CHANGE 2019/2018
Rolling stock acquisition	17.8	30.9	30.7	-0.2
Rolling stock upgrades	6.6	11.1	11.2	0.1
Depot upgrades	0.9	0.9	1.1	0.2
IT projects	0.4	0.2	0.4	0.2
Other projects	0.2	0.8	0.3	-0.5
Total	25.9	43.9	43.7	-0.2

PRIORITY INVESTMENT AREAS

CUSTOMER-FOCUSED INVESTMENT

FPC spent RUB 41.5 billion in 2019 to improve its customer experience through several initiatives:

- 574 new, highly efficient passenger carriages were purchased, with improved performance and passenger comfort, totalling RUB 30.7 billion and aimed at reducing transit times and enhancing both transport safety and passenger experience
- RUB 10.8 billion were spent on passenger carriage overhaul reconditioning (537 carriages).

Besides, RUB 0.4 billion were spent on the implementation of information technology innovations.

UPGRADES

To maintain its existing carriage repair and maintenance facilities, FPC invested RUB 0.9 billion in rehabilitation and upgrades of its fixed assets in 2019.

INVESTMENT IN SAFETY

RUB 0.4 billion were used in 2019 to enhance passenger safety and improve the passenger experience.

Major investments in transport safety included:

- RUB 0.2 billion to replace retired rolling stock
- RUB 0.2 billion to install new frames, bolsters, and 1,520 mm gauge bogies during scheduled carriage repairs.

MID-TERM INVESTMENT

The long-term agreement with Joint Stock Company TVZ for rolling stock development, design, manufacturing, testing, and certification in 2019–2025 provides for the supply of 3,731 carriages for a total of RUB 237 billion.

The rolling stock acquisition programme is based on investment efficiency. FPC's priority is to continue upgrading its profitable rolling stock, making sure the profit is enough to pay the investment off during the rolling stock service life.

The type of rolling stock for each destination is selected based on economic factors such as profitability and return on investment, as well as technical limitations such as utilising particular carriages on specific routes.

Double-decker carriages have twice the capacity of single-decker carriages and are therefore more cost-effective. Double-decker carriages are especially popular on routes with limited infrastructure as each double-decker carriage can replace two single-decker carriages, enabling a twofold reduction of passenger trains. Also, FPC's double-decker rolling stock can meet all passenger service comfort requirements.

At the same time, the operation of double-decker carriages requires retrofitted originating and turnaround stations, in particular, inspection pits and high-voltage charging points.

Unlike double-deckers, single-decker carriages can be operated throughout the whole network of Russian Railways. Single-decker procurement is planned based on the existing carriage type system – first-class sleeping, second-class sleeping, and third-class open sleeping carriages.

Modern third-class open sleeping carriages have a higher capacity to meet established passenger preferences and maintain lower fares.

Since October 2019, new rolling stock, Carriage-2019, has been procured. The carriage has been designed to provide for more capacity and semi-automated customer service on board.

Acquisition of locomotive-hauled passenger carriages with seats is viable for routes of up to 6 hours of travel time and sufficient passenger traffic. The Company determines the most efficient type of rolling stock for each destination, considering investment performance and technical limitations.

The Passenger Rolling Stock Upgrade project for 2020–2022 provides for RUB 26.9 billion of CAPEX, including RUB 26.1 billion for performing overhauls with service life extension (overhaul reconditioning) on 1,135 carriages.

Moreover, in 2020–2022, FPC plans to allocate RUB 4.4 billion for – depot upgrades (RUB 4.1 billion) – IT projects.

FPC plans to invest a total of RUB 0.5 billion into other projects in 2020–2025.

PROCUREMENT

FPC's procurement activities are governed by the corporate Regulations on Procurement of Goods, Works and Services for the Needs of Joint Stock Company Federal Passenger Company. The document is based on the following Russian laws and regulations:

- Federal Law No. 223-FZ On Procurement of Goods, Works, and Services by Certain Types of Legal Entities dated 18 July 2011
- Federal Law No. 135-FZ On the Protection of Competition dated 26 July 2006
- Resolutions by the Russian Government
- Other documents adopted under Federal Law No. 223-FZ.

Savings achieved by procurement in 2019 totalled RUB 1,808.57 million. This amount is more than double the figure for 2017 (RUB 1,032.82 million) and is flat vs 2018 (RUB 2,094.87 million).

In 2019, FPC's procurement process resulted in 3,607 contracts for a total of RUB 303,540.67 million including VAT, of which:

- A total of 2,101 contracts for a total of RUB 13,991.07 million (including VAT) were awarded through competitive bidding for procurement of goods, works and services. It should be noted that in 2019, FPC continued its practice of expanding the range of potential bidders for its procurement projects. As a result, the number of bids increased by 13% (4,721 bids) year-on-year (4,173 in 2018)
- 1,506 contracts worth a total of RUB 289,549.6 million including VAT signed with a single-source supplier (contractor, service provider).

Importantly, a long-term contract (seven years) for the purchase of rolling stock from TVZ for a total of RUB 284,400 million including VAT accounted for 98.2% of the total value of the contracts awarded.

Excluding the purchase of TVZ carriages, the total amount of contracts concluded with a single-source supplier (contractor, service provider) was RUB 5,149.6 million including VAT, which is almost 2.5 times less than the figure for 2018.

Seeking to comply with the regulatory requirements for procurement of goods, works, and services from small and medium-sized enterprises (SMEs), FPC signed 1,979 contracts with SMEs, thus firstly, beating the previous year's record for the number of SME contracts (1,882 contracts in 2018) and secondly, increasing the percentage of SMEs contracted by FPC to provide goods, works and services in the total number of suppliers (contractors, service providers) (now more than half of the total).

INTERNATIONAL ACTIVITIES

In 2019, FPC provided direct and transit passenger services to 23 European and Asian countries, including Germany, France, Poland, Austria, the Czech Republic, Monaco, Italy, Finland, China, Mongolia, North Korea, Latvia, Lithuania, Estonia, Ukraine, Moldova, Belarus, Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, and Azerbaijan and Abkhazia.

The traffic volumes were bolstered by the Company's balanced marketing policy, efficient passenger service arrangements and a sharper customer focus, as well as the extensive cooperation with other national operators within international industry associations (OSJD, UIC, CRT and CIT).

FPC's international activities were focused on retaining its leading position in rail passenger services and improving the cost efficiency of the transportation process.

INTERNATIONAL COOPERATION IN EQUIPMENT AND TECHNOLOGY

In 2019, international cooperation in equipment and technology focused on the improvement of traffic safety, rolling stock servicing, as well as the development of procedures for train haulage between Russia and EU countries.

From 14 to 16 May 2019, Vienna, Austria hosted a meeting on traffic safety, the technical condition of passenger carriages and the quality of passenger service in international rail traffic. In addition to FPC representatives, the meeting was attended by technical specialists and representatives of railway authorities and carriers of Central and Eastern Europe (Deutsche Bahn AG, ÖBB, SNCF, PKP Intercity, MÁV-START, Trenitalia, etc.).

The participants noted improvements in the quality of pre-trip train servicing and stability of rail passenger services to and from the Russian Federation. During the meeting, the delegations shared ideas on further improvement of traffic safety, as well as information about regulatory changes in technical aspects of passenger train operation within the European Union, which are addressed by the railway reform. In particular, Trenitalia representatives gave an update on the progress in equipping carriages with water suppression systems, the use of which on trains will be mandatory in Italy from 1 April 2021.

In 2019, FPC and SNCF for the first time implemented a new train haulage procedure whereby the same locomotive is used to pull train No. 23/24 Moscow–Paris across both Germany and France.

A corresponding contract was signed for SNCF Deutschland, an SNCF subsidiary, to provide train haulage services within the 2019/2020 schedule.

The contract with a single-source operator for services both in France and Germany has reduced the number of locomotive change operations during travel and kept the hauling charges in France at the 2019 level while lowering the costs of train haulage on the German leg of the route.

IMPROVEMENT OF THE PRICING POLICY AND OPTIMISATION OF INTERNATIONAL RAIL SERVICES

In 2019, FPC continued its extensive cooperation on pricing, discounts and surcharges with railway authorities and carriers from the CIS and Baltic states. The pricing strategy implemented in 2018 was continued into 2019.

More than 20 promotions with discounts of between 5% and 70% were run in non-FSU countries (Europe, Asia). These discounts specifically applied to early booking, families, groups (including small groups), children (50% discounts), round trips, senior passengers, etc.

In 2019, more than 20 promotions with discounts of between 10% and 70% were run in international services with the CIS and Baltic states. In particular, we offered discounts for booking of tickets, round-trip fares, booking an entire compartment in a first- or second-class sleeping carriage, side berths in third-class sleeping carriages, etc.

Special fares, discounts and marketing promotions in international services with non-FSU countries in 2019

SPECIAL FARES/DISCOUNTS FOR TICKETS TO WEST EUROPEAN COUNTRIES

Family fare
(compartment booked by two passengers)

Discount for children
under 12

Adult Senior and Junior fare
(for passengers aged over 60 and between 12 and 26)

Discount for a group
of six or more adults

Senior-Single and Junior-Single fare
(whole compartment booked by a passenger aged over 60 or between 12 and 26)

Children's Group discount
(double discount for children travelling in a group)

Family fare
(compartment booked by two passengers)

Discount for booking 60–45 days
before departure

Voyage fare
(small groups from two to five people)

Discount for 1st and 2nd classes

Festive fare
(seven days before or after birthday)

Wedding fare
(newly wedded couples, valid for one month from wedding date)

In improving the efficiency of international passenger services, the Company follows a flexible pricing policy and continues its cost-cutting efforts, including through the optimisation of international train timetables.

The stability of direct rail passenger traffic between Russia, Poland and the Czech Republic has been improved. FPC together with PKP Intercity (Poland) and the Czech Railways explored the option of launching daily direct rail services between Moscow and Warsaw and Moscow and Prague. It became possible due to reduced FPC's costs and the transition to the East–West tariff in settlements between the parties.

In particular, FPC optimised the route of train No. 20/19 Moscow–Beijing travelling once every two weeks as a separate train and once every two weeks as a group of direct Moscow–Beijing carriages in train No. 2/1 Moscow–Vladivostok. It has improved train operation, optimised the use of rolling stock and, consequently, cut the costs of Russia–China railway services.

DISCOUNTS FOR TICKETS TO AND FROM POLAND	DISCOUNTS FOR TICKETS TO AND FROM FINLAND	DISCOUNTS/LOWER FARES FOR TICKETS TO AND FROM ASIAN COUNTRIES (CHINA, NORTH KOREA, MONGOLIA)
Discount for children under 12	Discount for children aged 6 to 17	Discount for children aged 4 to 12
Discount for a group of six or more adults	Discount for a group of six or more adults	Round trip discount
	Plan Early! discount (from 4 October 2018 to 7 December 2019)	Lower fares for trains running between Russia and Mongolia
		Lower fares for trains running through Russia and North Korea, and FPC's third-class open sleeping carriages

● Discounts

● Special/lower fares

Special fares and discounts are valid throughout the year

System of discounts in international services with the CIS and Baltic states in 2019

1 10% to 58% depending on the sale date

15%–20% between Russia and Belarus
15%–20% between Russia and Moldova
10%–15% between Russia and Estonia
10%–25% between Russia and Lithuania
10%–15% between Russia and Latvia
25%–55% between Russia and Uzbekistan
46%–58% between Russia and Tajikistan
15%–55% between Russia and Kyrgyzstan, Kazakhstan

3 At the same time the redemption of the whole compartment 25% (coupe, sleeping carriage)

Between Russia and Latvia

2 Depending on the location of berths (reserved seat): Moldovan Railways (CFM) – 70%, Belarusian Railway – 10%

Between Russia and Moldova
 Between Russia and Belarus

4 At the same time registration of travel cards documents «there» and back» (coupe, sleeping carriage) in the «back» direction 20%

Between Russia and Belarus

In 2019

- Discounts and marketing promotions in traffic between countries that are signatories to the Agreement on the International Passenger Tariff were kept at the 2018 levels
- Discounts for tickets to and from Uzbekistan **were increased** (from 25%–45% in 2018 to 25%–55% in 2019)

COOPERATION WITHIN INTERNATIONAL ORGANISATIONS

In 2017, in the context of intense competition from other transport modes, growing costs of infrastructure services, and the resulting declines in traffic, FPC suggested and has since vigorously promoted creating a competitive environment in the international market for rail passenger services, with the national government support for railway carriers. This project is based on the ideas outlined in Resolution No. 264 on international rail passenger service adopted by the Inland Transport Committee of the UN Economic Commission for Europe.

In 2017 and 2018, as part of the Organisation for Cooperation of Railways (OSJD) initiatives, FPC launched the development of an international multilateral roadmap of joint actions to create a new competitive rail passenger service environment, which was supported by the Council of Ministers of the OSJD countries. Throughout 2019, the OSJD member countries were engaged in extensive discussions of the draft document, making their proposals.

The importance and relevance of this work were also noted at the third International Passenger Forum in Sochi held under the aegis of the Council for Rail Transport of the Commonwealth Member States.

International industry speakers shared their observations and promising projects aimed at enhancing rail passenger services and boosting their competitiveness, including through introducing breakthrough solutions in passenger train control during the state border crossing.

To provide a legal framework for enhancing state border control under the aegis of the Inland Transport Committee of the UN Economic Commission for Europe, the Convention on the Facilitation of Border Crossing Procedures for Passengers, Luggage and Load-luggage Carried in International Traffic by Rail was approved on 22 February 2019. As countries join the convention, a legal and regulatory framework will be created for further unification of the legal environment for international rail passenger traffic.

As a national carrier, FPC views the issue of optimising state border control procedures as particularly important. It is an opportunity to significantly reduce travel time for passengers on international trains. Ultimately, the border control procedure should either be minimised in duration or be carried out while the train is on the move.

CORPORATE GOVERNANCE

OUR CORPORATE
GOVERNANCE PRINCIPLES
ARE BASED ON THE PROTECTION
OF THE INTERESTS AND RIGHTS
OF SHAREHOLDERS, EQUAL
TREATMENT OF ALL SHAREHOLDERS,
MUTUAL TRUST AND RESPECT
FOR ALL INTERESTED PARTIES.



33%

**OF INDEPENDENT
DIRECTORS**

on the Board
of Directors

44%

OF WOMEN

on the Board
of Directors

4.9

POINTS OUT OF 5

individual assessment members
of the Board of Directors

At a fire.
Moscow Region, Russia



JOIN
FORCES

OVERVIEW OF THE CORPORATE GOVERNANCE MODEL AND PRACTICE

CORPORATE GOVERNANCE PRINCIPLES

PROTECTING SHAREHOLDER INTERESTS AND RIGHTS

The Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC provide for the corporate governance rights of shareholders (available on FPC's website).

Protection of the interests and rights of FPC's shareholders is ensured through a reliable method for recording their rights to shares – the share register is maintained by an independent entity, Company STATUS.

As part of the preparation for the General Shareholders Meeting, shareholders are provided with supplementary information in addition to the mandatory information required by law.

EQUAL TREATMENT OF ALL SHAREHOLDERS

Shareholders have equal and fair rights to share FPC's profits by receiving dividends. The Regulations on JSC FPC's Dividend Policy establish a mechanism for determining the amount of dividends and their payment.

All shareholders are provided with materials required for the General Shareholders Meetings and have equal access to all required information at the offices of the Company.

TIMELY DISCLOSURE OF INFORMATION

FPC ensures timely disclosure of information on its website and in the news feed of SKRIN information agency, which is authorised to disclose information about securities and other financial instruments.

MUTUAL TRUST AND RESPECT FOR ALL STAKEHOLDERS

Relationships between FPC's shareholders, members of the Board of Directors, and management are based on integrity, trust, mutual respect for legitimate interests, and all parties performing their obligations in good faith.

Company
Profile

Development
Strategy

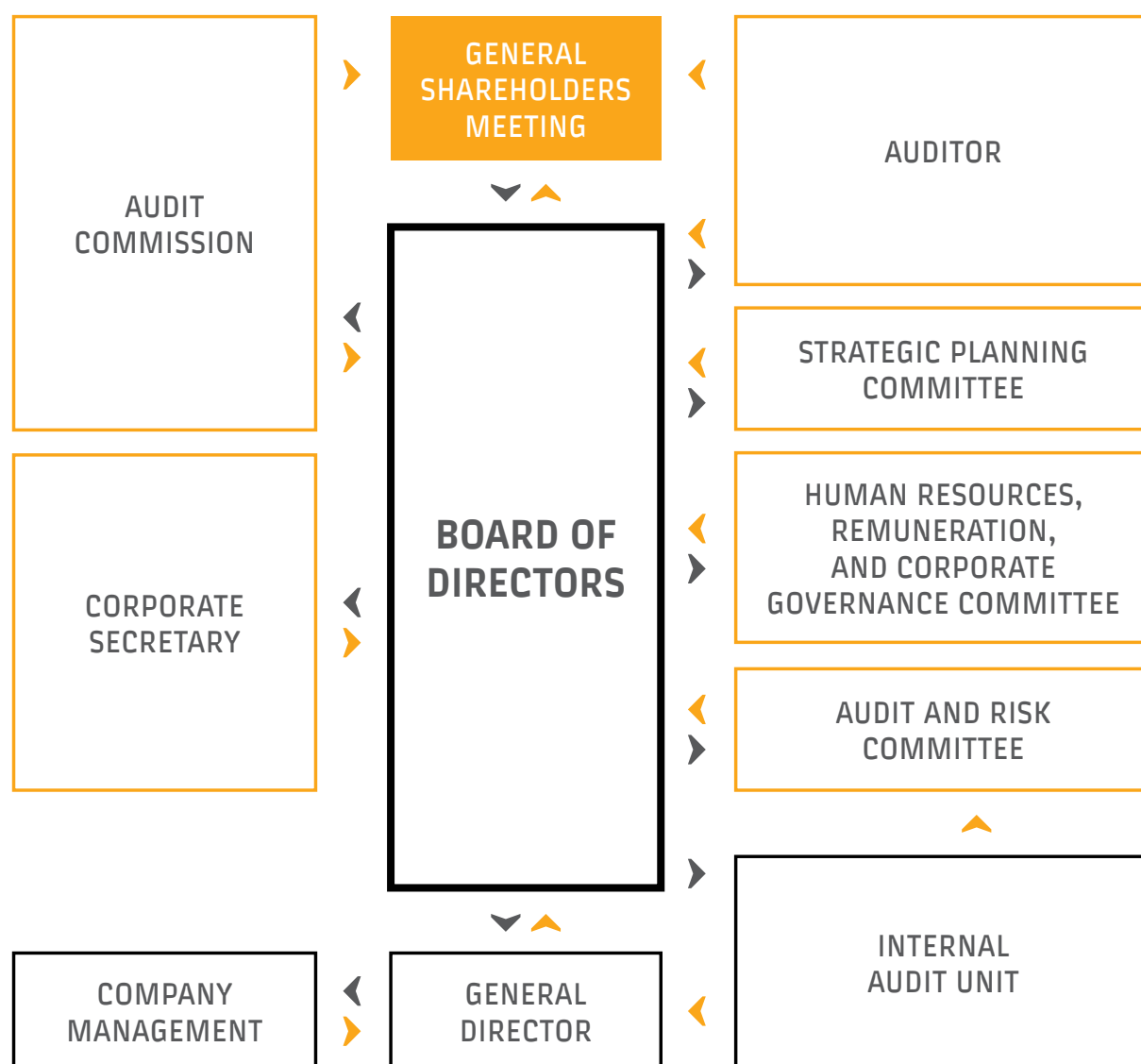
Performance
Overview

Corporate
Governance

Sustainable
Development

Appendices

The Company's corporate governance model



FPC's corporate governance model is built in line with Russian statutory requirements and is a multi-tier system of relationships between participants in the corporate governance process.

The Company's supreme governing body is the General Shareholders Meeting, with the Board of Directors occupying a central place in the corporate governance system, and the management of the Company's day-to-day operations delegated to the General Director.

The General Director is accountable to the General Shareholders Meeting and the Board of Directors. The Board of Directors, in its turn, reports to FPC's General Shareholders Meeting.

The jurisdiction of all governing bodies is clearly defined and formalised in the Articles of Association.

The Company has adopted the Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC.

Matters reserved to the General Shareholders Meeting include:

- amendments and addenda to JSC FPC's Articles of Association and approval of a new version of the document
- reorganisation of the Company
- liquidation of the Company, appointment of a liquidation committee, and approval of interim and final liquidation balance sheets
- determination of the number, par value, and type (class) of additional authorised shares and rights carried by these shares
- decisions on placement of bonds convertible into shares, and other issue-grade securities convertible into shares
- election of the Board of Directors and early termination of directors' mandates
- approval of annual accounting (financial) statements
- distribution of the Company's profit (including payout (declaration) of dividends, except for the payout (declaration) of dividends following the first quarter, the first six months, and the first nine months of the reporting year) and loss following the end of the reporting year
- payout (declaration) of dividends following the first quarter, the first six months, and the first nine months of the reporting year
- approval of interested party transactions or making decisions for their subsequent approval if the number of disinterested members of the Company's Board of Directors is less than half of the elected directors
- approval of major transactions or making decisions for their subsequent approval in cases stipulated by Article 79 of the Federal Law On Joint Stock Companies
- approval of internal documents governing the activities of FPC's bodies



Regulations on the procedure for preparing and holding the General meeting of shareholders of JSC FPC



Regulations on the Board of Directors of JSC FPC



For the full list of powers of the Board of Directors see JSC FPC's Articles of Association



Regulations on the Board of Directors' Committees

- resolutions to pay remuneration and/or reimbursement to members of the Board of Directors
- resolution to file an application to the Bank of Russia asking for an exemption from the obligation to disclose or provide information according to the Russian laws on securities.

The Board of Directors occupies a key position in FPC's corporate governance system. Its activities are governed by the Regulations on the Board of Directors of JSC FPC approved by the General Shareholders Meeting. Information on the activities of the Board of Directors is disclosed in the Annual Report and made available to shareholders.

The duties of the Board of Directors are to:

- determine FPC's priorities: develop and approve the Company's development strategy and long-term development programme, as well as amendments and addenda to them; review reports on their implementation
- approve FPC's budget and investment programme and amendments to them; review the General Director's report on the Company's performance in the reporting period, including budget and investment programme performance; implement resolutions passed by the General Shareholders Meeting and the Board of Directors
- elect members of the Audit Commission and approve early termination of their powers
- approve the Company's Auditor and determine the relevant fee
- approve annual reports
- convene annual and extraordinary General Shareholders Meetings; approve the agenda for General Shareholders Meetings; determine the date of drawing up the list of persons entitled to participate in the General Shareholders Meeting, and address other issues relating to its preparation and holding
- approve the activity plan of the internal audit function and relevant annual performance reports; appoint and remove the head of the internal audit business function
- determine FPC's policy on remuneration due to, and/or reimbursement (compensation) of costs incurred by members of the Board of Directors
- analyse the results of performance assessment of the Board of Directors and its members and committees, as well as of the Company's sole executive body
- determine the key performance indicators (KPIs) for FPC and its sole executive body and review KPI performance reports; approve a list of the Company's key managers and compile a list of their corporate KPIs
- determine the principles of, and approaches to risk management and internal control organisation at FPC
- establish acceptable risk levels (risk appetite, preferred risks).

Election of the General Director and the Corporate Secretary and appointment of members to the Board of Directors' Committees are also reserved for the Board of Directors.

Three Committees of the Board of Directors have been set up to preview the most important matters referred to the Board of Directors:

- Strategic Planning Committee
- Audit and Risk Committee
- Human Resources, Remuneration, and Corporate Governance Committee

Activities are governed by relevant regulations. Committees of the Board of Directors' submit a report on their activities to the Board of Directors on an annual basis.

The Corporate Secretary ensures effective ongoing interaction with shareholders, coordinates the Company's efforts to protect shareholder rights and interests and supports the activities of the Board of Directors. The Corporate Secretary reports to the Board of Directors. The Corporate Secretary's activities are governed by the Regulations on the Corporate Secretary of JSC FPC approved by the Board of Directors.

FPC has the Audit Commission and appoints its Auditor on an annual basis to provide shareholders with reliable and complete information on its financial and business activities.

The Company has its internal audit function – the Internal Audit Unit. The Regulations on JSC FPC's Internal Audit Organisation, Regulations on JSC FPC's Internal Audit Unit and the unit's activity plan are subject for approval by the Board of Directors. The Internal Audit Unit reports to the Board of Directors.

SHARE CAPITAL

As at 31 December 2019, FPC's share capital was RUB 171,961,040,539. FPC's share capital comprises 171,961,040,539 ordinary registered shares with a par value of RUB 1 each.

In December 2019, the Company launched an issuance of additional ordinary uncertified registered shares placed through a private subscription. On 26 December 2019, the Bank of Russia registered the resolution on the issuance of additional shares. State registration number of the additional issue is 1-01-55465-E-005D. The report on the issuance was registered on 3 February 2020.

On 19 February 2020, amendments to JSC FPC's Articles of Association were registered, indicating that its share capital increased to RUB 186,961,040,539.

A nominee account was opened on 23 August 2018 in the register of FPC's registered shares maintained by National Settlement Depository. The number of FPC shares owned by National Settlement Depository is 0.

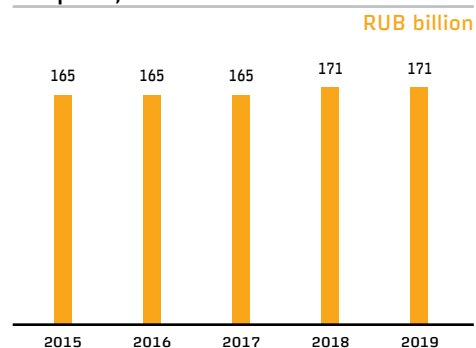
No shares are owned by the Company and its controlled entities.

FPC has no information on shareholdings exceeding 5% except for those already disclosed by the Company.

FPC's shareholders do not have any preferred shares or shares with different par value.

No shareholder agreements have been signed by FPC's shareholders.

Changes in the Company's share capital,



Voting shares by type (class) of shares as at 31 December 2019

TYPE (CLASS) OF SECURITIES	REGISTERED ORDINARY SHARES	ADDITIONAL REGISTERED ORDINARY SHARES
Form of issuance	Uncertified	Uncertified
Number of shares issued	171,961,040,539	15,000,000,000
State registration details	1-01-55465-E	1-01-55465-E-005D
Par value per share, RUB	1	1

Entities included in FPC's share register as at 31 December 2019

SECURITY HOLDER	NUMBER OF VOTING SHARES		PERCENTAGE OF VOTING SHARES, %
	1-01-55465-E	1-01-55465-E-005D	
Russian Railways	171,961,040,538	15,000,000,000	99.9999999995
KRP-Invest	1	0	0.0000000005
Total	171,961,040,539	15,000,000,000	100

DIVIDEND POLICY

Under the Regulations on JSC FPC's Dividend Policy, if depreciation and external funding sources are insufficient to finance the Investment Programme, the Company may draw additional funds from the net profit that was to be distributed as dividends to Russian Railways.

No dividends were paid out in 2019.

Resolution on the amount of dividends for 2019 will be made by the Annual General Shareholders Meeting in 2020.

For reference:

- General Shareholders Meetings held in 2010–2013 resolved not to pay out any dividends.
- In 2014, RUB 4.1 billion was allocated to dividends and RUB 4.5 billion was contributed by Russian Railways to FPC's share to finance FPC's Investment Programme.

- In 2015, FPC made a net profit of RUB 141.1 million. RUB 70.5 million was paid out as dividends.
- In 2016, FPC made a net profit of RUB 5.3 billion. RUB 4.9 billion was paid out as dividends.
- For 2017, RUB 1.6 billion was allocated to dividends and RUB 6.5 billion was contributed by Russian Railways to FPC's share to finance FPC's Investment Programme.
- In 2018, FPC made a net profit of RUB 6.1 billion. No dividends were paid out for 2018.

CALCULATING THE AMOUNT OF DIVIDENDS

On 17 December 2012, FPC's Board of Directors approved the Regulations on JSC FPC's Dividend Policy.

In accordance with the Regulations, the amount of a full year dividend is a total of a fixed dividend (**DIV1**) and a residual dividend (**DIV2**).

Where the variance between the actual and target net profit is no greater than 15%, CT is equal to 0.

Where the variance between the actual and target net profit is greater than 15% but less than 50%, CT is equal to 5%.

Where the variance between the actual and target net profit is greater than 50%, CT is equal to 10%.

The resolution to pay out (declare) dividends is passed by the General Shareholders Meeting. The amount of dividends cannot be higher than the amount of dividends recommended by the Company's Board of Directors.

$$\text{Fixed dividend (DIV1)} = \text{Net profit for the reporting year} \times \text{Fixed dividend payable (no less than 25\%)} + \text{Fixed dividend adjustment coefficient reflecting the variance between FPC's actual net profit and the target value (CT)}$$

$$\text{Residual dividend (DIV2)} = \text{Net profit for the reporting year} - \text{The amount of mandatory contributions deducted from the net profit}^1 - \text{DIV1} - \text{The portion of FPC's profit used to finance its investment programme}^2$$

¹ Reserve fund and charities.

² Investment Programme – depreciation – borrowings.

SHAREHOLDERS MEETINGS

FPC's supreme governing body is the General Shareholders Meeting.

In 2019, four General Shareholders Meetings were held – one annual General Shareholders Meeting and one extraordinary General Shareholders Meeting.

Joint Stock Company Registry Society STATUS served as a teller at FPC's General Shareholders Meetings. Voting results were announced at the meetings.

General Shareholders Meetings held in 2019

Annual General Shareholders Meeting	28 June 2019			
Extraordinary General Shareholders Meeting	11 February 2019		1 August 2019	6 December 2019
Number of items reviewed	1	5	2	3

Resolutions passed by the Annual General Shareholders Meeting

DATE	RESOLUTIONS
28 June 2019	Approved FPC's annual accounting (financial) statements for 2018
	Resolved to distribute JSC FPC profit and losses for full year 2018
	Resolved to pay out (declare) JSC FPC dividends for full year 2018
	Resolved to pay remuneration to the members of the Board of Directors
	Elected the new Board of Directors

Resolutions passed on the extraordinary General Shareholders Meetings

DATE	RESOLUTIONS
11 February 2019	Approved a major transaction with JSC TVZ on the manufacture of passenger carriages
1 August 2019	Approved the Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC and the Regulations on the Board of Directors of JSC FPC
6 December 2019	Resolved on the procedure of the issuance of additional JSC FPC shares

BOARD OF DIRECTORS

BRIEF BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF DIRECTORS



Dmitry Pegov

Non-Executive Director
Chairman of the Board of Directors

Year of birth: 1973

Nationality: Russian Federation

First elected to the Board of Directors since
March 2017

Chairman of the Board of Directors

Chairman of the Strategic Planning Committee
of FPC's Board of Directors

Education

Saint Petersburg State Transport University with a degree
in Locomotives (Electric Locomotives and Electric Trains).

Experience

From 2004 to 2009, he was Head of the Saint Petersburg–Moskovskoye locomotive depot of the Locomotive Directorate, a structural unit of the Transcom Suburban Service Directorate of the Oktyabrskaya Railway, a branch of Russian Railways.

In June 2009, he was appointed Head of the Northwest Directorate for Higher-Speed Services, a structural unit of the Directorate for Higher-Speed Services, a branch of Russian Railways.

From February 2010 to July 2014, he was CEO of the Directorate for Higher-Speed Services, a branch of Russian Railways.

From July 2014 to May 2017, he headed Moscow Metro.

In May 2017, he was appointed Director for Passenger Transportation at Russian Railways.

In December 2018, he was appointed Deputy CEO – Chairman of the Management Board of Russian Railways.

Also in December 2018, he joined the Management Board of Russian Railways.

Key professional competencies:

- Macroeconomic and industry analysis
- Government relations
- Strategic planning and development
- Strategic management

Positions held in other companies:

- Member of the Board of Directors at High-Speed Rail Lines
- Chairman of the Board of Directors at OY Karelian Trains Ltd.
- Member of the Management Board at Russian Railways



Vera Evseġneeva

Non-Executive Director
Deputy Chairwoman of the Board
of Directors

Year of birth: 1980

Nationality: Russian Federation

First elected to the Board of Directors
in March 2018

Member of the Strategic Planning Committee
of FPC's Board of Directors

Education

Lomonosov Moscow State University with a degree in Economics, holds an MBA from the Russian Presidential Academy of National Economy and Public Administration.

Experience

From 2012 to 2013, she acted as Director for Strategic Development at HPC Mosenerġo.

From 2013 to 2017, she was General Director at VK Consult.

Since 2017, she has been Deputy Head, Acting Head, and Head of the Subsidiaries and Affiliates Management Department at Russian Railways.

Key professional competencies:

- Government relations
- Corporate governance
- Strategic planning and development
- Strategic management

Positions held in other companies:

- General Director of VESTA
- Member of the boards of directors of RASCOM, Aeroexpress, TransTeleCom, LLC Digital Logistics, SC CRC-1, Federal Freight, member of the Supervisory Board of GEFCO S.A.

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Mikhail Beskhmel'nitsyn

Non-Executive Director

Year of birth: 1956

Nationality: Russian Federation

First elected to the Board of Directors in 2018

Member of the Strategic Planning Committee of FPC's Board of Directors, member of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors, and member of the Audit and Risk Committee of FPC's Board of Directors.

Education

Voronezh Agricultural Institute with a degree in Accounting.

Academy of Social Sciences under the Central Committee of the Communist Party of the Soviet Union with a degree in Development of the Communist Party and the Soviet System.

Academy of Law and Public Administration with a degree in Law.

PhD in Economics and Doctor of Political Sciences.

Experience

From 1995 to 2013, he served as an auditor at the Accounts Chamber of the Russian Federation.

From 2013 to 2016, he was a Department Head, Advisor, and Deputy Head of the Presidential Control Directorate of the Russian Federation.

Since 2016, he has been heading the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways.

Key professional competencies:

- Government relations
- IT and telecommunications
- Corporate governance
- Corporate finance and investor relations
- Macroeconomic and industry analysis
- Taxation
- Strategic planning and development
- Strategic management
- Railway construction and operation
- HR management and corporate social responsibility
- Finance and audit
- Law

Positions held in other companies:

Member of the Board of Directors at Company TransTeleCom, and High-Speed Rail Lines Chairman of the Board of Directors or RRC 1.



Vladimir Gaponko

Non-Executive Director

Year of birth: 1979

Nationality: Russian Federation

First elected to the Board of Directors in 2018

Member of the Strategic Planning Committee of FPC's Board of Directors and member of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors

Education

Moscow State University of Railway Engineering (MIIT) with a degree in Finance and Credit.

Holds an Executive MBA from The University of Chicago Booth School of Business.

Experience

From 2010 to 2015, he acted as Head of the Management Accounting and Reporting Department at Russian Railways.

From 2015 to 2016, he was Head of the Department of Management Accounting and Methodology of Long-Term Tariff Policy at Russian Railways.

From 2016 to 2017, he served as Head of the Management Accounting and Reporting Department at Russian Railways.

In 2017–2020, he was appointed Head of the Economics Department at Russian Railways.

20 January 2020, he was appointed Director, Operational Efficiency – Head of the Economics Department at Russian Railways. Member of the Management Board of Russian Railways.

Key professional competencies:

- Government relations
- IT and telecommunications
- Strategic planning and development
- Finance and audit

Positions held in other companies:

- Member of the Board of IEDT, TransContainer, Federal Freight
- Member of the Supervisory Board of GEFCO S.A.
- Member of the management boards of Russian Railways and the Russian Railways Corporate University

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Olga Gnedkova

Non-Executive Director

Year of birth: 1960

Nationality: Russian Federation

First elected to the Board of Directors in December 2009 by the founders' meeting

Education

Novosibirsk Institute of Railway Engineers with a degree in Accounting.

PhD in Economics.

Experience

Started her career in railways in 1981 as an accountant at the West Siberian Railway.

In 2000, she was appointed Chief Accountant at the West Siberian Railway.

From 2002 to 2004, she acted as Deputy Head and Chief Accountant at the Moscow Railway.

In 2004, she was appointed Deputy Head of Economics and Finance at the Moscow Railway.

From 2004 to 2005, she was Head of the Financial Management Department at Russian Railways.

From 2005 to 2017, she acted as Head of the Corporate Finance Department at Russian Railways and a member of the Management Board at Russian Railways.

In 2017, she was appointed Economics and Finance Director at Russian Railways.

In March 2018, she was appointed Deputy CEO – Chairwoman of the Management Board at Russian Railways.

Key professional competencies:

- Corporate finance and investor relations
- Macroeconomic and industry analysis
- Taxation, strategic planning and development
- Finance and audit

Positions held in other companies:

- Member of the Board of Directors at Company TransTeleCom
- Member of the Management Board at Russian Railways



Sergey Zemlyansky

Independent Director

Year of birth: 1968

Nationality: Russian Federation

Elected to the Board of Directors in 2017

Chairman of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors

Education

Ryazan Higher Airborne Command School with a degree in Wheel and Track Vehicles Operation Engineering,

Institute for Professional Upgrade and Advanced Training Programmes of the Financial Academy under the Government of the Russian Federation with a degree in Banking and Insurance Economy.

Holds an EMBA from the SKOLKOVO Moscow School of Management.

Obtained the IoD Certificate in Company Direction under the IoD's Chartered Director global programme for the qualification of directors.

Experience

Since 1993, he held senior positions and was a member of the Management Board at several commercial banks.

From 2012 to 2013, he was First Deputy President and a member of the Management Board at Novikombank.

From 2013 to 2017, he was Deputy Chairman of the Board of RIABANK.

Since 2007, he has been Advertising and Marketing Director at Stroyholding Stolitza.

Since 2018 – Senior Vice President at Nefteprombank.

Key professional competencies:

- Finance and audit
- Strategic planning and development
- Corporate governance
- Strategic management
- HR

Positions held in other companies:

Member of the Board of Directors of Liga-Trans

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Petr Ivanov

Executive Director

Year of birth: 1970

Nationality: Russian Federation

Elected to the Board of Directors in March 2016

Member of the Strategic Planning Committee of JSC FPC's Board of Directors

Education

Financial Academy under the Government of the Russian Federation with a degree in International Economic Relations,

Moscow State Law Academy with a degree in Law.

Experience

From 1998 to 2005, he acted as Vice President and Deputy General Director of Mosgortrans.

From 2005 to 2006, he acted as Deputy Head of the Moscow Transport and Communications Department.

From 2006 to 2013, he acted as General Director of Mosgortrans.

From 2013 to 2015, he was Deputy Chairman of the Moscow Region Government.

From 2015 to 2016, he was Deputy Chairman/Transport Minister of the Moscow Region Government.

In January 2016, he was appointed General Director of FPC.

Key professional competencies:

- Macroeconomic and industry analysis
- Law
- Government relations
- Strategic management

Positions held in other companies:

- President of the Russian Triathlon Federation, member of the Management Board of Lokomotiv Voluntary Sports Society
- Member of the Board of Trustees of the Business Success national award



Alla Saltykova

Independent Director

Year of birth: 1970

Nationality: Russian Federation

Elected to the Board of Directors in June 2016

Chairwoman of the Audit and Risk Committee of FPC's Board of Directors and member of the Strategic Planning Committee of FPC's Board of Directors

Education

Graduated from Moscow State Linguistic University, Faculty of English.

Holds MBAs from California State University (Hayward, USA) and the Academy of National Economy under the Government of the Russian Federation.

Obtained the IoD Certificate in Company Direction under the IoD's Chartered Director global programme for the qualification of directors.

Experience

Until 2011, she was Director of the Audit Department at PricewaterhouseCoopers International Network.

From 2011 to 2014, she was a partner at Deloitte international network of firms.

From 2014 to 2019, she has acted as Deputy Executive Director of the not-profit foundation Forum Analytical Centre, in 2019, she served as Deputy Head of Relations with Development Institutes at the Agency for Strategic Initiatives to Promote New Projects.

She currently acts as Deputy Director of the Institute of Transport Economics and Transport Policy Studies, Faculty of Urban and Regional Development of the National Research University Higher School of Economics.

Key professional competencies:

- Finance and audit
- Internal audit and internal control
- Risk management
- Corporate governance
- Management and optimisation of major investment projects
- Strategic planning and development

Positions held in other companies:

None.

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Irina Shytкина

Independent Director

Year of birth: 1965

Nationality: Russian Federation

Member of the Board of Directors of FPC
from 2014 to 2016

Chairwoman of the Human Resources,
Remuneration, and Corporate Governance
Committee of FPC's Board of Directors

Education

Lomonosov Moscow State University with a degree in Law.

Doctor of Law.

Experience

Since 2009, Deputy General Director, Adviser to the General Director of Elinar Holding Company (part-time).

Since 2011, professor at the Business Law Chair, Faculty of Law of the Lomonosov Moscow State University.

Key professional competencies:

- Law
- Corporate governance
- HR management and corporate social responsibility

Positions held in other companies:

- Chairwoman of the supervisory boards of Elinar Holding Company and Elfin, Chairwoman of the Board of Directors of Narpromrazvitie
- Member of the boards of directors of Poultry Farm Elinar-Broiler, Astrakhanskoe Steklovolokno, Elinar-Broiler, Elinar, High-Speed Rail Lines, SC RZD-Health
- Member of the supervisory boards of Independent Directors Association (IDA) and Elinar Holding Company

BOARD OF DIRECTORS' REPORT

STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors is elected by FPC's annual General Shareholders Meeting under the Company's Articles of Association and is composed of nine members.

In June 2019, the following directors were elected to FPC's Board of Directors by the Annual General Shareholders Meeting: Mikhail Beskhmel'nitsyn, Vladimir Gaponko, Olga Gnedkova, Vera Evseġneeva, Serġey Zemlyansky, Petr Ivanov, Dmitry Peġov, Alla Saltykova, and Irina Shytkina.

Serġey Maltsev's mandate was terminated.

In July 2019, Dmitry Peġov was elected Chairman of the Board of Directors, and Vera Evseġneeva was elected Deputy Chairwoman of the Board by a unanimous vote of directors.

Composition of FPC's Board of Directors in 2019

FROM 1 JANUARY 2019 TO 28 JUNE 2019	FROM 28 JUNE 2019 TO 31 DECEMBER 2019
Dmitry Peġov	Dmitry Peġov
Vera Evseġneeva	Vera Evseġneeva
Mikhail Beskhmel'nitsyn	Mikhail Beskhmel'nitsyn
Vladimir Gaponko	Vladimir Gaponko
Olga Gnedkova	Olga Gnedkova
Serġey Zemlyansky	Serġey Zemlyansky
Petr Ivanov	Petr Ivanov
Alla Saltykova	Alla Saltykova
Serġey Maltsev	Irina Shytkina

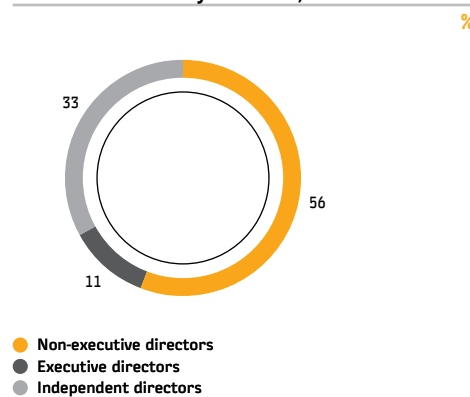
STRUCTURE OF THE CURRENT BOARD OF DIRECTORS

FPC's Board of Directors performs efficiently due to a balanced composition of members in terms of their qualifications, experience, knowledge and competencies as well as age and gender.

The Company meets the recommendations of the Corporate Governance Code that independent directors should make up at least one third of the Board members.

FPC's Human Resources, Remuneration, and Corporate Governance Committee assesses nominees to FPC's Board of Directors against the independence criteria set by the Corporate Governance Code. Based on the information submitted to the Committee, the following Board members meet the formal independence criteria: Alla Saltykova, Irina Shytkina, Serġey Zemlyansky.

Breakdown by status,

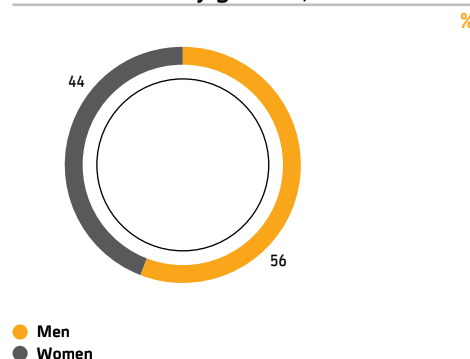


The Board includes four women and five men from different age groups, allowing directors to gain a deep insight into agenda items.

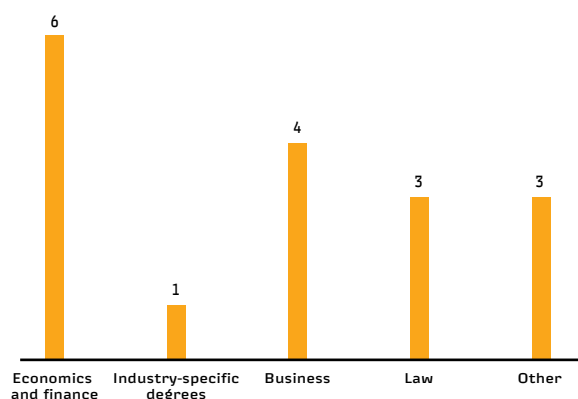
The Board members are highly skilled professionals and have the trust of shareholders. The Human Resources, Remuneration, and Corporate Governance Committee reviewed the professional qualifications of all nominees to the Board of Directors.

Director Olga Gnedkova has been a continuous Board member since first elected by the founders' meeting in 2009.

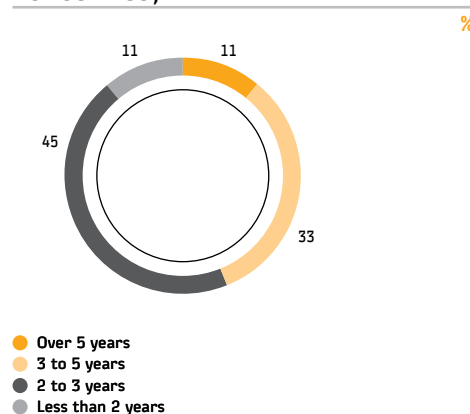
Breakdown by gender,



Educational background, people¹



Breakdown by the length of service,



INDUCTION PROGRAMME AND TRAINING

To gain immediate and efficient insight into FPC's operating, financial and business activities, new members of the Board of Directors take an induction training course under the Induction Programme for Newly Elected Members of JSC FPC's Board of Directors approved by the Board.

As part of the induction training, FPC organises office meetings with the General Director and key managers, provides key documents and presentations about FPC's operations, and arranges for site visits to the Company's facilities.

¹ Directors Petr Ivanov, Sergey Zemlyansky and Mikhail Beskhmel'nitsyn each have two or more higher education degrees. Directors Olga Gnedkova, Mikhail Beskhmel'nitsyn and Irina Shytкина have academic degrees.

To enhance the directors' professional competencies, the Company engages them in forums, strategic sessions, conferences and other events relevant to the Company's profile.

In January 2019, FPC held its 6th Results and Outlook strategy session for FPC's management, heads of branches and structural units and Board members as well as representatives of Russian Railways, the Russian Ministry of Transport and business partners.

The agenda included moderation sessions, a panel discussion, presentations by heads of major Russian companies and educational institutions. The participants worked together as a team to find solutions relevant for business digitalisation and create effective models to manage FPC's product offering.

In July 2019, the Subsidiaries and Affiliates Management Department of Russian Railways held a training event in Sochi to exchange best practices in tackling current corporate governance issues at Russian Railways. The participants included members of the boards of directors of Russian Railways' principal subsidiaries, deputy general directors of subsidiaries responsible for corporate governance matters, corporate secretaries, heads of Russian Railways units, representatives of Branan Legal and Registry Society STATUS.

The discussions covered modern trends in corporate governance, critical updates in the corporate law, priorities in corporate governance practice development at RZD Holding, such as strategic planning, investment and budget management, enhancing the risk management and internal audit system, digitalisation of corporate governance processes and using new technologies in interaction with the registrar.

Particular attention was paid to Russian Railways' and subsidiaries' practices of interaction with the Board of Directors of Russian Railways, effective performance of the subsidiaries' boards of directors, key aspects of transaction regulation and approval as well as solutions to identify relevant transactions based on the practice of Russian Railways and experience of major companies.

ADDITIONAL INFORMATION ON BOARD MEMBERS

Members of the Board of Directors do not hold a stake in FPC's share capital, do not own the Company's ordinary shares, and were not engaged in any transactions to acquire, or dispose of, FPC shares in the reporting year.

No claims were filed in 2019 against members of the Board of Directors concerning their performance of duties as directors.

FPC did not extend any loans to members of the Board of Directors.

No conflicts of interest were reported to the Board of Directors.

Non-executive and independent directors are not eligible for pension contributions, insurance programmes, investment programmes, or other benefits and privileges.

MEETINGS OF THE BOARD OF DIRECTORS

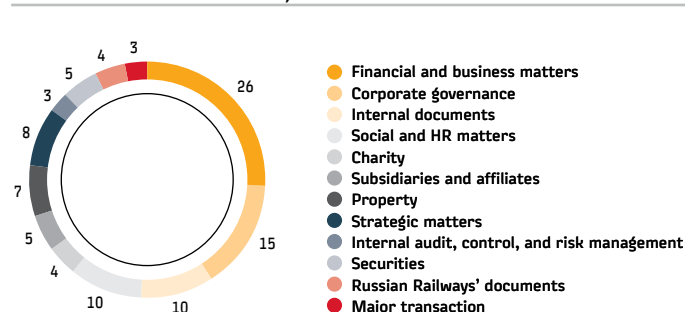
A sufficient number of meetings of the Board of Directors are held regularly in line with the approved activity plan.

In 2019, 22 meetings of FPC's Board of Directors were held, including 14 meetings in absentia and 8 meetings in person. The Board reviewed 176 matters during 2019. Attendance at Board meetings was 96%, and the average length of in-person meetings was 1.3 hours.

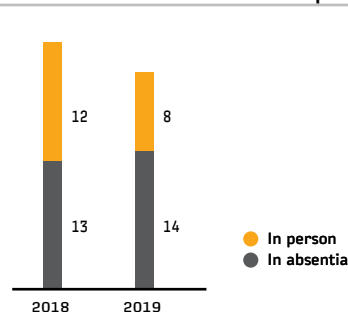
Attendance at meetings of FPC's Board of Directors by Board members in 2019

NAME	BOARD MEETING		%
	IN-PERSON ¹	IN-ABSENTIA	
Mikhail Beskhmel'nitsyn.	6(2)/8	14/14	100
Vladimir Gaponko	5(3)/8	13/14	95
Olga Gniedkova	5(2)/8	12/14	86
Vera Evseġneeva	5(2)/8	13/14	91
Sergey Zemlyansky	7(1)/8	14/14	100
Petr Ivanov	8/8	14/14	100
Sergey Maltsev	0(4)/10	6/7	91
Dmitry Peġov	7(1)/8	14/14	100
Alla Saltykova	7(1)/8	14/14	100
Irina Shytkina.	4/4	7/7	100

Statistics of the matters reviewed by the Board of Directors in 2019,



Statistics of meetings of the Board of Directors of the Company



¹ The format "6(2)/8" in the table means that the concerned director personally attended six of eight meetings, and participated in two in-person meetings by submitting a written opinion.

Key resolutions of the Board of Directors in 2019

GROUP OF MATTERS	RESOLUTIONS
Strategic matters	Approved JSC FPC's Development Strategy until 2030
	Approved JSC FPC's Budget for 2020–2022
	Approved JSC FPC's Investment Programme for 2020–2022 and major investment projects for 2020
	Approved JSC FPC's Innovative Development Programme for 2019–2025
	Approved JSC FPC's IT Programme for 2019
Securities	Resolved to increase FPC's share capital by placing additional shares and approved a resolution to issue additional shares in JSC FPC
	Resolved to make amendments to the Exchange-Traded Bond Prospectus and the 001R Exchange-Traded Bonds Programme
Corporate governance	Resolved on convening the annual and extraordinary General Shareholders Meetings of JSC FPC and making relevant preparations
	Reviewed the updated versions of the Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC and the Regulations on the Board of Directors of JSC FPC
	Resolved on the organisation of activities of the Board of Directors' Committees, in particular, approved the Committees' activity plans and budgets for the 2019/2020 corporate year and the updated versions of the regulations on Committees. Reviewed reports on the Committees' performance in the 2018/2019 corporate year
	Analysed the results of performance evaluation of FPC's Board of Directors and its members
	Approved the Regulations on the Anti-Corruption Hotline of JSC FPC and the updated JSC FPC's Anti-Corruption Policy
Internal audit, internal control, and risk management	Resolved on structuring the work of the Internal Audit Unit, reviewed the report on the Internal Audit Unit's performance in 2018
	Reviewed the assessment of the sensitivity of FPC's risks to market changes
	Approved the new version of the Risk Management and Internal Control Policy of JSC FPC
Transactions	Passed resolutions related to the approval of a major transaction, in particular, determined the value of the property involved in the transaction and approved the report on a major transaction
	Passed resolutions on transactions with FPC's real estate, in particular, approved the Procedure for Performing Transactions with Real Estate of JSC FPC
	Approved the transfer of baggage carriages as a contribution to the property of JSC Transmobilnost
	Approved the agreement to transfer money to JSC FPC as a non-repayable contribution to increase its net assets
HR	Resolved to re-elect the General Director for another term and determined the terms of his employment contract
	Approved nominees to certain positions in the Company's administration as determined by FPC's Board of Directors
	Approved changes to the organisational structure of FPC's administration

PERFORMANCE EVALUATION OF FPC'S BOARD OF DIRECTORS

The Company formalised the Board of Directors' performance evaluation procedure in the Regulations on Performance Evaluation of the Board of Directors, Board Members, and Committees of the Board of Directors of JSC FPC, approved by FPC's Board of Directors in October 2015.

In the reporting period, FPC's Board of Directors carried out a self-assessment through questionnaires filled in by Board members to evaluate the overall performance of the Board of Directors and its Committees as well as individual performance of each Board member. The analysis included the needs of the Board of Directors in terms of professional qualifications, experience and business skills of Board members, the number of Board members, and the performance of the Chairman of the Board of Directors and the Corporate Secretary.

The Board of Directors reviewed the self-assessment results at a meeting in December 2019.

The weighted average performance score was 4.6 out of 5 for the Board of Directors and 4.9 out of 5 for individual Board members. The evaluation showed that most of the assessed parameters comply with best-practice standards.

The Board of Directors and its Committees intend to adhere to the Company's established practices and maintain high performance levels in 2020.

Key results of performance evaluation

- The Board of Directors' activities are organised to maximise its performance. The Board meetings are well-prepared. The Board of Directors pays due attention to the key (critical) matters on the agenda
- The number of directors and their qualifications is optimal for ensuring the Board of Directors' effective performance
- The Board members effectively interact with each other as well as with shareholders, stakeholders and executives
- The Board of Directors has the necessary competencies to drive the Company's growth
- The Board of Directors duly monitors the Company's financial position and the work of executive bodies
- The Board of Directors' Committees are highly effective; their activities are well organised. The Committees support the Board of Directors' efficient performance
- Independent directors are actively involved in the work of the Board of Directors and contribute to its effectiveness. Executive directors on the Board enhance its performance
- The Chairman of the Board of Directors and the Corporate Secretary duly exercise their formalised and non-formalised responsibilities

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The principles regarding motivation for members of FPC's Board of Directors, as well as payment of compensation/reimbursement of expenses to members of the Board of Directors, are set out in the Regulations on Remuneration and Reimbursement for Members of FPC's Board of Directors approved by FPC's annual General Shareholders Meeting in June 2018.

The Regulations include transparent mechanisms to determine directors' remuneration in line with the recommendations of the Corporate Governance Code. The remuneration paid for the past corporate year is the only form of monetary remuneration payable to members of the Board of Directors. FPC does not apply any form of short-term motivation or additional financial incentive for its directors.

Remuneration of members of the Board of Directors is differentiated depending on the scope of directors' responsibilities and considering additional time spent on discharging the functions of the Chairman of the Board of Directors, the Deputy Chairman of the Board of Directors, a committee member, and a committee Chairman or Deputy Chairman.

To calculate fixed remuneration for serving on the Board of Directors, FPC uses a formula based on the fixed part of remuneration adjusted for the factor of directors' attendance at meetings and a factor of a director's contribution to the performance of the Board of Directors as its Chairman or Deputy Chairman.

Additional remuneration is provided for serving on a committee of the Board of Directors, which is calculated based on the fixed part of remuneration adjusted for the factor of directors' attendance at committee meetings and an additional factor of discharging the functions of the Chairman, the Deputy Chairman, or a member of a committee of the Board of Directors.

If a member of the Board of Directors is also a member of several committees, additional remuneration is calculated and paid for each committee.

The remuneration for serving on the Board of Directors is only paid if a director attends at least 50% of meetings (from his/her election to the mandate termination).

Additional remuneration is only paid if a director attends (personally or by submitting a written opinion) at least 50% of in-person committee meetings (from his/her election to the mandate termination).

Members of FPC's Board of Directors are reimbursed for expenses incurred when attending the Board meetings (committee meetings) in the amount of actual and documented expenses, in particular:

- expenses incurred when travelling to the venue of the Board meetings (committee meetings) and back (including passenger insurance and service fee) by plane in business class, or by train in a first-class sleeping carriage
- expenses incurred when travelling from the airport or the railway station to the hotel and back
- expenses incurred when staying at a hotel in a single room
- other expenses incurred when attending the Board meetings (committee meetings).

The remuneration paid to members of the Board of Directors in 2019 totalled RUB 41,742,900¹.

¹ This amount does not include personal income tax or payments related to Petr Ivanov's discharging the functions of FPC's General Director.

Payments to members of the Board of Directors for discharging extra functions

FUNCTION	PAYMENT
Chairman of the Board of Directors	50% of the fixed part of the remuneration
Deputy Chairman of the Board of Directors	25% of the fixed part of the remuneration
Committee Chairman	25% of the fixed part of the remuneration
Deputy Chairman of a committee	25% of the fixed part of the remuneration for the meetings where the director acted as Chairman of a committee of the Board of Directors
Committee member	15% of the fixed part of the remuneration

COMMITTEES OF THE BOARD OF DIRECTORS

REPORT OF THE AUDIT AND RISK COMMITTEE



The Audit and Risk Committee is a consultative and advisory body of the Board of Directors, whose resolutions are advisory. The Committee's primary goal is to assist the Board of Directors' efficient operation in controlling the Company's financial and business activities. It is achieved through addressing the matters within the Committee's authority.

Alla Saltykova

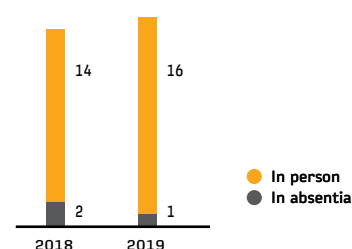
THE COMMITTEE'S GOALS AND OBJECTIVES

Accounting (financial) statements	<ul style="list-style-type: none"> • Monitor the completeness, accuracy, and integrity of FPC's accounting (financial) statements; review the material aspects of FPC's accounting policy; participate in reviewing material matters and judgements relating to FPC's accounting (financial) statements • Review external audit results • Review the rationale behind, and acceptability of, the current accounting methods, accounting (financial) reporting principles, as well as management accounting methods and management reporting principles • Preview the Company's draft Annual Report, budget, Investment Programme, Operational Efficiency and Cost Optimisation Programme, and relevant performance reports
Risk management and internal control	<ul style="list-style-type: none"> • Monitor the risk management and internal control system for reliability and effectiveness • Review the effectiveness of risk management and internal control procedures; prepare proposals for their improvement • Review and assess the implementation of the risk management and internal control policy • Review and assess the implementation of the conflict of interest management policy • Prepare recommendations on acceptable risk levels (risk appetite, preferred risks)
Internal and external audit	<ul style="list-style-type: none"> • Ensure independent and unbiased approach of the internal audit function, and review its effectiveness; review the Company's internal audit policy and internal audit plan Assess candidates for the Company's auditor and make proposals on the auditor's remuneration • Assess nominees to the position of the Company's external auditor for independence, objectivity, and absence of a conflict of interest, in particular, assess potential auditors of the Company, make proposals on the auditor's appointment, re-appointment and dismissal as well as remuneration and terms of engagement, oversee external audits and assess audit quality and auditors' reports • Ensure effective interaction between the Internal Audit Unit and the Company's external auditor
Combating malpractice by FPC's employees or third parties	<ul style="list-style-type: none"> • Monitor the performance of the system of alerting on potential fraud being committed by FPC's employees or third parties • Oversee special investigations of potential fraud, misuse of insider or confidential information • Monitor the implementation of measures taken by the Company in response to reports of suspected fraud or other violations

STATISTICS ON THE COMMITTEE MEETINGS

In 2019, the Audit and Risk Committee held 17 meetings: 16 meetings in person and one meeting in absentia

In 2019, the Audit and Risk Committee discussed 104 agenda items.



ESSENTIAL ITEMS DISCUSSED BY THE COMMITTEE

- Reviewed the audit results of FPC's RAS accounting (financial) statements for 2018
- Reviewed a report on the review of FPC's interim IFRS consolidated financial statements for 6M, significant risks, IFRS accounting policy issues, and the auditor's recommendations
- Reviewed the action plan covering organisational and technical measures to remedy breaches identified by FPC's Audit Commission when auditing FPC's financial and business performance in 2018
- Reviewed FPC's Annual Report and accounting (financial) statements for 2018
- Reviewed the drafts of JSC FPC's Budget for 2020–2022, Investment Programme for 2020–2022, and major investment projects for 2020
- Reviewed progress on FPC's anti-corruption and corruption prevention efforts
- Reviewed quarterly reports on the operation of FPC's Control and Audit Centre and Internal Audit Unit
- Quarterly, reviewed reports on the Company's financial and business activities prepared by FPC's General Director
- Reviewed organisational matters related to the Internal Audit Unit, specifically, its activity plan for 2019 and KPIs
- Reviewed the reliability and effectiveness assessment results of the risk management and internal control systems
- Reviewed the results of the assessment of on-board services against KPIs
- Reviewed the Risk Management and Internal Control Policy of JSC FPC

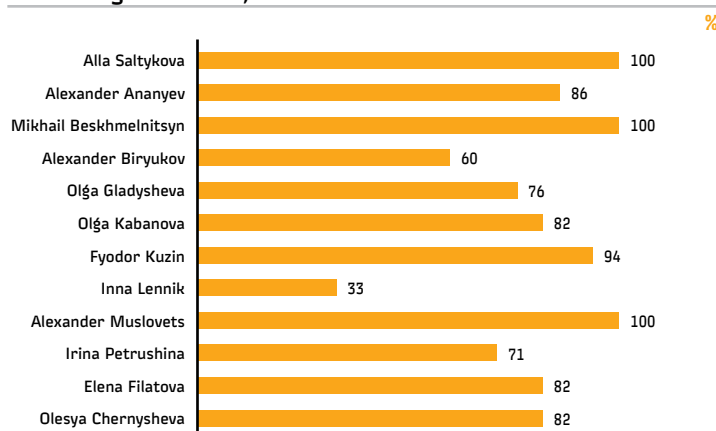
THE COMMITTEE'S PLANS FOR 2020

- Preview the Audit Commission's 2019 report and the results of follow-up activities to remedy breaches identified by FPC's Audit Commission in the previous periods
- Approve the nominee to the position of an external auditor and material terms of the relevant agreement, including the service fee
- Review the report on the performance of the risk management system in 2019, including risk occurrence, financial risks, loans, liquidity management, and compliance with the Audit and Risk Committee's recommendations
- Review FPC's RAS accounting (financial) statements for 2019, IFRS consolidated financial statements for 2019, and relevant audit reports and recommendations
- Review the report on the performance of the system to prevent and combat corruption and other malpractice at FPC
- Preview FPC's Annual Report for 2019

CHANGES IN THE COMMITTEE'S MEMBERSHIP IN 2019¹

COMMITTEE'S MEMBERSHIP FROM JANUARY TO FEBRUARY	COMMITTEE'S MEMBERSHIP FROM JULY TO DECEMBER
Alla Saltykova , Chairwoman of the Committee, Chairwoman of the Committee	Alla Saltykova , Chairwoman of the Committee, Chairwoman of the Committee
Alexander Ananyev – Deputy Head of the Department of Economics, Russian Railways	Mikhail Beskhmel'nitsyn – Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways; Deputy Chairman of the Committee
Mikhail Beskhmel'nitsyn – Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways; Deputy Chairman of the Committee	Alexander Biryukov , Head of Management Accounting and Reporting at the Economics Department, Russian Railways
Olga Gladysheva , Head of the Centre for Risk Management Coordination and Internal Control System Development, Russian Railways	Olga Gladysheva , Head of the Centre for Risk Management Coordination and Internal Control System Development, Russian Railways
Olga Kabanova , First Deputy Head of the Main Control Department of the City of Moscow	Olga Kabanova , First Deputy Head of the Main Control Department of the City of Moscow
Fyodor Kuzin – Head of the Subsidiary Relations Unit at the Subsidiaries and Affiliates Management Department, Russian Railways	Fyodor Kuzin – Head of the Subsidiary Relations Unit at the Subsidiaries and Affiliates Management Department, Russian Railways
Alexander Muslovets , Deputy General Director, FPC	Inna Lennik , Deputy Head of Zheldoraudit Internal Audit Centre, a business unit of Russian Railways. Mandate terminated early on 5 September 2019
Elena Filatova , Advisor to Deputy CEO – Chairman of the Management Board, Russian Railways	Irina Petrushina , Deputy Head of Unit at Zheldoraudit Internal Audit Centre, a business unit of Russian Railways. Elected to the Committee on 5 September 2019
Olesya Chernysheva , Head of the Accounting Department, Russian Railways	Elena Filatova , Advisor to Deputy CEO – Chairman of the Management Board, Russian Railways
	Olesya Chernysheva , Head of the Accounting Department, Russian Railways

Statistics on individual attendance of the Committee meetings in 2019,



In 2019, remuneration paid to the members of the Audit and Risk Committee of FPC's Board of Directors totalled RUB 5,197,600².

¹ Positions as at the date of election to the Committee.

² This amount does not include personal income tax or payments made to members of the Committee who are employed by FPC. No remuneration for serving on the Committee was allocated or paid to Olga Kabanova due to restrictions on remuneration for public servants.

REPORT OF THE HUMAN RESOURCES, REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEE



The Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors is a consultative and advisory body of the Board of Directors. The resolutions of the latter are advisory. The Committee's primary goal is to assist the Board of Directors' efficient operation in developing corporate governance, efficient HR planning, and effective and transparent remuneration practice at FPC. It is achieved through addressing the matters within the Committee's authority.

Mikhail Beskhmel'nitsyn

THE COMMITTEE'S GOALS AND OBJECTIVES

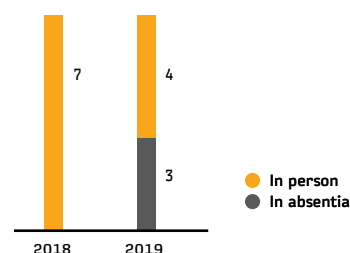
Motivation and remuneration systems	<ul style="list-style-type: none"> • Develop and regularly review the Company's policy on remuneration of members of the Board of Directors, the Company's executive bodies, and other key managers • Control the implementation of the Company's policy on remuneration and implementation of incentive programmes, evaluate the performance of the Company's executive bodies and other key managers, in particular, review the reports on their performance against KPIs • Preview the material terms of employment contracts with the Company's executive bodies and other key managers as well as bonuses for executive bodies and other key managers, and make relevant recommendations to the Board of Directors • Pre-assess the Corporate Secretary's performance in the reporting year
HR and succession planning	<ul style="list-style-type: none"> • Assess members of the Company's Board of Directors in terms of their professional skills, experience, independence and involvement in the Board's work, review all nominees to the Board of Directors for professional qualifications and independence • Develop recommendations on evaluating the performance and improving the procedures of the Board of Directors and its Committees • Develop recommendations on designing an induction programme for newly elected members of the Board of Directors • Analyse the Company's current and anticipated needs regarding the professional qualifications of members of its executive bodies and other key managers • Plan succession, develop recommendations on nominees to positions in the Company's executive bodies and other key management positions
Corporate governance	<ul style="list-style-type: none"> • Control the Company's corporate governance practice • Analyse the alignment of the Company's corporate governance system with the Company's goals and objectives, the scale of operations and acceptable risks • Develop proposals to improve the corporate governance practice

STATISTICS ON THE COMMITTEE MEETINGS

In 2019, the Committee held seven meetings:

- Three meetings in absentia and one meeting in person in the first half of 2019
- Three meetings in person in the second half of 2019.

During the period, the Committee discussed 37 agenda items.



ESSENTIAL ITEMS DISCUSSED BY THE COMMITTEE

- Reviewed all nominees to the Board of Directors for professional qualifications
- Assessed nominees to FPC's Board of Directors against the independence criteria
- Approved the terms of the employment contract with FPC's General Director
- Provided recommendations on the incentives for FPC's General Director
- Approved the updated Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC, Regulations on the Board of Directors of JSC FPC, and regulations on the Board of Directors' Committees
- Reviewed the results of the Board of Directors' performance evaluation results and self-assessment of the Board members
- Reviewed the assessment results of FPC's corporate governance practice in 2018

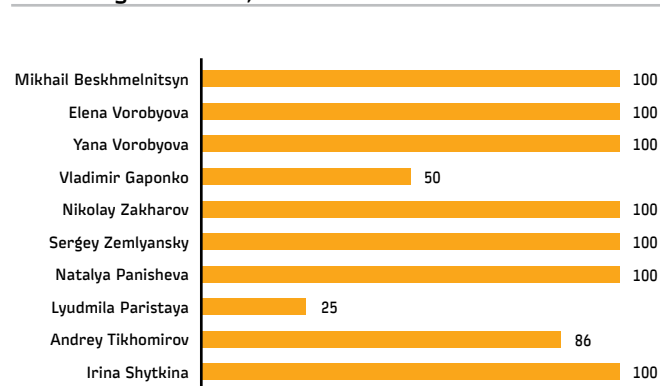
THE COMMITTEE'S PLANS FOR 2020

- Review the General Director's report on FPC's performance in 2019 and Q1 2020
- Review JSC FPC's Code of Ethics for Internal Auditors
- Consider the payment of quarterly bonuses to FPC's General Director and review the terms of his employment contract as regards salary indexation
- Review the updated Regulations on Incentives for JSC FPC's Sole Executive Body
- Consider actions to be taken in preparation for the annual General Shareholders Meeting, including assessment of nominees to FPC's Board of Directors proposed by shareholders
- Review the report on the Committee's performance in the 2019/2020 corporate year
- Resolve on the expedience of engaging an external advisor to conduct an independent performance evaluation of FPC's Board of Directors, its Committees, and individual Board members
- Review the Board of Directors' performance evaluation and self-assessment results for the 2019/2020 corporate year
- Review the updated Regulations on Remuneration and Reimbursement to Members of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors

CHANGES IN THE COMMITTEE'S MEMBERSHIP IN 2019¹

COMMITTEE'S MEMBERSHIP FROM JANUARY TO JUNE	COMMITTEE'S MEMBERSHIP FROM JULY TO DECEMBER
Serгей Zemlyansky , Independent Director, FPC; Chairman of the Committee	Mikhail Beskhmel'nitsyn , Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways; Chairman of the Committee
Mikhail Beskhmel'nitsyn , Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways; Deputy Chairman of the Committee	Yana Vorobyova , Deputy Head of the Subsidiaries and Affiliates Management Department, Russian Railways
Elena Vorobyova , Head of Unit at the Subsidiaries and Affiliates Management Department, Russian Railways	Nikolay Zakharov , First Deputy Head of the Personnel Management Department, Russian Railways
Vladimir Gaponko – Head of the Economics Department, Russian Railways; Mandate terminated early on 5 March 2019	Serгей Zemlyansky , Independent Director, FPC
Nikolay Zakharov , First Deputy Head of the Personnel Management Department, Russian Railways	Natalya Panisheva , Deputy Head of the Economics Department, Russian Railways
Natalya Panisheva , Deputy Head of the Economics Department, Russian Railways Elected to the Committee on 5 March 2019	Andrey Tikhomirov , First Deputy Head of the Employment, Remuneration and Motivation Department, Russian Railways
Lyudmila Paristaya , Deputy General Director, FPC	Irina Shytkina , Independent Director, FPC
Andrey Tikhomirov , First Deputy Head of the Employment, Remuneration and Motivation Department, Russian Railways	

Statistics on individual attendance of the Committee meetings in 2019,



In 2019, remuneration paid to members of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors totalled RUB 1,769,400².

¹ Positions as at the date of election.

² This amount does not include personal income tax or payments made to members of the Committee who are employed by FPC.

REPORT OF THE STRATEGIC PLANNING COMMITTEE



The Strategic Planning Committee is a consultative and advisory body of the Board of Directors, set up to enable the Board of Directors to improve the Company's long-term performance, whose resolutions are of an advisory nature.

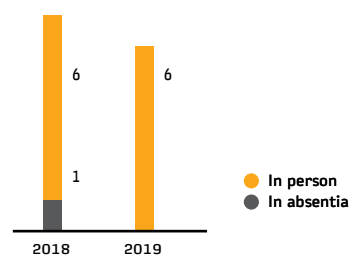
Dmitry Pegov

THE COMMITTEE'S GOALS AND OBJECTIVES

- Determine strategic goals of FPC's activities; participate in the development of the Company's Strategy, and monitor its implementation; make recommendations to the Board of Directors on adjustments to the Company's existing Strategy
- Determine the Company's business priorities
 - Preview, and make recommendations to the Board of Directors on:
 - the Company's dividend policy
 - the Company's investment policy, including the establishment of key principles for the development of the investment policy
 - the Company's membership in other entities (including direct or indirect acquisition and disposal of interests in the share capitals of such entities and imposing a charge on shares or interests)
 - approval of, and adjustments to, the Company's annual budget and investment programme, and approval of the relevant performance report
 - determining the amount of dividend on shares
 - approval of the Company's material transactions
 - when considering material issues of subsidiaries and affiliates
- Assess voluntary and mandatory offers for the Company's securities, Assess the Company's long-term performance
- Review the Company's financial model and a model for the valuation of its business and business segments
- Consider reorganisation or liquidation of the Company and its controlled entities
- Consider changes to the organisational structure of the Company and its controlled entities
- Consider reorganisation of business processes in the Company and its controlled entities

STATISTICS ON THE COMMITTEE MEETINGS

In 2019, the Committee held six meetings in person and discussed 21 agenda items.



ESSENTIAL ITEMS DISCUSSED BY THE COMMITTEE

- Reviewed FPC's Annual Report for 2019 and proposals on the payout (declaration) of the full year dividend for 2018
- Reviewed JSC FPC's Investment Programme for 2020–2022 and a major investment project for 2020
- Reviewed the report on monitoring passenger satisfaction
- Reviewed JSC FPC's Innovative Development Programme for 2019–2025
- Reviewed the results of, and effects from, the measures under the Passenger Service Improvement Programme for 2017–2019
- Reviewed JSC FPC's draft IT Strategy for 2020–2025
- Considered the feasibility of FPC's membership in associations and other unions

THE COMMITTEE'S PLANS FOR 2020

- Review the General Director's quarterly reports on FPC's performance
- Review FPC's draft Annual Report for 2019
- Consider payment of the full year dividend for 2019

COMMITTEE'S MEMBERSHIP IN 2019

Changes in the Committee's membership in 2019¹

COMMITTEE'S MEMBERSHIP FROM JANUARY TO JUNE	COMMITTEE'S MEMBERSHIP FROM JULY TO DECEMBER
Dmitry Pečov , Deputy CEO – Chairman of the Management Board, Russian Railways; Chairman of the Committee	Dmitry Pečov , Deputy CEO – Chairman of the Management Board, Russian Railways; Chairman of the Committee
Mikhail Beskhmelnitsyn , Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways	Mikhail Beskhmelnitsyn , Head of the Control and Analytical Service of the CEO – Chairman of the Management Board, Russian Railways
Pavel Burtsev , Head of the Passenger Services Management Department, Russian Railways	Elena Vilchinskaya , Head of Unit at the Central Directorate for Motorised Carriages, a branch of Russian Railways
Elena Vilchinskaya , Head of Unit at the Central Directorate for Motorised Carriages, a branch of Russian Railways	Vladimir Gaponko , Head of the Economics Department, Russian Railways
Vladimir Gaponko , Head of the Economics Department, Russian Railways	Vera Evseġneeva , Head of the Subsidiaries and Affiliates Management Department, Russian Railways
Vera Evseġneeva , Head of the Subsidiaries and Affiliates Management Department, Russian Railways	Petr Ivanov, General Director, FPC
Petr Ivanov , General Director, FPC	Vladimir Maksimushkin , First Deputy Head of the Economic Environment and Strategic Development Department, Russian Railways
Vladimir Maksimushkin , First Deputy Head of the Economic Environment and Strategic Development Department, Russian Railways	Alla Saltykova , Independent Director, FPC
Alla Saltykova , Independent Director, FPC	

Statistics on individual attendance of the Committee meetings in 2019,

	%
Dmitry Pečov	100
Mikhail Beskhmelnitsyn	100
Pavel Burtsev	100
Elena Vilchinskaya	100
Vladimir Gaponko	100
Vera Evseġneeva	100
Petr Ivanov	100
Vladimir Maksimushkin	100
Alla Saltykova	100

In 2019, remuneration paid to members of the Strategic Planning Committee of FPC's Board of Directors totalled RUB 1,162,400².

¹ Positions as at the date of election.

² This amount does not include personal income tax or payments made to members of the Committee who are employed by FPC.

GENERAL DIRECTOR



Petr Ivanov

The management of FPC's day-to-day operations is delegated to the General Director as the sole executive body. The General Director acts as Chairman of the Company's Science and Technology Board, and also Chairman of the Board of the Heads of the Company's Branches.

The General Director is accountable to FPC's shareholders and the Board of Directors and submits quarterly reports to the Board on the Company's performance (budget and contract work performance, HR and credit policy, social programmes, insurance coverage, implementation of the Board's resolutions).

The Board of Directors resolves on the election of the Company's General Director, termination of his/her powers, and approves the terms of his/her employment contract, including remuneration and termination.

The General Director is responsible for timely and quality budgeting and budget performance at the Company, preparing budget performance reports, and organising activities at the Company's branches.

On 25 January 2016, Petr Ivanov was elected FPC's General Director for a three-year term by a resolution of the Board of Directors.

On 21 January 2019, Petr Ivanov was re-elected FPC's General Director for another term.

The General Director does not hold a stake in FPC's share capital and does not own the Company's ordinary shares.

During the reporting year, the General Director was not engaged in any transactions to acquire, or dispose of, FPC shares.

DEPUTY GENERAL DIRECTORS

In line with the main lines of business, FPC's governance structure comprises nine Deputy General Directors, the Corporate Secretary, and several business units reporting directly to the General Director.

To ensure the balance of the top-level governance processes and to set up a single centre of responsibility for the organisation and provision of transport services and a single centre of responsibility for the development of financial and business operations, marketing operations, business and product portfolio, the following positions were included in FPC's structure:

- First Deputy General Director for Operations, whom four Deputy General Directors report to Deputy General Director for Transport Support, Deputy General

Director for Business Development and Operations, Deputy General Director for Transport Management, and Deputy General Director for Maintenance Services

- First Deputy General Director for Business Development and Economics, whom three Deputy General Directors report to: Deputy General Director for Economics and Finance, Deputy General Director for External Relations and Legal Affairs, and Deputy General Director for Marketing and Sales.



Valery Veremeev

First Deputy General Director for Business Development and Economics

Year of birth: 1976

Education

Graduated from the Moscow State University of Railway Engineering (MIIT) with a degree in Automated Systems and Information Technologies.

Graduated from the Russian Presidential Academy of National Economy and Public Administration with a degree in Public and Municipal Administration.

PhD in Economics.

Experience

- From 2003 to 2005, he was Deputy Head of the Economic Forecasting and Strategic Development Department at Russian Railways.
- From 2005 to 2006, he was First Deputy Head of the Economic Forecasting and Strategic Development Department at Russian Railways.
- From 2006 to 2010, he was Head of the Corporate Structure and Reform Department at Russian Railways.
- From 2010 to 2012, he was Head of the Economic Environment and Strategic Development Department at Russian Railways.
- From 2012 to 2015, he was Advisor to the President of Russian Railways.
- From 2015 to 2018, he was Deputy General Director for Strategy and Development of Freight One.
- Since September 2018, he has held the post of First Deputy General Director of FPC.

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Alexey ZhiGUNOV

First Deputy General Director, Head of the Operations Section

Year of birth: 1979

Education

Graduated from the Moscow State University of Railway Engineering (MIIT) with a degree in Railway Operation and Logistics.

Graduated from the Moscow State University of Railway Engineering with a Mini MBA IIM.

Graduated from the Moscow State University of Railway Engineering with a degree in Corporate Management.

Experience

- He started his career in railways in 2001.
- From 2010 to 2012, he served as Deputy Head of the Transport Management Department and Head of the Situation Centre at FPC.
- From 2012 to 2014, he served as Head of the Transport Management Department at FPC.
- From 2014 to 2016, he acted as Head of the Passenger Transport and Logistics Centre at FPC.
- From 2016 to 2018, he was Deputy General Director and Head of the Transport Management Department.
- Since July 2018, he has held the post of First Deputy General Director of FPC.



Igor BeloGuzov

Deputy General Director for Transport Management, Head of the Transport Management Department

Year of birth: 1971

Education

Graduated from the Moscow Institute of Railway Engineers with a degree in Railway Operation and Logistics.

Experience

- He started his career in railways in 1993.
- From 2009 to 2010, he worked as Head of the Moscow–Passazhirskaya Station of the Moscow Railway Station Work Organisation Centre of the Oktyabrskaya Directorate of Traffic Management at the Central Directorate of Traffic Management, a branch of Russian Railways.
- From 2010 to 2011, he served as Head of the Passenger Transport Management Unit of the Transport Management Department at FPC.
- From 2011 to 2012, he worked as Head of the Railway Station Management Unit of the Moscow–Kursk Railway Station Work Organisation Centre of the Moscow Directorate of Traffic Management at the Central Directorate of Traffic Management, a branch of Russian Railways.
- From 2012 to 2015, he served as Head of the Innovative Development Unit of the Technical Policy Service at the Central Directorate of Traffic Management, a branch of Russian Railways.
- From 2015 to 2018, he served as Head of the Moscow Railway Station Work Organisation Centre of the Oktyabrskaya Directorate of Traffic Management at the Central Directorate of Traffic Management, a branch of Russian Railways.
- Since December 2018, he has been Deputy General Director and Head of the Transport Management Department at FPC.



Marina Zhegulina

Deputy General Director for Marketing and Sales

Year of birth: 1984

Education

Graduated from Moscow Aviation Institute (State Technical University) with a degree in Economics and Management at Enterprises.

Graduated from the Institute of Business Studies under the Government of the Russian Federation with a degree in Company Management.

Obtained an EMBA from the Antwerp Management School, Antwerp (Belgium).

Experience

- Started her career in 2005.
- From 2010 to 2017, she was Marketing Director at the law firm Legal and Tax Advice on the CIS Countries Law VEGAS LEX.
- From February to July 2017, she was Advisor to the General Director of FPC.
- From July to December 2017, she served as Head of the Customer Experience Centre at FPC.
- Since December 2017, she has held the post of Deputy General Director of FPC.



Stanislav Zotin

Deputy General Director for Maintenance Services

Year of birth: 1979

Education

Graduated from Saint Petersburg State Transport University with a degree in Water Supply and Drainage (in 2001) and in Railway Operation and Logistics (in 2006).

Graduated from the Stockholm School of Economics in Saint Petersburg where he completed RZD Holding's Corporate Modular Educational Programme Executive MBA of the Stockholm School of Economics.

Graduated from the Moscow State University of Railway Engineering with an MBA in Railway Operation and Logistics.

Experience

- He started his career in railways in 1998.
- From 2010 to 2011, he was Head of the Saint Petersburg–Moskovsky carriage site of the Northwest Branch of FPC.
- From 2011 to 2013, he was Deputy Head of the Northwest Branch of FPC.
- From 2013 to 2015, he was First Deputy Head of the Northwest Branch of FPC.
- From 2015 to 2016, he was Head of the Northwest Branch of FPC.
- Since 2016, he has held the post of Deputy General Director of FPC.

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Alexander Muslovets

Deputy General Director for Economics and Finance

Year of birth: 1977

Education

Graduated from Far Eastern State Transport University with a degree in Economics and Management at Railway Transport Enterprises.

Graduated from the Financial Academy under the Government of the Russian Federation with an MBA in Finance.

Obtained an MBA from the University of Navarra (IESE business school).

PhD in Economics.

Experience

- He started his career in railways in 1999.
- From 2004 to 2005, he headed the Finance Department at the Moscow–Ryazan Division of the Moscow Railway, a branch of Russian Railways.
- From 2005 to 2009, he was First Deputy Chief Accountant at the Moscow Railway, a branch of Russian Railways.
- From 2009 to 2010, he served as Deputy CEO of the Federal Passenger Directorate, a branch of Russian Railways.
- Since 2010, he has held the post of Deputy General Director of FPC.



Alexander Petrunin

Deputy General Director for Business Development and Operations

Year of birth: 1958

Education

Graduated from the Moscow Institute of Railway Engineers with a degree in Electrification of Railway Transport.

Experience

- He started his career in railways in 1977.
- From 1991 to 1994, he was Deputy Head of the Bekasovo-Sortirovochnoye Locomotive Depot of the Moscow Railway (in charge of repairs).
- From 1994 to 2000, he was Head of the Aprelevka Locomotive Depot of the Moscow Railway.
- From 2000 to 2001, he served as Deputy Head of the Locomotive Management Department of the Moscow Railway.
- From 2001 to 2002, he was Head of the Locomotive Management Department of the South Eastern Railway.
- From 2002 to 2005, he was Deputy Head of the South Eastern Railway, a branch of Russian Railways.
- From 2005 to 2009, he was Chief Engineer of the Locomotive Management Department of Russian Railways.
- From 2009 to 2011, he was Chief Engineer at the Traction Rolling Stock Repair Directorate of Russian Railways.
- From 2011 to 2012, he served as Deputy Head of the Technical Policy Department at FPC and headed the Engineering Office.
- From 2012 to 2013, he was Deputy Chief Engineer at FPC.
- Since 2013, he has held the post of Deputy General Director of FPC.



Ekaterina Skorokhodova

Deputy General Director for Human Resources and Social Development

Year of birth: 1974

Education

Graduated from the Irkutsk Institute of Railway Transport Engineers majoring in Carriages.

Obtained an MBA in Personnel Management from the Academy of National Economy under the Government of the Russian Federation.

Experience

- She started her career in railways in 1992.
- From 2008 to 2009, she was Deputy Head of Human Resources and Social Development at the Krasnoyarsk Unit of the Krasnoyarsk Railway, a branch of Russian Railways.
- From 2009 to 2011, she was Deputy Head of the Personnel Management Department of the Krasnoyarsk Railway, a branch of Russian Railways.
- From 2011 to 2012, she was Deputy Head of Directorate – Head of the Personnel Management Department at the Krasnoyarsk Directorate for Infrastructure of the Krasnoyarsk Railway, a branch of Russian Railways.
- From 2012 to 2015, she was Deputy Head of the Human Resources and Social Development Department at the Central Directorate for Infrastructure, a branch of Russian Railways.
- From 2015 to 2019, she was Head of the Human Resources Department at the Central Directorate of Traffic Management, a branch of Russian Railways.
- Since 2019, she has held the post of Deputy General Director of FPC.

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Boris Suvorov

Deputy General Director for Safety and Security

Year of birth: 1967

Education

Graduated from the Moscow Higher Combined-Arms Command School with a degree in Command and Tactics, Motorised Rifle Troops.

Graduated from the Moscow Presidential Academy of Public and Municipal Administration with a degree in Public and Municipal Administration.

Experience

- From 2004 to 2009, he was Assistant Director at Federal Road Agency.
- From 2009 to 2010, he served as Head of the Transport Safety Department at the Federal Road Agency.
- From 2010 to 2013, he served as Advisor to the Chairman of the Management Board at the State Company Russian Highways.
- From 2013 to 2016, he served as Deputy Chairman At-Large of the Management Board at the State Company Russian Highways.
- Since 2016, he has held the post of Deputy General Director of FPC.



Konstantin Torubarov

Deputy General Director for Transport Support

Year of birth: 1962

Education

Graduated from the Moscow Institute of Railway Engineers with a degree in Carriage-Building and Rolling Stock.

Experience

- He started his career in railways in 1983.
- From 2006 to 2009, he served as Deputy Head of the Moscow Regional Directorate for Customer Service at the Federal Passenger Directorate, a branch of Russian Railways.
- From 2010 to 2015, he was Head of the Moscow Branch of FPC.
- Since 2015, he has held the post of Deputy General Director of FPC.

CORPORATE SECRETARY

FPC's Corporate Secretary is elected by a majority of all members of the Board of Directors for an indefinite term. The Board of Directors is entitled to re-elect the Corporate Secretary at any time.

FPC's Corporate Secretary acts as a secretary at the meetings of the Board of Directors, General Shareholders Meetings, and the meetings of the committees of the Board of Directors.

The Corporate Secretary's activities are guided by the Regulations on JSC FPC's Corporate Secretary approved by the Board of Directors in August 2017 (Minutes No. 2).

The tasks of the Corporate Secretary are to:

- provide administrative and information support to the General Shareholders Meeting
- provide administrative and information support to the Board of Directors and its committees
- coordinate collaboration between members of the Board of Directors, shareholders, and FPC's executive bodies to ensure efficient performance of the Board of Directors.

On 12 October 2018, Andrey Stepochkin was elected FPC's Corporate Secretary by resolution of the Board of Directors.



Education

Graduated from Lomonosov Moscow State University with a degree in Law.

Experience

- From April 2006, he worked in the Legal Department at Russian Railways as the senior specialist of the execution unit, the contracting and legal unit, and the legal support unit for international transport services.
- From December 2014 to September 2015, he served as Head of the Contract Register Unit of the Procurement Organisation Centre at Russian Railways.
- From September 2015, he worked as Deputy Head of Legal Service – Head of the Contracting and Legal Unit at Moscow Metro.
- Since October 2018, he has served as Corporate Secretary at FPC.

Andrey Stepochkin

Year of birth: 1977

Nationality: Russian Federation

Company
Profile

Development
Strategy

Performance
Overview

Corporate
Governance

Sustainable
Development

Appendices

KEY PROVISIONS OF THE POLICY ON REMUNERATION AND REIMBURSEMENT FOR GOVERNING BODIES

(THE EXECUTIVE BODY AND OTHER KEY MANAGERS)

The remuneration of the sole executive body and FPC's other key managers directly depends on the achievement of relevant key performance indicators.

Key Performance Indicators (KPI) of FPC's top managers have been developed following the Long-Term Development Programme of Russian Railways, its Subsidiaries and Affiliates to 2020, and RZD Holding's 2030 Development Strategy.

By Order of Russian Railways No. 1656r On Monitoring RZD Holding's Key Performance Indicators dated 1 August 2019, the following key performance indicators were set for FPC: revenue, profit, investment volume, subsidies, passenger satisfaction index, passenger-kilometres, labour productivity, the ratio of the employees' salaries and the average salaries across Russia, traffic safety.

The target performance indicators have served as a basis for corporate and functional key performance indicators of FPC's top managers, which underpin their motivation system.

The following tasks were completed when developing the motivation system:

- The impact of top managers' actions on the existing business processes was reviewed
- The KPIs were ranked through vertical cascading
- The weight (share) of corporate and functional key performance indicators was determined, and the same number of KPIs was determined in line with the draft Regulations on the Bonus System for Key Managers
- All functional performance indicators for managers were reviewed focusing on results instead of describing the process.

CONTROL AND AUDIT

EXTERNAL AUDITOR

To audit and verify FPC's 2019 financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS), the General Shareholders Meeting approved LLC Ernst&Young, the winner of a limited bid

among pre-qualified participants, as the Company's Auditor. The Auditor's fee totalled RUB 17.6 million (including VAT).

AUDIT COMMISSION

The Audit Commission is FPC's permanent internal control body responsible for regular control over financial and business activities of the Company, its branches, officers of governing bodies and administrative units to ensure compliance with the laws of the Russian Federation, the Company's Articles of Association and internal documents.

The Audit Commission acts in the best interests of FPC's shareholders and is accountable to the General Shareholders Meeting.

The Audit Commission is independent of officers of FPC's governing bodies and administrative units.

FPC's Audit Commission is guided by applicable laws of the Russian Federation, JSC FPC's Articles of Association, the Regulations on the Audit Commission, and the Regulations on Remuneration and Reimbursement for Members of FPC's Audit Commission.

The Audit Commission is composed of five members elected by the Board of Directors for a three-year term under the Articles of Association. Members of the Audit Commission are not allowed to simultaneously serve on FPC's Board of Directors or hold any posts in other governing bodies.

In June 2018, the annual General Shareholders Meeting of FPC (minutes dated 3 July 2018) elected members of the Audit Commission as follows:

- Oksana Vinch
- Mark Terekhov
- Virginia Kulikova
- Elena Chamortseva
- Elena Yudina.

EVENTS AFTER THE REPORTING DATE

By resolution of FPC's Board of Directors (minutes dated 17 February 2020), a new Audit Commission was elected as follows:

- Yana Khlevetskaya
- Oksana Vinch
- Evgeniya Stepanyan
- Mark Terekhov
- Virginia Kulikova.

Incentives for members of the Audit Commission are established by the Regulations on Remuneration and Reimbursement for Members of FPC's Audit Commission and imply the payment of remuneration for participation in every audit of the financial and business activities of the Company as well as additional remuneration.

In 2019, FPC's Audit Commission audited the Company's financial and business activities twice. The members of the Audit Commission were paid RUB 236,880 for participation in the audits.

The resolution to pay additional remuneration to members of the Audit Commission is passed by FPC's Board of Directors. Annual remuneration paid to a member of the Audit Commission may not exceed an amount equivalent to twenty times the minimum wage at Russian Railways for each completed audit.

According to a resolution of the Board of Directors (minutes dated 27 May 2019), in 2019, members of the Audit Commission were paid additional remuneration totalling RUB 620,400. The aggregate remuneration totalled RUB 857,280 in 2019.

The Audit Commission's tasks:

- Control the Company's financial and business activities
- Ensure compliance of the Company's financial and business operations with Russian laws and the Company's Articles of Association
- Carry out an independent assessment of the information on the Company's financial position.

INTERNAL AUDIT

FPC's Internal Audit Unit is responsible for the internal audit. The principal objective of FPC's internal audit is to provide the Board of Directors and the General Director with unbiased and independent information on the financial and business activities, and the reliability and efficiency of the risk management system, internal controls, and corporate governance practice to maintain financial stability, improve the efficiency and effectiveness of business processes, boost performance, and achieve FPC's goals.

FPC's internal audit structure is aligned with the International Standards for the Professional Practice of Internal Auditing, the Bank of Russia's Corporate Governance Code, and other Russian regulations.

The Internal Audit Unit is guided by Russian laws, regulations of Russian Railways and FPC, the concepts of professional practice introduced by the Institute of Internal Auditors, and other documents.

Following the audits of FPC's financial and business operations in 2019, the Audit Commission issued a report confirming the accuracy and reliability of data included in the Company's Annual Report, annual accounting statements and other reports, as well as other financial documents.

An internal evaluation of the Internal Audit Unit's performance in 2019 was carried out. Its findings helped define focus areas for improving the Unit's performance and developing its employees, and outline further development of the Company's internal audit function.

In the reporting year, the Internal Audit Unit conducted several audits, including an assessment of the reliability and efficiency of the risk management and internal control system as well as corporate governance practice.

INTERNAL QUALITATIVE ASSESSMENT OF CORPORATE GOVERNANCE

In 2019, FPC's Internal Audit Unit assessed the Company's corporate governance practice for compliance with the principles and approaches outlined in the Company's internal documents, requirements of Russian laws, and generally accepted corporate governance concepts and practices. The assessment comprised the following aspects of corporate governance:

- Shareholder rights protection, support of the Board of Directors and its Committees
- Goal setting procedure; monitoring and overseeing the achievement of goals
- Procedures for disclosing information on the Company's operations
- Compliance with FPC's corporate ethos and standards.

The assessment showed that FPC's corporate governance is aligned with the Russian corporate law and complies with the principles and recommendations of the Bank of Russia's Corporate Governance Code.

The Internal Audit Unit provided recommendations on further enhancement of corporate governance at FPC.

REPORT ON COMPLIANCE WITH THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE

In 2019, the Company's efforts to improve corporate governance focused on updating its relevant internal documents in line with changes in FPC's Articles of Association and the laws of the Russian Federation as well as the Internal Audit Unit's recommendations following the corporate governance audit in 2018.

FPC's General Shareholders Meeting approved the following documents:

- Updated Regulations on the Board of Directors of JSC FPC
- Updated Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC.

The Board of Directors approved the following documents:

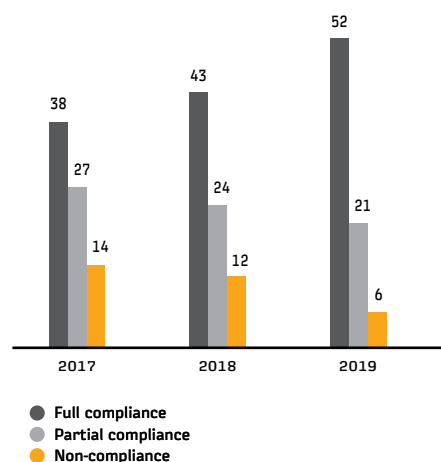
- Regulations on the Anti-Corruption Hotline of JSC FPC
- Updated Anti-Corruption Policy of JSC FPC
- Updated Risk Management and Internal Control Policy of JSC FPC

- Regulations on Monitoring Compliance with the Requirements of Anti-Corruption Regulatory Documents at JSC FPC
- Amendments to the Regulations on Procurement of Goods, Works and Services for the Needs of JSC FPC
- Regulations on Conflict of Interest Resolution at JSC FPC
- Procedure for Planning, Reviewing and Monitoring the Implementation of Initiatives to Enhance the Reliability of Technical Means and Reduce Technical Failures at JSC FPC.

In the reporting period, the Company improved its corporate governance practice in line with the following recommendations of the Code:

- Human Resources, Remuneration, and Corporate Governance Committee of the Board of Directors assessed nominees to the Board of Directors for required experience, knowledge, business reputation, and absence of conflicts of interest
- The Board of Directors conducted a self-assessment of its performance as well as the performance of its Committees and individual Board members. The analysis covered the needs of the Board of Directors in terms of professional qualifications, experience and business skills of Board members, the number of Board members, and the performance of the Chairman of the Board of Directors
- The Company's Annual Report contains the main results of the Board of Directors' performance evaluation. It also contains annual financial statements prepared under the IFRS, along with the auditor's report
- FPC's Board of Directors approved the Company's Strategy until 2030.

Compliance with the Bank of Russia's Corporate Governance Code



More details on the Company's compliance with the Corporate Governance Code are available

in the Report on Compliance with the Bank of Russia's Corporate Governance Code annexed hereto on p. 218

Statistics of compliance with the principles and recommendations of the Corporate Governance Code¹

SECTIONS	THE NUMBER OF CORPORATE GOVERNANCE PRINCIPLES RECOMMENDED BY THE CODE	COMPLIANCE								
		FULL			PARTIAL			NONE		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Shareholder Rights	13	8	8	9	3	3	3	2	2	1
Board of Directors	36	15	15	23	14	14	11	7	7	2
Corporate Secretary	2	–	2	2	2	–	–	–	–	–
Compensation System	10	6	6	6	1	2	2	3	2	2
Risk Management System	6	5	6	6	1	–	–	–	–	–
Information Disclosure	7	2	4	4	4	3	3	1	–	–
Material Corporate Actions	5	2	2	2	2	2	2	1	1	1
Total	79	38	43	52	27	24	21	14	12	6

¹ In line with Letter of the Bank of Russia dated 17 February 2016 No. IN-06-52/8 On Reporting on Compliance with the Corporate Governance Code by Public Joint Stock Companies.

CORPORATE QUALITY MANAGEMENT SYSTEM

POLICY AND QUALITY TARGETS

FPC's corporate quality management system (FPC's QMS) is built in line with Russian Railways' Quality Management Strategy, the Development Strategy of JSC FPC, and ISO 9001:2015 Quality Management Systems – Requirements.

Quality management activities in the Company are governed by JSC FPC's Quality Policy.

In managing the quality of its services, FPC strives to:

- meet customer requirements and expectations by continuously improving service quality and ensuring high levels of service, comfort, and safety
- continuously improve the Company's operational efficiency and performance by enhancing its QMS and business processes and introducing new technologies for lean production, rolling stock maintenance, and customer service.

To achieve these goals and ensure sustainable development, FPC's management undertakes to:

1. Follow the Management's Leadership principle, foster collaboration between employees in achieving goals, enhance employees' competence, motivation, and corporate relations culture.
2. Support and develop mutually beneficial long-term relations with suppliers, improve the satisfaction levels

among the Company's customers and all its stakeholders.

3. Manage potential corporate risks, prevent recurring and potential inconsistencies, and make decisions based on objective evidence and stakeholder requirements.
4. Keep its QMS compliant with ISO 9001:2015 international standard and stakeholder requirements.
5. Continuously improve its corporate quality management system, enhance operational efficiency and performance through process improvement, innovation and cost optimisation.

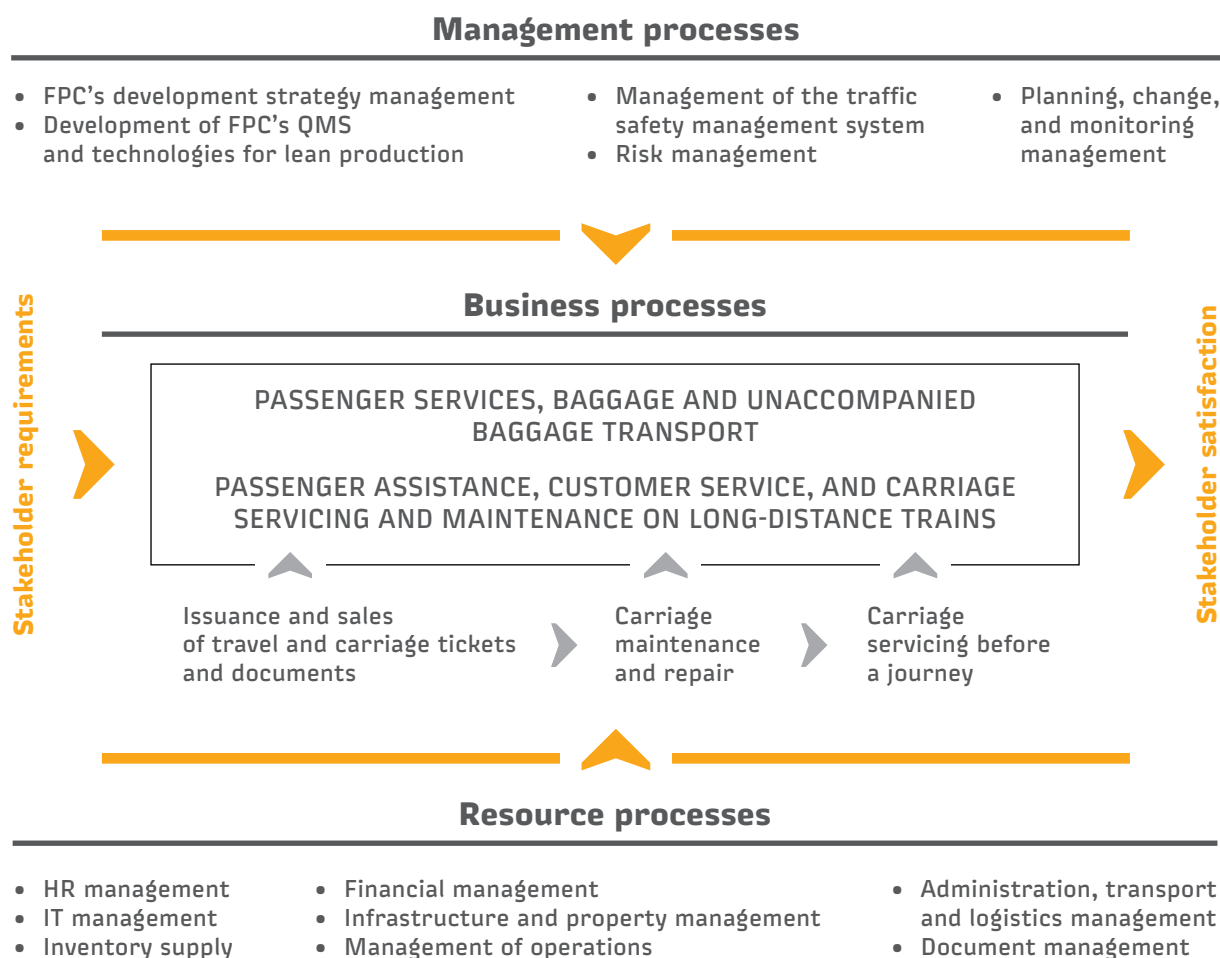
The management of FPC assumes responsibility for the organization of work on the implementation and provision of the necessary resources of this policy in the field of quality.

PROCESS APPROACH AND CUSTOMER FOCUS

Building and managing the interrelated processes of the corporate quality management system as a uniform system fosters the Company's operational efficiency and performance in goal achievement.

In 2019, FPC developed and approved a process model of its corporate quality management system, which is reflected in the Standard for Corporate Quality Management System – Quality Guide, FPC STO 1.011.1-4. In 2019,

FPC planned to update this model in line with ISO 9001:2015 Quality management systems – Requirements to promote more efficient management of the Company's processes while ensuring the continuous improvement of service quality and maximum delivery on stakeholder requirements and expectations.



CERTIFICATION OF FPC'S QMS AND COMPLIANCE WITH ISO 9001:2015 QUALITY MANAGEMENT SYSTEMS – REQUIREMENTS

In 2019, FPC's corporate quality management system received a uniform certificate No. 19.2511.026 dated 24 December 2019 (valid until 24 December 2022) of compliance of the following primary business processes with ISO 9001:2015 Quality management systems – Requirements:

- Passenger, baggage and unaccompanied baggage transport
- Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains
- Issuance and sales of travel and carriage tickets and documents
- Carriage servicing before a journey
- Carriage overhauls with service life extension (overhaul reconditioning)
- Depot repairs (DR)
- Stage one and two (KR-1 and KR-2) carriage overhauls
- Current repairs of coupled/uncoupled carriages
- Wheelset repairs
- Repairs of carriage components and assemblies
- Carriage maintenance and inspection (TO-1, TO-2, and TO-3).

Key advantages of having a certificate of compliance with ISO 9001:2015 Quality Management Systems – Requirements:

- Image of a customer-focused company confirmed by state-level documents
- Confirmation of FPC's compliance with global best practices in quality management by an independent certification body
- Increased passenger satisfaction driven by services provided in line with global quality standards
- Improved operational efficiency and performance of the corporate governance system
- Increased share value
- FPC's higher score in bids (tenders) for the provision of auxiliary services held by Russian Railways and other customers.

LEAN PRODUCTION

Lean production utilises the PDCA cycle (Plan – Do – Check – Act).

FPC is guided by the following principles in developing and improving its lean production technologies:

- Customer focus
- Focus on the process

- Production process flexibility
- Standardisation
- Elimination of waste
- Transparency
- Error proofing
- Excellence.

LEAN PRODUCTION TOOLS USED IN FPC TO ELIMINATE WASTE

➤	Just in time
➤	5S
➤	TPM (Total Productive Maintenance)
➤	Brainstorming
➤	Pareto chart
➤	Risk matrix
➤	Innovation ideas
➤	Time and motion study
➤	Value stream mapping
➤	Process description, defining indicators
➤	Kanban

TASKS TO BE TACKLED BY THE USE OF LEAN PRODUCTION TOOLS

➤	Elimination of process defects and errors
➤	Elimination of process waste
➤	Efficient use of equipment, means of control
➤	Reduction of process times and total cycle time
➤	Elimination of unnecessary transportation
➤	Reduction of excess inventory
➤	Optimisation of warehousing and production floor space

LEAN PRODUCTION TOOL	DESCRIPTION	EFFECT
Just In Time (JIT) system	<p>A production management concept that is aimed at reducing excess inventory. Under this concept, the right parts and materials are delivered in the right quantity at the right place at the right time. JIT goals:</p> <ul style="list-style-type: none"> • Zero defects • Zero set-up time (reduced set-up time leads to reduced production cycle and inventory) • Zero inventory (inventory, including materials that are being processed, installed or assembled, should be near zero) • Zero non-value-added activities • Zero lead-time 	<p>The JIT approach boosts production efficiency by eliminating waste. Waste means any operations that increase the cost, but not the value of a product, such as unnecessary movements of materials, excessive inventory, etc.</p>
5S system	<p>A system for efficient workplace organisation. Like other lean production tools, it contributes to the work area manageability and helps save time. It includes the following steps:</p> <ul style="list-style-type: none"> • Sort • Set in order • Shine • Standardise • Sustain. <p>The 5S system helps reduce the number of errors in documents, create a comfortable working environment, and boost performance</p>	<p>The 5S system is implemented:</p> <ul style="list-style-type: none"> • at workplaces in passenger carriage depots/sites • at spare parts and materials warehouses • at train crews' workplaces • in the offices of FPC's central administration, branches and their structural units. <p>The average score of the 5S system across FPC is 4.6 out of 5</p>
Total Productive Maintenance	<p>The concept of production equipment management aimed at boosting maintenance efficiency. The focus is on prevention and early detection of equipment faults that may lead to more severe issues</p>	<p>The method of universal equipment care is based on stabilization and continuous improvement of maintenance processes, a system of planned preventive repairs, work on the principle of Zero Defects and systematic elimination of all sources of losses</p>

LEAN PRODUCTION TOOL	DESCRIPTION	EFFECT
Brainstorming	Method of Brainstorming (brainstorming attack) – A rapid problem-solving method based on stimulation of creativity. This method's key advantage is in encouraging creativity, with ideas generated in a comfortable, creative environment	All participants are enthusiastic about generating and discussing ideas among equals, which helps unlock creative freedom, intuition, imagination, originality, and out-of-the-box thinking
Pareto chart	A tool that helps spread the effort to solve problems and identify principal root causes of defects	The Pareto principle states that 20% of effort generates 80% of the result, and the other 80% only accounts for 20% of the result. By identifying 20% of the most significant causes of defects, the reject rates can be reduced by 80%
Risk matrix	A risk matrix is a tool within FPC's risk management system used to reduce the Company's losses	A risk matrix is a tool that enables ranking and reflecting risks through identifying their probability and severity
Time and motion study	Time and motion study is a method to study working time through observing and measuring the working time components, usually throughout one shift (or any part of a shift)	This method helps: <ul style="list-style-type: none"> • study the work process and equipment utilisation in great detail • obtain absolute (in seconds, minutes, hours) and highly accurate data • identify actual working time throughout the study period and obtain data on the sequence of process elements • identify rational approaches to ways and methods of working, causes for waste, and suboptimal use of time

LEAN PRODUCTION TOOL	DESCRIPTION	EFFECT
Value stream mapping	Value stream mapping means analysing and visualising the material flow and the relevant information flow throughout the value stream across processes between the supplier of materials and the customer	This tool makes it possible to: <ul style="list-style-type: none"> • visualise the entire value stream • identify the causes of waste in the value stream • use a common language for discussing production processes between specialists • make many solutions related to the value stream clear, coherent and easy to discuss • integrate lean production concepts and methods that help avoid “missing the forest for the trees” • establish a base for a lean production implementation plan • demonstrate relations between the information and material flows
Innovation ideas	Innovation ideas is a powerful tool to boost the Company's efficiency and performance by unlocking the staff's creative potential	Innovation activities help: <ul style="list-style-type: none"> • kickstart and develop FPC employees' technical creativity • provide legal protection for innovations and inventions • boost FPC employees' commitment to their work through financial and non-financial stimulation of technical creativity
Process description, defining indicators	A process is a sequence of interdependent and/or interacting activities that use inputs to achieve a planned result. To be manageable, a process needs to be described, and its indicators need to be defined. The indicators should reflect the performance and efficiency of the process	A process description is a key tool for identifying areas of process improvement
Kanban	The most widespread type of the Just in Time system, Kanban ensures a continuous material flow with zero inventory: the material is supplied in small batches to the production process where it is needed	Kanban Cards are used in business units to avoid cluttering storage and work areas with spare parts stored in advance

CONFLICT OF INTEREST RESOLUTION AND CORRUPTION PREVENTION

CONFLICT OF INTEREST RESOLUTION

The procedure for identifying and resolving conflicts of interest arising with the Company employees is set out in the Regulations on Conflict of Interest Resolution at JSC FPC approved by the Board of Directors.

The Company has in place a Commission for Resolving Conflicts of Interest. In 2019, the Commission identified one conflict of interest which was resolved in due time as determined by the Commission.

As part of an effort to identify conflicts of interest, eight potential conflicts of interest were eliminated by employees before they were reviewed by the Commission.

PREVENTING AND COUNTERING CORRUPTION

JSC FPC's Anti-Corruption Policy was adopted, which reflects the Company's commitment to conducting open and fair business activities, following best practices in corporate governance, and maintaining a good business reputation.

The Security Department comprising the Corporate Relations Control and Anti-Corruption Unit set up in 2019 is responsible for preventing corruption.

FPC has in place its Anti-Corruption Hotline.

The Company's website fpc.ru also has the publicly available Anti-Corruption section.

FPC implements measures to prevent and combat corruption in line with its Anti-Corruption Plan for 2019–2020.

FPC also consistently interacts with law enforcement bodies to identify breaches of anti-corruption laws. In 2019, no FPC employees were held criminally liable for corruption-related crimes.



SUSTAINABLE DEVELOPMENT

FPC'S SUCCESS AND FURTHER
PROFITABLE GROWTH RELY
ON OUR STRONG AND AMBITIOUS
PROFESSIONAL TEAM.

60

THOUSAND
PEOPLE

number
of employees

17.6

THOUSAND
EMPLOYEES

were
trained

38

THOUSAND
PEOPLE

are employed in the passenger
service sector



Mountain view.
Altai, Russia



**CLOSER TO YOUR
DREAM**

OUR PEOPLE

FPC manages its human capital in a way which helps achieve its strategic goals while creating favourable conditions for employees' personal development. The key priorities of FPC's social and HR policy are recruiting and retaining people, ensuring their continuous development, and providing them with social support.

STAFF PROFILE

FPC currently employs 60,353 people.

The majority of our employees are front line, directly serving passengers daily (38,000, or 63%).

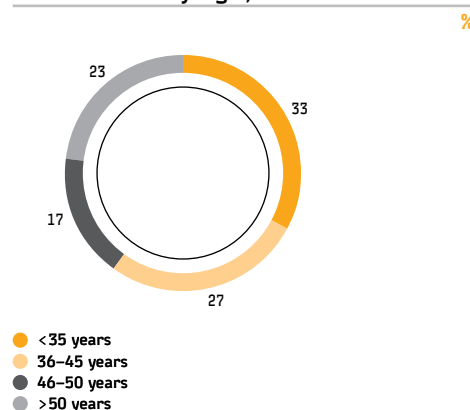
In 2019, our headcount was down by 1% year-on-year due to right-sizing.

The Company maintains the right balance between its young and more experienced employees. The average age of employees is 41 years. A 33% share of the personnel is represented by young employees aged under 35. At 65%, women constitute the majority of employees.

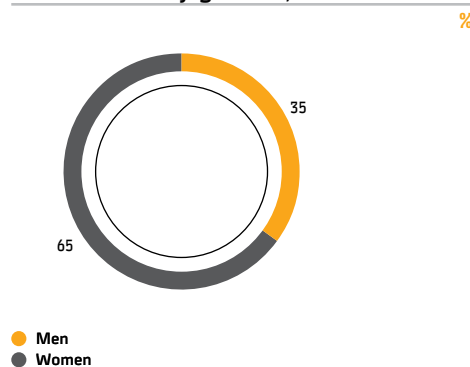
Employee turnover at FPC increased by 0.9% year-on-year to 10.1% (9.2% in 2018). In 2019, the key causes of employee turnover included: non-controllable causes such as retirement due to age (25%) and controllable causes such as employee dissatisfaction (17.4%).

The employee stability index was 66% in 2019 (67% in 2018).

Personnel by age,



Personnel by gender,



STAFF RECRUITMENT

FPC seeks to recruit talented people who will contribute to its ongoing development. General positions such as carriage attendant and ticket clerk are most often recruited externally. When seeking managers and specialists, FPC focuses on internal candidates, with only rare or unique professionals recruited externally to fill the vacancies within this position segment.

Various procedures and tools are used to assess candidates during the recruitment process: skills tests, personal surveys, professional cases and structured interviews. Over 20,300 employees underwent the corporate competence assessment during the year, with front-line employees accounting for 69% of the total.

Employee assessment, training and development aligned with our Corporate Competence Model help FPC deliver on its mission and strategic goals.

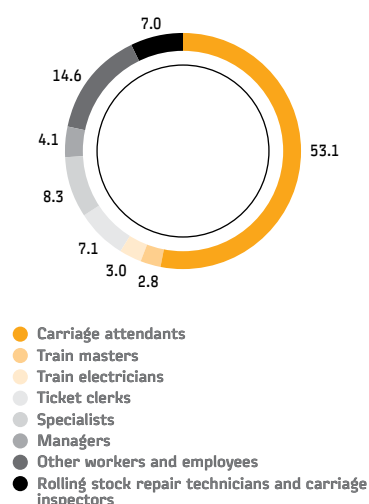
Personnel by occupation,

people

PERSONNEL BY OCCUPATION	AS AT 31.12.2018	AS AT 31.12.2019
Personnel in the On-train services sphere	34,214	34,776
Personnel in the field of Ticket sales sphere	6,593	6,367
Personnel in the Maintenance and repair of rolling stock sphere	12,296	10,633
Other Personnel	7,879	8,577
Total	60,982	60,353

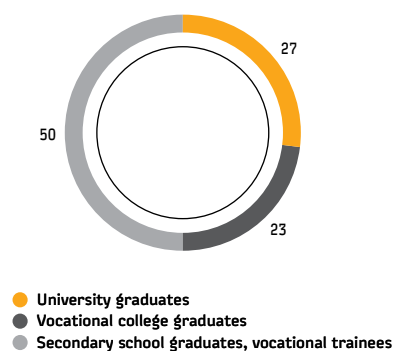
Personnel by position/trade,

%



Personnel by educational background,

%



PERSONNEL TRAINING AND DEVELOPMENT

The Company has maintained strong training performance with extensive coverage across employee categories. A total of 17,600 employees, or 29.1% of FPC's total headcount, completed training in 2019.

FPC continues its consistent efforts to develop its workforce. Training sessions are conducted both in-house and at educational institutions in regions in which our branch structural units operate.

More than 4,100 people were trained as railway and office workers in 2019, while over 13,400 employees completed professional development courses.

The Company has been continuously developing the training facilities of its Corporate Staff Training Centre, actively leveraging its in-house capabilities, which comprise 107 licensed training rooms across FPC's branches. Projects implemented in 2019:

- Designed the training devices for the Poputchnik (Fellow Passenger) Information Trunkline in Moscow and Novosibirsk
- Installed the Slackless Coupling BSU-TM136 test bench
- Equipped 33 licensed training rooms with interactive whiteboards, short-throw projectors and laptops.

Over 20% of all our training programmes are annually developed and updated by the Centre in line with applicable professional standards. As new products and services are introduced by the Company to improve the passenger experience, the Centre employs advanced staff training formats to build customer service excellence and professional etiquette skills while also holding corporate image workshops.

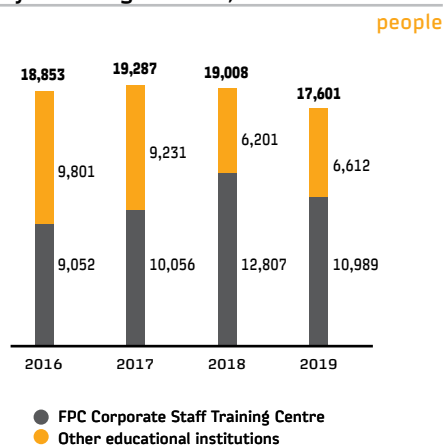
In 2019, the Centre was licensed to provide training under continuing professional education programmes (professional development for specialists and managers).

Our front-line employees undergo training by psychologists to build customer service skills to promote a positive image of the Company. For example, in 2019, FPC conducted over 8,000 on-the-job training courses.

New training materials for training in customer service skills are added regularly. In 2019, a range of training programmes and materials were developed:

- A collection of cases and solutions on customer engagement in an emergency
- Perfect Ticket Office. How to Manage Customer Experience
- Phrase Builder for Ticket Clerks to Communicate with Non-Russian Speakers.

Staff training broken down by training centre,



Training system performance

INDICATORS	2016	2017	2018	2019
FPC headcount, people	65,928	62,771	60,982	60,325
Total employees trained	18,853	19,287	19,008	17,601
Share of employees trained at FPC's Corporate Staff Training Centre, %	48	48	62.7	62.4
Budget, RUB million	86.9	96.3	118.2	196.636

Employees trained for general positions,

people



FPC's licensed training rooms



- | | | |
|--|--|--|
| 1. Northwest Branch
11 training rooms | 5. North Caucasus Branch
8 training rooms | 9. West Siberian Branch
13 training rooms |
| 2. Moscow Branch
17 training rooms | 6. Volga Branch
9 training rooms | 10. Yenisey Branch
5 training rooms |
| 3. Gorky Branch
6 training rooms | 7. Kuybyshev Branch
4 training rooms | 11. East Siberian Branch
4 training rooms |
| 4. Northern Branch
9 training rooms | 8. Ural Branch
11 training rooms | 12. Zabaikalie Branch
2 training rooms |
| | | 13. Far East Branch
8 training rooms |

CONTINUING PROFESSIONAL AND BUSINESS EDUCATION FOR MANAGERS AND SPECIALISTS

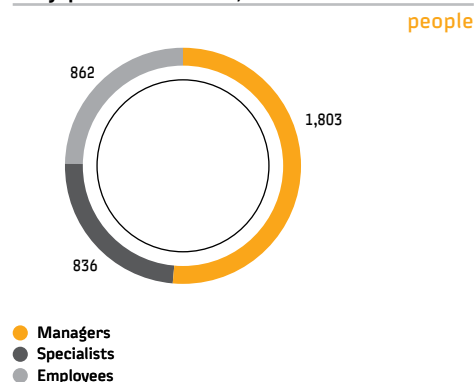
Training programmes for managers and specialists are focused on building knowledge and skills that drive desired behaviours, improve personal performance and develop leadership skills. The Company is outsourcing educational services from nine railway universities, Russian Railways Corporate University, Moscow School of Management SKOLKOVO, Sberbank Corporate University as well as the Russian Presidential Academy of National Economy and Public Administration. In 2019, FPC started building its digital transformation capabilities as part of developing its IT strategy.

KEY LEADERSHIP DEVELOPMENT PROGRAMMES

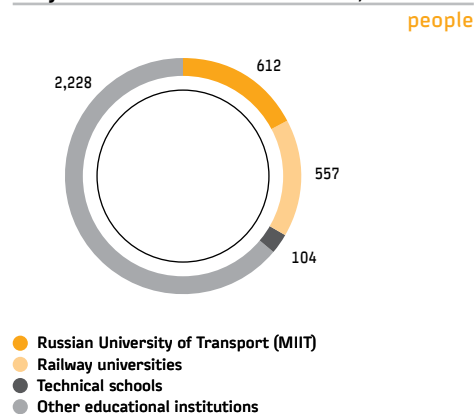
- Business Digitalisation and Effective Product Offering Management Models
- Operational Efficiency
- Practice. Team Emotional Intelligence
- Digital Transformation Leader

PROFESSIONAL DEVELOPMENT OF MANAGERS, SPECIALISTS AND EMPLOYEES

By position level,



By educational institution,



KEY AREAS COVERED BY PERSONNEL TRAINING COURSES

- Maintenance and repair processes for passenger carriages
- Design specifics, operation, maintenance and fault diagnostics of systems and assemblies in double-decker carriages
- Transport safety and security
- Safety culture and traffic safety management in passenger services
- Setting up a corporate risk management system
- Customer focus and rail passenger services for people with reduced mobility
- Internal control (over accounting and record-keeping, and tax accounting)
- Organising passenger services
- Marketing research in the transport market
- Organising procurement under Federal Law No. 223-FZ

A total of 3,501 managers and specialists of the Company underwent mandatory, technical and leadership training in 2019.

FPC runs corporate programmes to build a talent pool of passenger services leaders, which include two training modules and a certification exam. 45 talents completed their training at the Russian University of Transport in 2019.

250 employees of the Company were trained under the Employee Development Technology: Mentorship and Coaching programme to help deploy a mentoring system at FPC.

IN 2019, TALENT DEVELOPMENT
EXPENSES AND RELATED PAYMENTS
TOTALLED

196.6

RUB MILLION

IMPROVING EMPLOYEE EDUCATIONAL LEVELS

The second group of FPC employees completed a management course at the Institute of Economics and Finance of Russian Transport University (MIIT). The group members – 16 employees from the talent pool for train master positions across FPC's branches – received higher education degrees.

A total of 22 train crew members are currently being trained through distance learning to receive a Bachelor's degree in Management.

In 2019, 11 employees of the Company started their training at the Russian University of Transport under master degree programmes, including:

- HR Management. Strategic HR Management
- Ground Transport Systems. Rail Passenger Services
- Economics. International Financial and Management Accounting.

YOUTH POLICY AND TALENT MANAGEMENT

In 2019, young employees under 35 made up 33% of FPC's total headcount, and those under 30 accounted for 21%.

In 2019, the Company set up a talent management function to develop human capital and drive social mobility.

During 2019, the talent management function implemented over 20 projects, with a particular focus on innovation, mentorship and onboarding, networking within the Company and career advice.

KEY PROJECTS BY FOCUS AREA



Communication

- Communication through social media and digital channels with a total reach of 8,000 employees
- A chatbot for weekly communication within the Company (120 participants, including 30 managers).
- Encouraging young talents to engage in leadership competitions (New Link – three finalists, Young Talents – five finalists, Leaders of Russia – eight semifinalists and one superfinalist, Masters of Hospitality – six semifinalists and one finalist).



Training

- A course consisting of 16 lectures and involving guest speakers invited from leading Russian companies as well as nine master classes on Excel and PowerPoint (550 visitors, 12,500 online views).



Designing a website to promote mentoring within the Company



Innovation

- Refocusing young talents on the Company's strategic objectives and business performance
- The first phase included the 10th Youth Assembly, with 20 out of 72 participants selected to the Company's young talent pool and seven out of eight cases approved for implementation.
- The second phase involved an innovation competition, FPC. LAB, which has already collected over 50 ideas.

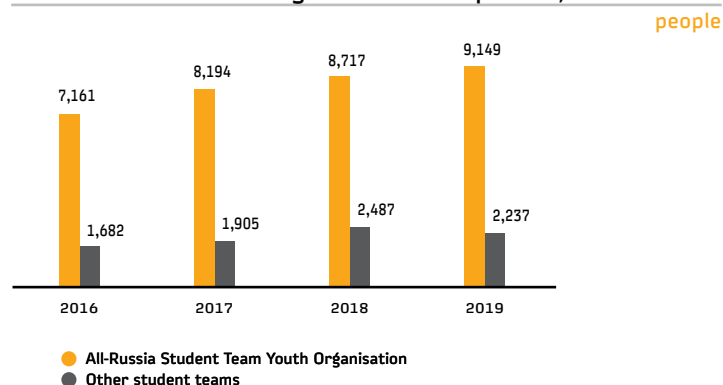
STUDENT TRAIN ATTENDANT TEAMS

Since 2010, the Company has been engaging university students as train attendants on an annual basis to ensure it has no staffing shortages during the summer holiday period. A total of 11,386 students from over 350 non-industry specific educational institutions were employed for the 2019 summer season by various structural units within FPC's branches. For five years in a row, FPC has been employing students during the winter holidays.

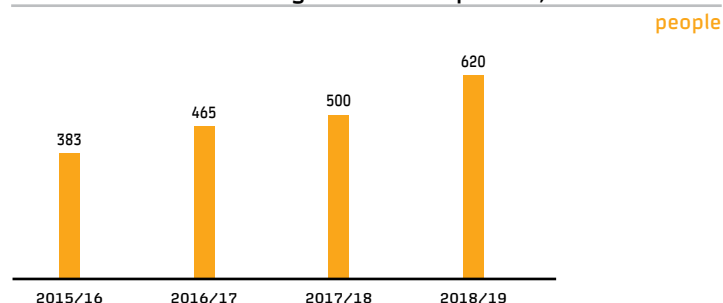
We use the feedback collected from students via pulse surveys to quickly address workflow bottlenecks and take timely corrective action. Several corrective actions were implemented based on feedback from more than 5,000 students to increase their satisfaction with their jobs at FPC.

The Company's management took part in the celebrations of the 60th anniversary of student teams and the 15th anniversary of Youth All-Russian Public Organisation "Russian Student Brigades".

Students hired during the summer period,



Students hired during the winter period,



As a result of the 2019 summer student employment term, JSC Federal Passenger Company has been recognised as the best transport industry employer and the best employer for career start and follow-on employment among student team participants.

STUDENT SATISFACTION WITH THEIR JOBS AT FPC WAS

63%

+3% YEAR-ON-YEAR

WILLING TO RECOMMEND THE COMPANY AS AN EMPLOYER

66%

+10% YEAR-ON-YEAR

68%

OF STUDENTS ARE PLANNING TO WORK AT FPC IN 2020



EMPLOYEE REMUNERATION AND MOTIVATION SYSTEM

The Company's remuneration policy is focused on ensuring an increase in real wages. In 2019, in line with FPC's Collective Bargaining Agreement, salaries were increased by 2.9% from 1 March, by 2.0% from 1 July and by 1% from 1 October.

Employee motivation system and incentive schemes at FPC branches aim to encourage strong employment performance.

For example, the corporate remuneration policy provides for increased wage rates for employees working on trains composed of next-generation carriages; surcharges for high

performance; surcharges for extra work by multi-skilled employees and employees with extended responsibility areas.

Other measures to improve performance include surcharges for professional excellence; employee grades; and personal salaries awarded to passenger train attendants and train electricians.

IN 2019, EMPLOYEES ENGAGED IN FPC'S CORE OPERATIONS WERE PAID A SALARY OF

50.128

'000 RUB

+5.5% YEAR-ON-YEAR

REAL WAGES OF THE COMPANY STAFF GREW BY

1%

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SOCIAL POLICY



THE COLLECTIVE BARGAINING AGREEMENT

FPC pursues its social policy following its Collective Bargaining Agreement. FPC's social benefits and guarantees are centred on sustaining, stimulating, and improving employee performance and maintaining social stability among staff.

FPC's Collective Bargaining Agreement for 2020–2022 was signed on 17 December 2019. The revised version has retained all traditional benefits available to railway employees such as free travel, non-government pension plans, voluntary health insurance and maternity and child-related benefits.

HOUSING POLICY

Under the Collective Bargaining Agreement, monthly subsidies are paid to more than 663 FPC employees to repay the interest accrued on their mortgage loans. In 2019, 15 employees were provided with subsidies for mortgage payments towards built or purchased housing.

FPC SOCIAL BENEFITS PER EMPLOYEE
HAD A VALUE OF

54.5

'000 RUB

THE PACKAGE OF BENEFITS FOR FPC'S
RETIRED EMPLOYEES WAS WORTH

6.2

'000 RUB

OVERALL, FPC SPENT

71.9

RUB MILLION

ON ITS HOUSING POLICY IN 2019

EMPLOYEE HEALTH

FPC's Employee Health Programme provides full recreation and treatment and is aimed at improving employee work efficiency.

In 2019, our employees, non-working retirees and their family members purchased 2,853 tours, including:

- 1,692 tours to health centres and resorts of SC RZD-HEALTH
- 1,161 tours to local health centres.



The Company is committed to protecting and improving the health of its employees' children, preventing illnesses they may be vulnerable to, and providing activities and proper rest during the summer holidays.

In 2019, the FPC children's health improvement campaign involved 2,124 recreation and health improvement tours for the children of FPC's employees, including:

- 1,432 tours (67% of the total) to facilities managed by Directorates for Social Development of the Russian Railways
- 692 tours (33%) to third-party children's health resorts, including 510 tours to Black Sea resorts.
- Parents paid 10% to 20% of the tour price depending on the camp session at the children's health resort, while large and/or disadvantaged families paid 10% of the price regardless of the camp session.

OCCUPATIONAL HEALTH

As part of the Health Management project, psychological support offices were established at the Volga, Ural, Zabaikalie and Far East Branches in 2019. These offices are fitted out to diagnose and treat psychological conditions or distress among employees. Combined with stress management training sessions, these measures help maintain staff performance at an optimal level.

Caring about its employees, the Company instils in employees a conscious attitude to their health while also improving their job satisfaction and developing a conscious customer focus on them. Over 2,500 employees of the Company visit psychological support offices on an annual basis.

PROMOTING A HEALTHY LIFESTYLE



PROMOTING FITNESS AND MASS SPORTS

Fitness and sports are promoted among the Company's employees in line with FPC's annual sports programme.

The programme included the Beach Volleyball Tournament of JSC FPC ROSPROFZHEL Primary Trade Union Organisation held in Moscow in August 2019. The Spartakiad Sports Competition among FPC Employees held in October was won by the team of the West Siberian Branch. The participants competed in five categories: field and track athletics, swimming, table tennis, badminton and kettlebell lifting.

The FPC Basketball Cup was also held in Krasnodar. Apart from qualifications and playoffs, the event included a meeting of participants with the famous Soviet basketball coach Yevgeny Gomelsky and a visit to the basketball game between Lokomotiv Kuban and UNICS.

Six fitness clubs were set up (by Moscow, Gorky, Ural and West Siberian Branches as well as by FPC's administration) to promote healthy lifestyles among FPC employees, including through fitness and sports.

MANAGEMENT ENGAGEMENT

Managers working in challenging environments undergo periodic health examination to extend their professional lives through screening for and preventing potential diseases early on.

Additionally, in Q4 2019, the Company's top managers completed their training at Adidas Academy under the Changing Lives Through Sport transformation programme, which has helped improve our employees' health and enhanced teamwork performance and quality.



EMPLOYEE ENGAGEMENT

We have also organised the I Can Do More sports challenge for FPC's administration employees, which included lectures, open running and swimming practices as well as competitions for who can do more activities and kilometres per month.

COMPETITIONS

The 2019 First Among the Best corporate competition was won by the Moscow Branch crew of Ivan Paristy high-speed passenger train No. 030/029 Yantar on the Kaliningrad–Moscow route, Kaliningrad passenger carriage depot, Northwest Branch, headed by the trainmaster, Vladimir Mikheyenko.

During 2019, 1,668 FPC employees were given various awards for dedication to their work and achievements in the workplace:

- State awards of the Russian Federation – 8 people
- Awards of the Ministry of Transport of the Russian Federation – 197 people
- Russian Railways awards – 728 people
- FPC awards – 735 people.

CORPORATE PENSION SYSTEM

Corporate pensions are included in FPC employees' social security packages.

Over 21,000 employees have pension plans with Blagosostoyanie, a private pension fund.

In its commitment to match funding of private pension plans, FPC pays monthly pension contributions until a corporate pension is assigned, and then additional pension contributions once a corporate pension is granted.

In 2019, the Company invested a total RUB 533.6 million in private pension plans.

SOCIAL GUARANTEES FOR FPC RETIREES

FPC provides its retirees with all possible support.

At present, FPC supports over 57,000 non-working retirees.

Special emphasis is placed on railway workers who took part in the Great Patriotic War (World War II), home front workers, and survivors of Nazi concentration camps. In commemoration of Victory Day, over 2,000 veterans received additional financial assistance.

Non-working retirees who have worked at FPC for over 20 years receive compensation for dentures and subsequent repairs, high-tech medical services at Russian Railways' healthcare facilities, free transport on suburban and long-distance trains, and resort healthcare services.

Over RUB 304 million was allocated to retiree support via the Pochet (Honour) charitable foundation in 2019.



DIALOGUE WITH EMPLOYEES

Employee surveys have become a common practice at FPC. We conduct annual corporate surveys to analyse the Company's internal environment, assess the potential for performance improvements and gather information for use in managerial decision-making. Over 17,000 FPC employees were surveyed in 2019.

As a result, the employee satisfaction index remained flat year-on-year at 65.9 points, with 60% of employees determined to maintain long-term employment with FPC, thus showing strong loyalty to the Company.

The Company pays close attention to creating a comfortable environment for train crews. Measures taken in 2019 such as pay increases, improvements to sanitary facilities and amenities used by train crews as well as preferential purchase rights on tours to health centres and resorts have increased the passenger train attendant loyalty index (eNPS) by 11 points.

Focus groups are planned to test hypotheses and explore development areas to improve our comprehensive action programme and maintain an internal dialogue with our employees. We will communicate the results and decisions taken through a communication campaign to maintain high confidence in the survey and enhance employee engagement.

FPC'S VOLUNTEER MOVEMENT

To promote volunteering among FPC employees, encourage them to increase their social roles, and develop a corporate volunteering culture, FPC organised the Make Good Happen! volunteering competition. In 2019, 300 proactive employees participated in the competition with a total of 25 projects.

Winning teams:

The Ural Branch with the With All Our Hearts project designed to teach train attendants the Russian sign language to communicate with passengers with reduced mobility.

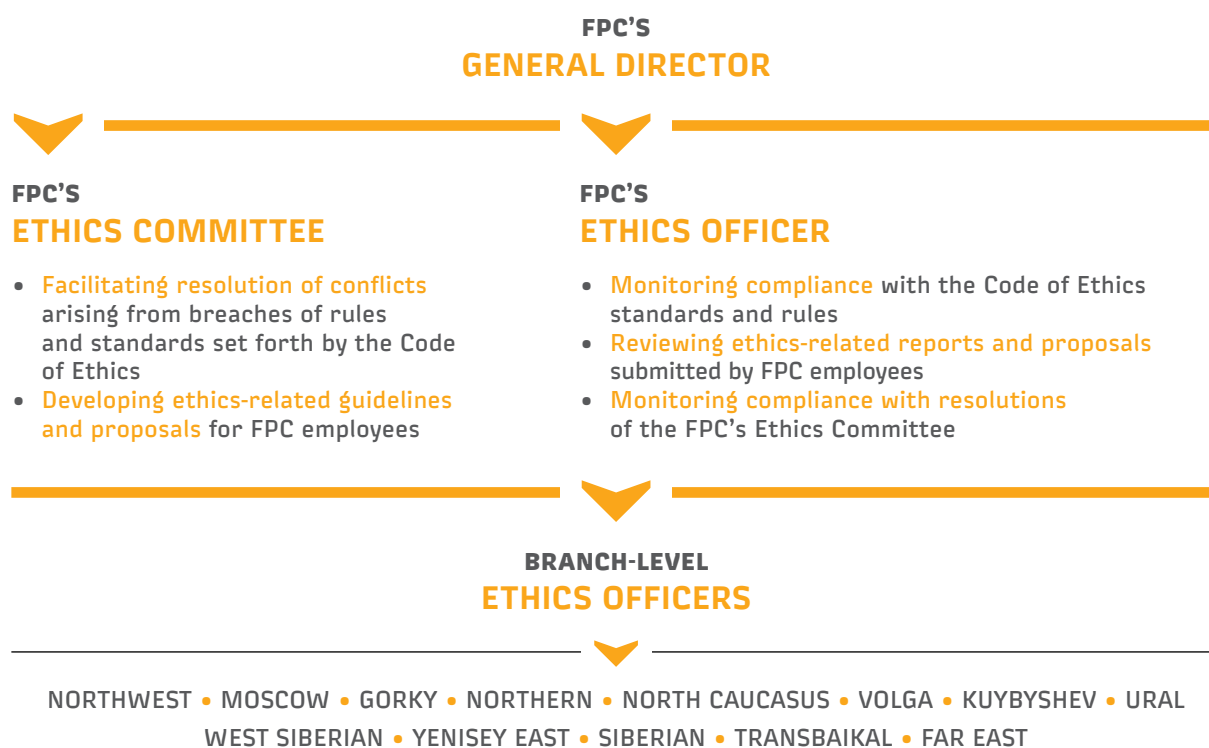
The West Siberian Branch with the Make Good project promoted corporate volunteering. The project comprised the GreenTime environmental clean-up day, a dance flash mob and a donor initiative.

Yenisey Branch with the Colours of Life project designed to engage children in physical activities, including special needs children, reduce the risk of disease and injury rates due to low mobility among children as well as enhance their wellness through physical exercises.

JSC FPC's Code of Ethics

Corporate standards and business conduct rules have been outlined in JSC FPC's Code of Ethics (approved by FPC's Board of Directors on 14 December 2015, Minutes No. 8) and are binding on the Board members and all FPC employees.

Code of Ethics employee compliance monitoring framework



Channels to report non-compliance with the Code of Ethics

- to the immediate supervisor
- to the branch-level ethics officer
- to FPC's Ethics Officer
- via e-mail: ethics@fpc.ru

Additional channels to report suspected corruption

FPC'S ANTI-CORRUPTION HOTLINE

- FPC's anti-corruption hotline number: +7 495 988 1000, ext. 31 111 (a 24-hour line with voice recording)
- e-mail: hotline_bz@fpc.ru
- Anti-corruption complaint box installed on the ninth floor at Domnikov Business Centre, 34 Mashi Poryvaevoy St., Moscow, Block 3

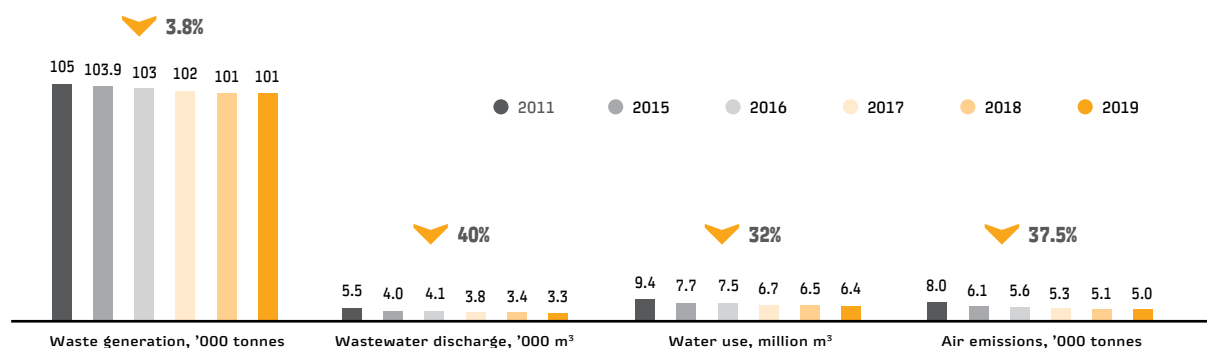
MANAGING ENVIRONMENTAL IMPACT

ECOLOGICAL SAFETY

Protecting the environment and minimising negative environmental impacts from the Company's operations are among FPC's highest priorities. In its environmental activities, FPC complies with Russian laws, the Environmental Strategies of Russian Railways, and FPC's standard for Environmental Management System, 1.16.001-2016.

FPC involves investment, CAPEX, and operational resources and initiatives in pursuit of its environmental safety goals.

Regulatory and environmental aspects



GOALS

- Minimising negative environmental impacts from the Company's operations
- Promoting care for the health and the environment

SIGNIFICANT ENVIRONMENTAL INITIATIVES

- Equipping carriages with environmentally friendly toilet facilities
- Purchasing carriages with a central power supply
- Installing high-voltage heating points at the turnaround and originating stations
- Revamping treatment facilities
- Installing water recirculation systems to carriage washing facilities
- Converting boilers from liquid fuel to gas
- Modernization of water and sewer networks.



Overall, since the start of its operations, FPC has consistently achieved annual reductions in its environmental impacts:

- Production and consumption waste has decreased from 105,000 tonnes to 101,000 tonnes
- Total used water discharge has decreased from 5.451 million m³ to 3.3 million m³, including by 0.1 million m³ in 2019
- Water use by structural units has decreased from 9.4 million m³ to 6.4 million m³, including by 0.1 million m³ in 2019
- Air emissions decreased from 8,000 tonnes to 5,000 tonnes, including by 0,1 tonnes in 2019.

These achievements have been reached by optimising operations and processes across the Company's branches, introducing new technology, and consistent supervision.

EQUIPPING CARRIAGES WITH ENVIRONMENTALLY FRIENDLY TOILET FACILITIES

AS AT THE END OF 2019, THE NUMBER OF CARRIAGES EQUIPPED WITH THESE FACILITIES TOTALLED

11,471

OR OVER 66.5% OF THE TOTAL

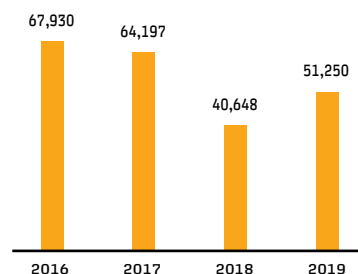
To reduce the human-made impact of passenger services, FPC upgraded its rolling stock and facilities across its branches.

The Company keeps tracks from becoming polluted while maintaining an adequate level of sanitation at rail infrastructure facilities by only acquiring carriages equipped with environmentally friendly toilet facilities. Also, existing carriages are fitted out with environmentally friendly toilet facilities during overhauls.

At the current rate of rolling stock replacement and upgrades, over 90% of carriages will be equipped with bio-toilets by 2025.

Environmental expenditures,

'000 RUB



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AIR POLLUTION CONTROL

To reduce air pollution, FPC is installing boilers fired with environmentally friendly fuels and installing high-voltage points for heating its passenger carriages at the turnaround and originating stations.

Installing high-voltage heating points at the turnaround and originating stations: RUB 131.196 million:

- Commissioned network connection to Russian Railways' electric grids for RUB 1.568 million at service yard No. 1 of Nikolaevka station.
- Built and commissioned a high-voltage heating point at Petrozavodsk station – construction and installation + network connection for RUB 119.25 million
- Upgraded the high-voltage heating point at Kaliningrad station – network connection for RUB 0.036 million
- Installed high-voltage charging points at several stations, including Adler, Togliatti, Anapa, Novorossiysk (service yard No. 2), Yoshkar-Ola, Cheboksary, Nikolaevka and Imeretinsky Resort – FEED for RUB 10.342 million
- Converted boilers from liquid fuel to gas: Saint Petersburg–Moskovsky carriage site (CS) (construction and installation), Perm passenger carrier depot (PCD) (Phase 2, network connection) for RUB 47.162 million.

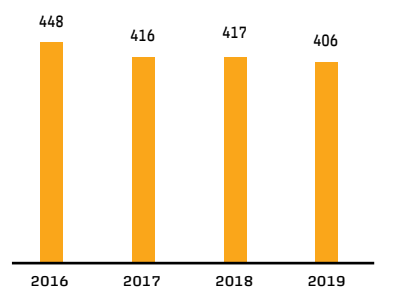
PURCHASING CARRIAGES
WITH A CENTRAL POWER SUPPLY –

1,073

CARRIAGES

Greenhouse gas emissions,

'000 tonnes of CO₂

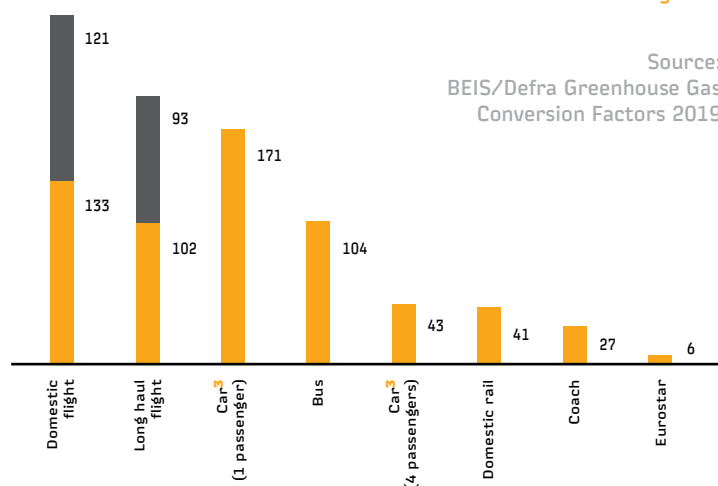


Specific CO₂ emissions per passenger carried

MODE OF TRANSPORT	Tonnes	Kg
Aviation	0.158 ¹	158.0
Rail	0.004	3.9

Emissions from different modes of transport²,

grams



Source:

BEIS/Defra Greenhouse Gas Conversion Factors 2019

- CO₂ emissions
- Secondary effects from high altitude, non-CO₂ emissions

¹ PJSC Aeroflot Annual Report 2018.

² Emissions per passenger per km travelled.

³ Car refers to average diesel car.

SUSTAINABLE WATER USE

FPC's annual programmes revamping its water treatment and carriage washing facilities (CWF) reduce the negative impacts of wastewater on the environment and centralised water disposal systems, with initiatives including the installation of water recirculation systems and on-site water treatment facilities

Installing water recirculation systems to carriage washing facilities: Moscow-3 Carriage Washing Facility (CWF),

on-site water treatment facility of the Khabarovsk CWF (commissioned for RUB 1.262 million), Saint Petersburg–Moskovsky CWF (construction and installation for RUB 125.969 million), Kislovodsk CWF (construction and installation for RUB 25.111 million) for a total of RUB 152.342 million net of VAT.

UPGRADED WATER AND SEWAGE NETWORKS:
CREATED A CLOSED-LOOP HEAT SUPPLY
SYSTEM (CONSTRUCTION AND INSTALLATION)
FOR THE KRASNOYARSK PCD (COMMISSIONED) FOR

11.336

RUB MILLION

EQUIPPED FACILITIES
OF THE YENISEY AND FAR EAST BRANCHES
WITH METERS FOR WATER CONSUMPTION
AND DISCHARGE (FEED) FOR

0.947

RUB MILLION

Total used water discharge,

million m³

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INDICATORS	2018	2019
Total	3.397	3.346
Wastewater meeting regulatory clean-up levels (surface wastewater from operating sites)	0.0587	0.0599
Contaminated wastewater (handwashing in carriages)	0.012	0.012
Sent for treatment (sewage)	3.326	3.275

DISPOSAL OF PRODUCTION AND CONSUMPTION WASTE

In 2019, production and consumption waste totalling about 100,000 tonnes of various hazard classes was generated across the branches:

- 300 tonnes – disposed of at the Company's sites (class 5 waste)
- 100,200 tonnes – transferred to other companies under contracts, including:
 - 27,900 tonnes for recycling
 - 2,614 tonnes for neutralisation
 - 69,686 tonnes for disposal at landfills.

Total waste mass by hazard class,

		tonne
INDICATORS	2018	2019
Total	100,693	100,533
Hazard Class 1	20.9	20.9
Hazard Class 2	103.1	100
Hazard Class 3	1,123	2,030
Hazard Class 4	65,687.6	64,987
Hazard Class 5	33,758.4	33,395.1

Total waste mass by disposal method,

		tonne
INDICATORS	2018	2019
Disposal at the Company's sites (Hazard class 5)	393	333
Transferred to contractors, total	100,345	100,200
For neutralisation	1,651	2,614
For recycling	28,775	27,900
For landfill	69,920	69,686

ENERGY CONSUMPTION



In efforts to save energy and increase energy efficiency in 2019, FPC continued its focused activities, reducing operating expenses on fuel and energy.

FPC reduced its energy consumption and improved its energy efficiency through the following projects:

- Procured new, advanced, and energy-efficient rolling stock
- Installed energy-saving technologies such as LEDs and smart lighting systems at FPC's depots and sites
- Upgraded boiler facilities by installing advanced and more efficient boilers
- Equipped FPC's buildings and structures with meters for water consumption and discharge, electricity, and heat energy
- Installed high-voltage charging points at passenger train preparation sites across branches.

Fuel and energy consumption

TYPE	IN NOMINAL TERMS			BY VALUE, RUB million		
	2018	2019	CHANGE 2019/2018, %	2018	2019	CHANGE 2019/2018
Electricity, million kWh	129.3	127.4	98.5	644.3	678.3	34.0
Diesel fuel, '000 tonnes	2.6	2.5	94.1	107.6	113.4	5.8
Coal, '000 tonnes	109.6	102.2	93.3	324.3	350.7	26.4
Fuel oil, '000 tonnes	15.1	14.5	96.2	228.0	228.0	0.0
Natural gas, million m ³	23.2	22.3	96.1	132.8	133.4	0.6
Gasoline, '000 tonnes	0.9	0.8	97.8	43.5	43.1	-0.4
Briquettes, '000 tonnes	3.4	3.6	105.8	23.9	31.3	7.4
Pellets, '000 tonnes	1.2	0.9	72.6	8.8	6.6	-2.2
Wood, '000 m ³	0.3	0.3	84.2	1.9	0.6	-1.3

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CHARITABLE ACTIVITIES



As a socially responsible business, FPC is committed to contributing to national development for the benefit of both today and future generations of Russian citizens.

The Company places a particular emphasis on supporting children in need of expensive treatment and medicines, children living in orphanages, providing social support to employees with children suffering from severe or chronic diseases or requiring costly treatment as well as for non-working retirees, large families, veterans, disabled people and people in difficult life situations.

Given the high social importance of voluntary blood donorship, the Company has been holding its Donor's Day charity campaign twice a year. The Donor's Day has become a good tradition for FPC employees, and the number of those joining the donor movement is rising each year. As many as 150 employees took part in the event in 2019, with the donated blood used to help patients at a municipal perinatal centre as well as at multi-purpose adult and children's hospitals.

Starting from 2016, FPC has been delivering on its commitment to transport veterans of the Great Patriotic War (WWII) and their travelling companions to events celebrating the Victory in the Great Patriotic War (1941–1945).

In 2019, the Company provided veterans with an option of free travel in deluxe, first-class and second-class sleeping carriages or carriages with seats on long-distance trains of any category from 1 May to 31 December 2019 (inclusive). Starting from 1 January 2020, free travel for veterans and their travelling companions is provided permanently.

A total of RUB 27 million were allocated in 2019 to organise free travel for veterans of the Great Patriotic War (WWII) and persons attending the veterans.

Annual springtime clean-up days have become a good tradition at FPC. A total of 6,567 managers and employees of the Company took part in the event in 2019. The event included thorough cleaning of passenger carriages, improvements to areas around monuments to railway workers who died in the Great Patriotic War, a spring cleaning and sanitation at depots and carriage sites as well as improvements and renovations at their premises.

The New Year season is the time of miracles, meetings with close friends and relatives and, of course, presents! On the New Year's eve, FPC employees took part in the New Year Tree of Dreams charity event of the Russian nationwide charitable project Dream With Me seeking to make as many children as possible to believe in New Year's eve miracles and magic. FPC's New Year Tree of Dreams held in the Republic of Tatarstan has helped the biggest dreams come true for special needs children and children from families below the poverty threshold.

THE TOTAL AMOUNT OF FUNDS
DIRECTED BY THE COMPANY TOWARDS
CHARITABLE CAUSES IN 2019 WAS

59.1

RUB MILLION

APPENDICES

IN 2019, THE SERVICE FOR TRANSPORTING PETS IN A COMPARTMENT FOR TRANSPORTING LUGGAGE WITHOUT ACCOMPANYING PASSENGERS CONTINUED ITS SUCCESSFUL DEVELOPMENT. DURING THE YEAR, MORE THAN 10 THOUSAND ANIMALS WERE TRANSPORTED IN 237 TRAINS OF THE FORMATION OF JSC FPC.

TO **5.1**
MILLION

the number of participants in the RZD Bonus loyalty program increased in 2019

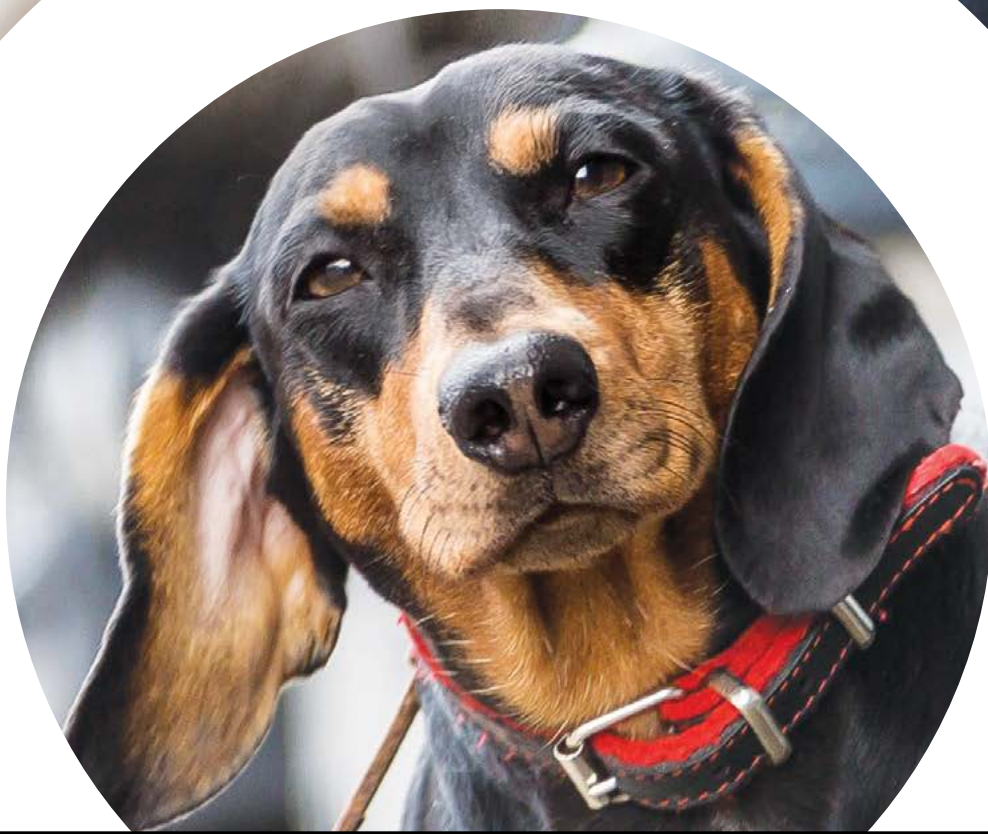
> **4.5**
MILLION PEOPLE

took advantage of global marketing promotions in 2019¹

4.33
POINTS OUT OF 5

passenger service level score in 2019

¹ In regulated segment.



TAKE CARE
OF EVERYONE

RAS FINANCIAL STATEMENTS AND AUDITOR'S REPORT

BALANCE SHEET, '000 RUB

INDICATOR	LINE CODE	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2017
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets	11100	637,140	735,316	822,999
including:				
intangible assets	11110	596,152	684,102	669,127
investments in progress in intangible assets	11120	4,300	50,711	153,872
advances issued	11199	36,688	503	
Results of research and development	11200	1,250	8,310	2,542
including:				
research, development and engineering	11210			
investments in progress in research, development and engineering	11220	1,250	8,310	2,542
advances issued	11299			
Intangible exploration assets	11300			
Tangible exploration assets	11400			
Property, plant and equipment	11500	265,402,240	247,162,531	218,184,360
including:				
fixed assets	11510	257,916,402	243,693,428	213,150,411
including:				
buildings, machinery and equipment, vehicles	11511	254,179,378	239,697,292	210,188,864
structures and transmission equipment	11512	3,534,115	3,774,162	2,739,968
other fixed assets	11519	202,909	221,974	221,579
investments in progress in property, plant and equipment	11520	6,076,910	3,053,462	4,537,664
advances issued	11599	1,408,928	415,641	496,285
Income-bearing investments in tangible assets	11600	23,196,126	37,599	43,412
including:				
income-bearing investments in tangible assets	11610	23,196	37,599	43,366
investments in progress in income-bearing investments in tangible assets	11620			46

INDICATOR	LINE CODE	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2017
Financial investments	11700	1,572,137	1,247,137	1,317,137
including:				
contributions to equities (share capitals) of other entities	11710	1,247,137	1,247,137	1,247,137
loans issued and bank deposits	11720	325,000		70,000
other financial investments	11790			
prepayments	11799			
Deferred tax assets	11800			
Other non-current assets	11900	293,389	321,511	368,429
Total for Section I	11000	267,929,352	249,512,404	220,738,879
II. CURRENT ASSETS				
Inventories	12100	3,780,514	3,857,294	3,583,054
including:				
supplies, materials and other similar valuables	12110	3,688,044	3,777,333	3,533,865
rearers and fatteners	12120			
work-in-progress costs	12130	23,092	21,988	7,820
finished products and goods for resale	12140	3,873	8,574	7,756
goods dispatched	12150			
prepaid expenses	12160	65,505	49,399	33,613
other inventories and costs	12190			
Value added tax on acquired valuables	12200	13,079	11,578,820	11,856
Receivables	12300	15,711,525	11,274,992	12,090,787
including:				
receivables due in more than 12 months from the reporting date	12310	29,888	30,316	30,243
including:				
trade receivables (excluding transport services)	12311			
trade receivables for transport services	12312			
advances issued	12313	26,562	26,562	26,562
other receivables	12319	3,326	3,754	3,681
receivables due within 12 months from the reporting date	12320	15,681,637	11,244,676	12,060,544
including:				
trade receivables (excluding transport services)	12321	590,420	485,492	822,809
trade receivables for transport services	12322	1,792,652	1,068,765	1,147,852
advances issued	12323	940,919	456,688	419,205
taxes and charges, social insurance and social security	12324	11,488,217	8,105,152	8,530,522
other receivables	12329	869,429	1,128,579	1,140,156

INDICATOR	LINE CODE	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2017
Financial investments (excluding cash equivalents)	12400	20,550,000	10,600,000	
including:				
loans issued and bank deposits	12410	20,550,000	10,600,000	
other financial investments	12490			
Cash and cash equivalents	12500	2,361,512	6,504,346	13,286,428
including:				
cash on hand	12510	68,837	68,730	72,460
cash at bank	12520	1,224,937	1,275,783	821,137
cash in foreign currency accounts	12530		123,079,541	83,712,416
cash in designated accounts and in transit	12540	14,106	490	383,814
cash equivalents	12550	670,000	4,150,000	11,050,000
other cash and cash in transit	12590	383,632	886,263	875,304,344
Other current assets	12600	403,386	231,465	300,649
Total for Section II	12000	42,820,016	32,479,676	29,272,774
Total	16000	310,749,368	281,992,080	250,011,653

LIABILITIES

III. EQUITY AND RESERVES

Share capital	13100	171,961,041	171,961,041	165,461,041
Treasury shares	13200			
Revaluation of non-current assets	13400	1,892,577	1,904,451	333,477
Additional paid-in capital (excluding revaluation)	13500	27,768,144	12,768,144	19,268,144
including:				
share premium	13510			
contributions to share capital	13520	15,000,000		6,500,000
other equity	13590	12,768,144	12,768,144	12,768,144
Reserve capital	13600	1,316,698	1,012,477	616,922
including:				
statutory reserves	13610	1,316,698	1,012,477	616,922
reserves under constituent documents	13620			
Retained earnings (accumulated deficit)	13700	19,878,591	13,544,555	7,847,911
Total for Section III	13000	222,817,031	201,190,668	193,527,495

INDICATOR	LINE CODE	AS AT 31 DECEMBER 2019	AS AT 31 DECEMBER 2018	AS AT 31 DECEMBER 2017
IV. NON-CURRENT LIABILITIES				
Loans and borrowings	14100	49,213,530	38,677,054	20,515,582
including:				
loans maturing in more than 12 months from the reporting date	14110	713,530	3,677,054	5,515,582
borrowings maturing in more than 12 months from the reporting date	14120	48,500,000	35,000,000	15,000,000
Deferred tax liabilities	14200	4,745,033	4,370,689	3,457,342
Provisions	14300			
Other liabilities	14500			
Total for Section IV	14000	53,958,563	43,047,743	23,972,924
V. CURRENT LIABILITIES				
Loans and borrowings	15100	1,304,813	7,369,288	2,433,778
including:				
loans maturing within 12 months from the reporting date	15110	713,524	1,841,301	2,320,431
borrowings maturing within 12 months from the reporting date	15120	591,289	5,527,987	113,347
Payables	15200	27,201,974	24,803,783	24,429,924
including:				
trade payables	15210	12,390,347	9,954,128	10,221,780
payroll	15220	1,587,090	1,481,839	1,454,957
taxes and charges, social insurance and social security	15230	1,250,630	1,873,333	1,649,220
advances received (excluding transport services)	15240	259,572	288,880	643,401
advances received for transport services	15250	9,307,005	8,703,859	7,822,516
dividends payable	15260			
other payables	15290	2,407,330	2,501,744	2,638,050
Future income	15300	243,592	333,701	429,018
Provisions	15400	5,222,190	5,244,673	5,214,203
Other current liabilities	15500	1,185	2,224	4,311
Total for Section V	15000	33,973,754	37,753,669	32,511,234
Total	17000	310,749,368	281,992,080	250,011,653

STATEMENT OF FINANCIAL RESULTS, '000 RUB

INDICATOR	LINE CODE	JANUARY – DECEMBER 2019	JANUARY – DECEMBER 2018
Revenue	21100	236,871,820	226,124,901
including:			
freight services	21101		
long-distance passenger services	21102	213,427,544	202,376,887
commuter services	21103		
infrastructure services	21104		
locomotive services	21105		
rolling stock repairs	21106	1,936,762	1,744,526
construction of infrastructure facilities	21107		
research and development	21108		
social services	21109	166,467	164,795
other types of activities	21110	21,341,047	21,838,693
Cost of sales	21200	(209,503,396)	(200,373,134)
including:			
freight services	21201		
long-distance passenger services	21202	(195,301,221)	(185,971,415)
commuter services	21203		
infrastructure services	21204		
locomotive services	21205		
rolling stock repairs	21206	(1,141,560)	(995,038)
construction of infrastructure facilities	21207		
research and development	21208		
social services	21209	(161,260)	(157,272)
other types of activities	21210	(12,899,355)	(13,248,409)
Gross profit (loss)	21000	(27,368,424)	(25,752,767)
Selling expenses	22100	(95)	(454)
Administrative expenses		(21,356,344)	(21,807,867)
Profit (loss) from sales	22000	6,011,985	3,944,446
including:			
freight services	22001		
long-distance passenger services	22002	(1,676,907)	(3,694,610)
commuter services	22003		
infrastructure services	22004		
locomotive services	22005		
rolling stock repairs	22006	460,207	448,111
construction of infrastructure facilities	22007		
research and development	22008		
social services	22009	(27,820)	(20,955)
other types of activities	22010	7,256,505	7,211,900

Company
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INDICATOR	LINE CODE	JANUARY – DECEMBER 2019	JANUARY – DECEMBER 2018
Income from participation in other entities	23100	30,792	66,139
Interest receivable	23200	1,003,884	760,011
Interest payable	23300	(3,984,703)	(2,760,302)
Other income	23400	22,563,233	14,733,763
Other expenses	23500	(16,561,316)	(7,958,397)
Profit (loss) before tax	23000	9,063,875	8,785,660
Current income tax	24100	(2,047,422)	(1,748,466)
including:			
ongoing tax liabilities (assets)	24210	(810,274)	(939,529)
Change in deferred tax liabilities	24300	(857,153)	(990,555)
Change in deferred tax assets	24500	287,684	55,588
Other	24600	182,411	(17,817)
including:			
income tax of previous years	24610	(11,665)	(33,759)
single tax on imputed income of previous years	24620		
corporate income tax and net income tax of the Republic of Kazakhstan	24625		
penalties related to taxes and charges, social insurance and social security	24630	(1,049)	(5,678)
written off deferred tax liabilities	24640	218,804	66,980
written off deferred tax assets	24650	(23,679)	(45,360)
Net profit (loss)	24000	6,629,395	6,084,410
Gain/loss from revaluation of non-current assets, excluded from the net profit (loss) for the period	25100		1,570,974
Gain/loss from other operations, excluded from the net profit (loss) for the period	25200	(3,012)	(97)
Total financial result for the period	25000	6,626,383	7,655,287
FOR REFERENCE			
Basic earnings (loss) per share	29000		
Diluted earnings (loss) per share	29100		

The annual report of FPC JSC has been prepared on the basis of the audited financial statements under RAS for 2019.

According to the auditor's report, the accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, as well as its financial results and cash flows for 2019 in accordance with the accounting rules established in the Russian Federation (financial) statements.



View the annual accounting statements with the audit report for 2019 on the website of FPC – fpc.ru in the section “Shareholders and investors” / “Indicators and reporting” in the “company Reporting” tab

IFRS FINANCIAL STATEMENTS AND AUDITOR'S REPORT

According to the auditor's report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group (joint stock company «Federal passenger company» and its subsidiaries) as at 31 December 2019, as well as its consolidated financial results and consolidated cash flows for the year then ended, in accordance with International financial reporting standards (IFRS).



View the consolidated financial statements with the auditor's report for 2019 on the website of FPC – fpc.ru in the “Shareholders and investors” section / “Indicators and reporting” in the “Company Reporting” tab

MAJOR TRANSACTIONS

In 2019, JSC “FPC” made a transaction recognized as a major transaction in accordance with article 78 of the Federal law of December 26, 1995 No. 208-FZ “on joint-stock companies”.

DATE OF DECISION ¹	COUNTER-PARTY	SUBJECT OF TRANSACTION	PRICE	TERM	GOVERNING BODY THAT APPROVED THE TRANSACTION
11 February 2019	JS TVZ	Development, design, manufacturing, testing, and certification of rolling stock (passenger carriages), handover thereof to JSC FPC complete with spare parts, transfer of rights to individual intellectual property assets used to manufacture the rolling stock	RUB 237,000,000,000 net of VAT, or RUB 284,400,000,000 including 20% VAT x 1 (105.79% book value of assets at 30 September 2018)	From 14 february 2019 to 31 december 2025 (for the supply of rolling stock)	Minutes of the extraordinary General meeting of shareholders of FPC dated February 13, 2019 No. 39

¹ Consent to the transaction or subsequent approval of the transaction.

INTERESTED-PARTY TRANSACTIONS

There were no interested-party transactions in 2019.

DISPOSAL OF NON-CORE ASSETS AND CARRIAGES

DISPOSAL OF FPC'S NON-CORE ASSETS (PASSENGER CARRIAGES)

The annual inventory carried out as at 1 October 2019 comprised an effort to identify non-core assets – passenger carriages – based on the criteria set out in the protocol of the working group on non-core asset management dated 21 August 2019. Criteria for being recognised as non-core assets: the asset was not involved in transportation for three years and has no prospect of being used in FPC's operations.

As at 1 October 2019, a total of 201 passenger carriages worth RUB 1,211.5 million were identified, including:

- 116 baggage carriages, after FPC terminated its baggage transportation activities
- 79 RIC carriages manufactured in 1980–1994 intended for passenger transportation on international routes not suitable for operation on domestic routes and not required on international routes due to lower demand, and failing to meet modern requirements

- 6 carriages of a non-standard design (dining carriages and generator cars) with centralised power supply, which cannot be used for transportation since other types of carriages of this design were retired as they reached the end of their service life.

In Q4 2019, 37 baggage carriages were disposed of. As at 31 December 2019, 164 carriages were recorded on FPC's books.

FPC plans to write off 20 carriages in 2020; carriages are selected and sold to Russian Railways entities upon their requests.

DISPOSAL OF FPC'S NON-CORE ASSETS (REAL ESTATE) IN 2019

NO.	REAL ESTATE ASSETS, INCLUDING PARTS OF STRUCTURES – FACILITIES, LAND PLOTS (OWNED BY SUBSIDIARIES), AND ROLLING STOCK DISPOSED OF TOGETHER WITH REAL ESTATE ASSETS	ACCOUNTING INVENTORY No.	BOOK VALUE AS AT TRANSACTION DATE, '000 RUB	
			ACCORDING TO ACCOUNTING RECORDS	ACCORDING TO TAX RECORDS
1	Store with a total area of 127.6 m ² at 35 Vologodskaya St., Cherepovets	9775/11000000/28	1,591.45	217.92
2	Baggage handling facility building with a total area of 241.8 m ² at 2 Vokzalnaya St., Ussuriysk, Primorye Territory	010049/9933	2,007.02	8.16
3	Real estate facilities (administration and amenity building with a total area of 2,486.3 m ² and garage-2 with a total area of 153.9 m ²) at 121a Kuznetsky Av., Kemerovo	0100040/9914/9913 0100280/9914/9913	59,472.03	3,420.18
4	Apartment with a total area of 69.3 m ² at 41 Pervostroiteley Av., Apt. 741, Komsomolsk-on-Amur, Khabarovsk Territory	9786/11000000/53	962.89	1,278.20
5	Apartment with a total area of 44.4 m ² at 24a Sibiryakov-Gvardeytshev St., Apt. 12 Zavodskoy District, Kemerovo	5101094/9914/9913	1,149.55	557.60
6	Shop for carriage servicing before the journey with an annexe building with a total area of 1,543 m ² at Magistralnaya St., Blagoveshchensk, Amur Region	10022/9928	12,821.12	2,967.92
7	Garage with a total area of 406.1 m ² at Magistralnaya St., Blagoveshchensk, Amur Region	10100/9928	4,379.58	3,941.63
8	Carriage maintenance building with a total area of 77.7 m ² at 121a Kuznetsky Av., Kemerovo	0100050/9914/9913	598.82	207.24
9	Workshop with a total area of 953 m ² at 5 Tverskaya Zastava Sq., Bld. 9, Moscow	10008/9821/9822	0.00	0.00
10	Garage for three personal vehicles with a total area of 66.4 m ² at 52 Portovy Proyezd, Bld. 1, Murmansk, Murmansk Region	9771/11000000/35	1,118.49	292.23
11	Apartment with a total area of 84.5 m ² located in 6 Khabarovskaya St., Apt. 21, Chita, Trans-Baikal Territory	500501	1,914.61	1,581.10
12	Apartment with a total area of 31 m ² at 3 Strelochnikov St., Apt. 13, Yekaterinburg, Sverdlovsk Region	010060/9897	1,009.00	116.70
TOTAL		–	87,024.56	14,588.88

	ACTUAL CASH RECEIVED (NET OF VAT), '000 RUB	FINANCIAL RESULT, '000 RUB		MAINTENANCE COSTS FOR THE PAST 12 MONTHS, '000 RUB	ACTUAL COST OF SALE VS BOOK VALUE, '000 RUB	REASON FOR THE DIFFERENCE BETWEEN THE ACTUAL COST OF SALE AND BOOK VALUE
		PROFIT/LOSS BEFORE TAX	NET PROFIT/ LOSS			
	2,308.80	682.35	271.17	76.19	717.35	Sold at market value
	2,920.38	893.37	314.92	44.17	913.36	Sold at market value
	36,576.27	-29,566.98	-27,054.35	2,512.62	-22,895.76	Sold at market value
	2,881.00	1,906.96	1,588.05	21.50	1,918.11	Sold at market value
	1,800.00	630.44	385.96	50.33	650.45	Sold at market value
	8,830.17	-4,010.95	-5,179.40	1,200.93	-3,990.95	A combined English–Dutch auction was held
	1,804.75	-2,594.84	-2,594.83	213.38	-2,574.83	A combined English–Dutch auction was held. Sold at the minimum selling price
	722.09	102.97	4.06	73.69	123.27	Sold at market value
	29,600.00	29,600.00	23,655.94	0.00	29,600.00	Sold at the market value of Russian Railways
	795.00	-348.49	-443.99	24.88	-323.49	Sold at market value
	4,200.00	2,111.78	1,621.90	44.45	2,285.39	Sold at market value
	2,082.00	1,048.00	659.94	43.34	1,073.00	Sold at market value
	94,520.46	454.61	-6,770.63	4,305.48	7,495.90	–

REPORT ON COMPLIANCE WITH THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
1.1	THE COMPANY SHALL ENSURE EQUAL AND FAIR TREATMENT OF ALL SHAREHOLDERS IN EXERCISING THEIR CORPORATE GOVERNANCE RIGHT.	
1.1.1	The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop informed positions on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	<ol style="list-style-type: none"> 1. The company's internal document approved by the general meeting of shareholders governing the procedures for holding general meetings of shareholders is publicly available. 2. The company provides accessible means of communication with the company, such as a hotline, email, or online forum, to enable shareholders to express their opinions and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	<ol style="list-style-type: none"> 1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's board of directors and the audit committee.
1.1.3	In preparation for the general meeting and during the general meeting, shareholders were enabled to receive information about, and all materials related to, the meeting, as well as to put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.	<ol style="list-style-type: none"> 1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of, and during the annual general meeting. 2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders. 3. The company gave duly authorised shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, in all instances of general meetings held in the reporting period.

**COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLE**
**EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE**

Full

Partial

The Regulations on Preparing and Holding the General Shareholders Meeting of JSC FPC stipulate that the notice of an upcoming General Shareholders Meeting is posted on the corporate website at www.fpc.ru and communicated to persons entitled to participate in the General Shareholders Meeting and entered in the Company's share register by registered mail or delivery against signature, or via email at the person's email address indicated in the Company's share register, at least 21 calendar days prior to such meeting, and the notice of an upcoming General Shareholders Meeting where the Company's reorganisation is on the agenda, at least 30 calendar days prior to such meeting. In cases stipulated by paragraphs 2 and 8, Article 53 of the Federal Law On Joint Stock Companies, the notice of an upcoming General Shareholders Meeting is issued at least 50 days prior to the date of the Meeting.

Full

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
1.1.4	Shareholders did not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governing bodies, and to make proposals for the agenda of the general meeting.	<ol style="list-style-type: none"> 1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year. 2. In the reporting period, the company did not reject proposals for the agenda or candidates to governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.
1.1.5	Each shareholder was enabled to freely exercise his/her voting right most simply and conveniently.	<ol style="list-style-type: none"> 1. The internal document (internal policy) contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.
1.1.6	The general meeting procedure established by the company equally enables all persons attending the meeting to voice their opinions and ask questions.	<ol style="list-style-type: none"> 1. During general shareholders meetings held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of the agenda items. 2. Candidates to the company's governing and control bodies were available to answer shareholders' questions during the meeting at which their nominations were put to the vote. 3. When passing resolutions on the preparation and holding of general meetings of shareholders, the board of directors considered the use of telecommunications means to provide shareholders with remote access to general meetings in the reporting period.
1.2	SHAREHOLDERS HAVE EQUAL AND FAIR RIGHTS TO SHARE THE PROFITS OF THE COMPANY BY RECEIVING DIVIDENDS.	
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and paying dividends.	<ol style="list-style-type: none"> 1. The company's dividend policy is developed, approved by the board of directors and disclosed. 2. If the company's dividend policy uses the company's reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.
1.2.2	The company does not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance.	<ol style="list-style-type: none"> 1. The company's dividend policy contains clear indications of the financial/economic circumstances under which the company should not pay dividends.
1.2.3	The company does not allow the dividend rights of its existing shareholders to be impaired.	<ol style="list-style-type: none"> 1. In the reporting period, the company did not take any actions leading to the deterioration of the dividend rights of existing shareholders.
1.2.4	The company strives to exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value.	<ol style="list-style-type: none"> 1. To exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve transactions with affiliates (associates) of the company's substantial shareholders (persons entitled to use the votes attached to voting shares) in cases when the law does not formally recognise these transactions as interested party transactions.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
Full	
Full	
Partial	Russian Railways as a shareholder entitled to nominate candidates to the Company's governing bodies conducts all necessary interviews with candidates when preparing respective proposals.
Partial	<ol style="list-style-type: none"> 1. The Company's Dividend Policy is developed and approved by the Board of Directors. 2. JSC FPC's Dividend Policy uses the Company's reporting figures to determine the dividend amount, and the respective provisions of the Dividend Policy take into account the RAS financial statements.
Full	
Full	
None	JSC FPC's Articles of Association stipulate that the provisions of Article 11 of the Federal Law On Joint Stock Companies do not apply to transactions in which the Company's controlling entity is the interested party.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
1.3	CORPORATE GOVERNANCE SYSTEM AND PRACTICES ENSURE EQUAL TREATMENT FOR ALL SHAREHOLDERS OWNING THE SAME TYPE (CLASS) OF SHARES, INCLUDING MINORITY AND NON-RESIDENT SHAREHOLDERS, AND THEIR EQUAL TREATMENT BY THE COMPANY.	
1.3.1	The company has created conditions for fair treatment of each shareholder by the governing bodies and the company's controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.	1. In the reporting period, the procedures for managing potential conflicts of interest among major shareholders were efficient, and the board of directors paid due attention to conflicts among shareholders if such conflicts occurred
1.3.2	The company does not take actions which lead or may lead to an artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting in the reporting period.
1.4	SHAREHOLDERS ARE PROVIDED WITH RELIABLE AND EFFECTIVE METHODS FOR RECORDING THEIR RIGHTS IN SHARES, AS WELL AS ARE ENABLED TO FREELY DISPOSE OF THEIR SHARES WITHOUT ANY HINDRANCE.	
1.4	The quality and reliability of the securities register maintained by the company's registrar meet the requirements of the company and its shareholders.	1. The quality and reliability of the securities register maintained by the company's registrar meet the requirements of the company and its shareholders.
2.1	THE BOARD OF DIRECTORS CARRIES OUT THE STRATEGIC MANAGEMENT OF THE COMPANY, ESTABLISH THE BASIC PRINCIPLES OF, AND APPROACHES TO, SETTING UP RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN THE COMPANY, CONTROL THE ACTIVITIES OF THE COMPANY'S EXECUTIVE BODIES, AND PERFORM OTHER VITAL FUNCTIONS.	
2.1.1	The board of directors defines the main long-term targets of the company's operations, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.
2.1.2	The board of directors defines the main long-term targets of the company's operations, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. In the reporting period, the board of directors reviewed at its meetings matters related to the progress in the implementation of the strategy and its updates, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans.
2.1.3	The board of directors determines the principles of and approaches to organizing risk management and internal control system in the company.	1. The board of directors has determined the principles of and approaches to organizing risk management and internal control system in the company. 2. The board of directors assessed the company's risk management and internal control system in the reporting period.
2.1.4	The board of directors defines the company's policy on remuneration due to, and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key managers of the company.	1. The company has developed and put in place the policy on remuneration and/or reimbursement (compensation) of costs of the members of the board of directors, executive bodies, and other key managers, approved by the board of directors. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Full

Full

Full

Full

Partial

1. FPC's policy on the remuneration of its key managers is determined by the General Director.
2. Matters related to the policy on remuneration of FPC's General Director and key managers were not reviewed by the Board of Directors in the reporting period.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.1.5	The board of directors plays a crucial role in preventing, identifying and settling internal conflicts between the company's bodies, shareholders and employees.	<ol style="list-style-type: none"> 1. The board of directors plays a crucial role in preventing, identifying and settling internal conflicts. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.
2.1.6	The board of directors plays a crucial role in ensuring the company's transparency, the timeliness and completeness of its information disclosures, and unhindered access to the company's documents for shareholders.	<ol style="list-style-type: none"> 1. The board of directors has approved the regulations on the information policy. 2. The company has designated the persons responsible for the implementation of the information policy.
2.1.7	The board of directors controls the company's corporate governance practices and play a key role in its significant corporate events.	<ol style="list-style-type: none"> 1. In the reporting period, the board of directors considered the matter of the company's corporate governance practices.
2.2 THE BOARD OF DIRECTORS IS ACCOUNTABLE TO THE COMPANY'S SHAREHOLDERS.		
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders.	<ol style="list-style-type: none"> 1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of an assessment of the board of directors' performance in the reporting period.
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	<ol style="list-style-type: none"> 1. The Company has in place a transparent procedure enabling shareholders to forward questions to the chairman of the board of directors and express their respective positions.
2.3 THE BOARD OF DIRECTORS MANAGES THE COMPANY EFFICIENTLY AND COMPETENTLY AND MAKES FAIR AND INDEPENDENT JUDGEMENTS AND DECISIONS IN LINE WITH THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.		
2.3.1	Only persons with impeccable business and personal reputation, possessing the knowledge and expertise required to make decisions falling within the authority of the board of directors and to essential performing its functions efficiently are elected to the board of directors.	<ol style="list-style-type: none"> 1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of professional qualifications of directors. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.
2.3.2	The company's directors are elected via a transparent procedure enabling shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	<ol style="list-style-type: none"> 1. Whenever the agenda of the general shareholders meeting included the election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria outlined in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.
2.3.3	The board of directors is balanced, including in terms of qualifications of its members, their experience, knowledge and business qualities, and has the trust of shareholders.	<ol style="list-style-type: none"> 1. As part of the assessment of the board of directors' performance carried out in the reporting period, the board of directors analysed its needs in terms of professional qualifications, experience, and business skills.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Partial

The assessment results of JSC FPC's corporate governance practice were reviewed by the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors. FPC's Board of Directors reviewed information on the Company's corporate governance practice as part of the Internal Audit Unit's report.

Full

Full

Full

Full

Full

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.3.4	The company has a sufficient number of directors to organise the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	1. As part of the assessment of the board of directors' performance carried out in the reporting period, the board of directors considered whether the number of directors was in line with the company's needs and with the interests of shareholders.
2.4 THE BOARD OF DIRECTORS INCLUDES A SUFFICIENT NUMBER OF INDEPENDENT DIRECTORS.		
2.4.1	An independent director is a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent from the company's executive bodies, particular groups of shareholders or other stakeholders. It should be noted that under normal circumstance a nominee (elected director) cannot be considered independent if he/she is related to the company, its substantial shareholder or counterparty, the company's competitor, or the government.	1. In the reporting period, all independent directors met the independence criteria set out in Recommendations 102–107 of the Code or were deemed independent by resolution of the board of directors.
2.4.2	The compliance of nominees to the board of directors with the criteria for independence is assessed, and a regular review of the compliance of independent directors with such criteria is performed. The substance shall prevail over form in such assessments.	<p>1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its opinion on the independence of each nominee to the board of directors and presented respective opinions to shareholders.</p> <p>2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors listed by the company in its annual report as independent directors.</p> <p>3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.</p>
2.4.3	Independent directors make up at least one third of the elected directors.	1. Independent directors make up at least one third of directors.
2.4.4	Independent directors play a crucial role in preventing internal conflicts in the company and the performance by the latter of material corporate actions.	1. Independent directors (who do not have a conflict of interest) carry out a preliminary assessment of the material corporate actions implying a possible conflict of interest, and the results of such assessment are presented to the board of directors.
2.5 THE CHAIRMAN OF THE BOARD OF DIRECTORS FACILITATES THE BEST PERFORMANCE OF ASSIGNED DUTIES BY THE BOARD OF DIRECTORS.		
2.5.1	The board of directors is chaired by an independent director, or a senior independent director is chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors.	<p>1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors.</p> <p>2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.</p>

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Full

Full

None

In the reporting period, the Board of Directors decided on the approval of a major transaction and an additional issue of JSC FPC shares. These material corporate actions were not interested-party transactions.

Partial

1. The Chairman of FPC's Board of Directors is not an independent director. The candidate to become Chairman of FPC's Board of Directors is approved by the Board of Directors of Russian Railways. Independent directors do not require additional coordination; a senior independent director is not appointed.
2. The role, rights, and duties of the Chairman of the Board of Directors and the senior independent director are set out in the Regulations on the Board of Directors of JSC FPC.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussions of agenda items, and supervises the execution of resolutions passed by the board of directors.	1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing the efficiency of the board of directors in the reporting period.
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials regarding items on the agenda of the board meeting.
2.6	DIRECTORS ACT REASONABLY AND IN GOOD FAITH IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS, RELYING ON SUFFICIENT INFORMATION, EXERCISING DUE CARE AND PRUDENCE.	
2.6.1	Directors make decisions based on all information available, without conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	<p>1. The company's internal documents provide that a director should notify the board of directors if he/she has a conflict of interest in respect of any item on the agenda of the board meeting or the board's committee meeting, prior to the discussion of the relevant agenda item.</p> <p>2. The company's internal documents stipulate that a director should abstain from voting on any item in connection with which he/she has a conflict of interest.</p> <p>3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.</p>
2.6.2	The rights and obligations of directors are clearly defined and set out in the company's internal documents.	1. The company has adopted and published an internal document clearly defining the rights and duties of directors.
2.6.3	Directors have sufficient time to perform their duties.	<p>1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period.</p> <p>2. Following the company's internal documents, directors inform the board of their intentions to joint management bodies of other organisations (except for entities controlled by, or affiliated to, the company), or of the relevant appointment made.</p>
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and the performance of the board of directors as soon as possible.	<p>1. Following the company's internal documents, directors are entitled to have access to documents and make queries regarding the company and entities under its control. The company's executive bodies should provide relevant information and documents.</p> <p>2. The company has in place a formalised induction program for newly elected directors.</p>

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Full

Full

Partial

The Company's internal documents do not stipulate the requirement for Directors to provide information about their intentions to join the management bodies of other organisations.

The Regulations on the Board of Directors of JSC FPC stipulate the following responsibilities for Board members:

- Communicate the intention to enter into transactions with the Company stakes and securities or shares (stakes) in FPC's subsidiaries, disclose information on such transactions in the prescribed form
- Inform the Company on circumstances, under which they may be recognised as interested parties to FPC's transactions according to Articles 81 and 82 of the Federal Law On Joint Stock Companies
- Timely present to the Corporate Secretary information on all amendments to their data records (including data on their current positions on management bodies (executive bodies, boards of directors) of other business entities) in the prescribed form.

Full

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.7	MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR SUCH MEETINGS AND PARTICIPATION OF DIRECTORS ENSURE EFFICIENT PERFORMANCE BY THE BOARD OF DIRECTORS.	
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.
2.7.2	The company's internal regulations formalise a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to prepare for such meetings in a proper manner.	1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting.
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of items on the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.	1. The company's articles of association or internal document provide for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the board of directors.
2.7.4	Resolutions on the most important matters related to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	1. The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.
2.8	THE BOARD OF DIRECTORS SETS UP COMMITTEES TO PREVIEW THE MOST IMPORTANT MATTERS RELATED TO THE COMPANY'S OPERATIONS.	
2.8.1	To preview matters related to controlling the Company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	1. The board of directors has set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has the experience and knowledge of preparing, analysing, assessing and auditing accounting (financial) statements. 4. Meetings of the audit committee were held at least once a quarter during the reporting period.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Partial

The Regulations on the Board of Directors of JSC FPC contain a recommendation to the Board of Directors to deal with the most important matters at meetings held in person. The list of such matters is specified in paragraph 4.4 of the Regulations on the Board of Directors of JSC FPC.

Partial

Following paragraph 18.10 of JSC FPC's Articles of Association, resolutions of the Company's Board of Directors on including the persons nominated by shareholders or the Board of Directors in the list of members of the collegial executive body or the Company's Audit Commission, or on approving the auditor and electing the person acting as the sole executive body of each company created through a reorganisation in the form of merger, division or spin-off, as well as in cases stipulated by the Federal Law On Joint Stock Companies, are passed by a majority of at least three quarters of the total number of Directors.

Following paragraph 18.11 of JSC FPC's Articles of Association, resolutions of the Board of Directors on matters listed in subparagraphs 1, 12, 21, 25, 27, 38, 43–45 and 47 of paragraph 15.1, Article 15 of the Articles of Association, as well as on approving the Company's dividend policy are passed by a majority of Directors.

Partial

Members of the Board of Directors and employees of Russian Railways and JSC FPC are involved in the activities of the Audit and Risk Committee.

The Audit and Risk Committee is headed by an independent director.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"> 1. The board of directors has set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments, human resources) committee was set up, predominantly comprised of independent directors.	<ol style="list-style-type: none"> 1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is entirely in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	<ol style="list-style-type: none"> 1. In the reporting period, the board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	<ol style="list-style-type: none"> 1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.
2.8.6	Committee chairmen inform the board of directors and its chairman on the work of their committees regularly.	<ol style="list-style-type: none"> 1. During the reporting period, committee chairmen reported to the board of directors on the work of committees regularly.
2.9	THE BOARD OF DIRECTORS ENSURES PERFORMANCE ASSESSMENT OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND MEMBERS OF THE BOARD OF DIRECTORS.	
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's development requirements, as well as bolstering the work of the board of directors and identifying areas for improvement.	<ol style="list-style-type: none"> 1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
Partial	<p>Members of the Board of Directors and employees of Russian Railways and JSC FPC are involved in the activities of the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors.</p> <p>Two out of seven members of the Human Resources, Remuneration, and Corporate Governance Committee are independent directors. The Committee is headed by a non-executive director who is not the Chairman of FPC's Board of Directors.</p>
Partial	<p>JSC FPC has set up the Human Resources, Remuneration, and Corporate Governance Committee of the Board of Directors. The roles of the Committee are set out in the Regulations on the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors and comply with recommendations of the Corporate Governance Code concerning the remuneration committee and the nomination committee.</p> <p>Two independent directors on the Committee represent 29% of the total Committee membership.</p>
Full	
Partial	<p>The Audit and Risk Committee is headed by an independent director. The Human Resources, Remuneration, and Corporate Governance Committee is headed by a non-executive director who is not the Chairman of FPC's Board of Directors.</p> <p>The Strategic Planning Committee is headed by the Chairman of the Company's Board of Directors.</p>
Full	
Partial	<p>Self-assessment results of the Board of Directors were reviewed at a meeting in absentia.</p>

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
2.9.2	Performance of the board of directors, its committees and members shall be assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.
3.1	THE COMPANY'S CORPORATE SECRETARY ENSURES EFFICIENT ONGOING INTERACTION WITH SHAREHOLDERS, COORDINATE THE COMPANY'S EFFORTS TO PROTECT SHAREHOLDER RIGHTS AND INTERESTS, AND SUPPORTS THE ACTIVITIES OF THE BOARD OF DIRECTORS.	
3.1.1	The corporate secretary has the knowledge, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company has adopted and published an internal document – regulations on the corporate secretary. 2. The biographical data of the corporate secretary is published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	1. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary.
4.1	REMUNERATION PAYABLE BY THE COMPANY IS SUFFICIENT TO ATTRACT, MOTIVATE AND RETAIN PEOPLE WITH COMPETENCIES AND QUALIFICATIONS REQUIRED BY THE COMPANY. REMUNERATION PAYABLE TO DIRECTORS, EXECUTIVE BODIES AND OTHER KEY MANAGERS OF THE COMPANY COMPLIES WITH THE APPROVED REMUNERATION POLICY OF THE COMPANY.	
4.1.1	The amount of remuneration paid by the company to directors, executive bodies and other key managers creates sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	1. The company has in place an internal document (internal documents) – the policy (policies) on the remuneration of directors, executive bodies and other key managers, which clearly defines (define) the approaches to the remuneration of the above persons.
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. In the reporting period, the remuneration committee considered the remuneration policy (policies) and the practical aspects of its (their) introduction and presented the relevant recommendation to the board of directors as required.
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key managers of the company, and regulate all types of expenses, benefits and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies and other key managers of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

None

The performance of the Board of Directors was not assessed in the reporting period.

Full

Full

Full

Partial

In 2019, the Human Resources, Remuneration, and Corporate Governance Committee of FPC's Board of Directors did not review matters related to the remuneration of the General Director and key managers of the Company.

Full

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
4.1.4	The company defines policy on reimbursement (compensation) of costs detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies and other key managers of the company can claim. Such a policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of costs incurred by directors, executive bodies and other key managers of the company.
4.2	REMUNERATION SYSTEM FOR DIRECTORS ENSURES ALIGNMENT OF THE FINANCIAL INTERESTS OF DIRECTORS WITH LONG TERM FINANCIAL INTERESTS OF SHAREHOLDERS.	
4.2.1	he company pays fixed annual remuneration to directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for directors.	1. Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.
4.2.2	Long-term ownership of the company's shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) the provision of the company's shares to directors, clear rules for share ownership by directors shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' mandates resulting from the change of control or any other reasons.	1. The company does not provide for any extra payments or compensations in the event of early termination of directors' mandates resulting from the change of control or any other reasons.
4.3	THE COMPANY CONSIDERS ITS PERFORMANCE AND THE PERSONAL CONTRIBUTION OF EACH EXECUTIVE TO THE ACHIEVEMENT OF SUCH PERFORMANCE WHEN DETERMINING THE AMOUNT OF A FEE PAYABLE TO MEMBERS OF EXECUTIVE BODIES AND OTHER KEY MANAGERS OF THE COMPANY.	
4.3.1	Remuneration due to members of executive bodies and other key managers of the company is determined in a manner providing for a reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's contribution.	<p>1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key managers of the company.</p> <p>2. During the latest assessment of the system of remuneration for members of executive bodies and other key managers of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration.</p> <p>3. The company has in place a procedure that guarantees a return to the company of bonus payments illegally received by members of executive bodies and other key managers of the company.</p>

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

None

Not applicable. The Regulations on Remuneration and Reimbursement for Members of FPC's Board of Directors do not stipulate the provision of the Company's shares to directors.

Full

Partial

1. Annual targets set out in JSC FPC's budget approved by the Board of Directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key managers of the Company.
2. The remuneration system for key managers of the Company was not assessed.
3. To return bonus payments illegally received by members of executive bodies and key managers to the Company, JSC FPC is governed by the Labour Code of the Russian Federation.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
4.3.2	The company has in place a long-term incentive program for members of executive bodies and other key managers of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	<ol style="list-style-type: none"> 1. The company has in place a long-term incentive program for members of executive bodies and other key managers of the company with the use of the company's shares (financial instruments based on the company's shares). 2. The long-term incentive program for members of executive bodies and other key managers of the company implies that the right to dispose of the shares and other financial instruments used in this program takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key managers at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed part of their annual remuneration.	<ol style="list-style-type: none"> 1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key managers at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.
5.1	THE COMPANY HAS IN PLACE EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM PROVIDING REASONABLE ASSURANCE IN THE ACHIEVEMENT OF THE COMPANY'S GOALS.	
5.1.1	The company's board of directors determined the principles of and approaches to organising risk management and internal control system in the company.	<ol style="list-style-type: none"> 1. Functions of different management bodies and units of the company in the risk management system and internal control are clearly defined in the company's internal documents/relevant policy approved by the board of directors.
5.1.2	The company's executive bodies ensure the establishment and continuous operation of efficient risk management and internal control system in the company.	<ol style="list-style-type: none"> 1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of units and departments accountable to them.
5.1.3	The company's risk management and internal control system ensures an objective, fair and transparent representation of the current state of the company and its prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	<ol style="list-style-type: none"> 1. The company has in place an approved anti-corruption policy. 2. The company has arranged for accessible means of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures and code of ethics.
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to its setting up determined by the board of directors, and that the system is functioning efficiently.	<ol style="list-style-type: none"> 1. In the reporting period, the board of directors or the board's audit committee assessed the efficiency of the company's risk management and internal control system. The information on the key results of this assessment is included in the company's annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
None	Not applicable.
Full	
Full	
Full	
Full	
Full	

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
5.2	THE COMPANY PERFORMS INTERNAL AUDITS FOR THE REGULAR INDEPENDENT ASSESSMENT OF THE RELIABILITY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM, AS WELL AS CORPORATE GOVERNANCE PRACTICES.	
5.2.1	The company has set up a separate business unit or engaged an independent external organisation to carry out internal audits. The functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors.	1. To perform internal audits, the company has set up a separate internal audit business unit functionally reporting to the board of directors or the audit committee or engaged an independent external organisation with the same line of reporting.
5.2.2	The internal audit unit assesses the performance of the internal control and risk management system, as well as the corporate governance system. The company applies generally accepted standards of internal audit.	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal audit and risk management.
6.1	THE COMPANY AND ITS BUSINESS ARE TRANSPARENT FOR SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS.	
6.1.1	The company has developed and adopted an information policy ensuring an efficient exchange of information between the company, its shareholders, investors and other stakeholders.	1. The company's board of directors approved an information policy developed following the Code's recommendations. 2. The board of directors (or one of its committees) considered matters related to the company's compliance with its information policy at least once in the reporting period.
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, including disclosure on its website. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership in the board's committees (as defined in the Code). 3. If the company has a controlling entity, the company publishes a memorandum of the controlling entity setting out the latter's plans for the company's corporate governance.
6.2	THE COMPANY MAKES TIMELY DISCLOSURES OF COMPLETE, UPDATED AND RELIABLE INFORMATION TO ALLOW SHAREHOLDERS AND INVESTORS TO MAKE INFORMED DECISIONS.	
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data.	1. The company's information policy defines the approaches to, and criteria of identification of information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. 2. If the company's securities are traded on foreign regulated markets, the company ensures concerted and equivalent disclosure of material information in the Russian Federation and the said markets in the reporting period. 3. If foreign shareholders hold a significant amount of the company's shares, during the reporting year, information was disclosed not only in the Russian language but also in one of the most popular foreign languages.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

To perform internal audits, the Company has set up a separate internal audit business unit – JSC FPC's Internal Audit Unit, which functionally reports to the Board of Directors.

Full

Partial

JSC FPC's Information Policy was approved by the Board of Directors on 5 December 2018.
Matters related to the Company's compliance with the Information Policy were not reviewed in the reporting period. One matter related to the Company's compliance with the Information Policy is planned for review in 2020.

Partial

A memorandum is not available.

Partial

Paragraphs 2 and 3 are not applicable: JSC FPC does not have foreign shareholders; the Company's securities are not traded on foreign regulated markets.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
6.2.2	The company avoids a formalistic approach to information disclosure and discloses critical information about its operations even if such disclosure is not required by law.	<ol style="list-style-type: none"> 1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period contains annual financial statements prepared under the IFRS, along with the auditor's report. 2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.
6.2.3	The annual report, as one of the essential tools of information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's performance in the reporting year.	<ol style="list-style-type: none"> 1. The company's annual report contains information on the key aspects of the company's operations and its financial results. 2. The company's annual report contains information on the environmental and social aspects of the company's operations.
6.3	THE COMPANY PROVIDES INFORMATION AND DOCUMENTS AS PER THE REQUESTS OF SHAREHOLDERS IN COMPLIANCE WITH PRINCIPLES OF FAIRNESS AND EASE OF ACCESS.	
6.3.1	The company provides information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.	<ol style="list-style-type: none"> 1. The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.
6.3.2	When providing information to shareholders, the company ensures the reasonable balance between the interests of particular shareholders and its interests consisting of preserving the confidentiality of crucial commercial information which may materially affect its competitiveness.	<ol style="list-style-type: none"> 1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.
7.1	ACTIONS THAT SIGNIFICANTLY IMPACT OR MAY SIGNIFICANTLY IMPACT THE SHARE CAPITAL STRUCTURE OR FINANCIAL CONDITION OF THE COMPANY AND, RESPECTIVELY, SHAREHOLDERS POSITION (MATERIAL CORPORATE ACTIONS) ARE FAIRLY EXECUTED PROVIDING OBSERVANCE OF RIGHTS AND INTERESTS OF SHAREHOLDERS AND OTHER STAKEHOLDERS.	
7.1.1	Material corporate actions include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or reduction of the company's authorised capital, listing or de-listing of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association define a list of transactions or other actions classified as material corporate actions on the competence of the company's board of directors.	<ol style="list-style-type: none"> 1. The company's articles of association define a list of transactions or other actions classified as material corporate actions, and criteria for their identification. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general shareholders meeting, the board of directors presents relevant recommendations to shareholders. 2. According to the company's articles of association, material corporate actions include at least: company reorganisation, acquisition of 30% or more of the company's voting shares (in case of takeover), execution by the company of material transactions, increase or reduction of the company's authorised capital, listing or delisting of the company's shares.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

Full

Full

Full

Full

Partial

Partly not applicable.
 Since JSC FPC is a non-public joint-stock company, its Articles
 of Association do not contain provisions on the listing and delisting
 of the Company's shares.
 JSC FPC does not have treasury shares.

ITEM	CORPORATE GOVERNANCE PRINCIPLES	CRITERIA FOR ASSESSING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE
7.1.2	The board of directors plays a crucial role in making decisions, or working out recommendations regarding material corporate actions, relying on the opinions of the company's independent directors.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are ensured for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures are taken to protect the rights and legitimate interests of the company's shareholders. In doing so, the company is guided by the corporate governance principles outlined in the Code, as well as by formal statutory requirements.	1. Taking into account the specifics of the company's operations, the company's articles of association establish lower minimum criteria for the company's transactions to be deemed material corporate actions than those provided by law. 2. All material corporate actions in the reporting period were duly approved before they were taken.
7.2	THE COMPANY PERFORMS MATERIAL CORPORATE ACTIONS IN SUCH A WAY AS TO ENSURE THAT SHAREHOLDERS TIMELY RECEIVE COMPLETE INFORMATION ABOUT SUCH ACTIONS, ALLOWING THEM TO INFLUENCE SUCH ACTIONS AND GUARANTEEING ADEQUATE PROTECTION OF THEIR RIGHTS WHEN PERFORMING SUCH ACTIONS.	
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences.	1. In the reporting period, the company disclosed information about its material corporate actions in due time and detail, including the grounds for, and timelines of, such actions.
7.2.2	Rules and procedures related to material corporate actions taken by the company shall be set out in the company's internal documents.	1. The company's internal documents provide for the procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired according to a major transaction or an interested party transaction. 2. The company's internal documents set out the procedure for engaging an independent appraiser to assess the value of the company's shares at their repurchase or redemption. 3. The company's internal documents provide for an expanded list of grounds on which members of the company's board of directors, as well as other persons as per the applicable law, are deemed to be interested parties to the company's transactions.

COMPLIANCE WITH CORPORATE
GOVERNANCE PRINCIPLEEXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSING
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

None

FPC's internal documents do not provide for such a procedure.

Full

Full

Partial

The Company's internal documents do not set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested-party transaction.

JSC FPC's Articles of Association stipulate that the provisions of Article 11 of the Federal Law On Joint Stock Companies do not apply to transactions in which the Company's controlling entity is the interested party.

JSC FPC'S REGISTRAR DETAILS

Protection of the interests and rights of FPC's shareholders is ensured through a reliable method for recording their rights to shares – the share register is maintained by an independent entity, Company STATUS.

On 28 April 2014 (Minutes No. 15), FPC's Board of Directors approved Joint Stock Company Registry Society STATUS as FPC's registrar and approved the terms of the contract therewith.

Full name of the registrar: Joint Stock Company Registry Society STATUS

Abbreviated name of the registrar: Company STATUS

Location: 23 Novokhokhlovskaya St., Bld. 1, Moscow, 109052, Russia

INN 7707179242 / KPP 772201001

Tel.: +7 495 974 8350 (general inquiries)

Email: office@rostatus.ru, info@rostatus.ru

Website: <http://www.rostatus.ru>

LIST OF FPC'S BRANCHES AND THEIR STRUCTURAL UNITS CERTIFIED TO ISO 9001:2015

BRANCH	STRUCTURAL UNITS	QMS PROCESSES
Moscow	Orekhovo-Zuyevo PCD Nikolayevka PCD Moscow-3 PCD Orel PCD Moscow-Kievskaya PCD Smolensk PCD Moscow-Yaroslavskaya CS Bryansk CS Moscow-Kalanchevskaya CS RWA	Passenger, baggage, and unaccompanied baggage transport Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains Issuance and sales of travel and carriage tickets and documents Carriage servicing before the journey Carriage overhauls with service life extension (overhaul reconditioning) Depot repairs (DR) Stage one and two (KR-1 and KR-2) carriage overhauls Current repairs of coupled/uncoupled carriages Wheelset repairs Repairs of carriage components and assemblies Carriage maintenance and inspection (TO-1, TO-2, and TO-3)
Northwest	Saint Petersburg-Moskovsky PCD Saint Petersburg-Moskovsky CS Moscow PCD Kaliningrad PCD Pskov CS Petrozavodsk CS Vehicle Transport Centre RWA	Passenger, baggage, and unaccompanied baggage transport Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains Issuance and sales of travel and carriage tickets and documents Carriage servicing before the journey Depot repairs (DR) Stage one (KR-1) carriage overhauls Current repairs of coupled/uncoupled carriages Wheelset repairs Repairs of carriage components and assemblies Carriage maintenance and inspection (TO-1, TO-2, and TO-3)
North Caucasus	Mineralnye Vody PCD Novorossiysk PCD Adler CS Rostov CS Makhachkala CS Grozny CS RWA	Passenger, baggage, and unaccompanied baggage transport Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains Issuance and sales of travel and carriage tickets and documents Carriage servicing before the journey Depot repairs (DR) Stage one (KR-1) carriage overhauls Current repairs of coupled/uncoupled carriages Wheelset repairs Repairs of carriage components and assemblies Carriage maintenance and inspection (TO-1, TO-2, and TO-3)

BRANCH	STRUCTURAL UNITS	QMS PROCESSES
West Siberian	Novosibirsk PCD Novosibirsk–Glavny CS Omsk PCD Barnaul CS Tomsk CS Novokuznetsk CS RWA	Passenger, baggage, and unaccompanied baggage transport Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains Issuance and sales of travel and carriage tickets and documents Carriage servicing before the journey Depot repairs (DR) Stage one and two (KR-1 and KR-2) carriage overhauls Current repairs of coupled/uncoupled carriages Wheelset repairs Repairs of carriage components and assemblies Carriage maintenance and inspection (TO-1, TO-2, and TO-3)
Ural	Sverdlovsk PCD Yekaterinburg CS Perm CS Tyumen CS Chelyabinsk PCD Orenburg PCD Orsk CS RWA	Passenger, baggage, and unaccompanied baggage transport Passenger assistance, customer service, and carriage servicing and maintenance on long-distance trains Issuance and sales of travel and carriage tickets and documents Carriage servicing before the journey Depot repairs (DR) Stage one (KR-1) carriage overhauls Current repairs of coupled/uncoupled carriages Wheelset repairs Repairs of carriage components and assemblies Carriage maintenance and inspection (TO-1, TO-2, and TO-3)
Northern	Kotlas PCD Kotlas CS Yaroslavl CS Vologda CS Syktyvkar CS Arkhangelsk CS RWA	
Volga	Saratov PCD Saratov–Passazhirsky CS Volgograd CS Voronezh PCD RWA	
Gorky	Gorky–Moskovsky PCD Kirov PCD Izhevsk CS Kazan CS RWA	
Kuybyshev	Samara PCD Ufa CS Penza CS Ulyanovsk CS RWA	
Far East	Vladivostok PCD Khabarovsk CS Tynda CS RWA	
Yenisey (Krasnoyarsk PCD)	Krasnoyarsk PCD	
East Siberian (Irkutsk PCD)	Irkutsk PCD	
Zabaikalie (Chita CS)	Chita CS	

DISCLAIMER

This Annual Report of the Joint Stock Company Federal Passenger Company (hereinafter referred to as the Company) based on the results of work for 2019 (hereinafter referred to as the Annual Report) was prepared using information available to the Company at the time of its preparation.

This Annual Report contains information on the results of the Company's activities in 2019 and forecast data, statements regarding the intentions, opinions or current expectations of the Company regarding the results of its activities, financial position, liquidity, growth prospects, strategy, as well as the development of an industry in which Company works. By their nature, such forward-looking statements are characterized by risks and uncertainties, since they relate to events and depend on circumstances that may not occur in the future.

The Company does not give any direct or implied representations or warranties and does not bear any responsibility in case of losses that individuals or legal entities may incur as a result of using the forwardlooking statements of this Annual Report, for any reason, directly

or indirectly. These individuals should not fully rely on the forwardlooking statements contained in this document, as they are not the only possible scenario.

The sum of the parts of the whole is not always equal to the total due to the use of arithmetic rounding.

Except as provided for by the laws of the Russian Federation, the Company does not undertake to revise or confirm expectations and estimates, as well as publish updates and changes to forecast statements presented in the Report in connection with subsequent events or the receipt of new information.

CONTACTS

Full name of the Company:

Joint Stock Company Federal Passenger Company

Abbreviated name of the Company::

JSC FPC

Location::

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