

## Statement from the Management Board Chairman and President



### Dear Partners and Colleagues,

Russian Railways remained a leader in infrastructural support for Russia's socioeconomic development in 2015.

Railways account for 45.3% of overall freight turnover – a number that includes pipeline transportation. The taxes paid by the Company have become a reliable source of replenishment for the state budget: tax payments totalled RUB 281 bln in 2015. Russian Railways employs more than 800,000 people, or more than 1% of all the country's workforce workers. Over a twelve-year period, Russian Railways has almost cut in half the railway industry's tension on the economy with our share of the nation's GDP decreasing from 3% in 2004 to 1.5% today.

These figures are without question important to understanding the role of railways in the country, but for the majority of the population the importance of

Russian Railways is above all measured by the quality of the Company's passenger services. We are pleased to note that we were able to offer our customers popular new services in 2015 such as multimodal transportation, double-decker trains and daily express trains with a convenient schedule. Passenger traffic increased on routes between Moscow and St Petersburg, Bryansk, Yaroslavl and other cities where we offered a new quality of services with growth of up to 50% on some routes. This means that our customers appreciate the work we have carried out.

For the first time ever, the suburban transportation sector is closing in on the break-even point in terms of its financial performance. Special thanks for this must be given to the Russian Government, the Russian Ministry of Transportation and other core ministries as well as governors for their productive dialogue and support.

Finally, updates were made to the Programme for the Development of Rapid-Transit and High-Speed Traffic in Russia and priority status was assigned to the Moscow-Nizhny Novgorod-Kazan High-Speed Railway pilot project as a part of the Moscow-Beijing Eurasian High-Speed Transport Corridor. The design of this railway line will be fully completed in 2016.

Along with acquiring new rolling stock, the Company actively introduced advanced transportation technologies, information and telecommunications systems, and satellite technologies in 2015. Innovative technologies are leading the way as we fully phase out imports, primarily as a result of joint projects with the regions and domestic industry enterprises.

We expect our partners to continue fulfilling the Group's orders diligently with the supply of high-quality materials and components, advanced machinery and innovative rolling stock at a mutually advantageous price. We are always open to constructive and honest cooperation.

Despite the difficult economic conditions, the Company managed to ensure social stability in 2015. We met all our social obligations to the staff, veterans and pensioners in accordance with the collective bargaining agreement. The Russian Railways Management Board also implemented a RUB 39.7-bln cost-cutting programme primarily through optimising the consumption of material resources and restricting prices on the products it procures. The Company managed to reduce resource usage costs, while not only retaining the same volume of major overhauls, but also increasing it versus the initial plan.

These measures helped to maintain growth in costs for transportation activities at a level of 7.1%, which is lower than the average annual growth seen in consumer and producer prices. Labour productivity increased by 4.8% despite a 3.4% decline in this indicator for the country's economy as a whole.

The plans and objectives that Russian Railways will pursue in 2016 are directly aligned with the economic development prospects of the Russian Federation. The decisions have been taken to index freight tariffs at 9% and partially establish property tax incentives for railway infrastructure facilities. For the first time in two years, the Company will ensure a balance in its activities without the provision of government subsidies for major repair work on railway infrastructure facilities.

In order to achieve this, we need to find sources of additional income as part of a strategy that focuses on the customer and aims to enhance the quality of services as well as improve the tariff system along with technological and innovative development. Work continues to improve management efficiency in accordance with the Russian Government's directives: the Company has drafted regulations on the quality control and internal audit system for this purpose.

Our primary focal point is to be attentive and respectful of our most important and fair customer – the passenger. The Russian Railways Group has already declared 2016 to be the Year of the Passenger, which reflects our desire to reduce ticket costs, increase train speed and improve the comfort and quality of services, particularly for people with limited mobility. I hope that our customers will soon notice the initial results of the work we have performed and that our Company's services will become more integrated and accessible.

**Oleġ Belozerov**  
Chairman of the Management Board  
and President of Russian Railways