

Main achievements of Russian Railways

Financial stabilisation of the Company

Given the macroeconomic situation and its direct impact on performance indicators, pricing pressure and volatility in the national currency, Russian Railways appropriately assessed the risks associated with its financial and business activities in 2015. The Company has estimated its losses from decreased transportation income, growth in interest payable on loan obligations tied to inflation and an increase in negative exchange rate differences and other operational and financial risks at more than RUB 130 bln.

Under these conditions, the Company implemented an action programme to ensure its financial stability:

- Decrease in income from transportation was compensated by a RUB 39.7-bln reduction in expenses (versus the initial plan) and an additional plan was implemented for

profit from other activities in the amount of RUB 10.1 bln. As a result, sales income totalled RUB 83.6 bln, an increase of RUB 17 bln (+22.5%) versus the initial plan and +43% compared with 2014.

- Social expenses were optimised by RUB 1 bln.
- Hedge accounting was introduced in accordance with the currency risk management policy, making it possible to reduce losses from the decline in the rouble exchange rate by RUB 69.7 bln.
- Measures were taken to prevent the impairment of subsidiaries and affiliates (S&A) for a total of RUB 18.8 bln.
- Debt of RUB 10.9 bln was recovered from the reserves of the Ministry of Health and Social Development based on interaction with the federal executive authorities.

- A RUB 19.3-bln package of shares in subsidiaries and affiliates was sold with profit of RUB 5.7 bln.

As a result, the Company reported net profit of RUB 0.3 bln in 2015 (versus a loss of RUB 44 bln in 2014).

For more on the financial stabilisation of the Company, see the "Results of financial and business activities" section.

1,020.4
mln passengers

Transported

2,954.9
bln tkm

Total freight turnover

RUB 0.3 bln

Net profit
(versus loss of RUB 44 bln in 2014)

4.8 %

Growth in productivity
for handling activities

7.1 %

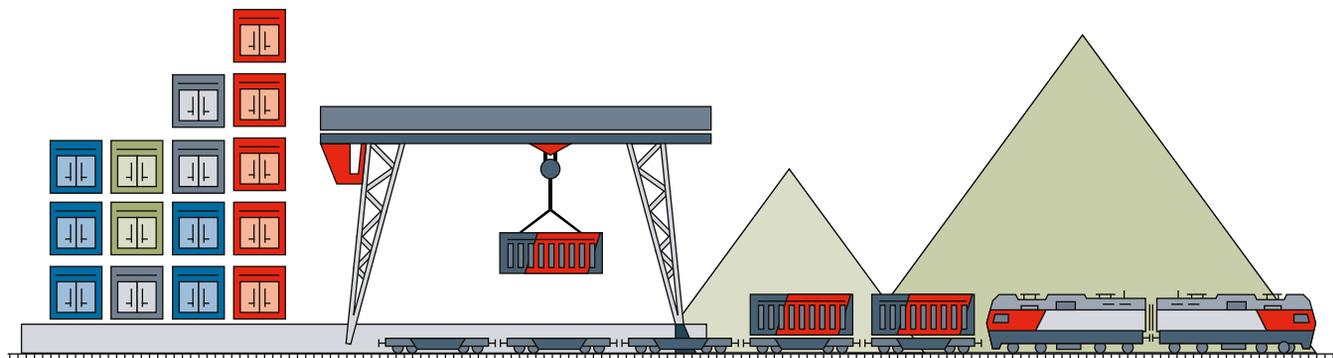
Growth in the cost of handling activities
versus 2014 despite average annual
inflation of 15.5%

RUB 365.5 bln

Investment programme spending in 2015

Key results by business unit within the Group's Strategy

Transportation and Logistics Business Unit



- Given the current economic situation, freight handling decreased 1% compared with 2014 and amounted to 1,214.5 mln tonnes. A decline in shipments within Russia was the main reason for lower handling volume.
- Freight turnover (including empty runs by railcars belonging to other owners) remained virtually unchanged versus the 2014 level (+0.01%) and amounted to 2,954.9 bln tkm.
- The share of railway transportation in the freight turnover of the country's transportation system remained at last year's level and totalled 45.3%.
- The share of shipments delivered within the required (contractual) period increased 5.8 p.p. as shipments in loaded railcars grew 5.2 p.p. versus the 2014 level. The average freight shipment delivery speed grew 14%.
- More than 100,000 trains operated on a schedule in 2015, including approximately 22,000 under contracts. Roughly 9,000 container trains were dispatched in addition to 214 "Freight Express" trains.

45.3 %

share of railway transportation in the freight turnover of the transportation system

⬆ +0.01% vs. 2014

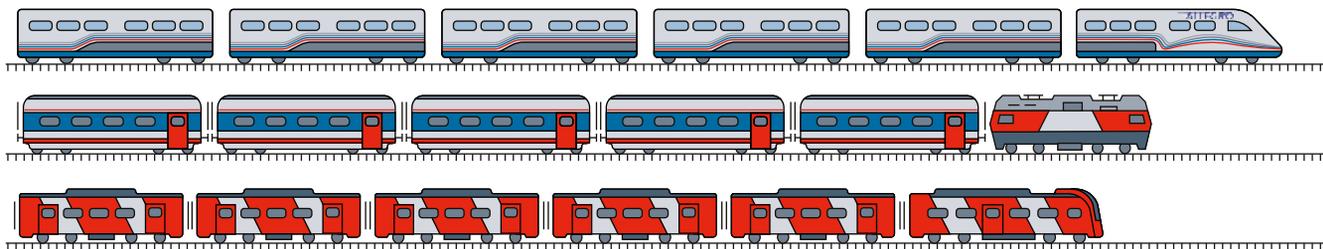
2,954.9
bln tkm

freight turnover

over **100,000**
freight trains

operated on schedule in 2015

Passenger Transportation Business Unit



- Passenger turnover on rapid-transit trains increased 25% to 2.5 bln passenger km in 2015, while passenger turnover on long-haul rapid-transit trains within Russia grew 26% to 2,440.2 mln passenger km.
- Passenger turnover on Russian Railways infrastructure declined 6.5% in 2015 versus 2014, including 7.0% for long haul transportation and 5.2% for suburban transportation.
- The Company managed to reach the break-even point for suburban transportation in 2015, in part due to the measures taken by the Russian Government to support suburban transportation.
- Russian Railways carried 1,020.4 mln passengers in 2015 (-4.7% versus 2014), including 97.9 mln passengers on long-haul journeys (-5%) and 922.5 mln passengers on suburban routes (-4.6%).
- As part of the existing schedule of the 'Daily Express' programme, the Company has 39 trains running on 21 railway network routes and transported 8.2 mln passengers last year, or 50% more than in 2014.
- The area served by double-decker rolling stock was expanded to 4 new routes, and for the year double-decker trains carried approximately 1.5 mln passengers.
- The new Strizh rapid-transit train began running from Moscow to Nizhny Novgorod in June 2015 with minimum travel time of 3 h 35 min. Some 700,000 passengers travelled on these trains in 2015.

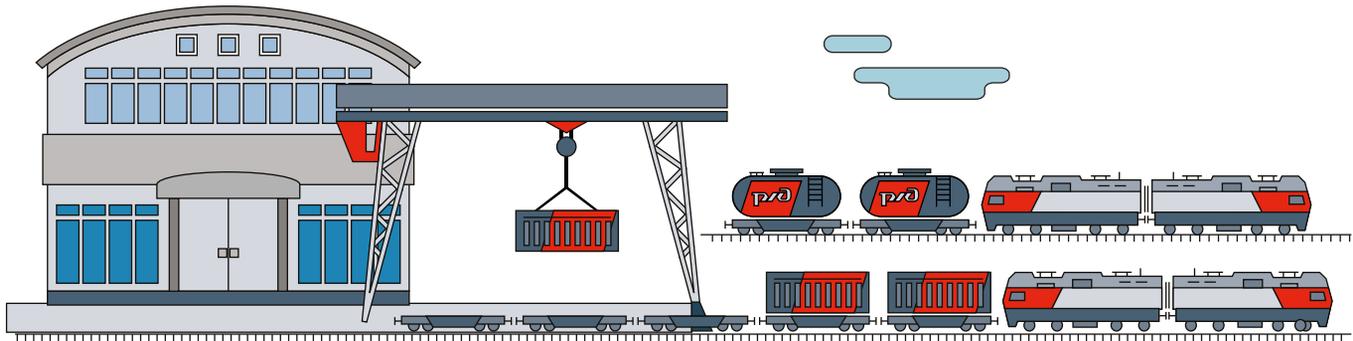
4 new routes

traversed by double-decker rolling stock

Implementation of high-speed rail projects

- High-Speed Rail Lines and a consortium of designers comprised of Mosgiprotrans, Nizhegorodmetroproekt and Eryuan Chinese Railway Engineering Corporation have signed a contract to perform engineering survey work, develop a project to plan and survey areas, and draft design documentation for the construction of the Moscow-Kazan section of the Moscow-Kazan-Yekaterinburg High-Speed Railway in 2015-2016.
- The Programme for the Development of Rapid-Transit and High-Speed Traffic in Russia until 2030 was drafted and approved. The Programme primarily focuses on selecting areas for the modernisation of existing lines and the construction of new rapid-transit and high-speed routes that offer the maximum economic and social effects by expanding the boundaries of existing metropolitan areas and forming new urban areas.
- The Ministry of Transportation of the Russian Federation, the National Development and Reform Commission of the People's Republic of China, Russian Railways and China Railway signed a memorandum on the forms of cooperation and models for financing and investing in the Moscow-Kazan High-Speed Railway project and the Moscow-Beijing Eurasian High-Speed Transport Corridor.

Railway Transportation and Infrastructure Business Unit



- Work continued in 2015 on projects to modernise the Baikal-Amur and Trans-Siberian Mainlines, completely rebuild the Mezhdurechensk-Tayshet railway section, develop the Moscow Transport Hub, renovate railway infrastructure at approaches to ports in the Azov and Black Seas, and build the Prokhorovka-Zhuravka-Chertkovo-Bataysk railway line (a new line on the Zhuravka-Millerovo route).
- Projects to develop carrying capacity were also continued in 2015, including: the reconstruction of the Mga-Gatchina-Veyrnarn-Ivangorod section, the development of the Tobolsk-Surgut-Korotchayevo section, the reconstruction and construction of engineering structures, the construction of secondary tracks and the development of marshalling yards.
- The Production Unit enhanced its internal efficiency, making it possible to meet the main budget parameters for rolling stock use, including for average freight train weight (+0.9%

versus 2014), average daily locomotive productivity (+3.7%) and service speed (+3.7%).

- Traction Resource Management Centres (TRMC) were completed on the network, making it possible to transition to the targeted model for managing the transportation process based on operating domain technology. The TRMC Automation System was developed to automate the work of the centres.
- The utilisation of information management technologies was an integral part of the Company's work to improve the efficiency of the transportation process, including the organisation of scheduled freight train traffic and an expansion in the railways using the Elbrus system, which ensures freight trains run on schedules that are optimal in terms of energy consumption.
- Container trains increased their route speed by 10 km per day (+1.1%) to

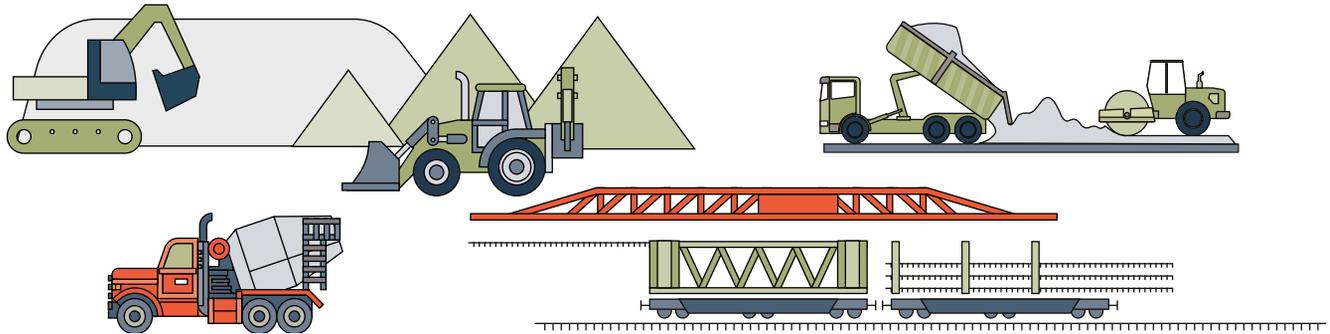
892 km per day in 2015 and reached speeds of 1,139 km per day as part of the 'Trans-Siberian Mainline in 7 Days' project, an increase of 66 km per day (+6.1%) versus the 2014 level.

- In 2015:
 - 500 traction rolling stock units were purchased;
 - The Company commissioned 163.5 km of new and secondary tracks and 157.7 km of station tracks, electrified 45.8 km of tracks and rebuilt 2,814.0 km of railway tracks.

892 km/day

Container train route speed (increase of 10 km/day)

International Engineering and Transportation Construction Business Unit



Republic of Serbia

The Russian Railways Group has fulfilled its contractual obligations for the reconstruction of a number of railway sections of the Corridor X Pan-European railway that runs through Serbia as well as the supply of diesel trains. Trains officially started running in September on the secondary main track of the Golubinci-Ruma section and the new Sopot Kosmajsky-Kovachevats (Serbia) section. In addition, RZD International has signed an additional agreement to rebuild three southern sections of the Corridor X pan-European railway as well as a memorandum on strategic partnership with Serbian Railway Infrastructure that serves as the foundation for the further development of Russian-Serbian cooperation in the railway industry.

Iran

Islamic Republic of Iran Railways and RZD International signed a contractual agreement on the design and supply of materials and equipment as well as construction as part of a project for the electrification of the Garmsar-Ince Burun railway section.

India

Russian Railways and the Ministry of Railways of the Republic of India signed a memorandum on mutual understanding concerning technical cooperation in the railway sector with the goal of jointly searching for mutually advantageous projects to implement in India.

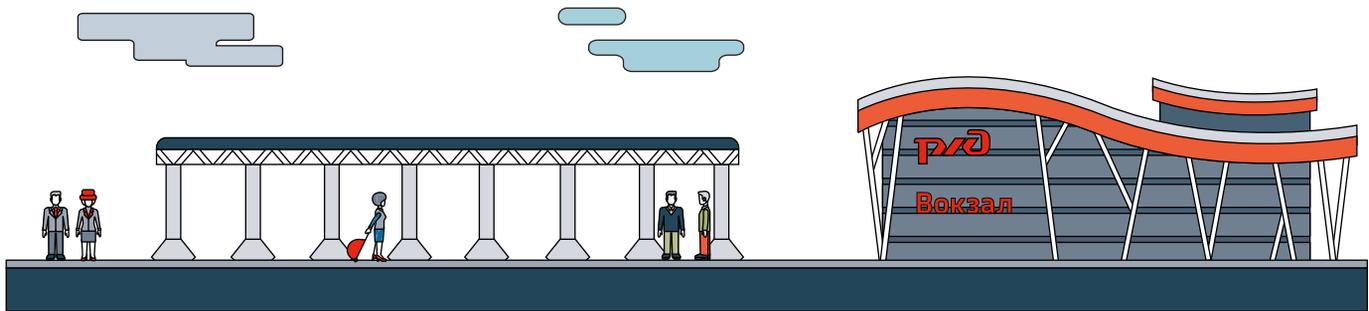
North and South Korea

Some 1.17 mln tonnes of coal were transited via North Korea's Rason port to China and South Korea as part of efforts to enhance the transit potential of Russia's railways.

Vietnam

Russian Railways and Vietnam Railways signed a cooperation agreement to develop interaction in several areas: logistics, the implementation of infrastructure projects, cooperation within international organizations and the exchange of experience as well as scientific and technical information.

Social Unit



- Despite macroeconomic instability and reduced income in 2015, Russian Railways maintained its status as a socially responsible employer. The Company met its obligations under the 2014-2016 collective bargaining agreement during the reporting period. In particular, employee salaries were indexed at 3.7% in March.
- The competitiveness of salaries earned by Russian Railways employees increased versus the 2014 level: the ratio of the Company's salaries to the overall Russian level was 1.31 in 2015 compared with 1.27 in 2014.
- The average monthly salary of Russian Railways employees working in transportation was almost RUB 45,000 in 2015, an increase of 8.2% from the 2014 level, although real wages were down 6.3% (9.5% for the country as a whole). Labour productivity grew 4.8% despite a 3.4% decline in this indicator throughout Russia.
- The staffing level was 99.2% (1.0 p.p. higher than in 2014) and turnover was 7.4% (down by 1.0 p.p.).
- More than 50,000 employees underwent professional training in 2015, while more than 150,000 and 103,600 executives and specialists underwent advanced training, which is in line with the planned targets.

1.31

ratio of Company employee salaries to overall Russian level

99.2 %

staffing level

+1.0 p.p. vs. 2014

Investment development

The Investment Development Programme implemented by Russian Railways in 2015 led to improvements in the following indicators:

- sections on which passenger trains travel at speeds of 120-140 km/h were expanded by 1,176 km, or 4.6% compared with 2014, while sections for freight trains running at speeds of more than 80 km/h were increased by 580.6 km (+1.0%);
- the total length of main tracks on concrete sleepers stood at 97,794.517 km at the end of 2015, an increase of 1,756.4 km (+1.8%) from the previous year, while the total length of continuous welded rail totalled 90,695.168 km, an increase of 1,701.778 km (+1.87%);
- work to renovate and modernise railway automation and telemechanic equipment on crucial railway sections featured a comprehensive approach with the simultaneous modernisation of electric interlocking, automatic locking and remote monitoring devices and their integration into complex transportation process control systems. The modernisation of

railway automation and telemechanic equipment that is still in operation despite doubling its useful life helped improve traffic safety and the reliable operation of devices; equipping technical diagnostics and monitoring centres with railway diagnostic and remote monitoring systems ensured the maximum detection of pre-failure conditions in railway automation and telemechanic equipment. As a result of these measures, the Company managed to decrease the number of first and second category failures (the KASANT system) from 6,920 in 2014 to 6,363 in 2015, or by 8.1%;

- work to renovate railcar fixed assets in 2015 resulted in an 11% decrease in the number of hardware failures compared with the 2014 level and also expanded the length of dedicated sections for non-stop train traffic by 16 km versus 2014;
- work to renovate electrification and power supply fixed assets in 2015 reduced the number of hardware failures 9.4% compared with the 2014 level, 111.5 km of contact network tracks for 160-km/h rapid-transit trains were rebuilt, 21.6 km of contact

network were renovated on 200-250-km/h tracks to establish rapid-transit and high-speed transportation and restrictions were lifted on trains weighing 6,300 tonnes on three inter-station zones with total length of 71 km.

Overall in 2015, Russian Railways commissioned:

- 163.5 km of new and secondary tracks,
- 45.8 km of electrification,
- 157.7 km of station track;

and rebuilt:

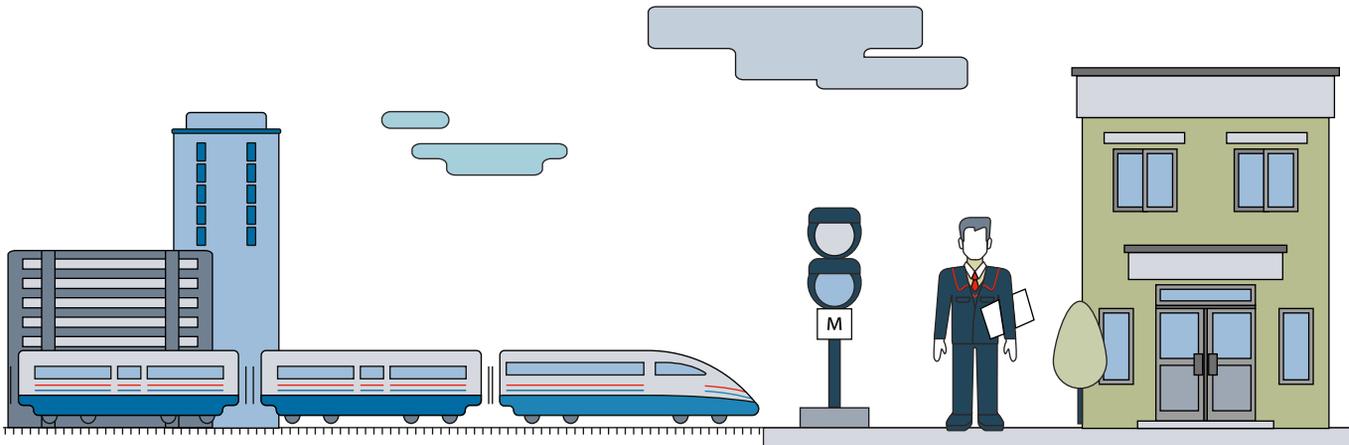
- 129 electric interlocking switch units,
- 50.8 km of the automatic blocking system,
- 280.5 km of centralised traffic control,
- 640.4 km of long-distance cable communication lines,
- 288.1 km of the contact network,
- 2,814 km of railway tracks.

Energy efficiency

Russian Railways implemented 11,800 measures as part of an Energy Conservation Programme at more than 2,290 structural units in 2015, resulting in savings of RUB 4.9 bln, including:

- 848.2 mln kWh of electricity valued at RUB 2,412.9 mln,
- 53,900 tonnes of diesel fuel valued at RUB 1,663.9 mln,
- 25.8 mln cubic metres of natural gas valued at RUB 114.9 mln,
- 5,300 tonnes of petrol valued at RUB 178.0 mln,
- 64,500 tonnes of coal valued at RUB 93.0 mln,
- 152,500 Gcal of heat valued at RUB 251.4 mln,
- 21,900 tonnes of fuel oil valued at RUB 216.6 mln.

Traffic safety



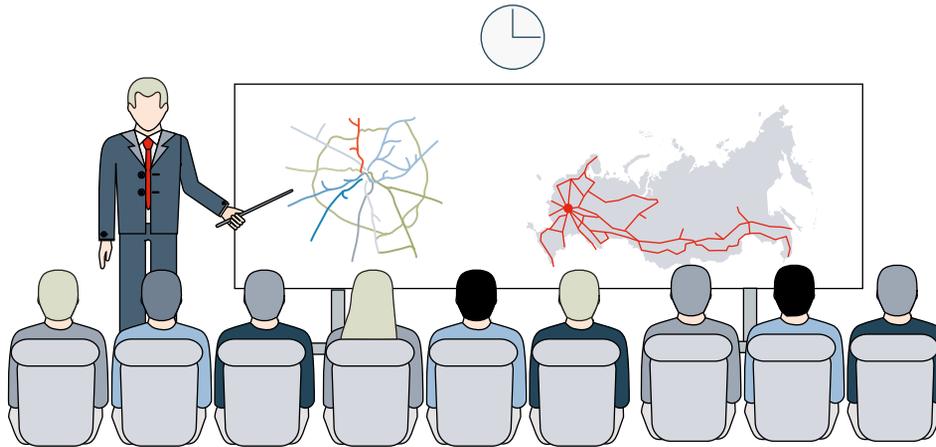
The Russian Railways Group spent RUB 2.1 bln on its Traffic Safety Programme in 2015

- The target traffic safety indicator for the Russian Railways Group had a value of 1.17 events per 1 mln train km in 2015 versus the planned level 1.58 events (a decrease of 26%).
- The number of facilities equipped with technical traffic safety equipment systems was expanded to 1,627, a 1.3% increase from the 2014 level.
- The number of traffic safety violations committed on Russian Railways infrastructure increased 64.2% (from 4,693 to 7,704) in 2015. However, third party organisations operating on Russian Railways infrastructure were responsible for most of the violations (68%).

1.17

Value of the target traffic safety indicator for the Russian Railways Group

Measures to expand the use of the process approach



As of the end of 2015, as part of the Action Programme to Expand the Use of the Process Approach:

- a process model flow chart was created for Russian Railways;
- regulatory and methodological documents on process management were drafted and approved;
- approximately 800 executives and specialists underwent process management training;
- a contest was held for the unit that best employs the process approach in managing and enhancing the performance efficiency of Russian Railways;
- decisions were adopted by the boards of directors of Russian Railways subsidiaries to introduce the process approach with the subsidiaries developing their own action programmes.

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