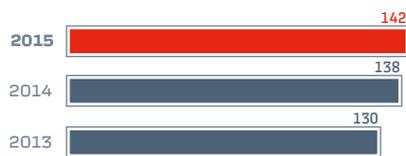
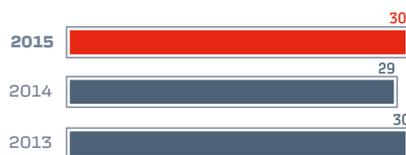


Financial leverage (assets/equity), %



Use (turnover) of assets (income/assets), %



Growth of 4 p.p. in financial leverage primarily resulted from an increase in the share of financial liabilities in the Company's assets due to the revaluation of the foreign currency-denominated portion of the loan portfolio.

Despite the current macroeconomic conditions and tariff policy, asset turnover increased by 1 p.p. versus the 2014 level. This indicates that the Company is generating the same volume of income per rouble of established assets.

At the same time, the Company's assets that were formed from contributions to the Company's charter capital are not generating significant effects from the investments made due to the long-term nature of investments in such assets. Thus, the Company only expects new assets to generate significant economic benefits after the range of investment projects is fully completed.

Government support for Russian Railways

Government support for Russian Railways from all budgets totalled RUB 157.9 bln in 2015, including federal budget subsidies of RUB 105.8 bln.

In 2015, the Russian Government continued its regulation of tariffs for Russian Railways services to use the infrastructure of public railway transportation for suburban traffic. Subsidies earmarked in the 2015 federal budget to compensate for losses by Russian Railways associated with the regulation of the tariffs on infrastructure services for suburban transportation totalled RUB 33.7 bln.

In addition, in accordance with Resolution No. 8 of the Russian Government dated 5 January 2015 "On Amendments to Resolution No. 844 of the Russian Government dated 17 October 2011", subsidies are earmarked for Russian Railways to compensate for losses in income that occurred in 2011-2014 as a result of the government regulation of tariffs for services to use railway infrastructure for suburban passenger transportation. Subsidies totalling RUB 0.1 bln were received in 2015.

Thus, Russian Railways received a total of RUB 33.8 bln in subsidies in 2015 to compensate for losses in income as a result of the government regulation of tariffs for services to use railway infrastructure for suburban passenger transportation.

Russian Railways received the following subsidies from the federal budget in 2015:

- to compensate for maintenance expenses on the road from Adler to the Alpika-Service mountain resort in the amount of RUB 0.6 bln;
- to compensate for losses from the transportation of certain freight – RUB 0.3 bln;
- to compensate for losses in income related to the provision of free transportation for World War II veterans and disabled veterans in connection with the commemoration of the 70th anniversary of victory – RUB 0.001 bln.

Government projects continued in the reporting year to develop railway transportation infrastructure funded by the Russian Railways budget through contributions to the Company's charter capital. Total contributions to Russian Railways charter capital amounted to RUB 71.2 bln in 2015, including:

- for measures to develop the transport

industry of the Moscow Region – RUB 29.5 bln (including RUB 4.4 bln from the Moscow budget);

- for the development of public railway infrastructure on the Mezhdurechensk-Tayshet section – RUB 11.05 bln;
- for the development and renovation of the Baikal-Amur and Trans-Siberian Mainlines – RUB 16.9 bln;
- to build the Moscow-Kazan High-Speed Railway – RUB 3.7 bln;
- for the comprehensive reconstruction of the M. Gorky-Kotelnikovo-Tikhoretskaya-Krymskaya section with a bypass of the Krasnodar hub – RUB 3.6 bln;
- for the construction of the Prokhorovka-Zhuravka-Chertkovo-Bataysk railway line – RUB 6.5 bln.

In addition, Russian Railways received RUB 50 bln from the National Wealth Fund in 2015 under a contract for the transfer of preferred shares to fund the development

programme for the Baikal-Amur and Trans-Siberian Mainlines.

The Company also received public support from regional budgets and extra-budgetary funds in 2015 in the amount of RUB 2.1 bln, including:

- RUB 1.5 bln under an agreement with the City of Moscow for work to clear territory falling within the zone of the reconstruction and construction of
- Moscow Little Ring Railway facilities;
- RUB 0.02 bln in subsidies from the Krasnodar Region budget to reimburse lost revenue from the state regulation of tariffs for suburban railway passenger transportation;
- RUB 0.09 bln in subsidies provided in connection with the regulation of electricity and heat tariffs;
- RUB 0.02 bln in subsidies for maintenance on low-density railway sections;
- RUB 0.3 bln in funding from the Social Insurance Fund for preventive occupational injury measures.

Government support for Russian Railways in 2015, RUB bln

Areas of government support	Volume
1. Direct support	34.6
Subsidies to compensate for income losses resulting from the government regulation of tariffs for services to use the infrastructure of public railway transportation for suburban traffic	33.8
Subsidies to compensate for maintenance expenses on the road from Adler to the Alpika-Service mountain resort	0.55
Subsidies to compensate for losses from the transportation of certain freight	0.3
Subsidies to compensate for losses in income related to the provision of free transportation for World War II veterans and disabled veterans in connection with the commemoration of the 70th anniversary of victory	0.001
2. Implementation of government projects via the Russian Railways budget	121.2
Development of public railway infrastructure on the Mezhdurechensk-Tayshet section	11.05
Development of the Moscow Transport Hub, including:	29.5
from the federal budget	25.1
from the Moscow budget	4.4
Development and renovation of the Baikal-Amur and Trans-Siberian Mainlines, including :	56.9
from the federal budget	16.9
from the Moscow budget	50.0
Construction of the Prokhorovka-Zhuravka-Chertkovo-Bataysk railway line	6.5
Rapid-transit and high-speed traffic	3.7
Comprehensive reconstruction of the M. Gorky-Kotelnikovo-Tikhoretskaya-Krymskaya section with a bypass of the Krasnodar hub	3.6
3. Government support from regional budgets and extra-budgetary funds	2.1
Total government support	157.9