

Analysis of income from transportation activities

Freight transportation accounted for 79.7% of Russian Railways' total income in 2015.

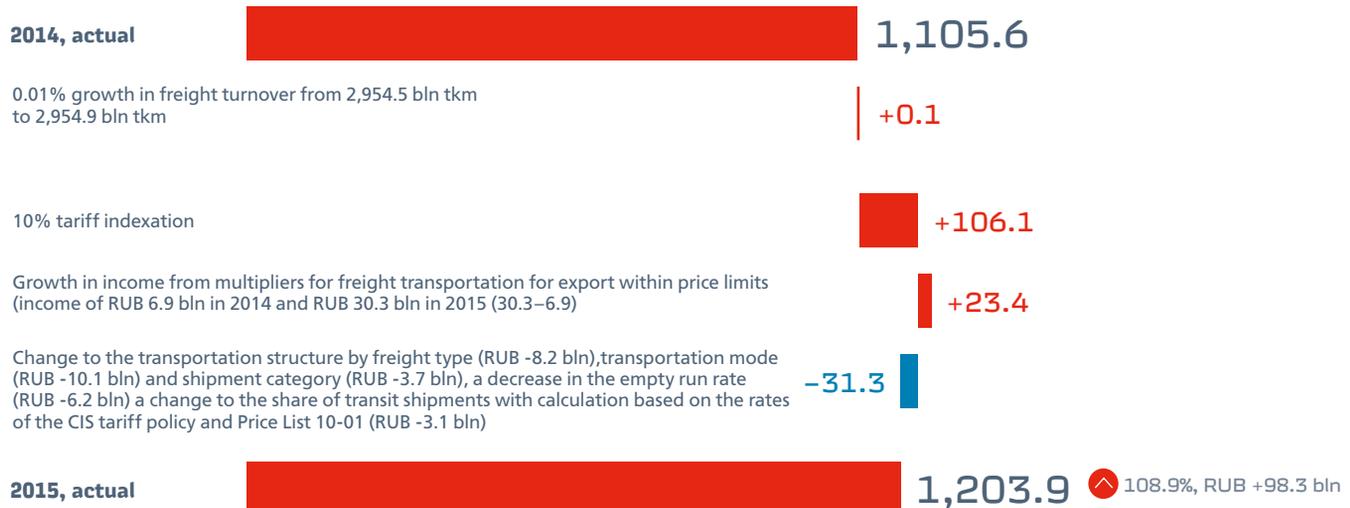
Income from freight transportation

Russian Railways had total income of RUB 1,203.9 bln in 2015, an increase of RUB 98.3 bln, or 8.9%, compared with 2014.

The change in income versus the previous year resulted from the following factors:

- 0.01% growth in freight turnover versus 2014 influenced the increase in income by RUB 0.1 bln;
- 8.9% growth in the average revenue rate per 10 tkm led to additional income of RUB 98.2 bln due to the following main factors:
 - the indexation of the freight transportation tariff by 10% resulted in additional income of RUB 106.1 bln;
 - the right to change tariffs within the tariff corridor, including using multipliers for freight transportation for export, which generated an additional RUB 23.4 bln;
 - at the same time, a number of negative factors resulting from changes to the transportation structure influenced the change in income (RUB -31.3 bln):
 - for types of goods (RUB -8.2 bln) due to growth in the proportion of first-class freight combined with a decline in the share of second- and third-class freight;
 - for types of traffic (RUB -10.1 bln) due to a decrease in the proportion of transit freight turnover, domestic shipments and international shipments via border crossings combined with a simultaneous increase in the proportion of less profitable freight coming through Russian ports;
 - for shipment categories growth in the proportion of block train shipments using a reduction factor vs. Price List 10-01 of up to 15% combined with a decrease in the share of railcar shipments influenced the decrease in income by RUB 3.7 bln;
 - a decrease in the revenue rate for empty runs based on the railcar type (RUB -6.2 bln);
 - a change to the share of transit shipments with calculation based on the rates of the CIS tariff policy and Price List 10-01 (RUB -3.1 bln).

Factor analysis of growth in income from freight transportation for 2015 vs. 2014, RUB bln



Income from long-haul passenger transportation

Russian Railways provides long-haul passenger transportation on the Sapsan, Lastochka (Desiro RUS) and Allegro trains.

Income from such transportation totalled RUB 11.2 bln in 2015, an increase of RUB 2.1 bln, or 23%, versus the previous year.

The main factor behind the increase in income from long-haul passenger transportation by high-speed trains was a 22% increase in the number of passengers transported compared with 2014 to 4.8 mln.

The primary reasons for growth in the number of passengers transported include:

- the assignment of 56 additional Sapsan train pairs on the Moscow-St Petersburg route (on holidays and also for the St Petersburg International Economic Forum);
- the assignment of two daily Lastochka (Desiro RUS) electric train pairs on the Rostov-Krasnodar route starting in March 2015;
- the assignment of one daily train pair on the Adler-Maykop route starting in May 2015.

Income from suburban passenger transportation

Income from suburban passenger transportation amounted to RUB 0.5 bln in 2015.

Russian Railways provides suburban passenger transportation as a carrier in the Krasnodar Region using twelve daily

Desiro RUS (Lastochka) trains on sections of the Sochi operating domain (six pairs each on the routes Olympic Park-Tuapse and Sochi-Roza Khutor) from 1 January to 29 June 2015 and 20 daily train pairs starting from 30 June 2015 (five pairs for Olympic Park-Tuapse, one pair for

Olympic Park-Lazarevskaya, six pairs for Sochi-Roza Khutor, two pairs for Aeroport-Lazarevskoye, two pairs for Aeroport-Tuapse, two pairs for Aeroport-Sochi and two pairs for Aeroport-Roza Khutor).

Income from infrastructure services

Income from infrastructure services totalled RUB 99.8 bln in 2015, an increase of RUB 0.7 bln, or 0.8%, from 2014.

The change in income versus the previous year occurred for the following reasons:

- increased income from the provision of infrastructure services for passenger transportation amounted to RUB 2.3 bln, including RUB 0.6 bln from long-haul infrastructure services and RUB 1.7 bln from suburban infrastructure services due to the following factors:
 - growth in the average revenue rate, including due to the indexation of the tariff for infrastructure services at 10%, led to an increase in income of RUB 9.9 bln, including RUB 7.3 bln for long-haul transportation and RUB 2.6 bln for suburban transportation;
 - an 8.9% decrease in the volume of long-haul and suburban passenger transportation as measured in railcar
- income from the provision of infrastructure services for freight transportation decreased by RUB 1.6 bln versus the previous year, including due to:
 - a decrease in the number of railcars left on infrastructure due to a reduction in the working railcar fleet (RUB -0.5 bln). The working railcar fleet decreased 5.4% (-55,000 units) in size in 2015 versus the 2014 level;
 - changes to the tariff level for services involving the occupation of railway transportation infrastructure due to

km compared with 2014 as a result of traffic optimisation by carriers led to reduced income of RUB 7.6 bln, including a decrease of RUB 6.7 bln in long-haul transportation and RUB 0.9 bln in suburban transportation;

the introduction on 7 June 2015 of new rates established by Order No. 127-T/I of the Russian Federal Tariffs Service dated 29 April 2015, which are almost 63% lower than the Russian contractual tariffs of Russian Railways that had previously been in effect (RUB -1.1 bln).

Income from locomotive traction services

Income from locomotive traction services totalled RUB 10.5 bln in 2015, an increase of RUB 0.26 bln, or 2.5%, from the previous year.