

- other measures – enhancing operating technologies, including by improving locomotive performance indicators, modifying the operating mode on sections with low intensity traffic, merging professions and expanding the service area, among other things.

The Company continues work to optimise material expenses while observing the required product quality levels and supply deadlines as well as guaranteeing the sustainability of their production volume.

Based on a continuous analysis of current prices, the Company monitors the situation

on industry-related markets, arranges negotiations with existing and potential product suppliers concerning the ability to lower prices, searches for alternative supply sources and studies the feasibility of obtaining additional discounts for products delivered as part of long-term contracts under which Russian Railways provides counterparties guaranteed supply volumes for a long period.

Timely amendments to regulatory documents of a technological nature that describe the use of labour resources reduce the labour intensity of technological processes and significantly decrease the estimated (required) number of employees.

As a result of the measures adopted by the Company and despite significant price pressure, the cost of transportation activities only increased by 7.1% versus 2014, which is significantly lower than the industry price growth (12.4%) and average annual inflation (15.5%).

Other types of activities

Profit from other types of activities totalled RUB 23.8 bln in 2015, an increase of RUB 4.7 bln, or 24.4%, from 2014.

In 2015, the Company's income from other types of activities totalled RUB 184.8 bln, an increase of RUB 8 bln, or 5%, from the previous year.

Given the limited growth in income due to the reduction in the volume of work performed and the ongoing policy to contain growth in the cost of rolling stock leasing services for suburban passenger companies and Federal Passenger Company, the measures taken by the Company to reduce the cost of the services proved to be key factors behind the positive dynamics seen in profit from other activities. Despite a significant decline in the volume of suburban transportation operations, the Company managed to ensure a minimal positive financial result from the provision of services by suburban passenger companies. In addition, increased efficiency of rolling stock management, a reduction in maintenance and routine repairs costs and growth in labour productivity contributed to improvements in the financial result versus the previous year by RUB 1.4 bln.

Structure of income from other types of activities, RUB bln



TOTAL

RUB **184,8** bln

The Company continued work to contain growth in long-haul passenger transportation expenses through a balanced tariff policy for the lease and management of passenger locomotives based on measures that aim to improve the efficient management of the passenger locomotive fleet given its changing age structure and support the transportation process with new traction passenger rolling stock. As a result of this work, the financial result

from locomotive leasing and management services was improved by RUB 1 bln compared to the previous year.

Russian Railways successfully implemented projects to lease passenger facilities with Central Suburban Passenger Company and outsourced road transportation services, which contributed to growth in profit taking into account the additional commercial utilisation of leasable space.

Further work was carried out to reincorporate inefficiently used utility facilities into civil circulation (heating facilities put under municipal ownership in the Republic of Buryatia, Udmurtia and other regions), which helped the Company improve its financial result as regards the provision of utility services by 21% versus the previous year (RUB +0.2 bln).

Other income and expenses

In 2015, other income totalled RUB 384.0 bln and other expenses amounted to RUB 442.6 bln for a financial result of RUB (-58.6) bln.

Change in other income and expenses in 2014–2015, RUB bln

Indicator	2014	2015	Change	
			+/-	%
Result from other income and expenses	-97.7	-58.6	39.1	60
Including:				
sale of assets	2.9	7.1	4.2	245
sale of shares	1.4	5.7	4.3	407
dividends	16.7	2.9	-13.8	17
property contribution to charter capital	31.4	0.7	-30.7	2
interest receivable	2.9	11.8	8.9	407
exchange rate differences	-142.5	-22.1	120.4	16
change in provisions	44.4	7.6	-36.8	17
budget funding	27.6	32.2	4.6	117
interest payable excluding capitalised interest	-34.7	-64.5	-29.8	186
Guarantees under the collective bargaining agreement for Company employees and their families as well as retirees	-26.8	-26.8	0	100