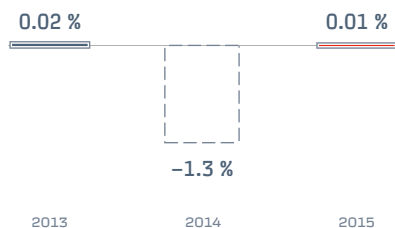


Factor analysis of profit margin

Return on equity



Return on equity amounted to 0.01% in 2015. The following factors affected the return on equity level: net profit margin, asset turnover and financial leverage. Given the lack of growth in transportation operations, the return on sales was 5.5% in 2015, an increase of 1.3 p.p.

Operating profit margin, %



from 2014, primarily due to the effect of the Company's cost optimisation measures and improvements in the quality of work.

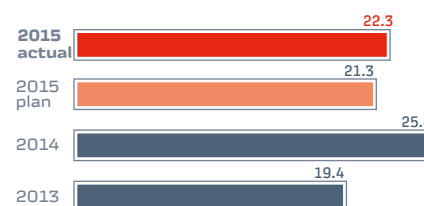
The positive net profit margin in 2015 compared with 2014 resulted from growth in

sales profit as well as non-operating effects due to hedge accounting and the a decrease in exchange rate losses categorised as profit, which enabled the Company to break even in 2015 after generating a loss in 2014.

The target for EBITDA margin approved by the Company's Board of Directors was exceeded by 1 p.p. primarily due to growth in sales profit of RUB 15.4 bln versus the plan. Compared with the previous year, the EBITDA margin declined by 3.1 p.p. due to the reflection of a significant number of non-operating factors in the 2014 financial statement (restoration of accounts receivable from the doubtful loan provisions for infrastructure and rolling stock lease

services provided to suburban passenger companies (RUB +41.1 bln) as well as the revaluation of financial investments and an additional share issue by subsidiaries (RUB 31.4 bln, including RUB 23.1 bln from the establishment of UTLC). No proportionate measures were carried out in 2015.

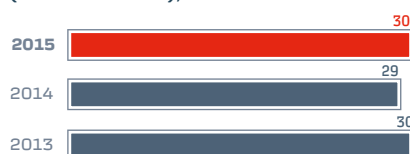
EBITDA margin, %



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