

preparation of design documentation by design institutes. In 2017, audits will be conducted at four facilities.

The Company also actively cooperates with the Russian Government, the Expert Council under the Russian Government, the Open Government and the Consumer Council on matters concerning the activities of Russian Railways as regards developing an optimal mechanism for managing the process and price audit procedure for projects. In particular, Russian Railways insists on the need to regulate independent process and price audit procedures at the level of federal legislation, which would make it possible to

eliminate existing conflicts in the legislative provisions of the Russian Federation as well as determine the status of these procedures and the extent of liability.

In future years, the Company also plans to regularly carry out all the necessary comprehensive measures that aim to optimise the use of investment resources in order to improve its performance efficiency and execute the orders of the Russian Government.

Implementation of the Russian Railways Investment Programme for 2015

In 2015, the actual execution of Russian Railways Investment Programme amounted to RUB 365.5 bln.

The adjustments to the Investment Programme were primarily attributable to changes to the 2015 federal budget in the form of updates to funding sources for the Company's infrastructure projects as well as certain decisions by the Russian Government on the implementation of Russian Railways investment projects and in connection with work on technological and price solutions that are required to optimise and enhance the effective use of budget funds.

Among other things, spending on railway track reconstruction was moved up to 2015 from 2016 taking into account work performed on closed runs using 'winter stowage' technology, and updates were made to the parameters of a number of investment projects.

In 2015, the structure of the Russian Railways investment budget continued to

be presented in the form of independent units that allow for prioritising their implementation with a breakdown of key tasks, including:

- projects related to the fulfilment of orders by the Russian Government;
- ensuring safety;
- eliminating infrastructural constraints;
- improving transportation accessibility for the public;
- renovating rolling stock;
- other projects.

On the path to change



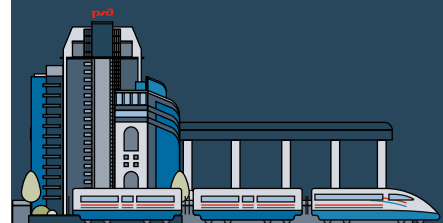
Vadim Mikhailov
Senior Vice President
of Russian Railways

One of the priority tasks in executing the Russian Railways investment budget in 2015 was the implementation of projects of national importance related to the fulfilment of orders from the Russian President and Russian Government that are implemented with state support.

The Company performed substantial work in 2015 to ensure its investment programme had the necessary sources of funding.

A total of RUB 50 bln was raised from preferred shares for the project to modernise the Baikal-Amur and Trans-Siberian Mainlines.

A number of projects, including renovations to traction rolling stock, were funded via infrastructure bonds.



Based on materials from the final meeting of the Russian Railways Management Board

Investment budget indicators of Russian Railways for 2015, RUB bln

Section	2014		Target	2015			+/- 2015 vs. 2014	% 2015 vs. 2014
	Actual	Share of total expenditures		Actual	Share of total expenditures	%		
TOTAL	396.0	100.0	382.9	365.5	100.0	95.4	-30.5	92.3
Projects related to the fulfilment of the Russian Government's orders	67.5	17.1	147.4	133.8	36.6	90.8	66.3	198.2
Safety	46.9	11.8	45.6	44.3	12.1	97.0	-2.6	94.4
Elimination of infrastructural constraints	140.8	35.6	74.8	74.3	20.3	99.3	-66.5	52.8
Improving transportation accessibility for the public	12.8	3.2	13.4	13.2	3.6	98.9	0.4	103.4
Renovating rolling stock	104.4	26.4	89.5	88.8	24.3	99.2	-15.6	85.0
Other projects	23.6	6.0	12.2	11.0	3.0	90.5	-12.6	46.7

The priority objective in the Russian Railways investment budget for 2015 was to implement projects of national importance

involving the fulfilment of orders from the Russian President and Government that are to be carried out with state support.

Investment budget indicators of Russian Railways for 2015 by source, RUB bln

Source	Plan	Fulfilment	% vs. plan
Total	382.9	365.5	95.4
Including:			
internal	238.7	228.6	95.8
Russian Railways	201.7	191.7	95.0
Pension Fund bonds	37.0	37.0	100.0
government support	144.2	136.9	94.9
NWF	8.9	7.9	88.8
federal budget, City of Moscow funds, subsidies	75.1	69.1	91.9
NWF bonds	60.2	59.9	99.5