

Work with small- and medium-sized enterprises

The Company utilises a range of measures to encourage new suppliers to participate in procurements, including small- and medium-sized enterprises (MSE), and also to assess the level and potential effectiveness of the high-tech products that are offered.

In order to further expand interaction with MSE in matters of innovative development, the Company established the 'MSE One-Stop Shop'

system to increase purchases of innovative and high-tech products from MSE in the overall annual volume of procurements.

A pilot system in its early stages allows for the initial classification of offers received, the compilation of a register and the subsequent processing of the offers. A data entry form is available for external users to help them negotiate the registration

procedure in addition to a form to collect information about the offer.

The next stages of the system's development will provide the ability to classify the relevant innovative and high-tech features in the proposed product when the user submits an application.

Energy efficiency

Russian Railways remains a leader among global railway companies in terms of the energy efficiency and eco-friendliness of freight and passenger transportation.

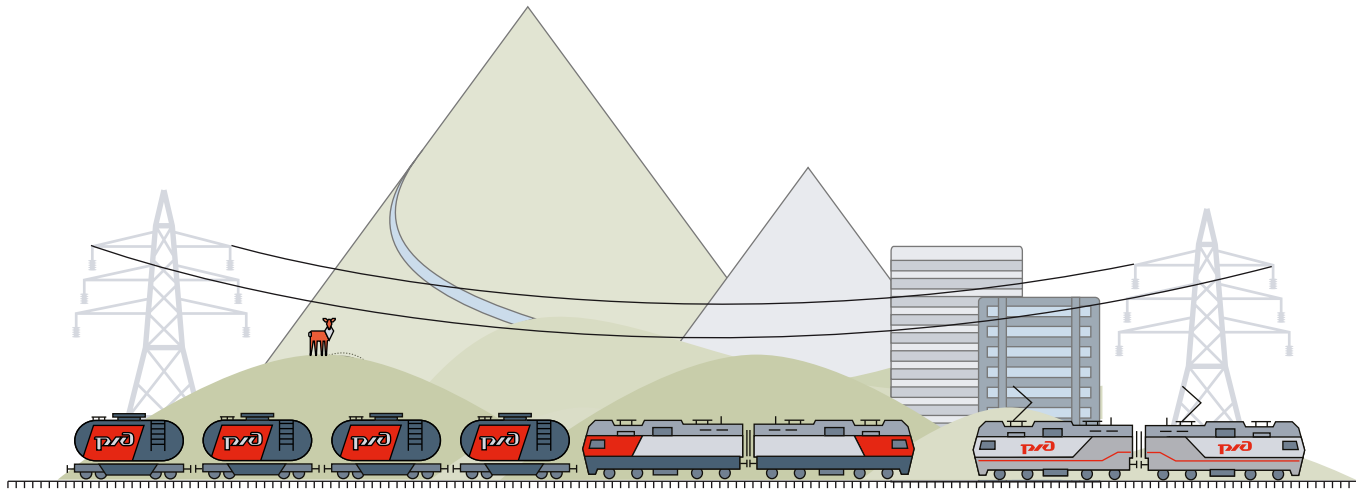
Given the challenging economic conditions of 2015, effective cost-cutting tools included improvements to the management system for the Company's energy conservation activities, including measures under the Energy Conservation Programme and the increased energy efficiency of Russian Railways, as well as planning and monitoring the fulfilment of target indicators in energy conservation within the Energy Efficiency Automated Information System.

As a result of the Russian Railways Energy Conservation Programme in 2015, 41 of the Company's branches achieved savings of 9.36 PJ valued at RUB 4.932 bln and reduced greenhouse gas emissions in the amount of 904,400 tonnes of CO2 equivalent, which is the best result seen in the Company's energy conservation activities over the last six years.

With freight transportation decreasing 1.0% versus the 2014 level, Russian Railways reduced its absolute energy consumption level by almost 3.4%.

Specific electricity consumption for train traction declined 1.2% in 2015, while diesel fuel consumption fell 2.0%.

With the targets for the reduction in the energy intensity of industrial activities set at no less than 1.1% by the Russian Federal Tariffs Service for Russian Railways in 2015, the Company actually decreased the energy intensity of its industrial activities by 1.3%.



The greatest effect was achieved by the following measures of the Energy Conservation Programme that aim to improve the Company's energy efficiency:

- improved train traffic control methods (savings of RUB 1,285.9 mln, or 1,708,467.3 GJ);
- improved locomotive utilisation indicators (savings of RUB 831.5 mln, or 1,128,281.8 GJ);
- improved technical condition of locomotives (savings of RUB 148.9 mln, or 238,580.6 GJ);
- improved technical condition of track facilities (savings of RUB 41.4 mln, or 52,045.2 GJ);
- improved traction power supply system indicators (savings of RUB 66.8 mln, or 79,146.9 GJ);

- increased level of regenerative power return (savings of RUB 456.7 mln, or 612,695.6 GJ);
- optimised operating modes and modernisation of heating systems (savings of RUB 600.3 mln, or 2,673,496.6 GJ);
- use of energy efficient bulbs and optimisation of lighting system modes (savings of RUB 507.9 mln, or 607,785.8 GJ);
- increased energy efficiency of technological processes and infrastructure facilities (savings of RUB 603.2 mln, or 1,127,527.2 GJ);

In 2015, more than 2,290 of the Company's structural divisions implemented 11,800 measures under the Energy Conservation Programme, saving RUB 4.932 bln, including due to the savings of:

- 848.2 mln kWh of electricity valued at RUB 2,412.9 mln;
- 53,900 tonnes of diesel fuel valued at RUB 1,663,9 mln;
- 5,300 tonnes of petrol valued at RUB 178.0 mln,
- 152,500 Gcal of thermal energy valued at RUB 251.4 mln;
- 25.8 mln cubic metres of natural gas valued at RUB 114.9 mln;
- 64,500 tonnes of coal valued at RUB 93.0 mln;
- 21,900 tonnes of heating oil valued at RUB 216.6 mln.