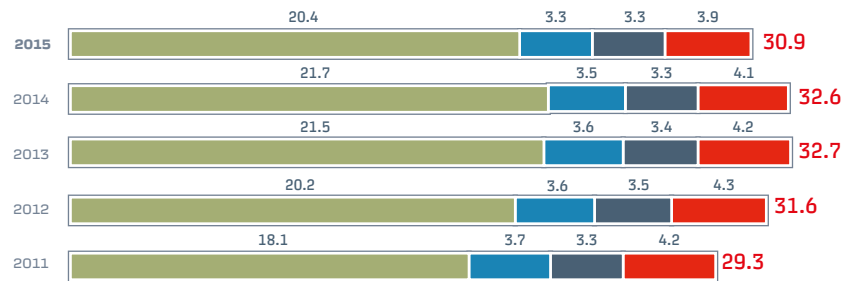


Suburban passenger transportation via Russian Railways infrastructure

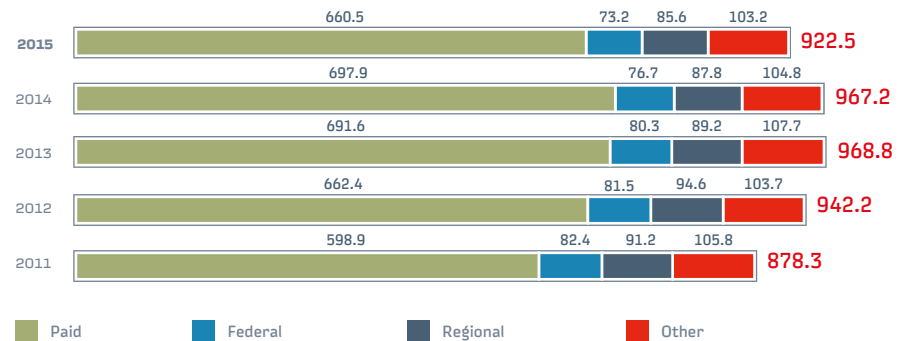
Suburban passenger turnover via Russian Railways infrastructure declined 5.2% to 30.9 bln pass. km in 2015 compared with 2014.

Suburban transportation carried 922.5 mln passengers in 2015, or 4.6% less than in 2014. Paying passengers made up 71.6% of the passenger structure, federal benefit recipients – 7.9%, regional benefit recipients – 9.3% and other categories – 11.2%. The number of paying passengers decreased by 5.4% compared with 2014.

Suburban passenger turnover by category, bln pass. km



Number of suburban traffic passengers transported via Russian Railways infrastructure, by category, mln passengers



Structure and performance results of the suburban passenger service system

At present, services are provided by 25 suburban passenger companies (SPC) that were established with the participation of Russian Railways, regional executive authorities, private investors as well as Aeroexpress, Interregional Passenger Company and Russian Railways (as represented by the High-Speed Transportation Directorate – branch of Russian Railways).

Russian Railways has a more than 50% stake in the charter capital of 19 suburban companies.

Suburban passenger companies concluded 92 contracts for public transportation services with 72 constituent entities of the Russian Federation in 2015.

Based on the 2015 results, 22 SPC were operating in the black with net profit of RUB 4,840.0 mln. Three SPC (North Caucasus SPC, Zabaikalskaya SPC and Kuban Express-Suburb) had combined losses of RUB 504.7 mln.

Performance results of SPC in 2015, RUB mln

No.	SPC	Net profit in 2015	No.	SPC	Net profit in 2015
1	Northern SPC	3.0	15	Kuban Express-Suburb	-44.0
2	Chernozemye SPC	412.8	16	Sakhalin PC	9.6
3	North Caucasus SPC	-186.7	17	Perm Suburban Company	6.5
4	Zabaikalskaya SPC	-273.9	18	Volgogradtransprigorod	4.8
5	Primorye Express	22.5	19	Krasprigorod	2.9
6	Baikal SPC	46.3	20	Altai-Suburb	0.2
7	Sverdlovsk Suburban Company	160.6	21	Express-Suburb	36.3
8	Bashkortostan SPC	210.4	22	Omsk-Suburb	1.6
9	Kaliningrad SPC	0.8	23	North-West SPC	845.6
10	Volgo-Vyatskaya SPC	69.2	24	Moscow-Tver SPC	441.0
11	Saratov SPC	33.0	25	Central SPC	2,441.4
12	Sodruzhestvo	0.5	Total		4,435.4
13	Kuzbass Suburb	7.1		including for profitable SPC	4,840.0
14	Samara SPC	83.9		for unprofitable SPC	-504.7

Compensation for shortfalls in income of carriers by constituent entities of the Russian Federation

Ensuring that Russian suburban transportation reaches the break-even point is one of the main objectives in the reform of the suburban sector. The break-even operation model cannot be built without the involvement of the constituent entities of the Russian Federation that regulate tariffs on suburban transportation. In this regard, only full compensation by the regions for the shortfall in income from government tariff regulation will help ensure that suburban transportation breaks even.

Given the preferential tariff rate in 2015 for the infrastructure services of suburban railway transportation, the demand

of suburban carriers for subsidies to compensate for shortfalls in income arising as a result of the government regulation of tariffs amounted to RUB 12 bln. Subsidies were provided to compensate for shortfalls in income from the government regulation of tariffs in the amount of RUB 9.4 bln, which compensated for 56% of this demand. The subsidies received from regional budgets to compensate for shortfalls in income in 2015 amounted to RUB 9.5 bln.

The deficit in subsidies from the regions amounted to RUB 2.8 bln in 2015. Thirty-seven regions fully compensated for their shortfalls in income in 2015. Transportation

is provided on a self-sustaining basis under preferential infrastructure conditions in five regions (Moscow, the Moscow Region, St Petersburg, the Leningrad Region and Astrakhan Region).

At the same time, in twelve regions compensation for the shortfall in the income of carriers amounted to less than 50%. Subsidies to compensate for shortfalls in income by suburban companies were not provided at all in three regions.

Compensation for shortfalls in income of carriers by constituent entities of the Russian Federation

Compensation level by constituent entities of the Russian Federation	Number of constituent entities of the Russian Federation				
	2011	2012	2013	2014	2015
No compensation required	6	5	5	4	5
100% compensation	12	17	9	13	37
> 80% compensation	8	6	10	9	9
50–80% compensation	11	9	15	20	6
< 50% compensation	31	32	31	22	12
Not provided	5	4	3	5	3
Transportation stopped	—	—	—	—	1
Total					73

Renovation of rolling stock fleet

Passenger rolling stock is regularly renovated to develop and improve suburban passenger transportation, enhance the quality of services provided as well as improve the technical condition of railcar rolling stock.

The Central Railcar Rolling Stock Directorate supplied 70 railcars valued at RUB 2.7 bln in 2015. A total of RUB 0.5 bln was spent on the rolling stock modernisation programme.

The High-Speed Transportation Directorate supplied 160 railcars (valued at RUB 18.9 bln) in 2015 and spent RUB 0.2 bln on the rolling stock modernisation programme.

160 railcars

Supplied by the High-Speed Transportation Directorate

70 railcars

supplied by the Central Railcar Rolling Stock Directorate

Results of work to establish multimodal hubs

The Company implemented a number of projects in 2015 as part of work to establish multimodal hubs:

- Establishing Lastochka (Desiro RUS) train traffic on the following routes: Moscow-Kryukovo-Tver, St Petersburg-Volkhovstroy, St Petersburg-Tosno, Yekaterinburg-Nizhny Tagil and Yekaterinburg-Kamenk-Uralsky. Passenger traffic will be further increased by the completion of construction on a fourth mainline on the Moscow-Tver section that will significantly reduce the amount of

downtime for repairs, which in 2015 resulted in changes to train routes on this section and the cancellation of 7,727 trains.

- The Company continued developing the Urban Commuter Train project currently under way in Krasnoyarsk, Kaliningrad, Ufa and a number of other cities.
- Combined 'train + bus' routes were set up in the Gorky Railway operating domain in 2015 on the following routes: Nizhny Novgorod-Syava, Nizhny Novgorod-Vakhtan, Nizhny Novgorod-

Tonshayev (including transfer at Shakhunya station) and Nizhny Novgorod-Sharanga (transfer at Uren station). More than 2,000 passengers utilised this service over the period from September to December. Similar projects are to be launched on the operating domain of Bashkortostan SPC on the Ufa-Tuymazy-Yfa section with transfer at Kandry station and on the operating domain of Krasprigorod on the Ilanskaya-Reshoty section.

Reconstruction and development of the Moscow Little Ring Railway

The project to rebuild and develop the Moscow Little Ring Railway will significantly reduce transportation congestion in Moscow and enable urban rail transportation to transition to a whole new level of passenger service.

This project will result in new economic growth points emerging in Moscow and the creation of more than 10,400 modern jobs, including approximately 4,000 jobs in the passenger transportation sector. The electrification of the Moscow Little Ring Railway will significantly improve the environmental situation in the city and enhance the attractiveness of adjacent areas.

The development of the Moscow Little Ring Railway involves electrifying the ring railway with the construction of two new traction substations, the reconstruction of three existing traction substations, the construction of a 38-km third mainline as well as the construction and reconstruction of new engineering structures. A total of 31 stops will be built on the Moscow Little Ring Railway, including 19 major transportation hubs (TH): 12 with transfer to the metro system and six with transfer to radial railways.

Starting in 2016, Moscow Railways will carry more than 250 mln passengers each year on 100 electric train pairs per day with intervals of less than 5 minutes at rush hour.

Russian Railways has currently set up a working group in charge of preparing measures to ensure that the Moscow Little Ring Railway launches transportation services for the public starting in September 2016.

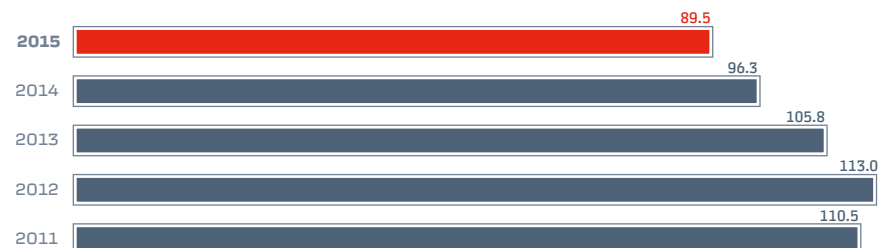
Long-haul passenger transportation via Russian Railways infrastructure

The following companies provide long-haul passenger transportation services via Russian Railways infrastructure:

- S&A of Russian Railways (Federal Passenger Company and Sakhalin Passenger Company). Their share of passenger turnover is 95.5%. In particular, Federal Passenger Company has a 95.2% share, including a 89.7% share of passenger turnover via its own trains.
- Independent carriers: Grand Service Express TC, Tverskoy Express and TransClassService. Their share of passenger turnover is 1.4%.
- High-Speed Transportation Directorate. Its share of passenger turnover is 2.8%.

Long-haul passenger turnover via Russian Railways infrastructure decreased 7.0% to 89.5 bln pass. km in 2015, while the number of passengers transported fell 5.0% to 97.9 mln.

Long haul passenger turnover on Russian Railways infrastructure, bln pass. km



Number of long-haul passengers transported, mln passengers

