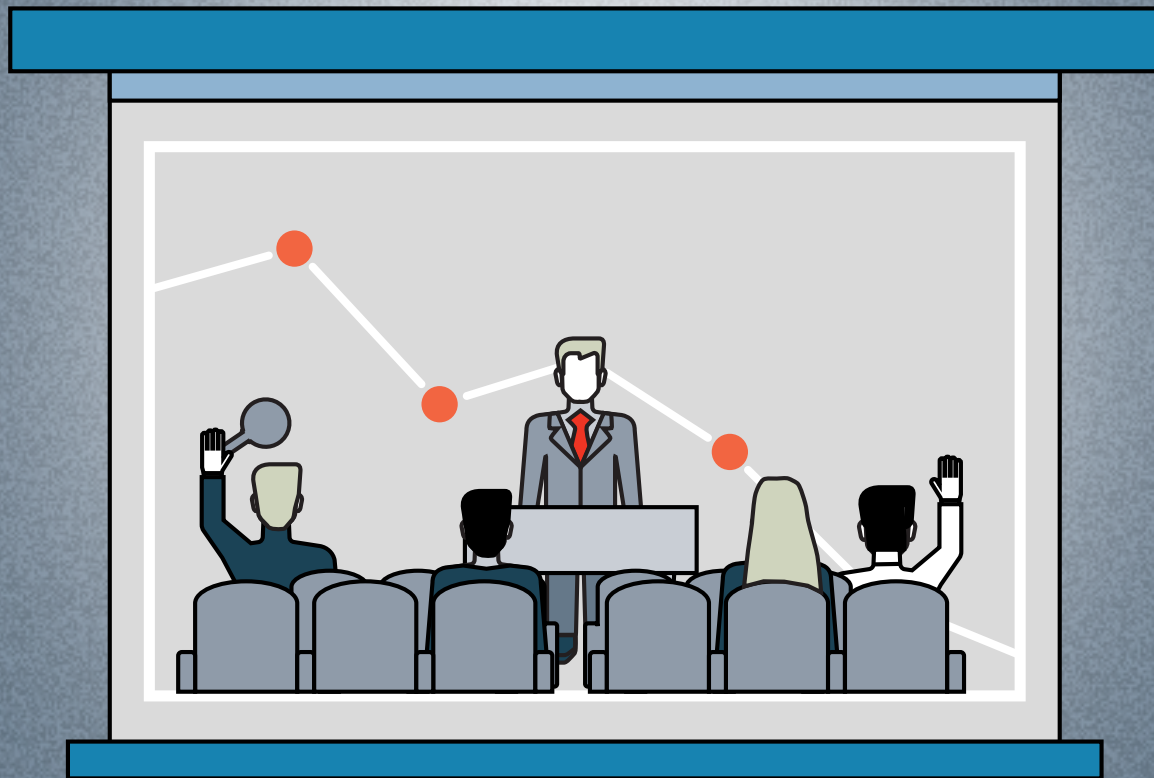
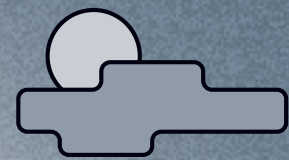
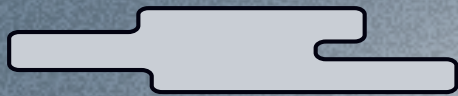


PROCUREMENT ACTIVITIES



Total procurements by Russian Railways amounted to RUB 1,144.5 bln in 2015. Procurements from a single supplier accounted for 37.0%, or roughly the same level as last year. Over 53% of contracts (by volume) were concluded on a competitive basis using electronic procedures.

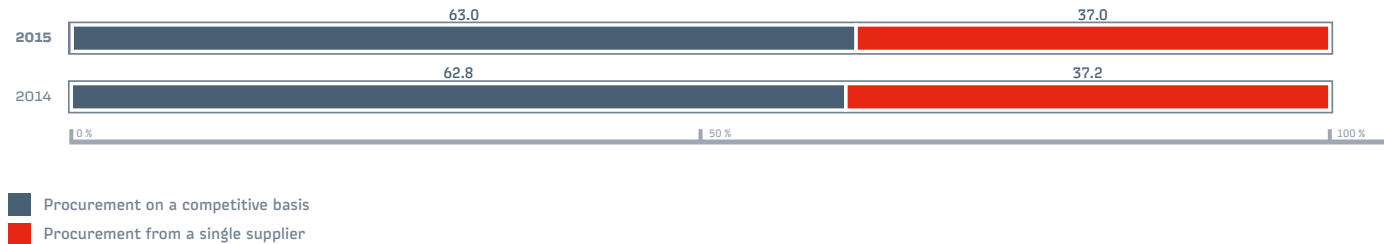


Procurement activities

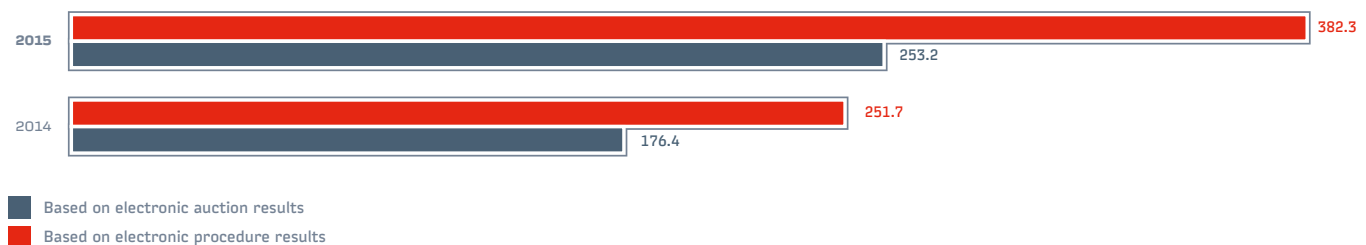
Russian Railways performs procurement activities in accordance with the Regulation on the Procurement of Goods, Work and Services for the Needs of Russian Railways, which was drafted based on the requirements of the legislation of the Russian Federation, in particular:

- Federal Law No. 223-FZ dated 18 July 2011 “On the Procurement of Goods, Work and Services by Certain Types of Legal Entities”;
- Resolutions of the Russian Government and other documents adopted pursuant to the requirements of Federal Law No. 223-FZ dated 18 July 2011.

Changes to procurement structure, %



Changes to procurement volumes based on electronic procedures and auctions, RUB bln



Procurements by Russian Railways totalled RUB 1,144.5 bln in 2015. Procurements resulting from competitive procedures amounted to RUB 720.9 bln in 2015, or 63.0% of the total procurement volume, with procurements based on Russian Railways administrative documents making up RUB 228.6 bln, or 20.0%, and procurements on other legitimate grounds accounting for RUB 195.0 bln, or 17% (purchase of electricity, utility services and medical services, among other things).

The proportion of procurements from a single supplier (contractor) was 37.0% in 2015, or RUB 423.6 bln, and is roughly the same level as the previous year (37.2 %).

Stable growth has been seen in the number of electronic procurements. More than half of the contracts resulting from the competitive procedures were concluded on the basis of electronic procedures (RUB 382.2 bln, or 53% of the total volume), which is 50% higher than the previous year.

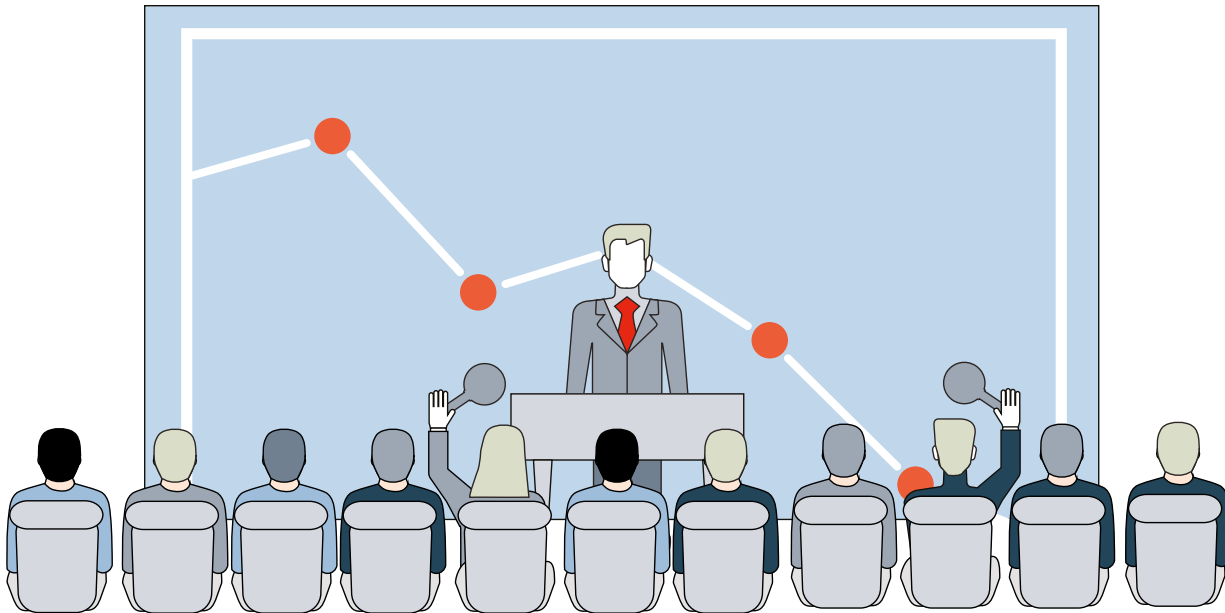
The main focus of the Company's policy on procurement activities in 2015 was the organisation of an integrated procurement process that handles everything – from determining to satisfying the Company's needs.

The Company has drafted and introduced regulatory documents to govern competitive procedures, including:

standard documentation forms for organising and conducting procurement procedures; unified qualification requirements, including documentation about procurements; standard methods for evaluating and comparing the proposals of participants in the procurement procedures.

Work to improve the regulatory framework made it possible to implement the principle of 'no plan – no procurement' under which any procurement must be promptly reflected in the procurement plan.

For the purpose of informing potential procurement participants, including small-



and medium-sized businesses (SME), about procurement activities, Russian Railways in 2015:

- held conferences and training seminars;
- provided information support for procurement activities on the Russian Railways website, including organising a unified process for the Company's consumables contracts;
- launched a hotline for matters concerning the organisation and holding of procurements from which procurement participants may obtain the necessary explanations.

Cooperation agreements on information exchanges to support procurement activities

were signed with the trading platforms of Sberbank-ATS, OTC and ETP GPB in order to expand opportunities for electronic trading. As part of the agreements, information exchanges about electronic trading were organised among electronic platforms.

In accordance with the legislative requirements of the Russian Federation, Russian Railways has organised a process to plan, implement and record procurements from SME and compiled a list of goods, work and services that the Company purchases from SME.

These measures enabled the Company to meet the required standards for

procurements from SME, in particular the volume of procurements for which the participants may only be SME, which were awarded procurements for RUB 19.7 bln in the second half of 2015, or 9.8% of the entire volume.