

Transportation and logistics services

One of the Russian Railways Group's strategic objectives is to transition from providing freight shipment services to establishing integrated door-to-door services, expanding the range of 2PL, 3PL and 4PL services and establishing global logistics chains.

Given the limited opportunities to increase the scale and profitability of business in transportation segments regulated by the government, the Group is performing active work to expand activities in de-regulated segments of the transportation and logistics market, strengthen the positions of Russian

Railways on Russian and foreign logistics markets and introduce modern 3PL/4PL logistics technologies on the network.

Performance results of Federal Freight Company

Federal Freight Company, one of the biggest players on the rolling stock market, performed its activities in 2015 in accordance with the goals and objectives specified in the Development Strategy of Federal Freight Company and the Long-term Development Programme of the Russian Railways Group, which aim to preserve leading positions on the market for operator services, renovate the railcar fleet, increase the share of rolling stock in the fleet and enhance technological leadership in the management of the railcar fleet.

Federal Freight Company increased its share in freight shipments 0.7 p.p. to 12.4% of the overall transportation volume on the railway network in 2015. Its share of the network freight turnover market totalled 14.2% of the overall network and 11.3% of the overall freight car fleet.

Federal Freight Company shipped 165.5 mln tonnes of freight in 2015 (up 2% from 2014), or 2.6 mln railcar shipments. The biggest growth was seen in the segment of shipments in gondola cars owned by Federal Freight Company: 151.1 mln tonnes were shipped in 2015 (5.5 mln tonnes more than in 2014).

However, the negative macroeconomic environment and market deterioration, specifically a lack of freight base combined with a significant surplus of rolling stock, and the resulting decline in the average market yield of shipments due to increased competition among operators, led to a decrease in the company's income and a negative financial result.

Key financial and economic performance indicators of Federal Freight Company

| Indicator | Measurement unit | 2014 | 2015 |
|-----------------|------------------|----------|----------|
| Revenue | RUB mln | 49,791.9 | 46,484.7 |
| Net profit/loss | RUB mln | -3,630.0 | -8,548.6 |

For more on the performance results of Federal Freight Company, see the company's website: <http://ru.railfgk.ru/>



Performance results of international logistics company GEFCO

The GEFCO Group is a global player on the transportation and logistics services market and operates on five continents.

The GEFCO network includes 42 representative offices and 70 partners, including in key regions for the international business development of Russian Railways such as Central and Eastern Europe, the CIS and China.

The Company specialises in supply chain management (3PL services) as well as integrated services for the management of all logistics processes at client companies (4PL services), which are virtually non-existent in Russia right now.

The Company's customer base includes more than 40,000 counterparties around the world, including transnational industrial corporations, many of which are represented on the Russian market (PSA Peugeot Citroën, General Motors, Renault, Ford, BMW, L'Oréal, Phillips and Electrolux).

GEFCO received the first transportation assignments from Russian Railways Supply at the pilot operating domain of October Railway in May 2015 and began shipping freight for certain types of materials and equipment and providing engineering services as part of a project to optimise the Russian Railways supply system.

The company is also working on the GEFCO Terminal, a project involving interaction between GEFCO and the Central Directorate for Terminal and Warehouse Complex Management (CDTWCM). This work includes: attracting freight traffic to GEFCO for processing and storage at the freight yards of the CDTWCM as well as the provision by GEFCO of integrated logistics services to CDTWCM clients who currently only receive 2PL services from the CDTWCM.

GEFCO generated revenue of EUR 4.173 bln in 2015, an increase of 3% compared with 2014.

For more on the performance results of GEFCO, see the company's website: <http://ru.gefco.net/>



Performance results of United Transportation and Logistics Company

As part of efforts to develop its transit potential, the Russian Railways Group continued work to establish United Transportation and Logistics Company (UTLC) in 2015.

Russian Railways has fully met its obligations for contributions to the charter capital of UTLC. The operational model of the UTLC Group has been approved.

In addition, the Company carried out active work to expand the potential customer base and develop transit shipments. The initial results of this work led to significant growth in transit shipments via the China-Europe-China route despite the overall negative market dynamics.

Almost 43,000 TEU were transported via the China-Europe-China route in 2015, a 170% increase from 2014. Transit time took 14 days.

For more on the performance results of UTLC, see the company's website: <http://www.utlc.com>

