

Message from the Chairman of the Russian Railways Board of Directors



Dear Colleagues and Partners,

When evaluating the performance results of Russian Railways in 2016, it is essential to note that the Company successfully met all of its primary objectives.

The effective cooperation and joint work of the Russian Railways Board of Directors, its committees and management enabled the Company to maintain positive dynamics in its key performance indicators. The Company's investment programme was fulfilled as planned in 2016 as was its financial plan. The effective management of financial resources helped to end 2016 with solid results and a profit, making it possible, among other things, to pay dividends to the federal budget.

The decisions made by the Government of the Russian Federation to support the Company's

activities serve as confirmation of its high appraisal of the work performed by Russian Railways. Amendments were made to the Tax Code to extend the zero VAT rate for suburban passenger transportation services and a zero VAT rate was also set for the long-haul transportation of passengers and baggage. The government's decisions as well as joint work with the country's regions made it possible to stabilise the situation in suburban transportation in 2016 and create a sustainable long-term model in this sector. In a difficult economic situation, the Company managed to overcome the negative trend

of declining freight transportation volume, while transportation costs only grew 0.8%.

The Government of the Russian Federation and the state authorities provided support to the Company in terms of the tariff policy as well. The key decisions made in this regard make it possible to move forward, balance the financial plan and work flexibly with the main partners of Russian Railways.

Major projects that aim to fulfil the instructions of the President and Government of the Russian Federation and increase the traffic and carrying

capacity of the country's railways were implemented on schedule.

The results achieved by the Company in 2016 do not mean there is no room or potential for further effective development. Keeping up with the latest trends on the transportation services market, the Company continues to develop as it utilises the best methods of corporate governance and control, optimises production processes and introduces advanced technologies.

The continuous development of the railway industry would be impossible without the active role of freight owners,

transport engineering enterprises, operator communities and other market participants. That is precisely why it is so important to make balanced decisions that equally meet the interests of all stakeholders.

I wish the Company's employees, the Board of Directors and management success in continuing down the path towards the sustainable long-term development of the railway industry.

Arkady Dvorkovich
Chairman of the Russian Railways Board of Directors