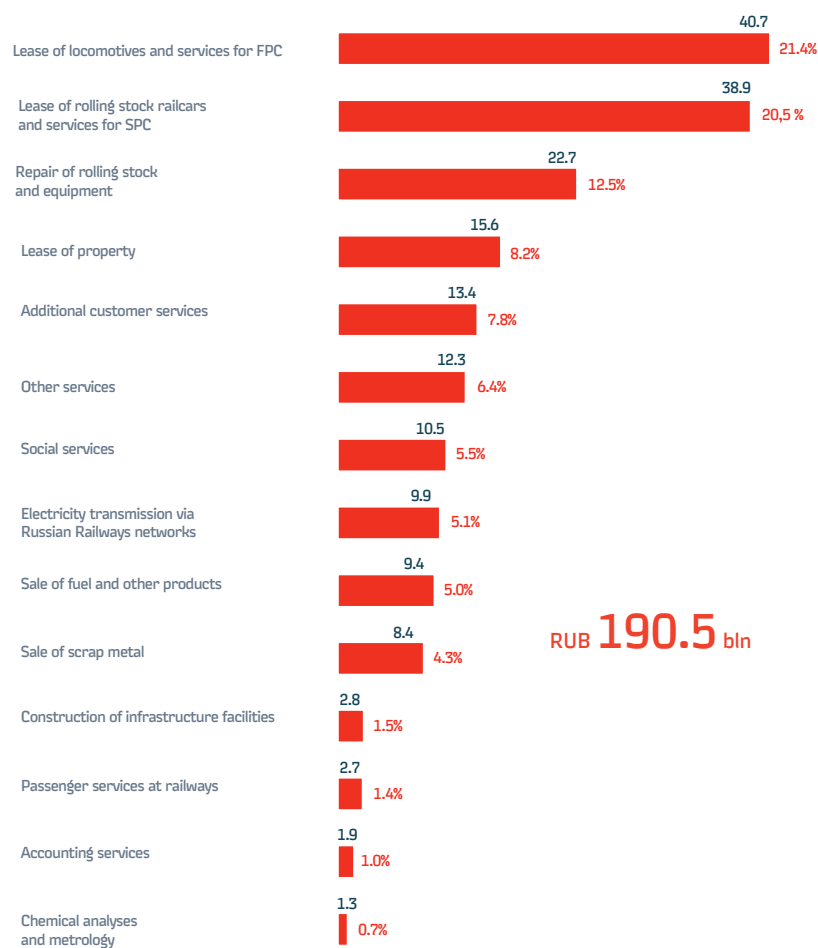


Other activities

Profit from other activities totalled RUB 26.4 bln in 2016, an increase of RUB 2.6 bln, or 11%, versus last year.

The Company's income from other activities amounted to RUB 190.5 bln, an increase of RUB 5.7 bln, or 3%, compared with 2015.

Structure of income from other activities, RUB bln



Taking into account the prevalence of a substantial share (more than 45%) of low-profit services (lease of rolling stock to suburban companies and FPC and social services) and services regulated by regional authorities (transmission of electricity to third party consumers and housing and utility services) in the structure of other income in 2016, the key factors for the better-than-expected profit dynamics included measures taken by the Company to improve the efficiency of other sales through the development and improvement of the customer focus and continuous work to reduce the costs of the services it provides.

The stabilisation of rolling stock lease volumes for suburban passenger companies and FPC and the Company's balanced policy to contain growth in the cost of its services have made it possible to improve the profitability of rolling stock lease volumes for suburban passenger companies and FPC. The positive dynamics were achieved by implementing measures to increase workforce productivity, unifying regulatory documents governing the process for the maintenance and routine repair of rolling stock, increase the efficient work of rolling stock and apply resource-saving technologies.

The key driver in the growth in profit from other sales in 2016 was an increase in the effective management of the

Company's property by additionally integrating leasable areas into commercial turnover and attracting new tenants.

In 2016, the Company managed to significantly improve work as regards electricity transmission indicators by reducing the amount of technological losses, regulating a number of issues with UES FGC and in general conducting a more effective campaign to approval tariffs for electricity transmission via the Company's networks.

Measures were implemented to provide related services for consignors and consignees. In particular, loading and unloading work increased by 5.3 mln tonnes, or 10%.

The growth in profit from other sales resulted from a 14% increase in the sale of scrap metal along with an effective price policy for its sale.

Further work was carried out in 2016 to reincorporate inefficiently used social and utility facilities into civil circulation (in particular, the transfer to municipal ownership of a major boiler facility in the city of Tynda and approximately 39 social facilities).

3%

growth in income from other activities vs. 2015

45%

share of low-profit services in the structure of other income in 2016

11%

growth in profit from other activities vs. 2015 level
