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Glossary

1520 mm – the official track gauge of railways within the Commonwealth of Independent States, Baltic countries, Mongolia and Finland. The total length of the tracks within the '1520 space' exceeds 150,000 km. It is referred to as the 'broad' gauge. The '1520 space' is the territory served by the 'broad' gauge railways.

2PL, 3PL and 4PL – levels of logistics service (PL-Party Logistics): partial logistics outsourcing, comprehensive logistics outsourcing and integrated logistics outsourcing.

CIT (International Rail Transport Committee) – an international non-governmental organisation (association) whose objectives include drafting international law concerning rail transportation based on conventions.

Common Economic Space (CES) – the economic and political integration of three nations: Russia, Kazakhstan and Belarus.

Federal Freight Company (FFC) (Second Freight Company prior to 13 October 2012) – a subsidiary of Russian Railways established in accordance with the decision of the Russian Railways Board of Directors dated 26 August 2010

and one of the largest railway freight transportation operators in Russia.

Freight One – a major operator of railway freight transportation in Russia.

Federal Passenger Company (FPC) – a subsidiary of Russian Railways that provides long-haul passenger and luggage transportation by railways.

Freight turnover – the volume of work to transport freight measured by tonne-kilometres. It is calculated by adding the multiplied value of the freight transported in tonnes by the distance travelled in kilometres.

Federal Tariffs Service (FTS) – The federal executive authority in charge of regulating natural monopolies; handles the government regulation of prices (tariffs), in particular on railway transportation, in accordance with the legislation of the Russian Federation.

GEFCO S.A. – a subsidiary of Russian Railways, which concluded a transaction on 20 December 2012 to purchase a 75% of shares in the French logistics operator GEFCO from PSA Peugeot Citroen for a cost of EUR 800 mln.

Handling (freight shipment) – the weight of freight in tonnes accepted for transportation via the railway network. The value is calculated as the sum of all shipments accepted during the reporting period for transportation within the country directly from shippers, from other types of transportation for further transportation and from foreign railways.

HSTD – High-Speed Transportation Directorate – branch of Russian Railways.

HSR – high-speed railway.

IAMCS – integrated automated marshalling control system.

IFRS – international financial reporting standards.

International Union of Railways (UIC) – (French – Union Internationale des Chemins de fer) – an international organisation that unites national railway companies in order to jointly resolve problems involving the development of railway transportation.

MCR – Moscow Central Ring.

MLRR – Moscow Little Ring Railway.

Multimodal transportation – shipments using two or more types of transportation based on a single contract.

MU (multiple units) – railway rolling stock with motorised railcars. MU include electric trains (including high-speed electric trains), diesel trains and motor railcars.

NC Kazakhstan Temir Zholy – National Company Kazakhstan Railways.

Organisation for Cooperation between Railways (OSJD) – an international organisation whose objectives include developing international freight and passenger transportation and establishing a common railway transportation space in the Eurasian region.

OTIF (Intergovernmental Organisation for International Carriage by Rail) – an international organisation established in accordance with the Convention concerning International Carriage by Rail.

Passenger turnover – the volume of work to transport passengers measured by passenger-kilometres. It is determined by adding the multiplied value of the number of passengers for each transportation category by the distance travelled in kilometres.

Passenger transportation (dispatch) – the volume of work performed to transport passengers as determined by the number of tickets sold and issued free of charge in a particular reporting period taking into account the passenger trips made attributable to this period based on group tickets, freight documents, commuter tickets and other tickets.

Process and price audit (PPA) – an expert assessment of the feasibility of an investment project, the selection of the projected technological and cost solutions for building facilities as part of an investment project, the compliance of the solutions with market practices and international analogues as well as the reliability of construction costs and operating expenses to implement the investment project during the process of its life cycle.

RAS – Russian Accounting Standards.

RCGC – Regional Corporate Governance Centre.

ROR – the railway operating rules of the Russian Federation.

RZD International – a specialised engineering company set up within the Russian Railways Group to centralise

the functions of strategic planning of foreign economic activities and to manage infrastructure projects abroad.

SPC – suburban passenger companies.

S&A – subsidiary and affiliate companies of Russian Railways.

UBR – Ulan Bator Railway.

UNECE ITC (UN Economic Commission for Europe Inland Transport Committee) – the UN Economic Commission for Europe body that regulates international cooperation in the transportation sector.

UNESCAP – the United Nations Economic and Social Commission for Asia and the Pacific.

United Transportation Logistics Company (UTLC) – a joint project by Russian Railways, Belarusian Railway and NC Kazakhstan Temir Zholy to establish a single logistics operator.

Legal disclaimer

This annual report (hereinafter referred to as the Annual Report) has been produced based on the information available to Open Joint Stock Company Russian Railways (hereinafter referred to as JSC RZD or the Company) and its affiliates (hereinafter referred to as the Group or RZD) as of the date of its publication.

The annual report of JSC RZD for 2016 discloses information to provide the shareholder represented by the Government of the Russian Federation, as well as government agencies, potential and actual investors, shippers, passengers and other stakeholders and information users with comprehensive and relevant data on the operations of JSC Russian Railways in 2016 and the Company's development trends.

The report complies with the following standards and regulatory documents:

- the Federal Law "On Joint-Stock Companies";
- Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996;
- Regulation No. 454-r on Information Disclosure by Issuers of Securities dated 30 December 2014;
- Order No. 228 of the Federal Agency for State Property Management dated 26 July 2005 "On the regulation of activities of the Federal Agency for State Property Management in the sphere of corporate management" (with recommendations for the Russian Federation to form a position concerning the approval of the annual report of the open joint stock company whose shares are held by the Russian Federation);
- Regulation No. 17/ps of the Federal Commission for the Securities Market dated 31 May 2002 "On the approval of a regulation on additional requirements for the procedure for preparing, convening and holding a general shareholders' meeting";

- the Corporate Governance Code approved by the Board of Directors of the Bank of Russia dated 21 March 2014.
- Resolution No. 1211 of the Government of the Russian Federation dated 10 November 2015 "On Amendments to the Approximate Structure of the Annual Report of a Joint-Stock Company Whose Shares are under Federal Ownership"
- Resolution No. 1214 of the Government of the Russian Federation dated 31 December 2010 "On Improving the Procedure for the Management of Open Joint-Stock Companies Whose Shares are under Federal Ownership and Federal State Enterprises"

This report is an overview of the condition and performance results of JSC RZD for the year ended 31 December 2016 as well as major trends that may have an impact on its future performance.

For the purposes of this document, the word "Company", pronoun "we" and its various forms refer to JSC RZD.

This report contains forward-looking statements that reflect expectations of the Company's management.

These forward-looking statements are not based on actual circumstances and include all the statements with regard to the Company's intentions, opinions or current expectations concerning its performance, financial standing, liquidity, growth prospects, strategy and the industry where JSC RZD operates. These forward-looking statements

are inherently characterised by risks and uncertainty factors as they relate to the events and depend on circumstances that may not occur in the future. Such terms as "assume", "consider", "expect", "forecast", "intend", "plan", "project", "review", "could" and other similar expressions and negative phrases are normally indicative of a predictive nature of a statement. These assumptions contain risks and uncertainties either expected or unexpected by the Company. Thus, future performance may be different from current expectations and users of this information may not rely in their assumptions solely on the information provided in the Annual Report. Apart from the official information on JSC RZD activities, this Annual Report contains information obtained from third parties. This information has been obtained from sources deemed reliable by JSC RZD. However, we do not guarantee that this information is accurate as it may be incomplete. JSC RZD does not guarantee that its or its industry's actual performance, scale or operating rates will match the performance, scale or operating rates expressed or implied in any forward-looking statements contained in this Annual Report or elsewhere. JSC RZD shall not be liable for any losses that may be sustained by any person as a result of this person's reliance on forward-looking statements. Unless otherwise expressly provided for in applicable laws, the Company does not assume any obligations with regard to the distribution or publication of any updates or changes in forward-looking statements that reflect any changes in expectations or new information as well as further events, conditions or circumstances.

CONTACT INFORMATION

Legal address

107174, Moscow,
ul. Novaya Basmannaya, 2

Postal address

107174, Moscow,
ul. Novaya Basmannaya, 2

Contact telephone

+7 (499) 262-99-01

Fax

+7 (499) 262-90-95

E-mail

rzd@rzd.ru

**Corporate Finance Department
of Russian Railways**

IR and Capital Markets Department

Contact telephone

+7 (499) 262-71-61

Fax

+7 (499) 260-01-86

E-mail

vasyatkinaev@center.rzd.ru

Press Service of Russian Railways**Contact telephone**

+7 (499) 262-66-70 (for media only)

E-mail

press@center.rzd.ru