

Government support for Russian Railways in 2016

Government support for Russian Railways from all budgets totalled RUB 94.9 bln in 2016, including federal budget subsidies of RUB 93.6 bln.

Subsidies to reimburse loss of income related to the government regulation of tariffs

The Government of the Russian Federation is regulating the tariffs for the services of Russian Railways on a long-term basis until 2030. Compensation for the loss of income of the infrastructure owner is provided in the form of subsidies from federal budget funds.

Total subsidies earmarked in the 2016 federal budget to compensate for losses by Russian Railways associated with the regulation of tariffs

for infrastructure services on suburban transportation totalled RUB 32.5 bln.

Subsidies are also earmarked for Russian Railways to compensate for losses in income that occurred as a result of the government regulation of tariffs for services to use railway infrastructure for suburban passenger transportation in 2011-2014 and were not fully repaid. Compensation for the services provided in the past period totalled RUB 0.1 bln in 2016. The rules for providing subsidies

are established by Resolution No. 844 of the Government of the Russian Federation dated 17 October 2011 taking into account additions and amendments made to this regulatory legal act.

Thus, Russian Railways received a total of RUB 32.6 bln in subsidies in 2016 to compensate for losses in income as a result of the government regulation of tariffs for services to use railway infrastructure for suburban passenger transportation.

Contributions to the charter capital of Russian Railways

Government projects continued in the reporting year to develop railway transportation infrastructure funded by the Russian Railways budget through contributions to the Company's charter capital.

Total contributions to Russian Railways charter capital amounted to RUB 61 bln in 2016, including:

- for measures to develop the transport industry of the Moscow Region – RUB 16.4 bln (including RUB 4.7 bln from the Moscow budget);
- to build the Moscow-Kazan High-Speed Railway – RUB 0.1 bln;
- for the comprehensive reconstruction of the M. Gorky-Kotelnikovo-Tikhoretskaya-Krymskaya section with a bypass of the Krasnodar hub – RUB 20.08 bln;
- for the construction of the Prokhorovka-Zhuravka-Chertkovo-Bataysk railway line – RUB 24.44 bln.

Subsidies and compensation for losses from regional budgets and extrabudgetary funds

The Company received public support from regional budgets and extrabudgetary funds in 2016 in the amount of RUB 1.3 bln, including:

- RUB 0.7 bln in subsidies from the Krasnodar Territory budget to reimburse lost revenue from the state regulation of tariffs for suburban railway passenger transportation;
- RUB 0.1 bln in subsidies provided in connection with the regulation of electricity and heat tariffs;
- RUB 0.02 bln in subsidies for maintenance on low-density railway sections;
- RUB 0.01 bln in subsidies to compensate for a portion of expenses related to the major repair of the platform, railway station and surrounding area of the Sviyazhsk railway station (Republic of Tatarstan);
- RUB 0.19 bln in compensation for losses related to the need to rebuild the existing intersection of the Perm-Yekaterinburg highway with railway tracks on the Bakharevka-Ferma stretch;
- RUB 0.3 bln in funding from the Social Insurance Fund for scheduled preventive occupational injury measures.

RUB **94.9** bln
total government support in 2016

RUB **93.6** bln
subsidies from the federal budget

RUB **1.3** bln
subsidies from regional budgets and extrabudgetary funds

Government support from the federal budget, regional budgets and extrabudgetary funds in 2016, RUB bln

Types of government support	Volume
Direct support	32.6
Subsidies to compensate for income losses resulting from the government regulation of tariffs for services to use the infrastructure of public railway transportation for suburban traffic	32.6
Implementation of government projects via the Russian Railways budget	61
Development of the Moscow Transport Hub:	16.4
including from the federal budget	11.7
including from the Moscow budget	4.7
Construction of the Prokhorovka-Zhuravka-Chertkovo-Bataysk railway line	24.44
Rapid-transit and high-speed traffic	0.1
Comprehensive reconstruction of the M. Gorky-Kotelnikovo-Tikhoretskaya-Krymskaya section with a bypass of the Krasnodar hub	20.08
Government support from regional budgets and extrabudgetary funds	1.3
Total government support	94.9

