

## Key financial and economic results

Indicator	Measurement units	2015	2016		Change vs. plan		Change vs. previous year	
			plan	actual	+/-	%	+/-	%
<b>Total income</b>	RUB bln	<b>1,510.8</b>	<b>1,567.5</b>	<b>1,577.5</b>	<b>10.0</b>	<b>100.6</b>	<b>66.7</b>	<b>104.4</b>
<b>Income from transportation, infrastructure services and locomotive traction</b>	RUB bln	<b>1,326.0</b>	<b>1,378.7</b>	<b>1,387.0</b>	<b>8.3</b>	<b>100.6</b>	<b>61.0</b>	<b>104.6</b>
<b>freight transportation</b>	RUB bln	<b>1,203.9</b>	<b>1,247.1</b>	<b>1,254.5</b>	<b>7.3</b>	<b>100.6</b>	<b>50.5</b>	<b>104.2</b>
<b>provision of infrastructure services including</b>	RUB bln	<b>99.8</b>	<b>104.7</b>	<b>104.6</b>	<b>-0.1</b>	<b>99.9</b>	<b>4.9</b>	<b>104.9</b>
for freight transportation	RUB bln	8.1	8.0	7.4	-0.6	92.1	-0.7	91.9
suburban transportation	RUB bln	28.7	30.0	30.5	0.5	101.5	1.8	106.4
long-haul transportation	RUB bln	63.1	66.6	66.7	0.1	100.2	3.7	105.8
<b>provision of locomotive traction services</b>	RUB bln	<b>10.5</b>	<b>11.0</b>	<b>10.9</b>	<b>-0.1</b>	<b>99.3</b>	<b>0.4</b>	<b>103.9</b>
<b>passenger transportation, including</b>	RUB bln	<b>11.7</b>	<b>15.8</b>	<b>17.0</b>	<b>1.1</b>	<b>107.0</b>	<b>5.2</b>	<b>144.4</b>
long-haul transportation	RUB bln	11.2	13.9	14.9	0.9	106.7	3.6	132.5
suburban transportation	RUB bln	0.5	1.9	2.1	0.2	109.3	1.6	409.0
<b>Income from other activities</b>	RUB bln	<b>184.8</b>	<b>188.8</b>	<b>190.5</b>	<b>1.6</b>	<b>100.9</b>	<b>5.7</b>	<b>103.1</b>
<b>Total expenses</b>	RUB bln	<b>1,427.2</b>	<b>1,464.0</b>	<b>1,460.3</b>	<b>-3.7</b>	<b>99.7</b>	<b>33.1</b>	<b>102.3</b>
<b>Expenses on transportation, infrastructure services and locomotive traction</b>	RUB bln	<b>1,266.2</b>	<b>1,298.7</b>	<b>1,296.2</b>	<b>-2.4</b>	<b>99.8</b>	<b>30.1</b>	<b>102.4</b>
<b>freight transportation</b>	RUB bln	<b>1,137.4</b>	<b>1,163.4</b>	<b>1,160.8</b>	<b>-2.5</b>	<b>99.8</b>	<b>23.4</b>	<b>102.1</b>
<b>provision of infrastructure services including</b>	RUB bln	<b>109.0</b>	<b>111.9</b>	<b>112.4</b>	<b>0.6</b>	<b>100.5</b>	<b>3.4</b>	<b>103.1</b>
for freight transportation	RUB bln	7.3	7.3	6.7	-0.6	92.1	-0.6	91.9
suburban transportation	RUB bln	33.1	34.3	34.8	0.5	101.4	1.7	105.1
long-haul transportation	RUB bln	68.6	70.3	70.9	0.7	100.9	2.3	103.4

Indicator	Measurement units	2015	2016		Change vs. plan		Change vs. previous year	
			plan	actual	+/-	%	+/-	%
<b>provision of locomotive traction services</b>	RUB bln	<b>7.8</b>	<b>8.2</b>	<b>8.1</b>	<b>-0.1</b>	<b>99.3</b>	<b>0.3</b>	<b>103.9</b>
<b>passenger transportation, including</b>	RUB bln	<b>11.9</b>	<b>15.3</b>	<b>14.9</b>	<b>-0.4</b>	<b>97.4</b>	<b>3.0</b>	<b>124.8</b>
long-haul transportation	RUB bln	10.2	11.9	11.4	-0.5	95.5	1.2	111.9
suburban transportation	RUB bln	1.7	3.3	3.5	0.1	104.1	1.7	200.3
<b>Expenses on other activities</b>	RUB bln	<b>161.0</b>	<b>165.4</b>	<b>164.1</b>	<b>-1.3</b>	<b>99.2</b>	<b>3.0</b>	<b>101.9</b>
<b>Total sales profit</b>	RUB bln	<b>83.6</b>	<b>103.5</b>	<b>117.2</b>	<b>13.7</b>	<b>113.3</b>	<b>33.6</b>	<b>140.2</b>
<b>Profit from transportation, infrastructure services and locomotive traction</b>	RUB bln	<b>59.8</b>	<b>80.0</b>	<b>90.8</b>	<b>10.8</b>	<b>113.4</b>	<b>30.9</b>	<b>151.7</b>
<b>freight transportation</b>	RUB bln	<b>66.5</b>	<b>83.8</b>	<b>93.6</b>	<b>9.9</b>	<b>111.8</b>	<b>27.1</b>	<b>140.8</b>
<b>provision of infrastructure services including</b>	RUB bln	<b>-9.2</b>	<b>-7.2</b>	<b>-7.8</b>	<b>-0.6</b>	<b>108.7</b>	<b>1.4</b>	<b>84.4</b>
for freight transportation	RUB bln	0.7	0.7	0.7	-0.1	92.1	-0.1	91.9
suburban transportation	RUB bln	-4.4	-4.3	-4.3	0.0	100.7	0.1	96.6
long-haul transportation	RUB bln	-5.5	-3.6	-4.2	-0.5	114.6	1.4	75.6
<b>provision of locomotive traction services</b>	RUB bln	<b>2.7</b>	<b>2.9</b>	<b>2.8</b>	<b>0.0</b>	<b>99.3</b>	<b>0.1</b>	<b>103.9</b>
<b>passenger transportation, including</b>	RUB bln	<b>-0.2</b>	<b>0.6</b>	<b>2.1</b>	<b>1.5</b>	<b>-</b>	<b>2.2</b>	<b>-</b>
long-haul transportation	RUB bln	1.0	2.0	3.5	1.5	-	2.4	332.5
suburban transportation	RUB bln	-1.2	-1.4	-1.4	0.0	-	-0.2	114.5
<b>Profit from other activities</b>	RUB bln	<b>23.8</b>	<b>23.5</b>	<b>26.4</b>	<b>3.0</b>	<b>112.6</b>	<b>2.6</b>	<b>111.1</b>
<b>Result from other income and expenses</b>	RUB bln	<b>-58.6</b>	<b>-65.4</b>	<b>-73.6</b>	<b>-8.2</b>	<b>112.5</b>	<b>-14.9</b>	<b>125.4</b>

Indicator	Measurement units	2015	2016		Change vs. plan		Change vs. previous year	
			plan	actual	+/-	%	+/-	%
<b>Income from participation in other organisations, including dividends</b>	RUB bln	<b>2.9</b>	<b>4.0</b>	<b>4.0</b>	-	<b>100.1</b>	<b>1.1</b>	<b>137.7</b>
<b>Expenses on loans and borrowings</b>	RUB bln	<b>-64.7</b>	<b>-63.8</b>	<b>-64.5</b>	<b>-0.7</b>	<b>101.2</b>	<b>0.2</b>	<b>99.7</b>
<b>Result from the sale of shares in S&amp;A</b>	RUB bln	<b>5.7</b>	-	-	-	-	<b>-5.7</b>	-
<b>Budget allocations</b>	RUB bln	<b>32.2</b>	<b>1.9</b>	<b>2.1</b>	<b>0.2</b>	<b>112.8</b>	<b>-30.0</b>	<b>6.7</b>
<b>Exchange rate differences</b>	RUB bln	<b>-22.1</b>	<b>12.8</b>	<b>18.8</b>	<b>6.0</b>	<b>147.2</b>	<b>41.0</b>	<b>-85.0</b>
<b>Changes in provisions</b>	RUB bln	<b>7.6</b>	<b>4.2</b>	<b>-7</b>	<b>-11.2</b>	<b>-166.7</b>	<b>-14.6</b>	<b>-92.1</b>
<b>EBITDA</b>	RUB bln	<b>336.3</b>	<b>315.6</b>	<b>315.7</b>	<b>0.1</b>	<b>100.0</b>	<b>-20.5</b>	<b>93.9</b>
<b>Profit before tax</b>	RUB bln	<b>25.0</b>	<b>38.1</b>	<b>43.6</b>	<b>5.5</b>	<b>174.4</b>	<b>18.7</b>	<b>174.8</b>
<b>Profit tax and other similar obligations</b>	RUB bln	<b>-24.6</b>	<b>-37.2</b>	<b>-37.1</b>	<b>0.0</b>	<b>99.9</b>	<b>-12.5</b>	-
<b>Net profit</b>	RUB bln	<b>0.3</b>	<b>0.9</b>	<b>6.5</b>	<b>5.6</b>	-	<b>6.2</b>	-

# Russian Railways performance results in 2016



Vadim Mikhailov



The Company had a balanced financial result in 2016 without receiving any government subsidies. Cost-cutting amounted to more than RUB 103 bln in 2015-2016, which is comparable with our monthly expenses. As a result of timely measures, the specific cost of transportation activities increased by only 0.8% versus the 2015 level amidst significant price pressure, average annual inflation of 7.1% and a 4% increase in industry prices. We met the plans we laid out in terms of revenue indicators and generated roughly RUB 1.6 trillion in revenue throughout the Company.

Despite an 0.2% decline in Russia's GDP, freight handling on the railway network increased by 0.6% versus 2015 (to 1,222.3 mln t), while freight turnover grew by 1.5% (2,997.8 bln tkm).

The positive dynamics in terms of volume were achieved, among other things, due to the improved quality of railway transportation operations, in particular a significant increase in freight delivery speed of 20.7% over the last two years.

In addition, Russian Railways achieved the target reduction in accidents on railway infrastructure set by the Government of the Russian Federation. The number of transportation incidents declined by 41% in 2016.

In the passenger sector, the trend of decreasing passenger transportation volume seen over the last three years was reversed. A total of 1,037 mln passengers were transported in 2016, an increase of 1.6% versus the previous year. The situation with suburban transportation stabilised as well.

The Moscow Central Ring launched operations in September 2016. By the end of the year, it had been used by more than

27 mln people. Daily passenger traffic is steadily increasing and new records are constantly being set (more than 319,000 passengers used the MCR on 28 December 2016 alone).

As a result of work performed to improve efficiency, the Company fully balanced its financial result for the first time without receiving any government subsidies, which had previously been allocated to Russian Railways for its major repair programme.

At the same time, the deterioration in the freight handling structure in terms of profitability became a key challenge for the Company. This trend will presumably impact the Company's work over the next few years.

In particular, despite the indexation of freight transportation tariffs at 9%, the average return per 10 tkm increased by only 2.7%. Due to changes in the transportation structure, including due to a decrease in the share of high-profit freight and an increase in the proportion of low-profit freight, the shortfall in income versus the initial plan totalled more than RUB 84 bln.

In order to maintain a breakeven

point, the Company reduced expenses on transportation activities by almost RUB 60 bln versus the initial plan. It also worked to improve the efficiency of other types of activities and implement other financial management measures (roughly RUB 30 bln).

In addition, additional expenses on property taxes were covered due to the lack of a decision to maintain a preferential property tax rate.

The Company also sought out an additional RUB 15 bln in funds for major tax repairs and RUB 0.8 bln for the partial funding of work performed as part of the Year of the Passenger.

Due to the implementation of an efficiency programme, transportation costs increased by 0.8% versus last year amidst annual inflation of 7.1% and industrial price growth of 4%.

## Key financial and economic results in 2016

### GDP growth

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**-0.2%**

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### Industrial production

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**+1.1%**

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### Handling

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**+0.6%**

1,222.3 mln t

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### Freight turnover

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**+1.5%**

2,997.8 bln tkm

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### Income from core operations

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RUB **1,577.5** bln

+4.4% vs. 2015

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### Expenses on core operations

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RUB **1,460.3** bln

+2.3% vs. 2015

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### Growth in labour productivity

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**+5.4%**

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### Change in loan portfolio

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RUB **+24.6** bln

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### Consumer price index

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**+7.1%**

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### Growth in industrial prices

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**+4.0%**

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### Passenger turnover

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**+3.4%**

124.5 bln pass. km

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### Passengers transported

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**+1.6%**

1,037 mln passengers

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### Sales profit

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**RUB 117.2 bln**

+40.2% vs. 2015

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### Transportation costs

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**+0.8%**

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### Net debt / EBITDA

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**2.8**

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### Net profit

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**RUB 6.5 bln**

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## Assets, equity and liabilities

Indicator	As of 31 Dec 2014	As of 31 Dec 2015	As of 31 Dec 2016	+/- vs. 2015
<b>Fixed assets</b>	<b>3,741.9</b>	<b>3,985.1</b>	<b>4,669.2</b>	<b>684.1</b>
Financial investments	444.9	429.8	426.2	-3.6
Other non-current assets	270.4	276.6	292.5	15.9
<b>Total non-current assets</b>	<b>4,457.3</b>	<b>4,691.4</b>	<b>5,387.8</b>	<b>696.4</b>
Reserves	69.0	62.0	65.7	3.7
Accounts receivable	122.7	135.3	122.0	-13.3
Cash and cash equivalents	86.1	138.1	85.1	-53.0
Other current assets	111.6	30.3	23.1	-7.1
<b>Total current assets</b>	<b>389.4</b>	<b>365.7</b>	<b>295.9</b>	<b>-69.8</b>
Equity	3,516.2	3,570.4	4,230.5	660.1
Borrowed funds	715.7	900.4	829.1	-71.3
Other liabilities	90.0	113.6	116.3	2.6
<b>Total long-term liabilities</b>	<b>805.7</b>	<b>1,014.1</b>	<b>945.4</b>	<b>-68.7</b>
Borrowed funds	140.5	88.5	91.9	3.4
Accounts payable	305.6	342.3	374.8	32.5
Other short-term liabilities	78.7	41.9	41.1	-0.8
<b>Total short-term liabilities</b>	<b>524.8</b>	<b>472.7</b>	<b>507.8</b>	<b>35.1</b>
<b>Balance</b>	<b>4,846.7</b>	<b>5,057.1</b>	<b>5,683.7</b>	<b>626.6</b>