

Other income and expenses

In 2016, other income totalled RUB 127.1 bln and other expenses amounted to RUB 200.6 bln for a financial result of RUB 73.6 bln.

Change in other income and expenses in 2015–2016, RUB bln				
Indicator	2015	2016	Change	
			+/-	%
Result from other income and expenses	-58.6	-73.6	-15.0	126
Including for the main articles:				
sale of assets	7.1	0.6	-6.5	8
sale of shares	5.7	-	-5.7	-
dividends	2.9	4.0	1.1	138
contribution of property to charter capital	0.7	-	-0.7	-
payable interest	11.8	9.2	-2.6	78
exchange rate differences	-22.1	18.8	40.9	-
change in provisions	7.6	-7.0	-14.6	-
budget funding	32.2	2.1	-30.1	6
interest payable excluding capitalised interest	-64.5	-64.2	0.3	99
guarantees under the collective bargaining agreement for Company employees and their families as well as retirees	-26.8	-25.7	1.1	96

Dividend income from Russian Railways subsidiaries

Dividend income from subsidiaries totalled RUB 4.0 bln in 2016. GEFCO accounted for most of the dividend payments (RUB 1.5 bln). Dividend income from subsidiaries totalled RUB 2.9 bln in 2015.

The increase in dividend income totalled RUB 1.1 bln versus the 2015 level, which is largely due to the growth in the financial result of subsidiaries as well as the implementation of Order No. 705-r of the Government

of the Russian Federation dated 18 April 2016 on the payment of dividends amounting to at least 50% of net profit of Russian Railways subsidiaries for 2015.

Profit from the sale of stakes in subsidiaries

The Company did not sell stakes in a number of subsidiaries in 2016 given the decline

in investment activity and a lack of interest from potential investors.

In 2015, the Company sold shares in 5 subsidiaries at a loss of RUB 5.7 bln.

Contribution of property to the charter capital of subsidiaries

The Company did not conclude any transactions to contribute property to the charter capital of subsidiaries in 2016.

In 2015, the Company generated a financial result of RUB 0.7 bln from an additional share issue by Sakhalin Passenger Company.

Interest payable

Income from interest payable totalled RUB 9.2 bln in 2016. In 2015, income from interest payable amounted

to RUB 11.8 bln. The decrease in income from interest payable totalled RUB 2.6 bln versus 2015, which is related to the decline

in cash balances on special accounts in which settlements are conducted as part of separate investment projects.

RUB **4.0** bln

dividend income from subsidiaries in 2016

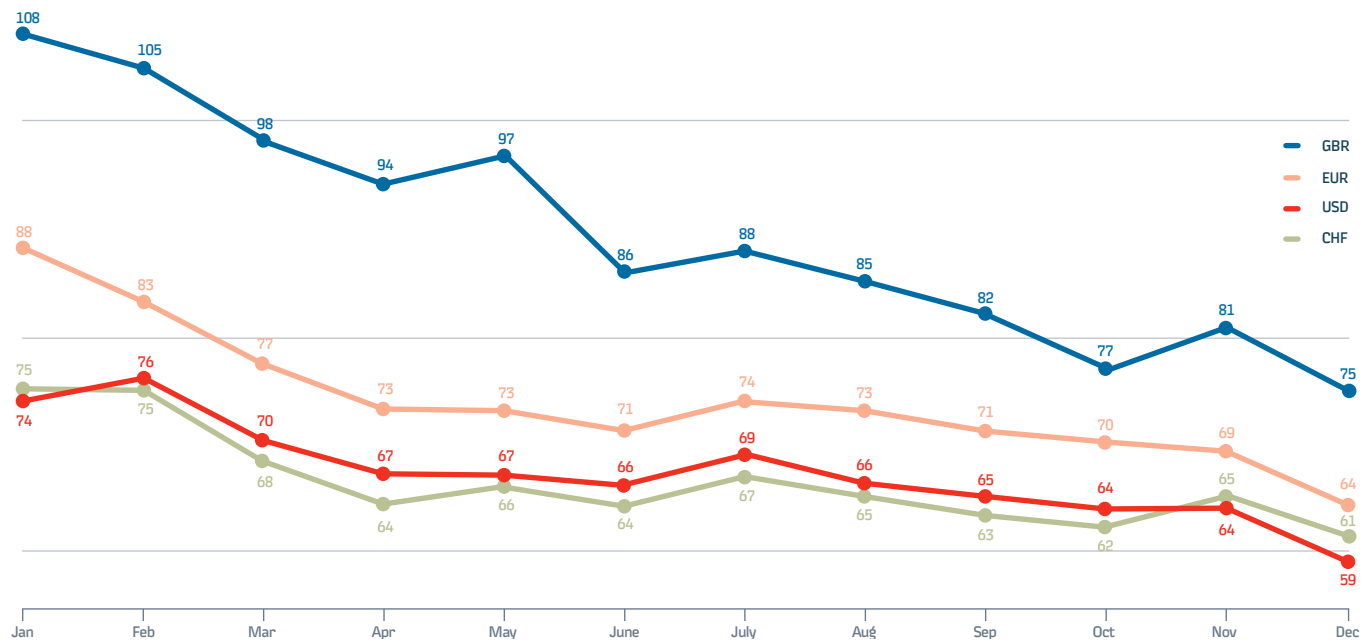
RUB **9.2** bln

income from interest payable in 2016

Exchange rate differences

In 2016, the Company continued to apply hedge accounting for foreign exchange earnings denominated in Swiss francs as well as investments denominated in euros. As a result of applying hedge accounting, of the total RUB 90.1 bln in positive exchange rate differences, the Company's profit was approximately 40%, or RUB 34.8 bln. Taking into account the exchange rate differences attributable to the hedged items received in the form of revenue during the period, the total positive effect of exchange rate differences on the Company's profit amounted to RUB 18.8 bln

Exchange rate dynamics of main currencies in 2016, RUB per unit



Appreciation of the national currency in 2015:

- vs. USD – 16.8%;
- vs. EUR – 19.9%;
- vs. GBP – 31%;
- vs. CHF – 19.2%.

In 2016, total negative exchange rate differences amounted to RUB 92 bln with most of the losses, or RUB 69.7 bln, classified as the Company's additional capital.

Debt servicing costs

Russian Railways had total interest payable of RUB 64.2 bln in 2016, excluding capitalised interest (total accrued interest for 2016 – RUB 79.8 bln).

In 2015, interest payable amounted to RUB 64.5 bln, excluding capitalised interest (total accrued interest for 2015 – RUB 76.1 bln).

The growth in accrued interest versus the 2015 level was due to the relative growth in the amount of interest (in the rouble equivalent) accrued on foreign currency borrowings as a result of a higher average annual foreign currency exchange rate relative to the rouble.

However, a decrease has been seen in the proportion of interest attributable to the Company's profit versus last year, which in turn was the result of capitalised interest for investment programme items.

Social expenditures

Expenses associated with guarantees under the collective bargaining agreement totalled RUB 25.7 bln in 2016, a decrease of RUB 1.1 bln, or 4%, from the 2015 level (RUB 26.8 bln).

Despite the decline in social expenditures, the Company fully met its obligations to employees and retirees under the collective bargaining agreement and maintained a high level of social responsibility.

The Company makes social expenditures as part of the Russian Railways collective bargaining agreement, which is adopted for a three-year period and serves as the unconditional motivational tool for recruiting and retaining personnel in the regions where the Company operates.

In 2016, the Company conducted collective negotiations and adopted and registered the Russian Railways

collective bargaining agreement for 2017-2019 with the Department of Labour and Social Protection of the City of Moscow as No. 1-918 dated 15 November 2016, which will be used to further enhance the effectiveness of social expenditures at the Company maintain its competitiveness on the labour market.

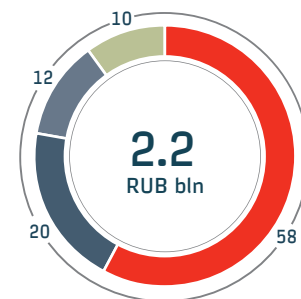
Changes in provisions

The negative result from changes in provisions totalled RUB 7.0 bln in 2016. However, considering the litigation performed by Company management to recover advance payments issued to foreign subcontractors as part of the implementation of the Libyan project, a total of RUB 2.6 bln was transferred to Russian Railways in 2016 with the proportionate reflection of the financial result from the recovery of this debt from the doubtful debt provisions.

Other expenses

As part of the Concept for the Management of the Company's Non-core Assets, low-liquidity assets with a largely social function (housing and utility, healthcare and educational facilities in the Amur Region as well as road overpasses and road infrastructure in the Republic of Tatarstan and the Vologda Region) with book value of RUB 2.2 bln were transferred to municipal property free of charge in 2016.

Structure of other expenses, %



■ Utilities
■ Roads
■ Healthcare
■ Social