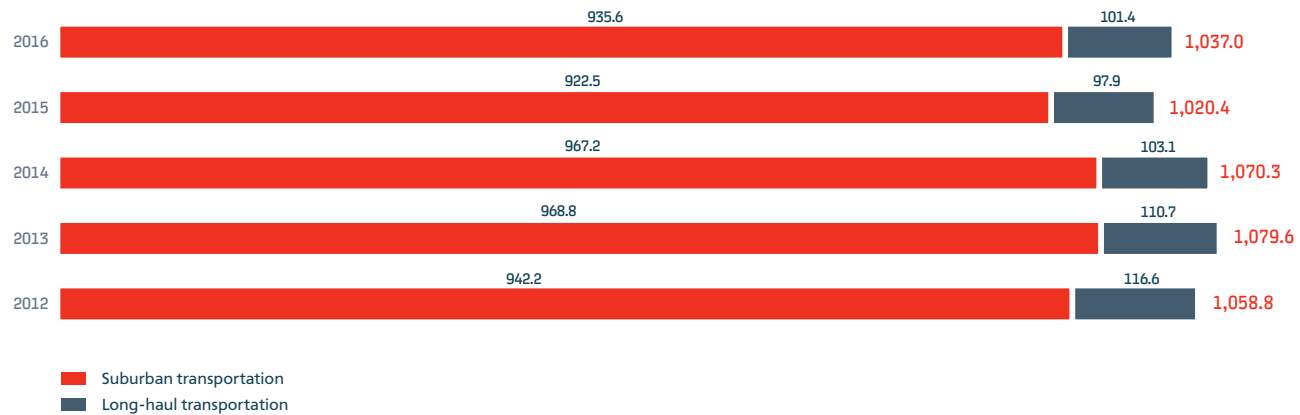


Number of passengers transported by railway, mln passengers



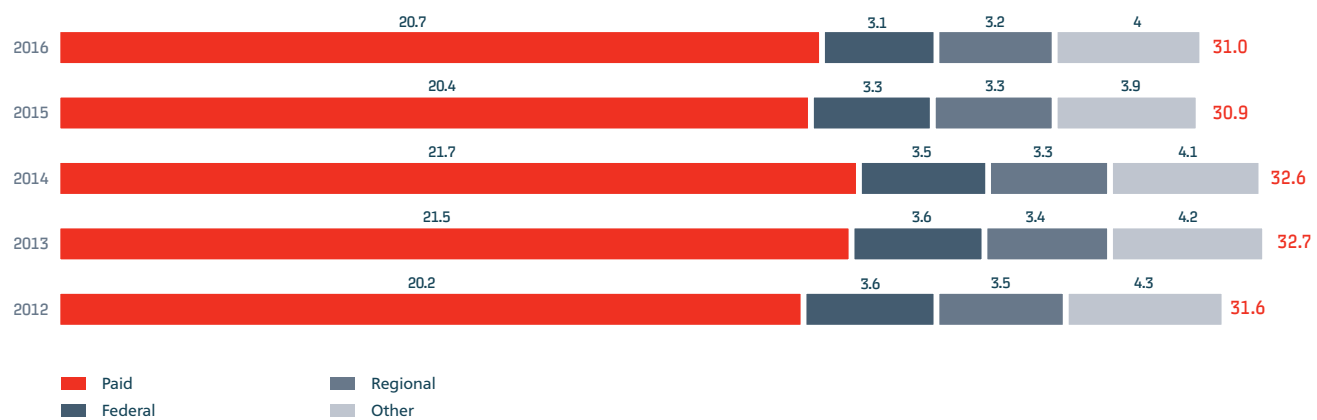
Suburban passenger transportation via Russian Railways infrastructure

Suburban passenger turnover via Russian Railways infrastructure increased by 0.4% to 31 bln pass. km in 2016 compared with 2015. Suburban transportation carried

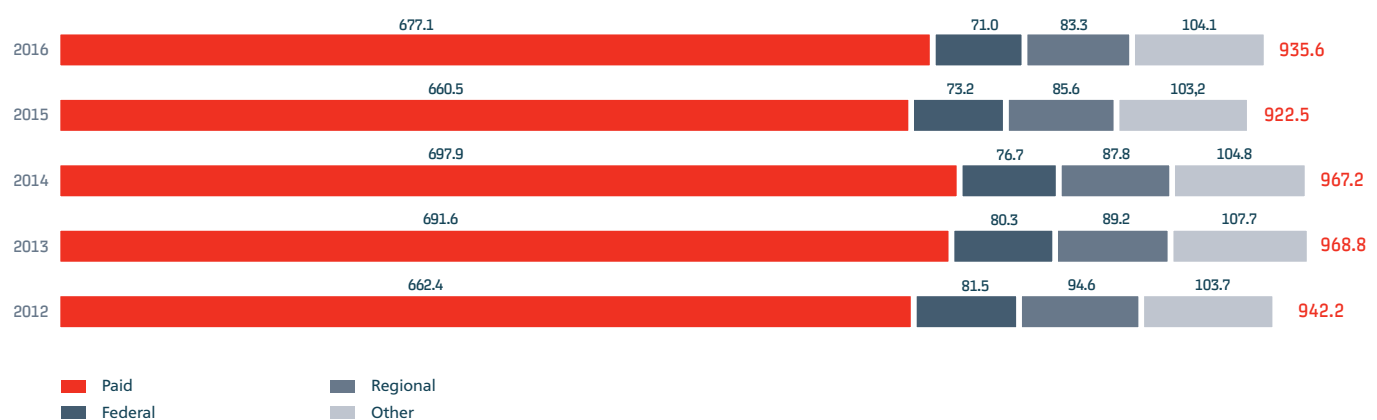
935.6 mln passengers in 2016, or 1.4% more than in 2015. Paying passengers made up 72.3% of the passenger structure, federal benefit recipients – 7.6%, regional benefit

recipients – 8.9% and other categories – 11.2%. The number of paying passengers increased by 2.5% compared with 2015.

Suburban passenger turnover by category, bln pass. km



Number of suburban traffic passengers transported via Russian Railways infrastructure by category, mln passengers



Structure and performance results of the suburban passenger service system

Transportation activities are performed by 25 suburban passenger companies (SPC) and Russian Railways as represented by the High-Speed Transportation Directorate.

Russian Railways has a more than 50% stake in the charter capital of 19 suburban companies.

Based on the 2016 results, 21 SPC were operating in the black with net profit of RUB 2,556.9 mln. Five SPC (North Caucasus SPC, Zabaikalskaya SPC, Kuban-Suburb, Kuban Express-Suburb

and South Urals SPC) had combined losses of RUB 632.8 mln.

1	North-West SPC	989.6
2	Moscow-Tver SPC	629.1
3	Kaliningrad SPC	18.8
4	Central SPC	81.4
5	Volga-Vyatka SPC	3.3
6	Sodruzhestvo	1.0
7	Northern SPC	661.4
8	North Caucasus SPC	-209.2
9	Kuban Express Suburb	-129.3
10	Chernozemye SPC	34.1
11	Saratov SPC	5.5
12	Volgogradtransprigorod	7.6
13	Samara SPC	3.1
14	Bashkortostan SPC	6.8
15	Sverdlovsk Suburban Company	44.7
16	Perm Suburban Company	15.7
17	Omsk Suburb	2.2
18	Express Suburb	0.0
19	Kuzbass Suburb	-1.1
20	Altai Suburb	1.2
21	Krasprigorod	1.9
22	Baikal SPC	29.4
23	Zabaikalsk SPC	-293.1
24	Primorye Express	0.7
25	Sakhalin PC	19.4
Total		1,924.0
including for profitable SPC		2,556.9
for unprofitable SPC		-632.8

Compensation for shortfalls in income of carriers by constituent entities of the Russian Federation

In recent years, considerable measures have been adopted at the state level to support the suburban railway industry. Compensation for losses in income has increased substantially from 44% in 2011 to 87% in 2016 as a result of planned work aimed at reducing the unprofitability of the suburban passenger sector, decisions adopted by the Government of the Russian Federation and obligations undertaken by the constituent entities of the Russian Federation.

Given the preferential tariff rate in 2016 for the infrastructure services of suburban railway transportation, the demand

of suburban carriers for subsidies to compensate for shortfalls in income arising as a result of the government regulation of tariffs amounted to RUB 12.7 bln (excluding profitable regions). Subsidies were provided to compensate for shortfalls in income from the government regulation of tariffs in the amount of RUB 10.1 bln, which compensated for 79% of this demand. The subsidies received from regional budgets to compensate for shortfalls in income in 2016 amounted to RUB 11.2 bln, including RUB 1.2 bln to repay the losses of previous years.

The deficit in subsidies from the regions amounted to RUB 2.8 bln in 2016. Thirty-six regions fully compensated for their shortfalls in income in 2016. Transportation is provided

on a self-sustaining basis under preferential infrastructure conditions in five regions (Moscow, the Moscow Region, St Petersburg, the Leningrad Region and Astrakhan Region).

At the same time, in ten regions compensation for the shortfall in the income of carriers amounted to less than 50%. Subsidies to compensate for shortfalls in income by suburban companies were not provided at all in two regions.

Compensation for shortfalls in income of carriers by constituent entities of the Russian Federation

Compensation level by constituent entities of the Russian Federation	Number of constituent entities of the Russian Federation					
	2011	2012	2013	2014	2015	2016
No compensation required	6	5	5	4	5	5
100% compensation	11	18	10	15	41	37
> 80% compensation	9	6	12	8	10	12
50–80% compensation	13	8	12	21	3	7
< 50% compensation	30	32	31	20	10	9
Not provided	4	4	3	5	3	2
Transportation stopped	–	–	–	–	1	1
Total						73

Renovation of rolling stock fleet

Passenger rolling stock is regularly renovated to develop and improve suburban passenger transportation, enhance the quality of services provided as well as improve the technical condition of multiple unit (MU) rolling stock.

The Russian Railways Group purchased 500 suburban multiple unit railcars in 2016 as part of the renovation programme.

Results of work to establish multimodal hubs

The Company implemented a number of projects in 2015 as part of work to establish multimodal hubs:

- The Company continued developing the 'Urban Commuter Train' project, which is primarily of interest to residents of large metropolitan areas since passengers are able to save substantial time when travelling at rush hour. The 'Urban Commuter Train' project encompassed 8 metropolitan areas: Krasnoyarsk, Ufa, Tambov, Rostov-on-Don, Kaliningrad, Volgograd, Kazan and Voronezh.
- The 'train + bus' project was further developed and had positive results in the Gorky Railway operating domain with the following combined routes established as of the end of 2015: Nizhny Novgorod-Syava, Nizhny Novgorod-Vakhtan, Nizhny Novgorod-Tonshayevo (including transfer at Shakhunya station) and Nizhny Novgorod-Sharanga (transfer at Uren station).
- Multimodal transportation was established in the operating domains of 9 SPC on 20 routes in 2016: Altai Suburb – 1 route, Volgo-Vyatsk SPC – 3 routes, Sodruzhestvo – 4 routes, Baikal SPC – 1 route, Chernozemye SPC – 2 routes, Saratov SPC – 3 routes, Volgogradtransprigorod – 3 routes, Moscow-Tver SPC – 1 route, Central SPC – 2 routes).

Moscow Little Ring Railway

The Moscow Central Railway (MCR) launched operations on 10 September 2016.

As of the end of 2016, the MCR operated 33 ES2G Lastochka trains and 67 ticket offices for the purchase of travel documents. There were 31 stations available to passengers with 15 stations offering transfers to metro lines and 6 to suburban railway stations.

The MCR carried 27,028,013 passengers over the period from 10 September to 31

December 2016. Each seventh Moscow Railway suburban passenger train was used by the MCR. The MCR accounted for 14.0% of the total number of passengers transported via Moscow Railway.

As all stations were opened, the MCR maintained a stable trend with average daily passenger transportation. The all-time record for passenger transportation was set on December 28 with 319,598 people.

The introduction of paid travel on the MCR (starting from 10 October 2016) confirms the importance of the new transportation

product for residents of the capital region. In particular, average daily transportation versus the first, free month of operation increased by 22.8% and totalled 252,000 people. During the paid travel period, an average of 292,200 passengers used the MCR each day on work days (+33.3% versus the free month), while an average of 155,000 passengers used the service on weekends (-11.8% compared with the free month).

27,028,013
passengers

transported on the MCR from 10 September to 31 December 2016

14%

share of MCR of the total number of passengers transported on Moscow

33

Lastochka (Desiro RUS) trains in operation on the MCR as of the end of 2016