

Measures that aim to improve the quality of transportation service for consignors

The Russian Railways Group's main development priority as regards freight transportation in the coming years is to attract additional freight to railways from other types of transportation and expand the range of logistics products offered to customers.

To meet these objectives, the Group has launched and is successfully providing the following services: 'Organisation of Scheduled Freight Train Traffic' and 'RZD Express'.

Transporting freight according to a fixed schedule allows for ensuring the timely and rhythmic delivery of freight and cutting the transportation costs of major holding companies by reducing the turnover of rolling stock and containers. As part of this service, 22,863 trains were dispatched in 2016 with income of RUB 1,627.9 mln, an 8% increase from 2015. There are currently

119 contracts in effect for this service of which 37 were concluded in 2016. The main customers are: SUEK, Mechel, Sibur Holding, RN-Trans and SDS Coal.

The subsidiary RZD Logistics is implementing the RZD Express project to consolidate and provide door-to-door shipments of small freight consignments to end consumers in 118 cities of Russia and Belarus. The RZD Express network includes 680 agencies and more than 11,000 delivery routes. This service is used to annually process more than 17,000 orders and over 92,000 tonnes of freight. In 2016, 237,000 tonnes of freight valued at RUB 1,031.9 mln were shipped as part of the RZD Express service.

In addition, Russian Railways offers the 'Freight Express' expedited freight delivery service, which makes it possible to reduce the time freight spends in transit by following a route based on a specially

developed schedule. Railcars containing the freight of customers with small freight volumes are assembled at a base station for a technical route and travel to the disbandment station without being processed en route. This technology makes it possible to compete with motor transportation in terms of freight delivery speed, while the use of the 'Freight Express' service combined with the rolling stock services provided by Russian Railways subsidiaries and affiliates as well as loading and unloading work significantly simplifies the railway transportation process. A total of 425 trains were dispatched in 2016, or 512,000 tonnes of freight valued at RUB 32.449 mln.