

2011

ANNUAL REPORT







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Opening Words from Chairman of the Board of Directors of JSCo Russian Railways Kirill Androsov



Ladies and Gentlemen,

In 2011, the Government of the Russian Federation made a strategic decision to set upon implementation of the railway restructuring program. The main results of the first three stages of reforms were delimitation of functions of state regulation and facilities administration of the industry, creation and successful performance of JSCo Russian Railways, division of the railway transportation area into competitive and natural monopoly components.

Since JSCo Russian Railways incorporation in 2003 and until now, the Russian Federation has been our sole shareholder. It is commonly supposed that the main objective of any joint-stock company is receiving of profits and increase in the business value. However, a shareholder is entitled to set other targets before the joint-stock company. In case of JSCo Russian Railways, an increase in profits or business value is not the main priority of the Russian Federation. The state aiming at a macroeconomic objective of meeting the ever-increasing demand of economy and population for high-quality, save and affordable railway services.

Certain contradictions are originally inherent in conditions of this problem related to assurance of a balance between social and economic interests of the state and business interests of the joint-stock company. If we add here the state role in tariff regulation of prices for the services provided by the Company due to its recognition as a natural monopoly entity, we will get an insight into complexity of the challenges that management bodies of JSCo Russian Railways are facing.

2011 saw a number of important events in Company's activities. The Company set upon implementation of the concept for organizational development of the Russian Railways holding company for the period till 2015 that implies transfer to a new organizational governance structure. The process of freight car transfer to the

balance of JSC Second Freight Company was completed. The inventoried stock of freight cars of JSCo Russian Railways ceased to exist and a new independent player appeared on the freight transportation market – JSC SFC. A transaction for sale of an equity stake in the JSC Second Freight Company was successfully consummated. According to railway transportation market players, all this means that a point of no return to the old, ministerial, pre-reform model of railway industry governance was passed.

In 2012, we are facing new challenges and new tasks. First of all, they relate to further JSCo Russian Railways transformation into a effective infrastructure company that provides services for all categories of our clients – freight owners, operators as well as companies engaged in service and operation of network infrastructure elements.

Being perfectly aware of certain macroeconomic restrictions with respect to the rate of railway tariff growth, in 2011, JSCo Russian Railways took much effort for cost optimization and reduction. The planned effect from implementation of the relevant program will reach about 25 bln rubles already in 2012.

Implementation of the comprehensive measures aimed at efficient cost management ensured Company's budget balance and retention of costs and prime cost of services on an admissible level.

Another essential line of our activity is improvement in the investment process quality. The main lines of the Company's investment activity are implementation of projects for enhanced safety of rail transport, elimination of infrastructure restrictions, acquisition and renewal of the rolling stock. Investment in 2011 exceeded 395 mln rubles. Plans for 2012 include implementation of the largest investment program in the Company's history in the amount of 447 bln rubles. Besides, in 2011, the

Board of Directors made an important decision to change the principles of investment generation – by priorities, payback and sources of finance.

The Company also implements a set of activities aimed at enhanced effectiveness of governance of subsidiaries and affiliates. All the subsidiaries and affiliates are divided into three main groups: operating, investing and those undergoing presale preparation or sales directly. For each of the groups, an individual set of cost and natural indicators controlled by the Board of Directors has been elaborated. This classification ensures a more flexible approach to evaluation of performance of subsidiaries and affiliates with regard to their functional purpose and sales outlooks. I am confident that implementation of this approach will help us consummate efficient assets sale transactions further on.

We are well aware of the fact that JSCo Russian Railways is a commercial company and that it receives most of its income from the freight transportation segment. Nevertheless, for most of the citizens of our country that spreads over thousands of kilometers from the east to the west and from the north to the south, rail transport is first of all associated with passenger operations. When we buy a train ticket, we are not inclined to take into account whims of nature. We are confident that a cosy and comfortable train with a logo of Russian Railways will leave a departure station on schedule and will arrive at the destination station right on time. This seeming simplicity implies daily dedicated service of tens of thousands of the employees of JSC Federal Passenger Company – our subsidiary.

We are facing great challenges, but the whole of our several thousand strong collective is ready to overcome them with dignity. This helps the Company's Board of Directors and management to positively look into the future in 2012.

Chairman of the Board of
Directors of JSCo Russian
Railways
Kirill Androsov

Opening Words from Vladimir Yakunin, President of Russian Railways



Dear Shareholders, Partners and Colleagues!

The past 2011 was marked by a focus of the country management to the matters of rail transport development in Russia. This was acknowledged by results of the II Railway Convention, a momentous event of the year. The convention summarized results of railway industry development over four years and outlined new outlooks. Key discussion topics were strategic development objectives of Russian Railways in the context of assurance of social and economic interests of the state and meeting increasing economy demands for transportation.

2011 saw implementation of significant activities related to the industry restructuring.

Generally, the Government of the Russian Federation approved the progress of the Railway Restructuring Program. It was extended to 2015 and an Action Plan for implementation of the target freight railway transportation market model till 2015 was approved.

Shaping of a competitive freight car handling market was the most far-reaching and complicated work performed in 2011 as a part of fulfilment of decisions of the RF Government and the Board of Directors for implementation of the railway restructuring program. 2011 saw completion of setup of the Second Freight Company and fine tuning of the technology for management of the private car consolidated pool in market conditions. As related to freight car repair, economic activities of three companies were launched: CRC-1, CRC-2, CRC-3.

The reporting year saw significant results in the sale of equity stakes in subsidiaries. 75% minus 2 shares of JSC First Freight Company were sold at the record amount of 125.5 bln rubles. Experts consider this event as one of the largest in the history of property privatization in Russia. All in all, at year-end, JSCo Russian Railways proceeds from sales of subsidiaries' shares amounted to

about 150 bln rubles that were allocated to finance the Company's investment program.

We are also content with year results in innovative development. 2011 saw approval of the JSCo Russian Railways Innovative Development Program until 2015. A meeting of the Scientific and Technical Council of JSCo Russian Railways approved the Concept of the railway infrastructure upgrade and development for arrangement of passenger operations for the period of the 2018 FIFA World Cup with regard to construction of allocated high-speed routes. In 2011, the scope of research amounted to 5.8 bln rubles, which accounts for 0.5% of the Company's income. Once again, we confirmed the status of a leader among state companies striving for innovations.

Last year, we celebrated the second anniversary of high-speed train running in Russia. Since commencement of operation, Sapsan trains have transported 5 mln passengers, Allegro high-speed trains – more than 300 thousand people.

We ensured improvement in the area of international co-operation, too. The project for reconstruction of the Khasan – Rason railway section where a demonstration train plied became an important integration element of co-operation between Russia and DPRK. We continue feasibility studies of the project for broad gauge construction to Bratislava and Vienna aimed at a dramatic increase in performance of logistics operations in the Europe – Asia direction.

JSCo Russian Railways and Siemens signed contracts for the manufacture of 1,200 cars for Lastochka electric trains and maintenance of 54 electric trains of the series. The first train will come to Russia in 2012 and starting from 2013, the program for train production localization in Russia will be implemented.

2011 saw launch of a new passenger train Moscow – Berlin – Paris. This is one of the longest Trans-European

routes nearly 3,200 km long and it passes through the territory of five countries: Russia, Belarus, Poland, Germany, France.

One of the top priorities of our work is rail transport safety assurance. 69 railway stations, 4 sections along the high-speed route Moscow – St. Petersburg (with a total length of 202 km) and 54 most important shared facilities are fitted with technical security equipment systems. The Main Situation Center of the Directorate for Railway Stations was opened. 20 railway stations have already been integrated into its system; further on, we plan to engage all large railway stations of the Company.

JSCo Russian Railways completed the year 2011 with good results: the Company's net profit amounted to 16.8 bln. rubles. In 2011, the operating income amounted to 1.288 trln rubles and their growth year-on-year is 7.8%.

As related to passenger operations, we managed to reverse a negative trend for decrease in the passenger turnover thanks to an effective marketing policy and increased service quality. Results of 2011 are optimistic: we launched the Common Information and Service Center of JSCo Russian Railways, the 10-millionth long-distance train ticket was purchased online and we significantly expanded a range of marketing initiatives and pricing flexibility.

On behalf of the Management Board of JSCo Russian Railways, I would like to express my gratitude to all Company's employees for their professionalism, commitment and drive for results. We are proud of our amazing team that settles any tasks however complex and thanks to which we are keeping our leadership of a successful transport company.

I am very grateful to our clients and partners for the confidence vested with us and mutually beneficial co-operation.

Together we are ready to strive for new achievements in 2012!

President of JSCo Russian
Railways
Vladimir Yakunin

Disclosures and Projections

The Annual Report of JSCo Russian Railways for 2011 discloses information to provide the shareholder represented by the Government of the Russian Federation, as well as government agencies, potential and actual investors, shippers, passengers and miscellaneous stakeholders and information users with comprehensive and relevant data on the operations of JSCo Russian Railways in 2011 and the Company's development trends.

The report complies with the following standards and legal acts:

- the Federal Law "On Joint Stock Companies"
- Decree of the Government of the Russian Federation No. 1214 of 31 December 2010, "On Improving the Management Procedure for Open Joint Stock Companies whose Shares are Held by the Russian Federation and Federal State Unitary Enterprises";
- Order No. 228 of Administration of the Federal Agency for the Management of Federal Property of 26 July 2005 "On the Regulation of the Activities of the Federal Agency for the Federal Property Management in the Sphere of Corporate Governance" (with recommendations on forming the Russian Federation's position on the adoption of the annual report of an open joint stock company whose shares are held by the Russian Federation);
- Regulation No. 17/ps of the Federal Securities Commission (FSC) of 31 May 2002 "On the Adoption of the Regulation on Additional Requirements with Respect to the Procedure for Preparing, Convening and Holding a General Shareholders' Meeting";
- Regulation No. 421/r of the FSC of 4 April 2002 "On a Recommendation with Respect to the Application of the Code of Corporate Conduct".

This report is an overview of the current situation of JSCo Russian Railways and the results of its operations for the year ended 31 December 2011 as well as the major trends which may have an impact on its future performance. For the purposes of this document, the word "Company", the pronoun "we" and its various forms refer to JSCo Russian Railways.

This report contains statements that are projections. Such verbs as "consider", "assume", "expect", "intend", "plan" and their synonyms signify the current projections and the opinion of the Company's management on future results.

Due to the special features of projections, they involve risks and uncertainties of a general and specific nature. In this respect, there is always a risk that preliminary estimates, projections, plans and other forecasts will not become a reality. It should be borne in mind that, under the influence of a number of material circumstances, the actual results may significantly differ from the targets, benchmarks, expected results, estimates and intentions included in the projections.

General Information on Open Joint Stock Company Russian Railways

Open Joint Stock Company Russian Railways is one of the world's largest railway companies with a huge scope of freight and passenger operations; the Company features high financial ratings, qualified specialists in all areas of rail transport, extensive scientific and technical base, project and construction capacities and broad experience of international co-operation.

JSCo Russian Railways was founded by Decree No. 585 of the Government of the Russian Federation of 18 September 2003 "On Establishment of Open Joint Stock Company Russian Railways". The Company's foundation was the outcome of the first stage of reforming the railway industry in compliance with Decree No. 384 of the Government of the Russian Federation of 18 May 2001 "On the Railway Restructuring Program". JSCo Russian Railways started its activities on October 1, 2003.

Company's mission is meeting the market demand for transportation, increasing performance efficiency, service quality and deep integration with the Euro-Asian transport system.

The main objectives of the Company:

- meeting the demand of the state, individuals and legal entities for rail transportation, works and services provided by rail transport;
- generation of profit.

Strategic objectives of the Company:

- enhanced scale of transport business;

- increased production and economic efficiency;
- increased performance quality and safety of transportation;
- deep integration with the Euro-Asian transport system;
- increased financial stability and efficiency.

The Company's property was established by way of entering assets of 987 federal rail transport organizations owned by the state to the JSCo Russian Railways charter capital at their book value.

Technical data of JSCo Russian Railways:

- Russian Railways are one of the world's largest transport systems – the length of track in use is 85.2 thous. km.
- JSCo Russian Railways has a world lead in the length of electrified mileages – 43.3 thous. km.
- JSCo Russian Railways ensures virtually 43.3% of the cumulative freight turnover (including pipeline transport) and over 31.5% of the passenger turnover.

General Legal Information

Full name of the open joint stock company:

Full name of the open joint stock company in Russian: Открытое акционерное общество «Российские железные дороги» (abbreviated ОАО «РЖД»)

Name in English:

Joint Stock Company Russian Railways (JSCo RZD)

Certificate of state registration:

Series 77 No. 007105126 issued on 23 September 2003

Term of the Company's activity in the railway industry, years:

JSCo Russian Railways was founded by Decree No. 585 of the Government of the Russian Federation of 18 September 2003. The Company's foundation was the outcome of the first stage of reforming the railway industry in compliance with Decree No. 384 of the Government of the Russian Federation of 18 May 2001. Constituency of the Russian Federation: Moscow

Legal address:

Novaya Basmannaya 2, Moscow 107174 Russia

Postal address:

Novaya Basmannaya 2, Moscow 107174 Russia

Phone:

+7 (499) 262-99-01

Fax:

+7 (499) 262-90-95

E-mail:

rzd@rzd.ru

Types of activity:

- freight operations;
- long distance passenger operations;
- suburban passenger operations;
- infrastructure services;
- locomotive hauling services;
- rolling stock repair;
- construction of infrastructure facilities;
- research and development;
- social services;
- other types of activity.

Information on the inclusion of strategic joint stock companies in the list

Pursuant to Edict No. 1009 of the President of the Russian Federation of 4 August 2004 "Concerning Approval of the List of Strategic Enterprises and Strategic Joint Stock Companies", JSCo Russian Railways has been included in the list of open joint stock companies whose shares are owned by the Russian Federation, and the participation of the Russian Federation in management of which is

in the state's strategic interests, promotes its defense capability and security, and protects its citizens' morality, health, rights and legal interests.

Full name and address of the register holder:

Open Joint Stock Company Russian Railways. The Company itself maintains the shareholders' register; a decision to transfer the functions of maintaining the shareholders' register to the registrar was not made

Size of charter capital, kRUB:

1,786,715,588

Total number of shares:

1,786,715,588

Total number of ordinary shares:

1,786,715,588

Nominal value of ordinary shares:

1,000

State registration number of the ordinary shares issue and the date of state registration:

- 1-01-65045-D of December 02, 2003
- 1-01-65045-D-001D of December 13, 2007
- 1-01-65045-D-002D of December 23, 2008
- 1-01-65045-D-003D of August 25, 2009
- 1-01-65045-D-004D of March 04, 2010
- 1-01-65045-D-005D of December 23, 2010
- 1-01-65045-D-006D of March 31, 2011
- 1-01-65045-D-007D of December 21, 2011

Preferred shares:

none

Company's principal shareholders:

Russian Federation

Amount of contribution by the Russian Federation, kRUB:

1,786,715,588

Share of the Russian Federation in the charter capital, %:

100

Share of the Russian Federation concerning in ordinary shares, %:

100

Full name and address of the Company's auditor:

Closed Joint Stock Company BDO (ZAO BDO)
(by Russian accounting standards)
Address: Varshavskoye Shosse 125, Bldg. 1, Section 11, Moscow 117587 Russia
Tax Identification Number: 7716021332
Main State Registration Number: 1037739271701
Telephone: +7 (495) 797-5665
Fax: +7 (495) 797-5660

E-mail: reception@bdo.ru
Ernst & Young Limited Liability Company (IFRS financial statements)
Address: Sadovnicheskaya Nab. 77, Bldg. 1, Moscow
115035 Russia

Licensing of the Company's activities:

The Company holds all the necessary licenses for core rail transport activities. JSCo Russian Railways holds a total of 2,083 licenses for 39 activities subject to licensing. In 2011, 16 licenses for individual types of activities were issued and re-issued to JSCo Russian Railways:

- operation of fire and explosion hazardous production facilities;
- operation of chemically hazardous production facilities;
- operation of ionizing radiation (generating) sources;

- activity associated with using agents of infection (handling group 4 pathogenic microorganisms);
- communications operations (7 types of communication services);
- production and maintenance of measurement instrumentation;
- license for passenger transportation by motor vehicles equipped for transportation of more than eight passengers (except where engagement in such activities is to meet the in-house needs of a legal entity or an individual entrepreneur);
- activities and (or) services associated with the state secret protection (in terms of technical protection of data);
- operations associated with development of information security products;
- TV broadcasting.

Changes in Statutory Activities

As of 31 December 2010, the amount of the Company's charter capital amounted to kRUB 1,698,128,067.

In 2011, the charter capital increased as follows:

- by kRUB 40,000,000 – to create infrastructure facilities as a part of preparation for the XXII Winter Olympic Games and XI Paralympic Games 2014 in Sochi under Article 11 of the Federal Law "Concerning the Federal Budget for 2011 and the Planning Period of 2012-2013";
- by kRUB 30,146,903 – to create transport infrastructure facilities as a part of preparation for the XXII Winter Olympic Games and XI Paralympic Games 2014 in Sochi,

- by kRUB 17,758,300 – for upgrade of the public railway infrastructure facilities;
 - by kRUB 682,318 – for technological connection of mobile telephone communications facilities at the Amur motorroad Chita – Khabarovsk to main substations in 2011.
- On 21 February 2012, an entry was made into the Uniform State Register of Legal Entities on the state registration of amendments made to the constituent documents of JSCo Russian Railways under the state registration number 6127746061239. Thus, the Company's charter capital amounts to kRUB **1,786,715,588**.

List of Related Parties

The Company's related parties are the following:

- members of the Board of Directors (see subsection "Members of the Board of Directors");
- President of the Company (see subsection "President of JSCo Russian Railways");
- members of the Company's Management Board (see subsection "Management Board");
- entities belonging to the group of entities to which JSCo Russian Railways belongs;
- legal entities in which the Company has the right to have at its disposal more than 20% of the total number of votes which relate to voting shares or constitute charter capital or equity capital, contributions or shares of the Company.

Organizational Structure of JSCo Russian Railways

The organizational structure of the Russian Railways holding company consists of the parent company, JSCo Russian Railways, subsidiaries and affiliates, which as of 31 December 2011 included the following¹:

Railway branches:

October Railway
Kaliningrad Railway
Moscow Railway
Gorky Railway
Northern Railway
North Caucasus Railway
South-Eastern Railway
Privolzhsk Railway
Kuibyshev Railway
Sverdlovsk Railway
South Urals Railway
West Siberian Railway
Krasnoyarsk Railway
East Siberian Railway
Trans-Baikal Railway
Far Eastern Railway

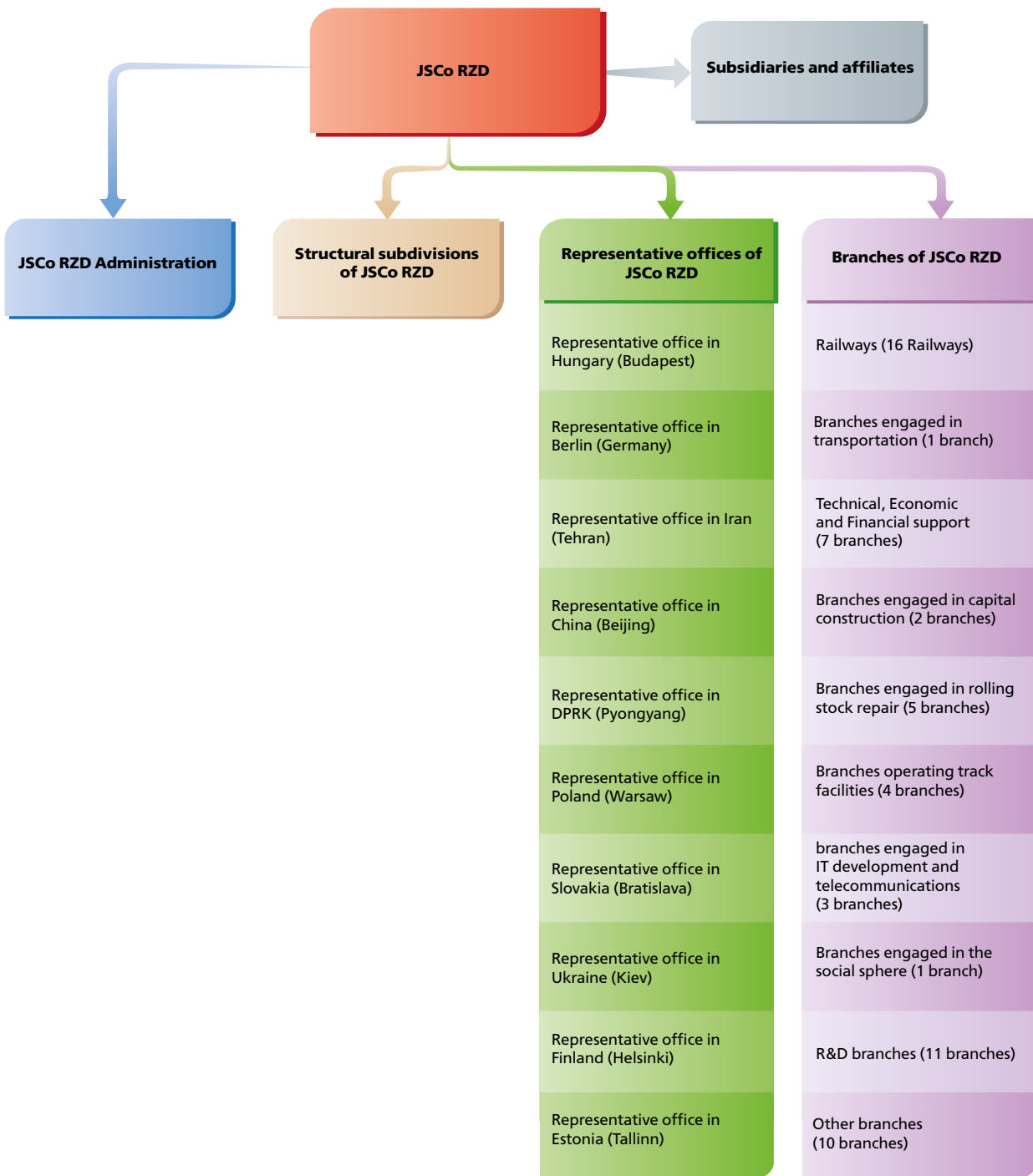
Functional branches:

branches engaged in transportation (1)
branches providing technical, economic and financial support (7)
branches engaged in capital construction (2)
branches engaged in rolling stock repair (5)
branches operating track facilities (3)
branches engaged in IT development and telecommunications (3)
branches engaged in the social sphere (1)
R&D branches (11)
other branches (10)

The Company has representative offices in 10 countries:

Hungary (Budapest), Germany (Berlin), China (Beijing), the Korean People's Democratic Republic (Pyongyang), Poland (Warsaw), Slovakia (Bratislava), Ukraine (Kiev), Finland (Helsinki), Iran (Teheran) and Estonia (Tallinn).

¹ Organizational structure of Russian Railways holding company is shown with regard to all changes adopted at the meetings of the Board of Directors of JSC Russian Railways in 2011, and as of 31 December 2012 may differ from the list of branches and representative offices of JSC Russian Railways stated in the appendix to the Charter of JSC Russian Railways as of the same date.





1. The Company's Strategy and Mission



The Company's Strategy and Mission

Russian Railways holding company aims to effectively develop a transportation business that is able to compete on the Russian and international markets, while implementing the responsibility of a national carrier and rail infrastructure owner.

Long-term objectives are defined in the **Strategy of development of Russian Railways holding company till 2030 and key priorities of the mid-term period till 2015** prepared by JSCo Russian Railways, approved by the Management Board of JSCo Russian Railways and recommended for approval by the Company's Board of Directors. The key priorities include:

- increase the scale of operations both in Russia and abroad, and in particular, increase freight and passenger turnover by 2015 at least by 27.6% and 9.2% compared with 2009, respectively;
- improve core performance, primarily by improving the use of the throughput and carrying capacity of the infrastructure and increasing its technical reliability;
- attain a competitive edge by creating a new range of transportation products and additional services, developing supply chains, improving customer service level and quality, and introducing innovative operational techniques and technology aimed to increase the average daily freight locomotive capacity, reduce cargo delivery times (down 10.3% on 2009), reduce environmental impacts (pollutant emissions down 9.7% on 2009), improve the safety of cargo and passenger trains, reduce accident rates and general industrial injury rates by 2015;
- improve employee welfare and social security on the principles of social partnership, based on growth in employee competencies and productivity at least by 30% by 2015;
- ensure that corporate governance meets global best practices.

The Strategy will be implemented by means of the following:

- building an efficient business model of Russian Railways holding company, introducing a business-based management, improving the organizational structure and governance of Russian Railways and the holding company in general;
- formalizing goals and priorities in the development of businesses and making responsibility for performance personal;
- taking comprehensive action to increase internal efficiency and profitability of the businesses in the target portfolio with an adequate government support;
- pursuing common functional policies and developing balanced strategies across the business lines of the holding company and S&A of JSCo Russian Railways..

Attaining the objectives stated will contribute to establishment of a sustained transport business system,

increase in competitiveness and client-centeredness of the holding company, improved performance and quality of the transportation process and expansion of the range of the services provided.

In its Target State, Russian Railways holding company will be:

- Russia's major transportation business system;
- a holding structure based on business types with a consolidated strategy;
- the owner of the public rail transport infrastructure that provides transportation and related services on a non-discriminatory basis;
- a network-wide freight carrier integrated with the infrastructure;
- one of the major players in the emerging markets for logistics, passenger and other services;
- a socially responsible business ensuring the right balance of corporate, government and public interests within its operation.

In order to achieve its strategic objectives and effectively compete on the market, Russian Railways will primarily focus on the following:

- develop and implement across functional branches and subsidiaries medium and long-term performance improvement programs based on the strategic objectives of Russian Railways holding company;
- implement initiatives to achieve the target state of the management of Russian Railways holding company and increase its effectiveness, and to promote technological and economic relations among the newly created business units;
- promote social partnership across Russian Railways holding company and improve working conditions for the Company's staff pursuant to corporate standards;
- expand international co-operation by building, promoting and implementing commercially effective projects and developing external partnerships;
- implement innovation priorities as defined in the Innovative Development Strategy, including gradual migration to "smart rail transport", and arranging for the development of the new rolling stock, infrastructure and technical tools based on their lifecycle cost.

With this, the top priorities of development of Russian Railways holding company are still accelerated upgrading and development of the railway infrastructure in line with target traffic volumes and generation of an economically attractive model that allows to increase sources of finance of the railway infrastructure.



2. Summary of the Company's Operations and Key Corporate Events



Summary of the Company's Operations and Key Corporate Events

Russian Railways closed 2011 with positive results: which owe to a stronger economic growth in Russia than it was expected last year, on the one hand, and also the fact that the Company continued to implement an anti-crisis package aimed to cut costs and improve operational efficiency.

Achievements and Key Operating Indicators

In 2011, the Company achieved key budget targets relating to freight handling, qualitative measures of the use of rolling stock, labor productivity and cost reduction, ensured the profitability of operations and implemented top-priority investment projects.

At year-end, the volume of **freight handling** amounted to 1,241.5 mln tons (+3.0% on 2010).

Freight turnover, including empty private and leased cars, increased by 8.1% year on year to 2,704.8 bln ton-km.

In 2011, JSCo Russian Railways ensured improvement of the key financial and economic indicators.

Transportation revenues were 1,109.1 bln rubles, up 2.8% on 2010.

Transportation expenses were 1,050.8 bln rubles, up 6.5% on 2010.

The prime cost of railway operations in 2011 amounted to 369.4 kop./10 equated tkm, down 0.8 on 2010.

The purposeful work aimed at maximization of income, optimization of costs, sales of subsidiaries' and affiliates' shares allowed the Company to realize net profit in the amount of 16.8 bln rubles.

Investment program of JSCo Russian Railways was increased from initial 349 bln rubles to 396.3 bln rubles, up 25% on 2010. As a result of this, implementation of the investment program amounted to 395.4 bln rubles – 99.8 % of the target value.

The Company **retained its talent pool** and ensured stability in collectives.

In 2011, the **average monthly salary** of employees of JSCo Russian Railways engaged in transportation accrued 13.8% to have reached 33,485 rubles (2010 – 29,432 rubles). In real terms (with regard to inflation), the salary accrued 5.0%.

In early 2011, results of structural reforms of the rail transport were positively evaluated at the meeting of the Presidium of the Government of the Russian Federation. The country leaders decided to extend the rail transport reform for five years more as a part of implementation of the fourth stage and target freight railway transportation market model till 2015.

In compliance with the plan approved by the Government of the Russian Federation, JSCo Russian Railways set upon stepwise implementation of the target model.

Formation of the charter capital of JSCo Russian Railways subsidiary – SFC JSC SFC was completed (151.3

thous. cars were delivered). With completed delivery of cars to JSC SFC, freight operations are virtually fully covered by private cars.

October 2011 saw *sale of the majority interest in JSCo Russian Railways subsidiary – JSC FFC* for the record amount of 125.5 bln rubles, which became an important milestone in the history of railway property privatization. Acquisition of JSC FFC by a private operator became an important step on the way to development of the full-fledged competition on the operator services market.

Procedures for sale of subsidiaries JSC ELTEZA (50% minus 2 shares) and JSC TransCreditBank for a total amount of more than 20 bln rubles were completed.

Sales of S&A shares generates resources for financing of investment programs and contributes to development of the full-fledged competition on the relevant service market.

All in all, 149.3 bln rubles were received from sales of shares of JSCo Russian Railways subsidiaries in 2011.

During 2011, JSCo Russian Railways concentrated its efforts on fuller use of competitive advantages, including Russia's geopolitical position.

The top priority was co-operation with railway administrations of CIS and Baltic states within the framework of the Railway Transportation Council of the CIS member-countries. JSCo Russian Railways acts as a "system integrator" of activities of railway administrations in 1520 Area ensuring integration and integrity of this world's largest railway system.

In 2011, as a part of the project for development of the Mongolian railway infrastructure, much attention was paid to the project of Tavan Tolgoi coal field development.

Implementation of the project of transkorean route reconstruction continued – reconstruction of the Khasan (RF) – Rason (DPRK) railway section and construction of a freight terminal in Rason.

Implementation of the project of Tabriz – Azar Shahr railway line electrification in Iran was nearly over.

As a part of the quadruple joint venture of Russia, Austria, Slovakia and Ukraine, preparation for a tender for elaboration of the complete feasibility study of the project of direct railway service to Vienna, specification of the potential cargo traffic forecast and preparation of proposals for financing terms continued.

In the conditions of dynamic development of Russia's foreign economic relations, JSCo Russian Railways pays much attention to the service of export and import traffic

flows and transcontinental transit traffic.

A priority in these activities is strengthening of co-operation between Russian Railways holding company and Ministry of Railways of PRC as related to railway freight transportation, including transit container shipping from China to Europe and back.

In order to handle prospective volumes of freight operations in this direction, JSCo Russian Railways signed a Memorandum of trilateral co-operation in development of the Chongqing – Duisburg transit railway corridor with the Peoples's Government of Chongqing and Ministry of Railways of PRC.

Rail-Container joint venture set up by JSC TransContainer and CRIMT (China Railway International Multimodal Transport) also has good outlooks. Creation

of this joint venture is the evidence of a quality change of attitude towards outlooks of transit along the Trans-Siberian line on the part of China and its willingness to establish trilateral logistics co-operation Russia – China – Europe.

In co-operation with the Chinese party, in 2011, matters addressed were development of existing railway crossing points in order to fully ensure foreign trade freight traffic coming through the Far East and north-west of China.

In order to integrate with the global transport market and promote advanced technologies on Russian railways, Russian Railways holding company actively enhances its co-operation with international transport organizations of the EU.

Russian Railways Key Performance Indicators in 2009-2011 ²

Traffic	unit	2009	2010	2011
Handling	mln tons	1,108.2	1,205.8	1,241.5
Freight turnover, of which	bln ton-km	2,271.3	2,501.8	2,704.8
excluding empty cars owned by third parties and empty leased cars	bln ton-km	1,865.3	2,011.3	2,127.8
empty cars owned by third parties and empty leased cars	bln ton-km	406.0	490.5	576.9
Passenger turnover	bln pass-km	151.5	138.9	139.8
Operating efficiency	unit	2009	2010	2011
Service speed	km/h	41.6	41.2	37.1
Freight car turnover	days	7.45	13.44 ³	14.40
Average weight of a freight train	tons	3,855	3,867	3,868
Rate of labor productivity growth	%	101.8	117.4	117.5
Financial results	unit	2009	2010	2011
Total income	RUB bln	1,050.1	1,195.1	1288.3
Income from transportation, infrastructure and locomotive hauling services	RUB bln	956.8	1079.3	1109.1
Freight transportation	RUB bln	783.0	936.2	1003.1
Locomotive hauling services	RUB bln	11.0	11.8	11.4
Infrastructure services	RUB bln	11.8	88.4	87.2
Passenger transportation	RUB bln	151.0	42.9	7.4
long distance	RUB bln	132.6	29.1	7.4
suburban	RUB bln	18.4	13.8	0

² Data for 2010 do not match financial statements for 2010, as they contain adjustments described in detail in the appendix

³ Conditions disparate to the conditions in 2009 due to a change in accounting of the operating fleet of freight cars (decree No. 1562r of JSCo Russian Railways).

2. Summary of the Company's Operations and Key Corporate Events

Traffic	unit	2009	2010	2011
Income from other types of activity	RUB bln	93.3	115.8	179.2
Total expenses	RUB bln	999.9	1,084.2	1215.5
Expenses on transportation, infrastructure and locomotive hauling services	RUB bln	913.8	986.4	1050.8
Freight transportation	RUB bln	691.1	796.1	933.2
Locomotive hauling services	RUB bln	8.3	8.8	8.4
Infrastructure services	RUB bln	11.1	86.2	102.2
Passenger transportation	RUB bln	203.3	95.3	7.0
long distance	RUB bln	160.1	52.2	6.9
suburban	RUB bln	43.2	43.1	0.1
Expenses on other types of activity	RUB bln	86.1	97.8	164.7
Total profit	RUB bln	50.2	110.9	72.8
Profit from transportation, infrastructure and locomotive hauling services	RUB bln	43.0	92.9	58.3
Freight transportation	RUB bln	91.9	140.1	69.9
Locomotive hauling services	RUB bln	2.7	3.0	3.0
Infrastructure services	RUB bln	0.7	2.2	-15.0
Passenger transportation	RUB bln	-52.3	-52.4	0.4
long distance	RUB bln	-27.5	-23.1	0.5
suburban	RUB bln	-24.8	-29.3	-0.1
Profit from other activities	RUB bln	7.2	18.0	14.5
Result of other income and expenses	RUB bln	10.1	15.0	3.8
EBITDA ⁴	RUB bln	263.2	324.2	271.4
Profit (loss) before tax (EBIT)	RUB bln	60.3	125.9	76.6
Net profit	RUB bln	14.4	74.8	16.8
Profitability	%	1.4	6.6	6.0
Equity, assets and liabilities	unit	2009	2010	2011
Balance-sheet total	RUB bln	3,653.1	3,798.0	4,135.6
Non-current assets	RUB bln	3,459.4	3,542.2	3,765.2
Current assets	RUB bln	193.7	255.8	370.4
Capital and provisions	RUB bln	2,956.7	3,164.4	3,361.5
Long-term liabilities	RUB bln	332.3	303.3	316.9
Short-term liabilities	RUB bln	364.1	330.3	457.20
Net assets	RUB bln	2,960.1	3,169.1	3,367.6

⁴ EBITDA = EBIT + Depreciation.

Traffic	unit	2009	2010	2011
Investments	unit	2009	2010	2011
Cash used in investing activities, of which	RUB bln	265.6	317.4	395.4
Net of borrowed funds	RUB bln	265.1	316.8	394.2
Borrowed funds	RUB bln	0.5	0.6	1.2

Summary of the Key Corporate Events of the Year

January

In the context of co-operation of JSCo RZD with Slovak machine building company Tatravagonka JSC, a container terminal in Dobra hosted formal acceptance of a pilot batch of articulated container platforms. The new rolling stock manufactured by Tatravagonka JSC for JSC TransContainer (JSCo RZD subsidiary) procured increase in efficiency of container freight transportation.

February

In St. Petersburg, JSCo RZD and Spanish company Idalgo signed an Agreement for conclusion of contracts for delivery of 140 passenger cars (7 sets 20 cars each) and their maintenance. Co-operation with Spanish manufacturers offers great opportunities in operation of the rolling stock with the automatic track gauge change system.

March

In London, JSCo RZD completed placement of Eurobonds for a total amount of 350 mln pounds with a coupon yield rate of 7.487% p.a. and maturity in 2031. These are Eurobonds with the longest term not only for the company, but also for Russian issuers.

JSCo RZD gained acceptance at the international contest REBRAND 100 Global Awards; company's rebranding was among top 100 best rebranding examples in 2011.

JSCo RZD obtained the award "CIS Business Leader" given for significant contribution to the development of integration processes and economic co-operation within the territory of CIS member states.

JSC obtained the award of the "Crystal Headset" contest as a part of the Call Center World Forum. This was the recognition of the Common Information and Service Center of JSCo RZD set up in October 2010 that has become one of the largest distributed contact centers in Russia.

April

JSCo RZD and German manufacturer Siemens AG announced start of production of Lastochka electric trains based on the Desiro platform. Siemens AG will deliver 54 Lastochka electric trains to JSCo RZD. In 2014, these advanced electric trains will ensure passenger transport service during winter Olympic and Paralympic games in Sochi.

JSCo RZD, in co-operation with the Moscow and Moscow Oblast Government, agreed to elaborate a new passenger transportation organizational chart for 2012 and in the long run until 2020. They signed joined documents for development of the Moscow transport hub and use of Moscow railway station side territories.

May

As a part of the festivity "1,000 days till Olympics", JSCo RZD launched a campaign titled "1,000 trees to the 120th anniversary of the trans Siberian line". New picturesque leisure areas with memorial signs appeared in the cities along the trans Siberian line: Nizhny Novgorod, Vladimir, Kirov, Perm, Yekaterinburg, Tyumen, Novosibirsk, Krasnoyarsk, Irkutsk, Ulan-Ude, Chita, Khabarovsk, Omsk.

June

JSCo RZD conducted additional placement of 20-year old Eurobonds in pounds with a coupon yield rate of 7.487% p.a. in the amount of 300 mln pounds. The overall value of issue with account of the issue of Eurobonds in March amounted to 650 mln pounds. Bonds of an additional issue were placed with a par value premium, which helped JSCo RZD decrease the effective rate for the borrowing on the whole.

JSCo RZD became one of the main partners of the VI International Railway Business Forum "Strategic Partnership 1520" in Sochi. The key topic of the event was the strategy for integration of spaces 1520 and 1435. As a part of the forum, JSCo RZD and holding organizations concluded 11 significant contracts with their counterparts.

JSCo RZD opened the Big Novorossiysk Tunnel, which enabled increase in the train speed and capacity of the Tonnelnaya – Novorossiysk section. Despite the economic crisis, implementation of JSCo RZD infrastructure projects did not stop and more than 3 bln rubles were invested in construction activities.

JSCo RZD opened the Karymskaya – Olovyannaya electrified section of Zabaikalye Railways. All in all, electrification investments amounted to some 26 bln rubles and completion of the project will enable decrease in carrier's costs and improve freight transportation conditions.

JSCo RZD opened railway service between Russia and Republic of Abkhazia suspended in February 2011 due to

reconstruction of the Veseloye – Sukhumi section.

JSCo RZD approved the Innovative Development Program till 2015. The Program determines 12 key directions of the company's innovative development and is in line with the company's development strategy and its financial targets. The Program contains a set of activities aimed at development and implementation of new technologies, innovative products and services matching the world level as well as stimulation of innovative development of key industries of the Russian Federation.

July

JSCo Russian Railways delivered enhanced comfort suburban electric trains of ED4M series to the Russian railway system. All in all, Moscow and October Railways received 25 enhanced comfort trains of ED4M series. Most changes were introduced following results of questionnaire surveys of operating depots and passengers.

August

JSCo Russian Railways launched a unique train – mobile exhibition and lecture complex (MELC) where the leading Russian and foreign companies will be able to present their innovative projects. The mobile exhibition and lecture complex includes 3 service and 8 exhibition cars, each of which is dedicated to a certain innovative project or company that presents its projects.

For the first time in the history of Russian railways, JSCo Russian Railways managed to cross Ural Mountains on a train with a record weight of 9 thous. tons. A developmental prototype of an electric freight locomotive with Granit asynchronous traction motor drive (2ES10 series) ran along the route Yekaterinburg-Sortirovochny – Pervouralsk – Balezino. This achievement became possible thanks to the new electric locomotive designed through joint efforts of Russian and German engineers.

JSCo Russian Railways presented the new international tourist train Moscow – Beijing. The train launch became an important milestone in international tourism development.

JSCo Russian Railways together with FSE Internal Security of Railway Transport of Russia, Voronezh Car Repair Plant, JSC Vagonremmash, JSC Ruzkhimmash presented a prototype of a new fire train. The upgraded rolling stock is able to ensure efficient fire fighting both in the open air and in tunnels.

September

JSCo Russian Railways and Siemens AG signed contracts for the manufacture of 1,200 cars for Lastochka (Desiro RUS) electric trains and maintenance of 54 electric trains of the series. An order for manufacture of Lastochka (Desiro RUS) electric trains was placed with Tekhnologii Poezdov – a joint venture of Siemens and Sinara Group. The order volume is 1,200 cars for a total amount of more than EUR 2 bln. Advanced electric trains manufactured

in Russia will be operated on multimodal and suburban routes.

JSCo Russian Railways held the III EXPO 1520 International Exhibition, the largest international railway machinery exhibition in 1520 Area. In 2011, EXPO 1520 was of the largest scale for its whole history. Pavilions and open areas hosted some 500 stands, including approximately 70 units of the railroad bed machinery. The event was attended by 14.5 thousand people from 25 countries, which is half as much as in 2009 and in terms of the railway machinery displayed – twice as much.

October

JSCo Russian Railways performed a demonstration run of a train along the reconstructed section Rason (DPRK) – Khasan (RF). This was the completion of the first stage of reconstruction of this international railway section aimed at further assurance of transportation of container and bulk freight. Total costs on implementation of the project for reconstruction of the Khasan – Rason section with construction of a container terminal in Rason port are assessed at 8.3 bln rubles.

JSCo Russian Railways announced sales of 75% minus 2 shares of JSC FFC according to auction results. An equity stake shares put up for auction was sold for 125 bln 500 mln rubles with a starting price of 125 bln 375 mln rubles. The auction was held in compliance with decisions of the Board of Directors of JSCo Russian Railways and resolution of the Government and became one of the achievements of railway restructuring.

JSCo Russian Railways coordinated a technical design assignment for design of a shunting and clean-up train with SinaraHybrid (TEM9N) hybrid power unit. The design of the Russia's first hybrid locomotive is being developed by STM Center for Innovative Development engineering company (a part of JSC Sinara – Transport Machines). A hybrid diesel locomotive will feature improved environmental and energy efficiency performance.

JSCo Russian Railways delegated heads of the Company to the 55th meeting of the Railway Transportation Council of the CIS member-countries. The Company's delegation was headed by President of JSCo Russian Railways Vladimir Yakunin.

JSCo Russian Railways presented an exhibition at Kursky Railway Station in Moscow dedicated to high-speed passenger services and international co-operation in this area. The exhibition demonstrated a simulator of the world speed record on the railway of 574.8 km/h achieved in 2007 by a TGV train as well as photo stands showing an evolution of TGV trains, their technical and commercial characteristics.

November

JSCo Russian Railways became one of the main partners of the II Railway Convention held in Manezh CEH in Moscow. The convention was attended by more than 3,000 delegates that included representatives of public authorities, professional market players, clients of

the railway industry, senators, State Duma deputies, academicians, members of the Public Chamber and labor collectives.

JSCo Russian Railways completed reconstruction of a railway bridge over Volga at the 754th km of Kanash – Agryz section. The bridge is located in one of the most heavy-traffic sections of Gorky Railway and it connects the European part of the country with Urals, Siberia and Far East. Reconstruction resulted in increased capacity of the route, service reliability, safety of the structure and train speed.

December

JSC FPC (subsidiary of JSCo Russian Railways) launched its first trip along the route Moscow – Berlin – Paris. This new route became the second route from Russia to France and it further extended the outreach of international routes offered by the company.

JSCo Russian Railways concluded a contract with German holding Siemens for delivery of eight high-speed Velaro RUS (Sapsan) trains and a contract for their maintenance for 30 years. The total cost of delivery of eight train sets and contracts for their maintenance amounts to some EUR 600 mln. New trains will ply on high-speed routes between Moscow, St. Petersburg and Nizhny Novgorod.

Public recognition

In 2011, JSCo Russian Railways received several awards evidencing public recognition of various lines of Company's activity:

JSCo Russian Railways won the annual international contest International Tunnelling Awards in Hong Kong arranged by New Civil Engineer publishing house in co-operation with the World Tunnel Association. The award was given in the nomination "Large Tunnel Project – 2011" for construction of the third tunnel complex of a combined road and railway Adler – Alpika Service that will connect Sochi to Krasnaya Polyana in 2013.

In December 2011, JSCo Russian Railways became a prize-winner of "Time for Innovations – 2011" in the nomination "The best project for promotion of innovative activities" with the project "Mobile Exhibition and Lecture Complex (MELC)".

The Common Information and Service Center of JSCo Russian Railways received four awards at the "Crystal Headset" annual contest of the National Association of Contact Centers: the first place in the nomination "The best use of technology" and the second place in the nominations "The best program/project of personnel recruitment and training" and "The best project of

opening of a new website and creation of a new call center".

In January 2011, Euroweek, a journal on international capital markets, declared the inaugural issue of Eurobonds by JSCo Russian Railways as one of the winners of the nomination "The best transaction in the Eastern Europe in 2011".

The Association of Managers of Russia included many of JSCo Russian Railways employees into its twelfth annual rating "TOP 1,000 Russian Managers", including in such nomination as "Business Leaders", ratings of the best financial directors, corporate governance directors, HR directors, IT directors, public and corporate relations directors, marketing directors.

According to the survey conducted by Swedish research company Universum among 13 thousand Russian students of leading higher educational establishments, JSCo Russian Railways was recognized as one of the best employees.

At the XIV annual Contest of annual reports and websites organized by Rynok Tsennykh Bumag journal jointly with the RF Ministry of Finance, in 2010, JSCo Russian Railways was named the best company of the transport industry and nominated for the award "The best comprehensive representation of the Company".

International contest REBRAND 100 Global Awards named JSCo Russian Railways among top hundred best examples of rebranding in 2011.

Russian rating agency Expert RA questioned 20 leading Russian voluntary health insurance companies and named Central Clinic Non-State Health Institution of JSCo Russian Railways as the best adult clinic and Central Clinical Hospital No. 1 Non-State Health Institution of JSCo Russian Railways as the best adult in-patient clinic in Moscow.

In July 2011, at the conference "Communicative Tools of Russian Companies: Potential and Application" held in St. Petersburg, JSCo Russian Railways was declared winner of the nomination "The best PR section of a corporate website – 2011" and one of the leaders in the nomination "The best corporate website – 2011".

In April 2011, JSCo Russian Railways received an honorary mention as a participant of an exposition at the Russian Federation pavilion at EXPO-2010 World Universal Exhibition signed by chairman of the organizing committee of the Russian section at EXPO-2010, RF Minister of Industry and Trade Viktor Khristenko.

JSCo Russian Railways obtained the award "CIS Business Leader" given for significant contribution to the development of integration processes and economic co-operation within the territory of CIS member states.

3. Corporate Governance in JSCo Russian Railways



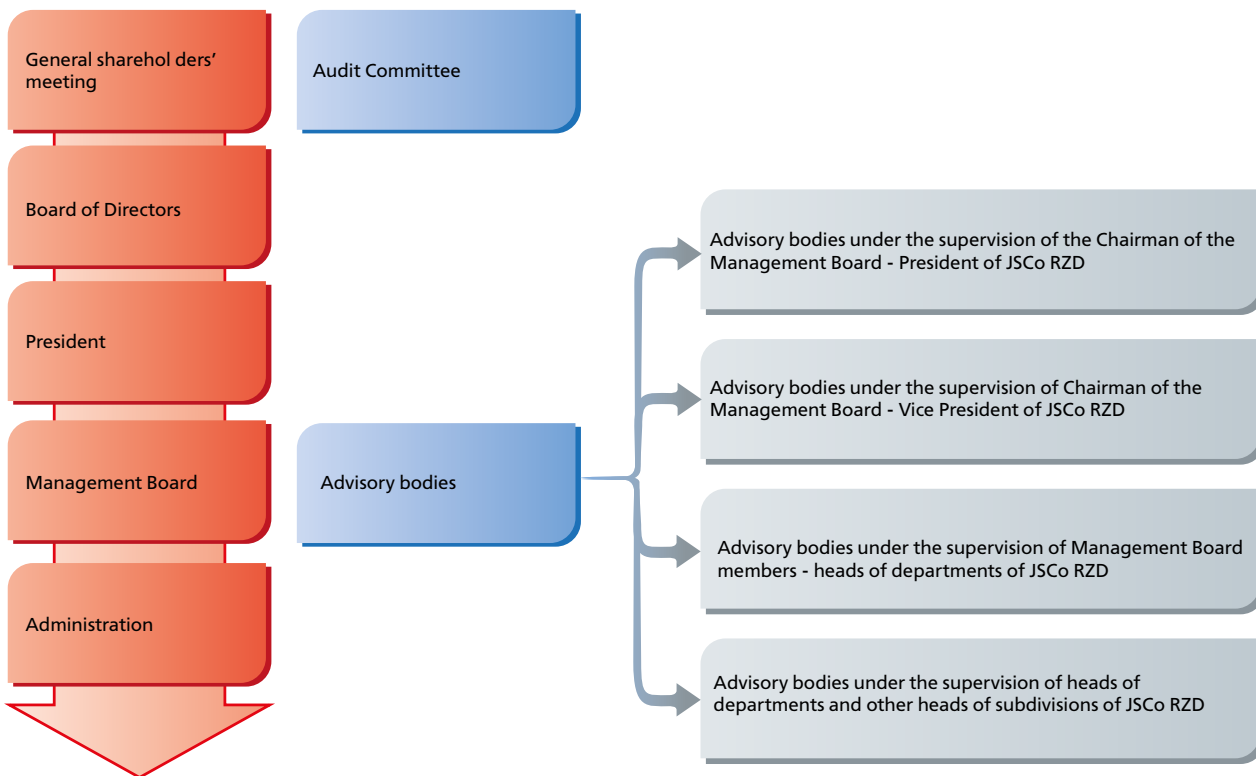
Corporate Governance in JSCo Russian Railways

JSCo Russian Railways is a dynamic nation-wide vertically-integrated transport company.

The following management bodies were set up in compliance with the charter of JSCo Russian Railways:

- General Shareholders' Meeting;
- Board of Directors;
- President;
- Management Board.

Governance structure of JSCo Russian Railways



JSCo Russian Railways is governed by the best practices and standards of corporate governance and acknowledges them as an essential condition for effectiveness and success of its financial and economic activities, increased investment appeal of the Company and its subsidiaries and assurance of proper implementation of the rail transport reform. Since 2005, JSCo Russian Railways has been a member of National Corporate Governance Council non-commercial partnership.

Currently, JSCo Russian Railways has nearly completed establishment of the main corporate governance

mechanisms inherent in advanced public companies. The leading Russian expert organizations in the area of corporate governance confirm that JSCo Russian Railways has reached good results in corporate governance.

The Company goes on with its continuous work aimed at improvement of the corporate governance system being governed by Russian and international standards and best practices of corporate relations.

Principles of Corporate Governance at JSCo Russian Railways

1. Assurance of protection of shareholder's rights

The Company uses the practice of holding tenders for delivery of goods or services to JSCo Russian Railways, which enhances better protection of shareholder's interests.

Broader powers of the Board of Directors in approval of transactions ensure integrity of assets and allow shareholder's representatives in the Board of Directors to assess economic feasibility of a transaction with large assets proposed by an executive body.

JSCo Russian Railways uses the practice of engagement of an independent appraiser when consummating property transactions and selling equity stakes of subsidiaries and affiliates.

External auditors engaged by JSCo Russian Railways are reputable Russian and foreign audit companies ensuring a high level of reporting accuracy. An auditor is selected at an open competitive tender. External auditors are rotated at least every five years.

Regulation of the insider information circulation is established in an internal document of the Company – Information Policy Regulation, which helps a shareholder be reasonably confident in due protection of its rights. The Company has regularly paid out dividends to a shareholder since its incorporation.

2. Effective activities of management and control bodies

Board of Directors of JSCo Russian Railways

The Board of Directors consists of highly professional managers who have required knowledge and competences for settlement of long-term strategic tasks of company's development and are sufficiently experienced in the work of collective management bodies.

The practice of the JSCo Russian Railways Board of Directors evidences a high level of engagement of members of the Board of Directors in development of the strategy of JSCo Russian Railways and determination of a position of JSCo Russian Railways in interaction with stakeholders.

As a part of implementation of the state policy for expanded practice of election of independent directors to management bodies of companies with state participation, independent directors have been regularly elected to the Board of Directors of JSCo Russian Railways since 2008.

Rights and obligations of members of the Board of Directors as well as the procedure for organizational management of the Board of Directors and decision-making are set out in the Regulation on the Board of Directors approved by the Government of the Russian Federation.

In order to ensure high-quality and timely decision-making, the following bodies have been set up at the Board of Directors of JSCo Russian Railways: Audit, Risk and Remuneration Committee of the Board of JSCo Russian Railways as well as Strategic Planning Committee of the Board of Directors of JSCo Russian Railways.

Meetings of the Board of Directors are regularly held in accordance with long-term plans; materials for meetings of the Board of Directors are provided in advance, which ensures deliberateness and efficiency of the decisions made by the Board of Directors.

Internal documents of the Company provide for an obligation of members of the Board of Directors to disclose the information on ownership of and transactions with securities of JSCo Russian Railways. The procedure for declaration of affiliation by members of the Board of Directors ensures mitigation of risks of a conflict of interest.

Executive bodies

JSCo Russian Railways has set up a collective executive body – management board that ensures team spirit of decisions on a number of key matters of Company's activities.

The main operational principles and duties of the Management Board and its members are set out in the Regulation on the Management Board.

JSCo Russian Railways has provided for mechanisms of remuneration of members of executive bodies depending on the Company's performance. This ensures proper incentives for executive bodies to attain performance targets and satisfaction of shareholder's expectations by JSCo Russian Railways.

Company's internal documents provide for procedures of declaration by members of executive bodies of JSCo Russian Railways of a conflict of interest and mandatory information of the Board of Directors on such conflicts.

The basis for sustained development of JSCo Russian Railways is availability of a talent pool for substitution of heads of structural subdivisions, which ensures succession of the medium-level management in JSCo Russian Railways.

System of control over financial and economic activities

Financial and economic activities of JSCo Russian Railways are controlled by the *Audit Committee*, Audit, Risk and Remuneration Committee of the Board of JSC Directors of Russian Railways, structural subdivision of JSCo Russian Railways – *Zheldorkontrol Center for Control and Internal Audit* and an independent auditor.

The Audit Committee of JSCo Russian Railways does not comprise the persons who occupy positions in the Company's management bodies or its employees, which ensures its independence.

The main tasks and powers of the Board of Directors related to audit, risks and remuneration in control over financial and economic activities of JSCo Russian Railways have been defined in the Regulation on this committee approved by the Board of Directors.

Among the most important functions allocated to *Zheldorkontrol Center* are development of plans, new directions, form and methods of internal audit and control over financial and economic activities of JSCo Russian Railways.

The Company is engaged in comprehensive development of a risk-oriented system of internal control and audit complying with the best corporate governance practice.

3. Assurance of information disclosure

The Board of Directors of JSCo Russian Railways has approved the *Regulation on the Company's Information Policy*.

JSCo Russian Railways discloses its *financial statements*

and *accounts* in compliance with Russian (RAS) and international (IFRS) standards.

The Company's annual report contains certain information important for stakeholders and it meets regulatory requirements to the structure and contents of the annual report submitted to shareholders during preparation for the shareholders' general meeting.

The website discloses information on the development strategy of JSCo Russian Railways and Company's internal documents. Some of this significant information on the Company's activities is disclosed in English.

4. Introduction of ethical principles in the Company

The Board of Directors of JSCo Russian Railways has approved the *Business Code of Ethics*, which is a body of rules and standards of behavior complied with by the Company in its relations with the shareholder, investors, consumers, suppliers, subsidiaries and affiliates and that shall be observed by all employees and officials of JSCo Russian Railways.

The Code contains a list of activities aimed at promotion of corporate spirit and resolution of corporate conflicts. The Code transmits Company's values to all the employees, orients them at common corporate objectives thus enhancing their corporate identity.

5. Social responsibility

JSCo Russian Railways implements the corporate strategy of high social responsibility. Overall assistance in regional development, increased mobility of population, information openness and transparency of activities, continuous improvement of the service quality, full implementation of all state social programs – these are criteria of performance by JSCo Russian Railways of its obligations before society and economy of the country.

The Company has adopted the Code of Corporate Social Responsibility of JSCo Russian Railways. Adoption of the Code confirms the Company's striving for such economic activities that take into account interests and promotes well-balanced sustained development of all stakeholders.

The Company has adopted the practice of preparing regular social reports and their submission to public at large.

JSCo Russian Railways provides beneficent aid to individuals, public, religious and other organizations. Charitable activities are aimed at further promotion of the Company's image and are in line with the common policy of JSCo Russian Railways in support of social facilities, charitable programs, development of education, healthcare, science, arts, instruction, sports and personal spiritual development.

Being an environmentally oriented company, JSCo Russian Railways pays much attention to mitigation of technological environmental impact.

6. Social support to Company's employees

The Company has adopted the *system of employees' social support* as the most important factor of increase in labor performance. Treatment and sanitary institutions, large-scale mortgage program, package of additional benefits that take into account peculiarities of work at rail transport. In development of these lines of activity, the Company implements national rail transport programs.

All Company's employees are entitled to participate in the corporate system of non-state pension coverage.

In order to create required conditions for future development of JSCo Russian Railways, a special program titled "*Company's Youth*" is being implemented.

The Company has adopted the practice of conclusion of a *collective bargaining agreement* that regulates social and labor relations and guarantees provision of social benefits to employees of JSCo Russian Railways and their family members. It is regularly followed up.

7. Efficient system of management of subsidiaries

JSCo Russian Railways manages *subsidiaries and affiliates* by way of corporate techniques. Corporate governance of subsidiaries and affiliates is carried out by way of participation of JSCo Russian Railways representatives in shareholders' general meetings, boards of directors and audit committees of subsidiaries and affiliates.

Interests of the holding company in subsidiaries' activities are secured by way of elaboration and implementation of common corporate governance standards. Common standards ensure creation of the common legal space in the holding, implementation of common strategic objections and contribute to more comfortable work of management bodies of all companies of the holding and reduction of total governance costs.

JSCo Russian Railways gives a high priority to a dialogue with other shareholders and participants of its subsidiaries and takes their interest into account to the maximum extent possible.

Shareholders' General Meeting

The shareholders' general meeting is the highest management body of JSCo Russian Railways. The Russian Federation is the Company's sole shareholder, on behalf of which the Government of the Russian Federation exercises powers. In pursuance of Article 47 of the Federal Law "Concerning Joint Stock Companies" and Company's charter, decision of the shareholders' general meeting are adopted by the Government of the Russian Federation at its sole discretion and are documented as instructions and decrees of the Government of the Russian Federation.

The decisions of the annual shareholders' general meeting of JSCo Russian Railways in 2011 were officially recorded by Instruction No. 1129-r of the Government of the Russian Federation of 30 June 2011.

In 2011, eight extraordinary shareholders' general meetings of JSCo Russian Railways were held to discuss amendments to the Company's charter, increase in the Company's charter capital, election of members of the Board of Directors and early termination of their powers; their decisions were officially recorded by Instructions of the Government of the Russian Federation No. 1888-r of 27 October 2011, No. 2228-r of 12 December 2011, No. 2429-r of 30 December 2011 and Decrees of the Government of the Russian Federation No. 168 of 16 March 2011, No. 670 of 12 August 2011, No. 770 of 12 September 2011, No. 1031 of 12 December 2011, No. 1203 of 30 December 2011.

Board of Directors of JSCo Russian Railways

The Board of Directors of JSCo Russian Railways oversees the Company's activity and acts on the basis of the legislation of the Russian Federation, the Charter of JSCo Russian Railways approved by Decree No. 585 of the Government of the

Russian Federation of 18 September 2003 and Regulation on the Board of Directors of JSCo Russian Railways approved by Instruction No. 265-r of the Government of the Russian Federation of 25 February 2004.

Members of the Board of Directors of JSCo Russian Railways

The Board of Directors of JSCo Russian Railways was elected at the shareholders' general meeting of JSCo Russian Railways (Instruction No. 1129-r of the Government of the Russian Federation of 30 June 2011) consisting of 13 members. New members of the Board of Directors K.G. Androsov, H. Mehdorn, G. Wiler and A.N. Nedosekov were elected to the Board of Directors.

In pursuance of Instruction No. 1888-r of the Government of the Russian Federation of 27 October 2011, powers of members of the Board of Directors elected at the shareholder's annual general meeting were early terminated; A.D. Zhukov and G. Wiler retired from the Board of Directors of JSCo Russian Railways

The Board of Directors of JSCo Russian Railways elected at the shareholders' extraordinary general meeting (Instruction No. 1888-r of the Government of the Russian Federation of 27 October 2011) consists of 11 members:

Full name	Position
K.G. Androsov	Member of the Board of Directors of Altera Investment Fund
G.V. Berezkin	Chairman of the Board of Directors of the Limited Liability Company ESN Energo
V.A. Gusakov	Managing Director for Corporate Development of the open joint stock company MICEX-RTS (independent director)
D.G. Komissarov	Chairman of the Board of Directors of the open joint stock company Tekhnologicheskaya Kompaniya (independent director)
N.N. Kosov	Member of the Management Board, First Deputy Chairman of the Management Board of the state corporation Bank for Development and Foreign Economic Activity (Vnesheconombank)
M.V. Kuzovlev	President of the open joint-stock company Bank of Moscow
H. Mehdorn	Member of the Board of Directors of the open joint stock company Russian Railways (independent director)
A.N. Nedosekov	Deputy Minister of Transport of the Russian Federation
A.N. Ryazanov	Chairman of the Board of Directors of the closed joint stock company Russian Holding Company (independent director)
A.N. Shokhin	President of the Russia-wide employers' association Russian Union of Industrialists and Entrepreneurs (independent director)
V.I. Yakunin	President of open joint stock company Russian Railways

Members of the Board of Directors have no shares in the charter capital in JSCo Russian Railways.

Brief CVs of Members of the Board of Directors of JSCo Russian Railways

Chairman of the Board of Directors of JSCo Russian Railways

Kirill Gennadievich Androsov

	Born in 1972. Higher education, PhD in Economics.
In 1994	graduated with honors from St. Petersburg State Sea Technical University, engineering and economic faculty. Specialty: planning engineer.
In 2000	graduated from St. Petersburg State University of Finance and Economics. Academic degree: PhD. in Economics.
2003-2005	studies in the Business School of Chicago University, specialty Executive MBA.
Employment record:	
1996	Economic Adviser to Deputy Chairman of the St. Petersburg City Property Management Committee.
1997	Head of the Investment Project Department of the St. Petersburg City Property Management Committee.
1998	Director of the Economy Department of the St. Petersburg City Property Management Committee.
1999	Deputy Director General for Development of JSC Lenenergo.
2000	First Deputy Director General of JSC Lenenergo.
2004	Director of the Rate Regulation and Infrastructure Reform Department of the RF Ministry of Economic Development and Trade.
2005	Deputy Minister of Economic Development and Trade of the RF.
2008	Deputy Head of the Central Office of the Government of the Russian Federation.
2010	Managing Partner at Altera Capital investment company.
Since 2011	Member of the Board of Directors of JSCo Russian Railways, in September 2011 elected the Chairman of the Board of Directors of JSCo Russian Railways.

Grigory Victorovich Berezkin

	Born in 1966.
In 1988	graduated from the Lomonosov Moscow State University, Department of Chemistry.
In 1993	defended a PhD. thesis specializing in Petrochemistry.
1996 – 2000	Director General of OJSC Komi-TEK, Chairman of the Board of Directors of OJSC Komi-TEK.
2000 – 2003	Director General of OOO ESN Energo, OJSC Kolenergo management company, member of the Board of Directors of OJSC Kolenergo.
2004 – 2007	member of the Board of Directors of RAO UES of Russia.
2007 – 2010	member of the Board of Directors of JSC First Freight Company.
2008 – 2011	member of the Board of Directors of JSC SG Trans.
Since 2010	member of the Board of Directors of JSCo Russian Railways.

Mr. Berezkin is a member of the Management Board of RUIE, Chairman of the RUIE commission on electrical energy industry, Chairman of the RUIE committee on independent directors.

Vladimir Anatolyevich Gusakov

Born in 1960

In 1984 graduated with honors from the Mathematics Department of the Peoples' Friendship University. Translator from English and French.

In 2003 received a second degree in G.V. Plekhanov Academy of National Economy, specialty "Finance and credit".

In 2008 graduated from the Russian Academy of State Service at the President of RF, majoring in Jurisprudence.
PhD in Physics and Mathematics, assistant professor.
Class 3 Active State Advisor of the Russian Federation.

Employment record:

1992-1994 senior specialist, Deputy Director of the Department for Securities of the Russian Federal Property Fund.

1994-1995 Deputy Head of the Department for Securities and the Financial Market, Head of the Financial Markets Department of the Ministry of Finance of the Russian Federation.

1995-1998 Vice President, Deputy Chairman of the Management Board of the joint stock bank Imperial.

1998-1999 Deputy Chairman of the Management Board of the commercial bank National Reserve Bank.

1999-2001 Director of the Investments Department, member of the Management Board, Deputy Director General of the State Corporation Agency for Restructuring Credit Organizations.

2001-2003 Deputy Chairman of the FSUE State Investment Corporation.

2003-2004 Deputy General Director of CJSC MICEX Stock Exchange.

2004-2007 Deputy Head of the Federal Financial Markets Service.

2007-2009 President of CenterInvest Securities LLC, President of closed joint stock company CIG Group.

2009 – 2011 Vice President, member of the Management Board of CJSC MICEX Stock Exchange.

Since December 2011 until now Managing Director for Corporate Development of OJSC MICEX-RTS.

Since 2008 member of the Board of Directors of JSCo Russian Railways.
Prize winner of the "Director of the Year 2011" National Award in the nomination "Independent Director".

Dmitry Georgievich Komissarov

Born in 1970.

In 1992 graduated from the Moscow Finance Institute (Finance Academy under the Government of the Russian Federation), majoring in International Foreign Exchange and Credit Relations.

Employment record:

1992-1994 worked in various commercial organizations;

1994-2000 Director General of the closed joint stock company NPK Soyuz – Integration;

2000-2001 Advisor to the Director General of JSC Tyumenenergo;

2002-2003 Director General of CJSC Transmashholding;

2003 – June 2008 Chairman of the Board of Directors of CJSC Transmashholding;

Since June 2008 until now Chairman of the Board of Directors of JSC Tekhnologicheskaya Kompaniya;

Since 2008 member of the Board of Directors of JSCo Russian Railways.

Nikolay Nikolayevich Kosov

	Born in 1955.
In 1977	graduated from the Moscow State Institute of International Relations.
In 2000	graduated from the Finance Academy under the Government of Russian Federation. PhD. in Economics.
1992-1993	Aide to the Vice President of the Russian Federation in the Russian President's Administration.
1993-1998	First Deputy, Director General of the joint stock company Avtomobilny Vserossiyskiy Alyans.
1998-2007	First Deputy Chairman of Vnesheconombank of the USSR.
Since June 2007 until now	member of the Management Board, First Deputy Chairman of the state corporation Bank for Development and Foreign Economic Activity (Vnesheconombank).
Since 2008	member of the Board of Directors of JSCo Russian Railways.

Mikhail Valeryevich Kuzovlev

	Born in 1966.
In 1988	graduated from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR.
Previously occupied positions:	
1990-94	Probusiness Foreign Economic Center, First Deputy Director, Vice President.
1994-96	CJSC Probusiness Holding, Vice President.
1997-2002	Probusinessbank, Head of the Financial Business Division, Deputy Chairman of the Management Board, Senior Vice President.
2002-04	Vneshtorgbank, Vice President.
2004-05	KB GutaBank CJSC, subsequently VTB 24 (CJSC), President, Chairman of the Management Board.
2005-08	Russian Commercial Bank (Cyprus) Ltd., Executive Managing Director.
2008-2011	First Deputy President and Chairman of the Management Board of the JSC VTB Bank.
Since 2011 until now	President, Chairman of the Management Board of JSC Bank of Moscow.
Since 2010	member of the Board of Directors of JSCo Russian Railways.

Hans Hartmut Mehdorn

	Born in 1942 in Warsaw.
	Graduated from the machine building department of the Berlin Technical University (Diploma in Engineering).
In 1965	joined the engineering development department of Focke-Wulf.
From 1966 to 1978	worked in the aviation company Vereinigte Flugtechnische Werke, then occupied the position of the Production Director in Messerschmitt-Bölkow-Blohm (MBB).
From 1979 to 1984	was a member of the Board of Directors of Airbus Industrie S.A. in Toulouse (France).
From 1984 to 1989	headed the group of planemakers MBB-Transport-und Verkehrsflugzeuge.
In 1985	became a member of the board of MBB.
From 1989 to 1992	occupied the position of the Chairman of the Board of Directors of Deutsche Airbus GmbH.
From 1992 to 1995	was a member of the Management Board of Deutsche Aerospace AG.
From 1995 to 1999	was the Chairman of the Management Board of the printing machine manufacturer Heidelberger Druckmaschinen AG.
From 1997 to 1999	occupied a part-time position of a member of the Management Board of the power supplier of North Rhine – Westphalia lands Rheinisch-Westfälisches Elektrizitätswerk AG.
From late 1999 to April 2009	chairman of the Management Board of Deutsche Bahn AG in Berlin.
Since July 2009	member of the Board of Directors of Air Berlin, since 1 September 2011, occupies the position of the Director General in this company. Honorary PhD. in Engineering.
Since 2011	member of the Board of Directors of JSCo Russian Railways.

Andrey Nikolayevich Nedosekov

Born in 1960.
In 1985 graduated from a technical college plant of Krasnoyarsk Polytechnic Institute, higher education. His professional career started in 1979 at Krasnoyarsk Machine Building Plant.
Since 1984 occupied major posts in enterprises of the Krasnoyarsk Territory.
2000-2006 Deputy Director General for Economic Security, Director General of JSC Bamtonnelstry.
2006-2007 Director General of JSC Roshzheldorstroy.
In 2007 Deputy Director of the Economy and Investment Department of the Ministry of Transport of the RF, Director of the Development Program Department of the Ministry of Transport of the RF.
Since 2007 until now Deputy Minister of Transport of the Russian Federation.
Since 2011 member of the Board of Directors of JSCo Russian Railways.

Alexander Nikolayevich Ryazanov

Born in 1953.
In 1979 graduated from the Gubkin Moscow Institute of Oil and Gas; in 1993, graduated from the All-Union State Distance-Learning Institute of Finance and Economics.
From 1979 to 1999 took a career path from toolmaker to Director General of the Surgut Gas Processing Plant. Deputy of the Regional Duma (Tyumen) and Deputy of the Khanty Mansiysk Autonomous District (Surgut).
1999-2001 Deputy of the State Duma of the Russian Federation, Deputy Chairman of the State Duma Committee for Property of the Federal Assembly of the Russian Federation.
2001-2006 Deputy Chairman of the Management Board, member of the Management Board of Gazprom JSC.
Since 2007 until now Chairman of the Board of Directors of the closed joint stock company Russian Holding Company (Moscow);
From 21 March 2009 to February 2010 chairman of the Management Board of JSC Stroytransgaz.
Member of the Russian Union of Industrialists and Entrepreneurs.
Since 2008 member of the Board of Directors of JSCo Russian Railways.

Alexander Nikolayevich Shokhin

Born in 1951.
In 1974 graduated from the Lomonosov Moscow State University, Department of Economics. PhD in Economics (1989). – Professor (1991).
1991-1994, 1998 Deputy Chairman of the Russian Federation Government.
1994-2002 Deputy of the State Duma of three convocations.
Since 1995 until now President of the National Research University High School of Economics. Head of the Department of Theory and Practice of Business and Government Interaction.
2002-2006 Chairman of the Supervisory Council of Renaissance Capital IG.
2005-2009 member of the Public Chamber of the Russian Federation.
Since 2005 until now President of the Russian Union of Industrialists and Entrepreneurs.
Independent director of the Board of Directors of several companies, including JSC Lukoil, JSC TNK-BP Limited, JSC TMK.
Since 2008 member of the Board of Directors of JSCo Russian Railways.

Vladimir Ivanovich Yakunin

In 1972	Born in 1948.
Since October 2000	graduated from the Leningrad Institute of Mechanics, Doctor of Political Science.
from February 2002	Deputy Minister of Transport of the Russian Federation;
from October 2003	First Deputy Minister of Railways of the Russian Federation;
from June 2005	First Vice President of JSCo Russian Railways; President of JSCo Russian Railways.
	Vladimir Yakunin is the Chairman of the Board of Trustees of the Center of National Glory of Russia and the St. Andrew Foundation.

Data on participation in meetings of members of the Board of Directors of JSCo Russian Railways

Members of the Board of Directors	Number of meetings attended by a member of the Board of Directors
K.G. Androsov (elected on 30 June 2011)	11
G.V. Berezkin	24
V.A. Gusakov	24
A.D. Zhukov (retired on 27 October 2011)	17
D.G. Komissarov	24
N.N. Kosov	24
M.V. Kuzovlev	24
H. Mehdorn (elected on 30 June 2011)	10
A.N. Nedosekov (elected on 30 June 2011)	11
A.N. Ryazanov	24
A.V. Sharonov (retired on 30 June 2011)	13
A.N. Shokhin	24
G. Willer (elected on 30 June 2011, retired on 27 October 2011)	0
V.I. Yakunin	24

Meetings of the Board of Directors of JSCo Russian Railways

In 2011, the Board of Directors held 24 meetings at which 167 decisions were adopted on the most important issues of the Company's activity.

In 1 January – 30 June 2011, it held 13 meetings at which 75 decisions were adopted.

In 1 July – 26 October 2011, it held 4 meetings at which 39 decisions were adopted.

In 27 October 2011 – 31 December 2011, it held 7 meetings at which 53 decisions were adopted.

Issues Considered at Meetings of the Board of Directors of JSCo Russian Railways

11 February 2011, No. 1

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On participation of JSC FPC in non-commercial association All-Russian Association of Rail Transport Employees.
2. On determination of the price of placement of additional shares of JSCo Russian Railways.

21 February 2011, No. 2

1. On coordination of overlapping of positions by members of the Management Board of JSCo Russian Railways in management bodies of CJSC TransTeleCom Company and "On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the shareholders' extraordinary annual meeting and meeting of the Board of Directors of CJSC TransTeleCom Company", "On early termination of powers of members of the Board of Directors of CJSC TransTeleCom Company", "On election of members of the Board of Directors of CJSC TransTeleCom Company" and "On election of the chairman of the Board of Directors of CJSC TransTeleCom Company".
2. On coordination of overlapping of a position by member of the Management Board of JSCo Russian Railways M.P. Akulov in management bodies of JSC FPC as well as "On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On election of the Director General of JSC FPC".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On participation of JSC SFC in All-Russian Association of Rail Transport Employees and "On participation of JSC SFC in non-commercial partnership Board of Rolling Stock Service Market Players".
4. On amendments to the plan of operation of the Board of Directors of JSCo Russian Railways for the first half of 2011.

9 March 2011, No. 3

On bonus payment to the President of JSCo Russian Railways and assessment of his labor activity based on results of QIV of 2010.

15 March 2011, No. 4

1. On procurement activities of JSCo Russian Railways (directives of the Government of the Russian Federation No. 6464p-P13 of 16 December 2010).
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the JSC FFC budget for 2011-2013".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the JSC SFC budget for 2011-2013".
4. On development strategy of CJSC TransTeleCom Company.
5. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways)

on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the CJSC TransTeleCom Company budget for 2011-2013".

6. On approval of transactions for passenger car repair between JSCo Russian Railways and JSC FPC as non-arm's length transactions.
7. On approval of provision to JSC VTB Bank of a performance bond related to obligations of JSC UBR before JSC VTB Bank under the loan agreement of 12 January 2011 concluded between JSC UBR and JSC VTB Bank as a non-arm's length transaction.
8. On amendment of the decision of the Board of Directors of JSCo Russian Railways under the item "On preliminary approval of a transaction with JSC TransCreditBank shares (minutes No. 21 of 15 October 2010)".
9. On determination of the initial (ceiling) price of the contract for a mandatory audit of financial statements (accounts) of JSCo Russian Railways for 2011.
10. On feasibility of introduction of a corporate secretary institution in JSCo Russian Railways.
11. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On early termination of powers of the Director General of JSC FFC".
12. On appointment and dismissal of members of the Management Board of JSCo Russian Railways.
13. On approval of the decision for additional issue of registered ordinary uncertificated shares of JSCo Russian Railways.

25 March 2011, No. 5

On amendment of the decision of the Board of Directors of JSCo Russian Railways of 19 March 2010 under the item "On incorporation of open joint stock company Baikal Suburban Passenger Company – subsidiary of JSCo Russian Railways (directive No. 1091p-P13 of the Government of the Russian Federation).

19 April 2011, No. 6

1. On the progress of fulfillment of the instructions specified in sections 1.1-1.4 of the decision of the Board of Directors of JSCo Russian Railways of 27 April 2010 (minutes No. 8) under the item "On innovative activities of JSCo Russian Railways and its subsidiaries and affiliates (with regard to directive No. 1221p-P13 of the Government of the Russian Federation of 24 March 2011).
2. On preliminary approval of a transaction with shares of JSC FFC.
3. On preliminary approval of a transaction with shares of JSC TransContainer.
4. On preliminary approval of transactions with shares of JSC Zheldorrem Mash.
5. On preliminary approval of transactions with shares of

- JSC VRM.
6. On preliminary approval of transactions with shares of JSC NSZ.
 7. On preliminary approval of transactions with shares of JSC Moscow LRZ.
 8. On preliminary approval of a transaction with shares of JSC Central SPC.
 9. On the period of examination of the item "On alienation of non-core assets of JSCo Russian Railways and its subsidiaries and affiliates".
 10. On recommendations of Administration of the Federal Agency for the Management of Federal Property on determination of the amount of remunerations to Company's employees and remuneration payment to members of the Board of Directors of JSCo Russian Railways.
 11. On amendments to the Regulation on remuneration of members of the Board of Directors of JSCo Russian Railways and remuneration payment to members of the Board of Directors of JSCo Russian Railways based on results of 2010.
 12. On re-election of chairmen of the Board of Directors of JSCo Russian Railways.

29 April 2011, No. 7

1. On setting up of the Directorate for Major Repair and Reconstruction of Railway Electrification and Power Supply Facilities – branch of JSCo Russian Railways.
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On participation of JSC SFC in non-commercial partnership Union of Industries of Railway Equipment.
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On election of the Director General of JSC FFC".
4. On bonus payment to the President of JSCo Russian Railways and assessment of his labor activity based on results of QI of 2011.

17 May 2011, No. 8

1. On election of the chairman at the meeting of the Board of Directors of JSCo Russian Railways.
2. On a report of the auditor of JSCo Russian Railways based on results of the audit of financial and economic activities of JSCo Russian Railways for 2010.
3. On a report of the Audit Committee of JSCo Russian Railways based on results of the audit of financial and economic activities of JSCo Russian Railways for 2010.
4. On preliminary approval of the annual report of JSCo Russian Railways for 2010 by the Board of Directors.
5. On approval of annual financial statements of JSCo Russian Railways for 2010 according to Russian standards, including the profit and loss statement of JSCo Russian Railways for 2010.

6. On recommendations on the amount of dividend on shares and procedure of their payment for the shareholders' annual general meeting of JSCo Russian Railways based on the Company's performance in 2010 (with regards to directive No. 2180p-P13 of the Government of the Russian Federation of 17 May 2011).
7. On remuneration payment to members of the Board of Directors of JSCo Russian Railways.
8. On announcement of results of competition for auditor selection for the annual audit of financial and economic activities of JSCo Russian Railways and determination of the auditor's remuneration.

1 June 2011, No. 9

1. On JSCo Russian Railways joining the All-Russia Union of Employees Russian Union of Industrialists and Entrepreneurs (directive No. 2137p-P13 of the Government of the Russian Federation of 16 May, 2011).
2. On appointment of representatives of JSCo Russian Railways for participation in shareholders' general meetings of subsidiaries and affiliates.

3 June 2011, No. 10

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the report on observance of the JSC FFC budget for 2010".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the report on observance of the JSC SFC budget for 2010".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On approval of the report on observance of the JSC FPC budget for 2010".
4. On approval of subleases of land lots (their portions) between JSCo Russian Railways and JSC FPC as non-arm's length transactions.

17 June 2011, No. 11

1. Об определении позиции ОАО «РЖД» (предстаOn determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy "On approval of the report on observance of the JSCo RZDstroy budget for 2010".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zheldorremash "On approval of the report on observance of the JSC Zheldorremash budget for 2010".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways)

on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the report on observance of the CJSC TransTeleCom Company budget for 2010".

4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC TransCreditBank "On approval of the report on observance of the JSC TransCreditBank budget for 2010".
5. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC TransCreditBank "On approval of the JSC TransCreditBank budget for 2011-2013".
6. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On participation of JSC SFC in the Coordination Transport Meeting of members of the Commonwealth of Independent States".
7. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On participation of JSC SFC in the International Association Coordinating Council on Transsiberian Transportation.
8. On coordination of overlapping of positions by members of the Management Board of JSCo Russian Railways in management bodies of other organizations.
9. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on agenda items of shareholders' general meetings and meetings of the Board of Directors of the companies included in the list of subsidiaries and affiliates approved by the Board of Directors of JSCo Russian Railways, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with the first paragraph of subclause 23 clause 71 of the charter of JSCo Russian Railways.
10. On annual bonus payment to members of the Management Board of JSCo Russian Railways, determination of the composite qualitative evaluation of performance of the Management Board and JSCo Russian Railways as a whole in 2010 and approval of assessment of attaining key performance indicators by the President of JSCo Russian Railways in 2010.

23 June 2011, No. 12

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy "On participation of JSCo RZDstroy in non-commercial partnership of the self-regulating organization Association of Survey Organization of the Transport Complex".
2. On the draft regulation on the procedure of ordering

purchase of goods, performance of works and provision of services for core activities of JSCo Russian Railways and forms of reports on procurement activities of JSCo Russian Railways.

3. On alienation of non-core assets of JSCo Russian Railways and its subsidiaries and affiliates.
4. On review of the action plan for implementation of the development strategy of TransTeleCom group of companies for 2011-2015.
5. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On participation of JSC FPC in the limited liability company Transport Service Company".
6. On approval of a transaction with shares of JSC TransCreditBank (directive No. 2895p-P13 of the Government of the Russian Federation of 21 June 2011).
7. On approval of the Regulation on the corporate secretary of JSCo Russian Railways and corporate secretary's office.
8. On approval of the plan of operation of the Board of Directors of JSCo Russian Railways for the second half of 2011.
9. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On participation of JSC FPC in the limited liability company RZD-Travel.
10. On conclusion of a labor contract with President of JSCo Russian Railways V.I. Yakunin.

24 June 2011, No. 13

1. On approval of the Innovative Development Program of JSCo Russian Railways till 2015 (directive No. 1221p-P13 of the Government of the Russian Federation of 24 March 2011).
2. On incorporation of JSC Baikal Suburban Passenger Company – subsidiary of JSCo Russian Railways (directive No. 2650p-P13 of the Government of the Russian Federation of 7 June 2011).
3. On determination of the position of JSCo Russian Railways (representative of JSCo Russian Railways) on the agenda item of the shareholders' general meeting of JSCo RZDstroy "On approval of a major transaction".
4. On exclusion of JSC TransCreditBank from the list of subsidiaries and affiliates, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with subclause 23 clause 71 of the charter of JSCo Russian Railways.

30 August 2011, No. 14

1. On election of the chairman at the meeting of the Board of Directors of JSCo Russian Railways.
2. On the sale of 75 per cent minus 2 shares in the charter capital of JSC FFC at a public auction (directive No. 4246p-P13 of the Government of the Russian

- Federation of 27 August 2011).
3. On results of procurement activities of JSCo Russian Railways.
 4. On assurance of implementation of the procedure for preliminary publication of the information on JSCo Russian Railways procurements (directive No. 2828p-P13 of the Government of the Russian Federation of 16 June 2011).
 5. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction with shares of CJSC TRANSCAT.
 6. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction with shares of CJSC RASCOM.
 7. On withdrawal of JSCo Russian Railways from JSC UralTransBank (directive No. 3989p-P13 of the Government of the Russian Federation of 11 August 2011).
 8. On withdrawal of JSCo Russian Railways from JSC NIITKD (directive No. 4087p-P13 of the Government of the Russian Federation of 17 August 2011).
- 1 September 2011, No. 15**
1. On election of the chairman at the meeting of the Board of Directors of JSCo Russian Railways.
 2. On withdrawal of JSCo Russian Railways from JSC AMZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3827p-P13 of the Government of the Russian Federation of 1 August 2011).
 3. On withdrawal of JSCo Russian Railways from JSC TVS (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3833p-P13 of the Government of the Russian Federation of 1 August 2011).
 4. On withdrawal of JSCo Russian Railways from JSC Barnaul VRZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3829p-P13 of the Government of the Russian Federation of 1 August 2011).
 5. On withdrawal of JSCo Russian Railways from JSC Roslavl VRZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3830p-P13 of the Government of the Russian Federation of 1 August 2011).
 6. On withdrawal of JSCo Russian Railways from JSC Saransk VRZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3835p-P13 of the Government of the Russian Federation of 1 August 2011).
 7. On withdrawal of JSCo Russian Railways from JSC IMZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3836p-P13 of the Government of the Russian Federation of 1 August 2011).
 8. On withdrawal of JSCo Russian Railways from JSC S.M. Kirov VVRZ (instruction No. 495-r of the Government of the Russian Federation of 24 March 2011, directive No. 3831p-P13 of the Government of the Russian Federation of 1 August 2011).
 9. On withdrawal of JSCo Russian Railways from JSC Krasny Put Moscow MZ (instruction No. 34-r of the Government of the Russian Federation of 18 January 2011, directive No. 3828p-P13 of the Government of the Russian Federation of 1 August 2011).
 10. On withdrawal of JSCo Russian Railways from JSC Petukhov CMP (instruction No. 34-r of the Government of the Russian Federation of 18 January 2011, directive No. 3832p-P13 of the Government of the Russian Federation of 1 August 2011).
 11. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) when considering by management bodies of JSC FPC of the matters related to an increase in the charter capital of JSC FPC by way of additional placement of shares of additional issue (directive No. 3868p-P13 of the Government of the Russian Federation of 3 August 2011).
 12. On bonus payment to the President of JSCo Russian Railways and assessment of his labor activity based on results of QII of 2011.
- 19 September 2011, No. 16**
1. On election of the chairman of the Board of Directors of JSCo Russian Railways (directive No. 4496p-P13 of the Government of the Russian Federation of 7 September 2011).
 2. On rendering assistance with regard to death of players and employees of Locomotive Yaroslavl hockey club in a plane crash.
 3. On participation of JSCo Russian Railways in the Chamber of Commerce and Industry of the Russian Federation (directive No. 4584p-P13 of the Government of the Russian Federation of 12 September 2011).
 4. On preliminary approval of a transaction with shares of JSC M.S.Z.
 5. On dissolution of Refservice – branch of JSCo Russian Railways, based on the property of which a subsidiary engaged in refrigerated rolling stock operation was set up.
- 26 October 2011, No. 17**
1. On principles of establishment of committees of the Board of Directors of JSCo Russian Railways, determination of the qualitative composition of committees and election of their chairmen.
 2. On approval of the method for calculation of an indicator of decrease in goods (works, services) expenditures per unit of output in real terms in the prices of 2010 and on amendments to the current KPI system as a part of attaining a target indicator of decrease in goods (works, services) expenditures per unit of output by not less than 10 per cent in real terms in the prices of 2010.
 3. On the concept of reforming of a complex of

- healthcare facilities of JSCo Russian Railways.
4. On opening of a branch office of JSCo Russian Railways in United Arab Emirates.
 5. On opening of a branch office of JSCo Russian Railways in the State of Qatar.
 6. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in the charter capital of LLC Information Technology Center".
 7. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in the charter capital of LLC Ivtelecom".
 8. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in the charter capital of LLC Delta Telecom".
 9. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in the charter capital of LLC DARS-IP".
 10. On approval of the list of subsidiaries and affiliates, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with subclause 23 clause 71 of the charter of JSCo Russian Railways.
 11. On approval of a transaction (multiple related transactions) between JSCo Russian Railways and JSC FPC related to real estate lease as a non-arm's length transaction.
 12. On coordination of overlapping of a position by member of the Management Board V.I. Reshetnikov in a management body of another organization.
 13. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On election of the Director General of JSC SFC".
 14. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zheldorremmash "On election of the Director General of JSC Zheldorremmash".

10 November 2011, No. 18

1. On election of the chairman of the Board of Directors of JSCo Russian Railways (directive No. 5608p-P13 of the Government of the Russian Federation of 3 November 2011).

2. On approval of the transaction for sales of 75% minus 2 shares in the charter capital of JSC FFC.
3. On withdrawal of JSCo Russian Railways from JSC Refservice (directive No. 3834p-P13 of the Government of the Russian Federation of 1 August 2011).
4. On incorporation of the open joint stock company Sakhalin Passenger Company – subsidiary of JSCo Russian Railways (directive No. 5407p-P13 of the Government of the Russian Federation of 20 October 2011).
5. On dissolution of Vagon-Tormoz Research Center – branch of JSCo Russian Railways.
6. On bonus payment to the President of JSCo Russian Railways and assessment of his labor activity based on results of QIII of 2011.

21 November 2011, No. 19

1. On determination of the price of placement of additional shares of JSCo Russian Railways.
2. On determination of the position of representatives of JSCo Russian Railways on the agenda item of the meeting of the Board of Directors of subsidiaries and affiliates of JSCo Russian Railways included into the list "On approval of the agenda of the shareholders' general meeting" annually approved by the Board of Directors of JSCo Russian Railways.
3. On approval of subleases of land lots (their portions) between JSCo Russian Railways and JSC FPC as non-arm's length transactions.
4. On approval of a contract of purchase and sale of an additional issue of JSC FPC shares as a non-arm's length transaction.
5. On dismissal of a member of the Management Board of JSCo Russian Railways.
6. On appointment of a member of the Management Board of JSCo Russian Railways.

29 November 2011, No. 20

1. On adjustment of the investment program and financial plan of JSCo Russian Railways for 2011 and their amendment based on performance for the first half of 2011.
2. On draft investment program and financial plan of JSCo Russian Railways for 2012 and for the planning period of 2013 and 2014.
3. On performance of JSC High-Speed Railway and JSC VSM, on approval of issue of a guarantee by JSCo Russian Railways in the amount of a debt of JSC VSM to the federal budget under debt liability No. 242-1-4-28 of 21 October 1997 and procurement of a loan to JSC High-Speed Railway with further procurement of the loan to JSC VSM and further tasks for implementation of the infrastructure project HSR-1 and other directions of high-speed service development.
4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways)

- on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy "On approval of the adjustment to the JSCo RZDstroy budget for 2011".
5. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zheldorremmash "On approval of the adjustment to the JSC Zheldorremmash budget for 2011".
 6. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On approval of the adjustment to the JSC FPC budget for 2011".
 7. On approval of the Regulation on the procedure of ordering purchase of goods, performance of works and provision of services for core activities of JSCo Russian Railways and forms of reports on procurement activities of JSCo Russian Railways.
 8. On approval of the Regulation on communication via ID Portal.
 9. On performance of the companies set up by JSCo Russian Railways and its subsidiaries and affiliates with foreign capital participation.
 10. On approval of the list of subsidiaries and affiliates, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with subclause 23 clause 71 of the charter of JSCo Russian Railways.
 11. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in the charter capital of LLC Lutsche.net.
 12. On approval of the Regulation on the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways as amended.
 13. On approval of the Regulation on the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways as amended.
 14. On the quantitative composition and personnel of the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways as amended.
 15. On the quantitative composition and personnel of the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways as amended.
 16. On the corporate secretary of JSCo Russian Railways and corporate secretary's office.

5 December 2011, No. 21

1. On participation of JSCo Russian Railways in the self-regulating organization engaged in power inspection (directive No. 57845-P13 of the Government of the Russian Federation of 11 November 2011).
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the shareholders' general meeting

- of CJSC TransTeleCom Company "On participation of CJSC TransTeleCom Company in non-commercial organization Association of Cable Television of Russia".
3. On establishment of the Central Directorate for Passenger Equipment – branch of JSCo Russian Railways.
 4. On establishment of the Central Directorate for Multiple Unit Rolling Stock – branch of JSCo Russian Railways.

12 December 2011, No. 22

1. On determination of the price of placement of additional shares of JSCo Russian Railways.
2. On approval of the decision for additional issue of registered ordinary uncertificated shares of JSCo Russian Railways.
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDdorremmash "On participation of JSCo RZDdorremmash in non-commercial partnership Interregional Organization Engaged in Power Inspection UIRE".
4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDdorremmash "On participation of JSCo RZDdorremmash in non-commercial partnership self-regulating organization Interregional Association of Organizations of Architectural and Construction Design".
5. On approval of a contract between JSCo Russian Railways and JSCo RZD-ZDOROVYE for acquisition of passes for employees of JSCo Russian Railways, their family members and non-working retirees as a non-arm's length transaction.

26 December 2011, No. 23

1. On implementation of the structural reform and target freight railway transportation market model till 2015 by JSCo Russian Railways in 2011.
2. On approval of the concept of HSR-1 project and top-priority activities for its implementation.
3. On results of procurement activities of JSCo Russian Railways.
4. On liability insurance of independent directors and professional trustees.
5. On the progress of attainment of sales targets of JSCo Russian Railways subsidiaries.
6. On the principles of participation of the Board of Directors of JSCo Russian Railways in the management of subsidiaries and affiliates and control over their activities.
7. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the JSC FFC

- budget for 2012-2014”.
8. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC “On approval of the JSC SFC budget for 2012-2014”.
 9. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC “On approval of the JSC FPC budget for 2012-2014”.
 10. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy “On approval of the JSCo RZDstroy budget for 2012-2014”.
 11. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company “On approval of the CJSC TransTeleCom Company budget for 2012-2014”.
 12. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zhelddorremmash “On approval of the JSC Zhelddorremmash budget for 2012-2014”.
 13. On approval of a contract for Allegro train maintenance between Oy Karelian Trains Ltd., JSCo Russian Railways and VR Group Ltd as a non-arm’s length transaction.
 14. On proposals to the plan of operation of the Board of Directors of JSCo Russian Railways for the first half of 2012.
 15. On the draft labor contract with the corporate secretary of JSCo Russian Railways, on composition, strength, structure and procedure of remuneration of employees of the corporate secretary’s office.

29 December 2011, No. 24

On approval of a supplementary agreement to the loan agreement of 12 January 2011 between JSC UBR and JSC VTB Bank as a non-arm’s length transaction.

Information on the regulation concerning the Board of Directors

The regulations concerning the Board of Directors of JSCo Russian Railways were approved by Order No. 265-r of the Government of the Russian Federation of 25 February 2004.

Information on the regulations concerning special-purpose committees

The redrafted Regulation on the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways and Regulation on the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways were approved by the Board of

Directors of JSCo Russian Railways on 29 November 2011 (minutes No. 20).

Information on the regulation concerning the remuneration of the members of the Board of Directors

The regulation on the remuneration of the members of the Board of Directors of JSCo Russian Railways was not approved at the general meeting of the company’s shareholders.

Amount of remuneration received by the members of the Board of Directors

When performing their duties, members of the Board of Directors of JSCo Russian Railways were paid neither remuneration nor compensation for the expenses relating to the fulfillment of their functions as members of the Board of Directors.

Committees of the Board of Directors of JSCo Russian Railways

The Strategic Planning Committee of the Board of Directors of JSCo Russian Railways and the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways were established in line with the decisions of the Board of Directors of JSCo Russian Railways of 2 September 2008 (Minutes No. 13).

Competence of the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways

The areas of competence of the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways include the drafting of recommendations and proposals for the Board of Directors of JSCo Russian Railways on determining priority business activities for the Company; preparing, establishing and amending the Company’s strategy, its implementation and follow-up; elaborating standards (formats) for information submission to assess feasibility of investment projects; dividend policy of the Company; investment policy of the Company; participation of JSCo Russian Railways in subsidiaries and affiliates; innovative development of JSCo Russian Railways and its subsidiaries and affiliates, approving look-ahead plans and major programs of Company’s activities, including annual budget and the Company’s investment innovation program.

Members of the Committee within the period from 01 January 2011 to 30 June 2011 (approved by the decision of the Board of Directors of JSCo Russian Railways of 26 August 2010, minutes No. 19):

Full name	Position (as of the election date)
A.V. Sharonov	Chairman of the Committee (till 19 April 2011), member of the Board of Directors of JSCo Russian Railways
G.V. Berezkin	Member of the Board of Directors of JSCo Russian Railways
V.A. Veremeev	Head of the Economic Situation and Strategic Development Department of JSCo Russian Railways
D.V. Golopolosov	Departmental head of the Federal Antimonopoly Service of Russia
V.V. Grischenko	Head of the Administration of the Federal Agency for the Management of Federal Property
D.G. Komissarov	Chairman of the Committee (from 19 April 2011), member of the Board of Directors of JSCo Russian Railways
N.N. Kosov	Member of the Board of Directors of JSCo Russian Railways
M.Yu. Kurbatov	Advisor to the Minister of Economic Development of the Russian Federation
V.V. Mikhailov	Senior Vice President of JSCo Russian Railways
I.A. Nikolaev	Departmental Director of the limited liability company FBK
V.I. Reshetnikov	Senior Vice President of JSCo Russian Railways
A.N. Ryazanov	Member of the Board of Directors of JSCo Russian Railways
T.I. Stebunova	Deputy Head of the Federal Tariff Service of Russia
S.L. Tugarinov	Departmental Director of the Ministry of Finance of the Russian Federation
A.A. Khmelnitsky	General Director of CJSC ERTA-Consult

Members of the Committee within the period from 29 November 2011 to 31 December 2011 (approved by the decision of the Board of Directors of JSCo Russian Railways of 29 November 2011, minutes No. 20):

Full name	Position (as of the election date)
D.G. Komissarov	chairman of the Committee, member of the Board of Directors of JSCo Russian Railways
G.V. Berezkin	member of the Board of Directors of JSCo Russian Railways
N.N. Kosov	member of the Board of Directors of JSCo Russian Railways
A.N. Nedosekov	member of the Board of Directors of JSCo Russian Railways
A.N. Ryazanov	member of the Board of Directors of JSCo Russian Railways
G.B. Bulatov	Departmental Deputy Director of the Ministry of Economic Development of the Russian Federation
A.N. Golomolzin	Deputy Head of the Federal Antimonopoly Service of Russia
A.V. Lushnikov	Aide to the Minister of Transport of the Russian Federation

Full name	Position (as of the election date)
V.V. Mikhailov	Senior Vice President of JSCo Russian Railways
V.I. Reshetnikov	Senior Vice President of JSCo Russian Railways
T.I. Stebunova	Deputy Head of the Federal Tariff Service of Russia

In 2011, the Strategic Development Committee of the Board of Directors of JSCo Russian Railways held 6 meetings at which 24 issues were considered.

2 March 2011, No. 1

1. On election of the chairman at the meeting of the committee.
2. On procurement activities of JSCo Russian Railways (directives No. 6464p-P13 of the Government of the Russian Federation of 16 December 2010).
3. On feasibility of introduction of a corporate secretary institution in JSCo Russian Railways.
4. On approval of transactions for passenger car repair between JSCo Russian Railways and JSC FPC as non-arm's length transactions.

15 April 2011, No. 2

1. On election of the chairman at the meeting of the committee.
2. On the progress of fulfillment of the instructions specified in sections 1.1-1.4 of the decision of the Board of Directors of JSCo Russian Railways "On innovative activities of JSCo Russian Railways and its subsidiaries and affiliates (minutes No. 8 of 27 April 2010)".
3. On alienation of non-core assets of JSCo Russian Railways and its subsidiaries and affiliates

22 November 2011, No. 3

1. On adjustment of the investment program and financial plan of JSCo Russian Railways for 2011 and their amendment based on performance for the first half of 2011.
- On draft investment program and financial plan of JSCo Russian Railways for 2012 and for the planning period of 2013 and 2014.
- On results of activities of JSC High-Speed Railway and RJSC HSR and further tasks for implementation of the infrastructure project HSR-1 and other directions of high-speed service development.
- On implementation of the structural reform and target freight railway transportation market model till 2015 by JSCo Russian Railways in 2011.
- On approval of the list of subsidiaries and affiliates, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with subclause 23 clause 71 of the charter of JSCo Russian Railways.
- On approval of the Regulation on the procedure of ordering purchase of goods, performance of works and provision of services for core activities of JSCo Russian

Railways and forms of reports on procurement activities of JSCo Russian Railways.

On amendments to the Regulation on the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways.

On the quantitative composition and personnel of the Strategic Planning Committee of the Board of Directors of JSCo Russian Railways as amended.

28 November 2011, No. 4

1. On results of activities of JSC High-Speed Railway and RJSC HSR and further tasks for implementation of the infrastructure project HSR-1 and other directions of high-speed service development.
2. On approval of the list of subsidiaries and affiliates, in relation to which the Board of Directors of JSCo Russian Railways makes decisions in compliance with subclause 23 clause 71 of the charter of JSCo Russian Railways.

12 December 2011, No. 5

1. On approval of the concept of HSR-1 project and top-priority activities for its implementation.
2. On the concept of overall development of container business in RZD holding.
3. On approval of the concept (program) of reforming of the special-purpose housing management system of JSCo Russian Railways.
4. On the concept of reforming of a complex of social infrastructure facilities of JSCo Russian Railways.

19 December 2011, No. 6

1. On implementation of the structural reform and target freight railway transportation market model till 2015 by JSCo Russian Railways in 2011.
- On the principles of participation of the Board of Directors of JSCo Russian Railways in the management of subsidiaries and affiliates and control over their activities.
- On the progress of attainment of sales targets of JSCo Russian Railways subsidiaries.

Competence of the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways

The areas of competence of the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways include as follows:

- reviewing of the company's financial statements;
- matters related to operation of Company's internal

- control and risk management systems, interaction with the internal audit service, audit committee and auditor of the Company;
- working out recommendations for the Company's Board of Directors for determination of the Company's position when reviewing matters related to valuation of assets (property, shares, etc.) to consummate transactions with them;
- review, analysis and working out recommendations (opinions) related to appointment and employment of persons, in relation to which decisions are made by the Company's Board of Directors;
- review of proposals and working out recommendations for the Company's Board of Directors related to approval of look-ahead plans and major programs of activity of subsidiaries and affiliates included into the list annually approved by the Company's Board of Directors and their execution reports.

Members of the Committee within the period from 01 January 2011 to 30 June 2011 (approved by the decision of the Board of Directors of JSCo Russian Railways of 26 August 2010, minutes No. 19):

Full name	Position (as of the election date)
D.G. Komissarov	chairman of the Committee (till 19 April 2011), member of the Board of Directors of JSCo Russian Railways
G.B. Bulatov	Departmental Deputy Director of the Ministry of Economic Development of the Russian Federation
V.A. Gusakov	chairman of the Committee (from 19 April 2011), member of the Board of Directors of JSCo Russian Railways
A.Yu. Davydov	Head of Subsidiaries and Affiliates Management Department of JSCo Russian Railways
I.V. Esipenko	Director General of LLC ESN
I.A. Kostenets	Head of the HR Department of JSCo Russian Railways
G.V. Kraft	Chief Accountant of JSCo Russian Railways
M.V. Kuzovlev	member of the Board of Directors of JSCo Russian Railways
K.V. Lipa	member of the Board of Directors of CJSC Transmashholding
I.A. Pachosik	Head of the Property Management Department of JSCo Russian Railways
M.I. Poluboyarinov	Departmental Director of the state corporation Bank for Development and Foreign Economic Activity (Vnesheconombank)
V.M. Rutgaizer	Vice President of the National Council of Valuation Activities
A.V. Tonkikh	Deputy Department Director of the Ministry of Transport of the Russian Federation
E.A. Trubnikova	Managing Partner of ACG Finexpertiza
A.V. Tseluev	Head of the Administration of the Federal Agency for the Management of Federal Property

Members of the Committee within the period from 29 November 2011 to 31 December 2011 (approved by the decision of the Board of Directors of JSCo Russian Railways of 29.11.11, minutes No. 20):

Full name	Position (as of the election date)
V.A. Gusakov	chairman of the Committee, member of the Board of Directors of JSCo Russian Railways
V.N. Vargunin	Deputy Head of the Federal Tariff Service of Russia

Full name	Position (as of the election date)
D.G. Komissarov	member of the Board of Directors of JSCo Russian Railways
G.V. Kraft	Chief Accountant of JSCo Russian Railways
Ya.V. Mandron	Departmental Head of the Ministry of Economic Development of Russia
V.V. Mikhailov	Senior Vice President of JSCo Russian Railways
D.A. Rutenberg	Departmental Head of the Federal Antimonopoly Service of Russia
S.L. Tugarinov	Departmental Director of the Ministry of Finance of the Russian Federation
A.V. Tseluev	Head of the Administration of the Federal Agency for the Management of Federal Property

In 2011, the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways held 12 meetings at which 44 issues were considered.

of remunerations to Company's employees and remuneration payment to members of the Board of Directors of JSCo Russian Railways.

18 February 2011, No. 1

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the JSC FFC budget for 2011-2013".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the JSC SFC budget for 2011-2013".

11 March 2011, No. 2

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the JSC SFC budget for 2011-2013".
2. On preliminary approval of a transaction with shares of JSC TransCreditBank.
3. On approval of provision to JSC VTB Bank of a performance bond related to obligations of JSC UBR before JSC VTB Bank under the loan agreement of 12 January 2011 concluded between JSC UBR and JSC VTB Bank as a non-arm's length transaction.
4. On determination of the initial (ceiling) price of the contract for a mandatory audit of financial statements (accounts) of JSCo Russian Railways for 2011.

15 April 2011, No. 3

1. On performance of the companies set up by JSCo Russian Railways and its subsidiaries and affiliates with foreign capital participation.
2. On remuneration payment to members of the Board of Directors of JSCo Russian Railways.

15 April 2011, No. 4

1. On recommendations of the Administration of the Federal Agency for the Management of Federal Property on determination of the amount

13 May 2011, No. 5

1. On a report of the auditor of JSCo Russian Railways based on results of the audit of financial and economic activities of JSCo Russian Railways for 2010.
2. On a report of the Audit Committee of JSCo Russian Railways based on results of the audit of financial and economic activities of JSCo Russian Railways for 2010.
3. On approval of annual financial statements of JSCo Russian Railways for 2010 according to Russian standards, including the profit and loss statement of JSCo Russian Railways for 2010.
4. On announcement of results of competition for auditor selection for the annual audit of financial and economic activities of JSCo Russian Railways and determination of the auditor's remuneration.
5. On preliminary approval of the annual report of JSCo Russian Railways for 2010 by the Board of Directors.
6. On recommendations on the maximum amount of dividend on shares and procedure of their payment for the shareholders' annual general meeting of JSCo Russian Railways based on the Company's performance in 2010.

13 May 2011, No. 6

1. On remuneration payment to members of the Board of Directors of JSCo Russian Railways.

25 May 2011, No. 7

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the report on observance of the CJSC TransTeleCom Company budget for 2010".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the report on observance of the JSC FFC budget for 2010".
3. On determination of the position of JSCo Russian

- Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the report on observance of the JSC SFC budget for 2010".
4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On approval of the report on observance of the JSC FPC budget for 2010".
 5. On approval of subleases of land lots (their portions) between JSCo Russian Railways and JSC FPC as non-arm's length transactions.

30 May 2011, No. 8

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC TransCreditBank "On approval of the report on observance of the JSC TransCreditBank budget for 2010".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC TransCreditBank "On approval of the JSC TransCreditBank budget for 2011-2013".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy "On approval of the report on observance of the JSCo RZDstroy budget for 2010".
4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zheldorremmash "On approval of the report on observance of the JSC Zheldorremmash budget for 2010".
5. On review of the investment program of JSC Zheldorremmash.
6. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the report on observance of the CJSC TransTeleCom Company budget for 2010".

22 June 2011, No. 9

1. On determination of the market value of shares of JSC S.M. Kirov VVRZ, JSC Saransk VRZ, JSC Barnaul VRZ, JSC Roslavl VRZ, JSC TVS, JSC IMZ, JSC Refservice, JSC AMZ, JSC Roszheldorproekt to be alienated in compliance with instructions of the RF Government.
2. On approval of a transaction with shares of JSC TransCreditBank.

23 November 2011, No. 10

1. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board

- of Directors of JSCo RZDstroy "On approval of the adjustment to the JSCo RZDstroy budget for 2011".
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC Zheldorremmash "On approval of the adjustment to the JSC Zheldorremmash budget for 2011".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On approval of the adjustment to the JSC FPC budget for 2011".
4. On amendments to the Regulation on the Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways.
5. On performance of the companies set up by JSCo Russian Railways and its subsidiaries and affiliates with foreign capital participation.

15 December 2011, No. 11

1. On results of procurement activities of JSCo Russian Railways.
2. On liability insurance of independent directors and professional trustees.
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FFC "On approval of the JSC FFC budget for 2012-2014".
4. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC SFC "On approval of the JSC SFC budget for 2012-2014".
5. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSC FPC "On approval of the JSC FPC budget for 2012-2014".
6. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of JSCo RZDstroy "On approval of the JSCo RZDstroy budget for 2012-2014".
7. On approval of a contract for Allegro train maintenance between Oy Karelian Trains Ltd., JSCo Russian Railways and VR Group Ltd as a non-arm's length transaction.

23 December 2011, No. 12

1. On approval of a contract for Allegro train maintenance between Oy Karelian Trains Ltd., JSCo Russian Railways and VR Group Ltd as a non-arm's length transaction.
2. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of

- Directors of JSC Zhelddorremmash "On approval of the JSC Zhelddorremmash budget for 2012-2014".
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the CJSC TransTeleCom Company budget for 2012-2014".

In 2011, the Strategic Planning Committee and Audit, Risk and Remuneration Committee of the Board of Directors of JSCo Russian Railways also held 4 joint meetings at which 25 issues were considered.

2 March 2011, No. 1

1. On election of the chairman at the meeting of the committee.
2. On development strategy of CJSC TransTeleCom Company.
3. On determination of the position of JSCo Russian Railways (representatives of JSCo Russian Railways) on the agenda item of the meeting of the Board of Directors of CJSC TransTeleCom Company "On approval of the CJSC TransTeleCom Company budget for 2011-2013".

15 April 2011, No. 2

1. On amendments to the plan of sales of shares of JSCo Russian Railways subsidiaries in 2010-2012 and its redraft approval.
2. On preliminary approval of a transaction resulting in auction sale of 64,239,325,613 registered ordinary shares of JSC FFC owned by JSCo Russian Railways, which accounts for 75% minus 2 shares of its charter capital.
3. On preliminary approval of a transaction for sale of shares of JSC TransContainer.
4. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction (several transactions) with shares of JSC Zhelddorremmash.
5. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction (several transactions) with shares of JSC VRM.
6. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction (several transactions) with shares of JSC NSZ.
7. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely,

- a transaction (several transactions) with shares of JSC Moscow LRZ.
8. On preliminary approval of a transaction with the restricted property of JSCo Russian Railways, namely, a transaction (several transactions) with shares of JSC CSPC.
9. On determination of a market value of a share of JSCo Russian Railways in LLC Energopromsbyt.
10. On results of activities of JSC High-Speed Railway and RJSC HSR and further tasks for implementation of the infrastructure project HSR-1 and other directions of high-speed service development.

15 June 2011, No. 3

1. On review of the investment program of JSC Zhelddorremmash.
2. On the draft action plan for implementation of the development strategy of TransTeleCom group of companies for 2011-2015.
3. On approval of the innovative development program of JSCo Russian Railways till 2015.
4. On approval of the Regulation on the procedure of ordering purchase of goods, performance of works and provision of services for core activities of JSCo Russian Railways and forms of reports on procurement activities of JSCo Russian Railways.
5. On approval of the Regulation on the corporate secretary of JSCo Russian Railways and corporate secretary's office.
6. On the concept of reforming of a complex of healthcare facilities of JSCo Russian Railways.
7. On participation of JSCo RZDstroy in non-commercial partnership of the self-regulating organization Association of Survey Organization of the Transport Complex.

22 June 2011, No. 4

1. On the draft action plan for implementation of the development strategy of TransTeleCom group of companies for 2011-2015.
2. On review of the investment program of JSC Zhelddorremmash.
3. On participation of JSC FPC in the limited liability company Transport Service Company.
4. On alienation of non-core assets of JSCo Russian Railways and its subsidiaries and affiliates.
5. On approval of the Regulation on the procedure of ordering purchase of goods, performance of works and provision of services for core activities of JSCo Russian Railways and forms of reports on procurement activities of JSCo Russian Railways.

President of JSCo Russian Railways



Vladimir Ivanovich Yakunin

Born on 30 June 1948 in Zakharovo, Gus Khrustalny District of Vladimir Region.

In 1972, graduated from the Leningrad Institute of Mechanics. Has a doctor's degree in political science.

He started his professional career as a junior researcher at the State Institute of Applied Chemistry. After completing military service in the Soviet Army, worked as an engineer, then senior engineer of the Department of the State Committee on Foreign Economic Relations of the USSR Council of Ministers, headed a Department at the Ioffe Physical Technical Institute of the USSR Academy of Sciences.

From 1985, was engaged in diplomatic work (Second and then First Secretary of the Permanent Mission of the USSR at the United Nations).

Afterwards, Chairman of the Board of Directors of the closed joint stock company International Business Cooperation Center, and Head of the North-West District Inspectorate of the Central Control Department of the President of the Russian Federation.

From October 2000, Deputy Minister of Transport of the Russian Federation. From February 2002, First Deputy Minister of Railways of the Russian Federation.

From October 2003, First Vice President of JSCo Russian Railways.

By Instruction No. 786-r of the Government of the Russian Federation of 14 June 2005, he was appointed President of JSCo Russian Railways.

Vladimir Yakunin is the Chairman of the Board of Trustees of the Center of National Glory of Russia and the St. Andrew Foundation.

From January 2006, research supervisor and Chairman of the Board of Trustees of the Governance and Problem Analysis Center under the United Nations in relation to the Russian Academy of Sciences.

V. Yakunin was awarded the medal of Honor, Order of Merit for the Fatherland (4th class), medal for the Development of Railways, the medal of Honored Rail Worker of JSCo Russian Railways and other honorary medals for his enormous contribution in reforming railway transport, working out a strategy for developing Russian railroads and implementing a constructive social policy, and for effective cooperation with government bodies and constituent entities of the Russian Federation, as well as with foreign railway administrations and international organizations.

By Instruction No. 843-r of the Government of the Russian Federation of 12 June 2008, he was appointed President of JSCo Russian Railways.

Management Board

The Company's Management Board as a collective executive body is engaged in general governance over its activities (except for settlement of the matters related to the competence of the Shareholders' General Meeting and meeting of the Board of Directors as well as Company's president by the Federal Law "Concerning joint-stock companies" and Company's charter, unless otherwise provided for in the Company's charter).

Tasks

The main tasks of the Company's Management Board are working out proposals concerning the Company's business strategy, implementation of the Company's financial and economic policy, decision-making on the critical matters of its current economic activities and coordination of work of its subdivisions, enhancement of efficiency of the internal control and risk monitoring system, assurance of observance of rights and legal interests of the shareholder.

The Company's Management Board performs its activities in compliance with the legislation of the Russian Federation, Company's charter, resolutions of shareholders' general meetings and meetings of the Board of Directors, this Regulation and Company's internal documents.

The Management Board acts in the interest of the Company and reports to the shareholders' general meeting and the Company's Board of Directors.

Areas of competence

Areas of competence of the Company's Management Board are as follows:

1. developing and the presentation to the Company's Board of Directors of priority lines of Company's operations and look-ahead plans for their implementation, including Company's annual budgets and investment program, preparing reports on their implementation and development and approval of current plans for Company's operations;
2. approval of internal settlement tariffs, charges and fees for the works (services) performed (provided) by

- the company and being outside the area of a natural monopoly;
3. approval of rules that ensure proper organization and reliability of accounting in the Company and timely submission of an annual report and other financial statements to respective authorities as well as of information on Company's operations to shareholders, creditors, and mass media;
4. submission to the Company's Board of Directors of securities issue prospectuses and other documents related to the issue of Company's securities;
5. arrangement for fulfilment of Company's look-ahead and current plans, implementation of Company's investment, financial, and other projects;
6. establishing the procedure for accounting of Company's affiliates;
7. consideration and approval of draft bargaining agreements in the Company, regulations on industrial non-public pension coverage, compulsory pension insurance, professional pension insurance, and industrial tariff agreement for rail transport and their submission to the Company's president;
8. establishing the procedure for shareholder's review of information on the Company;
9. subclause ruled out by Instruction No. 993-r of the RF Government of 26 July 2007
10. establishing a remuneration system and defining incentives for Company's employees;
11. obligatory instructing of subsidiaries on the matters set out in charters of these companies or contracts concluded with them;
12. approval of the Company's internal documents on the matters falling within the competence of the Company's Management Board;
13. resolving other issues related to Company's day-to-day operations and introduced by the chairman of the Management Board, Company's Board of Directors or shareholder for consideration by the Company's Management Board.

Chairman of the Management Board of JSCo Russian Railways: V.I. Yakunin – President of JSCo Russian Railways
As of 31 December 2011, the Management Board of JSCo Russian Railways had 25 members:

Vladimir Ivanovich Yakunin	President of JSCo Russian Railways
Vadim Nikolayevich Morozov	First Vice President of JSCo Russian Railways
Valentin Alexandrovich Gapanovich	Senior Vice President of JSCo Russian Railways
Vadim Valeryevich Mikhailov	Senior Vice President of JSCo Russian Railways
Valeriy Ilyich Reshetnikov	Senior Vice President of JSCo Russian Railways
Galina Vasilyevna Kraft	Chief Accountant of JSCo Russian Railways
Sergey Nikolayevich Yepifantsev	Secretary of State, Vice President of JSCo Russian Railways
Mikhail Pavlovich Akulov	Vice President of JSCo Russian Railways
Oleg Yurievich Atkov	Vice President of JSCo Russian Railways
Salman Magomedrasulovich Babayev	Vice President of JSCo Russian Railways from 23 March 2011 decision of the Board of Directors of 15 March 2011, minutes No. 4
Alexander Sergeyevich Bobreshov	Vice President of JSCo Russian Railways
Vladimir Borisovich Vorobyov	Vice President of JSCo Russian Railways
Alexey Valeryevich Vorotilkin	Vice President of JSCo Russian Railways
Avtandil Aydarovich Gorgiladze	Vice President of JSCo Russian Railways till 28 March 2011 decision of the Board of Directors of 15 March 2011, minutes No. 4
Georgy Viktorovich Kornilov	Vice President of JSCo Russian Railways
Anatoly Anisimovich Krasnoschek	Vice President of JSCo Russian Railways from 05 December 2011 decision of the Board of Directors of 21 November 2011, minutes No. 19
Vyacheslav Grigorievich Lemeshko	Vice President of JSCo Russian Railways till 30 November 2011 decision of the Board of Directors of 21 November 2011, minutes No. 19
Alexander Vladimirovich Saltanov	Vice President of JSCo Russian Railways from 25 May 2011 decision of the Board of Directors of 15 March 2011, minutes No. 4
Alexander Georgievich Tishanin	Vice President of JSCo Russian Railways
Oleg Vilyamsovich Toni	Vice President of JSCo Russian Railways
Dmitry Sergeyevich Shakhanov	Vice President of JSCo Russian Railways
Olga Eduardovna Gnedkova	Head of the Corporate Finance Department of JSCo Russian Railways
Vadim Ivanovich Bynkov	Head of the Legal Department of JSCo Russian Railways
Boris Moiseevich Lapudis	Senior Advisor to the President of JSCo Russian Railways
Sergey Vladimirovich Mikhailov	Head of the Corporate Communications Department of JSCo Russian Railways
Vladimir Ivanovich Starostenko	Advisor to the President of JSCo Russian Railways
Alexander Vitalievich Tselko	Head of the West Siberian Railway – a branch of JSCo Russian Railways

Brief CVs of Members of the Management Board of JSCo Russian Railways



**Vladimir Ivanovich Yakunin
President of JSCo RZD**

Born in 1948. In 1972, graduated from the Leningrad Institute of Mechanics, Doctor of Political Sciences. From October 2000, Deputy Minister of Transport of the Russian Federation; from February 2002, First Deputy Minister of Railways of the Russian

Federation; from October 2003, First Vice President of JSCo Russian Railways; since June 2005, President of JSCo Russian Railways. Vladimir Yakunin is the Chairman of the Board of Trustees of the Center of National Glory of Russia and the St. Andrew Foundation.



**Vadim Nikolayevich Morozov
First Vice President of JSCo Russian Railways**

Born in 1954. In 1977, V. Morozov graduated from the Leningrad Institute of Railway Engineers, majoring in Railway Operations, PhD in Technical Sciences. He has been working in the railway sector since 1971. From June 2000, First Deputy Head of the Moscow Railway; from February 2002, First

Deputy Minister of Railways of the Russian Federation; from October 2003, Minister of Railways of the Russian Federation; from July 2004, Executive Director of the non-state pension fund Blagosostoyaniye (Welfare), and since August 2005, First Vice President of JSCo Russian Railways.



**Valentin Alexandrovich Gapanovich
Senior Vice President of JSCo Russian Railways**

Born in 1955. In 1992, V. Gapanovich graduated from the Novosibirsk Institute of Railway Engineers, majoring in Rail Transport Management; transport management engineer. Distinguished Transport Worker of the Russian Federation. He has been working in the railway sector since 1974. From January

1998, Deputy Head of the West Siberian Railway; from November 2000, Chief Engineer of October Railway; from November 2003, Vice President of JSCo Russian Railways, and since June 2008, Senior Vice President of JSCo Russian Railways.



**Vadim Valeryevich Mikhailov
Senior Vice President of JSCo Russian Railways**

Born in 1969. In 1992, graduated from the State Financial Academy, majoring in Finance and Credit; economist. Since May 2011, Director of the Bank Audit Department of Arthur Andersen;

from April 2003, Director and Director General of Ernst & Young Business Consulting. Since September 2009, Senior Vice President of JSCo Russian Railways.



Valeriy Ilyich Reshetnikov
Senior Vice President of JSCo Russian Railways

Born in 1952. In 1975, V. Reshetnikov graduated from the Leningrad Electro-Technical Institute, majoring in Automated Control Systems; engineer and systems technician. From July 2000, Deputy Chairman of the Management Board of Baltonexim Bank; from February 2002, Head of the Main Administration of the Department for Economic Protection

of the Ministry of Railways of the Russian Federation; from October 2003, Head of the Security Department of JSCo Russian Railways, from August 2004, Advisor to the General Director of JSC Severstaltrans; from September 2005, Advisor to the President of JSCo Russian Railways, and since March 2007, Senior Vice President of JSCo Russian Railways.



Galina Vasilyevna Kraft
Chief Accountant of JSCo Russian Railways

Born in 1950. In 1973 and 1983, G. Kraft graduated from the Leningrad Institute of Railway Engineers, majoring in Railway Automation, Remote Control and Telecommunications and Economics, and in Economics and Organization of Rail Transport. PhD in Economics. She has been working in the railway sector

since 1973. From November 2003, Vice President of JSCo Russian Railways, Head of the Investment Department of JSCo Russian Railways; from August 2005, Vice President of JSCo Russian Railways, and since December 2005, Chief Accountant of JSCo Russian Railways.



Sergey Nikolayevich Yepifantsev
Secretary of State, Vice President of JSCo Russian Railways

Born in 1953. In 1975, S. Yepifantsev graduated from the Ufa Aviation Institute, majoring in Electrical Machines and Devices, Doctor of Sociology, PhD. in Psychology. From October 2000, Deputy Plenipotentiary of the President of the Russian Federation in the Southern Federal District; from May 2004, Chief

Federal Inspector in Rostov Oblast of the Office of the Plenipotentiary of the President of the Russian Federation in the Southern Federal District; from December, Adviser to the President of JSCo Russian Railways; since April 2009, Secretary of State, Vice President of JSCo Russian Railways.



Mikhail Pavlovich Akulov
Vice President of JSCo Russian Railways

Born in 1960. In 1982, M. Akulov graduated from the Moscow Institute of Railway Engineers, majoring in Railway Electrification; railway engineer – electrical mechanic. He has been working in the railway sector since 1982. From December 2000, Head of the South-Eastern Railway; from May 2002, Deputy Minister of Railways of the Russian Federation; from December 2003, First Deputy Minister of Railways

of the Russian, from March 2004, Head of the Federal Railway Agency of the Ministry of Transport of the Russian Federation; from December 2005, Vice President of JSCo Russian Railways, and since July 2009, Vice President of JSCo Russian Railways, Director General of the Federal Passenger Directorate. Since November 2009, Director General of JSC Federal Passenger Company.



Oleg Yurievich Atkov
Vice President of JSCo Russian Railways

Born in 1949. In 1973, O. Atkov graduated from the Moscow Sechenov Medical Institute, majoring in Medical Care, Doctor of Medicine, professor. Hero of the Soviet Union. Honored Scientist of the Russian Federation. From May 2002, Head of the Health

Department of the Ministry of Railways of the Russian Federation; from October 2003, Head of the Medicare Department of JSCo Russian Railways, and since August 2005, Vice President of JSCo Russian Railways.



Salman Magomedrasulovich Babayev
Vice President of JSCo Russian Railways

Born in 1955. In 1978, S. Babayev graduated from the Khabarovsk Institute of Railway Engineers, majoring in Railway Operation; railway engineer in railway operation, Distinguished Transport Worker of the Russian Federation. He has been working in the railway sector since 1978. From February 2001, Deputy Head of the Moscow Railway; from February 2002, Head of the Corporate Transport Service Center; from November 2002, Head of Privolzhsk Railway; from November

2003, Vice President of JSCo Russian Railways, Director General of the Corporate Transport Service Center; from August 2005, Vice President of JSCo Russian Railways; from October 2007, Director General of JSC First Freight Company, part-time Advisor to the President of JSCo Russian Railways, since March 2011, Vice President of JSCo Russian Railways.



Alexander Sergeevich Bobreshov
Vice President of JSCo Russian Railways

Born in 1965. In 1988, A. Bobreshov graduated from the Leningrad Shipbuilding Institute, majoring in Instrument-making; mechanical engineer. From April 2000, Director General of the limited liability company

Expert Plus; from February 2004, Deputy Head, Head of the Security Department of JSCo Russian Railways, and since August 2005, Vice President of JSCo Russian Railways.



Vladimir Borisovich Vorobyov
Vice President of JSCo Russian Railways

Born in 1949. In 1978, V. Vorobyov graduated from the Moscow Institute of Railway Engineers, majoring in Rail Track Engineering and Construction. PhD in Technical Sciences. Distinguished Transport Worker of the Russian Federation. He has been working in the railway sector since 1969. From June

1998, Deputy Head of the Moscow Railway; from July 2002, Head of the North Caucasus Railway, and since December 2006, Vice President of JSCo Russian Railways.



Alexey Valeryevich Vorotilkin
Vice President of JSCo Russian Railways

Born in 1961. In 1988, A. Vorotilkin graduated from the Irkutsk Institute of Railway Engineers, majoring in Railway Electrification; PhD in Technical Sciences. He has been working in the railway sector since 1978. From July 2001, Deputy Head of the East Siberian Railway; from September 2005, Head

of the East Siberian Railway; from June 2008, Vice President of JSCo Russian Railways; since February 2011, Vice President, Head of the Traction Directorate – branch of JSCo Russian Railways.



Avtandil Aydarovich Gorgiladze
Vice President of JSCo Russian Railways

Born in 1952. In 1975, A. Gorgiladze graduated from the Moscow State Institute of International Affairs, majoring in International Affairs; international affairs specialist. From October 1998 to November 2000, Managing Director of the joint stock trust company ADZHARGAZ, and from January 2001 to

August 2005, Advisor to the President of the joint stock company BIOPHARMA. From February 2006, Head of the Management Office for Customs Broker Operations of JSCo Russian Railways; from May 2009 to March 2011, Vice President of JSCo Russian Railways.



Georgy Viktorovich Kornilov
Vice President of JSCo Russian Railways

Born in 1953. In 1976, G. Kornilov graduated from the Odessa Navy Engineering Institute, majoring in Ship Machinery and Mechanisms; mechanical engineer. From September 1980, held operative and managing positions in

the KGB of the USSR and in the Federal Counterintelligence Service and the Federal Security Service of Russia, and since March 2004, Vice President of JSCo Russian Railways.



Anatoly Anisimovich Krasnoschek
Vice President of JSCo Russian Railways

Born in 1959. In 1988, A. Krasnoschek graduated from the Leningrad Institute of Railway Engineers, majoring in Rail Transport Management; transport management engineer, PhD in Economics. He has been working in the railway sector since 1978. From September 2000, Deputy Head of the October Railway for

Transportation; from June 2004, First Deputy Head of the October Railway for Transportation, Chief Examiner for Train Security, from March 2005, First Deputy Head of the October Railway, from July 2008, Head of the East-Siberian Railway; since December 2011, Vice President of JSCo Russian Railways.



Vyacheslav Grigorievich Lemeshko
Vice President of JSCo Russian Railways

Born in 1946. In 1970, V. Lemeshko graduated from the Moscow Institute of Railway Engineers, majoring in Railway Operations, railway engineer in railway operation. Distinguished Transport Worker of the Russian Federation. He has been working in the railway

sector since 1970. From February 1997, First Deputy Head of the Moscow Railway; from August 2003, Head of the Kuybyshev Railway; from July 2007 to November 2011, Vice President of JSCo Russian Railways.



Alexander Vladimirovich Saltanov
Vice President of JSCo Russian Railways

Born in 1946. In 1970, A. Saltanov graduated from the Moscow State Institute of International Affairs, majoring in International Affairs; international affairs specialist, Orient Officer. Distinguished Diplomatic Service Worker of the Russian Federation. From December 1992 r – Ambassador Extraordinary

and Plenipotentiary of the Russian Federation in the Hashemite Kingdom of Jordan; from February 1999, Director of the Middle East and North Africa Department of the Russian Ministry of Foreign Affairs; from October 2001, Deputy Minister of Foreign Affairs of the Russian Federation; since May 2011, Vice President of JSCo Russian Railways.



Alexander Georgievich Tishanin
Vice President of JSCo Russian Railways

Born in 1966. In 1993, A. Tishanin graduated from the Urals Electromechanical Institute of Railway Engineers, majoring in Rail Transport Management; railway engineer in rail transport management; in 1999, graduated from the Urals State University of Railway Engineering, majoring in Enterprise Economics and Management

(Railway Transport); manager and economist. He has been working in the railway sector since 1984. From April 2004, Head of the East Siberian Railway; from September 2005, Governor of Irkutsk Region, and since September 2008, Vice President of JSCo Russian Railways.



Oleg Vilyamsovich Toni
Vice President of JSCo Russian Railways

Born in 1964. In 1986, O. Toni graduated from the Voronezh Civil Engineering Institute, majoring in Industrial and Civil Construction, in 2003 graduated from the North-Western Academy of Public Service, majoring in Public Administration and Municipal

Management, PhD in Economics. From March 2004, First Deputy Head and then Head of the Capital Construction Department of JSCo Russian Railways, and since April 2006, Vice President of JSCo Russian Railways.



Dmitry Sergeevich Shakhanov
Vice President of JSCo Russian Railways

Born in 1961. In 1988, D. Shakhanov graduated from the Academy of the Ministry of Internal Affairs of the USSR, majoring in Jurisprudence; attorney. From November 1999, Deputy General Director of JSC Lenenergo; from October

2005, Deputy General Director of JSC Territorial Generating Company No. 1; from October 2006, Deputy Director and then Director of Roszheldorsnab, and since April 2009, Vice President of JSCo Russian Railways.



Boris Moiseevich Lapudis
Senior Advisor to the President of JSCo Russian Railways

Born in 1947. In 1973 and 1984, B. Lapidus graduated from the All-Union Distance Learning Institute of Railway Engineers, majoring in Railway Electrification and in Economics and Organization of Railway Transport, respectively. PhD in Economics, professor. Distinguished Economist of the Russian Federation. He has been working in the railway sector since 1967. From March 1997, Head of the

Economic Department of the Russian Ministry of Railways; from November 2003, Vice President of JSCo Russian Railways; from August 2005, Senior Vice President of JSCo Russian Railways; since March 2010, General Director of JSC Research and Development Institute of Railway Transport, and part-time Senior Advisor to the President of JSCo Russian Railways.



Vadim Ivanovich Bynkov
Head of the Legal Department of JSCo Russian Railways

Born in 1962. In 1985, V. Bynkov graduated from the Kalinin State University, majoring in Jurisprudence; attorney. From June 2002, Head of the Legal Department of the ALROSA Investment Group; from April 2004, attorney at his Attorney Office of the

Bar of Tver Region; from October 2005, Head of the Legal Department of JSCo Russian Railways; from December 2007, Secretary of State, Head of the Legal Department of JSCo Russian Railways, and since April 2009, Head of the Legal Department of JSCo Russian Railways.



Olga Eduardovna Gnedkova
Head of the Corporate Finance Department of JSCo Russian Railways

Born in 1960. In 1981, O. Gnedkova graduated from the Novosibirsk Institute of Railway Engineers, majoring in Accounting; PhD in Economics. She has been working in the railway sector since 1981. From May 2002, Deputy Head of Moscow Railway; Head of the Financial

Function; from September 2004, Deputy Head of Moscow Railway for Economics and Finance; from November 2004, Head of the Finance Department of JSCo Russian Railways, and since September 2005, Head of the Corporate Finance Department of JSCo Russian Railways.



Sergey Vladimirovich Mikhailov
Head of the Corporate Communications Department of JSCo Russian Railways

Born in 1971. In 1993, S. Mikhailov graduated from the Moscow State Institute of International Affairs, majoring in International Journalism; international journalist with knowledge of a foreign language. Member of the Journalists' Union of the Russian

Federation. From June 2004, Advisor to the President of JSCo Russian Railways; from May 2005, Head of the Public Relations Department of JSCo Russian Railways, and since July 2006, Head of the Corporate Communications Department of JSCo Russian Railways.



Vladimir Ivanovich Starostenko
Advisor to the President of JSCo Russian Railways

Born in 1948. In 1970, V. Starostenko graduated from the Novosibirsk Institute of Railway Engineers, majoring in Railway Operations; railway operations engineer. Distinguished Transport Worker of the Russian Federation. He has been working in the railway sector since 1966. From February 1997, Head of the West Siberian

Railway, from May 1999, Minister of Railways of the Russian Federation; from September 1999, Head of the West Siberian Railway; from February 2002, Head of the Moscow Railway, and since November 2009, Advisor to the President of JSCo Russian Railways.



Alexander Vitalievich Tselko
Director of the West Siberian Railway

Born in 1956. In 1978, A. Tselko graduated from the Novosibirsk Institute of Railway Engineers, majoring in Railway Operations; railway operations engineer. Distinguished Transport Worker of the Russian Federation. He has been working in the railway sector since 1978. From

November 1999, Head of the South Urals Railway, from May 2000, Deputy and then First Deputy Minister of Railways of the Russian Federation, and since February 2002, Head of the West Siberian Railway.

System of remuneration for the members of the JSCo Russian Railways Management Board, calculation policy and factors of influence

The current system of remuneration of the members of the JSCo Russian Railways Management Board approved by the Company's Board of Directors has been developed to improve individual and collective performance of the Management Board members both in short and long-term, and to reward for effective performance of JSCo Russian Railways as a whole.

Year-end remuneration is paid to executives subject to their individual key performance indicators (KPIs) and performance of the Management Board of JSCo Russian Railways in general.

Key performance indicators of members of the Management Board are approved by the decision of the Board of Directors of JSCo Russian Railways.

The key performance indicators comprise the following groups of criteria:

1. group-wide indicators;
2. functional indicators;
3. individual tasks.

Starting with performance in 2011, an improved system of key performance indicators has been

introduced; this system has an updated qualitative and quantitative composition of indicators. This new system has also significantly strengthened a relation between the amount of the money reward paid to managers of JSCo Russian Railways and their individual performance, scale of the tasks performed and level of assumed responsibility.

Amount of remuneration paid to members of the Management Board⁵

The aggregate income of members of the Management Board of JSCo Russian Railways paid in 2011 amounted to 1,374.0 mln rubles.

The Audit Committee oversees the Company's financial and business activities and acts on the basis of the legislation of the Russian Federation, the Charter of JSCo Russian Railways approved by Decree No. 585 of the Government of the Russian Federation of 18 September 2003, and the Regulation on the Audit Committee of JSCo Russian Railways approved by Instruction No. 265-r of the Government of the Russian Federation of 25 February 2004.

The Audit Committee of JSCo Russian Railways elected in compliance with Instruction No. 1052-r of the Government of the Russian Federation of 30 June 2010 was approved in the number of 7 members (positions stated at the time of election):

Full name	Position
G.B. Bulatov	Departmental Deputy Director of the Ministry of Economic Development of the Russian Federation
M.R. Vinter	Head of the Administration of Roszheldor
E.M. Golubeva	senior specialist – expert of the Administration of the Federal Agency for Federal Property Management
I.V. Zelentsova	Head of the Administration of the Federal Agency for the Management of Federal Property
A.V. Kazutin	Deputy Department Director of the Ministry of Transport of the Russian Federation
Ya.V. Mandron	Departmental Head of the Ministry of Economic Development of Russia
A.S. Tsydenov	Deputy Departmental Head of the Government of the Russian Federation

⁵ for more details, see clause 5.3 "Data on the amount of remuneration, benefits and/or compensation of losses for each issuer's management body" of the issuer's quarterly report

Audit Committee

The Audit Committee of JSCo Russian Railways elected in compliance with Instruction No. 1129-r of the Government of the Russian Federation of 30 June 2011 was approved in the number of 7 members (positions stated at the time of election):

Full name	Position
G.B. Bulatov	Departmental Deputy Director of the Ministry of Economic Development of the Russian Federation
I.V. Zelentsova	Head of the Administration of the Federal Agency for the Management of Federal Property
A.V. Kazutin	Deputy Department Director of the Ministry of Transport of the Russian Federation
E.Yu. Litvina	Acting Head of the Administration of the Federal Agency for the Management of Federal Property
A.V. Lushnikov	Aide to the Minister of Transport of the Russian Federation
Ya.V. Mandron	Departmental Head of the Ministry of Economic Development of Russia
A.V. Tonkikh	Deputy Department Director of the Ministry of Transport of the Russian Federation

In 2010, the Audit Committee of JSCo Russian Railways held two meetings; among other things, an audit report on the financial and business activities of JSCo Russian Railways for 2010 has been prepared.

Amount of remuneration paid to members of the audit committee

When performing their duties, members of the audit committee of JSCo Russian Railways were paid neither remuneration nor compensation for the expenses relating to the fulfillment of their functions as members of the audit committee.

Corporate Governance Improvement in 2011

In 2011, organizational development efforts of the Russian Railways holding company were mainly aimed at effective management of the economic complex of JSCo Russian Railways in the context of further outsourcing of production tasks from railways to directorates and completion of changes to the composition of assets and business types under the Structural Reform Program.

Currently, a new management structure is being established; positions and job duties of managers are being revised to optimize their performance; functions are being redistributed and a focus of the executive management is being shifted to strategic management.

Despite a large scale of changes, their introduction has not adversely affected key parameters of field operation.

At this stage, special attention is paid to regulation of activities, which enables retention of manageability and reliability of Company's processes.

In line with the plans established, further reorganization of management in the production unit of JSCo Russian Railways is under way.

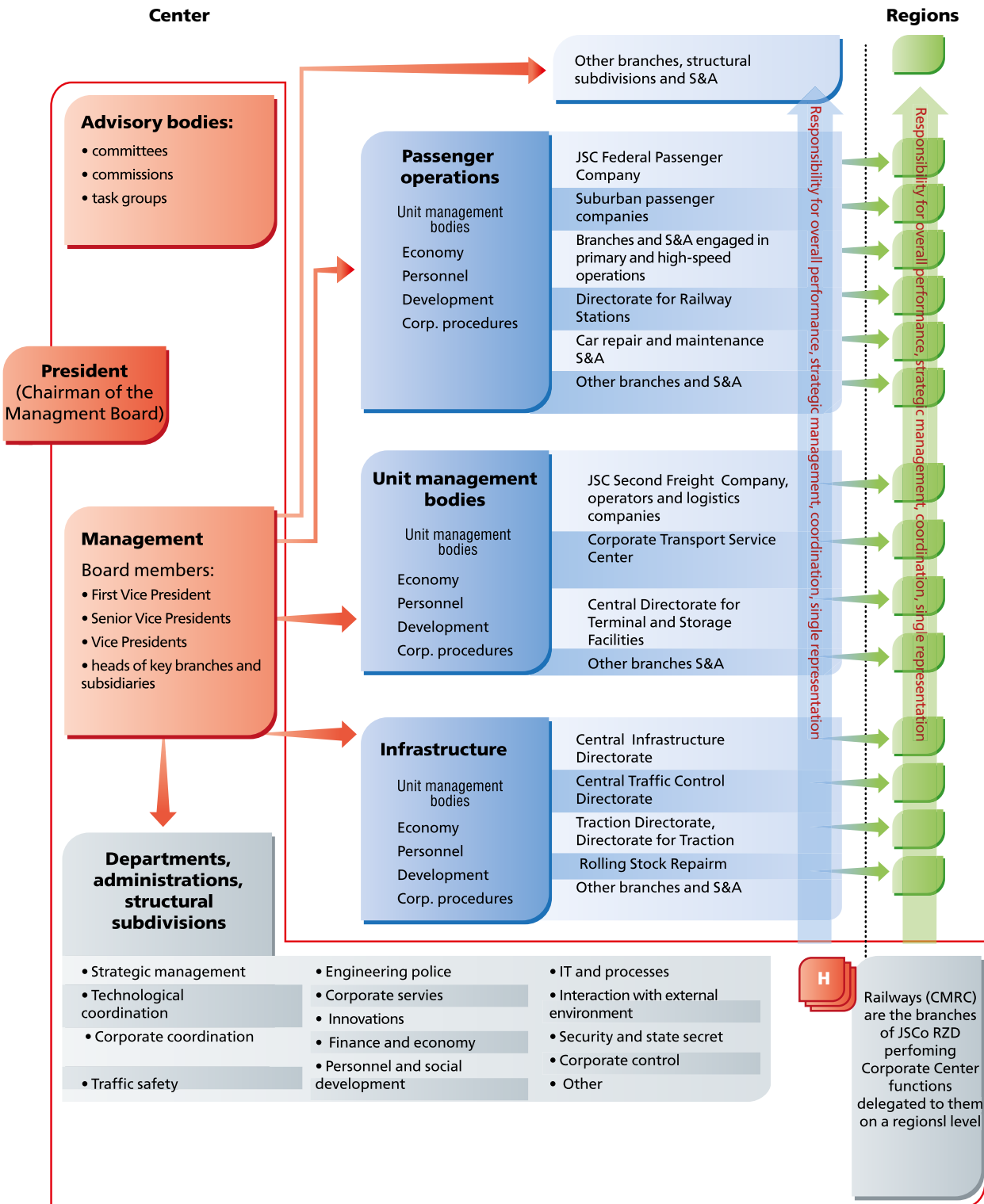
2011 saw completed building of a full vertical of the Traction Directorate – branch of JSCo Russian Railways. This vertical allows to make this directorate fully liable for attainment of set parameters of economic activities, ensure feasibility and targeting of allocation of required resources and, thus, enhance operational reliability of the locomotive complex.

2011 also saw further activities aimed at establishment of the Central Infrastructure Directorate. Departments of the rolling stock, track and structures, automation and telemechanics, electrification and power supply, management of process and utility facilities, inspectorate for car fleet integrity and infrastructure reforming center were abolished. Rail infrastructure directorates and central office of the future vertical were set up.

As a part of implementation of the continuous improvement principle, the Concept of Organizational Development of Russian Railways Holding Company till

2015 was elaborated and approved by the President of JSCo Russian Railways (decree No.224 of 08 September 2011), in line with which the Plan for Organizational Development of the Holding Company till 2014 was developed (approved by instruction No. 2124r of JSCo Russian Railways of 30 September 2011). The Concept and Plan take into account scheduled changes in the corporate structure of the Holding Company, target freight railway transportation market model and requirements of the Holding Company Development Strategy, first of all, as related to increased performance efficiency and quality of transportation services for the period till 2015.

- In line with the Concept, the main lines of Holding Company organizational development till 2015 are as follows:
- final division of functions of corporate governance and operation management through establishment of the Holding Company Corporate Center with railways as regional management bodies and completion of establishment of business units as a part of JSCo Russian Railways with their further grouping into business units under single supervisory control for enhanced coordination and synergy of activities;
- development of strategic management;
- introduction of operation efficiency and performance management tools;
- broad introduction of project and regular management principles and approaches, including process-based approach and regulation.





4. The Company's Position in the Industry



The Company's Position in the Industry

2011 saw a positive economic dynamics in Russia despite a number of problems in the world economy. Starting from February, GDP featured sustained growth vs. a previous month.

GDP growth at the end of 2011 was similar to 2010 and amounted to +4.3%. Russia's economic growth was promoted by a good pricing environment of the world oil market. In 2011, the annual average price for Urals oil 2011 reached USD 109.4 vs. USD 78.2 per barrel in 2010.

Throughout 2011, industrial output in monthly terms predominantly increased. In general, in 2011, industrial output accrued +4.7% having decelerated vs. +8.2% in 2010. According to experts, the industrial output growth was greatly promoted by further restocking after the crisis.

In 2011 (+8.3%), the growth rate of fixed capital expenditures increased as compared to 2010 (+6%).

2011 saw retention of a high growth rate in foreign trade – Russian exports accrued +30% vs. +32% at the end of 2010. The income growth rate reached +33.4% vs. +29.7% at the end of 2010.

In the context of high prices at world commodity markets and quite steady demand for Russian export goods, 2011 saw federal budget surplus amounting to 0.8% of GDP.

In 2011, consumer inflation amounted to +6.1% vs. last December, which is the lowest level for 20 years; the annual average inflation rate was 8.4%. This dynamics was promoted by a high base of the II half of 2010, when as a result of the drought, food prices soared. In 2011,

grain yield increased by a third on 2010 and amounted to 93.9 mln. tons.

In 2011, the annual average growth rate of prices in the industry reached +17.3% vs. +14.9% in 2010.

2011 was a good year for the country's banking sector. Lending growth rates exceeded the indicators of 2010 – the volume of individuals' lending accrued 35.9%, of entities' lending – 26%. The volume of deposits with Russian banks accrued 20.9%.

2011 saw positive changes on the labor market. The unemployment rate accounted for 6.6% of the gainfully occupied population vs. 7.5% in 2010. The wage arrears decreased; as of 1 January 2012, it amounted to 1.8 bln rubles vs. 2.4 bln rubles in early 2011.

In 2011, the personal income growth rate slowed down dramatically to reach +0.8% vs. +5.1% in 2010. In 2011, the actual accrued wages growth rate slowed down to reach +3.5% vs. +5.2% in 2010.

A negative trend of 2011 was accelerated capital export that increased by 2.5 times on 2010 to have reached USD 80.5 mln. However, a significant part of the capital export is due to repayment of earlier obtained foreign credits and payment of interest. According to estimates, the actual capital export amounted to some USD 30 bln.

Change in the JSCo Russian Railways Share on the Transport Service Market

The analysis of the Holding Company's operations in the infrastructure services and freight transportation segments from 2004 to date suggests that the key factors having an impact on its industry position include:

- rate regulation;
- growth potential for freight turnover subject to the forecast level of economic growth;
- availability of infrastructure possibilities and rolling stock to accommodate the transportation needs;

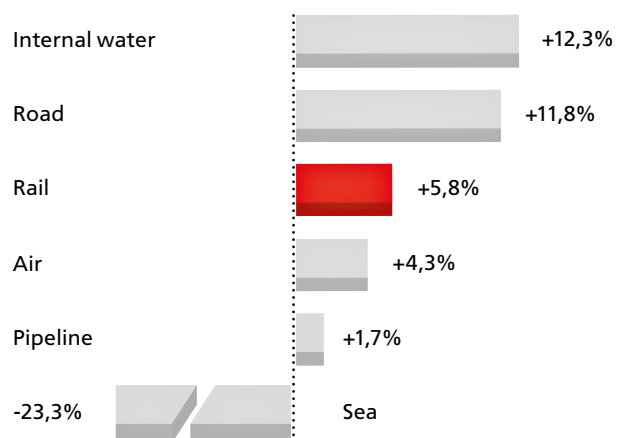
- efficient use of the infrastructure and improved productivity of the rolling stock;
- evolution of competition with other market players.

According to Rosstat, in 2011, Russia's freight turnover increased by 3.4% vs. 2010 and amounted to 4,915.3 bln ton/km. A growth in freight turnover is assured for all means of transport, except for sea transport.

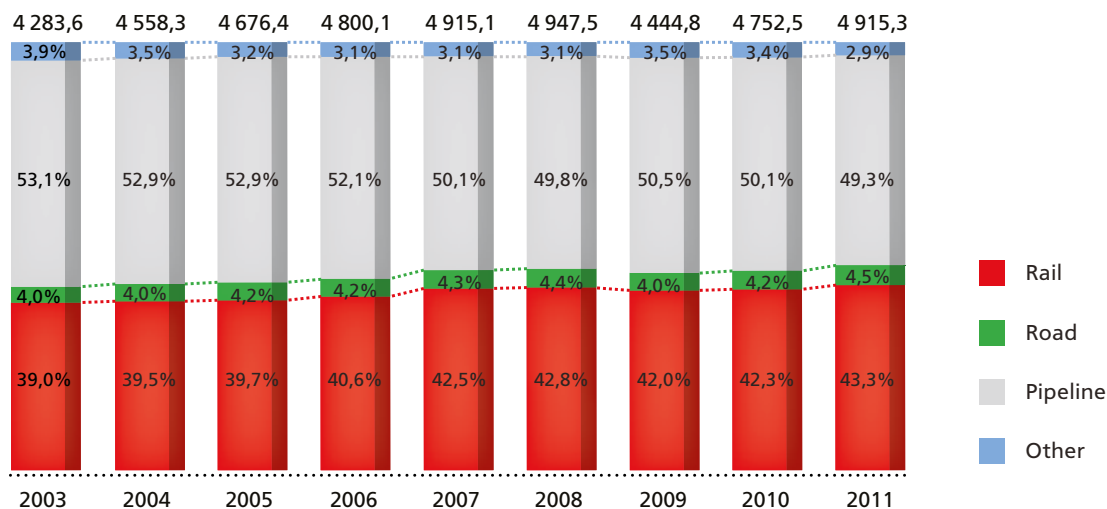
Freight turnover by means of transport, bln ton/km

Means of transport	2009	2010	2011	Variations 2011 on 2010	
				+/-	%
Freight traffic	4 444,9	4 752,5	4 915,9	+163,4	+3,4
including:					
rail ⁶	1 865,3	2 011,3	2 127,8	+116,5	+5,8
road	180,1	199,2	222,8	+23,6	+11,8
sea	98,4	101,0	77,5	-23,5	-22,8
inland water	52,7	54,3	61,0	+6,7	+13,0
air (transport aviation)	3,6	4,7	4,9	+0,2	+4,5
pipeline	2 245,8	2 382,0	2 421,9	+39,9	+1,7

Changes of freight turnover by modes of transport, 2011 vs. 2010



⁶ Freight turnover without regard to empty mileage of private and leased rolling stock, according to reporting data of JSCo Russian Railways



Freight turnover of rail⁸ transport accrued 5.8%. A share of the rail transport in the country's transport system freight turnover reached 43.3%, which is 1 p.p. higher than in 2010.

Industry Competition Development

2011 saw significant strengthening of the competitive position of JSCo Russian Railways in a number of new segments of the transport market, such as: container transportation, associated multimodal logistics, port operations, etc. This strengthening is due to development of capacities and assets of Transcontainer and a number of other special-purpose S&A and subdivisions (repair directorates) and acquisition of a number of minority stakes in independent transport companies and joint ventures (for instance, Ust-Luga).

At the same time, the Holding Company lost a significant market share in the freight car handling segment. A share of the Holding Company in the total transport balance decreased gradually (although insignificantly) at the expense of a growth in the road and pipeline transportation share. Besides, the Holding Company started to lose its monopoly positions in the freight locomotive segment where appearance of private locomotives (some 3% of the fleet) significantly influenced the monetary market share (assessed at up to 7%). Private locomotives are currently used at the routes optimized in terms of costs. Russian Railways Holding is still not represented in the industrial railways segment which continues to be dominated by private transportation companies and onsite shunting shops of consignors.

From 2003, conditions were created to promote private ownership to freight cars in line with decisions adopted by the Russian Government. Decisions made resulted in increased operating revenues earned by independent private owners of freight cars. The Government of the Russian Federation outlined **the main directions of sector reforming for the period till 2015:**

- keeping the status of JSCo Russian Railways as a network-wide carrier integrated in the public infrastructure;
- full transfer of Russian Railways' freight cars to subsidiaries and associates;
- sale of an equity stake of JSC FFC (subsidiary of JSCo Russian Railways) to reduce the Holding Company's share in the freight car ownership segment below 30% to induce competition.

The Holding Company's targets in the area of long-distance passenger service include:

- enhancement of the Holding Company's market competitiveness, improvement of the service quality, introduction of passenger service standards, enhancement of the professional level of conductors;
- increase in the market share in the deregulated segment of passenger services, reduced dependence on government contracts;

⁸ Without regard to industrial rail transport enterprises.

- increase in price flexibility, narrowing a price gap between regulated and deregulated operations;
- expansion of the ticket distribution network (including abroad), introduction of new forms of fare payment using e-tickets;
- introduction of new types of rolling stock, reduction in rolling stock lifecycle costs.

In 2011, transformation of the Holding Company's business model will be focused on:

- developing most competitive businesses of the Holding Company;
- retaining businesses with significant synergy potential;
- diversifying business and reducing dependence on results of infrastructure and freight transportation services;
- expanding into new foreign markets;
- retaining large-scale businesses offering potential for long-term growth and added value.

At present, in the transit container transportation segment, JSCo Russian Railways competes with transcontinental freight carriers and sea transportation enterprises. Expert Council of the Federal Antimonopoly Service of Russia came to a determination that pricing in this segment of the railway transportation market should be deregulated with a shift towards free contractual prices.

From the market share viewpoint, the competitive position of the Holding Company on the market of freight railway services (being all types of transportation services implying the provision of infrastructure and

locomotives for freight transportation) is characterized as follows:

- retaining a monopolistic position approaching 100% in freight transportation using public railway infrastructure amid appearing pressure from private business in the locomotive provision services segment (a 3% contraction of the share on the market of transportation services via public railway infrastructure) due to partial accession of private locomotives to the market;
- insignificant presence in the segment of freight railway transportation using private railways (industrial railways segment) since the majority of such railway companies/workshops are acting as local monopolies;
- more than 70% of the Holding Company's cargo is transported via railways since this has traditionally been the only physically possible and/ or economically feasible transportation option (Russian Railways "protected market"). However, this segment is constantly contracting due to the development of road and pipeline infrastructure;
- insignificant but steady reduction in the Russian Railways Holding's share of the rail freight market compared to road transportation (primarily, for distances of up to 1,000-1,200 km for the entire range of non-primary goods) and pipeline (petroleum and petrochemical goods of all types, irrespective of the distance);
- minimal immediate presence within markets outside Russia (a rail concession in Armenia (2008) constituting less than 4% of the CIS market and less than 2% of the Russian market in terms of carriage volumes) with a possibility to gain a foothold on other markets in the near- and mid-term (corridors/ concessions in the Central Asia, Iran-Azerbaijan corridor).

Principles of Government Regulation and Tariff Policy Applicable to JSCo Russian Railways

One of the top objectives determined by the Government of the Russian Federation in the Railway Restructuring Program is development of competition at the freight car market. This was an objective need conditioned by the fact that for a lengthy period of time, the government has assigned higher priority for creation of required investment resources to other industries and restricted growth of prices (tariffs) established by natural monopoly entities.

Throughout the entire history of Russia's transition to a market economy and, particularly, when dealing with the aftereffects of the financial crisis of late 1990s and the

global recession in 2008-2009, rail transportation industry was looked upon as a stabilizer for the country's ailing economy. Stiff restrictions imposed by the government on federal tariffs for railway transportation virtually meant a shift towards cross subsidizing other sectors of economy at the expense of the railway transportation industry.

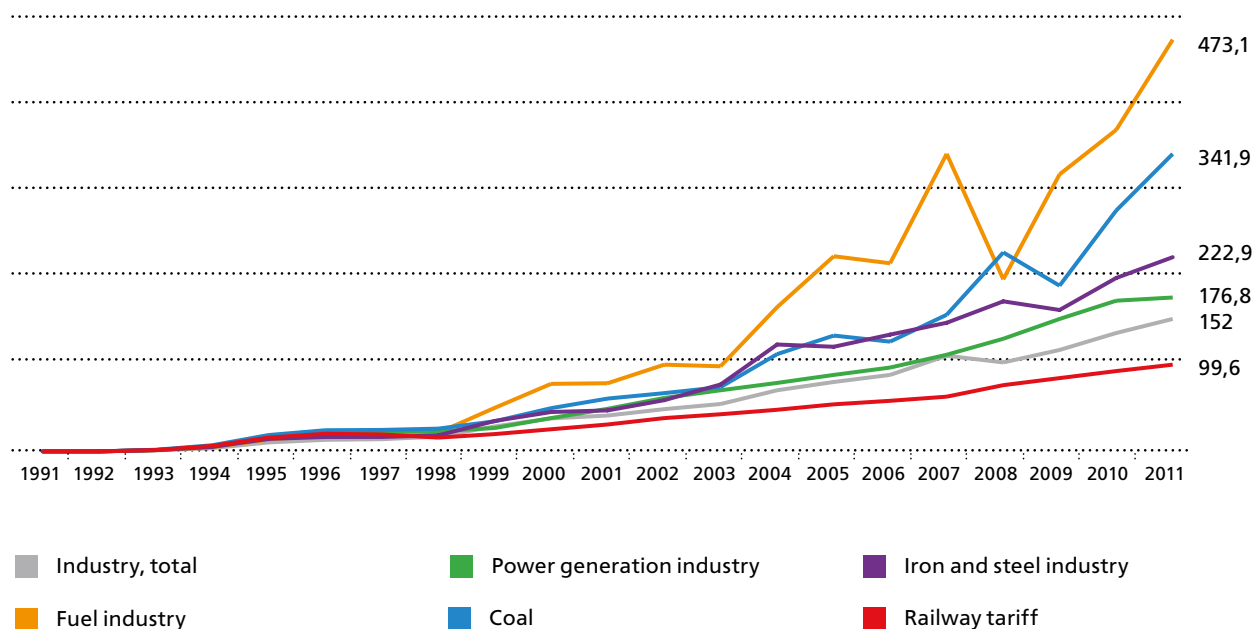
During the period from 1991 till 2011, railway tariffs grew 99.6 times only while industrial prices grew 152.0 times. Compare an increase in tariffs of other industrial manufacturers over the same period:

- prices in fuel industry grew by 473.1 times;

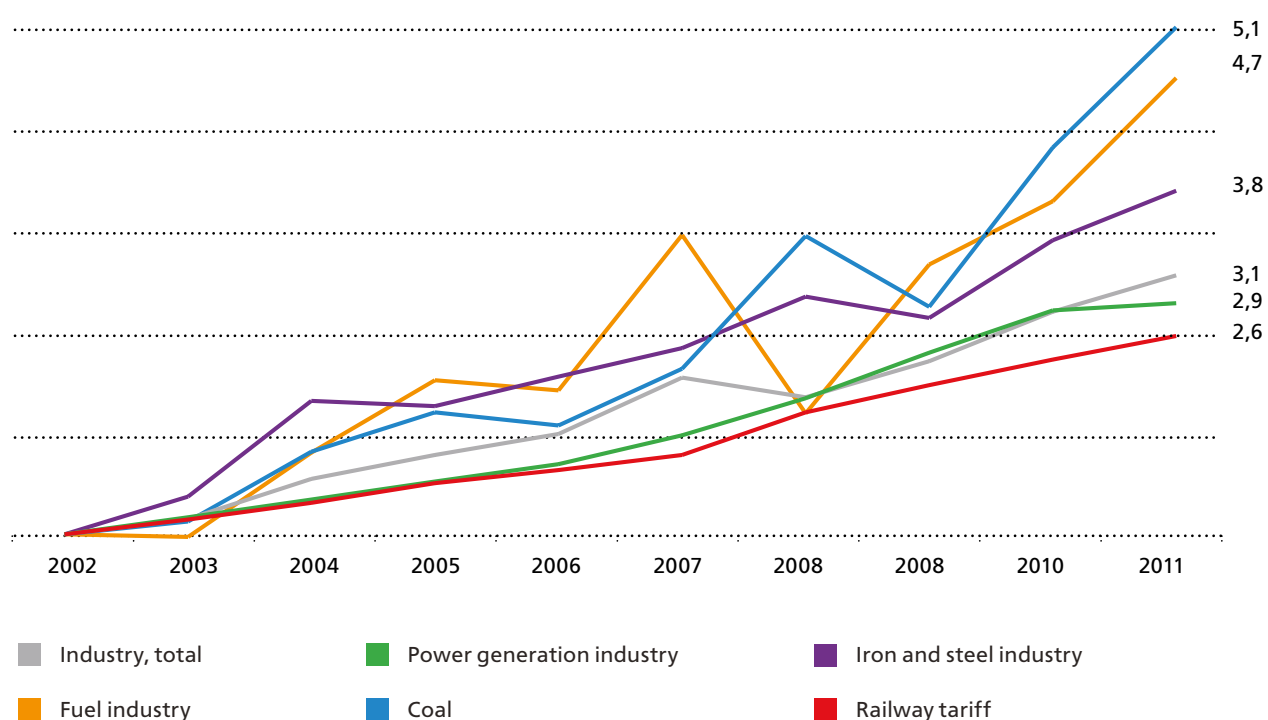
⁷ Excluding repairs and maintenance of railway capacities and rolling stock

⁸ Without regard to industrial rail transport enterprises.

Dynamics of price indices and tariffs from 1991 to 2011*, growth vs. December 1990, times⁹



Industrial producers' price indices and tariffs since 2003⁹ (growth vs. December 2002, times)



⁹ Source: Russian Federal State Statistics Service and statistical reporting of JSCo Russian Railways

- coal industry – by 341.9 times;
- iron and steel industry – by 222.9 times;
- power generation industry – by 176.8 times.

Consequently, the railway transportation industry was faced with a severe shortage of investment resources required for a simple-scale and massive renewal of the productive assets.

Changes in freight and passenger transportation tariffs in 2011

During 2011, the following tariffs were increased:

- freight railway transportation – annual average increase by 8%;

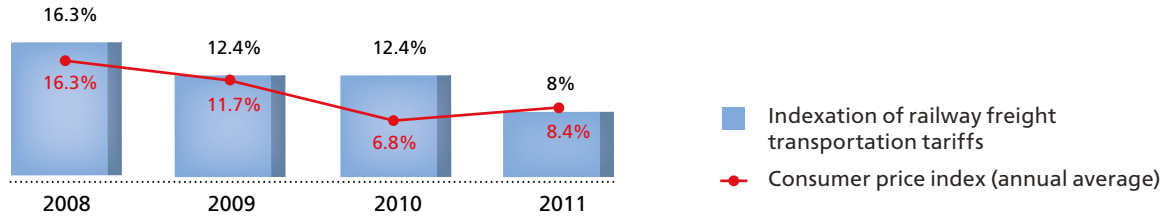
- long-distance passenger operations:
 - in the regulated segment (couchette and regular cars) – increase by 10%;
 - in the deregulated segment (saloon and sleeping cars) – increase by 5%.

The consumer price index growth in 2011 amounted to 6.1% (vs. December 2010 or by 8.4% (annual average)).

Besides, presently, the car component for owners' rolling stock use is not subject to regulation and is determined by them at their own discretion.

Market prices for use of the own car fleet are characterized by an excess of the cargo transportation cost over the tariffs set out in Price List No. 10-01 for the common fleet.

Dynamics of indexation of railway freight transportation tariffs



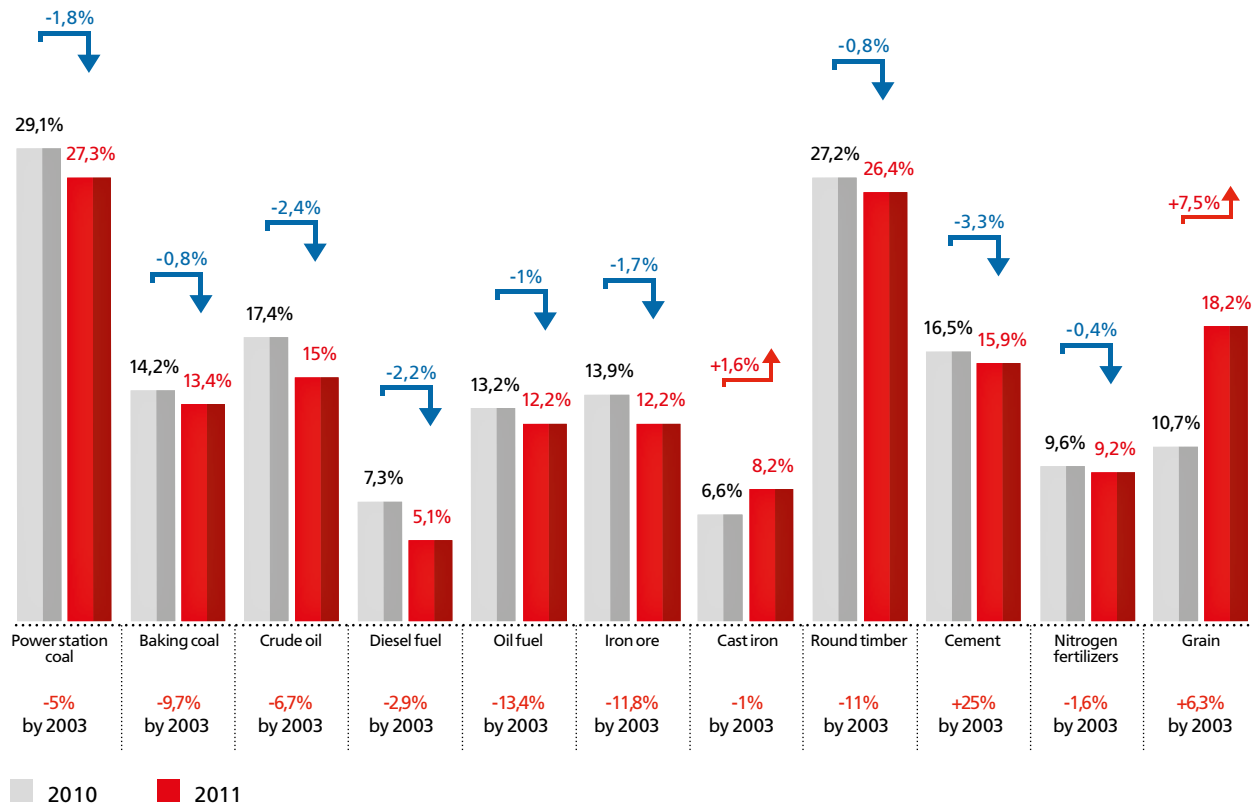
Changes in the transportation component within the finished product price

Due to price growth in most industries outpacing the growth in railway tariffs, the weighted average transportation component within prices for products carried by railways tends to decrease.

Analysis of changes in the transportation component within the finished product price in light of the actual indexation of tariffs in 2003-2011 revealed that, compared to 2003 when the new Price List No. 10-01

entered into force, the transportation component lowered for almost entire range of goods transported. Thus, the transportation component in the oil fuel price lost 13.4 p.p., gasoline – by 2.1 p.p., crude oil – by 6.7 p.p., diesel fuel – by 2.9 p.p., baking coal – by 9.7 p.p., power station coal – by 5.0 p.p., cast iron – by 1.0 p.p., lumber – by 2.0 p.p., round timber – by 3.3 p.p., iron ore – by 11.8 p.p. (the calculation was based on the actual distance of transportation in 2003, which rules out the influence of a change in the freight traffic structure by directions and distance of transportation).

Change in the transportation component during freight operations in 2011 (calculation by the tariff of the JSCo Russian Railways freight car fleet)



Activities aimed at optimizing the cost of services when providing cars of private operating companies

The process of competitive market grouping in the operator segment was completed with incorporation of subsidiaries of JSCo Russian Railways JSC FFC (in 2008) and JSC SFC (in 2010) and sales of a controlling interest in JSC FFC at an open auction on 28 October 2011.

However, in the conditions when private business is only aimed at gaining maximum profit, the situation on the freight car handling market resulted in misallocation of the rail transport infrastructure, capacity shortage, increased car detention and empty backhauls. This both adversely affects satisfaction of rail transport service consumers and produces significant impact on an increase in their transportation costs because of a write-up value of car provision by private operating companies.

In order to normalize pricing in the competitive segment of a market of works (services) and promote conditions for introduction of a new technology for private freight car fleet management, on 20 December 2011, the Government of the Russian Federation adopted a resolution "On the procedure of engagement of other owners' all-purpose open box cars for freight operations by the open joint stock company Russian Railways and on establishment of a special procedure of pricing for freight transportation in this rolling stock" (No.1051).

In pursuance of this resolution of the Government of the Russian Federation, the "Procedure for calculation of tariffs for freight transportation in cars engaged and their use rules" approved by Decree No. 444-t/4 of the FTS of Russia of 27 December 2011 was developed.

At the first stage of implementation of the resolution of the Russian Government, JSCo Russian Railways will engage all-purpose open box cars owned by JSC SFC for freight operations. Further on, it intends to extend a list of the cars engaged, including other owners' cars. In order to establish the legal framework to regulate interaction between JSCo Russian Railways and operators during engagement of cars, the bases of legal regulation of rolling stock operators' activities, their rights and obligations as well as the principles and procedure of their interaction with carriers and other transportation participants will be determined, rules and conditions of delivery and return of the rolling stock, conditions and procedure of making the decisions that oblige rolling stock operators to lease out or otherwise legally deliver a certain number of cars owned or otherwise legally held by them to JSCo Russian Railways will be elaborated.

Tariffs for suburban passenger operations

In pursuance of Federal Law No. 184-FZ of 06 October 1999 "On general principles of organization of legislative (representative) and executive public authorities of the

Russian Federation (article 26.3), suburban passenger transport service using rail transport shall be arranged by RF constituents at the expense of regional budgets.

In pursuance of Federal Law No. 17-FZ of 10 January 2003 "On rail transport in the Russian Federation":

- tariffs for suburban passenger operations shall be fixed at an economically feasible level;
- losses in income of rail transport organizations resulting from the tariffs below an economically feasible level shall be compensated at the expense of budgets of relevant levels of the state budgetary system in full.

According to Decree No. 950 of the Russian Government of 10 December 2008, regulatory authorities (executive bodies of Russian Federation constituents) shall regulate the activities of natural monopoly entities by setting prices (tariffs) and (or) caps on tariffs for suburban passenger operations.

Considering social importance of suburban operations, RF constituents establish electric train fares at a level much lower than the actual cost, which results in suburban passenger operations running at a loss.

An essential condition for assurance of break-even result of the suburban complex is legislative recognition at the federal level of obligations of Russian Federation constituents related to full compensation of the shortfall in income of carriers as a result of tariff regulation by regional authorities.

To settle this task, it is required to enact a law "On arrangement of regular passenger railway service in the Russian Federation" as soon as possible, in accordance with which regular suburban passenger operations will be arranged by way of placing regions' orders for arrangement of passenger transportation along certain passenger railway service routes at the expense of budgets of Russian Federation constituents. The draft law "On arrangement of regular passenger railway service in the Russian Federation" is being currently examined by the Government of the Russian Federation.

In addition to that, 2011 saw approval of the changes to the Rules of financial support of expenses on rendering social aid to individuals in the form of a set of social services approved by resolution No. 1140 of the RF Government of 26 December 2011, in accordance to which carriers will now be able to independently conclude contracts for transportation of the passengers eligible to obtain social services.

Tariffs within the Common Economic Space of Republic of Belarus, Republic of Kazakhstan and Russian Federation (CES)

With creation of the Customs Union of Russia, Belarus and Kazakhstan, member states have to get new market outlets and opportunities for increase in exports and

overall goods turnover. One of the principles of trade relations is lowering of trade barriers by member states and assurance of freer trade.

On 9 December 2010, Governments of the Republic of Belarus, Republic of Kazakhstan and Russian Federation signed: Agreement on rail transport service access regulation, including the tariff policy bases, Agreement on common principles and rules of regulation of natural monopoly entities' activities, Agreement on the common rules of provision of industrial subsidies.

The Agreement on rail transport service access regulation provides for alignment of tariffs for freight transportation by railways of CES member states in all types of service.

In order to implement international arrangements of the Russian Federation envisaged by this Agreement, 2010-2011 saw significant efforts aimed at unification of tariffs for freight railway transportation services. In 2012, unified tariffs will apply to up to 94% of the total freight transportation volume (except for transit) and up to 70% of the volume of border crossing transportation. Unification of tariffs by service types is planned to be completed by 2013 as provided for by the Agreement on rail transport service access regulation, including the tariff policy bases.

Tariff policy of railways of the Commonwealth of Independent States (CIS tariff policy)

The CIS tariff policy applies within the framework of the Tariff Agreement of railway administrations of the Commonwealth of Independent States of 17 February 1993.

In 2011, a common procedure for calculation of transit freight transportation tariffs irrespective of a service type was introduced in Russian railways; since 2011, JSCo Russian Railways calculates rates for transit freight transportation from third countries to third countries based on the rates of the CIS Tariff Policy.

In 2011, all railway administrations of the Tariff Agreement member states agreed upon amendment of the procedure for determination of basic international freight transportation rates of the Tariff Policy of railways of CIS member states. This procedure allowed to rule out breakdowns and unjustified tariff cut with an increased transportation distance. Thus, the main tariff making principle – the increase in tariffs with the increase in transportation distance – was assured.

Besides, in 2011, an index of 0.7 (to replace the index of 0.85 applicable in 2010) was established to promote competition of transit freight transportation in cars of the public railway fleet and private rolling stock. In this regard, uniform indices to basic rates for individual car freight transportation irrespective of a rolling stock identity were established.

JSCo Russian Railways Structural Reform Program

In 2011, railway industry reforming was conducted in line with the Railway Restructuring Program¹⁰ and target freight railway transportation market model till 2015¹¹. In 2011, priority lines of reforms of the rail transport of the Russian Federation were as follows:

Приоритетными направлениями в 2011 году в сфере реформирования железнодорожного транспорта Российской Федерации стали:

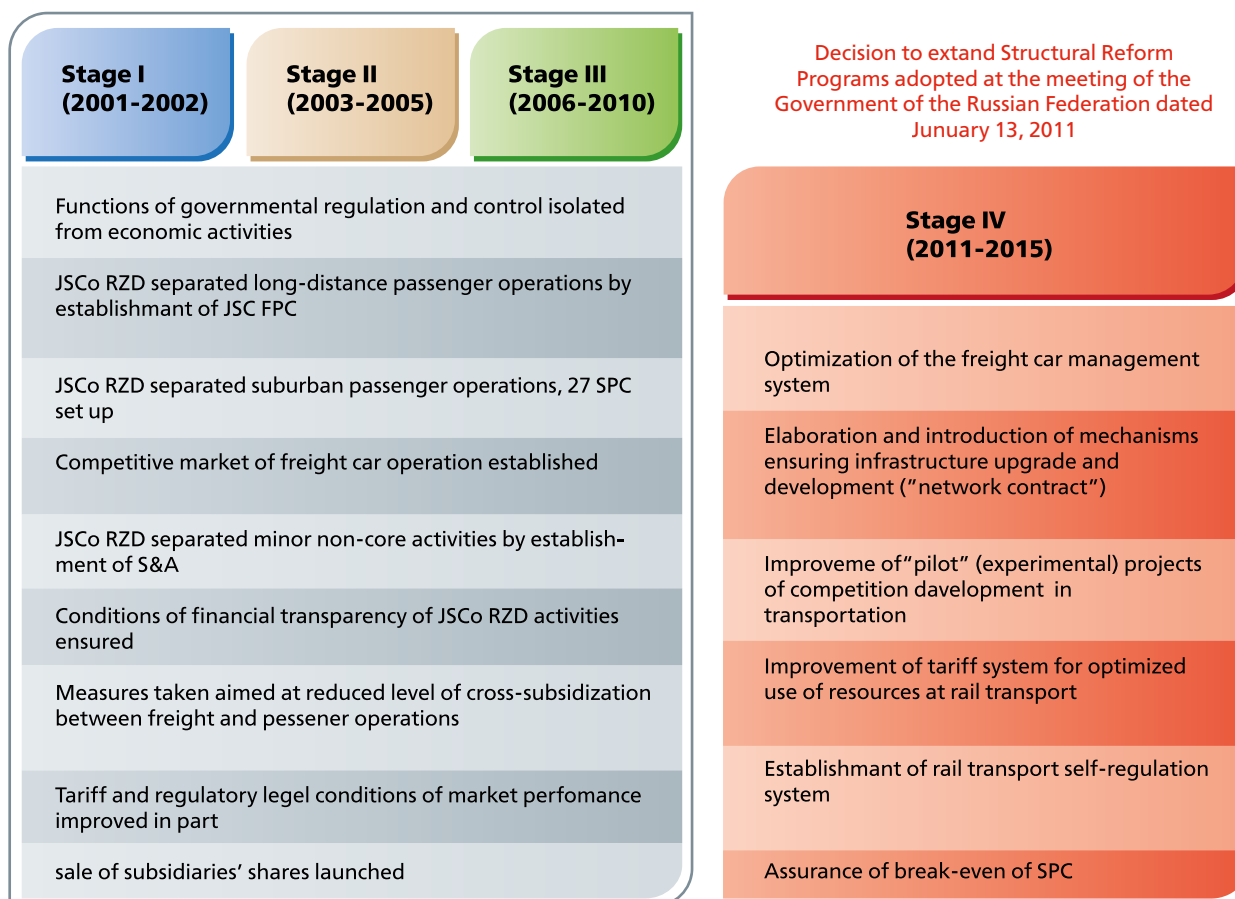
- promotion of conditions for completed grouping of the freight rolling stock handling market;
- improvement of regulatory legal and tariff conditions of rail transport operation;
- sale of equity stakes in subsidiaries of JSCo Russian Railways;
- completion of creation of suburban passenger companies and promotion of conditions to ensure their break-even performance;
- reforming of remaining complexes of non-core assets;

- incorporation of joint companies in promising segments of the railway market and adjacent businesses.

Implementation of the fourth stage of the JSCo Russian Railways Structural Reform Program

In January 2011, Government of the Russian Federation approved the progress of railway restructuring and decided on a need for further transformations till 2015 as a part of implementation of the fourth stage of the reform. A meeting of the Government of the Russian Federation also approved the target freight railway transportation market model till 2015 (hereinafter referred to as the Target Model).

Railway restructuring: milestones



¹⁰ Approved by resolution No. 384 of the Government of the Russian Federation of 18 May 2001.

¹¹ Approved by the Government of the Russian Federation of 13 January 2011.

Target Freight Railway Transportation Market Model Till 2015

The target model outlines prospects of development and transformations of the freight railway transportation services market for the period till 2015. The main objective of freight transportation market reforming is satisfaction of the demand of the economy and individual rail transport service users for freight operations and elimination of infrastructure restrictions that hamper development of the Russian Federation.

The Target Model provides for:

- keeping the status of JSCo Russian Railways as a network-wide freight carrier and infrastructure owner;
- development of the freight rolling stock handling market;
- promotion of freight railway transportation competence "in an experimental mode" through creation of regulatory and economic conditions for establishment of a local freight carriers' institution;
- improvement of the state tariff regulation model;
- development of a model of a regulatory contract for infrastructure maintenance and upgrade as a system of legally stipulated contracts between the infrastructure owner and state.

Plan for implementation of the target freight railway transportation market model till 2015

In order to timely settle the tasks set by the Target Model, on 13 April 2011, a meeting of the Governmental Commission for Transport and Communication approved the Plan for implementation of the target freight railway transportation market model till 2015.

The Plan for implementation of the target freight railway transportation market model till 2015 (hereinafter referred to as the Plan) sets out a list of activities and their deadlines for each direction of reforming of the railway freight transportation market.

As a part of implementation of the activities aimed at completed grouping of the handling market provided for by the Plan:

- formation of the charter capital of JSC SFC was completed (151.3 thous. cars were delivered in the amount of 46.1 bln rubles). With completed delivery of cars to JSC SFC, the fleet has been virtually abolished and freight operations are fully covered by private cars.
- On 28 October 2011, an auction was held to sell 75% minus 2 shares of the largest operating company – JSC First Freight Company. The auction was won by Independent Transport Company, a part of UCL Holding, that offered 125.5 bln rubles. Acquisition of JSC FFC by the private operator became an important step on the way to development of the full-fledged competition on the operator services market.

However, a fast change of the structure of the freight rolling stock operating market (actual abolition of the inventoried stock with an increase in the number of private operators) coupled with a major gap in establishment of a regulatory environment, including regulatory support of this market resulted in the

aggravation of the situation in summer 2011 due to failure to pick up cargoes from a number of country's regions.

In order to stabilize the market, JSCo Russian Railways in co-operation with federal executive bodies elaborated a package of urgent measures, including as related to improvement of the regulatory framework and tariff regulation of the industry.

The following key decisions were made:

- consolidation of the all-purpose open box car fleet under the control of JSCo Russian Railways through lend-lease to JSCo Russian Railways of the open box cars owned by JSC SFC and other owners and a need to approve the calculation procedure and rules of application of tariffs for freight transportation in cars engaged (resolution No. 1051 of the Government of the Russian Federation 1051 of 20 December 2011);
- need to follow up and introduce efficient technology of car fleet management under the conditions of multiplicity of rolling stock operators and absence of the inventoried stock (protocol of the Governmental Commission for Transport and Communication of 29 November 2011).

In this regard, in November 2011, the Governmental Commission for Transport and Communication decided to amend the Plan as related to a delay in activities for implementation of pilot projects for creation of private carriers until the efficient technology of private car fleet management has been followed up and introduced.

Regulatory (network) contract that regulates long-term relations between the state and infrastructure owner

In order to procure infrastructure conditions for sustained economic growth and a required level of railway infrastructure capacities, the Plan provides for elaboration of a mechanism for long-term interaction between the state and rail transport infrastructure owner and determines the forms and conditions of such interaction.

Recent experience has shown that constraints of funds for implementation of required activities create a significant obstacle to further expansion, development and optimization of activities.

In the context of restricted tariff increase, profitability of activities of JSCo Russian Railways remains low, whereas Company's own investment sources are limited. The investment component provided for during implementation of the FTP "Russia's Transport System Development (2010-2015)" is absent from the tariff. State support is largely allocated to cover operating activities and settle state tasks related to development of the railway system.

This is why in order to implement plans for upgrading and innovative development of the rail transport and to generate a well-balanced financial and economic

development model with active state participation, a draft Concept of a “network contract” for operation and development of the infrastructure complex of JSCo Russian Railways was elaborated in 2011 and is now being coordinated with federal authorities. Besides, preparation for the pilot stage of the “network contract” has started.

In compliance with the concept, the network contract is a long-term agreement concluded between the state (represented by the Russian Federation) and owner of the public rail transport infrastructure (represented by JSCo Russian Railways). The network contract sets out parties’ obligations related to assurance of a target state of the infrastructure complex.

Selection of a contractual pattern of interaction between the state and JSCo Russian Railways has been conditioned by a need to enable Company’s long-term planning of infrastructure development activities, including those aimed at debottlenecking.

Incorporation of subsidiaries and affiliates as a part of implementation of the Structural Reform Program

In 2011, as a part of the railway restructuring, 9 subsidiaries and affiliates were set up, including the ones

engaged in freight car handling, passenger operations, secondary production, contractual logistics, research activities, terminal and storage services and freight car repairs. All in all, during the whole reforming period, the Board of Directors of JSCo Russian Railways passed resolutions for incorporation of 84 subsidiaries and affiliates, including 54 at the third stage (2006 to 2010).

As of 31 December 2011, JSCo Russian Railways owned shares (equity stakes) in 173 companies (169 companies in 2010)¹², including:

- 100 subsidiaries (JSCo Russian Railways share in the charter capital exceeds 50%);
- 53 affiliates (JSCo Russian Railways share in the charter capital ranges from 20 to 50%);
- 20 companies, the JSCo Russian Railways contribution into charter capitals of which is less than 20%.

In 2011, the dividend yield from subsidiaries and affiliates transferred to the settlement account of JSCo Russian Railways amounted to 22.4 bln rubles, out of which 11.9 bln rubles is the dividend based on performance in 2010 and 10.5 bln rubles is the cumulative dividend for the first half of 2011. Based on performance in 2011, the expected amount of the dividends distributed by JSCo Russian Railways is 7.5 bln rubles.

Subsidiaries and affiliates set up in 2011

Nº	Name of the company	Company’s state registration date	JSCo RZD share in the charter capital
1.	JSC South Urals Suburban Passenger Company (JSC South-Urals SPC)	22 February 2011	100% – 1 share
2.	JSC Lyublinsky Casting And Mechanical Plant (JSC Lyublinsky CMP)	15 March 2011	100% – 1 share
3.	JSC Baikal Suburban Passenger Company (JSC Baikal SPC)	01 April 2011	50% – 1 share
4.	JSC Car Repair Company-1 (JSC CRC-1)	14 April 2011	100% – 1 share
5.	JSC Car Repair Company-2 (JSC CRC-2)	14 April 2011	100% – 1 share
6.	JSC Car Repair Company-3 (JSC CRC-3)	14 April 2011	100% – 1 share
7.	JSC Moscow Rail Ring (JSC MRR)	23 June 2011	50%
8.	JSC Zabaikalsk Suburban Passenger Company (JSC Zabaikalsk SPC)	23 November 2011	51%
9.	JSC Sakhalin Passenger Company	23 November 2011	100% – 1 share

¹² For details, see the appendix

JSC Lyublinsky CMP

The aim of incorporation of a JSCo Russian Railways subsidiary engaged in manufacture of spare parts for the rolling stock is satisfaction of a long-term demand of the RF transport system for rail transport spare parts. JSC Lyublinsky CMP specializes in serial and large output of spare parts for the rolling stock.

JSC Moscow Rail Ring

JSC Moscow Rail Ring has been set up in co-operation with the Moscow Government for implementation of the project for reconstruction and development of a smaller ring of the Moscow Railway. JSC MRR activities are aimed at development of the infrastructure of the smaller ring of the Moscow Railway, its integration with the single transport system of Moscow and launch of passenger

service along the smaller ring of the Moscow Railway.

Car Repair Companies (CRC)

JSC CRC-1, JSC CRC-2, JSC CRC-3 have been set up based on the property of subdivisions of the Central Directorate for Freight Car Repair – branch of JSCo Russian Railways whose main activity was routine maintenance of freight cars. The main objectives of incorporation of subsidiaries is satisfaction of the long-term demand of the railway industry for routine maintenance of freight cars, increase in cost-effectiveness of the car repair complex and guaranteed assurance of transportation safety. The companies incorporated will be engaged in roundhouse servicing and overhauls of freight cars, manufacture (recovery) of spare parts of freight cars and repair of mounted wheels.

2011 saw sale of equity stakes in 5 subsidiaries of JSCo Russian Railways:

Nº	Name of the company	Equity stake sold	Cash inflow, bln rubles	JSCo RZD share in the charter capital as of 31 December 2011
1.	JSC TransCreditBank	29.39%	18.1 (including down payment for the second equity stake)	25% + 1 share
2.	JSC ELTEZA	50% – 2 shares	2	50% + 1 share
3.	JSC FFC	75% – 2 shares	125.5	25% + 1 share
4.	JSC Roslavl VRZ	100% – 1 share	2.45	-
5.	JSC Barnaul VRZ	100% – 1 share	1.25	-
Total:			149.3	

Changes in the corporate structure made in 2011 other than incorporation of subsidiaries and sale of their shares:

Name of the company	JSCo RZD share in the charter capital as of 31 December 2010	JSCo RZD share in the charter capital as of 31 December 2011	Comment
JSCo RZD Trading Company	25.03%	50.13%	Increase in an equity stake as a result of redemption and retirement of own shares by the company
KIT Finance Investment Bank (JSC)	27%	19.29%	Increase in an equity stake as a result of placement of additional shares by the company
JSC Zolotoye Zveno	13.85%	-	The company was dissolved in pursuance of the judgment of the Khabarovsk Territory Arbitration Court

Suburban passenger companies

Incorporation of suburban passenger companies (hereinafter referred to as the SPC) in co-operation with Russian Federation constituents is aimed at assurance of transparent expenses, elimination of cross-subsidization and establishment of economically feasible tariffs. These problems must be settled with the help of additional measures, including legislative ones, aimed at establishment of relations between carriers and RF constituents to cover a required scope of suburban

operations and allowing for transportation activities in the conditions of full compensation of a shortfall in income as a result of rate regulation. In 2011, 4 SPC were set up that perform their activities on the East Siberian, Far Eastern, Trans-Baikal and South Urals Railways. Since 2011, SPC have been engaged in all the country's suburban passenger operations using the infrastructure of JSCo Russian Railways¹³.

Performance of Subsidiaries and Affiliates Falling Within a Consolidation Perimeter of the JSCo Russian Railways Financial Plan for 2011

Subsidiaries and affiliates of JSCo Russian Railways included in the consolidation perimeter of the financial plan and investment program of Russian Railways Holding Company for 2012-2014 have attained the following aggregative indicators based on results of financial and economic performance in 2011¹⁴:

bln RUB

Companies within the consolidation perimeter	2010		2011		Variations (actual)	
	Actual	Target	Actual	+/-	%	
Total assets	560.0	652.7	675.0	+115.0	+20.5%	
Net assets	405.9	488.1	492.8	+86.9	+21.4%	
Operating income	472.7	633.5	649.2	+176.5	+37.4%	
Operating expenses	463.0	616.7	609.0	+146.0	+31.6%	
Other income	47.2	38.6	52.8	+5.6	+11.9%	
Other expenses	29.0	17.4	29.0	0.0	0.0%	
Result of other income and expenses	18.2	21.3	23.8	+5.6	+30.8%	
EBITDA	65.4	91.9	111.7	+46.3	+70.8%	
Profit (loss) before tax	28.0	38.1	64.1	+36.1	+129.0%	
Net profit	15.8	25.5	45.3	+29.5	+186.7%	
Profitability	2.8%	3.9%	6.7%	-	-	
Investments ¹⁵	46.7	110.4	89.0	+42.3	+90.6%	

Including:

Performance results of the subsidiaries and affiliates engaged in freight operations

Based on results of 2011, subsidiaries and affiliates included in the consolidation perimeter and engaged in freight operations, such as JSC FFC, JSC SFC, JSC

TransContainer, JSC RailTransAuto, JSCo RZD-Logistika, have attained the following aggregative indicators:

- operating income – 192.5 bln rubles, +52.3% on the 2010 actual indicator,
- operating expense – 142.6 bln rubles, +37.5% on the 2010 actual indicator,
- profit on sales – 49.9 bln rubles, +120.2% on the 2010

¹³ Except for Sakhalin Passenger Company

¹⁴ without regard to performance results of suburban passenger companies, with regard to actual performance results for 2010 and target performance indicators for 2011 of JSC Barnaul Car Repair Plant and JSC Roslavl Car Repair Plant. Actual data for 2011 for the above plants were ignored due to sale of shares of these plants owned by JSCo Russian Railways in late 2011.

¹⁵ investments include capital expenditure and financial investments

- actual indicator,
- net profit – 39.1 bln rubles, +184.1% on the 2010 actual indicator,
- total assets – 241.1 bln rubles, +10.0% on the 2010 actual indicator,
- net assets – 200.9 bln rubles, +25.1% on the 2010 actual indicator.

The largest subsidiaries of JSCo Russian Railways engaged in freight operations are JSC SFC and JSC TransContainer. Besides, it is important to note activities of a large affiliate of JSCo Russian Railways – JSC FFC.

JSC TransContainer

Registered on 4 March 2006. The company's charter capital amounts to 13.9 bln rubles, an equity stake of JSCo Russian Railways in the charter capital is 50%. Company's shares are traded at MICEX-RTS and London Stock Exchange.

JSC TransContainer is a leader of the Russia's railway and multimodal container transportation market. The company owns some 60% of the Russia's container

transportation rolling stock fleet and ensures more than 50% of railway container transportation and over 30% of terminal container processing in Russia.

JSC TransContainer operates more than 24,376 container platforms, 59,116 large-tonnage containers and owns a network of 46 railway container terminals in Russia, 17 terminals in Kazakhstan and operates the Dobra terminal in Slovakia.

The company's client base is diversified by industries and numbers more than 200,000 clients. The sales network of JSC TransContainer comprises some 150 offices in Russia; the company is also present on the markets of the CIS, Europe and Asia.

LTC transportation using an own rolling stock amounted to 1,362 thous. TEU, which is 13.3% lower than in 2010. Container processing using own automotive equipment amounted to 286 thous. TEU, which is 16.7% higher than in 2010. Container processing at terminals amounted to 1,577 thous. TEU, which is 4.8% higher than in 2010.

Economic indicators for 2011 are shown below:

bln RUB

TransContainer	2010		2011		Variations (actual)	
	Actual	Target	Actual		+/-	%
Total assets	30.8	35.6	36.6		+5.8	+18.9%
Net assets	19.1	20.7	22.4		+3.3	+17.3%
Operating income	22.8	29.4	29.1		+6.3	+27.7%
Operating expenses	20.7	26.1	23.5		+2.8	+13.6%
Other income	1.6	0.9	2.8		+1.2	+75.0%
Other expenses	2.7	1.8	3.6		+0.9	+33.4%
Result of other income and expenses	-1.1	-1.0	-0.8		+0.3	+27.2%
EBITDA	4.5	6.0	8.2		+3.7	+82.3%
Profit (loss) before tax	1.0	2.4	4.8		+3.8	+380.0%
Net profit	0.4	1.6	3.5		+3.1	+775.0%
Profitability	1.3%	4.5%	9.5%		X	X
Investments	4.8	4.7	6.1		+1.3	+27.1%

JSC Second Freight Company

In 2011, JSCo Russian Railways completed charter capital formation of JSC Second Freight Company (100%) registered as an entity that set upon economic activities on 24 September 2010. The company set upon individual operation of the rolling stock on 14 February 2011. 151.3 thous. freight cars in the amount of 46.2 bln rubles were contributed to the company's charter capital. In 2012, JSCo Russian Railways intends to additionally contribute 7,081 open box cars to the charter capital of JSC SFC bought out under leasing contracts in September-December 2011.

In 2011, JSC SFC was engaged in the following activities: own rolling stock operation, lease out of the

rolling stock, repair of spare parts for freight cars.

Priority market segments for JSC SFC are transportation of coal, building cargoes, ferrous metals, mineral cargoes and fertilizers.

As of late 2011, the car fleet of JSC SFC comprised 174,640 units; as of late 2010, the car fleet comprised 60,861 cars. The company's freight turnover amounted to 111,525 mln ton-km, loading – 58.9 mln tons, the average loaded delivery distance was 1,900 km, whereas the car fleet capacity was 7,589 ton-km/car a day. Based on results of 2011, the average statistical loading of a car is 66 tons.

Financial performance of the company is shown below:

bln RUB

Second Freight Company	2010		2011		Variations (actual)	
	Actual	Target	Actual	Target	+/-	%
Total assets	56.7	67.0	73.7		+17.0	+30.0%
Net assets	31.6	61.1	68.8		+37.2	+117.8%
Operating income	3.9	40.1	42.3		+38.4	+984.7%
Operating expenses	1.5	30.8	25.1		+23.5	+1,573.4%
Other income	0.0	0.5	2.2		+2.2	X
Other expenses	0.0	0.1	0.7		+0.7	X
Result of other income and expenses	0.0	0.3	1.5		+1.5	X
EBITDA	3.1	22.5	27.3		+24.2	+780.7%
Profit (loss) before tax	2.3	9.7	18.6		+16.3	+708.7%
Net profit	1.8	7.1	14.9		+13.1	+727.8%
Profitability	3.2%	10.7%	20.2%		X	X
Investments	0.3	21.3	21.2		+20.8	+6,966.7%

JSC First Freight Company

Registered on 26 July 2007. JSC FFC as a rolling stock operator is engaged in the following activities: own rolling stock operation, lease out of the rolling stock to third parties, forwarding services, car preparation for loading or repair (operating activities of washing and steaming stations).

JSC FFC focuses on large representatives of the Russian industrial complex who have significant stable traffic flows and will further on remain regular consumers of company's services.

The company's charter capital amounts to 85.7 bln

rubles, an equity stake of JSCo Russian Railways in the charter capital is 25% + 1 share.

As of late 2011, the car fleet of JSC FFC comprised 191,869 units; as of late 2010, the car fleet comprised 242,997 cars. The company's freight turnover amounted to 345 mln ton-km (- 9.3% on 2010). Loading amounted to 284.9 mln tons and the average loaded delivery distance was 1,869 km (in 2010 – 2,087 km). The average statistical loading of a car is 64.3 tons. The car fleet capacity amounted to 6,574 ton-km/car a day, 9% lower than in 2010.

Financial performance of the company is shown below:

bln RUB

First Freight Company	2010		2011		Variations (actual)	
	Actual	Target	Actual	+/-	%	
Total assets	127.7	146.1	125.6	-1.9	-1.6%	
Net assets	107.6	109.7	107.1	-0.5	-0.4%	
Operating income	97.1	103.9	115.2	+18.1	+18.7%	
Operating expenses	78.7	86.6	88.7	+10.0	+12.7%	
Other income	14.1	3.4	12.0	-2.1	-14.9%	
Other expenses	14.8	4.4	10.7	-4.1	-27.7%	
Result of other income and expenses	-0.7	-1.0	1.3	+2.0	X	
EBITDA	28.5	28.7	39.9	+11.4	+40.0%	
Profit (loss) before tax	17.7	16.4	27.8	+10.2	+57.1%	
Net profit	11.9	11.2	20.5	+8.6	+72.3%	
Profitability	9.3%	7.7%	16.3%	X	X	
Investments	20.2	34.4	17.7	-2.5	-12.3%	

Performance results of the subsidiaries and affiliates engaged in passenger operations and growth prospects

The consolidation list of companies engaged in passenger operations includes JSC FPC and JSC Aeroexpress (suburban passenger companies are ignored). Based on results of 2011, subsidiaries and affiliates engaged in passenger operations have attained the following aggregative indicators:

- operating income – 171.8 bln rubles, +23.8% on the 2010 actual indicator,
- operating expense – 193.5 bln rubles, +21.3% on the 2010 actual indicator,
- loss on sales – 21.7 bln rubles, +4.6% on the 2010 actual indicator,
- net profit – 0.8 bln rubles, +40.6% on the 2010 actual indicator,
- total assets – 196.3 bln rubles, +9.6% on the 2010 actual indicator,
- net assets – 160.5 bln rubles, +8.0% on the 2010 actual indicator.

JSC Federal Passenger Company

Incorporated on 3 December 2009. JSC FPC is engaged in long-distance railway passenger operations using the railway infrastructure with a length of some 86 mln km in 75 out of 83 regions of the Russian Federation.

Due to a large scale of business and extensive geographic coverage of railway passenger services – from Kaliningrad to Vladivostok – the company's organizational framework includes the management staff of JSC FPC and 16 branches.

The company's charter capital amounts to 137.2 bln rubles, an equity stake of JSCo Russian Railways in the charter capital is 99.99%.

Today, JSC FPC is an absolute leader of the market of long-distance passenger train services. A company's share in the total passenger turnover in all means of long-distance domestic transport accounts for 58.3%. Each year, the company services more than 110 million passengers. JSC FPC owns some 23,000 cars that ply as a part of more than 1,200 long-distance trains. The overall number of company's employees exceeds 82,000 people.

The company is engaged in the following activities: long-distance domestic and international passenger services, long-distance carriage of luggage and cargo luggage, passenger service, rolling stock maintenance and repair, other activities.

In 2011, the scope of long-distance passenger services on JSC trains amounted to 111.4 bln passenger-km, which is 0.8 lower year-on-year; passenger turnover in the trains made up by JSC FPC amounted to 100.3 bln passenger-km (- 0.1% on 2010) and on the trains made up by CIS and Baltic states – 11.1 bln passenger-km (-7.2% on 2010).

A number of passengers delivered on long-distance trains of JSC FPC for 2011 amounted to 112.5 mln passengers (decrease by 0.4% year-on-year), including on the trains made up by JSC FPC – 101.6 mln passengers (growth by 0.2% year-on-year) and on the trains made up by CIS and Baltic states – 10.9 mln passengers (decrease by 5.5% year-on-year).

bln RUB

Federal Passenger Company	2010		2011		Variations (actual)	
	Actual	Target	Actual	+/-	%	
Total assets	175.4	189.5	191.9	+16.5	+9.4%	
Net assets	148.6	159.8	159.7	+11.1	+7.5%	
Operating income	136.1	167.8	168.2	+32.1	+23.6%	
Operating expenses	157.7	192.4	191.3	+33.6	+21.3%	
Other income	27.7	30.5	31.2	+3.5	+12.7%	
Other expenses	2.8	3.8	4.7	+1.9	+67.9%	
Result of other income and expenses	24.8	26.7	26.4	+1.6	+6.5%	
EBITDA	17.4	17.5	18.6	+1.2	+6.9%	
Profit (loss) before tax	3.2	2.2	3.3	+0.1	+3.2%	
Net profit	0.3	0.1	0.1	-0.2	-66.6%	
Profitability	0.2%	0.0%	0.1%	-	X	
Investments	16.7	30.3	30.3	+13.6	+81.5%	

Performance results of the subsidiaries and affiliates engaged in rolling stock equipment and repair

2011 saw incorporation of subsidiaries JSC Car Repair Company – 1, JSC Car Repair Company – 2, JSC Car Repair Company – 3. The companies set upon economic activities in July 2011.

Based on results of 2011, subsidiaries and affiliates engaged in rolling stock equipment and repair have attained the following aggregative indicators:

- operating income – 82.7 bln rubles, +66.0% on the 2010 actual indicator,
- operating expense – 79.3 bln rubles, +61.7% on the 2010 actual indicator,
- profit on sales – 3.3 bln rubles, +364.3% on the 2010 actual indicator,
- net profit – 0.9 bln rubles with loss of 0.6 bln rubles in

- 2010,
- total assets – 92.3 bln rubles, +101.7% on the 2010 actual indicator,
- net assets – 57.7 bln rubles, +86.5% on the 2010 actual indicator.

The largest subsidiaries of the group are JSC CRC-1, JSC CRC-2, JSC CRC-3, JSC Zheldorremmash, JSC Vagonremmash.

JSC Zheldorremmash

Incorporated on 4 December 2008. The company's charter capital amounts to 15.2 bln rubles, an equity stake of JSCo Russian Railways in the charter capital is 99.99%.

The company's main activity is midlife repair and overhaul of all locomotive types, locomotive upgrading with extension of life, locomotive equipment repair and its delivery as repair kits, manufacture of spare parts.

In 2011, JSC Zheldorremash plants repaired and upgraded 2,185.5 locomotives, repaired 247 passenger cars, shipped 724 locomotive repair kits to ensure midlife repairs in base depots.

bln RUB

Zheldorremash	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	21.0	22.0	23.4	+2.4	+11.5%
Net assets	15.5	15.3	15.4	-0.1	-0.6%
Operating income	24.3	29.8	31.3	+7.0	+28.8%
Operating expenses	23.6	28.6	30.1	+6.6	+27.6%
Other income	0.3	0.4	0.1	-0.2	-66.6%
Other expenses	0.5	1.1	0.8	+0.3	+60.0%
Result of other income and expenses	-0.3	-0.7	-0.7	-0.4	-133.4%
EBITDA	2.0	1.9	1.1	-0.9	-45.0%
Profit (loss) before tax	0.4	0.5	0.5	+0.1	+25.0%
Net profit	0.0	0.2	0.2	+0.2	-
Profitability	0.2%	0.7%	0.7%	-	-
Investments	0.6	1.7	1.2	+0.6	+100.0%

JSC CRC-1, JSC CRC-2 and JSC CRC-3

Incorporated on 14 April 2011. The main activities are various repairs of the rolling stock. The charter capital of JSC CRC-1 amounts to 11.8 bln rubles, JSC CRC-2 – 9.0 bln rubles, JSC CRC-3 – 7.0 bln rubles. An equity stake of JSCo

Russian Railways in the charter capital of these companies is 99.99%.

In the II half of 2011, JSC CRC-1, JSC CRC-2 and JSC CRC-3 performed overhaul of 25,710 freight cars and roundhouse servicing of 148,725 freight cars.

Aggregative financial and economic performance of the companies are shown below.

bln RUB

CRC-1,2,3	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	0	35.8	46.1	46.1	X
Net assets	0	28.9	29.7	29.7	X
Operating income	0	28.6	25.8	25.8	X
Operating expenses	0	27.1	23.9	23.9	X
Other income	0	0.0	0.1	0.1	X
Other expenses	0	0.2	0.2	0.2	X
Result of other income and expenses	0	-0.2	-0.1	-0.1	X
EBITDA	0	2.7	2.4	2.4	X

CRC-1,2,3	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Profit (loss) before tax	0	1.3	1.8	1.8	X
Net profit	0	1.2	1.1	1.1	X
Profitability	-	3.2%	2.4%	-	X
Investments	0	1.5	1.3	1.3	X

JSC Vagonremmash

Incorporated 12 May 2008. The main activities are manufacture of passenger cars, overhaul of passenger or freight cars and repair of mounted wheels. The company's charter capital amounts to 4.1 bln rubles,

an equity stake of JSCo Russian Railways in the charter capital is 99.99%.

Based on results of 2011, the company performed overhaul of 1,833 passenger cars, 142 freight cars and manufactured 32,406 new mounted wheels.

Key financial and economic performance of the company are shown below.

bln RUB

Vagonremmash	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	5.6	5.4	5.8	+0.2	+3.6%
Net assets	4.3	4.3	4.3	0.0	0.0%
Operating income	7.0	8.1	8.4	+1.4	+20.0%
Operating expenses	6.8	7.9	8.3	+1.5	+22.1%
Other income	0.1	0.1	0.1	0.0	0.0%
Other expenses	0.1	0.1	0.1	0.0	0.0%
Result of other income and expenses	0.0	0.0	0.0	0.0	-
EBITDA	0.3	0.4	0.3	0.0	0.0%
Profit (loss) before tax	0.2	0.2	0.1	0.1	-50.0%
Net profit	0.1	0.1	0.1	0.0	0.0%
Profitability	1.5%	2.3%	1.2%	-	-
Investments	0.1	0.2	0.2	+0.1	+100.0%

Performance results of the subsidiaries and affiliates engaged in international operations

JSC Zarubezhstroytekhlogiya

It is important to note activities of JSC Zarubezhstroytekhlogiya, which is outside the consolidation parameter, but is important in

implementation of foreign projects. Thus, in 2011, company worked on the following projects:

Project: "Construction of the Sirt-Benghazi Railway Line". The project provided for construction of a modern high-speed railway line on the Sirt-Benghazi section with a track gauge of 1,435 mm, which was supposed to run along the Mediterranean coast and connect large Libyan cities and further on, to become a part of the

international transport corridor in North Africa. Due to the situation in Libya, construction was suspended on 23 February 2011 and by 27 February 2011, the staff was evacuated.

Project: "Electrification of the Tabriz – Azar Shahr Railway Line (TARE)", Iran. The main works have been completed, including cold and hot operational testing of

the whole section.

At the same time, the company is studying an opportunity to participate in promising international projects related to railway construction, including the projects for railway infrastructure reconstruction in the Republic of Serbia.

Based on results of 2011, the company has attained the following indicators:

bln RUB

Zarubezhstroytekhlogiya	2010		2011		Variations (actual)	
	Actual	Target	Actual	Target	+/-	%
Total assets	23.9	23.4	24.3		+0.4	+1.7%
Net assets	-1.0	-1.4	-1.4		-0.4	-40.0%
Operating income	3.0	0.9	0.9		-2.1	-70.0%
Operating expenses	3.3	1.5	1.1		-2.2	-66.7%
Other income	0.0	0.3	0.1		+0.1	-
Other expenses	0.4	0.2	0.4		0.0	0.0%
Result of other income and expenses	-0.4	0.1	-0.3		+0.1	+25.0%
EBITDA	-0.4	-0.3	-0.4		0.0	0.0%
Profit (loss) before tax	-0.7	-0.4	-0.5		+0.2	+28.6%
Net profit	-0.6	-0.4	-0.4		+0.2	+33.4%
Profitability	-2.5%	-1.7%	-1.7%		-	-
Investments	6.6	1.2	1.1		-5.5	-83.4%

Performance results of the subsidiaries and affiliates engaged in other activities

In 2011, JSC Lyublinsky Casting And Mechanical Plant was incorporated.

Based on results of 2011, other subsidiaries and affiliates included in the consolidation perimeter have attained the following aggregative indicators:

- operating income – 202.3 bln rubles, +28.2% on the 2010 actual indicator,
- operating expense – 193.5 bln rubles, +28.5% on the 2010 actual indicator,
- profit on sales – 8.8 bln rubles, +22.2% on the 2010 actual indicator,
- net profit – 4.4 bln rubles, +113.0% on the 2010 actual indicator,
- total assets – 145.4 bln rubles, +25.4% on the 2010 actual indicator,

- net assets – 73.7 bln rubles, or +12.1% on the 2010 actual indicator.

The largest subsidiaries of the group are Transtelecom Group of companies, JSCo RZDstroy, JSC BetElTrans, JSC Roszheldorproekt.

Transtelecom Group of companies

In 2011, Transtelecom Group of companies attained the following performance indicators: number of subscribers amounted to 431 thous. people, length of own lines – 8,258 km, communication channel loading factor – MPRS network – 43.4%, DWDM network – 58.1%, IP ports of the network – 39.6%, average revenue rate on communication services—2,301 rubles per capacity unit (E1).

Based on results of 2011, the group has attained the following indicators:

bln RUB

Transtelecom GC	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	21.3	27.7	26.8	+5.5	+25.9%
Net assets	10.6	11.6	11.0	+0.4	+3.8%
Operating income	29.8	31.0	30.9	+1.1	+3.7%
Operating expenses	28.8	30.2	29.1	+0.3	+1.1%
Other income	0.6	0.5	0.8	+0.2	+33.4%
Other expenses	1.7	0.7	1.6	-0.1	-5.9%
Result of other income and expenses	-1.2	-0.2	-0.8	+0.4	+33.4%
EBITDA	2.1	3.0	3.8	+1.7	+81.0%
Profit (loss) before tax	-0.2	0.6	1.0	+1.2	-
Net profit	-0.5	0.5	0.9	+1.4	-
Profitability	-2.5%	1.9%	3.5%	-	-
Investments	1.7	9.2	5.1	+3.4	+200.0%

JSCo RZDstroy

Incorporated on 19 January 2006. The main activities are construction and assembly works related to capital development, repair and reconstruction of transport infrastructure facilities as well as industrial and civil facilities all over the Russian Federation. The company's charter capital amounts to 9.9 bln rubles, an equity stake of JSCo Russian Railways in the charter capital is 99.99%.

Based on results of 2011, the company performed

earthwork in the scope of 9,263 thous. cub.m, trackworks were performed on the length of 421 km, 411 pointwork complexes were installed, 113 bridges and 1,586 pipe-culverts were repaired and built, the scope of electrification works amounted to 4,754 km, signals, interlocking and communication, including FOL – 6,969 km. 736 capital structures and 2,117 overhaul facilities were commissioned.

Financial indicators were as follows:

bln RUB

RZDstroy	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	31.8	26.1	41.0	+9.2	+29.0%
Net assets	9.8	10.3	10.3	+0.5	+5.1%
Operating income	59.7	81.3	85.9	+26.2	+43.9%
Operating expenses	58.0	79.8	84.3	+26.3	+45.4%
Other income	0.9	1.0	1.1	+0.2	+22.3%
Other expenses	2.2	1.9	1.7	-0.5	-22.8%

RZDstroy	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Result of other income and expenses	-1.2	-0.8	-0.6	+0.6	+50.0%
EBITDA	0.8	1.0	1.5	+0.7	+87.5%
Profit (loss) before tax	0.5	0.7	1.1	+0.6	+120.0%
Net profit	0.3	0.4	0.7	+0.4	+133.4%
Profitability	0.8%	1.7%	1.7%	-	-
Investments	0.5	0.5	0.8	+0.3	+60.0%

JSC BetElTrans

Incorporated on 23 April 2008. The main activity is manufacture and sale of concrete sleepers, pointwork complexes. The company's charter capital amounts to 3.8 bln rubles, an equity stake of JSCo Russian Railways in the charter capital is 99.99%.

In 2011, the output was as follows: sleepers – 9,351 thous. pcs., reinforced concrete cross bar – 5,571 sets, non-ballast bridge road bed slabs – 1,083 m³, reinforced concrete tank contact devices – 10,271 thous. pcs., reinforced concrete tank clips – 10 441 thous. pcs.

Financial and economic performance results are shown below:

bln RUB

BetElTrans	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	7.0	6.6	7.5	+0.5	+7.2%
Net assets	4.4	4.5	4.5	+0.1	+2.3%
Operating income	13.8	16.7	17.9	+4.1	+29.8%
Operating expenses	12.5	16.1	17.2	+4.7	+37.6%
Other income	0.1	0.0	0.1	+0.0	0.0%
Other expenses	0.2	0.2	0.3	+0.1	+50.0%
Result of other income and expenses	-0.1	-0.2	-0.2	-0.1	-100.0%
EBITDA	1.5	0.8	0.8	-0.7	-46.7%
Profit (loss) before tax	1.1	0.4	0.5	-0.6	-54.6%
Net profit	0.8	0.3	0.3	-0.5	-62.5%
Profitability	11.8%	4.4%	4.3%	-	-
Investments	0.3	0.5	0.6	+0.3	+100.0%

JSC Roszheldorproekt

Incorporated on 30 January 2006. The main activity is structural engineering, performance of duties of a customer-developer, engineering survey. The company's charter capital amounts to 1.4 bln rubles, an equity stake

of JSCo Russian Railways in the charter capital is 50%.

In 2011, JSC Roszheldorproekt took active part in implementation of the largest investment projects of a federal and international level, such as reconstruction and upgrading of rail transport facilities required for holding

of the XXII winter Olympics of 2014 in Sochi, reinforcement of the infrastructure of the Tuapse-Adler railway line with reconstruction of railway station complexes and adaptation of railway stations for the disabled, arrangement of railway service on the route Sochi – Adler – Sochi airport with construction of the new Adler – airport railway line.

Based on results of 2011, the following financial indicators have been attained:

bln RUB

Roszheldorproekt	2010	2011		Variations (actual)	
	Actual	Target	Actual	+/-	%
Total assets	9.8	8.9	13.9	+4.1	+41.9%
Net assets	5.7	5.6	5.4	-0.3	-5.2%
Operating income	17.0	18.8	24.0	+7.0	+41.2%
Operating expenses	14.8	17.1	21.6	+6.8	+46.0%
Other income	0.1	0.1	0.2	+0.1	+100.0%
Other expenses	0.3	0.2	0.4	+0.1	+33.4%
Result of other income and expenses	-0.2	-0.1	-0.2	+0.0	0.0%
EBITDA	2.2	1.8	2.4	+0.2	+9.1%
Profit (loss) before tax	1.9	1.6	2.1	+0.2	+10.6%
Net profit	1.5	1.2	1.6	+0.1	+6.7%
Profitability	15.0%	13.6%	11.7%	-	-
Investments	0.2	0.9	0.8	+0.6	+200%



5. Freight Operations



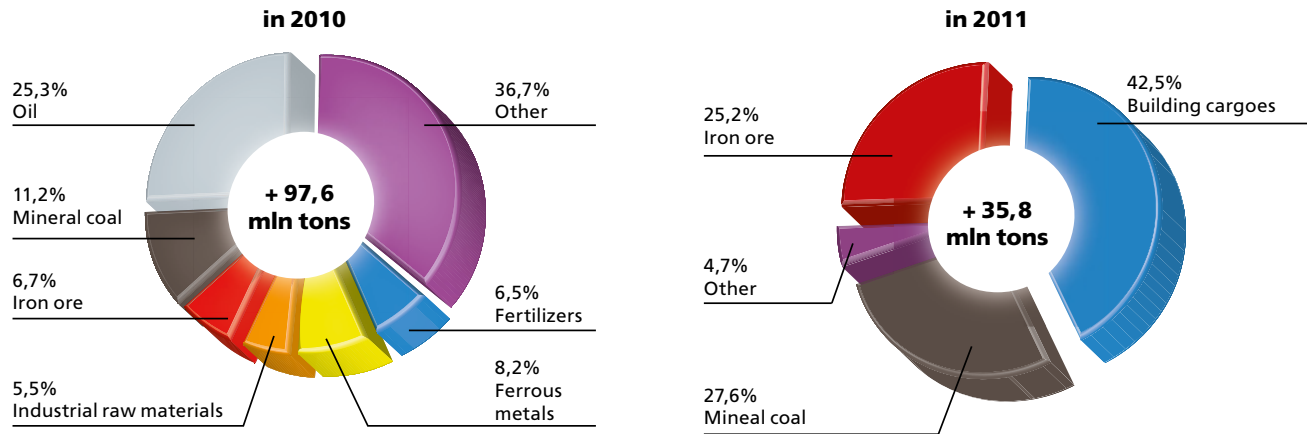
Freight Operations

Freight Transportation Dynamics

Loading

In 2011, 1,241.5 mln tons of cargo (3,401 thous. tons a day) were loaded on the railway network, which is 35.8 mln tons or 3% higher than in 2010. This growth in loading is mostly ensured at the expense of low-profit cargoes; the highest gain in loading volumes was observed in building cargoes (42.5% of the network growth), mineral coal (27.6%) and iron ores (25.2%).

Growth in loading by cargo types



Loading of cargoes of class 3 (high-yield segment) accrued 3.0 mln tons or 1.9%. This positive dynamics was largely due to an increase in container cargo loading (+12.5%). At the same time, scrap metal loading decreased (-3.6% with a 1.6% share in network loading, in loading of cargoes of class 3 – 12.3%). An increase to reach pre-crisis values was seen only in container cargo loading.

Loading of cargoes of class 2 (medium-yield cargoes) exceeded the level of 2010 by 0.6 mln tons or 0.2%. Decreased grain loading observed in the first half of 2011 (conditioned by a grain export embargo from 15 August 2010 to 1 July 2011) was made up for: a gain in loading amounted to +15.7%. At the same time, loading of manufactured goods (-12%) and grinding products (-10.6%) decreased. Pre-crisis volumes of loading of chemical and mineral fertilizers, charred coal and cakes were attained.

Loading of cargoes of class 1 (low-profit cargoes) features the most active dynamics: by 32.1 mln tons or 4.6%; the highest increase was observed in:

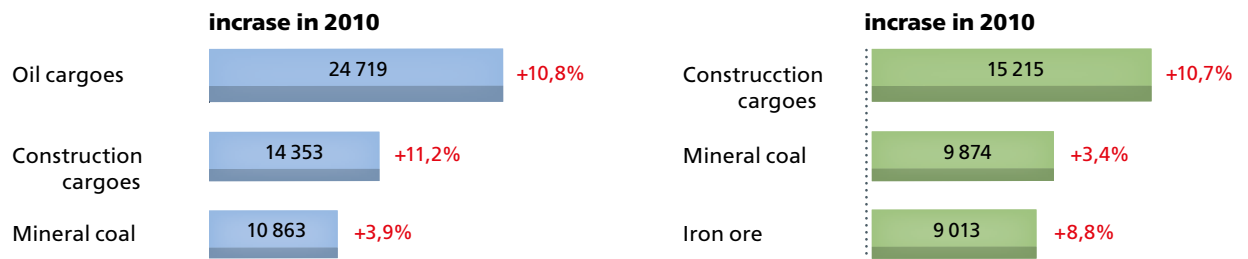
1. building cargoes – by 15.2 mln tons or 10.7%;
A significant increase in loading of building cargoes

vs. 2010 is first of all due to slower post-crisis recovery of the construction complex as compared to other industries.

2. mineral coal – by 9.9 mln tons or 3.4%;
Coal consumption in Russia is decreasing due to gas competition. In 2011, coal loading in domestic operations amounted to 178.3 mln tons, which is 2.5 mln tons or 1.4% lower year-on-year. In 2011, a share of coal loading in domestic operations lost 3.0 p.p. to have reached 60.2% vs. 2010.
In 2011, coal loading for export amounted to 117.8 mln tons, which is 12.4 mln tons or 11.8% more than in 2010 (mainly at the expense of power station coal deliveries to Japan and Great Britain).
3. iron ore – by 9.0 mln tons or 8.8%;
Due to growth in metallurgical production in Russia by 2.9% in 2011 vs. 2010, iron ore loading in domestic operations in 2011 amounted to 79.2 mln tons, which is 2.1 mln tons or 2.7% more year-on-year. In 2011, a share of iron ore loading in domestic operations lost 4.3 p.p. to have reached 71.4% vs. 2010.

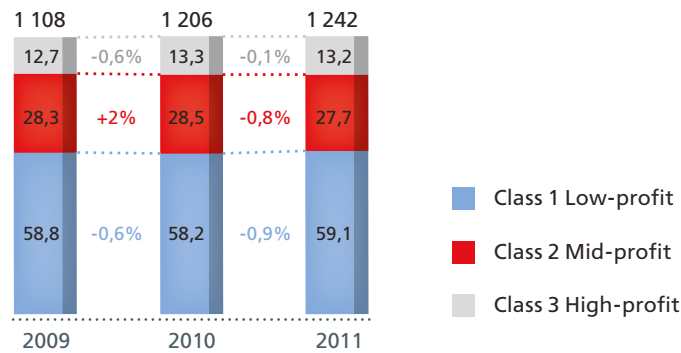
In 2011, iron ore loading for export amounted to 31.7 mln tons, which is 6.9 mln tons or 27.8% more than in 2010 (mainly at the expense of deliveries to China from mining plants of OOO MC Metalloinvest under a long-term contract). A share of iron ore loading for export accrued 4.3 p.p. to have reached 28.6%.

Maximum loading increase by cargoes, thous. tons



Pre-crisis level has been attained only in mineral coal, iron and manganese ore loading.

Volume shares by cargo classes



Class 1 Low-profit

- Каменный уголь
- Коксующийся уголь
- Минерально-строительные материалы
- Цемент
- Дерево
- Железные и марганцевые руды



Class 2 Mid-profit

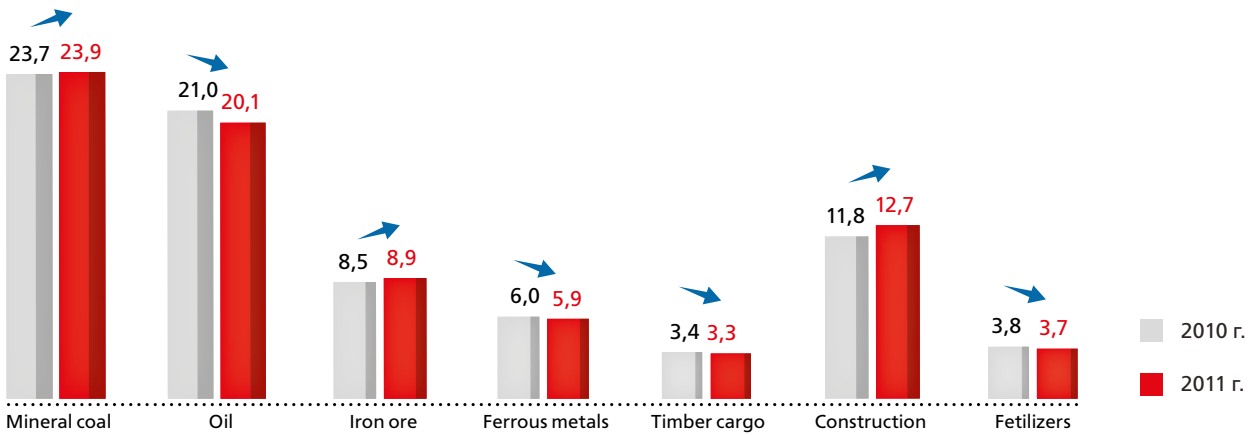
- Сырая нефть и нефтепродукты
- Химические и минеральные удобрения
- Стеновые материалы
- Зерновые и молочные продукты
- Сборные конструкции
- Чугун



Class 3 High-Profit

- Черные и цветные металлы и лом
- Кислоты и оксиды (за исключением сельскохозяйственных)
- Транспортные средства и их части
- Газ (кроме генераторов)
- Алкогольная продукция

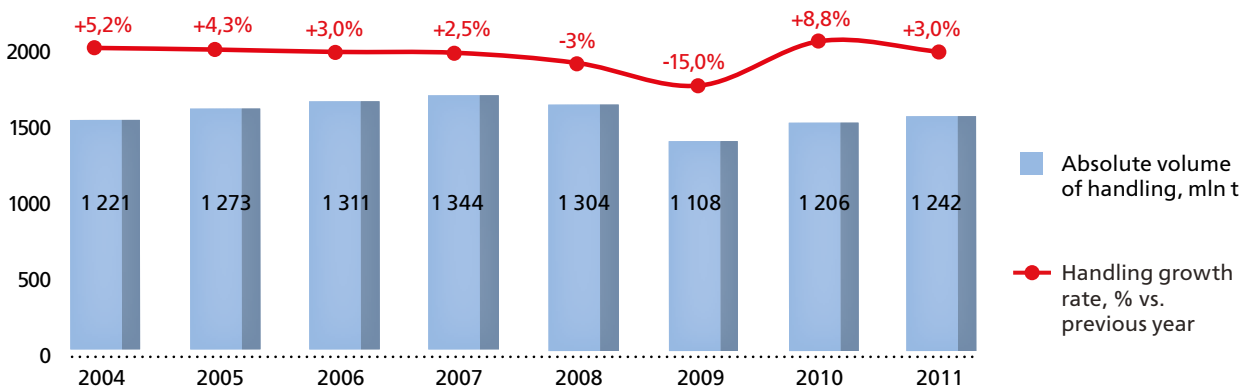
Share of handling of various categories of cargo, %



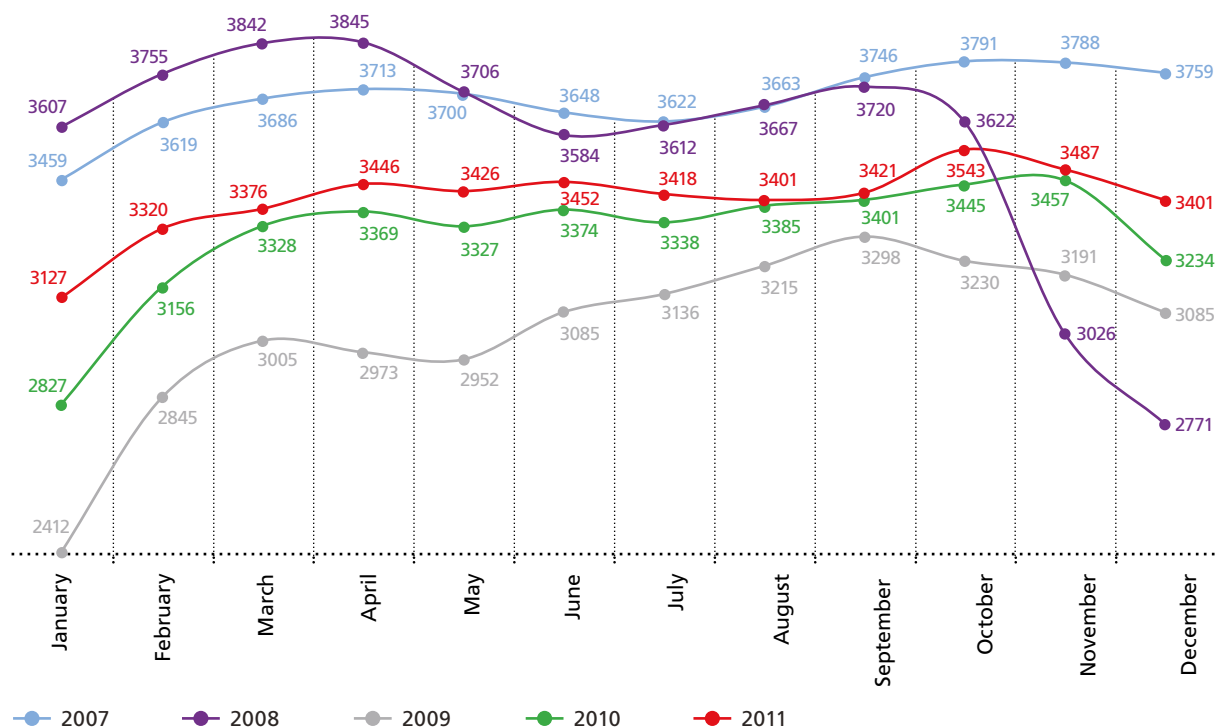
Due to a deferred demand for transportation in wait for improvement of the market situation, low level of interspecific competitive power and resulting "cargo shift" to other means of transport and a number of other factors, the actual market demand for railway transportation of certain cargoes was lower than the

potential demand with regard to output dynamics. In order to maximize the use of the cargo base potential and increase income from freight transportation, focus in working with freight owners was on engagement of additional building and lumber cargoes and agricultural products in loading.

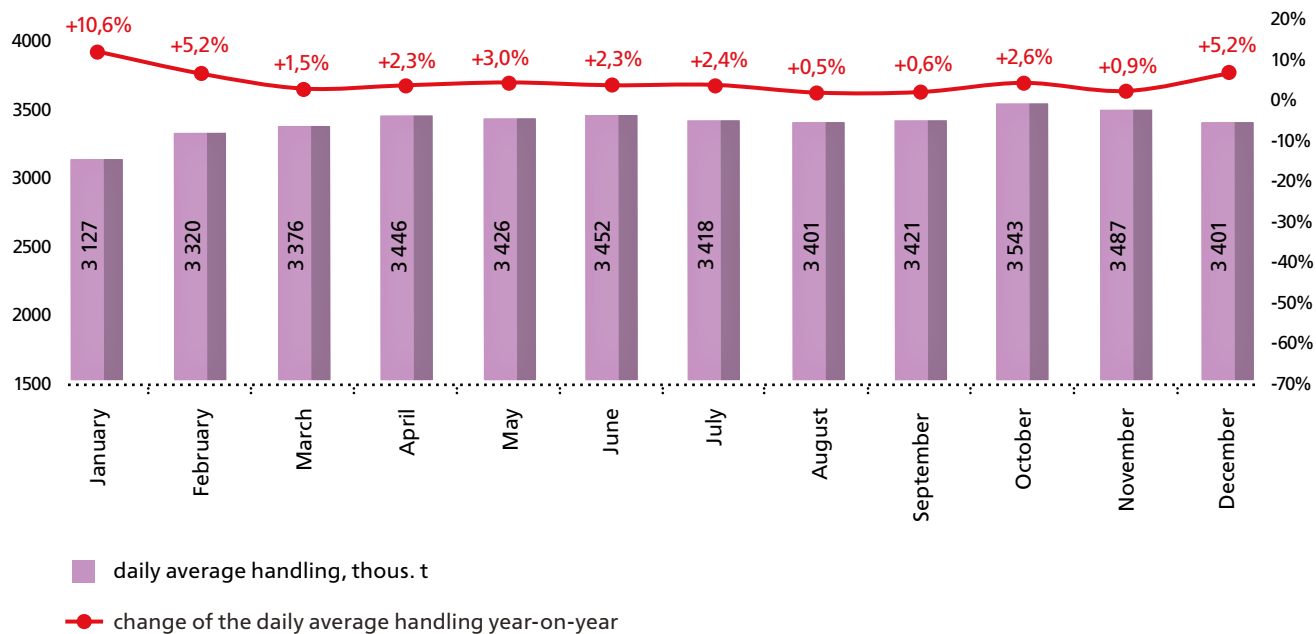
Transportation volume dynamics in 2004-2011



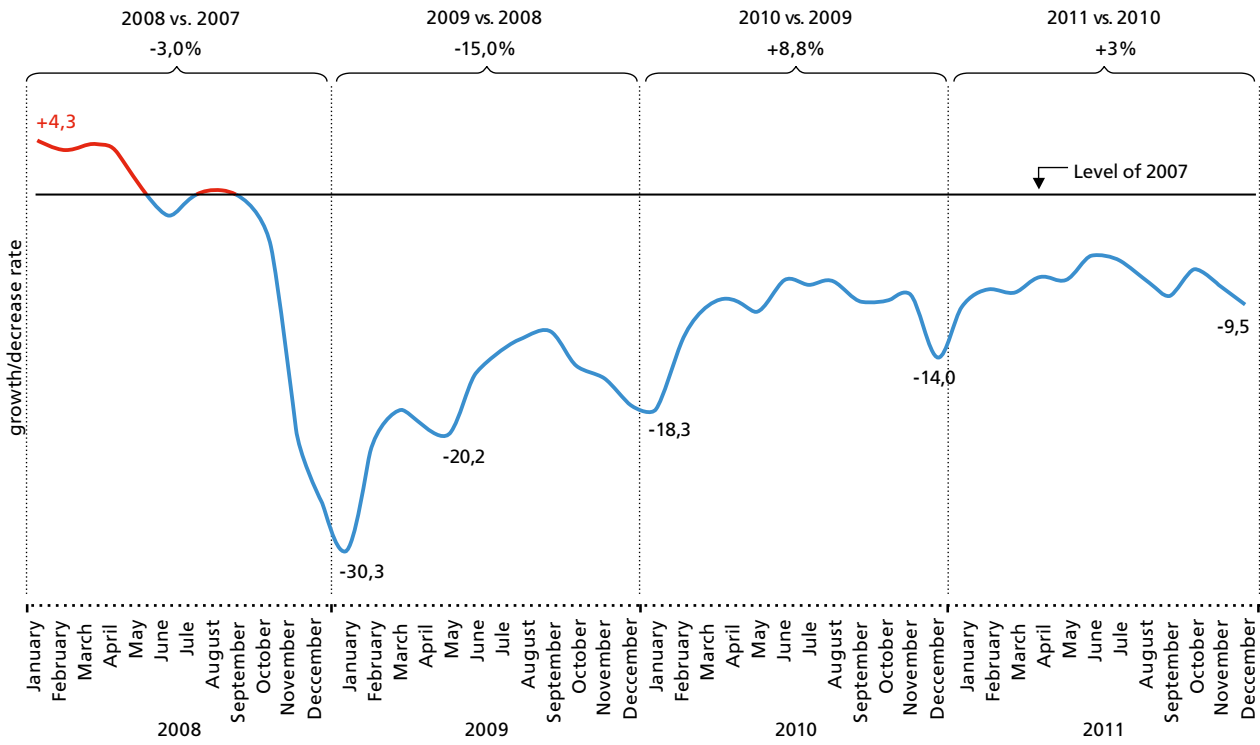
Change in the daily average loading volume for 2007-2010, thous. tons



Change in the daily average loading in 2011, thous. tons

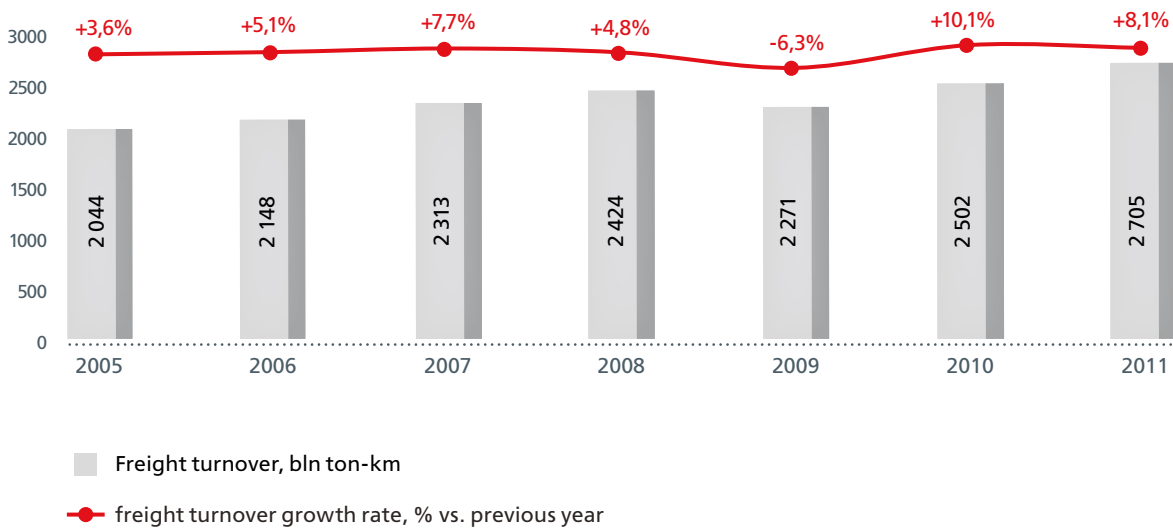


**Behavior of the daily average loading with relation to the pre-crisis level
(% vs. a relevant month of 2007)**



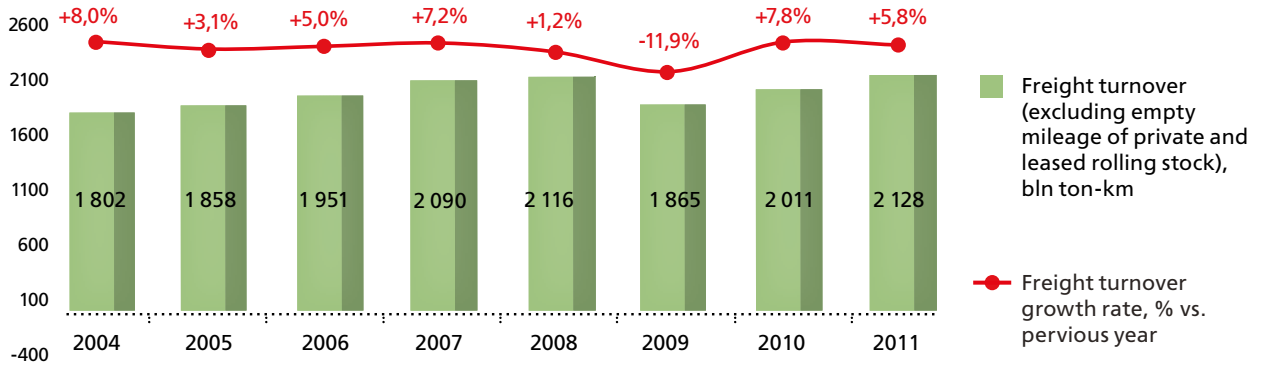
In 2011, cargo loading volumes approximately match the level of 2004.

Freight turnover (with regard to empty mileage of private and leased rolling stock), 2004-2010, bln ton-km

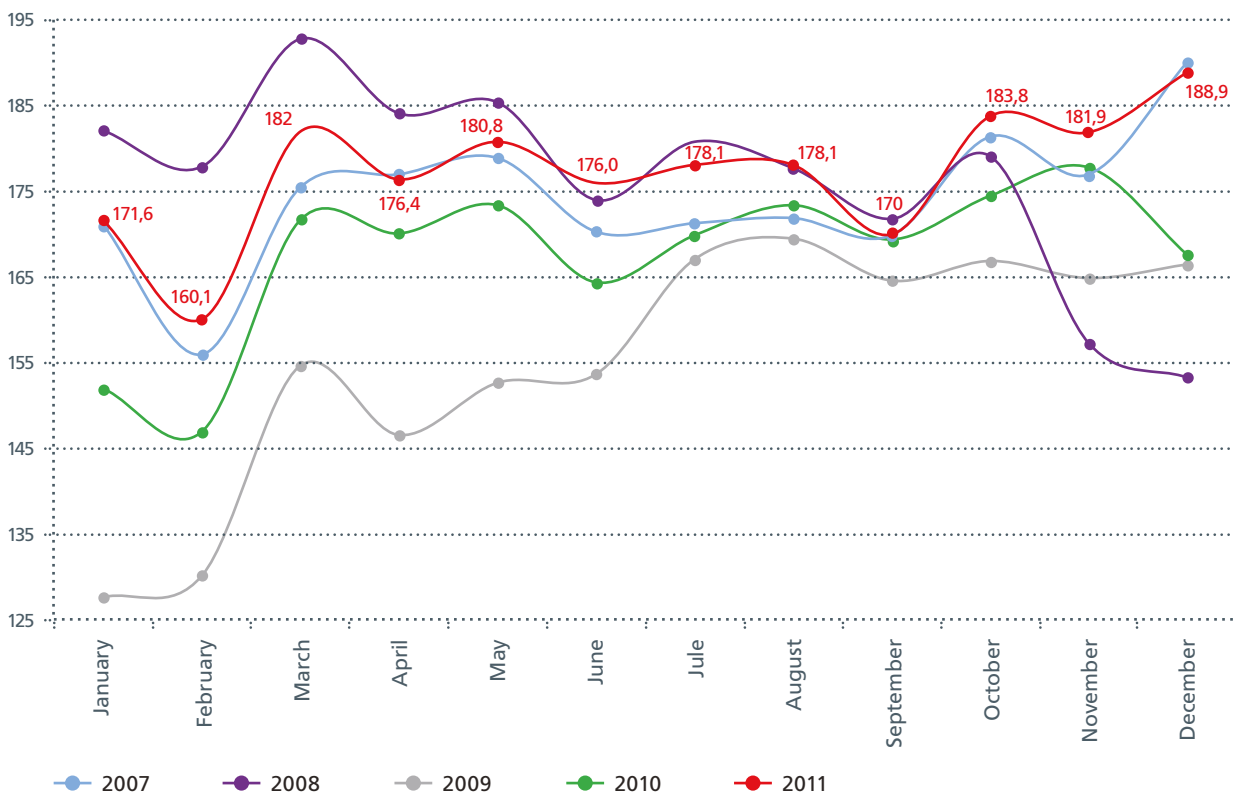


Freight turnover

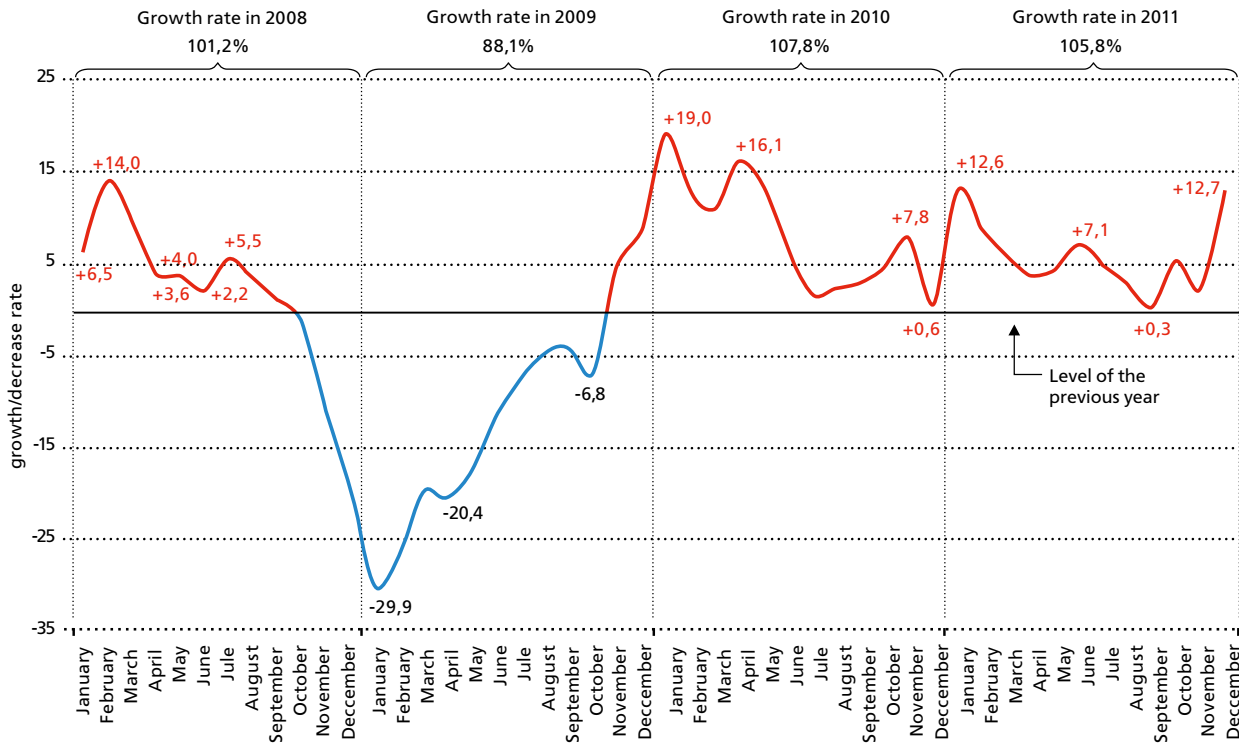
Freight turnover (without regard to empty mileage of private and leased rolling stock), 2004-2011, bln ton-km



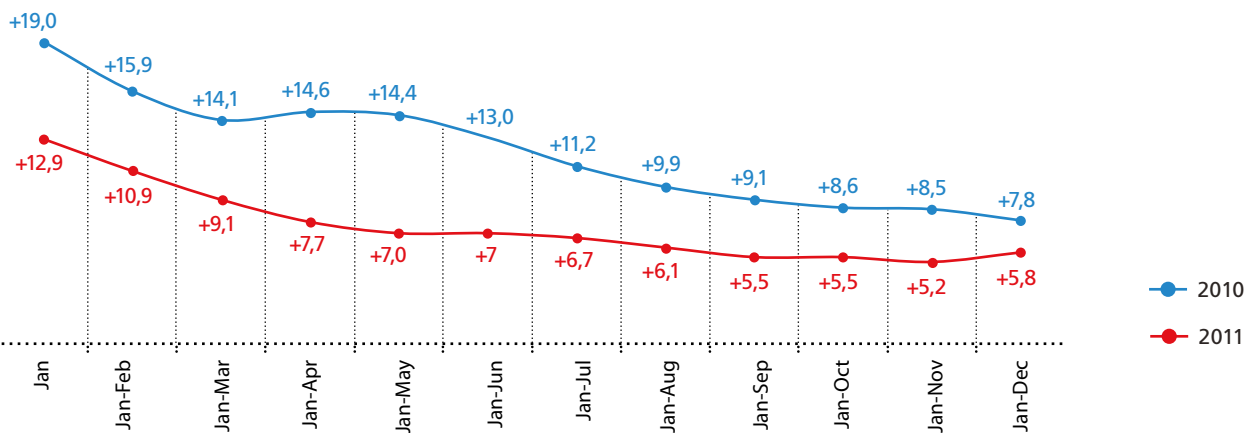
Net freight turnover dynamics in 2007-2011 (by months), bln ton-km



**Net monthly freight turnover dynamics in 2008-2011
(growth rate year-on-year), %**



Freight turnover growth rate (without regard to empty mileage of private and leased rolling stock, according to the reporting data of JSCo Russian Railways), 2010-2011, % year-on-year



Based on results of 2011, transport freight turnover in Russia accrued +3.4%.
In 2011, the freight turnover using the JSCo Russian Railways infrastructure amounted to 2,704.8 bln ton-km (+8.1% on 2010).

Increase in the freight turnover in domestic operations is lower (+5%) than in international operations (+6,5%). 2011 saw further trend for freight turnover growth rate outrunning the loading growth rate, which is the evidence of further increase in the average distance of freight transportation (+2.4% in domestic operations, +0.7% in international operations)

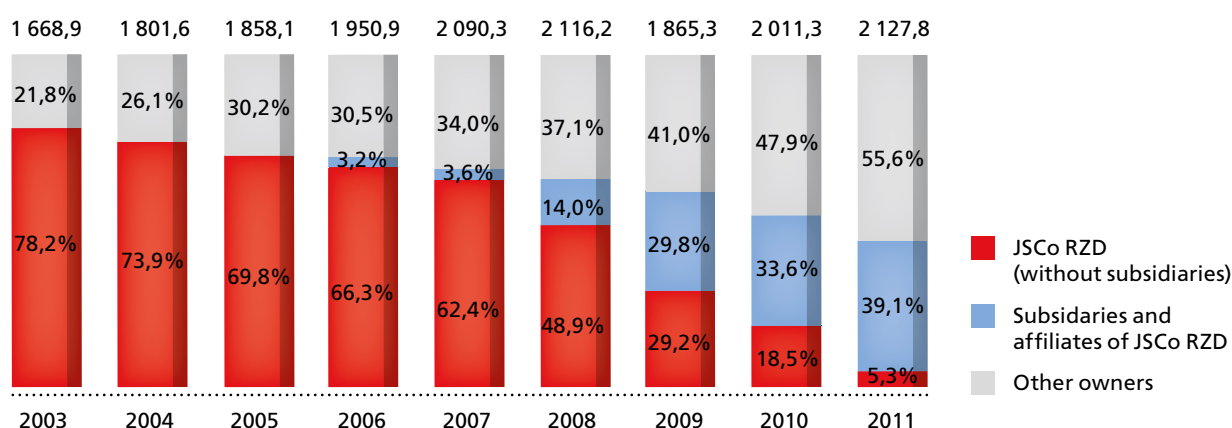
The freight turnover structure underwent a minor change; a share of domestic operations decreased from 45.3% to 45%, a share of international operations increased from 54.7% to 55% with a share of export freight turnover reduced to 47.6% (share of export cargoes via ports decreased to 29.4%)¹⁶.

Competitive Environment on the Freight Transportation Market

2011 saw development of competition in freight railway transportation as a part of implementation of the Railway Restructuring Program. Thus, a share of JSCo Russian Railways on the freight car handling market reduced in terms of freight turnover from 78.2% in 2003 to 5.3% in 2011.

In 2003, a freight turnover share falling at private owners' cars reached 21.8%, whereas in 2011, the same indicator amounted to 55.6%.

Structure of the Russian freight car handling market in terms of freight turnover in 2003-2011, bln ton-km



On the Russian railway freight transportation market, there are 1,937 enterprises engaged in transportation using their owned rolling stock. In 2011, the market concentration factor (R3)¹⁷ amounted to 52.2% having lost 4.3 p.p. vs. 2010.

The Herfindahl index¹⁸ for 2003-2011 decreased by 3.2 times, which is the evidence of reduction of the railway freight transportation market concentration

to a moderate level and development of competitive environment on the freight car handling market.

As a result of sale of a majority interest in JSC First Freight Company in 2011, a share of Russian Railways Holding Company (in terms of freight turnover) decreased to 22.6%. Thus, as of late 2011, Russian Railways Holding Group did not occupy the leading market position¹⁹.

¹⁶ For details on the freight turnover structure for all types of operations, see the appendix.

¹⁷ Percentage ratio of the freight turnover on the rolling stock of three largest companies – owners (including Russian Railways Holding Company) and total freight turnover of the railway network.

¹⁸ Calculated as a sum of squares of the shares in freight turnover owned by all active players of the transportation market (with aggregation of the companies forming Russian Railways Holding Company).

Herfindahl indices calculated by freight turnover volumes²⁰

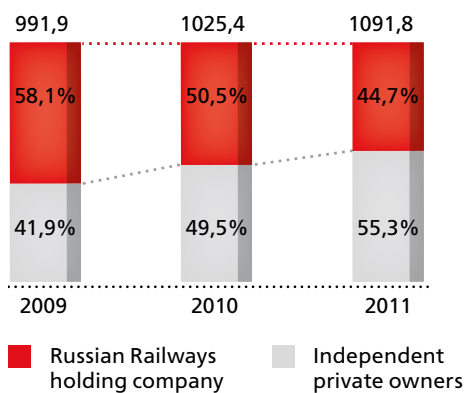
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Without aggregation of the companies within Russian Railways Holding Company	6,281	5,309	4,822	5,665	3,563	2,086	1,644	1,133	741
With aggregation of the companies within Russian Railways Holding Company	6,288	5,316	4,829	4,767	4,171	3,758	3,281	2,674	1,963

Car fleets

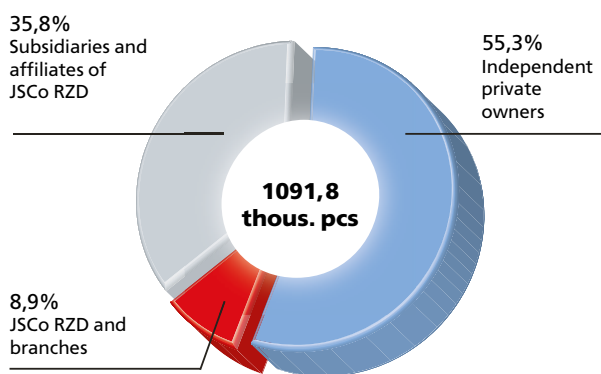
In 2011, the Russian freight car fleet accrued 6.5% to have reached 1,091.8 thous. cars (as of 31 December 2010 – 1,025.4 thous. cars), including:

- 603.7 thous. pcs. – other owners' fleet;
- 488.1 thous. pcs. – cars owned by JSCo Russian Railways.

Fleet of allocation freight cars²⁰



Structure of the freight car fleet as of December 31, 2011, %

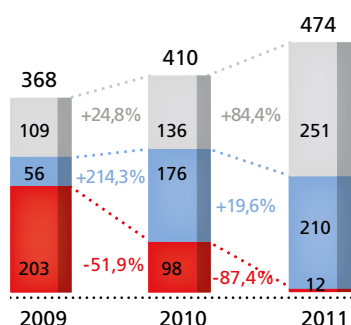


¹⁹ Calculations were made based on the assumption that JSC FFC remained a part of the Holding Company till the end of 2011, although the auction was held on 28 October 2011. JSC NTC became an official owner of 75% minus 2 shares of JSC FFC on 26 December 2011 following closing of the transaction.

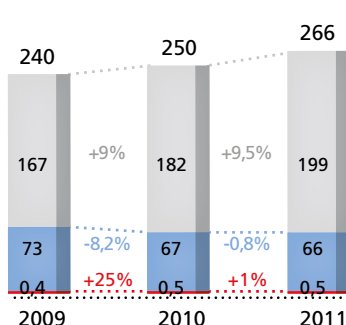
²⁰ for a full circle of rolling stock owners.

Changes in the Russian freight car fleet

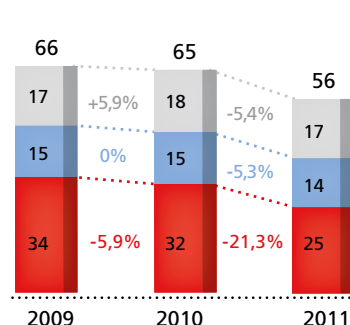
Open cars, thous. pcs.



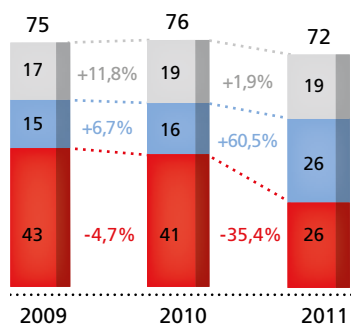
Tank cars, thous. pcs.



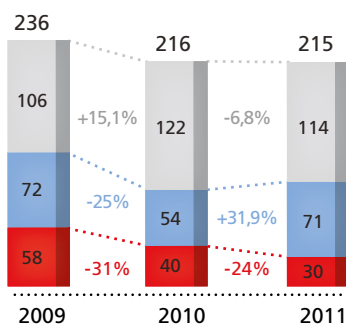
Platforms, thous. pcs.



Box cars, thous. pcs.



Other, thous. pcs.



Independent private owners
 ДЗО холдинга «РЖД»
 JSCo RZD

The main freight car owners inside JSCo Russian Railways are as follows:

1. 96.8 thous. pcs. – fleet of JSCo Russian Railways and its branches, including 25.8 thous. cars of JSC SFC used by JSCo Russian Railways (19.6% of the freight car fleet of the holding company).
2. 191.5 thous. pcs. – fleet of JSC FFC (39.3%)
3. 144.4 thous. pcs. – car fleet of JSC SFC (29.7%)
4. 55.3 thous. pcs. – fleet of other S&A of JSCo Russian Railways (11.4%), including:
 5. 23.6 thous. cars – JSC Transcontainer;
 6. 6.6 thous. cars – JSC Refservice;
 7. 1.9 thous. cars – JSC RailTransAuto;

8. 22.8 thous. cars – JSC Rusagrotans;
9. 0.4 thous. cars – JSC CRC-1, JSC CRC-2, JSC CRC-3.

New freight car purchasing

Since 2009, cars in the Holding Company have been predominantly purchased by the Company's subsidiaries, to which the rolling stock was delivered.

In 2011, JSCo Russian Railways purchased 200 hopper cars, whereas S&A purchased 1,152 freight cars, including: 7,805 open box cars, 1,144 box cars, 206 hopper cars, 50 tank cars, 947 container platforms.

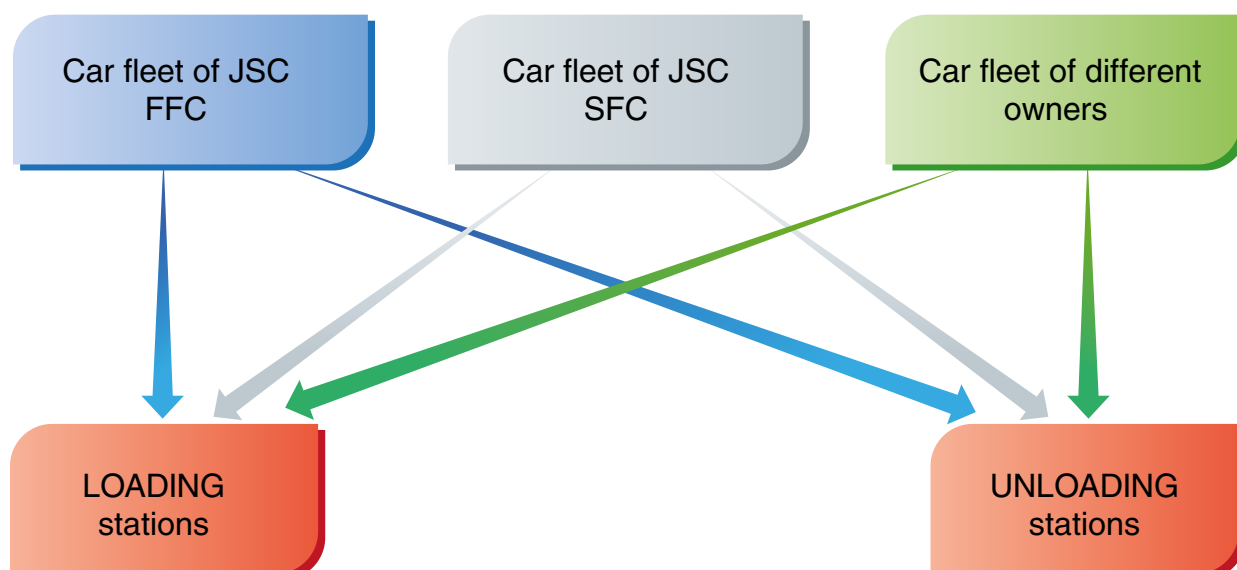
Changes in the freight car fleet of Russian Railways Holding Company, pcs.

Year	2009	2010	2011 ²¹
TOTAL for Russian Railways Holding Company	576,454	518,792	488,041
including			
JSCo Russian Railways	339,256	213,759	96,838
JSC FFC	193,332	195,072	191,467
JSC SFC	0	60,821	144,360
JSC RusAgroTrans	7,847	16,045	22,789
JSC TransContainer	24,255	24,034	23,606
JSC Refservice	10,120	7,420	6,692
JSC RailTransAuto	1,644	1,642	1,918
JSC CRC-1, JSC CRC-2, JSC CRC-3	-	-	371

Increase in the Transport Service Quality

By late 2011, a share of the private fleet approached 100% and its growth amounted to 20%. Thus, there are losses in car fleet use related to the opposite traffic of empty private cars and their misallocation.

Car fleet management in the context of car transfer to S&A (current model)



²¹ For details on the car fleet structure of Russian Railways Holding Company, see the appendix.

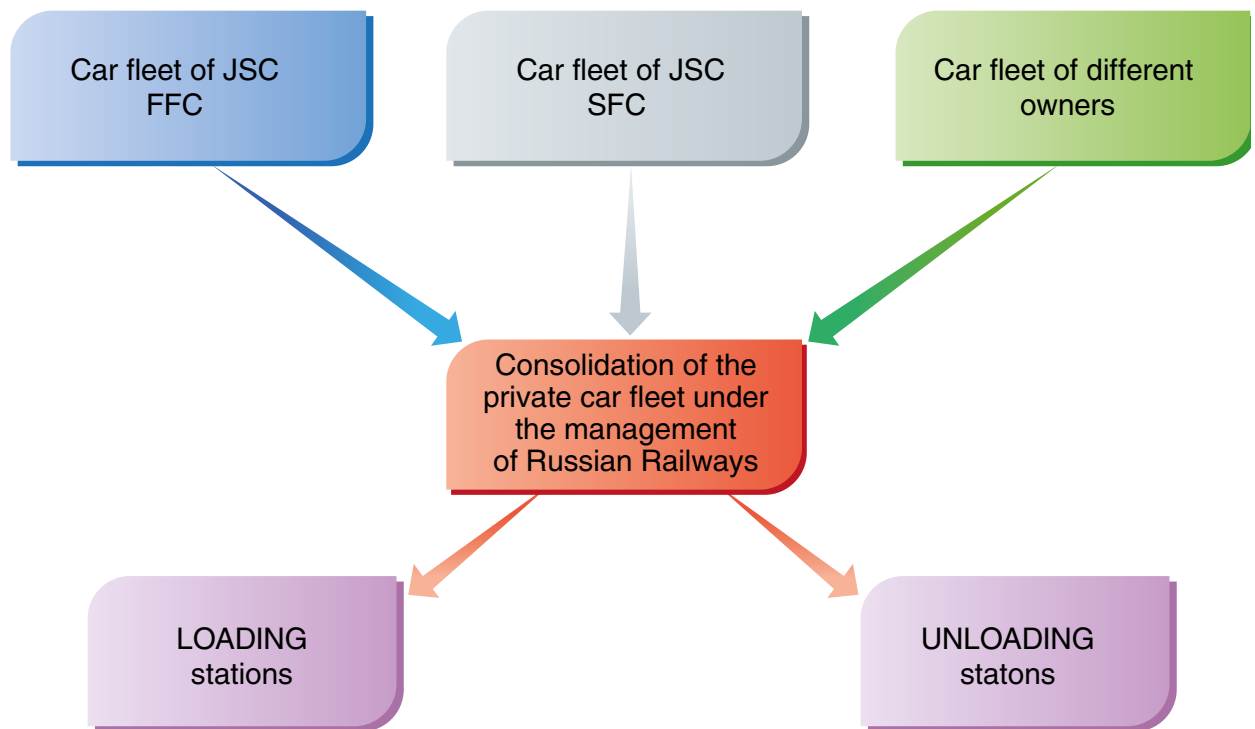
The main reason for a failure in field operation in the context of an ever-increasing number of freight cars is lower efficiency of use of a fleet of various owners as compared to the freight car fleet of Russian Railways Holding Company. The lost profit of the whole railway industry is made up of many factors, such as:

- loss of rolling stock flexibility as a result of its use by operators and owners only for transportation of specific cargoes in specific directions. The main principle of use of inventoried stock cars is a possibility to load them at any network point with any proper cargo, which is not observed for a private car;
- long-term detention of an empty rolling stock in wait for the most profitable transportation in line with operator's interests, which is a major challenge in transportation activities. Mass opposite traffic of single-type empty cars owned by different owners reduces capacities of the most important heavy-traffic directions and increases a share of empty mileage of freight cars;

- operators and owners have no incentives or obligations to use their rolling stock for low-profit transportation (socially significant cargoes – housing utilities, power industry, etc.);
- major infrastructure load because of JSCo Russian Railways failure to influence empty cars in long detention by way of their displacement from mass loading and unloading points where they are regularly accumulated;
- carrier's failure to limit empty car transportation when not confirmed by an actual cargo base;
- significant increase in the volume of classification work to process empty cars owned by different owners that run not as a part of the car traffic volume pooling, but as a cargo on its own axis.

Try-out of new principles of private fleet management started with grouping of a consolidated fleet from subsidiaries' cars.

Consolidation of the car fleet under the control of JSCo Russian Railways (proposed model)



A system of agency agreements between JSCo Russian Railways, JSC FFC and JSC SFC aimed at centralization of a cargo base of the two companies was implemented. Car fleet consolidation ensures utmost mobility, accelerated arrival at loading points and positive dynamics of key indicators and enables elaboration of a rational plan for empty car grouping.

In 2011, there were 16 coordination councils operating on railways and 8 interregional councils, which enabled specialization of railway classification capacities to fit a route car traffic volume and provided for major decrease in its processing, wasteful displacement and empty car detention.

2011 saw creation of the dispatcher system based on the transportation control center of JSCo Russian Railways (TCC) and 17 regional dispatch transportation control centers that control network traffic in real time. This system has embodied major innovations and huge intellectual potential.

Further development of this direction is elaboration and introduction of the Single intelligent rail transport process automation and control system aimed at deployment of a common technologically integrated

transportation, infrastructure and safety control system based on advanced software and smart technologies.

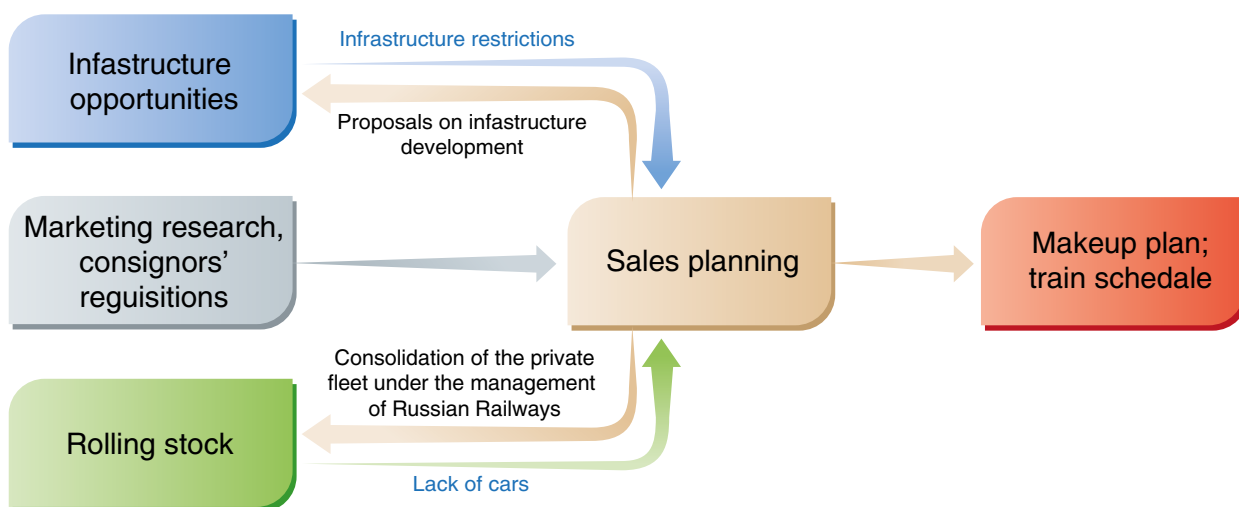
The control system itself will eventually change – with a transfer from a run-time system (railway-based management) to process-based management (as a part of common processes in real time).

Improvement of the freight owners’ service quality, extension of the package of transport and logistics services

The philosophy of railway infrastructure development implies centralized control of the transportation process, utmost flexibility of the rolling stock, its efficient use, reduction of the car turn around time and wasteful empty mileage.

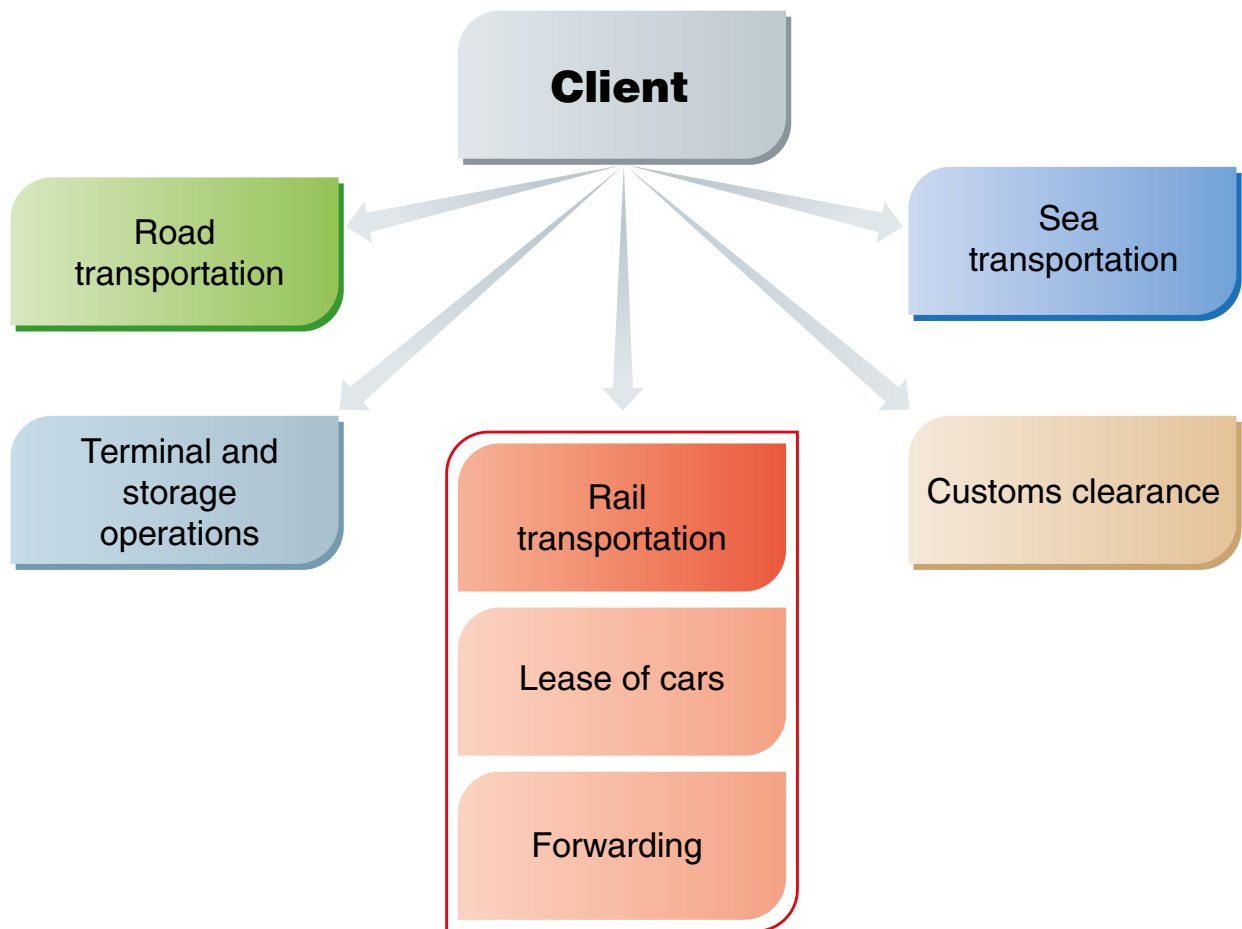
A network of logistics centers will be the basis of the rail transport logistics whose global task is accelerated product flows and reduced aggregate costs of consignors and consignees. One of the main optimization factors will be not only a possibility of more accurate delivery scheduling, but also a flexible system for adjustment of plans of all transport system participants

Improvement of the freight owners’ transport service quality (improved planning quality)



An important element in scheduled train service is still coordination of co-operation with a logistics operator related to the search for the best balance between contractor's capabilities and customer's needs.

Current freight owners' service model

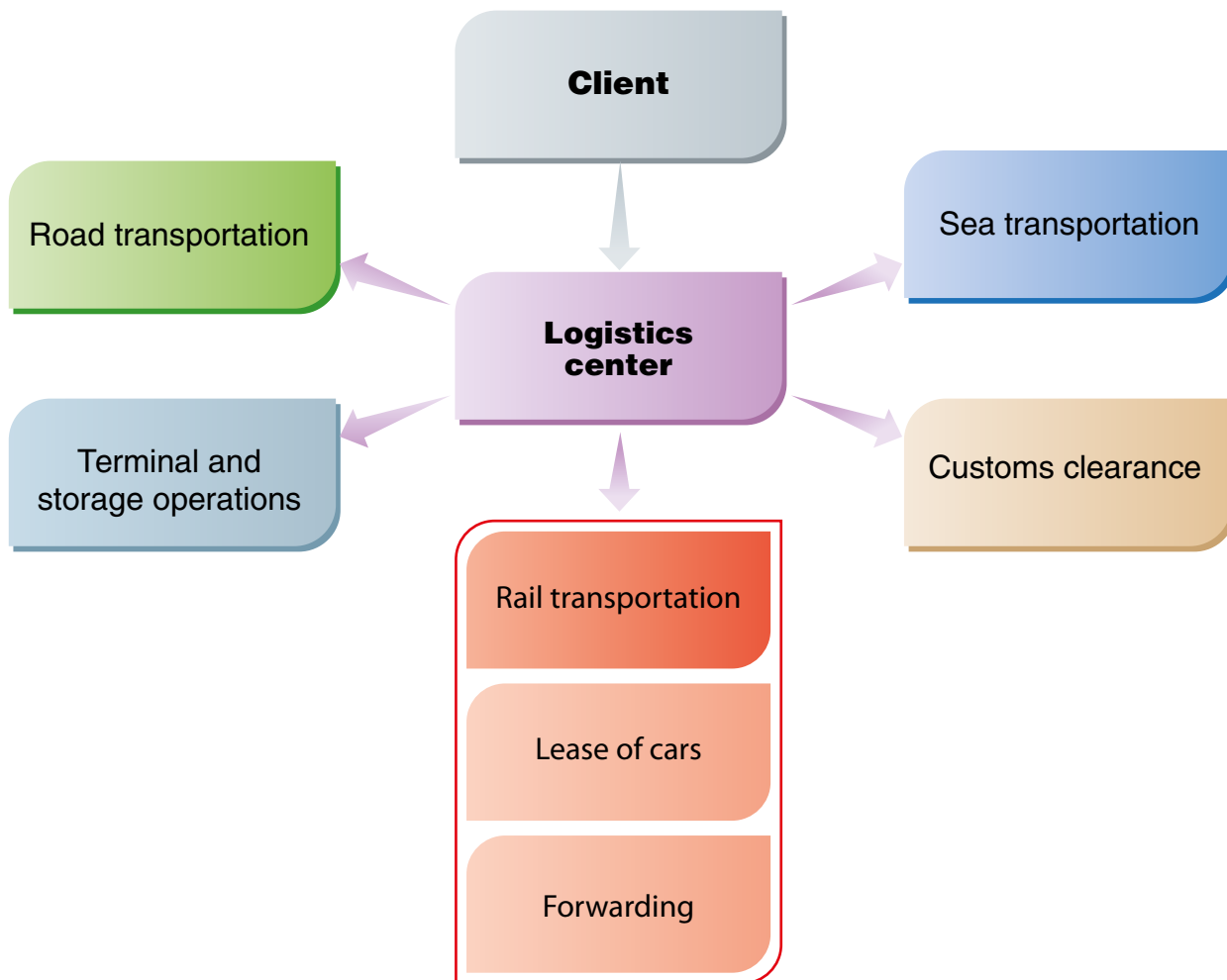


In 2011, the logistics services market was specific and limited in its possibilities. Its main features were: low level of logistics infrastructure development, relatively high cost of logistics, large spatial extent. The following factors are indicators of logistics appeal: quality, costs, time. The current freight owners' service model has a number

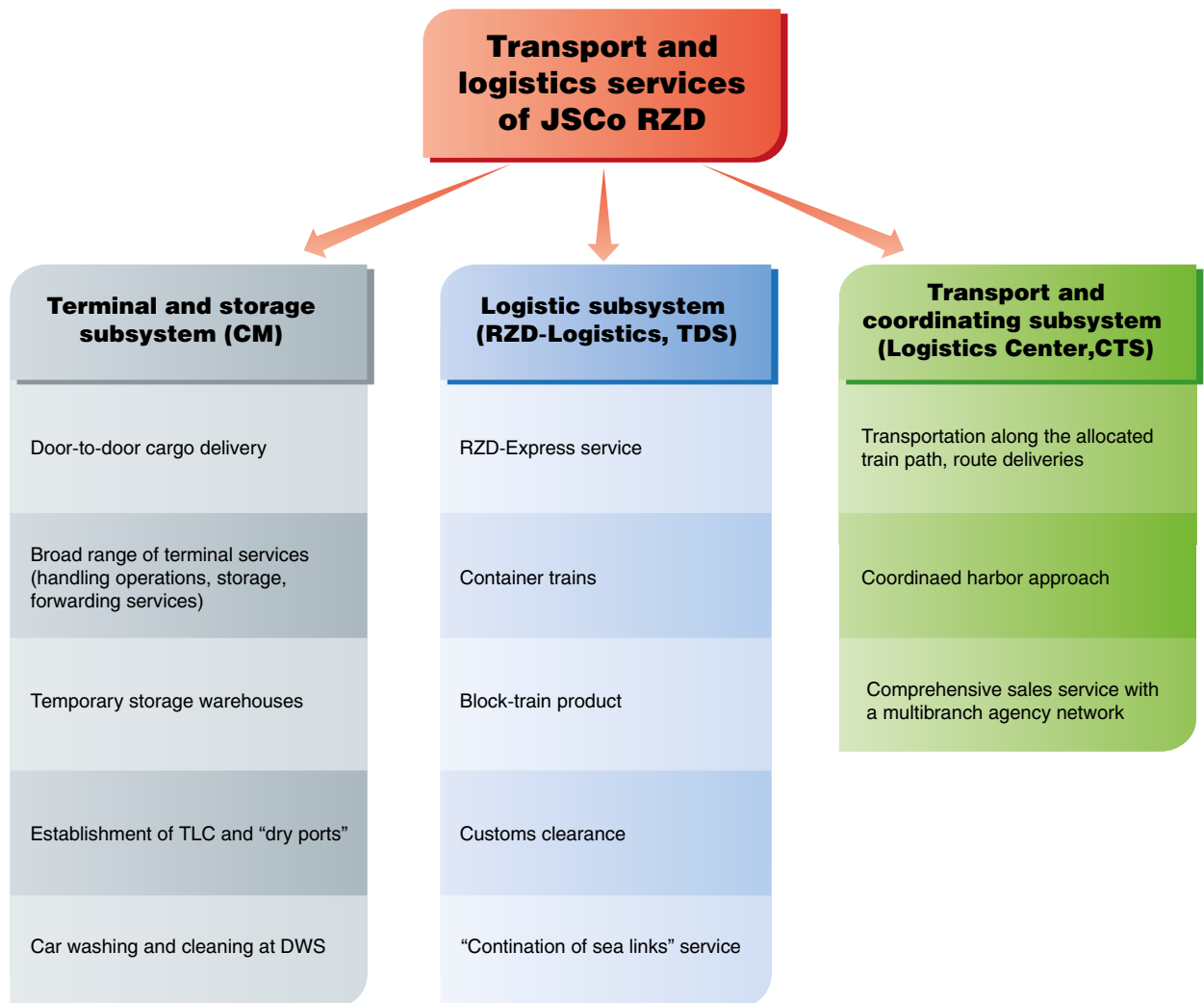
of major drawbacks. When arranging transportation, a client has to contact different companies to get this or that service.

The proposed freight owners' service model includes a logistics center as an integrator of all the services required to a freight owner.

Improvement of the freight owners' service quality due to logistics development (proposed model)



The main task of a logistics center is consolidation of comprehensive transportation participants in order to synchronize their actions and sell an integrated transport and logistics service.
Currently, JSCo Russian Railways is able to provide a full package of transport and logistics service



The main logistics and customs service provider for consigners is RZD-Logistika and Customs Center that offer such products as: RZD-Express service (delivery of small consignments in aggregate, undercar and container shipments), arrangement of delivery of container trains from stations of network rails along the routes of mass container traffic flows, assurance of competitive (both in terms of price and quality) customs and broking service, "continuation of sea links" service – when an international forwarder is sold a line container service not only for a sea portion of transportation, but also with regard to a railway component to the destination of a container flow using the "block train" product, container transportation between a port and a "dry port").

In 2011, JSCo Russian Railways developed the Concept for creation of distriports within the Russian Federation.

The document regulates process and organizational interaction between participants of the project for distriport networking based on the infrastructure of the Russian railways. The Concept provides for the solutions to enhance railway freight transportation due to establishment of the advanced distriport infrastructure, getting additional income from extension of the transportation coverage of JSCo Russian Railways, attraction of high-yield cargo traffic to the railway, increase in efficiency of use of property complex facilities and attracting investments into development of the terminal and storage complex.

The Concept provides for deployment of a core network comprising:

- Baltiysky, Tamasnky and Primorsky railway ports;
- Bely Rast distriport in Moscow oblast;
- distriports in Yekaterinburg, Novosibirsk, Kaliningrad, Nizhny Novgorod, Kazan and Volgograd transport hubs.

The actual target market volume is estimated at 250-300 mln tons a year. Implementation of this Concept is expected to result in attainment of the following major results for JSCo Russian Railways: increased scale of transportation activities, reduced prime cost of freight transportation, enhanced efficiency of investment activities.

An important task in 2011 was establishment and improvement of the freight transportation logistics in all-purpose open box cars owned by various owners. They were bound irrespective of their identity.

A comprehensive service includes freight transportation from stations of Russian railways and YRW infrastructure, provision of cars for freight transportation, storage, transshipment and port forwarding services.

Efforts aimed at introduction of the new transport product have helped JSCo Russian Railways to advance to a new format of interaction with ports, as a part of which, JSCo Russian Railways is a port partner in charge of assurance of freight transportation subject to different delivery bases.

Since the project launch (November 2010), as of 31 December 2011, 1,244 thous. tons of coal have been transported as a part of comprehensive transport and logistics customer service.

A share of JSCo Russian Railways in coal loading to ports of the Far East (under direct contracts between JSCo Russian Railways and stevedoring companies) accounts for some 3% of the total volume.

Further plans of JSCo Russian Railways as a part of comprehensive transport and logistics service include extension of a list of associate contractors, clients and consigners, enhanced geographic coverage of transport and logistics services, diversification of services provided to customers as a part of comprehensive transport and logistics service (including settlements for freight transportation across foreign states).

Gain in Transportation Process Performance

In 2011, 111 safety freight train sections were established.

The average length of safety sections in the main railway network directions accrued 26 km vs. 2010 to have reached 1, 149 km vs. 1,123 km.

Introduction of new safety sections of an increased length for individual train categories allowed to abandon maintenance of freight trains at 15 maintenance depots with standing time decreased from 20 to 35 minutes.

In order to settle the tasks of assurance of guaranteed preparation of freight trains for strict train paths, a number of activities was implemented in 2011:

Firstly, equipment of maintenance depots with advanced diagnosis and control tools (597 MTMC devices were upgraded, 3 sets of industrial measurement of mounted wheel geometry (SIM) and 5 automated freight car negative dynamics determination systems (ANDDS) were installed;

As a result of maintenance depot equipment with advanced rolling stock diagnosis tools, a number of freight train stops by MTMC readings decreased by 22% vs. 2010 (20,087 stops in 2010, 15,737 in 2011), number of car uncouplings from freight trains at intermediate depots reduced by 6.8% year-on-year and amounted to 3,591 occurrences.

Secondly, observance of standard detention times of freight trains for maintenance (30 minutes for trains to be reclassified, 45 minutes for through and made up trains);

Thirdly, introduction of the single freight train maintenance technology at 32 critical freight classification yards, which resulted in a reduced number of car uncouplings from trains of their makeup and through trains.

With an increase in the number of examined and classified trains by 4% vs. 2010 (62,325 trains) a number of car uncouplings from trains of their makeup due to technical faults decreased by 517 occurrences or 11%, a number of car uncouplings from through trains reduced by 518 occurrences or 1.5% and amounted to 33,850 occurrences (34,368 in 2010).

In order to meet the set targets of cargo loading and fulfil consigner's requisitions, in 2011, 509,186 cars were prepared for loading, including 421,992 cars owned by operating companies.

In 2011, 11,411 freight cars were removed from the stock, 9,834 units were scrapped, 28,933 repairable mounted wheels, 24,123 solebars, 11,998 bolsters and other spare parts were put to stock. Spare part reclamation for car repair and preparation for loading enabled savings of 899.8 mln rubles.

As a result of running uncoupling repairs of cars and preparation for loading of cars owned by operating companies, in 2011, 873,613 units yielded the income of 7,346.7 mln rubles, which is by 2.1 times higher than in 2010 (the income of 3,460.2 thous. rubles).

2011 saw implementation of the following measures aimed at optimization of the transportation technology for cost reduction:

1. Transfer of a part of transit car traffic volumes from diesel to electric tracks: from the diesel direction Khani – Tynda – Komsomolsk via Petrovsky Zavod – Arkhara, from the direction Ivanovo – Novki – Kovrov via Svecha or Alexandrov, from the direction Konosha – Susolovka – Lyangasovo via Losta – Svecha. A positive economic benefit from this activity was reached due to saving of fuel and power resources required for hauling operations. On the average, 276 cars deviated from diesel unit tracks a day; cost saving amounted to 669 mln rubles a year;
2. Heavy-cargo direction development – 2011 saw makeup and handling of 102,828 freight trains weighing from 6,001 to 8,050 tons and 2,968 freight trains weighing over 8,050 tons – this promoted an increase in the train average weight in the whole network by 126 tons. 10,933 joint trains were made up, which provided for an increase in the average weight of a train by 21 tons and saving of operating expenses by 4.9 bln rubles;
3. Due to increased transit of car traffic volumes in 2011, a share of the classified car traffic volume reduced by 1.12% at the expense of train conversion classification at the critical freight classification yards and increase in sending routing, freight transportation cost saving amounted to 404.7 mln rubles.;
4. Introduction of energy-efficient schedules for 1,450 passenger trains ensured saving of 19.8 mln kWh of energy consumption (44.5 mln rubles) and 300 t of diesel fuel a year.
5. Thanks to enhanced quality of hauling resources planning, locomotive performance increased by 1.3% to the target and cost saving reached 596.2 mln rubles.
6. A task for an increase in the number of through trains following fixed train paths is being consistently performed. The target schedule for 2011/2012 provides for 345 such paths for trains of different categories, including 126 for container routes. For 12 months of 2011, the schedule of freight train departures for the whole railway network was observed by 60.8%.
7. In 2011, the average effective length of freight car safe sections amounted to 1,148 km (plus 25 km on 2010).

In 2011, freight car safe hauls accrued 360 km.

The most important factor that affects arrangement of field operation is the change in the technology related to establishment of a new freight transportation market model and transfer to operation of a private park of freight cars.

Since the changes affected all areas of the

transportation process, the plan of freight train makeup, organization of service, freight classification yard operation, local activities, use of the infrastructure and locomotive fleet related to determination of car traffic volume routes by other rolling stock operators than infrastructure owners, a drastic change in the principles of freight transportation management and regulatory framework adaptation to the new conditions could not but affect service speed of freight trains.

A growth in the fleet with regard to decommissioning amounted to 63 thous. units vs. last September and is equivalent to 1,000 additional trains in our infrastructure or 930 km of station tracks.

Besides, since last September, more than 12 thous. open box cars that were previously in stock and were sold to rolling stock owners have been engaged in transportation.

The length of the railway network has remained virtually unchanged since 1993.

Analysis of the current levels of occupancy of railway capacities shows that there are bottlenecks both on sections of the main directions and on other railway sections. Exhausted reserved capacities with an ever-increasing transportation volume are a limiting factor of their development. In 2011, the total length of railway sections of JSCo Russian Railways with the capacity occupancy exceeding the permissible level reached nearly 5.5 thous. km.

As of 01 January 2011, the length of such sections already exceeded 6.0 thous. km or some 7.1% of the length of track in use, *including an insufficient capacity of:*

- *hauls (more than 3.5 thous. km);*
- *power supply devices (more than 1.6 thous. km);*
- *station infrastructure (more than 900 thous. km).*

Due to the above reasons, the service speed in 2011 reduced by 4.3 km/h vs. the target value.

Key factors that resulted in decrease of the freight train service speed in 2011

Factors	Speed reduction by 4.3 km/h vs. the target value	
Change in the service speed accounting procedure	Use of the technique of the train arrival and departure time to multifleet stations for train dislocation for technical operations	-0.4 km/h
Increase in the eastbound freight traffic volume by 8.1% in the context of an increased length of sections with poor capacity	Increase in the length of sections with poor capacity to 6 thous. km or 7.1% of the length of track in use	-0.6 km/h
Loss of the empty traffic network regulation mechanism due to complete fleet privatization with its growth by 5.3%	The opposite traffic of empty freight cars of more than 60 thous. a day	-0.6 km/h
Technological need for priority running of high-speed and passenger trains	Waiting time of freight trains due to priority running of passenger trains – 8 thous. train-hours	-0.3 km/h
Occupancy of classification capacity of freight stations due to private rolling stock concentration at points of load occurrence because of excessive car addressing at loading stations	Increased car makeup and delivery operations a day (+3 thous. operations)	-0.2 km/h
Failure to accept freight trains at freight classification yards due to an increase in car classification operations by 6 thous. a day	Increase in car classification operations (+6 thous. operations)	-0.6 km/h
Train delays due to a technical state of the locomotive fleet	Locomotive wear by 74.9%	-1.6 km/h

Freight delivery period

In 2011, as a result of an increase in the fleet of cars owned by various owners and its use for transportation in specific directions of certain cargoes only, the infrastructure capacity decreased. Thus, an increased volume of opposite empty car traffic and increment load on freight stations and freight classification yards brought about a change in the following indicators:

out of a total number of deliveries (17,562.0 thous. deliveries) that arrived at destination rails, 3,228.3 thous. deliveries arrived with violation of the delivery period (18.4%), which is plus 5.6% on 2010;

an average speed of a delivery in 2011 decreased by 27 km/days vs. 2010 (2010 – 274 km/day, 2011 – 247 km/day).

a volume of delayed deliveries of both empty and loaded cars significantly increased. A rate of delayed loaded cars in the end of the year was 17.8%, which is 10.7% higher than in the beginning of the year (7.1%).

Failures to observe the freight delivery period for the above reasons resulted in claims lodged by consigners and consignees. Thus, the last year saw lodging of 126.3 thous. claims in the amount of 7,258.1 mln rubles (including 93.1 thous. claims (73.6%) in the amount of 3,272.5 mln rubles (45.1%) related to delivery of own empty cars), of which 41.8 thous. claims were allowed in the amount of 2,074.3 mln rubles. As compared to 2010, a number of claims lodged increased by 2.7 times and the claim amount increased by 2.9 times.

This is why, as a result of the changes on the freight transportation market in 2011, in addition to renewal of the regulatory and legal framework and tariff system, a need occurred for establishment of new technological principles of organizational and car fleet management, namely:

- full implementation of requirements of decree No.258 of the Ministry of Transport as related to empty car addressing to specific loading requisitions;
- transfer to scheduling of freight and empty car transportation in line with requisitions;
- planning of empty car traffic volumes with regard to logistics schemes of large rolling stock operators and assurance of bulk freight loading;
- increased level of routing based on aggregation of way empty car traffic volumes and flexible adaptation of a makeup plan;
- operator database creation and maintenance in all information management systems;
- increase in the number of coupled operations based on an improved and unified tariff system.

In 2012, the following main activities aimed at enhanced transportation performance are planned:

1. During establishment of a through range operation technology, it is necessary to calculate the optimal criteria for train traffic run at division points and standards of subdivision processing with a focus on their coupling; as an efficient optimization tool, the project "Single intelligent rail transport control system" (JSC NIIAS) provides for a system of planning of freight volume transportation for a year balanced with possibilities of JSCo Russian Railways infrastructure and repair and construction-assembly work plans.
2. The Eastern range of the network is planned to be used for implementation of the system for field operation management at a joint range through consolidation of locomotive interchange sections of Krasnoyarsk, East Siberian, Trans-Baikal and Far Eastern Railways. Creation of the hauling resources management center in the Eastern region as a part of this task will help minimize overheads when using the freight locomotive fleet.
3. Further activities aimed at stepwise transfer to scheduled freight train service. Reaching the level of freight train departure per train path from freight classification yards of up to 80%.
4. Increase car traffic volume transit in the railway network by 1.5% year-on-year due to concentration of car classification at the critical freight classification yards.
5. Ensure a growth in the average speed of freight deliveries by at least 1.8%.
6. Ensure an increase in a share of on-time freight deliveries (loaded and empty) at least to 90.4%.

The main proposed tool to enhance railway infrastructure performance in 2012 is an increased level of empty car traffic volume routing based on:

- accurate planning of monthly delivery volumes;
- tariff promotion of route empty car deliveries instead of the established practice of small group deliveries (introduced during a decline in transportation);
- update of a list of freight classification yards to make up empty routes;
- elaboration of specialized schedules in train service under contracts with operators (not only for loaded, but also for empty stable car traffic volumes).

In the target state, this will help increase the car traffic volume routing to 70% and more.



6. Passenger Operations



Passenger Operations

The main efforts in 2011 were aimed at settlement of the task of improved passenger service quality with progressive advance to enhanced transport accessibility, population mobility and increase in sales jointly with the state.

Starting from January 2011, JSCo Russian Railways is no longer engaged in suburban operations. All suburban operations in Russia are performed by suburban passenger companies²² (hereinafter referred to SPC) set up with regional participation.

Funds required to cover losses from suburban operations are no longer accounted for during indexation of freight transportation tariffs. Sources of SPC income are exclusively the income from transportation and regional compensation to cover the losses resulting from regulation of tariffs for suburban operations.

In 2010, in the structure of passenger turnover in suburban and intraurban services, railway service accounted for 18.7% (28.0 bln passenger-km with regard to transportation of individuals entitled to social services using one-time travel documents only), urban electric

transport – for 37.6% (56.2 bln passenger-km), road transport – for 43.7% (65.4 bln passenger-km).

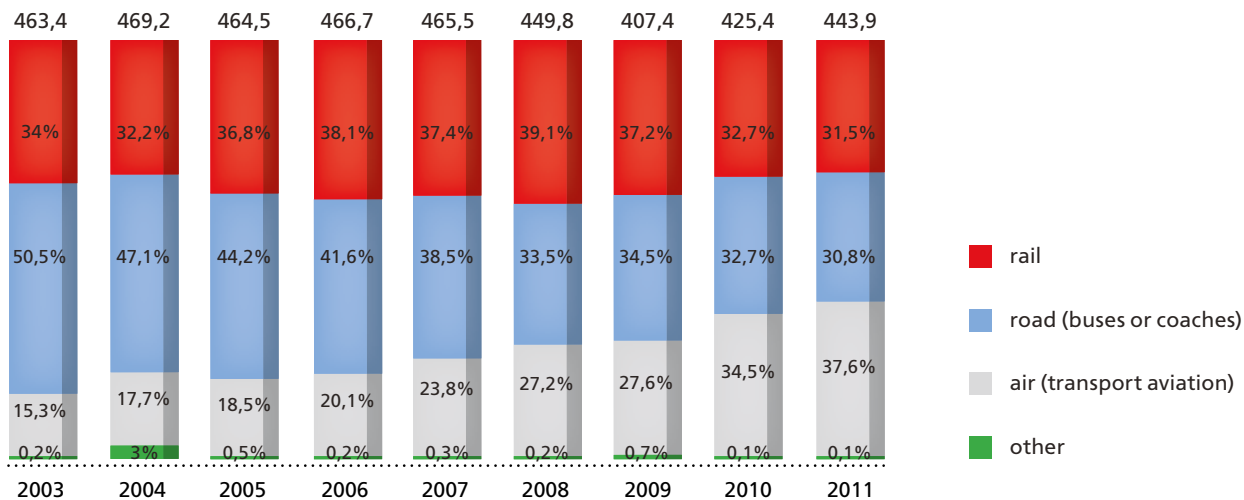
In 2011, the volume of passenger suburban railway transportation amounted to 29.3 bln passenger-km, which is plus 4.6% on 2010.

This factor contributed to affordability of suburban operations for population. Tariff stability coupled with the system measures aimed at:

- extension of the range of subscription tickets,
- automated sales of travel documents,
- improved quality of fare payment control,

improved positions of the holding group on the transport market. A positive dynamics of qualitative and economic indicators was ensured.

Passenger turnover structure by means of transport, 2003-2011, %



²² Except for JSC Sakhalin PC.

Public Rail Transport Infrastructure Use Services for Passenger Operations

Passenger turnover using the JSCo Russian Railways infrastructure amounted to 139.8 bln passenger-km (+0.7% on 2010):

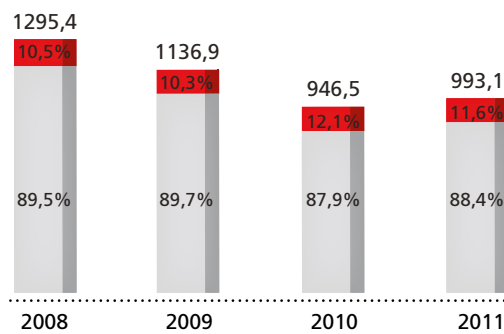
- long-distance passenger turnover – 110.5 bln passenger-km (-0.3% on 2010);
- suburban operations – 29.3 bln passenger-km (+4.6% on 2010).

- long-distance operations – 114.8 mln (-0.1% on 2010);
- suburban operations – 878.3 mln (+5.6% on 2010).

An objective reason for a decreased passenger turnover in suburban operations is a revised procedure of the issue of travel documents to federal beneficiaries.

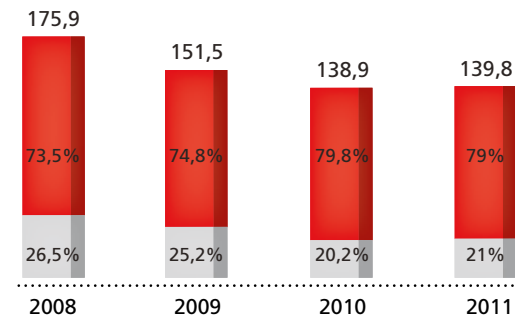
Rail transport services using the JSCo Russian Railways infrastructure were used by 993.1 mln passengers (+4.9% on 2010):

Passengers departures, mln people



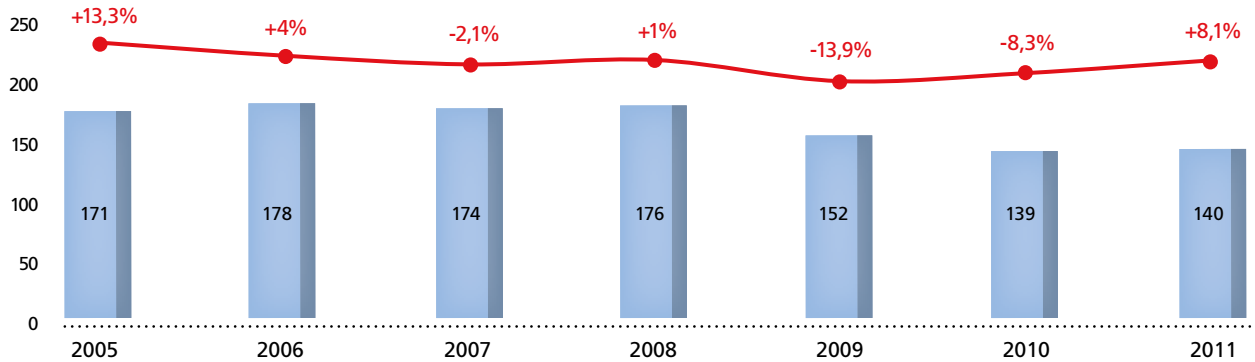
■ Suburban
■ Long distance

Passenger turnover, bln pkm



■ Suburban
■ Long distance

Passenger turnover using the JSCo Russian Railways infrastructure, 2004-2011, bln passenger-km



■ Passenger turnover, bln pkm
● Passenger turnover growth rate, % vs. previous year

In long-distance operations, apart from JSC FPC and high-speed trains, the service was organized by three independent carriers: ZAO TC Grand Service Express, OOO Tverskoy Express, ZAO TransClassService.

All in all, in 2011, private carriers transported 971 thous. people or 0.8% of the total long-term transportation throughout the itinerary of travel.

Due to rail transport reforming and incorporation of passenger carrier companies, the Federal Tariff Service with its decree No. 156-t/1 of 27 July 2010 approved tariffs for public rail transport infrastructure use services for long-distance passenger operations. This tariff guide was introduced on 01 October 2010.

In pursuance of decree No. 265-t/1 of the FST of Russia, tariffs for public rail transport infrastructure use services for suburban passenger operations were approved. It considered the average network tariff principle.

Indexation of tariffs for infrastructure use services was adopted at the level of freight tariff indexation and amounted to 8% in 2011.

In order to promote conditions to check to suburban operations tariffs and reduce the tariff load on regional suburban passenger companies, the Government of the Russian Federation:

- approved instruction No. 844 of the RF Government of 17 October 2011 "On establishment of a reduced exceptional tariff for public rail transport infrastructure use services and approval of the Rules for accordance of subsidies from the federal budget to JSCo Russian Railways to compensate the give up resulting from state regulation of tariffs for public rail transport infrastructure use services provided during suburban passenger operations";
- the RF federal budget provides for subsidies to compensate the give up of JSCo Russian Railways from public rail transport infrastructure use services provided during suburban passenger operations for 2011 and 2012 amounting to 25 bln rubles a year (Federal Law of the RF No. 105-FZ of 1 June 2011 and Federal Law of the RF No. 271-FZ of 30 November 2011);
- reduced exceptional tariffs were established for infrastructure use services during suburban passenger operations for carriers amounting to 0.01 of the basic level for 2011 and 2012 (decree No. 249-t/1 of the FST of Russia of 27 October 2011 and decree No. 447-t/3 of the FST of Russia of 29 December 2011).

Actually provided services related to infrastructure provision to suburban companies amounted to 30.2 bln rubles (with VAT), out of which 1% was called for payment from SPC, 99% amount to 29.9 bln rubles. Considering

the amount of the subsidies granted (25 bln rubles), budget deficit to compensate a shortfall in income from regulation of tariffs for public rail transport infrastructure use services provided by JSCo Russian Railways during suburban operations amounted to 4.9 bln rubles.

In the context of mass outsourcing by JSCo Russian Railways of such activities as long-distance and suburban passenger operations and with regard to adoption of the new procedure for separate accounting of income, expenses and financial results by activities, tariff components and aggregate activity types, JSCo Russian Railways (approved by decree No. 311 of the Russian Ministry of Transport of 31 December 2010) for the first time generated expenses for this range.

According to the specified procedure for separate accounting, actual expenses on infrastructure services in 2011 amounted to:

- long-distance operations – 68.7 bln rubles
- suburban operations – 32.6 bln rubles.

Income of JSCo Russian Railways from provision of infrastructure services amounted to:

- long-distance passenger operations – 60.7 bln rubles;
- suburban passenger operations – 25.6 bln rubles (without regard to a reduced exceptional tariff).

Thus, according to the report for 2011, losses from infrastructure services by activities amounted to:

- long-distance operations – 8.1 bln rubles
- suburban operations – 7.0 bln rubles.

Existence of outside carriers represented by passenger companies (JSC FPC, ZAO TC Grand Service Express, OOO Tverskoy Express and SPC) and their operation terms required establishment of contractual relations to determine the scope of the services provided and by route directions with regard to carriers' operational performance. This resulted in a major change both in the distance of transportation by individual directions and a total number of trains, including at the expense of an increase in a number of cars in a train. Thus, in 2011, a number of cars in a long-distance train increased by 1.7% vs. 2010, a number of trains reduced by 1.5% and a number of suburban trains reduced by 3%. Considering that when establishing tariffs for use of the JSCo Russian Railways infrastructure for passenger operations, a technique was used that implies a tariff level dependence on a number of cars in a train, one may state that the current tariff for infrastructure use services does not fully cover expenses of JSCo Russian Railways.

International Passenger Operations

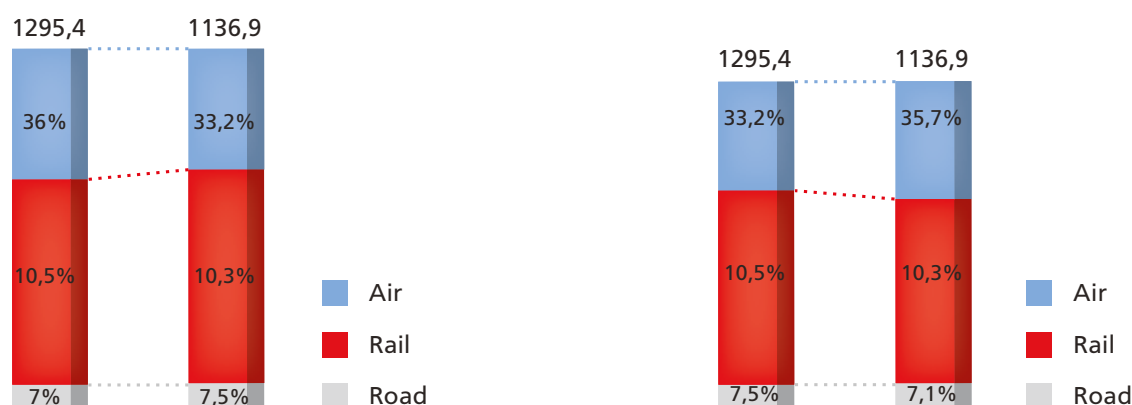
Market analysis

Over 12 months of 2011, the market of long-distance passenger operations, including domestic and international operations, accrued 5.9% to have reached 320.6 bln passenger-km.

A significant contribution to enhanced market capacity was made by the Russian commercial aviation. In 2011, a growth in air transportation volumes amounted to 113.4%, whereas the rail transport passenger turnover decreased by 0.1%. These factors affected the transport market structure.

The same situation was observed in domestic operations. While the passenger operations market accrued 3.5%, a rail transport share reduced by 2.1%.

Structure of the market of long-distance passenger operations, bln passenger-km



The major competitive threat for railway transportation in Russia, just like elsewhere in the world, is air transportation. The airlines' main competitive edges are speed and resulting passenger delivery period; absence of cost control and higher pricing, commercial and marketing flexibility.

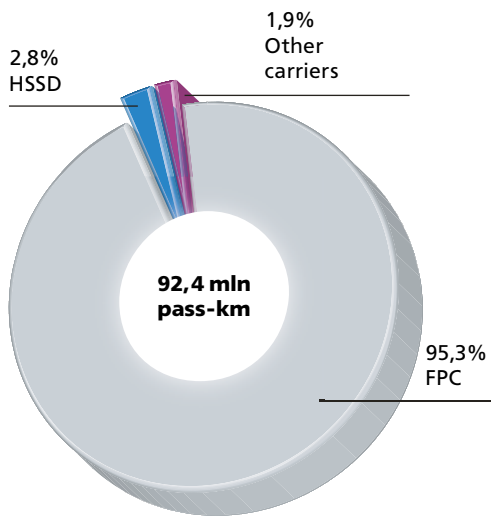
Competitive environment of JSC FPC

Trains that ply in the Russian domestic railway network (domestic operations), apart from the trains made up by JSC FPC (95.3% of transportation in 2011) are Sapsan high-speed trains (HSSD – branch of JSCo Russian Railways), trains and cars of private carriers (ZAO GrandServiceExpress, ZAO TransClassService, OOO Tverskoy Express, etc.). Their aggregate share accounts for 4.3% of the total number of passengers transported by long-distance trains.

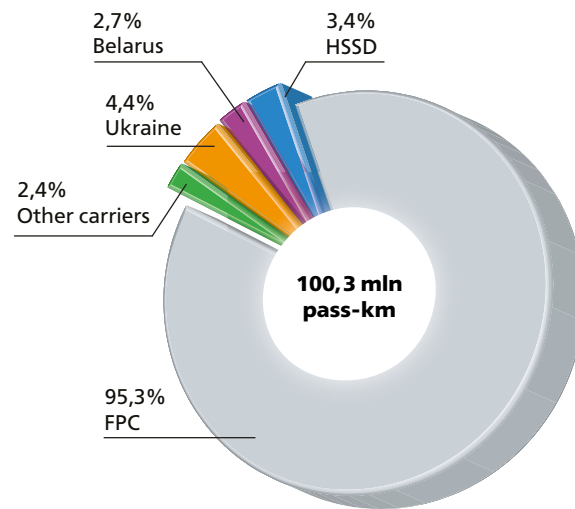
A share of JSC FPC in long-distance service between CIS and Baltic states and far-abroad countries accounts for 87.1%.

Structure of the market of long-distance railway passenger operations for 2011

Domestic operations

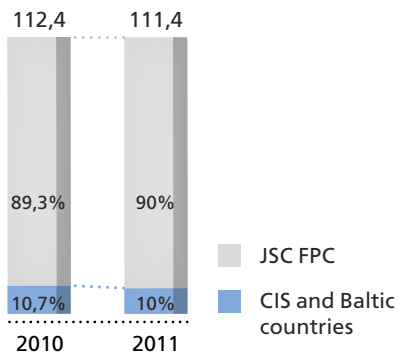


Domestic and international operations

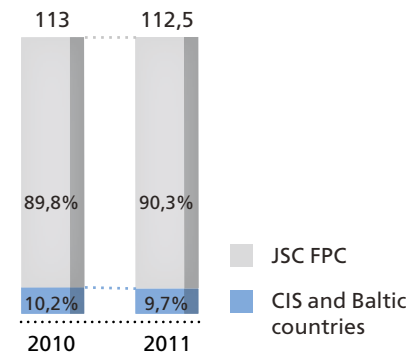


Dynamics of the main performance indicators of JSC FPC in 2011

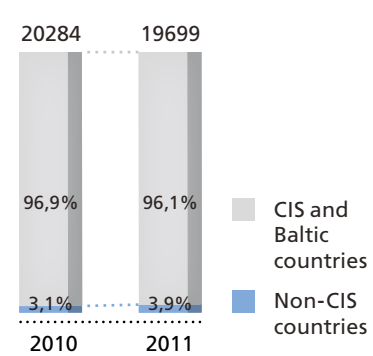
Volume of passenger operations, bln pass-km



Passenger departures, bln pass-km



Passengers international departures, mln people



Decrease in the volume of international transportation was mainly due to a reduced number of transported passengers in the service with CIS and Baltic states by 4% on 2010 based on results of 2011.

In 2011, in the service with the states of the former Soviet Union, passenger turnover increased as follows vs. 2010: with Uzbekistan – by 11%, Moldova – by 5%, Lithuania – by 1%. The highest decline in transportation volumes was observed in the service with Kirghizia (by 34%), Azerbaijan (by 17%), Estonia (by 11%).

Today, the major share of transported passengers in the service between Russian and states of the former Soviet Union belong to the service with Ukraine: in 2010 – 57%, in 2011 – 55% of the total number of transported passengers. The second place belongs to the service with Belarus: in 2010 – 20%, in 2011 – 22% of the total number of transported passengers.

According to results of 2011, a number of the passengers transported in the service between Russia and far-abroad countries increased by 20% vs. 2010.

An increase in the number of the passengers transported in the service Russia – Italy and Russia – France was greatly promoted by a launch in 2010 of a Moscow-Nice train made up by JSC FPC that passes stations of Italian and French railways.

Russian Railways Holding Company also offers international passenger transportation services to 31 countries of Europe and Asia, including 11 CIS countries. In 2011, the total volume of international transportation

amounted to 19.7 million passengers (including 760.3 thousand passengers traveling to or from the countries other than states of the former USSR), which is 3% down on 2010, including 20 far-abroad countries of Europe and Asia along 57 international routes from 16 cities of the Russian Federation.

Facilitation of border and customs control of passengers crossing the Russian-Ukrainian border on a Moscow-Kiev-Moscow train

On 29 May 2011, with introduction of the new schedule, train No. 1/2 Moscow-Kiev-Moscow started to ply using a time technology. The technology provides for the following mechanism of border and customs control:

- when leaving Moscow, border and customs control is carried out when passengers are boarding the train, 40 minutes before departure;
- upon arrival to Moscow, control is conducted under way on the Lesnoy Gorodok – Kiev Railway Station section with a possibility to prolong control operations with passengers in train cars upon arrival at Kiev Railway Station up to 20 minutes.

These measures enabled facilitation of the border and customs control procedure and, in general, promoted more comfortable conditions for passengers when crossing the state border of the Russian Federation in passenger trains on the Moscow-Kiev-Moscow route at night.

Suburban Passenger Operations

Suburban complex reforming and co-operation with regional authorities

In accordance with Railway Restructuring Action Plan for 2010-2011 No. 2515p-P9 approved by Deputy Chairman of the Government of the Russian Federation S.B. Ivanov on 28 May 2010, on 1 January 2011, suburban passenger operations were outsourced from JSCo Russian Railways to suburban passenger companies incorporated with Russian Federation constituents. Thus, 2011 saw completion of the organizational division of passenger operations and provision of infrastructure services.

Since early 2011, suburban passenger operations in all 73 Russian Federation constituents have been performed by suburban passenger companies²³.

During suburban complex reforming, management bodies of JSCo Russian Railways decided to incorporate 26 suburban passenger companies²⁴. Most companies were founded by JSCo Russian Railways and Russian Federation constituents.

In 2011, the following suburban companies were incorporated:

- JSC South Urals Suburban Passenger Company (charter capital: 100 thous. rubles; shares in the charter capital: JSCo Russian Railways 100% – 1 share, ANO Zheldorreforma – 1 share);
- JSC Baikal Suburban Passenger Company (charter capital: 10,000 thous. rubles; shares in the charter capital: JSCo Russian Railways – 49%, Irkutsk oblast – 51%);
- JSC Trans-Baikal Suburban Passenger Company (charter capital: 100 thous. rubles; shares in the charter capital: JSCo Russian Railways – 51%, Trans-Baikal Territory – 49%);
- JSC Sakhalin Passenger Company²⁵ (charter capital: 100 thous. rubles; shares in the charter capital: JSCo Russian Railways 100% – 100%-1 share, ANO Zheldorreforma – 1 share).

In 2011, 24 suburban passenger companies were engaged in economic activities, 23 out of them – in transportation activities, 1 company – in agency for collecting of proceeds in cash at an acting suburban company.

One of the directions of development of suburban operations is setting up of multimodal companies together with Russian Federation constituents. In 2011, Management Board of JSCo Russian Railways approved a package of documents for incorporation of JSC Regional Transportation Company – subsidiary of JSCo Russian Railways (share in the charter capital – 49%) with participation of the Bryansk oblast administration with a share in the charter capital of 51% (minutes No. 36 of 25 October 2011).

As a part of implementation of activities aimed at development of the Passenger Transportation business block management system, 2011 saw the development and approval by the Management Board of JSCo Russian

Railways of the Concept for establishment of the property complex and suburban rolling stock and passenger equipment management system, in line with which the Board of Directors of JSCo Russian Railways made a decision to set up branches of JSCo Russian Railways – Central Directorate for Multiple Unit Rolling Stock and Central Directorate for Passenger Equipment.

Placement of orders for suburban passenger operations

In 2011, 72 Russian Federation constituents concluded 128 contracts for population transport service with 23 suburban passenger companies performing their activities in railway ranges and 1 Russian Federation constituent concluded a contract with Far Eastern Railway.

In 75 contracts with 48 Russian Federation constituents, the amount of subsidies to compensate a shortfall in income due to state regulation of tariffs for suburban operations is not specified.

Regional budgets provide for subsidies to compensate a shortfall in income due to state regulation of tariffs amounting to 6.0 bln rubles (*the funds are not provided for in Vladimir, Kurgan oblasts, Primorsky Territory and Tver oblast*).

In 15 regions, break-even result of suburban operations is ensured (*Khabarovsk Territory, Tomsk oblast, Omsk oblast, Nizhny Novgorod oblast, Kirov oblast, Republic of North Ossetia, Krasnodar Territory, Republic of Khakassia, Karachai-Circassian Republic, Republic of Bashkortostan, Novosibirsk oblast, Volgograd oblast, Republic of Tatarstan, Altai Territory, Krasnoyarsk Territory*).

In a number of regions (6 constituents), no subsidies are required with regard to the decisions made – *Moscow, Moscow oblast, St. Petersburg, Astrakhan oblast, Republic of Adygeya and Leningrad oblast, as the tariff for population was fixed at an economically feasible level*.

As a result of works performed by JSCo Russian Railways and suburban passenger companies aimed at making amendments to regional budgets for 2011, the originally planned volume of compensation of a shortfall in income as a result of state tariff regulation was increased by 2 bln rubles.

According to the results of 2011, 8 companies received profit before tax from suburban passenger operations – *Central SPC, Kuzbass – Prigorod, Moscow – Tver SPC, Altai – Prigorod, Omsk – Prigorod, Express – Prigorod, Volgogradtransprigorod, Kuban Express – Prigorod*.

With regard to tax obligations and payments, 6 suburban passenger companies completed 2011 with positive financial results (net profit) – North-Western SPC, Moscow – Tver SPC, Volgogradtransprigorod, Altai – Prigorod, Central SPC, Kuban Express – Prigorod.

²³ Except for JSC Sakhalin PC.

²⁴ For the list of suburban passenger companies, see the appendix.

²⁵ Company registered on 22 February 2011.

Financial and performance indicators of SPC in 2011

Accounting losses as of early 2011 exceeded 49 bln rubles. As a result of ongoing joint efforts of the Russian Government, JSCo Russian Railways and carriers, the situation was reversed for better, namely:

- a decision was made to subsidize infrastructure payments of carriers and 25 bln rubles were allocated for these purposes from the federal budget (federal law No. 105-FZ "Concerning the federal budget" for 2011 of 01 June 2011, decree No. 249-т/1 of the FST of Russia of 27 October 2011, registered with the RF Ministry of Justice on 8 November 2011, registration No. 22233).
- JSCo Russian Railways decided to reduce a cost of the services provided by SPC in 2011 (rolling stock lease, operation, maintenance and repair services). These measures were implemented, among other things, at the expense of a revised profitability level (from 4% to 0.01%) and abandonment of rate indexation for 2011 vs. 2010. These measures resulted in reduction of carriers' losses by more than 9 bln rubles;

- suburban companies were instructed to cut their own expenses from the stated level – as a result, costs were reduced by 1.97 bln rubles;

Income of suburban passenger companies for 2011 amounted to 42.8 bln rubles.

Expenses of suburban passenger companies with regard to establishment of a reduced tariff for public rail transport infrastructure use services amounted to 48.9 bln rubles.

In 2011, consolidated losses (before tax) from suburban operations of suburban passenger companies amounted to 6.1 bln rubles; without regard to profitable regions, losses amounted to 14.3 bln rubles.

Regional budgets provide for subsidies to compensate a shortfall in income due to state regulation of tariffs amounting to 6.0 bln rubles.

The aggregate of decisions and measures implemented helped improve the financial result of suburban operations and a loss from transportation with regard to subsidies and without regard to profitable regions amounted to 8.6 bln rubles.

Suburban complex indicators in 2011

Indicators	bln rubles
Income,	42.8
Total expenses with the infrastructure rate of 1%	48.9
Consolidated losses in the Russian Federation with regard to infrastructure rate decrease by 99%	6.1
Total subsidies demand of regions in the Russian Federation without regard to profitable constituents	14.3
Subsidies of regions for 2011 planned in budgets in 2011, mln rubles.	6.0
Including subsidies without regard to profitable regions	5.8
Total losses with regard to subsidies without profitable regions	8.6

Aggregate table by regions

Level of compensation by RF constituents	Number of RF constituents
No compensation required	6
100% compensation	16
> 50% compensation	13
< 50% compensation	34
not provided for	4
Total	73

Co-operation with transport law enforcement agencies continues to ensure law and order and prevent crimes and administrative violations at suburban rail transport facilities.

The practice of attraction of many transport policemen to joint work on electric trains has proved to be effective: proceeds from electric train ticket sale on these directions nearly tripled and a number of law violations nearly reached zero.

Extension of suburban train travel document sale channels through introduction of ticket printing machines (TPM) is one of the strategic tasks for suburban passenger companies for 2012. Performance of this task will ensure improved service quality and capitalization of suburban passenger companies.

Suburban rolling stock renewal

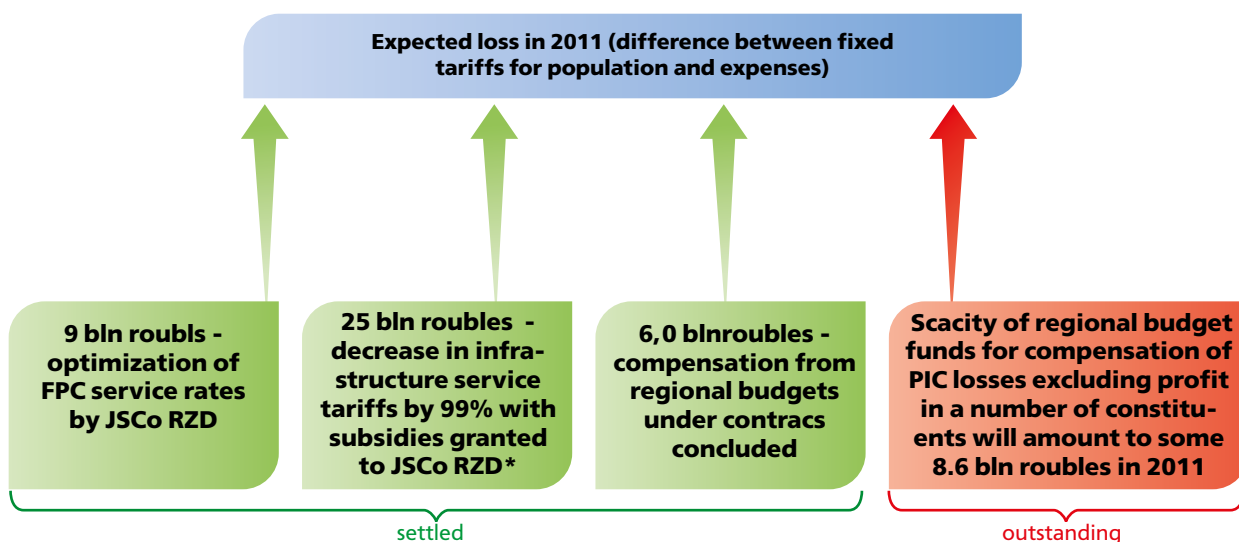
In order to develop and improve suburban passenger service, enhance the passenger service quality in suburban trains and improve the technical state of the multiple unit rolling stock, the suburban rolling stock is being renewed.

In 2011, 526 cars were delivered to the Russian railway network for multiple unit rolling stock renewal, including:

- 490 cars of electric trains (48 electric trains) manufactured by JSC DMZ;
- 36 cars of rail buses (12 rail buses) manufactured by JSC Metrovagonmash;

The volume of investment amounted to 10,848.9 mln rubles.

Scarcity of regional budget funds to compensate a loss from suburban passenger operations



Requirement of additional subsidies without regard to profit in a number of RF constituents amounted to some 8.6 bln roubles

* – JSCo RZD losses from a reduced infrastructure service tariff will amount to some 4.9 bln roubles (29.9 bln roubles - 25 bln roubles)

	Total excluding profit of constituents	
Income, bln roubles	42,2	14,4
Expenses including 1% for infrastr	48,9	28,8
Subsidies, bln roubles	6,0	5,8
Financial result	0	-8,6

In compliance with the new standards established by sanitary regulations of railway passenger service, design of electric trains has been changed since July 2011. Electric trains are fitted with climate control systems (air conditioning and heating depending on a season).

Considering passengers' complaints and wishes, electric train car vestibules are fitted with the forced ventilation system; a design of saloon windows has been changed.

In order to enhance traffic safety, electric trains are fitted with the real-time electric train technical diagnosis system, pressurized gangways and automatic sliding plug doors.

To arrange the service on Sochi-Adler-Sochi airport and Vladivostok-Knevichi airport lines, 3 ED4M and 1

advanced ED9M electric train and 2nd class cars were purchased in 2011.

2011 saw upgrade of electric trains as related to passenger saloon equipment with vandal-proof passenger coaches, thermoplastic panels, window frames, air conditioners, security systems (fire safety and fire fighting) and maintenance-free batteries and hydraulic extinguishers. This upgrading was aimed at improvement of the passenger service quality in suburban operations, enhanced fire safety and reduced costs on service of individual units. ED4M electric train and RA-2 rail bus for inspection trips were also upgraded. The total amount of assimilated funds for 2011 reached 780.7 mln rubles from the allocated limit of 781.1 mln rubles.

Rapid and High-Speed Operations

Organizing rapid and high-speed operations within the Holding is an innovative solution for development of the Russian rail transport.

In implementing such projects, the Holding considers the need for significant acceleration of railway communications between the largest Russian urban areas in order to maintain the transportation competitiveness, considerable socio-economic efficiency of such projects, necessity to overcome the technological inferiority as compared to foreign railways.

Development of rapid and high-speed operations is provided for by the Program for development of rapid and high-speed operations on the railway network of JSCo Russian Railways till 2020 and Russian rail transport development Strategy till 2030.

Priority projects for rapid and high-speed operations development:

1. commencing design, construction and assembly works with regard to the project for constructing a high-speed line between Moscow and Saint Petersburg scheduled for the period until 2017;
2. organizing rapid passenger service with a maximum speed of 160 km/h along the following routes:
 - Moscow – Kursk with a possible extension to Sochi and Crimea;
 - Moscow – Smolensk – Krasnoye – Minsk with extension to Warsaw and Berlin using Talgo rolling stock;
 - Moscow – Suzemka – Kiev using Pendolino or Talgo trains with body tilt technology;
 - Moscow – Yaroslavl;
 - Omsk – Novosibirsk.

There are several additional factors of rapid and high-speed operations development, which do not influence directly the economic benefit of the Company and state, but have a significant social meaning:

- increasing transport accessibility of regions and population's mobility;
- improving social and territorial integrity of the Russian Federation;
- promoting competitiveness of the Russian transportation network on the global transportation services market;
- migration of the population from regions with excess of labor force to regions where new railways are being constructed and operated;
- increasing the cultural and educational level of population living in the regions adjacent to new railways due to extending opportunities to communicate;
- increasing the number of transportation options for the population of regions adjacent to new railways;
- providing additional opportunities to attract investments (including foreign) to regions;
- integrating adjacent regions and expanding trade exchange.

Comparison of the prospective passenger traffic volume in organizing rapid and high-speed service performed with regard to the global experience proves that construction of a special-purpose high-speed trunk line with a maximum speed of 400 km/h may ensure a twofold increase in the passenger traffic volume due to a sharp increase in competitive power of the rail transport and resulting attraction of the passenger traffic volume from alternative means of transport.

VELARO RUS (SAPSAN) HIGH-SPEED ELECTRIC TRAIN FOR ST. PETERSBURG – MOSCOW – NIZHNY NOVGOROD

The main result of implementation of the Program for development of rapid and high-speed operations on the railway network was commercial commissioning of high-speed trains manufactured by the German company Siemens AG Velaro RUS that were named Sapsan in Russia. The design speed of electric trains is 300 km/h, commercial speed – 250 km/h.

SAPSAN electric train operation results

St. Petersburg - Moscow:

- 8 pairs of trains daily
- maximum speed — **250 km/h**

Moscow - Nizhny Novgorod:

- 2 pairs of trains daily
- maximum speed — **160 km/h**

- passengers transported since commencement of operation (as of December 31, 2011) — **4,773,936**

including in 2011 — **2,804,072**

- observance of the traffic schedule since commencement of operation (as of December 31, 2011) — **99.4%**

including in 2011 — **99.4%**

Number of trains:

- 4 single-system, 3kV**
- 4-double-system, 3kV, 25kV**

Commercial service started:

- Moscow – St. Petersburg December 17, 2009**
- Moscow – Nizhny Novgorod July 30, 2010**

Travel time:

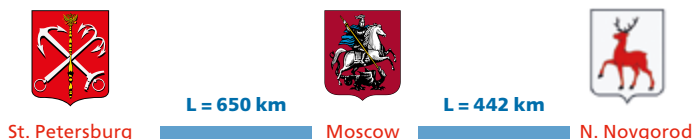
- St. Petersburg – Moscow 3 h. 45 min.**
- Moscow – N. Novgorod 3 h. 55 min.**

On 19 December 2011, JSCo Russian Railways concluded a contract with German holding Siemens for delivery of eight high-speed Velaro RUS (Sapsan) trains and a contract for their maintenance for 30 years. The documents were signed by President of JSCo Russian Railways Vladimir Yakunin and Chairman of the Board of Siemens AG Peter Loscher.

Trains will be manufactured at Siemens plant in Krefeld (Germany). Period of train delivery to JSCo Russian Railways: October 2014 – May 2015

The product presented is tremendously popular (the use of train capacity reaches 100%) and JSCo Russian Railways is not able to satisfy an increasing passengers' demand for these operations with an available number of electric trains. This is why it was decided to increase the Sapsan high-speed train fleet.

New right trains 10 cars each will be commissioned on



the Moscow-St. Petersburg line. A peculiar feature of these trains is an available function of dual sets, which will enable an increase in the carrying capacity without an increase in a number of train pairs.

In this dual mode, 20 cars will be 500 meters long, a train will be rated at 1,024 passengers. Trains will offer 4 classes of passenger service: VIP, premium, business and tourist. Internet connection is enabled in all cars.

8 electric trains are maintained under routine operation at the multiple unit depot St. Petersburg – Moscow of October Railway (Metallostroy). Siemens AG performs a whole set of works aimed at assurance of constant operation of Sapsan electric trains, including maintenance and repair of trains for their whole operation period (30 years). Train parts, components and units required for rolling stock repair for the whole operation period are provided by Siemens AG.

Allegro electric trains

JSCo Russian Railways set up a joint venture Oy Karelian Trains Ltd together with the Finnish Railways; under an international tender held, the joint venture purchased from Alstom 4 Pendolino Sm6 seven-car double-current electric trains with a design speed of 220 km/h and capacity of 344 seats.

PENDOLINO SM6 (ALLEGRO) HIGH-SPEED ELECTRIC TRAIN FOR ST. PETERSBURG — HELSINKI



ALLEGRO electric train operation results

Saint Petersburg — Helsinki

- 4 pairs of trains daily
- maximum speed — **220 km/h**

- passengers transported since commencement of operation (as of December 31, 2011) — **312,830**

- including in 2011 — **299,387**

- observance of the traffic schedule since commencement of operation (as of December 31, 2011) — **96.9%**

- including in 2011 — **97.4%**



Number of trains:
4-double-system, 3kV, 25kV

Start of commercial service:
December 12, 2010

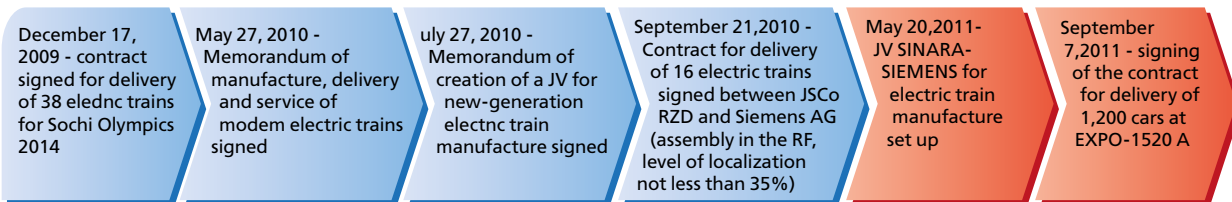
Travel time:
St. Petersburg – Helsinki 3 h. 30 min.

In 2011, four sets of Allegro electric trains were operated and ensured running of 4 train pairs a day.

Desiro RUS electric trains

One of the lines of co-operation between JSCo Russian Railways and Siemens AG is design, delivery and localization of production of a high-speed multiple unit rolling stock in Russia.

COMMENCEMENT OF LOCALIZATION OF DESIRO RUS LASTOCHKA



PHASE I

38 electric trains, manufactured in Germany

Technical project
 March 2010 - March 2012
 Working project May 2010 - February 2013
 Commencement of production April 2011 - done
 Electric train testing - certification
 May 2012 - December 2012
 Delivery of the 1st - 17th electric trains
 April - December 2012
 Delivery of the 13th - 38th electric trains

PHASE II

16 electric trains manufactured in Russia
 Level of localization – 35%

Delivery of the first set of bodies and parts for their assembly in Russia - December 2012
 Delivery of the 1st electric train - Q3 2014
 Delivery of the 16th electric train - Q4 2014

PHASE III

1,200 cars
 Level of localization – 80%

Bringing of the level of localization to 80% at Uralskiye Lokomotivy OOO in Verkh-nyaya Pyshma, Sverdlovsk oblast - 2017
 Delivery in the period 2010-2020

Establishment of an engineering center in Uralskiye Lokomotivy OOO

Tasks of the center:

- Technology transfer for manufacturing of new-generation electric trains as a part of the JV
- Introduction of innovative methods for elaboration of design-engineering documentation based on the rules and regulations applicable in the Russian Federation
- Changing of design and further modification of Desiro Rus Lastochka electric trains



The primary task of Lastochka (Desiro RUS) electric trains is to ensure passenger transport service during winter Olympic and Paralympic games in Sochi in 2014. Due to complicated topographic conditions of the venue and need for operation both on AC and DC lines, electric trains will have a double-system design (3 kV DC and 25 kV / 50 Hz AC), whereas train-stop and hauling equipment systems are designed to ensure safe operation in mountains with ruling gradients of up to 40%.

The next stage of co-operation with Siemens AG is

a decision to set up a joint venture within the Russian Federation to manufacture Desiro RUS suburban passenger electric trains. In order to settle this task, JSCo Russian Railways will set upon localization of Desiro RUS electric train production in the Russian Federation in order to attain the electric train production localization level of up to 35% of the electric train cost and purchase of 15 units of these electric trains. The first electric train is planned to be delivered in Q3 2014.

LOCALIZATION OF DESIRO RUS LASTOCHKA ELECTRIC TRAIN PRODUCTION IN THE RUSSIAN FEDERATION



Technical characteristics

Maximum operation speed, km/h	160
Maximum capacity, people	822
Number of cars per train	5
Range of operation temperatures, °C	-40...+40
Nominal voltage in OS, DC, kV	3
Electric train overall dimensions	As per GOST 9238
Length, m	126.5
including: head car	26.0
trailer car	24.8

Number of electric train cars — **1,200.**

Capacity of the joint venture is rated at manufacture of up to 200 electric train cars a year.

Desiro RUS Lastochka electric trains will be manufactured in Russia by Uralskiye Lokomotivy OOO in Verkh nyaya Pyshma, Sverdlovsk oblast.

Delivery of the 1st electric train - **2015**
 Delivery of the last electric train - **2020**

To ensure further development of production of a modern multiple unit rolling stock in Russia, on 7 September 2011, JSCo Russian Railways and OOO Siemens Tekhnologii Poezdov, a joint venture of Siemens AG and ZAO Sinara Group, signed a contract for delivery of 1,200 cars of electric trains for suburban passenger operations. Electric trains will be manufactured using production capacities of Uralskiye Lokomotivy OOO; subject to the contract, by late 2017, a level of localization of the electric train production must reach at least 80% of the electric train cost.

Electric trains will have five cars and will be designed for passenger transportation with a running speed of up to 160 km/h; these electric trains were named EGE ("city express" electric train). According to the contract, it is possible to change an order for manufacture of ten-car electric trains of EM type ("interregional express" electric train) and five-car electric trains of EL type (suburban electric train) based on EGE electric trains.

In 2011, the project for Desiro RUS electric train production localization was one of the Russia's largest technology transfer projects. In order to promote

scientific and technological co-operation, in 2011, Siemens AG and JSCo Russian Railways had a contract for establishment of an engineering center for multiple unit rolling stock design that has to become a functional element within the structure of the joint venture OOO Siemens Tekhnologii Poezdov.

The main activity of the engineering center will be elaboration of design and engineering documentation required for manufacture of Desiro RUS electric trains based on the rules and regulations applicable in the Russian Federation. Besides, engineering center specialists will take part in a health check of machine building enterprises in order to select manufacturers of electric train components, units and parts.

Incorporation of a joint venture for manufacture of a modern multiple unit rolling stock complying with global standards in Russia is a motivating factor and vector in upgrading of Russian machine builders. Procurement of foreign technologies and their adaptation to Russian conditions, sharing experience with foreign partners is a part of efforts aimed at renewal of the home manufacturing base.

611M rail motor car by JSC PESA (Poland)

2011 saw preparation and approval of the Technical Design Assignment for manufacture of a rail motor car by JSC PESA (Poland).

The rail motor car has been custom designed for tours of inspection of the railway infrastructure with rapid and high-speed passenger service.

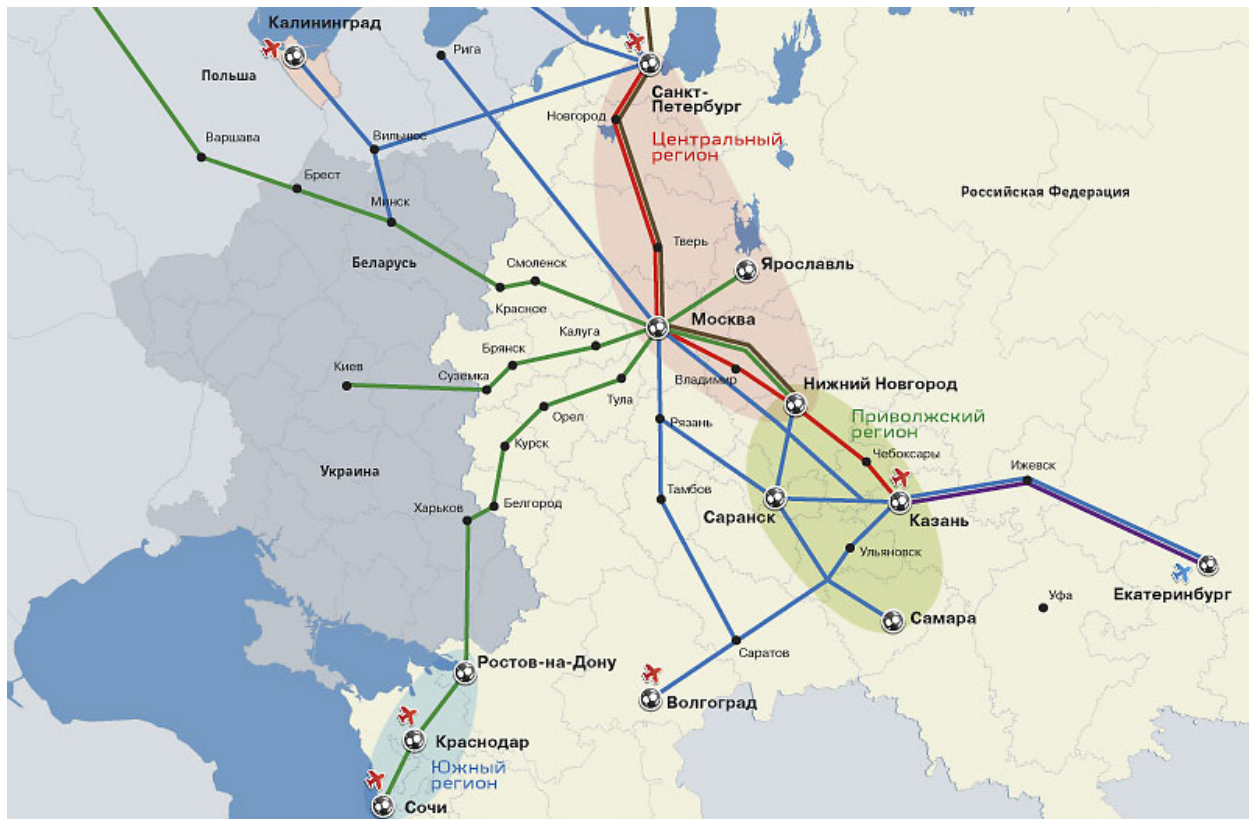
On 13 October 2011, at the TRAKO 2011 9th international railway exhibition held in Gdansk, JSCo Russian Railways and JSC PESA signed a contract for

manufacture and delivery of 611M inspection rail motor car. Its commissioning is scheduled for late 2013.

Arrangement of transport passenger service during the 2018 FIFA World Cup

In 2011, in line with results of the meeting with Chairman of the Government of the Russian Federation V.V. Putin (clause 3 of minutes of 31 March 2011 No. VP-P2-19pr), the Concept for upgrade and development of the railway

Concept of the railway infrastructure upgrade and development for arrangement of passenger operations for the period of 2018 FIFA World Cup, including construction of allocated high-speed routes



LEGEND

- existing section of high-speed passenger train operation
- section for arrangement of high-speed passenger train operation (300-400 km/h)
- section for arrangement of high-speed passenger train operation at Kazan - Yekaterinburg line (300-400 km/h)
- section for arrangement of high-speed passenger train operation (160-200 km/h)

- section for arrangement of accelerated passenger train operation (average speed 70-90 km/h)
- existing multimodal passenger operation of «airport - city» type
- prospective multimodal passenger operation of «airport - city» type
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- venues of 2018 FIFA World Cup

infrastructure with regard to construction of allocated high-speed lines to arrange passenger transport service during the 2018 FIFA World Cup was developed; the Concept was reviewed and approved at the meeting of the Scientific and Technical Council of JSCo Russian Railways on 15 June 2011.

When implementing projects of the Concept, it is planned to arrange sections with a travel time between venues of the championship from 2 to 5 hours using trains with seats:

- Central section (Moscow, St. Petersburg, Yaroslavl, Nizhny Novgorod);
- Southern section (Rostov-on-Don, Krasnodar, Adler);
- Volga section (Nizhny Novgorod, Kazan, Saransk, Samara).

While it is impossible to reduce the travel time between venues of the world championship to 5 hours in a number of directions (Moscow – Kazan, Saransk, Samara, Rostov-on-Don, Krasnodar), it is expedient to arrange accelerated passenger service with a travel time of 8 to 12 hours (comfortable overnight trains).

On 29 June 2011, the Concept was submitted to the Ministry of Transport for further submission to the Government of the Russian Federation.

In order to comply with Clause 8 Section II of Minutes No. 37 of the Meeting of the Russian Government of 03 November 2011, on 02 December 2011, "Proposals to the long-term program for development of rapid and high-speed operations in the Russian Federation" were submitted to the Ministry of Transport.

The Proposals were elaborated with regard to the Russian rail transport development Strategy till 2030, Program for development of rapid and high-speed operations on the railway network of JSCo Russian Railways till 2020 and the Concept of the railway infrastructure upgrade and development for arrangement of passenger operations for the period of holding the 2018 FIFA World Cup with regard to construction of allocated high-speed routes.

Moscow – St. Petersburg High-Speed Route (HSR1)

HSR1 is an allocated railway route between Moscow and St. Petersburg. The expected speed of travel along HSR-1 will be up to 400 km/h; the scheduled travel time between Moscow and St. Petersburg will not exceed 2.5 hours.

Innovative aspects of HSR-1 project implementation

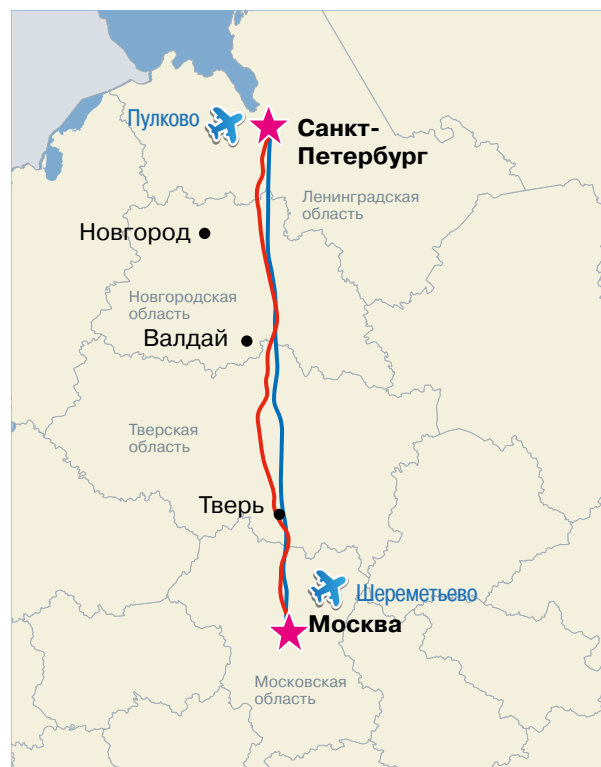
1. Creation of a new high-speed transport system that will connect large cities and promote country's economic development



HSR help increase passengers' mobility and create

new multimodal transport systems in conjunction with flight connection, suburban trains and public urban transport. HSR occupy a clearly marked niche in the distance range of 200-700 km, where high-speed trains (with a speed over 200 km/h) ensure a higher level of comfort and safety than motor and air transport and deliver passengers from one city to another in less than 2 hours. Besides, high-speed railway passenger service is incomparably more efficient than motor and air transport in terms of environmental protection against harmful emissions and impact.

Social and economic effects from creation of HSR-1:

- consolidation of two capitals into a single agglomerate;
- provision of an advanced service – high-speed railway passenger transportation;
- development of regions between the capitals, raising of their living standards. Remote regions automatically become close suburbs of two capitals at a time;



	October Railway	Length: 600 km
	New route	Travel time: 2 hours 30 min
		Maximum speed: up to 400 km/h
		Engineering structures: 256 pcs/72 km

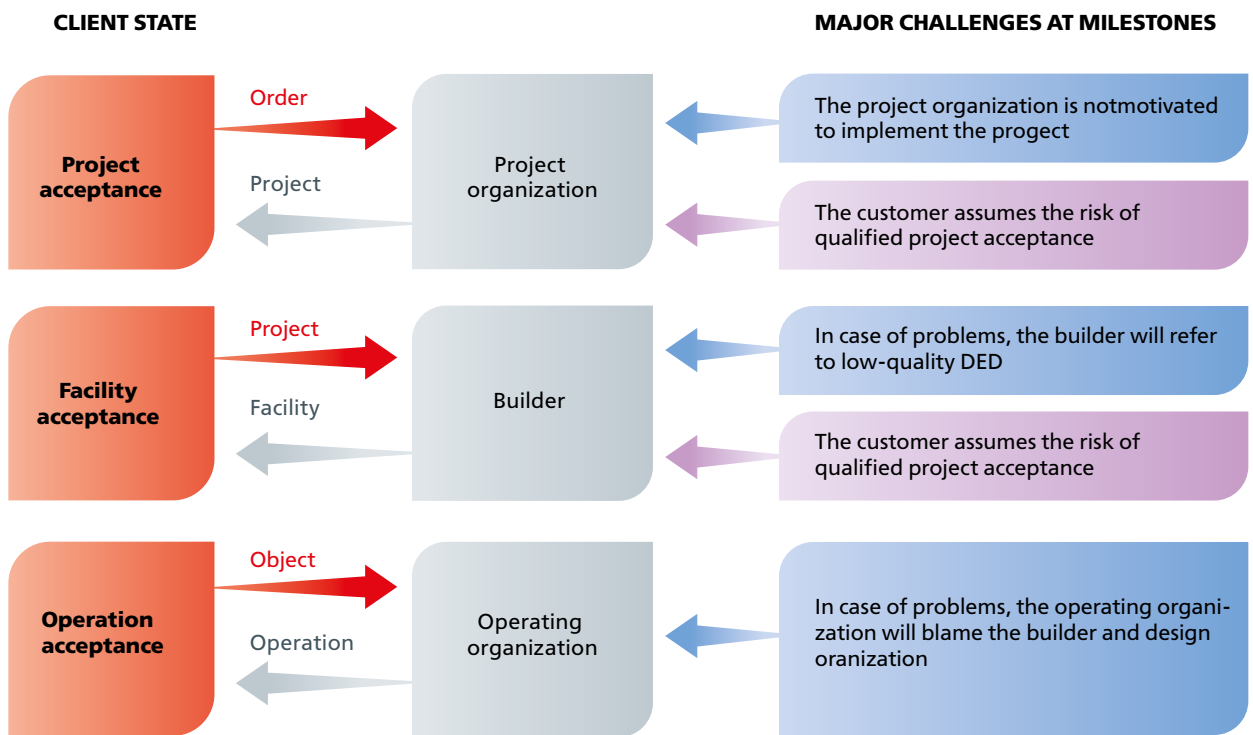
- enhancement of the country’s social and economic potential, as well-developed transport is the basis for prosperity of a variety of other industries and a prerequisite for improvement of the country’s investment climate;
- raising of qualification of Russian specialists and occupational level;
- building and development of the single system of multimodal complexes “airports – HSR – urban

- transport”;
- improved image of the country, as soon there will be not a single economically developed country without a HSR system left.

2. Introduction of a new method of infrastructure project creation – lifecycle contract (LCL).

HSR-1 project is planned to be implemented subject

STANDARD FLOW CHART: STEPWISE PROJECT IMPLEMENTATION



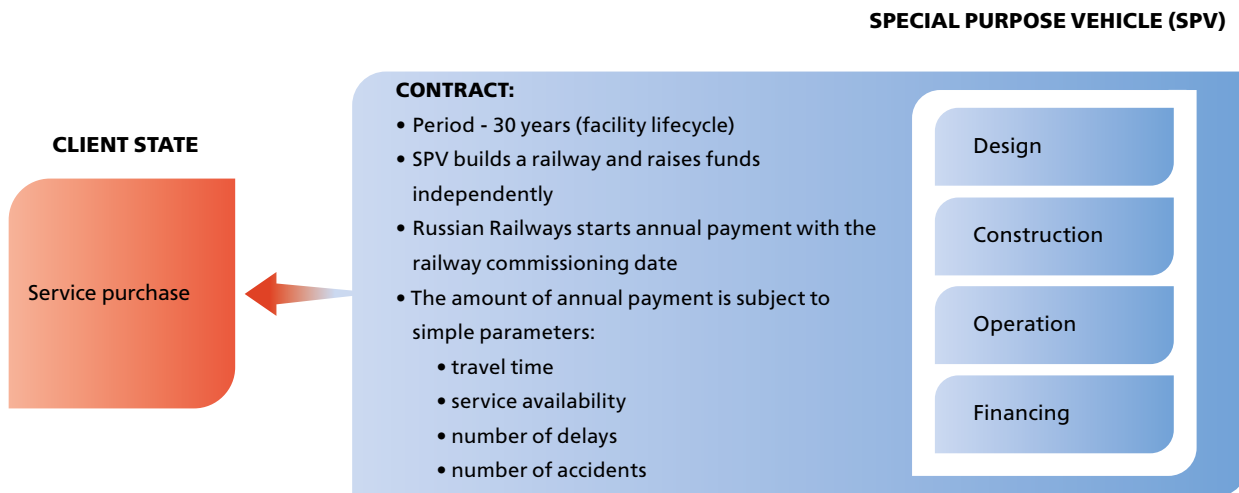
to private-public partnership (PPP) based on the lifecycle contract (LCC), also known as DBFM (Design Build Finance Maintain).

Presently, this country uses a "standard scheme" based on project division into milestones with assignment of design, construction and operation works to individual contractors and separate acceptance of deliverables at

each milestone.

This results in inefficient risk management at each milestone and a customer, i.e. the state is fixed with the whole responsibility. In case of large-scale projects, risks may bring about a considerable increase in costs, failure to observe deadlines and even implement the whole project.

LCC PATTERN: «NO SERVICE - NO PAYMENT»



LCC implies elaboration of a single contract with a contractor (special purpose vehicle – SPV) for provision of a service of available and high-quality infrastructure throughout the facility life.

Unlike the “standard” scheme, the state does not invest funds into route with LCC. Design, construction and commissioning are at the contractor’s expense. After this, the state will pay not for the facility, but for a service of the operating facility throughout its lifecycle that reaches 30-40 years using a simple principle: “no service – no payment”

In LCC, the state sets upon service payment only upon project commissioning and annually makes payments subject to observance of simple and easily measurable functional criteria, such as: travel time, route availability, number of delays, number of faults, accidents, etc. The state has to guarantee to the contractor that in case of successful service provision, payments will be regular.

The most important feature of LCC is promotion of contractor’s proper motivation at:

- maximization of innovations and high technologies (all savings from application of advanced technologies and proper design belong to the contractor);
- fastest project commissioning (service will be paid only after project commissioning);
- high quality of works performed (in case of a fault in 15 years, the whole facility repair load will be assigned to the contractor).

Thus, the contractor being fully released from risks of facility demand (there is an individual operating company engaged in train tickets sale or collection of fare) is motivated at facility quality only. The absence of risk allows the contractor to take out cheaper loans.

LCC benefits for the client state:

- considerable decrease in the cost of a facility and its maintenance;
- avoidance of all technological and project risks;
- significant decrease in the number of staff engaged in project acceptance and prevention of misallocation of funds;
- avoidance of unpredictable future costs on infrastructure support.

Thus, LCC ensures efficient risk distribution between the customer and contractor, covers the whole facility

lifecycle (up to 40 and more years) and combines design, construction and commissioning into a single complex, which enables cost cutting by 30-40%. This is proven by extensive international experience of LCC use all over the world, namely, at HSR.

3. Introduction of Russian standards harmonized with European ones and the best European practices of HSR creation.

Since Russia has no high-speed rail transport with a speed of more than 250 km/h, the relevant regulatory framework is also absent. Elaboration of own standards and regulations is a long and costly process. The most cost-effective and natural solution is introduction and adaptation of European standards in Russia (harmonization of standard).

Firstly, application of European standards will ensure significant cost saving, as we do not spend money on elaboration of our own standards.

Secondly, enormous cost saving will be ensured as the same standards will serve as the common technical language that requires no translators for foreign and Russian specialists as a part of HSR-1 creation. HSR projects all over the world are always a result of international co-operation, where mutual understanding is critical.

Thirdly, European standards are a powerful incentive to innovations. This effect is reached because modern European standards do not contain technology descriptions, but only impose functional requirements to product operational performance. With this approach, any new technology may be implemented right away without a need to change the standards. Application of the European model of standards will allow to remove barriers on the way to innovations, which promotes competition and, eventually, will make manufacturers improve the product quality and lower product prices.

Fourthly, application of harmonized standards will help reduce costs on HSR-1 construction thanks to the savings in material consumption, as European standards imply more efficient construction methods and material consumption. According to estimates, an expected effect from application of the standards harmonized with European standards will account for 10-30% of the HSR-1 cost.



7. Characteristics and Maintenance of the Infrastructure of JSCo Russian Railways



Characteristics and Maintenance of the Infrastructure of JSCo Russian Railways

The infrastructure of JSCo Russian Railways concentrates more than 70% of the basic production assets of JSCo Russian Railways and more than 50% of the Holding Company's assets; some 25% of the Holding Company's employees are occupied there. Development and technical state of the infrastructure determine ceiling volumes of transportation, significantly affect the technology and quality of operations and services provided to consumers. Since 2004, material rate of the infrastructure of JSCo Russian Railways has undergone no significant changes. Length of track in use has slightly reduced (to 85,166 km) with a minimum increase in the length of double-track and electrified lines.

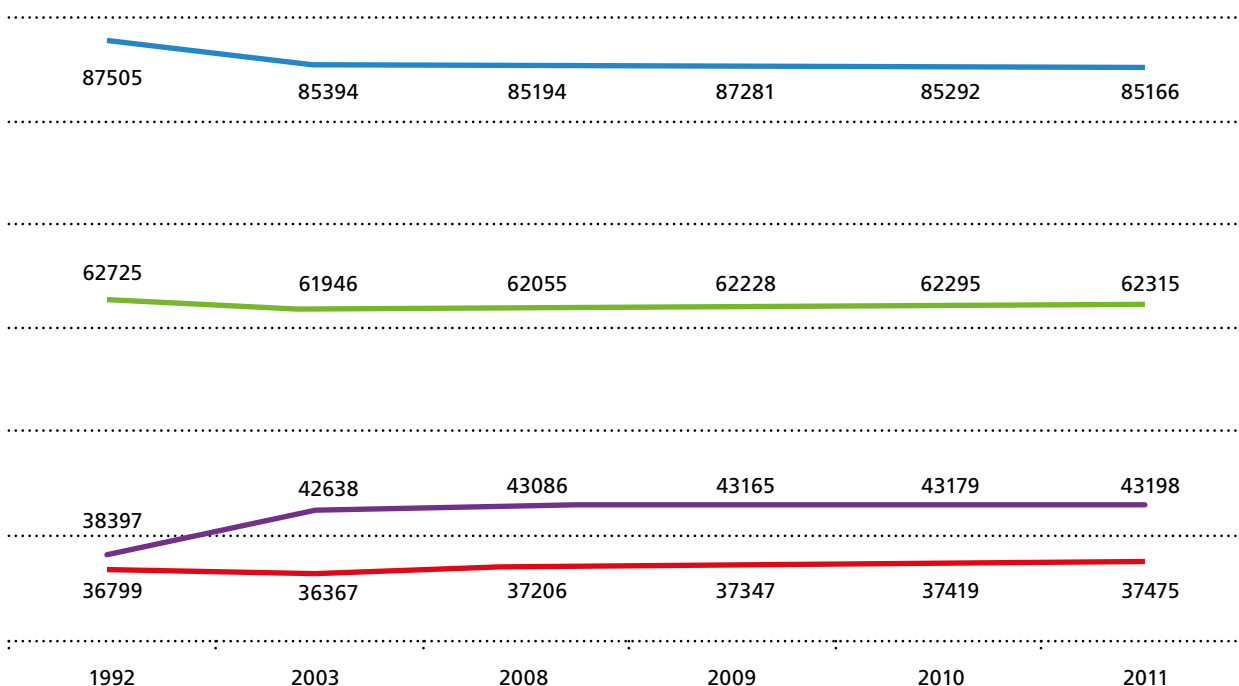
In this period, the load on the JSCo Russian Railways infrastructure significantly increased due to a gain in the transportation volume and length (since 2005, the freight traffic density accrued more than 12.9%). It is necessary to point out that the load on the JSCo Russian Railways infrastructure is in major excess

of the similar indicator or railways of European countries, North America and China. In individual train lines, infrastructure load increased more sharply due to redistribution of cargo traffic between the lines, policy of cargo traffic redirection from foreign to Russian ports being implemented and increased volume of foreign trade transportation with APR countries.

A high level of infrastructure load is also the evidence of more than 6.1 thous. km of bottlenecks in the network, which accounts for 7.2% of the total network length.

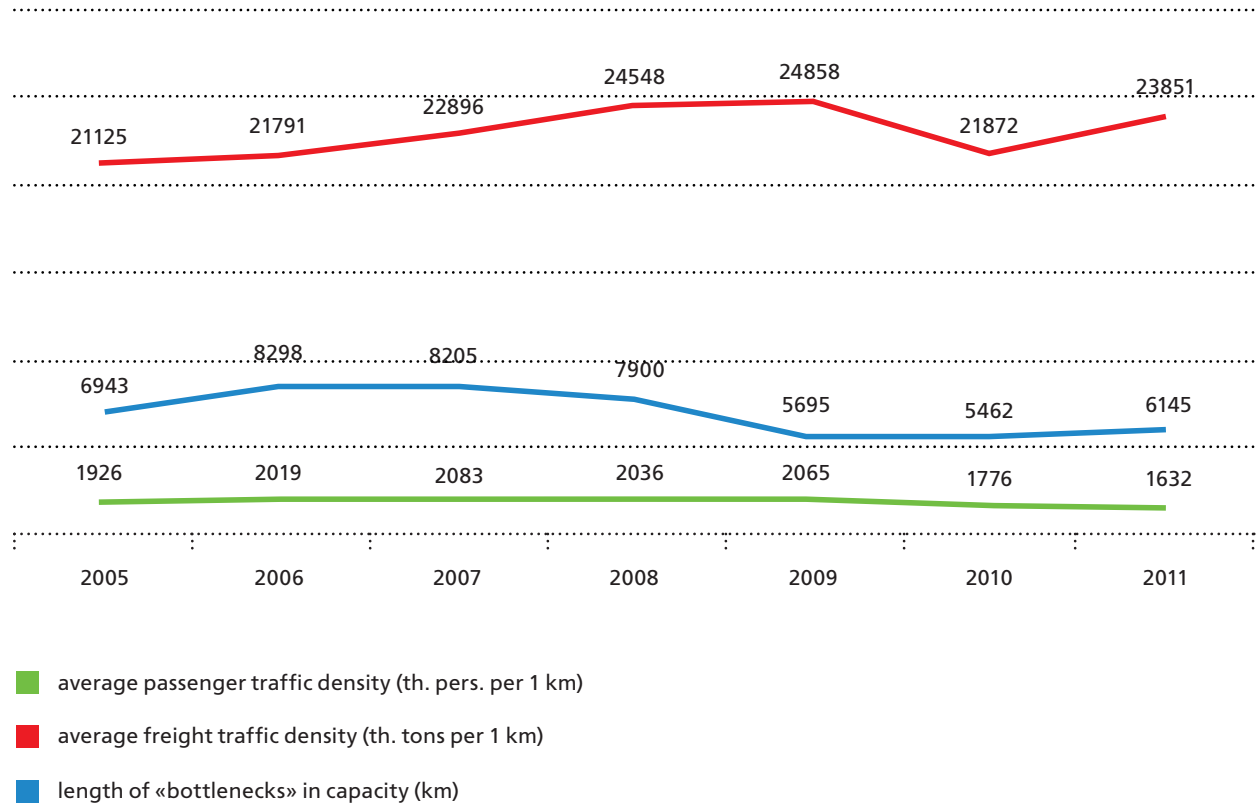
The most challenging bottlenecks of the JSCo Russian Railways infrastructure are primary railway corridors (exhausted capacity at more than 3 thous. km out of 20 thous. km of length of the main network lines), large rail junctions and port approaches.

Technical characteristics of the infrastructure, km



- length in use
- sections with two and more lines
- sections with automatic block signal systems and DC
- electrified sections

Infrastructure load and length of bottlenecks (as of 1 January each year)



With a high network-average level of infrastructure load in a number of its lines, there are low-intensity sections with low freight traffic density and passenger traffic. The total length of these low-intensity lines and sections is nearly 12 thous. km. Most of these lines are dead-ended (some 63%). Normally, these infrastructure sections ensure transport availability of state facilities, socially important transportation and act as approach lines to industrial hubs and enterprises.

Since incorporation of JSCo Russian Railways, much work has been done to enhance the material rate of the track infrastructure – the stone bed track with tempered rails, continuous welded rails and concrete sleeper track has been extended. This enabled increase in the train speed and weight, transportation safety and labor performance in the track complex.

At the same time, during the previous period (including in the times of the Ministry of Railways), investments into the infrastructure and expenses on its overhaul were

much lower than needed. This resulted in an aggravated technical state of railway infrastructure facilities owned by JSCo Russian Railways, and a level of their obsolescence and deterioration greatly increased.

Operation of a significant number of infrastructure facilities with an expired useful life compromises transportation safety and quality, restricts train speed and deteriorates the quality of services for freight owners and passengers due to restricted traffic speed and equipment failures resulting in train delays. Besides, this brings about an increased need for repair of key assets and growth in expenses on their maintenance and repair.

Condition of the Track Infrastructure

Typical functional peculiarities of track facilities development are as follows:

- elaboration and introduction of a new model of infrastructure complex management;
- development of track diagnosis tools and their increased performance with introduction of new-generation automated diagnostic complexes;
- further improvement of the track repair quality through introduction of the quality assurance system, advanced technologies and experience of the best repair enterprises;
- development and introduction of new types of track machines to ensure an increased life of track superstructure materials and reduced costs on repairs;
- development and introduction of new track superstructure designs for high-speed and heavy-weight traffic, including on non-ballast track;

The analysis showed that in 2011, tasks of track overhaul and upgrade were fully completed, including:

- upgrade of 2,710 km of railway;
- overhaul with the laying of new materials – 1,482.4 km;
- overhaul on used materials – 1,890.8 km.

As of 31 December 2011, all types of track repairs, including reconstructions, enabled rehabilitation of 10.8 thous. km of the railway network (100% of the annual plan), 10.7 thous. km (97.8%) were commissioned. Failure to comply with the commissioning plan is due to material delivery failures and an incomplete scope of provided intervals for track repair and reconstruction that occurred in 2011.

During track repair works at reconstruction facilities, 2,534.8 km of hauls of continuous welded rails were laid, at overhaul sections using new materials – 1,411.1 km, at overhaul sections using used rails – 958.6 km. Intensified heavy maintenance allowed to rehabilitate 1,168.5 km, regular heavy maintenance – 1,476.3 km. Intensified and regular track raising were performed within the scope of annual plans; 1,995 km of the track were repaid in total. 4,519 sets of concrete-sleeper pointworks were laid at reinforced concrete cross bars.

As compared to 2010:

- length of continuous welded rails increased by 3.0 thous. km to have reached 80.5 thous. km on running lines;
- length of the concrete sleeper track increased by 3.4 thous. km to have reached 86.2 thous. km;
- length of the track with a separating layer increased by 2.9 thous. km to have reached 24.0 thous. km or 19.4% of the length of blocked sections of running lines.

Regular work towards extension of continuously welded rail tracks on concrete sleepers with Russian-made ARS and ZHBR resilient fastenings made it possible to increase the length of the track to 22.6 thous. km (26.6% of the total running lines on concrete sleepers).

Achievement of track rehabilitation targets made it possible to increase the speed of passenger trains by 2.3 thous. km of the renovated tracks, and by 2.33 thous. km for freight trains.

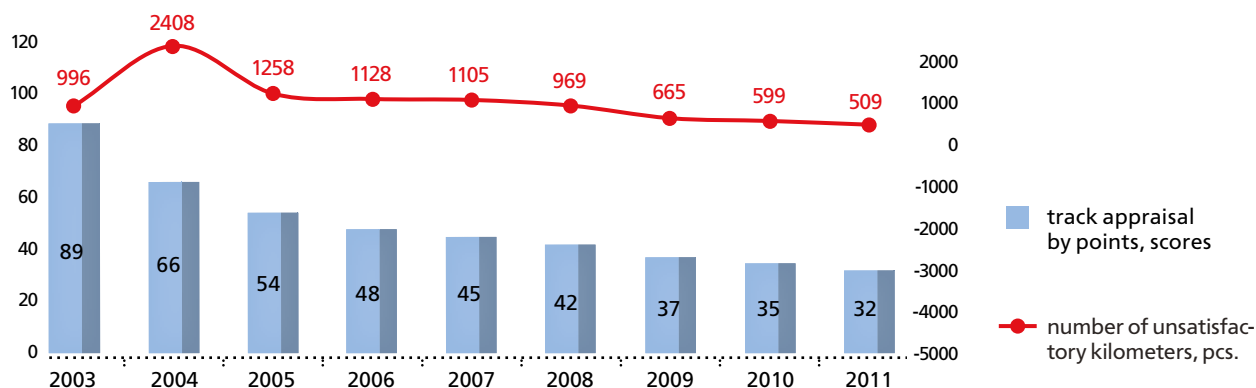
At the same time, track repair works performed in 2011 did not help decrease the length of track sections with the excessive tonnage and service life.

As of 31 December 2011, their length increased by 854 km to have reached 20.967 thous. km or 16.9% of the running track miles, half of which (50.4%) is the track of 1-2 class.

In 2011, Company's operational performance indicators were improved:

- track evaluation score was reduced;
- number of inadequate quality kilometers decreased;
- fewer cases of traffic safety violation.

Analysis of the condition of the track, 2003-2011



In 2011, there were 6,415 faults on track facilities, which accounts for 10% of the total number of network faults. Year-on-year decrease is 38% or 3,948 occurrences (in 2010 – 10,363).

The main causes of hardware failures were due to track circuits malfunction (40%), presence of highly defective rails (21%), failures due to deviations from the norms of track maintenance (17%).

For the purposes of the Program for the Development of Rapid and High-Speed Operations on the Railway Network, since 2008, JSCo Russian Railways every year acquires batches of certified rails manufactured by the Japanese Nippon Steel Corporation, which have confirmed their high operational characteristics on the Saint Petersburg – Moscow route.

Engineering structures

The railway network of JSCo Russian Railways operates 82,940 man-made structures, including: railway bridges and through bridges – 30,619 pcs., railway tunnels – 147 pcs., pipe-culverts and cross channels – 49,768 pcs., pedestrian bridges and tunnels – 1,109 pcs., motor road through bridges – 189 pcs., other structures – 1,108 pcs. All in all, the network has 7,513 defective man-made structures, or 9.1% of the total number of structures.

The railway network operates 11,108 metal superstructures with a total weight of 1,413.7 thous. tons, including 129.7 thous. tons of defective structures or 9.2%. Besides, 57.2 thous. tons of metal superstructures designed in 1907 and earlier are in operation.

Roadbed defects account for 6.4% or 5,476.1 km out of 85,452.8 km. 33.2% are defects of roadbed outlines (excessive angle of slope, insufficient width of roadbed), 28.4% – road bed deformations (slipouts, settling).

In order to enhance efficiency of the current system of manmade structure and roadbed maintenance, 2011 saw continued works aimed at assurance of distances between engineering structures (MMS TMD). Currently, MMS TMD have been set up on West Siberian, Gorky, Privolzhsk, Kuibyshev, Sverdlovsk, South Urals, Trans-Baikal, Krasnoyarsk and East Siberian Railways. Work is being done to set up MMS TMD on Moscow, Far Eastern, Northern, North Caucasus, October and South-Eastern Railways.

2011 saw much work related to overhaul of engineering structures:

- 470 tons of metal superstructures were replaced, 24 pedestrian bridges and tunnels were repaired;
- 1,613.7 cub.m of non-ballast bridge road bed slabs were laid;
- 132 pipe-culverts were repaired;
- 652.7 thous. cub.m of roadbed were dumped.

In 2011, 5,268.2 mln rubles were allocated for overhaul of engineering structures, including:

- man-made structures – 3,347.1 mln. rubles;
- roadbed – 1,921.1 mln. rubles.

The actual performance amounted to 5,200.9 mln rubles or 98.7% of the annual plan, including for man-made structures –3,310.7 mln rubles (98.9%) and roadbed – 1,890.2 mln rubles (98.4%).

With further ageing of key engineering facilities and limited funding, the following tasks become top priority:

1. Improved quality of diagnosis of man-made structures and roadbed.
2. Creation of an automated engineering structure management system based on advanced diagnosis tools and structure remaining life design procedures.
3. Optimization of the structure of subdivisions engaged in maintenance of engineering structures and their equipment with advanced high-duty mechanisms and equipment.
4. Introduction of the latest structures and technologies allowing to minimize engineering structure operating expenses.
5. Revision and renewal of the regulatory and technical framework for running maintenance and repair of engineering structures.

network increased by 685 km vs. 2009 to have reached 6.1 thous. km or 7.2% of the length of track in use. The length of bottlenecks along the main routes increased by 719 km to equal 3,845 km or 62% of the entire length of bottlenecks.

According to expert estimates, as of 31 December 2012, the length of bottlenecks may reach some 7,000 km with further upward trend.

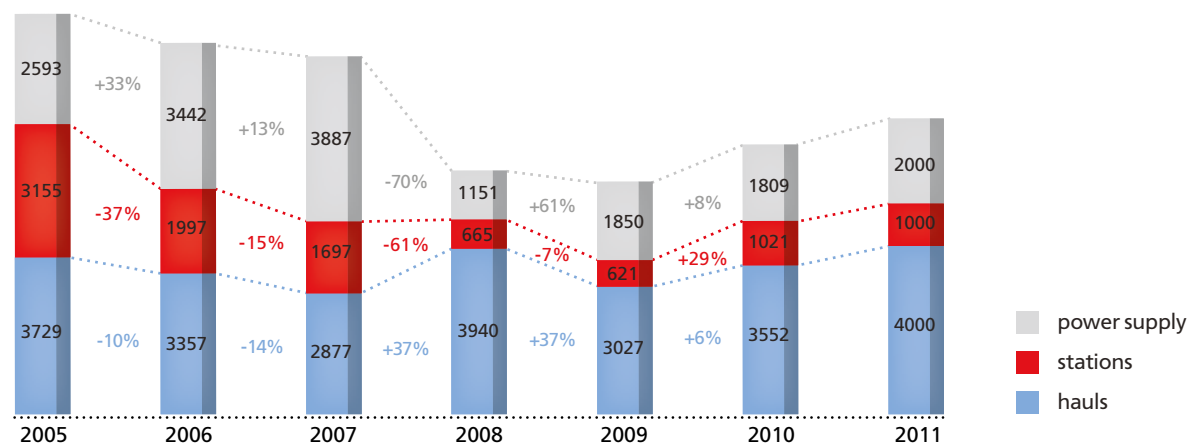
The reason for appearance of sections with capacity use above the accepted level is insufficient capacity hauls, power of traction energy facilities, and the length of receiving-and-departure, classification and draw-out tracks at through depots, section depots and freight classification yards.

This reduces the throughput and estimated capacity of depots causing increases in train detention at entrance signals as well as generally reduces the section speed of passenger and freight trains.

Dynamics of changes in the number of bottlenecks in capacity of the JSCo Russian Railways railway network

Analysis revealed that in 2010, the length of capacity bottlenecks in the JSC Russian Railway

Length of sections by restricting components, km



2011 saw further expansion in heavy-cargo train services with a tonnage rating from 6,000 tons. However, in the face of changing traffic conditions, poor infrastructure readiness creates operational difficulties across the entire railway network.

On certain railway sections, electric traction power supply equipment that was installed a few decades ago does not meet the existing operational requirements. This situation results in increased intervals between trains and reduced capacity of many lines, especially on main routes.

Railway Automation and Remote Control

Railway automation and remote control devices are the basis to attain the set level of throughput and carrying capacity of railways.

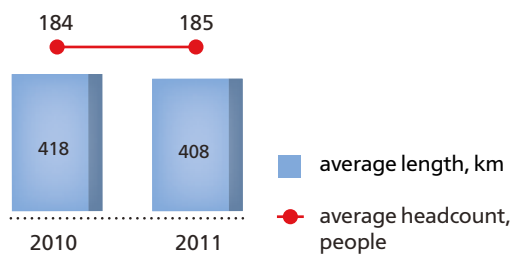
Railway automation and remote control devices (ARC) are understood to mean the railway transportation control automation equipment that assures train traffic safety and set throughput and estimated capacity. Railway automation and remote control devices include devices and systems that ensure interval regulation of train traffic at stations and hauls, such as:

- automatic block system and semi-automatic block system (AB);
- electric interlocking of track switches and stoplights (EI);
- automatic cab signalling (ACS);
- rolling stock coming-off control device (RSCCD);

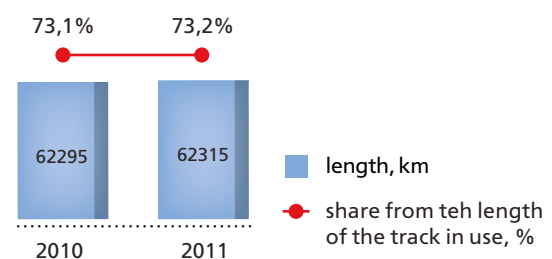
- centralized traffic control (CTC);
- other.

On the Russian railway network, Railway automation and remote control devices serve 203 signalling, centralization and blocking distances and 1 automation and remote control technical center with a total strength of 37.6 thous. employees.

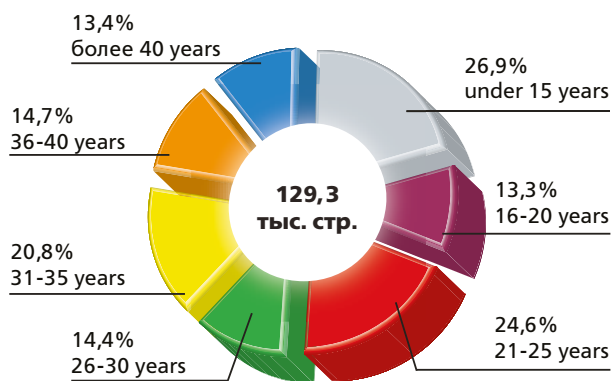
Average length and amount of distances with signaling, centralization and blocking systems



Length of distances equipped with automatic block systems and centralized traffic control



Analysis of the state of electric interlocking systems by service lives on the railway network (fac.) as of 31 December 2011



Improving reliability of operation of infrastructure facilities

Faultless and reliable operation of railway automation devices serve as basis for achieving the targeted level of throughput and carrying capacity of the railways, and is the primary objective for the automation and remote control functions. Assessment of their performance depends on the number of failures of railway automation and remote control devices and is determined by the dynamics of their changes.

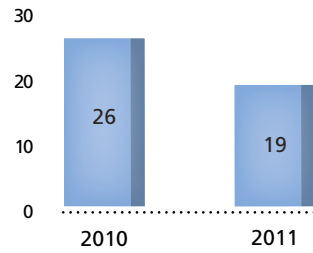
One of the most important factors to ensure reliable operation of automation and remote control devices is investigation and analysis of causes of ARC irregularities with a view to prevent their re-occurrence. To this end, the automation and remote control service set upon implementation of a pilot project for URRAN (RAMS) methodology introduction. Over the project implementation period, reliability indicators were determined; failure flow conversion factors were established subject to:

- a) technique;
- b) weather conditions;
- c) category (loading) of lines, their numerical values

were calculated, Method for calculation of operating reliability indicators of automation and remote control devices (for experimental use) was developed; procedure for setting accepted values of failure flow intensity for hauls and stations was established based on regulatory values of the average recovery time and restrictions for line availability as a whole.

Another focus is on quality control of railway automation and remote control products and commission investigations of ARC failure causes with engagement of representatives of manufacturers of these products. Each year, administrative and technical measures are elaborated and implemented with regard to automation and remote control devices to reduce a rate of irregularities of signal and interlocking.

Amount of transportation safety violation, cases



Implementation of all administrative and technical measures to enhance reliability of ARC devices will help advance the culture of equipment operation to a brand new level and improve the quality of customer service.

One of the directions in ARC maintenance and resulting decrease in the failure rate is establishment of the unified multi-level system for equipment automated state monitoring and automated process performance accounting system. This requires creation of automation device technical state diagnosis and monitoring centers on all the roads.

Priority lines of automation and remote control development

Within the framework of strategic lines of scientific and technical development of JSCo Russian Railways till 2015 (the "White Book" of JSCo Russian Railways), the Company has determined the following tasks related to innovative development of ARC systems and devices:

- creation and introduction of an integrated multi-purpose system of train traffic, shunting operation and freight classification yard operation control based on satellite navigation and delivery of control commands over a radio channel adapted to various categories of rail lines;
- introduction of a multi-level automated system for technical diagnosis and monitoring of the state

of signals and interlocking with concurrent control over performance of scheduled and repair operations with relevant backup (TDMS), including mobile diagnosis complexes;

- creation of low-maintenance floor signals and interlocking equipment, new-generation gravity hump mechanical aids with backup elements and diagnosis tools protected against unauthorized access using composite materials and nanotechnologies.

As a part of settlement of strategic tasks for increased performance of JSCo Russian Railways, railways are fitted with advanced ARC technical means based on microelectronic hardware components and a multi-level system of train traffic control and safety assurance is created on this basis.

Currently, the railway network is fitted with ARC technical means that ensure required safety and reliability levels and enhanced functional capabilities as compared to their relay-controlled analogues.

Facilities of the Business Unit Dealing with Civil Works, Water Supply and Sewage

In 2011, the main focus in operation of civil works was on developed cost optimization activities. Implementation of these measures with respect to housing and utility facilities (i.e. their transfer into municipal ownership) and provision of additional services helped reduce losses by 441 mln. rubles vs. 2010.

In 2011, 35 dormitories with a total area of 88.1 thous. sq.m not engaged in the transportation process, 141 apartments with an area of 7.8 thous. sq.m and 11 residential buildings with an area of 1.5 thous. sq.m were transferred into municipal ownership. In order to optimize costs on maintenance of civil works, in 2011, following an established procedure, the Company sold 154, wrote off 1,081, and mothballed 759 property items. Economic benefit from decrease in tax and capital charges

exceeded 84.8 mln rubles. The main objective in terms of management for 2010 were to ensure sustainable operation of technological facilities and utility assets, i.e. technical and administrative premises, heating and power supply, water supply and sewage facilities, maintenance and operation of housing and utility assets held by JSCo Russian Railways, as well as investments in the development of civil works, water supply and sewage facilities.



8. JSCo Russian Railways Asset Management



JSCo Russian Railways Asset Management

Registration of Russian Railways real estate

At the date of its charter capital formation, JSCo Russian Railways registered title to and contributed to the Company's charter capital 356,800 of 420,200 real estate items (approx. 85%) as a part of 8,622 production and technology complexes (PTC).

Since the real estate items were registered as part of PTCs, they may not be disposed of separately.

Transactions with property items included in the registered PTCs only become possible after a PTC is decomposed, which requires technical inventory and state registration of all property items within the PTC. These procedures require significant time and financial resources and often delay the contribution of property to charter capitals of S&A and engagement of non-core assets into civil turnover.

Therefore, on 29 June 2007, JSCo Russian Railways adopted a decision to decompose all PTCs on a scheduled basis.

Over the last period, a total of 3,018 PTCs, which comprised 99,319 real estate items, were decomposed.

Property contributions to charter capitals of subsidiaries

During the period of its operation, the Company contributed 23.4 thous. real estate items to the charter capitals of its subsidiaries set up as part of the railway industry reform. Charter capitals of these subsidiaries amounted to over 234 bln rubles.

The most significant property contributions were made by JSCo Russian Railways to the following subsidiaries:

- engaged in procurement and trade (5.3 thous. property items of JSC Railway Trade Company);
- engaged in construction (4 thous. property items of JSC Roszheldorstroy);
- engaged in rolling stock repair (1.4 thous. property items of JSC Zheldorremash);
- engaged in long-distance passenger operations (2.7 thous. property items of JSC Federal Passenger Company that started its economic activities in 2010).

Income from Company's real estate management

Income from real estate sale from 2005 to 2011 amounted to 22.62 bln rubles.

From 2004 to 2011, the Company's income from lend-lease of real estate amounted to 36.9 bln rubles.

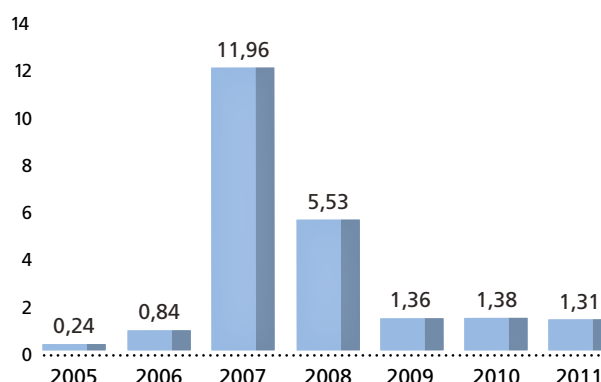
The Company continues transfer of relations with federal government bodies to those based on lease terms.

In pursuance of federal laws ("On customs regulation in the Russian Federation" and "On police"), transport

police and customs authorities use JSCo Russian Railways premises free of charge.

Due to a request of the Russian Border Services Agency for delivery into free-of-charge use of the real estate

Income from sale of the Company's real estate, bln rubles.



located at railway crossing points on the state border required for performance of state control functions since 2012, the management of JSCo Russian Railways decided to deliver the above premises to FSE Rosgranstroy under loan agreements.

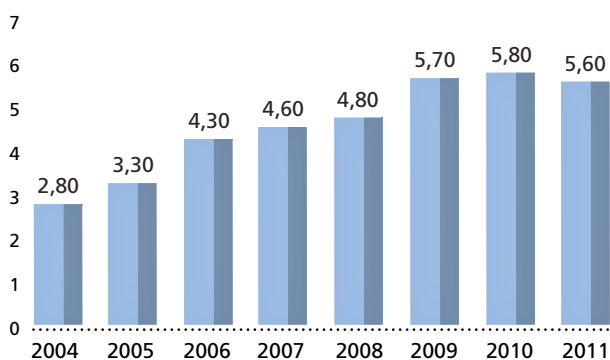
The Company has lease relations with other federal bodies (FMS of Russia, Federal Agency for Transport Supervision, Federal Service for Veterinary and Phytosanitary Surveillance, Federal Consumer Rights Protection and Human Health Control Service, Public Prosecution Office of the Russian Federation, Investigative Committee of the Russian Federation), apart from FSBI "Main Center for Special Transportation of the Russian Ministry of the Interior", which is currently being transferred to lease relations.

2011 also saw comprehensive efforts aimed at conclusion of lease agreements with military communication bodies of the Ministry of Defense of the Russian Federation in order to procure compensation of JSCo Russian Railways losses from maintenance of the premises occupied.

As of 31 December 2011, 2 mln sq.m of the real estate owned by JSCo Russian Railways was leased.

Since 2010, JSCo Russian Railways have been taking methodical efforts to transfer federal authorities to lease relations. The Company has arranged to sign lease agreements with the following government bodies: Public Prosecution Office of the Russian Federation,

Income from lease of the Company's real estate, bln rubles.



Investigative Committee of the Russian Federation, Federal Consumer Rights Protection and Human Health Control Service, Federal Agency for Transport Supervision, Federal Security Service, Federal Center for Rail Transport Hygiene and Epidemiology, FSE Rosgranstroy, Federal Migration Service.

Management of the Company's land resources

JSCo Russian Railways uses railroad rights-of-way with a total area of 969 ha, including 7,027 land plots of 953.8 thous. ha registered as federal property, which constitutes 98.4% of the total land registered as federal property.

The Company entered into lease agreements with territorial bodies of the Federal Property Management Agency for lease of 6,867 land plots registered as federal property with a total area of 950 thous. ha.

The Company's land sublease income reduced by 4.3% and amounted to 555 mln rubles (2010 – 580 mln rubles).

JSCo Russian Railways has registered title to more than 6,8 thous. land plots with a total area of more than 31 thous. ha.

Property in international projects

The Company is active in protecting both its own property interests and those of the Russian Federation in the territory of foreign countries related to railway facilities.

10 February 2011 saw enactment of an intergovernmental protocol prepared with the active participation of JSCo Russian Railways, pursuant to which transit railways across the territory of Kazakhstan shall become property of the Russian Federation. Active efforts are currently under way to implement the protocol, specifically: joint Russian and Kazakh property inventory was taken; in pursuance of a joint decree of the Federal Property Management Agency and State Property and Privatization Committee of Kazakhstan, a list of transit railway section property was approved; a certificate of delivery and acceptance of non-transit section property was signed; the draft lease of land plots was prepared and is currently being coordinated by the Kazakh counterpart.

In addition, JSCo Russian Railways are contributing to the process of defining the rights of the Russian Federation and those of the Ukraine to the property related to railway sections in the territory of the Ukraine, and registration of the Company's title to this property. In particular, JSCo Russian Railways is taking an active part in negotiations with the Ukrainian party and previously prepared a draft intergovernmental agreement. Besides, the Joint Russian-Ukrainian Demarcation Committee is considering a proposal of JSCo Russian Railways for revision of the state border line so that rail transport property items were fully located within the Russian Federation.



9. Innovations and Technological Development of Russian Railways



Innovations and Technological Development of Russian Railways

Innovative Development of the Company and Consistent Technical Policy

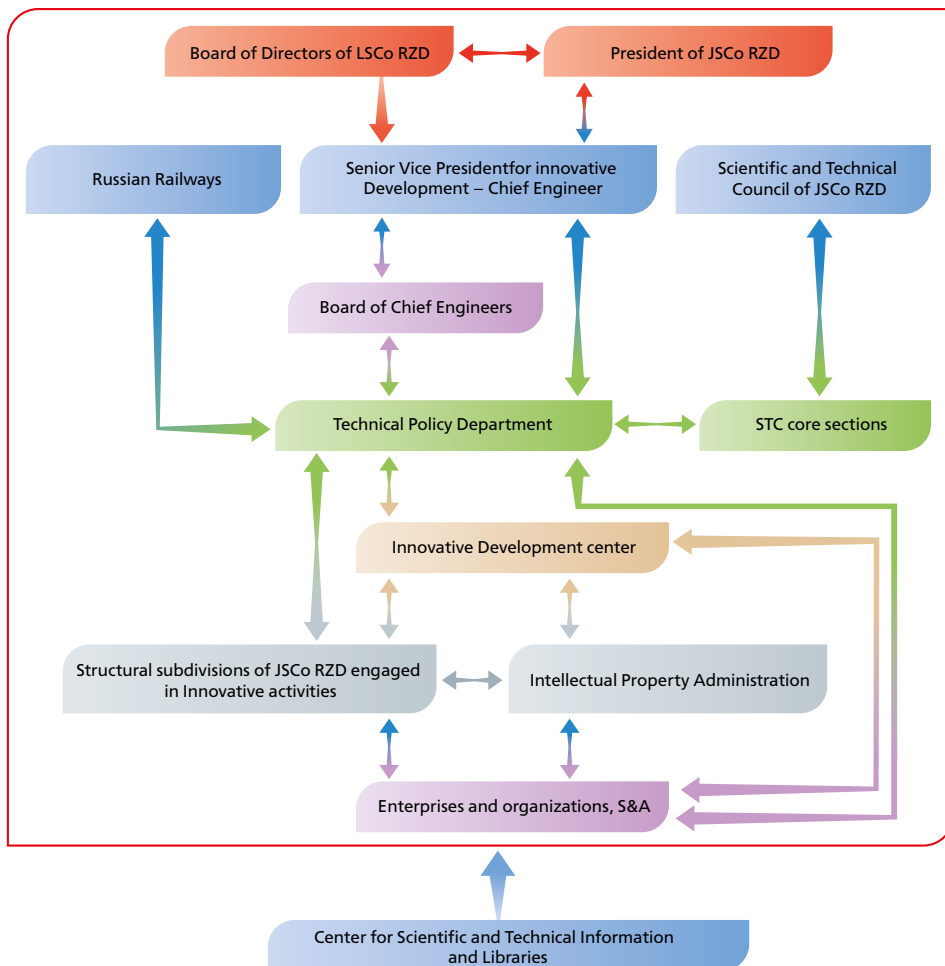
The objective of innovative development of the Company is assurance of high economic efficiency, environmental and functional safety and stability of the rail transport determined by the RF rail transport development Strategy till 2030.

Apart from development of own innovative technologies, the Company promotes the environment favorable for innovative development and develops new approaches that cover nearly the whole range of activities of Russian Railways: from establishment of the corporate

management structure to foreign technology transfer.

The Company has established the structure and introduced the corporate system of innovative activities management that ensures the full cycle of introduction of innovative projects: from determination of strategic directions and target development parameters to acquisition of new products and their performance assessment.

Flowchart of innovative activity management in JSCo Russian Railways



Over the past period, the Company approved a number of fundamental documents related to innovative activities that are regularly updated with regard to requirements of the law and country's executives.

In pursuance of instructions issued by country's executives, the Board of Directors of JSCo Russian Railways determined priorities in innovative development of the Company. The White Book of JSCo Russian Railways was transformed into the approved Strategy of innovative development of JSCo Russian Railways till 2015 that determines 12 key directions and indicators of the Company's innovative development.

These directions are being implemented based on the Program for innovative development of JSCo Russian Railways till 2015 (hereinafter referred to as the Program) unanimously approved by the Board of Directors of JSCo Russian Railways.

The Program is in line with the Company's development strategy and its financial plans; it contains a set of activities aimed at development and implementation of new technologies, innovative products and services matching the world level as well as stimulation of innovative development of key industries of the Russian Federation.

It provides for an increase in R&D funding, introduction of innovative prototypes of railway machinery and assurance of their production localization.

In 2011, a little less than 0.5% of income was allocated to R&D, which complies with the global level for transport companies.

During the year, JSCo Russian Railways obtained 9 international patents and 214 patents of the Russian Federation for inventions, useful models and industrial designs. The intellectual property portfolio of JSCo Russian Railways currently contains more than 1,500 titles of protection, including more than a thousand patents. Joint development of JSCo Russian Railways with foreign and domestic companies results in design of new models of rolling stock and infrastructure hardware with global-level operational characteristics. They were demonstrated at EXPO-1520 III International Exhibition held in September 2011.

A developmental prototype of EP20 new-generation double-current passenger electric locomotive with an asynchronous traction drive was demonstrated; the locomotive designed by Novocherkassk Electric Locomotive Building Plant together with Alstom will be used, among other things, for the transport service of Sochi Olympics in 2014 and 2018 FIFA World Cup.

EP20 double-system asynchronous traction drive passenger electric locomotive (Novocherkassk Electric Locomotive Plant – Alstom)



Extended resource — **40 years** and **12 mln km** of mileage.

Possibility to run on scarf stations with current type switchover without changing a locomotive.

Extended locomotive circulation section to **2 000 km**.

Cost of the electric locomotive lifecycle — **1,5 bln roubles**.

Integral effect as compared to EP1 electric locomotive is **104,7 mln roubles**.

Commencement of design: **2008**

Manufacture of the first test prototype: **2011**

Start-up works are under way.

In compliance with the contract signed, **200 EP20 electric locomotives** will be delivered to JSCo Russian Railways by 2020.

For the first time, the electric locomotive price is conditioned by the lifecycle cost.

Payback period is — **12,3 years**.

The electric locomotive was presented at EXPO -1520 III International Railway Show (September 7-11, 2011, Scherbinka).

Delivery in 2011-2015

2011	2012	2013	2014	2015
4	10	20	25	24

By the end of 2013, it s planned to deliver 36 electric locomotives to the Russian railways and by 2020 – 200 electric locomotives.

Alstom also participates in the design of two developmental prototypes of 2ES5 AC freight electric locomotives with asynchronous traction engines. The manufacture completion is scheduled for 2012.

In September 2011, a certificate of FRTCR conformity was obtained for an installation series of 31 2ES10 locomotives. A joint venture Sinara-Siemens based on the plant of JSC Ural Railway Construction Plant was

set up for manufacture of electric locomotives. In August 2011, 2ES10 three-unit electric locomotive handled an experimental train weighing 9,000 tons along the Yekaterinburg-Balezino section, which is 1.5 times higher than the standard established for VL11 three-unit electric locomotive. This was a confirmation of a possibility to arrange running through of heavy trains in the Kuzbass – North-West line.

2ES10 direct current asynchronous traction drive freight electric locomotive (Ural Railway Construction Plant – Siemens)

Commencement of design: **2008**

Manufacture of the first test prototype: **2010**

Design advantages:

- absence of fast wearing parts;
- high specific power;
- individual traction engine control.

On August 4, 2011, 2ES10 three-section electric locomotive hauled a train with a record weight of **9,000 t** at the section Ekaterinburg-Sortirovochny – Balezino.

In November 2011, 2ES10 double-section electric locomotive hauled a train weighing **6,300 tons** along the route Chelyabinsk – Kinel and back along a complicated mountain road.



Comparison of characteristics of VL11 and 2ES10 freight electric locomotives

Main characteristics	VL11	2ES10	Variation, %
Hauling capacity in a continuous mode, ts	32	54,9	+71
Lifecycle cost, bln roubles	650	510	-21

Delivery in 2011-2015				
2011	2012	2013	2014	2015
11	20	25	50	55

2011 also saw coordination of the technical design assignment for the Russia’s first hybrid diesel unit SinaraHybrid (TEM9N) and commencement of delivery of ED4M suburban electric trains with an increased level of comfort.

Home manufacturers developed and certified a number of innovative freight cars of increased lift

capacity with a reduced lifecycle cost and increased run between repairs.

As to innovative technological development of track facilities, the Company continued introduction of geogrids; their application helps reduce ballasting cross travel, deflections on weak subgrades and structural strains inside the ballasting. In 2011, geogrids were laid along 158 km;

from 2012 to 2015, it is planned to lay 150 km a year.

During development and testing of W30 system intended for rapid, high-speed and heavy-weight traffic sections, special attention was paid to Skl 30 grip and rail pad. This rail brace assembly features high dynamic vibration resistance, high resistance to longitudinal shear and increased resilience. W-30 clamp and its elements are certified. In 2011, W-30 clamps were laid along 200 km.

Draft technical regulations related to rail transport within the territory of the Customs Union of Russia, Belarus and Kazakhstan were elaborated and adopted based on the approved Russian technical regulations.

In 2011, a number of promising directions were developed as a part of implementation of the innovative development program.

The energy saving Program of JSCo Russian Railways till 2013 was developed; one of its target indicators is reduced energy intensity of transportation activities.

In order to reduce the infrastructure facility lifecycle cost through redistribution of resources subject to assurance of a required level of functional reliability and accepted level of transportation safety, the URRAN methodology was developed and implemented; normative documents for track, automation and remote control, electrification and power supply facilities was developed.

As a part of this methodology, the Russian Academy of Science developed and supported a technology for rail transport risk management that helps objectively assess risk levels of production activities of both JSCo Russian Railways and associated companies.

The national regulatory system for rail transport risk management has been developed for the first time. Two national standards were implemented: related to rail transport risk management and organizational matters of assurance and proof of safety of transportation and six standards of the Company (STO).

KAS ANT automated system was developed; it ensures accounting, investigation and analysis of failures in operation of the JSCo Russian Railways hardware. The system is an information database for calculation of URRAN indicators.

KAS ANT system served as the basis for creation of the automated disturbance accounting, investigation and analysis system (KASAT).

This work is aimed at development of the information analysis system for assessment of disturbance impact on transportation indicators. KASAT system offers the procedure for accounting, investigation and determination of responsibility for disturbances. In 2012, the system will be replicated to the whole railway network.

On 1 April 2011, at the meeting of the high technology and innovation committee at the Russian Federation Government, a list of process platforms was approved; it comprised the process platform "High-speed smart rail transport".

Implementation of the process platform proposed

by JSCo Russian Railways will enable:

- in the mid-term, assurance of train speed up to 400 km/h (based on implementation of advanced innovative development in traffic and infrastructure control; a pilot line will be Moscow – St. Petersburg);
- in the long-term, creation of a brand new means of transport based on magnetic levitation principles.

The Company approved Strategic lines of research and development as a part of the process platform "High-speed smart rail transport" for a mid-term (2012-2015).

JSCo Russian Railways initiated the project related to the process platform "High-speed smart rail transport" as a part of 1.6 federal target program "Research and development in priority lines of development of the Russia's scientific and technological complex for 2007-2013" in "Exploratory studies and assurance of a technological advance in development of transport systems with magnetic levitation and line driver that ensure an increase in railway service speed to 1,000 km/h".

Research and development will be conducted by research institutes of the Russian Academy of Science, enterprises and organizations, including MIC, higher educational establishments.

2011 saw announcement of an open competitive tender of projects in the subject proposed by JSCo Russian Railways for financial support (grants) for oriented fundamental scientific research aimed at rail transport (including high-speed) development. Financial support of tender arrangement and holding will be provided by RFFI and JSCo Russian Railways in equal portions.

2011 saw further work on the project "Lean production in JSCo Russian Railways". The Company approved the "Plan for implementation of the program for lean production introduction in JSCo Russian Railways" and main performance indicators of lead production technology introduction in pilot subdivisions.

In 2011, 110 pilot linear structural subdivisions of the whole railway network took part in the project. In 2012, more than 400 subdivisions are participating. An integral element of the project is a corporate base of standard solutions for replication on the network generated based on implementation results in 2010 -11.

In order to ensure Company's personnel engagement in continuous improvement of production activities and experience and information sharing between project participants in the Intranet, JSCo Russian Railways launched the website titled "Lean production in JSCo Russian Railways (w3.rzd – Projects – Lean production in JSCo Russian Railways)". The website posts and constantly updates information on the organizational framework, participants and progress of the project, analytical, regulatory, guidance and reporting materials of railways and functional branches of JSCo Russian Railways.

Based on results of the lean production technology

introduction, a contest for the best subdivision in the lean production introduction project in JSCo Russian Railways was held. Contest winners were named at the final meeting of the Company's Management Board for 2011.

As related to train safety assurance and mitigation of risks of emergencies, a project of an integrated system of safe operation of trains and infrastructure on Winter Olympics was developed, integrated microprocessor systems were implemented at freight classification yards, including locomotive control by a radio channel (2 stations); BLOCK safe locomotive united complex was designed with a decrease in cost by 10-15% and operating expenses reduced by 10%; functions and operational reliability of interval train regulation were enhanced.

Enhanced Energy Efficiency and Innovative Development of the Company

In 2011, the Company approved the Energy Strategy of JSCo Russian Railways Holding Company till 2015 and in the longer term – till 2030. This Strategy is an integral document that sets out the basis, tasks and objectives of mid-term development of the holding, priorities and benchmarks as well as mechanisms of their introduction in production, transmission and consumption of fuel and power resources.

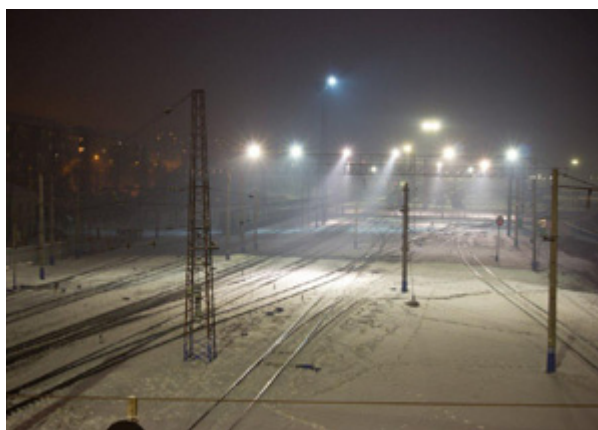
Activities aimed at attainment of objectives of the Energy Strategy of the holding company are implemented as a part of multiple programs and projects. One of the most important projects is the investment project "Introduction of resource saving technologies at the rail transport" (hereinafter referred to as the Resource Saving Program).

In 2011, 2.7 bln rubles were allocated for implementation of the Resource Saving Program, which ensured implementation of more than 4 thous. energy saving technical devices.

Over 12 months of 2011, implementation of Resource Saving Program activities of 2009-2010, allowed to get an economic effect for a total amount of 1.2 bln rubles, which was due to saving of fuel and power resources, material intensity of processes and improved labor performance.

In 2011, **introduction of column light signal heads with LED modules and LED systems of illumination** of station parks, premises of locomotive and multiple unit depots on the railway network continued. Pilot projects for LED illumination of railway bridges at Krasnoyarsk railways were implemented.

New approaches to heating of production premises of locomotive depots using gas infrared radiators for workplace heating are being effectively implemented.



In order to reduce operating expenses on lubrication, release of locomotives and locomotive crews, management of JSCo Russian Railways decided to set up a fleet of **rail lubricating cars** based on new passenger cars that ply as a part of postal and baggage and passenger trains. Their use will enable:

- change the rail lubrication technology;
- reduce wear of wheel and rail flanges by 3 times;
- decrease resistance of curve motion by 5-10%;
- reduce power consumption to 6% due to decreased resistance of curve motion.

In 2011, 13 rail lubricating cars were introduced.

As a part of the Resource Saving Program, introduction of **train auto driving** systems continued, which ensured

saving of fuel and energy resources to 8%. Currently, 2,500 electric locomotives and 1,400 electric trains are fitted with this system. Capabilities of the system ensured methodical efforts aimed at transfer of passenger trains to energy-optimal schedules.

In 2011, 511 trains were transferred to energy-optimal schedules. For the first time, schedule energy optimization was carried out at Ozherelye – Elets non-electrified section.

In experimental trains in the lines where energy-optimal schedules were introduced for the first time, saving of fuel and energy resources year-on-year amounted to 3.2-6.1% at electrified sections and 5.1% at non-electrified sections. Efforts taken in 2009-2011 to transfer 1,451 passenger trains to energy-efficient schedules will ensure annual savings of up to 25.0 mln kWh of electricity and 300 t of diesel fuel.

2011 saw large-scale works aimed at recovery of **regeneration braking systems of DC freight electric locomotives**. Over the year, regeneration braking systems were recovered on 946 electric locomotives. Performance of these works and other measures to enhance regenerative braking efficiency allowed to reach the highest regeneration energy volume since 1988 – 1,278 mln kWh (+18.5% on 2010), which significantly decreased Company's costs on electricity purchase.

In order to reduce energy intensity of production activities, JSCo Russian Railways is engaged in the development of a new-generation rolling stock using a number of innovative technologies.

One of the lines of activity is locomotive transfer to gas fuel. In this case, gas turbine engines are used as power supply units.

Calculations and feasibility studies conducted have shown high efficiency of liquefied natural gas use on powerful self-contained locomotives. A lifecycle cost of a locomotive with a liquefied natural gas turbine plant is 20% lower as compared to a diesel locomotive due to higher performance, reduced fuel, repair and maintenance costs.

Shunting locomotives

Another promising way to reduce fuel consumption is creation of shunting locomotives with multiple power supply units. The effect here is reached because a shunting locomotive does not use its full power most of the working time. In case a diesel unit is fitted with one high-power diesel, it operates in an unprofitable mode in terms of power consumption and, thus, wastes fuel.

In 2011, a pilot run of two-diesel shunting locomotives based on serial Czech diesel units of ChME3 series was commissioned on the Moscow Railway. The first operation results showed that fuel economy of two-diesel locomotives reached 20-25% as compared to serial locomotives.

Besides, Moscow Railway set upon experimental operation of a three-diesel shunting locomotive based on ChME3 diesel unit. Fuel economy reached amounts to 30-35%.

In 2011, new prototypes of innovative locomotives were created at Lyudinovo Locomotive Building Plant: TEM13 two-diesel shunting and pick-up diesel unit and TEM9N hybrid shunting locomotive. These locomotives were sent for tests.



A promising direction of an increase in electric traction energy efficiency is application of locomotives with an asynchronous brushless traction drive motor that enables regeneration braking in a wide range of speeds. Commissioning of 2ES10 electric freight locomotives with an asynchronous drive at Yekaterinburg – Balezino section allowed to reduce specific power consumption for train hauling as compared to 1.5VL11 diesel units used at this section from 84.6 to 54.3 kWh/10 thous. ton-km gross (by 35.8%), increase specific electric pumpback from 4.4 to 10.2 kWh/10 thous. ton-km gross (by 132.6%) and increase a share of regeneration from total power consumption from 4.9% to 15.8%.

Organizational and technical activities conducted in 2011 enables positive results for all the indicators determined by the Energy Strategy of the Holding, including the energy efficiency target – reduced energy intensity of production activities that in 2011 was higher than established by decree No. 95-t of the FTS of Russia of 31 March 2011. Thus, with a target value of 1.9 kg sp.t./10 thous. t-km gross, JSCo Russian Railways was able to reduce energy intensity of production activities by 2.1 kg sp.t./10 thous. t-km gross.

In 2011, JSCo Russian Railways continued research to find reserves for further gain in energy efficiency of production processes.



In pursuance of Federal Law No. 261-FZ of 23 November 2009 "Concerning energy saving and gain in energy efficiency and making changes to individual legislative acts of the Russian Federation», JSCo Russian Railways must conduct energy inspection of facilities controlled by 36 branches and provide the Company's energy passport based on energy inspection results to the Russian Ministry of Energy on or before 31 December 2012. In order to ensure compliance with the stated law, 2011 saw development of required organizational and guidance documents and conduct of pilot inspections of a number of facilities. Energy inspection activities will be completed during 2012.

Based on results of the assessment of the potential of energy efficiency of traction energy and energy inspections of JSCo Russian Railways facilities, action plans and energy saving programs for the nearest periods will be developed.



10. Transportation Safety



Transportation Safety

Functional Strategy for Transportation Safety and Security Assurance

For more than 4 years now, the Functional strategy for transportation safety and security assurance adopted at the meeting of the Management Board of JSCo Russian Railways in March 2007 has been the key area of keeping the rail traffic safe.

The Strategy provided for the transition to a new traffic safety management system – Safety Management System, the building and evolution of which will be based on new concepts, methods and tools.

Railways are fitted with the automated system for monthly commission inspection reporting (AS MCIR). The system makes it possible to accumulate and process results of monthly commission inspections of stations and follow up elimination of the defects revealed during inspection. 92% of stations and more than 25 thous. users are connected to the system.

A basic element of the new system is the Situation Center for Monitoring and Emergency Management of JSCo Russian Railways.

One of the critical tasks for 2011 within the framework of the investment project of the Situation Center concept was development of the Situation Center Automated Control System interacting with industry-specific ACS.

The software developed will enable full-scale control of traffic safety from identification of disturbing factors to emergency recovery. In order to ensure integration of the Situation Center with the management structure, organizational documents are being developed and approved related to its operation and interaction with newly incorporated controlled entities taking part in transportation arrangement and performance.

A present-day approach to railway traffic safety assurance in developed countries implies the use of a system-wide approach, where equipment plays an important, but not the only role. In the context of scarcity of resources, it is more expedient to invest funds in system-wide measures aimed at higher controllability of safety-related processes.

Taking this into account, a procedure for implementation of various system-wide measures were developed by the Holding Company and served as the basis for elaboration of the "Instructional guidelines for introduction of system-wide measures aimed at assurance of train traffic safety for branches of JSCo Russian Railways".

Implementation of these measures must become a backbone for activity of managers of the Holding Company's business units at all the management levels when arranging preventive works at the railway network and future regional centers of corporate management.

A fundamental factor that assures Company's safety

and performance is the current level of employees' competence.

This factor will be controlled by the automated knowledge test system established in JSCo Russian Railways – KASKOR. The major tasks of the system are as follows: development of employees' professional skills and promotion of manager's confidence in employees' competence. An important function of the KASKOR system is automated analysis of the current competence level broken down by all management levels.

The Company is taking efforts as a part of the functional strategy related to S&A interaction as related to traffic safety. By now, JSCo Russian Railways has concluded agreements on co-operation in assurance of train traffic safety with 16 S&A.

Since incorporation of JSCo Russian Railways (in 2003), annual conferences Train Traffic Safety have been attended by 3,320 people and 2,984 reports have been presented.

Conferences were attended by State Duma deputies, representatives of the Russian Ministry of Transport, teaching staff and researchers of 10 higher educational establishments of Russia, sectoral scientists and specialists of design offices and representatives of 12 foreign states.

Discussion of burning issues at workshops, exchange of opinions, elaboration and implementation of recommendations will definitely produce a positive effect on traffic safety assurance.

In 2011, more than 1,200 train traffic safety inspectors worked at railways of JSCo Russian Railways. These people make a huge contribution to assurance of traffic safety and performance of the main tasks of the Functional strategy for transportation safety and security assurance in JSCo Russian Railways.

Equipment state forecasting and monitoring, analysis and assessment of risks of traffic safety violation on railways and in functional branches of JSCo Russian Railways became system-wide.

Implementation of these activities helped the inspectors bring technical inspections of traffic safety assurance at a higher qualitative level and reduce their number by 30%.

Assurance of Train Traffic Safety

In 2011, 13 railways completed the year without crashes and accidents. All in all, the Company featured a positive trend towards a reduced rate of equipment failures.

A rate of traffic safety violations greatly decreased.

In order to implement this mechanism, the Company is taking system-wide efforts as related to labor incentives of railway employees that provide for traffic safety.

The main problem in population transport service activities of JSCo Russian Railways is assurance of traffic safety at rail crossings, which is an important element of rail transport operation.

At the same time, an increase in the number of motor vehicles in the Russian Federation aggravated by drivers' poor road behavior results both in an increase in the rate of traffic accidents at rail crossings and severity of their consequences.

Each year, JSCo Russian Railways takes much effort to prevent traffic accidents; the Company equips rail crossings with advanced warning and blocking devices. Out of 11,199 rail crossings, 78% are fitted with automated crossing signaling, 35% have an armoured concrete floor, 43% have rubber flooring.

Out of 2,349 rail crossings served by shift workers, 92% are fitted with automatic and semi-automatic barriers and automated crossing signaling, 96% – crossing signaling, 99.8% – electric lighting, 97% – radio communication with station duty officers or a traffic controller. 1,787 crossings are fitted with blocking devices.

In order to prevent possible unauthorized run of vehicles on a rolling stock line of march, in 2010 and 2011, seven railway crossings of Moscow – St. Petersburg high-speed line of October Railway were fitted with anti-collision barriers (hereinafter referred to as ACB) put into experimental operation.

Anti-collision barriers completely seal the traffic way; they are resistant to collision with a motor vehicle with a weight under 20 tons and a speed of not more than 40 km/h.

Despite both technical and preventive works performed by railways, in 2011, the Company failed to attain significant improvement of the rail crossing traffic safety situation as compared to 2010.

A total number of traffic accidents reduced by 12.3%, but a number of motor vehicle collisions with passenger trains remained on the level of 2010. A number of collisions with buses halved; a number of injured decreased by 15.4%, including fatalities – by 32%. 94% of the total number of traffic accidents occurred at unattended crossings; as compared to 2010, their number reduced by 14%, but at the same time, a number of traffic accidents at attended crossings increased by 40%.

In 2011, the Company failed to completely settle the scheduled tasks related to traffic safety. The greatest challenge is still the notorious human factor – failure to comply with prescribed instructions and methods.

Unfortunately, today, one of the biggest problems in terms of possible consequences is a low quality

of moulded pieces of freight bogies manufactured by carriage works.

2011 has become a peak year in terms of fractures of moulded pieces of freight bogies – 25 occurrences, four out of which resulted in freight train wrecks and accidents, 16 – in rolling stock derailment.

The Company's management has repeatedly turned attention of federal executive bodies to a low quality of the output products. It proposed to strengthen control over observance of the work technique, upgrade foundry production, introduce the warranty service system and insurance against traffic safety violation risks. But manufacturers have not yet taken comprehensive measures.

The locomotive complex state exercises the most significant influence on operation. Low reliability of locomotive fleet operation brings about its scarcity at certain work clusters and resulting violation of the train schedule and traffic safety.

Measures taken in the locomotive complex in 2011 allowed to attain a minor decrease in the locomotive complex failure rate, but a negative trend of growth of traffic safety violations continued. The reasons are not only in the locomotive repair quality, but also their operation.

Analysis of the situation in the locomotive complex shows that reliability of traction rolling stock operation may only be enhanced through identification of objective reasons of locomotive failure, determination of priority directions and their implementation.

Information on Unlawful Interference in Rail Transport Operation

In 2011, a number of recorded facts of unlawful interference in rail transport operation increased by 7.5% vs. 2010 (in 2011 – 2,111, in 2010 – 1,964).

In order to ensure protection of JSCo Russian Railways facilities against unlawful actions and unauthorized interference in rail transport operation, in 2011, 12.8 bln rubles were allocated on safeguarding activity (in 2010 – 10.9 bln rubles).

Due to increased funding of safeguarding organizations, 5,799 JSCo Russian Railways facilities were placed under security, which is 8.6% more than in 2010. Besides, operation of 324 joint special-purpose groups comprising departmental security service employees and transport policemen was arranged at most criminogenic railway sections.

An increased number of guarded objects helped enhance rail transport safety and reduce a number of thefts of Company's property by 12%.

In pursuance of instructions of the President of the Russian Federation issued after the tragic events that occurred in Domodedovo airport in January 2011, the Company implemented a package of organizational and practical measures aimed at increased protection of rail transport facilities, primarily those with mass stay of people.

All out-of-class railway stations and railway stations of the first and second class were fitted with more than 1,180 fixed frame metal detectors; entrance inspection of passengers and visitors was arranged at all railway stations of Moscow and St. Petersburg.

In line with recommendations of the Federal Security Service of Russia, 29 railway stations were fitted with sets of inspection equipment for contactless inspection of passengers, their hand luggage and baggage.

With commissioning of inspection equipment and for arrangement of entrance inspection of passengers and visitors, railway stations were fitted with more than 1,400 additional guard posts of private security companies.

As a result of the efforts taken together with internal affairs transport bodies, 722 people were detained for various illegal actions, including those of an alleged terrorist nature (in 2010 – 515). 203 criminal cases were initiated (in 2010 – 183).

428 drills and exercises were conducted on railways together with law enforcing agencies; 4,872 rail transport workers took part in these activities.

In order to promote team building of law enforcing agencies, security company and rail transport workers, 2,829 object-specific drill were conducted in line with plans of regional security centers to prevent and suppress unlawful interference in rail transport operation. 5,964 employees of JSCo Russian Railways took part in these activities.

347 TV video films, 327 radio programs and 3,233 mass media publications were prepared on prevention of unlawful interference in rail transport operation.

Transport Safety project

In order to reduce the risks of unauthorized interference in rail transport operation, the Transport Safety project is being implemented as a part of the investment program of JSCo Russian Railways.

The main purpose of this project is to fit the most important facilities of the railway infrastructure with security equipment and upgrade previously installed systems.

In order to enhance a level of protection of rail transport facilities, 27 Company's facilities were fitted with the **technical security equipment** (hereinafter referred to as the TSE). In the railway network, 3 railway bridges and a train makeup switch yard were fitted with TSE systems. TSE systems were upgraded in 12 railway stations, 7 railway bridges, 1 railway tunnel and 1 administration building. Fixed metal detectors and explosion proof containers to be installed at 348 railway stations were purchased. Design and survey works related to TSE installation were carried out at 29 Company's facilities.

Works related to installation of the track control and supervision equipment were completed at 3 high-speed sections with a length of 215 km at the St. Petersburg – Akademicheskaya section and the Situation Safety Center (St. Petersburg) on the Moscow – St. Petersburg mainline was set up.

As a part of implementation of the measures under the integrated program of population transport safety assurance approved by instruction No. 1285-r of the Government of the Russian Federation of 30 July 2010, the most vulnerable facilities of the transport infrastructure and means of transport had to be fitted with the special-purpose equipment and devices that ensure their better protection against unlawful interference.

According to the integrated program, these most vulnerable facilities of the railway infrastructure include railway stations on the lines of high-speed (Moscow – St. Petersburg) and rapid (St. Petersburg – Helsinki, Moscow – Nizhny Novgorod) train routes, in administrative centers of Russian Federation constituents and railway hubs within the territory of the Southern and North Caucasus federal districts (a total of 34 railway stations) as well as rail transport facilities on the Makhachkala section of North Caucasus Railway.

In 2011, the above railway stations were fitted with top-priority special-purpose equipment for inspection of passengers, their hand luggage and baggage (multipoint metal detectors, frame metal detectors, explosion proof containers, X-ray TV units); TSE systems were installed on Makhachkala-1 – Tarki section and a transport safety monitoring center was set up at Makhachkala stations of North Caucasus Railway. Design and survey works were completed related to TSE installation at the Akademicheskaya – Zavidovo high-speed section of the Moscow – St. Petersburg mainline, rapid sections of St. Petersburg – Buslovskaya direction, Moscow – Nizhny Novgorod and on the Tarki – Berikey section of North Caucasus Railway.

In 2011, the total amount of application of federal budget funds was 1.335 bln rubles.

Security companies and law enforcing agencies identified 467 and prevented 325 crimes on the railway network using installed TSE. 12,452 offenders were detained and another 17 on the wanted list were arrested. 183 unattended suspicious objects were detected.



11. International Activities and
Implementation of Principal
International Projects



International Activities and Implementation of Principal International Projects

According to the Russian rail transport development Strategy till 2030, one of the Company's priorities is to strengthen the global competitiveness of the Russian Railways Holding Company and its positions on the Eurasian transport services market. The first step in this direction is to ensure organizational, legal and technological conditions that are most conducive to a qualitatively new level of efficiency of international transportation service.

International activities of JSCo Russian Railways are an important element of the Company's long-term economic strategy aimed at settlement of tasks related to upgrading and enhancement of competitive power of Russian railways on the international market of transport and logistics services.

The most important task set by the RF Government before the Company in the Russian rail transport development Strategy till 2030 and RF transport strategy till 2030 is implementation of the country's transit potential and its deeper integration with the Eurasian and global transport and logistics system.

In this regard, development of sections of international transport corridors across the territory of Russia is one of priority directions of Company's international activities.

These efforts are aimed at procurement of the most beneficial organizational, legal and technological conditions to attain a high level of international transportation efficiency and implementation of activities to create a relevant market infrastructure and strengthening of co-operation with foreign partners.

Co-operation with Railways of CIS, UBR and «1520 Area»

Considering a need for maximization of competitive edges of 1520 Area, in 2011, JSCo Russian Railways continued active implementation of activities aimed at increased efficiency of co-operation with CIS and Baltic railways – Company's main partners in freight and passenger operations.

Coordinated approaches to the strategy of 1520 Area development help railway companies to optimize the use of available resources and get impressive results. The market of "1520 Area" is getting more and more attractive to large global manufacturers of railway machinery and technologies, which offers broad opportunities for international co-operation.

Important activities aimed at strengthening of co-operation with foreign partners are held both as a part of the Railway Transportation Council of the CIS member-countries (hereinafter referred to as the Council) and at the platform of the Strategic Partnership-1520 business forum.

Activities implemented as a part of the Council are first of all aimed at improvement of the regulatory framework of arrangement of international passenger and freight operations, including improvement of the transportation process, car fleet accounting, mutual settlements with railway administrations for transportation performed, railway tariffs for passenger, freight, luggage and freight baggage operations, specifications for cargo loading and securing, information development and R&D for the benefit of CIS railways.

In 2011, the Council held two meetings:

1) on 18-19 May 2011 in Helsinki (Republic of Finland), **54th meeting of the Council was held;** at the meeting, a package of documents was adopted related to passenger and freight train traffic, generation of car traffic flows, operation and settlement for freight car use.

The meeting addressed the following important matters:

- gain in efficiency of co-operation between railway administrations of CIS member states, Georgia, Latvia, Lithuania and Estonia in the context of a new emerging market of freight operations in the 1520 track space and an increase in the number of rolling stock owners;
- implementation of the Concept for a unified system of management and use of the fleet of freight cars of various patterns of ownership.

The Council continued implementation of the coordinated rail transport tariff policy and the Program for implementation of priority lines of co-operation between CIS member states in the transport industry till 2020.

2) on 28-29 October 2011, the 55th Council meeting was held in Yerevan.

The meeting approved changes and supplements to a number of normative documents of the Council, including Operation Regulations, number accounting and settlements for the use of the freight cars owned by other states, Dangerous Goods Regulations, etc.

New normative documents were also adopted, including the Concept for antiterrorist activities on the rail transport.

Besides, the Company is implementing activities aimed at a gain in efficiency of co-operation between railway administrations of CIS member states, Georgia, Latvia, Lithuania and Estonia in the context of a new emerging market of freight operations in the 1520 track area.

A highlight of the meeting was signature of the Agreement on the unified system of management and use of the freight car fleet by managers of railway administration of CIS member states, Georgia, Latvia, Lithuania and Estonia.

At the Council meeting, heads of JSCo Russian Railways and Estonian Railways Ltd. signed supplementary agreements to the contract on operation of locomotives and locomotive crews during joint train service and contract on co-operation during arrangement of railway transportation.

Besides, SA Belarusian Railways and JSC TransContainer signed the Memorandum for establishment of a joint venture to provide terminal and logistics services.

2011 saw completion of the first stage of implementation of the **CIS economic development strategy till 2020**. Based on work results, relevant reporting documents were prepared and submitted to the Council Directorate and Ministry of Transport of the Russian Federation.

On 18 October 2011 in St. Petersburg, the Council of chief executives of CIS member states **approved the Concept of strategic development of the rail transport of CIS member states till 2020**. The document was developed within the framework of the Council in line with the Action Plan for the first stage of the Strategy of economic development of the Commonwealth

of Independent States till 2020.

In 2011, the Company in its economic activities placed special emphasis on **bilateral co-operation with railways of the Republic of Belarus**. It implies implementation of the Action Plan for development and operation of the unified transport system of the Union State for 2011-2012, in line with which works are being performed aimed at upgrade of the railway infrastructure of ITC-2 and ITC-9, development of rapid passenger operations within the territory of the Union State, implementation of the coordinated policy for an increase in the volume of foreign trade cargo transportation in Kaliningrad direction and development of container train cargo transportation.

JSCo Russian Railways is taking an active part in elaboration of the matters of development of JSC Ulan-Bator Railways (UBR JSC) and construction of the new railway infrastructure in Mongolia.

Together with its Mongolian counterparts, JSCo Russian Railways implemented a set of measures aimed at financial stabilization and development of UBR JSC. 2011 saw completion of delivery of 30 locomotives manufactured by CJSC Transmashholding in line with an earlier signed contract for UBR JSC fleet provision with a modern rolling stock.

Development of Ulan-Bator railways

Activities aimed at increased performance of UBR JSC:

- procurement of a required rolling stock for the Mongolian railways;
- track structure reconstruction;
- introduction of innovative transportation and information technologies at UBR JSC;
- assurance of integration of information systems of Russian and Mongolian Railways;
- development of transit from China to European countries and back;
- training and conversion training of qualified personnel in highly scarce UBR trades.

JSCo Russian Railways is a trust manager of UBR JSC

In May 2009, Mongolian Government and JSCo Russian Railways set up the Infrastructure Development company (JSCo Russian Railways' share is 50%).

The concept for implementation of the joint project for UBR JSC development and construction of the new railway infrastructure in Mongolia was developed.

In, 2011, JSCo Russian Railways at the head of the international consortium took part in prequalification tender for Tavan Tolgoi coal field development.

JSCo Russian Railways' proposals for development of the Mongolian railway system till 2020



Legend

- railway lines under design
- construction of the second track
- activities till 2013
- activities till 2020
- 3 construction of sidetrack, quantity
- 🔒 section equipment with an automatic block signal system

Another highlight was signature on 31 May 2011 of the Protocol to the Agreement of 1949 for an increase in the Company's charter capital by USD 250 mln. The Russian Federation successfully implemented all the procedures related to an increase in the charter capital of UBR JSC.

Special attention was paid to the project of development of Tavan Tolgoy coal field. As a part of the international consortium arranged by JSCo Russian Railways, the Company took part in the tender for this field development arranged by the Mongolian party (companies of Japan and Korea and JSC SIBENCO joined the consortium). Following prequalification held, in late June 2011, tender organizers informed parties on proposed terms of their participation in coal field development. Official results of the tender are soon to be announced by the Mongolian partners.

Co-operation with Leading Western European Companies in Rail Transport

One of the top-priority lines of international activities of JSCo Russian Railways is enhanced efficiency of co-operation with the leading Western European companies in rail transport.

JSCo Russian Railways, Siemens AG and ZAO Sinara Group signed an agreement for delivery of 1,200 cars for Lastochka (Desiro RUS) electric trains, localization of their production in Russia and major specifications. According to the document signed, electric trains will be manufactured using the capacities of Uralskiye Lokomotivy LLC and by 2017, the localization level must reach 80%.

According to results of previous arrangements, 2011 saw a significant advance in the co-operation with the Spanish Administration of the Railway Infrastructure (ADIF) and **Spanish company PATENTES TALGO S.L. (Talgo)**.

On 18 June 2011, at the Petersburg World Economic Forum, JSCo Russian Railways and **PATENTES TALGO S.L.** signed an agreement for long-term scientific and technical co-operation in the area of design, manufacture, operation and maintenance, regulatory framework harmonization of the high-speed rolling stock, new-generation rolling stock and infrastructure.

At the same time, JSCo Russian Railways subsidiary – JSC FPC and **PATENTES TALGO S.L.** signed the contract for delivery of seven 20-ton passenger sets, including with the automatic track gauge change system. Commercial operation of Talgo trains is planned in Moscow – Kiev and Moscow – Berlin lines. The use of these trains is expected to significantly decrease the travel time along these routes due to an increased speed, reduction of long-term stays at border cross stations when entering the European gauge and introduction of a technology of border and customs control while a train is under way.

In order to enhance efficiency and safety of railway transportation through the use of high-tech automation and remote control system made in Russia, strategic partnership with Bombardier, one of the global leaders of transport machine building in design, manufacture and introduction of signals and interlocking systems, is being strengthened. Thus, in July 2011, BT Signaling B.V. became a shareholder of JSC ELTEZA that owns an equity stake of 50% minus 1 share. JSCo Russian Railways, in its turn, remains a holder of 50% plus one share of JSC ELTEZA.

In November 2011, JSCo Russian Railways and French company **Alstom Transport** signed a Memorandum of Co-Operation in lean manufacturing technologies.

Implementation of Projects in International Multimodal Transportation

JSCo Russian Railways and its subsidiaries continue implementation of **the projects for development of railway and multimodal transportation** together with their partners in Kazakhstan, Ukraine, Belarus, Finland, Slovakia, Germany, China and other countries.

Sassnitz – Baltiysk and Sassnitz – Ust-Luga railway ferry service evolved further on. The ferry service council established together with the German party to ensure efficient operation of railway ferry service continued elaboration of matters of current operations and search for freight owners interested in the use of this transport and logistics scheme. On 10 January 2011, JSCo Russian Railways signed a full package of normative documents that regulate relations between transportation participants as related to acceptance/delivery and terms of freight transportation on the Ust-Luga/Baltiysk – Sassnitz section.

The Intergovernmental Organization for International Carriage by Rail (OTIF) assigned the Ust-Luga – Baltiysk – Sassnitz sea link to LLC Unship sea carrier in the list of CIM sea links. In May 2011, Appolonia ferry (operated by LLC Unship) successfully made the first run from the port of Baltiysk to the port of Sassnitz. According to the information of OTIF, in April 2011, the Ministry of Transport, Construction and Urban Development of Germany coordinated inclusion of a new sea carrier into the CIM list – BFI LLC, subsidiary of JSCo Russian Railways.

On 1 April 2011, a new carrier began operations in the port of Sassnitz – Baltic Port Rail. Late June 2011 saw signature of a trilateral agreement (DB Schenker, Baltic Port Rail, JSCo Russian Railways) on a change of the owner of the Sassnitz port infrastructure. Baltic Port Rail became a successor of DB Schenker in the whole package of the normative documents previously signed between JSCo Russian Railways and DB Schenker related to arrangement of transportation in Ust-Luga/Baltiysk – Sassnitz railway ferry service.

Development of railway ferry service in the Black and Baltic seas continues based on a companies' subsidiary **Black Sea Ferries (BSF)**.

Railway ferry service is arranged in the Black sea basin on the Caucasus – Poti (Georgia) line in order to ensure railway service with Armenia. Efforts were taken to begin transportation on the Caucasus – Samsun (Turkey) ferry line.

Further actions aimed at development of the ferry service business in Baltic and Black sea basins are planned based on the BSF subsidiary.

JSCo Russian Railways and Deutsche Bahn continued their co-operation in the development and implementation of the project for creation of **Bely Rast distriport** (Moscow oblast). In 2011, Russian and German experts worked on the matters of incorporation of a joint company, assurance of stable cargo traffic and attraction of additional investors to implement this project.

with the common European and Asian transport systems. In this regard, Company’s representatives took an active part in activities of the most important labor bodies of the UN Economic Commission for Europe (ECE) and UN Economic and Social Commission for Asia and the Pacific (ESCAP) as well as in implementation of the Transeuropean Railway Network (TRN) project and a joint project of ECE and UN ESCAP for development of Eurasian transport communications (EATC).

Co-operation with international transport organizations

In 2011, JSCo Russian Railways continued active work as a part of international transport organizations – UIC, OCR. One of priorities of JSCo Russian Railways activities as a part of international organizations is integration

JSCo Russian Railways co-operation with international organizations

- Task group for road and railway transport as a part of the **Russia - EU transport dialogue**
- Contact team of the Organization for the Collaboration of Railways (OCR) and **European Railway Agency (ERA)**
- International Union of Railways (**development of international transport corridors and establishment of quality and certification standarts**)
- Participation in UNECE ITC (**task group for railway transport, multimodal operations, logistics, transportation of dangerous goods, customs matters**)
- Official representative of the RF **in the UNECE Transeuropean Railway Network (TER)**
- Participation in elaboration of the Inter-Governmental Agreement for a network of Transasian Railways as a part **of the Economic and Social Commission for Asia and the Pacific (ESCATO)**

JSCo Russian Railways takes part in implementation of the largest **UIC** projects both on the regional and global level related to the matters of enhanced competitive power of freight and passenger operations as well as infrastructure and rolling stock. The Company actively participates in transformation of this organization into

a truly global entity and one of the most efficient platforms of co-operation between JSCo Russian Railways and the international railway business.

Powers of a member of the **OCR** Conference of Directors General help JSCo Russian Railways to take part in improvement of the regulatory legal framework that

Development of international passenger operations

JSCo Russian Railways transports passengers to 16 countries of Europe: Germany; Poland; Austria; France; Netherlands; Switzerland; Slovakia; Czech Republic; Hungary; Rumania; Bulgaria; Greece; Italy; Croatia; Serbia; Finland.



governs all the aspects of rail transport activities. Besides, JSCo Russian Railways is the leading railway in 85% of the matters addressed by all the OCR Commissions and task groups.

In August 2011, JSCo Russian Railways arranged an international workshop of OCR on practical application of a **unified CIM/AIGTR consignment note** in transportation between Europe and Asia. By now, this is the only international project for unification of processes of law in the area of freight international transportation successfully implemented thanks to introduction of the unified CIM/AIGTR consignment note developed by CIT (International Committee for Rail Transport) and OCR.

Besides, specialists of JSCo Russian Railways are engaged in continuous work aimed at increased attractiveness of Eurasian transport corridors crossing Russia, railway routes of the Transasian Railways (TAR) and, first of all, its main component – trans Siberian line (TSL).

Besides, 2011 saw Company's enhanced co-operation with entities of the **European Union**: a mutually beneficial dialogue was established to address matters of the European transport policy with the management of the European Commission and European Parliament. Developing co-operation with the European Railway Agency (ERA) along the ERA – OCR line took an independent direction.

In pursuance of instructions of the President and Government of the Russian Federation, JSCo Russian Railways together with the Russian Border Services Agency and interested federal executive bodies is implementing a set of organizational and practical activities aimed at promotion of more comfortable conditions for passengers when crossing the state border at night.

On 29 May 2011, with introduction of the new schedule, train No. 1/2 Moscow – Kiev – Moscow began to ply based on the time technology developed and agreed upon with regulatory authorities. This technology provides for border and customs control when passengers are boarding the train when leaving Moscow or under way with a possibility to continue control activities upon arrival to Moscow.

As a part of the declaration of co-operation signed in 2010 with SNCF, joint efforts continued aimed at development of the direct railway service between Russia and France, improvement of service quality and passenger comfort and co-operation in upgrading of railway station complexes.

JSC FPC is taking methodical efforts to extend the geography of Russia's service with far-abroad countries.

12 December 2011 saw ceremonial launch of a new passenger train made up by JSC FPC plying in the **Moscow – Berlin – Paris** line. The train route crosses the territory of five states: Russia, Belarus, Poland, Germany and France. Moscow – Berlin – Paris is the second transeuropean route in terms of length (second to Moscow – Nice) taken by Russian trains.

In order to extend the **travel document sale network**, a contract was concluded between JSCo Russian Railways (JSC FPC) and RAILEUROPE (Euronet).

On 1 June 2011, **online sale of electronic tickets** for long-distance trains in the Russia – Finland service and a service of electronic check-in on the trains plying on the route Russia – Latvia – Russia was launched.

Opportunities for creation of new **railway tourist routes in Russia** are gaining more and more attention of European tourist market players. The conference titled "Rail transport role in European tourism development" held on 14 April 2011 in the Italian city of Merano addressed current and prospective projects in this area; it also housed exhibitions displaying information on Russian tourist operators and popular tourist routes. The round table titled "Enhancement of sale of Russian tourist routes and tickets in Europe" was held with representatives of Switzerland, Great Britain, Germany and France.

On 12 September 2011, during a visit of UK Prime Minister David Cameron to Moscow, **JSCo Russian Railways and UK Government signed the memorandum of understanding**. The document was signed by President of JSCo Russian Railways Vladimir Ivanovich Yakunin and Minister of Trade and Investment of Great Britain Lord Green.

Co-operation is planned to be developed in the area of implementation of projects for upgrading of Russian railway stations as hubs with a well-developed social and business function. Pilot projects are railway stations of St. Petersburg (Moskovsky, Ladozhsky, Baltiysky, Vitebsky), Tver, Rostov-Glavny, Yaroslavl-Glavny and Yaroslavl-Moskovsky.

Project of the 1,520 mm broad gauge to Bratislava and Vienna

JCountries economically inclined to participate in the project of construction of a railway line with a track gauge of 1,520 mm and logistic center in Bratislava-Vienna: Germany, Switzerland, Austria, Slovenia, Czech Republic, Hungary, Slovakia, Serbia, Croatia, Italy.



Legend

 1,520 mm	 project countries
 1,435 mm	 other countries

Creation of competitive direct railway service between European states, Russia and APR.
Elimination of cargo transshipment at the railway line scarf station in Europe with a track gauge of 1,520/1,435 mm.
Reduced cost and time of transportation and transport component in the final price of goods transported.

Cargo owners' current asset savings due to halving of the period of cargo delivery to the East Asia from the Western Europe as compared to the sea route.
Current assets released will range from USD 100 to 1,000 per container depending on the value of the cargo transported.

Implementation of international projects of infrastructure facility construction

As a part of a quadruple joint venture, JSCo Russian Railways together with its counterparts from Austria, Slovakia and Ukraine developed and generally approved preliminary justification of investments for the **project of construction of Kosice-Bratislava-Vienna 1,520 mm gauge railway line** and creation of international logistics terminals. The parties determined directions of further work aimed at elaboration of proposals for project funding, ownership structure and feasibility study.

As a part of the project for **reconstruction of the Khasan (RF) – Rason (DPRK) railway section and construction of a freight terminal in Rason**, construction works are being performed and materials and component parts required for project completion are being delivered. 13 October 2011 saw handling of the first container train along this route. Completion of all project activities and launch of commercial operation of the facilities erected is scheduled for 2012. Through transportation is planned to be arranged via Rason port with access to the trans Siberian line as the basis for East-West ITC.

In accordance with the trilateral Russian-Iranian-Azerbaijani Memorandum of Understanding of 8 February 2011 signed by the directors of railways of Russia, Iran and Azerbaijan and members of the Government of the Islamic Republic of Iran, an arrangement was reached for creation of a joint venture (JV) in Russia with branches opened in Iran and Azerbaijan. The main objective of the JV will be preparation of the business plan and further implementation of the **project of construction of a new railway line Rasht (Iran) – Astara (Iran) – Astara (Azerbaijan)** that will become a part of the North – South international transport corridor.

Works under the project of **Tabriz – Azar Shahr (TARE) railway line electrification** continue. The project may be extended based on a supplementary agreement to the contract.

Considering recent unrest, disorder and armed conflicts in **Libya**, implementation of the project for construction of the Sirt-Benghazi railway line was suspended on 25 March 2011 and all employees working on it were removed from the country with the assistance of Russian ministries and departments.

Possible resumption of the contract is being elaborated with core Russian ministries and departments.

“West – East” and “North – South” international transport corridors



Legend

- «West – East» corridor
- «North – South» corridor
- ⋯ railway lines under design
- ⋯ railway lines under construction



12. Occupational Safety



Occupational Safety

Activities aimed at promotion of occupational safety and creation of safe workplaces implemented in JSCo Russian Railways allowed to keep a trend towards a decrease in the occurrence rate of industrial injuries of JSCo Russian Railways employees in 2011. The occurrence rate of industrial injuries in general for JSCo Russian Railways decreased by 22% and with fatal outcomes – by 7% vs. 2010.

In order to prevent industrial injuries and improve labor conditions, JSCo Russian Railways develops and implements advanced hardware: train approach system; alarm systems for workers engaged in track overhaul; portable track guards; DC voltage meters; air cleaning systems; hearing, UV and IR protection devices.

The Company is implementing the Program for improved labor conditions and occupational safety in JSCo Russian Railways for 2010-2012.

Implementation of the Program is aimed at assurance of the following activities:

- prevention of rolling stock collision with employees;
- prevention of electrical accidents;
- prevention of other industrial accidents;
- reduced exposure to harmful chemical factors and fibrogenous sprays (dust);
- creation of microclimatic conditions complying with standards;
- bringing noise and vibration levels in balance with standards;
- bringing illumination levels in balance with standards;
- reduced work load and intensity;
- improvement of sanitary and living conditions of employees;
- training and raising awareness in occupational safety;
- other measures to improve labor conditions.

In order to improve the Company’s image as related to arrangement of activities in occupational safety, prevention and avoidance of industrial injuries and occupational diseases, focus in 2011 was on promotion of the best practices through publication of articles in central industry-specific, regional and other mass media on occupational safety. Specialists of the central office and occupational and industrial safety services of JSCo Russian Railways prepared 34 publications in Gudok central railway newspaper.

In order to promote safe labor conditions, the Company regularly arranges radio and televised addresses, makes videos and holds road workshops, exhibitions and contests.

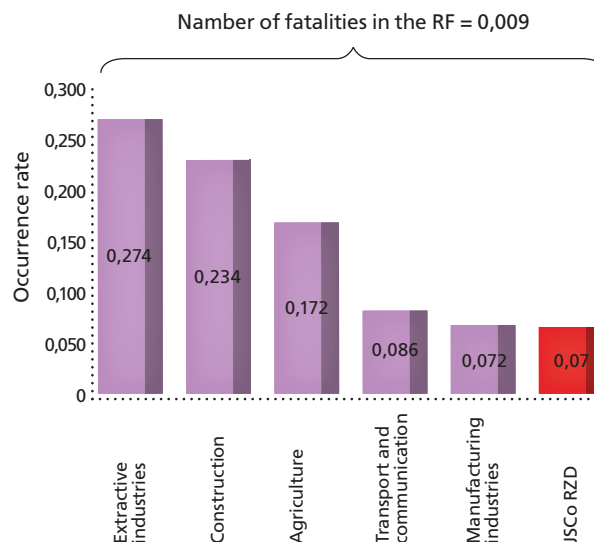
JSCo Russian Railways has developed and is constantly updating the website titled “Innovative Digest of JSCo Russian Railways” posted on the Internet in open access. Among others, it contains a section “Process Safety Management”. This section posts information on advanced means, achievements and latest technologies related to occupational safety.

In 2011, in order to improve the management process in line with the best global practices based on professional risk management and due to a new ideology in the Russia’s state policy, amendments and supplements were made to the applicable JSCo Russian Railways HSE Policy approved by the Management Board of JSCo Russian Railways (protocol No. 52 of the meeting of the Management Board of JSCo Russian Railways of 27 December 2011).

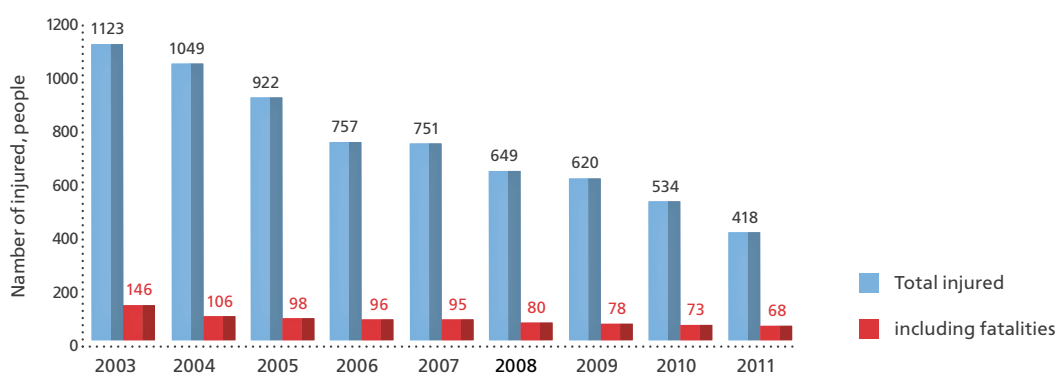
These changes comply with requirements of international standards OHSAS 18001, ISO 14001 and ISO 19001 and are aimed at:

- commitment of the Company’s management to HSE matters;
- JSCo Russian Railways HSE leadership among global transport companies;
- consistent decrease of the occurrence rate of industrial injuries, occupational diseases, accidents and negative impact on the environment;
- determination of liability of managers of all levels for Policy compliance.

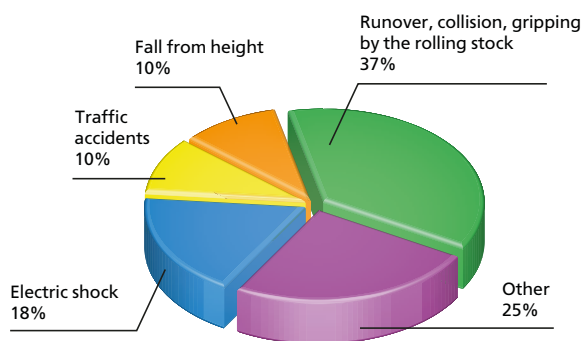
Fatal injury rate in the main industries of the RF for 2010 (according to the data of the Ministry of Healthcare and Social Development)



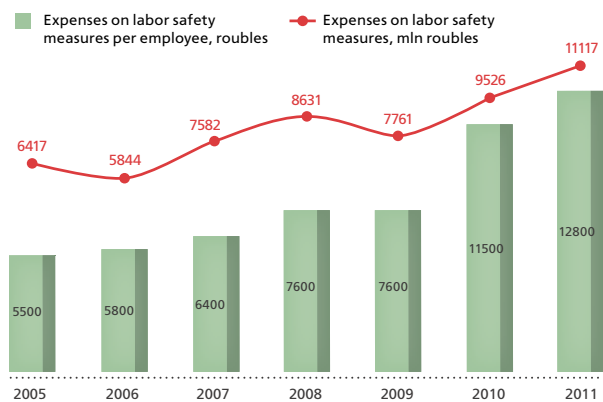
Dynamics of industrial injuries in JSCo RZD from 2003 to 2011



Main types of fatal industrial injuries



Financing of labor safety measures





13. Environmental Protection



Environmental Protection

In JSCo Russian Railways, environmental safety activity is carried out in line with the following documents:

- Environmental Strategy of JSCo Russian Railways till 2015 and in the long term till 2030 approved by Order No. 293 of JSCo Russian Railways of 13 February 2009;
- Strategy of Rail Transport Development in the Russian Federation approved by Order No. 877-r of the Government of the Russian Federation of 17 June 2008;
- Strategy of Innovation Development of JSCo Russian Railways till 2015 (White Book of JSCo Russian Railways).

JSCo Russian Railways as an environmentally-oriented company applies the mechanisms of voluntary environmental responsibility. During the period from 2008 to 2010, an external independent organization carried out an environmental audit of 433 line enterprises of JSCo Russian Railways branches. In 2011, 70 structural subdivisions of 11 branches that ensure Moscow – St. Petersburg rapid run underwent voluntary certification for compliance with GOST R ISO 14001.

In its operation, JSCo Russian Railways places much emphasis on availability of an environmental management system in the Company and its improvement.

Environmental protection centers, including environmental laboratories, operate on all 16 railways of the Company. These centers are in charge of environmental safety assurance in Company's branches located within the confines of the railway. Their main task is to ensure implementation of the common environmental policy of JSCo Russian Railways and control compliance of environmental standards and regulations by line enterprises of Company's branches. A special role is played by environmental laboratories whose competence helps line enterprises take prevention measures aimed at improved performance of environmental facilities, not to speak of the value of environmental laboratories in case of accidents.

In order to ensure environmental safety, regional commissions for nature protection activities of JSCo Russian Railways operate on all railways.

2011 saw development of the Concept for environmental management system of the Russian Railways Holding Company and Program for transfer to the target state of the environmental management system of the Russian Railways Holding Company for 2012-2013. These documents are planned to be enacted in 2012.

Key indicators of nature protection activities of JSCo Russian Railways

As a part of implementation of the Environmental Strategy of JSCo Russian Railways, in 2008-2011, emissions of harmful substances into the atmosphere from fixed sources decreased by 45%, discharges of pollutant effluents into surface water bodies reduced by 21% and waste generation decreased by 34% as

compared to 2010.

In 2011, the following was achieved by the Company vs. 2010 with freight turnover increase by 8%:

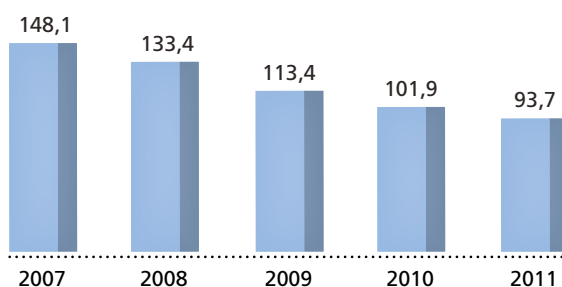
- reduction of emissions of harmful substances into the atmosphere from fixed sources by 17.5%;
- reduction in discharges of pollutant effluents into water bodies by 5.3%;
- increase in neutralized waste and its use in processes by 17%.

Air protection

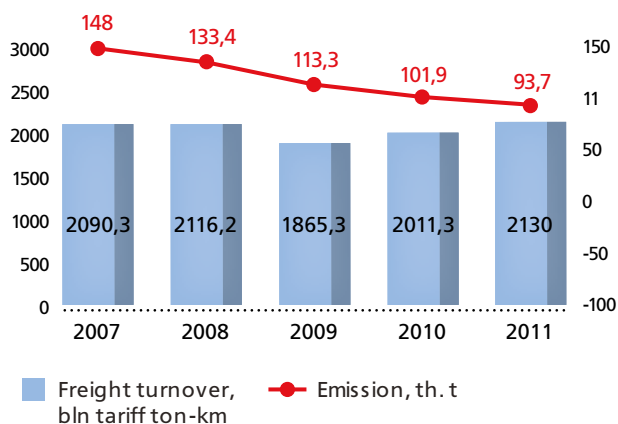
In 2011, emissions of harmful substances into the atmosphere amounted to 341.3 thous. tons, including: from fixed sources – 84.1 thous. tons, from mobile sources – 257.2 thous. tons, including emitted: by mainline and shunting locomotives – 191.9 thous. tons, by motor vehicles – 52.7 thous. tons, by powered special-purpose rolling stock – 12.6 thous. tons.

As compared to 2010, emissions from fixed sources reduced by 18.8 thous. tons in 2011.

Air emission of pollutants from fixed sources of JSCo RZD, thous. tons



Correlation between air emission of pollutants from fixed sources freight turnover of JSCo RZD



Reduction of emissions of harmful substances into the atmosphere from fixed sources is ensured by construction of new and reconstruction of existing boiler rooms, their transfer to more ecologically clean types of fuel (gas, oil fuel), increase in fuel combustion efficiency, electric heating, liquidation of low-density coal boiler rooms, reconstruction of existing and introduction of new dust and gas catchers (cyclones).

The Company takes measures to reduce emissions of harmful substances into the atmosphere from coal boiler rooms. More ecologically clean methods of coal combustion are used. This is a fluidized bed technology that helps reduce emissions of harmful substances into the atmosphere and waste (slag) generation. More than 50 boilers of coal boiler rooms were transferred to this technology.

Gas radiant heating at Otrozhka locomotive depot of South-Eastern Railways



Systems for premises heating with heat pumps are being introduced, at they help avoid the use of conventional fuels and emissions of harmful substances into the atmosphere. Decentralized gas heating systems for production premises are also in use.

With an increased volume of transportation and resulting growth in operation of infrastructure facilities, there is a steady trend towards reduction of atmospheric emissions from fixed sources.

In line with the rail transport development Strategy till 2030, JSCo Russian Railways takes efforts to use natural gas as motor fuel as it helps enhance environmental friendliness of transportation

2011 saw trial operation of:

- GT-1 mainline gas turbine locomotive built at Voronezh Locomotive Repair Plant and fired by liquefied natural gas; its noxious emissions are 5 times lower than set out in requirements of EC 2012 directive to diesels. The gas turbine locomotive (fig. 4) has become an example of application of home innovative technologies. Its capacity is 8,300 kW. In

its trial run, the gas turbine locomotive handled a train with a record weight of 16,048 tons with a unit draft. Preparation to development of the design documentation for serial production has begun.

- 2 shunting gas turbine locomotives designed based on ChME3 serial diesel units that underwent enhanced diesel fuel replacement with natural gas. Maximum diesel fuel replacement with natural gas accounts for 60%. In the gas diesel mode of operation, toxicity of exhaust gases is reduced 1.5-fold.

GT-1 mainline gas turbine locomotive



Yaroslavl Electric Locomotive Repair Plant manufactured 6 two-diesel shunting locomotives based on ChME3 diesel unit. As compared to serial diesel units, these diesel units ensure fuel saving up to 25%. Their environmental performance has been improved. Atmospheric emissions of greenhouse gases is reduced by 15%, of harmful substances – by 40%. The plant is also engaged in the design of an upgraded shunting locomotive with three diesels that ensure additional fuel economy by 8% and resulting decrease in emission of harmful substances.

Use and protection of water resources

Since Company's incorporation, water use for production needs has decreased by 44%. This has been attained thanks to introduction of water-efficient processes, recirculated water systems, water rationing and instrumental accounting.

Air-cooled modular compressor plants that need no water are being widely introduced. In 2011, 51 modular compressor units were delivered to the railway rolling stock.

In 2011, discharges of pollutant effluents into surface water bodies amounted to 12.7 mln. m³. As compared to 2010, their discharge decreased by 0.7 mln. m³.

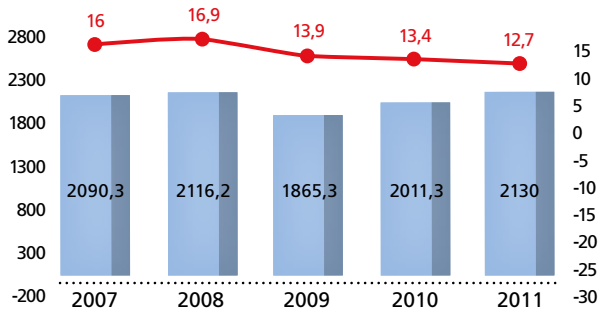
Decrease of discharges of pollutant effluents into surface water bodies is mainly due to construction and reconstruction of sewage treatment facilities.

Dynamics of reduction in pollutant effluents into surface bodies as compared to the freight turnover of JSCo Russian Railways shown on figure 7 is the evidence of effective water conservation measures applied.

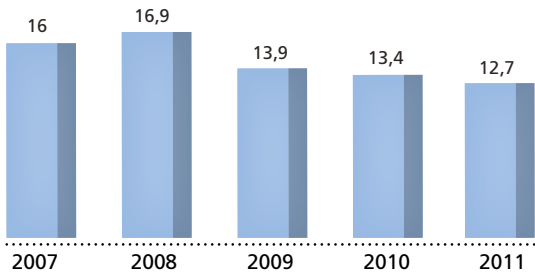
Complex with a recirculated water system for washing of electric trains at Anisovka locomotive depot of Privolzhsk Railway



Effluents discharge into surface reservoirs by branches of JSCo RZD, mln m³



■ Freight turnover, bln tariff ton-km ● Waste generated, mln-t

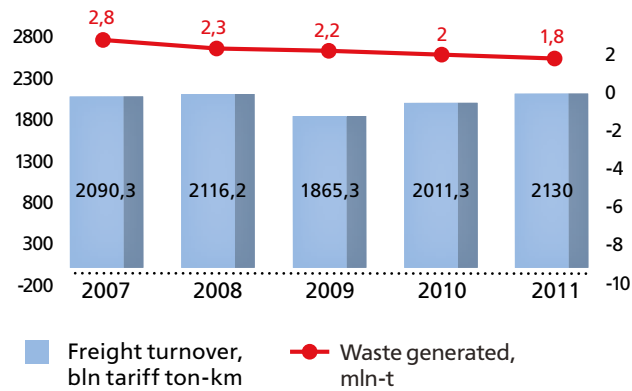


Production and consumption waste management

In 2011, branches of JSCo Russian Railways generated 1.83 mln tons of production and consumption waste, which is 150 thous. tons less than in 2010. Dynamics of reduction in waste generation is shown on figure 8.

Most wastes belong to V hazard class (70% of all the generated wastes), wastes of I and II hazard class account for less than 1%, III – 15%, IV – 15%.

Correlation between emissions of air pollutants from stationary sources and freight turnover of JSCo RZD



■ Freight turnover, bln tariff ton-km ● Waste generated, mln-t

In 2011, JSCo Russian Railways used and neutralized 695.3 thous. tons of wastes. A share of waste use and neutralization accounts for 38% of their total volume of generation.

The below dynamics of reduction in waste generation as compared to the freight turnover of JSCo Russian Railways is the evidence of effective waste management measures applied.

Relation between waste generation and freight turnover of JSCo Russian Railways

The Scientific and Production Center for Environmental Protection – branch of JSCo Russian Railways (Yaroslavl) has a biological, medical and oily waste disposal unit.

In 2011, more than 600 tons of such wastes were neutralized. Efforts are being taken to upgrade waste neutralization production and increase unit performance with further use of generated heat to heat production premises.

Tagul station of East Siberian Railways is fitted with a spent timber sleeper and oily waste disposal unit. In 2011, 52.3 thous. such sleepers were disposed. The heat generated during unit operation is used to heat production premises. Design and estimate documentation has been developed for the second processing line for spent timber sleeper disposal with a capacity of 1 t/h, which will help triple the unit performance. The project will be implemented in 2012

Both facilities for thermal waste disposal use home-made certified incinerators of IN-50 series. The incineration technology complies with European Directive EC 2000/76. Such plants are used both in Russia and abroad.

In the USA and EU (Sweden, Germany), spent timber sleepers are also thermally disposed.

Spent concrete sleepers are disposed at KUSH-40 units at 5 track stations on 4 railways: Moscow, October,

Sverdlovsk, South Urals. In 2011, more than 150 thous. such sleepers were crushed to ballast.

On the South-Eastern Railway, 3.2 thous. tons of brushwood from cleaning cutting of guard plots were processed (crushed) using mobile crushers.

Investments in nature protection activities

Nature protection activities in the Company are performed as a part of annually implemented investment projects: "Environmental safety assurance", "Introduction of resource-saving technologies on the rail transport", technical retooling of JSCo Russian Railways. The resource-saving program acts as the basis for implementation of a pilot project for railway station equipment with "smart railway station" resource-saving technologies; much effort is taken to introduce LED illumination, diesel unit heating system, automated central heat supply stations, energy-efficient train schedules, automatic locomotive driving systems.

Since Company's incorporation, over 2003-2011, more than 3.9 bln rubles have been spent on environmental protection only in line with the investment project "Environmental safety assurance". In 2011, with regard to other investment projects related to environmental protection, more than 1.9 bln rubles were spent on environmental protection.

As a part of the investment project "Environmental safety assurance", 2011 saw:

- construction, reconstruction and commissioning of 10 environmental facilities, including 8 sewage treatment facilities.
- acquisition of 14 sets of nature protection equipment for advanced waste treatment and production waste neutralization;
- acquisition of 50 devices for environmental laboratories;
- delivery of 2 track test cars and one truck-drawn laboratory to railways.

Technical retooling of JSCo Russian Railways ensuring environmental protection

Technical retooling of JSCo Russian Railways aimed at infrastructure reconstruction, replacement of the hauling and rolling stock ensures reduced technological environmental impact.

During diesel unit overhaul, obsolete engines are replaced with advanced and environmentally friendly home-made engines that increase fuel efficiency of repaired diesel units by 15% and enhance environmental performance by 30%. 2011 saw replacement of 188 obsolete diesels with new ones.

During track overhauls, timber sleepers are replaced with eco-friendly concrete sleepers. 2011 saw replacement of 3.2 thous. km of the timber sleeper track with the concrete sleeper track.

Federal Passenger Directorate was engaged in equipment of the passenger rolling stock with

environmentally compatible closed toilets with holding tanks (ECT) that prevent bacterial contamination of the railroad bed and adjacent territories with faecal microflora. 2011 saw commissioning of 447 ECT cars. Currently, some 7 thousand of such cars are in use in the railway network.

In Russia, environmental benefits of the rail transport are mainly ensured by wide application of electric traction that prevents pollution of the atmosphere, adjacent territories and, at the same time, it accounts for a large transportation share. On Russian railways, more than 85% of freight and 80% of passengers are transported using electric traction.

On such long routes as Murmansk – Vladivostok and Smolensk – Vladivostok, transportation is performed using electric traction.

2011 saw electrification of 148.4 km of the rail track.

Environmental friendliness of the rail transport is a burning issue in large cities and regions with dense population, as with significant volumes of railway transportation, environmental and health impact is lower

Noise protection activities

The Company pays attention to reduced environmental noise impact.

2011 saw performance of the following noise protection activities:

- rail grinding on 52 thous. km of the track;
 - rail braces of ARC type were used on 1,782 km of the track;
 - continuous welded rails were laid on 4,905 km;
- Syzran Concrete Plant launched a line of cement bricks for laying reduced vibration continuous welded rails that ensure reduced environmental noise impact.

Noise protection screen at Tosno station of October Railway. Screen length – 600 m, height – 4.5 m.



Activities in specially protected natural areas

2011 saw activities in specially protected natural areas near the following rail tracks:

Along the Black sea coastline near the track of the Tuapse – Adler section of the North Caucasus Railway, a

protecting wall 29.1 km long was erected from the high side; concrete flumes 24.3 km long were installed; costs amounted to 237 mln rubles.

On the Baikal shoreline, beached bank was overhauled at the Slyudyanka – Utulik haul of the East Siberian Railway in the volume of 18.6 thous. m³ and in the amount of 25 mln rubles.

Elimination of pollutions of past years

2011 saw further efforts aimed at elimination of pollution of past years – reclamation of Koptevsky quarry of Novospassky region, Ulyanovsk oblast (Kuibyshev Railway). The former sand quarry was polluted with oily waste of the washing and steaming plant in 1950s. Past years saw reclamation of the oily soil in the volume of 44.7 thous. m³. 2011 saw purification of 7.2 thous. m³ of the polluted soil. Works are planned to be completed in 2013. Soil is biologically neutralized at temporary sites near the quarry.

Operational environmental control

In 2011, operational environmental control over pollutant emissions and discharges into the atmosphere, water bodies and soil contamination was exercised as follows:

- from fixed sources – by 56 environmental laboratories and 10 track test cars with an onboard set of analytical equipment and 55 truck-drawn laboratories;
- from mobile sources (diesel units) – by 81 environmental control stations. Following engine repair, all diesel units underwent obligatory testing at the specified stations for their compliance with environmental indicators. Control over vehicle emission of harmful substances was exercised at environmental control stations available from hub motor depots.

JSCo Russian Railways pays much attention to development of the physical infrastructure of nature protection subdivisions.

In 2011, a new mobile track test car fitted with analytical devices and laboratory equipment was delivered to

Kuibyshev Railway. The track test car of the West Siberian Railway was upgraded. A truck-drawn mobile track test car was delivered to the Moscow Railway. The Company acquired 50 devices for identification of noise, electro-magnetic fields, pollutants in effluents and industrial emissions for environmental laboratories.

In 2011, Scientific and Production Center for Environmental Protection – branch of JSCo Russian Railways erected a new training building. Its commissioning in 2012 will help double a number of specialists who take advanced training in environmental protection.

2011 saw completion of the second stage of construction of a modular laboratory complex of the Environmental Protection Center at the Chelyabinsk station of the South Urals Railway and arrangement of a railroad dock to house an environmental track test car.

Placement of a track test car and fixed laboratory within the same territory significantly increases the quality of arrangement of analytical research in line with all applicable requirements and a level of readiness for participation in environmental emergency response. The same area houses a truck-drawn mobile track test car.

2011 saw acquisition and commissioning of 32 sets of advanced diagnostic equipment for diesel unit emission control stations. This equipment enables in-place diagnosis and adjustment of diesel locomotive engines in compliance with technical and environmental parameters.

Ershov locomotive repair depot of Privolzhsk Railway introduced the system for purification of diesel unit exhaust gases used in rheostatic tests of all diesel unit series. During load testing of diesel unit engines, this system ensures reduction of emissions of harmful substances into the atmosphere by up to 30%.

Key lines of development of nature protection activities of JSCo Russian Railways

- introduction of innovative technologies ensuring protection of the atmosphere, water resources, enhanced use and neutralization of production waste, reduced greenhouse gas emissions and noise impact;
- better the management of nature protection activities;
- assurance of environmental impact monitoring.

Operational environmental control





14. Personnel Management



Personnel Management

The Company's unified personnel policy is implemented in accordance with the Strategy of development of the personnel potential of JSCo Russian Railways till 2015 (hereinafter referred to as the Strategy) aimed at enhanced performance and engagement of the personnel in implementation of corporate tasks.

In 2011 that was declared the year of the personnel, implementation of the unified personnel policy in Russian Railways Holding Company was aimed at qualified staffing of all categories, creation of a single talent pool, adaptation of the personnel continuous professional training system to conditions of the Holding Company and changing production requirements, implementation of measures to promote favorable social and psychological climate in labor collectives.

2011 saw implementation of internal communication programs and activities in the following key directions:

- communication support of introduction of the new management system of Russian Railways Holding Company;
- explanation of benefits of the new Bargaining Agreement of JSCo Russian Railways for 2011–2013;
- support of introduction of the new corporate competence system — 5 K+L model;
- information support of the new personnel incentive system in JSCo Russian Railways.

As a part of development of the internal communications system and in order to improve and technologize handling of employees' applications, the unified information resource — multiplex hotline for JSCo Russian Railways employees was prepared and launched on 1 October 2011. From 1 October 2011 to 31 December 2011, the hotline received 3,322 calls.

Improvement of the Remuneration and Incentive System

As a part of implementation of the social policy, the Company takes continuous purposeful efforts to improve the remuneration and incentive system.

Personnel social research is conducted yearly to monitor results of implementation of the Strategy for development of the JSCo Russian Railways talent pool.

In 2011, the overall indicator of employees' satisfaction with labor amounted to 58.64 (2010 — 57.9), employer's fulfillment of social protection obligations — 73.13 (2010 — 72.6).

In order to implement measures to promote favorable social and psychological climate in labor collectives, the procedure and conditions of awarding class titles to highly qualified employees were updated.

The following regulations aimed at enhanced personnel motivation were elaborated and enacted:

- Regulation for additional bonus payment to technicians in charge of interpretation of speed gauge bands for revealed violations.
- Regulation for additional bonus payment for results of introduction of lean manufacturing standards in structural subdivisions.
- Regulation for additional bonus payment for the warranty mileage of locomotives till regular maintenance (running repairs) The document provides for payment of a quarterly bonus to workers engaged in repairs, foremen (including senior ones), deputy repair engineering foremen – for the absence or decrease in emergency maintenance and failures by 30% per 1 mln km of mileage.
- Regulation for a personal quality brand that provides for payment of a monthly bonus to workers engaged in repairs who undertook to ensure high-quality repairs or manufacture of locomotive parts and assemblies if there are no defects or disturbances over a year.
- Regulation for the foreman fund aimed at promotion of a status of line managers.

The Company adopted a unified bonus payment system aimed at enhancement of employees' material incentive for settlement of individual and joint key tasks that reflect Company's performance.

In 2011, the average monthly salary of employees of JSCo Russian Railways engaged in transportation accrued 13.8% to have reached 33,485 rubles (2010 — 29,432 rubles). In real terms (with regard to inflation), the salary accrued 5.0%.

The Company pays remuneration for traffic safety assurance. In 2011, based on performance in 2010, 95.8 thousand employees of leading positions and trades directly engaged in train traffic safety assurance were rewarded.

In order to stimulate continuous work in the transport industry, loyalty payments are made.

The procedure for reimbursement of costs related to

business trips of branch employees whose constant work is performed while the railway rolling stock is under way or is of a travelling nature was revised in line with the labor legislation.

JSCo Russian Railways procures performance of bargaining agreement obligations, including as related to labor compensation: wages are indexed in line with the consumer price index; Company's employees and their family members get a variety of additional compensations and benefits as related to labor relations and improvement of labor conditions.

The Company's Management Board quarterly sums up results of contests of JSCo Russian Railways labor collectives. In 2011, 696 collectives of JSCo Russian Railways became winners. The following collectives were

announced winners among railways: West Siberian, South Urals, Northern, Far Eastern, Gorky, South-Eastern and Privolzhsk Railways.

In 2011, 8,580 Company's employees and persons out of staff of JSCo Russian Railways who made a significant contribution to Company's development obtained all types of awards, including:

- 79 employees obtained state awards;
- 1,078 employees obtained awards of the Russian Ministry of Transport;
- 7,423 employees obtained corporate awards of the Company, including 385 employees who obtained the highest award — medal of Honored Rail Worker of JSCo Russian Railways.

Efficient Administration of the JSCo Russian Railways Personnel

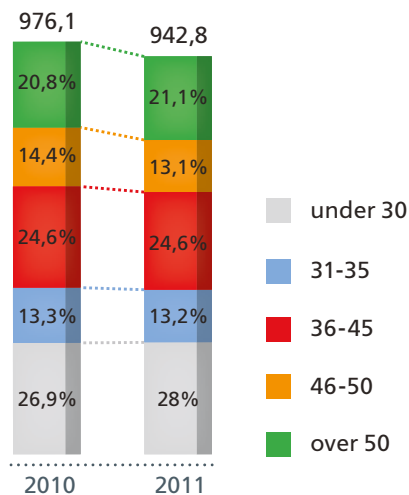
In 2011, accountable strength of JSCo Russian Railways employees decreased by 33.3 thous. people and amounted to 942,808 as of 31 December 2011.

151.2 thous. people were dismissed from the Company, including 80.2 thous. people — on their own accord (including 24.1 thous. retirees) and 9.4 thous. people — because of staff reduction. 117.9 thous. people were newly employed, including 10.2 thous. people who terminated their service with the Russian Army and graduates.

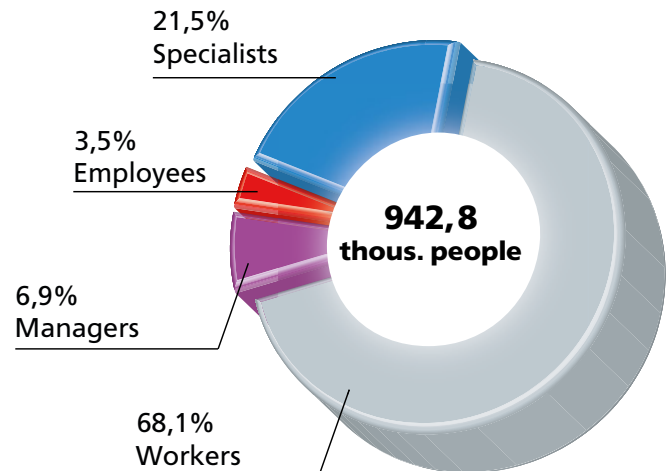
In 2011, no deficit of blue-collar jobs was observed. Company-wide staffing level amounted to 98.1% of the manning table. In 2011, turnover of employees reduced by 0.2% year-on-year to have reached 8.8%.

A ratio of personnel categories in the total strength is distributed as follows: blue collars account for 68.1% (642.3 thous. people), managers — 6.9% (65 thous. people), specialists — 21.5% (202.3 thous. people), white collars — 3.5% (33.2 thous. people).

Age structure of payroll employees, thous.



Strength of JSCo Russian Railways personnel by categories, %



Personnel education level in JSCo Russian Railways:

- number of employees with higher education accounts for 22.2% of the total strength with an increase by 1.3% by the beginning of the year;
- number of employees with intermediate vocational education — 25.7% with an increase by 0.2% by the beginning of the year.

A share of Company's employees under 30 accrued 1.1% over the year to have reached 28%. The employees' average age is 39.5 years.

Out of the total number of employees, women are 286,339 (30.4%). Women occupy 51.7% of all positions of Company's managers and specialists; there are 138.3 thous. women in these positions.

Development of the JSCo Russian Railways Talent Pool

One of the Company's top priorities is increase in its competitive power on the labor market. In these conditions, development of human resources is the most critical element of the personnel policy.

To reach these ends, in 2011, the Company arranged and conducted advanced training of more than 82 thous. managers and specialists of JSCo Russian Railways subdivisions.

The most important subjects of training, apart from engineering and technical disciplines, are programs for increase in the competence of employees in corporate management, logistics, transport business organization and conduct, interaction with foreign partners (international interaction standards, foreign language), financial management, accounting procedures, taxation, budgeting, investment management, labor and salary organization, occupational safety.

Due to implementation of the unified policy of development of the personnel potential of JSCo Russian Railways and development of the business education system, this year, the Company elaborated the "Regulation for additional professional and business education of managers and specialists of the Russian Railways Holding Group".

In 2011, 37 managers from among deputy managers of regional roads and heads of railway directorates, infrastructure and traction directorates took retraining under the "Corporate management" program elaborated for this category of employees with further travel to leading transport companies of France and Germany.

32 prospective employees of the Company improved their qualification at the International Logistics and Supply Chain Management Center set up with German railways at the SPbU GSM under the "Logistics and supply chain management" program; 25 employees were trained under the "Logistics and supply chain management" advanced training program with travel to Germany.

462 employees of the Russian Railways Holding Company improved their qualification abroad with a visit to leading transport companies of the world (Germany, Austria, France, Belgium, Netherlands, Spain, Italy, USA, Canada, Great Britain, Finland, China).

Managers, including promising young specialists

continue their training under the MBA conversion training program in Russian and foreign business schools. This year, 106 managers graduated from business schools and a total number of the Company's managers who received business education increased to 440 people.

2011 saw application of a new approach to planning and organizing activities for assignment to target training of students that provides for accounting of specializations and matches orders of relevant branches for training of specialists and bachelors.

The Company has performed its obligations related to target employment of graduates of higher educational establishments and technical schools. Over the year, more than 9 thous. young specialists arrived, some 4 thous. out of which were trained on the target preparation basis. As of 31 December 2011, the Company had some 21 thous. young specialists.

Currently, a total of 28.3 thous. people undergo target training on an intramural basis and 12.3 thous. people – on an extramural basis in railway industry higher educational establishments.

60 thous. people were trained in blue-collar occupations, including 34 thous. people who were retrained and trained in sidelines (related jobs); 140 thous. workers improved their qualification. This year, some 250 mln rubles were allocated for renewal of training and laboratory facilities, including 97.0 mln rubles for purchase of simulators for training of drivers, assistant drivers and track workers.

In order to improve the quality of blue collars' training, the following is implemented: qualification program for technical school and training center teachers; program for development of their physical infrastructure, training and laboratory facilities; new educational programs.

One of such programs is the program for training of locomotive drivers that undergoes experimental validation on Privolzhsk Railway. Summing-up, academic progress analysis and passing of qualification exams confirms that this program enables high-quality training of drivers.

In 2011, technical schools and training centers arranged introduction of the unified knowledge management system (KMS) based on JSCo Russian Railways S&A.

Corporate university

Corporate university started its work in July 2010. Its target audience was made up of top executives of the establishment of the president of JSCo Russian Railways, from vice presidents to deputy heads of branches and structural subdivisions of JSCo Russian Railways and S&A. Over the period of its operation, more than a thousand and five hundred managers of the establishment of the president of JSCo Russian Railways have taken part in Corporate University programs.

In 2011, the following lines of activity were established for training and development of executive staff:

- evaluation of managers of different levels in line with the corporate competence model of JSCo Russian Railways;
- implementation of target managers' training programs in the directions that are most relevant to Company's development;
- assistance to CM target program participants in implementation of IDP – individual development plans;
- implementation of individual development programs as a part of IDP implementation;

- administration of manager's individual development based on MID ACS (manager's individual development automated control system);
- methodical support of Company's personnel management projects;
- determination of directions of Company's personnel development by top managers in the mode of strategic sessions.

Activities of the corporate university helped settle the task of individual development and training of Company's managers. Continuity of training process stages for various management categories was assured.

The task of the corporate university for further development of the system of additional business education of the JSCo Russian Railways key personnel based on competence approach for the nearest term is the launch of the project for creation of branches of the corporate university and arrangement of training of lower managers and promising young executives in railway regions by target programs.

Corporate Social Responsibility

Implementation of the Bargaining Agreement

The Company traditionally performs all the obligations secured in the Bargaining Agreement. In 2011, some 90 bln rubles were allocated for these purposes.

The bargaining Agreement of JSCo Russian Railways for 2011-2013 is based on the Industrial Agreement with regard to the structure and principles of the Concept for optimization of the personnel social support system (hereinafter referred to as PSSS).

The main focus is on attraction, development, retention and motivation of employees. A principle of employees' responsibility for production results was introduced.

One should specifically mention two key innovations – a possibility to use a compensable social package as an incentive and inclusion into the agreement of a section dealing with Company's corporate social responsibility, which attracts much public attention and declares Company's voluntary commitment to international principles of corporate social responsibility and sustained development.

One of innovations of the Bargaining Agreement is the standards for provision of a compensable social package.

Compensable social package as an element of an individual social package is provided in order to enhance attractiveness of workplaces and motivate employees to work. The compensable social package is based on the "cafeteria" principle that provides for establishment of a

limit of funds and a list of elements, on which these funds may be paid.

The compensable social package based on Company's targets to increase a motivation effect of the social package and with regard to the best practices and personnel surveys includes 11 elements.

Each element of the compensable social package is aimed at settlement of specific tasks related to employees' social motivation:

- compensation of health resort treatment, healthcare services (not covered by the base corporate voluntary health insurance policy) and services of sports institutions is meant to care for employees' health,
- compensation of children's summer vacation and payment for kindergartens – care for employees' families,
- compensation of payment of urban transport fares, payment for petroleum, oil, lubricants and food – care for employees' performance ability,
- compensation of payment for cellular communication, Internet and services of culture institutions – care for employees' development,
- compensation of additional (personal) contributions to non-state pension fund Blagosostoyaniye – care for employees' future.

The compensable social package is provided to valuable personnel categories, i.e. employees who are

of a certain value to the Company in the current period based on the following criteria:

- scarce trades. Justification for CSP provision to scarce trades is their attraction and retention in the Company;
- employees' participation in making changes to the Company (managers, tutors, representative of market trades, etc.). Justification for CSP provision to these personnel groups is moral motivation and assistance in introduction of innovations;
- high qualification of employees that ensures the major operating process for Company's vital activities. The aim of CSP provision is to underline the importance of highly qualified employees using the moral motivation mechanism;
- performance indicators, labor effectiveness. The aim of CSP provision to high-performance employees who demonstrate high production indicators is their motivation to increase labor effectiveness;
- other criteria set out in the Company's local regulatory acts dealing with HR and social policy;

In 2011, the compensable social package was provided to 7,200 employees representing some 40 valuable categories in the amount of 108 mln rubles.

Based on results of activities related to provision of the compensable social package in 2011, its positive influence on personnel retention was identified, namely, decrease in the staff turnover rate in subdivisions whose employees received the compensable social package.

The Company developed the Regulation for summation of results of performance of the Bargaining Agreement of JSCo Russian Railways for 2011-2013 and Industrial Agreement in rail transport organizations that became a certain basis for establishment of social partnership in the context of a holding model of corporate governance.

Since the first half of 2011, results of performance of the Bargaining and Industrial Agreement as well as bargaining agreements of organizations (branches) forming a part of Zheldortrans Association have been considered in a new format on three levels – local, regional and corporate.

Our Company will further on develop and improve the practice of summation of results of Bargaining Agreement performance in the new format with participation of Zheldortrans Association of Employers and subsidiaries.

Housing Policy of JSCo Russian Railways

Since 2005, JSCo Russian Railways has been implementing the Housing Concept to resolve two basic issues: financial support of employees who need to improve their living conditions and the creation of a housing fund to support the technological process of transportation.

The Company subsidizes to the employees who need to improve their living conditions most of the costs on payment on interest on real estate loans, for

which an employee pays only 4.5% p.a., and young specialists – 2%.

During 2006-2011, 21,188 employees of JSCo Russian Railways improved their living conditions with the financial support of JSCo Russian Railways. In 2011, 2,443 employees of JSCo Russian Railways obtained tandem loans in the total amount of some 4.0 bln rubles.

Attention is especially paid to young people and big families as well as single parents bringing up children. Subsidies are given gratis to the latter and account for 70% of the cost of housing space. When the first child is born, a subsidy is granted to repay a debt for the residential premises acquired in the amount of the cost of 10 sq. m; when a second child is born – 14 sq. m, when a third and subsequent children are born – 18 sq. m. In 2010, 50.0 mln rubles were allocated for payment of gratis subsidies to big families and single parents. More than 427.0 mln rubles were paid to 1,274 young specialists with children born to repay a debt for the residential premises acquired. Last year, residential premises were acquired with the Company's financial support by 1,231 young families, including 766 young specialists.

As a part of corporate support of JSCo Russian Railways employees, it is planned to grant the following in 2012:

- tandem loans to 2,350 employees of JSCo Russian Railways with granting of subsidies,
- gratis subsidies to improve living conditions of big families (49 employees of JSCo Russian Railways) and to settle housing issues of a certain category (some 60 employees of JSCo Russian Railways).
- gratis subsidies when children are born (some 1,300 employees of JSCo Russian Railways).

JSCo Russian Railways sets up the housing stock to procure human resources for transportation. This necessity is conditioned by operational and process peculiarities of the rail transport, territorial sparsity of infrastructure, interrelation of structural subdivisions, high responsibility rested upon employees, need to ensure accommodation of certain employees in close proximity to their workplaces and is aimed at assurance of uninterrupted and round-the-clock transportation, increase in operational and process stability of railway operation and reduced risks of transportation safety disturbance. First of all, residential premises of the Company's technological stock are needed at line stations.

As of 31 December 2012, JSCo Russian Railways owns the housing stock in the amount of 786.7 thous. sq. meters that includes 9,694 apartments in apartment buildings, 1,798 apartments in buildings with a small number of apartments, 1,245 rooms in hostel-like residential buildings and 61 rooms in hotel-type residential buildings.

In 2003-2011, JSCo Russian Railways allocated 24,035.0 mln rubles of investment funds on establishment of the housing stock (without VAT), including in 2011 – 3,260.8 mln rubles.

Residential premises are provided to employees of primary occupations and positions that ensure the transportation technology and operation of newly commissioned production capacities as well as to managers and specialists invited and transferred as a part of the staff turnover for the period of their performance of labor duties under labor contracts.

Implementation of Youth and Health-Improving Programs

Non-state educational establishments

The Concept for development of the preschool and general education system of JSCo Russian Railways was elaborated and approved as a part of implementation of Our School national educational initiative.

JSCo Russian Railways is a founder of 291 non-state educational establishments (2 general education vocational schools, 17 general education schools, 30 boarding schools, 6 educational establishments for preschool and primary school-aged children – primary schools – kindergartens and 236 kindergartens). Pupils and educatees amount to 42,429, including 37,350 people (88%) – children of JSCo Russian Railways employees with 7 thous. teachers.

In 2010-2011 academic year, 15,111 children were trained on Children’s Railway (CR), including 3,982 children of railway employees. Summer practical training was taken by 11,272 children. 1,004 CR graduates entered railway educational establishments. There are 609 circles on CR.

Youth Policy

In order to promote strategic development of the Russian Railways Holding Company through its provision with a required number of young employees who have required professional skills and corporate competences, share values of the Russian Railways brand and are

engaged in settlement of corporate tasks, the Company is implementing the Program “Young People of JSCo Russian Railways” (2011-2015).

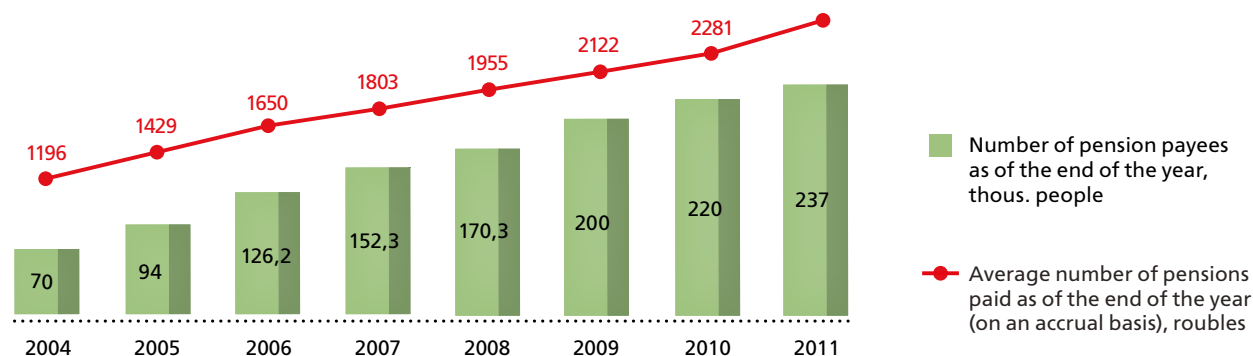
As a part of its implementation, the “New Link” youth contest of innovative projects has been held since 2008. Over four years, more than 4,600 young employees of branches and structural subdivisions, subsidiaries and affiliates of JSCo Russian Railways, students and postgraduates of Russian rail transport higher educational establishments have taken part in the contest. More than 1,900 projects have been developed. More than 140 projects have been provided with organizational and financial support of the Company’s management. Authors of projects that won the contest undertake an internship in the leading railway companies in Germany, Spain and France.

A community of the Company’s youth assets – “Team 2030” Corporate Club is actively developing. In 2011, the Club arranged a program for young managers and representatives of the youth reserve “Leaders of Changes”, in which 6,500 young managers of the Russian Railways Holding Company took part. 111 program participants were sent for study in the corporate university of JSCo Russian Railways in 2012.

The Company set up the youth meeting system: road, branch, regional meetings, annual meeting of young employees of JSCo Russian Railways. The anniversary V meeting of young employees of JSCo Russian Railways held in September 2011 became the largest one in the Company’s history. Its participants were more than 800 young employees and scientists of JSCo Russian Railways, Company’s managers and experts. For the first time in history, an international section was arranged as a part of the meeting; it was attended by youth delegations from railway administrations and companies from 12 European and Asian states as well as headquarters of the International Union of Railways.

As a part of implementation of the state youth policy, JSCo Russian Railways takes efforts to develop student teams with a special focus on construction. Starting from 2009, more than 2,000 students of railway and

Major indicators of non-state pension coverage in JSCo RZD



construction higher educational establishments have been engaged in construction of transport infrastructure facilities of the winter Olympics of 2014 in Sochi erected by JSCo Russian Railways. 1,085 students from Russia, Armenia, Belarus, Kazakhstan, Kirghizia, Latvia, Lithuania and Estonia took part in the summer labor semester of 2011.

Corporate Pension Scheme

Non-state pension coverage is one of the most important elements of the social package in JSCo Russian Railways that provides employees with an additional opportunity to procure an adequate level of living after retirement already now.

In 2011, a number of depositors increased over the reporting year by more than 50 thous. people; a total number of depositors in the Company exceeded 700 thous. people, which accounts for 74 % of the number of JSCo Russian Railways employees.

More than 237 thousand former railway employees draw a corporate pension. In 2011, pensions were awarded to 17,982 employees of JSCo Russian Railways; an average non-state pension awarded in 2011 amounts to 4,760 rubles. An average non-state pension on an accrual basis amounted to 2,571.71 rubles, which is 290 rubles more year-on-year.

Healthcare

Priority healthcare tasks of JSCo Russian Railways for 2012:

- implementation of the Concept for reforming of a complex of healthcare facilities approved by the Board of Directors on 26 October 2011;
- improvement of medical and psychophysiological aspects of train traffic safety assurance;
- introduction of new diagnosis and treatment methods;
- increased scope of non-corporate sources of finance of non-state healthcare institutions;
- interaction with executive bodies of Russian Federation constituents and local authorities in compensation of the funds spent by non-state healthcare institutions on provision of healthcare services to the local population and joint maintenance of these institutions.

Culture and Sports

“Sports facilities have more than 1,773 sections in the most popular sports. More than 37 thous. people take exercises there, of which 26 thous. are railway employees and their family members, more than 4 thous. – are children under 14. In 2011, 2,177 mass sports events were held on railways”.

Currently, there are 1,470 club formations at cultural facilities of JSCo Russian Railways that engage more than 43 thous. people, including nearly 26 thous. railway employees and their family members. In 2011, more than 22 thous. social activities were held on railways.

Charity

One of the ways JSCo Russian Railways interacts with society is the Company’s charitable activity conducted both independently via standing commissions for rendering assistance requested by various non-profit organizations and individuals and via special-purpose foundations. These entities are used to provide beneficial aid to all kinds of individuals and organizations.

Each year, the Company’s management determines and approves the Charity Plan for a year; in 2011, it amounted to 600 mln rubles.

In its charitable activities, the Company pays much attention to providing beneficial aid to its employees, veterans and their family members whenever they need emergency medical treatment, expensive treatment, social support, including improvement of living conditions. In 2011, more than 300 mln rubles were allocated for these purposes.

To ensure more efficient organization of charitable activities and attract additional sources of finance, Transsoyuz Charity Fund was set up; it is aimed at consolidation of financial possibilities and charitable efforts of JSCo Russian Railways and its subsidiaries for implementation of charitable projects that are of all-Russia value or are acknowledged as large industrial projects.

In 2011, the Company together with Transsoyuz CF took part in such large-scale target charitable projects as:

- restoration of Agate Rooms in Tsarskoye Selo State Reserve Museum; the total volume of funds till 2013 inclusive will exceed 270 mln rubles, a share of JSCo Russian Railways in 2011 was 54 mln rubles;
- arrangement and financing of expensive treatment, care for children under conditions of hardship, help to a children hospice and support of Rasprav Krylia (Spread Your Wings) charitable fund of social support to children for a total amount of more than 100 mln rubles, a share of JSCo Russian Railways in 2011 was 37 mln rubles.

Thus, the amount of charitable aid provided to various organizations in 2011 was 290 mln rubles.

The charitable aid plan of JSCo Russian Railways for 2012 was approved in the amount of 630 mln rubles.



15. Investment Activities



Investment Activities

Infrastructure Investment Requirement

2011 saw further activities aimed at improvement of the investment process management system in the context of holding company establishment; changes were made to the regulation for interaction of investment process participants on the regional level.

Thus, speaking of results of investment activities of JSCo Russian Railways for 2011, one may say that the Company is doing its best to ensure sustained development of the rail transport. Considering scarcity of own funds of JSCo Russian Railways, Company's investment resources were mainly allocated for renovation of key assets to ensure a required level of transportation safety. No required development of the JSCo Russian Railways infrastructure was ensured in the required scope to handle forecast volume of transportation.

Results of execution of the investment budget of 2011 on the whole confirm successful attainment of the year's set targets aimed at assurance of the volume of freight and passenger operations proposed by the country's economy, increased efficiency of use of available Company's assets, primarily – rolling stock, reduction of operating costs, enhanced labor performance, further

development of transportation control organization based on information technologies, introduction of resource saving technologies, equipment of Russian railways with a new-generation rolling stock.

Meanwhile, with increase in the volume of transportation, a key issue in improvement of field operation and Company's enhanced performance in the current context is still ageing of key assets, specifically, infrastructure facilities.

With regard to implementation of activities within the investment budget of JSCo Russian Railways, length of track sections with above-level tonnage increased as of late 2011 to have exceeded 20 thous. km. 76% of electric interlocking systems, 55% of automatic block signaling, 54% of traction substations and more than 54 thous. km of the overhead system are operated with an excess of the rated useful life.

Infrastructure of JSCo Russian Railways needs renovation

TRACK INFRASTRUCTURE	
Length of track in use – 85,166 km	Length of sections with restricted capacity – 5,462 km
Total length of track – 124,255 km	Including with expired overhaul period – 20,967 km (16.9%)
Engineering structures – 82,940	Including with exceeded life – 31,300 (38%); defective – 7,531 (9.1%)
POWER INFRASTRUCTURE	
Total length of electrified track – 98,221 km Total length of catenary – 119,790 km	Including in need of reconstruction and renovation – 55,800 km of catenary (46%)
Traction substations (fixed) – 1,390	In need of reconstruction – 786 (57%)
AUTOMATIC BLOCK SIGNAL SYSTEM	
Length of sections with automatic block and train control – 62,315 km	Length of sections with expired life of automatic block devices – 34,385 km (55%)
Power switches – 132,869 pcs.	Power switches with expired useful life – 99,940 (77%)

Thus, the infrastructure of JSCo Russian Railways as in 2010 is characterized by:

- low density inside the Russian Federation with low-intensity sections present;
- high material rate of current lines;
- significant length of bottlenecks, most of which fall on the Russia's main railway corridors;
- high level of wear and tear with a major lag in technology as compared to leading world analogues;
- absence of the infrastructure for high-speed operations, lack of sections for rapid passenger operations, absence of infrastructure to arrange service of trains weighing more than 10,000 tons.

For the period till 2015, an increase in density of traffic using the JSCo Russian Railways infrastructure is expected at 3.5-4.5% a year on the average and from 2015 to 2030 – at 1.5-2.5% a year on the average.

The main trends that will affect a level of infrastructure load of JSCo Russian Railways:

- increase in the volume of freight train operations with an increase in transportation volume;
- development of new economic areas, in which a railway network needs to be developed and access to the freight network from new large fields (primarily, coal, iron ore, hydrocarbons);
- growing competition on the part of the road and pipeline infrastructure;

- increase in transit freight traffic;
- stabilization of the scope of traffic of traditional long-distance and suburban passenger trains with a concurrent need to significantly increase speed in the main transportation directions.

Besides, a load on the JSCo Russian Railways infrastructure will undergo significant changes in line with changes in the structure and intensity of freight and passenger flows due to:

- increase in freight traffic density in the direction of the largest ports of the South, North-West and Far East, transfer of a part of freight traffic flows from border crossings to Russian ports;
- increase in the volume of transportation via land border crossings in the direction of Mongolia and China;
- significant increase in the freight traffic density of BAM;
- further growth in transportation via largest railway hubs of the network;
- increase in density of suburban operation in Moscow, St. Petersburg and other large railway hubs;
- increased speed of passenger and individual categories of freight operations.

In order to handle the increasing freight traffic with restricted capacity, large-scale infrastructure development projects need to be developed by 2020.

Investment requirement for the critical promising projects till 2020 and target costs for 2010 in line with the investment budget of JSCo Russian Railways²⁶

No.	Name of projects by regions	For 2010 – 2020		Target costs on allocated projects of the investment program of JSCo Russian Railways, bln rubles	Risk not to handle freight traffic, mln tons a year (vs. 2020)
		Overall investment requirement, bln rubles	Average annual requirement, bln rubles		
1	Development of approaches to ports of the North-West	350,0	31,8	21,5	80,0
2	Development of approaches to ports of the Russia's South	160,0	14,5	7,0	60,0
3	Development of the infrastructure of Western Siberia and UFD North	171,2	15,6	2,8	35,0
4	Development of the trans Siberian line	193,0	17,5	6,0	30,0

²⁶ in the prices of 2010

No.	Name of projects by regions	For 2010 – 2020		Target costs on allocated projects of the investment program of JSCo Russian Railways, bln rubles	Risk not to handle freight traffic, mln tons a year (vs. 2020)
		Overall investment requirement, bln rubles	Average annual requirement, bln rubles		
5	Development of the Baikal-Amur Mainline	870,0	79,1	4,0	56,0
6	Development of the Mezhdurechensk – Abakan – Taishet section	72,0	6,5	0,2	17,0
7	Development of the Moscow railway hub	423,0	38,5	0,2	22,0
TOTAL:		2239,2	203,5	41,7	300,0

Currently, the Russian Railways Holding Company does not have sufficient funds to implement large-scale projects for infrastructure development and extension.

In these conditions, parameters of financial assurance of infrastructure development determine **two strategic options** for the Holding Company:

Pessimistic scenario – infrastructure development financing in the volume compatible with depreciation, which matches the actual volume of investment in 2009-2010.

When implementing this scenario, Holding Company's priorities till 2015 will be the maintenance of the available infrastructure and renovation of worn facilities with completion of previously commenced projects for capacity extension. Under this scenario, an increase in the infrastructure capacity in the long run will be behind the demand of the industry and a complex of passenger operations.

Under this scenario, the main priorities of Holding Company's capital investments into the infrastructure are as follows:

- track reconstruction (at the average rate of some 7,000 km a year with at least 13,000 km a year needed);
- reconstruction of engineering structures;
- upgrade and reconstruction of electrification, power supply, signals and interlocking and communication facilities;
- completion of previously commenced infrastructure projects.

A number of infrastructure development projects will be implemented subject to private-public partnership:

- reconstruction of the Oune – Vysokogornaya section with construction of a new Kuznetsov tunnel on the Komsomolsk-on-Amur – Sovetskaya Gavan section;

- arrangement of high-speed passenger train operation on the St. Petersburg – Buslovskaya section of October Railway.

Investments within depreciation will result in further aggravation of the infrastructure by late 2015:

Implementation of the pessimistic scenario will ensure the minimum acceptable rate of renovation of the available infrastructure and does not provide for generation of sufficient sources of investments for debottlenecking and capacity increase, which may bring about very negative consequences:

- complete capacity exhaustion in a number of the critical network directions already by 2013-2015;
- keeping the length of track sections with an expired overhaul period at a level of more than 20 thous. km;
- restricted possibilities of rail transport service quality improvement, decrease in traffic speeds due to numerous bottlenecks whose length may exceed 10 thous. km;
- failure to handle an increasing volume of transportation and restricted rate of freight traffic growth at a level of 2-2.5% till 2015 and 0.9% till 2016-2030 (much lower than the production increase rate);
- absence of possibilities for development of rapid and high-speed operations.

This scenario of infrastructure development is not in line with strategic objectives of Holding Company's development; it drastically reduces possibilities for business development of the core and a number of essential strategic vendors; hampers implementation of the plans related to enhancement of the transit potential and export of transport services.

In this regard, the Holding Company's strategic task is to generate a sufficient cash flow to finance infrastructure upgrade and development.

Implementation of the optimistic and prudent strategy scenarios requires an increase in infrastructure development investments by 40–70% vs. the level reached in 2010. The aggregate capital investments into the infrastructure and freight operations (without development of rapid and high-speed operations) in 2011–2015 must amount to²⁷:

- under the optimistic scenario – not less than 1,850 bln rubles;
- under the prudent scenario – not less than 1,600 bln rubles.

Debt funds raising for infrastructure development is inexpedient and risky, as available maturity and interest on credits and loans do not enable implementation of infrastructure projects of JSCo Russian Railways with a positive financial result and payback. Besides, a debt load growth potential is restricted.

In these conditions, the volume of infrastructure development investments will increase based on effects from a change in the Holding Company's business model and its enhanced performance as well as governmental decisions as related to:

- improvement of the tariff policy and introduction of principles of inclusion of invested capital profitability or "investment component" into transportation and infrastructure service tariffs;
- introduction of special investment tariffs for individual large infrastructure projects;
- state support of construction of new infrastructure facilities that feature a significant social and economic effectiveness at the expense of cash contribution to the JSCo Russian Railways charter capital (sources of finance may also be the funds raised by the state from placement of revenue-yielding bonds);
- state support of infrastructure running maintenance and upgrade with assurance of affordability of its services for users through conclusion of a "network contract" with JSCo Russian Railways.

Minimum requirement of additional funds for infrastructure development till 2015 exceeds 400 bln rubles (in the prices of relevant years). The main direction of application of these funds is settlement of top-priority tasks related to infrastructure development and debottlenecking. Implementation of relevant projects will secure a predicted growth in the transportation volume in the horizon till 2015.

Matters related to arrangement of rapid and high-speed service require individual handling and generation of sources of finance.

Allocation of required state support funds and implementation of a prudent or optimistic scenario will ensure not only increase in the infrastructure capacity, but also its high-quality renovation and upgrade:

- length of the timber sleeper track will decrease by 18.5 thous. km;
- length of the main concrete sleeper track will reach 101.8 thous. km and will account for 82% of the total track length (in 2010 – 82.75 thous. km or 66.6%), continuous welded rails – 97.04 thous. km and 78% of the total length (in 2010 – 77.3 thous. km or 62%);
- by late 2015, length of the elastic clamp track will reach 43.70 thous. km or 43% of the main concrete sleeper track (in 2010 – 17.0 thous. km or 21%);
- by early 2016, length of the main track sections with an expired overhaul period will reduce to 17.38 thous. km or 14.0% of the total length (in 2010, this indicator increased to 20.11 thous. km or 16.2% of the total length);

Reaching target volumes must ensure an increase in the passenger train speed from 2011 to 2015 to 120 km/h in the range of 5.9 thous. km and to 140 km/h in 2.9 thous. km. For freight trains, a range with a speed of 90 km/h must accrue 5.2 thous. km over this period.

The average allowable speed of passenger trains must increase from 90.0 to 92.5 km/h in 2015, operating – from 63.1 to 65.7 km/h, of freight trains: allowable – from 72.4 to 73.7 km/h, operating – from 49.3 to 50.3 km/h.

A predicted number of failures of track facilities must reduce by at least 20 per cent with attainment of the volume targets set.

Strategic priorities in infrastructure operation, running maintenance and repair will be:

- increased infrastructure performance due to improved arrangement of transportation;
- renovation of infrastructure facilities and equipment with introduction of technological innovations that enable an increase in the overhaul time and operational reliability;
- increased efficiency of repair and operation technologies due to more extensive mechanization of operations, improvement of the occupation arrangement and planning system, preparation for occupation implementation, optimization of the material purchase and storage system;
- prime cost reduction by 2-3% annually with infrastructure maintenance and operation;
- enhanced complexity in infrastructure maintenance and repair, integration of service of facilities of various fleets with consistent transfer to the section-wide operation system;

²⁷ without regard to projects related to Sochi Olympics in 2014, new large-scale projects of HSR, including for the World Championship of 2018 and fundamental modernization of BAM, development of the Moscow hub, implementation of which requires funds that significantly exceed the investment program of the Holding Company and stated requirements.

- improvement of the system of infrastructure technical audit and diagnosis, identification and elimination of risks inherent in the transportation process;
- continuous improvement of infrastructure maintenance and repair standards with regard to new technologies and rail line rating. Considering the essential nature of financial support of infrastructure renovation and development for possibilities of transportation volume growth and performance of the Holding Company, settlement of these matters in the short term is a top-priority task. The scope of infrastructure development and renovation will determine possibilities for development of the Holding Company's business of freight and passenger operations and its stability in the long run.

Increase in state capital investments into infrastructure development and upgrade is an effective tool of macroeconomic policy, as it promotes better transport availability of enterprises, extension of

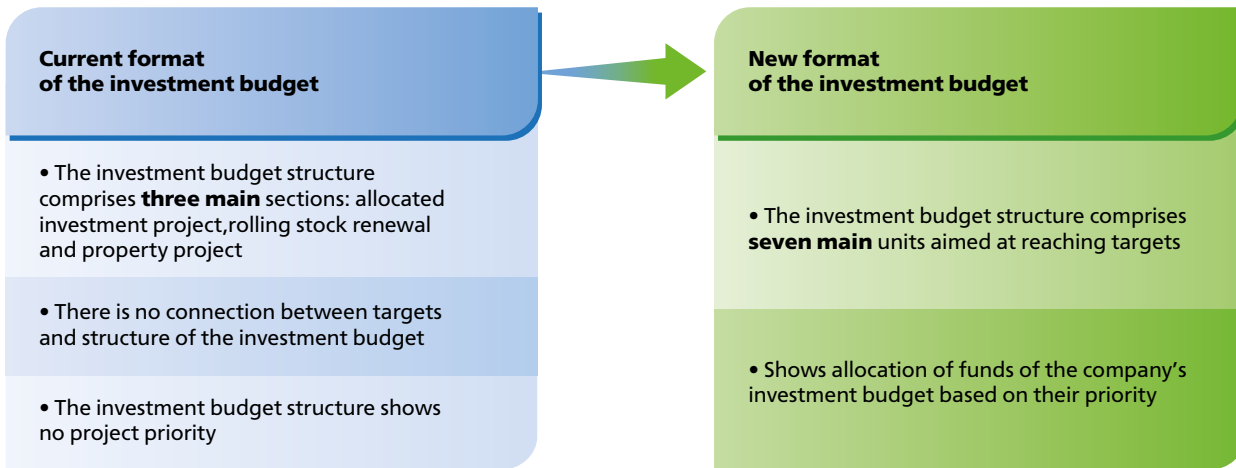
industrial production and produces a significant multiplier effect. This practice complies with the international experience.

New format of the investment budget

In 2011, the Company significantly refined the format of the JSCo Russian Railways investment budget. In order to enhance transparency of investment fund application, the new budget format contains units that show distribution of funds based on their priority broken down by key tasks, including:

- projects related to fulfillment of instructions of the Government of the Russian Federation;
- safety assurance;
- elimination of infrastructure restrictions;
- increase in transport accessibility for the country's population;
- rolling stock renewal;
- other projects..

Benefits of the new format of the investment budget



In order to enhance transparency of investment funds spending, the new format of the investment budget has been prepared; it shows allocation of funds of the company's investment budget for reaching targets, including development of the railway infrastructure of the main transport directions

This approach to the Company's investment budget format was generally approved at the meeting of the Company's Board of Directors.

Structure of the investment budget in the new format

Name of sections	Actual costs, mln rubles	Ratio, %
Total, including	395,4	100
projects related to fulfillment of instructions of the Government of the Russian Federation	72,6	18,4
safety assurance	75,6	19,1
elimination of infrastructure restrictions	143,0	36,1
increase in transport accessibility for the country's population	18,8	4,8
rolling stock renewal	66,4	16,8
other	19,0	4,8

Transport Safety, Fire Safety projects and programs aimed at track infrastructure reconstruction, technical retooling of the overhead system at hauls and stations were implemented as a part of safety assurance. In line with the investment budget, in 2011, 75.6 bln rubles were spent on implementation of these projects.

In 2011, some 143 bln rubles were allocated for the projects related to increased capacity of railway network sections and debottlenecking. As related to development of approaches to North-Western ports, the main activities were implemented as a part of the project "Overall reconstruction of the Mga-Gatchina-Veimarn-Ivangorod section and railway harbor approaches at the south bank of the Gulf of Finland".

Activities related to development of railway approaches to ports of the Russia's South were implemented within the framework of the following projects:

- "Overall reconstruction of the M. Gorky – Kotelnikovo – Tikhoretskaya – Krymskaya section bypassing the Krasnodar hub";
- "Overall reconstruction of the Trubnaya – V.Baskunchak – Askaraiskaya section".
- Development of the trans Siberian line, BAM and approaches to ports of the Far East envisages implementation of the project:
- "Reconstruction of the Komsomolsk-on-Amur – Sovetskaya Gavan section with construction of a new Kuznetsov tunnel";
- "Overall reconstruction of the Karymskaya – Zabaikalsk section".

In order to increase transport availability of the population, the following projects were implemented: "Construction of an additional main track on the Moscow – Kryukovo section" and projects related to renovation of key assets of suburban and long-distance passenger

operations. Costs on implementation of the projects under this section amount to 18.8 bln rubles.

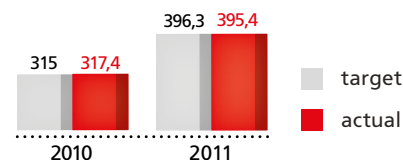
In 2011, 66.4 bln rubles were spent on rolling stock renewal.

The unit "Other projects" provides for implementation of the projects related to research and development as well as projects of social development, increase in energy efficiency (introduction of the electricity revenue metering automated system, resource saving technologies) and payment for an additional issue of shares (JSC SCR). In 2011, our Company allocated 19 bln rubles to implement these activities.

The Company does its best to ensure development and upgrade of the railway infrastructure.

The Company's investment budget for 2011 initially approved at the meeting of the Board of Directors of JSCo Russian Railways amounted to 349,0 bln rubles.

Compliance with parameters of the JSCo RZD investment budget



Based on Company's performance in the first half of 2011, the meeting of the Company's Board of Directors approved proposals for an increase in the investment budget of JSCo Russian Railways for 2011 by 47.3 bln rubles.

Changes in the Company's investment budget are due to allocation of additional federal budgetary funds for a number of infrastructure projects implemented in line with instructions of the RF Government.

As a part of the proposals approved, JSCo Russian Railways implemented additional measures aimed at:

- increase in the railway infrastructure capacity and debottlenecking;
- enhancement of traffic safety and prevention of injuries at infrastructure facilities;
- increase in the volume of purchase and upgrade on the traction rolling stock, equipment, vehicles and machinery and railway infrastructure facilities.

With regard to these changes, the investment budget for 2011 amounted to 396.3 bln rubles. This indicator is 25% more than the last year's actual volume of investments. Application of investment funds in 2011 from all sources of finance amounts to 395.4 bln rubles.

Overall indicators of investment budgetary performance in 2011 are shown in the table below:

Description	2010	2011 ²⁸			variations 2011 vs. 2010	
		target	actual	%	+/-	%
Total, including	317,4	396,3	395,4	99,8	78,0	124,6
Combined (motor and rail) road Adler – Alpika-Service mountain resort with construction of the second continuous track on the Sochi – Adler – Veseloye section	73,1	55,0	55,1	100,2	-18,0	75,4
Development of the railway infrastructure for preparation and holding of winter Olympics in 2014	15,4	8,7	8,7	100	-6,7	56,5
Assigned investment projects	103,3	152,3	151,6	99,5	48,3	146,8
Rolling stock renewal	46,0	66,5	66,4	99,8	20,4	144,3
Fleet projects	72,8	107,0	105,9	99,0	33,1	145,5
Other	6,2	6,7	6,5	97,0	0,3	104,8
Borrowed funds	0,6		1,2		0,6	200,0

Projects, implementation of which is provided for by the investment budget of JSCo Russian Railways in 2011 are characterized by:

- high capital intensity;
- strategic importance for the state and country's economy;
- long payback period that mainly exceeds 20 years;
- participation of the state as one of sources of finance.

The Company's main tasks in investing activities are assurance of safety of transportation and freight operations. In this regard, when preparing the Company's investment budget for 2011, the largest share of investments was provided for activities aimed at renovation of Company's key assets and increase in the

railway infrastructure capacity, mainly, in the direction of Russia's main ports.

JSCo Russian Railways is engaged in purposeful development and upgrade of the railway infrastructure, but despite these efforts, an infrastructure potential is restricted because of more than 6 thous. km of bottlenecks and in the absence of additional investments, their length may reach 7.2 thous. km by 2015.

As estimated by JSCo Russian Railways, with the current dynamics of railway infrastructure development retained, failure to deliver some 230 mln tons of cargo is predicted in Russia by 2015. This is why, mitigation of these risks requires large-scale infrastructure development, first of all, Baikal-Amur Mainline and trans Siberian line, approaches to ports of the Russia's North-

²⁸ bln rubles with VAT accepted for accounting by non-production facilities of the suburban fleet

West (firstly, Ust-Luga) and South, development of the infrastructure of Mezhdurechensk – Taishet, Tobolsk – Surgut sections and Moscow transport hub.

Besides, much money is needed in the short term to renovate key assets or reduce their wear.

Sources of investment project implementation in 2011 were distributed as follows:

- own funds – 313.7 bln rubles;
- federal budget – 80.5 bln rubles;
- external investors' funds – 1.2 bln rubles.

Funds contributed to the charter capital of JSCo Russian Railways and federal budget subsidies were allocated to implement the following projects:

Project	Costs ²⁹	Main physical indicators
Combined (motor and rail) road Adler – Alpika-Service mountain resort	55,1	tunneling of 5 railway tunnels completed; track superstructure erected till the southern portal of a tunnel set, 3– 24 km
Transport safety	1,9	more than 200 km of the track fitted with technical protection devices, situation center set up
Arrangement of power supply to communication facilities of the Amur Chita – Khabarovsk road	0,5	32 mobile radio telephone communication facilities provided
Track reconstruction (upgrade)	20,0	with regard to own costs of JSCo Russian Railways, a total of 2,710 km of the track reconstructed
Arrangement of multimodal passenger operations on the Vladivostok – Knevichi airport route	3,0	construction of the new electrified rail line Post 13th km – Knevichi Airport completed, train service launched
Arrangement of multimodal transportation from Kazan railway station to Kazan international airport	3,0	design and estimate documentation elaborated, construction and assembly works commenced

²⁹ Actual volume of costs, bln rubles

Railway Infrastructure Development Outlooks

2011 saw further implementation of previously commenced projects primarily aimed at an increase in the capacity of limiting sections of the railway network and debottlenecking.

The main volume of investments was allocated on such projects as:

Overall reconstruction of the Mga-Gatchina-Veimarn-Ivangorod section and railway harbor approaches at the south bank of the Gulf of Finland (with regard to construction of the Luzhskaya station). The volume of funds allocated for project implementation amounted to 15.2 bln roubles

“Organisation des Hochgeschwindigkeitsverkehrs bezüglich der Personenzüge auf der Strecke Sankt-Petersburg – Buslovskaya”. The volume of funds allocated for project implementation amounted to 9.5 bln roubles

Development of the Tobolsk-Surgut section. The volume of funds allocated for project implementation amounted to 1.5 bln roubles



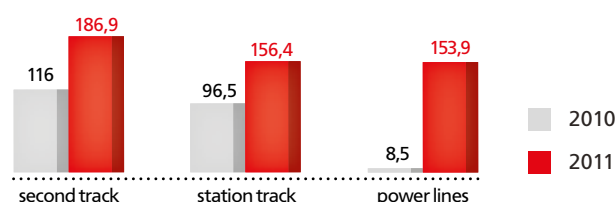
Arrangement of high-speed passenger train operation at the St. Petersburg – Buslovskaya section. The volume of funds allocated for project implementation amounted to 7.2 bln roubles

Arrangement of high-speed passenger train operation at the St. Petersburg – Buslovskaya section. The volume of funds allocated for project implementation amounted to 943.9 bln roubles

Overall reconstruction of the Karymskaya – Zabaikalsk section. The volume of funds allocated for project implementation amounted to 6.1 bln roubles

Brief information on commissioning of key assets

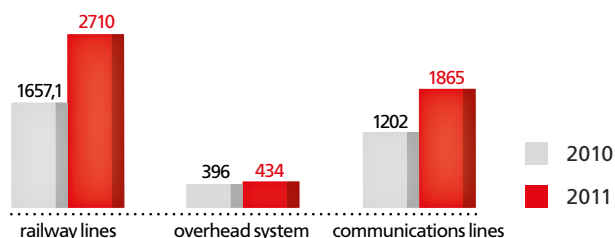
Key physical indicators of the investment project, km



During the year, the Company commissioned a total of 186.9 km of the second track, 156.4 km of station tracks and 153.9 km of electrification.

These indicators for 2010 and 2011 are shown on the diagram.

Besides, during the year, more than 2,710 km of the track, 434 km of the overhead system, 437,7 km of the automatic block, 773 power switches, 10 traction substations, 1,865 km of mainline cable communication lines underwent comprehensive reconstruction. These indicators for 2010 and 2011 are shown on the diagram below.



With regard to the activities performed as a part of the investment budget, the following indicators were improved:

- due to track reconstruction (upgrade) in 2011, a range of passenger and freight trains increased to 140 km/h and more, by 0.5% and 22.6% year-on-year, correspondingly;
- due to track reconstruction (upgrade), a number of "poor" kilometres decreased from 599 km in 2010 to 509 km in 2011;
- due to ARC renovation and upgrade, 2011 saw a decrease in the number of failures of hardware by 7.9% year-on-year; a level of identification of the near-failure state of signals and interlocking increased;
- with acquisition of 453 units of the traction rolling stock, saving of operating expenses amounted to 1.389.6 mln rubles due to a reduced number of hardware failures

- and decreased costs on fuel and power resources and the scope of maintenance and repairs;
- due to compliance with the targets for the rolling stock key asset renovation, 2011 saw a reduced number of hardware failures by 28% year-on-year and an increase in the length of warranty sections of through train run by 26 km as compared to 2010;
- due to compliance with the targets for renovation of electrification and power supply key assets, 2011 saw a reduced number of hardware failures by 24.2% year-on-year; 400 km of the total length of the overhead system were reconstructed for train service at 160 km/h; 49.4 km of the overhead line were updated for rapid and high-speed passenger operations at 200 km/h; 4 limiting areas with a total length of 142 km were liquidated in the Eastern range.

Rolling stock renewal

Company's activities for rolling stock renewal are first of all aimed at a decreased level of machinery wear and tear and an increased level of rolling stock performance and safety.

In 2011, JSCo Russian Railways allocated 66.4 bln rubles for rolling stock renewal and purchase, including renewal of:

- traction rolling stock – 50.8 bln rubles;
- electric multiple unit stock – 14.5 bln rubles;
- freight rolling stock – 0.5 bln rubles;
- passenger rolling stock – 0.5 bln rubles.

Over the year, 453 units of the traction rolling stock were delivered (+15.3% on 2010) for 37.02 bln rubles, including:

- 286 electric trains, including:
 - passenger – 105 units (EP1M, P – 65 units and EP2K – 40 units) for 7.16 bln rubles;
 - freight – 181 units (2ES5K/3ES5K – 90 units; 2ES4K – 17 units; 2ES6 – 63 units, 2ES10-11 units) for 19.96 bln rubles.
- 167 diesel units, including:
 - freight – 32 units (2TE25A – 7 units and 2TE116U – 25 units) for 4.5 bln rubles;
 - passenger – 21 units (TEP70BS – 21 units) for 1.36 bln rubles;
 - shunting – 114 units (TEM7A – 23 units and TEM18D – 91 units) for 4.04 bln rubles.

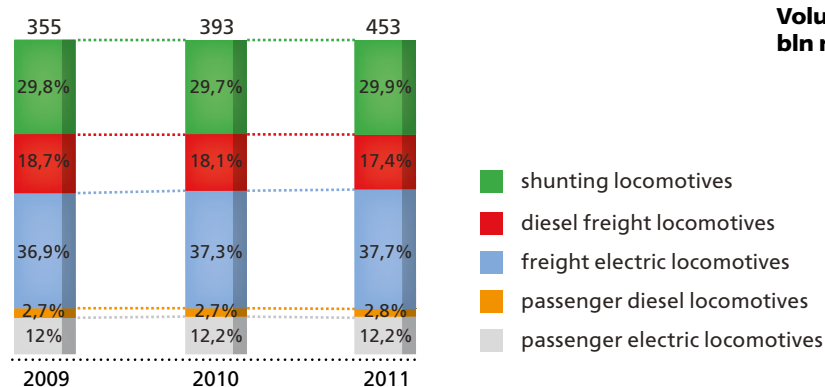
In 2011, the Company acquired a brand new traction rolling stock such as an electric freight locomotive of 2ES10 series with asynchronous traction drive (11 units) and diesel freight locomotive of 2TE25A series (7 units).

Under financial lease contracts, 2011 saw scheduled redemption of 838 cars of the electric multiple unit stock at a residual value in the amount of 2.9 bln rubles.

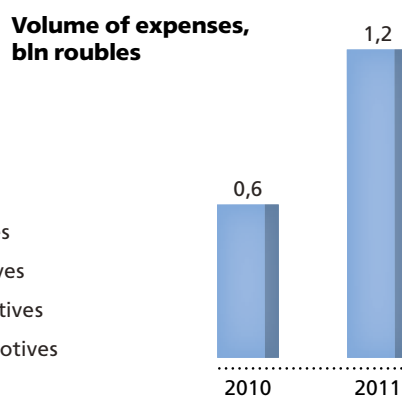
In line with obligations under financial lease contracts, 2011 saw scheduled redemption of 296 cars of the passenger rolling stock.

Under the investment budget for 2011, 0.5 bln rubles were allocated for renewal of the freight rolling stock, of which 0.2 bln rubles were spent on upgrade and 0.3 bln rubles on redemption of 7,852 units of the rolling stock in compliance with financial lease contracts.

Rolling stock fleet renewal, %



Implementation of projects at the expense of external investors



In 2011, external investors invested a total of 1.2 bln rubles into rail transport development.

2011 saw activities aimed at attraction of external investors' funds for implementation of projects of private track connecting station development. During this period, external investors financed station development projects for 1.1 bln rubles. The following activities were implemented using these funds:

- "Connection of a private spur of the Interregional Storage of the Bank of Russia in Krasnodar, North Caucasus Railway" using 0.12 bln rubles granted by the Central Bank of the Russian Federation;
- "Reconstruction of the Tonnelnaya station of the North Caucasus Railway" using 0.06 bln rubles granted by JSC Verkhnebakansky Cement Plant;
- "Joining of a private track of JSC SiburTyumenGaz at Noyabrsk-2 station of the Sverdlovsk Railway" using 0.14 bln rubles granted by JSC SIBUR-Trans;
- "Technological connection of a private track of LLC RAIL INVEST to the infrastructure of the Zabaykalsk Railway" using 0.08 bln rubles granted by LLC RAIL INVEST;
- "Reconstruction of the Balakovo station of the Privolzhsk Railway" using 0.13 bln rubles granted by CJSC Severstal – Balakovo Plant.
- Besides, JSCo Russian Railways raised funds of insurance companies for implementation of activities aimed at improved transportation safety amounting to 0.09 bln rubles.

Introduction of investment project management system

In pursuance of section I clause 22 of minutes of the Management Board of JSCo Russian Railways of 27 August 2009 and instruction No. PP-19 of President of JSCo Russian Railways V.I. Yakunin of 3 March 2010 for introduction of the unified system for investment project management, including development and approval of project management regulations and establishment of a design bureau institute, the Company elaborated mechanisms and regulatory documents for introduction of the unified investment project management system.

The main task of project management is assurance of coordination of activities of all the project participants in order to achieve its results. The most important criteria of project management quality is attainment of all project targets with an established restriction of resources.

The project approach is specifically important for large comprehensive projects that are often implemented in parts by multiple different subdivisions for a variety of reasons.

This is why the Company faces a task of introduction and mastering of the common project management procedure based on the principles of:

- personal responsibility for attainment of project targets;
- differentiation of project management activities through creation of design bureaus;

- standardization of investment project management procedures through introduction of unified regulations;
- end-to-end planning of the whole scope of works and expenses required to attain project objectives.

2011 saw launch of "pilot" investment projects using the project management system:

- on the level of the headquarters of JSCo Russian Railways ("Arrangement of passenger transportation by Desiro RUS new-generation electric trains" and "Handling perspective volumes of transportation on the Taishet – Komsomolsk-on-Amur – Sovetskaya Gavan section till 2020);
- on the level of railways ("Arrangement of accelerated service at the Moscow Passazhirskaya – Smolenskaya – Usovo section on Aeroexpress-type trains – on the Moscow Railway; "Reconstruction of the track infrastructure in the Alexandrov – Yaroslavl Glavny line" – on the Northern Railway; "Railway infrastructure development to procure transport service of the XXVII World Summer Student Games of 2013 (without regard to construction of a rail line to the airport)" – on the Gorky Railway).

As a part of these projects, all relevant documents were prepared and accepted, project managers appointed, design bureaus set up, certificates, budgets and schedules elaborated.

Design bureaus are engaged in project implementation monitoring, review of outputs and analysis of departures from originally set parameters and forecast of impact of these departures on project outcomes. Project managers review reports of design bureaus and use them for project decision-making.

The most active areas of work of design bureaus were as follows:

- project "Arrangement of passenger transportation by Desiro RUS new-generation electric trains".

Under this project, a design bureau performed technical and economic assessment of effectiveness of network introduction of Desiro RUS electric trains purchased in line with concluded contracts (54 trains) to service Sochi Olympics and Paralympics in 2014 and those scheduled for production localized within the Russian Federation (1,200 cars).

Besides, processes of construction of the depot infrastructure to service Desiro RUS trains in the North Caucasus and Moscow Railways are in the active stage. As to the project "Handling perspective volumes of transportation on the Taishet – Komsomolsk-on-Amur – Sovetskaya Gavan section till 2020", feasibility study "Handling perspective volumes of transportation on the Taishet – Komsomolsk-on-Amur – Sovetskaya Gavan section till 2020" was conducted.

Possible scenarios of development of the Eastern range railway infrastructure were determined in order to handle and promote freight and passenger traffic volumes till 2015 and 2020. A list of activities aimed at development of the range infrastructure was elaborated with a prediction estimate of required investments by scenarios.

The following positive results were attained in project management based on results of 2011:

- a practice of clear and unambiguous settlement of project target tasks and personal responsibility for their attainment was adopted;
- a practice of differentiation of project management activities through creation of design bureaus was adopted. Design bureaus act as a tool for a project manager and ensure a communication resource and consistent, transparent and systemic project information, which positively affects the quality of decision-making by all its participants;
- standardization of operations and generation of the cumulative information for all project participants. Generation of common summary schedules and budgets of a project ensure the actual period and cost of its implementation for the Company with regard to investments and other costs. Preparation of regular consistent reports improves coordination decision-making quality.

These results are specifically conspicuous in case of the most complicated projects that require coordination of a large number of participants and agreement of many various tasks and works. Generation of standards of interaction between project participants and approval of a list of documents related to project management enables project manager's access to the whole project-related information from a single source.

Launch of multiple concurrent "pilot" projects at different levels in 2011 helped set upon generation of an analytical and archive project management database, which is essential for adoption of a project-based approach in the Company.



16. Financial and Economic Performance



Financial and Economic Performance

- Production indicators were improved: loading increased by 3.0% vs. 2010 to have reached 1,241.5 mln tons; freight turnover increased by 8.1% vs. 2010 to have amounted to 2,704.8 bln ton-km
 - Income from all transportation activities reached 1.1 trln rubles with an increase by 2.8% year-on-year.
 - Due to control of the prime cost and increase in income, the Company exceeded the target of the profit on sales that reached 72.8 bln rubles.
 - The Company's investment budget exceeded the volume of 2010 by 25% to have reached 396.3 bln rubles. As a result of this, the investment program implementation amounted to 395.4 bln rubles (99.8% of the target).
 - The prime cost of railway operations in 2011 amounted to 369.4 kop./10 priv. tkm, down 0.8 on 2010; increase in the transportation prime cost under comparable conditions amounted to less than 7%, which is lower than the average annual inflation (8.4%) and 2.5-fold lower than the industrial price advance in 2011 (17.3%).
 - In 2011, the actual average number of the staff engaged in transportation decreased by 73.8 thous. people or 8.2% year-on-year.
 - The highest reduction (more than 80%) was due to incorporation of subsidiaries and affiliates. However, during the year, activities were performed to optimize the staff number by 1.5%, which enabled additional release of 10 thous. people.
 - The average monthly salary of employees engaged in transportation accrued 13.8% vs. 2010 to have reached 33,485 rubles. In real terms (with regard to inflation), the salary accrued 5.0%, whereas performance reached 3,808.8 thous. priv. tkm/person, which is 108.7% year-on-year in comparable conditions and 117.5% without regard to compatibility.
 - JSCo Russian Railways is one of the few companies that for many years has kept an economically feasible ratio between the outstripping labor productivity gain rate and actual wage gain rate.
 - The cumulative effect of structural reforming in 2011 exceeded 175 bln rubles. Thus, in 2011, 139.4 bln rubles were received from the sale of shares of JSCo Russian Railways subsidiaries, including sale of a controlling interest in JSCo Russian Railways subsidiary – JSC FFC for a record amount of 125.5 bln rubles and completed sale of subsidiaries JSC ELTEZA (50% minus 2 shares) and JSC TransCreditBank for a total of more than 20 bln rubles. Dividends from subsidiaries and affiliates exceeded 20 bln rubles.
 - The liquidity situation in 2011 is characterized by stable financial performance, which confirms a high quality of management of the working capital of the Russian Railways Holding Company and improves Company's positions in terms of risk assessment as viewed by investors:
 - the period of turnover of accounts receivable nearly doubled vs. 2010 to have reached 4.7 days. A share of overdue accounts receivable accounted for only 1.1% of the total volume of liabilities (at the last year's level);
 - the period of turnover of accounts payable amounted to 34 days, which meets contractual terms in full. A share of overdue accounts payable to suppliers and contractors halved by the beginning of the year to have reached less than 0.5% of the total amount of debt;
 - the period of inventory turnover amounted to 73.7 days with a reduction by 2.7 days year-on-year, which is the evidence of increased effectiveness of inventory management.
 - 2011 saw placement of a new issue of Eurobonds in the amount of 650 mln pounds for 20 years, which ensured access to the market of ultra-long borrowings in pounds.
 - In general, in 2011, JSCo Russian Railways attained a major decrease in the borrowed capital value. Thus, as of early 2011, the average weighted rate under the loan portfolio was 8.66% p.a.; as of late 2011, this indicator was 7.33% – thus, reduction in the value of borrowings exceeded 1.3 percentage points (saving of some 4.5 bln rubles).
- As a result, net profit in 2011 amounted to 16,8 bln rubles with target excess by 5.7 bln rubles and decrease by 58.0 bln rubles year-on-year. This decrease was due to the following:
1. Reduction of the profit on sales by 38.1 bln rubles mainly due to exit of a high-yield tariff component – final delivery of inventoried stock freight cars to the set up subsidiary JSC SFC, detachment of cost-effective types of car repair, etc.;
 2. Decrease in the result from other income and expenses by 11.2 bln rubles mainly due to reduction of budgetary provisions as compared to 2010.

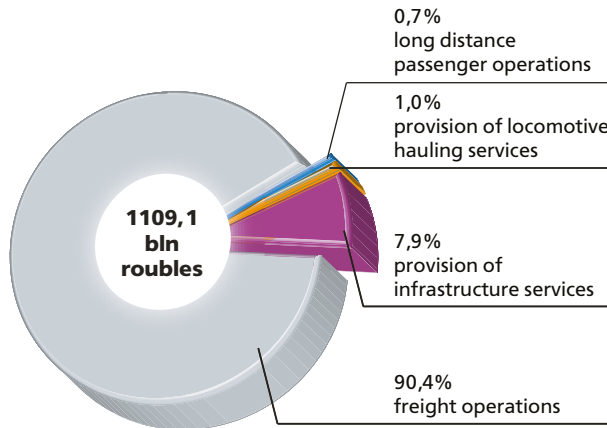
Financial performance, bln rubles

Indicator	UoM	2010	2011		Variation in 2011 vs. 2010		
			target	actual	+/-	%	vs. target
Total income	bln rubles	1 195,1	1 266,00	1 288,3	+93,2	+7,8%	+22,3
Income from transportation, infrastructure and locomotive hauling services	bln rubles	1 079,3	1 099,50	1 109,1	+29,8	+2,8%	+9,6
freight transportation	bln rubles	936,2	994,6	1 003,1	+66,9	+7,1%	+8,5
infrastructure services	bln rubles	88,4	87,1	87,2	-1,2	-1,4%	+0,1
locomotive hauling services	bln rubles	11,8	10,5	11,4	-0,4	-3,4%	+0,9
passenger transportation:	bln rubles	42,9	7,3	7,4	-35,5	-82,8%	+0,1
long distance	bln rubles	29,1	7,3	7,4	-21,7	-74,6%	+0,1
long distance	bln rubles	13,8	0	0	-13,8	X	+0,0
Income from other activities	bln rubles	115,8	166,5	179,2	+63,4	+54,7%	+12,7
Total expenses	bln rubles	1 084,2	1 215,1	1 215,5	131,3	+12,1%	-0,4
Expenses on transportation, infrastructure and locomotive hauling services	bln rubles	986,4	1 058,7	1 050,8	+64,4	+6,5%	-7,9
freight transportation	bln rubles	796,1	954,5	933,2	+137,1	+17,2%	-21,3
infrastructure services	bln rubles	86,2	88,2	102,2	+16,0	+18,6%	+14,0
locomotive hauling services	bln rubles	8,8	8,2	8,4	-0,4	-4,5%	+0,2
passenger transportation:	bln rubles	95,3	7,8	7,0	-88,3	-92,6%	-0,8

Indicator	UoM	2010	2011		Variation in 2011 vs. 2010		
			target	actual	+/-	%	vs. target
long distance	bln rubles	52,2	7,8	6,9	-45,3	-86,8%	-0,9
suburban	bln rubles	43,1	0,0	0,1	-43,1	-99,8%	+0,1
Expenses on other types of activity	bln rubles	97,8	156,4	164,7	+66,9	+68,4%	+8,3
Total profit on sales	bln rubles	110,9	50,9	72,8	-38,1	-34,4%	+21,9
Profit from transportation, infrastructure and locomotive hauling services	bln rubles	92,9	40,8	58,3	-34,6	-37,2%	+17,5
freight transportation	bln rubles	140,1	40,1	69,9	-70,2	-50,1%	+29,8
infrastructure services	bln rubles	2,2	-1,1	-15,0	-17,2	-781,8%	-13,9
locomotive hauling services	bln rubles	3,0	2,3	3,0	0,0	0,0%	+0,7
passenger transportation:	bln rubles	-52,4	-0,5	0,4	+52,8	X	+0,9
long distance	bln rubles	-23,1	-0,5	0,5	+23,6	X	+1,0
suburban	bln rubles	-29,3	0,0	-0,1	+29,2	-99,7%	-0,1
Profit from other activities	bln rubles	18,0	10,1	14,5	-3,5	-19,4%	+4,4
Prime cost of transportation	kop./ 10 priv. tkm	372,2	377,9	369,4	-2,8	-0,8%	-8,5
Result of other income and expenses	bln rubles	15,0	3,7	3,8	-11,2	-74,7%	+0,1
Profit before tax	bln rubles	125,9	54,6	76,6	-49,3	-39,2%	+22,0
Net profit	bln rubles	74,8	11,1	16,8	-58,0	-77,5%	+5,7

Income from Transportation, Infrastructure and Locomotive Hauling Services

Structure of income from transportation activities in 2011



Freight operations

Income of JSCo Russian Railways from freight transportation in 2011 reached the level of 1,003.1 bln rubles (+8.5 bln rubles or +0.9% on the target and + 66.9 bln rubles or +7.1 % on 2010).

Additional income year-on-year amounted to:

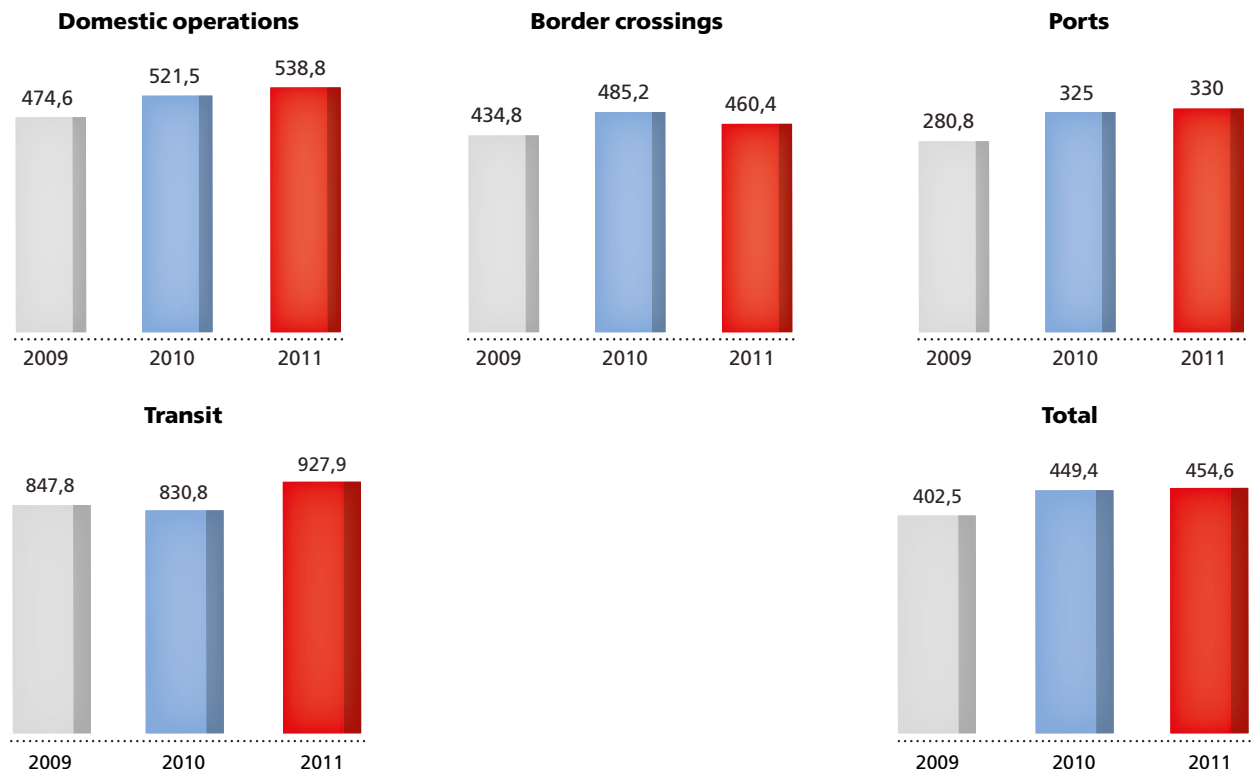
- + 27.8 bln rubles due to an increase in loading year-on-year;
- + 39.1 bln rubles due to an increase in the revenue rate.

The average revenue rate (rubles/ton) accrued 4.1% on 2010 and 0.7% on the target (planned revenue rate growth vs. 2010 was 3.3%). A lower level of average revenue rate growth year-on-year by 3.9 p.p. as compared to the fixed indexation of freight tariffs (8%) is due to delivery of inventoried stock cars of JSC Second Freight Company and a share of non-indexed income of JSCo Russian Railways. The average revenue rate was adversely affected by the fact that the most dynamic increase in loading was ensured in the low-profit segment (+5%).

Based on results of 2011, the revenue rate by transportation types (kop./10tkm) changed as follows:

- domestic operations – increase by 3.3% to 538.8 rubles/tkm (2010 – 521.5 rubles/tkm);
- border crossings – decrease by 5.1% to 460.4 rubles/tkm (2010 – 485.2 rubles/tkm);
- ports – decrease by 1.6% to 330.0 rubles/tkm (2010 – 325.0 rubles/tkm);
- transit – decrease by 11.7% to 927.9 rubles/tkm (2010 – 830.8 rubles/tkm)

Revenue rate by transportation types³⁰ (rubles/tkm, loaded)



³⁰ related to freight operations (without additional charges, transit, transportation for needs of JSCo Russian Railways, freight baggage, volumetric indicators of empty car return, with regard to income for empty car return)

Passenger operations

Income from long-distance passenger operations amounted to 7.4 bln rubles, which is 21.7 bln rubles or 74.5% less than in 2010. Year-on-year loss of income is due to incorporation of a company engaged in long-distance passenger operations on 1 April 2010 – JSC Federal Passenger Company (before 1 April 2010, long-distance passenger operations were performed by JSCo Russian Railways).

In 2011, JSCo Russian Railways transported passengers only on Sapsan and Allegro high-speed trains and trains made up by the Far Eastern Railway on Sakhalin.

Suburban operations

In 2011, income from suburban passenger operations amounted to 12 mln rubles. In 2011, JSCo Russian Railways virtually left the market of suburban passenger operations and was replaced by suburban passenger companies.

Locomotive hauling and infrastructure services

In 2011, income from locomotive hauling services amounted to 11.4 bln rubles, which is 0.8 bln rubles or 8% higher than the target.

Income from infrastructure services amounted to 87.2 bln rubles. Year-on-year income from infrastructure services reduced insignificantly (-1.4%), mainly, as related to long-distance transportation services due to a reduced cost of infrastructure services at the rates established in the new Tariff Provision approved by decree No. 156-t/1 of the Federal Tariff Service of Russia of 27 July 2010 (in 2010, a tariff applied with regard to locomotive hauling services and issue of travel and carriage documents).

As related to infrastructure services provided during suburban passenger operations, income increased by more than 2 times year-on-year due to attainment of the complete service of the whole range of suburban operations by suburban passenger companies.

Expenses on Transportation, Infrastructure and Locomotive Hauling Services

In 2011, expenses from transportation activities amounted to 1,050.8 bln rubles, which is 6.5% or 64.4 bln rubles more than in 2010 (986.4 bln rubles).

Payroll costs in 2011 accrued 4.5% or 14.7 bln rubles vs. 2010, including due to:

- increase in equated operation by 7.7% as related to expenses subject to the transportation volume – 6.8 bln rubles;
- indexation of wages in line with the bargaining agreement of JSCo Russian Railways by 28.3 bln rubles;
- transfer of costs on key asset overhaul to the investment budget due to replacement in 2011 of a federal subsidy for track facilities repairs with a contribution to the charter capital of JSCo Russian Railways in the amount of 1.6 bln rubles;
- exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC, JSC SFC) due to irregular launch of these companies amounting to 18.8 bln rubles.

Fringe benefit expenses in 2011 accrued 35.2% or 24.7 bln rubles year-on-year.

This major growth is due to an increase in the effective rate of insurance contributions by 8 p.p. in compliance with enactment of Federal Law No. 212-FZ of 24 April 2009 "Concerning insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund and territorial compulsory medical

insurance funds", which resulted in an additional increase of expenses by 21 bln rubles.

Fuel costs over the specified period accrued 26.1% or 13.3 bln rubles, including:

- *train hauling costs* accrued 29.8% (11.7 bln rubles) due to:
 - increase in the transportation volume – gross ton-kilometer operation in heat traction by 6.3% or 2.7 bln rubles;
 - decrease in the specific fuel allowance for heat traction hauling of locomotives by 1% allowed to cut costs by 0.4 bln rubles;
 - advance of diesel fuel prices, including at the expense of a rise of diesel fuel excises in compliance with Federal Law No. 306-FZ of 27 November 2010 "Concerning amendments to the first and second parts of the Russian Tax Code"; cost escalation amounted to 13.1 bln rubles, which is much lower than the diesel fuel price advance reported by the Federal State Statistics Service (31.9%) thanks to the Company's activities aimed at optimization of TFR costs.
 - exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC) due to irregular launch of these companies amounting to 3.5 bln rubles.
- *expenses on non-hauling needs* accrued 13.7% (1.6 bln rubles), which is mainly due to an advance on the fuel consumed for non-hauling needs.

Electricity costs over the specified period accrued 15.2% or 13.4 bln rubles, including:

- *train hauling costs* accrued 17% (12.9 bln rubles) due to:
 - increase in the transportation volume – gross ton-kilometer operation in electric traction by 4.3% or 3.3 bln rubles;
 - decrease in the specific allowance for electric traction hauling of trains by 0.4% allowed to cut costs by 0.3 bln rubles;
 - exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC) due to irregular launch of these companies amounting to 0.1 bln rubles;
 - increase in electricity tariff resulted in cost escalation by 10.1 bln rubles
- *costs on non-hauling services* increased by 4.1% (0.5 bln rubles), which is mainly due to the advance of electricity tariffs and exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC, JSC SFC) due to their irregular launch.

Costs on materials and other material costs over the specified period accrued 6.3% or 12.2 bln rubles, including due to:

- increase in equated operation by 7.7% as related to expenses subject to the transportation volume – 6.6 bln rubles;
- increase in costs as a result of price advance by 28.5 bln rubles. Thanks to the Company's activities aimed at cost optimization, an increase in the specified material costs due to price advance is much lower than the industrial price advance reported by the Federal State Statistics Service (17.3%);
- transfer of costs on key asset overhaul to the investment budget due to replacement in 2011 of a federal subsidy for track facilities repairs with a contribution to the charter capital of JSCo Russian Railways in the amount of 11.3 bln rubles;
- exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC, JSC SFC) due to irregular launch of these companies amounting to 11.7 bln rubles.

Reduction of **other costs** over the specified period amounted to 3.4% or 2.9 bln rubles, including due to:

- increase in equated operation by 7.7% as related to expenses subject to the transportation volume – 2.5 bln rubles;
- increase in costs as a result of price advance by 3.4 bln rubles. Thanks to the Company's activities aimed at cost optimization, an increase in the specified material costs due to price advance is much lower than the actual price advance both in the industry (17.3%) and average annual inflation (8.4%);
- transfer of costs on key asset overhaul to the investment budget due to replacement in 2011 of a federal subsidy for track facilities repairs with a

contribution to the charter capital of JSCo Russian Railways in the amount of 0.2 bln rubles;

- exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC, JSC SFC) due to irregular launch of these companies amounting to 8.6 bln rubles.

Decrease in **depreciation costs** over the specified period amounted to 4.5% or 7.6 bln rubles, which is mainly due to exclusion of costs related to incorporation of JSCo Russian Railways subsidiaries in 2010 (JSC FPC, FPC, JSC SFC) due to their irregular launch.

The prime cost of railway operations in 2011 amounted to 369.4 kop./10 priv. tkm, down 0.8 on 2010. In comparable conditions, an increase in the prime cost is assessed at 7%, which is much lower than the average annual inflation (8.4%) and advance of industrial prices (17.3%) over this period.

Overhaul of fixed assets

In 2011, 110.6 bln rubles were spent on overhaul of key assets.

Track facilities and structures. All types of repairs helped rehabilitate 8,013.2 km of the track, which is 624.9 km fewer than in 2010 due to passing of a decision to increase in 2011 a number of kilometers restored through reconstruction (2010 – 1,657.1 km, 2011 – 2,710 km), including 1,482.4 km repaired using new materials (2010 – 2,300.3 km), used materials – 1,890.8 km (2010 – 1,662.6 km), mid-life repair – 1,476.3 km (2010 – 1,146.2 km), enhanced mid-life repair – 1,168.5 km (2010 – 1,296.7 km), rehabilitation – 1,371.2 km (2010 – 1,419.5 km), enhanced rehabilitation – 624 km (2010 – 812.8 km). Appraisal of the main track by points is 28 scores and it accrued 1 point vs. 2010.

Locomotive facilities. Programs of locomotive overhaul were implemented by branches and enterprises outside the Company's structure in full, apart from overhaul of diesel units in locomotive repair depots (-3 sections).

A total of 1,418 electric locomotives were repaired (100.3% on the target; on 2010 +29 electric locomotives) and 881 diesel unit sections (99.7% on the target; on 2010 – 134 sections).

Automation and remote control facilities. The program of ARC overhaul was implemented in full. 3,567 km of automatic block signalling was repaired, which is 354 km more than in 2010; 7,620 power switches (in 2010 – 7,248 pcs.); 1,998 km of cable lines (+67 km on 2010), 280 retarding mechanisms (+8 pcs. on 2010); 83 compression plants (+16 on 2010).

Electrification and power supply facilities. 699.5 km of worn overhead line were replaced, which is 114.5 km more than in 2010; 495.4 km of span wire (+126.4 km on 2010); 1,217 km high-voltage wires of automatic block signaling and lateral power supply (+187 km on 2010); 14.1 thous. high-voltage supports of automatic block signaling and lateral power supply (+3.8 thous. pcs. on 2010); 475 thous. high-voltage insulators on the overhead

system of all types (+1 thous. pcs. on 2010); 62 thous. electric couplers (+3 thous. pcs. on 2010); 88 receiving and traction transformers were repaired (+31 pcs. on 2010); 25 accumulator batteries, 214 km of gain wire, 100 railcars and railway handcars.

Rolling stock. In 2011, car repair companies repaired 4,516 freight cars of the fleet of JSCo Russian Railways.

Purchasing and Cost Optimization

The Company takes continuous efforts in cost management. The main indicator that characterizes Company's performance in this area is the relation between changes in the prime cost of railway transportation and key macroeconomic price indicators – consumer price index and industrial producer price index.

Each year, dynamics of the transportation prime cost (in kop./10 priv. tkm) is much lower than a level of price advance in the country. Thus, with an industrial price advance (except for 2009) at a level of 15-20% a year, the prime cost increase does not exceed 5-11%, which is 2-3 times lower. Besides, the prime cost increase has never exceeded a threshold of an annual average rate of consumer inflation – consumer price index.

Rail transport is one of the most capital-intensive industries of the national economy and an essential component of the production infrastructure of the Russian Federation.

At the same time, the Company is exposed to price pressure on the part of product suppliers who are largely represented by monopolists and oligopolists, which hampers their exposure to regular market mechanisms of demand and supply. In this respect, in order to attain a financial equilibrium of its activities, JSCo Russian Railways is engaged in continuous activities aimed at check to and decrease in prices for the products (services) consumed in the current market situation.

In 2011, price commission of JSCo Russian Railways that reviews prices for the most significant products inspected 7,000 items, a part of which were acknowledged unjustified or overestimated as compared to the market dynamics.

The average decrease in prices under the quotes of these suppliers ranged from 5 to 25%. Considering that these products are used for implementation of both the investment program of JSCo Russian Railways and repair programs, this enabled program fulfillment in the target volume.

For other individual item groups, the growth was as follows: locomotive spare parts – 3.7%, car spare parts – 6.6%, electrical products – 3.3%, sawn timber – 4.1%, bearings – 5%, materials of the track superstructure – 7.2%. This is much lower than the market dynamics, where the growth was 14.3% (producer price index according to the Federal State Statistics Service data for 2011).

JSCo Russian Railways is one of the largest consumers of diesel fuel on the domestic market of the Russian Federation.

Analysis of the price situation on the Russian market of oil products shows a significant correlation with the West European market. However, it should be noted that in winter, price for winter diesel fuel increases in the rate outpacing world prices.

Despite the further price advance, JSCo Russian Railways shows high efficiency of the purchasing policy (TFR are acquired at the prices lower than market ones and subject to a grace up to 30 days). All the largest vertically integrated oil companies are engaged in delivery of oil products under direct contracts or via their operators (JSC Lukoil – operator of LLC Resource Trading, JSC Surgutneftegaz represented by LLC Surgutex).

This purchasing procedure enables reduction of aggregate costs of JSCo Russian Railways for acquisition of oil products and getting a minimum ultimate cost.

For example, based on results of 2010, the average purchase price of diesel fuel for the needs of JSCo Russian Railways amounted to 18.2 thous. rubles/tn³² or 4.1% lower than the average market price (19 thous. rubles/tn²⁹), which helped the Company save more than 2.1 bln rubles²⁹.

In 2011, major cash savings were attained for diesel fuel (some 3 bln rubles²⁹ or 4.48% of the market level).

A thing to be noted here is stable dynamics of the growth in cash savings in 2009-2011; savings for the period are assessed at more than 6 bln rubles.

Apart from purchase price savings, the Company takes methodical efforts to reduce specific power and diesel fuel consumption for train hauling.

In terms of power consumption for train hauling, the Company matches global indicators and in terms of effectiveness of use of fuel and energy resources in passenger operations, it exceeds European indicators.

Saving of expenses over the last 3 years resulting from reduced specific allowances of electric traction is assessed at a total of 0.6 bln rubles, heat traction – 2.3 bln rubles.

Russian Railways has been an active participant of the activities aimed at compliance with the Federal Law "Concerning energy savings and enhanced energy efficiency".

The Company approved the Program of activities for energy saving and enhanced energy efficiency of

³² Prices are given with VAT

the Russian Railways Holding Company, introduced the electricity revenue metering automated system, which will ensure Company's full compliance with requirements of the law on energy saving as related to instrumental accounting of electric power consumed and transmitted.

The Company implements a number of projects for introduction of LED systems for illumination of various facilities and optical systems in railway automation. Resulting decrease in electric power consumption at relevant facilities amounted to 60%.

Passenger trains are transferred to energy-optimal schedules due to automatic driving system capabilities. These schedules are implemented in all major passenger directions, which ensures additional saving of Company's energy resources.

Purchasing

The main objective of optimization of JSCo Russian Railways purchasing activity and the main performance indicator is minimization of material costs with maintenance of the set level of product quality, delivery period and assurance of stable volumes of their production. The above targets were attained by JSCo Russian Railways in 2011 through assurance of interaction with suppliers of material resources on a competitive basis.

Based on the needs of JSCo Russian Railways (branches of JSCo Russian Railways) and to ensure effective

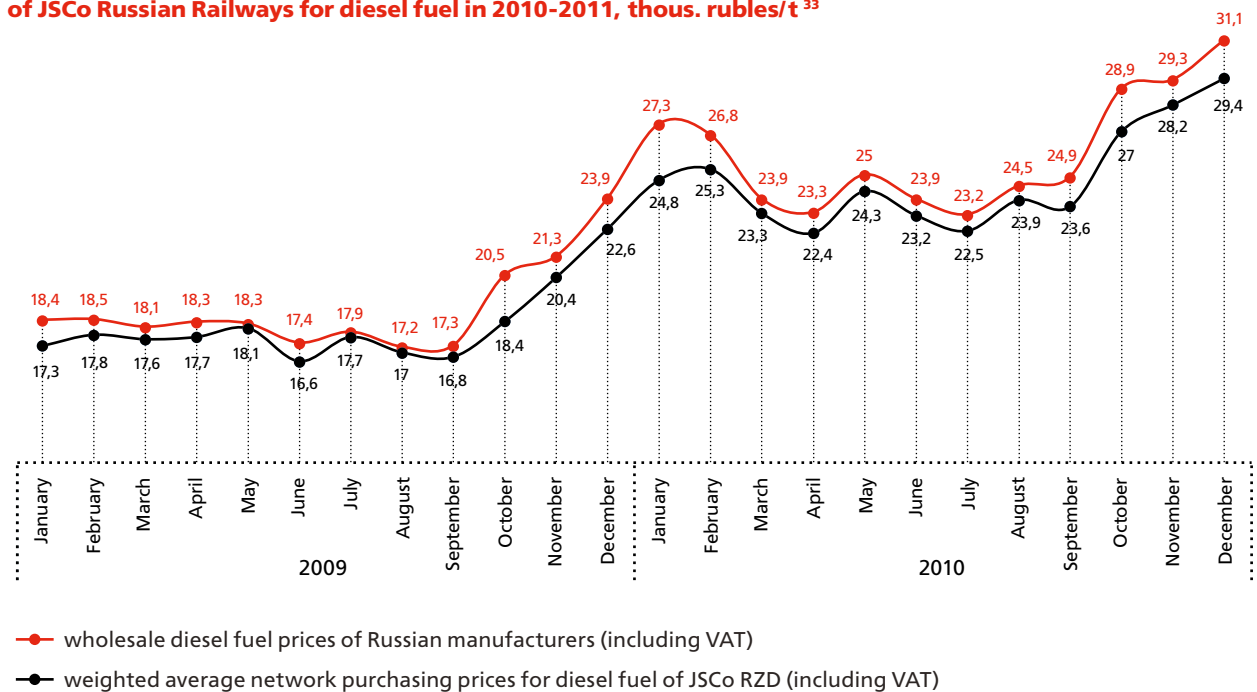
interaction with suppliers, the following was determined for each order placement procedure:

- order placement method,
- obligatory and qualifying requirements to order placement participants,
- specifications of the goods purchased, including their compliance with:
 - regulatory requirements,
 - functional characteristics (consumer properties),
 - quantitative characteristics,
 - qualitative characteristics (including reliability and warranties),
- initial (maximum) cost of goods,
- criteria of evaluation of purchasing quality and effectiveness,
- material terms of a contract that helped choose the best suppliers.

Winners of order placement procedures held were the participants who offered the best terms of contractual performance. When holding order placement procedures, JSCo Russian Railways completely abandoned subjectivity and discriminatory approach, which helped extend a circle of tender participants (for open competitive procedures).

Besides, in order to ensure openness of the information on purchasing activities of JSCo Russian Railways, information on order placement procedures

Absolute dynamics of wholesale prices of Russian manufacturers and average purchase prices of JSCo Russian Railways for diesel fuel in 2010-2011, thous. rubles/t³³



³³ Prices are given with VAT

was posted on the official website of JSCo Russian Railways registered as a mass medium and official websites of branches of JSCo Russian Railways (if any) and official website of the Russian Federation in the Internet information and telecom network for posting of the information on orders for delivery of goods, performance of works, provision of services.

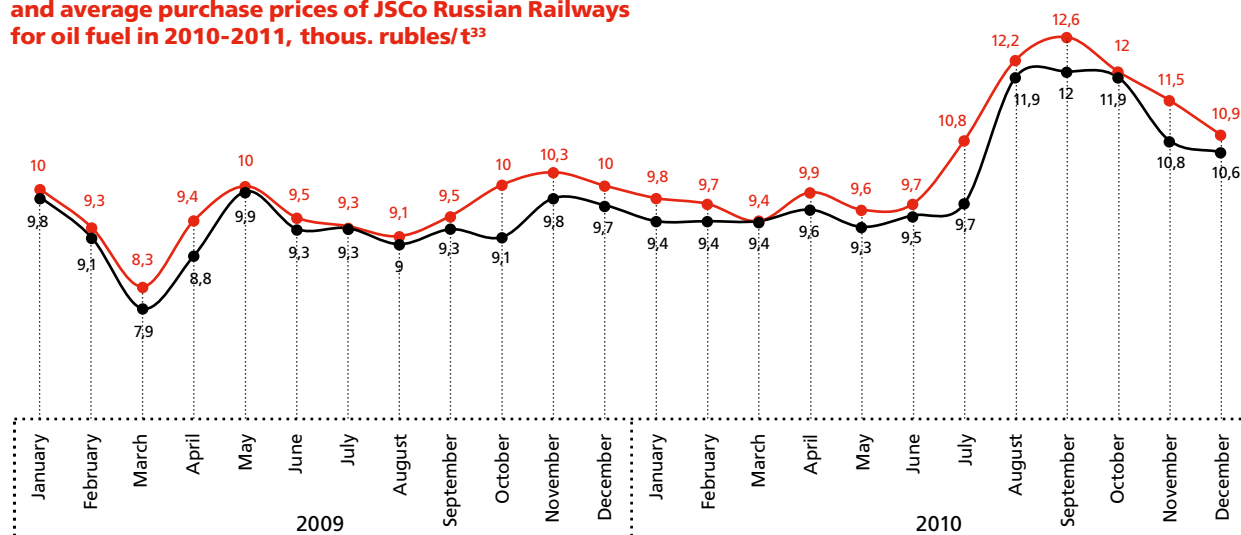
In view of the above, assurance of interaction with suppliers on a competitive basis in 2011 helped JSCo Russian Railways:

- extend a circle of participants;
- significantly decrease prices for the products offered by tender participants;
- save Company's funds (in 2011, cash savings amounted to 4.13 bln rubles);
- ensure compliance of quality of products purchased with regulatory requirements and stability of their production volume.

In 2011, the Company was engaged in comprehensive activities aimed at fulfillment of instruction No. 846pr of President of the Russian Federation D.A. Medvedev of 2 April 2011 concerning reduction of material costs of state companies in real terms by 10% a year. In pursuance of the instruction, negotiations were held with all the suppliers who were offered to decrease prices for the products delivered for the needs of JSCo Russian Railways.

Considering a negative price dynamics observed in 2011, specifically, on the market of ferrous and non-ferrous metals, prices were reduced for many types of purchased goods, both industry-specific and general market products.

Absolute dynamics of wholesale prices of Russian manufacturers and average purchase prices of JSCo Russian Railways for oil fuel in 2010-2011, thous. rubles/t³³



- wholesale oil fuel prices of Russian manufacturers (including VAT)
- weighted average network purchasing prices for oil fuel of JSCo RZD (including VAT)

In order to provide enterprises of JSCo Russian Railways with material and technical resources within the scheduled period and with the guaranteed quality, efforts are taken for transfer to long-term contracts (up to 3 years) for delivery of material and technical resources for the needs of JSCo Russian Railways.

2011 saw the following activities related to transfer to long-term contracts:

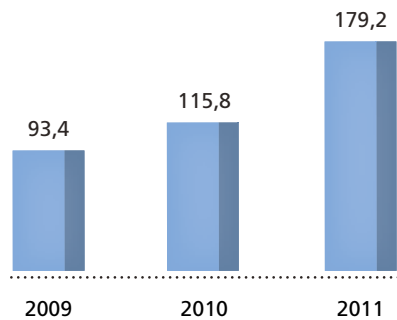
- A list of strategic items that affect sustained operation of JSCo Russian Railways was prepared and approved.

- Groups of products were identified, for which long-term contracts are expedient.
- New tender documentation was elaborated.
- Open competitive tenders were held for delivery of products in 2012-2014.
- Long-term contracts were signed for delivery of braces of the track superstructure for the Company's needs.

Other Activities

2011 saw a continued trend of the development of other activities; a share of income from other sales in the total volume of the Company's income accounted for 14% (+4.2% on 2010). Consistent growth in volumes of other activities ensures steady increase of internal effectiveness and financial and economic stability of the Company.

Income from other activities, bln roubles



Advance dynamics of income from other activities vs. 2010 amounted to 63.4 bln roubles (+54.7%). A major increase in income is due to railway restructuring:

lend-lease of the rolling stock to suburban passenger companies and JSC Federal Passenger Company, sale of previously leased passenger cars to JSC FPC.

Profit obtained amounted to 14.5 bln roubles, which is 3.5 bln roubles lower year-on-year. This decline in profit is due to reduction by 6.4 bln roubles of the profit from freight car lease because of completed delivery of the rolling stock fleet to JSC Second Freight Company and JSC First Freight Company.

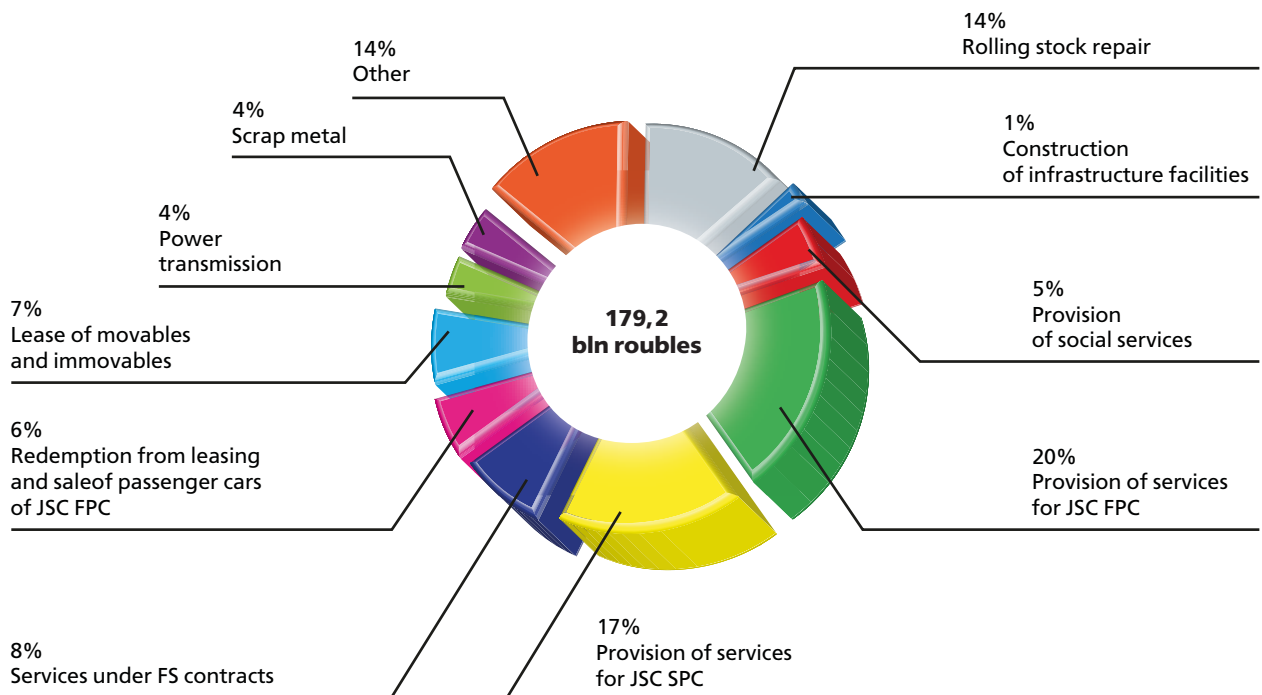
The Company's management succeeded in making up for a decline in Company's profit from lease of freight cars due to an increase in profit from rolling stock repair, reduced loss from social activities by 17.3%, growth in profit from forwarding services by 22.5%.

Methodical efforts aimed at optimization of non-core assets helped reduce Company's losses by 0.9 bln roubles.

Railway restructuring brings about a change in the structure of services by other activities. Thus, in 2011, a share of services for suburban passenger companies in the total volume of income accounted for 17% vs. 8.8% in 2010; a share of services for JSC FPC increased more than 4-fold vs. 2010.

The Company continues to extend a range of bundled services, including improvement of technological and management processes to secure target performance of other activities.

Structure of income from other activities for 2011, %



Other Income and Expenses

In 2011, the positive result of other income and expenses amounted to 3.8 bln rubles. The Company's management succeeded in attaining these good results thanks to implementation of structural transformations in the Company.

Last year saw the successful sale of 75% minus 2 shares of JSC FFC, 100% of shares of JSC Roslavl Railcar Repair Plant; all in all, the share sales return amounted to 147.6 bln rubles. An excess of the market value over the book value of the subsidiaries incorporated amounted to 26.4 bln rubles.

At the same time, the situation with underfinancing of losses from suburban passenger companies from regional budgets brought about a need to make up provisions amounting to 22.8 bln rubles from their

obligation to pay for the companies' services. Besides, the current political situation in Libya resulted in a need to make up a provision for advances in the amount of 24.6 bln rubles.

Significant rouble volatility in relation to the main world currencies throughout 2011 and its general weakening resulted in foreign exchange losses amounting to 6.4 bln rubles.

Considering that the Company's management timely hedged currency risks, income before tax under these transactions amounted to 1.8 bln rubles.

Besides, thanks to the effective use of social warranties, costs on performance of obligations under the Bargaining Agreement were optimized by 0.9 bln rubles vs. the targets established by the Company's Board of Directors for the year..

State Support of JSCo Russian Railways in 2011: Subsidies, Additional Contributions to Charter Capital and Influence on Performance

Results of 2011 show active interaction and support of the Company on the part of the state. The total amount of state financing of JSCo Russian Railways (without regard to subsidiaries) in 2011 exceeded 119 bln rubles, including the state support received in 2011 for the program of 2012 – 32.9 bln rubles.

State support of the Company followed the three major directions:

1. Implementation of state projects via the budget of JSCo Russian Railways.
One of the key directions of state support in this area is continued implementation of the system of state participation in Company's costs on overhaul of public rail transport infrastructure facilities as well as continued implementation of the investment program related to the decision adopted with regard to implementation of Sochi projects. State budget target financing in 2011 exceeded 90 bln rubles, including:
 - contribution to the charter capital of JSCo Russian Railways – to create transport infrastructure facilities as a part of preparation for the XXII Sochi 2014 Winter Olympics and Paralympics. – 70.1 bln rubles, including 15 bln rubles for the program of Olympic facilities construction in 2012.
2. Support of consigners and individuals entitled to social benefits via the budget of JSCo Russian Railways.

- This year, the Company's budget was used to receive subsidies for transportation of new vehicles manufactured in the RF to the Far East Federal District and back, nepheline concentrate, grain and flour-and-cereals, soya and soybean meal, transportation of pupils and students on long-distance trains. The total scope of state support in this area amounted to 3.9 bln rubles.
3. Direct support of JSCo Russian Railways.

In order to promote conditions to keep suburban tariffs under control and reduce a tariff load on regional suburban passenger companies, the Government of the Russian Federation decided to establish reduced (by 99%) tariffs for suburban infrastructure use services in 2011, due to which JSCo Russian Railways for the first time received state support for compensation of losses resulting from state regulation of tariffs for suburban infrastructure use services amounting to 25 bln rubles.

It should be noted that the budget deficit for compensation of a shortfall in income due to regulation of tariffs for public rail transport infrastructure use services provided by JSCo Russian Railways during passenger suburban operations amounted to 4.9 bln rubles.

A contribution to the charter capital of JSCo Russian Railways for upgrade of public rail transport infrastructure facilities (program for 2012) amounted to 17.8 bln rubles.

Besides, the Company continues to implement a mechanism of compensation of give up occurring as a result of state regulation of long-distance passenger transportation (in third-class sleepers and regular cars). It should be noted that in 2011, this type of state support featured a budget deficit exceeding 0.08 bln rubles.

In order to improve the rapid rail transport emergency response system, JSCo Russian Railways was granted a subsidy to implement measures aimed at assurance of population safety at rail transport amounting to 1.49 bln rubles.

Budgetary funds received in 2011, bln rubles

No.	Description	Amount
State support of consigners and individuals entitled to social benefits via the budget of JSCo Russian Railways		
1	Nepheline concentrate transportation	0,252
2	Compensation of the give up resulting from railway transportation of the new vehicles manufactured in the RF to (c) the Far East Federal District	2,535
3	Compensation of students' and pupils' travel, including:	0,015
	long distance	0,015
	suburban	0,0
4	Compensation of the give up resulting from establishment of exceptional tariffs for grain transportation	1,100
Implementation of state projects via the budget of JSCo Russian Railways		
5	Construction of Olympic facilities	70,146
6	Provision of facilities with mobile radiotelephone communication of the Amur Chita – Khabarovsk federal road	0,683
Direct support of JSCo Russian Railways		
7	Compensation of the shortfall in income from long-distance passenger operations	0,402
8	Rail transport infrastructure protection against unlawful interference	1,488
9	Compensation of a shortfall in income due to regulation of tariffs for public rail transport infrastructure use services provided by JSCo Russian Railways during passenger suburban operations	25,000
10	Upgrade and repair of infrastructure facilities	17,758
TOTAL		119,403

These measures helped the Company retain its financial and economic stability in 2011, implement a number of key investment projects and render maximum possible support to related sectors.

Current Assets

Working capital management in JSCo Russian Railways is conducted in the following directions:

- payment and settlement discipline (timely settlements);
- optimization of the solvency ratio of the Russian Railways Group of companies;
- provision management;
- inventory management.

In 2011, the period of turnover of accounts payable to suppliers and contractors amounted to 34.4 days. By 2011, the turnover period accrued 5.3 days, which is not due to generation of the overdue debt, but is due to changes in work schedules in the reporting period and availability of accrued guarantee withholdings under long-term building contracts as well as terms of settlements under the contracts concluded with contractors. The period of turnover of accounts receivable that was on the average level of 1 month helps satisfy the demand of JSCo Russian Railways for additional sources of finance of its economic activities.

In terms of recovery of accounts receivable, the period of sale debt turnover (from provision of transportation and other services) amounted to 4.7 days with reduction by 3.3 days vs. 2010. This reduced period of turnover of accounts receivable is due to the activities aimed at debt structure optimization and increased quality of handling accounts receivable. A share of overdue accounts receivable accounted for only 1.1% of the total volume of liabilities (at the last year's level).

In terms of the payment and settlement discipline, JSCo Russian Railways implements a policy of timely performance of its obligations before contractors. Thus, a share of overdue accounts payable to suppliers and contractors halved as of the late 2011 to have reached less than 0.5% of the total amount of debt with a decrease by 0.5 percentage point vs. the beginning of the year.

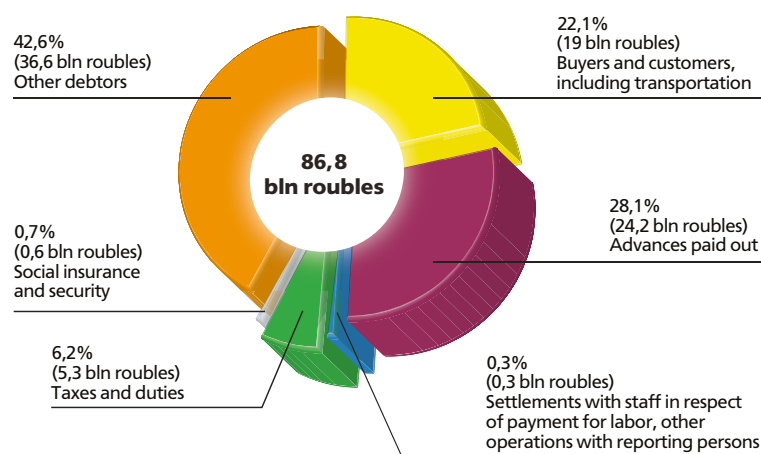
In general, the working capital changes due to a gain in current accounts payable and reduction in accounts receivable allowed to generate a net cash flow of more than 47.7 bln rubles.

Management of Accounts Payable and Receivable

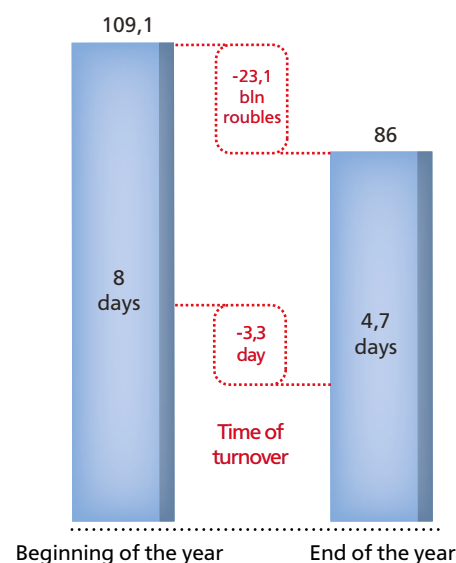
Accounts receivable of JSCo Russian Railways, bln rubles

	2010	2011	+/-	%
Total buyers and customers, including:	30,4	19,0	-11,4	62,6
transportation	14,4	3,1	-11,3	21,5
buyers and customers	16,0	15,9	-0,1	99,4
Advances paid out:	55,2	24,2	-31,0	43,9
including capital investment	17,6	13,8	-3,8	78,4
Social insurance and security	1,2	0,6	-0,6	49,4
Taxes and duties	1,7	5,3	3,6	314,1
Settlements with staff in respect of payment for labor, other operations with reporting persons	0,3	0,3	0,0	107,8
Other debtors	20,3	36,6	16,3	178,7
TOTAL	109,1	86,0	-23,1	78,8
Period of turnover of accounts receivable on sale	8,0	4,7	-3,3	58,6

Structure of accounts receivable in 2011, %



Accounts receivable in 2011, bln roubles



In 2011, accounts receivable of JSCo Russian Railways amounted to 86.0 bln roubles, with a decrease vs. the beginning of the year by 23.1 bln roubles (or by 21.2%), which is mainly due to a decrease in the debt under advances paid out by 31.0 bln roubles (or by 56.1%) and buyers and customers by 11.4 bln roubles (or by 37.5%).

Decrease in the debt on the balance sheet is related

to implementation of activities aimed at recovery of accounts receivable in 2011 and approval of the new provision management policy (doubtful debts) targeted at enhanced accuracy of accounts.

Change of the provision for doubtful debts amounted to 502. bln roubles.

Creation/recovery of the provision for doubtful debts in 2011, bln roubles

Provision recovered	
Ministry of Health and Social Development (transportation of persons entitled to benefits)	16,3
Suburban companies	1,3
Other, including executive bodies of constituents, municipal services, etc.	1,6
Total recovery of the provision for doubtful debts	19,2
Provision created	
Ministry of Health and Social Development (transportation of persons entitled to benefits)	20,2
Suburban companies	22,8
Provision for Force Majeure in Libya	24,6
Other, including executive bodies of constituents, municipal services, etc.	1,8
Total creation of the provision for doubtful debts	69,4
Impact of the provision change on financial performance	-50,2

An increase in the provision for doubtful debts is first of all related to failure of suburban passenger companies (SPC) to pay for infrastructure services and services of lease of the rolling stock with crew (are classified as other activities) provided to them due to loss-making performance of these companies. The reason for an increase in accounts receivable of suburban passenger companies is failure of constituents to perform their obligations related to compensation of a shortfall in SPC income from state regulation of tariffs (for further details, see the section "Suburban passenger operations").

At the same time, it should be noted that in 2011, JSCo Russian Railways, together with the related

ministries and public authorities, performed activities, as a result of which the Rules were approved that regulate federal budgetary subsidizing of JSCo Russian Railways for compensation of a shortfall in income due to regulation of tariffs for public rail transport infrastructure use services provided during suburban passenger operations, which allowed to obtain a subsidy in 2011 in the amount of 25 bln rubles and avoid an increase in accounts receivable of SPC by this amount. At the same time, this subsidy did not fully cover a difference between the main and exceptional tariff, which resulted in generation of accounts receivable of FART in the amount of 4.9 bln rubles.

Change in accounts receivable from suburban passenger companies for 2011

Name of items	Debt amount, bln rubles
Beginning balances with regard to a provision debt	12,6
including provision debt	1,3
Loss of loss-making SPC	6,5
Difference from the income from infrastructure services and subsidies obtained	4,9
Other factors of change of SPC AR	-0,5
Ending balances with regard to a provision debt	23,5
including provision debt	22,8

One of the retained problems is the debt of the Ministry of Health and Social Development for suburban transportation of persons entitled to benefits that on an accrual basis from 2006 amounted to 20.2 bln rubles as of 01 January 2012.

Accounts receivable of the Ministry of Health and Social Development as of 31 December 2011

Year of debt incurring	Debt amount, bln rubles
2006	5,0
2008	4,3
2009	7,0
2010	1,8
2011	2,1
Total as of 31 December 2011	20,2
including in 2006-2008	9,3

Accounts receivable under advances paid out decreased by the beginning of the year by 31.0 bln rubles (-56.1%) to have amounted to 24.2 bln rubles, which is due to:

- creation of a provision for doubtful debts of a branch of JSCo Russian Railways in Libya for a total amount of 22.7 bln rubles (including under a subcontract with Zarubezhstroytekhniologiya for 21.4 bln rubles; under a crushed ballast delivery contract with Fast Train for 1.3 bln rubles);
- conclusion of a trilateral agreement between JSCo Russian Railways, JSC FPC and JSC Tver Wagon Works to the contract for delivery of RIC passenger cars for transfer of all rights and obligations under an initial buyer contract (JSCo Russian Railways) to the new buyer (JSC FPC) due to substitution of a party to the

contract and reflection of a debt of 6.4 bln rubles as a part of other debtors;

- actual decrease in the advances paid out by the late 2011 by 2.8 bln rubles

Tax and duty arrears amounted to 5.3 bln rubles with an increase by the beginning of the year by 3.6 bln rubles due to a significant volume of works under the investment program of JSCo Russian Railways in Q4 of 2011, under which no VAT was declared for refund. This debt is current and it will be repaid in Q1 of 2012.

Other accounts receivable amounted to 36.6 bln rubles (with an increase by the beginning of the year by 16.3 bln rubles or by 78.7%).

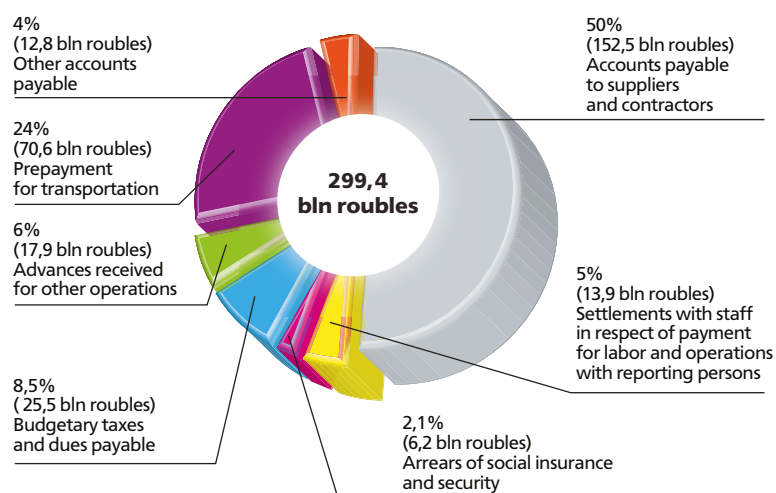
Breakdown of other accounts receivable as of 31 December 2011, bln rubles

Arrears of contributions to charter capitals of S&A	11,7
JSC FPC (additional property issue in December 2012)	10,4
CJSC SCR (planned contribution to the charter capital as per the concession contract)	1,3
Under contracts in favor of outside organizations, including S&A (agency contracts, commissions, as per standard terms of settlements)	5,2
JSC Zhelddorremash	1,9
JSC CRC-1	0,7
JSC CRC-2	0,3
JSC CRC-3	0,3
JSC Novosibirsk Switch Plant	0,3
Other	1,7
Loans granted (CJSC Zherdoripoteka, target loan till 2021)	3,4
Interest receivable (under loan agreements with JSC High-Speed Railway, JSC KIT Finance Investment Bank, etc.)	1,0
Insurance premiums	0,6
JSC FPC (under an agreement for assignment of rights and obligations under the contract of delivery of RIC passenger cars with JSC Tver Wagon Works) – debt reclassification from advances paid out	6,4
FSUE EGZ of the RT Federal Agency (construction of the Berkakit – Tommot – Yakutsk rail line)	4,0
Other debt	4,3
Total debt	36,6

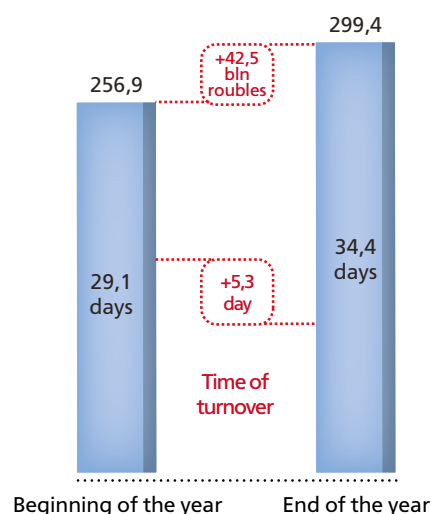
Accounts payable of JSCo Russian Railways, bln rubles

	2010	2011	+/-	%
Accounts payable to suppliers and contractors	106,7	152,5	45,8	142,9
Settlements with staff in respect of payment for labor and operations with reporting persons	15,0	13,9	-1,1	92,7
Arrears of social insurance and security	4,6	6,2	1,6	134,8
Budgetary taxes and dues payable	11,1	25,5	14,4	229,7
Advances received for other operations	24,3	17,9	-6,4	73,7
Prepayment for transportation	62,1	70,6	8,5	113,7
Dividend payable to participants	0,0	0,0	0,0	-
Other accounts payable	33,1	12,8	-20,3	38,7
TOTAL	256,9	299,4	42,5	116,5
Period of turnover of accounts payable to suppliers and contractors	29,1	34,4	5,3	118,2

Structure of accounts payable in 2011, %



Accounts payable in 2011, bln rubles



Accounts payable increased by 42.5 bln rubles by the beginning of the year. Accounts payable to suppliers and contractors accrued 45.8 bln rubles, advances received for transportation – 8.5 bln rubles (due to financial borrowing from clients for transportation in January), taxes and dues payable – 14.4 bln rubles. A significant decrease was seen in other accounts payable – by 20.3 bln rubles, advances received for other operations – by 6.4 bln rubles.

Increase in accounts payable to suppliers and contractors is due to the growth of operating and capital expenditures with regard to the current procedure of settlements with contractors and works activated in December 2011.

Advances received (apart from transportation) as of the end of the reporting year amounted to 17.9 bln rubles, including for rail line construction (Libya) – 13.6 bln rubles. Decrease by the beginning of the year by

6.4 bln rubles was due to closing of advances for car sale in 2010. Advances received for transportation in January 2012 amounted to 70,6 bln rubles with an increase by 8.5 bln rubles (or by 13.7%) by the end of the year. The period of turnover of advances received for transportation amounted to 20.5 days with an increase by 1.9 days year-on-year.

Budgetary taxes and dues payable amounted to 25.5 bln rubles. An increase in the debt by the beginning of the year by 14.4 bln rubles is due to an increase in the current income tax payable resulting from sale of an equity stake in JSC FFC in December 2011.

From other accounts payable as of 31 December 2011, the most important are settlements under agency contracts with JSC FFC, JSC SFC for provision of freight cars – 4.7 bln rubles, prepayment received for sale of shares of JSC TransCreditBank – 1.7 bln rubles. A decrease by the beginning of the year by 20.3 bln rubles is due to repayment of arrears of acquisition of financial investments related to contributions to charter capitals of S&A.

Cash Balance

With a target cash balance as of late 2011 amounting to 53.2 bln rubles (including 32.9 bln rubles – contribution to the charter capital in 2011 for the program of 2012), the actual balance amounted to 183.7 bln rubles, i.e. an increase by 130.5 bln rubles. In this case, an actually free above-plan cash flow may be considered only in the amount of 17 bln rubles (that may be allocated for funding of Company's current and investing activities), as the main cash growth drivers were as follows:

- financial flow related to attraction of additional credit resources amounting to 74.7 bln rubles. The difference

is due to the actual situation with repayment of a bridge loan from VTB bank raised in late 2011 for advance funding of the investment program of JSCo Russian Railways until money was received from a buyer of 75% of JSC FFC shares. Initially, it was assumed at all settlements with the buyer would be completed in November 2011, due to which the bridge loan would be repaid in full in December 2012. In fact, settlements with buyers were over only in late December 2012, which, with regard to an increase in interest rate and reduced liquidity on the domestic market, brought about a management's decision to postpone loan repayment to the first quarter of 2012.

- increase in accounts payable by 30.7 bln rubles due to performance of a significant part of investing activities in December 2011 that must be paid in early 2012 as per contractual terms;
- increase in advances received from buyers for transportation by 4.2 bln rubles due to public holidays from 31 December 2011 to 9 January 2012;
- other factors (4.1 bln rubles).

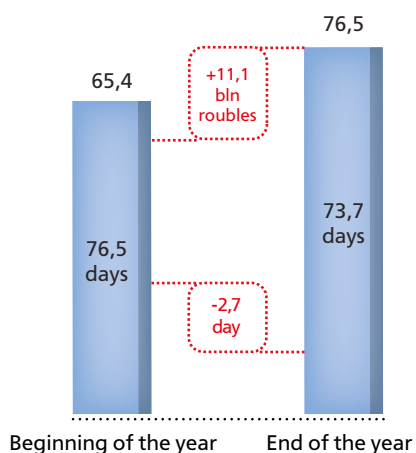
At the same time, a decrease in the cash balance of 5.2 bln rubles was mainly influenced by a departure from the plan of sale of S&A shares (-3.7 bln rubles) intended for sale in 2011 (TWW, Roszheldorproekt, Vladikavkaz VRZ, etc.).

Inventory Management

In 2011, Company's inventories amounted to 76.5 bln rubles with an increase by 11.1 bln rubles by the beginning of the year, which is in line with targets, including:

Inventory availability and transactions, bln rubles

	2010	2011	+/-	%
Total inventories, including:	65,4	76,5	11,1	117,0
raw, materials and other equivalent valuables	63,7	74,7	11,0	117,3
work-in-process-related costs	0,8	1,2	0,4	150,0
finished goods and goods for resale	0,2	0,3	0,1	150,0
dispatched goods	0,1	0,0	-0,1	X
prepaid expenses	0,6	0,3	-0,3	50,0
other inventory and costs	0,0	0,0	0,0	0,0
Total inventories, including:	65,4	76,5	11,1	117,0
Inventory turnover period	76,4	73,7	-2,7	96,5

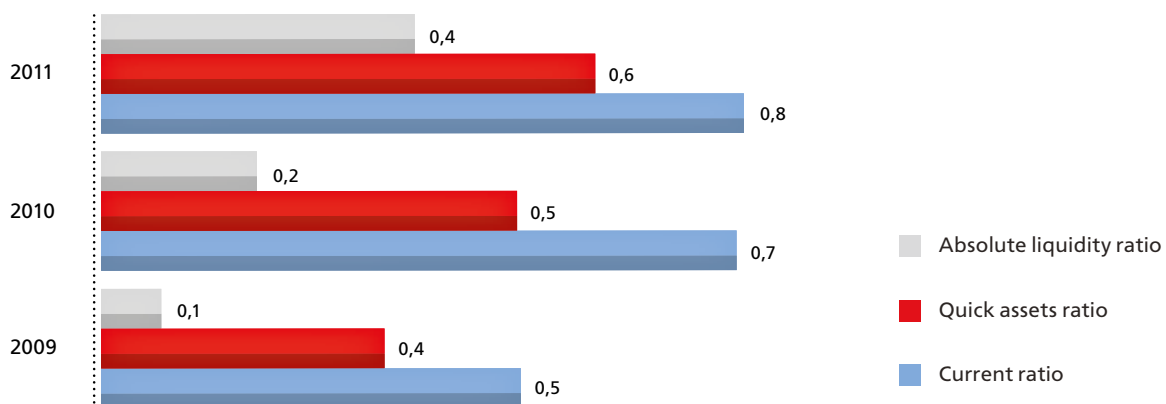


The period of inventory turnover amounted to 73.7 days with a reduction by 2.7 days year-on-year, which is the evidence of increased effectiveness of inventory management.

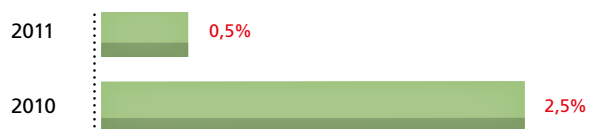
Financial Ratios

The liquidity situation in 2011 is characterized by stable finance indicators. The current liquidity remained on the level of 2010; urgent liquidity accrued 0.1 p.p., whereas absolute liquidity accrued 0.2 p.p. The liquidity gain was largely due to an increase in cash and its equivalents by the beginning of the year nearly 3-fold (or by 119 bln roubles). At the same time, the liquidity ratio of balance sheet assets was influenced by allowances for accounts receivable and financial investments (see the section "Working Capital").

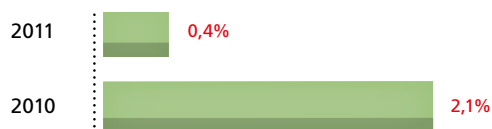
Liquidity ratios



ROE³³



Return on assets, ROA³⁴



In terms of influence on the return on equity of two factors: return on assets and financial leverage – it should be noted that return on equity in 2011 amounted to 0.5% (-2 p.p. on 2010) with financial leverage remained

unchanged. At the same time, return on assets lost 1.7 p.p., which reflects a change in the asset structure, first of all, due to the launch of highly profitable businesses.

³³ ROE = Return on Equity, ROA x Financial Leverage, FL

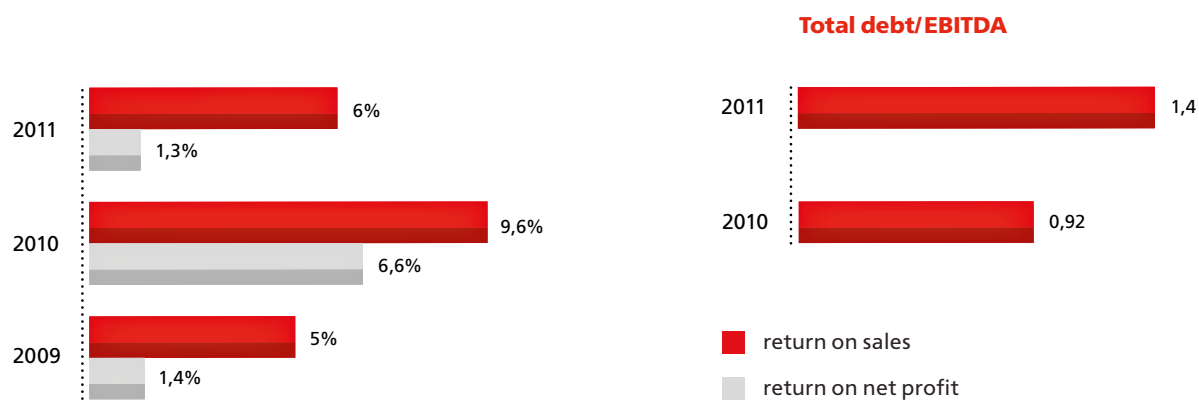
³⁴ Return on Assets, ROA = Net profit / assets

Change in profitability by activities is shown in the table below:

Indicators	2010	2011
Return on net profit (net profit / income)	6,6%	1,3%
Profitability of sales (profit/income)	9,6%	5,6%
Profitability of transportation	8,9%	5,3%
Profitability of freight operations	15,3%	6,7%
Profitability of infrastructure services	2,8%	-14,1%
Profitability of locomotive hauling services	25,9%	25,9%

This situation resulted in a decrease in Company's profitability as a whole.

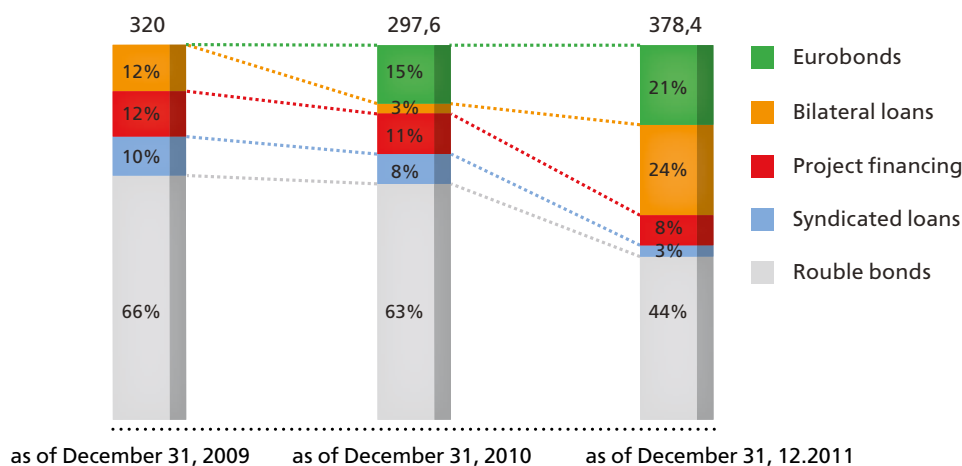
Profitability of activities



Financial leverage in 2011 remained unchanged year-on-year, which is generally due to the financial policy implemented aimed at minimization of interest and credit risks. The ration gross debt/EBITDA increased and is also within the limits of financial covenants.

Debt Policy, Credit Ratings and Relations with Investors

Borrowed Capital Management

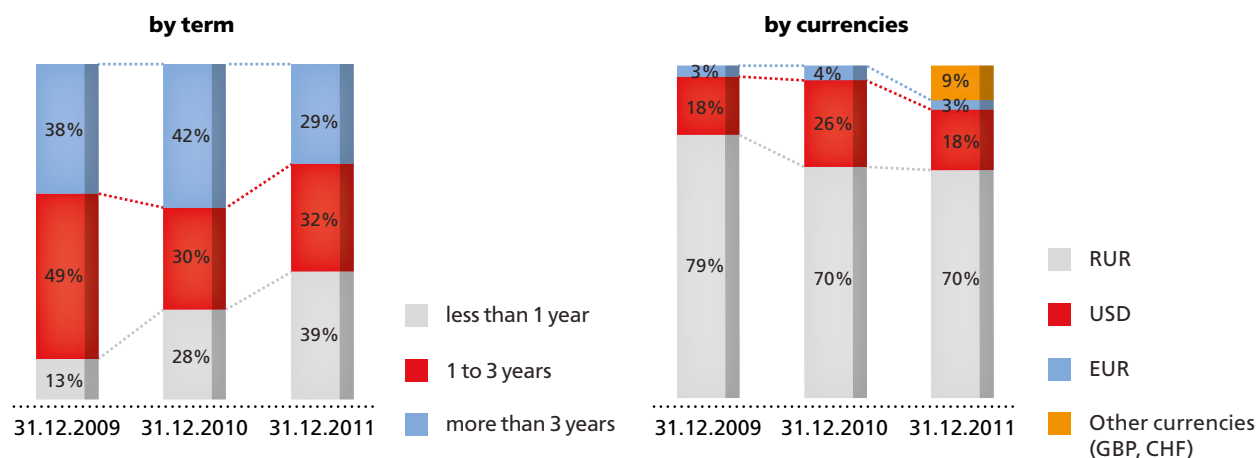


In 2011, the credit portfolio of JSCo Russian Railways (excluding subsidiaries) accrued 80.7 bln rubles to have reached 378.4 bln rubles as of 31 December 2011. The increase in the credit portfolio value is technical and is due to raising of short-term bridge loans in the fourth quarter of 2011 from banks J.P.Morgan and Bank VTB for a total amount of some 83 bln rubles to finance investing activities of JSCo Russian Railways for the period until funds are received from sale of 75%-2 shares of JSC First Freight Company. Due to closing of JSC FFC sale on the last week of December 2011, repayment of two loans was postponed to Q1 of 2012.

Changes in the structure of financial instruments were due to current liquidity management operations performed by the management in 2011, including redemption of bonds expensive in service that were placed at the peak of the financial crisis in late 2009 (series 12 and 13) and repeated market placement of bonds of series 9 and 11. A correct choice of the time for placement of bonds of series 9 and 11 allowed to fix coupon rates at a level of 6.9% and 7.8% p.a. favorable to JSCo Russian Railways for 2.5 and 4.5 years, correspondingly. In 2011, JSCo Russian Railways fully repaid series 8 of bonds in the amount of 20 bln rubles in compliance with the repayment schedule.

The most significant transaction in 2011 on the public borrowing market for JSCo Russian Railways was placement of a new issue of Eurobonds in the amount of 650 mln pounds for 20 years, which ensured access to the market of ultra-long borrowings in pounds traditionally used by European railway companies to finance infrastructure investments. The transaction was consummated over two tranches of 350 and 300 mln pounds that were placed in March and June, correspondingly. The initial placing bid book was closed with double oversubscription in the context of an extremely volatile market – investor sentiment during a week before the issue was negative due to an earthquake in Japan and subsequent nuclear disaster as well as aggravation of the situation in Libya and Bahrain. Placement of Eurobonds of JSCo Russian Railways in pounds was named the “Transaction of the Year” in the Central and Eastern Europe by Euromoney journal, one of the most reputable core publications on the capital market. This placement helped JSCo Russian Railways significantly diversify the investor base and set new benchmarks for circulation period of securities.

Structure of the loan portfolio of JSCo Russian Railways in 2009-2011³⁵



A share of exchange commitments in the structure of the JSCo Russian Railways portfolio remains on a comfortable level of some 30%, as in 2010. The Company continues its efforts aimed at an increase in the average portfolio life and volume of obligations with a maturity of more than 3 years.

Relations with Investors and Rating Agencies

The main directions of JSCo Russian Railways interaction with rating agencies in 2011 were an increase in transparency of its activities and confirmation of compliance with BBB rating. Concurrently, in 2011, the Company was engaged in preparation for an upgrade of its standalone rating in advance of future placements on international capital markets. The standalone rating is assigned to quasi-sovereign companies and is a reflection of the issuer's credit rating in case implementation of any risks of the state level. Normally, this rating is lower than the issuer's final rating and is more prudent in terms of risk assessment. Thus, the standalone rating of JSCo Russian Railways assigned by Standard&Poor's



throughout 2011 was BB+. However, when assessing creditability of companies with 100% state participation, many investors increasingly focus namely on this standalone rating due to a number of crisis events in the Euro zone and in the context of a technical default of a number of European states.

As a part of these activities, the management of JSCo Russian Railways engaged a rating adviser, bank J.P. Morgan Limited, and held a number of key meetings with leading methodologists of rating agencies. The main focus of the meetings was on general revision of the approach to Russian companies and the value of a decreasing coefficient for country risk assessment. Additionally, JSCo Russian Railways was repositioned as infrastructure, rather than solely transport company, which became possible after completion of a transaction related to privatization of JSC First Freight Company and rolling stock outsourcing to the Second Freight Company. The most important outcome of the activities held in 2011 was an upgrade of the standalone rating of JSCo Russian Railways by Standard&Poor's from BB+ to BBB- that occurred in March 2012.

³⁵ Data based on management statements of JSCo Russian Railways (with regard to offers and ignoring accrued interest)

The corporate rating of JSCo Russian Railways remained unchanged throughout 2011:

Credit ratings of JSCo Russian Railways as of 31 December 2011

		Рейтинг	Прогноз
	Moody's	Baal	stable
	Standard & Poor's	BBB	stable
	Fitch	BBB	positive
	Moody's	Baal	stable
	Standard & Poor's	BBB	stable
	Fitch	BBB	stable

Apart from interaction with rating agencies, JSCo Russian Railways takes active efforts aimed at keeping interest to its debt liabilities on the part of Russian and foreign investors. Thus, 2011 saw a number of events aimed at Company's increased openness and transparency:

- annual meetings were held with industrial analysis and press to present financial records of JSCo Russian Railways prepared in compliance with the international accounting standards;
- a number of meetings with large Russian and foreign investors representing financial markets of Europe and Asia were held at financial and economic forums, international and industry conferences held in 2011;
- from 2 to 4 February 2011, the Company's management took part in the fourth Russia Forum – a leading annual event of the investment industry of Russia and CIS arranged by Troika Dialog in Moscow;
- from 31 May to 2 June 2011, the Company's management took part in the annual international regional railway business forum "Strategic Partnership 1520";
- on 7-10 October 2011, the Company's management took part in the investment forum of VTB Capital "RUSSIA'S CALLING!". The forum was attended by more than 2,000 people, including more than 500 investors from Russia, Europe, USA, Middle East and Africa and some 300 top managers of Russia's leading companies.
- 24-27 October 2011 saw a non-deal roadshow with the largest investors of the Asian region that confirmed investors' significant interest in debt obligations of JSCo Russian Railways;
- On 1-2 December 2011, Zurich and Munich saw meetings with a number of largest European investors;

- On 12 December 2011, the regular "Investor day" was held in London.

Leasing

JSCo Russian Railways has in leasing passenger cars, electric multiple unit stock, passenger and freight locomotives, freight cars, maintenance vehicles acquired in 2003-2008 from home manufacturers of the rolling stock and railway machinery.

As of 01 January 2011, leasing obligations of JSCo Russian Railways amounted to 28.4 bln rubles with VAT. In 2011, the Company allocated 9.2 bln rubles for lease payments.

Due to ongoing railway restructuring and incorporation of subsidiaries of JSCo Russian Railways engaged in long-distance and suburban passenger operations and freight transportation, since 2011, the Company has settled a task for subleasing of the leasing rolling stock to subsidiaries to be used in their core activities. In 2010, the leasing fleet of passenger cars and passenger locomotives was subleased to JSC FPC. In January same year, the electric multiple unit stock was subleased to suburban passenger companies. In 2011, more than 23 thous. freight cars were subleased to JSC Second Freight Company.

In 2011, subsidiaries' payments under sublease contracts amounted to 5.6 bln rubles.

In 2011, the Company took efforts to restructure the leasing portfolio to reduce a leasing load on budgets of expenditure of the subsidiaries whose activities feature social nature and low profitability. Thus, in the first half of 2011, 1,222 passenger cars and 93 passenger locomotives

and 1,196 units of the electric multiple unit stock were early redeemed from leasing with their further lease to subsidiaries. In the second half of 2011, 25 electric locomotives and 2 electric trains were early redeemed from leasing.

In 2011, the Company allocated 13.1 bln rubles for transactions related to redemption from leasing of the passenger rolling stock.

As of 01 January 2012, Company's leasing obligations amounted to 6.2 bln rubles.

Financial Risk Management

The Company pays significant attention to activities related to financial risk management. The Company has set up the financial risk management systems improved every year. The underlying document for the system is the Company's financial risk management policy.

The policy determines:

- Company's financial risks;
- principles of their management;
- management process:
 - identification;
 - analysis and assessment;
 - matching against the risk appetite;
 - adoption of a decision (choose strategy management);
 - direct management, including application of hedging instruments, if necessary;
 - monitoring of results;
 - assessment of financial risk management activities efficiency (self-diagnostics).
- management tools, including hedging;
- concept of the risk appetite for adopting decisions on risk management expediency.

The Center for decision-making related to financial risk management is the Company's financial risk management committee – a collective body comprising representatives of a number of the Company's departments under the guidance of Senior Vice President for Economy and Finance.

Improvement of the financial risk management system in 2011 included:

- introduction of regulations for Company's currency and interest risk management;
- introduction of a method of calculation of credit limits for insurance companies;
- assessment of the current method of calculation of credit limits for contracting banks and elaboration of supplements to the applicable method based on assessment results.

The Company focuses on the management of the following main financial risks:

- **property risks** (with regard to financial consequences from property risks): property risks are transferred to large Russian insurance companies

and reinsured with major global insurance companies. The regulatory framework of JSCo Russian Railways with regard to insurance comprises: insurance coverage policy for JSCo Russian Railways, regulations, methodological guidance. A uniform policy and principles of insurance coverage for the Russian Railways Holding Company are defined in a corporate insurance coverage concept for JSCo Russian Railways S&A. The concept provides for a uniform approach to creation of insurance coverage for companies of the Russian Railways Holding Company;

- **credit risks:** For the purposes of credit risk management the Company has an approved credit limit calculation methodology, regulatory documents on operations with bank guarantees and suretyship. Based on the above methodology, the Company assesses financial institutions and calculates the corresponding credit limits restricting deposit placement transactions with banks and acceptance of bank guarantees depending on the assessment of the condition of the corresponding financial institution.

When co-operating with the real sector companies, in order to insure JSCo Russian Railways from risks of non-performance (improper or untimely performance) by a counterparty of its obligations, the Company uses bank guarantees of intent, performance bonds (including for a warranty period for supply contracts), return of advance payments and sureties from parent companies. The financial institutions issuing bank guarantees and warrantors are chosen taking account of credit history, effective credit limits.

- **liquidity:** the Company performs the operating management of liquidity on the basis of balance of payments, schedule of payments and payment position, which are developed on the basis of information from business units on expected revenues and expenses for the calendar month day-by-day. If necessary, the Company promptly raises cash on the best terms available. Operating management of liquidity is performed on the basis of the Reuters terminal and other automated systems for electronic confirmation of transactions;

- **market risks** (currency, interest, commodity): to evaluate these risks, regulations are used that envisage calculation of risk magnitudes and their matching against set values of risk appetites.
In particular, evaluation of the Company's currency risk and identification of an instrument for the currency risk management are based on the analysis of the Company's open currency position for the horizon of up to four years, which is the difference between incoming and outgoing cash flows by foreign currencies. To create a portfolio of currency-denominated requirements and liabilities and subsequently calculate the open currency position, Company's transactions are analyzed and classified by investing, operating and financing activities. The amount and structure of the open currency position influences the Company's borrowing policy and establishes approaches to hedging.
- Analysis of floating interest rate volatility and corresponding influence on the Company's borrowing policy underlies the interest risk valuation.
- Should the currency or interest rate risks exceed the risk appetite, the Company selects a risk management strategy, including hedging.
- With regard to the price risk, the Company seeks to establish settlement and indexation terms in contracts with counterparties, which would help mitigate this risk to the maximum extent possible. The Company also considers a possibility of using hedging instruments for the price risk management. Closing of hedging transactions related to the Company's inaugural Eurobond borrowing in pounds was a remarkable milestone with regard to financial risk management in 2011. Transactions were based on the Russian documents and were closed within the Russian jurisdiction with major international banks. To mitigate credit risks related to the closed transactions, head offices of parent banks provided guarantees for their Russian subsidiaries. Closing of hedging transactions allowed not only to mitigate the Company's currency risk but also to reduce the effective borrowing rate for the Eurobond borrowing out of the difference between borrowing currency and hedging currency interest rates.
- **operating risks:** effective management of the operating component of financial risks is secured by automated financial risk management systems, which, in addition to improving the risk management effectiveness, restrict the "human factor" influence on results of calculations and procedures implemented.

Financial risk management is performed by a team of highly qualified risk managers of JSCo Russian Railways, which are result oriented and united by shared corporate values and objectives.

Risk management approaches used by the Company are based on best practices of financial risk management, diversification principles implying the use of various risk management tools and operations with reliable counterparties and approaches assuming estimation of risk and risk appetite ratios.

The risk management policy excludes the use of speculative instruments of risk management as well as operations with unreliable counterparties.

The Company seeks to improve and develop the risk management system both within JSCo Russian Railways and the Holding Company in general, apply a unified approach to financial risk management in relation to its subsidiaries and affiliates, instill the risk management culture at all management levels. Thus, 2011 saw the following activities:

- a workshop in financial risk management was held for Company's subsidiaries and affiliates;
- regulations for currency and interest risk management were developed and implemented and the financial risk management policy of JSC FPC was approved as a result of joint efforts with JSC FPC.

Insurance

JSCo Russian Railways pays much attention to insurance coverage of property risks.

In 2011, the following activities were conducted in the process of improving the Company's insurance system:

- an open tender was announced to select an insurer for the insurance of directors' and officers' liability (D&O). The insurance amount under the contract was 3 bln rubles;
- in order to secure performance in compliance with Federal Law No.225-FZ "Concerning compulsory insurance of civil liability of a hazardous facility owner for damage caused by an incident at the facility", in the end of the year, an open tender was announced to select insurers of civil liability of a hazardous facility owner for damage caused by an incident at the facility.
- a network workshop in insurance coverage was held with participation of specialists of all the Company's railways, subsidiaries, insurance companies and operating units of the administrative staff. These activities are aimed at an increased level of branches' performance as related to insurance and resulting increase in the rate of insurers' compensation of the losses incurred by JSCo Russian Railways and subsidiaries as a result of insured events;
- 2011 saw a road show for leading foreign reinsurers aimed at assurance of a high level of insurance coverage of the most costly and high risk railway infrastructure facilities, limit per insured event for which is 22.5 bln rubles. The objective of arranging road show meetings with reinsurers is reduction of JSCo Russian Railways expenses and concurrent increase in the reinsurance reliability level. During these meetings, the Company informs the insurance market on the state of JSCo Russian Railways

coverage, scope of investments targeted at increased traffic safety and maintenance of the rail transport infrastructure. The road show performed resulted in an extended list of the companies participating in reinsurance of the JSC RUSSIAN RAILWAYS property to include: Swiss Re, Munich Re, Allianz, Score and Zurich Insurance Company.

- As a part of the activities aimed at coverage assurance of high risk property items, in 2011, evaluation engineers of the leading reinsurers conducted surveys, based on which relevant property maintenance recommendations were elaborated and risk decrease

activities were offered that are implemented by the relevant services of JSCo Russian Railways.

- 2011 saw further activities aimed at settlement of insured events; the total volume of claimed losses under centralized insurance contracts amounted to 364.3 mln rubles; the volume of the insurance indemnity obtained amounted to 342.8 mln rubles; the average rate of compensation of the losses incurred by the Company as a result of insured events that characterizes a ratio between the indemnity amount and the losses claimed to the insurance company for the losses under the events settled in 2011 amounted to 94.1%.

Payment of Taxes and Duties

The total amount of accrued taxes for 2011 was 268.7 bln rubles or 107.6% year-on-year, including:

- federal budget – 41.6 bln rubles, which accounted for 68.3% year-on-year;
- regional and local budgets – 113.3 bln rubles or 105.1% year-on-year;
- non-budgetary funds – 113.7 bln rubles or 140.4% year-on-year
- In 2011, 256.6 bln rubles were transferred in payment for current taxes, including:
 - to the federal budget – 47.5 bln rubles;
 - to budgets of Russian Federation constituents and municipal formations – 97.5 bln rubles;
 - to non-budgetary funds – 111.6 bln rubles.

The amounts of taxes payable in 2011 increased by 3.6 bln rubles or 1.4% as compared to the tax payments made in 2010.

The amounts of taxes payable to the federal budget in 2011 decreased by 15.0 bln rubles or by 24% year-on-year, to regional and local budgets – decreased by 11.2 bln rubles or by 10.3%, to non-budgetary funds – increased by 29.8 bln rubles or by 36.5%.

A share of tax proceeds of JSCo Russian Railways to the budgetary system of the Russian Federation amounted to 1.5%.

The tax burden indicator in 2011 amounted to 14.8%, which is 1.6% lower than in 2010.

Value-added tax (VAT)

In 2011, 43.8 bln rubles were transferred in payment of VAT of JSCo Russian Railways. Decrease in VAT accrual by 19.6 bln rubles (by 35.1%) is due to the excess of tax deductions over the accrued VAT amount and reduced amounts of recovered VAT related to the property transferred to S&A in 2011.

Corporate profits tax

In 2011, assessment of the current corporate profits tax payable to the federal budget and budgets of Russian

Federation constituents amounted to 47.6 bln rubles, which is 2.1 bln rubles or 4.7% more than in 2010. Based on results of 2011, proceeds increased by 92.6 bln rubles (8%) vs. 2010. Production and distribution costs in 2011 also increased by 145.2 bln rubles (14%) year-on-year.

In 2011, 30.8 bln rubles were transferred in payment for the corporate profits tax, which accounts for 67.4% of the last year's level.

With the corporate profits tax rate of 20% established by the Russian legislation, the effective tax rate (relation of a current profits tax amount to the profit before tax) with regard to the amount of income and expenses increasing the profits tax base of JSCo Russian Railways was 61.9% in 2011.

Regional and local taxes

In 2011, 97.5 bln rubles were transferred to budgets of Russian Federation constituents and municipal formations, which is 89.7 of the level of 2010.

Decrease in tax payments to regional and local budgets as compared to 2010 is due to a decrease in profits tax payments to budgets of Russian Federation constituents by 13.9 bln rubles or by 33.7%.

Personal income tax payments increased by 3.5 bln rubles or by 7.7% vs. 2010 due to an increase in the payroll rate of JSCo Russian Railways employees.

In 2011, the amount of the accrued property tax was 19.3 bln rubles, which is by 0.26 bln rubles or by 1.3% less than in 2010. In 2011, 18.9 bln rubles were transferred in payment for property tax, which is 1 bln rubles or 5% less than in 2010.

In 2011, 1.9 bln rubles and 1.8 bln rubles were correspondingly paid for land tax, similar to 2010.

The total amount of insurance contributions made by JSCo Russian Railways to non-budgetary funds in 2011 was 113.7 bln rubles, which is by 32.8 bln rubles or by 40.4% more than in 2010.

An increase in insurance contribution rates from 26% to 34% from 1 January 2011 resulted in an increase in insurance contribution amounts accrued by JSCo Russian Railways in 2011 year-on-year.

Interested-Party Transactions

1. Transaction for overhaul reconditioning of passenger cars between JSCo Russian Railways and JSC FPC. Transaction price: not more than 215,000,000 rubles, including VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
2. Transaction for overhaul roundhouse overhaul servicing of passenger cars between JSCo Russian Railways and JSC FPC. Transaction price: not more than 400,000,000 rubles, including VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
3. Transaction for repair of passenger mounted wheels between JSCo Russian Railways and JSC FPC. Transaction price: not more than 150,000,000 rubles, including VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
4. Transaction for repair of passenger car equipment between JSCo Russian Railways and JSC FPC. Transaction price: not more than 175,000,000 rubles, including VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
5. Transaction for repair of passenger car bogies between JSCo Russian Railways and JSC FPC. Transaction price: not more than 310,000,000 rubles, including VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
6. Transaction for issue of a guarantee to JSC Bank VTB by way of conclusion of a contract between JSCo Russian Railways, JSC UBR and JSC Bank VTB for accession to the loan agreement of 12 January 2011 concluded between JSC UBR and JSC Bank VTB. Transaction price: not more than USD 135,000,000.
Interested party: member of the Management Board of JSCo Russian Railways V.N. Morozov.
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 15 March 2011 (minutes No. 4).
7. Sublease of the land lots (their portions) in federal ownership leased to JSCo Russian Railways between JSCo Russian Railways and JSC FPC. Transaction price under all subleases: 4,263.09 rubles with VAT a year.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 03 June 2011 (minutes No. 10).
8. Transaction (several related transactions) between JSCo Russian Railways and JSC FPC for lend-lease of items of immovable property. Transaction price: 71,156,817.1 rubles a year without VAT.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 26 October 2011 (minutes No. 17).
9. Sublease of the land lots (their portions) in federal ownership leased to JSCo Russian Railways between JSCo Russian Railways and JSC FPC. Transaction price under all subleases: 9,841.94 rubles with VAT a year.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 21 November 2011 (minutes No. 19).
10. Contract between JSCo Russian Railways and JSC FPC for purchase and sale of an additional issue of JSC FPC shares. Contract price: 10,397,601,827 rubles.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways M.P. Akulov, O.E. Gnedkova, V.I. Reshetnikov
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 21 November 2011 (minutes No. 19).
11. Contract between JSCo Russian Railways and JSCo RZD-ZDOROVYE for acquisition of passes for employees of JSCo Russian Railways, their family members and non-working retirees. Contract price: not more than 1,370,000,000 rubles.
Interested parties: JSCo Russian Railways, members of the Management Board of JSCo Russian Railways O.Yu. Atkov, O.E. Gnedkova.
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 12 December 2011 (minutes No. 22).

12. Contract for Allegro train maintenance between Oy Karelian Trains Ltd., JSCo Russian Railways and VR Group Ltd. Contract price in 2012: EUR 5,324,000. Interested party: JSCo Russian Railways, member of the Management Board of JSCo Russian Railways M.P. Akulov. The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 26 December 2011 (minutes No. 23).
13. Supplementary agreement to the loan agreement of 12 January 2011 between JSC UBR, JSCo Russian Railways and JSC VTB Bank. Contract price: not more than USD 150,000,000. Interested party: member of the Management Board of JSCo Russian Railways V.N. Morozov. The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 29 December 2011 (minutes No. 24).

Major Transactions and Other Transactions that Must be Approved in the Same Way as Major Transactions under the Company's Charter

1. In the reporting period, JSCo Russian Railways carried out no transactions that would be considered major transactions under Article 78 of the Federal Law "Concerning Joint Stock Companies".
2. Other transactions that must be approved in the same way as major transactions under subclause 15 clause 71 of Russian Railways' charter.
 - 1) approval of a transaction for sale to JSC Bank VTB of JSC TransCreditBank shares owned by JSCo Russian Railways that account for 54.3918% of the charter capital of TransCreditBank. The transaction is consummated in two stages. On the first stage, JSC Bank VTB will buy out 29.39% shares of JSC TransCreditBank at 16,398,617,092 rubles. One the second stage, from 1 July 2012 to 31 December 2013, JSC Bank VTB will buy out the remaining equity stake.
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 23 June 2011 (minutes No. 12).
 - 2) approval of a transaction for sale of 64,239,325,613 shares of JSC FFC owned by JSCo Russian Railways based on results of an open auction with bidders' qualifications to the preferred bidder – LLC NTC. The transaction price is 125,500,000,000 rubles.
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 10 November 2011 (minutes No. 18).
 - 3) approval of a transaction for sale of 3,491,492 ordinary registered shares of JSC Refservice owned by JSCo Russian Railways based on results of an open auction to the preferred bidder. The initial (starting) price is 3,491,492,000 rubles.
The transaction was approved by the decision of the Board of Directors of JSCo Russian Railways of 10 November 2011 (minutes No. 18).

Statement on Dividends Paid

JSCo Russian Railways earned a net profit of 78.5 bln rubles in 2010.

Under Directive No. 2180p-P13 of 17 May 2011 of the First Deputy Chairman of the Government of the Russian Federation "On recommendations on the amount of dividends and their payment procedure for the shareholders' annual general meeting of JSCo Russian Railways", it was determined to pay dividends to the state

for 2010 in the amount of 5.08% of net profit and use the remaining net profit to realize the Company's investment program, to form funds stipulated by law and to finance projects for multimodal passenger transportation on the routes Vladivostok – Knevichi Airport and Kazan Railway Station – Kazan Airport.

Distribution of the net profit of JSCo Russian Railways in 2010³⁶, mln rubles

Indicator	Amount	%
Net profit for the period	78 453	100
Profit distribution, of which:	7 908	10,08
reserve capital	3 923	5,00
dividends paid on issued shares	3 985	5,08
Profit accumulated and used (undistributed profit), including net profit used to finance projects for multimodal passenger transportation on the routes Vladivostok – Knevichi Airport and Kazan Railway Station – Kazan Airport as well as to compensate members of the Board of Directors of JSCo Russian Railways.	70 545	89,92

³⁶ Data on the Company's net profit in 2010 do not match financial accounts for 2010, as the Statements contain adjustments described in detail in appendix 1.

Draft Distribution of the Company's Net Profit in 2011

JSCo Russian Railways earned a net profit of 16.8 bln rubles in 2011.

In compliance with clause 42 section 6 of the Charter of JSCo Russian Railways, the reserve capital is made up in the amount of 5% of the net profit of the reporting period (841 mln rubles).

Letter No. GN-15/5904 of the Russian Federal Property Management Agency of 28 February 2012 recommends spending at least 25% of the net profit on payment of dividends; considering this, the amount of dividends

payable to the Russian Federation for performance of JSCo Russian Railways in 2011 amounts to 4,205 mln rubles. In view of the above, it is proposed to:

- spend 4,205 mln rubles for payment of dividends on ordinary shares of JSCo Russian Railways for 2011;
- leave 11,776 mln rubles to JSCo Russian Railways, including to finance infrastructure investment projects.

Distribution of the net profit of JSCo Russian Railways in 2011, mln rubles

Indicator	Amount	%
Net profit for the period	16 822	100
Profit distribution, of which:	5 046	5
reserve capital	841	5
dividends paid on issued shares	4 205	25
Profit accumulation	11 776	70

Major Risk Factors Affiliated with the Company's Operations

Litigation in 2011, in which JSCo Russian Railways was the Defendant

In 2011, 15,388 lawsuits against the railways were in litigation for a total of 6,937,991.8 thous. rubles.

Heard (including cases whose appeal period has expired): 10,189 lawsuits for a total of 4,192,113,9 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 7,107 lawsuits for a total of 1,514,610.2 thous. rubles;
- in favor of JSCo Russian Railways: 3,082 lawsuits for a total of 2,677,503.7 thous. rubles.

Not heard: 5,199 lawsuits for a total of 2,745,877.7 thous. rubles.

This includes:

Lower courts

Heard: 3,070 lawsuits for a total of 1,370,950 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 2,123 lawsuits for a total of 582,641.5 thous. rubles;
- in favor of JSCo Russian Railways: 947 lawsuits for a total of 788,308.5 thous. rubles.

Not heard: 1,557 lawsuits for a total of 963,627.3 thous. rubles.

Appellate courts

Heard: 304 lawsuits for a total of 269,687.6 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 177 lawsuits for a total of 144,936.9 thous. rubles;
- in favor of JSCo Russian Railways: 127 lawsuits for a total of 124,750.7 thous. rubles.

Not heard: 49 lawsuits for a total of 46,942.1 thous. rubles.

Cassation courts

Heard: 152 lawsuits for a total of 80,728.6 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 99 lawsuits for a total of 15,370.5 thous. rubles;
- in favor of JSCo Russian Railways: 53 lawsuits for a total of 65,358.1 thous. rubles.

Not heard: 67 lawsuits for a total of 13,942.1 thous. rubles.

Litigation in 2011, in which JSCo Russian Railways was the Plaintiff

In 2011, 14,048 suits against the railways were in litigation for a total of 4,651,873.4 thous. rubles.

Heard (including cases whose appeal period has expired): 9,334 lawsuits for a total of 2,779,475 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 1,589 lawsuits for a total of 1,176,028 thous. rubles;
- in favor of JSCo Russian Railways: 7,745 lawsuits for a total of 1,603,447 thous. rubles.

Not heard: 4,714 lawsuits for a total of 1,872,398.7 thous. rubles.

This includes:

Lower courts

Heard: 2,471 lawsuits for a total of 667,034.3 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 431 lawsuits for a total of 183,173.3 thous. rubles;
- in favor of JSCo Russian Railways: 2,040 lawsuits for a total of 483,861 thous. rubles.

Not heard: 1,756 lawsuits for a total of 901,432.2 thous. rubles.

Appellate courts

Heard: 314 lawsuits for a total of 200,646.9 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 92 lawsuits for a total of 129,424.4 thous. rubles;
- in favor of JSCo Russian Railways: 222 lawsuits for a total of 71,222.5 thous. rubles.

Not heard: 55 lawsuits for a total of 21,685.8 thous. rubles.

Cassation courts

Heard: 87 lawsuits for a total of 69,258.5 thous. rubles, of which:

- not in favor of JSCo Russian Railways: 37 lawsuits for a total of 24,052.2 thous. rubles;
- in favor of JSCo Russian Railways: 50 lawsuits for a total of 45,206.3 thous. rubles.

Not heard: 31 lawsuits for a total of 12,341 thous. rubles.

Circumstances that could Interfere with the Company's operations

In 2011, as a result of earthquakes and dangerous meteorological and hydrological phenomena in the Russian Federation, railway facilities forming part of the JSCo Russian Railways infrastructure sustained local damage that did not develop into emergency situations or seriously affect the industry.

JSCo Russian Railways promptly repaired the damage at its own expense and without involving the resources of regional subsystems of the unified state system for the prevention and management of emergencies.

Development Outlook

Development of Logistic Activities

In the context of developing market conditions, customers' needs and tasks of the Holding Company related to enhanced competitive power on the foreign market of transport services, one of the strategic objectives is the development of logistics activities. This is a prerequisite to improvement of the service quality and assurance of Holding Company's integration with the global transport system.

To ensure strategic development of the logistics business, by 2015, the Holding Company will:

1. Deploy creation of terminal and logistics complexes all over the Russian railway network. The modern terminal and logistics infrastructure will be developed as a network project whose objects are interrelated using a variety of tools.
2. Enhance performance of the existing terminal and storage complex (freight yards).
3. Ensure development of contractual (3PL) logistics. To this end, in 2010, the Holding Company set up JSCo RZD-Logistika engaged in integration of services of structural subdivisions, subsidiaries of JSCo Russian Railways and external providers into the comprehensive supply chain management service.
4. Continue implementation of an action plan aimed at increase in transportation containerization. To ensure further development of the container business, 2011 saw development of the Concept of container business integrated development in the Holding Company approved by the Company's Management Board and Board of Directors.
5. Set upon implementation of projects for operational control or creation (together with freight owners) of joint companies to operate approach lines in order to establish end-to-end technologies of interaction between mainline and industrial rail transport.
6. Ensure development of information systems and improve the quality of freight owners' information support.

Realizing Transit Potential in View of Market Trends

Another strategic objective of the Holding Company is to realize the country's transit potential and to further integrate the Russian railway network into the global transport system. The following directions will become key international activities of the Company in 2012:

1. Multilateral development of the united area of railways within the framework of the Railway Transportation Council of the CIS member-countries

The Company's main tasks of co-operation with railway administrations of CIS states, Georgia, Latvia, Lithuania and Estonia are as follows:

- active participation in the efforts taken by the Council to improve the regulatory and legal framework of arrangement of international freight and passenger operations;
- improvement of the transportation process, car fleet accounting, mutual settlements with railway administrations for transportation performed, railway tariffs for passenger and freight, luggage and freight baggage transportation, technical conditions of cargo loading and securing;
- development of informational support and R&D for the benefit of CIS railways

2. Increase in effectiveness of co-operation between railway administrations of Russia, Belarus and Kazakhstan when developing the Customs Union and CES

Due to establishment of the Customs Union of Belarus, Kazakhstan and Russia, customs control at internal boundaries between member states was dropped. Cargoes are placed for customs transit only once – upon arrival at the external border of the Customs Union and require no additional procedures along the route.

New conditions contribute to accelerated customs clearance and resulting attraction of additional transit cargo traffic, especially in the China – Europe line.

In order to adapt to the new operational conditions, railways of the three states need to settle the following tasks:

- promotion and keeping of mutually beneficial conditions for joint economic activities;
- development of passenger and freight operations;
- improvement of the tariff policy;
- improvement of the procedures related to interaction between railway administrations of Customs Union member states.

To settle these tasks, railway administrations of Customs Union member states initiated a proposal

for establishment of a trilateral task group comprising specialists from Byelorussian, Russian and Kazakh railways.

JSCo Russian Railways, in its turn, takes efforts to create new control conditions when crossing Customs Union borders.

Creation of the **common economic space** (CES) is also important for development of unified transport systems. Rail transport of Customs Union member states will be able to operate effectively subject to system-wide improvement of the regulatory framework of transport services.

What is needed first of all is introduction of unified technical regulations, unified tariff regulation in the area of railway transportation and consistent implementation of activities aimed at reduced time of customs formalities.

In the long view, this will help reach a balance between interests of natural monopoly entities in rail transport and users of CES rail transport services.

3. Extension of the Russian Railway Holding Company's business abroad, including as related to railway infrastructure development

The Company has the following essential tasks related to implementation of infrastructure projects abroad:

In Iran:

- implementation of the project for Rasht – Astara railway line construction as a part of the North – South international transport corridor.
- elaboration and participation in other projects for railway infrastructure development in Iran.

in the DPRK:

- completion of the project for reconstruction of the Khasan (RF) – Rason (DPRK) railway section and construction of a freight terminal in Rason.

In Serbia:

- elaboration of possible participation in infrastructure development projects, including construction of the Valjevo – Loznica railway line and reconstruction of the Belgrad rail junction.

In Armenia:

- assurance of efficient management of the railway system of the Republic of Armenia in line with the concession agreement of 17 January 2008;
- assurance of stable operation of the rail transport in Armenia, satisfaction of needs of the republican economy for high-quality freight and passenger operations and getting economic benefits from concessional management of Armenian railways.

4. Strengthening co-operation with Chinese partners

JSCo Russian Railways faces a task of further development

of co-operation with the Ministry of Railways of PRC as related to railway freight transportation, including transit container shipping from China to Europe and back. Possible incorporation of a joint venture for transportation along the Chungking – Duisburg route is being worked on.

A number of important bilateral infrastructure-related projects are being implemented, including the project for restoration of transportation via Makhhalino – Hunchun border crossing.

Matters are being worked on as related to updating of the bilateral legal framework – updating of the applicable Soviet-Chinese border railway Agreement of 1951 is being prepared together with the Russian Ministry of Transport. Besides, a draft Contract between JSCo Russian Railways and PRC Ministry of Railways for co-operation in arrangement of international railway transportation was prepared.

Speaking of long-run objectives aimed at enhancement of co-operation in the area of rail transport, one may mention development of co-operation with the Chinese party as related to optimized performance of railway border crossings, including electronic data exchange and application of the unified CIM/AIGTR consignment note in the PRC.

Handling of a demonstration train along the Urumqi (PRC) – Berlin (Germany) route with first use of this unified consignment note is scheduled for 2012.

5. Enhancement of co-operation with international organizations

Strategic development principles within the framework of UIC as a global organization for the nearest future are as follows:

- participation in elaboration of the global transport policy and a shared vision of world's railways on the most burning issues;
- harmonization and unification of regulations and standards related to railway technics, infrastructure and technologies through globalization of the standards set out in UIC checklists.
- participation in design activities of the international organization aimed at introduction of advanced engineering solutions for development of international freight and passenger operations and high-speed service.

The main tasks as a part of co-operation with the Organization for the Collaboration of Railways (OCR) are maintenance and improvement of a system of agreements and contracts that is a basis for overall development of Eurasian service and co-operation of member railways in virtually all the aspects:

- freight and passenger operations (AIGTR, AIPT),
- instructions for car use (FCF, PCF),
- financial and settlement issues,
- rates (UCT, ITT),
- encoding, information support, etc.

The most important tasks of JSCo Russian Railways in UNECE ETC are as follows:

- participation of JSCo Russian Railways in implementation of the joint project of UNECE and UN ESCAP for development of Eurasian transport communications;
- realization of Russia's geopolitical and strategic potential in development of Europe – Asia communications;
- participation of JSCo Russian Railways in development of a system of UN agreements and conventions related to the rail transport. This is the Company's contribution to the global legal harmonization of railway systems;
- participation of JSCo Russian Railways in a task group for development of the uniform transport law;

Keeping a constructive dialogue with directors of the transport block of the European Commission and European Parliament for elaboration of key conditions of effective performance of the railway system is of paramount importance to JSCo Russian Railways.

Threats and Risks

The structural transformation of rail transport in adverse macroeconomic conditions increases the risks of reduced competitiveness of the Holding Company on Russian and foreign markets as well as risks in connection with current operations.

The appearance of local carriers will require JSCo Russian Railways to thoroughly review the operation of its locomotives and may adversely affect transportation safety.

A local carrier will use its locomotive in accordance with its own local logistical scheme rather than to optimize a unified technological process, and this will very likely reduce the locomotive's productivity and increase both the demand for locomotives and the unproductive movement of locomotives throughout the network.

The economic risks involve redistribution of cash flows from JSCo Russian Railways to local carriers without additional industry value being created as a result of their entry into more profitable segments of the market.

The Holding Company is currently facing a number of other serious threats to its operations, such as:

- cutbacks in government spending to support the development and operation of rail transport leading to a reduction in infrastructure carrying capacity in conditions of high wear and tear and numerous bottlenecks;
- growing competition in potentially profitable traditional and emerging segments of the domestic and foreign transport markets;
- a decline in national freight traffic due to structural changes in the economy;

- disruption of technological ties as a result of the sale of a controlling (blocking) stake of JSCo Russian Railways S&A;
- a tougher regulatory environment, tariff restrictions, inadequate compensation from budgets at all levels and an uncertain tariff policy;
- growing competition on the part of road, pipeline and water transport;
- a reduction in the carrying and processing capacity of infrastructure due to more empty running of private cars along the network's main directions.

In these conditions, strategic plans are essential, since there are two sides to adverse macroeconomic conditions – threats and opportunities.

And there are quite a few opportunities – for example, lower prices for resources consumed, a growing supply of labor and opportunities to modernize infrastructure on sections that limit traffic (something hard to do during periods of peak traffic).

To improve its performance, the Company needs to introduce innovative technologies so that it can create new transport and associated products, new railway machinery and technologies, enhance the management of rail transport and identify and take advantage of new opportunities to improve railway efficiency. It is essential that the crisis be used to achieve a new level of quality and efficiency.

Railways need to go beyond their traditional market segments to create and promote innovative transport products and services, enter new markets and develop promising lines of business.

The strategy of diversification should focus on the needs of customers, who are increasingly interested in purchasing integrated door-to-door transport and logistics services for a competitive package price on Russian and foreign markets.

The risks and opportunities involved in forming a common economic space is an issue in its own right.

There is an increasing risk that the Holding Company's freight service will become less competitive as a result of international companies entering the Russian market.

However, there are also new opportunities to expand market operations in a common economic space.

Priority Tasks for JSCo Russian Railways

In 2011, the Company achieved its main budget parameters. Operations were stable and profitable, and the Company realized its chief priority investment projects. Structural reform of the industry continued, as did the development of Russian Railways Holding Company. The prestige of the Russian rail system is growing on the Russian transport market as well as abroad. To ensure that the Company is profitable, achieves its strategic goals and establishes a competitive Holding Company in 2012, attention should be focused on the following key areas:

1. Severization of requirements to effectiveness of investing activities of JSCo Russian Railways, performance of the projects implemented, establishment of an economically feasible system of priorities of investment programs and projects, improvement of the quality of project implementation effect monitoring.
2. Implementation of tasks and activities of the fourth stage of the railway restructuring program in line with decisions of the Government of the Russian Federation.
3. Elaboration of mechanisms to enhance performance of freight operations exposed to the competition of the private freight car market and coordination of the matters related to interregional freight operations within the framework of interregional coordination councils of JSCo Russian Railways.
4. Implementation of measures aimed at consolidation of all-purpose freight cars under the command of JSCo Russian Railways, including efficient use of flexible tariff conditions to attract private cars on arm's length terms.
5. Increased operational efficiency of hauling resources and infrastructure capacity to maximize the volume of freight and passenger operations and promote technological prerequisites for full satisfaction of the customers' demand.
6. Improvement of the transportation quality based on an increased speed of freight and passenger trains, average speed of freight delivery, observance of the freight and passenger train schedule.
7. Expansion of a range of integrated transport and logistics services, increased performance of subsidiaries engaged in freight operations, optimization of activities of a network of terminals and freight yards and establishment of common standards of transport service.
8. Completion of establishment of key elements of the new organizational framework and further development of the JSCo Russian Railways management system, including improvement of technological and management processes to operate under new conditions and attain key performance indicators as well elaboration of relevant regulations and standards.
9. Increase in effectiveness of use of financial and all types of material resources, reduction in tangible costs, increase in labor performance using tools to arrange lean manufacturing and quality management, cost optimization of raw and other materials being acquired.
10. Increase in competitive power and appeal of long-distance passenger operations due to a flexible quotation, extended ticket sale network, improved service, faster train service and schedule optimization, development of tourist service offerings.
11. Assurance of break-even suburban operations with regard to state subsidizing to compensate the cost of infrastructure services for suburban companies.
12. Promoting partnership with industrial and transport machine building enterprises aimed at creation of advanced, competitive and efficient products and enhancement of research and development.
13. Strengthening co-operation with regional authorities, expansion of a footwork of joint projects, elaboration of initiatives for development of the rail transport infrastructure and interaction tools when arranging interregional, suburban and intracity passenger operations.
14. Consolidation of international business ties to make use of the opportunities offered by:
 - Russia's joining the WTO;
 - establishment of the common economic space of Russia, Belarus and Kazakhstan;
 - elaboration and implementation of international integration projects resulting from efficient co-operation within the framework of UIC, OCR, Railway Transportation Council of the CIS member-countries, Strategic Partnership 1520.
15. Increase in the talent pool of Russian Railways Holding Company based on a growth in competences, motivation and responsibility of employees, development of the professional education and conversion training system, efficient management of human resources, generation of a personnel reserve, including through training of young professionals.
16. Generation and coordination with public authorities and management bodies of advanced tools for investment into infrastructure development using revenue-yielding bonds, private-public partnership and co-operation between JSCo Russian Railways and large consigners.

Reference Information

For the most recent detailed information, please visit the Company's website at www.rzd.ru (in Russian and English).

The site provides information on the profile and performance of JSCo Russian Railways as well as up-to-date information on events that the Company is involved in and on all aspects of its operations and social and environmental policies.

The "For Investors" section discloses the Company's financial and operating results as well as reports and presentations for the community of investors.

Published reports. The following reports are available in electronic form on the Company's website (www.rzd.ru):

1. The Company's operating statement.
2. Financial statements (IFRS and RAS).
3. Quarterly financial statements.
4. Issuer report

Concepts and definitions used in the Report:

The names and words JSCo Russian Railways, Russian Railways, JSCo RZD, RZD, the Company, the RZD Company, we and our used in this annual report are equivalent and refer to JSCo Russian Railways.

Abbreviations

USD – United States dollars

ton-km – ton-kilometer of freight turnover

pass-km – passenger-kilometer of passenger turnover

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Main changes in the 2011 financial statements

The Russian Ministry of Finance prepared changes to regulatory legal acts on accounting approved by Decree No. 186n of the Russian Ministry of Finance of 24 December 2010 enacted for financial statements for 2011.

In this regard, in accordance with clause 10 of the Accounting Regulation "Company's accounting policy" (RAS 1/2008) approved by Decree No. 106n of the Russian Ministry of Finance of 06 October 2008, the relevant amendments were made to the Company's accounting policy.

At the same time, the Company's accounting policy for 2011 was considerably reduced because of exclusion of accounting requirements obligatory for all organizations.

1. In subsection 1.5 "Relations with subsidiaries and affiliates", the procedure of accounting policy application by subsidiaries was revised.

According to clause 1, subsidiaries shall use the accounting policy chosen by the Company, whereas affiliates are recommended to use the accounting policy chosen by the Company.

2. Subsection 2.2 "General approaches to accounting entity qualification" introduces definitions of such accounting entities as "liabilities", "capital", "income" and "expenses".

3. The following accounting regulations were excluded from the accounting policy:

- unbilled deliveries of inventory and fixed assets;
- capital investments and non-current assets;
- apartments and residential buildings as a part of fixed assets and income-bearing investments in tangible assets;
- lease of fixed assets;
- decommissioning and retirement of fixed assets;
- method and procedure for evaluation of intangible assets depreciation in use;
- civil defense inventories;
- state reserve (mobilization reserve) inventories;
- intra-organizational settlements.

4. In section 2.4 "Asset accounting"

4.1. Clause 3 specifies the moment of entering property items in accounting records, as when entering property items in accounting records, a condition related to state registration of a title was excluded. In this regard, clause 3 was revised to read as follows:

"3. Property items, for which capital investments were completed and that meet conditions set out in clause 4 RAS 6/01 registered according to the established procedure in fixed assets delivery and acceptance certificates and other documents shall be accounted for as a part of fixed assets."

4.2. In clause 4, the ceiling of the value of assets reflected as a part of inventories was changed from 20,000 rubles to 40,000 rubles on 1 January 2011.

4.3. Clause 6 was supplemented with a paragraph that provides for the procedure of determination of the initial cost of fixed assets being a subject of a lease agreement

during their buyout and was revised to read as follows: "The initial cost of fixed assets being a subject of a lease agreement during their buyout by the Company shall be determined based on a number of accrued lease payments and their surrender value."

4.4. Clause 7 specifies a materiality level used to make a decision on asset revaluation.

A significant difference is a difference between a current (replacement) value and value of fixed assets, at which they are accounted for that exceeds ten per cent.

4.5. Clause 10 identifies a moment, from which depreciation ends and (or) resumes during preservation or depreservation of fixed assets.

Depreciation ends when a fixed asset is transferred for preservation for more than three months and continues during depreservation of the fixed asset transferred for preservation for more than three months starting from the first day of the month following a month of its transfer for preservation or depreservation.

4.6. Clause 11 introduces a similar provision envisaged by clause 10 subsection 2.4 of the Company's accounting policy as related to restoration of fixed assets, which period exceeds 12 months.

4.7. Clause 12:

- specifies the procedure of making a decision on determination of a useful life of a fixed asset during its commissioning and documents that shall be used when determining a useful life of a fixed asset and their interrelation;
- was supplemented with a paragraph, according to which a useful life of property items commissioned and actually used accounted for as of 31 December 2010 as a part of uncompleted capital investments due to the absence of delivery of documents for state registration of a title accepted for accounting as fixed assets in 2011, shall be determined net of the period of their actual operation (use) before 2011.

4.8. Clause 16 sets out the procedure for evaluation of monthly depreciation for upgraded (reconstructed) fixed assets with a zero residual value.

Following upgrade or reconstruction, useful life of fixed assets with a zero residual value shall be obligatorily revised (extended).

In this case, depreciation shall be determined based on upgrade or reconstruction costs and revised (extended) useful life.

5. In subsection 2.7 "Inventory accounting" in clause 13, the notion "spare part repair" was replaced with the notion "spare part reinstating".

6. In subsection 2.9 "Financial investment accounting"

6.1. Clause 4 specifies the procedure for reflection of financial investment value adjustment revised as follows:

"Financial investment value, based on which the current market value may be determined according to the established procedure, shall be adjusted quarterly. A difference between evaluation of financial investments (other than long-term financial investments into charter

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(share) capitals of subsidiaries and affiliates) at the current market value as of the reporting date and their previous evaluation shall be recognized as other income or expenses.

As for long-term financial investments into charter (share) capitals of subsidiaries and affiliates, value adjustment shall be reflected as a part of the additional capital (in case of excess of the current market value over the initial cost of these financial investments) or as a part of other income and expenses (in case of excess of the initial cost over the current market value of these financial investments).

When long-term financial investments into charter (share) capitals of subsidiaries and affiliates retire, adjustment of their value reflected in the additional capital shall be written off for undistributed earnings (uncovered loss). In case of partial retirement of long-term financial investments into charter (share) capitals of subsidiaries and affiliates, adjustment of their value reflected in the additional capital shall be written off for undistributed earnings (uncovered loss) pro rata the value of financial investments retired".

6.2. Clause 10 sets out the procedure for determination of a useful life and method of retirement of fixed assets removed from operational management:

- the useful life of these fixed assets shall be determined based on the residual useful life as of the day of their transfer into operational management;
- fixed assets depreciated before their transfer into operational management shall be depreciated upon their return from operational management;
- fixed assets written off for amortization before their transfer into operational management shall be written off for amortization upon their return from operational management.

7. In section 2.10 "Income accounting"

7.1. Clause 7 sets out the procedure for recognition of income under relevant contracts due to performance of a contract, income under which is generated in compliance with the accounting regulation "Accounting of building contracts" (RAS 2/2008).

7.2. Clause 14 specifies that in case of state regulation of prices and tariffs for products, works and services, income from ordinary activities of the Company shall be recognized in the amount equal to the value of the prices and tariffs established by the state.

7.3. Clause 18 changed the moment of recognition of proceeds from provision of services by health resorts, preventative clinics, children camps, holiday camps, recreation centers, sports clubs by vouchers, season tickets, etc.

The date of accrual of income from these services shall be the last day of service provision based on the principle of time determinacy of economic activity facts on a proportional time basis.

7.4. Clause 20 shortened a list of other income with exclusion of such other types of income that are

envisaged in regulatory accounting documents.

7.5. Clause 21 on the procedure for accounting of the deferred income was specified to read as follows: "Income gained in the reporting period that do not relate to future reporting periods shall be reflected as a part of deferred income according to the procedure established by accounting regulations (standards).

7.6. Clause 22 changed the procedure for accounting of funds received for vouchers, season tickets, etc. in consideration for future provision of services. These funds are excluded from deferred income and shall be reflected as advances received.

8. In subsection 2.11 "Expense accounting"

8.1. Clause 6 sets out the procedure for recognition of expenses under relevant contracts due to performance of a contract, expenses under which are generated in compliance with the accounting regulation "Accounting of building contracts" (RAS 2/2008).

8.2. Clause 13 sets out the procedure for accounting of semi-finished products of own manufacture that determines the prime cost of an individual stage of semi-finished product processing by direct actual costs.

8.3. Clause 21 shortened a list of other expenses with exclusion of such other types of expenses that are envisaged in regulatory accounting documents.

8.4. Subsection 2.11 "Expense accounting" changed the procedure for accounting of deferred expenses and excluded their list.

In this regard, clause 22 on the procedure for accounting of deferred expenses was specified to read as follows: "Expenses borne in the reporting period that do not relate to future reporting periods shall be reflected as a part of deferred expenses according to the procedure established by accounting regulations (standards)".

9. The accounting policy was supplemented with subsection 2.12 "Financial performance and own capital accounting", based on which provisions for eventual financial performance and own capital accounting were determined.

10. In subsection 2.15 "Provision accounting"

10.1. In clause 3, provision due to contingencies was excluded and recognition of contingencies towards future expenses was envisaged.

10.2. Clause 4 sets out the procedure for creation of a provision for doubtful debts based on results of accounts receivable inventory that shall read as follows: "Provision for doubtful debts shall be created twice a year as of 30 June and 31 December of the reporting year based on results of accounts receivable inventory.

Criteria of accounts receivable recognition as a doubtful debt are provided for by the regulation for creation of a provision for doubtful debts approved by instruction No. 2888r of JSCo Russian Railways of 30 December 2011."

11. In subsection 2.16 "Accounting of settlements in respect of corporate tax"

11.1. Clause 2 changed the procedure for accounting of deferred tax assets and deferred tax liabilities that

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are reflected in a consolidated manner, except for the instances when the RF tax and levy legislation provides for taxation base establishment.

11.2. Clause 3 sets out the procedure for calculation of a current profits tax in case of a decreased tax rate.

12. In subsection 2.17 "Accounting of credit and loan costs"

12.1. Clause 7 changed the procedure for accounting of a difference between the par value of a bill of exchange and the value of the funds actually obtained from a lender that were earlier reflected as a part of deferred expenses; starting from 01 January 2011, these differences are accounted for as a part of other expenses.

12.2. Clause 8 was similarly specified to read as follows:

"In case of placement of bonds at a price that exceeds their par value, the amount of such excess shall be accounted for as a part of other income.

In case of placement of bonds at a price below their par value, a difference between the placement price and par value of bonds shall be accounted for as a part of other expenses.

13. In subsection 2.18 "Accounting of assets and liabilities whose value is expressed in a foreign currency"

13.1. Clause 2 sets out the procedure for use of an average rate of exchange in case of a large number of single-type economic transactions in a foreign currency over the same reporting period, according to which it is not used in case of a minor change of the official rate of exchange to rouble established by the RF Central Bank accrued for a month or any shorter period.

13.2. Clause 3 sets out the procedure for conversion of cash on hand and accounts in rubles, according to which no conversion shall be made with a change in the exchange rate (clause 7 of accounting regulation RAS 3/2006).

13.3. Clause 5 sets out the procedure for calculation of an rate of exchange to rouble when no such rate is established by the RF Central Bank.

- If a foreign currency is not on the list of the currencies, for which the RF Central Bank establishes an official rate of exchange to rouble, the Company shall determine the exchange rate of this currency using the following rates:
- rate of exchange (cross rate) in relation to USD as of the date preceding the date of rate establishment based on the data published in Financial Times (including data posted on the website of the edition);
- exchange rate of the US dollar to rouble established by the RF Central Bank and applicable as of the date of determination of the rate of exchange.

13.4. Clause 7 sets out the procedure for calculation of foreign exchange differences in case of return of advances.

When repaying a debt accounted for as advances received and issued, early payment and deposits converted to rubles at the rate applicable as of the date of a foreign currency transaction, th Company shall

determine a foreign exchange difference between the value of this debt in rubles as of the date of repayment and acceptance for accounting.

13.5. Clause 8 sets out the procedure for calculation of foreign exchange differences in case of conversion to rubles of the uncalled accrued revenue.

The uncalled accrued revenue in accounts as of the reporting date expressed in a foreign currency shall be converted to rubles as of the date of a foreign currency transaction as of the reporting date to the extent that it exceeds the amount of a received advance (early payment) expressed in a foreign currency.

14. Subsection 2.19 "Accounting" was supplemented with regulations on the procedure of preparation of financial statements and correction of errors of past years.

14.1. Clause 1 specified a list of accounting regulatory documents, based on which the Company's financial statements are prepared; this list was supplemented with the following documents: "Segment information" (RAS 12/2010), "Cash flow statement" (RAS 23/2011), "Guidelines for disclosure of the information on earnings per share."

14.2. Clause 5 that sets out the procedure for generation of a cash flow statement was revised to read as follows:

"The cash flow statement shall provide the data incidental to cash bookkeeping account records (cash on hand, bank accounts (other than deposits)) and cash equivalents.

In order to classify a financial investment as a cash equivalent, it shall be readily convertible into a known cash amount and be subject to a minor risk of cost variation. A financial investment is classified as a cash equivalent if its maturity is less than three months following its acquisition.

Besides, the Company recognizes bank bills used in settlements for sold goods, performed works and provided services with a maturity less than three months as cash equivalents. A peculiarity of these bills is that they are acquired at a par value and are used in settlements with other contractors at the same value.

When reflecting in the cash flow statement of the cash flows expressed in a foreign currency, an average rate of exchange is not used for conversion of cash flows in rubles in case of a large number of single-type operations in the same foreign currency with a minor change of the official rate of exchange to rouble established by the RF Central Bank accrued for a month or any shorter period.

If immediately upon receipt of a foreign currency, the Company converts the received amount of a foreign currency to rubles in the ordinary course of business, the cash flow shall be reflected in the cash flow statement in the actually received amount in rubles without transitional foreign currency conversion to rubles.

If shortly before payment in a foreign currency, the Company converts rubles to a required amount of a foreign currency in the ordinary course of business, the

cash flow shall be reflected in the cash flow statement in the amount of actually paid rubles without transitional foreign currency conversion to rubles.

Terms “immediately” and “shortly” shall be understood to mean the period, during which the Company takes no actions aimed at deriving profit from its keeping of funds in a foreign currency. Normally, this period does not exceed one month.

The following are the evidence that there are no grounds to apply clause 18 of RAS 23/2011:

- performance or a potential organizational possibility for Company’s performance of any other transactions with the currency received from sale or meant for purchase, other than its proper conversion in rubles while it is kept by the Company;
- Company’s selection of the best day for making a currency exchange transaction subject to fluctuations in exchange rates, including any actions aimed at this selection or availability of a cost center in charge of this choice;
- much more significant change in the exchange rate while the Company keeps the currency than could be expected under normal circumstances.”.

14.3. Clause 7 sets out the procedure for correction of errors:

the errors of the past reporting period (past years) revealed in the reporting period shall be corrected in records related to relevant accounts in the month of the reporting year when the error was identified;

income (profit) or expenses (loss) resulting from the correction of such errors shall be accounted for as a part of other income or expenses for the current reporting period as profits or losses of prior years identified in the reporting year.

Material errors shall be errors pertaining to a past reporting period (past years), valuation of which, individually or together with other errors, amounts to five or more per cent from the relevant accounting statement item for the past reporting year.

Corrections related to accounting errors identified in the reporting period (presentation of data for the reporting period, restatement of comparative amounts for the past reporting period, restatement of opening balances for the earliest of the reporting periods presented) shall be made on a Company-wide basis.

Value-added tax (VAT)

The most significant VAT-related changes in the legislation made in 2011 are as follows:

- in change of the cost of dispatched goods (performed works, provided services, transferred property rights), the seller shall issue an adjustment VAT invoice to the buyer. In case of cost reduction, a difference between VAT amounts calculated before and after such change shall be specified with a negative sign.
- export and transit traffic in the Customs Union shall be liable for VAT at the rate of 0% with a simplified procedure of its confirmation;
- a list of VAT reinstatement instances was expanded. Specifically, VAT amounts are reinstated in case of federal budget subsidizing and as related to goods (works, services), including fixed and intangible assets that are used in the transactions liable for tax at 0% rate.

Corporate profits tax

The most significant change in the legislation as related to the corporate profits tax enacted on 1 January 2011 is that losses from the use of service plants and facilities are recognized in the amount of actual expenses with similar conditions of activities of a tax payer and specialized organizations, for which this is a core activity.

Insurance contributions

1 January 2010 saw enactment of Federal Law No. 212-FZ of 24 July 2010 “Concerning insurance contributions to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund and territorial compulsory medical insurance funds” (hereinafter referred to as Law No. 212-FZ of 24 July 2010).

In 2011, insurance contribution rates for payers making payments to individuals were as follows: to the RPF – 26% (2010 – 20%), SIF – 2.9% (2010 – 2.9%), FCMIF – 3.1% (2010 – 1.1%) and TCMIF – 2% (2010 – 2%).

In 2011, a ceiling value of the taxation base for charging insurance contributions in relation to each individual was established in the amount not exceeding 463 thous. rubles on an accrual basis from the start of the reporting period. No insurance contributions are charged from payments and other remunerations to an individual in excess of this ceiling value.

Appendix No. 2

Balance Sheet (Form 1) as of 31 December 2011

kRUB

Item description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
ASSET				
I. NON-CURRENT ASSETS				
Intangible assets	11100	7,490,721	5,477,503	4,234,670
including:				
intangible assets	11110	7,041,664	5,108,614	3,729,851
uncompleted investments in intangible assets	11120	449,057	368,889	504,819
Research and development results	11200	2,020,957	2,880,874	3,942,808
including:				
research, experimental design and engineering works	11210	48,122	67,986	242,346
uncompleted investments into research, experimental design and engineering works	11220	1,972,835	2,812,888	3,700,462
Fixed assets	11300	3,178,412,330	3,031,804,226	3,034,524,136
including:				
Fixed assets	11310	2,751,082,464	2,671,605,561	2,772,803,931
including:				
buildings, machinery and equipment, vehicles	11311	832,826,677	900,511,097	1,002,741,799
structures and transfer mechanisms	11312	1,910,398,938	1,763,466,781	1,762,428,478
other	11319	7,856,849	7,627,683	7,633,654
uncompleted investments in fixed assets	11320	427,329,866	360,198,665	261,720,205
Income-bearing investments in tangible assets	11400	133,161,126	12,312,256	9,217,663
including:				
income-bearing investments in tangible assets	11410	132,642,667	12,024,957	8,927,816
uncompleted income-bearing investments in tangible assets	11420	518,459	287,299	289,847
Financial investments	11500	397,843,369	444,977,847	360,735,596
including:				
contributions to charter (reserve) capitals of other organizations	11510	374,253,007	417,642,303	330,549,383
loans granted and deposits	11520	23,145,001	26,890,183	29,740,661
other financial investments	11590	445,361	445,361	445,552
Deferred tax assets	11600			
Other	11700	46,235,393	44,771,660	46,716,044
Total for Section I	10000	3,765,163,896	3,542,224,366	3,459,370,917

Appendix No. 2

Item description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
II. CURRENT ASSETS				
Inventory	12100	76,505,011	65,411,083	66,191,937
including:				
raw materials, supplies and other similar assets	12110	74,692,433	63,736,193	63,457,240
rearers and fatteners	12120	25	3,968	5,411
work-in-process-related costs	12130	1,186,461	767,539	818,618
finished goods and goods for resale	12140	332,701	209,406	340,504
dispatched goods	12150	15,062	136,381	584,435
prepaid expenses	12160	278,329	557,596	985,729
other inventory and costs	12190			
VAT on purchased assets	12200	6,533,381	5,429,441	8,137,593
Accounts receivable	12300	85,968,283	109,137,036	81,134,945
including:				
Accounts receivable (where settlement is expected in over 12 months after the reporting date)	12310	26,800,978	26,713,886	24,084,999
including:				
trade receivables (except transportation)	12311	624,663	128,933	133,894
trade receivables related to transportation	12312	193,426	,	411,460
advances issued	12313	14,105,434	18,611,908	12,511,796
other	12319	11,877,455	7,973,045	11,027,849
Accounts receivable (where settlement is expected in within 12 months after the reporting date)	12320	59,167,305	82,423,150	57,049,946
including:				
trade receivables (except transportation)	12321	15,295,809	15,890,421	9,897,416
trade receivables related to transportation	12322	2,894,787	14,346,198	17,679,406
advances issued	12323	10,119,031	36,561,336	16,385,547
taxes and levies, social insurance and security	12324	5,878,186	2,853,509	993,499
other	12329	24,979,492	12,771,686	12,094,078
Financial investments (other than equivalent in money)	12400	6,425,738	3,233,718	3,191,884
including:				
loans granted and deposits	12410	6,425,738	3,233,718	3,189,553

Appendix No. 2

Item description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
other financial investments	12490			2,331
Cash and cash equivalents	12500	180,805,790	58,419,891	23,351,571
including:				
cash on hand	12510	4,944	6,270	25,897
current accounts	12520	45,319,833	5,856,990	2,171,842
currency accounts	12530	1,426,718	983,721	3,707,339
other cash and transfers in transit	12540	54,295	72,910	446,493
cash equivalents	12550	134,000,000	51,500,000	17,000,000
Other current assets	12600	14,196,177	14,168,061	11,674,051
Total for Section II	12000	370,434,380	255,799,230	193,681,981
Balance	16000	4,135,598,276	3,798,023,596	3,653,052,898

kRUB

Item description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
LIABILITIES				
III. CAPITAL AND PROVISIONS				
Charter capital	13100	1,786,715,588	1,698,128,067	1,594,516,219
Treasury shares	13200			
Revaluation of non-current assets	13400	1,254,629,594	1,172,578,184	1,186,024,568
Additional capital (without revaluation)	13500	26,876,956	37,176,869	4,073,125
including:				
share premium	13510	4,073,125	4,073,125	4,073,125
funds for capital increase	13520			
other	13590	22,803,831	33,103,744	
Reserve capital	13600	12,079,010	8,156,349	7,433,979
including:				
provisions established in accordance with legislation	13610			
provisions created in accordance with charter documents	13620	12,079,010	8,156,349	7,433,979
Retained earnings (uncovered loss)	13700	281,199,394	248,332,352	164,600,959
Total for Section III	13000	3,361,500,542	3,164,371,821	2,956,648,850
IV. NON-CURRENT LIABILITIES				
Loans and borrowings	14100	263,240,809	261,296,995	297,092,748

Appendix No. 2

Item description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
including:				
credits to be repaid in over 12 months after the reporting date	14110	103,424,343	75,826,380	77,411,143
loans to be repaid in over 12 months after the reporting date	14120	159,816,466	185,470,615	219,681,605
Deferred tax liabilities	14200	53,642,474	42,044,442	35,169,183
Contingencies	14300			
Other	14500			25,162
Total for Section IV	14000	316,883,283	303,341,437	332,287,093
V. CURRENT LIABILITIES				
Loans and borrowings	15100	120,692,592	42,825,776	30,350,023
including:				
credits to be repaid within 12 months after the reporting date	15110	93,568,484	14,571,186	11,489,983
loans to be repaid within 12 months after the reporting date	15120	27,124,108	28,254,590	18,860,040
Accounts payable	15200	299,420,705	256,873,673	308,113,384
including:				
trade accounts payable	15210	152,509,591	106,652,135	63,420,192
amounts due to personnel	15220	13,868,497	14,979,538	14,366,664
taxes and levies, social insurance and security	15230	31,697,500	15,751,996	19,044,102
advances received (except for transportation)	15240	17,874,412	24,271,845	17,280,503
advances received for transportation	15250	70,625,352	62,133,551	48,041,889
dividend payable to participants	15260			
other debts	15290	12,845,353	33,084,608	145,960,034
Deferred income	15300	6,144,111	4,759,732	3,464,230
Contingencies	15400	28,992,945	22,651,236	21,055,837
Other current liabilities	15500	1,964,098	3,199,921	1,133,481
Total for Section V	15000	457,214,451	330,310,338	364,116,955
Balance	17000	4,135,598,276	3,798,023,596	3,653,052,898

Appendix No. 3

Profit and Loss Statement (Form 2) for January – December 2011

kRUB

Description	Code	for January – December 2011	for January – December 2010
Revenue	21100	1,288,337,429	1,195,143,530
including:			
freight transportation	21101	1,003,112,887	936,228,982
long-distance passenger transportation	21102	7,421,176	29,065,208
suburban passenger transportation	21103	12,074	13,798,565
infrastructure services	21104	87,192,364	88,406,111
locomotive hauling services	21105	11,380,034	11,809,351
rolling stock repairs	21106	25,130,016	27,634,492
construction of infrastructure facilities	21107	1,398,191	1,183,278
research and development	21108	26,732	43,863
social services	21109	8,938,662	8,044,748
other types of activity	21110	143,725,293	78,928,932
Cost of sales	21200	1,215,403,427	1,084,178,824
including:			
freight transportation	21201	933,250,878	796,097,529
long-distance passenger transportation	21202	6,913,969	52,201,452
suburban passenger transportation	21203	76,317	43,059,171
infrastructure services	21204	102,170,224	86,224,971
locomotive hauling services	21205	8,429,649	8,777,493
rolling stock repairs	21206	23,752,986	27,138,300
construction of infrastructure facilities	21207	2,169,015	1,165,093
research and development	21208	16,125	22,395
social services	21209	13,221,720	13,267,052
other types of activity	21210	125,402,544	56,225,368
Gross profit (loss)	21000	72,934,002	110,964,706
Selling expenses	22100	165,331	36,665
Administrative expenses	22200		
Profit (loss) from sales	22000	72,768,671	110,928,041
including:			
freight transportation	22001	69,862,009	140,131,453
long-distance passenger transportation	22002	507,207	-23,136,244
suburban passenger transportation	22003	-64,243	-29,260,606
infrastructure services	22004	-14,977,860	2,181,140
locomotive hauling services	22005	2,950,385	3,031,858
rolling stock repairs	22006	1,377,030	496,192

Appendix No. 3

Description	Code	for January – December 2011	for January – December 2010
construction of infrastructure facilities	22007	-770,824	18,185
research and development	22008	10,607	21,468
social services	22009	-4,283,058	-5,222,304
other types of activity	22010	18,157,418	22,666,899
Income from equity participation	23100	21,346,597	2,078,668
Interest receivable	23200	3,521,358	3,953,343
Interest payable	23300	17,647,153	20,156,446
Other income	23400	290,602,764	258,929,572
Other expenses	23500	294,036,167	229,860,763
Profit (loss) before taxation	23000	76,556,070	125,872,415
Current profit tax	24100	47 352 152	45 347 239
	24100	47,352,152	45,347,239
including:			
permanent tax liabilities (assets)	24210	48,190,157	28,884,230
Change in deferred tax liabilities	24300	15,717,127	11,298,066
Change in deferred tax assets	24500	3,788,829	3,271,340
Other	24600	-454,083	2,302,422
including:			
profit tax for previous periods	24610	731,404	-1,258,988
unified tax on imputed income for previous periods	24620	6	-95
penalty payments related to taxes and levies, social insurance and security	24630	52,940	108,127
deferred tax liabilities written off	24640	797,116	1,982,832
deferred tax assets written off	24650	466,849	831,366
Net profit (loss)	24000	16,821,537	74,800,872
BY REFERENCE			
Result of fixed assets revaluation not included into the net profit (loss) of the period	25100	94,797,787	
Result of other operations not included into the net profit (loss) of the period	25200	907,300	32,922,103
Aggregate financial result of the period	25000	112,526,624	107,722,975
Basic earnings (loss) per share	29000	9,91	46,91
Diluted earnings (loss) per share	29100		

Appendix No. 5

Statement of Changes in Capital (Form 3) for January – December 2011

kRUB

I. Change in capital

Description	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Capital value as of 31 December 2009	31000	1,594,516,219		1,190,097,693	7,433,979	164,600,959	2,956,648,850
For 2010							
Capital increase – total	32100	103,611,848		33,103,744		74,800,872	211,516,464
including:							
net profit	32110	X	X	X	X	74,800,872	74,800,872
revaluation of assets	32120	X	X		X		
income directly related to capital increase	32130	X	X	33,103,744	X		33,103,744
additional issue of shares	32140	103,611,848			X	X	103,611,848
Increase in the par value of shares	32150				X		X
legal entity restructuring	32160						
other increase	32170						
Decrease in capital – total	32200			181,641		3,611,852	3,793,493
including:							
loss	32210	X	X	X	X		
revaluation of assets	32220	X	X		X		
expenses directly related to capital decrease	32230	X	X		X		
decrease in the par value of shares	32240				X		
decrease in the number of shares	32250				X		
legal entity restructuring	32260						
dividends	32270	X	X	X	X	3,611,848	3,611,848
other decrease	32280			181,641		4	181,645
Additional capital changes	32300	X	X	13,264,743		13,264,743	X
Reserve capital changes	32400	X	X	X	722,370	-722,370	X

Appendix No. 5

Description	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
	32000	1 698 128 067		1 209 755 053	8 156 349	248 332 352	3 164 371 821
Capital value as of 31 December 2010	32000	1,698,128,067		1,209,755,053	8,156,349	248,332,352	3,164,371,821
For 2011							
Capital increase – total	33100	88,587,521		100,584,552		16,821,537	205,993,610
including:							
net profit	33110	X	X	X	X	16,821,537	16,821,537
revaluation of assets	33120	X	X	95,703,779	X		95,703,779
income directly related to capital increase	33130	X	X	4,578,640	X		4,578,640
additional issue of shares	33140	88,587,521			X	X	88,587,521
Increase in the par value of shares	33150				X		X
legal entity restructuring	33160						
other increase	33170			302,133			302,133
Decrease in capital – total	33200			4,879,465		3,985,424	8,864,889
including:							
loss	33210	X	X	X	X		
revaluation of assets	33220	X	X	905,992	X		905,992
expenses directly related to capital decrease	33230	X	X	3,973,473	X		3,973,473
decrease in the par value of shares	33240				X		
decrease in the number of shares	33250				X		
legal entity restructuring	33260						

Appendix No. 5

Description	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
dividends	33270	X	X	X	X	3,985,424	3,985,424
other decrease	33280						
Additional capital changes	33300	X	X	23,953,590		23,953,590	X
Reserve capital changes	33400	X	X	X	3,922,661	-3,922,661	X
Capital value as of 31 December 2011	33000	1,786,715,588		1,281,506,550	12,079,010	281,199,394	3,361,500,542

II. Adjustments due to revised accounting policy and correction of errors

Description	Code	As of 31 December 2009	Capital changes in 2010		As of 31 December 2010
			due to net profit	due to other factors	
Capital – total					
before adjustments	34000	2,971,891,963	78,453,222	132,922,099	3,183,267,284
adjustment due to:					
accounting policy revision	34100	-15,243,113	-3,652,350		-18,895,463
correction of errors	34200				
after adjustments	35000	2,956,648,850	74,800,872	132,922,099	3,164,371,821
including:					
retained profits (uncovered loss):					
before adjustments	34010	179,844,072	78,453,222	8,930,521	267,227,815
adjustment due to:					
accounting policy revision	34110	-15,243,113	-3,652,350		-18,895,463
correction of errors	34210				
after adjustments	35010	164,600,959	74,800,872	8,930,521	248,332,352
other adjusted capital items:					
before adjustments	34020	2,792,047,891		123,991,578	2,916,039,469
adjustment due to:					

Appendix No. 5

Description	Code	As of 31 December 2009	Capital changes in 2010		As of 31 December 2010
			due to net profit	due to other factors	
accounting policy revision	34120				
correction of errors	34220				
after adjustments	35020	2,792,047,891		123,991,578	2,916,039,469

III. Net assets

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
Net assets	36000	3,367,644,653	3,169,131,553	2,960,113,080

Appendix No. 6

Statement of cash flows (Form 4) for January – December 2011

kRUB

Description	Code	for January – December 2011	for January – December 2010
Cash flows from operating activities			
Receipts – total	41100	1,341,387,273	1,304,733,538
including:			
from sale of products, goods, works and services	41110	1,180,566,501	1,168,516,683
lease, license, royalty, commission and other similar payments	41120	38,871,330	15,881,002
from resale of financial investments	41130		
other receipts	41190	121,949,442	120,335,853
Payments – total	41200	1,234,096,902	1,120,023,807
including:			
to suppliers (contractors) for materials and supplies, works, services	41210	554,938,214	471,941,825
payroll	41220	416,895,282	387,346,868
interest on debt liabilities	41230	18,486,955	19,898,293
corporate income tax	41240	30,546,712	43,898,443
other payments	41290	213,229,739	196,938,378
Net cash from operating activities	41000	107,290,371	184,709,731
Cash flows from investing activities			
Receipts – total	42100	178,764,790	35,344,041
including:			
from sale of fixed assets (other than financial investments)	42110	1,682,711	15,483,734
from sale of shares (interests) in other organizations	42120	149,332,971	11,853,289
from repayment of loans granted, from sale of debt securities (receivables against third parties)	42130	2,601,318	2,712,585
dividends, interest on long-term financial investments and similar receipts from participation interest in other organizations	42140	25,062,059	5,172,698
other receipts	42190	85,731	121,735
Payments – total	42200	323,884,462	264,753,877
including:			
due to acquisition, creation, upgrade, reconditioning and preparation for use of non-current assets	42210	306,475,965	249,091,706
due to acquisition of shares (interests) in other organizations	42220	4,645,477	3,843,978
due to acquisition of debt securities (receivables against third parties), granting of loans to third parties	42230	3,083,439	2,280,743
interest on debt liabilities included in the value of an investment asset	42240	9,628,864	9,514,154

Appendix No. 6

Description	Code	for January – December 2011	for January – December 2010
other payments	42290	50,717	23,296
Net cash flows from investing activities	42000	-145,119,672	-229,409,836
Cash flows from financing activities			
Receipts – total	43100	250,678,713	193,320,441
including:			
receiving of loans and credits	43110	132,214,390	71,854,930
monetary contributions of owners (participants)	43120		
from issue of shares, increase in interests	43130	88,587,521	103,611,848
from issue of bonds, bills of exchange and other debt securities	43140	28,325,449	15,097,530
other receipts	43190	1,551,353	2,756,133
Payments – total	43200	90,224,177	113,432,617
including:			
to owners (participants) due to redemption of shares (interests) in the organization or cessation of membership	43210		
for payment of dividends and other payments related to profit distribution to owners (participants)	43220	3,985,424	3,611,848
due to discharge (buy-back) of bills of exchange and other securities, repayment of loans and credits	43230	85,646,454	109,632,633
other payments	43290	592,299	188,136
Net cash flows from financing activities	43000	160,454,536	79,887,824
Net cash flows for the reporting period	44000	122,625,235	35,187,719
Balance of cash and its equivalents at the beginning of the reporting period	44500	58,419,891	23,266,624
Balance of cash and its equivalents at the end of the reporting period	45000	180,805,790	58,419,891
Impact of changes in the foreign currency-to-rouble exchange rate	44900	-239,336	-34,452
BY REFERENCE			
Transfers in transit from contractors			
at the beginning of the reporting period	45100		
at the end of the reporting period	45200		

Appendix No. 6

SUPPLEMENT (NOTES) TO THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT FOR JANUARY – DECEMBER 2011.

Intangible assets and expenses on research, experimental design and engineering works (R&D)

Intangible assets availability and transactions

1	2	3	4		5	6	7			9	10		11
			initial cost	accumulated depreciation			received	retired	initial cost		accumulated depreciation	initial cost	
Description	Code	Period	At the beginning of the year				Changes for the period				At the end of the period		
Intellectual property or means of identification rights	51010	for 2011	7,821,453	(2,712,839)	2,755,418	(67,413)	61,175	(816,130)	10,509,458	(3,467,794)			
	51110	for 2010	5,800,410	(2,070,559)	2,044,608	(23,565)	50,911	(693,191)	7,821,453	(2,712,839)			
including:													
inventions, industrial samples, useful models	51011	for 2011	1,553,939	(117,875)	579,046	(119)	86	(148,289)	2,132,866	(266,078)			
	51111	for 2010	515,210	(36,631)	1,042,127	(3,398)	2,367	(83,611)	1,553,939	(117,875)			
computer programs, databases	51012	for 2011	5,799,092	(2,491,794)	2,070,960	(15,796)	9,593	(589,157)	7,854,256	(3,071,358)			
	51112	for 2010	4,945,793	(2,009,678)	856,927	(3,628)	32,005	(514,121)	5,799,092	(2,491,794)			
integral circuit topologies	51013	for 2011											
	51113	for 2010											
trade secrets, know-how	51014	for 2011											
	51114	for 2010											
trade and service marks, names of commodity places of origin	51015	for 2011	7,888	(1,992)	605	(2)		(948)	8,491	(2,940)			
	51115	for 2010	6,898	(1,179)	990			(813)	7,888	(1,992)			
selection achievements	51016	for 2011											
	51116	for 2010											

Appendix No. 6

1	Description	Code	Period	At the beginning of the year		Changes for the period				At the end of the period	
				initial cost	accumulated depreciation	received	retired		accrued depreciation	initial cost	accumulated depreciation
							initial cost	accumulated depreciation			
2	3	4	5	6	7	8	9	10	11		
	other rights	51019	for 2011	460,534	(101,178)	104,807	(51,496)	51,496	(77,736)	513,845	(127,418)
		51119	for 2010	332,509	(23,071)	144,564	(16,539)	16,539	(94,646)	460,534	(101,178)
	Goodwill	51020	for 2011								
		51120	for 2010								
	Total	51000	for 2011	7,821,453	(2,712,839)	2,755,418	(67,413)	61,175	(816,130)	10,509,458	(3,467,794)
		51100	for 2010	5,800,410	(2,070,559)	2,044,608	(23,565)	50,911	(693,191)	7,821,453	(2,712,839)

Appendix No. 6**Fixed assets book (depreciable) value**

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Intellectual property or means of identification rights	51210	7,041,664	5,108,614	3,729,851
including:				
inventions, industrial samples, useful models	51211	1,866,788	1,436,064	478,579
computer programs, databases	51212	4,782,898	3,307,298	2,936,115
integral circuit topologies	51213			
trade secrets, know-how	51214			
trade and service marks, names of commodity places of origin	51215	5,551	5,896	5,719
selection achievements	51216			
other rights	51219	386,427	359,356	309,438
Goodwill	51220			
Total	51200	7,041,664	5,108,614	3,729,851

Intangible assets with fully repaid value (at cost)

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Intellectual property or means of identification rights	51310	1,470,732	1,311,864	1,078,585
including:				
inventions, industrial samples, useful models	51311	7,083	7,059	5,658
computer programs, databases	51312	1,418,655	1,271,778	1,072,903
integral circuit topologies	51313			
trade secrets, know-how	51314			
trade and service marks, names of commodity places of origin	51315	24	24	24
selection achievements	51316			
other rights	51319	44,970	33,003	
Goodwill	51320			
Total	51300	1,470,732	1,311,864	1,078,585

Appendix No. 6

R&D results availability and transactions

Description	Code	Period	At the beginning of the year	Changes for the period			At the end of the period
				received	attributed to expenses	retired (written off)	
1	2	3	4	5	6	7	8
НИОКР - всего	51400	за 2011 г.	67 986	100 595	(120 078)	(381)	48 122
	51410	за 2010 г.	242 346	133 932	(295 886)	(12 406)	67 986

R&D expenses that gave no positive result

Description	Code	Period	Written off to other costs
1	2	3	4
R&D – total	51500	for 2011	2,984
	51510	for 2010	264,300

Uncompleted investments in tangible assets, uncompleted and unregistered R&D

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Expenses on uncompleted and unregistered R&D	51600	1,972,835	2,812,888	3,700,462
Uncompleted investments in intangible assets	51610	449,057	368,889	504,819

Appendix No. 6

FIXED ASSETS

Fixed assets availability and transactions

Description	Code	Period	At the beginning of the year		received	retired
			initial cost	accumulated depreciation		initial cost
1	2	3	4	5	6	7
Fixed assets (without regard to income-bearing investments in tangible assets)						
Buildings	52001	for 2011	382,198,233	(65,432,748)	27,434,375	(23,477,238)
	52101	for 2010	392,264,240	(59,454,695)	23,288,346	(33,354,353)
Structures and transfer mechanisms	52002	for 2011	2,377,899,352	(614,432,571)	164,489,061	(5,460,166)
	52102	for 2010	2,290,552,040	(528,123,562)	94,316,304	(6,968,992)
Machinery and equipment	52003	for 2011	553,332,741	(276,366,361)	68,009,698	(26,543,506)
	52103	for 2010	518,052,132	(235,164,897)	53,276,729	(17,996,120)
Vehicles	52004	for 2011	523,726,625	(216,947,393)	91,276,050	(217,539,201)
	52104	for 2010	623,446,071	(236,401,052)	60,441,470	(160,160,916)
Process and administrative inventories	52005	for 2011	8,612,059	(5,803,511)	1,225,152	(770,525)
	52105	for 2010	7,961,511	(5,019,913)	1,457,202	(806,654)
Workstock	52006	for 2011	30	(22)	600	(19)
	52106	for 2010	30	(21)		
Productive livestock	52007	for 2011	981	(366)		(257)
	52107	for 2010	836	(379)	497	(352)
Perennial plants	52008	for 2011	241,640	(76,267)	34,350	(7,316)
	52108	for 2010	231,481	(65,645)	14,527	(4,368)
Land plots and nature management sites	52009	for 2011	4,488,461		492,062	(136,947)
	52109	for 2010	4,382,034		585,388	(478,961)
Capital investments into reclamation	52010	for 2011				
	52110	for 2010				
Other fixed assets	52011	for 2011	413,914	(249,236)	116,124	(201,356)
	52111	for 2010	351,661	(207,941)	212,334	(150,081)
Total	52000	for 2011	3,850,914,036	(1,179,308,475)	353,077,472	(274,136,531)
	52100	for 2010	3,837,242,036	(1,064,438,105)	233,592,797	(219,920,797)
Accounted for as a part of income-bearing investments in tangible assets						
Property to be leased	52201	for 2011				
	52301	for 2010				
Property to be provided under a hire contract	52202	for 2011				
	52302	for 2010				
Other property	52203	for 2011	12,390,312	365,355	180,753,196	(27,975)
	52303	for 2010	9,143,095	215,279	3,466,776	(219,559)
Total	52200	for 2011	12,390,312	(365,355)	180,753,196	(27,975)
	52300	for 2010	9,143,095	(215,279)	3,466,776	(219,559)

Appendix No. 6

Changes for the period				At the end of the period	
accumulated depreciation	accrued depreciation	revaluated		initial cost	accumulated depreciation
		initial cost	accumulated depreciation		
8	9	10	11	12	13
4,152,149	(9,638,661)	10,927,525	2,349,486	397,082,895	(73,268,746)
3,414,898	(9,392,951)			382,198,233	(65,432,748)
2,273,327	(87,227,398)	102,665,779	29,808,446	2,639,594,026	(729,195,088)
2,514,002	(88,823,011)			2,377,899,352	(614,432,571)
16,560,470	(53,292,810)	4,755,572	-1,441,457	599,554,505	(311,657,244)
9,135,910	(50,337,374)			553,332,741	(276,366,361)
85,013,638	(49,607,365)	9,245,441	4,052,528	406,708,915	(185,593,648)
56,075,482	(36,621,823)			523,726,625	(216,947,393)
582,548	(1,195,048)			9,066,686	(6,416,011)
351,501	(1,135,099)			8,612,059	(5,803,511)
11				611	(11)
	(1)			30	(22)
90	(147)			724	(423)
118	(105)			981	(366)
243	(8,774)			268,674	(84,798)
219	(10,841)			241,640	(76,267)
				4,843,576	
				4,488,461	
128,937	(30,562)			328,682	(150,861)
61,966	(103,261)			413,914	(249,236)
108,711,413	(201,000,765)	127,594,317	34,769,003	4,057,449,294	(1,306,366,830)
71,554,096	(186,424,466)			3,850,914,036	(1,179,308,475)
2,753	(60,445,878)	575,457	239,843	193,690,990	(61,048,323)
65,950	(216,026)			12,390,312	(365,355)
2,753	(60,445,878)	575,457	239,843	193,690,990	(61,048,323)
65,950	(216,026)			12,390,312	(365,355)

Fixed assets book (depreciable) value

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Fixed assets (without regard to income-bearing investments in tangible assets)				
Buildings	52351	323,814,149	316,765,485	332,809,545
Structures and transfer mechanisms	52352	1,910,398,938	1,763,466,781	1,762,428,478
Machinery and equipment	52353	287,897,261	276,966,380	282,887,235
Vehicles	52354	221,115,267	306,779,232	387,045,019
Process and administrative inventories	52355	2,650,675	2,808,548	2,941,598
Workstock	52356	600	8	9
Productive livestock	52357	301	615	457
Perennial plants	52358	183,876	165,373	165,836
Land plots and nature management sites	52359	4,843,576	4,488,461	4,382,034
Capital investments into reclamation	52360			
Other fixed assets	52361	177,821	164,678	143,720
Total	52370	2,751,082,464	2,671,605,561	2,772,803,931
Accounted for as a part of income-bearing investments in tangible assets				
Property to be leased	52381			
Property to be provided under a hire contract	52382			
Other property	52383	132,642,667	12,024,957	8,927,816
Total	52390	132,642,667	12,024,957	8,927,816

Uncompleted investments in fixed assets

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Accounted for as a part of income-bearing investments in tangible assets				
Property to be leased	52381			
Property to be provided under a hire contract	52382			
Other property	52383	132,642,667	12,024,957	8 927 816
Total	52390	132,642,667	12,024,957	8 927 816

Appendix No. 6

Change in the value of fixed assets

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Uncompleted investments in fixed assets (without regard to income-bearing investments in tangible assets)	52400	427,329,866	360,198,665	261,720,205
Uncompleted investments in income-bearing investments in tangible assets	52410	518,459	287,299	289,847

Change in the value of fixed assets

Description	Code	for 2011	for 2010
1	2	3	4
Increase in the value of fixed assets as a result of completion, complete equipment, reconstruction	52600	130,528,235	78,092,154
including:			
fixed assets (without regard to income-bearing investments in tangible assets)	52610	130,520,843	78,063,018
income-bearing investments in tangible assets	52650	7,392	29,136
Decrease in the value of fixed assets as a result of partial liquidation	52700	(690,420)	(95,285)
including:			
fixed assets (without regard to income-bearing investments in tangible assets)	52710	(689,919)	(95,285)
income-bearing investments in tangible assets	52750	(501)	

Appendix No. 6**Change in the value of fixed assets (end)**

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Leased out fixed assets on balance	52800	37,545,684	73,702,769	67,155,383
including:				
buildings	52801	9,280,954	7,012,843	7,678,424
structures and transfer mechanisms	52802	16,272,342	12,794,787	11,482,879
vehicles	52803	5,945,008	50,262,205	45,019,297
including:				
freight cars	52803a	206,796	2,220,327	18,201,890
passenger cars	52803b	195,445	6,798,844	5,228,992
motor car units	52803c	167,992	31,174,937	19,108,381
electric locomotives and diesel units	52803d	4,907,743	9,085,506	16,888
other fixed assets	52809	6,047,380	3,632,934	2,974,783
Leased fixed assets on balance	52830	223,805,206	245,844,904	233,206,522
including:				
buildings	52831	1,780,787	1,642,770	1,911,916
structures and transfer mechanisms	52832	111,478	106,132	101,819
vehicles	52833	46,280,714	79,338,893	80,231,696
other fixed assets	52839	175,632,227	164,757,109	150,961,091
Items of immovable property commissioned and in actual use, documents for which were submitted for state registration	52840	10,330,674	7,566,739	4,919,246
including: fixed assets (without regard to income-bearing investments in tangible assets)	52841	10,166,077	7,566,739	4,919,246
income-bearing investments in tangible assets	52842	164,597		
Items of immovable property commissioned and in actual use, documents for which were not submitted for state registration	52845	43,300,895		
including: fixed assets (without regard to income-bearing investments in tangible assets)	52846	42,709,240		
income-bearing investments in tangible assets	52847	591,655		
Preserved fixed assets	52850	35,221,965	50,844,040	54,998,741
including:				
buildings	52851	6,782,297	7,362,953	5,656,119
structures and transfer mechanisms	52852	16,336,300	17,453,190	19,255,827
vehicles	52853	7,442,566	18,054,307	21,840,103
other fixed assets	52859	4,660,802	7,973,590	8,246,692

Appendix No. 7

FINANCIAL INVESTMENTS

Financial investments availability and transactions

Description	Code	Period	At the beginning of the year		received	retired (amortized, written off)
			initial cost	accumulated adjustment		initial cost
1	2	3	4	5	6	7
Long-term financial investments						
Contributions to charter (reserve) capitals of other organizations	53011	for 2011	387,886,171	29,756,132	62,400,160	94,530,281
	53111	for 2010	331,536,750	-987,367	82,605,837	26,256,416
including:						
subsidiaries	53011a	for 2011	377,575,018	29,833,192	35,743,351	94,524,241
	53111a	for 2010	321,357,387	-927,327	82,471,473	26,253,842
affiliates	53011b	for 2011	10,042,915	-97,778	26,656,808	5,950
	53111b	for 2010	9,909,165	-72,063	134,364	614
State and municipal securities	53012	for 2011				
	53112	for 2010				
Securities of other organizations	53013	for 2011	149,165			
	53113	for 2010	149,356			191
including:						
debt securities	53013a	for 2010	149,165			
	53113a	for 2011	149,356			191
Granted credits	53014	for 2010	30,614,283	-6,774,100	2,048,279	474,421
	53114	for 2011	26,872,661	-182,000	6,542,402	300,780
Deposits	53015	for 2010	3,050,000			50,000
	53115	for 2011	3,050,000		109,000	109,000
Accounts receivable acquired subject to assignment of receivables	53016	for 2010				
	53116	for 2011				
Other financial investments	53019	for 2010	306,304	-10,108		
	53119	for 2011	306,304	-10,108		
Total	53010	for 2011	422,005,923	22,971,924	64,448,439	95,054,702
	53110	for 2010	361,915,071	-1,179,475	89,257,239	26,666,387
Short-term financial investments						
Contributions to charter (reserve) capitals of other organizations	53051	for 2011				
	53151	for 2010				

Appendix No. 7

Changes for the period							At the end of the period	
accumulated adjustment	accumulated adjustment	initial cost transfer		accumulated adjustment transfer		initial cost	accumulated adjustment	
		from long-to short-term	from short-to long-term	from long- to short-term	from short- to long-term			
8	9	10	11	12	13	14	15	
20,180,379	8,921,204					355,756,050	18,496,957	
	30,743,499					387,886,171	29,756,132	
20,180,379	-780,408					318,794,128	8,872,405	
	30,760,519					377,575,018	29,833,192	
	9,706,975					36,693,773	9,609,197	
	-25,715					10,042,915	-97,778	
						149,165		
						149,165		
						,		
						149,165		
						149,165		
	-54,000	5,215,040				26,973,101	-6,828,100	
	-6,592,100	2,500,000				30,614,283	-6,774,100	
						3,000,000		
						3,050,000		
						306,304	-10,108	
						306,304	-10,108	
20,180,379	8,867,204	5,215,040				386,184,620	11,658,749	
,	24,151,399	2,500,000				422,005,923	22,971,924	

Appendix No. 7

Description	Code	Period	At the beginning of the year		received	retired (amortized, written off)
			initial cost	accumulated adjustment		initial cost
			1	2		3
including:						
subsidiaries	53051a	for 2011				
	53151a	for 2010				
affiliates	53051b	for 2011				
	53151b	for 2010				
State and municipal securities	53052	for 2011				
	53152	for 2010				
Securities of other organizations	53053	for 2011				
	53153	for 2010				
including:						
debt securities	53053a	for 2011				
	53153a	for 2010				
Granted credits	53054	for 2011	3,226,718		1,240,451	2,585,253
	53154	for 2010	3,189,553		62,165	2,525,000
Deposits	53055	for 2011	7,000		55,500	7,000
	53155	for 2010			7,000	
Accounts receivable acquired subject to assignment of receivables	53056	for 2011				
	53156	for 2010	2,331			2,331
Other financial investments	53059	for 2011				
	53159	for 2010				
Subtotal	53050	for 2011	3,233,718		1,295,951	2,592,253
	53150	for 2010	3,191,884		69,165	2,527,331
Total	53000	for 2011	425,239,641	22,971,924	65,744,390	97,646,955
	53100	for 2010	365,106,955	-1,179,475	89,326,404	29,193,718

Appendix No. 7

Changes for the period							At the end of the period	
accumulated adjustment	accumulated adjustment	initial cost transfer		accumulated adjustment transfer		initial cost	accumulated adjustment	
		from long-to short-term	from short-to long-term	from long- to short-term	from short- to long-term			
8	9	10	11	12	13	14	15	
	-726,718	5,215,040				7,096,956	-726,718	
		2,500,000				3,226,718		
						55,500		
						7,000		
	-726,718	5,215,040				7,152,456	-726,718	
		2,500,000				3,233,718		
20,180,379	8,140,486	X	X	X	X	393,337,076	10,932,031	
	24,151,399	X	X	X	X	425,239,641	22,971,924	

Appendix No. 7

Book value of financial investments

Description	Code	As of 31 December 2011		
		long-term	short-term	total
1	2	3	4	5
Contributions to charter (reserve) capitals of other organizations	53201	374,253,007		374,253,007
including:				
subsidiaries	53201a	327,666,533		327,666,533
affiliates	53201b	46,302,970		46,302,970
State and municipal securities	53202			
Securities of other organizations	53203	149,165		149,165
including:				
debt securities	53203a	149,165		149,165
Granted credits	53204	20,145,001	6,370,238	26,515,239
Deposits	53205	3,000,000	55,500	3,055,500
Accounts receivable acquired subject to assignment of receivables	53206			
Other financial investments	53209	296,196		296,196
Total	53200	397,843,369	6,425,738	404,269,107

Appendix No. 7

	As of 31 December 2010			As of 31 December 2009		
	long-term	short-term	total	long-term	short-term	total
	6	7	8	9	10	11
	417,642,303		417,642,303	330,549,383		330,549,383
	407,408,210		407,408,210	320,430,060		320,430,060
	9,945,137		9,945,137	9,837,102		9,837,102
	149,165		149,165	149,356		149,356
	149,165		149,165	149,356		149,356
	23,840,183	3,226,718	27,066,901	26,690,661	3,189,553	29,880,214
	3,050,000	7,000	3,057,000	3,050,000		3,050,000
					2,331	2,331
	296,196		296,196	296,196		296,196
	444,977,847	3,233,718	448,211,565	360,735,596	3,191,884	363,927,480

Appendix No. 7

Book value of financial investments, based on which the current market value is determined

Description	Code	As of 31 December 2011		
		initial cost	accumulated adjustment	book value
1	2	3	4	5
Long-term financial investments				
Contributions to charter (reserve) capitals of other organizations	53 311	9,684,638	22,752,751	32,437,389
including:				
subsidiaries	53311a	6,947,391	13,072,906	20,020,297
affiliates	53311b	2,733,935	9,658,877	12,392,812
State and municipal securities	53 312			
Securities of other organizations	53 313			
including:				
debt securities	53313a			
Other financial investments	53 319			
Subtotal	53 310	9,684,638	22,752,751	32,437,389
Short-term financial investments				
Contributions to charter (reserve) capitals of other organizations	53 351			
including:				
subsidiaries	53351a			
affiliates	53351b			
State and municipal securities	53 352			
Securities of other organizations	53 353			
including:				
debt securities	53353a			
Other financial investments	53 359			
Subtotal	53 350			
Total	53 300	9,684,638	22,752,751	32,437,389

Appendix No. 7

Appendix No. 7**Adjustment of financial investments, based on which the current market value is determined (financial investments)**

Description	Code	for 2011	for 2010
1	2	3	4
Contributions to charter (reserve) capitals of other organizations	53401	527,667	33,112,429
including:			
subsidiaries	53401a	149,542	33,103,744
affiliates	53401b	383,577	
State and municipal securities	53402		
Securities of other organizations	53403		
including:			
debt securities	53403a		
Other financial investments	53409		
Total	53400	527,667	33,112,429

Book value of financial investments, based on which the current market value is not determined

Description	Code	As of 31 December 2011			
		initial cost	accumulated adjustment	book value	initial cost
1	2	3	4	5	6
Long-term financial investments					
Contributions to charter (reserve) capitals of other organizations	53511	346,071,412	(4,255,794)	341,815,618	374,987,673
including:					
subsidiaries	53511a	311,846,738	(4,200,502)	307,646,236	364,679,832
affiliates	53511b	33,959,838	(49,680)	33,910,158	10,042,915
State and municipal securities	53512				
Securities of other organizations	53513	149,165		149,165	149,165
including:					
debt securities	53513a	149,165		149,165	149,165
Granted credits	53514	26,973,101	(6,828,100)	20,145,001	30,614,283
Deposits	53515	3,000,000		3,000,000	3,050,000

Appendix No. 7

As of 31 December 2010		As of 31 December 2009			
	accumulated adjustment	book value	initial cost	accumulated adjustment	book value
	7	8	9	10	11
	(3,374,032)	371,613,641	331,533,438	(1,005,102)	330,528,336
	(3,270,552)	361,409,280	321,357,336	(927,276)	320,430,060
	(97,778)	9,945,137	9,909,165	(72,063)	9,837,102
		149,165	149,356		149,356
		149,165	149,356		149,356
	(6,774,100)	23,840,183	26,872,661	(182,000)	26,690,661
		3,050,000	3,050,000		3,050,000

Appendix No. 7

Description	Code	As of 31 December 2011			initial cost
		initial cost	accumulated adjustment	book value	
1	2	3	4	5	6
Accounts receivable acquired subject to assignment of receivables	53516				
Other financial investments	53519	306,304	(10,108)	w296,196	306,304
Total	53510	376,499,982	(11,094,002)	365,405,980	409,107,425
Short-term financial investments					
Contributions to charter (reserve) capitals of other organizations	53551				
including:					
subsidaries	53551a				
affiliates	53551b				
State and municipal securities	53552				
Securities of other organizations	53553				
including:					
debt securities	53553a				
Granted credits	53554	7,096,956	(726,718)	6,370,238	3,226,718
Deposits	53555	55,500		55,500	7,000
Accounts receivable acquired subject to assignment of receivables	53556				
Other financial investments	53559				
Subtotal	53550	7,152,456	(726,718)	6,425,738	3,233,718
Total	53500	383,652,438	(11,820,720)	371,831,718	412,341,143

Appendix No. 7

Adjustment between the initial and nominal value by debt securities

Description	Code	for 2011	for 2010
1	2	3	4
Total	53600		

Provision for depreciation of financial investments, based on which the current market value is not determined (by types of financial investments)

Description	Code	Period	Provision created	Provision decreased	Provision used
1	2	3	4	5	6
Contributions to charter (reserve) capitals of other organizations	53701	for 2011	(2,209,401)	1,225,540	102,099
	53801	for 2010	(2,584,609)	215,055	624
including:					
subsidiaries	53701a	for 2011	(2,142,655)	1,114,696	98,009
	53801a	for 2010	(2,558,132)	214,907	
affiliates	53701b	for 2011	(66,746)	110,844	4,000
	53801b	for 2010	(26,477)	148	614
State and municipal securities	53702	for 2011			
	53802	for 2010			
Securities of other organizations	53703	for 2011			
	53803	for 2010			
including:					
debt securities	53703a	for 2011			
	53803a	for 2010			
Granted credits	53704	for 2011	(780,718)		
	53804	for 2010	(6,592,100)		
Deposits	53705	for 2011			
	53805	for 2010			
Accounts receivable acquired subject to assignment of receivables	53706	for 2011			
	53806	for 2010			
Other financial investments	53709	for 2011			
	53809	for 2010			
Total	53700	for 2011	(2,990,119)	1,225,540	102,099
	53800	for 2010	(9,176,709)	215,055	624

Appendix No. 8**OTHER NON-CURRENT ASSETS****Book value of other non-current assets**

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Property transferred under the right of operational management	53910	35,427,753	33,420,648	38,468,818
Licenses, certificates and similar authorization documents	53920	30,747	28,760	34,377
Rights to use intangible assets obtained	53930	10,776,893	11,322,252	8,212,849
Total	53900	46,235,393	44,771,660	46,716,044

Appendix No. 9

SUPPLIES AND EXPENSES

Book value of supplies and expenses

Description	Code	As of 31 December 2011		
		actual cost	provision for depreciation	book value
1	2	3	4	5
Raw materials, supplies and other similar assets	54010	74,726,425	(33,992)	74,692,433
Rearers and fatteners	54020	25	X	25
Work-in-process-related costs	54030	1,186,461	X	1,186,461
Finished goods and goods for resale	54040	332,701		332,701
Dispatched goods	54050	15,062		15,062
Deferred expenses	54060	278,329	X	278,329
Other supplies and costs	54090		X	
Total	54000	76,539,003	(33,992)	76,505,011

Provision for depreciation of tangible assets

Description	Code	Period	Provision created	Provision decreased	Provision used
1	2	3	4	5	6
Raw materials, supplies and other similar assets	54110	for 2011	(707)	51	50,035
	54210	for 2010	(56,907)	7,379	29,729
Goods for resale	54140	for 2011			
	54240	for 2010			
Dispatched goods	54150	for 2011			
	54250	for 2010			
Total	54100	for 2011	(707)	51	50,035
	54200	for 2010	(56,907)	7,379	29,729

Appendix No. 9

Appendix No. 10

ACCOUNTS RECEIVABLE

Book value of accounts receivable

Description	Code	As of 31 December 2011		
		long-term	short-term	total
1	2	3	4	5
Trade receivables (except transportation)	55100	624,663	15,295,809	15,920,472
including:				
rolling stock repairs	55110		826,681	826,681
construction of infrastructure facilities	55120		198,283	198,283
research and development	55130		5,891	5,891
social services	55140		1,602,609	1,602,609
including:				
municipal housing services	55141		1,473,357	1,473,357
other sales	55150	624,663	12,662,345	13,287,008
including:				
electric power transmission	55151		758,965	758,965
rent	55152	4,829	1,452,794	1,457,623
leasing payments	55153			
raw and other materials, goods, finished and semi-finished goods	55154		6,026,940	6,026,940
other assets	55155	618,804	1,114,932	1,733,736
works performed and services provided	55156	1,030	3,091,302	3,092,332
other	55159		217,412	217,412
Trade receivables related to transportation	55180	193,426	2,894,787	3,088,213
including:				
freight transportation	55181		1,159,864	1,159,864
infrastructure services	55182		89,748	89,748
locomotive hauling services	55183		54,818	54,818
long-distance passenger transportation	55184		1,064,351	1,064,351
suburban passenger transportation	55185		61,650	61,650
settlements with foreign railways	55186	193,426	464,356	657,782

Appendix No. 10

	As of 31 December 2010			As of 31 December 2009		
	long-term	short-term	total	long-term	short-term	total
	6	7	8	9	10	11
	128,933	15,890,421	16,019,354	133,894	9,897,416	10,031,310
		2,576,982	2,576,982		427,289	427,289
		514,244	514,244		41,882	41,882
		8,410	8,410		3,331	3,331
		1,261,652	1,261,652		791,164	791,164
		755,645	755,645		668,381	668,381
	128,933	11,529,133	11,658,066	133,894	8,633,750	8,767,644
		589,740	589,740		198,512	198,512
		1,520,423	1,520,423	935	614,066	615,001
		1,896,389	1,896,389		465,693	465,693
	60,918	606,662	667,580	20,962	1,478,870	1,499,832
		5,231,752	5,231,752		3,089,257	3,089,257
	68,015	1,684,167	1,752,182	111,997	2,787,352	2,899,349
		14,346,198	14,346,198	411,460	17,679,406	18,090,866
		1,931,589	1,931,589		802,964	802,964
		6,114,553	6,114,553		4,387,678	4,387,678
		1,223,305	1,223,305		901,459	901,459
		1,649,890	1,649,890		2,145,671	2,145,671
		2,572,684	2,572,684		8,584,257	8,584,257
		854,177	854,177	411,460	857,377	1,268,837

Appendix No. 10

Description	Code	As of 31 December 2011		
		long-term	short-term	total
1	2	3	4	5
Advances paid out	55190	14,105,434	10,119,031	24,224,465
including:				
capital investments	55191	8,522,604	5,314,701	13,837,305
leasing activities	55192	562,030	781,800	1,343,830
Social insurance and security	55200	X	575,832	575,832
including:				
arrears	55201	X	568,719	568,719
fines, penalties	55202	X	7,113	7,113
Taxes and duties	55210	X	5,302,354	5,302,354
including:				
federal budget	55220	X	5,086,737	5,086,737
including:				
arrears	55221	X	5,056,988	5,056,988
fines, penalties	55222	X	29,749	29,749
regional and local budgets	55230	X	215,617	215,617
including:				
arrears	55231	X	196,279	196,279
fines, penalties	55232	X	19,338	19,338
Salary	55240	X	62,175	62,175
Other personnel operations and disbursements	55250	41,960	215,335	257,295
Other payables	55290	11,835,495	24,701,982	36,537,477
Total	55000	26,800,978	59,167,305	85,968,283

Appendix No. 10

	As of 31 December 2010			As of 31 December 2009		
	long-term	short-term	total	long-term	short-term	total
	6	7	8	9	10	11
	18,611,908	36,561,336	55,173,244	12,511,796	16,385,547	28,897,343
	10,450,870	7,187,807	17,638,677	2,649,594	4,457,117	7,106,711
	3,396,131	2,159,964	5,556,095	5,439,866	2,511,024	7,950,890
	X	1,165,441	1,165,441	X	723,015	723,015
	X	1,153,414	1,153,414	X	715,956	715,956
	X	12,027	12,027	X	7,059	7,059
	X	1,688,068	1,688,068	X	270,484	270,484
	X	315,802	315,802	X	53,464	53,464
	X	221,012	221,012	X	48,338	48,338
	X	94,790	94,790	X	5,126	5,126
	X	1,372,266	1,372,266	X	217,020	217,020
	X	1,358,991	1,358,991	X	177,182	177,182
	X	13,275	13,275	X	39,838	39,838
	X	49,670	49,670	X	55,755	55,755
	60,639	186,112	246,751	82,588	155,704	238,292
	7,912,406	12,535,904	20,448,310	10,945,261	11,882,619	22,827,880
	26,713,886	82,423,150	109,137,036	24,084,999	57,049,946	81,134,945

Appendix No. 10

For reference

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Accounts receivable of subsidiaries and affiliates	55310	46,013,618	58,477,208	39,094,530
including:				
long-term	55311	11,627,949	7,802,261	10,408,050
short-term	55312	34,385,669	50,674,947	28,686,480
Overdue accounts receivable	55320	963,970	1,569,914	1,774,564
including:				
trade receivables (except transportation)	55321	496,926	890,531	950,278
trade receivables related to transportation	55322	210,700	184,060	196,297
advances issued	55323	57,785	187,268	189,517
social insurance and security	55324			
taxes and duties	55325			
salary	55326			
other personnel operations and disbursements	55327			
other receivable	55329	198,559	308,055	438,472

Provision for doubtful debts

Description	Code	Period	Provision created	Provision used	Provision unused
1	2	3	4	5	6
Trade receivables (except transportation)	55410	for 2011	(13,566,135)	134,448	2,480,284
	55510	for 2010	(2,624,734)	60,088	1,662,087
including:					
rolling stock repairs	55415	for 2011	(211,979)	4,286	6,605
	55515	for 2010	(10,819)	61	6,535
construction of infrastructure facilities	55420	for 2011			
	55520	for 2010			103
research and development	55425	for 2011			
	55525	for 2010			

Appendix No. 10

Description	Code	Period	Provision created	Provision used	Provision unused
1	2	3	4	5	6
social services	55430	for 2011	(397,456)	37,924	324,530
	55530	for 2010	(330,995)	21,532	155,713
including:					
municipal housing services	55431	for 2011	(348,104)	36,917	309,159
	55531	for 2010	(310,351)	15,948	143,929
other sales	55440	for 2011	(12,956,700)	92,238	2,149,149
	55540	for 2010	(2,282,920)	38,495	1,499,736
including:					
electric power transmission	55441	for 2011	(63,465)	1,165	36,692
	55541	for 2010	(37,857)	3,113	50,416
rent	55442	for 2011	(6,669,604)	12,487	186,698
	55542	for 2010	(201,979)	7,550	158,349
leasing payments	55443	for 2011	(225,840)		
	55543	for 2010			
raw and other materials, goods, finished and semi-finished goods	55444	for 2011	(233,784)	1,364	28,954
	55544	for 2010	(30,318)	660	32,064
other assets	55445	for 2011	(128,994)		21,531
	55545	for 2010	(21,531)	2,826	207
works performed and services provided	55446	for 2011	(5,594,616)	77,222	1,875,274
	55546	for 2010	(1,991,235)	24,120	1,258,700
other	55449	for 2011	(40,397)		
	55549	for 2010		226	
Trade receivables related to transportation	55450	for 2011	(30,868,926)	23,466	16,754,733
	55550	for 2010	(16,779,252)	3,201,917	9,399,156
including:					
freight transportation	55451	for 2011	(36,790)	936	1,394
	55551	for 2010	(3,382)		3,065
infrastructure services	55452	for 2011	(9,161,406)		248,492
	55552	for 2010	(248,492)		91,916
locomotive hauling services	55453	for 2011	(1,315,743)		193,085
	55553	for 2010	(193,085)		
long-distance passenger transportation	55454	for 2011	(7,807)		7,625
	55554	for 2010	(7,625)		7,626

Appendix No. 10

Description	Code	Period	Provision created	Provision used	Provision unused
1	2	3	4	5	6
suburban passenger transportation	55455	for 2011	(20,319,556)	22,530	16,304,137
	55555	for 2010	(16,326,668)	3,201,917	9,296,549
settlements with foreign railways	55456	for 2011	(27,624)		
	55556	for 2010			
Advances paid out	55470	for 2011	(22,724,308)		
	55570	for 2010			
including:					
capital investments	55471	for 2011	(40,882)		
	55571	for 2010			
leasing activities	55472	for 2011			
	55572	for 2010			
Other payables	55480	for 2011	(2,282,577)		
	55580	for 2010			
Total	55400	for 2011	(69,441,946)	157,914	19,235,017
	55500	for 2010	(19,403,986)	3,262,005	11,061,243

Book value of accounts payable

Description	Code	As of 31 December 2011		
		long-term	short-term	total
1	2	3	4	5
Credits	55610	103,424,343	93,568,484	196,992,827
Loans	55620	159,816,466	27,124,108	186,940,574
including:				
bonded loans	55621	145,816,466	23,845,587	169,662,053
Trade liability	55700	X	152,509,591	152,509,591
including:				
Inventory acquisition	55710	X	29,571,579	29,571,579
including:				
fuel	55711	X	8,150,468	8,150,468
goods	55712	X	77,672	77,672
electricity purchased	55720	X	470,753	470,753
utilities	55730	X	897,942	897,942
repair performed	55740	X	15,626,565	15,626,565
including:				
related to rolling stock	55741	X	4,163,505	4,163,505

Appendix No. 10

	As of 31 December 2010			As of 31 December 2009		
	long-term	short-term	total	long-term	short-term	total
	6	7	8	9	10	11
	75,826,380	14,571,186	90,397,566	77,411,143	11,489,983	88,901,126
	185,470,615	28,254,590	213,725,205	219,681,605	18,860,040	238,541,645
	168,470,013	25,435,111	193,905,124	200,000,000	15,999,601	215,999,601
	X	106,652,135	106,652,135	X	63,420,192	63,420,192
	X	20,869,202	20,869,202	X	14,790,580	14,790,580
	X	4,177,809	4,177,809	X	2,670,201	2,670,201
	X	197,188	197,188	X	391,842	391,842
	X	486,663	486,663	X	456,843	456,843
	X	707,898	707,898	X	421,609	421,609
	X	10,450,007	10,450,007	X	6,681,920	6,681,920
	X	2,146,830	2,146,830	X	1,806,962	1,806,962

Appendix No. 10

Description	Code	As of 31 December 2011		
		long-term	short-term	total
1	2	3	4	5
performed construction	55750	X	56,822,195	56,822,195
other works performed and services provided	55760	X	20,481,195	20,481,195
including:				
settlements with foreign railways	55761	X	797,159	797,159
rent	55770	X	483,400	483,400
leasing payments	55775	X	201	201
acquisition of fixed assets and income-bearing investments in tangible assets	55780	X	27,219,177	27,219,177
including:				
rolling stock	55781	X	7,287,112	7,287,112
other	55790	X	936,584	936,584
Salary	55800	X	13,703,609	13,703,609
Other personnel operations and disbursements	55810	X	164,888	164,888
Social insurance and security	55820	X	6,214,860	6,214,860
including:				
arrears	55821	X	6,214,703	6,214,703
fines, penalties	55822	X	157	157
Taxes and duties	55830	X	25,482,640	25,482,640
including:				
federal budget	55840	X	1,818,248	1,818,248
including:				
arrears	55841	X	1,818,248	1,818,248
fines, penalties	55842	X		
regional and local budgets	55850	X	23,664,392	23,664,392
including:				
arrears	55851	X	23,654,292	23,654,292
fines, penalties	55852	X	10,100	10,100
Advances received (except for transportation)	55860	X	17,874,412	17,874,412
including:				
construction of infrastructure facilities	55861	X	14,014,552	14,014,552
Advances received for transportation	55870	X	70,625,352	70,625,352
Dividend payable to participants	55880	X		
Other payables	55890		12,845,353	12,845,353
Total	55600		263,240,809	420,113,297
			420,113,297	683,354,106

Appendix No. 10

	As of 31 December 2010			As of 31 December 2009		
	long-term	short-term	total	long-term	short-term	total
	6	7	8	9	10	11
X	44,913,164	44,913,164	X	20,595,475	20,595,475	
X	14,733,115	14,733,115	X	12,035,311	12,035,311	
X	619,233	619,233	X	245,175	245,175	
X	154,259	154,259	X	29,370	29,370	
X			X			
X	12,900,402	12,900,402	X	7,054,063	7,054,063	
X	3,953,968	3,953,968	X	2,896,341	2,896,341	
X	1,437,425	1,437,425	X	1,355,021	1,355,021	
X	14,766,823	14,766,823	X	14,201,297	14,201,297	
X	212,715	212,715	X	165,367	165,367	
X	4,636,312	4,636,312	X	4,261,797	4,261,797	
X	4,636,229	4,636,229	X	4,261,685	4,261,685	
X	83	83	X	112	112	
X	11,115,684	11,115,684	X	14,782,305	14,782,305	
X	2,719,954	2,719,954	X	5,551,713	5,551,713	
X	2,719,954	2,719,954	X	5,538,756	5,538,756	
X			X	12,957	12,957	
X	8,395,730	8,395,730	X	9,230,592	9,230,592	
X	8,385,042	8,385,042	X	9,216,767	9,216,767	
X	10,688	10,688	X	13,825	13,825	
X	24,271,845	24,271,845	X	17,280,503	17,280,503	
X	13,911,556	13,911,556	X	14,016,016	14,016,016	
X	62,133,551	62,133,551	X	48,041,889	48,041,889	
X			X			
	33,084,608	33,084,608	25,162	145,960,034	145,985,196	
261,296,995	299,699,449	560,996,444	297,117,910	338,463,407	635,581,317	

Appendix No. 10

For reference

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Accounts payable of subsidiaries and affiliates	55910	235,157,510	261,123,561	372,699,475
including:				
long-term	55911	145,816,466	168,470,013	200,000,000
short-term	55912	89,341,044	92,653,548	172,699,475
Overdue accounts payable	55920	615,289	1,038,430	1,017,054
including:				
credits	55921			
loans	55922			
including:				
bonded loans	55922a			
trade accounts payable	55923	542,887	969,887	940,878
salary	55924			
other personnel operations and disbursements	55925		189	1,229
social insurance and security	55926			
taxes and duties	55927			
advances received (except for transportation)	55928	31,146	19,788	17,273
dividend payable to participants	55929			
other debts	55930	41,256	48,566	57,674

Appendix No. 11**PRODUCTION COSTS**

Description	Code	for 2011	for 2010
1	2	3	4
Material costs	56100	425,309,087	363,179,988
including:			
electric power	56111	105,683,086	91,657,097
fuel	56112	72,276,830	53,800,847
materials	56113	120,492,404	109,296,705
other material costs	56114	126,856,767	108,425,339
Payroll expenses	56200	390,077,941	361,727,071
Fringe benefit expenses	56300	108,321,936	77,776,965
Depreciation	56400	177,216,605	178,078,741
Other costs	56500	99,210,097	97,378,274
Total by cost items	56600	1,200,135,666	1,078,141,039
Change in balances (increase [+], decrease [-]):			
work in progress	56710	418,922	(51,079)
finished goods and goods for resale	56720	123,295	(131,098)
dispatched goods	56730	(121,319)	(448,054)

Appendix No. 12

BREAKDOWN OF INDIVIDUAL OTHER INCOME AND EXPENSES

Description	Code	for 2011		for 2010	
		income	expenses	income	expenses
1	2	3	4	5	6
Penalties, fines and forfeits accepted as payable or awarded by a court (arbitration)	56801	2,861,161	(3,183,328)	3,657,391	(810,925)
Profit (loss) of past years	56802	1,024,971	(486,383)		(1,986,937)
Reimbursement of losses resulted from failure to perform or improper performance of obligations	56803	269,846	(769,444)	172,875	(478,054)
Exchange rate differences under rouble conversion operations expressed in a foreign currency	56804	16,702,603	(23,075,571)	15,592,688	(14,716,511)
Contributions to assessed reserves	56805	X	(72,432,772)	X	(28,637,602)
Contingencies	56806	X	(4,872,367)	X	(792,424)
Write-offs under accounts receivable/ payable that have the limitation period expired	56807	316,299	(394,311)	417,408	(271,348)
	56808				
	56809				

Appendix No. 13**OFF-BALANCE-SHEET ITEMS**

Description	Code	As of 31 December 2011	As of 31 December 2010	As of 31 December 2009
1	2	3	4	5
Leased fixed assets	57000	223,805,206	245,844,904	233,206,522
including:				
under financial lease	57001	40,906,718	84,120,229	89,810,215
land plots and nature management sites in lease	57002	165,316,393	152,580,353	134,029,892
Fixed assets in free use	57005	2,611,560	2,587,772	181,742
including:				
land plots and nature management sites in free use	57006	2,484,024	2,465,298	181,742
Inventory items accepted for custody	57010	7,771,787	8,347,629	9,795,043
Materials accepted for processing	57015	24,718	57,798	48,259
Goods accepted for commission	57020			1 296
Equipment accepted for assembly	57025			
Strict accounting forms	57030	86,276	413,284	172,137
Insolvent debtors indebtedness written off to loss	57035	7,161,527	7,061,200	11,258,438
Collateral received under obligations and payments	57040	17,948,218	16,744,514	7,473,052
Collateral issued under obligations and payments	57045	10,825,942	6,821,075	7,107,811
Depreciation of housing stock	57050	559,855	619,900	690,407
Depreciation of amenity facilities, landscaping objects and other similar items	57055	261,293	231,863	201,684
Leased fixed assets	57060			
Intangible assets received for use	57065	17,328,547	15,766,765	8,356,009
Fixed assets with a value of not more than 10,000 rubles per item delivered for commissioning before 31 December 2005 inclusive	57070	4,394,627	5,100,237	6,486,541
Commissioned property with a useful life of not more than 12 months	57075	4,317,897	3,885,486	4,217,773
Housing stock facilities without a title	57080	40,614	59,711	86,281
Encumbered housing stock facilities and utilities	57085	502,234	564,368	668,173
Property in Kazakhstan and Ukraine	57090	1,228,120	2,077,821	2,077,763
Assets with a useful life of not more than 12 months accounted for as inventory delivered for production	57095	19,190,898	14,737,148	13,287,648
Property items revealed during inventory taking, for which there is no ground for title registration	57099	1,940,974	2,146,885	1,811,303

Appendix No. 13

CONTINGENCIES

Description	Code	Period	At the beginning of the year	Recognized	Retired	Written off as an excess amount	At the end of the period
Total	58000	for 2011	22,651,236	28,226,615	21,791,717	93,189	28,992,945
	58100	for 2010	21,055,837	22,584,141	20,214,608	774,134	22,651,236
including:							
estimated liability for leaves	58001	for 2011	19,191,717	19,714,248	19,191,717		19,714,248
	58101	for 2010	17,614,608	19,191,717	17,614,608		19,191,717

Appendix No. 14

GOVERNMENT ASSISTANCE

Description	Code	Period	At the beginning of the year	Obtained	Used	At the end of the period
Funds of the federal, regional and local budgets						
To cover operating costs	59011	for 2011		38,520	38,520	
	59111	for 2010	295	19 104 344	19 104 639	
To cover investments into non-current assets	59012	for 2011	3,850,352	1,604,109	307,647	5,146,814
	59112	for 2010	1,538,378	2,648,001	336,027	3,850,352
Subtotal	59010	for 2011	3,850,352	1,642,629	346,167	5,146,814
	59110	for 2010	1,538,673	21,752,345	19,440,666	3,850,352
Non-budgetary funds						
To cover operating costs	59021	for 2011		112,713	112,713	
	59121	for 2010		161,628	161,628	
To cover investments into non-current assets	59022	for 2011				
	59122	for 2010		8,123	8,123	
Subtotal	59020	for 2011		112,713	112,713	
	59120	for 2010		169,751	169,751	
Total	59000	for 2011	3,850,352	1,755,342	458,880	5,146,814
	59100	for 2010	1,538,673	21,922,096	19,610,417	3,850,352

Appendix No. 15

COMPENSATIONS RELATED TO STATE REGULATION OF TARIFFS

Description	Code	for 2011	for 2010
1	2	3	4
Freight transportation	59210	1,352,013	24,070,989
Long-distance passenger transportation	59220	402,000	9,068,457
Suburban passenger transportation	59230	77,533	1,933,185
Other transportation compensations	59240	27,536,812	1,622,855
Other regular activities	59250	36,220	8,593
Total	59200	29,404,578	36,704,079

Appendix No. 16**PROVISIONS**

Description	Code	Period	At the beginning of the year	Obtained	Used	At the end of the period
Provisions made in accordance with legislation and accounted for in the capital	59300	for 2011				
	59310	for 2010				
Provisions created in accordance with charter documents and accounted for in the capital	59320	for 2011	8,156,349	3,922,661		12,079,010
	59330	for 2010	7,433,979	722,370		8,156,349
Provision for doubtful debts	59340	for 2011	19,392,823	69,441,946	19,392,931	69,441,838
	59350	for 2010	14,371,167	19,405,147	14,383,491	19,392,823
Provision for financial investment devaluation	59360	for 2011	10,158,240	2,990,119	1,327,639	11,820,720
	59370	for 2010	1,197,210	9,176,709	215,679	10,158,240
Provision for depreciation of tangible assets	59380	for 2011	83,371	707	50,086	33,992
	59390	for 2010	63,572	56,907	37,108	83,371

Appendix No. 17

Certificate on securities obtained and issued in 2011, kRUB

Securities obtained		
Total, including:		17,948,218
Roszheldorsnab	Bank guarantees, bills of exchange to secure proper compliance with tender and contractual terms	12,646,273
JSCo Russian Railways proper	Securitization under loan agreements with Ulan-Bator Railways	5,238,599
Securities issued		
Total, including:		10,825,942
Roszheldorsnab	guarantee in the favor of Siemens Transportation Systems GmbH and Co KG under a subcontract between JSC Tver Wagon Works for delivery of RIC sleeping cars	5,008,568
JSCo Russian Railways proper	Guarantee under a concession agreement for delivery of the railways of the Republic of Armenia to CJSC South Caucasus Railway incorporated by JSCo Russian Railways	1,835,177
	Accession to a Loan Agreement as a Guarantor under locomotive pledge contract No. 921 with Ulan-Bator Railways of 25 April 2011	3,989,097

Appendix No. 18

Financial investments in subsidiaries (share of JSCo RZD exceeds 50%), kRUB ³⁷

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
1	JSC Arena-2000*	Yaroslavl	Social area	99.94	2,101,200	2,034,658		14,880		2,049,538
2	CJSC Zheldoripoteka	Moscow	Constr-n	50.01	999,600	499,900				499,900
3	CJSC TransTeleCom	Moscow	Telecom	99.95	2,000	434,012				434,012
4	JSC KRP-Invest*	Moscow	Invest	99.99	14,529	0				0
5	JSC Baminvest	Tynda region	Invest	82.84	5,000	8,278				8,278
6	CJSC LOCOMO-TIVE football club	Moscow	Sport	0.0017	3,000,050	0				0
7	CJSC Transkat	St. Petersburg	Manuf.	57.00	90,124	51,371				51,371
8	CJSC Yevraziya-Intertrans	Yuzhno-Sakhalinsk	Tourism	51.11	180	92				92
9	CJSo Regio-TeleCom DV	Khabarovsk	Telecom	51.00	200	,0				0
10	JSC Express-Prigorod*	Novosibirsk	Transp.	51.00	849	349,486		-349,486		0
11	JSC Altay-Prigorod*	Barnaul	Transp.	51.00	100	0				0
12	JSC Omsk-Prigorod	Omsk	Transp.	51.02	1,811	264,186				264,186
13	JSC Kuzbass-Prigorod*	Kemerovo	Transp.	51.00	100	0				0

³⁷ JSC Sakhalin Passenger Company – in pursuance of a decision of the Board of Directors of JSCo Russian Railways, was incorporated as a subsidiary of JSCo Russian Railways, but no financial investments were made in 2011.

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
14	JSC Sverdlovsk Suburban Company *	Yekaterinburg	Transp.	51.00	100	0,				0
15	JSC Express Primorya*	Vladivostok	Transp.	51.00	100	0				0
16	JSC Krasprigorod*	Krasnoyarsk	Transp.	51.00	100	0				0
17	JSC Volgogradtransprigorod*	Volgograd	Transp.	51.00	100	0				0
18	JSC Kaluga Plant (Remputmash)	Kaluga	Manuf.	100 – 1 share	2,330,626	2,152,022		-1,097,731		1,054,291
19	JSC Abdu-lino Plant (Remputmash)	Abdulino	Manuf.	100 – 1 share	161,729	161,729				161,729
20	JSC Vereschagino Plant (Remputmash)*	Vereschagino	Manuf.	100 – 1 share	259,833	255,315		2,409		257,724
21	JSC Moscow Pilot Track Machine Plant (Remputmash)	Moscow	Manuf.	100 – 1 share	12,168	0,				0
22	JSC Orenburg Track Repair Plant (Remputmash)	Orenburg	Manuf.	100 – 1 share	70,878	70,877				70,877
23	JSC Perm Motor Railcar Repair Plant (Remputmash)	Perm	Manuf.	100 – 1 share	410,827	410,827				410,827

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
24	JSC Sverdlovsky Rail Repair and Engineering Plant (Remputmash)*		Производ.	100 – 1 акц.	480,801	434,328		10,591		444,919
25	JSC Metallist-Remputmash Experimental Plant*	Sovetsk	Manuf.	100 – 1 share	480,801	434,328		10,591		444,919
26	JSC Yaroslavl Railcar Repair Plant Remputmash	Yaroslavl	Manuf.	100 – 1 share	385,253	385,252		-5,209		380,043
27	JSC Saransk Railcar Repair Plant	Saransk	Manuf.	100 – 1 share	518,480	518,479				518,479
	JSC Barnaul Railcar Repair Plant*	Barnaul	Manuf.	100 – 1 share	868,740	826,442	-868,739	42,297		0
	JSC Roslavl Railcar Repair Plant	Roslavl	Manuf.	100 – 1 share	870,808	870,807	-870,807			0
28	JSC Elteza	Moscow	Manuf.	50 + 1 share	2,368,936	2,368,936	-1,184,466			1,184,470
29	JSC Roszheldorproekt	Moscow	Design	50 + 2 shares	1,366,467	683,237				683,237
30	JSC Roszheldorstroy	Moscow	Constr-n	100 – 1 share	9,933,153	9,933,152				9,933,152
31	JSC Refservice*	Moscow	Transp.	100 – 1 share	3,491,493	2,836,372		-221,329		2,615,043
32	JSC TransContainer**	Saransk	Manuf.	100 – 1 share	518,480	518,479				518,479
33	JSC NIITKD	Omsk	Science	100 – 1 share	35,965	35,964				35,964

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
34	JSC VNIKTI	Kolomna	Science	100 – 1 share	146,962	146,961				146,961
35	JSC North-Western Suburban Passenger Company*	Obvodnogo kanala nab.	Transp.	74.00	100	0				0
36	JSC High-Speed Mainlines*	Moscow	Transp.	75.10	1,000	0				0
37	JSC CHOP RZD OKHRANA	Moscow	Security	100-1ac	21,835	21,834				21,834
38	JSC RailTransAvto*	Moscow	Transp.	51.00	3,265,163	768,750		168,533		937,283
39	JSC Vologda VRZ*	Vologda	Manuf.	100 – 1 share	757,491	610,531		33,167		643,698
40	JSC Vladikavkaz VRZ	Vladikavkaz	Manuf.	100 – 1 share	1,172,956	1,172,955				1,172,955
41	JSC Moscow LRZ	Moscow	Manuf.	100 – 1 share	946,586	946,585				946,584
42	JSC Petukhovsk LMZ*	Petukhovo	Manuf.	100 – 1 share	285,458	235,294		-24,429		210,865
43	JSC Alatyir MZ	Alatyir	Manuf.	100 – 1 share	104,658	104,658				104,658
44	JSC Krasnoyarsk EVRZ	Krasnoyarsk	Manuf.	100 – 1 share	1,556,190	1,556,190				1,556,190
45	JSC Krasny Put Moscow Machine Plant*	Moscow	Manuf.	100 – 1 share	562,513	520,878		-6,695		514,183
46	JSC North Caucasus SPC*	Rostov-on-Don	Transp.	74.00	100	0				0
47	JSC VNIIZHT	Moscow	Science	100 – 1 share	3,678,841	3,191,502	487,338			3,678,840
48	JSC NIAS	Moscow	Science	75 + 1 share	748,979	561,733				561,733

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
	JSC FFC	Moscow	Transp.	25 + 1 share	85,652,434	85,652,434	-85,652,434			0
49	JSC ZHKT	Moscow	Trade	100 – 1 share	8,077,297	8,077,296				8,077,296
	JSC TransCredit-Bank**, total:					26,502,536	-26,128,175		-374,361	0
	including sale of shares	Moscow	Bank	25 + 1 share	2,286,702		-14,118,940			
	conversion to ZO						-12,009,235			
51	JSC Gudok Newspaper	Moscow	Mass media	100 – 1 share	332,771	50,025	284,875			334,900
52	CJSC High-Speed Mainlines*	St. Petersburg	Transp.	87.40	310,000					0
53	CJSC SCR*	Yerevan	Transp.	100 – 1 share	6,920,546	4,218,426	1,161,243	707,255		6,086,924
54	JSC First Non-Metallic Company	Moscow	Manuf.	100 – 1 share	6,268,918	6,268,917		-209,736		6,059,181
55	JSC BetEITrans	Moscow	Manuf.	100 – 1 share	3,769,701	3,769,700				3,769,701
56	JSC TransWood-Service*	Moscow	Manuf.	100 – 1 share	1,944,939	1,607,402		35,303		1,642,705
57	JSC Novosibirsk Switch Plant	Novosibirsk	Manuf.	100 – 1 share	1,950,197	1,950,197				1,950,197
58	JSC Vagonremmash	Moscow	Manuf.	100 – 1 share	4,073,726	4,073,726				4,073,726
59	JSC Ishim Engineering Plant	Ishim	Manuf.	100 – 1 share	216,196	216,195				216,195
60	Black Sea Ferries Limited	Malta	Transp.	51.00	1,245,625	635,269				635,269

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
61	JSC Zhelddorremash	г. Москва	Производ.	100 – 1 акц.	15162765	15162764				15162764
	Moscow	Manuf.	100 – 1 share	15,162,765	15,162,764				15,162,764	0
62	JSC Zarubezhstroytekhnologiya*	Moscow	Constr-n	100 – 1 share	21,400	0				0
63	JSC Perm Suburban Company *	Perm	Transp.	51.00	100	0,				0
64	JSC Federal Passenger Company	Moscow	Transp.	100 – 1 share	137,238,246	137,238,246				137,238,246
65	JSC Kaliningrad-TransTeleCom	Kaliningrad	Telecom	49.95	2,000	999				999
66	JSC CentreTransTeleCom	Moscow	Telecom	49.95	2,000	999				999
67	JSCo TransTeleCom-NN	Nizhny Novgorod	Telecom	49.90	2,000	999				999
68	JSC Yugo-Vostok-TransTelecom	Voronezh	Telecom	49.95	2,000	999				999
69	JSC TransTeleCom-Chita	Chita	Telecom	49.95	2,000	999				999
70	JSC Caucasus-TransTeleCom	Rostov-on-Don	Telecom	47.80	4,000	1,912				1,912
71	JSC Samara-TransTeleCom	Samara	Telecom	40.00	2,000	800				800
72	JSC SibTransTeleCom	Krasnoyarsk	Telecom	40.60	300	122				122

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
73	CJSC Sakhalin-TransTeleCom	Yuzhno-Sakhalinsk	Telecom	39.90	2,000	798				798
74	CJSo TransTeleCom-DV	Khabarovsk	Telecom	39.90	2,000	798				798
75	CJSC Baikal-TransTeleCom	Irkutsk	Telecom	35.00	2,000	700				700
76	CJSo Uzhural-TransTeleCom	Chelyabinsk	Telecom	25.00	2,000	500				500
77	CJSC St. Petersburg Teleport	St. Petersburg	Telecom	25.01	1,000	250				250
78	CJSC SeverTrans-TeleCom	Yaroslavl	Telecom	25.20	2,000	504				504
79	CJSC VolgaTrans-TeleCom	Saratov	Telecom	25.00	600	150				150
80	CJSC Ural-Trans-TeleCom	Yekaterinburg	Telecom	25.10	573	144				144
81	CJSC Zap-Sib-TransTeleCom	Novosibirsk	Telecom	25.10	2,000	502				502
82	CJSC Transvok	Ermolino village	Telecom	0.12	203,990	250				250
83	JSC "RZD-Zdorovie"	Moscow	Health care	100 – 1 share	8,139,960	8,139,960				8,139,960
84	JSC Bashkortostanskaya Suburban Passenger Company	Bashkortostan	Transp.	100 – 1 share	120	119		-119		0
85	JSC Second Freight Company	Moscow	Transp.	100 – 1 share	46,367,756	46,367,756				46,367,756

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
86	JSC IERT	Moscow	Social area	100 – 1 share	17,748	17,748				17,748
87	JSCo RZD-Logistika	Moscow	Transp.	100 – 1 share	125,300	125,299				125,299
88	LLC Bely Rast distriport	Moscow	Transp.	100 – 1 share	2,029,167	2,029,147				2,029,147
89	JSC Kaliningrad-skaya Suburban Passenger Company*	Kaliningrad	Transp.	100 – 1 share	100	99		-99		0
90	JSC Chernoze-mie Suburban Passenger Company*	Voronezh	Transp.	51.00	100	50		-50		0
91	JSC Saratovskaya Suburban Passenger Company*	Saratov	Transp.	51.00	100	51		-51		0
92	JSC Severnaya Suburban Passenger Company*	Yaroslavl	Transp.	100 – 1 share	100	99		-99		0
93	JSCo RZD Trading Company	Moscow	Purch.	50.13	3,970		1,950			1,950
94	JSC South-Urals SPC	Irkutsk	Transp.	100 – 1 share	100		99			99
95	JSC Lyublinsky CMP	Moscow	Manuf.	100 – 1 share	6,054,775		6,054,775			6,054,775
96	JSC Car Repair Company-1	Moscow	Manuf.	100 – 1 share	11,777,162		11,777,162			11,777,162
97	JSC Car Repair Company-2	Moscow	Manuf.	100 – 1 share	8,959,972		8,959,972			8,959,972

Appendix No. 18

No.	Company	Location	Field of activity	JSCo Russian Railways share in charter capital (%) as of 31 Dec. 2011	Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
98	JSC Car Repair Company-3	Moscow	Manuf.	100 – 1 share	7,015,888	7,015,888				7,015,888
99	JSC Zabaikalsk SPC	Chita	Transp.	51.00	100	51				51
	TOTAL	***	***	***	***	407,408,210	-78,961,269	-929,950	149,542	327,666,533

* Provisions for financial investment devaluation has been made up for these companies.

** Shares are recognized at the market value.

Appendix No. 19

Financial investments in affiliates (share of JSCo RZD from 20 to 50%), kRUB

No.	Company	Location	Field of activity	JSCo RZD share in charter capital (%) as of 31 Dec. 2011
1	CJSC Railway Implementation Center	Chelyabinsk	Manuf.	49.00
2	CJSC October Railway Implementation Center	St. Petersburg	Manuf.	49.00
3	CJSC Railway Implementation Center (Kaliningrad)	Kaliningrad	Manuf.	49.00
4	CJSC Railway Implementation Center (N. Novgorod)	Nizhny Novgorod	Manuf.	49.00
5	CJSC Railway Implementation Center (Voronezh)	Voronezh	Manuf.	49.00
6	CJSC Railway Implementation Center (Samara)	Samara	Manuf.	49.00
7	CJSC Railway Center for the Implementation of New Equipment and Technologies (Novosibirsk)	Novosibirsk	Manuf.	49.00
8	CJSC Krasnoyarsk Railway Implementation Center	Krasnoyarsk	Manuf.	49.00
9	CJSC Railway Implementation Center (Chita)	Chita	Manuf.	49.00
10	CJSC Railway Implementation Center (Khabarovsk)	Khabarovsk	Manuf.	49.00
11	CJSC Railway Center for the Implementation of New Equipment and Technologies (Yaroslavl)	Yaroslavl	Manuf.	49.00
12	CJSC TRANSPORT TECHNOLOGIES	Moscow	Science	49.00
	CJSC Apsatskaya Coalmining Company*	Chita	Manuf.	48.57
13	CJSC Rascom	St. Petersburg	Manuf.	46.00
14	CJSC Oktransvneshterminal*	St. Petersburg	Manuf.	45.00
15	JSC Yamalskaya Railway Company	Novy Urengoy	Transp.	45.00
16	CJSC Industry Center for the Implementation of New Equipment and Technologies	Moscow	Science	43.43
17	JSC Magistral Railcar Design Center*	Moscow	Science	40.45
	JSC Trans-Baikal Mining Company*	Chita	Manuf.	34.29
18	CJSC Railway Implementation Center (Rostov-on-Don)	Rostov-on-Don	Manuf.	31.00
19	CJSC Talgorus*	St. Petersburg	Manuf.	26.00
20	CJSC Moscow Railway Implementation Center	Moscow	Manuf.	25.00

Appendix No. 19

Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
200	98				98
200	98				98
200	98				98
200	98				98
200	99				99
200	98				98
200	98				98
200	98				98
200	98				98
200	98				98
200	98				98
20,409	10,000				10,000
8,000	0	-3,880	3,880		0
16,300	7,498				7,498
55	0				0
10,000	4,500				4,500
900	391				391
1,513	0				0
350	0	-120	120		0
200	62				62
2,000	0				0
200	50				50

Appendix No. 19

No.	Company	Location	Field of activity	JSCo RZD share in charter capital (%) as of 31 Dec. 2011
21	CJSC Railway Implementation Center (Saratov)	Saratov	Manuf.	25.00
22	CJSC Railway Implementation Center (Irkutsk)	Irkutsk	Manuf.	25.00
23	CJSC Ekza	Samara	Manuf.	24.73
24	JSC Zabaikalstalinvest Trans-Baikal Mining and Metallurgy Enterprise	Chita	Manuf.	25.10
25	CJSC Translease Leasing Company*	St. Petersburg	Finance	25.00
26	LLC Murmansk Transport Hub Management Company	Murmansk	Transp.	25.00
27	CJSC Russian Copper*	Verkhniaya Pyshma	Manuf.	25.50
28	Joint Venture Trans-Eurasia Logistics GmbH	Berlin	Transp.	30.00
29	CJSC EurasiaRailLogistics*	Moscow	Transp.	40.10
30	The Breakers Investments	Amsterdam	Manuf.	25.00
31	CJSC CNIITEI-IS	Moscow	Science	24.00
32	CJSC Zabaikalskoe ZHASO*	Chita	Insur.	22.19
33	JSC Central Suburban Passenger Company *	Moscow	Transp.	49.33
34	LLC Southeast Express Editorial Office*	Voronezh	Mass media	50.00
35	LLC Bombardier Transportation (Signal)	Moscow	Science	36.00
36	CJSC Industry Center for the Development and Implementation of Information Systems	Sergiev-Posad	Science	26.00
37	LLC Aeroexpress*	Khimki	Transp.	50.00
38	CJSC Russian Troika*	Moscow	Manuf.	25.00
39	Oy Karelian Trains Ltd*	Helsinki	Transp.	50.00
40	JSC Pool Trans*	Kingisepp	Transp.	50.00
41	JSC AK Zheleznye Dorogi Yakutii	Aldan	Transp.	50.00
42	Infrastructure Development Limited	Mongolia	Transp.	50.00
43	JSC Volgo-Vyatskaya Suburban Passenger Company*	N. Novgorod	Transp.	49.33
44	JSC Moskovsko-Tversakaya Suburban Passenger Company*	Moscow	Transp.	49.99
45	JSC Sodruzhestvo*	N. Novgorod	Transp.	49.33
46	LLC INTESMO*	Moscow	Manuf.	25.00
47	JSC Kuban Express-Prigorod*	Rostov	Transp.	49.00

Appendix No. 19

Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
400	100				100
200	50				50
16,950	371				371
103	100,000				100,000
1,500	0				0
250,000	62,500				62,500
1,000	0				0
3,703	7,327				7,327
1,670	0				0
37240,000	9,310,000				9,310,000
50	12				12
2,500	0				0
300	0				0
100	0				0
11,700	1,170				1,170
10	3				3
5,000	0		64,910		64,910
944,000	210,586		25,414		236,000
34,102	17,051		-17,051		0
100,000	50,000				50,000
3,872,700					0
57,134	28,567		-28,567		0
300	148		-148		0
150	75		-75		0
300	148		-148		0
52,000	13,000				13,000
500					0

Appendix No. 19

No.	Company	Location	Field of activity	JSCo RZD share in charter capital (%) as of 31 Dec. 2011
48	JSC Samarskaya Suburban Passenger Company*	Samara	Transp.	49.00
49	JSC Griazi Train Car Repair Enterprise	Griazi	Manuf.	50 – 1 share
	JSCo RZD Trading Company	Moscow	Purch.	50.13
50	JSC Baikal SPC	Irkutsk	Transp.	49.99
51	JSC TransCreditBank **	Moscow	Bank	25 + 1 share
52	JSC FFC	Moscow	Transp.	25 + 1 share
53	JSC MKZHD*	Moscow	Transp.	50.00
	TOTAL	***	***	***
	TOTAL for S&A			

* Provisions for financial investment devaluation has been made up for these companies.

** Shares are recognized at the market value.

Appendix No. 19

Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
100	49		-49		0
236,902	118,450				118,450
7,950	1,950	-1,950			0
10,000		4,999			4,999
2,286,702		12,009,235		383,577	12,392,812
85,652,434		21,413,109			21,413,109
5,009,531		2,504,765	-188		2,504,577
***	9,945,137	35,926,158	48,098	383,577	46,302,970
	417,353,347	-43,035,111	-881,852	533,119	37,396,9503

Appendix No. 20

Other financial investments (share of JSCo Russian Railways less than 20%)

No.	Company	Location	Field of activity	JSCo RZD share in charter capital (%) as of 31 Dec. 2011
	1	2	3	4
1	JSC Compania Ust-Luga	Kingisepp	Transp.	8.52
2	JSC North-West Company for Telecommunications and Informatics	Murmansk	Telecom	17.54
3	JSC Vladivostok Industrial Port*	Vladivostok	Transp.	17.00
4	CJSC TK Magistral*	Ussuriysk	Transp.	13.92
5	JSC Murom Switch Plant*	Murom	Manuf.	13.33
	JSC Zolotoye Zveno*	Khabarovsk	Manuf.	13.85
6	CJSC Lyudinovo-Kabelservice	Lyudinovo	Manuf.	10.80
7	CJSC Peterkom/MS Consulting Company*	St. Petersburg	Consul.	10.00
8	CJSC Energet & Co	Moscow	Manuf.	10.00
9	JSC Povolzhie Insurance Company*	Kazan	Insur.	9.71
10	JSC VOSTSIBZHASO	Irkutsk	Insur.	1.38
12	JSC Noglikskaya Gas Power Station*	Nogliki	Manuf.	1.67
11	JSC Yuzhny Primorsky Terminal*	Vladivostok	Transp.	3.70
13	CJSC Prometey Sanatorium*	Gelendzhik	Social area	0.17
14	All-Russia CJSC Nizhegorodskaya Yarmarka	N. Novgorod	Trade	0.34
15	JSC Ulyanovskenergo	Ulyanovsk	Manuf.	0.19
16	CJSC SPbMTSB	St. Petersburg	Finance	5.00
17	Sberbank RF (JSC)***	Moscow	Bank	0.00001
18	JSC Uraltransbank	Yekaterinburg	Bank	3.50
19	JSC KIT Finance Insurance ****	Moscow	Bank	19.29
20	JSC Volzhskaya TGC ***	Volgograd	Manuf.	0.02
	TOTAL	***	***	***
	TOTAL from charter capital participation	***	***	***

* Provisions for financial investment devaluation has been made up for these companies.

*** Shares are recognized at the market value.

Appendix No. 20

Charter capital as of 31 December 2011	Invested at the beginning of year	Received/ disposed (+/-)	Provision created/ Provision recovered (-/+)	Adjustment of share market value (+/-)	Invested as at the end of the period
5	6	7	8	9	10
2,050,222	184,520				184,520
998	175				175
1,794	0,				0
78	0,				0
443,485	15,224				15,224
650	0	-90	90		0
100,000	10,815				10,815
6	0				0
55	6				6
2,104	0				0
8,000	550				550
300,000	0				0
2,300	0				0
59,041	0				0
54,515	185				185
276,686	1,514				1,514
750,000	37,500				37,500
67760844	14,983			-3,588	11,395
249,866	8,735				8,735
7,000,000					
30,011860	14,749			-1,864	12,885
***	288,956	-90	90	-5,452	283,504
***	417,642,303	-43,035,201	-881,762	527,667	374,253,007

Appendix No. 21

Data on performance of instructions of the President and Government of the Russian Federation

No.	Instructions	Performance results
1	Disposal of assets of car repair depots of JSCo Russian Railways: instruction No 384 of the Government of the Russian Federation of 18 May 2001 "On railway restructuring program"	Resolution No 114 of the Government of the Russian Federation of 28 February 2011 "On amendments to Instruction No 57 of the Government of the Russian Federation of 06 February 2004 "On restricted property of JSCo Russian Railways"
2	On engagement of a private car fleet in railway freight transportation: order No SI-P9-7067 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 07 October 2011; order No VP-P9-7788 of Chairman of the Government of the Russian Federation V.V. Putin of 03 November 2011	Resolution No 1051 of the Government of the Russian Federation of 20 December 2011 "On the procedure for engagement of the rolling stock in freight transportation and establishment of a special procedure of pricing for freight transportation using this rolling stock"
3	On budgetary provisions to make a contribution to the charter capital of JSCo Russian Railways for upgrade of public rail transport infrastructure facilities: minutes No 1 of the meeting of the Government Commission for budget projecting for the next financial year and target period of 12 September 2011	Federal Law No. 302-FZ of 06 November 2011 "Concerning amendments to the Federal Law "Concerning the federal budget for 2011 and target period of 2012 and 2013"; Federal Law No. 371-FZ of 30 November 2011 "Concerning the federal budget for 2012 and target period of 2013 and 2014"; Resolution No. 1031 of the Government of the Russian Federation dated 12 December 2011 "On amendments to the charter of JSCo Russian Railways"; Resolution No. 2228-r of the Government of the Russian Federation dated 12 December 2011 "On increase in the charter of JSCo Russian Railways"; Resolution No. 1204 of the Government of the Russian Federation of 30 December 2011 "On approval of the rules for federal budgetary subsidizing of JSCo Russian Railways for overhaul of public rail transport infrastructure facilities" In 2011, contribution to the charter capital of JSCo Russian Railways for upgrade of public rail transport infrastructure facilities amounted to 17,758.3 mln rubles. In 2012, JSCo Russian Railways subsidies for overhaul of public rail transport infrastructure facilities will amount to 22,241.7 mln rubles.
4	On measures to ensure power supply of 32 objects of mobile telephone communications of Amur road: minutes No. VP-P9-46 of the meeting with Chairman of the Government of the Russian Federation V.V. Putin of 30 August 2010	Federal Law No. 302-FZ of 06 November 2011 "Concerning amendments to the Federal Law "Concerning the federal budget for 2011 and target period of 2012 and 2013"; Resolution No. 1031 of the Government of the Russian Federation dated 12 December 2011 "On amendments to the charter of JSCo Russian Railways"; Resolution No. 2228-r of the Government of the Russian Federation dated 12 December 2011 "On increase in the charter of JSCo Russian Railways" In 2011, contribution to the charter capital of JSCo Russian Railways for measures to ensure power supply of 32 objects of mobile telephone communications of Amur road amounted to 682.3186 mln rubles.

Appendix No. 21

No.	Instructions	Performance results
5	On the plan for implementation of the target freight railway transportation market model till 2015: order No. SI-P9-3490 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 28 May 2010	Action plan for implementation of the target freight railway transportation market model till 2015 was approved by minutes No. 1 of the meeting of the Government Commission for Transport and Communication of 13 April 2011
6	On exceptional rates for grain transportation: order No. SI-P9-3490 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 28 May 2010	Resolution No. 1038 of the Government of the Russian Federation of 20 December 2011 "On approval of the rules for federal budgetary subsidizing of JSCo Russian Railways in 2011 and 2012 to compensate losses resulting from establishment of exceptional rates for transportation of grain, flour-and-cereals industry products, soya and soybean meal"
7	Arrangement of rapid service in Moscow – Kiev line with regard to optimization of control procedures: order No. Pr-2928 of President of the Russian Federation D.A. Medvedev; order No. VP-P4-6988 of Chairman of the Government of the Russian Federation V.V. Putin of 11 October 2010; order No. SI-P4-1160 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 01 March 2011; clause 5 section I of minutes No. 1 of the meeting of the State Border Commission of 25 March 2011; order No. SI-P4-3521 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 28 May 2011	Resolution No. 914-r of the Government of the Russian Federation of 27 May 2011 "On arrangement of a permanent railway passenger multisided crossing point on the state border of the Russian Federation Moscow – Kievskaya"
8	On state support of suburban passenger operations: order No. AZH-P9-2536 of Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 21 April 2011; minutes No. AZH-P9-32pr of the meeting with Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 28 April 2011; order No. VP-P9-5302 of Chairman of the Government of the Russian Federation V.V. Putin of 25 July 2011; order No. KA-P9-5554 of Deputy Chairman of the Government of the Russian Federation – Minister of Finance of the Russian Federation A.L. Kudrin of 05 August 2011	- Federal Law No. 105-FZ of 01 June 2011 "Concerning amendments to the Federal Law "Concerning the federal budget for 2011 and target period of 2012 and 2013" that provides for JSC Russian Railway subsidizing in the amount of 25 bln rubles to compensate the give up resulting from state regulation of tariffs for public rail transport infrastructure use services provided during suburban passenger operations. Resolution No. 844 of the Government of the Russian Federation of 17 October 2011 "Concerning establishment of a reduced exceptional tariff for public rail transport infrastructure use services and approval of the Rules for federal subsidizing of JSCo Russian Railways to compensate the give up resulting from state regulation of tariffs for public rail transport infrastructure use services provided during suburban passenger operations". Decree No. 249-t/1 of the FST of Russia "Concerning establishment of a reduced exceptional tariff for public rail transport infrastructure use services provided by JSCo Russian Railways during suburban passenger operations" (registered with the Russian Ministry of Justice on 08 November 2011 under No. 22233)

Appendix No. 21

No.	Instructions	Performance results
9	Regulatory establishment of a right of the disabled to travel to healthcare centers and back in named trains (in case there are no other trains) order No. AZH-P12-2850 of Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 29 April 2011	Resolution No. 515 of the Government of the Russian Federation of 29 June 2011 "On amendments to clause 11 of the Rules for financial provision of expenses on rendering social aid to individuals in the form of a set of social services"
10	Regulatory assignment of a status of a recipient of taxpayer funds to SPCs engaged in suburban transportation of persons entitled to use social services: minutes No. AZH-P9-32pr of Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 28 April 2011; minutes No. AZH-P9-51pr of Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 27 July 2011; order No. AZH-P12-7403 of Deputy Chairman of the Government of the Russian Federation A.D. Zhukov of 21 October 2011	Resolution No. 1140 of the Government of the Russian Federation of 26 December 2011 "On amendments to the Rules for financial provision of expenses on rendering social aid to individuals in the form of a set of social services"
11	On assignment of a status of crossing points to a number of railway stations that exercise border control of trains and have no status of crossing point on the state border of the Russian Federation: order No. SI-P4-4834 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 14 July 2011; order No. SI-P4-6027 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 24 August 2011	Resolution No. 2451-r of the Government of the Russian Federation of 30 December 2011 "On arrangement of temporary railway crossing points on the state border of the Russian Federation"
12	Assurance of a possibility to develop land plots in railroad precincts with non-railway facilities: order No. SI-P9-1807 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 26 March 2010	Resolution No. 239 of the Government of the Russian Federation of 04 April 2011 "On amendments to acts of the Government of the Russian Federation as related to specification of the procedure for establishment and use of railroad precincts and guarded areas"
13	On trust of federally-owned shares of JSC UBR to JSCo Russian Railways: Decree No. 965 of 22 August 2009 "On trust of federally-owned shares of JSC UBR to JSCo Russian Railways"	Resolution No. 300-r of the Government of the Russian Federation of 25 February 2011 "On signature of the Protocol to the Agreement between the Government of the Union of Soviet Socialist Republic and the Government of Mongolian People's Republic on incorporation of Soviet-Mongolian Joint Stock Company Ulan-Bator railway of 06 July 1949" (implies an increase in the capital of JSC UBR), that the Russian Ministry of Transport is instructed to negotiate with the Mongolian party and sign this protocol based on negotiation results. On 31 May 2011, at the meeting of the President of Mongolia and President of Russia, the protocol was signed that implies an increase in the capital of JSC UBR. V.I. Yakunin took part in these events.
14	On sale of shares of JSC First Freight Company: order No. SI-P9-3490 of Deputy Chairman of the Government of the Russian Federation S.B. Ivanov of 28 May 2010	Resolution No. 1315-r of the Government of the Russian Federation of 28 July 2011 "On the sale of ordinary registered shares of JSC First Freight Company (Moscow) owned by JSCo Russian Railways"

Appendix No. 22

List of suburban passenger companies (SPC)

No.	SPC	Distribution of shares
1	JSC Central SPC	JSCo Russian Railways (49.33%); Moscow administration (25% + 1 share); Moscow administration (25%+share)
2	JSC Omsk-Prigorod	JSCo Russian Railways (51.02%), Omsk oblast administration (49%)
3	JSC Altay-Prigorod	JSCo Russian Railways (51%), Altay Territory administration (49%)
4	JSC Express-Prigorod	JSCo Russian Railways (51%); Novosibirsk oblast administration (46%); Novosibirsk administration (3%)
5	JSC Kuzbass-Prigorod	JSCo Russian Railways (51%), Kemerovo oblast administration (49%)
6	JSC Krasprigorod	JSCo Russian Railways (51%), Krasnoyarsk Territory administration (49%)
7	JSC Sverdlovsk SC	JSCo Russian Railways (51%), Sverdlovsk oblast administration (49%)
8	JSC North-Western SPC	JSCo Russian Railways (74%), St. Petersburg administration (26%)
9	JSC Express Primorya	JSCo Russian Railways (51%), Primorie Territory administration (49%)
10	JSC Volgogradtransprigorod	JSCo Russian Railways (51%), Volgograd oblast administration (49%)
11	JSC Don-Prigorod (JSC North Caucasus SPC)	ОАО «РЖД» (74%); адм. Ростовской области (26%)
12	JSC Moskovsko-Tversakaya SPC	JSCo Russian Railways (49.99%); Tver oblast administration (25% + 1 share); LLC Delta-Trans-Invest (25% + 1 share)
13	JSC Perm SC	JSCo Russian Railways (51%), Perm Territory administration (49%)
14	JSC Volgo-Vyatskaya SPC	JSCo Russian Railways (49.33%); Nizhny Novgorod administration (25% + 1 share); Kirov oblast administration (25% + 1 share)
15	JSC Sodruzhestvo	JSCo Russian Railways (49.33%); administration of the Republic of Tatarstan (25% + 1 share); administration of the Republic of Udmurtia (25% + 1 share)
16	JSC Kuban Express-Prigorod	JSCo Russian Railways (49%), Krasnodar Territory administration (15%)
17	JSC Bashkortostanskaya SPC	JSCo Russian Railways (100% – 1 share), ANO Zheldorreforma – 1 share
18	JSC Samarskaya SPC	JSCo Russian Railways (49%), Samara oblast administration (51%)
19	JSC Baikal SPC	JSCo Russian Railways (550% – 1 share), Irkutsk oblast administration (50 + 1 share %)
20	JSC Saratovskaya SPC	JSCo Russian Railways (51%), Saratov oblast administration (49%)
21	JSC Severnaya SPC	JSCo Russian Railways (100% – 1 share), ANO Zheldorreforma – 1 share
22	JSC Kaliningradskaya SPC	JSCo Russian Railways (100% – 1 share), ANO Zheldorreforma – 1 share
23	JSC Chernozemie SPC	JSCo Russian Railways – 51 %, Voronezh oblast – 25.5%, Lipetsk oblast – 5%, Tambov oblast – 10%, Belgorod oblast – 9%
24	JSC South-Urals SPC	JSCo Russian Railways (100% – 1 share), ANO Zheldorreforma – 1 share
25	JSC Zabaikalsk SPC	JSCo Russian Railways (51%), Zabaikalye Territory administration (49%)
26	JSC Sakhalin SC	JSCo Russian Railways (100% – 1 share), ANO Zheldorreforma – 1 share

Appendix No. 23**List of companies within the consolidation perimeter**

No.	Name of the Company
1	JSC Arena-2000
2	JSC BetElTrans
3	JSC Vagonremmash
4	JSC S.M. Kirov's Vladikavkaz Railcar Repair Plant
5	JSC VNIIZHT
6	JSC Vologda Railcar Repair Plant
7	JSC Second Freight Company
8	JSC Zhelddorremmash
9	JSC Railway Trading Company
10	Remputmash Group (JSC Kaluga Plant (Remputmash)
11	JSC Krasnoyarsk Electric Railcar Repair Plant
12	TransTeleCom Group
13	JSC Moscow Locomotive Repair Plant
14	JSC NIIAS
15	JSC Novosibirsk Switch Plant
16	JSC First Freight Company
17	JSC First Non-Metallic Company
18	JSC RailTransAvto
19	JSC "RZD-ZDOROVIE"
20	JSCo RZDstroy
21	JSC Roszheldorproekt
22	JSC Saransk Railcar Repair Plant
23	JSC TransWoodService
24	JSC TransContainer
25	JSC Federal Passenger Company
26	JSC ELTEZA
27	JSC CRC 1
28	JSC CRC 2
29	JSC CRC 3
30	JSC IERT
31	JSC VNIKTI
32	JSC Lyublinsky CMP
33	LLC Aeroexpress
34	JSC NIITKD
35	JSCo RZD-Logistika
36	JSC Altay-Prigorod

Appendix No. 23

No.	Name of the Company
37	JSC Baikal Suburban Passenger Company
38	JSC Bashkortostan Suburban Passenger Company
39	JSC Volgo-Vyatskaya Suburban Passenger Company
40	JSC Volgogradtransprigorod
41	JSC Kaliningrad Suburban Passenger Company
42	JSC Krasprigorod
43	JSC Kuzbass-Prigorod
44	JSC Moskovsko-Tversakaya Suburban Passenger Company
45	JSC Omsk-Prigorod
46	JSC Perm Suburban Company
47	JSC Saratov Suburban Passenger Company
48	JSC Severnaya Suburban Passenger Company
49	JSC North-Western Suburban Passenger Company
50	JSC North Caucasus Suburban Passenger Company
51	JSC Sodruzhestvo
52	JSC Sverdlovsk Suburban Company
53	JSC Central Suburban Passenger Company
54	JSC Chernozemie SPC
55	JSC Express-Prigorod
56	JSC Express Primorya
57	JSC South Urals Suburban Passenger Company

Appendix No. 24

Accrued tax payments on taxes and levies of JSCo Russian Railways in 2010-2011

bln RUB

Description	2010	2011	+/-	%
Total taxes and levies	249.8	268.7	+18.9	107.6
Federal budget	60.9	41.6	-19.3	68.3
VAT	55.98	36.34	-19.64	64.9
Income tax	4.75	5.10	+0.34	107.2
Other taxes payable to the federal budget	0.21	0.18	-0.02	89.4
Regional and local budgets	107.9	113.3	+5.4	105.1
Income tax	40.72	42.50	+1.79	104.4
Personal income tax	45.47	49.31	+3.83	108.4
Property tax	19.54	19.28	-0.26	98.7
Land tax	1.86	1.87	+0.01	100.4
Transport tax	0.18	0.17	-0.01	99.7
Mineral extraction tax	0.005	0.007	+0.002	147.0
Water tax	0.042	0.031	-0.01	74.3
Other taxes payable to regional and local budgets	0.059	0.18	+0.12	3-fold
Non-budgetary funds	81.0	113.8	+32.8	140.4
Pension fund	60.85	85.59	+24.74	140.7
Social security fund	8.77	9.50	+0.73	108.3
Medical security fund	9.40	16.78	+7.38	178.5
Accident insurance fund	1.99	1.88	-0.11	94.3

Appendix No. 24**Tax payments made by JSCo Russian Railways**

bln RUB

Description	2010	2011	+/-	%
Total taxes and levies	253.0	256.6	+3.6	101.4
including:				
Federal budget	62.5	47.5	-15.0	76.0
including:				
Value-added tax	57.7	43.8	-13.9	75.9
Income tax	4.6	3.5	-1.1	76.1
Regional and local budgets	108.7	97.5	-11.2	89.7
including:				
Income tax	41.2	27.3	-13.9	66.3
Personal income tax	45.5	49.0	3.5	107.7
Property tax	19.9	18.9	-1.0	95.0
Land tax	1.8	1.8	0.0	100.0
Non-budgetary funds	81.8	111.6	29.8	136.4
including:				
Insurance contributions	79.9	109.7	29.8	137.3
Accident insurance fund	1.9	1.9	0.0	100.0

Appendix No. 25

Structure of freight turnover by types of transportation

Type of transportation	2010						2011						Growth rate 2011/2010, %			
	Transportation volume, mln. t	Structure of transportation volume, %	Freight turnover, bln ton-km	Structure of freight turnover, %	Average length, km	Revenue rate, kop/10 ton-km	Transportation volume, mln. t	Structure of transportation volume, %	Freight turnover, bln ton-km	Structure of freight turnover, %	Average length, km	Revenue rate, kop/10 ton-km	Traffic	Freight turnover	Average distance	Revenue rate, kop/10 ton-km
Domestic, Russia	828.4	61.8	909.8	45.3	1,098	414.6	849.2	61.1	955.3	45.0	1,125	413.9	102.5	105.0	102.4	99.8
International	511.7	38.2	1,096.5	54.7	2,143	337.4	540.8	38.9	1,167.2	55.0	2,158	326.8	105.7	106.5	100.7	96.9
Export	385.5	28.8	960.3	47.9	2,491	307.1	398.6	28.7	1,010.0	47.6	2,534	286.7	103.4	105.2	101.7	93.4
via ports	204.8	15.3	605.4	30.2	2,956	252.3	215.8	15.5	624.2	29.4	2,893	247.2	105.4	103.1	97.9	97.9
via border crossings	180.7	13.5	354.9	17.7	1,964	400.5	182.8	13.2	385.7	18.2	2,110	350.8	101.2	108.7	107.4	87.6
Import	98.5	7.4	91.9	4.6	932	452.4	112.0	8.1	106.1	5.0	947	459.0	113.6	115.5	101.6	101.5
via ports	8.5	0.6	33.1	1.6	3,905	277.2	9.1	0.7	36.5	1.7	4,033	312.7	106.9	110.4	103.3	112.8
via border crossings	90.1	6.7	58.8	2.9	653	551.0	102.9	7.4	69.5	3.3	676	535.9	114.3	118.3	103.5	97.3
Transit	27.7	2.1	44.3	2.2	1,604	755.0	30.2	2.2	51.2	2.4	1,694	843.8	109.3	115.5	105.6	111.8
TOTAL	1,340.1	100.0	2,006.4	100.0	1,497	372.4	1,390.0	100.0	2,122.6	100.0	1,527	366.0	103.7	105.8	102.0	98.3
besides																
Cargo luggage transportation	5.4	-	5.0	-	-	-	5.7	-	5.3	-	-	-	106.0	97.9	-	-
Total net freight turnover	1,345.4	-	2,011.3	-	-	-	1,395.7	-	2,127.8	-	-	-	103.7	105.8	-	-
Mileage of private empty cars	-	-	490.5	-	-	-	-	-	576.9	-	-	-	-	117.6	-	-
Total freight turnover for infrastructure	-	-	2,501.8	-	-	-	-	-	2,704.8	-	-	-	-	108.1	-	-

Appendix No. 15

Analysis of the car fleet dynamics as of 31 December 2011 г. pcs.³⁸

Car type	Total, including							Private (independent private companies)
	Russian Railways Holding Company, including						JSC SFC	
	JSCo RZD proper		ДЗО ОАО «РЖД», в т. ч.:					
						JSC FFC		
Open cars	473,583	222,787	12,330	210,457	78,786		131,671	250,796
Tank cars	266,184	66,959	505	66,454	66,454		0	199,225
Platforms	56,413	39,384	25,173	14,211	10,973		3,193	17,029
Box cars	71,511	52,154	26,475	25,679	16,775		8,800	19,357
Other	215,319	101,619	30,385	71,234	18,479		696	113,700
Refrigerator	7,539	3,921	753	3,168				3,618
Total, without transporters	1,090,549	486,824	95,621	391,203	191,467		144,360	603,725
Transporters	1,217	1,217	1,217					
Total	1,091,766	488,041	96,838	391,203	191,467		144,360	603,725

³⁸ According to the data warehouse of Car Fleets MCC

³⁹ Посчитано с учетом вагонов в пользовании ОАО «РЖД» (25799 вагонов принадлежности ОАО «ВГК» в пользовании ОАО «РЖД»). Из них: крытые – 15 752, платформы – 6 899, полувагоны – 822, прочие – 2 326).

Appendix No. 26

Freight loading in 2010-2011, abs. thous. tons

freight	Classification rating	Act. 2010	Act. 2011	Deviation vs. 2010		Road share in the total loading volume	
				+/-abs.	%	2010	2011
TOTAL		1 205 769	1 241 540	+35 771	3.0	100.0	100.0
Mineral coal	1	286,291	296,166	+9,874	+3.4	23.7	23.9
Coke	1	12,579	12,934	+356	+2.8	1.0	1.0
Peat	1	737	736	-1	-0.2	0.1	0.1
Blacks	1	5	0	-5	-96.7	0.0	0.0
Fluxes	1	10,200	10,515	+314	+3.1	0.8	0.8
Iron ore	1	101,908	110,920	+9,013	+8.8	8.5	8.9
Non-ferrous ore	1	25,392	23,760	-1,632	-6.4	2.1	1.9
Building materials	1	142,528	157,744	+15,215	+10.7	11.8	12.7
Industrial commodities	1	36,085	33,788	-2,297	-6.4	3.0	2.7
Granulated slag	1	4,236	5,127	+891	+21.0	0.4	0.4
Refractories	1	6,551	6,614	+63	+1.0	0.5	0.5
Cement	1	33,364	34,524	1,159	+3.5	2.8	2.8
Timber cargo	1	41,461	40,631	-830	-2.0	3.4	3.3
Transshipment	1	373	362	-11	-3.1	0.0	0.0
Total of class 1		701,711	733,820	+32,109	+4.6	58.2	59.1
Oil	2	252,706	249,995	-2,710	-1.1	21.0	20.1
Fertilizers	2	45,487	46,534	+1,047	+2.3	3.8	3.7
Sugar	2	2,863	2,907	+44	+1.6	0.2	0.2
Meat	2	420	451	+31	+7.5	0.0	0.0
Vegetables	2	256	267	+11	+4.2	0.0	0.0
Salt	2	604	396	-208	-34.4	0.1	0.0
Beet	2	564	420	-144	-25.5	0.0	0.0
Grain	2	14,489	16,768	+2,279	+15.7	1.2	1.4
Grinded grain	2	3,627	3,244	-384	-10.6	0.3	0.3
Mixed feeds	2	1,035	989	-46	-4.4	0.1	0.1
Cakes	2	2,339	2,297	-42	-1.8	0.2	0.2
Imported cargo	2	10,770	11,818	+1,047	+9.7	0.9	1.0
Agricultural machinery	2	184	174	-10	-5.2	0.0	0.0
Food products	2	6,182	6,115	-67	-1.1	0.5	0.5
Manufactured goods	2	1,897	1,669	-227	-12.0	0.2	0.1
Poultry	2	21	22	+1	6.3	0.0	0.0
Total of class 2		343,444	344,067	+623	+0.2	28.5	27.7
Ferrous metals	3	72,760	73,533	+772	+1.1	6.0	5.9
Metalwork	3	698	713	+15	+2.1	0.1	0.1

Appendix No. 26

freight	Classifica- tion rating	Act. 2010	Act. 2011	Deviation vs. 2010		Road share in the total loading volume	
				+/-abs.	%	2010	2011
Scrap metal	3	20,931	20,184	-747	-3.6	1.7	1.6
Non-ferrous metals	3	3,819	3,593	-226	-5.9	0.3	0.3
Chemicals	3	29,005	28,799	-207	-0.7	2.4	2.3
Fish	3	562	553	-9	-1.6	0.0	0.0
Cotton	3	1	2	+2	+209.6	0.0	0.0
Paper	3	3,400	3,444	+45	+1.3	0.3	0.3
Machinery and equipment	3	1,108	1,254	+146	+13.1	0.1	0.1
Metalware	3	4,531	4,471	-60	-1.3	0.4	0.4
Motor vehicles	3	933	1,128	+194	+20.8	0.1	0.1
Cargo in containers	3	18,014	20,260	+2,246	+12.5	1.5	1.6
Residual and joint cargo	3	4,851	5,720	+869	+17.9	0.4	0.5
Total of class 3		160,614	163,653	+3,039	+1.9	13.3	13.2

Appendix No. 27

Statistical data on unlawful interference in railway transport operation, acts

	2010	2011	+/-
Acts of unlawful interference recorded, total	1 964	2 111	+47
including:			
- explosions	18	8	-10
- reports on threatened terrorist acts	147	145	-2
- track disassembly (damage)	101	253	+152
- dekitting (damage) of signals and interlocking	771	833	+62
- placement of foreign objects on track	542	517	-25
- unlawful actions towards rail transport workers	20	20	
- other acts of unlawful interference	365	335	-30
Detected (identified):			
- explosive devices	5	5	
- explosive substances, explosive objects	896	418	-478
- unattended suspicious objects	873	1,172	+299

Appendix No. 28

Economic effect from introduction of resource saving equipment in 2010-2011, mln rubles

Year	Project-related economic effect (saving of operating expenses), including							Expenses borne in the current year for implementation of projects of future years
	Electricity, including:		Diesel fuel for hauling	Heat energy	Labor intensity	Materials and other resources		
	for hauling	in stationary power industry						
2010	507.2	49.8	92.8	60.3	32.0	81.0	191.3	2,368.7
2011	671.0	93.6	134.7	94.8	96.5	58.3	193.2	2,669.8
Bcero	1,268.5	129.2	211.3	162.2	240.7	167.2	358.0	5,105.0