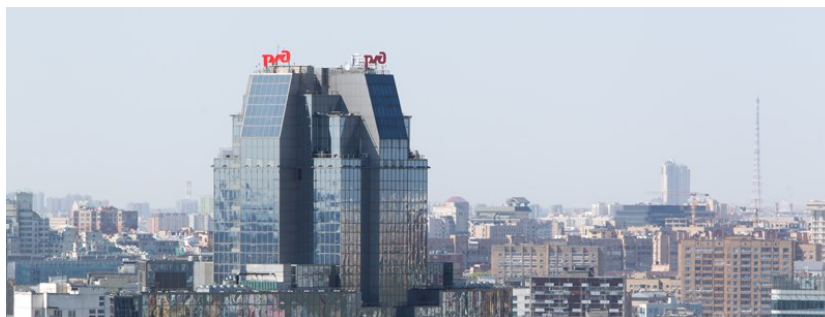


Key Financial Results



In 2013 the Company's business activities were carried out in more complicated economic conditions than in 2012.

Considerable deterioration of the macroeconomic situation in the country was recorded, which resulted in significant decline of GDP growth, and, more importantly, an essential decrease in the industrial-production growth was seen in 2013. Forecast of changes in these parameters has been consistently adjusted since September 2012. GDP growth slowed to 1.3% compared with 3.4% in 2012. Industrial-production growth, which determines the volume of rail transport activities, was only 0.4% in 2013 compared with 2.6% in 2012.

Due to changes in macroscenarios, the Company was forced to repeatedly adjust the plan on the transportation dynamics. While the initial loading plan assumed the 3.3% growth compared with 2012 report, due to the circumstances prevailing in the end of the year, the loading reduction in 2013 was 2.8%

Key events in 2013

- ▶ The Board of Directors of Russian Railways approved the Group Development Strategy until 2030 and set up its financial resilience model.
- ▶ The Company fully implemented its obligations of timely funding for the final stages of works linked to the Olympic facilities in Sochi.
- It was decided to transfer RUB 260 bn from the Federal budget to the charter capital of Russian Railways for development of the Baikal-Amur Mainline and the Trans-Siberian Railway, including investment of the Fund of National Welfare in the preferred shares of Russian Railways to be issued in 2014-2016 at a value of RUB 150 bn.
- ▶ The Government made a vital decision that the source of funding for the Company investment programme would be for the first time the issue of infrastructure bonds for the amount of RUB 300 bn in 2013-2015, with a maturity period of 15-30 years.
- ▶ A public process and price audit of the railway's Eastern test range infrastructure development projects was carried out. Its findings were considered at expert and public hearings and were submitted

Revenues from all activities in 2013 were

1.376.6
RUB bn
+ 0.8% to 2012

Dividends from subsidiaries and affiliates of Russian Railways in 2013 were

23.0
RUB bn

Expenses in all activities in 2013 was

1.317.8
RUB bn
+ 1.5% to 2012

Net profit in 2013 was

740
RUB mln

Revenues from selling the shares of subsidiaries and affiliates of Russian Railways in 2013 were

4.4
RUB bn

Formed sources of funding investment budget equalled

467.2
RUB bn

After assessing the extent of the adverse effects of the economic crisis in December 2012, the company commenced the timely development of preventative anti-crisis measures and maintained stable railway transport operations.

All the parameters of the company operations were repeatedly discussed at the meetings of the Board of Directors of Russian Railways and in the interested federal executive bodies. The loss of revenues of Russian Railways resulting from the original plan was RUB 137.5 billion.

To ensure financial balance in the face of revenue reduction and tax liability increases (rise of insurance payments and cancellation of property tax exemption) and also the review of the forecasts of the Ministry of Economic Development of Russia, the original plan of transportation expenses was adjusted and reduced by RUB 98.8 billion.

Alongside the reduction in expenses dependent on the transportation volumes, the primary measures included: optimisation of process flows, conservation of fixed assets, optimisation of outsourced fleet activities, negotiations with suppliers and contractors to alter their pricing policy, and the introduction of a part-time schedule.

Thus, thanks to continuous work on expense management, and also due to the fulfillment of the shareholder's order (the Russian Federation) on cutting costs, the growth of the specific transportation cost was only 0.4%, which was significantly lower than the average annual inflation rate in the country as a whole (6.8%). The rate of efficiency growth in 2013 was 104.3%, taking into account the fact that across in the country, labour efficiency grew by 1.5%.

Considering this in the context of the conditions for state regulation of railway cargo transportation rates, the company ensured profitable activities in the year's results and generated a net profit of RUB 740.4 million. At the same time, it established the sources of funding for an investment budge of RUB 467.2 billion, which is more than twice the volume of depreciation in 2013.

THE DYNAMICS OF FINANCIAL RESULTS IN 2009-2013

Index	Unit	2009	2010	2011	2012	2013		Actual versus target performance 2013		Changes 2013 versus 2012	
						Target	Actual	+/-	%	+/-	%
Total revenues	RUB bn	1,050.2	1,195.1	1,288.3	1,366.0	1,358.6	1,376.6	18.0	101.3	10.6	100.8
Revenues from transportation, infrastructure services and locomotives	RUB bn	956.8	1,079.3	1,109.1	1,206.5	1,199.4	1,209.5	10.1	100.8	3.1	100.3
▶ Freight transportation	RUB bn	783.0	936.2	1,003.1	1,089.3	1,078.5	1,088.2	9.7	100.9	-1.1	99.9
▶ Infrastructure services	RUB bn	11.7	88.4	87.2	96.7	100.8	101.7	0.9	100.9	5.0	105.2
▶ Locomotive services	RUB bn	11.0	11.8	11.4	12.4	11.1	11.0	-0.1	99.1	-1.3	89.2
▶ Passenger transportation	RUB bn	151.0	42.9	7.4	8.1	9.0	8.6	-0.4	95.9	0.5	106.1
Gains from other activities	RUB bn	93.4	115.8	179.2	159.5	159.1	167.0	7.9	105.0	7.5	104.7
Total expenses	RUB bn	999.9	1,084.2	1,215.6	1,298.6	1,307.9	1,317.8	9.9	100.8	19.2	101.5
Expenses on transportation, infrastructure services and locomotives	RUB bn	913.8	986.4	1,050.8	1,151.5	1,162.6	1,165.9	3.3	100.3	14.4	101.2
▶ Freight transportation	RUB bn	691.1	796.1	933.3	1,017.4	1,023.8	1,027.6	3.8	100.4	10.2	101.0
▶ Infrastructure services	RUB bn	11.1	86.2	102.2	118.8	122.9	122.3	-0.6	99.5	3.5	103.0
▶ Locomotive services	RUB bn	8.3	8.8	8.4	9.2	8.2	8.2	-0.1	99.1	-1.0	89.2
▶ Passenger transportation	RUB bn	203.3	95.3	7.0	6.2	7.7	7.8	0.1	101.5	1.6	126.2
Revenues from other activities	RUB bn	86.1	97.9	164.7	147.1	145.3	151.9	6.6	104.5	4.8	103.3
Total sales profit	RUB bn	50.2	110.9	72.8	67.4	50.6	58.8	8.1	116.1	-8.6	87.2
Profit from transportation, infrastructure services and locomotives	RUB bn	43.0	92.9	58.3	54.9	36.8	43.6	6.8	118.5	-11.3	79.4
▶ Freight transportation	RUB bn	91.9	140.1	69.9	71.9	54.8	60.6	5.8	110.7	-11.3	84.3
▶ Infrastructure services	RUB bn	0.6	2.2	-15.0	-22.1	-22.1	-20.6	1.5	93.3	1.4	93.5
▶ Locomotive services	RUB bn	2.7	3.0	3.0	3.2	2.9	2.9	0.0	99.1	-0.3	89.3
▶ Passenger transportation	RUB bn	-52.3	-52.4	0.4	1.9	1.3	0.8	-0.5	62.4	-1.1	41.5
Revenues from other activities	RUB bn	7.2	18.0	14.5	12.5	13.8	15.1	1.3	109.7	2.7	121.5
Other profits and losses	RUB bn	10.1	14.9	3.8	-1.3	-33.4	-39.3	-6.0	117.9	-38.1	3,116.0

Index	Unit	2009	2010	2011	2012	2013		Actual versus target performance 2013		Changes 2013 versus 2012	
						Target	Actual	+/-	%	+/-	%
Profits and losses from selling shares of subsidiaries and affiliates	RUB bn	1.0	6.9	66.3	33.9	3.6	1.4	-2.2	37.6	-32.5	4.0
Budget funds	RUB bn	76.8	52.2	1.8	23.2	0.4	0.9	0.5	225.6	-22.3	3.8
Exchange differences	RUB bn	-4.6	0.9	-6.4	4.5	-22.0	-18.4	3.6	83.6	-22.8	-410.7
Changes of reserves and other estimated liabilities	RUB bn	-15.4	-17.3	-51.8	-18.2	4.4	-1.7	-6.1	-38.1	16.5	9.3
Revenues from the interest in other entities, including dividends	RUB bn	1.6	2.1	21.3	9.8	22.9	23.0	0.1	100.4	13.2	234.2
<u>Credit and loan expenses</u>	RUB bn	-24.3	-20.6	-19.6	-19.3	-24.7	-26.8	-2.0	108.3	-7.5	138.7
Pretax profit	RUB bn	60.3	125.9	76.6	66.2	17.3	19.4	2.2	112.6	-46.7	29.4
Profit tax and other similar liabilities	RUB bn	45.9	51.1	59.8	52.0	17.1	18.7	1.6	109.3	-33.3	36.0
Net profits	RUB bn	14.4	74.8	16.8	14.1	0.1	0.740	0.6	512.1	-13.4	5.2
Expenses on investment activities with no capitalised interest (excl. VAT)	RUB bn	265.5	317.4	395.4	480.1	467.5	467.2	-0.2	99.9	-12.8	97.3
Governmental support, including	RUB bn	108.6	163.2	119.7	152.7	84.1	87.1	2.9	103.5	-65.7	57.0
Subsidies and other compensations from the federal budget, regional budgets and non-budget funds.	RUB bn	80.3	59.6	31.2	51.7	28.0	27.6	-0.5	98.2	-24.1	53.3
Contributions into charter capital	RUB bn	28.2	103.6	88.6	101.0	56.0	59.5	3.4	106.1	-41.6	58.9
Transportation cost	kop./ 10 virtual TKM	377.2c	372.3	369.4	393.4	397.5	395.0	-2.5	99.4	1.6	100.4
EBITDA	RUB bn	269.2	329.0	273.4	274.0	237.0	244.1	7.1	103.0	-29.9	89.1
Financial debt											
Financial debt (liabilities under credits+leasing) /EBITDA	x	1.4	1.0	1.4	1.6	2.7	2.6	-0.1	96.5	1.1	167.6
Net debt (financial debt - balance funds) /EBITDA	x	1.3	0.8	0.8	1.2	2.4	2.3	-0.1	94.2	1.1	199.2
Changes in debt (principal amount)	RUB bn	19.8	-23.7	74.7	38.3	174.2	175.4	1.2	100.7	137.1	457.5
Net change of debt Portfolio, including exchange differences and accrued interest	RUB bn	29.9	-23.3	79.8	35.7	198.4	196.5	-1.9	99.0	160.8	550.4
Loan debt	RUB bn	327.4	304.1	383.9	419.6	618.1	616.1	-1.9	99.7	196.5	146.8

EQUITY CAPITAL, ASSETS AND LIABILITIES (ACCORDING TO THE ACCOUNTING BALANCE-SHEET OF RUSSIAN RAILWAYS FOR 2013)

	Unit	2012	2013	% to 2012
Currency of balance sheet	RUB bn	4,330.80	4,577.50	5.7%
Fixed assets	RUB bn	4,053.20	4,319.60	6.8%
Floating assets	RUB bn	277.6	258	-7.1%
Capital and reserves	RUB bn	3,481.80	3,540.30	1.7%
Long-term liabilities	RUB bn	427.8	656.7	53.5%
Short-term liabilities	RUB bn	421.2	380.5	-9.7%
Net asset value	RUB bn	3,488.90	3,547.60	1.7%

1 : Credit and loan expenses - undefined