

## Analysis of revenues from transportation services

For the period from 2009-2013 the revenues derived from transportation services has increased from RUB 956.8 bn to RUB 1,209.5 bn (including the increase on RUB 3.0 bn, or 2% during the last year).

The structure of revenue from transportation in the reporting year has not significantly changed: the biggest share of revenues belongs to the freight transportation (90%). The revenue from infrastructure services for freight and passenger transportation is 8.4%. The remaining 1.6% is accounted for the locomotive traction services (0.9%) and high-speed passenger transportation (about 0.7%).

The share of revenues from transportation of goods is

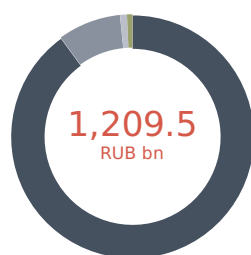
**90%**

### THE DYNAMICS OF TRANSPORTATION SERVICES REVENUES STRUCTURE OF RUSSIAN RAILWAYS, IN RUB BN

Revenues	Fact, 2012	Plan, 2013	Fact, 2013	+/- to the Plan	% to the Plan	+/- to 2012	% to 2012
Freight transportation	1,089.3	1,078.50	1,088.20	9.7	100.9	-1.1	99.9
Locomotive traction services	12.4	11.10	11.00	-0.1	99.1	-1.4	89.2
Long-haul passenger transportation	8.1	9	8.6	-0.4	95.3	0.4	105.4
Suburban passenger transportation	0.004	0.01	0.06	0.05	5 times	0.06	15 times
Infrastructure services	96.7	100.8	101.7	0.9	100.9	5	105.2
<b>TOTAL for all types of transportation activities</b>	<b>1,206.5</b>	<b>1,199.4</b>	<b>1,209.5</b>	<b>10.1</b>	<b>100.8</b>	<b>3</b>	<b>100.3</b>

### THE DYNAMICS OF REVENUES FROM TRANSPORTATION FOR THE PERIOD OF 2009-2013, IN RUB BN.

### THE STRUCTURE OF REVENUES FROM TRANSPORTATION ACTIVITIES IN 2013, IN RUB BN.



- Transportation of goods
- Support services
- Locomotive traction services
- Passenger traffic

### Freight transportation revenues

In 2013 the revenues from freight transportation made RUB 1,088.2 billion, which is RUB 1.1 billion, or 0.1%, lower than the level of revenues in 2012.

#### The main impact on the change in freight transportation revenue

The decrease in freight turnover (excluding the empty run of other owner's railcars) by 1.2% against 2012 (from 2,222.4 billion to 2,196.2 billion tonne-kilometre) has resulted in the decrease of revenues in the amount of RUB 12.8 billion.

The rise in average revenue rate for 10 tonne-kilometre to the level of 2012 by

1.1% has affected the increase of revenue in the amount of RUB 11.7 billion due to the following key reasons:

- Tariffs indexation on 7% (RUB +7.7 billion);

The deterioration of freight turnover structure (RUB -32.4 billion), which happened mostly due to:

The changes in the freight turnover structure by types of cargo (RUB -16.8 billion) due to the growth of the share of coal (with low margin) on 2.4 pp from 3.8% to 37.1%, the decrease of the share of ferrous metals (with high margin) from 6.2% to 5.8%, the decrease of share of petroleum cargo transportation (with average margin) on 0.3 pp from 19.9% to 19.6%;

- The changes in the freight turnover structure by destination (RUB -2.3 billion). In the reporting year the share of domestic Russian transportations has decreased from 45.4% to 45%, while international transportation through ports has increased from 33.6% to 34.3% due to the increase of average transportation distance. Hence, the revenue rate for the freight transportation through ports is lower than the mid-network level on 30% and 3 times lower for the coal transportation;

The increase of routed shipment (with a discount of up to 15% to the Price list 10-01) share to 2.6 pp, allowing Russian Railways to more effectively

- organise freight flows and to decrease the expenses connected with sorting and handling of freight. However, the above-mentioned factor has resulted in the decrease of revenues in the amount of RUB 9.6 billion.

The impact of the unification of tariffs – the decrease of revenue by RUB 4.5 billion. Further to the unification of tariffs (equalisation of transportation tariffs towards the Russian ports and land border-crossing points) the changes to the Price list No.10-01 were adopted in order to compensation for the losses in revenues of the Company, and additional scale-up factors were set to the prices for the freight transportation through land border-crossing points of the Russian Federation. However, the analysis of Russian Railways revenues from freight transportation (oil, timber, inorganic chemistry products) has shown that after the unification of tariffs, the structure of these goods has changed, which did not allow to keep revenue on the same level, and Russian Railways has received approximately RUB 4.5 billion less than what was due in 2013.

- The reduction of revenues from the changes in the size of LRF (leased railcar fleet) exploitation has led to the decrease of revenues on RUB 23.1 billion. From June 2013, LRF was fully returned under the operation of JSC Federal Freight.

FACTORIAL ANALYSIS OF DECREASE OF REVENUES FROM TRANSPORTATION OF GOODS IN 2013 TO THE LEVEL OF 2012 ON RUB -1.1 BILLION.

### Revenues from locomotive traction services

The revenues is RUB 11.0 billion, which is 10.8% lower than the level in 2012. The decrease of revenues was due to a drop in the volume of services on railcar cleaning and supply to the tracks of uncommon use according to the decrease in the volume of cargo turnover.

### Revenues from infrastructure services

Revenues from infrastructure services totalled RUB 101.7 billion with growth over the previous year of RUB 5 billion, or by 5.2%, attributable to

a 3.5% reduction in passenger railcar-kilometres. With the costs not being reimbursed in the full amount and the decrease of subsidies, the carriers have

- been optimizing their operations, with some trains cancelled, routes shortened and reduced transportation volumes, which together has led to a RUB 3 billion decrease in revenues;

- a tariff increase of 7% has led to a rise in revenues of RUB 7 billion;

an increase in payments collected for the parking of privately-owned railcars on common-use tracks, connected with the increase in the number of railcars owned by private operators and the transfer of LRF railcars back to JSC Federal Freight, as well as the changes in the methods of calculating rates for the use of railway tracks belonging to Russian Railways and not in common use, which altogether increased revenues in 2013 by RUB 1 billion.

FACTORIAL ANALYSIS OF INCREASE OF REVENUES FROM SUPPLY SERVICES IN 2013 TO THE LEVEL OF 2012 ON RUB 5 BN.

### **Revenues from long-haul passenger services**

---

Russian Railways provides long-haul passenger services using the high-speed Sapsan, Lastochka, and Allegro electrical trains. These services generated revenue of RUB 8.6 billion, which is RUB 0.4 billion, or 5.4%, higher than the level of revenue in the previous year.

The main driver of this increased revenue is the increase of passenger turnover in long-haul transportation via high-speed electrical trains (+9.2%). This mirrors an increase during a similar period in the previous year caused by the introduction of additional electrical trains. Sapsan trains were added at peak times, and Lastochka trains were introduced from January 23, 2013 on the St. Petersburg – Chudovo – Bologoe – Novgorod route (1 pair per day). The implementation of a “special price” tariff for morning trains from St. Petersburg to Helsinki (where the lowest occupancy rate was fixed, due to early train dispatch) has also affected the rise in passenger turnover for international traffic (on Allegro trains, at +35.4%).

### **Revenues from suburban passenger transportation services**

---

The revenues from suburban passenger transportation services is RUB 0.06 billion.

In order to facilitate passenger traffic during the 2014 Winter Olympic Games, Russian Railways added extra train routes. From May 1, 2013, the Lastochka electrical trains started operations on the Sochi-Airport route (10 pairs per day), and from November 1, 2013 the Lastochka trains operated on all Olympic routes at a rate of 30% of the regular schedule for the duration of the Games.