

## Other types of activity

In 2013, the Company's earnings from other types of activity were RUB 167.0 billion, which is RUB 7.9 billion, or 5.%, higher than the approved 2013 plan. The revenues from other types of activity was RUB 15.1 billion, which is RUB 1.3 billion, or 9.4%, higher than the approved 2013 plan.

The Company's earnings have increased to by RUB 7.5 billion, or 4.7%, matching the levels of the previous year. Revenues from other types of activity has increased on RUB 2.6 billion, or 20.8%.

The relative share of revenues from other types of activity has increased and reached 26% of the Company's total revenues volume from sales in 2013.

Other sales pattern in 2013 have seen no significant change. There is an overrepresentation of low-margin services with limited opportunities for revenues growth (the rent of rolling stock, transmission of electric energy, social programmes, and housing and utilities infrastructure services).

In order to maximise revenues from other types of sales, in 2013 the Company management has increased the effectiveness of other types of activity.

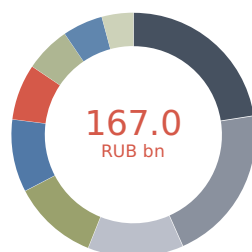
In 2013, the earnings and revenues from uncoupling and repair services on private railcars continued to grow. This trend is driven by the following factors: the transfer from a fixed (average) price for railcar repairs performance to a valuation of actual expenses was made in agreement with the major owners of rolling tracks, which allowed for the full application of working cost to expenses connected with the repair of each railcar. In addition, the final payment for duplicate parts purchase, with their further repair and installation, is made by the owners of the rolling stock. The impact of these factors, along with the rise in the number of private freight railcars parked to 48.7 thousand, and the increase of the current uncoupling repairs volume by 30%, enabled additional revenues from rolling stock repair of RUB 6.5 billion.

To avoid a tariff imbalance in services from regulated segments (such as transmission of electrical energy to outside consumers, and housing and utilities infrastructure services), Russian Railways works alongside the Federal Tariff Service and Regional Energy Commissions to set economically feasible tariffs.

According to the results of the 2013 campaign on the services of electrical energy transmission to the outside consumers, the level of required gross revenues has significantly increased in Omsk region, Krasnodar Krai and Zabaykalsky Krai.

REVENUES FLOWS FROM OTHER TYPES OF ACTIVITIES, RUB BN.

REVENUE STRUCTURE ON OTHER TYPES OF ACTIVITIES, RUB BN.



- Services for JSC FPC
- Services for SPC
- Other
- Repair of rolling stock
- Technical and economic assessment
- Property rent
- Social services
- Electric-power transmission
- Metal scrap

In the area of housing and utilities infrastructure services provision, Russian Railways managed to achieve a rise in tariffs for the Kursk region (+13% over the previous year); in Zabaykalsky Krai and in the Khabarovsk Territory. Alongside this was the transfer of ineffectively used domestic facilities to other regions (the heat and water supply facilities of the Amur Region and the water supply facilities of the Khabarovsk Territory and the Sverdlovsk Region were transferred to the Republic of Bashkortostan).

The aforementioned work facilitated a RUB 0.6 billion improvement in financial results.

Work on the measured tariff policy on rent and control of passenger locomotive to long distances and multiple units in suburban traffic in the aggregate with implementation of measures on internal efficiency increase continues (in 2013, over 400 sections of unclaimed rolling stocks were put in dead storage). Also underway is work on economic efficiency by means of rolling stock modernisation and the introduction of a pilot project on the transfer of locomotives to a complete maintenance service. In addition, the increase of passenger locomotive park management effectiveness has provided volumetric data based on locomotives in an operating park in the calculations of JSC FPC in 2013.

The implemented measures have allowed a RUB 1.6 billion reduction in losses from the rolling stock rental services provided to suburban passenger companies, as well as increased earnings from the rent of long-distance locomotives by 5.5%.

Simultaneously, the volume of rolling stock rentals for both suburban and long-distance traffic has decreased by 5%. However, this is not a consistent trend in every region. The Moscow region in particular has maintained its 2012 volumes in suburban traffic, while at the same time in some regions where the issue of subsidy appropriation by the suburban passenger companies is still unresolved, transportation volumes were significantly reduced – in some cases, by as much as 30%). This includes the Chelyabinsk Region, the Kurgan Region, the Vologda Region and the Kirov Region.

The work on finishing reconstruction of Moscow junction and on putting new stations into operation for the 2014 Olympic Games 2014 (Adler, Estosadok and Olympic Park) is in process. This allowed for increased revenues from the rent of real estate, first class services provided to passengers and use of parking areas.

Some services were outsourced in order to increase their effectiveness and quality. The implementation of projects by network operators (arrangements for feeding and retail trading, vending machines) continues, and the use of new technologies was expanded – in particular, the installation of automated left-luggage facilities at stations. These measures allowed the Company to increase its earnings by RUB 0.3 billion.

Despite a reduction in freight handling volumes due to the completion of Olympic facilities construction, the work with cargo shippers on new customer acquisition and on the accumulation of freight handling shares by Russian Railways subsidiaries continues; and the implementation of complex transport-logistic service operation on cargo transshipment in docks is underway. These measures have facilitated additional revenues from client services of RUB 0.9 billion.

Taking into account the perspective of further growth of other types of activities in 2014 and the after years, the Company's management team will make the best use of internal reserves to increase the effectiveness of other types of sales and external markets environment to support the trend towards stable growth in of other types of activity.