

## Cooperation with Public Authorities



### Government Support of Investment Projects

In 2012 the Government provided JSC "RZD" with special purpose funds to construct facilities for the XXII Olympic Games 2014 in Sochi and to implement the project "Development of the Transport System of Moscow and Moscow Region". The government is financing the ongoing construction of railway tracks and the electrification of the Vyborg-Primorsk-Ermilovo section, which will be used for cargo transportation following the creation of the high speed connection between Saint-Petersburg and Helsinki. Funds are also allocated to develop the infrastructure of the Gremyachaya Station, which forms part of the Azov-Chernomorsky transportation hub.

JSC "RZD" also received subsidies for the overhaul of public railway infrastructure facilities.

Projects "Organization of High Speed Traffic of Passenger Trains at the Saint-Petersburg — Buslovskaya Section of the Oktyabrskaya Railway" and "Reconstruction of Oune — Vysokogornaya Section, Including Construction of a new Kuznetsovsky Tunnel at the Komsomolsk-on-Amur — Sovetskaya Gavan Section" initiated by JSC "RZD" are funded by the Investment Fund of the Russian Federation.

### KEY AREAS OF COOPERATION BETWEEN JSC "RZD" AND PUBLIC AUTHORITIES IN 2012:

Elaboration of JSC "RZD" long-term development strategy

Determination of JSC "RZD" investment project priorities

Funding of investment projects related to the development of public railway infrastructure, transportation safety, renovation of the rolling stock fleet

Development of a long-term tariff regulation model for freight and passenger transportation

Participation in the preparation of documents related to the railway transport reform

### Determination of Priority Projects

The construction of a high speed railway line Moscow — Saint-Petersburg (HSRL) and the modernization of the Baykalo-Amurskaya railway were named among the priority projects at the meeting on the prospects of railway infrastructure development held at the Rizhsky railway station on 26 April 2012. President V.V. Putin reiterated that the funding issue with respect to these projects needed be resolved urgently.

The decision was taken to set up an interagency railway transport development working group in order to discuss, among other topics, JSC "RZD"'s priority investment projects up to 2020 and the build-up of an investment funding base.

In the medium term the Company will continue to focus on projects related to transportation safety, as well as railway infrastructure and rolling stock modernization.

The development of the United Transport Logistics Company (UTLC) and the development of the transportation system between the countries of the Custom Union and the Common Economic Space of Russia, Belarus and Kazakhstan are among the important long-term projects.

### Build-Up of the Funding Base

In order to build up a funding base, government guarantees, bond loans, financial facilities of the Pension Fund of the Russian Federation and the Fund of National Prosperity and issue of infrastructure bonds are now under consideration.

The main funding principles for the long term:

- ▶ renovation of the Company's fixed assets: in line with the depreciation charge;
- ▶ implementation of commercially effective projects: within the level of borrowed funds;
- ▶ implementation of commercially ineffective projects: within the level of government funds.

Following the meeting in Kemerovo attended by V.V. Putin, JSC "RZD", Vneshekonombank and major cargo consignors signed an agreement to attract finance for investments in the railway infrastructure. Long-term liabilities of the cargo consignors are connected to the obligations of JSC "RZD" to modernize infrastructure, partly through the investment support of public development institutes.

## Tariff Regulation

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Following the meeting in Kemerovo on 5 August 2012, Chairman of the Russian Government, D. A. Medvedev, instructed the respective Ministries to develop, in cooperation with JSC "RZD", proposals to introduce long-term railway tariff regulation methods.

The Ministry of Economic Development of the Russian Federation was instructed to assume a 7% tariff adjustment in 2013 and a tariff adjustment, not exceeding the inflation rate, in 2014 for the 2013-2015 forecast of social and economic development of the country.

## Other Types of Direct Government Support

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Funds, according to the Decree of the Government of the Russian Federation No 844 dated 17 October 17 2011 on the compensation of revenue losses resulting from government regulation of tariffs for the use of public railway infrastructure services in passenger suburban transportation, remained at the same level. As in 2011, RUR 25 bln were provided from the federal budget for those purposes in 2012.

The Federal Law on Budget provides for the funding of new motor vehicles transportation via railroads as part of its support of Russian motor vehicle manufacturers. In 2012, these funds amounted to RUR 2,774.6 mln.

Furthermore, government funds (totalling RUB 1 bln are allocated:

- ▶ to help protect railway infrastructure against illegal interference;
- ▶ to compensate revenue losses resulting from the establishment of an exclusive tariff for the transportation of grain, flour and cereal products;
- ▶ to compensate revenue losses resulting from tariff regulation of passenger long distance transportation (open-plan and sitting cars);
- ▶ to compensate revenue losses resulting from the social service transportation of pupils and students.

## Draft Laws and Regulations

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The Federal bills "On Amendment of the Federal Law Charter of Railway Transport of the Russian Federation" and "On Railway Transport of the Russian Federation" were developed in cooperation with the Ministry of Transport of the Russian Federation and introduced in the Government of the Russian Federation. The bills specify legal regulation of the railway transport's economic activities and are aimed at improving market competition.

The federal bill "On Amendment of Certain Legislation Acts of the Russian Federation Related to Transport Safety Issues" covers the comprehensive settlement of issues related to transportation safety through inspection procedures.

A draft of the Concept of Suburban Passenger Railway Transportation Development was developed in cooperation with the Ministry of Economic Development. It was examined at the session of the Governmental Transport and Communications Commission (chairman: deputy chairman of the Government of the Russian Federation, Mr. A. Dvorkovitch) and was supported by the Civic Chamber of the Russian Federation. According to the Concept, a government order is a mechanism for funding suburban passenger transportation services and public railway infrastructure services. The Concept imposes on the constituents of the Russian Federation absolute obligations for the determination of economically sound tariffs for passenger transportation and for the compensation of revenue losses of suburban passenger services companies resulting from government tariff regulation. Furthermore, the Concept provides for improvement in laws regulating fare evasion on the suburban railway transport.

Implementation of the Concept will lead to a significant increase in the quality of suburban passenger railway services used by more than 10 million people.

**73.4** RUR bln

JSC "RZD"'s investments in projects instructed by the Russian Government

Government financial support received by JSC "RZD" in 2012

**152.1** RUR bln

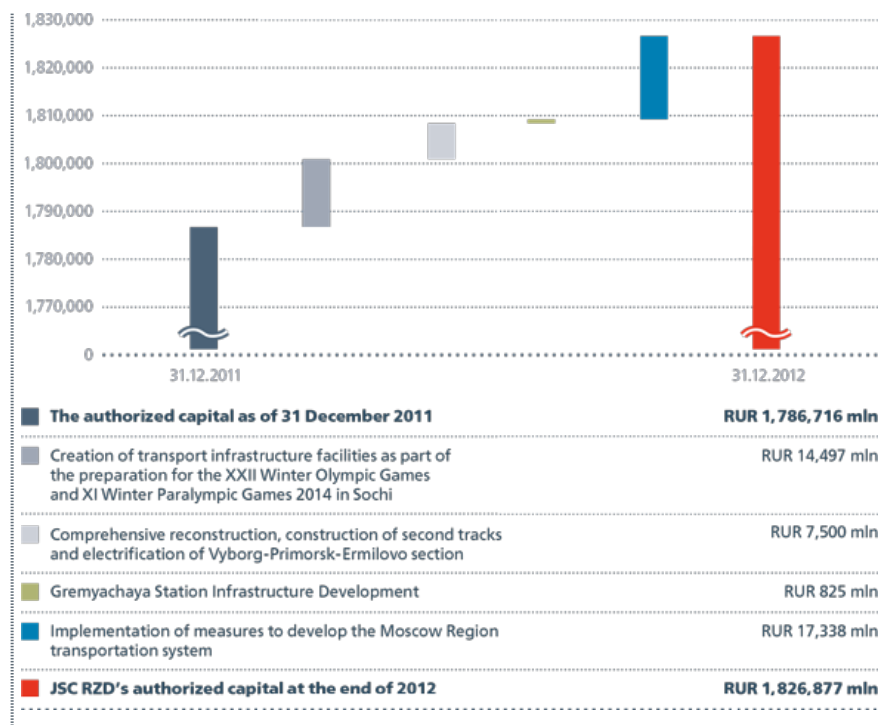
Of which RUR 25 bln is for the compensation of revenue losses resulting from government tariff regulation of suburban passenger transportation

**JSC "RZD" achieved all targets related to projects connected with the instructions of the Russian Government**

## Changes in Statutory Activities

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CHANGES IN STATUTORY ACTIVITIES



The authorized capital of JSC "RZD" amounted to RUR 1,887,877 mIn at the end of 2012.

In addition, in Q4 of 2012 JSC "RZD" placed shares with a total value of RUR 60,832.676 mIn in favor of the Russian Federation in accordance with the Decree of the Government No 2427-p dated 19 December 2012. However, those amendments in the Company's Charter will not be registered by the tax authorities until 2013.

The funds mentioned above are to be used as follows:

- ▶ RUR 34,925.94 mIn on the construction of transport infrastructure facilities as part of the preparation for the XXII Winter Olympic Games and XI Winter Paralympic Games 2014 in Sochi;
- ▶ RUR 25,906.736 mIn to implement measures to develop the Moscow Region transportation system.