

## Investment Activity

The “Russian Railways” approach to its investment program plan has changed dramatically. In 2012, the Company and the government revised their views on how to identify financing sources for the investment program of “Russian Railways” and the selection of priority guidelines for the development of the railway infrastructure.

Decisions determining the direction of the long-term investment policy of JSC “Russian Railways” were made at meetings with the participation of the Head of the State and Prime Minister of the Russian Federation.

The agreement on investments in railway infrastructure linked to long-term commitments of consigners was signed at the first meeting in Kemerovo. The outcomes of the meeting in Moscow in Riga railway station included the following decisions: firstly, priority is given to the government to determine the allocation of investments; and secondly, agreement on the basic principles for financing investment projects in the long term. The corresponding order of the Prime Minister was also issued.

In light of these decisions and the predicted transportation volumes, the General scheme of JSC “Russian Railways” railway network development for the period up to 2020 (hereinafter, the general scheme) was established. It was subsequently adopted at the meeting of the Scientific and Technical Board of JSC “Russian Railways”. A forecast for the transportation volume of certain types of freight was made on the basis of intra- and inter-industrial balances of industry branches requiring large scale transportation. The data were used to determine the needs for infrastructure development and to forecast the long-term investment budget for JSC “Russian Railways”.

Internal procedures are being worked on to improve the transparency of planning, the development of the investment program and the budgeting of the JSC “Russian Railways”, and to improve the control of the implementation of the investment budget.

In accordance with the principles of financing long-term investment projects the criteria for dividing the projects into groups has been determined:

- ▶ provide commercial effectiveness for JSC “Russian Railways”
- ▶ do not provide commercial effectiveness for JSC “Russian Railways”, but their implementation is reasonable in view of the multiplier effect for the country’s economy,
- ▶ do not provide commercial effectiveness for JSC “Russian Railways”, but have an economic value for a limited range of areas of economic activity.

The proposals of “Russian Railways” to fund sources for railway infrastructure development projects have been presented to the Government of the Russian Federation and the respective ministries.

Investment program and projects have been consistently considered at the meetings of collegial bodies related to investment activities: the Working Group Board of experts on investment projects, Expert counsel on investment projects, and the JSC “Russian Railways” Investment Committee.

The JSC “Russian Railways” investment program for the medium and long term has been approved by the Government.

### INVESTMENT ACTIVITY

JSC “Russian Railways” budget investment activity outcomes:

Increased range of speed: increase in passenger trains up to 120 km/h of 5.0%; increase in freight trains from 90 km/h upwards of 9.0%;

430 km of rail road reconstructed;

The length of railroad sections beyond their serviceable life decreased to 20,540 km, 0.4% of the total length of the railroad;

The length of sections with excess tonnage and operating beyond their serviceable life decreased to 16.5% of the total length of the railroad (-0.4%);

The number of technical malfunctions of I and II categories decreased by -7.2%;

The level of pre-refusal status determination for signaling, blocking and centralization devices increased;

The number of car fleet failures decreased by 21%;

The length of non-stop train operations increased by +21 km;

The number of failures in electrification and power supply decreased by 8.3%;

Reconstruction of the network to accommodate high-speed movements: the total length of the network under 160 km/h is 398.2 km and below 200 km/h is 46.1 km;

Seven limiting inter-substations with a total zone length of 342.3 km have been removed from service.