

Administration of Assets of JSC "Russian Railways"

Upon the formation of the registered capital of JSC "Russian Railways" 356,800 of 420,200 real estate items (about 85%) were registered under the ownership of JSC "Russian Railways" as part of 8,622 structures (production and processing facilities, hereinafter referred to as "PPF").

Specific aspects of registration of JSC "Russian Railways" property

Registration of real estate items included in the PPF prevents their disposal, which delays the registration of the items in the registered capital of the Company's subsidiaries and affiliates and its ability to transfer non-core items into civil ownership.

To enter into transactions with real estate items registered as part of the PPF, the PPF needs to be dissolved, which requires a technical inventory and state registration of all real estate items.

The decision to dissolve all PPF according to a schedule was adopted by JSC "Russian Railways" on 29 June 2007.

3,462 PPFs have since been dissolved (40.2% of their total number). 134,966 real estate items have been removed from the PPFs.

Contribution of property in subsidiaries' registered capitals

Since its existence, the Company has transferred 23.4 real estate items to the registered capital of JSC "Russian Railways" subsidiaries established in the course of the sectoral reform.

As of 1 January 2013, the total registered capital of JSC "Russian Railways" subsidiaries exceeded RUR 234 bln.

JSC "Russian Railways" transferred a significant amount of real estate to logistics and trade companies (5.3 th. items to OJSC Railway Trade Company), construction companies (4 th. items to OJSC Roszheldorstroy), rolling stock repair and maintenance companies (1.4 th. items to OJSC Zheldorremmash).

2.7 th. real estate items were transferred to OJSC Federal Passenger Company, established in 2010.

Land management

JSC "Russian Railways" uses right-of-way land with a total area of 969 th. ha.

More than 6.9 land plots with a total area of more than 35 th. ha have been registered as JSC "Russian Railways" property.

Federal property rights have been registered in respect of 7,240 land plots with a total area of 959 th. ha (98.9% of the total area of such land plots). Lease agreements have been entered into with regional offices of the Federal Agency for State Property Management in respect of 7,054 land plots (with a total area of 956 th. ha).

At year-end 2012 JSC "Russian Railways" revenues from the sub-lease of the land plots was RUR 463.1 mln.

Receipts from administration of the company's property

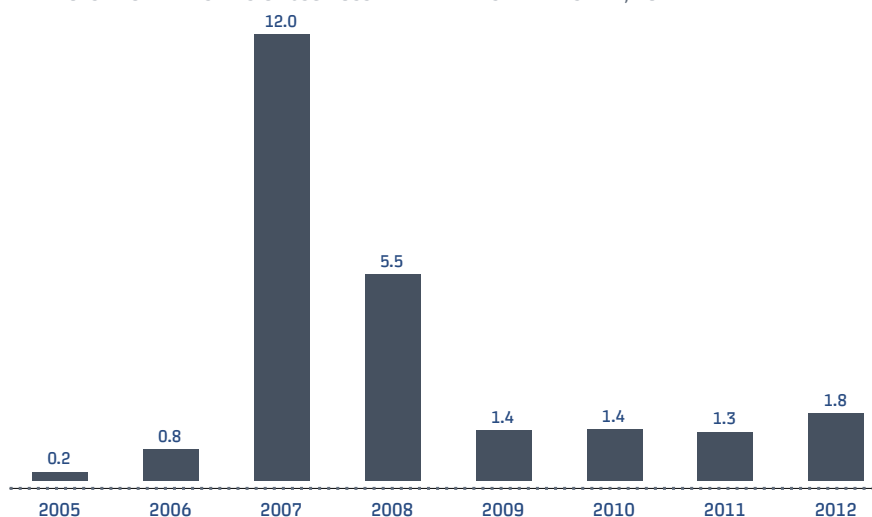
In 2012, the Holding Company began to form a bank of leasable land plots. Primarily, the focus is on non-core and/or unused leasable items that may be put into civil circulation. The Company monitors the real estate market in order to ensure rents are maintained at market levels.

As of the end of 2012, almost 2 mln sq. m. of non-core and/or unused real property items were leased.

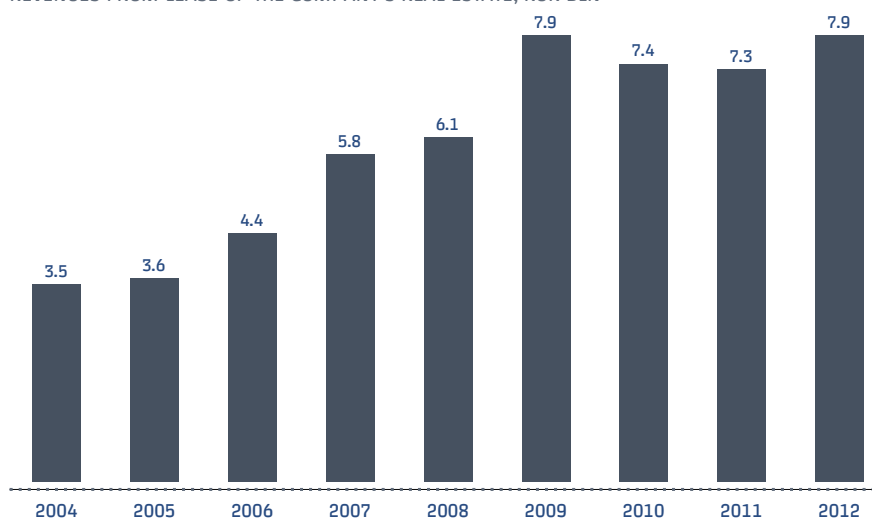
By virtue of law, transport companies are obliged to accommodate employees of some state bodies free of charge (for example, the transport police, customs authorities). In this case JSC "Russian Railways" is reimbursed for the cost of the maintenance of the leased premises, which is taken into account in determining the tax base (for income tax). In addition, the tenants undertake the obligation to maintain and repair the premises.

In 2012, JSC "Russian Railways" started to agree with interested parties a compensation scheme for the Holding Company's shortfalls in income from the use of its property to carry out state functions.

REVENUES FROM THE SALES OF JSC RUSSIAN RAILWAYS' REAL ESTATE, RUR BLN



REVENUES FROM LEASE OF THE COMPANY'S REAL ESTATE, RUR BLN



Property aspects of international projects

A number of railway infrastructure facilities are located in foreign countries. The property rights of the Russian Federation should be protected in respect of such facilities.

In 2012, JSC "Russian Railways" facilitated the signature of a lease agreement in respect of land occupied by Russian transit railway lines passing through the territory of Kazakhstan. The agreement has been signed by Kazakhstan.

After approval by the Federal Agency for State Property Management, the rights of the Russian Federation to the property of the Russian transit railway lines located in Kazakhstan will be registered.

The transit line agreement was provided for by the Agreement between the Government of the Russian Federation and the Government of the Republic of Kazakhstan on the legal regulation of railway companies, institutions and organizations.

The Holding Company intends to intensify negotiations and developments of a similar mutually accepted intergovernmental agreement between the Russian Federation and the Ukraine.

Rights to the railway property located in Lugansk and Summy Regions of Ukraine should be divided.

Creation of the regulatory property management system

Regulatory framework for JSC "Russian Railways" property management (key documents):

- ▶ The Civil Code of the Russian Federation;
- ▶ Federal laws No. 208-FZ dated 26 December 1995 "On Joint Stock Companies", No. 17-FZ dated 10 January 2003 "On the Railway Transport of the Russian Federation," No. 18-FZ dated 10 January 2003 Charter of the Railway Transport of the Russian Federation, No. 29-FZ dated 27 February 2003 "On Specifics of the Railway Property Administration and Disposal";
- ▶ Decrees of the Government of the Russian Federation No. 384 dated 18 May 2001 "On the Program

of the Structural Reform in Railway Transport”, No. 585 dated 18 September 2003 “On the Establishment of Open Joint Stock Company “Russian Railways”, No. 57 dated 06 February 2004 “On the Limited Circulation of the Property of Open Joint Company “Russian Railways”, No. 738 date 03 December 2004 “On the Management of Federally-Owned Shares of Joint Stock Companies and Special Right of the Russian Federation to Participate in the Management of Joint Stock Companies (a Golden Share)”;

- ▶ the Company’s by-laws, including the Regulation on the Management Procedure for the Property of JSC “Russian Railways” approved by Order No. 150 dated 17 November 2008 of JSC “Russian Railways”.

JSC “Russian Railways” sent to the Government of the Russian Federation proposals to amend Article 8 of the Federal Law “On Specifics of the Railway Property Administration and Disposal” and the Decree of the Russian Government “On the Amendment of the Decree of the Russian Federation” No. 57 dated 6 February “On the Limited Circulation of the Property of Open Joint Company “Russian Railways”.

The proposed amendments to the law will remove limitations to the circulation of property readily investable by the market and to property that needs external investment.