

Year in Review and Key Corporate Events

Structural Transformations

Tasks:

Establish a competitive corporate structure, ensure administration and maintenance of the common railroad infrastructure and central supervisory control.

In Rail Transport:

- ▶ rail transport restructuring Program has been mainly implemented;
- ▶ reform of the industry has been extended for five more years (fourth stage of the reform);
- ▶ the state has determined principles for the long-term financing of the industry's infrastructure projects;
- ▶ the Holding Company has developed a model for regulatory (network) contracts and a concept for a reform of passenger transportation

At JSC "Russian railways":

- ▶ the Central Infrastructure Directorate started operating in full on 1 October 2012;
- ▶ large part of the management reform has been completed; it affects 1,000 units and 360 th. employees;
- ▶ chains of command have been created for all core activities;
- ▶ railways are now operating as regional centers of corporate management;
- ▶ 85 affiliates of JSC "RZD" have been incorporated into JSC "Russian Railways".

Infrastructure projects

Tasks:

Within the budget constraints, as a minimum, ensure elimination of bottlenecks, develop high-speed passenger transportation technologies and improve freight transportation performance.

22 Group enterprises and more than 500 allied suppliers manufacture rolling stock. Within the machine construction industry, rail machine construction is experiencing high growth rates.

Elimination of Bottlenecks:

- ▶ approaches to harbors have been extended at the ports of Novorossiysk (Black Sea), Ust-Luga (Gulf of Finland), Vanina and Sovetskaya Gavan (Tatar Strait of the Sea of Japan);
- ▶ activities to extend approach roads to China via Zabaikalsk continue;
- ▶ the reconstruction of the Kuznetsovsky tunnel at the Baikal-Amur mainline has been completed; the capacity of the section will triple;
- ▶ work has started to upgrade Russia's largest Moscow Rail Junction;

Passenger Transportation:

- ▶ intermodal hubs have been set up in Vladivostok and Sochi;
- ▶ The Holding Company is building the transport infrastructure for the winter Olympic Games in Sochi.
- ▶ High-speed transportation:
 - ▶ Since their launch, Sapsan trains have transported 7 mln passengers, and Allegro trains, more than 570 th. people;
 - ▶ by order of JSC "RZD", localized production of Lastochka electric trains (Siemens Desiro RUS) has started;
 - ▶ by order of JSC "RZD", production of EP20 high-speed passenger electric locomotives has started.

JSC "RZD" has purchased Granit electric locomotives able to haul superheavy trains.

International co-operation

Tasks:

Development of Russia's transit potential, integration of the national railway network into the Eurasian transport system.

- ▶ JSC "RZD", JSC "NC "Kazakhstan Temir Zholy" and SA "Byelorussian Railways" set up the United Transport and Logistic Company (UTLC).
- ▶ A project for a new Eurasian transport corridor with 1,520 mm gauge railway extension to Bratislava and Vienna and the building of an international logistics center in the Vienna/Bratislava area is being developed with the railway authorities of Austria, Slovakia and the Ukraine.
- ▶ Reconstruction of the Khasan (Russian Federation) — Rason (DPRK) railway section continues.
- ▶ Service along the Tabriz — Azar Shahr (Iran) railway line has started.
- ▶ JSC "RZD" is implementing projects to develop and upgrade the railway infrastructure of Serbia and Armenia. Possibilities to implement projects in Nicaragua, Ecuador, Namibia, Kuwait, Ethiopia, Kenya, India, Vietnam, Indonesia are being considered.
- ▶ Projects to develop railway and multimodal transportation (including railway ferry services) are being implemented in co-operation with partners in Kazakhstan, the Ukraine, Belarus, Finland, Slovakia, Germany and China.
- ▶ President of JSC "RZD", V.I. Yakunin, was unanimously elected as chairman of the International Union of Railways for 2013-2014 with a possibility to extend the term of powers for a further two years.
- ▶ President of JSC "RZD", V.I. Yakunin, was awarded the Order of the Merit for the Italian Republic, Grand Officer level.

Innovation

Tasks:
Upgrading the technological base for the development of the Company's core activities.

- ▶ More than RUR 7 bln were allocated for R&D (0.53% of the revenue of JSC "RZD").
- ▶ JSC "RZD" is one of few companies in Russia where the R&D expenditure level matches the expenditure of global companies.
- ▶ In 2012, innovative solutions were used in:
 - ▶ the development of intelligent transportation control systems;
 - ▶ service quality management;
 - ▶ the monitoring of the state of fixed assets and processes.
 - ▶ the Common Network Process was developed to ensure transportation in market conditions.
- ▶ by order of JSC "RZD", the production of advanced high-speed passenger trains and new mainline electric locomotives was localized. By 2016, the company will purchase 625 electric trains.

Social responsibility

Tasks:
The level of corporate social responsibility must match the scope and geography of JSC "RZD" activities, its status as the national carrier and as one of Russia's largest companies.

Economical:

- ▶ retained its position as one of the global transport market leaders;
- ▶ financed key investment projects in Russia and abroad to the benefit of Russia and JSC "RZD";
- ▶ accounted for 1.74% of the Russian Federation's GDP;
- ▶ transferred taxes to budgets of all levels amounting to RUR 256 bln;
- ▶ paid dividends based on the results of 2011 amounting to RUR 4,205 mln.

Environmental:

- ▶ continued to favour green technologies and undertake new construction in an environmentally responsible way;
- ▶ has invested RUR 2.4 bln in projects with an environmental component and allocated RUR 2.9 bln to nature protection and resource saving activities;
- ▶ achieved its targets to reduce environmental impact.

Social:

- ▶ was the largest commercial employer in Russia;
- ▶ fulfilled its obligations under the Bargaining Agreement and Industrial Agreement of rail transport organizations;
- ▶ from 2005 to 2012, allocated RUR 623 bln to fulfill its obligations under the Bargaining Agreement;

- ▶ increased payments to employees in line with labor efficiency and inflation rates;
- ▶ provided relevant employees with housing and granted housing subsidies;
- ▶ ensured supplementary medical and pension insurance;
- ▶ promoted a healthy lifestyle and fostered mass and children sports;
- ▶ financed one of the country's best football teams — Locomotive FC.