

Revenue

In 2016, the Company's operating revenues were RUB 201.2 billion, up 11.0% year-on-year, with 3.9% more passengers carried as compared to 2015.

CHANGES IN OPERATING REVENUES, RUB BILLION

Indicator	2014	2015	2016	2016/2015, %
Operating revenues	185.6	181.2	201.2	111.0
passenger transportation	164.2	160.0	180.1	112.6
• in the deregulated segment	79.3	73.9	85.6	115.9
• in first-class and compartment carriages	59.4	58.5	70.2	120.1
• international services	19.8	15.4	15.4	99.8
• in regulated segment	85.0	86.1	94.5	109.7
• passenger transportation	76.8	79.2	87.7	110.7
• in third-class sleeping carriages	73.7	74.8	82.5	110.3
• in third-class sitting carriages	3.1	4.5	5.2	115.7
• baggage, unaccompanied baggage, and mail transportation	8.1	6.9	6.8	99.3
other activities	21.4	21.2	21.1	99.4
• repair and maintenance of non-owned rolling stock	2.3	2.2	2.1	94.8
• provision of additional on-train services	11.6	11.3	11.3	100.6
• premium services	3.0	2.9	3.1	105.2
• bed sheets on trains	7.7	7.7	8.2	106.5
• tea, confectionery and printed media sales	0.9	0.6	0.04	6.6
• other lines of business (property lease to third parties, agency contracts)	7.5	7.8	7.7	99.0

Revenue from passenger transportation

In 2016, revenue from passenger transportation increased to RUB 180.1 billion, up 12.6% year-on-year. One of the key drivers behind this growth was an additional price indexation of 7.3% vs 2015, pursuant to a decision

of the Russian Government to amend paragraph 2 of Article 164 of the RF Tax Code to set a VAT rate of 10% for long-distance public rail services for passengers and baggage (Federal Law No. 386-FZ dated 29 December 2015).

Revenue in the deregulated segment increased to RUB 85.6 billion, or by 16.4% from 2015.



Revenue from domestic services was RUB 70.2 billion, up 20.9% year-on-year. This growth was driven by higher passenger turnover in the segment (up 7%), price indexation (+5%), and an additional indexation of 7.3% vs 2015.

In 2016, international traffic continued to decline, particularly on trains made up in the CIS and Baltic states (down 10.8% year-on-year), which negatively affected the related revenue. At RUB 15.4 billion, it was 99.8% of the 2015 level.

Revenue in the regulated segment totalled RUB 94.5 billion, up 9.3% year-on-year.

Revenue from domestic passenger rail services in the regulated segment was RUB 87.7 billion, an increase of 10.3% year-on-year. The increase was driven by higher passenger turnover in the segment (up 3.8%), price indexation (+4%), and an additional indexation of 7.3% vs 2015.

Revenue from baggage, unaccompanied baggage, and mail transportation totalled RUB 6.9 billion, down 2.7% year-on-year. The decrease was due to a decline in baggage and unaccompanied baggage turnover in the Company's own and leased baggage carriages by 9.6% year-on-year and tariff indexation by 4%.

VAT rate change

In order to reduce the burden on the federal budget and support the Russian mechanical engineering

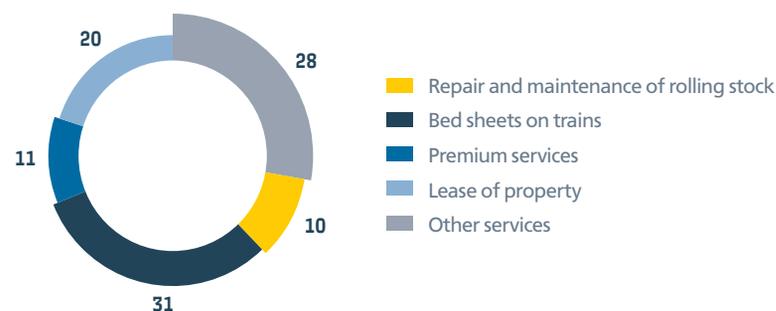
sector, Federal Law No. 401-FZ dated 30 November 2016 amended the Tax Code of the Russian Federation to set a VAT rate

of 0% for long-distance public rail services for passengers and baggage for the period between 2017 and 2029.

Revenue from other activities

Other business activities include repairs of non-owned rolling stock, additional on-train services, leasing rolling stock and real estate to third parties, etc.

Breakdown of revenue from other activities, %



In 2016, revenue from other activities totalled RUB 21.1 billion, down 0.6% year-on-year.

At the same time, in 2016, the demand for leasing of carriages to third-party clients was down by 3.7% year-on-year, and the demand for repairs of non-owned rolling stock dropped by 5.2% as compared to 2015, resulting in a considerable decline in revenue from other activities over the year.

In 2016, revenue from other activities accounted for about 10.5% of the total revenue, against 11.7% in 2015.